

CITY OF BASTROP, TEXAS RESOLUTION NO. R2015 - 13

A RESOLUTION OF THE CITY OF BASTROP, TEXAS, IN RESPONSE TO REQUEST FOR INTERIM RATE INCREASE BY CENTERPOINT ENERGY RESOURCES CORP., SOUTH TEXAS DIVISION (“CENTERPOINT”); FINDING THAT RATES COULD NOT BE SET; RECOMMENDING THAT THE STATUTE AUTHORIZING INTERIM RATE RELIEF KNOWN AS THE “GAS RELIABILITY INFRASTRUCTURE PROGRAM” BE AMENDED DURING THE 85TH SESSION OF THE TEXAS LEGISLATURE SO THAT COSTS OF THE PROGRAM CAN BE REVIEWED IN A TIMELY AND MEANINGFUL MANNER IN ORDER FOR JUST AND REASONABLE RATES TO BE ESTABLISHED BY THE BASTROP CITY COUNCIL. DETERMINING THAT THE MEETING AT WHICH THIS RESOLUTION WAS ADOPTED COMPLIED WITH THE TEXAS OPEN MEETINGS ACT; MAKING SUCH OTHER FINDINGS AND PROVISIONS RELATED TO THE SUBJECT; AND DECLARING AN EFFECTIVE DATE.

WHEREAS, on or about March 31, 2015 CenterPoint Energy Resources Corp., South Texas Division (“CenterPoint”) delivered an application to the City Secretary to increase the annual revenues for the South Texas Division by approximately \$4 million as an interim rate adjustment under the Gas Reliability Infrastructure Program (“GRIP”); and

WHEREAS, CenterPoint is requesting that the fixed monthly charge, known as the “customer charge”, increase by \$2.18 per month for residential customers, \$4.48 per month for small business customers and \$26.66 per month for large volume customers; and

WHEREAS, the customer charge for residential customers has increased by 44% since 2011 to a total of \$20.07 per month. The customer charge is a fixed monthly charge that is imposed upon a customer whether he/she uses any gas or not; and

WHEREAS, the City of Bastrop, Texas (“City”) is participating in the review of the GRIP filing by CenterPoint as part of a coalition of cities known as the Alliance of CenterPoint Municipalities (“ACM”) and in connection with that review retained Resolved Energy Consulting to undertake written discovery directed to CenterPoint as well as analyze the filing and available documents relevant to the filing; and

WHEREAS, in connection with its review Resolved Energy has submitted a report that is attached hereto and incorporated herein, in which it found in pertinent part that:

- There were capital projects included in the rate application that have nothing to do with safety or reliability.
- Capital projects for divisions other than the South Texas Division were included in this GRIP application.
- Expenses were reduced for labor and transportation as a result of certain capital expenditures but the expense reductions were not taken into account in the rate application.
- The South Texas Division has experienced growth in customers and sales but they were not taken into account in calculating the interim rate adjustment.
- The rate used for the return on invested capital does not take into account more current levels of returns which are lower than those set five years ago.
- The time period between comprehensive rate cases is so long that it is not possible to review the capital projects included in the interim rate adjustments.

WHEREAS, due to the GRIP statute and interpretations by Texas courts, cities have been deprived of their original jurisdiction to set rates and to participate in GRIP interim rate adjustments at the Railroad Commission of Texas; and

WHEREAS, the GRIP statute needs to be amended at the Texas Legislature so the cities can resume its role in setting just and reasonable rates of gas utilities.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL FOR THE CITY OF BASTROP, TEXAS THAT:

Section 1. The statements and findings set out in the preamble to this resolution are hereby in all respects approved and adopted.

Section 2. The City Council is not approving the rates of CenterPoint in that it lacks the ability to set rates based upon provisions set forth in the GRIP statute and the interpretations thereof by Texas courts and the Railroad Commission of Texas.

Section 3. The City Council finds that the GRIP statute needs to be amended in the following respects:


- General rate cases need to occur on a more frequent basis.
- Cities may participate in GRIP proceedings at the Railroad Commission of Texas or its successor.
- GRIP should be limited to capital projects in excess of \$10 million that pertain only to the safety or reliability of distribution or transmission pipeline where money is not available from capital markets at reasonable rates.
- All GRIP capital projects must be matched to customer growth, expenses and revenues.
- Only GRIP capital projects of the entity, utility or division, that is requesting the interim increase in rates may be included in the interim rate adjustment.
- All earnings monitoring reports must be updated to set forth the allocation percentages for any costs or expenses that are being allocated to the applicant utility from any other division or entity.
- An applicant utility cannot rely upon a capital structure or a rate of return that is more than 3 years old.

Section 4. The City Council authorizes the City Manager to urge inclusion of the findings and recommendations in Section 3 in the legislative platform of the Texas Municipal League for the 85th Session of the Texas Legislature as well as any legislative goals and objectives undertaken by the City on its own behalf during the next legislative session.

Section 5. The meeting at which this resolution was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

Section 6. This resolution shall be effective immediately upon passage.

PASSED AND APPROVED this 14TH day of July, 2015.



Ken Kesselus, Mayor

ATTEST:



Traci Chavez, Interim City Secretary