



MEMORANDUM

To: Mayor and City Council

From: Noel Bernal, Deputy City Manager

Date: October 5, 2018

Reference: Consider approval of a Resolution denying Texas New-Mexico Power's rate application filed on May 30, 2018; and authorizing the Mayor to sign.

Analysis:

The City is a member of a coalition of cities known as Cities Served by Texas-New Mexico Power Company ("TNMP Cities"). TNMP Cities have been an important interest advocating before the Public Utility Commission and the Courts on electric utility regulation matters for a number of years.

On May 30, 2018, TNMP filed an application to change rates with cities retaining original jurisdiction. In the filing, the Company sought to increase system-wide transmission and distribution rates by \$33.3 million, or approximately 16.6% over present revenues. This equated to a 23.4% increase in residential rates and a 11.8% increase in street lighting rates. If approved, monthly rates would increase by approximately \$12.21 for an average residential customer.

In May, TNMP Cities engaged the services of two consultants, Mr. Lane Kollen and Mr. Richard Baudino, to review the Company's filing. The consultants identified numerous unreasonable expenses and proposed significant reductions to the Company's request. Accordingly, the TNMP Cities' attorneys recommend that all members adopt the Resolution denying the rate change. Once the Resolution is adopted, TNMP will have 30 days to appeal the decision to the Public Utility Commission of Texas where the appeal will be consolidated with TNMP's filing (i.e., PUC Docket No. 48401) currently pending at the Commission.

Under a pending settlement between parties (including TNMP Cities) and TNMP, the Company's request is substantially reduced. Under the proposed settlement, the Company would be permitted a \$10 million increase, or approximately a 6.6% increase in its revenues. This would result

in a 9.9% increase to residential rates and no increase to street lighting rates. However, that settlement remains in the process of being finalized. The requested Council action is therefore denial of TNMP's original, \$33.3 million proposed increase.

Under the law, cities with original jurisdiction over this matter have 125 days from the initial filing to take final action on the application. As such, all cities with original jurisdiction needed to adopt this resolution no later than October 2, 2018. However, an extension has since been granted.

Legal Review:

Agenda item was reviewed by Bob Hager on 10/01/2018.

Fiscal Impact:

None.

Recommendation:

Approval recommended.