

## CASE SUMMARY

**GAS UTILITIES DOCKET NO. 10073**, *Application for Cost of Service Adjustment Filed by CenterPoint Energy Entex to Increase Rates in the City of Weston Lakes, Texas*

**GAS UTILITIES DOCKET NO. 10074**, *Application for Cost of Service Adjustment Filed by CenterPoint Energy Entex to Increase Rates in Unincorporated Areas of the Texas Coast Division*

**GAS UTILITIES DOCKET NO. 10075**, *Application for Cost of Service Adjustment Filed by CenterPoint Energy Entex to Increase Rates in the Cities of Danbury, El Lago, Hitchcock, Jones Creek and Richwood*

**PRESENTER/STAFF:** Lynne LeMon, Gas Services Division, Technical Examiner

**ISSUE:** Should the Commission approve the amended COSA-2 and COSA-3 tariffs proposed by CenterPoint Energy Entex (CenterPoint) attached as Exhibit C to the proposed *Final Orders*?

**PARTIES OF RECORD:** CenterPoint Energy Entex, represented by Dane McKaughan, Parsley Coffin Renner LLP

**PROCEDURAL HISTORY:**

Applications filed:	April 29, 2011
Proposed effective date of tariffs:	August 1, 2011
Deadline for Commission action:	July 28, 2011
Current status:	Protested

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**KEY FACTS:**

1. CenterPoint's COSA-2 and COSA-3 tariffs establish a process whereby CenterPoint annually proposes adjustments to its Texas Coast Division customer charges for natural gas distribution service, accounting for changes in CenterPoint's cost of service, as calculated according to a formula in the tariff.
2. A map of CenterPoint's Texas Coast Division is attached to this case summary.
3. The COSA-2 tariff, which is the subject of Gas Utilities Docket (GUD) No. 10075, was first approved in 2008 by certain cities in the Texas Coast Division. The COSA-3 tariff, which is the subject of GUD Nos. 10073 and 10074, was first approved in 2008 by the Railroad Commission in GUD No. 9791.
4. The City of Weston Lakes (GUD No. 10073) and the Cities of Danbury, El Lago, Hitchcock, Jones Creek and Richwood (GUD No. 10075) have ceded their jurisdiction to the Railroad Commission.

5. Beginning in 2009, CenterPoint has annually filed its COSA applications.
6. For COSA-3, CenterPoint initially proposed a cost of service adjustment increase applicable to each monthly customer charge. Following discussions between CenterPoint and the Commission's Staff, CenterPoint modified its applications in GUD Nos. 10073 and 10074 to propose a cost of service adjustment decrease to the monthly customer charge, as follows:

**COMPARISON OF INITIAL AND FINAL COSA-3 RATE PROPOSALS**

CUSTOMER CLASS	INITIAL COSA PROPOSAL	FINAL COSA PROPOSAL
Residential	\$.03	(\$02)
Small commercial	\$.06	(\$02)
Large volume	\$1.04	(\$29)

7. For COSA-2, CenterPoint initially proposed a cost of service adjustment increase applicable to each monthly customer charge. Following discussions between CenterPoint and the Commission's Staff, CenterPoint modified its application in GUD Nos. 10075 to reduce the cost of service adjustment increase, as follows:

**COMPARISON OF INITIAL AND FINAL COSA-2 RATE PROPOSALS**

CUSTOMER CLASS	INITIAL COSA PROPOSAL	FINAL COSA PROPOSAL
Residential	\$.36	\$.32
Small commercial	\$.54	\$.50
Large volume	\$2.03	\$1.76

8. The annual revenue increase for CenterPoint as a result of implementing the proposed COSA tariffs is \$862,180 annually. If non-recurring review cost reimbursements are excluded, the annual revenue increase is \$693,726.
9. CenterPoint's applications state that there are 250,623 customers in the Texas Coast Division. Approximately 40% are impacted by the COSA-2 tariff. Approximately 60% are impacted by the COSA-3 tariff.
10. The 2010 COSA cost of service formula includes, among other costs, review costs incurred for review of the prior year COSA applications, to the extent permitted by COSA tariffs, and for review of related appeal cases, to the extent authorized by Commission order.
11. Review costs are the costs of review incurred by CenterPoint, by Texas Coast Division cities, and by the Commission. For these three cases, the amount of review costs built into the rate formula total \$168,454.
12. In the context of a *Statement of Intent* rate case, the Commission routinely establishes a rate case expense surcharge to recover rate case expenses over a finite period of one, two, or three years because such expenses are non-recurring and, therefore, are not permanently built into

the rate structure. Similarly, in a COSA case, the Commission quantifies the amount of review expenses to be recovered through the COSA cost of service formula, over a period of one year, and requires that the COSA adjustment to be shown separately on customer's bills.

