

CHAPTER 25. SUBSTANTIVE RULES APPLICABLE TO ELECTRIC SERVICE PROVIDERS.

Subchapter J. COSTS, RATES, AND TARIFFS.

DIVISION 1. RETAIL RATES.

§25.248. Generation Cost Recovery Rider.

- (a) **Applicability.** This section provides a mechanism for an electric utility to request to recover investment in a power generation facility through a generation cost recovery rider (GCRR) outside of a base-rate proceeding. This section applies only to an electric utility that operates solely outside of the Electric Reliability Council of Texas.
- (b) **Definitions.** The following terms, when used in this section, have the following meanings unless context indicates otherwise.
- (1) **GCRR billing determinant** -- Each rate class's annual billing determinant (kilowatt-hour, kilowatt, or kilovolt-ampere) for the previous calendar year.
 - (2) **Generation invested capital** -- The parts of the electric utility's invested capital for a power generation facility that will be functionalized as generation plant properly recorded in Federal Energy Regulatory Commission (FERC) Uniform System of Accounts 303 through 347, 352, and 353 when the generation facility is placed into service.
 - (3) **Power generation facility** -- A discrete facility or facilities constructed or purchased by an electric utility for use in generating electricity for public service by the electric utility, and the cost of which is not included in the electric utility's base rates. The term "facility" may encompass different parts of a single generation facility that begins providing service to the electric utility's customers on the same date.
 - (4) **Power generation facility invested capital** -- Generation invested capital associated with a power generation facility included in the electric utility's GCRR that will be placed into service before or at the time the GCRR becomes effective under subsection (g) of this section.
 - (5) **Power generation facility net invested capital** -- Power generation facility invested capital that is adjusted for accumulated depreciation and any changes in accumulated deferred federal income taxes, including changes to excess accumulated deferred federal income taxes, associated with all power generation facilities included in the electric utility's GCRR.
 - (6) **Weather-normalized** -- Adjusted for normal weather using weather data for the most recent ten-year period prior to the year from which the GCRR billing determinants are derived.
- (c) **GCRR Requirements.** The GCRR rate for each rate class, and any other terms or conditions related to those rates, will be specified in a rider to the utility's tariff.
- (1) An electric utility must not have more than one GCRR.
 - (2) An electric utility with an existing GCRR may apply to amend the GCRR to include the electric utility's actual capital investment in a power generation facility and additional power generation facilities.
 - (3) Any GCRR established under this section will take effect on the date the power generation facility begins providing service to the electric utility's customers. Any amendment to an existing GCRR for an additional power generation facility will take effect on the date that the additional power generation facility begins providing service to the electric utility's customers.
 - (4) As part of the next base-rate proceeding for the electric utility, the electric utility must request to move all investment being recovered in a GCRR into base rates and the GCRR will be set to zero.
- (d) **Calculation of GCRR Rates.** The GCRR rate for each rate class must be calculated according to the provisions of this subsection and subsections (e) and (f) of this section.
- (1) The GCRR rates will not take into account changes in the number of the electric utility's customers and the effects that energy consumption and energy demand have on the amount of revenue recovered through the electric utility's base rates.
 - (2) The GCRR rates must not include estimated costs.
 - (3) The GCRR rate for each rate class will be calculated using the following formula:

$$GCRR_{CLASS} = RR_{CLASS} / BDC_{CLASS}$$

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- (4) The values of the terms used in this subsection will be calculated as follows:
- (A) $RR_{CLASS} = RR_{TOT} * ALLOC_{C-CLASS}$
 - (B) $RR_{TOT} = TRAF * ((PGFIC * ROR_{RC}) + PGFDEPR + PGFFIT + PGFOT)$
 - (C) $ALLOC_{C-CLASS} =$
 $ALLOC_{RC-CLASS} * (BD_{C-CLASS} / BD_{RC-CLASS}) / \Sigma (ALLOC_{RC-CLASS} * (BD_{C-CLASS} / BD_{RC-CLASS}))$
- (5) The terms used in this subsection represent or are defined as follows:
- (A) **Descriptions of calculated values.**
 - (i) **GRR_{CLASS}** -- GRR rate for a rate class.
 - (ii) **RR_{CLASS}** -- GRR class revenue requirement.
 - (iii) **RR_{TOT}** -- Total GRR revenue requirement.
 - (iv) **ALLOCC_{CLASS}** -- GRR class allocation factor for a rate class.
 - (B) **GRR billing determinants and power generation facility values.**
 - (i) **BD_{C-CLASS}** -- GRR billing determinants that are weather-normalized.
 - (ii) **PGFIC** -- Power generation facility net invested capital.
 - (iii) **PGFDEPR** -- Power generation facility depreciation expense.
 - (iv) **PGFFIT** -- Federal income tax expense associated with the return on the power generation facility net invested capital, reduced by any tax credits related to the power generation facility that are not returned to customers as a credit or other offset to eligible fuel expense.
 - (v) **PGFOT** -- Other tax expense associated with the power generation facility.
 - (C) **Baseline values.** The following values are based on those values used to establish rates in the electric utility's most recent base-rate proceeding, or if an input to the GRR calculation from the electric utility's last base-rate proceeding is not separately identified in that proceeding, it will be derived from information from that proceeding:
 - (i) **TRAF** -- Texas retail jurisdiction production allocation factor value used to establish rates in the electric utility's last base-rate proceeding determined under the provisions of subsection (e) of this section.
 - (ii) **BD_{RC-CLASS}** -- Rate class billing determinants used to establish generation base rates in the last base-rate proceeding. Energy-based billing determinants will be used for those rate classes that do not include any rate demand charges, and demand-based billing determinants will be used for those rate classes that include rate demand charges.
 - (iii) **ROR_{RC}** -- After-tax rate of return approved by the commission in the electric utility's last base-rate proceeding.
 - (iv) **ALLOCR_{CLASS}** -- Rate class allocation factor value determined under the provisions of subsection (e) of this section.
- (e) **Jurisdictional and class allocation factors.** For calculating GRR rates, the baseline jurisdictional and rate-class allocation factors used to allocate generation invested capital in the last base-rate proceeding will be used.
- (f) **Customer classification.** For the purposes of establishing GRR rates, customers will be classified according to the rate classes established in the electric utility's most recently completed base-rate proceeding.
- (g) **GRR application.** An electric utility may file an application for a GRR before the electric utility places a power generation facility in service. An electric utility may include only one discrete power generation facility in an application for a GRR. An electric utility may file an application to amend its GRR to include another discrete power generation facility even if it has another application to amend its GRR pending before the commission. The proceeding for a GRR application must conform to the requirements of this subsection.

