

Based on the foregoing, the initial System Restoration Charges calculated for retail users are as follows:

<b>TABLE II</b>	
<u>Rate Class</u>	<u>Initial System Restoration Charge</u>
Residential	\$ __/kWh
Secondary Service Less Than or Equal to 10 kW	\$ __/kWh
Secondary Service Greater Than 10 kW	\$ __/Distribution Billing kW
Primary Service	\$ __/Distribution Billing kW
Lighting Service	\$/kWh

**IDENTIFICATION OF SPE**

The owner of the Transition Property will be: \_\_\_\_\_ [BondCo].

**EFFECTIVE DATE**

In accordance with the Financing Order, the System Restoration Charge shall be automatically effective upon the Applicant's receipt of payment in the amount of \$\_\_\_\_\_ from [BondCo], following Applicant's execution and delivery to [BondCo] of the Bill of Sale transferring Applicant's rights and interests under the Financing Order and other rights and interests that will become Transition Property upon transfer to [BondCo] as described in the Financing Order.

**NOTICE**

Copies of this filing are being furnished to the parties on the attached service list. Notice to the public is hereby given by filing and keeping this filing open for public inspection at Applicant's corporate headquarters.

**AUTHORIZED OFFICER**

The undersigned is an officer of Applicant and authorized to deliver this Issuance Advice Letter on behalf of Applicant.

Respectfully submitted,

AEP TEXAS INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ATTACHMENT 1**  
**SCHEDULE A**  
**CALCULATION OF SECURITIZED QUALIFIED COSTS**

Securitizable Balance to be securitized:	\$ _____
Up-front Qualified Costs	\$ _____
<b>TOTAL SECURITIZED QUALIFIED COSTS</b>	<b>\$ _____</b>

**ATTACHMENT 1**  
**SCHEDULE B**  
**ESTIMATED UP-FRONT QUALIFIED COSTS**

<b>CAPPED UP-FRONT QUALIFIED COSTS</b>	
	\$ _____
Legal Fees (Company, Issuer, and Underwriter)	\$ _____
Accountant's Fees	\$ _____
Trustee's/Trustee Counsel's Fees and Expenses	\$ _____
Servicer's Set-up Costs	\$ _____
Printing/Edgarizing	\$ _____
Company Advisor's Fee	\$ _____
SPE Setup Costs	\$ _____
Securitization Proceeding Expenses	\$ _____
Miscellaneous Administrative Costs	\$ _____
Underwriters' Fees	\$ _____
Subtotal Capped Up-Front Qualified Costs	\$ _____
<b>UNCAPPED UP-FRONT QUALIFIED COSTS</b>	
Commission's Financial Advisor Fees	
Legal Fees for Counsel to the Commission's Advisor, if any	
Rating Agency Fees	\$ _____
SEC Registration Fee	\$ _____
Original Issue Discount	\$ _____
Cost of Other Credit Enhancements	\$ _____
Rounding/Contingency	\$ _____
<b>TOTAL UP-FRONT QUALIFIED COSTS SECURITIZED</b>	<b>\$ _____</b>

**Note:** Certain costs are subject to an aggregate cap set forth in the Financing Order. Differences that result from the Estimated Up-front Qualified Costs securitized being more than the actual up-front costs incurred will be resolved through the true-up process described in the Financing Order. Differences that result from the Estimated Up-front Qualified Costs securitized being less than the actual up-front costs incurred may be resolved in a future proceeding as described in the Financing

**Order, provided that the total amount of capped costs may not be recovered in excess of the aggregate cap.**

<b><u>ATTACHMENT 2</u></b>
<b><u>SCHEDULE A</u></b>
<b><u>SYSTEM RESTORATION BOND REVENUE REQUIREMENT INFORMATION</u></b>

SERIES, __ TRANCHE ____				
Payment Date	Principal Balance	Interest	Principal	Total Payment
	\$ _____			
_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	-	_____	_____	_____

SERIES, __ TRANCHE ____				
Payment Date	Principal Balance	Interest	Principal	Total Payment
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	_____	_____	-	_____
_____	_____	_____	-	_____
_____	_____	_____	-	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

**ATTACHMENT 2**  
**SCHEDULE B**  
**ONGOING QUALIFIED COSTS**

	ANNUAL AMOUNT
Servicing Fee (AEP Texas as Servicer) (0.10% of initial System Restoration Bond principal amount)	\$ _____
Administration Fee	\$ _____
Accountant's Fee	\$ _____
Legal Fees/Expenses for Company's/Issuer's Counsel	\$ _____
Trustee's/Trustee's Counsel Fees and Expenses	\$ _____
Independent Manager's Fees	\$ _____
Rating Agency Fees	\$ _____
Printing/Edgarizing Fees	\$ _____
Miscellaneous	
<b>TOTAL ONGOING QUALIFIED COSTS (with AEP Texas as Servicer)</b>	<b>\$ _____</b>
Ongoing Servicers Fee (Third Party as Servicer) (0.60% of principal amount)	\$ _____
<b>TOTAL ONGOING QUALIFIED COSTS (Third Party as Servicer)</b>	<b>\$ _____</b>

**Note:** Certain of the Ongoing Qualified Costs are subject to caps set forth in the Financing Order. The amounts shown for each category of operating expense on this attachments are the expected expenses for the first year of the System Restoration Bonds. System Restoration Charges will be adjusted at least annually to reflect any changes in Ongoing Qualified Costs through the true-up process described in the Financing Order.

