

REQUEST FOR COUNCIL ACTION

TO: Mayor via City Secretary

RCA #

SUBJECT: AN ORDINANCE DENYING THE APPLICATION OF CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC FOR APPROVAL TO AMEND ITS DISTRIBUTION COST RECOVERY FACTOR RATE FILED WITH THE CITY OF HOUSTON, TEXAS APRIL 4, 2016

Category #

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Agenda Item

FROM: (Department or other point of origin):

Tina Paez, Director
Administration & Regulatory Affairs

Origination Date:

April 27, 2016

Agenda Date

DIRECTOR'S SIGNATURE:



Council Districts affected: All

For additional information contact:

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Date and identification of prior authorizing Council Action: N/A

RECOMMENDATION: (Summary)

Adopt an ordinance denying the application of CenterPoint Energy Houston Electric, LLC for approval to amend its Distribution Cost Recovery Factor rate filed with the City of Houston, Texas on April 4, 2016.

Amount of Funding:

N/A

FIN Budget:

SOURCE OF FUNDING: General Fund Grant Fund Enterprise Fund Other
(Specify) N/A

SPECIFIC EXPLANATION:

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, Texas (City or Houston). 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 4, 2016, CenterPoint filed an application to update its current DCRF rate within its service territory. CenterPoint is requesting a \$49.4 million increase (inclusive of an approximate \$11.2 million refund) for the first year (September 1, 2016 – August 31, 2017) and a \$60.6 million increase for subsequent years. The \$11 million refund is intended to account for an over-recovery resulting from an error made by the Company in the development of its initial DCRF rates approved by the Public Utility Commission (PUC) in 2015.

If CenterPoint's current request is approved, the average residential customer using 1,000 kWh per month would experience a \$0.87 increase to the monthly electric bill during the period September 1, 2016 to August 31, 2017 in which the proposed new DCRF rate and refund would be in effect, and a \$1.07 per month increase thereafter. The proposed rate request will impact approximately 931,000 Houston customers — 810,000 residential, 120,000 commercial and 1,000 industrial customers.

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. Therefore, the City's deadline to adopt a rate ordinance is June 3, 2016. If the City does not take action within the 60 day period, the application is assumed to be appealed to the PUC.

Unlike a full base rate proceeding, the City does not have the option to suspend a DCRF rate request. As a result, the City is unable to thoroughly review and determine if the proposed DCRF rates have been calculated correctly and are just and reasonable within the prescribed 60 day timeframe for municipal review.

Because of the expedited nature of the filing, ARA, along with its experts, recommend City Council adopt an ordinance denying CenterPoint's application for approval to amend its DCRF. This will mean that the case will become immediately appealable by CenterPoint. The City will participate in the proceeding at the PUC.

REQUIRED AUTHORIZATION

Finance Director: