



AGENDA MEMORANDUM

Action Item for the City Council Meeting June 18, 2024

DATE: June 18, 2024

TO: Peter Zanoni, City Manager

FROM: Miles Risley, City Attorney
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Resolution denying AEP Texas Inc.'s requested rate change

CAPTION:

Resolution finding that AEP Texas Inc.'s requested increase to its electric transmission and distribution rates and charges within the city should be denied and requiring reimbursement of City rate case expenses

SUMMARY:

On February 29, 2024, AEP Texas filed a request with the City and with the Texas PUC in Docket 56165 to change the rates it charges for the use of its transmission and distribution lines and related service effective April 4, 2024. The proposed effective date was suspended 90 days which allowed time for consultants to review the rates and make recommendations to deny the rate increase as proposed.

BACKGROUND AND FINDINGS:

On February 29, 2024, AEP Texas Inc. ("AEP Texas" or "Company") filed an application with cities retaining original jurisdiction and the Texas PUC seeking to increase system-wide distribution rates by \$100.4 million per year (an increase of 13.1%), and increase to system-wide transmission rates by \$63.1 million (a decrease 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.

On March 19, 2024, in Resolution No. 033323, the effective date of the rate request was suspended 90 days as allowed by law. The Resolution authorized working with the other cities served by AEP Texas in the rate review and also authorized hiring of consultants and outside legal counsel to review the Company's filing, negotiate with the Company, make recommendations regarding reasonable rates and to direct any necessary administrative proceedings or court litigation associated with an appeal of city action. Consistent with the recommendations of consultants engaged by the cities served by AEP Texas, the rate increase as proposed should be denied. Accordingly, the purpose of the Resolution is to deny the rate change application proposed by AEP Texas before the expiration of the 90 day suspension period. If the Council adopts the Resolution, a copy will be sent to AEP Texas, as directed in the resolution. AEP Texas will then most likely appeal the denial to the PUC, and the PUC will render a rate decision that will apply to all of AEP Texas' electric service territory, both within cities and outside of cities.

History of City interventions:

- Docket 14965 (1995)–Utility requested \$70 million increase. PUC gave \$50 million *decrease*.
- Docket 28840 (2003)–Utility requested \$66.5million increase. PUC gave \$9 million *decrease*.
- Docket 33309 (2006)-Utility requested \$69.9 million increase. PUC gave them \$29.5 million.
- Docket 45787 (2016 / Distribution Cost Recovery Factor or “DCRF”)– Utility requested \$54.0 million increase. Cities found a \$5.8 million error that reduced request to \$48.2 million. Settled case at \$44.6 million.
- Docket 47015 (2017/DCRF) - Utility requested approval of DCRF Revenue requirement of \$84.0 million. Negotiated settlement reduced revenue requirement to \$79.5 million.
- Docket 49494 (2019)-Utility requested \$35.14 million net *increase* w-10.5% rate of return. PUC gave AEP a \$37.5 million *decrease* w-9.4% rate of return.
- Docket 50733 (2020)-Utility requested \$39.87 million DCRF increase. After one week of negotiations, AEP agreed to reduce its request by \$765,000, lowering its increase to \$39.11 million.
- Docket 51984 (2021)-Utility requested \$54.56 million. After negotiations, AEP agreed to reduce to \$39.08 million.

ALTERNATIVES: If the City fails to take timely action to deny the rate request, AEP Texas Inc.’s rate request is deemed approved.

FISCAL IMPACT: N/A

Funding Detail: N/A

Fund:

Organization/Activity:

Department:

Project # (CIP Only):

Account:

RECOMMENDATION: Staff recommends approval of this resolution.

LIST OF SUPPORTING DOCUMENTS:

Resolution to deny requested rate change

Resolution 033323 approved 3/19/2024