



Energy for You

Regulatory Information Houston Electric

December 31, 2017

Regulatory Overview and Estimated Filing Timeline Houston Electric



2017 Key Metrics - TDU (\$ in millions)

12/31/17 Customer Count	Authorized Capital Structure	Authorized ROE	Rate Case Base Year	Average Rate Base (Estimated) ¹	Operating Income ¹	Capital Expenditures ¹	Depreciation/ Amortization ¹
2,444,299	55% Debt / 45% Equity	10.00%	2009	\$5,193	\$535	\$923	\$395

Estimated rate filing timeline

- Houston Electric regulatory calendar will be refreshed upon the conclusion of the planned 2019 rate case filing.

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

Recovery Mechanisms ^(1,2)

Houston Electric



Mechanism	Definition/Description
Interim Transmission Cost of Service adjustment (TCOS)	Mechanism, which can be used twice per 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.
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 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 shall not apply for a DCRF while a comprehensive base-rate proceeding for the electric utility is pending.
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