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<p>NON-STANDARD TRUE-UP FILING OF AEP TEXAS INC. IN ACCORDANCE WITH THE FINANCING ORDER IN DOCKET NO. 39931</p>	<p>§ § § §</p>	<p>PUBLIC UTILITY COMMISSION OF TEXAS</p>
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**AEP TEXAS INC.’S SUPPLEMENTAL FILING
AND MOTION TO ADMIT SUPPLEMENTAL FILING INTO EVIDENCE**

On April 7, 2021, the Public Utility Commission of Texas (“Commission”) ordered AEP Texas Inc. (“AEP Texas”) to supplement its application in this case by April 22, 2021, to assist the Commission in determining whether the requirements of the Docket No. 39931 Financing Order¹ regarding non-standard true-ups have been met. More specifically, the Commission ordered AEP Texas to identify “how the proposed changes address the causes of the proposed non-standard true-up.”² In response to the Commission’s order, AEP Texas provides the following supplemental information and respectfully requests that the Commission admit this supplemental information into the evidentiary record of this proceeding and issue an order approving the non-standard true-up as requested by AEP Texas and as recommended by Commission Staff.³

I. BACKGROUND AND PROCEDURAL HISTORY

In Docket No. 39931, the Commission authorized AEP Texas Central Company (“AEP TCC,” which has since merged into AEP Texas), to securitize and to cause the issuance of transition bonds.⁴ The Commission further authorized AEP TCC to impose on, and the servicer of the transition bonds, to collect transition charges in an amount sufficient to provide for the timely recovery of the aggregate Periodic Payment Requirements.⁵ A Periodic Payment Requirement is the required periodic payment for a given period (e.g., annually, semiannually, or

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

² Order Requesting Supplemental Filing (Apr. 7, 2021).

³ Commission Staff Final Recommendation (Jan. 15, 2021).

⁴ Docket No. 39931, Financing Order at Ordering Paragraph No. 2.

⁵ Docket No. 39931, Financing Order at Ordering Paragraph No. 7.

quarterly) due under the transition bonds.⁶ A Periodic Billing Requirement is the aggregate dollar amount of transition charges that must be billed during a given period so that the transition charge collections will be sufficient to meet the sum of all Periodic Payment Requirements for that period, given: (i) forecast usage data for the period; (ii) forecast uncollectibles for the period; and (iii) forecast lags in collection of billed transition charges for the period.⁷ The costs to be recovered through the transition charges are allocated among customer classes using an approach based on a blended set of Periodic Billing Requirement Allocation Factors adopted by the Commission.⁸

Pursuant to PURA § 39.307, the servicer of the transition bonds must make annual true-up adjustments to the transition charges to correct any undercollections or overcollections during the preceding 12 months and ensure the billing of transition charges necessary to generate the collection of amounts sufficient to timely provide all scheduled payments of principal and interest and any other amounts due in connection with the transition bonds.⁹ True-up adjustment filings must be made with the Commission at least annually.¹⁰ True-up filings are based upon the cumulative differences, regardless of the reason, between the Periodic Payment Requirement and the amount of transition charge remittances to the indenture trustee.¹¹ True-up procedures are necessary to ensure full recovery of amounts sufficient to meet the Periodic Payment Requirement over the expected life of the transition bonds.¹²

The Financing Order authorizes three types of true-up proceedings: a standard true-up, an interim true-up, and a non-standard true-up. Under a standard true-up, the utility must:

- (a) allocate the upcoming period's Periodic Billing Requirement based on the Periodic Billing Requirement Allocation Factors approved in the Financing Order;
- (b) calculate undercollections or overcollections, including without limitation any caused by REP defaults, from the preceding period in each class by subtracting

⁶ Docket No. 39931, Financing Order at Finding of Fact No. 74.

⁷ Docket No. 39931, Financing Order at Finding of Fact No. 75.

⁸ Docket No. 39931, Financing Order at Findings of Fact Nos. 78 and 80.

⁹ Docket No. 39931, Financing Order at Finding of Fact No. 81.

¹⁰ Docket No. 39931, Financing Order at Finding of Fact No. 81.

¹¹ Docket No. 39931, Financing Order at Finding of Fact No. 82.

¹² Docket No. 39931, Financing Order at Finding of Fact No. 82.

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; and
- (d) divide the amount assigned to each customer class in step (c) above by the appropriate forecasted billing units to determine the transition charge rate by class for the upcoming period.¹³

An interim true-up may be made by the servicer more frequently at any time during the term of the transition bonds to correct any undercollection or overcollection to assure timely payment of transition bonds based on rating agency and bondholder considerations.¹⁴

A non-standard true-up procedure must be implemented as the annual true-up adjustment if the forecasted billing units for one or more of the transition charge customer classes for an upcoming period decreases by more than 10% compared to the billing units used to develop the Periodic Billing Requirement Allocation Factors approved in the Financing Order (known as the threshold billing units), shown in Appendix D to the Financing Order.¹⁵ For a non-standard true-up, the Financing Order prescribes an eight-step procedure for determining the transition charge by rate class for the upcoming annual period.¹⁶

As the servicer for the bond company with respect to the transition bonds, AEP Texas filed an application with the Commission to make a non-standard true-up filing on November 13, 2020 because the billing determinants for the period of March 2021 through February 2022 for the Commercial and Small Industrial – Energy (“Commercial Energy”) class are forecasted to decrease by more than 10% as compared to the billing determinants for the twelve months ending March 31, 2011, as shown in Appendix D to the Financing Order.

