



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 5/15/18

District All

Item Creation Date: 4/25/18

ARA-CenterPoint 2018 DCRF Deny

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 974,100 Houston customers – 848,000 residential, 125,000 commercial and 1,100 industrial 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.

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. The City's is reviewing the DCRF application to determine whether the consumers are receiving all the relief to which they are entitled.

In July 2017, the Public Utilities Commission (PUC) approved a distribution revenue requirement of \$89,708,153 for CenterPoint, which is scheduled to go into effect September 1, 2018. On April 4, 2018, CenterPoint filed an application to update its current DCRF rate within its service territory and requested a revenue requirement increase of \$31,936,543 to \$121,644,696.

CenterPoint has also requested an adjustment to reflect changes in the federal income tax rate resulting from the Tax Cuts and Jobs Act of 2017, which reduced the federal corporate income tax rate from 35% to 21% effective January 1, 2018. The proposed tax adjustment reduces the overall request by approximately \$39,024,595 to \$82,620,101 – a \$7,088,052 decrease from the PUC's approved revenue requirement of \$89,708,153.

Proposed vs. Current Revenue Requirement Rates	
Current PUC Approved Rate	\$89,708,153
Proposed Rate Increase	\$31,936,543
Proposed Before Tax Adjustment	\$121,644,696
Proposed Tax Adjustment (Decrease)	(\$39,024,595)
Proposed Rate After Tax Adjustment	\$82,620,101
Total Change (Decrease)	(\$7,088,052)

If CenterPoint's current request is approved, the average residential customer using 1,000 kWh per month would experience an approximate \$0.12 decrease to the monthly electric bill (compared to the currently approved rates).

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 3, 2018 – 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 staff the time necessary to review the request and participate in the appeal, which is automatically consolidated with CenterPoint’s DCRF proceeding before the PUC.

Departmental Approval Authority:



Tina Paez, Director
Administration & Regulatory
Affairs Department

Other Authorization

Contact Information:

Lara Cottingham	Phone: (832) 393-8503
Alisa Talley	Phone: (832) 393-8643