



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 1/30/2024

ALL

Item Creation Date: 12/18/2023

ARA - CenterPoint 2023 DCRF Deny

Agenda Item#: 3.

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, of which approximately 900,000 are residential 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 the city limits.

On December 14, 2023, CenterPoint filed an application for approval to amend its DCRF. CenterPoint filed this application with all cities in its service territory and with the Public Utility Commission of Texas (PUC) concurrently (PUC Docket No. 55993). Compared to current rates, CenterPoint is requesting an \$85.9 million incremental increase to its DCRF revenue requirement. With the requested increase, the total DCRF revenue requirement adjusted for load growth is \$233.5 million. Approximately \$134.2 million of the total DCRF revenue requirement is allocated to the residential class. As a result, the average residential customer using 1,000 kWh per month would experience a \$1.52 increase to the monthly bill.

PURA allows an electric utility to request approval of a DCRF application to adjust its rates for changes in certain distribution costs outside of a full base rate proceeding. Initially, the utility could file the DCRF application only once a year. However, recent amendments to PURA §36.210 now allow utilities to file a DCRF twice a year. This is CenterPoint's second DCRF application filed in 2023.

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 February 12, 2024 – to review the filing to make a determination on the reasonableness of the request. Because of the expedited nature of the filing, the City's legal counsel and utility rate experts recommend City Council adopt an ordinance denying CenterPoint's application. The utility will appeal the City's decision to the PUC, and the case will automatically be consolidated with CenterPoint's DCRF proceeding before the PUC, in which the City will participate.

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:

DS
EC

DocuSigned by:

Tina Paez

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Tina Paez, Director

Other Authorization

**Administration & Regulatory
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