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Item Number: 84

Addendum StartPage: 0

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JOINT REPORT AND APPLICATION OF ONCOR ELECTRIC DELIVERY COMPANY LLC AND NEXTERA ENERGY, INC. FOR REGULATORY APPROVALS PURSUANT TO PURA §§ 14.101, 39.262 AND 39.915	**§ § §**	**BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS**

RESPONSE OF ONCOR ELECTRIC DELIVERY COMPANY LLC
<u>TO TEXAS INDUSTRIAL ENERGY CONSUMERS'</u>
<u>FIRST REQUEST FOR INFORMATION</u>

TO THE HONORABLE PUBLIC UTILITY COMMISSION OF TEXAS:

Oncor Electric Delivery Company LLC ("Oncor") files this Response to the aforementioned requests for information.

I.
Written Responses

Attached hereto and incorporated herein by reference are Oncor's written responses to the aforementioned requests for information. Each such response is set forth on or attached to a separate page upon which the request has been restated. Such responses are also made without waiver of Oncor's right to contest the admissibility of any such matters upon hearing. Oncor hereby stipulates that its responses may be treated by all parties exactly as if they were filed under oath.

II.
Inspections

In those instances where materials are to be made available for inspection by request or in lieu of a written response, the attached response will so state. For those materials that a response indicates may be inspected at the Austin voluminous room, please call at least 24 hours in advance for an appointment in order to assure that there

84

1

is sufficient space and someone is available to accommodate your inspection. To make an appointment at the Austin voluminous room, located at 1005 Congress, Suite B-50, Austin, Texas, or to review those materials that a response indicates may be inspected at their usual repository, please call Teri Smart at 214-486-4832. Inspections will be scheduled so as to accommodate all such requests with as little inconvenience to the requesting party and to company operations as possible.

Respectfully submitted,

ONCOR ELECTRIC DELIVERY COMPANY LLC

By: ______________________

Matthew C. Henry
State Bar No. 00790870
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State Bar No. 00874950
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State Bar No. 02312400

Vinson & Elkins LLP
2001 Ross Avenue, Suite 3700
Dallas, Texas 75201-2975

ATTORNEYS FOR ONCOR ELECTRIC DELIVERY COMPANY LLC

CERTIFICATE OF SERVICE

It is hereby certified that a copy of the foregoing has been hand delivered or sent via overnight delivery or first class United States mail, postage prepaid, to all parties of record in this proceeding, on this the 29th day of November, 2016.

____

Request

Provide all presentations regarding the proposed transaction or previous incarnations of the transaction during the past two years made by investment banks and consulting firms to:

a. Nextera's management including CEO, CFO, and head corporate development I or strategy officer

b. Nextera's Board of Directors

c. Oncor's management, including CEO, CFO, and head corporate development or strategy officer

d. Oncor's Board of Directors.

Response

This partial request is the subject of an objection filed with the Commission. Subject to and without waiving its objections, Oncor responds as follows:

a. Please see NextEra's response to TIEC RFI Set No. 1, Question 1-01a.
b. Please see NextEra's response to TIEC RFI Set No. 1, Question 1-01b.
c. This request is the subject of an objection filed with the Commission.
d. This request is the subject of an objection filed with the Commission.

Request

Provide all investment analysts reports on NextEra in the last three years.

Response

Please see NextEra's response to TIEC RFI Set No. 1, Question 1-02.

Request

Provide all investment analysts reports on Oncor in the last three years.

Response

The following response was prepared by or under the direct supervision of David M. Davis, the sponsoring witness for this response.

Please see Attachments 1 and 2 for the requested information.

ATTACHMENTS:

ATTACHMENT 1 – CreditSights document titled "Oncor 10-K Cut: Ready for Whatever Comes", dated March 17, 2014, 7 pages.

ATTACHMENT 2 – Barclays Equity Research | Instant Insights document titled "Illustrative Merger Analysis for Oncor", dated June 28, 2016, 5 pages.

DOCKET 46238 ATTACHMENT 1
TO TIEC RFI Set 1
QUESTION NO. 1-03

CreditSights

Oncor 10-K Cut: Ready for Whatever Comes

10-K CUT: 17 MAR 2014, 5.56 AM ET

Printed for Rebecca Kotkin

Executive Summary

- **Waiting for the EFH bankruptcy has become the business equivalent of Waiting for Godot.** We thought it would be useful to review the steps Oncor has taken to distance and ring-fence itself from the parent to insure that, if it comes, an EFH filing will only cause headline risk at Oncor, and nothing more.

- **Over time, Oncor has taken just about all the steps a subsidiary can take to insulate itself from the parent's woes, and it has been successful.** The separation started with the initial EFH acquisition, when EFH was forced to take measures that are not usually taken with a subsidiary to separate Oncor from the risks of EFH.

- **Many of the measures that protect the credit quality and separation of Oncor are either required by the PUCT and/or TX law, and some of the measures are filed with the PUCT and have the force of law.** These requirements, along with all the other separation measures taken by Oncor, make us confident that Oncor, after possible initial reactions to headlines, will stay separate and unscathed by any EFH filing.

- **Oncor continues to grow, partly due to the growth in the service territory and partly due to investments in the system.** We see Oncor as a solid, fundamentally sound low single-A regulated utility with headline risk.

Relative Value

We continue to rate Oncor bonds at Outperform. The Oncor 4.1% of '22 yield 3.6% and the 5.3% of '42 yield 4.7%. Oncor tends to trade wide to its T&D peers with secured debt, given the issues at ultimate parent EFH. Some peers with secured debt include the Ameren Illinois 2.7% of '22 which yield 3.1% and the CenterPoint Energy Houston 2.25% of '22 yielding 3.3% (gnl. ref. mtge. bonds). Our Outperform rating is for yield pickup only, as we believe the bonds will continue to trade wider until the EFH issues are settled. We do not see Oncor being dragged into an EFH bankruptcy and acknowledge the headline risk that comes along with owning this credit.

