



## STAFF REPORT

**DATE:** March 20, 2017

**TO:** Ronald L. Olson, City Manager

**VIA:** Kathy Davis, City Attorney

**FROM:** Traci Briggs, Deputy City Attorney

**SUBJECT:** Suspending the effective date of Oncor's requested rate change

### **BACKGROUND AND FINDINGS:**

By state law, cities have original jurisdiction over the rates of electric providers. When a provider wants to increase its rates, it must therefore make a request to each individual city it serves. On March 17, 2017, Oncor Electric Delivery Company ("Oncor") filed an application to increase system-wide transmission and distribution rates by \$317 million, or approximately 7.5%. This increase includes an 11.8% increase in residential rates, meaning a typical residential customer using 1000kWh per month would see in a monthly increase of \$6.68. The application also includes a 0.5% increase in street light rates. The effective date of the rates would be effective April 21, 2017. Although there have been rate increases in recent years, this is the first comprehensive base rate case since 2011.

The city is a member of a 156-city coalition known as the Steering Committee of Cities Served by Oncor ("Steering Committee"). The Steering Committee serves as a public interest advocate before the Legislature, the Courts and the Public Utility Commission on electric utility regulation matters. It also provides regulatory guidance to cities.

State law permits cities to suspend a rate change for ninety (90) days after the rates would otherwise be effective for any legitimate purpose. By suspending the effective date, the Steering Committee will have adequate time to study and investigate the application, as well as negotiate rates. The rate case expenses, including retained attorneys and consultants, are reimbursed by Oncor pursuant to state law.

### **THE ALTERNATIVES CONSIDERED:**

The city has three options. The first is to suspend the effective date of the proposed rate. The second is to take no action, in which case the rate increases will automatically become effective on April 21, 2017. The final option is to deny the rate increase. The Steering Committee does not recommend denying the rate case until it has been fully analyzed. If denial is later determined to be the best option, the city can still do so before the end of the suspense period.

**Which alternative is recommended? Why?**

The Steering Committee and staff recommend suspending the rate case. A thorough review of the rate case would be difficult before the effective date. Suspending the effective date gives the Steering Committee additional time to determine whether the requested increase is justified, can be negotiated or denied.

**CONFORMITY TO CITY POLICY:**

This action is in compliance with city policies and state law.

**FINANCIAL IMPACT:**

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

Suspending Oncor's rate case creates no fiscal impact to the city now or in the future. Expenses incurred by the Steering Committee are reimbursed by Oncor.

**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 recommends approval of the attached resolution suspending the effective date of Oncor's rate request and authorizing the city's continued cooperation with the Steering Committee.

**DEPARTMENTAL CLEARANCES:**

Finance

**ATTACHED SUPPORTING DOCUMENTS:**

Oncor Suspension Resolution