

DOCKET NO. 38339

**APPLICATION OF CENTERPOINT
ENERGY HOUSTON ELECTRIC, LLC
FOR AUTHORITY TO CHANGE
RATES**

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**BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS**

**STATEMENT OF INTENT AND APPLICATION OF CENTERPOINT ENERGY
HOUSTON ELECTRIC, LLC FOR AUTHORITY TO CHANGE RATES**

CenterPoint Energy Houston Electric, LLC (“CenterPoint Houston” or “Company”) files this Statement of Intent and Application for Authority to Change Rates pursuant to both Subchapter C of Chapter 36 of the Public Utility Regulatory Act (“PURA”) and the Order in Docket No. 32093 (“Application”).

I. INTRODUCTION

CenterPoint Houston is filing this Application at the directive of parties who have chosen to exercise their right under the Order in Docket No. 32093 to initiate a general rate case.

CenterPoint Houston proposes in this Application new rate schedules that will allow the Company to effectively transition from the old, integrated utility rate case model to one that works in today’s dynamic, restructured electric utility market. Specifically, the Company requests approval of Rider DCRF, a mechanism that streamlines the ratemaking process so that rates are adjusted annually to reflect costs as they fluctuate up or down. This annual review process will (1) ensure more timely regulatory oversight over the Company’s expenditures, (2) enhance the Company’s ability to respond to regulatory initiatives, and (3) reduce the protracted and expensive rate proceedings that would otherwise result.

Moreover, as required by the Order in Docket No. 35639 and Substantive Rule 25.130, the Company is including in this Application a reconciliation of costs incurred related to its Advanced Metering System (“AMS”) deployment.

II. AUTHORIZED REPRESENTATIVES

The telephone number and address of CenterPoint Houston's authorized business representative are as follows:

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The telephone numbers and addresses of CenterPoint Houston's authorized legal representatives are:

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CenterPoint Houston requests that all information and documents in this filing be served on each of the persons above at their respective addresses or fax numbers.

III. JURISDICTION

The Commission has exclusive original jurisdiction over this proceeding for areas outside municipalities pursuant to PURA § 32.001 and for those municipalities shown on Exhibit A that have ceded their original jurisdiction to the Commission pursuant to PURA § 33.002(b).

IV. AFFECTED PERSONS AND TERRITORIES

The Application affects all retail electric providers ("REPs") serving end-use retail electric customers in CenterPoint Houston's certificated service territory and will affect the retail electric customers of those REPs to the extent that the REPs pass along to their customers the charges under the Company's Tariff for Retail Delivery Service. The Application also affects all customers taking service under the Company's Tariff for Wholesale Transmission Service.

V. OVERVIEW OF THE APPLICATION

This Application contains the testimony of 41 witnesses through 45 pieces of testimony, including 15 pieces of testimony on the AMS reconciliation. The Direct Testimony of Scott Prochazka presents an overview of the testimony and the Company's request for a base rate increase of approximately \$76 million for service to retail customers and an increase of approximately \$18 million for wholesale transmission customers. A list of witnesses, and a summary of their testimony, is attached to Mr. Prochazka's overview testimony.

A. Test Year

As required by the Order in Docket No. 32093, the Application is based on a test year consisting of the twelve-month period ending December 31, 2009.

B. Proposed Tariffs and Schedules

The Application contains the changes described below to the Tariff for Retail Delivery Service and the Tariff for Wholesale Transmission Service.

Tariff for Retail Delivery Service

The Company's proposed Tariff for Retail Delivery Service sets forth the type of service, the monthly rate, service riders that may apply to the rate schedule, and the six rate classes to which the rate schedule will apply.

a. Retail Rate Schedules

1. Residential Service

CenterPoint Houston proposes to change the delivery charges to reflect the revenue requirement by function as described in its proposed allocation study. Additionally, the municipal account franchise credit has been changed to reflect the average franchise expense in the rate.

2. Secondary Service Less Than Or Equal To 10 kVa

CenterPoint Houston proposes for this class the same changes as proposed for the residential class.

