

ORDINANCE NO. 98-1

AN ORDINANCE APPROVING RETAIL BASE RATE REDUCTIONS FOR TEXAS UTILITIES ELECTRIC COMPANY, PROVIDING AN EFFECTIVE DATE THEREFOR, REJECTING DEPRECIATION SHIFTING, APPROVING A MOST FAVORED NATION PROVISION, FINDING AND DETERMINING THAT THE MEETING AT WHICH THIS ORDINANCE IS PASSED IS OPEN TO THE PUBLIC AS REQUIRED BY LAW.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF CUMBY, TEXAS:

WHEREAS, on December 22, 1997, Texas Utilities Electric Company filed with the Governing body of this municipality a Petition and Statement of Intent to implement base rate reductions for its retail electric service customers within this municipality, which base rate reductions are components of a settlement reached among various parties set forth in the Stipulation and Joint Application for Approval Thereof (Stipulation) filed with the Public Utility Commission of Texas (PUC) on December 17, 1997.

WHEREAS, TUEC's rates should be reduced to reflect load growth, cost reductions, debt refinancings, synergistic savings attributable to the merger with Enserch, declining rate base and declining cost of capital, all of which have occurred since base rates were last reviewed in PUC Docket No. 11735; and

WHEREAS, the \$263 million rate relief afforded by the Stipulation is less than was justified by a recent analysis performed by the Staff of the PUC; and

WHEREAS, the Stipulation calls for depreciation shifting which is inequitable, anti-competitive and otherwise inconsistent with sound regulatory and public policy; and

WHEREAS, it is anticipated that TUEC will use the Stipulation in lobbying efforts to persuade the Legislature to authorize recovery of billions of dollars in uneconomic investment from ratepayers through depreciation shifting; and

WHEREAS, the Stipulation contains provisions that freeze rates irrespective of what overearnings may occur through TUEC's changed circumstances, endorses TUEC's recovery of \$836 million in previously written-off assets, and endorses the application of an unrealistically high rate of return on equity should any party, in good faith, attempt to review the reasonableness of TUEC's rates or challenge TUEC's overearnings; and

WHEREAS, the City of CUMBY should intervene in the PUC's proceeding to review the Stipulation, PUC Docket No. 18490, to advocate even greater rate relief and to oppose provisions that are contrary to sound public policy; and

WHEREAS, Cities should encourage the PUC to pursue a thorough review of TUEC's rates including a comprehensive review of the TU/ENSERCH merger savings and TUEC's affiliate transactions with further and final rate relief beyond the interim reductions based upon the Stipulation reconcilable to January 1, 1998;

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF CUMBY, TEXAS:

SECTION 1: The City of Cumby intervene in PUC Docket No. 18490 and coordinate its efforts in that regard with other cities through the Steering Committee of Cities Served by TUEC.

SECTION 2: The Legislature is hereby encouraged to reject depreciation shifting as a means for recovering uneconomic investment in generation plant.

SECTION 3: The concept of depreciation shifting as called for in the Stipulation is rejected.

SECTION 4: The retail base rate reduction tariffs filed by TUEC (Rider RRD - Residential Rate Reduction, Rider GSRD - General Service Secondary Rate Reduction, and Rider RD - Rate Reduction) are approved on an interim basis effective January 1, 1998. With the expectation that appropriate regulatory authorities will afford further rate reductions upon review of the Stipulation and review of TUEC's cost of service, any further reductions associated with a final PUC order are to be retroactive to January 1, 1998. Otherwise the referenced schedules shall remain in effect until such time as they may be changed, modified, or amended by the approval of the City Council. The filing of the rate schedules shall constitute notice to the consumers of electricity, within this municipality, of the availability and application of such rate schedules.


SECTION 5: Nothing contained in this Ordinance shall be construed now or hereafter as limiting or modifying in any manner the right and power of the Governing Body of this municipality under the law to regulate the rates, operations, and services of Texas Utilities Electric Company.

SECTION 6: Notwithstanding any other provision of this Ordinance, the rates authorized for electric service in the City of Cumby shall not exceed the lowest rates available to residents of any other municipality served by TUEC.

SECTION 7: It is hereby officially found and determined that the meeting at which this Ordinance is passed is open to the public as required by law and that public notice of the time, place and purpose of said meeting was given as required.

SECTION 8: A copy of this ordinance is to be provided promptly by the City Secretary to the local TUEC representative and to Jay Doegey, City Attorney of the City of Arlington, as Chairman of the Cities Steering Committee.

PASSED AND APPROVED at a Regular Meeting of the City Council of the City of
Cumby _____, Texas, on this the 3rd day of February 1998.

By 
Mayor

ATTEST:

Secretary