



## REQUEST FOR CITY COUNCIL AGENDA ITEM

Agenda Date Requested: <u>April 8, 2024</u>
Requested By: <u>Matt Daeumer, Asst. City Mgr.</u>
Department: <u>Administration/CMO</u>
<input type="radio"/> Report <input checked="" type="radio"/> Resolution <input type="radio"/> Ordinance

Appropriation	
Source of Funds:	<u>N/A</u>
Account Number:	<u>N/A</u>
Amount Budgeted:	<u>N/A</u>
Amount Requested:	<u>N/A</u>
Budgeted Item:	<input checked="" type="radio"/> Yes <input type="radio"/> No

Exhibits: Notice from CenterPoint, Ordinance 2024-3983

### SUMMARY & RECOMMENDATION

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 requests that its rates become effective on April 10, 2024. This is CEHE’s first comprehensive base rate proceeding since about April, 2019.

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.

#### **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.

#### **Houston Coalition Cities (“HCC”)**

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 Houston Coalition of Cities (“HCC”). HCC was organized by a number of

municipalities served by HCC and the City has participated through HCC in rate proceedings involving HCC.

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 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 about \$6.0 billion in distribution and transmission investment since CEHE’s last rate case in 2019 and related operations and maintenance expense increases;
- Year-over-year customer growth of about 2%, adding about 300,000 new customers;
- Recovery of expenses related to what CEHE refers to as “resiliency and reliability” improvements to respond to severe weather and modernization of the transmission grid;
- Update CEHE’s discretionary service charges to reflect current costs.

CEHE proposes to allocate the increase of \$60 million among the customer classes as follows:

	<b>Present Revenues</b>	<b>Proposed Revenues</b>	<b>Change</b>	<b>Percent Change</b>
<b>Residential</b>	\$901,815,248	\$975,768,614	\$73,953,366	8.2%
<b>Secondary &lt;= 10 kva</b>	\$25,410,421	\$24,178,448	-\$1,231,973	-4.8%
<b>Secondary &gt; 10 kva</b>	\$578,913,742	\$520,202,246	-\$58,711,496	-10.1%
<b>Primary</b>	\$41,515,394	\$48,954,335	\$7,438,941	17.9%
<b>Transmission</b>	\$27,090,086	\$24,523,576	-\$2,566,510	-9.5%
<b>Misc. Lighting</b>	\$5,783,740	\$3,077,136	-\$2,706,604	-46.8%
<b>Lighting</b>	\$70,568,628	\$71,339,336	\$770,708	1.1%
<b>Retail Electric Delivery Revenues</b>	\$1,651,097,259	\$1,668,043,691	\$16,946,432	1.0%

<b>Wholesale Transmission Revenue</b>		\$654,236,818	\$697,326,740	\$43,089,922	6.6%
<b>Total Cost of Service</b>		\$2,305,334,077	\$2,365,370,431	\$60,036,354	2.6%

**BILL IMPACT:**

Based on CEHE’s application, the estimated impact of CEHE’s proposed increase on a residential customer’s bill consuming 1000 kWh per month, related to the \$60 million, is as follows:

<b>Usage</b>	<b>Current Bill (CEHE Charges Only)</b>	<b>Proposed Bill (CEHE Charges Only)</b>	<b>\$ Increase (CEHE Charges Only)</b>	<b>% Increase (CEHE Charges Only)</b>
<b>1000 kWh</b>	\$54.70	\$55.95	\$1.25	2.3%

The increase shown in the table above is in addition to the increases related to CEHE’s increases under its DCRF and TEEEF tariffs, which equate to about \$10.00 per month for a residential customer.

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:<sup>1</sup>

<b>Usage</b>	<b>Current Bill (All Charges)</b>	<b>Proposed Bill (All Charges)</b>	<b>\$ Increase (All Charges)</b>	<b>\$ Increase (All Charges)</b>
<b>1000 kWh</b>	\$176.69	\$177.94	\$1.25	1%

**REPRESENTATION AND PARTICIPATION IN HCC**

In prior rate proceedings initiated by CEHE, the law firm of Adams and Reese, PLLC has represented the City and its participation in the coalition of cities named the “Houston Coalition of Cities” (“HCC”), including CEHE’s most recent rate cases seeking a changes in its DCRF and TEEEF filings.

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

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CEHE filed its Statement of Intent to raise rates with the City and with the Public Utility Commission of Texas on the same date, March 6, 2024. It is important to participate in these proceedings because the Commission's decisions could impact rates within the City. Thus, the accompanying Ordinance authorizes intervention in proceedings at the Commission as well as any appeals taken from the Commission's decision.

### **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, HCC's lawyers and consultants cannot reasonably conclude their review and analysis of CEHE's filing prior to its proposed effective date of April 10, 2024. Therefore, HCC'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 April 10, 2024.

**The City must take action by no later than April 10, 2024 to suspend CEHE's proposed effective date to July 9, 2024.**

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 July 9, 2024.

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## **STRATEGIC PLAN STRATEGY AND GOAL**

**1.00 Governance** - The City of La Porte is governed in a transparent, efficient, accountable and responsive manner on behalf of its citizens that actively promotes citizen involvement.

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## **ACTION REQUIRED BY CITY COUNCIL**

**Adopt Ordinance 2024-3983 suspending the rate increase request and revised rate schedules and maintaining current rates in effect for delivery of electricity proposed by CenterPoint Energy Houston Electric, LLC in its application filed with the Public Utility Commission of Texas on or about March 6, 2024.**

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**Approved for the City Council meeting agenda**

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**Corby D. Alexander, City Manager**

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**Date**