



AGENDA MEMORANDUM

First Reading Ordinance for the City Council Meeting 4/23/2019
Second Reading Ordinance for the City Council Meeting 8/13/2019

DATE: April 8, 2019

TO: Peter Zaroni, City Manager

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| AEP Texas, Inc. Electric Franchise Fee 5% Increase |
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CAPTION: Ordinance of the City Council of the City of Corpus Christi amending the franchise with AEP Texas Inc. to change compensation or consideration to be paid for use of the public rights-of-way; providing an effective date; providing for acceptance by AEP Texas Inc.; finding and determining that the meetings at which this ordinance was considered were open to the public and in accordance with Texas law.

PURPOSE:

The franchise with AEP Texas Inc. approved in January 2009 provides for a franchise fee to be paid to the City at the rate of \$0.002417 per kilowatt hour. The franchise also provided for a franchise factor increase once every four years during the term of the franchise and no such increase has been enacted. The proposed ordinances would raise the franchise fee factor five percent to \$0.0025378 per kilowatt hour. This Agenda item consists of two ordinances. The first ordinance is to establish the additional tariff to increase the franchise fee. The second ordinance amends the franchise to increase the compensation to be paid to the City. AEP has advised that it will take approximately six to nine months to implement the new franchise fee from date of passage of the ordinances. It is estimated that the increase will provide additional \$500,000 franchise fee revenue during a full fiscal year.

BACKGROUND AND FINDINGS:

ALTERNATIVES: Do not increase the franchise fee factor.

OTHER CONSIDERATIONS: Estimated that this increase would increase a 1000 kilowatt bill by approximately 12 cents per month.

CONFORMITY TO CITY POLICY: Yes

EMERGENCY / NON-EMERGENCY: Non-emergency

DEPARTMENTAL CLEARANCES: Legal and Budget departments

FINANCIAL IMPACT:

X Operating ☐ Revenue ☐ Capital ☐ Not applicable

| Fiscal Year: 2018-2019 | Current Year | Future Years | TOTALS |
|-----------------------------------|---------------------|---------------------|---------------|
| Line Item Budget | | | |
| Encumbered / Expended Amount | | | |
| This item | | | |
| BALANCE | | | |

Fund(s):

Funds will be deposited into the City's General Fund.

RECOMMENDATION:

Approval of the Ordinance.

LIST OF SUPPORTING DOCUMENTS:

Ordinance