



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

GUD NO. 10432, CONSOLIDATED

STATEMENT OF INTENT OF CENTERPOINT ENERGY RESOURCES CORP., d/b/a CENTERPOINT ENERGY ENTEX AND CENTERPOINT ENERGY TEXAS GAS TO INCREASE RATES ON A DIVISION-WIDE BASIS IN THE TEXAS COAST DIVISION, CONSOLIDATED

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PROCEDURAL HISTORY:

Docket Established:	March 27, 2015
Rates Suspended:	April 28, 2015
Technical Conference:	June 4, 2015
Heard By:	Cecile Hanna, Administrative Law Judge John Dodson, Hearings Examiner Rose Ruiz, Technical Examiner
Settlement Agreement:	July 6, 2015
Record Closed:	August 4, 2015
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Statutory Deadline:	October 20, 2015

STATEMENT OF THE CASE

On March 27, 2015, CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas (CenterPoint Texas, CPT, or company) filed this proceeding to increase rates in the unincorporated areas of the company's Texas Coast Division and certain cities in the Texas Coast Division that have ceded original jurisdiction to the Commission pursuant to GURA §§102.001(a)(1)(B) and 103.003(a). The parties have filed a *Unanimous Settlement Agreement* that contemplates an increase in revenues totaling \$4,900,000. This reduces the amount from the Errata filing request by \$2,284,103. The parties have also requested recovery of rate case expenses in the amount of \$782,186.80. A downward adjustment of \$486.68 for the rate case expenses is recommended bringing the adjusted rate case expense recovery to \$781,700.12.

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PROPOSAL FOR DECISION

1. Procedural History

On March 27, 2015, CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas (CenterPoint Texas, CPT, or company) filed a *Statement of Intent to Increase Rates on a Division-Wide Basis in the Texas Coast Division*. That case was docketed as GUD No. 10432. Motions to Intervene filed by the Railroad Commission of Texas Staff and Gulf Coast Coalition of Cities (GCCC)¹ were granted on April 8, 2015. The proposed rates were suspended on April 28, 2015. During the Prehearing Conference held on April 28, 2015, the Motion to Intervene filed by Texas Coast Utilities Coalition (TCUC)² was granted. By letter, on April 30, 2015, the company extended the statutory deadline to October 20, 2015.

On May 29, 2015, the company made an Errata filing that included testimony, exhibits and schedules showing a revenue deficiency of \$7.2 million instead of the originally filed \$6.8 million deficiency.³ The company argued that the change reflects a correction to an error related to its unrecovered postretirement expense balance and the flow-through effects. A technical conference was held on June 4, 2015, which was limited to issues surrounding the company's Errata filing. A Joint Motion to Strike the Errata Testimony was filed by GCCC and TCUC on June 8, 2015. TCUC and GCCC argued that the change was substantive and not merely a correction. The ALJ and Examiners allowed the company's Errata filing with the caveat that the company was not seeking the related revenue increase in this proceeding, particularly since the additional approximately \$400,000 was not contained in the public notice of the rate increase. Furthermore, the ALJ and Examiners noted in the ruling that the specifics of the controverted evidence may likely still be an issue in dispute at the hearing but that the company was allowed to file the correction.⁴

CenterPoint Texas published a Public Notice of its *Statement of Intent* to increase rates in its Texas Coast Division, which was published once a week in six newspapers of general circulation for four or more consecutive weeks beginning on approximately April 10, 2015, in accordance with Gas Utility Regulatory Act (GURA) § 104.103(a) for all customers located in unincorporated areas or the environs.⁵

Contemporaneously with this proceeding, CenterPoint Texas filed a *Statement of Intent* to increase rates for the municipalities retaining original jurisdiction in the Texas Coast Division as the company proposes to implement the revised gas tariffs on a division-wide basis for customers in the Texas Coast Division. The company has appealed to the Commission the denial of the cities, which have been docketed as GUD Nos. 10440 and 10444.⁶

¹ GCCC – 20 cities - Alvin, Brookshire, Clear Lake Shores, Dickinson, Friendswood, Fulshear, Kemah, Lake Jackson, La Marque, Manvel, Mont Belvieu, Morgan's Point, Rosenberg, Santa Fe, Seabrook, Sugar Land, Taylor Lake Village, Texas City, Webster, and Weston Lakes.

² TCUC – 9 cities - Angleton, Baytown, Clute, Freeport, League City, Pearland, Shoreacres, West Columbia, and Wharton.

³ CPT Ex. No. 11, CenterPoint Texas Errata filing on May 29, 2015.

⁴ ALJ Letter No. 16 dated June 16, 2015.

⁵ CPT Ex. No. 12, Proof of Public Notice filed July 8, 2015, and related Affidavits of Publication.

⁶ The cities subject to the Commission's original and appellate jurisdiction, as well as, the cities maintaining municipal original jurisdiction within the company's Texas Coast Division are listed in the Jurisdiction Section of this Proposal for Decision, Section 2.

The Notice of Hearing was issued on June 16, 2015. The hearing on the merits was scheduled for July 22-24, 2015. On June 30, 2015, the procedural schedule was abated upon the request of the parties after reaching a settlement in principle. A *Unanimous Settlement Agreement* executed by all parties in this consolidated docket was filed on July 6, 2015.⁷ In order to evaluate the *Unanimous Settlement Agreement*, the following documents were admitted into the record in this case and with issuance of this Proposal for Decision, the ALJ and Examiners close the evidentiary record in GUD No. 10432 and consolidated cases:⁸

- CPT – 1 – Prefiled Testimony of Randal M. Pryor
- CPT – 2 – Prefiled Testimony of Mary A. Kirk
- CPT – 3 – Prefiled Testimony of Lynne Harkel-Rumford
- CPT – 4 – Prefiled Testimony of Robert B. Hevert
- CPT – 5 – Prefiled Testimony of Joshua C. Nowak
- CPT – 6 – Prefiled Testimony of Dane A. Watson
- CPT – 7 – Prefiled Testimony of John Swilling
- CPT – 8 – Prefiled Testimony of Carla Kneipp
- CPT – 9 – Prefiled Testimony of Jane A. George
- CPT – 10 – Prefiled Testimony of Burl M. Drews
- CPT – 11 – Errata Testimony filed May 29, 2015
- CPT – 12 – Proof of Public Notice filed July 8, 2015 and Affidavits of Publication

On June 1, 2015, the rate case expenses from GUD No. 10432 and consolidated cases were severed into GUD No. 10441, styled as *Rate Case Expenses Severed from GUD No. 10432*. After receipt of the *Unanimous Settlement Agreement*, consistent with the agreement of the parties, GUD No. 10441 was incorporated back into GUD No. 10432.⁹ Consequently, the proposed rate case expenses of the parties are included in this proposal for decision.

GURA requires that the Commission establish rates that are just and reasonable pursuant to §104.003(a). Accordingly, it is necessary to evaluate the *Unanimous Settlement Agreement* for reasonableness. Further, the statute requires that the Commission make certain findings regarding affiliate transactions.¹⁰ The admitted exhibits are necessary to complete the evaluation of the proposed *Unanimous 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. 2015). The statutes and rules involved in this proceeding include, but are not limited to TEX. UTIL. CODE ANN.

⁷ The *Unanimous Settlement Agreement* is incorporated by reference into the Final Order and is included as “Final Order Exhibit 1.”

⁸ All Errata documents included in the Errata filing on May 29, 2015, are incorporated into the testimony, exhibits, and schedules.

⁹ ALJ Letter No. 22, July 7, 2015.

¹⁰ TEX. UTIL. CODE ANN. § 104.055 (Vernon 2007 and Supp. 2015)

§§104.101, 104.102, 104.103, 104.105, 104.106, 104.107, 104.110, 104.301 (Vernon 2007 and Supp. 2015), and 16 TEX. ADMIN. CODE Chapter 7.

The *Unanimous Settlement Agreement* contains an exhibit that details the number of customers contained in each class and lists all of the environs areas, unincorporated areas, and incorporated areas within the company's Texas Coast Division.¹¹ As previously mentioned, CenterPoint Texas filed a *Statement of Intent* to increase rates for the municipalities retaining original jurisdiction in the Texas Coast Division contemporaneously with this proceeding, as the company proposes to implement the revised gas tariffs on a division-wide basis for customers in the Texas Coast Division.

A. Commission Exclusive Original Jurisdiction

The Commission has exclusive original jurisdiction over that rates and services of a gas utility for the areas outside a municipality (environs or unincorporated areas) and for the areas inside a municipality that surrenders (cedes) its jurisdiction to the Commission.¹² Thus, the Commission has exclusive original jurisdiction over the environs and unincorporated areas listed in Exhibit E to the *Unanimous Settlement Agreement*. In addition, the Commission has exclusive original jurisdiction over the following cities that ceded their municipal original jurisdiction: Clear Lake Shores Inc., Danbury Inc., El Lago Inc., Hitchcock Inc., Jones Creek Inc., Liverpool Inc., Pleak Inc., Richwood Inc., and Weston Lakes Inc.

B. Commission Exclusive Appellate Jurisdiction

The Commission has exclusive appellate jurisdiction¹³ to review a decision by a municipality that exercises its exclusive original jurisdiction, so long as, the decision is appealed in accordance with GURA §103.051, *et seq.* In the current docket, the following cities denied the *Statement of Intent* filed by CenterPoint Texas and the company subsequently filed an appeal to the Commission: Alvin, Beach City, Dickinson, Friendswood, Fulshear, La Marque, La Porte, Lake Jackson, Manvel, Mont Belvieu, Morgan's Point, Rosenberg, Santa Fe, Seabrook, Sugar Land, Texas City, and Webster. On May 5, 2015, CenterPoint Texas filed a *Petition for Review of Municipal Rate Decisions and Motion to Consolidate*. The motion was granted on May 21, 2015. That case was docketed as GUD No. 10440, which was later consolidated with GUD No. 10432.

Likewise, the cities of Brookshire and Kemah denied the rate as proposed in the *Statement of Intent* and the company subsequently filed an appeal to the Commission under GUD No. 10444. On June 4, 2015, CenterPoint Texas filed a *Petition for Review of Municipal Rate Decisions and Motion to Consolidate*. The motion was granted on June 9, 2015. That case was docketed as GUD No. 10444, which was consolidated with GUD No. 10432.

¹¹ *Unanimous Settlement Agreement*, Exhibit E. (Exhibit 1 to Final Order)

¹² TEX. UTIL. CODE ANN. §§ 102.001 (a)(1)(A) and (B), and 103.003 (Vernon 2007 and Supp. 2015). The Commission also has exclusive original jurisdiction over a gas utility that transmits, transports, delivers, or sells natural gas or synthetic natural gas to a gas utility that distributes the gas to the public in accordance with TEX. UTIL. CODE ANN. §§ 102.001 (a)(2), however, this provision is not relevant in this docket.

¹³ TEX. UTIL. CODE ANN. §§ 102.001 (b) and 103.001, *et seq.* (Vernon 2007 and Supp. 2015).

CenterPoint Texas proposes a division-wide rate in the Texas Coast Division. The ALJ and Examiners recommend that the Final Order in these consolidated dockets limit the applicability of the tariffs to those areas and entities that are within the Commission's exclusive original and exclusive appellate jurisdiction.

C. Municipal Exclusive Original Jurisdiction

Certain cities within the Texas Coast Division have retained their municipal exclusive original jurisdiction. The cities of Beasley, Brookside Village, Clute, East Bernard, Freeport, Hillcrest Village, Katy, Kendleton, Needville, Orchard, Oyster Creek, Richmond, Shoreacres, Taylor Lake Village and Wallis, took no action on the company's proposed rates and consequently the proposed rates took effect in those cities on May 23, 2015. Following the issuance of a Commission Final Order in these consolidated dockets, the company will file identical tariffs with these cities, as proposed in the *Unanimous Settlement Agreement*.¹⁴

The cities of Angleton, Baytown, League City, Pearland, West Columbia, and Wharton have retained their municipal exclusive original jurisdiction and the parties have agreed that these TCUC cities will adopt the same division-wide tariffs proposed in the *Unanimous Settlement Agreement*.¹⁵

D. Houston Division

The cities of Houston, Deer Park, Missouri City and Pasadena are part of the company's Houston Division, as their corporate limits extend into the Texas Coast Division but are served under tariffs approved for the Houston Division. The revenues, expenses, and plant of these cities that are in the Texas Coast Division are reflected in this application, however, the company represents that these are minimal amounts.¹⁶ As a result, the company is not requesting a rate change for these cities.

3. Overview of the Company

CenterPoint Energy, Inc. (CNP) is a company with more than five million metered customers composed of an electric transmission and distribution utility serving the Houston metropolitan area, local natural gas distribution businesses in six states, and a natural gas sales and service business serving the Eastern U.S.¹⁷

CNP's natural gas distribution business (Gas Operations) falls within CenterPoint Energy Resources Corp. (CERC) d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas. CERC engages in natural gas sales to, and transportation for, approximately 3.3 million residential, commercial and industrial customers in the states of Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas.¹⁸ CenterPoint Texas is an indirect, wholly-owned subsidiary

¹⁴ *Unanimous Settlement Agreement*, Exhibit A. (Exhibit 1 to Final Order) and July 28, 2015 letter from Mark A. Santos to ALJ.

¹⁵ *Unanimous Settlement Agreement*, Paragraph 9, p. 4. (Exhibit 1 to Final Order)

¹⁶ *Unanimous Settlement Agreement*, Exhibit E. (Exhibit 1 to Final Order)

¹⁷ CPT Ex. No. 1, Direct Testimony of Randal M. Pryor, pp. 2-4.

¹⁸ CPT Ex. No. 1, Direct Testimony of Randal M. Pryor, pp. 3-4.

of CNP.¹⁹ Operations of CenterPoint in Texas (other than Texarkana) are divided into four divisions: (1) The Houston Division; (2) the Beaumont/East Texas Division; (3) the South Texas Division; and (4) the Texas Coast Division.²⁰

The Texas Coast Division service area falls within the following Texas counties: Montgomery, Liberty, Waller, Harris, Austin, Colorado, Fort Bend, Chambers, Wharton, Brazoria, Galveston, and Matagorda.²¹ CenterPoint Texas estimated that as of test year end, September 30, 2014, approximately 279,000 customers in the Texas Coast Division would be affected by the proposed change in rates, of which approximately 99,000 reside either in the unincorporated areas of the Texas Coast Division or in its cities that have surrendered original jurisdiction to the Commission.²² The *Unanimous Settlement Agreement* provides an updated customer count of 283,196 for known and measurable changes in the Texas Coast Division.²³ The *Unanimous Settlement Agreement* identifies the classes and number of customers affected by the proposed rates on a city-by-city and unincorporated-area basis.²⁴

4. Books and Records

Commission Rule 7.310 requires that utilities utilize the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts (USOA).²⁵ Mary A. Kirk, Director of Financial Accounting, affirmed that the books and records are kept in accordance with the FERC USOA.²⁶ Specifically, Ms. Kirk testified that CenterPoint Texas maintains an internal process to ensure that financial statements are fairly presented and comply with applicable laws and regulations. She asserted that the company's systems of internal controls and its adherence to FERC USOA assured compliance with Commission Rule 7.310. As a result, Ms. Kirk concluded that the company is entitled to the presumption encapsulated in Commission Rule 7.503.²⁷ That rule provides that the amounts shown on the company's books and records, as well as, summaries and excerpts taken from those records shall be considered *prima facie* evidence of the amount of investment or expense reflected when introduced into evidence, and such amounts are presumed to have been reasonably incurred.²⁸ The ALJ and Examiners find that CenterPoint Texas has established that the company maintains its books and records in accordance with FERC USOA. Accordingly, the books and records are accorded the presumption found in Commission Rule 7.503.

¹⁹ CPT Ex. No. 1, Direct Testimony of Randal M. Pryor, p. 2.

²⁰ A company organizational diagram is attached to this Proposal for Decision as "Exhibit 1" and CPT Ex. No. 1, Direct Testimony of Randal M. Pryor, pp. 3-4.

²¹ Map of the Texas Coast Division counties is attached to the Proposal for Decision as "Exhibit 2," and CPT Ex. No. 1, Direct Testimony of Randal M. Pryor, Ex. RMP-1.

²² CPT Ex. No. 1, Direct Testimony of Randal M. Pryor, p. ES-1.

²³ *Unanimous Settlement Agreement*, Exhibit E. (Exhibit 1 to Final Order)

²⁴ *Unanimous Settlement Agreement*, Settlement Terms, Paragraph 11, p. 4 and Exhibit E. (Exhibit 1 to Final Order)

²⁵ TEX. ADMIN. CODE § 7.310, 2015 (Tex. R.R. Comm'n, System of Accounts) (Commission Rule 7.310).

²⁶ CPT Ex. No. 2, Direct Testimony of Mary A. Kirk, pp. 5-8.

²⁷ CPT Ex. No. 2, Direct Testimony of Mary A. Kirk, pp. 5-6 and TEX. ADMIN. CODE § 7.501, 2015 (Tex. R.R. Comm'n, Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities) (Commission Rule 7.503).

²⁸ CPT Ex. No. 2, Direct Testimony of Mary A. Kirk, pp. 5-8.

5. *Unanimous Settlement Agreement*

A. Overall Revenue Requirement

The Texas Coast Division rates have not changed since the current rates were adjusted under a Cost of Service Adjustment (COSA) mechanism in 2011.²⁹ Presently, the company provides service under both the COSA-2³⁰ and COSA-3³¹ tariffs. The proposed division-wide rates will affect the following classes of customer in the Texas Coast Division: Residential (RS), General Service – Small (GSS), and General Service – Large Volume (GSLV). The rates as initially proposed are calculated based on the company's cost to serve the Texas Coast Division as a whole, inclusive of both incorporated and unincorporated areas.

The company initially requested a division-wide revenue requirement annual increase of approximately \$6,774,717. The company corrected that amount with the Errata³² filing on May 29, 2015. The Errata filing shows a system-wide revenue requirement annual increase of \$7,184,103. The *Unanimous Settlement Agreement* requests a system-wide revenue requirement annual increase of \$4,900,000. This represents a decrease from the Errata filing of \$2,284,103. Thus, the *Unanimous Settlement Agreement* represents a decrease of nearly 32% compared to the Errata filing. The company filed a full cost of service analysis with test-year end September 30, 2014, updated for known and measurable changes, in support of its initial requests with corrections in the Errata filing.

The company claims that the proposed increase is driven by several factors that includes, but is not limited to, increased infrastructure investment, rising operating costs, necessity to earn a reasonable rate of return, and that the Texas Coast Division rates have not changed since the current division-wide rates were adjusted under the COSA mechanism in 2011.³³ The COSA-2 tariff was approved by several municipalities in 2008. The COSA-3 tariff was approved by the Commission in the Final Order in GUD No. 9791 and established a procedure whereby CenterPoint Texas annually made adjustment to its Texas Coast Division customer charges for natural gas distribution service. Those adjustments accounted for changes in the cost of service of CenterPoint Texas as calculated according to a formula in the tariff without the necessity of an additional full rate case.³⁴ It appears from the *Unanimous Settlement*

²⁹ CPT Ex. No. 1, Direct Testimony of Randal M. Pryor, p. ES-1.

³⁰ The Texas Coast Division COSA-2 Tariff includes the following cities and surrounding areas: Alvin, Beasley, Beach City, Brookshire, Brookside village, Clear Lake Shores, Danbury, Dickinson, East Bernard, El Lago, Friendswood, Fulshear, Hillcrest Village, Hitchcock, Jones Creek, Katy, Kemah, Kendleton, Lake Jackson, La Marque, La Porte, Liverpool, Manvel, Mont Belvieu, Morgan's Point, Needville, Orchard, Oyster Creek, Pleak, Richwood, Richmond, Rosenberg, Santa Fe, Seabrook, Sugar Land, Taylor Lake Village, Texas City, Wallis, and Webster.

³¹ The Texas Coast Division COSA-3 Tariff includes the following cities and surrounding areas: Angleton, Bacliff, Barretts Settlement, Baytown, Boling, Chanel Area, Clute, Columbia Lakes, Crosby, Damon, Freeport, Glen Flora, Highlands, Hungerford, Iago, Iowa Colony, League City, New Gulf, Old Ocean, Pearland, Pecan Grove, Rosharon, San Leon, Shoreacres, Sienna Plantation, Teal Run, Van Vleck, West Columbia, Weston Lakes, and Wharton.

³² The Procedural History Section of this proposal for decision details the Errata filing, objections, and related rulings. The Errata filing showed a revenue deficiency of \$7.2 million. While the company filed the Errata to show an approximate \$400,000 correction to its unrecovered postretirement benefits liability and the flow-through effects of this error, the company limited its revenue deficiency recovery request to \$6.8 million.

³³ CPT Ex. No. 1, Direct Testimony of Randal M. Pryor, p. ES-1.

³⁴ Tex. R.R. Comm'n, *Statement of Intent filed by CenterPoint Energy Entex to Increase Rates in the Unincorporated Areas of the Texas Coast Division and all Consolidated Municipal Appeals*, GUD No. 9791, (Final Order December 16, 2008). R.R.

Agreement that CenterPoint Texas is moving away from the COSA to a division-wide rate with interim rate adjustments by its request to set factors for interim rate adjustments through the Gas Reliability Infrastructure Program (GRIP), GURA §104.301.³⁵

The *Unanimous Settlement Agreement* contemplates that the approximate \$4,900,000 revenue increase is a “black box” amount meaning that it is not tied to any specific expense in the company’s underlying cost of service.³⁶ The parties represent in the *Unanimous Settlement Agreement* that the rates, terms, and conditions in the proposed tariffs comply with the rate-setting requirements of the Texas Utilities Code Chapter 104.³⁷ The ALJ and Examiners recommend that the applicability of the proposed division-wide tariffs approved by the Commission be limited to those areas and entities within the Commission’s exclusive original jurisdiction and its exclusive appellate jurisdiction. The *Unanimous Settlement Agreement* contemplates the rates becoming effective upon approval by the Commission.³⁸ As this case is scheduled to be decided on August 25, 2015, the proposed Final Order states that rates will go into effect on the day after issuance of the Final Order in this case, which is well before the statutory deadline of October 20, 2015. The ALJ and Examiners recommend that the *Unanimous Settlement Agreement* be approved.

B. Overall Rates

The *Unanimous Settlement Agreement* contemplates approval of the following division-wide rates for the Texas Coast Division:³⁹

Table 5.1
Proposed Rate Design

	Customer Charge	Single Block Volumetric Rate
Residential	\$15.00	\$0.07460 per Ccf
General Service – Small	\$15.50	\$0.06710 per Ccf
General Service – Large	\$45.00	\$0.04400 per Ccf

Initially, the company proposed in its Errata filing, Residential Rates with a Customer Charge of \$16.00 and a Volumetric Charge of \$0.07280. The *Unanimous Settlement Agreement* contemplates a change from those proposed to a \$15.00 Customer Charge and a Volumetric Rate of \$0.07460. Thus, for COSA-2, the average customer bill will result in a decrease from \$18.33 to \$17.39. Similarly, for COSA-3, the *Unanimous Settlement Agreement* the average customer bill will result in a decrease from \$18.48 to \$17.54.

Comm’n of Tex. v. Tex. Coast Utils. Coal., 357 S.W.3d 731 (Tex. App.—Austin 2011, pet. granted) and *Tex. Coast Utils. Coal. v. R.R. Comm’n of Tex.*, 423 S.W.3d 355 (Tex. 2014).

³⁵ *Unanimous Settlement Agreement*, Settlement Terms, Paragraph 4, p. 3. (Exhibit 1 to Final Order).

³⁶ *Unanimous Settlement Agreement*, Settlement Terms, Paragraph 1, p. 2. (Exhibit 1 to Final Order).

³⁷ *Unanimous Settlement Agreement*, Settlement Terms, Paragraph 1, p. 2 and Exh. A. (Exhibit 1 to Final Order).

³⁸ *Unanimous Settlement Agreement*, Settlement Terms, Paragraph 1, p. 2. (Exhibit 1 to Final Order).

³⁹ *Unanimous Settlement Agreement*, Settlement Terms, Paragraph 2, p. 2. (Exhibit 1 to Final Order).

A rate comparison of the three customer classes is shown in Tables 5.2 – 5.4 below:

Table 5.2
Rate Comparison Average Residential Monthly Bill (excluding gas cost)

		Average Usage*	Customer Charge	Volumetric Charge	Average Customer Bill
COSA-2	Current	32 Ccf	\$ 14.69	\$ 0.07240	\$ 17.01
	Proposed – Errata ⁴⁰		\$ 16.00	\$ 0.07280	\$ 18.33
	Examiner Recommended /Settlement		\$ 15.00	\$ 0.07460	\$ 17.39
COSA-3	Current	34 Ccf	\$ 14.77	\$ 0.03055	\$ 15.81
	Proposed - Errata		\$ 16.00	\$ 0.07280	\$ 18.48
	Examiner Recommended /Settlement		\$ 15.00	\$ 0.07460	\$ 17.54

*Adjusted test-year average monthly usage for Texas Coast Division.

Table 5.3
Rate Comparison Average General Service Small Bill (excluding gas cost)

		Average Usage*	Customer Charge	Volumetric Charge	Average Customer Bill
COSA-2	Current	178 Ccf	\$ 14.90	First 150 Ccf - \$ 0.0850 Over 150 Ccf - \$ 0.06230	\$ 29.39
	Proposed – Errata		\$ 16.75	\$ 0.06360	\$ 28.07
	Examiner Recommended /Settlement		\$ 15.50	\$ 0.06710	\$ 27.44
COSA-3	Current	123 Ccf	\$ 13.84	First 150 Ccf - \$ 0.06655 Over 150 Ccf - \$ 0.03258	\$ 22.03
	Proposed – Errata		\$ 16.75	\$ 0.06360	\$ 24.57
	Examiner Recommended /Settlement		\$ 15.50	\$ 0.06710	\$ 23.75

*Adjusted test-year average monthly usage for Texas Coast Division.

⁴⁰ CPT Ex. No. 10, Prefiled Testimony of Burl M. Drews, p. 9, Table 3, Errata Proposed Rates.

Table 5.4
Rate Comparison Average General Service Large Monthly Bill
(excluding gas cost)

		Average Usage*	Customer Charge	Volumetric Charge	Average Customer Bill
COSA-2	Current	2421 Ccf	\$ 16.96	First 1,500 Ccf - \$ 0.08440 1,500-10,000 Ccf \$ 0.05880 Over 10,000 Ccf - \$ 0.04980	\$ 197.71
	Proposed – Errata		\$ 48.75	\$ 0.04240	\$ 151.40
	Examiner Recommended /Settlement		\$ 45.00	\$ 0.04400	\$ 151.52
COSA-3	Current	2542 Ccf	\$ 14.40	First 1,500 Ccf - \$ 0.09036 1,500-10,000 Ccf \$ 0.05880 Over 10,000 Ccf - \$ 0.04980	\$ 211.21
	Proposed – Errata		\$ 48.75	\$ 0.04240	\$ 156.53
	Examiner Recommended /Settlement		\$ 45.00	\$ 0.04400	\$ 156.85

*Adjusted test-year average monthly usage for Texas Coast Division.

