

CASE NO. 00007064

APPLICATION OF CENTERPOINT	§	BEFORE THE
ENERGY RESOURCES CORP., D/B/A	§	
CENTERPOINT ENERGY ENTEX,	§	RAILROAD COMMISSION
CENTERPOINT ENERGY ARKLA AND	§	
CENTERPOINT ENERGY TEXAS GAS	§	OF TEXAS
FOR CUSTOMER RATE RELIEF AND	§	
RELATED REGULATORY ASSET	§	
DETERMINATION	§	

DIRECT TESTIMONY

OF

TALMADGE R. CENTERS, JR.

ON BEHALF OF

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX,
CENTERPOINT ENERGY ARKLA
AND
CENTERPOINT ENERGY TEXAS GAS**

July 30, 2021

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EXECUTIVE SUMMARY OF TALMADGE R. CENTERS, JR.

CenterPoint Energy Resources Corp. (“CERC”) d/b/a CenterPoint Energy Entex, CenterPoint Energy Arkla, and CenterPoint Energy Texas Gas (“CenterPoint” or the “Company”) as presented in this filing. My testimony supports the Company’s request for customer rate relief by securitizing extraordinary costs incurred as a result of Winter Storm Uri. In summary, my testimony:

- Provides an overview of the Company’s filing;
- Describes CERC’s local distribution system operations in Texas;
- Details actions taken in advance of Winter Storm Uri by CERC and in response the Railroad Commission of Texas’ (“Commission”) Emergency Order issued February 12, 2021;
- Discusses the operational environment encountered by the Company during the storm; and
- Supports the Company’s request to securitize approximately \$1,141,278,934 in extraordinary costs incurred as a result of Winter Storm Uri.

Together with the other witnesses and evidence presented by CERC in this proceeding, my testimony demonstrates that the Company’s actions to procure firm gas supply for its human needs customers before, during and after Winter Storm Uri were prudent, reasonable and necessary. Securitization of these gas costs, along with other costs that have been necessarily incurred due to Winter Storm Uri, provides tangible and quantifiable benefits for customers greater than would be achieved absent the issuance of customer rate relief bonds and is the most cost-effective method for funding CenterPoint’s regulatory asset balance. Securitization is in the public interest and the Company’s request should be approved.

DIRECT TESTIMONY OF TALMADGE R. CENTERS, JR.

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND PRESENT TITLE.

A. My name is Talmadge R. Centers, Jr., and I am CERC's Division Vice President Regional Operations for Texas. I have direct responsibility for the gas distribution operations in the state of Texas. My business address is 1111 Louisiana Street, Houston, Texas 77002.

Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I graduated from Texas A&M University in 1985 with a Bachelor of Science degree in Mechanical Engineering, as well as an Executive MBA degree from Texas A&M University in 2006. I began my career with Entex, a CenterPoint Energy, Inc. ("CNP") predecessor company, in August of 1985. Since that time, I have been employed by CNP or one of its affiliates. My positions within the Company have included Senior/Chief/Manager/Director of Engineering, Chief Engineer/Manager of Operations in Mississippi, Manager/Director of Operations in Houston, Regional Vice President in Minnesota, Division Vice President of System Integrity and Safety, Vice President of Safety/Training/Environmental, and my present position within CERC is Division Vice President Regional Operations for Texas. I was named to my present position in 2019, at which time I assumed responsibility for all gas distribution operations in the state of Texas, except for the Texarkana area, which is managed by our Arkansas and Oklahoma regions.

1 **Q. HAVE YOU TESTIFIED IN PRIOR REGULATORY PROCEEDINGS**
2 **BEFORE ANY OTHER REGULATORY AUTHORITIES?**

3 A. Yes. I provided testimony in Gas Utilities Docket Nos. 9469, 10567 and 10920.
4 Additionally, I provided testimony to the Minnesota Utilities Commission in
5 dockets G-008/GR-13-316, G-008/GR-15-424 and G-008/GR-17-285.

6 **Q. HAVE YOU PREPARED ANY EXHIBITS IN CONNECTION WITH YOUR**
7 **TESTIMONY?**

8 A. Yes. I have prepared or supervised the preparation of the exhibits listed in the table
9 of contents.

10 **II. SCOPE AND PURPOSE OF TESTIMONY**

11 **Q. PLEASE DISCUSS THE PURPOSE OF YOUR TESTIMONY.**

12 A. My testimony provides an overview of the Company's customer rate relief filing.
13 I also describe CERC's Texas local distribution system operations and explain how
14 the Company's natural gas delivery system functions on a day-to-day basis. I
15 describe the essential role that access to a firm and reliable gas supply plays in both
16 meeting customer demand requirements and in maintaining required system
17 pressure. My testimony explains the operational consequences that will occur if
18 gas volumes fall below system pressure requirements and describes the operational
19 activities undertaken by CERC before, during, and after the February 2021 Winter
20 Storm Uri to ensure system reliability and the continued provision of gas service to
21 human needs customers in Texas. Finally, my testimony summarizes and supports
22 the Company's request to securitize approximately \$1,141,278,934 in
23 extraordinary costs incurred as result of Winter Storm Uri.

1 **Q. HOW DOES YOUR TESTIMONY RELATE TO THE TESTIMONY OF**
2 **OTHER WITNESSES?**

3 A. My testimony provides an overview of CERC’s filing and outlines the operational
4 details for executing natural gas delivery to our customers in Texas. It is
5 complementary to testimony provided by Mr. Brian Wagaman in the Company’s
6 Gas Supply Department, Ms. Mary Kirk, Director of Accounting, Ms. Bernadette
7 Johnson with Enverus, Inc. (“Enverus”), and Dr. Bruce Fairchild, a principal with
8 Financial Concepts and Applications, Inc. (“FINCAP”).

9 **III. OVERVIEW OF THE COMPANY’S FILING**

10 **Q. WHY IS THE COMPANY MAKING THIS FILING?**

11 A. This filing is in accordance with the Commission’s June 17, 2021, Notice to Gas
12 Utilities (“June 17th Notice”), which established a procedure for gas utilities
13 seeking a regulatory asset determination pursuant to House Bill (“H.B.”) 1520,
14 Texas Utilities Code, chapter 104, subchapter I, and invited utilities to participate
15 in securitization of extraordinary costs resulting from February 2021 Winter Storm
16 Uri. I have included H.B. 1520 as Exhibit TRC-1 to my testimony. The
17 Commission’s June 17th Notice instructed gas utilities desiring to participate in
18 securitization pursuant to H.B. 1520 to file an Application for Regulatory Asset
19 Determination (“Application”) on Friday, July 30, 2021 and the Company has met
20 the Commission’s deadline for filing.

21 **Q. WHAT ACTION IS CERC SEEKING FROM THE COMMISSION**
22 **THROUGH THIS FILING?**

23 A. The Company is requesting a determination that \$1,141,278,934 in extraordinary
24 costs due to Winter Storm Uri were prudently, reasonably, and necessarily incurred

1 on behalf of its Texas customers and are eligible for securitization and recovery in
2 accordance with H.B. 1520. The evidence presented by the Company also
3 demonstrates that securitization financing is the most cost-effective and affordable
4 method of reimbursing CERC for its extraordinary gas costs. However, if the
5 Commission concludes that securitization financing proves not to be beneficial for
6 customers, the Company requests authority to recover the approved regulatory asset
7 balance as a uniform, volumetric rate through the gas cost recovery mechanisms
8 applicable in its various Texas divisions over a three-year period. Finally, the
9 Company has requested that the Commission immediately initiate a proceeding to
10 issue a financing order related to securitizing Winter Storm Uri costs. The initiation
11 of a financing order proceeding at this time will allow that case to process
12 simultaneously with this Application and avoid unnecessary delay in the issuance
13 of securitization bonds and the incurrence of additional carrying costs.

14 **Q. IS THE COMPANY REQUESTING A REGULATORY ASSET**
15 **DETERMINATION FOR ALL OF ITS EXTRAORDINARY COSTS**
16 **INCURRED AS A RESULT OF WINTER STORM URI?**

17 A. No. Consistent with the Commission's June 17th Notice, the extraordinary costs
18 included in the Company's filing are those related to the extraordinary gas costs
19 incurred during February 2021, and certain additional expenses. The Company will
20 present the other extraordinary costs incurred to provide service to customers
21 during Winter Storm Uri for review and recovery in a future rate proceeding.

1 **Q. DO THE REGULATORY ASSET BALANCES PRESENTED FOR**
2 **RECOVERY IN THIS PROCEEDING INCLUDE ANY AFFILIATE**
3 **COSTS?**

4 A. No.

5 **Q. IN ADDITION TO YOURSELF, WHAT OTHER WITNESSES PRESENT**
6 **TESTIMONY IN SUPPORT OF THE COMPANY'S APPLICATION?**

7 A. In addition to my testimony, the Company is presenting the direct testimony,
8 exhibits, and supporting schedules of five other witnesses.

9 Ms. Mary A. Kirk, Director of Accounting for CenterPoint Energy Service
10 Company, LLC ("Service Company") sponsors the Company's books and records,
11 the accounting schedules presented in this Application, and the Company's total
12 regulatory asset balance. Mr. Brian Wagaman, Vice President of Gas Supply for
13 CERC, supports the prudence of the Company's extraordinary gas costs. He
14 describes CERC's Gas Supply Plan, the objectives of the plan, and the manner in
15 which the plan is executed. Mr. Wagaman describes the actions taken by CERC's
16 Gas Supply organization during Winter Storm Uri to ensure that the Company had
17 sufficient gas supply to provide service to all its human needs customers without
18 interruption. Ms. Bernadette Johnson, a principal with Enverus, provides testimony
19 summarizing the natural gas market conditions encountered by CERC and other
20 utilities during Winter Storm Uri and provides an independent third-party review
21 of how the Company's Gas Supply Plan functioned during the storm. Finally,
22 Dr. Bruce Fairchild, a principal with FINCAP, demonstrates that the use of
23 securitization financing will provide tangible and quantifiable benefits to

1 customers, greater than would be achieved absent the issuance of customer rate
2 relief bonds. Dr. Fairchild describes the proposed structuring, expected pricing,
3 and proposed financing costs of customer rate relief bonds, and further explains
4 that customer rate relief bond financing for extraordinary costs is the most cost-
5 effective method of funding regulatory asset reimbursement.

6 **Q. WERE THE DOCUMENTS INCLUDED WITH YOUR TESTIMONY**
7 **PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION?**

8 A. Yes.

9 **Q. PLEASE DISCUSS HOW THE COMPANY IS SUPPORTING THE**
10 **EXTRAORDINARY GAS COSTS REQUESTED IN THIS FILING.**

11 A. CERC is supporting the regulatory asset balances at issue in this filing by providing
12 the information required in the Commission's June 17th Notice. Extraordinary gas
13 costs are provided on a division-by-division basis. Schedules supporting the
14 Company's request are attached to Ms. Kirk's testimony and are jointly sponsored
15 by myself, Ms. Kirk, and Mr. Wagaman.

16 **Q. CNP RECENTLY ANNOUNCED THE SALE OF CERTAIN LDC ASSETS**
17 **IN OKLAHOMA, ARKANSAS AND TEXARKANA, TEXAS. HOW IS THE**
18 **COMPANY PRESENTING ANY EXTRAORDINARY GAS COSTS**
19 **RELATED TO ASSETS THAT ARE SUBJECT TO THAT SALE**
20 **PROCEEDING?**

21 A. The Winter Storm Uri extraordinary gas costs associated with CERC's Texarkana
22 assets are presented separately in the Company's schedules as a stand-alone Texas
23 Division, consistent with the manner in which the Company's Purchase Gas

1 Adjustment (“PGA”) tariffs operate. As Ms. Kirk testifies, the Texarkana Winter
2 Storm Uri extraordinary gas costs have been separately tracked and accounted for
3 so that the new owner of those assets will have clear direction on how to account
4 for, recover and remit any amounts securitized.

5 **Q. WHAT STANDARD SHOULD THE COMMISSION APPLY IN**
6 **REVIEWING THE REASONABLENESS AND NECESSITY OF THE**
7 **COMPANY’S EXTRAORDINARY COSTS?**

8 A. The reasonableness and necessity of the Company’s extraordinary costs should be
9 evaluated based on the circumstances that existed at the time Winter Storm Uri
10 occurred and, on the resources, and information reasonably available to CERC
11 during the storm.

12 **IV. OVERVIEW OF CERC’S LOCAL DISTRIBUTION SYSTEM**
13 **OPERATIONS IN TEXAS**

14 **Q. PLEASE PROVIDE A GENERAL OVERVIEW OF CERC’S LOCAL**
15 **DISTRIBUTION OPERATIONS IN TEXAS.**

16 A. CenterPoint delivers natural gas and transportation services to approximately
17 1.7 million customers in Texas. The system serves over 262 cities in 85 counties
18 and comprises of over 34,000 miles of gas main with 826 custody transfer points
19 (city gate stations). Included with my testimony is a statewide map of the
20 Company’s system, as well as maps of the Company’s five individual operating
21 divisions. See Exhibit TRC-2. Our operations employ over 1,200 employees as
22 well as over 250 contract crews totaling over 1,100 contract employees. As
23 outlined in Mr. Wagaman’s testimony, as per CenterPoint Energy’s 2020 Gas
24 Procurement Plan, based on a 10-year average of normal weather, we plan to deliver

1 over 94.5 Bcf of natural gas annually. The actual demand for the 2020 – 2021
2 annual season was 99.0 Bcf. Our operations safety and compliance are regulated
3 by the Commission in conjunction with the Pipeline and Hazardous Material Safety
4 Administration at the federal level.

5 **Q. IS YOUR TESTIMONY PROVIDING INFORMATION RELATING TO**
6 **THE COMPANY’S ENTEX AND ARKLA DIVISION IN TEXAS?**

7 A. Yes, the Company has four Entex divisions and, as I note above, one Arkla division
8 in Texas that is currently in the process of being sold.

9 **Q. IN GENERAL TERMS, HOW DOES A NATURAL GAS DELIVERY**
10 **SYSTEM WORK?**

11 A. In general, gas is delivered to our city gate stations or rural delivery points by our
12 upstream pipeline suppliers’ transmission systems. At each city gate, gas is
13 measured, monitored for quality, odorized, and pressure reduced to manage design
14 pressure into our system. Pressure regulating equipment is designed to control the
15 pressure and volume based on the load requirements of the customers’ peak
16 demand. Our design day and hour temperature for the state’s distribution systems
17 varies from 6-30 degrees Fahrenheit. The piping system is designed to deliver
18 volumes at these temperatures to maintain adequate pressure at the low points
19 (furthest point) in the system to ensure all customers have adequate capacity
20 without exceeding their maximum pressure requirements. The pressure on the
21 system “pushes” the gas through the mains and service lines as demand for gas is
22 needed. Maintaining minimum pressure at the low points without exceeding the
23 system’s maximum design pressure is critical for both safety and meeting load

1 demand. Failing to maintain pressure can result in outages or interruption of
2 service. Unlike electric and water systems, a gas system cannot be turned back on
3 when pressure recovers due to safety concerns. Instead, the impacted area must be
4 turned off, re-pressurized, and each customer location delivery must be re-
5 pressured and checked. This is a very costly and time intensive process that is not
6 without risk due to the scale of the activities.