Financial Metrics

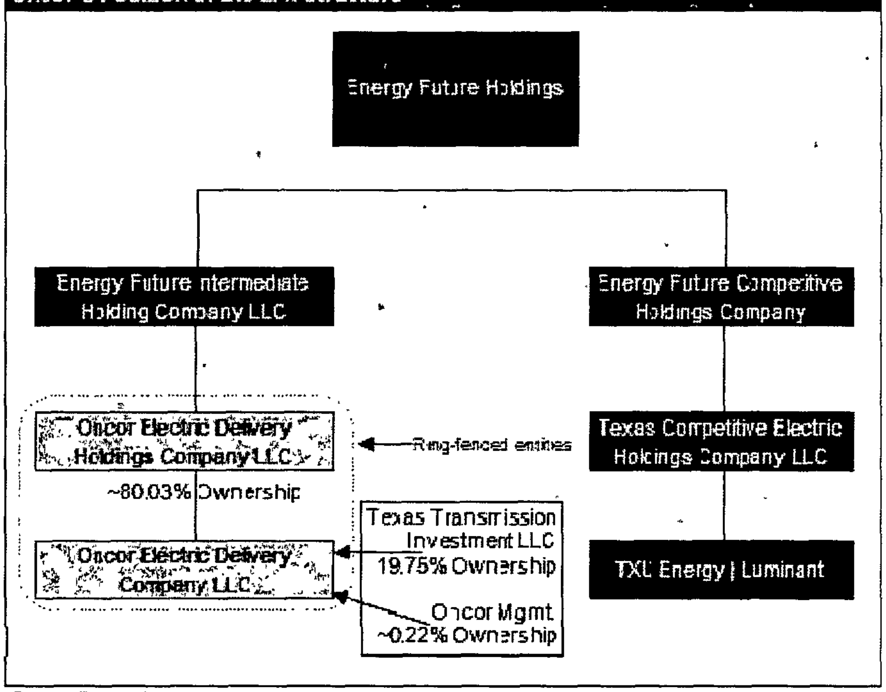
Select Oncor Bonds

Entity	Rank	Maturity	$MM	Coupon	MW	Moody's	S&P	YTW	Rec
ONCOR ELECTRIC DELIVERY	SR SECURED	9/1/2018	$ 550	6.80	T+ 50 bp	Baa3	A	2.3	o/p
ONCOR ELECTRIC DELIVERY	SR SECURED	9/30/2020	$ 126	5.75	T+ 50 bp	Baa3	A	3.6	o/p
ONCOR ELECTRIC DELIVERY	SR SECURED	6/1/2022	$ 400	4.10	T+ 40 bp	Baa3	A	3.6	o/p
ONCOR ELECTRIC DELIVERY	SR SECURED	9/30/2040	$ 472	5.25	T+ 25 bp	Baa3	A	4.7	o/p
ONCOR ELECTRIC DELIVERY	SR SECURED	6/1/2042	$ 500	5.30	T+ 40 bp	Baa3	A	4.7	o/p

Source: Trace, CreditSights || as of: 03/14/14

Oncor (ONCRTX: Baa3/A) had a solid, steady year, and continues to be a conservatively –run utility in a growing service territory. Throughout the last several years, its Moody's rating and bond spreads have been influenced by its parent EFH's problems. Waiting for EFH to file has become the business equivalent of Waiting For Godot, and the long drawn-out process has kept Oncor somewhat in limbo. In addition to a 10-K review, we thought it might be useful to review the separation and ring-fencing measures that Oncor has taken, and to re-state our view that they are more than sufficient to insulate Oncor from any EFH filing.

Oncor's Position in the EFH Structure



[illegible]

We recognize that Oncor faces headline risk if EFH ever actually files. The bonds trade at a premium, but we believe the Street has become more comfortable with the measures Oncor has taken to separate itself, legally and practically, from EFH. This is reflected in the S&P rating of A. **We agree with S&P's rating, but, for now, would put it more in a low single A category until it comes through the EFH saga.**

In this piece, we will discuss in some detail the implications from an EFH bankruptcy, both in terms of the bankruptcy and for Oncor going forward. We briefly discuss some results and other items from the 10-K, but, for more detail on 2013, please see **Oncor 4Q13: Good Year, Confident of Future**.

Ring-Fencing and Other Distancing Steps

The very first ring-fencing step was taken when the deal was structured. The buyers agreed to sell about 20% of Oncor to outside purchasers. In November2008, 19.75% of Oncor was sold to Texas Transmission, which still owns the stake. Small amounts totaling 0.22% were sold to Oncor management. This was one of the steps that the PUCT required to protect Oncor and keep it from entanglements with EFH. **At this point, EFH was still able to consolidate Oncor for reporting purposes.**

Later, after more ring-fencing and distancing, EFH had to stop consolidating Oncor, as it deemed it no longer controlled despite still holding about 80% of the stock. These measures include the maintenance of separate books and records and the requirement that a majority of the Oncor Board members must be independent. None of the Oncor ring-fenced entities can get credit support from or give credit support to any member of the Texas Holdings Group, including TXU. Oncor's assets and liabilities are kept separate and distinct from all the non-ring fenced entities, and none of those assets is available to satisfy any debt or contractual obligations of Texas Holdings Group, and none of the assets of Texas Holdings Group can be available to satisfy any debt or contractual obligations of Oncor. Oncor bears no liability for the debt or contractual obligations of Texas Holdings Group or vice versa. Over time, Oncor has taken back, or made other arrangements for, various employee plans and other activities that originally were handled or administered by parts of Texas Holdings Group. **Aside from the ownership of about 80% of Oncor, there is no connection between Oncor and Texas Holdings Group and Texas Holdings Group, despite its majority ownership, does not have the power to direct Oncor's activities.**

Despite all these efforts, we often get questions about whether or not they will be effective if creditors of other EFH entities try to access them in a bankruptcy. While nothing is ever 100% certain until it happens, the measures Oncor has taken are more than adequate, in our view, to prevent what, in bankruptcy, is known as substantive consolidation.