3. Secondary Service Greater Than 10 kVa

CenterPoint Houston proposes to include different customer charges for customers with interval data recorder meters, change the delivery charges to reflect the revenue requirement by function as described in the proposed allocation study, change the billing determinant for the municipal account franchise credit from kWh to Billing kVa, and remove the Subclass Exception Charges.

4. Primary Service

CenterPoint Houston proposes for this class the same changes as proposed for the Secondary Service Greater Than 10 kVa.

5. Transmission Service

CenterPoint Houston proposes to change the "Distribution System Charge" billing determinant from 4CP kVa to Billing kVa, change the delivery charges to reflect the revenue requirement by function as described in the proposed allocation study, and change the billing determinant for the municipal account franchise credit to Billing kVa.

6. Lighting Services

For Street Lighting Service, CenterPoint Houston proposes to change the charges to reflect the revenue requirement as described in the proposed allocation study, to add a charge for light emitting diode lighting service, to reflect an appropriate restoration time frame goal, and to reflect the average franchise expense in the rate. For Miscellaneous Lighting Service, CenterPoint Houston proposes to change the charges to reflect the revenue requirement as described in the proposed allocation study and to reflect the average franchise expense in the rate.

b. Rate Charges by Function

The Application explains the proposed Customer Charge, Metering Charge, Distribution System Charge, and Transmission System Charge. In the event the Commission does not adopt the Company's proposed Rider DCRF, discussed below, the Company proposes an alternate rate design only for the residential customer class that consists of an \$18.18 Customer Charge and, correspondingly, a decrease in the volumetric Distribution Charge.

c. Retail Delivery Service Riders and Charges

1. Rider DCRF – Distribution Cost Recovery Factor (“Rider DCRF”)

CenterPoint Houston proposes new Rider DCRF to address the increasing demand for additional spending on reliability programs such as system hardening, vegetation management, pole and line inspections, the intelligent grid, as well as energy efficiency and conservation. This alternative cost recovery mechanism will offer the Company a reasonable opportunity to recover its non-transmission cost of service inclusive of a fair return without the attendant regulatory lag and costs associated with a general rate proceeding. The Rider DCRF rate adjustment may be positive or negative. The Company is not seeking to recover any costs through Rider DCRF in

this proceeding. Rather, the Company is asking the Commission to approve the policy and template for Rider DCRF so that it may be implemented beginning June 1, 2011.

2. Rider SH – System Hardening (“Rider SH”)

CenterPoint Houston seeks to recover through its base rates certain system hardening operations and maintenance expenses currently not included in test year costs in a similar manner as a just and measurable adjustment to base rates. If this approach is not accepted, these operations and maintenance expenses can be recovered, as well as associated capital costs, through Rider DCRF. If the Commission does not approve Rider DCRF, however, the Company seeks adoption of new Rider SH, which will allow the Company to recover costs associated with system hardening. If the Commission allows the operations and maintenance costs to be included in base rates and Rider DCRF is adopted to recover capital costs, then the costs intended to be recovered by Rider SH would be included in Rider DCRF and Rider SH would be unnecessary.

3. Rider AMS – Advanced Metering System Surcharge (“Rider AMS”)

As required by the order of the Commission in Docket No. 35639 and Substantive Rule 25.130, CenterPoint Houston is requesting the following adjustment to its existing surcharge under Rider AMS, beginning with the billing cycle in February 2011:

Residential	\$3.05 (for 48 billing cycles)
Secondary <= 10kVA	\$3.14 (for 78 billing cycles)
Secondary > 10 kVA	\$3.16 (for 78 billing cycles)
Primary	\$3.16 (for 78 billing cycles)

4. Rider SCUD – State Colleges and Universities Discount (“Rider SCUD”)

The Application proposes to remove Rider SCUD consistent with the Commission’s decision in pending Docket No. 38214. Based on the historical usage levels for the REPs with

customers eligible for Rider SCUD, CenterPoint Houston foregoes collection of approximately \$2 million per year in otherwise recoverable transmission and distribution charges due to the application of Rider SCUD.