7 **Q. CAN YOU EXPLAIN HOW GAS PRESSURE WORKS AND THE ROLE**
8 **THAT IT PLAYS IN OPERATING THE SYSTEM?**

9 A. Gas pressure acts as “kinetic and stored energy.” It is the energy that pushes the
10 gas through the system the same way water flows through a water hose at your
11 house. The primary difference is water is incompressible and pressure drops in the
12 system are more a function of piping design and not having to factor the dynamics
13 of the fluid compressing. In a gas system, you have what is called “line pack.”
14 Because of this physical fact, we must maintain enough pressure and low point
15 control to factor in the time delay of load coming on to the system. The best analogy
16 for this is the delay you see in traffic at a streetlight. When the light turns green
17 (load coming on), the cars at the back of the line don’t instantly move, there is a
18 delay. Because the gas must flow from the city gate to the load, “line pack”
19 provides the excess capacity necessary to meet the demand until the pressure
20 regulating equipment at the city gate can react and restore the pressure in the
21 system. Under normal conditions, the load demand gradually increases or
22 decreases, and the control equipment has time to respond.

1 **Q. HOW DOES THE COMPANY ENSURE THAT ADEQUATE PRESSURE IS**
2 **MAINTAINED ON THE SYSTEM?**

3 A. The process starts with securing and contracting gas supply for the system's load
4 requirements. This includes coordinating with the supplier on the design delivery
5 custody transfer points (city gates) to supply the gas on the specific dates or time at
6 the minimum delivery load and pressures. The gas pressure is then reduced and
7 monitored entering our system. Once delivered into our system, the system is
8 designed (size and pressure rating of the system) to accommodate the load and
9 pressure requirements to meet the demand.

10 **Q. WHAT ARE THE OPERATIONAL CONSEQUENCES IF PRESSURE ON**
11 **THE SYSTEM FALLS BELOW THE REQUIRED THRESHOLDS?**

12 A. Expanding on my previous statements, in simple terms, if pressure falls below the
13 minimum requirements, customers may experience low pressure and could
14 experience delivery interruptions. In other words, a customer's natural gas
15 equipment or appliances may not stay "lit" or remain "burning."

16 **Q. ARE THERE ANY POTENTIAL CONSEQUENCES FOR CUSTOMERS IF**
17 **THE COMPANY LOSES PRESSURE ON THE SYSTEM?**

18 A. Yes. If this condition occurs, customers could lose service until we can conduct a
19 premise-by-premise review of the impacted area and complete safety checks to
20 restore service. In cases where customers are operating "open or uncontrolled"
21 flame equipment like gas grills or cook tops, unburned gas can be released when
22 the pressure recovers, creating a potential hazard. For this reason, maintaining

1 pressure is critical, and when it is not, we must shut the system down and proceed
2 with a defined restoration and re-light procedure.

3 **V. OPERATIONS ACTIVITIES TAKEN IN ADVANCE OF WINTER STORM**
4 **URI AND IN RESPONSE TO THE COMMISSION'S REVISED**
5 **CURTAILMENT ORDER**

6 **Q. HOW DOES CERC PLAN AND PREPARE FOR EXTREME WEATHER**
7 **EVENTS SUCH AS WINTER STORM URI?**

8 A. CERC starts by studying forecast demands (short and long term) for both extreme
9 warm and cold weather scenarios. Once the forecast demands are established, we
10 then design the system for extremes. This includes pressure study load analysis by
11 our engineering department to validate pipe size, pressure requirements,
12 measurement needs, odorization, and over pressure protection. These parameters
13 are all established for the design day and hour temperatures for the system
14 (previously mentioned). Finally, our Gas Supply department contracts gas for firm
15 supply and transportation needs. Additionally, we meet with our upstream pipeline
16 suppliers before and after each heating season to review system safety,
17 performance, capacity needs due to growth, and reliability.

18 Prior to each weather event, we review all delivery points and system status
19 to ensure they are completely operable, and that any contingencies are in place. For
20 example, equipment heaters, liquid separators, odorizer settings, and pressure
21 control equipment are all checked or readjusted. In some cases, and certainly in the
22 case of Winter Storm Uri, employee resources, schedules, and deployment
23 locations are adjusted to quickly respond to any issues as they arise. These
24 activities are triggered by events such as hurricanes, tornadoes, or terrorist events.

25 In the case of Winter Storm Uri, due to the large regional weather impact to our

1 service territory, both our gas and electric operations¹ implemented our Emergency
2 Operating Plan (“EOP”) to coordinate and respond to customer needs, system
3 operations, or governing agency or local and regional response activities. This plan
4 establishes our incident command structure and support functions and is included
5 as Exhibit TRC-3 to my testimony.

6 In the case of Winter Storm Uri, our EOP was implemented as a winter
7 response plan. The plan established operational leadership, engineering, and
8 system operations ICS (incident command structure) in our gas control center to
9 manage the event. In addition, we implemented our corporate response plan to
10 coordinate with electric operations as well as community and governmental
11 agencies both locally and in Austin. We deployed engineering staff directly in the
12 electric command center to coordinate electric outage status and provide technical
13 updates to suppliers across the state through the Texas Energy Reliability Council
14 (“TERC”). This proved to be very beneficial to coordinate curtailment orders by
15 the state and ensure the gas system was ready as electric service was restored and
16 gas load came back on.

17 **Q. ARE THERE ANY CONSIDERATIONS THAT CERC TAKES INTO**
18 **ACCOUNT WHEN DESIGNING AND BUILDING ITS SYSTEM TO**
19 **WITHSTAND EXTREME WEATHER?**

20 **A.** Yes. As previously referenced, safety and reliability are at the top of the list of
21 considerations as we design for demand. Our systems must remain reliable in all

¹ CenterPoint Energy Houston Electric, LLC (“CEHE”), an independent wholly-owned subsidiary of CNP is a transmission and distribution utility that provides electric service in a portion of Texas.

1 weather conditions (floods, cold weather, hurricanes) and firm gas supply is critical
2 to provide human needs and maintain the safety of the system. Therefore,
3 weatherization is a standard consideration in both the design and operation of our
4 system. As importantly, the supporting systems and processes need to be reliable.
5 Our internal infrastructure like IT, system control, dispatching, and
6 communications all must be available or have business continuity plans as backups.

7 **Q. DID CERC UNDERTAKE ANY WINTERIZATION ACTIVITIES**
8 **SPECIFIC TO WINTER STORM URI IN ADVANCE OF THE STORM?**

9 A. Yes. As previously stated, our standards and system design criteria consider
10 demand and pressure requirements for these type events. We also build into the
11 design equipment such as heaters, liquid separation, and odorization to operate in
12 these extremes. Moreover, contingency plans are in place to respond to mechanical
13 or equipment failures to ensure reliability.

14 **Q. COULD YOU PROVIDE AN OVERVIEW OF CERC'S EOP?**

15 A. In general, our EOP uses the Incident Command System ("ICS") provides the roles
16 and responsibilities defined to manage an event like Winter Storm Uri. The plan is
17 implemented anytime the company needs to prepare or respond to internal or
18 external events. The plan is reviewed, and mock drills are conducted annually.
19 This is typically in response to hurricane preparation, but the plan can be and is
20 used for any significant event like hurricanes, tornadoes, terrorist events, or large-
21 scale restoration. For gas operations, cold weather is a given. For most cold
22 weather events, we usually do not need to implement our EOP protocol. However,
23 once we determined the magnitude and regional impact to both the gas and electric

1 systems as Winter Storm Uri moved across the country, CNP implemented EOP
2 protocols at three levels. First, CNP had our corporate EOP implemented to execute
3 coordination with all groups across our territories. This included the other states
4 CNP operates (Mississippi, Louisiana, Oklahoma, Arkansas, Indiana, Ohio, and
5 Minnesota) as this event impacted the entire mid-continent. Second, EOP for gas
6 operations was implemented to coordinate and manage gas operations for same as
7 well as targeted focus on Texas. Third, our electric operations implemented EOP
8 protocol as they prepared for icing and potential electric restoration impacts. For
9 Winter Storm Uri, our plans anticipated electrical outages due to icing, but did not
10 anticipate large scale power outages due to the shortages in electric generation
11 capacity.

12 **Q. DID CERC'S EOP DURING WINTER STORM URI FUNCTION AS**
13 **INTENDED?**

14 A. Yes. Our company's EOP command and preparation protocol enabled us to initiate
15 and provide support functions to coordinate efforts that ensured safety and
16 reliability. It provided clear communications protocol with our customers, as well
17 as internal and external stakeholders. Moreover, due to the fact the plan requires
18 back up generation at our service centers and critical facilities, we were able to
19 sustain operations and critical systems operating and monitoring system
20 performance as well as execute restoration efforts in the few isolated areas where
21 delivery was interrupted.

1 **Q. ON FEBRUARY 12, 2021, THE COMMISSION ISSUED AN EMERGENCY**
2 **ORDER SETTING FORTH SERVICE PRIORITIES FOR THE DELIVERY**
3 **OF GAS BY NATURAL GAS UTILITIES IN RESPONSE TO WINTER**
4 **STORM URI. WHAT ACTIONS DID CERC TAKE IN RESPONSE TO**
5 **THIS ORDER?**

6 A. CERC sent out curtailment letters on Feb. 15th to the 18 third-party shippers who
7 sell natural gas to the 4,077 commercial and industrial customers in our
8 Transportation Services program in Texas. We also contacted 64 of our transport
9 customers to ask them to specifically curtail or idle operations where CERC was at
10 risk of jeopardizing the integrity of our gas distribution system in cities because of
11 low pressure issues. Exceptions were granted to customers with human needs
12 (hospitals, electric generation, gas delivery facilities, etc.) or system critical needs
13 were required. We also sent another letter on Feb. 20th to the 18 third-party
14 shippers letting them know curtailment had ended and they could resume normal
15 operations. Exhibit TRC-4 includes copies of the Commission's Emergency
16 Orders and Exhibit TRC-5 includes copies of the curtailment letters. Where
17 exceptions were not granted, field verification was conducted at many locations to
18 verify compliance. Most locations reported that customers had already self-
19 curtailed due to the weather.

20 **VI. OPERATING ENVIRONMENT DURING WINTER STORM URI**

21 **Q. DID CERC FACE ANY PARTICULAR OPERATIONAL CHALLENGES**
22 **DURING THE COURSE OF THE EVENT?**

23 A. Yes.

1 **Q. HOW DID CERC RESPOND TO THOSE CHALLENGES?**

2 A. CNP responded as it always does. The entire CERC team remained vigilant and
3 committed to delivering the firm reliable gas our customers expect. We leveraged
4 the significant capital investments, processes, systems, and training implemented
5 in our history as a company. The investments made in the gas system paid huge
6 dividends for our customers (supply diversity, system upgrades for reliability,
7 system integrity, asset replacements, back up IT systems, process and logistics
8 contingencies, third party support logistics, ICS training, and mock drills to test
9 preparation were all used in this event).

10 At the peak of the event, the Company experienced several challenges.
11 However, the most difficult was maintaining pressure during electric restoration.
12 When electric power is off for extended periods of time, homes internal
13 temperatures fall well below thermostat settings. Consequently, when the power is
14 restored to large areas, the instantaneous gas demand put tremendous stress on the
15 gas system jeopardizing system pressure until the ambient temperatures increased
16 and the load was reduced. To mitigate this effect during Winter Storm Uri, we
17 coordinated closely with our electric operations to maximize system pressures in
18 the restored areas as the power was restored. In many cases, stations had to be
19 manually operated or bypassed to ensure demand was met. The Company operated
20 two of its propane air facilities to supplement delivery, manually bypassed 59
21 delivery points, and deployed our mobile compressed natural gas (CNG) delivery
22 trucks to eight critical locations to hold pressure or provide gas to human needs
23 customers.

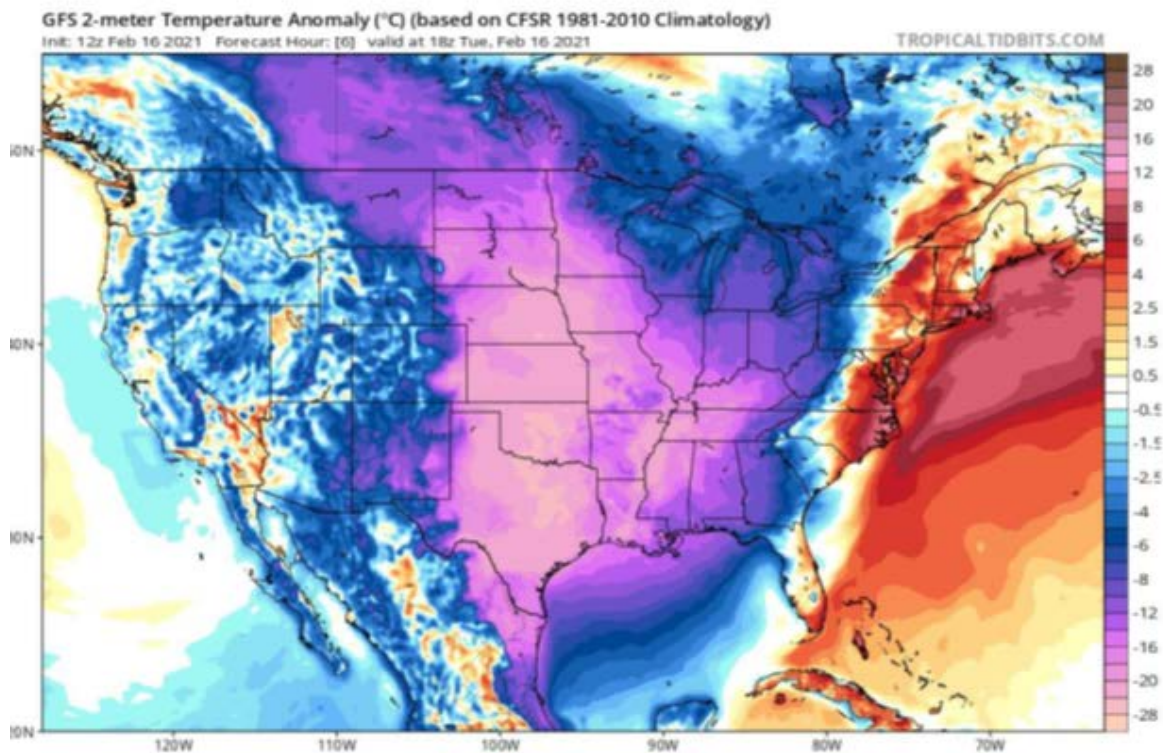
1 Due to the manual nature of these operations, employees were required to
2 remain on site at all times. Road conditions and access to public food and human
3 needs required considerable logistics to support our field personnel who remained
4 on site until relief could be provided. More specifically, CERC responded to
5 various challenges such as:

- 6 • Road and weather conditions – this was mitigated by deploying employees
7 across the system to reduce response times. We implemented food and logistics
8 to these individuals since they could not leave their posted area for extended
9 periods of time and most food, fuel, and personal facilities were closed due to
10 COVID, or electric power outages.
- 11 • Coordinating with multiple agencies – in addition to coordinating with CEHE,
12 the Company coordinated with TERC and deployed engineering staff into our
13 electric EOP group working with TERC and the Electric Reliability Council of
14 Texas to help stay ahead of the event.
- 15 • System monitoring - as traditional low points moved due to electric outages and
16 restoration timing, engineering staff continuously ran pressure scenarios to
17 model system performance and establish where to deploy resources and people
18 to maintain pressure.
- 19 • Curtailment validation – validating curtailment orders were executed and
20 verified for non-firm/non-human needs transport customers. We notified our
21 4,077 transportation customers through the 18 gas marketers of the curtailment
22 order. Of these, 64 customers were specifically notified by the CNP

1 Transportation Department to curtail or idle usage to provide capacity to firm
 2 human needs customers on those systems.

