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SECRETARY

American Electric Power  
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Columbus, OH 43215  
AEP.com

March 13, 2008

2008 MAR 13 P 4: 22

Honorable Kimberly D. Bose  
Secretary REGULATORY COMMISSION  
Federal Energy Regulatory Commission  
888 First Street NE, Room 1A  
Washington, DC 20426

Re: American Electric Power Service Corporation  
Docket No. ER08-\_\_\_\_-000

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act, 18 U.S.C. § 824d (1994), American Electric Power Service Corporation (AEPSC), on behalf of the operating public utilities of the American Electric Power System (collectively "AEP"),<sup>1</sup> herewith submits for filing amendments to the Open Access Transmission Tariff (OATT) on file with the Commission as AEP's FERC Electric Tariff, Third Revised Volume No. 6. This filing changes the rates for transmission service provided by AEP Texas Central Company ("TCC") and AEP Texas North Company ("TNC") within the Electric Reliability Council of Texas ("ERCOT") under the terms and conditions set out in Part IV of the OATT. The rates for this service, known as ERCOT Regional Transmission Service ("ERCOT RTS"), are specified in Attachment K of the OATT, and have been updated to reflect changes in TCC's and TNC's transmission-related capital investments consistent with Public Utility Commission of Texas (PUCT) Substantive Rule 25.192(g)(1).

On March 7, 2008, TCC and TNC filed for a change in rates under the PUCT's "Interim TCOS" rules, and are submitting this filing to propose changes in their ERCOT RTS rates corresponding to the revenue requirements requested at the PUCT. The PUCT has assigned Docket numbers 35436 and 35437, respectively, the filings by TNC and TCC. Although TCC and TNC are subject to the Commission's jurisdiction, Texas law defines the process by which TCC and TNC calculate their annual revenue requirements and rates for ERCOT RTS, and the Commission has in prior cases given deference to the Texas regulatory process by allowing TCC and TNC to include in the OATT the rates approved by the Public Utility Commission of Texas ("PUCT").

<sup>1</sup> Appalachian Power Company, Texas Central Company (TCC), Columbus Southern Power Company, Indiana Michigan Power Company, Kentucky Power Company, Kingsport Power Company, Ohio Power Company, Public Service Company of Oklahoma (PSO), Southwestern Electric Power Company (SWEPCO), Texas North Company (TNC) and Wheeling Power Company

Under the regional practice principles adopted in *Central Power and Light Co., et al.*, 81 FERC ¶ 61,311 (1997), AEPSC requests that the Commission accept the updated rates to become effective as of the date they are approved for interim or final application by the PUCT, under Substantive Rule 25.192(g)(1), et seq. The earliest date that the PUCT might allow ICC and TNC to collect the proposed rates is 35 days from filing, which would be April 11, 2008. ICC and TNC expect, however, that the PUCT will set the filing for review, and delay the effective date.<sup>2</sup> Since it is possible that the PUCT will permit ICC and TNC to change their rates before the usual 60-day notice period for this filing is met, AEPSC respectfully requests waiver of the Commission's notice requirement, and any other of the Commission's rules and regulations with which this filing may not comply, in order to permit the Commission to accept this filing and the rates contained in revised Attachment K, effective in the amounts and on the date they are approved by the PUCT.

### **I. Contents of Filing**

This filing consists of an original and six copies of this transmittal letter and the following attached and web-linked documents:

1. Attachment 1, revised sheets of the OAIT (in clean and blacklined versions) incorporating the requested tariff changes;
2. Attachment 2, worksheets showing the development of the ICC and TNC rates;
3. The applications of ICC and TNC for Interim Update of Wholesale Transmission Rates Pursuant to Substantive Rule 25.192(g)(1), may be downloaded from the PUCT web site at:

<http://interchange.puc.state.tx.us/WebApp/Interchange/application/dbapps/filings/pgSearch.asp>

To access either Docket, choose "Filing/Interchange", from the list on the left of the screen, and then choose "Filings Retrieval". After Filings Retrieval, select "Log In" and enter the docket number (35436 or 35437) and click on "Search Now" to retrieve the documents filed by TNC and ICC, respectively, on March 7, 2008.

