

## LINE ITEM 7

### CITY OF PRESIDIO BUSINESS (NEW/OLD)

- a. Work-Session to prepare for upcoming City of Presidio infrastructure projects.

# City of Presidio Work Session



## Attendees:

### City of Presidio

- Pablo Rodriguez – City Manager
- John Ferguson – Mayor
- Cesar Leyva – Public Works Director
- Arian Velazquez-Ornelas – Mayor Pro-Tem
- John Razo – Councilman
- Steve “Nicky” Alvarez – Councilman
- Nancy Arevalo – Councilwoman
- Joe Andy Mendoza – Councilman

### Wilson and Company, Inc.

- Alfredo Holguin – Water/Wastewater Engineering Manager
- Espy Holguin
- Alexander Cadet
- Ivan Rodriguez
- Madai Hernandez
- Ashely Martinez
- Sandy Palmer

**Time:** 6:00 pm – 8:00 pm

**Date:** 3/19/2024

**Location:** Presidio Activity Center (PAC), 1200 East O'Reilly St. City of Presidio, TX. 7945.

**Re:** City of Presidio, TX Work Session with City Council

## 1. Typical Project Life Cycle

### a. Project Conception and Direction

- i. Identify need and project category.
- ii. Funding Availability
  1. City, State, Federal or a combination.
  2. Timeframes for each.

### b. Plan

- i. Planning Document - Preliminary Engineering Report
  1. Location
  2. Existing Facilities
  3. Need for Project
  4. Alternatives Considered
  5. Recommended Project
  6. Costs and Schedule

### c. Design

- i. Plans, Contract Documents and Technical Specifications
- ii. Permitting and Agency approvals

d. Construction

- i. Advertisement, Bid Opening & Recommendation of Award
- ii. Contractor on Site for Construction
- iii. Resident Representative on site for observation and documentation
- iv. Close-out of contracts, final payments, permitting requirements, funding.

**2. Funding & Grants Administration Services**

- a. Identification of funding sources specific to project type.
- b. Funding Applications
- c. Funding Administration Services

**3. Request for Qualifications (RFQ) Process**

- a. RFQ process is the process for procuring “professional services”. This is qualifications based, not cost based.
- b. Typical procurement process takes 4 months minimum.
- c. Procurement needs to meet local, state and federal procurement guidelines depending on funding to be utilized.
  - i. Federal procurement requires specific language for each funding source.
    1. Some state procurement items are not to be used.

**4. On-Call Engineering RFQ:**

- a. Allows the City to award Consultants projects through individual Task Orders via the On-Call instead of conducting the entire vetting process each time.
- b. On-Call Agreement sets the general terms and conditions.
- c. Task Orders identify the scope of work, deliverables, and fee allowing flexibility for individual projects.
- d. On-Call Agreements are typically valid for four (4) years.
- e. Saves the City time and money when compared to RFQ’s for each task.
- f. One On-Call can be used for various project/discipline types:
  - i. Water, Wastewater, Effluent, Electric, Gas, Communications.
  - ii. Roadway, Drainage, Site Development, Solid Waste.
  - iii. Architectural, Survey, Rail, Mechanical, Environmental.

## Q&A

- 1.
- 2.
- 3.

## Next Steps

- 1.

## LINE ITEM 7

### CITY OF PRESIDIO BUSINESS (NEW/OLD)

- b. Discussion / action to review and act on the AEP Texas request change in base rates. The four basic actions are to 1) Deny request, 2) grant request, 3) Suspend requested change, or 4) Cede jurisdiction to the Public Utility Commission of Texas (PUC).



AEP Texas  
539 N. Carancahua St  
Corpus Christi, TX 78401  
[www.aeptexas.com](http://www.aeptexas.com)

Judith E. Talavera  
President & Chief Operating Officer

February 29, 2024

The Honorable John Ferguson  
Mayor, City of Presidio  
507 O'Reilly St.  
Presidio, TX 79845

**Re:     *Application of AEP Texas Inc. for Authority to Change Rates***

Dear Mayor Ferguson:

As indicated in previous correspondence, AEP Texas is filing with the Public Utility Commission of Texas (PUC) and cities that have retained original jurisdiction over AEP Texas a request to change the rates it charges for the use of its transmission and distribution lines and related services. AEP Texas filed this request with the PUC today (February 29, 2024) and, by this letter, with cities that have retained original jurisdiction over AEP Texas. This letter provides you information about the filing, as well as the filing itself. Attached to this letter are the following:

***Attachment 1*** discusses the action your city needs to take by April 4, 2024 and provides a sample city ordinance for your convenience. If your City has previously ceded its original rate-setting jurisdiction to the PUC, this information is being provided to you as a courtesy and no action is required by you.

***Attachment 2*** is the AEP Texas Petition and Statement of Intent, which is the request to change rates for those cities that have retained original jurisdiction. Appendix A of the Petition and Statement of Intent provides a list of cities in the AEP Texas service territory and indicates which cities have retained original jurisdiction over the company's rates and those which have ceded original jurisdiction to the PUC.

***Attachment 3*** is a copy of my testimony as AEP Texas President & COO, which provides you an overview of the filing and the subjects covered by each AEP Texas witness.

The entirety of AEP Texas' rate request testimony and rate filing package can be located on the PUC Interchange at the following link:

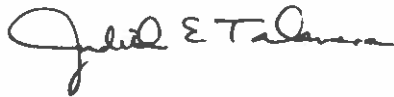
<https://interchange.puc.texas.gov/search/filings/?UtilityType=A&ControlNumber=56165&ItemMatch=Equal&DocumentType=ALL&SortOrder=Ascending>

AEP Texas is proposing revisions to its tariffs and schedules. A copy of the proposed tariffs is contained in Exhibit JLJ-2 to the testimony of AEP Texas witness Jennifer Jackson, which can be found on the PUC Interchange as well.

As has always been the case, AEP Texas is committed to working with local and state regulators to ensure the timely construction and maintenance of a reliable and resilient transmission and distribution system. We believe a strong system will enhance overall service reliability and the economic potential for the state and the communities we serve.

If you have any questions about the AEP Texas request to change its transmission and distribution rates, please contact Blake Burchard at 325-657-2801.

Sincerely,

A handwritten signature in black ink, appearing to read "Judith E. Talavera". The signature is fluid and cursive, with the first name "Judith" being the most prominent part.

Judith E. Talavera  
AEP Texas Inc.  
President and Chief Operating Officer

Attachments

### **ACTION REQUIRED BY APRIL 4, 2024**

Action is required by your City as a regulatory authority which has retained original jurisdiction to review and act on AEP Texas' requested change in base rates. Your City's exercise of its regulatory authority is governed by the Public Utility Regulatory Act, commonly referred to as "PURA." PURA requires that a municipal regulatory authority must take action on AEP Texas' rate request within 35 days after the case is filed. If your City has ceded original jurisdiction, then no action is required. If your City has retained original jurisdiction then you can take one of four basic actions by April 4, 2024:

- 1) deny AEP Texas' request;
- 2) grant AEP Texas' request in whole or part; or
- 3) "suspend" AEP Texas' requested change in rates for an additional 90 days (a total of 125 days) before taking final action.
- 4) cede original jurisdiction to the Public Utility Commission of Texas (PUC);

Once your City acts, PURA authorizes AEP Texas to appeal that action to the PUC, which has the authority to make the final decision on the rate change request. AEP Texas is filing the same rate change request with all other cities in its Texas service area that have the same regulatory authority as your City. Similar actions by these other cities would also be appealed by AEP Texas, and ultimately the Commission would exercise its statutory authority to set uniform system wide rates throughout AEP Texas' service area.

If you would like more information on permanently ceding original jurisdiction to the Commission, please contact your External Affairs Manager.

**If no action is taken by your city by April 4, 2024, AEP Texas rate change request is deemed approved.** In order to avoid this result, and to provide the simplest means of processing the Company's request, **AEP Texas recommends that your City Council take action by April 4, 2024.** If you deny the request, AEP Texas will then appeal the matter to the PUC, together with all the other appeals of municipal actions within AEP Texas' service area, and the cases will be consolidated at the PUC. Draft ordinances are provided with this attachment for your consideration and convenience.

Once your City Council has taken one of the above actions, please scan and email a copy of the approved ordinance to: [jjfrederick@aep.com](mailto:jjfrederick@aep.com)

If you have questions on this request or the draft ordinance, please do not hesitate to contact your AEP Texas External Affairs Manager. Thank you for your attention to this matter.



**DOCKET NO. 56165**

<b>APPLICATION OF AEP TEXAS INC.</b>	<b>§</b>	<b>BEFORE THE</b>
<b>FOR AUTHORITY TO CHANGE</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>RATES</b>	<b>§</b>	<b>OF TEXAS</b>

**PETITION AND STATEMENT OF INTENT TO CHANGE RATES**

AEP Texas Inc. (AEP Texas or the Company) files this Petition and Statement of Intent to Change Rates (Petition) in accordance with Subchapter C of Chapter 36 of the Public Utility Regulatory Act (PURA),<sup>1</sup> 16 Tex. Admin. Code § 22.243(b) (TAC), and 16 TAC § 25.247. AEP Texas is filing with this Petition a rate filing package (RFP) that complies in all material respects with the Commission’s *Transmission & Distribution (TDU) Investor-Owned Utilities Rate Filing Package for Cost-of-Service Determination*.<sup>2</sup>

**I. INTRODUCTION**

AEP Texas delivers electricity to approximately 1.1 million homes, businesses, and industries across its nearly 100,000 square mile service territory in south and west Texas, roughly 36% of the state. As a “wires” company, AEP Texas builds, operates, maintains, and repairs its transmission and distribution (T&D) system—composed of nearly 45,000 miles of distribution lines and 8,500 miles of transmission lines—reads electric meters, and handles connections and disconnections as directed by the Retail Electric Providers (REPs) selling electricity to end-use customers.

Much has happened since AEP Texas last filed a base-rate case in 2019. The world was beginning to respond to a global pandemic just as the Commission was issuing its final order in

---

<sup>1</sup> PURA is codified at Tex. Util. Code Ann. §§ 11.001–66.016.

<sup>2</sup> Approved July 20, 2020.

that case.<sup>3</sup> During that same year and since, the state experienced several extreme weather events, most notably Winter Storm Uri in February 2021. The business environment in which AEP Texas operates has also changed dramatically. AEP Texas has faced inflationary, supply chain, and labor market challenges that have placed upward pressures on AEP Texas' cost of service. At the same time, AEP Texas has experienced unprecedented load growth in its service territory. Despite these challenges, AEP Texas' mission to provide safe and reliable electricity service remains unchanged.

Generally, AEP Texas' approach for improving system performance focuses on two areas: preventing and minimizing duration of outages. While reliability of service is important, having a system in place that is resilient, particularly in light of the increase in extreme weather events, is also a priority of AEP Texas. As the T&D utility with the largest coastal exposure in the state, 240 miles, AEP Texas must prepare for catastrophic weather events. For example, in south Texas, AEP Texas teams worked to quickly and safely restore service despite the challenging circumstances of Hurricane Hanna making landfall during the COVID-19 pandemic in 2020. Winter Storm Uri presented its own unique challenges, but again, the Company's employees were ready to respond when needed. Importantly, the AEP Texas T&D system held up remarkably well during Winter Storm Uri and the AEP Texas T&D teams were focused on restoring service to customers as soon as possible after the load shed directive ended. More recently in 2023, in response to a tornado that devastated the town of Matador, Texas, the AEP Texas T&D teams responded safely and quickly to restore service to those impacted in less than 24 hours despite losing an entire substation as a result of the tornado.

As noted above, AEP Texas' service territory has experienced unprecedented growth as more businesses have expanded or selected the State of Texas for their business. This load growth

---

<sup>3</sup> *Application of AEP Texas Inc. for Authority to Change Rates*, Docket No. 49494, Order (Apr. 6, 2020).

is not just happening with the annual peak hour, but also with energy (GWh) delivered over all 8,760 hours of the year. In 2021, AEP Texas load increased by 8.3%, and through the end of the test year in 2023,<sup>4</sup> AEP Texas load is up another 9.0% on top of the 2022 levels. In contrast, energy delivered in the AEP Texas service territory grew on average only by 1.1% per year from 2000 to 2020. In other words, the growth AEP Texas is experiencing today is nearly 9 times greater than what it has historically experienced. The commercial and industrial classes have been the primary drivers of this growth. Moreover, the pipeline of future economic development projects has never been bigger. This growth has required AEP Texas to make significant investments in its T&D system to support the expanding economy and meet its customers' needs.

Between January 1, 2019 and September 30, 2023, AEP Texas placed in service more than \$2 billion in distribution capital additions and \$3 billion in transmission capital additions. This capital investment was necessary to address load changes of new and existing customers and to allow AEP Texas to fulfill its obligations under PURA, the Commission's Substantive Rules, and its Commission-approved tariffs. In the face of this growth and investment, it is important for AEP Texas to maintain and improve its financial profile. To achieve this objective, the Company's rates must be set at a level that provides it with the opportunity to recover its reasonable costs of doing business and a competitive return on its investments in Texas. Maintaining and improving AEP Texas' financial profile is discussed at more length by AEP Texas witnesses Chad Burnett and Noah Hollis.

While unprecedented load growth and the resulting \$5 billion in T&D investment play a significant role in the timing of this rate case, rising inflation has contributed to an increase in the cost of service. Notably, year-over-year inflation during the test year in the Company's last base-

---

<sup>4</sup> The test year is the twelve-month period ending September 30, 2023.

rate case (Docket No. 49494), as measured by the Consumer Price Index (CPI) was 2.4%. Year-over-year inflation for the test year in this case is more than double that at 5.1%.

In sum, since its most recent rate case, AEP Texas has provided safe and reliable service in the face of significant challenges and opportunities. The Company has and continues to respond to the changing environment. And, as customers' expectations continue to evolve, AEP Texas remains committed to providing them with safe and reliable wires services.

Finally, while the timing of this filing is consistent with AEP Texas' commitment made in the settlement agreement adopted by the Commission in Docket No. 49494, much has changed for AEP Texas and customers since that time and a rate case is needed to better align rates with the current cost of providing safe and reliable service to customers.

## **II. BUSINESS ADDRESS & AUTHORIZED REPRESENTATIVES**

AEP Texas' business address is 539 North Carancahua Street, Corpus Christi, Texas 78401. AEP Texas' authorized business representative for this proceeding is:

Jennifer J. Frederick  
Regulatory Case Manager  
American Electric Power Service Corporation  
400 West 15<sup>th</sup> Street, Suite 1520  
Austin, Texas 78701  
Telephone: (512) 481-4573  
Facsimile: (512) 481-4591  
[aepaustintx@aep.com](mailto:aepaustintx@aep.com) (service)

AEP Texas' legal representatives are:

Melissa A. Gage  
Leila M. Melhem  
American Electric Power Service Corporation  
400 West 15<sup>th</sup> Street, Suite 1520  
Austin, Texas 78701  
Telephone: (512) 481-3320  
Facsimile: (512) 481-4591  
Email: [magage@aep.com](mailto:magage@aep.com)  
[lmelhem@aep.com](mailto:lmelhem@aep.com)  
[aepaustintx@aep.com](mailto:aepaustintx@aep.com) (Service)

William Coe  
Kerry McGrath  
Patrick Pearsall  
Duggins Wren Mann & Romero, LLP  
P.O. Box 1149  
Austin, Texas 78767  
Telephone: (512) 744-9300  
Facsimile: (512) 744-9399  
Email: [wcoe@dwmrlaw.com](mailto:wcoe@dwmrlaw.com)  
[kmcgrath@dwmrlaw.com](mailto:kmcgrath@dwmrlaw.com)  
[ppearsall@dwmrlaw.com](mailto:ppearsall@dwmrlaw.com)

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

### **III. APPLICANT AND JURISDICTION**

AEP Texas is a public utility as that term is defined in PURA § 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 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.

The Commission has jurisdiction over this application under PURA §§ 14.001, 32.001, and 36.001. Specifically, the Commission has jurisdiction to change AEP Texas' distribution rates within unincorporated areas of the Company's service area, within all municipalities served by the Company that have surrendered their original jurisdiction to the Commission, and upon appeal by the Company of actions taken by municipalities exercising original jurisdiction. Each municipality in AEP Texas' service area that has not ceded jurisdiction to the Commission has jurisdiction over this petition to the extent it seeks to change rates for distribution service within those municipalities. AEP Texas anticipates that it will appeal the actions of its original jurisdiction municipalities, and that it will seek consolidation of those appeals with this docket. A list of the municipalities that have ceded original jurisdiction, and of those that have retained original jurisdiction, is provided as Appendix A. AEP Texas will file this petition with the Commission, as well as with all of its original jurisdiction municipalities.

### **IV. TEST YEAR**

This petition is based on a test year ending September 30, 2023, adjusted for known and measurable changes.

## V. INCREASE IN REVENUE REQUIREMENT

Related to its distribution cost of service, the Company requests a rate increase of approximately \$100.4 million over its adjusted test year revenues. This net change is a 13.1% increase over net present distribution revenues. When expected annualized Transmission Cost Recovery Factor (TCRF) Rider revenues are included in the comparison to present revenues, the \$100.4 million net change is an 8.4% increase.

