

AEP TEXAS INC.
SUMMARY OF TRANSMISSION, DISTRIBUTION AND GENERAL PLANT DEPRECIATION RATES

NO.	TITLE	AEP TEXAS (COMBINED COMPANIES) TOTAL DEPRECIATION RATES	AEP TEXAS (COMBINED COMPANIES) LIFE DEPRECIATION RATES	AEP TEXAS (COMBINED COMPANIES) REMOVAL DEPRECIATION RATES
TRANSMISSION PLANT				
350.1	Land Rights	1.20%	1.20%	0.00%
352.0	Structures & Improvements	1.66%	1.57%	0.09%
353.0	Station Equipment	2.03%	1.75%	0.28%
354.0	Towers & Fixtures	1.62%	1.30%	0.32%
355.0	Poles & Fixtures	3.00%	1.72%	1.28%
356.0	OH Conductor & Devices	2.18%	1.58%	0.60%
357.0	Underground Conduit	1.58%	1.58%	0.00%
358.0	Underground Conductor & Devices	2.47%	2.47%	0.00%
359.0	Roads and Trails	0.55%	0.55%	0.00%
	Total Transmission Plant	2.28%	1.70%	0.58%
DISTRIBUTION PLANT				
360.1	Land Rights	1.64%	1.64%	0.00%
361.0	Structures & Improvements	1.39%	1.22%	0.17%
362.0	Station Equipment	1.82%	1.49%	0.33%
363.0	Storage Battery Equipment	6.67%	6.67%	0.00%
364.0	Poles, Towers, & Fixtures	3.16%	1.51%	1.65%
365.0	Overhead Conductor & Devices	3.31%	1.73%	1.58%
366.0	Underground Conduit	1.20%	1.20%	0.00%
367.0	Underground Conductor	2.62%	1.76%	0.86%
368.0	Line Transformers	3.41%	2.82%	0.59%
369.0	Services	2.15%	0.78%	1.37%
370.0	Meters	6.82%	5.30%	1.52%
370.16	AMI Meters (1)	6.67%	6.67%	0.00%
371.0	Installations on Custs. Prem.	2.66%	1.38%	1.28%
372.0	Leased Property on Custs. Prem.	1.55%	1.55%	0.00%
373.0	Street Lighting & Signal Sys.	2.96%	2.15%	0.81%
	Total Distribution Plant	3.06%	2.04%	1.02%
GENERAL PLANT				
390.0	Structures & Improvements	1.50%	1.26%	0.24%
391.0	Office Furniture & Equipment	7.89%	7.83%	0.06%
392.0	Transportation Equipment	8.58%	8.58%	0.00%
393.0	Stores Equipment	4.06%	4.00%	0.06%
394.0	Tools Shop & Garage Equipment	2.94%	2.85%	0.09%
395.0	Laboratory Equipment	3.60%	3.60%	0.00%
396.0	Power Operated Equipment	0.94%	0.94%	0.00%
397.0	Communication Equipment	4.48%	4.48%	0.00%
397.16	AMI Communication Equipment (1)	6.67%	6.67%	0.00%
398.0	Miscellaneous Equipment	4.68%	4.26%	0.42%
	Total General Plant	2.62%	2.45%	0.17%
	Total Depreciable Plant	2.68%	1.91%	0.77%

Line No	Description	TCOS FUNCTION	SETTLEMENT ADJUSTMENTS TO TCOS	SETTLEMENT TCOS FUNCTION	Schedule / Workpaper Reference
1	Operating and Maintenance Expenses	54,332,468	870,385	55,202,854	Docket 49494
2	Depreciation & Amortization Expenses	93,253,058	-	93,253,058	Schedule E-1
3	Taxes Other Than Federal Income Tax	43,766,386	-	43,766,386	Schedule E-2
4	Federal Income Tax	26,299,335	-	26,299,335	Schedule E-3
5	Return on Rate Base	169,497,867	-	169,497,867	Schedule B
6	TOTAL COST OF SERVICE	387,149,114	870,385	388,019,500	
7					
8	Minus Other Revenues	5,503,550	-	5,503,550	Docket 49494
9					
10	TOTAL REVENUE REQUIREMENT	381,645,564	870,385	382,515,949	

Line No	Description	TCOS FUNCTION	SETTLEMENT ADJUSTMENTS TO TCOS	SETTLEMENT TCOS FUNCTION	Schedule / Workpaper Reference
1	Original Plant in Service 350 - 359	3,678,057,513	-	3,678,057,513	Schedule B-1
2	Accumulated Depreciation	(563,602,381)	-	(563,602,381)	Schedule B-5
3	Net Plant In Service	3,114,455,132	-	3,114,455,132	
4	Allocated Plant Accounts Net	163,276,519	-	163,276,519	Schedule B-5
5	Settlement Adjustment	(12,219,787)	-	(12,219,787)	Schedule B-1
6	Net Plant In Service	3,265,511,864	-	3,265,511,864	
7					
8	Other Rate Base Items.				
9	Cash Working Capital	(12,483,645)	-	(12,483,645)	Docket No. 49494
10	Prepayments	7,413,933	-	7,413,933	Docket No. 49494
11	Materials & Supplies	15,176,994	-	15,176,994	Docket No. 49494
12	Plant Held for Future Use	-	-	-	Docket No. 49494
13	ADIT & FAS 109 Accts.	(355,515,009)	-	(355,515,009)	Docket No. 49494
14	Customer Deposits	-	-	-	Docket No. 49494
15	Regulatory Liabilities	(321,874,001)	-	(321,874,001)	Docket No. 49494
16	Regulatory Assets	28,183,978	-	28,183,978	Docket No. 49494
17	Subtotal	(639,097,750)	-	(639,097,750)	
18					
19	TOTAL RATE BASE	2,626,414,114	-	2,626,414,114	
20					
21	Rate of Return	6.4536%		6.4536%	Docket No. 49494
22					
23	RETURN ON RATE BASE	169,497,867	-	169,497,867	

Line No.	Description	Account No	TCOS FUNCTION	SETTLEMENT ADJUSTMENTS TO TCOS	SETTLEMENT TCOS FUNCTION
1	Organization	A301	2,113	-	2,113
2	Franchise & Consents	A302	-	-	-
3	Miscellaneous Intangible Plant	A303	37,599,009	-	37,599,009
4	Subtotal		37,601,122	-	37,601,122
5					
6	Transmission Plant-Gross				
7	Land Owned in Fee	A349	4,409,881	-	4,409,881
8	Land and Land Rights	A350	99,940,627	-	99,940,627
9	Structures and Improvements	A352	57,755,396	-	57,755,396
10	Station Equipment	A353	1,802,274,995	-	1,802,274,995
11	Towers and Fixtures	A354	50,004,867	-	50,004,867
12	Poles and Fixtures	A355	936,689,507	-	936,689,507
13	O H Conductors & Devices	A356	697,002,112	-	697,002,112
14	Underground Conduit	A357	4,836,777	-	4,836,777
15	Underground Conductors	A358	25,088,976	-	25,088,976
16	Roads and Trails	A359	54,376	-	54,376
17	Subtotal		3,678,057,513	-	3,678,057,513
18					
19	General Plant-Gross				
20	Land Owned in Fee	A388	-	-	-
21	Land and Land Rights	A389	1,258,231	-	1,258,231
22	Structures and Improvements	A390	116,650,658	-	116,650,658
23	Office Furniture & Equip.	A391	2,035,757	-	2,035,757
24	Transportation Equipment	A392	1,993	-	1,993
25	Store Equipment	A393	3,676	-	3,676
26	Tools, Shop & Garage Equip	A394	23,106,515	-	23,106,515
27	Laboratory Equipment	A395	75,795	-	75,795
28	Power Operated Equipment	A396	-	-	-
29	Misc Equipment	A398	453,210	-	453,210
30	Other Tangible Property	A399	-	-	-
31	Total Communication Equipment	A397	11,247,748	-	11,247,748
32	TOTAL GENERAL PLANT GROSS INCLUDE COMM EQUIP.		154,833,582	-	154,833,582
33	TOTAL PLANT IN SERVICE-GROSS (INCL. INTANGIBLES)		3,870,492,217	-	3,870,492,217
34	Settlement Adjustment		(12,219,787)	-	(12,219,787)
35	TOTAL GROSS PLANT AS ADJUSTED		3,858,272,430	-	3,858,272,430

