



Accounting and Control Policies
Capitalization Policy

Policy Number: 21

Responsibilities This table lists the responsibilities for this Policy:

Position	Responsibility
Business Units	<ul style="list-style-type: none"> ▪ Capitalizing costs incurred using the capitalization criteria ▪ Updating the FC and TECO status of capital orders ▪ Controlling the use and security of movable and fixed assets in its possession ▪ Periodically reviewing the retirement unit catalog/capitalization guidelines and proposing catalog/capitalization guidelines changes to Property Accounting
Chief Accounting Officer and Controller	<ul style="list-style-type: none"> ▪ Administering this Policy
Director of Financial Accounting	<ul style="list-style-type: none"> ▪ Reviewing proposed capital assessment programs to vet the probability of regulatory recovery before costs are planned and incurred
Property Accounting	<ul style="list-style-type: none"> ▪ Maintaining the retirement unit catalogs/capitalization guidelines ▪ Providing assistance to the Business Unit with questions on capitalization ▪ Transfer of like replacement costs to maintenance expense as needed ▪ Reviewing and approving all proposed changes to the definition of an RU within the retirement unit catalog/capitalization guidelines

Definitions This table provides definitions of terms used in this policy:

Term	Definition
Betterment	<p>Cost incurred to replace an SMI with a nonequivalent SMI or an SMI modification without replacement <u>AND</u> the <u>primary aim</u> is to make the affected RU more efficient, of greater durability, or of a greater capacity <u>AND</u></p> <p style="padding-left: 40px;">(A) The total installed expenditure for the SMI is 20% or more of the total installed cost of the RU to which the SMI is related (provided such SMI expenditures exceeds \$25,000), or</p> <p style="padding-left: 40px;">(B) The SMI expenditure is \$250,000 or more.</p>
Business Unit	The functional operating area that maintains and reports operating financial information.

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Term	Definition
Capital Assessment	Assessment costs incurred in conjunction with a major rehabilitation project intended to extend the life of an existing retirement unit beyond the original useful life.
Company	CenterPoint Energy, Inc.
Construction Complete Not Classified (CCNC)	General ledger and FERC account reflecting original cost of utility plant owns and used in utility operations, prior to determination of final retirement units.
Director of Financial Accounting	A Director in accounting who is responsible for oversight of one or more accounting managers who maintain the books of a Business Unit.
Entity	The Company or any corporation, partnership, trust, joint venture, firm, association, unincorporated organization, legal entity, or other enterprise in which the Company holds, directly or indirectly, a greater than 50% control.
Field Complete (FC)	FC applies to assets that are substantially complete and ready for intended use.
Financial Planning	The organizations within each Business Unit assigned the responsibility of planning and financial analysis
Less Than Substantial Minor Items of Property (LSMI)	Items that are parts of an RU or SMI.
Plant in Service (PIS)	General ledger and FERC account reflecting original cost of utility plant owned and used in utility operations and classified into distinct retirement units.
Property Accounting	The department responsible for the accounting and reporting of capitalized Company property, including assets under construction.
Retirement Unit (RU)	The basic units to which the capital assets of the Company are identified. An RU is the smallest item of property, which, on replacement or removal from service, is removed from the capital assets records. An RU may be an item (a 35 foot wood pole), a group of items (yard lighting system), or a unit of measure associated with bulk material (pounds of copper conductor or foot of pipe). Unit costs are associated with each RU (a 35 foot wood pole @ \$77.56 each installed or bare copper conductor @ \$2.1136 per pound installed). Each Electric or Gas RU has an identifying code and is listed in the corresponding Retirement Unit Catalog.

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Term	Definition
Substantial Minor Items of Property (SMI)	Items that are part of an RU. Examples include the following: <ul style="list-style-type: none"> • Crossarm • Gas monitoring equipment on main power transformers • Switch interrupters
Superior Project	A large multi-phase construction project that is associated with multiple work orders.
Technically Complete (TECO)	TECO is an order status in SAP which should be updated by the business unit when appropriate. A TECO'd work order should include installed materials and any required retirement components.
Titles, Offices, and Officers	Those of the Company unless otherwise specified.

Authorization The Controller will make final determination on all exception items or items under special circumstances.

Compliance Employees must comply with this policy. Failure to comply with this Policy may result in disciplinary action up to and including termination.

Document History

Introduction This policy was implemented in separate components for the Business Units at various times.

Document history Below are at least the last three revisions of this document, including all revisions within the last three months.

Date	By	Description
12/2013	Manager, Accounting Research	Revised to address the capitalization of assessment costs per FERC (Docket No. AC09-27-000)
08/2014	Manager, Accounting Research	Removed weld-over sleeves from expensed items
12/2018	Accounting Integration Team	Modified policy to incorporate changes related to integration of legacy Vectren companies.
09/2019	Property Accounting	Removed designated minimum footages for mains from the excerpt from the Retirement Unit Catalog
07/2021	Property Accounting	Modified policy to incorporate changes related to enterprise integration.



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Capitalization of Computer Software Policy

Purpose

The purpose of this document is to ensure the integrity of financial data through appropriate capitalization of computer software costs. ASC 350-40 *Internal Use Software* is the source document for all accounting guidance included in this policy.

Note: This policy does not apply to any internally developed software that will be sold or marketed. See Controller for guidance.

Policy

The lifecycle of an internal use software project is separated into three stages. The accounting treatment of expenditures is based upon the stage. Costs of computer software that is developed or obtained for internal use may be capitalized only when a project is in the Application Development Stage, and all the following criteria are met:

- The costs meet the minimal cost and capitalization requirements as outlined in this policy
- Portfolio Management has verified that the project is budgeted and approved as part of the five-year capital plan or has received approval from the Executive Committee.
- The project has a useful life greater than one year
- Generally, software license costs must be paid upfront to qualify for capitalization. Licenses paid out over time must be evaluated by Accounting Research to determine if the agreement contains a financing component.

Expensed costs: All costs related to software development and incurred during the Preliminary Project Planning Stage and the Post-Implementation/Operation Stage, are expensed, not capitalized, regardless as to the nature of the cost.

Exception to expensed costs: First year maintenance in the year of initial deployment of new software can be capitalized.

When capitalization ceases

Capitalization of costs cease when a computer software project is substantially complete and ready for use.

Substantially complete includes a "Hypercare" phase for a reasonable period of time after the project has been transferred to the production environment. For most projects, four weeks is considered a reasonable time for hypercare. For larger projects, a request for an extended hypercare period can be approved by Property Accounting.

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Impaired cost If it is no longer probable the computer software will be completed and placed in service, no further costs are to be capitalized, and the costs previously charged to capital are expensed immediately.

Compliance Employees must comply with this policy. Failure to comply with this Policy may result in disciplinary action up to and including termination.

Minimal cost requirement The below table lists the minimum cost requirements.
Important: Each project must meet both the minimum dollar threshold and have a useful life of 1+ year(s) to be capitalized.

Source	Minimum Dollar Threshold
Purchased, including <ul style="list-style-type: none"> • Total licenses for LAN-based and enterprise software • Individual licenses for desktop software 	\$10,000 or greater
Internally developed software	\$100,000 or greater
Upgrades and enhancements to existing internally developed software resulting in additional specified functionality	
Implementation costs for cloud computing arrangements that are a service contract ¹	
Implementation costs for upgrades and enhancements to existing cloud computing arrangements that are service contracts, resulting in additional specified functionality ¹	

Project costs that are incurred, both internal and third party, during the Preliminary Project Stage and Post-Implementation/Operation Stage of the project are expensed, not capitalized.

Preliminary Project Stage The below table lists examples of activities that must be completed prior to entering the Application Development stage. Costs incurred in this stage must be expensed and not capitalized.

¹ Hosting fees for cloud computing arrangements and other SaaS fees continue to be expensed as incurred. The cloud arrangement term must be greater than 1 year to capitalize implementation costs.



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Description	Example Activities
Conceptual formation of alternatives	<ul style="list-style-type: none"> • Make strategic decisions to allocate resources between alternative projects at a given point in time. Example: Should programmers develop a new payroll system or direct their efforts toward correcting existing problems in an operating payroll system? • Determine the following for the computer software project it has proposed to undertake: <ul style="list-style-type: none"> ◦ Performance requirements (what software should do) ◦ System(s) requirements
Evaluation of alternatives	<ul style="list-style-type: none"> • Invite vendors to perform demonstrations of how their software will fulfill the project needs. • Explore other means for achieving specified performance requirements. Examples: Should the Company make or buy the software? Should the software run on a mainframe or a client server system?
Determination of existence of needed technology	Evaluate and perform activities to determine the performance and system requirements exist, as necessary.
Final selection from alternatives	<ul style="list-style-type: none"> • Select vendors if software is to be purchased. • Select consultants to assist in the development or installation of the software.

Application Development Stage

Costs incurred during the Application Development Stage and related to the purchase, design, development, configuration or testing of computer software may be capitalized. The project does not enter the Application Development Stage, and costs may not be capitalized, until all activities associated with the Preliminary Project Stage have been completed and documented on the Application Development Stage – Approval Form, which is retained by the Technology Strategic Planning and Portfolio Management Office. A form is required for all capitalized software development, regardless of whether the software was purchased with hardware².

² Purchases of hardware only do not require an Application Development Stage - Approval Form.



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Business Units/Departments should engage with IT when the need for a software solution has been identified. Once a project has been fully vetted and the Preliminary Project Stage is complete, IT will assist the Business Unit in the preparation and submission of the Application Development Stage – Approval Form.

This table lists examples of capitalizable activities when incurred during the Application Development Stage:

Description	Example Activities
External direct costs of materials and services consumed in developing or obtaining internal-use computer software	<ul style="list-style-type: none"> • Fees paid to third parties for services provided to develop the computer software during the Application Development Stage • Costs incurred to obtain computer software or hardware from third parties
Payroll and payroll-related costs for employees who are directly associated with and devoted time to the internal-use computer software project, to the extent of the time is spent directly on the project	<ul style="list-style-type: none"> • Hours spent by Information Technology employees on the development of the project • Core Team members, other than Information Technology employees, who have been substantially reassigned from their normal duties to spend time on the development of the project (for a duration of approximately 80 hours or more) • Travel expenses incurred by employees in their duties associated with developing software <p>Important: Hours spent by any employee related to general and administrative tasks, such as scheduling projects, hiring personnel, meeting with vendors or performing other administrative functions should not be capitalized.</p>
Training materials and other technical documentation	<ul style="list-style-type: none"> • Preparation of user manuals, computer-based training applications and documentation that relates to the coding or design.



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Allowance for Funds Used During Construction (AFUDC)	<p>The project should receive an allocation for AFUDC or Capitalized Interest.</p> <p>Important: It should not receive overhead allocations, general and administrative costs, maintenance costs or training costs.</p>
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**Post-Implementation/
Operation Stage**

This table lists activities that must be expensed and not capitalized:

Support of the Go-Live	<ul style="list-style-type: none"> • Convert and/or clean up data. • Train end users. • Maintain application after a reasonable Hypercare time period. For most projects, four weeks is considered a reasonable time for hypercare. For larger projects, a request for an extended hypercare period can be approved by Property Accounting.
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Allocation of third-party costs

Payments to third parties, incurred during the Application Development Stage, that contain elements of both capital and expense should allocate these costs appropriately to capital or expense based on the standalone selling price of the elements in the contract.

Alternative development methods

Technology projects are not always developed utilizing discreet, chronological stages. Some projects will be completed using an agile development method. Instead of a large-scale deliverable at the end of the project, smaller, fully functional product components are developed in sprints, which are typically measured in weeks.

When utilizing the agile development method, it is still required to distinguish the appropriate stage associated with each activity. Costs associated with activities considered preliminary-project and post-implementation stages are required to be expensed. Only costs associated with application development activities can be capitalized.

The established capitalization threshold is applicable to projects developed using the agile method. In aggregate, the entire project should meet the minimum dollar threshold for capitalization (\$100,000). Individual components of functionality comprised of one



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or multiple sprints may be less than \$100,000. As individual components are deployed to production, the costs will be unitized to plant-in-service. Each component will have a separate amortization schedule.

Responsibilities The table below contains position responsibilities:

Position	Responsibility
Chief Accounting Officer and Controller	<ul style="list-style-type: none"> • Administering this Policy • Reviewing exceptions to this policy that fall under special circumstances <i>Example:</i> GAAP requirements
Business Units/Departments	<ul style="list-style-type: none"> • Engaging IT for any identified projects for software purchases, developments, or enhancements. • Providing assistance to IT in the preparation of the Application Development Stage – Approval Form
Accounting Research	<ul style="list-style-type: none"> • Assisting Property Accounting regarding the proper accounting treatment of software purchases that contain a financing component.
Property Accounting	<ul style="list-style-type: none"> • Providing assistance to IT and the Business Units/ Departments to determine the proper treatment of computer software expenditures • Maintaining the Application Development Stage - Approval Form template • Approving exceptions to “Hypercare” guidance
Information Technology (IT)	<ul style="list-style-type: none"> • Advising the Business Units/Departments on proposed software projects • Providing adequate documentation to Property Accounting to support: <ul style="list-style-type: none"> ○ the stage of each computer software project and ○ the nature of each capitalizable costs coded to a capital software project during the Application Development Stage ○ extensions to “hypercare” guidance of four weeks • Discussing any financing arrangements or terms with Property Accounting and Research Accounting <u>prior</u> to executing agreements
Technology Strategic Planning & Portfolio Management	<ul style="list-style-type: none"> • Approving and retaining documentation to support the Application Development Stage Approval Form for each project • Verifying that each project has been properly budgeted and approved



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Document History Policy was implemented in January 2003

Below are at least the last three revisions of this document, including all revisions within the last three months.

Date	By	Description
10/2014	Manager, Accounting Research	Policy was revised to more clearly depict the three stages of computer software development and capitalization criteria for each stage.
12/2018	Accounting Integration Team	Modified policy to incorporate changes related to integration of legacy Vectren companies.
03/2020	Property Accounting	Minor updates, including additional references for updated guidance on cloud computing, ASU 2018-15.
07/2021	Property Accounting	Modified policy to incorporate change in technology department name. Minor formatting changes.



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General Expense and Reimbursement Policy

This General Expense and Reimbursement Policy (GE&R) document covers these topics:

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General Expense and Reimbursement Policy

Section 1 - Introduction

1.1 Purpose of Policy

The purpose of this document is to provide uniform guidelines relating to:

- Travel and general expenses incurred by employees on behalf of CenterPoint Energy and its subsidiaries (the Company)
- Travel and general expenses paid using Company authorized methods
- The procurement of goods and services using the OnePay Card

1.2 Scope of Policy

The policy applies to all individuals who incur travel, entertainment, and general business expenses on behalf of the Company.

Business Units may at their own discretion adopt more restrictive travel and expense procedures for their employees.

This policy cannot specifically cover all possible business circumstances. Employees should discuss with their immediate management the approval of any expenses that may be in question or not covered by this policy prior to incurring the expense.

1.3 Compliance

The Company assumes no obligation to approve expenses or reimburse employees for expenses that are not in compliance with this policy. If expenses are not approved and the OnePay card was used, the Company will take the necessary steps to recover funds from the employee. Further, non-compliance with the policy may subject individuals to disciplinary action up to and including termination of employment.

1.4 Policy Administration and Interpretation

This document is maintained and updated by the Vice President and Chief Accounting Officer (VP and CAO). For specific interpretation of General Expense requirements, contact the OnePay Compliance Line. For specific interpretation of Travel requirements, contact the Corporate Travel Manager.

1.5 Policy Exception

While expected to be occasional in nature, in those instances where expenditures addressed in this policy do not conform to the stated policy, approval of the exception must be obtained from the SVP of the respective business area. Where practical, the exception must be approved before the expense is incurred. All policy exceptions are required to be documented by the employee in the OnePay system.

1.6 Procedural Documentation and Training

Detailed documentation including step-by-step procedures for expense reporting, training, FAQs, contacts, and other information associated with CNP's integrated process for general expense and reimbursement can be found on the OnePay Portal on the CNP intranet.



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Section 2 - Ineligible Expenses

2.1 Ineligible Expenses

Employees are expected to exercise reasonable judgment with respect to business and entertainment expenses and are expected to spend the Company funds prudently. Business expenses will only be approved if they are reasonable, appropriately documented, properly authorized, and comply with this policy.

The following expenses will not be reimbursed under this policy (lists are not intended to be all-inclusive):

- Annual fees for personal credit cards
- Auto repairs for personal vehicles
- Baby-sitting
- Barbers and hairstylists
- Computer expenses (Such as desktops, laptops, printers, monitors, flat screens, and projectors)
- Computer software: See Technology Self Portal
- Employee relocation expenses
- Gambling
- Hotel or rental car club membership dues
- Lost baggage
- Meals and entertainment at adult entertainment locations
- Non-exempt employee overtime meal allowances
- Parking tickets or traffic violations
- Personal expenses incurred during business travel
- Personal expenses such as:
 - Accident insurance (domestic)
 - Entertainment
 - Reading materials (such as magazines, books, or newspapers)
 - Property insurance
 - Pet care
 - Political contributions
 - Services for personal devices (such as for cellular phones, tablets, and wifi) or personal residence (even if used for business purposes)
 - Shoeshine
 - Souvenirs and/or personal gifts
 - Towing charges associated with parking violations

Purchases that require warranty provisions, insurance requirements, on-site services, or vendor-supplied terms and conditions must be handled in accordance with the CNP Purchasing Policy.



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Section 3 - Documentation of Expenses

3.1 Documentation Requirements

The Company requires that all expenses incurred under this policy be substantiated with the following documentation.

General Expenses:

- Itemized receipts are required as supporting documentation on all expenses including out of pocket or OnePay card. Itemized receipts are defined as receipts that show the business name, date, item(s) purchased, price of each item, and the total amount of the bill.
- Mileage incurred must be calculated using the mileage calculator provided within Concur – this requires employees to input and record the start and end location of each trip.
 - Mileage will be reimbursed at the IRS established rate at the time the mileage was incurred
 - Under IRS regulations, employees will not be reimbursed for mileage associated with their normal commutes, regardless of their remote work location.
 - When an employee travels from their home to an off-site location, only the difference between the mileage to the off-site location and the mileage of the employee's normal commute is eligible for reimbursement. Employees must deduct the mileage of their normal commute when they claim mileage for travel from their homes to off-site locations.
- Vendor invoices and receipts must be legible and unaltered and must also include all supporting information provided by the vendor
- Employees are required to provide a business-specific description of the trip or expenditure into the reporting system
- The attendees and locations of any meals and entertainment expenditures must be submitted with the report documentation. All attendees must be electronically entered into the reporting system
- Business related transactions on a OnePay card that include a personal component must be appropriately documented and split between business and personal expense types
- In the event that receipts are not available for submission and cannot be submitted the expense may still be reimbursable if it is in accordance with this policy and the missing receipt process: Reference [Section 3.2](#) for more information.
- Inadequate supporting documentation may result in the denial of a payment or reimbursement

Travel Expenses:

- All air, lodging, and vehicle rental receipts are required and include the hotel folio.
- A copy of the employee travel itinerary showing reservations through Corporate Travel Services is required to be attached and will serve as air receipt. The itinerary should include:



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- The dates of departure and return for each trip
 - The destinations and locations (name of city or town)
 - The business purpose for the trip or expenditure
- Air / Rail receipts for services not booked through Corporate Travel Services or OnePay require the e-ticket showing passenger, routing, class of service and pricing.
- CNP Employee Family Member / Guest Travel Approval form (CNP258) properly documented and approved is required to be submitted with each expense report containing those specific costs.



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3.2 Missing Receipts

- In the event that receipts cannot be submitted, employees must:
 - Request copies of the receipts from the vendor(s)
 - Request copies of the CNP Corporate Travel Services itinerary and payment documentation
 - Utilize the missing receipt affidavit within Concur
 - Provide supporting payment documentation (credit card charge slip, credit card statements, cancelled check or other record of payment)
- A missing receipt form cannot be submitted for:
 - Airfare and Associated Charges (Baggage fees, etc.)
 - Lodging
 - Car rental
 - Cash Reimbursements
- Inadequate supporting documentation may result in the denial of a payment or reimbursement.

3.3 Timing of Trip Expense Report Completion and Submission

- The Company requires filing of trip expense reports on the OnePay System within 30 days after the date the trip was completed, or mileage was incurred.
- Employees must submit all out of town travel expenses for a single business trip on one expense report. These expenses include:
 - Airfare
 - Lodging
 - Car rental
 - Entertainment costs
 - Out of pocket expenses
 - Any other associated costs
 - Conference registration fees
 - Meals
 - Tips
- Employees on extended work assignments must file trip expense reports on the OnePay System monthly.
- Employees who do not submit their trip expenses within 120 days of the charge date will have their credit card limit reduced to \$1 and their credit card limit will not be returned until:
 - All outstanding credit card charges are submitted into OnePay for review and approval
 - The Business Unit Vice President sends a request to the OnePay Compliance group for reinstatement
 - The 120 day rule does not apply to credit card charges for future events



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3.4 Timing of General Expense Report Completion and Submission

- The Company requires filing of general expense reports in the OnePay System within the same month of the statement ending date for that billing period. This requirement means charges incurred on or before the 22nd of the month are to be filed in that month
 - Employees should only submit one general expense report per month
- Employees who do not submit their expenses within 120 days of the charge date will have their credit card limit reduced to \$1 and their credit card limit will not be returned until:
 - All outstanding credit card charges are submitted into OnePay for review and approval
 - The Business Unit Vice President sends a request to the OnePay Compliance group for reinstatement
 - The 120-day rule does not apply to credit card charges for future events
- Any out-of-pocket expenses older than 120 days will not be eligible for reimbursement

3.5 Retention of Documentation

- The employee entering the expense must ensure that documents have been scanned and are legible as a part of the OnePay System process
- Once uploaded into the OnePay system, the electronic version of the receipt is the official document of record for the expense
- The employee must properly dispose of the hardcopy receipt documents when his/her manager has approved his/her general and trip expense reports

3.6 Timing of OnePay Compliance Group Requests

- Employees who do not respond to written (email) requests from the OnePay Compliance group within ten (10) business days will have their credit card limits reduced to \$1 and their credit card limit will not be returned until:
 - A satisfactory response is received by the OnePay Compliance group
 - The Business Unit Vice President sends a memo to the OnePay Compliance group requesting reinstatement



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Section 4 - OnePay Card

4.1 Introduction

The Company maintains the OnePay Card program to:

- Minimize the out-of-pocket cost incurred by employees
- Reduce the number of accounts payable (AP) transactions by streamlining the procurement for certain business-related goods and services
- Provide employees with a method to pay for travel, meals, and entertainment expenses when on company business

All general business and travel expenses associated with company business should be incurred using a OnePay Card, unless expected to be minimum and infrequent. Manager approval is required for an employee to be issued a OnePay Card.

The OnePay Card is not intended for personal use. However, personal expenses incurred in conjunction with business use are permitted.

Reference: See http://mycenterpointenergy.com/files/114333_OnePay_Application_&ResponsibilitiesAcknForm.pdf to access the OnePay Card request form.

4.2 Appropriate Purchases for OnePay Cards

The OnePay Card should not be used for any items which are under contract, require procurement involvement, require the submission of a purchase requisition to Procurement Operations, or is available through the BuyRight catalog. See [Procurement Policy](#) for more information.

