

RESOLUTION NO. 2018-

A RESOLUTION BY THE CITY OF LEAGUE CITY ("CITY"), APPROVING A REDUCTION IN RATES CHARGED BY CENTERPOINT ENERGY RESOURCES CORPORATION, D/B/A CENTERPOINT ENERGY ENTEX AND CENTERPOINT ENERGY TEXAS GAS – TEXAS COAST DIVISION ("CENTERPOINT") RELATED TO THE REDUCTION IN THE FEDERAL CORPORATE TAX RATE; FINDING THE REDUCTION IN CENTERPOINT'S RATES TO BE JUST AND REASONABLE; FINDING THAT THE MEETING COMPLIED WITH THE OPEN MEETINGS ACT; DECLARING AN EFFECTIVE DATE; AND REQUIRING DELIVERY OF THE RESOLUTION TO THE COMPANY AND SPECIAL COUNSEL

WHEREAS, the City of League City, Texas ("City") is a regulatory authority under the Gas Utility Regulatory Act ("GURA") and under § 103.001 of GURA has exclusive original jurisdiction over **CenterPoint Energy Resources Corporation, d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas – Texas Coast Division** ("CenterPoint" or "Company") rates, operations, and service of a gas utility within the municipality; and

WHEREAS, on about May 23, 2017, the Railroad Commission of Texas in Gas Utility **Docket No. 10567** ("GUD No. 10567"), approved an increase in annual revenue for CenterPoint; and

WHEREAS, the City participated in CenterPoint's general rate case at the Railroad Commission of Texas in **GUD No. 10567**; and

WHEREAS, the corporate tax rate on federal income included in CenterPoint's current rates and made part of the increase in revenue approved by the Railroad Commission of Texas, was based on a federal-income-tax rate of 35%; and

WHEREAS, the corporate tax rate on federal income included in CenterPoint's current rates and approved by the Railroad Commission of Texas in **GUD No. 10567**, was based on a federal-income-tax rate of 35%; and

WHEREAS, effective January 1, 2018, the corporate tax rate on income is 21%; and

WHEREAS, CenterPoint seeks administrative approval under Utilities Code § 104.111 to reduce its annual revenue by approximately \$2.3 million; and

WHEREAS, CenterPoint's proposed decrease in rates comprises a change in rates thus invoking GURA § 103.022, which requires CenterPoint to reimburse the City's reasonable expenses associated with reviewing CenterPoint's proposal to change rates; and

WHEREAS, the City's Special Counsel and consultants engaged to review CenterPoint's calculation of the effect of the reduction in the corporate federal-income-tax rate from 35% to 21% has on CenterPoint's rates, have confirmed that CenterPoint's calculation of the reduction in CenterPoint's revenue is mathematically accurate; and

WHEREAS, the reduction in CenterPoint's annual revenue is limited to the tax expense related to the change in the corporate tax rate from 35% to 21%, and thus will need to be adjusted further in a future proceeding to account for excess deferred income taxes resulting from the Tax Cut and Jobs Act of 2017; and

WHEREAS, by approving the reduction in CenterPoint's rates, the City, in future proceedings or in other jurisdictions, is under no obligation to take the same positions with regard to the methodology resulting in a reduction in rates, as the methodology underlying the reduction proposed by CenterPoint, nor shall the City's approval of the reduction in CenterPoint's rates, be used against the City in any future proceeding with respect to different positions the City may take with regard to setting CenterPoint's rates.

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

Section 1. The findings set forth in this Resolution are hereby in all things approved and incorporated herein.

Section 2. CenterPoint shall submit to the City within fourteen days from the effective date of this Resolution, amended tariffs reflecting the reduction in revenue noted above.

Section 3. CenterPoint is directed to reimburse the City's expenses related to review of CenterPoint's proposal to change rates within thirty (30) days from submission to CenterPoint of the City's invoices related to such expenses.

Section 4. To the extent any Resolution previously adopted by the City Council is inconsistent with this Resolution, it is hereby superseded.

Section 5. The meeting at which this Resolution was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

Section 6. If any one or more sections or clauses of this Resolution is judged to be unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions of this Resolution and the remaining provisions of the Resolution shall be interpreted as if the offending section or clause never existed.

Section 7. This Resolution shall become effective from and after its passage; rates approved by this Resolution shall have an effective date of September 1, 2018.

Section 8. A copy of this Resolution shall be sent to CenterPoint, care of Perrin Wall, Manager of Regulatory Affairs, CenterPoint Energy Corporation, 1111 Louisiana Street, Houston, Texas 77002-5231, and to Mr. Alfred R. Herrera, Herrera Law & Associates, PLLC, 816 Congress Avenue, Suite 950, Austin, Texas 78701.

PASSED AND APPROVED the _____ day of _____, 2018.

PAT HALLISEY
Mayor

ATTEST:

DIANA M. STAPP
City Secretary

APPROVED AS TO FORM:

NGHIEM V. DOAN
City Attorney