



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**GUD NO. 10669, *consolidated***  
**Proposal for Decision**

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**STATEMENT OF INTENT OF CENTERPOINT ENERGY RESOURCES CORP., D/B/A  
CENTERPOINT ENERGY ENTEx AND CENTERPOINT ENERGY TEXAS GAS (CENTERPOINT),  
TO INCREASE RATES IN THE SOUTH TEXAS DIVISION**

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**Administrative Law Judges: John Dodson, Dana A. Lewis**

**Technical Examiners: Rose Ruiz, James Currier**

### **PARTIES**

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

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**PROCEDURAL HISTORY:**

Statement of Intent Filed:	November 16, 2017
Suspension Order:	December 5, 2017
Rate Case Expenses Severed:	January 4, 2018
Consolidation of GUD No. 10677, Petition for Review:	January 5, 2018
Consolidation of GUD No. 10680, Petition for Review:	January 29, 2018
Consolidation of GUD No. 10678, Rate Case Expenses:	March 26, 2018
Settlement Filed:	April 3, 2018
Hearing on the Merits:	April 18, 2018
Heard By:	John Dodson, Administrative Law Judge Dana Lewis, Administrative Law Judge Rose Ruiz, Technical Examiner James Currier, Technical Examiner
Evidentiary Record Closed:	May 4, 2018
PFD Issued:	May 11, 2018
Deadline for Commission Action:	June 19, 2018

## **STATEMENT OF THE CASE**

On November 16, 2017, CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas (CenterPoint), filed with the Railroad Commission a statement of intent to increase gas utility rates in its South Texas Division (the "SOI"). The SOI was docketed as GUD No. 10669.

Three parties subsequently intervened: (1) Alliance of CenterPoint Municipalities (ACM), (2) South Texas Coalition of Cities (STCC), and (3) Commission Staff (Staff). After extensive discovery and negotiation among the parties, a unanimous settlement was reached that resolved all issues. In the settlement, the parties agree to the following:

- A decrease of \$3 million from current revenues for the South Texas Division. Prior to settling, CenterPoint requested a revenue increase of approximately \$490,778. This \$3 million decrease is a reduced settled amount and is not tied to any specific expense in the underlying cost of service within CenterPoint's South Texas Division;
- A reduction of the corporate income tax rate from 35 percent to 21 percent to recognize changes to the Federal Tax Code due to the Tax Cuts and Jobs Act of 2017;
- Cost of equity set at 9.8 percent—a reduction from CenterPoint's original request of 10.3 percent;
- Expenses related to Hurricane Harvey restoration of service—totaling \$675,992—are recoverable;
- CenterPoint's affiliate expenses totaling \$6,663,892 are recoverable;
- CenterPoint's capital investment booked to plant through September 30, 2017—totaling \$186,068,333—is prudent;
- CenterPoint will make an IRA true-up in the amount of \$640,158 via a one-time refund bill credit to South Texas Division customers and that future ad valorem tax true-ups may occur in IRA filings; and
- Rate case expense amounts for CenterPoint, ACM, and STCC totaling \$730,368.37 are reasonable.

The Commission has both original and appellate jurisdiction in this docket. Original jurisdiction applies to the environs of the South Texas Division and to 18 cities that ceded original jurisdiction to the Commission. Appellate jurisdiction applies to four cities that took action at the municipal level.

Included in this consolidated docket are GUD Nos. 10669 (the SOI), 10677 (municipal appeal), 10680 (municipal appeal), and 10678 (rate case expenses).

## **RECOMMENDATION**

The Examiners recommend that the Commission approve the settlement.

**The deadline for Commission action is June 19, 2018.**

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## PROPOSAL FOR DECISION

### I. INTRODUCTION

On November 16, 2017, CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas ("CenterPoint"), filed with the Railroad Commission of Texas ("Commission") a statement of intent to increase gas utility rates in its South Texas Division (the "SOI"). CenterPoint filed its SOI pursuant to Subtitle A (Gas Utility Regulatory Act) ("GURA") of the Texas Utilities Code, Chapter 104 (Rates and Services), Subchapter C (Rate Changes Proposed by Utility). The SOI was docketed as GUD No. 10669.

Three parties subsequently intervened, including Commission Staff. After extensive discovery and negotiation among the parties, a unanimous settlement was reached that resolved all issues.<sup>1</sup> A copy of the Settlement, with exhibits, is attached to this PFD as Attachment 1.<sup>2</sup> In the Settlement, the parties agree to the following:

- A decrease of \$3 million from current revenues for the South Texas Division. Prior to settling, CenterPoint requested a revenue increase of approximately \$490,778. This \$3 million decrease is a reduced settled amount and is not tied to any specific expense in the underlying cost of service within CenterPoint's South Texas Division;
- A reduction of the corporate income tax rate from 35 percent to 21 percent to recognize changes to the Federal Tax Code due to the Tax Cuts and Jobs Act of 2017;
- Cost of equity set at 9.8 percent—a reduction from CenterPoint's original request of 10.3 percent;
- Expenses related to Hurricane Harvey restoration of service—totaling \$675,992—are recoverable;
- CenterPoint's affiliate expenses totaling \$6,663,892 are recoverable;
- CenterPoint's capital investment booked to plant through September 30, 2017—totaling \$186,068,333—is prudent; and
- Rate case expense amounts for CenterPoint, ACM, and STCC totaling \$730,368.37 are reasonable.

The average residential customer's monthly bill will decrease by \$1.21.<sup>3</sup>

#### Residential Customer Bill Impact

Rate	Change	Impact
Commodity (Ccf)	\$ 0.11813	\$ 2.59
Customer	\$ (4.24)	\$ (4.24)
Hurricane (Ccf)	\$ 0.01026	\$ 0.23
Rate Case Expenses	\$ 0.21	\$ 0.21
<b>Total</b>		<b>\$ (1.21)</b>

<sup>1</sup> CenterPoint Ex. 15 (Unanimous Settlement Agreement, filed on April 3, 2018 (the "Settlement")).

<sup>2</sup> The attached copy of the Settlement excludes voluminous receipts and invoices related to rate case expenses.

<sup>3</sup> Assumes an average monthly usage of 22 Ccf for customer taking service at 14.65 psia. The monthly decrease for a residential customer taking service at 14.95 psia would be \$1.15.

The Commission has both original and appellate jurisdiction in this docket. Original jurisdiction applies to the environs of the South Texas Division and to 18 cities that ceded original jurisdiction to the Commission. Appellate jurisdiction applies to four cities that took action at the municipal level.

Included in this consolidated docket are GUD Nos. 10669 (the SOI), 10677 (municipal appeal), 10680 (municipal appeal), and 10678 (rate case expenses).

The Examiners recommend that the Commission approve the settlement.

## II. PARTIES

The parties in this proceeding are Applicant CenterPoint and three intervenors: Staff of the Railroad Commission ("Staff"), Alliance of CenterPoint Municipalities ("ACM"),<sup>4</sup> and South Texas Coalition of Cities ("STCC").<sup>5</sup>

### ***CenterPoint (Utility)***

CenterPoint is a "gas utility" under GURA Section 101.003 (Definitions).<sup>6</sup> CenterPoint filed its SOI with the Commission on November 16, 2017, and contemporaneously filed a statement of intent to increase rates with each municipality retaining original jurisdiction in the South Texas Division.<sup>7</sup>

### ***Intervenors: Staff, ACM, and STCC***

On November 17, 2017, Staff moved to intervene in this docket "to assert its interest in seeing that the rules and regulations of the Railroad Commission of Texas, together with the appropriate statutes, have been followed." On November 20, 2017, the City of Victoria moved to intervene. On December 1, 2017, ACM moved to intervene. Also on December 1, 2017, the City of Victoria filed its First Supplemental Motion to Intervene, and with certain other municipalities requested to be referred to as STCC. On January 23, 2018, STCC filed its Second Supplemental Motion to Intervene. On February 7, 2018, STCC filed its Third Supplemental Motion to Intervene.

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<sup>4</sup> ACM is comprised of the following cities: Alice, Austin, Bastrop, Buda, Cibolo, Jourdanton, Kyle, New Braunfels, San Marcos, Seguin, Smithville, and Universal City.

<sup>5</sup> STCC is comprised of the following cities: Beeville, Bishop, Converse, Driscoll, Edna, Elgin, Falls City, Hallettsville, Hondo, Ingleside, Ingleside on the Bay, Karnes City, Kenedy, Kingsville, Laredo, Poteet, Point Comfort, Portland, Refugio, San Diego, Sinton, Taft, Victoria, and Weimar.

<sup>6</sup> Tex. Util. Code § 101.003(7) (Definitions) (defining "gas utility" as "a person or river authority that owns or operates for compensation in this state equipment or facilities to transmit or distribute combustible hydrocarbon natural gas or synthetic natural gas for sale or resale in a manner not subject to the jurisdiction of the Federal Energy Regulatory Commission under the Natural Gas Act (15 U.S.C. Section 717 et seq.). The term includes a lessee, trustee, or receiver of a gas utility.").

<sup>7</sup> CenterPoint Ex. 1 (SOI) at 1.

### III. PROCEDURAL BACKGROUND

On November 16, 2017, CenterPoint filed with the Commission its SOI to increase gas utility rates in its South Texas Division. Contemporaneously with its SOI, CenterPoint also filed a statement of intent to increase rates with each municipality retaining original jurisdiction in the South Texas Division. Subsequently, Staff, ACM, and STCC properly intervened. On December 5, 2017, the Commission properly suspended the effective date of CenterPoint's proposed rate change for a period of 150 days pursuant to GURA Section 104.107 (Rate Suspension; Deadline).<sup>8</sup> CenterPoint voluntarily extended this suspension until June 19, 2018. A prehearing conference was held on December 7, 2017, to consider various procedural and pre-hearing issues.

Beginning on approximately December 17, 2017, CenterPoint published a Public Notice of its SOI to increase rates in its South Texas Division, once a week for more than four weeks in the *Austin American Statesman*, *Bastrop Advertiser*, *Corpus Christi Caller-Times*, *Seguin Gazette*, *New Braunfels Herald-Zeitung*, *Laredo Morning Times*, *San Antonio Express News*, *San Marcos Daily Record*, and *Victoria Advocate*—newspapers having general circulation in each affected county—in accordance with GURA Section 104.103 (Notice of Intent to Increase Rates).<sup>9</sup>

On December 18, 2017, CenterPoint timely filed with the Commission a petition for review from the actions of the Cities of Niederwald and Poth.<sup>10</sup> This appeal was docketed as GUD No. 10677, and a motion to consolidate was granted on January 5, 2018. On January 3, 2018, all municipal parties were aligned for purposes of discovery pursuant to Commission Rule § 1.56 (Alignment of Municipal Intervenor for Purposes of Discovery).<sup>11</sup> On January 4, 2018, the rate case expense portion of GUD No. 10669 was severed into a separate docket, GUD No. 10678.<sup>12</sup> On January 9, 2018, CenterPoint filed certain errata to its original SOI (the "Errata Filing"). Also on January 9, 2018, CenterPoint timely filed with the Commission a petition for review from the actions of the Cities of Mathis and Yorktown.<sup>13</sup> This appeal was docketed as GUD No. 10680, and a motion to consolidate was granted on January 29, 2018.

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<sup>8</sup> See Tex. Util. Code § 104.107(a)(2) (Rate Suspension; Deadline) ("Pending the hearing and a decision...the railroad commission may suspend the operation of the schedule for not longer than 150 days after the date the schedule would otherwise be effective.").

<sup>9</sup> CenterPoint Ex. 3 (Affidavit of Publication); see also Tex. Util. Code § 104.103(a)(1) ("The gas utility shall publish, in conspicuous form, notice to the public of the proposed increase once each week for four successive weeks in a newspaper having general circulation in each county containing territory affected by the proposed increase.").

<sup>10</sup> See CenterPoint Ex. 1A (GUD 10677 Petition for Review).

<sup>11</sup> See Examiners' Letter No. 08 (Alignment of Municipal Parties), issued January 3, 2018; see also 16 Tex. Admin. Code § 1.56 (Alignment of Municipal Intervenor for Purposes of Discovery) ("Municipal parties, whether participating as a single municipality or a coalition of municipalities, are presumed to share a common interest in a proceeding such that alignment of municipal parties as a single party for purposes of discovery is appropriate. The presiding officer shall order alignment of municipal intervenors at the earliest reasonable opportunity so as to avoid unnecessary duplication of effort and to allow aligned parties an adequate opportunity to coordinate discovery efforts in an efficient manner.").

<sup>12</sup> See Examiners' Letter No. 09 (Rate Case Expenses Docket), issued January 4, 2018.

<sup>13</sup> See CenterPoint Ex. 1B (GUD 10680 Petition for Review).

On March 17, 2017, the parties notified the Examiners that a settlement had been reached.<sup>14</sup> On March 26, 2018, the previously severed Rate Case Expense Docket—GUD No. 10678—was consolidated with GUD No. 10669 (the SOI docket).<sup>15</sup>

On March 28, 2018, the Notice of Hearing was issued, setting the hearing on the merits to commence on April 18, 2018 (“Notice of Hearing”).<sup>16</sup> On March 31, 2018, the Commission published the Notice of Hearing in *Gas Utilities Information Bulletin No. 1080*.<sup>17</sup> On April 2, 2018, the Notice of Hearing was provided to the governing body of each affected municipality and county in accordance with GURA Section 104.105 (Determination of Propriety of Rate Change; Hearing).<sup>18</sup>

The hearing on the merits was held on April 18, 2018 (the “Hearing”). The evidentiary exhibit list is attached to this PFD as Attachment 2.

On May 4, 2018, the ALJ took official notice of applicable prior GRIP dockets<sup>19</sup> and then closed the evidentiary record.<sup>20</sup>

#### IV. JURISDICTION, BURDEN OF PROOF, AND NOTICE

##### *Jurisdiction*

The Commission has jurisdiction over CenterPoint, which is a gas utility as defined in GURA Section 101.003(7). Pursuant to GURA Section 102.001(a), the Commission has exclusive original jurisdiction to set the rates CenterPoint requests for customers in the unincorporated areas of the South Texas Division and in the following 18 cities/municipalities that ceded original jurisdiction to the Commission: Beeville, Eagle Lake, El Campo, Floresville, Goliad, Hallettsville, Kenedy, New Braunfels, Nordheim, Palacios, Pleasanton, San Diego, San Marcos, Schertz, Sequin, Selma, Sinton, and Weimar.

Pursuant to GURA Section 102.001(b), the Commission has exclusive appellate jurisdiction to review the municipal actions of the following four cities/municipalities: Niederwald and Poth (GUD 10677 Petition for Review), and Mathis and Yorktown (GUD 10680 Petition for Review).

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<sup>14</sup> Letter to the ALJ from Mark A. Santos, counsel for CenterPoint, dated March 14, 2018 (notifying the ALJ that the parties reached a settlement in principle).

<sup>15</sup> See Examiner Letter No. 17 (Rate Case Expenses Docket Consolidated with GUD No. 10669), issued March 26, 2018.

<sup>16</sup> See Examiners’ Letter No. 19 (Notice of Hearing), issued March 28, 2018 (attaching the Notice of Hearing).

<sup>17</sup> See *Gas Utilities Information Bulletin No. 1080*, published by the Railroad Commission of Texas Oversight and Safety Division on March 31, 2018 (“Bulletin”).

<sup>18</sup> See letters from ALJ to county judges for the Counties of Atascosa, Bee, Caldwell, Colorado, Comal, DeWitt, Duval, Goliad, Guadalupe, Hays, Karnes, Lavaca, Matagorda, San Patricio, Wharton, and Wilson, each dated April 2, 2018 (attaching the Notice of Hearing), and letters from ALJ to mayors of the Cities of Beeville, Eagle Lake, El Campo, Floresville, Goliad, Hallettsville, Kenedy, New Braunfels, Nordheim, Palacios, Pleasanton, San Diego, San Marcos, Schertz, Sequin, Selma, Sinton, Weimar, Yorktown, Mathis, Neiderwald, and Poth, each dated April 2, 2018 (attaching the Notice of Hearing); see also Tex. Util. Code § 104.105(c) (“The regulatory authority shall give reasonable notice of the hearing, including notice to the governing body of each affected municipality and county.”).

<sup>19</sup> GUD Nos. 10151, 10257, 10346, 10435, 10509, and 10618.

<sup>20</sup> See Examiners’ Letter No. 24 (Close of Evidentiary Record), issued May 4, 2017.

The Commission has jurisdiction over all matters at issue in this proceeding pursuant to GURA Chapters 102 (Jurisdiction and Powers of Railroad Commission and Other Regulatory Authorities), 103 (Jurisdiction and Powers of Municipality), and 104 (Rates and Services). The statutes and rules involved in this proceeding include, but are not limited to, those contained in GURA Chapters 102, 103, and 104, and Title 16 (Economic Regulation), Part 1 (Railroad Commission of Texas), Chapters 1 (Practice and Procedure) and 7 (Gas Services Division) of the Texas Administrative Code.

### ***Burden of Proof***

As the party proposing gas utility rate changes, CenterPoint has the burden of proving that the rate changes are just and reasonable.<sup>21</sup>

### ***Notice***

Beginning on approximately December 17, 2017, CenterPoint published a Public Notice of its SOI to increase rates in its South Texas Division, once a week for more than four weeks in the *Austin American Statesman*, *Bastrop Advertiser*, *Corpus Christi Caller-Times*, *Seguin Gazette*, *New Braunfels Herald-Zeitung*, *Laredo Morning Times*, *San Antonio Express News*, *San Marcos Daily Record*, and *Victoria Advocate*—newspapers having general circulation in each affected county—in accordance with GURA Section 104.103 (Notice of Intent to Increase Rates).<sup>22</sup>

On March 28, 2018, the ALJ issued the Notice of Hearing, which complied with Chapter 2001 (Administrative Procedure) of the Texas Government Code, Part 1 (Railroad Commission of Texas) of Title 16 (Economic Regulation) of the Texas Administrative Code, and other applicable authority. On March 31, 2018, the Commission published the Notice of Hearing in *Gas Utilities Information Bulletin No. 1080*, in compliance with Commission Rule § 7.235 (Publication and Service of Notice).<sup>23</sup> Pursuant to GURA Section 104.105 (Determination of Propriety of Rate Change; Hearing), the ALJ provided a copy of the Notice of Hearing to the governing body of each affected municipality and county.<sup>24</sup>

Proper notice has been issued in this proceeding in accordance with all applicable statutory and regulatory requirements.

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<sup>21</sup> Tex. Util. Code § 104.008 (Burden of Proof) (“In a proceeding involving a proposed rate change, the gas utility has the burden of proving that the rate change is just and reasonable, if the utility proposes the change.”).

<sup>22</sup> CenterPoint Ex. 3 (Affidavit of Publication); see also Tex. Util. Code § 104.103(a)(1) (“The gas utility shall publish, in conspicuous form, notice to the public of the proposed increase once each week for four successive weeks in a newspaper having general circulation in each county containing territory affected by the proposed increase.”).

<sup>23</sup> See Bulletin, pp. 4-5 (containing the GUD No. 10669 Notice of Hearing); see also 16 Tex. Admin. Code § 7.235(a)(1)(A) (Publication and Service of Notice) (“The Commission shall publish the notice of hearing in the next Bulletin published after the date of issuance of the notice of hearing.”).

<sup>24</sup> Tex. Util. Code § 104.105(c) (Determination of Propriety of Rate Change; Hearing) (“The regulatory authority shall give reasonable notice of the hearing, including notice to the governing body of each affected municipality and county.”).

## V. COMPLIANCE WITH COMMISSION RULES; BOOKS AND RECORDS

CenterPoint presented evidence that it maintains its books and records in accordance with Commission requirements.<sup>25</sup> Mary A. Kirk, Director, Financial Accounting for CenterPoint Energy, Inc., testified that CenterPoint complies with Commission Rule § 7.310 (System of Accounts), which requires each gas utility to “utilize the Federal Energy Regulatory Commission’s (FERC) Uniform System of Accounts (USOA) prescribed for Natural Gas Companies subject to the Provisions of the Natural Gas Act (as amended from time to time) (FERC USAO) for all operating and reporting purposes.”<sup>26</sup> Ms. Kirk further testified that the information contained within CenterPoint’s books and records, as well as the summaries and excerpts therefrom, qualify for the presumption set forth in Commission Rule § 7.503 (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities).<sup>27</sup> Ms. Kirk testified that CenterPoint is in compliance with:

- Commission Rule § 7.501 (Certain Matters to be Submitted in Rate Hearings), which requires the separate presentation in a rate proceeding of evidence related to certain types of financial transactions, and in some cases, exclusion of these costs from rates,<sup>28</sup>
- Commission Rule § 7.5414 (Advertising, Contributions, and Donations), which states that actual expenditures for advertising will be allowed as a cost-of-service item for ratemaking purposes, provided that the total sum of such expenditures shall not exceed one-half of one percent of the gross receipts of the utility for utility services rendered to the public,<sup>29</sup> and
- Commission Rule § 7.5252 (Depreciation and Allocations), which requires a gas utility in a rate proceeding to book depreciation and amortization on a straight-line basis over the useful life expectancy of the property or facility in question, to fairly and justly apportion certain shared or common items between service areas, and to exclude nonintegral nonutility activities from the utility’s cost of service.<sup>30</sup>

Considering the evidence, the Examiners find that CenterPoint has established that it complied with these Commission rules. Accordingly, CenterPoint is entitled to the presumption set forth in Commission Rule § 7.503 (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities) that the unchallenged amounts shown in its books and records are presumed to have been reasonably and necessarily incurred.<sup>31</sup>

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<sup>25</sup> See CenterPoint Ex. 5, Direct Testimony of Mary A. Kirk on Behalf of CenterPoint (“Kirk Test.”), at 5-9.

<sup>26</sup> *Id.* at 5-6; see 16 Tex. Admin. Code § 7.310(a) (System of Accounts).

<sup>27</sup> CenterPoint Ex. 5 (Kirk Test.) at 6-7; see 16 Tex. Admin. Code § 7.503(a) (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities).

<sup>28</sup> CenterPoint Ex. 5 (Kirk Test.) at 7; see 16 Tex. Admin. Code § 7.501 (Certain Matters to be Submitted in Rate Hearings).

<sup>29</sup> CenterPoint Ex. 5 (Kirk Test.) at 7-9; see 16 Tex. Admin. Code § 7.5414 (Advertising, Contributions, and Donations).

<sup>30</sup> CenterPoint Ex. 5 (Kirk Test.) at 9; see 16 Tex. Admin. Code § 7.5252 (Depreciation and Allocations).

