



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

GUD No. 10182

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**CENTERPOINT ENERGY RESOURCES CORP., D/B/A CENTERPOINT ENERGY  
ENTEX AND CENTERPIONT ENERGY TEXAS GAS' STATEMENT OF INTENT TO  
INCREASE RATES ON A DIVISION WIDE BASIS IN THE  
BEAUMONT/EAST TEXAS DIVISION**

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**APPEARANCES:**

**APPLICANT:** CenterPoint Energy Resources Corp., d/b/a CenterPoint Entex and CenterPoint Energy Texas Gas

Dane McKaughan  
Parsley Coffin Renner, LLP  
98 San Jacinto Blvd, Suite 1450  
Austin, Texas 78701

Keith Wall  
Director of Regulatory Affairs  
P.O. Box 2628  
Houston, Texas 77252-2628

**STEERING COMMITTEE OF CITIES:**

Daniel Lawton  
Stephen Mack  
The Lawton Law Firm, P.C.  
701 Brazos, Suite 500  
Austin, TX 78701

**ALLIANCE OF CENTERPOINT MUNICIPALITIES:**

Alfred R. Herrera  
Felipe Alonso III  
Herrera & Boyle, PLLC  
816 Congress Avenue, Suite 1250  
Austin, Texas 78701

**EAST TEXAS CITIES:**

Geoffrey M. Gay  
Georgia N. Crump  
Lloyd Gosselink Rochelle & Townsend, P.C.  
816 Congress Avenue, Suite 1900  
Austin, Texas 78701

**RAILROAD COMMISSION OF TEXAS:**

John Pierce Griffin  
1701 N. Congress  
P.O. Box 12967  
Austin, TX 78711 – 2967

**PROCEDURAL HISTORY:**

Docket Established:	July 2, 2012
Suspension Order Issued:	July 17, 2012
Prehearing Conference:	July 24, 2012
Technical Conference:	August 22, 2012
Heard By:	Gene Montes, Hearings Examiner Cecile Hanna, Hearings Examiner Rose Ruiz, Technical Examiner
Unanimous Settlement Agreement:	November 15, 2012
Record Closed:	November 21, 2012
PFD Circulation:	November 21, 2012
Statutory Deadline:	February 28, 2012

**STATEMENT OF THE CASE**

On July 2, 2012, CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas (CenterPoint or company) filed a proceeding to increase rates in the unincorporated areas of the company's Beaumont/East Texas Division and certain cities in the Beaumont/East Texas Division that have ceded original jurisdiction to the Commission pursuant to GURA § 103.003(a). The parties have filed a Unanimous Settlement Agreement that contemplates an increase in revenues totaling \$6,200,000. This reduces the amount originally requested by \$2,421,026. The parties have also requested recovery of rate case expenses in the amount of \$1,146,538.14. Unless clarified in exceptions, due to a discrepancy in the affidavit filed on behalf of CenterPoint regarding estimated expenses, the Examiners recommend that the total expense recovery be limited to \$1,123,827.14.

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## PROPOSAL FOR DECISION

### 1. Procedural History

On July 2, 2012, CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas (CenterPoint or company) filed a *Statement of Intent to Increase Rates on a Division Wide Basis in the Beaumont/East Texas Division*. This proceeding proposed to increase rates on a division wide basis for customers in the unincorporated areas of the company's Beaumont/East Texas Division and certain cities<sup>1</sup> in the Beaumont/East Texas Division that have ceded original jurisdiction to the Commission pursuant to GURA §103.003(a). The case was docketed as GUD No. 10182.

The proposed rates were suspended on July 17, 2012.

Notice of the filing in this proceeding was provided to all customers within all unincorporated and incorporated areas served by CenterPoint's Beaumont/East Texas Division by publishing a notice each week for four successive weeks, beginning the week of approximately July 13, 2012 and running through the week of approximately August 8, 2012, in a newspaper having a general circulation in each city affected by the proposed increase.<sup>2</sup>

CenterPoint also filed a *Statement of Intent* proceeding within various municipal jurisdictions retaining original jurisdiction within Beaumont/East Texas Division. On July 23, 2012, Motions to Intervene were granted<sup>3</sup> for the following groups of cities:

Staff of the Railroad Commission of Texas (Staff)  
Alliance of CenterPoint Municipalities (ACM)<sup>4</sup>  
East Texas Cities (ETC)<sup>5</sup>  
Steering Committee of Cities (SCC)<sup>6</sup>

The cities of Jefferson, Lindale and Overton denied the Statement of Intent filed by CenterPoint. The company filed its *Petition for Review of Municipal Rate Decisions and Motion to Consolidate* on August 16, 2012. That case was docketed as GUD No. 10203. The motion to consolidate was granted on October 26, 2012.

The cities of Anahuac, Atlanta, Beaumont, Bridge City, Center, Clarksville City, Cleveland, Dangerfield, Dayton, Gladewater, Huntsville, Jacksonville, Kilgore, Liberty, Longview, Lufkin, Mineola, Mount Pleasant, Mount Vernon, Nederland, Orange, Pine Forest, Rose City, Rusk, Silsbee, Sour Lake and White Oak denied CenterPoint's requested rate increase

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<sup>1</sup> The cities that ceded original jurisdiction in this case include: Ames, Colmesneil, Crockett, Diboll, Elkhart, Grapeland, Groveton, Hudson, Jasper, Latexo, Lovelady, Lumberton, Nacogdoches, Pinehurst, San Augustine, Shepherd, Tenaha, Timpson, Trinity, Vidor, and West Orange, Texas.

<sup>2</sup> GUD No. 10182 Ex. 1, Affidavits of Publishers for Completion of Notice.

<sup>3</sup> Subsequent motions to intervene were granted on August 6 and 15, 2012, and October 26, 2012, which added cities to the respective city groups.

<sup>4</sup> ACM cities include: Cities of Atlanta, Center, Clarksville City, Crockett, Daingerfield, Gladewater, Jacksonville, Kilgore, Longview, Lufkin, Marshall, Mineola, Mt. Pleasant, Nacogdoches, Rusk and White Oak, Texas.

<sup>5</sup> ETC cities include: Cities of DeKalb, Hooks, Lindale, Maud, New Boston, Red Lick, and Tyler, Texas.

<sup>6</sup> SCC cities include: Cities of Anahuac, Beaumont, Bridge City, Cleveland, Dayton, Huntsville, Liberty, Nederland, Orange, Pine Forest, Pinehurst, Rose City, Silsbee, and Sour Lake, Texas.

and CenterPoint filed an appeal. The case was docketed as GUD No. 10219 and a motion to consolidate granted on November 21, 2012.

The cities of DeKalb, Hooks, Marshall, Maud, New Boston, Red Lick, and Tyler denied CenterPoint's requested rate increase and CenterPoint filed an appeal. The case was docketed as GUD No. 10222 and a motion to consolidate was granted on November 21, 2012.

A prehearing conference was held in this case on July 24, 2012 and a technical conference was held on August 22, 2012. The hearing on the merits was scheduled for December 5 – 7, 2012. On August 27, 2012, CenterPoint filed a Motion to Limit Issues. The motion was granted, in part, on September 17, 2012 and the following issues were precluded from further litigation:

1. System-Wide Rates: Rates may be developed for CenterPoint's Beaumont/East Texas division on a system-wide basis and the issue was precluded from further litigation.
2. Federal Income Tax Factor: The Federal Income Tax factor was to be based upon the statutory income tax rate of 35 percent and issues related to whether the company's tax liability should be calculated by imputing a "consolidated tax adjustment" was precluded from further litigation.
3. Cost Allocation: Except for issues related to the input values, the use of a 2-inch pipe minimum distribution system analysis to allocate certain components of rate base was precluded from further litigation.
4. Cash Working Capital: The billing lag was set at the hypothetical factor used in prior Commission proceedings of three days and the issue was precluded from further litigation.
5. Recovery of Municipal Franchise Fees and Gross Receipts Taxes: Continued use of the Municipal Franchise Fees and Gross Receipts Taxes tariff approved in GUD No. 9534 would not be litigated in this proceeding. CenterPoint did not seek to amend Rate Schedule No. TA-4, accordingly, the applicant argued that issues related to that tariff, including any legal or policy challenge to the recovery of municipal franchise fees solely from municipal customers should not be part of this proceeding. This issue was precluded from further litigation.
6. Incentive Compensation: CenterPoint requested that the methodological treatment adopted in GUD No. 9791 and GUD No. 9902 related to incentive compensation be applied in this proceeding. Issues related to the methodology were precluded from further litigation. Issues that impacted the amount of incentive compensation were not precluded.

7. Ten-Year Weather: The company's use of the last 10 years to establish normal weather for purposes of normalizing revenues and billing determinants was precluded from litigation in this proceeding.

The parties did not file an interim appeal. On November 15, 2012, the procedural schedule was abated when the parties filed the Unanimous Settlement Agreement.

The parties have requested approval of the proposed Unanimous Settlement Agreement. In order to evaluate the Unanimous Settlement Agreement, the following documents were admitted into the record of this case:

- Affiavites of Publishers Completion of Notice, GUD NO. 10182, Exhibit 1.
- Unanimous Settlement Agreement, *GUD No. 10182 Exhibit No. 2*;
- Prefiled direct testimony of Steven C. Greenley, pp. 2 – 4 & 11 – 18., *GUD No. 10182, Exhibit No. 3*;
- Prefiled direct testimony of Kelly C. Gauger, pp. 6 – 9, *GUD No. 10182, Exhibit 4*; and,
- Prefiled direct testimony of Kevin T. Reckelhoff, *GUD No. 10182 Exhibit 5*.

The Gas Utility Regulatory Act requires that the Commission establish rates that are just and reasonable. Accordingly, it is necessary to evaluate the agreement for reasonableness. Further, the statute requires that the Commission make certain findings regarding affiliate transactions. The admitted exhibits are necessary to complete the evaluation of the proposed settlement agreement.

## **2. Jurisdiction**

The Commission has jurisdiction over the applicant, associated affiliates 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 2007 and Supp. 2012). 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.

## **3. Overview of the Company and the Beaumont/East Texas Division**

CenterPoint is an indirect, wholly-owned subsidiary of CenterPoint Energy, Inc (CNP). CenterPoint's natural gas distribution business (Gas Operations) engages in natural gas sales to, and transportation for, approximately 3.2 million residential, commercial and industrial customers in the states of Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas. In addition, CenterPoint operates natural gas transmission, field services and energy services business and is a gas utility regulated by the Commission. The company's principal office in Texas is located in Houston, Texas, and its books, accounts and records are kept at that location.

CenterPoint is divided into four divisions – the South Texas Division, the Beaumont/East Texas Division, the Houston Division, and the Texas Coast Division. The Beaumont/East Texas

Division serves a total of approximately 194,000 customers that will be affected by the proposed rate change. Approximately 49,000 customers reside either in the unincorporated areas of the Beaumont/East Texas Division or in cities that have surrendered original jurisdiction to the Commission.<sup>7</sup> The company claims that the increase request is driven by several factors that include, but are not limited to, increased infrastructure investment, decreasing customer count, and decreasing sales.

#### **4. Books and Records**

Kelly C. Gauger testified that CenterPoint maintains its books and records in accordance with the Commission's regulations. Namely, Rule 7.310 requires that each gas utility utilize the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts prescribed for Natural Gas Companies subject to the provision of the Natural Gas Act for all operating and reporting purposes. The FERC Uniform System of Accounts is applicable to all gas utility and gas utility related operations. Ms. Gauger asserted that the company maintains its books and records in accordance with Commission Rule 7.310 and the amounts included therein are therefore subject to the presumption that they are reasonable and necessary. CenterPoint established that it has fully complied with the requirements of Rule 7.310 and the Examiners find that the amounts noted therein are subject to the presumption encapsulated in Rule 7.503.<sup>8</sup>

#### **5. Unanimous Settlement Agreement**

##### **a. Overall Revenue Requirement**

The company initially requested a net revenue requirement increase of \$8,621,026 for the standard rate classes.<sup>9</sup> The Unanimous Settlement Agreement contemplates an increase of \$6,200,000. This represented a decrease from the initial request of \$2,421,026. Thus, the Unanimous Settlement Agreement represents a decrease of nearly 28% compared to the original amount requested. The company provided a full cost of service analysis in support of its initial request. Further, CenterPoint alleged that its initial request was consistent with Commission precedent related to CenterPoint. The Examiners' ruling on the company's motion to limit manifests the Examiners' view that the filing was consistent with Commission precedent. In light of these facts, the Examiners recommend that the Unanimous Settlement Agreement be approved.

