



## Filing Receipt

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**DOCKET NO. \_\_\_\_\_**

<b>NON-STANDARD TRUE-UP FILING</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>OF AEP TEXAS INC. PURSUANT TO</b>	<b>§</b>	
<b>THE FINANCING ORDER IN</b>	<b>§</b>	<b>OF TEXAS</b>
<b>DOCKET NO. 39931</b>	<b>§</b>	

**PETITION OF AEP TEXAS INC.**

AEP Texas Inc. makes this non-standard true-up filing as the servicer of Transition Bonds issued in accordance with the Financing Order in Docket No. 39931 (the “Financing Order”).<sup>1</sup> A non-standard true up is required because the forecasted billing units for one or more of the transition charge customer classes for the upcoming period has decreased 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 threshold billing units).<sup>2</sup> Accordingly, AEP Texas has calculated revised rates for Rider 6.1.1.2.2.1 Initial/Adjusted Transition Charge-3 Rates – Rider TC-3 (“Rider TC-3”) following the Financing Order’s prescribed non-standard true-up adjustment provisions.<sup>3</sup> With the exception of the revised rates, the proposed Rider TC-3 has been approved by the Public Utility Commission of Texas (“Commission”). AEP Texas requests approval of the revised Rider TC-3, effective March 1, 2023.

**I. Jurisdiction**

AEP Texas is a public utility as that term is defined in Public Utility Regulatory Act (“PURA”)<sup>4</sup> § 11.004(1), an electric utility as that term is defined in PURA § 31.002(6), and a transmission and distribution utility as that term is defined in PURA § 31.002(19). AEP Texas is the servicer of the Transition Bonds issued pursuant to the Financing Order. AEP Texas’s business address is 539 North Carancahua Street, Corpus Christi, Texas 78401.

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

<sup>2</sup> Docket No. 39931, Financing Order at Finding of Fact No. 86.

<sup>3</sup> The proposed Rider TC-3 is provided as Exhibit JAM-3 to the Direct Testimony of Jacob A. Miller, which accompanies this petition.

<sup>4</sup> Tex. Util. Code Ann. §§ 11.001 – 66.016 (West).

The Commission has jurisdiction over this filing under PURA §§ 39.003 and 39.307. This filing is made in compliance with Findings of Fact Nos. 86 – 88 and Ordering Paragraph No. 13 of the Financing Order.

## **II. Affected Parties**

The relief requested in this filing affects all retail electric providers (“REPs”) serving end-use retail electric customers in AEP Texas’s certificated service territory previously served by AEP Texas Central Company (“TCC”) and will affect the retail electric customers of those REPs.

## **III. Authorized Representatives**

AEP Texas’s authorized business and legal representatives are:

Steven Beaty  
Regulatory Consultant  
AEP Texas Inc.  
400 West 15<sup>th</sup> Street, Suite 1520  
Austin, Texas 78701  
Telephone: (512) 481-4550  
Facsimile: (512) 481-4591  
Email: [sjbeaty@aep.com](mailto:sjbeaty@aep.com)

Leila Melhem  
Senior Counsel  
American Electric Power Service Corporation  
400 West 15<sup>th</sup> Street, Suite 1520  
Austin, Texas 78701  
Telephone: (512) 481-3321  
Facsimile: (512) 481-4591  
Email: [lmelhem@aep.com](mailto:lmelhem@aep.com)

AEP Texas requests that all information, pleadings, and other documents in this matter be served on each of the persons above as well as emailed to [aepaustintx@aep.com](mailto:aepaustintx@aep.com).

## **IV. Background**

On December 2, 2011, AEP TCC filed an application for a financing order under Subchapter G of Chapter 39 of PURA to permit securitization of some of its stranded costs and other qualified costs. That proceeding was assigned Docket No. 39931. On January 12, 2012, the Commission approved the Financing Order, which authorized AEP TCC to securitize and cause the issuance of Transition Bonds with an aggregate principal amount not to exceed \$800 million.<sup>5</sup> In accordance with the Financing Order, AEP Texas Central Transition Funding III, LLC (the “Bond Company”) issued Transition Bonds on March 14, 2012 and began billing transition charges (TC-3s) on March 14, 2012.

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<sup>5</sup> Docket No. 39931, Financing Order at Ordering Paragraph No. 2.

