Filing Receipt

Filing Date - 2024-03-06 09:42:36 AM

Control Number - 56211

Item Number - 4

Appendix A: Corporate Services

Cost Center	Cost Center Name	Cost Center	Function	Major Activities / Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
156136	OSS Houston Forms/Document Services	156136 OSS Houston Forms/Document Services	Facilities Management	Provides Forms Design, Forms Management, and Copy Center management services: •Forms Design -Partner with clients to provide forms design and analysis for new and revised forms, for both electronic and paper formats -Serve as electronic forms project manager and owner •Forms Management -Develop and maintain forms inventory levels -Manage production and distribution of forms -Negotiate and maintain contracts with forms and envelope vendors -Provide delivery to site, desktop, standalone, LAN, and Web distribution •Manage the outsourced third-party Copy Center vendor contract and charges to client business units.	Time sheets for billable Forms Design Hours. Allocation based on Number of Forms managed per client. Allocation based on Copy Center charges per client. Direct Client Incurred: Printing costs for new forms, and copy center vendor charges will be charged directly to the appropriate client.	Total copy center management operations budget divided by actual usage of copy center vendor by clients in prior year, adjusted for significant known changes, is billed as a fixed monthly charge. The Forms Design hourly rate is calculated by dividing the portion of the Forms operational budget associated with forms design by the number of hours available for billing. Forms design hours are billed as actually incurred on behalf of the client each month. Total Forms Management service costs remaining are allocated to clients each month based on their proportion of the number of managed forms to the total number of forms managed at the end of the prior year.	Direct	Directly Assigned
156145	SC Warehouse & Material Management Director	156145 SC Warehouse & Material Management Director	Supply Chain	Management oversight of the Indiana Electric distribution and generation Logistics area. Management oversight of the Gas Logistics area. Management oversight of the Minnesota Home Service Plus Logistics area.	Allocation based on the managed headcount and hours spent overseeing the various reporting functions.	The majority of the costs incurred by this cost center are labor related. The cost center is first allocated based on the managed headcount and hours spent overseeing the various reporting functions. The portion of costs for the management oversight of the Indiana electric distribution and generation, gas logistics and Minnesota Home Service Plus areas is directly assigned. Second, the amounts billed by each of the other functional areas will be used as the basis for proportioning the cost of their management	Direct	Directly Assigned
156146	SC Gas Materials Management	156146 SC Gas Materials Management	Supply Chain	Manage the Gas Materials Management and Logistics Process. Partner with client to provide Supply Chain analysis and solutions. Partner with client to provide administrative support in the implementation and trouble shooting of gas operations contracts. Obtain goods and services as indicated by SAP/MRP and/or client request. Maintain vendor agreements. Manage the vendor base and measure vendor performance. Manage Navigation warehouse and inventory stock quantities and material requirements planning (MRP) parameters. Manage operating costs. Continue development of and support process revisions and improvements. Support initiative to reduce inventory and increase inventory turns	Number of Purchase Order Line Items.	Standard rate calculated by total operations budget divided by total number of Purchase Order line items planned for the year. Rate multiplied by the actual number of PO lines for each client each month. Any over/under cost recovery each month is allocated to clients in proportion to their planned annual billings. PO line item counts are determined from SAP extracts by buyer and plant code.	Direct	Directly Assigned
156148	SC IT Procurement and Strategic Sourcing	156148 SC IT Procurement and Strategic Sourcing	Supply Chain	Manage the implementation of source-to-pay system. Manage the Supply Chain Process for Technology Operations. Partner with clients to provide Strategic Sourcing analysis and solutions. Obtain goods and services as indicated by SAP/MRP and/or client request. Establish and maintain vendor agreements. Coordinate the negotiation, development and award of contracts for goods. Manage the vendor base and measure vendor performance. Manage operating costs. Continue development of and support process revisions and	Costs are allocated to IT SS.	The hourly rate is calculated by dividing the service budget by the number of hours available for billing. Any over/under cost recovery each month is allocated to clients in proportion to their planned annual number of billable hours.	Direct	Directly Assigned

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Cost Center	Cost Center Name	Cost Center	Function	Major Activities / Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
156149	SC Investment Recovery	156149 SC Investment Recovery	Supply Chain	Sell designated obsolete/surplus/scrapped materials, vehicles and equipment in a timely manner. Establish and manage long term contracts for sale and disposal of obsolete/surplus material and equipment. Manage Corporate Recycling Program. Coordinate backhaul of materials to be salvaged from field.	Allocation based on generated revenues.	The majority of the costs incurred by this cost center are labor related. A standard rate is established by dividing the total operational costs by the anticipated annual revenues based on prior year precedent adjusted as necessary for any anticipated changes in support requirements. Each month costs are billed by multiplying the rate times the actual generated revenues by client. Any over/under cost recovery each month is allocated to clients in proportion to their planned annual billings.	Direct	Directly Assigned
156150	Logistics Manager	156150 Logistics Manager	Supply Chain	Management oversight of CEHE and Gas Logistics.	Allocation based on time managing each function.	The majority of the costs incurred by this cost center are labor related. The cost center is first allocated based on the time spent managing the CEHE and Gas Logistics functions. The portion of costs for managing Central Logistics Operations within the CEHE and Gas business unit are directly assigned.	Direct	Directly Assigned
156151	SC Corporate Purchasing	156151 SC Corporate Purchasing	Supply Chain	Supply Chain Process for Corporate Business Services functions. Procurement process improvement and technology adoption. Obtain goods and services as indicated by SAP/MRP and/or client request. Establish and maintain vendor agreements. Coordinate the negotiation, development and award of contracts for goods. Manage operating costs.	Costs are assigned based on operating expense (less fuel).	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. 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)
156152	SC Supplier Diversity	156152 SC Supplier Diversity	Supply Chain	Manage the GSA Subcontracting Plan and the Five-Year Plan Procurement Initiatives. Coordinate internal Advisory Council activities and action items. Support and assist client Supplier Diversity Teams in establishing and achieving MWBE target initiatives. Monitor MWBE procurement processes and procedures and associated results. Implement, evaluate, and monitor Second-Tier expectations and requirements. Publicize and communicate supplier diversity emphasis & awareness internally/externally. Plan and implement internal/external training, workshops, networking, and recognition events. Participate in MWBE outreach and developmental activities. Liaison to political, business, and community organizations and councils with strong interest in supplier diversity. Assists clients with bids requiring MWBE participation/ Update and enhance MWBE database. Respond to Federal, State, and Local reports/filings/ issues/concerns/requests.	Direct Client Incurred: Expenses solely on behalf of or for the sole benefit of a particular business unit will be paid directly by the client Assignable internal labor charges are billed directly to the applicable business unit. All remaining cost are assigned based on operating expense (less fuel).	Supplier Diversity is an executive sponsored corporate-wide initiative so it is assigned as a corporate governance expense. Any general expense incurred exclusively on behalf of, and for the sole benefit of a particular Business Unit, will be billed directly to that Business Unit. 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). 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. 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.	Direct	Directly Assigned

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Cost Center	Cost Center Name	Cost Center	Function	Major Activities / Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
156155	Vendor Risk Management	156155 Vendor Risk Management	Supply Chain	The following is a high- level list of tasks performed within the Vendor Risk Management program: Vendor Risk Assessments (VRA) to identify and manage vendor risks via risk mitigations or relationship termination if the risk is too high. Preliminary Vendor Risk Assessments (PVRA) are performed on vendors prior to contracting with them. Procurement Risk Assessments (PRA) are performed on all transactions prior to executing a contract to determine vendor's inherent risk. VRA/PRA/PVRA are also performed annually based on certain criteria on all CNP vendors. Contract QA reviews to ensure that proper documentation exists and is available to support the service/product being provided. Vendor contract compliance reviews to ensure vendors are meeting contract requirements including vendor compliance with commercial terms to make sure we are receiving the agreed value from the relationship and to ensure vendor is meeting its contract requirements to have procedure/practices to manage risks to CNP such as Safety, Cyber Security, Data Privacy, Environmental, etc. Vendor Risk Management Training to raise awareness and education of the vendor risk and how we as an enterprise mitigate those risks.	In general, Vendor Risk Management supports and benefits the Electric and Utility business holistically and should follow the same corporate aggregate of capital and O&M allocations. The tasks performed under the Vendor Risk Management program should follow the statistical based approach. Costs are assigned based on operating expense (less fuel).	Vendor Risk Management provides risk management services for all CNP Vendors. This includes all vendors for the enterprise agnostic of whether the contract is managed by procurement or if it is business unit managed spend. Additionally, risk mitigation trends noted during the tasks noted above are shared across the enterprise and vendor risk mitigation strategies cover the entire enterprise spend. Vendor risk management strategy and lessons learned are also leveraged for all CNP vendors. Therefore, 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. 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)
156156	Procurement Operations	156156 Procurement Operations	Supply Chain	Management oversight of the IT Purchasing Management oversight of the Electric Purchasing Area Management oversight of the Gas Purchasing Area Contract administration- Systematic upload, general updates/maintenance Contract extensions Contract supplements Create purchase orders. Sourcing follow-risk spend Supplier Data Management	Costs are assigned based on operating expense (less fuel).	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. 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)
156157	Utility Procurement Director	156157 Utility Procurement Director	Supply Chain	Management oversight of the Corporate Purchasing Services Area Management oversight of the Electric Purchasing Area Management oversight of the Gas Purchasing Area	Costs are assigned based on operating expense (less fuel).	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. 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)
156158	Gas Utility Procurement	156158 Gas Utility Procurement	Supply Chain	Management oversight of the Gas Purchasing Area	Costs are assigned based on operating expense (less fuel).	The fixed distribution should be correlated to the size, complexity and activity level of the Gas business units' operations. The fixed distribution percentage selected is based on the amount of operating expenses per business unit, less fuel. 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)
156159	Supply Chain Analytics	156159 Supply Chain Analytics	Supply Chain	Create and manage an enterprise data and analytics platform to support valued business process and create highly accurate datasets to develop scalable analytic solutions. This drives data driven culture and innovation to bring operational efficiency, ease of use, reduce costs and improve margins, better understand risks, increase accuracy in planning and help prepare for the future.	Costs are assigned based on operating expense (less fuel).	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. 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)

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Cost Center	Cost Center Name	Cost Center	Function	Major Activities / Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
156160	SEC Security Director	156160 SEC Security Director	Corporate Communications / Community Relations & Security	Supports Business Unit Management in securing personnel and assets by providing: •Contract guards and off-duty police officers. •Installation, monitoring, and maintenance of electronic security systems. •Confidential investigative services. •Security presentations and training. •Site security assessments. •Homeland security background checks This cost center includes all internal labor resources needed to conduct or manage provision of the above services.	Time sheets Direct Client Incurred: Site guards, police officers, background checks and electronic equipment will be paid directly by the appropriate client.	The hourly rate is calculated by dividing the operations budget by the number of hours available for billing. Hours are billed each month as directly attributable to each activity and client. Any over/under cost recovery each month is allocated to clients in proportion to their annual planned billings.	Direct	Directly Assigned
156161	SEC Patrol Services	156161 SEC Patrol Services	Corporate Communications / Community Relations & Security	Third party patrol services vendor and transportation costs supporting multiple business units.	Patrol Services hours.	Billing rate based on total incurred expenses divided by the total number of patrol hours used for unguarded facilities, to respond to alarms and for stand-by when electronic systems malfunction. Any over/under cost recovery each month is allocated to clients in proportion their annual planned billings.	Direct	Directly Assigned
156176	Procurement Systems and Process	156176 Procurement Systems and Process	Supply Chain	Manage the implementation of source-to-pay system Ongoing support and administration for the source-to-pay system Procurement process ownership Support process revisions and improvements within source-to-pay system SOX testing of procurement processes and source-to-pay system access	Timesheets will be used to direct bill their actual time to that client for Special Projects. Costs are assigned based on operating expense (less fuel).	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. 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)
156207	Corp Cyber Security	156207 Corp Cyber Security	Legal	Cyber Security's focus is to manage all technology security, risk and compliance. Activities include: Enterprise Application Security Technology Operation Risk Management Control and Audit Compliance Network Security Cyber Security Threat and Vulnerability Management	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
156302	Continuous Improvement	156302 Continuous Improvement	Continuous Improvement	General costs such as labor and employee expenses to develop and grow the Continuous Improvement culture through training and communication as well as the implementation of business unit planning to align corporate strategy with targeted improvement initiatives.	All costs are allocated to business units proportionally based on number of 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
156307	Director of SMS & CI	156307 Director of SMS & CI	Continuous Improvement	General costs such as labor and employee expenses for the oversight of the Enterprise Operational Excellence organization, which includes Continuous Improvement, Utility quality, and Geographic information services.	All costs are allocated to business units proportionally based on number of 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
156308	CI Gas Ops and Corp	156308 CI Gas Ops and Corp	Continuous Improvement	General costs such as labor and employee expenses to plan, conduct, and implement Continuous Improvement initiatives for Gas Operations and Corporate business units. Utilize lean tools and problem-solving sessions to identify waste and opportunities and support the corporate strategy.	All costs are allocated to business units proportionally based on number of 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
156309	CI Electric and Corp	156309 CI Electric and Corp	Continuous Improvement	General costs such as labor and employee expenses to plan, conduct, and implement Continuous Improvement initiatives for Electric Operations and Corporate business units. Utilize lean tools and problem-solving sessions to identify waste and opportunities and support the corporate strategy.	All costs are allocated to business units proportionally based on number of 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	Basis of Assignment	Type of Charge	Allocation Driver
156310	CI Project Management	156310 CI Project Management	Continuous Improvement	General costs such as labor and employee expenses to partner with corporate and business unit groups to identify, prioritize, and plan short-to-long term opportunities involving process and/or technology changes. Create governance structures and coordinate project deliverables within approved budget and timeline constraints.	Assignable internal labor charges are billed directly to the applicable business unit. All remaining cost are assigned based on number of 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
156312	CI IT & SS	156312 CI IT & SS	Continuous Improvement	General miscellaneous Continuous Improvement expense such as rent and employee rewards.	All costs are allocated to business units proportionally based on number of 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
156313	Advanced Data Analytics Mgmt	156313 Advanced Data Analytics Mgmt	Continuous Improvement	General costs such as labor and employee expenses for providing predictive and prescriptive analytics support and end-to-end analytics solutions enterprise wide with a focus on CenterPoint Gas and Houston Electric utility operations.	All costs are allocated to business units proportionally based on number of 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
156315	CI Director	156315 CI Director	Continuous Improvement	General costs such as labor and employee expenses for the oversight of the Enterprise Operational Excellence organization, which includes Continuous Improvement, Utility quality, and Geographic information services.	All costs are allocated to business units proportionally based on number of 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
156316	Data Analytics Dir	156316 Data Analytics Dir	Continuous Improvement	General costs such as labor and employee expenses for the oversight of predictive and prescriptive analytics support and end-to-end analytics solutions enterprise wide with a focus on CenterPoint Gas and Houston Electric utility operations.	All costs are allocated to business units proportionally based on number of 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
156318	Electric Business Analytics	156207 Corp Cyber Security	Continuous Improvement	General costs such as labor and employee expenses for providing predictive and prescriptive analytics support and end-to-end analytics solutions enterprise wide with a focus on CenterPoint Gas and Houston Electric utility operations.	Direct charges are billed directly to Electric Operations - Texas.	Activities of this cost center solely relate to regulatory relationship activities for Houston Electric and are billed 100% to Electric Operations – Texas.	Direct	Directly Assigned
158801	HR - Business Partners	158801 HR - Business Partners	Human Resources	Provide Human Resources consulting services: 1) Employee Relations Services; 2) HR Police Interpretation; 3) Performance Management; 4) Management/Employee Counseling; and 5) Investigations. Serve as liaison between Corporate HR and Business Services and Business Units other than Regulated Operations in areas of: 1) Compensation & Benefits; 2) Disability Management; 3) Workforce Planning; 4) Process Change; 5) Management & Organizational Consulting; 6) Workforce Diversity & Inclusion; 7) Ethics & Compliance; 8) Training & Development; and 9) Coordination of Drug & Alcohol Testing. Assist with due diligence analysis for possible mergers/acquisitions.	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 the activities in this cost center, the related cost incurred in leading these activities are benefitting Electric Operations and are therefore allocated to Electric Operations.	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	Type of Charge	Allocation Driver
158802	HR – Compensation	158802 HR – Compensation	Human Resources	General activities and costs to support the Compensation group, such as salaries for department employees. Consulting costs relating to compensation plan design and market pricing. Compensation strategy. Base and variable pay design. Administration of base and variable pay plans. Compensation plan education and communication. Key contributor process. Recognition programs. Market pricing. Executive benefits design and administration. Recognition program design and administration.	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
158803	HR – Benefits	158803 HR – Benefits	Human Resources	General activities and costs to support the Benefits group, such as salaries for department employees. Plan design and vendor administration for CenterPoint Energy Benefits Programs including: Health & Welfare benefits; Retirement benefits; and COBRA administration.	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
159022	Regulatory Policy	159022 Regulatory Policy	Regulatory	Develop and implement Regulatory strategy. Develop and implement Legislative policy and strategy. Coordinate 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.	Activities of this cost center primarily relate to regulatory activities and are billed to the applicable business unit. A monthly over/under cost recovery true-up is allocated to clients in proportion to annual planned billings.	Direct	Directly Assigned
159027	Electric Relations and Policy	159027 Electric Relations and Policy	Regulatory	Coordinate development and implementation of Regulatory strategy for Electric Operations – Texas. Assist with development of governmental policy and strategy for Electric Operations – Texas. Coordinate dockets for regulatory policy rulemaking for Electric Operations – Texas.	Direct charges are billed directly to Electric Operations - Texas.	Activities of this cost center solely relate to regulatory relationship activities for Houston Electric and are billed 100% to Electric Operations – Texas.	Direct	Directly Assigned
159044	Claims	159044 Claims	Legal	Labor, employee related expenses and other costs associated with researching and resolving third-party claims for damages against CenterPoint Energy and affirmative claims by CenterPoint Energy against third parties that damage CenterPoint Energy facilities.	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 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
159049	Customer Service Training	159049 Customer Service Training	Human Resources	Customer Service Training initiatives.	Costs are assigned to the applicable business unit based on Planned Customer Count. Assignable internal labor charges are billed directly to the applicable business unit via Billable Hours.	Activities of this cost center primarily relate to providing training for the company's regulated call center operations. Therefore, costs are assigned based on the Plan customer count for each SBU.	Allocation	Customer Count
159051	Fleet & Shops Services Administration	159051 Fleet & Shops Services Administration	Supply Chain	Management and Administration of Fleet, Shop Services, & Radio Communications departments. Oversees enterprise wide capital deployment for Fleet, investment recovery activities, and management and maintenance of fleet inventory including fuel contracts. Oversees Shop Services Department responsible for refurbishment, repair, maintenance, fabrication, and testing of tools and equipment. Oversees Radio Communications Department responsible for installation, operation, and maintenance of radio system for voice and mobile data as well as distribution automation and ethernet connectivity.	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 total fleet vehicles and motorized equipment managed.	Activities of this cost center primarily relate to providing vehicle and motorized equipment support for the company's regulated customer service operations. Therefore, costs are assigned based on total number of units managed.	Allocation	Operating Expenses (less fuel)
159057	Fleet Support	159057 Fleet Support	Supply Chain	Management and Administration of fleet inventory including licensing, maintenance, inspections, and fuel.	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 total fleet vehicles and motorized equipment managed.	Activities of this cost center primarily relate to providing vehicle and motorized equipment support for the company's regulated customer service operations. Therefore, costs are assigned based on total number of units managed.	Direct	Directly Assigned
159069	Sr. VP & Div President Gas Operations	159069 Sr. VP & Div President Gas Operations	Senior Executive Office	Oversees the Utility operations by identifying, creating, and maintaining common processes and strategic direction for the utility operations division.	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

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Cost Center	Cost Center Name	Cost Center	Function	Major Activities / Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
159101	Fleet Capital Support	159101 Fleet Capital Support	Supply Chain	Manage Capital Vehicle Purchase activities.	Labor & Payroll Burden are charged directly to Capital IO's to be distributed on Fleet Capital OH. 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 total fleet vehicles and motorized equipment managed.	Activities of this cost center are related to the purchase of fleet capital vehicles and are assigned to the capital IO's based on total planned Capital Spend by Business Unit.	Direct	Directly Assigned
159102	Procurement Material & Logistic Operations	159102 Procurement Material & Logistic Operations	Supply Chain	Oversee Capital Vehicle Purchases, Investment Recovery, Purchasing, Materials & Logistics Budget.	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 total fleet vehicles and motorized equipment managed.	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). 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. 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.	Direct	Directly Assigned
159128	CNP Pool Vehicles	159128 CNP Pool Vehicles	Supply Chain	Management of the activities and expenditures of providing pool vehicles in the CNP Tower building.	Direct charges are incurred for the operating costs and allocated out monthly to applicable business units.	Activities of this cost center primarily relate to providing pool in support of the company's regulated customer service operations. Cost are allocated based on historical usage by regulated operations.	Allocation	Operating expenses based on historical usage by regulated operations.
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
XCHG	Cross Charges - Final settlement Cost Centers	XCHG Cross Charges - Final settlement Cost Centers	Various	Cost centers are established to accumulate all charges from the Functional Areas cost centers to be billed to the Business Units and other Corporate Business Services organizations, such as Finance, Legal, Communications, Government Affairs, Executive Office, Human Resources and Information Technology. For administrative tracking and reporting, a standard allocation method is used to distribute all cross charged support between all Service Company 0002 organizations.	•Support to other Service Company 0002 organizations from the Functional Areas are allocated into their final settlement cost centers for the business units based on their own respective billings into each. •Support from other Service Company 0002 organizations to the Functional Areas are allocated into the Functional Area's final settlement cost centers based on Function's total billings into each. •Each final settlement cost center is fully allocated to the applicable business unit.	Final settlement cost centers are established to accumulate charges for proper FERC classification when billing to business units. All billed expenses of a like nature are grouped and allocated using designated secondary cost elements for each function and type of expense.	Allocation	% of Total Function Billings

Appendix B: Information Technology

Cost Center	Cost Center Name	Cost Center	Function	Major Activities / Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
156200	IT CIO	156200 IT CIO	Information Technology	IT Management costs to oversee, support and provide strategic direction for all aspects of IT. These areas include: Information Technology, Governance and Controls Customer Solutions Infrastructure Ops and Technology Svc	Costs are allocated to each Business Unit and Functional Area based on total IT O&M spend.	Total budget is allocated based on total IT O&M spend.	Allocation	Load Following / IT O&M Spend
156201	Technology System Control	156201 Technology System Control	Information Technology	Management oversight of Technology System Control Center: Enterprise Systems Control Service Delivery Management TSCC Operations Control Center Operations- Network Control – (Electric)	Fixed allocation to the following services: Operations Control Center Enterprise Sys Mgmt Service Delivery Management	Allocated based on oversight of supported areas.	Allocation	Fixed Percentage
156202	LAN Services	156202 LAN Services	Information Technology	This service provides support and manages the AIX/Linux/Windows server infrastructure and supporting Microsoft application infrastructure. This includes 24/7 operational monitoring; problem detection, diagnosis, and resolution of related problem reports; preventive and corrective maintenance of the LAN servers and infrastructure applications. This service includes Windows authentication (Active Directory), file and print services, DHCP IP address assignment, DNS services, virus protection services, secure FTP services, AIX/Linux filesystems, hardware and OS support of all AIX/Linux/Windows servers. LAN Administration includes provision of strategic infrastructure planning, standards, and configuration; implementation of operating standards; and ongoing maintenance of Local Area Network (LAN) hardware and software. Services include Active Directory and LDAP support, DR systems replication, Windows licensing support, Remote site file system replication, and internal certificate management and support. This cost center includes management oversight of all IT Infrastructure	Fixed allocation to the following services: LAN Client Specifc Bus Tech Support	Allocations are based upon the following: Cost of maintenance for the products dedicated to the Business Technology Support Services Devices monitored for desktop area The cost of personnel dedicated to Business Technology Support Services Servers and applications utilized by Business Units and Functional Areas	Allocation	Fixed Percentage
156203	Operations Control Center	156203 Operations Control Center	Information Technology	This service provides 24/7 monitoring and technical support, problem detection, communication, diagnosis and/or assign/dispatch problems associated with distributed platforms along with related hardware and software, environmental elements, and backup and recovery of data. This service includes job batch scheduling for critical and non-critical applications using an enterprise-wide job scheduler for all platforms. Disaster Recovery support is provided for distributed applications.	Fixed allocation to the following services: Systems Management and Automation LAN Services Unix Client Specific Enterprise Infrastructure Business Resiliency & Data Center Mgmt. SAP Infrastructure	The allocations depict the resource (personnel) requirements for Enterprise Systems Control by task, organization, and service.	Allocation	Fixed Percentage
156204	Network Operations	156204 Network Operations	Information Technology	Labor and employee related incurred costs for services such as: 24/7 operational support, diagnosis and resolution of issues, preventative and corrective maintenance, load balancing for applications, performance studies and analysis, IP management, configuration and capacity planning used to develop plans for installations or facility modifications. Staff is in direct support of the services to which the costs are allocated.	Fixed allocation to following business units and functional areas based on level of support	Allocation is based on resources (staff and tools) supporting the enterprise infrastructure.	Allocation	Fixed Percentage
156205	Plan Adjustments	156205 Plan Adjustments	Information Technology	Cost object used to capture plan adjustments in order to meet IT budget targets.	Costs are allocated to each Business Unit and Functional Area based on total IT O&M spend.	Total budget is allocated based on total IT O&M spend.	Allocation	Load Following / IT O&M Spend
156211	Technology Systems Infrastructure & Ops	156211 Technology Systems Infrastructure & Ops	Information Technology	Management oversight for Technology Systems Infrastructure and Operations.	Fixed allocation to following services: LAN Services Network Operations Infrastructure & Sup Bus Resilncy/DC Mgmt Operational Performa Computing Platform Houston Electric	Allocation is based on which resources (staff and tools) support the respective infrastructures/services.	Allocation	Fixed Percentage