<sup>31</sup> See 16 Tex. Admin. Code § 7.503(a) (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities) (“In any proceeding before the Commission involving a gas utility that keeps its books and records in accordance with Commission rules, the amounts shown on its books and records as well as summaries and excerpts therefrom shall be considered prima facie evidence of the amount of investment or expense reflected when introduced into

## VI. CENTERPOINT'S ORIGINAL REQUEST

Prior to settling, CenterPoint requested the following:

- An increase of an additional \$490,778 in annual revenues;
- Cost of equity set at 10.3 percent;
- Prudency of capital investment through September 30, 2017, totaling \$186,713,845;
- New depreciation rates for distribution and general plant within the South Texas Division;
- A Safety and System Integrity ("SSI") Regulatory Asset to track certain operations and maintenance ("O&M") expenses associated with activities necessary to comply with changes in state or federal regulations relating to natural gas pipeline safety and integrity;
- A Hurricane Surcharge totaling \$675,992 to recover expenses incurred in the South Texas Division as a direct result of Hurricane Harvey that are not recoverable from any other source;
- Affiliate expenses totaling approximately \$6.7 million; and
- A rate surcharge to recover reasonable rate case expenses.

## VII. TERMS OF THE SETTLEMENT

The Settlement resolves all issues in GUD 10669 and consolidated dockets. The Parties—CenterPoint, ACM, STCC, and Staff—represent diverse interests and have engaged in significant discovery regarding the disputable issues. All parties agree that the Settlement resolves all issues in a manner consistent with the public interest and that resolution of this docket under the terms of this Settlement will significantly reduce the amount of reimbursable rate case expenses that would, if further litigation is pursued, be allocated to customers affected by this docket.<sup>32</sup>

The Examiners have reviewed the Settlement and find that its terms and rate elements are just, reasonable, in the public interest, and consistent with the requirements of the Texas Utilities Code and applicable Commission rules. Accordingly, the Examiners recommend that the Settlement be approved.

### A. Base Rate Decrease

Under the Settlement, CenterPoint will receive a \$3 million base rate *decrease* for its South Texas Division—a reduction of \$3.49 million from CenterPoint's request prior to settling. All parties agree to the rates, terms, and conditions reflected in the

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evidence, and such amounts shall be presumed to have been reasonably and necessarily incurred; provided, however, that if any evidence is introduced that an investment or expense item has been unreasonably incurred, then the presumption as to that specific investment or expense item shall no longer exist and the gas utility shall have the burden of introducing probative evidence that the challenged item has been reasonably and necessarily incurred.").

<sup>32</sup> CenterPoint Ex. 15 (Settlement), p. 1.

tariffs attached as Exhibit A to the Settlement.<sup>33</sup> The \$3 million revenue decrease is a reduced settled amount and is not tied to any specific expense in the underlying cost of service in CenterPoint's South Texas Division.<sup>34</sup> The \$3 million base rate decrease includes a reduction of the corporate income tax rate from 35 percent to 21 percent to recognize changes to the Federal Tax Code due to the Tax Cuts and Jobs Act of 2017 ("Tax Cuts and Jobs Act").<sup>35</sup>

The Settlement rates are designed to recover annual rate revenues of \$49.5 million from all customers. The environs customers will contribute approximately \$3.18 million, which is 6.4 percent. Currently, the environs customers contribute 6.3 percent of the adjusted test year revenue.<sup>36</sup> The base rate annual revenues include \$6.7 million of affiliate expenses, treated separately below.<sup>37</sup>

The parties agree that the rates, terms and conditions reflected in the Settlement comply with the rate-setting requirements of GURA Chapter 104 (Rates and Services).<sup>38</sup> The Texas Utilities Code requires that "the regulatory authority shall establish the utility's overall revenues at an amount that will permit the utility a reasonable opportunity to earn a reasonable return on the utility's invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses."<sup>39</sup>

Considering the evidence, the Examiners find the overall revenues for CenterPoint in the Settlement to be just and reasonable and consistent with GURA Chapter 104 (Rates and Services).

## B. Rates

The parties agree to the below monthly customer charges and volumetric rates for the South Texas Division.<sup>40</sup>

### Settlement Rate Design

Customer Class	Customer Charge	Volumetric (Ccf)
Residential	\$19.00	\$0.33613 at 14.65 psia \$0.34301 at 14.95 psia
General Service – Small	\$25.00	\$0.16286 at 14.65 psia \$0.16620 at 14.95 psia
General Service – Large Volume	\$99.50	\$0.07647 at 14.65 psia

<sup>33</sup> *Id.* ¶ 1.

<sup>34</sup> *Id.*

<sup>35</sup> *Id.* ¶ 7.

<sup>36</sup> CenterPoint Ex. 16 (CenterPoint's responses to Examiner requests for clarification).

<sup>37</sup> See Tex. Util. Code § 104.055; see also CenterPoint Ex. 16 (CenterPoint's responses to Examiner requests for clarification).

<sup>38</sup> CenterPoint Ex. 15 (Settlement) ¶ 1.

<sup>39</sup> Tex. Util. Code § 104.051 (Establishing Overall Revenues).

<sup>40</sup> CenterPoint Ex. 15 (Settlement) ¶ 2.

The revenue requirement is recovered from proposed rates as set out in the Settlement. Residential customers will pay \$4.24 less for the monthly customer charge. The table below compares the current rates to the settled rates.<sup>41</sup>

#### Current to Settled Customer Charge

Customer Class	Current	Settlement	Difference
Residential	\$ 23.24	<b>\$ 19</b>	\$ (4.24)
General Service – Small	\$ 38.87	<b>\$ 25</b>	\$ (13.87)
General Service – Large Volume	\$ 213.21	<b>\$ 99.50</b>	\$ (113.71)

Residential customers taking service at 14.65 psia will pay nearly 12 cents more for the volumetric charge. The table below compares the current rates to the settled rates.<sup>42</sup>

#### Current to Settled Volumetric Charge (Ccf)

Customer Class	Current	Settlement	Difference
Residential – 14.65 psia	\$ 0.2180	<b>\$ 0.33613</b>	\$ 0.11813
Residential – 14.95 psia	\$ 0.2225	<b>\$ 0.34301</b>	\$ 0.12051
General Service – Small – 14.65 psia	\$ 0.1046	<b>\$ 0.16286</b>	\$ 0.05826
General Service – Small – 14.95 psia	\$ 0.1067	<b>\$ 0.16620</b>	\$ 0.0595
General Service – Large Volume	\$ 0.0412	<b>\$ 0.07647</b>	\$ 0.03527

The rates are designed for CenterPoint to recover \$49,496,372 of base rate revenue from its customers, which is 5.7 percent less than the current amount of \$52,496,372.<sup>43</sup> CenterPoint is using the current base rate revenue allocation to allocate the \$3 million base rate decrease to its three standard service classes.<sup>44</sup> The below table compares the current revenue CenterPoint receives from base rates to the revenue using the settled rates.<sup>45</sup>

#### Annual Revenue Allocation

Customer Class	Current	Settlement	Difference	Percent Allocated
Residential	\$44,556,994	<b>\$42,010,702</b>	\$(2,546,292)	85%
General Service – Small	\$6,857,258	<b>\$6,465,389</b>	\$(391,869)	13%
General Service – Large Volume	\$1,082,120	<b>\$1,020,281</b>	\$(61,839)	2%
<b>Total</b>	<b>\$52,496,372</b>	<b>\$49,496,372</b>	<b>\$(3,000,000)</b>	<b>100%</b>

<sup>41</sup> CenterPoint Ex. 15 (Settlement) ¶ 2; CenterPoint Ex. 1 (SOI), at average bill impact

<sup>42</sup> *Id.*

<sup>43</sup> CenterPoint Ex. 15 (Settlement) Exhibit B.

<sup>44</sup> *Id.*

<sup>45</sup> *Id.*

The average residential customer taking service at 14.65 psia will realize a base rate reduction of \$1.65, which is 4.1 percent including gas and 5.9 percent excluding gas. The below table compares an average usage customer's bill with current rates to the settled rates. The average base bill impacts with and without gas cost are shown in the table below.

### Bill Impact

Customer Class	Average Usage (Ccf)	Bill		Base Change	Percentage Change	
		Current	Settlement		With Gas Cost	Without Gas Cost
Residential (14.65 psia)	22	\$40.13	\$38.48	\$ (1.65)	-4.1%	-5.9%
Residential (14.95 psia)	22	\$40.48	\$38.89	\$ (1.59)	-3.9%	-5.7%
General - Small (14.65 psia)	180	\$156.64	\$153.25	\$ (3.39)	-2.2%	-5.9%
General - Small (14.95 psia)	180	\$159.05	\$155.89	\$ (3.16)	-2.0%	-5.4%
General - Large	2,698	\$1,807.33	\$1,788.78	\$ (18.55)	-1.0%	-5.7%

In addition to base rates, the parties have also agreed to two surcharges allowing CenterPoint to recover rate case expenses and costs associated with Hurricane Harvey. The surcharges are discussed in detail later in the PFD. The impact of the surcharges is illustrated in the below table.

### Bill Impact of Surcharges

Customer Class	Hurricane Surcharge (12-mo)	RCE Surcharge (24-mo)	Total Surcharge	Base Change	Total Change
	a	b	c = a + b	d	e = c + d
Residential (14.65 psia)	\$ 0.23	\$ 0.21	\$ 0.44	\$ (1.65)	<b>\$ (1.21)</b>
Residential (14.95 psia)	\$ 0.23	\$ 0.21	\$ 0.44	\$ (1.59)	<b>\$ (1.15)</b>
General - Small (14.65 psia)	\$ 1.85	\$ 0.21	\$ 2.06	\$ (3.39)	<b>\$ (1.33)</b>
General - Small (14.95 psia)	\$ 1.88	\$ 0.21	\$ 2.09	\$ (3.16)	<b>\$ (1.07)</b>
General - Large (14.65 psia)	\$ 27.68	\$ 0.22	\$ 27.90	\$ (18.55)	<b>\$ 9.35</b>

Considering the evidence, the Examiners find that the Settlement rates comply with GURA Section 104.003 (Just and Reasonable Rates) because the rates are not unreasonably preferential, prejudicial, or discriminatory, but are sufficient, equitable, and consistent in application to each class of customer. The Examiners also find that the Settlement rates are just and reasonable and comply with GURA Section 104.004 (Unreasonable Preference or Prejudice Prohibited) because the rates do not establish or maintain an unreasonable difference concerning rates of services between localities or between classes of service. Finally, the Settlement rates comply with GURA Section 104.006 (Rates for Area not in Municipality) because the rates for environs customers will not exceed 115 percent of the average of all rates for similar services for all municipalities served by CenterPoint in the same counties.

### C. Federal Tax Impact

CenterPoint filed its SOI on November 16, 2017, prior to the signing and implementation of the federal Tax Cuts and Jobs Act. Therefore, CenterPoint's initial requested increase of \$540,281 was based off the 2017 corporate income tax rate of 35 percent, and not the 2018 rate of 21 percent. CenterPoint and the intervenors attest that the agreed upon decrease of \$3 million incorporates the effects of the tax cut and that CenterPoint allocated the cost of service reduction to its customer classes on the base rate revenue allocation agreed to in Item 4 of the Settlement.<sup>46</sup>

CenterPoint agrees to adjust its federal income tax expense for excess deferred income taxes ("EDIT") resulting from the Tax Cuts and Jobs Act.<sup>47</sup> CenterPoint agrees to adjust its EDIT based on the average rate assumption method ("ARAM") for those amounts required under Internal Revenue Service ("IRS") normalization rules.<sup>48</sup> CenterPoint agrees to amortize its unprotected EDIT over a five-year period.<sup>49</sup> No later than November 15, 2019, CenterPoint will file a request under Section 104.111 of the Texas Utilities Code to reduce rates in the South Texas Division in order to reflect an adjustment to rates related to amortization of the Company's protected EDIT.<sup>50</sup>

### D. Cost of Capital

Prior to settling, CenterPoint requested a rate of return ("ROR") of 8.39 percent based on a 10.3-percent return on equity ("ROE"), a 6.048-percent cost of debt, and a capital structure of 55 percent equity and 45 percent debt.<sup>51</sup> In the Settlement, the parties agree to an 8.11-percent ROR by reducing the ROE request by 50 basis points to 9.8 percent.<sup>52</sup> The settled capital structure and weighted cost of capital, including the pre-tax return, is shown below.<sup>53</sup>

#### Cost of Capital

Class of Capital	Percent	Cost	Weighted Cost of Capital	Pre-tax Return
Long-Term Debt	45%	6.048%	2.7216%	2.7422%
Common Equity	55%	9.8%	5.39%	6.8743%
Total	100%		8.1116%	9.6165%

The parties agree that the capital structure and related components, as shown above, shall be used in future IRA filings.<sup>54</sup>

<sup>46</sup> CenterPoint Ex. 15 (Settlement) ¶ 7.

<sup>47</sup> *Id.*

<sup>48</sup> *Id.*

<sup>49</sup> *Id.*

<sup>50</sup> *Id.*

<sup>51</sup> CenterPoint Ex. 5 (Kirk Test.) at 50.

<sup>52</sup> CenterPoint Ex. 15 (Settlement) ¶ 3.

<sup>53</sup> *Id.*

<sup>54</sup> *Id.*

Considering the evidence, the Examiners find the rate of return and return on equity in the Settlement to be just and reasonable and consistent with GURA Section 104.052 (Establishing Fair Rate of Return).

### **E. Postemployment Benefits Expenses**

The parties agree that CenterPoint may pursue recovery of a deferred benefit regulatory asset or liability pursuant to GURA Section 104.059 (Pension and Other Postemployment Benefits) in a future filing, using the following amounts as the base-year levels to track changes in pension-related and other post-employment benefits:<sup>55</sup>

#### **Pension/OPEB**

<b>Description</b>	<b>South Texas</b>
Retirement Plan - FAS 87	\$1,516,383
Benefit Restoration Plan - FAS 87	\$121,238
Postemployment - FAS 112	\$164,796
Postretirement - FAS 106	\$248,110

Considering the evidence, the Examiners find the base year level of pension-related and other post-employment benefits expenses to be just and reasonable and consistent with the requirements in GURA Section 104.059 (Pension and Other Postemployment Benefits).

### **F. Gas Supply**

The parties agree to CenterPoint's request to recover gas-related bad debt costs through its Purchased Gas Agreement ("PGA").<sup>56</sup> The parties also agree to the following:

- CenterPoint may reconcile through its PGA over-recoveries related to surcharges approved to recover rate case expenses;
- CenterPoint shall provide notice to Staff of any reconciling item to be included in the PGA; and
- CenterPoint shall clearly identify and include details of any reconciling item in its annual reconciliation report submitted to Staff.<sup>57</sup>

The parties also agree that CenterPoint shall seek review and approval from the Commission for any FERC intervention costs incurred for the benefit of customers prior to their inclusion in the cost of gas calculation. Those costs are limited to reasonable non-employee experts, non-employee attorney fees, and prudently incurred travel expenses.<sup>58</sup>

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<sup>55</sup> *Id.* ¶ 5.

<sup>56</sup> *Id.* ¶ 13.

<sup>57</sup> *Id.* ¶ 14.

<sup>58</sup> *Id.* ¶ 15.

Considering the evidence, the Examiners find that these Settlement terms are just and reasonable and comply with Commission Rule § 7.5519 (Gas Cost Recovery).

### **G. Affiliate Expenses**

CenterPoint requests recovery of certain affiliate expenses totaling \$6,663,892.<sup>59</sup> The Commission is required to make specific findings related to affiliate transactions before rates may be adopted.<sup>60</sup> 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.<sup>61</sup> The Intervenor, which have engaged in significant discovery with CenterPoint, agree that affiliate expenses included in the reduced settled amount above are recoverable consistent with the provisions in GURA Section 104.055 (Net Income; Allowable Expenses).<sup>62</sup>

Michelle M. Townsend, Manager of Business Services Planning and Performance Management for CenterPoint testified regarding affiliate billings included in the cost of service for the South Texas Division.<sup>63</sup> During the test-year, services were provided to the South Texas Division by affiliates CenterPoint Energy Service Company, LLC ("Service Company"), and CenterPoint Energy Houston Electric, LLC ("CEHE").<sup>64</sup>

Ms. Townsend indicated in her testimony that Service Company personnel perform corporate oversight, managerial functions and specialized support activities for CenterPoint and its business units.<sup>65</sup> The Service Company functions include four main groups: Corporate Services, Business and Operations Support, Technology Operations, and Regulated Operations Management.<sup>66</sup> These groups provide services such as finance, legal, human resources, government affairs, and audit services that minimizes the need for each service to be performed independently.<sup>67</sup> Ms. Townsend testified that CEHE services to the South Texas Division include data circuit management, land base management, scanning and indexing services, as well as fleet services.<sup>68</sup>

After review and consideration of the evidence, CenterPoint has established that the services provided to it by its affiliates, on behalf of the South Texas Division, are reasonable and necessary. The affiliate expenses included in the Settlement are reasonable and necessary costs of providing gas utility service, and the prices charged to the South Texas Division are no higher than the prices charged by the supplying affiliate to other affiliates or divisions of CenterPoint, or to a non-affiliated

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<sup>59</sup> CenterPoint Ex. 16 (CenterPoint's responses to Examiner letter requesting clarification).

<sup>60</sup> Tex. Util. Code § 104.055.

<sup>61</sup> *Id.*

<sup>62</sup> CenterPoint Ex. 15 (Settlement) ¶22.

<sup>63</sup> CenterPoint Ex. 8 (Townsend Test.), at 2.

<sup>64</sup> *Id.* at 3.

<sup>65</sup> *Id.* at 4.

<sup>66</sup> *Id.* at 4-5.

<sup>67</sup> *Id.*

<sup>68</sup> *Id.* at 11.

person for the same item or class of items. Accordingly, the Examiners recommend that affiliate expenses totaling \$6,663,892 be approved.

### H. Hurricane Harvey Surcharge

The parties agree to allow CenterPoint to recover \$675,992 in expenses related to Hurricane Harvey through a surcharge until the full amount is recovered.<sup>69</sup> CenterPoint is required to return any over-recovery to customers through its PGA tariff.<sup>70</sup> The surcharge will be applied to all standard tariff customers, resulting in a volumetric charge based on Ccf usage.<sup>71</sup> The Hurricane Surcharge is expected to increase the average residential customer's monthly bill by 23 cents. The rates for each class are listed in the below table.

**Hurricane Surcharge (Ccf)**

Customer Class	Charge
Residential – 14.65	\$0.01026
Residential – 14.95	\$0.01047
General Service – Small – 14.65	\$0.01026
General Service – Small – 14.95	\$0.01047
General Service – Large Volume	\$0.01026

As of September 30, 2017, CenterPoint states it incurred \$818,663 of Operations & Maintenance (O&M) expenditures and \$24,762 of capital expenditures associated with Hurricane Harvey in the South Texas division, and that these amounts include actual amounts supported by third-party invoices or internal costs and accruals for amounts not yet invoiced from a third-party provider.<sup>72</sup> CenterPoint explains that it accounted for these costs by establishing a regulatory asset to defer the O&M expenditures and by including capital expenditures in the known and measurable rate base additions through September 30, 2017, in this filing.<sup>73</sup> As of September 30, 2017, CenterPoint states that its regulatory asset balance net of estimated insurance proceeds is \$675,992.<sup>74</sup> The table below illustrates how the volumetric surcharge is calculated.

**Hurricane Surcharge Rate Calculation**

Item	Value	Line
Recovery amount	\$ 675,992	a
Ccf @ 14.65 psia	65,857,726	b
Rate @ 14.65 psia	\$ 0.01026	c = a/b
Rate @ 14.95 psia	\$ 0.01047	d = $\frac{c * 14.95}{14.65}$

<sup>69</sup> CenterPoint Ex. 15 (Settlement) ¶ 12.

<sup>70</sup> *Id.*

<sup>71</sup> *Id.*

<sup>72</sup> CenterPoint Ex. 5 (Kirk Test.), at 32-33.

<sup>73</sup> *Id.*

<sup>74</sup> *Id.* at 33.

Considering the evidence, the Examiners find this to be just and reasonable and recommend approval.

## I. Tariffs

The parties agree to the rates, terms and conditions reflected in the tariffs attached to the Settlement as Exhibit A. The Settlement tariffs replace and supersede those tariffs currently in effect in the South Texas Division. The tariffs are premised on a decrease of \$3.0 million in current annual revenues as illustrated in the proof of revenues attached as part of Exhibit B to the Settlement. The parties agree that the rates, terms and conditions reflected in the tariffs comply with the rate-setting requirements of Chapter 104 of the Texas Utilities Code.<sup>75</sup>

### South Texas Division Tariffs Existing and Settlement Proposed

	Existing Rate Schedules <sup>76</sup>	Settlement Proposed Rate Schedules <sup>77</sup>
1	Rate Schedule No. R-2085-GRIP 2017 (Residential Service)	Rate Schedule No. R-2097-I Rate Schedule No. R-2097-U (Residential Service)
2	Rate Schedule No. GSS-2085-GRIP 2017 (General Service – Small)	Rate Schedule No. GSS-2097-I Rate Schedule No. GSS-2097-U (General Service – Small)
3	Rate Schedule No. GSLV-616-GRIP 2017 (General Service – Large Volume)	Rate Schedule No. GSLV-628-I Rate Schedule No. GSLV-628-U (General Service – Large Volume)
4	Rate Schedule No. RCE-7.1 (Rate Case Expense – GUD No. 10051)	Withdrawn
5	Rate Schedule No. RCE-7.2 (Rate Case Expense – GUD No. 10051)	Withdrawn
6	New	Rate Schedule No. RCE-13.1-I/U (Rate Case Expense – Pending)
7	New	Rate Schedule No. HS-2 (Hurricane Surcharge – Pending)
8	Rate Schedule No. MISC-11 (Miscellaneous Service Charges)	Rate Schedule No. MISC-18 (Miscellaneous Service Charges)
9	Rate Schedule No. TA-10 (Tax Adjustment)	Rate Schedule No. TA-10 (Tax Adjustment)
10	Rate Schedule No. FFA-4 (Franchise Fee Adjustment)	Rate Schedule No. FFA-10 (Franchise Fee Adjustment)
11	Rate Schedule No. PGA-10 (Purchased Gas Adjustment)	Rate Schedule No. PGA -16 (Purchased Gas Adjustment)
12	General Rules and Regulations	General Rules and Regulations

<sup>75</sup> CenterPoint Ex. 15 (Settlement) ¶ 1.