Effective December 31, 2016, AEP TCC and AEP Texas North Company (“TNC”) were merged into their parent company, now called AEP Texas. The merger was approved by the Commission in Docket No. 46050 – *Application of AEP Texas Central Company, AEP Texas North Company, and AEP Utilities, Inc. for Approval of Merger*. 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.”<sup>6</sup> Consistent with the Commission’s order, AEP Texas maintains two divisions within AEP Texas: AEP Texas — Central Division (formerly TCC) and AEP Texas — North Division (formerly TNC). In AEP Texas’s last rate case, Docket No. 49494, the Commission approved the consolidation of the rates of the two divisions with certain exceptions. Schedule TC-3 was one of those exceptions. Therefore, this filing only impacts the central division of AEP Texas.

AEP Texas is the servicer for the Bond Company with respect to the Transition Bonds, and in that role, it bills, collects, receives, and adjusts the transition charges imposed pursuant to Rider TC-3, and remits the amounts received to the trustee to repay the Transition Bonds. The Financing Order, Schedule TC-3, and Rider TC-3 set out the rates and terms and conditions under which the transition charges will be billed and collected with respect to the Transition Bonds. The Financing Order provides that retail electric customers must pay the principal, interest, and related costs of the Transition Bonds through TC-3s pursuant to the form of tariff approved in the Financing Order. The Financing Order establishes how the annual costs permitted to be recovered through TC-3 rates are allocated among TC-3 customer classes.

In Findings of Fact Nos. 86 – 88, the Financing Order sets out a procedure for adjusting the 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 units established for the annual period ending March 31, 2011. That procedure is referred to as a “non-standard true up.” This filing is being made to comply with the procedures in the Financing Order for making a non-standard true up.

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<sup>6</sup> Docket No. 46050, Final Order at Ordering Paragraph No. 2 (Dec. 12, 2016).

## V. Required Showing

A non-standard true-up is required because the billing determinants for the period of March 2023 through February 2024 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 1,869,986,074 kWh, which is lower than the 90% threshold of 2,001,190,230 kWh in the Financing Order. In the testimony accompanying this petition, AEP Texas witness Mr. Jacob A. Miller identifies three factors influencing this lower usage.

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  $\leq 10$  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.

A final 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. Prior to 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.

AEP Texas has calculated revised TC-3 rates that comply with the provisions of the Financing Order and Schedule TC-3 so that the TC-3 rates applied to the various retail customer

classes will reflect the allocation contemplated by the non-standard true-up provisions of the Financing Order. The revised rates are as follows:

<b><u>Transition Charge-3 Customer Class</u></b>	<b><u>Initial/Adjusted TC-3 Rates</u></b>	
Residential	\$0.002475 per kWh	R
Commercial and Small Industrial – Energy	\$0.009501 per kWh	I
Commercial and Small Industrial – Demand	\$0.775882 per kW or kVa	R
Large Industrial – Firm	\$0.016734 per kW or kVa	R
Large Industrial – Non-Firm	\$0.550692 per kW or kVa	I
Standby – Firm	\$0.075487 per Daily kW or kVa	I
Standby – Non-Firm	\$0.050574 per Daily kW or kVa	R
Municipal and Cotton Gin	\$0.004444 per kWh	R

The proposed transition charge rates are also set out in proposed revised Rider 6.1.1.2.2.1, Initial/Adjusted Transition Charge Rates – Rider TC-3, which is Exhibit JAM-3 to the testimony of Mr. Jacob A. Miller.<sup>7</sup> Mr. Miller’s testimony also addresses the calculation of the TC-3 rates and provides additional support for this filing.

In accordance with Finding of Fact No. 88 in the Financing Order, this filing is being made at least 90 days before the date of the proposed true-up adjustment. AEP Texas proposes that the adjustment be effective for bills rendered beginning on March 1, 2023, which is the date upon which the bills for the first cycle for the month of March will be rendered.

## **VI. Scope of Proceeding and Proposed Procedural Schedule**

The scope of this proceeding is limited to determining whether the proposed adjustment complies with the Financing Order.<sup>8</sup> The Commission must conduct a contested case proceeding pursuant to PURA § 39.003 and issue a final order by the proposed true-up adjustment date stated in the filing.<sup>9</sup>

Since this proceeding is limited in scope and is intended to be resolved within 90 days, AEP Texas proposes that a schedule be established similar to that required for fuel factor change proceedings, which must be concluded within 90 days under Commission rules, and that the schedule allow for the possibility of informal disposition pursuant to 16 Texas Administrative Code § 22.35. This procedure was proposed in Docket No. 24775, *Non-Standard True-up Filing*

<sup>7</sup> The proposed Rider TC-3 is provided as Exhibit JAM-3 to Mr. Miller’s testimony.

