

CHAPTER 25. SUBSTANTIVE RULES APPLICABLE TO ELECTRIC SERVICE PROVIDERS.

Subchapter J. COSTS, RATES AND TARIFFS.

§25.239. Transmission Cost Recovery Factor for Certain Electric Utilities.

- (a) **Application.** The provisions of this section apply to an electric utility that operates solely outside of the Electric Reliability Council of Texas in areas of Texas included in the Southwest Power Pool or the Western Electricity Coordinating Council and that owns or operates transmission facilities.
- (b) **Definitions.**
 - (1) **Approved transmission charges (ATC)** — Wholesale transmission charges approved by a federal regulatory authority that are not being recovered through the electric utility’s other retail or wholesale rates and that are appropriately allocated to Texas retail customers. The charges may relate to the use of transmission facilities owned and operated by another transmission service provider or regional transmission organization, including transmission-related administrative fees but not including dispatch fees, congestion charges, costs incurred to hedge congestion charges, or ancillary service charges.
 - (2) **Transmission invested costs (TIC)** — The net change in the electric utility’s transmission investment costs including additions, upgrades, and retirements as booked in FERC accounts 350-359, and accumulated depreciation.
- (c) **Recovery authorized.** The commission, after notice and hearing, may allow an electric utility to recover its reasonable and necessary costs for transmission infrastructure improvement and changes in wholesale transmission charges to the electric utility under a tariff approved by a federal regulatory authority to the extent that the costs or charges have not otherwise been recovered and are incurred after December 31, 2005. Any such recovery shall be made through the use of a transmission cost recovery factor (TCRF) approved by an order of the commission. The TCRF shall be calculated pursuant to subsection (d) of this section. If a utility has not had a base rate case with a final order issued after December 2005, the utility shall not be eligible for recovery under this provision without first obtaining a final order in a base rate case.
- (d) **Transmission cost recovery factor (TCRF).** The TCRF shall be determined by the following formula:

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| $\text{TCRF} = \frac{RR * \text{ClassALLOC}}{BD}$ | |
| Where: | TCRF = transmission cost recovery factor in dollars per unit, for billing each customer class. |
| | RR = transmission cost recovery factor revenue requirement, calculated pursuant to subsection (e) of this section. |
| | ClassALLOC = the customer class allocation factor used to allocate the transmission revenue requirement in the utility’s most recent base rate case. |
| | BD = each customer class’s annual billing determinant (kilowatt-hour, kilowatt, or kilovolt-ampere) for the previous calendar year. |

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- (e) **Transmission cost recovery factor revenue requirement (RR).** For an electric utility subject to this section, the transmission cost recovery factor revenue requirement (RR) shall be calculated by using the following formula:

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| RR = [revreqt + ATC]*ALLOC | |
| Where: | Revreqt = the sum of the return on TIC, net of accumulated depreciation and associated accumulated deferred income taxes, plus investment-related expenses such as income taxes, other associated taxes, depreciation, and transmission-related miscellaneous revenue credits, but not including operation and maintenance expenses or administrative expenses. The return on TIC shall be calculated by multiplying the TIC by the utility's weighted-average cost of capital (WACC) as established for the utility in a final commission order in a base rate case, provided that the order was filed within three years prior to the initiation of the TCRF docket. Otherwise, a proxy WACC shall be used, with a cost of equity of 10%; and the capital structure and cost of debt as reported in the utility's most recent Earnings Monitoring Report filed pursuant to §25.73 of this title (relating to Financial and Operating Reports), adjusted for known and measurable changes. |
| | Transmission Invested Costs (TIC) is defined in subsection (b)(2) of this section. |
| | Approved Transmission Charges (ATC) is defined in subsection (b)(1) of this section. |
| | ALLOC = the utility's Texas retail allocation of transmission revenue requirements, as established in the utility's most recent base rate case. |

- (f) **Setting and amending the TCRF.** An electric utility that is subject to this section may file an application to set or amend a TCRF. The commission staff may also file an application to amend a TCRF. An electric utility may not apply to amend its TCRF more frequently than once each calendar year, but a TCRF shall be reviewed or amended at least once every three years. Upon completion of a base rate case for a utility, the TCRF shall be set to zero. In a docket in which the TCRF is reviewed or amended, the commission may order the refund of any previous over-recovery, but the commission shall not order the surcharge of any under-recovery. An over-recovery shall be considered to have occurred if the revenues from the TCRF were greater than the costs that the TCRF was intended to recover.
- (g) **TCRF forms.** The commission may develop forms for TCRF applications and for monitoring the revenues from a TCRF. If the commission develops and approves such forms, an electric utility shall use the forms as required by the instructions accompanying the form.