

Control Number: 42447



Item Number: 33

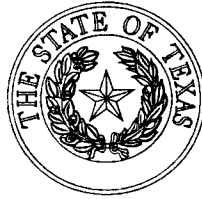
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**Donna L. Nelson**  
Chairman

**Kenneth W. Anderson, Jr.**  
Commissioner

**Brandy D. Marty**  
Commissioner

**Brian H. Lloyd**  
Executive Director



**Rick Perry**  
Governor

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*Public Utility Commission of Texas*

TO: Donna L. Nelson, Chairman  
Kenneth W. Anderson, Jr., Commissioner  
Brandy D. Marty, Commissioner

All Parties of Record

FROM: Irene Montelongo  
Director, Docket Management

RE: **Open Meeting of August 21, 2014**  
**PUC Docket No. 42447**  
**SOAH Docket No. 473-14-3446 – Application of Southwestern Electric Power Company to Adjust Energy Efficiency Cost Recovery Factor and Related Relief**

DATE: July 25, 2014

Enclosed is a copy of the Proposed Order in the above-referenced docket. The Commission will consider this docket at an open meeting presently scheduled to begin at 9:30 a.m. on Thursday, August 21, 2014, at the Commission's offices, 1701 North Congress Avenue, Austin, Texas. The parties shall file corrections or exceptions to the Proposed Order on or before Wednesday, August 13, 2014.

On May 5, 2014, this proceeding was referred to the State Office of Administrative Hearings. Subsequently, the docket was returned to the Commission, and the Docket Management Section prepared this Proposed Order.

**If there are no corrections or exceptions, no response is necessary.**

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APPLICATION OF SOUTHWESTERN § PUBLIC UTILITY COMMISSION  
ELECTRIC POWER COMPANY TO §  
ADJUST ENERGY EFFICIENCY COST § OF TEXAS  
RECOVERY FACTOR AND RELATED §  
RELIEF §

**PROPOSED ORDER**

This Order addresses the application of Southwestern Electric Power Company (SWEPCO) to adjust its Energy Efficiency Cost Recovery Factor (EECRF) pursuant to PURA<sup>1</sup> § 39.905 and P.U.C. SUBST. R. 25.181 (Application). A Stipulation was executed that resolves all issues in this proceeding. The Stipulation and the Application, to the extent it is consistent with the Stipulation, are approved.

The Public Utility Commission of Texas (Commission) adopts the following findings of fact and conclusions of law:

**I. Findings of Fact**

**Procedural History and Background**

1. On May 1, 2014, SWEPCO filed an Application seeking to adjust its EECRF to recover \$5,501,156 in Program Year (PY) 2015.
2. On May 5, 2014, the Commission referred this docket to the State Office of Administrative Hearings (SOAH).
3. SWEPCO provided notice of this proceeding to those entities who were parties to SWEPCO's most recent base rate case, Docket No. 40433,<sup>2</sup> to each party who

<sup>1</sup> Public Utility Regulatory Act, TEX. UTIL. CODE ANN §§ 11 001-66 016 (Vernon 2007 & Supp 2013) (PURA)

<sup>2</sup> *Application of Southwestern Electric Power Company for Authority to Change Rates*, Docket No 40433, Order on Rehearing (Mar. 6, 2014).

- participated in SWEPCO's last EECRF proceeding, Docket No. 41439,<sup>3</sup> and to the Texas Department of Housing and Community Affairs.
4. On May 8, 2014, the SOAH Administrative Law Judge (ALJ) issued Order No. 1, adopting a procedural schedule and protective order.
  5. On June 3, 2014, the SOAH ALJ issued Order No. 2, granting Commission Staff's motion to modify the procedural schedule and approving notice.
  6. On June 6, 2014, the Commission issued the Preliminary Order that listed the issues to be addressed.
  7. On July 23, 2014, SWEPCO filed a Stipulation resolving all issues in the docket.
  8. On July 23, 2014, SWEPCO filed a motion to admit evidence and remand this proceeding to the Commission, as there were no material issues in dispute.
  9. On July 23, 2014, Commission Staff filed affidavits of Elizabeth Heenan, Joe Luna, and Grant Gervais in support of the Stipulation.
  10. On July 24, 2014, the SOAH ALJ issued Order No. 4, admitting the following documents into the evidentiary record, remanding the proceeding to the Commission, and dismissing the SOAH docket:
    - a. SWEPCO's Application for 2015 EECRF, filed May 1, 2014, including:
      - i. Attachments A and B;
      - ii. Direct Testimony of Paul E. Pratt;
      - iii. Direct Testimony of Lana L. Deville;
      - iv. Direct Testimony of Shawna G. Jones;
      - v. Schedules A-R; and
      - vi. Workpapers;
    - b. SWEPCO's Proof of Notice, filed May 2, 2014;
    - c. Commission Staff Affidavits of Elizabeth Heenan, Joe Luna, and Grant Gervais in support of the Stipulation; and

