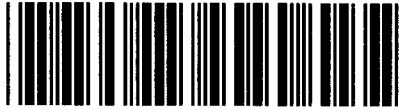




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**PUC DOCKET NO. 42508
SOAH DOCKET NO. 473-14-3894**

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PUBLIC UTILITY COMMISSION
FILING CLERK

**APPLICATION OF AEP TEXAS
CENTRAL COMPANY TO
ADJUST ENERGY EFFICIENCY
COST RECOVERY FACTOR AND
RELATED RELIEF**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

ORDER

This Order addresses the application of AEP Texas Central Company (AEP TCC) to adjust its Energy Efficiency Cost Recovery Factor (EECRF) (Application) pursuant to PURA¹ § 39.905 and P.U.C. SUBST. R. 25.181. 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 30, 2014, AEP TCC filed an Application with the Commission seeking to adjust its EECRF to recover \$10,497,555 for Program Year (PY) 2015.
2. On June 2, 2014, the Commission referred this docket to the State Office of Administrative Hearings (SOAH).
3. AEP TCC provided notice of this proceeding either by hand delivery, courier, or first-class mail, postage prepaid, to all parties that participated in AEP TCC's most recent base rate case, Docket No. 33309;² to each party who participated in AEP TCC's last

¹ Public Utility Regulatory Act, TEX. UTIL. CODE ANN. §§ 11.001-66.016 (Vernon 2007 & Supp. 2014) (PURA).

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

- EECRF proceeding, Docket No. 41538;³ to all retail electric providers listed on the Commission's website; and to the Texas Department of Housing and Community Affairs.
4. On June 3, 2014, the Steering Committee of Cities served by AEP TCC (Cities) intervened in this proceeding. The Cities coalition initially consisted of the City of McAllen and additional municipalities joined the coalition as reflected in subsequent supplemental motions to intervene.
 5. On June 6, 2014, the SOAH Administrative Law Judge (ALJ) issued Order No. 1, adopting a protective order.
 6. On June 18, 2014, TIEC filed a motion to intervene in this proceeding.
 7. On June 19, 2014, the SOAH ALJ issued Order No. 2, granting Cities' motion to intervene, adopting a procedural schedule, and approving notice.
 8. On June 20, 2014, the Commission issued the Preliminary Order that listed the issues to be addressed.
 9. On July 7, 2014, Cities filed their First Supplemental Motion to Intervene, adding the cities of Devine, El Campo, Harlingen, Ingleside on the Bay, Los Fresnos, Lyford, Mercedes, Mission, Nixon, Palm Valley, Port Isabel, and Portland to the Cities coalition.
 10. On July 25, 2014, Cities filed an affidavit of Christopher Brewster regarding the reasonableness of Cities' rate case expenses incurred in Docket No. 41538 and providing supporting documentation detailing Cities' rate case expenses.
 11. On July 25, 2014, the parties filed an agreed motion to extend procedural deadlines in the docket.
 12. On July 29, 2014, the SOAH ALJ issued Order No. 3, granting the agreed motion to extend procedural deadlines and TIEC's motion to intervene.
 13. On July 30, 2014, the parties filed an agreed motion for clarification/reconsideration with respect to the extended procedural deadlines approved in SOAH Order No. 3.

³ *Application of AEP Texas Central Company to Adjust Energy Efficiency Cost Recovery Factor (EECRF) and Related Relief*, Docket No. 41538, Order (Nov. 6, 2013).

14. On August 1, 2014, Cities filed the Direct Testimony of Tony Georgis, PE.
15. On August 4, 2014, the SOAH ALJ issued Order No. 4, granting the parties' request for clarification/reconsideration.
16. On August 18, 2014, AEP TCC and Commission Staff filed an agreed motion to extend the time for Commission Staff to file direct testimony.
17. On August 19, 2014, the parties filed an agreed motion to abate the procedural schedule in the docket.
18. On August 19, 2014, Cities filed their Second Supplemental Motion to Intervene adding the municipality of Palacios to the Cities coalition.
19. On August 20, 2014, the SOAH ALJ issued Order No. 5, granting the parties' agreed motion to abate the procedural schedule and cancel the September 3, 2014, hearing on the merits.
20. On September 5, 2014, AEP TCC, Commission Staff, and Cities filed a Stipulation resolving all issues in the docket. TIEC did not oppose the Stipulation.
21. On September 5, 2014, AEP TCC filed a motion to admit evidence and remand this proceeding to the Commission, as there were no material issues in dispute.
22. On September 5, 2014, Commission Staff filed the Affidavits of Katie Rich, Joe Luna, and Grant Gervais in support of the Stipulation.
23. On September 9, 2014, the ALJ issued SOAH Order No. 6, remanding the proceeding to the Commission, dismissing the SOAH docket, and admitting the following documents into the evidentiary record:
 - a. AEP TCC's Application for 2015 EECRF (May 30, 2014 filing), including:
 - i. Attachments A-C;
 - ii. Direct Testimony of Russell G. Bego;
 - iii. Direct Testimony of Pamela D. Osterloh;
 - iv. Direct Testimony of Rhoderick C. Griffin;
 - v. Direct Testimony of Jennifer L. Jackson;
 - vi. Schedules A-R; and

