



MEMORANDUM

To: Mayor and City Council

From: Vicki Chiavetta, Deputy City Manager

Date: May 10, 2022

Reference: Consider approval of a Resolution denying a proposed application filed on April 5, 2022, by Texas-New Mexico Power Company (TNMP) to amend its Distribution Cost Recovery Factor (“DCRF”) to increase distribution rates within the city; and authorizing the Mayor to sign.

2040: Foundation Pillar: Sustainable City Government

Goal 4: City Services to Ensure High Levels of Customer Satisfaction

Introduction:

On April 5, 2022, Texas-New Mexico Power Company (TNMP) filed an Application for Approval to Amend its Distribution Cost Recovery Factor (“DCRF”) to Increase Distribution Rates with each of the cities in their service area. In the filing, the Company asserts that it is seeking an increase in total distribution revenue requirement by approximately \$9,706,846.

Typically, this application is filed annually. TNMP Cities must approve a resolution to be a party in the TNMP Company’s DCRF filing. This memo provides the background information about the current DCRF proceeding.

The resolution authorizes the City of Coppel to join with the Cities Served by TNMP (“TNMP Cities”) to evaluate the filing, determine whether the filing complies with law, and if lawful, to determine what further strategy, including settlement, to pursue.

Purpose of the Resolution:

The purpose of the Resolution is to deny the DCRF application proposed by TNMP.

Explanation of “Be It Resolved” Paragraphs:

1. This section authorizes the City to participate with TNMP Cities as a party in the Company’s DCRF filing, PUC Docket No. 53436.
2. This section authorizes the hiring of Lloyd Gosselink and consultants to review the filing, negotiate with the Company, and make recommendations to the City regarding reasonable rates. Additionally, it authorizes TNMP Cities to direct any necessary administrative proceedings or court litigation associated with an appeal of this application filed with the PUC.
3. This paragraph finds that the Company’s application is unreasonable and should be denied.
4. This section states that the Company’s current rates shall not be changed.
5. The Company will reimburse Cities for their reasonable rate case expenses. Legal counsel and consultants approved by TNMP Cities will submit monthly invoices that will be forwarded to TNMP for reimbursement.
6. This section recites that the Resolution was passed at a meeting that was open to the public and that the consideration of the Resolution was properly noticed.
7. This section provides that TNMP and counsel for TNMP Cities will be notified of the City’s action by sending a copy of the approved and signed Resolution to counsel.

Background

Under state law, city governments and the Texas Public Utility Commission share regulatory authority over monopoly electric utilities. Cities typically band together in coalitions to exercise their portion of this shared authority. The City of Coppel is a member of the Cities Served by Texas-New Mexico Power Company ("TNMP Cities"), a coalition of similarly situated cities served by TNMP that have joined together to efficiently and cost effectively review and respond to electric issues affecting rates charged in TNMP's service area in matters before the Public Utility Commission ("Commission") and the courts.

TNMP serves a relatively small section of Coppel on the Lewisville border. Other member cities are the cities of Alvin, Barstow, Blue Ridge, Celeste, Coppel, Dickinson, Emory, Farmersville, Fort Stockton, Friendswood, La Marque, Lewisville, and Texas City.

By joining together, the members of TNMP Cities have been able to present a strong voice to the PUC and courts. This has served to reduce the prices that member cities and their residents pay for electricity. Participation in TNMP Cities demonstrates the concern of its members about the reliability, quality of service, and prices their citizens pay for power. The work undertaken by TNMP Cities has saved cities and ratepayers millions of dollars in unreasonable charges.

Legal Review:

The agenda item was submitted by Thomas Brocato, Attorney with Lloyd Gosselink Rochelle & Townsend, P.C. with review by Bob Hager.

Fiscal Impact:

None.

Recommendation:

Approval recommended.