

NOTICE OF SPECIAL CALL MEETING
THE FREEPORT CITY COUNCIL
MONDAY, JULY 27, 2015, 6:00 P.M.
FREEPORT MUNICIPAL COURT ROOM
FREEPORT POLICE DEPARTMENT, 430 NORTH BRAZOSPORT BLVD.
FREEPORT, TEXAS
AGENDA
FORMAL SESSION

1. Call to order.
2. Invocation.
3. Pledge of Allegiance.
4. Consideration of approving the July 20, 2015 Council Minutes. Pg. 524-527
5. Consideration of approving Ordinance No. 2015-2092 denying proposed rate increase of CenterPoint Energy Resources Corp., d/b/a CenterPoint Entex and CenterPoint Energy Texas Gas ("CenterPoint") and approving a settlement that includes an increase that is \$2.3 million less than proposed by Centerpoint. Pg. 528-548
6. Adjourn

Items not necessary discussed in the order they appear on the agenda. The Council at its discretion may take action on any or all of the items as listed. This notice is posted pursuant to the Texas Open Meeting Act. (Chapter 551, Government Code).

In compliance with the Americans with Disabilities Act, the City of Freeport will provide for reasonable accommodations for persons attending City Council Meetings. Request should be received 48 hours prior to the meeting. Please contact the City Secretary office at 979-233-3526.

I, Delia Munoz City Secretary for the City of Freeport, Texas certify that this agenda was posted on the official bulletin board/glass door of City Hall, facing the rear parking lot of the building, with 24 hours a day public access, 200 West 2nd Street, Freeport Texas, July 24, 2015 at or before 5:00 p.m.

Delia Munoz - City Secretary
City of Freeport, Texas

State of Texas

County of Brazoria

City of Freeport

BE IT REMEMBERED, that the Freeport City Council met on Monday, July 20, 2015 at 6:00 p.m., at the Freeport Police Department, Municipal Court Room, 430 North Brazosport Boulevard, Freeport Texas for the purpose of considering the following agenda items:

City Council:

Mayor Norma Moreno Garcia
Councilman Larry L. McDonald
Councilman Fred Bolton
Councilwoman Sandra Barbree
Councilwoman Sandra Loeza

Staff:

Jeff Pynes, City Manager
Gilbert Arispe, Assistant City Manager
Delia Munoz, City Secretary
Nat Hickey, Property Manager
Bob Welch, Finance Director
Jennifer Hawkins, Economic Development
Chris Motley, Fire Marshall/Building Official

Visitors:

Annette Sanford	Mark Havran
Nicole Mireles	Sam Reyna
Raymond Garivey	Moby Burrige
Evelyn Burrige	Chad Elliston
Eric Hayes	Lila Diehl
Ariel Carmona Jr.	Sharron Mercer
Manning Rollerson	Angel Rostro
Jacob Edmundson	Nancy Gray
Veronica Edmundson	Nathan Edmundson
Jerry Meeks	

Call to order.

Mayor Norma Moreno Garcia called the meeting to order at 6:00 p.m.

Invocation.

Mr. Wallace Shaw offered the invocation.

Pledge of Allegiance.

The boy Scouts of America led the Pledge of Allegiance.

Consideration of approving the July 6, 2015 Council Minutes.

On a motion by Councilwoman Loeza, seconded by Councilwoman Barbree, with all present voting "Aye", Council unanimously approved the July 6, 2015 Council Minutes.

Attending citizens and their business.

Manning Rollerson complained that he heard about the Dow gas release on the 6:00 news. He felt that communication was poor between the chemical plants and the cities. He asked that the drainage ditches be cleaned and mowed around 537 E. 2nd Street, and most of the time had no water pressure.

Announcement: City of Freeport Kidfest, Saturday July 25, 2015 from 10:00 a.m. to 3:00 p.m., at Freeport Memorial Park, free water slides, petting zoo, games, moon walks.

Mayor Norma Moreno Garcia announced and invited all to the 5th Annual Kidfest.

Consideration of approving Ordinance No. 2015-2091 amending portions of Chapter 54 of the Code of Ordinances of said City relating to the regulations for storm water quality.

On a motion by Councilman Bolton, seconded by Councilman McDonald, with all present voting "Aye", Council unanimously approved Ordinance No. 2015-2091 amending portions of Chapter 54 of the Code of Ordinances of said City relating to the regulations for storm water quality.

