

Legislation Text

File #: 17-787, Version: 2

Presenter/Contact

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SUBJECT:

Discuss and consider approval of a resolution authorizing the City's intervention in proceedings at the Railroad Commission of Texas regarding CenterPoint Energy's proposed increase in rates filed on November 16, 2017; authorizing the City Manager to execute an agreement with Herrera Law & Associates, PLLC for representation in this rate increase application and intervention; and supporting the City's continued participation in the Alliance of CenterPoint Municipalities.

BACKGROUND / RATIONALE:

On or about November 16, 2017, CenterPoint Energy Resources Corporation, D/B/A, CenterPoint Energy Entex and CenterPoint Energy Texas Gas ("CenterPoint" or "Company") filed a Statement of Intent to increase rates by a total of approximately \$1.2 million. CenterPoint's proposed increase in revenue of about \$1.2 million is comprised of an increase in base rates of about \$540,000 and a "Hurricane-Harvey" surcharge of about \$665,000. CenterPoint proposes an effective date of December 21, 2017 for its change in rates.

CenterPoint proposes to **increase base rates for residential customers** and to **decrease base rates for commercial customers** as follows:

Residential:	\$1.8 million
General Service - Small Commercial:	-\$1.2 million
General Service - Large Volume:	-\$42,000

This equates to **net** increase in **base-rate revenue** of about \$540,000.

CenterPoint's is also proposing a 12-month surcharge to recover certain expenses it contends it incurred as a result of Hurricane Harvey. That surcharge would be 39¢ per month per customer applied equally to residential customers and commercial customers. CenterPoint's proposed surcharge equates to an additional increase in revenue of about \$665,000. Combined, CenterPoint's proposed increase in base rates plus its proposed surcharge would produce an increase of about \$1.2 million.

CURRENT BASE RATES VERSUS PROPOSED BASE RATES:

CenterPoint proposes to increase the fixed customer charge for the Residential class, while charges based on consumption would be reduced. For commercial customers, CenterPoint proposes a decrease in the customer charge and the commodity charge. The table below shows CenterPoint's current base rates and its proposed base rates:

CURRENT RATES COMPARED TO PROPOSED RATES			
	Current Rates	Proposed Rates	Proposed Change
Residential			
Customer Charge/Month	\$23.24	\$26.00	\$2.76
Commodity Charge/ccf	\$0.21800	\$0.14417	-\$0.07383
General Service-Small Commercial			
Customer Charge/Month	\$38.87	\$30.50	-\$8.37
Commodity Charge/ccf	\$0.10460	\$0.09573	-\$0.00887
General Service-Large Commercial			
Customer Charge/Month	\$213.00	\$101.00	-\$112.00
Commodity Charge/ccf	\$0.04120	\$0.07812	\$0.03692

BILL IMPACT AT CURRENT BASE RATES VERSUS PROPOSED BASE RATES:

At CenterPoint's proposed change in base rates, the average customer's monthly bill would be affected as follows:

	Avg Bill at Current Base Rates	Avg Bill at Proposed Base Rates	Proposed Change in Bill for Base Rates	Avg Monthly Consumption (ccf)
Residential				
Customer Charge/Month	\$23.24	\$26.00		
Commodity Charge/ccf	<u>\$4.80</u>	<u>\$3.17</u>		22
	\$28.04	\$29.17	\$1.14	INCREASE OF 4%

General Service-Small Commercial				
Customer Charge/Month	\$38.87	\$30.50		
Commodity Charge/ccf	<u>\$18.83</u>	<u>\$17.23</u>		180
	\$57.70	\$47.73	-\$9.97	DECREASE OF 17%
General Service-Large Volume Commercial				
Customer Charge/Month	\$213.00	\$101.00		
Commodity Charge/ccf	<u>\$111.16</u>	<u>\$210.77</u>		2698
	\$324.16	\$311.77	-\$12.39	DECREASE OF 4%

BILL IMPACT AT CURRENT BASE RATES VERSUS PROPOSED BASE RATES INCLUDING 12-MONTH SURCHARGE:

At CenterPoint's proposed change in base rates, **plus its proposed 12-month surcharge**, the average customer's monthly bill would be affected as follows:

	Avg Bill at Current Base Rates	Avg Bill at Proposed Base Rates Plus Surcharge	Proposed Change in Bill for Base Rates Plus Surcharge	Avg Monthly Consumption (ccf)
Residential				
Customer Charge/Month	\$23.24	\$26.39		
Commodity Charge/ccf	<u>\$4.80</u>	<u>\$3.17</u>		22
	\$28.04	\$29.56	\$1.53	INCREASE OF 5%
General Service-Small Commercial				
Customer Charge/Month	\$38.87	\$30.89		

Commodity Charge/ccf	\$18.83	\$17.23		180
	\$57.70	\$48.12	-\$9.58	DECREASE OF 17%
General Service-Large Volume Commercial				
Customer Charge/Month	\$213.00	\$101.39		
Commodity Charge/ccf	\$111.16	\$210.77		2698
	\$324.16	\$312.16	-\$12.00	DECREASE OF 4%