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Cost Center	Cost Center Name	Cost Center	Function	Major Activities / Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
156212	Infrastructure & Support	156212 Infrastructure & Support	Information Technology	Storage management and data protection support.	Fixed allocation to following services: Enterprise Infrastructure Unix Client Specific Business Resiliency Enterprise System Management Svcs SAP Infrastructure Vectren	Allocation is based on which resources (staff and tools) support the respective infrastructures/services.	Allocation	Fixed Percentage
156216	SAP System Support	156216 SAP System Support	Information Technology	This service provides 24/7 SAP database administration and BASIS support for SAP applications. Responsible for Maintenance, Monitoring and support of all SAP systems at CenterPoint. Supporting all the SAP systems 24 X 7 for any user or system issues and troubleshooting the SAP Technical Environment on an ongoing basis to ensure customer satisfaction.	Fixed allocation to following services: SAP Production Support	Allocation is based on which resources (staff) support the respective infrastructures/services.	Allocation	Fixed Percentage
156219	Technology Consulting Service	156219 Technology Consulting Services	Information Technology	Management of major technology projects across the enterprise.	Fixed allocation to the following services: Costs are allocated to each Business Unit and Functional Area based on total IT O&M spend.	Allocation is based on total IT O&M spend	Allocation	Load Following / IT O&M Spend
156221	PMO Support Gov & Controls	156221 PMO Support Gov & Controls	Information Technology	Labor and employee related expenses associated with the Project Management Office.	Administration costs are fixed allocations to services. Project Management Office assignment method is direct billed to Business Units and Functional Areas. Fixed allocation to the following services: Corp Cyber Security LAN Client Specific IT Strategic Planning Application Services Mkt/Field/Logistics Enterprise Infrastructure Unix Client Specific Bus Tech Support Corp Adv Analytics Business Resiliency & Data Center Mgmt Enterprise Sys Mgmt Svc Delivery Mgmt	Project Management Office allocation is direct billed to the areas that are supported by this activity.	Allocation	Fixed Percentage
156222	Business Technology Services	156222 Business Technology Services	Information Technology	Business Technology Services provides technology management for both hardware and software. This includes desktop image development and testing, product road mapping, product standardization, and evaluations.	Fixed allocation to Business Technology Support Service.	The activities supported in the sub-service are allocated to Business Technology Support Service which is distributed based on login IDs.	Allocation	Fixed Percentage
156223	Business User Support/Service Desk	156223 Business User Support/Service Desk	Information Technology	The Technology Service Desk provides first point of contact for clients with technology issues and requests. The Technology Service Desk will receive, record, resolve or assign/dispatch, monitor, and track all trouble calls received. Methods of contact include the Technology Self Service Portal, Chat or telephone. This includes recording requests/incidents, first level-resolution, assigning to second level if necessary and follow-up and tracking if needed. Desktop Support as second level assistance is supported for CNP Tower only. Desktop Support not only provides 2nd level support directly with the client, but also computer installs based on hardware refresh projects and service requests. Contact to the Service Desk can be made through telephone, or the Self-Service Portal (ServiceNow). These tasks are now being performed by a third party.	Costs are allocated to each Business Unit and Functional Area based on total IT O&M spend associated with the Business Technology Support activity.	Total budget is allocated to each Business Unit and Functional Area based on total IT O&M spend associated with the Business Technology Support activity.	Allocation	Load Following / IT O&M Spend
156225	IT Strategic Planning	156225 IT Strategic Planning	Information Technology	The Corporate Technology Governance team provides technology strategy, financial oversight, cost optimization strategies, governance, and vendor management for all CNP IT functions and supported systems. This group's primary responsibility is to facilitate the development and maintenance of the technology strategy as well as strengthen partnerships with our Strategic Technology vendors. The primary mechanisms for achieving this purpose are the processes and procedures executed by and under the Technology Operations Governing Councils.	Costs are allocated to each Business Unit and Functional Area based on total IT O&M spend.	Total budget is allocated based on total IT O&M spend.	Allocation	Load Following / IT O&M Spend

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Cost Center	Cost Center Name	Cost Center	Function	Major Activities / Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
156226	Applications Services	156226 Applications Services	Information Technology	Support of mission critical systems and interfaces that includes various Customer and Corporate applications for Gas, Electric , Home Services, Vectren and CES Business Units, across SAP, Microsoft, and Oracle platforms. Support of SAP Customer Applications: * Manage SAP application changes to SAP operating environment including OSS Notes, upgrades and support packs * CCS (Electric Market Transaction(IDE), EDM, Billing, Invoicing, Bill Print, Device Management, Meter Reading, FICA, Gas Emergency Scripting, CIP, EAP, etc.) * CRM (Marketing, Sales, Contract Management, Unified Call Center, Preference Center, Credit and Collection, PAE, HSPN/S & Correspondence) * SD (Sales and Distribution) Support of CenterPoint Energy Customer Facing Web Applications: * CenterPointEnergy.com, Builder Portal, StreetLight (Outage/Portal) * E-business support (My Account Online, Customer Self Service, HSP web Scheduling, Digital Move, PAS, CES Billing, etc.) * External SSO – Azure & Oracle IDCS Support of CenterPoint Energy Contact Center Telephony Applications: * CenterPoint Energy Interactive Voice Response (IVR), call routing, call reporting, call recording and outbound call applications. Support of Various Third Party Applications * Stream Serve/OpenText * SABRIX * Easy Link * Finalist	Direct billed to Business Unit and Functional Area specific projects through billable hour rate.	Shared hour distribution for Production Support. Specific hours distribution to Business Unit and Functional Area approved projects. A monthly over/under cost recovery true-up is allocated to Business Units and Functional Areas in proportion to annual planned billings.	Direct	Directly Assigned
156231	IT Advance Finance	156231 IT Advance Finance	Information Technology	Provides solution design, development, and application support for mission critical financial and purchasing & logistics systems and interfaces for all business units (Corporate, Business Services, Finance, Gas, Electric, Home Service Plus and CES Business Units) across SAP, Microsoft, and Oracle platforms. * Supply Chain - SAP ECC – Supply Chain: Materials Management, External Services Management (ESM), Sales & Distribution (SD) for HSP, Contractor Website (aka CSWBS) and CATS time entry for contractors; SAP Supplier Relationship Management (SRM): Shopping carts and Goods receipts; SAP Extended Warehouse Management (EWM): Inbound processes (Receipts, transfers), Outbound processes (Transfers, issues, returns), Internal processes (cycle inventories, bin to bin movements); Support of SAP Contract Lifecycle Management (CLM): Sourcing, Contract management, Supplier Registration; Support of SAP Spend Performance Management (SPM): Spend Analytics; & Support of various third-party applications: SABRIX, OpenText, FileNet * Finance – ECC 6.0: SAP FI/CO: Core finance ledge and transactional system; Special Purpose Ledger (SPL), Custom Treasury Wires Automation, Vendor Invoice Management (VIM), Invoice Capture Center (ICC), Concur. SAP S/4 HANA: Central Finance: Application Interface Framework (AIF) – reconciliation framework for validating transactions between ECC and S4; FinReg: FERC derivation and reporting system; BPC Planning – variance reporting capability; Master Data Governance (MDG): Financial master data request and approval workflow system; BPC Consolidations: Standalone financial	Direct billed to Business Units based on O&M Spend	Direct billed to Business Units based on O&M Spend	Direct	Directly Assigned

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Cost Center	Cost Center Name	Cost Center	Function	Major Activities / Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
156233	Business Device Management & Support	156233 Business Device Management & Support	Information Technology	This sub-service supports procurement of personal computers and peripheral hardware for business users which includes hardware refresh and life cycle management. Other activities include: Hardware repair Hardware relocations and decommissioning Mobile device management Intern mentorship program Management of the Tech Ops CNP University SkillSoft portal (i.e. course selections, client notifications, etc.) Multifunction device management Hardware and Software asset management (Operational) PC refresh management	Fixed allocation to Business Technology Support Service Direct billed to Business Units and Functional Areas through activity billings based on number of multi-functional devices owned or leased by the client.	The activities supported in the sub-service are allocated to Business Technology Support Service which is distributed based on login IDs.	Allocation	Fixed Percentage
156235	Enterprise Architects	156235 Enterprise Architects	Information Technology	The Enterprise Architecture and Innovation team provides technology strategy, design, governance and solutions for all CNP IT supported systems. This group's primary responsibility is to research and promote practical, innovative technology solutions that meet business requirements, solve business problems, support efficient operations, are sustainable, and serve to strategically advance the organization. The primary mechanisms for achieving this purpose are the processes and procedures executed by and under the Technology Operations Governing Councils. Specific deliverables for this group include the Enterprise Architecture, I.T. Strategy, Integrated Solution Designs, Cloud strategies and the Technology Governance Process. All CenterPoint (CNP) Information Technology selections are subject to these considerations.	Costs are allocated to each Business Unit and Functional Area based on total IT O&M spend.	Total budget is allocated based on total IT O&M spend.	Allocation	Load Following / IT O&M Spend
156239	Market/Field/Logistics Solution	156239 Market/Field/Logistics Solutions	Information Technology	Application/interface design, development and support for all business units. Major activities supported are: Support of mission critical systems and interfaces. Some interfaces include the connection to EAI (Enterprise Application Integration Framework) for Service Suite aka Mobile Data, GIS, Electric Outage plus support applications like FCS (Field collection services – aka ITRON system). <u>Support of Service Suite</u> Manage the ABB Service Suite application Manage configuration of ABB Service Suite application on 4 separate production instances and multiple test environments Direct support and help to approximately 4,500 users <u>Support of SAP</u> Develop, design, manage and approve SAP application changes to SAP work management operating environment including upgrades and support packs Encompasses the following sub-functions: Project Systems ALA <u>Other key applications areas supported:</u> Web services Prepare and coordinate Technical Recovery Plan Support Data Archiving Strategy	Direct billed to Business Unit and Functional Areas based on O&M Spend	Direct billed to Business Unit and Functional Areas based on O&M Spend	Direct	Directly Assigned
156245	VP Operation Tech & Markets	156245 VP Operation Tech & Markets	Information Technology	Management oversight of Operational Technology and Markets (ServCo) Technology Control Center Operations Analytics and Market Solutions Enterprise Architects Corp Cyber Security	Costs are allocated to each Area based on total headcount.	Costs are allocated to each Area based on total headcount	Allocation	Number of Employees
156247	Enterprise Infrastructure	156247 Enterprise Infrastructure	Information Technology	This service is associated with support for common area servers and is primarily comprised of hardware and software maintenance. Processing for offsite storage management and onsite storage management are available in this service. Disaster Recovery Services are provided for distributed applications.	Costs are allocated to each Business Unit and Functional Area based on hardware and software applications and resource support to specific Business Units and Functional Areas.	Total budget is allocated to each Business Unit and Functional Area based on hardware and software applications and resource support to specific Business Units and Functional Areas.	Allocation	Fixed Percentage

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Cost Center	Cost Center Name	Cost Center	Function	Major Activities / Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
156249	Unix Client Specific	156249 Unix Client Specific	Information Technology	This service identifies hardware and software that is managed by Information Technology and is unique to the Business Unit. The service provides the use and support of the UNIX /Linux platforms and appliances directly attributable to specific clients, along with related hardware and software, staff and environmental elements. Included are the hardware systems, data storage, (i.e. tape, disk), automated tape libraries, operating system and related software, as well as operations and technical support functions. This service also includes any specialized software that is required by the Business Unit.	Fixed allocation to Business Units and Functional Areas based on client specific hardware and software applications.	Costs are allocated on a percentage basis to Business Units and Functional Areas based on hardware and software applications that the Business Unit or Functional Area utilizes on the midrange platforms.	Allocation	Fixed Percentage
156250	Contact Center Technology	156250 Contact Center Technology	Information Technology	Contact Center Technology Service provides an agent connection to CNP's Automated Call Distribution phone system.	Direct billed to Business Units and Functional Areas through activity billing based on number of ASPECT licenses.	Based on planned activity associated with specific Business Units and Functional Areas. A monthly over/under cost recovery true-up is allocated to Business Units and Functional Areas in proportion to annual planned billings.	Direct	Directly Assigned
156253	DevOps Testing and Robotics	156253 DevOps Testing and Robotics	Information Technology	Oversight and management of people, processes, and technologies involving software testing and robotics process automation. This includes: Test Management Org tasks related to SAP system refreshes and CIMO coordination of test environments ALM/Quality Center stand-up and operation of testing phase to support projects Performance testing setup and operation using LoadRunner and SiteScope Test Automation setup and operation to support production support changes, regression testing/SWAT, and capital project test phases using WorkSoft Certify Robotics process automation setup and operation of automated business processes using BluePrism Desktop automation support of business users with UFT Training content development and deployment with	Costs are allocated to each Business Unit and Functional Area based on total IT O&M spend.	Total budget is allocated based on total IT O&M spend.	Allocation	Load Following / IT O&M Spend
156254	VP Info Technology	156254 VP Info Technology	Information Technology	Labor and related costs for technology leaders who strategically engage with the CNP business units to support development and delivery of valued-added technology solutions.	Costs are allocated to each Business Unit and Functional Area based on total IT O&M spend.	Total budget is allocated based on total IT O&M spend.	Allocation	Load Following / IT O&M Spend
156255	Dev Ops Product Planning	156255 Dev Ops Product Planning	Information Technology	IT Asset Management is a critical capability to manage hardware and software by leveraging technology and sound business practices to: Allocate and reclaim software licenses as needed Quickly determine how many software license entitlements are used vs. how many are owned Predict and forecast software needs and costs Reduce security vulnerabilities through use of unauthorized software Ensure optimized use of entitlements Avoid fines and penalties	Costs are allocated to each Business Unit and Functional Area based on total IT O&M spend.	Total budget is allocated based on total IT O&M spend.	Allocation	Load Following / IT O&M Spend
156256	Telephony/VoIP Services	156256 Telephony/VoIP Services	Information Technology	Telephone basic line includes support and maintenance of analog or digital line connections to CNP's private telephone switch network. VoIP activities are also included in the service (Cisco hardware/software maintenance, WebEx, etc.)	Direct billed to Business Units and Functional Areas through activity billing based on headcount	Monthly costs are distributed based on the Business Units or Functional Area's based on headcount. A monthly over/under cost recovery true-up is allocated to Business Units and Functional Areas in proportion to annual planned billings.	Direct	Directly Assigned
156261	Business Technology Support	156261 Business Technology Support	Information Technology	Business Technology Support provides 2nd level support directly with the client, and installs computers based on hardware refresh projects and service requests. Also provides same support to mobility workforce for both Gas and Electric users.	Direct billed to Business Units and Functional Areas through activity billings based on login IDs/headcount.	Monthly costs are distributed based on the Business Units or Functional Area's number of login IDs/headcount. A monthly over/under cost recovery true-up is allocated to Business Units and Functional Area in proportion to annual planned billing	Direct	Directly Assigned

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Cost Center	Cost Center Name	Cost Center	Function	Major Activities / Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
156262	Product Mgmt Corp Bus Solutions	156262 Product Mgmt Corp Bus Solutions	Information Technology	Application design, development and administrative support for Corporate and Enterprise Business Units, across SAP, Microsoft and Oracle platforms. Support of mission critical systems including Human Resources, Employee Identity and Employee and Native Mobility. Support of SAP and Oracle Employee Application: Manage and approve SAP application changes to SAP operating environment including upgrades and support packs Sap and Oracle ERP Modules of Human Resources, Payroll Support of Enterprise CenterPoint Energy Web, Mobile and Identity Applications: CNPToday, SharePoint, SailPoint, Cyber Ark, Azure Identity, Intune and O365 Apps (Power Platform. SharePoint Online, Project Server Online) Support of Various Third-Party SaaS Applications Tools Support (Stone Bond, Azure Devops, Intune, Xamarin, Team Foundation Server, Visual Studio, Power Platform, etc.) Develop and maintain Enterprise Applications Strategic Plan Implement Data Archiving Strategy Prepare and coordinate Technical Recovery Plan	Direct billed to Business Unit and Functional Area specific projects through billable hour rate.	Shared hour distribution for Production Support. Specific hours distribution to Business Unit and Functional Area approved projects. A monthly over/under cost recovery true-up is allocated to Business Units and Functional Areas in proportion to annual planned billings.	Direct	Directly Assigned
156265	Infrastructure Ops and Technology Services	156265 Infrastructure Ops and Technology Services	Information Technology	IT Management costs to manage, lead and direct all aspects of the Information Technology Operations organization. These areas include: Transport and Smart Grid Infrastructure Control Center Monitoring Technology Services	Costs are allocated to each Business Unit and Functional Area based on total IT O&M spend.	Total budget is allocated based on total IT O&M spend.	Allocation	Composite Ratio
156266	Corporate Advanced Analytics	156266 Corporate Advanced Analytics	Information Technology	Enterprise advanced analytics solution design and delivery. Includes Google Cloud development and production support. Major activities supported are: Support the development and maintenance of mission critical analytics Systems. Situational Awareness for Electric operation, Gas Operations, Telcom, and IGSD The Treverity EDGE Platform support Gas emergency leak dispatch application Near real-time SAP data foundation which is leveraged by CrewPoint, Electric CAPEX, Situational Awareness, Gas exception management, and operations reporting Support of the smart meter data warehouse (TLM, ELA, Diversion, Load Research Analytics) Development and support of the HANA Operational Warehouse Regulatory reporting via SAS Support for gas operations, electric operations, finance, customer, meter to cash, accounting, credit and collections, claims, electric market operations, etc. Develops and maintains enterprise analytics strategic plan	Direct billed to Business Unit and Functional Area specific projects through billable hour rate.	Shared hour distribution for Production Support. Specific hours distribution to Business Unit and Functional Area approved projects. A monthly over/under cost recovery true-up is allocated to Business Units and Functional Areas in proportion to annual planned billings.	Direct	Directly Assigned
156267	Release Management	156267 Release Management	Information Technology	The group is responsible for 3 key areas, Portfolio Management, Release and Integration Management and Testing Management. Portfolio Management: Facilitates planning, selection, and prioritization of technology projects to deliver expected benefits. Release and Integration Management: Facilitates planning, coordination and scheduling of new technology solutions and changes to the environment to ensure the effectiveness, quality, performance and integrity of the end-to-end solutions. Testing Management: Develops and maintains Testing Framework (methodology, tools, and controls). Provides testing services and support to project and solution teams	Costs are allocated to each Business Unit and Functional Area based on total IT O&M spend.	Total administrative budget is allocated based on total IT O&M spend.	Allocation	Load Following / IT O&M Spend

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Cost Center	Cost Center Name	Cost Center	Function	Major Activities / Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
156269	Organizational Readiness/Risk Management	156269 Organizational Readiness/Risk Management	Information Technology	The organizational readiness/risk management cost center provides project support in the area of process change facilitation and documentation, organizational change readiness including stakeholder analysis, communication strategy and implementation, and project risk management governance & management. In addition, the organization provides non-project ad-hoc support upon across organizational boundaries as requested, including support for Gas Operations & CEHE. Support usually consists of stakeholder analysis, communication strategy, and risk analysis. Also, team members often manage short-term initiatives that provide quick wins, such as communication and innovation initiatives (Gas Operations Leak Detection, Digital Transformation), special project management & facilitation (Smart Cities, Planning & Scheduling), and special projects (Mobility Center of Excellence, Vendor Security Risk Assessment).	Costs are allocated to each Business Unit and Functional Area based on total IT O&M spend.	Total administrative budget is allocated based on total IT O&M spend.	Allocation	Load Following / IT O&M Spend
156278	Telephony/VoIP Support	156278 Telephony/VoIP Support	Information Technology	Labor and employee-related incurred costs associated with telephony activities. Staff are in direct support of the services to which the costs are allocated.	Fixed allocation to the following services: Telephony VoIP Services	Allocation is based on which resources (staff and tools) support the respective infrastructures.	Allocation	Fixed Percentage
156280	Business Resiliency & Data Center Mgmt.	156280 Business Resiliency & Data Center Mgmt.	Information Technology	Costs associated with business resiliency and data center management located at the EC/DC and AOC.	Fixed allocation to the following services: SAPPS Infrastructure LAN Client Specific Unix Client Specific	Allocation is based on which resources (staff and tools) support the respective infrastructures.	Allocation	Fixed Percentage
156283	Network Operations	156283 Network Operations	Information Technology	Labor and employee related incurred costs for services such as: 24/7 implementation support, problem detection, diagnosis and resolution of issues, preventative and corrective planning and design, configuration creation and capacity planning. Develop installation plan and modifications plans. Staff is in direct support of the services to which the costs are allocated.	Employees charging time directly to Capital WBS's as applicable Fixed allocation to following services: Business Technology Support Services LAN Services Enterprise Infrastructure Contact Center Technology Telephony/VoIP Services Business Resiliency & Data Center Mgmt Shared Services Houston Electric	Allocation is based on resources (staff and tools) supporting the enterprise infrastructure.	Allocation	Fixed Percentage
156284	Oracle Depreciation	156284 Oracle Depreciation	Information Technology	Depreciation and return on for Oracle Software	Variable allocation to Business Units based assets associated with business units that benefit from the software usage.	Total depreciation (with return-on) is calculated based on current assets	Allocation	Fixed Percentage
156285	Technology Services	156285 Technology Services	Information Technology	IT Management costs to oversee, support and provide strategic direction for the areas listed below: End User Field Support End User Business Device and Software Management End User Collaboration and Technology Management End User Technology Support Executive Support	Costs are allocated to each Business Unit and Functional Area based on total IT O&M spend.	Total budget is allocated based on total IT O&M spend.	Allocation	Load Following / IT O&M Spend
156287	Control Ctr Monitoring, IT Svcs, & Adm	156287 Control Ctr Monitoring, IT Svcs, & Adm	Information Technology	Management oversight for Critical System Services, Database, SAP Basis and Network Transport activities.	Costs are allocated to each Business Unit and Functional Area based on total IT O&M spend.	Total budget is allocated based on total IT O&M spend.	Allocation	Load Following / IT O&M Spend

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Cost Center	Cost Center Name	Cost Center	Function	Major Activities / Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
156288	Operational Performance & Capacity Planning	156288 Operational Performance & Capacity Planning	Information Technology	Network Planning and Design/Capacity Performance Management (CPM). These areas and major activities include: Ensure that the capacity and performance of all infrastructure and network services meets current and future needs of the business Production and investigative support for P1/P2 incidents Capacity planning for storage, compute and network infrastructure's Gather reporting and metrics to support production, test, dev and QA server sizing Support to the TSSC processes via custom created dashboards and data collection for problem analysis and pro-active alerting Network planning for new remote office buildouts that require new circuit, hardware and connectivity design efforts. Network Planning and Design for data center and enterprise network connectivity Review network infrastructure policy's and procedures such as Change Management, RRAC, network buildouts and RFI/RFP's Assist with strategy, roadmap and product alignment for network, compute and storage project efforts Provide technology system products and services to solve business problems that are in alignment with strategy and portfolio	Fixed allocation to following services: LAN Services Enterprise Infrastructure Unix Client Specific Network Operations Enterprise System Management Svcs SAP Infrastructure	Allocation is based on which resources (staff and tools) support the respective infrastructures/services.	Allocation	Fixed Percentage
156289	DBA Support	156289 DBA Support	Information Technology	This service provides 24/7 database administration support for enterprise applications.	Fixed allocation to following services: HR Legal Regulatory Finance/Accounts Payable Houston Electric Gas Operations	Allocation is based on which resources (staff and tools) support the respective business unit/functional area.	Allocation	Fixed Percentage
156290	Enterprise System Management Svcs	156290 Enterprise System Management Svcs	Information Technology	This service provides proactive management of the enterprise IT environment including all systems, networks, and applications. The three areas of focus to accomplish this mission are Proactive Monitoring, Automation, and Second Level Support. Automation Software Maintenance and IBM ELA Software Maintenance for all System Management and Service Management products.	Fixed allocation to the following services: Business Tech Support SAP Infrastructure	Allocations are based upon the following: Cost of maintenance for the products dedicated to the Business Technology Support service. Devices monitored for desktop area. Resources (staff and tools) dedicated to support the respective infrastructures.	Allocation	Fixed Percentage
156293	Network Desktop Data Device	156293 Network Desktop Data Device	Information Technology	Network Services provides network connectivity via an enterprise infrastructure for client workstations and other Internet Protocol (IP) devices. Network infrastructure components used to support desktop connectivity include routers, switches, wireless controllers / access points, and UPS devices. In addition, this service provides: maintenance and installation for cabling systems extended to the client desktop, remote office connectivity via VPN technology and leased circuits, network access for servers supporting all applications, and internet and cloud access.	Fixed allocation to Business Technology Support.	All activities are associated with Business Technology Support.	Allocation	Fixed Percentage
156294	Computing Platform	156294 Computing Platform	Information Technology	This service provides technical support of mainframe and distributed computing. Included are the mainframe processors, operating system, related software, storage, UNIX/Linux platforms in addition to the backup and recovery of data. This service also includes system availability during non-maintenance hours by current SLA agreements. Disaster Recovery support is provided for mainframe and distributed applications.	Fixed allocation to the following services: Unix Client Specific LAN Services LAN Client Specific Enterprise Infrastructure Business Resiliency & Data Center Mgmt SAP Infrastructure Enterprise Systems Management Vectren	The above allocations depict the resource (personnel) requirements for enterprise operations by task, organization, and service.	Allocation	Fixed Percentage

