

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"

ALLIANCE OF CENTERPOINT MUNICIPALITIES

The City is a member of the Alliance of CenterPoint Municipalities (ACM). The ACM group 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 & Boyle, 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."

Under a recent decision by the Supreme Court of Texas, the Court 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.

CENTERPOINT'S "GRIP" APPLICATION

On or about March 31, 2016 CenterPoint Energy Resources Corp., Beaumont/East Texas Division ("CenterPoint") filed for an increase in gas utility rates under the Gas Reliability Infrastructure Program ("GRIP"). CenterPoint's application if approved by the Commission will result in an increase in the monthly customer charges as shown below:

Rate Schedules	Current Customer Charge	2015 “GRIP” Adjustment	Adjusted Charge
R-2091-GRIP 2016 - Residential	\$19.59 per customer per month	\$1.71 per customer per month	\$21.30 per customer per month
GSS-2091-GRIP 2016 - General Service Small	\$29.43 per customer per month	\$2.73 per customer per month	\$32.16 per customer per month
GSLV-622-GRIP 2016 - General Service Large Volume	\$93.41 per customer per month	\$12.37 per customer per month	\$105.78 per customer per month

HISTORY OF CENTERPOINT’S “GRIP” FILINGS SINCE 2014:

In 2014, through its “GRIP” tariff, CenterPoint increased its customer charge for Residential customers from \$16.00 to \$17.20, an increase of about 7.5%.

In 2015, through its “GRIP” tariff, CenterPoint increased the customer charge for Residential customers from \$17.20 to \$19.59, an increase of about 13.9%.

With its application filed on March 31, 2016, CenterPoint proposes to increase its customer charge for Residential customers by an additional \$1.71, which represents an increase of about 8.7% over its current customer charge.

In total, since 2014, CenterPoint has increased its customer charge for Residential customers by over 33%.

CenterPoint has also increased the customer charges for its commercial customers and its industrial customers in a similar fashion, all with limited to no review.

These increases occur because current state law and the Railroad Commission allow CenterPoint to increase rates with little to no review.

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.

To exercise its due diligence, it is necessary to suspend CenterPoint's proposed effective date of May 30, 2016 for forty-five days, 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 & Boyle, 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 30, 2016, CenterPoint's proposed effective date is suspended until July 14, 2016.

RESOLUTION NO. _____

A RESOLUTION BY THE CITY OF _____, TEXAS, ("CITY") RESPONDING TO THE APPLICATION OF CENTERPOINT ENERGY RESOURCES CORP., BEAUMONT/EAST TEXAS DIVISION, TO INCREASE RATES UNDER THE GAS RELIABILITY INFRASTRUCTURE PROGRAM; SUSPENDING THE EFFECTIVE DATE OF THIS RATE APPLICATION FOR FORTY-FIVE DAYS; AUTHORIZING THE CITY TO CONTINUE TO PARTICIPATE 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 31, 2016 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 charge for a residential customer from \$19.59 to \$21.30, which represents an increase of approximately 8.7% over the current customer charge; and

WHEREAS: in 2014, through its "GRIP" tariff, CenterPoint increased the customer charge for Residential customers from \$16.00 to \$17.20, an increase of about 7.5%; and

WHEREAS: in 2015, through its "GRIP" tariff, CenterPoint increased the customer charge for Residential customers from \$17.20 to \$19.59, an increase of about 13.9%; and

WHEREAS: since 2014, CenterPoint has increased its customer charge for Residential customers by over 33%; and

WHEREAS: CenterPoint has implemented similar increases in the customer charges for its commercial and industrial customers; and

WHEREAS: the City has a special 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 the effective date for the 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 correctly done; and

WHEREAS: the effective date proposed by CenterPoint is May 30, 2016 but a suspension by the City will mean that the rate increase cannot go into effect prior to July 14, 2016.

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 to act jointly with other cities that are part of a coalition of cities known as the Alliance of CenterPoint Municipalities ("ACM").

Section 4. The City authorizes the law firm of Herrera & Boyle, 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 to the extent allowed by law.

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 _____ 2016.

MAYOR

ATTEST:

CITY SECRETARY