

TIEC 7-40:

Referring to page 25 of Mr. Baker's Rebuttal Testimony, please explain the difference between the two commitments made related to Oncor's credit rating and simply committing to maintain an investment grade credit rating for Oncor?

RESPONSE:

Please see Purchasers' response to Gexa 4-2.

Preparer: D. Greg Wilks; Ralph G. Goodlet, Jr.
Sponsor: D. Greg Wilks; Ralph G. Goodlet, Jr.

TIEC 7-41:

Referring to page 26 of Mr. Baker's Rebuttal Testimony, do landlords and tenants disagree sometimes regarding the level of lease payments? Please explain why this tension will or won't exist in the proposed structure.

RESPONSE:

Yes. The lease terms will ultimately be approved for the landlord by a committee of independent directors of Oncor AssetCo and OV1 and for the tenant by OEDC. As with any lease, the potential for disagreement will exist between the landlord and tenant. However, landlords have an interest in assuring an economically healthy tenant who will maintain the landlord's facilities in good working order and comply with all legal and regulatory requirements. In the case of Oncor AssetCo and OEDC, both landlord and tenant will have a shared interest in assuring that the level of lease payments is in the best interest of the combined entities. See Purchasers' response to TIEC 7-36.

Preparer: W. Kirk Baker
Sponsor: W. Kirk Baker

TIEC 7-42:

Referring to page 29 of Mr. Baker's Rebuttal Testimony, will the deductions being taken by OV1 be created by losses or investments made by it that are unrelated to income or expenses arising from utility services? Please explain why or why not.

RESPONSE:

For purposes of setting Oncor Asset Co's and OEDC's federal income tax allowance, the dividends paid deduction is unrelated to the income or expenses arising from the utility services unless the expenditure giving rise to the deduction is included in the rates of the utility. See PURA § 36.060 and Purchasers' response to TIEC 7-24.

Preparer: Counsel
Sponsor: N/A

TIEC 7-43:

Referring to page 32, line 3 of Mr. Baker's Rebuttal Testimony, please define "net income."

RESPONSE:

"Real estate investment trust taxable income" as defined in Section 857(b)(2) of the Internal Revenue Code.

Preparer: W. Kirk Baker
Sponsor: W. Kirk Baker

TIEC 7-44:

Referring to page 36 of Mr. Baker's Rebuttal Testimony, please state whether customers of each of the utilities identified receive reductions in rates related to the deductions reducing federal income tax expense. Please explain why or why not.

RESPONSE:

The requested information is not available in the Form 10-K from which the information was obtained.

Preparer: W. Kirk Baker
Sponsor: W. Kirk Baker

TIEC 7-45:

Referring to pages 37-40 of Mr. Baker's Rebuttal Testimony, please provide a citation to all legal precedents or requirements that support Mr. Baker's contention that the Commission has no authority to reflect reduced federal income taxes or other related tax benefits in rates. Please explain your answer.

RESPONSE:

The question misconstrues Mr. Baker's written rebuttal testimony. The principal legal precedents that support Mr. Baker's testimony as set forth on pages 37-40 of his Rebuttal Testimony are cited therein.

Preparer: W. Kirk Baker
Sponsor: W. Kirk Baker

TIEC 7-46:

Is Mr. Baker being offered as a tax expert? If so, please provide all documents whether previously privileged or not that Mr. Baker reviewed or relied upon in preparing his testimony.

RESPONSE:

Mr. Baker is being offered as an expert with respect to federal income tax issues and REITs. Please see Purchasers' response to Gexa 8-2(f)(4).

Preparer: Counsel
Sponsor: N/A