

MODEL STAFF REPORT REGARDING CENTERPOINT ENERGY'S STATEMENT OF INTENT TO INCREASE RATES IN THE HOUSTON DIVISION AND TEXAS COAST DIVISION AND CONSOLIDATE THE HOUSTON DIVISION AND TEXAS COAST DIVISION

**ACTION MUST BE TAKEN TO SUSPEND THE EFFECTIVE DATE ON OR BEFORE
DECEMBER 21, 2016**

On November 16, CenterPoint Energy Resources d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas ("CenterPoint" or "Company") filed a Statement of Intent seeking to increase natural gas rates to all customers residing in its Houston and Texas Coast Divisions and in the following cities in the Houston and Texas Coast Divisions that have ceded original jurisdiction to the Commission pursuant to GURA § 103.003(a): Clear Lake Shores, Cut and Shoot, Danbury, El Lago, Galena Park, Hillcrest Village, Hitchcock, Jacinto City, Jones Creek, Liverpool, New Waverly, Panorama Village, Pleak, Richwood, Roman Forest, South Houston, Southside Place, West University Place, Weston Lakes, and Willis. CenterPoint also proposed to consolidate the Houston and Texas Coast Divisions into one Texas Gulf Division. In the filing, the Company asserts that it is entitled to a \$31.0 million increase in the Cities or a 10.4% increase over current adjusted revenues, excluding gas costs.

The law provides that a rate request made by a gas utility cannot become effective until at least 35 days following the filing of the application to change rates. CenterPoint has proposed an effective date of December 21, 2016. The law permits the City to suspend the rate change for 90 days after the date the rate change would otherwise be effective. **If the City fails to take some action regarding the filing before the effective date, CenterPoint's rate request is deemed administratively approved.**

The purpose of the resolution is to extend the effective date of CenterPoint's proposed rate increase to give the City time to review the rate-filing package. The resolution suspends the December 21, 2016 effective date of the Company's rate increase for the maximum period permitted by law to allow the City to evaluate the filing, determine whether the filing complies with law, and if lawful, to determine what further strategy to pursue, including settlement and ultimately to approve reasonable rates.

Explanation of "Be It Ordained" Paragraphs:

Section 1. This section incorporates the "whereas" provisions in preamble into the Resolution.

Section 2. This section confirms that the City is authorized to protect the interests of the City and CenterPoint customers residing in the City.

Section 3. The City is authorized to suspend the rate change for 90 days after the date that the rate change would otherwise be effective so long as the City has a legitimate purpose. Time to study and investigate the application is always a legitimate purpose. Please note that the

resolution refers to the suspension period as the “maximum period allowed by law” rather than ending by a specific date. This is because the Company controls the effective date and can extend its effective date and, therefore, extend the deadline for final city action to increase the time that the City retains jurisdiction (for example, if necessary to reach settlement on the case). If the suspension period is not otherwise extended by the Company, the City must take final action on CenterPoint’s request to raise rates by December 21, 2016.

Section 4. This section confirms that the City has previously authorized formal membership into the Gulf Coast Coalition of Cities (“GCCC”) and intervention in any ratemaking proceeding.

Section 5. This section authorizes this hiring of outside attorneys and consultants to work on this matter.

Section 6. This section explains that, as a member of GCCC, the City will work with the coalition to review the application to insure fair and just rates.

Section 7. By law, the Company must reimburse the cities for their reasonable rate case expenses. Legal counsel and consultants approved by GCCC will present their invoices to the City of Alvin which will then seek reimbursement from CenterPoint on behalf of GCCC. The City will not incur liability for payment of rate case expenses by adopting a suspension resolution.

Section 8. This section merely recites that the resolution was passed at a meeting that was open to the public and that the consideration of the resolution was properly noticed.

Section 9. This section provides that both CenterPoint’s designated representative and counsel for GCCC will be notified of the City’s action by sending a copy of the approved and signed resolution to certain designated individuals.

Section 10. This section identifies the effective date of the Resolution as the time it is adopted.

Recommendation

The City Staff recommends adoption of the resolution suspending the effective date of CenterPoint’s proposed rate increase.