

Memorandum



CITY OF DALLAS

DATE January 21, 2011

TO Budget, Finance and Audit Committee Members:
Jerry Allen (Chair), Ann Margolin (Vice Chair), Delia Jasso,
Vonciel Jones Hill, Ron Natinsky, Angela Hunt, David A.
Neumann

SUBJECT Oncor Rate Filing

Oncor Electric Delivery Company, LLC has filed a rate request with the City and the Public Utility Commission of Texas. The attached briefing will be presented at your January 24th meeting as an overview of this matter.

If you have questions, please let me know.

A handwritten signature in cursive script, reading "Jeanne Chipperfield".

Jeanne Chipperfield
Chief Financial Officer

Attachment

- c: Honorable Mayor and Members of the City Council
 - Mary K. Suhm, City Manager
 - Thomas P. Perkins, Jr., City Attorney
 - Deborah A. Watkins, City Secretary
 - Craig Kinton, City Auditor
 - C. Victor Lander, Judiciary
 - Ryan S. Evans, First Assistant City Manager
 - Jill A. Jordan, P.E., Assistant City Manager
 - A.C. Gonzales, Assistant City Manager
 - Forest Turner, Assistant City Manager
 - Helena Stevens-Thompson, Assistant to the City Manager
 - Jack Ireland, Director, Office of Financial Services

Oncor Electric Delivery Company, LLC Rate Filing

Budget, Finance and Audit Committee
January 24, 2011



Purpose

- Provide BFA Committee with an overview of Oncor Electric Delivery Company, LLC (Oncor) rate filing and City of Dallas' course of action
 - Timeline
 - Steering Committee of Cities Served by Oncor
 - Overview of Rate Filing
 - Key Issues for City of Dallas
 - Recommendation and Next Steps

Timeline

- On Jan 7, Oncor filed rate request with City of Dallas, Public Utility Commission of Texas (PUC) and all other cities on their system who retain jurisdiction
- Oncor's requested effective date for new rates is Feb 14, 2011
 - If no action is taken before this date, rates are deemed approved by operation of law
 - Municipality may suspend effective date for an additional 90 days

Timeline (continued)

- Action item on City Council's Jan 26 addendum to suspend Oncor's rate request for 90 days
 - City Council's last meeting scheduled prior to Oncor proposed effective date is Feb 11
 - Once suspension resolution is passed, new effective date will be May 15
- Council must take additional action prior to May 15 to approve or deny rate request

Timeline (continued)

- Oncor filed case concurrently with PUC for environs (unincorporated areas of State) and cities that have ceded their rate jurisdiction to PUC
 - In order to have uniform system wide rates, Oncor will likely appeal any City rate order to PUC
 - Appeal will most likely be consolidated with pending environs case that Oncor filed with PUC
- Deadline for PUC to take action on environs case is July 31

Steering Committee of Cities Served by Oncor

- Formed in late 1980s to assist cities and coordinate efforts in matters before PUC relating to Oncor (formerly TXU)
 - Avoids duplication of effort by all affected cities
 - Currently 146 member cities including Dallas
 - Funded by an annual assessment to member cities on a per capita basis
 - Dallas is a member of executive committee which governs Steering Committee
- Steering Committee has represented City of Dallas in all electric rate cases since 1990

Steering Committee (continued)

- Steering Committee is in process of reviewing Oncor's Jan 7 rate filing
 - Hired consultants to look at technical issues of case
 - Retained legal counsel to review legal aspects of case and prep for hearing on merits
 - Will fully investigate filing and will make recommendations to member cities in time to act prior to May 15 deadline

Steering Committee (continued)

- Will participate in PUC environs case prior to City's appeal being consolidated with it
- Will represent City on appeal of local case to PUC
- If there are issues specific to Dallas, City may present its own experts at PUC hearings
 - Rate case expenses are generally reimbursable by utility that filed rate case

Overview of Rate Filing

- Oncor has requested overall rate increase of 16.2% above rates in effect at end of test year (June 30, 2010) in order to generate additional \$441,407,595 which includes:
 - An increase of \$352,787,050 over existing rates, and
 - Adjustments approved or pending with PUC after June 30 for Transmission Cost of Service (TCOS) and Transmission Cost Recovery Factor (TCRF)

Overview of Rate Filing (continued)

- Factors driving need to increase rates per Oncor
 - Significant new investment in infrastructure
 - Decline in customer growth
 - Decline in consumption per customer
- Oncor is also requesting an increase in authorized rate of return on equity from 10.25% approved in last case to 11.25%

Key Issues for City of Dallas

- Street Lighting – Oncor has proposed an increase to street lighting rates of 25.9% system-wide
 - Impact on Dallas is very close to system-wide 25.9% and applies only to Transmission and Distribution component of electric expense
- Increase to non-lighting City accounts is approximately 18% and applies only to Transmission and Distribution component of electric expense
- Vegetation Management (Tree Trimming)
 - Oncor proposed moving from a reactive strategy to a cyclical program
 - All circuits trimmed every 5 years
 - Increases costs from \$26m in test year to almost \$61m going forward

Recommendation and Next Steps

- Jan 26 addendum – Recommend City Council approve resolution to suspend effective date of rates for 90 days from Feb 14 to May 15
 - Allows time for staff and Steering Committee to investigate Oncor's request and make appropriate recommendations to Council
- Council must take additional action prior to May 15 to approve or deny rate request