**ATTACHMENT 2**  
**SCHEDULE C**  
**CALCULATION OF SYSTEM RESTORATION CHARGES**

<b>Year</b>	<b>System Restoration Bond Payments<sup>1</sup></b>	<b>Ongoing Costs<sup>2</sup></b>	<b>Total Nominal System Restoration Charge Requirement<sup>3</sup></b>	<b>Present Value of System Restoration Charges<sup>4</sup></b>
1	\$ _____	\$ _____	\$ _____	\$ _____
2	\$ _____	\$ _____	\$ _____	\$ _____
3	\$ _____	\$ _____	\$ _____	\$ _____
4	\$ _____	\$ _____	\$ _____	\$ _____
5	\$ _____	\$ _____	\$ _____	\$ _____
6	\$ _____	\$ _____	\$ _____	\$ _____
7	\$ _____	\$ _____	\$ _____	\$ _____
8	\$ _____	\$ _____	\$ _____	\$ _____
9	\$ _____	\$ _____	\$ _____	\$ _____
10	\$ _____	\$ _____	\$ _____	\$ _____
11	\$ _____	\$ _____	\$ _____	\$ _____
12	\$ _____	\$ _____	\$ _____	\$ _____
13	\$ _____	\$ _____	\$ _____	\$ _____
14	\$ _____	\$ _____	\$ _____	\$ _____
<b>Total</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>

<sup>1</sup> From Attachment 2, Schedule A.

<sup>2</sup> From Attachment 2, Schedule B.

<sup>3</sup> Sum of System Restoration Bond payments and ongoing costs.

<sup>4</sup> The discount rate used is the weighted average effective annual interest rate of the System Restoration Bonds.



**ATTACHMENT 2**  
**SCHEDULE D**  
**COMPLIANCE WITH SUBCHAPTER G OF THE UTILITIES CODE**

Tangible & Quantifiable Benefits and Revenue Requirements Tests:<sup>5</sup>

	Conventional Financing	Securitization Financing <sup>6</sup>	Savings/(Cost) of Securitization Financing
Nominal	\$_____ million	\$_____ million	\$_____ million
Present Value	\$_____ million	\$_____ million	\$_____ million

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<sup>5</sup> Calculated in accordance with the methodology cited in the Financing Order.

<sup>6</sup> From Attachment 2, Schedule C.

**ATTACHMENT 3**

**INITIAL ALLOCATION OF COSTS TO SRC CLASSES**

(1)	(2)	(3)	(4)	(5)	(6)
SRC Class	PBRA <sup>7</sup>	Periodic Billing Requirement	Billing Requirement per SRC Class	Forecasted Billing Determinants	SRC Charge
Residential	%	\$ _____	\$ _____	_____	\$ _____/kWh
Secondary Service Less Than or Equal to 10 kW	%	\$ _____	\$ _____	_____	\$ _____/kWh
Secondary Service Greater Than 10 kW	%	\$ _____	\$ _____	_____	\$ _____/Distribution Billing kW
Primary Service	%	\$ _____	\$ _____	_____	\$ _____/Distribution Billing kW
Lighting Service	%	\$ _____	\$ _____	_____	\$ _____/kWh
Total	100.0000 %	\$ _____	\$ _____	_____	

<sup>7</sup> Determined in accordance with the methodology set forth in the Financing Order and Schedule SRC.

**ATTACHMENT 4**  
**FORM OF APPLICANT'S CERTIFICATION**

[AEP Letterhead]

Date: \_\_\_\_\_, 2019

Public Utility Commission of Texas  
1701 N. Congress Ave.  
P.O. Box 13362  
Austin, TX 78711-3326

Re: *Application of AEP Texas Inc. for a Financing Order*, Docket No. \_\_\_\_\_

AEP TEXAS INC. (the "Applicant") submits this Certification pursuant to Ordering Paragraph No. \_\_ of the Financing Order in *Application of AEP Texas Inc. for a Financing Order*, Docket No. \_\_\_\_\_ (the "Financing Order"). All capitalized terms not defined in this letter have the meanings ascribed to them in the Financing Order.

In its issuance advice letter dated \_\_\_\_\_, 2019, the Applicant has set forth the following particulars of the System Restoration Bonds:

Name of System Restoration Bonds: \_\_\_\_\_

SPE: [BondCo]

Closing Date: \_\_\_\_\_

Amount Issued: \$\_\_\_\_\_

Expected Amortization Schedule: See Attachment 2, Schedule A to the Issuance  
Advice Letter

Distributions to Investors (quarterly or semi-annually):

Weighted Average Coupon Rate: \_\_\_\_\_%

Weighted Average Yield<sup>8</sup>: \_\_\_\_\_%

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<sup>8</sup> The internal rate of return, calculated including all up-front and ongoing costs.

The following actions were taken in connection with the design, marketing, structuring and pricing of the bonds:

- Included credit enhancement in the form of the true-up mechanism and an equity contribution of 0.50% of the original principal amount.
- Registered the System Restoration Bonds with the Securities and Exchange Commission to facilitate greater liquidity.
- Achieved preliminary Aaa/AAA ratings from two of the three major rating agencies with final Aaa/AAA ratings a condition of closing.
- Worked with the Commission's designated representative(s) to select underwriters that have relevant experience and execution capability.
- Provided the term sheet and preliminary prospectus by e-mail to prospective investors.
- Allowed sufficient time for investors to review the term sheet and preliminary prospectus and to ask questions regarding the transaction.
- Arranged for the issuance of rating agency pre-sale reports during the marketing period.
- During the period that the System Restoration Bonds were marketed, held daily market update discussions with the underwriting team to develop recommendations for pricing.
- Had multiple conversations with all of the members of the underwriting team before and during the marketing phase in which we stressed the requirements of the Financing Order.
- Developed and implemented a marketing plan designed to give each of the underwriters incentive to aggressively market the System Restoration Bonds to their customers and to reach out to a broad base of potential investors, including investors who have not previously purchased this type of security.
- Provided potential investors with access to an internet roadshow for viewing on repeated occasions at investors' convenience.
- Adapted the System Restoration Bond offering to market conditions and investor demand at the time of pricing. Variables impacting the final structure of the transaction were evaluated including the length of average lives and maturity of the System Restoration Bonds and interest rate requirements at the time of pricing so that the structure of the transaction would correspond to investor preferences and rating agency requirements for AAA ratings, while meeting the requirements of the Financing Order. [After evaluation, incorporated the use of original issue discount to investors consistent with the expectation that it would provide greater benefit than its cost.]

