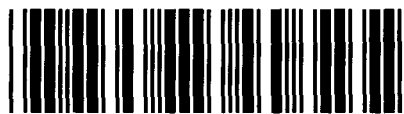




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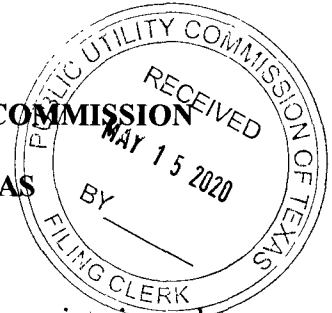
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DOCKET NO. 50689

**APPLICATION OF AEP TEXAS INC. §
FOR INTERIM UPDATE OF §
WHOLESALE TRANSMISSION RATES §**

**PUBLIC UTILITY COMMISSION
OF TEXAS**



NOTICE OF APPROVAL

This Notice of Approval addresses the application of AEP Texas Inc. for an interim update of wholesale transmission rates. The Commission adjusts AEP Texas' wholesale transmission rate on an interim basis to \$6.679914 per kilowatt (kW).

I. Findings of Fact

The Commission makes the following findings of fact.

Applicant

1. AEP Texas is a wholly-owned subsidiary of American Electric Power and provides transmission service in the Electric Reliability Council of Texas (ERCOT) region.
2. AEP Texas holds certificate of convenience and necessity numbers 30028 and 30170.

Application

3. On March 20, 2020, AEP Texas filed an application for interim update of wholesale transmission rates.
4. AEP Texas requested an interim wholesale transmission rate of \$6.679914 per kW.
5. No party filed a motion to find the application materially deficient.

Eligibility for Interim Update

6. AEP Texas' last interim increase to transmission rates was approved April 24, 2019, in Docket No. 49192.¹
7. This application is AEP Texas' first requested interim increase in 2020.

Interim Transmission Rate

8. The requested interim increase in AEP Texas' wholesale transmission rates is based on the difference between the company's actual January 31, 2020 net transmission plant balances

¹ *Application of AEP Texas Inc. for Interim Update of Wholesale Transmission Rates*, Docket No. 49192, Notice of Approval (Apr. 24, 2019).

and its January 1, 2019 net transmission plant balances established in Docket No. 49494.²

9. The requested interim increase in transmission rates is based on an interim revenue requirement of \$474,146,097. This is an increase of \$91,630,148.
10. The requested interim increase in transmission rates is based on the 2019 average ERCOT four-coincident-peak demand of 70,980,872.4 kW identified in the Final Transmission Charge Matrix filed by Commission Staff in Docket No. 50333.³
11. The requested interim increase in the wholesale transmission rate to \$6.679914 per kW accurately reflects changes to AEP Texas' invested capital and depreciation, federal income tax and other associated taxes, and the commission-allowed rate of return on such facilities, as well as changes in load.

Interim Revenue Request

12. The interim revenue requirement reflects an increase in total transmission rate base of \$806,018,582.
13. The interim revenue requirement reflects an increase in the return on transmission rate base of \$51,988,199. The return is based on AEP Texas' approved rate of return of 6.45% set in Docket No. 49494.⁴
14. The interim revenue requirement reflects an operations and maintenance expense of \$55,202,854; a depreciation and amortization expense of \$113,323,259; taxes other than income taxes of \$54,785,873; federal income taxes of \$34,851,596; a return on rate base of \$221,486,066; and other revenues of \$(5,503,551).

Notice of the Application

15. On March 24, 2020, AEP Texas provided mailed notice of the application to Commission Staff, the Office of Public Utility Counsel, each party in Docket No. 49494,⁵ and every

² *Application of AEP Texas Inc. for Authority to Change Rates*, Docket No. 49494, Final Order (Apr. 6, 2020).

³ *Commission Staff's Application to Set 2020 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas*, Docket No. 50333, Commission Staff Final Matrix (Mar. 10, 2020).

⁴ *Application of AEP Texas Inc. for Authority to Change Rates*, Docket No. 49494, Final Order (Apr. 6, 2020).

⁵ *Application of AEP Texas Inc. for Authority to Change Rates*, Docket No. 49494.

distribution service provider listed in the matrix established by the Commission in Docket No. 48928⁶ and 50333.⁷

16. On March 26, 2020, AEP Texas filed the affidavit of Grieg Gullickson, Regulatory Consultant for AEP Texas, attesting that AEP Texas provided the notice by first-class mail.