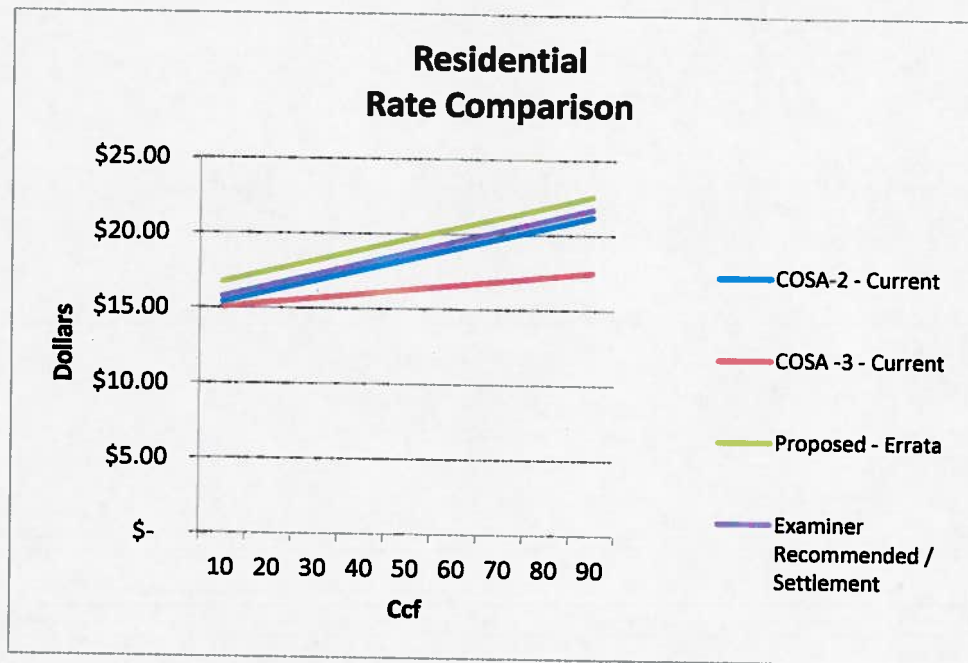
Moreover, Table 5.5 below provides an analysis of the proposed change in rates for bills at various consumption levels for Residential customers under the *Unanimous Settlement Agreement*.

Table 5.5
Calculation of Percentage Change – Residential Bills

Ccf	10	20	30	40	50	60	70	80	90
COSA-2	2.15%	2.19%	2.23%	2.26%	2.29%	2.32%	2.35%	2.37%	2.40%
COSA-3	4.45%	7.22%	9.89%	12.46%	14.93%	17.30%	19.60%	21.81%	23.94%

Similarly, Figure 5.1 below shows the comparisons of current COSA-2 and COSA-3 rates to the Errata proposed rates and the Recommended/Settlement rates for the Residential customers.

Figure 5.1
Calculation of Current Residential Rate to Recommended Rate/Settlement Rate



Thus, for COSA-2 customers, based upon an average consumption of 32 Ccf, the average Residential Customer will experience a 2.24% increase in rates without gas cost under the proposed settlement rates compared to a 7.76% increase as initially proposed in the Errata filing. Whereas, for COSA-3 customers, based upon an average consumption of 34 Ccf, the average Residential Customer will experience a 10.93% increase in rates without gas cost under the proposed settlement rates compared to a 16.89% increase as initially proposed in the Errata filing.

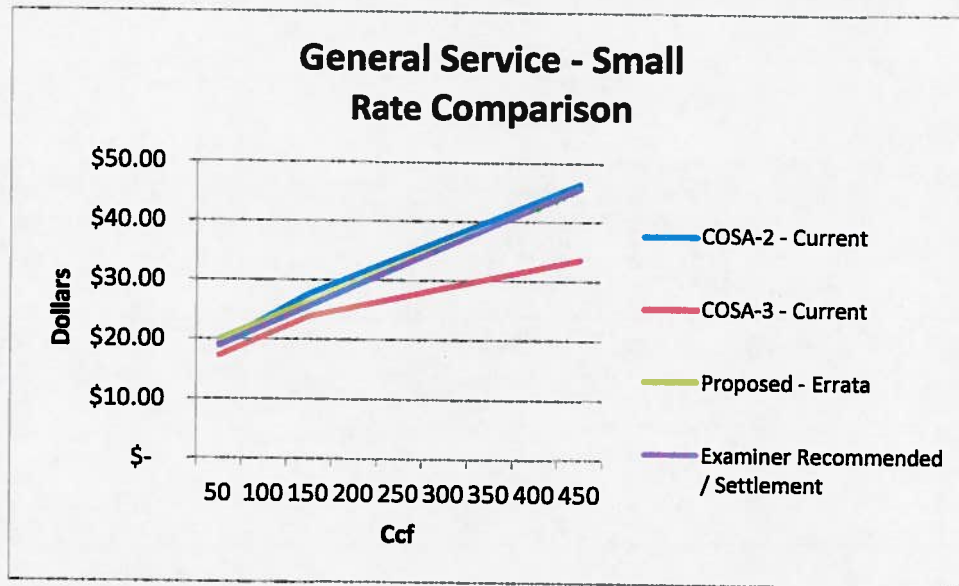
Turning to General Service Small customers, Table 5.6 below provides an analysis of the proposed change in rates for bills at various consumption levels under the *Unanimous Settlement Agreement*.

Table 5.6
Calculation of Percentage Change – General Service Small Bills

Ccf	50	100	150	200	250	300	350	400	450
COSA-2	-1.54 %	-5.09 %	-7.54 %	-6.00 %	-4.74 %	-3.69 %	-2.80 %	-2.05 %	-1.39 %
COSA-3	9.83 %	8.37 %	7.31 %	13.63 %	19.18 %	24.11 %	28.50 %	32.45 %	36.01 %

Figure 5.2 below shows the comparisons of current COSA-2 and COSA-3 rates to the Errata proposed rates and the Recommended/Settlement rates for the General Service Small customers.

Figure 5.2
Calculation of Current General Service Small to Recommended Rate/Settlement Rate



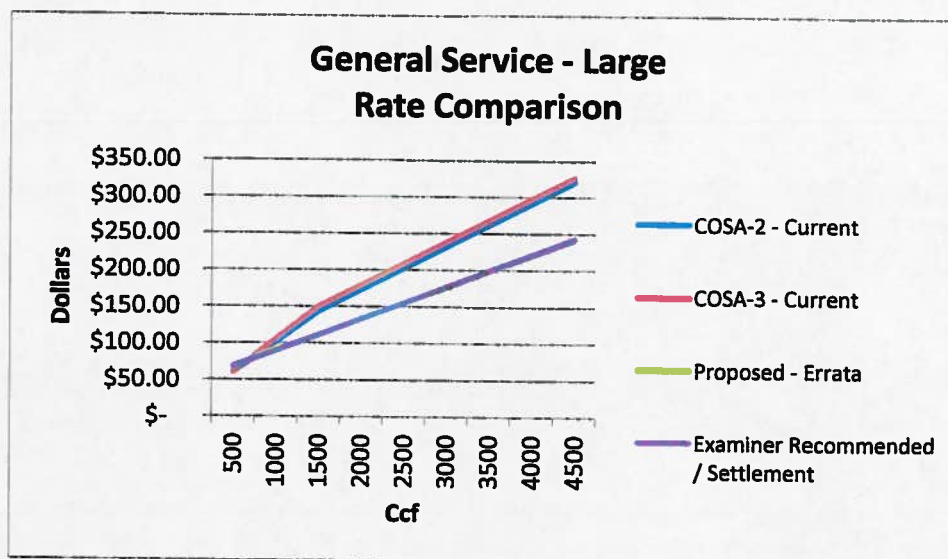
In regard to General Service Large Volume customers, Table 5.7 below provides an analysis of the proposed change in rates for bills at various consumption levels under the *Unanimous Settlement Agreement*.

Table 5.7
Calculation of Percentage Change – General Service Large Volume Bills

Ccf	500	1000	1500	2000	2500	3000	3500	4000	4500
COSA-2	13.25%	-12.19	-22.68	-23.10	-23.40	-23.63	-23.80	-23.94	-24.05
COSA-3	12.45%	-15.04	-25.97	-25.84	-25.74	-25.67	-25.62	-25.57	-25.54

In regard to General Service Large Volume customers, Figure 5.3 below shows the comparisons of current COSA-2 and COSA-3 rates to the Errata proposed rates and the Recommended/Settlement rates.

Figure 5.3
Calculation of Current General Service Large Volume Rate to Recommended Rate/Settlement Rate



Since the company's last Texas Coast Division COSA rate increase in 2011, the company has made capital additions of approximately \$129.4 million to its Texas Coast Division gas distribution plant and operating costs have risen.⁴¹ The ALJ and Examiners find that the proposed rates under the *Unanimous Settlement Agreement* are just and reasonable and recommend approval of those rates.

C. Cost of Capital

The *Unanimous Settlement Agreement* proposes the following capital structure and weighted cost of capital, including the pre-tax return:

Table 5.8
Rate of Return

	Capital Structure	Debt/Equity Cost	Weighted Cost of Capital	Pre-tax Return
Long-Term Debt	45.5%	6.1141%	2.78%	2.78%
Common Equity	54.5%	10.0000%	5.45%	8.38%
Rate of Return	100.0%		8.23%	11.17%

Robert B. Hevert, Managing Partner of Sussex Economic Advisors, LLC testified that the company's proposed capital structure of 54.50% common equity and 45.50% long-term debt is

⁴¹ CPT Ex. No. 1, Direct Testimony of Randal M. Pryor, pp. ES-1 and 7.

reasonable given the historical and projected equity ratios and long-term debt of the proxy companies.⁴² Given that the Texas Coast jurisdictional operations do not make up the entirety of the publicly traded parent company, it is necessary to establish a group of companies that are both publicly traded and comparable to CenterPoint Texas to serve as its “proxy” for purposes of the estimation process, according to Mr. Hevert.⁴³ He testified further that the company’s proposed cost of debt of 6.114% is reasonable relative to both the Moody’s Baa Utility Bond Index, and the proxy companies’ debt issuance costs since 2000.⁴⁴

Mr. Hevert’s analysis also showed that the company’s cost of equity is currently in the range of 10.0% to 10.50%. Based on the quantitative and qualitative analysis in his direct testimony, he concluded that 10.25% is reasonable and appropriate. The *Unanimous Settlement Agreement*, however, reduces the company’s proposed common equity to 10.00%. This results in a reduction from the initially proposed overall rate of return of 8.3682% to the settlement agreement amount of 8.23%.⁴⁵

The proposed capital structure, cost of debt and equity, and the overall rate of return in the *Unanimous Settlement Agreement* are agreed to by all parties and based upon evidence in the record. Accordingly, the ALJ and Examiners find that they are just and reasonable.

D. Future Interim Rate Adjustments

In 2003, the 78th Texas Legislature provided utilities a mechanism to adjust rates with an interim rate adjustment (IRA) for capital investment. The provision was amended in 2005 in the 79th Legislative session. The provisions related to this legislation are currently codified in Section 104.301 of the Texas Utilities Code Annotated. The IRA 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 to the requirements and includes adoption of the following factors (benchmark) to be applied in future IRA proceedings for CenterPoint Texas, Texas Coast Division, until changed by a subsequent general rate proceeding:

- a. The capital structure and related components as shown in Table 5.8 above.
- b. For any initial IRA filing, the Net Investment, which includes detail of Plant in Service amounts by Fixed Capital Account (FCA) along with the associated depreciation rate for each account as shown on Exhibit C.⁴⁶
- c. For any initial IRA filing, the beginning amount of ad valorem taxes at the Texas Coast Division level is \$2,238,994 and the standard sales service amount is

⁴² CPT Ex. No. 4, Direct Testimony of Robert B. Hevert, p. 2.

⁴³ CPT Ex. No. 4, Direct Testimony of Robert B. Hevert, p. 9.

⁴⁴ CPT Ex. No. 4, Direct Testimony of Robert B. Hevert, p. 2.

⁴⁵ *Unanimous Settlement Agreement*, Settlement Terms, Paragraph 3, p. 3. (Exhibit I to Final Order)

⁴⁶ “Exhibit C” is a reference to Exhibit C contained in the *Unanimous Settlement Agreement*. (Final Order Exhibit I)

\$2,179,217. Margin tax will be calculated using a .75% factor until or unless changed by statute.

- d. For any initial IRA filing, the rate base amount for standard sales service is \$132,920,321 for purposes of calculating the federal income tax on related schedules in the IRA filing. This amount is derived based on settlement and should not be considered precedential for purposes of regulatory assets or liabilities associated with pensions, retirement plans, and deferred benefits requested in this case.
- e. For any initial IRA filing, the customer charges as noted in Table 5.1 above will be the starting rates to apply to any IRA adjustment.
- f. The base rate revenue allocation factors to spread any change in IRA increase/decrease to the appropriate customer classes are, as follows:

Residential	General Service – Small	General Service - Large
92.5131%	6.3790%	1.1079%

The *Unanimous Settlement Agreement* contemplates use of depreciation rates from the depreciation study proposed in the initial testimony of Dane Watson, Partner with Alliance Consulting Group.⁴⁷ While the settlement depreciation rates are utilized in the initial rate and any future IRA factors, the *Unanimous Settlement Agreement* also states that it is a “black box” figure and not tied to any specific expense in CenterPoint Texas’ underlying cost of service.⁴⁸ The ALJ and Examiners recommend approval of the depreciation rates presented in Exhibit C supported by the depreciation study and agreed to in the *Unanimous Settlement Agreement*. However, at this time the ALJ and Examiners express no opinion on the underlying methodology applied in the study.

E. Section 104.059 Benchmarks

During the 2011 Texas Legislative session, the Texas Legislature adopted what is currently codified as Section 104.059, which 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.⁴⁹ 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 5.9 below sets out the base year level to track changes in pension-related and other post-employment benefits applicable to future proceedings, as follows:⁵⁰

⁴⁷ CPT Ex. No. 6, Direct Testimony of Dane A. Watson and *Unanimous Settlement Agreement* Exh. C. (Final Order Exhibit 1)

⁴⁸ *Unanimous Settlement Agreement*, Settlement Terms, Paragraph One, p. 2. (Final Order Exhibit 1)

⁴⁹ TEX. UTIL. CODE ANN. § 104.059 (Vernon 2007 and Supp. 2015).

⁵⁰ *Unanimous Settlement Agreement*, Settlement Terms, Paragraph Five, p. 3. (Final Order Exhibit 1)

Table 5.9
Section 104.059 Benchmarks

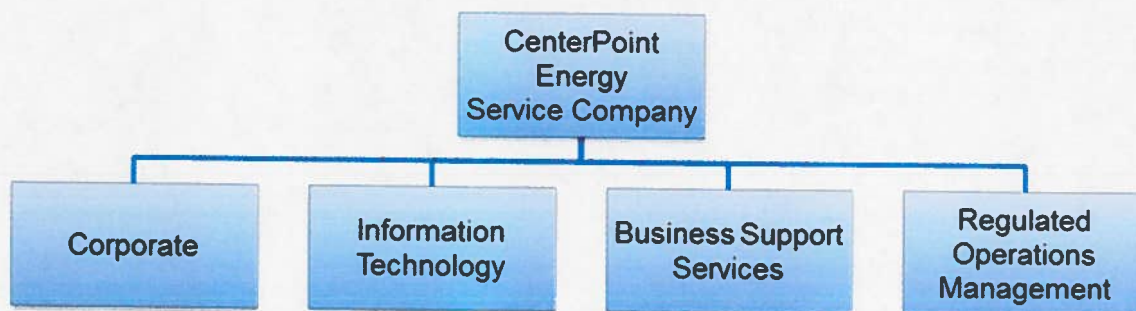
Description	Total
Pension	\$1,666,822
Benefit Restoration Plan	\$ 290,207
Post-Employment	\$ 138,363
Post Retirement	\$ 469,733

6. Affiliate Expenses

GURA requires that specific findings related to affiliate transactions must be made by the appropriate regulatory authority before rates may be adopted.⁵¹ 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.⁵² The ALJ and Examiners conclude that the nature of the settlement makes it difficult to know for certain whether the expenses related to the affiliate are included in the rates. Thus, the ALJ and Examiners evaluated the evidence in the record of this case regarding CNP's affiliates to ensure compliance with the statutory requirements.⁵³

During the test-year, services were provided to the Texas Coast Division by certain affiliates: Service Company, CenterPoint Energy Houston Electric, LLC (CEHE), and other divisions of CenterPoint's Gas Operations.⁵⁴ The Service Company personnel carry out corporate oversight and managerial functions for CNP and its business units. The Service Company functions are comprised of four main groups, which are shown below in Figure 6.1: Corporate Services, Information Technology, Business Support Services, and Regulated Operations Management.

Figure 6.1
CenterPoint Energy Service Company



⁵¹ TEX. UTIL. CODE ANN. § 104.055 (Vernon 2007 & Supp. 2015).

⁵² TEX. UTIL. CODE ANN. § 104.055 (Vernon 2007 & Supp. 2015).

⁵³ The *Unanimous Settlement Agreement* states that the signatories agree that the affiliate expenses included in the black box amount are recoverable consistent with the provisions of GURA Section 104.055 and that the agreement amount for affiliate expenses is derived based on settlement and should not be considered precedential.

⁵⁴ A company organizational diagram is attached to this Proposal for Decision as "Exhibit 1" from CPT Ex. No. 9, Direct Testimony of Jane A. George, JAG-1.

According to Jane A. George, Manager of Business Services Planning and Performance Management for CNP, these groups provide services such as finance, legal, human resources, executive management, government affairs, corporate communications, audit services, information technology, business support services and regulated operations management that minimize the need for each service to be performed independently.⁵⁵ Ms. George testified further that CERC's Gas Operations divisions also provided services to the Texas Coast Division that include billing support, credit and collections, transportation services and technology support.⁵⁶

Ms. George described the billing from the affiliates as follows. There are three mechanisms for billing to the Texas Coast Division.⁵⁷ First, if a service can be specifically identified as being solely for the benefit of the Texas Coast Division, the costs are directly billed to it. Second, services that are solely for the benefit of CenterPoint Texas but not specifically for the Texas Coast Division are first directly billed to the company and then allocated to the Texas Coast Division based on customer ratios. Third, certain support and governance functions are allocated to CenterPoint Texas based upon an allocation methodology and further allocated to the Texas Coast Division based upon customer ratios.⁵⁸

CenterPoint Texas has established that the services provided by its affiliates on behalf of the Texas Coast 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 Texas Coast Division are no higher than the prices charged by the supplying affiliate to other affiliates or divisions of CenterPoint Texas, or to a non-affiliated person for the same item or class of items.

7. Rate Case Expenses

In any rate proceeding, Commission Rule 16 TEX. ADMIN. CODE § 7.5530 provides that any utility and/or municipality claiming reimbursement for its rate case expenses, pursuant to Texas Utilities Code Annotated §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.

⁵⁵ CPT Ex. No. 9, Direct Testimony of Jane A. George, pp. ES-1 and 4.

⁵⁶ CPT Ex. No. 9, Direct Testimony of Jane A. George, p. 4.

⁵⁷ CPT Ex. No. 9, Direct Testimony of Jane A. George, p. 13.

⁵⁸ CPT Ex. No. 9, Direct Testimony of Jane A. George, p. 13.

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 Texas, TCUC, and GCCC each filed detailed reports and invoices 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.⁵⁹ For CenterPoint Texas, the amounts include actual legal rate case expenses incurred through April 2015 and actual regulatory rate case expenses through June 2015, along with reasonably estimated fees and expenses through the conclusion of the docket. For TCUC and GCCC, the amounts include actual rate case fees and expenses incurred through June 2015, along with reasonably estimated rate case fees and expenses through the conclusion of the docket. The requested rate case fees and expenses are as follows:

Table 7.1
Rate Case Expense Request

	ACTUAL INVOICES RECEIVED	INVOICES DUE AND ESTIMATED TO COMPLETION	TOTAL
CenterPoint Texas	\$459,887.57	\$160,000.00	\$619,887.57
GCCC	\$ 81,458.94	\$ 5,000.00	\$ 86,458.94
TCUC	\$ 71,290.29	\$ 4,550.00	\$ 75,840.29
Total	\$612,636.80	\$169,550.00	\$782,186.80

⁵⁹ *Unanimous Settlement Agreement*, Ex. D, Affidavit of Mark A. Santos, counsel for CenterPoint Texas, dated July 2, 2015, and supporting documents (the "Santos Aff."), Affidavit of Christopher L. Brewster, counsel for GCCC, dated July 1, 2015, and supporting documents (the "Brewster Aff."), and Affidavit of Alfred R. Herrera, counsel for TCUC, dated July 1, 2015, and supporting documents (the "Herrera Aff.>").

A. CenterPoint Texas

Mark A. Santos, counsel for CenterPoint Texas, filed an affidavit and supporting documents related to the rate case expenses for CenterPoint Texas. Mr. Santos attests that actual expenses for legal services in this proceeding are: (1) \$200,225.78 through April 2015; and (2) approximately \$140,000.00 incurred for May and June 2015.⁶⁰ These amounts total \$340,225.78. Mr. Santos estimates that CenterPoint Texas will incur an additional \$20,000.00 from July 1, 2015, through the completion of this proceeding, bringing the total amount of actual and reasonably estimated legal fees and expenses necessary to complete this docket to \$360,225.78.⁶¹

Mr. Santos further attests that, in addition to legal fees and expenses, CenterPoint Texas incurred other regulatory rate case expenses in the amount of \$259,661.79 incurred “by professional consultants retained to provide direct and rebuttal testimony, preparation of the filing, public notice, responding to discovery, and incidental expenses.”⁶²

Mr. Santos attests that the hourly rates charged by attorneys billing in this proceeding range between \$225 and \$500, with the majority of the time billed by Mr. Santos at an hourly rate of \$375, which he attests is within the range deemed reasonable in prior rate cases for lawyers having similar experience providing similar services.⁶³ Mr. Santos attests that the hours spent were necessary to complete those tasks in a professional manner on a timely basis, that the nature of the work performed is typical of a contested rate proceeding such as this one, and that there was no duplication of services or testimony and the settled result in this proceeding demonstrates that the company’s request for a rate change was warranted.⁶⁴

The ALJ and Examiners have reviewed the supporting documents and do not find evidence of any prohibited expenses, with the exception of two hotel expenses. CenterPoint Texas included a hotel expense receipt for \$266.33 and another hotel receipt for two nights for a total of \$670.35. The ALJ and Examiners recommend an adjustment limiting those expenditures to \$150 per hotel night consistent with Commission precedent.⁶⁵ Thus, the overall request of the company should be adjusted downward by \$486.68. Accordingly, the ALJ and Examiners find that the evidence indicates that the amount of work required by CenterPoint Texas to litigate GUD No. 10432 and related proceedings justifies the work performed by the company’s attorneys and consultants, with the downward adjustment of \$486.68, pursuant to the requirements of §§7.5530(a) and (b).

⁶⁰ Santos Aff., p. 1.

⁶¹ *Id.*, p. 2.

⁶² *Id.*

⁶³ *Id.*, p. 1.

⁶⁴ *Id.*

⁶⁵ See Tex. R.R. Comm’n, *Statement of Intent to Change the Rate CGS and Rate PT of Atmos Pipeline – Texas*, GUD No. 10000, (Final Order April 18, 2011), pp. 19-21.

Table 7.2 below, shows the rate case expenses for CenterPoint Texas:

Table 7.2
CPT's Rate Case Expenses

Legal Fees and Expenses:		\$ 459,887.57 ⁶⁶
Parsley Coffin Renner LLP Legal Fees through April 30, 2015	\$200,225.78	
Required Regulatory Expenses:	\$259,661.79	
CPT employee OT-Review Expense Reports	\$ 18,847.18	
CPT employee OT-Discovery and other Adm. Support	\$ 7,440.26	
Consultant Fees and Expenses through June 30, 2015		
Sussex Economic Advisors, LLC	\$ 87,231.89	
Alliance Consulting	\$ 43,304.89	
Notice	\$100,478.01	
Other expenses	\$ 2,359.56	
Parsley Coffin Renner LLP Legal Fees May through June		\$ 140,000.00
Estimated Fees and Expenses from July 1, to Completion		\$ 20,000.00
Total CPT'S Proposed Rate Case Expenses		\$ 619,887.57
ALJ and Examiners Adjusted Expenses		\$ 486.68
ALJ and Examiners Recommended Rate Case Expenses		\$ 619,400.89

B. Intervenor

(1) GCCC

Christopher L. Brewster, counsel for GCCC, filed an affidavit and supporting documents related to GCCC's rate case expenses. Mr. Brewster attests that that GCCC's actual legal fees amount to \$49,589.60 through June 2015. In addition, actual consulting fees and expenses are \$31,869.34.⁶⁷ These amounts total \$81,458.94. Mr. Brewster estimates that GCCC will incur an additional sum of reasonable expenses not to exceed \$5,000 from July 1, 2015, through the completion of this proceeding, bringing GCCC's total amount of actual and reasonably estimated expenses necessary to complete this proceeding to \$86,458.94.⁶⁸

Mr. Brewster attests that the attorneys' hourly rates were between \$165 and \$325, which are the same hourly rates that his firm charged other clients for comparable services during the same time frame. The hours spent were necessary to complete those tasks in a professional manner and on a timely basis.⁶⁹ The hourly rate of the professional consultant engaged by

⁶⁶ *Unanimous Settlement Agreement*, Ex. D, Affidavit of Mark A. Santos, counsel for CenterPoint Texas, dated July 2, 2015, and supporting documents.

⁶⁷ Brewster Aff. ¶¶ 4, 6.

⁶⁸ *Id.* ¶ 10.

⁶⁹ *Id.* ¶ 5.

GCCC to present testimony and consult was \$260, which Mr. Brewster attests is similar to hourly rates charged by Resolved Energy Consulting to other clients for comparable services during the same time period.⁷⁰

The ALJ and Examiners have reviewed the supporting documents and do not find evidence of any prohibited expenses. Accordingly, the ALJ and Examiners find that the evidence indicates that the amount of work required by GCCC to litigate GUD No. 10432 and related proceedings justifies the work performed by the GCCC's attorneys and consultants pursuant to the requirements of §§7.5530(a) and (b).

Table 7.3
GCCC's Rate Case Expenses

Lloyd Gosselink Rochelle & Townsend, P.C. Legal Fees and Expenses Invoiced from March through June 30, 2015	\$ 49,589.60
Resolved Energy Consulting, LLC Invoiced Fees and Expenses Invoiced from March through June 30, 2015	\$ 31,869.34
Estimated Fees and Expenses from July 1, 2015 to Completion	\$ 5,000.00
GCCC's Total Rate Case Expenses	\$ 86,458.94

(2) TCUC

Alfred R. Herrera, counsel for TCUC, filed an affidavit and supporting documents related to TCUC's rate case expenses. Mr. Herrera attests that TCUC's actual expenses related to this proceeding amount to \$71,290.29, which includes \$38,035.29 in legal fees and expenses and \$33,255.00 in consultant fees and expenses.⁷¹ Mr. Herrera estimates that TCUC will incur an additional \$4,550 in reasonable fees and expenses through the completion of this proceeding.⁷² The total actual and reasonably estimated rate case expenses for TCUC amount to \$75,840.29.

Mr. Herrera attests that the attorneys' hourly rates were between \$270 and \$345, which are the same hourly rates that his firm charged other clients for comparable services during the same time frame. The hours spent were necessary to complete those tasks in a professional manner and on a timely basis.⁷³ Mr. Herrera further attests that its \$33,255.00 in consulting fees and expenses are reasonable and necessary.

The ALJ and Examiners have reviewed the supporting documents and do not find evidence of any prohibited expenses. Accordingly, the ALJ and Examiners find that the evidence indicates that the amount of work required by TCUC to litigate GUD No. 10432 and

⁷⁰ *Id.* ¶ 6.

⁷¹ Herrera Aff. ¶ 7.

⁷² *Id.* ¶ 15.