OnePay card holders are required to use their OnePay card for all general business and travel expenses associated with company business, which are subject to management approval. Examples of items where the OnePay Card should be used include (lists are not intended to be all-inclusive):

- Business travel
- Meals
- Catering
- Corporate event equipment rentals such as chairs, tables, tents, lighting, inflatable, etc.
- Conference / seminar fees
- Registration fees
- Training courses
- Entertainment
- Subscriptions / newspapers
- Books / reference materials
- Data retrieval services
- Offsite services
- Automotive parts and repair services on company vehicles
- Cellular service (for corporate owned devices) and equipment



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- Professional dues and licenses
- Gift certificates
- Event Sponsorships / Donations up to \$25,000 that have been approved through the Annual Contributions & Membership budget process. Amounts greater than \$25,000 require SVP approval.

4.3 Expenditure Limits for OnePay Card Use

Expenditure limits for OnePay card use will be established at the time of issuance and cannot exceed the authorization level of the approver as defined by the Authorization Policy. The standard default will be \$5,000 per transaction and an aggregate monthly spend of \$10,000. Management may approve a higher transaction / monthly limit for a cardholder when required to fulfill job duties.

It is a violation of this policy to divide a single transaction into separate components or to disaggregate related items for the purpose of circumventing the limits established by this policy.

Reference: See the [Authorization Policy](#) for more information.

4.4 Convenience Checks / Cash Advances

The Company restricts the use of the convenience check / cash advance feature of the OnePay Card. Request for use of this feature must be approved by the SVP and CAO or his/her designee.

4.5 Sales, Use, Excise and Other Applicable Taxes

OnePay Card users must pay applicable sales, use, excise or other applicable taxes to the vendor at the time of purchase.

4.6 Card Cancellation

- The employee must return OnePay Cards to management upon resignation or termination
- Management must collect, dispose, and cancel OnePay Cards upon employee / cardholder termination or resignation
- Management must process any outstanding charges that remain in the terminated employee profile in OnePay

4.7 Emergency or EOP

- Employees are authorized to purchase items on their OnePay Card outside of this policy that are time sensitive and impact their ability to effectively respond to the emergency
- See EOP Manual for additional guidelines or instructions



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Section 5 – Employee Reimbursement - Requestor Responsibilities

- Employees must electronically (online) attach all required receipts and / or required documentation and review it to ensure electronic receipts are complete, accurate, and legible in the OnePay System.
- **Reference:** See Section 3 for more information.
- Employees must use correct expense types when entering expenses into the OnePay System. Miscellaneous should only be used if no other expense type category fits the item being reimbursed. All transactions coded to the Miscellaneous account will require detailed descriptions and receipts.
- Employees must use a business-specific description of the reimbursement as required. The description is required to use appropriate business language and reflect the nature and purpose of the reimbursement.
- Business-related transactions on a OnePay Card that include a personal component must be appropriately documented and split between business and personal. The Company will be reimbursed for the personal component through an employee payroll deduction if the out-of-pocket amount owed the employee for business-related expenses is not sufficient to cover the personal expenditure.
- Employees must properly itemize expenses where required.
- List all attendees where required in the OnePay Reporting System.

Section 6 - Management Approval

Because of their familiarity with the expenses incurred for their cost center / project, management and approvers have the primary responsibility for ensuring that expenses are reviewed and approved in accordance with these criteria:

- The expense was incurred for the Company's business.
- The accounting information accurately reflects the proper company codes, general ledger accounts, cost object (cost center, internal order, WBS), amounts, etc.
- The employee provided accurate detailed description of the goods or services.
- The supporting documentation must be accurate, legible and in accordance with Section 3 – Documentation of Expenses.
- Approvers cannot approve their own documents or expense reports.
- The senior level company employee in attendance paid for the expense.
- Exceptions to the policy are properly documented and approved.
- Expense reports are approved within seven days of the employee submission date. Reports not approved in seven days will be reviewed for possible escalation to the next level of management.
- Suspected fraud situations on the OnePay Card are reported to their Manager and their Human Resources representative.
- Approvers must have approval authority in management levels of supervisor or higher.
- Approvers may not delegate their approval authority in the OnePay System to an employee who does not have the required authorization level per the CNP Authorization Policy.



Accounting and Control Policies

Policy Number: 31

General Expense and Reimbursement Policy

Section 7 - Meals and Entertainment

7.1 Travel Meals

- Travel meals are defined as meals taken by employees or authorized non-employees who are traveling overnight on business of the Company and eating alone or as meals taken by the employee while away from his or her normal work location on a business day trip and eating alone
- Reimbursement or processing of travel meal expense is determined according to actual and reasonable costs determined by the approver. Meal costs include tax, tips and restaurant parking

7.2 Business Meals

- Business meals are defined as meals taken with customers, vendors or other employees where specific business of the Company discussions take place
- The senior level employee of the Company in attendance at the business meal must pay for the expense if the bill is presented in a traditional fashion (i.e., after the conclusion of the meal, as would occur in a restaurant setting.) Situations where the bill is presented in a non-traditional fashion may necessitate an exception to the aforementioned requirement (i.e., on-site meetings / events in which a subordinate employee makes the arrangements for the meeting / event and pays for the bill with their OnePay card either online or in advance of the actual meal.)
- For recognition meals or events, the senior level employee of the Company in attendance from the hosting department must pay for the expense
- The amount of business meal expenses to be reimbursed is based on reasonable actual costs as determined by the approver – Meal costs include tax, tips, and restaurant parking

7.3 Other Meals

- Other meals are defined as occasional meals taken while working on business of the Company outside of normal work schedule or work routine. Advance authorization is required by CNP management and cannot be based on the number of hours worked.
- Employees are prohibited from submitting a meal allowance as defined by the CNP Human Resources Overtime Status and Pay Policy if the employer furnished food on the job at the job/work location.
- Non-Exempt employees are prohibited from using their CNP credit card to purchase an overtime meal. Overtime meal expenses for non-exempt employees are reimbursed through the CNP Payroll system.

Reference: See <https://cnptoday.com/hr/Pages/Home.aspx> for information about the CNP Human Resources Overtime Status and Pay Policy.

7.4 Per Diem (As pertains to Bargaining-Unit Employees)

- Per Diem meal reimbursement is allowed in limited circumstances, as allowed by union contracts, using the guidelines established by the Internal Revenue Service for that city and/or work location.
- Per Diem meal amounts issued in excess of the non-taxable amount established by the Internal Revenue Service will be taxable income to the employee.



Accounting and Control Policies

Policy Number: 31

General Expense and Reimbursement Policy

7.5 Entertainment

Employees are allowed to incur reasonable entertainment expenditures. Entertainment includes outings with customers, clients, vendors and others who are seeking to do business with the Company and includes visits to venues such as clubs, theaters, concerts, and sporting events.

- All entertainment and gifts must comply with the Company Ethics and Compliance Code.

Reference: See <https://cnptoday.com/hr/Pages/Home.aspx> for information about the Company Ethics and Compliance Code.

- Employees will be reimbursed for entertainment expenses, including meals if both of these conditions are true:
 - The customer or client(s) entertained has a potential or actual business relationship with the Company.
 - The business discussion will benefit the Company.
- The host of the event must pay for the associated expenses.
- Similar outings involving employees only are not classified as entertainment.

7.6 Tipping for Meals and Entertainment

- Tips included on qualifying meals and entertainment expenditures will be reimbursed.
- Tips typically range from 15% - 20% of the bill.
- Amounts in excess of the range must be included in the documentation of the expense report.

7.7 Documentation Requirements for Business Meals, Gifts and Entertainment

Employees must substantiate within the OnePay System:

- The attendees and/or recipients including name, title and company
- Business-specific purpose for any meals, gifts and entertainment expenditures
- Itemized receipt(s) as required by [Section 3.1](#)

7.8 Alcoholic Beverages

See [CNP Drug and Alcohol Policy](#) located on the intranet.



Accounting and Control Policies

Policy Number: 31

General Expense and Reimbursement Policy

Section 8 - Employee Recognition and Awards

All employee recognition and awards must conform to the Corporate Human Resources Employee Recognition and Awards Policy.

Reference: See <https://cnptoday.com/hr/Pages/Home.aspx> for information about the Corporate Human Resources Employee Recognition and Awards Policy.

All gifts and gift certificates given to employees as recognition or awards are required to be imputed as earnings for the recipient(s).

- Gifts/gift cards are only allowed to be given to active employees of CenterPoint Energy and should never be given to contractors

If the gifts and/or gift certificates are procured via the OnePay card, then use the expense type "Employee Recognition – Gifts/Gift Certificates - Taxable" and list the recipients in the attendee section with the corresponding amount given. If the gift certificates are procured by any other means, then report to Payroll. ([Reporting Instructions](#)).



Accounting and Control Policies

Policy Number: 28

AFUDC and Capitalized Interest Policy

Policy

Interest on debt capital and an equity return, when applicable, will be capitalized when qualified assets are being constructed. The period of construction is defined as the capitalization period.

Regulated Entities, defined as Entities that apply ASC 980, will apply Allowance for Funds Used During Construction (AFUDC)¹ unless the jurisdiction has been permitted to include construction work in progress (CWIP) in rates either through rate base or an interim mechanism.

The AFUDC rates will be calculated annually using the formulas that are prescribed by the regulating Commissions of each rate-regulated entity. Normally AFUDC includes a debt and equity component, AFUDC debt and AFUDC equity respectively. Rate-regulated entities will capitalize the equity component where allowed by the entity's regulating Commission.

Unregulated Entities, defined as Entities that do not apply ASC 980, will apply Capitalized Interest². Unregulated entities will use their average interest cost on borrowed funds for the capitalized interest rate. This average overall borrowing rate will be used unless the Unregulated Entity has the ability to utilize a specific identification approach.

The total interest amount capitalized for any Entity will not exceed the total amount of interest incurred by the Entity in that period.

Purpose

The purpose of this AFUDC and Capitalized Interest Policy is to document the requirements for capitalizing debt and equity interest or financing costs associated with funding construction. Adherence to this policy is designed to:

- Ensure the integrity of the financial data by making sure costs are properly classified and recognized over the appropriate periods
- Ensure appropriate financing costs are captured and recovered in regulatory proceedings

¹ Per the Accounting Standards Codification (ASC) 980, "Regulated Operations"

² The Accounting Standards Codification (ASC) 835 "Interest" is the source document for unregulated accounting guidance included in this policy.



Accounting and Control Policies

Policy Number: 28

AFUDC and Capitalized Interest Policy

Responsibilities This table lists the responsibilities for this Policy:

Position	Responsibility
Chief Accounting Officer and Controller	<ul style="list-style-type: none"> Administering this Policy
Finance Director	<ul style="list-style-type: none"> Providing forecasted CWIP balances upon request Providing forecasted short-term debt balances upon request.
Property Accounting	<ul style="list-style-type: none"> Calculating the AFUDC and capitalized interest rates Monitoring and adjusting the AFUDC rate in SAP or property accounting system annually or at the time of any significant financing Reviewing all applied AFUDC and capitalized interest recorded Ensuring that interest expense is not over capitalized Ensuring that AFUDC is properly documented and supportable in rate setting proceedings
Treasury Department	<ul style="list-style-type: none"> Providing financial data to Property Accounting as requested, including current and forecasted short term borrowing rates by entity

Definitions This table provides definitions of terms used in the policy:

Term	Definition
AFUDC	Allowance for Funds Used During Construction (AFUDC) is a component of construction cost representing the net cost of borrowed funds and a reasonable rate on equity funds used during the period of construction
Borrowed Funds	For non-regulated entities – reasonable measure of borrowings that would have been avoided if the expenditures were not made. This is somewhat subjective and can include borrowings of the parent.
Business Unit	The functional operating area that maintains and reports operating financial information
Capitalization Period	Period covering the time of the activities required to get the asset ready for its intended use. The period ends when the asset is substantially complete and ready of use.
Company	CenterPoint Energy, Inc.
CWIP	Construction Work in Progress (CWIP) is the classification applied to assets that are currently undergoing construction activity prior to being ready for intended use
Entity	The Company or any corporation, partnership, trust, joint venture, firm, association, unincorporated organization, legal entity, or other enterprise in which the Company holds, directly or indirectly, a greater than 50% control

Continued on next page



Accounting and Control Policies

Policy Number: 28

AFUDC and Capitalized Interest Policy

Term	Definition
Interest Costs	Interest amounts that theoretically could have been avoided if the expenditures had not been made for the asset. Includes: <ul style="list-style-type: none"> • Interest on obligations with explicit interest rates³, • Interest imputed on certain types of payables, and capital lease interest
Property Accounting	The department within the Company that is responsible for fixed asset accounting
Qualified Assets	<ul style="list-style-type: none"> • Assets produced or acquired for Company's own use • Assets intended to be sold or leased that are constructed as discrete projects • Capital work that requires financing • Customer pay jobs where cost is recoverable from the customer Excludes: Land – unless it is under development for a particular use.
Titles, Offices, and Officers	Those of the Company unless otherwise specified
Treasury Department	The department responsible for external financing and the daily cash position of the company

Documentation Requirements Property Accounting is responsible for maintaining documentation of the rate calculations and applications.

Compliance All employees must comply with this policy. Failure to comply with this Policy may result in disciplinary action up to and including termination.

³ Per ASC. 835, amortization of discount or premium and issue costs on debt is included.



Accounting and Control Policies

Policy Number: 28

AFUDC and Capitalized Interest Policy

Document History

Introduction This policy was implemented in December 2004.

Document History Below are at least the last three revisions of this document, including all revisions within the last three months.

Date	By	Description
04/2008	Director Accounting Policy & Research	"Property Accounting Services" to "Property Accounting"
01/2017	Manager Accounting Research	Updated description of "Capital work" listed under Qualified Asset definition.
12/2018	Accounting Integration Team	Modified policy to incorporate changes related to integration of legacy Vectren companies.
01/2021	Property Accounting	Updated the frequency of the AFUDC rate update in SAP to annually and update to definitions for commonly used terms



Accounting and Control Policies
Construction Overhead Policy

Policy Number: 09

Policy	<p>Per the Federal Energy Regulatory Commission (FERC), the cost of construction properly includible in the plant accounts shall include, where applicable, direct and overhead costs. "Overhead construction costs, such as engineering, supervision, general office salaries and expenses, construction engineering and supervision by others than the accounting utility, law expenses, insurance, injuries and damages, relief and pensions, taxes and interest, shall be charged to particular jobs or units on the basis of the amount of such overheads reasonably applicable thereto."¹</p> <p>CenterPoint applies two types of capital overheads to eligible work order charges, Engineering and Supervision (E&S) and Administrative and General (A&G). Current month capital charges on capital work orders will be loaded with the applicable overheads on a monthly basis.</p>
Engineering & Supervision Costs (E&S)	<p>As is common in the utility industry and allowed for by regulation, certain costs related to "engineering and supervision" and "engineering services" are capitalized into utility plant per FERC plant instructions. This "includes the portion of the pay and expenses of engineers, surveyors, draftsmen, inspectors, superintendents, and their assistants applicable to construction work." This also includes "amounts paid to other companies, firms, or individuals engaged by the utility to plan, design, prepare estimates, supervise, inspect, or give general advice and assistance in connection with construction work."</p> <p>Engineering and supervision work related to capital work orders but not directly attributable to specific construction jobs have their time charged to an E&S construction overhead pool that is cleared each month over all open construction work orders receiving charge activity.</p>
Administrative and General Costs (A&G)	<p>Additionally, certain costs of various administrative and general corporate functions are capitalized to construction projects. FERC defines eligible A&G charges as the portion of the pay and expenses of the general officers and administrative and general expenses applicable to construction work. Functions that are typically included are accounting, legal, HR, payroll, accounts payable, purchasing, etc. Based on time studies or other timing estimations periodically performed, each of these areas determines the approximate amount of time each employee spends supporting the construction program. This study drives an annual amount of A&G charged to an A&G construction overhead pool that is allocated to active construction jobs on a monthly basis.</p>



Accounting and Control Policies
Construction Overhead Policy

Policy Number: 09

Other Entities not regulated by state or local commission, local jurisdictions or the Federal Energy Regulatory Commission (FERC) shall follow Generally Accepted Accounting Principles (GAAP) for Construction Overhead. The GAAP guidance states that indirect capital costs that clearly relate to several capital projects should be capitalized and allocated to the capital projects to which the costs relate.¹

A Company standard survey document shall be used by all Entities to determine, by cost center, the charges to include in COH. The E&S and A&G time surveys are conducted annually.

E&S Exceptions Occasionally, there are projects where internal E&S resources are not utilized in the same manner as a typical internally engineered / supervised work order. In these cases, special consideration is given to these work orders to determine the amount of E&S costs to allocate to that work order, if any at all. As an example, a work order may have all of the engineering and supervision outsourced and those contractor costs are charged directly to the construction work order. As a result, the internal engineering and supervision costs likely should not be allocated to this work order since those costs are not applicable to that project. This policy establishes guidelines when a capital work order is eligible to be exempt or receive an adjustment from the monthly E&S allocation. The Director of Property Accounting will review all E&S Exceptions and make the determination of whether an exemption should be applied. Property Accounting will maintain a list of all exceptions.

E&S is currently defaulted in the capital work order system for most construction capital projects. If a project is eligible to receive an E&S exemption and/or adjustment, the project manager and/or project initiator must request this from Property Accounting during the capital work order initiation process. The project initiator must complete a "Plant E&S Exemption Form" in order to finalize the process. Capital work that is already started will not be eligible for an exemption or adjustment if the question is not raised/addressed with Property Accounting prior to the project receiving its financial authorization.

¹ Per ASC 970-360-25-2 through 25-3.



Accounting and Control Policies
Construction Overhead Policy

Policy Number: 09

A&G Exceptions Occasionally, there are large projects that are staffed/organized with their own support team such that the services of the typical functions outlined above are not employed. In these cases, special consideration is given to these projects in determining the amount of A&G costs to allocate to that project. For example, certain large projects may employ a general contractor to manage all sub-contractor activity including bidding, invoice payment and processing, etc. such that corporate purchasing provides no significant service to the project. Another example might include situations where specific outside legal counsel is retained to address project specific issues. All of these costs are charged directly to the construction project and, as a result, the corporate function's costs should likely not be allocated to the project since they are not providing the service.

As mentioned above major projects that have the type of dedicated project support as outlined above are rare. To determine whether a project should be considered a major project, the Director of Property Accounting must be consulted. All projects that are considered a major project or that are projected to incur more than \$500,000 must be approved by the Director of Property Accounting prior to the exemption being implemented.

Once determined to be a major project by the project manager and the Property Accounting Director, a flat A&G rate will be applied to the project. It will be incumbent on the project manager to inform Property Accounting of project events that may change its designation as a major project. Generally, the rate to be applied to these qualifying projects will be 1% (subject to change). Though the 1% is not directly supported by a time study, it represents a reasonable estimate of the overall support provided by the corporate functions.

Purpose

The purpose of this Construction Overhead Policy is to document the requirements for the inclusion of costs in Construction Overhead. Adherence to this policy is designed to:

- Ensure the integrity of the financial data by recognizing costs in accordance with regulatory and accounting guidance;
 - Provide assurance that documentation is retained and available for regulatory purposes; and
 - Provide a defined expectation to review costs for compliance.
-



Accounting and Control Policies
Construction Overhead Policy

Policy Number: 09

Responsibilities This table lists the responsibilities for this Policy:

Position	Responsibility
Chief Accounting Officer and Controller	<ul style="list-style-type: none"> • Administering this Policy
Business Services	<ul style="list-style-type: none"> • Working with the administrative corporate functions to complete time studies or other timing estimations used to develop the A&G rate • Communicating with Business Unit Finance Directors to update the A&G rate as necessary
Business Unit Finance Directors	<ul style="list-style-type: none"> • Distributing the E&S standard survey along with the planning instructions each year during the Strategic Planning process • Determining the cost components of COH each year, within FERC guidelines, taking into consideration the regulatory environment in which the Entity resides • Reviewing the surveys from their respective Business Units for compliance with FERC or GAAP regulations as applicable • Reviewing the cost components submitted on the surveys with the Property Accounting for approval prior to inclusion in the annual planning process • On a regular basis, reviewing and monitoring actual costs included in the COH applicable to their respective Business Unit and shall make any necessary changes to the COH rate
Property Accounting	<ul style="list-style-type: none"> • Maintaining the required documentation for annual external reporting. Per FERC, this information shall include the following: <ul style="list-style-type: none"> ○ the total amount of each overhead for each year ○ the amount of each overhead expenditure charged to each construction work order and to each utility plant account ○ the basis of distribution of such costs • Calculating, reviewing and monitoring property accounting components of COH and resolving significant or unexplained variances with the respective Business Units. • Working with Business Units and Finance Directors to determine if special overhead rates should be applied to large projects • Maintaining documentation on overhead exceptions
Property Accounting Director	<ul style="list-style-type: none"> • Approving E&S and A&G exceptions on projects greater than \$500,000 • Reviewing the cost components submitted on the surveys with the Finance Directors



Accounting and Control Policies Construction Overhead Policy

Policy Number: 09

Definitions This table provides definitions of terms used in the policy:

Term	Definition
Administrative & General (A&G) Overhead	Costs of various administrative and general corporate functions that are capitalized to construction projects. These include accounting, human resources, payroll, accounts payable, etc.
Business Unit	The functional operating area that maintains and reports operating financial information
Capital Order	The order established to capture specific capital costs related to a capital project
Company	CenterPoint Energy, Inc.
Construction Overhead (COH)	The overhead costs incurred during construction that cannot be more accurately charged directly to a capital order
Engineering & Supervision (E&S) Overhead	Engineering and supervision work related to capital work orders but not specifically attributable to specific construction jobs. Includes the pay and expenses of engineers, surveyors, draftsmen, inspectors, etc.
Entity	The Company or any corporation, partnership, trust, joint venture, firm, association, unincorporated organization, legal entity, or other enterprise in which the Company holds, directly or indirectly, a greater than 50% control
Finance Director	Any Director in Finance who has been assigned ownership and associated responsibilities of one or more Business Units
Property Accounting	The department responsible for the accounting and reporting of capitalized Company property, including assets under construction
Titles, Offices, and Officers	Those of the Company unless otherwise specified

Documentation Requirements The survey documentation shall be maintained and archived by the Finance Directors to ensure the data is readily available to support audits, rate cases or other regulatory inquiries.

Compliance Employees must comply with this policy. Failure to comply with this Policy may result in disciplinary action up to and including termination.

Document History

Introduction This policy was implemented in June 2004.



Accounting and Control Policies
Construction Overhead Policy

Policy Number: 09

Document History Below are at least the last three revisions of this document, including all revisions within the last three months.

Date	By	Description
01/2014	Manager Accounting Research	Update property accounting's responsibilities
12/2018	Accounting Integration Team	Modified policy to incorporate changes related to integration of legacy Vectren companies.
07/2021	Property Accounting	Modified policy to incorporate changes related to enterprise integration.
10/2021	Accounting Research	Clarified what constitutes "time studies"

KRISTIE L. COLVIN WORKPAPERS:

Workpaper KLC-01 Gartner Research and Advisory

Workpaper KLC-02 Depreciation Study Analysis

Client question: What is the industry standard re: capex/opex split relating to support and maintenance for new SaaS license. License cost vs maintenance and support cost -if you can't get from the vendor. Is 80/20 standard- 80 license, 20 maintenance/support?

Dear Lorraine,

Thank you for your inquiry on "SaaS maintenance/support vs. license costs split".

There is little evidence of the SaaS vendors offering any support and maintenance fee as 'standard', which can range up to 30% of net license cost. However, the 'average' software/SaaS support cost is and has been for some time 22% of the actual license cost. In this response, we have provided insights on why SaaS-related costs are accounted as Opex and included a few examples of 'premium support' offerings of leading SaaS vendors.