##### **b. Interim Rate Adjustment Components**

In 2003, the 78<sup>th</sup> legislature provided the utilities a mechanism to adjust rates with an interim adjustment for capital investment. The provision was amended in 2005 in the 79<sup>th</sup> legislative session. Prior to this statute, the only way a utility could increase its rates was to file a

<sup>7</sup> GUD No. 10182 Exhibit 2, Steven C. Greenley Direct, p. 2 - 4

<sup>8</sup> GUD No. 10182 Exhibit 3, Kelly C. Gauger.

<sup>9</sup> The total revenue requirement requested for the standard rates classes was \$56,518,091 (\$47,422,476[Residential]+\$8,176,775 [Commercial-Small] + \$918,840[Commercial-Small]). Other revenues for miscellaneous service charges and other revenues totaled \$2,572,679. Thus, the net revenue requirement to be recovered from the standard rate classes totaled \$53,945,412. Compared to current revenues this resulted in an increase request of \$8,621,026.

Statement of Intent proceeding. The provisions related to this legislation are currently codified in Section 104.301 of the Texas Utilities Code. The interim rate adjustment statute allows interim adjustments to a utility's rates provided certain criteria are satisfied. Among the requirements, the utility must have completed a rate proceeding within two years of the initial interim rate adjustment filing. That proceeding would establish the applicable benchmark for certain factors to be used in the interim rate adjustment filing. The Unanimous Settlement Agreement conforms with the requirement and includes adoption of the benchmark to be applied in future interim rate adjustment proceedings.

Specifically, the parties agree that the capital structure and weighted cost of capital, including the pre-tax return, which is reflective of the company's actual capital structure reflected in Table 1 is just and reasonable.

Table 1

	Capital Structure	Debt/Equity Cost	Weighted Cost of Capital	Pre-Tax Return
Long-Term Debt	42%	6.46%	2.71%	2.71%
Common Equity	58%	10%	5.8%	8.92%
Rate of Return	100%		<b>8.51%</b>	<b>11.64%</b>

The overall rate of return and the individual components are consistent with recent Commission precedent and the Examiners find that they are just and reasonable.

Additionally, the parties agreed that any Interim Rate Adjustment ("IRA") filing in the Beaumont/East Texas Division pursuant to Texas Utilities Code § 104.301 shall use the following factors until changed by a subsequent rate proceeding:

- The capital structure and related components as shown above in item 3.
- For the initial IRA filing, the Net Investment which includes detail of Plant in Service amounts (by FCA) along with the associated depreciation rate for each account as shown on Exhibit D.
- For the initial IRA filing, the beginning amount of ad valorem taxes at a division level is \$1,150,186 and the standard sales service amount is \$1,114,517.
- For the initial IRA filing, the rate base amount for standard sales service is \$93,036,865 for calculating the federal income tax on related schedules in the IRA filing. This amount is derived as a settlement rate base and should not be considered to be inclusive of the requested regulatory assets associated with pensions, retirement plans, and deferred benefits from this case.
- For the initial IRA filing, the customer charges, as reflected in the Final Order, will be the starting rates to apply to any IRA adjustment. The average use per month per customer class in order to determine the current and proposed bill information in future IRA filings

is as follows: residential at 36 Ccf, small commercial at 140 Ccf, and large volume customer at 2,804 Ccf.

- The base rate revenue allocation factors to spread any change in IRA increase/decrease to the appropriate customer classes is as follows:

<b><u>Commercial and Industrial Sales</u></b>		
<b>Residential</b>	<b>Small</b>	<b>Large</b>
82.6811%	15.5386%	1.7803%

Significantly, the Unanimous Settlement Agreement includes a provision wherein CenterPoint agrees that it will not file an IRA for its Beaumont/East Texas Division in calendar year 2013, and its first IRA filing will occur in calendar year 2014.

c. **Section 104.059 Benchmarks**

During the 2011 legislative session, the legislature adopted what is currently codified as Section 104.059 related to Pension and Other Post-Employment Benefits. The statute allows a gas utility to recover its costs of pension and other post-employment benefits. In order to calculate the regulatory asset for future periods, however, the company must establish an amount in the reserve accounts to track changes in pension and other post-employment costs.<sup>10</sup> The Unanimous Settlement Agreement contains the parties' agreement for the amounts to be included in the reserve accounts in order to track changes in pension and other post-employment costs. Table 2 below sets out the benchmark applicable to future proceedings.

Table 2  
Section 104.059 Benchmarks

<b>Description</b>	<b>Total</b>
Pension	\$1,366,354
Benefit Restoration Plan	\$ 309,049
Post-Employment	\$ 246,637
Post Retirement	\$ 796,280

<sup>10</sup> Tex. Util. Code Ann. § 104.059.

d. **Rate Design**

The Unanimous Settlement Agreement contemplates approval of the following rates:

<b>At 14.65 psi</b>	Customer Charge	Single Block Volumetric Rate
Residential	\$16.00	\$0.1238 per Ccf
Small Commercial	\$23.75	\$0.06440 per Ccf
Large Volume	\$63.75	\$0.0300 per Ccf

<b>At 14.73 psi</b>	Customer Charge	Single Block Volumetric Rate
Residential	\$16.00	\$0.1245 per Ccf
Small Commercial	\$23.75	\$0.06475 per Ccf

<b>At 14.95 psi</b>	Customer Charge	Single Block Volumetric Rate
Residential	\$16.00	\$0.1263 per Ccf
Small Commercial	\$23.75	\$0.06572 per Ccf

Table 3 below provides a comparison of the percentage change in revenues for bills at various consumptions levels.<sup>11</sup>

Table 3  
Calculation of Change  
Residential Bills

Ccf	% Change
10	25%
20	21%
30	18%
40	15%
50	12%
60	10%
70	8%
80	7%
90	5%

Thus, based upon an average consumption of 60 Ccf, the average residential bill will change by approximately 10%. This is consistent with the change identified in recent Commission decisions. The Examiners find that the proposed rate is just and reasonable and recommend approval of those rates.

<sup>11</sup> Rather than provide a comparison at the different p.s.i., this table provides an approximate change based on the average change at each p.s.i. rounded to the nearest whole number.

## **6. Affiliate Expenses**

The Gas Utility Regulatory Act requires that specific findings must be made by the appropriate regulatory authority before rates may be adopted. Those findings include (1) a specific finding of the reasonableness and necessity of each item or class of items allowed; and (2) a finding that the price to the gas utility is not higher than the prices charged by the supplying affiliate to its other affiliates or division or to a non-affiliated person for the same item or class of items. The Examiners conclude that, the nature of the settlement makes it impossible to know for certain whether the expenses related to the affiliate are included in the rates. Thus, the Examiners find that the evidence in the record of this case regarding CenterPoint's affiliates must be evaluated to comply with the statutory requirements.

During the test year, services were provided to the Beaumont/East Texas Division by certain affiliates: Services Company, CenterPoint Energy Houston Electric, LLC (CEHE), and other divisions of Centerpoint's Gas Operations. Services Company personnel carry out corporate oversight and managerial functions for CNP and its business units. The following affiliate services were provided to the Beaumont/East Texas Division: (1) Finance, (2) Legal, (3) Corporate Compliance, (4) Records Management, (5) Human Resources, (6) Government Affairs, (7) Executive Management, (8) Corporate Communications, (9) Corporate Community Relations, (10) Audit Services, (11) Information Technology Support, (12) Purchasing and Logistics, (13) Facilities Management, (14) Office Support Services, (15) Security, (16) Environmental Eompliance, and (17) Regulated Operations Management Support.

CenterPoint described the billing from the affiliates as follows. There are three mechanisms for billing to the Beaumont/East Texas Division. First, if a service can be specifically identified as being solely for the benefit of the Beaumont/East Texas Division, the costs are directly billed to it. Second, services that are solely for the benefit of CenterPoint but not specifically for the Beaumont/East Texas Division are first directly billed to the company and then allocated to the Beaumont/East Texas Division based on customer ratios. Third, certain support and governance functions are allocated to CenterPoint based upon an allocation methodology and further allocated to the Beaumont/East Texas Division based upon customer rations.

CenterPoint has established that the services provided by its affiliates on behalf of the Beaumont/East Texas Division are reasonable and necessary. The affiliate expenses included in the company's filing are reasonable and necessary costs of providing gas utility service, and the prices charged to the Beaumont/East Texas Division are no higher than the prices charged by the supplying affiliate to CenterPoint's other affiliates or divisions, or to a non-affiliated person for the same item or class of items.

## 7. Rate Case Expenses

Rule 7.5530 provides that 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 allocations. Each entity seeking recovery of rate case expenses must 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 work of the same or similar nature; and
- (6) any other factors taken into account in setting the amount of the compensation.

Furthermore, Commission rules mandate that 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 the complexity of the issues in the proceeding and the amount of the increase sought as well as the amount of any increase granted.

CenterPoint, ACM, ETC and SCC each filed detailed reports related to the rate case expenses. Besides detailed reports, these parties also filed Affidavits in support of the request attesting to the reasonableness of the rates charged.<sup>12</sup> The amounts include actual rate case expenses incurred through September 2012, and actual rate case expenses incurred through the completion of this case. This latter amount includes not only actual rate case expenses incurred from October through November 2012, but also reasonably estimated rate case expenses through the conclusion of the docket. The requested rate case expenses, are as follows:

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<sup>12</sup> Ex. E to Unanimous Settlement Agreement - Affidavit of Michael Dane McKaughan, Jr. and supporting documents; Affidavit of Alfred R. Herrera and supporting documents (ACM); Affidavit of Georgia N. Crump and supporting documents (ETC); and Affidavit of Daniel J. Lawton and supporting documents (SCC).

Table 4  
Rate-Case-Expense Request

	Actual incurred through 9/2012	Estimated through completion	<b>TOTAL</b>
CenterPoint	\$497,930.61	\$173,711.00	\$ 671,641.61
ACM <sup>13</sup>	\$231,673.48	\$ 1,000.00	\$ 232,673.48
SCC	\$ 62,400.00	\$ 84,011.10	\$ 146,411.10
ETC	\$ 52,811.95	\$ 43,000.00	\$ 95,811.95
<b>TOTAL</b>			\$1,146,538.14

### *CenterPoint*

Michael Dane McKaughan, Jr. filed an affidavit and supporting documents. Mr. McKaughan states that legal fees are (1) \$180,764.98 through September 30, 2012; (2) \$79,211.00 through October 31, 2012; and (3) \$72,000.00 from November 1, 2012 through completion of the docket. These amounts total \$331,975.98. In addition to legal expenses, the company incurred expenses by professional consultants retained to provide direct and rebuttal testimony, public notice, and incidental expenses. As a result, the company's total actual incurred rate case expenses, including legal fees, through September 30, 2012, are \$497,930.61. This amount includes required regulatory expenses incurred for the preparation of the filing and the publication of notice equal to \$320,804. CenterPoint estimates an additional \$173,711.06 in estimated rate case expenses to complete the case. CenterPoint's total actual incurred and reasonably estimated rate case expenses are \$671,641.61.

The Examiners note that there is a discrepancy regarding the estimated rate case expenses. Mr. McKaughan indicated that estimated expenses were \$79,211, for work performed in October 2012, which had not yet been processed, and \$72,000 for completion of the case. Therefore, the total estimated expenses described in the affidavit was \$151,000. On the other hand, Paragraph 6 of the Unanimous Settlement Agreement reflects an estimated expense of \$173,711. The Examiners recommend that the Unanimous Settlement Agreement be adopted and that Paragraph 6 be amended to reflect estimated expenses in the amount of \$151,000.

### *Intervenors*

ACM. Alfred R. Herrera, on behalf of Intervenor, ACM, filed an Affidavit and supporting documents related to ACM's rate case expenses. Mr. Herrera stated that ACM's

<sup>13</sup> ACM's actual rate case expenses reflect expenses incurred to date rather than through September 2012.

actual legal fees amount to \$69,965, plus \$3,019.71 in expenses, through November 13, 2012. In addition, actual consulting fees and expenses are \$158,688.77. This results in a total of actual rate case expenses of \$231,673.48.

Mr. Herrera anticipates that an additional \$1,000 in rate case expenses are reasonably estimated to complete the case. As a result, the Unanimous Settlement Agreement reflects \$232,673.48 in actual and reasonably estimated rate case expenses. These amounts are reflected below, as follows:

Table 5  
ACM Actual and Estimated Rate Case Expenses

Actual legal fees through November 13, 2012	\$ 69,965.00
Actual expenses related to legal fees through November 13, 2012	\$ 3019.71
Actual consulting fees and expenses through November 13, 2012	\$ 158,688.77
Total actual rate case expenses through November 13, 2012	\$ 231,673.48
Estimated rate case expenses through conclusion of docket	\$ 1,000.00
Total actual and estimated rate case expenses	\$ 232,673.48

ETC. Georgia N. Crump, on behalf of Intervenor, ETC, filed an Affidavit and supporting documents for ETC's rate case expenses. Ms. Crump stated that ETC's actual incurred legal fees through September 16, 2012, are \$16,086.95, and the actual consulting fees amount to \$36,725.00. The actual rate case expenses through September 2012 total \$52,811.95.