⁷³ *Id.* ¶¶ 8-9.

related proceedings justifies the work performed by the TCUC attorneys and consultants pursuant to the requirements of §§7.5530(a) and (b).

Table 7.4
TCUC's Rate Case Expenses

Herrera & Boyle, PLLC Legal Fees and Expenses Invoiced from March 29, 2015 through June 30, 2015	\$ 38,035.29
NewGen Strategies and Solutions, LLC Consulting Fees and Expenses Invoiced from March 29, 2015 through June 30, 2015	\$ 33,255.00
Estimated Fees and Expenses from July 1, 2015 to Completion	\$ 4,550.00
TCUC'S Total Rate Case Expenses	\$ 75,840.29

C. Overall Request

CenterPoint Texas, GCCC, and TCUC each provided 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) other factors taken into account in setting the amount of compensation.

The ALJ and Examiners reviewed all billings, invoices, and evidence submitted by CenterPoint Texas, GCCC, and TCUC. The ALJ and Examiners 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 Texas and the Intervenor's prosecuting GUD No. 10432, Consolidated. The ALJ and Examiners further find: (1) the request for a rate change was reasonable; (2) there was no duplication of services or testimony by any party; (3) the work performed by all parties was relevant and reasonably necessary to the proceeding; and (4) the complexity and expense of the work by all parties 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.

In sum, the ALJ and Examiners recommend that the Commission approve the actual incurred and reasonably estimated rate case expenses contained in the *Unanimous Settlement Agreement* with the adjustments described below. CenterPoint Texas will reimburse GCCC and TCUC the amount of rate case expenses set forth below within 30 days of the issuance of an order authorizing recovery of those expenses. The ALJ and Examiners further recommend that in regard to the parties' reasonably estimated rate case expenses, that CenterPoint Texas, GCCC, and TCUC each file with the Commission Gas Services Division their actual incurred rate case expenses through completion of the case within 30 days of the issuance of the Final Order so as to not over-recover rate case expenses.

D. Recommended Rate Case Expense Adjustments

Table 7.5 below reflects the adjusted rate case expenses after a downward adjustment of \$486.68 related to hotel expenses of CenterPoint Texas discussed above in this Proposal for Decision Section 7.A.:

Table 7.5
Adjusted Rate Case Expense Request

	ADJUSTED ACTUAL FEES AND EXPENSES	INVOICES DUE AND ESTIMATED TO COMPLETION	ADJUSTED TOTAL
CenterPoint Texas	\$459,400.89	\$160,000.00	\$619,400.89
GCCC	\$81,458.94	\$5,000.00	\$86,458.94
TCUC	\$71,290.29	\$4,550.00	\$75,840.29
Total	\$612,150.12	\$169,550.00	\$781,700.12

E. Rate Case Expense Surcharge

(1) Recommendation of ALJ and Examiners

All parties to the *Unanimous Settlement Agreement* agree that the recovery period for the applicable surcharge for rate case expenses shall be approximately thirty-six (36) months.⁷⁴ All parties further agree that, to recover the rate case expenses in this proceeding, a monthly \$0.08 per bill surcharge shall be allocated uniformly to all Residential, General Service Small Volume, and General Service Large Volume customers in the Texas Coast Division impacted by this proceeding.⁷⁵

As presented, the *Unanimous Settlement Agreement* contemplates that the surcharge be uniformly allocated to all customers rather than the application of an allocation methodology for the recovery of rate case expenses as the Commission adopted in GUD No. 10051. While settlements often vary and not all factors taken into account by individual parties are known, it is likely that settlement agreements may have been adopted by the Commission in the past partly to avoid additional rate case expenses. Paragraph 15 of the *Settlement Agreement* contains a provision that states the terms are interdependent and indivisible. If the Commission enters an order that is inconsistent with the 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. Since the rate case expense recovery mechanism is an integral part of the settlement, the ALJ and Examiners find that it is reasonable to approve the surcharge as proposed by the parties in these consolidated dockets.

⁷⁴ *Unanimous Settlement Agreement*, ¶ 7.

⁷⁵ *Unanimous Settlement Agreement*, Ex. A, Rate Case Expense Recovery Rate Schedule No. RCE-9.1 (Final Order Exhibit No. 1).

Thus, after review of the evidence admitted in these consolidated dockets and the agreement of the parties, the ALJ and Examiners recommend the following: First, consistent with the agreement of CenterPoint Texas, GCCC, TCUC, and Commission Staff in Paragraph 7 of the *Unanimous Settlement Agreement*, recovery of the rate-case expenses shall be over an approximate thirty-six month period. Second, the surcharge shall be separately stated on the bill. Third, the recommended recovery rate shall be \$0.08 per bill for Residential, General Service Small, and General Service Large Volume customers in the Texas Coast Division. Fourth, CenterPoint Texas will reimburse the Commission approved amount of rate case expenses within 30 days of the issuance of an order authorizing recovery of those expenses to GCCC and TCUC. Finally, the rate case expense recovery must be properly reconciled annually with the Commission's Oversight & Safety Director to ensure that no under-recovery or over-recovery occurs to customers or the company.

(2) Alternative Recommendation to Allocate Rate Case Expenses

In the alternative, if the Commission determines that the allocation of rate case expenses is just and reasonable in this proceeding based upon the facts established and issues presented and/or Commission precedent,⁷⁶ then the following Table 7.6, Alternative Recommendation for the Allocation of Rate Case Expenses, is provided. The ALJ and Examiners note that Rate Case Expenses Commission Rule §7.5530 amendments⁷⁷ were adopted in December 2014, with an effective date of September 2015, relating to the allocation of rate case expenses. The current docket GUD No. 10432, however, was filed and is scheduled to be decided prior to the effective date of the amendments. Thus, the amendments to §7.5530 with respect to rate case expense allocation are not yet effective.

If the Commission adopts the alternative for the allocation of rate case expenses, consistent with GUD No. 10051, rate case expenses would be allocated on a cost causation basis. The Commissioners have found this to be a just and reasonable choice, since cities that did not participate in the litigation would not have to pay for the cost of litigation under this alternative allocation method. In this docket, there are four groups of cities: Group A includes TCUC, GCCC, Environs and Ceded Cities; Group B cities denied the rate increase and the denial was appealed to the Commission, yet neither city, Beach City or La Porte, joined a coalition group; Group C includes cities that took no action and cities that settled; Group D includes the Houston Division Inc.'s 3,372 customers in the Texas Coast Division.⁷⁸

⁷⁶ Tex. R.R. Comm'n, *Statement of Intent of West Texas Gas, Inc. to Increase Gas Distribution Rates in the Unincorporated Areas of Texas*, GUD No. 10235 and Consolidated Dockets, (Final Order June 13, 2013); Tex. R.R. Comm'n, *Statement of Rate Case Expense Issues Severed From GUD NOS. 10038, 10047, 10052, 10058, 10070 and 10071*, GUD No. 10051, (Final Order August 21, 2012 and Order Nunc Pro Tunc October 2, 2012).

⁷⁷ The adopted changes to §7.5530 will become effective September 1, 2015. The newly-added subsections (c)-(e) of §7.5530 speak to rate case expense allocation. Subsection (e), after September 1, 2015, will require that a utility's regulatory expenses "shall be allocated uniformly to all customers affected by the proposed rate change. The utility's litigation expenses and estimated expenses, to the extent there are any, shall be allocated to affected customers in the municipalities or coalitions of municipalities participating in the proceeding and affected customers subject to the original jurisdiction of the Commission."

⁷⁸ CPT is not requesting a rate change for these customers in this docket as they are served under the Houston Division tariff.

The alternative recommendation for allocation is made up of the following three categories of expenses: Required Regulatory, Litigation, and Estimated. The required regulatory expenses of \$259,175.11 are allocated to Groups A, B, and C. The required regulatory expenses are comprised of the utility's costs to prepare and file the *Statement of Intent* and publish notice. These expenses are allocated in this manner because they are necessary for the utility's filing and are incurred regardless of whether a city participates in the rate case proceeding. Group C is only allocated these required regulatory expenses.

As for the company's litigation expenses of \$340,225.78 and estimated expenses of \$20,000, they are allocated to Groups A and B, consistent with GUD No. 10051. The areas and cities in these groups participate in rate setting and are before the Commission in either its original or appellate jurisdiction.

Whereas, the entirety of the litigation expenses for GCCC and TCUC, in the amount of \$152,749.23 and estimated expenses of \$9,550.00, are allocated only to Group A. As was done in GUD No. 10051, the Environs and Ceded Cities share with GCCC and TCUC the coalitions' combined litigation expenses. Group B does not share in these expenses, because they did not join either coalition or retain counsel.

Two changes result by applying the allocation of expenses based on the methodology utilized in GUD No. 10051 from the uniform allocation methodology proposed in the settlement agreement. The uniform allocation surcharge in the settlement agreement is \$0.08 per month per customer for approximately 36 months. The alternative allocation methodology based on GUD No. 10051 would only change the surcharge for Group B (8,333 customers) and C cities (8,833 customers) from \$0.08 per month to \$0.06 and \$0.03 respectively. Customers in Group A cities (262,658 customers) would still pay \$0.08 per month under this alternative allocation. Staying consistent with GUD No. 10051, the Commission would lack jurisdiction over Group C customers requiring CenterPoint Texas to pursue the recovery of the \$8,181.19 from those cities. Thus, under the alternative allocation method, the Commission would authorize CPT to recover \$773,518.93. The ALJ and Examiners have attached an alternative RCE rider if this allocation is adopted by the Commission.

Table 7.6 – Alternative Recommendation for the Allocation of Rate Case Expenses

			GROUP A			GROUP B	GROUP C	GROUP D
			Full Cost Allocation			Publication and Filing Costs Plus CPT SOI	Required Regulatory Expenses Only	No Cost
			TCUC	GCCC	Environs and Ceded	Cities Denied - No Coalition Group (Beach City and La Porte)	Cities that Took No Action and Cities that Settled	Houston TCD Division Inc. Customers (3,372 Customers)
Note			(1)	(2a) (2b)	(3)	(4)	(5)	(6)
Customer Count			279,824	80,395	81,819	100,444	8,333	8,833
Required Regulatory Expenses	CenterPoint Filing Expenses	\$158,697.10	\$158,697.10	\$158,697.10	\$158,697.10	\$158,697.10	\$158,697.10	
	CenterPoint Notice	\$100,478.01	\$100,478.01	\$100,478.01	\$100,478.01	\$100,478.01	\$100,478.01	
	Total Reg Expense	\$259,175.11	\$259,175.11	\$259,175.11	\$259,175.11	\$259,175.11	\$259,175.11	
	Group Percentage of Total Cust		28.73%	29.24%	35.90%	2.98%	3.16%	
	Group Cost Allocation		\$74,462.46	\$75,781.38	\$93,031.99	\$7,718.09	\$8,181.19	
Litigation Expenses	CenterPoint Litigation Expenses	\$340,225.78	\$340,225.78	\$340,225.78	\$340,225.78	\$340,225.78		
	Group Percentage of Total Cust		29.67%	30.19%	37.07%	3.08%		
	Group Cost Allocation		\$100,934.908	\$102,722.72	\$126,106.17	\$10,461.98		
	GCCC Rate Case Expenses	\$81,458.94	\$81,458.94	\$81,458.94	\$81,458.94			
	TCUC Rate Case Expenses	\$71,290.29	\$71,290.29	\$71,290.29	\$71,290.29			
	Total Expenses	\$152,749.23	\$152,749.23	\$152,749.23	\$152,749.23			
	Group Percentage of Total Cust		30.61%	31.15%	38.24%			
Estimated Expenses	Group Cost Allocation		\$46,753.86	\$47,581.99	\$58,413.39			
	Center Point Estimated Expenses	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00		
	Group Percentage of Total Cust		29.67%	30.19%	37.07%	3.08%		
	Group Cost Allocation		\$5,933.41	\$6,038.50	\$7,413.09	\$615.00		
	GCCC Estimated Expenses	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00			
	TCUC Estimated Expenses	\$4,550.00	\$4,550.00	\$4,550.00	\$4,550.00			
	Total Estimated Expenses	\$9,550.00	\$9,550.00	\$9,550.00	\$9,550.00			
Surcharge	Group Percentage of Total Cust		30.61%	31.15%	38.24%			
	Group Cost Allocation		\$2,923.09	\$2,974.86	\$3,652.05			
Surcharge	Total Expenses Allocated to Each Group	\$781,700.12	\$231,007.72	\$235,099.45	\$288,616.69	\$18,795.07	\$8,181.19	
	Customer Count x 36		2,894,220	2,945,484	3,615,984	299,988	317,988	
	36 month surcharge		\$0.0798	\$0.0798	\$0.0798	\$0.0627	\$0.0257	
	Uniform Surcharge (No Allocation)	\$0.0776						

- Notes1 None of the TCUC Cities are included in an appeal to the Commission; these cities approved the settlement rate while exercising their municipal jurisdiction.
- 2 (a) There are two cities that ceded jurisdiction, Clear Lake Shores and Weston Lakes, that joined GCCC. Those customer totals are included in GCCC's customer count above.
- (b) Taylor Lake Village Inc. took no action so the SOI rate is in effect. They subsequently joined GCCC. Those customer totals are included in GCCC's customer count above.
- 3 The following other seven cities surrendered jurisdiction: Danbury; El Lago; Hitchcock; Jones Creek; Liverpool; Pleak; and Richwood.
- 4 The following two cities denied the rate increase but did not join a coalition group: Beach City and La Porte. The denial was subsequently appealed by CPT.
- 5 The following 11 cities took no action or settled: Beasley; Brookside Village; East Bernard; Hillcrest Village; Katy; Kendleton; Needville; Orchard; Oyster Creek; Richmond; and Wallis.
- 6 The cities of Houston, Deer Park, Missouri City, and Pasadena are part of the company's Houston Division; however, the corporate limits of those cities extend into the TCD. The company is not requesting a rate change for these cities but have included the minimal revenues and expenses in the revenue requirement.

8. Tariffs

A. Introduction

The *Unanimous Settlement Agreement* contemplates a division-wide rate increase for the following classes of customer in the Texas Coast Division currently served under the COSA-2 and COSA-3 tariffs: Residential (RS), General Service – Small (GSS), and General Service – Large Volume (GSLV). The *Unanimous Settlement Agreement* proposes the following tariffs and riders for the Texas Coast Division:

- Rate Schedule No. R-2093 – Residential Service
- Rate Schedule No. GSS-2093 – General Service –Small
- Rate Schedule No. GSLV-624 – General Service-Large Volume
- Rate Schedule No. PGA-13 – Purchased Gas Adjustment
- Rate Schedule No. MISC-14 – Miscellaneous Service Charges
- Rate Schedule TA-11 – Tax Adjustment
- Rate Schedule No. FFA-6 – Franchise Fee Adjustment
- Rate Schedule No. RCE-9.1 – Rate Case Expense Recovery.

The ALJ and Examiners recommend that the applicability of the proposed division-wide tariffs approved by the Commission be limited to those areas and entities within the Commission's exclusive original jurisdiction and its exclusive appellate jurisdiction. If approved, the proposed Final Order states that rates will go into effect on the day after issuance of the Final Order in this case.

B. Proposed Rates for Standard Rate Classes

CenterPoint Texas proposes to change the rates of the standard rate classes of RS, GSS, and GSLV to reflect the increase in revenue requirement as agreed in the "black-box" settlement. The change results in an increase to the customer charge and volumetric rates for these standard classes and also eliminates a tier structure design. CenterPoint Texas proposes to eliminate the COSA-2 and COSA-3 tariffs and apply a single RS, GSS and GSLV rate schedules to all general sales customers in the Texas Coast Division. The proposed tariffs have been updated to include language relating to rate case expense recovery, as well as, in Rate Schedules R-2093 and GSS-2093 language concerning bill payment, consistent with schedules previously approved for the company's other divisions.

C. Purchased Gas Adjustment Rate Schedule (Rate Schedule PGA-13)

CenterPoint Texas also proposes to consolidate its cost of service adjustment COSA-2 and COSA-3 purchased gas adjustment rate schedules into a single Rate Schedule, PGA-13, which will apply to all general sales customers within the company's Texas Coast Division.

The *Unanimous Settlement Agreement* PGA tariff is a new format containing detailed definitions of elements used in the calculation of the PGA. The reconciliation component applicability period is nine months with a change to the interest rate applied to the under/over balance of gas costs. The current PGA utilizes the customer deposit interest rate of 0.07% to determine the carrying charge of the under/over balance of gas costs.⁷⁹ The *Unanimous Settlement Agreement* revises the carrying costs on the over/under-recovery balance of gas costs expense to 6.0%, consistent with schedules previously approved for the company's other divisions.⁸⁰

The PGA contained in the *Unanimous Settlement Agreement* also proposes to revise the carrying costs associated with its investment in storage gas to equal the pre-tax rate of return established as a result of this proceeding, consistent with schedules previously approved for the company's other divisions.⁸¹ The tariff contains provisions for a surcharge or refund and requirements for a monthly Cost of Gas Statement to be filed with each regulatory authority. Required filings include a monthly Cost of Gas Statement along with an Annual Reconciliation Report. The Annual Reconciliation Report must be filed with each regulatory authority each August and the format of this annual report, which was requested by Railroad Commission of Texas Staff, is contained in the tariff.

D. Miscellaneous Service Charge Rate Schedule (Rate Schedule MISC-14)

Another proposed request is to make non-revenue related updates in the schedule of miscellaneous service charges (rate schedule MISC-13) related to meter testing disconnections and collection calls consistent with those currently implemented in the company's Houston, South Texas and Beaumont/East Texas Divisions.⁸²

Moreover, clarifying language has been added to specify that the same customer at the same location is allowed one free meter test every four years. The *Unanimous Settlement Agreement* also defines the "Disconnection Service at Main" charge to include disconnection charges arising out of a city ordinance, regulation, or governing work in city streets. The proposed tariff also clarifies the applicability of the other following charges: collection call, trip charge, after-hours service calls, and meter change. The proposed changes to the PGA tariff are consistent with the Commission's Quality of Service Rule 16 TEX. ADMIN. CODE §7.45 (2015).

E. Tax Adjustment (Rate Schedule TA-11)

CenterPoint Texas proposes to consolidate its COSA-2 and COSA-3 tax adjustment rate schedules into a single Rate Schedule TA-11, which applies to all general sales customers within

⁷⁹ CPT Ex. No. 10, Prefiled Testimony of Burl M. Drews, p. 33, Ins. 7-11.

⁸⁰ Tex. R.R. Comm'n, *Statement of Intent of CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas to Increase Rates on a Division-Wide Basis in the Houston Division*, GUD No. 9902, (Final Order February 23, 2010, p. 95.

⁸¹ CPT Ex. No. 10, Prefiled Testimony of Burl M. Drews, p. 33, Ins. 15-23 and p. 34, Ins. 1-2.

⁸² CPT Ex. No. 10, Prefiled Testimony of Burl M. Drews, p. 34, Ins 14-20.

the company's Texas Coast Division. This includes revenue neutral changes that allow collections from customers of the actual tax expense levied in each jurisdiction on the company by that jurisdiction. The proposed tariff language is consistent with those previously approved for the company's Houston and South Texas Divisions.⁸³

F. Franchise Fee Adjustment (Rate Schedule FFA-6)

The *Unanimous Settlement Agreement* proposes adoption of a revenue neutral change to its Franchise Fee Adjustment rate schedule that will require the company to maintain on file with the Commission a current listing of cities within the Texas Coast Division and their applicable franchise fees. This change is consistent with schedules previously approved for the company's Houston and South Texas Divisions.⁸⁴

G. Rate Case Expense Recovery Rate Schedule (Rate Schedule RCE-9.1)

The *Unanimous Settlement Agreement* contemplates that the recovery of the rate case expenses shall be a surcharge of \$0.08 per monthly bill uniformly allocated division-wide to all Residential, General Service-Small, and General Service-Large customers in the Texas Coast Division over an approximate thirty-six (36) month period. The surcharge is required to be separately stated on the customer's bill. The rate case expense recovery must be properly reconciled to ensure that no under-recovery or over-recovery occurs to customers or the company. Annual reporting is required by the company to the Division Director of the Oversight & Safety Section of the Railroad Commission of Texas.

In conclusion, the ALJ and Examiners find that the proposed tariffs in the *Unanimous Settlement Agreement* are reasonable and consistent with the Filings of Tariffs Rule, 16 TEX. ADMIN. CODE §7.315 (2015), with the caveat that the applicability of the proposed division-wide tariffs approved by the Commission be limited to those areas and entities within the Commission's exclusive original jurisdiction and its exclusive appellate jurisdiction. Therefore, the ALJ and Examiners recommend approval of the tariffs as proposed in the *Unanimous Settlement Agreement*.

Table 9.1 below compares the changes from the existing COSA-2 and COSA-3 tariffs to division-wide proposed tariffs in the *Unanimous Settlement Agreement*:

⁸³ CPT Ex. No. 10, Prefiled Testimony of Burl M. Drews, p. 34, Ins. 21-23 and p. 35, Ins. 1-3.

⁸⁴ CPT Ex. No. 10, Prefiled Testimony of Burl M. Drews, p. 35, Ins. 4-8.

Table 9.1 - Summary of Revisions to Rate Schedules

RATE SCHEDULE	SECTION	CURRENT COSA-2 Residential Service Schedule No. R-2086	CURRENT COSA-3 Residential Service Schedule No. R-2087	ALJ/EXAMINERS' RECOMMENDED and PROPOSED IN SETTLEMENT
1. Residential (R)	Title	Rate	Rate	Change Rate Schedule No. from 2086 / 2087 to 2093
	Application of Schedule			Add language to specify Texas Coast Division service area
	Monthly Rate	(1) Customer Charge \$14.69 (2) Commodity Charge - All Ccf \$0.0724 per Ccf	(1) Customer Charge \$14.77 (2) Commodity Charge - All Ccf \$0.03055 per Ccf	(1) Customer Charge - \$15.00 (2) Commodity Charge: All Ccf \$0.0746 Add new section (d): Rate Case Expense Recovery - Rate and Expense Recovery (RCE) Rider
	Payment			Add new Payment section: Bill due not less than 15 days
2. General Service-Small (GSS)	Title	Rate	Rate	Change Rate Schedule No. from 2086/2087 to 2093
	Application of Schedule			Add language to specify Texas Coast Division service area
	Monthly Rate	(1) Customer Charge \$14.90 (2) Commodity Charge First 150 Ccf \$0.0850 Over 150 Ccf \$0.0623	(1) Customer Charge \$13.84 (2) Commodity Charge First 150 Ccf \$0.06655 Over 150 Ccf \$0.03258	(1) Customer Charge \$15.50 (2) Commodity Charge: All Ccf \$0.0671 Add new section (d): Rate Case Expense Recovery - Rate and Expense Recovery (RCE) Rider
	Payment			Add new Payment section: Bill due not less than 15 days

RATE SCHEDULE	SECTION	CURRENT COSA-2	CURRENT COSA-3	ALJ/EXAMINERS' RECOMMENDED and PROPOSED IN SETTLEMENT
3. General Service-Large Volume (GSLV)	Title	General Service-Large Volume Rate Schedule No. GSLV-617	General Service-Large Volume Rate Schedule No. GSLV-618	Change Rate Schedule No. from 617 / 618 to 624
	Application of Schedule			Add new language to specify Texas Coast Division service area
	Monthly Rate	(1) Customer Charge \$16.96 (2) Commodity Charge First 1,500 Ccf - \$0.0844 1,500 to 10,000 Ccf - \$0.0588 Over 10,000 Ccf - \$0.0498	(1) Customer Charge \$14.40 (2) Commodity Charge First 1,500 Ccf - \$0.09036 1,500 to 10,000 Ccf \$0.0588 Over 10,000 Ccf \$0.0498	(1) Customer Charge \$45.00 (2) Commodity Charge All Ccf \$0.0440 Add new section (d): Rate Case Expense Recovery - Rate and Expense Recovery (RCE) Rider
4. Purchase Gas Adjustment (PGA)	Title	Purchased Gas Adjustment Rate Schedule No. PGA-6	Purchased Gas Adjustment Rate Schedule No. PGA-7	Change Rate Schedule No. from 6 / 7 to 13
	(1) Purchased Gas Adjustment Applicability	Applies to residential and general service customers	Applies to residential and general service customers	Applicability to TCD incorporated and environs customers
	(2) Rate Calculation	Formula and definitions to calculate monthly rate	Formula and definitions to calculate monthly rate	<u>New Format</u> <u>all sections replaced as detailed below:</u> A. Definitions of schedule terms; B. PGA Applicability; C. Determination and application of the reconciliation component. D. Debit/Credit the under/over PGA reconciliation account average annual balance multiplied by 6% E. Carrying Cost for Gas in Storage equals GUD 10432 pre-tax rate of return of 11.17%; F. Surcharge or Refund Procedures; G. Requirements for monthly Cost of Gas Statement; H. Annual Reconciliation Report, with annual report example attached.
	(3) PGA Filings (4) Deferred Purchased Gas Cost Accounts	Railroad Commission requirements Over/under accounting procedures and interest rate equal to the customer deposit interest rate (2015 = 0.07%).	Railroad Commission requirements Over/under accounting procedures and interest rate equal to the customer deposit interest rate. (2015 = 0.07%).	

RATE SCHEDULE	SECTION	CURRENT COSA-2	CURRENT COSA-3	ALJ/EXAMINERS' RECOMMENDED and PROPOSED IN SETTLEMENT
5. Miscellaneous Service Charge	Title	Schedule of Miscellaneous Service Charges Rate Schedule No. MISC-8	Schedule of Miscellaneous Service Charges Rate Schedule No. MISC-8	Change Rate Schedule No. from 8 to 14
	Gas Service	(1),(2),(3) After hours surcharge (4) Special meter test at customer's request - \$15.00 (5) Change customer meter (8) Installation of remote read device \$180.00 (9) Disconnect service at main \$300.00	(1),(2),(3) After hours surcharge (4) Special meter test at customer's request - \$15.00 (5) Change customer meter (8) Installation of remote read device \$180.00 (9) Disconnect service at main \$300.00	Note to (1),(2),(3) Company's normal business hours 8am - 5pm Monday-Friday. (4) add new language to specify customer can request one free meter test every 4 years Note to (5): Charge does not pertain to meter failure or incorrect measurement. Item (8) deleted.
	Other Charges	(12) Collection call trip charge - \$20.00	(12) Collection call trip charge - \$20.00	(12) Specifies collection call trip charge pertains to fees not collected under miscellaneous service item 3.
	Title	Tax Adjustment Rate Schedule No. TA-6	Tax Adjustment Rate Schedule No. TA-7	Change Rate Schedule No. from 6 / 7 to 11
6. Tax Adjustment Rate				Add new language to clarify rate as jurisdiction specific pass through tax
	Title	Franchise Fee Adjustment Rate Schedule No. FFA-1	Franchise Fee Adjustment Rate Schedule No. FFA-1	Change Rate Schedule No. from 1 to 6.
7. Franchise Fee Adjustment Rate				Add new section: Railroad Commission Reporting - requiring the utility to maintain a current listing of each city and applicable franchise fee
				New Rate Case Expense tariff to be in effect for approximately 36-months. Monthly Surcharge rate of \$0.08 per Ccf.
8. Rate Case Expense Recovery Rate				

9. Withdrawal of Pending Appeal of GUD No. 9791

The ALJ and Examiners note that the *Unanimous Settlement Agreement* contains an agreement of the parties for TCUC to withdraw its pending appeal of the Remand of GUD No. 9791 and its appeals of GUD Nos. 9910, 10007 and 10097, which are currently pending in Travis County District Courts (docketed as D-1-GN-10-001189, D-1-GN-11-001472, D-1-GN-12-000930, D-1-GN-12-000931, and D-1-GN-12-000932).⁸⁵

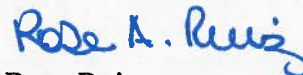
10. Conclusion

The ALJ and Examiners find that the rate elements agreed to by the parties in the *Unanimous Settlement Agreement* are just and reasonable and recommend approval of the rates. The ALJ and Examiners recommend approval of a Final Order consistent with the terms of the *Unanimous Settlement Agreement* and that the proposed division-wide tariffs approved by the Commission be limited to those areas and entities within the Commission's exclusive original jurisdiction and its exclusive appellate jurisdiction.