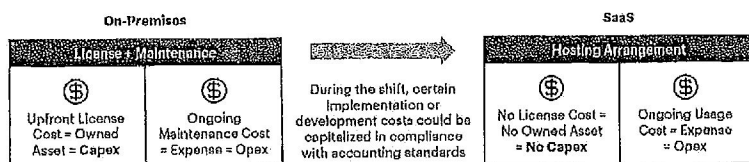
If after reviewing the information below you have additional questions or would like to discuss the specifics of your situation, please consider scheduling a follow up call with one of Gartner's analysts.

SaaS Costs Opex/Capex Split

Almost all the licensing and support/maintenance costs related to SaaS are typically treated as Opex because the customer do not own any depreciating/amortizing asset when leveraging SaaS, as against when using on-premises software.

Figure 1: Shift From Software On-Premises Solutions to SaaS

Shift From Software On-Premises Solutions to SaaS



Source: Gartner
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Gartner.

Only a few SaaS-related implementation and development costs could be accounted as Capex. Major implementation and development costs involved during a shift to SaaS are that of integration, configuration, customization, coding, testing, and data conversion. The key criterion for the capitalization of these activities and the respective costs is whether the ownership of the software developed is held by the customer. Only in that case is capitalization possible. (see [Quick Answer: What Costs Can Be Capitalized When an Organization Shifts to SaaS?](#))

Typical Support and Maintenance Cost Split in SaaS Contracts

It is difficult to provide a typical license cost vs support/maintenance cost split that is prevalent in the SaaS market. **Most SaaS subscriptions include basic customer support.** For some providers, this support is very basic and may include only self-help resources like FAQs, blogs or chatbot support. This basic support may also have a long response time. For example, in the case of severity 1 issues where you want a response within minutes, basic support might be of very little help.

For support more consistent with many enterprise expectations, providers' "Premium Support" offerings may need to be purchased, at a considerable additional unbudgeted cost (**up to 30% of the subscription fees**). Examples of services typically offered as Premium Support include SaaS environment optimization, 24/7 phone support with enhanced response times, and a technical account manager (see [Toolkit: Checklist for Negotiating Optimal SaaS Cloud Contract Terms and Conditions](#)).

The average software support cost is and has been for some time **22% of the actual license cost**, this is a global average and as such it is not difficult to find examples of higher or lower rates but 22% is the average. Since the support

cost will normally (but not always) be calculated on the net (discounted) license cost then for every dollar the license is discounted by the support cost will reduce by 22 cents.

A few examples of varying maintenance fee charged by leading SaaS vendors are provided below for your reference:

- **Oracle (10%):** Oracle provides Platinum Support as standard for all SaaS subscriptions and offers a premium above this, known as Oracle Cloud Priority Support for SaaS. NetSuite offers two levels of support, Basic and Premium. Basic is available for all customers and Premium is offered as additional cost. (source: [Toolkit: Critical Terms to Negotiate in Your Oracle Cloud and On-Premises Contracts](#))
 - The additional support is available as add-on SKUs for Oracle SaaS. There is a base fee of \$15,000 annual plus 10% of the total subscription fee on the Ordering Document.
 - NetSuite previously offered three levels of support, Silver, Gold and Platinum. This three tier approach was replaced with Premium Support. The fee is 10% of the total subscription fees and is a separate line item on the Estimate.
- **SAP (20%):** SAP's **Enterprise Support offering is included in subscription fees**. SAP also has an elevated/enhanced support offering it calls **Preferred Care**. As a standard, SAP charges an additional % for its enhanced offering. The starting point for this service is an additional **20% of annual subscription fees**. Single digit reductions from 20% are achievable, i.e., lower fee could be negotiated to the range of 15% to 19% of annual net subscription fees — and even lower in case of organizations with high leverage. (source: [Toolkit: Critical Terms to Negotiate in Your SAP On-Premises and Cloud Contracts](#))
- **Salesforce (up to 30%):** All editions of all SFDC products come with Standard Success Plan included. Dependent on the product, some higher editions include Premier Success plan, or it can be purchased as an add-on. For example, the add-on Premier Success can be added to the Enterprise Edition (with a list price increase of 30% of net fees). (source: [Tool: Critical Terms to Negotiate in Your Salesforce Contract](#))

You can leverage our guidance available on [Negotiate Support, Sandboxes and Other Key Variables in SaaS Contracts to Minimize Unforeseen Costs](#) when negotiating all subscription-related costs before signing SaaS contracts.

Additional Recommended Reads

- [3 Key Actions to Reduce Cost and Risk in Your New SaaS Agreement](#)
- [Top 10 SaaS Terms to Negotiate to Avoid Putting Your Budget and Business at Risk](#)

We hope you found this written response helpful. If you require more customized information, we welcome you to schedule a follow up call with one of our experts. We look forward to providing further assistance as you progress with your work.

Yours Sincerely,

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Worksheet KLC-02 Depreciation Study Analysis

Account	Description	Original Cost at 12/31/2023	Existing Accrual Rate	Accrual at Existing Rates	Proposed Accrual Rate ¹	Accrual at Proposed Rates	Difference Proposed vs Existing
<i>Intangible Plant</i>							
E30302	SOFTWARE 3 YEAR	-	20.00%	-	33.33%	-	-
E30302	SOFTWARE 5 YEAR	45,384,489	20.00%	9,076,898	20.00%	9,076,898	-
E30302	SOFTWARE 5 YEAR	-	14.29%	-	20.00%	-	-
E30302	SOFTWARE 5 YEAR	-	10.00%	-	20.00%	-	-
E30302	SOFTWARE 7 YEAR	29,554,348	14.29%	4,222,050	14.29%	4,222,050	-
E30302	SOFTWARE 10 YEAR	251,796,581	10.00%	25,179,658	10.00%	25,179,658	-
E30302	SOFTWARE 15 YEAR	138,568,356	6.67%	9,242,509	6.67%	9,242,509	-
E30302	SOFTWARE FULLY ACCRUED	-	0.00%	-	-	-	-
Total Intangible		\$ 465,303,774		\$ 47,721,115		\$ 47,721,115	\$ -
<i>Transmission Property</i>							
E35002	LAND RIGHTS	156,064,253	1.31%	2,044,442	1.31%	2,044,442	-
E35201	STRUCT. & IMPROVEMTS	241,905,202	1.74%	4,209,151	1.77%	4,280,024	70,874
E35301	STATION EQUIPMENT	1,415,971,496	2.05%	29,027,416	2.19%	31,056,885	2,029,469
E35401	TOWERS & FIXTURES	1,711,085,724	2.15%	36,788,343	2.41%	41,160,735	4,372,392
E35501	POLES AND FIXTURES	186,913,450	2.47%	4,616,762	2.74%	5,127,326	510,564
E35601	O/H CONDUCT/DEVICES	1,210,802,268	3.21%	38,866,753	3.44%	41,710,533	2,843,780
E35701	UNDERGROUND CONDUIT	38,232,025	1.73%	661,414	1.46%	557,333	(104,081)
E35801	U/G CONDUCT/DEVICES	16,481,347	2.35%	387,312	2.58%	424,687	37,376
E35901	ROADS AND TRAILS	565,883,308	1.90%	10,751,783	2.25%	12,745,558	1,993,775
Total Transmission		\$ 5,543,339,073		\$ 127,353,375		\$ 139,107,523	\$ 11,754,148
<i>Distribution Plant Excluding Meters</i>							
E36002	LAND RIGHTS	1,359,745	1.55%	21,076	1.41%	19,141	(1,935)
E36101	STRUCT. & IMPROVEMTS	164,543,058	1.68%	2,764,323	1.86%	3,054,208	289,884
E36201	STATION EQUIPMENT	1,543,533,769	2.14%	33,031,623	2.28%	35,149,381	2,117,758
E36301	BATTERY STORAGE EQUIPMENT		10.00%		10.00%		
E36401	POLES, TOWERS, FIXTURE	1,397,970,176	3.84%	53,682,055	4.21%	58,886,113	5,204,058
E36501	O/H CONDUCT DEVICES	1,454,568,543	3.24%	47,128,021	3.72%	54,058,523	6,930,502
E36601	UNDERGROUND CONDUIT	787,427,197	1.96%	15,433,573	2.05%	16,123,254	689,681
E36701	U/G CONDUCT/DEVICES	1,468,449,995	3.34%	49,046,230	3.45%	50,614,269	1,568,039
E36801	LINE TRANSFORMERS	1,999,539,465	3.71%	74,182,914	4.16%	83,264,070	9,081,156
E36901	SERVICES	256,120,152	3.76%	9,630,118	2.89%	7,389,192	(2,240,925)
E37001	METERS	81,476,042	3.32%	2,705,005	2.14%	1,742,616	(962,389)
E37003	AMS METERS	256,502,384	4.77%	12,235,164	4.47%	11,477,704	(757,460)
E37301 & E37401		785,107,483	3.09%	24,259,821	3.45%	27,124,211	2,864,390
Total Distribution Excluding Meters		\$ 10,196,598,012		\$ 324,119,922		\$ 348,902,682	\$ 24,782,760
<i>General Property Excluding General Plant Amortization</i>							
E38902	LAND RIGHTS	1,021,980	1.80%	18,396	1.77%	18,081	(314)
E39001	STRUCT. & IMPROVEMTS	348,826,578	2.05%	7,150,945	1.73%	6,034,420	(1,116,525)
E39201	TRANSPORTATION EQUIP	184,252,806	6.73%	12,400,214	5.96%	10,983,521	(1,416,692)
E39601	POWER OPERATED EQUIP	35,176,486	5.10%	1,794,001	6.03%	2,121,596	327,595
E39701	MICROWAVE EQUIPMENT	496,938,662	5.08%	25,244,484	5.17%	25,674,651	430,167
E39701.013	OTHER COMMUNICATION EQUIPMENT		5.08%		8.75%		
Total General Excluding Amortization		\$ 1,066,216,511		\$ 46,608,039		\$ 44,832,270	\$ (1,775,769)
<i>General Plant Accounts Amortized</i>							
E39101	OFFICE F/F	15,084,158	4.17%	629,009	4.17%	629,009	0
E39301	STORES EQUIPMENT	1,053,132	5.26%	55,395	5.26%	55,428	33
E39401	TOOLS, SHOP, GAR EQUIP	29,405,854	5.56%	1,634,965	5.56%	1,633,659	(1,307)
E39501	LAB EQUIPMENT	24,359,515	4.00%	974,381	5.00%	1,217,976	243,595
E39702	COMPUTER EQUIPMENT	172,802,801	12.50%	21,600,350	12.50%	21,600,350	0
E39801	MISC. EQUIPMENT	18,459,721	5.00%	922,986	5.00%	922,986	0
Total General Amortized		\$ 261,165,182		\$ 25,817,086	9.98%	\$ 26,059,408	\$ 242,321
Reserve Difference Amortization							
Total Depreciable Plant Excluding AMS Plant		\$ 17,067,318,779		\$ 523,898,422		\$ 558,901,883	\$ 35,003,461

¹ Depreciation Study Prepared By Company Witness Mr. D. Watson

PUC DOCKET NO. 56211

APPLICATION OF CENTERPOINT	§	PUBLIC UTILITY COMMISSION
ENERGY HOUSTON ELECTRIC, LLC	§	
FOR AUTHORITY TO CHANGE RATES	§	OF TEXAS

DIRECT TESTIMONY

OF

L. DARREN STOREY

ON BEHALF OF

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

MARCH 2024

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LIST OF EXHIBITS

<u>EXHIBIT</u>	<u>DESCRIPTION</u>
Exhibit LDS-1	Diagram and Summary of Affiliate Services
Exhibit LDS-2	CenterPoint Energy, Inc. Affiliate and Division Relationships
Exhibit LDS-3a	2023 Service Company Cost Center Assignment Manual
Exhibit LDS-3b	2023 CERC Cost Center Assignment Manual
Exhibit LDS-3c	2023 VUH Cost Center Assignment Manual
Exhibit LDS-3d	2023 CenterPoint Houston Cost Center Assignment Manual
Exhibit LDS-4	2023 Procedures Manual
Exhibit LDS-5	2023 CenterPoint Energy Service Company, LLC Service Level Agreement for CenterPoint Energy Houston Electric

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EXECUTIVE SUMMARY – AFFILIATE COSTS

(L. DARREN STOREY)

CenterPoint Energy, Inc. (“CNP”) centralizes integral corporate service business functions into a single entity, CenterPoint Energy Service Company, LLC (“Service Company”), which then provides the necessary support services to individual business units. The Service Company functions are comprised of two main groups: Corporate Services and Customer Transformation & Business Services. These two groups, together with additional operational support provided by CenterPoint Energy Resources Corp. and its subsidiaries (“CERC”) and Vectren Utility Holdings, LLC and its subsidiaries (“VUH”), provide vital services, benefits, and value to CenterPoint Energy Houston Electric, LLC (“CenterPoint Houston” or the “Company”) and other business units.

My testimony:

- describes the services provided by Service Company, VUH, and CERC to CenterPoint Houston;
- explains how Service Company, VUH, and CERC control costs through Service Level Agreements (“SLAs”) and the budget-setting process;
- describes the Service Company, VUH, and CERC methodology for assigning affiliate costs to CenterPoint Houston and why it is reasonable, objective and accurate;
- addresses the total test year operations and maintenance (“O&M”) billings from Service Company, VUH, and CERC to CenterPoint Houston in the amount of \$178.1 million;
- describes adjustments made to the Company’s requested affiliate expenses;
- demonstrates that the nature of the assigned costs and methodologies by which those costs are assigned from Service Company, VUH, and CERC have remained consistent since the Public Utility Commission of Texas

1 (“Commission”) approved them for CenterPoint Houston in Docket No.
2 49421;¹ and

3 • confirms that Service Company, VUH, and CERC affiliate costs are
4 reasonable and necessary, that CenterPoint Houston is not charged a higher
5 price than those charged to other affiliates or non-affiliates, that such costs
6 are billed at cost, and that those services are not duplicative of any services
7 provided by CenterPoint Houston.

8 My testimony and that of other supporting witnesses in this case demonstrates that the
9 affiliate costs for which CenterPoint Houston seeks recovery meet the Commission’s
10 affiliate cost recovery standard and should be recovered in full through rates.

¹ *Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates*, Docket No. 49421, Order (Mar. 9, 2020).

DIRECT TESTIMONY OF L. DARREN STOREY

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, EMPLOYER, POSITION AND BUSINESS ADDRESS.

A. My name is L. Darren Storey. I am the Manager of Process and Data Governance for Service Company, which is an indirect, wholly owned subsidiary of CNP. My business address is 1111 Louisiana Street, Houston, Texas 77002.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of CenterPoint Houston.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I graduated from Louisiana State University in Shreveport with a Bachelor of Science degree in Accounting. Before working at CNP, I was Sr. Auditor in the public accounting firm Smith, Pugh, Rabinowitz, CPA's, LLC, located in Shreveport, Louisiana. I began my career at CNP and its predecessor companies in 1999. During my career, I have worked in the following departments: Gas and Revenue Accounting, Regulatory Reporting, Corporate Business Services, and Process & Data Governance. I began my current role as Manager of Process and Data Governance in 2021.

Q. WHAT ARE YOUR RESPONSIBILITIES WITH REGARD TO CENTERPOINT HOUSTON?

A. I am responsible for ensuring that costs incurred by Service Company are properly billed to each of the CNP business units, including CenterPoint Houston. I am also

1 responsible for providing Service Company information to the Regulatory
2 Reporting Department to support regulatory filing requirements.

3 **Q. HAVE YOU PREVIOUSLY SPONSORED TESTIMONY BEFORE THE**
4 **COMMISSION OR OTHER REGULATORY AUTHORITIES?**

5 A. Yes. I provided testimony before the Arkansas Public Service Commission in
6 Docket No. 17-010-FR and Texas Railroad Commission in GUD No. 10567.

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
8 **PROCEEDING?**

9 A. My testimony describes the structure of CNP, Service Company, CenterPoint
10 Houston, VUH, and CERC. In my testimony, I describe the SLAs between Service
11 Company and its affiliates. My testimony also discusses the annual budgeting
12 process and other controls in place that help Service Company, VUH, and CERC
13 ensure that costs are reasonable and necessary, controlled, and billed properly. I
14 discuss the affiliate billings included in the cost of service for CenterPoint Houston.
15 This includes a discussion of Service Company and its billing methodologies as
16 well as a discussion of how other affiliate costs are charged to CenterPoint Houston.
17 I demonstrate compliance with the regulatory standards used by the Commission to
18 determine the reasonableness and necessity of expenses associated with affiliate
19 transactions and their inclusion in rates.

20 **Q. HOW DOES YOUR TESTIMONY RELATE TO THE TESTIMONY OF**
21 **OTHER COMPANY WITNESSES IN THIS CASE?**

22 A. My testimony provides an overview of the affiliate support services provided to
23 CenterPoint Houston by Service Company, VUH, and CERC and demonstrates that

1 prices charged to CenterPoint Houston for those services are not higher than the
2 prices charged by Service Company, VUH, and CERC for the same class of items
3 to the Company's other affiliates or divisions. Company witness Kristie L. Colvin
4 sponsors the schedules prepared in accordance with the Transmission &
5 Distribution ("TDU") Investor-Owned Utilities Rate Filing Package for
6 Cost-of-Service Determination ("RFP"), including the underlying calculations for
7 CenterPoint Houston's total cost of service filing. Included in the RFP are billings
8 from Service Company and certain CNP affiliates. My testimony demonstrates that
9 affiliate expenses and the cost assignments comply with statutory and regulatory
10 requirements. In addition to my testimony, the following Company witnesses
11 demonstrate how each class of affiliate support services provided by Service
12 Company, VUH, and CERC are reasonable and necessary: Ms. Colvin, Jacqueline
13 M. Richert, M. Shane Kimzey, Stephanie Bundage Juvane, Jennifer K. Story,
14 Steven Greenley, Ronald W. Bahr, Shonda Royston-Johnson, Bertha R. Villatoro,
15 Brad Tutunjian, Carla A. Kneipp, and John Sousa.

16 **Q. WHICH SCHEDULES IN THE RFP DO YOU SPONSOR OR**
17 **CO-SPONSOR?**

18 A. I sponsor or co-sponsor schedules V-K-1 through V-K-14.

19 **Q. HAVE YOU PREPARED ANY EXHIBITS IN CONJUNCTION WITH**
20 **YOUR DIRECT TESTIMONY?**

21 A. Yes, I have prepared or supervised the preparation of the exhibits listed in the table
22 of contents.

1 Q. WHEN WAS THE COMPANY'S LAST BASE RATE PROCEEDING?

2 A. The Company filed its last base rate proceeding, Docket No. 49421, in 2019 with a
3 test year ending December 31, 2018. The Commission issued its final order on
4 March 9, 2020.

5 Q. WHAT IS THE HISTORICAL TEST YEAR BEING USED IN THIS RATE
6 FILING?

7 A. The amounts reflected in the RFP in this rate proceeding are derived from the
8 Company's books and records for the 12-month period ending December 31, 2023,
9 ("Test Year").

10 **II. AFFILIATE TRANSACTIONS**

11 Q. PLEASE DESCRIBE THE STATUTORY STANDARD GOVERNING THE
12 RECOVERY OF AFFILIATE EXPENSES.

13 A. Public Utility Regulatory Act (“PURA”) § 36.058 requires that, to be included in
14 rates, affiliate expenses related to electric utility service must meet the following
15 criteria: (1) affiliate expenses are reasonable and necessary; and (2) the price
16 charged to the electric utility is no higher than the prices charged by the supplying
17 affiliate for the same item or class of items to its other affiliates or divisions, or a
18 non-affiliated person.

19 **Q. ARE AFFILIATE COSTS INCLUDED IN CENTERPOINT HOUSTON'S**
20 **TEST YEAR O&M EXPENSE?**

21 A. Yes. During the Test Year, services were provided to CenterPoint Houston by
22 Service Company, VUH, and CERC. Services provided by Service Company
23 include Corporate Services and Customer Transformation & Business Services.
24 Exhibit LDS-1 shows a diagram and summary of Service Company support

1 services. VUH provided operational support in the form of damage prevention &
 2 meter reading management, work order management and GIS administration.
 3 CERC provided operational support in the form of periodic IDR meter reading, GIS
 4 and CAD services, fleet services, broadband services, Damage Prevention
 5 Compliance reporting, and line locating.

6 **Q. HAS THE COMMISSION PREVIOUSLY REVIEWED CENTERPOINT**
 7 **HOUSTON'S RELIANCE ON SERVICE COMPANY AND CERC FOR**
 8 **CORPORATE AND OPERATIONAL SUPPORT SERVICES?**

9 A. Yes. In the Company's last rate case, Docket No. 49421, the Commission reviewed
 10 the reasonableness of the corporate and operational support services provided by
 11 Service Company and CERC to CenterPoint Houston. Also, since Docket No.
 12 49421, the Company filed annual affiliate reports pursuant to 16 Texas
 13 Administrative Code ("TAC") § 25.84, to notify the Commission of ongoing
 14 affiliate expense levels and updates to any SLAs, and has supported Service
 15 Company costs in its Energy Efficiency Cost Recovery Factor proceedings.

16 **Q. IS IT NECESSARY FOR SERVICE COMPANY, VUH, AND CERC TO**
 17 **BILL CORPORATE SUPPORT COSTS TO CNP AFFILIATES?**

18 A. Yes. In order to reflect the true costs of an affiliate's operations - including the
 19 costs of services performed on their behalf by Service Company, VUH, and CERC
 20 - Service Company, VUH, and CERC bill actual costs incurred to support CNP
 21 affiliates. Knowing the full cost of service is important in managing and
 22 understanding the true cost-effectiveness of CNP's business units, providing for

1 better cost control and, in the case of a rate-regulated business, enabling recovery
2 of all reasonable costs incurred in support of that business.

3 **III. SERVICE COMPANY**

4 **Q. HOW IS CNP ORGANIZED?**

5 A. Exhibit LDS-2 presents an organizational chart showing the CNP business unit
6 structure. CNP's corporate structure utilizes a centralized business model,
7 including a full complement of functions necessary to support individual business
8 units, executive management, and the Board of Directors. CenterPoint Houston,
9 VUH, and the Gas Operations regions within CERC are the actual operating
10 business units within CNP, while the Service Company provides a number of
11 services to the various business units.

12 **Q. PLEASE DESCRIBE THE SERVICE COMPANY.**

13 A. As shown in Exhibit LDS-2, Service Company is a subsidiary of CNP. Service
14 Company personnel perform corporate oversight, managerial functions, and
15 specialized (i.e., legal, benefits) support activities for CNP and its business units.
16 Service Company maintains its corporate general ledger in SAP, the
17 enterprise-wide accounting system used throughout CNP. Costs incurred by
18 Service Company are initially recorded on Service Company's books and are then
19 directly assigned or allocated, as appropriate, to the business units. These activities
20 are the same as those necessary for the overall management and administration of
21 any large publicly-traded enterprise. The Service Company's functional areas are
22 organized into two main service groups: Corporate Services and Customer
23 Transformation & Business Service. An organizational chart of the two main
24 Service Company service groups is shown below in Figure 1.

Service Company maintains a cost center assignment manual for each of these service areas. This Service Company Cost Center Assignment Manual is attached as Exhibit LDS-3a and discussed in more detail later in my testimony.