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Cost Center	Cost Center Name	Cost Center	Function	Major Activities / Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
156295	Systems Management and Automation	156295 Systems Management and Automation	Information Technology	Systems Management and Automation provides Systems and Service Management product support and services to CNP. Systems Management and Automation - provides proactive management of all systems, networks, and applications. The three areas of focus to accomplish this mission are Proactive Monitoring, Automation, and Second Level Support. Service Management – product development and support of all service management components and integration points (ADD) for ServiceNow.	Costs are allocated to each Business Unit and Functional Area based on total IT O&M spend.	Total budget is allocated based on total IT O&M spend.	Allocation	Load Following / IT O&M Spend
156296	Service Delivery Management	156296 Service Delivery Management	Information Technology	Provide a IT Service portal that aligns the business needs of enterprise clients with delivery of information technology services and illustrate business value to its clients. The Enterprise Service Delivery team will audit and report on IT service value, budget adherence, risk impact and communication effectiveness across major IT service support and delivery areas. IT Service Support Service Desk – provide a self-service portal for IT services and a central point of contact between IT and its clients. The service portal is a single point of entry for all IT service request Develop and support Service Management processes and governance procedures. Configuration Management – deliver a physical and logical perspective view of the IT infrastructure and the IT services being provided IT Service Communication – present a consolidated view of IT service value through KPI reporting of Service Request, Change, Release, Incident, Problem, and IT Asset Management IT Service Delivery Availability Management – look for opportunities to optimize IT infrastructure capabilities, services, and support to minimize service outages and provide sustained levels of service to meet business requirements Service Level Management – report on the level of service agreed to and delivered to the organization Financial Management for IT Services – report the costs associated with providing IT Services	Costs are allocated to each Business Unit and Functional Area based on total IT O&M spend.	Total budget is allocated based on total IT O&M spend.	Allocation	Load Following / IT O&M Spend
156297	IT Depreciation	156297 IT Depreciation	Information Technology	Depreciation and return on for IT hardware, software, telecommunication and other assets.	Fixed allocation to Business Technology Support.	Fixed allocation to Business Technology Support.	Allocation	Fixed Percentage
156298	IT Allocation - SC	156298 IT Allocation - SC	Information Technology	Business & Operations Support overhead (including rent) billed to IT.	Costs are allocated to each Business Unit and Functional Area based on total IT O&M spend.	Costs are allocated to each Business Unit and Functional Area based on total IT O&M spend.	Allocation	Load Following / IT O&M Spend
156299	IT Other Depreciation	156299 IT Other Depreciation	Information Technology	Depreciation and return on for IT hardware, software, telecommunication and other assets directly associated with other Functional Areas other than IT (i.e. Finance, Human Resources, Communications, etc.).	Variable allocation to Business Units based on total O&M incurred costs going out on composite SKF.	Total depreciation (with return-on) is calculated based on current assets and planned capital activity. Variable allocation to Business Units based on total O&M incurred costs going out on composite SKF.	Allocation	Composite Ratio

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Appendix B: Information Technology

Cost Center	Cost Center Name	Cost Center	Function	Major Activities / Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
156300	Corporate SAP Analytics	156300 Corporate SAP Analytics	Information Technology	Application design, development and analytics support for all Business Units, including SAP BW and HANA Production support activities. Support the development and maintenance of mission critical analytics Systems Unbilled Revenue Estimation Development and support of the HANA Operational Warehouse correlation engine Development and Support of HANA, Near Line Storage Manage and approve BW and HANA application changes to the operating environment including upgrades and support packs Manage and approve the movement of functionality from existing environments to HANA and NLS Other key applications areas supported: Revenue Billing , Remittance, Customer Accounting, Credit, Write-offs, and Customer Accounts Receivable Develop and maintain Enterprise Analytics Strategic Plan and Analytics Center of Expertise Support Enterprise Reporting Strategy using Business Warehouse as the core data warehouse solution for SAP and non-SAP data Integration Solutions: Provides application development and production support for Retail Electric Market, non-market integration and middleware integrations	Direct billed to Business Unit and Functional Area specific projects through billable hour rate.	Shared hour distribution for Production Support. Specific hours distribution to Business Unit and Functional Area approved projects. A monthly over/under cost recovery true-up is allocated to Business Units and Functional Areas in proportion to annual planned billings.	Direct	Directly Assigned
156301	Enterprise Data Mgmt	156301 Enterprise Data Mgmt	Information Technology	Application design, development, data and analytics support for all Business Units, including SAP, FileNet, Data360 Production support activities. Major activities supported are: Support the development and maintenance of document management system. PII data Governance and Cataloging Building reports catalog Managing SAP data archiving and data management. Development and Support of FileNet, OnBase, Data360 and SAP ILM Manage and approve above application changes to the operating environment including upgrades and support packs Other key applications areas supported: Revenue Billing , Remittance, Customer Accounting, Credit, Supply Chain, Gas operation and Customer Accounts Receivable Gas Management dashboards and Reports Customer Service Develop and maintain Enterprise Data Strategic Plan Support Enterprise Reporting Strategy using Business Warehouse as the core data warehouse solution for SAP and non-SAP data	Direct billed to Business Unit and Functional Area specific projects through billable hour rate.	Shared hour distribution for Production Support. Specific hours distribution to Business Unit and Functional Area approved projects. A monthly over/under cost recovery true-up is allocated to Business Units and Functional Areas in proportion to annual planned billings.	Direct	Directly Assigned
156304	IN/OH AMI Technology	156304 IN/OH AMI Technology	Information Technology	Deploy and support AMI infrastructure and MDM system as well as integration with other enterprise systems.	Direct allocation to business unit.	Direct billed to Business Unit and Functional Area specific projects through billable hour rate. A monthly over/under cost recovery true-up is allocated to Business Unit in proportion to annual planned billings.	Direct	Directly Assigned
156305	Enterprise Integration	156305 Enterprise Integration	Information Technology	Deploy and support grid operations digital systems (ADMS).	Direct allocation to business unit.	Direct billed to Business Unit and Functional Area specific projects through billable hour rate. A monthly over/under cost recovery true-up is allocated to Business Unit in proportion to annual planned billings.	Direct	Directly Assigned
156311	End User Executive Support	156311 End User Executive Support	Information Technology	Provide end-to-end onsite technical support for the Executive leadership team including the following: Deployment of new technologies Telephony, hardware, software and wireless support Exploring alternatives to optimize and/or enhance productivity Issue resolution	Costs are allocated to each Business Unit and Functional Area based on total IT O&M spend.	Total budget is allocated based on total IT O&M spend.	Allocation	Load Following / IT O&M Spend

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Appendix C: Customer Operations

Cost Center	Cost Center Name	Cost Center	Function	Major Activities / Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
159014	Customer Operations Rents to Business Units	159014 Customer Operations Rents to Business Units	Customer	Costs are rents for square footage occupied by regulated operations employees that are assigned to regulated operations business units.	Rent costs are allocated based on use of the services provided by the organizations occupying the square footage.	Costs in this cost center are rent charges for regulated operations employees providing services to various areas in the Gas and Electric SBUs . The rent costs are allocated based on each business units proportional use of the services provided by the organization occupying the square footage.	Allocation	Square Footage
159029	Regional VP Indiana/Ohio Gas Operations	159029 Regional VP Indiana/Ohio Gas Operations	Customer	This cost centers house the labor and non-labor O&M costs for the VP of Ohio and Indiana Regional Gas operations.	Costs are allocated 100% to Vectren (Indiana & Ohio Gas Ops) based on a fixed percentage.	Activities and associated costs in this cost center support Indiana and Ohio Gas Ops, and allocate accordingly.	Allocation	Fixed Percentage
159032	Houston Call Center - Leadership	159032 Houston Call Center - Leadership	Customer	Oversees call centers for the company's Gas and Electric business units.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. Assignable internal labor charges are billed as capitalized labor. All other costs are assigned based on number of actual call minutes.	Activities of this cost center primarily relate to providing call center support for the company's call center operations. Therefore, costs are assigned based on number of actual call minutes.	Allocation	Call Minutes
159033	Houston Call Center - Agents	159033 Houston Call Center - Agents	Customer	Call center for the company's Gas and Electric business units.	Direct charges are tracked and charged directly to the applicable business unit. Assignable internal labor charges are billed directly to the applicable business unit. Assignable internal labor charges are billed as capitalized labor. All other costs are assigned based on number of actual call minutes.	Activities of this cost center primarily relate to providing call center support for the company's call center operations. Therefore, costs are assigned based on number of actual call minutes.	Allocation	Call Minutes
159034	Call Ctr Operations Manager	159034 Call Ctr Operations Manager	Customer	Oversees call center for the company's Gas and Electric business units.	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 number of actual call minutes.	Activities of this cost center primarily relate to providing call center support for the company's call center operations. Therefore, costs are assigned based on number of actual call minutes.	Allocation	Call Minutes
159035	Quality Assurance	159035 Quality Assurance	Customer	Oversees training compliance and quality control for the call center and automated and online services for the company's Gas and Electric business units.	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 number of actual call minutes.	Activities of this cost center primarily relate to providing call center support for the company's call center operations. Therefore, costs are assigned based on number of actual call minutes.	Allocation	Call Minutes
159037	Division VP Customer Service	159037 Division VP Customer Service	Customer	Oversees operations for the company's customer service organization for regulated operations by identifying, creating and maintaining common processes and strategic direction.	Costs are assigned to the applicable business unit based on Planned Customer Count. Assignable internal labor charges are billed directly to the applicable business unit via Billable Hours.	Provides support and oversight of the entire customer experience through a variety of channels including phone, web and IVR. Therefore, costs are assigned to the SBUs based on planned customer count.	Allocation	Customer Count
159038	Director of Customer Service Performance	159038 Director of Customer Service Performance	Customer	Provides strategic support across self-service channels, process improvement for front and back-office transactions, and customer vision support for the company's Gas and Electric business units.	Costs are assigned to the applicable business unit based on Planned Customer Count. Assignable internal labor charges are billed directly to the applicable business unit via Billable Hours.	Activities of this cost center primarily relate to providing broad customer service support for Gas and Electric operations. Therefore, costs are assigned based on planned customer count.	Allocation	Customer Count
159039	Customer Account Support – System Support	159039 Customer Account Support – System Support	Customer	Supports the Call Center Operations.	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 number of actual call minutes.	Activities of this cost center primarily relate to providing call center support for the company's regulated call center operations. Therefore, costs are assigned based on number of actual call minutes.	Allocation	Call Minutes
159041	Customer Service Technology	159041 Customer Service Technology	Customer	Oversees technology purchases for the call center operations.	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 planned Customer Count.	Activities of this cost center primarily relate to providing call center support for the company's regulated call center operations. Therefore, costs are assigned based on number of actual call minutes.	Allocation	Call Minutes
159048	Customer Service Process Improvement	159048 Customer Service Process Improvement	Customer	Supports process improvement initiatives across Gas and Electric operations.	Costs are assigned to the applicable business unit based on Planned Customer Count. Assignable internal labor charges are billed directly to the applicable business unit via Billable Hours.	Activities of this cost center primarily relate to providing support for process improvement initiatives for Gas and Electric operations. Therefore, costs are assigned based on the Plan customer count for each SBU.	Allocation	Customer Count
159058	Customer Care	159058 Customer Care	Customer	Leadership team (Director and managers) of the Customer Care group (Training, Quality Assurance and System Support) – Gas/Electric.	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 total customer count.	Activities of this cost center primarily relate to providing oversight to the Customer Care operations. Therefore, costs are assigned based on the Plan customer count for each SBU.	Allocation	Customer Count

Appendix C: Customer Operations

Cost Center	Cost Center Name	Cost Center	Function	Major Activities / Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
159071	Credit and Collections	159071 Credit and Collections	Customer	Manages all Credit related functions, including Management of Receivables, Write-Offs and Bad Debt.	Costs are assigned to the Gas Operations business unit based on Planned Customer Count.	All of the described credit and collections activities are in support of the Gas Operations SBU, and thus the allocations are based on Planned Gas Ops customer count.	Allocation	Customer Count
159072	Issues Resolution	159072 Issues Resolution	Customer	The Issues Resolution team supports a consistent and multi-channel interaction, which enhances the customer experience by optimizing operational efficiencies, empowering people and leveraging technology to provide meaningful experiences to our employees and customers.	Costs are assigned to the Gas and Electric Operations business unit based on Planned Customer Count. There is also a portion of labor billed to Capital for any activity associated with supporting new Builder and Permit calls for both Gas and Electric.	All of the described credit and collections activities are in support of the Gas and Electric Operations SBUs, and thus the allocations are based on Planned Gas and Electric Ops customer count. The costs that are billed to capital are allocated to the SBU's based on the Permit and Builder Counts statistical key figures, which are loaded on a monthly basis.	Allocation	Customer Count Permit Count or Builder Count
159073	Customer Experience Resolution Team	159073 Customer Experience Resolution Team	Customer	Provides support to the customer service representatives fulfilling customer orders and requests.	Costs are assigned to the Gas and Electric Operations business unit based on Planned Customer Count.	All of the described credit and collections activities are in support of the Gas and Electric Operations SBUs, and thus the allocations are based on Planned Gas and Electric Ops customer count.	Allocation	Customer Count
159074	EVP and President Electric Division	159074 EVP and President Electric Division	Customer	Oversees Electric operations by identifying, creating and maintaining common processes and strategic direction for CenterPoint Energy Houston Electric (CEHE).	Costs are allocated 75% to CEHE and 25% to Gas Operations.	Activities of this cost center primarily relate to executive oversight over the CEHE operations. However the Regulatory and IT functions under this umbrella do provide support to Gas Operations. Therefore the split of 75/25 was determined the most rationale.	Allocation	Fixed Percent & Customer Count
159075	Service Delivery- MN Agents	159075 Service Delivery- MN Agents	Customer	Collects costs for phone personnel and related costs to answering customer inquires and resolving issues.	Costs are assigned to the Gas Operations business unit based actual monthly call center minutes.	This cost center houses costs for internal Minnesota call center agents. As part of the Unified Call Center initiative, these agents are now taking call for Southern Gas jurisdictions, and therefore the costs are being allocated to Gas Operations based on actual call minutes.	Allocation	Call Minutes
159076	Service Delivery- MN Support	159076 Service Delivery- MN Support	Customer	Collects costs for the Call Center and service delivery support, including supervisors, managers, directors, and non-exempt employees.	Costs are assigned to the Gas Operations business unit based actual monthly call center minutes.	This cost center houses costs for internal Minnesota call center support. As part of the Unified Call Center initiative, this function now also supports Southern Gas jurisdictions, and therefore the costs are being allocated to Gas Operations based on actual call minutes.	Allocation	Call Minutes
159078	Credit and Collections -Billing Controls	159078 Credit and Collections -Billing Controls	Customer	Collects costs for the Gas Support team, which support CCS projects and enhancements.	Costs are assigned to the Gas Operations business unit based on Planned Customer Count.	Costs are in support of the Gas Operations business unit and are assigned to the Gas divisions based on Planned Customer Count .	Allocation	Customer Count
159079	Credit and Collections – Reporting	159079 Credit and Collections – Reporting	Customer	Reporting results of collections activities, employee and departmental scorecards, and performing analytics on bad debt drivers.	Costs are assigned to the Gas Operations business unit based on Planned Customer Count.	Costs are in support of the Gas Operations business unit and are assigned to the Gas divisions based on Planned Customer Count .	Allocation	Customer Count
159080	Retail Service Center	159080 Retail Service Center	Customer	Collects costs for phone personnel and related costs to selling products and Services offered by the HSP North business. There is also a small portion of call handling related to the Gas and Electric utilities, and those costs are allocated accordingly.	Costs are assigned to the Gas, Electric, HSP North and HSP South business units based actual monthly call center minutes.	This cost center houses costs for internal Service call center agents. As part of the Unified Call Center initiative, these agents are now taking call for Gas Ops, Electric Ops, HSP North and HSP South, and therefore the costs are being allocated to those business units based actual call minutes taken by Service Center agents.	Allocation	Call Minutes
159081	Marketing Communications	159081 Marketing Communications	Customer	Oversight of all Marketing Communication functions, including web channel, competitive marketing communications, advertising and promotions, and digital communications.	Direct charges are tracked and charged directly to the applicable business unit. All other costs are assigned based on Planned Customer Count.	Activities of this cost center primarily relate to providing Marketing support for all business units. Accordingly, direct charges are billed to the applicable business units, and all residual costs are allocated based on Planned Customer Count.	Allocation	Customer Count
159082	Bill Print & Insert Ops	159082 Bill Print & Insert Ops	Customer	Responsible for printing and mailing of all invoices and correspondences for Gas Operations.	Costs are assigned to the Gas Operations business unit based on Planned Customer Count.	The cost and activities related to this cost center are in support of Gas Operations, and therefore are allocated to the Gas Ops jurisdictions based on Customer Count.	Allocation	Customer Count
159083	SVP and Chief Customer Officer	159083 SVP and Chief Customer Officer	Customer	Oversees operations for the company's Customer Operations, including Customer Service, Energy Solutions, Marketing Strategy & Communications, and Claims & Damage Investigation.	Costs are assigned to the CEHE and Gas Operations business units based on Planned Customer Count.	The major activities in this cost center are in support of both the Gas and CEHE regulated businesses, and therefore it allocates to these SBU's based on Planned Customer Count.	Allocation	Customer Count
159084	Reg Ops Call Ctr 3rd Party	159084 Reg Ops Call Ctr 3rd Party	Customer	Collects costs for phone personnel and related costs to answering customer inquires and resolving issues.	Costs are assigned to the Gas Operation and CEHE business units based actual monthly call center minutes.	This cost center houses costs for third party call center agents. As part of the Unified Call Center initiative, these agents are now taking calls for all jurisdictions, and therefore the costs are being allocated to Gas Operations, Electric Operations and HSP based on actual call minutes.	Allocation	Call Minutes
159087	C&I Customer Relations Management	159087 C&I Customer Relations Management	Customer	Manages and coordinates activities associated with the development, strengthening and enhancement of CenterPoint Energy enterprise-wide relationships with key customers.	Costs are assigned to the CEHE and Gas Operations business units based on Planned Customer Count.	The major activities in this cost center are in support of both the Gas and CEHE regulated businesses, and therefore it allocates to these SBU's based on Planned Customer Count.	Allocation	Customer Count
159088	Customer Billing	159088 Customer Billing	Customer	Responsible for tax exemption, special billing, regional structure, and billing controls for Gas Operations.	Costs are assigned to the Gas Operations business unit based on Planned Customer Count.	The cost and activities related to this cost center are in support of Gas Operations, and therefore are allocated to the Gas Ops jurisdictions based on Customer Count	Allocation	Customer Count

Appendix C: Customer Operations

Cost Center	Cost Center Name	Cost Center	Function	Major Activities / Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
159090	Gas Sales and CIP Implementation	159090 Gas Sales and CIP Implementation	Customer	This cost center provides administrative support over the Gas Growth and Sales functions within Energy Solutions, as well as activities related to the research and implementation of our Conservation Investment Program (CIP) activities.	Costs are allocated to rebill cost center 159464 – Gas Sales & CIP Implementation which allocates to both regional CIP cost centers and Gas jurisdictional internal orders based on an annual time study.	The cost and activities related to this cost center support specific programs and activities across Gas Operations, and the costs are allocated based on the estimated time spent supporting each of those areas.	Allocation	Fixed Percentage
159091	Customer Ops - Planning & Analytics	159091 Customer Ops - Planning & Analytics	Customer	Manages and coordinate activities associated with analytical and reporting processes, and marketing and performance analytics around the Customer Operations organization.	Costs are assigned to the CEHE and Gas Operations business units based on Planned Customer Count.	The major activities in this cost center are in support of both the Gas and CEHE regulated businesses, and therefore it allocates to these SBU's based on Planned Customer Count.	Allocation	Customer Count
159092	Customer Ops & HSP Analytics	159092 Customer Ops & HSP Analytics	Customer	Manages and coordinates activities associated with the development, strengthening and enhancement of CenterPoint Energy enterprise-wide relationships with key customers.	Costs are assigned to the CEHE and Gas Operations business units based on 2022 Planned Customer Count.	The major activities in this cost center are in support of both the Gas and CEHE regulated businesses, and therefore it allocates to these SBU's based on Planned Customer Count.	Allocation	Customer Count
159093	Strategic Marketing	159093 Strategic Marketing	Customer	Manages and coordinates activities related to the development and execution of marketing strategies and tactics which support company growth, energy efficiency, operational expense reduction, and customer experience initiatives.	Direct charges are tracked and charged directly to the applicable business unit. All other costs are assigned based on Planned Customer Count.	Activities of this cost center primarily relate to providing Marketing support for all business units. Accordingly, direct charges are billed to the applicable business units, and all residual costs are allocated based on Planned Customer Count	Allocation	Customer Count
159095	CS CEHE Support	159095 CS CEHE Support	Customer	Power Alert Service administration and message delivery costs. Management of estimated outage restoration timeframes for customer communications. Backup support for CEHE call center escalations.	Costs are allocated 100% to CenterPoint Energy Electric.	All of the activity within this cost center is in support of CenterPoint Electric, and therefore 100% of the costs are allocated the CEHE.	Allocation	Fixed Percentage
159096	CS Program Management	159096 CS Program Management	Customer	Change management and communications in support of the customer organization. Program management for process improvement initiatives within the customer organization. Program management for employee engagement initiatives within the customer organization.	Costs are assigned to the CEHE and Gas Operations business units based on Planned Customer Count.	The major activities in this cost center are in support of both the Gas and CEHE regulated businesses, and therefore it allocates to these SBU's based on Planned Customer Count.	Allocation	Customer Count
159098	Houston Contact Center - Frontline Leadership	159098 Houston Contact Center - Frontline Leadership	Customer	Tracks expenses related to management and administrative oversight of the Houston Contact Center.	Costs are assigned to the CEHE and Gas Operations business units based on Actual Monthly Call Minutes.	Activities of this cost center primarily relate to providing call center support for the company's regulated call center operations. Therefore, costs are assigned based on number of actual call minutes.	Allocation	Call Minutes
159100	Digital Engagement	159100 Digital Engagement	Customer	Manages and coordinates activities associated with the development, strengthening and enhancement of CenterPoint Energy enterprise-wide relationships with key customers.	Costs are assigned to the CEHE and Gas Operations business units based on Planned Customer Count.	The major activities in this cost center are in support of both the Gas and CEHE regulated businesses, and therefore it allocates to these SBU's based on Planned Customer Count.	Allocation	Customer Count
159105	IN/OH Customer Planning & Sales	159105 IN/OH Customer Planning & Sales	Customer	Manages and coordinates activities associated with the development, strengthening and enhancement of CenterPoint Energy enterprise-wide relationships with key customers.	Costs are assigned to the Indiana Electric and Indiana and Ohio Gas Operations business units based on Planned Customer Count.	The major activities in this cost center are in support of both the IN and Ohio Gas business units, as well as the Indiana Electric business unit. Therefore, costs are allocated to all three business units based on Customer Count.	Allocation	Customer Count
159106	IN/OH Credit Risk Management	159106 IN/OH Credit Risk Management	Customer	The Credit and Risk business unit manages overall bad debt expense and net-write offs through on-going analysis and key performance indicators that identify areas of risk within our portfolios to further develop outreach and mitigation strategies in coordination with key stakeholders to mitigate bad debt expense to maintain or enhance shareholder value; while maintaining our focus on the customer experience and impact to our rate base.	Costs are assigned to the Indiana Electric and Indiana and Ohio Gas Operations business units based on Planned Customer Count.	The major activities in this cost center are in support of both the IN and Ohio Gas business units, as well as the Indiana Electric business unit. Therefore, costs are allocated to all three business units based on Customer Count.	Allocation	Customer Count
159109	IN/OH Customer Billing	159109 IN/OH Customer Billing	Customer	This cost center supports billing activities specific to Indiana and Ohio. The billing team is responsible for ensuring accurate and timely billing.	Costs are assigned to the Indiana Electric and Indiana and Ohio Gas Operations business units based on Planned Customer Count.	The major activities in this cost center are in support of both the IN and Ohio Gas business units, as well as the Indiana Electric business unit. Therefore, costs are allocated to all three business units based on Customer Count.	Allocation	Customer Count
159110	IN/OH Contact Center	159110 IN/OH Contact Center	Customer	The IN/OH Contact Center supports our customers through both Electric & Gas inquiries. Collect costs for phone personnel and related costs for all labor & non-labor employees in the Evansville Contact Center.	Costs are assigned to the Indiana Electric and Indiana and Ohio Gas Operations business units based on Planned Customer Count.	The major activities in this cost center are in support of both the IN and Ohio Gas business units, as well as the Indiana Electric business unit. Therefore, costs are allocated to all three business units based on Customer Count.	Allocation	Customer Count
159111	IN/OH Customer Relations & Process Improvement	159111 IN/OH Customer Relations & Process Improvement	Customer	This cost center supports the CERT function for the IN/OH region. The group handles escalations and commission complaints made against the organization.	Costs are assigned to the Indiana Electric and Indiana and Ohio Gas Operations business units based on Planned Customer Count.	The major activities in this cost center are in support of both the IN and Ohio Gas business units, as well as the Indiana Electric business unit. Therefore, costs are allocated to all three business units based on Customer Count.	Allocation	Customer Count
159112	IN/OH Customer Service Performance Management	159112 IN/OH Customer Service Performance Management	Customer	Collect labor and non-labor cost for the Indiana Workforce Management employees and all Third Party Vendors.	Costs are assigned to the Indiana Electric and Indiana and Ohio Gas Operations business units based on Planned Customer Count.	The major activities in this cost center are in support of both the IN and Ohio Gas business units, as well as the Indiana Electric business unit. Therefore, costs are allocated to all three business units based on Customer Count.	Allocation	Customer Count

