

**ORDINANCE NO. 2009-49**

**AN ORDINANCE OF THE CITY OF SHOREACRES, TEXAS (“CITY”) REVIEWING THE REQUESTED RATE INCREASE REQUEST OF CENTERPOINT ENERGY ENTEX (“CENTERPOINT”); SETTING AND ESTABLISHING RATES AND TARIFFS; ORDERING THE REFUND OF BASE RATE INCREASES IMPLEMENTED ON AUGUST 1, 2009; ESTABLISHING AN EFFECTIVE DATE FOR THIS ORDINANCE AND THE IMPLEMENTATION OF NEW RATES; PROVIDING FOR FINES FOR NON-COMPLIANCE WITH THIS ORDINANCE NOT TO EXCEED \$500 PER VIOLATION; PROVIDING FOR A SEVERABILITY CLAUSE; FINDING THAT THE MEETING COMPLIED WITH THE OPEN MEETINGS ACT; MAKING SUCH OTHER FINDINGS AND PROVISIONS RELATED TO THE TOPICS SET FORTH IN THIS CAPTION.**

**WHEREAS**, On May 1, 2009 CenterPoint filed a request to increase rates within the Texas Coast Division by approximately \$2 million; and

**WHEREAS**, the Chair of the Texas Coast Utilities Coalition of Cities (“TCUC”), Ignacio Ramirez, City Attorney for the City of Baytown, notified CenterPoint on July 13, 2009 that each of the TCUC Cities would suspend the effective date for 90 days as set forth in Attachment A which is appended hereto and incorporated herein by reference, and

**WHEREAS**, the City as a member of TCUC suspended CenterPoint’s requested implementation date of August 1, 2009 for 90 days or until October 30, 2009, as provided in Attachment B appended hereto and incorporated herein by reference ; and

**WHEREAS**, CenterPoint’s filing purports to be in compliance with a “Cost of Service Adjustment” (“COSA”) tariff approved by the Railroad Commission of Texas; and

**WHEREAS**, the COSA tariff approved by the Railroad Commission of Texas provides that “The provisions of this Cost of Service Adjustment are to be implemented in harmony with

the Gas Utility Regulatory Act (Texas Utilities Code, Chapters 101-105). The Company's annual rate adjustment will be made in accordance with all applicable laws," and

**WHEREAS**, CenterPoint refused to respond to three sets of requests for information, thus, adding to the difficulty of TCUC's consultant, Diversified Utility Consultants, Inc., completing its report and recommendation to the TCUC Cities; and

**WHEREAS**, the suspensions of the effective date were undertaken pursuant to Section 104.107 of the Texas Utilities Code; and

**WHEREAS**, in spite of the suspension, on August 1, 2009 CenterPoint increased its rates by approximately \$1.7 million or 55 cents per month for a typical residential customer; and

**WHEREAS**, the TCUC Cities, through its Chair, notified CenterPoint of the unlawfulness of its conduct as set forth on Attachment C as appended hereto and incorporated herein by reference; and

**WHEREAS**, the report of Diversified Utility Consultants, Inc. indicates that the rates requested by CenterPoint were excessive as set forth in Attachment D which is appended hereto and incorporated herein by reference; and

**WHEREAS**, refunds are owed to ratepayers located within the TCUC Cities for higher base rates implemented on August 1, 2009.

**NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SHOREACRES, TEXAS:**

**Section 1.** That the facts contained in the preamble of this Ordinance are determined to be true and correct and are hereby adopted as part of this Ordinance.

**Section 2.** That the base rate increase put into effect by CenterPoint on August 1, 2009 within the City is unlawful.

**Section 3.** That CenterPoint shall refund any base rate increase put into effect between July 31, 2009 and October 29, 2009 with interest at the rate being earned on customer deposits no later than December 31, 2009.

**Section 4.** That CenterPoint shall file a report on November 16, 2009 with the Chair of the TCUC Cities, Ignacio Ramirez, City Attorney for the City of Baytown, Texas, detailing, on a customer-class basis, the amount refunded as ordered by this Ordinance, and shall provide in its report the consumption data upon which refund is based.

