



## **Filing Receipt**

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**Control Number - 56211**

**Item Number - 510**

**Thomas J. Gleeson**  
Chairman

**Kathleen Jackson**  
Commissioner

**Courtney K. Hjaltman**  
Commissioner



**Greg Abbott**  
Governor


**Connie Corona**  
Executive Director

## *Public Utility Commission of Texas*

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TO: Shelah Cisneros  
Commission Counsel

All Parties of Record

FROM: Hunter Burkhalter   
Chief Administrative Law Judge

RE: **Docket No. 56211**  
**SOAH Docket No. 473-24-13232** – *Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates*

DATE: February 25, 2025

On February 10, 2025, I filed a Proposed Order in the above-styled and numbered docket.

On February 24, 2025, Commission Staff and CenterPoint Energy Houston Electric, LLC each filed corrections to the Proposed Order. I agree with the corrections proposed by Commission Staff, except for their proposed correction to Finding of Fact 62. I agree with all of the corrections proposed by CenterPoint Houston.

The enclosed Revised Proposed Order incorporates the corrections described above and, as necessary, renumbers the Findings of Fact appropriately.

The Revised Proposed Order is ready for the Commission's consideration.

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**PUC DOCKET NO. 56211**  
**SOAH DOCKET NO. 473-24-13232**

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

**REVISED PROPOSED ORDER**

This Order addresses the application of CenterPoint Energy Houston Electric, LLC for authority to change its rates. On January 29, 2025, CenterPoint Houston filed an unopposed agreement between certain parties in this proceeding that, among other things, provides for a \$44,153,511.40 reduction to CenterPoint Houston’s present wholesale and retail revenues of \$2.305 billion, plus an additional explicit reduction to remove chief executive officer (CEO) compensation expense of \$2,424,013, for a total reduction of \$46,577,524.40. The Commission approves the rates, terms, and conditions set forth in the agreement to the extent provided in this Order.

**I. Findings of Fact**

The Commission makes the following findings of fact.

**Applicant**

1. CenterPoint Houston is a Texas limited liability company registered with the Texas secretary of state under filing 800119842.
2. CenterPoint Houston is a wholly owned subsidiary of CenterPoint Energy, Inc.
3. CenterPoint Houston owns and operates for compensation in Texas facilities and equipment to transmit and distribute electricity in the Electric Reliability Council of Texas (ERCOT) region.
4. CenterPoint Houston holds certificate of convenience and necessity number 30086 to provide service to the public.
5. CenterPoint Houston serves approximately 2.8 million metered customers.

6. CenterPoint Houston's electric system covers approximately 5,000 square miles located in and around Houston, Texas, and is comprised of approximately 58,000 miles of overhead and underground transmission and distribution lines and streetlights.
7. CenterPoint Houston's last comprehensive base rate proceeding was Docket No. 49421.<sup>1</sup>

**Application**

8. On March 6, 2024, CenterPoint Houston filed an application and statement of intent to change its retail transmission and distribution rates and wholesale transmission rates, with a proposed effective date of April 10, 2024.
9. The applicable test year was the 12-month period ending December 31, 2023.
10. Through its application and subsequent errata, CenterPoint Houston sought Commission approval to increase transmission and distribution revenues by approximately \$57 million, consisting of approximately \$15 million related to service to retail customers, excluding transmission cost recovery factor (TCRF) and rate-case expenses, and approximately \$42 million for wholesale transmission service.
11. In addition to the rate increase, CenterPoint Houston requested the Commission:
  - a. find that CenterPoint Houston's capital additions placed into service from January 1, 2019 through December 31, 2023, were prudent;
  - b. approve its proposed capital structure and return on equity;
  - c. approve its proposed cost allocation methodology and rate design;
  - d. approve its proposed updates or removal of Rider TCRF, Rider distribution cost recovery factor (DCRF), Rider rate case expense (RCE) surcharge, Schedule TC2, Schedule TC, Rider system restoration charge (SRC), and Rider accumulated deferred federal income tax credit (ADFITC);
  - e. approve its proposed Rider IRAs;
  - f. approve its proposed charges to its tariff for wholesale delivery service;

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

- g. approve its proposed depreciation rates;
  - h. approve an update to its annual self-insurance reserve accrual; and
  - i. find that its rate case-expenses incurred in this proceeding and in Docket Nos. 53442,<sup>2</sup> 54825,<sup>3</sup> and 54830<sup>4</sup> were reasonable and necessary and authorize their recovery through Rider RCE.
12. Concurrent with filing its application with the Commission, CenterPoint Houston filed applications and statements of intent with each municipality in its service area that has original jurisdiction over its rates.
13. CenterPoint Houston's application affects all retail electric providers (REPs) serving end-use retail electric customers in its certificated service territory and all customers taking service under CenterPoint Houston's tariff for wholesale delivery service.
14. CenterPoint Houston's application and rate filing package was prepared in accordance with the requirements of the Commission including, but not limited to, 16 Texas Administrative Code (TAC) § 25.231, *Cost of Service*, and in accordance with the *Transmission & Distribution Investor Owned Utilities Rate Filing Package for Cost-of-Service Determination* (RFP).
15. The information provided in the RFP is taken from CenterPoint Houston's accounts and records as prescribed in the Federal Energy Regulatory Commission (FERC) Electric Uniform System of Accounts (USOA) as required by 16 TAC § 25.72.
16. The workpapers in the application have been appropriately designated, supported, and positioned in accordance with RFP general instruction 12, notes a, b, and c.
17. The information provided in the RFP is based on the historical 12-month test year ending December 31, 2023.

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<sup>2</sup> *Application of CenterPoint Energy Houston Electric, LLC for Approval to Amend its Distribution Cost Recovery Factor*, Docket No. 53442, Order on Rehearing (May 25, 2023).

<sup>3</sup> *Application of CenterPoint Energy Houston Electric, LLC for Approval to Amend its Distribution Cost Recovery Factor*, Docket No. 54825, Order (Sep. 14, 2023).

