

**CITY OF HILSHIRE VILLAGE
ORDINANCE NO. 823-2022**

AN ORDINANCE GRANTING TO CENTERPOINT ENERGY RESOURCES CORP., DBA CENTERPOINT ENERGY TEXAS GAS OPERATIONS, THE RIGHT, PRIVILEGE AND FRANCHISE TO CONSTRUCT, INSTALL, EXTEND, REMOVE, REPLACE, ABANDON, OPERATE AND MAINTAIN ITS FACILITIES WITHIN THE PUBLIC RIGHTS-OF-WAY OF THE CITY OF HILSHIRE VILLAGE, TEXAS FOR THE TRANSPORTATION, DELIVERY, SALE AND DISTRIBUTION OF NATURAL GAS; CONTAINING OTHER PROVISIONS RELATING TO THE FOREGOING SUBJECT; PROVIDING FOR SEVERABILITY AND PROVIDING AN EFFECTIVE DATE.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HILSHIRE VILLAGE, TEXAS.

Section 1. GRANT OF AUTHORITY. Subject to the terms, conditions and provisions of this ordinance, the right, privilege and franchise is hereby granted to CenterPoint Energy Resources Corp., DBA CenterPoint Energy Texas Gas Operations, hereinafter called "Company", to construct, install, extend, remove, replace, abandon, operate and maintain its facilities within the Public Rights-of-Way of the City of Hilshire Village, Texas for the transportation, delivery, sale and distribution of natural gas within the corporate limits of the City of Hilshire Village, as the same are now and as the same may from time to time be extended.

Section 2. DEFINITIONS.

- A. "City" shall mean the City of Hilshire Village, Texas.
- B. "Company" shall mean CenterPoint Energy Resources Corp., DBA CenterPoint Energy Texas Gas Operations, a Delaware Corporation, and shall not mean any of its affiliates and subsidiaries who shall have no right, privilege or franchise granted hereunder.
- C. "Facilities" shall mean pipes, pipelines, natural gas mains, laterals, feeders, regulators, meters, fixtures, connections and attachments and other instrumentalities and appurtenances, used in or incident to providing transportation, distribution, supply, and sales of natural gas for heating, lighting, power, and any other purposes for which natural gas may now or hereafter be used.
- D. "Gross Receipts" shall mean all revenue derived or received, directly or indirectly, by the Company from or in connection with the operation of the System within the corporate limits of the City and including, without limitation:
 - (a) all revenues received by the Company from the sale of gas to all classes of customers (excluding gas sold to another non-affiliate gas utility in the City for resale of gas to its customers within City) within the City;
 - (b) all revenues received by the Company from the transportation of gas through the pipeline system of Company within the City to customers located within the City (excluding any gas transported to another non-affiliate gas utility in City for the sale of gas to its customers within City);

- (c) the value of gas transported by Company for transport customers through the System of Company within the City ("Third Party Sales"), (excluding the value of any gas transported to another gas utility in City which has executed a franchise agreement with the City for the sale of gas to its customers within City), with the value of such gas to be established by utilizing Company's monthly weighted average cost of gas charged to industrial customers, as reasonably as is possible near the time as the transportation service is performed.

"Gross Receipts" shall also include amounts collected from customers for fees paid to the City pursuant to this agreement, contributions in aid of construction ("CIAC"), and the following "miscellaneous charges": charges to connect, disconnect, or reconnect gas within the City and charges to handle returned checks from consumers within the City and State gross receipts fees.

"Gross receipts" shall not include:

- (1) revenues billed but not ultimately collected or received by Company;
 - (2) the revenue of any affiliate or subsidiary of Company;
 - (3) sales taxes paid to the City;
 - (4) interest or investment income earned by Company;
 - (5) and monies received from the lease or sale of real or personal property.
- E. "Public Rights-of-Way" shall mean the public streets, medians, boulevards, roads, lanes, alleys, highways, public utility easements, viaducts, and bridges across water ways and other public places that are owned or controlled by the City and are available for Company's use.
- F. "System" and/ or "System facilities" means all of the Company's pipes, pipelines, gas mains, laterals, feeders, regulators, meters, fixtures, connections, or other appurtenant equipment used in or incident to providing delivery, transportation, distribution, supply, and sales of natural gas for heating, lighting and power, and any other purpose for which natural gas may now or hereafter be used, located within the corporate limits of the City.

