



Legislation Text

File #: 24-0321, Version: 1

Consider and take action on a resolution by the City of League City, Texas (“City”) denying the application of CenterPoint Energy Houston Electric, LLC, for authority to increase rates submitted on or about March 6, 2024; authorizing participation in a coalition of similarly situated cities; authorizing participation in related rate proceedings; requiring the reimbursement of municipal rate case expenses; authorizing the retention of special counsel (City Attorney)

On March 6, 2024, CenterPoint Energy Houston Electric, LLC (“CEHE”) filed an application to increase its retail rates by approximately \$60 million in annual revenue, or 2.6% in comparison to current retail revenues. The increase of \$60 million is comprised of an increase of about \$17 million for retail customers and about \$43 million for wholesale transmission customers.

CEHE requested that its rates become effective on April 10, 2024. This is CEHE’s first comprehensive base rate proceeding since about April, 2019. By prior action the City suspended CEHE’s proposed effective date for the statutorily allowed period, to July 9, 2024.

Also, the increase CEHE presents in its application is above recent increases in rates CEHE has implemented through its “DCRF” (Distribution Cost Recovery Factor), and its “TEEEF” (Temporary Emergency Electric Energy Facilities), better known as “mobile generation” batteries. Combined, since April, 2022, through its DCRF and TEEEF rate mechanisms CEHE has increased its revenue by approximately \$412.7 million. Thus, looking only at CEHE’s proposed increase in revenues in its just-filed application would not present the full picture of increases in CEHE’s rates.

Further, the investments in distribution facilities CEHE has made since April, 2022, are subject to review for “prudence” in this proceeding. So, at issue in the pending case are CEHE’s combined increases in revenue totaling about \$472.7 million.

PUCT PROCEEDINGS:

CEHE filed its Statement of Intent to raise rates with the City and with the Public Utility Commission of Texas (PUCT) on the same date, March 6, 2024. Because the Commission’s decisions could impact rates within the City, the City as part of the Texas Coast Utilities Coalition of cities (“TCUC”), intervened in the proceedings at the PUCT.

TCUC engaged rate consultants and regulatory counsel to evaluate CEHE’s proposal to increase rates but TCUC’s consultants’ analysis is not yet complete and will not be available until June 19, 2024.

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 PUCT, a city nonetheless has the statutory right to participate in rate proceedings before the PUCT.

PRIOR CITY ACTION

The City previously acted to suspend the effective date of CEHE's requested rate increase by 90 days. Contemporaneously with the City's prior action to suspend the rate increase, the City also: (1) authorized intervention in proceedings related to CEHE's proposed rate increase as a member of the coalition of cities known as the Texas Coast Utilities Coalition of Cities ("TCUC"); (2) directed CEHE to reimburse TCUC's rate case expenses; and (3) retained the law firm of Herrera Law and Associates, PLLC with respect to rate proceedings involving CEHE before the Public Utility Commission of Texas and courts of law and to retain consultants to review CEHE's rate application subject to TCUC's approval.

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 April, 2019, in Docket No. 49421 before the Public Utility Commission of Texas ("PUCT"), CEHE requested an increase of about \$154.6 million and the PUCT approved an increase of \$13 million. The material reduction in CEHE's proposed increase in rates in its prior rate case is in large part due to the City's participation in TCUC and coordination with other cities and their review of CEHE's application.

RATE CASE EXPENSES

As part of TCUC, the City's reasonable rate case expenses are subject to reimbursement by the Company. The attached Resolution directs CEHE to reimburse the TCUC cities' expenses.

DENIAL

The attached Resolution, if adopted, denies CEHE's proposed increase in revenue and changes in rates and directs CEHE to reimburse TCUC's rate case expenses.

RECOMMENDATION: DENY CEHE'S PROPOSED INCREASE

TCUC's review, through its consultants and Special Counsel, of CEHE's rate-filing package is continuing and given the volume of data presented in CEHE's application, will not be complete before the City must take final action regarding CEHE's application to increase rates. Therefore, TCUC's Special Counsel recommends that the City simply deny CEHE's proposed increase in rates. A denial of CEHE's proposed increase maintains the status quo until the PUCT issues its final order regarding CEHE's rates. Also, as is

standard procedure, CEHE will file an appeal to the PUCT of the City's denial of CEHE's proposed increase in rates.

The City must take final action on CEHE's proposed increase by no later than July 9, 2024. *If the City does not take action by July 9, 2024, CEHE's proposed rates will be deemed approved by operation of law.*

Attachments:

1. Proposed Resolution

FUNDING

{x} NOT APPLICABLE

STRATEGIC PLANNING

{x} NOT APPLICABLE