


Mr. Brocato's Direct Line: (512) 322-5857
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MEMORANDUM

TO: Gulf Coast Coalition of Cities

FROM: Thomas Brocato 

DATE: August 14, 2009

RE: **ACTION REQUIRED – CenterPoint Gas COSA Ordinance**

On May 1, 2009, CenterPoint Energy Gas ("CenterPoint" or "Company") filed a Cost of Service Adjustment ("COSA") application with each of the Gulf Coast Coalition of Cities ("GCCC") members that were signatories to the settlement agreement to the Company's rate case last year.

With the advice and input of the consultant retained by GCCC we have reached a settlement of CenterPoint's COSA application without the necessity of a protracted and costly contested case proceeding.

The attached tariff will result in an increase to the customer charge of \$0.65 per month. As part of the negotiations, the Company agreed to remove \$2,069 from its request. In addition, the Company agreed to implement a rate case expense surcharge associated with last year's rate case and this filing on a volumetric basis for two years. The Company's application proposed a one year collection. The amount of rate case expenses allocated to the residential class will be approximately \$120,000 less under the volumetric surcharge than the per customer surcharge originally proposed by CenterPoint. The impact on the average residential customer's bill will be \$0.16 per month.

We recommend approval of the ordinance because it provides rate certainty, represents an outcome that is equal to or better than the outcome expected from a lengthy contested case proceeding, and maintains cities' role as a regulator of natural gas rates.

Please schedule consideration of the ordinance for your next available council meeting. To assist you, three documents are attached:

- An ordinance setting new rates;
- Complete tariffs establishing new rates. The approved ordinance must include the tariffs ("Attachment A" to the Ordinance); and
- A model staff report describing the ordinance.

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Please contact Thomas (512/322-5857, tbrocato@lglawfirm.com) immediately if you have questions or concerns. Once final action has been taken by your city, please forward a copy of the ordinance to CenterPoint Energy and to my paralegal, Holly Paxton (fax number: 512/472-0532.)