



City Council Agenda Item Report

May 13th, 2013

Agenda Item No. _____

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SUBJECT: DISCUSSION AND POSSIBLE ACTION REGARDING A RESOLUTION AUTHORIZING THE MAYOR TO SUSPEND THE EFFECTIVE DATE OF AN APPLICATION BY CENTERPOINT ENERGY ENTEX, SOUTH TEXAS DIVISION TO INCREASE RATES UNDER THE GAS RELIABILITY INFRASTRUCTURE PROGRAM FOR FORTY-FIVE (45) DAYS AND AUTHORIZING THE CITY TO CONTINUE TO PARTICIPATE IN A COALITION OF CITIES KNOWN AS THE “ALLIANCE OF CENTERPOINT MUNICIPALITIES”.

1. BACKGROUND/HISTORY

As Council may recall, CenterPoint filed a rate case in 2011 with a settlement reached in March. On March 30th, 2012 CenterPoint filed a Gas Reliability Infrastructure Program (GRIP) under section 104.301 of the Utilities Code. Under such section, a gas utility that has filed a rate case within the preceding two years may file for a tariff or rate schedule that provides for an interim adjustment in the utility’s monthly customer charge to recover cost of changes in the investment in service for gas utility services. Apparently, CenterPoint is taking advantage of recouping investment or capitalized expenses during such rate case. Within such two year time frame, CenterPoint is filing another GRIP charge in order to recoup additional capitalized expenses.

2. FINDINGS/CURRENT ACTIVITY

In accordance with Section 104.301 of the Utilities Code, a city can suspend the effective date of the rate increase during the 60-day period for up to 45 days. The original effective date is May 27th, 2013. With approval of the resolution, the suspension will extend the effective date to July 11th, 2013.

On the 2012 GRIP charge, staff contacted Jim Boyle, representative for the Coalition of Cities on the previous gas rate case, who provided a response to such charge. When contacted again for his assessment on the 2013 GRIP, his position did not change, and that for any significant recourse to such charge would need a revision to the TX Utilities Code. The following is Jim’s response from 2012 that is still germane to this 2013 charge:

“ Background

On March 30, 2012 CenterPoint filed with the City Secretary a 7% increase in base rates for residential and commercial customers effective on July13, 2012 for cities who suspended the original effective date. The increase is \$1.33 per month for residential customers and \$2.67 per month for small commercial and \$16.34 per month for large commercial customers. This is the first GRIP filing by CenterPoint. Under GRIP, CenterPoint may annually file for an increase in the monthly fixed customer charge. The schedules and formulas used to generate the increase have been promulgated by the Railroad Commission of Texas.

No meaningful municipal participation is permitted

Currently, the law permits only an extremely limited review by cities of the CenterPoint GRIP filing. Cities are not permitted to participate at the Railroad Commission with regard to GRIP. The GRIP statute has been interpreted by the Railroad Commission and the Texas Supreme Court to allow for “capital” costs unrelated to pipeline infrastructure needs. No costs expended by cities to review a GRIP filing are reimbursable.

Recommendation

It is my recommendation that no further action by the Council is necessary or advisable. The Council by suspending the effective date has given ratepayers an additional 45 days before the increase in the customer charge goes into effect, on July 13, 2012. “

While Jim did not read through the entire document, very little relief is allowed under the TX Utilities Code. Furthermore, the increase to residents would be \$1.61/month to an overall base payment of \$16.89. In accordance with Jim, there does not seem to be much in favor for cities due to recent case law on protesting such GRIP charge. Nonetheless, the prudent thing to do is delay the effective date as much as possible.

3. FINANCIAL IMPACT

CenterPoint’s rate schedule from their GRIP submittal:

Rate Schedules	Current Base Charge	2013 Interim Adjustment	Adjusted Charge
R-2085-GRIP 2013 Residential	\$15.28 per customer per month	\$1.61 per customer per month	\$16.89 per customer per month
GSS-2085-GRIP 2013 General Service Small	\$22.67 per customer per month	\$3.26 per customer per month	\$25.93 per customer per month
GSLV-616-GRIP 2013 General Service Large Volume	\$116.34 per customer per month	\$19.21 per customer per month	\$135.55 per customer per month

4. ACTION OPTIONS/RECOMMENDATION

Staff is recommending approval of the resolution to suspend the tariff for up to 45 days. Any further action with Mr. Boyle, staff will keep Council informed.

5. ENCLOSURES

- Resolution to suspend
- Letter from CenterPoint on the GRIP filing
- Section 104.301 of the Utilities Code
- Resolution from 2012 GRIP