Consideration of resetting a bid or proposal date for trading the following lots owned by the City: Lots 9 through 12 and 15, Block 35; Lot 2, Block 71; Lot 6, Block 507; Lots 1 through 24, Block 661; Lots 14 and 15, Block 676; Lots 5, 11 and 12, Block 720; Lots 13, 16, 19, 22, 24 and 24A, Block 752; Lot 11, Block 755; Lots 18 and 19, Block 764; Lot 3, Block 789; Lots 14, 15, 19 and 21, Block 790; Lots 13 and 24, Block 809; Lots 2, 3, 4, 5, 7, 9, 10, 11 and 12, Block 810 of the Velasco Townsite for lots located within Blocks 716, 729, 730, 731, 742, 743, 760, and 773 of said Townsite not presently owned by the City.

On a motion by Councilwoman Loeza, seconded by Councilman McDonald, with all present Voting "Aye", Council unanimously approved August 17, 2015 for a bid date for trading the following owned by the City: Lots 9 through 12 and 15, Block 35; Lot 2, Block 71; Lot 6, Block 507; Lots 1 through 24, Block 661; Lots 14 and 15, Block 676; Lots 5, 11 and 12, Block 720; Lots 13, 16, 19, 22, 24 and 24A, Block 752; Lot 11, Block 755; Lots 18 and 19, Block 764; Lot 3, Block 789; Lots 14, 15, 19 and 21, Block 790; Lots 13 and 24, Block 809; Lots 2, 3, 4, 5, 7, 9, 10, 11 and 12, Block 810 of the Velasco Townsite for lots located within Blocks 716, 729, 730, 731, 742, 743, 760, and 773 of said Townsite not presently owned by the City.

Consideration of awarding a bid for the Emergency Power and Monitoring Systems authorizing the City Manager or his designee to negotiate a contract with the successful bidder and authorizing the Mayor and City Secretary, respectively to execute and attest such contract.

On a motion by Councilwoman Barbree, to approve Mark Havran with LJA Engineering recommendation to award the contract to the lowest bidder; McDonald Municipal & Industrial, motion died for lack of second.

Councilman Bolton stated that Council wanted to make the right decision for the community and requested a comparison of cellular and radio and which would be the most reliable.

On a motion by Councilman Bolton, seconded by Councilman McDonald, with all present voting 4 to 1, Council approved to table awarding a bid for the Emergency Power and Monitoring Systems authorizing the City Manager or his designee to negotiate a contract with the successful bidder and authorizing the Mayor and City Secretary, respectively to execute and attest such contract. Councilwoman Barbree opposed.

Consideration of approving Ordinance No. 2015-2092 denying proposed rate increase of CenterPoint Energy Resources Corp., d/b/a CenterPoint Entex and CenterPoint Energy Texas Gas ("CenterPoint") and approving a settlement that includes an increase that is \$2.3 million less than proposed by CenterPoint.

On a motion by Councilman McDonald, seconded by Councilman Bolton, with all present voting "Aye", Council unanimously approved to reagendaed this item.

Consideration of approving and authorizing the City Manager to expend funds for an emergency repair for the Freeport Community House pier and boat ramp.

Annette Sanford of 510 W. Broad stated the Freeport Community House was in dire need of repair. A ramp was needed in the front of the building and pot holes needed to be addressed.

Gilbert Arispe Assistant City Manager presented to Council a PowerPoint presentation of the Freeport Community House pier and boat ramp. The repairs estimated \$49,000 to replace only wood structures and \$18,000 to encasing the posts in concrete.

On a motion by Councilwoman Barbree to expend funds for an emergency repair for the Freeport Community House pier and boat ramp, motion died for lack of second.

Mayor Norma Moreno Garcia suggested going out for bids.

Consideration of the approval of any action to be taken as a result of closed executive session.

Mayor Norma M. Garcia closed the Executive Session and reconvened the formal session at 7:32 p.m.

On a motion by Councilman Bolton, seconded by McDonald, with all present voting "Aye", Council unanimously approved Praxair Industrial District Agreement.

Mayor Norma M. Garcia opened the Work Session at 6:51 p.m.

Work Session:

Community budget input workshop.

Nicole Mireles requested the floor of the Freeport Community House repaired and lighting for Memorial Park.

Mayor Norma M. Garcia closed the Work Session and opened the Executive Session at 6:54 p.m.

Executive Session:

Section 551.071, Government Code

Consultation with City Attorney concerning pending or contemplated litigation, settlement offers or other matter in which his duty to the City Council under the Texas Disciplinary Rules of Professional Conduct of the state Bar of Texas clearly conflicts with Chapter 551, Government Code, to wit:

- Praxair Industrial District Agreement
- Port Freeport east end roads.
- New Sport Complex
- Veolia Contract
- Golf Course – TCEQ
- Follett’s Island – Pending Contractual Negotiations

Mayor Norma M. Garcia closed the Executive Session and reconvened the formal session at 7:32 p.m.

Section 551.074, Government Code

Deliberations concerning the duties of a public officer or employee:

- City Manager

Adjourn

On a motion by Councilman McDonald, seconded by Councilman Bolton, with all present voting “Aye”, Mayor Norma M. Garcia adjourned the meeting at 7:32 p.m.

Mayor Norma Moreno Garcia
City of Freeport, Texas

Delia Munoz, City Secretary
City of Freeport, Texas

AGENDA INFORMATION SHEET
ITEM NO. 5

DENIAL OF CENTERPOINT ENERGY'S PROPOSED INCREASE IN RATES FILED ON ABOUT MARCH 27, 2015 AND APPROVING A SETTLEMENT, WHICH INCLUDES AN INCREASE OF \$4.9 MILLION COMPARED TO CENTERPOINT'S REQUESTED INCREASE IN RATES OF \$7.2 MILLION AND RESOLVES LITIGATION OF PENDING APPEALS

BACKGROUND

This agenda item presents a Settlement Agreement of the rate case CenterPoint Energy Resources Corp., d/b/a CenterPoint Entex and CenterPoint Energy Texas Gas ("CenterPoint" or "Company") submitted to the City on about March 27, 2015, as well as four (4) other rate cases submitted by CenterPoint from 2008 - 2011. Thus, the Settlement Agreement resolves 5 rate cases:

1. CenterPoint's rate case filed with the Railroad Commission of Texas ("Commission") and the City on about March 27, 2015, which the City suspended in April, 2015; the Commission assigned Gas Utilities Docket (GUD) No. 10432 to CenterPoint's application
2. GUD No. 9791 (2008); GUD 9791 is the seminal case in which the Commission approved a "cost of service adjustment" ("COSA");
3. GUD 9910 (2009);
4. GUD 10007 (2010); and
5. GUD 10097 (2011).

The City participated in these proceedings as part of Texas Coast Utilities Coalition (TCUC) of cities. The Cities of Angleton, Baytown, Clute, Freeport, League City, Pearland, Shoreacres, West Columbia, and Wharton are members in TCUC.

MARCH 27, 2015 RATE CASE (GUD No. 10432):

CenterPoint sought an increase of \$7.2 million, which represents an increase of about 11.3%. TCUC's Special Counsel (Herrera & Boyle, PLLC - Alfred R. Herrera) and TCUC's consultant (NewGen Strategies & Solutions, LLC - Ms. Constance Cannady) recommend that the City approve the Settlement Agreement that increases rates by \$4.9 million in annual revenue, an increase of about 9.8%, and resolves appeals of the Railroad Commission's final orders in 4 prior rate cases.

Table I compares the **change in a customer's average monthly bill** at current rates to: (1) CenterPoint's proposed increase at \$7.2 million; and (2) the increase at the settlement amount of \$4.9 million:

TABLE 1			
	Increase in Average Bill at \$7.2 million	Increase in Average Bill at \$4.9 million	Difference
Residential	\$2.54	\$1.60	\$0.94
Sm. General	\$6.07	\$5.38	\$0.69
Large General	-\$49.45	-\$48.10	\$1.35

The Settlement Agreement limits the increase in the customer charge for the Residential class to 13¢, going from \$14.77 to \$15.00. CenterPoint also agreed to reimburse the cities' rate case expenses, which would add about 6¢ per month to a customer's bill.

GUD NO. 9791 – THE COMMISSION’S “COSA” TARIFF, AND GUD NOS. 9910, 10007, AND 10097:

Remand of GUD No. 9791: The Settlement Agreement provides consideration for resolution of GUD No. 9791, the seminal case in which the Railroad Commission first approved a COSA tariff for CenterPoint. Ultimately the Texas Supreme Court concluded that the Commission had the authority to adopt a COSA tariff but remanded the case back to the Commission because of the Commission's failure to properly address affiliate expenses recovered through rates. The Commission held a hearing in the remand of GUD 9791 on June 11, 2015 to address affiliate expenses, and pending approval of the Settlement Agreement, the parties have agreed to abate the schedule in that proceeding.

GUD Nos. 9910, 10007, and 10097: From 2009 – 2001 the Railroad Commission, in GUD Nos. 9910, 10007, and 10097, approved changes in CenterPoint's rates under the COSA tariff. These cases stem from GUD 9791, the seminal case in which the Commission first approved a COSA tariff. The TCUC cities appealed to Travis County District Court, not only the validity of the COSA tariff, but also the change in rates the Commission approved under the COSA tariff, and in particular, the lack of evidence to support the rates the Commission approved. Given the Texas Supreme Court's ruling regarding the validity of the COSA tariff, the remaining issues on appeal challenge the Commission's lack of evidence to support the rates it approved, including the lack of support for recovery of affiliate expenses.

Settlement of CenterPoint's March 27th rate application also provides consideration for resolution of these appeals through a lesser increase in the pending rate case filed on March 27, 2015, and avoids years of continued and protracted litigation and the accompanying expense to prosecute those cases.

ACTION: DENY CENTERPOINT'S PROPOSED RATE INCREASE OF \$7.2 MILLION, AND APPROVE A SETTLEMENT INCREASING CENTERPOINT'S ANNUAL REVENUE BY \$4.9 MILLION

The City has three options with regard to the action it may take regarding CenterPoint's application to increase rates:

1. Take no action, and on August 21, 2015, CenterPoint's proposed rates go into effect;
2. Deny CenterPoint's proposed increase in rates, in which case CenterPoint would file an appeal to the Railroad Commission;
3. Approve the proposed Settlement Agreement, which provides CenterPoint an increase in rates of \$4.9 million for rates, services, and operations within the City and ends the litigation related to GUD No. 9791, GUD 9910, and GUD No. 10007, and GUD 10097..

RECOMMENDATION

TCUC's Special Counsel and consultant recommend that the City deny CenterPoint's proposed increase of \$7.2 million but approve the proposed Settlement, which increases CenterPoint's annual revenue by \$4.9 million and resolves the cases pending on appeal in GUD Nos. 9791, 9910, 10007, and 10097.

If the City denies CenterPoint any increase, CenterPoint would appeal that denial to the Railroad Commission of Texas and consolidate it with the rate case CenterPoint filed at the Commission (GUD No. 10432). Denial of the rate increase would end the City's original jurisdiction over CenterPoint's application.

In conformance with the Settlement Agreement, the City must take action no later than July 30, 2015.

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF _____ APPROVING A SETTLEMENT AGREEMENT BETWEEN THE TEXAS COAST UTILITIES COALITION OF CITIES AND CENTERPOINT ENERGY RESOURCES CORP., D/B/A CENTERPOINT ENTEX AND CENTERPOINT ENERGY TEXAS GAS REGARDING THE COMPANY'S STATEMENT OF INTENT TO CHANGE GAS UTILITY RATES IN ITS TEXAS COAST DIVISION; DECLARING EXISTING RATES TO BE UNREASONABLE; DENYING CENTERPOINT'S PROPOSED INCREASE; ADOPTING TARIFFS THAT REFLECT RATE ADJUSTMENTS CONSISTENT WITH THE SETTLEMENT AGREEMENT AND FINDING THE RATES TO BE SET BY THE ATTACHED TARIFFS TO BE JUST AND REASONABLE; FINDING THE CITY'S RATE CASE EXPENSES REASONABLE; DIRECTING CENTERPOINT TO REIMBURSE THE CITY ITS REASONABLE RATE CASE EXPENSES; DETERMINING THAT THIS ORDINANCE WAS PASSED IN ACCORDANCE WITH THE REQUIREMENTS OF THE TEXAS OPEN MEETINGS ACT; DECLARING AN EFFECTIVE DATE; REPEALING ANY PRIOR RESOLUTIONS OR ORDINANCES INCONSISTENT WITH THIS ORDINANCE AND REQUIRING DELIVERY OF THIS ORDINANCE TO THE COMPANY AND LEGAL COUNSEL

WHEREAS, the City of _____, Texas ("City") has exclusive original jurisdiction as a regulatory authority over CenterPoint Energy Resources Corp., d/b/a CenterPoint Entex and CenterPoint Energy Texas Gas ("CenterPoint" or "Company") rates, operations, and services within the City; and

WHEREAS, the City is also a gas utility customer of CenterPoint, and has an interest in CenterPoint's rates and charges; and

WHEREAS, CenterPoint filed a Statement of Intent with the City on or about March 27, 2015 ("*March 27th Application*") to increase its annual revenue requirement by approximately \$6.8 million in the Company's Texas Coast Division, with a proposed effective date of May 1, 2015, which represents an increase in base revenue of approximately 11%; and

WHEREAS, CenterPoint on March 27, 2015, filed its Statement of Intent with the Railroad Commission of Texas to increase its annual revenue requirement by approximately \$6.8 million in the Company's Texas Coast Division, with a proposed

effective date of May 1, 2015, which represents an increase in base revenue of approximately 11%, and subsequently modified its request to seek an increase of about \$7.2 million, which represents an increase of about 12% in non-gas revenue; and

WHEREAS, the City took action to suspend the effective date and to coordinate a response to CenterPoint's filing with other similarly situated municipalities (such participating cities are referred to herein as the Texas Coast Utilities Coalition of cities ("TCUC")); and

WHEREAS, the City took action on or before May 1, 2015 to suspend CenterPoint's proposed effective date; and