In Order No. 1, filed on November 17, 2020, a Commission Administrative Law Judge (“ALJ”) ordered Commission Staff to file comments on the proposed notice and proposed scope of the proceeding and to propose a procedural schedule. On December 11, 2020, Commission Staff recommended that the scope of the proceeding be limited to determining whether the proposed

¹³ Docket No. 39931, Financing Order at Finding of Fact No. 83.

¹⁴ Docket No. 39931, Financing Order at Findings of Fact Nos. 84-85.

¹⁵ Docket No. 39931, Financing Order at Finding of Fact No. 86.

¹⁶ Docket No. 39931, Financing Order at Finding of Fact No. 87.

adjustment complies with the Financing Order, recommended that AEP Texas' proposed notice be deemed sufficient, and proposed a procedural schedule.

In Order No. 2, filed on December 17, 2020, the Commission ALJ found notice sufficient and established a procedural schedule. In Order No. 3, filed on January 6, 2021, the Commission ALJ ordered Commission Staff to file a substantive analysis and recommendation on the merits of the application, including whether the adjustments requested by AEP Texas were properly calculated in compliance with the Financing Order in Docket No. 39931. Commission Staff filed a final recommendation on January 15, 2021, finding that AEP Texas properly calculated the adjustments and recommended that the Commission approve AEP Texas' application.

II. SUPPLEMENTAL INFORMATION

Under the Financing Order, “a non-standard true-up procedure will be implemented as the annual true-up adjustment if the forecasted billing units for one or more of the transition charge customer classes for an upcoming period decreases by more than 10% compared to the billing units used by [AEP] TCC to develop the [Periodic Billing Requirement Allocation Factors] approved in this Financing Order (known as the threshold billing units), shown in Appendix D to this Financing Order.”¹⁷ A non-standard true-up filing will contain the proposed changes to the transition charge rates, justification for such changes as necessary to specifically address the cause(s) of the proposed non-standard true-up, and a statement of the proposed effective date.¹⁸

As AEP Texas outlined in its application and testimony, a non-standard true-up was required in accordance with Finding of Fact No. 86 of the Financing Order because the billing determinants for the period of March 2021 through February 2022 for the Commercial and Small Industrial – Energy (“Commercial Energy”) class are forecasted to decrease by more than 10% as compared to the billing determinants for the twelve months ending March 31, 2011, as shown in Appendix D to the Financing Order. The projected consumption for the Commercial Energy TC-3 class is 1,917,901,089 kWh, which is lower than the 90% threshold of 2,001,190,230 kWh in the Financing Order. Accordingly, AEP Texas followed the eight-step process prescribed by Finding of Fact No. 87 in the Financing Order to calculate the proposed changes to the transition charge rates.

¹⁷ Docket No. 39931, Financing Order at Finding of Fact No. 86.

¹⁸ Docket No. 39931, Financing Order at Finding of Fact No. 88(a).

There are three factors influencing the lower usage by the Commercial Energy class that are causing the need for the non-standard true-up. The first factor is that a large portion of the customers in this class were existing customers prior to unbundling who were receiving service under energy-only tariff schedules. These customers migrated to this TC-3 class and were frozen from moving out of the class. However, many of those accounts were older accounts and may have terminated service, been replaced by new, more modern loads, or reduced their consumption.

The second factor is that the remaining customers in this class are new customers taking service under the current Secondary Voltage Service ≤ 10 kW. As the competitive Texas market has evolved, customers taking service under this tariff schedule may not demonstrate as high a kWh consumption pattern as the old accounts that have terminated.

The third and significant factor is that the Commission's new pro-forma tariff schedules use a threshold of 10 kW for determining whether new customers should be billed on an energy-only based tariff schedule or a demand-based tariff schedule. Before deregulation, the customer's usage characteristics rather than demand determined the type of tariff schedule that was most appropriate for the customer. Now, under the new pro-forma tariffs, new customers tend to qualify for service on the Secondary Voltage Service > 10 kW distribution rate class. New Secondary Voltage Service > 10 kW distribution rate class customers are assigned the Commercial and Small Industrial –Demand TC-3 rate, which uses the customer's demands for billing purposes. No new Secondary Voltage Service > 10 kW distribution rate class customers are allowed to be billed on the Commercial Energy TC-3 class charges.

The proposed changes to the transition charges address the causes of the proposed non-standard true-up by adjusting the transition charges for each rate class to account for the forecasted decline in billing units from the Commercial Energy class in the manner prescribed by the Financing Order. Consistent with the Financing Order, the adjustment helps ensure the billing of transition charges necessary to generate the collection of amounts sufficient to timely provide all scheduled payments of principal and interest and any other amounts due in connection with the transition bonds.

III. CONCLUSION AND PRAYER

AEP Texas respectfully requests that the Commission admit this supplemental information into the evidentiary record of this proceeding, find that the proposed transition charge adjustment complies with the Financing Order, and issue an order approving the non-standard true-up as

requested by AEP Texas and as recommended by Commission Staff. AEP Texas requests any such other relief to which it may be justly entitled.

RESPECTFULLY SUBMITTED,

/s/ Leila Melhem

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ATTORNEYS FOR AEP TEXAS INC.

Certificate of Service

I certify that on April 22, 2021, a true and correct copy of this document was served on all parties of record by electronic service, hand delivery, Federal Express, regular first class mail, certified mail, or facsimile transmission.

/s/ Leila Melhem