In addition, ETC has incurred additional actual legal fees and expenses in the amount of \$29,511.31 through November 9, 2012. Similarly, additional actual consulting fees through November 13, 2012, are \$9,477. ETC estimates another \$4,011.69 in reasonably estimated rate case expenses through the conclusion of this docket. This brings the total incurred actual rate case expenses to \$91,800.26, plus \$4,011.69 in reasonably anticipated expenses, for a docket total for ETC of \$95,811.95.

Table 6  
ETC Actual and Estimated Rate Case Expenses

Actual legal fees through September 16, 2012	\$ 16,086.95
Actual consulting fees through September 16, 2012	\$ 36,725.00
Actual legal fees September 16 through November 9, 2012	\$ 29,511.31
Actual consulting fees September 16 through November 9, 2012	\$ 9,477.00
Total actual rate case expenses through November 13, 2012	\$ 91,800.26
Estimated rate case expenses through conclusion of docket	\$ 4,011.69
Total actual and estimated rate case expenses	\$ 95,811.95

SCC. Daniel J. Lawton, on behalf of Intervenor, SCC, filed an Affidavit and supporting documents for SCC's rate case expenses. Mr. Lawton stated that SCC has incurred actual legal fees in the amount of \$49,560 and consultant fees of \$12,840, for a total of legal fees and consulting fees through September 2012 of \$62,400.

Moreover, SCC has incurred additional actual legal fees through November 9, 2012 in the amount of \$27,105, plus consulting fees of \$54,406.10, for a total of actual incurred legal fees and consulting fees October through November 9, 2012 in the amount of \$81,511.10. Mr. Lawton states that the reasonably estimated rate case expenses through the conclusion of this docket are \$2,500. This brings the total incurred actual rate case expenses for SCC to \$143,911.10. With the addition of the \$2,500 reasonably estimated rate case expenses, the Unanimous Settlement Agreement contemplates SCC's rate case expense recovery of \$146,411.10.

Table 7  
SCC Actual and Estimated Rate Case Expenses

Actual legal fees through September 2012	\$ 49,560.00
Actual consulting fees through September 2012	\$ 12,840.00
Actual legal fees October 2012 through November 9, 2012	\$ 27,105.00
Actual consulting fees October 2012 through November 9, 2012	\$ 54,406.10
Total actual rate case expenses through November 13, 2012	\$ 143,911.10
Estimated rate case expenses through conclusion of docket	\$ 2,500.00
Total actual and estimated rate case expenses	\$ 146,411.10

The Examiners reviewed all billings, invoices and evidence submitted by the company and the Intervenors. The Examiners have found no evidence of double-billing, excess charges, inappropriate documentation of work, excessive entertainment and dining expenses, or other charges that were not incurred as a direct result of CenterPoint and the Intervenors prosecuting GUD No. 10182 and the related proceeding.

As for CenterPoint, the hourly rates for the company's attorneys range from \$250 to \$475. Affiant, Dane McKaughan, Jr., stated that the hourly rates charged by consulting attorneys and consultants are reasonable. He stated that he performed the majority of the legal work in this docket and his hourly billing rate is \$375, which he believes is within the range deemed reasonable in prior rate cases for lawyers having similar experience. The nature of the work performed by the attorneys involved in this docket was to answer discovery questions, negotiate discovery disputes, motions practice, prepare testimony, prepare for hearing, and settlement negotiations and prepare settlement documents. Mr. McKaughan stated that the invoices accurately document hours worked and services provided and that they were necessary to complete those tasks in a professional manner on a timely basis.

Mr. McKaughan's affidavit does not specifically address some of the other factors enumerated in §7.5530, such as (1) the number of consulting attorneys working on the underlying docket was minimized, (2) no time entries exceeding 12.0 hours per day, (3) no expenses charged for first-class airfare, non-commercial aircraft, luxury hotels, limousine service, alcoholic beverages, sporting events or other entertainment, (4) no duplication of services or testimony, and the complexity of the work.

The Examiners have reviewed the supporting documents and do not find evidence of any prohibited expenses. Accordingly, the Examiners find that the evidence indicates that the amount of work required to litigate GUD No. 10182 and related proceeding justifies the work performed by the utility's attorneys and consultants pursuant to the requirements of §7.5530(a) and (b).<sup>14</sup>

Intervenors, ACM and SCC, provided affidavits that specifically state that in addition to the reasonableness of the legal and consulting fees that their expenses do not include: double billing, excess of 12 hours daily, or luxury items, such as first-class airfare, limousines, alcohol, sporting events or entertainment. ACM attorneys charge hourly rates of \$270 - \$310, which they attest are reasonable and comparable to the rates charged by other lawyers with similar experience providing similar services. SCC attorneys charge hourly rates of \$200 - \$275 and SCC attorneys do not charge extra for normal copying, fax, deliveries and couriers.

Affiant, Mr. Herrera, also specified the type of legal work performed, including legal advice and strategy, negotiation, coordinating with consultants, legal research, preparing filings, discovery and client consultations. He stated that these tasks were necessary to complete assigned tasks in a professional manner on a timely basis.

Both ACM and SCC affiants attested to the reasonableness of the amounts charged by their consultants and the efficiency of the work performed.

On the other hand, ETC, affiant attested to the reasonableness of the work performed and the amounts charged given the level of experience of the attorneys, compared to similar work performed by other law firms and consultants. ETC did not specifically address the other items contained in Rule § 7.5530(a) and (b).

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<sup>14</sup> 16 TEX. ADMIN. CODE § 7.5530(a)(2010). 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 allocations 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 work of the same or similar nature; and (6) any other factors taken into account in setting the amount of the compensation.

16 TEX. ADMIN. CODE § 7.5530(b) (2010). 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 the complexity of the issues in the proceeding and the amount of the increase sought as well as the amount of any increase granted.

The Examiners have reviewed the supporting documents of the Intervenor and do not find evidence of any prohibited expenses. Further, the Examiners did not identify any specific amounts, expenditures, fees, and expenses actually incurred in these proceedings that are different from the types of fees and expenses approved by the Commission in prior rate cases. The Examiners find that the work involved in these proceedings was not disproportionate to the complexity of the issues or the amount of revenue increase sought. Accordingly, the Examiners recommend that the evidence indicates that the amount of work required to litigate GUD No. 10182 and related proceeding justifies the work performed by the Intervenor's attorneys and consultants pursuant to the requirements of §7.5530(a) and (b).

In sum, the Examiners recommend that the Commission approve the actual incurred and reasonably estimated rate case expenses contained in the Unanimous Settlement Agreement, of \$1,123,827.14 broken down as follows: \$648,930.61 – CenterPoint; \$232,673.48 – ACM; \$146,411.10 – SCC; and \$95,811.95 – ETC. The Examiners recommend further that in regard to the parties reasonably estimated rate case expenses, that the parties file with the Commission their actual incurred rate case expenses through completion of the case within 30-days of the Final Order so as to not over-recover rate case expenses.

#### *Rate Case Expense Recovery Rider*

The Unanimous Settlement Agreement provides that CenterPoint will recover rate case expenses over a thirty-six (36) month period. The proposed rate case expense recovery tariff noted as follows:

If no method of collection is specified in the final order setting the amount of reasonable rate case expense, then Company shall collect that amount over a twelve-month period through a fixed monthly charge.

Consistent with Commission precedent the Examiners recommend the following. First, consistent with the agreement of the parties in Paragraph 6 of the Unanimous Settlement Agreement, recovery of the rate-case expenses shall be over a thirty-six month period. Second, the surcharge shall be separately stated on the bill. Third, based upon the recommendation set forth herein, the recommended recovery rate shall be as follows: \$0.16 per bill for Residential, General Service-Small, and General Service – Large. The rate case expense recovery must be properly reconciled to ensure that no under-recovery or over-recovery occurs to customers or the company.

## **8. Tariffs**

The Unanimous Settlement Agreement includes an agreement on several tariffs and riders, including tariffs applicable to residential, general service-small, and general service-large volume customers. It also includes a Miscellaneous Service tariff, and a purchase gas adjustment tariff. As noted in the Statement of Intent filed on July 2, 2012, Centerpoint proposed to make certain revenue-neutral changes to its Miscellaneous Services Charges tariff to make it consistent with those applicable for CenterPoint's other Texas divisions. The Examiners find that the proposed tariffs are reasonable and recommend approval.

**9. Conclusion**

The Examiners find that the rate elements agreed to by the parties in the Unanimous Settlement Agreement is just and reasonable and recommend approval of rates consistent with the settlement.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Gene Montes", written in a cursive style.

Gene Montes  
Hearings Examiner  
Hearings Division

**BEFORE THE  
RAILROAD COMMISSION OF TEXAS**

STATEMENT OF INTENT OF	§	
CENTERPOINT ENERGY	§	
RESOURCES CORP., D/B/A	§	
CENTERPOINT ENERGY ENTEX	§	<b>GAS UTILITIES DOCKET NO. 10182</b>
AND CENTERPOINT ENERGY	§	<b>AND CONSOLIDATED CASES</b>
TEXAS GAS TO INCREASE RATES	§	
ON A DIVISION-WIDE BASIS IN THE	§	
BEAUMONT/EAST TEXAS DIVISION	§	

**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. Chapter 551, *et seq.* (Vernon 2008 & Supp. 2011). 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 gas 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. On July 2, 2012, CenterPoint filed a Statement of Intent to change gas utility rates in the unincorporated areas served by the Beaumont/East Texas Division. The filing was docketed as GUD No. 10182.
3. On July 17, 2012, the Commission suspended the implementation of CenterPoint's proposed rates for up to 150 days.
4. CenterPoint also filed a proposed rate increase with several municipalities.
5. The following municipalities surrendered their jurisdiction to the Commission: Ames, Colmesneil, Crockett, Diboll, Elhart, Grapeland, Groveton, Hudson, Jasper, Latexo, Lovelady, Lumberton, Nacogdoches, Pinehurst, San Augustine, Shepard, Tenaha, Timpson, Trinity, Vidor, and West Orange.
6. The cities of Jefferson, Lindale and Overton denied the Statement of Intent filed by CenterPoint. The company filed its *Petition for Review of Municipal Rate Decisions and Motion to Consolidate* on August 16, 2012. That case was docketed as GUD No. 10203. The motion to consolidate was granted on October 26, 2012.

7. The cities of Anahuac, Atlanta, Beaumont, Bridge City, Center, Clarksville City, Cleveland, Dangerfield, Dayton, Gladewater, Huntsville, Jacksonville, Kilgore, Liberty, Longview, Lufkin, Mineola, Mount Pleasant, Mount Vernon, Nederland, Orange, Pine Forest, Rose City, Rusk, Silsbee, Sour Lake and White Oak denied CenterPoint's requested rate increase and CenterPoint filed an appeal. The case was docketed as GUD No. 10219 and a motion to consolidate granted on November 21, 2012.
8. The cities of DeKalb, Hooks, Marshall, Maud, New Boston, Red Lick, and Tyler denied CenterPoint's requested rate increase and CenterPoint filed an appeal. The case was docketed as GUD No. 10222 and a motion to consolidate was granted on November 21, 2012.
9. The following municipalities intervened in these consolidated proceedings as the Alliance of CenterPoint Municipalities (ACM): Atlanta, Center, Clarksville City, Crockett, Daingerfield, Gladewater, Jacksonville, Kilgore, Longview, Lufkin, Marshall, Mineola, Mt. Pleasant, Nacogdoches, Rusk and White Oak.
10. The following municipalities intervened in these consolidated proceedings as the East Texas Cities (ETC): DeKalb, Hooks, Lindale, Maud, New Boston, Red Lick, and Tyler.
11. The following municipalities intervened in these consolidated proceedings as the Steering Committee of Cities (SCC): Anahuac, Beaumont, Bridge City, Cleveland, Dayton, Huntsville, Liberty, Nederland, Orange, Pine Forest, Pinehurst, Rose City, Silsbee, and Sour Lake.
12. Staff of the Railroad Commission (Staff) intervened in these consolidated proceedings.
13. On November 15, 2012, the parties filed a Unanimous Settlement Agreement.
14. The Unanimous Settlement Agreement resolved all issues and no issues were preserved for further litigation.
15. The following documents were admitted into the record of the case.
  - Affidavits of Publishers Completion of Notice, *GUD No. 10182, Exhibit 1*.
  - Unanimous Settlement Agreement, *GUD No. 10182 Exhibit No. 2*;
  - Prefiled direct testimony of Steven C. Greenley, pp. 2 – 4 & 11 – 18., *GUD No. 10182, Exhibit No. 3*;
  - Prefiled direct testimony of Kelly C. Gauger, pp. 6 – 9, *GUD No. 10182, Exhibit 4*; and,
  - Prefiled direct testimony of Kevin T. Reckelhoff, *GUD No. 10182 Exhibit 5*.
16. During the test year, services were provided to the Beaumont/East Texas Division by certain affiliates: Services Company, CenterPoint Energy Houston Electric, LLC (CEHE), and other divisions of Centerpoint's Gas Operations.