<sup>8</sup> Docket No. 39931, Financing Order at Finding of Fact No. 88.

<sup>9</sup> *Id.*

*of AEP Texas Central Company Pursuant to the Financing Order in Docket No. 21528* (December 17, 2001) and has been used in all of AEP Texas's subsequent non-standard true-up filings. Specifically, AEP Texas requests that the presiding officer establish a procedural schedule that will enable the Commission to issue its order in this proceeding within 60 days after the date this petition is filed if no hearing is requested within 30 days of the filing of the petition, and within 90 days after the date of this petition if a hearing is requested within 30 days of the filing of the petition. If a hearing is requested, AEP Texas respectfully requests that the hearing be held no earlier than the first business day after the 45th day following the filing of the petition.

## **VII. Notice**

Concurrently with the filing of this petition, AEP Texas will provide a copy of this petition to Commission Staff, the Office of Public Utility Counsel, each party that participated in Docket No. 39931, each retail electric provider that has been certified by the Commission to provide retail electric service in AEP Texas's service area, and municipalities and cooperatives who serve customers in areas of dual certification with AEP Texas. In accordance with the Commission's Second Order Suspending Rules issued on July 16, 2020 in Project No. 50664, AEP Texas will provide the notice via email. Through the certificate of service filed with this application, AEP Texas is certifying that notice has been provided as set forth above. AEP Texas requests that the Commission accept this in lieu of a separately filed proof of notice.<sup>10</sup>

## **VIII. Protective Order**

As part of this proceeding, AEP Texas expects that it may need to provide to one or more parties highly sensitive or confidential information. Accordingly, AEP Texas requests that the Commission enter its standard protective order in this docket, and that, pending entry of the protective order, the parties treat the proposed protective order as a confidentiality agreement.

## **IX. Requested Relief**

AEP Texas requests that the Commission approve: (a) a procedural schedule that leads to Commission approval of the requested rates within 60 or 90 days, depending on whether a hearing

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<sup>10</sup> *Application of Entergy Texas, Inc. for a Consulting Fee Rider*, Docket No. 51571, Final Order at Findings of Fact Nos. 10 – 12 (Apr. 7, 2021).

is requested; (b) AEP Texas's proposed form and method of notice; (c) entry of the Commission's standard protective order; (d) the revised proposed Rider TC-3, effective March 1, 2023, provided as Exhibit JAM-3 to the Direct Testimony of Jacob A. Miller; and (e) any such other relief to which AEP Texas may be justly entitled.

RESPECTFULLY SUBMITTED,

/s/ Leila Melhem

AMERICAN ELECTRIC POWER SERVICE  
CORPORATION

Leila Melhem  
State Bar No. 24083492  
400 West 15th Street, Suite 1520  
Austin, Texas 78701  
Telephone: (512) 481-3321  
Facsimile: (512) 481-4591  
Email: [lmelhem@aep.com](mailto:lmelhem@aep.com)

ATTORNEY FOR AEP TEXAS INC.

### **Certificate of Service**

I certify that on December 1, 2022, a copy of this petition was provided via email to Commission Staff, the Office of Public Utility Counsel, each party that participated in Docket No. 39931, each retail electric provider that has been certified by the Commission to provide retail electric service in AEP Texas's service area, and municipalities and cooperatives who serve customers in areas of dual certification with AEP Texas in accordance with the Commission's Second Order Suspending Rules issued on July 16, 2020, in Project No. 50664.

/s/ Gregory K. Gullickson



PUC DOCKET NO. \_\_\_\_\_

PUBLIC UTILITY COMMISSION OF TEXAS

NON-STANDARD TRUE-UP FILING

OF

AEP TEXAS INC.

PURSUANT TO THE FINANCING ORDER

IN DOCKET NO. 39931

DIRECT TESTIMONY OF

JACOB A. MILLER

FOR

AEP TEXAS INC.

