

RESOLUTION NO. 2025-

RESOLUTION BY THE CITY OF LEAGUE CITY, TEXAS (“CITY”) DENYING TEXAS-NEW MEXICO POWER COMPANY’S PROPOSED RATE INCREASE IN CONNECTION WITH ITS STATEMENT OF INTENT SUBMITTED ON ABOUT ON NOVEMBER 14, 2025; REQUIRING THE REIMBURSEMENT OF MUNICIPAL RATE CASE EXPENSES; AUTHORIZING PARTICIPATION IN THE COALITION OF SIMILARLY SITUATED CITIES; AUTHORIZING INTERVENTION AND PARTICIPATION IN RELATED RATE PROCEEDINGS; AUTHORIZING THE RETENTION OF SPECIAL COUNSEL; FINDING THAT THE MEETING COMPLIES WITH THE OPEN MEETINGS ACT; MAKING OTHER FINDINGS AND PROVISIONS RELATED TO THE SUBJECT; AND DECLARING AN EFFECTIVE DATE

WHEREAS, Texas-New Mexico Power Company (“TNMP” or “Company”) filed a Statement of Intent with the City on or about November 14, 2025, to change its rate schedules within the corporate limits of this municipality, specifically to increase its annual revenue by approximately \$34.0 million, which equates to an increase of approximately 6.0 percent in retail rates; and

WHEREAS, in order to maximize the efficient use of resources and expertise in reviewing, analyzing and investigating TNMP’s rate request and its changes in tariffs the City coordinated its efforts with a coalition of similarly situated municipalities; and

WHEREAS, TNMP asserts that the need for its increase in rates is driven primarily by its capital investment and increases in its costs since its last rate case; and

WHEREAS, for a Residential customer using 1,000 kWh per month, if TNMP’s proposed increase is approved, the bill impact to that Residential customer would be an increase to TNMP’s portion of that customer’s bill of approximately \$5.50; and

WHEREAS, TNMP seeks a Return on Equity (ROE) of 10.4%; and

WHEREAS, after evaluation of TNMP’s proposed increase in rates, the City’s Special Counsel and consultants engaged to evaluate the merits of TNMP’s proposed increase in rates are of the opinion that TNMP failed to establish the reasonableness of its request;

WHEREAS, if approved TNMP's proposed increase in rates would result in an unreasonable return and in the recovery of unreasonable or unnecessary expenses; and

WHEREAS, TNMP failed to establish that its proposed increase in rates would be just and reasonable; and

WHEREAS, the City is a regulatory authority under the Public Utility Regulatory Act ("PURA") and under Chapter 33, §33.001 et seq. of PURA has exclusive original jurisdiction over TNMP's rates, operations, and services within the municipality; and

WHEREAS, TNMP's rate request consists of a voluminous amount of information including TNMP's rate-filing package, exhibits, schedules, and workpapers; and

WHEREAS, the City will require the assistance of specialized legal counsel and rate experts to review the merits of TNMP's application to increase rates; and

WHEREAS, to the extent TNMP seeks review at the Public Utility Commission of Texas of the City's final decision regarding TNMP's statement of intent to change rates, or because TNMP has submitted a statement of intent to the Public Utility Commission of Texas to increase rates in the environs of the City on the same date it submitted its request to the City, the decision of the Public Utility Commission of Texas will have an impact on the rates paid by the City and its citizens who are customers of TNMP, and in order for the City's participation to be meaningful it is important that the City promptly intervene in such proceeding at the Public Utility Commission of Texas.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LEAGUE CITY, TEXAS THAT:

Section 1. The findings set out in the preamble are in all things approved and incorporated herein as if fully set forth.

Section 2. The City hereby **DENIES** TNMP's request to increase rates and in support thereof finds that:

- a) The Statement of Intent fails to provide sufficient information to justify the requested increase in revenue or to justify the changes set forth in the attached tariffs;

- b) The Statement of Intent fails to provide sufficient information to justify a return on equity of 10.40%; and
- c) The Statement of Intent fails to provide sufficient information to justify the adoption of the rate base, expenses, investment, return on equity, and other rate issues.

Section 3. The City authorizes intervention in proceedings related to TNMP's Statement of Intent before the Public Utility Commission of Texas and related proceedings in courts of law and participation in the coalition of cities known as the Alliance of Texas New Mexico Company Municipalities (ATM).

Section 4. The City joins and continues its participation with other cities in a coalition of cities known as the Alliance of Texas New Mexico Company Municipalities with the understanding that the Steering Committee of ATM is to provide direction and guidance to Special Counsel representing said cities.

Section 5. The City hereby directs TNMP to reimburse the City's expenses as part of the Alliance of TNMP Municipalities Company Municipalities ("ATM") in accordance with Public Utility Regulatory Act §33.023.

Section 6. Subject to the right to terminate employment at any time, the City retains and authorizes the law firm of Herrera Law & Associates, PLLC to act as Special Counsel with regard to rate proceedings involving TNMP before the City, the Public Utility Commission of Texas, or any court of law and to retain such experts as may be reasonably necessary for review of TNMP's rate application subject to approval by the City.

Section 7. The City, in coordination with the Steering Committee, shall review the invoices of the lawyers and rate experts for reasonableness before submitting the invoices to TNMP for reimbursement.

Section 8. A copy of this resolution shall be sent to Mr. Alfred R. Herrera, Herrera Law & Associates, PLLC, P.O. Box 302799, Austin, Texas 78703, and a courtesy copy to TNMP's local representative.

Section 9. The meeting at which this resolution was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

Section 10. The findings set out in the preamble are in all things hereby approved.

Section 11. This resolution shall become effective from and after its passage.

Section 12. This resolution supersedes all prior conflicting resolutions and ordinances adopted by the City.

PASSED AND APPROVED this _____ day of _____, 2025.

NICK LONG,
Mayor

ATTEST:

DIANA STAPP
City Secretary

APPROVED AS TO FORM:

MICHELLE L. VILLARREAL
City Attorney