

RAILROAD COMMISSION OF TEXAS

APPLICATION FOR COST OF SERVICE ADJUSTMENT FILED BY CENTERPOINT ENERGY ENTEX TO INCREASE RATES IN THE CITY OF WESTON LAKES, TEXAS	§ § § § § §	GAS UTILITIES DOCKET NO. 10073
APPLICATION FOR COST OF SERVICE ADJUSTMENT FILED BY CENTERPOINT ENERGY ENTEX TO INCREASE RATES IN UNINCORPORATED AREAS OF THE TEXAS COAST DIVISION	§ § § § § §	GAS UTILITIES DOCKET NO. 10074

FINAL ORDER

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to TEX. GOV'T CODE ANN. Chapter 551, et seq. (Vernon 2008 & Supp. 2009). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

1. CenterPoint Energy Entex (CenterPoint) is a utility as that term is defined in the Texas Utilities Code. CenterPoint is subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. ~~CenterPoint owns and operates a natural gas distribution system in an area designated by CenterPoint as the Texas Coast Division.~~

Applications

3. On April 29, 2011, CenterPoint filed with the Commission's Gas Services Division two applications to modify the cost of service adjustment (COSA) described in the existing COSA-3 tariff applicable to natural gas customers in the City of Weston Lakes, Texas and in unincorporated areas within CenterPoint's Texas Coast Division.
4. The application affecting the City of Weston Lakes, which is located in the Texas Coast Division, was assigned Gas Utilities Docket (GUD) No. 10073. The application affecting unincorporated areas within the Texas Coast Division was assigned GUD No. 10074.
5. Through these applications, CenterPoint initially proposed to establish a monthly cost of service adjustment increase of \$.03 for residential customers, \$.06 for

small commercial customers, and \$1.04 for large volume customers, effective August 1, 2011.

6. CenterPoint's proposed COSA adjustment, which is based upon calendar year 2010 data, also includes review costs that CenterPoint reimbursed to regulatory authorities for their administrative review of the filed COSA application for calendar year 2009, as permitted by the COSA-3 tariff.
7. Simultaneous with the filing of these two applications, CenterPoint filed a related application with the Commission's Gas Services Division to modify the COSA-2 tariff. This related application, which affects customers in five Texas Coast Division cities that have ceded their jurisdiction to the Commission, was assigned Gas Utilities Docket (GUD) No. 10075.
8. In addition to its three COSA applications filed at the Commission, CenterPoint filed COSA applications with each incorporated municipality located in the Texas Coast Division, to enable CenterPoint to implement a systemwide rate adjustment.

COSA background

9. The COSA-3 tariff was first approved by the Commission in CenterPoint's most recent comprehensive rate case for the Texas Coast Division, GUD No. 9791, in a December 16, 2008, *Order on Rehearing*.
10. The COSA-3 tariff approved by the Commission in GUD No. 9791 establishes a procedure whereby CenterPoint annually proposes adjustments to its Texas Coast Division customer charges for natural gas distribution service. The adjustments account for changes in CenterPoint's cost of service as calculated according to a formula in the tariff.
11. In its June 13, 2011 response to Request for Information No. 2-1, CenterPoint clarified that, at the time GUD No. 9791 was before the Commission, Weston Lakes was an unincorporated area considered to be part of the environs of the City of Orchard. On May 10, 2008, a part of the area known as Weston Lakes voted for incorporation and, shortly thereafter, residents of the incorporated City of Weston Lakes elected city officials.
12. On February 24, 2009, the City of Weston Lakes adopted Ordinance No. 0209 relinquishing to the Commission the city's original jurisdiction over natural gas utility rates.
13. The Commission's first review of CenterPoint's annual Texas Coast Division COSA applications, for the 2008 calendar year, occurred in GUD Nos. 9872, 9873, and 9874. Following consolidation of these three dockets into GUD No. 9872, the Commission issued its *Final Order* on July 21, 2009.

14. The Commission's second review of CenterPoint's annual Texas Coast Division COSA applications, for the 2009 calendar year, occurred in GUD Nos. 9985, 9986, and 9987. Following consolidation of GUD No. 9986 into 9985, the Commission issued *Nunc Pro Tunc Orders* in GUD Nos. 9985 and 9987 on September 14, 2010.
15. The Commission's third review of CenterPoint's annual Texas Coast Division COSA applications, for the 2010 calendar year, is assigned GUD Nos. 10073, 10074 and 10075.
16. For the COSA applications filed in GUD Nos. 10073 and 10074, the Commission's 90-day review period ends on July 28, 2011.
17. In addition to COSA cases within the Commission's original exclusive jurisdiction, three appeal cases have come before the Commission. In GUD No. 10006, the Commission approved a Settlement Agreement proposed by CenterPoint and the Gulf Coast Coalition of Cities (GCCC). In GUD Nos. 10007 and 10018, the Commission rejected a Settlement Agreement proposed by CenterPoint and the Texas Coast Utilities Coalition (TCUC).

