

ORDINANCE NO. 2015-27

AN ORDINANCE OF THE CITY OF LEAGUE CITY, TEXAS APPROVING A SETTLEMENT AGREEMENT BETWEEN THE TEXAS COAST UTILITIES COALITION OF CITIES AND CENTERPOINT ENERGY RESOURCES CORP., D/B/A CENTERPOINT ENTEX AND CENTERPOINT ENERGY TEXAS GAS REGARDING THE COMPANY'S STATEMENT OF INTENT TO CHANGE GAS UTILITY RATES IN ITS TEXAS COAST DIVISION; DECLARING EXISTING RATES TO BE UNREASONABLE; DENYING CENTERPOINT'S PROPOSED INCREASE; ADOPTING TARIFFS THAT REFLECT RATE ADJUSTMENTS CONSISTENT WITH THE SETTLEMENT AGREEMENT AND FINDING THE RATES TO BE SET BY THE ATTACHED TARIFFS TO BE JUST AND REASONABLE; FINDING THE CITY'S RATE CASE EXPENSES REASONABLE; DIRECTING CENTERPOINT TO REIMBURSE THE CITY ITS REASONABLE RATE CASE EXPENSES; DETERMINING THAT THIS ORDINANCE WAS PASSED IN ACCORDANCE WITH THE REQUIREMENTS OF THE TEXAS OPEN MEETINGS ACT; DECLARING AN EFFECTIVE DATE; REPEALING ANY PRIOR RESOLUTIONS OR ORDINANCES INCONSISTENT WITH THIS ORDINANCE AND REQUIRING DELIVERY OF THIS ORDINANCE TO THE COMPANY AND LEGAL COUNSEL

WHEREAS, the City of League City, Texas ("City") has exclusive original jurisdiction as a regulatory authority over CenterPoint Energy Resources Corp., d/b/a CenterPoint Entex and CenterPoint Energy Texas Gas' ("CenterPoint" or "Company") rates, operations, and services within the City; and

WHEREAS, the City is also a gas utility customer of CenterPoint, and has an interest in CenterPoint's rates and charges; and

WHEREAS, CenterPoint filed a Statement of Intent with the City on or about March 27, 2015 ("*March 27th Application*") to increase its annual revenue requirement by approximately \$6.8 million in the Company's Texas Coast Division, with a proposed effective date of May 1, 2015, which represents an increase in base revenue of approximately 11%; and

WHEREAS, CenterPoint on March 27, 2015, filed its Statement of Intent with the Railroad Commission of Texas to increase its annual revenue requirement by approximately \$6.8 million in the Company's Texas Coast Division, with a proposed effective date of May 1, 2015, which represents an increase in base revenue of approximately 11%, and subsequently modified its request to seek an increase of about \$7.2 million, which represents an increase of about 12% in non-gas revenue; and

WHEREAS, the City took action to suspend the effective date and to coordinate a response to CenterPoint's filing with other similarly situated municipalities (such participating cities are referred to herein as the Texas Coast Utilities Coalition of cities ("TCUC")); and

WHEREAS, the City took action on or before May 1, 2015 to suspend CenterPoint's proposed effective date; and

WHEREAS, one of TCUC's goals is to minimize rate-case expenses to the extent reasonable, that otherwise would result from lengthy, contested rate-case proceedings before the Railroad Commission of Texas and through the appellate process in the courts for the pending rate case; and

WHEREAS, TCUC authorized its attorneys and experts to formulate and review reasonable settlement positions to resolve CenterPoint's pending request to increase rates; and other rate proceedings related to Gas Utilities Docket Nos. 9791, 9910, 10007, and 10097; and

WHEREAS, TCUC's attorneys met numerous times with the Company to negotiate a Settlement Agreement resolving the issues raised by the Company's Statement of Intent filing; and

WHEREAS, after extensive review and analysis, TCUC's attorneys and experts found that CenterPoint's initially proposed increase in revenue and its initially proposed rates are unreasonable; and

WHEREAS, TCUC's attorneys and experts have evaluated what a likely outcome from a fully-litigated proceeding would be and are of the opinion that the increase of approximately \$4.9 million noted in the negotiated Settlement Agreement compares favorably with a likely outcome from a fully-litigated proceeding; and

WHEREAS, after extensive review and analysis, TCUC's attorneys and experts found that the lower increase of approximately \$4.9 million instead of the \$7.2 million increase initially proposed by CenterPoint is reasonable; and

WHEREAS, TCUC's attorneys and experts and TCUC, based on the advice of its attorneys and experts, recommend that TCUC members approve the negotiated Settlement Agreement and attached tariffs; and

WHEREAS, under the Gas Utility Regulatory Act, the City has a right to reimbursement of its reasonable rate-case expenses and CenterPoint has an obligation to reimburse the City's reasonable rate-case expenses; and

WHEREAS, the attached tariffs implementing new rates are consistent with the Settlement Agreement and are just, reasonable, and in the public interest; and

WHEREAS, the Settlement Agreements regarding CenterPoint's *March 27th Application* and Gas Utilities Docket Nos. 9791, 9910, 10007, and 10097, as a whole are in the public interest;

NOW THEREFORE BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LEAGUE CITY, as follows:

Section 1. That the findings set out in the preamble are in all things approved and incorporated herein as if fully set forth.

Section 2. That the City Council finds that the Settlement Agreement regarding CenterPoint's *March 27th Application*, attached hereto as Attachment A, and including Exhibits A through Exhibits E of that Settlement Agreement, and the Agreement regarding Gas Utilities Docket Nos. 9791, 9910, 10007, and 10097, appended hereto as Attachment B, all incorporated herein, are in the public interest and are hereby endorsed in all respects.

Section 3. That CenterPoint's existing rates are found unreasonable and the rates set forth in the Settlement Agreement are just and reasonable.

Section 4. That the revenue and resulting rates set forth in the Settlement Agreement and schedule of rates and tariffs for gas-utility service provided by CenterPoint, and the reimbursement of rate case expenses, which are attached as Exhibit A to the Settlement

Agreement appended to this Ordinance in Attachment A, are just and reasonable, and are hereby adopted for service rendered on and after August 21, 2015.

Section 5. That the rates under the Settlement Agreement shall be effective for service rendered on and after August 21, 2015.

Section 6. That CenterPoint shall submit to the City annually, reports by no later than September 30 of each year detailing the amount of rate case expenses CenterPoint has collected through rates as of August 30 of each year and showing the balance remaining to be collected.

Section 7. That CenterPoint's and TCUC's rate-case expenses incurred in CenterPoint's *March 27th Application*, and TCUC's rate-case expenses incurred in Railroad Commission of Texas Gas Utilities Docket Nos. 9791, 9910, 10007, and 10097, are reasonable; and the amounts shown in the Settlement Agreement for plant-in-service balances; the base-year level amounts for tracking changes in pension-related and other post-employment benefits; and the factors shown for capital structure; return on equity; and the factors related to Interim Rate Adjustments, are appropriate for future ratemaking proceedings submitted by CenterPoint.

Section 8. That CenterPoint is ordered to reimburse TCUC's total rate case expenses incurred in CenterPoint's *March 27th Application* and in incurred by TCUC related to Railroad Commission of Texas Gas Utilities Docket Nos. 9791, 9910, 10007, and 10097, within thirty (30) days from the effective date of this Ordinance.

Section 9. That to the extent any resolution or ordinance previously adopted by the Council is inconsistent with this Ordinance, it is hereby repealed.

Section 10. That the meeting at which this Ordinance was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

Section 11. That if any one or more sections or clauses of this Ordinance is adjudged to be unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provision of this Ordinance and the remaining provisions of the Ordinance shall be interpreted as if the offending section or clause never existed.

Section 12. That this Ordinance shall become effective from and after its passage.

Section 13. The City Secretary or other appropriate city official shall notify CenterPoint of this Ordinance by sending a copy of the Ordinance to Mr. Thomas Stevens, Director of Regulatory Affairs, CenterPoint Energy, P.O. Box 2628, Houston, Texas 77252-2628, and TCUC shall be notified by sending a copy of this Ordinance to Mr. Alfred R. Herrera, Herrera & Boyle, PLLC, 816 Congress Ave., Suite 1250, Austin, Texas 8701, by fax to 512-474-2507.

APPROVED first reading the 14th day of July, 2015.

APPROVED second reading the _____ day of _____, 2015.

PASSED AND ADOPTED the _____ day of _____, 2015.

TIMOTHY PAULISSEN,
Mayor

ATTEST:

DIANA M. STAPP
City Secretary

APPROVED AS TO FORM:

NGHIEM V. DOAN
City Attorney