- Worked with the Commission's designated representative to develop bond allocations, underwriter compensation and preliminary price guidance designed to achieve lowest interest rates.
- Worked with Commission and underwriters (and each of our respective counsels) to finalize documentation in accordance with established standards for transactions of this sort and the terms of the financing order.

**[Note: Foregoing bullet points are illustrative and will be modified to reflect actual activities in this transaction.]**

Based upon information reasonably available to the officers, agents, and employees of the Applicant, the Applicant hereby certifies that the structuring and pricing of the System Restoration Bonds, as described in the issuance advice letter, will result in the lowest system restoration bond charges consistent with market conditions and the terms of the Financing Order (including the amortization structure, if any, ordered by the Commission), all within the meaning of Sections 39.301 and 36.401 of PURA. [Applicant further certifies that it reasonably expects the small amount of original issue discount associated with the bonds to provide benefits greater than its costs.]

AEP TEXAS INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## AEP TEXAS - CENTRAL DIVISION

## TARIFF FOR ELECTRIC DELIVERY SERVICE

Applicable: Certified Service Area previously served by AEP Texas Central Company

Chapter: 6 Section: 6.1.1

Section Title: Delivery System Charges

Revision: Original

Effective Date: Bills Rendered on or after June 1, 2019

**6.1.1.6.3 Schedule SRC - System Restoration Charge****DEFINITIONS**

For the purposes of this schedule the following terms shall have the following meanings:

**Company** – AEP Texas and its successors and assigns that provide transmission or distribution service directly to customers taking service at facilities, premises, or loads located within the Service Area.

**Financing Order** – the Financing Order issued by the Public Utility Commission of Texas (Commission) in Docket No. [ ] under Subchapter I of Chapter 36 and Subchapter G of Chapter 39 of the Texas Public Utility Regulatory Act (PURA) providing for the issuance by the Special Purpose Entity (SPE) of system restoration bonds to securitize the amount of qualified costs (Qualified Costs) determined by the Commission in such order.

**Non-Eligible Self-Generation (NESG)** – Electric generation capacity greater than 10 megawatts capable of being lawfully delivered to a site without use of utility distribution or transmission facilities and which was not, on or before the date the Financing Order is issued, either (A) a fully operational facility, or (B) a project supported by substantially complete filings for all necessary site-specific environmental permits under the rules of the Texas Commission on Environmental Quality, and which materially reduces or reduced customer loads on the Company's transmission and distribution system

**Retail Electric Provider (REP)** – the entity which serves the customer's energy needs, and will remit to the Servicer the System Restoration Charges billed in accordance with this schedule.

**Service Area** – the Company's certificated Central Division service area, the service area previously served by AEP Texas Central Company, as it existed on the date of approval of the Financing Order in Docket No. [ ].

**Servicer** – on the effective date of this tariff, the Company shall act as Servicer. However, the SPE may select another party to function as Servicer or the Company may resign as Servicer in accordance with terms of the Servicing Agreement and Financing Order issued in Docket No. [ ]. A Servicer selected under these conditions shall assume the obligations of the Company as Servicer under this schedule. As used in this schedule, the term Servicer includes any successor Servicer.

**Special Purpose Entity (SPE)** – the owner of Transition Property, on behalf of whom the SRCs are collected.

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**6.1.1.6.3 Schedule SRC - System Restoration Charge**

**System Restoration Charge (SRC)** – a non-bypassable charge computed on the basis of individual end-use retail customer consumption, except for SRCs applicable to NESG for which charges are based on the output of the on-site generation utilized to meet the internal electrical requirements of the customer.

- (a) For customers whose facilities, premises, and loads are subject to SRCs billed and collected pursuant to the System Restoration Charge Rates (SRC Rates) under this schedule, the SRC Rates shall constitute a separate charge.
- (b) The assessment of SRCs will be separately identified on the bills sent to REPs.

**APPLICABILITY**

This schedule, along with Rider SRC, sets out the rates, terms and conditions under which SRCs shall be billed and collected by the Company, any successor Servicer(s), and any REPs on behalf of the owner of Transition Property pursuant to the terms of the Financing Order. This schedule is applicable to energy consumption and demands of retail customers taking transmission and distribution service from the Company and to facilities, premises and loads of such retail customers.

This schedule also applies to:

1. Retail customers taking service at facilities, premises, or loads located within the Service Area who are not presently receiving transmission and distribution service from the Company, but whose present facilities, premises, or loads received transmission and distribution service from the Company at any time on or after the date of approval of the Financing Order in Docket No. [ ] when a request to change service to another utility was not pending as of that date.
2. Retail customers located within the Service Area and prior retail customers of the Company who are served by new NESG.

Individual end-use customers are responsible for paying SRCs billed to them in accordance with the terms of this schedule. Payment is to be made to the entity that bills the customer in accordance with the terms of the Servicing Agreement and the Financing Order, which entity may be the Company, a successor Servicer, a REP, an entity designated to collect SRCs in place of the REP,

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### **6.1.1.6.3 Schedule SRC - System Restoration Charge**

or other entity which, under the terms of the Financing Order or PURA, may be obligated to pay or collect the SRCs. The REP, an entity designated to collect SRCs in place of the REP, or another entity which, under the terms of the Financing Order or PURA, is obligated to pay or collect the SRCs will pay the SRCs to the Servicer. The Servicer will remit collections to the SPE in accordance with the terms of the Servicing Agreement.

