



## CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 6/28/2016

District ALL

Item Creation Date: 6/9/2016

### ARA-CenterPoint GRIP Approve

#### **Background:**

The Administration & Regulatory Affairs Department (ARA) recommends that City Council adopt an ordinance relating to the retail gas utility rates of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas (CenterPoint or Company); approving an interim rate adjustment subject to refund and otherwise maintaining current rates in effect until changed. CenterPoint provides natural gas distribution services in the Houston metropolitan area, serving approximately 375,000 residential, 22,000 small general service and 1,200 large volume in-city customers. The City of Houston exercises original jurisdiction over the rates, operations and services of CenterPoint under the provisions of the Texas Utilities Code for customers inside city limits.

On March 31, 2016, CenterPoint filed its sixth annual Gas Reliability Infrastructure Program (GRIP) Interim Rate Adjustment for customers within the Houston Division. The GRIP permits CenterPoint to implement an interim rate adjustment to recover return on the change in invested capital and changes in depreciation and property taxes related to the new investment without filing a full base rate change request. The GRIP was established during the 78<sup>th</sup> Legislative Session to incentivize investment in Texas' gas pipeline infrastructure to meet continuing growth in the state and to enhance safety by replacing aging facilities.

CenterPoint is requesting a \$7.7 million increase for service to its Houston Division retail gas customers. This filing captures changes in invested capital from January 1, 2015 through December 31, 2015 — a \$47.2 million increase in net investment. If CenterPoint's request is approved, the fixed customer charge for all customer classes would increase as follows:

Customer Class	Current Rate	Proposed Rate	Proposed Increase
Residential	\$15.29	\$15.85	\$0.56
Small General Service	\$17.24	\$18.07	\$0.83
Large General Service	\$251.00	\$276.79	\$25.79

Pursuant to State Law, the City's role in the GRIP proceeding is to review the application to ensure compliance with GRIP statutory requirements. This includes a ministerial review of the filing to test whether GRIP calculations are correct. As a result, on April 20, 2016 City Council approved an ordinance suspending the proposed effective date for 45 days (from May 30, 2016 to July 14, 2016). The suspension period allowed ARA additional time to review the request, request and review data from the company, address any potential ministerial corrections to the Company's calculations, and prepare a final recommendation for consideration by City Council.

Based on expert review of the Company's GRIP filing, ARA determined that the Company's interim rate adjustment as filed complies with the Statutory GRIP requirements. GRIP interim adjustments are reviewed and approved subject to a final determination of reasonableness and prudence in the next full CenterPoint Houston Division base rate case. The utility is required to file a full base rate case no later

than five and one-half years after implementation of the initial GRIP Interim Rate Adjustment. For the purposes of this ordinance, the rate case must be filed no later than the first quarter of 2017.

For the reasons outlined above, ARA recommends that City Council adopt an ordinance approving the GRIP interim rate adjustment subject to refund and otherwise maintaining current rates in effect until changed.

**Departmental Approval Authority:**



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**Tina Paez, Director  
Administration & Regulatory  
Affairs Department**

**Other Authorization**

**Prior Council Action:**

April 20, 2016, Ordinance No. 2016-313

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