In other areas of the law, substantive consolidation is known as "piercing the corporate veil," and the occasions on which a court does this are very few and far between. The corporation is a creature of the law, sanctioned in law, whose object is, in part, to insulate shareholders from personal liability for the debts and actions of the corporation.

In the law, a corporation is a "person" with some unique attributes. Unlike a living person, a corporation can have an unlimited existence. A corporation's liability for its actions is, generally, limited to the assets of the corporation. A sole proprietor's house, for example, could be an asset in a negligence case, but the homes of the stockholders of the corporation cannot be, as long as the legal fiction of the corporation is maintained.

Each state prescribes what a corporation must do to preserve its separate identity, and these are basically simple steps that any corporate lawyer can be sure the corporation is following. They usually encompass keeping separate records, having a separate Board of Directors, holding regular meetings and documenting all of this properly. There are also taxes, fees, etc. to be paid to keep the corporate status.

Since the law created the creature known as the corporation, it is usually very protective of it, as long as the rules are followed. In fact, "iron curtain" would be a more accurate description of the "veil." We once did research on piercing the corporate veil under

New York law, and all we could come up with were some taxi cab cases. In those cases, and they were few, the court held that the practice of putting each cab in a separate corporation was a sham to hide the assets in case of accidents. **At the time we did the research, we could not come up with a single case of a large corporation with a legitimate corporate purpose having the corporate veil pierced to go after the stockholders.**

Substantive consolidation, or equitable consolidation as it is sometimes known, is occasionally used in bankruptcy cases. The court pierces the corporate veil because of some perceived wrongdoing that is being perpetuated by the use of the corporate structure. For example, the parent may have moved all the assets of the subsidiary to it, leaving the subsidiary with no way to pay its debts. In the law, "equitable" refers to the power of the court to step outside the norms and "do equity." It comes from the fact that there used to be two separate systems in England, law and equity. In law, you could get damages; in equity, for example, you could get an injunction to stop an injustice. After the Revolution, courts of law and equity were merged in almost all jurisdictions, including the federal courts. **This means that a federal judge, including a bankruptcy judge, can "do equity" by piercing the corporate veil if and when he sees that, by not doing so, he would allow a real injustice to occur.**

In the case of Oncor, they have separated themselves from the parent more completely than we have ever seen before. Oncor and the PUCT have made sure there is no connection other than that of ultimate shareholder. Oncor has taken no assets from the parent, a fact that would have to be proved before any substantive consolidation argument could possibly succeed. Oncor existed as a public utility before the LBO. It borrows on its own, without any help from the parent, and it remits distributions to the owners as the law allows. Oncor cannot legally go below 40% equity, as calculated by PUCT rules, and continue to make distributions.

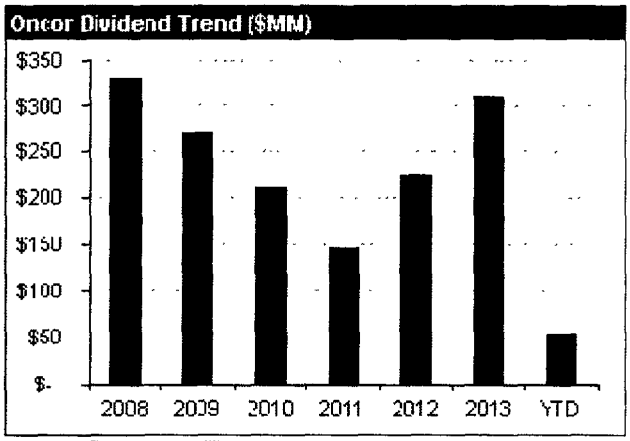
The bankruptcy judge cannot pierce the corporate veil because he feels sorry for a group of people who lent money to another entity that is now bankrupt and would like to add other assets to the pot. In purely legal terms, it is pretty much the equivalent of asking him to dig into the pockets of some other person to pay someone else's debt. It will not happen absent a showing of wrongdoing, and we do not believe that can happen to Oncor.