<sup>4</sup> *Application of CenterPoint Energy Houston Electric, LLC to Amend its Temporary Emergency Electric Energy Facilities Rider*, Docket No. 54830, Order (Feb. 1, 2024).

18. The books, accounts and records of CenterPoint Houston are maintained in accordance with generally accepted accounting principles (GAAP), follow the FERC USOA as required by Commission rules, and are maintained under normal business practices. The business records were made available to all parties and the summaries thereof submitted as part of the application filed in the case were accurate.
19. No party challenged the adequacy and completeness of CenterPoint Houston's application.
20. In State Office of Administrative Hearings (SOAH) Order No. 3 filed on April 2, 2024, the SOAH administrative law judges (ALJs) found the application administratively complete.
21. CenterPoint Houston complied with the form and instructions for the Commission's RFP, and the application was administratively complete.

**Effective Date of Proposed Rates**

22. In the application, CenterPoint Houston proposed an effective date of April 10, 2024.
23. In SOAH Order No. 1 filed March 7, 2024, the SOAH ALJs set the effective date for CenterPoint Houston's rate change to September 9, 2024.
24. In SOAH Order No. 2 filed March 27, 2024, the SOAH ALJs issued a procedural schedule that revised the effective date for CenterPoint Houston's rate change to December 20, 2024.
25. In a letter to SOAH filed on December 20, 2024, CenterPoint Houston notified SOAH and the parties that it was extending the effective date to January 31, 2025.
26. In a letter to the Commission filed on January 31, 2025, CenterPoint Houston notified the Commission and the parties that it was extending the effective date to February 28, 2025.
27. On January 29, 2025, an unopposed agreement was filed by CenterPoint Houston.
28. In the agreement, the signatories agreed that the effective date of the new rates would be no earlier than the 46th day of the date of this Order.

**Notice**

29. On March 6, 2024, CenterPoint Houston provided a copy of its application, by mail, to:
  - a. each of the entities listed in the Commission's transmission matrix in Docket No. 56050;<sup>5</sup> and
  - b. each REP listed on the Commission's website.
30. CenterPoint Houston also provided a copy of its application to:
  - a. the appropriate officer of each municipality in CenterPoint Houston's service area, including a summary of the application, a summary of proposed rates by customers and rate class, and proposed tariffs; and
  - b. the attorneys of record for each party in Docket No. 49421.
31. On March 18 and 25, and April 1 and 8, 2024, CenterPoint Houston published notice of its application in the *Houston Chronicle*, a newspaper having general circulation in each county containing territory affected by CenterPoint Houston's application.
32. On April 18, 2024, CenterPoint Houston filed the affidavit of Alice S. Hart, supervisor - regulatory and litigation support services for CenterPoint Houston, attesting to provision of notice described above.
33. No party challenged the adequacy of the notice provided by CenterPoint Houston.

**Intervenors**

34. In SOAH Order No. 2 filed on March 27, 2024, the SOAH ALJs granted intervenor status to the following entities: the Office of Public Utility Counsel (OPUC); Houston Coalition of Cities (HCOC); Gulf Coast Coalition of Cities (GCCC); Texas Coast Utilities Coalition (TCUC) (collectively, with HCOC and GCCC, Cities); Texas Industrial Energy Consumers (TIEC); Walmart Inc; International Brotherhood of Electrical Workers Local 66 (IBEW Local 66); Environmental Defense Fund (EDF); and Texas Consumer Association.

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<sup>5</sup> *Commission Staff's Petition to Set 2024 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas Inc.*, Docket No. 56050, Order (May 16, 2024).

35. In SOAH Order No. 5 filed on May 1, 2024, the SOAH ALJs granted intervenor status to the following entities: Hunt Energy Network LLC; Texas Energy Association for Marketers and Alliance for Retail Markets (collectively, REP Coalition); SMT TX Management II LLC; Chevron Phillips Chemical Company, LP; South-Central Partnership for Energy Efficiency as a Resource (SPEER); Lee Milam; Timothy S. Large; and Rebecca Elliott.
36. On June 12, 2024, Timothy S. Large withdrew as an intervenor.

**Appeals of Municipal Ordinances**

37. CenterPoint Houston timely appealed to the Commission the actions, or inaction, of the following municipalities exercising original jurisdiction within CenterPoint Houston's service territory: Bellaire, Oak Ridge North, Surfside Beach, Brazos Country, Brookside Village, Clear Lake Shores, Deer Park, Friendswood, Galveston, Hunters Creek Village, Jersey Village, Lake Jackson, Manvel, Missouri City, Oyster Creek, Rosenberg, Santa Fe, South Houston, Stafford, Taylor Lake Village, the Village of Fairchilds, Weston Lakes, Hedwig Village, La Porte, Simonton, the Village of Pleak, Webster, Alvin, Baytown, Bunker Hill Village, Fulshear, Houston, La Marque, League City, Seabrook, Spring Valley Village, Sugar Land, Texas City, Wharton, Beach City, Clute, Danbury, Dickinson, East Bernard, El Lago, Freeport, Meadows Place, Pasadena, Pearland, Quintana, Richmond, Richwood, Sandy Point, Sealy, Shoreacres, Southside Place, Thompsons, Tiki Island, Village of Jones Creek, West Columbia, and West University Place.
38. In SOAH orders filed on June 20, July 12, and August 1, 2024, the SOAH ALJs consolidated, for determination in this proceeding, all of CenterPoint Houston's petitions for review of the rate actions of the municipalities exercising original jurisdiction within CenterPoint Houston's service territory as follows:



SOAH Order No.	Municipalities
9	Bellaire, Oak Ridge North, Surfside Beach, Brazos Country, Brookside Village, Clear Lake Shores, Deer Park, Friendswood, Galveston, Hunters Creek Village, Jersey Village, Lake Jackson, Manvel, Missouri City, Oyster Creek, Rosenberg, Santa Fe, South Houston, Stafford, Taylor Lake Village, the Village of Fairchilds, and Weston Lakes
10	Hedwig Village, La Porte, Simonton, the Village of Pleak, and Webster
12	Alvin, Baytown, Bunker Hill Village, Fulshear, Houston, La Marque, League City, Seabrook, Spring Valley Village, Sugar Land, Texas City, Wharton, Beach City, Clute, Danbury, Dickinson, East Bernard, El Lago, Freeport, Meadows Place, Pasadena, Pearland, Quintana, Richmond, Richwood, Sandy Point, Sealy, Shoreacres, Southside Place, Thompsons, Tiki Island, Village of Jones Creek, West Columbia, and West University Place