Related to its transmission cost of service, the Company requests a rate increase of \$63.1 million over its adjusted test year revenues, an increase of 9.29%. Present and proposed revenues by rate class and number of customers are provided in the following table:

Distribution Rate Class	AEP TX Number of Customers	AEP TX Present Revenues*	AEP TX Proposed Revenues	AEP TX Proposed Change	AEP TX Percent Change
Residential	935,238	\$429,886,639	\$493,369,221	\$63,482,582	14.77%
Secondary <= 10 kW	99,366	\$25,972,549	\$23,633,174	-\$2,339,375	-9.01%
Secondary > 10 kW	72,409	\$223,867,117	\$255,299,905	\$31,432,788	14.04%
Primary	1,086	\$46,979,025	\$57,184,286	\$10,205,260	21.72%
Transmission	123	\$9,566,457	\$6,901,575	-\$2,664,883	-27.86%
Lighting	2,627	\$30,653,559	\$29,020,337	-\$1,633,222	-5.33%
Total Texas Retail	1,110,849	\$766,925,347	\$865,408,497	\$98,483,151	12.84%
WDS BESS	19	\$0	\$1,904,269	\$1,904,269	
Total Distribution	1,110,868	\$766,925,347	\$867,312,766	\$100,387,419	13.09%
March 2024 TCRF**		\$428,545,775	\$428,545,775		
Distribution + TCRF		\$1,195,471,122	\$1,295,858,541	\$100,387,419	8.40%
Wholesale Transmission Revenue		\$679,461,540	\$742,555,253	\$63,093,713	9.29%

\*Includes approved DCRF revenue requirement recovered in proposed revenues

\*\*March 2024 Rider TCRF revenue requirement annualized without prior period true-up

The proposed increase constitutes a “major change” as that term is defined in PURA § 36.101.

## **VI. AFFECTED PERSONS**

AEP Texas’ petition affects all REPs serving end-use retail electric customers in the Company’s certificated service territory. Each of these end-use retail electric customers may be affected by this petition, depending upon the actions taken by the REPs that provide electricity to such customers.

This petition also affects all customers taking service under the Company’s wholesale transmission service tariff.

## **VII. FILING OVERVIEW**

Through this petition, the supporting testimony, and the schedules and workpapers submitted with the required RFP, AEP Texas requests that the Commission:

- approve AEP Texas’ proposed revenue requirement;
- find AEP Texas’ capital additions placed in service since the end of the test year in its previous base-rate case prudent;
- approve the requested capital structure and return on equity (ROE);
- approve the proposed cost allocation methodology and rate design;
- reset baselines for distribution and transmission;
- approve AEP Texas’ proposed transmission, distribution, and general plant depreciation rates;
- approve AEP Texas’ proposed Wholesale Distribution Service Battery Energy Storage (WDS BESS) rate schedule;
- approve AEP Texas’ requests to continue the provision of facilities rental services and for a good-cause exception to the application of 16 TAC § 25.343(d)(1)(c)(ii) to allow the Company to provide facilities rental services under rates approved in this case through the effective date of new rates approved in its next base-rate case;
- approve AEP Texas’ update to its annual self-insurance reserve accrual;
- approve AEP Texas’ proposed revisions to its Tariff for Retail Delivery Service (Retail Tariff); and

- find AEP Texas' requested rate-case expenses incurred for this case and certain prior dockets reasonable and authorize recovery through the proposed rider.

**A. Capital Structure & Rate of Return**

The Company is requesting a modest adjustment to its capital financing structure approved in Docket No. 49494—42.5% equity and 57.5% debt—to address the concerns that rating agencies have identified as a risk that could negatively impact AEP Texas' customers with higher borrowing costs going forward. Specifically, the Company is requesting the Commission approve a 45% equity and 55% debt financing structure.

The slightly thicker equity layer is necessary to maintain the Company's current bond rating and to allow it to continue to borrow at reasonable interest rates to fund the unprecedented growth the Company is currently experiencing. The current capitalization structure established in Docket No. 49494 combined with the rapid growth across the AEP Texas service territory have resulted in credit ratings at the lower end of investment grade utilities. If the Company's credit rating were to deteriorate any further, it would likely result in more funds being allocated to interest payments and less on the necessary infrastructure investments needed to provide safe and reliable electric service to the Company's growing customer base.

Notably, the Company did thicken the equity layer of AEP Texas in 2023, above what was authorized in Docket No. 49494—from 42.5% equity to 45% equity—to prevent a downgrade in the Company's credit rating from the various rating agencies. As explained by Company witnesses Todd Shipman and Noah Hollis, credit agencies likely would have downgraded AEP Texas' credit rating had the Company not adjusted the equity layer in 2023.

The Company is asking the Commission to authorize a 10.6% ROE when setting rates in this proceeding. This is an increase above the 9.4% ROE authorized in Docket No. 49494. Company witness Ann Bulkley provides additional detail supporting the derivation of the proposed



ROE in this proceeding. The biggest driver is the overall increase in interest rates for all securities since the end of the test year in the Company's previous rate case. The Federal Funds rate, which is largely held as the risk-free rate for securities, has increased by approximately 3 percent since the end of the test year in Docket No. 49494. When the interest rate on risk-free, government-backed securities increases, it causes interest rates for every other market security to increase as well. The Company's requested increase in ROE is necessary so that rates going forward will reflect the actual cost of capital the Company experienced in the test year.

Granting the Company's request for a higher authorized ROE will allow the Company to continue to attract capital dollars that are needed to invest in the necessary infrastructure to safely and reliably serve its customers and growing communities moving forward.

**B. Wholesale Distribution Tariff for Energy Storage Resources (Batteries)**

The Company is proposing to implement a new wholesale distribution tariff for energy storage resources. This is needed because, under its current tariffs, the Company has no ability to charge these battery resources for their use of the distribution system. As a result, the costs to serve these battery resources at the distribution level are being subsidized by other customers. This fact has been recently recognized by the Commission. In the most recent base-rate case for Oncor Electric Delivery Company (Docket No. 53601), the Order on Rehearing at Finding of Fact No. 292 states:

Providing delivery service to [Distribution Energy Storage Resources] DESRs imposes costs on Oncor's distribution system and failing to charge DESRs for their use of the system would shift those cost obligations onto other customers who would then be subsidizing the DESRs.

The Company's proposed tariff is consistent with that approved in the recent Oncor rate case. Company witnesses Earlyne Reynolds and Jennifer Jackson provide more detail for the costs

incurred and the proposed rate design for the wholesale distribution tariff for energy storage resources.

### **C. Self-Insurance Reserve**

In Docket No. 49494, the Commission approved a self-insurance reserve plan for AEP Texas with an annual accrual of \$4.27 million and a target reserve amount of \$13.3 million in accordance with PURA § 36.064 and 16 TAC § 25.231(b)(1)(G). The purpose of AEP Texas' self-insurance reserve is to provide for occurrences resulting in storm-related operations and maintenance (O&M) losses to AEP Texas' T&D assets of at least \$500,000. Capital-related storm costs are capitalized and recovered through Transmission Cost of Service (TCOS), Distribution Cost Recovery Factor (DCRF), or base-rate proceedings. Because of increasing storm related costs, in this case, AEP Texas is requesting approval of a self-insurance reserve target in the amount of \$19.6 million and annual accrual of \$19.12 million. AEP Texas witness Greg Wilson provides a complete explanation of the requested self-insurance reserve and the components comprising the proposed annual accrual.

### **D. Rate-Case Expenses**

AEP Texas seeks recovery of the reasonable rate-case expenses, including expenses paid to reimburse intervening municipalities, that it incurs in this case and those rate-case expenses incurred in the following prior dockets:

- Docket No. 51984, AEP Texas' 2021 proceeding to amend its distribution cost recovery factor (DCRF);<sup>5</sup>
- Docket No. 53451, AEP Texas' 2022 proceeding to amend its DCRF;<sup>6</sup>

---

<sup>5</sup> *Application of AEP Texas Inc. to Amend its Distribution Cost Recovery Factor*, Docket No. 51984, Order at Finding of Fact No. 49 and Ordering Paragraph No. 6 (Nov. 19, 2021).

<sup>6</sup> *Application of AEP Texas Inc. to Amend its Distribution Cost Recovery Factor*, Docket No. 53451, Order at Finding of Fact No. 53 and Ordering Paragraph No. 6 (Aug. 4, 2022).

- Docket Nos. 54824 and 55187, AEP Texas' 2023 proceedings to amend its DCRF and implement a new rider to recover the costs associated with the leasing and operation of mobile temporary emergency electric energy (TEEE) facilities in accordance with PURA § 39.918;<sup>7</sup>
- Docket No. 55820, AEP Texas' second proceeding in 2023 to amend its DCRF;<sup>8</sup> and
- Docket No. 53267, AEP Texas' 2022 application for approval of a wholesale distribution distributed generation energy storage tariff.<sup>9</sup>

AEP Texas' proposal is consistent with the approach followed in recent rate cases, including Docket Nos. 53719 (ETI), 53601 (Oncor), and 51415 (SWEPCO). Furthermore, AEP Texas' proposal eliminates the need for a separate and likely costly rate-case expense review proceeding.<sup>10</sup>

AEP Texas has submitted, as exhibits to Mr. Chad Burnett's direct testimony, detailed information regarding and documentation supporting the reasonableness of AEP Texas' actual, unrecovered rate-case expenses that: (1) have been incurred during the preparation of this case and recorded to AEP Texas' books and records as of January 31, 2024; and (2) were incurred to prosecute the prior dockets identified above. AEP Texas will supplement these exhibits to reflect its actual expenses for this case as such expenses are incurred. AEP Texas witness Mark Santos further addresses the reasonableness of the Company's requested rate-case expenses.

---

<sup>7</sup> *Application of AEP Texas Inc. to Amend its Distribution Cost Recovery Factor and Implement Rider Mobile Temporary Emergency Electric Energy Facilities*, Order at Finding of Fact No. 46 and Ordering Paragraph No. 7 (Sept. 14, 2023). Ultimately, issues related to AEP Texas's requested mobile TEEE facilities rider were severed in Docket No. 55187. For efficiency, AEP Texas's unrecovered rate-case expenses for Docket No. 54824 include expenses associated with Docket No. 55187. *See Review of AEP Texas, Inc. Request to Implement Rider Mobile Temporary Emergency Electric Energy (TEEE) Facilities*, Docket No. 55187, Order at Finding of Fact No. 34 and Ordering Paragraph No. 5 (Oct. 12, 2023).

<sup>8</sup> *Application of AEP Texas Inc. to Amend its Distribution Cost Recovery Factor*, Docket No. 55820, Order at Finding of Fact No. 47 and Ordering Paragraph No. 6 (Feb. 1, 2024).

<sup>9</sup> *Application of AEP Texas Inc. for Approval of Wholesale Distribution Service Distributed Generation Energy Storage Tariff*, Docket No. 53267 (Feb. 24, 2022) (pending).

<sup>10</sup> The Commission has noted that severing rate-case expenses to be reviewed in a separate proceeding often takes years to finalize, causing inter-generational cost-causation and recovery issues for customers and uncertainty for utilities. *See Review of Rate Case Expenses Incurred by Southwestern Electric Power Company and Municipalities in PUC Docket No. 46449*, PUC Docket No. 47141, Open Meeting Tr. At 38 (Jul. 18, 2019).

AEP Texas proposes that the Commission: (1) review and determine the reasonableness of its actual rate-case expenses incurred in this proceeding before an agreed cut-off date; and (2) authorize recovery of any expenses found to have been reasonably incurred through AEP Texas' Rate-Case Expense Rider (RCE Rider). With regard to the reasonableness and recovery of rate-case expenses associated with this proceeding that are incurred after the date covered by final update prior to the cut-off date, AEP Texas proposes that these trailing expenses be recorded as a regulatory asset and deferred for consideration in a future rate proceeding.

### **VIII. IMPACT OF PROPOSED RATE CHANGE ON VARIOUS CLASSES**

#### **A. Retail Base Rates**

The impact of AEP Texas' proposed rate change by customer class is shown in the following table:

RATE CHARGES				
CLASS	CHARGES*	PRESENT RATES	PROPOSED RATES	BILLING UNIT
RESIDENTIAL	CUSTOMER CHARGE	\$1.40	\$1.33	per customer
	METERING CHARGE	\$3.39	\$2.10	per customer
	DISTRIBUTION SERVICE CHARGE	\$0.021791	\$0.036129	per kWh
SECONDARY ≤10 kW	CUSTOMER CHARGE	\$1.40	\$1.52	per customer
	METERING CHARGE	\$4.39	\$3.84	per customer
	DISTRIBUTION SERVICE CHARGE	\$0.021093	\$0.027085	per kWh
SECONDARY >10kW 4CP	CUSTOMER CHARGE	\$2.02	\$2.26	per customer
	METERING CHARGE	\$12.67	\$20.42	per customer
	DISTRIBUTION SERVICE CHARGE	\$4.869	\$7.455	per kW
SECONDARY >10kW NCP	CUSTOMER CHARGE	\$2.02	\$2.26	per customer
	METERING CHARGE	\$12.67	\$20.42	per customer
	DISTRIBUTION SERVICE CHARGE	\$4.869	\$7.455	per kW
PRIMARY 4CP	CUSTOMER CHARGE	\$7.35	\$2.30	per customer
	METERING CHARGE	\$126.87	\$183.15	per customer
	DISTRIBUTION SERVICE CHARGE	\$3.112	\$4.978	per kW
PRIMARY NCP	CUSTOMER CHARGE	\$7.35	\$2.30	per customer
	METERING CHARGE	\$126.87	\$183.15	per customer
	DISTRIBUTION SERVICE CHARGE	\$3.112	\$4.978	per kW
TRANSMISSION	CUSTOMER CHARGE	\$7.48	\$2.27	per customer
	METERING CHARGE	\$761.50	\$1,363.07	per customer
	DISTRIBUTION SERVICE CHARGE	\$0.2490	\$0.1523	per kW
LIGHTING	CUSTOMER CHARGE	\$1.40	\$1.52	per customer

	FIXTURES REVENUES	\$16,659,304	\$21,658,229	All Fixtures
	DISTRIBUTION SERVICE CHARGE	\$0.021093	\$0.027085	per kWh
WDS BESS	CUSTOMER CHARGE	\$0.00	\$21.27	per customer
	METERING CHARGE	\$0.00	\$183.15	per customer
	DISTRIBUTION SERVICE CHARGE	\$0.00	\$2.40	per kW

\*Transmission Service Charges are recovered through Rider TCRF

If approved and implemented through the Company's proposed rates for Retail Delivery Service, the impact on a residential customer using 1,000 kilowatt-hours (kWh) per month would be an increase of approximately \$4.89 or 14.1% per month. As explained by AEP Texas witness Linda M. Schlessman, AEP Texas is requesting to institute an Income Tax Refund (ITR) rider to return tax benefits associated with the Tax Basis Balance Sheet (TBBS). The approval of the proposed refund would reduce the impact of the proposed rates on the above-described residential customer to an increase of \$4.59 or 13.24% per month. After the TCRF and other rider revenues are considered, this \$4.59 increase represents a 9.16% increase in distribution rates for a residential customer in AEP Texas' North Division using 1,000 kWh/month. Finally, as noted by Company witness Talavera, customers in AEP Texas' Central Division customers are currently charged "Transition Charges" associated with stranded costs. The one remaining Transition Charge billed to Central Division customers, Rider Transition Charge-3 (TC-3), expires in December 2024. Considering the expiration of TC-3, as well as the TCRF and other rider revenues, the impact of the proposed rate change on a residential customer using 1,000 kWh/month in AEP Texas' Central Division would be an increase of just \$2.11 or 3.9%.

#### **B. Wholesale Transmission Service Rates**

This application seeks an increase to AEP Texas' transmission cost of service of approximately \$63.1 million. The result of AEP Texas' proposal is to change the wholesale transmission service rate from \$8.857090/kW to \$8.873192/kW using the 4CP filed by Staff on

February 21, 2024 in Docket No. 56050, *Commission Staff's Petition to Set 2024 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas*.

### IX. SUPPORTING DOCUMENTATION

AEP Texas has made its filing consistent with the Commission's required RFP and the requirements of 16 TAC § 22.243. AEP Texas has also pre-filed supporting direct testimony, consistent with 16 TAC § 22.225(a)(6), from the following witnesses:

	<b>Subject</b>	<b>Witness</b>	<b>Description of Testimony</b>
1.	Policy and Overview	Judith E. Talavera	Ms. Talavera presents the AEP Texas rate case application and discusses some of the challenges and opportunities experienced since the previous rate case, including an unprecedented amount of load growth that has come with support of the growing Texas economy. Further, she discusses the rate relief requested and impact on customers.
2.	Policy, Affiliate Expenses and Rate Case Expenses	Chad Burnett	Mr. Burnett introduces proposals for regulatory approval supported by various witnesses. Mr. Burnett also discusses AEP Texas affiliate expenses related to legal, regulatory, and environmental services and supports AEP Texas' rate-case expenses.
3.	Cost of Service and Rate Base	Tiffany Day	Ms. Day presents AEP Texas' requested total company cost of service and associated RFP schedules.
4.	Pro Forma Accounting Adjustments	Aaron Thomas	Mr. Thomas describes various pro forma accounting adjustments.
5.	Catastrophe Reserve	Greg Wilson	Mr. Wilson discusses AEP Texas' approach to the use of a Catastrophe Reserve.
6.	Lead-Lag Study	Jay Joyce	Mr. Joyce sponsors the results of the lead-lag study for measuring the cash working capital allowance required for AEP Texas' operations.
7.	Cost of Common Equity	Ann Bulkley	Ms. Bulkley presents her recommended return on equity.

