



REQUEST FOR CITY COUNCIL AGENDA ITEM

Agenda Date Requested: <u>June 10, 2024</u>	Appropriation	
Requested By: <u>Matt Daeumer, Asst. City Mgr.</u>	Source of Funds:	<u>N/A</u>
Department: <u>Administration/CMO</u>	Account Number:	<u>N/A</u>
<input type="radio"/> Report <input checked="" type="radio"/> Resolution <input type="radio"/> Ordinance	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 2024-3991

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:

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

Wholesale Transmission Revenue		\$654,236,818	\$697,326,740	\$43,089,922	6.6%
Total Cost of Service		\$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:

Usage	Current Bill (CEHE Charges Only)	Proposed Bill (CEHE Charges Only)	\$ Increase (CEHE Charges Only)	% Increase (CEHE Charges Only)
1000 kWh	\$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:¹

Usage	Current Bill (All Charges)	Proposed Bill (All Charges)	\$ Increase (All Charges)	\$ Increase (All Charges)
1000 kWh	\$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

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: DENY PROPOSED EFFECTIVE DATE FOR THE PERIOD ALLOWED BY LAW

The City must take action to deny CEHE's proposed effective date of July 9, 2024 for the proposed rate increase.

Staff met with the Houston Coalition of Cities on May 14, 2024. We were updated on the progress of the review by our legal representative. Based on this meeting, it is recommended the City of La Porte deny CEHE's proposed effective date, for the proposed rate increase. The City will need to take final action on CEHE's proposed increase no later than July 9, 2024.

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.

ACTION REQUIRED BY CITY COUNCIL

Adopt Ordinance 2024-3991 denying 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.

Approved for the City Council meeting agenda.

Corby D. Alexander, City Manager

Date

