

RAILROAD COMMISSION OF TEXAS

STATEMENT OF INTENT OF §
CENTERPOINT ENERGY §
RESOURCES CORP., D/B/A §
CENTERPOINT ENERGY ENTEX § GUD NO. _____
AND CENTERPOINT ENERGY §
TEXAS GAS TO INCREASE RATES §
IN THE SOUTH TEXAS DIVISION §

CENTERPOINT ENERGY RESOURCES CORP., D/B/A CENTERPOINT ENERGY ENTEX AND CENTERPOINT ENERGY TEXAS GAS' STATEMENT OF INTENT TO INCREASE RATES IN THE SOUTH TEXAS DIVISION

COMES NOW CenterPoint Energy Resources Corp. (“CERC”), d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas (“CenterPoint Texas” or the “Company”), a gas utility under Gas Utility Regulatory Act (“GURA”)¹ § 101.003(7), and, pursuant to GURA §§ 104.101-104.111 and the rules of the Gas Services Department of the Railroad Commission of Texas (“Commission”), files with the Commission this Statement of Intent to Increase Rates (“Statement of Intent”) in the unincorporated areas of the Company’s South Texas Division and in the following cities in the South Texas Division that have ceded original jurisdiction to the Commission pursuant to GURA § 103.003(a): Beeville, Eagle Lake, El Campo, Floresville, Goliad, Hallettsville, Kenedy, New Braunfels, Nordheim, Palacios, Pleasanton, San Diego, San Marcos, Schertz, Seguin, Selma, Sinton and Weimar, Texas. Contemporaneously with this filing, CenterPoint Texas is also filing a statement of intent to increase rates for the municipalities retaining original jurisdiction in the South Texas Division. CenterPoint Texas intends to implement the revised gas tariffs on a division-wide basis for customers in the Company’s South Texas Division effective December 21, 2017, which is 35 days from the date of this filing.

¹ GURA §§ 101.001 *et seq.*

I. INTRODUCTION

Consistent with Commission precedent, CenterPoint Texas is proposing to adopt rates for the South Texas Division based on the cost of providing service to all customers within the division, inclusive of both incorporated and unincorporated areas. The Company's filing demonstrates that the need for a modest rate increase is primarily driven by the continuing investment that is being made to ensure the safety and reliability of the system, changes to depreciation rates that better reflect the actual life and salvage characteristics of the Company's assets, and necessary increases in operating expenses. The Company is also making this statement of intent filing in its South Texas Division pursuant to GURA §104.301(h).

The new rates will affect all standard sales service residential, small commercial, and large volume customers within the South Texas Division. Within the South Texas Division, there was an average of approximately 142,000 standard sales service customers during the test year, of which amount approximately 44,000 customers reside in the areas of the South Texas Division over which the Commission has original jurisdiction. The test-year number of customers in each affected class is as follows:

<u>South Texas Division Classes*</u>	<u>Number of Customers (Total/Commission OJ)</u>	<u>Non-Gas Revenue Change, exclusive of revenue-related taxes</u>
Residential	132,129 / 39,580	\$1.8 million
General Service – Small	9,881 / 4,184	(\$1.2) million
General Service – Large Volume	278 / 136	(\$0.042) million
TOTAL	142,288 / 43,900	\$0.54 million

*The classes and number of customers affected by this Statement of Intent are identified on a city-by-city and unincorporated-area basis in Exhibit B to this Statement of Intent, which is incorporated herein by reference. The sum of the class amounts may not equal the total due to rounding.

The rate schedules attached hereto as Exhibit A to this Statement of Intent evidence the rate changes proposed by the Company. As reflected in the proposed schedules, CenterPoint Texas will split its Residential, General Service-Small, and General Service-Large Volume rate schedules for the South Texas Division into separate rate schedules for 1) the incorporated areas and 2) the

unincorporated areas and the cities which have ceded jurisdiction to the Commission. It will also update the specific rates charged in these schedules to reflect the Company's proposed customer and commodity charges. In addition, the Company seeks approval for certain changes to its Franchise Fee Adjustment rate schedule and Purchased Gas Adjustment ("PGA") tariff, as described below.

CenterPoint Texas also seeks authorization for a Safety and System Integrity ("SSI") Regulatory Asset that will track certain operations and maintenance ("O&M") expenses associated with activities necessary to comply with changes in state or federal regulations relating to natural gas pipeline safety and integrity. Additionally, the Company is including a Rate Case Expense recovery rider in its filing package to ensure that the Company can recover the reasonable and reimbursable rate case expenses incurred in this proceeding. CenterPoint Texas requests a Hurricane Surcharge to recover expenses incurred by the Company in the South Texas Division as a direct result of Hurricane Harvey that are not recoverable from any other source. The Company also proposes certain revenue-neutral changes to its General Service Rules and Regulations and Miscellaneous Service Charges rate schedules, as described below.