<sup>76</sup> CenterPoint Ex. 7 (Lloyd Test.) at KAL-3.

<sup>77</sup> CenterPoint Ex. 7 (Lloyd Test.) at KAL-2.

The parties agree to the following customer charges and volumetric rates. These rates are based on test year-end customer count and are reflected in the rate schedules attached as Exhibit A to the Settlement.<sup>78</sup>

Customer Class	Customer Charge	Single Block Volumetric
Residential	\$19.00	\$0.33613 per Ccf at 14.65 pressure base \$0.34301 per Ccf at 14.95 pressure base
General Service – Small	\$25.00	\$0.16286 per Ccf at 14.65 pressure base \$0.16620 per Ccf at 14.95 pressure base
General Service – Large Volume	\$99.50	\$0.07647 per Ccf at 14.65 pressure base

For operating and maintenance cost directly related to Hurricane Harvey, CenterPoint is seeking approval of a deferred regulatory asset.<sup>79</sup> CenterPoint requested approval of a new surcharge to recover actual storm-cost restoration expenses related to Hurricane Harvey net of insurance proceeds, collected over a twelve-month period. CenterPoint originally proposed the surcharge to be collected equally from all sales rate classes on a flat charge per customer bill basis.

The Settlement recommends that CenterPoint may recover \$675,992 in expenses related to Hurricane Harvey restoration of service via a surcharge until the full amount is recovered. Any over-recovery will be returned to customers through the Purchased Gas Adjustment ("PGA") tariff. Under the Settlement, the monthly charge amounts shall be collected volumetrically in accordance with the below factors.<sup>80</sup>

#### Hurricane Surcharge by Customer Class

Customer Class	14.65 pressure base	14.95 pressure base
Residential	\$0.01026 per Ccf	\$0.01047 per Ccf
General Service – Small	\$0.01026 per Ccf	\$0.01047 per Ccf
General Service – Large	\$0.01026 per Ccf	n/a

CenterPoint will seek recovery of Hurricane Harvey-related capital costs incurred after September 30, 2017, in its next GRIP filing.<sup>81</sup> The parties further agree to the following:

- CenterPoint may recover gas-related bad debt costs through its PGA;
- CenterPoint may reconcile through its PGA over-recoveries related to surcharges approved to recover rate case expenses;

<sup>78</sup> CenterPoint Ex. 15 (Settlement) ¶ 2.

<sup>79</sup> CenterPoint Ex. 4 (Pryor Test.), at 28.

<sup>80</sup> CenterPoint Ex. 15 (Settlement) ¶ 12.

<sup>81</sup> CenterPoint Ex. 4 (Pryor Test.), at 28.

- CenterPoint shall provide notice to Staff of any reconciling item to be included in the PGA;
- CenterPoint shall clearly identify and include details of any reconciling item in its annual reconciliation report submitted to Staff;<sup>82</sup> and
- CenterPoint shall seek review and approval from the Commission for any FERC intervention costs incurred for the benefit of customers prior to their inclusion in the cost of gas calculation. Those costs are limited to reasonable non-employee experts, non-employee attorney fees, and prudently incurred travel expenses.<sup>83</sup>

The Examiners find the Settlement's tariffs to be just and reasonable and recommend their approval.

## **J. Capital Investment Prudence**

CenterPoint seeks a determination that its interim rate adjustments for the South Texas Division for the period July 1, 2010, through September 30, 2017—totaling \$186,068,333—are just and reasonable in accordance with GURA Section 104.301 (Interim Adjustment for Changes in Investment). The plant in service amount of \$186,068,333 is a reduced settled amount that is less than CenterPoint's filed request of \$186,713,845. Because the Settlement is a result of negotiation and compromise, the reduction from CenterPoint's filed request is not tied to any particular project or assets.<sup>84</sup>

GURA Section 104.301 (Interim Adjustment for Changes in Investment) and Commission Rule § 7.7101 (Interim Rate Adjustments) provide that a gas utility may file with the Commission a request for an Interim Rate Adjustment ("IRA"). In the rate case a gas utility files or the Commission initiates after the implementation of an IRA under Commission Rule § 7.7101 (Interim Rate Adjustments), any change in investment and related expenses and revenues that have been included in any interim rate adjustment shall be fully subject to review for reasonableness and prudence.<sup>85</sup>

CenterPoint's capital additions since GUD No. 10038 total approximately \$153 million in the South Texas Division through September 30, 2017.<sup>86</sup> Of that total, over \$68 million was for system improvement, roughly \$10 million was for public improvement, approximately \$40 million was for system expansion, approximately \$20 million related to the purchase and installation of meter reading equipment and ERTs, and about \$14 million was invested in general and other plant.<sup>87</sup> Approximately 45 percent of the total investment is directly related to safety.<sup>88</sup>

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<sup>82</sup> CenterPoint Ex. 15 (Settlement) ¶¶ 13-14.

<sup>83</sup> CenterPoint Ex. 15 (Settlement) ¶ 15.

<sup>84</sup> CenterPoint Ex. 16 (CenterPoint's responses to the Examiners' requests for clarification).

<sup>85</sup> See Tex. Util. Code § 104.301 (Interim Adjustment for Changes in Investment), 16 Tex. Admin. Code § 7.701 (Interim Rate Adjustments).

<sup>86</sup> CenterPoint Ex. 4 (Pryor Test.), at 19.

<sup>87</sup> *Id.*

<sup>88</sup> *Id.*

Some of this investment is currently being recovered through the GRIP filings that CenterPoint made in the South Texas Division since its last rate case in 2010. CenterPoint made its first GRIP filing in 2012. CenterPoint's 2017 GRIP filing—covering 2016—was CenterPoint's sixth and final GRIP filing prior to this case.<sup>89</sup>

### GRIP Filings since GUD No. 10038

GUD No.	Year Filed	Period	Net Plant Increase
10151	2012	June 30, 2010 - December 31, 2011	\$14,480,579
10257	2013	January 1, 2012 - December 31, 2012	\$17,469,295
10346	2014	January 1, 2013 - December 31, 2013	\$10,499,728
10435	2015	January 1, 2014 - December 31, 2014	\$22,156,426
10509	2016	January 1, 2015 - December 31, 2015	\$13,719,695
10618	2017	January 1, 2016 - December 31, 2016	\$23,105,765

In addition to the above GRIP amounts, CenterPoint requests a prudence determination on capital additions for 2017, through September, totaling \$15,021,838.<sup>90</sup>

According to CenterPoint, the investment amounts discussed above have been primarily driven by growth, public improvement projects related to that growth, and the need to replace aging infrastructure.<sup>91</sup> According to CenterPoint, all of its capital investment in the South Texas Division was “prudent and was reasonably and necessarily incurred in order to provide a safe and reliable system with an appropriate level of customer service.”<sup>92</sup>

### GRIP Related Refund

The parties agree that CenterPoint will make an IRA true-up in the amount of \$640,158 via a one-time refund bill credit to South Texas Division customers and that future ad valorem tax true-ups may occur in IRA filings.<sup>93</sup> The refund will be applied to the standard rate classes and allocated using the same allocation factors approved in GUD No. 10038, as reflected in the table below. The one-time refund will occur in the first billing cycle following the final order in this docket.<sup>94</sup>

### Interim Rate Adjustment Refund Allocation

Class	Allocation Factor	Refund per Class	Customer Count	One-Time Refund
Residential	.847989	\$542,847.00	132,129	\$4.11
General Service – Small	.128714	\$82,397.00	9,881	\$8.34
General Service – Large Volume	.023297	\$4,914.00	278	\$53.65

<sup>89</sup> *Id.*

<sup>90</sup> *Id.* at 20.

<sup>91</sup> *Id.*

<sup>92</sup> *Id.* at 21.

<sup>93</sup> CenterPoint Ex. 15 (Settlement) ¶ 8.

<sup>94</sup> CenterPoint Ex. 16 (CenterPoint responses to Examiner clarification requests).

Consistent with the Settlement, the Examiners find CenterPoint's capital investment booked to plant in the South Texas Division through September 30, 2017—totaling \$186,068,333—to be reasonable and prudent, and used and useful.

### K. Future Interim Rate Adjustment (IRA) Factors

The parties agree that any IRA filing in the South Texas Division pursuant to GURA Section 104.301 (Interim Adjustment for Changes in Investment) shall use the below factors until changed by a subsequent general rate proceeding.<sup>95</sup>

- a. The capital structure and related components as shown above in Paragraph 3 to the Settlement, discussed above.
- b. For any initial IRA filing, the beginning amount of ad valorem taxes at a South Texas Division level is \$1,518,333 and the standard sales service amount is \$1,489,451. Margin tax will be calculated using a 0.75-percent factor until or unless changed by statute.
- c. For any initial IRA filing, the net plant in service amount for standard sales service in the South Texas Division is \$186,068,333 as presented in Exhibit C to the Settlement.
- d. For any initial IRA filing in the South Texas Division, the starting balance for the 8.209 Regulatory Asset Account is \$0. In future IRA filings, 8.209 Regulatory Asset balance approved in the previous year's IRA filing will be assigned to the appropriate plant account as shown in Exhibit C.1 to the Settlement.
- e. For any initial IRA filing in the South Texas Division, the Net Investment will include detail of Plant in Service amounts by Fixed Capital Account ("FCA") as shown on Exhibit C to the Settlement.
- f. For any initial IRA filing and for any subsequent IRA filings, the depreciation rate for each account shall be as shown on Exhibit C to the Settlement.
- g. For any initial IRA filing, the customer charges and volumetric rates as noted in Paragraph 3 to the Settlement will be the starting rates to which any IRA adjustment is applied.
- h. Federal income taxes will be calculated using a 21-percent rate.
- i. 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
84.8764%	13.0623%	2.0613%

- j. The Standard Sales service allocation factor is 98.222086 percent.

The parties agree that CenterPoint may include amounts in connection with plant investment qualifying for regulatory asset treatment under Commission Rule § 8.209(j) in its annual IRA filings.<sup>96</sup>

<sup>95</sup> CenterPoint Ex. 15 (Settlement) ¶ 4.

<sup>96</sup> CenterPoint Ex. 15 (Settlement) ¶ 16.

The Examiners find these factors and conditions to be just and reasonable and consistent with statutory and Commission requirements. Accordingly, the Examiners recommend approval of these factors.

## **L. Depreciation Rates**

The parties agree to the depreciation rates reflected in Exhibit C of the Settlement.<sup>97</sup>

Considering the evidence, the Examiners find the depreciation rates reflected in the Settlement are proper and adequate, just and reasonable, supported by the evidence, and are consistent with the requirements in GURA Section 104.054 (Depreciation, Amortization, and Depletion). Accordingly, the Examiners recommend their approval.

## **M. Other Issues**

### **1. System Safety and Integrity Expenses Regulatory Asset**

The parties agree that CenterPoint may establish a regulatory asset to track amounts incurred above or below \$722,871 for the South Texas Division related to third-party system safety and integrity expenses identified in base rates and request recovery of the amounts in the asset in a future rate case filing.<sup>98</sup>

According to CenterPoint, the regulatory asset is reasonable because the inherent variability and uncertainty of its required pipeline safety activities renders cost recovery impossible without having to continually seek rate relief, and it protects both CenterPoint and its ratepayers by assuring that only actual incurred costs are recovered through rates.<sup>99</sup> CenterPoint states that its request is identical to the treatment the Commission approved in GUD No. 10567.<sup>100</sup> In GUD No. 10567, the Commission approved the parties' settlement agreement allowing CenterPoint to establish a regulatory asset to track third-party system safety and integrity expenses above or below the baseline level, and to request recovery for the amounts in the asset in a future rate case filing.<sup>101</sup> Also in support, CenterPoint highlights acknowledgment from the Pipeline and Hazardous Materials Safety Administration ("PHMSA") and National Association of Regulatory Utility Commission ("NARUC") supporting cost recovery flexibility—such as a deferred regulatory asset for pipeline integrity costs.<sup>102</sup>

Considering the evidence, the Examiners find this to be just and reasonable and recommend approval. Consistent with the Settlement, it is reasonable that CenterPoint file an annual report detailing any increase or decrease above or below

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<sup>97</sup> *Id.* ¶ 6.

<sup>98</sup> CenterPoint Ex. 15 (Settlement) ¶ 9.

<sup>99</sup> CenterPoint Ex. 10 (Smith Test.), at 32.

<sup>100</sup> CenterPoint Ex. 5 (Kirk Test.), at 30.

<sup>101</sup> See GUD No. 10567 Final Order, FoF 49, signed May 23, 2017.

<sup>102</sup> CenterPoint Ex. 10 (Smith Test.), at 31.

the benchmark amount of \$722,871 for the South Texas Division identified in base rates for third-party safety and integrity expenses with Commission Staff within 90 days after each calendar year end.

## 2. Regulatory Asset Amortization

The parties agree that CenterPoint shall account for its requested Deferred Benefit Liability and Commission Rule § 8.209 Asset using a 5-year amortization period.<sup>103</sup> The parties agree that for internal audit and external reporting purposes, CenterPoint may establish a regulatory asset for its Unrecovered Post-Retirement Liability and amortize that asset over five years.<sup>104</sup> CenterPoint will recognize the annual amortization in the employee expense related reserve in rate base.<sup>105</sup>

Considering the evidence, the Examiners find this to be reasonable and recommend approval.

## N. Rate Case Expenses

CenterPoint, ACM, and STCC request reimbursement/recovery of reasonable rate case expenses totaling \$730,368.37.<sup>106</sup> In any gas utility rate proceeding, the utility and municipalities participating in the proceeding, if any, may be reimbursed their reasonable rate case expenses.<sup>107</sup> Any gas utility or municipality claiming reimbursement for its rate case expenses shall have the burden to prove the reasonableness of such rate case expenses by a preponderance of the evidence.<sup>108</sup> Each gas utility and/or municipality shall detail and itemize all rate case expenses and allocations and shall provide evidence showing the reasonableness of the cost of all professional services, including but not limited to:

- (1) the amount of work done;
- (2) the time and labor required to accomplish the work;
- (3) the nature, extent, and difficulty of the work done;
- (4) the originality of the work;
- (5) the charges by others for work of the same or similar nature; and
- (6) any other factors taken into account in setting the amount of the compensation.<sup>109</sup>

In determining the reasonableness of the rate case expenses, the Commission shall consider all relevant factors including, but not limited to, the above evidence,

<sup>103</sup> CenterPoint Ex. 15 (Settlement) ¶ 10.

<sup>104</sup> *Id.* ¶ 11.

<sup>105</sup> *Id.*

<sup>106</sup> CenterPoint Ex. 15 (Settlement) ¶¶ 17-21, and Exhibit A, p. 17 (RCE-13.1-I) and p. 18 (RCE-13.1-U).

<sup>107</sup> See 16 Tex. Admin. Code § 7.5530 (Allowable Rate Case Expenses) (providing that a utility may be reimbursed its reasonable rate case expenses from certain customers), Tex. Util. Code § 103.022 (Rate Assistance and Cost Reimbursement) (providing that the governing body of a participating municipality may be reimbursed its reasonable rate case expenses from the utility).

<sup>108</sup> 16 Tex. Admin. Code § 7.5530(a) (Allowable Rate Case Expenses).

<sup>109</sup> *Id.*

and the Commission also shall 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 that may be granted.<sup>110</sup>

CenterPoint, ACM, and STCC all filed affidavits and supporting evidence for reimbursement of rate case expenses.<sup>111</sup> The parties' agreed amounts and agreed allocation are treated separately below.

## 1. Amounts

The parties represent that their reasonable rate case expenses are as follows:<sup>112</sup>

### Rate Case Expenses

Party	Actual Invoices Received	Invoices Due and Estimated to Completion	TOTAL
CenterPoint	\$527,111.16	\$49,705.04	\$576,816.20
ACM	\$69,552.17	\$4,000.00	\$73,552.17
STCC	\$44,246.18	\$35,753.82	\$80,000.00
<b>TOTAL</b>	<b>\$640,909.51</b>	<b>\$89,458.86</b>	<b>\$730,368.37</b>

CenterPoint, ACM, and STCC 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 Examiners reviewed the testimony and documentation supporting the rate case expense amounts shown above. Considering the above factors, the Examiners find that the above rate case expense amounts for CenterPoint, ACM, and STCC are reasonable and that these parties proved the reasonableness of their respective rate case expenses by a preponderance of the evidence. Accordingly, the Examiners recommend these amounts be approved.

## 2. Allocation and Surcharge

All parties agree that the recovery period for the applicable surcharge to recover rate case expenses shall be 24 months.<sup>113</sup> The monthly customer surcharge

<sup>110</sup> *Id.*

<sup>111</sup> CenterPoint Ex. 15 (Settlement) ¶ 18; see also Exhibit D (Affidavits from CenterPoint, ACM, and STCC, and supporting invoices and receipts).

<sup>112</sup> *Id.* ¶ 17.

<sup>113</sup> *Id.* ¶ 18.

requested is \$0.21 per bill for residential and General Service-Small customers and \$0.22 per bill for General Service-Large customers.<sup>114</sup> The parties further agree that equal recovery of all approved rate case expenses on a system-wide basis from incorporated and unincorporated customers in the South Texas Division is appropriate, reasonable, and supported by good cause.<sup>115</sup>

At the Hearing, CenterPoint clarified that, under the Settlement, the parties intend that the full rate case expense amount above totaling \$730,368.37 would be spread evenly among all CenterPoint customers in the South Texas Division, including municipal customers not directly involved in this proceeding.<sup>116</sup> The below table reflects this apportionment.

**Rate Case Amounts to Customers**

Item	Environs	Cities Under Commission's Jurisdiction (22 total)	Cities Not Under Commission's Jurisdiction	Total
Customer Count	8,822	36,865	96,601	142,288
Percent of Total	6.2%	26%	68%	
Amount	<b>\$ 45,283.87</b>	<b>\$ 189,228.12</b>	<b>\$ 495,856.38</b>	\$730,368.37

Consistent with the Settlement, the Examiners find that good cause exists to recover the litigation and estimated expenses of CenterPoint, ACM, and STCC—totaling \$730,368.37—equally from all incorporated and unincorporated/environs customers in the South Texas Division. All customers benefit from the parties' Settlement, and participation by CenterPoint, ACM, and STCC resulted in the Settlement. Therefore, equal allocation among all South Texas Division customers is necessary in the interest of justice. Consistent with the Settlement, the apportioned amount for environs customers totals \$45,283.87, and the apportioned amount for the 22 cities under the Commission's original and appellate jurisdiction totals \$189,228.12.

### 3. Compliance

Under the Settlement, the parties agree to the below compliance terms.<sup>117</sup>

- CenterPoint shall file annually, due on or before April 1, a rate case expense recovery report with Staff, referencing GUD No. 10669. The report shall include the amount of rate case expense recovered by month and the outstanding balance by month as set out in Rate Schedules RCE 13.1-I and 13.1-U.
- CenterPoint, ACM, and STCC submit to Staff invoices reflecting actual rate case expenses with sufficient detail so that Staff can accurately audit such

<sup>114</sup> CenterPoint Ex. 15 (Settlement) Exhibit A, p. 17 (RCE-13.1-I) and p. 18 (RCE-13.1-U).

<sup>115</sup> CenterPoint Ex. 15 (Settlement) ¶ 19.

<sup>116</sup> Hearing Tr., at 11-13 (April 18, 2018).

<sup>117</sup> CenterPoint Ex. 15 (Settlement) ¶¶ 20-21.

invoices for the purposes of reconciling estimated rate case expenses to actual rate case expenses. In no case shall the total actual expenses exceed the actual expenses submitted to the Commission as of March 2018, plus the approved estimated expenses of \$730,368.37.

- CenterPoint file an annual Rate Case Expense Report with Staff detailing the balance of actual plus estimated rate case expenses at the beginning of the annual period, the amount collected by customer class, and the ending or remaining balance within 90 days after each calendar year end.

The Examiners find these terms to be just and reasonable and recommend their approval.

#### **4. Rate Case Expenses Conclusion**

Considering the Settlement and evidentiary record, the Examiners find that the terms in the Settlement relating to the amounts, reimbursement, allocation, and recovery of rate case expenses are just and reasonable and consistent with Commission Rule 7.5530 (Allowable Rate Case Expenses). Accordingly, the Examiners recommend approval.

### **VIII. CONCLUSION**

The Examiners find that CenterPoint's request for a rate change pursuant to the Settlement is warranted. The recommendations contained herein are just and reasonable, supported by the weight of reliable and probative evidence, consistent with the public interest, and proper under applicable Texas law. Accordingly, the Examiners respectfully recommend that the Commission approve the Settlement.

### **IX. FINDINGS OF FACT AND CONCLUSIONS OF LAW**

The Findings of Fact and Conclusions of Law contained in the Proposed Final Order, issued contemporaneously with this PFD, are incorporated herein by reference.

**SIGNED May 11, 2018.**

  
John Dodson  
Administrative Law Judge

  
Rose Ruiz  
Technical Examiner

  
Dana Avant Lewis  
Administrative Law Judge

  
James Currier  
Technical Examiner

**GUD No. 10669**  
**Proposal for Decision**

**ATTACHMENT 1**

***Unanimous Settlement Agreement***

**GUD NO. 10669**

**STATEMENT OF INTENT OF  
CENTERPOINT ENERGY  
RESOURCES CORP., D/B/A  
CENTERPOINT ENERGY ENTEX  
AND CENTERPOINT ENERGY  
TEXAS GAS TO INCREASE RATES IN  
THE SOUTH TEXAS DIVISION**

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§

**BEFORE THE  
RAILROAD COMMISSION  
OF TEXAS**

**UNANIMOUS SETTLEMENT AGREEMENT**

This Unanimous 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 Alliance of CenterPoint Municipalities ("ACM"); the South Texas Coalition of Cities ("STCC"); and the Staff of the Railroad Commission of Texas ("Staff"). (collectively, the "Signatories").

