

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

**RATE CASE EXPENSE ISSUES §
SEVERED FROM GUD NOS. 10038, 10047, § GAS UTILITIES DOCKET No. 10051
10052, 10058, 10070 and 10071 §**

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. 2010). 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. CenterPoint provides natural gas distribution service to approximately 136,000 customers in its South Texas Division.
3. On December 3, 2010, CenterPoint filed this Statement of Intent to Increase Rates with the Railroad Commission of Texas ("Commission") and each of the cities in the South Texas Division retaining original jurisdiction.
4. On January 12, 2011, CenterPoint also filed its Appeal of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas from the actions of the cities of Alice, Bastrop, Buda, Cibolo, Jourdanton, Kyle, New Braunfels, and San Marcos. The case was docketed as GUD No. 10047.
5. On February 2, 2011, CenterPoint also filed its Appeal of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas from the actions of the cities of Smithville and Universal City. The case was docketed as GUD No. 10052.
6. On January 17, 2011, CenterPoint also filed its Appeal of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas from the actions of the city of Austin. The case was docketed as GUD No. 10058.
7. On April 11, 2011, CenterPoint also filed its Appeal of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas from the actions of the cities of Aransas Pass, Bishop, Converse, El Campo, Elgin, Garden Ridge,

- Giddings, Port Lavaca, Portland, Poteet, and Victoria. The case was docketed as GUD No. 10070.
8. On April 13, 2011, CenterPoint also filed its Appeal of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas from the actions of the cities of Palacios and Taft. The case was docketed as GUD No. 10071.
 9. Dockets No. 10047, 10052, 10058, 10070 and 10071 were consolidated into GUD No. 10038.
 10. The following entities intervened in GUD No. 10038:
 - a. The cities of Aransas Pass, Bishop, Converse, El Campo, Elgin, Garden Ridge, Giddings, Goliad, Ingleside, Kingsville, La Coste, La Grange, Mathis, Orange Grove, Palacios, Pleasanton, Point Comfort, Portland, Port Lavaca, Poteet, Taft, and Victoria (collectively "Steering Committee of Cities" or "SCC");
 - b. The cities of Alice, Austin, Bastrop, Buda, Cibolo, Jourdanton, Kyle, New Braunfels, San Marcos, Seguin, Smithville, and Universal City (collectively "Alliance of CenterPoint Municipalities" or "ACM");
 - c. Railroad Commission of Texas ("Staff").
 11. The following municipalities surrendered their original jurisdiction to the Commission: Eagle Lake, Goliad, Hallettsville, Kenedy, Nordheim, Pleasanton, San Diego, Seguin, Sinton and Weimar.
 12. The Texas Ratepayers' Organization to Save Energy ("Texas ROSE") also filed a Motion to Intervene.
 13. Texas ROSE sought to challenge the proposed settlement of the parties.
 14. Evidence at the hearing established that the organization's articles of incorporation were revoked in 1996. The Texas ROSE was unable to establish that any of its members were affected by the rates at issue in this proceeding. The motion to intervene filed by Texas ROSE was subsequently denied.
 15. ACM, SCC, and CenterPoint reached an agreement regarding the issues raised in GUD No. 10038. Staff recommended that the Commission approve the agreement.
 16. The settlement agreement was approved and a Final Order was issued on April 18, 2011.
 17. Review of the stipulated rate case expenses and all related issues were severed into this proceeding.

18. CenterPoint, ACM, and SCC, the parties to this proceeding, filed a *Stipulation and Partial Settlement Agreement* in this proceeding.
19. The total actual and estimated rate case expenses of the parties were \$1,696,029.60. CenterPoint requested \$996,929.43 in actual expenses and \$65,000 in estimated rate case expenses. ACM requested \$329,931.60 in actual expenses and \$57,500 in estimated rate case expenses. SCC requested \$206,668.57 in actual expenses and \$40,000 in estimated rate case expenses.
20. The Commission has consistently limited meal expenditures to \$25 per person per meal.
21. CenterPoint included meal receipts for three individual meals in excess of \$25. The three meal expenses included in the receipts filed in support of rate cases expenses were for \$38.14, \$37.12, and \$37.12.
22. It is reasonable to adjust the meal expenses set out in **Finding of Fact No. 21**, to \$25.00. Thus, an overall downward adjustment totaling \$37.38 to CenterPoints request is reasonable.
23. CenterPoint has established that actual rate case expenses in the amount of \$996,892.05 and estimated expenses in the amount of \$65,000 are just and reasonable.
24. After the parties in GUD No. 10038 reached a settlement agreement and after the hearing in that docket, ACM filed a motion in support of the interim appeal filed by Texas ROSE.
25. Texas ROSE sought party status in GUD No. 10038 in order to challenge the settlement agreement reached by the parties in that case.
26. ACM was a signatory to the settlement agreement in GUD No. 10038 and all signatories were expressly required to support and seek approval of the agreement.
27. The brief filed in support of Texas ROSE by ACM was not reasonably necessary to the resolution of GUD No. 10038.
28. All expenses of ACM required to prepare the brief filed in GUD No. 10038 in support of Texas ROSE's interim appeal and all expenses of CenterPoint responding to ACM's brief were not necessary to the resolution of GUD No. 10038 and should not be included in the rate case expense request of the parties.
29. ACM and CenterPoint recorded \$5,010.00 in expenses related to the brief filed by ACM in support of the interim appeal filed by Texas ROSE. Thus, an overall adjustment to the rate case expenses of ACM in the amount of \$5,010.00 is just and reasonable.
30. ACM has established that \$324,921.60 in actual expenses and \$57,500 in estimated rate case expenses are just and reasonable.

