



STAFF REPORT

DATE: May 7, 2019

TO: Ronald L. Olson, City Manager

FROM: Kathy Davis, City Attorney

SUBJECT: Denying an application by Oncor 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 a member of the Steering Committee of Cities Served by Oncor (OCSC), which is a group of cities served by Oncor that have joined together to efficiently and in a cost-effective manner review and respond to electric issues affecting rates charged in Oncor's service area.

On April 8, 2019, Oncor filed with the City an Application for Approval to Amend its Distribution Cost Recovery Factor (DCRF). The application seeks to increase electric distribution rates by approximately \$29,433,804 system wide. All electric utility customers in the city served by Oncor would be impacted in the form of increased rates and charges.

After preliminary review, the attorneys for OCSC recommend that its member cities deny the application. OCSC has engaged a consultant to review the filing and identify adjustments that would make any increase more reasonable. Public Utility Commission (PUC) rules allow the cities 60 days to take action. Once denied, the application will go to the PUC for a determination of the appropriate DCRF adjustment.

THE ALTERNATIVES CONSIDERED:

The city's options are:

- 1) to deny Oncor's application, as recommended by OCSC, and pursue a reasonable settlement of increases to electric distribution rates directly with Oncor or through administrative proceedings at the PUC;
- 2) support Oncor's application, which would result in increased rates for citizens served through Oncor's distribution system; or
- 3) do nothing, and the rates as to the city would be appealed directly to the PUC.

Which alternative is recommended? Why?

Staff and the OCSC attorneys recommend denying the Oncor DCRF application. Doing so will allow the consultant to fully analyze the filing and for OCSC to engage in negotiations with Oncor for a more reasonable adjustment, possibly without the necessity of a full PUC hearing.

CONFORMITY TO CITY POLICY:

Passage of this resolution conforms to 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.

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 Electric Company LLC's application for approval to amend its Distribution Cost Recovery Factor.

DEPARTMENTAL CLEARANCES:

City Attorney

ATTACHED SUPPORTING DOCUMENTS:

Resolution