



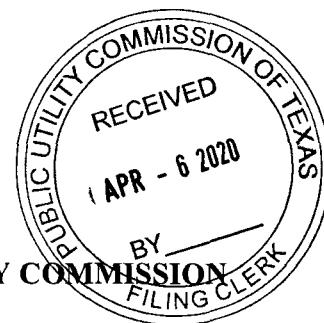
Control Number: 49494



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**PUC DOCKET NO. 49494  
SOAH DOCKET NO. 473-19-4421**



**APPLICATION OF AEP TEXAS INC.  
FOR AUTHORITY TO CHANGE  
RATES**

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**PUBLIC UTILITY COMMISSION  
OF TEXAS**

**ORDER**

This Order addresses the application of AEP Texas Inc. for authority to change its rates. On February 13, 2020, AEP Texas filed an unopposed agreement between the parties to this proceeding. The Commission approves the rates, terms, and conditions set forth in the agreement to the extent provided in this Order.

**I. Background**

On May 1, 2019, AEP Texas filed an application for authority to change its rates. AEP Texas initially sought to increase its annual transmission and distribution revenues by approximately \$35.18 million, inclusive of a rider to refund to customers the balance of excess tax revenue that resulted from the Tax Cuts and Jobs Act of 2017.<sup>1</sup> AEP Texas requested an overall rate of return of 7.08% based on a cost of debt of 4.2758%, a return on equity of 10.5%, and a capital structure of 55% long-term debt and 45% equity. AEP Texas's application also included proposals to consolidate the rates of its formerly separate central and north divisions, eliminate a surcharge associated with its deployment of advanced meters, begin to recover in base rates the ongoing costs to provide advanced metering service, and move the recovery of all costs to provide transmission service into a transmission cost recovery factor.

The Commission referred this docket to the State Office of Administrative Hearings (SOAH) on May 2, 2019. Parties filed testimony and engaged in discovery. After holding a hearing on the merits, the SOAH administrative law judges (ALJs) filed a proposal for decision on November 12, 2019. In the proposal for decision, the SOAH ALJs recommended a decrease of \$59,741,451 to AEP Texas's current total base-rate revenue requirement. The SOAH ALJs also

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<sup>1</sup> Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, Pub. L. No. 115-97, 113 Stat. 2054 (Dec. 22, 2017).

recommended an overall rate of return of 6.58% based on a cost of debt of 4.2758%, a return on equity of 9.4%, and a capital structure of 55% long-term debt and 45% equity.

On February 13, 2020, AEP Texas filed a non-unanimous, but unopposed agreement. The signatories agreed to consolidate the rates of the central and north divisions and to a \$40 million black-box decrease to AEP Texas's total base-rate revenue requirement. The signatories agreed for AEP Texas's overall rate of return to be 6.45% based on a cost of debt of 4.2758%, a return on equity of 9.4%, and a capital structure of 57.5% long-term debt and 42.5% equity. The agreement also specified that AEP Texas will recover all existing and future transmission-related costs through its transmission cost recovery factor instead of through base rates. However, the agreement left to the Commission the resolution of whether dividend restrictions should be imposed on AEP Texas.

At its February 27, 2020 open meeting, the Commission evaluated the agreement in lieu of the proposal for decision and voted to approve it without imposing dividend restrictions on AEP Texas. Accordingly, the Commission does not adopt the proposal for decision.

## **II. Findings of Fact**

The Commission makes the following findings of fact.

### **Applicant**

1. AEP Texas is a wholly owned subsidiary of American Electric Power Company, Inc. (AEP, Inc.), which is a holding company within the meaning of the Public Utility Holding Company Act of 2005.
2. AEP Texas provides electric transmission and distribution services in Texas.
3. AEP Texas delivers electricity across its nearly 100,000 square mile service territory in south and west Texas.
4. AEP Texas is connected to and serves more than one million electric customers in the restructured Texas marketplace within the Electric Reliability Council of Texas (ERCOT) system.

5. AEP Texas's last base-rate cases were filed on October 4, 2006 and docketed as Docket Nos. 33309<sup>2</sup> and 33310.<sup>3</sup>

**Application**

6. In Docket No. 46050,<sup>4</sup> AEP Texas Central Company and AEP Texas North Company sought and received the approval of the Commission to merge into a single entity and change its name to AEP Texas Inc. The Commission's order approving the merger established the central and north divisions within the merged utility, which continued to maintain separate rates, riders, and tariff manuals for the central and north divisions.
7. To facilitate the transition to consolidated rates for the central and north divisions, the Commission required, as part of its order approving the AEP Texas merger in Docket No. 46050, that AEP Texas file a proposal for setting AEP Texas system-wide rates.
8. On May 1, 2019, AEP Texas filed its application and statement of intent to change rates. AEP Texas's application included a proposal to consolidate rates and tariffs for its central and north divisions and set system-wide rates.
9. AEP Texas used a test year from January 1, 2018 through December 31, 2018.
10. AEP Texas initially sought Commission approval to increase its distribution revenues by approximately \$38.3 million over its adjusted test-year revenues, inclusive of its proposed income tax refund rider.
11. AEP Texas initially sought Commission approval to decrease its transmission revenues by approximately \$3.16 million below its adjusted test-year revenues. AEP Texas also proposed a one-time transmission credit of \$29 million associated with the effects of the Tax Cuts and Jobs Act of 2017.

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<sup>2</sup> *Application of AEP Texas Central Company for Authority to Change Rates*, Docket No. 33309, Order on Rehearing (Mar. 4, 2008).

<sup>3</sup> *Application of AEP Texas North Company for Authority to Change Rates*, Docket No. 33310, Order (May 29, 2007).

<sup>4</sup> *Application of AEP Texas Central Company, AEP Texas North Company, and AEP Utilities, Inc., for Approval of Merger*, Docket No. 46050, Order (Dec. 12, 2016).

12. AEP Texas also initially proposed the establishment of the income tax refund rider to return to customers over four years approximately \$83 million in excess tax revenue resulting from the enactment of the Tax Cuts and Jobs Act of 2017 that has not yet been included in rates or refunded to customers.
13. In addition to the rate adjustments, AEP Texas requested a prudence determination for all capital investments made from June 30, 2006 through December 31, 2018; authority to terminate its advanced metering system cost recovery factor rider; a resetting of the baseline for the distribution cost recovery factor (DCRF) rider; a determination of the revenue requirement for the transmission cost recovery factor (TCRF) rider and authority to move transmission cost recovery to the TCRF; shifting all energy-efficiency costs from base rates to the energy efficiency cost recovery factor (EECRF) rider; an increase of \$5 million over the \$11.2 million in vegetation management expense incurred during the test year; approval to continue its facilities rental services; expansion of its self-insurance storm reserve; recovery of all reasonable and necessary rate-case expenses incurred in this docket and Docket Nos. 28840,<sup>5</sup> 33309,<sup>6</sup> 33310,<sup>7</sup> 34301,<sup>8</sup> 40261,<sup>9</sup> 47015,<sup>10</sup> 48222,<sup>11</sup> and 48577;<sup>12</sup> and revisions to its tariffs and schedules, including the discontinuance of outdated tariffs.

