

ORDINANCE NO. 12-2007

AN ORDINANCE OF THE CITY OF ABILENE, TEXAS FINDING, AFTER REASONABLE NOTICE AND HEARING, THAT AEP TEXAS NORTH COMPANY'S EXISTING RATES ARE UNREASONABLE; FINDING THAT AEP TEXAS NORTH COMPANY'S REQUESTED REVENUES RESULTING FROM ELECTRIC TRANSMISSION AND DISTRIBUTION RATES AND CHARGES WITHIN THE CITY SHOULD BE REDUCED; 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.

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; and

WHEREAS, on or about November 9, 2006, AEP Texas North Company ("TNC" or "Company") filed with the City an application seeking to increase electric transmission and distribution rates by 12.7% on a system-wide basis; and

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; and

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; and

WHEREAS, the City has determined that the Company's existing rates are unreasonable, that the Company's requested increase in revenues for its electric transmission and distribution systems within the City should be reduced, 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 ABILENE, TEXAS:

SECTION 1. That the existing rates of AEP Texas North Company are hereby found to be unreasonable. The rates proposed by AEP Texas North 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 \$3.9 million, so that rates shall increase by the amount of \$5.1 million.

SECTION 3. The Company shall reduce its requested distribution base rate revenue requirement by \$9.6 million, so that current distribution rates shall remain in effect.

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 TNC'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. TNC 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 North 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 North Company.

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 All ordinances, resolutions, or parts thereof, in conflict with this Ordinance are repealed to the extent of such conflict.

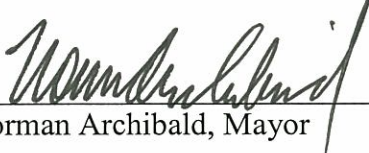
PASSED on FIRST READING this 22nd day of February, 2007.

PASSED on SECOND AND FINAL READING after PUBLIC HEARING this 8th day of March, 2007.

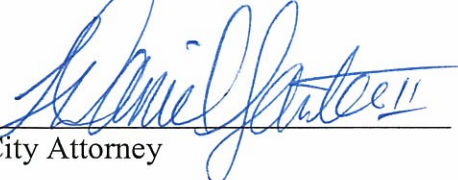
ATTEST:

APPROVED:


Jo Moore, City Secretary


Norman Archibald, Mayor

APPROVED:


City Attorney