#### **TERM**

This schedule shall remain in effect until SRCs have been collected and remitted to the SPE which are sufficient in amount to satisfy all obligations of the SPE in regard to paying principal and interest on the System Restoration Bonds together with all other qualified costs as provided in PURA section 36.403(d). However, in no event shall the SRCs provided for in this schedule be collected for service rendered after 15 years from issuance of the System Restoration Bonds. SRCs for service rendered during the 15-year period following issuance of the System Restoration Bonds pursuant to the Financing Order, but not collected during that 15-year period, may be collected after the 15-year period. This schedule is irrevocable and non-bypassable for the full term during which it applies.

#### **RATE CLASSES**

For the purposes of billing SRCs, each retail end-use customer shall be designated as a customer in one of the following five customer classes. A new customer shall be assigned to the appropriate customer class based on anticipated usage characteristics.

Residential  
Secondary Service Less Than or Equal to 10 kW  
Secondary Service Greater Than 10 kW  
Primary Service  
Lighting Service

#### **PERIODIC BILLING REQUIREMENT ALLOCATION FACTORS**

The following Periodic Billing Requirement Allocation Factors (PBRAF) to be used in the calculation of the SRC Rates are calculated using the methods approved by the Commission in the Financing Order. The PBRAs shall be the percentage of cost responsibility for each System Restoration Charge customer class.



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**6.1.1.6.3 Schedule SRC - System Restoration Charge**

<u>System Restoration Charge Class</u>	<u>PBRAf</u>
Residential	52.5194%
Secondary Service Less Than or Equal to 10 kW	2.9287%
Secondary Service Greater Than 10 kW	31.8567%
Primary Service	6.0053%
Lighting Service	6.6899%

**DETERMINATION OF SYSTEM RESTORATION CHARGE (SRC) RATES**

SRC Rates will be adjusted no less frequently than annually in order to ensure that the expected collection of SRCs is adequate to pay when due, pursuant to the expected amortization schedule, principal and interest on the System Restoration Bonds and pay on a timely basis other Qualified Costs. The SRC Rates shall be computed by multiplying the PBRAFs times the Periodic Billing Requirement (PBR) for the projected period in which the adjusted SRC Rates are expected to be in effect (SRC Period), and dividing such amount by the billing units of the SRC customer class, as shown in the following formula:

$$SRC_c = [(PBR * PBRAF_c) + P_c] / FBU_c$$

where,

$SRC_c$  = System Restoration Charge Rate applicable to a SRC rate class during the SRC Period;

PBR = Periodic Billing Requirement for the SRC Period;

$PBRAf_c$  = The Periodic Billing Requirement Allocation Factor for such class in effect at such time;

$P_c$  = Prior period over-/under-recovery for such class;

$FBU_c$  = Forecasted Billing Units (i.e., class-specific energy or demand billing units) currently forecast for a class for the SRC period.

**TRUE-UP ADJUSTMENT PROCEDURE**

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**6.1.1.6.3 Schedule SRC - System Restoration Charge**

Not less than 15 days prior to the first billing cycle for the Company's June billing month, and no less frequently than annually, the Servicer shall file a revised Rider SRC setting forth the upcoming SRC period's SRC Rates, complete with all supporting materials. The adjusted SRC Rates will become effective on the first billing cycle of the Company's June billing month. The Commission will have 15 days after the date of the true-up filing in which to confirm the accuracy of the of the Servicer's adjustment. Any necessary corrections to the adjusted SRC Rates, due to mathematical errors in the calculation of such rates or otherwise, will be made in a future true-up adjustment filing.

In addition, optional interim true-up adjustments may be made more frequently by the Servicer at any time during the term of the system restoration bonds to correct any undercollection or overcollection, as provided for in the Financing Order, in order to assure timely payment of the System Restoration Bonds based on rating agency and bondholder considerations. Mandatory interim true-up adjustments shall be made semi-annually (or quarterly after the final scheduled payment date of the last tranche of the System Restoration Bonds) if the Servicer forecasts that system restoration charge collections will be insufficient to make all scheduled payments of principal, interest and other amounts in respect of the System Restoration Bonds on a timely basis during the current or next succeeding payment period and/or or to replenish any draws upon the capital subaccount. The interim true-up adjustment will be filed no later than 15 days prior to the following month's first billing cycle for implementation. Filing with and review by the Commission will be accomplished for the interim true-up adjustment in the manner as for the annual true-up adjustment set forth above. In no event will a mandatory interim true-up adjustment occur more frequently than every six months provided, however, that mandatory interim true-up adjustments after the final scheduled payment date of the last tranche of the System Restoration Bonds shall occur quarterly.