Notice

18. The COSA-3 tariff, at Para. C.8, establishes that newspaper notice of an annual adjustment proposed by CenterPoint must be published in the Houston Chronicle no later than 45 days after the date CenterPoint files its annual COSA application with the Commission.
19. For the COSA applications filed in GUD Nos. 10073 and 10074, CenterPoint's 45-day notice deadline was June 13, 2011.
20. On June 1, 2011, CenterPoint filed a copy of the notice published in the Houston Chronicle and an *Affidavit of Publication* affirming that notice was published in the Houston Chronicle on Saturday, May 28, 2011.
21. CenterPoint's COSA-3 notice was timely published on May 28, 2011 before the 45-day deadline for publication of notice on June 13, 2011.
22. In addition to published notice, CenterPoint notified the Commission, in response to Request for Information No. 1-7, that pending COSA docket materials were made available to the public on May 27, 2011 via a posting on the company's website at www.centerpointenergy.com/cosa.

Interventions, protests, comments

23. On June 3, 2011, the Texas Coast Utilities Coalition filed a motion to intervene in GUD No. 10074. On June 15, 2011, consistent with the Commission's practice in COSA cases, the Examiner denied TCUC's motion to intervene because CenterPoint's COSA tariffs do not contemplate interventions by third parties.
24. On July 6, 2011, the Gulf Coast Coalition of Cities (GCCC) filed a motion to intervene in GUD Nos. 10073, 10074 and 10075 identifying six areas of concern about CenterPoint's COSA applications. GCCC urged that, if the motion to intervene was denied, GCCC's pleading be accepted as a protest letter.
25. On July 8, 2011, consistent with the Commission's practice in cost of service adjustment (COSA) cases, the Examiner denied GCCC's motion to intervene because CenterPoint's COSA tariffs do not contemplate interventions by third parties. As requested by GCCC, the Examiner accepted GCCC's pleading as a protest to CenterPoint's applications in GUD Nos. 10073, 10074 and 10075.
26. In addition to the motion to intervene, GCCC requested the Commission deny CenterPoint's applications in GUD Nos. 10073, 10074, and 10075, without prejudice, pending resolution of issues in dispute between CenterPoint and the GCCC.

Prior Commission determinations

27. As affirmed in CenterPoint's June 3, 2011 response to Request for Information No. 1-4, adjustments to CenterPoint's COSA schedules are dictated by the tariff and by Commission orders in prior COSA dockets.
28. Prior to GUD Nos. 10073 and 10074, the Commission issued orders in four CenterPoint COSA dockets where the Commission had original jurisdiction, including GUD Nos. 9791, 9872, 9985, and 9987.
29. The Commission's determinations in GUD Nos. 9791, 9872, 9985, and 9987, applicable to CenterPoint's COSA applications, are summarized in Exhibit A attached to this *Final Order*.

Application review

30. According to the terms of the COSA-3 tariff, the Commission has 90 days to review the proposed rate adjustment. The tariff indicates the Commission and the company may reach agreement on a rate adjustment to be effective August 1. If, at the end of the 90 day review period, CenterPoint and the Commission have not reached an agreement on the rate adjustment, the Commission may deny the

adjustment and CenterPoint may appeal the Commission's action. Upon filing an appeal, CenterPoint has the right to implement its proposed rate adjustment on August 1, subject to refund.

31. The existing COSA-3 tariff, at Para. D, requires that a COSA be implemented in harmony with Texas Utilities Code Sections 101 through 105. Sec. 101.002(a) of the Code requires the Commission to ensure that gas utility rates, operations, and services are just and reasonable. Sec. 104.003(a) of the Code requires the Commission to ensure that each rate a gas utility makes, demands, or receives is just and reasonable.
32. To ensure that COSA rates approved in GUD Nos. 10073 and 10074 are just and reasonable, the Commission's Gas Services Division reviewed CenterPoint's COSA applications for conformance with requirements in the COSA-3 tariff and with Commission orders resulting from CenterPoint's prior COSA dockets.
33. In lieu of testimony, the COSA-3 tariff requires CenterPoint to file with its application a sworn statement by a corporate officer, the company's Chief Accounting Officer, affirming that the filed schedules are in conformance with the tariff and true and correct to the best of his or her knowledge. CenterPoint provided the required statement in its June 3, 2011 response to Request for Information No. 1-2.
34. CenterPoint's application, as supplemented on June 3, 2011 with the sworn statement of its Chief Accounting Officer, contains each of the components required in the COSA-3 tariff.
35. The existing COSA-3 tariff, at Para. C, requires the company to base certain COSA schedules on audited financial data, as adjusted.