Figure 1. Service Company

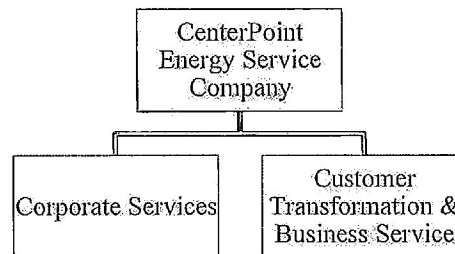


Figure 1 - Service Company

Q. WHAT BENEFITS ARE PROVIDED THROUGH A CENTRALIZED CORPORATE SUPPORT SERVICES STRUCTURE?

A. A centralized corporate support services structure allows CNP to leverage resources across multiple business units, thereby giving the business units access to specialized skills and resources in an efficient and cost-effective manner. For example, accounting for employee benefits requires skilled and experienced individuals who must be able to analyze accounting standards related to employee benefits, understand the components of the benefit programs, and have the ability to discuss the benefit programs with actuaries. Similarly, lawyers in the legal department with particular areas of expertise (e.g., employee benefits, litigation, and contracts) must be able to advise their clients in the various business units on matters related to those specific areas. Having a centralized function eliminates the need for each of the business units to have that expertise separately, thus eliminating the need for duplication.

1 Q. WITH RESPECT TO INDIVIDUAL CLASSES OF AFFILIATE SUPPORT
 2 SERVICES PROVIDED BY CORPORATE SERVICES AND CUSTOMER
 3 TRANSFORMATION & BUSINESS SERVICE, VUH, AND CERC, WHICH
 4 COMPANY WITNESS SUPPORTS THE REASONABLENESS AND
 5 NECESSITY OF EACH CLASS OF SERVICE?

6 A. The reasonableness and necessity of each class of affiliate service is supported by
 7 witness as follows:

8 **Figure 2. Service Company, VUH, and CERC Billings, Unadjusted**

Witness ⁽¹⁾	Class	Affiliate	Unadjusted Test Year Amount (000's)
Kristie L. Colvin	Chief Financial Officer, Accounting, and FP&A	Service Company	\$ 17,562
	Executive Management	Service Company	2,251
Jennifer K. Story	Tax	Service Company	5,787
Jacqueline M. Richert	Treasury and Investor Relations	Service Company	2,773
M. Shane Kimzey	Legal	Service Company	24,557
Brad Tutunjian	Regulatory	Service Company	7,377
	Government Affairs	Service Company	908
Stephanie Bundage Juvane	Audit Services	Service Company	1,387
Bertha R. Villatoro	Human Resources	Service Company	24,662
John Sousa	Corporate Communications & Community Relations	Service Company	3,107
	Utility Marketing	Service Company	2,301
	Corporate Security	Service Company	1,673
Steven Greenley	Continuous Improvement	Service Company	1,474
	Safety & Training	Service Company	1,348
	Facilities Management	Service Company	2,910
Carla A. Kneipp	Supply Chain	Service Company	3,909
Ronald W. Bahr	Information Technology	Service Company	50,048
Shonda Royston- Johnson	Customer Operations	Service Company	12,074
L. Darren Storey	Operations Support	CERC	168
	Line Locating	CERC	11,537
	Operations Support	VUH	298
	Total		\$ 178,111

9 *Figure 2 - Service Company, VUH, and CERC Billings, Unadjusted*

⁽¹⁾Witnesses may have both direct and allocated expenses.

1 **Q. WHAT SERVICES DOES THE CORPORATE SERVICES AREA**
 2 **PROVIDE TO CENTERPOINT HOUSTON?**

3 A. Corporate Services, which accounts for the bulk of affiliate services provided to
 4 CenterPoint Houston, includes the following departments: (1) Finance &
 5 Accounting; (2) Legal; (3) Human Resources; (4) Government Affairs &
 6 Regulatory; (5) Executive Management; (6) Facilities Management; (7) Supply
 7 Chain; (8) Continuous Improvement; (9) Corporate Communications/Community
 8 Relations & Corporate Security; and (10) Safety & Training. These departments
 9 are described in greater detail in the individual testimonies of the witnesses noted
 10 above, however, generally speaking:

- 11 • The **Finance & Accounting** organization provides important governance
 12 and other services such as accounting (e.g., accounts payable, remittance
 13 processing), financial and strategic planning, financial systems and
 14 processes, investor relations, risk management, tax, and treasury.
- 15 • The **Legal** department provides legal services and oversight to CNP and its
 16 subsidiaries in connection with litigation and claims; contracts and
 17 transactions; financing; corporate governance, including corporate
 18 secretary functions; and Securities and Exchange Commission (“SEC”)
 19 reporting and compliance. Services are provided by the attorneys and other
 20 employees of the Legal department and by outside counsel retained and
 21 supervised by the staff of the Legal department.
- 22 • **Human Resources** services include compensation management and
 23 planning; benefit management and planning; leadership development;
 24 employee and organizational development; labor and employee relations;
 25 recruiting and placement; disability management and employee services;
 26 corporate travel, and Human Resources policy compliance and
 27 management.
- 28 • **Government Affairs** interacts with the various regulatory commissions and
 29 other state and local government agencies on behalf of CNP and its
 30 affiliates. **Regulatory** provides support for regulatory strategy, regulatory
 31 rulemaking policy dockets, rate proceedings and other technical or
 32 compliance filings.

- 1 • **Executive Management** provides executive oversight of the Company and
2 includes the office of the Chief Executive Officer (“CEO”), Chief Operating
3 Officer (“COO”), and certain non-allocated costs.
- 4 • **Facilities Management** provides services required to operate and maintain
5 the physical buildings and structures that comprise employee workplaces.
- 6 • **Supply Chain** provides purchasing and logistics services and fleet
7 management. Purchasing and Logistics provides purchasing, material
8 logistics, and investment recovery services as well as management
9 oversight to support business unit specific purchasing and logistics
10 operations.
- 11 • **Continuous Improvement** provides guidance and expertise in a consistent
12 methodology, called Lean, that every business unit and department can
13 utilize. Continuous Improvement partners with business units to identify
14 areas of difficulty by focusing on the process to improve operational
15 efficiencies.
- 16 • **Corporate Communications** provides media relations support and internal
17 communications to employees including video production, town hall
18 meetings, CNP’s intranet, corporate emails and other communications, such
19 as digital signs in certain Company facilities. **Community Relations** has
20 primary responsibility for developing, implementing and overseeing
21 community, consumer support, and education relations programs
22 throughout the service territories of CNP’s various affiliates. **Corporate**
23 **Security** provides services required for the physical security of the
24 buildings and structures that comprise employee workplaces.
- 25 • **Safety & Training** provides oversight and administrative support for safety
26 and training services.

27 The Corporate Services cost center assignment manual maintained by Service
28 Company is attached as Exhibit LDS-3a.

29 **Q. WHAT SERVICES DOES THE CUSTOMER TRANSFORMATION &**
30 **BUSINESS SERVICES AREA PROVIDE TO CENTERPOINT HOUSTON?**

31 **A.** Customer Transformation and Business Services includes the following
32 departments: (1) Customer Operations; (2) Utility Marketing; and (3) Information
33 Technology (“IT”). Generally speaking:

- 1 • **Customer Operations** oversees call center operations, credit & collections,
2 customer billing and performance management. Oversight includes
3 identifying, creating, and maintaining common processes and strategic
4 direction of the customer service operations and provides call center and
5 credit services for CenterPoint Houston and CNP gas distribution
6 operations, including the Company. Please see Exhibit LDS-3a for the
7 Customer Operations cost assignment manual maintained by the Service
8 Company.
- 9 • **Utility Marketing** identifies, creates, and maintains common marketing
10 and sales processes within the regulated affiliates. Please see Exhibit
11 LDS-3a for the Customer Operations cost assignment manual maintained
12 by the Service Company.
- 13 • **IT** provides the following services for each CNP affiliate: (1) desktop data
14 device services; (2) enterprise infrastructure; (3) data management; (4)
15 enterprise applications development and support; (5) applications
16 development and support; (6) telephone service; (7) telecommunications
17 move/add/change; and (8) data and cyber security management. Similar to
18 Corporate Services, IT also uses SLAs to govern transactions with affiliates
19 and various billing determinants depending on the type of service provided.
20 For instance, desktop data device services are billed based on the number
21 of login IDs. Please see Exhibit LDS-3a for the IT cost assignment manual
22 maintained by the Service Company.

23 **Q. DOES SERVICE COMPANY HAVE ANY WRITTEN PROCEDURES**
24 **THAT GOVERN THE MANNER IN WHICH IT CONDUCTS BUSINESS?**

25 A. Yes. Service Company has a Procedures Manual, which is attached as
26 Exhibit LDS-4. The Procedures Manual: (1) requires that SLAs be used to define
27 and govern transactions between Service Company and affiliates; (2) provides
28 accounting procedures to be used by Service Company; (3) directs how and when
29 to establish new cost objects to track costs; (4) details cost object monitoring and
30 control; (5) sets forth allocation factors, including updates and revisions;
31 (6) requires time reporting; (7) establishes billing and review; (8) provides direction
32 on dispute resolution; (9) discusses internal audit control; (10) details budgeting

1 and the interaction between Service Company and affiliates; and (11) requires the
2 evaluation of costs for competitiveness.

3 **Q. ARE THERE ANY OTHER SUPPORT SERVICES REFLECTED IN THE**
4 **RATE FILING PACKAGE?**

5 A. Yes. Costs for facilities rent and maintenance for the two buildings, CenterPoint
6 Energy Tower and Energy Control & Data Center, have been included in the rate
7 filing package. The lease cost for both facilities are discussed in detail in Mr.
8 Greenley's direct testimony.

9 **Q. DO ANY OF THE ORGANIZATIONS WITHIN CENTERPOINT**
10 **HOUSTON PERFORM THE SAME SERVICES PROVIDED BY SERVICE**
11 **COMPANY?**

12 A. No. There is no overlap in the services or charges provided by Service Company
13 and those provided by the other business units, including CenterPoint Houston.

14 **Q. WHAT ARE SERVICE COMPANY CROSS CHARGES?**

15 A. As described in Exhibit LDS-3a, cross charge activity occurs when one Service
16 Company function ("provider") provides a service to another Service Company
17 function ("receiver"). When this activity occurs, the provider function directly
18 assigns or allocates all incurred labor, time, and expenses to the receiver function.
19 An example of a Service Company cross charge is IT charging Finance for desktop
20 support for the computers, printers, and technology equipment owned and held by
21 the Finance organization.

IV. CENTERPOINT ENERGY RESOURCES CORP.

Q. HOW IS CERC RELATED TO CENTERPOINT HOUSTON?

A. CERC is a wholly owned subsidiary of CNP. CNP's natural gas distribution business falls within CERC and engages in natural gas sales to, and transportation for, approximately 4 million residential, commercial, and industrial customers in the states of Indiana, Louisiana, Minnesota, Mississippi, Ohio, and Texas.

Q. DOES CERC PROVIDE ANY SERVICES TO CENTERPOINT HOUSTON DURING THE TEST YEAR?

A. Yes, during the Test Year, CenterPoint Houston received operational support services from CERC. The use of CERC's operational support for specialized services allowed CenterPoint Houston to leverage CERC expertise to expedite and complete certain projects.

Q. WHAT SERVICES DID CERC PROVIDE TO CENTERPOINT HOUSTON DURING THE TEST YEAR?

A. Services from CERC to CenterPoint Houston include line locating, fleet services, meter reading, broadband, and mapping services. A description of each service is provided below:

- Line Locating – CERC personnel perform any necessary line locating services for CenterPoint Houston. When CERC is asked to locate and/or mark an electric line on behalf of CenterPoint Houston, CERC will bill the cost of that line locate to CenterPoint Houston, including labor.
- Fleet Services – CERC's Fleet Services department is responsible for the management of all vehicles and motorized equipment in the Houston Electric and Houston Metro Gas and Gas outlying areas. When CenterPoint Houston uses gas pumps at CERC pump stations, CERC directly bills the fuel usage to CenterPoint Houston.

- 1 • Meter Reading – CNP’s Automated Meter Reading system uses radio
2 transmitting devices, attached to meters of existing CNP customers,
3 enabling remote reading of the meter. At times, an employee from the
4 AMS/ERT department is assigned to help CenterPoint Houston with meter
5 reading tickets. The CERC employee’s time is billed to CenterPoint
6 Houston.

- 7 • Gas Operations Technology Services (“GOTS”) Broadband Services –
8 GOTS maintains broadband services for CenterPoint Houston. Mobile
9 broadband scanners allow technicians to use computers, scanners, and
10 copiers at a job site for information to flow to back to the Company’s office
11 faster and more efficiently with some work orders completed directly at the
12 job site. Occasionally, CenterPoint Houston uses these broadband services
13 to help expedite orders. The cost of these services is directly assigned
14 and/or allocated back to CenterPoint Houston.

- 15 • Research and Damage Prevention Compliance – This department
16 coordinates compliance reporting with the Railroad Commission of Texas
17 regarding line locates. The department receives requests for reporting from
18 CenterPoint Houston from time to time. The Compliance department bills
19 CenterPoint Houston based on the number of line locate tickets researched
20 for CenterPoint Houston.

- 21 • Texas Gas Engineering GIS and CAD – Facility maps are created by CERC
22 that display gas and electric facilities. When the CenterPoint Houston
23 business unit uses this service, the costs are directly assigned back to
24 CenterPoint Houston by the amount of time/labor it takes to complete map
25 request.

26 **Q. HOW MUCH DID CERC CHARGE CENTERPOINT HOUSTON IN THE**
27 **TEST YEAR?**

28 A. After adjustments, the total O&M expense for services provided to CenterPoint
29 Houston by CERC was \$11.7 million.

30 **Q. ARE THE SERVICES PROVIDED BY CERC NECESSARY?**

31 A. Yes. Using the well-established services provided by another business unit within
32 CNP allows CenterPoint Houston to be efficient and cost effective. For example,
33 the CERC Line Locating department handles line locating tickets for both CERC
34 and CenterPoint Houston. During the Test Year, over 917 thousand gas and electric

1 line locating tickets were received, of which approximately 44% of the tickets were
2 for CenterPoint Houston. All time and labor working on the electric line locating
3 tickets are directly assigned to CenterPoint Houston. Another example of this
4 efficiency is the use of CERC fueling stations by CenterPoint Houston. Rather than
5 driving out of the way to find a fueling station, a CenterPoint Houston vehicle can
6 be fueled at a CERC facility allowing the employee to quickly complete the project
7 without losing time driving to another fueling station. Similar to the line locating
8 activities, all fuel used by a CenterPoint Houston vehicle will be directly charged
9 to CenterPoint Houston. These services are reasonable and necessary to the
10 Company's daily operations and allow CenterPoint Houston to add efficiencies and
11 increase productivity by sharing services with other CNP business units. For
12 additional allocation information, please see the CERC Cost Center Assignment
13 Manual provided as Exhibit LDS-3b.

14 **Q. WHAT BENEFITS ARE PROVIDED THROUGH CENTERPOINT**
15 **HOUSTON'S USE OF CERC SERVICES?**

16 A. Similar to the Company's use of Service Company, the ability to utilize CERC
17 assets and employees to perform necessary operational services gives CenterPoint
18 Houston access to specialized skills and resources in an efficient and cost-effective
19 manner. CenterPoint Houston benefits from the services provided by CERC. This
20 internal process of sharing resources between the two business units avoids
21 incurring the additional cost of hiring additional headcount or a third party to
22 perform these services.

1 Q. DO ANY OF THE ORGANIZATIONS WITHIN CENTERPOINT
2 HOUSTON PERFORM THE SAME SERVICES PROVIDED BY CERC?

3 A. No. There is no overlap in the services or charges provided by CERC and those
4 provided by CenterPoint Houston.

5 V. VECTREN UTILITY HOLDINGS, LLC

6 Q. HOW IS VUH RELATED TO CENTERPOINT HOUSTON?

7 A. VUH is a wholly owned subsidiary of CNP. VUH provides certain operational
8 support activities to the electric footprint, including CenterPoint Houston.

9 Q. DID VUH SUPPLY ANY SERVICES TO CENTERPOINT HOUSTON
10 DURING THE TEST YEAR?

11 A. Yes. During the Test Year, services from VUH were provided for operational
12 support activities including damage prevention & meter reading management, work
13 order management, and GIS administration.

14 Q. ARE THE SERVICES PROVIDED BY VUH NECESSARY?

15 A. Yes. VUH employees are providing the services in support of operating activities
16 to CenterPoint Houston. For allocation information, please see the VUH Cost
17 Center Assignment Manual provided as Exhibit LDS-3c

18 Q. HOW MUCH DID VUH CHARGE CENTERPOINT HOUSTON IN THE
19 TEST YEAR?

20 A. After adjustments, the total O&M expense for services provided to CenterPoint
21 Houston by VUH was \$0.3 million.

1 **VI. CENTERPOINT HOUSTON TO OTHER AFFILIATES**

2 **Q. DOES CENTERPOINT HOUSTON PROVIDE AFFILIATE SERVICES TO**
3 **ANY OF ITS AFFILIATED COMPANIES?**

4 A. Yes, CenterPoint Houston provides affiliate services such as (1) Land & Field
5 Services, (2) GIS Data Management and Administration, and (3) Fleet, Shop
6 Services and Radio Communications. When these services are provided,
7 CenterPoint Houston employees directly bill their time (employee's fully loaded
8 labor rate plus related overhead) and related expenses to a work order assigned to
9 the CNP affiliate requesting the service. Please refer to Exhibit LDS-3d for a copy
10 of CenterPoint Houston's Cost Center Assignment Manual for a more detailed
11 description of the services provided by the Company.

12 **Q. WAS CENTERPOINT HOUSTON REIMBURSED FOR SERVICES**
13 **PROVIDED TO OTHER AFFILIATED COMPANY'S DURING THE TEST**
14 **YEAR?**

15 A. Yes. The chart below shows the amounts that each affiliate reimbursed CenterPoint
16 Houston for the services they received during the Test Year:

17

1 **Figure 3. Other Affiliate Billings, as Adjusted**

Affiliate Company	Adjusted Test Year Amount (000's)
CenterPoint Energy Service Company, LLC	\$ 1,095
CERC Divisions & Subsidiaries	
CNP Minnesota Gas	2,331
CenterPoint Energy Entex	14,620
CenterPoint Energy Intrastate Pipelines, LLC	1
Indiana Gas Company, Inc.	1,031
Vectren Energy Delivery of Ohio, Inc.	684
VUH & Subsidiaries	
VUH, Inc.	1,239
Southern IN Gas and Electric Company	2,354
Other	135
Total	\$23,490

2 *Figure 3 - Other Affiliate Billings, as Adjusted*

3 **Q. HOW HAS CENTERPOINT HOUSTON REFLECTED**
4 **REIMBURSEMENT FOR SERVICES PROVIDED TO OTHER**
5 **AFFILIATES IN ITS FILING?**

6 A. Costs that CenterPoint Houston reimburses to other affiliates are credited against
7 the Company's total rate request and are reflected in Schedule V-K-8.

8 **VII. SERVICE LEVEL AGREEMENTS, BUDGETING**
9 **AND OTHER COST CONTROLS**

10 **Q. WHAT IS A SERVICE LEVEL AGREEMENT?**

11 A. A SLA is an agreement between Service Company and a CNP affiliate or between
12 two CNP affiliates that documents the services to be provided to the recipient and/or
13 the billing rates for services that are assigned based on a billing rate and the
14 allocation factors used to assign costs that are allocated. The terms of the SLA
15 clarify and require that services be provided on a "fair, nondiscriminatory basis."

1 The SLA requires, among other things, that (1) the price charged for each service
2 will be the same as that charged to every other CNP business unit for like services
3 for a given period; (2) amounts charged for items not allowed for recovery in
4 regulated rates must be separately identified and billed separately so that the
5 amounts can be reported as required; (3) amounts charged must be reasonable and
6 necessary in order to provide that service; and (4) any allocation should reasonably
7 approximate the actual costs incurred in providing that service.

8 **Q. HOW DOES SERVICE COMPANY DETERMINE APPROPRIATE**
9 **SERVICE LEVELS AND OBTAIN AGREEMENT FOR SERVICES**
10 **PROVIDED?**

11 A. Service Company uses the SLA to document services and, where appropriate,
12 service levels to be provided to individual clients. As part of the SLA development
13 process, on an annual basis, representatives of Service Company and each affiliate
14 meet and discuss the levels of services required, the costs of the services provided
15 and any business changes from the prior year. Once an agreement is reached, the
16 discussions are documented, incorporated into the SLA and the SLA is forwarded
17 to the recipient for signature. Service Company will keep the signed original and
18 forward a signed copy to the client.

19 **Q. HOW DO THE SLAs FUNCTION?**

20 A. The Service Company SLAs ensure that the price charged for each service will be
21 the same as that charged to every other CNP business unit for like services for a
22 given period, that amounts charged for items not allowed for recovery in regulated
23 rates must be separately identified and billed separately so that the amounts can be

1 reported as required, that amounts charged must be reasonable and necessary in
2 order to provide that service and that any allocation should reasonably approximate
3 the actual costs incurred in providing that service.

4 **Q. WHEN WERE SLAs FIRST USED?**

5 A. Service Company has been using SLAs since the formation of Service Company in
6 2004.

7 **Q. ARE SLAs MADE AVAILABLE TO THE COMMISSION?**

8 A. Yes. SLAs are made available to the Commission in accordance with 16 TAC §
9 25.84 “Annual Reporting of Affiliate Transactions for Electric Utilities,” which
10 requires a prior calendar year annual report of affiliate activities. Service Company
11 functions are required, by CNP policy, to comply with the SLAs executed with
12 CenterPoint Houston and other business units. A copy of the 2023 SLA between
13 Service Company and CenterPoint Houston is attached as Exhibit LDS-5.

14 **Q. ARE ANY SERVICES OCCASIONALLY PROVIDED BY SERVICE**
15 **COMPANY THAT ARE NOT COVERED BY THE SLA PROCESS?**

16 A. Yes. In addition to services provided to business units such as CenterPoint
17 Houston, the various Service Company functions provide services to other
18 functions within the Service Company known as an intra-company service.
19 Although intra-company services are not covered by the SLA process, the service
20 is still provided in a manner consistent with the SLAs. For example, IT could be
21 asked to create a report query for Finance. This IT service, provided within the
22 Service Company, might not be covered by an SLA but is billed at the same rate as
23 IT services provided to business units under the SLAs. Service Company and other

1 affiliates will also occasionally initiate services to a new affiliate before a formal
2 SLA is documented and in place. In both instances, Service Company directly
3 assigns costs for the new service to the appropriate affiliate and includes any
4 changes in service as part of the next annual SLA process. Similar to charges to
5 business units, these intra-company services are priced no higher than Service
6 Company charges other affiliates for the same service.

7 **Q. WHICH BUSINESS UNITS RECEIVE SERVICES FROM SERVICE**
8 **COMPANY THROUGH SLAs?**

9 A. The following business units receive services from Service Company through
10 SLAs: (1) CenterPoint Houston; (2) CenterPoint Energy Gas Operations;
11 (3) CenterPoint Energy Properties, Inc.; (4) Southern Indiana Gas & Electric
12 Company ("SIGECO"); (5) Energy Services Group ("ESG"); and (6) Home Service
13 Plus South.

14 **Q. PLEASE DESCRIBE THE ANNUAL BUDGETING PROCESS FOR**
15 **SERVICE COMPANY.**

16 A. Each year, all Service Company functions are required to prepare a one-year
17 budget. The Financial Planning and Analysis department, which is part of the
18 Finance Organization, is responsible for establishing the timeline, providing
19 high-level requirements for the budgets and communicating the requirements to
20 each CNP Business Unit Finance Director and each Service Company function
21 leader.

22 Using these guidelines, each function establishes a detailed budget in the
23 SAP system by general ledger account and cost center and incorporates inputs

1 regarding service needs from each business unit. During this time, budgeted
2 expenditures are identified as to whether they are billable or non-billable.
3 Non-billable costs are set up in a separate cost object established for that purpose.
4 Billable costs are identified as either directly billed or allocated. Each function then
5 provides these billable costs to the business unit for validation. Once validated, the
6 billable costs are included in the business units' budgets.