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<sup>2</sup> The updated rate is subject to reconciliation at the next complete review of the TCOS for ICC and TNC. The PUCT's rules provide that the PUCT will review whether the cost of the transmission plant additions included in the interim TCOS proceedings are reasonable and necessary during the next complete review of the TCOS rates. Any over-recovery of costs, found by the PUCT to exist at the time of the complete review, is subject to refund. In the event the PUCT subsequently orders changes to the interim rates in the next complete review of the TCC and/or TNC TCOS, AEPSC will submit a filing to the Commission reflecting such required changes and will pay refunds calculated pursuant to the Commission's requirements in 18 C.F.R. § 35.19a.

4. The provisions of PUCT Substantive Rule 25.192 setting forth the requirements for interim update of wholesale rates, which may be downloaded from the PUCT web site at:

<http://www.puc.state.tx.us/rules/subrules/electric/25.192/25.192.pdf>

## **II. Background**

On March 7, 2008, ICC and TNC filed applications with the PUCT to update their transmission revenue requirements to reflect increased capital investments for the period July 1, 2006 through December 31, 2007.

Pursuant to PUCT Substantive Rule 25.192(g)(1) “[e]ach TSP in the ERCOT region may on an annual basis update its transmission rates to reflect changes in its invested capital.” Proceedings pursuant to such rule are not intended to determine the reasonableness of the interim costs.<sup>3</sup> Rather the rule provides that the Commission “shall review whether the costs of transmission plant additions are reasonable and necessary at the next complete review of the TSP’s transmission cost of service.”<sup>4</sup>

The Commission has regularly allowed ICC and TNC to follow ERCOT regional practices under the time frames established by the PUCT. *See, e.g., Central Power and Light Co., et al.*, 81 FERC ¶ 61,311 (1997). Because the Commission has the ultimate authority over TCC's and TNC's rates for wholesale transmission service, affirmative action by the Commission is necessary for ICC's and TNC's wholesale transmission rates to be changed concurrently with the updated rates under Texas law. AEPSC respectfully requests that the Commission continue to follow that practice in this case and waive its regulations to the extent necessary to accept the proposed revised revenue requirements for ICC and TNC as a Texas regional practice. AEPSC will file proof of the PUCT's approval of the updated rates as evidence of the effectiveness of the updated rates under Texas law once such orders are received.

## **III. Proposed Revisions to the OATT**

### **A. Revised Revenue Requirement for Service Under Part IV**

AEPSC has updated the rates in Attachment K of the AEP OATT to be charged by ICC and TNC for service under Part IV of the OATT. The rates for ERCOT RIS set forth in Attachment K to the OATT are based on the revenue requirement as filed by ICC and TNC in rate applications at the PUCT. Attachment 2 provides a summary of the determination of the proposed rates as set out in ICC's and TNC's interim TCOS rate applications to the PUCT. AEPSC requests that the

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<sup>3</sup> See PUCT Subst. R. 25.192(g)(1)

<sup>4</sup> See PUCT Subst. R. 25.192(g)(2).

Commission approve the proposed updated rates, subject to true-up and refund as provided in PUCT Substantive Rule 25.192(g)(2), pursuant to the PUCT's final decisions on the applications available at the PUCT website links specified above as items I. 3.

#### **B. Description of Proposed OATT Changes**

Attachment K, Annual Transmission Revenue Requirement for ERCOT Regional Transmission Service, is amended to provide for updated annual access rates and export service rates for TCC and TNC. In prior versions of Attachment K, AEPSC has provided, for informational purposes only, a description and table summarizing the Monthly Retail Transmission System Use Rates that TCC and TNC have filed at the PUCT to collect the transmission charges that they must pay to ERCOT as a distribution service provider ("DSP"). That information is not needed by any retail or wholesale customers, since retail customers receive rate information directly from TCC and TNC, and such information can also be obtained from the PUCT. Under the rate regime in ERCOT, TCC, TNC and other DSPs are charged the wholesale transmission rates of each and every ERCOT transmission service provider ("TSP"), and the retail rates of DSPs are designed, per PUCT rules, to afford the DSPs an opportunity to recover those charges. Thus changes in TCC's and TNC's rates under the OATT do not correspond to their retail transmission rates. While AEPSC had voluntarily provided this retail rate information in the past, we respectfully request the Commission's approval to delete the relevant section of Attachment K, and reserve that sheet as a blank page

