

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

**APPEAL OF CENTERPOINT ENERGY §
RESOURCES CORP., d/b/a §
CENTERPOINT ENERGY ENTEX AND §
CENTERPOINT ENERGY TEXAS GAS § GAS UTILITIES DOCKET No. 10006
FROM THE ACTIONS OF THE GCCC §
CITIES (COSA-2). §
§**

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. Chap 551, et seq. (Vernon 2004 & Supp. 2010). The Railroad Commission adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

1. CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas ("CenterPoint") is a gas utility as that term is defined in the Texas Utility Code.
2. On August 11, 2010, CenterPoint filed this appeal of actions taken by the Cities of Alvin, Clear Lake Shores, Dickinson, Friendswood, Kemah, La Marque, Lake Jackson, Mont Belvieu, Morgan's Point, Rosenberg, Santa Fe, Seabrook, Sugar Land, Taylor Lake Village, and Texas City Texas (collectively "GCCC") denying the company's proposed cost of service adjustment ("COSA-2") for 2009.
3. The parties have reached a *Settlement Agreement* regarding the issues raised in the appeal and the *Settlement Agreement* is attached to this Final Order as Exhibit 1.
4. The parties have also stipulated to rate case expenses and in support of the rate case expenses the parties filed the following documents admitted into the record of this proceeding:
 - CenterPoint Energy filing made on January 20, 2011, in support of rate case expenses totaling \$15,328.54, CenterPoint Ex. 1.
 - GCCC filing made on January 20, 2011, in support of rate case expenses totaling \$27,746.92, GCCC Ex. 1.
5. Based upon the record in this proceeding, the *Settlement Agreement* is just and reasonable.

CONCLUSIONS OF LAW

1. CenterPoint Energy Entex (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 (Commission) of Texas.

2. The Railroad Commission of Texas (Commission) has jurisdiction over CenterPoint and CenterPoint's statement of intent and appeals under Tex. Util. Code Ann. §§ 102.001, 103.022, 103.054, & 103.055, 104.001, 104.001 and 104.201 (Vernon 2007).
3. Under Tex. Util. Code Ann. §102.001 (Vernon 2009), the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality and over the rates and services of a gas utility that transmits, transports, delivers, or sells natural gas to a gas utility that distributes the gas to the public.
4. This Appeals was processed in accordance with the requirements of the Gas Utility regulatory Act (GURA), and the Administrative Procedure Act, Tex. Gov't Code ANN. §§2001.001-2001.902 (Vernon 2000 and Supp. 2009) (APA).
5. In accordance with the stated purpose of the Texas Utilities Code, Subtitle A, expressed under Tex. Util. Code Ann. §101.002 (Vernon 1998), the Commission has assured that the rates, operations, and services established in this docket are just and reasonable to customers and to the utilities.

IT IS THEREFORE ORDERED that the *Settlement Agreement* of CenterPoint and GCCC is **HEREBY** approved and adopted.

SIGNED this 22nd day of February, 2011.

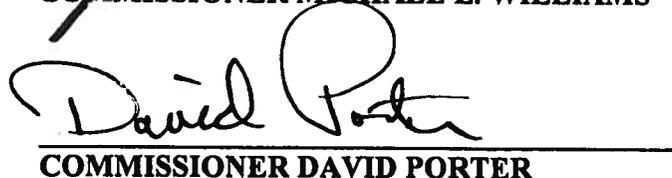
RAILROAD COMMISSION OF TEXAS



CHAIRMAN ELIZABETH A. JONES

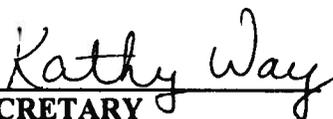


COMMISSIONER MICHAEL L. WILLIAMS



COMMISSIONER DAVID PORTER

ATTEST:



SECRETARY

GUD NO. 10006

APPEAL OF CENTERPOINT ENERGY §
RESOURCES CORP. D/B/A/ §
CENTERPOINT ENERGY ENTEX AND §
CENTERPOINT ENERGY TEXAS GAS §
FROM THE ACTION OF THE GCCC §
CITIES (COSA-2) §

BEFORE THE
RAILROAD COMMISSION

OF TEXAS

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”) and the Gulf Coast Coalition of Cities (“GCCC”) whose members include the Cities of Alvin, Clear Lake Shores, Dickinson, Friendswood, Kemah, Lake Jackson, La Marque, Mont Belvieu, Morgan’s Point, Rosenberg, Santa Fe, Seabrook, Sugar Land, Taylor Lake Village, and Texas City (collectively “GCCC Cities”).

WHEREAS, this Settlement Agreement resolves all issues relating to CenterPoint’s Appeal filed on August 11, 2010, in a manner that CenterPoint and GCCC (collectively “the Signatories”) believe is consistent with the public interest, and the Signatories represent diverse interests;

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 Railroad Commission of Texas (“Commission”) the following Settlement Terms as a means of fully resolving all issues raised in the August 11, 2010 Appeal filed by CenterPoint on behalf of its Texas Coast Division:

Settlement Terms

1. CenterPoint and the GCCC Cities agree that the rates reflected in the Cost of Service Adjustment tariff (“COSA-2”), attached hereto as Exhibit A to this Settlement Agreement, are reasonable, and that CenterPoint appropriately implemented its 2009 COSA adjustment in the GCCC Cities on August 1, 2010 pursuant to this tariff.
2. CenterPoint and the GCCC Cities agree that the GCCC Cities pursuant to the Settlement Agreement reached between CenterPoint and the GCCC Cities on July 3, 2008, which agreement approved as reasonable implementation of the COSA-2 tariff, are entitled to receive any benefit accruing to the Texas Coast Utilities Coalition (“TCUC”) as a result of TCUC’s appeal of the Commission’s Order in GUD No. 9791, or TCUC’s appeal of any COSA adjustment implemented in the TCUC cities pursuant to the COSA tariff adopted in GUD No. 9791, including any reimbursement of revenues collected under previously implemented COSA-2 tariffs to the extent a court or the Commission issues a final and non-appealable order requiring such reimbursement to the TCUC Cities.

3. The Signatories agree that the rate case expenses of the GCCC Cities associated with the litigation of this appeal are appropriately measured from August 1, 2010 until the date that this Settlement Agreement is approved. The Signatories further agree that the rate case expenses of CenterPoint associated with the litigation of this appeal are appropriately measured as one half of the amount of rate case expenses incurred by CenterPoint from August 1, 2010 until the date this Settlement Agreement is executed. The Signatories further agree that the amounts of rate case expenses incurred by each party are reasonable, that it is reasonable to recover these rate case expenses as part of CenterPoint's 2010 COSA adjustment, and that these rate case expenses shall be exempt from the application of the 5% cap on any annual adjustment pursuant to the COSA-2 tariff.
4. The Signatories agree that they shall jointly seek to sever the GCCC Cities from GUD No. 10006 and 10007 (consolidated), and seek approval of this Settlement Agreement by the Commission in a severed docket. The Signatories further agree to file documentation of their respective rate case expenses incurred to date.
5. CenterPoint agrees to reimburse the GCCC Cities 90% of its reasonable rate case expenses incurred in association with this appeal since August 1, 2010 on November 29, 2010, pursuant to Examiner's Letter No. 7 issued in this docket, or within seven business days from the date this Settlement Agreement is executed, whichever is sooner. CenterPoint further agrees to reimburse the GCCC Cities any remaining rate case expenses incurred in association with this appeal since August 1, 2010 within seven business days from the date the Settlement Agreement is approved by the Commission. The Signatories agree that these rate case expenses are recoverable by CenterPoint in the manner set forth above.
6. The Signatories agree that the terms of the Settlement Agreement are interdependent and indivisible, and that if the Commission enters 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.
7. The Signatories agree that all negotiations, discussions, and conferences related to the Settlement Agreement are privileged, inadmissible, and not relevant to prove any issues associated with the August 11, 2010 appeal from the denial of the 2009 COSA-2 adjustment by the GCCC Cities.
8. The Signatories agree that neither this 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 implementing this Settlement Agreement.