	<b>Subject</b>	<b>Witness</b>	<b>Description of Testimony</b>
8.	Capital Structure and Overall Cost of Capital	Noah Hollis	Mr. Hollis supports the calculations of AEP Texas' cost of debt as well as AEP Texas' overall capital structure. He further discusses AEP Texas' financial condition and the implementation of ring-fencing measures from the AEP Texas' prior rate case.
9.	Credit Rating	Todd Shipman	Mr. Shipman discusses AEP Texas' requested capital structure from the perspective of credit rating agencies and investors.
10.	Service Reliability, Affiliate Distribution Costs, Distribution Capital Additions	Jeff Stracener	Mr. Stracener discusses AEP Texas' performance with respect to various reliability and quality of service measures. He also supports the reasonableness and necessity of AEP Texas' overall and affiliate O&M costs for distribution services, as well as distribution capital additions.
11.	Overall and Affiliate Transmission O&M Costs	K. Shawn Robinson	Mr. Robinson discusses AEP's transmission organization and operations. He supports AEP Texas' overall and affiliate O&M costs for transmission services.
12.	Transmission Capital Additions – Need	Jeffrey L. Ellis	Mr. Ellis supports the need for and cost of AEP Texas' transmission capital additions.
13.	Transmission Capital Additions – Cost	Thomas W. Reynolds, III	Mr. Reynolds supports the reasonableness of the cost of AEP Texas' transmission capital investments included in Schedule M of the rate filing package.

	<b>Subject</b>	<b>Witness</b>	<b>Description of Testimony</b>
14.	AEP Texas External Affairs and Corporate Communications, Affiliate External Affairs, Grid Solutions and Government Affairs, Corporate Communications, and Customer Operations O&M Costs, and Advertising, Contributions and Memberships	Gilbert Hughes	Mr. Hughes discusses AEP Texas' External Affairs and Corporate Communications organizations and the services they provide. He also discusses AEPSC's External Affairs, Grid Solutions and Government Affairs, Corporate Communications, and Customers Operations organizations and demonstrates the reasonableness and necessity of the affiliate charges billed to AEP. He supports the advertising costs, contributions, and membership dues requested in this case.
15.	Depreciation	Jason Cash	Mr. Cash discusses the depreciation study overview, the study methods and procedures, and the study results.
16.	Federal and State Income Taxes and Tax-Related Adjustments	Linda Schlessman	Ms. Schlessman discusses AEP Texas' Federal Income Taxes included in its cost of service and describes the RFP's tax schedules. She also addresses accumulated deferred income tax (ADFIT), the corporate alternative minimum tax (CAMT) created by the Inflation Reduction Act, and certain inputs to the proposed ITR Rider.
17.	AEPSC and Affiliate Transactions	Brian Frantz	Mr. Frantz discusses AEPSC and the corporate support services it provides. He describes AEPSC's internal controls, billing and cost allocation methods, and how they assure that AEP Texas is charged reasonable and necessary costs for affiliate services. He also provides supporting testimony regarding the reasonableness and necessity of the Chief Financial Officer, Chief Executive Officer, Internal Support, and AEPSC Incentives classes of AEPSC affiliate costs. He explains the allocation factors used to bill the various affiliate classes of cost to support the conclusion that AEP Texas is charged affiliate costs by AEPSC that are no higher than those billed to other AEP affiliates.



	<b>Subject</b>	<b>Witness</b>	<b>Description of Testimony</b>
18.	Necessity of AEPSC Services and Charges, AEPSC Budgeting Processes, and Cost Allocation	Patrick Baryenbruch	Mr. Baryenbruch presents an independent assessment of the reasonableness and necessity of the services provided to AEP Texas by AEPSC, and the associated costs. This assessment includes review of the necessity and benefit of AEPSC services, the appropriateness of AEPSC allocation factors, and the reasonableness of AEPSC and AEP Texas costs.
19.	Human Resources Organization and Affiliate Charges	Mary Catherine Grayem	Ms. Grayem describes AEPSC Human Resources and discusses the services provided by the AEPSC Human Resources Department. She supports the reasonableness and necessity of the Human Resource Department affiliate charges to AEP Texas.
20.	Employee Compensation & Benefit Plans	Andrew Carlin	Mr. Carlin describes the reasonableness and market competitiveness of the AEP compensation plan and the salary and incentive compensation levels for AEP Texas and AEPSC, and supports a pro forma adjustment made by Mr. Thomas for base pay increases effective in 2024.  Mr. Carlin also describes and supports the reasonableness of the benefit plans for AEP Texas and AEPSC employees.
21.	Supply Chain, Fleet, Property Management Affiliate Charges	Brian Steinke	Mr. Steinke describes the services provided by the AEP Supply Chain, Fleet, Property Management Department. He supports the reasonableness and necessity of AEP Texas' costs for these services.
22.	Real Estate and Workplace Services Affiliate Charges	Kweku Ofei-Amoh	Mr. Ofei-Amoh describes the services provided by AEPSC Real Estate and Workplace Services. He supports the reasonableness and necessity of AEP Texas' affiliate costs for these services.

	<b>Subject</b>	<b>Witness</b>	<b>Description of Testimony</b>
23.	Technology and Security Organization and Affiliate Charges	Joe Brenner	Mr. Brenner describes the AEP Technology and Security organization and the services provided. He supports the reasonableness and necessity of AEP Texas' Technology and Security affiliate costs. He also provides testimony describing Technology and Security-related capital additions since AEP Texas' last base rate case and supporting the reasonableness of those capital costs.
24.	Energy Forecast and Weather Normalization; Load Research Schedule Sponsorship	Trenton Feasel	Mr. Feasel presents the weather normalization processes used in forecasting and supports several associated schedules. Mr. Feasel also sponsors various schedules related to load and demand.
25.	Cost of Service Study	Earlyne Reynolds	Ms. Reynolds presents and supports AEP Texas' class cost-of-service study. She also supports the pro forma adjustments made to the test year customer, revenue, and sales volume data.
26.	Rate Design and Tariff Riders	Jennifer Jackson	Ms. Jackson presents AEP Texas' retail class rate design.
27.	Tariff Issues/Rate Design	Gricelda Calzada	Ms. Calzada discusses and supports various changes to the Company's Retail Tariff.
28.	Rate-Case Expenses	Mark Santos	Mr. Santos addresses the reasonableness of the rate-case expenses that have been and will be incurred by AEP Texas to litigate this rate case and in certain prior rate proceedings.

## **X. EFFECTIVE DATE**

AEP Texas proposes the requested rate change become effective 35 days after the filing of this petition as allowed under PURA § 36.102 and 16 TAC § 22.243(a).

**XI. REQUEST FOR APPROVAL TO CONTINUE COMPETITIVE ENERGY SERVICE OFFERING**

AEP Texas is requesting two things regarding facilities rental services. First, AEP Texas is requesting to continue the provision of facilities rental services to existing Distribution Voltage Facilities Rental customers leasing facilities under tariff schedules 6.1.2.3.4, 6.1.3.3.4 and 6.1.4.3.4, as updated in this proceeding, pursuant to 16 TAC § 25.343(d)(1). Second, AEP Texas is requesting a good-cause exception to the application of 16 TAC § 25.343(d)(1)(c)(ii) to allow the Company to provide facilities rental services under rates approved in this case through the effective date of new rates approved in its next base-rate case.

The Company's provision of facilities rental services to retail customers is considered a competitive energy service (CES) under the Commission's rules.<sup>11</sup> Under the Commission's rules, an electric utility ordinarily may not offer a CES. But under 16 TAC § 25.343(d)(1), an electric utility may petition the Commission for authority to provide to its Texas customers or some subset of its customers any service otherwise identified as a CES. This is exactly what AEP Texas has done and the Commission has approved with regard to the Company's facilities rental services tariff schedules. The current Distribution Voltage Facilities Rental tariff schedules (6.1.2.3.4, 6.1.3.3.4 and 6.1.4.3.4), were most recently extended in Docket No. 54196, in accordance with 16 TAC § 25.343(d)(1). In that case, the Commission approved an extension of the facilities rental services under these tariff schedules through April 3, 2026.

---

<sup>11</sup> Under 16 TAC § 25.341(3), "competitive energy services" are defined as: "Customer energy services business activities that are capable of being provided on a competitive basis in the retail market." Examples of competitive energy services include, but are not limited to the marketing, sale, design, construction, installation, or retrofit, financing, operation and maintenance, warranty and repair of, or consulting with respect to: transformation equipment, power-generation equipment, protection equipment, or other electric apparatus and infrastructure located on the customer's side of the point of delivery that is owned by the customer or by a third-party entity that is not an electric utility, except as provided by 16 TAC § 25.343(f) and (g). 16 TAC § 25.341(3)(F).

Under 16 TAC § 25.343(d)(1)(c)(ii), a utility's petition to offer a CES terminates three years from the date the petition is granted by the Commission. Consequently, AEP Texas has filed stand-alone cases to renew the tariffs in between base-rate filings.<sup>12</sup> To avoid this inefficient use of resources, AEP Texas is requesting a good-cause exception to the application of 16 TAC § 25.343(d)(1)(c)(ii). Effectively, if approved, the requested good-cause exception will allow the Company to extend the effective date of its existing tariff schedules through the effective date of the tariffs approved in its next comprehensive rate case.

## **XII. PROPOSED REVISIONS OF TARIFFS AND SCHEDULES**

AEP Texas is proposing revisions to its Tariff for Retail Delivery Service (Retail Tariff). A copy of the proposed revised Retail Tariff is included as Exhibit JLJ-2 to AEP Texas witness Jackson's testimony. The Company's rate design proposal also includes support for existing AEP Texas Service Riders. Finally, in addition to the tariff proposals described above, AEP Texas is proposing the following changes to its Retail Tariff:

- continuation of the Distribution Voltage Facilities Rental Service tariff schedules (Sections 6.1.2.3.4, 6.1.3.3.4, and 6.1.4.3.4), including the Company's request for a good-cause exception to the Commission's rule requiring AEP Texas to obtain the Commission's approval to provide these services every three years;<sup>13</sup>
- addition of a Miscellaneous Fee (Sections 6.1.2.3.14, 6.1.3.3.14, and 6.1.4.3.14).
- inclusion of a Retail Customer-Owned Substation Agreement in the Company Specific Agreements and Forms section of the Retail Tariff (Section 6.3.4.6).
- addition of clarifying language to the pulse metering equipment installation agreement (Section 6.3.4.3).
- removal the following expired riders from the Retail Tariff: Transition Charge-2 (TC-2), Sharyland Transition Credit (STC), Texas North Transmission Credit (TNTC), Capital Reconciliation Rider (CRR), Rider Advanced Metering System

---

<sup>12</sup> Typically, a utility only files a rate case once every four years. See 16 TAC § 25.247(b)(1).

<sup>13</sup> 16 TAC § 25.343(d)(1)(C)(ii).

Cost Recovery Fee (AMSCRF), and Electricity Relief Program Fund (ERP-COVID 19) riders (Section 6.1.1.1);

- removal of Company rate codes from the Lighting Service Tariff and addition of language closing the installation of High Pressure/Low Pressure sodium lighting fixtures to new installations for the Lighting Service Tariff (Sections 6.1.1.1.6.1, 6.1.1.1.6.2, and 6.1.1.1.6.3).
- addition of clarifying language to the distribution line extension provisions of the Retail Tariff (Sections 6.1.2.2.1, 6.1.3.2.1 and 6.1.4.2.1);
- revisions to the Transmission Voltage Service section of the Retail Tariff to address load shed related issues (Section 6.1.1.1.5); and
- addition of the WDS BESS rate schedule.

### **XIII. REQUESTED PROTECTIVE ORDER**

AEP Texas requests that the Presiding Officer assigned to this case issue a protective order in the form provided as Appendix B to this Petition and Section VII to the RFP to govern review and use of confidential, proprietary, and market-sensitive information. The proposed protective order provided as Appendix B is identical to the Commission's Standard Protective Order.

AEP Texas requests that the Presiding Officer consider this request for issuance of a protective order on an expedited basis. Pending approval of the protective order, AEP Texas will offer access to confidential and highly sensitive information to eligible requesting parties who execute the protective order certification. The confidential and highly sensitive information will also be made available at the Austin offices of AEP Texas to those eligible parties who execute the protective order certification, which is included as Attachment A to the proposed protective order. Also attached to the proposed protective order is AEP Texas' initial Statement Under Section 4 of the Protective Order and List of Confidential/Highly Sensitive Information, which provides a list of documents accompanying the RFP that AEP Texas considers confidential or highly sensitive information entitled to protection under the proposed protective order.

#### **XIV. NOTICE**

On January 24, 2024, pursuant to PURA § 33.024, AEP Texas provided notice of its intent to file a Statement of Intent to all municipalities with original jurisdiction over the Company's rates and services.

In accordance with 16 TAC § 22.51(a)(1), AEP Texas will publish notice of this application once a week for four consecutive weeks prior to the effective date of the proposed rate change, in newspapers that have general circulation in each county containing territory in AEP Texas' service area that will be affected by the proposed rate change. A copy of the notice is included as Appendix C to this petition.

In accordance with 16 TAC § 22.51(a)(2), AEP Texas will mail notice of its intent to change rates to all of its affected customers in substantially the same form as that included in Appendix C. Because AEP Texas does not have any end-use customers, this notice will be directed to each REP registered to provide service in Texas, and all entities listed in the Commission's transmission matrix in Docket No. 56050, *Commission Staff's Petition to Set 2024 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas*.

AEP Texas will deliver a copy of this petition to the appropriate officer of each affected municipality in its service territory in compliance with 16 TAC § 22.51(a)(3).

Finally, AEP Texas will provide notice of this filing, in substantially the same form as that included in Appendix C, to each party in AEP Texas' last rate case, Docket No. 49494.

#### **XV. EXPEDITED REFERRAL TO STATE OFFICE OF ADMINISTRATIVE HEARINGS**

AEP Texas Inc. requests that this proceeding promptly be referred to the State Office of Administrative Hearings (SOAH) for establishment of a procedural schedule. Under PURA § 36.154, the Commission is required to render a final determination not later than the 185th day

after the date AEP Texas files its rate-filing package, which was filed concurrent with this petition. In order to meet that deadline, AEP Texas requests that this proceeding be transferred to SOAH for establishment of a procedural schedule.

**XVI. PRAYER FOR RELIEF**

AEP Texas requests that the Commission approve the rates requested in this petition and grant AEP Texas such other relief to which it has shown itself entitled.