WHEREAS, one of TCUC's goals is to minimize rate-case expenses to the extent reasonable, that otherwise would result from lengthy, contested rate-case proceedings before the Railroad Commission of Texas and through the appellate process in the courts for the pending rate case; and

WHEREAS, TCUC authorized its attorneys and experts to formulate and review reasonable settlement positions to resolve CenterPoint's pending request to increase rates; and other rate proceedings related to Gas Utilities Docket Nos. 9791, 9910, 10007, and 10097; and

WHEREAS, TCUC's attorneys met numerous times with the Company to negotiate a Settlement Agreement resolving the issues raised by the Company's Statement of Intent filing; and

WHEREAS, after extensive review and analysis, TCUC's attorneys and experts found that CenterPoint's initially proposed increase in revenue and its initially proposed rates are unreasonable; and

WHEREAS, TCUC's attorneys and experts have evaluated what a likely outcome from a fully-litigated proceeding would be and are of the opinion that the increase of approximately \$4.9 million noted in the negotiated Settlement Agreement compares favorably with a likely outcome from a fully-litigated proceeding; and

WHEREAS, after extensive review and analysis, TCUC's attorneys and experts found that the lower increase of approximately \$4.9 million instead of the \$7.2 million increase initially proposed by CenterPoint is reasonable; and

WHEREAS, TCUC's attorneys and experts and TCUC, based on the advice of its attorneys and experts, recommend that TCUC members approve the negotiated Settlement Agreement and attached tariffs; and

WHEREAS, under the Gas Utility Regulatory Act, the City has a right to reimbursement of its reasonable rate-case expenses and CenterPoint has an obligation to reimburse the City's reasonable rate-case expenses; and

WHEREAS, the attached tariffs implementing new rates are consistent with the Settlement Agreement and are just, reasonable, and in the public interest; and

WHEREAS, the Settlement Agreements regarding CenterPoint's *March 27th Application* and Gas Utilities Docket Nos. 9791, 9910, 10007, and 10097, as a whole are in the public interest;

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF _____, TEXAS HEREBY ORDAINS:

Section 1. That the findings set out in the preamble are in all things approved and incorporated herein as if fully set forth.

Section 2. That the City Council finds that the Settlement Agreement regarding CenterPoint's *March 27th Application*, attached hereto as Attachment A, and including Exhibits A through Exhibits E of that Settlement Agreement, and the Agreement regarding Gas Utilities Docket Nos. 9791, 9910, 10007, and 10097, appended hereto as Attachment B, all incorporated herein, are in the public interest and are hereby endorsed in all respects.

Section 3. That CenterPoint's existing rates are found unreasonable and the rates set forth in the Settlement Agreement are just and reasonable.

Section 4. That the revenue and resulting rates set forth in the Settlement Agreement and schedule of rates and tariffs for gas-utility service provided by CenterPoint, and the reimbursement of rate case expenses, which are attached as Exhibit A to the Settlement Agreement appended to this Ordinance in Attachment A, are just and reasonable, and are hereby adopted for service rendered on and after August 21, 2015.

Section 5. That the rates under the Settlement Agreement shall be effective for service rendered on and after August 21, 2015.

Section 6. That CenterPoint shall submit to the City annually, reports by no later than September 30 of each year detailing the amount of rate case expenses CenterPoint has collected through rates as of August 30 of each year and showing the balance remaining to be collected.

Section 7. That the CenterPoint's and TCUC's rate-case expenses incurred in CenterPoint's *March 27th Application*, and TCUC's rate-case expenses incurred in Railroad Commission of Texas Gas Utilities Docket Nos. 9791, 9910, 10007, and 10097, are reasonable; and the amounts shown in the Settlement Agreement for plant-in-service balances; the base-year level amounts for tracking changes in pension-related and other post-employment benefits; and the factors shown for capital structure; return on equity; and the factors related to Interim Rate Adjustments, are appropriate for future ratemaking proceedings submitted by CenterPoint.

Section 8. That CenterPoint is ordered to reimburse TCUC's total rate case expenses incurred in CenterPoint's *March 27th Application* and in incurred by TCUC related to Railroad Commission of Texas Gas Utilities Docket Nos. 9791, 9910, 10007, and 10097, within thirty (30) days from the effective date of this Ordinance.

Section 9. That to the extent any resolution or ordinance previously adopted by the Council is inconsistent with this Ordinance, it is hereby repealed.

Section 10. That the meeting at which this Ordinance was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

Section 11. That if any one or more sections or clauses of this Ordinance is adjudged to be unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provision of this Ordinance and the remaining provisions of the Ordinance shall be interpreted as if the offending section or clause never existed.

Section 12. That this Ordinance shall become effective from and after its passage.