Section 3. TERM OF FRANCHISE. This Franchise shall become effective on the Effective Date described in Section 20 and shall be in full force and effect for a term of ten (10) years. This franchise shall automatically renew itself for up to five (5) successive 1-year terms following the primary term unless either the City or Company provides notice to the contrary to the other at least ninety (90) days prior to the expiration of the primary term or any succeeding 1-year renewal term.

Section 4. CONSTRUCTION AND MAINTENANCE OF NATURAL GAS DISTRIBUTION SYSTEM. All Facilities installed by Company shall be of sound material and good quality, and shall be laid so that they will not interfere with the artificial drainage of the City or its underground fixtures, or with navigation in or the natural drainage of any stream. All Facilities shall be installed in accordance with applicable Federal, State and local regulations and in the absence of such regulations in accordance with accepted industry practice. Within the Public Rights-of-Way, the location and route of the Facilities by the Company shall be subject to the reasonable and proper regulation, direction and control of the City or the City official to whom such duties have been delegated. Such regulation shall include, but not be limited to, the right to require in writing to the extent provided in Section 13 the relocation of Company's Facilities at Company's cost within the Public Rights-of-Way

of the City whenever such relocation shall be reasonably necessary to accommodate the widening, change of grade, or relocation by City of Public Rights-of-Way, or construction or relocation by City of City utility lines or drainage facilities. Company shall keep current and up-to-date maps showing the physical location of Company's facilities and make available for inspection by the City at no cost during normal working hours.

Section 5. PERMITS; RIGHTS-OF-WAY TO BE RESTORED TO GOOD CONDITION.

Company and its contractors shall give City reasonable notice, of the dates, location, and nature of all work to be performed on its Facilities within the Public Rights-of-Way. Except for emergency repair work, Company must submit a Right of Way Permit Application to the City when initiating any work under this Franchise. Company shall give the City telephone and e-mail notice of the initiation of emergency repair work as soon as practicable under the circumstances and shall submit a Right of Way Permit Application promptly following completion of the work, if required. . Following completion of work in the Public Rights-of-Way, Company shall repair the affected Public Rights-of-Way as soon as possible, but in all cases, Company shall comply with all City ordinances governing time periods and standards relating to excavating in the Public Rights-of-Way. No Public-Right-of-Way shall be encumbered for a longer period than shall be necessary to execute the work.

Section 6. QUALITY OF SERVICE. The service furnished hereunder to the City and its inhabitants shall be in accordance with the quality- of- service rules of the Railroad Commission of Texas, state, federal, and local regulations. Company shall furnish the grade of service to its customers as provided by its rate schedules and shall maintain its system in reasonable operating condition during the continuance of this Franchise. An exception to this requirement is automatically in effect, but only for so long as is necessary, when caused by a shortage in materials, supplies and equipment beyond the control of the Company as a result of fires, strikes, riots, storms, floods and other casualties, governmental regulations, limitations, and restrictions as to the use and availability of materials, supplies and equipment and as to the use of the services, and unforeseeable and unusual demands for service. In any of such events the Company shall do all things reasonably within its power to restore normal service as quickly as practicable.

Section 7. PAYMENT TO THE CITY. In consideration of the rights and privileges herein granted, the administration of the Franchise by the City, the temporary interference with the use of Public Rights-of-Way and cost and obligations undertaken by the city in relation thereto and in lieu of any license, charge, fee, street or alley rental or other character of charge for use and occupancy of the Public Rights-of-Way, and in lieu of any inspection fee, the Company agrees to pay to the City franchise fees in the amount and manner described herein.

Company agrees to pay to the City quarterly during the continuance of this Franchise a sum of money equal to four percent (4%) of the Company's gross receipts for the preceding calendar quarter received by the Company from the sale of gas within the corporate limits of the City plus seven cents (7¢) per Mcf for natural gas transported by Company for its Transport Customers during such quarter. "Transport Customer" means any person or entity for whom Company transports gas through the distribution system of Company within the corporate limits of City for consumption within the corporate limits of City. The franchise fees hereunder shall be calculated for the calendar quarters ending March 31, June 30, September 30, and December 31 and shall be payable on or before the fifteenth day of May, August, November, and February following the quarter for which payment is made, beginning with the first such date following the Effective Date of this Franchise and each August 15th, November 15th, February 15th, and May 15th thereafter; provided, however, the first such payment shall be prorated as necessary to reflect only those gross receipts received and transportation volumes delivered by Company

after the Effective Date of this Franchise. In no event shall the Company be required to remit to the City franchise fee amounts that for any reason whatsoever are not fully recoverable from its customers. Upon receipt of the above amount of money, the City Secretary shall deliver to the Company a receipt for such amount. If any payment due date required herein falls on a weekend or bank holiday, payment shall be made on or before the close of business of the first working day after the payment due date.