Respectfully submitted,



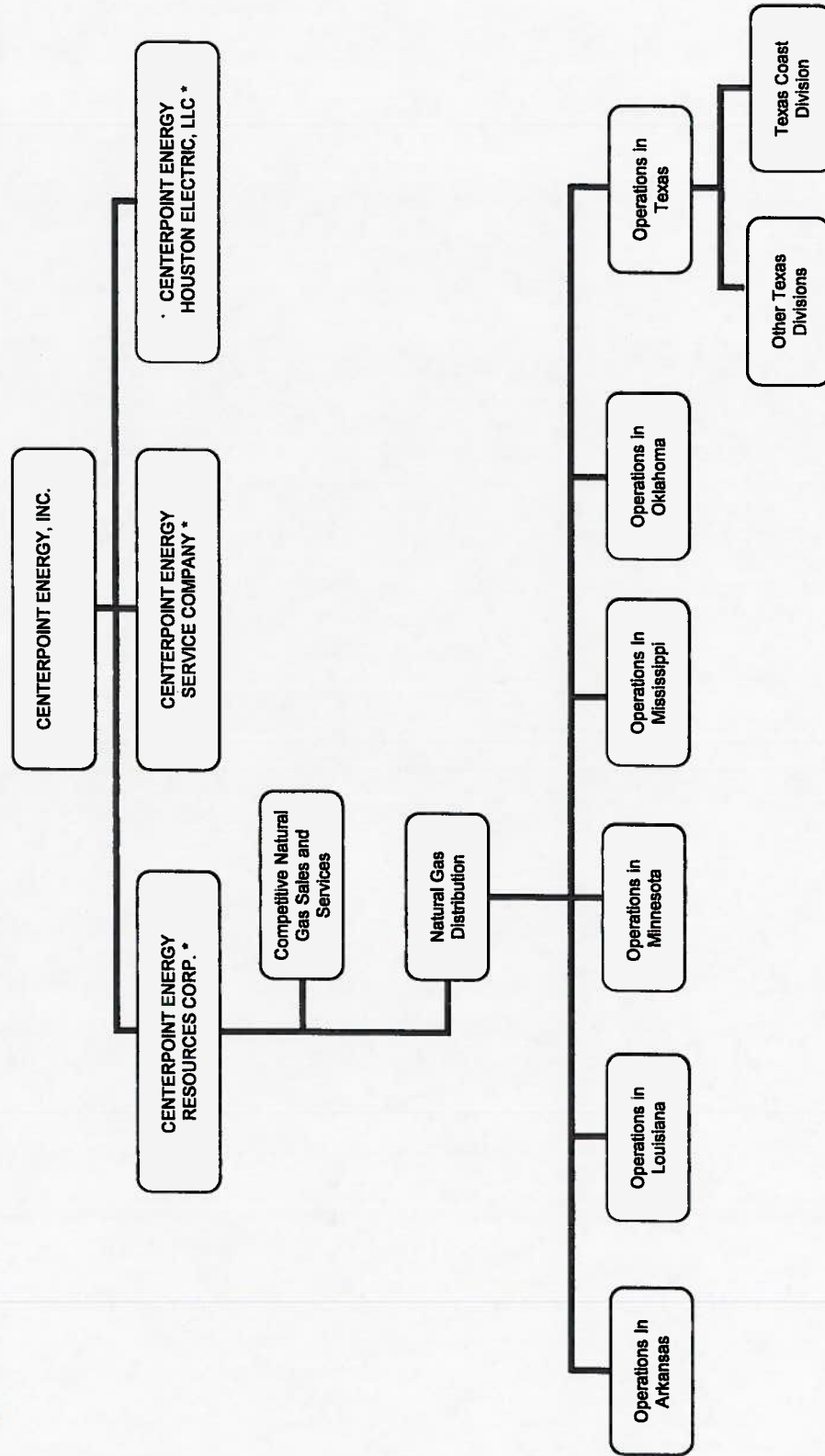
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Administrative Law Judge
Hearings Division



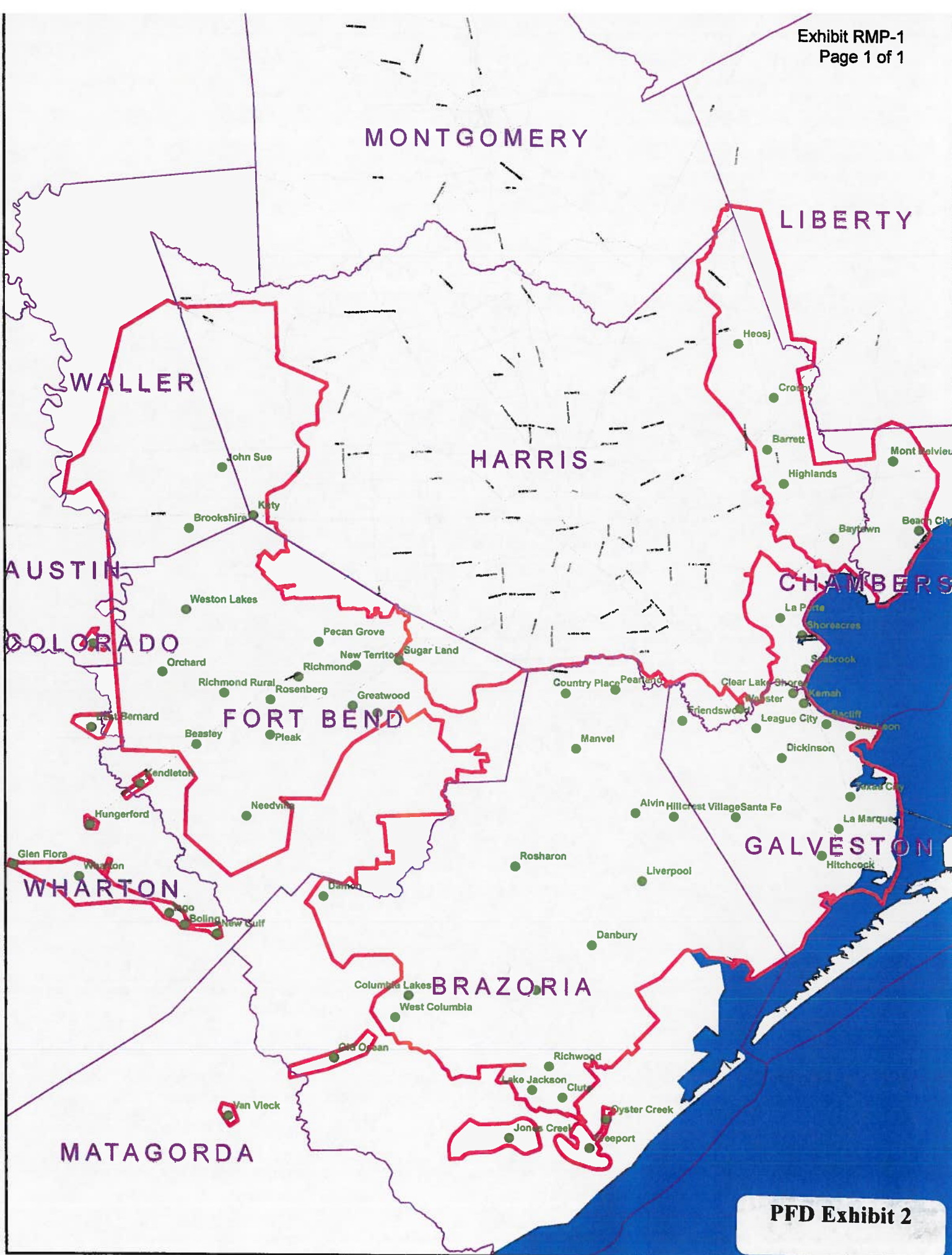
Rose Ruiz
Technical Examiner
Hearings Division

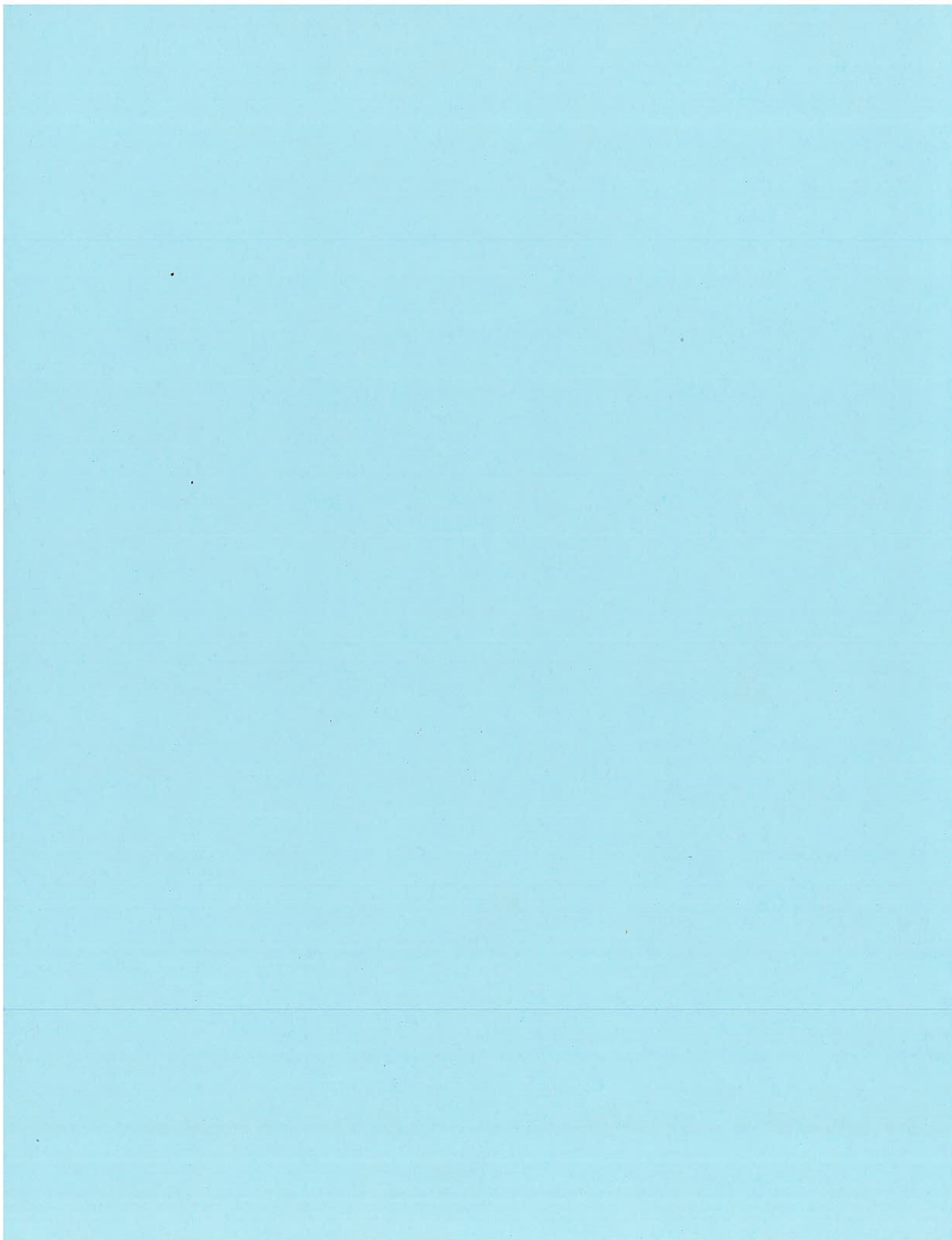
⁸⁵ *Unanimous Settlement Agreement*, Settlement Terms, Paragraph Eight, p. 4.

CenterPoint Energy, Inc. Affiliate and Division Relationships



* Legal Entities and Affiliates of CenterPoint Energy, Inc.





**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

STATEMENT OF INTENT OF	§	
CENTERPOINT ENERGY RESOURCES	§	
CORP., D/B/A CENTERPOINT ENERGY	§	GAS UTILITIES DOCKET NO. 10432
ENTEX AND CENTERPOINT ENERGY	§	AND CONSOLIDATED DOCKETS
TEXAS GAS TO INCREASE RATES ON A	§	
DIVISION-WIDE BASIS IN THE TEXAS	§	
COAST DIVISION	§	

PROPOSED 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. 2015). 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 Texas, CPT, or company) 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 March 27, 2015, CPT filed a *Statement of Intent to Increase Rates on a Division-Wide Basis in the Texas Coast Division*. That filing was docketed as GUD No. 10432.
3. On April 28, 2015, the Commission suspended the implementation of CPT's proposed rates for up to 150 days.
4. By letter, on April 30, 2015, the company extended the statutory deadline to October 20, 2015.
5. For all customers located in unincorporated or environs areas, CPT published a Public Notice of its statement of intent to increase rates in its Texas Coast Division, once a week in six newspapers of general circulation for four or more consecutive weeks beginning on approximately April 10, 2015, in accordance with Gas Utility Regulatory Act (GURA) §104.103(a) and 16 TEX. ADMIN. CODE §§ 7.230 AND 7.235 (2015).
6. The publication of notice meets the statutory and rule requirements of notice and provides sufficient information to ratepayers about the proposed rate increase in the *Statement of Intent*, in accordance with GURA §104.103(a) and 16 TEX. ADMIN. CODE §§7.230 AND 7.235 (2015).

7. CPT proposes to implement the proposed rate on a division-wide basis and also filed a *Statement of Intent* to increase rates for the municipalities in the Texas Coast Division.
8. The following municipalities surrendered jurisdiction to the Commission: Clear Lake Shores Inc., Danbury Inc., El Lago Inc., Hitchcock Inc., Jones Creek Inc., Liverpool Inc., Pleak Inc., Richwood Inc., and Weston Lakes Inc. in accordance with TEX. UTIL. CODE ANN. §§ 102.001 (a)(1)(A) and (B), and 103.003 (Vernon 2007 and Supp. 2015).
9. Staff of the Railroad Commission (Staff) and Gulf Coast Coalition of Cities (GCCC) intervened in these consolidated proceedings on April 8, 2015.
10. The GCCC cities include the following: Alvin, Brookshire, Clear Lake Shores, Dickinson, Friendswood, Fulshear, Kemah, Lake Jackson, La Marque, Manvel, Mont Belvieu, Morgan's Point, Rosenberg, Santa Fe, Seabrook, Sugar Land, Taylor Lake Village, Texas City, Webster, and Weston Lakes.
11. Texas Coast Utilities Coalition (TCUC) intervened in these consolidated proceedings on April 28, 2015.
12. The TCUC cities include the following: Angleton, Baytown, Clute, Freeport, League City, Pearland, Shoreacres, West Columbia, and Wharton.
13. The following cities denied the *Statement of Intent* filed by CPT and the utility filed an appeal to the Commission: Alvin, Beach City, Dickinson, Friendswood, Fulshear, La Marque, La Porte, Lake Jackson, Manvel, Mont Belvieu, Morgan's Point, Rosenberg, Santa Fe, Seabrook, Sugar Land, Texas City, and Webster. The case was docketed as GUD No. 10440, and a motion to consolidate was granted on May 21, 2015.
14. The cities of Brookshire and Kemah denied the *Statement of Intent* filed by CPT and the utility filed an appeal to the Commission. The case was docketed as GUD No. 10444, and a motion to consolidate was granted on June 9, 2015.
15. The cities of Houston, Deer Park, Missouri City and Pasadena are part of the company's Houston Division, as their corporate limits extend into the Texas Coast Division but are served under tariffs approved for the Houston Division. The company is not requesting a rate change for these cities.
16. On May 29, 2015, the company made an Errata filing that included testimony, exhibits and schedules to correct an error related to its unrecovered postretirement expense balance and the flow-through effects.
17. The *Unanimous Settlement Agreement* resolved all issues and no issues were preserved for further litigation.

18. CPT established that the utility maintains its books and records in accordance with the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts (USOA) prescribed for Natural Gas Companies.
19. CPT established that the utility has fully complied with the books and records requirements of Commission Rule 7.310 and the amounts included therein are therefore subject to the presumption encapsulated in Commission Rule 7.503 that these amounts are reasonable and necessary.
20. The test year in this filing is based upon the financial data for the twelve month period ended September 30, 2014, adjusted for known and measurable changes.
21. The proposed rate increase is driven by several factors that includes, but is not limited to, increased infrastructure investment, rising operating costs, necessity to earn a reasonable rate of return, and that the Texas Coast Division rates have not changed since the current division-wide rates were adjusted under the COSA mechanism in 2011.
22. The COSA-2 tariff was approved by several municipalities in 2008.
23. The Texas Coast Division COSA-2 Tariff includes the following cities and surrounding areas: Alvin, Beasley, Beach City, Brookshire, Brookside Village, Clear Lake Shores, Danbury, Dickinson, East Bernard, El Lago, Friendswood, Fulshear, Hillcrest Village, Hitchcock, Jones Creek, Katy, Kemah, Kendleton, Lake Jackson, La Marque, La Porte, Liverpool, Manvel, Mont Belvieu, Morgan's Point, Needville, Orchard, Oyster Creek, Pleak, Richwood, Richmond, Rosenberg, Santa Fe, Seabrook, Sugar Land, Taylor Lake Village, Texas City, Wallis, and Webster.
24. The COSA-3 tariff was approved by the Commission in the Final Order in GUD No. 9791 and established a procedure whereby CenterPoint Texas annually made adjustment to its Texas Coast Division customer charges for natural gas distribution service.
25. Those adjustments accounted for changes in the cost of service of CenterPoint Texas as calculated according to a formula in the tariff without the necessity of an additional full rate case.
26. The Texas Coast Division COSA-3 Tariff includes the following cities and surrounding areas: Angleton, Bacliff, Barretts Settlement, Baytown, Boling, Chanel Area, Clute, Columbia Lakes, Crosby, Damon, Freeport, Glen Flora, Highlands, Hungerford, Iago, Iowa Colony, League City, New Gulf, Old Ocean, Pearland, Pecan Grove, Rosharon, San Leon, Shoreacres, Sienna Plantation, Teal Run, Van Vleck, West Columbia, Weston Lakes, and Wharton.
27. The *Unanimous Settlement Agreement* contemplates that the approximate \$4,900,000 revenue increase is a "black box" amount meaning that it is not tied to any specific expense in the company's underlying cost of service.

28. CPT initially requested in the Errata filing a division-wide revenue requirement increase of approximately \$7,184,103.
29. The *Unanimous Settlement Agreement* requests a system-wide revenue requirement annual increase of \$4,900,000.
30. This represents a decrease from the Errata filing of \$2,284,103, which is a decrease of nearly 32% compared to the Errata filing.
31. The parties have established that the proposed revenue increase of \$4,900,000 is just and reasonable.
32. The proposed division-wide rates will affect the following classes of customer in the Texas Coast Division: Residential (RS), General Service – Small (GSS), and General Service – Large Volume (GSLV).
33. The rates reflected in the attached *Unanimous Settlement Agreement*, and the customer charges set forth therein, are just and reasonable.

	Customer Charge	Single Block Volumetric
Residential	\$15.00	\$0.07460 per Ccf
General Service – Small	\$15.50	\$0.06710 per Ccf
General Service – Large	\$45.00	\$0.04400 per Ccf

34. The following capital structure; cost of debt; cost of equity; weighted cost of capital; overall rate of return; and pre-tax return included in the *Unanimous Settlement Agreement* are just and reasonable.

	Capital Structure	Debt/Equity Cost	Weighted Cost of Capital	Pre-tax Return
Long-Term Debt	45.5%	6.1141%	2.78%	2.78%
Common Equity	54.5%	10.0000%	5.45%	8.38%
Rate of Return	100.0%		8.23%	11.17%

35. The *Unanimous Settlement Agreement* is just and reasonable to require that any future Interim Rate Adjustment (IRA) filing in the Texas Coast Division pursuant to TEX. UTIL. CODE ANN. § 104.301 shall use the following factors until changed by a subsequent rate proceeding:
 - a. The capital structure and related components as shown in Finding of Fact No. 34 above.
 - b. For any initial IRA filing, the Net Investment, which includes detail of Plant in Service amounts by Fixed Capital Account (FCA) along with the associated

depreciation rate for each account as shown on Exhibit C of the *Unanimous Settlement Agreement*.

- c. For any initial IRA filing, the beginning amount of ad valorem taxes at the Texas Coast Division level is \$2,238,994 and the standard sales service amount is \$2,179,217. Margin tax will be calculated using a .75% factor until or unless changed by statute.
- d. For any initial IRA filing, the rate base amount for standard sales service is \$132,920,321 for purposes of calculating the federal income tax on related schedules in the IRA filing. This amount is derived based on settlement and should not be considered precedential for purposes of regulatory assets or liabilities associated with pensions, retirement plans, and deferred benefits requested in this case.
- e. For any initial IRA filing, the customer charges as noted in Finding of Fact No. 33 above will be the starting rates to apply to any IRA adjustment.
- f. The base rate revenue allocation factors to spread any change in IRA increase/decrease to the appropriate customer classes are, as follows:

Residential	General Service – Small	General Service - Large
92.5131%	6.3790%	1.1079%

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

Description	Total
Pension	\$1,666,822
Benefit Restoration Plan	\$ 290,207
Post-Employment	\$ 138,363
Post Retirement	\$ 469,733

37. During the test year, services were provided to the Texas Coast Division by certain affiliates: Service Company, CenterPoint Energy Houston Electric, LLC and other divisions of CenterPoint's Gas Operations.
38. The Service Company personnel carry out corporate oversight and managerial functions for CenterPoint Energy, Inc. (CNP) and its business units and are comprised of four main groups, which are shown below in Figure 6.1: Corporate Services, Information Technology, Business Support Services, and Regulated Operations Management.

39. CenterPoint Texas has established that the services provided by its affiliates on behalf of the Texas Coast Division are reasonable and necessary.
40. 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 Texas Coast Division are no higher than the prices charged by the supplying affiliate to other affiliates or divisions of CenterPoint Texas, or to a non-affiliated person for the same item or class of items.
41. On June 1, 2015, the rate case expenses from GUD No. 10432 and consolidated cases were severed into GUD No. 10441, styled as *Rate Case Expenses Severed from GUD No. 10432*. After receipt of the *Unanimous Settlement Agreement*, consistent with the agreement of the parties, GUD No. 10441 was incorporated back into GUD No. 10432.
42. CPT requested actual and estimated rate case expenses totaling \$619,887.57.
43. It is reasonable to adjust downward CPT's rate case expenses by \$486.68 due to two invoices with hotel expenses in excess of \$150.00 per night.
44. CPT has established that the adjusted actual and estimated rate case expenses totaling \$619,400.89 are just and reasonable.
45. GCCC has established that its actual and estimated rate case expenses totaling \$86,458.94 are just and reasonable.
46. TCUC established that its actual and estimated rate case expenses totaling \$75,840.29 are just and reasonable.
47. The hourly rates charged by attorneys and consultants were reasonable rates charged by firms in cases addressing utility rate matters.
48. The attorneys and consultants did not charge any expenses for luxury items and did not incur any airline, lodging, or meal expenses.
49. The amount of work done and the time and labor required to accomplish the work was reasonable given the nature of the issues addressed.
50. The complexity and expense of the work was relevant and reasonably necessary to the proceeding, and was commensurate with both the complexity of the issues and necessary to completing the matter before the Commission.
51. The total just and reasonable rate case expenses for CPT, GCCC and TCUC are \$781,700.12.

52. It is reasonable that the recovery of \$781,700.12 in total rate case expenses be over an approximate thirty-six month (36) period with the surcharge separately stated on each bill.
53. It is just and reasonable that the recommended recovery rate be \$0.08 per bill be uniformly allocated for Residential, General Service Small, and General Service Large Volume customers in the Texas Coast Division.
54. It is reasonable for CenterPoint Texas to reimburse the Commission approved amount of rate case expenses within 30 days of the issuance of an order authorizing recovery of those expenses to GCCC and TCUC.
55. It is reasonable for the rate case expense recovery to be properly reconciled annually with the Commission's Oversight & Safety Director to ensure that no under-recovery or over-recovery occurs to customers or the company.
56. 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 Texas, CPT, or company) is a Gas Utility as defined in TEX. UTIL. CODE ANN. §§ 101.003(7) and 121.001 (Vernon 2007 and Supp. 2015) and is therefore subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. The Commission has jurisdiction over CPT and CPT'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 and Supp. 2015).
3. Under TEX. UTIL. CODE ANN. §102.001 (Vernon 2007 and Supp. 2015), 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. Under TEX. UTIL. CODE ANN. §102.001 (Vernon 2007 and Supp. 2015), the Commission has exclusive original jurisdiction over the rates and services of a gas utility for the areas inside a municipality that surrenders (cedes) its jurisdiction to the Commission. The following cities surrendered their municipal original jurisdiction: Clear Lake Shores Inc., Danbury Inc., El Lago Inc., Hitchcock Inc., Jones Creek Inc., Liverpool Inc., Pleak Inc., Richwood Inc., and Weston Lakes Inc.
5. The Commission has exclusive appellate jurisdiction pursuant to UTIL. CODE ANN. §§102.001 (b) and 103.001, *et seq.* (Vernon 2007 and Supp. 2015) to review a decision

by a municipality that exercises its exclusive original jurisdiction, so long as, the decision is appealed in accordance with GURA §103.051, *et seq.*

6. The Commission has exclusive appellate jurisdiction over the following cities that denied the *Statement of Intent* filed by CenterPoint Texas and the company subsequently filed an appeal to the Commission: Alvin, Beach City, Dickinson, Friendswood, Fulshear, La Marque, La Porte, Lake Jackson, Manvel, Mont Belvieu, Morgan's Point, Rosenberg, Santa Fe, Seabrook, Sugar Land, Texas City, and Webster. On May 5, 2015, CenterPoint Texas filed the related *Petition for Review of Municipal Rate Decisions and Motion to Consolidate*, which was docketed as GUD No. 10440 and consolidated with GUD No. 10432.
7. The Commission has exclusive appellate jurisdiction over the cities of Brookshire and Kemah that denied the *Statement of Intent* filed by CenterPoint Texas and the company subsequently filed an appeal to the Commission. On June 4, 2015, CenterPoint Texas filed a *Petition for Review of Municipal Rate Decisions and Motion to Consolidate*, which was docketed as GUD No. 10444 and consolidated with GUD No. 10432.
8. The following cities retained their municipal exclusive original jurisdiction: Beasley, Brookside Village, Clute, East Bernard, Freeport, Hillcrest Village, Katy, Kendleton, Needville, Orchard, Oyster Creek, Richmond, Shoreacres, Taylor Lake Village and Wallis, because they took no action on the company's proposed rates and consequently the proposed rates took effect in those cities on May 23, 2015.
9. The following cities retained their municipal exclusive original jurisdiction: Angleton, Baytown, League City, Pearland, West Columbia, and Wharton, because they adopted the same division-wide tariffs proposed in the *Unanimous Settlement Agreement*.
10. This proceeding was conducted in accordance with the requirements of GURA §§101.001 *et seq.*, (Vernon 2007 and Supp. 2015) and the Administrative Procedure Act, TEX. GOV'T CODE ANN. §§ 2001.001 *et seq.*, (Vernon 2008 and Supp. 2015) (APA).
11. TEX. UTIL. CODE ANN. §104.107 (Vernon 2007 and Supp. 2015) 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.
12. The proposed rates constitute a major change as defined by TEX. UTIL. CODE ANN. §104.101 (Vernon 2007 and Supp. 2015).
13. In accordance with TEX. UTIL. CODE ANN. §104.103 (Vernon 2007 and Supp. 2015), 16 TEX. ADMIN. CODE ANN. §§ 7.230 and 7.235, adequate notice was properly provided.
14. In accordance with TEX. UTIL. CODE ANN. §104.102 (Vernon 2007 and Supp. 2015), 16 TEX. ADMIN. CODE ANN. §§ 7.205 and 7.210, CPT filed its *Statement of Intent to Increase Rates on a Division-Wide Basis in the Texas Coast Division*.

