

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

**APPEAL OF CENTERPOINT ENERGY §
RESOURCES CORP., D/B/A §
CENTERPOINT ENERGY ENTEX AND §
CENTERPOINT ENERGY TEXAS GAS §
FROM THE ACTIONS OF THE CITIES §
OF ALVIN, CLEAR LAKE SHORES, §
DICKINSON, FRIENDSWOOD, KEMAH, §
LA MARQUE, LAKE JACKSON, §
MANVEL, MONT BELVIEU, §
MORGAN'S POINT, ROSENBERG, §
SANTA FE, SEABROOK, SUGAR LAND, §
TAYLOR LAKE VILLAGE AND TEXAS §
CITY, TEXAS §**

**GAS UTILITIES DOCKET
No. 10106**

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 Utilities Code.
2. On August 10, 2011, CenterPoint filed this appeal of actions taken by the cities of Alvin, Clear Lake Shores, Dickinson, Friendswood, Kemah, La Marque, Lake Jackson, Manvel, Mont Belvieu, Morgan's Point, Rosenberg, Santa Fe, Seabrook, Sugarland, Taylor Lake Village and Texas City denying the company's proposed cost of service adjustment ("COSA - 2") for 2010.
3. Collectively the cities of Alvin, Clear Lake Shores, Dickinson, Friendswood, Kemah, La Marque, Lake Jackson, Manvel, Mont Belvieu, Morgan's Point, Rosenberg, Santa Fe, Seabrook, Sugarland, Taylor Lake Village and Texas City are referred to as the Gulf Coast Coalition of Cities ("GCCC").
4. On April 29, 2011, CenterPoint filed with the GCCC municipalities an application to modify the cost of service adjustment (COSA) described in the existing COSA - 2 tariff applicable to natural gas customers within those municipalities.

5. Through these applications, CenterPoint initially proposed to establish a monthly cost of service adjustment increase of \$.36 for residential customers, \$.54 for small commercial customers and \$2.03 for large volume customers, effective August 1, 2011.
6. In addition to the COSA filings made with the municipalities, CenterPoint filed a COSA application with the Commission and that case was docketed as GUD No. 10075. The COSA application was intended to adjust rates for the following municipalities that ceded jurisdiction to the Commission: Danbury, El Lago, Hitchcock, Jones Creek, and Richwood.

COSA background

7. The COSA – 2 tariff was first approved by the Commission as part of a settlement agreement between the GCCC municipalities and CenterPoint in 2008.
8. The COSA – 2 tariff approved as part of that settlement establishes a procedure whereby CenterPoint annually proposes adjustments to its Texas Coast Division customer charges for natural gas distribution service. The adjustments account for changes in CenterPoint's cost of service as calculated according to a formula in the tariff.

Notice

9. The COSA-2 tariff, at Para. C.8, establishes that newspaper notice of an annual adjustment proposed by CenterPoint must be published in the Houston Chronicle no later than 45 days after the date CenterPoint files its annual COSA application with the Commission.
10. For the COSA applications filed in these proceedings, CenterPoint's 45-day notice deadline was June 13, 2011.
11. On June 1, 2011, CenterPoint filed a copy of the notice published in the Houston Chronicle and an *Affidavit of Publication* affirming that notice was published in the Houston Chronicle on Saturday, May 28, 2011.
12. CenterPoint's COSA – 2 notice was timely published on May 28, 2011 before the 45-day deadline for publication of notice on June 13, 2011.
13. In addition to published notice, CenterPoint made the COSA docket materials available to the public on May 27, 2011 via a posting on the company's website at www.centerpointenergy.com/cosa.
14. A hearing on the merits was held on November 7, 2011, for the purpose of submitting stipulated evidence. Additionally, the Commission admitted four exhibits related to rate case expenses. All exhibits admitted into the record of this proceeding are summarized below:

- a. The following documents were offered by CenterPoint and were admitted into the record of this proceeding:

GUD No. 10106, Petition for Review of Municipal Rate Decisions (Appeal of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas, from the Actions of the Cities of Alvin, Clear Lake Shores, Dickinson, Friendswood, Kemah, La Marque, Lake Jackson, Manvel, Mont Belvieu, Morgan's Point, Rosenberg, Santa Fe, Seabrook, Sugar Land, Taylor Lake Village and Texas City, Texas, CenterPoint Ex. 1