3 **Q. IN YOUR EXPERIENCE, HAS CERC EVER BEEN FACED WITH THE**
 4 **TYPE OF WINTER WEATHER CHALLENGE POSED BY WINTER**
 5 **STORM URI IN FEBRUARY OF 2021?**

6 A. No. Winter Storm Uri was a generational winter storm event that impacted CERC
 7 and other gas utilities across the country in ways that no previous storm ever has.
 8 The sheer size of Winter Storm Uri stressed utility systems in ways that we have
 9 never seen before. One of the easier ways to visualize the storm’s impact is to look
 10 at a map of temperatures during the event. The temperature map below is for
 11 February 16, 2021 – one of the middle days in the event.



1 **Q. DID CERC COMMUNICATE WITH ITS CUSTOMERS REGARDING**
2 **THE NEED FOR CONSERVATION DURING THE EVENT?**

3 A. Yes, 51 emails and 358 social media posts were executed to clarify restoration
4 efforts, provide safety tips, and address customer responses. CNP translated all
5 Power Alert Service and customer emails into Spanish. CNP also issued 25 news
6 releases and more than 150 media interviews, and more than 650 media reports
7 were published.

8 **Q. WAS CERC ABLE TO PROVIDE SAFE AND RELIABLE GAS SERVICE**
9 **TO ITS HUMAN NEEDS CUSTOMERS THROUGHOUT THE EVENT?**

10 A. Yes. Out of over 1.7 million customers served by gas operations, only 717
11 customers experienced temporary interruption of service due to equipment failure
12 at the city gate. In our Texas Coast Division, this included 200 customers in San
13 Leon and 237 customers in Crosby. In our East Texas Division, this included 80
14 customers in Betz and 200 customers in Jasper. These outages were due to either
15 localized equipment failure or instantaneous demand being too high when electric
16 operations restored power. In all cases, gas service was restored within 24 hours of
17 the outage after necessary safety checks were completed.

18 **Q. MR. WAGAMAN TESTIFIES REGARDING THE EXTRAORDINARY**
19 **GAS COSTS INCURRED DURING THE EVENT. FROM AN**
20 **OPERATIONS PERSPECTIVE, WAS THE GAS PURCHASED BY CERC**
21 **DURING THIS EVENT NECESSARY TO MEET HUMAN NEEDS**
22 **CUSTOMER DEMAND AND SUPPORT SYSTEM OPERATIONS?**

23 A. Yes.

1 **Q. WITHOUT THOSE GAS PURCHASES, WOULD CERC HAVE BEEN**
2 **ABLE TO ENSURE THE SAFE AND RELIABLE PROVISION OF**
3 **NATURAL GAS SERVICE TO ITS HUMAN NEEDS CUSTOMERS**
4 **DURING THE EVENT?**

5 A. No.

6 **Q. DID CERC PROCURE SUFFICIENT GAS SUPPLY TO PROVIDE**
7 **RELIABLE AND SAFE SERVICE TO CUSTOMERS THROUGHOUT**
8 **WINTER STORM URI?**

9 A. It did. As Mr. Wagaman explains and Ms. Johnson independently verifies, the
10 Company's gas supply plan was executed effectively throughout the event, as
11 evidenced by the fact none of the Company's customers were interrupted during
12 the storm due to issues related to procuring gas supply.

13 **VII. EXTRAORDINARY COSTS**

14 **Q. HAS CERC ESTABLISHED A REGULATORY ASSET TO RECORD**
15 **EXTRAORDINARY COSTS ASSOCIATED WITH THE EVENT?**

16 A. Yes. As explained by Ms. Kirk, CERC has established a regulatory asset account
17 to record the extraordinary costs incurred to provide natural gas service during the
18 Event. The total amount of CERC's extraordinary costs requested for securitization
19 and recovery is \$1,141,278,934.

20 **Q. WHAT EXTRAORDINARY COSTS HAVE BEEN INCLUDED IN THE**
21 **REGULATORY ASSET FOR COMMISSION REVIEW AND APPROVAL**
22 **IN THIS PROCEEDING?**

23 A. Pursuant to the Commission's June 17th Notice to Operators, the Company's
24 regulatory asset includes extraordinary gas procurement costs, commitment fees

1 associated with the financing of those costs, extraordinary legal and consulting
2 costs resulting from Winter Storm Uri and carrying costs from the date
3 extraordinary costs were incurred through August 31, 2022. Detailed schedules
4 supporting the Company's request are attached to Ms. Kirk's testimony and are
5 jointly sponsored as indicated by Ms. Kirk.

6 **Q. HOW DO THE COMPANY'S WITNESSES AND VARIOUS PERSONNEL**
7 **SUPPORT CENTERPOINT'S REQUEST FOR CUSTOMER RATE**
8 **RELIEF?**

9 A. Mr. Wagaman and Ms. Johnson sponsor and support the recovery of gas costs
10 associated with the event. Ms. Kirk sponsors the Company's books and records
11 and the amounts reflected in the exhibits and schedules attached to her testimony.
12 Mr. Brett Jerasa, an employee of Service Company, provides an affidavit in support
13 of the Company's commitment fee request and short-term carrying cost calculation.
14 Mr. Jerasa's affidavit is attached to the testimony of Ms. Kirk. Dr. Fairchild
15 demonstrates that securitization is in the public interest and sponsors the joint
16 schedules related to securitization. I support the reasonableness of the Company's
17 operational activities prior to, through and following the event. Attached to my
18 testimony are also affidavits from Mr. Patrick H. Peters, III and Ms. Judy Y. Liu,
19 Associate General Counsel with Service Company, supporting the additional legal
20 and consulting expenses that were incurred as a result of the event and the need for
21 this proceeding.

1 **Q. PLEASE DESCRIBE THE LEGAL AND CONSULTING EXPENSES FOR**
2 **WHICH CENTERPOINT SEEKS RECOVERY IN THIS PROCEEDING.**

3 A. The Company's legal and consulting expenses fall into two general categories:
4 (1) legal and consulting expenses associated with this proceeding and the
5 development of H.B. 1520 and (2) legal expenses associated with the Company's
6 review of invoices from gas suppliers related to the event. With respect to this
7 proceeding and H.B. 1520, CenterPoint has incurred and seeks recovery for legal
8 expenses related to the Texas securitization legislation (H.B. 1520) and the
9 development and support of this Application. CenterPoint has also requested legal
10 expenses associated with its retention of Susman Godfrey LLP to review invoices
11 from its gas suppliers related to the event and to represent the Company in any
12 negotiations or disputes relating to those invoices. All legal and consulting
13 expenses requested by the Company would not have been incurred but for Winter
14 Storm Uri. Any amounts deemed to be lobbying expenditures related were not
15 included in the Regulatory Asset and have been recorded below-the-line as required
16 by the Federal Energy Regulatory Commission.

17 **Q. HOW DO THESE COSTS DIFFER FROM NORMAL ONGOING LEGAL**
18 **AND CONSULTING EXPENSES?**

19 A. The Company typically recovers its gas costs through the PGA mechanism. In
20 response to the extraordinary gas costs incurred by utilities across the state, the
21 Legislature in passing H.B. 1520 has provided gas utilities and the Commission
22 with an alternative cost recovery mechanism in securitization. The unique and
23 complex nature of securitization resulted in the Company incurring costs that it

1 would not incur in connection with its PGA filings. Specifically, CenterPoint
2 retained Coffin Renner LLP (“Coffin Renner”) to provide legal services relating to
3 several issues resulting from Winter Storm Uri. Coffin Renner provided support
4 related to H.B. 1520 and the Company’s decision to participate in the securitization
5 process. The firm also provided assistance in preparing the Company’s Application
6 for customer rate relief and will provide representation throughout the proceeding
7 and in connection with the issuance of a financing order. CenterPoint also retained
8 the services of Enverus to independently evaluate the Company’s Gas Supply Plan
9 and its performance throughout Winter Storm Uri. The services of Dr. Fairchild
10 were retained to testify in support of the use of securitization. Finally, as discussed
11 by Mr. Wagaman, Susman Godfrey LLP was retained to ensure that gas invoices
12 received by the Company related to Winter Storm Uri were correct and reasonable.
13 None of these costs were incurred in the ordinary course of business and none of
14 these costs would have been incurred were it not for Winter Storm Uri and the need
15 for the Company to participate in the securitization process.

16 **Q. IS THE COMPANY PROVIDING DOCUMENTATION SUPPORTING**
17 **THESE LEGAL AND CONSULTING COSTS AS PART OF ITS FILED**
18 **APPLICATION?**

19 A. Yes, Ms. Kirk addresses the documentation supporting those costs in her testimony.

20 **Q. WHAT IS THE TOTAL AMOUNT OF ADDITIONAL LEGAL AND**
21 **CONSULTING EXPENSE THAT CENTERPOINT SEEKS RECOVERY IN**
22 **THIS THIS PROCEEDING?**

23 A. \$2,767,638.

1 **Q. WERE THESE LEGAL AND CONSULTING COSTS REASONABLY AND**
2 **NECESSARILY INCURRED IN RELATION TO THE SECURITIZATION**
3 **LEGISLATION AND PREPARATION OF THIS FILING?**

4 A. Yes. Attached to my testimony are the affidavits of Mr. Patrick H. Peters, Associate
5 General Counsel, Service Company, and Ms. Judy Y. Liu, Associate General
6 Counsel, Service Company, attesting to the reasonableness of these costs.

7 **VIII. SECURITIZATION**

8 **Q. ARE YOU FAMILIAR WITH THE SECURITIZATION PROCESS?**

9 A. Yes. Through CEHE, CNP has been involved in multiple securitization
10 proceedings over the past 20 years. In this proceeding, H.B. 1520, which was
11 signed into law on June 16, 2021, was enacted to authorize securitization financing
12 of extraordinary costs. Similar to the transition bonds and storm restoration bonds
13 that CNP has helped to fund in years past for CEHE, the reimbursement of CERC's
14 extraordinary costs through securitization will benefit customers.

15 **Q. IS CERC REQUIRED TO PARTICIPATE IN THE SECURITIZATION**
16 **PROCESS?**

17 A. No. Under the terms of H.B. 1520, gas utilities must choose to participate in the
18 securitization process. Otherwise, they may utilize existing recovery mechanisms
19 to seek recovery of these extraordinary costs. CERC is choosing to participate in
20 the securitization process because the issuance of bonds to pay for the extraordinary
21 gas costs benefits its customers.

1 **Q. HOW WOULD THE COMPANY RECOVER ITS EXTRAORDINARY GAS**
2 **COSTS IF IT DID NOT TO PARTICIPATE IN THE SECURITIZATION**
3 **PROCESS?**

4 A. All of CERC's operating divisions in Texas have PGA tariffs that authorize the
5 Company to recover the costs associated with procuring, storing, and transporting
6 gas to its customers. In addition to the monthly rate charged to customers for their
7 gas usage, the Company annually reconciles the difference between the Actual Gas
8 Cost Incurred and the Gas Cost Billed through the PGA. A reconciliation factor is
9 established to recover the difference and is applied to customer bills and recovered
10 over the subsequent 12 months to ensure that the Company neither over- nor under-
11 recovers its gas costs. Without the securitization recovery process, the Company
12 would include its extraordinary gas costs in the annual PGA reconciliation process
13 and recover those amounts from customers over the subsequent 12-month period.

14 **Q. WHAT IS THE ESTIMATED MONTHLY COST TO CUSTOMERS THAT**
15 **WILL RESULT FROM THE ISSUANCE OF CUSTOMER RATE RELIEF**
16 **BONDS?**

17 A. The estimated monthly cost associated with the securitization process is supported
18 by Dr. Fairchild and results in a volumetric rate of \$1.26 per Mcf.

1 **Q. WHAT IS THE ESTIMATED MONTHLY COST TO CUSTOMERS IF**
 2 **EXTRAORDINARY GAS COSTS WERE RECOVERED AS**
 3 **AUTHORIZED UNDER THE COMPANY'S GAS COST RECOVERY**
 4 **MECHANISMS?**

5 A. The estimated monthly cost for CERC customers, by division, is presented in the
 6 table below:

Line No.	Division	Customer Class	Average Monthly Usage (Mcf)	Customer Impact over 1-year Period per Mcf	Total Monthly Customer Impact over 1-Year Period
		(a)	(b)	(c)	(d) = (b)*(c)
1	Beaumont-East Texas	Residential	3	\$ 8.79	\$ 26.37
2		Commercial -Small	15	\$ 8.79	\$ 131.86
3		Commercial -Large	231	\$ 8.79	\$ 2,030.62
4	North East Texas - Tyler	Residential	4	\$ 11.24	\$ 44.96
5		Commercial -Small	15	\$ 11.24	\$ 168.59
6		Commercial -Large	365	\$ 11.24	\$ 4,102.39
7	South Texas	Residential	2	\$ 6.50	\$ 13.00
8		Commercial -Small	17	\$ 6.50	\$ 110.51
9		Commercial -Large	261	\$ 6.50	\$ 1,696.59
10	Houston	Residential	3	\$ 13.13	\$ 39.38
11		Commercial -Small	17	\$ 13.13	\$ 223.15
12		Commercial -Large	222	\$ 13.13	\$ 2,914.05
13	Texas Coast	Residential	3	\$ 13.13	\$ 39.38
14		Commercial -Small	14	\$ 13.13	\$ 183.77
15		Commercial -Large	233	\$ 12.86	\$ 2,997.06
16	Texarkana Incorporated	Residential	4	\$ 9.26	\$ 37.05
17		Commercial -Small	21	\$ 9.26	\$ 194.50
18	Texarkana Environs	Residential	4	\$ 9.26	\$ 37.05
19		Commercial -Small	67	\$ 9.26	\$ 620.55

7 **Q. WHAT WOULD THE ESTIMATED MONTHLY COST TO CUSTOMERS**
 8 **BE IF THE EXTRAORDINARY GAS COSTS WERE AMORTIZED AND**
 9 **RECOVERED THROUGH GAS COSTS CHARGED TO CUSTOMERS**
 10 **OVER A THREE-YEAR PERIOD?**

11 A. The estimated monthly cost for CERC customers, by division, if amortized and
 12 recovered over a three-year period is presented in the table below:

Line No.	Division	Customer Class	Average Monthly Usage (Mcf)	Customer Impact over 3-year Period per Mcf	Total Monthly Customer Impact over 1-Year Period
		(a)	(b)	(c)	(d) = (b)*(c)
1	Beaumont-East Texas	Residential	3	\$ 3.24	\$ 9.71
2		Commercial -Small	15	\$ 3.24	\$ 48.55
3		Commercial -Large	231	\$ 3.24	\$ 747.69
4	North East Texas - Tyler	Residential	4	\$ 4.13	\$ 16.53
5		Commercial -Small	15	\$ 4.13	\$ 61.99
6		Commercial -Large	365	\$ 4.13	\$ 1,508.42
7	South Texas	Residential	2	\$ 2.39	\$ 4.78
8		Commercial -Small	17	\$ 2.39	\$ 40.64
9		Commercial -Large	261	\$ 2.39	\$ 623.94
10	Houston	Residential	3	\$ 4.83	\$ 14.50
11		Commercial -Small	17	\$ 4.83	\$ 82.15
12		Commercial -Large	222	\$ 4.83	\$ 1,072.76
13	Texas Coast	Residential	3	\$ 4.83	\$ 14.50
14		Commercial -Small	14	\$ 4.83	\$ 67.65
15		Commercial -Large	233	\$ 4.74	\$ 1,103.32
16	Texarkana Incorporated	Residential	4	\$ 3.41	\$ 13.63
17		Commercial -Small	21	\$ 3.41	\$ 71.54
18	Texarkana Environs	Residential	4	\$ 3.41	\$ 13.63
19		Commercial -Small	67	\$ 3.41	\$ 228.26

1 **Q. HOW DO THE ESTIMATED MONTHLY COSTS TO CUSTOMERS**
2 **ABOVE COMPARE TO THE MONTHLY COSTS THAT MAY**
3 **OTHERWISE OCCUR IF THE COMMISSION APPROVES**
4 **SECURITIZATION FINANCING FOR THE COMPANY'S**
5 **EXTRAORDINARY COSTS?**

6 A. The table below compares the monthly costs associated with a one-year recovery
7 through the PGA and three-year recovery through the PGA with Dr. Fairchild's
8 analysis of securitization financing.