36. As affirmed in CenterPoint's June 3, 2011 response to Request for Information No. 1-4, CenterPoint based its application on audited financial data, as adjusted.
37. CenterPoint initially included in its COSA-3 applications the following Texas Coast Division cost of service for the 2010 calendar year:

COSA operating expenses	\$44,785,521
COSA return on investment	\$11,814,804
<u>Texas franchise tax</u>	<u>\$143,107</u>
Subtotal	\$56,743,432

38. Following discussions between the Commission's Gas Services Division and CenterPoint, CenterPoint agreed to modify and re-file its requested COSA-3 adjustment to reflect (\$148,156) of reductions to the cost of service, as shown on Exhibit B, Line No. 6, related to the decrease or removal of expenses for:

- Incentive compensation expense for employees that are neither direct employees of the Texas Coast Division nor Houston support employees.
- Alcoholic beverage expense
- Entertainment expense
- Meal expenses without documentation
- Meal expenses in excess of \$25 per person
- Meal expenses for charitable functions
- Meal expenses that are corporate allocations to the Texas Coast Division
- Lodging expense exceeding \$150 per night
- Advertising, memberships, contributions, and donation expenses prohibited by Rule 7.5414

39. Following discussions between the Commission’s Staff and CenterPoint, CenterPoint reduced the amount of cash working capital included in the COSA formula by \$(1,552,935), from (\$590,077) to (\$2,143,012), as shown on Exhibit B, Line No. 14. Consistent with the Commission’s practice, an offsetting expense for factoring, in the amount of \$194,632, was included in the COSA formula, as shown on Exhibit B, Line No. 7.

40. After applying the agreed adjustments, the COSA-3 cost of service for 2010 is reduced as follows:

COSA operating expenses	\$44,907,977	Exhibit B, Line No. 9
COSA return on investment	\$11,631,577	Exhibit B, Line No. 19
<u>Texas franchise tax</u>	<u>\$143,107</u>	<u>Exhibit B, Line No. 20</u>
Subtotal	\$56,682,641	Exhibit B, Line No. 21

41. The COSA-3 cost of service for 2010, as adjusted, is calculated pursuant to and consistent with the terms of the COSA-3 tariff and applicable Commission orders.

42. CenterPoint’s agreement to cost of service adjustments and rate base adjustments in GUD Nos. 10073 and 10074 does not waive, modify, or otherwise compromise CenterPoint’s position in any pending appeal case.

Review expenses included in the COSA cost of service

43. The COSA tariff authorizes CenterPoint to include in its COSA formula the review costs of regulatory authorities with original jurisdiction, to the extent such regulatory review costs were submitted for reimbursement to CenterPoint on or before September 1 of the year in which they occurred. Regulatory review costs included in GUD Nos. 10073 and 10074 are regulatory review costs reimbursed to regulatory authorities in connection with CenterPoint’s prior year COSA applications.

44. The COSA-3 tariff requires CenterPoint to reimburse regulatory authorities for their reasonable expenses for conducting a review of the Company's annual rate adjustment in an aggregate amount not to exceed \$100,000.
45. Regulatory review costs authorized by the tariff and included in CenterPoint's cost of service, collectively, total less than \$100,000.
46. The COSA tariff is silent on the treatment of rate case expenses incurred as a result of an appeal from a municipal denial of COSA filings.
47. Following discussions between the Commission's Staff and CenterPoint, CenterPoint included in its COSA cost of service formula: \$75,980 of review costs shared between COSA-2 and COSA-3 customers; \$21,492 of review costs applicable to COSA-3 customers only; and \$70,982 of review costs applicable to COSA-2 customers only. Review costs are shown on Exhibit B, Line No. 8.
48. Review costs included in the COSA cost of service formula comply with COSA tariffs approved by the Commission and, to the extent applicable, with the Commission's Final *Order* in GUD No. 10006.
49. In GUD No. 10006, the Commission approved a settlement agreement between CenterPoint and the GCCC authorizing CenterPoint to recover through the next COSA-2 application certain review costs related to that appeal.