Section 13. The City Secretary or other appropriate city official shall notify CenterPoint of this Ordinance by sending a copy of the Ordinance to Mr. Thomas Stevens, Director of Regulatory Affairs, CenterPoint Energy, P.O. Box 2628, Houston, Texas 77252-2628, and TCUC shall be notified by sending a copy of this Ordinance to Mr. Alfred R. Herrera, Herrera & Boyle, PLLC, 816 Congress Ave., Suite 1250, Austin, Texas 8701, by fax to 512-474-2507.

PASSED AND APPROVED this _____ day of _____, 2015.

Mayor

ATTEST:

City Secretary

ATTACHMENT A

CenterPoint's March 27, 2015 Statement of Intent

Stipulation and Settlement Agreement

Exhibit A – Rates & Tariffs

Exhibit B - Proof of Revenues

**Exhibit C – Net Investment &
Depreciation Rates**

**Exhibit D – Rate Case Expense
Affidavits**

**Exhibit E – Cities & Customers
Affected**

GUD NO. 10432, consolidated

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

UNANIMOUS SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas ("CenterPoint" or the "Company"); the Texas Coast Utilities Coalition whose members include the Cities of Angleton, Baytown, Clute, Freeport, League City, Pearland, Shoreacres, West Columbia, and Wharton, Texas (collectively, "TCUC Cities"); the Gulf Coast Coalition of Cities ("GCCC") whose members include the Cities of Alvin, Brookshire, Clear Lake Shores, Dickinson, Friendswood, Fulshear, Kemah, Lake Jackson, La Marque, Manvel, Mont Belvieu, Morgan's Point, Rosenberg, Santa Fe, Seabrook, Sugar Land, Taylor Lake Village, Texas City, Webster, and Weston Lakes, Texas (collectively "GCCC Cities"); and the Staff of the Railroad Commission of Texas ("Staff"), (collectively, the "Signatories").

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

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

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

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

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

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

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

WHEREAS, direct testimony by GCCC and TCUC was initially due on June 24, 2015, and Commission Staff direct testimony on July 1, 2015, but GCCC, TCUC, and Commission Staff did not file direct testimony in reliance on this Unanimous Settlement Agreement; and

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

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

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

Settlement Terms

1. The Signatories agree to the rates, terms and conditions reflected in the tariffs attached to this Settlement Agreement as Exhibit A. The tariffs attached as Exhibit A replace and supersede those tariffs currently in effect in the Texas Coast Division. These tariffs are premised on an increase of an additional \$4.9 million in annual revenues as illustrated in the proof of revenues attached as part of Exhibit B to this Settlement Agreement in CenterPoint's Texas Coast Division. Except as specifically provided herein, the Signatories agree that the \$4.9 million revenue increase is a "black box" figure and is not tied to any specific expense in CenterPoint's Texas Coast Division's underlying cost of service. The Signatories further agree that the rates, terms and conditions reflected in Exhibit A to this Settlement Agreement comply with the rate-setting requirements of Chapter 104 of the Texas Utilities Code. The gas rates, terms and conditions established by this Settlement Agreement shall be effective upon approval by the Commission.
2. The Signatories agree to the following customer charges and volumetric rates. These rates are reflected in the rate schedules attached as Exhibit A.

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

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

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

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

- The capital structure and related components as shown above in item 3.
- For any initial IRA filing, the Net Investment, which includes detail of Plant in Service amounts by Fixed Capital Account ("FCA") along with the associated depreciation rate for each account as shown on Exhibit C.
- For any initial IRA filing, the beginning amount of ad valorem taxes at the Texas Coast Division level is \$2,238,994 and the standard sales service amount is \$2,179,217. Margin tax will be calculated using a .75% factor until or unless changed by statute.
- For any initial IRA filing, the rate base amount for standard sales service is \$152,920,321 for purposes of calculating the federal income tax on related schedules in the IRA filing. This amount is derived based on settlement and should not be considered precedential for purposes of regulatory assets or liabilities associated with pensions, retirement plans, and deferred benefits requested in this case.
- For any initial IRA filing, the customer charges as noted in item 2 above will be the starting rates to apply to any IRA adjustment.
- The base rate revenue allocation factors to spread any change in IRA increase/decrease to the appropriate customer classes is as follows:

Residential	Small	Large
92.5131%	6.3790%	1.1079%

5. CenterPoint may pursue a deferred benefit regulatory asset or liability pursuant to Texas Utilities Code § 104.059 in a future filing. The Signatories identify the following amounts as the base year level to track changes in pension-related and other post-employment benefits:

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

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

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


7. CenterPoint, GCCC, and TCUC attach as Exhibit D affidavits and invoices in support of these amounts, and will supplement with additional invoices as they are processed. CenterPoint, GCCC and TCUC agree that the amounts represented above are reasonable and recoverable pursuant to Texas Utilities Code § 103.022. CenterPoint, GCCC, and TCUC agree that the recovery period for the applicable surcharge to recover rate-case expenses shall be thirty-six months. CenterPoint agrees to reimburse GCCC and TCUC the amount of rate case expenses set forth above within 30 days of the issuance of an order authorizing recovery of those expenses. The parties intend and advocate that the Commission authorize recovery of the rate case expenses recited above in the same proceeding and at the same time as it approves this Unanimous Settlement Agreement.
8. As part of this Unanimous Settlement Agreement, TCUC agrees to withdraw its pending appeal in the Remand of GUD No. 9791 and its appeals of GUD Nos. 9910, 10007 and 10097, which are currently pending in Travis County District Courts (docketed as D-1-GN-10-001189, D-1-GN-11-001472, D-1-GN-12-000930, D-1-GN-12-000931, and D-1-GN-12-000932).
9. As part of this Unanimous Settlement Agreement, and in consideration for the increase in rates agreed to in Paragraph No. 1 and the agreements set forth in Paragraph No. 8, above, the TCUC Cities of Angleton, Baytown, League City, Pearland, West Columbia, and Wharton agree to adopt the tariffs and rate schedules attached to this Unanimous Settlement Agreement by municipal ordinance, on or before July 31, 2015, so as to effect the implementation of system wide rates. In the event that the aforementioned Cities fail to approve the Unanimous Settlement Agreement by July 31, 2015, these Cities agree that the municipal decisions shall be appealed to the Commission and that the rates agreed to pursuant to this Unanimous Settlement Agreement should be adopted by the Commission as just and reasonable rates within those municipalities.
10. The signatories agree that the affiliate expenses included in the black box amount above are recoverable consistent with the provisions in Section 104.055 of the Gas Utility Regulatory Act. This agreement with respect to requested affiliate expenses is derived based on settlement and should not be considered precedential.
11. The classes and number of customers affected by this Unanimous Settlement Agreement are identified on a city-by-city and unincorporated-area basis in Exhibit E.

12. The Signatories agree to support and seek Commission approval of this Unanimous Settlement Agreement. The Signatories further agree to make all efforts to present the Commission with this Unanimous Settlement Agreement at Conference scheduled for July 14, 2015 or as soon as possible thereafter.
13. The Signatories agree that all negotiations, discussions, and conferences related to the Unanimous Settlement Agreement are privileged, inadmissible, and not relevant to prove any issues associated with the Statement of Intent to Increase Rates in the Texas Coast Division filed on March 27, 2015.
14. The Signatories agree that neither this Unanimous Settlement Agreement nor any oral or written statements made during the course of settlement negotiations may be used for any purpose other than as necessary to support the entry by the Commission of an order approving this Settlement Agreement.
15. The Signatories agree that the terms of the Unanimous Settlement Agreement are interdependent and indivisible, and that if the Commission intends to enter an order that is inconsistent with this Settlement Agreement, then any Signatory may withdraw without being deemed to have waived any procedural right or to have taken any substantive position on any fact or issue by virtue of that Signatory's entry into the Settlement Agreement or its subsequent withdrawal and further agrees that CenterPoint's application to increase rates will be remanded for hearings.
16. The Signatories agree that this Unanimous Settlement Agreement is binding on each Signatory only for the purpose of settling the issues set forth herein and for no other purposes, and except to the extent the Settlement Agreement governs a Signatory's rights and obligations for future periods, this Settlement Agreement shall not be binding or precedential upon a Signatory outside this proceeding.
17. The Signatories agree that this Unanimous Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

Agreed to this 2nd day of July, 2015.

CENTERPOINT ENERGY RESOURCES CORP.

By:



Mark Santos
Attorney for CenterPoint Energy Resources Corp.

TEXAS COAST COALITION OF CITIES

By:

Alfred Herrera
Attorney for Texas Coast Coalition of Cities

GULF COAST COALITION OF CITIES

By:

Thomas Brocato
Attorney for Gulf Coast Coalition of Cities

STAFF OF THE RAILROAD COMMISSION OF TEXAS

By:

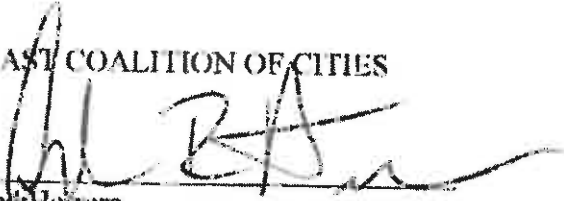
John Pierce Griffin
Attorney for Staff of the Railroad Commission of Texas

Agreed to this 6th day of July, 2015.

