



AGENDA MEMORANDUM

Action Item for the City Council Meeting March 19, 2024

DATE: March 19, 2024
TO: Peter Zanoni, City Manager
FROM: Miles Risley
milesr@cctexas.com
(361) 826-3873

Resolution suspending the April 4, 2024 effective date of AEP Texas Inc.'s requested rate change

CAPTION:

Resolution suspending AEP Texas Inc.'s requested rate increase, approving cooperation with other cities served by AEP Texas, authorizing participation in the PUC rate proceedings, hiring consultants, and requiring reimbursement of City rate case expenses.

SUMMARY:

On February 29, 2024, AEP Texas filed a request to change the rates it charges for the use of its transmission and distribution lines and related service with the Texas PUC. Once a rate case is filed, City must act within 35 days to adopt a Resolution to Suspend the Effective Date to allow more time to review the filing. This resolution will also authorize the City to intervene and hire consultants.

BACKGROUND AND FINDINGS:

Transmission and Distribution (T&D) costs are still provided via regulated monopolies. Electric companies use City rights-of-way to distribute electricity; therefore, Cities are the traditional check on unlimited power of monopoly utilities to pass unlimited T&D costs to ratepayers in their jurisdictions. Cities intervene in rate cases to make utilities prove their claimed expenses are properly chargeable to ratepayers & limit their rates of return.

AEP Texas Inc filed an application on February 29, 2024, with cities retaining original jurisdiction seeking to increase system-wide distribution rates by \$110.4 million per year (an increase of 13.1%) and increase system-wide transmission rates by \$63.1 million (an increase of 9.29%). According to AEP Texas, the impact of this approval on an average residential customer would be an increase of about \$4.59 per month.

The law provides that a rate request made by an electric utility cannot become effective until at least 35 days following the filing of the application to change rates. The law permits the City to

suspend the rate change for 90 days after the date the rate change would otherwise be effective.

PROCUREMENT DETAIL: The City's rate case expenses will be reimbursed by AEP Texas.

ALTERNATIVES: If the City fails to take some action regarding the filing before the effective date, AEP Texas's rate request is deemed approved.

FISCAL IMPACT: The City's rate case expenses will be reimbursed by AEP Texas.

FUNDING DETAIL: N/A

RECOMMENDATION: Staff recommends approval of this resolution.

LIST OF SUPPORTING DOCUMENTS: Resolution