



STAFF REPORT

DATE: May 18, 2021

TO: Kent Cagle, City Manager

FROM: Traci Briggs, City Attorney

SUBJECT: Denying Oncor Cost Distribution Cost Recovery Factor and authorizing participation in the Oncor Cities Steering Committee

BACKGROUND AND FINDINGS:

Pursuant to state law, the city has regulatory authority over the rates and charges of electric utilities. The city participates as a member of the Oncor Cities Steering Committee (OCSC), 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 before the Public Utility Commission (PUC) and in the courts.

On April 8, 2021, Oncor filed an Application for Approval to Amend its Distribution Cost Recovery Factor (DCRF) to increase distribution rates within each of the cities in its service area. In the filing, Oncor asserts that it is seeking a system-wide increase in total distribution revenue requirement by approximately \$97,826,277.

PUC rules allow cities sixty (60) days to act once an application is filed. After a preliminary review of the application, OCSC attorneys recommend that the city deny the application and join with OCSC to further evaluate the filing, determine whether the filing complies with the law, and if lawful, determine the appropriate strategy to pursue, including a possible settlement. If denied, the current rates will not change while the application remains pending before the PUC.

THE ALTERNATIVES CONSIDERED:

The city's options are:

- 1) do nothing, and the rates as to the city would be appealed directly to the PUC;
- 2) approve Oncor's application, which would result in increased rates for citizens served through Oncor's distribution system; or
- 3) 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 hearing before the PUC.

CONFORMITY TO CITY POLICY:

This item complies with all applicable state laws.

FINANCIAL IMPACT:

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

There is no fiscal impact related to action on this item. Fees associated with the OCSC attorneys and consultants are covered by membership dues paid annually.

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 and authorize the city's participation with OCSC.

DEPARTMENTAL CLEARANCES:

Legal

ATTACHED SUPPORTING DOCUMENTS:

Resolution