WHEREAS, on November 16, 2017, CenterPoint filed its Statement of Intent to Increase Rates in the South Texas Division with the Railroad Commission of Texas ("Commission") and each of the cities in the South Texas Division retaining original jurisdiction; and

WHEREAS, the Commission docketed the rate request as GUD No. 10669; and

WHEREAS, ACM, STCC, and Commission Staff sought intervention and were granted party status in GUD No. 10669; and

WHEREAS, the cities within ACM and STCC have suspended the implementation of the Company's rate request until May 22, 2018; and

WHEREAS, the Company will seek the consolidation of all municipal appeals with GUD No. 10669; and

WHEREAS, the Company has filed direct testimony and errata to its Statement of Intent; and

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

WHEREAS, direct testimony of ACM and STCC was due on March 14, 2018, and Staff direct testimony was due on March 21, 2018, but ACM, STCC, and Staff did not file direct testimony in reliance on this Unanimous Settlement Agreement.; and

WHEREAS, the Signatories agree that resolution of this docket by unanimous 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 South Texas Division without the need for prolonged litigation:

**Settlement Terms**

1. As a product of compromise and for the purposes of settlement, the Signatories agree to the rates, terms and conditions reflected in the tariffs attached to this Unanimous Settlement Agreement as Exhibit A. The tariffs attached as Exhibit A replace and supersede those tariffs currently in effect in the South Texas Division. These tariffs are premised on a decrease of \$3.0 million in current annual revenues as illustrated in the proof of revenues attached as part of Exhibit B to this Unanimous Settlement Agreement. Except as specifically provided herein, the Signatories agree that the \$3.0 million revenue decrease is a "black box" figure and is not tied to any specific expense in the underlying cost of service within CenterPoint's South Texas Division. The Signatories further agree that the rates, terms and conditions reflected in Exhibit A to this Unanimous 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 Unanimous 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 based on test year-end customer count and are reflected in the rate schedules attached as Exhibit A.

	<b>Customer Charge</b>	<b>Single Block Volumetric</b>
Residential	\$19.00	\$0.33613 per Ccf at 14.65 pressure base \$0.34301 per Ccf at 14.95 pressure base
General Service – Small	\$25.00	\$0.16286 per Ccf at 14.65 pressure base \$0.16620 per Ccf at 14.95 pressure base
General Service – Large Volume	\$99.50	\$0.07647 per Ccf at 14.65 pressure base

3. The Signatories agree to use of the following capital structure and weighted cost of capital, including the pre-tax return, as shown below. This capital structure and weighted cost of capital shall be used in future Interim Rate Adjustment ("IRA") filings.

<b>Class of Capital</b>	<b>Percent</b>	<b>Cost</b>	<b>Weighted Cost of Capital</b>	<b>Pre-tax Return</b>
Long-Term Debt	45.00%	6.0480%	2.7216%	2.7422%
Common Equity	55.00%	9.8000%	5.3900%	6.8743%
Weighted Average Cost of Capital	100.00%		8.1116%	9.6165%

4. The Signatories agree that any IRA filing in the South Texas Division pursuant to Texas Utilities Code § 104.301 shall use the following factors until changed by a subsequent general rate proceeding:
  - a. The capital structure and related components as shown above in Paragraph 3.
  - b. For any initial IRA filing, the beginning amount of ad valorem taxes at a South Texas Division level is \$1,518,333 and the standard sales service amount is \$1,489,451. Margin tax will be calculated using a 0.75% factor until or unless changed by statute.
  - c. For any initial IRA filing, the net plant in service amount for standard sales service in the South Texas Division is \$186,068,333 as presented in Exhibit C.
  - d. For any initial IRA filing in the South Texas Division, the starting balance for the 8.209 Regulatory Asset Account is \$0. In future IRA filings, 8.209 Regulatory Asset balance approved in the previous year's IRA filing will be assigned to the appropriate plant account as shown in Exhibit C.1.
  - e. For any initial IRA filing in the South Texas Division, the Net Investment will include detail of Plant in Service amounts by Fixed Capital Account ("FCA") as shown on Exhibit C.
  - f. For any initial IRA filing and for any subsequent IRA filings, the depreciation rate for each account shall be as shown on Exhibit C.
  - g. For any initial IRA filing, the customer charges and volumetric rates as noted in Paragraph 3 above will be the starting rates to which any IRA adjustment is applied.
  - h. Federal income taxes will be calculated using a 21% rate.
  - i. The base rate revenue allocation factors to spread any change in IRA increase/decrease to the appropriate customer classes are as follows:

<b>Residential</b>	<b>General Service – Small</b>	<b>General Service – Large</b>
84.8764%	13.0623%	2.0613%

- j. The Standard Sales service allocation factor is 98.222086%.
5. CenterPoint may pursue recovery of 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 levels to track changes in pension-related and other post-employment benefits:
  - a. Retirement Plan – FAS 87 – \$1,516,383;
  - b. Benefit Restoration Plan – FAS 87 – \$121,238;
  - c. Postemployment – FAS 112 – \$164,796;
  - d. Postretirement – FAS 106 – \$248,110.
6. The Signatories agree to the depreciation rates reflected in Exhibit C.
7. The Signatories agree that the "black box" decrease amount in Paragraph 1 includes a reduction of the corporate income tax rate from 35% to 21% to recognize changes to the Federal Tax Code due to the Tax Cuts and Jobs Act of 2017. CenterPoint has allocated the

cost of service reduction to its customer classes based on the base rate revenue allocation agreed to in Item 4 and reflected in the proof of revenues attached hereto as Exhibit B.

The Signatories further agree that federal income tax expense will be adjusted for excess deferred income taxes (EDIT) resulting from the Tax Cuts and Jobs Act of 2017. The EDIT adjustment will be computed based on the average rate assumption method (ARAM) for those amounts required under Internal Revenue Service (IRS) normalization rules. The Company's unprotected EDIT will be amortized over five (5) years.

No later than November 15, 2019, the Company will file a request under Section 104.111 of the Texas Utilities Code to reduce rates in the South Texas Division in order to reflect an adjustment to rates related to amortization of the Company's protected EDIT.

8. The Signatories agree that CenterPoint will make an IRA true-up in the amount of \$640,158 via a one-time refund bill credit to South Texas Division customers and that future ad valorem tax true-ups may occur in IRA filings.
9. The Signatories agree that CenterPoint may establish a regulatory asset to track amounts incurred above or below \$722,871 for the South Texas Division related to third-party system safety and integrity expenses identified in base rates. CenterPoint may request recovery of the amount in the asset in a future Statement of Intent filing. The Signatories further agree to and propose the inclusion of the following Finding of Fact and Ordering Paragraph in the Final Order in this docket:
  - a. Finding of Fact: It is reasonable that CenterPoint file an annual report detailing any increase or decrease above or below the benchmark amount of \$722,871 for the South Texas Division identified in base rates for third-party safety and integrity expenses with Commission Staff within 90 days after each calendar year end.
  - b. Ordering Paragraph: IT IS THEREFORE ORDERED that CenterPoint file an annual report with Commission Staff detailing any increase or decrease above or below the benchmark amount of \$722,871 for the South Texas Division set in this docket for third-party safety and integrity expenses within 90 days after each calendar year end.
10. The Signatories agree that CenterPoint shall account for its requested Deferred Benefit Liability and Commission Rule § 8.209 Asset using a 5-year amortization period.
11. The Signatories agree that for internal audit and external reporting purposes, CenterPoint may establish a regulatory asset for its Unrecovered Post-Retirement Liability and amortize that asset over 5 years. The Company will recognize the annual amortization in the employee expense related reserve in rate base.
12. The Signatories agree that CenterPoint may recover \$675,992 in expenses related to Hurricane Harvey restoration of service via a surcharge until the full amount is recovered. Any over-recovery will be returned to customers through the Company's PGA tariff. The monthly charge amounts shall be collected volumetrically in accordance with the following factors: Residential \$0.01026 per CcF at 14.65 pressure base and \$0.01047 per Ccf at 14.95

pressure base: General Service – Small \$0.01026 per Ccf at 14.65 and \$0.01047 per Ccf at 14.95 pressure base: and General Service – Large \$0.01026 per Ccf at 14.65 pressure base.

13. The Signatories agree that, consistent with its request, CenterPoint may recover gas-related bad debt costs through its PGA.
14. The Signatories agree that: (a) CenterPoint may reconcile through its PGA over-recoveries related to surcharges approved to recover rate case expenses; (b) CenterPoint shall provide notice to Staff of any reconciling item to be included in the PGA; and (c) CenterPoint shall clearly identify and include details of any reconciling item in its annual reconciliation report submitted to Staff.
15. The Signatories agree that CenterPoint shall seek review and approval from the Commission for any Federal Energy Regulatory Commission ("FERC") Intervention costs incurred for the benefit of customers prior to their inclusion in the cost of gas calculation. Those costs are limited to reasonable non-employee experts, non-employee attorney fees, and prudently incurred travel expenses.
16. The Signatories agree that CenterPoint may include amounts in connection with plant investment qualifying for regulatory asset treatment under Commission Rule § 8.209(j) in its annual IRA filings.
17. CenterPoint, ACM, and STCC represent that their reasonable rate case expenses incurred through February 2018, and estimated rate case expenses incurred through completion of this case, are as follows:

	<b>Actual Invoices Received</b>	<b>Invoices Due and Est. to Completion</b>	<b>TOTAL</b>
<b>CenterPoint</b>	\$527,111.16	\$49,705.04	\$576,816.20
<b>ACM</b>	\$69,552.17	\$4,000.00	\$73,552.17
<b>STCC</b>	\$44,246.18	\$35,753.82	\$80,000.00

18. CenterPoint, ACM, and STCC attach as Exhibit D affidavits and invoices in support of these amounts, and will supplement with additional invoices as they are processed. The Signatories agree that the amounts represented above are reasonable and recoverable pursuant to Texas Utilities Code § 103.022. The Signatories agree that the recovery period for the applicable surcharge to recover rate-case expenses shall be twenty-four (24) months. CenterPoint agrees to reimburse ACM and STCC the amount of rate case expenses set forth above within thirty (30) days of the issuance of an order authorizing recovery of those expenses. The Signatories 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.

19. The Signatories agree that equal recovery of rate case expenses arising from this proceeding on a system-wide basis from incorporated and unincorporated customers in the South Texas Division is appropriate and reasonable and that good cause exists to support equal recovery of rate case expenses from all customers on a system-wide basis within the division for the following reasons:
- a. CenterPoint Litigation and Estimated expenses: Good cause exists to recover CenterPoint litigation and estimated expenses equally from all customers, including customers within the incorporated and unincorporated areas of the South Texas Division. The intent of Commission Rule 7.5530(e) is to allocate rate case expenses to the participating parties according to which party caused the expenses to be incurred, therefore it is reasonable to seek recovery of rate case expenses from all customers who benefit from the settlement agreement in this case, which includes all customers in the incorporated and unincorporated areas of the South Texas Division. Recovery of these expenses is also necessary in the interest of justice.
  - b. ACM and STCC Litigation and Estimated expenses: Good cause exists to recover ACM and STCC litigation and estimated expenses equally from all customers, including customers within the incorporated and unincorporated areas of the South Texas Division, because the ACM and STCC participation in GUD No. 10669 resulted in this Unanimous Settlement Agreement, which benefits all such customers, and doing so is necessary in the interest of justice.
20. CenterPoint shall file annually, due on or before April 1, a rate case expense recovery report with the Railroad Commission of Texas, Oversight and Safety Division, referencing GUD No. 10669. The report shall include the amount of rate case expense recovered by month and the outstanding balance by month as set out in Rate Schedules RCE 13.11 and 13.1U. The Signatories agree to and propose the inclusion of the following Findings of Fact and Ordering Paragraph in the Final Order in this docket:
- a. Finding of Fact: It is reasonable that CenterPoint, ACM, and STCC submit to Staff invoices reflecting actual rate case expenses with sufficient detail so that Staff can accurately audit such invoices for the purposes of reconciling estimated rate case expenses to actual rate case expenses. In no case shall the total actual expenses exceed the actual expenses submitted to the Commission as of March 2018, plus the approved estimated expenses of \$730,368.37.
  - b. Finding of Fact: It is reasonable that CenterPoint file an annual Rate Case Expense Report with Staff detailing the balance of actual plus estimated rate case expenses at the beginning of the annual period, the amount collected by customer class, and the ending or remaining balance within ninety (90) days after each calendar year end.
  - c. Ordering Paragraph: IT IS THEREFORE ORDERED that CenterPoint file an annual Rate Case Expense Report with Staff detailing recovery of rate case expenses as described in Finding of Fact \_\_ within ninety (90) days after each calendar year end until the calendar year end in which the rate case expenses are fully recovered.

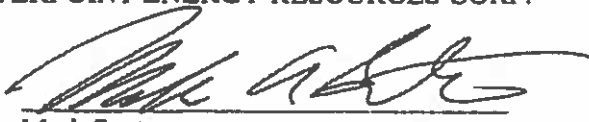
21. The Signatories agree to and propose the inclusion of the following Ordering Paragraphs in the Final Order in this docket:
  - a. Ordering Paragraph: IT IS FURTHER ORDERED that within thirty (30) days of this Final Order, in accordance with 16 Tex. Admin. Code § 7.315, CenterPoint SHALL electronically file its rate schedules in proper form that accurately reflect the rates in Exhibit A approved in this Final Order.
  - b. Ordering Paragraph: IT IS FURTHER ORDERED that any incremental change in rates approved by this Final Order and implemented by CenterPoint shall be subject to refund unless and until CenterPoint's tariffs are electronically filed and accepted by the Gas Services Department in accordance with 16 Tex. Admin. Code § 7.315
22. For purposes of compromise and settlement, 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. Acceptance of the treatment of affiliate expenses is the product of compromise and settlement and is not of precedential value in any other proceeding.
23. 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.
24. 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 on or before May 22, 2018.
25. Except as may be allowed under Rule 408 of the Texas Rules of Evidence, the Signatories agree that all negotiations, discussions, and conferences related to the Unanimous Settlement Agreement are privileged and inadmissible to prove the validity or invalidity of any issue raised by or presented in the Statement of Intent to Increase Rates in the South Texas Division filed on November 16, 2017.
26. 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 Unanimous Settlement Agreement.
27. 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 Unanimous 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 Unanimous Settlement Agreement or its subsequent withdrawal and further agrees that CenterPoint's application to increase rates will be remanded for hearings.
28. 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. The matters resolved herein are resolved on the basis of a compromise and

settlement. Except to the extent the Unanimous Settlement Agreement governs a Signatory's rights and obligations for future periods, this Unanimous Settlement Agreement shall not be binding or precedential upon a Signatory outside this proceeding. Each Signatory acknowledges that a Signatory's support of the matters contained in this Stipulation may differ from the position taken or testimony presented by it in other dockets or other jurisdictions. To the extent that there is a difference, a Signatory does not waive its position in any of those other dockets or jurisdictions. Because this is a stipulated resolution, no Signatory is under any obligation to take the same positions as set out in this Stipulation in other dockets or jurisdictions, regardless of whether other dockets present the same or a different set of circumstances, except as otherwise may be explicitly provided by this Stipulation. Agreement by the Signatories to any provision in this Stipulation will not be used against any Signatory in any future proceeding with respect to different positions that may be taken by that Signatory.


29. The provisions of this Stipulation are intended to relate to only the specific matters referred to herein. By agreeing to this Stipulation, no Signatory waives any claim it may otherwise have with respect to issues not expressly provided for herein. The Signatories further understand and agree that this Stipulation represents a negotiated settlement of all issues in this proceeding.
30. The Signatories agree that this Unanimous Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

Agreed to this 3<sup>rd</sup> day of April 2018.

CENTERPOINT ENERGY RESOURCES CORP.

By:   
Mark Santos  
Attorney for CenterPoint Energy Resources Corp.

ALLIANCE OF CENTERPOINT MUNICIPALITIES

By:   
Alfred R. Herrera 4/3/18  
Attorney for Alliance of CenterPoint Municipalities

SOUTH TEXAS COALITION OF CITIES

By: \_\_\_\_\_  
Thomas Brocato  
Attorney for South Texas Coalition of Cities

STAFF OF THE RAILROAD COMMISSION OF TEXAS

By:   
Natalie Dubiel  
Attorney for Staff of the Railroad Commission of Texas

Agreed to this 3rd day of April 2018.

CENTERPOINT ENERGY RESOURCES CORP.

By: \_\_\_\_\_  
Mark Santos  
Attorney for CenterPoint Energy Resources Corp.

ALLIANCE OF CENTERPOINT MUNICIPALITIES

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

SOUTH TEXAS COALITION OF CITIES

By: Thomas Brocato, by permission  
Thomas Brocato  
Attorney for South Texas Coalition of Cities

STAFF OF THE RAILROAD COMMISSION OF TEXAS

By: \_\_\_\_\_  
Natalie Dubiel  
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  
SOUTH TEXAS DIVISION  
RATE SHEET  
RESIDENTIAL SERVICE  
RATE SCHEDULE NO. R-2097-I**

**APPLICATION OF SCHEDULE**

This schedule is applicable to any customer in an incorporated area excluding a city that has ceded jurisdiction to the Commission in the South Texas 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 – \$19.00

(2) Commodity Charge --

For customers billed at a 14.65 Pressure Base:

All Ccf @ 14.65 \$0.33613

For customers billed at a 14.95 Pressure Base:

All Ccf @ 14.95 \$0.34301

- (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.
- (e) Hurricane Surcharge – Hurricane Surcharge will be calculated as defined in the Company's applicable Hurricane Surcharge 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.

**CENTERPOINT ENERGY RESOURCES CORP.  
D/B/A CENTERPOINT ENERGY ENTEX  
AND CENTERPOINT ENERGY TEXAS GAS  
SOUTH TEXAS DIVISION  
RATE SHEET  
RESIDENTIAL SERVICE  
RATE SCHEDULE NO. R-2097-I**

**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  
SOUTH TEXAS DIVISION  
RATE SHEET  
RESIDENTIAL SERVICE  
RATE SCHEDULE NO. R -2097-U**

**APPLICATION OF SCHEDULE**

This schedule is applicable to any customer in an unincorporated area or city that has ceded jurisdiction to the Commission in the South Texas 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. The cities that have ceded jurisdiction to the Commission in the South Texas Division include Beeville, Eagle Lake, El Campo, Floresville, Goliad, Hallettsville, Kenedy, New Braunfels, Nordheim, Palacios, Pleasanton, San Diego, San Marcos, Schertz, Seguin, Selma, Sinton, and Weimar.

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 – \$19.00

(2) Commodity Charge --

For customers billed at a 14.65 Pressure Base:

All Ccf @ 14.65 \$0.33613

For customers billed at a 14.95 Pressure Base:

All Ccf @ 14.95 \$0.34301

- (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.
- (e) Hurricane Surcharge – Hurricane Surcharge will be calculated as defined in the Company's applicable Hurricane Surcharge 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**

**CENTERPOINT ENERGY RESOURCES CORP.  
D/B/A CENTERPOINT ENERGY ENTEX  
AND CENTERPOINT ENERGY TEXAS GAS  
SOUTH TEXAS DIVISION  
RATE SHEET  
RESIDENTIAL SERVICE  
RATE SCHEDULE NO. R -2097-U**

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  
SOUTH TEXAS DIVISION  
RATE SHEET  
GENERAL SERVICE-SMALL  
RATE SCHEDULE NO. GSS-2097-1**

**APPLICATION OF SCHEDULE**

This schedule is applicable to natural gas service to any customer in an incorporated area excluding a city that has ceded jurisdiction to the Commission in the South Texas 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 – \$25.00

(2) Commodity Charge –

For customers billed at a 14.65 Pressure Base:

All Ccf @ 14.65 \$0.16286

For customers billed at a 14.95 Pressure Base:

All Ccf @ 14.95 \$0.16620

- (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.
- (e) Hurricane Surcharge – Hurricane Surcharge will be calculated as defined in the Company's applicable Hurricane Surcharge 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**

**CENTERPOINT ENERGY RESOURCES CORP.  
D/B/A CENTERPOINT ENERGY ENTEX  
AND CENTERPOINT ENERGY TEXAS GAS  
SOUTH TEXAS DIVISION  
RATE SHEET  
GENERAL SERVICE-SMALL  
RATE SCHEDULE NO. GSS-2097-1**

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  
SOUTH TEXAS DIVISION  
RATE SHEET  
GENERAL SERVICE-SMALL  
RATE SCHEDULE NO. GSS-2097-U**

**APPLICATION OF SCHEDULE**

This schedule is applicable to natural gas service to any customer in an unincorporated area excluding a city that has ceded jurisdiction to the Commission in the South Texas Division engaging in any business, professional or institutional activity, for all uses of gas, including cooking, heating, refrigeration, water heating, air conditioning, and power. The cities that have ceded jurisdiction to the Commission in the South Texas Division include Beeville, Eagle Lake, El Campo, Floresville, Goliad, Hallettsville, Kenedy, New Braunfels, Nordheim, Palacios, Pleasanton, San Diego, San Marcos, Schertz, Seguin, Selma, Sinton, and Weimar.

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 – \$25.00

(2) Commodity Charge –

For customers billed at a 14.65 Pressure Base:

All Ccf @ 14.65 \$0.16286

For customers billed at a 14.95 Pressure Base:

All Ccf @ 14.95 \$0.16620

- (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.
- (e) Hurricane Surcharge – Hurricane Surcharge will be calculated as defined in the Company's applicable Hurricane Surcharge Rate Schedule.

**CENTERPOINT ENERGY RESOURCES CORP.  
D/B/A CENTERPOINT ENERGY ENTEX  
AND CENTERPOINT ENERGY TEXAS GAS  
SOUTH TEXAS DIVISION  
RATE SHEET  
GENERAL SERVICE-SMALL  
RATE SCHEDULE NO. GSS-2097-U**

**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  
SOUTH TEXAS DIVISION  
RATE SHEET  
GENERAL SERVICE-LARGE VOLUME  
RATE SCHEDULE NO. GSLV-628-I**

**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 excluding a city that has ceded jurisdiction to the Commission in the South Texas 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 – \$99.50

(2) Commodity Charge –

All Ccf @ 14.65 \$0.07647

(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.

(e) Hurricane Surcharge – Hurricane Surcharge will be calculated as defined in the Company's applicable Hurricane Surcharge 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

**CENTERPOINT ENERGY RESOURCES CORP.  
D/B/A CENTERPOINT ENERGY ENTEX  
AND CENTERPOINT ENERGY TEXAS GAS  
SOUTH TEXAS DIVISION  
RATE SHEET  
GENERAL SERVICE-LARGE VOLUME  
RATE SCHEDULE NO. GSLV-628-I**

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

**MEASUREMENT**

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

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

The Sales Unit shall be one Mcf.

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

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

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

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

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

**CENTERPOINT ENERGY RESOURCES CORP.  
D/B/A CENTERPOINT ENERGY ENTEX  
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SOUTH TEXAS DIVISION  
RATE SHEET  
GENERAL SERVICE-LARGE VOLUME  
RATE SCHEDULE NO. GSLV-628-I**

gas was measured during the period under consideration, and with the proportionate value of each carbon dioxide and nitrogen in the gas delivered included in the computation of the applicable supercompressibility factors. Company shall obtain appropriate carbon dioxide and nitrogen fraction values as may be required from time to time.