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<sup>3</sup> *Application of Southwestern Electric Power Company to Adjust Energy Efficiency Cost Recovery Factor and Related Relief* Docket No. 41439, Order (Nov. 4, 2013).

d. Stipulation, including all attachments and exhibits thereto.

11. On July 24, 2014, Commission Staff filed the Corrected Affidavit of Grant Gervais in support of the Stipulation and an unopposed motion to admit the evidence into the record of this proceeding. On July 25, 2014, the Commission's ALJ issued an order granting the unopposed motion and admitting the affidavit.
12. SWEPCO and Commission Staff are the only parties to this proceeding

**Requested EECRF**

13. The requested EECRF consists of an updated EECRF tariff (Rider EECRF), which reflects the proposed Rider EECRF rates for the period January 2015 through the period in which any new EECRF is implemented and defines the procedure by which SWEPCO shall implement and adjust rates for the recovery of costs associated with energy efficiency programs from the customer classes that receive services under these programs pursuant to P.U.C. SUBST. R. 25.181.
14. Consistent with the Stipulation, the total amount requested to be collected through SWEPCO's 2015 EECRF is \$5,494,570, which consists of the following components:
  - a. recovery of \$3,341,703 in energy efficiency expenses budgeted for PY 2015;
  - b. recovery of a performance bonus in the amount of \$1,930,025 for achieving energy efficiency goals in PY 2013;
  - c. recovery of \$111,797 for the under-recovery of energy efficiency costs incurred in PY 2013; and
  - d. recovery of \$111,045 in projected Evaluation, Measurement and Verification (EM&V) costs.
15. In support of the Application, SWEPCO presented testimony, schedules, and workpapers demonstrating that the budgeted costs to be recovered through the 2015 EECRF — \$3,822,691 — are reasonable estimates of the costs necessary to provide energy efficiency programs for PY 2015 and to meet SWEPCO' energy efficiency goals as required by P.U.C. SUBST. R. 25.181.

16. SWEPCO qualified for and accurately calculated an energy efficiency performance bonus, consistent with the Stipulation, of \$1,930,025 for achieving energy efficiency goals in PY 2013.
17. SWEPCO's performance bonus is reasonable and consistent with P.U.C. SUBST. R. 25.181.
18. SWEPCO's request to recover \$118,383 for the under-recovery of energy efficiency costs in PY 2013 should be reduced by \$6,586 and the resulting under-recovery of \$111,797 is reasonable and consistent with P.U.C. SUBST. R. 25.181.
19. SWEPCO's EM&V expenses of \$111,045 are consistent with P.U.C. SUBST. R. 25.181.
20. SWEPCO presented testimony and schedules that demonstrated: (a) the administrative costs do not exceed 15% of SWEPCO's total program costs; (b) the costs of research and development do not exceed 10% of SWEPCO's total program costs; (c) the cumulative costs of SWEPCO's administrative costs and research development do not exceed 20% of SWEPCO's total program costs; and (d) the incentive payments for each customer class comply with P.U.C. SUBST. R. 25.181(g).
21. The elements of SWEPCO's Application for approval of adjusted EECRF for PY 2014, consistent with the Stipulation, satisfy the requirements of P.U.C. SUBST. R. 25.181(f)(9).
22. The proposed EECRF class factors in the updated Rider EECRF are set forth below. The proposed factors are in compliance with the cost caps set forth in P.U.C. SUBST. R. 25.181.

