

ORDINANCE NO. – 2007-1

AN ORDINANCE GRANTING CENTERPOINT ENERGY RESOURCES CORP., DBA CENTERPOINT ENERGY TEXAS GAS OPERATIONS, ITS SUCCESSORS AND ASSIGNS, THE RIGHT, PRIVILEGE AND FRANCHISE FOR A PERIOD OF TEN (10) YEARS TO CONSTRUCT, LAY, MAINTAIN, OPERATE, EXTEND, REMOVE, REPLACE AND REPAIR A SYSTEM OF PIPELINES, GAS MAINS, LATERALS AND ATTACHMENTS AND ALL DESIRABLE INSTRUMENTALITIES IN, UNDER, OVER, ACROSS AND ALONG ANY AND ALL STREETS, AVENUES, PARKWAYS, SQUARES, ALLEYS AND ALL OTHER PUBLIC PLACES IN THE CITY OF BEACH CITY, CHAMBERS COUNTY, TEXAS FOR THE PURPOSE OF TRANSPORTING, DISTRIBUTING, SUPPLYING AND SELLING GAS (NATURAL AND/OR ARTIFICIAL AND/OR MIXED) FOR HEATING, LIGHTING, POWER, AND FOR ALL OTHER PURPOSES FOR WHICH GAS MAY BE USED, TO THE SAID MUNICIPALITY AND ITS INHABITANTS AND OTHERS; PROVIDING CONDITIONS CONTROLLING THE USE OF PUBLIC THOROUGHFARES AND EXTENSIONS THEREIN; ESTABLISHING STANDARDS OF SERVICE; PROVIDING FOR PAYMENT OF TWO PERCENT (2%) OF THE GROSS RECEIPTS FROM THE SALE OF GAS TO CUSTOMERS IN SAID MUNICIPALITY; PROVIDING FOR ACCEPTANCE; PROVIDING A SEVERABILITY CLAUSE; MAKING MISCELLANEOUS PROVISIONS; AND REPEALING ALL ORDINANCES IN CONFLICT HEREWITH.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF BEACH CITY, TEXAS:

SECTION 1. The City of Beach City, Chambers County, Texas, (herein called "Grantor") does hereby grant unto CenterPoint Energy Resources Corp., DBA CenterPoint Energy Texas Gas Operations, its successors and assigns (herein called "Grantee") the right, privilege, and franchise to construct, lay, maintain, operate, use, extend, remove, replace and repair in, under, over, across, and along any and all of the present and future streets, avenues, parkways, squares, alleys, thoroughfares, roads, highways, sidewalks, viaducts, bridges, streams, public grounds, public properties, and other public places in Beach City, Texas, and in all tracts, territories, and areas hereafter annexed to or acquired by and placed within the corporate boundaries of said municipality, a system, of pipes, pipelines, gas mains, laterals, conduits, feeders, regulators, meters, fixtures, connections, and attachments and other desirable instrumentalities and appurtenances necessary or proper, for the purpose of transporting, distributing, supplying and selling gas (natural and/or artificial and/or mixed) for heating, lighting, power and for any other purpose for which gas may now or hereafter be used, in and to said municipality and its inhabitants or any other person or persons within or without the corporate boundaries of said municipality.

SECTION 2. Grantee's property shall be so constructed and maintained as not to interfere unreasonably with traffic over the public thoroughfares of said municipality and the same shall be laid in accordance with the lines, grades, and conditions established by Grantor.

SECTION 3. The service furnished hereunder to said municipality and its inhabitants shall be first-class in all respects considering all circumstances and shall be subject to such reasonable rules and regulations as Grantee may make from time to time. Grantee may require reasonable security for the payment of its bills.

SECTION 4. Grantee at its own expense shall run or extend not more than one hundred (100) feet of pipe, not to exceed a diameter of two (2) inches, in order to bring gas service to the property line of each additional customer.

SECTION 5. In consideration of the rights and privileges herein granted, Grantee agrees to pay to the Grantor annually during the continuance of this franchise a sum of money equal to two percent (2%) of the gross receipts received by the Grantee from the sale of gas to customers within the corporate limits of the Grantor. Payments hereunder shall be calculated on the basis of gross receipts from the sale of gas to customers within the corporate limits of Grantor and shall be payable for the preceding year on or before the first (1st) day of March of each year following the effective date of this franchise and each and every year thereafter. Upon receipt of the above amount of money, the City Secretary shall deliver to Grantee a receipt for such amount.

Upon request of the Grantor, Grantee shall present to it any and all records, accounts and books for inspection relative to the gross receipts of Grantee within the corporate limits of the Grantor.

The consideration hereinabove set forth shall be paid and received in lieu of any license, charge, fee, street or alley rental or other character of charge for use and occupancy for the streets, alleys and public places within Grantor, and in lieu of any pipe tax or inspection fee or tax, but shall not in anywise increase or diminish Grantee's obligation to pay the Grantor ad valorem taxes or anywise interfere with collection thereof.