Others have said, OK, no substantive consolidation, but they can be dragged into the bankruptcy. We think that is very unlikely for a number of reasons. On a voluntary basis, that cannot happen without the approval of the independent directors of Oncor. On an involuntary basis, Oncor does not meet the criteria for bankruptcy set forth in the Bankruptcy Code. Its liabilities do not exceed its assets and it is more than capable of meeting its debts as they come due.

Keeping Oncor ring-fenced entities out of the bankruptcy also probably is more beneficial to the other creditors. Even in a bankruptcy, Oncor would almost certainly keep paying interest. There is ample precedent for that in prior, "real" utility bankruptcies like PSNH and El Paso Electric. It is easier for Oncor to deal on a daily basis, refinance and borrow out of bankruptcy than in, so we don't see a practical advantage to a creditor to try to put Oncor in involuntary bankruptcy.

Oncor the regulated, public utility, now and in a post-filing world

No matter what EFH does, or when it does it, Oncor will continue to function as a regulated public utility. There certainly could be some disruptions if and when EFH finally files, but we do not expect them to last too long. Oncor says it has bank capacity that it can tap if the public markets are temporarily closed. At December 31, 2013, it had $1.649 billion available on the $2.4 billion secured revolving credit facility. **The credit facility and the Senior Notes and Debentures are all secured by the same Deed of Trust on Oncor's assets and would rank pari passu.**

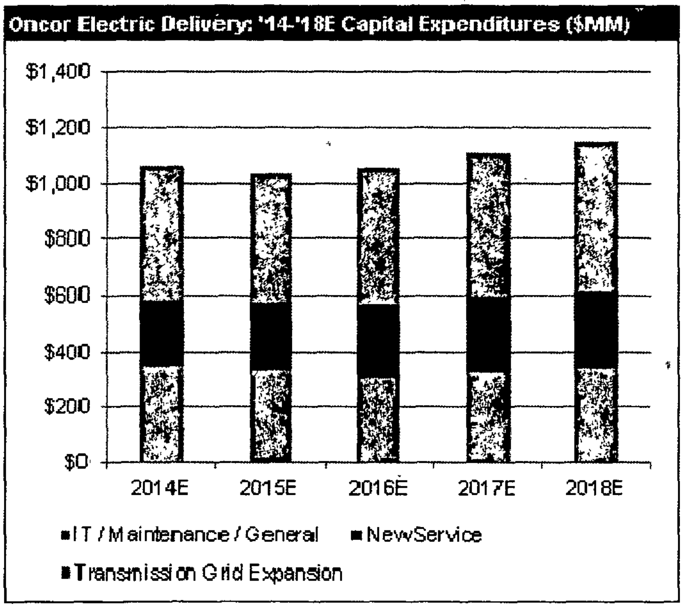


Source: SNL, company filings

As secured assets, the public debt and the revolver would be entitled to Adequate Protection in the unlikely event Oncor is dragged into an EFH bankruptcy. Based on the precedents of other utility bankruptcies Oncor would most likely continue to pay interest on its debt and pay it as it comes due. In the 10-K, Oncor states it has $131 million in principal due this year, and $680 million coming due in one to three years. These are manageable numbers in any and all circumstances.

