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MEMORANDUM

TO: Gulf Coast Coalition of Cities

FROM: Thomas Brocato
Georgia Crump *G.C.*
Geoffrey Gay

DATE: June 4, 2008

RE: CenterPoint Energy Entex's Rate Increase Request

Representatives of the Gulf Coast Coalition of Cities ("GCCC" or "Cities") had a conference call on June 3, 2008 to discuss the reports prepared by GCCC's consultants Karl Nalepa, Connie Cannady and Randy Woolridge and to discuss the next steps in CenterPoint's ("CNP's") Statement of Intent to raise natural gas rates. The GCCC representatives unanimously approved distribution of a rate ordinance that sets rates for CNP in the Texas Coast Division in accordance with the consultants' findings. GCCC also approved a recommendation that cities adopt the ordinance. **The deadline for city action is July 9, 2008.** In the event a city does not take action by this date, CenterPoint's rate application will be deemed approved.

Attached to this memorandum is a model rate ordinance and staff report. In addition, we have attached the reports of Mr. Nalepa, Mr. Woolridge, and Mrs. Cannady. Please place the rate ordinance on your council's agenda for action as soon as possible and inform our paralegal, Barbara Kimmell (bkimmell@lglawfirm.com, 512/322-5871), of the date the ordinance is to be considered. To the extent that you find it necessary, Thomas or Georgia will be available to attend council meetings to answer any questions and discuss the basis for the ordinance for the cities to take action. Once action has been taken on the ordinance, please forward a copy of the ordinance to Barbara.

Process for Considering CenterPoint's Statement of Intent

A general guideline for the hearing process at the city level is discussed below. Individual city charters will control the details of the city hearing process (number of readings, timing of the readings, etc.) that must occur when considering the rate ordinance. Please consult your city charter and your city attorney if you have questions regarding the specific requirements applicable to your city.

A hearing must be held before the council in conjunction with the consideration of any rate ordinance. Besides city staff, only the affected utility should be granted a formal opportunity to address the council as part of the hearing process. However, citizens attending the

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meeting may be invited to address the ordinance briefly. It is within the city's discretion to set a limit upon the amount of time that the company representative has to address the council. Because the record of the hearing before the city council will not be considered by the Railroad Commission if the Company elects to appeal the rate ordinance, we encourage the city designate that company representatives have ten to fifteen minutes to address the council regarding the rate ordinance. To the extent that the Company believes that it has more information to provide the council than can be accommodated in a fifteen minute presentation, you may wish to direct the Company to file any additional information on paper with the council members' offices.

The opportunity to formally address the city council affords the Company reasonable due process. Due process does not require an evidentiary hearing, or that the Company be provided an opportunity to cross-examine witnesses. In approving the rate ordinance, cities are functioning in a quasi-legislative fashion. Therefore, written findings of fact and conclusions of law are not required and will not be considered by the Railroad Commission in the review of an appeal of the ordinance.

A copy of the approved ordinance shall be sent to Denise Hardcastle, CenterPoint Energy, P.O. Box 2628, Houston, Texas 77252-2628. Please forward a copy to our office also. Once the council has approved the rate ordinance, CenterPoint will likely appeal the ordinance to the Railroad Commission. The first city to pass an ordinance will establish the timetable for Commission jurisdiction over an appeal from rates set by the municipalities.

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