Direct Testimony of Scott E. Doyle, CenterPoint Ex. 2

Direct Testimony of Kelly C. Gauger, CenterPoint Ex. 3

Rebuttal Testimony of Scott E. Doyle, CenterPoint Ex. 4

Rebuttal Testimony of Walter A. Hunter, CenterPoint Ex. 5

Rebuttal Testimony of Kelly C. Gauger, CenterPoint Ex. 6

Rebuttal Testimony of Marc Kilbride, CenterPoint Ex. 7

Workpapers for CenterPoint Rebuttal Testimonies of Scott E. Doyle, Walter A. Hunter, Kelly C. Gauger and Marc Kilbride, CenterPoint Ex. 8

GCCC's Response to CP's RFI 1-7, CenterPoint Ex. 9.

- b. The following documents were offered by CenterPoint in support of its rate case expense request and were admitted into the record of this case:

Affidavit and invoices documenting the rate case expenses incurred by CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas, December 9, 2011, CenterPoint Ex. 10;
CenterPoint Response to Examiners' Letter No. 14, CenterPoint Ex. 11.

- c. The following documents were offered by GCCC and were admitted into the record of this proceeding:

Direct Testimony of Karl Nalepa, GCCC Ex. 1;

Errata to the Direct Testimony of Karl Nalepa, GCCC Ex. 2;

Except of CenterPoints' Response to GCCC's 1st RFI, No. 1-3 (First three pages only), GCCC Ex. 3.

- d. The following documents were offered by GCCC in support of its rate case expense request and were admitted into the record of this case:

Affidavit of Christopher L. Brewster Related to the Rate Case Expenses of Gulf Coast Coalition of Cities, GCCC Ex. 4.

GCCC Response to Examiner's Letter No. 14, GCCC Ex. 5.

Rate Request

15. On July 15, 2011, CenterPoint revised its requested COSA-2 adjustments following discussions with the Commission's Staff. The revised proposed COSA-2 adjustments were as follows:

COSA-2 RATE INCREASES BASED UPON 2010 COST OF SERVICE

CUSTOMER CATEGORY	COSA-2
COSA-2, residential, per month	(\$.32)
COSA-2, small commercial, per month	(\$.50)
COSA-2, large volume, per month	(\$1.76)

16. The revised COSA – 2 adjustments proposed in CenterPoint's revised tariff filed on July 15, 2011 are just and reasonable and consistent with the terms of the COSA – 2 tariff and applicable Commission orders and were approved by the Commission in GUD No. 10075.
17. CenterPoint requested that the rate increases approved in GUD No. 10075, the rate increases set out in Finding of Fact No. 15, above, be approved in this appeal. These increases are added to CenterPoint's Customer Charge.
18. The billing lag included in CenterPoint's cash working capital calculation was three days and no further adjustment is required.
19. The operation and maintenance lead included in CenterPoint's cash working capital calculation was consistent with GUD No. 9902 and no further adjustment is required.
20. CenterPoint maintains an accounts receivable facility designed to allow factoring of its accounts if factoring is reasonable.
21. During the test year CenterPoint did not factor any of its receivables and no persuasive evidence was presented that this determination was not just and reasonable.
22. Including the expenses of the account receivable facility is reasonable.
23. Based upon the circumstances of this case and the COSA – 2 tariff that was agreed to by GCCC and CenterPoint, the accumulated deferred income tax calculation is just and reasonable and is based upon the calendar year operating expenses as reported to the Railroad Commission of Texas in the annual report filed by CenterPoint.
24. The meter reading expenses are based upon the actual number of meters read and are the lowest meter reading expense of any CenterPoint operating division in Texas.
25. The salary levels requested by the company are just and reasonable and the evidence in the record supports the overall salary level of the company.

