



Control Number: 51518



Item Number: 11

Addendum StartPage: 0

DeAnn T. Walker
Chairman

Arthur C. D'Andrea
Commissioner

Shelly Botkin
Commissioner

Thomas Gleeson
Executive Director



Greg Abbott
Governor

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PUBLIC UTILITY COMMISSION
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Public Utility Commission of Texas

TO: DeAnn T. Walker, Chairman
Arthur C. D'Andrea, Commissioner
Shelly Botkin, Commissioner

All Parties of Record

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FROM: Hunter Burkhalter
Chief Administrative Law Judge
Office of Policy & Docket Management

RE: **Open Meeting of February 25, 2021**
Docket No. 51518 – *Non-Standard True-Up Filing of AEP Texas Inc. in Accordance with the Financing Order In Docket No. 39931*

DATE: February 4, 2021

Because of the COVID-19 state of disaster, the Commission has moved to a work-at-home environment and is working to maintain operations as normally as possible. However, all known challenges have not yet been overcome and the dates provided in this notice are subject to change.

Enclosed is a copy of the Proposed Order in the above-referenced docket. The Commission will consider this docket at an open meeting currently scheduled to begin at 9:30 a.m. on Thursday, **February 25, 2021**, at the Commission's offices, 1701 North Congress Avenue, Austin, Texas. The parties may file corrections or exceptions to the Proposed Order by Tuesday, February 16, 2021.

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

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DOCKET NO. 51518

**NON-STANDARD TRUE-UP FILING OF § PUBLIC UTILITY COMMISSION
AEP TEXAS INC. IN ACCORDANCE §
WITH THE FINANCING ORDER IN § OF TEXAS
DOCKET NO. 39931 §**

PROPOSED ORDER

This Order addresses AEP Texas Inc.’s application for a non-standard true-up filed in accordance with the financing order in Docket No. 39931.¹ The Commission approves AEP Texas’s Rider 6.1.1.2.2.1 Initial/Adjusted Transition Charge-3 Rates – Rider TC-3 (Rider TC-3), effective March 1, 2021.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicant

1. AEP Texas is a Ohio for-profit corporation registered with the Texas secretary of state under filing number 802611352.
2. AEP Texas owns and operates for compensation in Texas facilities and equipment to transmit and distribute electricity within the Electric Reliability Council of Texas region under certificate of convenience and necessity numbers 30028 and 30170.
3. Effective December 31, 2016, AEP Texas Central Company (AEP TCC) and AEP Texas North Company (AEP TNC) were merged into their parent company, now called AEP Texas. The merger was approved by the Commission in Docket No. 46050.² The Commission ordered AEP Texas to “maintain separate TCC and TNC divisions, which will continue to charge separate rates and riders, and maintain separate tariffs, unless and until such time as the commission may consider and approve consolidated rates and tariffs.”³

¹ *Application of AEP Texas Central Company for Financing Order*, Docket No. 39931, Financing Order (Jan. 12, 2012).

² *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).

³ *Id.* at ordering paragraph 2.

Consistent with the Commission's Order, AEP Texas maintains two divisions within AEP Texas: AEP Texas—Central Division (formerly AEP TCC) and AEP Texas—North Division (formerly AEP TNC). This proceeding only affects AEP Texas—Central Division.

Application

4. In a financing order in Docket No. 39931 filed on January 12, 2012, the Commission authorized AEP TCC (now AEP Texas—Central Division) to issue transition bonds with an aggregate principal amount not to exceed \$800 million and to recover costs associated with such bonds.
5. AEP TCC issued transition bonds and began billing transition charges on March 14, 2012.
6. AEP Texas is the servicer of the transition bonds issued under the financing order.
7. The non-standard true-up procedure addressed in findings of fact 86 through 88 of the financing order allows for adjustment of Rider TC-3 rates for each customer class if the forecasted billing determinants for any one of the classes for an upcoming period decrease by more than 10% compared to the threshold billing determinants established for the annual period ending March 31, 2011.
8. The forecasted billing determinants for the period March 2021 through February 2022 for the commercial and small industrial – energy class are projected to be 1,917,901,089 kilowatt-hours (kWh), which is lower than the 90% threshold of 2,001,190,230 kWh in billing determinants established in the financing order.
9. On November 13, 2020, AEP Texas filed a petition to initiate a non-standard true-up and adjustment of Rider TC-3.
10. AEP Texas's petition includes the direct testimony and exhibits of Jacob A. Miller, senior regulatory consultant in the regulated pricing and analysis department of the American Electric Power Service Corporation's regulatory services department, and the exhibits attached to Mr. Miller's testimony, including AEP Texas's proposed amended Rider TC-3, which is identified as Exhibit JAM-3.
11. AEP Texas filed the application at least 90 days before the proposed effective date of March 1, 2021.