Line No.	Division	Customer Class	Total Monthly Customer Impact over 1-Year Period	Total Monthly Customer Impact over 3-Year Period	Total Monthly Customer Impact of Securitization
1	Beaumont-East Texas	Residential	\$ 26.37	\$ 9.71	\$ 3.78
2		Commercial -Small	\$ 131.86	\$ 48.55	\$ 18.90
3		Commercial -Large	\$ 2,030.62	\$ 747.69	\$ 291.06
4	North East Texas - Tyler	Residential	\$ 44.96	\$ 16.53	\$ 5.04
5		Commercial -Small	\$ 168.59	\$ 61.99	\$ 18.90
6		Commercial -Large	\$ 4,102.39	\$ 1,508.42	\$ 459.90
7	South Texas	Residential	\$ 13.00	\$ 4.78	\$ 2.52
8		Commercial -Small	\$ 110.51	\$ 40.64	\$ 21.42
9		Commercial -Large	\$ 1,696.59	\$ 623.94	\$ 328.86
10	Houston	Residential	\$ 39.38	\$ 14.50	\$ 3.78
11		Commercial -Small	\$ 223.15	\$ 82.15	\$ 21.42
12		Commercial -Large	\$ 2,914.05	\$ 1,072.76	\$ 279.72
13	Texas Coast	Residential	\$ 39.38	\$ 14.50	\$ 3.78
14		Commercial -Small	\$ 183.77	\$ 67.65	\$ 17.64
15		Commercial -Large	\$ 2,997.06	\$ 1,103.32	\$ 293.58
16	Texarkana Incorporated	Residential	\$ 37.05	\$ 13.63	\$ 5.04
17		Commercial -Small	\$ 194.50	\$ 71.54	\$ 26.46
18	Texarkana Environs	Residential	\$ 37.05	\$ 13.63	\$ 5.04
19		Commercial -Small	\$ 620.55	\$ 228.26	\$ 84.42

1 **Q. IS SECURITIZATION THE MOST COST-EFFECTIVE METHOD OF**
2 **FUNDING THE REGULATORY ASSET REIMBURSEMENT TO CERC?**

3 A. Yes. As explained by Dr. Fairchild and supported by the comparisons in the tables
4 above, securitization, through the issuance of customer rate relief bonds, is the most
5 cost-effective method of funding regulatory asset reimbursements when viewed
6 from a customer affordability perspective.

7 **Q. WILL OTHER TANGIBLE AND QUANTIFIABLE CUSTOMER**
8 **BENEFITS BE REALIZED THROUGH SECURITIZATION FINANCING?**

9 A. Yes. As explained by Dr. Fairchild, use of the securitization process is expected to
10 result in a AAA bond rating, which means that the carrying cost (i.e. interest rate)
11 paid by customers will be lower than if CERC was to finance this debt.
12 Securitization financing will also remove the debt associated with these

1 extraordinary costs from CERC's balance sheet, which will support the Company's
2 credit rating. Maintenance of an investment grade credit rating will ensure that
3 CERC can continue to make necessary investments in system safety and reliability.

4 **Q. IF SECURITIZATION FINANCING IS NOT AUTHORIZED BY THE**
5 **COMMISSION, HOW DOES CERC PROPOSE TO RECOVER ITS**
6 **EXTRAORDINARY GAS COSTS?**

7 A. If the Commission does not authorize securitization financing, the Company
8 requests that the Commission issue a regulatory asset determination for each of its
9 division's extraordinary gas costs and that the Company be authorized to recover
10 those costs over a three-year period via a uniform, volumetric rate that will be
11 recovered through the Company's PGA tariffs.

12 **Q. WHEN VIEWED IN LIGHT OF ALL OTHER COST RECOVERY**
13 **ALTERNATIVES IS SECURITIZATION FINANCING IN THE PUBLIC**
14 **INTEREST AND DOES IT MEET THE STATED PURPOSES OF**
15 **SUBCHAPTER I, CHAPTER 104 OF GURA?**

16 A. Yes.

17 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

18 A. Yes.

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

AFFIDAVIT OF PATRICK H. PETERS III

Before me, the undersigned authority, on this date personally appeared Patrick H. Peters III, known to me to be the person whose name is subscribed below, and being by me first duly sworn, stated upon oath as follows:

1. “My name is Patrick H. Peters III. I am over 18 years of age, of sound mind, and fully competent to make this affidavit. Each statement of fact herein is true and of my own personal knowledge. I am employed by CenterPoint Energy Services Company, LLC, a subsidiary of CenterPoint Energy, Inc. (“CNP”).

2. I received BA and BBA degrees from the University of Texas at Austin and a JD degree from the University of Michigan Law School. I have been a licensed attorney in the state of Texas for approximately 17 years. My prior work experience includes Baker Botts LLP, the Public Utility Commission of Texas, and the Electric Reliability Council of Texas, Inc.

3. I have been employed by CenterPoint Energy Service Company, LLC for approximately 6 years. I have represented CNP in various matters, including its natural gas utility business in Texas, CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex, CenterPoint Energy Arkla and CenterPoint Energy Texas Gas (“CenterPoint” or the “Company”), and its electric utility business in Texas, CenterPoint Energy Houston Electric, LLC (“CEHE”).

4. Over the course of my career, I have appeared in numerous regulatory matters and have hired and managed outside counsel and testifying and consulting experts for those matters. As an Associate General Counsel for CenterPoint Energy Service Company, LLC, I have been responsible for reviewing and approving invoices from outside law firms and consultants.

5. As an Associate General Counsel for CenterPoint Energy Service Company, LLC, which is responsible for providing legal services to all business units of CenterPoint Energy, Inc., a Fortune 500 corporation, I am familiar with the rates of a broad range of lawyers and consultants, both those at small and large firms and solo practitioners, including the rates charged by such attorneys and consultants for work on regulatory matters.

6. Mark Santos and the firm of Coffin Renner LP (“CR”) were retained by the Company to provide legal services related to Winter Storm Uri in February of 2021 and to serve as counsel of record in this proceeding. The CR attorneys who worked on this matter have extensive experience representing utilities before the Railroad Commission of Texas (“Commission”). The firm of Baker Botts LLP also provided a minor amount of legal services to the Company related to Winter Storm Uri.

7. Enverus Consulting, and specifically, Ms. Bernadette Johnson, were retained by the Company to provide analysis and testimony summarizing the natural gas market conditions encountered by CERC during Winter Storm Uri and to provide an independent third-party review of how the Company's Gas Supply Plan functioned during the storm. Bruce Fairchild, a principal with Financial Concepts and Applications, Inc. ("FINCAP"), was also retained by joint utilities to analyze and provide testimony on whether the use of securitization financing will provide tangible and quantifiable benefits to customers, greater than would be achieved absent the issuance of customer rate relief bonds.
8. Mark Santos is the primary lawyer at CR representing CenterPoint in the Winter Storm Uri Customer Rate Relief filing. Mr. Santos has represented CNP as outside counsel in various Commission and other regulatory proceedings for over 10 years. Moreover, Mr. Santos also represents other utility clients before the Commission and other regulatory bodies. Mr. Santos is therefore knowledgeable of and skilled in Commission practices and procedures.
9. Mr. Santos has also been the lead outside lawyer for CenterPoint in each of its recent rate filings since 2015. Of CenterPoint's outside counsel, he is the most knowledgeable concerning the Company's natural gas rate issues in Texas.
10. I have personally reviewed the CR, Baker Botts, Enverus, and FINCAP invoices submitted for recovery on behalf of the Company.
11. I reviewed the above-referenced legal invoices taking into consideration the eight factors listed in Rule 1.04(b) of the Texas Disciplinary Rules of Professional Conduct:
 - (1) the time and labor required, novelty and difficulty of the questions involved and the skill requisite to perform the legal services properly;
 - (2) the likelihood that acceptance of employment will preclude other employment by the attorney;
 - (3) the customary fee charged in the locality for similar legal services;
 - (4) the amount of time involved and result achieved;
 - (5) time limitation imposed by the client or circumstances;
 - (6) the nature and length of the professional relationship with the client;
 - (7) the experience, reputation and ability of the lawyers involved; and
 - (8) whether the fee is fixed or contingent or uncertain of collection before the legal services are rendered.
12. I considered the factors delineated by the Third Court of Appeals in *City of El Paso v. Public Utility Comm'n of Texas*, 916 S.W.2d 515 (Tex. App.—Austin 1995, writ dismissed by agr.):
 - (1) time and labor required;
 - (2) nature and complexity of the case;
 - (3) amount of money or value of property or interest at stake;
 - (4) extent of responsibilities the attorney assumes;

- (5) whether the attorney loses other employment because of the undertaking;
and
 - (6) benefits to the client from the services.
13. As noted above, I am familiar with the rates for utility regulatory work in Texas and elsewhere. Generally speaking, the rates charged by any individual lawyer typically vary based on the level of experience possessed by the lawyer performing the work, the size and reputation of the law firm in which the lawyer works, and the technical nature of the work performed. While the hourly rate charged by outside counsel for work in this case is an important factor, it is only one of many important factors to be considered. Equally important are factors such as the number of hours worked, the complexity of the issues involved, and the experience of the lawyers involved. That is, an experienced lawyer in a complex case with an hourly rate at the high end of the range may be able to more efficiently do the work than a less experienced lawyer with an hourly rate at the low- or mid-point of the hourly rate range, such that the total amount paid at the end of the day is reasonable, even if the hourly rates are at the high end of the range. Similarly, a lawyer working at an hourly rate at the low- or mid-point of the range may have spent so many hours on a matter that the total amount paid is not reasonable, even though the hourly rate is low.
14. I am familiar with many regulatory lawyers in the Texas bar, and the lawyers at CR and Baker Botts enjoy excellent reputations for providing a high level of quality work on both complex and routine appellate matters. CR and Baker Botts work on matters of significant importance to Fortune 500 clients. In my experience, the hourly rates of CR and Baker Botts are consistent with other Texas lawyers performing similar work in Texas. Rates for lawyers in the regulatory field, in my experience, have recently ranged, depending on the experience of the lawyer between \$300 to more than \$800 (and sometimes more for very specialized subject matters, like tax regulatory work). The rates for CR and Baker Botts' work in this proceeding are in the expected range.
15. The rates charged by CR and Baker Botts in this proceeding are the same hourly rates the law firm charged the Company and its affiliates for other matters I am familiar with, including matters for which rate case expense reimbursement was not available.
16. In my opinion, the hourly rates charged by CR and Baker Botts are reasonable and in the range of rates charged in Texas by firms with the same level of depth and expertise. Similarly, in my opinion, the other expenses charged by CR and Baker Botts (i.e. copying, delivery service, etc.) are also reasonable and in line with costs charged by other law firms providing these types of legal services.
17. I am also familiar with the rates charged by consultants such as Enverus and Dr. Fairchild in regulatory proceedings. Enverus and Dr. Fairchild also have excellent reputations for providing high level of quality work in regulatory proceedings and the rates charged by Enverus and Dr. Fairchild are reasonable and in the range of rates charged by consulting firms with the same level of depth and expertise. In

my opinion, the rates charged by Enverus and CenterPoint's share of the rates charged by Dr. Fairchild are reasonable.

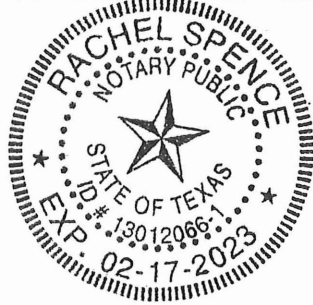
18. Included with the Company's Application and in support of Exhibit MAK-4 at Schedule D are invoices supporting \$326,690 in actual legal and consulting expense incurred by CenterPoint through June 2021 for legal and consulting services rendered in connection with Winter Storm Uri and this proceeding. In addition, based on my experience in participating in Commission proceedings and my knowledge of issues likely to be raised, I estimate that the total legal and consulting expenses incurred for the completion of this docket and any related financing order proceeding will be approximately \$525,000 and the estimated professional fees will be approximately \$175,001. CenterPoint will update its actual and estimated legal and consulting expenses and professional fees over the course of this proceeding.
19. The legal and consulting expenses that CenterPoint seeks to recover qualify as extraordinary costs because these legal and consulting services would not have been necessary but for Winter Storm Uri. Both during and after Winter Storm Uri, the services provided have exclusively focused on CenterPoint's activities during Winter Storm Uri, ensuring recovery of extraordinary costs associated with the storm, and efforts to develop and implement the customer rate relief authorized in H.B. 1520.
20. With regard to the customer rate relief and regulatory asset determination proceeding, CR's, Enverus', and Dr. Fairchild's services were engaged to obtain customer rate relief and a regulatory asset determination regarding extraordinary costs incurred to provide service during Winter Storm Uri and to participate in securitization pursuant to H.B. 1520. The activities performed and that are expected to be performed are reasonable and necessary for the presentation and processing of the Company's Application for Customer Rate Relief and Related Regulatory Asset Determination. These services have or will include the preparation of testimony and exhibits, responses to discovery, attendance at meetings with participating parties, and the drafting of various pleadings throughout the proceeding.
21. I have reviewed the billings of CR, Baker Botts, Enverus, and Dr. Fairchild submitted to the Company for legal and consulting services performed in providing legal and consulting services to CenterPoint related to Winter Storm Uri and the regulatory asset determination proceeding and I affirm that those billings accurately reflect the time spent and expenditures incurred by CR, Baker Botts, Enverus, and Dr. Fairchild on CenterPoint's behalf. The charges and rates of the firms are reasonable and consistent with those billed by others for similar work, and the legal and consulting rates charged are comparable to rates charged by other professionals with the same level of expertise and experience and commensurate with the complexity of the issues in the proceeding. The charges as calculated are correct and there was no duplication of services and no double billing of charges.
22. Based upon my experience and review of the work done in this proceeding and the invoices of CR, Baker Botts, Enverus, and Dr. Fairchild, I believe that the work performed was necessary, and the time and labor to do the work was reasonable and commensurate with the nature, extent, difficulty, and complexity of the work done.

23. No portion of fees or expenses are for luxury items, such as limousine service, sporting events, alcoholic beverages, hotel movies, or other entertainment. The charges for copies, printing, overnight courier service, transcripts, and other expenses and costs were necessary for the prosecution of the case and are reasonable.”

Patrick H. Peters III

Patrick H. Peters III

SWORN AND SUBSCRIBED before me on this 27 day of July 2021.



