



# City of League City, TX

300 West Walker  
League City TX 77573

## Text File

File Number: 19-0238

Agenda Date: 4/23/2019

Version: 1

Status: Agenda Ready

In Control: City Council

File Type: Agenda Item

### Title

Consider and take action on a resolution to suspend the effective date proposed by Centerpoint Energy Houston Electric, LLC (“CEHE”) for 90 days in its application to increase rates; authorizing the City of League City’s continued participation in a coalition of cities known as the "Texas Coast Utilities Coalition;” authorizing participation in proceedings at the Public Utility Commission of Texas; authorizing the hiring of attorneys and consultants; requiring reimbursement of reasonable legal and consultant expenses; and requiring CEHE to provide proof of publication of notice (City Attorney)

### ..Background:

On April 5, 2019, CenterPoint Energy Houston Electric, LLC (“CEHE”) filed an application to increase its retail rates by approximately \$154 million in annual revenue, or 7.4% in comparison to current retail revenues. CEHE requests that its rates become effective on May 10, 2019. This is CEHE’s first comprehensive base rate proceeding since 2010.

### **CITY JURISDICTION TO SET CEHE’s RATES:**

Municipalities have exclusive, original jurisdiction over an electric utility’s rates, services, and operations within a city’s boundaries. This means that for a utility like CEHE to change its rates it must seek approval to do so from the city in which it provides its service. Even if a city has ceded its jurisdiction to the Public Utility Commission of Texas (“PUCT”), a city nonetheless has the statutory right to participate in rate proceedings before the PUCT.

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

In prior rate cases filed by CEHE, the City has acted in concert with other similarly situated cities and undertaken its review of CEHE’s rate applications as part of a coalition of cities known as the Texas Coast Utilities Coalition (“TCUC”). TCUC was organized by a number of municipalities served by TCUC and the City has participated through TCUC in rate proceedings involving TCUC.

In CEHE’s prior general rate case submitted in June, 2010, in Docket No. 38339 before the Public Utility Commission of Texas (“PUCT”), CEHE requested an increase of about \$110 million and the PUCT approved an increase of about \$15 million. The material reduction in CEHE’s proposed increase in rates is in large part due to the City’s participation in TCUC and coordination with other cities and their review of CEHE’s application.

**BASIS FOR CEHE’s REQUEST:**

CEHE asserts as the main drivers of the need for an increase, the following:

- The addition of distribution and transmission investment since CEHE’s last rate case in 2010 and related operations and maintenance expense increases;
- Updating CEHE’s depreciation and amortization expenses;
- Recovery of expenses related to Hurricane Harvey in the amount of \$64 million;
- Update CEHE’s discretionary service charges to reflect current costs.

In addition, CEHE seeks to refund to customers \$97 million in excess deferred income taxes that it over-collected from customers following the passage of the Tax Cut and Jobs Act of 2017 which among other things provided for the reduction in the corporate tax rate from 35% to 21%.

CEHE proposes to allocate the increase of \$154 million among the retail customer classes as follows:

<b>Customer Class</b>	<b>Increase in Revenue</b>	<b>% Increase/(Decrease) in Revenue</b>
Residential	\$70,008,125	6.2%
Secondary <=10 kva	\$(2,419,200)	-7.4%
Secondary >10 kva	\$74,412,331	11.4%
Primary	\$2,395,858	3.6%
Transmission	\$16,908,977	11.8%
Miscellaneous Lighting	\$(761,332)	-19.8%
Street Lighting	\$(6,300,214)	-9.9%
<b>Total</b>	<b>\$154,244,545</b>	<b>7.4%</b>

**BILL IMPACT:**

Based on CEHE’s application, the estimated impact of CEHE’s proposed change on a residential customer’s bill consuming 1000 kWh per month is as follows:

<b>Usage</b>	<b>Current Bill</b>	<b>Proposed Bill</b>	<b>\$ Increase</b>	<b>% Increase</b>
	<b>(CEHE Charges Only)</b>	<b>(CEHE Charges Only)</b>	<b>(CEHE Charges Only)</b>	<b>(CEHE Charges Only)</b>
<b>1000 kWh</b>	\$45.96	\$48.34	\$2.38	5%

Because a customer’s bill also includes charges assessed by the customer’s Retail Electric Provider (REP) to account for generation and retail activity costs, in addition to the transmission and distribution service costs assessed by CEHE, the full effect on a customer’s bill, after accounting for these other charges, is shown in the table below:

<b>Usage</b>	<b>Current Bill</b>	<b>Proposed Bill</b>	<b>\$ Increase</b>	<b>% Increase</b>
	<b>(All REP Charges)</b>	<b>(All REP Charges)</b>	<b>(All REP Charges)</b>	<b>(All REP Charges)</b>
<b>1000 kWh</b>	\$125.10	\$127.49	\$2.39	2%

### **REPRESENTATION AND PARTICIPATION IN TCUC**

The law firm of Herrera Law & Associates, PLLC (through Mr. Alfred R. Herrera), has previously represented the City and its participation in the coalition of cities named the “Texas Coast Utilities Coalition” (“TCUC”) in rate matters involving the City, including CEHE’s most recent rate cases seeking a change in its “Distribution Cost Recover Factor” (“DCRF”). The accompanying Resolution authorizes retention of Herrera Law & Associates as Special Counsel and the City’s continued participation in the TCUC coalition.

### **INTERVENTION AT THE PUBLIC UTILITY COMMISSION OF TEXAS**

CEHE filed its Statement of Intent to raise rates with the City and with the Public Utility Commission of Texas on the same date, April 5, 2019. It is important to participate in these proceedings because the Commission’s decisions could impact rates within the City. Thus, the accompanying Resolution authorizes intervention in proceedings at the Commission as well as any appeals taken from the Commission’s decision.

### **RATE CASE EXPENSES**

As part of TCUC, the City’s reasonable rate case expenses are subject to reimbursement by the Company. The Resolution directs CEHE to reimburse the TCUC cities’ expenses on a monthly basis and delegates to the City Manager, or the City Attorney, or his/her designee, review of invoices for rate case expenses.

### **NOTICE**

CEHE is required to provide notice of its rate increase application. The resolution that accompanies this agenda information sheet requires that CEHE provide proof that CEHE has published notice as required by state law.

### **RECOMMENDATION: SUSPEND PROPOSED EFFECTIVE DATE FOR THE PERIOD ALLOWED BY LAW**

CEHE’s rate-filing package presents a complex set of ratemaking issues. Moreover, given the volume of data presented in CEHE’s application, TCUC’s lawyers and consultants cannot reasonably conclude their review and analysis of CEHE’s filing prior to its proposed effective date of May 10, 2019.

Therefore, TCUC’s Special Counsel recommends that the City suspend CEHE’s proposed effective date for its rate increase for the period allowed by law. The standard period of suspension is 90 days beyond CEHE’s proposed effective date of May 10, 2019. **The City should therefore take action by no later than May 10, 2019 to suspend CEHE’s proposed effective date to August 8, 2019.** Also, should CEHE’s published notice or its application be found deficient, or should CEHE agree to extend its proposed effective date, then CEHE’s proposed effective date would change as would the period of suspension.

Because it is recommended that the City *suspend* CEHE's proposed effective date, the City will need to take separate and final action on CEHE's proposed increase at a future date and no later than August 8, 2019.

CONTRACT ORIGINATION: N/A

Attachments:

1. Data Sheet
2. Proposed Resolution

FUNDING

Funds are available from Account # \_\_\_\_\_

Requires Budget Amendment to transfer from Account # \_\_\_\_\_ to Account # \_\_\_\_\_

NOT APPLICABLE

STRATEGIC PLANNING

Addresses Strategic Planning Critical Success Factor # \_\_\_\_\_ and Initiative # \_\_\_\_\_

NOT APPLICABLE