DECEMBER 1, 2022

## TESTIMONY INDEX

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## EXHIBITS

EXHIBIT JAM-1	Calculation of the TC-3s
EXHIBIT JAM-2	Rate Comparison
EXHIBIT JAM-3	Transition Charge Rates (Rider TC-3)

1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

3 A. My name is Jacob A. Miller. I am employed as a Senior Regulatory Consultant in the  
4 Regulated Pricing and Analysis Department, part of the American Electric Power  
5 Service Corporation (AEPSC) Regulatory Services Department. AEPSC is a  
6 subsidiary of American Electric Power Company, Inc. (AEP), as is AEP Texas Inc.  
7 (AEP Texas or Company). My business address is 212 East Sixth Street, Tulsa,  
8 Oklahoma 74119.

9 Q. PLEASE BRIEFLY DESCRIBE THE AEPSC REGULATORY SERVICES  
10 DEPARTMENT AND YOUR CURRENT JOB RESPONSIBILITIES.

11 A. AEPSC Regulatory Services provides coordination and tariff-related services for the  
12 AEP operating utility companies, including AEP Texas. My current responsibilities  
13 include cost-of-service analysis, rate design, and tariff provisions for the three AEP  
14 West operating companies. I am also responsible for the preparation of, and support  
15 for, filings before the various state commissions under whose jurisdiction AEP or its  
16 subsidiaries provide service.

17 Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL  
18 EXPERIENCE.

19 A. In 2012, I received a Bachelor of Science in Business Administration from Oklahoma  
20 State University. I received a Master of Business Administration and Master of Energy  
21 Business from the University of Tulsa in 2013 and 2019, respectively. I have attended  
22 workshops sponsored by Electric Utility Consultants Inc. including their Electric Cost-

1 of-Service and Electric Utility Pricing courses.

2 I began my professional career in 2010, having worked in various analyst roles  
3 within the oil and gas industry until May 2016, when I began employment with AEPSC  
4 as a Transmission Project Coordinator. In April 2018, I accepted the position of  
5 Regulatory Consultant and have since progressed to my current title of Senior  
6 Regulatory Consultant.

7 Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY OR TESTIFIED BEFORE  
8 THE PUBLIC UTILITY COMMISSION OF TEXAS (COMMISSION)?

9 A. Yes, I provided testimony before this Commission, including previous AEP Texas TC-  
10 3 non-standard true-up filings, in Docket Nos. 51518 and 52876, as well as Docket No.  
11 54040, Southwestern Electric Power Company's Transmission Cost Recovery Factor  
12 update filing. I have also provided testimony before the Oklahoma Corporation  
13 Commission.

14 II. PURPOSE OF TESTIMONY

15 Q. PLEASE EXPLAIN THE PURPOSE OF YOUR TESTIMONY IN THIS FILING.

16 A. The purpose of my testimony in this filing is to support the calculation of Transition  
17 Charge-3 (TC-3) rates by rate class pursuant to the non-standard true-up provisions as  
18 approved in Docket No. 39931, Findings of Fact Nos. (FOF) 86 through 88 and support  
19 the tariff (Rider TC-3) revised in this filing.

20 Effective December 31, 2016, AEP Texas Central Company (TCC) and AEP  
21 Texas North Company (TNC) were merged into their parent company, now called AEP  
22 Texas. The merger was approved by the Commission in Docket No. 46050 –

*Application of AEP Texas Central Company, AEP Texas North Company, and AEP Utilities, Inc. for Approval of Merger.* 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.”<sup>1</sup> Consistent with the Commission’s order, AEP Texas maintains two divisions within AEP Texas: AEP Texas – Central Division (formerly TCC) and AEP Texas – North Division (formerly TNC). In AEP Texas’ last rate case, Docket No. 49494, the Commission approved the consolidation of the rates of the two divisions with certain exceptions. Schedule TC-3 was one of those exceptions. Therefore, this filing only affects the Central Division of AEP Texas.

**Q. WHAT RELIEF IS THE COMPANY REQUESTING IN THIS FILING?**

A. The Company is requesting approval of Rider TC-3 effective with the first billing cycle for March 2023 (March 1, 2023) which incorporates TC-3 rates calculated utilizing the non-standard true-up adjustment.

### III. BACKGROUND

Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF THE HISTORY OF THE TC-3 RATES.

A. On December 2, 2011, AEP Texas Central Company (TCC) (formerly known as Central Power and Light Company) filed an application for a Financing Order under

<sup>1</sup> Docket No. 46050, *Application of AEP Texas Central Company, AEP Texas North Company, and AEP Utilities, Inc. for Approval of Merger*, Final Order at Ordering Paragraph No. 2 (Dec. 12, 2016).