In the event that the forecasted billing units for one or more of the System Restoration Charge customer classes for an upcoming period decreases by more than 10% of the threshold billing units set forth in the Financing Order, the Servicer shall make a true-up filing at least 90 days before the effective date of the next annual true-up adjustment. The true-up shall be conducted in the following manner. The Servicer shall:

- (a) allocate the upcoming period's Periodic Billing Requirement based on the PBRAFs approved in the Financing Order;
- (b) calculate undercollections or overcollections from the preceding period in each class by subtracting the previous period's system restoration charge

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**6.1.1.6.3 Schedule SRC - System Restoration Charge**

revenues collected from each class from the Periodic Billing Requirement determined for that class for the same period;

- (c) sum the amounts allocated to each customer class in steps (a) and (b) above to determine an adjusted Periodic Billing Requirement for each customer class;
- (d) divide the Periodic Billing Requirement for each customer class by the maximum of the forecasted billing units or the threshold billing units for that class, to determine the threshold rate;
- (e) multiply the threshold rate by the forecasted billing units for each class to determine the expected collections under the threshold rate;
- (f) allocate the difference in the adjusted Periodic Billing Requirement and the expected collections calculated in step (e) among the system restoration charge customer classes using the PBRAFs approved in this Financing Order;
- (g) add the amount allocated to each class in step (f) above to the expected collection amount by class calculated in step (e) above to determine the final Periodic Billing Requirement for each class; and
- (h) divide the final Periodic Billing Requirement for each class by the forecasted billing units to determine the system restoration charge rate by class for the upcoming period. The final Periodic Billing Requirement class percentage of the total Periodic Billing Requirement equals the adjusted PBRAFs.

**BILLING AND COLLECTION TERMS AND CONDITIONS**

The billing and collection of SRCs may differ as set forth in this schedule. The terms and conditions for each party are set forth below:

- A. Billings by Servicer to other electric utilities, municipally owned utilities, and cooperatives:

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1. Applicable to former retail customers of the Company in multiply certificated service areas who requested to switch from the Company to a different service provider on or after approval of the Financing Order, and are now taking service from other electric utilities, municipally owned utilities, or cooperatives or through REPs served from other electric utilities, municipally owned utilities, or cooperatives.
2. Charges subject to this tariff must be paid in full by the other electric utility, municipally owned utility, or cooperative to the Servicer 35 days after billing by the Servicer regardless of whether the electric utility, municipally owned utility, or cooperative collects such charges from the end-use retail customer or from the REP, if applicable.

**B. Billings by Servicer to NESG:**

1. Applicable to end-use consumption served by on-site non-eligible self-generation. The SRCs applicable to NESG are in addition to the applicable System Restoration Charges under A above or C below.
2. Payment terms pursuant to the requirements of PURA, applicable Commission rules, and the Commission's Financing Order in Docket No. [ ].
3. Rate class determined by summing loads on the transmission and distribution system with loads served by non-eligible generation.
4. Servicer has the right to terminate for non-payment pursuant to the Commission's rules.

**C. Billings by the REP or its Replacement to End-Use Customers:**

1. Applicable to consumption of all retail end-use customers served by the REP for which SRCs apply, including applicable former customers and NESG, under the following conditions:
2. REPs shall provide the Servicer with full and timely information necessary to provide proper reporting and for billing and true-up adjustments.

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3. Each REP must (1) have a long-term, unsecured credit rating of not less than “BBB-” and “Baa3” (or the equivalent) from Standard & Poor’s and Moody’s Investors Service, respectively, or (2) provide (A) a deposit of two months’ maximum expected System Restoration Charge collections in the form of cash, (B) an affiliate guarantee, surety bond, or letter of credit providing for payment of such amount of System Restoration Charge collections in the event that the REP defaults in its payment obligations, or (C) a combination of any of the foregoing. A REP that does not have or maintain the requisite long-term, unsecured credit rating may select which alternate form of deposit, credit support, or combination thereof it will utilize, in its sole discretion. The Indenture Trustee shall be the beneficiary of any affiliate guarantee, surety bond or letter of credit. The provider of any affiliate guarantee, surety bond, or letter of credit must have and maintain a long-term, unsecured credit ratings of not less than “BBB-” and “Baa3” (or the equivalent) from Standard & Poor’s and Moody’s Investors Service, respectively.
4. If the long-term, unsecured credit rating from either Standard & Poor’s or Moody’s Investors Service of a REP that did not previously provide the alternate form of deposit, credit support, or combination thereof or of any provider of an affiliate guarantee, surety bond, or letter of credit is suspended, withdrawn, or downgraded below “BBB-” or “Baa3” (or the equivalent), the REP must provide the alternate form of deposit, credit support, or combination thereof, or new forms thereof, in each case from providers with the requisite ratings, within 10 business days following such suspension, withdrawal, or downgrade. A REP failing to make such provision must comply with the provisions set forth in Paragraph 3 of the next section, Billings by the Servicer to the REP or its Replacement (when applicable).
5. The computation of the size of a required deposit shall be agreed upon by the Servicer and the REP, and reviewed no more frequently than quarterly to ensure that the deposit accurately reflects two months’ maximum collections. Within 10 business days following such review, (1) the REP shall remit to the Indenture Trustee the amount of any shortfall in such required deposit or (2) the Servicer shall instruct the Indenture Trustee to remit to the REP any amount in excess of such required deposit. A REP failing to so remit any such shortfall must comply with the provisions set forth in Paragraph 3 of the next section, Billings by the Servicer to the REP or its Replacement (when applicable). REP cash deposits shall be held by the Indenture Trustee, maintained in a segregated account, and invested in short-term high quality investments, as permitted by the rating agencies rating the System Restoration Bonds. Investment earnings on REP cash deposits shall be considered

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**6.1.1.6.3 Schedule SRC - System Restoration Charge**

part of such cash deposits so long as they remain on deposit with the Indenture Trustee. At the instruction of the Servicer, cash deposits will be remitted with investment earnings to the REP at the end of the term of the System Restoration Bonds unless otherwise utilized for the payment of the REP's obligations for System Restoration Charge payments. Once the deposit is no longer required, the Servicer shall promptly (but not later than 30 calendar days) instruct the Indenture Trustee to remit the amounts in the segregated accounts to the REP.

6. In the event that a REP or the POLR is billing customers for SRCs, the REP shall have the right to transfer the customer to the Provider of Last Resort (POLR) (or to another certified REP) or to direct the Servicer to terminate transmission and distribution service to the end-use customer for non-payment by the end-use customer pursuant to applicable Commission rules.

