

STATE OF TEXAS

A RESOLUTION OF THE CITY OF SEGUIN, TEXAS, APPROVING A SETTLEMENT AGREEMENT OF A RATE DECREASE FOR GAS-UTILITY SERVICES PROVIDED BY CENTERPOINT ENERGY RESOURCES, CORP. D/B/A CENTERPOINT ENERGY ENTEX AND CENTERPOINT ENERGY TEXAS GAS – SOUTH TEXAS DIVISION (“CENTERPOINT”) IN RELATION TO THE COMPANY’S STATEMENT OF INTENT TO CHANGE GAS RATES FILED WITH THE RAILROAD COMMISSION OF TEXAS ON ABOUT NOVEMBER 16, 2017; DIRECTING CENTERPOINT TO REIMBURSE THE CITY ITS REASONABLE RATE CASE EXPENSES; DETERMINING THAT THIS RESOLUTION WAS PASSED IN ACCORDANCE WITH THE REQUIREMENTS OF THE TEXAS OPEN MEETING ACT; DECLARING AN EFFECTIVE DATE; AND REPEALING ANY PRIOR RESOLUTIONS OR ORDINANCES INCONSISTENT WITH THIS RESOLUTION

WHEREAS, pursuant to Texas Utilities Code § 103.023, the City of Seguin, Texas (“City”) has standing in each case before the Railroad Commission of Texas that relates to a gas utility's rates and services in the municipality including CenterPoint Energy Resources, Corp. d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas – South Texas Division’s (“CenterPoint” or “CenterPoint”) rates, operations, and services within the City; and

WHEREAS, the City is also a gas utility customer of CenterPoint, and has an interest in CenterPoint’s rates and charges; and

WHEREAS, CenterPoint filed a Statement of Intent with the Railroad Commission of Texas on about November 16, 2017 to increase its system-wide annual revenue requirement by approximately \$490,000, which represents an increase in rates of approximately 4%; and

WHEREAS, CenterPoint requested approval of a 12-month surcharge to recover approximately \$675,992 in Hurricane Harvey restoration costs;

WHEREAS, CenterPoint requested approval to recover its and the cities' reasonable rate case expenses; and

WHEREAS, the City previously intervened in the proceedings pending before the Railroad Commission of Texas in Gas Utility Docket No. 10669; and

WHEREAS, the City coordinated its review of CenterPoint's filing with other similarly situated municipalities through a coalition of cities known as the Alliance of CenterPoint Municipalities – South Texas Division (“ACM”); and

WHEREAS, one of ACM's goals is to minimize rate-case expenses to the extent reasonable, that otherwise would result from lengthy, contested rate-case proceedings before the Railroad Commission of Texas and, if and where necessary, through the appellate process in the courts for the pending rate case; and

WHEREAS, as part of ACM's review of CenterPoint's filing, ACM authorized its attorneys and experts to formulate and review reasonable non-litigated outcomes to resolve CenterPoint's pending request to increase rates; and

WHEREAS, ACM's special counsel and rate consultants met numerous times with the CenterPoint to resolve CenterPoint's filing without the need for protracted litigation; and

WHEREAS, after extensive review and analysis, ACM's special counsel and rate consultants found that CenterPoint's proposed increase in revenue and its proposed rates are unreasonable; and

WHEREAS, CenterPoint, ACM, and other affected parties, agreed that a “black-box” decrease of \$3.0 million in CenterPoint's current non-gas revenue is reasonable, without agreeing to any particular ratemaking methodology, all as set forth in the attached Settlement Agreement; and

WHEREAS, ACM's special counsel and rate consultants, having evaluated a likely outcome from a fully-litigated proceeding at the Railroad Commission of Texas, are of the opinion that decrease of approximately \$3.0 million in CenterPoint's current non-gas revenue and approval of the surcharges related to Hurricane Harvey and Rate-

Case Expenses, compares favorably with a likely outcome from a fully-litigated proceeding at the Railroad Commission of Texas; and

WHEREAS, CenterPoint, in further implementation of the effects of the Tax Cut and Jobs Act of 2017, has committed to making a separate filing on or before November 15, 2019, pursuant to Texas Utilities Code § 104.111, to adjust its rates to reflect a reduction in its federal income tax expense related to excess deferred income taxes (“EDIT”) and that its EDIT adjustment will be computed based on the average rate assumption method (ARAM) for those amounts required under Internal Revenue Service (IRS) normalization rules; and

WHEREAS, CenterPoint will issue a one-time credit to its South Texas Division customers in the amount of \$640,158 related to over-recoveries under CenterPoint’s prior IRA filings; and

WHEREAS, after extensive review and analysis, ACM’s special counsel and rate consultants found CenterPoint’s proposed increase of \$490,000 to be unreasonable and the negotiated rate decrease of \$3.0 million in non-gas revenue, to be reasonable; and

WHEREAS, ACM’s special counsel and rate consultants recommend that the City approve the attached Settlement Agreement, resulting in a decrease of \$3.0 million in CenterPoint’s non-gas current revenue; and

WHEREAS, under the Texas Utilities Code § 103.022, the City has a right to reimbursement of its reasonable rate-case expenses and CenterPoint has an obligation to reimburse the City’s reasonable rate-case expenses; and

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

Section 1. The findings set out in the preamble are in all things approved and incorporated herein as if fully set forth.

Section 2. That the City Council finds that the Settlement Agreement, **Attachment A** to this Resolution, and the decrease of \$3.0 million in CenterPoint's non-gas current revenue, is just and reasonable and in the public interest;

Section 3. That CenterPoint's existing rates and the revenue those rates produce, are unreasonable upon the implementation of the rates set forth in the Settlement Agreement.

Section 4. That to the extent any resolution or ordinance previously adopted by the Council is inconsistent with this Resolution, it is hereby repealed.

Section 5. That 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. That if any one or more sections or clauses of this Resolution is adjudged to be unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provision of this Resolution and the remaining provisions of the Resolution shall be interpreted as if the offending section or clause never existed.

Section 7. That this Resolution shall become effective from and after its passage.

Section 8. As a courtesy, the City Secretary or other appropriate city official shall notify CenterPoint of this Resolution by **sending a copy of the Resolution to Sam Chang, CenterPoint Energy Services CenterPoint, LLC, 1005 Congress Avenue, Suite 650, Austin, Texas 78701** and ACM shall be notified by **sending a copy of this Ordinance to Mr. Alfred R. Herrera, Herrera Law & Associates, PLLC, 816 Congress Ave., Suite 950, Austin, Texas 78701.**

PASSED AND APPROVED this 17th day of April, 2018.

Don Keil, Mayor

ATTEST:

Naomi Manski, City Secretary