



EXECUTIVE SUMMARY

RESOLUTION TO DENY THE DISTRIBUTION COST RECOVERY FACTORS (DCRF) BY AEP

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.

On April 3, 2020, AEP Texas Inc. (“AEP” or “Company”) filed an Application to Amend its Distribution Cost Recover Factors (“DCRF”) to Increase Distribution Rates with each of the cities in their service area. In the filing, the Company asserts that it is seeking an increase in distribution revenues of approximately \$39.87 million (an approximately \$1.83 increase to the average residential customer’s bill from the rates just approved in the Company’s rate case).

The resolution authorizes the City to join with the Cities Served by AEP (“Cities”) to evaluate the filing, determine whether the filing complies with law, and if lawful, to determine what further strategy, including settlement, to pursue. **The purpose of the Resolution is to deny the DCRF application proposed by AEP.**

Explanation of “Be It Resolved” Paragraphs:

1. This section authorizes the City to participate with Cities as a party in the Company’s DCRF filing, PUC Docket No. 50733.
2. This section 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.

3. This paragraph finds that the Company's application is unreasonable and should be denied.

4. This section states that the Company's current rates shall not be changed.

5. The Company 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.

6. This section 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.

7. This section provides that AEP and counsel for Cities will be notified of the City's action by sending a copy of the approved and signed Resolution to counsel.

FINANCIAL IMPLICATIONS: According to section 5 of the resolution, all reasonable rate case expenses would be reimbursed within 30 days by AEP.

RECOMMENDATION: Staff recommends approval of the Resolution as stated.

ATTACHMENTS: Resolution