Section 8. ANNEXATIONS BY CITY. This Franchise shall extend to and include any and all territory that is annexed by the City during the term of this Franchise. Within sixty (60) days from the receipt of notice from the City of any such annexation, the Company shall assure that any and all customers within such annexed territory are included and shown on its accounting system as being within the corporate limits of the City of Hilshire Village. After such sixty (60) day period the payment provisions specified in Section 7 of this Franchise shall apply to gross receipts and transport fees received by the Company from customers located within such annexed territory. Company shall true-up its map of City boundaries to the City's map on an annual basis.

Section 9. NON-EXCLUSIVE FRANCHISE. Nothing contained in this Franchise shall ever be construed as conferring upon the Company any exclusive rights or privileges of any nature whatsoever.

Section 10. COMPLIANCE AND REMEDIES. (a) In the event the Company by act or omission violates any material term, condition or provision of this Franchise, the City shall notify the Company in writing of such violation. Should the Company fail or refuse to correct any such violation within thirty (30) days from the date of City's notice, the City shall, upon written notification to the Company, have the right to terminate this agreement. Any such termination and cancellation shall be by ordinance adopted by City Council; provided, however, before any such ordinance is adopted, the Company must be given at least sixty (60) days' advance written notice. Such notice shall set forth the causes and reasons for the proposed termination and cancellation, shall advise the Company that it will be provided an opportunity to be heard by City Council regarding such proposed action before any such action is taken and shall set forth the time, date, and place of the hearing.

(b) Other than its failure, refusal, or inability to pay its debts and obligations, including, specifically, the payments to the City required by this Franchise, the Company shall not be declared in default or be subject to any sanction under any provision of this Franchise in those cases in which performance of such provision is prevented by reasons beyond its control.

(c) The rights and remedies of City and Company set forth herein shall be in addition to, and not in limitation of, any other rights and remedies provided at law or in equity and City's exercise of any particular remedy shall not constitute a waiver of its rights to exercise any other remedy.

Section 11. RESERVE OF POWERS. Except as otherwise provided in this Franchise, the City by the granting of this Franchise does not surrender or to any extent lose, waive, impair or lessen the lawful powers, claims and rights, now or hereafter vested in the City under the Constitution and statutes of the State of Texas and under the Ordinances of the City of Hilshire Village or other applicable law, to regulate public utilities within the City and to regulate the use of the Public Rights-of-Way by the Company; and the Company by its acceptance of this Franchise agrees that, except as otherwise provided in this Franchise, all lawful powers and rights, whether regulatory or otherwise, as are or as may be from time to time vested in or reserved to the City, shall be in full force and effect and subject to the exercise thereof by the City at any time and from time to time.

SECTION 12. INDEMNITY. THE COMPANY, ITS SUCCESSORS AND ASSIGNS, SHALL PROTECT AND HOLD THE CITY AND ITS OFFICERS, AGENTS, AND EMPLOYEES (COLLECTIVELY REFERRED TO IN THIS SECTION AS “THE CITY”) HARMLESS AGAINST ANY AND ALL CLAIMS OR DEMANDS FOR DAMAGES TO ANY PERSON OR PROPERTY BY REASON OF THE CONSTRUCTION AND MAINTENANCE OF THE COMPANY’S NATURAL GAS DISTRIBUTION SYSTEM, OR IN ANY WAY GROWING OUT OF THE RIGHTS GRANTED BY THIS FRANCHISE, EITHER DIRECTLY OR INDIRECTLY, OR BY REASON OF ANY ACT, NEGLIGENCE OR NONFEASANCE OF THE COMPANY OR THE CONTRACTORS, AGENTS OR EMPLOYEES OF THE COMPANY OR ITS SUCCESSORS AND ASSIGNS, AND SHALL REFUND TO THE CITY ALL SUMS WHICH THE CITY MAY BE ADJUDGED TO PAY ON ANY SUCH CLAIM, OR WHICH MAY ARISE OR GROW OUT OF THE EXERCISE OF THE RIGHTS AND PRIVILEGES HEREBY GRANTED OR BY THE ABUSE THEREOF, AND THE COMPANY OR ITS SUCCESSORS AND ASSIGNS SHALL INDEMNIFY AND HOLD THE CITY HARMLESS FROM AND ON ACCOUNT OF ALL DAMAGES, COSTS, EXPENSES, ACTIONS, AND CAUSES OF ACTION THAT MAY ACCRUE TO OR BE BROUGHT BY, A PERSON, PERSONS, COMPANY OR COMPANIES AT ANY TIME HEREAFTER BY REASON OF THE EXERCISE OF THE RIGHTS AND PRIVILEGES HEREBY GRANTED, OR OF THE ABUSE THEREOF.