7 In accordance with a scheduled timeline, each business unit and function
8 present their one- and five-year budgets to the CNP Executive Committee for
9 review. As a result of the CNP Executive Committee review, business units or
10 functions may revise and refine their budgets before being compiled and presented
11 to the CNP Executive Committee and ultimately, the CNP Board of Directors for
12 final approval.

13 **Q. HOW DOES SERVICE COMPANY USE ITS BUDGETS TO CONTROL**
14 **COSTS AFTER THEY ARE PREPARED AND APPROVED?**

15 A. Service Company uses the budgets for monitoring and controlling costs, financial
16 planning at the corporate and business unit levels and providing the business units
17 with information as to what Service Company estimates its costs will be for the
18 year.

19 **Q. HOW DOES THE BUDGETING PROCESS HELP SERVICE COMPANY**
20 **CONTROL BILLINGS TO CENTERPOINT HOUSTON?**

21 A. The rigorous budgeting preparation and review process, prior to approval,
22 encourages each Service Company function to be disciplined and careful in
23 establishing their budgets. Prior to the start of the annual budget process and on a

1 monthly basis, each function leader is monitoring actual costs to the budgeted
2 amounts. The constant budgeting and monitoring processes ensure that costs
3 incurred by Service Company and billed to CenterPoint Houston are controlled,
4 reasonable, and necessary.

5 Each function is held accountable to its budgets through goals and monitors
6 their budget at service or lower levels. This process helps ensure the functions are
7 providing services in a cost-effective manner, monitoring incurred expenditures as
8 budgeted, and identifying, analyzing and resolving variances. Business units also
9 use a rigorous process to monitor and evaluate the adequacy and cost of services
10 provided.

11 To reinforce the budgeting process, monthly performance review meetings
12 are held with senior CNP leadership, including the Chief Executive Officer and
13 Chief Financial Officer allowing function leaders the opportunity to review
14 function performances against their respective budgets. This control helps ensure
15 compliance with the requirements of the Sarbanes Oxley Act of 2002. For
16 additional information regarding CenterPoint Houston's budgeting process, please
17 see Schedule V-K-10.

18 **Q. DOES CENTERPOINT HOUSTON USE THE BUDGETED COSTS FROM**
19 **SERVICE COMPANY TO CONTROL AND MONITOR COSTS?**

20 **A.** Yes. As an additional cost control measure, and on a monthly basis, CenterPoint
21 Houston also monitors the costs it receives from Service Company.

1 **Q. WHAT CONTROLS, OTHER THAN ITS BUDGETING PROCESS, DOES**
 2 **SERVICE COMPANY HAVE IN PLACE TO ENSURE THAT AFFILIATE**
 3 **COSTS ARE CONTROLLED AND BILLED PROPERLY?**

4 A. The Service Company also uses financial system and accounting controls to ensure
 5 that costs are controlled and billed to affiliates properly. The oversight activities of
 6 the Executive Committee provide additional controls as discussed below. These
 7 controls ensure that affiliate expenses are reasonable and necessary, properly billed
 8 and charged to CenterPoint Houston at a rate no higher than charges for the same
 9 services rendered to other affiliates. These controls also aid in identifying charges
 10 that must be excluded from rates under 16 TAC § 25.231.

11 **Q. ARE THERE ANY OVERSIGHT CONTROLS IN PLACE TO ENSURE**
 12 **THAT SERVICE COMPANY COSTS ARE REASONABLE AND**
 13 **NECESSARY?**

14 A. Yes. Before expenses are processed, the CNP Executive Committee provides a
 15 thorough corporate review, oversight and control of significant expenditures for all
 16 business units and Service Company. This review ensures that significant
 17 investments or financial commitments are evaluated and approved by management.

18 **Q. HOW DO FINANCIAL SYSTEM CONTROLS ENSURE THAT**
 19 **AFFILIATE COSTS ARE CONTROLLED AND BILLED PROPERLY?**

20 A. Financial system controls assure that formulaic affiliate billings are accurate and
 21 timely. By calculating and billing affiliates through the automated processes in
 22 SAP, Service Company, VUH, and CERC reduce the risk of error. SAP automation
 23 also ensures timely and complete billings. Additionally, SAP security controls

1 include those associated with opening and closing the accounting period, creating
2 cost objects and cost elements, and posting journal entries. These controls ensure
3 that costs incurred and billed are appropriate and accurate.

4 **Q. HOW DO ACCOUNTING CONTROLS ENSURE THAT AFFILIATE**
5 **COSTS ARE CONTROLLED AND BILLED PROPERLY?**

6 A. Each month, the Accounting department reviews the inter-company accounts to
7 ensure that billings to affiliates are accurate, appropriate and remain in balance
8 between companies. Prior to closing the books, Accounting managers and Finance
9 directors are required to perform cost reviews, analyzing actual costs compared to
10 budgeted amounts. In addition to the detail review by both groups, CNP also has
11 systems and policies in place, for all companies including Service Company, to
12 ensure approval of transactions are applied before costs can be incurred and paid.
13 For example, CNP has an Authorization policy, reviewed by the Authorization
14 Policy Committee, comprised of Legal, Finance and Operations organizations, to
15 safeguard the spending levels of Company employees. These preventative and
16 detective controls ensure that costs are reasonable, accurate and appropriately
17 billed.

18 **Q. HOW DO SERVICE COMPANY, VUH, AND CERC ENSURE THAT**
19 **LABOR COSTS ARE REASONABLE?**

20 A. CNP maintains a formal process for evaluating and “pricing” each job, including
21 those within Service Company, VUH, and CERC. Annually, Human Resources
22 uses third party studies and reviews salaries to ensure that employee compensation
23 is within established market rates. This review helps ensure that CNP employees

1 are fairly compensated within ranges reflected in the local marketplace. Please see
2 the testimony of Company witness Ms. Villatoro for information on CNP's
3 compensation philosophy.

4 **Q. IS SAP USED TO CONTROL COSTS BILLED TO CENTERPOINT**
5 **HOUSTON?**

6 A. Yes. SAP is used to review, research and analyze the incurred and billed costs to
7 the business units, including CenterPoint Houston. This use of SAP helps to ensure
8 that costs are reasonable, necessary and properly billed and recorded.

9 **Q. CAN YOU SUMMARIZE THE PROCESS FOLLOWED BY SERVICE**
10 **COMPANY, VUH, AND CERC FOR BILLING CENTERPOINT**
11 **HOUSTON?**

12 A. Yes. Service Company, VUH, and CERC costs are billed to affiliates, including
13 CenterPoint Houston, through either direct billings or by allocation.

14 Direct assigned billings represent costs for services incurred directly on
15 behalf of a business unit and can be internal or external. Internal cost can be labor
16 costs associated with Service Company, VUH, and CERC employees performing
17 specific work for the business unit or costs that are derived based on established
18 units of measure. External cost may be billings from third-party vendors and
19 contractors.

20 The Service Company costs that cannot be directly assigned are allocated
21 to affiliates, including CenterPoint Houston, using allocation factors. The
22 allocation factors are input into SAP, allowing the allocation to be performed
23 through an automated process. A description of the allocation factors is included

1 on Schedule V-K-11. Schedules V-K-9.1 (confidential) through V-K-9.3 show the
2 calculations of the allocation factors used in 2023.

3 **Q. ARE THE AMOUNTS ASSIGNED TO CENTERPOINT HOUSTON AND**
4 **OTHER AFFILIATES COST-BASED?**

5 A. Yes. Service Company, VUH, and CERC bill expenses at cost.

6 **Q. ARE THE METHODS USED BY SERVICE COMPANY TO BILL ALL**
7 **AFFILIATES, INCLUDING CENTERPOINT HOUSTON, CONSISTENT?**

8 A. Yes. All costs for a given service that are directly related to affiliates, including
9 CenterPoint Houston, are directly assigned. If allocated, the cost are not higher
10 than the prices charged by Service Company, VUH, and CERC for the same class
11 of items to the Company's affiliates or divisions. A description of the allocation
12 factors is included on Schedule V-K-11.

13 **VIII. AFFILIATE BILLINGS**

14 **Q. WHAT ARE THE TOTAL AFFILIATE EXPENSES FOR THE TEST**
15 **YEAR?**

16 A. For the Test Year, the total amount of affiliate O&M expenses to CenterPoint
17 Houston was \$186.3 million. This information is provided by affiliate, class of
18 service, and by FERC account in Schedule V-K-12.3.

19 **Q. WHAT ARE THE TOTAL AFFILIATE CAPITAL COSTS FOR THE TEST**
20 **YEAR?**

21 A. For the Test Year, the total amount of affiliate capital costs to CenterPoint Houston
22 was \$90.2 million. This information is provided by affiliate, class of service, and
23 by FERC account in Schedule V-K-12.3.

1 Q. HOW WERE THESE AFFILIATE COSTS IDENTIFIED?

2 A. Using the CNP general ledger, the Company examined and captured all Test Year
3 transactions recorded to CenterPoint Houston.

4 Q. HAVE AFFILIATES BILLED CENTERPOINT HOUSTON FOR WORK
5 ON CAPITAL PROJECTS?

6 A. Yes. In accordance with CNP's Capitalization Policy, the Service Company billed
7 CenterPoint Houston for work on capital projects. Schedule V-K-5 contains a list
8 of all Service Company capital charges (with project descriptions) billed to
9 CenterPoint Houston from 2019 to 2023 that are included in CenterPoint Houston's
10 rate base. Refer to the testimony of Ms. Colvin for the Company's Capitalization
11 Policy.

IX. SERVICE COMPANY, VUH, AND CERC COSTS BILLED TO
AFFILIATES

14 Q. DO SERVICE COMPANY, VUH, AND CERC USE THE SAME BILLING
15 METHODS?

16 A. Yes. Service Company bills-out cost depending on the nature of the service, either
17 by direct assignment or allocated cost. CERC directly assigns costs to CenterPoint
18 Houston for services. VUH allocates the cost of services provided to CenterPoint
19 Houston. Specifically:

- (1) **Directly Assigned** costs are incurred by the Service Company for the direct benefit of a particular business unit and tracked and directly billed to the specific business unit.
- (2) **Allocated costs** are activities and costs that are incurred in support of multiple business units and allocated to those business units based on an allocation factor.

1 **Q. ARE SERVICE COMPANY, VUH, AND CERC COSTS BILLED**
 2 **CONSISTENTLY ACROSS THE VARIOUS BUSINESS UNITS?**

3 A. Yes. For a given service, including CenterPoint Houston, costs are priced exactly
 4 the same as those provided to other affiliates. Such equal treatment is necessary to
 5 ensure that all affiliates bear their appropriate costs and no business unit is unfairly
 6 advantaged or disadvantaged. If this process did not occur, some affiliates might
 7 not bear their appropriate share of costs, causing a disproportionate bearing of cost
 8 to the business units. This would be an unacceptable practice, especially with the
 9 affiliates operating in regulated jurisdictions.

10 For services billed on the basis of time spent, each business unit is charged
 11 the same rate per billable hour for the same service. To ensure that all costs are
 12 billed each month, after service or billable hour units are billed, any residual
 13 unassigned amounts are allocated to the business units based on planned activities.

14 **Q. CAN YOU DESCRIBE DIRECTLY ASSIGNED COSTS IN GREATER**
 15 **DETAIL?**

16 A. Yes. Directly assigned costs are charges that are brokered, administered, secured
 17 or incurred by the Service Company or CERC for a particular business unit. At
 18 times, Service Company functions, perform tasks at the request of a business unit.
 19 An example of this type of cost is legal fees related to CenterPoint Houston's
 20 transmission and distribution support. These legal fees are paid by the Service
 21 Company and then directly billed to CenterPoint Houston. Another example is
 22 when I.T. is asked to create a financial dashboard for Finance. This I.T. service,
 23 provided within the Service Company, is billed at an established unit of measure.

1 **Q. PLEASE EXPLAIN ALLOCATED COSTS IN GREATER DETAIL.**

2 A. Allocated costs are those expenses incurred in Service Company and VUH to
3 support multiple business units and are allocated across the applicable business
4 units based on allocation factors. Examples of allocated costs include accounting,
5 finance, strategic planning, executive management, investor relations, treasury,
6 human resources, and certain legal services. The allocation methodology is
7 discussed in more detail later in my testimony.

8 **Q. CAN MORE THAN ONE ALLOCATION FACTOR BE USED IN A**
9 **FUNCTIONAL AREA?**

10 A. Yes. For example, most Human Resources costs are incurred in support of
11 activities directly related to employees, such as recruiting, hiring, learning and
12 organizational development. Costs for these activities are allocated to the affiliates
13 based on headcount within each affiliate. However, Human Resources activities
14 also include development and execution of human resources strategy, policy and
15 processes. These activities are allocated to affiliates using the composite ratio
16 method discussed later in my testimony.

17 **Q. CAN BOTH DIRECT ASSIGNMENT AND ALLOCATION METHODS BE**
18 **USED IN A FUNCTIONAL AREA?**

19 A. Yes. In some instances, the activities performed by a cost center may require
20 utilization of both direct assignment of costs, as well as allocation of costs. For
21 example, when a Service Company corporate accounting employee performs
22 accounting research specific to a particular business unit, that activity is directly
23 billed to that business unit. However, when that same employee performs research

1 applicable to multiple business units, that activity is allocated using the composite
2 ratio formula described later in my testimony. Both of these methodologies can be
3 found in Exhibit LDS-3a under the assignment method for Financial
4 Reporting/Corporate Accounting.

5 These methods are described in detail in the Cost Center Assignment Manual for
6 each of Service Company, CERC, VUH, and CenterPoint Houston. In the cost
7 center assignment manuals, the type of charge may be listed as direct or allocation
8 based on the primary billing methodology for such charge, but the assignment
9 method and basis of assignment detail the specifics of such billing methodologies—
10 like the example provided above—for each cost center and the major activities
11 performed.

12 **Q. WOULD CENTERPOINT HOUSTON REQUIRE THE SERVICES**
13 **PROVIDED BY SERVICE COMPANY, VUH, AND CERC IF IT WERE A**
14 **STAND-ALONE BUSINESS ENTITY?**

15 A. Yes. There is nothing unnecessary or duplicative about any of Service Company,
16 VUH or CERC services being provided to affiliates such as CenterPoint Houston.
17 These services are necessary for the operation of any business regardless of whether
18 the service is performed centrally, as is done at CNP, or decentralized and residing
19 at the business unit level. This work is performed more effectively at the corporate
20 level due to its emphasis on the consolidated results and operations of CNP.

21 **Q. WHY IS IT NECESSARY TO BILL SERVICE COMPANY, VUH, AND**
22 **CERC COSTS TO THE BUSINESS UNITS?**

1 A. Service Company, VUH and CERC bill actual costs incurred to the business units
 2 in order to better reflect the results of those operations as if they were stand-alone
 3 entities. This practice is important to managing, controlling and understanding the
 4 true costs of business unit operations, and in the case of regulated businesses,
 5 allowing for recovery of reasonable and necessary costs incurred in support of that
 6 business.

7 **Q. ARE ANY SERVICE COMPANY COSTS NOT BILLED TO THE**
 8 **BUSINESS UNITS?**

9 A. Yes. Certain costs incurred at the corporate level, such as interest expense and
 10 corporate business development expenses, are not billed to the business units.

11 **Q. DOES SERVICE COMPANY EVER PROVIDE SERVICES TO**
 12 **CENTERPOINT HOUSTON OR OTHER AFFILIATES THAT ARE NOT**
 13 **RECOVERABLE IN RATES?**

14 A. Yes. Service Company may at times provide services to business units that are not
 15 recoverable in their rates. For example, contributions to political organizations or
 16 causes, legislative advocacy expenses, and expenditures intended to increase
 17 electric consumption, are identified in 16 TAC § 25.231(b)(2) as costs that are not
 18 recoverable in rates. Nevertheless, the cost of these services are billed to business
 19 units using the billing methodologies assigned, regardless of whether the business
 20 units are able to recover those costs.

1 **Q. HOW ARE COSTS, WHICH ARE NOT RECOVERABLE IN RATES,**
2 **TRACKED?**

3 A. Service Company bills these costs through separate accounts specifically
4 established for tracking these expenditures. CenterPoint Houston can then identify
5 and exclude these amounts from its regulatory filings. Please see Ms. Colvin's
6 direct testimony for a discussion of the excluded costs.

7 **X. SERVICE COMPANY, VUHL, AND CERC ALLOCATION**
8 **METHODOLOGIES**

9 **Q. HOW ARE ALLOCATED COSTS BILLED?**

10 A. Allocated costs are billed to the business units and in some cases, to other Service
11 Company cost centers based on allocation factors discussed below.

12 **Q. PLEASE DESCRIBE THE ALLOCATION FACTORS USED BY SERVICE**
13 **COMPANY.**

14 A. The four main categories of allocation factors used by Service Company are the
15 composite ratio, assets, operating expenses, and number of employees. Within each
16 of these general categories of allocation factors, specific factors are used to allocate
17 costs to specific business units. Schedule V-K-11 provides a complete list of the
18 allocation factors, with a detailed description, usage, and the procedures for
19 calculating each allocation factor.

20 **Q. PLEASE DESCRIBE THE COMPOSITE RATIO.**

21 A. The composite ratio formula allocates governance costs incurred by the Service
22 Company on behalf of its affiliates. This three-part formula, consisting of assets,
23 gross margin, and number of employees applied at 40%, 40%, and 20% ratio,
24 respectively, attempts to fairly distribute and allocate the overhead cost to each

1 affiliate member. As required by Section 13(b) of PUHCA¹, the composite ratio
2 formula was developed to allocate corporate governance costs among business
3 units, including Service Company. The structure was intended to ensure that an
4 appropriate share of governance costs is allocated to the corporate parent.

5 **Q. WHAT IS AN EXAMPLE IN WHICH THE COMPOSITE RATIO IS USED**
6 **AS A METHOD OF ASSIGNING COSTS?**

7 A. An example is the Chief Accounting Officer (“CAO”). The CAO focuses on the
8 daily aspect of business costs and company records, ensuring that all ledger
9 accounts, financial statements, and cost control policies are in place. Therefore, the
10 CAO costs, excluding costs directly incurred for affiliates, are assigned to the
11 affiliates using the composite ratio.

12 **Q. HOW WERE THE ALLOCATION FACTORS DETERMINED?**

13 A. Prior to the repeal of PUHCA, the SEC provided oversight of Service Company.
14 In preparation for the formation of Service Company and its regulation by the SEC,
15 CNP commissioned an outside consultant, Maximus, Inc. (“Maximus”), a firm that
16 specializes in assignment studies, to review the bases of allocations of Service
17 Company costs. Maximus opined that the methodology being used was sound, fair
18 and equitable. Maximus proposed some enhancements to the assignment methods
19 which were incorporated into the Corporate Cost Center Assignment Manual for
20 2004 and thereafter. The Maximus study confirmed five criteria for a reasonable
21 cost assignment methodology: (i) cost causative, (ii) measurable, (iii) objective,
22 (iv) stable/predictable, and (v) consistently applicable. The criteria have been

¹ Public Utility Holding Company Act of 1935.

1 followed in establishing the assignment methodologies used by Service Company.
2 The assignment methodology has been reviewed by the Commission and is a
3 reasonable, objective, and accurate basis for distributing affiliate operating costs.

4 **Q. HOW ARE ALLOCATION FACTORS ESTABLISHED?**

5 A. During the budgeting cycle, allocation factors used to allocate the annual budget
6 are established reflecting the business unit plans. These allocation factors are then
7 used to charge actual costs to the business units during the first quarter of the year.
8 Allocation factors are evaluated quarterly and updated annually and as needed to
9 reflect the most current activity through that point in time. For example, allocation
10 factors based on headcount are evaluated after the first quarter to determine changes
11 in headcount during the first quarter. These new factors are used in the second
12 quarter if material variances exist. This process is repeated at the end of the second
13 and third quarters.

14 **Q. HOW ARE THE ALLOCATION FACTORS CALCULATED?**

15 A. Each allocation factor is calculated internally using the methodology listed in
16 V-K-11. Please see Schedule V-K-9.1 (confidential) through V-K-9.3 for the
17 calculations of the allocation factors used each quarter during the Test Year.

18 **Q. DOES CNP HAVE WRITTEN GUIDELINES FOR HOW COSTS ARE**
19 **DISTRIBUTED AMONG AFFILIATES?**

20 A. Yes. Attached as Exhibits LDS-3a through LDS-3d, are the following 2023 cost
21 center assignment manuals:

- 22 (1) Service Company Cost Center Assignment Manual;
23 (2) CERC Cost Center Assignment Manual;
24 (3) VUH Cost Center Assignment Manual; and

1 (4) CenterPoint Houston Cost Center Assignment Manual.

2 The manuals include the allocation factors used for all applicable Service Company
3 cost centers and are updated annually. The basic methodologies described in the
4 manuals have been used for several years. As CNP has acquired other businesses,
5 including those with state regulatory oversight, it has continued to apply the same
6 consistent methodology to the distribution of these costs.

7 **Q. WHAT TYPES OF INFORMATION ARE FOUND IN THE COST CENTER**
8 **ASSIGNMENT MANUALS?**

9 A. The assignment manuals document the billing methodology used by each Service
10 Company cost center and detail the following information for each cost center:
11 (1) the major activities performed by the cost center; (2) the cost assignment
12 method for the cost center; and (3) the basis or rationale supporting the
13 reasonableness of that assignment method.

14 **Q. IS AN ASSIGNMENT METHOD IDENTIFIED FOR EACH SERVICE**
15 **COMPANY FUNCTION?**

16 A. Yes. Each function is reviewed following guidelines outlined in the cost center
17 assignment manuals to determine the proper method to assign costs to the cost
18 centers within the function. The manuals outline the allocation method for each
19 Service Company cost center.

20 **Q. HOW ARE THE APPROPRIATE ALLOCATION FACTORS IDENTIFIED**
21 **FOR EACH COST CENTER?**

22 A. First, each cost center's activities are analyzed to determine the nature of the
23 incurred cost and how the activities are performed. Second, the business units that

1 are served by each cost center are identified. Finally, the appropriate allocation
2 factors and method of distributing expenses for each business unit are derived. For
3 example, the Payroll Department, within Finance, processes payroll transactions
4 for all CNP employees. Employee headcount is a commonly used allocation factor
5 to allocate this type of cost. As a result, each business unit is allocated a portion
6 of the cost of the Payroll Department based on the business unit's employee
7 headcount.

8 **XI. TEST YEAR AFFILIATE ADJUSTMENTS**

9 **Q. HAVE ANY AMOUNTS INCURRED BY SERVICE COMPANY BEEN**
10 **EXCLUDED FROM THE TEST YEAR?**

11 A. Yes, please see the testimony of Ms. Colvin for Service Company adjustments
12 related to expenses excluded under 16 TAC § 25.231(b)(2).

13 **Q. HAVE ANY ADJUSTMENTS BEEN MADE TO THE TEST YEAR**
14 **SERVICE COMPANY COSTS BILLED TO CENTERPOINT HOUSTON?**

15 A. Yes, the Company made an adjustment for Service Company pay increases that will
16 be effective on April 1, 2024. Service Company salaries, short-term incentive
17 ("STI"), and savings have been annualized and calculated to show the impact of
18 these costs. Please reference Schedule V-K-6 Adjustments to the Test Year
19 Expenses for additional details. Adjustments associated with the normalization of
20 2023 Service Company pay, STI, and savings were made consistent with the same
21 adjustments for CenterPoint Houston labor expense, which is discussed in Ms.
22 Colvin's testimony.

