

CENTERPOINT ENERGY INC

Form 8-K

August 07, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K
CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **August 2, 2007**

CENTERPOINT ENERGY, INC.

(Exact name of registrant as specified in its charter)

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| Texas (State or other jurisdiction of incorporation) | 1-31447 (Commission File Number) | 74-0694415 (IRS Employer Identification No.) |
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| 1111 Louisiana Houston, Texas (Address of principal executive offices) | 77002 (Zip Code) |
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Registrant's telephone number, including area code: **(713) 207-1111**

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

(Exact name of registrant as specified in its charter)

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| Texas (State or other jurisdiction of incorporation) | 1-3187 (Commission File Number) | 22-3865106 (IRS Employer Identification No.) |
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|--|----------------------------|
| 1111 Louisiana Houston, Texas (Address of principal executive offices) | 77002 (Zip Code) |
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Registrants' telephone number, including area code: **(713) 207-1111**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events.

Recovery of True-Up Balance

In December 2004, the Public Utility Commission of Texas (Texas Utility Commission), issued to the Company's transmission and distribution subsidiary, CenterPoint Energy Houston Electric, LLC (CenterPoint Houston), a final order (the True-Up Order) related to recovery of certain costs under the Texas electric restructuring law. That order allowed CenterPoint Houston to recover a true-up balance of approximately \$2.3 billion, which included interest through August 31, 2004, and provided for adjustment of the amount to be recovered to include interest on the balance until recovery, the principal portion of additional excess mitigation credits returned to customers after August 31, 2004 and certain other matters. CenterPoint Houston and other parties filed appeals of the True-Up Order. Those appeals are currently pending before the Texas 3rd Court of Appeals, which held oral argument in January 2007.

Among the issues raised in CenterPoint Houston's appeal of the True-Up Order is the Texas Utility Commission's reduction of the Company's stranded cost recovery by approximately \$146 million for the present value of certain deferred tax benefits associated with its former electric generation assets. Such reduction was considered in the Company's recording of an after-tax extraordinary loss of \$977 million in the last half of 2004. The Company and CenterPoint Houston believe that the Texas Utility Commission based its order on proposed regulations issued by the Internal Revenue Service (IRS) in March 2003 related to those tax benefits. Those proposed regulations would have allowed utilities owning assets that were deregulated before March 4, 2003 to make a retroactive election to pass the benefits of Accumulated Deferred Investment Tax Credits (ADITC) and Excess Deferred Federal Income Taxes (EDFIT) back to customers. However, in December 2005, the IRS withdrew those proposed normalization regulations and issued new proposed regulations that do not include the provision allowing a retroactive election to pass the tax benefits back to customers. In a May 2006 Private Letter Ruling (PLR) issued to a Texas utility on facts similar to the Company's, the IRS, without referencing its proposed regulations, ruled that a normalization violation would occur if ADITC and EDFIT were required to be returned to customers.

CenterPoint Energy subsequently requested a PLR asking the IRS whether the Texas Utility Commission's order reducing CenterPoint Houston's stranded cost recovery by \$146 million for ADITC and EDFIT would cause normalization violations. On August 2, 2007, CenterPoint Energy received the requested PLR. In that ruling the IRS concluded that such reductions would cause normalization violations with respect to the ADITC and EDFIT. As in the May 2006 PLR issued to the other Texas utility, the IRS did not reference its proposed regulations. If the Texas Utility Commission's order relating to the ADITC reduction is not reversed or otherwise modified, the IRS could require the Company to pay an amount equal to CenterPoint Houston's unamortized ADITC balance as of the date that the normalization violation is deemed to have occurred. In addition, the IRS could deny CenterPoint Houston the ability to elect accelerated tax depreciation benefits beginning in the taxable year that the normalization violation is deemed to have occurred. Such treatment, if required by the IRS, could have a material adverse impact on the Company's results of operations, financial condition and cash flows. However, the Company and CenterPoint Houston are vigorously pursuing the appeal of this issue and will seek other relief from the Texas Utility Commission to avoid a normalization violation. Although the Texas Utility Commission has not previously required a company subject to its jurisdiction to take action that would result in a normalization violation, no prediction can be made as to the ultimate action the Texas Utility Commission may take on this issue.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CENTERPOINT ENERGY, INC.

Date: August 7, 2007

By: /s/ James S. Brian
James S. Brian
*Senior Vice President and Chief Accounting
Officer*

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CENTERPOINT ENERGY HOUSTON
ELECTRIC, LLC

Date: August 7, 2007

By: /s/ James S. Brian
James S. Brian
*Senior Vice President and Chief Accounting
Officer*