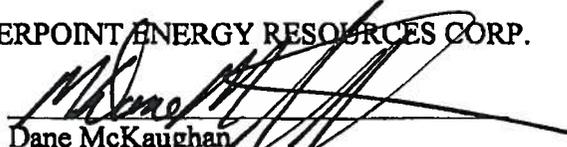
9. The Signatories agree that this Settlement Agreement is binding on each Signatory only for the purpose of settling the issues set forth herein and for no other purposes, and except to the extent the Settlement Agreement governs a Signatory's rights and obligations for future periods, this Settlement Agreement shall not be binding or precedential upon a Signatory outside this proceeding.

10. The Signatories agree that this Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

Agreed to this 15th day of November, 2010.

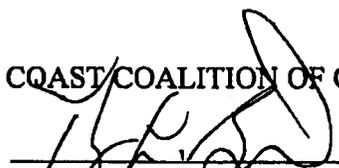
CENTERPOINT ENERGY RESOURCES CORP.

By:


Dane McKaughan
Attorney for CenterPoint Energy Resources, Corp.

GULF COAST COALITION OF CITIES

By:


Thomas Brocato
Attorney for Gulf Coast Coalition of Cities

**INTERPOINT ENERGY RESOURCES CO
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-SMALL
RATE SCHEDULE NO. GSS-2081**

**Exhibit A to Settlement Agreement
Page 1 of 6**

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 – \$14.40;^{*}
 - (2) Commodity Charge –
 - First 150 Ccf \$0.0850
 - Over 150 Ccf \$0.0623
- (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.

* Customer Charge	\$13.65
COSA-2 2009 Charge	.68
COSA-2 Review Charge	.07
Total Customer Charge	\$14.40

**CENTERPOINT ENERGY RESOURCES CO. Exhibit A to Settlement Agreement
D/B/A CENTERPOINT ENERGY ENTEX Page 2 of 6
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-LARGE VOLUME
RATE SCHEDULE NO. GSLV-612**

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 – \$15.20; *

(2) Commodity Charge –

First 1,500 Ccf	\$0.0844
1,500 – 10,000 Ccf	\$0.0588
Over 10,000 Ccf	\$0.0498

(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 Company, except in cases where the existing Consumer will be purchasing increased volumes of gas from Company

* Customer Charge	\$13.65
COSA-2 2009 Charge	.68
COSA-2 Review Charge	.87
Total Customer Charge	\$15.20

INTERPOINT ENERGY RESOURCES CO.
D/B/A CENTERPOINT ENERGY ENTEX Exhibit A to Settlement Agreement
AND CENTERPOINT ENERGY TEXAS GAS Page 3 of 6
TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-LARGE VOLUME
RATE SCHEDULE NO. GSLV-612

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 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.

**CENTERPOINT ENERGY RESOURCES CO
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-LARGE VOLUME
RATE SCHEDULE NO. GSLV-612**

**Exhibit A to Settlement Agreement
Page 4 of 6**

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.

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.

**INTERPOINT ENERGY RESOURCES CO
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-LARGE VOLUME
RATE SCHEDULE NO. GSLV-612**

**Exhibit A to Settlement Agreement
Page 5 of 6**

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 CO
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
RESIDENTIAL SERVICE
RATE SCHEDULE NO. R-2081

Exhibit A to Settlement Agreement
Page 6 of 6

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 – \$14.37;^{*}

(2) Commodity Charge –
All Ccf \$0.0724

(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.

* Customer Charge	\$13.65
COSA-2 2009 Charge	.68
COSA-2 Review Charge	.04
Total Customer Charge	\$14.37