Oncor will continue to pay distributions to members. While any EFH bankruptcy continues, it might be difficult to do this if the creditors of EFH forced Oncor into a bankruptcy situation. Creditors of Oncor would almost certainly seek to block these distributions, another reason why it is to EFH creditors' advantage to keep Oncor out of a bankruptcy. These distributions were curtailed while Oncor was building CREZ and installing Smart Meters, but are now ramping back up to prior levels. Last year, Oncor made $310 million in distributions, up from $225 million in 2012. In February 2014, Oncor distributed $53 million to members, up from $45 million in February 2013. At December 31, 2013, Oncor had a debt/equity ratio of 58.7%/41.3%, as calculated by PUCT requirements. Oncor cannot make distributions if its equity would fall below 40% for PUCT requirements. It could have distributed $192 million per those calculations, but, as CFO Dave Davis explained on the 4Q call, it likes to keep some cash cushion.

Now that CREZ and Smart Meter are essentially done, capex will stay level at about $1 billion-$1.1 billion/year. CEO Bob Shapard never rules out other projects if the opportunity arises, but the large growth driver of CREZ is now behind them and essentially in rate base. At the end of December, 2013, Oncor had spent $1.871 billion on CREZ, with some small expenditures deferred until 2015.



If EFH files, there is the issue of amounts owed to Oncor from the retail product. Unlike other states, in TX the retail provider collects all charges and remits the distribution portion to the distribution provider. In 2013, TCEH represented 27% of total revenues, down from 33% in 2011. While the percentage is declining, TCEH still represents the largest remitter of funds paid by customers that are to be passed through to the distribution provider. Retail providers remit daily, and are required to remit within 30 days, but there is always a balance. **Oncor reported the net exposure to affiliates with trade accounts receivable totaled $145 million at February 27, 2014.**

If TCEH were to file, amounts owed to Oncor on that date would be frozen. TCEH would have to provide assurance of payment going forward, but there will likely be some disruptions. For the amount outstanding on the date of filing, Oncor would be an unsecured creditor along with other TCEH unsecured creditors. However, since Oncor would have to take a charge for that amount, if that reduced equity below 40%, distributions to members would have to stop until Oncor went above 40% equity again. At the least, it would somewhat limit what Oncor could pay in distributions for some period of time. Oncor's point in all this is that it could make up the lost revenue faster than any claim would be paid, likely in part, in the bankruptcy. The amount in limbo would depend on the time of year of the filing.

Because TCEH is rated below investment grade, under PUCT tariffs, TCEH must post collateral support for the transition bond payments. The transition bonds are amortizing and will be paid off in 2016, but TCEH had posted $9 million of collateral to pay these bonds at the end of 2013.

Clearly, any amounts due to be remitted would be lower in shoulder months and higher in high demand months, like July. In the 10-K, Oncor said it had collected, at February 27, 2014, all but $6 million due from affiliates at the end of December 2013. Oncor has determined that a loss contingency of approximately $20 million is reasonable possible if members of the Texas Holdings Group were to file for bankruptcy and reject their executory contracts and unexpired leases.

Dot Matthews, JD
Scott Greenstein

Have a question? Ask an Analyst.

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[redacted]

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Equity Research | Instant Insights

28 June 2016

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TOP PICK NextEra Energy / Edison International
Illustrative Merger Analysis for Oncor

Stock Rating/Industry View: Overweight/Neutral
Price Target: USD 137.00
Price (27-Jun-2016): USD 127.88
Potential Upside/Downside: 7%
Tickers: NEE

Stock Rating/Industry View: Equal Weight/Neutral
Price Target: USD 75.00
Price (27-Jun-2016): USD 76.45
Potential Upside/Downside: -2%
Tickers: EIX

NEE Reported as a Bidder for Oncor

Bloomberg reported yesterday that there may be as many as seven buyers interested in acquiring Oncor ("NextEra Said to Bid on Oncor as Berkshire, Edison Eye Utility"). The unconfirmed article named NextEra Energy, Edison International, and Berkshire Hathaway specifically as suitors, although highlighted NEE as the closest to reaching a deal. The article indicated that Energy Future Holdings (EFH), Oncor's parent currently mired in bankruptcy, may reach a deal by early July.