17. The record in this case established that that the services provided by its affiliates on behalf of the Beaumont/East Texas Division are reasonable and necessary.
18. The record in this case established that the affiliate expenses included in the company's filing are reasonable and necessary costs of providing gas utility service, and the prices charged to the Beaumont/East Texas Division are no higher than the prices charged by the supplying affiliate to CenterPoint's other affiliates or divisions, or to a non-affiliated person for the same item or class of items.
19. Notice of the filing in this proceeding was provided to all customers within all unincorporated and incorporated areas served by CenterPoint's Beaumont/East Texas Division by publishing a notice each week for four successive weeks, beginning the week of approximately July 13, 2012 and running through the week of approximately August 8, 2012, in a newspaper having a general circulation in each city affected by the proposed increase.
20. The publication of notice meets the statutory and rule requirements of notice and provides sufficient information to ratepayers about the *Statement of Intent*.
21. CenterPoint established that the utility maintains its books and records in accordance with the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts prescribed for Natural Gas Companies
22. CenterPoint established that the utility has fully complied with the books and records requirements of Rule 7.310 and the amounts included therein are therefore subject to the presumption encapsulated in Rule 7.503 that these amounts are reasonable and necessary.
23. The company initially requested a net revenue requirement increase of \$8,621,026 for the standard rate classes.
24. The Unanimous Settlement Agreement contemplates an increase of \$6,200,000. This represented a decrease from the initial request of \$2,421,026.
25. The parties have established that the proposed increase of \$6,200,000 is just and reasonable.

26. The rates reflected in the attached Unanimous Settlement Agreement, and the customer charges set forth therein, are just and reasonable.

<b>At 14.65 psi</b>	Customer Charge	Single Block Volumetric Rate
Residential	\$16.00	\$0.1238 per Ccf
Small Commercial	\$23.75	\$0.06440 per Ccf
Large Volume	\$63.75	\$0.0300 per Ccf

<b>At 14.73 psi</b>	Customer Charge	Single Block Volumetric Rate
Residential	\$16.00	\$0.1245 per Ccf
Small Commercial	\$23.75	\$0.06475 per Ccf

<b>At 14.95 psi</b>	Customer Charge	Single Block Volumetric Rate
Residential	\$16.00	\$0.1263 per Ccf
Small Commercial	\$23.75	\$0.06572 per Ccf

27. The following capital structure and weighted cost of capital, including the pre-tax return, included in the Unanimous Settlement Agreement is reflective of the CenterPoint's actual capital structure and is just and reasonable.

	Capital Structure	Debt/Equity Cost	Weighted Cost of Capital	Pre-Tax Return
Long-Term Debt	42%	6.46%	2.71%	2.71%
Common Equity	58%	10%	5.8%	8.92%
Rate of Return	100%		<b>8.51%</b>	<b>11.64%</b>

28. Any Interim Rate Adjustment ("IRA") filing in the Beaumont/East Texas Division pursuant to Texas Utilities Code § 104.301 shall use the following factors until changed by a subsequent rate proceeding.

- The capital structure and related components as shown above in Finding of Fact No. 27.
- For the initial IRA filing, the Net Investment which includes detail of Plant in Service amounts (by FCA) along with the associated depreciation rate for each account as shown on Exhibit D, attached to the Unanimous Settlement Agreement.
- For the initial IRA filing, the beginning amount of *ad valorem* taxes at a division level is \$1,150,186 and the standard sales service amount is \$1,114,517.
- For the initial IRA filing, the rate base amount for standard sales service is \$93,036,865 for calculating the federal income tax on related schedules in the IRA filing. This amount is derived as a settlement rate base and should not be considered

to be inclusive of the requested regulatory assets associated with pensions, retirement plans, and deferred benefits from this case.

- For the initial IRA filing, the customer charges as noted in Finding of Fact No. 22 above will be the starting rates to apply to any IRA adjustment. The average use per month per customer class in order to determine the current and proposed bill information in future IRA filings is as follows: residential at 36 Ccf, small commercial at 140 Ccf, and large volume customer at 2,804 Ccf.
- The base rate revenue allocation factors to spread any change in IRA increase/decrease to the appropriate customer classes is as follows:

<b>Commercial and Industrial Sales</b>		
<b>Residential</b>	<b>Small</b>	<b>Large</b>
82.6811%	15.5386%	1.7803%

29. The base year level of pension-related and other post-employment benefits expenses shall be as follow:

<b>Description</b>	<b>Total</b>
Pension	\$1,366,354
Benefit Restoration Plan	\$ 309,049
Post Employment	\$ 246,637
Post Retirement	\$ 796,280

30. CenterPoint has established that its rate case expenses totaling \$648,930.61 are just and reasonable.
31. ACM has established that its rate case expenses totaling \$232,673.48 are just and reasonable.
32. SCC has established that its rate case expenses totaling \$146,411.10 are just and reasonable.
33. ETC has established that its rate case expenses totaling \$95,811.95 are just and reasonable.
34. It is reasonable that the recovery of the rate-case expenses shall be over a thirty-six month period.
35. It is reasonable that the rate case expense surcharge be separately stated on the bill.
36. The tariffs attached to this Final Order are just and reasonable.

### 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) (Vernon 2007 and Supp. 2011) and §121.001 (Vernon 2007) 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 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 2007 and Supp. 2011), 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 conducted in accordance with the requirements of the Gas Utility Regulatory Act (GURA), and the Administrative Procedure Act, TEX. GOV'T CODE ANN. §§ 2001.001 *et seq.* (Vernon 2008 and Supp. 2011) (APA).
5. TEX. UTIL. CODE ANN. §104.107 (Vernon 2007 and Supp. 2011) provides the Commission's authority to suspend the operation of the schedule of proposed rates for 150 days from the date the schedule would otherwise go into effect.
6. The proposed rates constitute a major change as defined by TEX. UTIL. CODE ANN. §104.101 (Vernon 2007 and Supp. 2011).
7. In accordance with TEX. UTIL. CODE ANN. §104.103 (Vernon 2007 and Supp. 2011), 16 TEX. ADMIN. CODE ANN. §§ 7.230 and 7.235, adequate notice was properly provided.
8. In accordance with TEX. UTIL. CODE ANN. §104.102 (Vernon 2007 and Supp. 2011), 16 TEX. ADMIN. CODE ANN. §§ 7.205 and 7.210, CenterPoint filed its Statement of Intent to change gas distribution rates.
9. CenterPoint failed to meet its burden of proof in accordance with the provisions of TEX. UTIL. CODE ANN. §104.008 (Vernon 2007 and Supp. 2011) on the elements of its requested rate increase identified in this order.
10. The revenue, rates, rate design, and service charges proposed by CenterPoint are not found to be just and reasonable, not unreasonably preferential, prejudicial, or discriminatory, and are not sufficient, equitable, and consistent in application to each class of consumer, as required by TEX. UTIL. CODE ANN. §104.003 (Vernon 2007 and Supp. 2011).
11. The revenue, rates, rate design, and service charges proposed by CenterPoint, as amended by the Commission and identified in the schedules attached to this order, are just and reasonable, are not unreasonably preferential, prejudicial, or discriminatory, and are

sufficient, equitable, and consistent in application to each class of consumer, as required by TEX. UTIL. CODE ANN. (Vernon 2007 and Supp. 2011).

12. The Commission has assured that the rates, operations, and services established in this docket are just and reasonable to customers and to the utilities in accordance with the stated purpose of the Texas Utilities Code, Subtitle A, expressed under TEX. UTIL. CODE ANN. §101.002 (Vernon 2007).
13. The overall revenues as established by the findings of fact and attached schedules are reasonable; fix an overall level of revenues for CenterPoint that will permit the company a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public over and above its reasonable and necessary operating expenses, as required by TEX. UTIL. CODE ANN. § 104.051 (Vernon 2007 and Supp. 2011); and otherwise comply with Chapter 104 of the Texas Utilities Code Annotated.
14. The revenue, rates, rate design, and service charges proposed will not yield to CenterPoint more than a fair return on the adjusted value of the invested capital used and useful in rendering service to the public, as required by TEX. UTIL. CODE ANN. § 104.052 (Vernon 2007 and Supp. 2011).
15. The rates established in this docket comport with the requirements of TEX. UTIL. CODE ANN. §104.053 (Vernon 2007 and Supp. 2011) and are based upon the adjusted value of invested capital used and useful, where the adjusted value is a reasonable balance between the original cost, less depreciation, and current cost, less adjustment for present age and condition.
16. The rates established in this case comply with the affiliate transaction standard set out in TEX. UTIL. CODE ANN. § 104.055 (Vernon 2007 and Supp. 2011). Namely, in establishing a gas utility's rates, the regulatory authority may not allow a gas utility's payment to an affiliate for the cost of a service, property, right or other item or for an interest expense to be included as capital cost or an expense related to gas utility service except to the extent that the regulatory authority finds the payment is reasonable and necessary for each item or class of items as determined by the regulatory authority. That finding must include (1) a specific finding of reasonableness and necessity to each class of items allowed; and (2) a finding that the price to the gas utility is not higher than the prices charged by the supplying affiliate to its other affiliates or divisions or to a nonaffiliated person for the same item or class of items.
17. Section 104.003(a) provides that a rate may not be unreasonably preferential, prejudicial, or discriminatory but must be sufficient, equitable, and consistent in application to each class of consumer. In establishing a gas utility's rates, the Commission "may treat as a single class two or more municipalities that a gas utility serves if the [C]ommission considers that treatment to be appropriate."

18. In this proceeding, CenterPoint has the burden of proof under TEX. UTIL. CODE ANN. §104.008 (Vernon 2007 and Supp. 2011) to show that the proposed rate changes are just and reasonable.
19. Rate case expenses for GUD Nos. 10174 and 10195 will be considered by the Commission in accordance with TEX. UTIL. CODE ANN. §104.008 (Vernon 2007 and Supp. 2011), and 16 TEX. ADMIN. CODE §7.5530 (2008), in a separate proceeding.
20. It is reasonable for the Commission to allow CenterPoint to include a Purchased Gas Adjustment Clause in its rates to provide for the recovery of all of its gas costs, in accordance with 16 TEX. ADMIN. CODE § 7.5519.
21. CenterPoint is required by 16 TEX. ADMIN. CODE §7.315 to file electronic tariffs incorporating rates consistent with this Order within thirty days of the date of this Order.
22. CenterPoint has established that the company's books and records conform with 16 TEX. ADMIN. CODE § 7.310 to utilize the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts (USOA) prescribed for natural gas companies and CenterPoint is thus entitled to the presumption that the amounts included therein are reasonable and necessary in accordance with Commission Rule 7.503.

**IT IS THEREFORE ORDERED** that CenterPoint's proposed schedule of rates is hereby **DENIED**.

**IT IS FURTHER ORDERED** that the rates, rate design, and service charges established in the findings of fact and conclusions of law and shown on the attached tariffs for CenterPoint are **APPROVED**.

**IT IS FURTHER ORDERED** that the benchmarks established for future interim rate adjustments in this Final Order and attached Unanimous Settlement Agreement are **APPROVED**.

**IT IS FURTHER ORDERED** that the benchmarks established for the base year level of pension-related and other post-employment benefits expenses are hereby **APPROVED**.

**IT IS FURTHER ORDERED** that the Unanimous Settlement Agreement of the parties, subject to the correction reflected in Findings of Fact Nos. 30 to 36 related to rate case expenses, attached to this Final Order is hereby approved.

**IT IS FURTHER ORDERED** that, in accordance with 16 TEX. ADMIN. CODE §7.315, within 30 days of the date this Order is signed, CenterPoint shall electronically file tariffs and rate schedules with the Gas Services Division. The tariffs shall incorporate rates, rate design, and service charges consistent with this Order, as stated in the findings of fact and conclusions of law and shown on the attached Schedules.

