

**BUSINESS FOR CITY COUNCIL  
OF THE  
CITY OF ANGLETON**

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**SUBJECT: Discuss and possible action on adopting ordinance No. 2008-O-5A Denying CenterPoint Energy's Rate Increase**

SUBMITTED BY: Greg Smith  
REQUESTED BY: Greg Smith

DATE SUBMITTED: 5/22/08                      FOR THE AGENDA OF: 5/27/08

Expenditure Required: n/a  
Available Funding: n/a

Attachments: Ordinance #2008-O-5A

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**SUMMARY STATEMENT: See Below**

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**Recommendation: Denial of Rate Increase**

**BACKGROUND**

On March 6<sup>th</sup> or within a few days thereafter, CenterPoint filed a Statement of Intent with the City Secretary of those cities located in the Texas Coast Division to increase rates by approximately \$7.36 million. According to CenterPoint, the average residential customer will see an increase of \$3.71/month or \$43.00 per year. All of the increase will be placed in the customer charge which is a fixed charge paid monthly even if the customer does not use any gas. The requested customer charge is the highest in Texas. It penalizes low use customers and it works against the conservation of natural gas.

CenterPoint is also requesting the approval of an annual rate filing which could cause rates to go much higher without any meaningful review. The

annual rate mechanism is known as the Cost of Service Adjustment (“COSA”). Some cities in the Texas Coast Division have a mechanism of this sort in place today. There is no COSA in CenterPoint’s South Texas Division, East Texas Division, Texarkana Division or its Houston Division. Some cities in the Texas Coast Division do not have this mechanism. The COSA requested for the Texas Coast Division does not provide for meaningful review of CenterPoint’s expenses or capital additions.

### **TEXAS COAST UTILITIES COALITION (“TCUC”)**

Recently, a number of cities located in the Texas Coast Division have come together to form the Texas Coast Utilities Coalition (“TCUC”) in order to effectively and efficiently direct and coordinate the effort in responding CenterPoint’s rate increase request and tariff proposals. Each city will designate a city official to serve on the Steering Committee of TCUC. The Steering Committee will direct special counsel and rate experts. By law, CenterPoint is obligated to pay reasonable municipal rate case expenses. The City of Baytown will act as the administrative coordinator for TCUC.

### **DENIAL OF RATE INCREASE IS MOST APPROPRIATE AT THIS TIME**

The requested increase in rates should be denied. There are a number of reasons why this is appropriate. In part, it is appropriate to deny the rate request because:

- ❖ The COSA filed by CenterPoint does not provide for meaningful review of the gas utility’s expenses and capital additions;
- ❖ CenterPoint is requesting an 11% return on equity which is excessive;
- ❖ CenterPoint’s rate request is based upon projections and estimates, which are not permitted under Texas law.

- ❖ CenterPoint filed a rate filing package with the Railroad Commission of Texas on March 6, 2008 in order to increase rates in the environs areas for the Texas Coast Division. The Commission will be making rulings which will impact the Statement of Intent filed with the cities located in the Texas Coast Division. It is important that the City, as part of TCUC, participate in the proceeding before the Commission. Only a denial of the increase will get the City before the Commission in a timely way.