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

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

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

**SUPPLY INTERRUPTIONS**

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

**CHARGES FOR UNAUTHORIZED OVER-RUN GAS**

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

**CENTERPOINT ENERGY RESOURCES CORP.  
D/B/A CENTERPOINT ENERGY ENTEX  
AND CENTERPOINT ENERGY TEXAS GAS  
SOUTH TEXAS DIVISION  
RATE SHEET  
GENERAL SERVICE-LARGE VOLUME  
RATE SCHEDULE NO. GSLV-628-1**

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  
SOUTH TEXAS DIVISION  
RATE SHEET  
GENERAL SERVICE-LARGE VOLUME  
RATE SCHEDULE NO. GSLV-628-U**

**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 unincorporated area or city that has ceded jurisdiction to the Commission in the South Texas 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 – \$99.50

(2) Commodity Charge –

All Ccf @ 14.65 \$0.07647

(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.

(e) Hurricane Surcharge – Hurricane Surcharge will be calculated as defined in the Company's applicable Hurricane Surcharge 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

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D/B/A CENTERPOINT ENERGY ENTEX  
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RATE SCHEDULE NO. GSLV-628-U**

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

**MEASUREMENT**

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

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

The Sales Unit shall be one Mcf.

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

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

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

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

**CENTERPOINT ENERGY RESOURCES CORP.  
D/B/A CENTERPOINT ENERGY ENTEX  
AND CENTERPOINT ENERGY TEXAS GAS  
SOUTH TEXAS DIVISION  
RATE SHEET  
GENERAL SERVICE-LARGE VOLUME  
RATE SCHEDULE NO. GSLV-628-U**

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

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

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

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

**SUPPLY INTERRUPTIONS**

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

**CHARGES FOR UNAUTHORIZED OVER-RUN GAS**

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

**CENTERPOINT ENERGY RESOURCES CORP.  
D/B/A CENTERPOINT ENERGY ENTEX  
AND CENTERPOINT ENERGY TEXAS GAS  
SOUTH TEXAS DIVISION  
RATE SHEET  
GENERAL SERVICE-LARGE VOLUME  
RATE SCHEDULE NO. GSLV-628-U**

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  
SOUTH TEXAS DIVISION  
RATE SHEET  
RATE CASE EXPENSE RECOVERY  
RATE SCHEDULE NO. RCE-13.1-I**

**APPLICATION OF SCHEDULE**

This schedule is applicable to residential, general service-small, general service-large volume customers in the incorporated areas of the South Texas Division impacted by the Company's Statement of Intent to Increase Rates filed on November 16, 2017, GUD No. 10669.

This rate schedule is for the recovery of rate case expense ("RCE") and shall be in effect beginning on or after May 22, 2018, for a twenty-four (24) month period or until all approved expenses are collected.

Any over-recovery associated with this surcharge shall be returned to customers through the Purchased Gas Adjustment (PGA) tariff.

**MONTHLY RATE RECOVERY FACTOR:**

Residential	\$0.21 per bill
General Service-Small	\$0.21 per bill
General Service-Large	\$0.22 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 1<sup>st</sup> of each November, a rate case recovery report with the Railroad Commission of Texas ("Commission"), Oversight and Safety Division, referencing GUD No. 10669. The report shall detail the balance of actual plus estimated rate case expenses at the beginning of the annual period, the amount collected by customer class, and the ending or remaining balance within ninety (90) days after each calendar year end.

Reports for the Commission should be filed electronically at GUD\_Compliance @rrc.texas.gov or at the following address:

Compliance Filings  
Oversight and Safety Division  
Gas Services Department  
Railroad Commission of Texas  
P.O. Box 12967  
Austin, Texas 78711-2967

**CENTERPOINT ENERGY RESOURCES CORP.  
D/B/A CENTERPOINT ENERGY ENTEX  
AND CENTERPOINT ENERGY TEXAS GAS  
SOUTH TEXAS DIVISION  
RATE SHEET  
RATE CASE EXPENSE RECOVERY  
RATE SCHEDULE NO. RCE-13.1-U**

**APPLICATION OF SCHEDULE**

This schedule is applicable to residential, general service-small, general service-large volume customers in the unincorporated areas of the South Texas Division impacted by the Company's Statement of Intent to Increase Rates filed on November 16, 2017. GUD No. 10669.

This rate schedule is for the recovery of rate case expense ("RCE") and shall be in effect beginning on or after May 22, 2018, for a twenty-four (24) month period or until all approved expenses are collected.

Any over-recovery associated with this surcharge shall be returned to customers through the Purchased Gas Adjustment (PGA) tariff.

**MONTHLY RATE RECOVERY FACTOR:**

Residential	\$0.21 per bill
General Service-Small	\$0.21 per bill
General Service-Large	\$0.22 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 1<sup>st</sup> of each November, a rate case recovery report with the Railroad Commission of Texas ("Commission"), Oversight and Safety Division, referencing GUD No. 10669. The report shall detail the balance of actual plus estimated rate case expenses at the beginning of the annual period, the amount collected by customer class, and the ending or remaining balance within ninety (90) days after each calendar year end.

Reports for the Commission should be filed electronically at GUD\_Compliance @rrc.texas.gov or at the following address:

Compliance Filings  
Oversight and Safety Division  
Gas Services Department  
Railroad Commission of Texas  
P.O. Box 12967  
Austin, Texas 78711-2967

CENTERPOINT ENERGY RESOURCES CORP.  
D/B/A CENTERPOINT ENERGY ENTEX  
AND CENTERPOINT ENERGY TEXAS GAS  
SOUTH TEXAS DIVISION  
RATE SHEET  
HURRICANE SURCHARGE  
RATE SCHEDULE NO. HS-2

**APPLICATION OF SCHEDULE**

The Hurricane Surcharge ("Hurricane") rate as set forth in section (B) below is for the recovery of restoration expenses incurred by the Company as a direct result of a Hurricane and not recoverable from any other source. These restoration expenses include insurance deductibles under the property damage and business interruption policies. The Hurricane rate identified in this rate schedule shall apply to all standard rate customers of CenterPoint Energy Texas Gas South Texas Division. The standard rate customers are defined as the residential, general service-small, and general service-large volume customers of the South Texas Division.

**(B) HURRICANE RATE**

The monthly charge amounts shall be collected volumetrically in accordance with the following factors:

Residential	\$0.01026 per Ccf at 14.65 pressure base
Residential	\$0.01047 per Ccf at 14.95 pressure base
General Service-Small	\$0.01026 per Ccf at 14.65 pressure base
General Service-Small	\$0.01047 per Ccf at 14.95 pressure base
General Service-Large	\$0.01026 per Ccf at 14.65 pressure base

Any refunds due to recovery of expense from insurance proceeds shall be refunded on the same allocation basis described above.

**EFFECTIVE DATES**

Hurricane Rider to be effective beginning on or after May 22, 2018.

This rate will be in effect until all approved and expended Hurricane costs are recovered under the applicable rate schedules. This Rider does not limit the legal rights and duties of the Cities and is subject to all applicable laws and orders and the Company's rules and regulations on file with the regulatory authority.

This rate will be in effect until all approved Hurricane charges are recovered from the applicable customer classes as documented in the compliance filing on the Hurricane Surcharge for GUD No. 10669. This tariff expires upon collection of \$675,992.

Any over-recovery associated with this surcharge shall be returned to customers through the Purchased Gas Adjustment (PGA) tariff.

**COMPLIANCE**

The Company will file annually, due on the 1<sup>st</sup> of each November, a report with the Railroad Commission of Texas ("Commission"), Oversight and Safety Division, referencing GUD No. 10669. The report shall detail the amount recovered by month and the outstanding balance by month.

Reports for the Commission should be filed electronically at GUD\_Compliance @rrc.texas.gov or at the following address:

Compliance Filings  
Oversight and Safety Division  
Gas Services Department

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Railroad Commission of Texas  
P.O. Box 12967  
Austin, Texas 78711-2967

Upon final settlement with the insurance company, CenterPoint shall file a copy of the final settlement statement from the insurance company regarding claims for Hurricane Harvey. All insurance proceeds received under this policy shall be deducted from the amount allowed to be collected. If over-collected, a refund is required through the PGA as a reconciling item.

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SCHEDULE OF MISCELLANEOUS SERVICE CHARGES  
RATE SCHEDULE NO. MISC-18**

**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 (per trip) – Exception: No charge if account is finalled.	\$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 (1) test free of charge every four (4) years	\$15
5.	Change customer meter if requested by Customer (Does not include changes due to meter failure and/or meter being more than nominally defective, as described in General Rules and Regulations.)	\$55
6.	Change residential meter location or re-route residential service: Minimum charge	\$350
	Install each additional meter on a Customer's service line	\$55
7.	Service Connection Charge – See General Rules and Regulations, Section 5(a), relating to Service Connection	Not Applicable
8.	Disconnect service at main	\$300
	(Plus any costs arising out of any city ordinance or regulation governing work in roadways)	
9.	Restore service at main for any purpose necessitated by customer including, but not limited to, installation of equipment requested by a Customer	\$300
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.)	No Charge

\*For same day service outside the hours of 8:00 A.M. to 5:00 P.M. CT Monday – Friday, and for any service on weekends, and for any service on all Company designated holidays.

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RATE SCHEDULE NO. MISC-18**

**OTHER CHARGES**

- |     |  |      |
|-----|--|------|
| 11. | Gas Main Extensions – See General Rules and Regulations. Section 5(e). relating to Gas Main Extensions.  |      |
| 12. | Collection call - trip charge (For each trip other than when a customer is charged under miscellaneous service item no. 3 – "Turning off service to active meter") | \$20 |
| 13. | Returned check   | \$20 |

**DEPOSITS**

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

**TAX ADJUSTMENT**

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

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RATE SCHEDULE NO. FFA-10**

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 South Texas 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.

**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 electronically at [GUD\\_Compliance@rrc.texas.gov](mailto:GUD_Compliance@rrc.texas.gov) or at the following address:

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

**CENTERPOINT ENERGY RESOURCES CORP.  
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SOUTH TEXAS DIVISION  
RATE SHEET  
PURCHASED GAS ADJUSTMENT  
RATE SCHEDULE NO. PGA-16**

This Cost of Gas Clause shall apply to all general service rate schedules of CenterPoint Energy Entex in the South Texas 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. Any costs associated with the use of financial instruments entered into after March 1, 2018, shall be approved in advance and in writing by the Director of the Oversight and Safety Division of the Commission.
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
  - 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;
  - 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;
  - e. The Company shall seek review and approval from the Commission for any Federal Energy Regulatory Commission (FERC) Intervention costs incurred for the benefit of customers prior to their inclusion in the cost of gas calculation. Those costs are limited to reasonable non-employee experts, non-employee attorney fees and prudently incurred travel expenses;
  - f. the gas cost portion of bad debt expense;

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- g. schedule of reconciliation items related to over-recoveries of surcharges previously approved by the Railroad Commission; and
  - h. other amounts properly credited to the cost of gas not specifically identified herein.
- 9. **Reconciliation Component (RC):** The amount to be returned to or recovered from customers each month from the August billing cycle through July 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;
  - g. The Company shall seek review and approval from the Commission for any Federal Energy Regulatory Commission (FERC) Intervention costs incurred for the benefit of customers prior to their inclusion in the cost of gas calculation. Those costs are limited to reasonable non-employee experts, non-employee attorney fees and prudently incurred travel expenses;
  - h. the gas cost portion of bad debt expense;
  - i. schedule of reconciliation items related to over-recoveries of surcharges previously approved by the Railroad Commission; and
  - j. other amounts properly credited to the cost of gas not specifically identified herein.
- 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 July billing cycle. The Reconciliation Component so determined to collect any revenue shortfall or to return any excess revenue shall be applied for a twelve month period beginning with the next following August billing cycle and continuing through the next following July billing cycle at which time it will terminate until a new Reconciliation Component is determined.

**D. PAYMENT FOR USE OF FUNDS**

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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 GUD No. 10669 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 Cost of Gas which is the total of items (2) through (4); and
6. 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.

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RATE SCHEDULE NO. PGA-16**

**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;
3. A tabulation of any amounts properly credited against Cost of Gas; and
4. 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.

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RATE SHEET  
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RATE SCHEDULE NO. PGA-16**

**ANNUAL RECONCILIATION REPORT  
TWELVE MONTH ENDING**

A. COST OF PURCHASED GAS				B. COST OF GAS REVENUE			
TOTAL PURCHASES				TOTAL SALES			
		Met @ 14.65	\$ Dollars			Met @ 14.65	\$ Dollars
Prior Period Adjustments			\$	Prior Period Adjustments			\$
Year Month 1				Year Month 1			
Year Month 2				Year Month 2			
Year Month 3				Year Month 3			
Year Month 4				Year Month 4			
Year Month 5				Year Month 5			
Year Month 6				Year Month 6			
Year Month 7				Year Month 7			
Year Month 8				Year Month 8			
Year Month 9				Year Month 9			
Year Month 10				Year Month 10			
Year Month 11				Year Month 11			
Year Month 12				Year Month 12			
Total			\$	Total			\$

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**ANNUAL RECONCILIATION REPORT  
TWELVE MONTH ENDING**

C. WINTER BALANCE[illegible]

12 months Average CNY Balance

§ 100-10

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**ANNUAL RECONCILIATION REPORT  
TWELVE MONTH ENDING**

**D. SALES VOLUMES**

		Actual Mcf @ 14.65	Normalized Mcf @ 14.65
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		-	-

**E. Interest on PGA Balance**

12 months Average (O)U Balance \$ -  
Interest Rate 6.00%

Total Interest on (O)U Balance \$ -

**F. Reconciliation Component**

Cumulative (O)U Balance \$ -  
Total Current Interest on (O)U Balance \$ -  
Total \$ -

Divided By:  
Sales Volume

RECONCILIATION COMPONENT	\$0.0000 Per Mcf
RECONCILIATION COMPONENT	\$0.0000 Per Ccf

1) Normalized volume for South Texas Correction Factor

**CENTERPOINT ENERGY RESOURCES CORP.  
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APPLICABLE TO NATURAL GAS SERVICE IN TEXAS  
FOR JURISDICTIONS FOR WHICH TARIFF IS APPROVED ON OR AFTER NOVEMBER 16, 2017**

**1. DEFINITIONS**

- (a) "Consumer", "Customer" and "Applicant" are used interchangeably and mean a person or organization utilizing services or who wants to utilize services of CENTERPOINT ENERGY ENTEX.
- (b) "Company" means CENTERPOINT ENERGY ENTEX, its successors and assigns.
- (c) "Cubic Foot of Gas": Unless otherwise expressly provided by rate schedule or written contract (or agreement), the amount of gas necessary to fill one (1) cubic foot of space when the gas is at a gauge pressure of four (4) ounces above atmospheric pressure and/or in the event that the gas delivered to the Consumer is measured at a pressure in excess of four (4) ounces per square inch gauge, the measurement of gas shall be on the same basis as that outlined in the rate schedules for Large Volume Natural Gas Service.
- (d) "Service Line": The pipe and attached fittings which convey gas from Company's mains up to and including the stopcock on the riser for the Consumer's meter.
- (e) "Consumer's Housepiping": All pipe and attached fittings which convey gas from the outlet side of the meter to the Consumer's connection for gas appliances.
- (f) "Point of Delivery": The point where the gas is measured for delivery into Consumer's housepiping.
- (g) "Commission": Railroad Commission of Texas.

**2. APPLICATION OF RULES**

- (a) Unless otherwise expressly stated, these rules apply to all Consumers regardless of classification, except insofar as they are changed by or are in conflict with any statute of the State of Texas, enforceable municipal ordinance, applicable valid final order of any court or of the Commission, or written contract executed by Company, in which case such statute, order or contract shall control to the extent that it is applicable to the Consumer(s) in question. Whenever possible, these rules shall be construed harmoniously with such laws, contracts, ordinances, and orders.
- (b) The use of gas service shall constitute an agreement by the Consumer to utilize such service in accordance with the applicable rules of the Company as set forth herein.
- (c) These rules, and all subsequently enacted rules, may be abrogated, modified, or added to in whole or in part, by the Company and such rules as abrogated, modified, or added to, shall become effective when filed with the appropriate regulatory authority.

**3. CLASSIFICATION FOR RATE AND CONTRACT PURPOSES**

For purposes of determining rates, Consumers shall be classified as either Residential, Commercial or Large Volume Consumers as defined in Company's applicable rate schedules. Service by Company to Consumers classified herein as Residential and Commercial is available without a written contract between Consumer

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and Company at the standard rates and charges applicable to such Consumers from time to time. Company shall have no obligation to deliver more than 25,000 cubic feet of gas in any day to any Consumer not having a written gas sales contract with Company. A contract may be required from Large Volume Consumers using less than 25,000 cubic feet per day, provided this requirement shall be uniformly applied to all such Consumers within each municipal rate jurisdiction. In the case of existing Consumers, the maximum gas usage during any one day shall be obtained from 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 reason, 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 rate classification and whether or not a contract is required. Company's obligation to provide service to any Large Volume Consumer is contingent upon Company's determination that there will be an adequate supply of gas to serve such Large Volume Consumer, and that existing facilities are of adequate capacity and suitable pressure.

**4. LIMITATION OF USE**

All gas delivered through Company's meters is for use only at the point of delivery and shall not be redelivered or resold to others without Company's written consent.

**5. SERVICE CONNECTIONS**

- (a) **Service Connection:** Unless otherwise prohibited by applicable ordinance or rule, the Company may require, on a consistent and non-discriminatory basis, prepayment, reimbursement, or adequate security for some or all costs (including, but not limited to, materials, labor, or allocated overhead, permit costs and right-of-way acquisition costs) of extending its existing system to serve a new customer.
- (b) **Service Line:** Company shall install and maintain all service lines and to the extent permitted by applicable ordinance shall be entitled to make a reasonable charge for such installation. A service line may be used to supply a single building or single group of buildings which may or may not be located on a single lot, such as a group of factory buildings, hospital buildings, or institutional buildings, all under one (1) ownership or control. However, gas service supplied to Consumer for use on separate lots physically divided by other private or public property (including streets, alleys and other public ways) must be supplied through separate service lines and be separately metered and billed. More than one service line to supply a Consumer's premises may be constructed by agreement between Company and Consumer.
- (c) **Housepiping:** Consumer shall be responsible for installing and maintaining Consumer's housepiping. Company may refuse service to any consumer whose housepiping is inadequate or unsafe, but Company shall have no responsibility for determining whether or not Consumer has complied with applicable safety codes, inspecting Consumer's housepiping or in any way establishing or enforcing housepiping specifications.
- (d) **Gas Main Extensions:** Company shall extend its gas mains to provide new or additional service as set out in the applicable franchise, or where there is no franchise provision a total distance of one hundred (100) feet of pipe not to exceed two (2) inches in diameter. Gas main extensions of a

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greater distance or size than that specified above shall be made at Company's expense only where the probable expected use of all facilities necessary for such service will provide a reasonable and compensatory return to Company on the value of such facilities. Otherwise, gas main extensions shall be made only under the following conditions:

- (1) Individual Residential and Commercial Consumers upon execution of a special agreement providing for reimbursement to Company for the cost of the necessary gas main extension.
- (2) Developers of residential or business subdivisions upon execution of Company's form "Predevelopment Gas Main Extension Contract," or under special circumstances where, in Company's opinion, such forms are not appropriate, upon execution of a special agreement providing for reimbursement to Company for cost of the necessary gas main extension.
- (3) Large Volume Consumers upon execution of a special agreement providing for reimbursement to Company for the cost of the necessary gas main extension.

**6. CHARGES RELATING TO GAS SERVICE**

Utility charges for services other than delivering natural gas may be made in accordance with the Schedules of Miscellaneous Service Charges filed with the appropriate regulatory authorities.

**7. APPLICATION FOR SERVICE**

Where no written contract for service is necessary, an application by telephone or online via the Company's website may be made to request initiation of service. Upon request, Consumer shall provide information necessary for purposes of rate classification, billing, and determining whether a deposit will be required.

**8. REFUSAL TO INSTITUTE SERVICE AND TERMINATION OF SERVICE**

- (a) Refusal of service.
  - (1) Compliance by applicant. The Company may decline to serve an applicant for whom service is available from previously installed facilities until such applicant has complied with the state and municipal rules, regulations or laws, and with approved rules and regulations of the Company on file with the appropriate regulatory authority governing the service applied for, or for the following reasons:
    - (A) the applicant's installation or equipment is known to be hazardous or of such character that satisfactory service cannot be given;
    - (B) the applicant is indebted to any company for the same kind of service as that applied for; provided, however, that in the event the indebtedness of the applicant for service is in dispute, the applicant shall be served upon complying with the applicable deposit requirement;

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- (C) the applicant refuses to make a deposit if applicant is required to make a deposit under these rules;
  - (D) where an unsafe condition exists at any point on Consumer's premises;
  - (E) for use of gas in violation of Company's rules;
  - (F) in the event Company's representatives are refused access to such premises for any lawful purpose;
  - (G) when Company's property on the Consumer's premises is tampered with, damaged, or destroyed;
- (2) Applicant's recourse. In the event that the Company shall refuse to serve an applicant under the provisions of these rules, the Company shall inform the applicant of the basis of its refusal and that the applicant may file a complaint with the appropriate regulatory authority thereon.
- (3) Insufficient grounds for refusal to serve. Except in cases where the Company identifies fraud in connection with a service request, the following shall not constitute sufficient cause for refusal of service to a present residential or commercial customer or applicant:
- (A) delinquency in payment for service by a previous occupant of the premises to be served;
  - (B) failure to pay for merchandise or charges for non-utility service purchased from the Company;
  - (C) failure to pay a bill to correct previous underbilling due to misapplication of rates more than six (6) months prior to the date of application;
  - (D) violation of the Company's rules pertaining to the operation of nonstandard equipment of unauthorized attachments, which interfere with the service of others, unless the customer has first been notified and been afforded reasonable opportunity to comply with these rules;
  - (E) failure to pay a bill of another Customer as guarantor thereof, unless the guarantee was made in writing to the Company as a condition precedent to service; and
  - (F) failure to pay the bill of another customer at the same address except where the change of customer identity is made to avoid or evade payment of a utility bill.
- (b) Discontinuance of service.

