

# Memorandum



CITY OF DALLAS

DATE August 18, 2023

TO Honorable Mayor and Members of the City Council

SUBJECT **August 23, 2023 Upcoming Agenda Item #2 – 23-1943 - Authorize a Resolution denying rates as Requested by Oncor Electric Delivery Company LLC**

On August 23, 2023, City Council will be asked to authorize a resolution denying rates as requested by Oncor Electric Delivery Company LLC in its application filed with the City on June 29, 2023. Oncor filed this application with all cities in its service territory and the Public Utility Commission of Texas (PUC) concurrently (PUC Docket No. 55190).

The City is a member of the Steering Committee of Cities Served by Oncor (Oncor Cities Steering Committee or OCSC), a coalition of similarly situated cities served by Oncor that have joined together to efficiently and cost effectively review and respond to electric issues affecting rates charged in Oncor's service area. OCSC is coordinating the review of Oncor's current application and has retained attorneys and consultants to determine if the rates requested are fair and reasonable.

After thorough review of the application and supporting documentation, OCSCs consultants will make recommendations to the PUC as to fair and reasonable rates to be charged by Oncor. OCSC therefore recommends that member cities deny the DCRF application prior to the statutory deadline and participate in the PUC proceeding through OCSC.

PUC rules allow cities 60 days to act on a DCRF application. If the City fails to take some action regarding the application before August 28, 2023, Oncor's DCRF application is deemed administratively approved. Approval of this City Council action will deny the rates.

Additionally, the City is still in ongoing legal proceedings of Oncor's previous case filed on May 13, 2022. Although the legal proceedings are ongoing at the PUC, Oncor began charging the new rates on May 1, 2023. Although the rates from May 13, 2022 filing went into effect on May 1, 2023, they are subject to refunds if the City or other parties prevail on pending motions.

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The attached materials provide an overview of prior filings and current filings. If you have any questions, please contact Nick Fehrenbach, Manager of Regulatory Affairs in Budget and Management Services.



Jack Ireland  
Chief Financial Officer

Attachment

T.C. Broadnax, City Manager  
Tammy Palomino, Interim City Attorney  
Mark Swann, City Auditor  
Biliera Johnson, City Secretary  
Preston Robinson, Administrative Judge  
Kimberly Bizer Tolbert, Deputy City Manager  
Jon Fortune, Deputy City Manager

Majed A. Al-Ghafry, Assistant City Manager  
M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager  
Dr. Robert Perez, Assistant City Manager  
Carl Simpson, Assistant City Manager  
Genesis D. Gavino, Chief of Staff to the City Manager  
Directors and Assistant Directors



**City of Dallas**

# Application of Oncor Electric Company LLC for Authority to Change Rates

**Dallas City Council  
August 23, 2023**

Nick Fehrenbach  
Manager of Regulatory Affairs  
Budget and Management Services

# Overview



- Update City Council on the previous application of Oncor Electric Delivery Company LLC for authority to change rates
- Discuss current Oncor application to amend its Distribution Cost Recovery Factor and update Mobile Generation Riders
- Next steps



# Prior Filing



- On May 13, 2022, Oncor Electric Delivery Company LLC (Oncor) filed an application for authority to change rates with the City of Dallas
  - Requested an annual increase in rates of \$251 million system wide
  - Oncor filed the request contemporaneously with all cities in their service area and the Public Utility Commission of Texas (PUC) Docket Number 53601
- City of Dallas denied the rate request on October 12, 2022
  - Oncor appealed the denial to the Public Utility Commission of Texas
- Although there are ongoing legal proceedings at the PUC (discussed on the following pages) Oncor began charging the new rates on May 1, 2023



# Prior Filing



- Public Utility Commission of Texas (PUC) issued its order establishing Oncor's revenue requirement on April 6, 2023
  - Oncor revenue requirement decreased by \$12.57 million from adjusted test year revenue
  - This is an approximate decrease in Oncor revenue requirement of 0.6%
  - Parties filed motions for rehearing seeking clarification and revision of the order
  - PUCT issued its order on rehearing June 30, 2023
  - 2 intervenors filed motions for reconsideration of the order on rehearing
  - It is anticipated that the PUC will dispose of these motions for reconsideration at the August 24 open meeting
- Staff anticipates that case will be finalized at the September 14, 2023 PUC open meeting
- Parties to the case may file appeals in the Travis County District Court



# Prior Filing



- PUCT issued an order approving, subject to refund or surcharge, rate tariffs as filed by Oncor in compliance with the April 6, 2023 approved revenue requirement on April 28, 2023
  - Due to changes in cost allocation, residential rates increased by \$5.07 per month for the average residential customer using 1,300 kWh of electricity
    - This is an increase of 15.9%
    - Commercial and industrial rates decreased
    - Rates went into effect May 1, 2023
- Although the rates went into effect May 1, 2023 they are subject to refund if the City or other parties to the case prevail on any of the motions for rehearing, reconsideration or judicial appeal
  - In the past the City has won issues on appeal from an electric rate case that resulted in significant savings for rate payers





- On June 29, 2023, Oncor Electric Delivery Company LLC (Oncor) filed an application for authority to amend its Distribution Cost Recovery Factor and update Mobile Generation Riders with the City of Dallas
  - The Distribution Cost Recovery Factor (DCRF) is an interim rate filing which permits a utility to recover return on investment and associated depreciation on new plant placed in service after the last rate case
    - This case is for investments Oncor made between January 1, 2022 and December 31, 2022
    - Requested an annual increase in distribution rates of \$152.8 million system-wide
    - Average residential customer using 1,300 kWh of electricity would see a monthly increase of \$2.41 (before taxes)
  - Update Oncor's Mobile Generation Rider and Wholesale Mobile Generation Rider to recover an additional \$10.7 million
    - Mobile generation riders recover costs associated with mobile generators used to support grid reliability
  - Rates to become effective September 1, 2023





# Current Filing



- Oncor filed the request contemporaneously with all cities in their service area and the Public Utility Commission of Texas (PUC) Docket Number 55190
  - Oncor desires to have unified system wide rates and will appeal the City's order to the PUCT
- Deadline for the City to take action is August 29, 2023
  - If no action is taken the rates are deemed administratively approved
- City of Dallas is a member of the Oncor Cities Steering Committee (OCSC)
  - Coalition of 169 cities in the Oncor service area
  - OCSC has represented cities in rate cases and legislative matters pertaining to electricity since the early 1990s
  - City of Dallas is a member of the executive committee of OCSC
  - OCSC is funded by a per capita assessment on member cities



# Current Filing



- City's reasonable rate case expenses are reimbursable by Oncor
  - Working through OCSC allows cities to coordinate review efforts
  - Reduce duplication of effort by various cities
  - Limited number of qualified consultants to assist on this complex of a case within the statutory deadlines
- PUCT scheduled to hear this case at its August 24, 2023 open meeting
  - OCSC has intervened on behalf of Dallas and other member cities
  - Consultants retained by OCSC have reviewed the filing and filed testimony on cities' behalf
  - OCSC will represent cities at the hearing
- PUCT may suspend the effective date of rates for an additional 15 days for cause if necessary



# Next Steps



- On August 23, 2023, City Council will consider an agenda item to adopt an Ordinance denying Oncor's requested rates
  - Deadline for City action is August 29, 2023
  - Current rates will remain in effect
  - Oncor will appeal denial to PUCT and case will be consolidated with PUC Docket Number 55190
  - City will continue to work with OCSC to participate in the PUC proceeding





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