

ORDINANCE NO. 1039

AN ORDINANCE FINDING THAT THE EXISTING ELECTRIC DISTRIBUTION RATES OF CENTERPOINT ENERGY HOUSTON ELECTRIC LLC (“CENTERPOINT” OR “COMPANY”) ARE UNREASONABLE AND SHOULD BE REDUCED; ORDERING CENTERPOINT TO REDUCE ITS EXISTING RATES WITHIN THE CITY; ORDERING CENTERPOINT TO SUBMIT TARIFFS CONSISTENT WITH THE RECOMMENDATION OF THE GULF COAST COALITION OF CITIES’ CONSULTANTS IN PUBLIC UTILITY COMMISSION OF TEXAS 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; AUTHORIZING THE GULF COAST COALITION OF CITIES TO ACT ON BEHALF OF CITY AND INTERVENE IN ANY PROCEEDINGS BEFORE ADMINISTRATIVE OR JUDICIAL BODIES; REQUIRING DELIVERY OF THIS ORDINANCE TO THE COMPANY AND LEGAL COUNSEL.

WHEREAS, the City of La Marque Texas (“City”) is a regulatory authority under the Public Utility Regulatory Act (“PURA”) and pursuant to PURA § 33.001, 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 in violation of any provision of law; and

WHEREAS, on or about June 30, 2010, CenterPoint, pursuant to PURA §§ 33.001 and 36.001, filed with the City of La Marque a Statement of Intent to change electric 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 Gulf Coast Coalition of Cities ("GCCC") in hiring experts and legal counsel to review CenterPoint's Statement of Intent; and

WHEREAS, on July 12, 2010, the City suspended the effective date of the Company's requested rate change; and

WHEREAS, GCCC's 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 GCCC have reviewed the rate filing package and responses to information requests and have made a recommendation to the City regarding the rates to be charged by the Company within the City; and

WHEREAS, on October 21, 2010, a public hearing was held, at which time the Company was given an opportunity to address the City Council regarding its 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 current rates are not reasonable; and

WHEREAS, based upon such hearing, the briefing of staff, 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 ORDAINED BY THE CITY COUNCIL OF THE CITY OF LA MARQUE, TEXAS:

SECTION 1. That the Company was given reasonable notice of the hearing held on October 21, 2010, and the Company had a reasonable opportunity to show to 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 or reasonable.

SECTION 3. That the adjustments to the Company's Statement of Intent proposed by Mr. Lane Kollen on behalf of GCCC 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 existing annual revenues by \$149 million.

SECTION 4. That within ten days of the adoption of this Ordinance, CenterPoint shall file with the City rate tariffs consistent with the adjustments proposed by Mr. Kollen and the cost allocation and rate design recommendations proposed by Mr. Clarence Johnson on behalf of GCCC 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.

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 service 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 immediately begin charging the rates set forth in Tariffs that are consistent with the recommendations of GCCC witnesses Kollen and Johnson in PUC Docket No. 38339.

SECTION 6. That the existing rates, service charges, and tariff language not inconsistent with the recommendations of GCCC witnesses Kollen and Johnson in PUC Docket No. 38339 shall remain operative.

SECTION 7. 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 charged in the City, in conjunction with GCCC.

SECTION 8. That within ten days of the adoption of this Ordinance, the Company shall reimburse GCCC for all ratemaking costs associated with GCCC's activities related to the rate proceeding and thereafter make prompt reimbursement on a monthly basis to cover the costs of appeals to the PUC or Courts, in accordance with PURA § 33.023.

SECTION 9. That a copy of this Ordinance shall be sent to the Company, care of Stephen Bezecny, Director, Regulatory Relations, CenterPoint Energy, Inc., 1111 Louisiana St., Houston, Texas, 77002 and to Thomas Brocato, at Lloyd Gosselink Rochelle & Townsend, P.C., 816 Congress Avenue, Suite 1900, Austin, Texas 78701.

SECTION 10. That this Ordinance shall become effective immediately from and after its passage, as the law and charter in such cases provide.

SECTION 11. That it is hereby officially found and determined that the meeting at which this Ordinance is passed is open to the public as required by law and that public notice of the time, place and purpose of said meeting was given as required.

DULY PASSED and approved by the City Council of the City of La Marque, Texas, on this the 21st day of October, 2010.

APPROVED:

Geraldine Sam, Mayor

ATTEST:

Carolyn E. Anderson, City Clerk

APPROVED AS TO FORM:

Ellis Ortego, City Attorney