

**BEFORE THE  
RAILROAD COMMISSION OF TEXAS**

<b>RATE CASE EXPENSES SEVERED FROM GAS UTILITIES DOCKET NO. 9902</b>	§ § § § § § §	<b>GAS UTILITIES DOCKET 9954</b>
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**FINAL ORDER**

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. Chap 551, et seq. (Vernon 2004 & Supp. 2008). The Railroad Commission 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 gas utility as that term is defined in the Texas Utility Code.
2. On July 31, 2009, CenterPoint filed a *Statement of Intent* to increase rates on a division-wide basis in the Houston Division, and the case was docketed as GUD No. 9902.
3. The Houston Division includes areas in Fort Bend, Harris, Montgomery and Walker counties and provides natural gas service within the following municipalities: Bellaire, Bunker Hill Village, Conroe, Cut and Shoot, Deer Park, Galena Park, Hedwig Village, Hillshire Village, Houston, Humble, Hunters Creek Village, Jacinto City, Jersey Village, La Porte, Meadows Place, Missouri City, Nassau Bay, New Waverly, Oak Ridge North, Panorama, Pasadena, Piney Point, Roman Forest, Sugar Land, Shenandoah, South Houston, Southside Place, Spring Valley, Stafford, Webster, West University Place, and Willis.
4. CenterPoint also filed a *Statement of Intent* to increase rates in those jurisdictions affected by the proposed rate increase on July 31, 2009.
5. The Commission has jurisdiction over CenterPoint and over the matters at issue in this proceeding pursuant to *Tex. Util. Code Ann.* §§ 102.001, 103.003, 103.051, 104.001, 121.051, 121.052, and 121.151 (Vernon 2008). The statutes and rules involved in this proceeding include, but are not limited to *Tex. Util. Code Ann.* §§ 104.101, 104.102, 104.103, 104.105, 104.106, 104.107, 104.110, 104.301, and 16 *Tex. Admin. Code* Chapter 7.

6. Notice of the proposed increase was published on August 15, 2009, August 18, 2009, August 25, 2009, and September 1, 2009.
7. The cities of Galena Park, Jacinto City, Southside Place, and West University ceded their original jurisdiction to the Commission pursuant to GURA § 103.003(a).
8. The Cities of Hedwig Village and Hunters Creek Village denied the proposed rate increase and CenterPoint appealed. That case was docketed as GUD No. 9908, *Appeal of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas, from the Actions of the Cities of Hedwig Village and Hunters Creek Village.*
9. The cities of Bunker Hill Village, Conroe, Hillshire Village, Houston, Humble, Jersey Village, Nassau, Shenandoah, Spring Valley Village, and Stafford denied the proposed increase. CenterPoint appealed and that case was docketed as GUD No. 9929, *Appeal of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas from the actions of Bunker Hill Village, Conroe, Hillshire Village, Houston, Humble, Jersey Village, Nassau, Shenandoah, Spring Valley Village, and Stafford.*
10. The cities of Deer Park, Meadow Place and Missouri City also denied the proposed increase and CenterPoint filed an appeal that was docket as GUD No. 9941, *Appeal of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas from the actions of Deer Park, Meadows Place, and Missouri City.*
11. GUD Nos. 9908, 9929, and 9941 were consolidated into GUD No. 9902. The following entities intervened in this proceeding: The City of Houston and the Houston Coalition of Cities (“City of Houston/Houston Coalition” or “COH/HCC”) representing the City of Houston, the City of Deer Park, the City of Pasadena, the City of Humble, and the City of Meadows Place; the Gulf Coast Coalition of Cities (“GCCC”) representing Bunker Hill Village, Jersey Village, Nassau Bay, Shenandoah, and Spring Valley Village; the Steering Committee of Cities (“SCC”) representing the City of Conroe and the City of Oak Ridge North; the State of Texas (“State”) and Staff of the Railroad Commission (“Staff”).
12. The hearing commenced on November 4, 2009, and was concluded on November 6, 2009.
13. On October 14, 2009, the Commission issued an Interim Order and this rate case expense proceeding was established in accordance with Tex. Util. Code Ann. § 103.022 and §104.008 (Vernon 2008), and Tex Admin. Code § 7.5530.