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Cost Center	Cost Center Name	Cost Center	Function	Major Activities / Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
159114	IN/OH Marketing	159114 IN/OH Marketing	Customer	Supports the development and execution of required customer messaging to Indiana and Ohio. Primarily covers the printing of bill inserts.	Costs are assigned to the Electric and Gas Operations business units based on Planned Customer Count.	The major activities in this cost center are in support of both the Gas and Electric regulated businesses, and therefore it allocates to these SBU's based on Planned Customer Count.	Allocation	Customer Count
159115	IN/OH Quality Assurance	159115 IN/OH Quality Assurance	Customer	This cost center supports the Quality Assurance function. The team conducts audits and training for contact center agents.	Costs are assigned to the Indiana Electric and Indiana and Ohio Gas Operations business units based on Planned Customer Count.	The major activities in this cost center are in support of both the IN and Ohio Gas business units, as well as the Indiana Electric business unit. Therefore, costs are allocated to all three business units based on Customer Count.	Allocation	Customer Count
159116	VVC/CNP CS Technology	159116 VVC/CNP CS Technology	Customer	Oversees technology purchases for the call center operations and the customer experience.	All other costs are assigned based on Planned Customer Count.	Activities of this cost center primarily relate to providing call center support for the company's regulated call center operations. Therefore, costs are assigned based total Planned Customer Count.	Allocation	Customer Count
159122	IN/OH Contact Center – Non-Agents	159122 IN/OH Contact Center – Non-Agents	Customer	Oversees technology purchases for the call center operations and the customer experience.	All costs are assigned to Indiana and Ohio business units based on Planned Customer Count.	The major activities in this cost center are in support of both the IN and Ohio Gas business units, as well as the Indiana Electric business unit. Therefore, costs are allocated to all three business units based on Customer Count.	Allocation	Customer Count
159123	Customer Engagement – Functional Team	159123 Customer Engagement – Functional Team	Customer	Team that handles Data Analysis, Process Improvements, Automations, Reporting and Mass Scripting.	All costs are assigned based on Planned Customer Count.	Activities of this cost center primarily relate to providing call center support for the company's regulated call center operations. Therefore, costs are assigned based Planned Customer Count.	Allocation	Customer Count
159124	IN/OH Workforce Management	159124 IN/OH Workforce Management	Customer	WFM processes for IN/OH such as scheduling, scheduling adjustments, real-time customer queue monitoring.	All costs are assigned to Indiana and Ohio business units based on Planned Customer Count.	The major activities in this cost center are in support of both the IN and Ohio Gas business units, as well as the Indiana Electric business unit. Therefore, costs are allocated to all three business units based on Customer Count.	Allocation	Customer Count
159126	Regional Structure	159126 Regional Structure	Customer	Oversees creation, jurisdictional assignment, and work initiation for new & updated service addresses. Supports main replacement and service line project, new territory acquisitions, main extension projects, and integration initiatives. Provides Franchise Fee contract and audit support for the Finance and Rates & Regulatory departments.	Direct charges are tracked and charged directly to the applicable business unit. All other costs are assigned to the Gas Operations business unit based on Planned Customer Count.	The cost and activities related to this cost center are in support of Gas Operations, and therefore are allocated to the Gas Ops jurisdictions based on Customer Count	Allocation	Customer Count
159484	Energy Solutions & Business Services	159484 Energy Solutions & Business Services	Customer	Oversees operations for the company's Economic Development, Business Development, Energy Solutions, and Emerging Gas Technologies.	Costs are assigned to the Gas and Electric business units based on Planned Customer Count.	Provides support and oversight of the entire Energy Solutions organizations, which supports both the Gas and Electric business unit. The costs are allocated to the SBUs accordingly.	Allocation	Customer Count

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Cost Center	Cost Center Name	Cost Center	Major Activities/Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
124243	Manager Engineering	124243 Manager Engineering	Labor benefits and other expenses associated with the Gas Modernization function.	Direct Costs are tracked and billed directly to the Business Units through billable hour rate.	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.	Direct	Directly Charged
124341	Benefits	124341 Benefits	To capture and record all benefit related expenses.	All costs are assigned based on payroll dollars each month.	Benefit expenses are allocated based on the current month's payroll dollars.	Allocation	Labor Dollars
124618	Residential Marketing	124618 Residential Marketing	Marketing support of conservation programs.	All costs are assigned based on fixed percentages.	Percent calculated based on time spent supporting conservation programs.	Allocation	Fixed %
127062	Entex Fleet Services	127062 Entex Fleet Services	Fleet Fuel clearing cost center Houston Division	Direct Costs are tracked and billed directly to the Business Units through billable hour rate.	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.	Direct	Directly Charged
130035	Sr Director Operations Support & Tech	130035 Sr Director Operations Support & Tech	Captures administration and oversight cost of Gas Operations Support & Technology.	All costs are allocated based on customer count.	Allocations are based on the average customer count for 12 months ending June.	Allocation	Customer Count
130046	VP Field Services	130046 VP Field Services	Capture activities of the VP Field Services which manages all Damage Prevention and Land Field Services across all the Gas footprint.	All costs are assigned based on customer count to the jurisdictions.	Allocations are based on the average customer count for 12 months ending June.	Allocation	Customer Count
130047	Emergency Response	130047 Emergency Response	Captures costs associated with EOP Director and Coordinators.	All costs are assigned based on customer count to the jurisdictions.	Allocations are based on the average customer count for 12 months ending June.	Allocation	Customer Count
133403	Line Locating	133403 Line Locating	Damage Prevention Coordinators responsible for overseeing line locating activity.	All costs are assigned based on planned line locates.	Allocations are based on the number of planned line locates by area.	Allocation	Fixed %
133415	TX Gas Eng - CAD & GIS	133415 TX Gas Eng - CAD & GIS	Captures costs associated with Gas CAD and GIS manager and engineering support team.	Direct Costs are tracked and billed directly to the Business Units through billable hour rate.	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.	Direct	Directly Charged

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Cost Center	Cost Center Name	Cost Center	Major Activities / Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
162208	2049 - Elec Dist Engineering	162208 2049 - Elec Dist Engineering	Provides electric distribution engineering services	Assignable internal labor charges are billed directly to the applicable business unit via billable hours. All other costs are assigned to engineering overhead	Allocation is based on resources supporting the respective infrastructures/services.	Allocation	Fixed %
162230	GIS DATA MANAGEMENT - ELECTRIC	162230 GIS DATA MANAGEMENT - ELECTRIC	Oversight of activities related to digitizing electric facilities in the GIS System.	Labor hours directly supporting GIS activities used to develop fixed percentage.	Fixed percentage is based on percent of time direcly managing employees in CEHE cost center 101721 who report to the Manager in CEI South cost center 162230.	Allocation	Fixed %
165000	2026 - Damage Prevention	165000 2026 - Damage Prevention	•Manage facility damage prevention programs •Manage 811 one call mapping and system locates	Assignable internal labor charges are billed directly to the applicable business unit via billable hours. All other costs are assigned based on Assets.	Costs are assigned based on Assets.	Allocation	Assets
165003	5617 - Meter Reading	165003 5617 - Meter Reading	• Management and analysis of meter reading processes •Analyze meter reading routes for optimization •Research customer inquiries and/or complaints in order to facilitate resolution •Analyze meter reading data to identify fraud and diversion •Monitor, identify and address meter anomalies and consecutive estimates to enhance revenue assurance •Manage low tech service order process	Costs are assigned to the applicable business unit based on Planned Customer Count. Assignable internal labor charges are billed directly to the applicable business unit via Billable Hours.	Costs are assigned based on Planned Customer Count.	Allocation	Customer Count
165004	5707 - Data Analysis & Business Intelligence	165004 5707 - Data Analysis & Business Intelligence	Provide data analytics and visual management reports, dashboards, ad-hoc analysis to Gas Operations, Electric Operations, all Utility Operations Support teams, Human Resources, Safety, Enterprise Risk Management, Chief Operating Officer, and Customer Operations.	All cost are assigned based on customer count.	Allocations are based on the average customer count for 12 months ending June.	Allocation	Customer Count
165006	L503 - Land & Field Services	165006 L503 - Land & Field Services	•Utility easement acquisition and management •Surveying	Assignable internal labor charges are billed directly to the applicable business unit via billable hours. All other costs are assigned based on Assets.	Costs are assigned based on Assets.	Allocation	Assets
165018	0572 - Econ Dev	165018 0572 - Econ Dev	•Provide and coordinate economic development services to communities •Prepare analysis, presentations and solutions for prospective companies	Costs are assigned to the applicable business unit based on Planned Customer Count. Assignable internal labor charges are billed directly to the applicable business unit via Billable Hours.	Costs are assigned based on Planned Customer Count.	Allocation	Customer Count
165020	5640 - Energy Efficiency	165020 5640 - Energy Efficiency	•Manage all energy efficiency programs	Costs are assigned to the applicable business unit based on Planned Customer Count. Assignable internal labor charges are billed directly to the applicable business unit via Billable Hours.	Costs are assigned based on Planned Customer Count.	Allocation	Customer Count
165021	5642 - Ind Sales	165021 5642 - Ind Sales	•Technical analysis •Address large customer problems/complaints/billings •Negotiate, monitor and maintain rate contracts for large/industrial customers	Costs are assigned to the applicable business unit based on Planned Customer Count. Assignable internal labor charges are billed directly to the applicable business unit via Billable Hours.	Costs are assigned based on Planned Customer Count.	Allocation	Customer Count
165022	5647 - R&C Sales	165022 5647 - R&C Sales	•Work with housing developers for new business •Audit developers and new line extensions •Assist customers regarding energy usage •Gather load information for new commercial developments •Solicit residential and commercial customers for fuel conversion	Costs are assigned to the applicable business unit based on Planned Customer Count. Assignable internal labor charges are billed directly to the applicable business unit via billable hours.	Costs are assigned based on Planned Customer Count.	Allocation	Customer Count
165026	A575 - Fac Mgmt	165026 A575 - Fac Mgmt	•Building Maintenance •Lawn care •Janitorial services •Pest control	Costs are allocated based on each business units proportional use of the services provided by the organization occupying the square footage. Assignable internal labor charges are billed directly to the applicable business unit via billable hours.	Costs are allocated based on each business units proportional use of the services provided by the organization occupying the square footage.	Allocation	Sq. Ft
165032	L503 - Land & Field Services	165032 L503 - Land & Field Services	•Encroachments •Right of way management	Assignable internal labor charges are billed directly to the applicable business unit via billable hours. All other costs are assigned based on Assets.	Costs are assigned based on Assets.	Allocation	Assets

Vectren Utility Holdings, LLC and its subsidiaries Cost Center Assignment Manual

Cost Center	Cost Center Name	Cost Center	Major Activities / Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
165033	INOH Gas Safety	165033 INOH Gas Safety	•Supporting the safety of CNP Operations and contractors •Providing new tools, PPE, and equipment that simplifies or improves safety for field employees	All costs are assigned based on fixed percentages. Assignable internal labor charges are billed directly to the applicable business unit via billable hours.	Allocation is based on resources supporting the respective infrastructures/services.	Allocation	Fixed %
165034	GIS Systems Administration	165034 GIS Systems Administration	•Manage installation and configuration of Arc GEIS Enterprise Solutions software •Set up servers in Data Center •Manage Oracle Database System	Majority of costs are assigned based on fixed percentages. Assignable internal labor charges are billed directly to the applicable business unit via billable hours.	Allocation is based on resources supporting the respective infrastructures/services.	Allocation	Fixed %
165036	GIS Development	165036 GIS Development	Gather requirements, performs complex analysis and designs custom GIS solutions through the development of software applications to be used on GIS desktops, servers, or mobile devices. Maintain OOTB and custom GIS applications including WOTS.	All costs are assigned based on fixed percentages. Assignable internal labor charges are billed directly to the applicable business unit via billable hours.	Allocation is based on resources supporting the respective infrastructures/services.	Allocation	Fixed %
165046	UQ Leadership North	165046 UQ Leadership North	Director performs oversight for all work order management activities for all regions.	All cost are assigned based on customer count.	Allocations are based on the average customer count for 12 months ending June.	Allocation	Customer Count
165049	0544 - IN Elec FP&A	165049 0544 - IN Elec FP&A	•Develop/distribute management reports, including Monthly Projections •Manage/develop budgets/forecasts •Oversight of cost pools and rate setting •Manage/develop corporate allocations	All costs are assigned based on fixed percentages. Assignable internal labor charges are billed directly to the applicable business unit via billable hours.	Allocation is based on resources supporting the respective infrastructures/services.	Allocation	Fixed %
165051	1063 - Storeroom Operations	165051 1063 - Storeroom Operations	-Management oversight of materials management & logistics operations in the IN/OH service territory.	Assignable internal labor charges are billed directly to the applicable business unit via billable hours. All other costs are assigned based on Assets.	Costs are assigned based on Assets.	Allocation	Assets
165989	VUHI Admin CC	165989 VUHI Admin CC	Cost center used for Depreciation, Interest & Taxes which are allocated out to IN/OH on a monthly basis	All other costs are assigned based on Composite Ratio Formula. Assignable internal labor charges are billed directly to the applicable business unit via billable hours.	Costs are assigned based on the Composite Ratio Formula.	Allocation	Composite Ratio
165997	VUHI Exec Benefits	165997 VUHI Exec Benefits	Executive Benefits for Director and above Employees - Performance Shares and Other Equity Awards which is allocated out on a monthly basis.	Assignable internal labor charges are billed directly to the applicable business unit via billable hours. All other costs are assigned based on Assets.	Costs are assigned based on Assets.	Allocation	Assets
165999	VUHI Benefits	165999 VUHI Benefits	Employee Benefits cost center which is allocated out to IN/OH on a monthly basis.	Assignable internal labor charges are billed directly to the applicable business unit via billable hours. All other costs are assigned based on Assets.	Costs are assigned based on Assets.	Allocation	Assets

CenterPoint Energy Houston Electric Cost Center Assignment Manual

Cost Center	Cost Center Name	Cost Center	Major Activities / Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
101027	OH Construction/QA	101027 OH Construction/QA	Salaries and expenses for the Manager and Quality Assurance Coordinators (QA) on overhead work performed by contractors. The QA's review the work performed by the contractors and approve contractor invoices in SAP.	All costs are assigned based on fixed percentages.	Allocation is based on resources supporting the respective infrastructures/services.	Allocation	Fixed %
101030	URD/Joint Trench	101030 URD/Joint Trench	Salaries and expenses for the Manager and Quality Assurance Coordinators (QA) on underground work performed by contractors. The QA's review the work performed by the contractors and approve contractor invoices in SAP.	All costs are assigned based on fixed percentages.	Allocation is based on resources supporting the respective infrastructures/services.	Allocation	Fixed %
101158	FM SPECIAL SERVICES	101158 FM SPECIAL SERVICES	Salaries and expenses for Facilities Repair Technicians and their Supervisor.	Workers enter their time to work orders.	Costs are billed to projects based on hourly rate determined during annual planning.	Direct	Does not allocate
101159	Security Ops Center	101159 Security Ops Center	Central monitoring for 24-hour, 365-day service monitoring CCTV, alarms, and card access operations.	All costs are allocated to Business Units proportionally based on number of employees.	Central monitoring rate is based on the operational costs divided by the total number of security devices for 24-hour, 365-day service monitoring CCTV, alarms, and card access operations. The number of security devices of each client multiplied by rate is billed each month.	Allocation	Devices Monitored
101220	AMS TECHNOLOGIES	101220 AMS TECHNOLOGIES	Track production support of CEHE AMS core applications including the MDM, DCE/AMI headend and other subsystems. Supporting the technical operations of the AMS system.	Direct billed to Business Unit and Functional Area specific projects through billable hour rate.	Direct billed to Business Unit and Functional Area specific projects through billable hour rate.	Direct	Directly Assigned
101225	SYSTEM DELIVERY	101225 SYSTEM DELIVERY	Advanced Distribution Management System (ADMS) deployment supporting electric distribution management functions and 24x7 support for Electric Operations.	Direct billed to Business Unit and Functional Area specific projects through billable hour rate.	Direct billed to Business Unit and Functional Area specific projects through billable hour rate.	Direct	Directly Assigned
101302	Safety Technical Training Admin	101302 Safety Technical Training Admin	The cost center captures costs associated with employees, contractors and resources needed to develop training resources for technical fields.	All costs are assigned based on customer count.	Allocations are based on the average customer count for 12 months ending June.	Allocation	Customer Count
101334	FIELD OPERATIONS	101334 FIELD OPERATIONS	Captures Substation Performance bargaining unit labor and Supervisor staff salaries, contract, material, and indirect expenses.	Costs are assigned based on incurred labor and operating expenses.	Allocations are based on Time Study and Billable Hour Rate	Direct and Allocation	Fixed %
101355	Fleet Fuel	101355 Fleet Fuel	All fueling activities, maintenance on fueling islands, and Fuel Force software renewals.	All costs are assigned based on the cost to upkeep vehicles assigned to individual cost centers across the company.	Allocations are based on the cost of fuel, maintenance, repairs, and depreciation expense of each vehicle across the company.	Allocation	Fixed %
101372	Fleet S/C Garages	101372 Fleet S/C Garages	Salaries and expenses for Fleet Maintenance. Houses technicians, and their Supervisor.	Direct billed to Business Unit and Functional Area specific projects through billable hour rate.	Direct billed to Business Unit and Functional Area specific projects through billable hour rate. A monthly over/under cost recovery true-up is allocated to Business Unit in proportion to annual planned billings.	Direct	Directly Assigned
101391	RADIO COMMUNICATIONS	101391 RADIO COMMUNICATIONS	Voice Radio maintenance to include RCCS, RFI investigations and smart grid maintenance	Costs are aassigned based on the cost to perform maintenance to communcications system.	Allocations are based on resurces to support the respective infrastructure and services	Direct	Device Count
101449	Competitive Retailer	101449 Competitive Retailer	Salaries and expenses for Competitive Retailer ("CR")Relations team which provides single point of contact account support for CRs, including escalated issue resolution and onboarding of new CRs. Also represents CEHE in ERCOT retail market stakeholder process. Records capital hours from business to IT projects related to electric market. Also allocates capital to A&G COH.	Fixed % Allocated to A&G based on Time Study; A portion Direct billed to Business Unit and Functional Area specific projects through billable hour rate, remaining amount remains in originating cost center	Allocations are based on Time Study and Billable Hour Rate	Direct	Directly Assigned
101452	HL&P Division Benefit Plan Costs	101452 HL&P Division Benefit Plan Costs	Used for allocating the benefit component of labor cost.	Costs are assigned based on incurred/billed labor	Incurred/billed labor is multiplied by the burden rate.	Direct	Directly Assigned
101455	Transaction MGMT	101455 Transaction MGMT	Salaries and expenses fror EMO transaction management teams, which provide controls and compliance activities related to electric market transactions (Switch, Move-in, DNP, etc.). Records capital hours from business to IT projects related to electric market. Also allocates capital to A&G COH.	Fixed % Allocated to A&G based on Time Study, A portion Direct billed to Business Unit and Functional Area specific projects through billable hour rate, remaining amount remains in originating cost center	Allocations are based on Time Study and Billable Hour Rate	Direct	Directly Assigned
101464	MO Management	101464 MO Management	Salaries and expenses for EMO director and direct reports. Providees management oversight for Electric Market Operations. Records capital hours from business to IT projects related to electric market. Also allocates capital to A&G COH.	Fixed % Allocated to A&G based on Time Study, A portion Direct billed to Business Unit and Functional Area specific projects through billable hour rate, remaining amount remains in originating cost center	Allocations are based on Time Study and Billable Hour Rate	Direct	Directly Assigned
101472	CEHE Credit	101472 CEHE Credit	Salaries and expenses for CEHE credit function - provides financial and credit analysis related to competitive retailers to ensure compliance with tariff and securitization financing orders.	Costs remain in cost center	The hourly rate is calculated by dividing the total regular pay, STI and Burden by the number of productive hours	Direct	Does not allocate
101473	Business Consulting	101473 Business Consulting	Salaries and expenses for EMO Business Consulting function, which provides project management and other activities related to electric market. Records capital hours from business to IT projects related to electric market.	Direct billed to Business Unit and Functional Area specific projects through billable hour rate.	Allocations are based on Billable Hour Rate	Direct	Directly Assigned

CenterPoint Energy Houston Electric Cost Center Assignment Manual

Cost Center	Cost Center Name	Cost Center	Major Activities / Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
101601	UG Oper Cable B	101601 UG Oper Cable B	Cable B Operations captures the costs of CNP Bargaining Unit personnel associated with the construction and maintenance of MUG customer services, circuit extension and underground dips in the outlying areas	Fixed % Allocated to A&G based on Time Study. A portion Direct billed to Business Unit and Functional Area specific projects through billable hour rate, remaining amount remains in originating cost center	Allocations are based on Time Study and Billable Hour Rate	Direct	Directly Assigned/ COH
101721	GIS DATA MGMT - ELE	101721 GIS DATA MGMT - ELE	This is Electric Data Management cost center. Majority of the activities are related to Posting and QC of Electric capital orders with limited data correction activities.	Direct billed to Business Unit and Functional Area specific projects through billable hour rate.	Billings are divided proportionally to all jurisdictions based on the amount of work supported for that jurisdiction.	Direct	Directly Assigned
~~101722~~	GIS Director/Management	101722 GIS Director/Management	Management oversight and Administrative Support for all departments of GIS corporate wide.	Direct billed to Business Unit and Functional Area specific projects through billable hour rate.	Billings are divided proportionally to all jurisdictions based on the amount of work supported for that jurisdiction.	Direct	Directly Assigned
101725	Land & Field Services Director	101725 Land & Field Services Director	Survey & Right of way activities for capital projects (i.e. replacement projects, new commercial and residential developments, new pipelines, etc.)	All costs are assigned based on fixed percentages.	Allocation is based on resources supporting the respective infrastructures/services.	Allocation	Fixed %
101727	GIS Data Management Gas	101727 GIS Data Management Gas	This is Gas Data Management cost center. Majority of the activities are related to Posting and QC of Gas capital orders with limited data correction activities.	Direct billed to Business Unit and Functional Area specific projects through billable hour rate.	Billings are divided proportionally to all jurisdictions based on the amount of work supported for that jurisdiction.	Direct	Directly Assigned
101728	GIS SYSTEM ADMINISTRATION	101728 GIS SYSTEM ADMINISTRATION	Oversight for the department that manages and executes Geographic information system technical support. Activities included in this cost center are architecting enterprise solutions, GIS infrastructure replacement, supporting capital orders, software license cost and maintaining the existing environment.	All costs are assigned based on a work study. Concurrent license holders in each Business Unit	Allocations are based on concurrent license holders in each Business Units.	Allocation	License Holders
101729	GIS Support	101729 GIS Support	Activities included in this cost center are requirements gathering, analysis, reporting, producing maps, testing, training and user support related to capital orders as well as maintaining the existing environment.	Direct billed to Business Unit and Functional Area specific projects through billable hour rate.	Billings are divided proportionally to all jurisdictions based on the amount of work supported for that jurisdiction.	Direct	Directly Assigned
101731	GIS Development	101731 GIS Development	Activities included in this cost center are design and development of solutions related to capital orders as well as maintaining the existing applications.	Direct billed to Business Unit and Functional Area specific projects through billable hour rate.	Billings are divided proportionally to all jurisdictions based on the amount of work supported for that jurisdiction.	Direct	Directly Assigned
101749	Business Technology	101749 Business Technology	Activities included in this cost center are consultation services, general assistance, and guidance for the business when working with IT. I represent the single point of contact for Electric Operations.	Directly Assigned to specific projects or allocated across company code 0003	Directly Assigned to specific projects or allocated across company code 0003	Allocation	Allocated to 0003 or Directly Assigned
101776	Surveying and Field Support	101776 Surveying and Field Support	Survey & Right of way activities for capital projects (i.e. replacement projects, new commercial and residential developments, new pipelines, etc.)	Direct billed to Business Unit and Functional Area specific projects through billable hour rate.	Billings are divided proportionally to all jurisdictions based on the amount of work supported for that jurisdiction.	Direct	Directly Assigned
101777	Landbase Data Mgmt	101777 Landbase Data Mgmt	GIS Dept - Outside contract scanning service	Direct billed to Business Unit and Functional Area specific projects through billable hour rate.	Direct billed to Business Unit and Functional Area specific projects through billable hour rate. Residual allocation monthly over/under cost recovery true-up is allocated to Business Unit in proportion to annual planned billings.	Direct	Directly Assigned
101784	Telecom Network	101784 Telecom Network	Manages inspections, maintenance and service restoration of all Telecom Transport sites and equipment. This includes support to over 1630 locations and 7600 communications equipment components (e.g., routers, batteries, radios, fiber, etc.). Field support includes racking, stacking, cabling solutions and installation of routers, and switches. In addition, turn up and testing of microwave radios, tower lighting and environmental alarm systems, fiber splicing, terminations, and remote provisioning of all circuit installations for new installations and repairs. Maintains circuit inventory and management for all CNP circuits. Provides support for the installation, configuration, and troubleshooting of Houston Electric SCADA devices. Supports all Disaster Recovery and Emergency Operating Plan activities.	Direct billed to Business Unit and Functional Area specific projects through billable hour rate.	Direct billed to Business Unit and Functional Area specific projects through billable hour rate.	Direct	Directly Assigned

CenterPoint Energy Houston Electric Cost Center Assignment Manual

Cost Center	Cost Center Name	Cost Center	Major Activities / Cost Center Overview	Assignment Method	Basis of Assignment	Type of Charge	Allocation Driver
101978	Contractor Safety	101978 Contractor Safety	•Review and evaluation of historical safety performance and written safety programs for selection of third-party contractors •Conduct of work site visits to review contractor work practices for compliance with regulatory requirements and worker and public protection •Investigation of incidents involving third-party contractors performing work on behalf of CNP •Oversight of implementation of Safety Action Plans developed to address deficiencies is safety performance •Coordination and management of third party services to evaluate contractors on special projects •Produce reports including statistics, metrics, and trends related to contractor safety performance	All costs are assigned based on customer count.	Allocations are based on the average customer count for 12 months ending June.	Allocation	Customer Count
101979	Director Training & Development	101979 Director Training & Development	•Provide leadership for Managers and Professionals in developing effective skills & training programs. •Ensure that training programs conform to business unit and corporate requirements, and meet all governmental laws, rules and regulations. •Align department goals with business unity and corporate goals. •Provide guidance for the accumulation of statistic; development of reports; and the distribution to management for trend analysis, progress on goals. •Develop annual department budget and monitor activity for operating cost efficiencies.	All costs are assigned based on customer count.	Allocations are based on the average customer count for 12 months ending June.	Allocation	Customer Count
101998	ACCOUNTING TRANSACTIONS	101998 ACCOUNTING TRANSACTIONS	Used for taxes, depreciation, and amortization entries.	None	Costs remain in the cost center	Direct	Does not allocate

Budgetary Planning

The current planning process at CenterPoint Energy, Inc. begins with a formal strategic planning process that provides for a formal annual review by all CenterPoint Energy, Inc. business units. As part of this process there are formal sessions in which the business units (or "Client Company") meet with representatives of CenterPoint Energy Service Company, LLC ("CenterPoint Service Company") to share relevant information that is used by the CenterPoint Service Company in developing the proposed annual budget. In addition to the formal meetings, there are ongoing meetings throughout the year between representatives of CenterPoint Service Company and the business units to discuss and identify any planned decreases or increases in business activities that may affect future resource planning.