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- (1) Bills are due and payable when rendered; the bill shall be past due not less than fifteen (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.
- (2) The Company may offer an inducement for prompt payment of bills by allowing a discount in the amount of five percent (5%) for payment within ten (10) days of their issuance. In the event of any inconsistency between these Rules and Regulations and the applicable rate tariff, the rate tariff shall control.
- (3) A Customer's utility service may not be terminated unless the Company has made a reasonable effort to offer the customer the option of paying a delinquent bill in installments. A customer's utility service may be disconnected if the bill has not been paid or a suitable written arrangement for payment in installments entered into within five (5) working days after the bill has become delinquent and if proper notice has been given. Proper notice shall consist of a mailing or hand delivery at least five working days prior to a stated date of disconnection. Said notice shall be provided in English and Spanish as necessary and shall include:
  - (A) the words "Disconnect Notice" or similar language prominently displayed;
  - (B) the reason service is to be terminated;
  - (C) what Customer must do to prevent termination;
  - (D) in the case of a past-due bill, the amount past due and the hours, address, and telephone number where payment may be made;
  - (E) a statement that if a health or other emergency exists, the Company may be contacted concerning the nature of the emergency and the relief available, if any, to meet such emergency; and
  - (F) the date of termination.
- (4) Utility service may be disconnected for any of the following reasons:
  - (A) failure to pay a delinquent account or failure to comply with the terms of a written agreement for installment payment of a delinquent account;
  - (B) violation of the Company's rules pertaining to the use of service in a manner which interferes with the service of others or the operation of nonstandard equipment, if a reasonable attempt has been made to notify the Customer and the Customer is provided with a reasonable opportunity to remedy the situation;
  - (C) failure to comply with deposit or guarantee arrangements where required by these Rules and Regulations;

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- (D) without notice where a known dangerous condition exists for as long as the condition exists;
  - (E) tampering with the Company's meter or equipment or bypassing the same;
  - (F) for use of gas in violation of Company's rules;
  - (G) in the event Consumer's premises are vacated;
  - (H) in the event Company's representatives are refused access to such premises for any lawful purpose;
  - (I) when Company's property on the Consumer's premises is tampered with, damaged or destroyed;
  - (J) for use of gas in violation of any law, ordinance or regulation;
  - (K) for fraudulent conduct or misrepresentation in relation to the consumption of gas, account information, or any other fraud practiced by Consumer, with regard to the matters referred to in these rules or Consumer's contract.
- (5) Utility service may not be disconnected for any of the following reasons:
- (A) delinquency in payment for service by a previous occupant of the premises;
  - (B) failure to pay for merchandise or charges for non-utility service by the Company;
  - (C) failure to pay for a different type or class of utility service unless fee for such service is included on the same bill;
  - (D) failure to pay the account of another Customer as guarantor thereof, unless the Company has in writing the guarantee as a condition precedent to service;
  - (E) failure to pay charges arising from an underbilling occurring due to any misapplication of rates more than six months prior to the current billing;
  - (F) failure to pay charges arising from an underbilling due to any faulty metering, unless the meter has been tampered with or unless such underbilling charges are due; and
  - (G) failure to pay an estimated bill other than a bill rendered pursuant to any approved meter reading plan, unless the Company is unable to read the meter due to circumstances beyond its control.
- (6) Unless a dangerous condition exists, or unless the customer requests disconnection, service shall not be disconnected on a day, or on a day immediately preceding a day, when

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personnel of the Company are not available to the public for the purpose of making collections and reconnecting service.

- (7) The Company shall not abandon a Customer without written approval from the regulatory authority.
- (8) Except in cases where the Company identifies fraud in connection with an account, the Company shall not discontinue service to a delinquent residential Customer permanently residing in an individually metered dwelling unit when that Customer establishes that discontinuance of service will result in some person residing at that residence becoming seriously ill or more seriously ill if service is discontinued. Any Customer seeking to avoid termination of service under this provision must make a written request to the Company supported by a written statement from a licensed physician. Both the request and the statement must be received by the Company not more than five working days after the date of delinquency of the bill. The prohibition against service termination as provided herein shall last twenty (20) days from the date of receipt by the Company of the request and statement or such lesser period as may be agreed upon by the Company and the Customer. The Customer who makes such request shall sign an installment agreement which provides for payment of such service along with timely payments for subsequent monthly billings.

**9. LOCATION OF METERS**

Wherever practical, all new meter installations shall be installed near the building in which Consumer's gas appliances are located. All meters shall be accessible at all times for inspection, reading, and change out for testing. Whenever the Company shall permanently discontinue the delivery of gas to any of Consumer's premises, it shall have the right at any reasonable time thereafter to enter upon the premises and remove therefrom its meter, and any other of its equipment there located.

**10. METER TESTS AND BILL ADJUSTMENTS WITH RESPECT TO METER ACCURACY**

- (a) Meter requirements.
  - (1) Use of meter. All gas sold by the Company shall be charged for by meter measurements, except where otherwise provided for by applicable law, regulation of the regulatory authority or tariff.
  - (2) Installation by Company. Unless otherwise authorized by the regulatory authority, the Company shall provide and install and will continue to own and maintain all meters necessary for measurement of gas delivered to its Customers.
  - (3) Standard type. The Company shall not furnish, set up, or put in use any meter which is not reliable and of a standard type which meets generally accepted industry standards; provided, however, special meters not necessarily conforming to such standard types may be used for investigation, testing, or experimental purposes.
- (b) Meter records. The Company shall keep the following records:

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- (1) Meter equipment records. The Company shall keep a record of all its meters, showing the Customer's address and date of the last test.
- (2) Records of meter tests. All meter tests must be properly referenced to the meter record provided for therein. The record of each test made on request of a Customer must show the identifying number and constants of the meter, the standard meter and other measuring devices used, the date and kind of test made, by whom made, the error (or percentage of accuracy) at each load tested, and sufficient data to permit verification of all calculations.

(c) Meter readings.

- (1) Meter unit location. In general, each meter must indicate clearly the units of service for which charge is made to the Customer.

(d) Meter tests on request of Customer.

- (1) The Company shall, upon request of a Customer make a test of the accuracy of the meter serving that Customer. The Company shall inform the Customer of the time and place of the test, and permit the Customer or his/her authorized representative to be present if the Customer so desires. If no such test has been performed within the previous four years for the same Customer at the same location, the test shall be performed without charge. If such a test has been performed for the same Customer at the same location within the previous four years, the Company may charge a fee for the test, not to exceed fifteen dollars (\$15.00), or such other fee for the testing of meters as may be set forth in the Company's tariff properly on file with the regulatory authority. The Customer must be properly informed of the result of any test on a meter that serves him/her.
- (2) Notwithstanding Paragraph (1), above, if the meter is found to be more than nominally defective, to either the Customer's or the Company's disadvantage, any fee charged for a meter test must be refunded to the Customer. More than nominally defective means a deviation of more than two percent (2%) from accurate registration.
- (3) If any meter test requested by a Customer reveals a meter to be more than nominally defective, the Company shall correct previous readings consistent with the inaccuracy found in the meter for the period of either
  - (i) the last six (6) months, or
  - (ii) the last test of the meter, whichever is shorter. Any resulting underbillings or overbillings are to be corrected in subsequent bills, unless service is terminated, in which event a monetary adjustment is to be made. This requirement for a correction may be foregone by the Company if the error is to the Company's disadvantage.

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- (4) If a meter is found not to register for any period of time, the Company may make a charge for units used but not metered, for a period not to exceed three months previous to the time the meter is found not to be registering. The determination of amounts used but not metered is to be based on consumption during other like periods by the same Customer at the same location when available, and on consumption under similar conditions at the same location or of other similarly situated customers when not available.

(e) Meter Exchange.

- (1) The Company follows the practice of testing and repairing its meters on periodic schedules in accordance with good operating practice. The "periodic meter test interval" is based on the results of accuracy tests of its meters of varying ages that are randomly sampled. The period of presumed accuracy is the period during which not less than seventy percent (70%) of the randomly sampled meters exhibit accuracy in the range of two percent (2%) fast to two percent (2%) slow.

**11. DEPOSITS FROM CONSUMERS TO GUARANTEE PAYMENTS OF BILLS**

(a) Establishment of credit for residential applicants.

- (1) The Company may require a residential applicant for service to satisfactorily establish credit but such establishment of credit shall not relieve the customer from complying with rules for prompt payment of bills. Subject to these General Rules and Regulations, a residential applicant shall not be required to make a deposit;
  - (A) if the residential applicant has been a customer of any utility for the same kind of service within the last two (2) years and is not delinquent in payment of any such utility service account and during the last twelve (12) consecutive months of service did not have more than one occasion in which a bill for such utility service was paid after becoming delinquent and never had service disconnected for nonpayment; or
  - (B) if the residential applicant furnishes in writing a satisfactory guarantee to secure payment of bills for the service required;
  - (C) if the residential applicant demonstrates a satisfactory credit rating by appropriate means, including but not limited to, the production of generally acceptable credit cards, letters of credit reference, the names of credit references which may be quickly and inexpensively contacted by the Company, or ownership of substantial equity.
- (b) Reestablishment of credit. Every applicant who has previously been a customer of the Company and whose service has been discontinued for nonpayment of bills shall be required before service is rendered to pay all his/her amounts due to the Company or execute a written deferred payment agreement, if offered, and reestablish credit as provided herein.

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- (c) Amount of deposit and interest for residential service and exemption from deposit.
- (1) The required residential deposit shall not exceed an amount equivalent to one-sixth of the estimated annual billings (rounded up to the nearest five dollars [\$5.00]). If actual use is at least twice the amount of the estimated billings, a new deposit requirement may be calculated and an additional deposit may be required within two days. If such additional deposit is not made, the Company may disconnect service under the standard disconnection procedure for failure to comply with deposit requirements.
- Estimated Annual Billings as such term is used in this section shall be either (i) the twelve- (12-) month billing history at the service address involved (if a billing history is available for the service address), or (ii) the average annual residential bill in the Division serving the customer (if a billing history is not available at the service address); provided, that such average annual residential bill determined pursuant to clause (ii) hereof, shall be determined periodically but no less frequently than annually.
- (2) All applicants for residential service who are sixty-five (65) years of age or older will be considered as having established credit if such applicant does not have an outstanding account balance with the Company or another utility for the same utility service which accrued within the last two (2) years. No cash deposit shall be required of such applicant under these conditions.
- (3) The Company shall pay a minimum interest on such deposits according to the rate as established by law; provided, if refund of deposit is made within thirty (30) days of receipt of deposit, no interest payment shall be made. If the Company retains the deposit more than thirty (30) days, payment of interest shall be made retroactive to the date of deposit.
- (A) payment of interest to the customer shall be annually or at the time the deposit is returned or credited to the customer's account.
- (B) the deposit shall cease to draw interest on the date it is returned or credited to the customer's account.
- (4) Each gas utility shall waive any deposit requirement for residential service for an applicant who has been determined to be a victim of family violence as defined in Texas Family Code, §71.004, by a family violence center, by treating medical personnel, by law enforcement agency personnel, or by a designee of the Attorney General in the Crime Victim Services Division of the Office of the Attorney General. This determination shall be evidenced by the applicant's submission of a certification letter developed by the Texas Council on Family Violence and made available on its website. Effective: November 10, 2003; amended July 12, 2004.
- (d) For commercial and large volume customers, Company may require a deposit where the applicant is unable to establish good credit by standards generally accepted as evidence of credit worthiness. The amount of any deposit, where required, shall be in an amount sufficient to protect Company but

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shall not exceed the amount of the estimated highest two (2) months' billing. Interest shall be paid at the legal rate on all deposits. Deposits shall be refunded after three (3) years of prompt payment, with refund including any interest to be made in cash or by credit to the Consumer's bill. Deposits may be refunded sooner if Consumer can establish a record of credit worthiness which would have entitled him to initial service without a deposit and otherwise has a record of prompt payment.

- (e) Deposits for temporary or seasonal service and for weekend or seasonal residences. The Company may require a deposit sufficient to reasonably protect it against the assumed risk, provided, such a policy is applied in a uniform and nondiscriminatory manner.
- (f) Records of deposits.
  - (1) The Company shall keep records to show:
    - (A) the name and address of each depositor;
    - (B) the amount and date of the deposit; and
    - (C) each transaction concerning the deposit.
  - (2) The Company shall issue a receipt of deposit to each applicant from whom a deposit is received and shall provide means whereby a depositor may establish claim if the receipt is lost.
  - (3) A record of each unclaimed deposit shall be maintained for at least four years, during which time the Company shall make a reasonable effort to return the deposit.
- (g) Refund of deposit.
  - (1) If service is not connected or after disconnection of service, the Company shall promptly and automatically refund the customer's deposit plus accrued interest or the balance, if any, in excess of the unpaid bills for service furnished.

The transfer of service from one premise to another within the service area of the Company shall not be deemed a disconnection within the meaning of these rules, and no additional deposit may be demanded unless permitted by these rules.

- (2) When the residential customer has paid bills for service for twelve (12) consecutive residential bills without having service disconnected for nonpayment of bills and without having more than two (2) occasions in which a bill was delinquent and when the customer is not delinquent in the payment of the current bills, the Company shall promptly and automatically refund the deposit plus accrued interest to the customer in the form of cash or credit to a customer's account. Deposits may be refunded sooner if Consumer can establish a record of credit worthiness which would have entitled him to install service without a deposit and otherwise has a record of prompt payment.

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- (h) Upon sale or transfer of Company. Upon the sale or transfer of the Company or operating units thereof, the Company shall file with the Commission under oath, in addition to other information, a list showing the names and addresses of all customers served by the Company or unit who have to their credit a deposit, the date such deposit was made, the amount thereof, and the unpaid interest thereon.
- (i) Complaint by applicant or customer. The Company shall direct its personnel engaged in initial contact with an applicant or customer for service seeking to establish or re-establish credit under the provisions of these rules to inform the customer, if dissatisfaction is expressed with the Company decision, of the customer's right to file a complaint with the regulatory authority thereon.

**12. DISCONTINUANCE BY CONSUMER**

A Consumer who wishes to discontinue the use of gas (provided he/she otherwise has the right to do so) must give notice of his/her intent to do so to Company by calling 800-752-8036 in the Houston Division, 800-376-9663 in the Beaumont Division, 800-259-5544 in the East Texas Division, and 800-427-7142 in the South Texas Division or visiting the Company's website, [www.CenterPointEnergy.com](http://www.CenterPointEnergy.com). Consumer shall be obligated to pay for all service which is rendered by the Company (including applicable minimum charges therefor) prior to the time Company receives such notice.

**13. RECORDS OF GAS SUPPLIED**

Company shall keep accurate records of the amount of gas registered by its meters, and such records shall be accepted at all times and in all places as prima facie evidence of the true amount of gas consumed.

**14. ESCAPING GAS**

Upon immediately moving to a safe location, Consumer must immediately notify Company of any escaping gas on Consumer's premises. No flame shall be taken near the point where gas is escaping. Company shall not be liable for any damage or loss caused by the escape of gas from Consumer's housepiping or Consumer's appliances.

**15. DAMAGE AND REPAIR TO AND TAMPERING WITH COMPANY'S FACILITIES**

Consumer shall immediately notify Company in the event of damage to Company's property on Consumer's premises. Consumer shall not permit anyone other than an authorized employee of the Company to adjust, repair, connect, or disconnect, or in any way tamper with the meter, lines or any other equipment of the Company used in serving Consumer's premises.

**16. ACCESS TO PREMISES**

The Company's representatives shall have the right at all reasonable hours to enter upon the premises and property of Consumer to read the meter; and to remove, to inspect, or to make necessary repairs and adjustments to, or replacements of, service lines, meter loop, and any property of the Company located thereon, and for any other purpose connected with Company's operation. The Company's representatives

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shall have the right at all times to enter upon the premises and property of Consumer in emergencies pertaining to Company's service. All dogs and other animals, which might hinder the performance of such operations on the Consumer's property, shall be kept away from such operations by the Consumer upon notice by the Company representatives of their intention to enter upon the Consumer's premises.

**17. NON-LIABILITY**

- (a) The Company shall not be liable for any loss or damage caused by variation in gas pressure, defects in pipes, connections and appliances, escape or leakage of gas, sticking of valves or regulators, or for any other loss or damage not caused by the Company's negligence arising out of or incident to the furnishing of gas to any Consumer.
- (b) Company shall not be liable for any damage or injury resulting from gas or its use after such gas leaves the point of delivery other than damage caused by the fault of the Company in the manner of installation of the service lines, in the manner in which such service lines are repaired by the Company, and in the negligence of the Company in maintaining its meter loop. All other risks after the gas left the point of delivery shall be assumed by the Consumer, his agents, servants, employees, or other persons.
- (c) The Company agrees to use reasonable diligence in rendering continuous gas service to all Consumers, but the Company does not guarantee such service and shall not be liable for damages resulting from any interruption to such service.
- (d) Company shall not be liable for any damage or loss caused by stoppage or curtailment of the gas supply pursuant to order of a governmental agency having jurisdiction over Company or Company's suppliers, or caused by an event of force majeure. The term "force majeure" as employed herein means acts of God; strikes, lockouts, or other industrial disturbances; acts of the public enemy; wars; blockades; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; storms; floods; washouts; arrests and restraints of the government, either federal or state, civil or military; civil disturbances; explosions; breakage or accident to machinery or lines of pipe; freezing of wells or lines of pipe; shortage of gas supply, whether resulting from inability or failure of a supplier to deliver gas; partial or entire failure of natural gas wells or gas supply; depletion of gas reserves; and any other causes, whether of the kind herein enumerated or otherwise.

**18. TEMPORARY INTERRUPTION OF SERVICE**

- (a) The Company shall make all reasonable efforts to prevent interruptions of service. When interruptions occur, the Company shall reestablish service within the shortest possible time consistent with prudent operating principles so that the smallest number of customers are affected.
- (b) The Company shall make reasonable provisions to meet emergencies resulting from failure of service, and shall issue instructions to its employees covering procedures to be followed in the event of an emergency in order to prevent or mitigate interruption or impairment of service.
- (c) In the event of national emergency or local disaster resulting in disruption of normal service, the Company may, in the public interest, interrupt service to other customers to provide necessary

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service to civil defense or other emergency service agencies on a temporary basis until normal service to these agencies can be restored.

- (1) Record of interruption. Except for momentary interruptions which do not cause a major disruption of service, the Company shall keep a complete record of all interruptions, both emergency and scheduled. This record shall show the cause of such interruptions, date, time duration, location, approximate number of customers affected, and, in cases of emergency interruptions, the remedy and steps taken to prevent recurrence.
- (2) Report to Commission. The Commission shall be notified in writing within forty-eight hours of interruptions in service affecting the entire system or any major division thereof lasting more than four hours. The notice shall also state the cause of such interruptions. If any service interruption is reported to the Commission otherwise (for example, as a curtailment report or safety report), such other report is sufficient to comply with the terms of this paragraph.

**19. WAIVER OF RULES**

No agent or representative of the Company is authorized to add to, alter, waive, or otherwise change any of the foregoing rules except by agreement in writing signed by an officer in the Company.

**20. BILLING**

- (a) Bills for gas service shall be rendered monthly, unless otherwise authorized or unless service is rendered for a period less than a month. Bills shall be rendered as promptly as possible following the reading of meters.
- (b) The customer's bill must show all the following information:
  - (1) If the meter is read by the Company, the date and reading of the meter at the beginning and end of the period for which rendered;
  - (2) The number and kind of units billed;
  - (3) The applicable rate schedule title or code;
  - (4) The total base bill;
  - (5) The total of any adjustments to the base bill and the amount of adjustments per billing unit;
  - (6) The date by which the customer must pay the bill in order to avoid penalty;
  - (7) The total amount due after addition of any penalty for nonpayment within a designated period; and

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- (8) A distinct marking to identify an estimated bill. The information required above shall be arranged and displayed in such a manner as to allow the customer to compute his bill with the applicable rate schedule. The applicable rate schedule must be mailed to the customer on request of the customer. The Company may exhaust its stock of non-conforming bill forms existing on the effective date hereof before compliance is required with this section.
- (c) Where there is a good reason for doing so, estimated bills may be submitted provided that an actual meter reading is taken at least every six (6) months. For the second consecutive month in which the meter reader is unable to gain access to the premises to read the meter on regular meter reading trips, or in months where meters are not read otherwise, the Company shall provide the customer with a postcard and request that the customer read the meter and return the card to the utility if the meter is of a type that can be read by the customer without significant inconvenience or special tools or equipment. If such a postcard is not received by the Company in time for billing, the Company may estimate the meter reading and render the bill accordingly.
- (d) Disputed bills.
  - (1) In the event of a dispute between the Customer and the Company regarding the bill, the Company shall forthwith make such investigation as is required by the particular case and report the results thereof to the Customer. If the Customer wishes to obtain the benefit of subsection (2) hereunder, notification of the dispute must be given to the Company prior to the date the bill becomes delinquent. In the event the dispute is not resolved, the Company shall inform the customer of the complaint procedures of the appropriate regulatory authority.
  - (2) Notwithstanding any other provisions of these rules and regulations, the customer shall not be required to pay the disputed portion of the bill which exceeds the amount of that customer's average usage for the billing period at current rates until the earlier of the following: (1) resolution of the dispute; or (2) the expiration of the sixty (60) day period beginning on the day the disputed bill is issued. For purposes of this section only, the customer's average usage for the billing period shall be the average of the customer's usage for the same billing period during the preceding two (2) years. Where insufficient or no previous usage history exists, the average usage shall be estimated on the basis of usage levels of similar customers and under similar conditions.

**21. NEW CONSTRUCTION**

- (a) Standards of construction. The Company shall construct, install, operate, and maintain its plant, structures, equipment, and lines in accordance with the provisions of such codes and standards as are generally accepted by the industry, as modified by rule or regulation of the regulatory authority, or otherwise by law, and in such manner to best accommodate the public and to prevent interference with service furnished by other public utilities insofar as practical.
- (b) Response to request for residential and commercial service. The Company shall serve each qualified residential and commercial applicant for service within its service area as rapidly as practical. As a

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general policy, those applications not involving line extensions or new facilities should be filled within seven (7) working days. Those applications for individual residential service requiring line extensions should be filled within ninety (90) days unless unavailability of materials, municipal permitting requirements, or other causes beyond the control of the Company result in unavoidable delays. In the event that residential service is delayed in excess of ninety (90) days after an applicant has met credit requirements and made satisfactory arrangements for payment of any required construction charges, a report must be made to the regulatory authority listing the name of the applicant, location, and cause for delay. Unless such delays are due to causes which are reasonably beyond the control of the Company, a delay in excess of ninety (90) days may be found to constitute a refusal to serve.