5. Rider EECRF – Energy Efficiency Cost Recovery Factor (“Rider EECRF”)

As required by Substantive Rule 25.181(f)(2), the Application proposes to update Rider EECRF to reflect the addition of energy efficiency costs that were previously in base rates. CenterPoint Houston is therefore requesting approval of an adjustment to Rider EECRF to recover in 2011: (1) the \$22,925,492 in current energy efficiency program costs in the Company’s base rates; (2) the \$7,858,508 in estimated 2011 projected energy efficiency program costs in excess of the amount of energy efficiency costs included in base rates; (3) the \$5,069,095 energy efficiency performance bonus earned based on 2009 achievements; and (4) \$1,436,550 in lost revenue due to verified and reported 2009 energy savings; reduced by a regulatory liability in the amount of \$504,858.

6. Other Riders

The Company requests changes to several other riders, as follows:

- Rider SBF – System Benefit Fund: CenterPoint Houston proposes to update this rider to reflect the proposed revenue requirement and the resulting allocation of costs.
- Rider TCRF – Transmission Cost Recovery Factor: CenterPoint Houston proposes to set the charges for this rider to collect only temporary items and proposes to update the Rider TCRF allocation factors consistent with the proposed allocation study in this case.
- Rider ESS – Retail Electric Service Switchovers: This rider is applicable to a customer that meets the provisions of the rate and chooses to switch to another utility for electric delivery service. CenterPoint Houston proposes updating the charges to reflect the present cost of providing this service.
- Rider CMC – Competitive Metering Credit: The Company proposes to reflect CenterPoint Houston’s present cost of meter ownership and to reflect that Rider

CMC is only available to customers that are required by ERCOT to have an interval data recorder meter.

- Rider RCE – Rate Case Expenses Surcharge: CenterPoint Houston is proposing to change this rider to recover rate case expenses determined to be reasonable by the Commission in this case.
- Rider EMC – Excess Mitigation Credit: CenterPoint Houston is proposing to remove this rider as it is currently not applicable and not likely to ever become applicable.
- Rider RURC – Rider UCOS Retail Credit: CenterPoint Houston is proposing to remove this rider as it will no longer be applicable by the completion of this proceeding.

d. Discretionary Charges

CenterPoint Houston proposes to update the charges for the Discretionary Services to reflect CenterPoint Houston's current cost of providing such services. The Company is also proposing a new Discretionary Charge for Transmission Facility Outage Scheduling and Notification, which is necessary under the soon-to-be-implemented ERCOT Nodal Market Design.

There are six discretionary charges associated with AMS remote access meters that the Company proposes to update to reflect the status of its AMS meter deployment. Based on the settlement in Docket No. 35639, these discretionary charges are to be updated annually to reflect the cost savings associated with the investment in the AMS meters.

Additionally, the Company is proposing to remove the administrative cost embedded in the development of all discretionary costs, which is currently \$1. CenterPoint Houston proposes that this administrative cost be reflected in the overall Company administrative costs and be included in base rates.

e. Other Changes

The Application contains certain other Company-specific changes to the Tariff for Retail Delivery Service.

Tariff for Wholesale Transmission Service

The Tariff for Wholesale Transmission Service includes CenterPoint Houston's proposed wholesale transmission rate and the terms under which wholesale transmission service will be provided. The Company proposes changes to this tariff to reflect CenterPoint Houston's current cost of providing this service.

The Company also proposes to change Rider RUWC – UCOS Wholesale Credit ("Rider RUWC"), which is applicable to Distribution Service Providers assessed a transmission service charge under rate schedule Wholesale Transmission Service – WTS. Rider RUWC remains in effect until it has returned \$19.2 million pursuant to the settlement agreement in Docket 32093. It is anticipated that \$19.2 million will be returned before the completion of this proceeding. However, the Company has received insurance proceeds from Hurricane Ike associated with its transmission system in the amount of \$1.569 million. As such, the Company proposes renaming Rider RUWC as Rider IPC – Insurance Proceeds Rider and for the tariff to be updated to reflect the credit amount of \$1.569 million to be returned over an anticipated three-year period or until the funds are fully returned.