BILL IMPACT AT CURRENT BASE RATES VERSUS PROPOSED BASE RATES INCLUDING 12-MONTH SURCHARGE PLUS COST OF GAS:

At CenterPoint's proposed change in base rates, **plus its proposed 12-month surcharge, plus the cost of gas**, the average customer's monthly bill would be affected as follows:

	Avg Bill at Current Base Rates	Avg Bill at Proposed Base Rates Plus Surcharge	Proposed Change in Bill for Base Rates Plus Surcharge	Avg Monthly Consumption (ccf)
Residential				
Customer Charge/Month	\$23.24	\$26.39		
Commodity Charge/ccf	\$16.89	\$15.26		22
	\$40.13	\$41.65	\$1.53	INCREASE OF 4%
General Service-Small Commercial				
Customer Charge/Month	\$38.87	\$30.89		
Commodity Charge/ccf	\$117.77	\$116.17		180
	\$156.64	\$147.06	-\$9.58	DECREASE OF 6%

General Service- Large Volume Commercial				
Customer Charge/Month	\$213.00	\$101.39		
Commodity Charge/ccf	<u>\$1,594.11</u>	<u>\$1,693.72</u>		2698
	\$1,807.11	\$1,795.11	-\$12.00	DECREASE OF 1%

Because CenterPoint's proposed increase in Residential customers' rates is focused on the monthly customer charge, customers that use less gas than the average customer, will see a steeper percentage increase in their monthly bill. Also, CenterPoint proposes an increase to the Residential class and decreases to the commercial classes. Each of these factors means that the City should evaluate CenterPoint's proposed allocation of costs to the customer classes.

Lastly, given that CenterPoint's application represents its first general rate case since about 2010 and that since then, CenterPoint has sought and the Railroad Commission has granted CenterPoint, interim increases in rates pursuant to the Gas Utility Regulatory Act § 104.301 (the so-called "GRIP Statute"), it will be necessary to evaluate the prudence of CenterPoint's investments upon which it is earning a return through those interim rates.

CENTERPOINT TEXAS MUNICIPALITIES

The Alliance of CenterPoint Municipalities-South Texas Division ("ACM") was organized by a number of municipalities served by CenterPoint. The City has participated in ACM in prior rate cases filed by CenterPoint. Alfred R. Herrera with the law firm of Herrera Law & Associates, PLLC, has previously represented the City as part of ACM in rate cases involving CenterPoint.

CITY AUTHORITY TO PARTICIPATE IN CENTERPOINT'S RATE CASE AT THE RAILROAD COMMISSION

Generally, unless a city cedes its original jurisdiction to the Railroad Commission of Texas, the Gas Utility Regulatory Act §103.001 grants a city exclusive original jurisdiction over a gas utility's rates, services, and operations within the city limits. The City ceded its jurisdiction to the Railroad Commission. But, even if a city has ceded its jurisdiction, to the Railroad Commission, the Gas Utility Regulatory Act §103.023, grants a city the statutory right to participate in rate proceedings before the Railroad Commission.

INTERVENTION AT THE RAILROAD COMMISSION OF TEXAS

CenterPoint filed its Statement of Intent to raise rates with the City and the Railroad Commission of Texas ("RRC") on the same date, November 16, 2017. Thus, CenterPoint's application is pending before those cities that have not ceded their jurisdiction and before the Railroad Commission, at the same time. Because CenterPoint's application is pending at the Railroad Commission, and because rate cases move very quickly, it is important to participate in those proceedings at the earliest opportunity to attempt to influence the outcome of the proceeding at the Railroad Commission. As noted above, even if a city has ceded its jurisdiction to the Railroad Commission, the Gas Utility Regulatory Act §103.023 grants a city the statutory right to participate in rate proceedings before the

Railroad Commission.

ADDRESSES A NEED/ISSUE IN A CITY PLAN OR COUNCIL PRIORITY:

N/A

FISCAL IMPACT:

Cities by statute are entitled to recover their reasonable rate case expenses from the utility. See *Gas Utility Regulatory Act §103.022*. Legal counsel and consultants approved by ACM will submit monthly invoices to the coalition-designated city that will be forwarded to CenterPoint for reimbursement. No individual city's budget in ACM will be negatively affected.

COMMITTEE RECOMMENDATION:

N/A.

STAFF RECOMMENDATION:

Staff recommends approval. CenterPoint's rate-filing package is voluminous containing thousands of pages of data. In order to have time to review the rate-filing package and to participate in a meaningful manner in the proceedings at the Railroad Commission it is necessary to intervene in those proceedings at the earliest opportunity. Thus, it is recommended that the City continue its participation in the Alliance of CenterPoint Municipalities and retain the law firm of Herrera Law & Associates, PLLC to represent the City's interest in matters related to CenterPoint's rate case and to advise the City with regard to CenterPoint's application, and that the City intervene in the proceeding before the Railroad Commission of Texas, and in court appeals that may result from the Railroad Commission's order, if any.

Although there is no statutory deadline within which the City must take action to participate at the Railroad Commission, given the speed with which rate cases are processed, it is recommended that the City intervene as soon as practicable in the proceedings at the Railroad Commission related to CenterPoint's Statement of Intent to increase rates.