

**AGENDA INFORMATION SHEET**  
**ITEM NO. \_\_\_\_\_**

**SUSPENSION OF CENTERPOINT ENERGY'S PROPOSED  
EFFECTIVE DATE FOR ITS PROPOSED INCREASE IN RATES**

**BACKGROUND**

On or about November 16, 2017, CenterPoint Energy Resources Corporation, D/B/A, CenterPoint Energy Entex and CenterPoint Energy Texas Gas ("CenterPoint" or "Company") filed a Statement of Intent to increase rates by a total of approximately \$1.2 million. CenterPoint's proposed increase in revenue of about \$1.2 million is comprised of an increase in base rates of about \$540 Thousand and a "Hurricane-Harvey" surcharge of about \$665 Thousand. CenterPoint proposes an effective date of December 21, 2017 for its change in rates.

CenterPoint proposes to *increase base rates for residential customers* and to *decrease base rates for commercial customers* as follows:

Residential:	\$1.8 million
General Service – Small Commercial:	-\$1.2 million
General Service – Large Volume:	- \$42,000

This equates to *net* increase in *base-rate revenue* of about \$540 Thousand.

CenterPoint's is also proposing a 12-month surcharge to recover certain expenses it contends it incurred as a result of Hurricane Harvey. That surcharge would be 39¢ per month per customer applied equally to residential customers and commercial customers. CenterPoint's proposed surcharge equates to an additional increase in revenue of about \$665 Thousand. Combined, CenterPoint's proposed increase in base rates plus its proposed surcharge would produce an increase of about \$1.2 million.

**CURRENT BASE RATES VERSUS PROPOSED BASE RATES:**

CenterPoint proposes to increase the fixed customer charge for the Residential class, while charges based on consumption would be reduced. For commercial customers, CenterPoint proposes a decrease in the customer charge and the commodity charge. The table below shows CenterPoint's current base rates and its proposed base rates:

CURRENT RATES COMPARED TO PROPOSED RATES			
	Current Rates	Proposed Rates	Proposed Change
<b>Residential</b>			
Customer Charge/Month	\$23.24	\$26.00	\$2.76
Commodity Charge/ccf	\$0.21800	\$0.14417	-\$0.07383
<b>General Service-Small Commercial</b>			
Customer Charge/Month	\$38.87	\$30.50	-\$8.37
Commodity Charge/ccf	\$0.10460	\$0.09573	-\$0.00887
<b>General Service-Large Volume Commercial</b>			
Customer Charge/Month	\$213.00	\$101.00	-\$112.00
Commodity Charge/ccf	\$0.04120	\$0.07812	\$0.03692

***BILL IMPACT AT CURRENT BASE RATES VERSUS PROPOSED BASE RATES:***

At CenterPoint's proposed change in base rates, the average customer's monthly bill would be affected as follows:

	Avg Bill at Current Base Rates	Avg Bill at Proposed Base Rates	Proposed Change in Bill for Base Rates	Avg Monthly Consumption (ccf)
<b>Residential</b>				
Customer Charge/Month	\$23.24	\$26.00		
Commodity Charge/ccf	<u>\$4.80</u>	<u>\$3.17</u>		22
	\$28.04	\$29.17	\$1.14	INCREASE OF 4%
<b>General Service-Small Commercial</b>				
Customer Charge/Month	\$38.87	\$30.50		
Commodity Charge/ccf	<u>\$18.83</u>	<u>\$17.23</u>		180
	\$57.70	\$47.73	-\$9.97	DECREASE OF 17%
<b>General Service-Large Volume Commercial</b>				
Customer Charge/Month	\$213.00	\$101.00		
Commodity Charge/ccf	<u>\$111.16</u>	<u>\$210.77</u>		2698
	\$324.16	\$311.77	-\$12.39	DECREASE OF 4%

***BILL IMPACT AT CURRENT BASE RATES VERSUS PROPOSED BASE RATES INCLUDING 12-MONTH SURCHARGE:***

At CenterPoint's proposed change in base rates, **plus its proposed 12-month surcharge**, the average customer's monthly bill would be affected as follows:

	Avg Bill at Current Base Rates	Avg Bill at Proposed Base Rates Plus Surcharge	Proposed Change in Bill for Base Rates Plus Surcharge	Avg Monthly Consumption (ccf)
<b>Residential</b>				
Customer Charge/Month	\$23.24	\$26.39		
Commodity Charge/ccf	<u>\$4.80</u>	<u>\$3.17</u>		22
	\$28.04	\$29.56	\$1.53	INCREASE OF 5%
<b>General Service-Small Commercial</b>				
Customer Charge/Month	\$38.87	\$30.89		
Commodity Charge/ccf	<u>\$18.83</u>	<u>\$17.23</u>		180
	\$57.70	\$48.12	-\$9.58	DECREASE OF 17%
<b>General Service-Large Volume Commercial</b>				
Customer Charge/Month	\$213.00	\$101.39		
Commodity Charge/ccf	<u>\$111.16</u>	<u>\$210.77</u>		2698
	\$324.16	\$312.16	-\$12.00	DECREASE OF 4%

***BILL IMPACT AT CURRENT BASE RATES VERSUS PROPOSED BASE RATES INCLUDING 12-MONTH SURCHARGE PLUS COST OF GAS:***

At CenterPoint's proposed change in base rates, **plus its proposed 12-month surcharge, plus the cost of gas**, the average customer's monthly bill would be affected as follows:

	Avg Bill at Current Base Rates	Avg Bill at Proposed Base Rates Plus Surcharge	Proposed Change in Bill for Base Rates Plus Surcharge	Avg Monthly Consumption (ccf)
<b>Residential</b>				
Customer Charge/Month	\$23.24	\$26.39		
Commodity Charge/ccf	<u>\$16.89</u>	<u>\$15.26</u>		22
	\$40.13	\$41.65	\$1.53	INCREASE OF 4%
<b>General Service-Small Commercial</b>				
Customer Charge/Month	\$38.87	\$30.89		

<b>Commodity Charge/ccf</b>	<u>\$117.77</u>	<u>\$116.17</u>		180
	\$156.64	\$147.06	-\$9.58	DECREASE OF 6%
<b>General Service-Large Volume Commercial</b>				
<b>Customer Charge/Month</b>	\$213.00	\$101.39		
<b>Commodity Charge/ccf</b>	<u>\$1,594.11</u>	<u>\$1,693.72</u>		2698
	\$1,807.11	\$1,795.11	-\$12.00	DECREASE OF 1%

Because CenterPoint's proposed increase in Residential customers' rates is focused on the monthly customer charge, customers that use less gas than the average customer, will see a steeper percentage increase in their monthly bill. Also, CenterPoint proposes an increase to the Residential class and decreases to the commercial classes. Each of these factors means that the City should evaluate CenterPoint's proposed allocation of costs to the customer classes.

Lastly, given that CenterPoint's application represents its first general rate case since about 2010 and that since then, CenterPoint has sought and the Railroad Commission has granted CenterPoint, interim increases in rates pursuant to the Gas Utility Regulatory Act § 104.301 (the so-called "GRIP Statute"), it will be necessary to evaluate the prudence of CenterPoint's investments upon which it is earning a return through those interim rates.

### **ACTION REQUIRED BY DECEMBER 21, 2017**

The City must take action on CenterPoint's Statement of Intent before December 21, 2017. Absent such action, CenterPoint's rates are deemed approved by operation of law.

### **CENTERPOINT TEXAS MUNICIPALITIES**

The Alliance of CenterPoint Municipalities-South Texas Division ("ACM") was organized by a number of municipalities, served by CenterPoint. Alfred R. Herrera with the law firm of Herrera Law & Associates, PLLC, has previously represented the City as part of ACM in rate cases involving CenterPoint.

### **CITY JURISDICTION TO SET CENTERPOINT'S RATES**

Unless a city ceded its original jurisdiction to the Railroad Commission of Texas, the Gas Utility Regulatory Act § 103.001 grants a city exclusive original jurisdiction over a gas utility's rates, services, and operations within the city limits. But even if a city has ceded its jurisdiction, to the Railroad Commission, the Gas Utility Regulatory Act § 103.023, grants a city the statutory right to participate in rate proceedings before the Railroad Commission.

### **INTERVENTION AT THE RAILROAD COMMISSION OF TEXAS**

CenterPoint filed its Statement of Intent to raise rates with the City and the Railroad Commission of Texas (“RRC”) on the same date. All reasonable efforts will be undertaken to resolve CenterPoint’s rate application without the need for proceedings at the Railroad Commission for rates within the cities. But because CenterPoint submitted its application to the Railroad Commission to change rates in the environs (that is, areas outside the city limits) on the same date as it did with the City, it is important to participate in those proceedings because the Commission’s decisions could impact rates within the City.

### **RATE CASE EXPENSES**

Cities by statute are entitled to recover their reasonable rate case expenses from the utility. See Gas Utility Regulatory Act § 103.022. Legal counsel and consultants approved by ACM will submit monthly invoices to the coalition-designated city that will be forwarded to CenterPoint for reimbursement. No individual city’s budget is negatively affected.

### **SUSPENSION**

CenterPoint’s rate-filing package is voluminous containing thousands of pages of data. In order to have time to review the rate-filing package, the Council is requested to suspend CenterPoint’s proposed effective date for ninety (90) days as provided by GURA. It is a virtual impossibility for the City to set just and reasonable rates without suspending the rate request for ninety days; suspension of CenterPoint’s proposed effective date will permit its special regulatory counsel and experts an opportunity to perform a better review of CenterPoint’s application.

### **RECOMMENDATION**

It is recommended that the City continue its participation in the Alliance of CenterPoint Municipalities and retain the law firm of Herrera Law & Associates, PLLC to represent the City’s interest in matters related to CenterPoint’s rate case and to advise the City with regard to CenterPoint’s application, and that the City intervene in the proceeding before the Railroad Commission of Texas, should such proceedings develop, and court appeals, if any.

The recommendation is also to suspend CenterPoint’s proposed effective date of December 21, 2017, for its proposed increase in rates as set forth in CenterPoint’s Statement of Intent for 90 days. Assuming CenterPoint’s notice meets the statutory criteria for sound notice, the suspension period runs until March 21, 2018.

**The City must take action no later than December 21, 2017. If the City does not take action by December 21, 2017, CenterPoint’s proposed rates will be deemed approved by operation of law, subject to the City’s right to hold a hearing to address CenterPoint’s rate application.**