**Testimony and Statements of Position**

39. On March 6, 2024, CenterPoint Houston included in its application the direct testimonies and exhibits of Lynnae K. Wilson, Jason M. Ryan, Eric D. Easton, David Mercado, Deryl Tumlinson, Randal M. Pryor, Mandie Shook, Rina H. Harris, John R. Hudson III, Kristie L. Colvin, L. Darren Storey, Jennifer K. Story, Steven Greenley, Ronald W. Bahr, Shonda Royston-Johnson, M. Shane Kimzey, Brad Tutunjian, Stephanie Bundage Juvane, Carla Kneipp, John Sousa, Bertha R. Villatoro, Timothy S. Lyons, Dane A. Watson, Ann E. Bulkley, Jacqueline M. Richert, Gregory S. Wilson, Dr. J. Stuart McMenamin, John R. Durland, and Myles F. Reynolds.
40. On June 19, 2024, the following direct testimonies and affidavits were filed:

Filing Party	Filing Description
OPUC	Direct testimonies and exhibits of Laurie Tomczyk and Kyra Coyle
HCOC	Direct testimonies and exhibits of Mark E. Garrett, Steven D. Hunt, Michael E. Ivey, and Breandan T. Mac Mathuna
TCUC	Direct testimonies and exhibits of David J. Garrett, Scott Norwood, and J. Randall Woolridge; affidavit of Alfred R. Herrera
GCCC	Direct testimony of Lane Kollen
TIEC	Direct testimonies and exhibits of Michael P. Gorman and Jeffry Pollock
Walmart Inc.	Direct testimony and exhibits of Lisa V. Perry
EDF	Direct testimonies and exhibits of Yihao Xie and Chris Hickman

41. On June 20, 2024, SPEER filed a statement of position.

42. On June 21, 2024, HCOC filed the direct testimony of Kit Pevoto.
43. On June 26, 2024, Commission Staff filed the direct testimony and exhibits of Mark Filarowicz, Ruth Stark, James Euton, Adrian Narvaez, John Poole, and Vonetta Jackson.
44. On June 28, 2024, Commission Staff filed the direct testimony and exhibits Adrian Narvaez.
45. On July 10, 2024, Commission Staff filed the cross-rebuttal testimony of Adrian Narvaez and William B. Abbott.
46. On July 12, 2024, CenterPoint Houston filed the rebuttal testimonies and exhibits of Jason M. Ryan, Jacqueline M. Richert, Kristie L. Colvin, Ann E. Bulkley, Bertha R. Villatoro, Jennifer K. Story, Ronald W. Bahr, Brad Tutunjian, John R. Durland, Timothy S. Lyons, Dane A. Watson, Gregory S. Wilson, and Myles F. Reynolds.
47. On January 29, 2025, CenterPoint Houston filed the testimony in support of the agreement of Kristie L. Colvin.
48. On February 10, 2025, Commission Staff filed the testimony in support of the agreement of Darryl Tietjen.

**Referral to SOAH**

49. On March 7, 2024, the Commission referred this docket to SOAH.
50. In SOAH Order No. 1 filed on March 7, 2024, the SOAH ALJs suspended rates until September 9, 2024, and provided notice of a prehearing conference.
51. On April 11, 2024, the Commission approved the preliminary order for this docket, setting forth a list of 62 issues to be addressed.
52. In SOAH Order No. 11 filed on July 17, 2024, the SOAH ALJs abated all pending deadlines in this proceeding and cancelled the hearing on the merits scheduled to begin on July 29, 2024, to allow the parties to pursue settlement discussions.
53. CenterPoint Houston filed a notice of withdrawal of its application in this case on August 1, 2024. In SOAH Order No. 14 filed on August 16, 2024, the SOAH ALJs denied CenterPoint Houston's withdrawal.

54. On August 23, 2024, CenterPoint Houston filed an appeal of SOAH Order No. 14.
55. On November 8, 2024, CenterPoint Houston withdrew its appeal of SOAH Order No. 14.
56. In SOAH Order No. 15 filed on January 30, 2025, the SOAH ALJ admitted evidence, dismissed this case from the SOAH docket and remanded it to the Commission for further processing.

**Evidentiary Record**

57. In SOAH Order No. 15 filed on January 30, 2025, the SOAH ALJ admitted into the evidentiary record the exhibits listed in attachment A to the Order.
58. In Order No. 1 filed on February 25, 2025, the Commission ALJ admitted the testimony in support of the agreement of Darryl Tietjen

**Agreement**

59. On January 29, 2025, an unopposed agreement was filed by CenterPoint Houston.
60. The signatories to the agreement are CenterPoint Houston; Commission Staff; Cities; TIEC; the REP Coalition; Walmart; IBEW Local 66; EDF; OPUC; and SPEER.
61. Two parties who are not signatories—Hunt Energy and SMT—do not oppose the agreement.
62. One party who is not a signatory, Chevron Phillips Chemical, takes no position with regard to the agreement.
63. The remaining parties who are not signatories—Texas Consumer Association, Mr. Milam, and Ms. Elliott—have not responded to inquiries from the signatories as to their position on the agreement.
64. None of the parties who are not signatories has objected to the agreement.

**Agreement — Overall Revenues, Effective Date, and Allocation of Revenue Requirement**

65. The signatories agreed that CenterPoint Houston's present wholesale and retail revenues of \$2.305 billion should be decreased by \$44,153,511.40, plus an additional explicit reduction of \$2,424,013 to remove chief executive officer compensation expense, for a total reduction of \$46,577,524.40, as set out in exhibit A to the agreement.