**IT IS FURTHER ORDERED** that all proposed findings of fact and conclusions of law not specifically adopted in this Order are hereby **DENIED**.

**IT IS ALSO ORDERED** that all pending motions and requests for relief not previously granted or granted herein are hereby **DENIED**.

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 ANN. §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 \_\_\_\_ day of December, 2012.

**RAILROAD COMMISSION OF TEXAS**

\_\_\_\_\_  
**CHAIRMAN BARRY T. SMITHERMAN**

\_\_\_\_\_  
**COMMISSIONER DAVID PORTER**

\_\_\_\_\_  
**COMMISSIONER BUDDY GARCIA**

**ATTEST:**

\_\_\_\_\_  
**SECRETARY**

GUD No. 10182

Final Order

Unanimous Settlement Agreement

**GUD NO. 10182, consolidated**

<b>STATEMENT OF INTENT OF</b>	<b>§</b>	
<b>CENTERPOINT ENERGY RESOURCES</b>	<b>§</b>	<b>BEFORE THE</b>
<b>CORP., D/B/A CENTERPOINT ENERGY</b>	<b>§</b>	
<b>ENTEX AND CENTERPOINT ENERGY</b>	<b>§</b>	<b>RAILROAD COMMISSION</b>
<b>TEXAS GAS TO INCREASE RATES ON</b>	<b>§</b>	
<b>A DIVISION-WIDE BASIS IN THE</b>	<b>§</b>	<b>OF TEXAS</b>
<b>BEAUMONT/EAST TEXAS DIVISION</b>	<b>§</b>	

**UNANIMOUS SETTLEMENT AGREEMENT**

This Settlement 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 East Texas Cities ("ETC") whose members include the Cities of DeKalb, Hooks, Lindale, Maud, New Boston, Red Lick, and Tyler, Texas (collectively, "ETC Cities"); the Alliance of CenterPoint Municipalities ("ACM") whose members include the Cities of Atlanta, Center, Clarksville City, Crockett, Daingerfield, Gladewater, Jacksonville, Kilgore, Longview, Lufkin, Marshall, Mineola, Mt. Pleasant, Nacogdoches, Rusk, and White Oak, Texas (collectively "ACM Cities"); and the Steering Committee of Cities ("SCC") whose members include the Cities of Anahuac, Beaumont, Bridge City, Cleveland, Dayton, Huntsville, Liberty, Nederland, Orange, Pine Forest, Pinehurst, Rose City, Silsbee, and Sour Lake, Texas (collectively "SCC Cities"); and the Staff of the Railroad Commission of Texas ("Staff"), (collectively, the "Signatories").

WHEREAS, on July 2, 2012, CenterPoint filed its Statement of Intent to Increase Rates with the Railroad Commission of Texas ("Commission") and each of the cities in the Beaumont/East Texas Division retaining original jurisdiction; and

WHEREAS, the Commission docketed the rate request as GUD No. 10182; and

WHEREAS, the SCC Cities, ACM Cities, ETC Cities, and Commission Staff sought intervention and were granted party status in GUD No. 10182; and

WHEREAS, the ACM Cities denied the Company's rate request, which denials were subsequently appealed to the Commission; and

WHEREAS, the SCC Cities denied the Company's rate request, which denials were subsequently appealed to the Commission; and

WHEREAS, the ETC Cities have begun denying the Company's rate request, which denials will be appealed to the Commission; and

WHEREAS, the Company has either sought or will seek to consolidate all municipal appeals with GUD No. 10182; and

WHEREAS, on or about October 23, 2012, following the parties' analysis of the Company's cost of capital, the Signatories, entered into a Partial Settlement Agreement establishing an agreed cost of capital, which is incorporated into this agreement; and

WHEREAS, ACM, SCC, ETC, and Staff did not file cost of capital testimony in reliance on the Partial Settlement Agreement; and

WHEREAS, CenterPoint has filed direct testimony and ACM, SCC, ETC and Staff have filed intervenor testimony; and

WHEREAS, CenterPoint did not file rebuttal testimony in reliance on this Unanimous Settlement Agreement; and

WHEREAS, the parties have engaged in significant discovery regarding the issues in dispute; and

WHEREAS, the Signatories agree that resolution of this docket by settlement agreement will significantly reduce the amount of reimbursable rate case expenses associated with this docket;

NOW, THEREFORE, in consideration of the mutual agreements and covenants established herein, the Signatories, through their undersigned representatives, agree to and recommend for approval by the Commission the following Settlement Terms as a means of concluding the above-referenced docket filed by CenterPoint on behalf of its Beaumont/East Texas Division without the need for prolonged litigation:

Settlement Terms

1. The Signatories agree to the rates, terms and conditions reflected in the tariffs attached to this Settlement Agreement as Exhibit A. The tariffs attached as Exhibit A replace and supersede those tariffs currently in effect in the Beaumont/East Texas Division. These tariffs should allow CenterPoint's Beaumont/East Texas Division to recover an additional \$6.2 million in annual revenues as illustrated in the proof of revenues attached as part of Exhibit B to this Settlement Agreement. Except as specifically provided herein, the Signatories agree that the \$6.2 million revenue increase is a "black box" figure and is not tied to any specific expense in CenterPoint's Beaumont/East Texas Division's underlying cost of service. The Signatories further agree that the rates, terms and conditions reflected in Exhibit A to this Settlement Agreement comply with the rate-setting requirements of Chapter 104 of the Texas Utilities Code. The gas rates, terms and conditions established by this Settlement Agreement shall be effective upon approval by the Commission.
2. The Signatories agree to the following customer charges and single block volumetric rates. These rates are reflected in the rate schedules attached as Exhibit A.

<b>At 14.65 psi</b>	Customer Charge	Single Block Volumetric Rate
Residential	\$16.00	\$0.1238 per Ccf
Small Commercial	\$23.75	\$0.06440 per Ccf
Large Volume	\$63.75	\$0.0300 per Ccf

<b>At 14.73 psi</b>	Customer Charge	Single Block Volumetric Rate
Residential	\$16.00	\$0.1245 per Ccf
Small Commercial	\$23.75	\$0.06475 per Ccf

<b>At 14.95 psi</b>	Customer Charge	Single Block Volumetric Rate
Residential	\$16.00	\$0.1263 per Ccf
Small Commercial	\$23.75	\$0.06572 per Ccf

3. The Signatories agree to the following capital structure and weighted cost of capital, including the pre-tax return, which is reflective of the Company's actual capital structure. This cost of capital reflects that agreed by the Signatories in the Partial Settlement Agreement reached in this docket attached as Exhibit C, which agreement is incorporated and superseded by this Unanimous Settlement Agreement.

	Capital Structure	Debt/Equity Cost	Weighted Cost of Capital	Pre-Tax Return
Long-Term Debt	42%	6.46%	2.71%	2.71%
Common Equity	58%	10%	5.8%	8.92%
Rate of Return	100%		<b>8.51%</b>	<b>11.64%</b>

4. The Signatories agree that any Interim Rate Adjustment ("IRA") filing in the Beaumont/East Texas Division pursuant to Texas Utilities Code § 104.301 shall use the following factors until changed by a subsequent rate proceeding:

- The capital structure and related components as shown above in item 3.
- For the initial IRA filing, the Net Investment which includes detail of Plant in Service amounts (by FCA) along with the associated depreciation rate for each account as shown on Exhibit D.
- For the initial IRA filing, the beginning amount of ad valorem taxes at a division level is \$1,150,186 and the standard sales service amount is \$1,114,517.
- For the initial IRA filing, the rate base amount for standard sales service is \$93,036,865 for calculating the federal income tax on related schedules in the IRA filing. This amount is derived as a settlement rate base and

should not be considered to be inclusive of the requested regulatory assets associated with pensions, retirement plans, and deferred benefits from this case.

- For the initial IRA filing, the customer charges as noted in item 2 above will be the starting rates to apply to any IRA adjustment. The average use per month per customer class in order to determine the current and proposed bill information in future IRA filings is as follows: residential at 36 Ccf, small commercial at 140 Ccf, and large volume customer at 2,804 Ccf.
- The base rate revenue allocation factors to spread any change in IRA increase/decrease to the appropriate customer classes is as follows:

Residential	Commercial and Industrial Sales	
	Small	Large
82.6811%	15.5386%	1.7803%

CenterPoint agrees that it will not file an IRA for its Beaumont/East Texas Division in calendar year 2013, and its first IRA filing will occur in calendar year 2014.

- Although the Settlement in this proceeding does not include consideration given to any regulatory asset derived from or computed based on benefits provided by CenterPoint to employees, the parties agree that CenterPoint may pursue a deferred benefit regulatory asset/liability pursuant to Texas Utilities Code § 104.059 in a future filing. The Signatories identify the following amounts as the base year level to track changes in pension-related and other post-employment benefits:

Description	Total
Pension	\$1,366,354
Benefit Restoration Plan	\$ 309,049
Post Employment	\$ 246,637
Post Retirement	\$ 796,280

- CenterPoint, ACM, SCC, and ETC represent that their reasonable rate case expenses incurred through September 2012, and estimated rate case expenses incurred through completion of this case, are as follows:

	Actual incurred through 9/2012	Estimated through completion	TOTAL
CenterPoint	\$497,930.61	\$173,711.00	\$671,641.61
ACM <sup>1</sup>	\$231,673.48	\$1,000.00	\$232,673.48
SCC	\$62,400.00	\$84,011.10	\$146,411.10
ETC	\$52,811.95	\$43,000.00	\$95,811.95

CenterPoint, ACM, SCC, and ETC attach as Exhibit E affidavits and invoices in support of these amounts, and will supplement with additional invoices as they are processed.

<sup>1</sup> ACM's actual rate case expenses reflect expenses incurred to date rather than through September 2012.

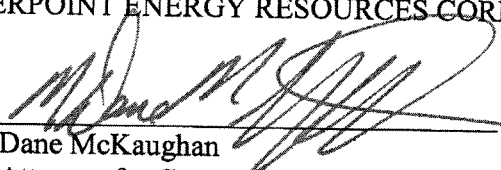
CenterPoint, ACM, SCC, and ETC agree that the amounts represented above are reasonable and recoverable pursuant to Texas Utilities Code § 103.022. CenterPoint, ACM, SCC, and ETC agree that the recovery period for the applicable surcharge to recover rate-case expenses shall be thirty-six months. CenterPoint agrees to reimburse ACM, SCC, and ETC the amount of rate case expenses deemed reasonable by the Commission within 30 days of the issuance of an order authorizing recovery of those expenses. The parties intend and advocate that the Commission authorize recovery of the rate case expenses recited above in the same proceeding and at the same time as it approves this Unanimous Settlement Agreement.

7. The Signatories agree to support and seek Commission approval of this Unanimous Settlement Agreement. The Signatories further agree to make all efforts to present the Commission with this Unanimous Settlement Agreement at Conference scheduled for December 11, 2012.
8. The Signatories agree that all negotiations, discussions, and conferences related to the Unanimous Settlement Agreement are privileged, inadmissible, and not relevant to prove any issues associated with the Statement of Intent to Increase Rates in the Beaumont/East Texas Division filed on July 2, 2012.
9. The Signatories agree that neither this Unanimous Settlement Agreement nor any oral or written statements made during the course of settlement negotiations may be used for any purpose other than as necessary to support the entry by the Commission of an order approving this Settlement Agreement.
10. The Signatories agree that the terms of the Unanimous Settlement Agreement are interdependent and indivisible, and that if the Commission enters an order that is inconsistent with this Settlement Agreement, then any Signatory may withdraw without being deemed to have waived any procedural right or to have taken any substantive position on any fact or issue by virtue of that Signatory's entry into the Settlement Agreement or its subsequent withdrawal.
11. The Signatories agree that this Unanimous Settlement Agreement is binding on each Signatory only for the purpose of settling the issues set forth herein and for no other purposes, and except to the extent the Settlement Agreement governs a Signatory's rights and obligations for future periods, this Settlement Agreement shall not be binding or precedential upon a Signatory outside this proceeding.
12. The Signatories agree that this Unanimous Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

Agreed to this 14<sup>th</sup> day of November, 2012.

CENTERPOINT ENERGY RESOURCES CORP.

By:

  
Dane McKaughan  
Attorney for CenterPoint Energy Resources Corp.