23

1 **Figure 4. Service Company Salary, STI, and Savings Adjustment (000s)**

Compensation	Non-Union	Union
Salaries	\$ 1,353	(\$ 7)
STI	254	0
Savings	267	1
Total	\$ 1,874	(\$ 6)

2 *Figure 4 - Service Company Salary, STI, and Savings Adjustment (000s)*

3 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO NORMALIZE SERVICE**
 4 **COMPANY SALARIES, STI, AND SAVINGS.**

5 A. To meet market conditions, CNP salaries, union and nonunion, are adjusted on an
 6 annual basis. Following the Test Year, CNP salaries increased by an estimated
 7 3.5% for all business units, including Service Company and CenterPoint Houston.
 8 Distributing a Competitive Pay Adjustment (“CPA”) to employees helps CNP
 9 remain competitive with the industry while retaining talented and experienced staff.
 10 As shown on Schedule V-K-2, and detailed on Schedule V-K-6 Adjustments to Test
 11 Year Expenses, the adjustments proposed to the Test Year Service Company
 12 billings to CenterPoint Houston is a 3.5% CPA which has a \$1.35 million impact
 13 on total Service Company billings to CenterPoint Houston. Please see the
 14 testimony of Ms. Villatoro for information on CNP’s compensation philosophy.

15 **Q. HAS THE COMPANY ADJUSTED AFFILIATE EMPLOYEE BENEFIT**
 16 **EXPENSE?**

17 A. Yes. Consistent with the Company’s prior base rate cases, proposed adjustments
 18 were made to update its test year expenses for pension and other post-employment
 19 benefit (“OPEB”) expense to reflect actual annual expenses as determined by the
 20 2023 actuarial studies. This adjustment is detailed on Schedule V-K-6 Adjustments
 21 to Test Year Expenses.

1 **Q. WERE ANY ADJUSTMENTS MADE TO THE COSTS RELATED TO THE**
2 **RETIRED AND FORMER CEO?**

3 A. Yes. An adjustment was made to remove from the Test Year the salary, STI, and
4 LTI of the former CEO due to compensation agreements that will be non-recurring.
5 This adjustment is detailed on Schedule V-K-6 Adjustments to Test Year Expenses
6 and the expense related to this adjustment is \$12.3 million.

7 **Q. WERE ANY OTHER ADJUSTMENTS MADE BY SERVICE COMPANY**
8 **COSTS BILLED TO CENTERPOINT HOUSTON DURING THE TEST**
9 **YEAR?**

10 A. Yes. An adjustment was made to remove non-recurring depreciation expense
11 related to assets transferred from Service Company to all business units, including
12 CenterPoint Houston, and is detailed on Schedule V-K-6 Adjustments to Test Year
13 Expenses.

14 **Q. WERE ANY ADJUSTMENTS MADE TO VUH OR CERC COSTS BILLED**
15 **TO CENTERPOINT HOUSTON DURING THE TEST YEAR?**

16 A. Yes. VUH and CERC costs billed to CenterPoint Houston during the Test Year
17 were directly assigned at cost and only adjustments for billing errors were made.

18 **Q. ARE THE TEST YEAR SERVICE COMPANY, VUH, AND CERC COSTS**
19 **BILLED TO CENTERPOINT HOUSTON REASONABLE AND**
20 **NECESSARY?**

21 A. Yes. The services provided by Service Company, VUH, and CERC are necessary
22 for the operations of CenterPoint Houston and not discretionary. CNP's centralized
23 design allows Service Company to leverage corporate resources allowing the costs

1 to be lower than they would have been on a stand-alone basis. The actual costs
2 billed are consistently applied to all business units including the methodology used
3 to allocate cost.

4 Furthermore, Service Company complies with Commission rules requiring
5 that affiliate costs be fully allocated. In order to recover affiliate costs in
6 accordance with PURA, Service Company ensures that costs are reasonable,
7 necessary and not priced higher to the utility than the prices charged for the same
8 services to other affiliates or to non-affiliates within the same market or having the
9 same market conditions. Service Company, VUH, and CERC ensure expenses are
10 billed at cost and services provided to CenterPoint Houston are not duplicative of
11 any of the services received by CenterPoint Houston.

12 **XII. CONCLUSION**

13 **Q. PLEASE SUMMARIZE YOUR TESTIMONY ON THE AFFILIATE COSTS**
14 **REQUESTED BY CENTERPOINT HOUSTON IN THIS CASE.**

15 **A.** The affiliate costs charged to CenterPoint Houston include corporate support
16 services and operational support and are of the type enumerated in the definition of
17 16 TAC § 25.272(c)(4) of “corporate support services.” These costs are fully
18 assigned and conform with the applicable requirements of 16 TAC § 25.272 and
19 PURA § 36.058. As discussed, not only in my testimony but in the direct testimony
20 of the other witnesses as well, the affiliate costs charged to CenterPoint Houston
21 are reasonable and necessary and have been priced no higher than Service
22 Company, VUH or CERC charges other affiliates for the same service. There is no
23 preferential treatment among, or cross-subsidization of, affiliates.

1 **Q. HOW WOULD YOU CHARACTERIZE THE COSTS ASSIGNED TO**
2 **CENTERPOINT HOUSTON BY SERVICE COMPANY, VUH, AND CERC?**

3 A. The costs assigned to CenterPoint Houston by Service Company, VUH, and CERC
4 are reasonable and necessary for the support of CenterPoint Houston operations.
5 This is borne out through: (1) Service Company, VUH, and CERC compliance with
6 variance PURA rules outlined in my testimony; (2) the consistent use of SLAs to
7 govern relationships and transactions with affiliates; (3) the consistent use of cost
8 center assignment manuals which specify allocation factors and are updated
9 annually as warranted; and (4) the application of budgeting and other cost controls
10 as discussed in my testimony.

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

12 A. Yes.

STATE OF Texas §
COUNTY OF Harris §

AFFIDAVIT OF L. DARREN STOREY

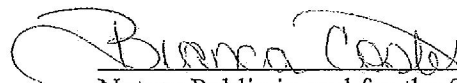
BEFORE ME, the undersigned authority, on this day personally appeared L. Darren Storey who having been placed under oath by me did depose as follows:

1. "My name is L. Darren Storey. I am of sound mind and capable of making this affidavit. The facts stated herein are true and correct based upon my personal knowledge.
2. I have prepared the foregoing Direct Testimony and the information contained in this document is true and correct to the best of my knowledge."

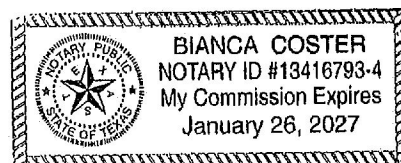
Further affiant sayeth not.


L. Darren Storey

SUBSCRIBED AND SWORN TO BEFORE ME on this 16th day of February,
2024.

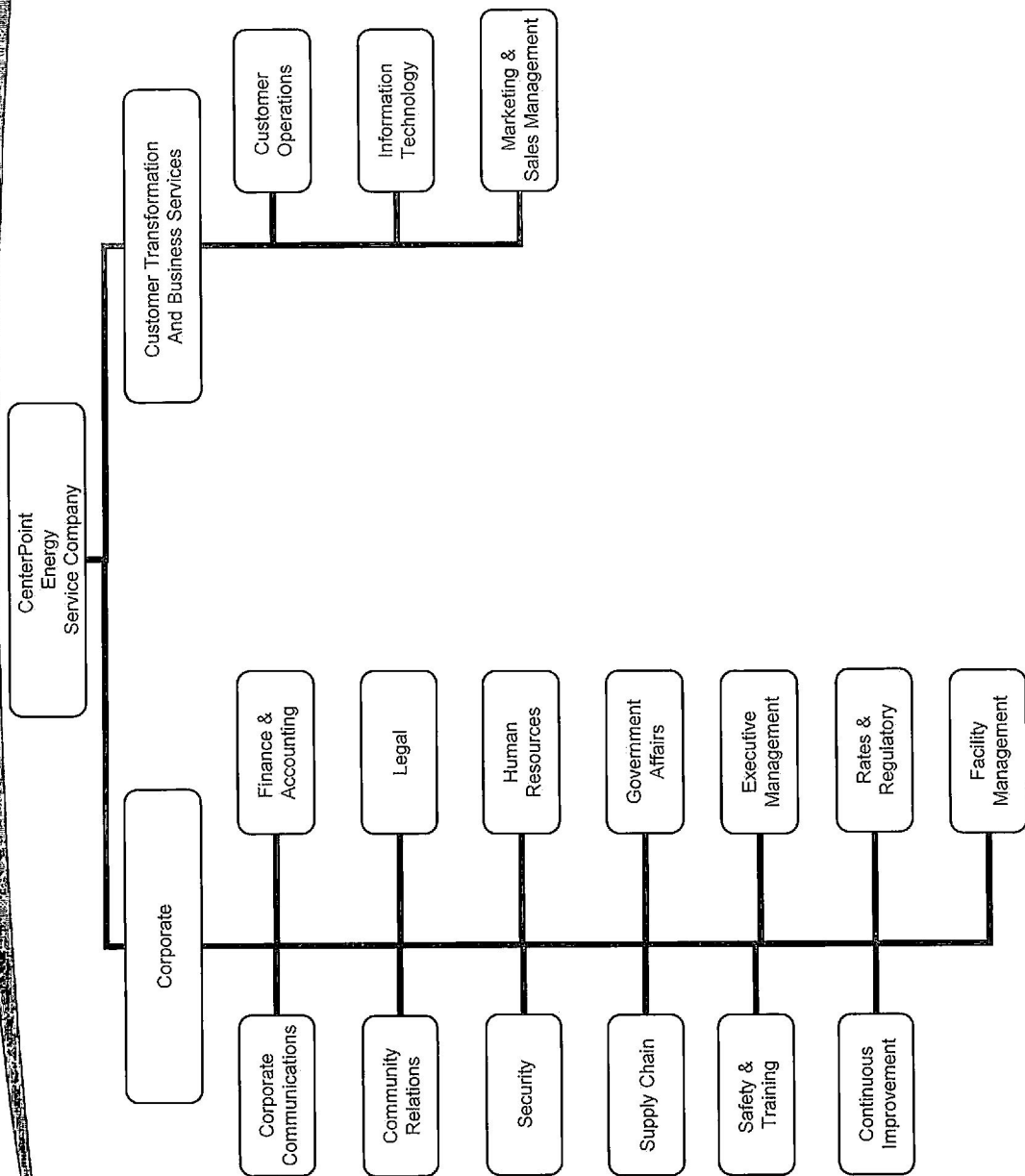

Notary Public in and for the State of Texas

My commission expires: Jan 26, 2027



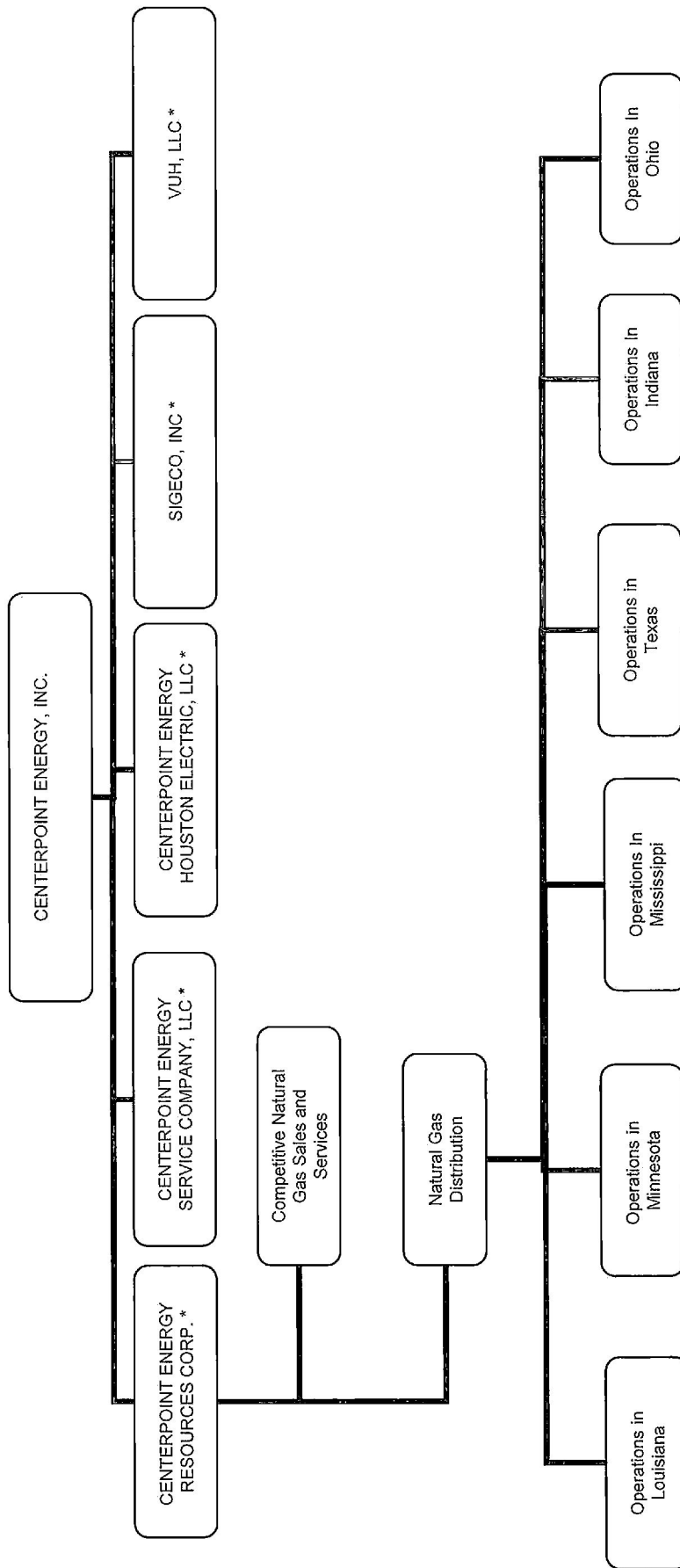


CenterPoint Energy Service Company Organization Chart





CenterPoint Energy, Inc. Affiliate and Division Relationships



* Legal Entities and Affiliates of CenterPoint Energy, Inc.

Appendix A: Corporate Services

Cost Center	Cost Center Name	Cost Center	Function	Major Activities/Cost Center Overview	Assignment Method	Allocation Driver	Allocation Type	Allocation Driver
104304	CERC Finance	104304 CERC Finance	Finance & Accounting	Costs associated with CenterPoint Energy Resources Corporation Finance including audit and legal fees associated with the issuance of debt.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. Other costs are assigned based on total assets of the CERC business units.	Assigned to CenterPoint Energy Resources companies only. Based on a review of the activities of this cost center, most services can be classified as financial services provided on behalf of the CERC business units (internal organizations). The costs of the department which cannot be direct billed are assigned based on the total CenterPoint Energy Resources Corporation assets per business unit.	Allocation	Assets
104396	CERC Insurance	104396 CERC Insurance	Other Corp - Finance	Costs associated with CenterPoint Energy Resources Corporation Insurance.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All remaining cost are assigned based on CERC operating expense (less fuel).	Assigned to CenterPoint Energy Resources Companies only. Based on a review of the activities of this cost center, most services/costs can be classified as insurance. Therefore, the fixed distribution should be correlated to the size, complexity and activity level of the business units' operations. The fixed distribution percentage selected is based on the amount of operating expenses per CERC business unit, less fuel costs. Fuel costs are excluded as for most entities these costs are pass-through items and recoveries are timely. This measure is a reasonable proxy for the relative transaction volumes and activity levels of each business unit.	Allocation	Operating Expenses (less fuel)
104397	CERC Directors/Officers	104397 CERC Directors/Officers	Other Corp - Finance	Insurance for directors and officers of CenterPoint Energy Resources Corporation. Contracted payments for former officers and directors.	Direct charges are tracked and charged directly to the applicable CERC business unit. Assignable internal labor charges are billed directly to the applicable CERC business unit. Other costs are assigned based on total assets of the CERC business units.	The primary responsibility of this corporate center is to provide insurance for directors and officers for CenterPoint Energy Resources Corporation. The remaining costs of the department which cannot be direct billed (primarily directors and officers insurance costs) are assigned based on the total CenterPoint Energy Resources Corporation assets per business unit.	Allocation	Assets
125001	President and Chief Executive Officer	125001 President and Chief Executive Officer	Senior Executive Office	General activities and costs to support the office of the CEO such as salaries of the CEO and an executive assistant. Oversees operations and strategic direction of the company	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Composite Ratio Formula.	Activities of this cost center primarily relate to providing support and interfacing with the board of directors and external entities such as stockholders, the investment community, customers and regulators. The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.	Allocation	Composite Ratio
125002	President & Chief Operating Officer	125002 President & Chief Operating Officer	Senior Executive Office	General activities and costs to support the office of the COO such as salaries of the COO and an executive assistant. Oversees operations and strategic direction of the company	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Composite Ratio Formula.	Activities of this cost center primarily relate to providing support and interfacing with the board of directors and external entities such as stockholders, the investment community, customers and regulators. The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.	Allocation	Composite Ratio
125004	Chief Financial Officer	125004 Chief Financial Officer	Finance & Accounting	General activities and costs to support the office of the CFO such as salaries of the CFO and an executive assistant. Oversees the financial & accounting operations and financial strategic direction of the company	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Composite Ratio Formula.	Based on a review of the activities of this cost center, most services can be classified as financial services with an emphasis on financial compilation, review, planning and management. The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.	Allocation	Composite Ratio
125007	Financial Planning & Performance Management	125007 Financial Planning & Performance Management	Finance & Accounting	Planning and business unit performance reviews. Financial forecasting. Development of plans and goals.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Composite Ratio Formula.	Based on a review of the activities of this cost center, most services can be classified as financial services with an emphasis on one year and five-year financial forecast compilation and analysis. The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.	Allocation	Composite Ratio
125008	Finance Process Improvement	125008 Finance Process Improvement	Finance & Accounting	General activities and costs to support corporate and business units. Assistance to business units in the development of strategies. Economic and financial analysis of business unit and corporate strategies.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Composite Ratio Formula.	Based on a review of the activities of this cost center, most services/costs have an emphasis on financial and economic analysis of business unit and corporate finance strategies to improve the profitability of the business units (internal organizations). The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.	Allocation	Composite Ratio

Appendix A: Corporate Services

Cost Center	Cost Center Name	Cost Center	Function	Major Activities / Cost Center Overview	Assignment Method	Reason for Assignment	Type of Charge	Allocation Driver
125019	Corporate Communications	125019 Corporate Communications	Corporate Communications / Community Relations & Security	The Corporate Communications department is responsible for employee communications related to Corporate email (Message Builder), Corporate intranet (CNP Today), External website (CenterPointEnergy.com), Newsletters (CNP Weekly), Financial communications (Annual Report), Media relations, Video production, and Presentation Readiness Enhancement Program.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. General communication and costs are assigned based on asset values. Communication Governance associated costs are allocated on the composite ratio. Employee communications are assigned based on number of employees.	Based on a review of the activities of this cost center, services relate to media, financial audiences, employee communications and the community at large.	Direct	Directly Assigned
125020	Corporate Transactions, Commercial & Finance	125020 Corporate Transactions, Commercial & Finance	Legal	The Corporate Legal team is primarily responsible for, and incurs costs related to, (i) maintaining compliance with securities and New York Stock Exchange laws and regulations, (ii) representing the Company in corporate transactions such as mergers, acquisitions and financings, (iii) supporting the finance and corporate communications organizations, (iv) overseeing matters of corporate governance, (v) maintaining accurate records relating to the legal entities in the CenterPoint Energy group of companies, (vi) directly supporting the legal aspects of the Company's commercial contracting process; and (vii) providing guidance on commercial and contracting risks and issues.	Direct Costs are tracked and billed to the Business Units through a billable hour rate. All remaining amounts are cleared monthly based on planned activities.	The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to Business Units in proportion to their annual planned billings.	Direct	Directly Assigned
125021	Central Legal	125021 Central Legal	Legal	Central Legal captures general activities and costs incurred by the office of Senior Executive Legal such as salaries of the Senior Executive and an executive assistant.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Composite Ratio Formula.	The costs represent support associated with legal activities which support all the business units. The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.	Allocation	Composite Ratio
125033	Process Improvement	125033 Process Improvement	Senior Executive Office	General activities and costs to support corporate and business units. Assistance to business units in the development of strategies. Economic and financial analysis of business unit and corporate strategies.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Composite Ratio Formula.	Based on a review of the activities of this cost center, most services/costs have an emphasis on financial and economic analysis of business unit and corporate strategies to improve the profitability of the business units (internal organizations). The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.	Allocation	Composite Ratio
125036	Environmental Services & Compliance	125036 Environmental Services & Compliance	Legal	General activities and costs incurred by the Environmental Services Office such as salary of the Environmental Services Director. Management oversight of CEHE Environmental Services staff and operations. Management oversight of Gas Operations Environmental Services staff and operations. Management oversight of Indiana Electric and Generation Environmental Services staff and operations. Coordination with Environmental Programs Manager regarding support and oversight of Environmental projects not managed directly by CEHE and Gas Operations including legacy and federal/state superfund sites. Assist with environmental litigation, risk management, regulatory relations and contractual language reviews.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Composite Ratio Formula.	The majority of the costs incurred by this cost center are labor related. It includes time spent managing environmental compliance activities which support Service Company departments as well as Operations and Engineering departments within the business units including management oversight of each business unit's environmental operations. Costs not specifically incurred for projects are allocated based on the Composite Ratio Formula.	Allocation	Composite Ratio

Appendix A: Corporate Services

Cost Center	Cost Center Name	Cost Center	Function	Major Activities/Cost Center Overview	Assignment Method	Assignment	Assignment Type	Allocation/Divide Charge	Directly Assigned
125037	Accounts Payable	125037 Accounts Payable	Finance & Accounting	Accounts Payable provides three (3) services which include: automated invoice processing, for all invoices processed via electronic payment, manual invoice processing for invoices manually entered into SAP by the central AP staff, and special payment runs, authorized only in an emergency outside of normal payment runs (7:00 a.m. and 1:00 p.m.)	Method of invoice entry into the accounts payable system Number of line item transactions	A/P provides three (3) transaction driven services, each with its own fixed annual rate. They are: Manual Invoice Processing, Automated Invoice Processing, and Special Payment Runs. Emergency payments (requiring special payment run) are billed at a flat rate of \$250 per payment. Manual and Automated Invoice Processing services are billed to a client (monthly) based on the number of transactions times the service rate. Individual service rates are determined annually by calculating the total annual cost of providing a given service by the number of annual transactions estimated for the service. The estimated number of annual transactions is determined by historical precedent, modified by projected levels of future activity. Billable Hour Service - Workflow invoices that require a processing type change. After determining the planned service levels by company, capital allocations to construction overhead are calculated using the ratio of annual budgeted spend by company for capital materials & supplies and contract services compared to non-capital spend. Residual O&M amounts are cleared monthly based on planned dollars for activities.	Direct		
125042	Texas State Relations	125042 Texas State Relations	Government Affairs	General activities and costs to primarily support the Texas state government relations department including salaries of department employees, administrative services, state legislative advocacy costs, legislative consulting and advisor costs and travel costs, etc. Lobbying activities related to electric and natural gas industries' regulation, environmental issues, taxes, land use issues, tort reform, ethics, etc.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are associated with legislative advocacy which is assigned based on assets.	Activities relate to primarily to Texas state legislative advocacy and are billed to the applicable business unit. Costs are assigned to business units operating in Texas based on assets.	Allocation		Assets
125044	Federal Relations	125044 Federal Relations	Government Affairs	General activities and costs to support Federal government relations including legislative advocacy costs, legislative consulting and advisor costs and travel costs, etc. Lobbying activities related to industry regulation, environmental issues, taxes, pipeline safety, federal land and natural resources, etc.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are associated with legislative advocacy which is assigned based on assets.	Activities relate to Federal legislative advocacy which directly benefits all business units. Costs are assigned to business units based on assets.	Allocation		Assets
125050	Local Relations	125050 Local Relations	Government Affairs	General activities and administrative costs to support the Houston area (local) government relations department including salaries of department employees, advocacy, and operations support activities costs. Support activities related to electric and natural gas delivery industry, environmental issues, land use issues, taxes, franchise fees, operational ordinances, etc. with local regulations.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are associated with legislative advocacy which is assigned based on assets.	The activities of this cost center relate to operations support and advocacy with local governments and are billed to the applicable business unit. Costs are assigned to business units based on assets.	Allocation		Assets
125051	Remittance Processing	125051 Remittance Processing	Finance & Accounting	CNP Remittance Processing will provide the following services: *Open, process, and create deposits for all payments received. *Update, research and correct customer accounts as required, for all payments received via US Mail, Courier, ACH, Wire, EFT or any payments received with an electronic transmission from authorized third party vendors. *Resolve discrepancies in customer accounts (payments), bank deposits, balance sheets and General Ledger entries created by Remittance. *Reconcile Remittance BAI (Bank Administration Institute) files, bank deposits, and general ledger entries.	Paper Processing is billed on a standard unit cost basis. Remittance Processing Research and Resolution is billed hourly. Direct Client Incurred: Third party charges for payment collections (CheckFree, BillMatrix, etc.) are charged directly to the Business Unit.	The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to the Business Units in proportion to their annual planned billings.	Direct		Directly Assigned