**Section 5.** The report by Diversified Utility Consultants, Inc. to the TCUC Cities calls for substantial reductions in the rate request, over and above the rates set by the Railroad Commission for the environs areas but assuming CenterPoint will refund the base rate increase of August 1, 2009 until the effective date of this Ordinance the City shall forego such additional adjustments to the rate request as detailed by Diversified in its report.

**Section 6.** The City adopts the tariffs appended hereto and incorporated herein as Attachment E by reference so long as they do not go into effect prior to October 29, 2009.

**Section 7.** The effective date for this Ordinance is October 29, 2009.

**Section 8.** The City adopts the attached tariffs with the understanding that such tariffs, or any other principle underlying such tariffs, shall not constitute precedent in any other proceeding.

**Section 9.** If there is an appeal of this Ordinance, then, the City reserves the right to assert additional adjustments to the revenue requirement, cost allocation and rate design which were not contained in the report by Diversified Utility Consultants, Inc., in addition to those in the report.

**Section 10.** All conditions precedent to the adoption of each of the foregoing sections herein have been complied with under law.

**Section 11.** CenterPoint shall reimburse the reasonable rate case expenses of the TCUC city coalition.

**Section 12.** TCUC shall submit its rate case expenses to CenterPoint by September 1, 2009.

**Section 13.** CenterPoint shall reimburse TCUC for its reasonable rate case expenses through the City of Baytown no later than November 3, 2009.

**Section 14.** Penalty upon failure to comply. Any person violating or failing to comply with any provision or requirement of this Ordinance may be fined up to \$500.00 pursuant to the Local Government Code, Section 54.001.

Notwithstanding the foregoing, any violation of any provision of this Ordinance that constitutes an immediate danger or threat to the health, safety and welfare of the public may be enjoined in a suit brought by the city for such purpose.

Allegation and evidence of a culpable mental state is not required for the proof of an offense defined by this ordinance.

**Section 15.** The City Council officially finds, determines, recites and declares that a sufficient written notice of the date, hour, place and subject of this meeting of the City Council was posted at a place convenient to the public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code; and that this meeting has been open to the public as required by law at all times during which this Ordinance and the subject matter thereof has been discussed, considered and formally acted upon. The City Council further ratifies, approves and confirms such written notice and the contents and posting thereof.

**Section 16. Severability.** If any section or part of any section, paragraph, or clause of this Ordinance is declared invalid or unconstitutional for any reason, such declaration shall not be held to invalidate or impair the validity, force, or effect of any other section or sections, part of section, paragraph, or clause of this Ordinance

**Section 17.** The City Secretary is hereby directed to send a true and copy of this Ordinance to Richard A. Zapalac, Vice President for Gas Operations-Texas, CenterPoint Energy, Suite 2120, 1111 Louisiana Street, Houston, Texas 77002 and to Jim Boyle, Herrera & Boyle, PLLC, Suite 1250, 816 Congress, Austin, Texas 78701.

**PASSED AND APPROVED** this 14<sup>TH</sup> day of SEPTEMBER 2009 to be effective on October 29, 2009.



ATTEST:

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CITY SECRETARY

A handwritten signature in black ink, which appears to read "Jayo Washington", is written over a horizontal line.

MAYOR JAYO WASHINGTON

**ATTACHMENT A**

**NOTICE OF SUSPENSION OF EFFECTIVE DATE**



# City of Baytown

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July 13, 2009

Mr. Richard A. Zapalac  
Vice President for Gas Operations – Texas  
CenterPoint Energy  
Suite 2120  
1111 Louisiana Street  
Houston, Texas 77002


RE: CenterPoint Energy Entex, Texas Coast Division COSA 2008

Dear Mr. Zapalac:

I am writing on behalf of the Texas Coast Utilities Coalition (“TCUC”), a coalition of cities. In connection with CenterPoint’s filing of May 1, 2009, the Company set an effective date of August 1, 2009. It does not appear that our consultants will have finished their review of the rate filing by that date. The TCUC Cities will be suspending the effective date so that the review can be finalized. We would like to meet with CenterPoint in mid- to late August in order to explore the possibilities of arriving at a settlement.

Thank you for your attention to this matter.