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<sup>5</sup> *Application of AEP Texas Central Company for Authority to Change Rates*, Docket No. 28840, Order (Aug. 15, 2005).

<sup>6</sup> *Application of AEP Texas Central Company for Authority to Change Rates*, Docket No. 33309, Order on Rehearing (Mar. 4, 2008).

<sup>7</sup> *Application of AEP Texas North Company for Authority to Change Rates*, Docket No. 33310, Order (May 29, 2007).

<sup>8</sup> *Proceeding to Consider Rate Case Expenses Severed from Docket No. 33310*, Docket No. 34301, Order (May 29, 2008).

<sup>9</sup> *Application of AEP Texas Central Company and AEP Texas North Company for Approval of Advanced Metering System Reconciliation Pursuant to PUC Subst. R. § 25.130(k)(6)*, Docket No. 40261, Order (Jul. 30, 2012).

<sup>10</sup> *Application of AEP Texas Inc. to Amend its Distribution Cost Recovery Factors*, Docket No. 47015, Order (Jun. 29, 2017).

<sup>11</sup> *Application of AEP Texas Inc. to Amend its Distribution Cost Recovery Factors*, Docket No. 48222, Order (Aug. 30, 2018).

<sup>12</sup> *Application of AEP Texas Inc. for Determination of System Restoration Costs*, Docket No. 48577, Order (Feb. 28, 2019).

14. Concurrent with filing its application with the Commission, AEP Texas filed a similar application with each incorporated municipality in its Texas service area that has original jurisdiction over its rates.
15. AEP Texas's application affects all retail electric providers serving end-use retail electric customers in its certificated service territory and all customers taking service under the company's wholesale transmission service tariff.
16. No party challenged the adequacy and completeness of AEP Texas's application.
17. AEP Texas complied with the form and instructions for the Commission's rate-filing package, and the application was administratively complete.

**Effective Date of Proposed Rates**

18. AEP Texas's application to change rates initially proposed an effective date of June 5, 2019.
19. In SOAH Order No. 1 filed May 3, 2019, the SOAH ALJs suspended AEP Texas's proposed effective date until November 4, 2019.
20. In an unopposed agreement between the parties filed by AEP Texas on February 13, 2020, the signatories agreed that if this Order was filed after February 29, 2020, the approved rates would be effective on the date of the first billing cycle of the month occurring a minimum of 45 days after the date of the Order.

**Notice**

21. AEP Texas requested that the Commission approve its proposed method and form of notice, which AEP Texas attached to its application as appendix C.
22. On May 10, 2019, AEP Texas amended its proposed notice after receiving input from Commission Staff.
23. Notice of AEP Texas's application was published once each week for four consecutive weeks in numerous newspapers that have general circulation in each county in AEP Texas's service area, with the last publication occurring on June 17, 2019. On June 24, 2019, AEP Texas filed the affidavit of Jennifer J. Frederick, who attested to the

completion of notice as described in this finding of fact. In addition, AEP Texas filed publishers' affidavits from the newspapers.

24. No party challenged the adequacy of the notice provided by AEP Texas, and Commission Staff recommended that the SOAH ALJs find the amended proposed form of notice to be sufficient.
25. In SOAH Order No. 2 filed May 21, 2019, the SOAH ALJs approved AEP Texas's amended proposed form of notice.
26. AEP Texas provided a copy of the application by hand delivery or first-class mail to all parties who intervened in Docket Nos. 33309 and 33310, AEP Texas's most recent base-rate cases.
27. AEP Texas sent notice of the application by first-class mail to all parties to the agreement entered in Docket No. 36928.<sup>13</sup>
28. On April 30, 2019, AEP Texas sent a copy of the application by FedEx next-day delivery to each municipality that is within its service territory and has original jurisdiction over AEP Texas's rates and services.
29. AEP Texas served notice of the application by first-class mail to each of the ERCOT wholesale transmission customers on the service list in Docket No. 48928.<sup>14</sup>
30. AEP Texas served notice of the application by first-class mail to each retail electric provider listed on the Commission's website as of the date on which notice was sent.

**Intervenors**

31. In SOAH Order No. 2 filed May 21, 2019, the SOAH ALJs granted the motions to intervene of the following entities: Cities Served by AEP Texas (Cities); Office of Public Utility Counsel (OPUC); Texas Industrial Energy Consumers (TIEC); South Texas Electric

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<sup>13</sup> *AEP Texas Central Company and AEP Texas North Company's Request for Approval of Advanced Metering System (AMS) Deployment Plan and Request for AMS Surcharges*, Docket No. 36928, Order (Dec. 17, 2009).

<sup>14</sup> *Application to Set 2019 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas*, Docket No. 48928, Order (Apr. 4, 2019).

Cooperative, Inc.; Public Utilities Board of the City of Brownsville; Golden Spread Electric Cooperative, Inc.; and Alliance for Retail Markets.

32. In SOAH Order No. 3 filed June 13, 2019, the SOAH ALJs granted the motion to intervene of Texas Cotton Ginners' Association.
33. In SOAH Order No. 5 filed July 18, 2019, the SOAH ALJs granted the motions to intervene of the following entities: the Department of the Navy on behalf of the Federal Executive Agencies; Texas Energy Association for Marketers; and Walmart Inc.

**Appeals of Municipal and County Ordinances**

34. AEP Texas appealed to the Commission the actions of the following municipalities and counties exercising original jurisdiction within AEP Texas's service territory: Benavides, Driscoll, Odem, Pharr, Putnam, Fulton, Bayside, Big Lake, Charlotte, Goliad, Nixon, Orange Grove, Stamford, Alice, Bayview, Eden, El Campo, George West, Knox City, Port Aransas, Quanah, Raymondville, Rochester, Sabinal, Winters, Rankin, Edna, Ganado, Smiley, Agua Dulce, Childress, Paducah, Primera, Asherton, Eagle Lake, Elsa, Nordheim, Hawley, Indian Lake, Sullivan City, Petronila, Munday, Poteet, Sonora, Abram-Perezville, Adams Garden, Alamo, Alleyton, Banquete, Barksdale, Belmont, Berclair, Big Wells, Blessing, Blewett, Bloomington, Bluetown, Brackettville, Bruni, Camp Wood, Catarina, Chapman, Ranch, Comstock, Concepcion, Crystal City, Dacosta, Derby, Devine, Eagle Pass, Edinburg, Edroy, El Indio, El Maton, Encino, Freer, Fronton, Garwood, Gillett, Glidden, Granjeno, Guadalupe, Hargill, Havana, Hebronville, Hillje, Inez, Knippa, LaBlanca, La Casita-Garciasville, La Joya, La Pryor, La Villa, Laguna Heights, Lamar, Laureles, Leakey, Leesville, Leming, Long Mott, Los Ebanos, Los Fresnos, Louise, Lozano, Lytle, Madero, Markham, Matagorda, Matthews, McAllen, Midfield, Millett, Mirando City, Monte Alto, Moore, Nada, Normandy, Normanna, Oakville, Oilton, Olmito, Palm Valley, Pawnee, Pearsall, Penitas, Pettus, Placedo, Port Mansfield, Progreso Lakes, Quemado, Rabb, Ramireno, Ramirez, Realitos, Ricardo, Rios, Rivera, Rocksprings, San Carlos, San Juan, San Ygnacio, Sandia, Santa Maria, Santa Monica, Santa Rosa, Sebastian, Seco Mines, Sejita, Seven Sisters, Skidmore, Three Rivers, Tivoli, Tuleta, Tulsita, Tynan, Uvalde, Vernon, Violet, Wadsworth, Weesatche, Westhoff, Winter Haven, Zapata, Hogg County, and Zapata County.



35. In SOAH Order No. 2 filed May 21, 2019, municipal rate appeals of the following municipalities were consolidated into this proceeding: Benavides, Driscoll, Odem, Pharr, Putnam, and Fulton.
36. In SOAH Order No. 3 filed June 13, 2019, municipal rate appeals of the following municipalities were consolidated into this proceeding: Bayside, Big Lake, Charlotte, Goliad, Nixon, Orange Grove, Stamford, Alice, Bayview, Eden, El Campo, George West, Knox City, Port Aransas, Quanah, Raymondville, Rochester, Sabinal, Winters, Rankin, Edna, Ganado, Smiley, Agua Dulce, Childress, Paducah, Primera, Asherton, Eagle Lake, Elsa, Nordheim, Hawley, Indian Lake, Sullivan City, and Petronila.
37. In SOAH Order No. 5 filed July 18, 2019, municipal rate appeals of the following municipalities were consolidated into this proceeding: Munday, Poteet, Sonora, Abram-Perezville, Adams Garden, Alamo, Alleyton, Banquete, Barksdale, Belmont, Berclair, Big Wells, Blessing, Blewett, Bloomington, Bluetown, Brackettville, Bruni, Camp Wood, Catarina, Chapman, Ranch, Comstock, Concepcion, Crystal City, Dacosta, Derby, Devine, Eagle Pass, Edinburg, Edroy, El Indio, El Maton, Encino, Freer, Fronton, Garwood, Gillett, Glidden, Granjeno, Guadalupe, Hargill, Havana, Hebbbronville, Hillje, Inez, Knippa, LaBlanca, La Casita-Garciasville, La Joya, La Pryor, La Villa, Laguna Heights, Lamar, Laureles, Leakey, Leesville, Leming, Long Mott, Los Ebanos, Los Fresnos, Louise, Lozano, Lytle, Madero, Markham, Matagorda, Matthews, McAllen, Midfield, Millett, Mirando City, Monte Alto, Moore, Nada, Normandy, Normanna, Oakville, Oilton, Olmito, Palm Valley, Pawnee, Pearsall, Penitas, Pettus, Placedo, Port Mansfield, Progreso Lakes, Quemado, Rabb, Ramireno, Ramirez, Realitos, Ricardo, Rios, Rivera, Rocksprings, San Carlos, San Juan, San Ygnacio, Sandia, Santa Maria, Santa Monica, Santa Rosa, Sebastian, Seco Mines, Sejita, Seven Sisters, Skidmore, Three Rivers, Tivoli, Tuleta, Tulsita, Tynan, Uvalde, Vernon, Violet, Wadsworth, Weesatche, Westhoff, Winter Haven, and Zapata.
38. In SOAH Order No. 7 filed August 9, 2019, the rate appeals of Hogg County and Zapata County were consolidated into this proceeding.

**Testimony and Statements of Position**

39. AEP Texas included in its application the direct testimonies and exhibits of Judith Talavera, Leigh Anne Strahler, Randall Hamlett, Greg Wilson, Jay Joyce, Robert Hevert, Renee Hawkins, Steve Fetter, Thomas Coad, Dan Boezio, Wayman Smith, Joel Murphy, Gilbert Hughes, Jeff Stracener, Heather Whitney, Jason Cash, Michael Kelly, Brian Frantz, Patrick Baryenbruch, Tracy Elich, Curt Cooper, Andy Carlin, Jon Burns, Randolph Ware, Greg Filipkowski, David Standley, Stan Partlow, Nora Williams, Chad Burnett, John Aaron, Jennifer Jackson, and David Hawk.
40. On July 18, 2019, AEP Texas filed a letter identifying errata to the direct testimonies and exhibits of Judith Talavera, Thomas Coad, Randall Hamlett, Steve Fetter, and Greg Wilson.
41. On July 24, 2019, the Texas Cotton Ginners' Association filed a statement of position.
42. On July 25, 2019, South Texas Electric Cooperative filed the direct testimony and exhibits of Cory J. Allen; Cities filed the direct testimonies and exhibits of Lane Kollen, Nancy Hughes, Clarence Johnson, Karl Nalepa, and Rick Baudino; OPUC filed the direct testimonies and exhibits of Constance T. Cannady, William Perea Marcus, and Anjuli Winker; TIEC filed the direct testimonies and exhibits of Jeffry Pollock and Michael Gorman; Walmart filed the direct testimony and exhibits of Steve W. Chriss; Golden Spread filed a statement of position; and the Department of the Navy filed the direct testimonies and exhibits of Ralph C. Smith and Ali Al-Jabir.
43. On August 1, 2019, Commission Staff filed the direct testimonies and exhibits of Reginald J. Tuvilla; Darryl Tietjen; Anna Givens; David Bautista, P.E.; John Poole, P.E.; Nancy Palma; Alicia Maloy; and Adrian Narvaez.
44. On August 2, 2019, Commission Staff filed errata to the direct testimony of Reginald J. Tuvilla.
45. On August 13, 2019, AEP Texas filed the rebuttal testimonies and exhibits of Judith Talavera, Leigh Anne Strahler, David Hawk, Greg Wilson, Robert Hevert, Renee Hawkins, Steve Fetter, Dan Boezio, Wayman Smith, Thomas Coad, Patrick Baryenbruch, Andrew Carlin, Randy Ware, Randall Hamlett, Jason Cash, Michael Kelly, Bryan Coffey, John Aaron, and Jennifer Jackson.

