



**CITY OF HOUSTON - CITY COUNCIL**

Meeting Date: 12/8/2020

District E

Item Creation Date: 11/18/2020

ARA - Deny Entergy's Application to Amend Distribution Cost Recovery Factor (DCRF)

Agenda Item#: 30.

**Background:**

The Administration & Regulatory Affairs Department (ARA) recommends that City Council adopt an ordinance denying the application of Entergy Texas, Inc. (Entergy or Company) for approval to amend its distribution cost recovery factor (DCRF) filed with the City of Houston (City or Houston). The City exercises original jurisdiction over the rates, operations and services of Entergy under the provisions of the Public Utility Regulatory Act (PURA) for customers inside city limits. Houston participates in Entergy proceedings, including rate proceedings, as a member of the Steering Committee of Cities (the Coalition), a group of similarly situated cities with Entergy customers within their city limits.

On October 22, 2020, Entergy filed an application to amend its DCRF rate rider within its service territory, including Houston. Entergy is requesting an approximate \$6.8 million incremental increase to current DCRF rates, for a total DCRF revenue requirement of \$26.3 million annually. Of the total amount requested, approximately \$16.2 million will be collected from residential customers. If Entergy's current request is approved, the average residential customer using 1,000 kWh per month would experience an approximate \$0.57 increase to the monthly electric bill (compared to existing DCRF rates). The proposed rate request will impact approximately 1,800 customers in the Kingwood area — 1,500 residential and 300 commercial customers.

This is the third DCRF filed by Entergy and the second DCRF filing this calendar year. In September 2019, the Public Utility Commission (PUC) approved Entergy's first DCRF request of \$3.2 million. In April, Entergy requested an approximate \$20.5 million incremental increase in DCRF rates. The PUC approved a \$16.2 million increase instead, increasing the average residential customer DCRF charge to approximately \$2.00 per month.

<b>ETI Rate Classes</b>	<b>Current DCRF Rate (\$)</b>	<b>Requested DCRF Rates by Class</b>	<b>Increase</b>
Residential	\$ 0.001997	0.002569 per kWh	0.000572
Small General	\$ 0.002008	0.002697 per kWh	0.000689
General	\$ 0.383	0.533 per kWh	0.150
Large General	\$ 0.350	0.499 per kWh	0.149
Large Industrial	\$ 0.024	0.031 per kWh	0.007
Lighting	\$ 0.006962	0.009553 per kWh	0.002591

The enabling statute permitting implementation of a DCRF was approved during the 82<sup>nd</sup> Legislative Session and allows an electric utility to adjust its rates for changes in certain distribution costs outside of a full base rate proceeding. Pursuant to State Law, the City has 60 days to review the filing and make a final decision approving, modifying or rejecting the application. Therefore, the City's deadline to adopt a rate ordinance is December 21, 2020. Unlike a full base rate proceeding, the City does not have the option to suspend a DCRF rate request and only has 60 days to review the filing to make a final determination on the reasonableness of the request.

Because of the expedited nature of the filing, the Coalition experts recommend that the City adopt an ordinance denying Entergy's application for approval to amend its DCRF. After the 60-day deadline has passed, the City's rate decision will be joined with the Company's DCRF application pending with the PUC. The City, as a member of the coalition, will participate in the PUC proceeding.

**Departmental Approval Authority:**

DocuSigned by:  
*Tina Paez*  
606AE9FC66A94CC...

**Tina Paez, Director**  
**Administration & Regulatory**  
**Affairs Department**

**Other Authorization**

**Contact Information:**

Lara Cottingham Phone: (832) 393-8503  
Alisa Tally Phone: (832) 393-8643