

Mr. Gay's Direct Line: (512) 322-5875
Email: ggay@lglawfirm.com

MEMORANDUM

TO: Cities Served by CenterPoint

FROM: Geoffrey M. Gay

DATE: March 17, 2008

RE: Coalition to Investigate CenterPoint Gas Rate Request

For the last decade, attorneys with this firm have represented the Gulf Coast Coalition of Cities (GCCC) in prior CenterPoint and Texas-New Mexico Power electric rate cases. The GCCC currently consists of Alvin, Dickinson, Friendswood, La Marque, Lake Jackson, League City, Missouri City, Nassau Bay, Pearland, Sugar Land, Texas City and Webster. Each member of GCCC, except Missouri City and Nassau Bay, will be impacted by the CenterPoint request to increase gas rates in its Texas Coast Division. On the approval of Julie Johnston, City Manager of Dickinson, I am authorized to invite all cities in the Texas Coast Division to participate with GCCC in a joint review and analysis of the CenterPoint filing. Cities are most effective at protecting the interests of their citizens in rate cases when they unite, develop a common public policy strategy and hire common consultants and lawyers to pursue that strategy and ensure that rates are based on reasonable and necessary expenses and prudent investment.

Cities that retain original jurisdiction must act to suspend, approve or reject a rate application within 35 days of the utility-designated Effective Date or the proposed rates may be put into effect. Action must be taken by Cities exercising original jurisdiction in the CenterPoint gas case by April 10, 2008. Ratepayers almost always benefit from suspension for the maximum period authorized by law. That advice is currently being implemented by GCCC. The cities of Santa Fe, La Porte and Morgan's Point have expressed an interest in joining GCCC for the purpose of evaluating the merits of the CenterPoint filing. There is strength in numbers and all cities served by CenterPoint Gas, but not currently participating with GCCC, are urged to follow the path being pursued by Santa Fe, La Porte and Morgan's Point.

The path of participation with GCCC is facilitated by the attached three documents. These include: (1) a March 11, 2008 Memorandum to GCCC members; (2) a resolution suspending the April 10, 2008 Effective Date; and (3) a Model Staff Report supporting adoption of the Suspension Resolution. A fourth attachment lists the cities who previously received information prepared for GCCC and the cities that will receive this communication.

Cities are entitled to reimbursement of their reasonable ratemaking expenses. While any GCCC member is entitled to review invoices for all consulting and legal efforts extended on behalf of GCCC, all invoices will be directed to the City of Friendswood who has graciously consented to function as the accountant/treasurer of GCCC for CenterPoint rate matters.

In Texas, Cities are the defenders of ratepayers and the public interest before the Railroad Commission (RRC). There is no public counsel at the RRC and the Staff of the Commission depends upon Cities to evaluate, respond to and cross-examine a gas utility's rate filing and expert witnesses. If Cities do not participate in the ratemaking process, it is very likely that the CenterPoint requested increase will be approved as filed.

The firm currently represents over 200 cities throughout the state on gas utility matters. If you have any questions, please feel free to contact Geoffrey Gay (512-322-5875; ggay@lglawfirm.com), Georgia Crump (512-322-5832; gcrump@lglawfirm.com) or Thomas Brocato (512-322-5857; tbrocato@lglawfirm.com).