Finally, the Company is seeking Commission approval of new depreciation rates for distribution and general plant within the South Texas Division and seeks a prudence determination with regard to its capital investment booked to plant in the South Texas Division through September 30, 2017, including all capital investment reflected in the Company's interim rate adjustment ("IRA") filings made since the division's last statement of intent rate proceeding, pursuant to GURA § 104.301.

II. JURISDICTION

CenterPoint Texas is a gas utility under GURA § 101.003(7). Pursuant to GURA § 102.001(a), the Commission has exclusive original jurisdiction to set the rates requested for the

residential and general service customers in the South Texas Division unincorporated areas. In addition, the Commission has exclusive original jurisdiction to set the rates requested for the residential and general service customers within the cities in the South Texas Division that have ceded original jurisdiction over rates to the Commission pursuant to GURA § 103.003(a), as shown on Exhibit B.

III. ORGANIZATION OF FILING

In addition to this Statement of Intent, the Rate Filing Package includes the following:

- Exhibit A Proposed Tariffs and Rate Schedules
- Exhibit B List of Classes and Number of Customers by City and Division
- Exhibit C Proposed Notice
- Exhibit D Direct Testimony and Exhibits
- Exhibit E Proposed Protective Order

IV. PROPOSED TARIFFS AND SCHEDULES

CenterPoint Texas proposes the following tariffs and rate schedules, which are attached to this Statement of Intent as Exhibit A and incorporated herein by reference:

- (a) Proposed Rates for General Sales Customers

Consistent with Staff testimony filed in GUD No. 10567 and the rate schedules recently approved in that case, CenterPoint Texas proposes the attached rate schedules (Rate Schedules R-2097-I and R-2097-U, GSS-2097-I and GSS-2097-U, and GSLV-628-I and 628-U) for its various classes of standard sales service customers, consistent with the revenue requirement demonstrated in the rate filing package. The schedules split the Company's standard sales service class tariffs into separate rate schedules for 1) the incorporated areas and 2) the unincorporated areas and the cities which have ceded jurisdiction to the Commission. The schedules also reflect the Company's

proposed customer and commodity charges and have been updated to include language relating to the Hurricane surcharge and rate-case expense recovery.

(b) Cost of Gas (Rate Schedule PGA-16)

Consistent with the changes approved by the Commission pursuant to recent settlements in the Company's Houston and Texas Coast Divisions, CenterPoint Texas proposes to update its existing PGA rate schedule to add language that provides for the inclusion of costs associated with the Company's participation in FERC matters, bad debt expense, and costs to be refunded to customers pursuant to orders previously issued by the Commission. It also changes the interest application in the calculation of payment for use of funds from an average monthly basis to an average annual basis.

(c) Franchise Fee Adjustment (Rate Schedule FFA-10)

Also consistent with the changes approved by the Commission pursuant to recent settlements in the Company's Houston and Texas Coast Divisions, the Franchise Fee Adjustment rate schedule is updated to include clarifying language concerning submission of compliance filings with the Commission regarding the amounts of municipal franchise fees included in rates. The schedule also requires the Company to maintain on file with the Railroad Commission of Texas a current listing of cities within the South Texas Division and their applicable franchise fees.

(d) Rate Case Expense Recovery Rate Schedule (Rate Schedule RCE-13.1)

CenterPoint Texas includes a proposed new Rate Case Expense Recovery Rate Schedule that will be used to recover the Company's expenses associated with preparing, filing, and litigating this Statement of Intent proceeding. The rider will also include the costs of any notice the Company will provide. Because the rate-case expenses are incurred in developing this

division-wide filing, they are properly allocated to all customers within the South Texas Division.² This new schedule is consistent with those approved by this Commission pursuant to recent settlements in the Company's Houston, Texas Coast, and Beaumont/East Texas Divisions. The Company also proposes to withdraw its existing rate-case expense tariffs (Rate Schedule No. RCE-7.1 and Rate Schedule No. RCE-7.2).

(e) Miscellaneous Service Charges and General Rules and Regulations

The Company proposes to update its Miscellaneous Service Charges and General Rules and Regulations currently in effect in the South Texas Division. The Company's proposed updates relate to its interactions with customers via the Company's website, service connections, its current practice related to line extensions, severe weather emergencies, and other non-substantive changes.

