



MEMORANDUM

TO: Mayor & Council

FROM: Rondella Hawkins, Telecommunications and Regulatory Affairs Officer *Rondella Hawkins*

DATE: June 4, 2019

SUBJECT: Review and Analysis of CenterPoint Energy's Gas Reliability Infrastructure Program Rate Filing to the City of Austin dated March 28, 2019

OVERVIEW

On March 28, 2019, CenterPoint Energy Resources Corp., South Texas Division ("CenterPoint") filed its annual Gas Reliability Infrastructure Program (GRIP) interim rate adjustment (IRA) filing in Austin and in the other cities that it serves in the South Texas Division.

This filing was made in compliance with the Texas Utilities Code, Section 104.301 which allows a gas utility to make interim rate adjustments to recover capital investments in gas pipeline infrastructure made during the interim period between rate cases. Pursuant to the Gas Utilities Regulatory Act, the City has original jurisdiction over privately owned gas utility rates set for customers within its city limits.

State law authorizes the City to suspend the implementation date of the interim charge by 45 days. CenterPoint proposed an effective date of May 27, 2019 for the interim rate adjustment. Under Ordinance 20160509-016, the City of Austin suspended implementation by the allowed 45 days from the initial proposed effective date to July 11, 2019.

BASIS FOR THE RATE INCREASE

Section 104.301 of the Texas Utilities Code, the Gas Reliability Infrastructure Program (GRIP), allows for an annual interim adjustment of rates to reflect changes in the value of capital invested each year. Within two years of a general rate case, a utility may begin to file Interim Rate Adjustments with the regulatory authority to recover the cost of changes in the investment in service for gas utility services. The regulatory authority, the City of Austin, has an initial period of not more than sixty (60) days to review the proposed rate adjustment and may suspend the implementation of the Interim Rate Adjustment for an additional forty-five (45) days. The City has limited authority to review the GRIP filing of gas utilities. All annual GRIP rate increases are then reviewed at the next general rate case filing.

NOTICE

The filing notified cities of CenterPoint's intent to increase rates by \$37,256,789 which is based on the net increase in capital investment for the period of October 1, 2017 through December 31, 2018. CenterPoint customers were given proper notice of the GRIP interim rate increase either through separate mailing or through bill inserts. CenterPoint also posted the customer notice on its website.

STAFF REVIEW OF CENTERPOINT'S GRIP FILING

Staff has reviewed CenterPoint's filing and supporting documentation and concludes that Centerpoint's proposed GRIP interim rate increase for the period of October 1, 2017 through December 31, 2018 to be supported by the evidence, to be reasonable and complies with the provisions of Sec. 104.301 of the Texas Utilities Code to meet the criteria for cost recovery. All GRIP schedules are mathematically accurate and properly compute CenterPoint's GRIP revenue requirement and associated rate design to customer classes using the methodology approved by City Council in the 2017 full rate case. The return on investment, depreciation, and incremental federal income tax factors used in the computation were also the same as the approved factors in the 2017 rate case.

CenterPoint's interim rate increase will increase the customer charge and the average monthly bill by customers class as follows:

| Rate Schedules | Current Customer Charge | 2017 Interim GRIP Adjustment/% Change | Adjusted Customer Charge |
|------------------------------|--------------------------------|----------------------------------------------|---------------------------------|
| Residential | \$19.00 per customer per month | \$2.04 per customer per month (10.7%) | \$21.04 per customer per month |
| General Service Small | \$25.00 per customer per month | \$4.16 per customer per month (16.6%) | \$29.16 per customer per month |
| General Service Large Volume | \$99.50 per customer per month | \$27.20 per customer per month (27.3%) | \$126.70 per customer per month |

| Customer Class | Average Monthly Bill | Proposed 2019 Interim GRIP Adjustment/% Change | Proposed Monthly Bill |
|------------------------------|-----------------------------|-------------------------------------------------------|------------------------------|
| Residential | \$39.93 | \$2.04 per customer per month (5.11%) | \$41.97 |
| Commercial | \$163.54 | \$4.16 per customer per month (2.54%) | \$167.70 |
| General Service-Large Volume | \$1940.09 | \$27.20 per customer per month (1.40%) | \$1967.29 |

cc: Spencer Cronk, City Manager
Rodney Gonzales, Assistant City Manager