Section 13. RELOCATION OF FACILITIES. The Company shall, upon written request of the City, relocate or modify its Facilities within Public Rights-of-Way at Company’s own expense, exclusive of Facilities installed for service directly to City, whenever such shall be reasonably necessary to accommodate a street widening or traffic lane adjustment project or any other public works project by City affecting the Public Right-of-Way in which the Facilities are located, including water, sewer, drainage and change of grade projects by City (collectively, “Public Works Improvement Projects”). City shall be responsible for the costs of Facility relocations or modifications requested by City to the extent they involve street lighting Facilities, Facilities used to provide Utility Service directly to City, or any Facilities if their requested relocation or modification is for a reason other than being reasonably necessary to accommodate a Public Works Improvement Project.

Section 14. GOVERNMENTAL FUNCTION. All of the regulations and activities required by this Franchise are hereby declared to be governmental and for the health, safety, and welfare of the general public.

Section 15. RECORDS AND REPORTS. (a) Books of Account. The Company shall keep complete and accurate books of accounts and records of its business and operations under and in connection with this Franchise. All such books of accounts and records shall be kept at the company’s principal office in Houston, Texas.

(b) Access by City. The City may conduct an audit or other inquiry or may pursue a cause of action in relation to the payment of the franchise fee only if such audit, inquiry, or pursuit of a cause of action concerns a payment made less than three (3) years before the commencement of such audit, inquiry, or pursuit of a cause of action (“Audit Period”). Each party shall bear its own costs of any such audit or inquiry. Upon receipt of a written request from the City, all books and records related to Company’s operations under this Franchise shall be made available for inspection and copying no later than thirty (30) days from receipt of such request. If an audit determines underpayments or overpayments occurred during the Audit Period, Company shall pay such underpayments and may deduct such overpayments from the succeeding Franchise Fee payment with interest until paid in full at a rate equal

to the return on equity granted to Company in its most recent proceeding setting rates applicable to customers within the corporate limits of the City.

(c) Interest on Underpayments and Overpayments. (1) Amounts due to City for late payments shall include interest, compounded daily equal to the return on equity plus three percent (3%) granted to the Company in its most recent proceeding fixing rates applicable to customers within the corporate limits of the City. (2) If the City identifies, as a result of a franchise fee compliance review, amounts owed by the Company from prior periods or prior underpayments, then the Company shall pay simple interest on such amounts equal to the return on equity granted to the Company in its most recent proceeding fixing rates applicable to customers within the corporate limits of the City. Said interest shall be payable on such sums from the date the initial payment was due until it is paid and shall not be billed to customers. (3) Amounts due Company for past overpayments shall include simple interest equal to the return on equity granted to the Company in its most recent proceeding fixing rates applicable to customers within the corporate limits of the City; provided, however, if there is a change in the approved return on equity during the time period subject to the City's audit or inquiry, then for each time period during which there was an overpayment, the approved return on equity in effect during such time period shall be used in calculating interest under this subparagraph (c). Interest payable on such sums shall be credited to customers.

Section 16. EASEMENT. In consideration for the compensation set forth in Section 7, City agrees that if City sells, conveys, or surrenders possession of any portion of the Public Right-of-Way that is being used by Company pursuant to this Franchise, City, to the maximum extent of its right to do so, shall first grant Company an easement for such use and the sale, conveyance, or surrender of possession of the Public Right-of-Way shall be subject to the right and continued use of Company.

