



November 16, 2017

CenterPoint Energy
1111 Louisiana Street
Houston, TX 77002-5231
P.O. Box 2628
Houston, TX 77252-2628

Mayor and City Council
City of Kyle
Kyle, Texas

Re: Statement of Intent to Increase Rates for CenterPoint Texas' South Texas Division

Ladies and Gentleman:

CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas ("CenterPoint Texas" or the "Company") files this Statement of Intent to Increase Rates ("Statement of Intent") with all municipalities in CenterPoint Texas' current South Texas Division. CenterPoint Texas is a gas utility as defined by the Gas Utility Regulatory Act ("GURA"),¹ and the cities within the South Texas Division, including the City of Kyle (the "City"), have exclusive original jurisdiction to set rates for the Company pursuant to § 103.001 of GURA.

Within the South Texas Division, CenterPoint Texas provides service to approximately 142,00 customers. Of this total, CenterPoint Texas serves approximately 7,968 residential customers, 318 small commercial customers and 4 large volume customers in the City. By this Statement of Intent, CenterPoint Texas notifies the City of its intent to increase its rates effective December 21, 2017, which is 35 days from the date of this filing. Simultaneously with this filing, CenterPoint Texas is filing with the Railroad Commission of Texas ("Commission") a Statement of Intent to Increase Rates in the South Texas Division.²

The Company is required to make this statement of intent filing in its South Texas Division pursuant to Texas Utilities Code §104.301(h). CenterPoint Texas is proposing to adopt rates for the South Texas Division based on the cost of providing service to all customers within the division, inclusive of both incorporated and unincorporated areas. The Company's filing demonstrates that the need for a modest rate increase is primarily driven by the continuing investment that is being made to ensure the safety and reliability of the system, changes to depreciation rates that better reflect the actual life and salvage characteristics of the Company's assets, and necessary increases in operating expenses. Without this increase, CenterPoint Texas' current rates for service to South Texas Division customers no longer provide a reasonable opportunity for CenterPoint Texas to recover its operating costs and earn a fair return on its investment.

Accordingly, pursuant to GURA § 104.102, CenterPoint Texas files this Statement of Intent with attached Rate Schedules containing the proposed revisions to the Company's rates and terms and conditions of service applicable in your City. Specific changes to tariffs and the proposed Rate Schedules are contained in the attached filing. The effect of the Company's proposed new rate schedules and tariff changes is to increase CenterPoint Texas' net annual non-

¹ TEX. UTIL. CODE ANN. §§ 101.001, *et seq.*

² The Commission filing also includes municipalities that have ceded their original jurisdiction over rates to the Commission.

gas revenues in the South Texas Division by approximately \$540,000 per year, of which amount approximately \$36,644 will be collected from customers in the City. If approved, the proposed revisions to the rate schedules amount to an increase per month of approximately \$0.76 for the average residential customer in the City. The changes represent a total increase to the Company's division-wide aggregate revenues of approximately 0.6% with gas cost and 1.0% without gas cost.

In addition to the proposed change in rates for the Residential, General Service-Small, and General Service-Large Volume rate classes, CenterPoint Texas is proposing to split its Residential, General Service-Small, and General Service-Large Volume rate schedules for the South Texas Division into separate rate schedules for 1) the incorporated areas and 2) the unincorporated areas and the cities that have ceded jurisdiction to the Railroad Commission of Texas ("Commission"). It is also proposing certain modifications to other rate schedules in order to be consistent with tariffs in place in the Company's other Texas divisions. For instance, the Company's proposed Purchased Gas Adjustment ("PGA") tariff adds language that provides for the inclusion of Federal Energy Regulatory Commission participation costs, bad debt expense, costs to be refunded to customers pursuant to orders previously issued by the Commission, and changes to the calculation of interest on over- or under-recoveries from the average monthly basis to an average annual basis. The revised Franchise Fee Adjustment tariff includes clarifying language concerning submission of compliance filings with the Commission regarding the amounts of municipal franchise fees included in rates.


CenterPoint Texas also seeks authorization for a Safety and System Integrity ("SSI") Regulatory Asset that will track certain operations and maintenance expenses associated with activities necessary to comply with changes in state or federal regulations relating to natural gas pipeline safety and integrity. The Company also proposes updates to its Miscellaneous Service Charges and General Service Rules and Regulations related to its interactions with customers via the Company's website, service connections, its current practice related to line extensions, severe weather emergencies, and other non-substantive changes.

Additionally, the Company proposes to collect the recovery of restoration expenses incurred by the Company in the South Texas Division as a direct result of Hurricane Harvey through a separate 12-month surcharge. Restoration expenses associated with Hurricane Harvey that will be collected through the separate surcharge are not recoverable from any other source and include expenses and insurance deductibles under the Company's property damage and business interruption policies. As proposed, the Hurricane Harvey monthly surcharge amount would be \$0.39 for Residential customers, \$0.39 for General Service-Small customers, and \$0.39 for General Service-Large Volume customers. Finally, the Company is proposing a new rate schedule to recover the rate-case expenses incurred in this proceeding as authorized by the regulatory authority, and it seeks to withdraw its existing rate-case expenses riders in place in the South Texas division, which address costs that have already been fully recovered. Rate Schedules R-2097-I, R-2097-U, GSS-2097-I, GSS-2097-U, GSLV-628-I and GSLV-628-U have also been updated to include language relating to rate-case expense recovery. The amount of rate-case expenses to be recovered, if any, is not known at this time.

Publication of required notice containing information relative to this Statement of Intent will be made in accordance with applicable statutes, rules and other requirements.

If you desire any additional information concerning these changes, we will be available at any time to discuss them with you.

Very truly yours,



Stacey Murphree
Regulatory Portfolio Management

Enclosures

DELIVERED TO:

Jennifer Vetrano, City Secretary of
NAME OFFICE (Mayor, City Secretary, etc.)

the City of Kyle on this 16th day of November 2017.


SIGNATURE