

## 2025 Interim TCOS Filing

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## Transmission Cost of Service (TCOS) Overview

- TCOS filings are governed by Public Utility Commission of Texas (PUCT) Substantive Rule 25.192
  - PEC's last full TCOS case was approved in 2001 (Docket No. 22533)
  - PEC's first interim update with 20 years of transmission investment was approved in July 2019 (Docket No. 49584) (interim filings do not adjust transmission O&M expense)
  - PEC has filed five subsequent interim updates
    - 2020 (Docket No. 51375)
    - 2021 (Docket No. 52884)
    - 2022 (Docket No. 54305)
    - 2023 (Docket No. 55927)
    - 2024 (Docket No. 57500)
- TCOS includes the return of and on investment in the transmission system
- TCOS for all ERCOT transmission utilities is paid by all distribution providers in ERCOT based on 4CP load ratio share (PEC is 2.32% of the 4CP load in ERCOT)

## Overview of PEC 2025 TCOS Interim Update

- Seeks inclusion of actual capital investment made as of August 31, 2025, and since the amounts approved in PEC's 2024 interim TCOS update
  - Details transmission capital projects placed into service between October 1, 2024 through August 31, 2025 that are "used and useful"
  - Reflects changes in transmission invested capital, appropriate depreciation, associated taxes, the PUCT-authorized rate of return (PEC ROR is 9.6%), and changes in loads
  - Filing supported by written testimony from PEC witnesses
  - Board approval requested to file application at the PUCT
  - Prudence of transmission investment since PEC's first full TCOS will be reviewed during PEC's next full TCOS filing