46. On August 13, 2019, Commission Staff filed the cross-rebuttal testimonies and exhibits of David Bautista, P.E. and Adrian Narvaez; Cities filed the cross-rebuttal testimony and exhibits of Clarence L. Johnson; TIEC filed the cross-rebuttal testimony and exhibits of Jeffry Pollock; OPUC filed the cross-rebuttal testimony and exhibits of William Perea Marcus; and the Department of the Navy filed the cross-rebuttal testimony and exhibits of Ali Al-Jabir.
47. On August 14, 2019, TIEC filed errata to the direct testimony and exhibits of Jeffry Pollock.
48. On August 14, 2019, Golden Spread filed a second statement of position and Alliance for Retail Markets filed a statement of position.
49. On August 15, 2019, TIEC filed errata to the direct testimony and exhibits of Michael Gorman.
50. On August 15, 2019, South Texas Electric Cooperative filed errata to the direct testimony and exhibits of Cory J. Allen.
51. On August 15, 2019, Texas Energy Association for Marketers and TIEC filed statements of position.
52. On August 16, 2019, Commission Staff filed the supplemental direct testimony of David Bautista, P.E.
53. On August 16, 2019, Cities filed errata to the direct testimonies of Clarence Johnson, Lane Kollen, and Karl Nalepa.

**Referral to SOAH**

54. On May 2, 2019, the Commission referred this docket to SOAH.
55. On May 24, 2019, the Commission filed the preliminary order for this docket, setting forth a list of 74 issues to be addressed.
56. In SOAH Order No. 2 filed May 21, 2019, the SOAH ALJs granted AEP Texas's motion to sever and established Docket No. 49556, *Review of Rate Case Expenses Incurred by AEP Texas and Municipalities in Docket No. 49494*, to address issues related to rate-case

expenses incurred in this docket and the eight prior dockets identified in AEP Texas's application.

57. The hearing on the merits convened on August 20, 2019 and adjourned on August 22, 2019.
58. On September 5, 2019, the parties filed initial post-hearing briefs.
59. On September 13, 2019, the parties filed reply briefs.
60. The record closed on September 23, 2019.
61. On November 12, 2019, the SOAH ALJs filed a proposal for decision for the Commission's consideration.
62. Parties filed exceptions to the proposal for decision on December 6, 2019 and replies to the exceptions on December 20, 2019.
63. On January 13, 2020, the SOAH ALJs filed a letter recommending certain corrections to the proposal for decision.

**Advanced Metering System Reconciliation**

64. AEP Texas requested to reconcile Advanced Metering System (AMS) costs with AMS surcharge revenues in accordance with 16 Texas Administrative Code (TAC) § 25.130(k)(6).
65. AEP Texas's AMS costs were incurred by AEP Texas, and its AMS revenues were collected from its customers, since the end of the previous AMS reconciliation period (December 31, 2011) through the end of the test year.
66. AEP Texas provided sufficient evidence supporting the reasonableness of the AMS costs it incurred.
67. AEP Texas's AMS costs are reasonable, and those costs incurred and the AMS revenues collected through the end of the test year are reconciled.
68. Accounting for the actual costs, investment, and revenues associated with AEP Texas's AMS deployment through the reconciliation period resulted in AMS surcharge under-recoveries of \$30,157,739 (net of \$6,063,403 of cumulative interest expense) and

\$12,923,589 (including \$283,307 of cumulative interest benefit) as of December 31, 2018 for AEP Texas's central and north divisions, respectively.

**Compliance with Docket No. 46284 and Competitive Energy Service**

69. In Docket No. 46284,<sup>15</sup> the Commission ordered AEP Texas, either in its next base-rate case or its next application to extend its facilities rental tariff, whichever is filed first, to file a comprehensive study addressing the cost and rate impact of adding additional metering points to each installation where facilities owned by AEP Texas are on the customer side of the meter and to provide a proposed cost-based tariff for transformation services.<sup>16</sup>
70. AEP Texas provided the information described in finding of fact 69 with the application in this docket.
71. Facilities rental service to retail customers is a competitive energy service under 16 TAC § 25.341(3)(F).
72. AEP Texas sought approval to continue to provide facilities rental service under tariff schedules 6.1.2.3.3, 6.1.3.3.6, and 6.1.4.3.6 for an additional three years.
73. AEP Texas sought to continue to provide facilities rental service to those existing distribution-voltage customers currently leasing facilities under its facilities rental tariffs.
74. AEP Texas's proposal is reasonable and should be adopted.

**Energy-Efficiency Costs to Remove from Rate Base**

75. As expressly provided in the Commission's orders in Docket Nos. 33309 and 33310, AEP Texas central and north divisions have amounts of energy-efficiency funding included in the distribution base-rate charge.
76. AEP Texas sought to shift recovery of all energy-efficiency funding to its EECRF tariff.
77. Energy-efficiency amounts were excluded from AEP Texas's test-year costs.

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<sup>15</sup> *Application of AEP Texas North Company and AEP Texas Central Company to Extend Facilities Rental Tariffs*, Docket No. 46284, Order (Dec. 16, 2016).

<sup>16</sup> Docket No. 46284, Order at Ordering Paragraph Nos. 3–4.

78. To ensure proper recovery of the approved energy-efficiency revenue requirement, AEP Texas requested approval to include the amount of base-rate energy-efficiency costs with the energy-efficiency revenue requirement already included in the approved 2019 EECRF riders for the central and north divisions.
79. In Docket No. 49592,<sup>17</sup> the Commission authorized AEP Texas to adjust its EECRFs to recover \$11,156,764 (\$8,955,636 for the central division and \$2,201,128 for the north division).<sup>18</sup>
80. The Commission also determined in Docket No. 49592 that AEP Texas was collecting through base rates \$7,412,809 for the central division and \$1,487,593 for the north division.<sup>19</sup>
81. The total energy-efficiency revenue requirement approved for the central division in Docket No. 49592 was \$16,368,445.
82. The total energy-efficiency revenue requirement approved for the north division in Docket No. 49592 was \$3,688,721.
83. AEP Texas's proposal to transition from base-rate, divisional recovery of energy-efficiency costs to consolidated recovery under the EECRF is reasonable and necessary.

**Agreement**

84. On February 13, 2020, AEP Texas filed a non-unanimous but unopposed agreement between the parties.
85. The following parties signed the agreement: AEP Texas; Commission Staff; OPUC; Cities; TIEC; South Texas Electric Cooperative; Public Utilities Board of the City of Brownsville; Alliance for Retail Markets; Texas Cotton Ginners' Association; the Department of the Navy; Texas Energy Association for Marketers; and Walmart.

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<sup>17</sup> *Application of AEP Texas Inc. To Adjust Energy Efficiency Cost Recovery Factors and Related Relief*, Docket No. 49592, Order (Dec. 16, 2019).

<sup>18</sup> Docket No. 49592, Order at Findings of Fact Nos. 48 and 52.