**D. Billings by the Servicer to the REP or its Replacement (when applicable):**

1. Applicable to all consumption subject to REP billing of SRCs.
2. Payments of SRCs are due 35 calendar days following each billing by the Servicer to the REP, without regard to whether or when the REP receives payment from its retail customers. The Servicer shall accept payment by electronic funds transfer (EFT), wire transfer (WT) and/or check. Payment will be considered received the date the EFT or WT is received by the Servicer, or the date the check clears. A 5% penalty is to be charged on amounts received after 35 calendar days; however, a 10-calendar-day grace period will be allowed before the REP is considered to be in default. A REP in default must comply with the provisions set forth in Paragraph 3 below. The 5% penalty will be a one-time assessment measured against the current amount overdue from the REP to the Servicer. The current amount consists of the total unpaid System Restoration Charges existing on the 36<sup>th</sup> calendar day after billing by the Servicer. Any and all such penalty payments will be made to the Indenture Trustee to be applied against System Restoration Charge obligations. A REP shall not be obligated to pay the overdue System Restoration Charges of another REP. If a REP agrees to assume the responsibility for the payment of overdue System Restoration Charges as a condition of receiving the customers of another REP who has decided to terminate service to those customers for any reason, the new REP shall not be assessed the 5% penalty upon such System Restoration Charges; however, the prior REP shall not be relieved of the previously assessed penalties.

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3. After the 10 calendar-day grace period (the 45<sup>th</sup> calendar day after the billing date) referred to in Paragraph 2 above, the Servicer shall have the option to seek recourse against any cash deposit, affiliate guarantee, surety bond, letter of credit, or combination thereof made by the REP, and avail itself of such legal remedies as may be appropriate to collect any remaining unpaid System Restoration Charges and associated penalties due the Servicer after the application of the REP's deposit or alternate form of credit support. In addition, a REP that is in default with respect to the requirements set forth in Paragraphs 4 and 5 of the previous section, Billings by the REP or its Replacement to End-Use Customers, and Paragraph 2 of this section shall select and implement one of the following options:

(a) Allow the Provider of Last Resort (POLR) or a qualified REP of the customer's choosing to immediately assume the responsibility for the billing and collection of System Restoration Charges.

(b) Immediately implement other mutually suitable and agreeable arrangements with the Servicer. It is expressly understood that the Servicer's ability to agree to any other arrangements will be limited by the terms of the servicing agreement and requirements of each of the rating agencies that have rated the System Restoration Bonds necessary to avoid a suspension, withdrawal, or downgrade of the ratings on the System Restoration Bonds.

(c) Arrange that all amounts owed by retail customers for services rendered be timely billed and immediately paid directly into a lock-box controlled by the Servicer with such amounts to be applied first to pay System Restoration Charges before the remaining amounts are released to the REP. All costs associated with this mechanism will be borne solely by the REP.

If a REP that is in default fails to immediately select and implement one of the foregoing options in (a), (b), or (c) or, after so selecting one of the foregoing options, fails to adequately meet its responsibilities thereunder, then the Servicer shall immediately implement option (a). Upon re-establishment of the requirements set forth in Paragraphs 4 and 5 of the previous section, Billings by the REP or its Replacement to End-Use Customers, and Paragraph 2 of this section and the payment of all past-due amounts and associated penalties, the REP will no longer be required to comply with this subsection.

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4. The POLR will be required to meet the minimum credit rating and/or deposit/credit support requirements described in Paragraph 3 of the preceding section, Billings by the REP or its Replacement to End-Use Customers, in addition to any other standards that may be adopted by the Commission. If the POLR defaults or is not eligible to provide such services, responsibility for billing and collection of transition charges will immediately be transferred to and assumed by the Servicer until a new POLR can be named by the Commission or the customer requests the services of a certified REP. Retail customers may never be re-billed by the successor REP, the POLR, or Servicer for any amount of System Restoration Charges they have paid their REP (although future SRCs shall reflect REP and other system-wide charge-offs). Additionally, if the amount of the penalty detailed in Paragraph 2 of this section is the sole remaining past-due amount after the 45<sup>th</sup> day, the REP shall not be required to comply with (a), (b), or (c) above, unless the penalty is not paid within an additional 30 calendar days.
5. In the event the Servicer is billing customers for System Restoration Charges, the Servicer shall have the right to terminate transmission and distribution service for non-payment by end-use customers pursuant to the Commission's rules.
6. Notwithstanding Paragraph 2 of this section, the REPs will be allowed to hold back an allowance for charge-offs in their payments to the Servicer. Such charge-off rate will be recalculated each year in connection with the annual true-up procedure. In the initial year, the REPs will be allowed to remit payments based on the same system-wide charge off percentage then being used for the transition bonds issued by AEP Texas Central Transition Funding III LLC under the financing order issued in Docket No. 39931. On an annual basis in connection with the annual true-up adjustment process, the REP and the Servicer will be responsible for reconciling the amounts held back with amounts actually written off as uncollectible in accordance with the terms agreed to by the REP and the Servicer, provided that:
  - (a) The REP's right to reconciliation for write-offs will be limited to customers whose service has been permanently terminated and whose entire accounts (i.e., all amounts due the REP for its own account as well as the portion representing System Restoration Charges) have been written off.
  - (b) The REP's recourse will be limited to a credit against future SRC payments unless the REP and the Servicer agree to alternative arrangements, but in no event will the REP have recourse to the SPE or its funds for such payments.



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(c) The REP shall provide information on a timely basis to the Servicer so that the Servicer can include the REP's default experience and any subsequent credits into its calculation of the adjusted SRC Rates for the next SRC billing period and the REP's rights to credits will not take effect until after such adjusted SRC Rates have been implemented.