26. Evidence was not presented challenging the individual salary levels of any individual employee.
27. The short-term and long-term incentive compensation was calculated in accordance with precedent of the Commission.
28. Long-term incentive compensation was removed from the company's calculation of the cost of service adjustment in accordance with Commission precedent.
29. Short-term incentive compensation programs of the company included customer oriented goals and it was reasonable to include expenses in the cost of service calculation for those programs.
30. The employee expense request of the company was adjusted to exclude alcohol, food purchases for holiday parties, expenses associated with ball games, meals without documentation, meal expenses in excess of \$25 per person, meal expenses for charitable functions, and corporate allocation of meal expenses.
31. CenterPoint has established that the services provided by affiliates are just and reasonable and that the prices charged to CenterPoint are no higher than the prices charged for the same service to other affiliates or divisions or to non-affiliated persons.
32. Pursuant to the provisions of the COSA – 2 tariff the GCCC municipalities have opted to not renew the applicable COSA tariff.

Rate Case Expenses

33. CenterPoint has requested \$121,698.43 in rate case expenses. This includes \$86,698.43 in actual expenses and \$35,000 in estimated expenses required to complete these proceedings.
34. CenterPoint provided evidence in support of its rate case expenses and established that those expenses were just and reasonable.
35. CenterPoint has previously reimbursed the GCCC municipalities \$36,564.92 for expenses associated with the review of the COSA tariff at the municipal level.
36. GCCC has requested \$222,041.10 in rate case expenses. This includes \$97,041.10 in actual expenses and \$125,000 in estimated expenses required to complete these proceedings.
37. GCCC has already been reimbursed \$36,564.92 of its expenses by CenterPoint pursuant to the provisions the COSA tariff.

38. The amount of rate case expenses incurred by GCCC in this proceeding is not just and reasonable as GCCC urged many issues that were no longer requested by CenterPoint.
39. Many of the issues urged by GCCC challenging certain expenses of the company were adopted by the Commission in a parallel proceeding and CenterPoint no longer sought approval of those expenses in this proceeding.
40. GCCC presented ten issues that it contended required an adjustment to the company's rate request: Three related to cash working capital, three related to accumulated deferred income taxes, four others related to meter reading expense, payroll expenses, incentive compensation, and other employee expenses.
41. Four of those issues were unnecessary as the cost of service calculation no longer included costs associated with those issues.
42. CenterPoint was required to respond to the proposed adjustment of GCCC in order to insure that no additional adjustments were made and to clarify the status of the proposed adjustment.
43. The initial evidence provided in support of the rate case expenses was not provided on the basis of the issue analyzed.
44. CenterPoint estimated that the amount of legal services incurred in litigating the four issues identified in Findings of Fact Nos. 39 through 41 was approximately 20%.
45. Because the municipalities did not provide evidence that specifically identified the rate case expense request by issue. A reasonable alternative would be to allocate the expense based upon an allocation of the number of irrelevant adjustments proposed to the total number of adjustments proposed.
46. The total percentage of irrelevant adjustments proposed by GCCC was 40%.
47. An alternative adjustment based upon the testimony provided by GCCC is also reasonable.
48. GCCC provided the prefiled testimony of Karl Nalepa in support of its proposed adjustments to the company's cost of service.
49. The proportion of Mr. Nalepa's testimony related to substantive issues provides a reasonable allocation of the amount of time dedicated by the consultants and attorneys of GCCC to issues in this docket.
50. Mr. Nalepa's testimony totaled 464 lines. Of that amount, 103 lines related to the background of Mr. Nalepa and the procedural history of the case (Page 3, line 1 – Page 7, line 18) and 48 lines (Page 20, line 12 – Page 22, line 9) were used to provide an introduction to the rate case expense section and to quote the rule related to rate case

expenses. Thus, the total substantive testimony related to adjustments to the company's rate request and the municipalities' rate case expenses totaled 313 lines.