Sincerely yours,

  
Ignacio Ramirez, Sr.  
City Attorney

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**ATTACHMENT B**  
**SUSPENSION RESOLUTION**



**RESOLUTION NO. 2009-19**

**RESOLUTION OF THE CITY OF SHOREACRES TEXAS ("CITY") TO AUTHORIZE THE SUSPENSION OF THE EFFECTIVE DATE OF THE RATES, SCHEDULES AND TARIFFS OF CENTERPOINT ENERGY ENTEX ("CENTERPOINT GAS") FOR NINETY DAYS WITH REGARD TO THE FILING BY CENTERPOINT GAS WITH THE CITY ON MAY 1, 2009; REQUIRING CENTERPOINT TO REIMBURSE REASONABLE RATE CASE EXPENSES; AUTHORIZING A CITY REPRESENTATIVE TO JOIN A COALITION OF CITIES TO DIRECT EXPERTS AND SPECIAL COUNSEL TO ACT ON THE CITY'S BEHALF; AUTHORIZING THE RETENTION OF SPECIAL COUNSEL AND RATE CONSULTANT FIRMS; FINDING THAT THE MEETING COMPLIES WITH THE OPEN MEETINGS ACT; MAKING SUCH OTHER FINDINGS AND PROVISIONS RELATED TO THE SUBJECT; AND DECLARING AN EFFECTIVE DATE FOR THE RESOLUTION.**

**WHEREAS**, on or about May 1, 2009, CenterPoint Energy Entex filed a request to increase gas rates for the Texas Coast Division by approximately \$2 million through changes in rate schedules. The filing was entitled "Cost of Service Adjustment". The changed rate schedules were made with the City for in-city customers and at the Railroad Commission of Texas for customers located outside municipal boundaries; and

**WHEREAS**, the City has participated as a member of the Texas Coast Utilities Coalition ("TCUC"), a coalition of cities located in the service territory of the Texas Coast Division of CenterPoint Gas ; and

**WHEREAS**, in order to efficiently, meaningfully and comprehensively review the changed rate schedules filed by CenterPoint Gas it is advantageous for the City to continue to participate as a member of the Texas Coast Utilities Coalition; and

**WHEREAS**, given the knowledge and experience of the rate consultants and special counsel employed by the Texas Coast Utilities Coalition cities in reviewing the books and records of CenterPoint Gas in the last general rate case, Docket No. 9791, it is advantageous for the City as a member of Texas Coast Utilities Coalition to continue to retain such firms; and

**WHEREAS**, CenterPoint Gas designated August 1, 2009 as the effective date for the rate increases reflected in its rate schedules; and

**WHEREAS**, TCUC, through its consultants, has been examining the books and records of CenterPoint Gas, but at this point it appears that its review will not be completed by August 1, 2009 ; and

**WHEREAS**, under Texas law, the City has the right to suspend the effective date for up to ninety days.

**NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SHOREACRES, TEXAS THAT:**

**Section 1.** That the findings set out in the preamble are in all things approved and adopted.

**Section 2.** The effective date for the changes in rate schedules is suspended for ninety days. The last day of the suspension period would be October 30, 2009, but the City may issue a decision in this matter prior to the expiration of the suspension period.

**Section 3.** The City, as a member of the Texas Coast Utilities Coalition, continues its retention of Diversified Utilities Consultants, Inc. and the law firm of Herrera & Boyle, PLLC, to act on its behalf with regard to matters related to the requested change in rate schedules by CenterPoint Gas; and

**Section 4.** The City will act as a member of the coalition of cities known as the Texas Coast Utilities Coalition in reviewing the appropriateness of the changes in rate schedules proposed by CenterPoint Gas. The City Manager and City Attorney or their designates will act as the City's representatives with regard to directing the activities of the Texas Coast Utilities Coalition.

**Section 5.** The City orders CenterPoint Gas to reimburse the cost of its reasonable rate case expenses. The City will have no obligation for payment of any rate case expenses that are not reasonable.

**Section 6.** The City retains its right to withdraw from the coalition of cities at any time without any financial obligation to the remaining coalition members or to the experts or lawyers hired by the coalition or its members.

**Section 7.** The meeting at which this resolution was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

**Section 9.** This resolution shall be effective immediately upon passage.

PASSED AND APPROVED this 13<sup>th</sup> day of July, 2009.