#### **IV. Effective Date and Waiver Request**

As previously discussed, TCC and TNC have the right under Texas law to implement updated ERCOT transmission service rates annually to reflect capital investment costs, subject to a full determination of the reasonableness of such costs by the PUCT at the next complete review of TCC's and TNC's transmission cost of service. The PUCT will issue a final order approving TCC's and TNC's rate applications only after a review of the costs of transmission plant additions and retirements and associated depreciation and tax calculations, as provided in PUCT Substantive Rule 25.192(g). Such review could include hearings and/or settlement discussions. In addition, PUCT Substantive Rule 25.192(g)(1) provides that the Commission shall review whether the costs of transmission plant additions are reasonable and necessary at the next complete review of the TSP's transmission cost of service. Accordingly, AEP respectfully requests waiver of the Commission's regulations to the extent necessary to permit the proposed rates to become effective, at the earliest, on April 11, 2008 or such other date as is approved by the PUCT. Good cause exists for granting such waiver, since TCC's and TNC's request is consistent with the requirements of Texas law, and Commission precedent supports the determination of TCC's and TNC's revenue requirements based on the outcome of PUCT proceedings.

**V. Service**

A complete copy of this filing is being mailed to the PUCT, and all ERCOT RTS customers. Any interested party may download a complete copy of this filing from AEP's web site. Interested parties should open the hyperlink provided below, using their internet web browser, and then scroll down to the section headed "Tariff Filings" to locate the document labeled as "TCC and TNC ERCOT RTS Rate Filing, dated March 13, 2008".

<http://aep.com/about/codeofconduct/OASSI/default.asp>

**VI. Correspondence**

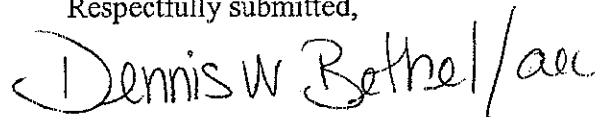
Correspondence relating to this filing should be addressed to:

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Please acknowledge receipt of this filing by marking one of the copies with your time-stamp and FERC Docket number and returning same in the enclosed postage-paid, self-addressed envelope.

Respectfully submitted,

Handwritten signature of Dennis W. Bethel in black ink, written in a cursive style. The signature reads "Dennis W Bethel / aec".

Dennis W. Bethel  
Managing Director, Regulated Tariffs

Enclosures

# **ATTACHMENT 1**

**CLEAN VERSION OF REVISED SHEETS**

## ATTACHMENT K

### Annual Transmission Revenue Requirement for ERCOT Regional Transmission Service

The charges in this Attachment K, for ERCOT Regional Transmission Service provided under Part IV of the Tariff, are made subject to final determination by the Public Utility Commission of Texas ("PUC") and acceptance thereafter by the Commission ("Final Rates"). Upon issuance of a final decision by the PUC in Docket Nos. 35436 and 35437, any amounts collected in excess of those resulting from the Final Rates will be refunded, together with interest calculated in accordance with the Commission's regulations at 18 C.F.R. § 35.19a(2)(iii). Until the Final Rates are accepted by the Commission, charges for ERCOT Regional Transmission Service hereunder shall be determined as follows:

#### 1. **ERCOT Regional Transmission Service Charges**

##### A. **For Service To Load Within ERCOT**

Charges for ERCOT Regional Transmission Service are to be determined by dividing the annual facilities charge by 12, or by other means as mutually agreed upon by the Transmission Provider and the ERCOT Regional Transmission Service Customer and specified in the Service Agreement. Under no circumstances shall the sum of the monthly charges due in any calendar year be more or less than the annual facilities charge due under this Tariff.

The annual facilities charges are the sum of: (1) the product of the annual access rate for ICC (set forth below) multiplied by the ERCOT Regional Transmission Service Customer's demand at the time of the most recent ERCOT system coincident peak demand, as determined by the PUC pursuant to Chapter 25; and (2) the product of the annual access rate for TNC (set forth below) multiplied by the ERCOT Regional Transmission Service Customer's demand at the time of the most recent ERCOT system coincident peak demand, as determined by the PUC pursuant to Chapter 25.

