



CITY OF HOUSTON

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The Honorable Charles Schwertner
Senate Committee on Business and Commerce
P.O. Box 12068
Austin, Texas 78711

Dear Chairman Schwertner and Members of the Committee:

The City of Houston (Houston or City) appreciates the opportunity to testify in opposition to Senate Bill 1015, a bill that proposes changes to the utility Periodic Rate Adjustment (PRA) mechanism, commonly referred to as the DCRF.

The PRA was signed into law in 2011 as a means of incentivizing capital investment by electric utilities by allowing them to recover these expenses more timely than the periodic base rates proceedings allowed. Through the existing DCRF mechanism, the local utility serving Houston – CenterPoint Energy – recovered more than \$158 million from the four DCRF increases the Company sought after the PRA went into effect. The current law allows utilities to seek a DCRF once a year, and utilities can file four of these between rate cases. Municipalities and other interested parties have the jurisdiction to participate and intervene in these proceedings, providing valuable review and scrutiny of expenditures recovered through this mechanism to safeguard the interests of Texas residents and businesses.

However, Senate Bill 1015 proposes to broadly expand this mechanism while eliminating many of the safeguards that were put into the original legislation in 2011 – safeguards that were agreed to by the utilities, municipalities, and customer groups at the time. Under the proposed bill, utilities will be permitted to seek DCRF increases twice each year, even while rate cases are pending, allowing for the potential of multiple, *sizable* increases to ratepayers over a very short period. To further compound the issue, electric utilities would not be required to file a full rate case to later review or reconcile these costs. Significantly, the bill also proposes to eliminate municipal original jurisdiction over DCRF rates, taking away a municipality's ability to intervene or participate in a proceeding that dramatically impacts how much our own residents pay for their electricity service.

It is important to remember that the PRA/DCRF is all about *distribution infrastructure*. These are the poles and wires that are frequently in municipal rights-of-way that connect Texas homes and businesses to the utility system. We are not arguing that utilities should not have access to a DCRF mechanism – the mechanism serves its purpose in incentivizing and allowing utilities to recover new

investment in “poles and wires” infrastructure to continue providing electric service to our residents and businesses. Our concern is that the existing law has important safeguards built into it that protect not only the utility, but the ratepayers as well. The ***current law strikes a good balance*** – between the utility that makes the capital investment and the ratepayers that fund it – by recognizing the jurisdiction and significant contribution municipalities and other parties make in ensuring reasonable costs are fully recovered by the utility and unreasonable costs are disallowed and not borne by ratepayers.

The proposed bill eliminates that balance, tipping the scales entirely in the utility’s favor in many significant ways. First, the bill does not speak to the substantive contents of a DCRF filing under these new requirements – in fact, the bill allows that the increased rates could go into effect ***with a Commission order and little or no underlying review process***. Second, the language of the proposed bill eliminates the ability for participation by affected parties, ***including municipalities***. Municipalities are potentially the only reviewing authority with an equal interest in ensuring just and reasonable rates for both our local ratepayers and our local transmission and distribution provider. In eliminating the local regulatory authority, there is no entity to represent the interests of our local residents and businesses. In addition, eliminating a significant level of review places the full burden of reviewing PRA/DCRF filings on a small body at the PUC that is already significantly overworked and understaffed, and compounds that workload by allowing utilities to file these more often and while other rate proceedings are pending.

SB 1015 proposes to eliminate a carefully designed regulatory framework that has provided for utility investment and recovery with necessary safeguards built into the framework to protect electricity customers. SB 1015 proposes to replace that balanced regulatory framework with what is effectively ***utility self-regulation***, entrusting a ***private entity*** with the ability to “tax” ratepayers with minimal or no scrutiny at all. For the reasons set forth above, Houston requests that SB 1015 not move forward,

Sincerely,



Tina Paez
Director
Department of Administration & Regulatory Affairs
City of Houston