**Respectfully submitted,**

Melissa Gage  
State Bar No. 24063949  
Email: [magage@aep.com](mailto:magage@aep.com)  
[aepaustintx@aep.com](mailto:aepaustintx@aep.com) (Service)

Leila Melhem  
State Bar No. 24083492  
Email: [lmelhem@aep.com](mailto:lmelhem@aep.com)  
[aepaustintx@aep.com](mailto:aepaustintx@aep.com) (Service)

400 West 15<sup>th</sup> Street, Suite 1520  
Austin, Texas 78701  
Telephone: (512) 481-3320  
Facsimile: (512) 481-4591  
**AMERICAN ELECTRIC POWER SERVICE  
CORPORATION**

William Coe  
State Bar No. 00790477  
Email: [wcoe@dwmrlaw.com](mailto:wcoe@dwmrlaw.com)  
Kerry McGrath  
State Bar No. 13652200  
Email: [kmcgrath@dwmrlaw.com](mailto:kmcgrath@dwmrlaw.com)  
Patrick Pearsall  
State Bar No. 24047492  
Email: [ppearsall@dwmrlaw.com](mailto:ppearsall@dwmrlaw.com)  
P.O. Box 1149  
Austin, Texas 78767  
Telephone: (512) 744-9300  
Facsimile: (512) 744-9399 (fax)

**DUGGINS WREN MANN & ROMERO, LLP**

By:   
William Coe

*ATTORNEYS FOR AEP TEXAS INC.*



**DOCKET NO. 56165**

<b>APPLICATION OF AEP TEXAS INC.  FOR AUTHORITY TO CHANGE  RATES</b>	§ § §	<b>BEFORE THE  PUBLIC UTILITY COMMISSION  OF TEXAS</b>
--	-------------	--

**MUNICIPALITIES IN AEP TEXAS' SERVICE TERRITORY**

**A. AEP Texas Central Division**

Abram-Perezville	Crystal City	Hillje
Adams Garden	Dacosta	Indian Lake
Agua Dulce	Del Rio	Inez
Alamo	Derby	Ingleside
Alice	Devine	Ingleside on the Bay
Alleyton	Dilley *	Jourdanton *
Alton	Donna	Karnes City
Aransas Pass	Driscoll	Kenedy
Asherton	Eagle Lake	Kingsville
Austwell *	Eagle Pass	Knippa
Banquete	Edcouch	La Blanca
Barksdale	Edinburg	La Casita-Garciasville
Bay City	Edna	La Feria
Bayside	Edroy	La Grulla *
Bayview	El Campo	La Joya
Beeville	El Cenizo *	La Pryor
Belmont	El Indio	La Villa
Benavides	El Maton	Laguna Heights
Berclair	Elsa	Laguna Vista
Big Wells	Encinal *	Lake City *
Bishop	Encino	Lakeside *
Blessing	Escobares	Lamar
Blewett	Falfurrias *	Laredo
Bloomington	Freer	Laureles
Bluetown	Fronton	Leakey
Brackettville	Fulton	Leesville
Brownsville	Ganado	Leming
Bruni	Garwood	Long Mott
Camp Wood	George West	Los Ebanos
Carrizo Springs	Gillett	Los Fresnos
Catarina	Glidden	Los Indios
Chapman Ranch	Goliad	Louise
Charlotte	Granjeno	Lozano
Christine *	Gregory	Luling
Columbus	Guadalupe	Lyford
Combes	Hargill	Lytle

Comstock	Harlingen	Madero
Concepcion	Havana	Markham
Corpus Christi	Hebbronville	Matagorda
Cotulla *	Hidalgo	Mathis
Matthews	Port Aransas	San Perlita *
McAllen	Port Isabel	San Ygnacio
Mercedes	Port Lavaca	Sandia
Midfield	Port Mansfield	Santa Maria
Millett	Portland	Santa Monica
Mirando City	Poteet	Santa Rosa
Mission	Premont *	Seadrift *
Monte Alto	Primera	Sebastian
Moore	Progreso	Seco Mines
Nada	Progreso Lakes	Sejita
Natalia *	Quemado	Seven Sisters
Nixon	Rabb	Sinton
Nordheim	Ramireno	Skidmore
Normandy	Ramirez	Smiley
Normanna	Rancho Viejo	South Padre Island
Oakville	Raymondville	Spofford *
Odem	Realitos	Sullivan City
Oilton	Refugio	Taft
Olmito	Ricardo	Three Rivers
Orange Grove	Rio Bravo *	Tivoli
Palacios	Rio Grande City	Tuleta
Palm Valley	Rio Hondo	Tulsita
Palmhurst *	Rios	Tynan
Palmview	Rivera	Uvalde
Pawnee	Rockport	Victoria
Pearsall	Rocksprings	Violet
Penitas	Roma-Los Saenz	Wadsworth
Pernitas Point *	Runge	Weesatche
Petronila	Sabinal	Weslaco
Pettus	San Benito	Westhoff
Pharr	San Carlos	Winter Haven
Placedo	San Diego	Woodsboro
Pleasanton	San Juan	Yorktown
Point Comfort *	San Patricio *	Zapata

All communities are in the State of Texas

\* Original jurisdiction ceded to the Public Utility Commission of Texas by the city.

**B. AEP Texas North Division**

Abilene	Flomot *	Menard *	Sagerton *
Acme *	Fort Chadbourne *	Mereta *	San Angelo
Afton *	Fort Davis *	Merkel *	Santa Anna *
Albany *	Gasoline *	Mertzon *	Saragosa *
Alpine *	Girard *	Miles *	Scranton *
Anson *	Girvin *	Moran *	Sedwick *
Aspermont *	Glenn *	Munday	Shafter *
Avoca *	Goodlett *	Nimrod *	Sheffield *
Baird *	Goree *	Noodle *	Sherwood *
Bakersfield *	Grayback *	Norton *	Sonora
Ballinger *	Hamlin *	O'Brien *	Spur *
Balmorhea *	Harrold *	Odell *	Stamford
Barnhart *	Haskell *	Oklaunion *	Sterling City *
Benjamin	Hatchell *	Old Glory *	Swenson *
Best *	Hawley	Ovalo *	Sylvester *
Big Lake	Hefner *	Ozona *	Talpa *
Blackwell *	Impact *	Paducah	Tankersley *
Bradshaw *	Imperial *	Paint Rock *	Thalia *
Bronte *	Iraan *	Peacock *	Throckmorton *
Buffalo Gap *	Jayton *	Pioneer *	Toyahvale *
Burkett *	Junction *	Potosi *	Trent *
Caps *	Kirkland *	Presidio *	Truscott *
Carlsbad *	Knickerbocker *	Putnam	Turkey *
Childress	Knox City	Quanah	Tuscola *
Chillicothe *	Lawn *	Quitaque *	Tye *
Christoval *	Lockett *	Rankin *	Valentine *
Cisco	Longworth *	Rayland *	Valera *
Clyde *	Lueders *	Redford *	Veribest *
Cross Cut *	Marathon *	Rising Star *	Vernon
Cross Plains *	Marfa *	Roaring Springs *	View *
Crowell *	Margaret *	Robert Lee *	Wall *
Dickens *	Matador *	Roby *	Water Valley *
Eden	May *	Rochelle *	Weinert *
Eldorado *	McAdoo *	Rochester	Whiteland *
Elliot *	McCamey *	Rotan *	Wilmeth *
Elton *	McCaulley *	Rowena *	Wingate *
Eola *	Medicine Mound *	Royston *	Winters
Eula *	Melvin *	Rule *	Woodson *
Farmers Valley *			

\* Original jurisdiction ceded to the Public Utility Commission of Texas by the city.

DOCKET NO. 56165

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

**PROTECTIVE ORDER**

This Protective Order shall govern the use of all information deemed confidential (Protected Materials) or highly confidential (Highly Sensitive Protected Materials), including information whose confidentiality is currently under dispute, by a party providing information to the Public Utility Commission of Texas (Commission) or to any other party to this proceeding.

It is ORDERED that:

1. **Designation of Protected Materials.** Upon producing or filing a document, including, but not limited to, records on a computer disk or other similar electronic storage medium in this proceeding, the producing party may designate that document, or any portion of it, as confidential pursuant to this Protective Order by typing or stamping on its face "PROTECTED PURSUANT TO PROTECTIVE ORDER ISSUED IN DOCKET NO. 56165" (or words to this effect) and consecutively Bates Stamping each page. Protected Materials and Highly Sensitive Protected Materials include the documents so designated, as well as the substance of the information contained in the documents and any description, report, summary, or statement about the substance of the information contained in the documents.
2. **Materials Excluded from Protected Materials Designation.** Protected Materials shall not include any information or document contained in the public files of the Commission or any other federal or state agency, court, or local governmental authority subject to the Public Information Act.<sup>14</sup> Protected Materials also shall not include documents or information which at the time of, or prior to disclosure in, a proceeding is or was public knowledge, or which becomes public knowledge other than through disclosure in violation of this Protective Order.

---

<sup>14</sup> TEX. GOV'T CODE ANN. §§ 552.001-552.353 (Vernon 2004 & Supp. 2008).

Docket No. 56165

Proposed Protective Order

Page 2 of 16

3. **Reviewing Party.** For the purposes of this Protective Order, a “Reviewing Party” is any party to this docket.
4. **Procedures for Designation of Protected Materials.** On or before the date the Protected Materials or Highly Sensitive Protected Materials are provided to the Commission, the producing party shall file with the Commission and deliver to each party to the proceeding a written statement, which may be in the form of an objection, indicating: (a) any exemptions to the Public Information Act claimed to apply to the alleged Protected Materials; (b) the reasons supporting the producing party’s claim that the responsive information is exempt from public disclosure under the Public Information Act and subject to treatment as protected materials; and (c) that counsel for the producing party has reviewed the information sufficiently to state in good faith that the information is exempt from public disclosure under the Public Information Act and merits the Protected Materials designation.
5. **Persons Permitted Access to Protected Materials.** Except as otherwise provided in this Protective Order, a Reviewing Party may access Protected Materials only through its “Reviewing Representatives” who have signed the Protective Order Certification Form (see Attachment A). Reviewing Representatives of a Reviewing Party include its counsel of record in this proceeding and associated attorneys, paralegals, economists, statisticians, accountants, consultants, or other persons employed or retained by the Reviewing Party and directly engaged in this proceeding. At the request of the PUC Commissioners, copies of Protected Materials may be produced by Commission Staff. The Commissioners and their staff shall be informed of the existence and coverage of this Protective Order and shall observe the restrictions of the Protective Order.
6. **Highly Sensitive Protected Material Described.** The term “Highly Sensitive Protected Materials” is a subset of Protected Materials and refers to documents or information that a producing party claims is of such a highly sensitive nature that making copies of such documents or information or providing access to such documents to employees of the Reviewing Party (except as specified herein) would expose a producing party to unreasonable risk of harm. Highly Sensitive Protected Materials include but are not limited

Docket No. 56165

Proposed Protective Order

Page 3 of 16

to: (a) customer-specific information protected by § 32.101(c) of the Public Utility Regulatory Act;<sup>15</sup> (b) contractual information pertaining to contracts that specify that their terms are confidential or that are confidential pursuant to an order entered in litigation to which the producing party is a party; (c) market-sensitive fuel price forecasts, wholesale transactions information and/or market-sensitive marketing plans; and (d) business operations or financial information that is commercially sensitive. Documents or information so classified by a producing party shall bear the designation “HIGHLY SENSITIVE PROTECTED MATERIALS PROVIDED PURSUANT TO PROTECTIVE ORDER ISSUED IN DOCKET NO. 56165” (or words to this effect) and shall be consecutively Bates Stamped. The provisions of this Protective Order pertaining to Protected Materials also apply to Highly Sensitive Protected Materials, except where this Protective Order provides for additional protections for Highly Sensitive Protected Materials. In particular, the procedures herein for challenging the producing party’s designation of information as Protected Materials also apply to information that a producing party designates as Highly Sensitive Protected Materials.

7. **Restrictions on Copying and Inspection of Highly Sensitive Protected Material.**

Except as expressly provided herein, only one copy may be made of any Highly Sensitive Protected Materials except that additional copies may be made to have sufficient copies for introduction of the material into the evidentiary record if the material is to be offered for admission into the record. The Reviewing Party shall maintain a record of all copies made of Highly Sensitive Protected Material and shall send a duplicate of the record to the producing party when the copy or copies are made. The record shall specify the location and the person possessing the copy. Highly Sensitive Protected Material shall be made available for inspection only at the location or locations provided by the producing party, except as specified by Paragraph 9. Limited notes may be made of Highly Sensitive Protected Materials, and such notes shall themselves be treated as Highly Sensitive Protected Materials unless such notes are limited to a description of the document and a

---

<sup>15</sup> Public Utility Regulatory Act, TEX. UTIL. CODE ANN. §§ 11.001-66.016 (Vernon 2007 & Supp. 2008) (PURA).

general characterization of its subject matter in a manner that does not state any substantive information contained in the document.

8. **Restricting Persons Who May Have Access to Highly Sensitive Protected Material.**

With the exception of Commission Staff, the Office of the Attorney General (OAG), and the Office of Public Utility Counsel (OPC), and except as provided herein, the Reviewing Representatives for the purpose of access to Highly Sensitive Protected Materials may be persons who are (a) outside counsel for the Reviewing Party, (b) outside consultants for the Reviewing Party working under the direction of Reviewing Party's counsel or, (c) employees of the Reviewing Party working with and under the direction of Reviewing Party's counsel who have been authorized by the presiding officer to review Highly Sensitive Protected Materials. The Reviewing Party shall limit the number of Reviewing Representatives that review Highly Sensitive Protected Materials to the minimum number of persons necessary. The Reviewing Party is under a good faith obligation to limit access to each portion of any Highly Sensitive Protected Materials to two Reviewing Representatives whenever possible. Reviewing Representatives for Commission Staff, OAG, and OPC, for the purpose of access to Highly Sensitive Protected Materials, shall consist of their respective counsel of record in this proceeding and associated attorneys, paralegals, economists, statisticians, accountants, consultants, or other persons employed or retained by them and directly engaged in these proceedings.

9. **Copies Provided of Highly Sensitive Protected Material.** A producing party shall provide one copy of Highly Sensitive Protected Materials specifically requested by the Reviewing Party to the person designated by the Reviewing Party who must be a person authorized to review Highly Sensitive Protected Material under Paragraph 8. Representatives of the Reviewing Party who are authorized to view Highly Sensitive Protected Material may review the copy of Highly Sensitive Protected Materials at the office of the Reviewing Party's representative designated to receive the information. Any Highly Sensitive Protected Materials provided to a Reviewing Party may not be copied except as provided in Paragraph 7. The restrictions contained herein do not apply to

Docket No. 56165

Proposed Protective Order

Page 5 of 16

Commission Staff, OPC, and the OAG when the OAG is representing a party to the proceeding.

10. **Procedures in Paragraphs 10-14 Apply to Commission Staff, OPC, and the OAG and Control in the Event of Conflict.** The procedures in Paragraphs 10 through 14 apply to responses to requests for documents or information that the producing party designates as Highly Sensitive Protected Materials and provides to Commission Staff, OPC, and the OAG in recognition of their purely public functions. To the extent the requirements of Paragraphs 10 through 14 conflict with any requirements contained in other paragraphs of this Protective Order, the requirements of these Paragraphs shall control.
11. **Copy of Highly Sensitive Protected Material to be Provided to Commission Staff, OPC and the OAG.** When, in response to a request for information by a Reviewing Party, the producing party makes available for review documents or information claimed to be Highly Sensitive Protected Materials, the producing party shall also deliver one copy of the Highly Sensitive Protected Materials to the Commission Staff, OPC, and the OAG (if the OAG is representing a party) in Austin, Texas. Provided however, that in the event such Highly Sensitive Protected Materials are voluminous, the materials will be made available for review by Commission Staff, OPC, and the OAG (if the OAG is representing a party) at the designated office in Austin, Texas. The Commission Staff, OPC and the OAG (if the OAG is representing a party) may request such copies as are necessary of such voluminous material under the copying procedures specified herein.
12. **Delivery of the Copy of Highly Sensitive Protected Material to Commission Staff and Outside Consultants.** The Commission Staff, OPC, and the OAG (if the OAG is representing a party) may deliver the copy of Highly Sensitive Protected Materials received by them to the appropriate members of their staff for review, provided such staff members first sign the certification specified by Paragraph 15. After obtaining the agreement of the producing party, Commission Staff, OPC, and the OAG (if the OAG is representing a party) may deliver the copy of Highly Sensitive Protected Materials received by it to the agreed, appropriate members of their outside consultants for review, provided such outside consultants first sign the certification in Attachment A.



13. **Restriction on Copying by Commission Staff, OPC and the OAG.** Except as allowed by Paragraph 7, Commission Staff, OPC and the OAG may not make additional copies of the Highly Sensitive Protected Materials furnished to them unless the producing party agrees in writing otherwise, or, upon a showing of good cause, the presiding officer directs otherwise. Commission Staff, OPC, and the OAG may make limited notes of Highly Sensitive Protected Materials furnished to them, and all such handwritten notes will be treated as Highly Sensitive Protected Materials as are the materials from which the notes are taken.
14. **Public Information Requests.** In the event of a request for any of the Highly Sensitive Protected Materials under the Public Information Act, an authorized representative of the Commission, OPC, or the OAG may furnish a copy of the requested Highly Sensitive Protected Materials to the Open Records Division at the OAG together with a copy of this Protective Order after notifying the producing party that such documents are being furnished to the OAG. Such notification may be provided simultaneously with the delivery of the Highly Sensitive Protected Materials to the OAG.
15. **Required Certification.** Each person who inspects the Protected Materials shall, before such inspection, agree in writing to the following certification found in Attachment A to this Protective Order:

I certify my understanding that the Protected Materials are provided to me pursuant to the terms and restrictions of the Protective Order in this docket, and that I have been given a copy of it and have read the Protective Order and agree to be bound by it. I understand that the contents of the Protected Materials, any notes, memoranda, or any other form of information regarding or derived from the Protected Materials shall not be disclosed to anyone other than in accordance with the Protective Order and unless I am an employee of the Commission or OPC shall be used only for the purpose of the proceeding in Docket No. 56165. I acknowledge that the obligations imposed by this certification are pursuant to such Protective Order. Provided, however, if the information contained in the Protected Materials is obtained from independent public sources, the understanding stated herein shall not apply.

Docket No. 56165

Proposed Protective Order

Page 7 of 16

In addition, Reviewing Representatives who are permitted access to Highly Sensitive Protected Material under the terms of this Protective Order shall, before inspection of such material, agree in writing to the following certification found in Attachment A to this Protective Order:

I certify that I am eligible to have access to Highly Sensitive Protected Material under the terms of the Protective Order in this docket.

The Reviewing Party shall provide a copy of each signed certification to Counsel for the producing party and serve a copy upon all parties of record.