14. Through a stipulation agreement of the parties the following documents have been admitted into the record of the of this case:
  - Direct Testimony of Thomas Hudson, CenterPoint Ex. No. 1;
  - Direct Testimony of Amalija Hodgins, COH Ex. No. 1;
  - Direct Testimony of Lee Allen Everett, GCCC Ex. No. 1; and
  - Direct Testimony of Daniel Lawton, SCC, Ex. No. 1.
  - Direct Testimony of Clarence A. West, HCC Ex. No. 1
15. The parties submitted the attached *Unanimous Stipulation and Settlement Agreement*, (Attachment 1) on June 30, 2010, and filed Errata-1 to the Unanimous Stipulation on July 9, 2010 (Attachment 2). Collectively referred to here after as “Unanimous Stipulation and Settlement Agreement.”
16. The Commission hereby takes judicial notice of the underlying record in GUD No. 9902.
17. The *Unanimous Stipulation and Settlement Agreement* limits the recovery of rate case expenses in this proceeding to \$2,934,568.05.
18. Pursuant to the *Unanimous Stipulation and Settlement Agreement* the total amount of reasonably and necessarily incurred rate case expenses consist of the following respective costs:
  - a. CenterPoint: \$1,357,408.53,
  - b. COH/HCC: \$ 968,124.11,
  - c. GCCC: \$ 469,912.08,
  - d. SCC: \$ 119,060.00,
  - e. Pasadena: \$ 20,063.33.
19. Based on the record in this case the *Unanimous Stipulation and Settlement Agreement* is reasonable.
20. The following reporting requirements are reasonable to monitor and audit the recovery of rate case expenses: CenterPoint Energy Entex shall file a compliance report forty-five days after the end of each calendar quarter (March, June, September and December). The report shall show the beginning balance of approved rate case expense of \$2,934,658.05, amount surcharged by month, number of customers surcharged by class of customer, and balance remaining. The report shall include a reconciliation of the estimated rate case expense approved by providing invoices submitted to the total authorized recovery of the estimated expense. The report shall be filed with the Director of the Gas Services Division and shall reference GUD No. 9954.

### CONCLUSIONS OF LAW

1. CenterPoint Energy Entex (CenterPoint) is a “Gas Utility” as defined in Tex. Util. Code Ann. §101.003(7) (Vernon 2009) and §121.001(2009) and is therefore subject to the jurisdiction of the Railroad Commission (Commission) of Texas.
2. The Railroad Commission of Texas (Commission) has jurisdiction over CenterPoint and CenterPoint’s *Statement of Intent* and appeals under Tex. Util. Code Ann. §§ 102.001, 103.022, 103.054, & 103.055, 104.001, 104.001 and 104.201 (Vernon 2009).
3. TEX. UTIL. CODE § 103.022 provides for the recovery of rate case expenses by a municipality and a utility involved in a ratemaking proceeding (Vernon 2009).
4. Tex. Util. Code § 104.051 permits the “utility a reasonable opportunity to earn a reasonable return on the utility’s invested capital used and useful in providing service to the public.” (Vernon 2009).
5. In any rate proceeding, any utility and/or municipality claiming reimbursement for its rate case expenses pursuant to Texas Utilities Code § 103.022(b), shall have the burden to prove the reasonableness of such rate case expenses by a preponderance of the evidence. Each gas utility and/or municipality shall detail and itemize all rate case expenses and allocation and shall provide evidence showing the reasonableness of the cost of all professional services, including but not limited to: (1) the amount of work done; (2) the time and labor required to accomplish the work; (3) the nature, extent, and difficulty of the work done; (4) the originality of the work; (5) the charges by others for the work of the same or similar nature; and (6) any other factors taken into account in setting the amount of compensation. 16 TEX. ADMIN. CODE § 7.5530(a).
6. In determining the reasonableness of the rate case expenses, the Commission shall consider all relevant factors including but not limited to those set out in *Conclusion of Law No. 5*, and shall consider whether the request was warranted, whether there was duplication of services or testimony, either the work was relevant and reasonably necessary to the proceeding, and whether the complexity and expense of the work was commensurate with both the complexity of the issue in the proceeding and the amount of the increase sought as well as the amount of any increase granted. 16 Tex. Admin. Code § 7.5530(a).

The *Unanimous Stipulation and Settlement Agreement* of the parties and the *Rate Case Expense Recovery Rate Schedule No. RCE-2* is **HEREBY** approved and adopted.

**IT IF FURTHER ORDERED** CenterPoint Energy Entex shall file a compliance report forty-five days after the end of each calendar quarter (March, June, September and December). The report shall show the beginning balance of approved rate case expense of \$2,934,658.05, amount surcharged by month, number of customers surcharged by

class of customer, and balance remaining. The report shall include a reconciliation of the estimated rate case expense approved by providing invoices submitted to the total authorized recovery of the estimated expense. The report shall be filed with the Director of the Gas Services Division and shall reference GUD No. 9954.

