

PROJECT NO. 37909

RULEMAKING PROCEEDING TO	§	PUBLIC UTILITY COMMISSION
AMEND PUC SUBST. R. 25.193,	§	
RELATING TO DISTRIBUTION	§	OF TEXAS
SERVICE PROVIDER TRANSMISSION	§	
COST RECOVERY	§	
FACTORS (TCRF)	§	

**PROPOSAL FOR PUBLICATION OF AMENDMENT TO §25.193
AS APPROVED AT THE APRIL 1, 2010 OPEN MEETING**

The Public Utility Commission of Texas (commission) proposes an amendment to §25.193, relating to Distribution Service Provider Transmission Cost Recovery Factors (TCRF). The amendment allows a distribution service provider (DSP) to reflect in its rates an adjustment that credits or charges to the DSP's ratepayers the difference between (1) the amount of transmission service providers' commission-approved wholesale transmission costs that are paid by the DSP and not included in the base rates of the DSP, and (2) the revenues recovered through the DSP's TCRF. The amendment reflects any such adjustment in the DSP's subsequent TCRF update and provides for the crediting or charging of associated carryings costs based on the over/underbilling interest rate established pursuant to §25.28, relating to Bill Payment and Adjustments. Additionally, the amendment deletes the provisions in subsection (b) regarding compliance tariffs. However, the commission intends to include a requirement for compliance tariffs in its order adopting the amendment. Project Number 37909 is assigned to this proceeding.

In addition to comments on the proposed rule, the commission requests that parties specifically address the following question:

1. Are the provisions in this rule sufficient to provide certainty and predictability regarding price changes to both retail electric providers and customers?

Darryl Tietjen, Director of the Rate Regulation Division, has determined that for each year of the first five-year period the amendment is in effect there will be no fiscal implications for state or local government as a result of enforcing or administering the amendment.

Mr. Tietjen has determined that for each year of the first five years the amendment is in effect the public benefit anticipated as a result of enforcing the amendment will be a more accurate matching of DSPs' costs and revenues related to investments in the Electric Reliability Council of Texas (ERCOT) electricity transmission system, particularly those attributable to the integration of renewable energy resources into the ERCOT grid. There will be no adverse economic effect on small businesses or micro-businesses as a result of enforcing the amendment. Therefore, no regulatory flexibility analysis is required. There is no anticipated economic cost to persons who are required to comply with the amendment as proposed.

Mr. Tietjen has also determined that for each year of the first five years the amendment is in effect there should be no effect on a local economy, and therefore no local employment impact statement is required under Administrative Procedure Act (APA), Texas Government Code §2001.022.

Initial comments on the amendment may be submitted to the Filing Clerk, Public Utility Commission of Texas, 1701 North Congress Avenue, P.O. Box 13326, Austin, Texas 78711-

3326, by May 17, 2010 (31 days after publication). Reply comments may be submitted by May 31, 2010 (45 days after publication). Sixteen copies of comments on the amendment are required to be filed pursuant to §22.71(c) of this title. Comments should be organized in a manner consistent with the organization of the amended rule. The commission invites specific comments regarding the costs associated with, and benefits that will be gained by, implementation of the amendment. The commission will consider the costs and benefits in deciding whether to adopt the amendment. All comments should refer to Project Number 37909.

The commission staff will conduct a public hearing on this rulemaking, if requested pursuant to the Administrative Procedure Act, Texas Government Code §2001.029, at the commission's offices located in the William B. Travis Building, 1701 North Congress Avenue, Austin, Texas 78701. The request for a public hearing must be received within 30 days after publication.

This amendment is proposed under the Public Utility Regulatory Act, Texas Utilities Code Annotated §14.002 (Vernon 2007 and Supp. 2009) (PURA), which provides the Public Utility Commission with the authority to adopt and enforce rules reasonably required in the exercise of its powers and jurisdiction; and specifically, PURA §14.001, which provides the commission the general power to regulate and supervise the business of each public utility within its jurisdiction and to do anything specifically designated or implied by PURA that is necessary and convenient to the exercise of that power and jurisdiction; §35.004(d), which allows the commission to approve wholesale rates that may be periodically adjusted to ensure timely recovery of transmission investment; §35.006(a), which requires that the commission adopt rules relating to wholesale transmission service, rates and access; §36.001(a), which allows the commission to

establish and regulate rates of an electric utility; and §39.203(a), relating to transmission and distribution service.

Cross Reference to Statutes: Public Utility Regulatory Act §§14.001, 14.002, 35.004(d), 35.006(a), 36.001(a), and 39.203(a).

§25.193. Distribution Service Provider Transmission Cost Recovery Factors (TCRF).

(a) **Application.** The provisions of this section apply to all investor-owned distribution service providers (DSPs) providing distribution service within the Electric Reliability Council of Texas (ERCOT) region to retail electric providers and other customers of the distribution system.