<sup>19</sup> Docket No. 49592, Order at Findings of Fact Nos. 58 and 65.

86. Golden Spread did not sign the agreement but does not oppose it.

87. The agreement between the parties is reasonable.

**Agreement – Overall Revenues**

88. The signatories agreed that AEP Texas's total base-rate revenue requirement should be decreased by a black-box amount of \$40 million, as reflected in exhibit A to the agreement.

89. If this Order was filed after February 29, 2020, the signatories agreed for the approved rates to be effective on the date of the first billing cycle of the month occurring a minimum of 45 days after the date of the Order.

90. The revenues produced by the rates approved in this Order will provide AEP Texas with revenues sufficient to cover its expenses and to provide an adequate return.

**Agreement – Return and Capital Structure**

91. The signatories agreed that, beginning on the effective date of the rates approved by this Order, AEP Texas's weighted average cost of capital will be 6.45% based on a cost of debt of 4.2758%, a return on equity of 9.4%, and a capital structure of 57.5% long-term debt and 42.5% equity.

92. It is appropriate for AEP Texas to have an overall rate of return of 6.45% based on a cost of debt of 4.2758%, a return on equity of 9.4%, and a capital structure of 57.5% long-term debt and 42.5% equity.

93. The signatories agreed that the weighted average cost of capital, cost of debt, return on equity, and capital structure of AEP Texas will apply in all Commission proceedings or Commission filings requiring the application of those items.

94. It is appropriate for the agreed overall rate of return (referenced as the weighted average cost of capital in the agreement), cost of debt, return on equity, and capital structure for AEP Texas to apply in all Commission proceedings or Commission filings requiring the application of those items.

**Agreement – Allocation of Revenue Requirement**

95. The signatories agreed that AEP Texas's revenue requirement, which includes the revenue decrease described in finding of fact 88, must be distributed among the functions and customer classes per the allocation as set forth in exhibit B to the agreement.
96. The allocation of the revenue requirement as set forth in exhibit B to the agreement is just and reasonable.
97. The signatories agreed that AEP Texas will recover all existing and future retail transmission-related costs through its TCRF instead of through base rates. AEP Texas agreed to file a combined compliance TCRF incorporating the March 2020 approved matrix.

**Agreement – Consolidation of Rates**

98. AEP Texas's proposal to consolidate the rates and tariffs of its central and north divisions, which is in accordance with the existing organizational and operational structure of AEP Texas, is reasonable.

**Agreement – Rate Moderation**

99. The signatories agreed that AEP Texas will provide its north division transmission class a credit to be funded by AEP Texas that is equal to \$300,000 per year for two years. The credit will be a \$150,000 credit included in AEP Texas's TCRF filing made twice per year.
100. It is appropriate for AEP Texas to include a \$150,000 credit in its TCRF filing made twice per year for two years.

**Agreement – Primary Substation Class Study**

101. The signatories agreed that AEP Texas will provide a class cost of service study in its next rate case that includes a primary substation class, but AEP Texas made no commitment to support the adoption of a primary substation class.

**Agreement – Rates and Tariff Approval**

102. The signatories agreed for AEP Texas to use the tariffs and rates set forth in exhibit C to the agreement.



103. The tariffs and rates in exhibit C to the agreement incorporate the total base-rate revenue decrease approved by this Order.
104. The tariffs and rates in exhibit C to the agreement are just and reasonable.
105. The tariffs and rates in exhibit C to the agreement properly reflect the rates approved by this Order.
106. AEP Texas agreed that, no later than six months from the date of this Order, it will file a proceeding in which it proposes and supports a tariff provision that would allow transmission-level customers to construct and own substations at the customers' facilities interconnected to AEP Texas. AEP Texas agreed to confer with TIEC in developing the proposed tariff provision.
107. AEP Texas agreed to withdraw its request for approval of the inadvertent gain fee.

**Agreement – Ring-Fencing**

108. The signatories agreed to adopt ring-fencing measures for AEP Texas as set forth in findings of fact 109 through 120 of this Order.
109. AEP Texas must not share its credit facility with any unregulated affiliates.
110. AEP Texas's debt must not be secured by non-AEP Texas assets.
111. AEP Texas's assets must not secure the debt of AEP, Inc. or its non-AEP Texas affiliates.
112. AEP Texas's assets must not be pledged for any other entity.
113. AEP Texas must work to ensure that its credit ratings at S&P and Moody's remain at or above AEP Texas's current credit ratings.
114. Except as may be otherwise ordered by the Commission, AEP Texas must take the actions necessary to ensure the existence of an AEP Texas stand-alone credit rating.
115. AEP Texas must not hold out its credit as being available to pay the debt of any AEP, Inc. affiliates.
116. Except for access to the utility money pool and the use of shared assets governed by the Commission's affiliate rules, AEP Texas must not commingle its assets with those of other AEP, Inc. affiliates.

117. AEP Texas must not pledge its assets with respect to, or guarantee, any debt or obligation of AEP, Inc. affiliates.
118. AEP Texas must not transfer any material assets or facilities to any affiliates, other than a transfer that is on an arm's-length basis in accordance with the Commission's affiliate standards applicable to AEP Texas.
119. AEP Texas will not seek to recover from customers any costs incurred as a result of a bankruptcy of AEP Texas or any of its affiliates.
120. Without prior approval of the Commission, neither AEP, Inc. nor any affiliate of AEP, Inc. (excluding AEP Texas) may incur, guaranty, or pledge assets in respect of any incremental new debt that is dependent on the revenues of AEP Texas in more than a proportionate degree compared to the other revenues of AEP, Inc. or the stock of AEP Texas.
121. The ring-fencing measures described in findings of fact 109 through 120 are appropriate.

**Agreement – Invested Capital**

122. AEP Texas's invested capital, including its plant in service through the end of the test year (December 31, 2018), as reflected on exhibit D to the agreement, is used and useful in providing service, was prudently incurred, and was properly included in rate base.
123. The signatories agreed that AEP Texas will remove \$23 million from rate base, the removal of which is reflected in exhibit D to the agreement.
124. The signatories agreed that AEP Texas will refund \$30 million over one year with no carrying costs. This refund represents amounts collected in rates associated with capital that was subject to reconciliation in this proceeding. The \$30 million will be functionalized as \$20 million to wholesale transmission and \$10 million to distribution.
125. The refund described in finding of fact 124 is appropriate.
126. The signatories agreed that AEP Texas's rate base as of the close of the test year (December 31, 2018), as reflected in exhibit D to the agreement, will not be revisited in subsequent rate proceedings.

**Agreement – Cash Working Capital**

127. The signatories agreed that, for purposes of AEP Texas's earnings monitoring reports for reporting years beginning in 2020, AEP Texas's total company cash working capital is negative \$13,408,892, as shown in exhibit D to the agreement.
128. AEP Texas's total company cash working capital of negative \$13,408,892 is reasonable and is appropriate to use in AEP Texas's earnings monitoring reports.

