



City Of Seagraves

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RESOLUTION NO. 091117-C

A RESOLUTION BY THE CITY OF SEAGRAVES, TEXAS (“CITY”) DENYING SOUTHWESTERN PUBLIC SERVICE COMPANY’S PROPOSED RATE INCREASE REQUEST IN CONNECTION WITH ITS STATEMENT OF INTENT SUBMITTED ON ABOUT AUGUST 21, 2017; CONTINUING THE CITY’S PARTICIPATION IN THE ALLIANCE OF XCEL MUNICIPALITIES (“AXM”); DIRECTING THE ACTIVITIES OF LAWYERS AND CONSULTANTS RELATED TO SPS’S RATE PROCEEDINGS; AUTHORIZING THE HIRING OF ATTORNEYS AND CONSULTANTS; REQUIRING REIMBURSEMENT OF REASONABLE LEGAL AND CONSULTANT EXPENSES; REQUIRING SPS TO PROVIDE PROOF OF PUBLICATION OF NOTICE; FINDING THAT THE MEETING COMPLIES WITH THE OPEN MEETINGS ACT; MAKING OTHER FINDINGS AND PROVISIONS RELATED TO THE SUBJECT; AND DECLARING AN EFFECTIVE DATE

WHEREAS, Southwestern Public Service Company (“SPS” or the “Company”) filed a Statement of Intent with the City on or about August 21, 2017 to increase its base revenues; and

WHEREAS, SPS proposes to implement its proposed increase in rates on or about September 25, 2017, and

WHEREAS, on about August 21, 2017, SPS to increase its base-rate revenue for its Texas retail service area by approximately \$80.9 million, which is an increase in base revenue of about 14.9%; and

WHEREAS, SPS's proposed increase of \$80.9 million includes recovery of about \$14.6 million through base rates of revenue that it currently recovers through its Transmission Cost Recovery Factor, which results in a net base-rate revenue increase for its Texas retail service area of approximately \$66.3 million, which equates to an increase in base revenue of about 12.3%; and

WHEREAS, SPS asserts that the need for its increase in rates is driven primarily to recover its capital investment and increases in its costs; and

WHEREAS, an evaluation of SPS' capital investment and costs, among other issues, presents a complex series of regulatory issues; and

WHEREAS, for a Residential customer using 1,000 kWh per month, if SPS' proposed increase is approved, the bill impact to that Residential customer would be an increase in the base-rate portion of that customer's bill of approximately 25%; and

WHEREAS, SPS seeks a Return on Equity (ROE) of 10.25%; and

WHEREAS, SPS failed to establish that its overall revenue request resulted in no more than an amount that will permit SPS a reasonable opportunity to earn a reasonable return on the utility's invested capital used and useful in providing service to the public in excess of the utility's reasonable and necessary operating expenses; and

WHEREAS, SPS failed to establish that its proposed rates were just and reasonable; and

WHEREAS, the City is a regulatory authority under the Public Utility Regulatory Act ("PURA") and under Chapter 33, §33.001 et seq. of PURA has exclusive original jurisdiction over SPS' rates, operations, and services within the municipality; and

WHEREAS, SPS may exercise its statutory right to appeal a City decision regarding SPS' request to increase rates to the Public Utility Commission of Texas ("PUCT"); and

WHEREAS, SPS filed its Statement of Intent to raise rates with the City and with the PUCT on the same date, August 21, 2017, and it is important to intervene in the PUC proceeding because the PUCT's decisions could impact rates within the City; and

WHEREAS, in order to maximize the efficient use of resources and expertise in participation in any proceedings at the PUCT or in courts of law regarding SPS' rate request and its changes in tariffs, it is prudent to coordinate the City's efforts with a coalition of similarly situated municipalities; and

WHEREAS, the City, in matters regarding applications by SPS to change rates, has in the past joined with other local regulatory authorities to form the Alliance of Xcel Municipalities ("AXM") and hereby continues its participation in AXM.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL FOR THE CITY OF SEAGRAVES, TEXAS THAT:

Section 1. The findings set out in the preamble are in all things hereby approved.

Section 2. SPS failed to show that its proposed rates are just and reasonable.

Section 3. The City hereby **DENIES** SPS' request to increase rates and in support thereof finds that:

- a) The Statement of Intent fails to provide sufficient information to justify the requested increase in revenue or to justify the changes set forth in the attached tariffs; and
- b) The Statement of Intent fails to provide sufficient information to justify the adoption of the rate base, expenses, investment, return on equity, and other rate issues.

Section 4. The City authorizes intervention in proceedings related to SPS' Statement of Intent before the Public Utility Commission of Texas and any related proceedings in any courts of law.

Section 5. The City continues its participation with other cities in a coalition of cities known as the Alliance of Xcel Municipalities ("AXM") with the understanding that the Steering Committee of AXM is to provide direction and guidance to Special Counsel representing said cities.

Section 6. The City hereby retains Herrera & Boyle, PLLC as Special Counsel to represent the City with regard to SPS' requested increase in rates and related proceedings before local and state regulatory authorities and any court of law and authorizes Special

Counsel to employ such rate experts as may be necessary for review and evaluation of SPS' rate application.

Section 7. The City, in coordination with the Steering Committee, shall review the invoices of the lawyers and rate experts for reasonableness before submitting the invoices to SPS for reimbursement.

Section 8. SPS shall reimburse the City on a monthly basis, through AXM's coordinating city, the City of Amarillo, Texas, for the reasonable costs of attorneys and consultants and expenses related thereto, upon the presentation of invoices reviewed by the City of Amarillo.

Section 9. Not later than seven days after SPS has completed publication of notice of its proposed increase in rates, SPS shall notify AXM that it has completed notice by providing proof of notice to AXM's Special Counsel, Herrera & Boyle, and such proof shall be in the form of an affidavit from a representative from SPS that has personal knowledge that SPS has published notice; such affidavit shall include a copy of notice SPS published.

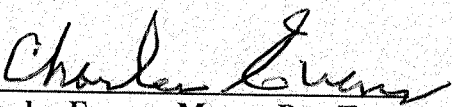
Section 10. The City Secretary or other appropriate city official as a courtesy shall send SPS a copy of this Resolution to **Jeremiah W. Cunningham, Rate Case Manager, Southwestern Public Service Company, 790 S. Buchanan St. Amarillo, Texas 79101** and to **Mr. Alfred R. Herrera, Herrera & Boyle, PLLC, 816 Congress Ave., Suite 950, Austin, Texas 78701.**

Section 11. The meeting at which this Resolution was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.


Section 12. The findings set out in the preamble are in all things hereby approved.

Section 13. This Resolution shall become effective from and after its passage.

PASSED AND APPROVED this 11th day of **SEPTEMBER, 2017.**


Charles Evans, Mayor Pro-Tem

ATTEST:


Dan Grife, City Secretary