The current budgeting process for CenterPoint Service Company requires each functional area to meet with the respective business unit to determine future service needs, which may include both ongoing operations and project activities or unique one-time activities. Based upon the information provided by the business units to CenterPoint Service Company representatives, a proposed budget is developed by each functional group within CenterPoint Service Company. Once initial budgets are defined, meetings are held with the president of each of the business units along with his/her financial director and any appropriate support personnel. Based on the discussions with the business units, adjustments are made to the respective CenterPoint Service Company budgets, which are then incorporated into the business units' budgetary plans.

The next step in the annual planning process is a review of the proposed business plans and corresponding budgets by each of the CenterPoint Service Company's functional areas and business units with the Executive Committee. Upon final adjustments to proposed business plans and budgets, a presentation is made to the CenterPoint Energy Board of Directors.

The final step in the planning process is to develop the Service Level Agreements ("SLA's") to reflect the agreed upon services, pricing and performance standards. The final SLA's are then distributed to respective business unit finance directors to coordinate a final review and signature of the business unit president.

Monitoring of Costs and Management Reporting

During the year, performance review meetings are held where each business unit head presents to the senior management team a recap of current month and year to date financial performance. These reports include a specific section for the billings from CenterPoint Service Company and explanations for deviations. In addition to the business units, each of the functional unit leaders of CenterPoint Service Company provide a recap of their respective financial performance and billings to the business units.

The preparation of these monthly reports is coordinated by the financial director employed by each business unit and reporting to the respective president. Part of the preparation of these reports requires a detailed review of the billings received by the business unit from CenterPoint Service Company to insure reasonableness and accuracy. Any discrepancies that are not evident in the billings are referred to the finance director for CenterPoint Service Company for further explanation.

Arms-Length Transactions

Each business unit has a finance director, reporting to the respective business unit president that is charged with overseeing that the services being provided by the service company are appropriately priced and periodic reviews of the billings are consistent with the annual SLA. To ensure the cost of services are competitive with the market, periodic reviews and assessments are performed through both benchmarking and outsourcing studies.

Cost Object Monitoring and Control

The CenterPoint Service Company Finance Organization is responsible for reviewing, monitoring, and maintaining the cost objects. The CenterPoint Service Company Finance Organization will also establish new cost objects. An annual review is required in addition to the day-to-day maintenance of the system. As part of the annual review, the CenterPoint Service Company Finance Organization monitors and close inactive cost objects.

Allocation Factors Update and Revisions

Allocation factors are based on cost drivers specifically applicable to the service provided. The CenterPoint Service Company Finance Organization has the primary responsibility for ensuring that allocation factors are correct, accurate and current. Allocation factors are updated annually, at year-end.

Allocation factors are evaluated quarterly to reflect year-to-date activity through that point in time. For example, allocation factors are evaluated after the first quarter reflecting year-to-date activity through the first quarter. These new factors will be applied to the next quarter if material variances from the prior evaluation period exist. This process is repeated at the end of the second and third quarters. The new allocation factors are applied as needed when material variances exist or until the next annual update occurs.

The CenterPoint Service Company Finance Organization is responsible for evaluating new allocation methodologies and the frequency of updates and revisions. Allocation factors in effect for 2023 are set forth on Schedule V-K9.1 through V-K-9.3.

Time Reporting

Certain CenterPoint Service Company employees keep time records supporting labor charged to separately identifiable goods and services performed for Client Companies. All time is entered into SAP either through an automated timekeeping system or through manual entry directly into SAP. Cost objects to which time entries relate are identified in the timekeeping system, and costs associated with those time entries are charged to the appropriate cost objects through SAP billings.

Employees record time weekly in a minimum of 30-minute increments. Departments may elect to record employee's time in increments smaller than 30-minutes to meet special needs. The employee's immediate supervisor reviews and approves time reports. Department Time Coordinators review time entry monthly to insure 100% accountability and compliance.

Time records are maintained for at least six years.

Billing and Review

Monthly invoices are rendered by CenterPoint Service Company for services rendered. Invoices are, to the extent feasible, in the form of electronic reports in the SAP system. Charges are rendered during the first week of each month covering amounts incurred during the prior month. For most Client Companies, charges are invoiced through an SAP entry which journalizes the actual monthly charges on the customer's books on the first workday of the financial close. Charges are based on actual amounts incurred. If allocations are required, they are based on estimated values based on estimates in budget plans for the relevant values. Estimated amounts are adjusted on subsequent charges either in a subsequent month or at the end of the year. Payment is made by the Client Company by making remittance or by making (offsetting) accounting entries of the amount billed.

Management of each Client Company is responsible for reviewing invoices from CenterPoint Service Company to determine accuracy and appropriateness of charges.

CenterPoint Service Company's billing system will use 17 C.F.R. Section 256 et. al, the "Uniform System of Accounts for Mutual Service Companies", established by the Commission for holding company systems, as may be adjusted to use the FERC uniform system of accounts. ServiceCo will support its charges with reasonable documentation (which may be maintained in electronic form). Service Company will adjust charges as required to reflect the discovery of errors or omissions in the charges.

Dispute Resolution Procedure

From time to time, disputes may arise regarding the services and products provided by CenterPoint Service Company. The employees of the Client Company and the employees of CenterPoint Service Company are encouraged to resolve those disputes on an informal basis in as timely a manner as possible, and the CenterPoint Service Company agrees, upon reasonable request, to provide access to relevant books and records. However, if during the year a dispute arises as to the scope of any service or the nature of any product, the delivery terms, the related performance metrics and standards, or the price for any service or product which cannot be resolved on an informal basis, the Client Company and CenterPoint Service Company will resolve the dispute using the following procedures:

A. A supervisor or manager of the Client Company who is responsible for the use of the service or the consumption of the product about which there is a dispute will notify in writing, or by email, a supervisor or manager of CenterPoint Service Company who is responsible for providing the service or product of the nature of the dispute, including specific examples of problems or failures which gave rise to the dispute. The supervisor or manager of the Client Company shall also present a proposed resolution of the dispute and propose a date and time for a meeting to resolve the dispute. The supervisor or manager of CenterPoint Service Company shall acknowledge in writing, or by email, his or her receipt of the notice of the dispute and agree to the meeting, suggest an alternative date and time for the meeting proposed by the supervisor or manager of the Client Company, or contact the supervisor or manager of the Client Company to schedule a meeting date and time that the two may agree upon.

B. The supervisor or manager of the Client Company and the supervisor or manager of CenterPoint Service Company may meet as often as both agree is necessary to resolve the complaint, and their meeting or meetings may include such other employees as may be helpful in resolving the dispute. If after such meeting or meetings, but in no event later than thirty days after the initial notice of the dispute was given, the supervisor or manager of the Client Company and the supervisor or manager of CenterPoint Service Company are unable to resolve the dispute, the dispute shall be referred to the appropriate executive of the Client Company and an executive of CenterPoint Service Company for resolution.

C. The executive of the Client Company and the executive of CenterPoint Service Company shall meet at a date and time or dates and times they mutually agree upon. Such meetings or meetings may include any employees either executive believes will be helpful in resolving the dispute. If, after such meeting or meetings, the executive of the Client Company and the executive of CenterPoint Service Company reasonably believe they cannot resolve the dispute, the dispute shall be referred to the most senior executives of the Client Company and of CenterPoint Service Company for resolution in accordance with whatever procedures senior management may establish.

Internal Audit Control

Internal Audit, under the direction of the Vice President of Audit Services, conducts periodic reviews of CenterPoint Service Company's business processes and systems to ensure that the services provided are properly documented and charged to the Client Companies on an appropriate basis. Reviews are performed such that all major service areas are evaluated over time. Internal Audit also conducts reviews of transactions and cost object charge methods to assess whether they comply with SEC requirements.

Internal Audit maintains an independent role and has direct contact to CenterPoint Energy's Audit Committee. Audit findings, recommendations, and progress toward resolution of findings are reported to the Audit Committee and Senior Management as appropriate.

EXHIBIT LDS-5

TO

DIRECT TESTIMONY

OF

L. Darren Storey

Exhibit-LDS-5 to Direct Testimony of L. Darren Storey is voluminous and will be provided in electronic format.

THERE ARE NO WORKPAPERS

TO

THE DIRECT TESTIMONY

OF

L. DARREN STOREY

PUC DOCKET NO. 56211

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

DIRECT TESTIMONY

OF

JENNIFER K. STORY

ON BEHALF OF

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

MARCH 2024

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LIST OF EXHIBITS

GLOSSARY OF ACRONYMS AND DEFINED TERMS

Acronym	Definition
2003 Act	Medicare Prescription Drug, Improvement and Modernization Act of 2003
ADFIT	Accumulated Deferred Federal Income Taxes
ADIT	Accumulated Deferred Income Taxes
ADSIT	Accumulated Deferred State Income Taxes
AFS	Applicable Financial Statement
AFSI	Adjusted Financial Statement Income
AFUDC-equity	Equity Portion of Allowance for Funds Used During Construction
ARAM	Average Rate Assumption Method
ASC	Accounting Standards Codification
CAMT	Corporate Alternative Minimum Tax
CenterPoint Houston	CenterPoint Energy Houston Electric, LLC
CFO	Chief Financial Officer
CNP	CenterPoint Energy, Inc.
Commission	Public Utility Commission of Texas
Company	CenterPoint Energy Houston Electric, LLC
DCRF	Distribution Cost Recovery Factor
EDIT	Excess Deferred Income Taxes
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FIN 48	Financial Accounting Standards Board Interpretation No. 48
FIT	Federal Income Tax
GAAP	Generally Accepted Accounting Principles

Health Care Legislation	Patient Protection and Affordable Care Act Together with the Health Care and Education Reconciliation Act of 2010
IRA	Inflation Reduction Act of 2022
IRC or I.R.C.	Internal Revenue Code
ITC	Investment Tax Credit
Medicare Part D Subsidy	Subsidy Actuarially Equivalent to Medicare Part D Coverage
NOL	Net Operating Loss
NUOI	Net Utility Operating Income
OPEB	Other Post-Employment Benefits
PPACA	Patient Protection and Affordable Care Act
PIS	Plant in Service
PLR	Private Letter Ruling
PTC	Production Tax Credit
PURA	Public Utility Regulatory Act
RFP	Rate Filing Package
Rider IRA	Tax Rider to Ensure that Impacts of the Inflation Reduction Act Are Captured on an Annual Basis
Service Company	CenterPoint Energy Service Company, LLC
SFAS	Statement of Financial Accounting Standard
TCJA	Tax Cuts and Jobs Act of 2017
TCOS	Transmission Cost of Service
TEEEF	Temporary Emergency Electric Energy Facilities
TRA 1986	Tax Reform Act of 1986
UEDIT	Unprotected Excess Deferred Income Taxes

EXECUTIVE SUMMARY - TAX

(JENNIFER K. STORY)

I present testimony, schedules and supporting workpapers on behalf of CenterPoint Energy Houston Electric, LLC ("CenterPoint Houston" or the "Company") related to federal income tax ("FIT"), the Texas state franchise tax (also known as the Texas margin tax), and property tax amounts for the test year. My testimony:

- supports the Company's request for CenterPoint Energy Service Company, LLC (the "Service Company") Corporate Tax Department test year affiliate expenses;
- describes the proactive approach the Corporate Tax Department takes with respect to the valuation of CenterPoint Houston's property assessed by local taxing authorities, which ensures that CenterPoint Houston and its customers pay no more than their fair share of the property tax burden;
- discusses the impact of the Inflation Reduction Act of 2022 ("IRA"), specifically addressing the corporate alternative minimum tax ("CAMT");
- explains the tax schedules required to be included in this filing;
- addresses the appropriate treatment of income taxes;
- addresses how electric utility property, including CenterPoint Houston's electric utility property, is valued for tax purposes in Texas;
- explains how the income taxes and property taxes are computed for the test year;
- explains adjustments to the income taxes and property taxes in this proceeding;
- demonstrates that the amounts for income taxes and property taxes included in this rate request are reasonable and necessary; and
- describes the functionalization of income taxes and property taxes to: transmission, distribution, transmission and distribution utility metering system services, and transmission and distribution utility customer services.

1 My testimony and supporting schedules demonstrate that CenterPoint Houston's
2 requested tax-related cost of service items are as shown in the table below:

3 **Table 1. Tax Related Cost of Service Components[1]**

EXPENSES	
Federal Income Tax Expense	$132.4 million
Texas Margin Tax Expense	$27.5 million
Property Tax Expense	$126.8 million
RATE BASE	
Accumulated Deferred Federal Income Taxes	($1.3) billion
Regulatory Liability: Protected EDIT (TCJA)	($656.2) million
Regulatory Liability: Protected EDIT (Pre TCJA)	($0.8) million
Regulatory Asset: Unprotected EDIT (TCJA)	$8.1 million
Regulatory Asset: Medicare Part D Subsidy	$11.0. million

[1] "EDIT" refers to Excess Deferred Income Taxes. "TCJA" refers to the Tax Cuts and Jobs Act of 2017.

DIRECT TESTIMONY OF JENNIFER K. STORY

I. INTRODUCTION

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

A. My name is Jennifer K. Story. I am the Vice President of Tax for the Service Company, an indirect, wholly owned subsidiary of CenterPoint Energy, Inc. ("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. WHAT ARE YOUR PRESENT RESPONSIBILITIES?

A. My responsibilities on behalf of CNP and its subsidiaries and operating units include leading the Corporate Tax function, which is described in more detail later in my testimony. In this position, I have assisted with the preparation and review of tax testimony and schedules filed in regulatory proceedings in various jurisdictions where CNP and its subsidiaries operate.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PREVIOUS WORK EXPERIENCE.

A. I joined the Service Company in October 2022. Prior to that time, I worked for gas and electric utilities for sixteen years in tax and regulatory leadership roles. I received a Bachelor of Science degree in Accounting from the University of Texas at Dallas in 2002. I am a Certified Public Accountant licensed in the State of Texas.

Q. HAVE YOU PREVIOUSLY TESTIFIED IN OTHER REGULATORY PROCEEDINGS?

A. Yes. I have filed testimony with the Railroad Commission of Texas in Gas Utility Docket Nos. 10580, 10640, 10742, 10743, and 10779; the Colorado Public Utilities

1 Commission in Proceeding No. 15AL-0299G; the Corporation Commission of
2 Kansas in Docket No. 2017-00481; the Kentucky Public Service Commission in
3 Docket Nos. 2017-00349 and 2018-00281; the Mississippi Public Service
4 Commission in Docket No. 2015-UN-049; the Tennessee Public Utility
5 Commission in Docket 17-00012, 18-00034, 18-00067, and 18-00097; the Virginia
6 Public Utilities Commission in Case No. PUR-2018-00014; and the Indiana Public
7 Utility Commission in Docket Nos. 48536, 45847, and 45990.

8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

9 A. My testimony supports the Company's request for the Service Company Corporate
10 Tax Department test year affiliate expenses, addresses and explains FIT, the Texas
11 margin tax, and Texas property tax amounts requested in (and the schedules that
12 are required to be included in) the Company's Rate Filing Package ("RFP")[2], and
13 shows that these amounts included in this rate request are reasonable and necessary.
14 In addition, I discuss the refunding of Excess Deferred Income Taxes ("EDIT")
15 resulting from the Tax Cuts and Jobs Act of 2017 ("TCJA").[3] I also outline certain
16 relevant provisions of the Inflation Reduction Act of 2022 ("IRA")[4] and explain the
17 application of the provisions to the Company.

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[2] Project No. 49199 *Project to Revise Rate Filing Package for Investor-Owned Transmission and Distribution Utilities*, July 20, 2020 (Order).

[3] Pub. L. No. 115-97, 131 Stat.2054 (2017).

[4] Pub. L. No. 117-169, 136 Stat. 1818 (2022).

1 **Q. DO YOU SPONSOR ANY EXHIBITS OR SCHEDULES INCLUDED IN**
2 **THE RATE FILING PACKAGE**

3 A. Yes, I sponsor Exhibit JKS-1 and Schedule II-E-3 and the associated Schedules
4 II-E-3.1 through 3.24. In addition, I co-sponsor certain RFP schedules with
5 Company witness Kristie L. Colvin: Schedule II-B-7 as it relates to accumulated
6 deferred income taxes ("ADIT"), Schedule II-B-11 as it relates to federal income
7 tax regulatory liabilities, Schedule II-B-12 as it relates to federal income tax
8 regulatory assets, and Schedule II-E-2 as it relates to the Texas margin taxes and
9 property taxes. I also co-sponsor Schedules V-K-7 and V-K-12 with Company
10 witness L. Darren Storey as they relate to the Service Company's Corporate Tax
11 costs.

12 **Q. WHERE DID YOU OBTAIN THE INFORMATION USED IN THE**
13 **PREPARATION OF THE TAX SCHEDULES INCLUDED IN THE RFP?**

14 A. All amounts included in the tax schedules of the Company's RFP were obtained
15 from the books and records of CenterPoint Houston. The income tax amounts as
16 of December 31, 2023, and for the test year then ended are determined using
17 appropriate accruals and estimates. In the following sections of my testimony, I
18 describe each of the tax schedules that I am sponsoring or co-sponsoring. Where
19 required, all the information has been functionalized pursuant to RFP General
20 Instruction No. 11.

1 **Q. HOW DOES YOUR TESTIMONY RELATE TO THE TESTIMONY OF**
2 **OTHER COMPANY WITNESSES?**
3 A. My testimony is related to the Direct Testimony of Mr. Storey through his
4 discussion of affiliate costs. The Corporate Tax organization's costs are allocated
5 using methodologies described by Mr. Storey. My testimony also relates to the
6 Direct Testimony of Ms. Colvin who describes the cost of service and the
7 functionalization of those costs in the RFP.
8 **Q. WAS YOUR TESTIMONY, INCLUDING ASSOCIATED SCHEDULES,**
9 **WORKPAPERS, AND EXHIBITS, PREPARED BY YOU OR UNDER**
10 **YOUR DIRECT SUPERVISION AND CONTROL?**
11 A. Yes.
12 **II. OVERVIEW OF CORPORATE TAX**
13 **Q. PLEASE DESCRIBE THE CORPORATE TAX FUNCTION.**
14 A. Corporate Tax is a function of the Finance Organization as outlined in the Direct
15 Testimony of Ms. Colvin. The Finance Organization is a functional area of
16 Corporate Services within the Service Company as described in the Direct
17 Testimony of Mr. Storey. Corporate Tax consists of Income Tax and Indirect Tax.
18 Mr. Storey discusses the role of the Service Company, as well as the allocation
19 methodologies used to assign costs to CenterPoint Houston.
20 **Q. WHAT SERVICES WERE PROVIDED BY THE INCOME TAX**
21 **FUNCTION DURING THE TEST YEAR?**
22 A. The Income Tax Department is responsible for all aspects of the Company's federal
23 and state income taxes. There are five main areas of responsibility in the Income
24 Tax Department: (1) calculating and recording the necessary income tax

accounting entries in compliance with Accounting Standards Codification ("ASC") 740 (supporting the Company's external financial statements and internal reporting); (2) interacting with and providing support to the Company's external financial statement auditors in support of the income tax entries recorded to the financial statements; (3) preparing and making compliance filings with all various state and federal taxing authorities, which includes calculating income tax obligations, making estimated income tax payments, and completing and filing the various required income tax forms; (4) interacting with and providing information to income tax auditors in support of the compliance filings made by the department; and (5) supporting our Regulatory Department by providing income tax information to be included in the Company's extensive regulatory filings with state regulators.

Q. PLEASE DESCRIBE THE SERVICES PROVIDED BY THE INDIRECT TAX FUNCTION.

A. The Indirect Tax function covers all non-income tax related matters for CNP and the Company, primarily in the areas of ad valorem taxes (or property taxes) and sales and use taxes. The Indirect Tax function is responsible for CNP's tax compliance filings, annually filing in excess of 4,000 sales and use tax returns and 300 property tax returns along with remittance of payments related to ad valorem and sales and use tax liabilities. The Indirect Tax group advocates on behalf of the Company on both ad valorem and sales and use tax matters through the appropriate contesting of property tax assessments, the defense of the Company's sales and use tax positions that undergo taxing authority audits or examinations, the timely filing

of any indirect tax refund claims, and overall management of the indirect tax liabilities. Additionally, the Indirect Tax group supports the various regulatory filings of the Company and ensures that customer-related sales and use taxes are properly calculated and charged to customers.

Q. WHAT EXPENSE AMOUNTS IN CENTERPOINT HOUSTON'S PROPOSED COST OF SERVICE DOES YOUR TESTIMONY SUPPORT?

A. I support affiliate costs for the Corporate Tax functions charged to CenterPoint Houston. The Direct Testimony of Ms. Colvin and Direct Testimony of Mr. Storey provide additional information regarding the amount of Corporate Tax function expenses and the allocations of those expenses to CenterPoint Houston.

Q. HOW ARE CORPORATE TAX FUNCTION EXPENSES CHARGED TO CENTERPOINT HOUSTON?

A. The Corporate Tax function expenses are allocated at cost according to the allocation methodologies addressed in the Direct Testimony of Mr. Storey.

Q. IS IT CORRECT THAT THE COSTS THAT THE CORPORATE TAX FUNCTION CHARGES CENTERPOINT HOUSTON ARE NOT HIGHER THAN WHAT IT CHARGES OTHER CNP AFFILIATES OR DIVISIONS FOR DEPARTMENT SERVICES?

A. Yes. The costs that the Corporate Tax function charges CenterPoint Houston for operation and maintenance expense costs are not higher than what it charges other CNP affiliates or divisions for those services. All operation and maintenance expense costs incurred by the Corporate Tax Function are charged to all CNP affiliates at cost through allocations. The Direct Testimony of Ms. Colvin and the

1 Direct Testimony of Mr. Storey further describe the process for direct charging or
2 allocating costs to CenterPoint Houston and other CNP affiliates or divisions at
3 cost.

4 **Q. ARE THE CORPORATE TAX FUNCTION EXPENSES YOU SUPPORT**
5 **REASONABLE AND NECESSARY TO PROVIDE SERVICE TO THE**
6 **PUBLIC?**

7 A. Yes. As my testimony demonstrates, the services that the Corporate Tax function
8 provides to CenterPoint Houston are necessary and must be provided for the
9 Company to provide electric service, and those services are provided at a reasonable
10 cost. CenterPoint Houston requires the services of trained tax professionals. The
11 employees of the Corporate Tax function are highly skilled and specialized tax
12 professionals. These employees provide essential services to multiple business
13 units, including to the Company. Having the Corporate Tax Department's costs
14 centralized and shared by multiple business units avoids the duplication of expertise
15 that would be necessary if each business unit acquired these resources separately.
16 Also, there are economies of scale that are achieved by sharing information
17 technology and tax-specific software across multiple business units.

18 **Q. DO THE EXPENSES FOR THE SERVICES PROVIDED BY THE**
19 **CORPORATE TAX FUNCTION AND CHARGED TO CENTERPOINT**
20 **HOUSTON INCLUDE ANY EXPENSES THAT THE PUBLIC UTILITY**
21 **REGULATORY ACT ("PURA") AND THE COMMISSION RULES**

1 **PROHIBIT FROM INCLUSION AS A COMPONENT OF COST OF**
2 **SERVICE?**
3 A. No. Although the Corporate Tax function incurs certain expenses that must be
4 excluded from CenterPoint Houston's costs of service, such expenses were not
5 allocated to CenterPoint Houston's cost of service in this proceeding. The Direct
6 Testimony of Mr. Storey discusses CNP's processes to track and identify such
7 non-recoverable expenses, and the Direct Testimony of Ms. Colvin discusses the
8 adjustments to exclude non-recoverable costs from CenterPoint Houston's cost of
9 service.
10 **Q. HOW DOES CORPORATE TAX MONITOR EXPENSES TO ENSURE**
11 **COSTS INCURRED ARE REASONABLE AND NECESSARY AND THAT**
12 **COSTS ARE PROPERLY ASSIGNED?**
13 A. Corporate Tax's budget is established annually as part of the CNP budget process.
14 Each year, the Department reviews the prior year budget and identifies necessary
15 changes to the current budget. The Corporate Tax budget is included within the
16 overall Finance Department budget, which is reviewed and approved by the Chief
17 Financial Officer ("CFO"), as well as CNP's Executive Management.
18 Corporate Tax Department expenditures are reviewed monthly and
19 compared to the annual budget by myself and my management team to report
20 explanations on specified variances. Summary results are then reviewed with the
21 CFO and reported to Executive Management. Please also refer to the Direct
22 Testimony of Mr. Storey regarding CNP's financial planning activities.