51. Mr. Nalepa dedicated 126 lines to issues that were no longer requested by the utility.
 - a. Page 9, line 4 – Page 13 line 15: 94 lines
 - b. Page 18, line 12 – Page 19, line 13: 22 lines
52. Thus, approximately 40.25% of Mr. Nalepa's substantive testimony was dedicated to issues that were no longer relevant to this proceeding.
53. The total number of pages briefed by GCCC also provides a reasonable allocation methodology. The proportion of GCCC briefing on substantive issues provides a reasonable allocation of the amount of time dedicated by the consultants and attorneys of GCCC to issues in this docket. GCCC filed an Initial Brief (20 pages), a Reply Brief (11 pages), and Exceptions (17.5 pages). The total number of pages filed by GCCC in those documents was 48.5. Nineteen of those pages were dedicated to litigating of issues previously removed by CenterPoint from its rate request. Thus, 39.2% of all briefing filed by GCCC was related to issues no longer relevant to this proceeding.
54. An analysis of the number of adjustments proposed to the company's cost of service calculation, an analysis of the testimony filed by GCCC, and an analysis of the briefing filed by GCCC all indicated that approximately 40% of the time spent by consultant's and attorneys was dedicated to issues that are no longer relevant to this proceeding.
55. The actual appeal expenses of GCCC are \$60,476.18 and 40% of that expense is \$24,190.47.
56. The actual appeal expenses of CenterPoint are \$82,907.80 and 20% of that expense is \$16,581.56.
57. As GCCC elected to litigate issues that were no longer relevant to this proceeding it is reasonable to adjust the rate case expense of GCCC to remove expenses related to litigation of those issues. The total estimated rate case expenses required to litigate those issues was \$40,772.03. It is reasonable that GCCC's actual rate case expenses be reduced by this amount.
58. On December 9, 2011, GCCC provided an estimate to complete this proceeding and requested an additional \$30,000 in estimated rate case expenses. GCCC indicated that in addition to expenses incurred through November 30, 2011, Lloyd Gosselink will incur fees and expenses in the future in GUD No. 10106 associated with the following
 - a. Review of the proposal for decision, preparing exceptions, and replies to exceptions in GUD No. 10106;
 - b. Attending open meetings where this proceeding will be discussed;

- c. Possible preparation of a motion for rehearing and/or reply to motions for rehearing; and
 - d. Defending and/or appealing the Railroad Commission's Decisions through the appellate process.
59. On March 5, 2012, GCCC updated its actual expenses by \$13,519.32 for expenses incurred December, January, and February. These expenses included expenses for review of the proposal for decision, preparing exceptions, and replies to exceptions.
 60. On March 5, 2012, GCCC updated its estimated rate case expenses. Rather than reducing estimated expenses by \$13,519.32 to reflect the updated actual expenses included in its rate case expense request, GCCC increased its estimated rate case expense request by approximately 317% to \$125,000. No explanation, support, or evidence was provided for the increased request.
 61. As no explanation, support or evidence was provided for the 317% increase in the estimated rate case expenses, GCCC estimated rate case expenses are limited to \$30,000 as set out in GCCC's Ex. 4, the Affidavit of Christopher L. Brewster Related to the Rate Case Expenses of Gulf Coast Coalition of Cities.
 62. Accordingly, all actual rate case expenses requested by GCCC in excess \$56,269.07 is not just and reasonable. GCCC estimated rate case expenses to complete and appeal this proceeding may not exceed \$30,000.00
 63. It is reasonable that CenterPoint recover its actual rate case expenses and estimated rate case expenses, totaling up to \$121,698.43, plus amounts already reimbursed to the GCCC municipalities, in the amount of \$36,564.92.
 64. It is reasonable that the total rate case expenses of \$207,967.50 be recovered through a surcharge to customers within the GCCC municipalities over a one-year period.

CONCLUSIONS OF LAW

1. CenterPoint Energy Entex (CenterPoint) is a "Gas Utility" as defined in TEX. UTIL. CODE ANN. §101.003(7) (Vernon 2007 & Supp. 2010) and §121.001(2007) and is therefore subject to the jurisdiction of the Railroad Commission of Texas ("Commission").
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 & Supp. 2010).
3. Under TEX. UTIL. CODE ANN. §102.001 (Vernon 2007 & Supp. 2010), 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 appeal 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 2008 & Supp. 2010) ("APA").
5. In accordance with the stated purpose of the Texas Utilities Code, Subtitle A, expressed under TEX. UTIL. CODE ANN. §101.002 (Vernon 2007), 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 proceedings, TEX. UTIL. CODE ANN. §§ 102.001 and 103.055.

IT IS THEREFORE ORDERED that the attached tariffs are just and reasonable and hereby approved, including the rates, terms, and conditions included in said tariffs.

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.

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
RESIDENTIAL SERVICE
RATE SCHEDULE NO. R-2086**

APPLICATION OF SCHEDULE

This schedule is applicable to any customer to whom service is supplied in a single private dwelling unit and its appurtenances, the major use of which is for household appliances, and for the personal comfort and convenience of those residing therein.