**Agreement – Capitalized Incentive Compensation**

129. The signatories agreed that all parties to the docket reserve the right to take any position with respect to prospective treatment of incentive compensation capitalized after the close of the test year (December 31, 2018) in AEP Texas' next base-rate proceeding.
130. The signatories agreed that, unless legislation is passed permitting the recovery of incentive compensation, the incremental investment included in AEP Texas's interim transmission cost of service and DCRF proceedings will exclude any financially based incentive compensation capitalized after the close of the test year (December 31, 2018) until AEP Texas's next base-rate case.

**Agreement – Vegetation Management Capitalization Policy**

131. Since the end of the test year in AEP Texas's last rate case (July 1, 2006) through December 31, 2018, AEP Texas capitalized, rather than expensed, \$25,612,338 incurred to expand an existing right-of-way or to remove trees with a diameter of greater than 18 inches from the originally cleared right-of-way.
132. The signatories agreed that AEP Texas will remove the above-described \$25,612,338 from rate base and defer these costs as a regulatory asset to be amortized through a rider over a five-year period.
133. The signatories agreed that AEP Texas will defer amounts capitalized under its vegetation management capitalization policy in 2019 into a regulatory asset to be addressed in a future proceeding.
134. The signatories agreed that going forward from January 1, 2020, AEP Texas will treat only the initial clearing of land for a right-of-way as capital.

**Agreement – Income Taxes**

135. The signatories agreed that, to address the effects of the Tax Cuts and Jobs Act of 2017, AEP Texas will refund a total of \$108,020,034, which reflects the following: the difference between the revenues collected under existing rates and the revenues that would have been collected had the existing rates been set using the 21% tax rate enacted under the Tax Cuts and Jobs Act of 2017 until the new rates are implemented; amounts associated with the change in the amortization of protected excess deferred federal income taxes (EDIT) as a result of the Tax Cuts and Jobs Act of 2017 from January 1, 2018 until the date the protected EDIT is included in new rates; and unprotected EDIT associated with the change in tax rates under the Tax Cuts and Jobs Act of 2017.
136. The amount of \$108,020,034 is being refunded through separate riders for distribution and transmission customers. The signatories agreed that AEP Texas will refund \$76,531,681 to distribution customers through its proposed income tax refund rider over a one-year period. The rider will be implemented separately for each division. AEP Texas will refund \$31,488,353 to transmission customers as a one-time credit through its transmission cost of service.
137. The agreement's treatment of the federal income tax issues discussed in findings of fact 135 and 136 is appropriate.
138. The signatories agreed not to initiate a proceeding to review AEP Texas's or its affiliate's accumulated deferred federal income tax balances on AEP Texas's or its affiliate's bonds associated with the securitization of transition to competition costs and not to raise issues related to the appropriate treatment of EDIT amounts associated with those bonds in future Commission proceedings related to AEP Texas or its affiliates.

**Agreement – Rate-Case Expenses**

139. The signatories agreed that AEP Texas will reimburse Cities for all rate-case expenses incurred in all dockets for which the recovery of rate-case expenses was sought in this docket.
140. The signatories agreed that Cities will provide AEP Texas with invoices for all rate-case expenses incurred within ten days of the date of this Order.

141. The signatories agreed that AEP Texas will reimburse Cities for rate-case expenses included on invoices submitted in accordance with this timeline within 30 days of this Order.
142. The signatories agreed that AEP Texas will not seek recovery of rate-case expenses in Docket No. 49556, including expenses incurred by Cities or AEP Texas associated with this proceeding.
143. The signatories agreed that AEP Texas will reimburse Cities for any appeals of this Order.
144. The signatories agreed that AEP Texas will move to dismiss Docket No. 49556 within 30 days of this Order.
145. The agreement's treatment of rate-case expenses is appropriate.

**Agreement – Affiliate Expenses**

146. The signatories agreed that the affiliate amounts included in the rates developed through the agreement are reasonable and necessary, are allowable, and are charged to AEP Texas at a price no higher than was charged by the supplying affiliate to other affiliates.
147. Each signatory reserved the right, in a future AEP Texas proceeding and for prospective application, to dispute whether and in what amount AEP Texas may include in rate base or expense amounts related to affiliate services.

**Agreement – Self-Insurance Reserve**

148. The signatories agreed that AEP Texas's proposed annual accrual of \$4.27 million to the storm reserve is reasonable. The annual accrual of \$4.27 million accounts for annual expected operations and maintenance losses from storm damage in excess of \$500,000 and builds towards a new target reserve of \$13.3 million that consists of \$10.6 million for the central division and \$2.7 million for the north division.
149. The agreement's treatment of the self-insurance reserve is appropriate.
150. AEP Texas's self-insurance reserve is in the public interest and is a lower-cost alternative to purchasing commercial insurance.
151. AEP Texas's self-insurance reserve results in savings that benefit ratepayers.

**Agreement – Depreciation Rates**

152. The signatories agreed that, beginning on the effective date of the rates authorized by this Order, AEP Texas will use the depreciation rates as recommended for approval in the proposal for decision. These depreciation rates are set forth in exhibit E to the agreement.
153. The agreement's treatment of depreciation rates is appropriate.

**Agreement – Interim Update of Transmission Rates**

154. The signatories agreed that when AEP Texas files an application to update its transmission rates on an interim basis under 16 TAC § 25.192(h), the baseline values to be used in that application are those set forth in exhibit F to the agreement.
155. It is appropriate for AEP Texas to use the baseline values set forth in exhibit F to the agreement in future applications to update its transmission rates on an interim basis under 16 TAC § 25.292(h).

**Agreement – Transmission Cost Recovery Factor**

156. The signatories agreed that the rates set following this proceeding reflect AEP Texas's updated TCRF, as approved in Docket No. 50291.<sup>20</sup>
157. The signatories agreed that when AEP Texas files an application to update its TCRF under 16 TAC § 25.193, the baseline values to be used in that application are those set forth in exhibit G to the agreement. The signatories agreed that the TCRF allocators set forth in exhibit G to the agreement would continue to be used to set AEP Texas's TCRF rates until the September 2022 TCRF takes effect.
158. The signatories agreed that by February 28, 2022, AEP Texas will file an application under 16 TAC § 25.193(c) to update the TCRF allocators based on its 2021 four-coincident-peak (4CP) data. AEP Texas agreed to consult with parties to this agreement regarding its proposed updated TCRF allocators before filing an application. The proceeding to update the TCRF allocator will be separate from AEP Texas's petition to update its TCRF under 16 TAC § 25.193(b) and will affect neither the 45-day deadline

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<sup>20</sup> *Petition of AEP Texas Inc. for Administrative Approval of Transmission Cost Recovery Factors*, Docket No. 50291, Notice of Approval (Jan. 27, 2020).

for an order establishing AEP Texas's revised TCRF under 16 TAC § 25.193(b)(1) nor the effective date of AEP Texas's September 1, 2022 TCRF update.

