



STAFF REPORT

DATE: May 12, 2020

TO: Kent Cagle, City Manager

FROM: Traci Briggs, City Attorney

SUBJECT: Denying Oncor's Application for Approval to Amend its Distribution Cost Recovery Factor

BACKGROUND AND FINDINGS:

Pursuant to state law, the city has regulatory authority over the rates and charges of electric utilities. The city is also a member of the Oncor Cities Steering Committee (OCSC), which is a coalition of cities served by Oncor Electric Delivery Company, LLC (Oncor) that works in an efficient and cost-effective manner to review and respond to electric issues affecting rates charged by Oncor, and represents the cities before the Public Utility Commission (PUC) and in the courts.

On April 3, 2020, Oncor filed an Application for Approval to Amend its Distribution Cost Recovery Factor (DCRF) with all cities retaining jurisdiction and with the PUC. The application seeks an increase of \$75.9 million annually across the system. This would equate to an increase of approximately \$0.88 per month on the average residential customer bill. Oncor's 2019 application requested a \$29 million increase, which the city denied and was later reduced by the PUC.

Attorneys for OCSC recommend that the city deny the application and join with OCSC to evaluate the filing, determine whether the filing complies with the law, and if lawful, determine what further strategy to pursue, including a possible settlement. PUC rules allow cities sixty (60) days to act once an application is filed. If denied, current rates will not change and the application will go before the PUC for a determination of the appropriate DCRF adjustment.

THE ALTERNATIVES CONSIDERED:

The city's options are:

- 1) approve Oncor's application, which would result in increased rates for citizens served through Oncor's distribution system; or
- 2) deny Oncor's application, as recommended by OCSC attorneys, and pursue a reasonable settlement directly with Oncor or through administrative proceedings before the PUC.

Which alternative is recommended? Why?

Staff and the OCSC attorneys recommend denying the amendment to Oncor's DCRF. Doing so will allow the OCSC attorneys and accountants to fully review the application and to engage in negotiations for a more reasonable adjustment, possibly without the necessity of a full proceeding before the PUC.

CONFORMITY TO CITY POLICY:

Passage of this resolution complies with state law and city policy.

FINANCIAL IMPACT:

What is the amount of the expenditure in the current fiscal year? For future years?

There is no fiscal impact associated with this action. State law mandates that Oncor reimburse the cities, in this case through OCSC, for its reasonable rate case expenses.

Is this a one-time or recurring expenditure?

N/A

Is this expenditure budgeted?

N/A

If not, where will the money come from?

N/A

Is there a sufficient amount in the budgeted line-item for this expenditure?

N/A

RECOMMENDATION:

Staff and the OCSC recommend that the city council deny Oncor's Application to Amend its Distribution Cost Recovery Factor.

DEPARTMENTAL CLEARANCES:

City Attorney

ATTACHED SUPPORTING DOCUMENTS:

Resolution