

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

**SUSPENSION OF CENTERPOINT ENERGY’S PROPOSED  
EFFECTIVE DATE FOR ITS PROPOSED INCREASE IN RATES IN  
THE BEAUMONT/EAST TEXAS DIVISION**

**BACKGROUND**

On or about November 14, 2019, 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 \$6.82 million.

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

Residential:	\$7.181 million
General Service – Small Commercial:	-\$0.175 million
General Service – Large Volume:	-\$0.190 million

This equates to *net* increase in CenterPoint’s *base-rate revenue* of about \$6.82 million.

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 10¢ 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 \$235,000. Combined, CenterPoint’s proposed increase in base rates plus its proposed surcharge would produce an increase of about \$6.8 million, which represents a total increase of about 5.5% including gas costs or 9.4% excluding gas cost. CenterPoint’s proposed change in rates constitutes a “major change” as that term is defined by Section 104.101 of the Texas Utilities Code. This revenue increase does not include the effect of revenue-related taxes.

CenterPoint proposes a rate schedule to refund, over a three-year period, unprotected Excess Deferred Income Taxes (“EDIT”) resulting from the Tax Cut and Jobs Act (“TCJA”) of 2017, which lowered the federal tax rate of 35%, to 21%. The refund will appear on the customer’s bill as a separate line item called “Tax Refund.”

**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 but to increase the commodity charge. CenterPoint’s proposed base rates are shown in the table below:

<b>CURRENT RATES COMPARED TO PROPOSED RATES**</b>			
	<b>Current Rates</b>	<b>Proposed Rates</b>	<b>Proposed Change</b>
<b>Residential</b>			
<b>Customer Charge/Month</b>	\$24.01	\$28.75	\$4.74
<b>Commodity Charge/ccf</b>	\$0.12020	\$0.08690	-\$0.03330
<b>General Service-Small Commercial</b>			
<b>Customer Charge/Month</b>	\$36.56	\$31.50	-\$5.06
<b>Commodity Charge/ccf</b>	\$0.06250	\$0.09100	\$0.02850
<b>General Service-Large Volume Commercial</b>			
<b>Customer Charge/Month</b>	\$132.90	\$67.00	-\$65.90
<b>Commodity Charge/ccf</b>	\$0.02910	\$0.03970	\$0.01060

**\*\*Note:** The rates shown are representative of current and proposed rates and are specific to rates for the Tyler area, but are a close approximation of rates for all areas in CenterPoint’s Beaumont/East Texas Division.

CenterPoint also seeks approval to consolidate its Beaumont, East Texas, Tyler, and North East Purchased Gas Adjustment (“PGA”) areas, into a single PGA area and to amend its existing PGA rate schedule to add language that provides for the inclusion of costs associated with the Company’s participation in FERC matters, the gas portion of bad debt expense, and costs to be refunded to customers pursuant to orders previously issued by the Commission.

**BILL IMPACT AT CURRENT BASE AND GAS-COST RATES VERSUS PROPOSED BASE AND GAS-COST RATES:**

At CenterPoint’s proposed change in base rates, plus the cost of gas recovered via the “purchased-gas adjustment” (PGA) clause, the average customer’s monthly bill, amongst the four PGA areas, would be affected as follows:

**(1) For Customers in the Beaumont PGA Area:**

	<b>Non-Gas Revenue Change</b>	<b>Percentage Change With/Without Gas Costs**</b>	<b>Average Current Monthly Bill, including Gas Cost**</b>	<b>Average Proposed Monthly Bill, including Gas Cost*</b>	<b>Proposed Monthly Bill Change w/Gas Cost</b>
<b>Residential</b>	\$2.2 million	6.8% / 13.5%	\$42.17	\$45.17	\$2.84

<b>General Service-Small</b>	-\$0.02 million	-4.2% /-1.0%	\$122.93	\$117.78	-\$5.15
<b>General Service-Large Volume</b>	-\$0.06 million	8.4%/-20.6%	\$1,298.57	\$1,189.83	\$108.74

\* In the Beaumont PGA Area the adjusted test-year average monthly usage is 30 Ccf for Residential Service, 158 Ccf for General Service-Small, and 2,321 Ccf for General Service-Large Volume. The current average cost of gas is \$0.48282 per Ccf @ 14.95 PSI and \$0.47313 per Ccf @ 14.65 PSI.