(b) **TCRF authorized.**

(1) A ~~DSP distribution service provider~~ subject to this section that is billed for transmission service by a transmission service provider (TSP) pursuant to §25.192 of this title (relating to Transmission Service Rates) shall be allowed to include within its tariff a TCRF clause ~~that which~~ authorizes the ~~DSP distribution service provider~~ to charge or credit its ~~customer~~ customer for the ~~amount~~ cost of wholesale transmission cost changes approved or allowed by the commission ~~service~~ to the extent that such costs vary from the transmission service cost utilized to fix the base rates of the ~~DSP distribution provider~~. The DSP may only update its TCRF only twice ~~per a~~-year on March 1 and September 1 of each year to pass through the wholesale transmission cost changes billed ~~for~~ by a TSP. The DSP shall file a request to update its TCRF no later than January 15 for the March 1 update and no later than July 18 for the September 1 update. To facilitate rate certainty for retail electric providers, if the commission approves a TCRF amount different from the amount requested by the DSP, the commission will order the DSP to temporarily implement the requested amount until its subsequent TCRF filing, at which time any difference between the commission-approved final amount and the implemented amount shall be trued-up and credited or charged,

~~with associated carrying costs, to the DSP's ratepayers as provided in paragraph (2) of this subsection.—The terms and conditions of such TCRF clause shall be approved by an order of the commission.—Compliance tariffs shall be filed with the commission 30 days after the approval of this section.~~

(2) The difference between the amount of the TSPs' commission-approved wholesale transmission costs that are paid by the DSP and not included in the base rates of the DSP, and the revenues recovered through the TCRF, shall be trued-up and credited or charged to the DSP's ratepayers in the DSP's next TCRF update; however, in no event shall it result in the DSP recovering more than its actual cost of wholesale transmission services included in the TCRF. This true-up shall include costs paid and revenues recovered over a six-month period ending in November for a March 1 TCRF update and in May for a September 1 TCRF update. The over- or under-recovered balance shall also include any differences, pursuant to paragraph (1) of this subsection, between the TCRF amounts temporarily implemented and the TCRF final amounts approved by the commission, and such differences shall be trued-up and credited or charged, over a six-month period, to the DSP's ratepayers in the DSP's next TCRF update. Additionally, the DSP shall credit or recover carrying costs in an amount that shall be calculated by applying to the monthly over- or under-recovered balance the interest rate on over- and underbillings as established pursuant to §25.28 of this title (relating to Bill Payment and Adjustments).

- (c) **TCRF Formula.** The TCRF for each class shall be computed pursuant to the following formula:

$\frac{[\sum_{i=1}^N (NWTR_i * NL_i) - \sum_{i=1}^N (BWTR_i * NL_i)] * ALLOC}{BD}$	
$\frac{[\sum_{i=1}^N (NWTR_i * NL_i) - \sum_{i=1}^N (BWTR_i * NL_i) + (\sum_{i=1}^N ADJ_i * 2)] * ALLOC}{BD}$	
Where:	<p>NWTR_i is the new wholesale transmission rate of a TSP, approved by the commission by order or pursuant to commission rules, since the DSP's last rate case;</p> <p>Σ BWTR_i is the base wholesale transmission rate of the TSP represented in the NWTR_i, used to develop the retail transmission charges of the DSP, in the DSP's last rate case;</p> <p>NL_i is the DSP's individual 4CP load component of the total ERCOT 4CP load information used to develop the NWTR_i;</p> <p><u>ADJ is the amount calculated under subsection (b)(2) of this section;</u></p> <p>ALLOC is the class allocator approved by the commission to allocate the transmission revenue requirement among classes in the distribution service provider's last rate case, unless otherwise ordered by the commission; and,</p> <p>BD is each class' annual billing determinant (kWh, or kW, or kVa) for the previous calendar year.</p>

- (d) **TCRF charges.** A DSP's TCRF charge shall remain in effect until adjusted under this section or until the DSP's ~~sits~~ delivery rates change pursuant to a commission order in, ~~following~~ a rate proceeding ~~that it or the commission initiates.~~

- (e) **Reports.** The ~~DSP distribution service provider~~ shall maintain and provide to the commission; semi-annual reports containing all information required to monitor the costs recovered through the TCRF clause. This information includes, but is not limited to, the total estimated TCRF cost for each month, the actual TCRF cost on a cumulative basis, ~~the amount of transmission costs included in base rates, and~~ total revenues resulting from the TCRF, ~~and the calculation of the amount to be recovered under subsection (b)(2) of this section.~~ The reports ~~shall~~will be filed ~~by on~~March 31 and September 30 of each year.

This agency hereby certifies that the proposal has been reviewed by legal counsel and found to be within the agency's legal authority to adopt.

**ISSUED IN AUSTIN, TEXAS ON THE 1ST DAY OF APRIL 2010 BY THE
PUBLIC UTILITY COMMISSION OF TEXAS
ADRIANA A. GONZALES**