16. **Disclosures between Reviewing Representatives and Continuation of Disclosure Restrictions after a Person is no Longer Engaged in the Proceeding.** Any Reviewing Representative may disclose Protected Materials, other than Highly Sensitive Protected Materials, to any other person who is a Reviewing Representative provided that, if the person to whom disclosure is to be made has not executed and provided for delivery of a signed certification to the party asserting confidentiality, that certification shall be executed prior to any disclosure. A Reviewing Representative may disclose Highly Sensitive Protected Material to other Reviewing Representatives who are permitted access to such material and have executed the additional certification required for persons who receive access to Highly Sensitive Protected Material. In the event that any Reviewing Representative to whom Protected Materials are disclosed ceases to be engaged in these proceedings, access to Protected Materials by that person shall be terminated and all notes, memoranda, or other information derived from the protected material shall either be destroyed or given to another Reviewing Representative of that party who is authorized pursuant to this Protective Order to receive the protected materials. Any person who has agreed to the foregoing certification shall continue to be bound by the provisions of this Protective Order so long as it is in effect, even if no longer engaged in these proceedings.
17. **Producing Party to Provide One Copy of Certain Protected Material and Procedures for Making Additional Copies of Such Materials.** Except for Highly Sensitive Protected Materials, which shall be provided to the Reviewing Parties pursuant to Paragraphs 9, and

voluminous Protected Materials, the producing party shall provide a Reviewing Party one copy of the Protected Materials upon receipt of the signed certification described in Paragraph 15. Except for Highly Sensitive Protected Materials, a Reviewing Party may make further copies of Protected Materials for use in this proceeding pursuant to this Protective Order, but a record shall be maintained as to the documents reproduced and the number of copies made, and upon request the Reviewing Party shall provide the party asserting confidentiality with a copy of that record.

18. **Procedures Regarding Voluminous Protected Materials.** 16 Tex. Admin. Code § 22.144(h) will govern production of voluminous Protected Materials. Voluminous Protected Materials will be made available in the producing party's voluminous room, in Austin, Texas, or at a mutually agreed upon location, Monday through Friday, 9:00 a.m. to 5:00 p.m. (except on state or Federal holidays), and at other mutually convenient times upon reasonable request.
19. **Reviewing Period Defined.** The Protected Materials may be reviewed only during the Reviewing Period, which shall commence upon entry of this Protective Order and continue until the expiration of the Commission's plenary jurisdiction. The Reviewing Period shall reopen if the Commission regains jurisdiction due to a remand as provided by law. Protected materials that are admitted into the evidentiary record or accompanying the evidentiary record as offers of proof may be reviewed throughout the pendency of this proceeding and any appeals.
20. **Procedures for Making Copies of Voluminous Protected Materials.** Other than Highly Sensitive Protected Materials, Reviewing Parties may take notes regarding the information contained in voluminous Protected Materials made available for inspection or they may make photographic, mechanical or electronic copies of the Protected Materials, subject to the conditions in this Protective Order; provided, however, that before photographic, mechanical or electronic copies may be made, the Reviewing Party seeking photographic, mechanical or electronic copies must provide written confirmation of the receipt of copies listed on Attachment B of this Protective Order identifying each piece of Protected Materials or portions thereof the Reviewing Party will need.

Docket No. 56165

Proposed Protective Order

Page 9 of 16

21. **Protected Materials to be Used Solely for the Purposes of These Proceedings.** All Protected Materials shall be made available to the Reviewing Parties and their Reviewing Representatives solely for the purposes of these proceedings. Access to the Protected Materials may not be used in the furtherance of any other purpose, including, without limitation: (a) any other pending or potential proceeding involving any claim, complaint, or other grievance of whatever nature, except appellate review proceedings that may arise from or be subject to these proceedings; or (b) any business or competitive endeavor of whatever nature. Because of their statutory regulatory obligations, these restrictions do not apply to Commission Staff or OPC.
22. **Procedures for Confidential Treatment of Protected Materials and Information Derived from Those Materials.** Protected Materials, as well as a Reviewing Party's notes, memoranda, or other information regarding or derived from the Protected Materials are to be treated confidentially by the Reviewing Party and shall not be disclosed or used by the Reviewing Party except as permitted and provided in this Protective Order. Information derived from or describing the Protected Materials shall be maintained in a secure place and shall not be placed in the public or general files of the Reviewing Party except in accordance with the provisions of this Protective Order. A Reviewing Party must take all reasonable precautions to insure that the Protected Materials including notes and analyses made from Protected Materials that disclose Protected Materials are not viewed or taken by any person other than a Reviewing Representative of a Reviewing Party.
23. **Procedures for Submission of Protected Materials.** If a Reviewing Party tenders for filing any Protected Materials, including Highly Sensitive Protected Materials, or any written testimony, exhibit, brief, motion or other type of pleading or other submission at the Commission or before any other judicial body that quotes from Protected Materials or discloses the content of Protected Materials, the confidential portion of such submission shall be filed and served in sealed envelopes or other appropriate containers endorsed to the effect that they contain Protected Material or Highly Sensitive Protected Material and are sealed pursuant to this Protective Order. If filed at the Commission, such documents shall be marked "PROTECTED MATERIAL" and shall be filed under seal with the

presiding officer and served under seal to the counsel of record for the Reviewing Parties. The presiding officer may subsequently, on his/her own motion or on motion of a party, issue a ruling respecting whether or not the inclusion, incorporation or reference to Protected Materials is such that such submission should remain under seal. If filing before a judicial body, the filing party: (a) shall notify the party which provided the information within sufficient time so that the producing party may seek a temporary sealing order; and (b) shall otherwise follow the procedures in Rule 76a, Texas Rules of Civil Procedure.

24. **Maintenance of Protected Status of Materials during Pendency of Appeal of Order Holding Materials are not Protected Materials.** In the event that the presiding officer at any time in the course of this proceeding finds that all or part of the Protected Materials are not confidential or proprietary, by finding, for example, that such materials have entered the public domain or materials claimed to be Highly Sensitive Protected Materials are only Protected Materials, those materials shall nevertheless be subject to the protection afforded by this Protective Order for three (3) full working days, unless otherwise ordered, from the date the party asserting confidentiality receives notice of the presiding officer's order. Such notification will be by written communication. This provision establishes a deadline for appeal of a presiding officer's order to the Commission. In the event an appeal to the Commissioners is filed within those three (3) working days from notice, the Protected Materials shall be afforded the confidential treatment and status provided in this Protective Order during the pendency of such appeal. Neither the party asserting confidentiality nor any Reviewing Party waives its right to seek additional administrative or judicial remedies after the Commission's denial of any appeal.
25. **Notice of Intent to Use Protected Materials or Change Materials Designation.** Parties intending to use Protected Materials shall notify the other parties prior to offering them into evidence or otherwise disclosing such information into the record of the proceeding. During the pendency of Docket No. 56165 at the Commission, in the event that a Reviewing Party wishes to disclose Protected Materials to any person to whom disclosure is not authorized by this Protective Order, or wishes to have changed the designation of certain information or material as Protected Materials by alleging, for example, that such

Docket No. 56165

Proposed Protective Order

Page 11 of 16

information or material has entered the public domain, such Reviewing Party shall first file and serve on all parties written notice of such proposed disclosure or request for change in designation, identifying with particularity each of such Protected Materials. A Reviewing Party shall at any time be able to file a written motion to challenge the designation of information as Protected Materials.

26. **Procedures to Contest Disclosure or Change in Designation.** In the event that the party asserting confidentiality wishes to contest a proposed disclosure or request for change in designation, the party asserting confidentiality shall file with the appropriate presiding officer its objection to a proposal, with supporting affidavits, if any, within five (5) working days after receiving such notice of proposed disclosure or change in designation. Failure of the party asserting confidentiality to file such an objection within this period shall be deemed a waiver of objection to the proposed disclosure or request for change in designation. Within five (5) working days after the party asserting confidentiality files its objection and supporting materials, the party challenging confidentiality may respond. Any such response shall include a statement by counsel for the party challenging such confidentiality that he or she has reviewed all portions of the materials in dispute and, without disclosing the Protected Materials, a statement as to why the Protected Materials should not be held to be confidential under current legal standards, or that the party asserting confidentiality for some reason did not allow such counsel to review such materials. If either party wishes to submit the material in question for in camera inspection, it shall do so no later than five (5) working days after the party challenging confidentiality has made its written filing.
27. **Procedures for Presiding Officer Determination Regarding Proposed Disclosure or Change in Designation.** If the party asserting confidentiality files an objection, the appropriate presiding officer will determine whether the proposed disclosure or change in designation is appropriate. Upon the request of either the producing or Reviewing Party or upon the presiding officer's own initiative, the presiding officer may conduct a prehearing conference. The burden is on the party asserting confidentiality to show that such proposed disclosure or change in designation should not be made. If the presiding

Docket No. 56165

Proposed Protective Order

Page 12 of 16

officer determines that such proposed disclosure or change in designation should be made, disclosure shall not take place earlier than three (3) full working days after such determination unless otherwise ordered. No party waives any right to seek additional administrative or judicial remedies concerning such presiding officer's ruling.

28. **Maintenance of Protected Status during Periods Specified for Challenging Various Orders.**

Any party electing to challenge, in the courts of this state, a Commission or presiding officer determination allowing disclosure or a change in designation shall have a period of ten (10) days from: (a) the date of an unfavorable Commission order; or (b) if the Commission does not rule on an appeal of an interim order, the date an appeal of an interim order to the Commission is overruled by operation of law, to obtain a favorable ruling in state district court. Any party challenging a state district court determination allowing disclosure or a change in designation shall have an additional period of ten (10) days from the date of the order to obtain a favorable ruling from a state appeals court. Finally, any party challenging a determination of a state appeals court allowing disclosure or a change in designation shall have an additional period of ten (10) days from the date of the order to obtain a favorable ruling from the state supreme court, or other appellate court. All Protected Materials shall be afforded the confidential treatment and status provided for in this Protective Order during the periods for challenging the various orders referenced in this paragraph. For purposes of this paragraph, a favorable ruling of a state district court, state appeals court, Supreme Court or other appellate court includes any order extending the deadlines in this paragraph.

29. **Other Grounds for Objection to Use of Protected Materials Remain Applicable.**

Nothing in this Protective Order shall be construed as precluding any party from objecting to the use of Protected Materials on grounds other than confidentiality, including the lack of required relevance. Nothing in this Protective Order constitutes a waiver of the right to argue for more disclosure, provided, however, that unless the Commission or a court orders such additional disclosure, all parties will abide by the restrictions imposed by the Protective Order.

30. **Protection of Materials from Unauthorized Disclosure.** All notices, applications, responses or other correspondence shall be made in a manner which protects Protected Materials from unauthorized disclosure.
31. **Return of Copies of Protected Materials and Destruction of Information Derived from Protected Materials.** Following the conclusion of these proceedings, each Reviewing Party must, no later than thirty (30) days following receipt of the notice described below, return to the party asserting confidentiality all copies of the Protected Materials provided by that party pursuant to this Protective Order and all copies reproduced by a Reviewing Party, and counsel for each Reviewing Party must provide to the party asserting confidentiality a letter by counsel that, to the best of his or her knowledge, information, and belief, all copies of notes, memoranda, and other documents regarding or derived from the Protected Materials (including copies of Protected Materials) that have not been so returned, if any, have been destroyed, other than notes, memoranda, or other documents which contain information in a form which, if made public, would not cause disclosure of the substance of Protected Materials. As used in this Protective Order, “conclusion of these proceedings” refers to the exhaustion of available appeals, or the running of the time for the making of such appeals, as provided by applicable law. If, following any appeal, the Commission conducts a remand proceeding, then the “conclusion of these proceedings” is extended by the remand to the exhaustion of available appeals of the remand, or the running of the time for making such appeals of the remand, as provided by applicable law. Promptly following the conclusion of these proceedings, counsel for the party asserting confidentiality will send a written notice to all other parties, reminding them of their obligations under this Paragraph. Nothing in this Paragraph shall prohibit counsel for each Reviewing Party from retaining two (2) copies of any filed testimony, brief, application for rehearing, hearing exhibit or other pleading which refers to Protected Materials provided that any such Protected Materials retained by counsel shall remain subject to the provisions of this Protective Order.



32. **Applicability of Other Law.** This Protective Order is subject to the requirements of the Public Information Act, the Open Meetings Act,<sup>16</sup> the Texas Securities Act<sup>17</sup> and any other applicable law, provided that parties subject to those acts will notify the party asserting confidentiality, if possible under those acts, prior to disclosure pursuant to those acts. Such notice shall not be required where the Protected Materials are sought by governmental officials authorized to conduct a criminal or civil investigation that relates to or involves the Protected Materials, and those governmental officials aver in writing that such notice could compromise the investigation and that the governmental entity involved will maintain the confidentiality of the Protected Materials.
33. **Procedures for Release of Information under Order.** If required by order of a governmental or judicial body, the Reviewing Party may release to such body the confidential information required by such order; provided, however, that: (a) the Reviewing Party shall notify the producing party of the order requiring the release of such information within five (5) calendar days of the date the Reviewing Party has notice of the order; (b) the Reviewing Party shall notify the producing party at least five (5) calendar days in advance of the release of the information to allow the producing party to contest any release of the confidential information; and (c) the Reviewing Party shall use its best efforts to prevent such materials from being disclosed to the public. The terms of this Protective Order do not preclude the Reviewing Party from complying with any valid and enforceable order of a state or federal court with competent jurisdiction specifically requiring disclosure of Protected Materials earlier than contemplated herein. The notice specified in this section shall not be required where the Protected Materials are sought by governmental officials authorized to conduct a criminal or civil investigation that relates to or involves the Protected Materials, and those governmental officials aver in writing that such notice could compromise the investigation and that the governmental entity involved will maintain the confidentiality of the Protected Materials.

---

<sup>16</sup> TEX. GOV'T CODE ANN. § 551.001-551.146 (Vernon 2004 & Supp. 2008).

<sup>17</sup> TEX. REV. CIV. STAT. ANN. arts. 581-1 to 581-43 (Vernon 1964 & Supp. 2008).

34. **Best Efforts Defined.** The term “best efforts” as used in the preceding paragraph requires that the Reviewing Party attempt to ensure that disclosure is not made unless such disclosure is pursuant to a final order of a Texas governmental or Texas judicial body, the written opinion of the Texas Attorney General sought in compliance with the Public Information Act, or the request of governmental officials authorized to conduct a criminal or civil investigation that relates to or involves the Protected Materials. The Reviewing Party is not required to delay compliance with a lawful order to disclose such information but is simply required to timely notify the party asserting confidentiality, or its counsel, that it has received a challenge to the confidentiality of the information and that the Reviewing Party will either proceed under the provisions of §552.301 of the Public Information Act, or intends to comply with the final governmental or court order. Provided, however, that no notice is required where the Protected Materials are sought by governmental officials authorized to conduct a criminal or civil investigation that relates to or involves the Protected Materials, and those governmental officials aver in writing that such notice could compromise the investigation and that the governmental entity involved will maintain the confidentiality of the Protected Materials.
35. **Notify Defined.** “Notify” for purposes of Paragraphs 32, 33 and 34 means written notice to the party asserting confidentiality at least five (5) calendar days prior to release; including when a Reviewing Party receives a request under the Public Information Act. However, the Commission, OAG, or OPC may provide a copy of Protected Materials to the Open Records Division of the OAG as provided herein.
36. **Requests for Non-Disclosure.** If the producing party asserts that the requested information should not be disclosed at all, or should not be disclosed to certain parties under the protection afforded by this Protective Order, the producing party shall tender the information for in camera review to the presiding officer within ten (10) calendar days of the request. At the same time, the producing party shall file and serve on all parties its argument, including any supporting affidavits, in support of its position of non-disclosure. The burden is on the producing party to establish that the material should not be disclosed. The producing party shall serve a copy of the information under the classification of Highly

Sensitive Protected Material to all parties requesting the information that the producing party has not alleged should be prohibited from reviewing the information.

Parties wishing to respond to the producing party's argument for non-disclosure shall do so within five working days. Responding parties should explain why the information should be disclosed to them, including why disclosure is necessary for a fair adjudication of the case if the material is determined to constitute a trade secret. If the presiding officer finds that the information should be disclosed as Protected Material under the terms of this Protective Order, the presiding officer shall stay the order of disclosure for such period of time as the presiding officer deems necessary to allow the producing party to appeal the ruling to the Commission.

37. **Sanctions Available for Abuse of Designation.** If the presiding officer finds that a producing party unreasonably designated material as Protected Material or as Highly Sensitive Protected Material, or unreasonably attempted to prevent disclosure pursuant to Paragraph 36, the presiding officer may sanction the producing party pursuant to 16 TAC § 22.161.
38. **Modification of Protective Order.** Each party shall have the right to seek changes in this Protective Order as appropriate from the presiding officer.
39. **Breach of Protective Order.** In the event of a breach of the provisions of this Protective Order, the producing party, if it sustains its burden of proof required to establish the right to injunctive relief, shall be entitled to an injunction against such breach without any requirements to post bond as a condition of such relief. The producing party shall not be relieved of proof of any element required to establish the right to injunctive relief. In addition to injunctive relief, the producing party shall be entitled to pursue any other form of relief to which it is entitled.