<b>EECRF Customer Class</b>	<b>2015 EECRF kWh Factor</b>
Residential	\$0.001287
General Service	\$0.000434
Lighting & Power	\$ 0.000836
Municipal Pumping	(\$0.000246)
Municipal Service	\$0.002465
Cotton Gin	(\$0.000176)
Large Lighting & Power < 69kV	(\$0.000436)
Electric Furnace	(\$0.000060)
Metal Melting <69kV	\$0.004694
Oil Field Large Industrial Power	\$0.000120
Lighting	(\$0.000047)

23. The EECRF approved by this Order should be effective as of January 1, 2015.
24. SWEPCO's assignments and allocations of the proposed 2015 EECRF to rate classes, consistent with the Stipulation and this Order, are consistent with PURA and the Commission's rules.
25. The estimate of billing determinants in calculating SWEPCO's proposed 2015 EECRF in SWEPCO's Application and the calculations of the proposed 2015 EECRF rates, consistent with the Stipulation, are reasonable and in accordance with PURA § 39.905 and P.U.C. SUBST. R. 25.181.
26. SWEPCO's proposed EECRF rates, consistent with the Stipulation, comply with the requirements of P.U.C. SUBST. R. 25.181(f)(7) and P.U.C. SUBST. R. 25.181(r).
27. SWEPCO's total 2015 EECRF should be \$5,494,570, which is reasonable and consistent with PURA § 39.905 and P.U.C. SUBST. R. 25.181, including being reasonable and necessary to reduce demand and energy growth.
28. SWEPCO's proposed tariff schedule, consistent with the Stipulation, is reasonable and complies with P.U.C. SUBST. R. 25.181.
29. All energy efficiency costs recovered by SWEPCO through the EECRF for PY 2013 are in compliance with PURA § 39.905 and P.U.C. SUBST. R. 25.181, and reasonable and necessary to reduce energy and demand costs.
30. No affiliate expenses are included in SWEPCO's EECRF rates under the Stipulation.

**Informal Disposition**

31. More than 15 days have passed since completion of the notice provided in this Docket.

**II. Conclusions of Law**

1. SWEPCO is a public utility as that term is defined in PURA § 11.004(1), and an electric utility as that term is defined in PURA § 31.002(6).
2. The Commission has jurisdiction over SWEPCO's Application pursuant to PURA §§ 14.001, 36.204, and 39.905, and authority to review the Application pursuant to P.U.C. SUBST. R. 25.181.

3. SWEPCO's Application was processed in accordance with the requirements of PURA, the Administrative Procedure Act, TEX. GOV'T CODE ANN. Chapter 2001 (Vernon 2008 & Supp. 2013), and Commission rules.
4. SWEPCO's notice provided in this proceeding is sufficient and in accordance with P.U.C. PROC. R. 22.55.
5. Pursuant to PURA § 39.905 and P.U.C. SUBST. R. 25.181(f), an electric utility shall file to adjust its previously established EECRF annually to reflect changes in costs and any bonuses, and to minimize any over or under-recovery of energy efficiency costs resulting from the use of an EECRF.
6. SWEPCO's forecasted EECRF, consistent with the Stipulation, conforms to the requirements set forth in P.U.C. SUBST. R. 25.181(f) and is a reasonable method of recovering costs of providing energy efficiency programs.
7. SWEPCO's energy efficiency programs adhere to the cost-effectiveness parameters contained in P.U.C. SUBST. R. 25.181.
8. A utility may earn a performance bonus if it exceeds its demand and energy reduction goals at a cost that does not exceed the cost caps consistent with P.U.C. SUBST. R. 25.181(h).
9. SWEPCO has met its burden of proof demonstrating that it is entitled to the level of energy efficiency program costs and performance bonus as reflected in the Stipulation.
10. SWEPCO's EECRF calculations, consistent with the Stipulation and approved in this proceeding, are appropriate and in accordance with PURA § 39.905 and P.U.C. SUBST. R. 25.181.
11. The assignments and allocations to the customer classes, consistent with the Stipulation, are appropriate and in accordance with PURA § 39.905 and P.U.C. SUBST. R. 25.181.
12. SWEPCO's proposed tariff schedule submitted in its Application, as modified by the Stipulation, is approved and complies with PURA § 39.905 and P.U.C. SUBST. R. 25.181.