7. In the event that a REP disputes any amount of billed System Restoration Charges, the REP shall pay the disputed amount under protest according to the timelines detailed in Paragraph 2 of this section. The REP and Servicer shall first attempt to informally resolve the dispute, but if failing to do so within 30 calendar days, either party may file a complaint with the Commission. If the REP is successful in the dispute process (informal or formal), the REP shall be entitled to interest on the disputed amount paid to the Servicer at the Commission-approved interest rate. Disputes about the date of receipt of System Restoration Charge payments (and penalties arising thereof) will be handled in a like manner. Any interest paid by the Servicer on disputed amounts shall not be recovered through System Restoration Charges if it is determined that the Servicer's claim to the funds is clearly unfounded. No interest shall be paid by the Servicer if it is determined that the Servicer has received inaccurate metering data from another entity providing competitive metering services pursuant to PURA section 39.107.
8. If the Servicer is providing the metering, the metering data will be provided to the REP at the same time as the billing. If the Servicer is not providing the metering, the entity providing metering service(s) will be responsible for complying with Commission rules and ensuring that the Servicer and the REP receive timely and accurate metering data in order for the Servicer to meet its obligations under the Servicing Agreement and the Financing Order with respect to billing and true-ups.

**OTHER TERMS AND CONDITIONS**

If the customer, REP, or other entity which, under the terms of the Financing Order or PURA, may be obligated to pay or collect the SRCs, pays only a portion of its bill, a pro-rata share amount of System Restoration Charge revenues shall be deemed to be collected. In the event of any such shortfall, the amount paid shall first be apportioned between the system restoration charges and other fees and charges owed to the Company or any successor, other than late fees, ratably based on the amount owed for System Restoration Charges and the amount owed for other fees and charges (including transition charges or system restoration charges owed for other current or future

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transition bonds and system restoration bonds), and second, any remaining portion of such payment shall be allocated to late fees.

At least once each year, (i) the Company shall cause to be prepared and delivered to REPs and such customers a notice stating, in effect, that the Transition Property and the System Restoration Charges are owned by the SPE and not the Company; and (ii) each REP which bills System Restoration Charges shall cause to be prepared and delivered to such customers a notice stating, in effect, that the Transition Property and the System Restoration Charges are owned by the SPE and not the REP or the Company. Such notice shall be included either as an insert to or in the text of the bills delivered to such REPs or customers, as applicable, or shall be delivered to customers by electronic means or such other means as the Servicer or the REP may from time to time use to communicate with their respective customers.

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**6.1.1.6.3.1 Rider SRC – System Restoration Charge Factors****AVAILABILITY**

This schedule is applicable to billed energy consumption and demands of retail customers taking service from the Company during the term that this schedule is in effect, and to the facilities, premises, and loads of all other retail customers obligated to pay Rider SRC Charges as provided in Schedule SRC, Section 6.1.1.6.3. Terms defined in Schedule SRC that are used herein shall have the same meaning as set forth in Schedule SRC.

**RATE CLASSES**

For purposes of billing System Restoration Charge Rates (SRC Rates), each retail end-use customer will be designated as a customer belonging to one of five classes as identified by Schedule SRC.

**SYSTEM RESTORATION CHARGE RATES**

<b><u>System Restoration Charge Customer Class</u></b>	<b><u>SRC Rates</u></b>
Residential	\$0.001472 per kWh
Secondary Service Less Than or Equal to 10 kW	\$0.001842 per kWh
Secondary Service Greater Than 10 kW	\$0.307337 per Distribution Billing kW
Primary Service	\$0.246113 per Distribution Billing kW
Lighting Service	\$0.008522 per kWh

The SRC Rates are multiplied by the kWh or kW, as applicable, read, estimated or determined during the billing month and will be applied to bills rendered on and after the effective date.

**SYSTEM RESTORATION CHARGE TRUE-UP**

The Restoration Charge Rates shall be determined in accordance with and are subject to the provisions set forth in the Financing Order and Schedule SRC. Not less than 15 days prior to the first billing cycle for the Company's June billing month and no less frequently than annually thereafter, the Company or successor Servicer will file a revision to Rider SRC setting forth the adjusted SRC Rates to be effective for the upcoming period. If made as a result of the annual true-up adjustment in Schedule SRC, the adjusted SRC Rates will become effective on the first billing cycle of the Company's June billing month. In accordance with Schedule SRC, an interim true-up is mandatory semi-annually (or quarterly after the final scheduled payment date of the last tranche of the system restoration bonds) if the Servicer forecasts that system restoration charge collections

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**6.1.1.6.3.1 Rider SRC – System Restoration Charge Factors**

will be insufficient to make all scheduled payments of principal, interest and other amounts in respect of the System Restoration Bonds on a timely basis during the current or next succeeding payment period and/or or to replenish any draws upon the capital subaccount. Optional interim true-ups may also be made at any time as described in Schedule SRC. If an interim true-up adjustment is made pursuant to Schedule SRC, the Adjusted SRC Rates will be become effective on the first billing cycle of the Company's billing month that is not less than 15 days following the making of the interim true-up adjustment filing. In the event that the forecasted billing units for one or more of the System Restoration Charge customer classes for an upcoming period decreases by more than 10% of the threshold billing units set forth in the Financing Order, the Servicer shall make a true-up filing at least 90 days prior to the first billing cycle for the Company's June billing month.