\*\* The percent change with gas costs includes an estimate of the effect of the proposed PGA rate schedules consolidation.

**(2) For Customers in the East Texas PGA Area:**

	<b>Non-Gas Revenue Change</b>	<b>Percentage Change With/Without Gas Costs**</b>	<b>Average Current Monthly Bill, Including Gas Cost*</b>	<b>Average Proposed Monthly Bill, including Gas Cost</b>	<b>Proposed Monthly Change</b>
<b>Residential</b>	\$2.8 million	3.1%/12.5%	\$49.92	\$52.11	\$8.19
<b>General Service-Small</b>	-\$0.09 million	-8.0%/-1.8%	\$94.98	\$110.69	\$15.71
<b>General Service-Large Volume</b>	-\$0.09 million	-12.7%/-18.4%	\$1,500.64	\$1,898.06	\$397.42

\* In the East Texas PGA Area the adjusted test-year average monthly usage is 36 Ccf for Residential Service, 149 Ccf for General Service-Small, and 2,592 for General Service-Large Volume. The current average cost of gas is \$0.50331 per Ccf @ 14.65 PSI.

\*\* The percent change with gas cost includes an estimate of the effect of the proposed PGA rate schedules consolidation.

**(3) For Customers in the Tyler PGA Area:**

	<b>Non-Gas Revenue Change</b>	<b>Percentage Change With/Without Gas Costs**</b>	<b>Average Current Monthly Bill, including Gas Cost*</b>	<b>Average Proposed Monthly Bill, including Gas Cost*</b>	<b>Proposed Monthly Change</b>
<b>Residential</b>	\$1.3 million	18.7%/11.2%	\$43.92	\$52.11	\$8.19
<b>General Service-Small</b>	-\$0.04 million	16.5%/-1.8%	\$94.98	\$110.69	\$15.71
<b>General Service-Large Volume</b>	-\$0.04 million	26.5%/-10.6%	\$1,500.64	\$1,898.06	\$397.42

\* In the Tyler PGA Area the adjusted test-year average monthly usage is 44 Ccf for Residential Service, 148 Ccf for General Service-Small, and 3,785 Ccf for General Service-Large Volume. The current average cost of gas is \$0.33226 per Ccf @ 14.65 PSI.

\*\* The percent change with gas cost includes an estimate of the effect of the proposed PGA rate schedules consolidation.

**(4) For Customers in the North East PGA Area:**

	<b>Non-Gas Revenue Change</b>	<b>Percentage Change With/Without Gas Costs**</b>	<b>Average Current Monthly Bill, including Gas Cost*</b>	<b>Average Proposed Monthly Bill, including Gas Cost*</b>	<b>Proposed Monthly Change</b>
<b>Residential</b>	\$0.8 million	11.8%/12.1%	\$43.92	\$49.13	\$5.21
<b>General Service-Small</b>	-\$0.03 million	5.6%/-1.8%	\$105.05	\$110.95	\$5.90
<b>General Service-Large Volume</b>	-\$0.01 million	8.8%/-8.3%	\$1,934.49	\$2,104.16	\$169.67

\* In the North East PGA the adjusted test-year average monthly usage is 38 Ccf for Residential Service, 147 Ccf for General Service-Small, and 4,211 Ccf for General Service-Large Volume. The Current average cost of gas is \$0.40306 per Ccf @ 14.73 PSI and \$0.39873 per Ccf @ 14.65 PSI.

\*\* The percent change with gas cost includes an estimate of the effect of the proposed PGA rate schedules consolidation.

**BILL IMPACT AT CURRENT BASE RATES VERSUS PROPOSED BASE RATES (EXCLUDING THE COST OF GAS):**

At CenterPoint’s proposed change in base rates (excluding the cost of gas), the average customer’s monthly bill would be affected as follows:

	<b>Avg Bill at Current Base Rates</b>	<b>Avg Bill at Proposed Base Rates</b>	<b>Proposed Change in Bill for Base Rates</b>	<b>Avg Monthly Consumption (ccf)</b>
<b>Residential</b>				
<b>Customer Charge/Month</b>	\$24.01	\$28.75		
<b>Commodity Charge</b>	<u>\$4.33</u>	<u>\$3.13</u>		36
	\$28.34	\$31.88	\$3.54	INCREASE OF 12.5%
<b>General Service-Small Commercial</b>				
<b>Customer Charge/Month</b>	\$36.56	\$31.50		
<b>Commodity Charge</b>	<u>\$9.24</u>	<u>\$13.45</u>		147
	\$45.80	\$44.95	-\$0.85	DECREASE OF 2%
<b>General Service-Large Volume Commercial</b>				
<b>Customer Charge/Month</b>	\$132.90	\$67.00		

<b>Commodity Charge</b>	\$110.14	\$150.26		3,785
	\$243.04	\$217.26	-\$12.39	<b>DECREASE OF 11%</b>

**\*\*Note:** The rates shown are representative of current and proposed rates and are specific to rates for the Tyler area, but are a close approximation of rates for all areas in CenterPoint’s Beaumont/East Texas Division.

CenterPoint proposes material increases in Residential customers’ monthly customer charge; the effect of such an increase is that customers that use less gas than the average customer, will see a steeper percentage increase in their monthly bill. Also, CenterPoint proposes an increase in revenue for the Residential class and decreases for 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 December, 2012, 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.

**FRANCHISE FEE ADJUSTMENT**

CenterPoint proposes a new Franchise Fee Adjustment rate schedule that will allow the Company to adjust each customer’s bill each month in an amount equal to the municipal franchise fees payable for the service provided to the customer by the Company. CenterPoint purports that the schedule also requires the Company to maintain on file with the Commission a current listing of cities within the Beaumont/East Texas Division and their applicable franchise fees.

**ACTION REQUIRED BY DECEMBER 19, 2019**

**The City must take action on CenterPoint’s Statement of Intent before December 19, 2019.** 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 ("RCT") 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**

CenterPoint proposes new Rate Case Expense Recovery Rate Schedules for (1) the incorporated areas and (2) the unincorporated areas and the cities that have ceded jurisdiction to the Commission. CenterPoint proposes that these rate schedules be used to recover the Company's expenses associated with preparing, filing, and litigating the Statement of Intent proceeding. The riders will also include the costs of any notice CenterPoint plans to provide.

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; that the City intervene in the proceeding before the Railroad Commission of Texas, should such proceedings develop, and court appeals, if any; and that the City direct CenterPoint to reimburse the City's rate-case expenses on a monthly basis upon presentation of the ACM's invoices to CenterPoint.

The recommendation is also to suspend CenterPoint's proposed effective date of December 19, 2019, 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 18, 2020.

**The City must take action no later than December 19, 2019. If the City does not take action by December 19, 2019, 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.**

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION BY THE CITY OF MINEOLA, TEXAS (“CITY”) SUSPENDING THE EFFECTIVE DATE FOR NINETY DAYS IN CONNECTION WITH THE STATEMENT OF INTENT TO INCREASE RATES FILED BY CENTERPOINT ENERGY RESOURCES CORPORATION, D/B/A, CENTERPOINT ENERGY ENTEX AND CENTERPOINT ENERGY TEXAS GAS, FOR ITS BEAUMONT/EAST TEXAS DIVISION, ON OR ABOUT NOVEMBER 14, 2019; DIRECTING CENTERPOINT TO REIMBURSE THE CITY’S RATE-CASE EXPENSES; FINDING THAT THE MEETING COMPLIES WITH THE OPEN MEETINGS ACT; MAKING OTHER FINDINGS AND PROVISIONS RELATED TO THE SUBJECT; AND DECLARING AN EFFECTIVE DATE**

**WHEREAS**, CenterPoint Energy Resources Corporation, D/B/A, CenterPoint Energy Entex and CenterPoint Energy Texas Gas (“CenterPoint” or “Company”) filed a Statement of Intent with the City on or about November 14, 2019, to change its rate schedules within the corporate limits of this municipality, specifically to increase its system-wide, annual revenue requirement by approximately \$6.8 million; and

**WHEREAS**, the City is a regulatory authority under the Gas Utility Regulatory Act (“GURA”) and under Chapter 104, §103.001 et seq. of GURA has exclusive original jurisdiction over CenterPoint’s rates, operations, and services within the municipality; and