STEERING COMMITTEE OF CITIES

By:

\_\_\_\_\_  
Daniel Lawton  
Attorney for Steering Committee of Cities

ALLIANCE OF CENTERPOINT MUNICIPALITIES

By:

\_\_\_\_\_  
Alfred Herrera  
Attorney for Alliance of CenterPoint Municipalities

EAST TEXAS CITIES

By:

\_\_\_\_\_  
Georgia Crump  
Attorney for East Texas Cities

STAFF OF THE RAILROAD COMMISSION OF TEXAS

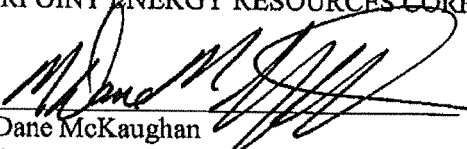
By:

\_\_\_\_\_  
John Griffin  
Attorney for Staff of the Railroad Commission of Texas

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Attorney for CenterPoint Energy Resources Corp.

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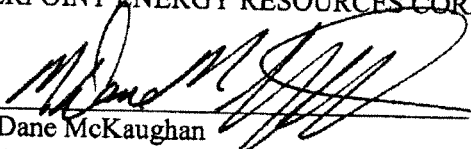
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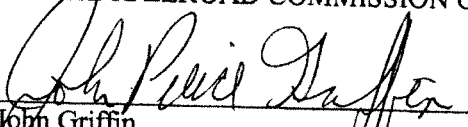
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**CENTERPOINT ENERGY RESOURCES CORP.  
D/B/A CENTERPOINT ENERGY ENTEX  
AND CENTERPOINT ENERGY TEXAS GAS  
BEAUMONT/EAST TEXAS DIVISION  
RATE SHEET  
RESIDENTIAL SERVICE  
RATE SCHEDULE NO. R-2091**

**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 – \$16.00;

(2) Commodity Charge –

For customers billed at a 14.65 Pressure Base:

All Ccf @ 14.65    \$0.1238

For customers billed at a 14.73 Pressure Base:

All Ccf @ 14.73    \$0.1245

For customers billed at a 14.95 Pressure Base:

All Ccf @ 14.95    \$0.1263

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

(d) Rate Case Expense Recovery – Rate Case Expense Recovery will be calculated and adjusted periodically as defined in the Company's applicable Rate Case Expense Recovery Rate Schedule.

**PAYMENT**

Due date of the bill for service shall not be less than 15 days after issuance or such other period of time as may be provided by order of the regulatory authority. A bill for utility service is delinquent if unpaid by the due date.

**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  
BEAUMONT/EAST TEXAS DIVISION  
RATE SHEET  
GENERAL SERVICE-SMALL  
RATE SCHEDULE NO. GSS-2091**

**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 – \$23.75;
  - (2) Commodity Charge –
    - For customers billed at a 14.65 Pressure Base:  
All Ccf @ 14.65    \$0.06440
    - For customers billed at a 14.73 Pressure Base:  
All Ccf @ 14.73    \$0.06475
    - For customers billed at a 14.95 Pressure Base:  
All Ccf @ 14.95    \$0.06572
- (b) Tax Adjustment – The Tax Adjustment will be calculated and adjusted periodically as defined in the Company's applicable Tax 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.
- (d) Rate Case Expense Recovery – Rate Case Expense Recovery will be calculated and adjusted periodically as defined in the Company's applicable Rate Case Expense Recovery Rate Schedule.

**PAYMENT**

Due date of the bill for service shall not be less than 15 days after issuance or such other period of time as may be provided by order of the regulatory authority. A bill for utility service is delinquent if unpaid by the due date.

**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  
BEAUMONT/EAST TEXAS DIVISION  
RATE SHEET  
GENERAL SERVICE-LARGE VOLUME  
RATE SCHEDULE NO. GSLV-622**

**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 – \$63.75;

(2) Commodity Charge –

All Ccf @        \$0.03000

- (b) Tax Adjustment – The Tax Adjustment will be calculated and adjusted periodically as defined in the Company's applicable Tax 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.
- (d) Rate Case Expense Recovery – Rate Case Expense Recovery will be calculated and adjusted periodically as defined in the Company's applicable Rate Case Expense Recovery Rate Schedule.

**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.

**CENTERPOINT ENERGY RESOURCES CORP.  
D/B/A CENTERPOINT ENERGY ENTEX  
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BEAUMONT/EAST TEXAS DIVISION  
RATE SHEET  
GENERAL SERVICE-LARGE VOLUME  
RATE SCHEDULE NO. GSLV-622**

**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.

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.

**CENTERPOINT ENERGY RESOURCES CORP.  
D/B/A CENTERPOINT ENERGY ENTEX  
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BEAUMONT/EAST TEXAS DIVISION  
RATE SHEET  
GENERAL SERVICE-LARGE VOLUME  
RATE SCHEDULE NO. GSLV-622**

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, Fpv, 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, Fpv, 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.

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  
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BEAUMONT/EAST TEXAS DIVISION  
RATE SHEET  
SCHEDULE OF MISCELLANEOUS SERVICE CHARGES  
RATE SCHEDULE NO. MISC-12**

**GAS SERVICE**

1.	Institution of service to residential or general service	\$40
	After-hours surcharge for each after-hours service call	\$47
2.	Restore service after termination for non-payment, cut-off by customer or agent or for convenience of customer	\$40
	After-hours surcharge for each after-hours service call	\$47
3.	Turning off service to active meter – account not finalled (per trip)	\$20
	After-hours surcharge for each after-hours service call	\$47
4.	Special meter test at customer's request (see General Rules and Regulations for special situations) – same customer at same location is allowed one test free of charge every four years)	\$15
5.	Change customer meter	\$55
6.	Change residential meter location: Minimum charge	\$350
	Additional meters in manifold each	\$55
	(Plus cost of materials)	
7.	Tap Charge	N.C.*
8.	Installation of remote read device where company cannot get access to read meter	\$180
9.	Disconnect service at main	\$300
	(Plus any costs arising out of any city ordinance or regulation governing work in city streets)	
10.	Restore service at main after termination for non-payment	\$300
	(Plus cost of materials)	
11.	Temporary transfer of individually metered multi-family service from vacating tenant to apartment complex owner. (Applicable to read and transfer transactions only. Precedent written agreement required.)	N.C.

\*Except where Company is required to pay tap charge to pipeline supplier to serve the consumer, the consumer shall reimburse Company.

**OTHER CHARGES**

12.	Collection call - trip charge (not collected under miscellaneous service item no. 3 - Turning off service to active meter)	\$20
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BEAUMONT/EAST TEXAS DIVISION  
RATE SHEET  
SCHEDULE OF MISCELLANEOUS SERVICE CHARGES  
RATE SCHEDULE NO. MISC-12**

13.      Returned check \$20

**DEPOSITS**

Up to the maximum amount allowed under the Railroad Commission of Texas Quality of Service Rule §7.45(5)(C)(ii) (the "one-sixth rule"). If there is no billing history on the customer's account, then the one-sixth rule will be applied to the customer's account based on similarly-situated customers located in the geographic area.

**TAX ADJUSTMENT**

The Tax Adjustment will be calculated and adjusted periodically as defined in the Company's Tax Adjustment Rate Schedule.

**CENTERPOINT ENERGY RESOURCES CORP.  
D/B/A CENTERPOINT ENERGY ENTEX  
AND CENTERPOINT ENERGY TEXAS GAS  
BEAUMONT/EAST TEXAS DIVISION  
RATE SHEET  
PURCHASED GAS ADJUSTMENT  
RATE SCHEDULE NO. PGA-11**

**1. PURCHASED GAS ADJUSTMENT (PGA) APPLICABILITY**

The Monthly Rate contained in the Company's total billing to residential and general service customers shall include the cost of natural gas purchased for resale hereunder.

**2. RATE CALCULATION**

The Purchased Gas Adjustment (PGA) Rate shall be calculated according to the following formula and included in the Monthly Rate:

$$\text{PGA Rate (per Mcf sold)} = [(G \times R) \pm DA] \text{ rounded to the nearest } \$0.0001$$

$$\text{PGA Rate (per Ccf sold)} = \text{PGA Rate (per Mcf sold)} \div 10$$

Definitions:

G = The Company's best estimate of the cost of natural gas (per Mcf) to be purchased for resale hereunder during the period that the PGA Rate is to be effective. The cost of natural gas shall include the cost of gas supplies purchased for resale hereunder, upstream transportation charges, storage charges, the cost of gas withdrawn from storage less the cost of gas injected into storage, and any transaction-related fees, gains or losses and other transaction costs associated with the use of various financial instruments used by the Company to stabilize prices.

R = Ratio derived by dividing the actual Mcf purchased for the customers billed hereunder for the twelve months ended the preceding August by the actual Mcf sold to the customers billed hereunder during the same period.

DA = Surcharge or surcredit, calculated on a per Mcf basis, relating to Deferred Purchased Gas Cost Accounts, as defined below.

**3. PGA FILINGS**

PGA filings shall be filed with the Railroad Commission of Texas (the "Regulatory Authority") by the last business day of the month immediately preceding the month the proposed new PGA factor will be implemented. The PGA filing shall include a calculation of the estimated PGA Rate together with supporting documents. Each such tentative PGA Rate shall become effective for bills rendered on and after the first day of the calendar month and shall continue to be in effect until the next filing, unless after the PGA filing, the Regulatory Authority takes action to disapprove or modify such PGA rate. In the event that the Regulatory Authority takes such action, then the PGA rate shall be in effect on an interim basis pending the final decision of the Regulatory Authority, and any person designated by the Regulatory Authority shall have the right and power to order the filing of any reasonable additional information. Any adjustment to the PGA Rate relating to a prior period shall be made prospectively.

**4. DEFERRED PURCHASED GAS COST ACCOUNTS**

The Company shall establish and maintain Deferred Gas Cost Account(s) in which shall be recorded: (a) the balance of over or under recoveries of the cost of gas purchased for resale hereunder, determined for the period ending on the last day prior to the effective day of this revised Purchased Gas Adjustment rate schedule, including subsequent corrections and amendments thereto; and (b) any over or under recovery of

**CENTERPOINT ENERGY RESOURCES CORP.  
D/B/A CENTERPOINT ENERGY ENTEX  
AND CENTERPOINT ENERGY TEXAS GAS  
BEAUMONT/EAST TEXAS DIVISION  
RATE SHEET  
PURCHASED GAS ADJUSTMENT  
RATE SCHEDULE NO. PGA-11**

the cost of gas purchased for resale hereunder resulting from the operation of the PGA procedure commencing with the first day of this revised purchased gas cost adjustment. Such ongoing over or under recovery shall include: (a) gas cost revenue recovery amounts for the revenue month; (b) the cost of gas purchased for resale hereunder for the same month as the revenue month; (c) carrying charge or credit amounts calculated based on the arithmetic average of the beginning and ending month balance of under or over recovery for the revenue-cost month times six percent (6%); and (d) carrying charge calculated based on the arithmetic average of the beginning and ending balance of gas in storage inventory for the prior calendar month times the pre-tax rate of return as determined in Docket No. GUD10182.

**CENTERPOINT ENERGY RESOURCES CORP.  
D/B/A CENTERPOINT ENERGY ENTEX  
AND CENTERPOINT ENERGY TEXAS GAS  
BEAUMONT/EAST TEXAS DIVISION  
RATE SHEET  
RATE CASE EXPENSE RECOVERY RATE SCHEDULE NO. RCE-8**

Customers shall reimburse the Company for Customers' proportionate share of the reasonable rate case expenses of a municipal regulatory authority and Company as established by a final order of a regulatory authority in a rate setting proceeding. If no method of collection is specified in the final order setting the amount of reasonable rate case expense, then Company shall collect that amount over a twelve month period through a fixed monthly charge.