Rates and tariffs

50. On July 15, 2011, CenterPoint revised its requested COSA-3 adjustments consistent with the modifications outlined in Finding of Fact Nos. 38, 39, and 47. The revised proposed COSA-3 adjustments are as follows:

COSA-3 RATES BASED UPON 2010 COST OF SERVICE

CUSTOMER CATEGORY	COSA-3
COSA-3, residential, per month	(\$.02)
COSA-3, small commercial, per month	(\$.02)
COSA-3, large volume, per month	(\$.29)

51. The revised COSA-3 adjustments proposed in CenterPoint's revised tariff filed on July 15, 2011 are just and reasonable and consistent with the terms of the COSA-3 tariff and applicable Commission orders.
52. CenterPoint's agreement to revise its proposed COSA-3 adjustments in GUD Nos. 10073 and 10074 does not waive, modify, or otherwise compromise CenterPoint's position in any pending appeal case.
53. CenterPoint indicated that it would voluntarily reduce the COSA-3 adjustment in those cities that allowed the originally proposed rates to go into effect by

operation of law consistent with the rates approved by the Commission in this docket.

- 54. The Commission’s Rule 7.315(c)(2) requires that a gas utility’s tariff identify the “city, area, or environs that will be affected by the tariff.”
- 55. CenterPoint’s Texas Coast Division tariff has, to date, omitted mention of twenty (20) unincorporated areas served by CenterPoint for many years, as affirmed in CenterPoint’s response to Request for Information No. 2-2.
- 56. CenterPoint agrees to add the following 20 unincorporated areas to the COSA-3 tariff: Bacliff, Barretts settlement, Boling, Channel area, Columbia Lakes, Crosby, Damon, Glen Flora, Highlands, Hungerford, Iago, Iowa Colony, New Gulf, Old Ocean, Pecan Grove, Rosharon, San Leon, Sienna Plantation, Teal Run, Van Vleck.
- 57. The addition of these 20 unincorporated areas to the COSA-3 tariff makes the tariff consistent with CenterPoint’s *2010 Annual Report* to the Commission which lists these 20 unincorporated areas as being part of the Texas Coast Division.

COSA 5% rate cap

- 58. The COSA tariff, at Para. C.5, requires that an annual COSA rate increase or decrease be capped at 5% of the monthly customer charge in effect for the Texas Coast Division at the end of the preceding year.
- 59. COSA-3 rate caps applicable to GUD Nos. 10073 and 10074 are as follows:

	RATE CAP
COSA cap, residential, 5% of \$14.79	\$.74
COSA cap, small commercial, 5% of \$13.86	\$.69
COSA cap, large commercial, 5% of \$14.69	\$.73

- 60. Rate decreases approved by the Commission in these dockets are equal to or less than 5% of the current customer charges and, therefore, comport with the rate cap requirements in the COSA-3 tariff.

COSA termination option

- 61. The COSA-3 tariff was initially approved by the Commission in GUD No. 9791 for a three-year period beginning August 1, 2009 and ending July 31, 2012.
- 62. The COSA-3 tariff, at Para. A, provides that COSA-3 is automatically renewed for successive three-year periods unless either CenterPoint or a regulatory authority with original jurisdiction notifies the other by February 1st of the third

year of any three-year period of the non-renewal of the COSA tariff for the subsequent three-year period.

63. CenterPoint affirmed in response to Request for Information No. 3-23, that, on or before February 1, 2011, CenterPoint received notice that the following Texas Coast Division cities opted not to renew the applicable COSA tariff beyond the initial three-year term: Angleton, Baytown, Clute, Shoreacres, Wharton and cities represented by the Gulf Coast Coalition of Cities. The Gulf Coast Coalition of Cities includes: Alvin, Clear Lake Shore, Dickinson, Friendswood, Kemah, La Marque, Lake Jackson, Mont Belvieu, Morgan's Point, Rosenberg, Santa Fe, Seabrook, Sugar Land, Taylor Lake Village, and Texas City.
64. On July 15, 2011, CenterPoint filed with the Commission a letter notifying the Commission of the Company's intent to withdraw the COSA-3 tariff for those areas of the Texas Coast Division under the Commission's original jurisdiction, and asked that to the extent deemed necessary the Commission grant CenterPoint a good cause exception to the February 1, 2011 deadline for CenterPoint to exercise its option not to renew the COSA.
65. The Commission finds that CenterPoint's request for a good cause exception to the February 1, 2011 deadline is warranted. The Commission grants CenterPoint's request for a good cause exception and acknowledges CenterPoint's election to exercise the option to withdraw the COSA-3 tariff applicable to the customers under the Commission's original jurisdiction.

