

RESOLUTION NO. 2017-04-20D

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OVERTON, TEXAS, (“CITY”) DENYING THE APPLICATION OF THE SOUTHWESTERN ELECTRIC POWER COMPANY (“SWEPCO”) FOR AUTHORITY TO CHANGE RATES SUBMITTED ON OR ABOUT DECEMBER 16, 2016; REQUIRING THE REIMBURSEMENT OF MUNICIPAL RATE CASE EXPENSES; 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 the “Company”) filed a Statement of Intent with the City on or about December 16, 2016 to increase its base revenues; and

WHEREAS, SWEPCO proposes to implement its proposed increase in rates on or about January 20, 2017; and

WHEREAS, SWEPCO’s proposed increase in rates would result in a net increase to its base revenues of approximately \$69 million, which equates to a net increase of approximately 24% in base revenue; and

WHEREAS, SWEPCO asserts that the need for its increase in rates is driven primarily to recover its costs of complying with federal environmental regulations; and

WHEREAS, an evaluation of SWEPCO’s costs of complying with federal environmental regulations, among other issues, presents a complex series of regulatory issues; and

WHEREAS, for a Residential customer using 1,000 kWh per month, if SWEPCO’s proposed increase is approved, the bill impact to that Residential customer would be an increase of approximately 34% in the customer’s bill; and

WHEREAS, the Company seeks a Return on Equity (ROE) of 10.00%; and

WHEREAS, SWEPCO failed to establish that its overall revenue request resulted in no more than an amount that will permit SWEPCO a reasonable opportunity to earn a reasonable return on the utility’s invested capital used and useful in providing service to the public in excess of the utility’s reasonable and necessary operating expenses; and

WHEREAS, SWEPCO failed to establish that its proposed rates were just and reasonable; and

WHEREAS, by **ORDINANCE NO. 2017-01-12A** the City has previously: (1) suspended SWEPCO’s proposed rate increase by 90 days; (2) authorized intervention in proceedings related to SWEPCO’s proposed rate increase as a member of the coalition of cities known as the Cities Advocating Reasonable Deregulation (“CARD”); (3) directed SWEPCO to reimburse CARD’s

rate case expenses; and (4) retained the law firm of Herrera & Boyle, PLLC with respect to rate proceedings involving SWEPCO before the Public Utility Commission of Texas and courts of law and to retain consultants to review SWEPCO's rate application subject to CARD's approval.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF OVERTON, TEXAS:

SECTION 1: That the findings set out in the preamble are in all things approved and incorporated herein as if fully set forth.

SECTION 2: That SWEPCO failed to show that its proposed rates are just and reasonable.

SECTION 3: That the City hereby **DENIES** SWEPCO's request to increase rates and in support thereof finds that:

- a) The Statement of Intent fails to provide sufficient information to justify the requested increase in revenue or to justify the changes set forth in the attached tariffs;
- b) The Statement of Intent fails to provide sufficient information to justify the adoption of the rate base, expenses, investment, return on equity, and other rate issues.

SECTION 4: That 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 continue to 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 related to this rate review or to related proceedings involving SWEPCO before the City, the Public Utility Commission of Texas, or any court of law.

SECTION 5: That a copy of this resolution shall be sent to SWEPCO's local representative; and to Mr. Alfred R. Herrera, Herrera & Boyle, PLLC, 816 Congress Ave., Suite 1250, Austin, Texas 78701.

SECTION 6: That 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 7: That this resolution shall become effective from and after its passage.

PASSED AND APPROVED at a regular meeting of the City Council of the City of Overton, Texas this the 20th day of **APRIL**, 2017.



CITY OF OVERTON


C.R. Evans, Jr., Mayor

ATTEST:

APPROVED AS TO FORM AND LEGALITY



Rachel Gafford, City Secretary



Blake Thompson, City Attorney