SIGNED this 19th day of July 2010.

**RAILROAD COMMISSION OF TEXAS**

  
\_\_\_\_\_  
CHAIRMAN VICTOR G. CARRILLO

  
\_\_\_\_\_  
COMMISSIONER ELIZABETH A. JONES

  
\_\_\_\_\_  
COMMISSIONER MICHAEL L. WILLIAMS

ATTEST:

  
\_\_\_\_\_  
SECRETARY



**GAS UTILITIES DOCKET NO. 9954**

**RATE CASE EXPENSE SEVERED  
FROM GAS UTILITIES DOCKET NO.  
9902**

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**BEFORE THE  
RAILROAD COMMISSION  
OF TEXAS**

**UNANIMOUS STIPULATION AND SETTLEMENT AGREEMENT**

This Unanimous Stipulation and Settlement Agreement (“Agreement”) is entered into by and between CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas (“CenterPoint” or the “Company”), the City of Houston and Houston Coalition of Cities (“COH”), the Gulf Coast Coalition of Cities (“GCCC”), and the Steering Committee of Cities (“SCC”) (collectively, the “Parties”).

WHEREAS, it is agreed that the terms of this Agreement represent a fair and reasonable compromise and settlement of all the issues in this proceeding, GUD No. 9954, and that this Agreement is just, reasonable, and in the public interest, and should therefore be approved and adopted by the Railroad Commission of Texas (the “Commission”);

NOW, THEREFORE, the Parties, through their undersigned representatives, agree to and recommend for approval by the Commission the Stipulation and Settlement Terms listed below as a means of resolving all issues in dispute.

**STIPULATION AND SETTLEMENT TERMS:**

1. Costs Incurred to Date: The Parties stipulate that the total amount of reasonably and necessarily incurred rate case expenses reflected in the testimony for each respective party and below, is \$2,914,594. This amount includes estimated amounts for completion of this case and litigation of the appeals from the Commission’s Order Nunc Pro Tunc in GUD No. 9902. Actual expenses incurred to date will be reimbursed within seven business days of issuance by the Commission of an order approving this Stipulation. Estimated future expenses will be reimbursed upon presentation of invoices evidencing that the amounts were actually incurred. Total reimbursement to parties will not exceed amounts listed below. The Parties agree that the total amount of reasonably and necessarily incurred rate case expenses consists of the following respective costs:
  - a. CenterPoint: \$1,357,497.81;
  - b. COH: \$968,124.11;

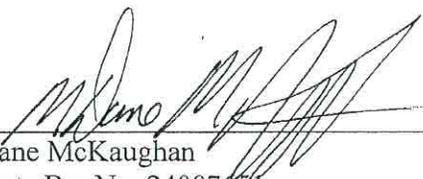
c. GCCC: \$469,912.08; and

d. SCC: \$119,060.00.

2. Surcharge & Amortization: The Parties agree that the total reimbursable rate case expenses agreed upon herein shall be recovered over a 12-month period by application of a fixed-price surcharge on the customer's bill commencing within a reasonable period from the date a final order in this proceeding, GUD No. 9954, becomes effective. Use of a surcharge is a reasonable mechanism for recovering rate case expenses and a 12-month recovery period is reasonable in this case. The Parties agree that the attached Rate Schedule No. RCE-2 is reasonable.
3. Evidentiary Support for Settlement Agreement: In support of this Settlement Agreement, the Parties agree that CenterPoint's, COH's, GCCC's and SCC's prefiled direct testimonies shall be admitted into the evidentiary record of this proceeding. The Parties further agree that, if requested by the Examiner, their respective witnesses shall each appear before the Examiner to respond to any clarifying questions he may wish to conduct regarding the expenses at issue in this proceeding, the treatment thereof under the terms of this Agreement, and why Commission approval of this Agreement is reasonable and in the public interest.
4. Additional Terms: The Parties agree to the following additional terms and conditions:
  - a. The Parties arrived at this Agreement through negotiation and compromise. The Parties agree that the failure to address any specific issue in this proceeding does not mean that any Party or the Commission approves of any particular treatment of costs or the underlying assumptions associated with costs. Furthermore, the Parties stipulate that the failure to litigate any specific issue in this docket does not waive any Party's right to contest that issue in any other current or future docket and that the failure to litigate an issue cannot be asserted as a defense or estoppel, or any similar argument, by or against any Party in any other proceeding. The Parties do not endorse any particular cost allocation, rate design, or methodology underlying the Agreement.
  - b. The Parties urge the Commission to adopt an appropriate order consistent with the terms of this Agreement. Other than to support the implementation by CenterPoint of the stipulated surcharge, the terms of this Agreement may not be used either as an admission or concession of any sort or as evidence in any proceeding. The Parties further agree that: (a) oral or written statements made during the course of the settlement negotiations may not be used for any purposes other than as necessary to support the entry by the Commission of an order implementing this Agreement, and (b) other than to support the entry of such an order, all oral or written statements made during the course of the settlement negotiations are governed by Texas Rule of Evidence 408 and are inadmissible. The obligations set forth in this subsection shall continue and be enforceable, even if this Agreement is terminated as provided below.

