

RESOLUTION NO. 2019-

RESOLUTION BY THE CITY OF THE CITY OF LEAGUE CITY (“CITY”) APPROVING AN AMENDED APPLICATION SUBMITTED BY CENTERPOINT ENERGY RESOURCES CORP. D/B/A CENTERPOINT ENERGY ENTEX (“CENTERPOINT”) ON OR ABOUT OCTOBER 11, 2019 FOR AUTHORITY TO ISSUE A REFUND TO CUSTOMERS; DIRECTING CENTERPOINT TO ISSUE A REFUND; DIRECTING CENTERPOINT TO REIMBURSE THE CITY’S RATE CASE EXPENSES; FINDING THAT THE MEETING COMPLIES WITH THE OPEN MEETINGS ACT; AND MAKING OTHER FINDINGS AND PROVISIONS RELATED TO THE SUBJECT

WHEREAS, the United States Congress enacted the Tax Cuts and Jobs Act of 2017 (“TCJA”) with an effective date of January 1, 2018, which resulted in a major change in federal income-tax laws, including a reduction in the corporate, federal income-tax rate from 35% to 21%; and

WHEREAS, on August 1, 2019 CenterPoint Energy-Entex (“CenterPoint” or the “Company”) made a filing with the Commission pursuant to Section 104.111 of the Gas Utility Regulatory Act (“GURA”) for customers in the Texas Coast Division and the Houston Division to reflect a net refund in the amount of \$14,373,998 related to certain deferred income taxes and Hurricane Harvey restoration expenses;

WHEREAS, the refund for certain deferred income taxes is necessary for CenterPoint to give effect to the change in federal law resulting from the passage of the TCJA;

WHEREAS, through GURA Section 104.111, a gas utility is allowed to reduce its rates without the need to present a full cost of service study;

WHEREAS, on August 16, 2019, CenterPoint made a supplemental filing (“August Supplemental Filing”) to amend its August 1st net refund amount to include insurance proceeds it received related to its Hurricane Harvey expenses, resulting in a proposed net refund of \$16,556,357;

WHEREAS, the order of the Railroad Commission of Texas (“Railroad Commission”) in Gas Utilities Docket (“GUD”) No. 10695 directs gas utilities like

CenterPoint to reduce rates to reflect the benefits of the Tax Cut and Jobs Act of 2017 based on the difference between the utility's most recently approved cost of service study at the tax rates in effect prior to passage of the Tax Cut and Jobs Act of 2017, and the tax rates in effect after passage of that Act;

WHEREAS, an application made under Gas Utility Regulatory Act ("GURA") § 104.111 is limited in scope to allow for expedited approval of a decrease in rates as found to be in the public interest by the regulatory authority;

WHEREAS, consistent with the Railroad Commission's Order in GUD No. 10695 and the limited scope of a ratemaking proceeding under GURA § 104.111, on October 11, 2019, CenterPoint amended its application by making a Second Supplemental Filing ("October Supplemental Filing") to remove from its application expenses it claimed for restoration costs related to Hurricane Harvey;

WHEREAS, the result of removing such costs from the filing increases the amount to be refunded to customers in the Houston and Texas Coast Divisions from its initial filing of \$14,373,998 to \$17,763,968 (the "Amended Refund");

WHEREAS, the Amended Refund will be effective on bills rendered on or after January 1, 2020 and amortized over three years;

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

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

Section 2. The City hereby:

- A. APPROVES** the rate tariff shown in Attachment A to this Resolution;
- B. APPROVES** the decrease in revenue per customer class shown in Attachment A and total refund in the amount of approximately \$17,763,968;
- C. DIRECTS** CenterPoint to issue a refund consistent with the rate tariff shown in Attachment A;
- D. DIRECTS** CenterPoint to reimburse the City's rate case expenses incurred as part of TCUC within 30 days from the date this Resolution is approved; and

E. DENIES all other relief not expressly granted by this Resolution.

Section 3. The effective date for the rate tariff approved by this Resolution shall be January 1, 2020.

Section 4. A copy of this resolution shall be sent to CenterPoint's local representative and to Mr. Alfred R. Herrera, Herrera Law & Associates, PLLC, 4400 Medical Parkway, Austin, TX, 78756.

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. This resolution shall become effective from and after its passage.

PASSED AND APPROVED this _____ day of _____, 2019.