CONCLUSIONS OF LAW

1. ~~CenterPoint is a "gas utility" as defined in TEX. UTIL. CODE ANN. § 101.003(7) (Vernon 2009) and § 121.001 (2009) and is, therefore, subject to the jurisdiction of the Railroad Commission of Texas.~~
2. The Commission has jurisdiction over CenterPoint and CenterPoint's COSA applications under TEX. UTIL. CODE ANN. §§ 102.001 and 104.001 (Vernon 2009).
3. In accordance with TEX. UTIL. CODE ANN. § 101.002(a) (Vernon 2009), the rates, operations, and services established in these dockets are just and reasonable to customers and to the utility.
4. In accordance with TEX. UTIL. CODE ANN. § 104.003(a) (Vernon 2009), the rates approved by the Commission in these dockets are just and reasonable, are not unreasonably preferential, prejudicial, or discriminatory, and are sufficient, equitable, and consistent in application to each class of consumer.
5. In accordance with TEX. UTIL. CODE ANN. § 104.005 (Vernon 2009), CenterPoint is prohibited from charging, demanding, collecting, or receiving, directly or

indirectly, a greater or lesser compensation for a service provided or to be provided by the utility than the compensation prescribed by the applicable schedule of rates filed under § 102.151.

IT IS THEREFORE ORDERED that the tariffs attached to this *Final Order* as Exhibit C are **APPROVED** with an effective date of August 1, 2011.

IT IS FURTHER ORDERED that CenterPoint shall, within 30 days of the date this *Final Order* is signed, electronically file its approved tariff(s) with the Gas Services Division, in accordance with 16 TEX. ADMIN. CODE § 7.315.

IT IS FURTHER ORDERED that, consistent with the Commission's *Nunc Pro Tunc Orders* in GUD Nos. 9985 and 9987, CenterPoint shall display the COSA-3 rate decrease separately from the monthly customer charge on customer bills.

IT IS FURTHER ORDERED that CenterPoint shall withdraw the COSA-3 tariff applicable to the customers under the Commission's original jurisdiction.

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

This Order will not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE § 2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties.

SIGNED this 26th day of July, 2011.

RAILROAD COMMISSION OF TEXAS


CHAIRMAN ELIZABETH AMES JONES


COMMISSIONER DAVID PORTER


COMMISSIONER BARRY T. SMITHERMAN

ATTEST:

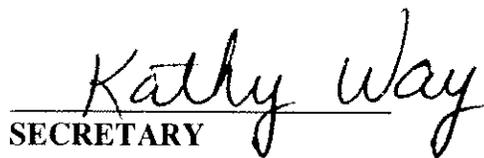

SECRETARY

EXHIBIT A TO THE FINAL ORDER

PRIOR COMMISSION DECISIONS APPLICABLE TO
CENTERPOINT'S COSA APPLICATIONS

	Docket reference	Requirement
1	Dkt. 9791, Order on Rehearing, 12/16/08, FOF 28, 29	Storage gas. For COSA-3 only, storage gas costs are to be excluded from rate base. Storage gas costs are to be recovered through the purchased gas adjustment (PGA) clause.
2	Dkt. 9791, Order on Rehearing, 12/16/08, FOF 61, 62	Admin adjustments. A general inflation adjustment is not to be applied to Texas Administrative Expense. A labor escalation adjustment is not to be applied to Texas Administrative Expense.
3	Dkt. 9791, Order on Rehearing, 12/16/08, FOF 66. Also, Dkt. 9872, Final Order, 7/21/09, FOF 26. Also, Dkt. 9985, Nunc Pro Tunc Order, 9/14/10, FOF 33. Also, Dkt. 9987, Nunc Pro Tunc Order, 9/14/10, FOF 32.	Investor expenses. Investor services expense and investor relations expense are to be excluded from Allocated Corporate Overhead.
4	Dkt. 9791, Order on Rehearing, 12/16/08, FOF 68	Meter reading. Meter reading expense is to be allocated using an investment weighted number of customer locations allocation factor.
5	Dkt. 9791, Order on Rehearing, 12/16/08, FOF 71 and COSA-3 Tariff, Sec. C.1	Depreciation. An overall depreciation rate of 3.68% is to be used to calculate cost of service. Use the last approved depreciation methods and lives.
6	Dkt. 9791, Order on Rehearing, 12/16/08, FOF 72 and COSA-3 Tariff, Sec. C.1	Taxes. Use a federal income tax rate of 35% to calculate cost of service. Exclude from 'Taxes Other Than FIT' city franchise fees, gross receipts, and any other revenue-based tax.
7	Dkt. 9791, Order on Rehearing, 12/16/08, COL 21	LUG. Exclude from the cost of service expenses for lost and unaccounted-for gas in excess of 5%.
8	Dkt. 9791, Order on Rehearing, 12/16/08, approved COSA -3 Tariff, Sec. A. Also, Dkt. 9985, Nunc Pro Tunc Order, 9/14/10, FOF 29.	Systemwide rates. COSA rate calculations are to be made on a Texas Coast Division systemwide basis.
	Dkt. 9791, Order on Rehearing,	Return. A pre-tax rate of return of 11.8% is to be used