13. The requirements for informal disposition pursuant to P.U.C. PROC. R. 22.35 have been met in this proceeding.

### III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following order:

1. The Stipulation and Application, to the extent it is consistent with the Stipulation, are approved.
2. SWEPCO's 2015 EECRF is designed to collect a total revenue requirement of \$5,494,570, which consists of: (a) \$3,341,703 of energy efficiency expenses budgeted for its PY 2015; (b) a performance bonus of \$1,930,025 reflecting its energy efficiency goals achievements in PY 2013; (c) recovery of an under-recovery amount of \$111,797 of PY 2013 energy efficiency costs; and (d) an estimated amount of \$111,045 of its share of projected EM&V costs.
3. Within 10 days of the date of this Order, SWEPCO shall file a clean copy of Rider EECRF reflecting the assignments and allocations to the rate classes consistent with the Stipulation to be stamped and "Approved" by the Commission's Central Records Division.
4. Consistent with the Stipulation, SWEPCO is authorized to apply Rider EECRF, provided with this Order as Attachment 1, beginning on January 1, 2015.
5. Entry of this Order consistent with the Stipulation does not indicate the Commission's endorsement or approval of any principle or methodology underlying the Stipulation. Entry of this Order shall not be regarded as a binding holding or precedent as to the appropriateness of any principle or methodology underlying the Stipulation.

6. All other motions, requests for entry of specific findings of fact or conclusions of law, and any other requests for general or specific relief, if not expressly granted herein, are denied.

SIGNED AT AUSTIN, TEXAS the \_\_\_\_\_ day of August 2014.

**PUBLIC UTILITY COMMISSION OF TEXAS**

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**DONNA L. NELSON, CHAIRMAN**

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**KENNETH W. ANDERSON, JR., COMMISSIONER**

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**BRANDY D. MARTY, COMMISSIONER**

**SOUTHWESTERN ELECTRIC POWER COMPANY**

Tariff Manual - Public Utility Commission of Texas

Section Title: Rates, Charges, and Fees

Section No: IV

Applicable: All Areas

Docket No:

Sheet No: IV-35

Effective Date: January 1, 2015

Revision 7

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|T**ENERGY EFFICIENCY COST RECOVERY RIDER****APPLICABILITY**

Rider Energy Efficiency Cost Recovery Factor (EECRF) recovers the cost of energy efficiency programs not included in base rates and is applicable to the kWh of Retail Customers taking retail service from the Company. The EECRF does not apply to customers taking service at transmission voltage or exempt industrial distribution customers unless there is a true-up from a prior period. P.U.C. SUBST. R. 25.181(f)(8) provides that no later than May 1 of each year, a utility with an EECRF shall apply to adjust the EECRF in order to adjust for changes in costs and bonuses and to minimize any over- or under-collections of energy efficiency costs resulting from the use of the EECRF. The EECRF filed by May 1 of each year will be calculated in accordance with the following methodology and will be applied to the billing kWh billed by the Company.

**AVAILABILITY**

The following factors will be applied to the energy usage (metered or unmetered) of retail customers taking service from the Company.

**MONTHLY RATE**

<u>Rate Schedule<sup>1</sup></u>	<u>Rate Code<sup>2</sup></u>	<u>Factor per kWh</u>	
Residential	12,15,16,19,62	\$0.001287	I
General Service <sup>3</sup>	200,204,205,207,208, 210,212,215,218,224, 238,282	\$0.000434	R
Municipal Service	544,548	\$0.002465	I
Municipal Pumping	540,541,543,550,553	(\$0.000246)	R
Lighting and Power	60,63,66,240,243,246,249, 251,277,292	\$0.000836	I
Cotton Gin	253	(\$0.000176)	R
Metal Melting < 69 kV	325	\$0.004694	R
Electric Furnace	312	(\$0.000060)	R
Oil Field Large Industrial Power	329	\$0.000120	I
Large Lighting and Power < 69 kV	346, 351	(\$0.000436)	R
Lighting	90-143,203,521,528,529,532,534, 535,538,739	(\$0.000047)	I

<sup>1</sup> Standby, Supplementary, Backup, Maintenance and As-Available Power Service are included with the Rate Schedule under which the customer takes service.

<sup>2</sup> Rate codes may be added or discontinued during the year. Any new rate code will be billed the EECRF rate based on the customer's applicable Rate Schedule.

<sup>3</sup> General Service includes Recreational Lighting.