**ESTIMATED UP-FRONT QUALIFIED COSTS**

<b>CAPPED UP-FRONT QUALIFIED COSTS</b>	
	\$
Legal Fees (Company, Issuer, and Underwriter)	
Accountant's Fees	
Trustee's/Trustee Counsel's Fees and Expenses	
Servicer's Set-up Costs	
Printing/Edgarizing	
Company Advisor's Fee	
SPE Setup Costs	
Securitization Proceeding Expenses	
Miscellaneous Administrative Costs	
Underwriters' Fees	
Subtotal Capped Up-Front Qualified Costs	<b>3,650,241</b>
<b>UNCAPPED UP-FRONT QUALIFIED COSTS</b>	
Commission's Financial Advisor Fees	200,000
Legal Fees for Counsel to the Commission's Advisor, if any	
Original Issue Discount	
Cost of Other Credit Enhancements	
Rating Agency Fees	530,785
SEC Registration Fees	27,766
Rounding/Contingency	
<b>TOTAL UP-FRONT QUALIFIED COSTS SECURITIZED</b>	<b>4,408,792</b>

**ONGOING QUALIFIED COSTS**

	<b>ANNUAL AMOUNT</b>
Servicing Fee (AEP Texas as Servicer) (0.10% of initial System Restoration Bond principal amount)	\$ 229,469
Administration Fee	\$ 100,000
Accountant's Fee	\$ 50,000
Legal Fees/Expenses for Company's/Issuer's Counsel	\$ 55,000
Trustee's/Trustee's Counsel Fees and Expenses	\$ 2,500
Independent Manager's Fees	\$ 2,500
Rating Agency Fees	\$ 45,000
Printing/Edgarizing Fees	\$ 10,000
Miscellaneous	\$ 10,000
<b>TOTAL ONGOING QUALIFIED COSTS (with AEP Texas as Servicer)</b>	<b>\$ 504,469</b>
Ongoing Servicers Fee (Third Party as Servicer) (0.60 % of principal amount)	\$ 1,376,811
<b>TOTAL ONGOING QUALIFIED COSTS (Third Party as Servicer)</b>	<b>\$ 1,651,811</b>

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**6.1.1.6.5. Rider ADFIT – ADFIT Credit**

**APPLICABILITY**

Pursuant to Public Utility Commission of Texas Docket No. [ ], the ADFIT Credit is a negative charge to customers subject to Schedule SRC to provide customers the accumulated deferred federal income tax (ADFIT) benefits associated with Hurricane Harvey and other system restoration costs.

This schedule is applicable to billed energy consumption and demands of retail customers taking service from the Company during the term that this schedule is in effect, and to the facilities, premises, and loads of all other retail customers obligated to pay Rider SRC Charges as provided in Schedule SRC, Section 6.1.1.6.3. Terms defined in Schedule SRC that are used herein shall have the same meaning as set forth in Schedule SRC.

**TERM**

This Rider ADFITC is effective beginning on the date Schedule SRC is effective and will remain in effect over the 10-year term of Schedule SRC.

**ADFIT ALLOCATION FACTORS**

The ADFIT Allocation Factors are the same as the PBRAFs in Schedule SRC.

**ADFITC RATES**

The ADFITC Credits to be applied beginning on the effective date of this Rider ADFITC are set out below. The ADFITC rate classes and billing units are the same as the classes and billing units in Rider SRC. In addition, ADFITC Credits are applicable to each customer which has New On-Site Generation as defined in Schedule SRC, and to customers in multiply-certificated areas who request to switch from AEP Texas to another service provider on or after the date of approval of the Financing Order in Docket No. [ ], as and to the extent Schedule SRC charges are applicable to such customers. ADFITC Credits to be applied in subsequent periods will be determined in the annual true-up process.

**ADFITC Rate Class**

Residential  
Secondary Service Less Than or Equal to 10 kW  
Secondary Service Greater Than 10 kW  
Primary Service  
Lighting Service

**ADFITC Rates**

(\$0.000144) per kWh  
(\$0.000180) per kWh  
(\$0.030098) per Distribution Billing kW  
(\$0.024103) per Distribution Billing kW  
(\$0.000835) per kWh

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The ADFITC Rates are multiplied by the kWh or kW, as applicable, read, estimated or determined during the billing month and will be applied to bills rendered on and after the effective date.

**ADFITC TRUE-UP ADJUSTMENT**

ADFITC Charges shall be adjusted annually effective on each date that charges in Schedule SRC become effective. The ADFITC true-up will be performed at the same time, using the same methodology and billing determinants, as the Standard True-Up or Non-Standard True-Up for Rate Schedule SRC. The ADFITC Charges shall be adjusted to (1) correct any over-credit or under-credit of the amounts previously scheduled to be provided to customers and (2) reflect the amounts scheduled to be provided to customers during the period the adjusted ADFITC Charges are to be effective.

**OTHER TERMS AND CONDITIONS**

If the customer or REP pays only a portion of its bill, a pro-rata portion of ADFITC Charge credits will be credited equal to the pro-rata portion of Schedule SRC collected according to Schedule SRC.



**AEP TEXAS CENTRAL DIVISION**  
**THRESHOLD BILLING DETERMINANTS FOR DETERMINING THE NON-STANDARD TRUE-UP**  
**CALCULATION OF NON-STANDARD TRUE-UP THRESHOLD**

		<u>(1)</u>	<u>(2)</u>
		12 Months	Non-Standard
		Ended 9/30/2018	True-up Threshold
	Billing Units	SRC Billing Units	(90% of Column (1))
<b>Residential</b>	kWh	10,223,037,624	9,200,733,862
<b>Secondary Service Less Than or Equal to 10 kW</b>	kWh	446,391,924	401,752,732
<b>Secondary Service Greater Than 10 kW</b>	kW	29,112,261	26,201,035
<b>Primary Service</b>	kW	6,688,519	6,019,667
<b>Lighting Service</b>	kWh	222,078,177	199,870,359