



Legislation Text

File #: 21-0427, Version: 1

Consider and take action on a resolution of City of League City ("City") authorizing the City to participate as part of a coalition of cities in proceedings to be held by the Railroad Commission of Texas related to implementation of House Bill 1520 (City Attorney)

On June 16, 2021, Governor Greg Abbott signed House Bill 1520, which directs the Railroad Commission of Texas and the Texas Public Finance Authority to work together to issue bonds, the proceeds of which gas utilities would use to pay for the extraordinary cost of natural gas charged ratepayers during the winter storm of February, 2021.

HB 1520 provides financial relief to gas utilities that choose to apply for the bonds by potentially providing a low-cost source of financing to fulfill outstanding obligations to natural gas suppliers. Any bonds issued under the authority of HB 1520 are to be secured by a mandatory charge on each gas-utility customer's bill and revenue from such mandatory charge is to be dedicated to paying off the bonds. The bonds would allow customers to pay over an extended period, rather than potentially through a single billing statement, for the extraordinary cost of gas consumed during the winter storm of February, 2021. The amount of debt to be issued to pay the gas utilities and in turn the natural-gas suppliers is estimated to be in the range of \$4 billion to \$5 billion.

To implement HB 1520, the Railroad Commission issued a "Notice to Operators" to all gas utilities in the State directing all gas utilities that elect to participate in the debt financing of their extraordinary gas purchased during the winter storm of February, 2021, to submit their applications to the Railroad Commission by July 30, 2021.

RAILROAD COMMISSION PROCEEDINGS

The applications the gas utilities will file with the Railroad Commission is expected to be voluminous and will include data related to each gas utility's costs of gas, its practices regarding the purchase of natural gas, including any financial-hedging instruments and gas-storage practices the utility employs, the costs of transportation of the natural gas, and carrying costs (that is, interest charges) the utilities will seek to recover for payments each utility may have made to the natural-gas suppliers between receipt of the invoice for the natural gas, and the time the utility is "reimbursed" for those payments.

After the Railroad Commission issues its order establishing the amount of costs to be financed, it will direct the Texas Public Finance Authority to issue bonds secured by mandatory charges imposed on each customer's gas-utility bill. All costs related to the issuance of any bonds, including the cost of natural gas and the underwriting costs for issuance of the bonds, are to be recovered through rates charged end-use customers, including the City as an end-use customer.

The proceeding at the Railroad Commission to implement HB 1520 will involve complex regulatory, financing, and gas-purchase practices requiring special expertise in these areas.

REPRESENTATION

In matters involving gas-utility rates, including CenterPoint Entex's ("CenterPoint") most recent rate case, 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 known as the "Texas Coast Utilities Coalition of Cities" ("TCUC"). The accompanying Resolution authorizes retention of Herrera Law & Associates as Special Counsel, the City's continued participation in the TCUC coalition, and participation in proceedings related to implementation of HB 1520 before the Railroad Commission of Texas and the Texas Public Finance Authority, and appeals, if any, related to those agencies' actions and decisions.

INTERVENTION AT THE RAILROAD COMMISSION OF TEXAS

The Railroad Commission established July 30, 2021, as the date by when gas utilities that elect to finance their gas costs to file their respective applications with the Railroad Commission. It is important to participate in these proceedings because the Railroad Commission's decisions will impact future rates customers within the City will pay for gas-utility service. Thus, the accompanying Resolution authorizes intervention in proceedings at the Railroad Commission and as may be necessary, at the Texas Public Finance Authority, related to implementation of HB 1520, as well as appeals taken, if any, from those agencies' actions and decisions.

EXPENSES

In ratemaking proceedings, cities by statute are entitled to recover their reasonable rate case expenses from the utility. Thus, to the extent proceedings to implement HB 1520 are a ratemaking proceeding, the City would seek reimbursement of its expenses from the gas utility; and to that extent, the accompanying Resolution directs CenterPoint to reimburse TCUC's expenses on a monthly basis based on presentation of invoices from the cities. Special Counsel and consultants engaged on matters related to the proceedings before the Railroad Commission will submit monthly invoices to the cities for review before being submitted for reimbursement.

It is Special Counsel's understanding that the gas utilities may not agree that the proceedings to implement HB 1520 is a ratemaking proceeding entitling cities to be reimbursed for their expenses.

RECOMMENDATION

It is important that the City intervene in the Railroad Commission's proceedings related to implement HB 1520 and related proceedings to exercise its due diligence as a regulatory authority as well as to protect its and its citizens' interests as ratepayers.

The City should continue its participation in TCUC; intervene in proceedings at the Railroad Commission and related proceedings and/or appeals, if any; retain the law firm of Herrera Law & Associates, PLLC to represent the City's interest in matters related to the Railroad Commission's proceedings regarding implementation of HB 1520 and related proceedings; and to retain consultants necessary to assist Special Counsel in its review of the gas utilities' applications submitted to the Railroad Commission related to implementation of HB 1520 and related proceedings.

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 # _____
{x} NOT APPLICABLE

STRATEGIC PLANNING

{ } Addresses Strategic Planning Critical Success Factor # _____ and Initiative # _____
{x} NOT APPLICABLE