12. Finding of fact 87 of the financing order requires AEP Texas, as the servicer of the transition bonds, to take the following actions in conducting the non-standard true-up:
 - (a) allocate the upcoming period's periodic billing requirement based on the periodic billing requirement allocation factors approved in Docket No. 39931;
 - (b) calculate under-collections or over-collections, including without limitation any caused by retail electric provider defaults, from the preceding period in each class by subtracting the previous period's transition 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) to determine an adjusted periodic billing requirement for each transition charge 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 transition charge customer classes using the periodic billing requirement allocation factors approved in Docket No. 39931;
 - (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 transition charge rate by class for the upcoming period.
13. Rider TC-3, attached to the application as Appendix A, Exhibit JAM-3, properly reflects the changes resulting from the application of the eight-step process.
14. AEP Texas complied with the eight-step procedure mandated by finding of fact 87 of the financing order in Docket No. 39931.

15. The calculation of the Rider TC-3 rates complies with the requirements of the financing order in Docket No. 39931.
16. On December 11, 2020, Commission Staff filed a recommendation in this case. The recommendation addressed the sufficiency of notice and proposed a procedural schedule but did not address the merits of the application.
17. On January 15, 2021, Commission Staff filed a final recommendation on the merits of the application, stating that Commission Staff concurs that the adjustments to Rider TC-3 as shown in the application, were correctly calculated in accordance with the financing order.

Notice

18. On November 17, 2020, AEP Texas filed the affidavit of Gregory K. Gullickson, regulatory consultant for AEP Texas, attesting that, on November 13, 2020, AEP Texas provided notice of the application via email to all parties that participated in Docket No. 39931, Commission Staff, the Office of Public Utility Counsel, all municipalities and cooperatives that serve customers in areas of dual certification, and each retail electric provider that has been certified by the Commission to provide electric service in AEP Texas's certificated service area.
19. In Order No. 2 filed on December 17, 2020, the administrative law judge (ALJ) found notice sufficient.

Evidentiary Record

20. On January 22, 2021, the parties filed an amended joint motion to admit evidence.
21. In Order No. 4 filed on February 3, 2021, the ALJ admitted the following evidence into the record of this proceeding: (a) AEP Texas's application and all attachments filed on November 13, 2020; (b) AEP Texas's proof of notice filed on November 17, 2020; and (c) Commission Staff's final recommendation filed on January 15, 2021.

Informal Disposition

22. More than 15 days have passed since the completion of notice in this docket.
23. No person filed a protest or motion to intervene.
24. AEP Texas and Commission Staff are the only parties to this proceeding.

25. No party requested a hearing and no hearing is needed.
26. Commission Staff recommended approval of the application.
27. This decision is not adverse to any party.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. AEP Texas is public utility as that term is defined in PURA⁴ § 11.004(1) and an electric utility as that term is defined in PURA § 31.002(6).
2. The Commission has authority over this matter under PURA §§ 14.001, 39.301, 39.303, and 39.307, and the financing order in Docket No. 39931.
3. The Commission processed the application in accordance with the requirements of PURA, the Administrative Procedure Act,⁵ and Commission rules.
4. AEP Texas provided adequate notice of this proceeding in accordance with 16 Texas Administrative Code (TAC) § 22.55 and the financing order in Docket No. 39931.
5. The calculation of the Rider TC-3 rates set out in Appendix A, Exhibit JAM-3 to the application complies with the requirements of the financing order in Docket No. 39931.
6. The requirements for informal disposition in 16 TAC § 22.35 have been met in this proceeding.

III. Ordering Paragraphs

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

1. The Commission approves 6.1.1.2.2.1 Initial/Adjusted Transition Charge-3 Rate – Rider TC-3 (attached to the application as Appendix A, Exhibit JAM-3) effective March 1, 2021.
2. Within 10 days of this Order, AEP Texas must file a clean record copy of 6.1.1.2.2.1 Initial or Adjusted Transition Charge-3 Rates – Rider TC-3 for central records to stamp *Approved*

⁴ Public Utility Regulatory Act, Tex. Util. Code §§ 11.001–66.016.

⁵ Tex. Gov't Code §§ 2001.001–.903.

and retain for future reference.

3. The Commission denies all other motions, requests for entry of specific findings of fact and conclusions of law, and any other requests for general or specific relief, if not expressly granted.

Signed at Austin, Texas the _____ day of February 2021.

PUBLIC UTILITY COMMISSION OF TEXAS

DEANN T. WALKER, CHARIMAN

ARTHUR C. D'ANDREA, COMMISSIONER

SHELLY BOTKIN, COMMISSIONER