

CHAPTER 25. SUBSTANTIVE RULES RELATING TO ELECTRIC SERVICE PROVIDERS.

Subchapter I. TRANSMISSION AND DISTRIBUTION.

DIVISION 2. TRANSMISSION AND DISTRIBUTION APPLICABLE TO ALL ELECTRIC UTILITIES.

§25.221. Electric Cost Separation.

- (a) **Purpose.** The purpose of this section is to identify the costs incurred by electric utilities that provide retail electric utility service, and to separate such costs into four categories: generation service, transmission service, distribution service, and customer service. This section establishes procedures for cost separation.
- (b) **Application.** This section shall apply to electric utilities that provide retail electric service in Texas. This section shall not apply to municipal utilities.
- (c) **Definitions.** As used in this section, the following terms have the following meanings unless the context clearly indicates otherwise:
 - (1) **Affected utilities** — shall refer to all utilities to which this section applies.
 - (2) **Customer service** — A service that consists of metering, billing, tariff administration, energy service, and related services. Customer service does not include generation service, transmission service, or distribution service; however, it does include all retail customer interaction necessary for the administration of tariffs that include charges for generation service, transmission service, and distribution service.
 - (3) **Distribution service** — A service that ensures safe and reliable delivery of electric power from the transmission system to retail customers, generally, but not exclusively, below 60 kilovolts. Distribution service does not include generation service, transmission service, or customer service.
 - (4) **Generation service** — The production and purchase of electricity for retail customers and the production, purchase, and sale of electricity in the wholesale power market.
 - (5) **Transmission service** — As defined in §25.5 of this title (relating to Definitions). For the purpose of this section, ancillary service, as defined in §25.5 of this title, is a component of transmission service.
 - (6) **Working day** — A day on which the commission is open for the conduct of business.
- (d) **Cost separation.** Affected utilities shall maintain a cost-accounting and records system based on the Federal Energy Regulatory Commission chart of accounts system, as it may be updated, to ensure that the costs associated with generation service, transmission service, distribution service, and customer service are accurately and separately identified. Affected utilities shall create and maintain any additional accounts necessary to identify and separate costs incurred to provide retail electric utility service. Within the customer service category, the utility shall separate its costs on its books in sufficient detail to track costs specific to unique services, activities, or functions. The commission may adopt cost separation guidelines to assist affected utilities in separating their costs.
- (e) **Compliance filing.**
 - (1) Affected utilities shall report to the commission on strategies to comply with the cost separation requirements of this section in accordance with the commission cost separation guidelines. The filing shall provide a narrative that discusses the types of distribution and customer service costs and activities that the utility will begin to track separately to comply with this section. The narrative shall explain the changes needed in accounting procedures, activity tracking, timekeeping, and other management functions necessary to track the newly segregated costs, including a list that identifies costs that the utility will begin to track separately.

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§25.221(e) continued

- (2) **Compliance filing date.** Affected utilities shall make a compliance filing according to the following schedule:
- (A) Investor-owned electric utilities shall file by December 31, 1998.
 - (B) All other affected utilities shall file by December 31, 1999.