

CenterPoint Energy Beaumont/East Texas Division

Frequently Asked Questions

BACKGROUND:

Who is CenterPoint Energy?

CenterPoint Energy (CNP) provides natural gas distribution service to approximately 4.5 million residential, commercial and industrial customers in the states of Arkansas, Indiana, Louisiana, Minnesota, Mississippi, Ohio, Oklahoma and Texas. CNP provides natural gas distribution service to approximately 189,000 customers in its Beaumont/East Texas Division, of which approximately 62,000 reside either in the unincorporated areas (environs) of the Beaumont/East Texas Division or in cities that have surrendered original jurisdiction to the Railroad Commission of Texas (Commission).

What filing did CNP make?

CNP today filed with the Texas Railroad Commission and municipal regulatory authorities to change the company's natural gas distribution rates for approximately 189,000 customers in the Beaumont/East Texas Division.

Why did CNP make this filing?

The principal reasons CNP is making this filing are to:

- Meet a statutory requirement to periodically file a rate case, and
- Adjust rates to address increases in the cost of distributing natural gas to customers and so that the company may continue investing in safe and reliable infrastructure now and in the future.

Why is there a statutory requirement for CNP to make this filing?

The Company is required to file a periodic rate case for its Beaumont/East Texas Division pursuant to Texas Utilities Code §104.301(h).

What is Texas Utilities Code §104.301?

This section of Texas law allows utilities recovery of their costs related to additional invested capital through an Interim Rate Adjustment also known as Gas Reliability Infrastructure Program (GRIP) without filing a full rate case. A gas utility with newly invested capital not already included in existing rate base can make an initial GRIP filing, but only if the gas utility has filed a rate case within the preceding two years. Thereafter, an annual GRIP filing may occur. A full rate case must be filed no later than five and one-half (5 ½) years after the implementation of the initial GRIP filing. This filing meets the requirement for the Company's Beaumont/East Texas Division.

What is causing CNP's need to increase rates?

The need for a rate increase is primarily driven by the continuing investment that is being made to ensure the safety and reliability of the system and normal increases in operating expenses.

When were CNP's base rates last increased for this Division?

Base rates for the Beaumont/East Texas Division's standard rate schedules were last increased in 2012 and these rates have been adjusted annually under the GRIP mechanism from 2014 to 2019. In addition, base rates and GRIP interim rate adjustments were reduced in 2018 due to the Tax Cuts and Jobs Act of 2017 (the "TCJA") which reduced the federal corporate income tax rate from 35% to 21%.

Does this filing include any additional benefits of the TCJA?

The Company is proposing to return Excess Deferred Income taxes (EDIT) resulting from the TCJA.

How much would rates increase if approved?

CNP is proposing a \$6,816,242 increase in revenues. The Company is proposing to change the rates of all firm sales service customer classes. The impact on a customer's bill will depend on the customer's rate classification (residential, small commercial or large volume) and the customer's usage.

The proposed increase represents an annual increase of approximately 8.2%, including gas costs, or 12.5% excluding gas costs for the average residential customer, based on usage of 36 Ccf per month. The proposed rate change amounts to an increase of approximately \$3.54 per month (exclusive of gas cost and revenue-related taxes) for the average residential customer. We are proposing to decrease rates for non-residential customers.

Why will the rates for small and large commercial customers decrease while rates for residential customers increase?

Rates are designed based on what it costs us to provide service to our customers. As a result, we are proposing to decrease the amount billed to small and large commercial customers and to increase the amount billed to residential customers to more closely reflect their cost of natural gas service.

In addition to the Company's proposed rate increase in this filing, is CenterPoint planning to make a GRIP filing in March 2020 for its Beaumont/East Texas Division?

The Company does not anticipate implementing a GRIP interim rate adjustment for customers in the Beaumont/East Texas Division while this case is pending.

What customers are impacted by this filing?