Line No	Description	Account No	TCOS FUNCTION	SETTLEMENT ADJUSTMENTS TO TCOS	SETTLEMENT TCOS FUNCTION
1	Intangible Plant				
2	Organization	A301	-	-	-
3	Franchise & Consents-Merger assets-Other	A302	-	-	-
4	Miscellaneous Intangible Plant	A303	(14,369,345)	-	(14,369,345)
5	Subtotal		0 (14,369,345)	-	(14,369,345)
6					
7	Transmission Plant				
8	Land Owned in Fee	A349	-	-	-
9	Land and Land Rights	A350	(27,969,327)	-	(27,969,327)
10	Structures and Improvements	A352	(4,767,736)	-	(4,767,736)
11	Station Equipment	A353 0	(226,624,323)	-	(226,624,323)
12	Towers and Fixtures	A354	(16,934,976)	-	(16,934,976)
13	Poles and Fixtures	A355	(185,531,577)	-	(185,531,577)
14	O H Conductors & Devices	A356	(98,793,898)	-	(98,793,898)
15	Underground Conduit	A357	(17,927)	-	(17,927)
16	Underground Conductors	A358	(2,914,606)	-	(2,914,606)
17	Roads and Trails	A359	(48,011)	-	(48,011)
18	Subtotal		(563,602,381)	-	(563,602,381)
19					
20	TOTAL INT, TRAN, DIST PLANT-ACCUM DEP.		(577,971,726)	-	(577,971,726)
21					
22	General Plant				
23	Land Owned in Fee	A388	-	-	-
24	Land and Land Rights	A389	-	-	-
25	Structures and Improvements	A390	(673,296)	-	(673,296)
26	Office Furniture & Equip.	A391	(96,314)	-	(96,314)
27	Transportation Equipment	A392	(1,216)	-	(1,216)
28	Store Equipment	A393	(430)	-	(430)
29	Tools, Shop & Garage Equip	A394	(4,788,282)	-	(4,788,282)
30	Laboratory Equipment	A395	(1,440)	-	(1,440)
31	Power Operated Equipment	A396	-	-	-
32	Subtotal		(5,560,978)	-	(5,560,978)
33					
34	Communication Equipment	A397	(8,883,451)	-	(8,883,451)
35	Misc. Equipment	A398	(344,411)	-	(344,411)
36	Lignite Reserve Depletable	A399	-	-	-
37	Other Tangible-Deprc	A399	-	-	-
38	Subtotal		(9,227,862)	-	(9,227,862)
39					
40	TOTAL ACCUM. DEP. FOR GENERAL PLANT		(14,788,841)	-	(14,788,841)
41					
42	TOTAL ACCUMULATED DEPRECIATION		(592,760,566)	-	(592,760,566)

Line No	Description	Account No	TCOS FUNCTION	SETTLEMENT ADJUSTMENTS TO TCOS	SETTLEMENT TCOS FUNCTION
1	Intangible Plant				
2	Organization	A301	-	-	-
3	Franchise and Consents/Reg Assets/Liabilities	A302	-	-	-
4	Miscellaneous Intangible Plant	A303	6,846,892	-	6,846,892
5	Subtotal		6,846,892	-	6,846,892
6					
7	Transmission Plant				
8	Land and Land Rights	A350	1,071,037	-	1,071,037
9	Structures and Improvements	A352	959,949	-	959,949
10	Station Equipment	A353	36,507,469	-	36,507,469
11	Towers and Fixtures	A354	806,255	-	806,255
12	Poles and Fixtures	A355	28,099,093	-	28,099,093
13	O H. Conductors & Devices	A356	15,205,873	-	15,205,873
14	Underground Conduit	A357	76,628	-	76,628
15	Underground Conductors	A358	618,903	-	618,903
16	Roads and Trails	A359	298	-	298
17	Subtotal		83,345,504	-	83,345,504
18					
19	General Plant				
20	Land and Land Rights	A389.1	-	-	-
21	Structures and Improvements	A390	1,749,223	-	1,749,223
22	A391 Office Furniture	A391	158,787	-	158,787
23	Transportation equipment	A392	127	-	127
24	Store Equipment	A393	154	-	154
25	Tools, Shop & Garage Equip	A394	680,545	-	680,545
26	Lab Equip	A395	2,731	-	2,731
27	Power Operated Equipment	A396	-	-	-
28	Communication equi	A397	520,026	-	520,026
29	Misc Equip	A398	20,092	-	20,092
30	Other Tangible Prop - Depr	A399	-	-	-
31	Other Tangible Prop - Depletable	A399	-	-	-
32	Subtotal		3,131,686	-	3,131,686
33					
34	Settlement Adjustment		(71,024)	-	(71,024)
35					
36	TOTAL DEPRECIATION & AMORTIZATION		93,253,058	-	93,253,058

Line No.	Description	TCOS FUNCTION	SETTLEMENT ADJUSTMENTS TO TCOS	SETTLEMENT TCOS FUNCTION
1	Direct Assigned	(1,453,767)	-	(1,453,767)
2	FICA	1,729,367	-	1,729,367
3	FUTA	13,270	-	13,270
4	SUTA	27,680	-	27,680
5	Total Payroll	316,549	-	316,549
6				
7	Ad Valorem	42,696,165	-	42,696,165
8	Total Property	42,696,165	-	42,696,165
9				
10	Unemployment	-	-	-
11	Franchise	-	-	-
12	Total Non-Revenue Related	-	-	-
13				
14	Federal Excise\St Lic Reg Fees	-	-	-
15	Sales and Use	1,809	-	1,809
16	State Gross Receipts	4	-	4
17	Municipal fees	-	-	-
18	Gross Margins Tax	751,860	-	751,860
19	Total Revenue Related	753,672	-	753,672
20				
21	TOTAL TAXES OTHER THAN INCOME TAXES	43,766,386	-	43,766,386

Note. Additional Interim TCOS Ad Valorem Taxes will be Based on 1 11% of Gross Plant Consistent with the PFD.

Line No.	Description	TCOS FUNCTION	SETTLEMENT ADJUSTMENTS TO TCOS	SETTLEMENT TCOS FUNCTION
1	Return on Rate Base	169,497,867	-	169,497,867
2				
3	Deductions	-	-	-
4	Synchronized Interest	(64,572,623)	-	(64,572,623)
5	ITC Amortization	(524,773)	-	(524,773)
6	Amortization of Protected Excess DFIT	(926,091)	-	(926,091)
7	Amortization of Non-protected excess DFIT	-	-	-
8	Allocated Parent Company Tax Savings	-	-	-
9	Subtotal	(66,023,487)	-	(66,023,487)
10				
11	Additions	-	-	-
12	Depreciation adjustment	805,000	-	805,000
13	Meals and Entertainment	115,470	-	115,470
14	Allocated Parent Company Tax Savings	-	-	-
15	Restricted Stock	(1,243)	-	(1,243)
16	Subtotal	919,226	-	919,226
17	Taxable Component of Return	104,393,606	-	104,393,606
18	Tax Factor (1/1-.35)(.35)	26.58%	-	26.58%
19				
20	Federal Income Taxes Before Adjust.	27,750,199	-	27,750,199
21				
22	Tax Credits	-	-	-
23	ITC Amortization	(524,773)	-	(524,773)
24	Amort of protected excess DFIT	(926,091)	-	(926,091)
25	Amortization of Non-protected excess DFIT	-	-	-
26	Allocated Parent Company Tax Savings	-	-	-
27	Tax Credits and Adjustments	-	-	-
28	Subtotal	(1,450,864)	-	(1,450,864)
29				
30	ADD	-	-	-
31	prior year adjustments	-	-	-
32	provision for contingencies	-	-	-
33	Subtotal	-	-	-
34				
35	TOTAL FEDERAL INCOME TAXES	26,299,335	-	26,299,335

TRANSMISSION CALCULATIONS
AEP Texas System-Wide Rates
Total Transmission Cost Recovered Through TCRF