66. The signatories agreed that the approved rates will take effect no earlier than the 46th day after the date of this Order.
67. The signatories agreed that the agreed-upon revenue requirement be allocated as follows: \$653,511.40 will be directly allocated to the retail transmission customer class, and the remaining value, \$45,924,013, will be allocated among retail customer classes and wholesale transmission such that each retail customer class and wholesale transmission receives the same percentage decrease from the revenue collected from present rates as set out in exhibit B to the agreement. For each retail customer class, CenterPoint Houston's proposed customer and meter charges will be adopted. The distribution charge for each class will be designed so that the total revenue collected from the class's customer, meter, and distribution charges would reflect the total revenue reduction allocated to that class as set forth in exhibit B to the agreement.
68. The revenues produced by the rates approved in this Order will provide CenterPoint Houston with revenues sufficient to cover its expenses and provide CenterPoint Houston a reasonable opportunity to earn a reasonable return.
69. The agreement's treatment of revenue requirement, effective date, and allocation issues is appropriate.

**Agreement — Return on Capital Structure**

70. The signatories agreed that beginning with the effective date of the new rates authorized in this proceeding, CenterPoint Houston's weighted average cost of capital (WACC) will be 6.606% based upon an as-filed 4.29% cost of debt, an agreed return on equity of 9.65%, and an agreed regulatory capital structure of 56.75% long-term debt and 43.25% equity, as set out in exhibit K to the agreement.
71. The agreed return on equity, cost of debt, capital structure, and resulting WACC are reasonable and appropriate.
72. The signatories agreed that the agreed-upon WACC, cost of debt, return on equity, and capital structure of CenterPoint Houston would apply in all Commission proceedings or Commission filings requiring application of such items.

73. The agreed-upon WACC, cost of debt, return on equity, and capital structure for CenterPoint Houston to apply in all Commission proceedings or Commission filings requiring application of such items is appropriate.

**Agreement — Cash Working Capital**

74. The signatories agreed that CenterPoint Houston's cash working capital (CWC) should be reduced by \$5,180,289 from the amount proposed in schedule II-B-9, for a total CWC amount of \$6,988,071.
75. The agreement's treatment of CWC is appropriate.

**Agreement — Approval of Tariffs and Customer Agreements**

76. CenterPoint Houston's requested tariffs and customer agreements, as modified by the parties' agreement and set out in exhibit C to the agreement, are appropriate.
77. The signatories agreed that CenterPoint Houston will add the following language at the end of paragraph 1 of section 6.3.4.2 of its tariff: "Retail Customer A and Retail Customer B may be the same person or legal entity."
78. The agreement's treatment of paragraph 1 of section 6.3.4.2 of CenterPoint Houston's tariff is appropriate.
79. The signatories agreed that CenterPoint Houston must include the following language in its tariff for retail delivery service at section 6.1.2.2 construction services policy and charges, subsection 2.3 transmission voltage facility extensions, as set forth in exhibit C to the agreement:

If the Company is reimbursed more than \$10,000,000 (including all applicable tax gross-up) by a Customer with respect to a transmission interconnection project, and more transmission customers are served by any or all of the facilities constructed pursuant to that reimbursement within a five-year period following the date in which any equipment is energized by the Company, then the initial Customer that reimbursed the Company shall be entitled to receive a prorated refund of the reimbursement for common facilities when the additional transmission customers execute an agreement for electric service within the five-year period described above. After payment is received from the additional transmission customer(s), a refund of reimbursement for common facilities to the initial Customer will be made on a pro-rata share of the amount initially paid by the initial Customer.

80. It is appropriate that CenterPoint Houston include the language in Finding of Fact 77 in its tariff for retail delivery service at section 6.1.2.2 construction services policy and charges, subsection 2.3 transmission voltage facility extensions.
81. The signatories agreed not to include the charges for load studies and stability studies from the terms of service for CenterPoint Houston's transmission service rate schedule, as set out in exhibit C to the agreement.
82. The agreement's exclusion of charges for load studies and stability studies from the terms of service for its transmission service rate schedule is appropriate.
83. The signatories agreed that CenterPoint Houston must update the current interim rates for wholesale distribution service set out in section 4.2 of CenterPoint Houston's tariff for wholesale delivery service, established in Docket No. 53606,<sup>6</sup> to reflect the primary service rates approved in this proceeding, as set out in exhibit C to the agreement. For the avoidance of doubt, the distribution charge developed under the total revenue requirement for the primary service class as set out in exhibit C that reflects the revenue requirement reduction agreed to by the signatories will also be applied to the wholesale delivery service class's distribution charge.
84. The signatories agreed that the rates adopted in Docket No. 53606 and updated in this proceeding are adopted on an interim basis and are subject to refund or surcharge to the extent appropriate based on the resolution of Project No. 54224, *Cost Recovery for Service to Distributed Energy Resources (DERs)*. All parties retained the right to take any position in Project No. 54224.
85. It is appropriate that CenterPoint Houston update the current interim rates for wholesale distribution service and establish new interim rates that reflect the primary service rates approved in this proceeding.
86. The signatories agreed that CenterPoint Houston's requested retail rider IRA, wholesale service rider WT IRA, and wholesale distribution rider WD IRA, set out in exhibit C to the

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<sup>6</sup> *Application of CenterPoint Energy Houston Electric, LLC for Approval to Amend its Wholesale Transmission Service Tariff*, SOAH Docket No. 473-22-01066, PUC Docket No. 53606 (pending).

agreement, are reasonable with the following condition: only the return on corporate alternative minimum tax deferred tax assets arising to the extent CenterPoint Houston meets the definition of an applicable corporation based solely on its own stand-alone adjusted financial statement income without regard to the income of any affiliates, and calculated solely on that stand-alone adjusted financial statement income will be collected in the rider IRAs between the date rates from this proceeding go into effect and the date rates from CenterPoint Houston's next base-rate case go into effect.

87. It is appropriate to adopt CenterPoint Houston's requested rider IRAs, conditioned on the language in finding of fact 84.