1 **III. INCOME TAX LEGISLATION**

2 **A. The Tax Cuts and Jobs Act**

3 **Q. WHAT INCOME TAX LAW CHANGES WERE AT ISSUE IN THE**
4 **COMPANY'S PRIOR RATE CASE (DOCKET NO. 49421)?**

5 A. The TCJA changed certain elements of the federal income tax system. Specifically,
6 as pertinent here, the TCJA reduced the corporate FIT rate from 35 percent to 21
7 percent rate, effective January 1, 2018. Due to this reduction in the FIT rate, the
8 amount of income taxes that certain regulated entities collected from customers in
9 anticipation of paying the Internal Revenue Service ("IRS") – *i.e.*, the then-current
10 federal ADIT balance recorded on such entities' books – no longer accurately
11 reflected the entities' current income tax liability. This resulted in EDIT. The
12 Company addressed the EDIT issue in its last rate proceeding and in the settlement
13 agreement that resolved that proceeding. I discuss EDIT in Section IV of my
14 testimony.

15 **B. The Inflation Reduction Act**

16 **Q. PLEASE DESCRIBE INCOME TAX LEGISLATION SINCE THE**
17 **COMPANY'S LAST RATE CASE.**

18 A. H.R. 5376, commonly referred to as the IRA, was signed into law on August 16,
19 2022. The IRA generally applies to tax years beginning after December 31, 2022.
20 The IRA contains significant benefits for clean energy and renewable investments
21 impacting the utility industry. In an effort to achieve the goal of providing these
22 benefits, without adding to the deficit, the IRA includes the CAMT to offset the
23 cost of tax incentives. That is, the CAMT is inextricably linked to the IRA's
24 renewable incentives.

1 **Q. PLEASE SUMMARIZE THE MAIN ELEMENTS OF FEDERAL TAX**
2 **REFORM UNDER THE IRA THAT AFFECT PUBLIC UTILITIES.**

3 A. The IRA changes certain elements of the United States tax law. Several provisions
4 are applicable to public utilities, including:

5 - Restoration and extension of the renewable electricity production tax credit
6 ("PTC") and clean electricity investment tax credit ("ITC")[5];
7 - Creation of new tax credits designed to incentivize investment in renewable
8 energy[6];
9 - Establishment of a non-deductible one percent (1%) excise tax on certain
10 corporate share repurchases[7]; and
11 - Imposition of a fifteen percent (15%) CAMT based upon Adjusted
12 Financial Statement Income ("AFSI").

13 **Q. HOW DOES THE IRA POTENTIALLY IMPACT CENTERPOINT**
14 **HOUSTON?**

15 A. As discussed in the Direct Testimony of Company Witness Jacqueline M. Richert,
16 the imposition of a minimum tax payment has the potential to negatively impact
17 the Company's credit rating, and correspondingly, its ability to access financial
18 markets and obtain debt at a reasonable cost. This is because the IRA imposes on
19 Applicable Corporations a new 15% CAMT based upon AFSI. Applicable
20 Corporations, as defined by Internal Revenue Code ("IRC" or "I.R.C.") § 59(k),
21 will now generally pay income tax equal to the greater of 15% of AFSI or their
22 regular federal tax liability.

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[5] I.R.C. § 45; I.R.C. § 48.

[6] I.R.C. § 45; § 45E; § 45Y.

[7] I.R.C. § 4501(a).

1 **Q. PLEASE DESCRIBE THE NEW CAMT.**

2 A. The IRA imposes the new CAMT prospectively on AFSI of an Applicable
3 Corporation for taxable years beginning after December 31, 2022[8].

4 AFSI is defined as the net income or loss reported on a taxpayer's applicable
5 financial statement ("AFS")[9] for a taxable year, with certain adjustments[10]. An AFS
6 is a financial statement prepared in accordance with generally accepted accounting
7 principles ("GAAP") and reported to the United States Securities and Exchange
8 Commission, generally in the form of an annual Form 10-K.

9 Adjustments are then made to the net income reported on the AFS, an
10 example of which is an adjustment for depreciation allowed under IRC § 168 in
11 lieu of book depreciation. Other adjustments include, but are not limited to, federal
12 income taxes and certain adjustments related to the accounting for defined benefit
13 pension plans.[11]

14 The determination of whether CAMT must be paid is made by comparing
15 the regular income tax liability to the CAMT tentative tax due.[12] If the CAMT
16 tentative tax due exceeds the regular income tax liability, CAMT must be paid.

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[8] I.R.C. § 59(k)(1).

[9] I.R.C. § 451(b)(3).

[10] I.R.C. § 56A.

[11] I.R.C. § 56A.

[12] I.R.C. § 55(a).

1 **Q. PLEASE DESCRIBE THE INTERIM GUIDANCE PRESCRIBED BY IRS**
2 **NOTICE 2023-7 REGARDING THE CAMT.**

3 A. On December 27, 2022, the IRS released Notice 2023-7[13], providing taxpayers with
4 interim guidance regarding time sensitive issues in the immediate application of the
5 new CAMT.

6 Issues addressed in the interim guidance include (1) interpretation of rules
7 with respect to depreciation of property subject to IRC § 168 and related
8 adjustments for gain or loss on the sale or disposition of assets under the CAMT,
9 (2) safe harbor rules in determining Applicable Corporation status,
10 (3) interpretation of rules addressing the determination of Applicable Corporation
11 status for affiliated groups and certain partnerships and (4) guidance regarding
12 treatment of certain federal income tax credits under the CAMT.

13 Taxpayers may rely on interim guidance until the Treasury's issuance of
14 proposed regulations. The IRS has since issued additional interim guidance to
15 address other issues in interpretation and application of the CAMT.[14] The issuance
16 of proposed regulations is still forthcoming in response to comments submitted
17 upon request made by the Treasury Department and IRS.

18 **Q. PLEASE PROVIDE AN EXAMPLE OF AN AFSI CALCULATION.**

19 A. The following table shows an example of how the AFSI is calculated.

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[13] See https://www.irs.gov/pub/irs-drop/n-23-07.pdf.

[14] See https://www.irs.gov/pub/irs-drop/n-23-20.pdf and https://www.irs.gov/pub/irs-drop/n-23-64.pdf.

Table 2. Example of AFSI Calculation

Description	Amount
PreTax Book Income	$ 5,000
Less: Federal Income Tax Expense	(1,050)
Financial Statement Income	3,950
Adjustments	
Add: Federal Income Tax Expense	1,050
Add: Book Depreciation	500
Deduct: Tax Depreciation	(3,000)
Total Net Adjustments	(1,450)
Adjusted financial statement income, or AFSI	$ 2,500

In this example, financial statement income is $3,950. Adjustments to financial statement income include additions of federal income tax expense of $1,050 and book depreciation of $500, and a deduction of $3,000 for tax deprecation for a net adjustment to financial statement income of ($1,450). AFSI of $2,500 is derived by reducing financial statement income of $3,950 by net adjustments of $1,450.

Q. PLEASE EXPLAIN THE DIFFERENCE BETWEEN AFSI AND REGULAR TAXABLE INCOME.

A. AFSI has limited adjustments for the differences between the recognition of income and expense for financial statement purposes and CAMT purposes. In contrast, the calculation of income for regular tax incorporates many differences in the recognition of income and expense. The following table is a comparison of the differences in the calculation of AFSI and the calculation of regular taxable income.

Table 3. Illustrative Comparison of AFSI and Regular Taxable Income

Description	AFSI	Taxable Income
PreTax Book Income	$ 5,000	$ 5,000
Less: Federal Income Tax Expense	(1,050)	(1,050)
Financial Statement Income	3,950	3,950
Adjustments		
Add: Federal Income Tax Expense	1,050	1,050
Add: Book Depreciation	500	500
Deduct: Tax Depreciation	(3,000)	(3,000)
Add: Book/Tax Differences	0	200
Deduct: Book/Tax Differences	0	(1,200)
Total Net Adjustments	(1,450)	(2,450)
AFSI / Taxable Income	$ 2,500	$ 1,500

In this illustrative comparison, taxable income for regular tax includes adjustments of $200 (addition) and $1,200 (deduction) for various book tax differences not included in the calculation of AFSI. Common examples of these timing differences include cost of removal, mixed service cost, and bad debt.

Q. WHAT TAX RATES APPLY TO AFSI AND REGULAR TAX?

A. The statutory tax rate applied to taxable income is 21%. The calculation of CAMT applies a 15% rate to AFSI.

Q. PLEASE GIVE AN EXAMPLE OF THE CALCULATION OF CAMT.

A. The CAMT is the excess of the CAMT tentative tax over the regular 21% income tax liability. The following table is an illustrative CAMT tax calculation.

Table 4. Illustrative CAMT calculation

Description	Amount
AFSI	$ 2,500
CAMT Rate	15%
CAMT Tentative Tax	375
Regular Taxable Income	1,500
Regular Tax Rate	21%
Regular Income Tax	315
CAMT	$ 60

In this example, the CAMT tentative minimum tax of $375 exceeds the regular income tax of $315 by $60. Because the CAMT tentative tax exceeds the regular income tax, the taxpayer is liable for the CAMT of $60 plus the regular income tax of $315 for a total federal tax liability of $375. Here, the enactment of the CAMT resulted in an increase of $60 in the taxpayer's current tax liability and also generates a $60 CAMT carryforward. The CAMT credit carryforward is an asset and should be included in the cost-free capital calculation in utility regulatory filings.

Q. PLEASE DESCRIBE HOW THE CAMT CREDIT IS APPLIED TO FUTURE INCOME TAX LIABILITIES.

A. The CAMT paid in prior years can be used as a tax credit against future income tax liabilities to the extent an income tax liability exceeds the CAMT tentative tax in a tax year. In the illustration in the following table, the taxpayer has a CAMT tentative tax of $375 and regular tax of $420 in Year 2. Because the CAMT tentative tax does not exceed the regular tax, there is no CAMT due in Year 2. In Year 1, the taxpayer paid CAMT of $60 and is eligible to claim a CAMT credit

against regular tax liabilities in future years to the extent its regular tax liability exceeds its CAMT tentative tax in a given year. In Year 2, the regular tax liability ($420) exceeds the CAMT tentative tax liability ($375) by $45. The CAMT credit available to offset the Year 2 regular income tax liability is $45. In Year 2, the taxpayer's total tax liability is $375 ($420 regular tax + 0 CAMT - $45 CAMT credit). After utilization of the credit, the CAMT carryforward is $15 ($60 CAMT in year 1 less $45 utilization in year 2)

Table 5. Illustrative Application of CAMT Credit

Description	Year 1	Year 2
AFSI	$ 2,500	$ 2,500
CAMT Rate	15%	15%
CAMT Tentative Tax	375	375
Regular Taxable Income	$ 1,500	$ 2,000
Regular Tax Rate	21%	21%
Regular Income Tax	315	420
CAMT	60	0
Tax Before CAMT Credit	375	420
Less: CAMT Credit	-	45
Net Tax Due	$ 375	$ 375

Q. IS CENTERPOINT HOUSTON AN APPLICABLE CORPORATION FOR PURPOSES OF THE CAMT?

A. Yes.

Q. IS THE COMPANY CURRENTLY SUBJECT TO THE CAMT?

A. Yes. Based on the statutory language included in the IRA and interim guidance issued, the Company was subject to the CAMT beginning in 2023. However, because CenterPoint Houston and other members of the CNP consolidated income

1 tax return are expected to pay regular income tax in excess of the CAMT in 2023,
2 there will be no minimum tax due for the 2023 tax year.

3 **Q. DOES THE COMPANY EXPECT TO PAY THE CAMT IN 2024?**

4 A. Yes. Based on current guidance, the Company expects to pay the CAMT in 2024
5 and in future years. While CenterPoint Energy Houston's test period in this case
6 ends on December 31, 2023, subsequent CAMT liabilities are relevant to the
7 requested tax rider described later in my testimony.

8 **Q. PLEASE EXPLAIN THE IMPACT OF THE CAMT TO CASHFLOW AND**
9 **CREDIT METRICS.**

10 A. Payment of the CAMT means that the Company is no longer able to defer a portion
11 of income taxes to future periods and, therefore, must finance additional amounts
12 to pay taxes in the current period. As a result, it may be necessary to increase
13 borrowing to finance planned capital investments. As discussed in the Direct
14 Testimony Ms. Richert, this need for additional borrowing increases risk for the
15 Company and could impact CenterPoint Houston credit metrics. This was apparent
16 after passage of the TCJA, signed into law on December 22, 2017, when many
17 utilities received credit downgrades.[15]

18 **C. CAMT Credit Carryforward**

19 **Q. HOW DO YOU PROPOSE THE CAMT CARRYFORWARD BE TREATED**
20 **FOR REGULATORY PURPOSES?**

21 A. The CAMT credit carryforward is a federal deferred tax asset and should be
22 included in rate base. When the minimum tax is paid, a CAMT credit is generated

[15] Rating Action Moody's changes outlooks on 25 US regulated utilities primarily impacted by tax reform 01-19-18.pdf (naruc.org)

1 and can be carried forward indefinitely to offset the future regular income tax
2 liabilities in periods where the regular federal income tax liability exceeds the
3 CAMT liability. The CAMT credit cannot be carried back to previous taxable
4 years.

5 **Q. HOW SHOULD PAYMENT OF THE CAMT BE TREATED IN BETWEEN**
6 **RATE CASES?**

7 A. As further discussed in the Direct Testimony of John R. Durland, the Company is
8 requesting approval to establish a tax rider to ensure that the impacts of the IRA are
9 captured on an annual basis ("Rider IRA"). This approach of tracking the federal
10 income tax law changes and the impact on rates mirrors the treatment required by
11 the Public Utility Commission of Texas ("Commission") to track impacts from the
12 TCJA. In Accounting Order for Project No. 47945, utilities were required to track
13 the impacts of the federal income tax rate decrease and to establish regulatory
14 liabilities. The proposed Rider IRA will capture the impacts of the IRA.

15 **Q. WHAT ISSUES COULD ARISE IF A TRACKER FOR THE INCOME TAX**
16 **IMPACTS OF THE IRA IS NOT ESTABLISHED?**

17 A. If income tax impacts are not tracked, the CAMT costs associated with the IRA
18 outside of a test year may not be recovered from customers. Since payment of the
19 CAMT is determined by comparing regular tax to the tentative minimum tax, a
20 calculation must be performed annually, and a tracker is a reasonable method to
21 ensure that rates are updated in a more timely manner. Similar to the process after
22 the TCJA was enacted, additional guidance is expected to clarify provisions of the

1 IRA.[16] A tracker will allow the Company to capture the impacts of these rules as
2 they become available.

3 **Q. HOW WILL COSTS RESULTING FROM THE IRA BE TRACKED**
4 **UNDER THIS PROPOSAL?**

5 A. As discussed in more detail in the Direct Testimony of Ms. Colvin, a return on the
6 CAMT carryforward will be calculated using the Company's weighted-average
7 cost of capital determined in this rate case.

8 **Q. WHEN SHOULD TRACKING BEGIN UNDER RIDER IRA?**

9 A. Tracking should begin immediately when a final order is issued in this rate case.
10 With additional guidance and proposed regulations still expected, it is most
11 appropriate to commence tracking with this rate case, since it coincides with the
12 IRA recently becoming law. Company witnesses Ms. Colvin and Mr. Durland
13 discuss the details of the Company's proposed Rider IRA in their Direct
14 Testimonies.

15 **Q. IS THERE AN ALTERNATIVE APPROACH FOR RECOVERY OF THE**
16 **IMPACTS OF THE IRA IF A RIDER IS NOT APPROVED?**

17 A. Yes. The existing Distribution Cost Recovery Factor ("DCRF") and Transmission
18 Cost of Service ("TCOS") interim rate mechanisms could be used to allow recovery
19 of the impacts of the CAMT carryforward. The transmission and distribution
20 component of the CAMT carryforward asset could be included in the rate base
21 updates in these mechanisms on an annual basis. Like the proposed Rider IRA, this

[16] Comments have been requested on various tax credits and the CAMT. Additional IRS Notices will likely be issued before Proposed Regulations come out. Taxpayers have opportunities to comment and request clarification during this process and until Final Regulations are issued.

annual update would also allow the Company to reflect the impacts of additional clarifying guidance when issued.

IV. ADIT AND EDIT

A. Accumulated Deferred Income Taxes

Q. PLEASE EXPLAIN HOW THE IRC, THE COMPANY'S ACCOUNTING PRACTICES UNDER GAAP, AND THE COMPANY'S OPERATIONS GIVE RISE TO ADFIT FOR THE COMPANY.

A. ADFIT arises from the interaction of the IRC, the Company's accounting practices under GAAP, and the Company's operations. The Company's accounting books and records are kept in accordance with GAAP, which provides guiding principles and requirements as to when and how the Company records its financial results. Likewise, the IRC and related regulations provide the rules and requirements the Company follows when completing its income tax filings. ADFIT assets and liabilities are created because of timing differences between the recognition of income and expenses under the IRC and the recording of the Company's income and expenses under GAAP. ADFIT represents a net deferred income tax liability for the estimated future tax effects attributable to temporary differences based on the provisions of the enacted tax law. The effects of possible, but not yet enacted, future changes in tax laws or rates are not contemplated as part of the calculation of ADFIT.

Q. PLEASE DESCRIBE THE GAAP AND IRC TEMPORARY DIFFERENCES THAT GIVE RISE TO ADFIT.

A. There are a myriad of differences between GAAP and the IRC. Many of these differences are temporary in nature, meaning the total amount of income or expense

1 recognized for an item ultimately is the same under GAAP and the IRC, but the
2 time period over which it is recognized is different (for example, when an
3 investment is depreciable over 20 years under GAAP but 10 years under the IRC).
4 It is this difference in timing between GAAP and the IRC—that is, a temporary
5 difference—that gives rise to ADFIT. Due to the difference in timing required by
6 the IRC, the Company has deferred recognition of certain tax liabilities or benefits
7 to future periods (*i.e.*, a different net income amount between book and tax return
8 exists, creating the difference in taxes paid to the IRS and the tax expense amount
9 recognized for accounting purposes). Described in simple form as an example,
10 when the timing differences that gave rise to an ADFIT liability (described below)
11 are over, the Company's deferred income taxes are paid, the ADFIT liability is
12 extinguished, and the Company's tax reporting and GAAP reporting will once
13 again match.

14 **Q. WHAT IS ADIT AND HOW DOES IT DIFFER FROM ADFIT?**

15 A. ADIT comprises both federal and state accumulated deferred income taxes. As
16 described above, ADFIT results from temporary differences in the treatment of
17 revenue and expenses between GAAP and the IRC. Accumulated Deferred State
18 Income Tax ("ADSIT") results from temporary differences in the treatment of
19 revenue and expenses under GAAP and state tax laws. For CenterPoint Houston,
20 ASC 740 requires that ADSIT be recorded for the differences in recognition of
21 revenue and expense between GAAP and state laws. Hereafter in my testimony, I
22 will refer to both ADFIT and ADSIT as ADIT.

1 **Q. PLEASE PROVIDE AN EXAMPLE OF A TEMPORARY DIFFERENCE.**

2 A. I have prepared an example that I have included as an Appendix to my testimony
3 which is incorporated herein by reference.

4 **Q. ARE THERE DIFFERENT TYPES OF ADIT CREATED BY TEMPORARY**
5 **DIFFERENCES?**

6 A. Yes. There are two separate and distinct types of ADIT: (1) deferred tax assets and
7 (2) deferred tax liabilities. A deferred tax asset is recognized for temporary
8 differences that will result in a future tax deduction and tax carryforward(s) that are
9 expected to be recovered in future periods through a reduction in taxable income.[17]
10 A deferred tax liability is recognized for temporary differences that will result in
11 taxable income that will be settled in forthcoming periods.[18] The cumulative ADIT
12 balance is the net of all deferred income tax assets and liabilities. The result is
13 either an ADIT asset (when deferred income tax assets exceed liabilities) or, more
14 commonly, an ADIT liability (when deferred tax liabilities exceed assets).

15 **Q. PLEASE DESCRIBE THE TYPES OF ADIT BALANCES AND THEIR**
16 **IMPACT ON RATE BASE.**

17 A. An ADIT liability represents cumulative amounts of income taxes that are
18 estimated to become *payable* in the future. These are income taxes that are owed
19 to the government but have yet to be paid. As an incentive to invest and typically
20 tied to public policy goals, the United States government allows for the deferral of

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[17] As an example, the Company has a deferred tax asset related to the allowance for doubtful accounts (*i.e.*, bad debt service) resulting from the differences in the timing of the deduction/expense between the provisions of the tax law and financial reporting purposes.

[18] As an example, the Company has a deferred tax liability related to its net plant resulting from the difference in the depreciation methods and recovery periods utilized for income tax and financial reporting purposes.

1 income tax payments on certain items, which is administered most notably through
2 enhanced expense recognition in the form of accelerated depreciation. The deferral
3 of income taxes resulting from accelerated depreciation is generally characterized
4 as an interest free loan from the government that will be paid back over the
5 depreciable life of the asset. The deferred income taxes that are owed but not paid
6 essentially become a source of funding for the Company. As cost-free financing,
7 the ADIT liability decreases rate base and is also known as a credit for ratemaking
8 purposes. Conversely, an ADIT asset represents cumulative amounts of income
9 taxes that are estimated to become *receivable* in the future; therefore, an ADIT asset
10 increases rate base and is also known as a debit for ratemaking purposes. An ADIT
11 liability is sometimes referred to as a deferred tax liability, and an ADIT asset is
12 sometimes referred to as a deferred tax asset.

13 **Q. WHY ARE ADIT BALANCES COMMONLY VIEWED AS A SOURCE OF**
14 **COST-FREE CAPITAL?**

15 A. As described above, ADIT balances are created when government incentives defer
16 the payment of income taxes beyond the period when expense is recognized on the
17 Company's financial statements. Since the Company recovers income tax expense
18 at or near the statutory federal income tax rate, these government incentives have
19 created temporary funding for investments in our system. This is why ADIT
20 represents cost-free capital and is properly treated as a reduction to rate base in the
21 revenue requirement. These tax incentives creating ADIT liabilities are timing
22 differences that will eventually reverse when taxes are paid. As this occurs, the

1 ADIT liability balance decreases, representing less cost-free capital available to the
2 Company.

3 **Q. WHY DOES AN ADIT LIABILITY REDUCE RATE BASE?**

4 A. As described above, ADIT represents amounts of tax that have been deferred due
5 to government incentives in the form of accelerated tax deductions. The utility has
6 collected tax expense from customers that totals the current and deferred taxes
7 payable to the IRS or to the state. To the extent that the utility is able to defer tax
8 payments due to accelerated deductions, the result is cost-free capital and customers
9 should not pay a return on investments made to the system using these cost-free
10 funds. It is proper to reduce rate base by the amount of cost-free capital represented
11 by ADIT.

12 **Q. WHAT IS A NET OPERATING LOSS CARRYFORWARD?**

13 A. A net operating loss ("NOL") carryforward is created when income tax deductions
14 exceed taxable income. These income tax deductions primarily arise from
15 temporary book/tax differences such as accelerated tax depreciation and other
16 accelerated tax deductions. Significant enough accelerated deductions can result in
17 negative current taxable income for a company. When this situation arises, the cash
18 benefit of the deductions cannot be realized because income tax payments cannot
19 be reduced below zero. Therefore, the NOL must be deferred and carried forward
20 to be used against taxable income in future periods, subject to certain limitations.
21 Only then will the taxpayer receive the cash tax benefit of the deductions that
22 generated the NOL. The TCJA limits the NOL deduction to 80% of taxable income
23 for NOLs generated in taxable years beginning after December 31, 2017. Such

1 NOLs can be carried forward indefinitely. When carried forward, the NOL is a
2 temporary book/tax difference for which a deferred income tax asset must be
3 recorded. The sum of the deferred income tax liabilities, caused by the deductions,
4 and the deferred income tax asset created by the NOL carryforward represents the
5 cost-free capital that was received by the company.

6 **Q. WHY IS A NOL CARRYFORWARD RELEVANT TO THE COMPANY'S**
7 **ADIT BALANCE?**

8 A. The Company currently has a NOL carryforward balance. While an NOL
9 component of ADIT is not a new approach to calculating ADIT in comparison to
10 the Company's last base rate case before the Commission, the carryforward balance
11 that exists at the end of the test year, resulting in a deferred income tax asset, is a
12 new item on the ADIT schedules in the RFP.

13 **Q. IS THE DEFERRED INCOME TAX ASSET ON THE NOL**
14 **CARRYFORWARD A SOURCE OF COST-FREE CAPITAL FOR THE**
15 **COMPANY?**

16 A. No. The deferred tax asset for the NOL carryforward represents a reduction to the
17 cost-free capital otherwise equal to the ADIT liabilities. For example, assume the
18 Company has $1,000 of book income and tax deductions of $1,200 (temporary
19 differences) and is subject to a 20% tax rate. The taxable loss would be $200.
20 Negative taxable income, or a tax loss, does not result in a refund from the IRS.
21 This example means that only $1,000 in tax deductions is providing a source of
22 cost-free capital, resulting in $200 in deferred taxes. These amounts are deferred
23 and paid to the IRS at a later time. The additional $200 in tax deductions (resulting

in $40 in deferred taxes) does not result in current cost-free capital because it provides no additional funds to invest in capital. This additional amount provides no value to the Company until it is used to offset taxable income in a later year. Therefore the $40 is recorded as a NOL carryforward deferred tax asset. The $240 (tax effected $1,200 in deductions) is recorded as a deferred tax liability. The net of the two ($240 deferred tax liability less $40 NOL carryforward deferred tax asset = $200) is the true cost-free capital received by the Company in the current year. The NOL income tax asset must be included in rate base. This income tax asset is required in order to represent the true amount of cost-free capital received by the Company.

Q. HOW SHOULD THE DEFERRED INCOME TAX ASSET ON THE NOL CARRYFORWARD IMPACT RATE BASE?

A. The Company's deferred tax asset on the NOL carryforward is included in rate base on Schedule B-7. If the Company were to include the deferred taxes resulting from the income tax deductions taken in rate base, but not the deferred income tax from the resulting NOL, it would overstate the cost-free capital the Company received from the accelerated deductions. Both must be considered to accurately reflect the amount of cost-free capital afforded the Company. In addition, this Commission has historically followed these normalization principles for all temporary differences.

