



**CITY OF HOUSTON - CITY COUNCIL**

Meeting Date: 10/19/2021

District E

Item Creation Date: 9/8/2021

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

Agenda Item#: 3.

**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 September 1, 2021, Entergy filed an application to amend its DCRF rate rider within its service territory, including Houston. Entergy is requesting an approximate \$13.9 million incremental increase to current DCRF rates, for a total DCRF revenue requirement of \$40.2 million annually. Of the total amount requested, approximately \$24.8 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 \$1.34 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 fourth DCRF filed by Entergy since its last base rate case proceeding.

ETI Rate Classes	Current DCRF Rate (\$)	Requested DCRF Rates by Class	Increase
Residential	0.002569	0.003909 per kWh	0.001340
Small General	0.002697	0.003671 per kWh	0.000974
General	0.533	0.840 per kWh	0.307
Large General	0.499	0.784 per kWh	0.285
Large Industrial	0.031	0.047 per kWh	0.016
Lighting	0.0009553	0.014739 per kWh	0.005186

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 October 31, 2021. 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.

**Fiscal Note:**

There is no impact to the fiscal budget or no additional spending authority. Therefore, no Fiscal Note is required as stated in the Financial Policies.

**Departmental Approval Authority:**

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*Tina Paez*

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

**Other Authorization**

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