31. SCC has established that \$206,668.57 in actual expenses and \$40,000 in estimated rate case expenses are just and reasonable.
32. In addition to the environs, there are sixty-six (66) municipalities within the South Texas Division. Thirty-one (31) municipalities denied the requested rate increase and joined either the ACM or SCC coalitions. The remaining thirty-five (35) municipalities took no action and allowed the proposed rates to go into effect by operation of law, surrendered their jurisdiction to the Commission, or reached a separate settlement with the utility
33. The expenses related to filing the *Statement of Intent* proceeding in all regulatory jurisdictions, including the publication of notice of the proposed expenses, are required regulatory expenses.
34. It is reasonable that all "required regulatory expenses," identified in the attached Schedule 1, be allocated among all customers within the South Texas Division.
35. The total "required regulatory expenses," identified in the attached Schedule 1, of CenterPoint were \$158,543 and it is reasonable that these expenses be allocated among all customers within the South Texas Division.
36. The *Statement of Intent* was filed on December 3, 2010.
37. The cities of Edna, Ganado, Falls City, Freer, Poth, Shertz and Premont all reached a settlement with CenterPoint within 35 days of the filing.
38. Sixteen municipalities took no action and the proposed rates went into effect by operation of law.
39. ACM and SCC reached a settlement with CenterPoint in April of 2011.
40. The cities of Laredo and Runge did not litigate this proceeding and entered into a separate settlement agreement with CenterPoint in April of 2011.
41. CenterPoint's litigation expenses in the amount of \$838,349.05 should be allocated to the ACM and SCC municipalities, the municipalities that ceded jurisdiction to the Commission, and the environs of the South Texas Division.
42. All municipalities identified in Finding of Fact Nos. 40 continued to litigate this proceeding with CenterPoint and it is reasonable that CenterPoint's litigation expenses allocated among all active participants in the *Statement of Intent* proceeding.
43. The litigation expenses of ACM and SCC in the amount of \$531,590.17, should be allocated to the ACM and SCC municipalities of the South Texas Division.

44. It is not reasonable that municipalities and the environs that did not join either ACM or SCC be allocated the litigation expenses of those municipal coalitions as they did not review, control, or participate in the litigation decisions of the those coalitions.
45. It is reasonable that the estimated expenses of CenterPoint in the amount of \$65,000 be recovered from ACM, SCC, the municipalities that ceded jurisdiction, and the environs customers within the South Texas Division and it is reasonable that the estimated expenses of ACM in the amount of \$57,500, and the estimated expenses of SCC in the amount of \$40,000 should be recovered from the ACM and SCC municipalities of the South Texas Division.
46. Recovery of rate case expenses over a thirty-six (36) month period is reasonable.
47. Allocation based upon customer count is reasonable and consistent with Commission precedent and allocation of other utility expenses.
48. Based upon the allocations set forth in **Findings of Fact Nos. 32 through 46**, the allocation set out in the attached schedule are just and reasonable. The total amount of rate case expenses to be recovered from the ACM and SCC municipalities in the amount of \$1,493,967.99 is just and reasonable. Further, it is reasonable that the total amount to be recovered from the municipalities that ceded jurisdiction to the Commission and the environs within the south Texas Division of \$146,146.49 is just and reasonable. The allocated costs are based upon principles cost causation as set forth in those findings.
49. Based upon the allocations set forth in **Findings of Fact Nos. 32 through 46**, a rate case expenses surcharge of \$0.52 to the ACM and SCC municipalities, and a surcharge of \$0.30 to the municipalities that ceded jurisdiction to the Commission and the environs within the south Texas Division is just and reasonable to recover \$1,640,114.48.