15. In this proceeding, CPT has the burden of proof under TEX. UTIL. CODE ANN. §104.008 (Vernon 2007 and Supp. 2015) to show that the proposed rate changes are just and reasonable.
16. CPT failed to meet its burden of proof in accordance with the provisions of TEX. UTIL. CODE ANN. §104.008 (Vernon 2007 and Supp. 2015) on the elements of its requested rate increase identified in this order.
17. The revenue, rates, rate design, and service charges proposed by CPT 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. 2015).
18. The revenue, rates, rate design, and service charges proposed by CPT, 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. 2015).
19. 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 and Supp. 2015).
20. The overall revenues as established by the findings of fact and attached schedules are reasonable; fix an overall level of revenues for CPT 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. 2015); and otherwise comply with Chapter 104 of the Texas Utilities Code Annotated.
21. The revenue, rates, rate design, and service charges proposed will not yield to CPT 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. 2015).
22. The rates established in this docket comport with the requirements of TEX. UTIL. CODE ANN. §104.053 (Vernon 2007 and Supp. 2015) 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.
23. 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. 2015). 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.
24. TEX. UTIL. CODE ANN. § 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."
 25. In any rate proceeding, any utility and/or municipality claiming reimbursement for its rate case expenses pursuant to TEX. UTIL. CODE ANN. §103.022(b), shall have the burden to prove the reasonableness of such rate case expenses by a preponderance of the evidence. Evidence must be provided related to, but not limited to, the amount of work done, the time and labor required to accomplish the work, the nature, extent, and difficulty of the work done, the originality of the work, the charges by others for work of the same or similar nature, and any other factor taken into account in setting the amount of the compensation. 16 TEX. ADMIN. CODE § 7.5530(a).
 26. In determining the reasonableness of the rate case expenses, the Commission shall consider all relevant factors including but not limited to those set out previously, and shall also consider whether the request for a rate change was warranted, whether there was duplication of services or testimony, whether the work was relevant and reasonably necessary to the proceeding, and whether the complexity and expense of the work was commensurate with both complexity of the issues in the proceeding and the amount of the increase sought as well as the amount of any increase granted. 16 TEX. ADMIN. CODE §7.5530(b).
 27. The jurisdiction of the Commission in these consolidated cases does not extend to municipalities that are not parties to this proceeding. TEX. UTIL. CODE ANN. §§ 102.001 and 103.055.
 28. It is reasonable for the Commission to allow CPT 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.
 29. CPT 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.
 30. CPT 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 CPT 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 CPT'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 CPT are **APPROVED**.

IT IS FURTHER ORDERED that the factors established for future interim rate adjustments in Findings of Fact No. 35 and included in Paragraph 4 of the *Unanimous Settlement Agreement* are **APPROVED**.

IT IS FURTHER ORDERED that CenterPoint Texas shall reimburse TCUC and GCCC their reasonable rate case expenses as set out above and that the attached tariffs are just and reasonable.

IT IS FURTHER ORDERED that final actually incurred rate case expenses be filed with the Commission through completion of the case within 30-days of issuance of the Final Order.

IT IS FURTHER ORDERED that an annual collections report for rate case expense recovery be filed with the Director of the Commission's Oversight & Safety Division, due on or before the 1st of each November, commencing in 2016, detailing the monthly collections for the rate case expense surcharge and showing the outstanding balance.

IT IS FURTHER ORDERED that the *Unanimous Settlement Agreement* attached to this Final Order, subject to the corrections related to the adjustment of rate case expenses, 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, CPT shall electronically file tariffs and rate schedules with the Director of the Commission's Oversight & Safety 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 August, 2015.

RAILROAD COMMISSION OF TEXAS

CHAIRMAN DAVID PORTER

COMMISSIONER CHRISTI CRADDICK

COMMISSIONER RYAN SITTON

ATTEST:

SECRETARY

GUD NO. 10432, Consolidated
Unanimous Settlement Agreement

Parsley Coffin Renner

A Limited Liability Partnership

Post Office Box 13366
Austin, Texas 78711
Telephone (512) 879-0900
Fax (512) 879-0912

July 6, 2015

Hon. Cecile Hanna
Hon. John Dodson
Hon. Rose Ruiz
Railroad Commission of Texas
1701 N. Congress
Austin, Texas 78701

2015 JUL -6 PM 3:48

FILED

Re: GUD 10432; *Statement of Intent of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas to Increase Rates on a Division-wide Basis in the Texas Coast Division*

Dear Examiners:

CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas ("CenterPoint Texas"), the Gulf Coast Coalition of Cities, the Texas Coast Utilities Coalition, and the Staff of the Railroad Commission of Texas (collectively, the "Signatories") have reached a Unanimous Settlement Agreement that resolves all issues related to the above-referenced docket. By reaching this agreement, the Signatories have avoided significant litigation costs that would otherwise have been incurred to take this case and any related rate case expense proceeding to hearing. I have attached an executed copy of the Unanimous Settlement Agreement, which includes agreed rate schedules. CenterPoint Texas requests that the Examiners place this docket for final decision at the earliest available Railroad Commission Conference.

Please do not hesitate to contact our office with any questions or concerns.

Best regards,



Mark A. Santos

MAS/ltr
Enclosure

cc: Ms. Kari French, Director, Gas Services Division
All Parties of Record

GUD NO. 10432, consolidated

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

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 Texas Coast Utilities Coalition whose members include the Cities of Angleton, Baytown, Clute, Freeport, League City, Pearland, Shoreacres, West Columbia, and Wharton, Texas (collectively, "TCUC Cities"); the Gulf Coast Coalition of Cities ("GCCC") whose members include the Cities of Alvin, Brookshire, Clear Lake Shores, Dickinson, Friendswood, Fulshear, Kemah, Lake Jackson, La Marque, Manvel, Mont Belvieu, Morgan's Point, Rosenberg, Santa Fe, Seabrook, Sugar Land, Taylor Lake Village, Texas City, Webster, and Weston Lakes, Texas (collectively "GCCC Cities"); and the Staff of the Railroad Commission of Texas ("Staff"), (collectively, the "Signatories").

WHEREAS, on March 27, 2015, CenterPoint filed its Statement of Intent to Increase Rates with the Railroad Commission of Texas ("Commission") and each of the cities in the Texas Coast Division retaining original jurisdiction; and

WHEREAS, the Commission docketed the rate request as GUD No. 10432; and

WHEREAS, the GCCC Cities, TCUC Cities, and Commission Staff sought intervention and were granted party status in GUD No. 10432; and

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

WHEREAS, certain TCUC Cities denied the Company's rate request, which denials were subsequently appealed to the Commission and certain TCUC Cities have currently suspended the implementation of the Company's rate request; and

WHEREAS, the Company has sought the consolidation of all other municipal appeals with GUD No. 10432; and

WHEREAS, CenterPoint has filed direct testimony and an errata to its Statement of Intent; and

WHEREAS, direct testimony by GCCC and TCUC was initially due on June 24, 2015, and Commission Staff direct testimony on July 1, 2015, but GCCC, TCUC, and Commission Staff did not file direct 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 Texas Coast 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 Texas Coast Division. These tariffs are premised on an increase of an additional \$4.9 million in annual revenues as illustrated in the proof of revenues attached as part of Exhibit B to this Settlement Agreement in CenterPoint's Texas Coast Division. Except as specifically provided herein, the Signatories agree that the \$4.9 million revenue increase is a "black box" figure and is not tied to any specific expense in CenterPoint's Texas Coast 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 volumetric rates. These rates are reflected in the rate schedules attached as Exhibit A.

	Customer Charge	Commodity Charge
Residential	\$15.00	\$0.0746 per Ccf
General Service – Small	\$15.50	\$0.0671 per Ccf
General Service - Large Volume	\$45.00	\$0.0440 per Ccf

3. The Signatories agree to the following capital structure and weighted cost of capital, including the pre-tax return, as shown below:

	Capital Structure	Debt/Equity Cost	Weighted Cost of Capital	Pre-Tax Return
Long-Term Debt	45.5%	6.1141%	2.78%	2.78%
Common Equity	54.5%	10.0%	5.45%	8.38%
Rate of Return	100%		8.23%	11.17%

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

- The capital structure and related components as shown above in item 3.
- For any initial IRA filing, the Net Investment, which includes detail of Plant in Service amounts by Fixed Capital Account ("FCA") along with the associated depreciation rate for each account as shown on Exhibit C.
- For any initial IRA filing, the beginning amount of ad valorem taxes at the Texas Coast Division level is \$2,238,994 and the standard sales service amount is \$2,179,217. Margin tax will be calculated using a .75% factor until or unless changed by statute.
- For any initial IRA filing, the rate base amount for standard sales service is \$132,920,321 for purposes of calculating the federal income tax on related schedules in the IRA filing. This amount is derived based on settlement and should not be considered precedential for purposes of regulatory assets or liabilities associated with pensions, retirement plans, and deferred benefits requested in this case.
- For any initial IRA filing, the customer charges as noted in item 2 above will be the starting rates to apply to any IRA adjustment.
- The base rate revenue allocation factors to spread any change in IRA increase/decrease to the appropriate customer classes is as follows:

Residential	Small	Large
92.5131%	6.3790%	1.1079%

5. CenterPoint may pursue a deferred benefit regulatory asset or 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	\$1,666,822
Benefit Restoration Plan	\$290,207
Post Employment	\$138,363
Post Retirement	\$469,733

6. CenterPoint, GCCC, and TCUC represent that their reasonable rate case expenses incurred through May 2015, and estimated rate case expenses incurred through completion of this case, are as follows:

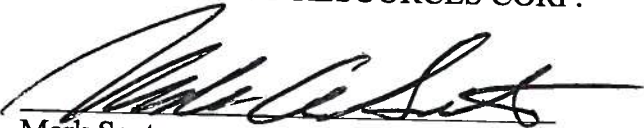
	Actual Invoices Received	Invoices Due and Est. to Completion	TOTAL
CenterPoint	\$459,887.57	\$160,000.00	\$619,887.57
GCCC	\$81,458.94	\$5,000.00	\$86,458.94
TCUC	\$71,290.29	\$4,550	\$75,840.29

7. CenterPoint, GCCC, and TCUC attach as Exhibit D affidavits and invoices in support of these amounts, and will supplement with additional invoices as they are processed. CenterPoint, GCCC and TCUC agree that the amounts represented above are reasonable and recoverable pursuant to Texas Utilities Code § 103.022. CenterPoint, GCCC, and TCUC agree that the recovery period for the applicable surcharge to recover rate-case expenses shall be thirty-six months. CenterPoint agrees to reimburse GCCC and TCUC the amount of rate case expenses set forth above 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.
8. As part of this Unanimous Settlement Agreement, TCUC agrees to withdraw its pending appeal in the Remand of GUD No. 9791 and its appeals of GUD Nos. 9910, 10007 and 10097, which are currently pending in Travis County District Courts (docketed as D-1-GN-10-001189, D-1-GN-11-001472, D-1-GN-12-000930, D-1-GN-12-000931, and D-1-GN-12-000932).
9. As part of this Unanimous Settlement Agreement, and in consideration for the increase in rates agreed to in Paragraph No. 1 and the agreements set forth in Paragraph No. 8, above, the TCUC Cities of Angleton, Baytown, League City, Pearland, West Columbia, and Wharton agree to adopt the tariffs and rate schedules attached to this Unanimous Settlement Agreement by municipal ordinance, on or before July 31, 2015, so as to effect the implementation of system wide rates. In the event that the aforementioned Cities fail to approve the Unanimous Settlement Agreement by July 31, 2015, these Cities agree that the municipal decisions shall be appealed to the Commission and that the rates agreed to pursuant to this Unanimous Settlement Agreement should be adopted by the Commission as just and reasonable rates within those municipalities.
10. The signatories agree that the affiliate expenses included in the black box amount above are recoverable consistent with the provisions in Section 104.055 of the Gas Utility Regulatory Act. This agreement with respect to requested affiliate expenses is derived based on settlement and should not be considered precedential.
11. The classes and number of customers affected by this Unanimous Settlement Agreement are identified on a city-by-city and unincorporated-area basis in Exhibit E.

12. 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 July 14, 2015 or as soon as possible thereafter.
13. 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 Texas Coast Division filed on March 27, 2015.
14. 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.
15. The Signatories agree that the terms of the Unanimous Settlement Agreement are interdependent and indivisible, and that if the Commission intends to enter 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 and further agrees that CenterPoint's application to increase rates will be remanded for hearings.
16. 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.
17. The Signatories agree that this Unanimous Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

Agreed to this 2nd day of July, 2015.

CENTERPOINT ENERGY RESOURCES CORP.

By: 
Mark Santos
Attorney for CenterPoint Energy Resources Corp.

TEXAS COAST COALITION OF CITIES

By: _____
Alfred Herrera
Attorney for Texas Coast Coalition of Cities

GULF COAST COALITION OF CITIES

By: _____
Thomas Brocato
Attorney for Gulf Coast Coalition of Cities

STAFF OF THE RAILROAD COMMISSION OF TEXAS

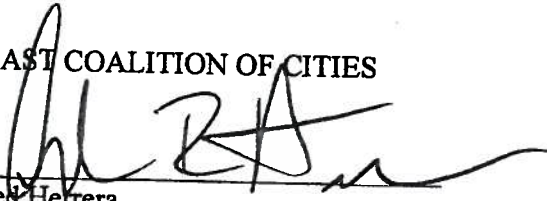
By: _____
John Pierce Griffin
Attorney for Staff of the Railroad Commission of Texas

Agreed to this 6th day of July, 2015.

CENTERPOINT ENERGY RESOURCES CORP.

By: _____
Mark Santos
Attorney for CenterPoint Energy Resources Corp.

TEXAS COAST COALITION OF CITIES

By:  _____
Alfred Herrera
Attorney for Texas Coast Coalition of Cities

GULF COAST COALITION OF CITIES

By: _____
Thomas Brocato
Attorney for Gulf Coast Coalition of Cities

STAFF OF THE RAILROAD COMMISSION OF TEXAS

By: _____
John Pierce Griffin
Attorney for Staff of the Railroad Commission of Texas

Agreed to this ___nd day of July, 2015.

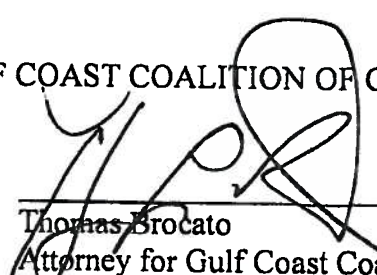
CENTERPOINT ENERGY RESOURCES CORP.

By: _____
Mark Santos
Attorney for CenterPoint Energy Resources Corp.

TEXAS COAST COALITION OF CITIES

By: _____
Alfred Herrera
Attorney for Texas Coast Coalition of Cities

GULF COAST COALITION OF CITIES

By: _____

Thomas Brocato
Attorney for Gulf Coast Coalition of Cities

STAFF OF THE RAILROAD COMMISSION OF TEXAS

By: _____
John Pierce Griffin
Attorney for Staff of the Railroad Commission of Texas

Agreed to this ___nd day of July, 2015.

CENTERPOINT ENERGY RESOURCES CORP.

By: _____
Mark Santos
Attorney for CenterPoint Energy Resources Corp.

TEXAS COAST COALITION OF CITIES

By: _____
Alfred Herrera
Attorney for Texas Coast Coalition of Cities

GULF COAST COALITION OF CITIES

By: _____
Thomas Brocato
Attorney for Gulf Coast Coalition of Cities

STAFF OF THE RAILROAD COMMISSION OF TEXAS

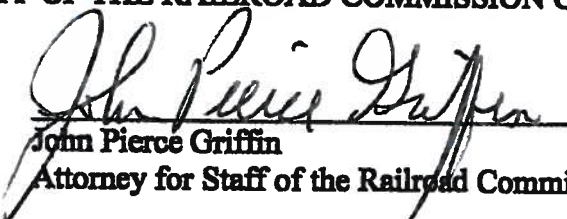
By:  _____
John Pierce Griffin
Attorney for Staff of the Railroad Commission of Texas

Exhibit A

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
RESIDENTIAL SERVICE
RATE SCHEDULE NO. R-2093**

APPLICATION OF SCHEDULE

This schedule is applicable to any customer in an incorporated area or in the environs in the Texas Coast Division 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 – \$15.00;
- (2) Commodity Charge –
All Ccf \$0.0746 per Ccf

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

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

(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
TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-SMALL
RATE SCHEDULE NO. GSS-2093**

APPLICATION OF SCHEDULE

This schedule is applicable to natural gas service to any customer in an incorporated area or in the environs in the Texas Coast Division 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 – \$15.50;
- (2) Commodity Charge –
All Ccf \$0.0671 per Ccf

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

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

(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
TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-LARGE VOLUME
RATE SCHEDULE NO. GSLV-624**

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 in an incorporated area or in the environs in the Texas Coast Division 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 – \$45.00;

(2) Commodity Charge –

All Ccf \$0.0440 per Ccf

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

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

(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

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-LARGE VOLUME
RATE SCHEDULE NO. GSLV-624**

such Consumer more than 25 Mcf during any one day until such written contract is executed and delivered by Consumer.

MEASUREMENT

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

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

The Sales Unit shall be one Mcf.

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

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

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

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

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
TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-LARGE VOLUME
RATE SCHEDULE NO. GSLV-624**

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
TEXAS COAST DIVISION
RATE SHEET
PURCHASED GAS ADJUSTMENT
RATE SCHEDULE NO. PGA-13**

This Cost of Gas Clause shall apply to all general service rate schedules of CenterPoint Energy Entex in the Incorporated and Environs areas of the Texas Coast Division ("the Company").

A. DEFINITIONS

1. **Cost of Purchased Gas (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 capacity charges, storage capacity 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.
2. **Purchase/Sales Ratio (R):** A ratio determined by dividing the total volumes purchased by the Company for general service customers for the twelve (12) month period ending the preceding August 31 Production Month by the sum of the volumes sold to general service customers during the same period. For the purpose of this computation, all volumes shall be stated at 14.65 p.s.i.a. Such ratio as determined shall in no event seek to recover more than 5% lost and unaccounted for gas loss unless expressly authorized by the applicable regulatory authority.
3. **Production Month:** The month that gas cost related activities are completed.
4. **Accounting Month:** The month gas related activities are posted on the books and records of the Company.
5. **Commodity Cost:** The Cost of Purchased Gas multiplied by the Purchase Sales Ratio.
6. **Purchased Gas Adjustment (PGA):** The rate per billing unit or the total calculation under this Cost of Gas Clause, consisting of the commodity cost, a reconciliation component (RC) and related fees and taxes.
$$\text{PGA Rate (per Mcf sold)} = [(G * R) \pm RC] \text{ rounded to the nearest } \$0.0001$$
$$\text{PGA Rate (per Ccf sold)} = \text{PGA Rate (per Mcf sold)} \div 10$$
7. **General Service Customer:** residential, small commercial and large volume customers.
8. **Reconciliation Audit:** An annual review of the Company's books and records for each twelve month period ending with the May Production Month to determine the amount of over or under collection occurring during such twelve month period. The audit shall determine:
 - a. the total amount paid for gas purchased by the Company to provide service to its general service customers during the period;
 - b. the revenues received from operation of the provisions of this Cost of Gas Clause reduced by the amount of revenue associated fees and taxes paid on those revenues;
 - c. the total amount of refunds made to customers during the period and any other revenues or credits received by the Company as a result of gas purchases or operation of this Cost of Gas Clause; and

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A/ CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
PURCHASED GAS ADJUSTMENT
RATE SCHEDULE NO. PGA-13**

- d. an adjustment, if necessary, for lost and unaccounted for gas during the period identified in A2 in excess of five (5) percent of purchases.
- 9. **Reconciliation Component (RC):** The amount to be returned to or recovered from customers each month from the August billing cycle through April billing cycle as a result of the Reconciliation Audit.
- 10. **Reconciliation Account:** The account maintained by the Company to assure that over time it will neither over nor under collect revenues as a result of the operation of this Cost of Gas Clause. Entries shall be made monthly to reflect but not necessarily limited to:
 - a. the total amounts paid to the Company's supplier(s) for gas applicable to general service customers as recorded on the Company's books and records;
 - b. any upstream transportation charges;
 - c. the cost of gas withdrawn from storage less the cost of gas injected into storage;
 - d. fixed storage charges;
 - e. the revenues produced by the operation of this Cost of Gas Clause; and
 - f. refunds, payments, or charges provided for herein or as approved by the regulatory authority.
- 11. **Carrying Charge for Gas in Storage:** A return on the Company's investment for gas in storage.

B. COST OF GAS = Purchased Gas Adjustment (PGA)

In addition to the cost of service as provided under its general service rate schedule(s), the Company shall bill each general service customer for the Cost of Gas incurred during the billing period. The Cost of Gas shall be clearly identified on each customer bill.

C. DETERMINATION AND APPLICATION OF THE RECONCILIATION COMPONENT

If the Reconciliation Audit reflects either an over recovery or under recovery of revenues, such amount, plus or minus the amount of interest calculated pursuant to Section D below, if any, shall be divided by the general service sales volumes, adjusted for the effects of weather and growth, for the last preceding August billing cycle through April billing cycle. The Reconciliation Component so determined to collect any revenue shortfall or to return any excess revenue shall be applied for a nine (9) month period beginning with the next following August billing cycle and continuing through the next following April billing cycle at which time it will terminate until a new Reconciliation Component is determined.

D. PAYMENT FOR USE OF FUNDS

Concurrently with the Reconciliation Audit, the Company shall determine the amount by which the Cost of Gas was over or under collected for each month within the period of audit. If the sum of the monthly balances reflects an over collection during the period, the Company shall credit

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A/ CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
PURCHASED GAS ADJUSTMENT
RATE SCHEDULE NO. PGA-13**

into the Reconciliation Account during August an amount equal to the average annual balance multiplied by 6%.

If the sum of the monthly balances reflects an under collection during the period, the Company shall debit into the Reconciliation Account during August an amount equal to the average annual balance multiplied by 6%.

E. CARRYING CHARGE FOR GAS IN STORAGE

A carrying charge for gas in storage will be 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. GUD 10432 and will be reflected on the customer's bill.

F. SURCHARGE OR REFUND PROCEDURES

In the event that the rates and charges of the Company's supplier are retroactively reduced and a refund of any previous payments is made to the Company, the Company shall make a similar refund to its general service customers. Similarly, the Company may surcharge its general service customers for retroactive payments made for gas previously delivered into the system. The entire amount of refunds or charges shall be entered into the Reconciliation Account as they are collected from or returned to the customers.

For the purpose of this Section the entry shall be made on the same basis used to determine the refund or charge component of the Cost of Gas and shall be subject to the calculation set forth in Section D, Payment for Use of Funds, above.

G. COST OF GAS STATEMENT

The Company shall file a copy of the Cost of Gas Statement with the Regulatory Authority by the beginning of each billing month. (The Company shall file such initial Statement as soon as is reasonably possible.) The Cost of Gas Statement shall set forth:

1. the Cost of Purchased Gas;
2. that cost multiplied by the Purchase/Sales Ratio;
3. the amount of the cost of gas caused by any surcharge or refund;
4. the Reconciliation Component;
5. the revenue associated fees and taxes to be applied to revenues generated by the Cost of Gas;
6. the Cost of Gas which is the total of items (2) through (5); and
7. the Carrying Charge for Gas in Storage.

The statement shall include all data necessary for the Customers and Regulatory Authority to review and verify the calculation of the Cost of Gas and the Carrying Charge for Gas in Storage.

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A/ CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
PURCHASED GAS ADJUSTMENT
RATE SCHEDULE NO. PGA-13**

The date on which billing using the Cost of Gas and the Carrying Charge for Gas in Storage is to begin (bills prepared) is to be specified in the statement.

H. ANNUAL RECONCILIATION REPORT

The Company shall file an annual report with the Regulatory Authority which shall include but is not necessarily limited to:

1. A tabulation of volumes of gas purchased and costs incurred listed by account or type of gas, supplier and source by month for the twelve months ending with the May Production Month will be available upon request;
2. A tabulation of gas units sold to general service customers and related Cost of Gas Clause revenues for the twelve month period ending with the May Production Month will be available upon request; and
3. A summary of all other costs and refunds made during the year and the status of the Reconciliation Account. This report shall be filed concurrently with the Cost of Gas Statement for August.

The Annual Report shall be filed in a format similar to the example format that follows.

CENTERPOINT ENERGY RESOURCES CORP.
D/B/A/ CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
PURCHASED GAS ADJUSTMENT
RATE SCHEDULE NO. PGA-13

ANNUAL RECONCILIATION REPORT
TWELVE MONTH ENDING

A.	COST OF PURCHASED GAS	B.	COST OF GAS REVENUE
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TOTAL PURCHASES

Mcf @ 14.65 \$ Dollars

Prior Period Adjustments	
Year	Month 1
Year	Month 2
Year	Month 3
Year	Month 4
Year	Month 5
Year	Month 6
Year	Month 7
Year	Month 8
Year	Month 9
Year	Month 10
Year	Month 11
Year	Month 12

-	\$
-	
-	
-	
-	
-	
-	
-	
-	
-	
-	
-	

Total \$ -

TOTAL SALES

Mcf @ 14.65 \$ Dollars

Prior Period Adjustments	
Year	Month 1
Year	Month 2
Year	Month 3
Year	Month 4
Year	Month 5
Year	Month 6
Year	Month 7
Year	Month 8
Year	Month 9
Year	Month 10
Year	Month 11
Year	Month 12

-	\$
-	
-	
-	
-	
-	
-	
-	
-	
-	
-	
-	

Total \$ -

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A/ CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
PURCHASED GAS ADJUSTMENT
RATE SCHEDULE NO. PGA-13**

**ANNUAL RECONCILIATION REPORT
TWELVE MONTH ENDING**

C.	MONTHLY BALANCE
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	TOTAL PURCHASES \$ Dollars	TOTAL COG REVENUE \$ Dollars	(OVER)/UNDER COLLECTION OF COG \$ Dollars	ADJUSTMENTS \$ Dollars	GROSS RECEIPTS & FRANCHISE TAX \$ Dollars	CUMULATIVE BALANCE \$ Dollars	CUMULATIVE BALANCE EXCLUDING INTEREST \$ Dollars
Ending Balance Brought Forward							
Prior Period Adjustments							
Year Month 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Year Month 2	-	-	-	-	-	-	-
Year Month 3	-	-	-	-	-	-	-
Year Month 4	-	-	-	-	-	-	-
Year Month 5	-	-	-	-	-	-	-
Year Month 6	-	-	-	-	-	-	-
Year Month 7	-	-	-	-	-	-	-
Year Month 8	-	-	-	-	-	-	-
Year Month 9	-	-	-	-	-	-	-
Year Month 10	-	-	-	-	-	-	-
Year Month 11	-	-	-	-	-	-	-
Year Month 12	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

1 Prior Years Interest Calc

12 months Average (O)/U Balance	\$ -
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CENTERPOINT ENERGY RESOURCES CORP.
D/B/A/ CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
PURCHASED GAS ADJUSTMENT
RATE SCHEDULE NO. PGA-13

ANNUAL RECONCILIATION REPORT
TWELVE MONTH ENDING

D.	SALES VOLUMES	E.	Interest on PGA Balance
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Actual Mcf @ 14.65		12 months Average (O)/U Balance	\$ -
		Interest Rate	6.00%
		Total Interest on (O)/U Balance	\$ -

Year	Month 1
Year	Month 2
Year	Month 3
Year	Month 4
Year	Month 5
Year	Month 6
Year	Month 7
Year	Month 8
Year	Month 9

Total

F. Reconciliation Component

TME Cumulative (O)/U Balance Excluding Interest	\$ -
UAF Adjustment	-
Total Interest on (O)/U Balance	\$ -
Total	\$ -

Divided By:
Sales Volume

RECONCILIATION COMPONENT	\$ -	Per Mcf
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**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
FRANCHISE FEE ADJUSTMENT
RATE SCHEDULE NO. FFA-6**

APPLICATION

Applicable to Customers inside the corporate limits of an incorporated municipality that imposes a municipal franchise fee upon Company for the Gas Service provided to Customer.