13. In CenterPoint's most recent COSA applications, GUD Nos. 9985, 9986 and 9987, the Commission required CenterPoint to show on each customer's bill, separate from the monthly customer charge, a COSA that included the following amounts to be recovered for COSA review expenses: \$.04 per residential customer, \$.07 per small commercial customer, \$.87<sup>1</sup> per COSA-2 large volume customer, and \$.90 per COSA-3 large volume customer.
14. In GUD Nos. 10073, 10074, and 10075, the proposed COSAs include the following amounts for review expenses:

	COSA-2			COSA-3		
	COSA-2 without review costs	Review cost factor	COSA-2 with review costs	COSA-3 without review costs	Review cost factor	COSA-3 with review costs
Residential	\$.24	\$.08	\$.32	(\$.05)	\$.03	(\$.02)
Small comm.	\$.38	\$.12	\$.50	(\$.08)	\$.06	(\$.02)
Large vol.	\$.76	\$1.00	\$1.76	(\$.73)	\$.44	(\$.29)

15. Consistent with the Commission's prior practice, the *Final Orders* in GUD Nos. 10073, 10074, and 10075 require CenterPoint to show on each customer bill, separately from the customer charge, the COSA applicable to that customer.
16. After CenterPoint recovers \$168,454 of review costs related to these dockets, it is anticipated that CenterPoint will show on each bill, in a format that CenterPoint's billing system will accommodate, a bill modification that indicates CenterPoint is no longer billing the review cost factor component of the COSA adjustment.
17. The COSA tariffs include an option for termination of the COSA. Either CenterPoint or a regulatory authority may exercise the option to terminate the COSA tariff.
18. According to CenterPoint, numerous Texas Coast Division cities recently exercised their option to terminate the COSA tariff.
19. In these dockets, CenterPoint seeks to exercise its option to terminate the COSA tariff, albeit later than the February 1 deadline in the tariff. CenterPoint requests the Commission grant a good cause exception to the February 1<sup>st</sup> deadline for notifying the Commission of its intent to terminate the COSA tariff and accept CenterPoint's notice that it will withdraw the COSA tariff, as outlined in the proposed *Final Orders*.

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<sup>1</sup> Corrected on 7/26/11.