PAT HALLISEY
Mayor

ATTEST:

DIANA STAPP
City Secretary

APPROVED AS TO FORM:

NGHIEM V. DOAN
City Attorney

ATTACHMENT A

EXHIBIT A – 2ND SUPPLEMENTAL FILING

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
HOUSTON DIVISION AND TEXAS COAST DIVISION
RATE SHEET
TAX CUTS AND JOBS ACT REFUND
RATE SCHEDULE NO. TCJA-HOU/TXC**

PURPOSE

The purpose of this rider is to provide customers with certain tax benefits associated with the Tax Cuts and Jobs Act of 2017 (TCJA). The TCJA reduced the maximum corporate income tax rate from 35 percent to 21 percent beginning January 1, 2018. Rider TCJA-HOU/TXC returns to customers the Unprotected Excess Deferred Income Tax (EDIT) amounts not subject to the normalization provision of the Internal Revenue Code.

APPLICATION

This rider applies to all residential, general service-small and general service-large volume customers of the Houston Division and Texas Coast Division.

The rates associated with this rider will be calculated in accordance with Appendix 1.

The unprotected EDIT will be amortized over three years and allocated to the customer classes based on the standard sales service allocation factors and base rate revenue allocation factors approved in GUD No. 10567. The allocated amounts by class shall be divided by the customer count billing determinants to calculate a monthly per bill refund. The refund for year three includes the present value of the year four return component of the change in the Company's rate base.

Monthly refunds shall appear as a line item on the bill titled, "Tax Refund".

TRUE-UP

Each subsequent Rider TCJA-HOU/TXC application will include a true-up of the actual amounts refunded to customers.

If the Internal Revenue Service issues new guidance or the Company acquires new information requiring the Company to revise the balances of Unprotected EDIT as a result of the TCJA or any other tax change, the Company reserves the right to make additional filings to recognize such adjustments.

Upon completion of the three-year amortization period, the over- or under- refund amounts will be transferred to a regulatory asset or regulatory liability until that over- or under- refund amount can be reconciled in a later proceeding.

FILING PROCEDURES

On or before August 1 for all test years, during the term of Rider TCJA-HOU/TXC, the Company shall file with the Railroad Commission (RRC) and Cities the TCJA calculation as shown in Appendix 1 along with supporting schedules and workpapers. Unless disputed by the RRC Staff or Cities, rates per Appendix 1 will become effective for bills rendered on or after January 1. If the RRC Staff or Cities dispute the calculation, or any component thereof, the RRC Staff or Cities shall notify the Company on or before October 1.

ATTACHMENT A

EXHIBIT A – 2ND SUPPLEMENTAL FILING

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
HOUSTON DIVISION AND TEXAS COAST DIVISION
RATE SHEET
TAX CUTS AND JOBS ACT REFUND
RATE SCHEDULE NO. TCJA-HOU/TXC**

CenterPoint Energy
Houston and Texas Coast Divisions
Rider TCJA-HOU/TXC
Effective January 1, 2020

<u>Line No.</u>	<u>Description</u>	(A)	(B) Standard Service Amounts Year 2020
1	Unprotected Excess Deferred Income Taxes (EDIT)		\$ (6,994,963)
2	True-up for Previous Unprotected EDIT		
3	Total Unprotected (EDIT)		<u>\$ (6,994,963)</u>
	<u>Base Rate Revenue Allocation Factors per GUD No. 10567</u>		
4	Residential		90.1796%
5	General Service - Small		6.5762%
6	General Service - Large Volume		3.2442%
7	Total		<u>100.0000%</u>
	<u>Impact to Revenues Allocated to Customer Classes</u>		
8	Residential (Line 3 * 4)		\$ (6,308,031)
9	General Service - Small (Line 3 * 5)		(460,003)
10	General Service - Large Volume (Line 3 * 6)		(226,931)
11	Total		<u>\$ (6,994,965)</u>
	<u>Number of Bills (12 Months Ending June)</u>		
12	Residential		15,979,716
13	General Service - Small		783,588
14	General Service - Large Volume		21,334
15	Total		<u>16,784,638</u>
	<u>Refund</u>		
16	Residential (Line 8 * 12)		\$ (0.39)
17	General Service - Small (Line 9 * 13)		\$ (0.59)
18	General Service - Large Volume (Line 10 * 14)		\$ (10.64)