

Regulatory Information

Houston Electric

DELIVERING

ENERGY, SERVICE

AND VALUE



Regulatory Overview and Estimated Filing Timeline Houston Electric



				2016 Key Metrics - TDU (\$ in millions)			
12/31/16 Customer Count	Authorized Capital Structure	Authorized ROE	Rate Case Base Year	Average Rate Base (Estimated)	Operating Income	Capital Expenditures	Depreciation/Amortization
2,403,340	55% Debt / 45% Equity	10.00%	2009	\$ 4,879 ⁽¹⁾	\$ 537 ⁽¹⁾	\$ 858 ⁽¹⁾	\$ 384 ⁽¹⁾

Estimated rate filing timeline as of Dec. 31, 2016 ⁽²⁾

Jurisdiction	2017				2018				2019				2020				2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Houston Electric		DCRF								DCRF										
		TCOS			TCOS	TCOS			TCOS	TCOS			TCOS	TCOS			TCOS	TCOS		

⁽¹⁾ Transmission and distribution utility only; excludes bond companies

⁽²⁾ Rate filings and timelines are subject to change and may be impacted by factors such as regulatory, legislative and economic factors

Recovery Mechanisms (1,2)

Houston Electric



Mechanism	Definition/Description
Interim Transmission Cost of Service adjustment (TCOS)	Mechanism, which can be used twice per calendar year, that allows a transmission service provider to update their wholesale transmission rates to reflect changes in invested capital, depreciation, federal income tax and other associated taxes as well as changed loads. Rates are effective approximately 2 months after filing.
Transmission Cost Recovery Factor (TCRF)	Semi-annual mechanism where a distribution service provider charges or credits their customers for the amount of approved wholesale transmission cost changes billed by a transmission service provider. Includes an adjustment provision which serves as a "true-up" by matching expenses to revenues. New TCRF charges take effect on March 1 st and September 1 st .
Distribution Cost Recovery Factor (DCRF)	Annual mechanism that provides for the adjustment of an electric utility's rates for changes in certain distribution costs such as distribution plant, distribution intangible plant, and distribution communication equipment. Capital investments may not include generation, transmission, or indirect corporate costs or capitalized O&M. Prudence/reasonableness of investment determined in next rate case unless a good cause exception is requested and approved. Annual filing is due between April 1 st and the 8 th with rates going into effect on September 1 st . A filing will be denied if an electric utility is earning more than its authorized rate of return using weather-normalized data. An electric utility may change its rates pursuant to a DCRF no more than four times between comprehensive base-rate proceedings. An electric utility shall not apply for a DCRF while a comprehensive base-rate proceeding for the electric utility is pending. The current statute authorizing the DCRF mechanism will expire in September 2019.
Energy Efficiency Cost Recovery Factor (EECRF)	Annual mechanism that allows timely recovery of the reasonable costs of providing energy efficiency programs. This mechanism will give a utility the opportunity to recover revenues equal to the sum of the utility's forecasted efficiency program costs, the EE incentive amount that it earned for the prior year, any adjustment for past over- or under-recovery of energy efficiency revenues, previous year's proceeding rate case expenses, and the allocated share of the Evaluations, Measurement, and Verification (EM&V) costs. The EE incentive equals 1% of the net benefits for every 2% that the demand reduction goal has been exceeded, with a maximum incentive of 10%.
System Restoration Cost (SRC)	Securitization financing can be used for system restoration costs of \$100 million or more, incurred by an electric utility following weather-related events or natural disasters.

CenterPoint Energy Houston Electric T&D Tariff webpage: <http://www.centerpointenergy.com/en-us/Corp/Pages/rates-and-tariffs-electric.aspx?sa=ho&au=res>

(1) Pension expense deferral allowed for variance between actual pension expense and the amount reflected in rates; reconciled in future rate cases

(2) Bad debt deferral allowed for defaults by Retail Electric Providers (REPs); reconciled in future rate cases