

**AGENDA**



**Recommendation for Council Action**

**AUSTIN CITY COUNCIL**

**Regular Meeting: December 14, 2017**

Item Number: **053**

**Telecommunications and Regulatory Affairs**

Approve an ordinance suspending a rate increase proposed by CenterPoint Energy Resources Corporation for natural gas services.

<b>Lead Department</b>	Telecommunications and Regulatory Affairs
<b>Fiscal Note</b>	No fiscal impact
<b>Prior Council Action</b>	No
<b>For More Information</b>	Rondella M. Hawkins, TARA Officer, 512-974-2422

**Additional Backup Information:**

CenterPoint Energy has about 800 natural gas customers located in southeast Austin primarily in the Goodnight Ranch area and it has approximately 141,000 in its South Texas Division.

On or about November 16, 2017, CenterPoint Energy Resources Corporation, 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 Thousand and a “Hurricane-Harvey” surcharge of about \$665 Thousand. That surcharge would be 39¢ per month per customer applied equally to residential customers and commercial customers over a 12-month period. 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 Thousand.

**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:

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

	<b>Ave. Bill at Current Base Rates</b>	<b>Ave. Bill at Proposed Base Rates</b>	<b>Proposed Change in Bill for Base Rates</b>	<b>Ave. Monthly Consumption (ccf)</b>
<b>Residential</b>				
<b>Customer Charge/Month</b>	\$23.24	\$26.00		
<b>Commodity Charge/ccf</b>	<u>\$4.80</u>	<u>\$3.17</u>		22
	\$28.04	\$29.17	\$1.14	INCREASE OF 4%
<b>General Service-Small Commercial</b>				
<b>Customer Charge/Month</b>	\$38.87	\$30.50		
<b>Commodity Charge/ccf</b>	<u>\$18.83</u>	<u>\$17.23</u>		180
	\$57.70	\$47.73	-\$9.97	DECREASE OF 17%
<b>General Service-Large</b>				

<b>Volume Commercial</b>				
<b>Customer Charge/Month</b>	\$213.00	\$101.00		
<b>Commodity Charge/ccf</b>	<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 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:

	<b>Ave. Bill at Current Base Rates</b>	<b>Ave. Bill at Proposed Base Rates Plus Surcharge</b>	<b>Proposed Change in Bill for Base Rates Plus Surcharge</b>	<b>Ave. Monthly Consumption (ccf)</b>
<b>Residential</b>				
<b>Customer Charge/Month</b>	\$23.24	\$26.39		
<b>Commodity Charge/ccf</b>	<u>\$16.89</u>	<u>\$15.26</u>		22
	\$40.13	\$41.65	\$1.53	INCREASE OF 4%
<b>General Service-Small Commercial</b>				
<b>Customer Charge/Month</b>	\$38.87	\$30.89		
<b>Commodity Charge/ccf</b>	<u>\$117.77</u>	<u>\$116.17</u>		180
	\$156.64	\$147.06	-\$9.58	DECREASE OF 6%
<b>General Service-Large Volume Commercial</b>				
<b>Customer Charge/Month</b>	\$213.00	\$101.39		
<b>Commodity Charge/ccf</b>	<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.

#### **ACTION REQUIRED BY DECEMBER 21, 2017**

The City must take action on CenterPoint’s Statement of Intent before December 21, 2017. Absent such action, CenterPoint’s rates are deemed approved by operation of law.

#### **CENTERPOINT TEXAS MUNICIPALITIES**

The City of Austin joins with a coalition of cities called the Alliance of CenterPoint Municipalities-South Texas Division (“ACM”) - comprised of municipalities in the Austin area served by CenterPoint. The coalition engages specialized legal counsel and rate consultants and is entitled to recover reasonable rate case expenses from CenterPoint. No individual city’s budget is negatively affected.

#### **SUSPENSION**

CenterPoint’s rate-filing package is voluminous containing thousands of pages of data. In order to have time to review the rate-filing package, the Council is requested to suspend CenterPoint’s proposed effective date for ninety (90) days as provided by GURA. It is a virtual impossibility for the City to set just and reasonable rates without suspending the rate request for ninety days; suspension of CenterPoint’s proposed effective date will permit its special regulatory counsel and experts an opportunity to perform a better review of CenterPoint’s application.

#### **RECOMMENDATION**

Staff recommends that the City continue its participation in the Alliance of CenterPoint Municipalities and recommends that Council suspends CenterPoint’s proposed effective date of December 21, 2017, for its proposed increase in rates as set forth in CenterPoint’s Statement of Intent for 90 days. Assuming CenterPoint’s notice meets the statutory criteria for sound notice, the suspension period runs until March 21, 2018.