

RESOLUTION OF THE CITY OF BAY CITY SUSPENDING THE APRIL 4, 2024 EFFECTIVE DATE OF AEP TEXAS INC.'S REQUESTED RATE CHANGE TO PERMIT THE CITY TIME TO STUDY THE REQUEST AND TO ESTABLISH REASONABLE RATES; APPROVING COOPERATION WITH THE CITIES SERVED BY AEP TEXAS AND AUTHORIZING INTERVENTION IN AEP TEXAS INC.'S REQUESTED RATE CHANGE PROCEEDINGS BEFORE THE COMMISSION; HIRING LLOYD GOSSELINK ATTORNEYS AND CONSULTING SERVICES TO NEGOTIATE WITH THE COMPANY AND DIRECT ANY NECESSARY LITIGATION AND APPEALS; REQUIRING REIMBURSEMENT OF CITIES' RATE CASE EXPENSES; FINDING THAT THE MEETING AT WHICH THIS RESOLUTION IS PASSED IS OPEN TO THE PUBLIC AS REQUIRED BY LAW; REQUIRING NOTICE OF THIS RESOLUTION TO THE COMPANY AND LEGAL COUNSEL



EXECUTIVE SUMMARY

BACKGROUND:

In June 2018, the City joined the Texas Coalition for Affordable Power (“TCAP”) which is a non-profit political subdivision corporation established by the 2010 merger of Cities Aggregation Power Project, Inc. (“CAPP”) and South Texas Aggregation Project, Inc. (“STAP”), both created in 2001 to aggregate members’ power needs in order to negotiate better electric prices for their members. TCAP is one of the largest political subdivision aggregation groups in Texas with political subdivision members that purchase approximately 1.3 billion kWh annually.

AEP Texas Inc (“AEP Texas” or “Company”) filed an application on February 29, 2024 with cities retaining original jurisdiction seeking to increase system-wide distribution rates by \$110.4 million per year (an increase of 13.1%) and increase system-wide transmission rates by \$63.1 million (an increase of 9.29%). According to AEP Texas, the impact of this approval on an average residential customer would be an increase of about \$4.59 per month.

The resolution suspends the April 4, 2024 effective date of the Company’s rate change for the maximum period permitted by law to allow the City, working in conjunction with other Cities served by AEP Texas to intervene in the Public Utility Commission Docket No. 56165 to evaluate the filing, determine whether the filing complies with law, and if lawful, to determine what further strategy, including settlement, to pursue.

The law provides that a rate request made by an electric utility cannot become effective until at least 35 days following the filing of the application to change rates. The law permits the City to suspend the rate change for 90 days after the date the rate change would otherwise be effective. **If the City fails to take some action regarding the filing before the effective date, AEP Texas’s rate request is deemed approved.**

Purpose of this Resolution:

The purpose of this Resolution is to suspend the Statement of Intent to Change Rates proposed by AEP Texas and authorize the City to intervene in the Company’s rate case proceeding before the Public Utility Commission in Docket No. 56165.

Explanation of “Be It Resolved” Paragraphs:

Section 1. The City is authorized to suspend the rate change for 90 days after the date that the rate change would otherwise be effective for any legitimate purpose. Time to study and investigate the application is always a legitimate purpose. Please note that the resolution refers to the suspension period as “the maximum period allowed by law” rather than ending by a specific date. This is because the Company controls the effective date and can extend the deadline for final city action to increase the time that the City retains jurisdiction if necessary to reach settlement on the case. If the suspension period is not otherwise extended by the Company, the City must take final action on AEP Texas’ request to change rates by July 3, 2024.

Section 2. This provision authorizes the City to participate in a coalition of Cities served by AEP Texas (“Cities”) in order to more efficiently represent the interests of the City and their citizens and authorizes the hiring of Lloyd Gosselink and consultants to review the filing, negotiate with the Company, and make recommendations to the City regarding reasonable rates. Additionally, it authorizes Cities to direct any necessary administrative proceedings or court litigation associated with an appeal of this application filed with the PUC.

Section 3. This section authorizes the City to intervene in and participate with Cities Served by AEP Texas as a party in the Company’s filing, PUC Docket No. 56165.

Section 4. The Company will reimburse the cities for their reasonable rate case expenses. Legal counsel and consultants approved by Cities will submit monthly invoices that will be forwarded to AEP Texas for reimbursement. No individual city incurs liability for payment of rate case expenses by adopting a suspension resolution.

Section 4. This section merely recites that the resolution was passed at a meeting that was open to the public and that the consideration of the Resolution was properly noticed.

Section 5. This section provides that both AEP Texas’ counsel and counsel for the Cities will be notified of the City’s action by sending a copy of the approved and signed resolution to certain designated individuals.

FINANCIAL IMPLICATIONS:

AEP will reimburse Cities for their reasonable rate case expenses. Legal counsel and consultants approved by Cities will submit monthly invoices that will be forwarded to AEP for reimbursement.

RECOMMENDATION:

Recommend City Council approve Resolution as stated.

ATTACHMENTS:

Resolution