Rate Class	Share of ERCOT TCOS	Unadjusted Unscaled 15-min 4CP Allocator Docket No. 49494	TCOS	Combined Adjustment to TCRF	Total TCRF Update Compliance	Combined Billing Determinant AEP Texas	Type (KW, kWh)	TCRF Per Unit Charge
Combined TCRF Class				Mar-20		Mar-20		
Residential	\$ 162,734,565	47.309%	\$ 76,988,037	\$ (8,441,119)	\$ 68,546,918	6,167,997,512 kWh		\$0.011113
Secondary - - 10 kW (combined with Lighting)	\$ 162,734,565	1.704%	\$ 2,772,375	\$ (154,643)	\$ 2,617,732	435,615,650 kWh		\$0.006009
Secondary - 10 kW 4CP	\$ 162,734,565	3.152%	\$ 5,128,869	\$ (15,383)	\$ 5,113,486	1,136,127 4CP kW		\$4.501
Secondary - 10 kW NCP	\$ 162,734,565	28.071%	\$ 45,681,603	\$ 227,540	\$ 45,909,143	14,500,074 NCP kW		\$3.166
Primary 4CP	\$ 162,734,565	9.803%	\$ 15,952,841	\$ (129,093)	\$ 15,823,748	3,509,740 4CP kW		\$4.509
Primary NCP	\$ 162,734,565	0.654%	\$ 1,064,746	\$ 40,612	\$ 1,105,358	376,916 NCP kW		\$2.933
Transmission	\$ 162,734,565	9.307%	\$ 15,146,096	\$ (1,211,223)	\$ 13,934,873	3,456,146 4CP kW		\$4.032
Lighting	\$ 162,734,565	0.000%	\$ -			kWh		\$0.006009
Total	\$ 162,734,565	100.000%	\$ 162,734,565	\$ (9,683,308)	\$ 153,051,257			

AEPTX North Settlement Credit Rider*
-\$150,000

		Docket No. 48928		
		Average 4CP (KW)	Annual	Semi-annual
AEP Texas Central (Formerly CPI)	AFP-ICC	4,761,042.43	\$262,707,122	\$131,353,561
AEP Texas North (Formerly WTU)	AFP-INC	1,137,436.17	\$62,762,008	\$31,381,004
AEP Texas Combined	AEPTX	5,898,478.60	\$325,469,131	\$162,734,565

ERCOT Matrix Including AEPTX TCOS Settlement Rate
Cumulative TCOS Rates as of November 27, 2019: \$55,178,487,993

*\$300,000 per year

DCRF Baseline Values

	DIST	Residential	Secondary < 10 KW	Secondary > 10 KW 4CP	Secondary > 10 KW IDR NCP	Primary 4CP	Primary NCP	Transmission	Lighting
DIC _{RC}	2,333,171.082	1,281,299,278	61,432,737	81,317,773	655,902,278	128,678,161	12,395,324	1,034,921	111,110,610
ROR _{AT}	0.064536	0.064536	0.064536	0.064536	0.064536	0.064536	0.064536	0.064536	0.064536
DEPR _{RC}	144,846,478	80,893,090	4,730,289	4,553,896	39,371,555	7,170,569	869,798	238,710	7,018,570
FT _{RC}	14,340,435	7,871,060	334,944	520,371	4,125,014	816,125	77,376	5,320	590,226
OT _{RC}	42,342,415	23,317,669	1,160,648	1,451,246	11,806,811	2,317,466	228,102	23,501	2,036,972
DISTRI-V _{RC}	352,102,507	194,771,557	10,190,495	11,773,424	97,632,591	18,608,515	1,975,219	334,321	16,816,386
ALLOCC _{CLASS}		54.916645%	2.633015%	3.485290%	28.112052%	5.515162%	0.531265%	0.044357%	4.762214%
BD _{RC-CLASS}		11,997,181.582	579,303.384	29,321.712	3,041.756	958.871	9,502.752	16,829.578	262,226.045
BD _{RC-CLASS} BASIS		KWH	KWH	KW	KW	KW	KW	KW	KWH

Line No	Description	Total Approved Docket No 49494 Final Order	Reference Schedule
1	Operating and Maintenance Expenses	162,026,585	Docket No 49494
2	Depreciation & Amortization Expenses	153,763,333	Schedule E-1
3	Taxes Other Than Federal Income Tax	102,238,280	Schedule E-2
4	Federal Income Tax	14,948,806	Schedule E-3
5	Return on Rate Base	155,143,250	Schedule B
6			
7	TOTAL COST OF SERVICE	588,120,254	
8			
9	Minus Other Revenues	(24,850,708)	Docket No 49494
10			
11	TOTAL REVENUE REQUIREMENT	563,269,546	

Line No	Description	Total Approved Docket No 49494 Final Order	Reference Schedule
1	Original Plant in Service (303, 360-374, 391, 397)	4,148,705,833	Schedule B-1
2	Accumulated Depreciation (303, 360-374, 391, 397)	(1,412,087,806)	Schedule B-5
3	Net Plant in Service	2,736,618,027	
4	Allocated Plant Accounts - Net	200,104,348	Docket No 49494
5	Settlement Adjustment	(10,780,213)	Schedule B-1
6			
7	Net Plant In Service	2,925,942,161	
8			
9	Other Rate Base Items		
10	Cash Working Capital	(516,355)	Docket No 49494
11	Prepayments	79,504,556	Docket No 49494
12	Materials & Supplies	32,100,909	Docket No 49494
13	Plant Held for Future Use	3,132,016	Docket No 49494
14	ADIT & FAS 109 Accts	(420,577,914)	Docket No 49494
15	Customer Deposits	(3,662,131)	Docket No 49494
16	Regulatory Liabilities	(264,681,351)	Docket No 49494
17	Regulatory Assets	52,743,639	Docket No 49494
18	Subtotal	(521,956,630)	Docket No 49494
19			
20	TOTAL RATE BASE	2,403,985,531	
21			
22	Rate of Return	6.4536%	Docket No 49494
23			
24	RETURN ON RATE BASE	155,143,250	

Line No	Description	Account No	Total Approved Docket No 49494 Final Order
1	Intangible Plant-Gross		
2	Organization	A301	18,123
3	Franchise & Consents	A302	-
4	Miscellaneous Intangible Plant	A303	105,785,701
5	Subtotal		105,803,824
6			
7	Distribution Plant-Gross		
8	Land and Land Rights	A360	23,099,513
9	Structures and Improvements	A361	17,550,532
10	Station Equipment	A362	548,143,510
11	Storage Battery Equipment	A363	-
12	Poles, Towers & Fixtures	A364	811,366,544
13	Poles, Towers and Fixtures - Primary		550,187,653
14	Poles, Towers and Fixtures - Secondary		261,178,891
15	O H Conductors & Devices	A365	694,376,434
16	O H Conductors & Devices - Primary		581,054,200
17	O H Conductors & Devices - Secondary		113,322,234
18	Underground Conduits	A366	80,839,635
19	Underground Conduits - Primary		49,514,276
20	Underground Conduits - Secondary		31,325,358
21	U G Conductors & Devices	A367	346,209,567
22	U G Conductors & Devices - Primary		212,053,360
23	U G Conductors & Devices - Secondary		134,156,207
24	Line Transformers	A368	697,744,431
25	Line Transformers - Primary		67,192,789
26	Line Transformers - Secondary		630,551,643
27	Services	A369	303,774,360
28	Meters	A370	229,807,116
29	Install on Customer Prem	A371	70,358,659
30	Leased Prop on Cust Premises	A372	86,896
31	Street Lights	A373	103,084,170
32	Land Owned in Fee	A374	-
33	Subtotal		3,926,441,367
34			
35	General Plant-Gross		
36	Land Owned in Fee	A388	-
37	Land and Land Rights	A389	14,943,659
38	Structures and Improvements	A390	216,874,374
39	Office Furniture & Equip	A391	4,941,666
40	Transportation Equipment	A392	262,177
41	Store Equipment	A393	1,283,296
42	Tools, Shop & Garage Equip	A394	25,692,779
43	Laboratory Equipment	A395	365,100
44	Power Operated Equipment	A396	192,198
45	Subtotal		264,555,249
46			
47	Misc Equipment	A398	4,658,818
48	Other Tangible Property	A399	1,372,572
49	Subtotal		6,031,391
50			
51	Communication Equipment	A397	75,116,174.34
52	AMI Communication Equipment	A397	36,420,924.95
53	Subtotal		111,537,099
54			
55	TOTAL PLANT IN SERVICE-GROSS (INCL INTANGIBLES)		4,414,368,930
56			
57	Settlement Adjustment		(10,780,213)

