



## Legislation Text

**File #:** 10-0169, **Version:** 1

Consider and take action on a resolution authorizing suspension of the effective date of the Texas-New Mexico Power Company's rate increase and the intervention in the Public Utility Commission Docket No. 38480, authorizing the City to join with the Alliance of Texas-New Mexico Power Municipalities (ATM), and authorizing provision of experts and legal representation (Assistant City Manager, Management Services)

Staff recommends approval.

On August 26, 2010, Texas New Mexico Power Company (TNMP) filed an application to increase its rates increase with the City and with the Public Utility Commission of Texas (PUC). TNMP proposes to increase its base-rate revenue requirement for its Texas retail service area by **approximately \$21 million**. TNMP also proposes increasing its **return of equity to 11.5%** from the 10.25% it agreed to in its previous rate case. This request would result in a 30% increase to the Residential class of customer, which will **increase the average customers bill by approximately \$9.80 per month**. The customer charge for the average customer will also **increase from about \$8 per month to nearly \$20 per month**. The rates sought by TNMP are passed on to the Retail Electric Providers ("REPs"), who pass these costs on to retail customers. TNMP proposed an effective date of October 1, 2010 for its increase. The table below shows TNMP's allocation of its proposed increase in rates:

Rate Class	Present Revs	Proposed Revs	Percent Change
Residential	\$74.6M	\$96.8M	30%
Secondary <5 kW	\$4.4M	\$3.7M	-16%
Secondary >5kW NIDR	\$53.3M	\$49.2M	-8%
Secondary >5 kW IDR	\$6.9M	\$7.1M	3%
Primary NIDR	\$5.3M	\$4.7M	-12%
Transmission	\$7.1M	\$6.5M	-9%
Lighting	\$3.9M	\$4.0M	3%

While review of TNMP's application is in the very preliminary state, there are certain matters we know are in TNMP's rate application: TNMP will seek a return on equity higher than that agreed to and authorized in its last rate case. In that rate case, the PUC authorized a return on equity of 10.25% and an overall rate of return of 9.76%. TNMP now wants an 11.5% return on equity. Also, based on the settlement reached in the prior rate case, TNMP will file a new depreciation study to support its depreciation rates; TNMP contends that the change in depreciation rates is key factor in its requested increase. Also, because TNMP is a subsidiary of a utility holding company (PNM Resources, Inc.), the issue of affiliate transactions will again need to be addressed. The City is currently in a separate rate proceeding regarding the deployment of advanced meters in TNMP's service area; the proceeding regarding advanced meters may be consolidated with the general rate case. And, the increase TNMP will recommend for each class of customers will also have to be examined.

A group of cities served by TNMP has come together to form the Alliance of Texas-New Mexico Power Municipalities ("ATM"). The members of ATM will coordinate their efforts in order to be efficient and effective in reviewing the TNMP rate request. The ATM Steering Committee will direct the lawyers and consultants working on behalf of ATM. The City will participate as a member of the Steering Committee. The City as part of ATM currently is being represented by Herrera & Boyle, PLLC in a pending rate proceeding regarding TNMP's request for a surcharge to pay for advanced meters in its service area and Herrera & Boyle, PLLC represented the City's interests in TNMP's last general rate case.

The reasonable rate case expenses in this proceeding are reimbursable pursuant to the Public Utility Regulatory Act ("PURA"). Rate case expenses will be submitted to TNMP for reimbursement. No other charges will be submitted to the City and each City will have the opportunity to review the rate case expenses as they are submitted.

In order to have time to review what is expected to be a voluminous rate-filing package, the Council is requested to suspend the effective date for ninety (90) days as provided by PURA. It is a virtual impossibility to for the City to set just and reasonable rates without suspending the rate request for ninety days; suspension of TNMP's proposed effective date will permit its special regulatory counsel and experts to an opportunity to perform a better review of TNMP's application. Further, because it is anticipated that TNMP will likely insist on a final decision from the PUC within the 185-day period, it is that much more important to be prepared to intervene in the case at the PUC and begin review of TNMP's rate application as soon TNMP submits its application.

It is recommended that the resolution suspending the effective date and joining ATM be adopted. It is further recommended that the law firm of Herrera & Boyle, PLLC be hired to represent the City and ATM in connection with TNMP's rate request .

FUNDING

{ X } NOT APPLICABLE

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

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