



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 05/16/18

District All

Item Creation Date: 04/24/18

ARA-CenterPoint 2018 GRIP Suspend

Background:

The Administration & Regulatory Affairs Department (ARA) recommends that City Council adopt an ordinance suspending for 45 days the implementation of the CenterPoint Energy Resources Corp., D/B/A CenterPoint Energy Entex and CenterPoint Energy Texas Gas (CenterPoint) Gas Reliability Infrastructure Program (GRIP) interim rate adjustment. CenterPoint provides natural gas distribution services in the Houston metropolitan area, serving approximately 385,000 residential, 24,000 small general service and 1,100 large volume customers in Houston. 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.

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 78th 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. 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.

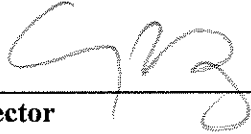
On March 29, 2018, CenterPoint filed an annual GRIP interim rate adjustment for customers within their Houston Division. CenterPoint is requesting a revenue requirement increase of \$9.4 million for service to retail gas customers within the Houston Division. The adjustment captures changes in invested capital from October 1, 2016 through December 31, 2017 — a \$47.9 million increase in net investment. The requested revenue requirement includes a reduction to reflect changes in the federal income tax resulting from the Tax Cuts and Jobs Act of 2017, which reduced the federal corporate income tax rate from 35% to 21% effective January 1, 2018. The proposed tax adjustment reduced CenterPoint's total request by approximately \$700,000 from \$10.1 million to \$9.4 million. If the requested adjustment is adopted, the fixed customer charge for all customer classes would increase as follows:

Customer Class	Current Rate	Proposed Rate	Proposed Increase
Residential	\$ 15.75	\$ 16.45	\$ 0.70
General Service Small	\$ 18.25	\$ 19.30	\$ 1.05
General Service Large	\$ 180.00	\$ 195.06	\$ 15.06

Pursuant to the Texas Utilities Code, CenterPoint's request will take effect May 28, 2018 – 60 days after filing – unless City Council adopts an ordinance suspending the proposed effective date for 45 days to July 12, 2018. The suspension period will provide City staff the time necessary to review the request, address any potential ministerial corrections to the calculations with CenterPoint, if any, and to prepare a final recommendation for consideration by the Mayor and City Council. The City must complete its review of the current 2018 GRIP request within this statutory timeframe.

ARA recommends that City Council adopt an ordinance suspending for 45 days the implementation of the CenterPoint Energy Entex GRIP interim rate adjustment.

Departmental Approval Authority:



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

Other Authorization

Contact Information:

Lara Cottingham Phone: (832) 393-8503
Alisa Talley Phone: (832) 393-8643