Natural gas supplied hereunder is for the individual use of the customer at one point of delivery and shall not be resold or shared with others.

MONTHLY RATE

For bills rendered on and after the effective date of this rate schedule, the monthly rate for each customer receiving service under this rate schedule shall be the sum of the following:

(a) The Base Rate consisting of:

- (1) Customer Charge – \$14.69*;
- (2) Commodity Charge –
All Ccf \$0.0724

(b) Tax Adjustment – The Tax Adjustment will be calculated and adjusted periodically as defined in the Company's Tax Adjustment Rate Schedule and Franchise Fee Adjustment Rate Schedule.

(c) Gas Cost Adjustment – The applicable Purchased Gas Adjustment (PGA) Rate – as calculated on a per Ccf basis and adjusted periodically under the applicable Purchased Gas Adjustment (PGA) Rate Schedule – for all gas used.

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.

* Settlement Charge	\$13.00
2008 COSA-2 Adjustment	.65
2009 COSA-2 Adjustment	.72
2010 COSA-2 Adjustment	<u>.32</u>
Total Customer Charge	\$14.69

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-SMALL
RATE SCHEDULE NO. GSS-2086**

APPLICATION OF SCHEDULE

This schedule is applicable to natural gas service to any customer engaging in any business, professional or institutional activity, for all uses of gas, including cooking, heating, refrigeration, water heating, air conditioning, and power.

This schedule is applicable to any general service customer for commercial uses and industrial uses, except standby service, whose average monthly usage for the prior calendar year is 150,000 cubic feet or less. Natural gas supplied hereunder is for the individual use of the customer at one point of delivery and shall not be resold or shared with others.

MONTHLY RATE

For bills rendered on and after the effective date of this rate schedule, the monthly rate for each customer receiving service under this rate schedule shall be the sum of the following:

(a) The Base Rate consisting of:

- (1) Customer Charge – \$14.90*;
- (2) Commodity Charge –
 - First 150 Ccf \$0.0850
 - Over 150 Ccf \$0.0623

(b) Tax Adjustment – The Tax Adjustment will be calculated and adjusted periodically as defined in the Company's Tax Adjustment Rate Schedule and Franchise Fee Adjustment Rate Schedule.

(c) Gas Cost Adjustment – The applicable Purchased Gas Adjustment (PGA) Rate – as calculated on a per Ccf basis and adjusted periodically under the applicable Purchased Gas Adjustment (PGA) Rate Schedule – for all gas used.

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.

* Settlement Charge	\$13.00
2008 COSA-2 Adjustment	.65
2009 COSA-2 Adjustment	.75
2010 COSA-2 Adjustment	.50
Total Customer Charge	\$14.90

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-LARGE VOLUME
RATE SCHEDULE NO. GSLV-617**

AVAILABILITY

This schedule is available at points on existing facilities of adequate capacity and suitable pressure in the area designated in the Rate Book of **CENTERPOINT ENERGY RESOURCES CORP., D/B/A CENTERPOINT ENERGY ENTEX AND CENTERPOINT ENERGY TEXAS GAS** (hereinafter called "Company").

APPLICATION OF SCHEDULE

This schedule is applicable to any general service customer for commercial uses and industrial uses whose average monthly usage for the prior calendar year is more than 150,000 cubic feet. Gas supplied hereunder is for the individual use of the Consumer at one point of delivery and shall not be resold or shared with others. If the Consumer has a written contract with Company, the terms and provision of such contract shall be controlling.

MONTHLY RATE

For bills rendered on and after the effective date of this rate schedule, the monthly rate for each customer receiving service under this rate schedule shall be the sum of the following:

(a) The Base Rate consisting of:

(1) Customer Charge – \$16.96*;

(2) Commodity Charge –

First 1,500 Ccf	\$0.0844
1,500 – 10,000 Ccf	\$0.0588
Over 10,000 Ccf	\$0.0498

(b) Tax Adjustment – The Tax Adjustment will be calculated and adjusted periodically as defined in the Company's Tax Adjustment Rate Schedule and Franchise Fee Adjustment Rate Schedule.

(c) Gas Cost Adjustment – The applicable Purchased Gas Adjustment (PGA) Rate – as calculated on a per Mcf basis and adjusted periodically under the applicable Purchased Gas Adjustment (PGA) Rate Schedule – for all gas used.