9	12/16/08, FOF 38 and COSA-3 tariff, Sec. C2. Also, Dkt. 9985, Nunc Pro Tunc Order, 9/14/10, FOF 36. Also, Dkt. 9987, Nunc Pro Tunc order, 9/14/10, FOF 35.	in calculating cost of service.
10	Dkt. 9791, Order on Rehearing, 12/16/08, approved COSA-3 Tariff, Secs. C5 and C7	Allocation. The cost of service adjustment is to be allocated among customer classes in the same manner that the cost of service was allocated in the company's latest effective rates for the Texas Coast Division. The proposed rates are to conform as closely as practicable to revenue allocation principles in effect prior to the adjustment.
11	Dkt. 9985, Nunc Pro Tunc Order, 9/14/10, FOF 44. Dkt. 9987, Nunc Pro Tunc Order, 9/14/10, FOF 43.	Non-employee travel expense. Travel expenses for non-employee spouses are not to be included in the cost of service.
12	Dkts. 9985 and 9987, Nunc Pro Tunc Orders, 9/14/10, COL 9 and 10.	Rate adjustment identification on bills. Cost of service adjustments are applied to the monthly customer charge. Adjustments are identified separately on customer bills.
13	Dkt. 9791, Order on Rehearing, 12/16/08, FOF 65. Also, Dkt. 9872, Final Order, 7/21/09, FOF 25. Also, Dkt. 9985, Nunc Pro Tunc Order, 9/14/10, FOF 32. Also, Dkt. 9987, Nunc Pro Tunc Order, 9/14/10, FOF 31.	Incentive comp. CenterPoint may recover incentive compensation expense for direct employees of the Texas Coast Division and for Houston support employees only.
14	Dkt. 9872, Final Order, 7/21/09, FOF 28. Also, Dkt. 9985, Nunc Pro Tunc Order, 9/14/10, FOF 37- 39, 46. Also, Dkt. 9987, Nunc Pro Tunc Order, 9/14/10, FOF 36-38, 45.	Alcohol, entertainment expense. Alcoholic beverage expense and entertainment expense are to be excluded from CenterPoint's cost of service.
15	Dkt. 9872, Final Order, 7/21/09, FOF 27. Also, Dkt. 9985, Nunc Pro Tunc Order, 9/14/10, FOF 37, 38, 40, 47 and third and fourth ordering paragraphs. Also, Dkt. 9987, Nunc Pro Tunc Order, 9/14/10, FOF 36, 37, 39, 46 and third and fourth ordering paragraphs.	Meal expense. CenterPoint is to exclude from the cost of service any meal expense that cannot be supported by detailed documentation and any meal expense exceeding \$25 per person. The Commission may consider including in the cost of service expenses for meals exceeding \$25 per person if the utility identifies such expenses and includes detailed documentation of such expenses in the COSA application, on a per event per employee basis.
16	Dkt. 9985, Nunc Pro Tunc Order, 9/14/10, FOF 46. Also, Dkt.	Corporate allocated meal expense. Corporate allocated meal expenses that cannot be supported by