This filing is for the entire Beaumont/East Texas Division, including the environs customers. We are filing with the cities of:

Anahuac	Jacksonville	Overton
Arp	Jefferson	Pine Forest
Atlanta	Kilgore	Pittsburg
Beaumont	Leary	Red Lick
Beckville	Liberty	Riverside
Bevil Oaks	Lindale	Rose Hill Acres
Bloomburg	Linden	Rusk
Bridge City	Livingston	Scottsville
Carthage	Lone Star	Silsbee
Clarksville City	Longview	Sour Lake
Cleveland	Lufkin	Tatum
Corrigan	Marshall	Tyler
De Kalb	Miller's Cove	Uncertain
Douglassville	Mineola	Union Grove
Edgewood	Mount Pleasant	Van
Fruitvale	Nederland	Waskom
Gladewater	New London	White Oak
Goodrich	North Cleveland	Winfield
Grand Saline	Orange	Winnsboro
Huntsville	Ore City	

At the time of this filing, the Beaumont/East Texas Division cities below have given up original jurisdiction. These cities will be included as part of the rate filing made with the Railroad Commission:

Ames	Hallsville	New Boston
Avinger	Hawkins	Omaha
Big Sandy	Henderson	Pinehurst
Bullard	Hideaway	Queen City
Center	Hooks	Rose City
China	Hudson	San Augustine
Colmesneil	Hughes Springs	Shepherd
Crockett	Jasper	Talco
Daingerfield	Kirbyville	Tenaha
Dayton	Latexo	Timpson
Diboll	Lovelady	Trinity
East Mountain	Lumberton	Troup
Elkhart	Maud	Vidor
Gilmer	Mount Vernon	Warren City
Grapeland	Nacogdoches	West Orange
Groveton	Naples	Wills Point

Below are the Beaumont/East Texas Division unincorporated areas:

Beauxart Gardens	Elysian Fields	Orangefield
Bronson	Evadale	Price
Buna	Fuller Springs	Redland
Central	Jonesville	Saratoga
Cheek	Leggett	Stowell
De Berry	Mauriceville	Swan
Dodge	McLeod	Sylvan-Harmony
Eastham Farm	Neches	Victory Gardens
Ellis Ferguson Farm	New Willard	Winnie

What else is the Company proposing as part of this filing?

As part of this filing, CNP is proposing to recover restoration expenses incurred as a direct result of Hurricane Harvey through a separate 12-month Hurricane Surcharge. These restoration expenses are not recoverable through any other source and include expenses and insurance deductibles under the Company's property damage and business interruption policies. As proposed, the Hurricane Surcharge would be in effect for only 12 months and would be \$0.10 for Residential customers, \$0.10 for General Service-Small customers, and \$0.10 for General Service-Large Volume customers, per month.

My city did not experience any impact from Hurricane Harvey. Why is the surcharge being applied to customers in the entire Beaumont/East Texas Division?

CNP provides natural gas services on a Division-wide basis that provides efficiencies and economies of scale to all customers in the division. Our rates reflect this structure as well and all similar customers are charged the same rates within the division. Furthermore, system wide rates achieve administrative efficiencies, requiring fewer regulatory filings and fewer tariffs to administer reducing costs required in the rates. Therefore, the Hurricane Harvey surcharge would apply to cities in the entire Beaumont/East Texas Division.

Does the filing include provisions to support obtaining renewable natural gas (RNG) on behalf of CNP customers?

Yes, the Company is simply trying to recognize that a market for RNG and carbon emission offsets is developing and may at some point become part of the Company's supply portfolio. RNG is the term used to describe pipeline-compatible gaseous fuel derived from biogenic or other renewable sources that has lower lifecycle carbon-dioxide-equivalent (CO₂e) emissions than geologic natural gas. Examples include, but are not limited to, pipeline-compatible gas derived from wastewater treatment plants, landfill gas, anaerobic digestion gas, power to gas from renewable electricity, or Syngas.

When will these changes go into effect?

If approved, we anticipate the new rates will become effective in the second quarter of 2020. For some customers within incorporated areas retaining original jurisdiction, the

new rates may go into effect sooner if their respective city approves the new rates or takes no action before the proposed effective date of December 19, 2019.

Will the cost of natural gas be impacted by this filing?

