



CITY OF MCKINNEY, TEXAS

Legislation Text

File #: 17-349, **Version:** 1

Consider/Discuss/Act on a Resolution to Suspend Oncor Electric's Rate Increase

COUNCIL GOAL: Operational Excellence

MEETING DATE: April 4, 2017

DEPARTMENT: City Manager's Office

CONTACT: Chandler Merritt, Director of Strategic Services
Mark Holloway, Chief Financial Officer

RECOMMENDED CITY COUNCIL ACTION: Approve Resolution

ITEM SUMMARY:

- Oncor Electric Delivery Company filed an application on March 17, 2017 with cities retaining original jurisdiction seeking to increase system-wide transmission and distribution rates by \$317 million.
- Oncor's filing is based on continuation of an authorized return on equity from the 2011 case of 10.25%, which is approximately 55 basis points higher than what the PUC has typically awarded electric utilities over the past several years. The company also desires to increase the percentage of equity in its capital structure. The current approved capital structure is 60% debt and 40% equity. Oncor desires to raise its equity to 45%. Over drivers of the increase include:
 - Significant increase in capital investment on which the company earns a return. Approximately \$7.9 billion has been added to rate base since the end of the test year used in the 2011 rate case.
 - Approximately \$1 billion in regulatory assets associated with pensions, storm damage, and smart meters.
 - An increase in self-insurance and pensions.
- The \$317 million request is equivalent to a 7.5% increase in revenues. For a typical residential customer consuming 1,300 kWh monthly, the increase would be approximately \$6.80 per month.
- The Resolution before Council would suspend the April 21, 2017 effective date of the Company's rate increase for the maximum period permitted by law to allow the City, working in conjunction with the Steering Committee of Cities Served by Oncor, to evaluate the filing, determine whether the filing complies with law, and if lawful, to determine what further strategy, including settlement, to pursue.
- The law allows that a rate request made by an electric utility cannot become effective until at

least 35 days following the filing of the application to change rates. The law permits the City to suspend rate change for 90 days after the date the rate change would otherwise be effective.

- If the City fails to take some action regarding the filing before the effective date, Oncor's rate request is deemed administratively approved.

BACKGROUND INFORMATION:

- The City of McKinney is a member of a 156-city coalition known as the Steering Committee of Cities Served by Oncor. The Steering Committee has been in existence since the late 1980s. It took on a formal structure in the early 1990s when cities served by the former TXU gave up their statutory right to rate case expense reimbursement in exchange for higher franchise fee payments.
- Empowered by city resolutions and funded by *per capita* assessments, the Steering Committee has been the primary public interest advocate before the Public Utility Commission, the Courts, and the Legislature on electric utility regulation matters for the last 20 years.

FINANCIAL SUMMARY: N/A

BOARD OR COMMISSION RECOMMENDATION: N/A