



MEMORANDUM

To: Mayor and City Council

From: Mario Canizares, Deputy City Manager

Date: March 28, 2017

Reference: Consideration of a Resolution Regarding the Suspension of a Rate Increase Requested by Oncor Electric Delivery

2030: Sustainable City Government, Business Prosperity, Special Place to Live

Introduction:

The City of Coppell along with approximately 156 other cities are members of the Steering Committee of Cities Served by Oncor Electric Delivery. The purpose of this coalition of cities is to advocate for electricity consumers' interests regarding electrical rate increases that Oncor requests from time to time. The usual process is that Oncor will make a case to raise rates and the cities will deny the increase or suspend the implementation of the increase. By doing so it allows the cities to work with its legal counsel to review the rate increase request and determine if the increased rate is justifiable. The coalition has found that working cooperatively reduces duplicative efforts and we speak as a single voice in reviewing electric utility rate increases that affect millions of Texas consumers.

Analysis:

Oncor Electric Delivery Company (Oncor) filed with the Public Utility Commission of Texas (PUC) an application on or about March 17, 2017 seeking to increase the system-wide transmission and distribution rates by \$317 million or approximately 7.5% over present revenues. Oncor has asked that the cities approve an 11.8% increase in residential rates and a 0.5% increase in street lighting rates. If approved, a residential customer using 1300 kWh per month would see a bill increase of about \$6.68 per month. The effective date of this increase will occur on April 21, 2017.

The basis for Oncor's price increase filing is for the following:

- A continuation of an authorized return on equity from the 2011 case of 10.25%, which is approximately 55 basis points higher than what the PUC has typically awarded electric utilities over the past several years.
- The company also desires to increase the percentage of equity in its capital structure. The current approved capital structure is 60% debt and 40% equity. Oncor desires to raise its equity to 45%.

- Other drivers of the increase include:
 - Significant increase in capital investment on which the company earns a return. Approximately \$7.9 billion has been added to rate base since the end of the test year used in the 2011 rate case.
 - Approximately \$1 billion in regulatory assets associated with pensions, storm damage, and smart meters.
 - An increase in self-insurance and pensions.

The City needs time to review Oncor's request and the Steering Committee is recommending that their member cities approve the model resolution. The resolution would suspend the rate increase for 90 days and allow the attorneys representing the Steering Committee the time to review the justification of the rate increase and render a recommendation.

It is staff's understanding that nearly all the member cities of the Steering Committee are requesting their City Councils' passage of the model resolution on or before April 21st.

Legal Review

The City Attorney's Office has reviewed the model resolution and concurs with its approval.

Fiscal Impact

There is no fiscal impact regarding this resolution. However there is a potential for monetary savings for Coppell residents and businesses once the full impact is determined.

Recommendation:

The City Manager's Office recommends approval of the model resolution.