



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 11/6/2019

ALL

Item Creation Date: 10/17/2019

ARA-CenterPoint Gas Tax Cuts and Jobs Act Refund

Agenda Item#: 14.

Summary:

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 the Tax Cuts and Jobs Act Refund Rider for gas utility customers in the City of Houston, as filed by Centerpoint; establishing the legal gas utility rates of Centerpoint until changed as provided by law; containing findings and other provisions relating to the foregoing subject; providing for severability; and declaring an emergency.

Background:

The Administration & Regulatory Affairs Department (ARA) recommends that City Council adopt an ordinance approving the Tax Cuts and Jobs Act (TCJA) Refund filed by CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas (CenterPoint or Company). 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 general service customers in Houston. The City of Houston (City or 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 August 1, 2019, CenterPoint filed with the City a notice of intent to reflect a net refund for the Houston Division pursuant to Section 104.111 of the Gas Utility Regulatory Act (104.111 Filing). In accordance with Ordinance No. 2018-878, CenterPoint is proposing to refund to customers the unprotected excess deferred income taxes (UEDIT) created by the 2017 TCJA over a three-year period. CenterPoint filed a similar request with the Railroad Commission of Texas (RRC) and other cities in the Houston and Texas Coast Divisions.

In 2018 CenterPoint filed its first 104.111 request to adjust its base rates to reflect changes in the federal income tax resulting from the TCJA. The TCJA reduced the federal corporate income tax from 35% to 21% effective January 1, 2018. This initial application did not address UEDIT. Therefore, Council adopted Ordinance No. 2018-878 approving the reduction in base rates and requiring CenterPoint to file an application, including a mechanism to refund UEDIT to customers on or before January 1, 2020.

On August 16, 2019, CenterPoint filed a supplemental filing with the City to account for additional Hurricane Harvey insurance proceeds, reducing its requested Hurricane Harvey expenses from \$3.4 million to \$1.2 million. CenterPoint, in its amended filing proposed a total net refund of \$16.6 million.

Following several rounds of discussions with parties impacted by the filing, including the City, CenterPoint agreed to file a second supplemental filing removing the Hurricane Harvey costs. The parties also agreed to allow CenterPoint to seek recovery of the Hurricane Harvey expenses in a future rate proceeding. Therefore, on October 11, 2019 CenterPoint filed a second supplemental filing to remove all Hurricane Harvey expenses, increasing the refund to customers by \$1.2 million to \$17.8 million. If adopted, the estimated refund per customer, per monthly bill would be as follows:

Centerpoint Proposed TCJA Refund				
Per Customer, Per Monthly Bill				
Customer Class	2020 (Year 1)	2021 (Year 2)	2022 (Year 3)	Cumulative Total (Years 1-3)
Residential	\$ (0.39)	\$ (0.36)	\$ (0.24)	\$ (11.88)
General Service – Small	\$ (0.59)	\$ (0.54)	\$ (0.36)	\$ (17.88)
General Service – Large Volume	\$(10.64)	\$ (9.81)	\$ (6.57)	\$ (324.24)

The City's rate expert reviewed the Company's initial and supplemental filings. The rate expert determined that the Company's second supplemental request, amended to remove the Hurricane Harvey expenses, is reasonable and recommends that the City approve the refund proposed by CenterPoint.

The Company is seeking to apply the refund to bills rendered 'on or after' January 1, 2020 versus 'on or before' January 1, 2020 as originally requested by the City in Ordinance No. 2018-878. CenterPoint is seeking to implement system-wide rates.

For the reasons outlined above, ARA recommends that Council adopt an Ordinance approving CenterPoint's TCJA Refund as amended by the Company in its second supplemental filing removing the Hurricane Harvey expenses.

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Departmental Approval Authority

DocuSigned by:

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ATTACHMENTS:

Description

Ordinance

Type

Ordinance/Resolution/Motion