

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

RATE CASE EXPENSES SEVERED	§	
FROM GAS UTILITIES DOCKET	§	GAS UTILITIES DOCKET
NO. 9791	§	NO. 9811
	§	

FINAL ORDER NUNC PRO TUNC

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to TEX. GOV'T CODE ANN. Chapter 551, et seq. (Vernon 2004 & Supp. 2008). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

1. CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas ("CenterPoint") is a utility as that term is defined in the Texas Utility Code, and is subject to the jurisdiction of the Railroad Commission of Texas ("Commission").
2. CenterPoint owns and operates a gas distribution system that provides gas service to customers in its Texas Coast Division ("TCD").
3. The TCD includes the cities of Alvin, Angleton, Baytown, Beach City, Beasley, Brookshire, Brookside Village, Clear Lake Shores, Clute, Danbury, Dickinson, East Bernard, El Lago, Freeport, Friendswood, Hillcrest Village, Hitchcock, Jones Creek, Katy, Kemah, Kendleton, La Marque, La Porte, Lake Jackson, League City, Liverpool, Manvel, Morgan's Point, Mont Belvieu, Needville, Orchard, Oyster Creek, Pearland, Pleak, Richmond, Richwood, Rosenberg, Santa Fe, Seabrook, Shoreacres, Sugar Land, Taylor Lake Village, Texas City, Wallis, Webster, West Columbia, Wharton and their surrounding environs.
3. On March 6, 2008, CenterPoint filed a statement of intent to increase rates in the unincorporated areas of the TCD. On April 15, 2008, CenterPoint filed an appeal of the actions of the Cities of Baytown, Clute and Shoreacres, Texas which was docketed as Gas Utilities Docket No. 9796. On June 4, 2008, CenterPoint filed an appeal of the actions of the Cities of Freeport, Pearland, West Columbia, and Angleton, Texas which was docketed as Gas Utilities Docket No. 9803. On July 9, 2008, CenterPoint filed an appeal of the actions of the Cities of League City and Wharton, Texas which was docketed as Gas Utilities Docket No. 9808. Gas Utilities Docket Nos. 9791, 9796, 9803 and 9808 were consolidated into one docket, Gas Utilities Docket No. 9791 ("GUD No. 9791").
4. On December 16, 2008, the Commission issued a final order in GUD No. 9791.
5. On April 15, 2008, the Texas Coast Utilities Coalition ("TCUC") intervened as a party to GUD No. 9791 and is a party in this docket. On July 28, 2008, the State of Texas ("STATE") intervened as a party to GUD No. 9791 and is a party in this docket.

6. On July 9, 2009, CenterPoint and TCUC filed a stipulation and partial settlement agreement (the "Agreement") in order to settle several issues presented in this docket and therefore avoid a fully contested case hearing. In the Agreement, both TCUC and CenterPoint stipulated to the admissibility of the direct and rebuttal testimony submitted by each party. The Agreement also stipulates that the requested amounts of rate case expenses, including estimated future expenses, were reasonable and necessarily incurred.
7. A final hearing in GUD No. 9811 was conducted on July 20, 2009.
8. CenterPoint's witnesses established that the hourly rates charged by consulting attorneys, and special service consultants were reasonable; the number of consulting attorneys working on the underlying docket was minimized; the invoices accurately documented hours worked and services provided; there were no time entries exceeding 12.0 hours per day; and there were no disbursements for hotels, valet parking, designer coffee, airfare, or meals requiring special scrutiny or disallowment.
9. TCUC's witnesses established that the hourly rates charged by consulting attorneys, and special service consultants were reasonable; the number of consulting attorneys working on the underlying docket was minimized; the invoices accurately documented hours worked and services provided; there were no time entries exceeding 12.0 hours per day; and there were no disbursements for hotels, valet parking, designer coffee, airfare, or meals requiring special scrutiny or disallowment.
10. The Examiners reviewed all invoices supporting the rate case expenses incurred by CenterPoint and did not find any duplication of services or testimony. There is no evidence in the record that any of the expenses submitted for reimbursement were not necessarily incurred in the prosecution of CenterPoint's rate case proceeding before the Commission.
11. The evidence submitted establishes that CenterPoint's total rate case expenses of \$1,045,845 are reasonable and were necessary to prosecute GUD Nos. 9791 and 9811. Of that amount, \$695,845 are actual expenses and \$350,000 are estimated future expenses.
12. The evidence submitted establishes that TCUC's total rate case expenses of \$755,462 are reasonable and were necessary to prosecute GUD Nos. 9791 and 9811. Of that amount, \$580,462 are actual expenses and \$175,000 are estimated future expenses.
13. It is reasonable that CenterPoint recover all rate case expenses approved herein over a period of twenty-four (24) months. It is reasonable that CenterPoint recover rate case expenses by using a per bill surcharge.
14. It is reasonable that rate case expenses incurred in prosecuting GUD Nos. 9791 and 9811 before the Commission be recovered from all customers located within the TCUC cities and environs because these customers primarily benefitted from the participation of TCUC in these proceedings and were subject to the Commission's jurisdiction in GUD Nos. 9791 and 9811.
15. A rate case expense surcharge of \$0.50 per bill for Residential customers, \$0.58 per bill for Small Commercial customers, and \$10.67 per bill for Large Commercial customers is reasonable because these

