

MEMORANDUM

TO: Donna Barron, City Manager

FROM: Eric Ferris, Deputy City Manager

DATE: September 19, 2018

SUBJECT: **Consideration of a Resolution of the City of Lewisville, Texas Finding that Texas-New Mexico Power Company's ("TNMP") Application to Change Rates Within the City Should be Denied; Finding that the City's Reasonable Rate Case Expenses Shall be Reimbursed by the Company; Finding that the Meeting at Which this Resolution is Passed is Open to the Public as Required by Law; Requiring Notice of this Resolution to the Company and Legal Counsel.**

BACKGROUND

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.

Texas-New Mexico Power Company ("TNMP" or "Company") filed an application on May 30, 2018 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 an 11.8% increase in street lighting rates. If approved, monthly rates would have increased by approximately \$12.21 for an average residential customer.

On June 21, 2018, Council approved a resolution suspending the July 5, 2018 effective date of the Company's rate increase for the maximum period permitted by law to allow the City, working in conjunction with other cities served by TNMP, to evaluate the filing, determine whether the filing complies with law, and if lawful, to determine what further strategy, including settlement, to pursue.

ANALYSIS

TNMP Cities engaged the services of two consultants 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

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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 will need to adopt this resolution no later than October 2, 2018. The following is a summary of the proposed resolution by section:

- Section 1. This paragraph finds that the Company's application is unreasonable and should be denied.
- Section 2. This section states that the Company's current rates shall not be changed.
- Section 3. The Company will reimburse the TNMP Cities for their reasonable rate case expenses. Legal counsel and consultants approved by the TNMP Cities will submit monthly invoices that will be forwarded to TNMP for reimbursement.
- Section 4. This section merely 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.
- Section 5. This section provides TNMP and counsel for the cities will be notified of the City's action by sending a copy of the approved and signed resolution to counsel.

RECOMMENDATION

It is City staff's recommendation that the City Council approve the resolution as set forth in the caption above.