

MEMORANDUM

To: Members of the City Commission

From: Lisa Agnor, City Manager

Date: April 22, 2016

Subject: Approval of an Ordinance requiring CenterPoint Energy to submit certain reports regarding the costs of gas collected through purchased gas adjustment clauses

This item has been placed on the agenda at the request of Commissioner Smith, and will be discussed at the meeting next Thursday. The Commission may also take action regarding this item, if you choose to do so.

ORDINANCE NO. _____

AN ORDINANCE REQUIRING CENTERPOINT ENERGY TO SUBMIT CERTAIN REPORTS REGARDING THE COSTS OF GAS COLLECTED THROUGH PURCHASED GAS ADJUSTMENT CLAUSES; FINDING THAT THE MEETING AT WHICH THIS ORDINANCE WAS PASSED WAS CONDUCTD IN STRICT COMPLIANCE WITH THE TEXAS OPEN MEETINGS ACT; REPEALING ALL ORDINANCES IN CONFLICT HEREWITH; AND ESTABLISHING AN EFFECTIVE DATE.

WHEREAS, CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas (“CenterPoint Energy”) recovers its purchased gas costs from customers through a purchased gas adjustment (“PGA”) clause; and,

WHEREAS, CenterPoint Energy currently does not submit supporting information or schedules for costs it recovers through its PGA clause to the City of Marshall (“City”); and,

WHEREAS, the process by which CenterPoint Energy adjusts its purchased gas costs does not provide sufficient information to allow for a meaningful review of CenterPoint Energy’s costs of providing gas service to customers in the City;

WHEREAS, the City is a regulatory authority as defined in the Texas Utilities Code § 101.003(13); and

WHEREAS, under numerous sections of the Texas Utilities Code, including Sections 102.101; 102.201; 102.202; 102.203; 103.001; and 103.021; the City is authorized to require CenterPoint to provide certain records and reports;

NOW, THEREFORE, BE IT ORDAINED BY THE COMMISSION OF THE CITY OF MARSHALL:

SECTION 1. That the findings set out in the preamble to this ordinance are hereby in all things approved.

SECTION 2. That beginning _____, 2016, CenterPoint Energy, its successors and assigns, shall file on a monthly basis with the City Commission, a detailed and comprehensive report containing all information regarding its gas purchases for the preceding month. The report shall be submitted monthly by no later than the 30th day of the following month and shall contain:

- A. Detailed information to allow the City Commission to determine the reasonableness of the gas purchases in comparison to other available gas purchase options, but at a minimum including the following:
 - 1. The identity of the all entities from which CenterPoint Energy procured gas;
 - 2. The volume of gas procured from each entity;
 - 3. The actual purchase price CenterPoint Energy paid for such gas;
 - 4. Proof of purchase;
 - 5. Itemized accounting of all costs used in determining the cost of gas delivered. This itemization should include:
 - a. Full and complete disclosure of all transportation costs and entities providing the transportation of the gas;
 - b. Marketing, fuel costs, and shrinkage costs;
 - c. Net back and discount arrangements, if any;
 - d. Identify of the entities involved in providing gas to CenterPoint and their relationship to CenterPoint; and
 - e. The methodology used in determining the cost of gas.
 - 6. The identify of all:
 - a. Marketing affiliates;
 - b. Subsidiaries; and
 - c. Entities with special trading and transportation and swap arrangements for gas in kind.
- B. The purchased gas price(s) for each class of customers CenterPoint serves within the City;
- C. The purchased gas price(s) for each customer that is served under a contract price as opposed to a tariffed rate, including customers served by CenterPoint or any affiliate of CenterPoint;

- D. The identity of the entity or entities from which gas whose costs are recovered from customers within the City, is procured, together with an itemized statement of the purchase price paid per mcf, together with any adjustments for Btu content, and any and all transmission, gathering, compression, and processing costs, and any other costs and methods used in calculating the total cost of gas purchased and charged to consumers;
- E. For comparison purposes, the price reported monthly for gas traded at Carthage and the Houston Ship channel as reported in the monthly publications of *Inside FERC*, and *Gas Dailey*, and/or such other industry publications as may be appropriate. The City Commission may require such further and additional information from CenterPoint Energy as it may deem necessary;
- F. A monthly report that shows the total costs CenterPoint Energy incurs for the purchase of gas whose costs it seeks to recover from customers within the City, to the monthly revenue CenterPoint collects through its PGA clause for that same month, and that shows such costs for the following categories:
 - 1. The cost of gas supplies;
 - 2. Upstream transportation charges;
 - 3. Storage charges;
 - 4. The cost of gas withdrawn from storage;
 - 5. The cost of gas injected into storage;
 - 6. All transaction-related fees, including the identity of the entity or entities to which such fees are paid; and
 - 7. Gains or losses and other transaction costs associated with the use of various financial instruments CenterPoint Energy uses to stabilize prices;
- G. A copy of all contracts for the purchase of gas entered into by CenterPoint Energy, its subsidiaries or affiliates, related to gas for which costs CenterPoint seeks recovery from customers within the City;
- H. At least annually, CenterPoint Energy shall file a reconciliation report with the City in order for the City Commission determine the reasonableness and necessity of CenterPoint Energy's gas purchases for a review period determined by the City Commission;

SECTION 3. All Ordinances or parts of ordinances in conflict with this ordinance are hereby repealed.

SECTION 4. That the meeting at which this ordinance was passed was conducted in strict compliance with the Texas Open Meetings Act (Texas Government Code Chapter 551).

SECTION 5. That if any section, paragraph, subdivision, clause, phrase or provision of this ordinance is hereafter determined to be invalid or in violation of the laws of the State of Texas or the Constitution of the United States by a court of appropriate jurisdiction, such finding of invalidity shall affect the continued enforcement only of the provision or provisions so determined to be invalid, it being the intent of the City Commission of the City of Marshall that all other terms and provisions of this ordinance not affected thereby shall remain in full force and effect.

SECTION 6. That this ordinance shall be effective from and after its passage and publication as required by law.

PASSED AND APPROVED this _____ day of _____, 2016.

AYES: _____

NOES: _____

ABSTAINED: _____

PASSED, APPROVED AND ADOPTED this _____ day of _____, 2016.

AYES: _____

NOES: _____

ABSTAINED: _____

Eric Neal
Chairman of the City Commission
of the City of Marshall, Texas

ATTEST:

City Secretary