



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 6/5/2018

Council District E

Item Creation Date: 5/21/2018

ARA- Entergy 2018 Suspend

Background

The Administration & Regulatory Affairs Department (ARA) recommends that City Council adopt an ordinance relating to the retail electric rates of Entergy Texas, Inc. (Entergy) within the City of Houston; suspending for 90 days the effective date of the new rates and otherwise maintaining current rates in effect until changed.

Entergy provides electric service to approximately 450,000 Texas retail customers. According to the utility, Entergy serves approximately 1,800 customers in the Kingwood area — 1,500 residential and 300 commercial customers. The City of Houston (City) exercises original jurisdiction over the rates, operations and services of Entergy under the provisions of the Texas Utilities Code for customers within Houston city limits. Houston participates in Entergy proceedings, including rate case proceedings, as a member of the Steering Committee of Cities (Coalition), a group of similarly situated cities with Energy customers within their city limits.

On May 15, 2018, Entergy filed a Statement of Intent and Application for Authority to Change Rates within its service territory, including the City of Houston for Houston customers. Entergy is requesting an increase of \$16.7 million in annual revenues for the first two years, which will increase to \$117.6 million annually thereafter. The requested revenue increase is inclusive of base rates and various riders, including an adjustment to reflect the reduced federal corporate income tax rate from 35% to 21% effective January 1, 2018.

Entergy's filing also includes a proposed Tax Cuts and Jobs Act of 2017 (TCJA) Rider that will return approximately \$201.7 million to customers over a two-year period. This TCJA Rider addresses excess deferred income taxes and reduces Entergy's request by approximately \$101 million annually from \$117.6 million to the \$16.7 million amount mentioned above for a two-year period. The excess deferred income taxes are the portion of the income taxes that Entergy already collected from the ratepayers, but no longer has to pay to the federal government as a result of the TCJA. After the two-year period, the additional TCJA Rider will expire and customers will pay the full \$117.6 million increase. The table below outlines the proposed rate increase by customer class:

Entergy Existing versus Proposed w/ TCJA Rider				
Customer Class	Current Revenue	Proposed Revenue	Proposed Increase	Percent Change
Residential	\$ 666,492,240	\$ 676,549,563	\$ 10,057,323	1.51%
Small General Service	\$ 41,296,407	\$ 43,146,421	\$ 1,850,014	4.48%
General Service	\$ 287,899,161	\$ 285,915,536	\$ (1,983,625)	-0.69%
Large General Service	\$ 96,886,074	\$ 98,333,066	\$ 1,446,992	1.49%
Large Industrial	\$ 325,978,887	\$ 332,381,316	\$ 6,402,429	1.96%
Lighting Service	\$ 17,259,863	\$ 16,176,320	\$ (1,083,543)	-6.28%
Total Proposed Increase	\$ 1,435,812,632	\$ 1,452,502,222	\$ 16,689,590	1.16%

If Entergy's request is approved, the average residential customer using 1,000 kWh of electricity would experience a \$2.36 increase to the monthly bill for the first two years. Similar data is not immediately available for the years after the TCJA Rider expires, but will be requested from Entergy.

According to the Texas Utilities Code, Entergy's new rates will take effect June 19, 2018 — 35 days after filing — unless City Council adopts an ordinance suspending the proposed effective date for 90 days until September 17, 2018. The suspension period will provide the City, in cooperation with the Coalition, the time necessary to review the request and prepare a final recommendation for consideration by the Mayor and City Council. Rate consultants engaged through the Coalition will assist with the review and in preparing the final recommendation.

ARA recommends that City Council adopt an ordinance suspending for 90 days the effective date of the new rates and maintaining current rates in effect.

Departmental Approval Authority:



**Tina Paez, Director
Administration & Regulatory
Affairs Department**

Other Authorization

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