



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 suspending for 45 days the effective date proposed by CenterPoint Energy Resources Corp., Texas Coast Division in its application filed on or about March 28, 2019 pursuant to section 104.301 of the Gas Utility Regulatory Act (City Attorney)

..Background:

ALLIANCE OF CENTERPOINT MUNICIPALITIES

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., Texas Coast Division ("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."

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 28, 2019 CenterPoint Energy Resources Corp., Texas Coast Division

(“CenterPoint”) filed for an increase in gas utility rates under the Gas Reliability Infrastructure Program (‘GRIP’). CenterPoint’s application if approved by the Commission will result in an increase in the monthly customer charges as shown below:

Rate Schedules	Current Customer Charge	Proposed 2018 Interim Adjustment	Proposed Customer Charge	Increase to Each Bill
R-2096-I-GRIP 2018; R-2096-U-GRIP 2018 Residential	\$15.96 Per Customer Per month	\$1.15 Per Customer Per month	\$17.11 Per Customer Per month	\$1.15 Per Customer Per month
GSS-2096-I-GRIP 2018; GSS-2096-U-GRIP 2018 General Service Small	\$18.77 Per Customer Per month	\$1.75 Per Customer Per month	\$20.52 Per Customer Per month	\$1.75 Per Customer Per month
GSLV-627-I-GRIP 2018; GSLV-627-I-GRIP 2018 General Services Large	\$197.27 Per Customer Per month	\$43.10 Per Customer Per Month	\$240.37 Per Customer Per month	\$43.10 Per Customer Per month

CenterPoint’s proposed increases in its customer charges represent an increase in annual revenue of about \$2.83 million. Also, CenterPoint’s proposed increase in revenue results in the following percentage increases in a customer’s base rate bills. Base rates recover CenterPoint’s costs excluding the cost of gas and are the costs that are directly within CenterPoint’s control:

Residential Customer:	7.21% increase in average customer’s bill
Commercial Customer:	9.32% increase in average customer’s bill
General Service - Large Volume:	21.85% 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 27, 2019 for forty-five days, 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 27, 2019, CenterPoint’s proposed effective date is suspended until July 11, 2019.

CONTRACT ORIGINATION: N/A

Attachments:

1. Data Sheet
2. Proposed Resolution

FUNDING

☐ Funds are available from Account # _____

☐ Requires Budget Amendment to transfer from Account # _____ to Account # _____

☒ NOT APPLICABLE

STRATEGIC PLANNING

☐ Addresses Strategic Planning Critical Success Factor # _____ and Initiative # _____

☒ NOT APPLICABLE