159. The signatories agreed that AEP Texas will implement its September 2022 TCRF update using the 2021 4CP data to determine its TCRF allocators.
160. The signatories agreed that AEP Texas's TCRFs filed after the September 2022 TCRF would be implemented using the 2021 4CP data until AEP Texas files its next base-rate case, unless the Commission provides otherwise by rule or order.
161. The agreement's treatment of the baseline values for TCRF filings is appropriate.

**Agreement – Distribution Cost Recovery Factor**

162. The signatories agreed that when AEP Texas files an application for a DCRF under 16 TAC § 25.243, the baseline values to be used in that application are those set forth in exhibit H to the agreement.
163. The agreement's treatment of the baseline values for DCRF filings is appropriate.

**Agreement – Future Base-Rate Proceeding**

164. The signatories agreed that AEP Texas will file a base-rate case no later than four years from the date of the Commission's final order in this docket and will not request a delay of the filing of its next base-rate case using the provisions of 16 TAC § 25.247(b)(2). The signatories also agreed that AEP Texas is not prohibited from filing, or any regulatory authority from requiring under applicable law, a base-rate case earlier than four years from the date of the Commission's final order in this docket.
165. Settlement is good cause for an exception to the requirement under 16 TAC § 25.247(b)(2) that the Commission extend the filing requirements for investor-owned utilities in the ERCOT region by one year under certain circumstances.

**Agreement – Rate Matrix**

166. The signatories agreed that AEP Texas will publish a rate matrix on its website showing the rate differentiation between the AEP Texas central and north divisions.

**III. Conclusions of Law**

The Commission makes the following conclusions of law.

1. AEP Texas is a public utility as that term is defined in PURA § 11.004(1), an electric utility as that term is defined in PURA § 31.002(6), and a transmission and distribution utility as that term is defined in PURA § 31.002(19).
2. The Commission has jurisdiction over this matter under PURA §§ 14.001, 32.001, 33.051, 36.001 through 36.211, and 39.552.
3. The Commission has jurisdiction over an appeal from municipalities' rate proceedings under PURA § 33.051.
4. The Commission processed the application in accordance with the requirements of PURA, the Administrative Procedure Act,<sup>21</sup> and Commission rules.
5. SOAH exercised jurisdiction over this proceeding under PURA § 14.053 and Texas Government Code § 2003.049.
6. AEP Texas provided notice of the application in compliance with PURA § 36.103 and 16 TAC § 22.51(a) and filed affidavits attesting to the completion of notice in compliance with 16 TAC § 22.51(d).
7. AEP Texas timely appealed to the Commission the actions of the municipalities described in findings of fact 34 through 38.
8. Notice of the hearing on the merits was given in compliance with Texas Government Code §§ 2001.051 and 2001.052.
9. In accordance with PURA § 36.051, the rates approved in this Order permit AEP Texas a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses.
10. The rates approved by this Order are just and reasonable; are not unreasonably preferential, prejudicial, or discriminatory; are sufficient, equitable, and consistent in application to each customer class; and meet the requirements of PURA § 36.003.

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<sup>21</sup> Administrative Procedure Act, Tex. Gov't Code § 2001.001–.902.



11. AEP Texas's proposal to consolidate its central and north division rates and tariffs is just and reasonable and in compliance with PURA § 36.003.
12. The rates approved by this Order do not include any expenses prohibited from recovery under PURA §§ 36.061(a) and 36.062.
13. AEP Texas's invested capital through the end of the test year, as modified by the agreement, meets the requirements of PURA § 36.053.
14. The affiliate expenses included in AEP Texas's rates under the agreement comply with the requirements of PURA § 36.058.
15. AEP Texas's self-insurance plan with an annual accrual of \$4.27 million and a target reserve amount of \$13.3 million is in accordance with PURA § 36.064 and 16 TAC § 25.231(b)(1)(G).
16. An electric utility may petition the Commission for authorization to provide competitive energy service under 16 TAC § 25.343(d).
17. AEP Texas's request to continue to offer facilities rental services complies with 16 TAC § 25.342(d).
18. Under 16 TAC § 25.182(d)(4), base rates may not be set to recover energy-efficiency costs.
19. AEP Texas's proposal to move energy-efficiency costs from base rates to the EECRF and to transition to a consolidated EECRF complies with PURA § 39.905 and 16 TAC § 25.182.
20. The refund related to the Tax Cuts and Jobs Act of 2017, which is described in finding of fact 136, is in accordance with the requirement of the Commission's order in Project No. 47945.<sup>22</sup>
21. The Commission may excuse the requirement under 16 TAC § 25.247(b)(2) to extend the filing requirements for investor-owned utilities in the ERCOT region by one year upon a finding of good cause.

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<sup>22</sup> *Proceeding to Investigate and Address the Effects of Tax Cuts and Jobs Act of 2017 on the Rates of Texas Investor-Owned Utility Companies*, Project No. 47945, Amended Order (Feb. 15, 2018).

22. The Commission may resolve AEP Texas's application through approval of an agreed settlement under Texas Government Code § 2001.056.

#### IV. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following orders.

1. The Commission approves the rates, terms, and conditions of the agreement to the extent provided in this Order.
2. The Commission authorizes AEP Texas to consolidate the rates and tariffs of its central and north divisions to the extent provided in this Order.
3. The Commission approves AEP Texas's tariffs attached to the agreement.
4. The final rates approved by this Order are effective on the date of the first billing cycle of the month occurring 45 days after the date of the Order.
5. Within 20 days of the date of this Order, AEP Texas must file a clean record copy of the approved tariffs to be stamped *Approved* by central records and retained by the Commission.
6. AEP Texas must serve copies of all tariff-related filings on all parties of record.
7. AEP Texas must use the depreciation rates set forth in exhibit E to the agreement.
8. AEP Texas must use the baseline values set forth in exhibit F to the agreement when it files an application to update its wholesale transmission rates on an interim basis under 16 TAC § 25.192(h).
9. AEP Texas must use the TCRF baseline values set forth in exhibit G to the agreement when it files an application to update its TCRF under 16 TAC § 25.193.
10. AEP Texas must use the DCRF baseline values set forth in exhibit H to the agreement when it files an application for a DCRF under 16 TAC § 25.243.
11. AEP Texas must allocate the revenue requirement approved by this Order, including the \$40 million black-box decrease described in finding of fact 88, between the rate classes in the manner set forth in exhibit B to the agreement.