The annual access rate for ICC is \$1.866468/kW

The annual access rate for TNC is \$0.768993/kW.

In addition to the ICC annual facilities charges determined above, the ERCOT Regional Transmission Service Customer shall pay ICC a monthly rate case expense surcharge determined by multiplying \$0.00079/kW by the ERCOT Regional Transmission Service Customer's demand at the time of the most recent ERCOT system coincident peak demand, as determined by the PUC pursuant to Chapter 25. Such monthly surcharge shall begin on July 7, 2006, and continue for a period of thirty-six (36) months or until the total amount collected by each monthly surcharge equals \$1,516,934.

**B. For Service To Export Electric Power From ERCOT**

ERCOT Regional Transmission Service charges for exports of electric power from ERCOT to the boundaries of ERCOT are to be based on the kilowatts that are actually exported, the duration of the transaction and the rates set forth below. The monthly rate for service in the on-peak season (June through September) will be one-fourth the Transmission Provider's annual access rate. The monthly rate for service in the off-peak season will be one-twelfth the Transmission Provider's annual access rate. The weekly, daily and hourly rates for service in the on-peak season will be the annual access rate divided by the number of weeks, days and hours respectively in the on-peak season. The weekly, daily and hourly rates for service in the off-peak season will be the annual access rate divided by the number of weeks, days and hours respectively in the year. ICC's and TNC's charges for any transaction shall not exceed the product of their annual access rate times the highest amount of kilowatts actually exported

	<u>TCC</u>	<u>TNC</u>
Annual rate per kW	\$ 1.866468	\$ 0.768993
Monthly on-peak rate per kW	\$ 0.466617	\$ 0.192248
Monthly off-peak rate per kW	\$ 0.155539	\$ 0.064083
Weekly on-peak rate per kW	\$ 0.107092	\$ 0.044123
Weekly off-peak rate per kW	\$ 0.035894	\$ 0.014788
Daily on-peak rate per kW	\$ 0.015299	\$ 0.006303
Daily off-peak rate per kW	\$ 0.005114	\$ 0.002107
Hourly on-peak rate per kW	\$ 0.000637	\$ 0.000263
Hourly off-peak rate per kW	\$ 0.000213	\$ 0.000088

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**BLACK LINED VERSION OF REVISED SHEETS**

## ATTACHMENT K

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The annual facilities charges are the sum of: (1) the product of the annual access rate for ICC (set forth below) multiplied by the ERCOT Regional Transmission Service Customer's demand at the time of the most recent ERCOT system coincident peak demand, as determined by the PUC pursuant to Chapter 25; and (2) the product of the annual access rate for TNC (set forth below) multiplied by the ERCOT Regional Transmission Service Customer's demand at the time of the most recent ERCOT system coincident peak demand, as determined by the PUC pursuant to Chapter 25.

The annual access rate for ICC is \$1.716896866468/kW.

The annual access rate for TNC is \$0.70226868993/kW.

In addition to the TCC annual facilities charges determined above, the ERCOT Regional Transmission Service Customer shall pay ICC a monthly rate case expense surcharge determined by multiplying \$0.00079/kW by the ERCOT Regional Transmission Service Customer's demand at the time of the most recent ERCOT system coincident peak demand, as determined by the PUC pursuant to Chapter 25. Such monthly surcharge shall begin on July 7, 2006, and continue for a period of thirty-six (36) months or until the total amount collected by each monthly surcharge equals \$1,516,934

**B. For Service To Export Electric Power From ERCOT**

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	<u>TCC</u>	<u>TNC</u>
Annual rate per kW	\$ 1.716896866468	\$ 0.70226868993
Monthly on-peak rate per kW	\$ 0.42922466617	\$ 0.17556792248
Monthly off-peak rate per kW	\$ 0.14307555539	\$ 0.05852264083
Weekly on-peak rate per kW	\$ 0.098510107092	\$ 0.0402944123
Weekly off-peak rate per kW	\$ 0.0330175894	\$ 0.0135054788
Daily on-peak rate per kW	\$ 0.0140735299	\$ 0.0057566303
Daily off-peak rate per kW	\$ 0.0047045114	\$ 0.0019242107
Hourly on-peak rate per kW	\$ 0.000586637	\$ 0.00024063
Hourly off-peak rate per kW	\$ 0.000196213	\$ 0.0000808

