

ORDINANCE NO. 2004- 4

An ordinance of the City of Victoria, Texas finding, after reasonable notice and hearing, that AEP Texas Central Company's electric transmission and distribution rates and charges within the City should be changed; determining just and reasonable rates; adjusting street lighting charges; adopting recommendations of consultants; providing for recovery of rate case expenses; preserving regulatory rights of the City; providing for repeal of conflicting ordinance; and providing an effective date.

WHEREAS, pursuant to §33.001 of the Public Utility Regulatory Act, the City of Victoria has exclusive, original jurisdiction over the electric rates, operations, and services provided within city limits;

WHEREAS, on or about November 3, 2003, AEP Texas Central Company ("TCC" or "Company") filed with the City of Victoria an application seeking to increase electric transmission and distribution rates by 14.7% on a system-wide basis;

WHEREAS, the Company proposed an effective date of December 8, 2003 that was suspended by resolution to provide time to study the reasonableness of the application;

WHEREAS, on December 19, 2003, TCC extended the effective date by two weeks;

WHEREAS, the City of Victoria, in a reasonably noticed public hearing considered the Company's application and a recommendation from the City's consultants who were retained to evaluate the merits of the Company's application;

WHEREAS, the City has determined that the electric transmission and distribution rates charged by the Company within the City should be reduced pursuant to the recommendations of its consultants;

THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF VICTORIA, TEXAS:

1.

The existing rates and charges of AEP Texas Central Company are hereby found, after reasonable notice and hearing, to be unreasonable and shall be changed as hereinafter ordered. The changed rates resulting from this ordinance are hereby determined to be just and reasonable rates to be observed and in force within the City.

2.

The Company shall reduce its electric transmission and distribution rates charged to customers located within City limits by 21% on a system-wide basis. The rate decrease shall be allocated to all customer classes uniformly on an equal percentage basis.

3.

The Company shall lower the facilities charge for both street lighting and non-roadway lighting by 21%.

4.

The electric rates charged within City limits shall reflect a 9% return on equity and capital structure comprised of 60% debt and 40% equity in order to reflect the historic low cost of capital and to prevent financial subsidization of TCC's parent company.

5.

The electric rates charged within City limits shall reflect a total plant depreciation rate of 2.93%, a reduction to the Company's proposed rate of 3.22%.

6.

TCC has failed to achieve the minimally accepted service reliability standards established by the Public Utility Commission and has failed to properly allocate sufficient resources to distribution maintenance. TCC shall refund, on a system-wide basis, \$2,754,380 to customers located on feeders failing to meet Commission reliability standards for the years 2001 and 2002.

7.

TCC has incorrectly interpreted the Integrated Stipulation and Agreement ("ISA") approved by the Public Utility Commission in Docket No. 19265. As a result, the electric rates hereby approved within City limits shall incorporate a \$30 million system-wide reduction to ensure that the provisions of the ISA are implemented.

8.

TCC's request for authority to defer bad debt expense and include such expense in the next rate case is denied.

9.

TCC may not charge an account history fee to end-users, REPs, or aggregators. Further, no service fee shall be charged to REPs for aggregators requesting a detailed billing and invoicing analysis.

10.

Cities' rate case expenses are found to be reasonable and shall be reimbursed by the Company.

11.

The electric rate reduction herein approved shall be effective for bills rendered on or after approval of this ordinance. TCC shall file tariffs reflecting the change of rates herein ordered within 10 days of passage of this ordinance.

12.

The rates set forth in this ordinance may be changed and amended by either the City or Company only as provided by law.

13.

It is hereby found and determined that said meeting at which this ordinance was passed was open to the public, as required by Texas law, and that advance public notice of the time, place and purpose of said meeting was given.

14.

This ordinance shall be served on AEP Texas Central Company by U.S. Mail to the Company's authorized representative, Ron Ford, 400 West 15th Street, Suite 610, Austin, Texas 78701.

15.

Nothing contained in this ordinance shall be construed now or hereafter in limiting or modifying, in any manner, the right and power of the City under law to regulate the rates and changes of AEP Texas Central Company.

16.

All ordinances, resolutions, or parts thereof, in conflict with this ordinance are replaced to the extent of such conflict.

17.

This ordinance shall become effective immediately upon final passage and approval by the City Council of the City of Victoria, Texas.

PASSED FIRST READING, this the 2nd day of March, 2004.

AYES: 6

NAYS: 0

ABSTENTIONS: 0

PASSED SECOND READING, this the 9th day of March, 2004.

AYES: 6

NAYS: 0

ABSTENTIONS: 0

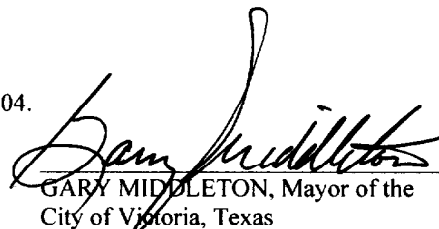
PASSED THIRD READING, this the 9th day of March, 2004.

AYES: 6

NAYS: 0

ABSTENTIONS: 0

APPROVED AND ADOPTED, this the 9th day of March, 2004.


GARY MIDDLETON, Mayor of the
City of Victoria, Texas

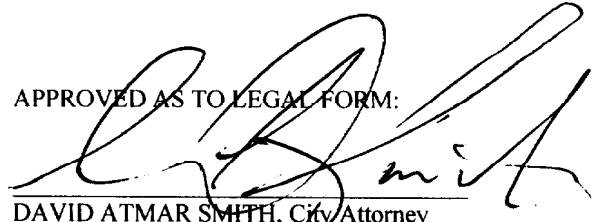
ATTEST:



SCARLET SWOBODA, City Secretary
Distribution: Legal Department
City Manager



APPROVED AS TO LEGAL FORM:



DAVID ATMAR SMITH, City Attorney
Copies Sent: **March 10, 2004**