

Ms. Mauldin's Direct Line: (512) 322-5890
Email: jmauldin@lglawfirm.com

MEMORANDUM

TO: Cities Served by AEP Texas Inc. ("Cities")

FROM: Jamie Mauldin
Rick Arnett

DATE: November 20, 2023

RE: AEP – Distribution Cost Recovery Factor ("DCRF") filing

CONFIDENTIAL/ATTORNEY-CLIENT COMMUNICATION
CITY ACTION REQUIRED NO LATER THAN JANUARY 1

On November 15, 2023, AEP Texas Inc. ("AEP") filed an Application to Amend its Distribution Cost Recovery Factor. In the filing, the Company is seeking an increase in distribution revenues of approximately \$47.3 million. This equals an approximately \$2.09 increase to the average residential customer's bill from the rates approved in the Company's most recent DCRF case.

Cities have engaged the services of a consultant, Mr. Karl Nalepa, to review the Company's filing. Mr. Nalepa will review the filing and identify adjustments that should be made to the Company's request. We are recommending that Cities deny the requested relief.

If you have any concerns or question please do not hesitate to contact us. We appreciate your continued support.

MODEL STAFF REPORT REGARDING AEP TEXAS'S DISTRIBUTION COST RECOVERY FACTOR FILING

On November 15, 2023, AEP Texas Inc. ("AEP" or "Company") filed an Application to Amend its Distribution Cost Recovery Factor ("DCRF") to increase distribution rates within each of the cities in their service area. In the filing, the Company seeks an increase in distribution revenues of approximately \$47.3 million (an approximately \$2.09 increase to the average residential customer's bill from the rates approved in the Company's most recent DCRF 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.

Purpose of the Resolution:

The purpose of the Resolution is to join with the Cities Served by AEP ("Cities") to seek a reduction to the Company's request.

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. 55820.
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 section finds that 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.
4. 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.
5. This section provides that counsel for Cities will be notified of the City's action by sending a copy of the approved and signed Resolution to counsel.