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- (1) **Scope of proceeding.** The issues of whether generation invested capital included in an application for a GCRR complies with PURA and is prudent, reasonable, and necessary will not be addressed in a GCRR proceeding.
 - (2) **Notice.** The applicant must notify all parties in the applicant's last base-rate proceeding that an application was filed. The notice must be provided by first-class mail and mailed the same day the application is filed. The notice must specify the docket number assigned to the application and a copy of the application must be included with the notice.
 - (3) **Parties and intervention.** Requests to intervene must be filed no later than 10 calendar days after the date the application is filed. Objections to a request to intervene must be filed no later than five working days after the request is filed. All requests to intervene must be ruled upon no later than 21 calendar days after the application is filed.
 - (4) **GCRR forms.** If the commission adopts a form for GCRR applications, an electric utility must file its application using that form.
 - (5) **Sufficiency of application.** A motion to find the application materially deficient must be filed no later than 10 calendar days after the application is filed. A motion to find an amended application deficient, when the amendment is in response to an order issued under this paragraph, must be filed no later than five working days after the amended application is filed. The motion must specify the nature of any alleged deficiency and, if the commission has adopted a form for a GCRR application, the particular requirements of the form for which the application is alleged to be out of compliance. The applicant's response to such motion must be filed no later than five working days after the motion is filed. Within five working days of the applicant's response, the presiding officer must issue an order finding the application sufficient or deficient, and if deficient must specify the deficiencies and the time within which the applicant must amend its application to cure the deficiencies. If the presiding officer has not issued a written order within 35 calendar days of the filing of the application, or 25 calendar days of the filing of an amended application, concluding that material deficiencies exist in the application, the application is sufficient.
 - (6) **Action on application.** If the requirements of §22.35 of this title are met, the presiding officer must issue a notice of approval within 60 calendar days of the date an application is found to be sufficient by order or rule. The presiding officer may extend this time if a party demonstrates that additional time is needed to review the application or the presiding officer needs additional time to prepare the notice of approval. Further, if the presiding officer determines that the application should be considered by the commission, the presiding officer must issue a proposed order for consideration by the commission at the next available open meeting.
- (h) **Update of generation invested capital.** Within 60 calendar days after a power generation facility included in a GCRR begins providing service to the electric utility's customers, the electric utility may file an application to update the GCRR to reflect the electric utility's actual capital investment in the power generation facility. An application to update the GCRR under this subsection is subject to the requirements in subsection (g) of this section. Any update to the GCRR made under this subsection must include carrying costs on the amount of investment in excess of the investment initially approved for recovery under subsection (g) of this section. Carrying costs will accrue monthly from the date the power generation facility began providing service to the electric utility's customers through the date the adjustment is approved and must be calculated using the rate of return approved by the commission in the electric utility's most recent base-rate proceeding.
- (i) **Reconciliation.**
- (1) Amounts recovered through a GCRR approved under this section are subject to reconciliation in the first base-rate proceeding for the electric utility that is filed after the effective date of the GCRR. The reconciliation will true up the total amount actually recovered through the GCRR approved under this section with the total revenue requirement that the approved GCRR was designed to

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recover. As part of the reconciliation, the commission will determine if the amounts recovered through the GCRR are reasonable and necessary.

- (2) Any amounts recovered through the GCRR that are found to have been unreasonable, unnecessary, or imprudent, plus the corresponding return and taxes, must be refunded with carrying costs. Carrying costs will be determined as follows:
 - (A) For the time period beginning with the date on which over-recovery is determined to have begun to the effective date of the electric utility's base rates set in the base-rate proceeding in which the GCRR is reconciled, carrying costs will accrue monthly and will be calculated using an effective monthly interest rate based on the same rate of return that was applied to the investments included in the GCRR.
 - (B) For the time period beginning with the effective date of the electric utility's rates set in the base-rate proceeding in which the GCRR is reconciled, carrying costs will accrue monthly and will be calculated using an effective monthly interest rate based on the electric utility's rate of return authorized in that base-rate proceeding.
- (j) **Threshold to initiate base-rate proceeding.** If a GCRR approved under this section includes cumulative incremental recovery for a power generation facility or power generation facilities where the amount of generation invested capital is greater than \$200 million on a Texas jurisdictional basis, the electric utility must initiate a base-rate proceeding at the commission not later than 18 months after the date the GCRR takes effect.