CENTERPOINT ENERGY RESOURCES CORP.

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

TEXAS COAST COALITION OF CITIES

By: 
Alfred Herrera
Attorney for Texas Coast Coalition of Cities

GULF COAST COALITION OF CITIES

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

STAFF OF THE RAILROAD COMMISSION OF TEXAS

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

Agreed to this ___nd day of July, 2015.

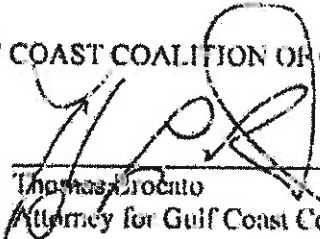
CENTERPOINT ENERGY RESOURCES CORP.

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

TEXAS COAST COALITION OF CITIES

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

GULF COAST COALITION OF CITIES

By: _____

Thomas Crocetto
Attorney for Gulf Coast Coalition of Cities

STAFF OF THE RAILROAD COMMISSION OF TEXAS

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

Agreed to this ___nd day of July, 2015.

CENTERPOINT ENERGY RESOURCES CORP.

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

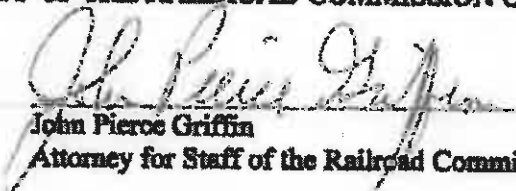
TEXAS COAST COALITION OF CITIES

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

GULF COAST COALITION OF CITIES

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

STAFF OF THE RAILROAD COMMISSION OF TEXAS

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

ATTACHMENT B

CenterPoint and Texas Coast Utilities Coalition of Cities

Rule 11 Agreement

***GUD Nos. 9791, 9910, 10007, and
10097***

Parsley Coffin Renner

A Limited Liability Partnership

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

July 2, 2015

Alfred R. Herrera
Attorney for Texas Coast Coalition of Cities
816 Congress Avenue, Suite 1250
Austin, Texas 78701

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

Mr. Herrera:

This letter confirms our agreement regarding the disposition of certain cases described below and also referenced in the Unanimous Settlement Agreement signed by CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas ("CenterPoint" or the "Company") and the Texas Coast Utilities Coalition ("TCUC") in Gas Utilities Docket ("GUD") No. 10432.

Pursuant to Rule 11 of the Texas Rules of Civil Procedure, TCUC and CenterPoint agree to the following:

1. As part of the Unanimous Settlement Agreement in GUD No. 10432, and within twenty days from the Railroad Commission's approval of that Agreement, TCUC agrees to withdraw its pending appeal in the Remand of GUD No. 9791 and its appeals of GUD Nos. 9910, 10007 and 10097, which are currently pending in Travis County District Courts (docketed as D-1-GN-10-001189, D-1-GN-11-001472, D-1-GN-12-000930, D-1-GN-12-000931, and D-1-GN-12-000932).
2. Within thirty (30) days from all TCUC cities having issued an ordinance or resolution approving the Unanimous Settlement Agreement in GUD No. 10432, approving the rate case expense tariff attached to this agreement, and TCUC having provided an invoice for actual amounts incurred and yet to be reimbursed, CenterPoint shall reimburse TCUC its expenses related to GUD No. 9791 and to GUD Nos. 9910, 10007 and 10097, including related appeals, in the amount of \$405,000 and CenterPoint shall recover TCUC's unreimbursed expenses associated with these proceedings through a surcharge in the Cities of Angleton, Baytown, Clute, Freeport, League City, Pearland, Shoreacres, West Columbia, and Wharton, Texas (collectively, "TCUC Cities") and the Company agrees not to seek recovery of its expenses associated with these appeals. The recovery period for the applicable

96 San Jacinto Boulevard, Suite 1450, Austin, Texas 78701

surcharge in the TCUC Cities shall be thirty-six months and the surcharge shall be computed and applied based on the volume of gas sold by CenterPoint in the TCUC Cities.

Invoices will be sent to the following address for processing:

Thomas Stevens
Director of Regulatory Affairs
CenterPoint Energy
P.O. Box 2628
Houston, Texas 77252-2628

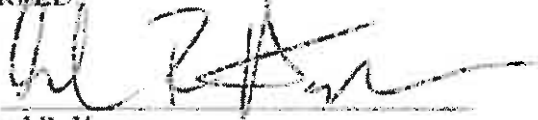
Please sign below to indicate your agreement to these terms

Best regards,



Mark Santos
Attorney for CenterPoint

AGREED:



Alfred R. Herrera
Attorney for Texas Coast Coalition of Cities