Line No	Description	Account No	Total Approved Docket No. 49494 Final Order
1	Intangible Plant		
2	Organization	A301	-
3	Franchise & Consents-Merger assets-Other	A302	-
4	Miscellaneous Intangible Plant	A303	(50,829,502)
5	Subtotal	-	(50,829,502)
6			
7	Distribution Plant		
8	Land and Land Rights	A360	(837,604)
9	Structures and Improvements	A361	(2,830,211)
10	Station Equipment	A362	(73,905,530)
11	Storage Battery Equipment	A363	-
12	Poles, Towers & Fixtures	A364	(346,778,936)
13	O H Conductors & Devices	A365	(240,810,511)
14	Underground Conduits	A366	(25,517,681)
15	U G Conductors & Devices	A367	(89,668,783)
16	Line Transformers-Primary	A368	(125,532,879)
17	Services	A369	(169,646,381)
18	Meters	A370	(150,429,398)
19	Install on Customer Prem	A371	(43,553,264)
20	Leased Prop on Cust Premises	A372	(71,206)
21	Street Lights	A373	(33,177,141)
22	Distribution Plant ARO	A374	-
23	Subtotal		(1,302,759,524)
24			
25	General Plant		
26	Land Owned in Fee	A388	-
27	Land and Land Rights	A389	(17,633)
28	Structures and Improvements	A390	(53,256,194)
29	Office Furniture & Equip	A391	(1,901,943)
30	Transportation Equipment	A392	(126,683)
31	Store Equipment	A393	(539,596)
32	Tools, Shop & Garage Equip	A394	(7,730,339)
33	Laboratory Equipment	A395	(13,454)
34	Power Operated Equipment	A396	123
35	Subtotal		(63,585,717)
36			
37	Communication Equipment	A397	(56,596,837)
38	Misc Equipment	A398	(2,848,819)
39	Lignite Reserve Depletable	A399	(374,586)
40	Other Tangible-Deprc	A399	(651,570)
41	Subtotal		(60,471,812)
42			
43	TOTAL ACCUMULATED DEPRECIATION		(1,477,646,555)

Line No	Description	Account No	Total Approved Docket No 49494 Final Order
1	Intangible Plant		
2	Organization	A301	-
3	Franchise and Consents/Reg Assets/Liabilities	A302	4,352,174
4	Miscellaneous Intangible Plant	A303	19,539,721
5	Subtotal		23,891,895
6			
7	Distribution		
8	Land and Land Rights	A360	91,392
9	Structures and Improvements	A361	244,677
10	Station Equipment	A362	10,005,179
11	Storage Battery Equipment	A363	-
12	Poles, Towers & Fixtures	A364	25,609,237
13	O H Conductors & Devices	A365	22,990,047
14	Underground Conduits	A366	969,165
15	U G Conductors & Devices	A367	9,054,632
16	Line Transformers	A368	23,779,955
17	Services	A369	6,529,074
18	Meters	A370	15,385,791
19	Install on Customer Prem	A371	1,868,731
20	Leased Prop on Cust Premises	A372	1,351
21	Street Lights	A373	2,736,269
22	Accretion		208,285
23	AMI Over/Under		-
24	Subtotal		119,473,785
25			
26	General Plant		
27	Land and Land Rights	A389 1	-
28	Structures and Improvements	A390	3,248,358
29	A391 Office Furniture	A391	391,676
30	Transportation equipment	A392	22,533
31	Store Equipment	A393	52,099
32	Tools, Shop & Garage Equip	A394	756,442
33	Lab Equip	A395	13,154
34	Power Operated Equipment	A396	1,807
35	Communication equi	A397	5,689,130
36	Misc Equip	A398	219,344
37	Other Tangible Prop - Depr	A399	43,308
38	Other Tangible Prop - Depletable	A399	-
39	Subtotal		10,437,850
40			
41	Settlement Adjustment		(40,196)
42			
43	TOTAL DEPRECIATION & AMORTIZATION		153,763,333

Line No	Description	Total Approved Docket No 49494 Final Order
1	Direct Assigned	(4,419,561)
2	FICA	8,632,981
3	FUTA	60,954
4	SUTA	127,031
5	Total Payroll	4,401,406
6		
7	Ad Valorem	44,153,785
8	Total Property	44,153,785
9		
10	Unemployment	-
11	Franchise	-
12	Total Non-Revenue Related	-
13		
14	Federal Excise\St Lic Reg Fees	600
15	Sales and Use	468
16	State Gross Receipts	4
17	Municipal fees	52,014,190
18	Gross Margins Tax	1,667,828
19	Total Revenue Related	53,683,089
20		
21	TOTAL TAXES OTHER THAN INCOME TAXES	102,238,280

Note Additional DCRF Ad Valorem Taxes will be Based on 1 11% of Gross Plant Consistent with the PFD

Line No	Description	Total Approved Docket No 49494 Final Order
1	Return on Rate Base	155,143,250
2		
3	Deductions	
4	Synchronized Interest	(59,104,028)
5	ITC Amortization	(928,887)
6	Amortization of Protected Excess DFIT	(7,840,008)
7	Amortization of Non-protected excess DFIT	-
8	Allocated Parent Company Tax Savings	-
9	Subtotal	(67,872,923)
10		
11	Additions	
12	Depreciation adjustment	1,359,000
13	Meals and Entertainment	639,501
14	Allocated Parent Company Tax Savings	-
15	Restricted Stock	(45,094)
16	Subtotal	1,953,406
17	Taxable Component of Return	89,223,733
18	Tax Factor (1/1- 35)(35)	0 265823
19		
20	Federal Income Taxes Before Adjust	23,717,701
21		
22	Tax Credits	
23	ITC Amortization	(928,887)
24	Amort of protected excess DFIT	(7,840,008)
25	Amortization of Non-protected excess DFIT	-
26	Allocated Parent Company Tax Savings	-
27	Tax Credits and Adjustments	-
28	Subtotal	(8,768,895)
29		
30	ADD	
31	prior year adjustments	-
32	provision for contingencies	-
33	Subtotal	-
34		
35	TOTAL FEDERAL INCOME TAXES	14,948,806

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

APPLICATION OF AEP TEXAS INC. FOR AUTHORITY TO CHANGE RATES	§ § §	BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS
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PROPOSED ORDER

This Order addresses the application of AEP Texas Inc. (AEP Texas) for authority to change its rates. AEP Texas filed an unopposed settlement agreement that resolves certain issues among the parties to this proceeding. The signatories to the settlement agreement are: AEP Texas; the Staff of the Public Utility Commission of Texas (Staff); Office of Public Utility Counsel (OPUC); Cities Served by AEP Texas (Cities); Texas Industrial Energy Consumers (TIEC); South Texas Electric Cooperative, Inc. (STEC); Public Utilities Board of the City of Brownsville; Alliance for Retail Markets (ARM); Texas Cotton Ginners' Association; the Department of the Navy on behalf of the Federal Executive Agencies (FEA); Texas Energy Association for Marketers (TEAM); and Walmart, Inc. (Walmart). Golden Spread Electric Cooperative, Inc. is not a signatory to the settlement agreement, but does not oppose it.

The Commission approves AEP Texas' application, as modified by the settlement agreement, to the extent provided in this Order.

The Commission adopts the following findings of fact and conclusions of law.

I. Findings of Fact

Applicant

1. AEP Texas is a wholly-owned subsidiary of American Electric Power Company, Inc. (AEP), 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 consumers in the restructured Texas marketplace within the Electric Reliability Council of Texas (ERCOT).

