

AGENDA INFORMATION SHEET

AGENDA ITEM NO. _____

ACTION TO SUSPEND THE EFFECTIVE DATE PROPOSED BY CENTERPOINT ENERGY RESOURCES CORP., BEAUMONT/EAST TEXAS DIVISION, TO INCREASE RATES UNDER THE GAS RELIABILITY INFRASTRUCTURE PROGRAM, FOR 45 DAYS, AND AUTHORIZE THE CITY'S CONTINUED PARTICIPATION IN A COALITION OF CITIES KNOWN AS THE "ALLIANCE OF CENTERPOINT MUNICIPALITIES" ("ACM")

ALLIANCE OF CENTERPOINT MUNICIPALITIES

The City is a member of the Alliance of CenterPoint Municipalities ("ACM"). ACM was organized by a number of municipalities served by CenterPoint Energy Resources Corp., Beaumont/East Texas Division ("CenterPoint") and has been represented by the law firm of Herrera Law & Associates, PLLC (through Mr. Alfred R. Herrera) to assist in reviewing applications to change rates submitted by CenterPoint.

"GRIP" RATE APPLICATION

Under section 104.301 of the Gas Utility Regulatory Act (GURA), a gas utility is allowed to request increases in its rates to recover a return on investments it makes between rate cases. This section of GURA is commonly referred to as the "GRIP" statute, that is, the "Gas Reliability Infrastructure Program," and is also referred to as an "Interim Rate Adjustment" ("IRA").

The Supreme Court of Texas concluded that a filing made under the GRIP statute permitted gas utilities the opportunity to recover return on capital expenditures made during the interim period between rate cases by applying for interim rate adjustment and that proceedings under the GRIP statute did not contemplate either adjudicative hearings or substantive review of utilities' filings for interim rate adjustments. Instead, the Court concluded, the GRIP statute provides for a *ministerial* review of the utility's filings to ensure compliance with the GRIP statute and the Railroad Commission's rules, and that it is within the Railroad Commission's authority to preclude cities from intervening and obtaining a hearing before the Railroad Commission. The Court's opinion has severely limited a city's ability to perform a meaningful review of a gas-utility's GRIP filing.

CENTERPOINT'S "GRIP" APPLICATION

On about March 3, 2022 CenterPoint filed for an increase in gas utility rates under the Gas Reliability Infrastructure Program ("GRIP") (Gas Utility Regulatory Act, § 104.301) and proposed an effective date of May 2, 2022, for its increase in rates. CenterPoint's application if approved by the Commission will result in an increase in the monthly customer charges as shown below:

| Rate Schedule | Current Customer Charge | Proposed 2022 Interim Rate Adjustment | Adjusted Charge | Increase Per Bill |
|---|---------------------------------------|--|---------------------------------------|--------------------------------------|
| R-2098-I-GRIP 2022; R-2098-U-GRIP 2022 Residential | \$20.38 per customer per month | \$1.59 per customer per month | \$21.97 per customer per month | \$1.59 per customer per month |
| GSS-2098-I-GRIP 2022; GSS- 2098-U-GRIP 2022 General Service Small | \$40.45 per customer per month | \$2.61 per customer per month | \$43.06 per customer per month | \$2.61 per customer per month |
| GSLV-629-I-GRIP 2022; GSLV- 629-U-GRIP 2022 General Service Large Volume | \$151.10 per customer per month | \$13.74 per customer per month | \$164.84 per customer per month | \$13.74 per customer per month |

CenterPoint’s proposed increase results in the following approximate percentage increases in *base rates* in an average customer’s bill. “Base rates” recover those elements of CenterPoint’s costs over which it has direct control, which *excludes* the cost of gas:

Residential Customer: 5.0% increase in average customer’s bill
Commercial Customer: 5.3% increase in average customer’s bill
General Service – Large Volume: 5.7% increase in average customer’s bill

Including the cost of gas, CenterPoint’s proposed increase results in the following percentage increases in an average customer’s bill:

Residential Customer: 3.1% increase in average customer’s bill
Commercial Customer: 2.0% increase in average customer’s bill
General Service – Large Volume: 0.75% increase in average customer’s bill

REVIEW AND ACTION RECOMMENDED

Although the City’s ability to review and effectuate a change in CenterPoint’s requested increase is limited, the City should exercise due diligence with regard to rate increases of monopoly utilities who operate within its boundaries, including increases requested under the GRIP statute to ensure compliance with the requirements of that law. This includes whether CenterPoint’s current rates produce a rate of return in excess of its authorized rate of return.

