

EXHIBIT A

DOCKET NO. 46831
SOAH DOCKET NO. 473-17-2686

APPLICATION OF EL PASO § **BEFORE THE STATE OFFICE**
ELECTRIC COMPANY TO CHANGE § **OF**
RATES § **ADMINISTRATIVE HEARINGS**

STIPULATION AND AGREEMENT

Public Utility Commission of Texas (PUCT or Commission) Docket No. 46831 is the proceeding established to determine the just and reasonable base rates for El Paso Electric Company (EPE or Company). Settlement discussions among the parties to Docket No. 46831 have been held, including for base rate purposes, revenue allocation, and rate design issues. As a result of these discussions, the parties to Docket No. 46831 either agree to or do not oppose the terms of this Stipulation and Agreement, including its attachments (the Agreement). The signatories to the Agreement (Signatories) further agree to support the Commission's implementation of the Agreement. The Agreement provides for a resolution of all base rate issues in this docket.

The Signatories agree that this Agreement results in just and reasonable rates and that the public interest will be served by resolution of the issues in the manner prescribed by this Agreement. Therefore, in consideration of the mutual agreements expressed herein, the Signatories agree and stipulate as follows:

Article I

Base Rate Revenue and Rate Issues

- A. Overall Revenues:** The Signatories agree that the Commission should authorize EPE to implement an overall annual increase of \$14.5 million in Texas base rate and other revenues over EPE's test year adjusted revenues, effective for electricity consumed on and after July 18, 2017.
- B. Future Change to Corporate Federal Income Tax Expense:** If the federal statutory corporate income tax rate is decreased before EPE files its next base rate case, then EPE will record, as a regulatory liability, taking into account changes in billing determinants, the difference between (i) the amount of federal income tax expense that EPE collects

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through the revenue requirement approved in this proceeding and reflected in its rates and (ii) the amount of federal income tax expense calculated using the new federal statutory income tax rate, taking into account any other federal corporate tax changes, such as the deductibility of interest costs. This regulatory liability will accumulate from (i) the later of (a) the date that the new base rates established in this case for EPE became effective or (b) the date on which the tax rate reduction became effective until (ii) the refund tariff described below becomes effective.

1. EPE will file a refund tariff with the Commission and municipal regulatory authorities within 120 days after the enactment of the law making the tax rate change reflecting (i) the reduction in federal income tax rates and (ii) a credit for the regulatory liability referenced above over a twelve month period. The tariff will calculate the difference in tax expense as the difference in: (i) federal income tax expense collected in rates (i.e., reflecting the federal income tax rate embedded in the tax factor indicated on Attachment 1) and (ii) the federal income taxes that would have been collected in rates had the changes in the federal income tax rates, and other associated changes in the federal income tax calculation, been in effect at the time settlement rates were established. The proposed refund amount will be allocated to rate classes based upon the allocation of rate base as shown in Attachment 2.
2. In each subsequent year, EPE will file to update the refund factor to reflect any over- or under-recovery of federal income tax expense and to reflect any subsequent changes in federal income tax rates or calculations that would affect the settlement income tax calculation reflected on Attachment 1. The refund factors in each subsequent year will be filed within 90 days after the end of EPE's fiscal year. The refund factor will be discontinued upon the effective date of rates in EPE's next base rate case, with a final reconciliation determined at the time of the final order in the base rate case.
3. The amount and timing of the reduction in rates to reflect a federal statutory income tax rate decrease will be subject to any new federal rules or state laws or

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regulations that address how a utility's rates should be adjusted to account for the reduction of federal income tax rates.

4. The regulatory treatment of any excess deferred taxes resulting from a reduction in the federal income tax rate will be addressed in EPE's next base rate case.
- C. Financial Matters:** Effective beginning August 1, 2017, EPE's Weighted Average Cost of Capital (WACC) shall be 7.725% based upon a 5.922% Cost of Debt, an authorized Return on Equity (ROE) of 9.65%, and an authorized regulatory capital structure of 51.652% long-term debt and 48.348% equity. The foregoing WACC, Cost of Debt, ROE, and capital structure will apply, in accordance with the Public Utility Regulatory Act (PURA)¹ and Commission rules, in all Commission proceedings or Commission filings requiring application of EPE's Cost of Debt, WACC, ROE, or capital structure to the same extent as if these factors had been determined in a final order in a fully-litigated proceeding.
- D. Prudence Finding Regarding Investment:** The Signatories agree that all EPE investment through the end of the test year (September 30, 2016), as presented in EPE's rate filing package, is used and useful in providing service, and prudent and included in rate base.
- E. Jurisdictional Allocation of Certain Solar Facilities:** The Signatories agree that the 50 MW Macho Springs solar power purchase agreement (PPA) (for solar power from the Macho Springs Solar Facility in Luna County, New Mexico) and the 10 MW Newman solar PPA (for solar power from the PSEG El Paso Solar Energy Center in El Paso County, Texas) will be system resources for jurisdictional allocation purposes.
- F. Imputed Capacity.** The Signatories agree that the classification of costs incurred by EPE as either base rate capacity charges or fuel charges for the 50 MW Macho Springs solar PPA and the 10 MW Newman solar PPA shall be as follows for the term of these contracts: Effective beginning August 1, 2017, the imputed capacity charge for the 50 MW Macho Springs solar PPA shall be \$2.35/kW per month, and the imputed capacity

¹ Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001-58.303 (West 2016), §§ 59.001-66.017 (West 2007 & Supp. 2016) (PURA).

PUC DOCKET NO. 46449
SOAH DOCKET NO. 473-17-1764

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APPLICATION OF SOUTHWESTERN § PUBLIC UTILITY COMMISSION
ELECTRIC POWER COMPANY FOR §
AUTHORITY TO CHANGE RATES § OF TEXAS

ORDER

This order addresses the application of Southwestern Electric Power Company (SWEPCO) for authority to change its rates, filed on December 16, 2016. SWEPCO originally sought a \$69 million increase to its Texas retail revenue requirement, primarily to reflect investments in environmental controls. However, SWEPCO also proposed a significant modification to the manner in which its transmission costs should be recovered. In addition, SWEPCO sought additional cost recovery for vegetation management, rate-case expenses, and a regulatory asset for certain costs under the Southwest Power Pool's open-access tariff.

A hearing on the merits was held between June 5 and June 15, 2017 at the State Office of Administrative Hearings (SOAH). On September 22, 2017, the SOAH administrative law judges (ALJs) filed their proposal for decision (PFD) in which they recommended a Texas retail revenue requirement increase of approximately \$51 million. The SOAH ALJs rejected SWEPCO's new method to recover transmission costs and recommended granting its requested rate-case expenses, and regulatory asset. In response to parties' exceptions and replies to the PFD, on November 8, 2017, the SOAH ALJs filed a letter making changes to the PFD.

Except as discussed in this order, the Commission adopts the PFD as modified, including findings of fact and conclusions of law. The Commission's decisions result in a Texas retail base-rate revenue requirement of \$369,234,023, which is an increase of \$50,001,133 from SWEPCO's present Commission-authorized Texas retail base-rate revenue requirement. New findings of fact 17A through 17J are added to address the procedural history of this docket after the close of the evidentiary record at SOAH. The Commission incorporates by reference the abbreviations table provided in the PFD.

quantify the cost in dollars to generate the next MWh for an online generating unit at a given operating point.

346. The evidence establishes that SWEPCO has correctly bid its coal units into the SPP IM based on the incremental costs of the units and has realized revenues in excess of the associated incremental costs from the SPP IM.

Change to Corporate Federal-Income-Tax Expense

- 346A. It is appropriate for the Commission's order to address changes to SWEPCO's corporate federal-income-tax expense.
- 346B. It is appropriate for the Commission to require SWEPCO to record, as a regulatory liability, taking into account changes in billing determinants, the difference between (a) the amount of federal-income-tax expense that SWEPCO collects through the revenue requirement approved in this proceeding and reflected in its rates and (b) the amount of federal-income-tax expense calculated using the new federal-income-tax rate, taking into account any other federal-corporate-tax changes, such as the deductibility of interest costs.

III. Conclusions of Law

1. SWEPCO is subject to the Public Utility Regulatory Act (PURA). Tex. Util. Code §§ 11.001-58.302 (West 2016 & Supp. 2017), §§ 59.001-66.016 (West 2007 & Supp. 2017).
2. SWEPCO is a public utility as that term is defined in PURA § 11.004(1) and an electric utility as that term is defined in PURA § 31.002(6)
3. The Commission exercises regulatory authority over SWEPCO, and jurisdiction over the subject matter of this application under PURA §§ 14.001, 32.001, 32.101, 33.002, 33.051, and 36.001-.112.
- 3A. The Commission's jurisdiction to establish rates extends beyond the date a proposed rate is suspended. PURA §§ 36.003-.004, 36.051-.065, 36.108(c), and 36.111.
4. SOAH has jurisdiction over matters related to the conduct of the hearing and the preparation of a proposal for decision in this docket, under PURA § 14.053 and Tex. Gov't. Code § 2003.049.