(f) Hurricane Surcharge

The Company proposes to collect the recovery of restoration expenses incurred by the Company in the South Texas Division as a direct result of Hurricane Harvey. These restoration expenses are not recoverable from any other source and include expenses and insurance deductibles under the Company's property damage and business interruption policies. As proposed, the Hurricane Surcharge monthly amount would be \$0.39 for Residential customers, \$0.39 for General Service-Small customers, and \$0.39 for General Service-Large Volume customers.

V. CAPITAL INVESTMENT PRUDENCE DETERMINATION

CenterPoint Texas requests a prudency determination for all South Texas Division plant placed in service through September 30, 2017. The information contained in the Rate Filing Package demonstrates the reasonableness and necessity of this capital investment.

² See *Rate Case Expense Issues Severed from GUD Nos. 10038, 10047, 10052, 10058, 10070 and 10071*, GUD No. 10051, Finding of Fact 34 (Aug. 21, 2012).

VI. EFFECT OF PROPOSED CHANGE ON COMPANY REVENUES AND CUSTOMER BILLS

The proposed changes to CenterPoint Texas' rate schedules and tariffs are calculated on a division-wide basis and will affect all standard sales service customers in the South Texas Division. Based on current annual non-gas revenue from all standard sales service customers in the South Texas Division, the estimated total increase in annual non-gas revenue proposed by this Statement of Intent is approximately \$540,000, which represents a total aggregate revenue increase of about 0.6% including gas costs or 1.0% excluding gas cost. This revenue increase does not include the effect of revenue-related taxes.

The calculated revenue deficiency is based on a twelve-month Test Year ending June 30, 2017, adjusted for actual known and measurable changes to invested capital through September 30, 2017. The proposed rates will not exceed 115% of the average of all rates for similar services of all municipalities served by CenterPoint Texas within the same county. Proposed rates for all classes are shown in Exhibit A. The proposed non-gas revenue change and average bill impacts of the proposed rate change for each customer class is as follows:

	Non-Gas Revenue Change \$ MM	Percentage Change With/Without Gas Costs		Average Current Monthly Bill, including Gas Cost*	Average Proposed Monthly Bill, including Gas Cost*	Proposed Monthly Change
Residential @ 14.65 psi @ 14.95 psi	\$1.8	2.7%	3.8%	\$40.13 \$40.48	\$41.26 \$41.58	\$1.13 \$1.10
General Service-Small @ 14.65 psi @ 14.95 psi	(\$1.2)	-6.3%	-16.8%	\$156.64 \$159.05	\$146.67 \$149.05	(\$9.97) (\$10.00)
General Service-Large Volume	(\$0.042)	-0.7%	-3.9%	\$1,807.33	\$1,794.73	(\$12.60)

* In the South Texas Division the adjusted test-year average monthly usage is 22 Ccf for Residential Service, 180 Ccf for General Service-Small, and 2,698 Ccf for General Service-Large Volume. The current average cost of gas is \$0.54965 per Ccf for customers taking service at a pressure base of 14.65 psi and \$0.56092 per Ccf for service taken at 14.95 psi.

As set forth in Exhibit A to this Statement of Intent, the proposed tariffs, upon approval, will supersede the existing versions of these tariffs on file with the cities retaining original jurisdiction and at the Commission for the unincorporated areas of the South Texas Division and those cities that have ceded their original jurisdiction over rates to the Commission.

VII. NOTICE AND MOTION FOR APPROVAL OF NOTICE

Notice of this proceeding will be made pursuant to the provisions of GURA § 104.103(a) and other applicable requirements, including publication in newspapers having general circulation in the counties that encompass the territory affected by the proposed rate increase. Attached to this Statement of Intent as Exhibit C is CenterPoint Texas' proposed Form of Notice. CenterPoint Texas asks that the Examiners review and approve this form of notice in order that the Company may begin publication. Upon receiving approval and after compliance with all notice requirements, and no later than 60 days from the date this Statement of Intent is filed, the Company will file proof of notice with the Commission.

VIII. SUPPORTING WITNESS TESTIMONY

Attached to this Statement of Intent as Exhibit D is the pre-filed direct testimony of the following witnesses:

- Randal M. Pryor, Vice President – Regional Operations. Mr. Pryor provides an overview of CERC's Gas Operations in Texas, its rate filing package, and testifying witnesses.
- Mary A. Kirk, Director of Financial Accounting. Ms. Kirk attests to the accuracy of the Company's books and its compliance with applicable Commission rules. In addition, Ms. Kirk sponsors the cost of service calculation, including appropriate adjustments to the test year.

