

**NOTICE OF RATE CHANGE REQUEST**

AEP Texas Inc. (AEP Texas) publishes this notice that on May 1, 2019 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. 49494. This notice is being published in accordance with Section 36.103 of the Public Utility Regulatory Act and Commission Procedural Rule 16 Tex. Admin. Code § 22.51(a)(1).

AEP Texas currently maintains two separate divisions—the Central Division and the North Division. These divisions charge separate retail and wholesale rates. AEP Texas seeks to combine the rates of these two divisions and charge to all its customers a single combined retail or wholesale rate.

AEP Texas’ Petition is based on the system-wide financial results for a 12-month test year ending on December 31, 2018, adjusted for known and measureable changes. Related to its distribution cost of service, the Company requests a rate increase of approximately \$38.3 million over its adjusted test year revenues, an increase of 4.2%. This amount is net of the Company’s proposed Income Tax Refund (ITR) Rider, which refunds a total amount of \$83 million, over a four-year period, associated with changes in the corporate income tax rate resulting from the Tax Cuts and Jobs Act of 2017 (TCJA). The requested distribution cost of service increase without the ITR Rider is \$59.1 million, an increase of 6.5%. Related to its transmission cost of service, the Company requests a rate decrease of \$3.16 million below its adjusted test year revenues, a decrease of 0.7%, and proposes a one-time credit of \$29 million associated with the TCJA.

If approved and implemented through the Company’s proposed consolidated rates for Retail Delivery Service, the impact on a residential customer in the Company’s Central Division using 1,000 kilowatt-hours (kWh) per month would be an increase of approximately \$4.75 or 9.8% per month. A customer with a retail plan that charges 12.5 cents per kWh would see their rate go to 12.97 cents per kWh, or a 3.8% increase in their total bill. The impact on a residential customer in the Company’s North Division using 1,000 kWh per month would be a decrease of approximately \$5.01 or -10.6 % per month. A customer with a retail plan that charges 12.5 cents per kWh would see their rate decrease to 12.0 cents per kWh, or a 4.0% decrease in their total bill. The extent to which these additional charges would be passed on by Retail Electric Providers (REPs) is a function of the competitive market.

The impact of the proposed combined rates for Retail Delivery Service differs for customers in the current North and Central Divisions, as shown by customer class in the chart immediately below:

|   | Billing Unit  | Current Charges (March 2018) |                | Proposed Charges by Division |                | Proposed Consolidated | Current Charges vs Proposed Charges Consolidated |                |
|---|---------------|------------------------------|----------------|------------------------------|----------------|-----------------------|--|----------------|
|   |               | Central Division             | North Division | Central Division             | North Division |                       | Central Division                                 | North Division |
| <b>RESIDENTIAL</b>                            |               |                              |                |                              |                |                       |  |                |
| Customer Charge                               | per account   | \$ 3.19                      | \$ 2.94        | \$ 1.60                      | \$ 1.26        | \$ 1.54               | \$( 1.65)  | \$( 1.40)      |
| Metering Charge                               | per meter     | \$ 3.55                      | \$ 5.24        | \$ 4.14                      | \$ 5.52        | \$ 4.40               | \$ 0.85  | \$( 0.84)      |
| Transmission System Charge                    | per kWh       | \$ 0.011515                  | \$ 0.012992    | \$ 0.012615                  | \$ 0.014777    | \$ 0.012940           | \$ 0.00143                                       | \$( 0.00005)   |
| Distribution System Charge                    | per kWh       | \$ 0.016073                  | \$ 0.022861    | \$ 0.022586                  | \$ 0.025532    | \$ 0.023110           | \$ 0.00704                                       | \$ 0.000249    |
| <b>SECONDARY SERVICE &lt;= 10kW</b>           |               |                              |                |                              |                |                       |  |                |
| Customer Charge                               | per account   | \$ 3.20                      | \$ 4.25        | \$ 1.60                      | \$ 1.28        | \$ 1.54               | \$( 1.66)  | \$( 2.71)      |
| Metering Charge                               | per meter     | \$ 3.68                      | \$ 7.50        | \$ 5.56                      | \$ 7.22        | \$ 5.88               | \$ 2.20  | \$( 1.62)      |
| Transmission System Charge                    | per kWh       | \$ 0.006599                  | \$ 0.008435    | \$ 0.007179                  | \$ 0.009080    | \$ 0.007601           | \$ 0.001002                                      | \$( 0.000834)  |
| Distribution System Charge                    | per kWh       | \$ 0.021285                  | \$ 0.042533    | \$ 0.022101                  | \$ 0.032562    | \$ 0.024218           | \$ 0.002933                                      | \$( 0.018315)  |
| <b>SECONDARY SERVICE &gt; THAN 10kW - NCP</b> |               |                              |                |                              |                |                       |  |                |
| Customer Charge                               | per account   | \$ 3.26                      | \$ 4.25        | \$ 1.61                      | \$ 1.29        | \$ 1.54               | \$( 1.72)  | \$( 2.71)      |
| Metering Charge                               | per meter     | \$ 15.81                     | \$ 18.68       | \$ 15.27                     | \$ 21.07       | \$ 16.38              | \$ 0.57  | \$( 2.30)      |
| Transmission System Charge                    | per NCP kW    | \$ 3.305590                  | \$ .209856     | \$ 3.113000                  | \$ 3.051000    | \$ 3.10               | \$( 0.204)                                       | \$( 0.108)     |
| Distribution System Charge                    | per Billed kW | \$ 3.773440                  | \$ 3.889589    | \$ 5.270000                  | \$ 5.470000    | \$ 5.330              | \$ 1.557   | \$ 1.440       |
| <b>SECONDARY SERVICE &gt; THAN 10kW - 4CP</b> |               |                              |                |                              |                |                       |  |                |
| Customer Charge                               | per account   | \$ 26.52                     | \$ 26.00       | \$ 1.61                      | \$ 1.29        | \$ 1.54               | \$( 24.98)                                       | \$( 24.46)     |
| Metering Charge                               | per meter     | \$ 15.81                     | \$ 35.00       | \$ 15.27                     | \$ 21.07       | \$ 16.38              | \$ 0.57  | \$( 18.62)     |
| Transmission System Charge                    | per 4CP       | \$ 5.657                     | \$ 4.985       | \$ 4.389                     | \$ 4.921       | \$ 4.568              | \$( 1.089)                                       | \$( 0.417)     |
| Distribution System Charge                    | per Billed kW | \$ 3.773                     | \$ 3.890       | \$ 5.270                     | \$ 5.470       | \$ 5.330              | \$ 1.557   | \$ 1.440       |
| <b>PRIMARY SERVICE BILLS - NCP</b>            |               |                              |                |                              |                |                       |  |                |
| Customer Charge                               | per account   | \$ 3.80                      | \$ 4.25        | \$ 1.82                      | \$ 1.49        | \$ 1.61               | \$( 2.19)  | \$( 2.64)      |
| Metering Charge                               | per meter     | \$ 154.62                    | \$ 151.75      | \$ 167.12                    | \$ 176.54      | \$ 162.81             | \$ 8.19  | \$ 11.06       |
| Transmission System Charge                    | per NCP       | \$ 5.202                     | \$ 1.782       | \$ 3.411                     | \$ 2.658       | \$ 3.128              | \$( 2.074)                                       | \$ 1.346       |
| Distribution System Charge                    | per Billed kW | \$ 3.310                     | \$ 2.185       | \$ 3.710                     | \$ 3.960       | \$ 3.696              | \$ 0.386   | \$ 1.511       |
| <b>PRIMARY SERVICE BILLS - 4CP</b>            |               |                              |                |                              |                |                       |  |                |
| Customer Charge                               | per account   | \$ 28.41                     | \$ 26.00       | \$ 1.82                      | \$ 1.49        | \$ 1.61               | \$( 26.80)                                       | \$( 24.39)     |
| Metering Charge                               | per meter     | \$ 154.62                    | \$ 168.65      | \$ 167.12                    | \$ 176.54      | \$ 162.81             | \$ 8.19  | \$( 5.84)      |
| Transmission System Charge                    | per 4CP       | \$ 5.789                     | \$ 3.913       | \$ 4.583                     | \$ 4.849       | \$ 4.716              | \$( 1.073)                                       | \$ 0.803       |
| Distribution System Charge                    | per Billed kW | \$ 3.310                     | \$ 2.185       | \$ 3.710                     | \$ 3.960       | \$ 3.696              | \$ 0.386   | \$ 1.511       |
| <b>TRANSMISSION SERVICE</b>                   |               |                              |                |                              |                |                       |  |                |
| Customer Charge                               | per account   | \$ 38.84                     | \$ 24.80       | \$ 2.75                      | \$ 1.55        | \$ 1.74               | \$( 37.10)                                       | \$( 23.06)     |
| Metering Charge                               | per meter     | \$ 1,869.15                  | \$ 850.00      | \$ 1,157.44                  | \$ 561.95      | \$ 999.51             | \$( 869.64)                                      | \$ 149.51      |
| Transmission System Charge                    | per 4CP       | \$ 4.159                     | \$ 2.281       | \$ 4.668                     | \$ 5.080       | \$ 4.657              | \$ 0.498   | \$ 2.376       |
| Distribution System Charge                    | per Billed kW | \$ 0.206                     | \$ 0.043       | \$ 0.283                     | \$ 0.003       | \$ 0.249              | \$ 0.043   | \$ 0.206       |