Application

5. In Docket No. 46050,¹ AEP Texas Central Company (TCC) and AEP Texas North Company (TNC) sought and received the approval of the Public Utility Commission of Texas (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.
6. On May 1, 2019, AEP Texas filed its application requesting, among other things: (1) a prudence determination for all capital investments made from June 30, 2006, through December 31, 2018; (2) authority to terminate its Advanced Metering System Cost Recovery Factor (AMSCRF) rider; (3) a resetting of the baseline for the Distribution Cost Recovery Factor (DCRF) rider; (4) a determination of the revenue requirement for the Transmission Cost Recovery Factor (TCRF) rider and authority to move transmission cost recovery to the TCRF; (5) shifting all energy efficiency costs from base rates to the Energy Efficiency Cost Recovery Factor (EECRF) rider; (6) an increase of \$5 million over the \$11.2 million in vegetation management expense incurred in the test year; (7) approval to continue its facilities rental services; (8) expansion of its self-insurance storm reserve; (9)

¹ *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).

recovery of all reasonable and necessary rate case expenses incurred in this and prior dockets; and (10) revisions to its tariffs and schedules, including discontinuance of outdated tariffs.

7. 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.
8. In its application, AEP Texas used a test year of January 1, 2018 through December 31, 2018.
9. Related to its distribution cost of service, AEP Texas requested a rate increase of approximately \$38.3 million (net of its proposed Income Tax Refund (ITR) Rider) over its adjusted test year revenues, an increase of 4.2%.
10. Related to its transmission cost of service (TCOS), AEP Texas requested a rate decrease of \$3.16 million below its adjusted test year revenues, a decrease of 0.7%.
11. AEP Texas proposed to consolidate rates and tariffs for its Central and North Divisions.
12. 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.
13. AEP Texas' application affects all retail electric providers (REPs) serving end-use retail electric customers in its certificated service territory and all customers taking service under the Company's wholesale transmission service tariff.
14. AEP Texas' rate-filing package was prepared in accordance with the requirements of the Commission including, but not limited to, 16 Tex. Admin. Code (TAC) § 25.231, Cost of

Service and in accordance with the Transmission & Distribution Investor Owned Utilities Rate Filing Package for Cost-of Service Determination (RFP).

15. The information provided in the RFP is taken from the Company's accounts and records as prescribed in the Federal Energy Regulatory Commission (FERC) Electric Uniform System of Accounts (FERC USOA) as required by 16 TAC § 25.72.
16. The books, accounts, and records of AEP Texas are maintained in accordance with generally accepted accounting principles (GAAP), follow the FERC USOA as required by Commission rules, and are maintained under normal business practices. The business records were made available to all parties and the summaries thereof submitted as part of the application filed in this case were accurate.
17. No party challenged the adequacy and completeness of the AEP Texas' application.
18. Commission Staff participated in this docket.
19. In State Office of Administrative Hearings (SOAH) Order No. 2 issued on May 21, 2019, the SOAH administrative law judges (ALJs) granted intervenor status to the following entities: Cities Served by AEP Texas (Cities); Office of Public Utility Counsel (OPUC); Texas Industrial Energy Consumers (TIEC); South Texas Electric Cooperative, Inc. (STEC); Public Utilities Board of the City of Brownsville; Golden Spread Electric Cooperative, Inc.; and Alliance for Retail Markets (ARM).
20. In SOAH Order No. 3 issued on June 13, 2019, the SOAH ALJs granted intervenor status to the following entity: Texas Cotton Ginners' Association.
21. In SOAH Order No. 5 issued on July 18, 2019, the SOAH ALJs granted intervenor status to the following entities: the Department of the Navy on behalf of the Federal Executive

Agencies (FEA); Texas Energy Association for Marketers (TEAM); and Walmart, Inc. (Walmart).

Notice of the Application

22. Notice was provided as required by PURA² §§ 36.102 and 36.103, as well as 16 TAC § 22.51(a).
23. On May 10, 2019, Commission Staff recommended that the SOAH ALJs find that AEP Texas' amended proposed form of notice was sufficient.
24. In SOAH Order No. 2 issued on May 21, 2019, the SOAH ALJs approved AEP Texas' amended proposed form of notice.
25. AEP Texas provided notice of its application by publication for four consecutive weeks in newspapers having general circulation in each county of AEP Texas' service territory.
26. AEP Texas also provided notice of its application to: (1) each REP listed on the Commission's website as of the date on which notice was sent; (2) all entities listed in the Commission's transmission matrix identified in Docket No. 48929; (3) all parties who intervened in Docket Nos. 33309 and 33310, the most recent base rate cases for AEP Texas; and (4) all parties to the settlement agreement entered in Docket No. 36928.
27. Additionally, AEP Texas timely served notice of its application on all municipalities with original jurisdiction over its rates and services.
28. On June 24, 2019, AEP Texas filed publisher's affidavits attesting that AEP Texas provided notice by publication once per week for four consecutive weeks with the last publication completing on June 17, 2019.

² Public Utility Regulatory Act, Tex. Util. Code §§ 11.001-66.016 (PURA).

29. On June 24, 2019, AEP Texas filed the affidavit of Jennifer J. Frederick attesting to the completion of the publication of notice as required by 16 TAC § 22.51(a)(1).
30. No party challenged the adequacy of the notice provided by AEP Texas.

Appeals of Municipal Ordinances

31. AEP Texas timely appealed to the Commission the actions of the following municipalities within AEP Texas' 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, Quannah, 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, Hebbronville, 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.

32. In SOAH Order No. 2, SOAH Order No. 3, SOAH Order No. 5, and SOAH Order No. 7, AEP Texas' municipal rate appeals were consolidated into this proceeding.

Testimony and Statements of Position

33. On May 1, 2019, 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.
34. 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.
35. On July 24, 2019, the Texas Cotton Ginners' Association filed a statement of position.
36. On July 25, 2019, STEC 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 FEA filed the direct testimonies and exhibits of Ralph C. Smith, and Ali Al-Jabir.

37. On August 1, 2019, 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.
38. On August 2, 2019, Staff filed errata to the direct testimony of Reginald J. Tuvilla.
39. 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.
40. On August 13, 2019, Staff filed cross-rebuttal testimonies and exhibits of David Bautista P.E., and Adrian Narvaez; Cities filed cross-rebuttal testimony and exhibits of Clarence L. Johnson; TIEC filed cross-rebuttal testimony and exhibits of Jeffry Pollock; OPUC filed cross-rebuttal testimony and exhibits of William Perea Marcus; and FEA filed cross-rebuttal testimony and exhibits of Ali Al-Jabir.
41. On August 14, 2019, TIEC filed errata to the direct testimony and exhibits of Jeffry Pollock.
42. On August 14, 2019, Golden Spread filed a second statement of position, and ARM filed a statement of position.
43. On August 15, 2019, TIEC filed errata to the direct testimony and exhibits of Michael Gorman.
44. On August 15, 2019, STEC filed errata to the direct testimony and exhibits of Cory J. Allen.

- 45. On August 15, 2019, TEAM and TIEC filed statements of position.
- 46. On August 16, 2019, Staff filed supplemental direct testimony of David Bautista, P.E.
- 47. On August 16, 2019, Cities filed errata to the direct testimony of Clarence Johnson, Lane Kollen, and Karl Nalepa.

Referral to SOAH

- 48. On May 2, 2019, the Commission referred this case to SOAH, and ordered AEP Texas, Staff, and any other interested party to file a list of issues by May 10, 2019.
- 49. In SOAH Order No. 1 issued on May 3, 2019, the SOAH ALJs suspended rates until November 4, 2019, and provided notice of a prehearing conference.
- 50. On May 24, 2019, the Commission approved a preliminary order for this docket, which included a list of issues to be addressed in this proceeding.
- 51. In SOAH Order No. 2 issued on May 21, 2019, the SOAH ALJs granted AEP Texas' motion to sever and established a new docket, Docket No. 49556, to address issues related to rate-case expenses incurred in this docket as well as the method for recovering

reasonable expenses incurred in Docket Nos. 28840,³ 33309,⁴ 33310,⁵ 34301,⁶ 40261,⁷ 47015,⁸ 48222,⁹ and 48577.¹⁰

52. On August 20, 2019, the hearing on the merits convened and the hearing was held through August 22, 2019.
53. The hearing was presided over by SOAH ALJs Steven Neinast, Stephanie Frazee, and Christiaan Siano.
54. On September 5, 2019, the parties submitted post-hearing initial briefs.
55. On September 13, 2019, the parties submitted reply briefs.
56. The record closed on September 23, 2019.

Advanced Metering System Reconciliation

57. AEP Texas has requested to reconcile Advanced Metering System (AMS) costs with AMS surcharge revenues in accordance with 16 TAC § 25.130(k)(6).