Jayo Washington, Mayor

ATTEST:

  
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David K. Stall, City Secretary

**ATTACHMENT C**

**NOTIFICATION OF UNLAWFUL CONDUCT**



# City of Baytown

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August 12, 2009

Sent via Certified Mail RRR 7004 1350 0002 8951 7446

Mr. Richard A. Zapalac  
Regional Vice President Gas Operations  
CenterPoint Energy Resources Corp.  
1301 Travis, Suite 540  
Houston, Texas 77002

Re: COSA 2008 rate application for the Texas Coast Division

Dear Mr. Zapalac:

I understand that CenterPoint has put new rates into effect for all the TCUC Cities on August 1, 2009. On behalf of the TCUC Cities, I believe this action is unlawful. All of the TCUC Cities suspended the effective date for the new rates for ninety days as provided by Section 104.107 of the Gas Utility Regulatory Act. Each city acted to suspend the effective date prior to August 1, 2009.

The procedural requirements of the COSA tariff were made subject to the provisions of the Gas Utility Regulatory Act as set forth in the tariff, as follows:

The provisions of this Cost of Service Adjustment are to be implemented in harmony with the Gas Utility Regulatory Act (Texas Utilities Code, Chapters 101 – 105). The Company's annual adjustment will be made in accordance with all applicable laws.

Failure to comply with the suspensions of the effective date by TCUC Cities is totally at odds with the power vested in incorporated municipalities under Section 104.107(a)(1) to *"suspend the operation of the schedule for not longer than 90 days after the date the schedule would otherwise be effective."*

There is no way to argue that ignoring the power granted in Section 104.107 is in harmony with the provisions of the Gas Utility Regulatory Act or in accordance with all applicable laws. Ignoring the resolutions of the TCUC Cities is an act of defiance and contempt for the lawful functioning of incorporated municipalities acting as local regulatory authorities.

Letter to Mr. Zapalac  
August 12, 2009  
Page 2

Even if one were to argue that the tariff gave CenterPoint the right to implement rates within 90 days, the tariff cannot repeal the right that cities have to suspend the effective date as provided by Section 104.107 of the Gas Utility Regulatory Act.

Further, as I indicated in my letter of July 13, 2009, the TCUC Cities were willing to work with CenterPoint to see if it was possible to arrive at an amicable settlement of this rate application. We had wanted to schedule negotiations for mid to late August after we received the recommendation of our consultants. Instead of working to this end, CenterPoint notified our Austin attorney on August 4, 2009, that it would not be answering one set of requests for information which were due a day later as well as refusing to respond to two more sets of requests which were due within a couple of days thereafter. This is not working in good faith to resolve this matter.

We are still willing to work toward an amicable settlement if CenterPoint would answer the outstanding discovery and refund to customers any increase in base rates since August 1, 2009. With this understanding, please let us know by Monday, August 17, 2009, if CenterPoint is willing to work with us to resolve this rate case.

Sincerely yours,



Ignacio Ramirez  
City Attorney

**ATTACHMENT D**

**DIVERSIFIED REPORT AND RECOMMENDATION**

# DIVERSIFIED UTILITY CONSULTANTS, INC.

1912 W. Anderson Ln, 202 • Austin, Texas 78757 • (512) 257-2600 • Fax (512) 257-2243

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August 12, 2009

Texas Coast Utilities Coalition of Cities

**RE: CenterPoint Entex COSA Filing - Texas Coast Division**

Dear Mayors and City Council Members:

This report contains Diversified Utility Consultants, Inc.'s ("DUCI") review, analysis and investigation of CenterPoint Entex's ("CenterPoint" or "Company") initial cost of service adjustment ("COSA") filing for the Texas Coast Division ("TCD"). The letter provides a summary of recommendations, while the balance of the report discusses DUCI's analyses and each adjustment in greater detail.