**Agreement — Ringfencing**

88. The signatories agreed that the ringfencing provision set out in ordering paragraph 30 in the final Order in Docket No. 49421 should be modified to read: "CenterPoint Houston must maintain registrations with Moody's and S&P ratings agencies."
89. The signatories agreed that the ringfencing provision set out in ordering paragraph 39 in the final order in Docket No. 49421 should be modified to read: "CenterPoint Houston must notify the Commission if its credit issuer rating or corporate rating as rated by Moody's or S&P falls below investment-grade level."
90. The signatories agreed to the following additional ringfencing provision: "CenterPoint Houston will not seek to recover from customers any costs incurred as a result of a bankruptcy of CenterPoint Energy, Inc. or any of its affiliates other than CenterPoint Houston or caused by a bankruptcy of CenterPoint Houston."
91. The signatories agreed to the following additional ringfencing provision: "No CenterPoint Houston assets may be pledged for or used to secure the debt of other entities."
92. The agreement's modification and addition of the ringfencing provisions is appropriate.

**Agreement — Gross Plant in Service**

93. The signatories agreed that CenterPoint Houston's requested gross plant in service of \$17,795,166,166 through the end of the test year, December 31, 2023, must be reduced by \$10,000,000, as reflected on exhibit D to the agreement, along with the associated impacts

to accumulated depreciation and accumulated deferred income tax (ADIT). CenterPoint Houston will not seek recovery of, or a return on, the plant listed in exhibit D to the agreement in any future proceeding. CenterPoint Houston will not be required to make a refund of any amounts associated with this disallowance.

- 94. The remaining gross plant in service is prudent and properly included in rate base.
- 95. The agreement's treatment of gross plant in service is appropriate.

**Agreement — Regulatory Assets and Liabilities**

- 96. The signatories agreed that CenterPoint Houston's regulatory assets and liabilities at issue in this proceeding, all of which will be amortized over five years beginning on the date rates take effect, are reasonable.
- 97. CenterPoint Houston must prioritize recovery of carrying costs for the following regulatory assets, as shown on schedule II-E-4.1.1, and amortize them based on the same priority: Hurricane Harvey as shown in Docket No. 49421; Hurricane Harvey Trailing Charges; Hurricane Laura; Hurricane Nicholas; Long Lead Time Facilities; Winter Storm Uri; Ike Residual; and Ike Residual as shown in Docket No. 49421. The prioritization must be as follows: (1) equity carrying costs; (2) debt carrying costs; and (3) all other costs.
- 98. The agreement's treatment of regulatory assets and liabilities is appropriate.

**Agreement — Reimbursement of Rate-Case Expenses**

- 99. The signatories agreed that CenterPoint Houston must reimburse Cities for rate-case expenses incurred through the completion of this proceeding within 30 days of the issuance of this Order or the receipt of invoices, whichever is later.
- 100. The signatories agreed to a \$145,000 reduction to CenterPoint Houston's rate-case expenses as recommended in the direct testimony of Commission Staff witness Vonetta Jackson. In addition, for expenses incurred after December 31, 2023, CenterPoint Houston must apply an equivalent percentage of 16.4% to determine the reduction amount for those expenses. The signatories agreed that rider RCE is appropriate to use for recovery of CenterPoint Houston's and Cities' rate-case expenses.



101. The signatories agreed that CenterPoint Houston must reimburse Cities for their reasonable rate-case expenses associated with this proceeding, including amounts incurred during August through October 2024. However, CenterPoint Houston will not seek recovery of its own or Cities' rate-case expenses in connection with this proceeding incurred during August through October 2024, as these expenses are not reasonable and necessary for purposes of recovery from ratepayers.
102. The signatories agreed that CenterPoint Houston must reimburse Cities for their expenses incurred during the period April through August 2024 in Docket No. 56548,<sup>7</sup> which was CenterPoint Houston's application for approval of system resiliency plans, and which CenterPoint Houston withdrew on August 1, 2024.
103. The signatories agreed that CenterPoint Houston must reimburse Cities for the reasonable expenses Cities will incur in CenterPoint Houston's 2025 system resiliency plan proceeding, including Cities' reasonable expenses incurred to monitor CenterPoint Houston's implementation of its system resiliency plan.
104. The signatories agreed that CenterPoint Houston must reimburse Cities for reasonable expenses Cities will incur in Docket No. 57271,<sup>8</sup> in related finance-order filings, and in CenterPoint Houston's future storm-restoration proceedings related to Hurricane Beryl, including the cost-determination filings and finance-order filings related to such proceedings.
105. It is appropriate that CenterPoint Houston reimburse Cities for expenses reasonably incurred, and recover its own rate-case expenses, as described in findings of fact 97 through 102.

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<sup>7</sup> *Application of CenterPoint Energy Houston Electric, LLC for Approval of Its Transmission and Distribution System Resiliency Plans*, SOAH Docket No. 473-24-17310, PUC Docket No. 56548, SOAH Order No. 5, Dismissing Proceeding (Aug. 16, 2024).

<sup>8</sup> *Application of CenterPoint Energy Houston Electric, LLC for Determination of System Restoration Costs*, SOAH Docket No. 473-25-05323, PUC Docket No. 57271 (pending).

**Agreement – Wholesale Transmission Service Rate**

106. The signatories agreed that CenterPoint Houston's wholesale transmission service (WTS) rate should be set using the Commission approved 2023 four-coincident-peak (4CP) value of 83,685,241.4 kilowatts (kW).
107. It is appropriate that CenterPoint Houston's WTS rate be set using the Commission approved 2023 4CP value of 83,685,241.4 kW.

**Agreement – Allowance for Funds Used During Construction**

108. The signatories agreed that CenterPoint Houston must adhere to allowance for funds used during construction (AFUDC) account requirements in accordance with the FERC USOA (18 C.F.R., Part 101, Electric Plant Instruction No. 3(17)) and related precedent.
109. The signatories agreed that CenterPoint Houston must discontinue rounding the AFUDC rate up to the next 0.25%, effective January 1, 2025.
110. It is appropriate that CenterPoint Houston adhere to AFUDC account requirements in accordance with the FERC uniform system of accounts and related precedent.
111. It is appropriate that CenterPoint Houston discontinue rounding the AFUDC rate up to the next 0.25%, effective January 1, 2025.