³ *Application of AEP Texas Central Company for Authority to Change Rates*, Docket No. 28840, Final Order (Aug. 15, 2005).

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

⁵ *Application of AEP Texas North Company for Authority to Change Rates*, Docket No. 33310, Order (May 29, 2007).

⁶ *Proceeding to Consider Rate Case Expenses Severed from Docket No. 33310 (Application of AEP Texas North Company for Authority to Change Rates) and Docket No. 33309 (Application of AEP Texas Central Company for Authority to Change Rates)*, Docket No. 34301, Final Order (May 29, 2008).

⁷ *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, Final Order (July 30, 2012).

⁸ *Application of AEP Texas Inc. to Amend Its Distribution Cost Recovery Factors*, Docket No. 47015, Final Order (June 29, 2017).

⁹ *Application of AEP Texas Inc. to Amend Its Distribution Cost Recovery Factors*, Docket No. 48222, Final Order (Aug. 30, 2018).

¹⁰ *Application of AEP Texas Inc. for Determination of System Restoration Costs*, Docket No. 48577, Order (Feb. 28, 2019).

58. AEP Texas' AMS costs and revenues have been incurred by AEP Texas and collected from customers, respectively, since the end of the previous AMS reconciliation period (December 31, 2011) through the end of the test year.
59. AEP Texas has provided sufficient evidence supporting the reasonableness of the AMS costs incurred by the Company.
60. AEP Texas' AMS costs are reasonable, and those costs incurred and AMS revenues collected through the end of the test year are reconciled.
61. Accounting for the actual costs, investment, and revenues associated with the AEP Texas' AMS deployment through the reconciliation period has 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' Central and North Divisions, respectively.

Compliance with Docket No. 46284 and Competitive Energy Service

62. In Docket No. 46284,¹¹ the Commission ordered AEP Texas, at the earlier of its next base rate case or application to extend its facilities rental tariff, 1) to file a comprehensive study addressing the cost and rate impact of adding additional metering points to each installation where Company-owned facilities are on the customer side of the meter and 2) to provide a proposed cost-based tariff for transformation services.¹²
63. AEP Texas provided this information with its application in compliance with Docket No. 46284.

¹¹ *Application of AEP Texas North Company and AEP Texas Central Company to Extend Facilities Rental Tariffs*, Docket No. 46284.

¹² Docket No. 46284, Order at Ordering Paragraph Nos. 3-4 (Dec. 16, 2016).

64. Under the definitions stated in 16 TAC § 25.341(3)(F), facilities rental service to retail customers is considered a Competitive Energy Service (CES).
65. An electric utility may petition the Commission for authorization to provide CES under 16 TAC § 25.343(d).
66. AEP Texas seeks approval to continue its provision of 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.
67. AEP Texas seeks to continue providing facilities rental service to those existing distribution voltage customers currently leasing facilities under its Facilities Rental Tariffs.
68. AEP Texas' proposal is reasonable and should be adopted.

Energy Efficiency Costs to Remove from Rate Base

69. 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 (EE) funding included in the distribution base rate charge.
70. AEP Texas seeks to shift recovery of all EE funding to the EECRF mechanism.
71. This proposal is consistent with and required by 16 TAC § 25.182(d)(4) which provides that base rates shall not be set to recovery EE costs.
72. EE amounts were excluded from AEP Texas' test year costs.
73. To ensure proper recovery of the approved EE revenue requirement, AEP Texas requested approval to include the amount of base rate EE costs with the EE revenue requirement already included in the approved 2019 EECRF riders for the Central and North Divisions.

74. In Docket No. 49592,¹³ 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).¹⁴
75. The Commission also determined that AEP Texas was collecting through base rates \$7,412,809 for the Central Division and \$1,487,593 for the North Division.¹⁵
76. The total energy efficiency revenue requirement approved for the Central Division in Docket No. 49592 is \$16,368,445.
77. The total energy efficiency revenue requirement approved for the North Division in Docket No. 49592 is \$3,688,721.
78. AEP Texas' proposal to transition from base rate, divisional recovery of energy efficiency costs to consolidated recovery under the EECRF is reasonable, necessary, and consistent with the requirements of 16 TAC § 25.182.

Settlement

79. On January 31, 2020, AEP Texas filed a letter informing the Commissioners that the parties to this docket had either agreed in principle to a settlement or were unopposed to the Agreement.
80. On February 13, 2020, an unopposed stipulation and settlement agreement (Agreement) was filed by AEP Texas.
81. The Signatories to the Agreement are AEP Texas; Commission Staff; OPUC; Cities; TIEC; STEC; Public Utilities Board of the City of Brownsville; ARM; Texas Cotton Ginners'

¹³ *Application of AEP Texas Inc. To Adjust Energy Efficiency Cost Recovery Factors and Related Relief*, Docket No. 49592, Order (Dec. 16, 2019).

¹⁴ Docket No. 49592, Order at Finding of Fact (FoF) Nos. 48, 52.

¹⁵ Docket No. 49592, Order at FoF Nos. 58, 65.

Association; FEA; TEAM; and Walmart. Golden Spread Electric Cooperative, Inc. is not a signatory to the settlement agreement, but does not oppose it.

82. The Agreement is reasonable and should be approved.

Overall Return

83. The signatories agreed that AEP Texas' total base rate revenue requirement should be decreased by a "black box" amount of \$40 million, as reflected in Exhibit A to the Agreement.
84. The signatories agreed that if the Commission issues a final order on or before February 29, 2020, then the approved rates should be effective on March 30, 2020, the first billing cycle in April. If the Commission issues a final order after February 29, 2020, then the approved rates will be effective on the date of the first billing cycle of the month occurring a minimum of 45 days after issuance of a final order.

Cost of Capital

85. The signatories agreed that beginning with the effective date of the new rates authorized in this proceeding AEP Texas' Weighted Average Cost of Capital (WACC) shall be 6.45% based upon a 4.2758% Cost of Debt, an agreed Return on Equity (ROE) of 9.4%, and an agreed regulatory capital structure of 57.5% long-term debt and 42.5% equity.
86. It is appropriate for AEP Texas to have a WACC of 6.45%, based upon an as filed 4.2758% cost of debt, an agreed ROE of 9.4%, and an agreed regulatory capital structure of 57.5% long-term debt and 42.5% equity.
87. The signatories agreed that the agreed-upon WACC, cost of debt, ROE, and capital structure of AEP Texas would apply in all Commission proceedings or Commission filings requiring application of such items.

88. It is appropriate for the agreed-upon WACC, cost of debt, ROE, and capital structure for AEP Texas to apply in all Commission proceedings or Commission filings requiring application of such items.

Future Base Rate Proceeding

89. 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). Nothing in the Agreement prohibits AEP Texas from filing, or any regulatory authority from requiring pursuant to applicable law, a base rate case earlier than four years from the date of the Commission's final order in this docket.

Revenue Allocation

90. The signatories agreed that AEP Texas' revenue requirement, which includes the agreed-upon revenue decrease addressed in finding of fact 83, shall be distributed among the functions and customer classes per the allocation set forth in Exhibit B to the Agreement.
91. The signatories agreed that AEP Texas will recover all existing and future retail transmission-related costs through its TCRF instead of through base rates. In accordance with this agreement, AEP Texas will file a combined compliance TCRF incorporating the March 2020 approved matrix.

Consolidation of Rates

92. The signatories agreed that AEP Texas' proposal to consolidate the rates and tariffs of its Central and North Divisions, which is consistent with the existing organizational and operational structure of AEP Texas, is reasonable and should be approved.

Rate Moderation

93. The signatories agreed that AEP Texas shall provide its North Division Transmission class a credit equal to \$300,000 per year for two years, to be funded by AEP Texas. The credit will be a \$150,000 credit made with AEP Texas' TCRF filing made twice per year.

Primary Substation Class Study

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

Rate Design and Tariff Approval

95. The signatories agreed to use the tariffs and rate design set forth in Exhibit C to the Agreement.
96. The tariffs and rate design in Exhibit C to the Agreement incorporate the total base revenue increase.
97. The tariffs and rate design in Exhibit C to the Agreement are just and reasonable.
98. AEP Texas agreed that, no later than six months from date of the final order in this case, AEP Texas shall 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 will confer with TIEC in developing the proposed tariff provision.
99. AEP Texas agreed to withdraw its request for approval of the Inadvertent Gain Fee.

