



AGENDA ITEM SUMMARY FORM

MEETING DATE: April 12, 2022

PREPARED BY: Frances Aguilar

AGENDA CONTENT: Discussion and possible action on a resolution regarding the application on Centerpoint Energy Resources Corporation, Texas Coast Division, to increase rates under the gas reliability infrastructure program; suspending Centerpoint's proposed effective date for forty-five days; authorizing the City's participation in a coalition of cities known as the "Texas Coast Utilities Coalition" ("TCUC") of Cities; 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.

AGENDA ITEM SECTION: Consent Agenda

BUDGETED AMOUNT: EnterTextHere

FUNDS REQUESTED: EnterTextHere

FUND: EnterTextHere

EXECUTIVE SUMMARY:

The City is a member of the Texas Coast Utilities Coalition ("TCUC") of cities. TCUC was organized by a number of municipalities served by CenterPoint Energy Resources Corp., Houston and Texas Coast Divisions ("CenterPoint") and has been represented by the law firm of Herrera Law & Associates, 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," and is also referred to as an "Interim Rate Adjustment" ("IRA").

The Supreme Court of Texas 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. The Court's opinion has severely limited a city's ability to perform a meaningful review of a gas-utility's GRIP filing.

CENTERPOINT'S "GRIP" APPLICATION

On about March 3, 2021 CenterPoint filed for an increase in gas utility rates under the Gas Reliability Infrastructure Program ("GRIP") (Gas Utility Regulatory Act, § 104.301) and proposed an effective date of May 2, 2022, for its increase in rates. CenterPoint's application if approved by the Commission will result in an increase in the monthly customer charges as shown below:

Rate Schedule	Current Customer Charge	Proposed 2022 Interim Rate Adjustment	Adjusted Charge	Increase Per Bill
R-2096-I-GRIP 2022; R-2096-U-GRIP 2022 Residential	\$18.62 per customer per month	\$1.32 per customer per month	\$19.94 per customer per month	\$1.32 per customer per month
GSS-2096-I-GRIP 2022; GSS-2096-U-GRIP 2022 General Service Small	\$22.81 per customer per month	\$2.12 per customer per month	\$24.93 per customer per month	\$2.12 per customer per month
GSLV-627-I-GRIP 2022; GSLV-627-U-GRIP 2022 General Service Large Volume	\$295.14 per customer per month	\$70.32 per customer per month	\$365.46 per customer per month	\$70.32 per customer per month

CenterPoint's proposed increase results in the following percentage increases in *base rates* in an average customer's bill. "Base rates" recover those elements of CenterPoint's costs over which it has direct control, which *excludes* the cost of gas:

Residential Customer:	6.4% increase in average customer's bill
Commercial Customer:	7.0% increase in average customer's bill
General Service – Large Volume:	15.1% increase in average customer's bill

Including the cost of gas, CenterPoint's proposed increase results in the following percentage increases in an average customer's bill:

Residential Customer:	2.9% increase in average customer's bill
Commercial Customer:	1.6% increase in average customer's bill
General Service – Large Volume:	3.4% increase in average customer's bill

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. This includes whether CenterPoint's current rates produce a rate of return in excess of its authorized rate of return.

To exercise its due diligence, it is necessary to suspend CenterPoint's proposed effective date of May 2, 2021, for forty-five days to June 16, 2022, so that the City can evaluate whether the data and calculations in CenterPoint's rate application are correctly done.

Therefore, TCUC's Special Counsel, the law firm of Herrera Law & Associates, 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 2, 2021, CenterPoint's proposed effective date is suspended until June 16, 2021.

RECOMMENDATION:

Staff recommends Council approve the resolution as presented.