

**From:** Thomas Brocato <[tbrocato@lglawfirm.com](mailto:tbrocato@lglawfirm.com)>

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**To:** Thomas Brocato <[tbrocato@lglawfirm.com](mailto:tbrocato@lglawfirm.com)>

**Cc:** Robyn Katz <[rkatz@lglawfirm.com](mailto:rkatz@lglawfirm.com)>; Jamie Mauldin <[jmauldin@lglawfirm.com](mailto:jmauldin@lglawfirm.com)>; Jessica Shipley <[jshipley@lglawfirm.com](mailto:jshipley@lglawfirm.com)>

**Subject:** PLEASE READ: Gas Securitization Filings

Cities Served by CenterPoint Gas – Houston Division:

On Friday, gas utilities across the state filed applications to collect the incremental gas costs incurred during Winter Storm Uri from ratepayers through a unique form of financing referred to as securitization. Together, gas utilities are expected to be requesting between \$4,000,000,000 to \$6,000,000,000. These amounts will be combined and collected along with interest charges from all customers statewide over the next 20-30 years.

**BACKGROUND:**

During Winter Storm Uri gas prices rose from about \$3.00/MMBtu to approximately \$400.00/MMBtu. Gas utilities such as Atmos, Texas Gas Service Company (TGS), CenterPoint, CoServ and others purchase gas at market prices from producers. The high prices and high demand led to many billions of dollars in incremental gas purchases by gas utilities during the week of the storm. Instead of immediately charging customers with the full amounts in March, the Railroad Commission issued an order directing gas utilities to retain the amounts on their books until a later date. In May, the Legislature adopted HB 1520 authorizing utilities to seek securitization of the amounts on their books. Securitization is a low cost financing method where utilities receive all that is owed to them immediately and customers pay the amounts back over an extended period through a surcharge on their bills. These are the largest and first such cases ever filed at the Railroad Commission. The Commission has 150 days to review the costs and determine how much may be collected from customers. The Commission has decided to combine all of the applications into one proceeding. The Commissioners intend to preside over the cases themselves (another first). The filings were made on July 30.

**SECURITIZATION APPLICATIONS / CITY INVOLVEMENT:**

As you may be aware, we represent cities across the state on gas utility matters. As such, this email is being sent to our city clients in the following service areas: Atmos Mid-Tex, Atmos West Texas, CenterPoint - Beaumont / East Texas Division, CenterPoint - Houston Division, CenterPoint - South Texas Division, CenterPoint - Texas Coast Division, CoServ, SiEnergy, TGS - Central Gulf Service Area, TGS - RGV Service Area.

The Commission intends to combine all of the applications into one case. Additionally, HB 1520 requires all of the amounts to be combined and collected from all customers. Many of the details are yet to be sorted out. However, any disallowances to one utility will benefit customers statewide. As such, our intention is to intervene on behalf of all the city groups we represent. The Steering Committee of Cities Served by Atmos Mid Tex (ACSC) has already authorized our intervention. We intend to intervene for the other city groups but are requesting authorization to proceed. Please respond to this email and let me know if we may include your city.

Prior to the filing, we met with Atmos, CenterPoint and TGS about their applications. We also had several meetings with the Railroad Commission staff. We have also spoken to two consultants about assisting us in reviewing the applications. Finally, we called a meeting with all of the other attorneys in the state who represent cities on gas utility matters. We will be working with other city groups to make sure we share witnesses and don't duplicate effort.

Cities do not have jurisdiction over this matter so no formal action on the applications is necessary.

It is our opinion that cities are entitled to reimbursement of their expenses since this is a ratemaking proceeding. Neither the utilities we have visited with nor the Commission Staff intend to challenge us on this point. However, since this is a case of first impression, it is not certain what the Railroad Commission will ultimately decide on this point. Assuming that we are entitled to recovery of our expenses, they will be collected from all customers statewide along with the amounts approved for securitization.

Since we are representing the interests of all of our client cities together, we intend to submit legal and consulting bills to the Commission through ACSC rather than each of the city groups. However, we will gladly provide copies of all invoices to any city group that requests copies.

I understand that this is a long detailed email. Please contact me if you have questions and/or concerns. My office number is 52-322-5857. If we need to set up a call to discuss this further, please let me know. Thank you for your support. Thomas, Jamie & Robyn.



**THOMAS L. BROCATO**

Principal

512-322-5857 Direct

512-914-5061 Cell

Lloyd Gosselink Rochelle & Townsend, P.C.

816 Congress Ave., Suite 1900, Austin, TX 78701

[www.lglawfirm.com](http://www.lglawfirm.com) | 512-322-5800

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