**CenterPoint Energy**  
Rate Filing Package - Beaumont/East Texas Division  
Rate Design - Settlement

Line No.	Particulars	Total	Residential	Commercial	
				Small	Large
1	Cost of Service to be Recovered from GSS and GSV			\$ 8,006,144	\$ 917,292
1a	Current Revenue Recovery	\$ 45,324,386	\$ 36,790,165	\$ 7,135,280	\$ 1,398,941
1b	Settlement Increase	\$ 6,200,000			
1c	Settlement Revenue Requirement	\$ 51,524,386	\$ 42,600,950	\$ 8,006,144	\$ 917,292
1d	Revenue Requirement Allocation Factors		82.6811%	15.5386%	1.7803%
2	Net Customer Charge Cost of Service				
3	Number Bills	2,328,194	2,077,638	244,352	6,204
4					
5	Customer Charge		16.00	23.75	63.75
6	Customer Charge Revenue	\$ 39,441,073	\$ 33,242,208	\$ 5,803,360	\$ 395,505
7	Net Distribution Charge Revenue Required	\$ 12,083,313	\$ 9,358,742	\$ 2,202,784	\$ 521,787
8	<u>Ccf Billing Determinants</u>				
9	Total Billing Determinants @14.65 psia		75,603,636	34,192,197	17,398,840
10	<u>Distribution Rates</u>				
11	All Ccf - Residential		\$ 0.1238		
12	All Ccf - General Service - Small			\$ 0.0644	
13	All Ccf - General Service - Large				\$ 0.0300
14					
15	Distribution Charge Revenue	12,083,672	9,359,730	2,201,977	521,965
16	Total Revenue - Design	51,524,745	42,601,938	8,005,337	917,470
17	Total Revenue Over(Under)	\$ 359	\$ 988	\$ (807)	\$ 178

**GAS UTILITIES DOCKET NO. 10182**

<b>STATEMENT OF INTENT OF</b>	<b>§</b>	
<b>CENTERPOINT ENERGY RESOURCES</b>	<b>§</b>	<b>BEFORE THE</b>
<b>CORP., D/B/A CENTERPOINT ENERGY</b>	<b>§</b>	
<b>ENTEX AND CENTERPOINT ENERGY</b>	<b>§</b>	<b>RAILROAD COMMISSION</b>
<b>TEXAS GAS TO INCREASE RATES ON</b>	<b>§</b>	
<b>A DIVISION-WIDE BASIS IN THE</b>	<b>§</b>	<b>OF TEXAS</b>
<b>BEAUMONT/EAST TEXAS DIVISION</b>	<b>§</b>	

**PARTIAL SETTLEMENT AGREEMENT**

This Partial Settlement 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 Staff of the Railroad Commission of Texas ("Staff"); the East Texas Cities ("ETC") whose members include the Cities of DeKalb, Hooks, Lindale, Maud, New Boston, Red Lick, and Tyler, Texas (collectively, "ETC Cities"); the Alliance of CenterPoint Municipalities ("ACM") whose members include the Cities of Center, Clarksville City, Crockett, Gladewater, Jacksonville, Kilgore, Longview, Lufkin, Marshall, Mineola, Mt. Pleasant, and White Oaks, Texas (collectively "ACM Cities"); and the Steering Committee of Cities ("SCC") whose members include the Cities of Anahuac, Beaumont, Bridge City, Cleveland, Dayton, Huntsville, Liberty, Nederland, Orange, Pine Forest, Pinehurst, Rose City, Silsbee, and Sour Lake, Texas (collectively "SCC Cities"); (collectively, the "Signatories"). The Signatories recommend that the Commission approve the Partial Settlement Agreement and sign below as evidence of that recommendation.

WHEREAS, on July 2, 2012, CenterPoint filed its Statement of Intent to Increase Rates with the Railroad Commission of Texas ("Commission") and each of the cities in the Beaumont/East Texas Division retaining original jurisdiction; and

WHEREAS, the Commission docketed the rate request as GUD No. 10182; and

WHEREAS, the SCC Cities, ACM Cities, ETC Cities, and Commission Staff sought intervention and were granted party status in GUD No. 10182; and

WHEREAS, the SCC, ACM, and ETC Cities either have or will timely deny the Company's rate request filed with their member cities, which denials will be subsequently appealed to the Commission and consolidated with GUD No. 10182; and

WHEREAS, the Signatories agree that partial resolution of this docket by agreeing on the applicable cost of capital will significantly reduce the amount of reimbursable rate case expenses associated with this docket;

NOW, THEREFORE, in consideration of the mutual agreements and covenants established herein, the Signatories, through their undersigned representatives, agree to and recommend for approval by the Commission the following Partial Settlement Terms as a means of establishing the cost of capital to be used in this docket to calculate rates:

Partial Settlement Terms

1. The Signatories agree that the following capital structure and weighted cost of capital, including the pre-tax return, is reasonable and should be used to calculate rates in GUD No. 10182.

	Capital Structure	Debt/Equity Cost	Weighted Cost of Capital	Pre-Tax Return
Long-Term Debt	42%	6.46%	2.71%	2.71%
Common Equity	58%	10%	5.80%	8.92%
Rate of Return	100%		<b>8.51%</b>	<b>11.64%</b>

2. The Signatories agree to support and seek Commission approval of this Partial Settlement Agreement.
3. The Signatories agree that all negotiations, discussions, and conferences related to the Partial Settlement Agreement are privileged, inadmissible, and not relevant to prove any issues associated with the Statement of Intent to Increase Rates in the Beaumont/East Texas Division filed on July 2, 2012.
4. The Signatories agree that neither this Partial Settlement Agreement nor any oral or written statements made during the course of settlement negotiations may be used for any purpose other than as necessary to support the entry by the Commission of an order approving this Partial Settlement Agreement.
5. The Signatories agree that the terms of the Partial Settlement Agreement are interdependent and indivisible, and that if the Commission enters an order that is inconsistent with this Partial Settlement Agreement, then any Signatory may withdraw without being deemed to have waived any procedural right or to have taken any substantive position on any fact or issue by virtue of that Signatory's entry into the Partial Settlement Agreement or its subsequent withdrawal.
6. The Signatories agree that this Partial Settlement Agreement is binding on each Signatory only for the purpose of settling the issues set forth herein and for no other purposes, and except to the extent the Partial Settlement Agreement governs a Signatory's rights and obligations for future periods, this Partial Settlement Agreement shall not be binding or precedential upon a Signatory outside this proceeding.
7. The Signatories agree that this Partial Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

Agreed to this 22 day of October, 2012.

CENTERPOINT ENERGY RESOURCES CORP.

By: \_\_\_\_\_

Dane McKaughan  
Attorney for CenterPoint Energy Resources Corp.

STAFF OF THE RAILROAD COMMISSION OF TEXAS

By: \_\_\_\_\_

Bill Geise  
Director, Gas Services Division of the Railroad Commission of Texas

EAST TEXAS CITIES

By: \_\_\_\_\_

Geoffrey Gay  
Attorney for East Texas Cities

ALLIANCE OF CENTERPOINT MUNICIPALITIES

By: \_\_\_\_\_

Alfred Herrera  
Attorney for Alliance of CenterPoint Municipalities

STEERING COMMITTEE OF CITIES

By: \_\_\_\_\_

Dan Lawton  
Attorney for Steering Committee of Cities

Agreed to this 23<sup>rd</sup> day of October, 2012.

CENTERPOINT ENERGY RESOURCES CORP.

By: \_\_\_\_\_  
Dane McKaughan  
Attorney for CenterPoint Energy Resources Corp.

STAFF OF THE RAILROAD COMMISSION OF TEXAS

By: \_\_\_\_\_  
Bill Geise  
Director, Gas Services Division of the Railroad Commission of Texas

EAST TEXAS CITIES

By: Geoffrey M. Gay  
Geoffrey Gay  
Attorney for East Texas Cities

ALLIANCE OF CENTERPOINT MUNICIPALITIES

By: \_\_\_\_\_  
Alfred Herrera  
Attorney for Alliance of CenterPoint Municipalities

STEERING COMMITTEE OF CITIES

By: \_\_\_\_\_  
Dan Lawton  
Attorney for Steering Committee of Cities

Agreed to this 23rd day of October, 2012.

CENTERPOINT ENERGY RESOURCES CORP.

By: \_\_\_\_\_  
Dane McKaughan  
Attorney for CenterPoint Energy Resources Corp.

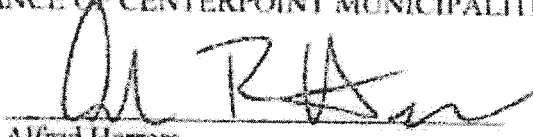
STAFF OF THE RAILROAD COMMISSION OF TEXAS

By: \_\_\_\_\_  
Bill Geise  
Director, Gas Services Division of the Railroad Commission of Texas

EAST TEXAS CITIES

By: \_\_\_\_\_  
Geoffrey Gay  
Attorney for East Texas Cities

ALLIANCE OF CENTERPOINT MUNICIPALITIES

By:   
Alfred Herrera  
Attorney for Alliance of CenterPoint Municipalities

STEERING COMMITTEE OF CITIES

By: \_\_\_\_\_  
Dan Lawton  
Attorney for Steering Committee of Cities

Agreed to this 23rd day of October, 2012.

CENTERPOINT ENERGY RESOURCES CORP.

By: \_\_\_\_\_  
Dane McKaughan  
Attorney for CenterPoint Energy Resources Corp.

STAFF OF THE RAILROAD COMMISSION OF TEXAS

By: \_\_\_\_\_  
Bill Geise  
Director, Gas Services Division of the Railroad Commission of Texas

EAST TEXAS CITIES

By: \_\_\_\_\_  
Geoffrey Gay  
Attorney for East Texas Cities

ALLIANCE OF CENTERPOINT MUNICIPALITIES

By: \_\_\_\_\_  
Alfred Herrera  
Attorney for Alliance of CenterPoint Municipalities

STEERING COMMITTEE OF CITIES

By: Stephen Mack for  
Dan Lawton  
Attorney for Steering Committee of Cities

CenterPoint Energy  
Beaumont-East Texas Division  
GUD Docket No. 10182

Line No.	Class	SUB - FCA	Description	Gross Plant 12/31/2011	RRC Approved Depreciation Rate	Annual Depreciation	Accumulated Depreciation	Net Plant	Standard Allocation	Standard Amount
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Intangible Plant										
1	G30101	6000	ORGAN. COSTS	\$ 534	0.00%	\$ -				
2	G30201	6010	FRANCH/CONSENTS	66,560	0.00%	-				
3	G30301	6035	PL INTERCNT/OTHE	21,482	20.00%	4,296				
4	G30301	6035	PL INTERCNT/OTHE	64,649	0.00%	-				
5	G30301	6035	PL INTERCNT/OTHE- GEN	426,755	0.00%	-				
6	G30301	6035	PL INTERCNT/OTHE- GEN	1,958,201	10.00%	195,820				
7	G30301	6035	PL INTERCNT/OTHE- GEN	58,814	20.00%	11,763				
8	G30301	6060	SOFTWARE - SAP - GEN	2,404,876	0.00%	-				
9	Subtotal			\$ 5,001,871		\$ 211,879				
Distribution Plant										
10	G37401	6840	LAND	\$ 73,921	0.00%	\$ -				
11	G37402	6880	LAND RIGHTS	409,689	1.12%	4,589				
12	G37501	6900	STRUC-CTY GT/ML	83,660	1.68%	1,405				
13	G37601	6950	MAINS	-	0.00%	-				
14	G37601	6951	MAINS	51,149,716	2.69%	1,375,927				
15	G37601	6952	MAINS	70,182,715	2.25%	1,579,111				
16	G37601	6965	MAINS	-	0.00%	-				
17	G37601	6980	MAINS	-	0.00%	-				
18	G37801	6980	M/R STAT EQ-GEN	2,237,256	4.83%	108,059				
19	G37801	7000	M/R STAT EQ-GEN	539,419	7.09%	38,245				
20	G37901	7010	M/R STAT EQ-CG	3,008,892	3.91%	117,648				
21	G38001	7022	SERVICES	6,655,576	3.12%	207,654				
22	G38001	7023	SERVICES	60,015,122	3.99%	2,394,603				
23	G38101	7050	METERS	116,975	2.97%	3,474				
24	G38101	7050	METERS M&R	10,525,100	3.50%	368,379				
25	G38101	7075	METERS	-	0.00%	-				
26	G38201	7080	METER INSTALL	10,561,425	4.27%	450,973				
27	G38201	7090	METER INSTALL	4,254,736	3.68%	156,574				
28	G38301	7120	REGULATORS	5,106	3.92%	200				
29	G38301	7120	REGULATORS M&R	4,170,822	5.77%	240,656				
30	G38301	7130	REGULATORS	133,089	3.29%	4,379				
31	G38301	7130	REGULATORS M&R	167,726	8.30%	13,921				
32	G38501	7150	IND. M/R STAT	146,608	4.02%	5,894				
33	G38601	7157	OTH PROP-CUST	-	0.00%	-				
34	G38701	7160	OTHER EQUIP	1,154,264	3.45%	39,822				
35	G38701	7160	OTHER EQUIP - GEN	1,220	4.42%	54				
36	G38801	7166	RET COSTS	-	0.00%	-				
37	G38801	7167	RET COSTS	-	0.00%	-				
38	Subtotal			\$ 225,593,037		\$ 7,111,567				
General Plant										
39	G39001	7200	STRUCT/IMPR	\$ 489,302	2.47%	\$ 12,086				
40	G39001	7225	STRUCT/IMPR	-	0.00%	-				
41	G39002	7225	LEASEHLD IMPR	253,137	9.04%	22,884				
42	G39002	7225	LEASEHLD IMPR- GEN	20,252	0.10%	20				
43	G39101	7230	OFF FURN/EQUIP	-	0.00%	-				
44	G39101	7232	OFF FURN/EQUIP	109,832	5.00%	5,492				
45	G39101	7232	OFF FURN/EQUIP - GEN	145,491	0.00%	-				
46	G39102	7260	COMPUTER H/W - GEN	124,033	14.29%	17,724				
47	G39301	7355	STORES EQUIP	-	0.00%	-				
48	G39401	7362	TOOLS,SHOP,GAR	1,313,657	10.00%	131,366				
49	G39401	7364	TOOLS,SHOP,GAR	-	0.00%	-				
50	G39401	7366	TOOLS,SHOP,GAR	-	0.00%	-				
51	G39501	7370	LAB EQUIPMENT	-	0.00%	-				
52	G39601	7380	POWER OP. EQ	1,736,369	17.28%	300,045				
53	G39701	7390	COMM EQ-TELECM	53,974	6.67%	3,600				
54	G39701	7390	COMM EQ-TELECM - GEN	4,853	5.00%	243				
55	G39703	7420	COMM EQ-MTR RD	328,627	5.00%	16,431				
56	G39801	7450	MISC EQUIPMENT	67,041	10.00%	6,704				
57	G39801	7450	MISC EQUIPMENT - GEN	4,463	6.67%	298				
58	G39901	7455	OTH TANG PROP	-	0.00%	-				
59	Subtotal			\$ 4,651,031		\$ 516,893				
Transportation & MWE Equipment										
60	G39201	7300	AUTOS	\$ 31,579	10.66%	\$ 3,366				
61	G39201	7300	AUTOS - GEN	2,489	12.50%	311				
62	G39201	7320	TRUCKS	4,897,249	10.66%	522,047				
63	G39201	7320	TRUCKS - GEN	5,821	12.50%	728				
64	G39201	7340	TRAILERS	413,300	10.66%	44,058				
65	Subtotal			\$ 5,350,438		\$ 570,510				
66	Total Beaumont - East Texas Division			\$ 240,596,377		\$ 8,410,849	\$ 112,358,374	\$ 128,238,003	96.898965%	\$ 124,261,298

