

ORDINANCE NO. 2007- 3

An ordinance of the City of Victoria, Texas finding, after reasonable notice and hearing, that AEP Texas Central Company's existing rates are unreasonable; finding that AEP Texas Central Company's requested revenues resulting from electric transmission and distribution rates and charges within the City should be reviewed and revised; determining just and reasonable rates; adopting recommendations of consultants; providing for recovery of rate case expenses; preserving regulatory rights of the city; ordaining other provisions related to the subject matter hereof; repealing all conflicting ordinances; providing for severability; and declaring an effective date.

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

WHEREAS, on or about November 9, 2006, AEP Texas Central Company ("TCC" or "Company") filed with the City an application seeking to increase electric transmission and distribution rates by 13% on a system-wide basis;

WHEREAS, the Company proposed an effective date of December 14, 2006, that was suspended by resolution to provide time to study the reasonableness of the application;

WHEREAS, the City, 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 Company's existing rates are unreasonable, that the Company's requested increase in revenues for its transmission and distribution systems within the City should be reviewed and revised, and that rates should be set at levels required to recover the revenue requirements set forth herein, pursuant to the recommendations of its consultants;

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

SECTION 1. That the existing rates of AEP Texas Central Company are hereby found to be unreasonable. The rates proposed by AEP Texas Central Company, to be recovered through its electric transmission and distribution rates charged to customers located within the City limits, are hereby found, after reasonable notice and hearing, to be unreasonable and shall be changed as hereinafter ordered.

SECTION 2. The Company shall reduce its requested transmission base rate revenue requirement by \$13.9 million, so that rates shall increase by the amount of \$6,729,000.

SECTION 3. The Company shall reduce its distribution base rate revenue requirement by \$7.1 million, so that its present rates shall be reduced by this amount.

SECTION 4. The electric rates charged within City limits shall reflect a 9% return on equity and a capital structure comprised of 59% debt, 40% common equity, and 1% preferred stock in order to reflect the historic low cost of capital and to prevent financial subsidization of TCC's parent company.

SECTION 5. Cities' rate case expenses are found to be reasonable and shall be reimbursed by the Company.

SECTION 6. The Company's rates shall be revised on a system-wide equal percentage basis to all customer classes. 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.

SECTION 7. The electric rate revisions 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.

SECTION 8. The rates set forth in this Ordinance may be changed and amended by either the City or Company only as provided by law.

SECTION 9. 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.

SECTION 10. This Ordinance shall be served on AEP Texas Central Company by U.S. Mail to the Company's authorized representative, Nancy Napolitano, 400 West 15th Street, Suite 1520, Austin, Texas 78701.

SECTION 11. 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 charges of AEP Texas Central Company.

SECTION 12. All ordinances, resolutions, or parts thereof, in conflict with this Ordinance are repealed to the extent of such conflict.

This ordinance shall take effect upon final approval and adoption by the City Council of the City of Victoria.

PASSED FIRST READING, this the 20th day of February, 2007.

AYES: 7
NAYS: 0
ABSTENTIONS: 0

PASSED SECOND READING, this the 6TH day of MARCH, 2007.

AYES: 6
NAYS: 0
ABSTENTIONS: 1


PASSED THIRD READING, this the 6TH day of MARCH, 2007.

AYES: 6
NAYS: 0
ABSTENTIONS: 1


APPROVED AND ADOPTED, this the 6TH day of MARCH, 2007.



ATTEST:


SCARLET SWOBODA, City Secretary

Distribution: Finance Department
Legal Department


WILL ARMSTRONG, Mayor of the
City of Victoria, Texas

APPROVED AS TO LEGAL FORM:


DAVID ATMAR-SMITH, City Attorney

Copies Sent: MARCH 7, 2007