1 Subchapter G of Chapter 39 of the Public Utility Regulatory Act (PURA) to permit  
2 securitization of some of its stranded costs and other qualified costs as described in that  
3 application. That proceeding was assigned Docket No. 39931. On January 12, 2012,  
4 the Public Utility Commission of Texas (PUC or Commission) issued a Final Order  
5 (Financing Order) that authorized the issuance of Transition Bonds for TCC for the  
6 recovery of stranded costs, carrying costs, and up-front qualified costs associated with  
7 such bonds through Rider TC-3. In accordance with the Financing Order, AEP Texas  
8 Central Transition Funding III LLC, (Bond Company) securitized the stranded costs  
9 and other qualified costs on March 14, 2012 by issuing Transition Bonds and TCC  
10 began billing TC-3s on March 14, 2012. AEP Texas is the Servicer for the Bond  
11 Company with respect to the Transition Bonds, and in that role, it bills, collects,  
12 receives, and adjusts the transition charges imposed pursuant to AEP Texas' Tariff for  
13 Electric Delivery Service, Section 6.1.1.2.2.1 – Initial/Adjusted Transition Charge-3  
14 Rates - Rider TC-3, and remits the amounts received to the trustee to repay the  
15 Transition Bonds. The Financing Order, Schedule TC-3, and Rider TC-3 set out the  
16 rates and terms and conditions under which the transition charges will be billed and  
17 collected with respect to the Transition Bonds.

18 This filing is being made to comply with the procedures in the Financing Order  
19 for making a non-standard true-up, which among other things, require this filing be  
20 made 90 days in advance of the proposed effective date of the non-standard true-up.  
21 This filing is being made 90 days prior to the first billing cycle for March 2023 so that  
22 the TC-3 rates will reflect the non-standard true-up provision of the Financing Order.

1 IV. NON-STANDARD TRUE-UP

2 Q. WHAT IS THE NON-STANDARD TRUE-UP ADJUSTMENT?

3 A. FOF 86 of the Financing Order states that a non-standard true-up adjustment will be  
4 applied if the forecasted billing units for one or more of the transition charge customer  
5 classes for an upcoming period decrease by more than 10% compared to the billing  
6 units for the 12 months ending March 31, 2011 as shown in Appendix D of the  
7 Financing Order in Docket No. 39931. FOFs 87 and 88 set forth a non-standard true-  
8 up adjustment procedure for adjusting the transition charges to each customer class and  
9 the process to be followed for a non-standard true-up filing.

10 Q. WHY IS THE NON-STANDARD TRUE-UP ADJUSTMENT NEEDED AT THIS  
11 TIME?

12 A. The billing determinants for the period of March 2023 through February 2024 for the  
13 Commercial and Small Industrial Energy (Commercial Energy) class are forecasted to  
14 decrease by more than 10% as compared to the billing determinants for the twelve  
15 months ending March 31, 2011, as shown in Appendix D to the Financing Order.  
16 Therefore, in accordance with FOF 86 of the Financing Order, the TC-3 rates proposed  
17 to be effective beginning March 1, 2023 are to be adjusted pursuant to the Non-  
18 Standard True-Up provisions of the Financing Order.

19 The Commercial Energy TC-3 class is demonstrating lower than forecasted  
20 kWh usage compared to 2011 levels. There are three possible contributing factors  
21 influencing this lower usage. The first factor is that a large portion of the customers in  
22 this class were existing customers prior to unbundling who were receiving service  
23 under energy-only tariff schedules. These customers migrated to this TC-3 class and

1 were frozen from moving out of the class. However, these are typically older accounts  
2 and many have either terminated service, have been replaced by new, more modern  
3 loads, or have reduced their consumption. The second factor is that the remaining  
4 customers in this class are new customers taking service under the current Secondary  
5 Voltage Service  $\leq 10$  kW. As the competitive Texas market has evolved, customers  
6 taking service under this tariff schedule may not demonstrate as high a kWh  
7 consumption pattern as the old accounts that have terminated. A final and significant  
8 factor is that the Commission's new pro-forma tariff schedules use a threshold of 10  
9 kW for determining whether new customers should be billed on an energy-only based  
10 tariff schedule or a demand- based tariff schedule. Prior to deregulation, the customer's  
11 usage characteristics rather than demand determined the type of tariff schedule that was  
12 most appropriate for the customer. Now, under the new pro-forma tariffs, new  
13 customers tend to qualify for service on the Secondary Voltage Service  $> 10$  kW  
14 distribution rate class. New Secondary Voltage Service  $> 10$  kW distribution rate class  
15 customers are assigned the Commercial and Small Industrial Demand (Commercial  
16 Demand) TC-3 rate, which uses the customer's demands for billing purposes. No new  
17 Secondary Voltage Service  $> 10$  kW distribution rate class customers are allowed to be  
18 billed on the Commercial Energy TC-3 class charges.

