



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 4/18/2023

ALL

Item Creation Date: 4/7/2023

ARA - CenterPoint 2023 DCRF Deny

Agenda Item#: 17.

Background:

The Administration & Regulatory Affairs Department ("ARA") recommends that City Council adopt an ordinance denying the application of CenterPoint Energy Houston Electric, LLC ("CenterPoint or Company") for approval to amend its Distribution Cost Recovery Factor ("DCRF") rate filed with the City of Houston ("City or Houston"). CenterPoint provides transmission and distribution services to approximately one million Houston customers. The City exercises original jurisdiction over the rates, operations, and services of CenterPoint under the provisions of the Public Utility Regulatory Act ("PURA") for customers inside city limits.

On April 5, 2023, CenterPoint filed an application for approval to amend its DCRF. Compared to current rates, CenterPoint is requesting a \$84.6 million incremental increase to its DCRF revenue requirement. With the requested increase, the total DCRF revenue requirement adjusted for load growth is \$162.6 million. Approximately \$93.5 million is allocated to the residential class. As a result, the average residential customer using 1,000 kWh per month would experience a \$1.47 increase to the monthly bill.

The enabling statute permitting implementation of a DCRF was approved during the 82nd Legislative Session and allows an electric utility to adjust its rates for changes in certain distribution costs outside of a full base rate proceeding. Per CenterPoint, the request is to recover its investments to support significant customer and growth in its service territory, resiliency, reliability, and smart grid technology since the last base rate proceeding.

Unlike a full base rate proceeding, the City does not have the option to suspend a DCRF rate request and only has 60 days – until June 4, 2023 – to review the filing to make a determination on the reasonableness of the request. The expedited nature of the filing does not provide sufficient time for the City's rate experts to complete their review of the request and determine if the proposed rates are correct and substantiated. As a result, City's legal counsel and utility rate experts recommend City Council adopt an ordinance denying CenterPoint's application for approval to amend its DCRF. Denying the DCRF will provide City's experts the time necessary to review the request and participate in the appeal, which is automatically consolidated with CenterPoint's DCRF proceeding before the PUC.

Fiscal Note:

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

Departmental Approval Authority:

DocuSigned by:

Tina Paez

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Tina Paez, Director

Administration & Regulatory

Affairs Department

Other Authorization

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