* Settlement Charge	\$13.00
2008 COSA-2 Adjustment	.65
2009 COSA-2 Adjustment	1.55
2010 COSA-2 Adjustment	<u>1.76</u>
Total Customer Charge	\$16.96

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-LARGE VOLUME
RATE SCHEDULE NO. GSLV-617**

WRITTEN CONTRACT

In order to receive a delivery from Company of more than 25 Mcf during any one day, the Consumer must execute a written contract with Company on Company's form of contract covering the sale of gas by Company to it. In the case of existing Consumers, the maximum gas usage during any one day shall be obtained from the records of the Company, except in cases where the existing Consumer will be purchasing increased volumes of gas from Company because of expansions or for any other reasons, in which event the Company may estimate usage by such Consumer. Also in the case of new Consumers, the Company may estimate usage by the Consumer. Any such estimates made by Company shall be binding on Consumer in determining whether or not a contract is required. Such written contract shall be executed by Consumer upon request of Company and Company shall not be obligated to serve any such Consumer more than 25 Mcf during any one day until such written contract is executed and delivered by Consumer.

MEASUREMENT

The term "cubic foot of gas" for the purpose of measurement of the gas delivered and for all other purposes is the amount of gas necessary to fill a cubic foot of space when the gas is at an absolute pressure of 14.65 pounds per square inch and at a base temperature of sixty (60) degrees Fahrenheit.

The term "Mcf" shall mean 1,000 cubic feet of gas.

The Sales Unit shall be one Mcf.

Assumed Atmospheric Pressure - The average atmospheric pressure shall be assumed to be fourteen and seven-tenths (14.7) pounds per square inch, irrespective of actual elevation or location of the point of delivery above sea level or variation in such atmospheric pressure from time to time.

Orifice Meters - When orifice meters are used for the measurement of gas, such orifice meters shall be constructed and installed, and the computations of volume made, in accordance with the provisions of Gas Measurement Committee Report No. 3 of the American Gas Association as revised September, 1969 ("A.G.A. Report No. 3), with any subsequent amendments or revisions which may be mutually acceptable.

The temperature of the gas shall be determined by a recording thermometer so installed that it may record the temperature of the gas flowing through the meter or meters. The average of the record to the nearest one (1) degree Fahrenheit, obtained while gas is being delivered, shall be the applicable flowing gas temperature for the period under consideration.

The specific gravity of the gas shall be determined by a recording gravitometer owned and operated by the pipeline company from whom Company purchases its gas, so installed that it may record the specific gravity of the gas flowing through the meter or meters; provided, however, that the results of spot tests made by the pipeline company with a standard type specific gravity instrument shall be used at locations where the pipeline company does not have a recording gravitometer in service. If the recording gravitometer is used, the average of the record to the nearest one-thousandth (0.001), obtained while gas is being delivered, shall be the applicable specific gravity of the gas for the period under consideration. If the spot test method is used, the specific gravity of the gas delivered hereunder shall be determined once monthly, the result obtained, to the nearest one-thousandth (0.001), to be applicable during the succeeding billing month.

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D/B/A CENTERPOINT ENERGY ENTEX
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TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-LARGE VOLUME
RATE SCHEDULE NO. GSLV-617**

Adjustment for the effect of supercompressibility shall be made according to the provisions of A.G.A. Report No. 3, hereinabove identified, for the average conditions of pressure, flowing temperature and specific gravity at which the gas was measured during the period under consideration, and with the proportionate value of each carbon dioxide and nitrogen in the gas delivered included in the computation of the applicable supercompressibility factors. Company shall obtain appropriate carbon dioxide and nitrogen fraction values as may be required from time to time.

Positive Displacement Meters and Turbine Meters - When positive displacement meters and/or turbine meters are used for the measurement of gas, the flowing temperature of the gas metered shall be assumed to be sixty (60) degrees Fahrenheit, and no correction shall be made for any variation therefrom; provided however, that company shall have the option of installing a recording thermometer, and if company exercises such option, corrections shall be made for each degree variation in the applicable flowing temperature for the period under consideration.

