

ORDINANCE 2018-0312

A ORDINANCE OF THE CITY COUNCIL OF PINE FOREST, TEXAS, AUTHORIZING PARTICIPATION WITH OTHER ENTERGY SERVICE AREA CITIES IN MATTERS CONCERNING ENTERGY TEXAS, INC. AT THE PUBLIC UTILITY COMMISSION OF TEXAS IN 2018; AUTHORIZING THE HIRING OF LAWYERS AND RATE EXPERTS; AND AUTHORIZING THE CITY'S PARTICIPATION TO THE FULL EXTENT PERMITTED BY LAW AT THE PUBLIC UTILITY COMMISSION OF TEXAS

WHEREAS, Entergy Texas, Inc.'s ("ETI") implementation of customer choice has ceased due to Senate Bill 1492 and ETI will continue to be regulated under traditional cost-of-service regulation;

WHEREAS, changes to the Public Utility Regulatory Act addressing rates and rate proceedings will have a direct impact on ETI and customer bills during 2018 and into the future;

WHEREAS, ETI is scheduled to litigate requests in various proceedings before the Public Utility Commission of Texas, before municipalities, or before the Federal Energy Regulatory Commission in 2018 related to ETI's expected rate increase request, ETI's continued integration with the Midwest Independent System Operator ("MISO"), ETI's exit from the Entergy System Agreement (effective August 31, 2016), various fuel cost refunds or surcharges and reconciliations, and for any type of rate proceedings or cost adjustments, such as a transmission cost recovery rider, a distribution cost recovery rider, energy efficiency cost recovery factor, or hurricane restoration cost or offset true-ups;

WHEREAS, ETI is expected to file a rate increase proceeding at the City and before the Public Utility Commission in the second quarter of 2018;

WHEREAS, ETI is scheduled to file fuel factor proceedings at the Public Utility Commission in February and August 2018, and to file other fuel proceedings to refund or surcharge fuel charges;

WHEREAS, ETI is scheduled to file a proceeding to recover costs incurred in association with its Energy Efficiency Plan as well as reconcile past costs;

WHEREAS, Cities have the statutory right to set fair and reasonable rates for both the Company and customers within Cities;

WHEREAS, Cities have exclusive original jurisdiction over rates, operations, and services of an electric utility in areas in the municipality pursuant to *Tex. Util. Code* § 33.001;

WHEREAS, Cities have standing in each case before the Public Utility Commission of Texas that relates to an electric utility providing service in the municipality pursuant to *Tex. Util. Code* § 33.025;

WHEREAS, Cities are entitled to reimbursement by the utility of their reasonable rate case expenses to participate in cases that are deemed rate proceedings pursuant to *Tex. Util. Code* § 33.023.

THE LAWTON LAW FIRM, P.C.

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December 5, 2017

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Re: **Annual Ordinance Authorizing Municipal Participation in
Regulatory Proceedings of Entergy Texas, Inc. in 2018**

Steering Committee of Cities located in Entergy Texas, Inc.'s Service Territory:

With the arrival of 2018, it is once again time to authorize municipal participation in regulatory rate proceedings involving Entergy Texas, Inc. ("ETI" or "Company") before the Public Utility Commission of Texas ("PUCT" or "Commission"), and the Federal Energy Regulatory Commission ("FERC"). **Attached is a proposed Ordinance for your consideration to authorize participation in rate proceedings in 2018. Please forward the completed Rate Ordinance to us by email at dlawton@ecpi.com and molly@mayhallvandroort.com.**

It is expected that ETI will litigate a number of new rate related issues this year at the PUCT. The Company is expected to file a base rate case during the second quarter of 2018. While we do not yet have an estimate of the expected rate increase request, capital additions for generation, transmission, distribution, and other plant are expected to increase ETI investment levels and return requirements. In addition, recent damages resulting from flooding and hurricane Harvey impacts (about \$75 million) are projected to require additional rate adjustments. Since the last rate case, the Entergy System Agreement terminated effective August 31, 2016. The System Agreement had a substantial impact on the magnitude of a number of utility charges to customers and the termination of the System Agreement will impact consumer rates and require a realignment of a number of charges to reflect its operations as a stand-alone utility. The continued participation of the Cities in these proceedings is necessary to ensure that the operations and charges of ETI to customers are not adversely affected by this change.

To the extent costs are not included in the expected base rate case, we anticipate that ETI will continue to seek other rate revenue increases from the Cities and the Public Utility Commission through incremental cost recovery mechanisms. The Steering Committee of Cities was successful in past years limiting ETI's requested base rate increases to reasonable revenue levels and dismissing or denying ETI's request for purported incremental cost recovery.

We also anticipate that ETI will file various fuel proceedings throughout the year. For several years, the Steering Committee of Cities has been able to negotiate favorable settlements for customers for the fuel proceedings filed by ETI. The settlements returned more money to customers and in a more timely fashion than would have been possible through ETI's filed requests.

For instance, as we discussed earlier in 2017 as a condition of the joint settlement of ETI's recent fuel reconciliation and Transmission Cost Recovery Factor ("TCRF") proceedings, ETI was required to submit an application to refund/surcharge its fuel over-recovery balance of

approximately \$21 million plus an agreed fuel cost disallowance of \$6 million. This refund/surcharge was in effect April — June of 2017.

Currently we are just starting a review of a \$30.5 million fuel cost over-collection, (this is the third fuel refund in 2017) which will likely be finalized during the first quarter of 2018. It is expected that residential consumers will receive a monthly bill credit currently estimated at \$8.76 per 1,000 kwh's of consumption for the January through March 2018 period.

The continued support of each of the Cities in the Steering Committee has been instrumental in the successful regulation of ETI and in maintaining reasonable rates for customers within the Cities. We look forward to each City's continued participation with the Steering Committee in the regulatory process.

If you have any questions or concerns, please call.

Sincerely,

A handwritten signature in cursive script that reads "Daniel J. Lawton" followed by a stylized flourish.

Daniel J. Lawton

