



City of League City, TX

300 West Walker
League City TX 77573

Text File

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Title

Consider and take action on a resolution authorizing a reduction in gas rates charged by Centerpoint Energy Resources Corporation related to the reduction in the federal corporate income tax rate (City Attorney)

..Background:

Effective January 1, 2018 the U.S. Congress changed the federal-income-tax ("FIT") laws, by among other things, reducing the corporate tax rate from 35% to 21%. CenterPoint's current rates are based on a FIT expense of 35% and thus, absent a change in its rates, CenterPoint would stand to reap a windfall related to the difference in FIT expense between a tax rate of 35% and 21%.

CenterPoint - Texas Coast Division ("CenterPoint") seeks to pass through to ratepayers the reduction in FIT expense as expeditiously as possible. To that end, the Utilities Code § 104.111 allows for a utility like CenterPoint to reduce its rates without the need to file a full-blown cost-of-service study and allows for administrative approval of the decrease by the appropriate regulatory authority.

The City, under Utilities Code § 103.001 is the appropriate regulatory authority for CenterPoint's rates within the City.

CenterPoint is seeking administrative approval of a reduction rates in the rates it charges as expeditiously as possible, to begin passing through to ratepayers the reduction in CenterPoint rates. The reduction in CenterPoint revenues is about \$2.3 million.

The impact on a customer's bill based on average monthly usage is as shown below and in the attached chart:

<u>Customer Class</u>	<u>Monthly Bill Impact</u>	<u>1st-Time Refund (Estimated)</u>
Residential	\$0.58	\$3.25
Small Commercial	\$0.88	\$5.10
Large Volume Commercial	\$11.24	\$80.73

After discussions with CenterPoint and a review of the data CenterPoint provided, the City's Special Counsel recommends that the City:

Approve CenterPoint's reduction in rates of about \$2.3 million to implement the reduction in the federal-income-tax rate from 35% to 21%, and require to file conforming tariffs and changes to its rates to give effect to the reduction in revenue; and

Direct CenterPoint to reimburse the City's expenses related to review of its application within 30 days from the effective date of approval of the corresponding resolution approving CenterPoint's reduction in rates.

Approving CenterPoint's proposed reduction in revenue will result in a reduction in the rates paid by CenterPoint's ratepayers.

CONTRACT ORIGINATION: N/A

Attachments:

1. Data Sheet
2. Proposed Resolution

FUNDING

{x} NOT APPLICABLE

STRATEGIC PLANNING

{x} NOT APPLICABLE