The volumes of gas determined shall be adjusted for the effect of supercompressibility as follows:

- (A) When the flowing temperature of gas is assumed to be sixty (60) degrees Fahrenheit, the supercompressibility factor shall be the square of the factor, F_{pv} , computed in accordance with the principles of the A.G. A. Report No. 3, hereinabove identified, for a pure hydrocarbon gas of six-tenths (0.6) specific gravity and for the average pressure at which the gas was measured.
- (B) When the flowing gas temperature is recorded and applied according to the option above, the supercompressibility factor shall be the square of the factor, F_{pv} , computed in accordance with the principles of the American Gas Association Gas Measurement Committee Report No. 3, hereinabove identified, for a pure hydrocarbon gas of six-tenths (0.6) specific gravity and for the average conditions of pressure and flowing temperature at which the gas was measured.

SUPPLY INTERRUPTIONS

Total or partial interruption of gas deliveries due to acts of God, the elements, requirements for residential and other uses declared superior to Consumers by law, or to other causes or contingencies beyond the control of Company or not proximately caused by Company's negligence, shall not be the basis for claims-delivery and receipt of gas to be resumed whenever any such cause or contingency shall end.

CHARGES FOR UNAUTHORIZED OVER-RUN GAS

Any gas taken during any day by Consumer which exceeds the maximum daily quantity specified in Consumer's contract with Company shall be considered to be unauthorized over-run gas. Any gas taken by Consumer after the effective hour of an order calling for a complete curtailment of all gas deliveries, and prior to the authorized resumption of natural gas service, hereunder shall be considered to be unauthorized over-run gas. Any gas taken by Consumer after the effective hour of an order calling for a partial curtailment, and prior to the authorized resumption of natural gas service, which exceeds the stated amount of gas deliveries Consumer may take during such partial curtailment, shall be considered to be unauthorized over-run gas. Company shall bill, and Consumer shall pay for unauthorized over-run gas at the rate of \$10.00 per Mcf, in addition to the Monthly Rate specified herein for such gas. The payment of such additional charge for unauthorized over-run gas shall not, under any circumstances, be considered as giving the Consumer the right to take unauthorized over-run gas, nor shall such payment be considered to exclude or limit any other remedies available to Company against the Consumer for exceeding the maximum daily quantity specified in Consumer's contract with Company, or for failure to comply with curtailment orders issued by Company hereunder.

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-LARGE VOLUME
RATE SCHEDULE NO. GSLV-617**

The additional amount specified above charged for unauthorized over-run gas shall be adjusted, either plus or minus, to conform to the change made by Company's supplier in its rate schedule under which Company purchases its gas supply for resale under this schedule.

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.

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
RATE CASE EXPENSE RECOVERY RATE SCHEDULE NO. RCE-6**

APPLICATION OF SCHEDULE

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

Alvin, Clear Lake Shores, Dickinson, Friendswood, Kemah, Lake Jackson, La Marque, Manvel, Mont Belvieu, Morgan's Point, Rosenberg, Santa Fe, Seabrook, Sugar Land, Taylor Lake Village, Texas City.

This rate schedule is for the recovery of rate case expense and shall be in effect beginning on or after March 1, 2012 for a twelve month period or until all approved expenses are collected.

MONTHLY RATE

RECOVERY FACTOR:

Residential	\$ 0.22 per bill
General Service-Small	\$ 0.34 per bill
General Service-Large Volume	\$ 4.37 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.

Year ending 12/31/2010

GUD No. 10075

COSA-2 COST OF SERVICE2009 review
expenses, not
subject to 5%
rate cap

OPERATING EXPENSES	1	Depreciation and amortization expense, Acct. Nos. 403-407	\$ 7,922,351	
	2	Taxes other than FIT, Acct. No. 408	\$ 2,276,518	
	3	Operations and maintenance expense, Acct. Nos. 870-894	\$ 13,288,671	
	4	Customer related expenses, Acct. Nos. 901-916	\$ 9,684,077	
	5	Admin & General expense, Acct. Nos. 920-932	\$ 11,833,904	
	6	Expense adjustments, Finding of Fact No. 36	\$ (148,156)	
	7	Factoring adjustment, Finding of Fact No. 37	\$ 194,632	
	8	Review costs, Finding of Fact No. 44	\$ 75,980	\$ 70,982
	9	C1 COSA OPERATING EXPENSES	\$ 44,907,977	

