



Control Number: 34216



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PUC DOCKET NO. 34216

JOINT APPLICATION OF AEP TEXAS CENTRAL COMPANY AND LCRA TRANSMISSION SERVICES CORPORATION TO TRANSFER CERTIFICATE RIGHTS AND FOR APPROVAL OF TRANSFER OF A FACILITY IN UVALDE, KINNEY, AND VAL VERDE COUNTIES	§ § § § § § § §	BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS
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**AEP TEXAS CENTRAL COMPANY'S RESPONSE TO
STAFF'S SECOND REQUEST FOR INFORMATION**

JUNE 4, 2007

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Question No. GS 2-1:

Please provide the FERC account numbers of AEP Texas Central Company ("TCC") and dollar amounts by account affected by the transfer of the transmission facilities to LCRA Transmission Services Corporation ("LCRA TSC" or "Corporation").

Response No. GS 2-1:

At the time the Project Agreement for this project was signed, TCC had not expended any money on this project. Therefore, no specific journal entry was made on TCC's books and records for this project. Instead, when the company began incurring costs for this project they simply became a component of the monthly billing process to LCRA Transmission Services Corporation for the project.

Prepared By: David M. Erkins
Sponsored By: Randall W. Hamlett

Title: Accounting Analyst Sr
Title: Dir. Regulatory Acctg. Svcs.

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**AEP TEXAS CENTRAL COMPANY'S RESPONSE TO
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Question No. GS 2-2:

Please provide the proposed journal entry that TCC will use to record the transfer of the transmission facilities.

Response No. GS 2-2:

The proposed journal entry that TCC will use to record the transfer is provided in the attachment. Based on the Final Order in Docket No. 28840, the Company is recording these transactions above the line in FERC Accounts 456 and 930.

Prepared By: David M. Erkin
Sponsored By: Randall W. Hamlett

Title: Accounting Analyst Sr
Title: Dir. Regulatory Acctg. Svcs.

FERC Acct. No.	Description	Amount
Uvalde to Hamilton Road		
131	Cash	(23,848,546)
930	Expenses of Utility Operations	23,848,546
To record cost associated with construction		
143	Other Accounts Receivable	24,185,245
456	Revenues of Utility Operations	(24,185,245)
To record revenues associated with construction		

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Question No. GS 2-3:

Please provide the proposed journal entry that TCC will use to record the retirement of the existing facilities.

Response No. GS 2-3:

The proposed journal entry that TCC will use to record the retirement of existing facilities is provided in the attachment.

Prepared By: David M. Erkin
Sponsored By: Randall W. Hamlett

Title: Accounting Analyst Sr
Title: Dir. Regulatory Acctg. Svcs.

FERC Acct. No.	Description	Amount
<hr/>		
Uvalde to Hamilton Road		
108	Accumulated Depreciation	1,098,637
101	Plant In Service	(1,098,637)
To record retirement of existing facilities		

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Question No. GS 2-4:

Please explain in detail how the proceeds of the transaction will be used. Give specific examples.

Response No. GS 2-4:

The proceeds from the transfer of the rebuilt project to LCRA Transmission Services Corporation (LCRA TSC) will be used to reimburse TCC for expenditures incurred for engineering and constructing the transmission line for LCRA TSC. These expenditures include material cost for the line construction which includes all cost associated with purchasing, storage, and handling of these materials; contract and internal labor associated with easement clearing, tower construction, and stringing conductors; surveying; engineering which is primarily internal labor cost; and administration cost and other overheads associated with transmission line construction projects. Had TCC incurred these expenditures on its own behalf, they would have been recorded on TCC's books as part of its transmission investment. However, because proceeds are received from LCRA TSC that reimburse these amounts, the expenditures that would have been booked as transmission investment for TCC will not increase TCC's transmission investment. Any proceeds in excess of the construction expenditures will be included in TCC's cash working capital.

Prepared By: David M. Erkins
Sponsored By: Randall W. Hamlett

Title: Accounting Analyst Sr
Title: Dir. Regulatory Acctg. Svcs.

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Question No. GS 2-5:

Please refer to Item No. 9 of the "Application for Sale, Transfer, or Merger". The response to this item indicates that this transfer may change TCC's transmission rates at its next TCOS filing date. Please describe the impact that this STM may have on TCC's future transmission rates.

Response No. GS 2-5:

The transfer will not impact the current rates of TCC. TCC recently had new transmission rates approved by the Commission in Docket No. 28840 with an effective date of September 6, 2005. The costs of the rebuild of the projects in this filing were not included in rate base in that filing. TCC cannot predict at this time how much its proposed or approved transmission rates would change in a future TCOS filing as a result of approval of this application. The transmission rates at that time will be based on TCC's billing determinants, investments made to date and cost of providing transmission service. Assuming the Commission approves this transfer, the investment costs of this project will not be a component of that filing, just as they are not a component of the recently approved filing.

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Sponsored By: Randall W. Hamlett

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Question No. GS 2-6:

Please provide the annual depreciation expense and property tax expense associated with the existing Uvalde to Hamilton Road transmission facility currently included in TCC's rates.

Response No. GS 2-6:

Since TCC is acting as a construction contractor it has not recorded any of the cost associated with the rebuild of this asset on its books, it does however have the cost of the easements. TCC records costs as they are incurred and revenues for billings to LCRA TSC as they are received. As such, TCC will have easements only and will only record depreciation expense associated to easements. The assets in place prior to the rebuild will be retired by TCC and not sold to LCRA TSC. The original cost of the assets to be retired and the associated current annual depreciation expense which are based on the depreciation rates approved in Docket No. 28840, are provided in the attached document. Utilizing the property tax factor from Docket No. 28840, property tax expense in TCC's current rates are also provided in the attached document.

Prepared By: David M. Erkin
Sponsored By: Randall W. Hamlett

Title: Accounting Analyst Sr
Title: Dir. Regulatory Acctg. Svcs.

Segment	Account	Original Cost	Depr. Rate	Annual Depr. Expense
Uvalde to Hamilton Road	350.1	37,224.23	1.230%	457.86
	355	626,289.23	2.060%	12,901.56
	356	<u>435,123.04</u>	1.770%	<u>7,701.68</u>
Total		<u>1,098,637</u>		<u>21,061</u>
Property Tax Factor Docket No. 28840		<u>0.01537913</u>		
Property Tax Expense		<u>16,896</u>		

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Question No. GS 2-7:

Please provide the costs of the original transmission facility (including the easements) that are included in TCC's invested capital.

Response No. GS 2-7:

Please see the attachment to Staff's Second Request for Information, Question No. GS 2-6. This attachment provides the requested original cost, by project, currently included in TCC's invested capital at 4-30-2007.

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Sponsored By: Randall W. Hamlett

Title: Accounting Analyst Sr
Title: Dir. Regulatory Acctg. Svcs.

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Question No. GS 2-8:

Please identify all tax impacts that TCC will incur as a result of this transaction.

Response No. GS 2-8:

A tax impact will occur for TCC in regard to the compensation for project management fees to the extent the payments from LCRA TSC to TCC exceed TCC's costs in providing the services. Based on TCC's estimate provided in the response to Staff's Second Request for Information, Question No. GS 2-2, TCC will incur a tax expense of \$117,845 (35% * \$336,699).

Prepared By: David M. Erkin
Sponsored By: Randall W. Hamlett

Title: Accounting Analyst Sr
Title: Dir. Regulatory Acctg. Svcs.