**2. ~~Monthly Retail Transmission System Use Rates~~**

The rates contained in this Section 2 of Attachment K are provided for informational purposes only. As required by Chapter 25 of the PUCT Substantive Rules, the transmission charges of the Transmission Provider under this Tariff (Attachment K, Section 1), and the transmission service charges of other ERCOT transmission service providers will be collected by the local distribution service providers (TCC & TNC) under six customer class specific rates approved by the PUCT. Transmission Charges to Retail Energy Providers serving consumers in the portion of ERCOT where TCC and TNC provide distribution service will be charged per consumer in accordance with the following:

Customer Class	Billing Unit	Monthly Retail Transmission Use Rate	
		Dollars Per Billing Unit	
		TCC	TNC
<del>1) Residential</del>	<del>Per Meter kWh</del>	<del>\$ 0.005190</del>	<del>\$0.005803</del>
<del>General Service</del>			
<del>2) Secondary ≤ 10 kW</del>	<del>Per Meter kWh</del>	<del>\$ 0.002512</del>	<del>\$ 0.003148</del>
<del>3) Secondary &gt; 10 kW</del>			
<del>(a) IDR Meter</del>	<del>4 CP kW Average</del>	<del>\$ 1.793</del>	<del>\$ 1.953</del>
<del>(b) Non-IDR Meter</del>	<del>NCP kW</del>	<del>\$ 1.286</del>	<del>\$ 1.245</del>
<del>4) Primary Service</del>			
<del>(a) IDR Meter</del>	<del>4 CP kW Average</del>	<del>\$ 1.925</del>	<del>\$ 1.963</del>
<del>(b) Non-IDR Meter</del>	<del>NCP kW</del>	<del>\$ 1.628</del>	<del>\$ 1.189</del>
<del>5) Transmission Service</del>			
<del>IDR Meter</del>	<del>4 CP kW Average</del>	<del>\$ 1.718</del>	<del>\$ 1.356</del>
<del>6) Lighting Service</del>	<del>Per Estimated kWh</del>	<del>\$ 0.002512</del>	<del>\$0.003148</del>

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## **ATTACHMENT 2**

**Texas Central Company**  
**Development of Interim Transmission Rates**

Texas Central Company

Development of Interim Wholesale Transmission Service Rate:

Wholesale Transmission Cost-of-Service	\$107,601,886
2007 ERCOT Average 4CPs	<u>57,650,014.9</u> kW
Annual Wholesale Transmission Service Rate	<u>\$1.866468</u> per kW

Development of Interim Wholesale Transmission Service Rate for Exports from ERCOT:

Monthly On-Peak Rate for Exports - 1/4 of annual rate	\$0.466617 per kW
Monthly Off-Peak Rate for Exports - 1/12 of annual rate	\$0.155539 per kW
Weekly on-peak rate per kW	\$0.107092 per kW
Weekly off-peak rate per kW	\$0.035894 per kW
Daily on-peak rate per kW	\$0.015299 per kW
Daily off-peak rate per kW	\$0.005114 per kW
Hourly on-peak rate per kW	\$0.000637 per kW
Hourly off-peak rate per kW	\$0.000213 per kW

**Texas North Company**  
**Development of Interim Transmission Rates**

Texas North Company

Development of Interim Wholesale Transmission Service Rate:

Wholesale Transmission Cost-of-Service	\$ 44,332,440
2007 ERCOT Average 4CPs	<u>57,650,014.9</u> kW
Annual Wholesale Transmission Service Rate	<u><u>\$0.768993</u></u> per kW

Development of Wholesale Interim Transmission Service Rate for Exports from ERCOT:

Monthly On-Peak Rate for Exports - 1/4 of annual rate	\$0.192248 per kW
Monthly Off-Peak Rate for Exports - 1/12 of annual rate	\$0.064083 per kW
Weekly on-peak rate per kW	\$0.044123 per kW
Weekly off-peak rate per kW	\$0.014788 per kW
Daily on-peak rate per kW	\$0.006303 per kW
Daily off-peak rate per kW	\$0.002107 per kW
Hourly on-peak rate per kW	\$0.000263 per kW
Hourly off-peak rate per kW	\$0.000088 per kW