**22. CUSTOMER RELATIONS**

- (a) Information to customers. The Company shall:
  - (1) Maintain a current set of maps showing the physical location of its facilities. All distribution facilities shall be labeled to indicate the size or any pertinent information which will accurately describe the Company's facilities. These maps, or such other maps as may be required by the regulatory authority, shall be kept by the Company in a central location and will be available for inspection by the regulatory authority during normal working hours. Each business office or service center shall have available up-to-date maps, plans, or records of its immediate area, with such other information as may be necessary to enable the Company to advise applicants and others entitled to the information as to the facilities available for serving that locality;
  - (2) Assist the customer or applicant in selecting the most economical rate schedule;
  - (3) In compliance with applicable law or regulations, notify customers affected by a change in rates or schedule or classification;
  - (4) Make available on the Company website, copies of the current rate schedules and rules relating to the service of the Company, as filed with the Commission;
  - (5) Furnish such additional information on rates and services as the customer may reasonably request;
  - (6) Upon request, inform its customers as to the method of reading meters; and
  - (7) As required by law or the rules of the appropriate regulatory authority, provide Customers with a pamphlet containing customer service information. At least once each calendar year, the Company shall notify its customers that customer service information is available on request and without charge.
- (b) Customer complaints. Upon complaint to the Company by residential or small commercial customers either at its office, by letter, electronic communication such as email or an inquiry via Company website, or by telephone, the Company shall promptly make a suitable investigation and

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advise the complainant of the results thereof. It shall keep a record of all complaints which shall show the name and address of the complainant, the date and nature of the complaint, and the adjustment and disposition thereof for a period of two years subsequent to the final disposition of the complaint. Complaints which require no further action by the Company need not be recorded.

- (c) Company response. Upon receipt of a complaint, either by letter or by telephone, from the regulatory authority on behalf of a customer, the Company shall make a suitable investigation and advise the regulatory authority and complainant of the results thereof. An initial response must be made by the next working day. The utility must make a final and complete response within fifteen (15) days from the date of the complaint, unless additional time is granted within the 15-day period.. The Commission encourages all customer complaints to be made in writing to assist the regulatory authority in maintaining records of the quality of service of the Company.
- (d) Deferred payment plan. The Company may, but is not required to, offer a deferred payment plan for delinquent residential accounts. If such a plan is offered, it shall conform to the following guidelines:
  - (1) Every deferred payment plan entered into due to the customer's inability to pay the outstanding bill in full must provide that service will not be discontinued if the customer pays current bills and a reasonable amount of the outstanding bill and agrees to pay the balance in reasonable installments until the bill is paid.
  - (2) For purposes of determining reasonableness under these rules the following shall be considered: size of delinquent account; customer's ability to pay; customer's payment history; time that the debt has been outstanding; reasons why debt has been outstanding; and other relevant factors concerning the circumstances of the customer.
  - (3) A deferred payment plan offered by the Company, if reduced to writing, shall state, immediately preceding the space provided for the customer's signature and in bold face print at least two (2) sizes larger than any other font used, that "If you are not satisfied with this agreement, do not sign. If you are satisfied with this agreement, you give up your right to dispute the amount due under the agreement except for the utility's failure or refusal to comply with the terms of this agreement." A similar agreement must be provided by a customer at the time of agreement, if recorded.
  - (4) A deferred payment plan may include a one-time five percent (5%) penalty for late payment on the original amount of the outstanding bill except in cases where the outstanding bill is unusually high as a result of the Company's error (such as an inaccurately estimated bill or an incorrectly read meter). A deferred payment plan shall not include a finance charge.
  - (5) If a customer for utility service fails to enter into a deferred payment agreement or has not fulfilled its terms, the Company shall have the right to disconnect pursuant to disconnection rules herein and, under such circumstance, it shall not be required to offer a subsequent negotiation of a deferred payment plan prior to disconnection.

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- (6) If the Company institutes a deferred payment plan it shall not refuse a customer participation in such a program on the basis of race, color, creed, sex, marital status, age, or any other form of discrimination prohibited by law.
- (e) Delayed payment of bills by elderly persons.
  - (1) Applicability. This subsection applies only:
    - (A) If the Company assesses late payment charges on residential customers and suspends service before the 26<sup>th</sup> day after the date of the bill for which collection action is taken; and
    - (B) To an elderly person, as defined in Paragraph (2) of this subsection, who is a residential customer and who occupies the entire premises for which a delay is requested.
  - (2) Definition of "Elderly person"--A person who is 60 years of age or older..
  - (3) An elderly person may request that the Company implement the delay for either the most recent utility bill or for the most recent utility bill and each subsequent utility bill.
  - (4) On request of an elderly person, the Company shall delay without penalty the payment date of a bill for providing utility services to that person until the 25<sup>th</sup> day after the date on which the bill is issued.
  - (5) The Company may require the requesting person to present reasonable proof that the person is 60 years of age or older.
  - (6) The Company shall notify customers of this delayed payment option no less often than yearly. The Company may include this notice with other information provided pursuant to Subsection (a) of this section.

**23. RESIDENTIAL AVERAGE MONTHLY BILLING PROGRAM**

**(a) DEFINITIONS**

- (1) Under this provision, qualified Residential customers would have the option of participating in the Company's Average Monthly Billing Program ("AMB") as an alternative to the Company's normal billing procedure. For "AMB" purposes, the following definitions shall apply:

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- (A) "Normal Bill" is an amount computed using the Company's applicable residential rate schedule for service provided during a billing month.
  - (B) "Qualifying Customer" is a residential customer of the Company who has not had gas services suspended for non-payment and has not had a "Past Due" notice issued on an account during the immediately preceding twelve- (12-) month period.
- (b) AVAILABILITY
- (1) The Average Monthly Billing Program is available to any Qualifying Customer of the Company.
- (c) OPERATION OF PROGRAM
- (1) Computation of Bills under the AMB:
    - (A) Under the AMB, the Qualifying Customer shall receive a monthly "Average Bill" computed using the most recent twelve- (12-) month rolling average of the customer's Normal Bills rounded to the nearest dollar. The amount of the Average Bill and Normal Bill will appear on the customer's monthly billing statement. The cumulative difference between Normal Bills and the Average Bills rendered under the AMB will be carried in a deferred balance that will accumulate both debit and credit differences.
  - (2) Effect of AMB on other Tariff Provisions:
    - (A) Except as modified herein, participation in the AMB will have no effect on the Company's approved rate schedules or other billing charges used to calculate the customer's Normal Bill. Participation in the AMB shall have no effect on any other term or condition for providing service contained in the Company's tariffs including those provisions relating to termination or suspension of service.
  - (3) Effects of Customer Discontinuance of AMB or Termination or Suspension of Service:
    - (A) The customer may discontinue the AMB at any time by notifying the Company. If a customer requests discontinuance of AMB, if an account is final billed, or if the service is suspended by the Company as a result of past due amounts on an account, any outstanding balance owed the Company at the time, including any differences between billings under the AMB and Normal Bills which would have been rendered under normal billing procedures, shall be immediately due and payable. Likewise, any credit due to the customer shall be applied to the next bill or refunded, as appropriate.

**24. SUSPENSION OF GAS UTILITY SERVICE DISCONNECTION DURING AND AFTER AN EXTREME WEATHER EMERGENCY AND A SEVERE WEATHER EMERGENCY**

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- (a) Disconnection prohibited. Consistent with § 7.460 of Title 16 of the Texas Administrative Code, "Suspension of Gas Utility Service Disconnection During an Extreme Weather Emergency," except where there is a known dangerous condition or a use of natural gas service in a manner that is dangerous or unreasonably interferes with service to others, the Company shall not disconnect natural gas service to:
- (1) a delinquent residential Customer during an extreme weather emergency. An extreme weather emergency means a day when the previous day's highest temperature did not exceed 32 degrees Fahrenheit and the temperature is predicted to remain at or below that level for the next 24 hours according to the nearest National Weather Station for the county where the customer takes service.
  - (2) a delinquent residential Customer for a billing period in which the Company receives a written pledge, letter of intent, purchase order, or other written notification from an energy assistance provider that it is forwarding sufficient payment to continue service; or
  - (3) a delinquent residential Customer on a weekend day, unless personnel or agents of the Company are available for the purpose of receiving payment or making collections and reconnecting service.
- (b) Payment plans. The Company shall defer collection of the full payment of bills that are due during an extreme weather emergency until after the emergency is over and shall work with customers to establish a payment schedule for deferred bills as set forth in Paragraph (2)(D) of §7.45 of Title 16 of the Texas Administrative Code("Quality of Service Rules").
- (c) Notice. Once each year, beginning in the September or October billing periods the Company shall give notice to Customers as follows:
- (1) The Company shall provide a copy of Subsection (a), Section 24 of these General Rules and Regulations, related to a prohibited disconnection, to the social services agencies that distribute funds from the Low Income Home Energy Assistance Program within the Company's service area.
  - (2) The Company shall provide a copy of Subsection (a), Section 24 of these General Rules and Regulations, related to a prohibited disconnection, to any other social service agency of which the provider is aware that provides financial assistance to low income Customers in the utility's service area.
  - (3) The Company shall provide a copy of Subsection (a), Section 24 of these General Rules and Regulations, related to a prohibited disconnection, to all residential Customers of the Company and Customers who are owners, operators, or managers of master metered systems.
- (d) Severe Weather Emergency. This subsection applies in the event of a Severe Weather Emergency as the term Severe Weather Emergency is defined by the National Weather Service. In and after a Severe Weather Emergency, and in the service area affected by the Severe Weather Emergency, the Company may make exceptions to these General Rules and Regulations and other Company tariffs to ensure continuity of service and facilitate timely and efficient restoration of service to customers in the affected area.

CenterPoint Energy  
Rate Filing Package - South Texas Division  
Rate Design - \$3 Million Decrease - \$19.00 Residential Customer Charge - Settlement

Line No.	Particulars	Total	Residential	Commercial	
				Small	Large
1	Current Rate Revenues	\$ 52,496,372	\$ 44,556,994	\$ 6,857,258	\$ 1,082,120
1a	Current Rate Revenue Allocation		84.8764%	13.0623%	2.0613%
1b	Settlement Rate Revenue Change	\$ (3,000,000)	\$ (2,546,292)	\$ (391,869)	\$ (61,839)
1c	Settlement Rate Revenue Requirement	\$ 49,496,372	\$ 42,010,702	\$ 6,465,389	\$ 1,020,281
2	Number Bills	1,707,461	1,585,552	118,573	3,336
3	Settlement Customer Charge		\$ 19.00	\$ 25.00	\$ 99.50
4	Customer Charge Revenue	\$ 33,421,745	\$ 30,125,488	\$ 2,964,325	\$ 331,932
5	Net Distribution Charge Revenue Required	\$ 16,074,627	\$ 11,885,214	\$ 3,501,064	\$ 688,349
6	<u>Ccf Billing Determinants</u>				
7	Total Billing Determinants @ 14.65 Pressure Base		35,359,372	21,497,104	9,001,250
8	<u>Distribution Rates @ 14.65 Pressure Base</u>				
9	All Ccf - Residential		\$ 0.33613		
10	All Ccf - General Service - Small			\$ 0.16286	
11	All Ccf - General Service - Large				\$ 0.07647
12	Distribution Charge Revenue	\$ 16,074,690	\$ 11,885,346	\$ 3,501,018	\$ 688,326
13	Total Revenue - Design	\$ 49,496,435	\$ 42,010,834	\$ 6,465,343	\$ 1,020,258
14	Total Revenue Over(Under)	\$ 63	\$ 132	\$ (46)	\$ (23)
15	<u>Distribution Rates @ Billed Pressure Base = Rate @ 14.65 x (Billed Pressure Base / 14.65)</u>				
16	All Ccf - Residential @ 14.65 Pressure Base		\$ 0.33613		
17	All Ccf - Residential @ 14.95 Pressure Base		\$ 0.34301		
18	All Ccf - General Service - Small @ 14.65 Pressure Base			\$ 0.16286	
19	All Ccf - General Service - Small @ 14.95 Pressure Base			\$ 0.16620	
20	All Ccf - General Service - Large @ 14.65 Pressure Base				\$ 0.07647

CenterPoint Energy  
South Texas Division  
Plant In Service  
GUD No. 10669

Line No.	Class	SUB - FCA	FERC Account Titles	Description	Adjusted 9/30/2017 Total	RRC Approved Depreciation Rate	Annual Depreciation	Accumulated Depreciation	Net Plant	Standard Allocation	Standard Amount
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	
Intangible Plant											
1	G30201	6010		PERPETUAL F & C	\$ 1,123	0.00%	\$ -	\$ -	\$ 1,123		
2	G30301	6030		P/L INTERCONN/OTHER	-	3.28%	-	-	-		
3	G30301	6035		MISC INTANG PLANT	42,290	0.00%	0	42,290	-		
4	G30301	6035		MISC INTANG PLANT	8,849	10.00%	885	5,259	1,590		
5	G30301	6035		MISC INTANG PLANT	4,607,288	20.00%	921,454	1,970,186	2,637,082		
6	G30301	6050		SOFTWARE - MISC	1,673	0.00%	0	1,673	-		
7	G30301	6050		SOFTWARE - MISC	156,577	20.00%	31,315	129,864	26,913		
8	G30301	6060		SOFTWARE - SAP	326,630	10.00%	32,663	102,575	224,055		
9	Subtotal				\$ 5,142,410		\$ 986,117	\$ 2,251,647	\$ 2,890,763		
Distribution Plant											
10	G37401	6840		LAND - GENERAL	\$ 1,327,204	0.00%	\$ -	\$ -	\$ 1,327,204		
11	G37402	6880		LD RTS-ROW-GEN DIST	74,913	1.37%	1,026	29,133	45,780		
12	G37501	6900		STRUCT-CG ML IND M/R	98,720	1.84%	1,816	38,774	59,946		
13	G37601	6960		MAINS -NON CAST IRON	-	0.00%	-	-	-		
14	G37601	6951		MAINS - STEEL	34,601,381	3.95%	1,366,755	15,136,776	19,464,605		
15	G37601	6952		MAINS - PLASTIC	107,583,050	2.67%	2,872,487	23,143,348	84,439,701		
16	G37801	6980		M/R STAT EQUIP-GEN	1,543,436	3.66%	56,490	429,296	1,114,138		
17	G37801	7000		M/R STAT EQ - ODOR EQ	417,334	6.53%	27,252	72,611	344,723		
18	G37901	7010		M/R STAT EQ - CTY GT	3,927,690	3.50%	137,469	1,145,914	2,781,776		
19	G38001	7022		SERVICES - STEEL	3,537,657	4.74%	167,685	2,669,529	668,128		
20	G38001	7023		SERVICES - PLASTIC	54,156,247	4.03%	2,182,577	18,799,964	35,356,283		
21	G38101	7050		METERS-DOMESTIC/SMALL	9,088,988	3.39%	308,117	646,742	8,442,246		
22	G38201	7080		MTR INSTALL-DOM/SMALL	10,918,093	3.33%	363,572	4,041,939	6,876,154		
23	G38201	7090		MTR INSTALL-IND/LARGE	1,265,240	4.05%	51,242	592,242	672,998		
24	G38301	7120		REG - DOMESTIC/HOUSE	3,812,866	3.45%	131,544	316,579	3,494,287		
25	G38301	7130		REG - INDUSTRIAL	-	3.86%	-	-	-		
26	G38501	7150		IND M/R STAT EQUIP	1,160,120	2.94%	34,106	112,947	1,047,173		
27	G38701	7160		OTHER EQ - CNG EQUIP	782,482	2.89%	21,049	392,825	389,657		
28	Subtotal				\$ 234,297,419		\$ 7,723,169	\$ 67,570,621	\$ 166,726,798		
General Plant											
29	G38901	7200		LAND	\$ 683,844	0.00%	\$ -	\$ -	\$ 683,844		
30	G39001	7200		STRUCT/IMPR - GEN	5,654,233	2.92%	165,104	383,607	5,270,626		
31	G39002	7225		LEASEHOLD IMPROVEMTS	147,559	6.67%	9,843	44,221	103,336		
32	G39101	7230		FURNITURE & EQUIP	82,579	5.00%	4,129	10,595	71,984		
33	G39101	7232		OFFICE EQUIP-GENERAL	706,923	5.00%	35,347	253,858	453,065		
34	G39102	7260		COMPUTER EQ - MISC	1,738,661	14.29%	248,455	706,490	1,032,171		
35	G39401	7362		TOOLS/WORK EQUIP-ENT	1,136,795	14.29%	162,448	415,613	720,982		
36	G39401	7364		SHOP EQUIP-ENT	-	8.33%	-	-	-		
37	G39401	7366		GARAGE EQUIP-ENT	-	8.33%	-	-	-		
38	G39501	7370		LAB EQUIPMENT	7,643	6.67%	510	3,963	3,680		
39	G39701	7390		COMM EQ	38,986	5.00%	1,950	10,219	28,767		
40	G39703	7420		COMM EQ - MTR RD/ERTS	9,151,849	5.00%	457,592	2,062,897	7,068,952		
41	G39801	7450		MISC EQ	163,891	6.67%	10,932	73,403	90,488		
42	Subtotal				\$ 19,512,964		\$ 1,096,310	\$ 3,965,066	\$ 15,527,898		
Transportation & Power Operated Equipment											
43	G39201	7300		AUTOS	\$ 242,805	13.06%	\$ 31,710	\$ 74,745	\$ 168,060		
44	G39201	7320		TRUCKS	4,608,205	13.06%	601,632	1,846,364	2,761,841		
45	G39201	7340		TRAILERS	306,266	13.06%	40,001	136,570	169,716		
46	G39601	7380		POWER OPER. EQUIP	1,143,799	10.64%	121,701	436,316	707,483		
47	Subtotal				\$ 6,301,095		\$ 795,244	\$ 2,493,995	\$ 3,807,100		
45	RWIP							\$ (483,789)			
47	South Texas Division				\$ 265,253,888		\$ 10,600,640	\$ 75,817,540	\$ 169,436,348	98.2221%	\$ 166,068,333

CenterPoint Energy  
South Texas Division  
8.209 Regulatory Asset by Sub FCA

FERC Acct No.	Sub FCA	F.E.R.C. Account Titles	Original Cost	RRC Approved Depreciation Rate per GUD 10669	Annual Depreciation
376	6951	MAINS-STEEL		3.95%	-
376	6952	MAINS-PLASTIC		2.67%	-
380	7022	SERVICE- STEEL		4.74%	-
380	7023	SERVICES- PLASTIC		4.03%	-
			<u>\$ -</u>		<u>\$ -</u>

\*Note: For any initial IRA filing in the South Texas Division after GUD 10669, the starting balance for the 8.209 Regulatory Asset Account is \$0. In future IRA filings, the 8.209 Regulatory Asset balance approved in the previous year's IRA filing will be assigned to the appropriate plant account, similar to the schedule shown above.

The 8.209 Regulatory Asset balance requested in GUD 10669 will be amortized over a 5 year period.

Exhibit D is voluminous and is being provided electronically.

**GUD NO. 10669**

<b>STATEMENT OF INTENT OF CENTERPOINT ENERGY RESOURCES CORP. D/B/A CENTERPOINT ENERGY ENTEX AND CENTERPOINT ENERGY TEXAS GAS TO INCREASE RATES IN THE SOUTH TEXAS DIVISION</b>	§ § § § § § §	<b>BEFORE THE RAILROAD COMMISSION OF TEXAS</b>
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**AFFIDAVIT OF MARK SANTOS**

Before me, the undersigned authority, on this date personally appeared Mark 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:

1. "My name is Mark Santos. 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.
2. I am a partner with the Austin, Texas law firm of Coffin Renner LLP and have practiced law since 2002. I have extensive experience representing and defending clients before the Railroad Commission of Texas ("Commission") and Public Utility Commission of Texas.
3. I am counsel of record for CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas ("CenterPoint" or the "Company") in Gas Utilities Docket No. 10669. My firm was engaged to assist in the presentation of the Company's rate filing involving the South Texas Division, which was filed with certain affected cities and the Commission on November 16, 2017. Attached to the Unanimous Settlement Agreement are invoices supporting the \$527,111.16 in actual rate case expenses incurred by CenterPoint in this docket and which the Company seeks to recover through a surcharge for Company, consultant and legal expenses through March 31, 2018. This amount includes legal expenses incurred preparing the filing, expenses incurred by professional consultants retained to provide testimony, public notice costs, and incidental expenses. The invoices are detailed and itemized. The total amount of rate case expenses requested for recovery by the Company, \$576,816.20, also includes \$49,705.04 in invoices that are still due and an estimate to complete the case.
4. I am familiar with the Commission Rule on Rate Case Expenses, 16 TEX. ADMIN. CODE §7.5530, as well as past decisions rendered by the Commission regarding the types of expenses that are eligible for rate case expense recovery.
5. I have reviewed the billings of Coffin Renner LLP submitted to CenterPoint for legal services performed in this proceeding, and I affirm that those billings accurately reflect the time spent and expenditures incurred by Coffin Renner LLP on CenterPoint's behalf. The charges and rates of my firm are reasonable and consistent with those billed by others for

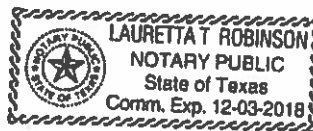
similar work, and the rates are comparable to rates charged by other professionals with the same level of expertise and experience. The hours spent to perform the tasks assigned to Coffin Renner LLP were necessary to complete those tasks in a professional manner on a timely basis and the nature of the work performed is typical of a contested rate proceeding such as this case. The nature of this work included the preparation of testimony and other aspects of the Company's rate filing package, answering discovery questions, motions practice, preparation of errata, preparation of rebuttal testimony, preparation for hearing, attention to settlement matters, attention to prehearing matters, and attendance at Commission meetings. There was no duplication of services and the Company's request for a rate change was warranted. Further, the work was relevant and reasonably necessary to the proceedings, and the complexity and expense of the work was commensurate with both the complexity of the issues in the proceedings and the amount of the rate increase sought and granted.