	9987, Nunc Pro Tunc Order, 9/14/10, FOF 45.	detailed documentation are not to be included in the cost of service.
17	Dkt. 9985, Nunc Pro Tunc Order, 9/14/10, FOF 42-43, 47 and third ordering paragraph. Also, Dkt. 9987, Nunc Pro Tunc Order, 9/14/10, FOF 41, 42 and third ordering paragraph.	Travel and first class airfare. CenterPoint is to exclude from the cost of service any travel expense that cannot be supported by detailed documentation and any first class airfare expense. The Commission may consider including in the cost of service expenses for first class airfare if the utility identifies such expenses and includes detailed documentation of such expenses in the COSA application, on a per event per employee basis.
18	Dkt. 9985, Nunc Pro Tunc Order, 9/14/10, FOF 41, 47 and third and fourth ordering paragraphs. Dkt. 9987, Nunc Pro Tunc Order, 9/14/10, FOF 40 and third and fourth ordering paragraphs.	Lodging expense. CenterPoint is to exclude from the cost of service any lodging expense that cannot be supported by detailed documentation and any lodging expense exceeding \$150 per night. The Commission may consider including in the cost of service expenses for lodging exceeding \$150 per night if the utility identifies such expenses and includes detailed documentation of such expenses in the COSA application, on a per event per employee basis.
19	Dkt. 9985, Nunc Pro Tunc Order, 9/14/10, FOF 45, 46. Also, Dkt. 9987, Nunc Pro Tunc Order, 9/14/10, FOF 44, 45.	Advertising, memberships, contributions, donations. Certain advertising expenses, membership costs, contributions, and donations are not to be included in the cost of service, as outlined in Rule 7.5414.
20	Dkt. 9872, Final Order, 7/21/09, FOF 24. Also, Dkt. 9985, Nunc Pro Tunc Order, 9/14/10, FOF 22-24. Also, Dkt. 9987, Nunc Pro Tunc Order, 9/14/10, FOF 21-23.	Cash working capital. CenterPoint's cash working capital calculations, in COSA applications, are to be consistent with the Commission's findings in Dkt. No. 9902.

Note: In GUD No. 9791, the Commission used an average of five years of uncollectible expense in calculating the cost of service and excluded non-recurring severance expense from the calculation of recurring rates. To date, however, the Commission has not adjusted for these items in the COSA cost of service formula. (GUD No. 9791, *Order on Rehearing*, Finding of Fact Nos. 60, 64, and 69)

EXHIBIT B TO THE FINAL ORDER

COSA-3 COST OF SERVICE AND RATE WORKSHEET
WITH ADJUSTMENTS APPROVED BY THE COMMISSION

COSA-3 COST OF SERVICE	2009 review expenses, not subject to 5% rate cap
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OPERATING EXPENSES	1	Depreciation and amortization expense, Acct. Nos. 403-407	\$ 7,922,351	
	2	Taxes other than FIT, Acct. No. 408	\$ 2,276,518	
	3	Operations and maintenance expense, Acct. Nos. 870-894	\$ 13,288,671	
	4	Customer related expenses, Acct. Nos. 901-916	\$ 9,664,077	
	5	Admin & General expense, Acct. Nos. 920-932	\$ 11,633,904	
	6	Expense adjustments, Finding of Fact No. 38	\$ (148,156)	
	7	Factoring adjustment, Finding of Fact No. 39	\$ 194,632	
	8	Review costs, Finding of Fact No. 47	\$ 75,980	\$ 21,492
	9	C1 COSA OPERATING EXPENSES	\$ 44,907,977	

RETURN ON INVESTMENT	10	Net utility plant in service, by FERC account, adjusted to exclude asset retirement obligation amounts. Gross utility plant in service and accumulated depreciation by account are shown by month so that an annual average utility plant in service can be calculated.	\$ 117,620,900	
	11	Plus: storage gas inventories, 13-month avg (COSA-2 only)	\$ -	
	12	Plus: materials and supplies inventories, 13-month avg	\$ 80,696	
	13	Plus: prepayments, 13-month avg	\$ 132,496	
	14	Plus: cash working capital, as adjusted per Finding of Fact 39	\$ (2,143,012)	
	15	Less: customer deposits, Acct. 235, and advances, Acct. 252	\$ (4,388,488)	
	16	Less: deferred federal income taxes	\$ (12,730,071)	
	17	TOTAL RATE BASE	\$ 98,572,521	
	18	Multiplied by: 11.8% pre-tax rate of return	11.8%	
	19	C2 COSA RETURN ON INVESTMENT	\$ 11,631,557	

TAX	20	C3 TEXAS FRANCHISE TAX, Acct. 409	\$ 143,107	
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ADJUSTMENT	21	C1 + C2 + C3	\$ 56,682,641	
	22	Less: calendar yr actual non-gas revenue	\$ (51,673,700)	
	23	Less: other revenue, adjusted	\$ (5,092,828)	
	24	SUBTOTAL	\$ (83,887)	\$ 21,492
	25	Divided by: 1 - Texas Franchise Tax statutory rate of 1%	99%	99%
	26	C4 COST OF SERVICE ADJUSTMENT	\$ (84,734)	\$ 21,709