12. AEP Texas must file a combined compliance TCRF incorporating the March 2020 approved matrix.
13. AEP Texas must provide its north division transmission class a credit to be funded by AEP Texas that is equal to \$300,000 per year for two years. The credit will be a \$150,000 credit included in AEP Texas's TCRF filing made twice per year.
14. The Commission approves the rates set forth in exhibit C to the agreement.
15. In all Commission proceedings or filings requiring application of those items, AEP Texas must use an overall rate of return (or weighted average cost of capital, as appropriate) of 6.45% that is based on a cost of debt of 4.2758%, a return on equity of 9.4%, and a capital structure of 57.5% long-term debt and 42.5% equity.
16. AEP Texas must refund \$30 million over one year with no carrying costs. This refund, which represents amounts collected in rates associated with capital that was subject to reconciliation in this proceeding, must be functionalized as \$20 million to wholesale transmission and \$10 million to distribution.
17. AEP Texas must use a total company cash working capital of negative \$13,408,892 in earnings monitoring reports for reporting years beginning in 2020.
18. Unless legislation is passed permitting the recovery of incentive compensation, the incremental investment included in AEP Texas's interim transmission cost of service and DCRF proceedings must exclude any financially based incentive compensation capitalized after the close of the test year (December 31, 2018) until AEP Texas's next base-rate case.
19. AEP Texas must file a base-rate case no later than four years from the date of this Order.
20. AEP Texas may not request to delay the filing of its next base-rate case under 16 TAC § 25.247(b)(2).
21. AEP Texas must refund unprotected EDIT resulting from the change in federal corporate income tax rates under the Tax Cuts and Jobs Act of 2017 through income tax refund riders. AEP Texas must refund protected EDIT as provided in this Order.
22. AEP Texas must establish separate income tax refund riders for its north and central divisions to refund their respective EDIT balances for unprotected EDIT. The EDIT

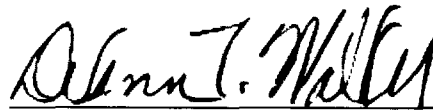
- balances must include carrying costs calculated at AEP Texas's weighted average cost of capital. AEP Texas's refund to distribution customers must take place over a one-year period. AEP Texas's refund to transmission customers must be a one-time refund.
23. The Commission approves AEP Texas's AMS reconciliation in accordance with 16 TAC § 25.130(k)(6).
  24. The Commission authorizes AEP Texas to continue to offer facilities rental service to the extent provided in this Order. The expiration date of the facilities rental service is extended until three years from the date of this Order.
  25. AEP Texas must record and defer as a regulatory asset the \$25,612,338 in costs that it recorded to plant in service from the close of the last test year through December 31, 2018 related to clearing or expanding its right-of-way after the first clearing. This regulatory asset must be amortized and recovered over five years through a new base-rate rider. The amount recovered through this rider will be reconciled in a future proceeding after the amount is fully recovered. In addition, AEP Texas must record and defer into a regulatory asset the costs that it recorded to plant in service during 2019 related to clearing or expanding its right-of-way after the first clearing. The recovery of this amount will be addressed in a future proceeding.
  26. AEP Texas must reimburse Cities within 30 days of this Order for all rate-case expenses incurred in all dockets for which the recovery of rate-case expenses was sought in this docket, provided that Cities provide invoices within 10 days of the date of this Order. AEP Texas must reimburse Cities for any appeals of this Order, but AEP Texas may request recovery of those expenses in a future proceeding.
  27. AEP Texas may not seek to recover rate-case expenses in Docket No. 49556, including expenses incurred by Cities or AEP Texas associated with this proceeding.
  28. AEP Texas must move to dismiss Docket No. 49556 within 30 days of the date of this Order.
  29. AEP Texas must accrue the self-insurance reserve accrual amount approved by this Order until modified by a Commission order in a subsequent proceeding.

30. AEP Texas must provide a class cost of service study in its next base-rate case that includes a primary substation class, but AEP Texas is not required to support the adoption of that class.
31. No later than six months from the date of this Order, AEP Texas must file a proceeding in which it proposes and supports a tariff provision that would allow transmission-level customers to construct and own substations at the customers' facilities interconnected to AEP Texas. AEP Texas must confer with TIEC in developing the proposed tariff provision.
32. By February 28, 2022, AEP Texas must file an application under 16 TAC § 25.193(c) to update its TCRF allocators based on its 2021 4CP data. Before filing its application, AEP Texas must consult with parties to the agreement regarding its proposed updated TCRF allocators.
33. To determine its TCRF allocators, AEP Texas must use the 2021 4CP data in its September 2022 TCRF update and all subsequent TCRF proceedings until AEP Texas files its next base-rate case.
34. AEP Texas must not share its credit facility with any unregulated affiliates.
35. AEP Texas's debt must not be secured by non-AEP Texas assets.
36. AEP Texas's assets must not secure the debt of AEP, Inc. or its non-AEP Texas affiliates.
37. AEP Texas's assets must not be pledged for any other entity.
38. AEP Texas must work to ensure that its credit ratings at S&P and Moody's remain at or above AEP Texas's current credit ratings.
39. Except as may be otherwise ordered by the Commission, AEP Texas must take the actions necessary to ensure the existence of an AEP Texas stand-alone credit rating.
40. AEP Texas must not hold out its credit as being available to pay the debt of any AEP, Inc. affiliates.

41. Except for access to the utility money pool and the use of shared assets governed by the Commission's affiliate rules, AEP Texas must not commingle its assets with those of other AEP, Inc. affiliates.
42. AEP Texas must not pledge its assets with respect to, or guarantee, any debt or obligation of AEP, Inc. affiliates.
43. AEP Texas must not transfer any material assets or facilities to any affiliates, other than a transfer that is on an arm's-length basis in accordance with the Commission's affiliate standards applicable to AEP Texas.
44. AEP Texas must not seek to recover from customers any costs incurred as a result of a bankruptcy of AEP Texas or any of its affiliates.
45. Without prior approval of the Commission, neither AEP, Inc. nor any AEP, Inc. affiliate (excluding AEP Texas) may incur, guaranty, or pledge assets in respect of any incremental new debt that depends on the revenues of AEP Texas in more than a proportionate degree compared to the other revenues of AEP, Inc. or the stock of AEP Texas.
46. AEP Texas must publish a rate matrix on its website showing the riders applicable to the AEP Texas central and north divisions.
47. Entry of this Order does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the agreement and must not be regarded as precedential as to the appropriateness of any principle or methodology underlying the agreement.
48. The Commission denies all other motions and any other requests for general or specific relief that are not expressly granted.

Signed at Austin, Texas the 3rd day of April 2020.

PUBLIC UTILITY COMMISSION OF TEXAS



DEANN T. WALKER, CHAIRMAN



ARTHUR C. D'ANDREA, COMMISSIONER



SHELLY BOTKIN, COMMISSIONER