MONTHLY ADJUSTMENT

Company will adjust Customer's bill each month in an amount equal to the municipal franchise fees payable for the Gas Service provided to Customer by Company. Municipal franchise fees are determined by each municipality's franchise ordinance. Each municipality's franchise ordinance will specify the percentage and applicability of franchise fees.

RAILROAD COMMISSION REPORTING

CenterPoint shall maintain on file with the Railroad Commission of Texas a current listing of Cities and applicable franchise fees. Reports should be filed at the Commission as follows:

Tariff Compliance
Oversight and Safety Division, Gas Services
Railroad Commission of Texas
P.O. Drawer 12967
Austin, TX 78711-2967

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
TAX ADJUSTMENT
RATE SCHEDULE NO. TA-11**

The Customers shall reimburse the Company for the Customers' proportionate part of any tax, charge, impost, assessment or fee of whatever kind and by whatever name (except ad valorem taxes and income taxes) levied upon the Company by any governmental authority under any law, rule, regulation, ordinance, or agreement (hereinafter referred to as "the Tax"). If the law, rule, regulation, ordinance, or agreement levying the Tax specifies a method of collection from Customers, then the method so specified shall be utilized provided such method results in the collection of taxes from the Customers equal to the taxes levied on the Company. If no method of collection is specified, then the Company shall collect an amount calculated as a percentage of the Customers' bills applicable directly to those Customers located solely within the jurisdiction imposing the tax and/or within the jurisdiction where the tax is applicable. The percentage shall be determined so that the collection from Customers within the Company's different legal jurisdictions (municipal or otherwise defined) encompassing the Texas Coast Division is equal to the taxes levied on the Company.

The initial Tax Adjustment Rate shall be based on the Taxes that are levied upon the Company on the effective date of this Rate Schedule. The Company will initiate a new or changed Tax Adjustment Rate beginning with the billing cycle immediately following the effective date of the new or changed Tax as specified by the applicable law, rule, regulation, ordinance, or agreement, provided that the Company has the customer billing data necessary to bill and collect the Tax. If at any time there is a significant change that will cause an unreasonable over or under collection of the Tax, the Company will adjust the Tax Adjustment Rate so that such over or under collection will be minimized. The Tax Adjustment Rate (calculated on a per Ccf or per Mcf basis, as appropriate) shall be reported to the applicable governmental authority by the last business day of the month in which the Tax Adjustment Rate became effective.

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
SCHEDULE OF MISCELLANEOUS SERVICE CHARGES
RATE SCHEDULE NO. MISC-14**

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.	Disconnect service at main	\$300
	(Plus any costs arising out of any city ordinance or regulation or governing work in city streets)	
	(Plus other related costs)	
9.	Restore service at main after termination for non-payment	\$300
	(Plus cost of materials)	
10.	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.

* Outside the hours of 8:00 A.M. to 5:00 P.M. CST Monday – Friday, on weekends, and on all Company designated holidays.

** Meters changed at customer's request. Does not include changes due to meter failure and/or incorrect measurement of usage.

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

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
SCHEDULE OF MISCELLANEOUS SERVICE CHARGES
RATE SCHEDULE NO. MISC-14**

OTHER CHARGES

- | | | |
|-----|--|------|
| 11. | Collection call - trip charge (not collected under miscellaneous service item no. 3 – Turning off service to active meter) | \$20 |
| 12. | 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 and Franchise Fee Adjustment Rate Schedule.

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
RATE CASE EXPENSE RECOVERY RATE SCHEDULE NO. RCE-9.1**

APPLICATION OF SCHEDULE

This schedule applies to all residential, small commercial, and large volume customers in the Texas Coast Division impacted by the Company's Statement of Intent to Increase Rates filed on March 27, 2015.

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

MONTHLY RATE RECOVERY FACTOR:

Residential	\$ 0.08 per bill
General Service-Small	\$ 0.08 per bill
General Service-Large	\$ 0.08 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 ____ of each _____, a report with the Railroad Commission of Texas ("Commission"). The Company will send a copy of the report to counsel for the Texas Coast Utilities Coalition, whose members include the cities of Angleton, Baytown, Clute, Freeport, League City, Pearland, Shoreacres, West Columbia, and Wharton, Texas. The Company will also send a copy of the report to counsel for the Gulf Coast Coalition of Cities, whose members include the cities of Alvin, Brookshire, Clear Lake Shores, Dickinson, Friendswood, Fulshear, Kemah, Lake Jackson, La Marque, Manvel, Mont Belvieu, Morgan's Point, Rosenberg, Santa Fe, Seabrook, Sugar Land, Taylor Lake Village, Texas City, Webster, and Weston Lakes, Texas. The report shall detail the monthly collections for RCE surcharge by customer class and show the outstanding balance. Reports for the Commission should be filed electronically or at the following address:

Tariff Compliance
Oversight and Safety Division, Gas Services
Railroad Commission of Texas
P.O. Drawer 12967
Austin, TX 78711-2967

Exhibit B

CenterPoint Energy
Texas Coast Division
Rate Design - Settlement

Line No.	Particulars	Total	Residential	Commercial	
				Small	Large
1	Cost of Service to be Recovered from GSS and GSLV			\$ 3,903,419	\$ 677,913
1a	Current Rate Revenue Recovery	\$ 56,291,674	\$ 52,020,457	\$ 3,411,002	\$ 860,215
1b	Settlement Increase	\$ 4,900,000			
1c	Settlement Revenue Requirement	\$ 61,191,674	\$ 56,610,343	\$ 3,903,419	\$ 677,913
1d	Revenue Requirement Allocation Factors		92.5131%	6.3790%	1.1079%
2	Less:				
3	Houston Division Margin				
4	Customer Charge	\$ 644,201	\$ 594,659	\$ 25,446	\$ 24,096
5	Distribution Charge	\$ 66,177	\$ 39,164	\$ 10,672	\$ 16,341
6	Total - Customers on Houston Rates in Texas Coast	\$ 710,378	\$ 633,823	\$ 36,118	\$ 40,437
7	Net Cost of Service to be Collected	\$ 60,481,297	\$ 55,976,520	\$ 3,867,300	\$ 637,476
8	Net Customer Charge Cost of Service				
9	Number Bills	3,357,888	3,200,388	153,348	4,152
10					
11	Settlement Customer Charge		15.00	15.50	45.00
12	Customer Charge Revenue	\$ 50,569,554	\$ 48,005,820	\$ 2,376,894	\$ 186,840
13	Net Distribution Charge Revenue Required	\$ 9,911,743	\$ 7,970,700	\$ 1,490,406	\$ 450,636
14	<u>Ccf Billing Determinants</u>				
15	Total Billing Determinants		106,866,191	22,197,311	10,250,222
16	<u>Distribution Rates</u>				
17	All Ccf - Residential		\$ 0.0746		
18	All Ccf - General Service - Small			\$ 0.0671	
19	All Ccf - General Service - Large				\$ 0.0440
20	Distribution Charge Revenue	9,912,668	7,972,218	1,489,440	451,010
21	Total Revenue - Design	61,192,600	56,611,861	3,902,452	678,287
22	Total Revenue Over(Under)	\$ 925	\$ 1,518	\$ (966)	\$ 374

Exhibit C

CenterPoint Energy
Texas Coast Division
Annual Depreciation and Net Plant Calculation
GLD Docket No. 10432

Line No.	Class	SUB - FCA	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)
					Description	Gross Plant 09/30/2014	Adjustments to Gross Plant	Adjusted Gross Plant 09/30/2014	RRC Approved Depreciation Rate	Annual Depreciation	Accumulated Depreciation 09/30/2014	Adjustments to Accumulated Depreciation	Adjusted Accumulated Depreciation 09/30/2014	Net Plant	Standard Allocation	Standard Amount
Intangible Plant																
1	G33001	6010			PERPETUAL F & C	\$	\$	\$	0.00%	\$	\$	\$	\$	\$		
2	G33001	6030			PA INTERCONNECTION	520,617		520,617	3.29%	18,404	(1,679)			501,538		
3	G33001	6035			MISC INTANG PLANT	3,577,500		3,577,500	20.00%	715,500	(200,941)			3,376,559		
4	G33001	6035			MISC INTANG PLANT - CORP	3,577,500		3,577,500	20.00%	715,500	(200,941)			3,376,559		
5	G33001	6050			SOFTWARE - MISC	83,177		83,177	20.00%	16,635	(11,635)			71,542		
6	G33001	6050			SOFTWARE - MISC - CORP	213,841		213,841	20.00%	42,768	(32,529)			181,312		
7	G33001	6050			SOFTWARE - MISC - CORP	41,284		41,284	10.00%	3,522,567	(2,750)			38,534		
8	G33001	6080			SOFTWARE - SUP - CORP	3,522,567		3,522,567	10.00%	352,257	(3,245,967)			277,500		
9	Subtotal					\$ 11,240,663	\$ -	\$ 11,240,663		\$ 1,807,352	\$ (6,595,475)	\$ -	\$ (6,595,475)	\$ 4,645,218		
Depreciable Plant																
10	G37401	6840			LAND - GENERAL	308,178		308,178	0.00%	\$	(14,197)			293,979		
11	G37401	6840			LD RTS-ROW-GEN DIST	228,415		228,415	1.45%	3,428	(50,301)			181,114		
12	G37501	6880			STRUCT-GEN MLD IND MTR	170,881		170,881	2.33%	3,983	(83,056)			87,825		
13	G37601	6851			MAINS - STEEL	35,182,898		35,182,898	3.03%	1,066,005	(20,675,854)			14,508,032		
14	G37601	6851			MAINS - PLASTIC	81,670,626		81,670,626	3.44%	1,732,031	(25,201,786)			56,668,828		
15	G37601	6880			MTR STAT EQUIP-GEN	1,272,213		1,272,213	4.10%	14,889	(370,941)			801,272		
16	G37601	7000			MTR STAT EQ - ODOR EQ	358,597		358,597	3.69%	244,613	(2,352,118)			322,157		
17	G37601	7000			MTR STAT EQ - CITY GT	8,883,418		8,883,418	4.01%	145,418	(412,788)			8,570,630		
18	G38001	7022			SERVICES - PLASTIC	3,628,345		3,628,345	4.01%	3,127,678	(41,884,429)			36,315,528		
19	G38001	7022			METERS-DOMESTICSMALL - MTR	17,888,955		17,888,955	4.31%	891,701	(4,182,970)			11,895,778		
20	G38001	7050			MTR INSTAL-DOESMALL	18,985,889		18,985,889	3.85%	730,341	(8,045,645)			12,924,244		
21	G38201	7080			MTR INSTAL-INDLARGE	2,756,270		2,756,270	6.25%	93,777	(1,143,381)			1,812,289		
22	G38201	7120			REG - DOMESTICHOUSE - MTR	8,452,618		8,452,618	3.82%	40,675	(1,878,638)			4,775,979		
23	G38501	7130			IND MTR STAT EQUIP	1,188,667		1,188,667	2.65%	43,086	(225,618)			864,049		
24	G38501	7180			OTHER EQ - CNG EQUIP	458,758		458,758	2.77%	13,258	(254,857)			458,758		
25	G38701	7180			OTHER EQ - CNG EQUIP - CORP	1,622		1,622		45	(254,857)			(253,235)		
27	Subtotal					\$ 253,583,840	\$ -	\$ 253,583,840		\$ 8,386,622	\$ (103,615,964)	\$ -	\$ (103,615,964)	\$ 149,967,856		
General Plant																
28	G38001	7200			STRUCT/IMPR - GEN	148,974		148,974	6.97%	10,097	(8,698)			137,335		
29	G38001	7225			LEASEHOLD IMPROVEMENTS - CORP	82,021		82,021	5.00%	4,101	(11,424)			70,597		
30	G38001	7225			LEASEHOLD IMPROVEMENTS - CORP	28,842		28,842	10.00%	2,884	(28,267)			(94,425)		
31	G39101	7232			OFFICE EQUIP-GENERAL - CORP	183,550		183,550	5.00%	2,043	(8,718)			174,832		
32	G39101	7232			OFFICE EQUIP-GENERAL - CORP	69,350		69,350	4.17%	8,071	(17,077)			52,273		
33	G39102	7260			COMPUTER EQ - MISC - MTR	193,550		193,550	20.00%	130,108	(88,050)			105,498		
34	G39102	7260			COMPUTER EQ - MISC - MTR	650,531		650,531	20.00%	5,391	(5,139)			645,392		
35	G39102	7260			COMPUTER EQ - MISC - CORP	288,202		288,202	20.00%	5,391	(291,846)			24,508		
36	G39401	7362			TOOLWORK EQUIP-ENT	77,110		77,110	14.29%	100,778	(14,187)			525,062		
37	G39401	7364			SHOP EQUIP (EXTEN)	705,243		705,243								
38	G39801	7384			POWER EQUIP	928,914		928,914	11.33%	105,018	(65,657)			84,257		
39	G39801	7384			POWER OPER EQUIP - CORP	1,651		1,651	10.63%	178	(5,704)			1,473		
40	G39701	7380			COMM EQ - CORP	8,457		8,457	5.00%	4,513	(13,538)			7,944		
41	G39701	7380			COMM EQ - CORP	92,257		92,257	5.00%	320	(5,188)			91,937		
42	G39703	7420			COMM EQ - MTR ROBERTS	20,157,635		20,157,635	8.67%	1,007,862	(524,223)			19,633,412		
43	G39801	7450			MISC EQ - MTR	15,305		15,305	8.67%	1,311	(2,353)			12,952		
44	G39801	7450			MISC EQ - MTR	548		548	8.67%	36	(82)			466		
45	G39801	7450			MISC EQ - CORP	24,788		24,788	8.67%	1,653	(2,283)			22,505		
48	Subtotal					\$ 23,385,737	\$ -	\$ 23,385,737		\$ 1,432,185	\$ (1,341,808)	\$ -	\$ (1,341,808)	\$ 22,043,929		
Transportation & MWE Equipment																
47	G38201	7300			AUTOS	73,167	(23,031)	50,136	18.00%	8,052	(14,257)	8,247		45,128		
48	G38201	7300			AUTOS - MTR	3,518		3,518	12.50%	440	(113)			3,405		
49	G38201	7300			AUTOS - CORP	8,802		8,802	12.50%	1,100	(113)			7,692		
50	G38201	7300			TRUCKS - CORP	3,722,949	(61,138)	3,661,811	12.50%	588,247	(428,140)	14,727		3,248,398		
51	G38201	7300			TRUCKS - CORP	38,850		38,850	12.50%	4,858	(74,400)			31,408		
52	G38201	7340			TRAILERS	34,817		34,817	12.50%	55,217	(148,832)			113,200		
53	G38201	7340			TRAILERS - CORP	35,038		35,038	12.50%	4,455	(350)			34,688		
54	Subtotal					\$ 4,227,738	\$ (84,169)	\$ 4,143,570		\$ 602,397	\$ (519,068)	\$ 23,974	\$ (495,098)	\$ 3,648,464		
55	RWP															
56	Texas Coast Division					\$ 292,438,030	\$ (84,169)	\$ 292,353,860		\$ 12,298,808	\$ (111,751,934)	\$ 23,974	\$ (111,727,950)	\$ 180,625,910	\$ 7,330,294	\$ 175,893,559

Exhibit D¹

¹ Exhibit D invoices are part of the evidentiary record, however, in an effort to avoid unnecessary duplication costs, they are omitted from the Final Order due to their voluminous nature.

Texas Coast 2015 Rate Case Expense Surcharge
Rate Case Expense by Party

Line No.		Surcharge # Bills		Surcharge	
		Customers	36 Months	Components	
1					
2	CNP	279,824	10,073,664	\$ 0.06	All Customers
3	Intervenor	279,824	10,073,664	\$ 0.02	All Customers
4	Total - All Customers	279,824	10,073,664	\$ 0.08	All Customers

Note: Number of customers above exclude those customers billed on Houston Division rates.

GUD NO. 10432, consolidated

STATEMENT OF INTENT OF CENTERPOINT ENERGY RESOURCES CORP., D/B/A CENTERPOINT ENERGY ENTEX AND CENTERPOINT ENERGY TEXAS GAS TO INCREASE RATES ON A DIVISION-WIDE BASIS IN THE TEXAS COAST DIVISION	§ § § § § § §	BEFORE THE RAILROAD COMMISSION OF TEXAS
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AFFIDAVIT OF MARK A. SANTOS

Before me, the undersigned authority, on this date personally appeared Mark A. Santos, known to me to be the person whose name is subscribed below, and being by me first duly sworn, stated upon oath as follows:

“My name is Mark A. Santos. I am a partner in the Austin, Texas law firm of Parsley Coffin Renner LLP, and have practiced law since 2002. I have extensive experience representing and defending clients before the Railroad Commission of Texas and Public Utility Commission of Texas. I am over 18 years of age, of sound mind, and fully competent to make this affidavit. Each statement of fact herein is true and of my own personal knowledge.

I am counsel of record for CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas (“CenterPoint Texas”) in Gas Utilities Docket No. 10432, consolidated. Attached to this Affidavit are invoices documenting an actual amount of \$459,887.57 in rate case expenses incurred by CenterPoint Texas in this docket through May 30, 2015. This amount includes legal expenses incurred preparing the filing, expenses incurred by professional consultants retained to provide direct and rebuttal testimony, public notice, and incidental expenses. The invoices are detailed and itemized.

I have reviewed the billings of Parsley Coffin Renner LLP submitted to CenterPoint Texas for legal services performed in this proceeding through April 30, 2015, and I affirm that those billings in the amount of \$200,225.78 accurately reflect the time spent and expenditures incurred by Parsley Coffin Renner LLP on CenterPoint Texas’s behalf. The attorneys billing on the file have hourly rates of between \$225 and \$500, with the majority of the time billed by myself. My hourly billing rate is \$375, which is within the range deemed reasonable in prior rate cases for lawyers having similar experience providing similar services. The hours spent to perform the tasks assigned to Parsley Coffin Renner LLP were necessary to complete those tasks in a professional manner on a timely basis. The nature of the work performed is typical of a contested rate proceeding such as this. Further, there was no duplication of services or testimony and the settled result in this proceeding demonstrates that the Company’s request for a rate change was warranted.

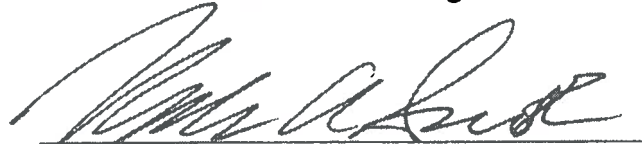
In addition to the amounts incurred through April 30, 2015, CenterPoint Texas has incurred additional legal expenses equal to approximately \$140,000 for work performed in May and June 2015, which has not yet been processed by CenterPoint Texas. The nature of this work included answering discovery questions, negotiating discovery disputes, motions practice,

preparation of rebuttal testimony, preparation of errata, preparation for hearing, preparation for technical and settlement conferences, settlement negotiations, meeting and communicating with parties to negotiate a settlement, and the drafting of settlement terms. In addition, CenterPoint Texas will incur additional expense through completion of the case, which expenses include finalizing settlement documents, presentation of settlement to Examiners, potential discovery and briefing before the Examiners, and attending Commission conferences. Based on my experience in administrative proceedings, including proceedings in which the parties seek approval of a Unanimous Settlement Agreement as in this case, I estimate that legal expenses from July 1, 2015 through completion of the case will be approximately \$20,000.00, bringing the total amount of actual and estimated legal fees necessary to complete this proceeding to \$360,225.78.

In addition to legal expenses, CenterPoint Texas incurred other rate case expenses, which included expenses incurred by professional consultants retained to provide direct and rebuttal testimony, preparation of the filing, public notice, responding to discovery, and incidental expenses. Again, actual detailed and itemized invoices through June 30, 2015 are attached. The total amount of other regulatory rate case expenses incurred through June 30, 2015, is \$259,661.79.

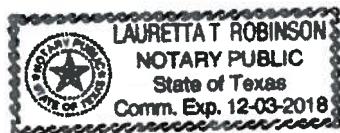
The total amount of rate case expenses for CenterPoint Texas reflected in the Unanimous Settlement Agreement includes actual and estimated legal fees of \$360,225.78 and required regulatory expenses equal to \$259,661.79. CenterPoint Texas requests that the Commission authorize recovery of its rate case expenses related to this docket in the amount of \$619,887.57. CenterPoint Texas will supplement this filing with additional invoices as they are processed.

CenterPoint Texas seeks recovery only of those expenses that are actually incurred, and any rate case expense surcharge will collect from ratepayers only the amount actually incurred and authorized by the Commission. I note, however, that this estimate presumes approval of the Unanimous Settlement Agreement and no appeal of the Commission's final order. CenterPoint Texas reserves the right to revise this estimate to the extent that additional litigation becomes necessary."



Mark A. Santos

SWORN AND SUBSCRIBED before me on this 2nd day of July, 2015.


Notary Public in and for the State of Texas

GAS UTILITIES DOCKET NO. 10432

STATEMENT OF INTENT FILED BY CENTERPOINT ENERGY ENTEX TO INCREASE THE RATES IN THE UNINCORPORATED AREAS OF THE TEXAS COAST DIVISION	§ § § § §	BEFORE THE RAILROAD COMMISSION OF TEXAS
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**AFFIDAVIT OF CHRISTOPHER L. BREWSTER
RELATED TO THE RATE CASE EXPENSES OF
GULF COAST COALITION OF CITIES**

**STATE OF TEXAS §
 §
COUNTY OF TRAVIS §**

BEFORE ME, the undersigned authority, on this day personally appeared Christopher L. Brewster who being by me first duly sworn, on oath deposed and said the following:

1. My name is Christopher L. Brewster. I am a principal with the law firm of Lloyd Gosselink Rochelle and Townsend, P.C. ("Lloyd Gosselink") and counsel for the Gulf Coast Coalition of Cities ("GCCC") in Gas Utilities Docket ("GUD") No. 10432. I have addressed and participated in utility matters since 2003, starting at the Public Utility Commission of Texas ("PUC"). Since leaving the PUC in 2006, I have represented entities before the PUC and the Railroad Commission ("Commission") for over nine years. I have represented municipalities in numerous ratemaking proceedings since 2006.

2. I have reviewed the work performed by Lloyd Gosselink and the technical consultants on behalf of GCCC in connection with GUD No. 10432 concerning the *Statement of Intent filed by CenterPoint Energy Entex to Increase the Rates in the Unincorporated Areas of the Texas Coast Division*. I am over the age of 18 years and am not disqualified from making this affidavit. My statements are true and correct.

3. I have reviewed the billings of Lloyd Gosselink submitted to GCCC for legal services performed in GUD No. 10432. I affirm that those billings accurately reflect the time

spent and expenditures incurred by Lloyd Gosselink on GCCC's behalf. Those billings were accurately calculated before they were tendered, and there was no double billing. None of the charges billed to GCCC have been recovered through reimbursement for other expenses. The expenses charged were associated with the review of CenterPoint's Statement of Intent in GUD No. 10432 and were necessary to advise GCCC and accomplish tasks in this proceeding. Total rate case expenses (inclusive of legal fees, consultant charges, and other expenses) for GUD No. 10432 through June 30, 2015 are summarized in the chart attached to this affidavit as Attachment A.

4. For the period of March through June 30, 2015, Lloyd Gosselink has billed \$49,589.60 for legal services in GUD No. 10432. The fees and expenses incurred through June 30, 2015 were necessary to: advise GCCC on the review of CenterPoint's Statement of Intent, identify issues, retain and work with consultants, address discovery matters, prepare testimony, participate in settlement discussions, and negotiate the settlement agreement.

5. The attorneys' hourly rates of \$165-325, upon which the billings are based, are the same hourly rates charged other clients for comparable services during the same time frame. Our firm's rates are at the lower end of the range compared to the rates charged by other lawyers with similar experience providing similar services. The hours spent to perform the tasks assigned to Lloyd Gosselink were necessary to complete those tasks in a professional manner on a timely basis. The participating attorneys' many years of experience participating in utility rate cases aid in our efforts to keep rate case expenses reasonable.

6. Invoices from Lloyd Gosselink also include fees and expenses from ReSolved Energy Consulting, LLC for work performed by Karl Nalepa and his assistant in the amount of \$31,869.34. Mr. Nalepa is a regulatory expert engaged to present testimony and consult on the issues in this case. Mr. Nalepa's hourly rate for this proceeding is \$260. This is the same or

similar hourly rate charged other clients for comparable services during the same time period. Mr. Nalepa and his assistant reviewed the CenterPoint's Statement of Intent, identified issues, prepared and reviewed discovery questions and responses, prepared direct testimony, assisted in settlement negotiations.

7. The invoices submitted by Lloyd Gosselink include a description of services performed and time expended on each activity. The invoices for GUD No. 10432 through June 30, 2015 are included as Attachment B to this affidavit. Lloyd Gosselink has documented all charges with time sheets, invoices and records. The documentation in this case is similar to that provided in many previous ratemaking proceedings at the Railroad Commission.

8. I have made a detailed review of actual invoices for consultants and legal services for March through June 30, 2015. I conclude that the services rendered in these months were necessary for GCCC's participation in this proceeding and that the fees and expenses were reasonable in relation to the complexity of the issues addressed. Specifically, I made the following significant findings during my review:

- The hourly rates charged by GCCC's consultants and attorneys are within the range of reasonable rates;
- The number of individuals working on this matter at any given time was minimized;
- Consultants and attorneys accurately documented hours worked and services provided on their invoices;
- There were no time entries by any individual that exceeded 12 hours per day on any single matter or on a combined basis when work was performed on these cases; and
- There were no expenses that are subject to special scrutiny (e.g., luxury hotels, valet parking, designer coffee, airfare, meals).

9. I have reviewed all of the consultants' and attorneys' qualifications, along with a critical evaluation of their work product and the fees that they charged GCCC, and have found


their services and fees to be reasonable and a good value. Each consultant and attorney provided services that were necessary for GCCC to fairly represent the interests of the members of GCCC in this rate-setting proceeding. All of the actual fees and expenses incurred to date are substantiated by detailed invoices, which I have included.