RATES	27	C5 COSA RATE CALCULATION		
	28	TCD customers, residential	238,154	145,162
	29	TCD customers, small commercial	11,966	6,764
	30	TCD customers, large commercial	503	246
	31	Total TCD customers	250,623	152,172
	32	TCD percent allocation, residential	88.8498%	88.8498%
	33	TCD percent allocation, small commercial	6.8261%	6.8261%
	34	TCD percent allocation, large commercial	4.3241%	4.3241%
	35	Total	100.0000%	100.0000%
	36	TCD COSA allocation, residential	\$ (75,286)	\$ 19,288
	37	TCD COSA allocation, small commercial	\$ (5,784)	\$ 1,482
	38	TCD COSA allocation, large commercial	\$ (3,664)	\$ 939
	39	TOTAL COSA, ALLOCATED BY CUSTOMER CLASS	\$ (84,734)	\$ 21,709

40	TCD COSA allocation per customer per month, residential	\$ (0.03)	\$ 0.01	COSA-3	CURRENT RATE	WITH COSA ADDED
41	TCD COSA allocation per customer per month, sm. Comm.	\$ (0.04)	\$ 0.02	\$ (0.02)	\$14.79	\$ 14.77
42	TCD COSA allocation per customer per month, lg. Comm.	\$ (0.61)	\$ 0.32	\$ (0.29)	\$13.86	\$ 13.84
					\$14.69	\$ 14.40

CAP	43	COSA CAP CALCULATION	
	44	COSA cap, residential, 5% of \$14.79	\$ (0.74)
	45	COSA cap, small commercial, 5% of \$13.86	\$ (0.69)
	46	COSA cap, large commercial, 5% of \$14.69	\$ (0.73)

EXHIBIT C TO THE FINAL ORDER

COSA-3 TARIFFS APPROVED BY THE COMMISSION

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
RESIDENTIAL SERVICE
RATE SCHEDULE NO. R-2087**

APPLICATION OF SCHEDULE

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

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

MONTHLY RATE

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

(a) The Base Rate consisting of:

- (1) Customer Charge -- \$14.77*;
- (2) Commodity Charge --
All Ccf \$0.03055 per Ccf

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

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

RULES AND REGULATIONS

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

* GUD 9791 Customer Charge	\$13.50
2008 COSA-3 Adjustment	.55
2009 COSA-3 Adjustment	.74
2010 COSA-3 Adjustment	<u>(.02)</u>
Total Customer Charge	\$14.77

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-SMALL
RATE SCHEDULE NO. GSS-2087**

APPLICATION OF SCHEDULE

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

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

MONTHLY RATE

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

(a) The Base Rate consisting of:

- (1) Customer Charge -- \$13.84*;
- (2) Commodity Charge --
 - First 150 Ccf \$0.06655 per Ccf
 - Over 150 Ccf \$0.03258 per Ccf

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

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

RULES AND REGULATIONS

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

* GUD 9791 Customer Charge	\$12.50
2008 COSA-3 Adjustment	.63
2009 COSA-3 Adjustment	.73
2010 COSA-3 Adjustment	<u>(.02)</u>
Total Customer Charge	\$13.84

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-LARGE VOLUME
RATE SCHEDULE NO. GSLV-618**

AVAILABILITY

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

APPLICATION OF SCHEDULE

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

MONTHLY RATE

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

(a) The Base Rate consisting of:

(1) Customer Charge – \$14.40*;

(2) Commodity Charge –

First 1,500 Ccf	\$0.09036 per Ccf
1,500 – 10,000 Ccf	\$0.05880 per Ccf
Over 10,000 Ccf	\$0.04980 per Ccf

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

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

* GUD 9791 Customer Charge	\$12.50
2008 COSA-3 Adjustment	.63
2009 COSA-3 Adjustment	1.56
2010 COSA-3 Adjustment	<u>(.29)</u>
Total Customer Charge	\$14.40

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-LARGE VOLUME
RATE SCHEDULE NO. GSLV-618**

WRITTEN CONTRACT

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

MEASUREMENT

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

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

The Sales Unit shall be one Mcf.

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

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

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

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

**CENTERPOINT ENERGY RESOURCES CORP.
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TEXAS COAST DIVISION
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GENERAL SERVICE-LARGE VOLUME
RATE SCHEDULE NO. GSLV-618**

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.
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AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-LARGE VOLUME
RATE SCHEDULE NO. GSLV-618**

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 111 Louisiana Street, Houston, Texas.