Ring-Fencing

100. The signatories agreed to the adoption of the following ring-fencing measures for AEP Texas:
- a. AEP Texas must not share its credit facility with any unregulated affiliates.

- b. AEP Texas debt must not be secured by non-AEP Texas assets.
 - c. AEP Texas assets must not secure the debt of AEP or its non-AEP Texas affiliates.
 - d. AEP Texas assets must not be pledged for any other entity.
 - e. AEP Texas must work to ensure that its credit ratings at S&P and Moody's remain at or above AEP Texas' current credit ratings.
 - f. Except as may be otherwise ordered by the Commission, AEP Texas must take the actions necessary to ensure the existence of a AEP Texas standalone credit rating.
 - g. AEP Texas must not hold out its credit as being available to pay the debt of any AEP affiliates.
 - h. 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 affiliates.
 - i. AEP Texas must not pledge its assets with respect to, or guarantee, any debt or obligation of AEP affiliates.
 - j. 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 consistent with the Commission's affiliate standards applicable to AEP Texas.
 - k. 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.
 - l. Without prior approval of the Commission, neither AEP nor any affiliate of AEP (excluding AEP Texas) may incur, guaranty, or pledge assets in respect of any incremental new debt that is dependent on: (1) the revenues of AEP Texas in more than a proportionate degree than the other revenues of AEP; or (2) the stock of AEP Texas.
101. Based on the Commission's review of the record and the parties' briefing currently on file with the Commission, the Commission finds that a dividend restriction **[should/should not]** be adopted.
102. **[Description of dividend restriction, if adopted by the Commission]**

Invested Capital

103. AEP Texas' 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, and prudent and properly included in rate base.
104. The signatories agreed that AEP Texas shall remove \$23 million from rate base, the removal of which is reflected on Exhibit D to the Agreement.
105. 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.
106. The signatories agreed that AEP Texas' rate base as of the close of the test year (December 31, 2018), as reflected on Exhibit D to the Agreement, will not be revisited in subsequent rate proceedings.

Cash Working Capital

107. The signatories agreed that for purposes of AEP Texas' Earnings Monitoring Reports for reporting years beginning in 2020, AEP Texas' total Company Cash Working Capital is (\$13,408,892).
108. AEP Texas' total company cash working capital as shown on Exhibit D is reasonable.

Capitalized Incentive Compensation

109. 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.

110. The signatories agreed that unless legislation is passed permitting the recovery of incentive compensation, the incremental investment included in AEP Texas' interim transmission cost of service (TCOS) and distribution cost recovery factor (DCRF) proceedings will exclude any financially based incentive compensation capitalized after the close of the test year (December 31, 2018) until AEP Texas' next base rate case.

Vegetation Management Capitalization Policy

111. Since the end of the test year in AEP Texas' 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 (ROW) or to remove trees with a diameter of greater than 18 inches from the originally cleared ROW.
112. The signatories agreed that AEP Texas shall 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.
113. The signatories agreed that AEP Texas will defer amounts capitalized under the company's vegetation management capitalization policy in 2019 into a regulatory asset to be recovered in a future proceeding.
114. The signatories agreed that going forward from January 1, 2020, AEP Texas will treat only the first initial clearing of land for a ROW as capital.

Certain Tax Matters

115. The signatories agreed that to address the effects of the *Tax Cuts and Jobs Act of 2017* (TCJA), AEP Texas will refund a total of \$108,020,034, which reflects: (1) 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 TCJA

until the new rates are implemented; (2) amounts associated with the change in the amortization of protected excess deferred federal income taxes (EDIT) as a result of the TCJA from January 1, 2018, until the date the protected EDIT is included in new rates; and (3) unprotected EDIT associated with the TCJA tax rate change.¹⁶

116. The \$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 ITR Rider over a one-year period. The ITR Rider will be implemented separately for each division. AEP Texas will refund \$31,488,353 to transmission customers as a one-time credit through the Company's TCOS.
117. The signatories agreed that no proceeding should be initiated to review AEP Texas' or its affiliate's ADFIT balances on AEP Texas' or its affiliate's bonds associated with the securitization of transition to competition costs and that no Signatory will 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.

Rate-Case Expenses

118. The signatories agreed that AEP Texas will reimburse Cities for all rate case expenses incurred in all dockets for which recovery of rate case expenses was sought in Docket No. 49494.
119. The signatories agreed that Cities shall provide AEP Texas with invoices for all rate case expenses incurred within 10 days of a final order of this proceeding.

¹⁶ AEP Texas reflected the new 21% FIT rate for its retail rates through its DCRF effective September 1, 2018, and for its transmission rates through its TCRF effective July 1, 2018.

120. The signatories agreed that AEP Texas shall reimburse Cities for rate case expenses included on invoices submitted in accordance with this timeline within 30 days of a final order in this proceeding.
121. The signatories agreed that AEP Texas shall not seek recovery of rate case expenses in Docket No. 49556, including expenses incurred by Cities or AEP Texas associated with this proceeding, Docket No. 49494.
122. The signatories agreed that AEP Texas will reimburse Cities for any appeals of the Commission's final order in this proceeding, but AEP Texas may request recovery of those expenses in a future proceeding.
123. The signatories agreed that AEP Texas will move to dismiss Docket No. 49556 within 30 days of the final order in this proceeding.

Affiliate Expenses

124. The signatories agreed that the affiliate amounts included in the rates developed through the settlement agreement, are reasonable and necessary, allowable, and charged to AEP Texas at a price no higher than was charged by the supplying affiliate to other affiliates.

Self-Insurance Reserve

125. The signatories agreed that AEP Texas' proposed annual accrual of \$4.27 million to the storm reserve to account for annual expected O&M losses from storm damage in excess of \$500,000 and to build towards a new target reserve of \$13.3 million—consisting of \$10.6 million for the Central Division, and \$2.7 million for the North Division—is reasonable and should be approved.
126. The Agreement's treatment of a self-insurance reserve is appropriate.

127. AEP Texas' self-insurance reserve is in the public interest and is a lower-cost alternative to purchasing commercial insurance.
128. AEP Texas' self-insurance reserve results in savings, and ratepayers will receive the benefit of those savings.

Depreciation Rates

129. The signatories agree that beginning with the effective date of the new rates authorized in this proceeding, AEP Texas will use the depreciation rates as recommended for approval in the Proposal for Decision. These depreciation rates are set forth on Exhibit E to the Agreement.

Interim Update of Transmission Rates

130. The signatories agreed that when AEP Texas files an application to update its transmission rates on an interim basis pursuant to 16 TAC § 25.192(h), the baseline values to be used in that application are as provided in Exhibit F to the Agreement.

Transmission Cost Recovery Factor (TCRF)

131. The signatories agreed that the rates set following this proceeding will reflect AEP Texas' updated TCRF, as approved in Docket No. 50291.¹⁷
132. 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 as provided in Exhibit G to the Agreement. The signatories agreed that the TCRF class allocation factors set forth in Exhibit G to the Agreement would continue to be used to set AEP Texas' TCRF rates until the September 2022 TCRF takes effect.

¹⁷ *Petition of AEP Texas Inc. for Administrative Approval of Transmission Cost Recovery Factors*, Notice of Approval (Jan. 27, 2020).

133. The signatories agreed that by February 28, 2022, AEP Texas will file an application pursuant to 16 TAC § 25.193(c) to update the TCRF allocators based on its 2021 four-coincident-peak (4CP) data. AEP Texas will consult with parties to this Agreement regarding its proposed updated TCRF allocators prior to filing its application. The TCRF allocator update will be a separate proceeding from AEP Texas' petition to update its TCRF pursuant to 16 TAC § 25.193(b) and will neither impact the 45 day deadline for an order establishing AEP Texas' revised TCRF under 16 TAC § 25.193(b)(1) nor the effective date of AEP Texas' September 1, 2022 TCRF update.
134. The signatories agreed that AEP Texas will implement its September 2022 TCRF update using the 2021 4CP data to determine its TCRF class allocation factors.
135. The signatories agreed that AEP Texas' 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.
136. The settlement agreement's treatment of the baseline values for TCRF filings is appropriate.