Rachel Spence

Notary Public in and for the State of Texas

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

AFFIDAVIT OF JUDY Y. LIU

Before me, the undersigned authority, on this date personally appeared Judy Y. Liu, known to me to be the person whose name is subscribed below, and being by me first duly sworn, stated upon oath as follows:

1. “My name is Judy Y. Liu. I am over 18 years of age, of sound mind, and fully competent to make this affidavit. Each statement of fact herein is true and of my own personal knowledge. I am employed by CenterPoint Energy Service Company, LLC, a subsidiary of CenterPoint Energy, Inc. (“CNP”).
2. After law school, I joined the Houston office of Baker Botts L.L.P. As an associate in the Trial Department, I handled litigation and appellate matters in state and federal courts during my five years at Baker Botts.
3. I have been employed by CenterPoint Energy Service Company, LLC for approximately 18 years. In my various roles in the Legal Department, I have managed significant litigation for the Company in addition to advising management on a broad range of issues affecting our business and operations.
4. Over the course of my career, I have appeared, and hired and managed outside counsel and testifying and consulting experts, in numerous matters. As an Associate General Counsel for CenterPoint Energy Service Company, LLC, I have been responsible for reviewing and approving invoices from outside law firms and consultants.
5. As an Associate General Counsel for CenterPoint Energy Service Company, LLC, which is responsible for providing legal services to all business units of CNP, a Fortune 500 corporation, I am familiar with the rates of a broad range of lawyers and consultants, both those at small and large firms and solo practitioners, including the rates charged by such attorneys and consultants for work on regulatory matters.
6. Vineet Bhatia, Shawn Raymond, and Weston O’Black and the firm of Susman Godfrey LLP (“Susman”) were retained by CNP and CenterPoint Energy Resources Corp. (“CERC” or the “Company”) to provide legal services and advice related to the natural gas invoices and charges received by CERC from various suppliers during Winter Storm Uri. The Susman attorneys who worked on this matter have extensive experience representing parties in complex commercial litigation matters.
7. I have personally reviewed the Susman invoices submitted for recovery on behalf of the Company.

8. In deciding to retain Susman, CNP and CERC took into consideration the eight factors listed in Rule 1.04(b) of the Texas Disciplinary Rules of Professional Conduct:
 - (1) the time and labor required, novelty and difficulty of the questions involved and the skill requisite to perform the legal services properly;
 - (2) the likelihood that acceptance of employment will preclude other employment by the attorney;
 - (3) the customary fee charged in the locality for similar legal services;
 - (4) the amount of time involved and result achieved;
 - (5) time limitation imposed by the client or circumstances;
 - (6) the nature and length of the professional relationship with the client;
 - (7) the experience, reputation and ability of the lawyers involved; and
 - (8) whether the fee is fixed or contingent or uncertain of collection before the legal services are rendered.

9. CNP and CERC also considered the factors delineated by the Third Court of Appeals in *City of El Paso v. Public Utility Comm'n of Texas*, 916 S.W.2d 515 (Tex. App.—Austin 1995, writ dism'd by agr.):
 - (1) time and labor required;
 - (2) nature and complexity of the case;
 - (3) amount of money or value of property or interest at stake;
 - (4) extent of responsibilities the attorney assumes;
 - (5) whether the attorney loses other employment because of the undertaking; and
 - (6) benefits to the client from the services.

10. As noted above, I am familiar with fee arrangements, including alternative fee arrangements, for litigation counsel in Texas and elsewhere. Generally speaking, the rates charged or fee arrangement entered into with any individual lawyer or law firm will typically vary based on the level of experience possessed by the lawyer or firm performing the work, the size and reputation of the law firm in which the lawyer works, and the technical nature of the work performed. While the total fee paid to Susman for work in this case is an important factor, it is only one of many important factors to be considered. Equally important are factors such as the number of hours worked, the complexity of the issues involved, and the experience of the lawyers involved. That is, an experienced law firm in a complex case working through a fee arrangement, such as that agreed to between the CNP and CERC and Susman, may be able to more efficiently do the work and help to reach a more favorable resolution more quickly than a law firm working under an hourly-based fee arrangement.

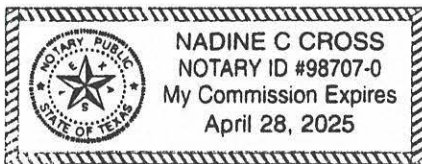
11. I am familiar with many litigation lawyers in the Texas bar, and the lawyers at Susman enjoy excellent reputations for providing a high level of quality work on both complex and routine litigation matters. Susman works on matters of significant importance to Fortune 500 clients. In my experience, the fee arrangement with Susman is consistent with other Texas firms performing similar work in Texas.

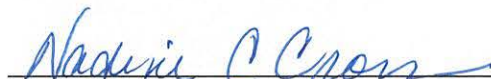
12. In my opinion, the fees paid to Susman are reasonable and in the range of fees charged in Texas by firms with the same level of depth and expertise. The fees are also reasonable in light of the total amount of gas costs at issue in the matters handled by Susman and in light of the reduced gas cost amounts achieved by the Company as a result of Susman's representation. Similarly, in my opinion, the other expenses charged by Susman (i.e., copying, delivery service, etc.) are also reasonable and in line with costs charged by other law firms providing these types of legal services.
13. Included with the Company's Application and in support of Exhibit MAK-4 at Schedule D are invoices supporting \$540,947 in actual legal and consulting expenses incurred by the Company through June 2021 and \$1,200,000 estimated fees for legal and consulting services rendered in connection with Winter Storm Uri. The Company will update its actual and estimated legal and consulting expenses over the course of this proceeding.
14. The Susman legal expenses that the Company seeks to recover qualify as extraordinary costs because these legal and consulting services would not have been necessary but for Winter Storm Uri.
15. I have reviewed the billings of Susman submitted to CNP and CERC for legal and consulting services performed in providing legal and consulting services related to Winter Storm Uri and I affirm that those billings accurately reflect the agreement between Susman and CNP and CERC. The fee is reasonable and consistent with those charged by others for similar work and having the same level of expertise and experience with complex commercial issues. The charges as calculated are correct and there was no duplication of services and no double billing of charges.
16. Based upon my experience and review of the work done by Susman and the related invoices, I believe that the work performed was necessary, and the time and labor to do the work was reasonable and commensurate with the nature, extent, difficulty, and complexity of the work done.
17. No portion of fees or expenses are for luxury items, such as limousine service, sporting events, alcoholic beverages, hotel movies, or other entertainment. The charges for copies, printing, overnight courier service, transcripts, and other expenses and costs were necessary for the prosecution of the case and are reasonable."



 Judy Y. Liu

SWORN AND SUBSCRIBED before me on this 27th day of July 2021.





 Notary Public in and for the State of Texas

STATE OF TEXAS
COUNTY OF HARRIS

§
§
§


AFFIDAVIT OF TALMADGE CENTERS, JR.

BEFORE ME, the undersigned authority, on this day personally appeared Talmadge Centers, Jr. who having been placed under oath by me did depose as follows:

1. “My name is Talmadge Centers, Jr. I am over the age of eighteen (18) and fully competent to make this affidavit. I am employed as Vice President – Regional Gas Operations for CenterPoint Energy Resources Corp. The facts stated herein are true and correct based upon my personal knowledge.


2. I have prepared the foregoing Direct Testimony and the information contained in this document is true and correct to the best of my knowledge.”

Further affiant sayeth not.

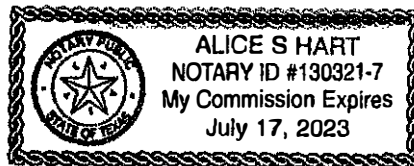


Talmadge Centers, Jr.

SUBSCRIBED AND SWORN TO BEFORE ME by the said Talmadge Centers, Jr. on this 22nd day of July 2021.



Notary Public in and for the State of Texas



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1 AN ACT

2 relating to certain extraordinary costs incurred by certain gas
3 utilities relating to Winter Storm Uri and a study of measures to
4 mitigate similar future costs; providing authority to issue bonds
5 and impose fees and assessments.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

7 SECTION 1. Section 1232.002, Government Code, is amended to
8 read as follows:

9 Sec. 1232.002. PURPOSE. The purpose of this chapter is to
10 provide a method of financing for:

11 (1) the acquisition or construction of buildings;
12 [~~and~~]

13 (2) the purchase or lease of equipment by executive or
14 judicial branch state agencies; and

15 (3) customer rate relief bonds authorized by the
16 Railroad Commission of Texas in accordance with Subchapter I,
17 Chapter 104, Utilities Code.

18 SECTION 2. Section 1232.066(a), Government Code, is amended
19 to read as follows:

20 (a) The board's authority under this chapter is limited to
21 the financing of:

22 (1) the acquisition or construction of a building;

23 (2) the purchase or lease of equipment; [~~or~~]

24 (3) stranded costs of a municipal power agency; or

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1 (4) customer rate relief bonds approved by the
2 Railroad Commission of Texas in accordance with Subchapter I,
3 Chapter 104, Utilities Code.

4 SECTION 3. Subchapter C, Chapter 1232, Government Code, is
5 amended by adding Section 1232.1072 to read as follows:

6 Sec. 1232.1072. ISSUANCE OF OBLIGATIONS FOR FINANCING
7 CUSTOMER RATE RELIEF PROPERTY. (a) The definitions in Section
8 104.362, Utilities Code, apply to terms used in this section.

9 (b) The authority may create an issuing financing entity for
10 the purpose of issuing customer rate relief bonds approved by the
11 Railroad Commission of Texas in a financing order, as provided by
12 Subchapter I, Chapter 104, Utilities Code.

13 (c) An issuing financing entity created under this section
14 is a duly constituted public authority and instrumentality of the
15 state and is authorized to issue customer rate relief bonds on
16 behalf of the state for the purposes of Section 103, Internal
17 Revenue Code of 1986 (26 U.S.C. Section 103).

18 (d) The issuing financing entity must be governed by a
19 governing board of three members appointed by the authority. A
20 member of the governing board may be a current or former director of
21 the authority. A member of the governing board serves without
22 compensation but is entitled to reimbursement for travel expenses
23 incurred in attending board meetings.

24 (e) The issuing financing entity must be formed in
25 accordance with, be governed by, and have the powers, rights, and
26 privileges provided for a nonprofit corporation organized under the
27 Business Organizations Code, including Chapter 22 of that code,

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1 subject to the express exceptions and limitations provided by this
2 section and Subchapter I, Chapter 104, Utilities Code. A single
3 organizer selected by the executive director of the authority shall
4 prepare the certificate of formation of the issuing financing
5 entity under Chapters 3 and 22, Business Organizations Code. The
6 certificate of formation must be consistent with the provisions of
7 this section.

8 (f) The authority shall establish the issuing financing
9 entity to act on behalf of the state as its duly constituted
10 authority and instrumentality to issue customer rate relief bonds
11 approved under Subchapter I, Chapter 104, Utilities Code.

12 (g) On a request to the authority from the Railroad
13 Commission of Texas, the authority shall direct an issuing
14 financing entity to issue customer rate relief bonds in accordance
15 with a financing order issued by the railroad commission as
16 provided in Subchapter I, Chapter 104, Utilities Code.

17 (h) Before the issuance of any customer rate relief bonds,
18 the authority and the Railroad Commission of Texas shall ensure
19 that adequate provision is made in any financing order for the
20 recovery of all issuance costs and all other fees, costs, and
21 expenses of the authority, the issuing financing entity, and any
22 advisors or counsel hired by the authority or the entity for the
23 purposes of this section during the life of the customer rate relief
24 bonds.

25 (i) Customer rate relief bonds are limited obligations of
26 the issuing financing entity payable solely from customer rate
27 relief property and any other money pledged by the issuing

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1 financing entity to the payment of the bonds and are not a debt of
2 this state, the Railroad Commission of Texas, the authority, or a
3 gas utility.

4 (j) The Railroad Commission of Texas shall ensure that
5 customer rate relief charges are imposed, collected, and enforced
6 in an amount sufficient to pay on a timely basis all bond
7 obligations, financing costs, and bond administrative expenses
8 associated with any issuance of customer rate relief bonds.

9 (k) The authority and the Railroad Commission of Texas have
10 all the powers necessary to perform the duties and responsibilities
11 described by this section. This section shall be interpreted
12 broadly in a manner consistent with the most cost-effective
13 financing of customer rate relief property, including regulatory
14 assets, extraordinary costs, and related financing costs approved
15 by the Railroad Commission of Texas in accordance with Subchapter
16 I, Chapter 104, Utilities Code.

17 (l) Any interest on the customer rate relief bonds is not
18 subject to taxation by and may not be included as part of the
19 measurement of a tax by this state or a political subdivision of
20 this state.

21 (m) The authority shall make periodic reports to the
22 Railroad Commission of Texas and the public regarding each
23 financing made in accordance with Section 104.373(b), Utilities
24 Code, and if required by the applicable financing order.

25 (n) The issuing financing entity shall issue customer rate
26 relief bonds in accordance with and subject to other provisions of
27 Title 9 applicable to the authority.

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1 (o) The issuing financing entity may exercise the powers
2 granted to the governing body of an issuer with regard to the
3 issuance of obligations and the execution of credit agreements
4 under Chapter 1371. A purpose for which bonds, obligations, or
5 other evidences of indebtedness are issued under this section and
6 Subchapter I, Chapter 104, Utilities Code, constitutes an eligible
7 project for purposes of Chapter 1371 of this code.

8 (p) Assets of an issuing financing entity may not be
9 considered part of any state fund and must be held outside the state
10 treasury. The liabilities of the issuing financing entity may not
11 be considered to be a debt of the state or a pledge of the state's
12 credit. An issuing financing entity must be self-funded from
13 customer rate relief property and established in accordance with
14 Subchapter I, Chapter 104, Utilities Code. A state agency may
15 provide money appropriated for the purpose to the issuing financing
16 entity to provide for initial operational expenses of the issuing
17 financing entity.

18 SECTION 4. Section 1232.108, Government Code, is amended to
19 read as follows:

20 Sec. 1232.108. LEGISLATIVE AUTHORIZATION REQUIRED. Except
21 as permitted by Section 1232.1072, 1232.109, 2166.452, or 2166.453,
22 before the board may issue and sell bonds, the legislature by the
23 General Appropriations Act or other law must have authorized:

24 (1) the specific project for which the bonds are to be
25 issued and sold; and

26 (2) the estimated cost of the project or the maximum
27 amount of bonded indebtedness that may be incurred by the issuance

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1 and sale of bonds for the project.

2 SECTION 5. Chapter 104, Utilities Code, is amended by
3 adding Subchapter I to read as follows:

4 SUBCHAPTER I. CUSTOMER RATE RELIEF BONDS

5 Sec. 104.361. PURPOSE; RAILROAD COMMISSION DUTY. (a) The
6 purpose of this subchapter is to reduce the cost that customers
7 would otherwise experience because of extraordinary costs that gas
8 utilities incurred to secure gas supply and provide service during
9 Winter Storm Uri, and to restore gas utility systems after that
10 event, by providing securitization financing for gas utilities to
11 recover those costs. The securitization financing mechanism
12 authorized by this subchapter will:

13 (1) provide rate relief to customers by extending the
14 period during which the costs described by this subsection are
15 recovered from customers; and

16 (2) support the financial strength and stability of
17 gas utility companies.

18 (b) The railroad commission shall ensure that
19 securitization provides tangible and quantifiable benefits to
20 customers, greater than would have been achieved absent the
21 issuance of customer rate relief bonds.