**WHEREAS**, in order to maximize the efficient use of resources and expertise in reviewing, analyzing and investigating CenterPoint’s rate request and its changes in tariffs it is prudent to coordinate the City’s efforts with a coalition of similarly situated municipalities; and

**WHEREAS**, the City, in matters regarding applications by CenterPoint to change rates, has in the past joined with other local regulatory authorities to form the Alliance of CenterPoint Texas Municipalities-Beaumont/East Texas Division (“ACM”), and hereby continues its participation in ACM; and



**WHEREAS**, CenterPoint’s rate request consists of a voluminous amount of information including CenterPoint’s rate-filing package, pre-filed direct testimony, exhibits, schedules, and workpapers; and

**WHEREAS**, CenterPoint’s statement of intent is the Company’s first general rate case since about December, 2012, and following six interim rate adjustments (more commonly known as GRIP (“Gas Reliability Infrastructure Program”) increases in rates filed under GURA § 104.301) that CenterPoint filed since its last general rate case,; and

**WHEREAS**, because this is CenterPoint’s first general rate case following its six GRIP increases in rates, the City will need to evaluate the prudence of investments CenterPoint made under GURA § 104.301; and

**WHEREAS**, CenterPoint proposed December 19, 2019, as the effective date for its requested increase in rates; and

**WHEREAS**, it is not possible for the City to complete its review of CenterPoint’s filing by December 19, 2019; and

**WHEREAS**, the City will need an adequate amount of time to review and evaluate CenterPoint’s rate application to enable the City to adopt a final decision as a local regulatory authority with regard to CenterPoint’s requested rate increase.

**WHEREAS**, the City will require the assistance of specialized legal counsel and rate experts to review the merits of CenterPoint’s application to increase rates; and

**WHEREAS**, the decision of the Railroad Commission of Texas will have a direct impact on the City and its citizens who are customers of CenterPoint and in order for the City’s participation to be meaningful it is important that the City promptly request to intervene in proceedings pending at the Railroad Commission of Texas related to CenterPoint’s application to increase rates.

**NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF \_\_\_\_\_, TEXAS THAT:**

**Section 1.** The findings set out in the preamble are in all things approved and incorporated herein as if fully set forth.

**Section 2.** CenterPoint's proposed effective date for its proposed increase in rates is hereby **SUSPENDED** for ninety days beyond December 19, 2019.

**Section 3.** The statutory suspension period may be further extended if CenterPoint does not provide timely and meaningful, and proper public notice of its request to increase rates, or if its rate-filing package is materially deficient.

**Section 4.** The City shall participate in a coalition of cities known as the Alliance of CenterPoint Municipalities-South Texas Division ("ACM"), and authorizes intervention in proceedings related to CenterPoint's Statement of Intent before the Railroad Commission of Texas and related proceedings in courts of law; and

**Section 5.** The City hereby orders CenterPoint to reimburse the City's rate case expenses as provided in the Gas Utility Regulatory Act and that CenterPoint shall do so on a monthly basis and within 30 days after submission of the City's invoices for the City's reasonable costs associated with the City's activities related to this rate review or related to proceedings involving CenterPoint before the City, the Railroad Commission of Texas, or any court of law.

**Section 6.** Subject to the right to terminate employment at any time, the City retains and authorizes the law firm of Herrera Law & Associates, PLLC to act as Special Counsel with regard to rate proceedings involving CenterPoint before the City, the Railroad Commission of Texas, or any court of law, and to retain such experts as may be reasonably necessary for review of CenterPoint's rate application subject to approval by the steering committee of the ACM.

**Section 7.** The City, in coordination with ACM's Steering Committee, shall review the invoices of the lawyers and rate experts for reasonableness before submitting the invoices to CenterPoint for reimbursement.

**Section 8.** A copy of this resolution shall be sent to Mr. Alfred R. Herrera, Herrera Law & Associates, PLLC, 4400 Medical Parkway, Austin, Texas 78756, and a courtesy copy to CenterPoint's local representative.

**Section 9.** The meeting at which this resolution was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

**Section 10.** This resolution shall become effective from and after its passage.

**PASSED AND APPROVED** this \_\_\_\_\_ day of \_\_\_\_\_, 2019.

\_\_\_\_\_  
Mayor

**ATTEST:**

\_\_\_\_\_  
City Secretary