**ATTACHMENT A**

**Protective Order Certification**

I certify my understanding that the Protected Materials are provided to me pursuant to the terms and restrictions of the Protective Order in this docket and that I have received a copy of it and have read the Protective Order and agree to be bound by it. I understand that the contents of the Protected Materials, any notes, memoranda, or any other form of information regarding or derived from the Protected Materials shall not be disclosed to anyone other than in accordance with the Protective Order and unless I am an employee of the Commission or OPC shall be used only for the purpose of the proceeding in Docket No. 56165. I acknowledge that the obligations imposed by this certification are pursuant to such Protective Order. Provided, however, if the information contained in the Protected Materials is obtained from independent public sources, the understanding stated here shall not apply.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Party Represented

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

I certify that I am eligible to have access to Highly Sensitive Protected Material under the terms of the Protective Order in this docket.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Party Represented

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

ATTACHMENT B

I request to view/copy the following documents:

Document Requested	# of Copies	Non-Confidential	Protected Materials and/or Highly Sensitive Protected Materials

Signature

Party Represented

Printed Name

Date

**DOCKET NO. 56165**

<b>APPLICATION OF AEP TEXAS INC. FOR AUTHORITY TO CHANGE RATES</b>	§ § §	<b>BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS</b>
--	-------------	--

**STATEMENT UNDER SECTION 4 OF THE PROTECTIVE ORDER  
AND LIST OF CONFIDENTIAL/HIGHLY SENSITIVE INFORMATION**

AEP Texas Inc.'s (AEP Texas) filing package includes customer specific information, confidential employee related information, proprietary information, commercially or competitively sensitive information, and/or trade secret information, or information whose public disclosure would be contrary to contractual obligations to which AEP Texas is bound. The public disclosure of this information would harm AEP Texas or third parties with whom AEP Texas must maintain an ongoing business relationship. Therefore, this information is protected under the Public Information Act, Tex. Gov't. Code §§ 552.101, 552.102, and 552.110, or Tex. Util. Code § 32.101(c). The following is a list of schedules, exhibits, and workpapers that include such information, along with the sponsoring witness, the designation of the information, and applicable legal exemption.

**Confidential and Highly Sensitive Information**

<b>Witness</b>	<b>Exempt Material</b>	<b>Designation</b>	<b>Exempt Under Tex. Gov't Code</b>
<b>Chad Burnett</b>	<b>Confidential WP 2 Exhibit CMB-2  Confidential WP 3 Exhibit CMB-2</b>	<b>Confidential</b>	<b>§552.110</b>
<b>Chad Burnett</b>	<b>Schedule II-C-4</b>	<b>HIGHLY SENSITIVE</b>	<b>§ 552.110</b>

<b>Aaron Thomas</b>	Schedule II-D-3.8.1 Attachment 1 Schedule II-D-3.8.1 Attachment 2 Schedule II-D-3.8.1 Attachment 3 Schedule II-D-3.8.1 Attachment 4 Schedule II-D-3.9.1 Attachment 1 Schedule II-D-3.8.1 Attachment 2	<b>HIGHLY SENSITIVE</b>	§§552.102, 552.110
<b>Noah Hollis</b>	Schedule II-C-2.6 Schedule II-C-2.7 Schedule II-C-2.10	<b>HIGHLY SENSITIVE</b>	§ 552.110
<b>Andrew Carlin</b>	Exhibit ARC-14 Exhibit ARC-15 WP Exhibit ARC-4 WP Exhibit ARC-5 WP Exhibit ARC-6 WP Exhibit ARC-7 WP Schedule II-D-3-7-3 WP Schedule II-D-3-10-2	<b>Confidential</b>	§§552.102, 552.110
<b>Andrew Carlin</b>	<b>HS Workpapers</b>	<b>HIGHLY SENSITIVE</b>	§552.102, 552.110
<b>Trenton Feasel</b>	Schedule II-H-2-2A Schedule II-H-2-2B Schedule II-H-2-2C Schedule II-H-2-2D	<b>HIGHLY SENSITIVE</b>	§§ 552.101, 552.110; Tex. Util. Code § 32.101(c)
<b>Pat Baryenbruch</b>	<b>Confidential Workpapers</b>	<b>Confidential</b>	§552.110
<b>Ann Bulkley</b>	<b>Confidential Workpapers</b>	<b>Confidential</b>	§552.110

I certify that I have reviewed the information sufficiently to state in good faith that the Information is exempt from public disclosure under the Public Information Act or Tex. Util. Code § 32.101(c) and merits the applicable designation of Confidential (Protected) Materials or Highly Sensitive (Highly Sensitive Protected) Materials detailed in the Protective Order accompanying this Application.

  
\_\_\_\_\_  
Patrick Pearsall

Date: February 29, 2024



### **NOTICE OF RATE CHANGE REQUEST**

AEP Texas Inc. (AEP Texas) publishes this notice that on February 29, 2024, AEP Texas filed with the Public Utility Commission of Texas (Commission) its Petition and Statement of Intent to Change Rates (the Petition), a copy of which is kept at AEP Texas' office at 400 W. 15<sup>th</sup> Street, Suite 1500, Austin, Texas, 78701. The Petition has been assigned Docket No. 56165. This notice is being published in accordance with 16 Tex. Admin. Code § 22.51(a)(1).

AEP Texas' Petition is based on the system-wide financial results for a 12-month test year ending on September 30, 2023, adjusted for known and measurable changes. Related to its distribution cost of service, the Company requests a rate increase of approximately \$100.4 million over its adjusted test year revenues. This net change is a 13.1% increase over net present distribution revenues. When expected annualized Transmission Cost Recovery Factor revenues are included in the comparison to present revenues, the net increase to distribution cost-of-service is 8.4%. Related to its transmission cost of service, the Company requests a rate increase of \$63.1 million above its adjusted test year revenues, an increase of 9.29%.

In addition to new rates, AEP Texas requests a prudence determination on all capital investment made to its system for the period from January 1, 2019, through September 30, 2023.

AEP Texas' Petition requests Commission approval to continue its offering of facilities rental services, as described in tariff schedules 6.1.2.3.6, 6.1.3.3.6, and 6.1.4.3.6, and a good-cause exception to the Commission's rule requiring AEP Texas to obtain the Commission's approval to provide these services every three years. If approved, the requested good-cause exception will allow the Company to extend the effective date of its existing tariff schedules through the effective date of the tariffs approved in its next comprehensive rate case.

Finally, AEP Texas requests recovery of its reasonable rate-case expenses associated with this proceeding and certain prior rate proceedings, including those expenses paid to reimburse municipalities for their participation.

If approved, the increased rates will be charged to AEP Texas' direct customers, all retail electric providers (REPs) in AEP Texas' service area, as well as the retail electric customers of those REPs. The extent to which the REPs pass along to their customers the increased retail rates is a function of the competitive market. In addition, AEP Texas' petition affects customers taking service under the Company's wholesale transmission rates.

AEP Texas has requested its proposed rate change become effective 35 days after the filing its Petition.

Persons who wish to intervene in or comment upon these proceedings, in Docket No. 56165, *Application of AEP Texas Inc. for Authority to Change Rates*, should notify the Commission as soon as possible, as an intervention deadline will be imposed. A request to intervene or for further information should be mailed to the Public Utility Commission of Texas, P. O. Box 13326, Austin, Texas 78711-3326. Further information may also be obtained by calling the Commission at (512) 936-7120 or (888) 782-8477. Hearing- and speech-impaired individuals

with text telephones (TTY) may contact the Commission at (512) 936-7136. The deadline for intervention in the proceeding is 45 days after the date the Petition was filed with the Commission.

DOCKET NO. 56165  
PUBLIC UTILITY COMMISSION OF TEXAS

APPLICATION OF  
AEP TEXAS INC.  
FOR AUTHORITY TO CHANGE RATES

DIRECT TESTIMONY OF  
JUDITH E. TALAVERA  
FOR  
AEP TEXAS INC.

FEBRUARY 2024

## TESTIMONY INDEX

<u>SECTION</u>	<u>PAGE</u>
I. INTRODUCTION .....	1
II. PURPOSE OF TESTIMONY AND FILING .....	2
III. AEP TEXAS OVERVIEW .....	5
IV. RESILIENCY AND RELIABILITY .....	8
V. AEP TEXAS GROWTH AND INVESTMENT .....	11
VI. REQUESTED RATE RELIEF .....	18
VII. CONCLUSION.....	20

## EXHIBITS

<u>EXHIBITS</u>	<u>DESCRIPTION</u>
EXHIBIT JET-1	AEP Texas Witnesses - 2024 Texas Base Rate Case

## **GLOSSARY OF ACRONYMS**

ADMS/DERMS	Advanced Distribution Management System/Distributed Energy Resource Management System
AEP	American Electric Power Company, Inc.
AEP Texas	AEP Texas Inc.
AEPSC	American Electric Power Service Corporation
Commission	Public Utility Commission of Texas
CPI	Consumer Price Index
DACR	Distribution Automation Circuit Reconfiguration
ERCOT	Electric Reliability Council of Texas
FFO	Funds from Operations
GRIP	Grid Resilience and Innovation Partnership
IIJA	Infrastructure Improvement and Jobs Act
ITR	Income Tax Refund
kWh	Kilo-watt Hour
REP	Retail Electric Provider
SCADA	Supervisory Control and Data Acquisition
STEM	Science, Technology, Engineering and Math
T&D	Transmission and Distribution
TBBS	Tax Basis Balance Sheet
TC	Transition Charges

I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Judith E. Talavera. My business address is 539 N. Carancahua, Corpus  
4 Christi, Texas 78401.

5 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

6 A. I am President and Chief Operating Officer of AEP Texas Inc. (AEP Texas or the  
7 Company). AEP Texas is a transmission & distribution (T&D) utility and a wholly  
8 owned subsidiary of American Electric Power Company, Inc. (AEP). AEP Texas  
9 operates exclusively within the borders of the Electric Reliability Council of Texas  
10 (ERCOT).

11 Q. WHAT ARE YOUR RESPONSIBILITIES AS PRESIDENT AND CHIEF  
12 OPERATING OFFICER OF AEP TEXAS?

13 A. I oversee the distribution operations of AEP Texas, which delivers electricity to  
14 approximately 1.1 million end-use customers in south and west Texas. I also  
15 oversee the Company's safety, customer services, communications, community  
16 affairs, governmental affairs, and regulatory functions. In addition, although the  
17 AEP Texas Transmission Organization is managed on an AEP enterprise-wide  
18 functional basis, I oversee financial matters concerning that organization's support  
19 of AEP Texas.

20 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND JOB  
21 EXPERIENCE.

22 A. I received a Bachelor of Journalism from the University of Texas at Austin in 1996.  
23 Before joining AEP, I spent nearly eight years in the public policy arena working

1 for a state senator from the Houston area. In 2000, AEP hired me as a Manager of  
2 Government Affairs in their Texas State Office. In 2008, I became Director of  
3 Regulatory Services for AEP Texas.<sup>1</sup> In June 2016, I was promoted to my current  
4 position as President and Chief Operating Officer of AEP Texas.

5 Q. WHO ARE YOU TESTIFYING ON BEHALF OF IN THIS PROCEEDING?

6 A. I am testifying on behalf of AEP Texas Inc.

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

9 A. Yes, I testified before the Commission in Docket No. 46050, *Application of AEP*  
10 *Texas Central Company, AEP Texas North Company, and AEP Utilities, Inc. for*  
11 *Approval of Merger*, Docket No. 46368, *Application of AEP Texas North Company*  
12 *for Regulatory Approvals Related to the Installation of Utility-Scale Battery*  
13 *Facilities*, Docket No. 48577, *Application of AEP Texas Inc. for Determination of*  
14 *System Restoration Costs*, and Docket No. 49494, *Application of AEP Texas Inc.*  
15 *for Authority to Change Rates*.

16  
17 II. PURPOSE OF TESTIMONY AND FILING

18 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

19 A. My direct testimony supports the Company's request to change rates by providing  
20 a high-level introduction to AEP Texas and this rate case. My direct testimony will

---

<sup>1</sup> At that point, "AEP Texas" was the brand name for the jointly managed operations of AEP Texas Central Company and AEP Texas North Company, prior to the Commission's approval of their merger in Docket No. 46050.

1 discuss some of the challenges and opportunities we have experienced during the  
2 last four years since our previous rate case, including an unprecedented amount of  
3 load growth that has come with our support of the growing Texas economy. My  
4 testimony will identify some of the major drivers for the rate request, provide an  
5 overview of the relief requested, introduce the other witnesses, and provide a brief  
6 description of the subject matters in their testimony.

7 Q. WHY IS AEP TEXAS FILING THIS CASE AT THIS TIME?

8 A. There are several reasons AEP Texas is filing this case. Much has happened since  
9 AEP Texas filed its last base rate case in 2019. The world was beginning to respond  
10 to a global pandemic just as the Commission was issuing its final order in our last  
11 rate case. During that same year and following, the state experienced several  
12 extreme weather events, most notably Winter Storm Uri in February 2021.

13 AEP Texas has also experienced significant growth opportunities since the  
14 last base rate case. The State of Texas is fortunate to have a vibrant and diverse  
15 economy, and the AEP Texas service territory has been a key contributor to its  
16 recent economic growth. AEP Texas has experienced unprecedented growth, most  
17 recently hitting a year-over-year weather-normalized growth rate of 9% at the end  
18 of the Test Year. The commercial and industrial classes have been the primary  
19 drivers of this growth. New and existing businesses continue to find an attractive  
20 environment for growth and investment in the AEP Texas service territory, which  
21 has required AEP Texas to make significant investments in its transmission and  
22 distribution (T&D) system to support the expanding economy.



1           Between January 1, 2019 and September 30, 2023, AEP Texas invested  
2           more than \$2 billion in distribution capital additions and \$3 billion in transmission  
3           capital additions. This capital investment was necessary to address load changes  
4           of new and existing customers and allow AEP Texas to fulfill its obligations under  
5           PURA, the Commission's Substantive Rules, and its Commission-approved tariffs.  
6           In the face of this growth and investment it is important for AEP Texas to maintain  
7           and improve its financial profile. To achieve this objective, our rates must provide  
8           us with the opportunity to recover our reasonable costs of doing business and a  
9           competitive return on our investments in Texas. Maintaining and improving AEP  
10          Texas' financial profile is discussed at more length by AEP Texas witnesses Chad  
11          Burnett and Noah Hollis.

12           While unprecedented load growth and the resulting \$5 billion in T&D  
13          investment play a significant role in the timing of this rate case, costs have been  
14          rising as well since AEP Texas' most recent rate case. Rising inflation has  
15          contributed to an increase in the cost of service. These higher costs are reflected in  
16          the Test Year cost of service and are discussed by several AEP Texas witnesses.

17           Since its most recent rate case, AEP Texas has provided safe and reliable  
18          service in the face of significant challenges and opportunities. Our company has  
19          and continues to respond to the changing environment. Customers' needs and  
20          expectations continue to evolve as new technology becomes available and there are  
21          increasing demands on the system. AEP Texas remains committed to providing  
22          them with the essential service we provide at an affordable cost.





1

2 Q. WILL YOU PLEASE DESCRIBE AEP TEXAS' SUPPORT FOR ITS  
3 COMMUNITIES?

4 A. AEP Texas employees are actively involved in their local Texas communities and  
5 participate in many civic organizations, helping to make their communities better  
6 places to live, work, and play. The Company is a financial supporter of non-profit  
7 organizations whose focus is improving quality of life and makes significant  
8 contributions to help improve education and health as well as support the economic  
9 vitality of the areas we serve. AEP Texas is proud to be a partner in education –  
10 through workshops, initiatives, and educational resources – to thousands of teachers  
11 and students, particularly in grades pre-K to 12, with a focus on Science,  
12 Technology, Engineering, and Math (STEM). Our employees also engage with  
13 numerous community stakeholders to teach the public about electrical safety.

1 Through our economic development efforts and in partnership with the  
2 communities we serve, AEP Texas strives to make certain our service territory  
3 remains vibrant and strong.

4 Q. PLEASE DESCRIBE AEP, AEPSC, AND THE SERVICES AEPSC PROVIDES  
5 TO AEP TEXAS FOR THE BENEFIT OF CUSTOMERS

6 A. AEP Texas is part of the AEP family of operating companies, collectively one of  
7 the largest electric utilities in the United States, delivering electricity to more than  
8 5.6 million customers in eleven states. AEP's utility units operate as AEP Texas,  
9 Southwestern Electric Power Company (in Texas, Louisiana, and Arkansas), Public  
10 Service Company of Oklahoma, AEP Ohio, Appalachian Power (in Virginia, West  
11 Virginia, and Tennessee), Indiana Michigan Power, and Kentucky Power. Shared  
12 services are provided to AEP Texas and the other AEP operating companies  
13 through the American Electric Power Service Corporation (AEPSC).

14 AEPSC, a wholly owned subsidiary of AEP, provides utility support  
15 services such as engineering, financial, human resource, and accounting services,  
16 at cost, for all operating units within the AEP system. AEP Texas and the other  
17 AEP operating companies benefit from the use of services provided by AEPSC.  
18 Company witnesses Brian J. Frantz and Patrick L. Baryenbruch discuss the AEPSC  
19 services and billings in more detail. Additionally, individual Company witnesses  
20 support the reasonableness and necessity of various classes of AEPSC charges to  
21 AEP Texas.

1 Q. PLEASE INTRODUCE THE OTHER AEP TEXAS WITNESSES.

2 A. EXHIBIT JET-1 to this testimony identifies each AEP Texas witness and provides  
3 a brief description of the subject matters covered by that testimony.