10. In addition to the expenses incurred through June 30, 2015, Lloyd Gosselink will incur fees and expenses in GUD No. 10432 beyond that date associated with continued work to finalize settlement documents subsequent to the date of this affidavit.

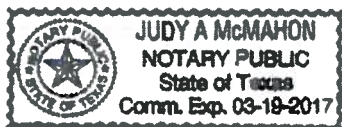
In consideration of this activity, GCCC estimates that its remaining expense of participating in this case beyond June 30, 2015 will not exceed \$5,000. In the event that the settlement in this matter is not adopted, or some additional process or litigation is required to bring this matter to a close, GCCC would seek to quantify an additional rate case expense amount.

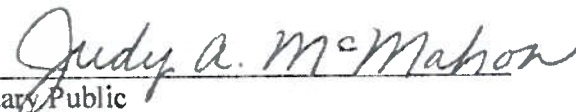
11. The total amounts requested for expenses through June 30, 2015 of \$81,458.94 for GUD No. 10432 and the estimate beyond that date, are reasonable given the complexity, importance, and magnitude of this case, the nature of GCCC's case, and the number of issues.

Dated: July 1, 2015.


CHRISTOPHER L. BREWSTER

SUBSCRIBED AND SWORN TO BEFORE ME, the undersigned authority, on this 1st day of July, 2015.




Notary Public

GAS UTILITIES DOCKET NO. 10432

**STATEMENT OF INTENT FILED BY §
CENTERPOINT ENERGY RESOURCES §
CORP., D/B/A CENTERPOINT ENERGY §
ENTEX AND CENTERPOINT ENERGY §
TEXAS GAS TO INCREASE RATES ON §
A DIVISION-WIDE BASIS IN THE §
TEXAS COAST DIVISION §**

**BEFORE THE
RAILROAD COMMISSION
OF TEXAS**

**AFFIDAVIT OF ALFRED R. HERRERA RELATED TO RATE CASE EXPENSES
INCURRED BY TEXAS COAST UTILITIES COALITION OF CITIES**

**STATE OF TEXAS §
§
COUNTY OF TRAVIS §**

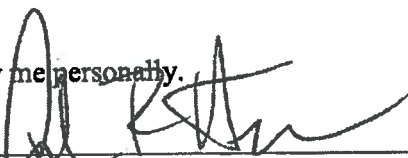
Before me, the undersigned authority, on this day personally appeared Alfred R. Herrera, being by me first duly sworn, on oath deposed and said the following:

1. My name is Alfred R. Herrera, and I am a principal of Herrera & Boyle, PLLC. I have over 31 years of experience in legal and legislative matters related to the utility industry (telecommunication, electric, and gas). I have litigated numerous electric and gas rate matters. The Texas Coast Utilities Coalition ("TCUC") of cities retained the firm of Herrera & Boyle, PLLC in connection with the Statement of Intent submitted to the TCUC cities and the Railroad Commission of Texas ("Commission") by CenterPoint Energy Resources Corp., d/b/a CenterPoint Entex and CenterPoint Energy Texas Gas ("CenterPoint" or "Company") on about March 27, 2015 ("*March 27th Statement of Intent*").
2. I am familiar with the work performed by Herrera & Boyle and the technical consultants on behalf of TCUC in connection with CenterPoint's *March 27th Statement of Intent*. I am over 18 years of age and I am not disqualified from making this affidavit. My statements are true and correct.
3. The firm of Herrera & Boyle has provided services to TCUC in these proceedings including, but not limited to, the following activities: the provision of legal advice and strategy to TCUC; negotiating schedules and substantive issues; identification of consultants and recommendations to the client regarding consultants; coordination of issue development; legal research; preparation and filing of pleadings and briefs; discovery; preparation for and participating in prehearing conferences, hearings; and briefing clients and discussions with consultants.
4. I am responsible for coordinating and supervising the efforts of my firm's personnel pertaining to the services rendered to TCUC in these dockets. I have personally reviewed

all billings for all work performed (legal and consulting) in connection with CenterPoint's *March 27th Statement of Intent*.

5. Invoices and backup for the fees and expenses charged to TCUC are provided to the City of Baytown for approval and forwarding to CenterPoint for payment. My firm's billings are associated with efforts that were reasonable and necessary for development of the record and advocacy of TCUC position. Duplication of effort was avoided.
6. My firm's individual charges and rates are reasonable, consistent with the rates billed to others for similar work and comparable to rates charged by other professionals with the same level of expertise and experience. The amounts charged for such service are reasonable and there has been no double billing of charges. No meal expense has been billed by any attorney or other Herrera & Boyle personnel. No charges have been incurred or billed for luxury items, first-class airfare, limousines, alcohol, sporting events, or entertainment.
7. For the period March 29, 2015 through June 30, 2015, Herrera & Boyle has billed \$71,290.29 related to CenterPoint's *March 27th Statement of Intent*. This figure includes \$38,035.29 in legal fees and expenses and \$33,255.00 in consultant fees and expenses. The fees and expenses incurred through June 30, 2015 were necessary to advise TCUC on the rate package filing, review the application, identify issues, coordinate activities, retain and work with consultants, engage in discovery, draft pleadings, and prepare for and attend pre-hearings, attend settlement meetings. Invoices for CenterPoint's *March 27th Statement of Intent* are provided at Exhibit 1.
8. The attorney hourly rates of \$270-\$345, upon which the billings are based, are comparable to hourly rates charged to other clients for comparable services during the same time frame. Herrera & Boyle's rates are at the lower end of the range of reasonable hourly rates compared to the rates charged by other lawyers with similar experience providing similar services.
9. The hours spent to perform the tasks assigned to Herrera & Boyle were necessary to complete the required tasks in a professional manner on a timely basis. My many years in working with and supervising attorneys and consultants in utility rate cases at the Commission and the Public Utility Commission facilitates efforts to keep rate case expenses reasonable.
10. Ms. Connie Cannady is an Executive Consultant with the firm of NewGen Strategies & Solutions, LLC in the firm's Energy Practice. She has participated in over 50 utility rate proceedings over a 30-year career. Her time and efforts in CenterPoint's *March 27th Statement of Intent* were coordinated by me. Because of her extensive background and experience, including knowledge of CenterPoint, Ms. Cannady was able to work very efficiently and accomplish her assignment with fewer hours than I would expect other consultants or expert witnesses would require. Ms. Cannady's time, effort and associated fees in CenterPoint's *March 27th Statement of Intent* of \$33,255.00 are reasonable and necessary. Ms. Constance's resume is provided at Exhibit 2.

11. I also coordinated TCUC's participation in this proceeding with the other group of cities – the Gulf Coast Utilities Coalition of Cities ("GCCC") – in this proceeding to minimize, if not eliminate, duplication of effort between GCCC's participation in this proceeding and TCUC's participation, as well as to ensure no duplication of effort regarding the issues addressed by Ms. Cannady in her evaluation of CenterPoint's *March 27th Statement of Intent* and that of GCCC's consultant.
12. The invoices submitted by Herrera & Boyle include a description of services performed and time expended on each activity. The invoices for CenterPoint's *March 27th Statement of Intent* have been provided to CenterPoint. Herrera & Boyle has documented all charges with time sheets, invoices and records. The documentation in this case is similar to that provided in many previous cases at the Commission.
13. Legal expenses connected with CenterPoint's *March 27th Statement of Intent* total \$71,290.29. There are no luxury items associated with Herrera & Boyle's expenses. The total consists of reimbursable items such as courier services, express mail, postage and shipping, and photocopying. Internal copying charges were limited to 15¢ per page.
14. My responsibilities included client communication, strategy development, overall case management, discovery review, review and edit testimony, prepare for hearing, attend pre-hearings, and attendance at settlement meetings.
15. To complete CenterPoint's *March 27th Statement of Intent*, I estimate that the cities represented by Herrera & Boyle will incur additional fees and expenses of \$4,550.00. My estimate is based on actual experience in previous rate cases at the Commission and at the Public Utility Commission. TCUC will request reimbursement only for actual amount billed for work that has been performed.
16. TCUC reserves the right to amend this affidavit and its request for reimbursement as more information is gathered over the course of CenterPoint's *March 27th Statement of Intent*.
17. Statements in this affidavit are true and known by me personally.


Alfred R. Herrera

SWORN AND SUBSCRIBED before me on this the 1 of July 2015.


Notary Public, State of Texas

(seal)

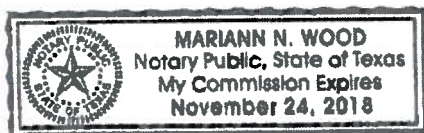


Exhibit E

**CenterPoint Energy
Texas Coast Division
September 30, 2014 Number of Customers**

Line No.	City	Number of Customers		
		Residential	General Service	
			Small	Large Volume
1	Alvin Env	691	16	0
2	Alvin Inc	4,699	382	14
3	Angleton Env	107	18	0
4	Angleton Inc	4,078	264	8
5	Bacliff	2,037	97	1
6	Barrett's Settlement	642	32	0
7	Baytown Env	6,332	210	0
8	Baytown Inc	14,744	775	55
9	Beach City Env	275	8	0
10	Beach City Inc	224	3	0
11	Beasley Env	2	0	0
12	Beasley Inc	94	12	0
13	Boling Env	229	17	0
14	Brookshire Env	592	103	0
15	Brookshire Inc	228	66	10
16	Brookside Village Inc	446	11	0
17	Channel Area	1	16	0
18	Clr Lake Shores Env	25	4	0
19	Clr Lake Shores Inc	398	16	0
20	Clute Env	61	1	0
21	Clute Inc	1,924	165	4
22	Columbia Lakes	426	10	0
23	Crosby	966	140	1
24	Damon Env	104	9	0
25	Danbury Env	45	1	0
26	Danbury Inc	397	27	0
27	Deer Park Inc	0	15	1
28	Dickinson Env	1,029	30	0
29	Dickinson Inc	3,924	196	8
30	East Bernard Env	3	10	0
31	East Bernard Inc	338	54	0
32	El Lago Inc	874	19	0
33	Freeport Env	0	8	0
34	Freeport Inc	2,174	177	4
35	Friendswood Env	2,437	25	0
36	Friendswood Inc	9,006	336	9
37	Fulshear Env	186	41	0
38	Fulshear Inc	1,556	116	0
39	Glen Flora Env	36	6	0
40	Highlands Env	2,760	91	1
41	Hillcrest Vilg Env	139	0	0
42	Hillcrest Vilg Inc	267	2	0
43	Hitchcock Env	111	6	0
44	Hitchcock Inc	1,348	82	1

**CenterPoint Energy
Texas Coast Division
September 30, 2014 Number of Customers**

Line No.	City	Number of Customers		
		Residential	General Service	
			Small	Large Volume
45	Houston Annex	15	112	0
46	Houston Inc	978	53	3
47	Huffman Env	0	0	2
48	Hungerford Env	84	12	0
49	Iago Env	59	4	0
50	Iowa Colony	658	57	0
51	Jones Creek Env	39	4	0
52	Jones Creek Inc	467	10	0
53	Katy Env	10,832	674	0
54	Katy Inc	3,801	313	13
55	Kemah Env	88	2	0
56	Kemah Inc	511	65	10
57	Kendleton Env	1	0	0
58	Kendleton Inc	33	3	0
59	La Marque Inc	4,346	230	3
60	La Porte Env	4	15	0
61	La Porte Inc	7,718	379	9
62	Lake Jackson Env	91	2	0
63	Lake Jackson Inc	7,122	254	12
64	League City Inc	24,009	887	16
65	Liverpool Env	149	2	0
66	Liverpool Inc	100	8	2
67	Manvel Env	274	18	0
68	Manvel Inc	1,132	81	1
69	Missouri City Inc	1,438	37	0
70	Morgan's Point Inc	118	16	0
71	Mt. Belvieu Env	410	28	0
72	Mt. Belvieu Inc	1,058	94	1
73	Needville Env	69	19	0
74	Needville Inc	641	58	1
75	New Gulf Env	25	9	0
76	Old Ocean Env	25	4	0
77	Orchard Env	8	1	0
78	Orchard Inc	92	8	0
79	Oyster Creek Env	54	2	0
80	Oyster Creek Inc	112	18	0
81	Pasadena Env	0	5	0
82	Pasadena Inc	825	18	4
83	Pearland Env	8,099	211	0
84	Pearland Inc	26,657	978	36
85	Pecan Grove Env	21,541	896	0
86	Pleak Inc	14	1	0
87	Richmond Env	3,327	302	0
88	Richmond Inc	2,043	177	14

CenterPoint Energy
Texas Coast Division
September 30, 2014 Number of Customers

Line No.	City	Number of Customers		
		Residential	General Service	
			Small	Large Volume
89	Richwood Env	281	4	0
90	Richwood Inc	810	32	0
91	Rosenberg Env	3,646	201	0
92	Rosenberg Inc	6,370	517	17
93	Rosharon Env	133	27	0
94	San Leon Env	739	33	0
95	Santa Fe Env	83	3	0
96	Santa Fe Inc	1,930	94	1
97	Seabrook Inc	3,246	147	6
98	Shoreacres Inc	583	9	0
99	Sienna Plantation	13	0	0
100	Sugar Land Env	15,000	167	0
101	Sugar Land Inc	19,889	626	36
102	Taylor Lake Vilg Inc	1,399	10	0
103	Teal Run	5,966	203	0
104	Texas City Inc	9,738	524	17
105	Van Vleck Env	221	22	0
106	Wallis Env	6	2	0
107	Wallis Inc	252	29	1
108	Webster Env	0	1	0
109	Webster Inc	448	212	24
110	West Columbia Env	103	11	0
111	West Columbia Inc	774	89	0
112	Weston Lakes Env	212	7	0
113	Weston Lakes Inc.	1,227	37	0
114	Wharton Env	80	3	0
115	Wharton Inc	1,769	208	8
116 TOTAL		269,940	12,902	354

Note: For ratemaking purposes, the cities of Houston, Deer Park, Missouri City, and Pasadena are part of the Company's Houston Division; however, the corporate limits of those cities extend into the Texas Coast Division. The minimal revenues, expenses, and plant of these cities that are in the Texas Coast Division are reflected in this application. The Company is not requesting a rate change for these cities.

**GUD NO. 10432, Consolidated
Approved Tariffs**

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
RESIDENTIAL SERVICE
RATE SCHEDULE NO. R-2093**

APPLICATION OF SCHEDULE

This schedule is applicable to any customer in an incorporated area or in the environs in the Texas Coast Division 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 – \$15.00;
- (2) Commodity Charge –
All Ccf \$0.0746 per Ccf

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

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

(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
TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-SMALL
RATE SCHEDULE NO. GSS-2093**

APPLICATION OF SCHEDULE

This schedule is applicable to natural gas service to any customer in an incorporated area or in the environs in the Texas Coast Division 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 – \$15.50;
- (2) Commodity Charge –
All Ccf \$0.0671 per Ccf

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

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

(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
TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-LARGE VOLUME
RATE SCHEDULE NO. GSLV-624**

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 in an incorporated area or in the environs in the Texas Coast Division 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 – \$45.00;

(2) Commodity Charge –

All Ccf \$0.0440 per Ccf

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

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

(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

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-LARGE VOLUME
RATE SCHEDULE NO. GSLV-624**

contract shall be executed by Consumer upon request of Company and Company shall not be obligated to serve any such Consumer more than 25 Mcf during any one day until such written contract is executed and delivered by Consumer.

MEASUREMENT

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

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

The Sales Unit shall be one Mcf.

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

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

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

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

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

GUD NO. 10432, Consolidated

Final Order

Exhibit 2

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-LARGE VOLUME
RATE SCHEDULE NO. GSLV-624**

shall have the option of installing a recording thermometer, and if company exercises such option, corrections shall be made for each degree variation in the applicable flowing temperature for the period under consideration.

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

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

SUPPLY INTERRUPTIONS

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

CHARGES FOR UNAUTHORIZED OVER-RUN GAS

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

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.

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-LARGE VOLUME
RATE SCHEDULE NO. GSLV-624**

RULES AND REGULATIONS

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

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A/ CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
PURCHASED GAS ADJUSTMENT
RATE SCHEDULE NO. PGA-13**

This Cost of Gas Clause shall apply to all general service rate schedules of CenterPoint Energy Entex in the Incorporated and Environs areas of the Texas Coast Division ("the Company").

A. DEFINITIONS

1. **Cost of Purchased Gas (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 capacity charges, storage capacity 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.
2. **Purchase/Sales Ratio (R):** A ratio determined by dividing the total volumes purchased by the Company for general service customers for the twelve (12) month period ending the preceding August 31 Production Month by the sum of the volumes sold to general service customers during the same period. For the purpose of this computation, all volumes shall be stated at 14.65 p.s.i.a. Such ratio as determined shall in no event seek to recover more than 5% lost and unaccounted for gas loss unless expressly authorized by the applicable regulatory authority.
3. **Production Month:** The month that gas cost related activities are completed.
4. **Accounting Month:** The month gas related activities are posted on the books and records of the Company.
5. **Commodity Cost:** The Cost of Purchased Gas multiplied by the Purchase Sales Ratio.
6. **Purchased Gas Adjustment (PGA):** The rate per billing unit or the total calculation under this Cost of Gas Clause, consisting of the commodity cost, a reconciliation component (RC) and related fees and taxes.
$$\text{PGA Rate (per Mcf sold)} = [(G * R) \pm RC] \text{ rounded to the nearest } \$0.0001$$
$$\text{PGA Rate (per Ccf sold)} = \text{PGA Rate (per Mcf sold)} \div 10$$
7. **General Service Customer:** residential, small commercial and large volume customers.
8. **Reconciliation Audit:** An annual review of the Company's books and records for each twelve month period ending with the May Production Month to determine the amount of over or under collection occurring during such twelve month period. The audit shall determine:
 - a. the total amount paid for gas purchased by the Company to provide service to its general service customers during the period;
 - b. the revenues received from operation of the provisions of this Cost of Gas Clause reduced by the amount of revenue associated fees and taxes paid on those revenues;

**CENTERPOINT ENERGY RESOURCES CORP.
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AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
PURCHASED GAS ADJUSTMENT
RATE SCHEDULE NO. PGA-13**

- c. the total amount of refunds made to customers during the period and any other revenues or credits received by the Company as a result of gas purchases or operation of this Cost of Gas Clause; and
 - d. an adjustment, if necessary, for lost and unaccounted for gas during the period identified in A2 in excess of five (5) percent of purchases.
9. **Reconciliation Component (RC):** The amount to be returned to or recovered from customers each month from the August billing cycle through April billing cycle as a result of the Reconciliation Audit.
10. **Reconciliation Account:** The account maintained by the Company to assure that over time it will neither over nor under collect revenues as a result of the operation of this Cost of Gas Clause. Entries shall be made monthly to reflect but not necessarily limited to:
- a. the total amounts paid to the Company's supplier(s) for gas applicable to general service customers as recorded on the Company's books and records;
 - b. any upstream transportation charges;
 - c. the cost of gas withdrawn from storage less the cost of gas injected into storage;
 - d. fixed storage charges;
 - e. the revenues produced by the operation of this Cost of Gas Clause; and
 - f. refunds, payments, or charges provided for herein or as approved by the regulatory authority.
11. **Carrying Charge for Gas in Storage:** A return on the Company's investment for gas in storage.

B. COST OF GAS = Purchased Gas Adjustment (PGA)

In addition to the cost of service as provided under its general service rate schedule(s), the Company shall bill each general service customer for the Cost of Gas incurred during the billing period. The Cost of Gas shall be clearly identified on each customer bill.

C. DETERMINATION AND APPLICATION OF THE RECONCILIATION COMPONENT

If the Reconciliation Audit reflects either an over recovery or under recovery of revenues, such amount, plus or minus the amount of interest calculated pursuant to Section D below, if any, shall be divided by the general service sales volumes, adjusted for the effects of weather and growth, for the last preceding August billing cycle through April billing cycle. The Reconciliation Component so determined to collect any revenue shortfall or to return any excess revenue shall be applied for a nine (9) month period beginning with the next following August billing cycle and continuing through the next following April billing cycle at which time it will terminate until a new Reconciliation Component is determined.

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A/ CENTERPOINT ENERGY ENTEX
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TEXAS COAST DIVISION
RATE SHEET
PURCHASED GAS ADJUSTMENT
RATE SCHEDULE NO. PGA-13**

D. PAYMENT FOR USE OF FUNDS

Concurrently with the Reconciliation Audit, the Company shall determine the amount by which the Cost of Gas was over or under collected for each month within the period of audit. If the sum of the monthly balances reflects an over collection during the period, the Company shall credit into the Reconciliation Account during August an amount equal to the average annual balance multiplied by 6%.

If the sum of the monthly balances reflects an under collection during the period, the Company shall debit into the Reconciliation Account during August an amount equal to the average annual balance multiplied by 6%.

E. CARRYING CHARGE FOR GAS IN STORAGE

A carrying charge for gas in storage will be 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. GUD 10432 and will be reflected on the customer's bill.

F. SURCHARGE OR REFUND PROCEDURES

In the event that the rates and charges of the Company's supplier are retroactively reduced and a refund of any previous payments is made to the Company, the Company shall make a similar refund to its general service customers. Similarly, the Company may surcharge its general service customers for retroactive payments made for gas previously delivered into the system. The entire amount of refunds or charges shall be entered into the Reconciliation Account as they are collected from or returned to the customers.

For the purpose of this Section the entry shall be made on the same basis used to determine the refund or charge component of the Cost of Gas and shall be subject to the calculation set forth in Section D, Payment for Use of Funds, above.

G. COST OF GAS STATEMENT

The Company shall file a copy of the Cost of Gas Statement with the Regulatory Authority by the beginning of each billing month. (The Company shall file such initial Statement as soon as is reasonably possible.) The Cost of Gas Statement shall set forth:

1. the Cost of Purchased Gas;
2. that cost multiplied by the Purchase/Sales Ratio;
3. the amount of the cost of gas caused by any surcharge or refund;
4. the Reconciliation Component;
5. the revenue associated fees and taxes to be applied to revenues generated by the Cost of Gas;

**CENTERPOINT ENERGY RESOURCES CORP.
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RATE SHEET
PURCHASED GAS ADJUSTMENT
RATE SCHEDULE NO. PGA-13**

6. the Cost of Gas which is the total of items (2) through (5); and
7. the Carrying Charge for Gas in Storage.

The statement shall include all data necessary for the Customers and Regulatory Authority to review and verify the calculation of the Cost of Gas and the Carrying Charge for Gas in Storage. The date on which billing using the Cost of Gas and the Carrying Charge for Gas in Storage is to begin (bills prepared) is to be specified in the statement.

H. ANNUAL RECONCILIATION REPORT

The Company shall file an annual report with the Regulatory Authority which shall include but is not necessarily limited to:

1. A tabulation of volumes of gas purchased and costs incurred listed by account or type of gas, supplier and source by month for the twelve months ending with the May Production Month will be available upon request;
2. A tabulation of gas units sold to general service customers and related Cost of Gas Clause revenues for the twelve month period ending with the May Production Month will be available upon request; and
3. A summary of all other costs and refunds made during the year and the status of the Reconciliation Account. This report shall be filed concurrently with the Cost of Gas Statement for August.

The Annual Report shall be filed in a format similar to the example format that follows.

CENTERPOINT ENERGY RESOURCES CORP.
D/B/A/ CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
PURCHASED GAS ADJUSTMENT
RATE SCHEDULE NO. PGA-13

ANNUAL RECONCILIATION REPORT
TWELVE MONTH ENDING

A.	COST OF PURCHASED GAS	B.	COST OF GAS REVENUE
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TOTAL PURCHASES	TOTAL SALES
<div style="display: flex; justify-content: space-between;"> Mcf @ 14.65 \$ Dollars </div>	<div style="display: flex; justify-content: space-between;"> Mcf @ 14.65 \$ Dollars </div>

Prior Period Adjustments	
Year	Month 1
Year	Month 2
Year	Month 3
Year	Month 4
Year	Month 5
Year	Month 6
Year	Month 7
Year	Month 8
Year	Month 9
Year	Month 10
Year	Month 11
Year	Month 12

Prior Period Adjustments	
Year	Month 1
Year	Month 2
Year	Month 3
Year	Month 4
Year	Month 5
Year	Month 6
Year	Month 7
Year	Month 8
Year	Month 9
Year	Month 10
Year	Month 11
Year	Month 12

Total	-	\$	-
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Total	-	\$	-
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**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A/ CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
PURCHASED GAS ADJUSTMENT
RATE SCHEDULE NO. PGA-13**

**ANNUAL RECONCILIATION REPORT
TWELVE MONTH ENDING**

C.	MONTHLY BALANCE
----	-----------------

	TOTAL PURCHASES \$ Dollars	TOTAL COG REVENUE \$ Dollars	(OVER) / UNDER COLLECTION OF COG \$ Dollars	ADJUSTMENTS \$ Dollars	GROSS RECEIPTS & FRANCHISE TAX \$ Dollars	CUMULATIVE BALANCE \$ Dollars	CUMULATIVE BALANCE EXCLUDING INTEREST \$ Dollars
Ending Balance Brought Forward							
Prior Period Adjustments							
Year Month 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Year Month 2	-	-	-	-	-	-	-
Year Month 3	-	-	-	-	-	-	-
Year Month 4	-	-	-	-	-	-	-
Year Month 5	-	-	-	-	-	-	-
Year Month 6	-	-	-	-	-	-	-
Year Month 7	-	-	-	-	-	-	-
Year Month 8	-	-	-	-	-	-	-
Year Month 9	-	-	-	-	-	-	-
Year Month 10	-	-	-	-	-	-	-
Year Month 11	-	-	-	-	-	-	-
Year Month 12	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

1 Prior Years Interest Calc

12 months Average (O/Y) Balance	\$ -
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**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A/ CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
PURCHASED GAS ADJUSTMENT
RATE SCHEDULE NO. PGA-13**

**GUD. NO. 10432, Consolidated
Final Order
Exhibit 2**

CENTERPOINT ENERGY RESOURCES CORP.
D/B/A/ CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
PURCHASED GAS ADJUSTMENT
RATE SCHEDULE NO. PGA-13

ANNUAL RECONCILIATION REPORT
TWELVE MONTH ENDING

D. SALES VOLUMES	E. Interest on PGA Balance
------------------	----------------------------

Actual Mcf @ 14.65	12 months Average (O/U) Balance	\$ -
	Interest Rate	6.00%
	Total Interest on (O/U) Balance	\$ -

Year	Month 1
Year	Month 2
Year	Month 3
Year	Month 4
Year	Month 5
Year	Month 6
Year	Month 7
Year	Month 8
Year	Month 9

Total

F. Reconciliation Component

TME Cumulative (O/U) Balance Excluding Interest	\$ -
UAF Adjustment	-
Total Interest on (O/U) Balance	\$ -
Total	\$ -

Divided By:
Sales Volume

RECONCILIATION COMPONENT	\$	-	Per Mcf
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GUD. NO. 10432, Consolidated
 Final Order
 Exhibit 2

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
SCHEDULE OF MISCELLANEOUS SERVICE CHARGES
RATE SCHEDULE NO. MISC-14**

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.	Disconnect service at main	\$300
	(Plus any costs arising out of any city ordinance or regulation or governing work in city streets)	
	(Plus other related costs)	
9.	Restore service at main after termination for non-payment	\$300
	(Plus cost of materials)	
10.	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.

* Outside the hours of 8:00 A.M. to 5:00 P.M. CST Monday – Friday, on weekends, and on all Company designated holidays.

** Meters changed at customer's request. Does not include changes due to meter failure and/or incorrect measurement of usage.