Distribution Cost Recovery Factor (DCRF)

137. The signatories agreed that when AEP Texas files an application for a DCRF pursuant to 16 TAC § 25.243, the baseline values to be used in that application are as provided in Exhibit H to the Agreement.

Rate Matrix

138. The signatories agreed that AEP Texas shall publish a rate matrix on its website showing the rate differentiation between the AEP Texas Central and North divisions.

II. Conclusions of Law

1. AEP Texas is a public utility as that term is defined PURA § 11.004(1) and an electric utility as that term is defined in PURA § 31.002(6).
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 (APA),¹⁸ 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. The hearing on the merits was set and notice of the hearing was given in compliance with APA §§ 2001.051 and 2001.052.
8. The rates approved in this Order are just and reasonable; are not unreasonably preferential, prejudicial, or discriminatory; are sufficient, equitable, and consistent in application to each consumer class; and meet the requirements of PURA § 36.003.
9. AEP Texas' proposal to consolidate Central and North Division rates and tariffs is just and reasonable and in compliance with PURA § 36.003.

¹⁸ Administrative Procedure Act, Tex. Gov't Code § 2001.001–.902.

10. 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.
11. The retail revenue requirement approved in this Order does not include any expenses prohibited from recovery under PURA §§ 36.061(a) and 36.062.
12. AEP Texas' invested capital through the end of the test year, as modified by the agreement, meets the requirements of PURA § 36.053.
13. The affiliate expenses included in AEP Texas' rates under the agreement comply with the requirements of PURA § 36.058.
14. A 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).
15. AEP Texas' request to continue to offer facilities rental services complies with 16 TAC § 25.342(d).
16. AEP Texas' 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.
17. AEP Texas' proposal to move all transmission expenses from base rates to the TCRF complies with 16 TAC § 25.193.
18. The refund related to the TCJA, which is described above in finding of fact 116, is reasonable and in accordance with the requirement of the Commission's order in Project No. 47945.¹⁹

¹⁹ *Proceeding to Investigate and Address the Effects of Tax Cuts and Jobs Act of 2017 on the Rates of Texas Investor-Owned Utility Company.*

19. The agreement resolves certain issues between the parties in this docket.
20. The tariff sheets and rate schedules approved in this Order are just and reasonable.

III. Ordering Paragraphs

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

1. The Commission approves AEP Texas' application, as modified by the settlement agreement, to the extent provided in this Order.
2. AEP Texas is authorized to consolidate Central and North Division rates and tariffs to the extent consistent with the Order.
3. The Commission approves the rates, terms, and conditions described in this Order.
4. The Commission approves AEP Texas' tariffs attached to the settlement agreement.
5. The final rates approved in this Order are effective for electricity bills rendered on and after March 30, 2020, the first billing cycle in April.
6. 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.
7. AEP Texas must serve copies of all tariff-related filings on all parties of record.
8. AEP Texas' depreciation rates must be those set forth in Exhibit E to the settlement agreement.
9. AEP Texas must use the baseline values set forth in Exhibit F to the settlement agreement for interim updates of wholesale transmission rates.
10. AEP Texas must recover all retail transmission-related costs through its TCRF.

11. AEP Texas must use the TCRF baseline values set forth in Exhibit G to the settlement agreement in TCRF applications.
12. AEP Texas must use the DCRF baseline values set forth in Exhibit H to the settlement agreement in DCRF applications.
13. AEP Texas must allocate the revenue decrease approved in this Order among the rate classes as set forth in Exhibit B to the settlement agreement.
14. The Commission approves the rate design in Exhibit C to the settlement agreement.
15. AEP Texas must use a weighted average cost of capital of 6.45%, shown on Exhibit D to the Agreement, which is based on a 4.2758% cost of debt, an authorized return on equity of 9.4%, and an authorized regulatory capital structure of 57.5% long-term debt and 42.5% equity, in all Commission proceedings or filings requiring application of those items.
16. AEP Texas must use a total company cash working capital of (\$13,408,892) in earnings monitoring reports for reporting years beginning in 2020.
17. AEP Texas must file a base rate case no later than four years from the date of the Final Order in this docket. AEP Texas may file a base rate case earlier than four years from the date of the final order in this docket.
18. AEP Texas shall refund unprotected EDIT resulting from the change in federal corporate income tax rates under the TCJA through ITR Riders. AEP Texas shall refund protected EDIT as approved in this Order.
19. AEP Texas shall establish separate ITR Riders for its North and Central Divisions to refund their respective EDIT balances for unprotected EDIT. The EDIT balances shall include carrying costs calculated at AEP Texas' WACC. AEP Texas' refund to distribution

customers shall take place over a one -year period. AEP Texas shall make a one-time refund to transmission customers.

20. AEP Texas' request for approval of AMS reconciliation in accordance with 16 TAC § 25.130(k)(6) is granted.
21. AEP Texas is authorized to continue to offer facilities rental service to the extent consistent with this Order, and the expiration date of the facilities rental service is extended until three years from the date of this Order.
22. AEP Texas shall record and defer as a regulatory asset the \$25,612,338 in costs that it had recorded to plant in service related to post-first clearing of its ROW since the close of the last test year. This regulatory asset shall 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 shall record and defer costs that it had recorded to plant in service related to post-first clearing of its ROW during 2019 into a regulatory asset. The recovery of this amount will be addressed in a future proceeding.
23. AEP Texas must reimburse Cities for all rate case expenses incurred in all dockets for which recovery of rate case expenses was sought in Docket 49494. AEP Texas must reimburse Cities for any appeals of the Commission's final order in this proceeding.
24. AEP Texas must withdraw or move to dismiss Docket No. 49556 within 30 days of the issuance of this Order.
25. AEP Texas shall accrue the self-insurance reserve accrual amount approved in this Order until modified by an order in a subsequent proceeding.

26. Consistent with the Agreement, no later than six months from date of this Order, AEP Texas shall 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 has agreed that it will confer with TIEC in developing the proposed tariff provision.
27. By February 28, 2022, AEP Texas will file an application pursuant to 16 TAC § 25.193(c) to update the TCRF allocators based on its 2021 four-coincident-peak (4CP) data. AEP Texas will consult with parties to the Agreement regarding its proposed updated TCRF allocators prior to filing its application. The TCRF allocator update will be a separate proceeding from AEP Texas' petition to update its TCRF pursuant to 16 TAC § 25.193(b) and will neither impact the 45 day deadline for an order establishing AEP Texas' revised TCRF under 16 TAC § 25.193(b)(1) nor the effective date of AEP Texas' September 1, 2022 TCRF update.
28. AEP Texas will implement its September 2022 TCRF update using the 2021 4CP data to determine its class allocation factors.
29. AEP Texas' TCRFs filed after the September 2022 TCRF will be implemented using the 2021 4CP data until AEP Texas files its next base case.
30. AEP Texas must not share its credit facility with any unregulated affiliates.
31. AEP Texas debt must not be secured by non-AEP Texas assets.
32. AEP Texas assets must not secure the debt of AEP or its non-AEP Texas affiliates.
33. AEP Texas assets must not be pledged for any other entity.
34. AEP Texas must work to ensure that its credit ratings at S&P and Moody's remain at or above AEP Texas' current credit ratings.

35. Except as may be otherwise ordered by the Commission, AEP Texas must take the actions necessary to ensure the existence of a AEP Texas standalone credit rating.
36. AEP Texas must not hold out its credit as being available to pay the debt of any AEP affiliates.
37. 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 affiliates.
38. AEP Texas must not pledge its assets with respect to, or guarantee, any debt or obligation of AEP affiliates.
39. 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 consistent with the Commission's affiliate standards applicable to AEP Texas.
40. 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.
41. Without prior approval of the Commission, neither AEP nor any affiliate of AEP (excluding AEP Texas) may incur, guaranty, or pledge assets in respect of any incremental new debt that is dependent on: (1) the revenues of AEP Texas in more than a proportionate degree than the other revenues of AEP; or (2) the stock of AEP Texas.
42. **[If necessary, add dividend restrictions consistent with Commission decision]**
43. 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.

44. 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 _____ day of February 2020.

PUBLIC UTILITY COMMISSION OF TEXAS

DEANN T. WALKER, CHAIRMAN

ARTHUR C. D'ANDREA, COMMISSIONER

SHELLY BOTKIN, COMMISSIONER