4

5 IV. RESILIENCY AND RELIABILITY

6 Q. PLEASE DESCRIBE AEP TEXAS' APPROACH TO MAINTAINING AND  
7 IMPROVING SERVICE RELIABILITY.

8 A. Generally, AEP Texas' approach for improving system performance focuses on  
9 two areas: prevention and minimizing duration of outages. While the reliability of  
10 service is important, having a system in place that is resilient, particularly in light  
11 of the increase in extreme weather events is also a priority of AEP Texas. As the  
12 transmission and distribution utility with the largest coastal exposure in the state,  
13 AEP Texas is not a stranger to preparing for catastrophic weather events. I am  
14 proud of how our team has responded to some of the damaging weather events that  
15 have impacted our expansive service territory over the last four years. For example,  
16 in south Texas our teams worked quickly and safely to restore service despite the  
17 challenging circumstances of Hurricane Hanna making landfall during the  
18 COVID-19 pandemic in 2020. Winter Storm Uri presented its own unique  
19 challenges, but again, our employees were ready to respond when needed. Our  
20 system held up remarkably well during that winter event and our teams were  
21 focused on making sure customers had service restored as soon as possible after the  
22 load shed directive ended. More recently in 2023, a tornado devastated the town of  
23 Matador, Texas, and our team responded safely and quickly to restore service to

1 those impacted in less than 24 hours despite losing an entire substation as a result  
2 of the tornado.

3 AEP Texas is committed to providing safe and reliable electric service to  
4 the 1.1 million end-use customers in the AEP Texas service area. Through the use  
5 of existing programs that have proven to enhance reliability, as well as planned  
6 future programs to further improve the resiliency of our system, AEP Texas works  
7 to prevent and minimize service interruptions. AEP Texas' efforts to maintain and  
8 improve service reliability are discussed further in the testimonies of AEP Texas  
9 witnesses Jeffery Stracener and Jeffrey Ellis.

10 Q. HOW DID AEP TEXAS ADAPT DURING THE PANDEMIC TO CONTINUE  
11 TO PROVIDE RELIABLE SERVICE?

12 A. AEP Texas employees excel during challenges. They take a great deal of pride in  
13 the service they provide our customers and recognize the importance of having safe  
14 and reliable electricity. Working through the COVID-19 pandemic required many  
15 changes in the way we work, but our employees adjusted as necessary and  
16 persevered. AEP Texas had plans in place in case we had to maintain our operations  
17 with a significantly reduced workforce, but thankfully that did not happen. Safety  
18 is our most important value, and I am proud to say we had one of the best years in  
19 terms of safety performance during 2020. While many of our office personnel were  
20 able to work remotely from home during the height of the pandemic, our field  
21 employees continued working on the frontlines, ensuring our customers had the  
22 safe and reliable service they needed to continue their daily lives.

1 Q. HAVE INVESTMENTS IN RELIABILITY CONTRIBUTED TO THE  
2 EXPENDITURE OF SIGNIFICANT CAPITAL FUNDS?

3 A. Yes. AEP Texas is committed to providing safe, reliable, and affordable service to  
4 its customers. While the Company's overall approach is preventing interruptions  
5 in service, AEP Texas also invests in the system to minimize outages if they take  
6 place.

7 System hardening efforts to make specific areas across its service territory  
8 more storm resistant, adding distribution automation circuit reconfiguration  
9 (DACR) to modernize the system and make it capable of "self-healing" when a  
10 fault is detected, and increasingly using data analytics to help identify preventative  
11 maintenance opportunities are some of the initiatives AEP Texas has in place to  
12 maintain and improve system reliability. AEP Texas witnesses Jefferey Stracener  
13 and Jeffrey Ellis discuss efforts in more detail in their testimonies.

14 Q. THE FEDERAL GOVERNMENT MADE GRANT FUNDING AVAILABLE  
15 FOR ELECTRIC GRID IMPROVEMENTS THROUGH THE  
16 INFRASTRUCTURE IMPROVEMENT AND JOBS ACT (IIJA). HAS THE  
17 COMPANY FILED AN APPLICATION IN THIS PROGRAM?

18 A. Yes, the Company participated in applications for IIJA grant funding as a part of  
19 an application made by AEP Texas' parent company, American Electric Power  
20 Company (AEP). Specifically, AEP Texas Distribution was part of applications  
21 through the Department of Energy Funding Opportunity Announcement DE-FOA-  
22 0002740, otherwise known as Grid Resilience and Innovation Partnership (GRIP)  
23 Smart Grid Grants. AEP Texas was part of applications for:

- 1                   ▪       Undergrounding of specific existing distribution facilities
- 2                   ▪       Distribution Automation Circuit Reconfiguration (DACR)
- 3                   ▪       Expansion of Supervisory Control and Data Acquisition (SCADA)
- 4                               capabilities; and
- 5                   ▪       Development and implementation of an Advanced Distribution
- 6                               Management System/Distributed Energy Resource Management
- 7                               System (ADMS/DERMS)

8    Q.     HAS AEP RECEIVED FUNDING THROUGH THIS GRANT PROGRAM?

9    A.     Yes. AEP has been notified that it has received funding for the development and  
10           implementation of an ADMS/DERMS. This grant funding is further discussed by  
11           AEP Texas witness Stracener.

12

13                               V.    AEP TEXAS GROWTH AND INVESTMENT

14   Q.     HOW HAS YOUR BUSINESS ENVIRONMENT CHANGED SINCE THE LAST  
15           BASE RATE CASE PROCEEDING?

16   A.     While the mission to provide safe and reliable service to our customers and the  
17           communities we serve remains unchanged for AEP Texas, the business  
18           environment that AEP Texas serves in has changed dramatically since the test year  
19           of our last base rate case. As mentioned above, our state survived a catastrophic  
20           winter storm, a global pandemic, and a short but severe recession, which all led to  
21           a rapid increase in inflation and interest rates that have challenged AEP Texas  
22           financial position since the last case. At the same time, the AEP Texas service  
23           territory has experienced unprecedented growth as more businesses have expanded  
24           or selected the State of Texas for their business. The pipeline of future economic  
25           development projects has never been bigger, which will require additional capital



1 investment to meet the growing needs of our customers and the communities we  
2 serve. Additionally, customers' needs are increasingly dynamic and AEP Texas  
3 must be prepared to meet those changes.

4 Q. HAVE THESE CHALLENGES IMPACTED AEP TEXAS' CREDIT RATING?

5 A. It is important for AEP Texas to be a financially healthy utility to serve as the  
6 essential services provider we are to our communities. While we are able to utilize  
7 the cost recovery mechanisms available for capital investments, the reality is that  
8 the level of investment needed to address the growth AEP Texas is experiencing  
9 across its footprint and that is needed to invest in the reliability and resiliency of  
10 the system is significant. This puts pressure on AEP Texas' credit metrics and  
11 makes it very challenging for AEP Texas to earn its authorized ROE.

12 A recent credit opinion written by Fitch Ratings states, "As a result of  
13 AEPTX's lower equity capitalization and continued regulatory lag due to the  
14 service territory's high growth, AEPTX's FFO [Funds from Operations] leverage  
15 has declined significantly... Fitch expects parent AEP will only make equity  
16 infusions to maintain the regulatory capital structure as authorized, which will  
17 result in credit metrics lower than most 'BBB' rated utilities."

18 A similar recent opinion by Moody's Investors Service states, "The Texas  
19 regulatory framework provides timely rider recovery mechanisms for investment  
20 in transmission and distribution assets, which reduces regulatory lag and increases  
21 cash flow predictability, a credit positive. However, [AEP Texas] financial metrics  
22 have weakened materially since 2020, largely a result of the utility's unfavorable  
23 2020 rate case outcome." Moody's goes on to mention that "More favorable

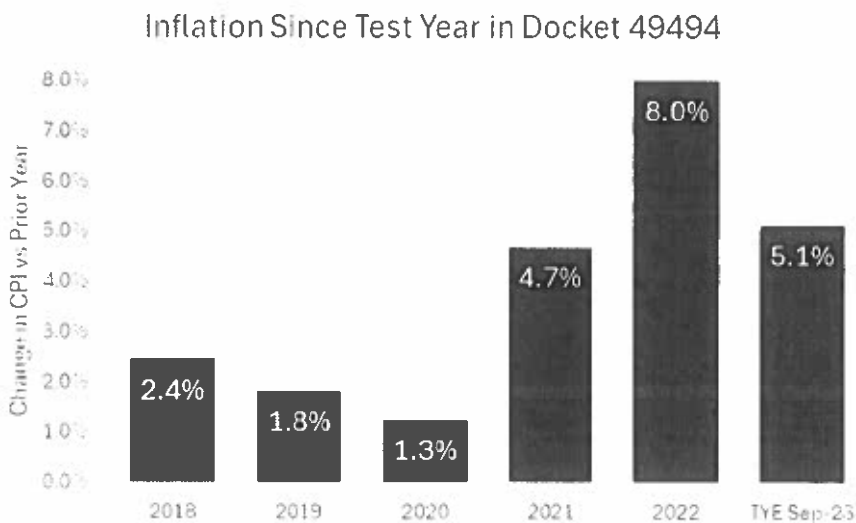
1 regulatory provisions, such as a higher authorized equity layer or return on equity,  
2 expense reductions, other operational improvements or a reduction in  
3 leverage...could put upward pressure on the rating.”

4 Q. WHAT COULD THE EFFECTS BE IF AEP TEXAS’ RATING WERE TO  
5 FALL?

6 Our bond rating is important to securing debt financing. If our rating were to fall,  
7 it would result in AEP Texas having to pay higher interest rates on debt. This would  
8 increase the cost of capital for investments made to serve the needs of our customers  
9 throughout our service territory, which would increase AEP Texas’ cost of service  
10 and ultimately harm our customers. To prevent this from happening, we are seeking  
11 an authorized rate of return of 10.6% and an increase in the equity layer of the  
12 Company’s capital structure to 45% equity financing with 55% debt financing as  
13 discussed in more detail by Company witnesses Burnett, Hollis, Buckley, and  
14 Shipman. Without adjustments to our ROE and capital structure AEP Texas may  
15 face challenges in attracting capital investment at a reasonable cost.

16 Q. HOW HAS INFLATION IMPACTED AEP TEXAS SINCE THE LAST BASE  
17 CASE?

18 A. Year-over-year inflation during the test year of our last base case (Docket No.  
19 49494), as measured by the Consumer Price Index (CPI) was 2.4%. Year-over-  
20 year inflation for the test year in this case is more than double that at 5.1%.



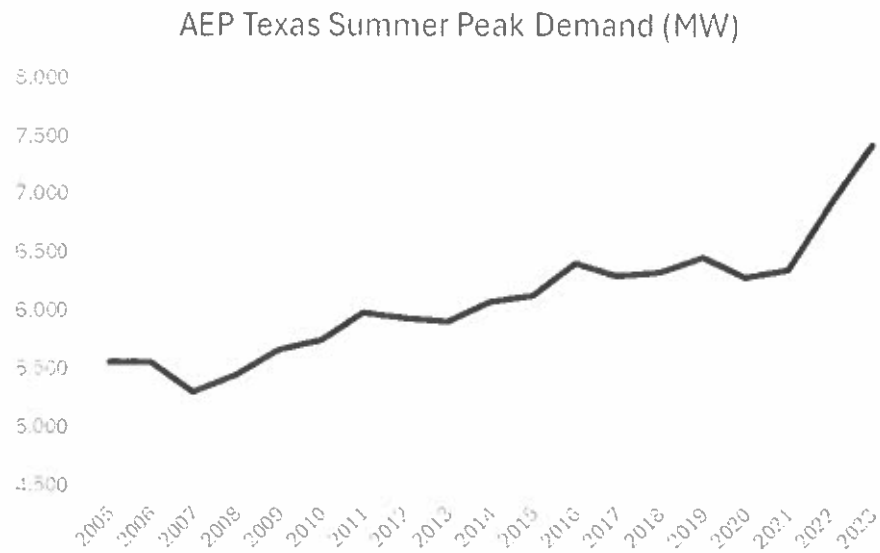
1

2 With higher inflation, the cost of serving our customers has also increased. Part of  
3 the request in this proceeding is to update our rates to capture the current costs of  
4 serving our customers. Several Company witnesses, including Stracener,  
5 Robinson, and T. Reynolds discuss the increasing costs in greater detail.

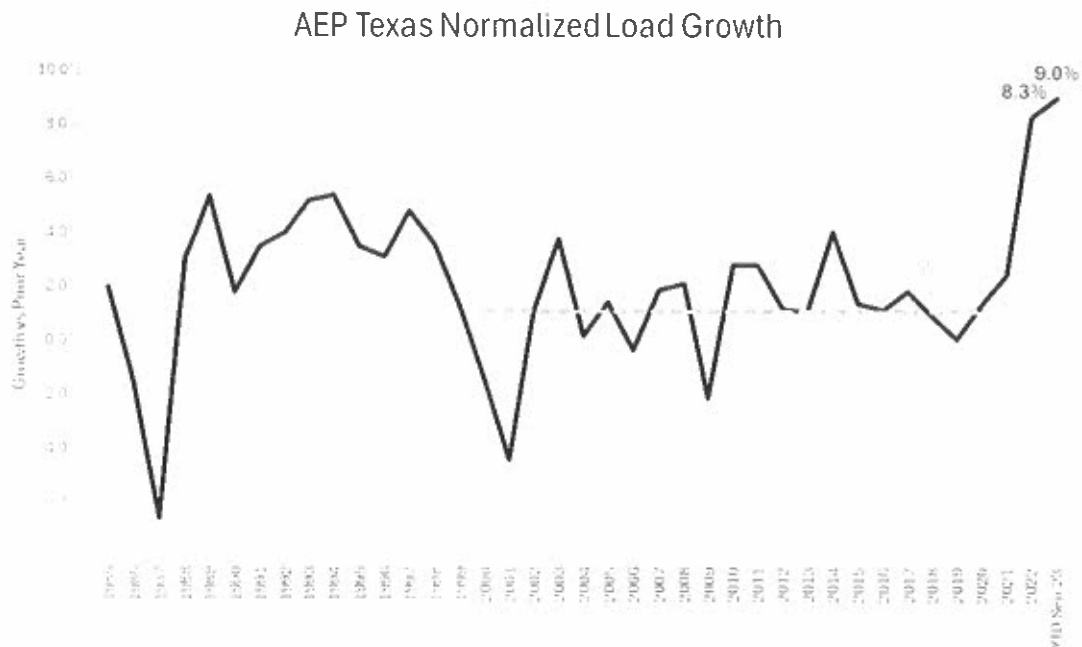
6 Q. CAN YOU DESCRIBE WHAT YOU MEANT BY 'UNPRECEDENTED LOAD  
7 GROWTH' EXPERIENCED BY AEP TEXAS SINCE THE LAST BASE RATE  
8 CASE?

9 A. Yes. As described above, AEP Texas has experienced significant growth since the  
10 last base case. For the last three consecutive summers (2021, 2022, & 2023) AEP  
11 Texas has set new all-time peak demand records. Over the previous decade (from  
12 2011-2021), AEP Texas summer peak demand increased on average by 56 MW.  
13 Over the past two summers alone, AEP Texas' peak demand has gone up by well  
14 over 500 MW each year. In other words, our peak demand has grown more in the

1 last two years (> 1 GW) than it had in the previous twenty years. Today, the AEP  
2 Texas system peak demand is just under 7,500 MW.



3  
4 This unprecedented load growth is not just happening with the annual peak  
5 hour, but also with our energy (GWh) delivered over all 8,760 hours of the year.  
6 The chart below shows AEP Texas annual weather normalized energy delivered  
7 growth back to 1985 in the blue line. The orange dashed line shows energy  
8 delivered in the AEP Texas service territory grew on average by 1.1% per year from  
9 2000 to 2020. In 2021, AEP Texas load increased by 8.3%, and through the end of  
10 the test year in 2023, AEP Texas load is up another 9.0% on top of the 2022 levels.  
11 In other words, the growth that we are experiencing today is nearly 9 times greater  
12 than what we have historically experienced.



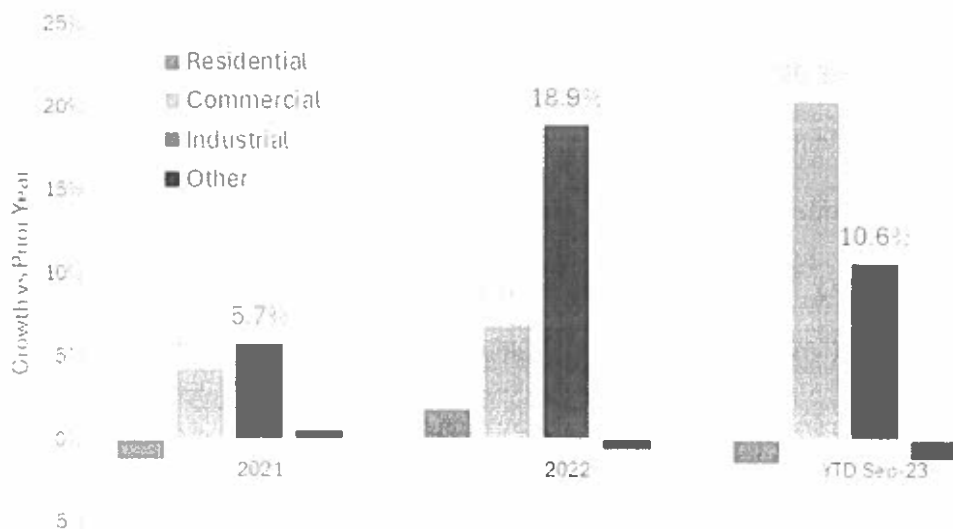
1

2 Further, we continue to see new customers and industries looking to locate  
3 throughout the AEP Texas footprint. This should support continued load growth  
4 for years to come.

