

RESOLUTION No. 26-03

RESOLUTION BY THE CITY OF MOUNT VERNON, TEXAS, (“CITY”) DENYING SOUTHWESTERN ELECTRIC POWER COMPANY’S REQUEST FOR APPROVAL OF ITS PROPOSED “ELECTRIC SERVICE – LARGE LOAD CONTRACT” TARIFF; REQUIRING THE REIMBURSEMENT OF MUNICIPAL RATE CASE EXPENSES; AUTHORIZING PARTICIPATION IN THE COALITION OF SIMILARLY SITUATED CITIES AND AUTHORIZING INTERVENTION AND PARTICIPATION IN RELATED RATE PROCEEDINGS; AUTHORIZING THE RETENTION OF SPECIAL COUNSEL; FINDING THAT THE MEETING COMPLIES WITH THE OPEN MEETINGS ACT; MAKING OTHER FINDINGS AND PROVISIONS RELATED TO THE SUBJECT; AND DECLARING AN EFFECTIVE DATE

WHEREAS, Southwestern Electric Power Company (“SWEPCO” or “Company”) on about October 6, 2025, communicated via electronic mail that on about October 3, 2025, it had filed with the Public Utility Commission of Texas (PUCT) an application seeking approval of a tariff it calls its “Electric Service – Large Load Contract” (ES-LL Contract) and

WHEREAS, on about December 29, 2025, by written submittal, tendered to the City an amendment to its request for approval of SWEPCO’s proposed ES-LL Contract, amending its request by proposing a firm, effective date of February 2, 2026; and

WHEREAS, the City is a regulatory authority under the Public Utility Regulatory Act (“PURA”) and under Chapter 33, §33.001 et seq. of PURA has exclusive original jurisdiction over SWEPCO’s rates, operations, and services within the municipality;

WHEREAS, SPS proposed to implement its proposed increase in rates effective on February 2, 2026, which is 35 days after SWEPCO submitted its amended request for approval of its ES-LL Contract rate; and

WHEREAS, SWEPCO’s rate request presents a complex set of data detailing SWEPCO’s forecasts of potential demand for electricity and the commensurate infrastructure related to that potential load to serve, e.g., large-load customers such as data centers; and

WHEREAS, SWEPCO’s rate request poses novel issues that raise significant issues regarding the extra demand large-load customers will place on SWEPCO’s electric system, the costs of additional infrastructure to meet that demand, and which customers should bear the cost of the additional infrastructure; and

WHEREAS, SWEPCO’s request comprises piecemeal ratemaking generally avoided under sound ratemaking principles; and

WHEREAS, given the complexity of the issues presented by SWEPCO’s request for a new tariff, the City will require the assistance of specialized legal counsel and rate experts to review the merits of SWEPCO’s request; and

WHEREAS, in order to maximize the efficient use of resources and expertise in reviewing, analyzing and investigating SWEPCO's rate requests and changes in tariffs, the City coordinates its efforts with a coalition of similarly situated municipalities known as the Cities Advocating Reasonable Deregulation ("CARD"), to review SWEPCO's requests to change rates; and

WHEREAS, to the extent SWEPCO seeks review at the Public Utility Commission of Texas of the City's final decision regarding SWEPCO's proposed Electric Service – Large Load Contract, or because SWEPCO has submitted a similar request to the Public Utility Commission of Texas for service in the environs of the City and the decision of the Public Utility Commission of Texas will affect rates paid by the City and its citizens who are customers of SWEPCO, and in order for the City's participation to be meaningful it is important that the City promptly intervene in such proceeding at the Public Utility Commission of Texas.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MOUNT VERNON, TEXAS, THAT:

Section 1. The findings set out in the preamble are in all things approved and incorporated herein as if fully set forth.

Section 2. SWEPCO failed to show that its proposed request is just and reasonable.

Section 3. The City hereby **DENIES** SWEPCO's request for approval of its tariff, "Electric Service – Large Load Contract" because, among other factors:

- A.** SWEPCO's request comprises piecemeal ratemaking that precludes a full analysis of whether SWEPCO's proposed rates result in potential, large-load customers paying their fair share of increases in cost;
- B.** SWEPCO's submittal fails to provide sufficient information to justify the terms set forth in its request, and in particular, SWEPCO fails to address, how stranded costs that may result from a departing large-load customer are to be treated;
- C.** SWEPCO's proposed new ES-LL Contract rate makes no mention of cost allocation or assigning of these new marginal costs incurred to solely serve the new large-load customers;

Section 4. The City authorizes intervention in proceedings related to SWEPCO's request for approval of a new tariff, the "Electric Service – Large Load Contract," before the Public Utility Commission of Texas and related proceedings in courts of law and participation in the coalition of cities known as the Cities Advocating Reasonable Deregulation (CARD).

Section 5. The City hereby orders SWEPCO to reimburse the City's rate case expenses as provided in the Public Utility Regulatory Act and that SWEPCO shall do so on a monthly basis and within 30 days after submission of the City's invoices for the City's reasonable costs associated with the City's activities, through its

participation in CARD, related to its rate review or to related proceedings involving SWEPCO before the City, the Public Utility Commission of Texas, or any court of law.

Section 6. Subject to the right to terminate employment at any time, the City retains and authorizes the law firm of Herrera Law & Associates, PLLC to act as Special Counsel with regard to rate proceedings involving SWEPCO before the City, the Public Utility Commission of Texas, or any court of law and to retain such experts as may be reasonably necessary for review of SWEPCO's rate application subject to approval by the City.

Section 7. The City, in coordination with the Steering Committee, shall review the invoices of the lawyers and rate experts for reasonableness before submitting the invoices to SWEPCO for reimbursement.

Section 8. A copy of this resolution shall be sent to Mr. Alfred R. Herrera, Herrera Law & Associates, PLLC, either by email to AHerrera@HerreraLawPLLC.com, or to P.O. Box 302799, Austin, Texas 78703, and a courtesy copy to SWEPCO's local representative

Section 9. The meeting at which this resolution was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

Section 10. To the extent any Resolution previously adopted by the City Council is inconsistent with this Resolution, it is hereby superseded.

Section 11. This resolution shall become effective from and after its passage.

PASSED AND APPROVED this 09th day of February, 2026.

Brad Hyman, Mayor

ATTEST:

Angie Pike, Interim City Secretary