- vii. Workpapers;
- b. AEP TCC's Proof of Notice (June 2, 2014 filing);
- c. the Affidavit of Christopher L. Brewster on behalf of Cities and supporting rate case expense documentation filed July 25, 2014;
- d. the Direct Testimony of Tony Georgis, PE, on behalf of Cities, filed August 1, 2014;
- e. Commission Staff Affidavits of Katie Rich, Joe Luna, and Grant Gervais in support of settlement; and
- f. the Stipulation, with all attachments and exhibits thereto, filed September 5, 2014.

Requested EECRF

- 24. The requested EECRF consists of an updated Energy Efficiency Cost Recovery Factor tariff (Rider EECRF), which reflects the proposed Rider EECRF rates for the period March 2015 through the period in which any new EECRF is implemented and defines the procedure by which AEP TCC 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.
- 25. The total amount requested to be collected through AEP TCC's 2015 EECRF is \$10,402,430 which consists of the following components:
 - a. recovery of \$7,228,897 in energy efficiency expenses budgeted for PY 2015 in excess of its projected energy efficiency revenues collected from base rates;
 - b. recovery of a performance bonus in the amount of \$4,595,235 for achieving energy efficiency goals in PY 2013;
 - c. return to customers the amount of \$1,752,047 for the over-recovery of energy efficiency costs incurred in PY 2013 as agreed to by the Parties in the Stipulation;
 - d. recovery of \$313,133 in projected Evaluation, Measurement and Verification (EM&V) costs for the evaluation of PY 2014 programs as agreed to by the Parties in the Stipulation; and
 - e. recovery of \$17,212 representing 2013 EECRF proceeding expenses incurred in Docket No. 41538 by municipalities as authorized by P.U.C. SUBST. R. 25.181(f)(3)(B) as agreed to by the parties in the Stipulation.
- 26. In support of the Application, AEP TCC presented testimony, schedules, and workpapers demonstrating that the budgeted costs to be recovered through the 2015 EECRF —

- \$7,228,897 — are reasonable estimates of the costs necessary to provide energy efficiency programs for PY 2015 and to meet AEP TCC's energy efficiency goals as required by P.U.C. SUBST. R. 25.181.
27. AEP TCC qualified for an energy efficiency performance bonus, consistent with the Stipulation, of \$4,595,235 for achieving energy efficiency goals in PY 2013.
 28. AEP TCC's performance bonus is reasonable and consistent with P.U.C. SUBST. R. 25.181.
 29. AEP TCC's request to return (i.e. credit) to customers the amount of \$1,752,047 for the over-recovery of energy efficiency costs in PY 2013 is consistent with P.U.C. SUBST. R. 25.181.
 30. AEP TCC's estimated PY 2014 EM&V expenses of \$313,133 for evaluating 2014 programs are consistent with P.U.C. SUBST. R. 25.181.
 31. AEP TCC's recovery of \$17,212, representing 2013 EECRF proceeding expenses incurred in Docket No. 41538 by municipalities as authorized by P.U.C. SUBST. R. 25.181(f)(3)(B), are reasonable, authorized by, and consistent with the Stipulation. AEP has reimbursed to Cities the amount of \$17,212.
 32. AEP TCC agreed that if the Irrigation Load Management Market Transformation Program is not cost-effective, in accordance with P.U.C. SUBST. R. 25.181(d)(1), by the end of PY 2014, AEP TCC will work with Commission Staff to re-evaluate the program to determine how best to proceed with the program for PY 2015.
 33. AEP TCC presented testimony and schedules that demonstrated: (a) the administrative costs do not exceed 15% of AEP TCC's total program costs; (b) the costs of research and development do not exceed 10% of AEP TCC's total program costs; (c) the combined costs of AEP TCC's administrative costs and research development do not exceed 20% of AEP TCC's total program costs; and (d) the incentive payments for each customer class comply with P.U.C. SUBST. R. 25.181(g).

34. The elements of AEP TCC's Application for approval of its adjusted EECRF for PY 2015 are consistent with the Stipulation and satisfy the requirements of P.U.C. SUBST. R. 25.181(f)(9).
35. 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.

EECRF Customer Class	2015 EECRF kWh Factor
Residential	\$0.000703 per kWh
Secondary Service Less than or Equal to 10 kW	\$0.000086 per kWh
Secondary Service Greater than 10 kW	\$0.000453 per kWh
Primary Service	\$0.000356 per kWh
Transmission Service	(\$0.000117) per kWh

36. The EECRF approved by this Order should be effective as of March 1, 2015.
37. AEP TCC's assignments and allocations of its proposed 2015 EECRF to the rate classes in the Stipulation and this Order are consistent with PURA and the Commission's rules.
38. The estimate of billing determinants in calculating AEP TCC's proposed 2015 EECRF in AEP TCC'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.
39. AEP TCC'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).
40. AEP TCC's total 2015 EECRF should be \$10,402,430, consistent with the Stipulation, 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.
41. AEP TCC's proposed tariff schedule, consistent with the Stipulation, is reasonable and complies with P.U.C. SUBST. R. 25.181.