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

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
SCHEDULE OF MISCELLANEOUS SERVICE CHARGES
RATE SCHEDULE NO. MISC-14**

OTHER CHARGES

- | | | |
|-----|--|------|
| 11. | Collection call - trip charge (not collected under miscellaneous service item no. 3 – Turning off service to active meter) | \$20 |
| 12. | 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 and Franchise Fee Adjustment Rate Schedule.

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
TAX ADJUSTMENT
RATE SCHEDULE NO. TA-11**

The Customers shall reimburse the Company for the Customers' proportionate part of any tax, charge, impost, assessment or fee of whatever kind and by whatever name (except ad valorem taxes and income taxes) levied upon the Company by any governmental authority under any law, rule, regulation, ordinance, or agreement (hereinafter referred to as "the Tax"). If the law, rule, regulation, ordinance, or agreement levying the Tax specifies a method of collection from Customers, then the method so specified shall be utilized provided such method results in the collection of taxes from the Customers equal to the taxes levied on the Company. If no method of collection is specified, then the Company shall collect an amount calculated as a percentage of the Customers' bills applicable directly to those Customers located solely within the jurisdiction imposing the tax and/or within the jurisdiction where the tax is applicable. The percentage shall be determined so that the collection from Customers within the Company's different legal jurisdictions (municipal or otherwise defined) encompassing the Texas Coast Division is equal to the taxes levied on the Company.

The initial Tax Adjustment Rate shall be based on the Taxes that are levied upon the Company on the effective date of this Rate Schedule. The Company will initiate a new or changed Tax Adjustment Rate beginning with the billing cycle immediately following the effective date of the new or changed Tax as specified by the applicable law, rule, regulation, ordinance, or agreement, provided that the Company has the customer billing data necessary to bill and collect the Tax. If at any time there is a significant change that will cause an unreasonable over or under collection of the Tax, the Company will adjust the Tax Adjustment Rate so that such over or under collection will be minimized. The Tax Adjustment Rate (calculated on a per Ccf or per Mcf basis, as appropriate) shall be reported to the applicable governmental authority by the last business day of the month in which the Tax Adjustment Rate became effective.

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
FRANCHISE FEE ADJUSTMENT
RATE SCHEDULE NO. FFA-6**

APPLICATION

Applicable to Customers inside the corporate limits of an incorporated municipality that imposes a municipal franchise fee upon Company for the Gas Service provided to Customer.

MONTHLY ADJUSTMENT

Company will adjust Customer's bill each month in an amount equal to the municipal franchise fees payable for the Gas Service provided to Customer by Company. Municipal franchise fees are determined by each municipality's franchise ordinance. Each municipality's franchise ordinance will specify the percentage and applicability of franchise fees.

RAILROAD COMMISSION REPORTING

CenterPoint shall maintain on file with the Railroad Commission of Texas a current listing of Cities and applicable franchise fees. Reports should be filed at the Commission as follows:

Tariff Compliance
Oversight and Safety Division, Gas Services
Railroad Commission of Texas
P.O. Drawer 12967
Austin, TX 78711-2967

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
RATE CASE EXPENSE RECOVERY RATE SCHEDULE NO. RCE-9.1**

APPLICATION OF SCHEDULE

This schedule applies to all residential, small commercial, and large volume customers in the Texas Coast Division impacted by the Company's Statement of Intent to Increase Rates filed on March 27, 2015.

This rate schedule is for the recovery of rate case expense ("RCE") and shall be in effect beginning on or after August 25, 2015, for a thirty-six (36) month period or until all approved expenses are collected.

MONTHLY RATE RECOVERY FACTOR:

Residential	\$ 0.08 per bill
General Service-Small	\$ 0.08 per bill
General Service-Large	\$ 0.08 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 November, a report with the Railroad Commission of Texas ("Commission"). The Company will send a copy of the report to counsel for the Texas Coast Utilities Coalition, whose members include the cities of Angleton, Baytown, Clute, Freeport, League City, Pearland, Shoreacres, West Columbia, and Wharton, Texas. The Company will also send a copy of the report to counsel for the Gulf Coast Coalition of Cities, whose members include the cities of Alvin, Brookshire, Clear Lake Shores, Dickinson, Friendswood, Fulshear, Kemah, Lake Jackson, La Marque, Manvel, Mont Belvieu, Morgan's Point, Rosenberg, Santa Fe, Seabrook, Sugar Land, Taylor Lake Village, Texas City, Webster, and Weston Lakes, Texas. The report shall detail the monthly collections for RCE surcharge by customer class and show the outstanding balance. Reports for the Commission should be filed electronically or at the following address:

Tariff Compliance
Oversight and Safety Division, Gas Services
Railroad Commission of Texas
P.O. Drawer 12967
Austin, TX 78711-2967

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

STATEMENT OF INTENT OF	§	
CENTERPOINT ENERGY RESOURCES	§	
CORP., D/B/A CENTERPOINT ENERGY	§	GAS UTILITIES DOCKET NO. 10432
ENTEX AND CENTERPOINT ENERGY	§	AND CONSOLIDATED DOCKETS
TEXAS GAS TO INCREASE RATES ON A	§	
DIVISION-WIDE BASIS IN THE TEXAS	§	
COAST DIVISION	§	

PROPOSED ALTERNATE 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. 2015). 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 Texas, CPT, or company) 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 March 27, 2015, CPT filed a *Statement of Intent to Increase Rates on a Division-Wide Basis in the Texas Coast Division*. That filing was docketed as GUD No. 10432.
3. On April 28, 2015, the Commission suspended the implementation of CPT's proposed rates for up to 150 days.
4. By letter, on April 30, 2015, the company extended the statutory deadline to October 20, 2015.
5. For all customers located in unincorporated or environs areas, CPT published a Public Notice of its statement of intent to increase rates in its Texas Coast Division, once a week in six newspapers of general circulation for four or more consecutive weeks beginning on approximately April 10, 2015, in accordance with Gas Utility Regulatory Act (GURA) §104.103(a) and 16 TEX. ADMIN. CODE §§ 7.230 AND 7.235 (2015).
6. The publication of notice meets the statutory and rule requirements of notice and provides sufficient information to ratepayers about the proposed rate increase in the *Statement of Intent*, in accordance with Gas Utility Regulatory Act (GURA) §104.103(a) and 16 TEX. ADMIN. CODE §§ 7.230 AND 7.235 (2015).

7. CPT proposes to implement the proposed rate on a division-wide basis and also filed a *Statement of Intent* to increase rates for the municipalities in the Texas Coast Division.
8. The following municipalities surrendered jurisdiction to the Commission: Clear Lake Shores Inc., Danbury Inc., El Lago Inc., Hitchcock Inc., Jones Creek Inc., Liverpool Inc., Pleak Inc., Richwood Inc., and Weston Lakes Inc. in accordance with TEX. UTIL. CODE ANN. §§ 102.001 (a)(1)(A) and (B), and 103.003 (Vernon 2007 and Supp. 2015).
9. Staff of the Railroad Commission (Staff) and Gulf Coast Coalition of Cities (GCCC) intervened in these consolidated proceedings on April 8, 2015.
10. The GCCC cities include the following: Alvin, Brookshire, Clear Lake Shores, Dickinson, Friendswood, Fulshear, Kemah, Lake Jackson, La Marque, Manvel, Mont Belvieu, Morgan's Point, Rosenberg, Santa Fe, Seabrook, Sugar Land, Taylor Lake Village, Texas City, Webster, and Weston Lakes.
11. Texas Coast Utilities Coalition (TCUC) intervened in these consolidated proceedings on April 28, 2015.
12. The TCUC cities include the following: Angleton, Baytown, Clute, Freeport, League City, Pearland, Shoreacres, West Columbia, and Wharton.
13. The following cities denied the *Statement of Intent* filed by CPT and the utility filed an appeal to the Commission: Alvin, Beach City, Dickinson, Friendswood, Fulshear, La Marque, La Porte, Lake Jackson, Manvel, Mont Belvieu, Morgan's Point, Rosenberg, Santa Fe, Seabrook, Sugar Land, Texas City, and Webster. The case was docketed as GUD No. 10440, and a motion to consolidate was granted on May 21, 2015.
14. The cities of Brookshire and Kemah denied the *Statement of Intent* filed by CPT and the utility filed an appeal to the Commission. The case was docketed as GUD No. 10444, and a motion to consolidate was granted on June 9, 2015.
15. The cities of Houston, Deer Park, Missouri City and Pasadena are part of the company's Houston Division, as their corporate limits extend into the Texas Coast Division but are served under tariffs approved for the Houston Division. The company is not requesting a rate change for these cities.
16. On May 29, 2015, the company made an Errata filing that included testimony, exhibits and schedules to correct an error related to its unrecovered postretirement expense balance and the flow-through effects.
17. The *Unanimous Settlement Agreement* resolved all issues and no issues were preserved for further litigation.

18. CPT established that the utility maintains its books and records in accordance with the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts (USOA) prescribed for Natural Gas Companies.
19. CPT established that the utility has fully complied with the books and records requirements of Commission Rule 7.310 and the amounts included therein are therefore subject to the presumption encapsulated in Commission Rule 7.503 that these amounts are reasonable and necessary.
20. The test year in this filing is based upon the financial data for the twelve month period ended September 30, 2014, adjusted for known and measurable changes.
21. The proposed rate increase is driven by several factors that includes, but is not limited to, increased infrastructure investment, rising operating costs, necessity to earn a reasonable rate of return, and that the Texas Coast Division rates have not changed since the current division-wide rates were adjusted under the COSA mechanism in 2011.
22. The COSA-2 tariff was approved by several municipalities in 2008.
23. The Texas Coast Division COSA-2 Tariff includes the following cities and surrounding areas: Alvin, Beasley, Beach City, Brookshire, Brookside village, Clear Lake Shores, Danbury, Dickinson, East Bernard, El Lago, Friendswood, Fulshear, Hillcrest Village, Hitchcock, Jones Creek, Katy, Kemah, Kendleton, Lake Jackson, La Marque, La Porte, Liverpool, Manvel, Mont Belvieu, Morgan's Point, Needville, Orchard, Oyster Creek, Pleak, Richwood, Richmond, Rosenberg, Santa Fe, Seabrook, Sugar Land, Taylor Lake Village, Texas City, Wallis, and Webster.
24. The COSA-3 tariff was approved by the Commission in the Final Order in GUD No. 9791 and established a procedure whereby CenterPoint Texas annually made adjustment to its Texas Coast Division customer charges for natural gas distribution service.
25. Those adjustments accounted for changes in the cost of service of CenterPoint Texas as calculated according to a formula in the tariff without the necessity of an additional full rate case.
26. The Texas Coast Division COSA-3 Tariff includes the following cities and surrounding areas: Angleton, Bacliff, Barretts Settlement, Baytown, Boling, Chanel Area, Clute, Columbia Lakes, Crosby, Damon, Freeport, Glen Flora, Highlands, Hungerford, Iago, Iowa Colony, League City, New Gulf, Old Ocean, Pearland, Pecan Grove, Rosharon, San Leon, Shoreacres, Sienna Plantation, Teal Run, Van Vleck, West Columbia, Weston Lakes, and Wharton.
27. The *Unanimous Settlement Agreement* contemplates that the approximate \$4,900,000 revenue increase is a "black box" amount meaning that it is not tied to any specific expense in the company's underlying cost of service.

28. CPT initially requested in the Errata filing a division-wide revenue requirement increase of approximately \$7,184,103.
29. The *Unanimous Settlement Agreement* requests a system-wide revenue requirement annual increase of \$4,900,000.
30. This represents a decrease from the Errata filing of \$2,284,103, which is a decrease of nearly 32% compared to the Errata filing.
31. The parties have established that the proposed revenue increase of \$4,900,000 is just and reasonable.
32. The proposed division-wide rates will affect the following classes of customer in the Texas Coast Division: Residential (RS), General Service – Small (GSS), and General Service – Large Volume (GSLV).
33. The rates reflected in the attached *Unanimous Settlement Agreement*, and the customer charges set forth therein, are just and reasonable.

	Customer Charge	Single Block Volumetric
Residential	\$15.00	\$0.07460 per Ccf
General Service – Small	\$15.50	\$0.06710 per Ccf
General Service – Large	\$45.00	\$0.04400 per Ccf

34. The following capital structure; cost of debt; cost of equity; weighted cost of capital; overall rate of return; and pre-tax return included in the *Unanimous Settlement Agreement* are just and reasonable.

	Capital Structure	Debt/Equity Cost	Weighted Cost of Capital	Pre-tax Return
Long-Term Debt	45.5%	6.1141%	2.78%	2.78%
Common Equity	54.5%	10.0000%	5.45%	8.38%
Rate of Return	100.0%		8.23%	11.17%

35. The *Unanimous Settlement Agreement* is just and reasonable to require that any future Interim Rate Adjustment (IRA) filing in the Texas Coast Division pursuant to TEX. UTIL. CODE ANN. § 104.301 shall use the following factors until changed by a subsequent rate proceeding:
 - a. The capital structure and related components as shown in Finding of Fact No. 34 above.
 - b. For any initial IRA filing, the Net Investment, which includes detail of Plant in Service amounts by Fixed Capital Account (FCA) along with the associated

depreciation rate for each account as shown on Exhibit C of the *Unanimous Settlement Agreement*.

- c. For any initial IRA filing, the beginning amount of ad valorem taxes at the Texas Coast Division level is \$2,238,994 and the standard sales service amount is \$2,179,217. Margin tax will be calculated using a .75% factor until or unless changed by statute.
- d. For any initial IRA filing, the rate base amount for standard sales service is \$132,920,321 for purposes of calculating the federal income tax on related schedules in the IRA filing. This amount is derived based on settlement and should not be considered precedential for purposes of regulatory assets or liabilities associated with pensions, retirement plans, and deferred benefits requested in this case.
- e. For any initial IRA filing, the customer charges as noted in Finding of Fact No. 33 above will be the starting rates to apply to any IRA adjustment.
- f. The base rate revenue allocation factors to spread any change in IRA increase/decrease to the appropriate customer classes are, as follows:

Residential	General Service – Small	General Service - Large
92.5131%	6.3790%	1.1079%

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

Description	Total
Pension	\$1,666,822
Benefit Restoration Plan	\$ 290,207
Post-Employment	\$ 138,363
Post Retirement	\$ 469,733

37. During the test year, services were provided to the Texas Coast Division by certain affiliates: Service Company, CenterPoint Energy Houston Electric, LLC and other divisions of CenterPoint's Gas Operations.
38. The Service Company personnel carry out corporate oversight and managerial functions for CNP and its business units and are comprised of four main groups, which are shown below in Figure 6.1: Corporate Services, Information Technology, Business Support Services, and Regulated Operations Management.

39. CenterPoint Texas has established that the services provided by its affiliates on behalf of the Texas Coast Division are reasonable and necessary.
40. 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 Texas Coast Division are no higher than the prices charged by the supplying affiliate to other affiliates or divisions of CenterPoint Texas, or to a non-affiliated person for the same item or class of items.
41. On June 1, 2015, the rate case expenses from GUD No. 10432 and consolidated cases were severed into GUD No. 10441, styled as *Rate Case Expenses Severed from GUD No. 10432*. After receipt of the *Unanimous Settlement Agreement*, consistent with the agreement of the parties, GUD No. 10441 was incorporated back into GUD No. 10432.
42. CPT requested actual and estimated rate case expenses totaling \$619,887.57.
43. It is reasonable to adjust downward CPT's rate case expenses by \$486.68 due to two invoices with hotel expenses in excess of \$150.00 per night.
44. CPT has established that the adjusted actual and estimated rate case expenses totaling \$619,400.89 are just and reasonable.
45. GCCC has established that its actual and estimated rate case expenses totaling \$86,458.94 are just and reasonable.
46. TCUC established that its actual and estimated rate case expenses totaling \$75,840.29 are just and reasonable.
47. The hourly rates charged by attorneys and consultants were reasonable rates charged by firms in cases addressing utility rate matters.
48. The attorneys and consultants did not charge any expenses for luxury items and did not incur any airline, lodging, or meal expenses.
49. The amount of work done and the time and labor required to accomplish the work was reasonable given the nature of the issues addressed.
50. The complexity and expense of the work was relevant and reasonably necessary to the proceeding, and was commensurate with both the complexity of the issues and necessary to completing the matter before the Commission.
51. The total just and reasonable rate case expenses for CPT, GCCC and TCUC are \$781,700.12.
52. It is reasonable that the recovery of \$781,700.12 in total rate case expenses be over an approximate thirty-six month period with the surcharge separately stated on each bill.

53. It is just and reasonable that the company's Required Regulatory Expenses in the amount of \$259,175.11 be allocated on a cost causation basis to all Residential, General Service Small Volume, and General Service Large Volume customers in the Texas Coast Division, except the Houston Division cities.
54. It is just and reasonable that the company's litigation expenses of \$340,225.78 and estimated expenses of \$20,000 be allocated to TCUC, GCCC, Environs, Ceded Cities, Beach City and La Porte.
55. It is just and reasonable that the cities of Beach City and La Porte not pay the actual or estimated rate case expenses of GCCC in the amount of \$86,458.94 and TCUC in the amount of \$75,840.29.
56. It is just and reasonable that the Environs and Ceded Cities also be allocated the actual and estimated litigation expenses of GCCC in the amount of \$86,458.94 and TCUC in the amount of \$75,840.29.
57. It is just and reasonable that the Environs, Ceded Cities, and cities represented by TCUC and GCCC be allocated on a cost causation basis a rate case expense surcharge of approximately \$0.08 per bill per month for approximately 36 months.
58. It is just and reasonable that the cities of Beach City and La Porte be allocated on a cost causation basis a rate case expense surcharge of approximately \$0.06 per bill per month for approximately 36 months.
59. It is just and reasonable that the cities that took no action and the cities that settled be allocated on a cost causation basis a rate case expense surcharge of approximately \$0.03 per bill per month for approximately 36 months.
60. The Commission lacks jurisdiction over the cities that took no action and the cities that settled so the company is required to pursue the recovery of the \$8,181.19 from those cities.
61. It is reasonable for CenterPoint Texas to reimburse the Commission approved amount of rate case expenses within 30 days of the issuance of an order authorizing recovery of those expenses to GCCC and TCUC.
62. It is reasonable for the rate case expense recovery to be properly reconciled annually with the Commission's Oversight & Safety Director to ensure that no under-recovery or over-recovery occurs to customers or the company.
63. 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 Texas, CPT, or company) is a Gas Utility as defined in TEX. UTIL. CODE ANN. §§ 101.003(7) and 121.001 (Vernon 2007 and Supp. 2015) and is therefore subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. The Commission has jurisdiction over CPT and CPT'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 and Supp. 2015).
3. Under TEX. UTIL. CODE ANN. §102.001 (Vernon 2007 and Supp. 2015), 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. Under TEX. UTIL. CODE ANN. §102.001 (Vernon 2007 and Supp. 2015), the Commission has exclusive original jurisdiction over the rates and services of a gas utility for the areas inside a municipality that surrenders (cedes) its jurisdiction to the Commission. The following cities surrendered their municipal original jurisdiction: Clear Lake Shores Inc., Danbury Inc., El Lago Inc., Hitchcock Inc., Jones Creek Inc., Liverpool Inc., Pleak Inc., Richwood Inc., and Weston Lakes Inc.
5. The Commission has exclusive appellate jurisdiction pursuant to UTIL. CODE ANN. §§102.001 (b) and 103.001, *et seq.* (Vernon 2007 and Supp. 2015) to review a decision by a municipality that exercises its exclusive original jurisdiction, so long as, the decision is appealed in accordance with GURA §103.051, *et seq.*
6. The Commission has exclusive appellate jurisdiction over the following cities that denied the *Statement of Intent* filed by CenterPoint Texas and the company subsequently filed an appeal to the Commission: Alvin, Beach City, Dickinson, Friendswood, Fulshear, La Marque, La Porte, Lake Jackson, Manvel, Mont Belvieu, Morgan's Point, Rosenberg, Santa Fe, Seabrook, Sugar Land, Texas City, and Webster. On May 5, 2015, CenterPoint Texas filed the related *Petition for Review of Municipal Rate Decisions and Motion to Consolidate*, which was docketed as GUD No. 10440 and consolidated with GUD No. 10432.
7. The Commission has exclusive appellate jurisdiction over the cities of Brookshire and Kemah that denied the *Statement of Intent* filed by CenterPoint Texas and the company subsequently filed an appeal to the Commission. On June 4, 2015, CenterPoint Texas filed a *Petition for Review of Municipal Rate Decisions and Motion to Consolidate*, which was docketed as GUD No. 10444 and consolidated with GUD No. 10432.

8. The following cities retained their municipal exclusive original jurisdiction: Beasley, Brookside Village, Clute, East Bernard, Freeport, Hillcrest Village, Katy, Kendleton, Needville, Orchard, Oyster Creek, Richmond, Shoreacres, Taylor Lake Village and Wallis, because they took no action on the company's proposed rates and consequently the proposed rates took effect in those cities on May 23, 2015.
9. The following cities retained their municipal exclusive original jurisdiction: Angleton, Baytown, League City, Pearland, West Columbia, and Wharton because they adopted the same division-wide tariffs proposed in the *Unanimous Settlement Agreement*.
10. This proceeding was conducted in accordance with the requirements of the Gas Utility Regulatory Act (GURA) §§101.001 *et seq.*, (Vernon 2007 and Supp. 2015) and the Administrative Procedure Act, TEX. GOV'T CODE ANN. §§ 2001.001 *et seq.*, (Vernon 2008 and Supp. 2015) (APA).
11. TEX. UTIL. CODE ANN. §104.107 (Vernon 2007 and Supp. 2015) 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.
12. The proposed rates constitute a major change as defined by TEX. UTIL. CODE ANN. §104.101 (Vernon 2007 and Supp. 2015).
13. In accordance with TEX. UTIL. CODE ANN. §104.103 (Vernon 2007 and Supp. 2015), 16 TEX. ADMIN. CODE ANN. §§ 7.230 and 7.235, adequate notice was properly provided.
14. In accordance with TEX. UTIL. CODE ANN. §104.102 (Vernon 2007 and Supp. 2015), 16 TEX. ADMIN. CODE ANN. §§ 7.205 and 7.210, CPT filed its *Statement of Intent to Increase Rates on a Division-Wide Basis in the Texas Coast Division*.
15. In this proceeding, CPT has the burden of proof under TEX. UTIL. CODE ANN. §104.008 (Vernon 2007 and Supp. 2015) to show that the proposed rate changes are just and reasonable.
16. CPT failed to meet its burden of proof in accordance with the provisions of TEX. UTIL. CODE ANN. §104.008 (Vernon 2007 and Supp. 2015) on the elements of its requested rate increase identified in this order.
17. The revenue, rates, rate design, and service charges proposed by CPT 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. 2015).
18. The revenue, rates, rate design, and service charges proposed by CPT, 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. 2015).

19. 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 and Supp. 2015).
20. The overall revenues as established by the findings of fact and attached schedules are reasonable; fix an overall level of revenues for CPT 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. 2015); and otherwise comply with Chapter 104 of the Texas Utilities Code Annotated.
21. The revenue, rates, rate design, and service charges proposed will not yield to CPT 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. 2015).
22. The rates established in this docket comport with the requirements of TEX. UTIL. CODE ANN. §104.053 (Vernon 2007 and Supp. 2015) 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.
23. 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. 2015). 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.
24. TEX. UTIL. CODE ANN. § 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."
25. In any rate proceeding, any utility and/or municipality claiming reimbursement for its rate case expenses pursuant to TEX. UTIL. CODE ANN. §103.022(b), shall have the burden

- to prove the reasonableness of such rate case expenses by a preponderance of the evidence. Evidence must be provided related to, but not limited to, the amount of work done, the time and labor required to accomplish the work, the nature, extent, and difficulty of the work done, the originality of the work, the charges by others for work of the same or similar nature, and any other factor taken into account in setting the amount of the compensation. 16 TEX. ADMIN. CODE § 7.5530(a).
26. In determining the reasonableness of the rate case expenses, the Commission shall consider all relevant factors including but not limited to those set out previously, and shall also consider whether the request for a rate change was warranted, whether there was duplication of services or testimony, whether the work was relevant and reasonably necessary to the proceeding, and whether the complexity and expense of the work was commensurate with both complexity of the issues in the proceeding and the amount of the increase sought as well as the amount of any increase granted. 16 TEX. ADMIN. CODE §7.5530(b).
 27. The jurisdiction of the Commission in these consolidated cases does not extend to municipalities that are not parties to this proceeding, TEX. UTIL. CODE ANN. §§ 102.001 and 103.055.
 28. It is reasonable for the Commission to allow CPT 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.
 29. CPT 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.
 30. CPT 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 CPT 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 CPT'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 CPT are **APPROVED**.

IT IS FURTHER ORDERED that the factors established for future interim rate adjustments in Findings of Fact No. 35 and included in Paragraph 4 of the *Unanimous Settlement Agreement* are **APPROVED**.

IT IS FURTHER ORDERED that CenterPoint Texas shall reimburse TCUC and GCCC their reasonable rate case expenses as set out above and that the attached tariffs are just and reasonable.

IT IS FURTHER ORDERED that rate case expenses in the amount of \$754,723.86 be recovered from customers through a surcharge of \$0.08 per bill per month for approximately 36 months from customers within the GCCC and TCUC municipalities, the municipalities that ceded jurisdiction to the Commission, and the environs within the Texas Coast Division, as set forth in the attached tariff, RCE 9.1.

IT IS FURTHER ORDERED that rate case expenses in the amount of \$18,795.07 be recovered from customer through a surcharge of \$0.06 per bill per month for 36 months from customers in Beach City and La Porte, as set forth in the attached tariff, RCE 9.2.

IT IS FURTHER ORDERED that final actually incurred rate case expenses be filed with the Commission through completion of the case within 30-days of issuance of the Final Order.

IT IS FURTHER ORDERED that an annual collections report for rate case expense recovery be filed with the Director of the Commission's Oversight & Safety Division, due on or before the 1st of each November, commencing in 2016, detailing the monthly collections for the rate case expense surcharge and showing the outstanding balance.

IT IS FURTHER ORDERED that the *Unanimous Settlement Agreement* attached to this Final Order, subject to the corrections related to the adjustment of rate case expenses, 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, CPT shall electronically file tariffs and rate schedules with the Director of the Commission's Oversight & Safety 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 August, 2015.

RAILROAD COMMISSION OF TEXAS

CHAIRMAN DAVID PORTER

COMMISSIONER CHRISTI CRADDICK

COMMISSIONER RYAN SITTON

ATTEST:

SECRETARY

**GUD NO. 10432, Consolidated
Alternative Rate Case Expense Rider**

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION**

RATE SHEET

RATE CASE EXPENSE RECOVERY RATE SCHEDULE NO. RCE-_____

APPLICATION OF SCHEDULE

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

Beach City and La Porte.

This rate schedule is for the recovery of rate case expense ("RCE") and shall be in effect beginning on or after August 25, 2015, for a thirty-six (36) month period or until all approved expenses are collected.

MONTHLY RATE RECOVERY FACTOR:

Residential	\$ 0.06 per bill
General Service-Small	\$ 0.06 per bill
General Service-Large	\$ 0.06 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 November, a report with the Railroad Commission of Texas ("Commission"). The report shall detail the monthly collections for RCE surcharge by customer class and show the outstanding balance. Reports for the Commission should be filed electronically or at the following address:

Tariff Compliance
Oversight and Safety Division, Gas Services
Railroad Commission of Texas
P.O. Drawer 12967
Austin, TX 78711-2967