**Agreement – Approval of Requested Billing Determinants**

112. CenterPoint Houston's requested billing determinants as set out in schedule IV-J-5 (as amended by any errata) are reasonable.

**Agreement – Approval of the Accounting Treatment for Third-Party Cloud Computing Arrangements**

113. The signatories agreed that CenterPoint Houston's requested accounting treatment for third-party cloud computing arrangements, as described in the direct testimony of CenterPoint Houston witness Kristie L. Colvin, is reasonable.
114. It is appropriate to adopt CenterPoint Houston's requested accounting treatment for third-party cloud computing arrangements, as described in Ms. Colvin's testimony.

*Agreement – Statutory Requirements and Baseline Values*

115. The signatories agreed to adopt statutory requirements and baseline values as set forth in findings of fact 114 through 122 of this Order.
116. To the extent that affiliate costs are included in the agreed-to rates, they are reasonable and necessary for each class of affiliate costs presented in CenterPoint Houston's application.
117. To the extent that affiliate costs are included in the agreed-to rates, the prices charged to CenterPoint Houston are not higher than the prices charged by the supplying affiliate for the same item or class of items to its other affiliates or divisions or to a non-affiliated person with the same market areas or having the same market conditions.
118. CenterPoint Houston's request for an annual self-insurance reserve accrual of \$22.34 million and a new target property insurance reserve of \$16.7 million, as described in the direct testimony of CenterPoint Houston witness Gregory S. Wilson, is reasonable.
119. CenterPoint Houston will continue to use current depreciation rates approved in Commission Docket No. 49421.
120. CenterPoint Houston's requested pension and other postemployment benefits baselines as shown in table 2 in the direct testimony of Kristie L. Colvin are reasonable. In accordance with PURA<sup>9</sup> § 36.065, CenterPoint Houston's pension and other postemployment benefits baselines are \$11,605,293 for the qualified defined benefit pension plan, \$12,782,647 for the qualified defined contribution pension plan, and (\$494,986) for pension and other postemployment benefits expense as shown in exhibit E to the agreement and are reasonable.
121. CenterPoint Houston's request for approval of a new baseline for the long lead time facilities balance in rates, as described in exhibit F to the agreement, is reasonable. The fact that the signatories have agreed to the use of this baseline value as specified in this section does not reflect an agreement on any methodology that may be used by CenterPoint Houston in a future case regarding long lead time facilities cost recovery.

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<sup>9</sup> Public Utility Regulatory Act, Tex. Util. Code §§ 11.001—66.016.

122. The TCRF baseline values and accounting and the proposed allocation factors for future TCRF updates requested in the application (as modified by and set out in exhibit G to the agreement) are reasonable.
123. The DCRF baseline values and accounting requested in the application (as modified by and set out in exhibit H to the agreement) are reasonable.
124. The transmission cost of service (TCOS) baseline values and accounting requested in the application (as modified by and set out in exhibit I to the agreement) are reasonable.

**Net Operating Loss Carryforward Accumulated Deferred Income Tax Amount Calculation**

125. The signatories agreed that CenterPoint Houston's net operating loss carryforward accumulated deferred income tax amount included in future DCRF update filings must be calculated in accordance with PURA § 36.060.
126. It is appropriate that CenterPoint Houston's net operating loss carryforward accumulated deferred income tax amount included in future DCRF update filings are calculated in accordance with PURA § 36.060.

**Agreement – Moratorium on Disconnections for Nonpayment Due to Extreme Weather Events**

127. The signatories agreed that no later than May 1, 2025, CenterPoint Houston will issue moratoriums on disconnections for nonpayment (DNPs) due to extreme weather events by county rather than for its entire service area. Additionally, CenterPoint Houston must only implement DNP moratoriums in accordance with Commission rules and CenterPoint Houston's tariff.
128. It is appropriate that CenterPoint Houston issue DNP moratoriums due to extreme weather events by county and only implement DNP moratoriums in accordance with Commission rules and CenterPoint Houston's tariff.

**Agreement – Posting of Current Rates and Any Pending Rate Change Requests**

129. The signatories agreed that CenterPoint Houston must post current rates and any pending rate change requests on a publicly available location in the competitive retailer section of CenterPoint Houston's website, including the current rates for all customer classes, and the posting must be in a chart format.

130. It is reasonable that CenterPoint Houston post current rates and any pending rate change requests on a publicly available location in the competitive retailer section of CenterPoint Houston's website, including the current rates for all customer classes, and the posting must be in a chart format.

**Agreement – Outage Tracker**

131. CenterPoint Houston agreed to return an online outage tracker map to operation within 30 days of the date of the agreement, that is, by February 28, 2025. The signatories agreed that CenterPoint Houston must file a report with the Commission providing the performance time of its outage tracker following any system outage involving more than 250,000 customers.

**Agreement – One-Time Refund**

132. The signatories agreed that, to provide customers with the benefit of the revenue requirement reduction stated in finding of fact 63 as of January 1, 2025, within five working days after issuance of this Order, CenterPoint Houston will submit an application for a one-time refund of \$5.2 million to retail and wholesale customers allocated among functions and rate classes based on the agreed functional and class revenue requirement amounts in accordance with finding of fact 65 above in an equalized percentage basis. CenterPoint Houston should use an existing SAC04 code to effectuate the refund and provide retail electric providers 45-day notice of the refund.

**Agreement – Additional Matters**

133. By June 30, 2025, CenterPoint Houston agreed to host a collaborative working group, open to relevant entities including the Port of Houston and municipal entities, to discuss implementation of Phase 1 of the National Zero-Emission Freight Corridor Strategy. At this discussion, CenterPoint Houston will provide an analysis of each of the locations within CenterPoint Houston's territory identified as a Phase 1 hub location as of December 31, 2024, including for each principal port site: (a) projected magnitude and timing of loads; and (b) anticipated distribution system investments needed to serve such loads.
134. CenterPoint Houston agreed to host a collaborative working group, open to interested external stakeholders including municipal entities, regional and state planning entities,

fleets, charging providers (e.g., EVSEs, charging-as-a-service providers, OEMs), and nonprofits to incorporate electric vehicle load growth into distribution system planning, deployment, and operation. This working group will meet at least once per year.