- Randolph H. Sutton, Manager of Compensation. Mr. Sutton supports the reasonableness of the Company's request to recover expenses related to compensation, pension, and benefits.
- Kathy A. Lloyd, Manager of Regulatory Requirements. Ms. Lloyd sponsors the proposed rate schedules and tariffs for the South Texas Division.. Ms. Lloyd also describes changes to the Company's PGA rate schedule, the Company's ad valorem tax reconciliation, and the Company's request to recover storm-restoration expenses incurred as a direct result of Hurricane Harvey through a separate 12-month Hurricane Surcharge.
- Michelle M. Townsend, Manager of Business Services and Planning and Performance Management. Ms. Townsend sponsors the jurisdictional cost assignments from CenterPoint Energy Service Company, LLC ("Service Company") and other affiliates that are charged to the Company's South Texas Division. Ms. Townsend also testifies to the Company's compliance with the statutory standards applicable to affiliate expenses and the reasonableness of the inclusion of these costs in the proposed rates.
- Charles Pringle, Director of Tax. Mr. Pringle sponsors the income tax information and schedules included in the computation of the Company's cost of service and computation of rate base.
- Matthew S. Smith, Area Manager and former Manager of Distribution Integrity. Mr. Smith describes the Company's pipeline integrity management program and activities and supports the reasonableness of the Company's test year pipeline integrity management costs. He also explains the need for the Company's proposed SSI Regulatory Asset based on increasing regulations and fluctuating expense associated with complying with these requirements.

- Timothy S. Lyons, Partner, ScottMadden, Inc. Mr. Lyons sponsors the results of the lead-lag study for purposes of measuring the cash working capital allowance required for the Company.
- Robert B. Hevert, Partner, ScottMadden, Inc. supports the Company's requested cost of equity, appropriate capital structure, and resulting rate of return.
- Dane A. Watson, Partner, Alliance Consulting Group. Mr. Watson supports the depreciation and amortization rates requested by the Company for distribution and general plant assets in the South Texas Division.
- Burl M. Drews, Manager of Rates. Mr. Drews sponsors the Company's current and proposed revenues and calculates maximum demand requirements and proposed billing determinants. Mr. Drews also sponsors the Company's proposed cost allocations and rate design.

IX. REQUEST FOR APPROVAL OF PROTECTIVE ORDER

The Company's Rate Filing Package includes certain confidential and highly sensitive protected materials. In addition, the scope of discovery in this case may require the production of additional protected material. Accordingly, CenterPoint Texas attaches as Exhibit E to this Statement of Intent a proposed Protective Order and respectfully requests that the Commission issue an order approving the Protective Order. CenterPoint Texas will provide protected material to parties upon execution of a protective order certification, which is included as Exhibit A to the proposed Protective Order.

X. AUTHORIZED REPRESENTATIVES

CenterPoint Texas' business address and telephone number are:

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Please serve all pleadings, motions, orders, and other documents filed in this proceeding upon CenterPoint Texas' authorized representatives at the above-stated addresses.

XI. RATE CASE EXPENSES AND MOTION TO SEVER


CenterPoint Texas requests recovery from affected customers of its reasonable and necessary rate case expenses, including any reasonable and necessary municipal rate case expenses incurred to review this rate request that are deemed reimbursable. CenterPoint Texas further requests approval of a surcharge to the final rates in order to collect its reasonable rate case expenses. Otherwise, CenterPoint Texas requests that the Commission sever consideration of rate

case expenses into a separate docket for determination of the amount of reasonable rate case expenses and the method of recovery.

XII. CONCLUSION

WHEREFORE, PREMISES CONSIDERED, CenterPoint Texas requests the Commission (1) approve the Tariffs and Rate Schedules attached as Exhibit A to this Statement of Intent, effective for bills rendered on and after December 21, 2017; (2) approve the Company's proposed SSI Regulatory Asset; (3) approve the prudence of capital investment made in the South Texas Division through September 30, 2017; (4) approve new depreciation rates; (5) approve the Company's proposed notice and protective order; (6) approve a surcharge to collect Hurricane related expenses; (7) approve a surcharge to recover reasonable rate-case expenses or otherwise sever consideration of rate-case expenses into a separate docket; and (8) grant the Company such further relief to which it may be entitled.

Respectfully submitted,

By: 

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