



Control Number: 28840



Item Number: 58

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PUC DOCKET NO. 28840
SOAH DOCKET NO. 475-041033

**APPLICATION OF AEP TEXAS
CENTRAL COMPANY
FOR AUTHORITY TO
CHANGE RATES**

2003 DEC -8 PM 2:37
§ BEFORE THE STATE OFFICE
§ PUBLIC UTILITY COMMISSION OF
§ FILING CLERK ADMINISTRATIVE HEARINGS
§

**CITIES' TWELFTH REQUEST FOR INFORMATION TO
AEP TEXAS CENTRAL COMPANY**

Cities served by AEP Texas Central Company (Cities) file this twelfth information request to AEP Texas Central Company (AEP or Company) in the above styled docket. AEP is hereby requested to furnish one copy of all items of information enumerated on the attached sheets directly to the offices of Lloyd, Gosselink, Blevins, Rochelle, Baldwin & Townsend, P.C., 111 Congress Avenue, Suite 1800, Austin, Texas 78701, (512) 322-5800, the undersigned attorney, within twenty (20) days or by order of the Judge. These requests shall be deemed continuing so as to require further and supplemental responses if AEP receives or generates additional information within the scope of these requests between the time of the original response and the time of the hearings. Also, where data is requested, provide it in hard copy and Lotus format.

Respectfully submitted,

**LLOYD, GOSSELINK, BLEVINS, ROCHELLE,
BALDWIN & TOWNSEND, P.C.**

P. O. Box 1725
Austin, Texas 78767
(512) 322-5800
(512) 472-0532 (Fax)

By: 

STEVEN A. PORTER
State Bar No. 16150700

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was transmitted by fax and/or regular, first class mail on this 8th day of December 2003 to the parties of record.



Steven A. Porter

1. [Ref: Company response to ACC-1-15]
 - a) Would company witness Sutton-Hall agree that page 4 of 4 of the attachment indicates, at June 30, 2003, AEP Texas Central was capitalized with approximately 36% common equity and 64% long-term debt. If not please explain why not.
 - b) Would company witness Sutton-Hall agree that when the net generation assets are removed from AEP Texas Central, as shown on page 4 of 4 of the attachment, the resulting capital structure at 6/30/03 for the remaining transmission and distribution assets would have consisted of approximately 30% common equity and 70% long-term debt? If not, please explain why not.
 - c) Page 4 of 4 of the attachment indicates that at June 30, 2003, AEP capitalized its unbundled generation assets in central Texas with approximately 53% common equity and 47% debt, while capitalizing its remaining Central Texas operations (about 3/5 generation and 2/5 transmission and distribution) with 36% equity and 64% debt. Please explain why AEP elected to capitalize its pure generation operations with more common equity and less debt than that with which it capitalized its remaining central Texas operations.
 - d) Please explain why on page 1 of the attachment, under "Other Property, Plant and Equipment (including nuclear fuel)" the Company reports \$34.5 Million for AEP Texas Central Generation, while on its published balance sheet for 6/30/03 (the same date) the Company shows a balance of \$270 Million for Nuclear Fuel.
2. [Ref: Company response to ACC-1-19, Ms. Sutton-Hall's Direct Testimony, as amended, p. 10]
 - a) does Ms. Sutton-Hall believe that investors reviewing the Company's balance sheet published in its S.E.C. Form 10-Q for June 30, 2003, would conclude that AEP Texas Central was capitalized with 44.9% common equity. If so, why; if not why not?
 - b) Please explain why it is reasonable to remove securitization bonds from the published capital structure in determining a ratemaking capitalization for the Company.
3. [Ref: Company response to ACC-1-22 a-b]
 - a) Please provide a definition of "tendered" as used in the cited response and at page 10 of Ms. Sutton-Hall's testimony.
 - b) Please explain if \$400 Million of First Mortgage Bonds were not issued in July of 2002, why Ms. Sutton-Hall elected to add that amount to the Company's long-term debt balances.
4. [Ref: Company's response to ACC-1-23 c] Please provide support that S&P's debt-to-capital bond rating evaluation includes short-term debt.
5. [Ref: Company response to ACC-1-26] Please provide support for the Company's position that GAAP does not require a company to increase its

common equity balances when pension assets are greater than the discounted pension liability.

6. [Company response to ACC-1-31] Mr. Moul's overall cost of capital recommendation has been changed from 8.9422% to 8.562%. Is the Company changing its requested revenue requirement to conform with Mr. Moul's new overall return recommendation? If so, please provide all amended schedules; if not, please explain why not.
7. [Company response to ACC-1-43]
 - a) Does Mr. Moul agree that his empirical calculations implicitly assume that one company at one point in time can have two levels of financial risk. If not, please explain why not.
 - b) Is Mr. Moul able to point to any evidence in the financial literature which indicates that one company at one point in time can have two levels of financial risk?
8. [Company response to ACC-1-49] Please provide the capital structure, cost of each component of capital and weighted average cost of each component of capital used to calculate the revenue requirement and tax amounts provided in the attachments.
9. [Company response to ACC-1-53]
 - a) A review of the Miller and Modigliani articles provided in response to ACC-1-47 reveals no reference to book value capital structures. Please cite to the portion of those articles on which Mr. Moul relies for his assumption that a difference between the per share market price of a firm and its per share book value creates a leverage/financial risk difference.
 - b) The Morin quote provide in response to ACC-1-54 indicates that firms with more debt have greater financial risk, but does not appear to address the issue of the difference in leverage caused by a difference in market price and book value. Please cite to the particular portion of Dr. Morin's text provided which Mr. Moul believes supports his leverage analysis.
10. [Company response to ACC-1-61] The capital amounts provided do not appear to be those which are published on the books of account of AEP Texas Central Company. Please detail and describe the differences between the capital amounts reported on the published balance sheets and those reported in response to ACC-1-61. Please provide supporting calculations. [For example the June 30, 2003 S.E.C. Form 10-Q shows a long-term debt balance for AEP Texas Central of \$1.962 B. The Company's response to ACC-1-61, Attachment p. 2, indicates a long-term debt amount of \$1.519 B. Explain this and all other inconsistencies.]
11. [Company response to ACC1-68]
 - a) Please explain why AEP Texas Central elected not to utilize very low cost short-term debt capital after February of 2003.
 - b) Did AEP's money pool arrangement with its subsidiaries change in some significant manner in March of 2003? Please explain.

- c) Does the Company believe that one of its goals should be to minimize the cost of the capital mix it utilizes to operate its business? If not, please explain why not.
- d) Please explain why the Company, from January 2001 through December 2002 used, on average \$200 to \$300 Million of short-term debt financing, but now elects not to do so.