Section 17. ACCEPTANCE. The Company shall, within thirty (30) days following the final passage and approval of this Franchise, file with the City Secretary of the City of Hilshire Village either 1) a written statement signed in its name and behalf in the following form or 2) this document duly executed below by the Vice President of Regional Operations:

“To the Honorable Mayor: and City Council of the City of Hilshire Village:

CenterPoint Energy Resources Corp., DBA CenterPoint Energy Texas Gas Operations, its successors and assigns, hereby accepts the attached Franchise Ordinance and agrees to be bound by all of its terms and provisions.”

CENTERPOINT ENERGY RESOURCES CORP.,
DBA CENTERPOINT ENERGY TEXAS GAS
OPERATIONS

By: _____
Tal R. Centers Jr., Division Vice President,
Regional Operations

Dated this _____ day of _____ 2022.

Section 18. SEVERABILITY. If any provision, section, subsection, sentence, clause or phrase of this Franchise is for any reason held to be unconstitutional, void, or invalid or for any reason unenforceable, the validity of the remaining portions of this Franchise shall not be affected thereby, it being the intent the City of Hilshire Village in adopting this Franchise that no portion hereof or provision hereof shall become inoperative or fail by reason of any unconstitutionality or invalidity of any other portion, provision or regulation and, to this end, all provisions of this ordinance are declared to be severable.

Section 19. NOTICES. Every notice, order, petition, documents or other direction or communication to be served upon the City or the Company shall be deemed sufficiently given if sent by registered or certified mail, return receipt requested. Every such communication to the Company shall be sent to:

CenterPoint Energy Resources Corp.
Vice President Regulatory Relations
PO Box 4567
Houston, TX 77210-4567

With a copy to:

General Counsel, Gas Division
PO Box 2628
Houston, TX 77252-2628

Every such communication to the City or the City Council shall be sent to the:

Mayor, City of Hilshire Village
8301 Westview Drive
Houston, TX 77055

With a Copy to:

City Administrator, City of Hilshire Village
8301 Westview Drive
Houston, TX 77055

Section 20. PUBLICATION, PASSAGE AND EFFECTIVE DATE. This Franchise shall become effective immediately upon its passage and publication as required by law. ("Effective Date"). The Company shall pay the cost of those publications.

Section 21. REPEAL OF PREVIOUS ORDINANCES. This Franchise replaces the franchise agreement with the Company, dated May 30, 2006, granted by City of Hilshire Village, Texas Ordinance No. 584 which ordinance is hereby repealed as of the effective date of this Franchise. Any claims of City or Company thereunder are hereby waived.

Section 22. COMPLIANCE WITH ORDINANCES. Company's operations and activities within the Public Rights-of-Way in the City shall be subject to all City ordinances, unless otherwise in conflict with any federal or state laws or this Franchise. The City shall endeavor to provide Company with reasonable notice and opportunity to review and comment upon any new or revised City laws that

impact Company's use of the Public Rights-of-Way, but the failure to do so shall not affect the applicability of such laws to Company. Nothing herein shall be deemed a waiver, release, or relinquishment of any right by either party to contest, appeal, or file suit with respect to any action or decision of the other party.

DULY PASSED AND APPROVED on this 21st day of June, 2022.

APPROVED:

Robert Buesinger, Mayor
City of Hilshire Village, Texas

ATTEST:

Susan Blevins, City Secretary
City of Hilshire Village, Texas

THE STATE OF TEXAS §
 §
COUNTY HARRIS §

I, the duly appointed, qualified and acting City Secretary of the City of Hilshire Village, Texas, do hereby certify that the above and foregoing ordinance was read on first reading at a regular meeting of the City Council of said City of Hilshire Village, Texas, held on the 21st day of June, 2022; that written notice of the date, place and subject of said meeting was posted on a bulletin board located at a place convenient to the public in the City Hall for at least 72 hours preceding the day of said meeting; that Mayor Robert Buesinger, and 5 Council members:

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| 1. Mike Gordy | 4. Paul Maddock |
| 2. Justin Crawford | 5. David Schwarz |
| 3. Andy Carey | |

were present at said meeting and acted as the Council throughout; that the same has been signed and approved by the Mayor and is duly attested by the City Secretary; and that the same has been duly filed with the City Secretary and recorded by the City Secretary in full in the books for the purpose of recording the ordinances of the City of Hilshire Village, Texas.

EXECUTED under my hand and the official seal of the City of Hilshire Village, Texas at said City, this 21st day of June, 2022.

Susan Blevins, City Secretary
City of Hilshire Village, Texas

[SEAL]