

BUSINESS FOR THE CITY COUNCIL  
OF THE  
CITY OF ANGLETON

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SUBJECT:

Discussion and possible action approving Resolution No. 2008-R-4A, suspending TNMPC rate increase.

REQUESTED BY: Greg Smith

SUBMITTED BY: Greg Smith

DATE SUBMITTED: 10/20/08      FOR THE AGENDA OF: 10/27/08

Expenditure Required: None

Available Funding: None

Attachments: Resolution.

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SUMMARY STATEMENT:

**BACKGROUND**

On August 29, 2008, TNMP filed a request to increase rates with the City Secretary and the Public Utility Commission of Texas. For the residential class, TNMP is requesting that distribution rates increase by more than 23%. For the lighting class, including street lights, TNMP is requesting that distribution rates increase by more than 78%. For small commercial distribution customers, TNMP is requesting that rates increase by approximately 83%. The rates being requested relate to transmission and distribution operations. For a typical residential customer, rates should increase by about \$60/year. The rates sought by TNMP are passed on to the Retail Electric Providers (“REPs”), who pass these costs on to retail customers.

**PRIMARY DRIVERS OF INCREASES**

TNMP is requesting a return on equity of 11.25%. This appears high in light of recent decisions by regulatory agencies. TNMP is also requesting that costs related to transmission projects throughout the Texas electric grid, known as the Electric Reliability Counsel of Texas (“ERCOT”), be passed on to its customers. A sizeable portion of the operating & maintenance charges of TNMP come from sister companies. The level of these costs will be a major issue in this proceeding. The level of depreciation expense requested by TNMP will also be closely scrutinized.

**COALITION OF CITIES**

A group of cities served by TNMP has come together to form the Alliance of Texas-New Mexico Power Municipalities (“ATM”). The members of ATM will coordinate their efforts in order to be efficient and effective in reviewing the TNMP rate request. The ATM Steering Committee will direct the lawyers and consultants working on behalf of ATM. The City will participate as a member of the Steering Committee.

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Recommendation: To approve Resolution.