22 Sec. 104.362. DEFINITIONS. In this subchapter:

23 (1) "Ancillary agreement" means a financial
24 arrangement entered into in connection with the issuance or payment
25 of customer rate relief bonds that enhances the marketability,
26 security, or creditworthiness of customer rate relief bonds,
27 including a bond, insurance policy, letter of credit, reserve

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1 account, surety bond, interest rate or currency swap arrangement,
2 interest rate lock agreement, forward payment conversion
3 agreement, credit agreement, other hedging arrangement, or
4 liquidity or credit support arrangement.

5 (2) "Authority" means the Texas Public Finance
6 Authority.

7 (3) "Bond administrative expenses" means all costs and
8 expenses incurred by the railroad commission, the authority, or any
9 issuing financing entity to evaluate, issue, and administer
10 customer rate relief bonds issued under this subchapter, including
11 fees and expenses of the authority, any bond administrator, and the
12 issuing financing entity, fees for paying agents, trustees, and
13 attorneys, and fees for paying for other consulting and
14 professional services necessary to ensure compliance with this
15 subchapter, applicable state or federal law, and the terms of the
16 financing order.

17 (4) "Bond obligations" means the principal of a
18 customer rate relief bond and any premium and interest on a customer
19 rate relief bond issued under this subchapter, together with any
20 amount owed under a related ancillary agreement or credit
21 agreement.

22 (5) "Credit agreement" has the meaning assigned by
23 Section 1371.001, Government Code.

24 (6) "Customer rate relief bonds" means bonds, notes,
25 certificates, or other evidence of indebtedness or ownership the
26 proceeds of which are used directly or indirectly to recover,
27 finance, or refinance regulatory assets approved by the railroad

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1 commission, including extraordinary costs and related financing
2 costs, and that are:

3 (A) issued by an issuing financing entity under a
4 financing order; and

5 (B) payable from and secured by customer rate
6 relief property and amounts on deposit in any trust accounts
7 established for the benefit of the customer rate relief bondholders
8 as approved by the applicable financing order.

9 (7) "Customer rate relief charges" means the amounts
10 authorized by the railroad commission as nonbypassable charges to
11 repay, finance, or refinance regulatory assets, including
12 extraordinary costs, financing costs, bond administrative
13 expenses, and other costs authorized by the financing order:

14 (A) imposed on and included in customer bills of
15 a gas utility that has received a regulatory asset determination
16 under Section 104.365;

17 (B) collected in full by a gas utility that has
18 received a regulatory asset determination under Section 104.365, or
19 its successors or assignees, or a collection agent, as servicer,
20 separate and apart from the gas utility's base rates; and

21 (C) paid by all existing or future customers
22 receiving service from a gas utility that has received a regulatory
23 asset determination under Section 104.365 or its successors or
24 assignees, even if a customer elects to purchase gas from an
25 alternative gas supplier.

26 (8) "Customer rate relief property" means:

27 (A) all rights and interests of an issuing

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1 financing entity or any successor under a financing order,
2 including the right to impose, bill, collect, and receive customer
3 rate relief charges authorized in the financing order and to obtain
4 periodic adjustments to those customer rate relief charges as
5 provided in the financing order and in accordance with Section
6 104.370; and

7 (B) all revenues, collections, claims, rights to
8 payments, payments, money, or proceeds arising from the rights and
9 interests specified by Paragraph (A), regardless of whether the
10 revenues, collections, claims, rights to payments, payments,
11 money, or proceeds are imposed, billed, received, collected, or
12 maintained together with or commingled with other revenues,
13 collections, rights to payments, payments, money, or proceeds.

14 (9) "Financing costs" means any of the following:

15 (A) interest and acquisition, defeasance, or
16 redemption premiums that are payable on customer rate relief bonds;

17 (B) a payment required under an ancillary
18 agreement or credit agreement or an amount required to fund or
19 replenish reserve or other accounts established under the terms of
20 an indenture, ancillary agreement, or other financing document
21 pertaining to customer rate relief bonds;

22 (C) issuance costs or ongoing costs related to
23 supporting, repaying, servicing, or refunding customer rate relief
24 bonds, including servicing fees, accounting or auditing fees,
25 trustee fees, legal fees or expenses, consulting fees,
26 administrative fees, printing fees, financial advisor fees or
27 expenses, Securities and Exchange Commission registration fees,

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1 issuer fees, bond administrative expenses, placement and
2 underwriting fees, capitalized interest, overcollateralization
3 funding requirements including amounts to fund or replenish any
4 reserve established for a series of customer rate relief bonds,
5 rating agency fees, stock exchange listing and compliance fees,
6 filing fees, and any other bond administrative expenses; and

7 (D) the costs to the railroad commission of
8 acquiring professional or consulting services for the purpose of
9 evaluating extraordinary costs under this subchapter.

10 (10) "Financing order" means an order adopted under
11 Section 104.366 approving the issuance of customer rate relief
12 bonds and the creation of customer rate relief property and
13 associated customer rate relief charges for the recovery of
14 regulatory assets, including extraordinary costs, related
15 financing costs, and other costs authorized by the financing order.

16 (11) "Financing party" means a holder of customer rate
17 relief bonds, including a trustee, a pledgee, a collateral agent,
18 any party under an ancillary agreement, or other person acting for
19 the holder's benefit.

20 (12) "Gas utility" means:

21 (A) an operator of natural gas distribution
22 pipelines that delivers and sells natural gas to the public and that
23 is subject to the railroad commission's jurisdiction under Section
24 102.001; or

25 (B) an operator that transmits, transports,
26 delivers, or sells natural gas or synthetic natural gas to
27 operators of natural gas distribution pipelines and whose rates for

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1 those services are established by the railroad commission in a rate
2 proceeding filed under this chapter.

3 (13) "Issuing financing entity" means a special
4 purpose nonmember, nonstock, nonprofit public corporation
5 established by the authority under Section 1232.1072, Government
6 Code.

7 (14) "Nonbypassable" means a charge that:

8 (A) must be paid by all existing or future
9 customers receiving service from a gas utility that has received a
10 regulatory asset determination under Section 104.365 or the gas
11 utility's successors or assignees, even if a customer elects to
12 purchase gas from an alternative gas supplier; and

13 (B) may not be offset by any credit.

14 (15) "Normalized market pricing" means the average
15 monthly pricing at the Henry Hub for the three months immediately
16 preceding the month during which extraordinary costs were incurred,
17 plus contractual adders to the index price and other non-indexed
18 gas procurement costs.

19 (16) "Regulatory asset" includes extraordinary costs:

20 (A) recorded by a gas utility in the utility's
21 books and records in accordance with the uniform system of accounts
22 prescribed for natural gas companies subject to the provisions of
23 the Natural Gas Act (15 U.S.C. Section 717 et seq.) by the Federal
24 Energy Regulatory Commission and generally accepted accounting
25 principles; or

26 (B) classified as a receivable or financial asset
27 under international financial reporting standards under the

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1 railroad commission's authorization in the Notice of Authorization
2 for Regulatory Asset Accounting for Local Distribution Companies
3 Affected by the February 2021 Winter Weather Event issued February
4 13, 2021.

5 (17) "Servicer" means, with respect to each issuance
6 of customer rate relief bonds, the entity identified by the
7 railroad commission in the financing order as servicer responsible
8 for collecting customer rate relief charges from participating gas
9 utilities, remitting all collected funds to the applicable issuing
10 financing entity or the bond trustee, calculating true-up
11 adjustments, and performing any other duties as specified in the
12 financing order.

13 (18) "Winter Storm Uri" means the North American
14 winter storm that occurred in February 2021.

15 Sec. 104.363. EXTRAORDINARY COSTS. For the purposes of
16 this subchapter, extraordinary costs are the reasonable and
17 necessary costs related to Winter Storm Uri, including carrying
18 costs, placed in a regulatory asset and approved by the railroad
19 commission in a regulatory asset determination under Section
20 104.365.

21 Sec. 104.364. JURISDICTION AND POWERS OF RAILROAD
22 COMMISSION AND OTHER REGULATORY AUTHORITIES. (a) The railroad
23 commission may authorize the issuance of customer rate relief bonds
24 if the requirements of Section 104.366 are met.

25 (b) The railroad commission may assess to a gas utility
26 costs associated with administering this subchapter. Assessments
27 must be recovered from rate-regulated customers as part of gas

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1 cost.

2 (c) The railroad commission has exclusive, original
3 jurisdiction to issue financing orders that authorize the creation
4 of customer rate relief property. Customer rate relief property
5 must be created and vested in an issuing financing entity and does
6 not constitute property of the railroad commission or any gas
7 utility.

8 (d) Except as provided by Subsection (c), this subchapter
9 does not limit or impair a regulatory authority's plenary
10 jurisdiction over the rates, charges, and services rendered by gas
11 utilities in this state under Chapter 102.

12 Sec. 104.365. REGULATORY ASSET DETERMINATION. (a) The
13 railroad commission, on application of a gas utility to recover a
14 regulatory asset, shall determine the regulatory asset amount to be
15 recovered by the gas utility. A gas utility may request recovery of
16 a regulatory asset under this subchapter only if the regulatory
17 asset is related to Winter Storm Uri.

18 (b) A gas utility desiring to participate in the customer
19 rate relief bond process under a financing order by requesting
20 recovery of a regulatory asset must file an application with the
21 railroad commission on or before the 60th day after the effective
22 date of the Act enacting this subchapter.

23 (c) If the railroad commission does not make a final
24 determination regarding the regulatory asset amount to be recovered
25 by a gas utility before the 151st day after the gas utility files
26 the application, the railroad commission is considered to have
27 approved the regulatory asset amount requested by the gas utility.

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1 (d) The regulatory asset determination is not subject to
2 reduction, impairment, or adjustment by further action of the
3 railroad commission, except as authorized by Section 104.370.

4 (e) The regulatory asset determination is not subject to
5 rehearing by the railroad commission and may be appealed only to a
6 Travis County district court by a party to the proceeding. The
7 appeal must be filed not later than the 15th day after the date the
8 order is signed by the railroad commission.

9 (f) The judgment of the district court may be reviewed only
10 by direct appeal to the Supreme Court of Texas. The appeal must be
11 filed not later than the 15th day after the date of entry of
12 judgment.

13 (g) All appeals shall be heard and determined by the
14 district court and the Supreme Court of Texas as expeditiously as
15 possible with lawful precedence over other matters. Review on
16 appeal shall be based solely on the record before the railroad
17 commission and briefs to the court and limited to whether the
18 financing order:

19 (1) complies with the constitution and laws of this
20 state and the United States; and

21 (2) is within the authority of the railroad commission
22 to issue under this subchapter.

23 (h) The railroad commission shall establish a schedule,
24 filing requirements, and a procedure for determining the prudence
25 of the costs included in a gas utility's regulatory asset.

26 (i) To the extent a gas utility subject to this subchapter
27 receives insurance proceeds, governmental grants, or other sources

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1 of funding that compensate or otherwise reimburse or indemnify the
2 gas utility for extraordinary costs following the issuance of
3 customer rate relief bonds, the gas utility may record the amount in
4 a regulatory liability account and that amount shall be reviewed in
5 a future proceeding. If an audit conducted under a valid gas
6 purchase agreement identifies a change of greater than five percent
7 to the total amount of the gas supply costs incurred during the
8 event for which regulatory asset recovery was approved, the gas
9 utility may record the amount in a regulatory asset or regulatory
10 liability account and that amount shall be reviewed for recovery in
11 a future proceeding.

12 Sec. 104.366. FINANCING ORDERS AND ISSUANCE OF CUSTOMER
13 RATE RELIEF BONDS. (a) If the railroad commission determines that
14 customer rate relief bond financing for extraordinary costs is the
15 most cost-effective method of funding regulatory asset
16 reimbursements to be made to gas utilities, the railroad
17 commission, after the final resolution of all applications filed
18 under Section 104.365, may request the authority to direct an
19 issuing financing entity to issue customer rate relief bonds.
20 Before making the request, the railroad commission must issue a
21 financing order that complies with this section.

22 (b) To make the determination described by Subsection (a),
23 the railroad commission must find that the proposed structuring,
24 expected pricing, and proposed financing costs of the customer rate
25 relief bonds are reasonably expected to provide benefits to
26 customers by:

27 (1) considering customer affordability; and

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1 (2) comparing:

2 (A) the estimated monthly costs to customers
3 resulting from the issuance of customer rate relief bonds; and

4 (B) the estimated monthly costs to customers that
5 would result from the application of conventional recovery methods.

6 (c) The financing order must:

7 (1) include a finding that the use of the
8 securitization financing mechanism is in the public interest and
9 consistent with the purposes of this subchapter;

10 (2) detail the total amount of the regulatory asset
11 determinations to be included in the customer rate relief bond
12 issuance;

13 (3) authorize the recovery of any tax obligation of
14 the gas utilities arising or resulting from:

15 (A) receipt of customer rate relief bond
16 proceeds; or

17 (B) collection or remittance of customer rate
18 relief charges through the gas utilities' gas cost recovery
19 mechanism or other means that the railroad commission determines
20 reasonable;

21 (4) authorize the issuance of customer rate relief
22 bonds through an issuing financing entity;

23 (5) include a statement of:

24 (A) the aggregated regulatory asset
25 determination to be included in the principal amount of the
26 customer rate relief bonds, not to exceed \$10 billion for any
27 separate bond issue;

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1 (B) the maximum scheduled final maturity of the
2 customer rate relief bonds, not to exceed 30 years, except that the
3 legal final maturity may be longer based on rating agency and market
4 considerations; and

5 (C) the maximum interest rate that the customer
6 rate relief bonds may bear, not to exceed the maximum net effective
7 interest rate allowed by law;

8 (6) provide for the imposition, collection, and
9 mandatory periodic formulaic adjustment of customer rate relief
10 charges in accordance with Section 104.370 by all gas utilities and
11 successors of gas utilities for which a regulatory asset
12 determination has been made under Section 104.365 to ensure that
13 the customer rate relief bonds and all related financing costs will
14 be paid in full and on a timely basis by customer rate relief
15 charges;

16 (7) authorize the creation of customer rate relief
17 property in favor of the issuing financing entity and pledge of
18 customer rate relief property to the payment of the customer rate
19 relief bonds;

20 (8) direct the issuing financing entity to disperse
21 the proceeds of customer rate relief bonds, net of bond issuance
22 costs, reserves, and any capitalized interest, to gas utilities for
23 which a regulatory asset determination has been made under Section
24 104.365 and include the amounts to be distributed to each
25 participating gas utility;

26 (9) provide that customer rate relief charges be
27 collected and allocated among customers of each gas utility for

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1 which a regulatory determination has been made under Section
2 104.365 through uniform monthly volumetric charges to be paid by
3 customers as a component of the gas utility's gas cost or in another
4 manner that the railroad commission determines reasonable; and

5 (10) reflect the commitment made by a gas utility
6 receiving proceeds that the proceeds are in lieu of recovery of
7 those costs through the regular ratemaking process or other
8 mechanism to the extent the costs are reimbursed to the gas utility
9 by customer rate relief bond financing proceeds.

10 (d) The financing order may provide for a centralized
11 servicer to coordinate with participating gas utilities who bill
12 and collect customer rate relief charges and to provide certain
13 collection and forecast data required for calculating true-up
14 adjustments. The financing order may not provide for the railroad
15 commission, the authority, the issuing financing entity, or a
16 participating utility to act as servicer.

