

**RESOLUTION NO. 2010-43
CITY OF SHOREACRES**

A RESOLUTION BY THE CITY OF SHOREACRES, TEXAS, ("CITY") RESPONDING TO THE APPLICATION OF CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC (CENTERPOINT) FOR AUTHORITY TO CHANGE RATES AND ADOPT CERTAIN RATE RIDERS; DENYING CENTERPOINT'S PROPOSED RATE INCREASE; FINDING THAT THE EXISTING ELECTRIC DISTRIBUTION RATES OF CENTERPOINT ARE UNREASONABLE AND SHOULD BE REDUCED; ORDERING CENTERPOINT TO REDUCE ITS EXISTING RATES WITHIN THE CITY OF SHOREACRES; ORDERING CENTERPOINT TO SUBMIT TARIFFS CONSISTENT WITH THE RECOMMENDATION OF THE TEXAS COAST UTILITIES COALITION OF CITIES' CONSULTANT WORKING IN COORDINATION WITH OTHER CITIES IN PUBLIC UTILITY COMMISSION DOCKET NO. 38339; ORDERING CENTERPOINT TO REIMBURSE THE CITY FOR ITS REASONABLE COSTS INCURRED IN THIS RATE CASE AND ANY RELATED RATEMAKING PROCEEDINGS OR APPEALS OF SAID PROCEEDINGS; DETERMINING THAT THE MEETING COMPLIED WITH THE TEXAS OPEN MEETINGS ACT; MAKING SUCH OTHER FINDINGS AND PROVISIONS RELATED TO THE SUBJECT; AND DECLARING AN EFFECTIVE DATE.

WHEREAS, the city of Shoreacres, Texas ("City") is a regulatory authority under the Public Utility Regulatory Act ("PURA") and pursuant to § 33.0001, the City has exclusive original jurisdiction over the electric rates, operations, and services provided within city limits; and

WHEREAS, the City has the authority under PURA §§ 33.001 and 36.001, to determine whether the existing rates of an electric utility are unreasonable or in any way a violation of any provision of law; and

WHEREAS, on or about June 30, 2010, CenterPoint Energy Houston Electric, LLC (CenterPoint) filed with the City Secretary an application for authority to change rates and to adopt certain rate riders ("the application"); and

WHEREAS, on or about June 30, 2010, CenterPoint, pursuant to PURA §§ 33.001 and 36.001, filed with the City of Shoreacres a Statement of Intent to change delivery rates in all municipalities exercising original jurisdiction within its service area effective August 6, 2010; and

WHEREAS, the City previously authorized participation with the Texas Coast Utilities Coalition ("TCUC") in hiring experts and legal counsel to review CenterPoint's Statement of Intent; and

WHEREAS, the City suspended the effective date of the Company's requested rate change; and

WHEREAS, TCUC representatives obtained additional information from the Company through written requests for information; and

WHEREAS, the City's consultants and representatives through cooperative efforts under the direction of TCUC have reviewed the rate filing package and responses to information and have made a recommendation to the City regarding the rates to be charged by the Company within the City; and

WHEREAS, on October 25, 2010, this Resolution was properly noticed and the Company and any interested citizen was given an opportunity to address the City Council regarding the Company's current rates and its Statement of Intent to increase rates; and

WHEREAS, PURA § 36.151(a) provides that if a regulatory authority, on its own motion or on complaint by an affected person, after reasonable notice and hearing, finds that the existing rates of an electric utility for a service are unreasonable or in violation of law, the regulatory authority shall enter an order establishing the just and reasonable rates to be observed thereafter, and serve a copy of the order on the electric utility; and

WHEREAS, PURA § 36.151(b) provides that the rates thus ordered by the regulatory authority constitute the legal rates of the electric utility until changed as provided by PURA; and

WHEREAS, after affording reasonable notice and hearing to the Company, it is the City's opinion that the Company's rates are not reasonable, and

WHEREAS, based upon City's Special Counsel and the consultants' findings, the City has made a determination of the reasonableness of the existing rates of the Company, and has determined just and reasonable rates to be hereafter observed and enforced for all services of the Company within the City.

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

Section 1. That the Company was given reasonable notice of the Council's meeting at which the Company's rate application was considered, and the Company had a reasonable opportunity to show the City that its rates were just and reasonable.

Section 2. That the Company failed to show that its proposed or existing rates are just and reasonable.

Section 3. That the adjustments to the Company's Statement of Intent proposed by Diversified Utilities Consulting, Inc., and Mr. Jacob Pous on behalf of TCUC and the overall coordinated recommendation of the cities submitted in Public Utility Commission of Texas ("PUC") Docket No. 38339, and provided to the Company on September 10, 2010, are reasonable and that it is, therefore, reasonable to reduce the Company's *proposed* increase of approximately \$110.8 million in its annual revenue, by \$259.8 million, which represents a reduction to its *current* revenue of about \$149.1 million comprised of a reduction of approximately \$114 million for retail distribution rates, and approximately \$35 million for wholesale transmission rates from the level of CenterPoint's *existing* annual revenue.

Section 4. That within ten days of the adoption of this Resolution, CenterPoint shall file with the City rate tariffs consistent with the adjustments proposed by Mr. Pous and the other cities' experts who coordinated with TCUC, and the costs allocation and rate design recommendations proposed by the cities' experts in PUC Docket No. 38339, and provided to the Company on September 10, 2010, that will result in a reduction in current annual revenue of \$149 million. Included in this recommendation, but not limited by it, is the requirement that franchise fees be recovered from all customers in base rates, denial of the Company's Storm Hardening Rider as an unauthorized automatic recovery mechanism, and denial of the Company's alternative customer charge.

Such tariffs shall constitute just and reasonable rates and establish the Company's overall revenues at an amount that will permit the Company a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing services to the public in excess of the Company's reasonable and necessary operating expenses, in compliance with PURA § 36.151.

Section 5. That the Company shall upon the effective date of this Resolution begin charging rates set forth in the Tariffs that are consistent with the recommendation of TCUC and the witnesses it coordinated with in PUC Docket No. 38339.

Section 6. That the existing rates, services charges, and tariff language not inconsistent with the recommendations of TCUC and the witnesses it coordinated with in PUC Docket No. 38339 shall remain operative.

Section 7. That within thirty days of the adoption of this Resolution, the Company shall reimburse TCUC for all ratemaking costs associated with TCUC's activities related to the rate proceeding and thereafter make prompt reimbursement on a monthly basis to cover costs of appeals to the PUC or Courts, in accordance with PURA § 33.023.

Section 8. That a copy of this Resolution shall be sent to Stephen Bezecny, Director, Regulatory Relations, CenterPoint Energy, Inc. 111 Louisiana St., Houston, Texas, 77002 and Alfred R. Herrera, at Herrera and Boyle, PLLC, 816 Congress Avenue, Suite 1250, Austin, Texas 78701.

Section 9. That the City is authorized to intervene in any appeal of the City's action filed at the PUC and to otherwise participate in any litigation associated with the Company's rates charges in the City, in conjunction with TCUC.

PASSED AND APPROVED this 25TH day of OCTOBER 2010.



Rich Adams
MAYOR

CITY SECRETARY

APPROVED AS TO FORM:

CITY ATTORNEY