Appendix A: Corporate Services

Cost Center	Cost Center Name	Cost Center	Function	Major Activities/Cost Center Overview	Assigned Internal Labor Charges	Allocation Driver
125055	Compliance	125055 Compliance	Legal	The Legal Compliance Office is primarily responsible for, and incurs costs related to implementing and overseeing the ethics and compliance function for the Company including training, the ethics and compliance code, investigations, compliance with certain legislative and regulatory requirements including the amendments to the federal sentencing guidelines, ethics and compliance risk assessment, Concerns Helpline, quarterly reports to the Audit Committee of the Board of Directors, communications, roundtable discussions, conflict of interest questionnaire and auditing and monitoring of the program.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Composite Ratio Formula.	Composite Ratio
125056	Community Relations	125056 Community Relations	Corporate Communications / Community Relations & Security	General activities and costs incurred to support and retain community relations including salaries of department employees and costs associated with educational outreach, volunteer initiatives, philanthropy, and safety education.	Direct Costs are tracked and billed directly to the Business Units through billable hour rate. All remaining amounts are cleared monthly based on planned activities.	Direct
125070	Financial Accounting Systems and Processes	125070 Financial Accounting Systems and Processes	Finance & Accounting	General activities and costs associated with the use of financial systems and processes identified with accounting services by Strategic Business Units.	Direct charges are tracked and charged directly to the applicable business unit, such as labor costs associated with accounting research specific to the business unit. All remaining cost are assigned based on operating expense (less fuel).	Allocation
125085	IN/OH Rates/Regulatory	125085 IN/OH Rates/Regulatory	Regulatory	Support activities and analysis in dockets for regulatory policy rulemaking. Coordinate rate proceedings and other technical filings.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit.	Customer Count
125086	IN/OH Regulatory Relations & Policy	125086 IN/OH Regulatory Relations & Policy	Regulatory	Coordinate development and implementation of Regulatory strategy for IN/OH. Assist with development of governmental policy and strategy for IN/OH. Coordinate dockets for regulatory policy rulemaking for IN/OH.	Direct charges are billed directly to the applicable business units. Assignable internal labor charges are assigned directly to the applicable business units.	Customer Count
125087	IN Local Relations	125087 IN Local Relations	Government Affairs	General activities and administrative costs to support the Indiana (local) government relations department including salaries of department employees, advocacy, and legislative consulting costs. Support activities related to electric and natural gas delivery industry, environmental issues, land use issues, taxes, franchise fees, operational ordinances, etc. with local regulations.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit which is assigned based on assets.	Assets
125088	IN/OH VP Govt Affairs	125088 IN/OH VP Govt Affairs	Government Affairs	General activities and costs to primarily support the IN/OH state government relations department including salaries of department employees, administrative services, state legislative advocacy costs, legislative consulting and advisor costs and travel costs, etc. General activities and administrative costs to support the OH local government relations department including salaries of department employees, advocacy, and legislative consulting costs. Lobbying activities related to electric and natural gas industries' regulation, environmental issues, taxes, land use issues, tort reform, ethics, etc.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are associated with legislative advocacy which is assigned based on assets.	Assets

Appendix A: Corporate Services

Cost Center	Cost Center Name	Cost Center	Function	Major Activities / Cost Center Overview	Assignment Method	Cost Allocation Basis	Type of Charge	Allocation Driver
125090	Strategic Planning	125090 Strategic Planning	Legal	General activities and costs to support strategic planning for corporate and business units such as salaries of strategic planning department employees, secretarial services, consulting costs, etc. Assistance to business units in the development of economic and financial analysis of business unit and corporate strategies. Development and analysis of five-year strategic forecasts of business units. Outside consulting costs related to the evaluation of strategic plans of business units and corporate benchmarking.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Composite Ratio Formula.	Based on a review of the activities of this cost center, most services/costs have an emphasis on financial and economic analysis of business unit and corporate strategies to improve the profitability of the business units (internal organizations). The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.	Allocation	Composite Ratio
125093	Financial Services	125093 Financial Services	Finance & Accounting	Financial Services general costs such as labor and supplies associated with management oversight of the execution of goals and initiatives for the transactional areas of finance, which include Electric Billing, Remittance Processing, Accounts Payable, Corporate Disbursements and the OnePay card program.	Costs are assigned based on assets of the business units.	Cost are allocated based on assets to the business units by the Financial Services functions.	Allocation	Assets
125100	Chief Accounting Officer	125100 Chief Accounting Officer	Finance & Accounting	General activities and costs to support the office of the CAO such as salaries of the CAO and an executive assistant. Oversees the accounting operations and financial planning & performance measurement of the company.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Composite Ratio Formula.	Based on a review of the activities of this cost center, most services can be classified as financial services with an emphasis on financial compilation, review, planning and management provided. The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.	Allocation	Composite Ratio
125101	Financial Reporting / Corporate Accounting	125101 Financial Reporting / Corporate Accounting	Finance & Accounting	Compilation of internal and external financial reports. Financial analysis of results of operations. SEC compliance reporting. Accounting support of financing activities. Perform due diligence reviews for acquisitions and provide accounting guidance for proposed transactions.	Direct charges are tracked and charged directly to the applicable business unit, such as labor costs associated with accounting research specific to the business unit. All other costs are assigned based on Composite Ratio Formula.	Based on a review of the activities of this cost center, most services/costs can be classified as accounting services with an emphasis on financial compilation, financial statement and results analysis. The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.	Allocation	Composite Ratio
125102	Federal Tax	125102 Federal Tax	Finance & Accounting	Compilation of federal tax returns. Preparation of estimates and payment of federal taxes. Calculation of federal current and deferred tax expense, current taxes payable and deferred tax liabilities. Federal tax planning. Coordination and response to internal revenue services inquiries and audits. Preparation and maintenance of international tax data for accrual and dividend planning purposes. Maintenance of tax systems. Perform due diligence reviews for proposed acquisitions. Monitor proposed tax legislation and prepare appropriate responses. Litigation support for federal tax issues.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All remaining cost are assigned based on operating expense (less fuel).	Based on a review of the activities of this cost center, most services/costs can be classified as financial services with an emphasis on tax compilation, tax planning and audit inquiry costs provided/incurred on behalf of the business units (internal organizations). Therefore, the fixed distribution level of the business units' operations. The fixed distribution percentage selected is based on the amount of operating expenses per business unit, less fuel costs. Fuel costs are excluded as for most entities these costs are pass-through items and recoveries are timely. This measure is a reasonable proxy for the relative transaction volumes and activity levels of each business unit.	Allocation	Operating Expenses (less fuel)
125104	Property Accounting	125104 Property Accounting	Finance & Accounting	Provides Property Accounting services in compliance with GAAP and FERC that include: Maintaining fixed asset records and associated accumulated depreciation, providing guidance in making capital and expense determinations, providing fixed asset accounting/reporting to support corporate, financial, operational and regulatory requirements, and managing internal controls related to fixed asset records and test controls in compliance with	Direct capital activities and non-capital activities are billed to the business units through a billable hour rate. Capital activities are determined based upon the capital related transactions being performed. All remaining amounts are cleared monthly based on planned activities.	The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are tracked between direct capital activities, such as asset unitization transactions and automated transaction corrections, and non-capital related activities, each of which are billed directly attributable to each business unit. Any over/under cost recovery each month is allocated to business units in proportion to their annual planned billings.	Direct	Directly Assigned
125108	Gas Cost Accounting	125108 Gas Cost Accounting	Finance & Accounting	Prepares monthly cost of gas and over/under journal entries, attests to income statement and balance sheet representation for cost of gas, and performs inventory accounting functions for Gas & Electric Operations.	Direct costs billed to the business units through a billable hour rate. All remaining amounts are cleared monthly based on planned activities.	The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each business unit. Any over/under cost recovery each month is allocated to Business Units in proportion to their annual planned billings.	Direct	Directly Assigned

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Cost Center	Cost Center Name	Function	Major Activities/Cost Center Overview	Assignment Method	Cost Allocation Driver
125109	Transaction & Ad Valorem Tax	Finance & Accounting	Compilation of sales and use tax returns (excluding Minnesota support). Compilation of state income and franchise tax returns. Preparation of estimates and payment of state income taxes. Calculation of state current and deferred tax expense, current taxes payable and deferred tax liabilities. State tax planning. Coordination and response to state and local tax inquiries and audits. Prepare SFAS 109 accruals. Perform due diligence reviews for proposed acquisitions and provide state income tax estimates for proposed acquisitions. Monitor proposed tax legislation and prepare appropriate response. Litigation support for state and local tax issues.	Direct charges are tracked and charged directly to the applicable business unit. Applicable internal labor charges are billed directly to the applicable business unit. All remaining cost are assigned based on operating expense (less fuel).	Based on a review of the activities of this cost center, most services/costs can be classified as financial services with an emphasis on tax compliance and analysis and planning and audit inquiry costs provided/incurred on behalf of the business units (internal organizations). Therefore, the fixed distribution should be correlated to the size, complexity and activity level of the business units' operations. The fixed distribution percentage selected is based on the amount of operating expenses per business unit, less fuel costs. Fuel costs are excluded as for most entities these costs are passed through items and recoveries are timely. This measure is a reasonable proxy for the relative transaction volumes and activity levels of each business unit.
125112	Regulatory Reporting 125112	Regulatory	Rate case support, regulatory reporting, general accounting.	Direct costs billed to the business units through a billable hour rate. All remaining amounts are cleared monthly based on planned activities.	Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to Business Units in proportion to their expected billings.
125113	Financial Accounting - Gas	Finance & Accounting	Responsible for preparing all revenue, volume and customer count related documents and reports primarily for Gas Operations. This primarily includes unbilled revenue, city franchise fees, state gross receipts and RRC fees, interest on customer deposits, transportation, billing determinants and billing determinant rate adjustment	Direct costs billed to the business units through a billable hour rate. All remaining amounts are cleared monthly based on planned activities.	The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to Business Units in proportion to their annual planned billings.
125115	Residential and Small Commercial Billing	Finance & Accounting	Transaction verification and processing for the electric revenue billing for residential, small commercial, and guard light premises. Internal control balancing between systems and other Sarbanes-Oxley key controls are completed.	Billable hour rate used to bill exception time for direct work outside core activities, otherwise charged entirely to CenterPoint Energy Houston Electric.	The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to Business Units in proportion to their annual planned billings.
125119	Financial Accounting	Finance & Accounting	Performing general accounting functions such as accruals, amortizations, reconciliations, and attesting to financial data in compliance with GAAP, FEREC, Sarbanes-Oxley and regulatory requirements. Also includes a managerial accounting oversight function performed by the Cost Center Manager.]	Direct costs billed to the business units through a billable hour rate. Oversight activities billed as governance on a composite ratio. All remaining amounts are cleared monthly based on planned activities.	The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to the Business Units in proportion to their annual planned billings.
125120	VP Safety & Technical Training	Safety & Training	Insurance for directors and officers of CenterPoint Energy Resources Corporation. Contracted payments for former officers and directors.	Insurance for directors and officers of CenterPoint Energy Resources Corporation. Contracted payments for former officers and directors.	Allocation Number of Employees
125121	Commercial Credit	Finance & Accounting	Provides professional services by assessing creditworthiness and the proper monitoring of credit limits and timeliness of collection of accounts receivable balances in order to minimize credit risk.	Direct costs billed to the business units through a billable hour rate. All remaining amounts are cleared monthly based on planned activities.	Directly Assigned
125122	OnePay Compliance/Admin	Finance & Accounting	Salaries and associated expenses for overseeing and monitoring expense reimbursement activities within the OnePay System.	Direct charges are tracked and charged directly to the applicable business unit. OnePay Administration related costs are assigned based on the total estimated volume of expense reports.	Directly Assigned
125123	Supply Chain Leadership	Supply Chain	General activities and costs to support the office of the Division Vice President Business & Operations Support such as salaries of the Vice President and costs associated with the identifying, creating, maintaining common processes between Strategic Business Units and internal partners. Management oversight of Purchasing & Logistics, Warehouse and Materials, and Fleet, Shops & Radio.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All remaining cost are assigned based on composite ratio.	Allocation Composite Ratio

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Cost Center	Cost Center Name	Cost Center	Function	Major Activities / Cost Center Overview	Assignment Method	Allocation Type / Charge	Allocation Driver
125125	Finance - Payroll & Benefits Accounting	125125 Finance - Payroll & Benefits Accounting	Finance & Accounting	Salaries and associated expenses for payroll accounting and benefits accounting.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All remaining cost are assigned based on number of employees.	Direct	Number of Employees
125127	Large Commercial & Industrial Billings	125127 Large Commercial & Industrial Billings	Finance & Accounting	Provides transaction processing for electric revenue billing for large commercial and industrial premises, as well as Street Light billing. Provides validation, editing and estimating of electrical usage for large commercial and industrial premises. Performs billing verifications and processes error exceptions. Performs internal control balancing between systems as	This cost center is direct billed to Business Units supported, in this case CenterPoint Energy Houston Electric.	Direct	Directly Assigned
125130	Payroll Administration & Compliance	125130 Payroll Administration & Compliance	Finance & Accounting	General activities and costs to support the Payroll group, such as salaries for department employees. Process and issue direct deposits, printed checks, and off-cycle (special request) checks. Process and issue Travel Advances. Process Per Diem. Educational Assistance. Process Relocation Allowances. Process and issue bonus payments and salary changes. Administer voluntary deductions and wage garnishments. Comply with union agreements as they relate to payroll. Prepare and file the payroll related tax returns. Issue employee W-2 forms and certain non-employee 1099s.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All remaining cost are assigned based on number of employees.	Allocation	Number of Employees
125131	Financial Accounting Gas & Monthly Close	125131 Financial Accounting Gas & Monthly Close	Finance & Accounting	General activities and costs associated with the management and execution of the monthly financial close as well as management of the activities for the general accounting area for Arkla and Entex.	Direct charges are tracked and charged directly to the applicable business unit, such as labor costs associated with accounting activities specific to the business unit. All remaining cost are assigned based on operating expense (less fuel).	Allocation	Operating Expenses (less fuel)
125132	Regulatory Reporting 125132	125132 Regulatory Reporting 125132	Regulatory	Rate case support, regulatory reporting, general accounting.	Direct costs billed to the business units through a billable hour rate. All remaining amounts are cleared monthly based on planned activities.	Direct	Directly Assigned
125133	Safety Management System	125133 Safety Management System	Safety & Training	Safety communications including Good Catches, Lessons Learned, Safety Alerts and other safety messaging. Oversight and support of Behavior-Based Safety Programs including POWER and C-SAFE. Management of the workplace exposure monitoring programs (e.g., noise exposure, respiratory exposure, chemical exposure, etc.). Oversight of our contractor safety program to promote adherence to safety regulations and best practices by our contractors.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Headcount B, allocating to all active employees.	Allocation	Number of Employees

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Cost Center	Cost Center Name	Cost Center	Function	Major Activities (Cost Center Overview)	Assignment Method	Basis of Assignment	Allocation	Operating Expenses (less fuel)
125134	Tax VP	125134 Tax VP	Finance & Accounting	Compilation of federal tax returns. Preparation of estimates and payment of federal taxes. Calculation of federal current and deferred tax expense, current taxes payable and deferred tax liabilities. Federal tax planning. Coordination and response to internal revenue services inquiries and audits. Preparation and maintenance of international tax data for accrual and dividend planning purposes. Maintenance of tax systems. Perform due diligence reviews for proposed acquisitions. Monitor proposed tax legislation and prepare appropriate responses. Litigation support for federal tax issues.	All costs are assigned based on operating expense (less fuel).	Based on a review of the activities of this cost center, most services/costs can be classified as financial services with an emphasis on tax compilation, tax planning and audit inquiry costs provided/incurred on behalf of the business units (internal organizations). Therefore, the fixed distribution level of the business units' operations. The fixed distribution percentage selected is based on the amount of operating expenses per business unit, less fuel costs. Fuel costs are excluded as for most entities these costs are pass-through items and recoveries are timely. This measure is a reasonable proxy for the relative transaction volumes and activity levels of each business unit.	Allocation	
125135	Stra/FP&A/Perf Mgmt VP	125135 Stra/FP&A/Perf Mgmt VP	Finance & Accounting	General activities and costs to support strategic planning for corporate and business units such as salaries of strategic planning department employees, secretarial services, consulting costs, etc. Assistance to business units in the development of strategies. Economic and financial analysis of business unit and corporate strategies. Development and analysis of five-year strategic forecasts of business units. Outside consulting costs related to the evaluation of strategic plans of business units and corporate. Benchmarking.	All costs are assigned based on Composite Ratio Formula.	Based on a review of the activities of this cost center, most services/costs have an emphasis on financial and economic analysis of business unit and corporate strategies to improve the profitability of the business units (internal organizations). The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.	Allocation	Composite Ratio
125136	Financial Acctg - MES, CEIP & MNG	125136 Financial Acctg - MES, CEIP & MNG	Finance & Accounting	Prepares monthly financial accounting activities related to the Minnesota regulated gas business, Minnesota non-regulated Home Service Plus sales and service business, Interstate Pipelines (non-regulated) and Mobile Energy Solutions (non-regulated).	Direct costs billed to the business units through a billable hour rate. All remaining amounts are cleared monthly based on planned activities.	The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to Business Units in proportion to their annual planned billings.	Direct	Directly Assigned
125137	Regulatory Reporting 125137	125137 Regulatory Reporting 125137	Regulatory	Rate case support, regulatory reporting, general accounting.	Direct costs billed to the business units through a billable hour rate. All remaining amounts are cleared monthly based on planned activities.	Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to Business Units in proportion to their expected billings.	Direct	Directly Assigned
125138	Regulatory Reporting 125138	125138 Regulatory Reporting 125138	Regulatory	Rate case support, regulatory reporting, general accounting.	Direct costs billed to the business units through a billable hour rate. All remaining amounts are cleared monthly based on planned activities.	Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to Business Units in proportion to their expected billings.	Direct	Directly Assigned
125139	Customer Transformation & Business Services	125139 Customer Transformation & Business Services	Finance & Accounting	Labor, employee related expenses and other costs associated with managing the Customer Transformation & Business Services planning and management reporting functions, including preparation of annual 5-year plans, and reporting performance against plan on a monthly basis, and providing support for and assisting in regulatory filings.	All costs are assigned based on Composite Ratio Formula.	The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to Business Units based on Composite Ratio Formula.	Allocation	Composite Ratio
125140	IN/OH Environmental Services	125140 IN/OH Environmental Services	Legal	General activities and cost incurred by the Environmental Services Office Management oversight of IN/OH Electric Environmental Services staff and operations. Management oversight of IN/OH Gas Operations Environmental Services staff and operations. Management oversight of IN/OH Generation Environmental Services staff and operations. Environmental Programs Manager support and oversight of Environmental projects in IN/OH, including legacy sites, federal/state superfund sites, and environmental litigation.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Assets.	The majority of the costs incurred by this cost center support all the business units in IN/OH and management oversight of each business unit's environmental operations. Therefore, the costs are assigned based on Assets.	Allocation	Assets
125141	Safety Information Management Systems	125141 Safety Information Management Systems	Safety & Training	Development and implementation of safety systems for managing safety data including incidents, safety metrics, dashboards, benchmarking, OSHA recordkeeping, etc.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Headcount B, allocating to all active employees.	Based on a review of the activities of this cost center, most services/costs have an emphasis on the managing of the safety management system, tracking the metrics of safety and environmental activities for the organization. These costs are cost incurred by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Headcount B, allocating to all active employees.	Allocation	Number of Employees