The Company is proposing to consolidate its four Purchased Gas Adjustment (PGA) areas of Beaumont, East Texas, Tyler and North East Texas into one PGA area. It is reasonable to consolidate the PGA areas because the natural gas purchasing practices and underlying contracts are substantially similar from a gas supply perspective. Natural gas contracts are based upon total demand per pipeline, rather than by specific PGA areas. The natural gas costs that CNP collects are a pass-through charge through the Gas Cost Adjustment portion of a customer's bill. As the rate schedules are already consolidated and customers pay the same base rates across the larger division, it makes sense that the customers should also share equally in the PGA costs.

RATE FILING PROCESS:

Who approves rate increases?

Cities approve the rates for the incorporated customers and the Railroad Commission approves the rates for the customers in the environs and the cities that have surrendered original jurisdiction. If CNP and the cities can't reach agreement on the increase, either party can appeal to the Railroad Commission.

What options does a City retaining original jurisdiction have regarding this filing?

The proposed effective date of the new rates is December 19, 2019. A city that has retained original jurisdiction has several options. A city can approve the Company's proposed increase, deny the Company's proposed increase, take no action or suspend a decision on the rate increase for up to 90 days beyond the proposed effective date. If a city takes no action before the proposed effective date then the new rates will go into effect on December 19, 2019. If a city approves the rate increase, then the new rates will go into effect upon approval. If a city denies the rate increase then the case will be consolidated with the case filed with the Commission and new rates will go into effect in approximately six to seven months, if approved by the Commission. If a city suspends a decision on the rate increase, the city must approve, deny or take no action within the 90-day suspension period. If the city takes no action during the 90-day suspension period, rates will go into effect March 18, 2020.

Why is the timeline for the city's action different than the timeline in the GRIP filings?

These filings fall under two different regulatory statutes, which prescribe different timelines related to the city's options for actions they can take.

How can a customer get more information about this filing or voice a concern or protest concerning this filing?

Persons with specific questions or who desire additional information about this filing may contact the Company at 1-888-298-8776. Complete copies of the filed Statement of

Intent, including all proposed rates and schedule changes will be posted on the Company's website at CenterPointEnergy.com/BETXRateCase.

Additionally, any affected person within the environs may file writing comments or a protest concerning the proposed rate change with the Docket Services Section of the Office of the Hearings Division, Railroad Commission of Texas, P.O. Box 12967, Austin, Texas 78711-2967, at any time within 30 days following the date on which this change would or has become effective, or January 18, 2020. Any affected person within an incorporated area may contact his or her city council.

What if a customer needs help paying a larger natural gas bill?

Our customers are important to us. That's why we have programs to assist customers who experience financial hardship. If customers are or anticipate having trouble paying their natural gas bills, they should contact us right away at 1-800-259-5544 and should not wait until they receive a disconnection/shut-off notice or natural gas service has been disconnected.

- Customers may be eligible for payment arrangements, including a credit extension of up to 30 days and/or a Delayed Payment Agreement, which may allow for repayment of their bill over several months. Other factors, such as a customer's age, health and income status, may qualify a customer for additional services.
- Our Customer Service Representatives are well trained to advise customers of Low-Income Home Energy Assistance Program (LIHEAP) and other funds available through Social Programs and Assistance Agencies in their specific area that might also be able to provide financial assistance. Any customer who would like information is encouraged to call CNP at 1-800-259-5544 for more details.
- The Average Monthly Billing (AMB) program eases the problem of high heating bills during the winter months by spreading the cost more evenly throughout the year. The AMB will not reduce a customer's annual heating costs, but it will help customers budget each month by paying an average monthly bill.
- CNP also sponsors programs that provide utility bill assistance for families in need, including seniors, families with young children, and customers with disabilities each year. These programs are primarily funded through donations from our customers and can be conveniently added to their monthly bill. CNP gives the donations to local charities such as the American Red Cross, the United Way and the Salvation Army to fund programs that help our neighbors manage their natural gas expenses. Donations are tax-deductible. If a customer would like to contribute and help others in need, call 1-800-752-8036 or visit CenterPointEnergy.com/CareFund.