surcharges are designed to recover rate case expenses over a twenty-four (24) month period, based on non-gas revenues.

16. It is reasonable to require CenterPoint to true-up rate case expenses after the twenty-four month recovery period because it will allow the utility to recover the exact amount of rate case expenses without over-recovering or under-recovering the utility's rate case expenses from customers.

17. It is reasonable that CenterPoint file a report detailing recovery with the Commission forty-five (45) days after the end of December 2010 and June 2011, identifying the beginning balance for the period, the recovery by month with monthly volumes, the interest calculation and the ending balance. It is reasonable that the report include a reconciliation of the estimated rate case expense approved by providing invoices submitted to the total authorized recovery of the estimated rate case expense.

CONCLUSIONS OF LAW

1. CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas ("CenterPoint") is a gas utility as defined in TEX. UTIL. CODE ANN. §§ 101.003(7), 121.001 (Vernon 2007 & Supp. 2008) and is subject to the Commission's jurisdiction under TEX. UTIL. CODE ANN. §§ 104.001, 121.051 (Vernon 2007 & Supp. 2008).
2. Each party seeking reimbursement for its rate case expenses has the burden to prove the reasonableness of such rate case expenses by a preponderance of the evidence, under 16 TEX. ADMIN. CODE § 7.5530 (2002).
3. The rate case expenses enumerated in the findings of fact herein are reasonable and comply with 16 TEX. ADMIN. CODE ANN. § 7.5530 (2002).
4. The Commission has the authority to allow CenterPoint to recover rate case expenses through a surcharge on its rates, under TEX. UTIL. CODE ANN. § 104.051 (Vernon 2007 & Supp. 2008).

IT IS THEREFORE ORDERED that CenterPoint is authorized to recover all rate case expenses incurred in GUD No. 9791 and approved by this order by means of a surcharge on its rates charged to ratepayers subject to the final orders entered in GUD No. 9791. A rate case expense surcharge of \$0.50 per bill for Residential customers, \$0.58 per bill for Small Commercial customers, and \$10.67 per bill for Large Commercial customers to be implemented over a period of approximately twenty-four (24) months, commencing with the date this final order becomes effective. The per bill surcharge shall be a separate line item on each customer's bill clearly identifying the recovery rate and amount recovered each month.

IT IS FURTHER ORDERED that CenterPoint shall true-up any amounts over-recovered or under-recovered at the end of the twelve month recovery period. If at the end of the twenty-four (24) month recovery period, CenterPoint is either over or under recovered, the utility shall file a report with the Director of the Gas Services Division identifying the over or under recovered amount and the estimated number of months required to fully collect any under recovered amount. All over-recovered amounts shall be refunded, with interest, in the following billing cycle.

IT IS FURTHER ORDERED that any proposed findings of fact and conclusions of law not specifically adopted herein are DENIED. IT IS ALSO ORDERED that each exception to the Examiners' Proposal for Decision not expressly granted herein is overruled and all pending motions and requests for relief not previously granted herein are hereby DENIED.

IT IS FURTHER ORDERED THAT CenterPoint may begin surcharging rates for rate case expenses on and after the date of this Order. This Order will not be final and appealable until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties.

Each exception to the examiners' proposal for decision not expressly granted herein is overruled. All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

SIGNED this 21 day of September, 2010.

RAILROAD COMMISSION OF TEXAS

Victor Carrillo
CHAIRMAN VICTOR CARRILLO

Elizabeth A. Jones
COMMISSIONER ELIZABETH A. JONES

Michael L. Williams
COMMISSIONER MICHAEL L. WILLIAMS

ATTEST:
Barbara Hampton
SECRETARY
STATE OF TEXAS