

AGENDA INFORMATION SHEET

APPLICATION FOR AUTHORITY TO INCREASE RATES SUBMITTED BY ONCOR ELECTRIC DELIVERY COMPANY LLC ON ABOUT JUNE 26, 2025

BACKGROUND

On or about June 26, 2025, Oncor Electric Delivery Company LLC (“Oncor” or “Company”) filed a Statement of Intent to increase its revenues by approximately \$833.6 million, which equates to a net increase of approximately 13.0% in Oncor’s overall revenue. Oncor proposes to implement its proposed increase in rates effective July 31, 2025. For a Residential customer using 1,000 kWh per month, their bill would increase by about \$7.00 per month.

Earlier, sometime in about July, 2025, to allow time for review of Oncor’s proposed increase in rates and to maintain current rates in effect, the City took its initial action on Oncor’s application and suspended Oncor’s proposed effective date until October 29, 2025.

The City must now take its *final* action on Oncor’s application to increase rates, and must do so no later than October 29, 2025.

INTERVENTION AT THE PUBLIC UTILITY COMMISSION OF TEXAS

Oncor filed its Statement of Intent to raise rates with the City and with the Public Utility Commission of Texas (“PUC”) on the same date, June 26, 2025. Because Oncor filed its application with the City and with the PUC on the same date, the City, as part of the Alliance of Oncor Cities (“AOC”) intervened in the proceedings before the PUC.

During the suspension period, through AOC the City participated in the proceedings, including hearings, at the PUC. AOC through its Special Counsel, Herrera Law & Associates, PLLC, engaged rate consultants to evaluate Oncor’s proposal to increase rates and will participate in the hearings to be held as directed by the PUC. Under the procedural schedule in the case before the PUC, AOC’s experts’ recommendations are due on October 17, 2025 and the hearings regarding Oncor’s proposal to increase rates are scheduled to begin November 17, 2025 and are slated to end by November 21, 2025, after which the administrative law judges (“ALJs”) will issue a proposal for decision (“PFD”). The ALJs’ proposal for decision will be presented to the PUC commissioners in April, 2026, for a final decision.

While there are numerous issues raised by Oncor’s application to increase rates, AOC focused on several key issues that standing alone have the greater effect on Oncor’s proposed increase: Oncor’s rate of return, its depreciation expense, Oncor’s funding for its self-insurance reserve and its incentive compensation for its employees including its executives, and Oncor’s post Test Year adjustment to its payroll expense.

Regarding Oncor's rate of return, Oncor has requested an overall rate of return of 7.47%. While AOC's rate expert has not concluded his analysis, his preliminary assessment suggests that Oncor's requested rate of return is too high and will likely recommend a materially lower overall rate of return. But to provide an order of magnitude on the effect on rates of a relatively small change in the rate of return, a one percent change in overall rate of return is about \$264 million in return dollars.

But at this juncture AOC's experts have not concluded their analysis. Their recommendations will be completed by October 17, 2025.

CITY JURISDICTION TO SET ONCOR'S RATES

Municipalities have exclusive, original jurisdiction over an electric utility's rates, services, and operations within a city's boundaries. This means that for a utility like Oncor to change its rates it must seek approval to do so from the city in which it provides its service. Even if a city has ceded its jurisdiction to the PUCT, a city nonetheless has the statutory right to participate in rate proceedings before the PUCT.

But, the PUCT has appellate jurisdiction over rate-setting decisions a city makes. This means that Oncor may appeal to the PUCT, a city's decision regarding rates. And to be clear: Oncor will appeal to the PUCT, the City's decision regarding rates.

PRIOR CITY ACTION

The City previously acted to suspend the effective date of Oncor's requested rate increase by 90 days. Contemporaneously with the City's prior action to suspend the rate increase, the City also: (1) authorized intervention in proceedings related to Oncor's proposed rate increase as a member of the coalition of cities known as the Alliance of Oncor Cities; (2) directed Oncor to reimburse AOC's rate case expenses; and (3) retained the law firm of Herrera Law and Associates, PLLC with respect to rate proceedings involving Oncor before the Public Utility Commission of Texas, including exploration of a settlement of the case, and courts of law and to retain consultants to review Oncor's rate application, all subject to AOC's approval.

We fully expect the parties to begin settlement discussions in earnest in the next few weeks.

RATE CASE EXPENSES

Cities, by statute, are entitled to recover their reasonable rate case expenses from the utility. The accompanying Resolution directs Oncor to continue to reimburse AOC's rate case expenses on a monthly basis based on presentation of approved invoices from the cities.

DENIAL

The attached Resolution denies Oncor's proposed increase in revenue and changes in rates and directs Oncor to reimburse AOC's rate case expenses.

RECOMMENDATION: DENY ONCOR'S PROPOSED INCREASE

AOC's Special Counsel and consultants have not concluded their analyses of Oncor's proposed increase in rates. Nonetheless, AOC's experts' preliminary assessment is that Oncor's proposed increase is not warranted and is too high.

So, because that analysis will not be complete in time for AOC cities to take final action by October 29, 2025, AOC's Special Counsel recommends that the City take action to deny Oncor's proposed increase in revenue and change in rates.

Oncor will file an appeal with the PUCT of the City's action denying Oncor its requested increase in rates, and the PUCT ultimately will rule on the merits of Oncor's request. AOC will continue its participation in Oncor's appeal at the PUCT.

A denial of Oncor's proposed increase maintains the status quo in rates until the PUCT issues its final order regarding Oncor's rates.

The City must take final action on Oncor's proposed increase by no later than October 29, 2025. If the City does not take action by October 29, 2025, Oncor's proposed rates are deemed approved by operation of law.