

Beaumont East Texas Division GRIP Filing

What is a Gas Reliability Infrastructure Program (GRIP) filing?

- An interim rate adjustment allowed by Texas Statute (Texas Utilities Code §104.301) that allows utilities to recover their costs related to additional invested capital without filing a full rate case.

Who can make GRIP filings?

- 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 occurs. 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.

When was CenterPoint Energy's most recent rate case?

- CenterPoint filed its last rate case for the Beaumont East Texas Gas Division (GUD No. 10182) on July 2, 2012, and the final decision was rendered on December 4, 2012.

When was the Company's most recent GRIP filing?

- CenterPoint made its fifth GRIP filing for the Beaumont East Texas Gas Division on March 29, 2018.

How is the adjustment amount calculated?

- The GRIP filing adjustment is intended to capture the cost of net incremental investment over that investment included in the last rate case; or since the most recent GRIP filing.
- Costs included are return (profit) on that investment, depreciation expense, and certain taxes. Factors used to calculate costs must be the same as those reflected in the final order, ordinance or settlement agreement approving current rates.

What is required of the utility?

- The new tariff or rate schedule must be filed with the appropriate regulatory authority (City and/or Railroad Commission) 60 days before the proposed implementation date.
- Notice to all affected customers must be provided within 45 days of filing with the regulatory authority.
- In each annual GRIP filing, the utility must provide the following information:
 - Annual Project Reports describing all new investments and retired plant.
 - The need for, the cost of, and the customers benefitted by the new investment.
 - An annual earnings monitoring report showing earnings in the past year.
- The adjustment must be recalculated annually.

What is the role of the regulatory authority?

- Within 60 days after the filing, the regulatory authority may suspend implementation of the proposed adjustment for up to 45 days.
- Once the interim increase in rates has been reviewed as part of a full rate case, the regulatory authority may order CNP to refund any amounts collected if the investment is found to be unnecessary or imprudent.
- The regulatory authority may open an inquiry under Texas Utilities Code §104.151 and set new rates if the current rates are found to be unreasonable.

Who is CenterPoint Energy?

- CenterPoint Energy provides natural gas distribution service to approximately 3.5 million residential, commercial and industrial customers in the states of Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas. CenterPoint Energy serves approximately 191,000 customers in its Beaumont East Texas Division that will be impacted by this filing.

Customers in what cities will be affected by the Company's filing?

- This filing is for the entire Beaumont East Texas Division including the environs customers. We are filing with the cities below:

| | | | |
|------------------|----------------|-----------------|-------------|
| Anahuac | Goodrich | Miller's Cove | Scottsville |
| Arp | Grand Saline | Mineola | Silsbee |
| Atlanta | Hallsville | Mount Pleasant | Sour Lake |
| Beaumont | Hawkins | Mount Vernon | Talco |
| Beckville | Henderson | Naples | Tatum |
| Bevil Oaks | Hooks | Nederland | Troup |
| Big Sandy | Hughes Springs | New Boston | Tyler |
| Bloomburg | Huntsville | New London | Uncertain |
| Bridge City | Jacksonville | North Cleveland | Union Grove |
| Bullard | Jefferson | Omaha | Van |
| Carthage | Kilgore | Orange | Warren City |
| Clarksville City | Leary | Ore City | Waskom |
| Cleveland | Liberty | Overton | White Oak |
| Corrigan | Lindale | Pine Forest | Wills Point |
| De Kalb | Linden | Pittsburg | Winfield |
| Douglassville | Livingston | Queen City | Winnsboro |
| East Mountain | Lone Star | Red Lick | |
| Edgewood | Longview | Riverside | |
| Fruitvale | Lufkin | Rose Hill Acres | |
| Gladewater | Marshall | Rusk | |

- The cities below have given up original jurisdiction. These cities will be included as part of the rate filing made with the Railroad Commission:

| | | | |
|--------------|-----------|-------------|---------------|
| Ames | Diboll | Kirbyville | San Augustine |
| Avinger | Elkhart | Latexo | Shepherd |
| Center | Gilmer | Lovelady | Tenaha |
| China | Grapeland | Lumberton | Timpson |
| Colmesneil | Groveton | Maud | Trinity |
| Crockett | Hideaway | Nacogdoches | Vidor |
| Daingerfield | Hudson | Pinehurst | West Orange |
| Dayton | Jasper | Rose City | |

- The filing with the Railroad Commission will include the unincorporated areas below:

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

What customers are affected and how?

- The total increase of \$1,765,657 has been allocated among customer groups in the same manner as the current rates established in GUD No. 10182. The proposed effective date is May 28, 2018. Once it goes into effect, the GRIP interim rate adjustment will increase the customer charge that is applicable to customers served under the indicated sales service rate schedules within the Beaumont East Texas Division as follows:

| Rate Schedules | Current Customer Charge | Proposed 2018 Interim Adjustment* | Proposed Customer Charge | Increase to Each Bill |
|---|---------------------------------------|--|---------------------------------------|-------------------------------------|
| R-2091-GRIP 2018 Residential | \$22.84 per customer per month | \$0.72 per customer per month | \$23.56 per customer per month | \$0.72 per customer per month |
| GSS-2091-GRIP 2018 General Service Small | \$34.63 per customer per month | \$1.15 per customer per month | \$35.78 per customer per month | \$1.15 per customer per month |
| GSLV-622-GRIP 2018 General Service Large Volume | \$117.81 per customer per month | \$6.63 per customer per month | \$124.44 per customer per month | \$6.63 per customer per month |

* On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "TCJA") was signed into law. The TCJA reduced the federal corporate income tax rate from 35% to 21%. The Proposed 2018 Interim Adjustment in the table above has been calculated using the reduced corporate income tax rate of 21%. Without the use of the reduced corporate income tax rate in the Company's 2018 GRIP filing, the 2018 Interim Adjustment for each class would be as follows: Residential \$0.78; General Service Small \$1.26; and General Service Large Volume \$7.25.