135. By December 31, 2025, CenterPoint Houston agreed to produce a public report that identifies technological, security, and other potential barriers to publishing publicly available hosting capacity data, and CenterPoint Houston's plans and estimated associated implementation costs to work to overcome those barriers.

**Informal Disposition**

136. More than 15 days have passed since the completion of notice provided in this docket.
137. No person filed a protest.
138. No party is currently requesting a hearing, and no hearing is necessary.
139. Commission Staff recommended approval of the application as amended by the agreement.
140. This decision is not adverse to any party.

**II. Conclusions of Law**

The Commission makes the following conclusions of law.

1. CenterPoint Houston is a public utility as that term is defined in PURA § 11.004(1) and an electric utility as that term is defined in PURA § 31.002(6).
2. The Commission has authority over this matter under PURA §§ 14.001, 32.001, 33.051, 36.001 through 36.210, and 39.552.
3. Under PURA § 33.051, each municipality in CenterPoint Houston's service area that has not ceded jurisdiction to the Commission has jurisdiction over CenterPoint Houston's application, which seeks to change rates for service within each municipality.
4. The Commission has authority over an appeal from municipalities' rate proceedings under PURA § 33.051.

5. The Commission processed the application in accordance with the requirement of PURA, the Administrative Procedure Act,<sup>10</sup> and Commission rules.
6. The Commission's approval of the agreement is in accordance with the requirement of PURA, the Administrative Procedure Act, and Commission rules.
7. SOAH exercised jurisdiction over this proceeding under PURA § 14.053 and Texas Government Code § 2003.049.
8. CenterPoint Houston provided notice of the application in compliance with PURA § 36.103 and 16 TAC § 22.51(a) and filed affidavits attesting to the completion of notice in compliance with 16 TAC § 22.51(d).
9. The rates approved in this Order are just and reasonable; are not unreasonably preferential, prejudicial, or discriminatory; are sufficient, equitable, and consistent in application to each consumer class; and meet the requirements of PURA § 36.003.
10. In accordance with PURA § 36.051, the rates approved in this Order permit CenterPoint Houston a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses.
11. The retail revenue requirement approved in this Order does not include any expenses prohibited from recovery under PURA §§ 36.061(a) and 36.062.
12. CenterPoint Houston's invested capital through the end of the test year meets the requirement of PURA § 36.058.
13. The affiliate expenses included in CenterPoint Houston's rates under the agreement comply with the requirements of PURA § 36.058.
14. Under PURA § 36.065(b), a utility may establish one or more reserve accounts for expenses for pension and other postemployment benefits.
15. The agreement resolves certain issues between the parties in this docket.

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<sup>10</sup> Tex. Gov't Code §§ 2001.001-.903.

16. The tariff sheets and rates schedules approved in this Order are just and reasonable.
17. The Commission's adoption of a final order in accordance with the agreement satisfies the requirements of Texas Government Code § 2001.051.
18. The requirements for informal disposition under 16 TAC § 22.35 have been met in this proceeding.

### **III. Ordering Paragraphs**

In accordance with these findings of fact and conclusions of law, the Commission issues the following orders.

1. The Commission approves the rates, terms, and conditions set forth in the agreement to the extent provided in this Order.
2. The Commission approves CenterPoint Houston's tariffs attached to the agreement.
3. The final rates approved in this Order are effective no earlier than the 46th day after the date of this Order.
4. CenterPoint Houston must provide notice of the approved rates to REPs no later than the first working day after the date of this Order.
5. Within 20 days of the date of this Order, CenterPoint Houston must file a clean record copy of the tariffs approved by this Order, with the appropriate effective date, to be stamped *Approved* and retained by Central Records.
6. CenterPoint Houston must serve copies of all tariff-related filings on all parties of record.
7. CenterPoint Houston's present wholesale and retail revenues of \$2.305 billion are decreased by \$44,153,511.40, plus an additional reduction of \$2,424,013 to remove chief executive officer compensation expense, for a total reduction of \$46,577,524.40, as set out in exhibit A to the agreement.
8. Within five working days after issuance of this Order, CenterPoint Houston must submit, in a new docket, an application for a one-time refund of \$5.2 million to retail and wholesale customers allocated among functions and rate classes based on the agreed functional and class revenue requirement amounts in accordance with finding of fact 65 above in an



- equalized percentage basis. CenterPoint Houston will use an existing SAC04 code to effectuate the refund. CenterPoint Houston will provide REPs at least 45 days' prior notice of the refund.
9. The revenue requirement approved by this Order must be allocated as follows: \$653,511.40 will be directly allocated to the retail transmission customer class, and the remaining value, \$45,924,013, must be allocated among retail customer classes and wholesale transmission such that each retail customer class and wholesale transmission receives the same percentage decrease from the revenue collected from present rates as shown in exhibit B to the agreement.
  10. For each retail customer class, CenterPoint Houston's proposed customer and meter charges will be adopted. The distribution charge for each class will be designed so that the total revenue collected from the class's customer, meter, and distribution charges would reflect the total revenue reduction allocated to that class as set forth in exhibit B to the agreement. This will not include CenterPoint Houston's proposal to update TCRF to reflect any changes in wholesale transmission rates approved by the Commission since the initial filing of this case and for changes in the TCRF allocation factors. The TCRF rider is not updated in this proceeding.
  11. CenterPoint Houston must have a weighted average cost of capital of 6.606% based upon an as filed 4.29% cost of debt, an agreed return on equity of 9.65%, and an agreed regulatory capital structure of 56.75% long-term debt and 43.25% equity.
  12. The weighted average cost of capital, cost of debt, return on equity, and capital structure of CenterPoint Houston adopted in this Order will apply in all Commission proceedings or Commission filings requiring application of such items.
  13. CenterPoint Houston's cash working capital is reduced by \$5,180,289 from the amount proposed in schedule 11-B-9, for a total cash working capital amount of \$6,988,071.
  14. The ringfencing provision set out in ordering paragraph 30 in the final order in Docket No. 49421 is modified to read: "CenterPoint Houston must maintain registrations with Moody's and S&P ratings agencies."