Any special taxes, rentals or other charges accruing after the effective date of this franchise, under the terms of any preexisting ordinance or imposed upon Grantee by subsequent action of the Grantor shall, when paid to the Grantor, be applied as a credit to the amount owed to the Grantor under the terms of this franchise agreement.

Any payment made by Grantee pursuant to this ordinance shall be deemed final and correct as to both Grantor and Grantee unless questioned within two (2) years after the date of such payment.

SECTION 6. If the Legislature of the State of Texas amends the ceiling on utility gross receipts payments to municipalities established by Tex. Tax Code §182.025, then Grantor may prospectively change the percentage of Grantee's gross receipts payable to Grantor under Section 5 of this franchise to the level established by such amendment; provided, however, that such change in the percentage of Grantee's gross receipts payable to Grantor shall not become effective unless and until Grantor shall have approved and authorized rate schedules acceptable to Grantee which will permit Grantee to fully recover through its rates effective within the corporate limits of Grantor any increase in amounts payable to Grantor resulting from such change.

SECTION 7. Grantee shall hold Grantor harmless from all expenses or liability for any unlawful or negligent act of Grantee hereunder.

SECTION 8. Nothing herein contained shall ever be held or considered as conferring upon Grantee and its successors and assigns any exclusive rights or privileges of any nature whatsoever.

SECTION 9. All ordinances and parts of ordinances in conflict herewith are hereby repealed.

SECTION 10. Provided Grantee files a written acceptance of this franchise with Grantor within one hundred-twenty (120) days after final passage of this Ordinance, this franchise shall take effect and continue and remain in effect for a primary term of ten (10) years from and after the date of this Ordinance; and, at the end of the primary term, this franchise shall automatically renew itself for successive five (5) year periods unless Grantee or Grantor shall provide written notice to the contrary to the other at least ninety (90) days prior to the expiration of the primary term or any succeeding five (5) year renewal term.

SECTION 11. If any provision, section, subsection, sentence, clause, or phrase of this ordinance is for any reason held to be unconstitutional, void, or invalid (or for any reason unenforceable), the validity of the remaining portions of this ordinance shall not be affected thereby, it being the intent of the Grantor in adopting this ordinance that no portion hereof or provision or regulation contained herein shall become inoperative or fail by reason of any unconstitutionality or invalidity of any other portion, provisions or regulation, and to this end, all provisions of this ordinance are declared to be severable.


READ in full and finally PASSED and ADOPTED at a regular meeting of the City Council of the City of Beach City, Texas, on the 27th day of February , 2007, and approved by the Mayor.

APPROVED:

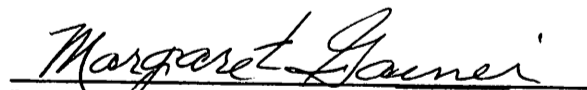


GUIDO PERSIANI, Mayor of the City of Beach City, Texas

APPROVED AS TO FORM ONLY:


DANIEL R. JACKSON, City Attorney

ATTEST:

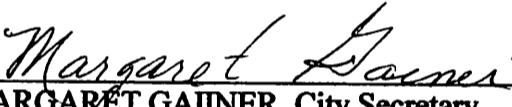

MARGARET GAINER, City Secretary of Beach City, Texas

THE STATE OF TEXAS
COUNTY OF CHAMBERS

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I, the duly appointed, qualified and acting City Secretary of Beach City, Texas, do hereby certify that the above and foregoing ordinance was passed and adopted by the City Council of Beach City, Texas at a regular meeting of the City Council held on the 27th day of February, 2007; 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 the Mayor, GUIDO PERSIANI, and five (5) Councilmembers, TOMMY CLAYTON, RAY SMITH, DOUGLAS WALKER, RITA STANDRIDGE, and VAUGHN BERCAW 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 kept for the purpose of recording ordinances of the City of Beach City.

EXECUTED under my hand and the official seal of the City of Beach City, Texas, at said City, this the 27th day of February 2007.



MARGARET GAINER, City Secretary

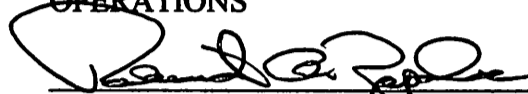
[SEAL]

TO THE CITY OF BEACH CITY, TEXAS:

CenterPoint Energy Resources Corp., DBA CenterPoint Energy Texas Gas Operations, for itself, its successors and assigns, hereby accepts the above and foregoing ordinance No. 2007-1 and agrees to be bound by all of its terms and provisions.

Dated this the 28th day of March, 2007.

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



Richard A. Zapalac, Vice President - Texas
Southern Gas Operations

NOTE TO THE CITY SECRETARY:

Please do not complete the certificate below until an officer of CenterPoint Energy Resources Corp., DBA CenterPoint Energy Texas Gas Operations, has executed the Acceptance above.

THE STATE OF TEXAS §
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COUNTY OF CHAMBERS §

I, the duly appointed, qualified and acting City Secretary of Beach City, Texas, hereby certify that the above and foregoing Acceptance was received and filed in the office of the City Secretary of Beach City, Texas on the 4th day of April, 2007.


CITY SECRETARY OF BEACH CITY, TEXAS

[S E A L]