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 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 2007).
3. Under TEX. UTIL. CODE ANN. §102.001 (Vernon 2009), the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality and over the rates and services of a gas utility that transmits, transports, delivers, or sells natural gas to a gas utility that distributes the gas to the public.

4. This proceeding was processed in accordance with the requirements of the Gas Utility regulatory Act (GURA), and the Administrative Procedure Act, TEX. GOV'T CODE ANN. §§ 2001.001-2001.902 (Vernon 2000 and Supp. 2009) (APA).
5. In accordance with the stated purpose of the Texas Utilities Code, Subtitle A, expressed under TEX. UTIL. CODE ANN. § 101.002 (Vernon 1998), the Commission has assured that the rates, operations, and services established in this docket are just and reasonable to customers and to the utilities.
6. 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. Evidence must be provided related to, but not limited to, the amount of work done, the time and labor required to accomplish the work, the nature, extent, and difficulty of the work done, the originality of the work, the charges by others for work of the same or similar nature, and any other factor taken into account in setting the amount of the compensation. 16 TEX. ADMIN. CODE 7.5530(a).
7. In determining the reasonableness of the rate case expenses, the Commission shall consider all relevant factors including but not limited to those set out previously, and shall also consider whether the request for a rate change was warranted, whether there was duplication of services or testimony, whether the work was relevant and reasonably necessary to the proceeding, and whether the complexity and expense of the work was commensurate with both complexity of the issues 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(b).
8. The jurisdiction of the Commission in this case does not extend to municipalities that are not parties to this proceeding, TEX. UTIL. CODE ANN. §§ 102.001 and 103.055.

IT IS THEREFORE ORDERED that CenterPoint shall reimburse ACM and SCC their reasonable rate case expenses as set out above and that the attached tariffs are just and reasonable.

IT IS FURTHER ORDERED that rate case expenses in the amount of \$1,493,967.99 be recovered through a surcharge of \$0.52 per month for 36 months from customers within the ACM and SCC municipalities, as set forth in the attached tariff RCE – 7.1.

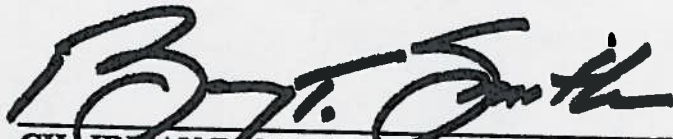
IT IS FURTHER ORDERED that rate case expenses in the amount of \$146,146.49 be recovered through a surcharge of \$0.30 per month for 36 months from the municipalities that ceded jurisdiction to the Commission that did not join either ACM or SCC, and the environs within the South Texas Division, as set forth in the attached tariff RCE – 7.2.

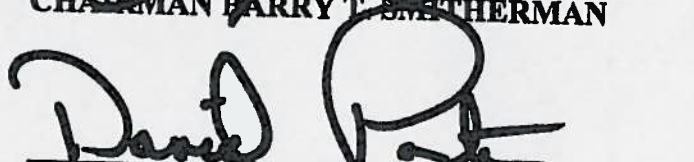
IT IS FURTHER ORDERED that the CenterPoint shall file annually, due on the 15th of each December, a report with the Railroad Commission of Texas, Gas Services Division. The report shall detail the monthly collections by group as set out in the attached schedule for rate case expense surcharge and show the outstanding balance.


This Order will not be final and effective 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.

SIGNED this 21st day of August, 2012.

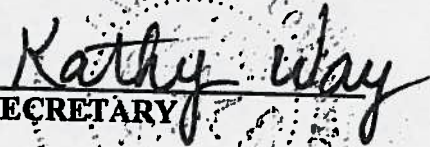
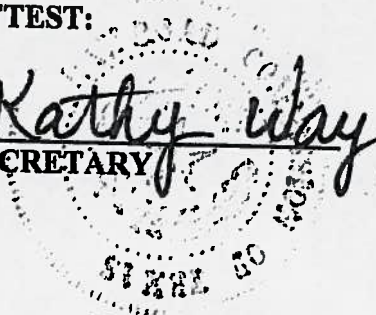
RAILROAD COMMISSION OF TEXAS


CHAIRMAN BARRY T. SMETHERMAN


COMMISSIONER DAVID PORTER


COMMISSIONER BUDDY GARCIA

ATTEST:


SECRETARY


**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
SOUTH TEXAS DIVISION
RATE SHEET
RATE SCHEDULE NO. RCE-7.1**

APPLICATION OF SCHEDULE

This schedule is applicable to any customer served under residential, general service-small, general service-large rate schedules in the following cities of the South Texas Division:

Aransas Pass, Bishop, Converse, El Campo, Elgin, Garden Ridge, Giddings, Goliad, Ingleside, Kingsville, La Coste, La Grange, Mathis, Orange Grove, Palacios, Pleasanton, Point Comfort, Portland, Port Lavaca, Poteet, Taft, and Victoria (collectively "Steering Committee of Cities" or "SCC"); the cities of Alice, Austin, Bastrop, Buda, Cibolo, Jourdanon, Kyle, New Braunfels, San Marcos, Seguin, Smithville, and Universal City (collectively "Alliance of CenterPoint Municipalities" or "ACM")

This rate schedule is for the recovery of rate case expense and shall be in effect beginning on or after August 21, 2012, for a thirty-six (36) month period or until all approved expenses are collected.

MONTHLY RATE RECOVERY FACTOR:

Residential \$0.52 per bill
General Service-Small \$0.52 per bill
General Service-Large \$0.52 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.

COMPLIANCE

The Company will file annually, due on the 15th of each December, a report with the RRC Gas Services Division. The report shall detail the monthly collections for RCE surcharge and show the outstanding balance.

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
SOUTH TEXAS DIVISION
RATE SHEET
RATE SCHEDULE NO. RCE-7.2**

APPLICATION OF SCHEDULE

This schedule is applicable to any customer served under residential, general service-small, general service-large rate schedules in the following cities and all environs areas of the South Texas Division:

The following municipalities surrendered their original jurisdiction to the Commission: Eagle Lake, Hallettsville, Kenedy, Nordheim, San Diego, Sinton and Weimar.

This rate schedule is for the recovery of rate case expense and shall be in effect beginning on or after August 21, 2012, for a thirty-six (36) month period or until all approved expenses are collected.

MONTHLY RATE RECOVERY FACTOR:

Residential \$0.30 per bill
General Service-Small \$0.30 per bill
General Service-Large \$0.30 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.

COMPLIANCE

The Company will file annually, due on the 15th of each December, a report with the RRC Gas Services Division. The report shall detail the monthly collections for RCE surcharge and show the outstanding balance.

GUD No. 10051
SCHEDULE 1 - Allocation of Rate Case Expenses

			GROUP A Full Cost Allocation	GROUP B Publication and Filing Costs Plus CNP SOI	GROUP C Publication and Filing Costs Only
			ACM & SCC	Environs and Ceded (1)	Cities that Took No Action and Cities that Settled
Customer Count		136,075	79,057	13,359	43,659
Required Regulatory Expenses	CenterPoint SOI Filing Expenses (Invoices - Sept - Nov. 2010)	\$85,209.00	\$85,209.00	\$85,209.00	\$85,209.00
	CenterPoint SOI Notice	\$73,334.00	\$73,334.00	\$73,334.00	\$73,334.00
	Total Reg Expense	\$158,543.00	\$158,543.00	\$158,543.00	\$158,543.00
	Group Percentage of Total Cust		58.10%	9.82%	32.08%
	Group Cost Allocation		\$92,110.48	\$15,564.77	\$50,867.75
Litigation Expenses	CenterPoint Post-SOI Filing Expenses	\$838,349.05	\$838,349.05	\$838,349.05	
	Group Percentage of Total Cust		85.54%	14.46%	
	Group Cost Allocation		\$717,163.27	\$121,185.78	
	SCC Rate Case Expenses	\$206,668.57	\$206,668.57		
	ACM Rate Case Expenses	\$324,921.60	\$324,921.60		
Group Percentage of Total Cust		100.00%			
Group Cost Allocation		\$531,590.17			
GUD No. 10051 and Estimated Appeal Expenses	CNP Estimated Appeal Expenses	\$65,000.00	\$65,000.00	\$65,000.00	
	Group Percentage of Total Cust		85.54%	14.46%	
	Group Cost Allocation		\$55,604.06	\$9,395.94	
	ACM/SCC Estimated Expenses	\$97,500.00	\$97,500.00		
	Group Percentage of Total Cust		100.00%		
Group Cost Allocation		\$97,500.00			
Surcharge	Total Expenses Allocated to Each Group	\$1,690,982.22	\$1,493,967.99	\$146,146.49	\$50,867.75
	Customer Count x 36		2,846,052	480,924	1,571,724
	36 month surcharge		\$0.52	\$0.30	\$0.03

Note 1 This group does not include the Cities of Pleasonton, Seguin, and Gollad. These Cities ceded jurisdiction but joined one of the coalition groups.

SERVICE LIST
Gas Utilities Docket No. 10051
Rate Case Expense Issues Severed for GUD Nos. 10038 and 10047
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