GUD No. 10182

Final Order

Approved Tariffs

**CENTERPOINT ENERGY RESOURCES CORP.  
D/B/A CENTERPOINT ENERGY ENTEX  
AND CENTERPOINT ENERGY TEXAS GAS  
BEAUMONT/EAST TEXAS DIVISION  
RATE SHEET  
RESIDENTIAL SERVICE  
RATE SCHEDULE NO. R-2091**

**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 – \$16.00;

(2) Commodity Charge –

For customers billed at a 14.65 Pressure Base:  
All Ccf @ 14.65    \$0.1238

For customers billed at a 14.73 Pressure Base:  
All Ccf @ 14.73    \$0.1245

For customers billed at a 14.95 Pressure Base:  
All Ccf @ 14.95    \$0.1263

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

(d) Rate Case Expense Recovery – Rate Case Expense Recovery will be calculated and adjusted periodically as defined in the Company's applicable Rate Case Expense Recovery Rate Schedule.

**PAYMENT**

Due date of the bill for service shall not be less than 15 days after issuance or such other period of time as may be provided by order of the regulatory authority. A bill for utility service is delinquent if unpaid by the due date.

**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  
BEAUMONT/EAST TEXAS DIVISION  
RATE SHEET  
GENERAL SERVICE-SMALL  
RATE SCHEDULE NO. GSS-2091**

**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 – \$23.75;

(2) Commodity Charge –

For customers billed at a 14.65 Pressure Base:  
All Ccf @ 14.65    \$0.06440

For customers billed at a 14.73 Pressure Base:  
All Ccf @ 14.73    \$0.06475

For customers billed at a 14.95 Pressure Base:  
All Ccf @ 14.95    \$0.06572

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

(d) Rate Case Expense Recovery – Rate Case Expense Recovery will be calculated and adjusted periodically as defined in the Company's applicable Rate Case Expense Recovery Rate Schedule.

**PAYMENT**

Due date of the bill for service shall not be less than 15 days after issuance or such other period of time as may be provided by order of the regulatory authority. A bill for utility service is delinquent if unpaid by the due date.

**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  
BEAUMONT/EAST TEXAS DIVISION  
RATE SHEET  
GENERAL SERVICE-LARGE VOLUME  
RATE SCHEDULE NO. GSLV-622**

**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 – \$63.75;
  - (2) Commodity Charge –  
All Ccf @        \$0.03000
- (b) Tax Adjustment – The Tax Adjustment will be calculated and adjusted periodically as defined in the Company's applicable Tax 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.
- (d) Rate Case Expense Recovery – Rate Case Expense Recovery will be calculated and adjusted periodically as defined in the Company's applicable Rate Case Expense Recovery Rate Schedule.

**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.

**CENTERPOINT ENERGY RESOURCES CORP.  
D/B/A CENTERPOINT ENERGY ENTEX  
AND CENTERPOINT ENERGY TEXAS GAS  
BEAUMONT/EAST TEXAS DIVISION  
RATE SHEET  
GENERAL SERVICE-LARGE VOLUME  
RATE SCHEDULE NO. GSLV-622**

**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.

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.

**CENTERPOINT ENERGY RESOURCES CORP.  
D/B/A CENTERPOINT ENERGY ENTEX  
AND CENTERPOINT ENERGY TEXAS GAS  
BEAUMONT/EAST TEXAS DIVISION  
RATE SHEET  
GENERAL SERVICE-LARGE VOLUME  
RATE SCHEDULE NO. GSLV-622**

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.

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  
BEAUMONT/EAST TEXAS DIVISION  
RATE SHEET  
SCHEDULE OF MISCELLANEOUS SERVICE CHARGES  
RATE SCHEDULE NO. MISC-12**

**GAS SERVICE**

1.	Institution of service to residential or general service	\$40
	After-hours surcharge for each after-hours service call	\$47
2.	Restore service after termination for non-payment, cut-off by customer or agent or for convenience of customer	\$40
	After-hours surcharge for each after-hours service call	\$47
3.	Turning off service to active meter – account not finalled (per trip)	\$20
	After-hours surcharge for each after-hours service call	\$47
4.	Special meter test at customer's request (see General Rules and Regulations for special situations) – same customer at same location is allowed one test free of charge every four years)	\$15
5.	Change customer meter	\$55
6.	Change residential meter location: Minimum charge	\$350
	Additional meters in manifold each	
	(Plus cost of materials)	\$55
7.	Tap Charge	N.C.*
8.	Installation of remote read device where company cannot get access to read meter	\$180
9.	Disconnect service at main	\$300
	(Plus any costs arising out of any city ordinance or regulation governing work in city streets)	
10.	Restore service at main after termination for non-payment	\$300
	(Plus cost of materials)	
11.	Temporary transfer of individually metered multi-family service from vacating tenant to apartment complex owner. (Applicable to read and transfer transactions only. Precedent written agreement required.)	N.C.

\*Except where Company is required to pay tap charge to pipeline supplier to serve the consumer, the consumer shall reimburse Company.

**OTHER CHARGES**

12.	Collection call - trip charge (not collected under miscellaneous service item no. 3 - Turning off service to active meter)	\$20
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13.      Returned check

\$20

**DEPOSITS**

Up to the maximum amount allowed under the Railroad Commission of Texas Quality of Service Rule §7.45(5)(C)(ii) (the "one-sixth rule"). If there is no billing history on the customer's account, then the one-sixth rule will be applied to the customer's account based on similarly-situated customers located in the geographic area.

**TAX ADJUSTMENT**

The Tax Adjustment will be calculated and adjusted periodically as defined in the Company's Tax Adjustment Rate Schedule.

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RATE SHEET  
PURCHASED GAS ADJUSTMENT  
RATE SCHEDULE NO. PGA-11**

1. **PURCHASED GAS ADJUSTMENT (PGA) APPLICABILITY**

The Monthly Rate contained in the Company's total billing to residential and general service customers shall include the cost of natural gas purchased for resale hereunder.

2. **RATE CALCULATION**

The Purchased Gas Adjustment (PGA) Rate shall be calculated according to the following formula and included in the Monthly Rate:

$$\text{PGA Rate (per Mcf sold)} = [(G \times R) \pm DA] \text{ rounded to the nearest } \$0.0001$$

$$\text{PGA Rate (per Ccf sold)} = \text{PGA Rate (per Mcf sold)} \div 10$$

Definitions:

G = The Company's best estimate of the cost of natural gas (per Mcf) to be purchased for resale hereunder during the period that the PGA Rate is to be effective. The cost of natural gas shall include the cost of gas supplies purchased for resale hereunder, upstream transportation charges, storage charges, the cost of gas withdrawn from storage less the cost of gas injected into storage, and any transaction-related fees, gains or losses and other transaction costs associated with the use of various financial instruments used by the Company to stabilize prices.

R = Ratio derived by dividing the actual Mcf purchased for the customers billed hereunder for the twelve months ended the preceding August by the actual Mcf sold to the customers billed hereunder during the same period.

DA = Surcharge or surcredit, calculated on a per Mcf basis, relating to Deferred Purchased Gas Cost Accounts, as defined below.

3. **PGA FILINGS**

PGA filings shall be filed with the Railroad Commission of Texas (the "Regulatory Authority") by the last business day of the month immediately preceding the month the proposed new PGA factor will be implemented. The PGA filing shall include a calculation of the estimated PGA Rate together with supporting documents. Each such tentative PGA Rate shall become effective for bills rendered on and after the first day of the calendar month and shall continue to be in effect until the next filing, unless after the PGA filing, the Regulatory Authority takes action to disapprove or modify such PGA rate. In the event that the Regulatory Authority takes such action, then the PGA rate shall be in effect on an interim basis pending the final decision of the Regulatory Authority, and any person designated by the Regulatory Authority shall have the right and power to order the filing of any reasonable additional information. Any adjustment to the PGA Rate relating to a prior period shall be made prospectively.

4. **DEFERRED PURCHASED GAS COST ACCOUNTS**

The Company shall establish and maintain Deferred Gas Cost Account(s) in which shall be recorded: (a) the balance of over or under recoveries of the cost of gas purchased for resale hereunder, determined for the period ending on the last day prior to the effective day of this revised Purchased Gas Adjustment rate schedule, including subsequent corrections and amendments thereto; and (b) any over or under recovery of

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the cost of gas purchased for resale hereunder resulting from the operation of the PGA procedure commencing with the first day of this revised purchased gas cost adjustment. Such ongoing over or under recovery shall include: (a) gas cost revenue recovery amounts for the revenue month; (b) the cost of gas purchased for resale hereunder for the same month as the revenue month; (c) carrying charge or credit amounts calculated based on the arithmetic average of the beginning and ending month balance of under or over recovery for the revenue-cost month times six percent (6%); and (d) carrying charge calculated based on the arithmetic average of the beginning and ending balance of gas in storage inventory for the prior calendar month times the pre-tax rate of return as determined in Docket No. GUD10182.

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**RATE SHEET**  
**RATE CASE EXPENSE RECOVERY RATE SCHEDULE NO. RCE-8**

**APPLICATION OF SCHEDULE**

This schedule is applicable to any customer served under residential, general service-small, general service-large rate schedules in the following Beaumont/East Texas Division cities and Environs: Ames, Anhuac, Atlanta, Beaumont, Bridge City, Center, Clarksville City, Cleveland, Colmesneil, Crockett, Daingerfield, Dayton, DeKalb, Diboll, Elkhart, Gladewater, Grapeland, Groveton, Hooks, Hudson, Huntsville, Jacksonville, Jasper, Kilgore, Latexo, Liberty, Lindale, Longview, Lovelady, Lufkin, Lumberton, Marshall, Maud, Mineola, Mt. Pleasant, Nacogdoches, Nederland, New Boston, Orange, Pine Forest, Pinehurst, Red Lick, Rose City, Rusk, San Augustine, Shepherd, Silsbee, Sour Lake, Tenaha, Timpson, Trinity, Tyler, Vidor, West Orange, and White Oak, Texas.

This rate schedule is for the recovery of rate case expense and shall be in effect beginning on or after December 11, 2012, for a thirty-six (36) month period or until all approved expenses are collected.

**MONTHLY RATE RECOVERY FACTOR:**

Residential    \$0.16 per bill  
General Service-Small    \$0.16 per bill  
General Service-Large    \$0.16 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 1st of each December, a report with the RRC Gas Services Division. The report shall detail the monthly collections for RCE surcharge by customer class and show the outstanding balance.