**PENDING MOTION AND REQUEST FOR DENIAL:**

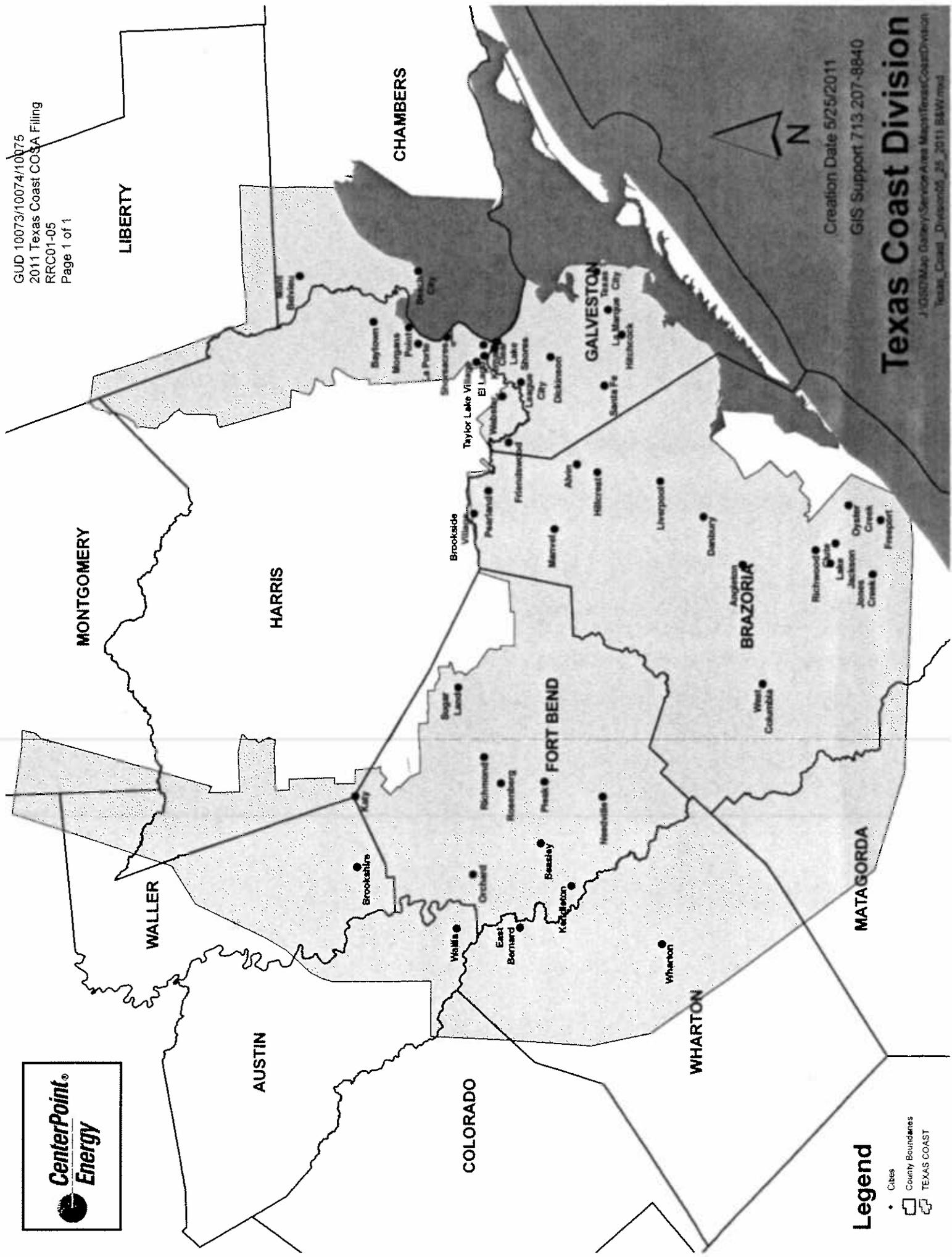
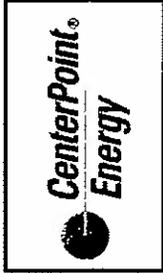
20. On July 6, 2011, the Gulf Coast Coalition of Cities (GCCC) moved to intervene in these three dockets and requested the Commission deny CenterPoint's request for approval of the COSA proposals. If the Commission denies CenterPoint's request for approval of the COSA proposals, the tariff states that CenterPoint may implement the rejected rates, subject to refund, and appeal the Commission's denial.
21. The motion to intervene was denied on July 8, 2011, consistent with the Commission's past practice in COSA cases.
22. On July 13, 2011, GCCC appealed the Examiner's denial of the motion to intervene.
23. If the Commission takes no action on GCCC's appeal, the appeal will be deemed denied on July 29, 2011.

**LEGAL PRINCIPLES INVOLVED:**

- As outlined in TEX. UTIL. CODE ANN. § 101.002(a) (Vernon 2009), the Commission must ensure that rates, operations, and services established in these dockets are just and reasonable to customers and to the utility.
  - As required by TEX. UTIL. CODE ANN. § 104.003(a) (Vernon 2009), the Commission must ensure that the rates approved in these dockets are just and reasonable, are not unreasonably preferential, prejudicial, or discriminatory, and are sufficient, equitable, and consistent in application to each class of consumer.
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**ACTION REQUESTED:**

The Examiner requests the Commission adopt the proposed *Final Orders* in these dockets, approving the rates, terms, and conditions in the tariffs attached as Exhibit C to each proposed order and granting CenterPoint's request for a good cause exception, as it applies to CenterPoint's withdrawal of the COSA tariffs.



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# Texas Coast Division

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## Legend

- Cities
- County Boundaries
- ☒ TEXAS COAST