

REQUEST FOR COUNCIL ACTION

TO: Mayor via City Secretary

RCA#

Subject: AN ORDINANCE DENYING THE APPLICATION OF ENTERGY TEXAS, INC., TO AMEND ITS DISTRIBUTION COST RECOVERY FACTOR FILED WITH THE CITY OF HOUSTON, TEXAS ON SEPTEMBER 4, 2015

Category #

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Agenda Item

FROM (Department or other point of origin):

Tina Paez, Director
Administration & Regulatory Affairs Department

Origination Date

October 5, 2015

Agenda Date

DIRECTOR'S SIGNATURE



Council District(s) affected:

E

For additional information contact:

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Alisa Talley Phone: (832) 393-8531

Date and Identification of prior authorizing Council Action:

N/A

RECOMMENDATION: (Summary)

Adopt an ordinance denying the application of Entergy Texas, Inc., to amend its Distribution Cost Recovery Factor filed with the City of Houston, Texas on September 4, 2015.

Amount of Funding:

FIN Budget

SOURCE OF FUNDING:

SPECIFIC EXPLANATION:

The Administration & Regulatory Affairs Department (ARA) recommends that City Council adopt an ordinance denying the application of Entergy Texas, Inc., (Entergy) to amend its Distribution Cost Recovery Factor (DCRF) filed with the City of Houston, Texas (City or Houston). Entergy provides electric service to approximately 425,000 retail customers in southeast Texas. According to the utility, Entergy serves approximately 1,800 customers in the Kingwood area — 1,500 residential and 300 commercial customers. The City exercises original jurisdiction over the rates, operations and services of Entergy under the provisions of the Public Utility Regulatory Act for customers within 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 4, 2015, Entergy filed an application for approval to amend its existing DCRF for customers within its service territory, including the City of Houston. Entergy currently collects approximately \$3.6 million under its existing DCRF, which went into effect January 1, 2015. Entergy is requesting an approximate \$6.5 million increase in rates for service to retail electric customers, for a total of \$10.1 million to be collected under the amended DCRF. Approximately \$6.4 million is allocated to the residential class, which equates to approximately \$1.09 per month for the average residential customer using 1,000 kWh per month.

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. Pursuant to State Law, the City has 60 days to review the filing and make a final decision approving, modifying or rejecting the application. The City's deadline to adopt a rate ordinance is November 3, 2015. If the City does not take action within the 60 day period, the application is assumed to be appealed to the Public Utility Commission (PUC).

Unlike a full base rate proceeding, the City does not have the option to suspend a DCRF rate request. As a result, the Coalition experts are unable to complete their review and make a recommendation regarding just and reasonable rates within the prescribed timeframe allocated for municipal review and action. Because of the expedited nature of the filing, the Coalition experts recommend that the City deny Entergy's DCRF request.

Based on the Coalition experts' preliminary recommendations, ARA recommends that Council adopt an ordinance denying Entergy's application to amend its DCRF. This will mean that the case will become immediately appealable by Entergy. The City, as a member of the Coalition, will participate in the proceeding at the PUC.

REQUIRED AUTHORIZATION

FIN Department:

Other Authorization:

Other Authorization:

