

MODEL STAFF REPORT REGARDING AEP'S DISTRIBUTION COST RECOVERY FACTOR FILING

On April 3, 2018, AEP Texas Inc. ("AEP" or "Company") filed an Application to Amend its Distribution Cost Recover Factors ("DCRF") to Increase Distribution Rates with each of the cities in their service area. In the filing, the Company asserts that it is seeking an increase in distribution revenues of approximately \$3.1 million (an approximately \$800,000 decrease for the Central Division and \$3.9 million increase for the North Division).

The resolution authorizes the City to join with the Cities Served by AEP ("Cities") to evaluate the filing, determine whether the filing complies with law, and if lawful, to determine what further strategy, including settlement, to pursue.

Purpose of the Resolution:

The purpose of the Resolution is to deny the DCRF application proposed by AEP.

Explanation of "Be It Resolved" Paragraphs:

1. This section authorizes the City to participate with Cities as a party in the Company's DCRF filing, PUC Docket No. 48222.
2. This section authorizes the hiring of Lloyd Gosselink and consultants to review the filing, negotiate with the Company, and make recommendations to the City regarding reasonable rates. Additionally, it authorizes Cities to direct any necessary administrative proceedings or court litigation associated with an appeal of this application filed with the PUC.
3. This paragraph finds that the Company's application is unreasonable and should be denied.
4. This section states that the Company's current rates shall not be changed.
5. The Company will reimburse Cities for their reasonable rate case expenses. Legal counsel and consultants approved by Cities will submit monthly invoices that will be forwarded to AEP for reimbursement.
6. This section recites that the Resolution was passed at a meeting that was open to the public and that the consideration of the Resolution was properly noticed.
7. This section provides that AEP and counsel for Cities will be notified of the City's action by sending a copy of the approved and signed Resolution to counsel.