- c. This Agreement reflects a compromise, settlement and accommodation among the Parties, and the Parties agree that the terms and conditions herein are interdependent. If the Commission does not issue a final order which implements provisions consistent with the material terms of this Agreement, each Party has the right to withdraw from this Agreement and to assume any position it deems appropriate with respect to any issue in this proceeding. A Party who withdraws shall not be deemed to have waived any procedural right or taken any substantive position on any fact or issue by virtue of the Party's entry into the Agreement or its subsequent withdrawal. However, the parties agree that, if a Party withdraws from this Agreement, all negotiations, discussions and conferences related to this settlement are privileged, inadmissible, and not relevant to prove any issues in GUD No. 9902 or GUD No. 9954 or their respective appeals, pursuant to Texas law, including but not limited to Texas Rule of Evidence 408.
- d. This Agreement is binding on each of the Parties only for the purpose of settling the issues as set forth herein and for no other purposes. Except to the extent that this Agreement expressly governs a Party's rights and obligations for future periods, this Agreement shall not be binding or precedential upon a Party outside this case. It is acknowledged that a Party's support of the matters contained in this Agreement may differ from the position taken or testimony presented by it in other dockets. To the extent that there is a difference, a Party does not waive its position in any other dockets. Because this is a stipulated resolution, no Party is under any obligation to take the same positions as set out in this Agreement in other dockets, whether those dockets present the same or a different set of circumstances, except as may otherwise be explicitly provided in this Agreement.
- e. Each person signing this document represents that he or she is authorized to sign it on behalf of the Party represented. For administrative convenience, this document may be executed in multiple counterparts with facsimile signatures. This agreement supersedes any prior agreements executed by any party to this proceeding.

**Agreed to this 30<sup>th</sup> day of June, 2010.**

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**ATTORNEYS FOR STEERING  
COMMITTEE OF CITIES**

CENTERPOINT ENERGY RESOURCES CORP.  
D/B/A CENTERPOINT ENERGY ENTEX  
AND CENTERPOINT ENERGY TEXAS GAS  
HOUSTON DIVISION  
RATE SHEET  
RATE CASE EXPENSE RECOVERY RATE SCHEDULE NO. RCE-2

APPLICATION OF SCHEDULE

This schedule is applicable to any customer served under residential, general service-small or general service-large rate schedules in the following cities and Houston Environs:

Bunker Hill Village, Conroe, Deer Park, Galena Park, Hedwig Village, Hilshire Village, Houston, Humble, Hunters Creek Village, Jacinto City, Jersey Village, Meadows Place, Missouri City, Nassau Bay, Pasadena, Piney Point, Shenandoah, Southside Place, Spring Valley, Stafford, West University Place

This rate schedule is for the recovery of rate case expense and shall be in effect beginning on or after August 16, 2010 for a twelve month period or until all approved expenses are collected.

MONTHLY RATE

RECOVERY FACTOR:

Residential	\$0.24 per bill
General Service -Small	\$0.35 per bill
General Service-Large Volume	\$6.26 per bill

RULES AND REGULATIONS

Service under this schedule shall be furnished in accordance with the Company's General Rules and Regulations, as such rules may be amended from time to time. A copy of the Company's General Rules and Regulations may be obtained from Company's office located at 1111 Louisiana Street, Houston, Texas.

**SERVICE LIST**  
**Gas Utilities Docket No. 9954**  
**Severed Rate Case Expenses from GUD 9902**  
**Examiner: Gene Montes**  
**Co Examiner: Rose Ruiz**

**PARTIES**

CenterPoint Energy

**REPRESENTATIVE**

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**Houston Coalition of Cities'  
Motion to Intervene**

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**State of Texas**

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**The Steering Committee of  
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**Railroad Commission of Texas**

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