To exercise its due diligence, it is necessary to suspend CenterPoint’s proposed effective date of May 2, 2022, for forty-five days to June 16, 2022, so that the City can evaluate whether the data and calculations in CenterPoint’s rate application are correctly done.

Therefore, ACM’s Special Counsel, the law firm of Herrera Law & Associates, PLLC (through Alfred R. Herrera) recommends that the City adopt a resolution suspending CenterPoint’s proposed effective date for 45 days. Assuming a proposed effective date of May 2, 2022, CenterPoint’s proposed effective date is suspended until June 16, 2022.

RESOLUTION NO. _____

A RESOLUTION BY THE CITY OF _____, TEXAS, ("CITY") REGARDING THE APPLICATION OF CENTERPOINT ENERGY RESOURCES CORP., BEAUMONT/EAST TEXAS DIVISION, TO INCREASE RATES UNDER THE GAS RELIABILITY INFRASTRUCTURE PROGRAM; SUSPENDING CENTERPOINT’S PROPOSED EFFECTIVE DATE FOR FORTY-FIVE DAYS; AUTHORIZING THE CITY’S CONTINUED PARTICIPATION IN A COALITION OF CITIES KNOWN AS THE "ALLIANCE OF CENTERPOINT MUNICIPALITIES;" DETERMINING THAT THE MEETING AT WHICH THE RESOLUTION WAS ADOPTED COMPLIED WITH THE TEXAS OPEN MEETINGS ACT; MAKING SUCH OTHER FINDINGS AND PROVISIONS RELATED TO THE SUBJECT; AND DECLARING AN EFFECTIVE DATE.

WHEREAS: on or about March 3, 2022 CenterPoint Energy Resources Corp., Beaumont/East Texas Division (“CenterPoint”) filed for an increase in gas utility rates under the Gas Reliability Infrastructure Program (“GRIP”), resulting in a requested increase in the monthly customer charges as shown in the table below:

| Rate Schedule | Current Customer Charge | Proposed 2022 Interim Rate Adjustment | Adjusted Charge | Increase Per Bill |
|---|---------------------------------------|--|---------------------------------------|--------------------------------------|
| R-2098-I-GRIP 2022; R-2098-U-GRIP 2022 Residential | \$20.38 per customer per month | \$1.59 per customer per month | \$21.97 per customer per month | \$1.59 per customer per month |
| GSS-2098-I-GRIP 2022; GSS- 2098-U-GRIP 2022 General Service Small | \$40.45 per customer per month | \$2.61 per customer per month | \$43.06 per customer per month | \$2.61 per customer per month |
| GSLV-629-I-GRIP 2022; GSLV- 629-U-GRIP 2022 General Service Large Volume | \$151.10 per customer per month | \$13.74 per customer per month | \$164.84 per customer per month | \$13.74 per customer per month |

and

WHEREAS: The City has a responsibility to exercise due diligence with regard to rate increases of monopoly utilities who operate within its boundaries; and

WHEREAS: The application to increase rates by CenterPoint is complex; and

WHEREAS: It is necessary to suspend CenterPoint’s proposed effective date of May 2, 2022, for its increase in rates for forty-five days so that the City can assure itself that the data and calculations in CenterPoint’s rate application are in accordance with the Section 104.301 of the Gas Utility Regulatory Act; and

WHEREAS: The effective date proposed by CenterPoint is May 2, 2022 but a suspension by the City will mean that the rate increase cannot go into effect prior to June 16, 2022.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF _____, TEXAS THAT:

Section 1. That the statements and findings set out in the preamble to this resolution are hereby in all things approved and adopted.

Section 2. The City suspends the requested effective date by CenterPoint for forty-five days pursuant to the authority granted the City under Section 104.301 of the Texas Utilities Code. The City finds that additional time is needed in order to review the data and calculations that provide the basis for the rate increase application.

Section 3. The City shall continue its participation with other cities that are part of a coalition of cities known as the Alliance of CenterPoint Municipalities.

Section 4. The City authorizes the law firm of Herrera Law & Associates, PLLC, to act on its behalf in connection with CenterPoint's application to increase rates.

Section 5. To the extent allowed by law, CenterPoint is ordered to pay the City's reasonable rate case expenses incurred in response to CenterPoint's rate increase application within 30 days of receipt of invoices for such expenses.

Section 6. The meeting at which this resolution was approved was in all things conducted in compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

Section 7. This resolution shall be effective immediately upon passage.

PASSED AND APPROVED this _____ day of _____ 2022.

MAYOR

ATTEST:

CITY SECRETARY