RETURN ON INVESTMENT	10	Net utility plant in service, by FERC account, adjusted to exclude asset retirement obligation amounts. Gross utility plant in service and accumulated depreciation by account are shown by month so that an annual average utility plant in service can be calculated.	\$ 117,620,900	
	11	Plus: storage gas inventories, 13-month avg (COSA-2 only)	\$ 7,871,675	
	12	Plus: materials and supplies inventories, 13-month avg	\$ 80,896	
	13	Plus: prepayments, 13-month avg	\$ 132,496	
	14	Plus: cash working capital, as adjusted, Finding of Fact No. 37	\$ (2,143,012)	
	15	Less: customer deposits, Acct. 235, and advances, Acct. 252	\$ (4,388,488)	
	16	Less: deferred federal income taxes	\$ (12,730,071)	
	17	TOTAL RATE BASE	\$ 106,444,196	
	18	Multiplied by: 11.8% pre-tax rate of return	11.8%	
	19	C2 COSA RETURN ON INVESTMENT	\$ 12,560,415	

TAX	20	C3 TEXAS FRANCHISE TAX, Acct. 409	\$ 143,107	
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ADJUSTMENT	21	C1 + C2 + C3	\$ 57,611,499	
	22	Less: calendar yr actual non-gas revenue	\$ (51,673,700)	
	23	Less: other revenue, adjusted	\$ (5,092,828)	
	24	SUBTOTAL	\$ 844,971	\$ 70,982
	25	Divided by: 1 - Texas Franchise Tax statutory rate of 1%	99%	99%
	26	C4 COST OF SERVICE ADJUSTMENT	\$ 853,506	\$ 71,699

RATES	27	C5 COSA RATE CALCULATION		
	28	TCD customers, residential	238,154	89,996
	29	TCD customers, small commercial	11,968	5,095
	30	TCD customers, large commercial	503	249
	31	Total TCD customers	250,623	95,340
	32	TCD percent allocation, residential	88.8677%	88.8677%
	33	TCD percent allocation, small commercial	6.9721%	6.9721%
	34	TCD percent allocation, large commercial	4.1602%	4.1602%
	35	Total	100.0000%	100.0000%
	36	TCD COSA allocation, residential	\$ 758,491	\$ 63,717
	37	TCD COSA allocation, small commercial	\$ 59,507	\$ 4,999
	38	TCD COSA allocation, large commercial	\$ 35,508	\$ 2,983
	39	TOTAL COSA, ALLOCATED BY CUSTOMER CLASS	\$ 853,506	\$ 71,699
	40	TCD COSA allocation per customer per month, residential	\$ 0.27	\$ 0.08
	41	TCD COSA allocation per customer per month, sm. Comm.	\$ 0.41	\$ 0.08
	42	TCD COSA allocation per customer per month, lg. Comm.	\$ 5.88	\$ 1.00

COSA-2		
\$	0.32	
\$	0.50	
\$	1.76	

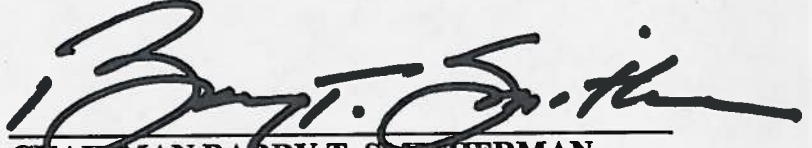
CURRENT RATE	WITH COSA ADDED
\$14.32	\$14.69
\$14.40	\$14.90
\$15.20	\$16.96

CAP	43	COSA CAP CALCULATION	
	44	COSA cap, residential, 5% of \$14.37	\$ 0.72
	45	COSA cap, small commercial, 5% of \$14.40	\$ 0.72
	46	COSA cap, large commercial, 5% of \$15.20	\$ 0.76

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.

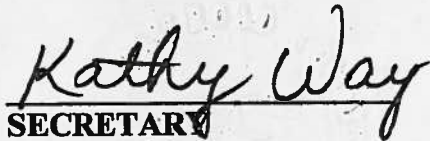
SIGNED this 13th day of March, 2012.

RAILROAD COMMISSION OF TEXAS


CHAIRMAN BARRY T. SMITHERMAN


COMMISSIONER DAVID PORTER

ATTEST:


SECRETARY