15. The ringfencing provision set out in ordering paragraph 39 in the final order in Docket No. 49421 is modified to read: “CenterPoint Houston must notify the Commission if its credit issuer rating or corporate rating as rated by Moody’s or S&P falls below investment-grade level.”
16. CenterPoint Houston may not seek to recover from customers any costs incurred as a result of a bankruptcy of CenterPoint Energy, Inc., or any of its affiliates other than CenterPoint Houston or caused by a bankruptcy of CenterPoint Houston.
17. No CenterPoint Houston assets may be pledged for or used to secure the debt of other entities.
18. CenterPoint Houston’s requested gross plant in service of \$17,795,166,166 through the end of the test year (December 31, 2023) is reduced by \$10,000,000, as reflected on exhibit D attached to the agreement, along with the associated impacts to accumulated depreciation and ADIT.
19. CenterPoint Houston must not seek recovery of, or a return on, the plant listed in exhibit D to the agreement in any future proceeding.
20. CenterPoint Houston must reimburse Cities for rate-case expenses incurred through the completion of this proceeding within 30 days of issuance of this Order or the receipt of invoices, whichever is later.
21. CenterPoint Houston’s rate-case expenses incurred through December 31, 2023, must be reduced by \$145,000. For rate-case expenses incurred after December 31, 2023, CenterPoint Houston must apply an equivalent percentage of 16.4% to determine the reduction amount for those expenses.
22. CenterPoint Houston must reimburse Cities for their reasonable rate-case expenses associated with this proceeding, including amounts incurred during August through October 2024. However, CenterPoint Houston must not seek recovery of its own or Cities’ rate-case expenses in connection with this proceeding incurred during August through October 2024, as these expenses are not reasonable and necessary for purposes of recovery from ratepayers.

23. Within 30 days of the issuance of this Order or the receipt of invoices, whichever is later, CenterPoint Houston must reimburse Cities for their rate-case expenses incurred in Docket No. 56548 during the period of April through August 2024.
24. CenterPoint Houston must reimburse Cities for the reasonable rate-case expenses Cities incur in CenterPoint's 2025 system resiliency plan proceeding, including Cities' reasonable expenses incurred to monitor CenterPoint's implementation of its system resiliency plan.
25. CenterPoint Houston must reimburse Cities for the reasonable rate-case expenses Cities incur in Docket No. 57271, in related finance-order filings, and in CenterPoint Houston's future storm-restoration proceedings related to Hurricane Beryl, including the cost-determination filings and finance-order filings related to such proceedings.
26. The rates adopted in Docket No. 53606 and updated in this proceeding are adopted on an interim basis and are subject to refund or surcharge to the extent appropriate based on the resolution of Project No. 54224.
27. CenterPoint Houston's WTS rate must be set using the Commission approved 2023 4CP value of 83,685,241.4 kW.
28. CenterPoint Houston must adhere to AFUDC account requirements pursuant to the FERC Uniform System of Accounts (18 C.F.R. , Part 101, Electric Plant Instruction No. 3(17)) and related precedent.
29. CenterPoint Houston must discontinue rounding the AFUDC rate up to the next 0.25%, effective January 1, 2025.
30. CenterPoint Houston must implement the rider IRAs, conditioned on the language in finding of fact 84.
31. CenterPoint Houston must implement the requested accounting treatment for third-party cloud computing arrangements, as described in the direct testimony of CenterPoint Houston witness Kristie L. Colvin.
32. CenterPoint Houston must continue to use the depreciation rates approved in Docket No. 49421.

33. The allocation factors for future DCRF proceedings will be those stated in the application, as modified by the agreement.
34. No later than May 1, 2025, CenterPoint Houston must issue the moratorium on disconnections for nonpayment (DNP) due to extreme weather events by county rather than for its entire service area. Additionally, CenterPoint Houston must only implement DNP moratoriums in accordance with Commission rules and CenterPoint Houston's tariff.
35. CenterPoint Houston must post current rates and any pending rate change requests on a publicly available location in the competitive retailer section of CenterPoint Houston's website, include the current rates for all customer classes, and post the rates in a chart format.
36. CenterPoint Houston agreed to return an online outage tracker map to operating within 30 days of the date of the agreement. CenterPoint Houston must file a report with the Commission providing the performance time of its outage tracker following any system outage involving more than 250,000 customers.
37. By June 30, 2025, CenterPoint Houston will host a collaborative working group, open to relevant entities including the Port of Houston and other relevant municipal entities, to discuss implementation of Phase 1 of the National Zero-Emission Freight Corridor Strategy. At this discussion, CenterPoint Houston will provide an analysis of each of the locations within CenterPoint Houston's territory identified as a Phase I hub location as of December 31, 2024, including for each principal port site (i) projected magnitude and timing of loads, and (ii) anticipated distribution system investments needed to serve such loads.
38. CenterPoint Houston will host a collaborative working group, open to interested external stakeholders including municipal entities, regional and state planning entities, fleets, charging providers (e.g., EVSEs, charging-as-a-service providers, OEMs), and nonprofits to incorporate electric vehicle load growth into distribution system planning, deployment, and operation. This working group will meet at least once per year.
39. By December 31, 2025, CenterPoint Houston will produce a public report that identifies technological, security, and other potential barriers to publishing publicly available hosting

capacity data, and CenterPoint Houston's plans and estimated associated implementation costs to work to overcome those barriers.

40. Entry of this Order does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the agreement and must not be regarded as precedential as to the appropriateness of any principle or methodology underlying the agreement.
41. The Commission denies all other motions and any other requests for general or specific relief that are not expressly granted.

**Signed at Austin, Texas the \_\_\_\_\_ day of \_\_\_\_\_ 2025.**

**PUBLIC UTILITY COMMISSION OF TEXAS**

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**THOMAS J. GLEESON, CHAIRMAN**

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**KATHLEEN JACKSON, COMMISSIONER**

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**COURTNEY K. HJALTMAN, COMMISSIONER**