17 (e) The principal amount determined by the railroad
18 commission must be increased to include an amount sufficient to:

19 (1) pay the financing costs associated with the
20 issuance, including all bond administrative expenses to be paid
21 from the proceeds of the bonds;

22 (2) reimburse the authority and the railroad
23 commission for any costs incurred for the issuance of the customer
24 rate relief bonds and related bond administrative expenses;

25 (3) provide for any applicable bond reserve fund; and

26 (4) capitalize interest for the period determined
27 necessary by the railroad commission.

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1 (f) The authority, consistent with this subchapter and the
2 terms of the financing order, shall:

3 (1) direct an issuing financing entity to issue
4 customer rate relief bonds at the railroad commission's request, in
5 accordance with the requirements of Chapter 1232, Government Code,
6 and other provisions of Title 9, Government Code, that apply to bond
7 issuance by a state agency;

8 (2) determine the methods of sale, types of bonds,
9 bond forms, interest rates, principal amortization, amount of
10 reserves or capitalized interest, and other terms of the customer
11 rate relief bonds that in the authority's judgment best achieve the
12 economic goals of the financing order and effect the financing at
13 the lowest practicable cost; and

14 (3) reimburse the railroad commission, the authority,
15 or any issuing financing entity for bond administrative expenses
16 and other costs authorized under this subchapter.

17 (g) To the extent authorized in the applicable financing
18 order, an issuing financing entity may enter into credit agreements
19 or ancillary agreements in connection with the issuance of customer
20 rate relief bonds.

21 (h) The financing order becomes effective in accordance
22 with its terms. The financing order, together with the customer
23 rate relief property and the customer rate relief charges
24 authorized by the financing order, is irrevocable and not subject
25 to reduction, impairment, or adjustment by further action of the
26 railroad commission, except as provided under Subsection (j) and
27 authorized by Section 104.370.

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1 (i) The railroad commission shall issue a financing order
2 under this section not later than the 90th day following the date of
3 the conclusion of all proceedings filed under Section 104.365.

4 (j) A financing order is not subject to rehearing by the
5 railroad commission. A financing order may be appealed only to a
6 Travis County district court by a party to the proceeding. The
7 appeal must be filed not later than the 15th day after the date the
8 financing order is signed by the railroad commission.

9 (k) The judgment of the district court may be reviewed only
10 by direct appeal to the Supreme Court of Texas. The appeal must be
11 filed not later than the 15th day after the date of entry of
12 judgment.

13 (l) All appeals shall be heard and determined by the
14 district court and the Supreme Court of Texas as expeditiously as
15 possible with lawful precedence over other matters. Review on
16 appeal shall be based solely on the record before the railroad
17 commission and briefs to the court and is limited to whether the
18 financing order:

19 (1) complies with the constitution and laws of this
20 state and the United States; and

21 (2) is within the authority of the railroad commission
22 to issue under this subchapter.

23 (m) The railroad commission shall transmit a financing
24 order to the authority after all appeals under this section have
25 been exhausted.

26 (n) The authority shall direct an issuing financing entity
27 to issue customer rate relief bonds as soon as practicable and not

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1 later than the 180th day after receipt of a financing order issued
2 under this section, except that the authority may cause the
3 issuance after the 180th day if necessary based on bond market
4 conditions, the receipt of necessary approvals, and the timely
5 receipt of necessary financial disclosure information from each
6 participating gas utility.

7 (o) The issuing financing entity shall deliver customer
8 rate relief bond proceeds net of upfront financing costs in
9 accordance with the applicable financing order.

10 (p) For the benefit of the authority, the issuing financing
11 entity, holders of customer rate relief bonds, and all other
12 financing parties, the railroad commission shall guarantee in a
13 financing order that the railroad commission will take all actions
14 in the railroad commission's powers to enforce the provisions of
15 the financing order to ensure that customer rate relief charge
16 revenues are sufficient to pay on a timely basis scheduled
17 principal and interest on the customer rate relief bonds and all
18 related financing costs and bond administrative expenses.

19 (q) The railroad commission shall make periodic reports to
20 the public regarding each financing.

21 Sec. 104.367. PROPERTY RIGHTS. (a) Customer rate relief
22 bonds are the limited obligation solely of the issuing financing
23 entity and are not a debt of a gas utility or a debt or a pledge of
24 the faith and credit of this state or any political subdivision of
25 this state.

26 (b) Customer rate relief bonds are nonrecourse to the credit
27 or any assets of this state or the authority. A trust fund created

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1 in connection with the issuance of customer rate relief bonds is not
2 subject to Subtitle B, Title 9, Property Code.

3 (c) The rights and interests of an issuing financing entity
4 or the successor under a financing order, including the right to
5 receive customer rate relief charges authorized in the financing
6 order, are only contract rights until pledged in connection with
7 the issuance of the customer rate relief bonds, at which time the
8 rights and interests become customer rate relief property.

9 (d) Customer rate relief property created under a financing
10 order is vested ab initio in the issuing financing entity. Customer
11 rate relief property constitutes a present property right for
12 purposes of contracts concerning the sale or pledge of property,
13 notwithstanding that the imposition and collection of customer rate
14 relief charges depends on further acts of the gas utility or others
15 that have not yet occurred. The financing order remains in effect,
16 and the customer rate relief property continues to exist, for the
17 same period as the pledge of the state described by Section 104.374.

18 (e) All revenue and collections resulting from customer
19 rate relief charges constitute proceeds only of a property right
20 arising from the financing order.

21 (f) An amount owed by an issuing financing entity under an
22 ancillary agreement or a credit agreement is payable from and
23 secured by a pledge and interest in the customer rate relief
24 property to the extent provided in the documents evidencing the
25 ancillary agreement or credit agreement.

26 Sec. 104.368. PROPERTY INTEREST NOT SUBJECT TO SETOFF,
27 COUNTERCLAIM, SURCHARGE, OR DEFENSE. The interest of an issuing

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1 financing entity or pledgee in customer rate relief property,
2 including the revenue and collections arising from customer rate
3 relief charges, is not subject to setoff, counterclaim, surcharge,
4 or defense by the gas utility or any other person or in connection
5 with the bankruptcy of the gas utility, the authority, or any other
6 entity. A financing order remains in effect and unabated
7 notwithstanding the bankruptcy of the gas utility, the authority,
8 an issuing financing entity, or any successor or assignee of the gas
9 utility, authority, or issuing financing entity.

10 Sec. 104.369. CUSTOMER RATE RELIEF CHARGES NONBYPASSABLE.
11 A financing order must include terms ensuring that the imposition
12 and collection of the customer rate relief charges authorized in
13 the order are nonbypassable.

14 Sec. 104.370. TRUE-UP MECHANISM. (a) A financing order
15 must include a formulaic true-up charge adjustment mechanism that
16 requires that the customer rate relief charges be reviewed and
17 adjusted at least annually by the servicer or replacement servicer,
18 including a subservicer or replacement subservicer, at time periods
19 and frequencies provided in the financing order, to:

20 (1) correct any overcollections or undercollections
21 of the preceding 12 months; and

22 (2) ensure the expected recovery of amounts sufficient
23 to provide for the timely payment of customer rate relief bond
24 principal and interest payments and other financing costs.

25 (b) True-up charge adjustments must become effective not
26 later than the 30th day after the date the railroad commission
27 receives a true-up charge adjustment letter from the servicer or

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1 replacement servicer notifying the railroad commission of the
2 pending adjustment.

3 (c) Any administrative review of true-up charge adjustments
4 must be limited to notifying the servicer of mathematical or
5 clerical errors in the calculation. The servicer may correct the
6 error and refile a true-up charge adjustment letter, with the
7 adjustment becoming effective as soon as practicable but not later
8 than the 30th day after the date the railroad commission receives
9 the refiled letter.

10 Sec. 104.371. SECURITY INTERESTS; ASSIGNMENT; COMMINGLING;
11 DEFAULT. (a) Customer rate relief property does not constitute an
12 account or general intangible under Section 9.106, Business &
13 Commerce Code. The creation, granting, perfection, and enforcement
14 of liens and security interests in customer rate relief property
15 that secures customer rate relief bonds are governed by Chapter
16 1208, Government Code.

17 (b) The priority of a lien and security interest perfected
18 under this section is not impaired by any later adjustment of
19 customer rate relief charges under a mechanism adopted under
20 Section 104.370 or by the commingling of funds arising from
21 customer rate relief charges with other funds. Any other security
22 interest that may apply to those funds is terminated when the funds
23 are transferred to a segregated account for the issuing financing
24 entity or a financing party. If customer rate relief property has
25 been transferred to a trustee or another pledgee of the issuing
26 financing entity, any proceeds of that property must be held in
27 trust for the financing party.

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1 (c) If a default or termination occurs under the customer
2 rate relief bonds, a district court of Travis County, on
3 application by or on behalf of the financing parties, shall order
4 the sequestration and payment to the financing parties of revenue
5 arising from the customer rate relief charges.

6 Sec. 104.372. BOND PROCEEDS IN TRUST. (a) The issuing
7 financing entity may deposit proceeds of customer rate relief bonds
8 issued by the issuing financing entity under this subchapter with a
9 trustee selected by the issuing financing entity or the proceeds
10 may be held by the comptroller in a dedicated trust fund outside the
11 state treasury in the custody of the comptroller.

12 (b) Bond proceeds, net of the financing costs and reserves
13 described by Subdivisions (2) and (3), including investment income,
14 must be held in trust for the exclusive benefit of the railroad
15 commission's policy of reimbursing gas utility costs and applied in
16 accordance with the financing order. The issuing financing entity
17 shall deliver the net proceeds, as provided in the applicable
18 financing order, to:

19 (1) reimburse each gas utility the regulatory asset
20 amount determined to be reasonable for that gas utility in the
21 financing order;

22 (2) pay the financing costs of issuing the bonds; and

23 (3) provide bond reserves or fund any capitalized
24 interest, as applicable.

25 (c) On full payment of the customer rate relief bonds and
26 any related financing costs, any customer rate relief charges or
27 other amounts held as security for the bonds shall be used to

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1 provide credits to gas utility customers as provided in the
2 financing order.

3 Sec. 104.373. REPAYMENT OF CUSTOMER RATE RELIEF BONDS. (a)
4 As long as any customer rate relief bonds or related financing costs
5 remain outstanding, uniform monthly volumetric customer rate
6 relief charges must be paid by all current and future customers that
7 receive service from a gas utility for which a regulatory asset
8 determination has been made under Section 104.365. A gas utility
9 and its successors, assignees, or replacements shall continue to
10 bill and collect customer rate relief charges from the gas
11 utility's current and future customers until all customer rate
12 relief bonds and financing costs are paid in full.

13 (b) The authority shall report to the railroad commission
14 the amount of the outstanding customer rate relief bonds issued by
15 the issuing financing entity under this subchapter and the
16 estimated amount of annual bond administrative expenses.

17 (c) All revenue collected from the customer rate relief
18 charges shall be remitted promptly by the applicable servicers to
19 the issuing financing entity or the bond trustee for the customer
20 rate relief bonds to pay bond obligations and ongoing financing
21 costs, including bond administrative expenses, to ensure timely
22 payment of bond obligations and financing costs.

23 (d) Customer rate relief property, including customer rate
24 relief charges, may be applied only as provided by this subchapter.

25 (e) Bond obligations are payable only from sources provided
26 for payment by this subchapter.

27 Sec. 104.374. PLEDGE OF STATE. (a) Customer rate relief

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1 bonds issued under this subchapter and any related ancillary
2 agreements or credit agreements are not a debt or pledge of the
3 faith and credit of this state or a state agency or political
4 subdivision of this state. A customer rate relief bond, ancillary
5 agreement, or credit agreement is payable solely from customer rate
6 relief charges as provided by this subchapter.

7 (b) Notwithstanding Subsection (a), this state, including
8 the railroad commission and the authority, pledges for the benefit
9 and protection of the financing parties and the gas utility that
10 this state will not take or permit any action that would impair the
11 value of customer rate relief property, or, except as permitted by
12 Section 104.370, reduce, alter, or impair the customer rate relief
13 charges to be imposed, collected, and remitted to financing parties
14 until the principal, interest and premium, and contracts to be
15 performed in connection with the related customer rate relief bonds
16 and financing costs have been paid and performed in full. Each
17 issuing financing entity shall include this pledge in any
18 documentation relating to customer rate relief bonds.

19 (c) Before the date that is two years and one day after the
20 date that an issuing financing entity no longer has any payment
21 obligation with respect to customer rate relief bonds, the issuing
22 financing entity may not wind up or dissolve the financing entity's
23 operations, may not file a voluntary petition under federal
24 bankruptcy law, and neither the board of the issuing financing
25 entity nor any public official nor any organization, entity, or
26 other person may authorize the issuing financing entity to be or to
27 become a debtor under federal bankruptcy law during that period.

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1 The state covenants that it will not limit or alter the denial of
2 authority under this subsection, and the provisions of this
3 subsection are hereby made a part of the contractual obligation
4 that is subject to the state pledge made in this section.

5 Sec. 104.375. TAX EXEMPTION. (a) The sale or purchase of
6 or revenue derived from services performed in the issuance or
7 transfer of customer rate relief bonds issued under this subchapter
8 is exempt from taxation by this state or a political subdivision of
9 this state.

10 (b) A gas utility's receipt of customer rate relief charges
11 is exempt from state and local sales and use taxes and utility gross
12 receipts taxes and assessments, and is excluded from revenue for
13 purposes of franchise tax under Section 171.1011, Tax Code.

14 Sec. 104.376. RECOVERABLE TAX EXPENSE. A tax obligation of
15 the gas utility arising from receipt of customer rate relief bond
16 proceeds or from the collection or remittance of customer rate
17 relief charges is an allowable expense under Section 104.055.

18 Sec. 104.377. ISSUING FINANCING ENTITY OR FINANCING PARTY
19 NOT PUBLIC UTILITY. An issuing financing entity or financing party
20 may not be considered to be a public utility or person providing
21 natural gas service solely by virtue of the transactions described
22 by this subchapter.

23 Sec. 104.378. NO PERSONAL LIABILITY. A commissioner of the
24 railroad commission, a railroad commission employee, a member of
25 the board of directors of the authority, an employee of the
26 authority, or a director, officer, or employee of any issuing
27 financing entity is not personally liable for a result of an

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1 exercise of a duty or responsibility established under this
2 subchapter.

3 Sec. 104.379. CATASTROPHIC WEATHER EVENT STUDY. (a) The
4 railroad commission shall conduct a study on measures to mitigate
5 catastrophic weather events, including measures to:

6 (1) establish natural gas storage capacity to ensure a
7 reliable gas supply, including location, ownership, and other
8 pertinent factors regarding gas storage capacity;

9 (2) assess the advantages and disadvantages of
10 requiring local distribution companies to use hedging tactics to
11 avoid volatile customer rates; and

12 (3) assess the advantages and disadvantages of
13 prohibiting spot market purchases during a catastrophic weather
14 event that contribute to volatile customer rates.

15 (b) Not later than December 1, 2022, the railroad commission
16 shall report the railroad commission's findings to the governor,
17 the lieutenant governor, and the speaker of the house of
18 representatives.

19 (c) This section expires August 31, 2023.

20 Sec. 104.380. SEVERABILITY. After the date customer rate
21 relief bonds are issued under this subchapter, if any provision in
22 this title or portion of this title or related provisions in Title
23 9, Government Code, are held to be invalid or are invalidated,
24 superseded, replaced, repealed, or expire for any reason, that
25 occurrence does not affect the validity or continuation of this
26 subchapter or any other provision of this title or related
27 provisions in Title 9, Government Code, that are relevant to the

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1 issuance, administration, payment, retirement, or refunding of
2 customer rate relief bonds or to any actions of a gas utility, its
3 successors, an assignee, a collection agent, or a financing party,
4 which shall remain in full force and effect.