C. Effect of Proposed Change on Company's Revenues

The Application supports a net increase in retail transmission and distribution rates of approximately \$76 million over adjusted test year revenues, which is an increase of around 5%. It also supports an approximately \$18 million increase for wholesale transmission service, which is an increase of around 7.5%. The proposed increase constitutes a "major change" as that term is defined in PURA § 36.101.

D. Advanced Metering System Surcharge and Reconciliation

Consistent with the Final Order in Docket No. 35639 and Substantive Rule 25.130, CenterPoint Houston has included in this Application its reconciliation and adjustment to its

AMS surcharge. CenterPoint Houston used January 1, 2009 through March 31, 2010 as the AMS reconciliation period. In addition to the reconciliation required by Docket No. 35639 and Substantive Rule 25.130, the Application also proposes an adjustment to the AMS surcharge to account for the acceleration of its AMS project due to the receipt of a Smart Grid Investment Grant from the Department of Energy. As reflected above, the proposed adjustments to Rider AMS keep the surcharge amounts at the same level as the surcharge amounts approved in Docket No. 35639, but they will be charged over a shorter period of time.

E. Rate Case Expenses

CenterPoint Houston seeks recovery through Rider RCE of all reasonable rate case expenses incurred by the Company or by any intervening city awarded such recovery in this case.

VI. PROTECTIVE ORDER

CenterPoint Houston has included in Section VII of the rate filing package a proposed protective order. The proposed protective order is the same as the protective order issued in Docket No. 36918, the proceeding to determine the Company's Hurricane Ike restoration costs, with two minor exceptions: the Office of the Attorney General has been added to the parties listed both in the last sentence of paragraph 8 and in the last sentence of paragraph 35.

CenterPoint Houston has designated certain documents included in this Application as either Protected Material or Highly Sensitive Protected Material under the terms of the proposed protective order and anticipates it being necessary for the Company or other parties to submit additional documents containing confidential material during discovery in this case. The Company therefore requests approval of the proposed protective order included in Section VII of the rate filing package. Until a protective order is issued in this proceeding, the Company will provide access to the confidential information submitted with this Application to parties that

agree in writing to be bound by the proposed protective order as if it had been issued by the Commission.

VII. NOTICE

CenterPoint Houston intends to provide the following notice of this proceeding as required by Procedural Rule 22.51(a):

- pursuant to Procedural Rule 22.51(a)(1), CenterPoint Houston intends to publish the form of notice attached as Exhibit B in the *Houston Chronicle*, a newspaper having general circulation in each county containing territory affected by the proceeding, once each week for four successive weeks;
- pursuant to Procedural Rule 22.51(a)(2), CenterPoint Houston intends to mail the form of notice attached as Exhibit B to (a) each of the ERCOT wholesale transmission customers on the service list in Docket No. 37680, *Commission Staff's Application to Set 2010 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas* and (b) each REP listed on the Commission's website as of the date on which notice is sent;
- CenterPoint Houston intends to provide a copy of the Application and rate filing package B to each party in Docket No. 32093, the Company's last general rate case; and
- CenterPoint Houston intends to provide a copy of the form of notice attached as Exhibit B to each party in Docket No. 35639, the proceeding that approved the Company's AMS Deployment Plan.

In a separate motion, CenterPoint Houston requests approval of its proposed form of notice prior to publishing and distributing that notice as indicated above.

VIII. REQUEST FOR RELIEF

CenterPoint Houston requests that the Commission (1) approve the rates requested in this Application, including Rider DCRF; (2) approve the reconciliation and adjustment to Rider AMS; and (3) grant CenterPoint Houston such other relief to which it has shown itself entitled.

Respectfully submitted,

A handwritten signature in black ink, reading "Jason M. Ryan", is written over a horizontal line.

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