42. All energy efficiency costs recovered by AEP TCC through its EECRF for PY 2013 are in compliance with PURA § 39.905 and P.U.C. SUBST. R. 25.181, and are reasonable and necessary to reduce energy and demand costs.
43. The affiliate expenses included in AEP TCC's EECRF rates under the Stipulation, and this Order, are reasonable and necessary and the prices charged by any affiliate are not higher than that charged to any other benefited AEP operating company.

Rate Case Expenses

44. Cities' rate case expenses incurred in AEP TCC's previous EECRF filing, Docket No. 41538, are reasonable pursuant to PURA § 33.023, and shall be collected by AEP TCC as part of the EECRF surcharge. AEP TCC has reimbursed to Cities the amount of expenses Cities incurred in Docket No. 41538.

Informal Disposition

45. More than 15 days have passed since completion of the notice provided in this docket.

II. Conclusions of Law

1. AEP TCC 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 AEP TCC's Application pursuant to PURA §§ 14.001, 36.204, and 39.905.
3. This docket was processed in accordance with the requirements of PURA, the Texas Administrative Procedure Act, TEX. GOV'T CODE ANN. §§ 2001.001 - .902 (Vernon 2008 & Supp. 2013), and Commission rules.
4. AEP TCC's notice provided in this case 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 an application 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. AEP TCC's forecasted EECRF, consistent with the Stipulation and this Order, 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. AEP TCC'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. AEP TCC 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. AEP TCC's EECRF calculations in 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. AEP TCC'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 affiliate expenses included in AEP TCC's proposed EECRF are consistent with PURA § 36.058.
14. 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 the Application, to the extent it is consistent with the Stipulation, are approved.
2. AEP TCC's 2015 EECRF is designed to collect a total revenue requirement of \$10,402,430, which consists of: (a) \$7,228,897 of energy efficiency expenses budgeted

for its PY 2015 in excess of the amount expressly included in AEP TCC's prior base rate order, adjusted to account for changes in billing determinants from the test year billing determinants used to set rates in the last base rate proceeding; (b) a performance bonus of \$4,595,235 reflecting its energy efficiency goals achievements in PY 2013; (c) the return to customers (i.e. credit) of an over-recovery amount of \$1,752,047 of PY 2013 energy efficiency costs; (d) an estimated amount of \$313,133 of its share of projected EM&V costs; and (e) recovery of \$17,212 representing 2013 EECRF proceeding expenses incurred in Docket No. 41538 by municipalities as authorized by P.U.C. SUBST. R. 25.181(f)(3)(B).

3. Within 10 days of the date of this Order, AEP TCC shall file a clean copy of Rider EECRF, reflecting the assignments and allocations to the rate classes consistent with the Stipulation, to be stamped "Approved" by Central Records.
4. Consistent with the Stipulation, AEP TCC is authorized to apply Rider EECRF, provided with this Order as Attachment 1, beginning on March 1, 2015.
5. Entry of this Order does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the Stipulation. Entry of this Order shall not be regarded as 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 24th day of October 2014.


PUBLIC UTILITY COMMISSION OF TEXAS



DONNA L. NELSON, CHAIRMAN



KENNETH W. ANDERSON, JR., COMMISSIONER



BRANDY D. MARTY, COMMISSIONER

AEP TEXAS CENTRAL COMPANY
 TARIFF FOR ELECTRIC DELIVERY SERVICE

Applicable: Entire System

Chapter: 6 Section: 6.1.1

Section Title: Delivery System Charges

Revision: Fifth Effective Date: March 1, 2015

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6.1.1.6.4 Rider EECRF – Energy Efficiency Cost Recovery Factors

AVAILABILITY

Rider EECRF recovers the cost of energy efficiency programs not already included in base distribution service rates and is applicable to the kWh sales of Retail Customers taking retail electric delivery service from the Company.

APPLICABILITY

The Rider EECRF is applicable to the current month's billed kWh of each Retail Customer taking electric delivery service from the Company.

MONTHLY RATE

<u>Rate Schedule</u>	<u>Factor</u>	
Residential Service	\$0.000703 per kWh	I
Secondary Service Less than or Equal to 10 kW	\$0.000086 per kWh	R
Secondary Service Greater than 10 kW	\$0.000453 per kWh	I
Primary Service	\$0.000356 per kWh	I
Transmission Service	(\$0.000117) per kWh	R

NOTICE

This Rate Schedule is subject to the Company's Tariff and Applicable Legal Authorities.