Evidentiary Record

17. On May 4, 2020, AEP Texas and Commission Staff filed a joint proposed notice of approval and motion to admit evidence.
18. In Order No. 2 filed on May 12th, 2020, the administrative law judge admitted the following evidence into the record: (a) AEP Texas' application and all attachments filed on March 20, 2020; (b) AEP Texas' affidavit attesting to the provision of notice filed on March 26, 2020; and (c) Commission Staff's final recommendation and all attachments filed on April 28, 2020.

Informal Disposition

19. More than 15 days have passed since completion of the notice provided in this docket.
20. No person filed a protest or motion to intervene.
21. Commission Staff and AEP Texas are the only parties to this proceeding.
22. No party requested a hearing and no hearing is necessary.
23. Commission Staff recommended that the Commission approve the application, subject to a comprehensive analysis and reconciliation at the next complete review of AEP Texas' transmission cost of service.
24. This decision is not adverse to any party.

II. Conclusions of Law

The Commission makes the following conclusions of law.

⁶ *Commission Staff's Application to Set 2019 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas*, Docket No. 48928, Commission Staff Final Matrix (Feb. 14, 2019).

⁷ *Commission Staff's Application to Set 2020 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas*, Docket No. 50333, Commission Staff Final Matrix (Mar. 10, 2020).

1. AEP Texas is a public utility as defined in PURA⁸ § 11.004 and an electric utility as defined in PURA § 31.002(6).
2. AEP Texas is a transmission service provider as defined in 16 Texas Administrative Code (TAC) § 25.5(140).
3. The Commission has authority over this application under PURA §§ 32.001 and 35.004.
4. The Commission processed the application in accordance with PURA and Commission rules.
5. AEP Texas provided notice of the application in accordance with 16 TAC § 25.192(h)(4)(A).
6. A transmission service provider in the ERCOT region may update its transmission rates to reflect changes in its invested capital under 16 TAC § 25.192(h)(1).
7. Whether the costs of transmission plant additions addressed in this Notice of Approval are reasonable and necessary must be determined at the next complete review of AEP Texas' transmission cost of service under 16 TAC § 25.192(h)(2).
8. AEP Texas' application complies with the requirements of 16 TAC § 25.192(h)(1).
9. This application does not constitute a major rate proceeding as defined in 16 TAC § 22.2(27).
10. The interim rates established in this Notice of Approval are just and reasonable.
11. The interim rates established in this Notice of Approval are not unreasonably preferential, prejudicial, or discriminatory.
12. The interim rates set in this Notice of Approval are sufficient, equitable, and consistent in application to each class of customer.
13. The interim revenue requirement set in this Notice of Approval meets the requirements of PURA § 36.051.
14. The requirements for informal disposition in 16 TAC § 22.35 have been met in this proceeding.

⁸ Public Utility Regulatory Act, Tex. Util. Code §§ 11.013–66.016.

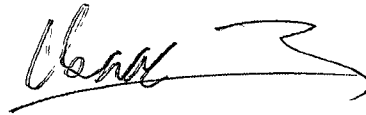
III. Ordering Paragraphs

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

1. The Commission adjusts AEP Texas' wholesale transmission rates on an interim basis to \$6.679914 per kW, effective the date of this Notice of Approval.
2. AEP Texas may begin billing the updated wholesale transmission rate on services rendered on or after the date of this Notice of Approval. The updated transmission rate supersedes any inconsistent rate.
3. The interim rates set in this Notice of Approval must be reconciled in AEP Texas' next transmission cost of service rate case as provided in 16 TAC § 25.192(h)(2).
4. The Commission adjusts AEP Texas' annual revenue requirement on an interim basis to \$474,146,097.
5. This Notice of Approval does not address or determine whether the costs underlying the rates established in this Notice of Approval are reasonable and necessary.
6. Upon Federal Energy Regulatory Commission (FERC) approval, AEP Texas must file a clean copy of Schedule K to the FERC AEP Open Access Transmission Tariff, and attachment K, Annual Transmission Revenue Requirement for ERCOT Regional Transmission Service, with the proper effective date, for Central Records to stamp and mark *Approved* and keep in the Commission's tariff book.
7. The Commission denies all other motions and any other requests for general or specific relief, if not expressly granted.

Signed at Austin, Texas the 15th day of May 2020.

PUBLIC UTILITY COMMISSION OF TEXAS



**ISAAC TA
ADMINISTRATIVE LAW JUDGE**