B. Excess Deferred Income Taxes

Q. WHAT IS EDIT AND HOW DOES IT ARISE?

A. As noted above, during the applicable accounting and income tax measurement period, the Company calculates its ADIT balance, which is either a deferred income

1 tax liability or a deferred income tax asset and is calculated based on the currently
2 enacted tax rate. When a change in the income tax rate occurs, the basis for the
3 calculation of the ADIT asset or liability changes. After such an income tax rate
4 change (as occurred through the TCJA), the ADIT balance on a company's books
5 is remeasured to reflect the new income tax rate. EDIT is the excess of the ADIT
6 balance as of the day before the date of enactment of the law effecting the change
7 in income tax rate over the amount that would be the balance if the new income tax
8 rate were in effect for all prior periods. For regulated public utility property, ASC
9 980-740-25 requires that a regulatory asset or liability be recorded for the resulting
10 remeasurement of ADIT if it is probable that the excess will be collected from
11 customers (if the income tax rate increased) or returned to customers (if the income
12 tax rate decreased) through future rates. This EDIT is then grossed-up for the
13 income tax effect of the increase or decrease in income. The grossed-up regulatory
14 asset or liability is also itself a temporary income tax timing difference for which a
15 deferred income tax asset or liability shall be recognized.

16 **Q. DID THE FEDERAL INCOME TAX RATE CHANGE UNDER THE TCJA**
17 **HAVE AN IMPACT ON THE CALCULATION OF THE TEST YEAR**
18 **FEDERAL ADIT?**

19 A. Yes. The TCJA was enacted in December 2017. Per GAAP, the ADIT must be
20 remeasured to reflect the estimated income tax owed at the new income tax rate per
21 the enacted law. The test year for this case is year-end December 31, 2023;
22 therefore, the remeasured ADIT at 21% is included in this filing and is consistent
23 with the settlement agreement and final order in Docket No. 49421 whereby

1 CenterPoint Houston included the remeasured ADIT and the associated EDIT
2 regulatory assets and liabilities in rate base.

3 **Q. HOW IS THE REQUIRED TAX GROSS-UP CALCULATED?**

4 A. The EDIT balance represents the amount of previously recorded deferred income
5 tax expense to be returned to customers. To determine the amount of revenue to be
6 returned to (or not collected from) customers so that the correct amount of EDIT is
7 returned, it is necessary to gross-up the EDIT by the income tax effect of the future
8 decrease in revenues. The formula to calculate the gross-up to the pre-tax amount
9 is 1/(1-tax rate). With a federal tax rate of 21%, the federal gross-up factor is
10 1.265823. For example, if the reduction in tax rate caused the federal ADIT liability
11 balance to decrease by $1,000, there would be an EDIT regulatory liability recorded
12 of $1,266. The new regulatory liability is also a temporary difference for which
13 deferred income taxes will be calculated.

14 **Q. PLEASE EXPLAIN HOW RATE BASE IS IMPACTED BY THE**
15 **REMEASUREMENT OF ADIT RESULTING FROM A REDUCTION TO**
16 **THE INCOME TAX RATE.**

17 A. On day one of the remeasurement, total rate base is not impacted, and rate base
18 remains the same. While the reduction in the income tax rate causes the ADIT
19 balance to be reduced, thus increasing rate base, there is an offsetting net credit
20 balance recorded in the net regulatory liability that reduces rate base. The sum of
21 the remeasured net ADIT liability and the associated net regulatory liability plus
22 the deferred income taxes on the net regulatory liability is the same amount as the

1 net ADIT liability before remeasurement. For all components of ADIT in rate base,
2 the same components of the net regulatory liability are also included in rate base.

3 **Q. PLEASE DESCRIBE "PROTECTED" AND "UNPROTECTED" EDIT.**

4 A. In the implementation of the Tax Reform Act of 1986 ("TRA 1986"), the term
5 "protected EDIT" was adopted to refer to EDIT balances related to "method/life
6 depreciation" to which Section 203(e) of TRA 1986 applied. Method differences
7 refer to different depreciation methods used for book versus tax depreciation (*i.e.*,
8 straight line for book versus accelerated depreciation for tax, as discussed earlier in
9 my testimony). Life differences are the result of depreciating an asset over different
10 time periods for book and tax purposes. Method/life depreciation differences are
11 created by depreciable property such as distribution wires and poles. TRA 1986
12 stated that the reduction to the excess tax reserve under Section 203(e), the
13 protected EDIT, could occur no more rapidly than under the average rate
14 assumption method ("ARAM"). "Unprotected EDIT" refers to all other EDIT
15 balances.

16 **Q. DOES THE TCJA INCLUDE A SECTION COMPARABLE TO SECTION**
17 **203(E) OF TRA 1986?**

18 A. Yes, a similar provision is included in the TCJA at Section 13001(d). To maintain
19 a normalization method of accounting, it requires that the utility reduce its protected
20 excess tax reserve no faster than it would be reduced under ARAM. It also allows
21 for use of another alternative method if the utility does not have the data needed for
22 ARAM. The Company has the data needed for ARAM, therefore, the alternative

1 method is not applicable. For purposes of further discussion, I will refer to EDIT
2 described under Section 13001(d) as protected EDIT.

3 **Q. OVER WHAT PERIOD WILL THE PROTECTED EDIT AMORTIZE**
4 **USING ARAM?**

5 A. The protected EDIT amortization using ARAM will occur over the book life of an
6 asset. It will amortize no faster than the underlying book/tax timing difference
7 reverses. The amortization of EDIT begins when book depreciation on an asset is
8 greater than tax depreciation. The amortization amount will vary from year to year
9 based on the depreciation reversals in each year.

10 **Q. WHAT EDIT BALANCES ON THE COMPANY'S BOOKS ARE**
11 **PROTECTED UNDER THE NORMALIZATION RULES?**

12 A. The EDIT attributable to federal method/life depreciation differences are protected.
13 There are other items protected in addition to federal method/life depreciation
14 differences, however, the Company does not have any of the other categories of
15 protected EDIT. In the Company's books and records, all other EDIT amounts are
16 referred to as "unprotected" under the normalization rules.

17 **Q. WHAT ARE THE CONSEQUENCES OF REFUNDING PROTECTED**
18 **EDIT FASTER THAN ARAM?**

19 A. The Company would have a normalization violation. Under the TCJA, the
20 consequences of a normalization violation are twofold. First, and consistent with
21 the historical rules under the TRA 1986, the Company would be required to notify
22 the IRS of such a violation, and it would permanently lose the ability to claim
23 accelerated depreciation. The rules under the TCJA also call for a second penalty.

1 The language in the TCJA states "If . . . the taxpayer does not use a normalized
2 method of accounting . . . the taxpayer's tax for the taxable year shall be increased
3 by the amount by which it reduces its excess tax reserve more rapidly than
4 permitted under a normalized method of accounting . . . ."[19] Thus, if the
5 normalization violation was caused by refunding the protected EDIT faster than
6 allowed under ARAM, the Company would be required to pay an additional tax
7 equal to the amount of the excess refunded.

8 **Q. HAS THE COMPANY REFUNDED ANY OF THE PROTECTED EDIT**
9 **FROM THE TCJA PRIOR TO THIS PROCEEDING?**

10 A. Yes. In the Company's last base rate case proceeding,[20] the Commission ordered
11 that protected EDIT related to the TCJA must be returned to customers through
12 rates over ARAM.

13 **Q. HOW IS THE AMORTIZATION OF THE PROTECTED FEDERAL EDIT**
14 **REFLECTED IN THE CURRENT FILING?**

15 A. The amortization of the protected EDIT is included as a reduction to income tax
16 expense in the amount of $16.9 million as shown on Schedule II-E-3. This reflects
17 the test year estimated ARAM for protected EDIT.

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[19] TCJA Section 13001(d).

[20] *Application of CenterPoint Energy Houston Electric, LLC to Change Rates*, Docket No. 49421, Final Order at Finding of Facts 93-94 (Mar 9, 2020).

1 **Q. HAS THE COMPANY REFUNDED ANY UNPROTECTED EDIT?**

2 A. Yes. The Company initially began flowing unprotected EDIT ("UEDIT") back to
3 customers in 2018 through its TCOS filing[21] and DCRF filing.[22] After the
4 Company's last base rate case, customers continued to receive UEDIT refunds
5 through the Company's retail tariff Rider UEDIT and its wholesale transmission
6 service tariff[23].

7 **Q. WAS THE UNPROTECTED EDIT SUBJECT TO TRUE-UP?**

8 A. Yes. As stated in the Company's last rate case[24], the unprotected EDIT balance
9 was subject to true-up adjustments as a result of any changes or guidance to the
10 TCJA, federal income tax returns, audit adjustments, TCOS and DCRF refunds,
11 and protected ARAM reclassifications.

12 **Q. AT THE END OF THE TEST YEAR, DOES AN UNPROTECTED EDIT**
13 **REGULATORY BALANCE REMAIN?**

14 A. Yes. At the end of the test year, the unprotected EDIT balance related to the TCJA
15 is a net regulatory asset of $8.1 million.

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[21] *Application of CenterPoint Energy Houston Electric, LLC to Revise its Wholesale Transmission Rates Approved in Docket No. 47610 Pursuant to 16 Tex. Admin. Code §25.192(h)* Docket No. 48065, Final Order (Apr. 27, 2018).

[22] *Application of CenterPoint Energy Houston Electric, LLC to Amend its Distribution Cost Recovery Factor*, Docket No. 48226, Final Order (Aug. 30, 2018).

[23] *Application of CenterPoint Energy Houston Electric, LLC to Change Rates*, Docket No. 49421, Final Order (Mar 9, 2020).

[24] *Application of CenterPoint Energy Houston Electric, LLC to Change Rates*, Docket No. 49421, Direct Testimony of Charles W. Pringle, Bates Stamp Page 1008 (Apr 5, 2019).

1 **Q. HOW DID THE UNPROTECTED EDIT REGULATORY LIABILITY**
2 **CHANGE TO AN UNPROTECTED EDIT REGULATORY ASSET?**
3 A. The Company began immediately refunding the net unprotected EDIT regulatory
4 liability balance in 2018. However, as a result of IRS guidance and tax accounting
5 changes, the Company reclassed amounts for cost of removal and mixed service
6 costs from protected to unprotected EDIT, therefore, reducing the net unprotected
7 EDIT regulatory liability. In addition, before current rates were placed into effect,
8 some protected ARAM amortization became available to be refunded to customers,
9 which increased the net unprotected EDIT regulatory liability. The net of these
10 changes, along with the unprotected EDIT refunds, resulted in a net unprotected
11 EDIT regulatory asset.
12 **Q. PLEASE EXPLAIN WHY COST OF REMOVAL AND MIXED SERVICE**
13 **COST WERE RECLASSIFIED AS UNPROTECTED.**
14 A. On August 14, 2020, the IRS issued Private Letter Ruling 202033002 ("PLR")
15 concluding that cost of removal and mixed service cost deductions were not
16 protected by the normalization rules. More specifically, IRC § 168(i)(9)(A) does
17 not refer to cost of removal or mixed service costs and, as such, they are considered
18 unprotected deductions under IRC § 162. This PLR is being provided as Exhibit
19 JKS-1.
20 **Q. HOW IS THE COMPANY PROPOSING TO RECOVER THE NET**
21 **UNPROTECTED EDIT REGULATORY ASSET?**
22 A. The Company is proposing to recover the net unprotected EDIT regulatory asset
23 from ratepayers over five years in base rates. The amortization of the unprotected

1 EDIT is included as an increase to income tax expense in the amount of $1.3 million
2 included on Schedule II-E-3.

3 **Q. WHAT ARE THE COMPANY'S EDIT AND ASSOCIATED**
4 **REGULATORY ASSET OR LIABILITY BALANCES AT THE END OF**
5 **THE TEST YEAR?**

6 A. The Company's TCJA-related EDIT and associated regulatory liability balances at
7 the end of the test year are shown in the table below.

8 **Table 6. EDIT and Regulatory (Asset)/Liability Balances**

$ in Millions	EDIT 12/31/2023[25]	Regulatory Asset/(Liability) 13/31/2023
Protected	$513.6	($657.0)[26]
Unprotected PP&E	$30.3	($38.6)[27]
Unprotected Other	($36.6)	$46.7[28]
Total	$507.3	($648.9)

9 **Q. ARE THE AMOUNTS OF THE EDIT REGULATORY ASSETS AND**
10 **LIABILITIES RECORDED AT THE END OF THE TEST YEAR SUBJECT**
11 **TO CHANGE?**

12 A. Yes. Future events such as IRS audit adjustments to the Company's previously
13 filed income tax returns, future IRS rulings and/or clarifications to normalization

[25] See RFP workpaper WP/II-E-3.19.1 and WP/II-E-3.19.2.

[26] Includes the TCJA net regulatory liability of $656,164,476 on Schedule II-B-11; the pre-TCJA regulatory liability of $42,975,936 on Schedule II-B-12; and the pre-TCJA regulatory asset of $42,182,030 on Schedule II-B-12.

[27] *See* "Reg NC Liab EDIT – ARAM Amort" on Schedule II-B-11.

[28] *See* "Non-Current Excess Acumm. Deferred Taxes & Other" on Schedule II-B-12.

1 rules could change the recorded balance. The change could be to the total EDIT
2 balance or could result in movement of a balance between the protected and
3 unprotected balances. If such a change occurred, it would be necessary to revise
4 the balances.

5 **V. FEDERAL INCOME TAXES**

6 **A. Schedule II-B: Rate Base**

7 **Q. WHAT TAX RELATED ITEMS ARE INCLUDED ON SCHEDULE II-B-7**
8 **(RATE BASE ACCOUNTS - ACCUMULATED PROVISIONS)?**

9 A. Schedule II-B-7 displays the test year ending balance for each accumulated
10 provision account on a functionalized basis pursuant to RFP General Instruction 11.
11 An explanation of the functionalization of each account or sub account is included
12 in the supporting workpapers to Schedule II-E-3.5. I sponsor the amounts and
13 explanations relating to ADIT on this schedule, with the other items sponsored by
14 Ms. Colvin.

15 **Q. WHAT TAX RELATED ITEMS ARE INCLUDED ON SCHEDULES II-B-11**
16 **(RATE BASE ACCOUNTS – OTHER) AND II-B-12 (RATE BASE**
17 **ACCOUNTS – REGULATORY ASSETS)?**

18 A. Schedule II-B-11 includes the test year ending balances for FIT related regulatory
19 liabilities and II-B-12 includes the test year ending balances for FIT related
20 regulatory assets. The protected EDIT regulatory liability from Schedule II-B-11
21 and the unprotected EDIT regulatory asset from Schedule II-B-12 carries forward
22 into rate base on Schedule II-B.

1 **Q. YOU PREVIOUSLY EXPLAINED TEMPORARY DIFFERENCES. ARE**
2 **THERE OTHER BOOK/TAX DIFFERENCES IN THE INCOME TAX**
3 **CALCULATION?**
4 A. Yes. There are also permanent differences. While most book/tax differences are
5 "temporary" and will reverse over time, certain items of revenue and expense are
6 permanent and are treated differently for financial statement purposes and income
7 tax purposes and will never reverse. An example for the Company is meals
8 expense. For financial reporting, meals are a deductible expense in the financial
9 statements, but based on the IRC, only 50% of certain meals are deductible on the
10 income tax return causing differences in the total amount of meals expense between
11 the financial statements and income tax returns.
12 **Q. IS THE DISTINCTION BETWEEN PERMANENT AND TEMPORARY**
13 **DIFFERENCES IMPORTANT IN THE INCOME TAX CALCULATION?**
14 A. Yes. While there are still permanent differences between book and tax treatment
15 for items, such as meal expenses, there are certain book and tax differences that
16 under the previous income tax accounting rules (before the 1993 effective date of
17 Statement of Financial Accounting Standard ("SFAS") 109) were considered
18 permanent, but with the implementation of SFAS 109 and then ASC 740 are now
19 considered temporary.
20 Relevant examples for the Company include book and tax differences
21 related to the equity portion of allowance for funds used during construction
22 ("AFUDC-equity") and AFUDC-net of tax debt. Deferred income tax accounting
23 is now required for these differences.

1 **Q. PLEASE DESCRIBE HOW THE INCOME TAX ACCOUNTING FOR THE**
2 **DIFFERENCES PREVIOUSLY CONSIDERED PERMANENT BUT NOW**
3 **CONSIDERED TEMPORARY IMPACT FINANCIAL AND**
4 **REGULATORY ACCOUNTING AND COST OF SERVICE.**

5 A. Under ASC 740, ADIT is required to be recorded for the items I previously
6 mentioned: AFUDC-equity and AFUDC-net of tax debt. As long as the future
7 recovery of the income tax effects of these items through the ratemaking process is
8 probable, corresponding income tax-related regulatory assets and liabilities are
9 recorded (both the ADIT and the related regulatory assets and liabilities are
10 computed at the revenue requirements level (*i.e.*, grossed-up) as such regulatory
11 assets and liabilities are themselves temporary differences). There is no effect on
12 rate base as the ADIT and income tax-related regulatory asset or regulatory liability
13 offset one another. The deferred taxes provided on each of these amounts are set
14 forth in the RFP at WP II-E-3.5.1b

15 **B. Schedule II-E-3: Federal Income Taxes**

16 **Q. PLEASE DESCRIBE SCHEDULE II-E-3, FEDERAL INCOME TAXES.**

17 A. Schedule II-E-3 shows the calculation of FIT, by function, for the test year using
18 the "return" method as required by the RFP instructions. These calculations are
19 explained in the associated supporting schedule workpapers. The functionalization
20 factors used are set forth in Schedule II-F of the RFP and are sponsored by Ms.
21 Colvin.

1 **Q. PLEASE EXPLAIN THE RETURN METHOD USED TO DETERMINE**
2 **INCOME TAX EXPENSE.**

3 A. The return method begins with the Company's total return by function. The total
4 return consists of a return on equity and a debt return (interest). The interest
5 component of the return is deducted from the total return to produce an after-tax
6 return on equity.

7 Permanent items are then deducted or added to the equity return. Permanent
8 items include amortization of EDIT, book depreciation related to AFUDC equity
9 and AFUDC net-of-tax debt (permanent depreciation differences), non-deductible
10 business meals, non-deductible entertainment expenses, Medicare Part D Subsidy
11 (as defined and described later in my testimony), and federal research and
12 development tax credits.

13 The computed equity return plus or minus the above permanent items
14 produces the taxable component of return. This return is then multiplied by the tax
15 factor at the current 21% FIT rate to determine FIT before adjustments. From this
16 subtotal, items which increase or reduce tax expense dollar for dollar as permanent
17 items are added or deducted. These items include amortization of EDIT, Medicare
18 Part D Subsidy and federal research and development tax credits. The sum of FIT
19 plus or minus these items equals the total FIT expense, including both current and
20 deferred taxes.

1 **Q. HOW HAVE FEDERAL INCOME TAXES ON SCHEDULE II-E-3 BEEN**
2 **COMPUTED?**

3 A. The "stand-alone" approach was used to compute FIT on Schedule II-E-3. Under
4 this methodology, FIT is calculated based solely on revenues and expenses of the
5 Company included in the utility's revenue requirement as if the Company were a
6 stand-alone taxpayer. This approach appropriately allocates FIT among members
7 of the consolidated group, of which CNP is the common parent company, using the
8 benefits/burdens criteria outlined by Federal Energy Regulatory Commission
9 ("FERC") Order No. 173. Under this method, FIT calculated for the Company
10 relates to and results from only the revenues and expenses associated with
11 providing utility service to customers. The benefits and burdens criterion refers to
12 computing the tax consequences of transactions based on the revenue and expense
13 transactions themselves.

14 **Q. PLEASE FURTHER DESCRIBE THE BENEFITS/BURDENS CRITERIA**
15 **OUTLINED IN FERC ORDER NO. 173.**

16 A. FERC Order No. 173 describes the "stand-alone" method as follows:

17 [O]ur stand-alone policy in effect looks beneath the single
18 consolidated tax liability and analyzes each of the deductions used
19 to reduce the group's tax liability to determine the deductions for
20 which each service is responsible. It then allocates to the
21 jurisdictional service those deductions which were generated by
22 expenses incurred in providing that service. In making this
23 allocation it is irrelevant on which member's return the deductions
24 would be reported if the group filed separate returns. Instead, the
25 test is whether the expenses that generate the deduction are used to
26 determine the jurisdictional service's rates. Put more simply the test
27 is whether the expenses are included in the relevant cost of service.
28 If they are, the associated deductions and their tax reducing benefits
29 will be taken into account in calculating the tax allowance for that
30 cost of service. If the expenses are not, the deductions will not be

taken into account. In this way the tax allowance will reflect the profit the ratepayers contribute to the group's consolidated taxable income.

Q. WHY WAS THE STAND-ALONE METHOD USED FOR CALCULATING FEDERAL INCOME TAXES FOR RATEMAKING PURPOSES?

A. The "stand-alone" approach includes the FIT that results only from the provision of utility service to customers in cost of service. The FIT expense requested by CenterPoint Houston in this proceeding is based on test year revenues and expenses, as appropriately adjusted for known and measurable changes, requested by CenterPoint Houston. There are no additions to or reductions from this calculated income tax expense resulting from revenues or expenses not included in CenterPoint Houston's request (such as revenues or expenses attributed to other CNP affiliates or subsidiaries). It would be neither appropriate nor equitable to increase or reduce cost of service by tax costs or benefits that are not related to the rendering of utility service to customers.

Q. HAVE THE REQUIREMENTS OF PURA § 36.059 IN THE COMPUTATION OF FEDERAL INCOME TAXES INCLUDED ON SCHEDULE II-E-3 BEEN APPROPRIATELY CONSIDERED?

A. Yes. PURA § 36.059 specifically addresses the treatment of certain tax benefits, including ITCs. The Company's ITC balances have been fully amortized prior to the test year and are not included in this filing.

1 **Q. HAS A CONSOLIDATED TAX SAVINGS ADJUSTMENT BEEN MADE**
2 **TO THE COMPUTATION OF FEDERAL INCOME TAXES ON**
3 **SCHEDULE II-E-3?**
4 A. No. PURA § 36.060(a) was revised in 2013 and requires income taxes to be
5 computed based solely on those items that are contained within the Company's cost
6 of service. In addition, PURA § 36.060(a) requires that income tax expense be
7 computed using statutory income tax rates.[29]

8 **C. Schedules II-E-3.1 through II-E-3.24**

9 **Q. WHAT IS SCHEDULE II-E-3.1, RECONCILIATION OF TEST YEAR**
10 **BOOK NET INCOME TO TAXABLE NET INCOME?**
11 A. Schedule II-E-3.1 is a complete reconciliation of book net income and taxable net
12 income for the test year and for the most recently filed tax income returns for
13 CenterPoint Houston ("Tax Return") and the 2022 consolidated federal income tax
14 return of the CNP consolidated group. Schedule II-E-3.1 contains explanations of
15 all items in the reconciliation for both the test year and the Tax Return. Schedule
16 II-E-3.1, and the supporting workpapers will be filed as confidential, subject to a
17 protective order for access. All claimed income tax allowances take into
18 consideration all items appearing in the reconciliation for the Tax Return.
19 **Q. WHAT IS SCHEDULE II-E-3.2, RECONCILIATION OF TIMING**
20 **DIFFERENCES?**
21 A. Schedule II-E-3.2 includes a reconciliation detailing those temporary/timing
22 differences and other items that would produce FIT at an income tax rate different

[29] *See* Tex. S.B. 1364, 83rd Leg., R.S. (2013).

than the statutory income tax rate for the test year. Supporting calculations and explanations for each item in the reconciliation are shown on Schedules II-E-3.2 and II-E-3.15, and their associated workpapers.

Q. WHAT IS SCHEDULE II-E-3.3, PLANT ADJUSTMENTS?

A. For each new transmission and distribution asset (by function) that was purchased or constructed since CenterPoint Houston's last rate case in 2019, Schedule II-E-3.3 provides (1) the tax-in-service date; (2) the tax basis; (3) all applicable forms of tax depreciation method, class, life, and convention; (4) the amount of all applicable forms of tax depreciation for the test year and amounts projected for 2024 and 2025; (5) the amount of ADIT as of the test year end; and (6) any requested adjustment to items (1)-(5) for the test year. Because the test year for the Company's last base rate case was for the year ended December 31, 2018, the information reflected on this schedule includes the tax years from 2019 forward.

Q. PLEASE DESCRIBE SCHEDULE II-E-3.4, CONSOLIDATION / INTER-CORPORATE TAX ALLOCATION.

A. Schedule II-E-3.4 provides a detailed explanation of the accounting for inter-corporate tax allocations. This schedule and the supporting Schedule II-E-3.4a includes a discussion of events that give rise to inter-corporate payments and receipts, journal entries used to record the various events, and the rationale for the accounting treatment. These schedules are being filed as confidential, subject to a protective order for access. A copy of all inter-corporate tax allocation agreements in effect for the test year or anticipated changes to the test year also are

filed as a confidential attachment to Schedule II-E-3.4, subject to a protective order for access.

Q. WHAT IS SCHEDULE II-E-3.5, ADIT?

A. Schedule II-E-3.5.1 provides test year end book balances, requested adjustments to these balances, and the resulting adjusted balances by function for both state and federal ADIT. The schedule includes additions and reductions for the test year. The quarterly book balances of ADIT by function for each of the four quarters of the test year are shown on Schedule II-E-3.5.2. The Company does not record ADIT at the level of detail required from the RFP instructions to provide monthly amounts. Each item that gives rise to ADIT is segregated on the schedules.

