

**AGENDA INFORMATION SHEET**  
**ITEM NO. \_\_\_\_\_**

**SUSPENSION OF APPLICATION FOR AUTHORITY TO INCREASE  
RATES SUBMITTED BY ONCOR ELECTRIC DELIVERY COMPANY  
LLC**

**BACKGROUND**

On or about January 7, 2011, Oncor Electric Delivery Company LLC (“Oncor” or “Company”) filed a Statement of Intent to increase rates by approximately \$353 million, which equates to an increase of approximately 12.6%. As part of its application, Oncor proposes an effective date of February 14, 2011.

As proposed by Oncor a residential customer that uses 1300 kWh per month would see an increase in their bill of about \$5.00, and as a class the residential customers would experience an increase of about 15% while the small commercial rate class would see a 13% to 16% increase in base rates, and the large commercial rate class would see a 5% increase. Also, Oncor’s request would increase rates for Lighting services by 26%. Oncor is also asking for a return on equity of 11.25%; the Public Utility Commission of Texas in Oncor’s last rate case approved a return on equity of 10.25%. Oncor’s requested return on equity appears high. Oncor is also proposing to recover its costs for vegetation management through a surcharge that would produce an additional \$34.6 million per year over its test year amount.

The City must take action on Oncor’s Statement of Intent before February 14, 2011. Absent such action, Oncor’s rates are deemed approved by operation of law, subject to the City’s ability to continue a hearing in progress on Oncor’s application.

**ALLIANCE OF ONCOR CITIES**

The Alliance of Oncor Cities (“AOC”) was organized by a number of municipalities, served by Oncor; the Alliance was formerly known as the “Alliance of TXU/Oncor Cities.” The law firm of Herrera & Boyle, PLLC (through Mr. Alfred R. Herrera and Mr. Jim Boyle) represented the AOC in a rate case involving Oncor and obtained a favorable outcome for the AOC cities in terms of the rates Oncor was allowed to charge within the AOC cities and was successful in preserving the cities’ and Oncor’s agreement for a 5% increase in franchise fees paid to the AOC cities.

**INTERVENTION AT THE PUBLIC UTILITY COMMISSION OF TEXAS**

Oncor filed its Statement of Intent to raise rates with the City and the Public Utility Commission of Texas (“PUCT”) on the same date. Also, under the Public Utility

Regulatory Act, absent an extension of the timeframe within which to act by agreement with Oncor, the PUCT has 185 days within which to enter a final order on Oncor's request. This means that a schedule for the case will be set in short order. Discovery will begin immediately. Discovery involves asking for information from Oncor. This is a critical stage in the proceeding. The City's participation in this stage of the process is very important. The City will be able to participate in the Steering Committee for AOC in selecting experts and in setting goals and objectives for the case.

### **RATE CASE EXPENSES**

Cities, by statute, are entitled to recover their reasonable rate case expenses from the utility. Legal counsel and consultants approved by the coalition will submit monthly invoices to the coalition-designated city that will be forwarded to Oncor for reimbursement. No individual city's budget is directly affected.

### **SUSPENSION**

In order to have time to review what this voluminous rate-filing package, the Council is requested to suspend the effective date for ninety (90) days as provided by PURA. It is a virtual impossibility for the City to set just and reasonable rates without suspending the rate request for ninety days; suspension of Oncor's proposed effective date will permit its special regulatory counsel and experts an opportunity to perform a better review of Oncor's application.

### **RECOMMENDATION**

It is recommended that the City continue its participation in the Alliance of Oncor Cities and retain the law firm of Herrera & Boyle, PLLC to represent the City's interest in proceedings related to Oncor's rate case and to advise the City with regard to Oncor's application and that the City intervene in the proceeding before the Public Utility Commission of Texas.

The recommendation is also to suspend Oncor's proposed effective date for its proposed increase in rates as set forth in Oncor's Statement of Intent.

The City must take action no later than February 14, 2011. If the City does not take action by February 14, 2011, Oncor's proposed rates will be deemed approved by operation of law, subject to the City's right to hold hearing to address Oncor's rate application.