



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 7/9/2019

ALL

Item Creation Date: 6/21/2019

ARA-CenterPoint GRIP Approve

Agenda Item#: 41.

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); 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 390,000 residential, 25,000 small general service and 900 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.

On March 28, 2019, CenterPoint filed an annual Gas Reliability Infrastructure Program (GRIP) interim rate adjustment for customers within its Houston Division. CenterPoint initially requested a revenue requirement increase of \$7.8 million for service to retail gas customers within the Houston Division. However, on June 5, 2019, CenterPoint amended its requested increase to \$7.7 million.

The GRIP permits CenterPoint to implement an interim rate adjustment to recover return on the change in invested capital and changes in depreciation, federal and other 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. The current GRIP is the company's second GRIP Adjustment since its last full base rate proceeding.

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 May 17, 2019 City Council approved an ordinance suspending the proposed effective date for 45 days — from May 27, 2019 to July 11, 2019. The suspension period allowed 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 the overall GRIP review, the City's experts identified errors in the Company's initial request — amounts for plant assets not used and useful, and the improper booking of direct plant to allocated plant schedules. The City's expert recommends adjustments to the initial GRIP request, correcting these errors. CenterPoint's revised filing includes the proposed adjustments, reducing the Company's requested revenue requirement increase from approximately \$7.8 million to an approximate \$7.7 million. If CenterPoint's amended request is approved, the fixed customer charge for all customer classes would increase as follows:

Monthly Fixed Customer Charge

Customer Class	Current Rate	Proposed Rate	Proposed Increase
Residential	\$ 15.93	\$ 16.50	\$ 0.57
General Service Small	\$ 18.68	\$ 19.53	\$ 0.85
General Service Large	\$ 188.90	\$ 203.41	\$ 14.51

Based on the expert's review of the Company's GRIP request, ARA determined that the GRIP Adjustment, as amended, complies with the Statutory GRIP requirements. Therefore, 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:

DocuSigned by:

Tina Paez

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Other Authorization

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