The ADIT balance included in rate base for the test year is set forth on Schedule II-E-3.5.1 and further explained in the associated workpapers to that schedule.

Q. WERE ANY CENTERPOINT HOUSTON ADIT BALANCES EXCLUDED FROM SCHEDULE II-E-3.5?

A. Yes. ADIT amounts associated with securitized competitive transition and system restoration charges have been excluded from this filing as they have already been considered in previous proceedings. Additionally, ADIT associated with the Company's Temporary Emergency Electric Energy Facilities ("TEEEF") Rider has been excluded from Schedule II-E-3.5.

Q. WHAT IS SCHEDULE II-E-3.6, ADFIT – DESCRIPTION OF TIMING DIFFERENCES?

A. Schedule II-E-3.6 includes a description of the nature of each timing difference listed in Schedule II-E-3.5 and, to the extent available, includes a description of the remaining life of each such timing/temporary difference.

Q. WHAT IS SCHEDULE II-E-3.7, ADJUSTMENTS TO ADFIT?

A. Schedule II-E-3.7 provides supporting explanations and detailed calculations for each adjustment to the test year end ADIT balances in Schedule II-E-3.5.

Q. WHAT IS SCHEDULE II-E-3.8, ADFIT AND ITC – PLANT ADJUSTMENTS & ALLOCATIONS?

A. Schedule II-E-3.8 provides the ADIT balances (by timing difference) at test year end related to additions of new transmission and distribution plant in service by function occurring since CenterPoint Houston's last base rate case filing and any plant in service adjustments to the test year end requested by CenterPoint Houston. Supporting calculations and explanations are filed in the associated II-E-3.8 workpapers. The ITC provision included in the IRC was repealed in 1986. CenterPoint Houston has not claimed any ITC since the last rate filing.

Q. WHAT IS SCHEDULE II-E-3.9, ANALYSIS OF ITC'S?

A. Schedule II-E-3.9 presents an analysis of the ITC credits adjustment. CenterPoint Houston has fully amortized the historical ITC it had previously claimed; therefore, this schedule is not applicable in the current proceeding.

1 **Q. WHAT IS SCHEDULE II-E-3.10, ANALYSIS OF INVESTMENT TAX**
2 **CREDITS UTILIZED?**
3 A. Schedule II-E-3.10 provides an analysis of ITCs utilized for tax return purposes.
4 Since all of the Company's ITCs have been fully amortized, this schedule is not
5 applicable in this proceeding.
6 **Q. WITH RESPECT TO SCHEDULE II-E-3.11 (ITC GENERATED BUT NOT**
7 **UTILIZED) AND II-E-3.12 (ITC UTILIZED – STAND-ALONE BASIS), DID**
8 **CENTERPOINT HOUSTON GENERATE ANY ITCs FOR TAX**
9 **PURPOSES SINCE THE LAST RATE CASE?**
10 A. No. The Company did not generate any ITCs in 2019 through the end of the test
11 year. As a result, Schedules II-E-3.11 and II-E.3.12 are not applicable in this
12 proceeding.
13 **Q. PLEASE EXPLAIN SCHEDULE II-E-3.13, ITC ELECTION.**
14 A. Schedule II-E-3.13 details all elections CenterPoint Houston has made with respect
15 to ITCs. Among other elections, Schedule II-E-3.13 sets forth CenterPoint
16 Houston's election in certain years to claim the 10% ITC with a 50% reduction to
17 the tax basis of the assets giving rise to ITC in lieu of an 8% ITC without a reduction
18 to tax basis. The Company currently has no remaining ITC and has made no
19 elections since the last base rate case.
20 **Q. WHAT IS SCHEDULE II-E-3.14, FERC ACCOUNT 255 BALANCE?**
21 A. Schedule II-E-3.14 provides the FERC account 255 accumulated ITC balance at
22 test year end. The Company has finished amortizing all of the previously claimed
23 ITCs in FERC account 255 and there is no test year balance in this account.

1 **Q. WHAT IS SCHEDULE II-E-3.15, ANALYSIS OF TEST YEAR FIT**
2 **& REQUESTED FIT – TAX METHOD 2?**
3 A. Schedule II-E-3.15 provides the test year FIT and calculates test year FIT using Tax
4 Method 2. Supporting explanations and calculations for such methodology are filed
5 in the associated Schedule II-E-3.15 workpapers. Tax Method 2 calculates the
6 current and deferred components of FIT expense as compared to Tax Method 1
7 which computes total FIT expense without differentiating between such current and
8 deferred components.
9 **Q. WHAT IS SCHEDULE II-E-3.16, ANALYSIS OF DEFERRED FIT?**
10 A. Schedule II-E-3.16 provides the support for the total deferred FIT found on
11 Schedule II-E-3.15. This schedule provides information for each item that is
12 deferred. Support for such items are shown on Schedule II-E-3.6 and in the
13 workpapers for Schedule II-E-3.16.
14 **Q. WHAT IS SCHEDULE II-E-3.17, ANALYSIS OF ADDITIONAL**
15 **DEPRECIATION REQUESTED?**
16 A. Schedule II-E-3.17 provides a detailed calculation of the requested adjustment to
17 return for additional depreciation.
18 **Q. WHAT IS SCHEDULE II-E-3.18, AMORTIZATION OF PROTECTED AND**
19 **UNPROTECTED EXCESS DEFERRED INCOME TAXES?**
20 A. Schedule II-E-3.18 summarizes CenterPoint Houston's requested amortization of
21 unprotected and protected EDIT. The estimated protected EDIT ARAM is being
22 included in this proceeding, as well as the amortization of the unprotected EDIT.

1 **Q. WHAT IS SCHEDULE II-E-3.19, ANALYSIS OF EXCESS DEFERRED**
2 **INCOME TAXES BY TIMING DIFFERENCE?**
3 A. Schedule II-E-3.19 provides details regarding the EDIT in Schedule II-E-3.18 by
4 timing difference, as well as the unamortized balance of EDIT at test year end by
5 timing difference. These balances have been reported in three categories: Protected
6 Property Plant, and Equipment, Unprotected Property, Plant, and Equipment and
7 Unprotected Other. The detailed calculation of the requested amortization for each
8 category is included in the workpapers to Schedule II-E-3.18.
9 **Q. WITH RESPECT TO SCHEDULE II-E-3.20 (EFFECTS OF POST TEST**
10 **YEAR ADJUSTMENT), DID A POST TEST YEAR ADJUSTMENT TO**
11 **PLANT HAVE ANY EFFECT ON FIT AND ADIT?**
12 A. No. Because the Company made no post-test year plant in service adjustments, no
13 associated ADIT adjustments were made on Schedule II-E-3.20.
14 **Q. WHAT IS SCHEDULE II-E-3.21, LIST OF FIT TESTIMONY?**
15 A. Schedule II-E-3.21 provides a listing by witness and page number of all testimony
16 filed supporting FIT and ADIT. Subject to a protective order, a copy of the CNP
17 consolidated federal income tax return for 2022, the most recently filed federal
18 income tax return of the CNP consolidated group, is available in the confidential
19 RFP schedules.
20 **Q. WHAT IS SCHEDULE II-E-3.22, HISTORY OF TAX NORMALIZATION?**
21 A. Schedule II-E-3.22 describes CenterPoint Houston's history of tax normalization,
22 which book and timing differences are normalized, when the differences first arose,

when the differences were first normalized, and the method of normalization used. This schedule also gives details of all timing differences previously flowed through.

Q. ARE THERE ANY PENDING MATTERS INVOLVING NORMALIZATION VIOLATION ISSUES THAT COULD CHANGE ONE OR MORE SCHEDULES IN THIS PROCEEDING IN THE FUTURE?

A. No.

Q. WHAT IS SCHEDULE II-E-3.23, TAX ELECTIONS, IRS AUDIT STATUS AND PRIVATE LETTER RULINGS?

A. Schedule II-E-3.23 provides (1) a listing of all tax elections since the filing of the 2010 federal income tax return of the CNP consolidated group; (2) CenterPoint Houston's IRS audit status; (3) a list of private letter rulings received from the IRS which affect the FIT of CenterPoint Houston or CNP since CenterPoint Houston's last rate filing in 2019; (4) the status of any pending private letter ruling request of CenterPoint Houston or CNP; and (5) any FASB Interpretation No. 48 ("FIN 48") tracker information. CenterPoint Houston has filed Schedule II-E-3.23 as confidential, subject to a protective order for access. In addition, the Company's private letter rulings have been provided as part of the confidential RFP subject to a protective order. The Company has no pending private letter ruling requests or FIN 48 amounts currently recorded.

Q. WITH RESPECT TO SCHEDULE II-E-3.24 (METHOD OF ACCOUNTING FOR ADFIT RELATED TO NOL CARRYFORWARD), DID CENTERPOINT HOUSTON HAVE NOL CARRYFORWARDS AT THE END OF THE TEST YEAR?

1 A. Yes. As described above in my testimony, a NOL carryforward balance has been
2 included in ADFIT. In addition, as described in the rate filing instructions, generic
3 journal entries have been provided on Schedule II-E-3.24.

4 **VI. TEXAS MARGIN TAX**

5 **Q. WHAT IS SCHEDULE II-E-2, TAXES OTHER THAN FEDERAL INCOME**
6 **TAXES?**

7 A. Schedule II-E-2 shows the amount of other taxes, *excluding* FIT, assessed on or
8 paid by CenterPoint Houston for the test year.

9 **Q. WHICH AMOUNTS ARE YOU SPONSORING FROM SCHEDULE II-E-2?**

10 A. My testimony addresses the Texas margin tax expense and the property tax
11 expense.

12 **Q. PLEASE EXPLAIN THE TEXAS MARGIN TAX.**

13 A. The Texas margin tax became effective for tax reports due on or after January 1,
14 2008.[30] The Texas margin tax is computed for most taxable entities, including the
15 Company, at 0.75% of the taxable entity's margin that has been apportioned to
16 Texas.[31] A taxable entity's pre-apportioned taxable margin is the lowest amount
17 computed using the following four calculation methods:

18 (1) Revenues less cost of goods sold;
19 (2) Revenues less cost of compensation;
20 (3) Revenues times seventy percent (70%); or
21 (4) Revenues less $1 million.[32]

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[30] Act of May 4, 2006, 79th Leg., 3d C.S., ch. 1, § 26, 2006 Tex. Gen. Laws 1, 40.

[31] Tex. Tax Code § 171.002.

[32] *Id.* § 171.101.

1 **Q. HAS THE COMPANY CALCULATED TEXAS MARGIN TAX ON A**
2 **STAND-ALONE BASIS?**
3 A. Yes. PURA § 36.060(a) requires that the Texas margin tax be computed based
4 solely on those items that are contained within the Company's cost of service.
5 **Q. WHICH MARGIN SCENARIO OF THE FOUR LISTED ABOVE WAS**
6 **USED FOR THE CNP CONSOLIDATED TEXAS MARGIN TAX FILING?**
7 A. The "Revenues less cost of goods sold" method was used for the CNP consolidated
8 filing. This method produced the lowest margin for CNP, primarily because CNP's
9 natural gas entities have significant cost of goods sold deductions for natural gas
10 sold to customers. Texas Tax Code Section 171.1014(d) requires that the combined
11 group makes an election to subtract either cost of goods sold or compensation that
12 applies to all of its members. Therefore, CenterPoint Houston has determined its
13 stand-alone Texas margin tax by taking revenues less cost of goods sold.
14 **Q. PLEASE DESCRIBE THE BASIS FOR YOUR STATEMENT THAT**
15 **TEXAS LAW REQUIRES CENTERPOINT HOUSTON TO USE THE**
16 **SAME METHOD AS USED BY THE CONSOLIDATED GROUP FOR**
17 **DETERMINING ITS STAND-ALONE TEXAS MARGIN TAX?**
18 A. As mentioned before, affiliated entities that are part of a consolidated group must
19 use the same method as the consolidated group to compute margin. This is the
20 statutory requirement under the law.[33] There is no option for CNP's affiliates,
21 including CenterPoint Houston, to choose one of the other methods to determine
22 their individual margin subject to tax.

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[33] *Id.* § 171.1014(d).

1 Because the amount of Texas margin tax paid on a CNP consolidated basis
2 was based on the revenues less cost of goods sold method, the Company is required
3 to utilize, and has utilized, this same method in determining its Texas margin tax
4 for the test year. CenterPoint Houston and all CNP affiliates compute the amount
5 they pay to CNP based on this method.

6 **Q. HOW DOES THE COMPANY ACCOUNT FOR THE TEXAS MARGIN**
7 **TAX EXPENSE?**

8 A. A one-year lag exists between the taxable year and the payment year for the Texas
9 margin tax.[34] In other words, the Texas margin tax paid in 2023 is based on the
10 2022 Texas margin tax calculation while the 2023 Texas margin tax will not be
11 paid until 2024. In past proceedings, the Commission has allowed the Company
12 regulatory recovery for the Texas franchise (and now Texas margin) taxes based on
13 the cash payment of taxes during the test period even though the taxable year is the
14 year prior to the test period.

15 **Q. IS THE TEXAS MARGIN TAX REQUESTED IN THIS PROCEEDING**
16 **BASED ON 2022 MARGIN?**

17 A. Yes.

18 **VII. PROPERTY TAXES**

19 **Q. WHAT IS THE PURPOSE OF THE SERVICE COMPANY'S AD**
20 **VALOREM TAX DEPARTMENT?**

21 A. The purpose of the Ad Valorem Tax Department is to report the property owned by
22 CNP and its affiliates to the various county appraisal districts in the State of Texas

[34] *Id.* §§ 171.151–.152.

1 and to taxing authorities in other states where the property is located, to
2 appropriately negotiate the taxable value of that property, and to ensure that the ad
3 valorem taxes are appropriately and timely paid. A major aspect of this
4 Department's function is its responsibility for the negotiations concerning the
5 valuation of the taxable property of CNP and affiliated entities. The Department
6 performs its own valuation analysis of this property and vigorously advocates for
7 this valuation in discussions with the appraisal entities in the various states. By
8 taking a proactive position with respect to the valuation of this property, the Ad
9 Valorem Tax Department can ensure that CenterPoint Houston and its customers
10 pay no more than their fair share of the property tax burden.

11 **Q. CAN YOU DESCRIBE HOW ELECTRIC UTILITY PROPERTY,**
12 **INCLUDING CENTERPOINT HOUSTON'S ELECTRIC UTILITY**
13 **PROPERTY, IS VALUED IN TEXAS FOR PROPERTY TAX PURPOSES?**

14 A. In Texas, as in most states, most electric utility property is valued under what is
15 called the "unit value" concept. That is, the electric utility system of CenterPoint
16 Houston is valued, by the various central appraisal districts, as an entire operating
17 unit rather than valuing each asset, or groups of assets, individually. The unit value
18 concept is used because an electric utility system is considered a single operating
19 unit, and individual assets have value only because they are all interconnected as
20 part of that single operating unit. The unit value appraisal conducted by the various
21 central appraisal districts uses multiple approaches to calculating the total unit
22 value, including both the cost and income approaches to value.

1 **Q. HOW IS A VALUE ASSIGNED TO INDIVIDUAL ASSETS OF**
2 **CENTERPOINT HOUSTON'S ELECTRIC UTILITY SYSTEM FOR**
3 **PROPERTY TAX PURPOSES?**
4 A. Once the unit value for the entire utility system is determined by the appraisal
5 districts, that value is then allocated to the various taxable assets. This is done by
6 first removing from the unit value certain non-taxable components of the unit prior
7 to any allocations of value. In the case of CenterPoint Houston, the appraisers for
8 the various appraisal districts in Texas allocate the remaining taxable value to
9 individual assets, or classes of assets, based on an original cost method. Under this
10 method, the taxable value of an asset is determined by multiplying the original cost
11 of that asset by the ratio of the total taxable value of the unit divided by the total
12 original cost of the unit. This is a common method of taxable value determination
13 used in many states and is the method used by every appraisal district in Texas in
14 which CenterPoint Houston has taxable property.
15 **Q. ARE ALL OF CENTERPOINT HOUSTON'S ELECTRIC UTILITY**
16 **ASSETS VALUED UNDER THIS UNIT VALUE CONCEPT?**
17 A. No. Although the majority of CenterPoint Houston's assets are assigned a value
18 under the unit value concept, some types of utility assets, such as land, are similar
19 to those owned by non-utility owners. Because of that fact, these assets are usually
20 not valued under the unit value concept but are instead valued in the same manner
21 as non-utility assets are valued when owned by non-utilities.

1 **Q. WHAT WAS THE TOTAL AMOUNT OF AD VALOREM TAXES**
2 **ASSESSED AGAINST CENTERPOINT HOUSTON FOR THE MOST**
3 **RECENT TAX YEAR?**

4 A. Property taxes in Texas are assessed on a calendar year basis and are based upon
5 the value of property existing on January 1 of each year.[35] During the most recent
6 tax year of 2023, CenterPoint Houston was assessed approximately $113.9 million
7 in ad valorem taxes.

8 **Q. WHAT IS THE AMOUNT OF AD VALOREM TAXES EXPECTED FOR**
9 **THE CURRENT TAX YEAR?**

10 A. The amount of ad valorem taxes expected for the 2024 tax year that the Company
11 is requesting in this case equals the ad valorem taxes assessed during 2023 plus an
12 additional amount for capital additions placed into service in 2023 that form the
13 base of the ad valorem taxes that will be assessed during 2024. To calculate this
14 amount, the Ad Valorem Tax Department multiplies the total 2023 property taxes
15 assessed by the change in taxable plant in service ("PIS") during 2023.

16 • Ad Valorem Tax Additions Factor = (2023 ending taxable
17 PIS - 2023 beginning PIS) / 2023 beginning PIS
18 • for 2023 this is 11.40%

19 The adjustment factor for the additions is thus 1.1140. This factor is applied
20 to the 2023 test year property taxes. The resulting amount of ad valorem taxes
21 expected for assets in service as of December 31, 2023, and requested in this
22 proceeding is $126.8 million.

[35] Tex. Tax Code § 23.01(a).

1 **Q. IS THE PROPERTY TAX BASE FOR THE 2023 PROPERTY TAXES A**
2 **KNOWN AMOUNT?**
3 A. Yes. All of the assets comprising the property tax base for 2023 were placed in
4 service in 2022.
5 **Q. ARE THERE OTHER FACTORS THAT CAN IMPACT THE AMOUNT OF**
6 **PROPERTY TAX EXPENSE IN A TAX YEAR BEYOND PLANT IN**
7 **SERVICE INCREASES?**
8 A. Yes. A significant factor within the calculation of the overall system unit value
9 used to determine taxable value is the net utility operating income ("NUOI") input
10 into the appraisal model for utilities employed by the various county appraisal
11 districts. This input into the income approach (which typically represents about
12 50% of the overall calculation of unit value) is derived from the reported FERC
13 Form 1 NUOI adjusted for a deduction for transition bond income. Both the
14 absolute NUOI and the trend in growth of NUOI are considered in determining the
15 input to use in the appraisal model. As such, the more recent increases in FERC
16 Form 1 NUOI and year-over-year growth trends in this figure have driven overall
17 taxable value growth at an increasing rate, especially in the last two tax years (2022
18 and 2023) as compared to prior periods.
19 **Q. WOULD THIS NUOI FACTOR IMPACT PROPERTY TAX EXPENSE**
20 **FOR THE CURRENT 2024 TAX YEAR?**
21 A. Yes. The Company is currently forecasting a tax year 2024 property tax expense
22 in excess of the amount requested in this proceeding due to this NUOI growth factor
23 being applied to the 2024 unit value calculation.

1 **Q. IS CENTERPOINT HOUSTON USING A DIFFERENT TAX RATE FOR**
2 **THE 2023 AD VALOREM TAXES THAN FOR 2022?**
3 A. Yes. Tax rates in Texas in general have been reduced incrementally over the last
4 few years. As such, the most appropriate rate to use for the test period is the
5 effective tax rate calculated from comparing total taxes assessed and paid to the
6 taxable value of the system plant. For tax year 2023 this is 2.05% as compared to
7 an effective property tax rate of 2.26% in 2022.

8 **VIII. MEDICARE PART D**

9 **Q. PLEASE GIVE US THE BACKGROUND OF THE MEDICARE**
10 **PRESCRIPTION DRUG SUBSIDY?**
11 A. Medicare Part D is a federal program that provides prescription drug coverage to
12 eligible individuals enrolled in Medicare. As part of the Medicare Prescription
13 Drug, Improvement and Modernization Act of 2003 ("2003 Act"), Congress
14 established a federal financial incentive to encourage employers to offer
15 prescription drug coverage to retired employees. To that end, the 2003 Act granted
16 a subsidy that was actuarially equivalent to Medicare Part D coverage (a "Medicare
17 Part D Subsidy") to companies if they provided certain prescription drug benefits
18 to retirees. CenterPoint Houston was one of these companies. The 2003 Act
19 provided a 28% subsidy of the employer's cost relating to providing prescription
20 drugs to its retirees. Under the 2003 Act, receipt of the Medicare Part D Subsidy
21 was neither taxable nor did it reduce the deductibility of the drug benefits paid by
22 the company.
23 In 2010, Congress passed comprehensive health care legislation that
24 increased the Company's cost of providing retiree drug coverage: the Patient

1 Protection and Affordable Care Act ("PPACA") and the Health Care and Education
2 Reconciliation Act of 2010 (collectively with the PPACA, the "Health Care
3 Legislation"). Under the Health Care Legislation, beginning January 1, 2013, the
4 Medicare Part D Subsidy became taxable after 2012—*i.e.*, a company was required
5 to reduce its deduction for providing prescription drug coverage by the amount of
6 the Medicare Part D Subsidy. This meant that the key and significant assumption
7 regarding the nontaxability of the Medicare Part D Subsidy changed for anticipated
8 receipts of the Medicare Part D Subsidy after 2012.

9 **Q. HOW DID THE COMPANY ORIGINALLY ACCOUNT FOR THIS**
10 **SUBSIDY AND ITS UNIQUE INCOME TAX TREATMENT *BEFORE* THE**
11 **HEALTH CARE LEGISLATION IN 2010?**

12 A. Because the Company keeps its books on the accrual basis, the Company created a
13 customer-favorable permanent book/tax difference (a permanent difference) from
14 2004 through 2009 for the full amount of *all* the anticipated Medicare Part D
15 Subsidies expected to ever be received—including amounts to be received well into
16 this century (and not just amounts to be received from 2004-2009)—of $28.6
17 million. More specifically, as required under SFAS 106 (Other Post-Employment
18 Benefits or "OPEB"), the amount of the anticipated Medicare Part D Subsidy a
19 company accrues and records for accounting purposes included both estimated
20 receipts for benefits owed to current retirees and benefits promised to current
21 employees when they retire. This calculation included actuarially determined
22 anticipated payments and receipts for benefits extending for many years into the
23 future. Prior to the Health Care Legislation, no deferred income taxes were

1 recorded on the estimated "subsidy receivable" as it was not taxable. A deferred
2 income tax asset was recorded on the SFAS 106 gross liability itself recognizing
3 that CenterPoint Houston's payments made to or on behalf of retirees would be
4 deductible when paid.

5 **Q. PLEASE DESCRIBE THE COMPONENTS OF THE $28.6 MILLION**
6 **PERMANENT DIFFERENCE?**

7 A. The $28.6 million permanent difference is from two sources.

8 • $5.4 million of the $28.6 million permanent difference related to
9 subsidies that were actually received by the Company from 2004
10 through 2009.

11 • The remaining permanent difference related to amounts that were
12 anticipated to be received in 2010 and after but that were required
13 to be accrued under SFAS 106. An estimate of $6.0 million in
14 receipts was expected to be received in 2010-2012. The remaining
15 $17.2 million related to then-anticipated receipts of the Medicare
16 Part D Subsidy beginning after.

17 **Q. HOW DID THE COMPANY ACCOUNT FOR THIS SUBSIDY AND ITS**
18 **UNIQUE INCOME TAX TREATMENT *AFTER* THE HEALTH CARE**
19 **LEGISLATION WAS PASSED IN 2010?**

20 A. Because Medicare Part D Subsidies were nontaxable from 2004 to 2012 but taxable
21 as of January 1, 2013 due to the 2010 Health Care Legislation, the above-noted
22 customer-favorable permanent difference was no longer accurate. As previously
23 discussed, this permanent difference (for the full amount of all the anticipated

1 Medicare Part D Subsidies expected to *ever* be received) reflected the assumption
2 that the Medicare Part D Subsidy would never be taxable, an assumption that was
3 no longer accurate effective January 1, 2013. Effectively the $17.2 million
4 discussed above that was previously a permanent difference became a temporary
5 difference. Under SFAS 106 and ASC 740, the Company in 2010 was required to
6 reduce the ADFIT asset due to the future Medicare Part D Subsidy receipts received
7 in 2013 and thereafter now being taxable. This entry was recorded in 2010
8 following enactment of the Health Care Legislation. Additionally, since the
9 Company believed that the financial impacts from this change in tax law would be
10 recoverable in future rates, a regulatory asset was established. The regulatory asset
11 was calculated by tax effecting the $17.2 million temporary difference—that is,
12 multiplying the $17.2 million temporary difference by the 35% federal tax rate then
13 in effect—to arrive at an ADFIT balance of $6.0 million. To establish the proper
14 regulatory asset balance, a tax gross-up was required (that is, multiplying the $6.0
15 million by 1/(1-35%)). After gross-up, the resulting regulatory asset balance was
16 approximately $9.3 million. These calculations are being provided in the
17 workpapers to my testimony "WP JKS-01."

18 **Q. WHY IS IT APPROPRIATE TO INCLUDE RECOVERY OF THE**
19 **REGULATORY ASSET WITH RESPECT TO YEARS 2004 THROUGH**
20 **2012?**

21 A. From 2004 until rates went into effect from Docket No. 49421, rates that customers
22 were being charged assumed that Medicare Part D Subsidies were nontaxable.
23 Those rates were based on actuarially determined accruals that incorporated future