

RESOLUTION

WHEREAS, El Paso Electric Company, distributes electric power within the City Limits of the City of El Paso pursuant to a 25-year franchise granted to El Paso Electric Company dated as of July 15, 2005, and is an electric utility;

WHEREAS, on February 1, 2012, El Paso Electric Company (“EPE” or the “Company”), filed with the City of El Paso its Application of El Paso Electric Company to Change Rates and to Reconcile Fuel Costs;

WHEREAS, pursuant to applicable law, the City of El Paso maintains original jurisdiction over rates of El Paso Electric Company for rates charged within the City limits of the City of El Paso and the Application specifies that the rate change within the City’s jurisdiction should be effective on March 7, 2012; and

WHEREAS, the City Council has determined that additional time and information is needed for it to study the proposed rate changes and tariffs and the reasons therefore;

WHEREAS, pursuant to the Public Utility Regulatory Act, Texas Utilities Code Section 36.108, the City of El Paso, as regulatory Authority, has the right to suspend the proposed rate change subject to the City’s jurisdiction for a period of 90 days after the proposed date the change would otherwise be effective; and

WHEREAS, the City Council has determined that it is in the best interest of its citizens and ratepayers to suspend the proposed rate change.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO:

1. That the rate increase identified in the Application of El Paso Electric Company to Change Rates and to Reconcile Fuel Costs be and is hereby suspended for 90 days after the effective date for the rate increase subject to the City’s jurisdiction as specified in the filing.
2. That the City Manager shall so notify El Paso Electric Company of the suspension and the order to submit working papers by having a copy of this Resolution delivered or mailed to the Acting Chief Executive Officer and Senior Vice President, Chief Financial Officer of the Company.

ADOPTED by the CITY OF EL PASO, TEXAS, this 28th day of February, 2012.

CITY OF EL PASO

John F. Cook
Mayor

ATTEST:

Richarda Duffy Momsen
City Clerk

APPROVED AS TO FORM:

Sylvia Borunda Firth, City Attorney
City Attorney

APPROVED AS TO CONTENT:

William F. Studer, Jr., Deputy City Manager
Finance and Management Support Services

Agenda Item 16
February 28, 2012

El Paso Electric Company Statement
of Intent to Increase Rates in the City
of El Paso

How Did We Get Here?

- Review of Second quarter Earnings and other issues
- Discussions with EPE
- Review of circumstances-Revenues and Expenses

How Did We Get Here?

- Meetings with EPE-September
 - Attempt to narrow Issues
 - Attempt to address timetable
- Council Action October 4—”Show Cause”
- Council Action-November 15-Temporary Rates

How Did We Get Here?

- EPE Response
 - Appeal of October 4, 2011 Action to PUC
 - Requested Expedited Consideration
 - Dismissed by PUC on City's Motion to Dismiss (12/15/11)
 - Appeal of Temporary Rate Resolution
 - Motions filed
 - Dismissed by EPE on its own Motion January 2012

What is EPE Did EPE File?

- Statement of Intent and Fuel Reconciliation at Public Utility Commission
- Statement of Intent to Increase Rates at City
- Response to Show Cause

Increase Request

Base Rate Increase	\$13.766 million
Interruptible Service	3.173 million
Misc. Service Charges	0.658 million
Rate Case Expense	8.658 million

TOTAL	\$26.255 million

EPE Justification for Rate Increase

- Requested Return on Equity 10.6%
 - 12 months ending 9/30/11—12.07%
 - 12 months ending 12/31/12—13.62%
- Reduce Revenues for Warmer than Normal Weather

EPE Justification for Rate Increase

- Increased Customer Accounting Expense
- Increased Advertising Expense
- Increased Pension Expense
- Long Term Incentive Compensation
- Increases due to Plant Additions
- Increases in costs in September 2012

Proposed Impact on Classes

Class	Present	Proposed	Change	% Change
Residential	\$169,652,808	\$183,225,033	\$13,572,225	\$8.00%
Small Commercial	30,751,620	30,444,104	(307,516)	-1.00%
Government Street Lighting	4,295,925	8,978,484	4,682,559	109.00%
Traffic Signals	68,419	273,675	205,256	300.00%
City County Service	21,617,251	25,521,700	3,904,449	18.06%
General Service	119,357,696	113,797,759	(5,559,937)	-4.66%
Large Power	58,620,778	55,982,843	(2,637,935)	-4.50%
Total Base Revenues	\$437,358,820	\$451,124,536	\$13,765,716	3.15%
“Other Revenues”	\$34,708,861	\$47,197,755	\$12,488,894	35.98%

Proposed Rate Design Changes

- Increase Residential Customer Charge from \$5.00 to \$9.95
- Eliminate Air Conditioning Rider
- Impose a non-bypassable charge on future distributed generation customers
- Meter Traffic Signal lights
- Eliminate City-County Service Rate
- Eliminate Fort Bliss as a separate class
- Impose Rate Case Expenses on City Customers Only.

Where Do We Go From Here?

- Three Cases Based on Same Data
- Need to Suspend Proposed Increase (90 Days from Effective Date)
- Participate in Proceeding at PUC-Including Fuel Reconciliation
- Schedule Council Hearing