5 SECTION 6. This Act takes effect immediately if it receives
6 a vote of two-thirds of all the members elected to each house, as
7 provided by Section 39, Article III, Texas Constitution. If this
8 Act does not receive the vote necessary for immediate effect, this
9 Act takes effect September 1, 2021.

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President of the Senate

Speaker of the House

I certify that H.B. No. 1520 was passed by the House on April 20, 2021, by the following vote: Yeas 139, Nays 5, 1 present, not voting; and that the House concurred in Senate amendments to H.B. No. 1520 on May 28, 2021, by the following vote: Yeas 130, Nays 12, 1 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 1520 was passed by the Senate, with amendments, on May 26, 2021, by the following vote: Yeas 29, Nays 2.

Secretary of the Senate

APPROVED: _____

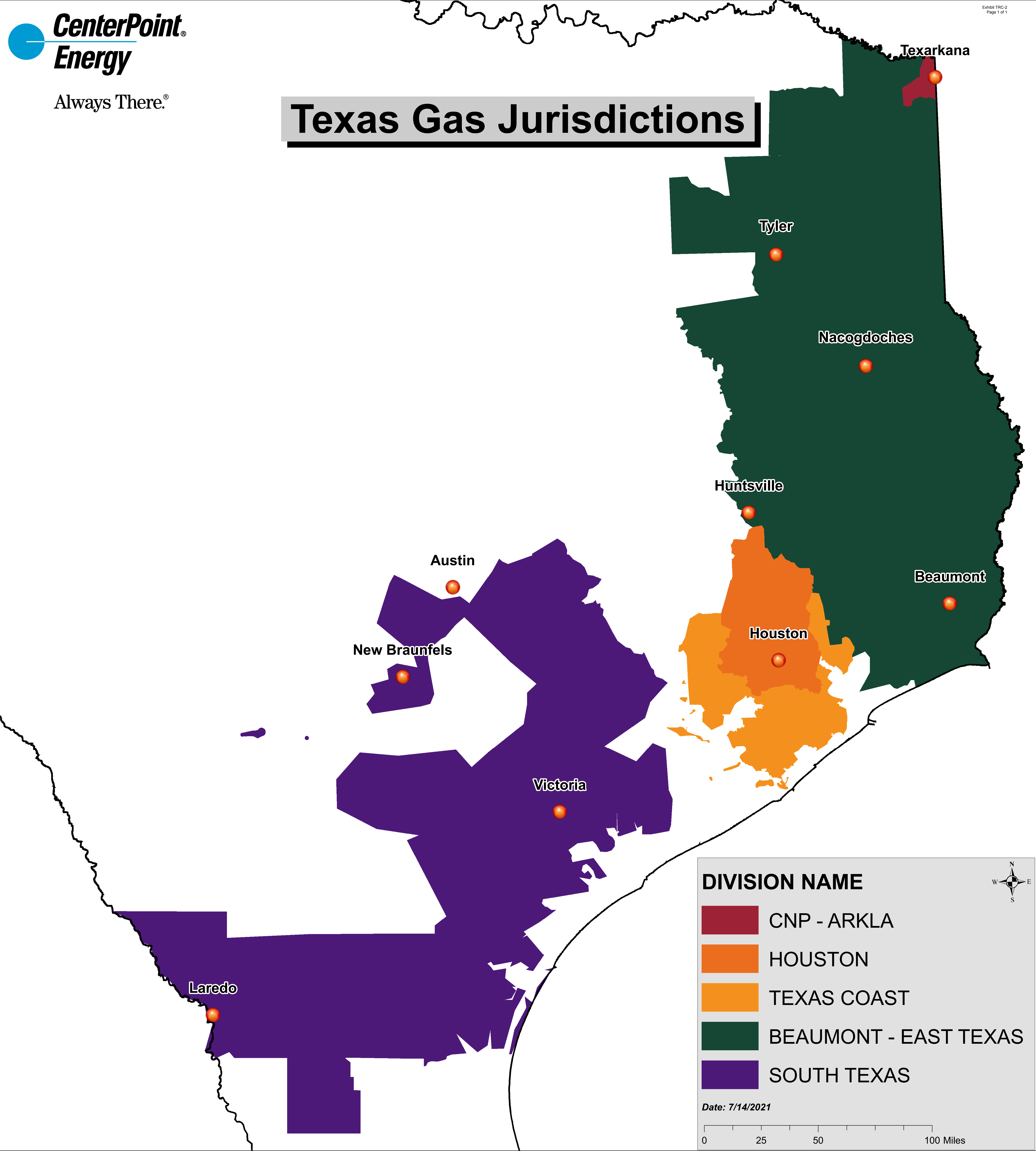
Date

Governor



Always There.®

Texas Gas Jurisdictions



DIVISION NAME

	CNP - ARKLA
	HOUSTON
	TEXAS COAST
	BEAUMONT - EAST TEXAS
	SOUTH TEXAS

Date: 7/14/2021

0 25 50 100 Miles

Exhibit TRC-3 is Voluminous
and will be provided electronically.

RAILROAD COMMISSION OF TEXAS**EMERGENCY ORDER**

WHEREAS, after Notice of Emergency Meeting to consider this Emergency Order was duly posted on February 12, 2021 with the Secretary of State within the time period provided by law pursuant to Tex. Gov't Code Chapter 551, *et seq.*, the Railroad Commission of Texas ("Commission") determined that an Emergency Order is necessary to protect human needs customers in the State of Texas because of current conditions which threaten and health, safety and welfare of those customers, and determined that the existing regulations and Orders of the Commission do not sufficiently address the specific conditions of this emergency; and

WHEREAS, on February 12, 2021, the Governor of the State of Texas issued a State of Disaster in all 254 counties due to severe weather posing an imminent threat of widespread and severe property damage, injury, and loss of life due to prolonged freezing temperatures, heavy snow, and freezing rain statewide; and

WHEREAS, pursuant to the authority granted to the Commission in the Texas Utilities Code, the Commission has the authority to issue this Emergency Order affecting the operation of the gas utility systems in this state to prevent such threats to the public; and

WHEREAS, the transportation, delivery and/or sale of natural gas in the State of Texas for any other purpose other than serving human needs customers should be curtailed to the extent possible and necessary for the duration of this Emergency Order.

NOW, THEREFORE, IT IS HEREBY ORDERED BY THE RAILROAD COMMISSION OF TEXAS that Rule 2 of [Docket 489](#) is temporarily amended as follows:

RULE 2.

Until such time as the Commission has specifically approved a utilities curtailment program, the following priorities in descending order shall be observed:

A. Deliveries of gas by natural gas utilities to for residences, hospitals, schools, churches and other human needs customers, and deliveries to Local Distribution Companies which serve human needs customers.

B. Deliveries of gas to electric generation facilities which serve human needs customers.

~~B.C.~~ Deliveries of gas to small industrials and regular commercial loads (defined as those customers using less than 3,000 MCF per day) and delivery of gas for use as pilot lights or in accessory or auxiliary equipment essential to avoid serious damage to industrial plants.

C. ~~D.~~ Large users of gas for fuel or as a raw material where an alternate cannot be used and operation and plant production would be curtailed or shut down completely when gas is curtailed.

~~D.~~ ~~E.~~ Large users of gas for boiler fuel or other fuel users where alternate fuels can be used. This category is not to be determined by whether or not a user has actually installed alternate fuel facilities, but whether or not an alternate fuel "could" be used.

~~E~~. F. Interruptible sales made subject to interruption or curtailment at Seller's sole discretion under contracts or tariffs which provide in effect for the sale of such gas as Seller may be agreeable to selling and Buyer may be agreeable to buying from time to time.

IT IS FURTHER ORDERED that gas utilities which have a specific curtailment plan/program that has been approved by the Commission shall ensure that their top two priorities in the plan/program are A and B as listed above for the duration of this Emergency Order.

IT IS FURTHER ORDERED that this Emergency Order is in effect until 11:59 p.m. Central Standard Time Friday, February 19, 2021, unless otherwise renewed by the Commission in a subsequent Emergency Order.

SIGNED this 12th day of February 2021.

RAILROAD COMMISSION OF TEXAS

DocuSigned by:
Christi Craddick
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CHAIRMAN CHRISTI CRADDICK

DocuSigned by:
Wayne Christian
C1C746B4E446422...
COMMISSIONER WAYNE CHRISTIAN

DocuSigned by:
Jim Wright
EAAE94782E9F7AE...
COMMISSIONER JIM WRIGHT

ATTEST:

DocuSigned by:
Callie Farrar
3584C80DFDE0476...
SECRETARY



RAILROAD COMMISSION OF TEXAS

EMERGENCY ORDER

WHEREAS, after Notice of Emergency Meeting to consider this Emergency Order was duly posted on February 17, 2021 with the Secretary of State within the time period provided by law pursuant to Tex. Gov't Code Chapter 551, *et seq.*, the Railroad Commission of Texas ("Commission") determined that an Emergency Order is necessary to protect human needs customers in the State of Texas because of current conditions which threaten and health, safety and welfare of those customers, and determined that the existing regulations and Orders of the Commission do not sufficiently address the specific conditions of this emergency; and

WHEREAS, on February 12, 2021, the Governor of the State of Texas issued a State of Disaster in all 254 counties due to severe weather posing an imminent threat of widespread and severe property damage, injury, and loss of life due to prolonged freezing temperatures, heavy snow, and freezing rain statewide; and

WHEREAS, pursuant to the authority granted to the Commission in the Texas Utilities Code, the Commission has the authority to issue this Emergency Order affecting the operation of the gas utility systems in this state to prevent such threats to the public;

WHEREAS, the transportation, delivery and/or sale of natural gas in the State of Texas for any other purpose other than serving human needs customers should be curtailed to the extent possible and necessary for the duration of this Emergency Order;

WHEREAS, on February 12, 2021, the Commission held a duly posted emergency meeting and issued an emergency order temporarily modifying current natural gas utility curtailment priorities to ensure the protection of human needs customers; and

WHEREAS, the emergency conditions that prompted the Commission's emergency order continue to exist;

NOW, THEREFORE, IT IS HEREBY ORDERED BY THE RAILROAD COMMISSION OF TEXAS that the [emergency order](#) issued by the Railroad Commission on Friday, February 12, 2021 is hereby extended until Tuesday, February 23, 2021. The emergency order will remain in effect until 11:59 p.m. Central Standard Time on February 23, 2021 unless otherwise renewed by the Commission in a subsequent action.

SIGNED this 17th day of February 2021.

RAILROAD COMMISSION OF TEXAS

DocuSigned by:

Christi Craddick

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CHAIRMAN CHRISTI CRADDICK

DocuSigned by:

Wayne Christian

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COMMISSIONER WAYNE CHRISTIAN

DocuSigned by:

Jim Wright

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COMMISSIONER JIM WRIGHT

ATTEST:

DocuSigned by:

Callie Farrar

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SECRETARY





CenterPoint Energy
1111 Louisiana Street
Houston, TX 77002-5231
P.O. Box 2628
Houston, TX 77252-2628

Dear Suppliers,

As a result of the freezing temperatures across Texas and the resulting operational and supply strain on the natural gas distribution system, all Transportation Services customers will need to self-curtail to idle operations or completely shut-in, **effective immediately Monday, February 15, 2021** until further notice. Under the curtailment provisions in the T-90 and T-91 Rate Schedules, Transportation Services customers will be curtailed “in the same manner as Company’s end-use customers of the same classification based on the Company’s then prevailing curtailment schedule.¹” Additionally, the curtailment provisions in the T-90 and T-91 Rate Schedules state: “if any governmental or regulatory authority having jurisdiction over Company or its curtailment plan, by rule or order, establishes some other curtailment priority schedule or plan for Company, then Company shall comply with such rule or order (without any liability to Shipper for damages or otherwise).”

On February 12, 2021, the Railroad Commission of Texas issued an Emergency Order that addresses the priorities for curtailment.² Under the Emergency Order, the priorities for curtailment are as follows:

Until such time as the Commission has specifically approved a utilities curtailment program, the following priorities in descending order shall be observed:

A. Deliveries of gas by natural gas utilities to for residences, hospitals, schools, churches and other human needs customers, and deliveries to Local Distribution Companies which serve human needs customers.

B. Deliveries of gas to electric generation facilities which serve human needs customers.

~~B.C.~~ C. Deliveries of gas to small industrials and regular commercial loads (defined as those customers using less than 3,000 MCF per day) and delivery of gas for use as pilot lights or in accessory or auxiliary equipment essential to avoid serious damage to industrial plants.

~~C. D.~~ D. Large users of gas for fuel or as a raw material where an alternate cannot be used and operation and plant production would be curtailed or shut down completely when gas is curtailed.

~~D. E.~~ E. Large users of gas for boiler fuel or other fuel users where alternate fuels can be used. This category is not to be determined by whether or not a user has actually installed alternate fuel facilities, but whether or not an alternate fuel "could" be used.

As we understand this will potentially have a negative impact to the operations of your Customers, we will cease curtailment once the weather improves and the distribution system returns to stable pressures and capacity.

Should you have any questions or concerns, please reach out to your CNP Energy Sales and Transportation Services representative below.

¹ The T-90 and T-91 are available online at: <https://www.centerpointenergy.com/en-us/Documents/RatesandTariffs/HoustonGas/Rate-Schedule-T-90-H.pdf>

² The Emergency Order is available online at: <https://www.rrc.state.tx.us/media/cw3ewubr/emergency-order-021221-final-signed.pdf>



CenterPoint Energy
1111 Louisiana Street
Houston, TX 77002-5231
P.O. Box 2628
Houston, TX 77252-2628

Regards,

CenterPoint Energy Sales and Transportation Services

Brian Gehlbach, brian.gehlbach@centerpointenergy.com, P: 713-859-6042

Robert Shaw, robert.shaw@centerpointenergy.com, P: 713-591-2166

Edgar (Cliff) Sharp, edgar.sharp@centerpointenergy.com, P: 713-598-4260

Jose Sanchez, jose.sanchez@centerpointenergy.com, P: 713-447-0182

Heather Kisla, heather.kisla@centerpointenergy.com, P: 832-283-1112



CenterPoint Energy
1111 Louisiana Street
Houston, TX 77002-5231
P.O. Box 2628
Houston, TX 77252-2628

Dear Suppliers,

As a result of the freezing temperatures across Texas and the resulting operational and supply strain on the natural gas distribution system, all Transportation Services customers will need to self-curtail to idle operations or completely shut-in, **effective immediately Monday, February 15, 2021** until further notice. Under the curtailment provisions in the T-90 and T-91 Rate Schedules, Transportation Services customers will be curtailed “in the same manner as Company’s end-use customers of the same classification based on the Company’s then prevailing curtailment schedule.¹” Additionally, the curtailment provisions in the T-90 and T-91 Rate Schedules state: “if any governmental or regulatory authority having jurisdiction over Company or its curtailment plan, by rule or order, establishes some other curtailment priority schedule or plan for Company, then Company shall comply with such rule or order (without any liability to Shipper for damages or otherwise).”

On February 12, 2021, the Railroad Commission of Texas issued an Emergency Order that addresses the priorities for curtailment.² Under the Emergency Order, the priorities for curtailment are as follows:

Until such time as the Commission has specifically approved a utilities curtailment program, the following priorities in descending order shall be observed:

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B. Deliveries of gas to electric generation facilities which serve human needs customers.

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Regards,

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Regards,

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