19 Q. HOW IS THE NON-STANDARD TRUE-UP ADJUSTMENT CALCULATED?

20 A. As prescribed in FOF 87 in the Financing Order and Schedule TC-3, the non-standard  
21 true-up shall be conducted in the following manner:

22 (a) allocate the upcoming period's PBR based on the PBRAFs approved in this  
23 Financing Order;



- 1 (b) calculate undercollections or overcollections, including without limitation any  
2 caused by REP defaults, from the preceding period in each class by subtracting  
3 the previous period's transition charge revenues collected from each class from  
4 the PBR determined for that class for the same period;
- 5 (c) sum the amounts allocated to each customer class in steps (a) and (b) to  
6 determine an adjusted PBR for each transition charge customer class;
- 7 (d) divide the PBR for each customer class by the maximum of the forecasted  
8 billing units or the threshold billing units for that class, to determine the  
9 "threshold rate";
- 10 (e) multiply the threshold rate by the forecasted billing units for each class to  
11 determine the expected collections under the threshold rate;
- 12 (f) allocate the difference in the adjusted PBR and the expected collections  
13 calculated in step (e) among the transition charge customer classes using the  
14 PBRAFs approved in this Financing Order;
- 15 (g) add the amount allocated to each class in step (f) above to the expected  
16 collection amount by class calculated in step (e) above to determine the final  
17 PBR for each class; and
- 18 (h) divide the final PBR for each class by the forecasted billing units to determine  
19 the transition charge rate by class for the upcoming period.

20 The calculation of the TC-3 rates, detailed in Exhibit JAM-1 to this testimony, complies  
21 with these provisions of the Financing Order and Schedule TC-3 detailed above.

22 Q. PLEASE EXPLAIN THE PERIODIC BILLING REQUIREMENT (PBR) USED IN  
23 THE CURRENT FILING.

24 A. The PBR for the period March 2023 through February 2024 is \$75,266,470. This  
25 amount corresponds to the actual interest rates and other factors known at issuance in  
26 March 2012. Each year's PBR is substantially levelized for the expected life of the  
27 securitization as was determined in Docket No. 39931. Each class's over/under  
28 collections are included in the calculation as well as items such as interest earned on  
29 collections and a charge-off true-up. The charge-off true-up has been revised based on  
30 the REP's recent charge-off experience and is included in this filing. Summing the  
31 true-up amount for each class produces an overall over-recovery of \$5,334,905 which

1 has been incorporated into the current filing to arrive at an adjusted PBR of  
2 \$69,931,565.

3 Q. PLEASE EXPLAIN THE PROJECTED BILLING UNITS USED IN THE CURRENT  
4 FILING.

5 A. AEP Economic Forecasting and Analysis forecasts kWh and kW by TC-3 class based  
6 on historical billing units for each TC-3 class through August 2022. Historical kWh  
7 and kW for each TC-3 class are used to arrive at projected billing units for March 2023  
8 through February 2024. Projected kWh billing units are used for the Residential,  
9 Municipal and Cotton Gin, and Commercial Energy TC-3 classes. Projected kW  
10 billing units are used for the Commercial Demand, Large Industrial Firm and Non-  
11 Firm, and Standby Firm and Non-Firm TC-3 classes.

12 V. REVISED TARIFF

13 Q. HAVE YOU PROVIDED A REVISED TARIFF REFLECTING THE  
14 NON-STANDARD TRUE-UP CALCULATION OF TC-3S?

15 A. Yes. Exhibit JAM-3 contains the Transition Charge Rates – Rider TC-3 calculated  
16 using the non-standard adjustment, which has been marked showing the changes from  
17 the current tariff.