Revenues by rate class and number of customers are provided in the following table:

**AEP TEXAS INC. SUMMARY OF REVENUES BY RATE CLASS**

| Rate Class Description                        | AEP TX Number of Customers | AEP TX Present Revenues | AEP TX Proposed Revenues | Revenue Change w/out Rider ITR | % Change w/out Rider ITR | Rider ITR              | AEP TX Proposed Revenues w/ Rider ITR | % Change w/ Rider ITR |
|---|----------------------------|-------------------------|--------------------------|--------------------------------|--------------------------|------------------------|---------------------------------------|-----------------------|
| Residential Service                           | 876,553                    | \$ 478,051,710          | \$ 506,224,177           | \$ 28,172,467                  | 5.9%                     | \$( 11,382,278)        | \$ 494,841,899                        | 3.5%                  |
| Secondary Service Less Than or Equal to 10 kW | 89,158                     | \$ 33,924,128           | \$ 27,614,375            | \$( 6,309,753)                 | -18.6%                   | \$( 700,749)           | \$ 26,913,627                         | -20.7%                |
| Secondary Service Greater Than 10 kW          | 73,070                     | \$ 273,524,671          | \$ 295,954,662           | \$ 22,429,991                  | 8.2%                     | \$( 6,303,560)         | \$ 289,651,102                        | 5.9%                  |
| Primary Voltage Service                       | 1,045                      | \$ 70,027,981           | \$ 76,832,472            | \$ 6,804,492                   | 9.7%                     | \$( 1,364,554)         | \$ 75,467,918                         | 7.8%                  |
| Transmission Voltage Service                  | 85                         | \$ 30,420,295           | \$ 35,820,956            | \$ 5,400,661                   | 17.8%                    | \$( 174,806)           | \$ 35,646,150                         | 17.2%                 |
| Lighting Service                              | 2,301                      | \$ 21,769,668           | \$ 24,347,960            | \$ 2,578,292                   | 11.8%                    | \$( 815,653)           | \$ 23,532,307                         | 8.1%                  |
| Retail Electric Delivery Revenues             | <b>1,042,212</b>           | <b>\$ 907,718,453</b>   | <b>\$ 966,794,603</b>    | <b>\$ 59,076,150</b>           | <b>6.5%</b>              | <b>\$( 20,741,600)</b> | <b>\$ 946,053,003</b>                 | <b>4.2%</b>           |
| Wholesale Transmission Revenue                |                            | <b>\$ 423,372,870</b>   | <b>\$ 420,213,369</b>    | <b>\$( 3,159,501)</b>          | <b>-0.7%</b>             |                        |                                       |                       |