5 Q. IS ALL OF THIS LOAD GROWTH HAPPENING IN JUST ONE REGION,  
6 INDUSTRY, OR CUSTOMER CLASS?

7 A. No. We are seeing strong growth in our Commercial class from data centers and  
8 crypto mining facilities located primarily in west Texas. Our Industrial class sales  
9 are being led by growth in the oil & gas sectors, and Primary Metals manufacturing  
10 located in the Permian basin and around the coastal areas of the AEP Texas  
11 footprint. The chart below shows growth by class over the past several years.

AEP Texas Normalized Load Growth by Class



Q. DOES SUPPORTING THIS GROWTH REQUIRE THE EXPENDITURE OF SIGNIFICANT CAPITAL FUNDS?

A. Yes. As noted above, AEP Texas has invested \$5 billion in its T&D system since the close of our previous test year, and much of that capital has been to support the economic growth in the AEP Texas service territory. The Company also has invested in the reliability of its system, but has had to balance the increased investments needed to support new customers with incremental reliability projects. I would like to point out, however, that projects supporting new load and reliability projects are not necessarily mutually exclusive. Supporting new load often provides the Company with the opportunity to replace aging infrastructure at the same time, helping to maintain and improve reliability on our system. Our capital spending programs are further discussed by AEP Texas witnesses Stracener and Ellis.

1 Q. HOW HAVE SUPPLY CHAIN CONSTRAINTS IMPACTED AEP TEXAS  
2 OPERATIONS SINCE THE LAST BASE RATE CASE?

3 A. Supply chain constraints have been one of the most difficult challenges to manage  
4 over the past four years. Key commodities used on our system have seen substantial  
5 lead time increases. The growth AEP Texas is experiencing across its service  
6 territory has put additional pressure on the demand for more material. Longer  
7 delays and higher costs for products like transformers and breakers are discussed  
8 further by Company witnesses Stracener and Steinke.

9

10 VI. REQUESTED RATE RELIEF

11 Q. PLEASE DESCRIBE THE RATE INCREASE REQUESTED IN THIS FILING.

12 A. Related to its distribution cost of service, as discussed by AEP Texas witness  
13 Jennifer Jackson, the net change to distribution service billings is approximately  
14 \$100.4 million over adjusted test year revenues. This net change is a 13.09%  
15 increase over net present distribution revenues. When expected annualized TCRF  
16 rider revenues are included in the comparison to present revenues, the \$100.4  
17 million net change is an 8.40% increase.

18 Related to its transmission cost of service, the Company requests a rate  
19 increase of \$63.1 million above its adjusted test year revenues, an increase of  
20 9.29%.

1 Q. IS THE DISTRIBUTION COST OF SERVICE INCREASE IDENTIFIED  
2 ABOVE NET OF THE PROPOSED INCOME TAX REFUND RIDER?

3 A. Yes. AEP Texas is requesting to institute an Income Tax Refund (ITR) rider to  
4 return tax benefits associated with the Tax Basis Balance Sheet (TBBS) as  
5 explained in the testimony of Company witness Linda M. Schlessman. The  
6 distribution cost of service increase identified above is net of a nearly \$6.6 million  
7 ITR credit.

8 Q. WILL CUSTOMERS IN THE CENTRAL DIVISION RECEIVE A RATE  
9 REDUCTION IN 2024 THAT WILL MODERATE THE INCREASE  
10 DESCRIBED ABOVE?

11 A. Yes. Customers in the Central Division are currently charged amounts associated  
12 with stranded costs called Transition Charges (TC). One TC charge remains in  
13 effect, known as TC3. As explained by AEP Texas witness Jackson, in December  
14 2024, the TC3 Rider ends and, as a result, every customer class in the Central  
15 Division will see a decrease in AEP Texas charges that will moderate the total base  
16 rate change requested in this case.

17 Q. WHAT IS THE EFFECT OF THIS RATE REQUEST ON AEP TEXAS'  
18 CUSTOMERS AS COMPARED TO EXISTING RATES?

19 A. As calculated by AEP Texas witness Jackson, if approved and implemented  
20 through the Company's proposed rates for Retail Delivery Service, the impact on a  
21 residential customer using 1,000 kilowatt-hours (kWh) per month would be an  
22 increase of \$4.89 or 14.1% per month. With the approval of the ITR rider refund,  
23 the impact of the proposed rates on such a residential customer would be \$4.59 or



1 13.24% per month. After the TCRF and other rider revenues are considered, this  
2 \$4.59 increase represents a 9.16% increase in distribution rates for customers in  
3 AEP Texas' North Division. Finally, regarding customers in AEP Texas' Central  
4 Division, TC-3 expires in December 2024. Considering the expiration of TC3, as  
5 well as the TCRF and other rider revenues, the impact of the proposed rate change  
6 on customers in AEP Texas' Central Division customer would be an increase of  
7 just \$2.11 or 3.9%.

8 We are mindful of the impact that our investments have on our customer  
9 bills and continue to work to operate as efficiently as possible to provide safe and  
10 reliable electricity at reasonable rate.

11  
12 VII. CONCLUSION

13 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

14 A. Since the last rate case, AEP Texas has invested \$5 billion to support the growing  
15 Texas economy and meet the evolving needs of customers across our service  
16 territory with safe and reliable electric service. Despite the challenges faced in the  
17 last four years, our employees rose to the occasion and will continue to do so. While  
18 we are always mindful of the impact a rate increase has on the customers and  
19 communities we serve, the inflationary pressures AEP Texas is experiencing,  
20 coupled with the increasing demands on the system, require us to file this rate  
21 request. It is necessary to align the rates with the current cost of serving customers  
22 and supporting the exciting growth we are experiencing in the State of Texas. AEP  
23 Texas is a proud partner with the communities we serve and they depend on us to

1           provide safe, reliable and affordable service. A strong and financially healthy  
2           utility will continue to help the State of Texas and the local communities we serve  
3           continue to thrive.

4    Q.     DOES THIS CONCLUDE YOUR TESTIMONY?

5    A.     Yes, it does.

<b>AEP Texas Witnesses 2024 Texas Base Rate Case</b>			
	<b>Subject</b>	<b>Witness</b>	<b>Description of Testimony</b>
1.	Policy and Overview	Judith E. Talavera	Ms. Talavera presents the AEP Texas rate case application and discusses some of the challenges and opportunities experienced since the previous rate case, including an unprecedented amount of load growth that has come with support of the growing Texas economy. Further, she discusses the rate relief requested and impact on customers.
2.	Policy, Affiliate Expenses and Rate Case Expenses	Chad Burnett	Mr. Burnett introduces proposals for regulatory approval supported by various witnesses. Mr. Burnett also discusses AEP Texas affiliate expenses related to legal, regulatory, and environmental services and supports AEP Texas' rate-case expenses.
3.	Cost of Service and Rate Base	Tiffany Day	Ms. Day presents AEP Texas' requested total company cost of service and associated RFP schedules.
4.	Pro Forma Accounting Adjustments	Aaron Thomas	Mr. Thomas describes various pro forma accounting adjustments.
5.	Catastrophe Reserve	Greg Wilson	Mr. Wilson discusses AEP Texas' approach to the use of a Catastrophe Reserve.
6.	Lead-Lag Study	Jay Joyce	Mr. Joyce sponsors the results of the lead-lag study for measuring the cash working capital allowance required for AEP Texas' operations.
7.	Cost of Common Equity	Ann Bulkley	Ms. Bulkley presents her recommended return on equity.
8.	Capital Structure and Overall Cost of Capital	Noah Hollis	Mr. Hollis supports the calculations of AEP Texas' cost of debt as well as AEP Texas' overall capital structure. He further discusses AEP Texas' financial condition and the implementation of ring-fencing measures from the AEP Texas' prior rate case.
9.	Capital Structure	Todd Shipman	Mr. Shipman discusses AEP Texas' requested capital structure from the perspective of credit rating agencies and investors.
10.	Service Reliability, Affiliate Distribution Costs, Distribution Capital Additions	Jeff Stracener	Mr. Stracener discusses AEP Texas' performance with respect to various reliability and quality of service measures. He also supports the reasonableness and necessity of AEP Texas' overall and affiliate O&M costs for distribution services, as well as distribution capital additions.
11.	Overall and Affiliate Transmission O&M Costs	K. Shawn Robinson	Mr. Robinson discusses AEP's transmission organization and operations. He supports AEP Texas' overall and affiliate O&M costs for transmission services.

AEP Texas Witnesses 2024 Texas Base Rate Case			
	Subject	Witness	Description of Testimony
12.	Transmission Capital Additions – Need	Jeffrey L. Ellis	Mr. Ellis supports the need for and cost of AEP Texas' transmission capital additions.
13.	Transmission Capital Additions – Cost	Thomas W. Reynolds, III	Mr. Reynolds supports the reasonableness of the cost of AEP Texas' transmission capital investments included in Schedule M of the rate filing package.
14.	AEP Texas External Affairs and Corporate Communications, Affiliate External Affairs, Grid Solutions and Government Affairs, Corporate Communications, and Customer Operations O&M Costs, and Advertising, Contributions and Memberships	Gilbert Hughes	Mr. Hughes discusses AEP Texas' External Affairs and Corporate Communications organizations and the services they provide. He also discusses AEPSC's External Affairs, Grid Solutions and Government Affairs, Corporate Communications, and Customers Operations organizations and demonstrates the reasonableness and necessity of the affiliate charges billed to AEP. He supports the advertising costs, contributions, and membership dues requested in this case.
15.	Depreciation	Jason Cash	Mr. Cash discusses the depreciation study overview, the study methods and procedures, and the study results.
16.	Federal and State Income Taxes and Tax-Related Adjustments	Linda Schlessman	Ms. Schlessman discusses AEP Texas' Federal Income Taxes included in its cost of service and describes the RFP's tax schedules. She also addresses accumulated deferred income tax (ADFIT), the corporate alternative minimum tax (CAMT) created by the Inflation Reduction Act, and certain inputs to the proposed ITR Rider.
17.	AEPSC and Affiliate Transactions	Brian Frantz	Mr. Frantz discusses AEPSC and the corporate support services it provides. He describes AEPSC's internal controls, billing and cost allocation methods, and how they assure that AEP Texas is charged reasonable and necessary costs for affiliate services. He also provides supporting testimony regarding the reasonableness and necessity of the Chief Financial Officer, Chief Executive Officer, Internal Support, and AEPSC Incentives classes of AEPSC affiliate costs. He explains the allocation factors used to bill the various affiliate classes of cost to support the conclusion that AEP Texas is charged affiliate costs by AEPSC that are no higher than those billed to other AEP affiliates.

AEP Texas Witnesses 2024 Texas Base Rate Case			
	Subject	Witness	Description of Testimony
18.	Necessity of AEPSC Services and Charges, AEPSC Budgeting Processes, and Cost Allocation	Patrick Baryenbruch	Mr. Baryenbruch presents an independent assessment of the reasonableness and necessity of the services provided to AEP Texas by AEPSC, and the associated costs. This assessment includes review of the necessity and benefit of AEPSC services, the appropriateness of AEPSC allocation factors, and the reasonableness of AEPSC and AEP Texas costs.
19.	Human Resources Organization and Affiliate Charges	Mary Catherine Grayem	Ms. Grayem describes AEPSC Human Resources and discusses the services provided by the AEPSC Human Resources Department. She supports the reasonableness and necessity of the Human Resource Department affiliate charges to AEP Texas.
20.	Employee Compensation & Benefit Plans	Andrew Carlin	Mr. Carlin describes the reasonableness and market competitiveness of the AEP compensation plan and the salary and incentive compensation levels for AEP Texas and AEPSC, and supports a pro forma adjustment made by Mr. Thomas for base pay increases effective in 2024.  Mr. Carlin also describes and supports the reasonableness of the benefit plans for AEP Texas and AEPSC employees.
21.	Supply Chain, Fleet, Property Management Affiliate Charges	Brian Steinke	Mr. Steinke describes the services provided by the AEP Supply Chain, Fleet, Property Management Department. He supports the reasonableness and necessity of AEP Texas' costs for these services.
22.	Real Estate and Workplace Services Affiliate Charges	Kweku Ofei-Amoh	Mr. Ofei-Amoh describes the services provided by AEPSC Real Estate and Workplace Services. He supports the reasonableness and necessity of AEP Texas' affiliate costs for these services.
23.	Technology and Security Organization and Affiliate Charges	Joe Brenner	Mr. Brenner describes the AEP Technology and Security organization and the services provided. He supports the reasonableness and necessity of AEP Texas' Technology and Security affiliate costs. He also provides testimony describing Technology and Security-related capital additions since AEP Texas' last base rate case and supporting the reasonableness of those capital costs.
24.	Energy Forecast and Weather Normalization; Load Research Schedule Sponsorship	Trenton Feasel	Mr. Feasel presents the weather normalization processes used in forecasting and supports several associated schedules.  Mr. Feasel also sponsors various schedules related to load and demand.

AEP Texas Witnesses 2024 Texas Base Rate Case			
	Subject	Witness	Description of Testimony
25.	Cost of Service Study	Earlyne Reynolds	Ms. Reynolds presents and supports AEP Texas' class cost-of-service study. She also supports the pro forma adjustments made to the test year customer, revenue, and sales volume data.
26.	Rate Design and Tariff Riders	Jennifer Jackson	Ms. Jackson presents AEP Texas' retail class rate design.
27.	Tariff Issues/Rate Design	Gricelda Calzada	Ms. Calzada discusses and supports various changes to the Company's Retail Tariff.
28.	Rate-Case Expenses	Mark Santos	Mr. Santos addresses the reasonableness of the rate-case expenses that have been and will be incurred by AEP Texas to litigate this rate case and in certain prior rate proceedings.

## LINE ITEM 7

### CITY OF PRESIDIO BUSINESS (NEW/OLD)

- c. Discussion / action to pass Ordinance/Resolution where City of Presidio maintains exclusive, original jurisdiction over the electric rates, operations, and services provided within city limits by AEP Texas Inc.

AN ORDINANCE / RESOLUTION OF THE CITY OF \_\_\_\_\_, TEXAS  
FINDING, AFTER REASONABLE NOTICE AND HEARING, THAT AEP TEXAS  
INC EXISTING ELECTRIC RATES AND CHARGES WITHIN THE CITY SHOULD  
REMAIN IN EFFECT

WHEREAS, pursuant to §33.001 of the Public Utility Regulatory Act, the City of \_\_\_\_\_ has exclusive, original jurisdiction over the electric rates, operations, and services provided within city limits by AEP Texas Inc. (AEP Texas or the Company).

WHEREAS, on February 29, 2024, AEP Texas filed with the City of \_\_\_\_\_ a Petition and Statement of Intent seeking a net increase of 13.1% over net present distribution revenues. Related to its transmission cost of service, the Company requests a rate increase of \$63.1 million above its adjusted test year revenues, an increase of 9.29%.

WHEREAS, the Company has requested its proposed rate change become effective 35 days after the filing its Petition.

NOW, THEREFORE, BE IT ORDAINED/RESOLVED BY THE CITY COUNCIL OF THE CITY OF \_\_\_\_\_, TEXAS:

SECTION 1. It is hereby found and determined that said meeting at which this Ordinance/Resolution was passed was open to the public, as required by Texas law, and that advance public notice of the time, place and purpose of said meeting was given.

SECTION 2. AEP Texas' request for approval of its base rates increase is denied. The existing rates and charges of AEP Texas are hereby found to be just and reasonable rates and the City adopts such existing rates to continue to be observed and to be in force within the City hereafter.

SECTION 3. The base rates set forth in this Ordinance / Resolution may be changed and amended by either the City or the Company only as provided by law.

SECTION 4. This Ordinance / Resolution shall be served on AEP Texas by email to the Company's authorized representative, Jennifer J. Frederick at [jjfrederick@aep.com](mailto:jjfrederick@aep.com).

SECTION 5. Nothing contained in this Ordinance shall be construed now or hereafter in limiting or modifying, in any manner, the right and power of the City under law to regulate the base rates and charges of AEP Texas.

CONSIDERED, PASSED, APPROVED AND SIGNED this the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, at a regular called meeting of the City Council of the city of \_\_\_\_\_, Texas, at which a quorum was present and which was held in accordance with the provisions of Chapter 551, Texas Government Code.



SIGNED this \_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

CITY OF \_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_, Mayor

Attest:

\_\_\_\_\_

\_\_\_\_\_, City Secretary

APPROVED AS TO FORM:

\_\_\_\_\_

\_\_\_\_\_, City Attorney