18 Q. WHAT CHANGES ARE PROPOSED FOR RIDER TC-3?

19 A. The rates are changed as indicated with margin notations on Exhibit JAM-3, page 2 of  
20 2. An effective date of March 1, 2023 has been added to the header of each page.

21 Q. HOW DO THE PROPOSED TC-3 RATES COMPARE TO THE CURRENT RATES?

22 A. Please see Exhibit JAM-2 for rate comparisons. The proposed TC-3 rates for the

1 Commercial and Small Industrial – Energy, Large Industrial – Non-Firm, and Standby  
2 Firm classes are higher than the current TC-3 rates. Proposed TC-3 rates for all other  
3 TC-3 classes are lower compared to current TC-3 rates. These changes are primarily  
4 due to individual class over/under collections last period and change in billing unit  
5 forecasts.

6 VI. CONCLUSION

7 Q. WHAT RELIEF IS THE COMPANY REQUESTING IN THIS PROCEEDING?

8 A. The Company is requesting that the proposed Rider TC-3 be approved effective with  
9 the first billing cycle of March 2023 (March 1, 2023).

10 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

11 A. Yes, it does.

AEP TEXAS CENTRAL DIVISION  
 TRANSITION CHARGE-3 RATES - RIDER TC-3  
 Calculation of Rider TC-3 Rates  
 Non-Standard True-up per Financing Order of Docket No. 39931

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)		
TC-3 Customer Class	PBRAT	Periodic Billing Requirement	Prior Period (Over) Under Recovery	Adjusted PBR	Forecasted Billing Units	Threshold Billing Units	Greater of Forecast or Threshold Billing Units	Threshold Rate	Expected Collections	Difference (Column d - i)	Allocation per PBRAT	Final PBR	Adjusted Rider TC-3 Charge Rate	Billing Units
Residential	39.2853%	29,568,658	(4,067,471)	25,501,187	10,500,297,623	7,933,417,698	10,500,297,623	0.002429	25,501,187	-	482,044	25,983,231	0.002475	per kWh
Commercial and Small Industrial - Energy	22.6320%	17,034,307	1,681,023	18,715,331	1,869,986,074	2,001,190,230	2,001,190,230	0.009352	17,488,296	1,227,034	277,702	17,765,999	0.009501	per kWh
Commercial and Small Industrial - Demand	29.4288%	22,150,019	(1,294,869)	20,855,150	27,344,696	20,285,437	27,344,696	0.762676	20,855,150	-	361,101	21,216,251	0.775882	per kW or kVa
Large Industrial - Firm	2.2118%	1,664,744	(1,503,457)	161,287	11,260,380	2,781,430	11,260,380	0.014323	161,287	-	27,140	188,426	0.016734	per kW or kVa
Large Industrial - Non-Firm	1.9842%	1,493,437	(23,662)	1,469,775	2,713,172	2,451,956	2,713,172	0.541718	1,469,775	-	24,347	1,494,122	0.550692	per kW or kVa
Standby - Firm	1.4922%	1,123,126	(2,873)	1,120,253	15,082,947	13,267,104	15,082,947	0.074273	1,120,253	-	18,310	1,138,563	0.075487	per Daily kW or kVa
Standby - Non-Firm	0.2533%	190,650	(55,913)	134,737	2,725,637	2,329,963	2,725,637	0.049433	134,737	-	3,108	137,845	0.050574	per Daily kW or kVa
Municipal and Cotton Gin	2.7124%	2,041,528	(67,683)	1,973,845	451,642,222	398,605,318	451,642,222	0.004370	1,973,845	-	33,282	2,007,127	0.004444	per kWh
Total	100.0000%	75,266,470	(5,334,905)	69,931,565					68,704,531	1,227,034	1,227,034	69,931,565		

AEP TEXAS CENTRAL DIVISION  
 TRANSITION CHARGE-3 RATES - RIDER TC-3  
 Rate Comparison

TC-3 Customer Class	Period 1	Period 2	Billing Units	Rate Change	
	Rider TC-3 Rate	Rider TC-3 Rate		per unit	%
Residential	0.002804	0.002475	per kWh	(0.000329)	-11.73%
Commercial and Small Industrial - Energy	0.008341	0.009501	per kWh	0.001160	13.91%
Commercial and Small Industrial - Demand	0.794383	0.775882	per kW or kVa	(0.018501)	-2.33%
Large Industrial - Firm	0.230220	0.016734	per kW or kVa	(0.213486)	-92.73%
Large Industrial - Non-Firm	0.532084	0.550692	per kW or kVa	0.018608	3.50%
Standby - Firm	0.069933	0.075487	per Daily kW or kVa	0.005554	7.94%
Standby - Non-Firm	0.072694	0.050574	per Daily kW or kVa	(0.022120)	-30.43%
Municipal and Cotton Gin	0.004487	0.004444	per kWh	(0.000043)	-0.96%