6. In addition to the amounts incurred through March 31, 2018, CenterPoint has and will continue to incur additional legal expenses for work performed through the issuance of a Final Order in this docket. The nature of this work includes finalizing settlement documents, 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 not previously included in CenterPoint's actual amounts through completion of the case will be approximately \$35,000, which combined with the estimates of ACM and STCC legal counsel bring the total amount of actual and estimated rate case expenses necessary to complete this proceeding to \$730,368.37.
7. In addition to legal expenses, CenterPoint incurred other rate case expenses, which included expenses incurred by professional consultants retained to provide testimony, preparation of the filing, public notice, responding to discovery, and incidental expenses. These expenses were typical of the consulting expenses required to present a statement of intent filing at the Commission, to respond to discovery, to present rebuttal testimony, and to prepare for hearing. Actual detailed and itemized invoices supporting these expenses through March 31, 2018 are attached to the Unanimous Settlement Agreement. The total amount of other rate case expenses incurred through March 31, 2018, is \$215,733.85. Other rate case expenses that are anticipated but final bills have not yet been received total \$14,705.04.
8. No portion of the fees or expenses that CenterPoint seeks to recover is or will be for luxury items, such as limousine service, sporting events, alcoholic beverages, hotel movies, or other entertainment. The charges for copies, printing, overnight courier service, transcripts, and other expenses and costs were necessary for the prosecution of the case and are reasonable.
9. CenterPoint's total amount of rate case expenses as reflected in the Unanimous Settlement Agreement and for which CenterPoint requests that the Commission authorize recovery is \$730,368.37.

10. CenterPoint 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 reserves the right to revise this estimate to the extent that additional litigation becomes necessary."

  
Mark Santos

SWORN TO AND SUBSCRIBED before me on this 2nd day of April 2018, by Mark Santos.



  
Notary Public in and for the State of Texas

**GAS UTILITIES DOCKET NO. 10669**

**STATEMENT OF INTENT OF  
CENTERPOINT ENERGY RESOURCES  
CORP., D/B/A CENTERPOINT ENERGY  
ENTEX AND CENTERPOINT ENERGY  
TEXAS GAS TO INCREASE RATES IN  
THE SOUTH TEXAS DIVISION**

§  
§  
§  
§  
§  
§

**BEFORE THE  
RAILROAD COMMISSION  
OF TEXAS**

**AFFIDAVIT OF ALFRED R. HERRERA  
RELATED TO THE RATE CASE EXPENSES OF  
THE ALLIANCE OF CENTERPOINT MUNICIPALITIES**

**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 Law & Associates, PLLC. I have over 34 years of experience in legal and legislative matters related to the utility industry (gas, electric, water, wastewater, and telecommunications). I have litigated numerous utility-related rate matters. Herrera Law & Associates, PLLC has been retained by the Alliance of CenterPoint Municipalities ("ACM") in connection with *GUD Docket No. 10669, Statement of Intent of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas to Increase Rates in the South Texas Division* and with the same statement of intent **CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas ("CenterPoint" or the "Company")** submitted to the ACM cities under the cities' original jurisdiction (collectively, "*GUD 10669*").
2. I am personally familiar with the work performed by Herrera Law & Associates, PLLC and the technical consultants on behalf of ACM in *GUD 10669*. I am over 18 years of age and I am not disqualified from making this affidavit. My statements are true and correct.
3. This firm has provided services to ACM in *GUD 10669* including, but not limited to, the following activities: the provision of legal advice and strategy; negotiating procedural 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, briefs and direct testimony; discovery; preparation for and participating in prehearing conferences and a hearing on the merits; 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 ACM in *GUD 10669*. I have personally reviewed all billings for all work performed (legal and consulting) in connection with *GUD 10669*.
5. My firm provided our invoices and backup for the fees and expenses charged to ACM to Mr. Andrew Quittner, City Attorney for the City of Seguin and also to CenterPoint for reimbursement. My firm's billings are associated with efforts that were reasonable and necessary for development of the record and advocacy of ACM's interests in *GUD 10669* and those invoices accurately reflect the time expended and the expenses incurred by Herrera Law & Associates, PLLC and the consultant that worked on matters related to *GUD 10669*. Also, none of ACM's rate case expenses have been reimbursed as of the date of my affidavit. 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 services are reasonable and there has been no double billing of charges. No meal expense has been billed by any attorney or other Herrera Law & Associate, PLLC personnel. No charges have been incurred or billed for luxury items, first-class airfare, limousines, alcohol, sporting events, or entertainment.
7. For the period November 2017 through March, 23, 2018, Herrera Law & Associates, PLLC has billed \$69,552.17 related to *GUD 10669*. This figure includes \$40,052.17 in legal fees and expenses and \$29,500.00 in consultant fees and expenses. The fees and expenses incurred through March, 23, 2018 were necessary to advise ACM on the rate package filing and to undertake such tasks as reviewing the application, identifying issues, coordinating activities, retaining and working with consultants, engaging in discovery, drafting pleadings, and preparing for hearings and settlement discussions, and assisting the cities in processing CenterPoint's application at the city level. A summary of ACM's rate case expenses and the related invoices for *GUD 10669* are appended to my affidavit as Attachment A.
8. The total amount of rate case expenses of \$69,552.17 incurred from November, 2017 through March, 23, 2018, and the estimate beyond March 23, 2018 of \$4,000.00 to complete the case at the Railroad Commission, requested for reimbursement, are reasonable given the complexity, importance, and magnitude of this case, the nature of ACM's positions in the case, and the number of issues ACM addressed.
9. The attorney hourly rates of \$295-\$400, upon which the billings are based, are comparable to hourly rates charged to other clients for comparable services during the same time frame. Herrera Law & Associates, PLLC's rates are in the lower- to mid-range of reasonable hourly rates compared to the rates charges by other lawyers with similar experience providing similar services.

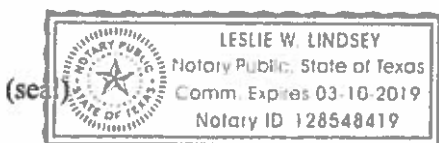
10. The hours spent to perform the tasks assigned to Herrera Law & Associates, PLLC were necessary to complete the required tasks in a professional manner on a timely basis. My many years in working with and supervising attorneys and consultants in utility rate cases, including at the Railroad Commission, facilitate efforts to keep rate case expenses reasonable.
11. Constance T. Cannady, with the firm of NewGen Strategies & Solutions assisted Herrera Law & Associates in evaluating CenterPoint's statement of intent. Ms. Cannady has over thirty years of financial and managerial consulting experience and is an expert in the areas of utility regulation and franchising of utility services, both at the local and state level. Prior to joining NewGen Strategies and Solutions, Ms. Cannady was the Founder and President of C2 Consulting Services, Inc., a woman-owned business enterprise. Ms. Cannady's previous experience also includes serving as a Manager at Reed-Stowe & Co. Inc.; Manager of Accounting and Control for the Information Services Division of Blue Cross of California; Senior Consultant for Touché Ross & Co. (now Deloitte); and Management Auditor for the U.S. General Accounting Office.

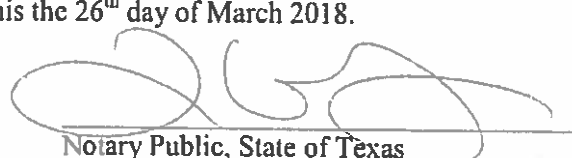
Ms. Cannady has served as project manager and lead analyst for numerous regulatory proceedings for rates, assisting clients by providing expert testimony and litigation support regarding utility rate and regulatory issues before state and local regulatory bodies and courts. Her direct experience includes conducting analyses with respect to the reasonableness of various rate base issues, including the prudence of costs.
12. Ms. Cannady's time and efforts in *GUD 10669* were coordinated by me and by attorneys working under my direction. Ms. Cannady's background and experience served to allow her to efficiently accomplish her assignment in *GUD 10669*. Ms. Cannady's time, effort, and associated fees in *GUD 10669* of \$29,500.00 are reasonable and necessary.
13. The invoices submitted by Herrera Law & Associates, PLLC include a description of services performed and time expended on each activity. The invoices for *GUD 10669* have been provided to ACM on a monthly basis and to the parties in *GUD 10669*. Herrera Law & Associates, PLLC 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 Railroad Commission of Texas (Commission) and the Public Utility Commission of Texas.
14. Legal expenses incurred in connection with *GUD 10669*, total \$69,552.17. There are no luxury items associated with Herrera Law & Associates, PLLC'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.
15. My responsibilities, as well as other attorneys assigned to *GUD 10669* included client communications, strategy development, overall case management, discovery review, review and editing of testimony, preparing for and participating in a hearing on the merits, and drafting of pleadings and briefs. The other attorneys assigned to these proceedings have related utility experience of approximately 9 years.

16. I have reviewed the actual invoices for consultant and legal services presented in Attachment A to my affidavit. The services rendered were necessary for ACM's participation in *GUD 10669* and the fees and expenses were reasonable in relation to the complexity of the issues addressed.
17. Further, the hourly rates charged by ACM's consultant and attorneys are within the range of reasonable rates for ratemaking cases filed by utilities at the Commission; the consultant and attorneys took all reasonable efforts to keep to a minimum the number of individuals assigned to tasks relevant to *GUD 10669*; there were no time entries by any individual that exceeded twelve hours on any day on work performed *GUD 10669*; and ACM's attorneys and consultant incurred no expenses that are subject to special scrutiny (e.g., luxury hotels, valet parking, designer coffee, airfare, meals).
18. I also reviewed the consultant's and attorney's qualifications, along with an evaluation of their work product and the fees that they charged ACM, and found their services and fees to be reasonable. Each consultant and attorney provided services that were necessary for ACM to fairly represent ACM's interests in *GUD 10669*. The actual fees and expenses incurred to date are substantiated by detailed invoices and are included in Attachment A to my affidavit.
19. To complete *GUD 10669* before the Commission and at the city level, I estimate that the cities represented by Herrera Law & Associates, PLLC will incur additional fees and expenses of \$4,000.00. This amount is based on my prior experience in participating in prior proceedings before the Commission and presenting matters to city councils of cities in ACM. ACM will request reimbursement only for actual amounts billed for work that has been performed.
20. ACM reserves the right to amend this affidavit and its request for reimbursement as more information is gathered over the course of *GUD 10669*.
21. Statements in this affidavit are true and known by me personally.

  
Alfred R. Herrera

SWORN AND SUBSCRIBED before me on this the 26<sup>th</sup> day of March 2018.



  
Notary Public, State of Texas

**GAS UTILITIES DOCKET NO. 10669**

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

**AFFIDAVIT OF THOMAS L. BROCATO  
RELATED TO THE RATE CASE EXPENSES OF  
THE SOUTH TEXAS COALITION OF CITIES**

STATE OF TEXAS       §  
                                  §  
COUNTY OF TRAVIS   §

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

1. My name is Thomas L. Brocato. I am a principal with the law firm of Lloyd Gosselink Rochelle and Townsend, P.C. ("Lloyd Gosselink") and counsel for the South Texas Coalition of Cities ("STCC") in Gas Utilities Docket ("GUD") No. 10669. I have been practicing public utility law since I graduated from law school and began my career as a Staff attorney at the Public Utility Commission of Texas ("PUC" or "Commission") in 1990. I have represented entities at the Railroad Commission and PUC for over 25 years. Having participated in numerous rate cases and appeals, I have represented municipalities since 2004.

2. I have reviewed the work performed by Lloyd Gosselink and the technical consultants on behalf of STCC in connection with GUD No. 10669 concerning the *Statement of Intent of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas to Increase Rates in the South Texas 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 STCC for legal services performed in GUD No. 10669. I affirm that those billings accurately reflect the time spent and expenditures incurred by Lloyd Gosselink on STCC's behalf. Those billings were accurately calculated before they were tendered, and there was no double billing. None of the charges billed to STCC 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. 10669 and were necessary to advise STCC and accomplish tasks in this proceeding. Total rate case expenses (inclusive of legal fees, consultant charges, and other expenses) for GUD No. 10669 through February 28, 2018 are summarized in the chart attached to this affidavit as Attachment A.

4. For the period of December 1, 2017 through February 28, 2018, Lloyd Gosselink has billed \$23,273.78 for legal services in GUD No. 10669. The fees and expenses incurred through February 28, 2018 were necessary to: advise STCC 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

\$20,972.40. 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 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. 10669 through February 28, 2018 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 December 1, 2017 through February 28, 2018. I conclude that the services rendered in these months were necessary for STCC'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 STCC' 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 STCC, and have found their services and fees to be reasonable and a good value. Each consultant and attorney provided services that were necessary for STCC to fairly represent the interests of the members of STCC 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 February 28, 2018, Lloyd Gosselink will incur fees and expenses in GUD No. 10669 beyond that date associated with continued work to finalize settlement documents subsequent to the date of this affidavit.


In consideration of this activity, STCC estimates that its remaining expense of participating in this case beyond February 28, 2018 will not exceed \$35,753.82. 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, STCC would seek to quantify an additional rate case expense amount.

11. The total amounts requested for expenses through February 28, 2018 of \$44,246.18 for GUD No. 10669 and the estimate beyond that date, are reasonable given the complexity, importance, and magnitude of this case, the nature of STCC's case, and the number of issues.

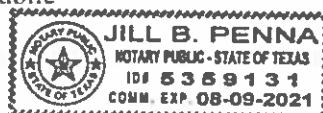
Dated: March 23 2018.

  
\_\_\_\_\_  
THOMAS L. BROCATO

SUBSCRIBED AND SWORN TO BEFORE ME, the undersigned authority, on this 23<sup>rd</sup> day of March, 2018.

  
\_\_\_\_\_  
Notary Public

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CenterPoint Energy  
South Texas Division  
GUD No. 10669

Cities That Retained Original Jurisdiction

LN. NO.	City/Town	City	Number of Customers		
			Residential	General Service	
				Small	Lg. Vol.
1	City of	Agua Dulce	134	9	-
2	City of	Alice	3,168	251	4
3	City of	Aransas Pass	1,184	112	2
4	City of	Austin	604	23	-
5	City of	Bastrop	1,783	259	3
6	City of	Bishop	712	31	-
7	City of	Buda	3,470	140	5
8	City of	Cibolo	117	62	3
9	City of	Converse	2,395	101	2
10	City of	Driscoll	110	5	-
11	City of	Edna	1,153	104	3
12	City of	Elgin	1,825	151	2
13	City of	Falls City	114	12	-
14	City of	Freer	271	31	-
15	City of	Ganado	395	39	-
16	City of	Garden Ridge	1,138	24	-
17	City of	Giddings	874	149	1
18	City of	Gregory	489	15	2
19	City of	Hondo	1,237	131	4
20	City of	Ingleside	811	51	-
21	City of	Ingleside on the Bay	144	5	-
22	City of	Jourdanton	323	46	-
23	City of	Karnes City	473	54	-
24	City of	Kingsville	4,474	233	6
25	City of	Kyle	7,968	318	4
26	City of	La Coste	198	19	-
27	City of	La Grange	1,115	162	2
28	City of	Laredo	29,155	1,141	56
29	City of	Marion	118	19	-
30	City of	Mathis	829	47	1
31	City of	Niederwald	-	1	-
32	City of	Odem	437	23	-
33	City of	Orange Grove	195	31	-
34	City of	Point Comfort	202	16	-
35	City of	Port Lavaca	2,201	167	3
36	City of	Portland	2,689	127	6
37	City of	Poteet	474	43	-
38	City of	Poth	366	34	-
39	City of	Premont	392	28	-
40	City of	Refugio	647	62	2
41	City of	Runge	214	12	-
42	City of	Sandy Oaks	40	-	-
43	City of	Schulenburg	787	123	1

CenterPoint Energy  
South Texas Division  
GUD No. 10669

Cities That Retained Original Jurisdiction

LN. NO.	City/Town	City	Number of Customers		
			Residential	General Service	
				Small	Lg. Vol.
44	City of	Seadrift	216	22	-
45	City of	Smithville	1,071	108	1
46	City of	Taft	677	41	1
47	City of	Universal City	3,201	207	6
48	City of	Victoria	11,499	863	22
49	City of	Yorktown	464	45	-
50		TOTAL	92,549	5,697	142

CenterPoint Energy  
South Texas Division  
GUD No. 10669

Cities That Surrendered Original Jurisdiction			Number of Customers		
LN. NO.	City/Town	City	Residential	General Service	
				Small	Lg. Vol.
1	City of	Beeville	1,951	195	2
2	City of	Eagle Lake	733	59	2
3	City of	El Campo	2,330	214	7
4	City of	Floresville	993	121	3
5	City of	Goliad	287	42	-
6	City of	Hallettsville	765	120	1
7	City of	Kenedy	617	81	4
8	City of	New Braunfels	8,615	943	42
9	City of	Nordheim	93	12	-
10	City of	Palacios	929	75	-
11	City of	Pleasanton	946	165	2
12	City of	San Diego	689	39	1
13	City of	San Marcos	5,546	657	33
14	City of	Schertz	1,472	193	8
15	City of	Seguin	3,708	463	11
16	City of	Selma	6	19	1
17	City of	Sinton	1,173	94	1
18	City of	Welmar	543	74	1
19	Total Ceded OJ		31,394	3,565	119

CenterPoint Energy  
South Texas Division  
GUD No. 10669

Unincorporated			Number of Customers		
LN. NO.	City/Town	City	Residential	General Service	
				Small	Lg. Vol.
22	Environ of	Banquete (Alice Environs)	73	6	-
23	Environ of	Blessing (Palacious Environs)	145	19	-
24	Environ of	Bloomington (Victoria Environs)	346	19	-
25	Environ of	Bruni (Laredo Environs)	43	7	-
26	Environ of	Agua Dulce	13	-	-
27	Environ of	Alice	221	7	-
28	Environ of	Aransas Pass	21	5	-
29	Environ of	Austin	375	46	-
30	Environ of	Bastrop	439	51	2
31	Environ of	Beeville	127	10	1
32	Environ of	Bishop	50	-	-
33	Environ of	Buda	2,134	95	-
34	Environ of	Converse	32	4	1
35	Environ of	Driscoll	2	-	-
36	Environ of	Eagle Lake	41	6	1
37	Environ of	Edna	19	12	1
38	Environ of	El Campo	233	10	1
39	Environ of	Elgin	678	10	-
40	Environ of	Falls City	14	1	-
41	Environ of	Floresville	53	3	-
42	Environ of	Ganado	30	4	-
43	Environ of	Giddings	17	32	-
44	Environ of	Goliad	18	3	-
45	Environ of	Hallettsville	11	3	-
46	Environ of	Hondo	10	2	-
47	Environ of	Jourdanton	4	3	-
48	Environ of	Karnes City	29	4	-
49	Environ of	Kenedy	12	9	-
50	Environ of	Kingsville	1	1	1
51	Environ of	Kyle	81	5	-
52	Environ of	La Coste	35	1	-
53	Environ of	La Grange	184	7	-
54	Environ of	Laredo	9	1	-
55	Environ of	Marion	7	2	-
56	Environ of	Mathis	24	4	-
57	Environ of	New Braunfels	35	7	1
58	Environ of	Nordheim	8	-	-
59	Environ of	Odem	9	-	2
60	Environ of	Orange Grove	6	2	-
61	Environ of	Palacios	31	2	1
62	Environ of	Pleasanton	56	5	-
63	Environ of	Port Lavaca	28	5	-
64	Environ of	Portland	43	2	-
65	Environ of	Poteet	5	2	-
66	Environ of	Poth	1	-	-
67	Environ of	Premont	1	-	-

CenterPoint Energy  
South Texas Division  
GUD No. 10669

Unincorporated					
LN. NO.	City/Town	City	Number of Customers		
			Residential	General Service	
	Small	Lg. Vol.			
68	Environ of	Refugio	44	2	-
69	Environ of	Runge	4	0	-
70	Environ of	San Diego	-	3	-
71	Environ of	San Marcos	12	6	1
72	Environ of	Schertz	11	1	-
73	Environ of	Schulenburg	29	1	-
74	Environ of	Seadrift	2	-	-
75	Environ of	Seguin	5	2	-
76	Environ of	Sinton	93	4	-
77	Environ of	Smithville	5	1	-
78	Environ of	Taft	347	2	-
79	Environ of	Victoria	338	39	1
80	Environ of	Weimar	6	1	-
81	Environ of	Yorktown	12	4	-
82	Environ of	D'Hanis (Hondo Environs)	68	12	-
83	Environ of	Edroy (Odem Environs)	60	4	1
84	Environ of	Hebbronville (Laredo Environs)	554	31	-
85	Environ of	Inez (Victoria Environs)	25	4	-
86	Environ of	Lolita (Edna Environs)	95	5	-
87	Environ of	Louise (El Campo Environs)	148	22	1
88	Environ of	McQueeney (New Braunfels Environs)	89	11	-
89	Environ of	Mirando City (Laredo Environs)	64	4	-
90	Environ of	Oilton (Laredo Environs)	52	4	-
91	Environ of	Pettus (Kenedy Environs)	68	10	-
92	Environ of	Placedo (Victoria Environs)	90	6	-
93	Environ of	Skidmore (Beeville Environs)	113	11	-
94	Environ of	Tuleta (Beeville Environs)	35	3	-
95	Environ of	Vanderbilt (Edna Environs)	71	9	1
96		Total Unincorporated	8,186	619	17
97		Total RRC Jurisdiction	39,580	4,184	136

**GUD No. 10669**  
**Proposal for Decision**  
**ATTACHMENT 2**  
**Exhibit List**

## **EXHIBIT LIST**

1. GUD 10669 – Statement of Intent of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas to Increase Rates in the South Texas Division (Includes all Attachments Except Testimony), Filed on November 16, 2017. Includes Electronic Files and Workpapers.
- 1A. GUD 10677 — Appeal of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas from the Actions of the Cities of Niederwald and Poth (Includes all Attachments), Filed on December 18, 2017 and consolidated on January 5, 2018.
- 1B. GUD 10680 Appeal of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas from the Actions of the Cities of Mathis and Yorktown (Includes all Attachments), Filed on January 9, 2018 and consolidated on January 29, 2018.
2. CenterPoint Errata Filing dated January 9, 2018
3. Affidavit of Completion of Notice (including copies of Publishers' Affidavits), Dated March 7, 2018
4. Direct Testimony and Workpapers of Randal M. Pryor
5. Direct Testimony of Mary A. Kirk
6. Direct Testimony and Workpapers of Randolph H. Sutton
7. Direct Testimony and Workpapers of Kathy A. Lloyd
8. Direct Testimony and Workpapers of Michelle M. Townsend
9. Direct Testimony of Charles Pringle
10. Direct Testimony and Workpapers of Mathew S. Smith
11. Direct Testimony and Workpapers of Timothy S. Lyons
12. Direct Testimony and Workpapers of Robert B. Hevert
13. Direct Testimony and Workpapers of Dane A. Watson
14. Direct Testimony and Workpapers of Burl M. Drews
15. Unanimous Settlement Agreement
16. CenterPoint's Clarification Responses, filed April 26, May 3, and May 4, 2018