

**ORDINANCE NO. 20110127-054**

**AN ORDINANCE DENYING A RATE INCREASE PROPOSED BY CENTERPOINT ENERGY ENTEX; ESTABLISHING REASONABLE RATES AND CHARGES; REQUIRING REIMBURSEMENT OF MUNICIPAL RATE CASE EXPENSES BY THE REGULATED UTILITY; AND PROVIDING NOTICE.**

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:**

**PART 1. FINDINGS:**

(A) CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas ("CenterPoint") filed a Statement of Intent with the City on December 3, 2010, to increase its system-wide natural gas rates effective on January 7, 2011.

(B) Due to the timing of CenterPoint's rate filing, the City requested that CenterPoint delay the effective date of the rate increase to allow the City a reasonable amount of time to consider and act on the requested rate increase prior to being imposed on its Austin customers, a request that CenterPoint denied.

(C) The rate increase results in an approximately \$6.5 million increase to CenterPoint's annual revenue requirement and affects CenterPoint's 168 Austin customers by increasing base rates and increasing the customer charge.

(D) Under the Texas Utilities Code §103.001 and under Article XI, §6 of the City Charter, the City has exclusive original jurisdiction to regulate CenterPoint's rate increase.

(E) The rate increase constitutes a "major change" as defined by §104.101 of the Texas Utilities Code and therefore requires consideration by the City within 30 days after the effective date of the rates to determine the propriety of the increase.

(F) Based on information provided by CenterPoint, the increased rates result in an average monthly increase per customer as follows:

Residential - \$4.05 or approximately 25%

General Service-Small Commercial - \$5.00 or approximately 14%

(G) Joining the with other CenterPoint-served cities known as the Alliance of CenterPoint Municipalities ("ACM") will allow the City to participate as a member of ACM before the Gas Utilities Docket No. 10038 being considered by the Railroad Commission of Texas to address CenterPoint's rate increase.

(H) Based in part on the following, the increased rates are not just, are unreasonable, and are not proper:

(1) CenterPoint's rate increase seeks an excessive return on equity of 11.00%;

(2) CenterPoint's rate increase is based upon several adjustments to its cost of service which were recently rejected by the Railroad Commission of Texas;

(3) CenterPoint seeks to increase the Residential customer charge by 62% from \$11.75 to \$19.00 and the General Service-Small Commercial customer charge by 67%, from \$15.00 to \$25.00; the requested design of the rates puts more of the cost of gas utility operations on low-use residential customers who often are in the worst position to absorb such cost increases; and

(4) the request seeks the implementation of a rate mechanism that provides a disincentive to reduce costs and becoming more productive or efficient and creates a disincentive to conserve the use of gas.

**PART 2.** CenterPoint's rate increase filed with the City on December 3, 2010, is denied.

**PART 3.** Acting under its authority in §104.110 of the Texas Utilities Code, the City hereby enters an order to establish the rates CenterPoint shall charge are those rates charged by CenterPoint immediately prior to CenterPoint's filing of its Statement of Intent dated December 3, 2010.

**PART 4.** CenterPoint is directed to reimburse all related municipal rate case expenses incurred by the City as required by §103.022 of the Texas Utilities Code, and CenterPoint shall do so on a monthly basis and within 30 days after submission of the City's invoices for the City's reasonable costs associated with the City's activities related to this rate review or to related proceedings involving CenterPoint before the City, the Railroad Commission of Texas, or any court of law.

**PART 5.** Notice of this ordinance is hereby provided to CenterPoint Energy Resources Corp.

**PART 6.** This ordinance takes effect on February 7, 2011.

**PASSED AND APPROVED**

January 27, 2011

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§ Lee Leffingwell  
Lee Leffingwell  
Mayor

**APPROVED:** Karen Kennard  
Karen Kennard  
Acting City Attorney

**ATTEST:** Shirley A. Gentry  
Shirley A. Gentry  
City Clerk