*Note: AEP Texas is proposing a one-time transmission credit of \$29 million associated with the TCJA.*

|   |                        |                        |                     |             |
|---|------------------------|------------------------|---------------------|-------------|
| <b>Total Cost of Service</b>            | <b>\$1,331,091,323</b> | <b>\$1,387,007,972</b> | <b>\$55,916,649</b> | <b>4.2%</b> |
| Retail Electric Delivery Revenue Change |                        |                        | \$ 59,076,150       |             |
| ITR Rider Credit                        |                        |                        | \$(20,741,600)      |             |
| Total Schedule I-A Reconciliation       |                        |                        | \$38,334,550        |             |

AEP Texas’ Petition seeks a reduction to the Company’s transmission cost of service of \$3.16 million and a combined rate for the two divisions. The result of AEP Texas’ proposal is to change the wholesale transmission service rate from \$4.036612/kW for the Central Division and \$2.066591/kW for the North Division to \$6.058035/kW for AEP Texas combined.

In addition to new rates, AEP Texas requests a prudence determination on all capital investment made to its system for the period from June 30, 2006, through December 31, 2018.

AEP Texas’ Petition also proposes to implement the ITR Rider that will be used to credit excess tax revenue resulting from the TCJA that has not yet been included in rates or refunded to customers. The total amount of income tax refund assigned to the retail delivery customers is \$83 million, to be refunded over a four-year period. AEP Texas is also proposing a one-time transmission credit of \$29 million associated with the effects of the TCJA.

AEP Texas’ Petition seeks to reconcile its Advanced Metering System (AMS) deployment costs for the period from January 1, 2012 to December 31, 2018 (Reconciliation Period). Accounting for the actual costs, investment, and revenues associated with the Company’s AMS deployment through the Reconciliation Period has resulted in Advanced Metering System Cost Recovery Factor Rider (AMSCRF) surcharge under-recoveries of \$30,157,739 (net of \$6,063,403 of cumulative interest expense) and \$12,923,589 (including \$283,307 of cumulative interest benefit) as of December 31, 2018, for the AEP Texas Central and North Divisions, respectively. In addition, AEP Texas proposes to eliminate the AMSCRF surcharge and roll future AMS capital expenditures and operations and maintenance costs into the base rates to be established in this case. AEP Texas will file a final AMS reconciliation to cover the time period from January 2019 through the final date the AMSCRF surcharge rider is billed prior to the implementation of new base rates from this proceeding.

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, for a period of three years commencing January 1, 2020.

AEP Texas’ Petition seeks a determination that \$1,000,027 in rate case expenses incurred in prior dockets through February 2019 are reasonable for recovery. However, AEP Texas proposes to offset these rate case expenses collected with the \$302,051 over-collection that resulted from the rate case expense surcharge approved in Docket No. 34301. Therefore, AEP Texas will seek actual recovery of \$697,976. AEP Texas is not requesting approval of the mechanism for recovery of these expenses in this docket. Instead, to recover these prior expenses, AEP Texas will seek recovery through the mechanism requested in the future docket opened to address the recovery of rate case expenses incurred in this case. For rate case expenses in this case, AEP Texas has provided an estimate of such expense, but proposes that the determination of the reasonableness of such expense and their recovery be determined in a separate future proceeding.

AEP Texas is proposing revisions to most tariffs. Specifically, the Company is requesting to: (1) terminate the AMSCRF, (2) reset the baseline for the Distribution Cost Recovery Factor Rider, (3) collect all transmission expenses through the Transmission Cost Recovery Factor Rider, (4) remove energy efficiency costs from base rates to recovery through the Rider Energy Efficiency Cost Recovery Factor, and (5) continue Central Division-specific riders including the Transition Cost riders (TC2 and TC3) and the Nuclear Decommissioning Rider (NDC).

AEP Texas’ Petition affects all 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 a June 5, 2019 effective date for its proposed rate change.

Persons who wish to intervene in or comment upon these proceedings, in Docket No. 49494, 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 July 11, 2019.