AEP TEXAS

TARIFF FOR ELECTRIC DELIVERY SERVICE

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

Chapter: 6 Section: 6.1.1

Section Title: Delivery System Charges

Revision: Thirteenth

Effective Date: March 1, 2023

|T

**6.1.1.2.2.1 Initial / Adjusted Transition Charge-3 Rates – Rider TC-3**

**AVAILABILITY**

This schedule is applicable to billed energy consumption and demands of retail customers taking service from the Company during the term that this schedule is in effect, and to the facilities, premises, and loads of all other retail customers obligated to pay TC-3 Charges as provided in Schedule TC-3, Section 6.1.1.2.2. Terms defined in Schedule TC-3 that are used herein shall have the same meaning as set forth in Schedule TC-3.

**RATE CLASSES**

For purposes of billing Initial/Adjusted Transition Charge-3 Rates (TC-3 Rates), each retail end-use customer will be designated as a customer belonging to one of eight classes as identified and defined by Schedule TC-3.

**TRANSITION CHARGE-3 RATES**

The Initial/Adjusted TC-3 Rates shall be determined in accordance with and are subject to the provisions set forth in the Financing Order and Schedule TC-3. Not less than 15 days prior to the first billing cycle for the Company's March 2013 billing month and no less frequently than annually thereafter, the Company or successor Servicer will file a revision to Rider TC-3 setting forth the Adjusted TC-3 Rates to be effective for the upcoming period. If made as a result of the annual true-up adjustment in Schedule TC-3, the Adjusted TC-3 Rates will become effective on the first billing cycle of the Company's March billing month. In accordance with Schedule TC-3 an interim true-up is mandatory semi-annually (or quarterly after the last scheduled maturity date of the Transition Bonds) if the Servicer forecasts that transition charge collections will be insufficient to make all scheduled payments of principal, interest and other amounts in respect of the Transition Bonds on a timely basis during the current or next succeeding payment period and/or or to replenish any draws upon the capital subaccount. Optional interim true-ups may also be made at any time as described in Schedule TC-3. If an interim true-up adjustment is made pursuant to Schedule TC-3, the Adjusted TC-3 Rates will be become effective on the first billing cycle of the Company's billing month that is not less than 15 days following the making of the interim true-up adjustment filing. If a Non-Standard True-Up filing pursuant to Schedule TC-3 is made to revise the Rider TC-3, the filing will be made at least 90 days prior to the first billing cycle for the Company's March billing month.

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**6.1.1.2.2.1 Initial / Adjusted Transition Charge-3 Rates – Rider TC-3**

<b><u>Transition Charge-3 Customer Class</u></b>	<b><u>Initial/Adjusted TC-3 Rates</u></b>	
Residential	\$0.002475 per kWh	R
Commercial and Small Industrial – Energy	\$0.009501 per kWh	I
Commercial and Small Industrial – Demand	\$0.775882 per kW or kVa	R
Large Industrial – Firm	\$0.016734 per kW or kVa	R
Large Industrial – Non-Firm	\$0.550692 per kW or kVa	I
Standby – Firm	\$0.075487 per Daily kW or kVa	I
Standby – Non-Firm	\$0.050574 per Daily kW or kVa	R
Municipal and Cotton Gin	\$0.004444 per kWh	R

The Initial/Adjusted TC-3 Rates are multiplied by the kWh or kVa, as applicable, read, estimated or determined during the billing month and will be applied to bills rendered on and after the effective date.

**NOTICE**

This rate schedule is subject to the Company's Tariff and Applicable Legal Authorities.

The following files are not convertible:

Exhibits JAM 1&2 and Workpapers - Rider  
TC-3 Eff 20230301 (Recovered).xlsx

Please see the ZIP file for this Filing on the PUC Interchange in order to access these files.

Contact [centralrecords@puc.texas.gov](mailto:centralrecords@puc.texas.gov) if you have any questions.