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Cost Center	Cost Center Name	Cost Center	Function	Major Activities (Cost Center Overview)	Assignment Method	Business Assignment	Allocation	Type of Allocation Driver
125142	Technical Training	125142 Technical Training	Safety & Training	Evaluate and build solutions for outsourced training options across the gas and electric territory for field employee skills development and specialty certifications.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Headcount B, allocating to all active employees.	Based on a review of the activities of this cost center, most services/costs have an emphasis on the managing of the safety management system, tracking the metrics of safety and environmental activities for the organization. These costs are cost incurred by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Headcount B, allocating to all active employees.	Allocation	Number of Employees
125143	Technical Training Administration	125143 Technical Training Administration	Safety & Training	Administrative oversight for the technical training organization.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Headcount B, allocating to all active employees.	Based on a review of the activities of this cost center, most services/costs have an emphasis on the managing of the safety management system, tracking the metrics of safety and environmental activities for the organization. These costs are cost incurred by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Headcount B, allocating to all active employees.	Allocation	Number of Employees
125144	Occupational Health & Safety Info System	125144 Occupational Health & Safety Info System	Safety & Training	Oversight for the workers compensation, drug and alcohol testing, medical surveillance, and safety information management programs. Manages the processes, procedures and work of specialists in this organizations to support the enterprise.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Headcount B, allocating to all active employees.	Based on a review of the activities of this cost center, most services/costs have an emphasis on the managing of the safety management system, tracking the metrics of safety and environmental activities for the organization. These costs are cost incurred by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Headcount B, allocating to all active employees.	Allocation	Number of Employees
125145	Workers Compensation	125145 Workers Compensation	Safety & Training	Management of the workers compensation program including intake of incident reporting, communication with medical providers, working with company Risk department, invoice processing, and return to work process.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Headcount B, allocating to all active employees.	Based on a review of the activities of this cost center, most services/costs have an emphasis on the managing of the safety management system, tracking the metrics of safety and environmental activities for the organization. These costs are cost incurred by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Headcount B, allocating to all active employees.	Allocation	Number of Employees
125146	Drug & Alcohol Testing	125146 Drug & Alcohol Testing	Safety & Training	Management of the company's drug and alcohol testing program for Department of Transportation compliance along with reasonable suspicion and safety sensitive position testing.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Headcount B, allocating to all active employees.	Based on a review of the activities of this cost center, most services/costs have an emphasis on the managing of the safety management system, tracking the metrics of safety and environmental activities for the organization. These costs are cost incurred by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Headcount B, allocating to all active employees.	Allocation	Number of Employees
125148	Accounting - Special Projects	125148 Accounting - Special Projects	Finance & Accounting	Labor and general expenses to support special projects associated with the Accounting organization and oversight of general accounting processes such as month end close.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on operating expenses (less fuel).	The fixed distribution percentage selected is based on the amount of operating expenses per business unit, less fuel costs. Fuel costs are excluded as for most entities these costs are pass-through items and recoveries are timely. This measure is a reasonable proxy for the relative transaction volumes and activity levels of each business.	Allocation	Operating Expenses (less fuel)
125149	VP Financial Services & Special Projects	125149 VP Financial Services & Special Projects	Finance & Accounting	General costs such as labor and employee expenses for the oversight of the Financial Services organization, which includes Electric Billing, Remittance Processing, Accounts Payable, Corporate Disbursements and the OnePay card program.	All costs are assigned based on Composite Ratio Formula.	Based on a review of the activities of this cost center, the costs incurred are allocated to Business Units based on a Composite Ratio Formula.	Allocation	Composite Ratio
125154	IN/OH Electric & Gas Accounting	125154 IN/OH Electric & Gas Accounting	Finance & Accounting	Financial Accounting and Rate case support, regulatory reporting, general accounting for Indiana and Ohio Utilities.	Direct charges are tracked and charged directly to the applicable business unit, such as labor costs associated with accounting activities specific to the business unit. All remaining amounts are cleared monthly to Indiana and Ohio regulated companies based on the composite ratio.	Based on a review of the activities of this cost center, most services/costs have an emphasis on financial and economic regulatory reporting of Indiana and Ohio electric and gas utilities (internal organizations). The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned to the Indiana and Ohio regulated businesses based on the Composite Ratio Formula.	Allocation	Composite Ratio
125155	Regulatory Reporting IN/OH	125155 Regulatory Reporting IN/OH	Regulatory	Rate case support, regulatory reporting, general accounting for the IN/OH area.	Direct charges are tracked and charged directly to the applicable Business Unit. All remaining amounts are cleared monthly based on planned activities.	Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to Business Units in proportion to their expected billings.	Direct	Directly Assigned
125156	Revenue Planning & Analysis	125156 Revenue Planning & Analysis	Finance & Accounting	Produces the energy forecasts that are used to create the margin and revenue forecasts used in the plan and provides monthly variance analysis including changes due to weather.	Costs are allocated based on a management time study.	Based on management input and previous time entry, this cost center allocates 50% to Houston Electric and 50% to the Gas Operations jurisdictions. The Gas Operations jurisdictions further allocate based on customer count.	Allocation	Fixed
125157	Director Regulatory Reporting	125157 Director Regulatory Reporting	Regulatory	Rate case support, regulatory reporting, general accounting.	Direct charges are tracked and charged directly to the applicable Business Unit. All remaining amounts are cleared monthly based on a Composite Ratio Formula.	Based on a review of the activities of this cost center, the costs incurred are allocated to Business Units based on a Composite Ratio Formula.	Allocation	Composite Ratio

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Cost Center	Cost Center Name	Cost Center	Function	Major Activities / Cost Center Overview	Assignment Method	Reason for Assignment	Allocation	Composite Ratio
125168	VP & Controller	125158 VP & Controller	Finance & Accounting	Labor and other general expenses to support the office of the Controller for the oversight of the accounting operations of the company.	Costs are assigned based on the Composite Ratio Formula.	Based on a review of the activities of this cost center, most services can be classified as financial services with an emphasis on financial compilation, review, planning and management provided. The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.	Allocation	Composite Ratio
125169	Corporate Comm & Security VP & Director	125159 Corporate Comm & Security VP & Director	Corporate Communications / Community Relations & Security	Labor and related costs for Directors and Senior Vice Presidents of Communication's, Community Relations, & Security.	Cost are allocated to business units proportionally based on Composite Ratio Formula.	Therefore, the costs are assigned based on Composite Ratio Formula.	Allocation	Composite Ratio
125171	HR – Recruitment Strategy	125171 HR – Recruitment Strategy	Human Resources	General activities and costs to support the Recruiting, Hiring, & Deploying group, such as salaries for department employees, Outside Service Fees and travel costs relating to recruiting, Candidate Sourcing, Recruiting Strategy Development, Identifying and recruiting experienced hires (exempt & non-exempt), Advertising, Posting positions internally and externally (ATS system, job boards, professional networks/organizations, social media, etc.), Conducting interviews at company sites, Career Fairs (i.e. diversity groups, military events, Houston Chronicle, etc.), Prepare offer in consultation with manager (compensation, relocation, sign-on bonus, other agreements).	Direct charges such as backgrounds, drug screens and physicals are tracked and charged directly to the applicable business unit. All remaining cost are allocated to business units proportionally based on number of employees.	Based on a review of this cost center, the related costs incurred in leading these activities benefit all business units and are therefore allocated proportionately based on the number of employees in each business unit.	Allocation	Number of Employees
125172	FP&A Corporate	125172 FP&A Corporate	Finance & Accounting	The group performs tasks related to forecasting and reporting current year financial results as well as associated variance and drivers of the financial performance. The group is also responsible for coordinating and consolidating planning and forecasting processes for next year's budget (plan). In addition, the group tracks and reports performance of short-term and long-term incentive metrics.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Composite Ratio Formula.	Based on a review of the activities of this cost center, most services/costs have an emphasis on financial and economic analysis of business unit and corporate finance strategies to improve the profitability of the business units (internal organizations). The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.	Allocation	Composite Ratio
125176	HR – Talent Acquisition Support	125176 HR – Talent Acquisition Support	Human Resources	General activities and costs to support the Recruiting group, such as salaries for department employees, Skills Assessment testing (i.e. skill trades, technical) Assessment Program Management, Records management, Employee Records & I-9/E-verify Management-ensure data is tracked and verified in the FileNet Records management system, New hire Onboarding, Technology Support & Data Management, Talent Management System, Reporting, Recruiting and Onboarding, Vendor Program Management & Administration; Relocation.	Direct charges are tracked and charged directly to the applicable business unit. All remaining cost are allocated to business units proportionally based on number of employees.	Based on a review of this cost center, the related costs incurred in leading these activities benefit all business units and are therefore allocated proportionately based on the number of employees in each business unit.	Allocation	Number of Employees
125181	HR – Learning & Organization Development	125181 HR – Learning & Organization Development	Human Resources	General activities and costs to support the Organization Effectiveness group, such as salaries for department employees, Outside training fees and travel related to conducting in-house HR training, Corporate Human Resources strategy, Corporate culture initiatives, Learning/training, Employee career development, Executive leadership development, Change management.	Direct charges are tracked and charged directly to the applicable business unit. All remaining cost are allocated to business units proportionally based on number of employees.	Based on a review of this cost center, the related costs incurred in leading these activities benefit all business units and are therefore allocated proportionately based on the number of employees in each business unit.	Allocation	Number of Employees
125186	Wellness Activity Center	125186 Wellness Activity Center	Facilities Management	Labor and employee related expenses associated with staffing and oversight of the CenterPoint Energy Tower (CNP-T) on-site wellness center and providing associated wellness activities for (CNP-T) CenterPoint Energy employees and CNP-T building tenants.	Costs are charged to 3rd party tenants of CNP-T based on contracted rates times the number of their employees using the Wellness Activity Center. Remaining costs are allocated to Business Services functions and Business Units based on Headcount located in CNP-T.	The monthly rates billed to 3rd party CNP-T tenants is based on the average cost of a private gym membership in Houston applicable when contracted. Remaining costs are allocated to Business Services functions and Business Units based on Headcount located in CNP-T.	Allocation	Number of Employees

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Cost Center	Cost Center Name	Cost Center	Function	Major Activities / Cost Center Overview	Assessment Method	Allocation	Number of Employees
125187	HR – Information Technology	125187 HR – Information Technology	Human Resources	Supports the HR SAP module, the HCM Oracle modules, and others such as eTools and the Contractor Portal. Provides ad hoc reporting to people across the organization. Extracts employee data for CenterPoint Energy to support rate cases. Provides support for employee investigations.	All costs are allocated to business units proportionally based on number of employees.	Based on a review of this cost center, the related costs incurred in leading these activities benefit all business units and are therefore allocated proportionately based on the number of employees in each business unit.	
125197	HR – Shared Services	125197 HR – Shared Services	Other Corp - HR	Costs include CenterPoint Energy Tower building rent for the Credit Union.	Costs are allocated to Business Services functions and Business Units based on Headcount located in CNP-T.	The monthly rates billed to 3rd party CNP-T tenants is based on the average cost of a private gym membership in Houston applicable when contracted. Remaining costs are allocated to Business Services functions and Business Units based on Headcount located in CNP-T.	
125202	Cash Management	125202 Cash Management	Finance & Accounting	General activities and costs to support the cash management department which includes department salaries, secretarial services, and supplies. Bank Fees. Payment of financing obligations (including interest) and related fees. Daily cash management. Monitoring bank accounts. Execution of wire transfers. Forecasting cash needs. Manage banking relations in order to resolve problems and to minimize transaction costs. Manage Money Pool accounts.	Direct charges are tracked and charged directly to the applicable business unit. (I.E., Bank fees) Assignable internal labor charges are billed directly to the applicable business unit.	Based on a review of the activities of this cost center, most services can be classified as financial services provided on behalf of the business units (internal organizations). The costs incurred are by the Service Company on behalf of its affiliates.	Directly Assigned
125203	Corporate Insurance/ Risk Management	125203 Corporate Insurance/ Risk Management	Legal	Analyze exposure and determine appropriate risk treatment. Select insurance brokers and procure insurance policies. Procure Workers' Compensation insurance and administer program. Procure state required boiler and pressure vessel inspection services. Procure, conduct, coordinate, assist and/or monitor loss control activities to reduce frequency and severity of claims. Report claims to underwriters. Compile and adjust 1st party property claims. Other Insurance/Risk Management activities required by company.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All remaining costs are assigned based on Composite Ratio Formula.	Activities of this cost center primarily relate to providing support to external entities such as the stockholders. The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.	Composite Ratio
125205	Investor Services	125205 Investor Services	Finance & Accounting	General activities and costs to support the investor services department such as salaries and supplies. Payment of dividends to stockholders. Coordination of dividend reinvestment plan. Mailing of annual reports. Shareholder recordkeeping. Coordination of stockholder meetings.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All remaining costs are assigned based on Composite Ratio Formula.	Activities of this cost center primarily relate to providing support to external entities such as the stockholders. The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.	Composite Ratio
125210	Long Term Financing	125210 Long Term Financing	Finance & Accounting	General activities and costs to support the administration and oversight of financial services and cash management including the salaries of the assistant treasurer and an assistant. Financial analysis of existing financing. Evaluation of new financing vehicles and instruments. Support investment activities.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Composite Ratio Formula.	Based on a review of the activities of this cost center, most services/costs have an emphasis on financing options and investment analysis of business units to improve the profitability of the business units (internal organizations). The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.	Composite Ratio
125211	Investor Relations	125211 Investor Relations	Finance & Accounting	General activities and costs to support the investor relations department including salaries of department employees, secretarial services, travel and meeting costs. Plan and prepare analyst presentations. Meetings with security analysts and rating agencies. Financial analysis to support discussions with security analysts and rating agencies. Publications/reports sent to third parties including investors, analysts and rating agencies. Coordination of statistical summary book.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Composite Ratio Formula.	The activities primarily relate to providing services to external parties such as security analysts and rating agencies. The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.	Composite Ratio

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Cost Center	Cost Center Name	Cost Center	Function	Major Activities/Cost Center Overview	Allocation Method	Allocation Basis	Allocation	Assets
125214	Corporate Insurance Premiums	125214 Corporate Insurance Premiums	Other Corp	Primary costs are the premium costs of various types of insurance procured for the business units. General activities and costs to support the insurance group. Consulting costs related to insurance evaluations. Internal evaluation of insurance risks and needs.	Direct charges consist of insurance premium costs and charged directly to the applicable business unit based on exposure.	The primary responsibility of this corporate center is to apply the appropriate risk management principle to manage risk and to assist business units in managing property and liability risks of their business units. The remaining costs of the department which cannot be direct billed are assigned based on the CenterPoint Energy assets per business unit.	Allocation	Assets
125217	D&O Insurance	125217 D&O Insurance	Other Corp	Directors and officers insurance costs.	Cost are assigned based on operating expense (less fuel).	Based on a review of the activities of this cost center, services/costs can be classified as directors and officers insurance provided/incurred on behalf of the business units (internal organizations). Therefore, the fixed distribution should be correlated to the size, complexity and activity level of the business units' operations. The fixed distribution percentage selected is based on the amount of operating expenses per business unit, less fuel costs. Fuel costs are excluded as for most entities these costs are pass-through items and recoveries are timely. This measure is a reasonable proxy for the relative transaction volumes and activity levels of each business unit.	Allocation	Operating Expenses (less fuel)
125218	Finance - Process & Data Governance	125218 Finance - Process & Data Governance	Finance & Accounting	Labor, employee related expenses and other costs associated with managing the Business Services planning and management reporting functions, including preparation of annual 5-year plans, reporting performance against plan on a monthly basis, and providing support for and assisting in regulatory filings.	Direct Costs are tracked and billed to the Business Units through a billable hour rate. All remaining amounts are cleared monthly based on planned activities.	The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to Business Units in proportion to their annual planned billings.	Allocation	Composite Ratio
125290	Utility Strategies	125290 Utility Strategies	Legal	General activities and costs to support operations and enable growth and investment in line with customer and community needs. Assistance to business units in the development of strategies. Economic and financial analysis of business unit and corporate strategies.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Composite Ratio Formula.	Based on a review of the activities of this cost center, most services/costs have an emphasis on financial and economic analysis of business unit and corporate strategies to improve the efficacy of operations and enable growth and investment in line with customer and community needs. The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.	Allocation	Composite Ratio
125307	SVP & Chief HR Officer	125307 SVP & Chief HR Officer	Human Resources	Labor and related costs for the Senior Vice President of Human Resources, staff independent of other cost centers, and an executive receptionist. Policy and planning for total compensation plans, workforce planning and training, HR policy development, Labor Relations, Employee Benefits Administration, and HR Communications.	Direct charges are tracked and charged directly to the applicable business unit. All remaining cost are allocated to business units proportionally based on Composite Ratio Formula.	Based on a review of this cost center, the leader of the corporate Human Resources organization is responsible for policy and planning for all business units' HR related activities. The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.	Allocation	Composite Ratio
125308	HR - Allocated Employee Benefits (Burden)	125308 HR - Allocated Employee Benefits (Burden)	Human Resources	Employee benefit plan expenses for all CenterPoint Energy corporate employees.	Employee costs for the CNP employees are considered CNP overhead costs and are charged to business units based upon total CNP labor dollars distributed per business unit. In the event of a late benefit entry after year-end Service Company allocations have run, the late entry benefit costs would be allocated directly to the Business Units based on the Composite Ratio formula.	Amounts are CenterPoint Energy corporate overhead costs and are assigned to business units based upon total CNP labor dollars distributed per business unit. Such amounts include employee benefit plan expenses related to CNP corporate employees, such as retirement plan, savings plan, post-retirement benefits, etc.	Allocation	Labor Dollars
125309	HR - Allocated Executive Benefits	125309 HR - Allocated Executive Benefits	Human Resources	Benefit plan expenses associated with other executive benefit plans.	Amounts are CenterPoint Energy corporate overhead costs (such as stock-based compensation costs, etc.) and are allocated to business units proportionally based on Composite Ratio Formula.	Executive Benefits are considered CNP overhead costs. The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are allocated to business units proportionally based on Composite Ratio Formula.	Allocation	Composite Ratio
125311	ASC 715 Non Service Benefits	125311 ASC 715 Non Service Benefits	Human Resources	Non-service related employee benefit plan expenses for all CenterPoint Energy corporate employees in compliance with accounting pronouncement ASC 715.	CNP overhead costs and are charged to business units based upon total CNP labor dollars distributed per business unit.	Amounts are CNP corporate overhead costs and are assigned to business units based upon a calculated estimate of CNP labor dollars distributed per business unit. Included are non-service related employee benefit plan expenses related to CNP corporate employees, such as retirement plan, post-retirement benefits, and deferred compensation.	Allocation	Labor Dollars
125312	ASC 715 Non Service Benefits (Non-Allocated)	125312 ASC 715 Non Service Benefits (Non-Allocated)	Human Resources	Due to how the Service Company non-service benefit deferrals are being recorded and consolidated, cost center 125312 was designed to accurately reflect the incurred non-service costs being deferred under PURA 36.065 and the GURA for the Regulated companies in Texas. From an accounting and consolidations perspective, the entries recorded to this cost center are necessary to appropriately classify between operating and non-operating non-service benefit costs for consolidated CenterPoint.	N/A	Cost center 125312 is not allocated to the business units and exists for consolidated financial presentation purposes only.	N/A	Labor Dollars

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Cost Center	Cost Center Name	Cost Center	Function	Major Activities/ Cost Center Overview	Assignment Method	Allocation Basis/ Assumptions	Type of Allocation Charge	Allocation	Composite Ratio
125402	Enterprise Risk	125402 Enterprise Risk	Legal	Develop and maintain Corporate risk policy. Develop and maintain Corporate Infrastructure to support risk management activities. Assist business units with risk assessments and documentation of risk responses. Support Risk Oversight Committee activities.	Direct charges are tracked and charged directly to the appropriate business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Composite Ratio Formula.	Based on a review of the activities of this cost center, the risk control activities are provided/incurred on behalf of the business units (internal organizations). The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.	Allocation		Composite Ratio
125404-125407	Audit Services	125404-125407 Audit Services	Finance & Accounting	General activities and costs to support the internal audit department which includes internal auditors' salaries, travel and supplies. Additional activities include: Internal process and financial reviews of business units and business units' functions. Internal process reviews of corporate functions. Assist in the external audit. Review of benefit payments, travel expenses, etc.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Composite Ratio Formula.	Based on a review of the activities of these cost centers, services/costs can be provided/incurred on behalf of the business units (internal organizations). The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.	Allocation		Composite Ratio
125420	Legal Regulatory	125420 Legal Regulatory	Regulatory	The Legal Regulatory team is primarily responsible for, and incurs costs related to, (i) representing CenterPoint Energy's electric and gas utilities in proceedings before state and federal agencies and any related appeals in the courts; (ii) assisting management in the development and implementation of regulatory strategies, including regulatory compliance programs; and (iii) directly supporting the Company's state and federal legislative activities.	Direct Costs are tracked and billed to the Business Units through a billable hour rate. All remaining amounts are cleared monthly based on planned activities.	The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to Business Units in proportion to their annual planned billings.	Direct		Directly Assigned
125421	Legal Litigation	125421 Legal Litigation	Legal	The Litigation team is primarily responsible for, and incurs costs related to, (i) managing litigation and other disputes in which the Company or its subsidiaries is involved, (ii) advising management and the business on litigation risk, (iii) developing and implementing litigation prevention and risk mitigation plans, and (iv) supporting the Company's environmental program, including (A) managing regulatory aspects and disputes of legacy environmental sites, (B) advising and supporting the Company before environmental agencies, (C) assisting in developing and implementing environmental programs and strategies, and (D) supporting land use and facilities related activities.	Direct Costs are tracked and billed to the Business Units through a billable hour rate. All remaining amounts are cleared monthly based on planned activities.	The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to Business Units in proportion to their annual planned billings.	Direct		Directly Assigned
125422	Legal Securities and Governance	125422 Legal Securities and Governance	Legal	The Securities and Governance group is primarily responsible for and incurs costs related to managing corporate governance, including Board of Directors matters and entity management, helping ensure timely and compliant periodic report filings with the Securities and Exchange Commission, including Forms 10-K, 10-Q and 8-K, proxy statement and stock transaction filings; providing technical and analytical support for various legal projects and initiatives, including matter management and department reporting metrics; and processing all electronic legal invoices timely and accurately.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Composite Ratio Formula.	The costs represent support associated with legal activities which support all the business units. The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.	Allocation		Composite Ratio
125423	Data Privacy/Records	125423 Data Privacy/Records	Legal	Provides legal counsel and guidance to business partners in the area of data security and privacy, develops and carries out established policies, and facilitates compliance across various corporate functions. Advises executive teams on privacy-related risk management and mitigation as well as the privacy implications of new data driven products and services. Leads the corporate response to privacy and data security incidents, investigations and audits. Implement and oversee the records and information management program which includes developing key policies and processes to support records (both paper and electronic) creation, management, storage and disposition, including the records retention schedule and records policy, data privacy, managing and coordinating the integrated records and information management council meetings, training and communications.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Composite Ratio Formula.	Most Records Management/Data Privacy costs represent support associated with activities that support all the business units. Therefore, the costs are assigned based on Composite Ratio Formula. Most Records Management costs represent support associated with records management activities that support all the business units. The costs incurred are by the Service Company on behalf of its affiliates.	Allocation		Composite Ratio

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Cost Center	Cost Center Name	Cost Center	Function	Major Activities/ Cost Center Overview	Assignment Method	Allocation	Type of Allocation Driver
125430	Cedar Bayou Conference Center	125430 Cedar Bayou Conference Center	Government Affairs	General activities and administrative costs to support the Cedar Bayou Conference Center and employees, including salaries of employees, and ongoing operations and maintenance of the property, including activities for Texas State Relations, Houston Local Relations, and Federal Relations related to electric and natural gas delivery. CNP Internal employee offsite meetings	Costs are associated with legislative advocacy which is assigned to business units operating in Texas based on assets.	Allocation	Assets
125457	Quality Compliance Management	125457 Quality Compliance Management	Safety & Training	Safety Systems performing: Safety data analysis, validation, and reporting (internal and external) Safety systems support Annual and ad hoc regulatory reporting and benchmarking Performance improvement overseeing: Safety systems functions SMS quality and risk management functions	All other costs are assigned based on Headcount B, allocating to all active employees.	Allocation	Number of Employees
125458	Safety Strategy	125458 Safety Strategy	Continuous Improvement	General cost such as labor and employee expenses for the Director of Safety, Strategy, and Transformation and Safety Management System related activities.	All costs are allocated to business units proportionally based on number of employees.	Allocation	Number of Employees
125460	Safety Culture	125460 Safety Culture	Continuous Improvement	General costs such as labor and employee expenses for the oversight implementing the READY Model, Learning Teams, Safety Core Teams, Employee Engagement Events and special safety projects.	All costs are allocated to business units proportionally based on number of employees.	Allocation	Number of Employees
125999	Legal - Board of Directors	125999 Legal - Board of Directors	Other Corp	Corporate - Board of Directors is responsible for, and incurs costs related to, (i) the Board of Directors, including director travel, accommodations, meals, retainer fees, training, Board administration and meeting preparation, and website portal fees, and (ii) Chairman of the Board compensation.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Composite Ratio Formula.	Allocation	Composite Ratio
156001	Facilities Mgmt Director & VP	156001 Facilities Mgmt Director & VP	Facilities Management	Provide management oversight of the following functional areas: Real Estate, Facility Projects, Building Operations, and Office Support Services. Budgeting and planning support for the following functional areas: Facilities Management and Office Support Services.	Assignable internal labor charges are billed directly to the applicable business unit. All other costs are assigned based on Composite Ratio Formula.	Allocation	Composite Ratio
156102	FM Project Management	156102 FM Project Management	Facilities Management	Provide building design and construction management services. Interior design and installation services. Develop project scope. Estimate project cost and schedule. Provide design and engineering services. Select and purchase furnishings and office accessories. Generate contract documents. Provide construction management services. Manage relocation of employees. Provide quality control services. Provide cost tracking and reporting services. Provide real estate services.	Time sheets used to attribute Project management man-hours in support of each project. Direct Client Incurred: All third-party costs are coded directly to client cost objects.	Direct	Directly Assigned