CenterPoint filed its initial COSA filing on May 1, 2009. The COSA filing seeks to take advantage of a process approved by the Railroad Commission of Texas ("Commission" or "RCT") in GUD No. 9791 in 2008.<sup>1</sup> While this report does not address the Cities' position regarding the legality of the COSA, it does recognize that the Company's filing falls short of being a reasonable or adequate rate filing package. The Company's failure to comply with standard or typical informational presentations in its filing undermines any presumption that its request only seeks reasonable and necessary revenue requirements. Further, compounding the problems of the Company's limited rate filing presentation is the Company's position that the Cities must take action with 90 days of the filing. It appears the Company is attempting to take unfair advantage of Cities and customers by limiting both the amount of information and the corresponding time period to obtain, review and analyze information in order to set a rate in compliance with the law.

The Company's COSA request seeks an annual increase of \$2,050,632. The Company's proposed increase is excessive. The proposed increase incorporates various inappropriate costs or expenses that do not comply with various rate setting standards, including items previously denied by the Commission. The following table sets forth the Company's monthly proposed base rate increase and DUCI's recommended increases, by customer class.

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<sup>1</sup> Final Order GUD No. 9791 signed October 20, 2008 and the Order on Rehearing dated December 16, 2008.



**COSA Proposed Monthly Customer Charge Increase**

<b>Customer Class</b>	<b>CenterPoint</b>	<b>Base Rate% Increase</b>	<b>DUCI</b>
Residential	\$0.67	4.60%	\$0.33
Small Commercial	\$0.63	3.00%	\$0.47
Large Volume	\$0.63	0.02%	\$0.63

Based on a review of the Company's filing, DUCI recommends a total COSA adjustment of \$1,014,867 or a reduction of \$1,035,765 to the Company's proposed COSA increase. This recommendation results in a monthly COSA adjustment of \$0.33 for the Residential class and \$0.47 for Small Commercial class. The Large Volume customer class COSA proposed increase by both the Company and DUCI of \$0.63 is set at the maximum allowed level of 5%, a limitation or cap set forth in the COSA tariff.

As discussed at the end of the attached report, DUCI may have recommended additional adjustments had the Company provided responses to the outstanding information requests. However, the Company refused to provide responses to DUCI's last three sets of interrogatories as noted in the attached email from CenterPoint.

The RCT analyzed the same COSA filing as it related to environs customers, those not in a municipality. The Commission did not suspend the effective date of the Company's request and as such had less time and information associated with its review efforts. Given that DUCI had both additional time and information, even though not all the information requested, we were able to identify more issues and thus a greater overall level of adjustments compared to the Commission. The following table summarizes the RCT's and DUCI's adjustments.

**RCT and DUCI Adjustments**

<b>DESCRIPTION</b>	<b>RCT's Adjustments</b>	<b>DUCI's Adjustments</b>
Cash Working Capital	\$216,764	\$394,022
Uncollectible	\$0	\$401,525
Interest on Customer Deposits	\$0	\$58,310
Incentive Compensation	\$58,137	\$58,137
Long Term Incentive Compensation	\$0	\$41,715
Investor Relations	\$44,344	\$44,344
Employee Meals and Entertainment	\$34,467	\$34,467
<b>Total Adjustments</b>	<b>\$351,544</b>	<b>\$1,035,765</b>

We invite the Mayors, City Council Members, City Managers and City Staff to review the Company's request and DUCI's adjustments to the Company's proposed COSA filing. We appreciate the opportunity to provide this service to the Cities, and are prepared to answer any questions that may arise from your review of this request.

Sincerely,

Diversified Utility Consultants, Inc.

**ATTACHMENT E**

**TARIFFS**

**CENTERPOINT ENERGY RESOURCES CORP.  
D/B/A CENTERPOINT ENERGY ENTEX  
AND CENTERPOINT ENERGY TEXAS GAS  
TEXAS COAST DIVISION  
RATE SHEET  
RESIDENTIAL SERVICE  
RATE SCHEDULE NO. R-2074**

**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 – \$14.05 \*
- (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.

**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-2074**

**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 – \$13.13<sup>1</sup>

(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.

**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-605**

**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 – \$13.13 \*

(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.

**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

**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-605**

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 gas was measured during the period under consideration, and with the proportionate value of each carbon dioxide

**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-605**

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  
TEXAS COAST DIVISION  
RATE SHEET  
GENERAL SERVICE-LARGE VOLUME  
RATE SCHEDULE NO. GSLV-605**

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.