

AGENDA INFORMATION SHEET
ITEM NO. _____

**RESOLUTION BY THE CITY OF _____ (“CITY”)
DENYING SOUTHWESTERN ELECTRIC POWER COMPANY’S PROPOSED
INCREASE IN RATES**

BACKGROUND:

On about October 14, 2025, the Southwestern Electric Power Company (“SWEPCO”) filed an application to increase its net revenues by approximately \$94.9 million, which equates to an increase of approximately 13.48%. SWEPCO filed its application with the City and with the Public Utility Commission of Texas (PUCT) on the same date.

Currently SWEPCO recovers a portion of its revenue – about \$69 million through several surcharges, also known as “riders,” such as its “Transmission Cost Recovery Factor” (“TCRF”), its “Distribution Cost Recovery Factor” (“DCRF”), its surcharge to recover the costs of its Advanced Metering System. The PUCT’s rules require SWEPCO to move revenue it currently recovers through its DCRF, TCRF, and AMS surcharge, to recovery through its base rates. Thus, though SWEPCO’s increase in “base rates” is about \$163.9 million, that increase is offset by about \$69 million by reducing its riders and surcharges to zero, thus resulting in an increase of about \$94.9 million in revenue collected from customers.

SWEPCO’s application requests an effective date of November 18, 2025, for its proposed increase in rates. Additionally, pursuant to state law, SWEPCO has requested that the final rates set in this proceeding relate back to usage occurring 155 days after the filing of the application, or March 18, 2026. This means that under SWEPCO’s request, the final rates set in this case will relate back to usage occurring on and after March 18, 2026.

KEY DRIVERS OF INCREASE:

The main drivers of SWEPCO’s proposed increase in rates are:

1. A proposed return on equity of 10.75% with a capital structure comprised of 48.02% equity and 51.98% long-term debt. Note that in SWEPCO’s 2022 rate case, the Commission awarded SWEPCO a return on equity of 9.25% and a capital structure comprised of 49.37% and 50.63% long-term debt.

2. Capital additions of about \$600 million since its last rate case.
3. An increase in its self-insurance reserve to be funded by an annual accrual of \$21.5 million.
4. Recovery of increases in purchased-power costs SWEPCO contends it is and will continue to incur.
5. Recovery of an increase of about \$5.0 million over current spend levels of about \$12 million for vegetation management.
6. Recovery of the undepreciated value of the Pirkey power plant, which SWEPCO retired early, which the PUCT concluded was imprudent for SWEPCO to have retired the plant early.

ASSIGNMENT OF INCREASE TO CUSTOMER CLASSES:

SWEPCO proposes to allocate its proposed base revenue increase, excluding the cost of fuel, among the customer classes as follows:

<u>Rate Class</u>	<u>Base Revenue Change</u>	<u>Base Percent Increase**</u>	<u>Total % Change @ Proposed Revenue††</u>
Residential	\$65,986,839	41.26%	12.90%
General Service	\$7,941,672	29.84%	4.33%
Light & Power	\$42,089,946	29.84%	7.39%
Cotton Gin	\$175,099	83.33%	17.46%
Industrial	\$41,899,554	78.73%	30.66%
Municipal	\$2,421,140	62.58%	20.06%
Municipal Lighting	\$1,689,786	62.29%	25.52%
Lighting	\$1,691,431	29.45%	7.30%

****Excludes Offset from Reductions in Riders/Surcharges**

††Includes Offset from Reductions in Riders/Surcharges

RESIDENTIAL BILL IMPACT FROM PROPOSED INCREASE:

a. Comparison of Current to Proposed Rates:

RESIDENTIAL	Current	Proposed
Cust. Charge/Mo.	\$9.42	\$13.31
Usage Charge/kWh (May-Oct)	\$0.084603	\$0.119577
kWh Charge (Nov-Apr) (<=600 kWh)	\$0.062748	\$0.088636
kWh Charge (Nov-Apr) (>600 kWh)	\$0.051277	\$0.072432
Riders (TCRF, DCRF, EECRF Rate Case Expenses)/kWh	\$0.020548	\$0.006415
AMS Surcharge/month	\$2.82	\$0.00
Fuel	\$0.031109	\$0.031109

b. The effect of SWEPCO's proposed increase on the base rate portion of a Residential customer's bill, is as shown below:

Annual Avg.	1000 kWh	1500 kWh	2000 kWh
Increase \$	\$16.43	\$23.38	\$37.32
Increase %	15.77%	15.76%	15.75%

SPECIAL COUNSEL RECOMMENDATION:

CARD's Special Counsel, the firm of Herrera Law & Associates, PLLC, recommends that the City Council:

1. Deny SWEPCO's proposed increase in revenue and changes in rates;
2. Intervene in SWEPCO's pending case at the Public Utility Commission of Texas and to fully participate in such proceedings and any proceedings arising from those proceedings;
3. Direct SWEPCO to reimburse the CARD cities' rate case expenses for review of SWEPCO's application to increase rates and to participate in the proceedings at the PUCT, and related appeals to court, if any.

4. Participation regarding SWEPCO's rates, operations, and services through the coalition of cities known as the Cities Advocating Reasonable Deregulation (CARD)

CITY ACTION REQUIRED BY NOVEMBER 18, 2025:

The City must take action by **no later than November 18, 2025**, SWEPCO's proposed effective date of SWEPCO's requested rate increase, **If the City does not take action by November 18, 2025, SWEPCO's proposed increase in rates as filed will be deemed approved by operation of law.**