NEE was an unsuccessful bidder for Oncor in 2014 and again in 2015, and participated actively in the Hunt/Oncor acquisition proceedings before the Texas Public Utility Commission (PUCT) and the EFH bankruptcy hearings. We fully anticipated that NEE would be an active bidder for the Oncor assets when the Hunt acquisition offer failed.

NEE Scenario Analysis

Below we have updated our previously published merger analysis. We estimate that a bid in the range of $18–19B could be accretive to NEE by approximately $0.25–0.30 per share in 2018. A bid in this range reflects ~9x EV/EBITDA and 1.75x rate base. The article states a value of $17–18B; however, an offer up to $20B may not be out of the question: In a filing that NEE made to the U.S. Bankruptcy Court for the District of Delaware in November 2015, NEE claimed (at that time) it had the ability to put forth a proposal that would provide full recovery for all E-side claims. We believe an offer of approximately $19.5–20.0B would satisfy that objective.

Our analysis assumes that NEE finances the purchase with 72% debt/28% equity and leaves in place the 20% minority equity owner. The acquisition would require ~$2.5B greater cash consideration to buyout the minority owner, but would also result in ~$0.07 greater accretion. We assume a 3.75% pretax cost of debt. The earnings sensitivity to a 25 basis point change in the cost of debt amounts to ~$0.02-0.03, and the earnings sensitivity to a 500 basis point change in debt financing amounts to ~$0.03. We also assume 10% cost savings, which contributes $0.08 to our accretion. The assumptions underlying our scenario analysis are consistent with recent transactions and support investment grade credit metrics.

NEE/Oncor Scenario Analysis (figures in millions, except per share data)

	Inputs	2018E
NextEra Energy		
Share price	$127	
Shares outstanding		462
2018E EPS		$6.90
2018E Net Income		$3,188
Oncor (certain figures per EFH 8k, 8/3/15)		
Ratebase est @ YE15		$10,641
O&M		$761
EBITDA		$2,053
D&A		$882
EBIT		$1,171
Interest		$373
Pretax Income		$798

Total Enterprise Value		**$17,000**	**$17,500**	**$18,000**	**$18,500**	**$19,000**	**$19,500**	**$20,000**
Less: Oncor debt assumed		$6,486	$6,486	$6,486	$6,486	$6,486	$6,486	$6,486
Less: minority equity interest	20%	$2,103	$2,203	$2,303	$2,403	$2,503	$2,603	$2,703
Cash Consideration		$8,411	$8,811	$9,211	$9,611	$10,011	$10,411	$10,811
Acquisition Financing								
Debt Financing	72%	$6,056	$6,344	$6,632	$6,920	$7,208	$7,496	$7,784
Common Equity	28%	$2,355	$2,467	$2,579	$2,691	$2,803	$2,915	$3,027
EV/EBITDA		8.3x	8.5x	8.8x	9.0x	9.3x	9.5x	9.7x
EV/Ratebase		1.6x	1.6x	1.7x	1.7x	1.8x	1.8x	1.9x
NEE Net Income		$3,188	$3,188	$3,188	$3,188	$3,188	$3,188	$3,188
Oncor EBITDA		$2,053	$2,053	$2,053	$2,053	$2,053	$2,053	$2,053
Plus: O&M savings	10%	$76	$76	$76	$76	$76	$76	$76
Less: D&A		$882	$882	$882	$882	$882	$882	$882
Less: Interest		$373	$373	$373	$373	$373	$373	$373
Less: Income Taxes	35%	$306	$306	$306	$306	$306	$306	$306
Less: Minority Equity Interest	20%	$114	$114	$114	$114	$114	$114	$114
Oncor Net Income Contribution to NEE		$455	$455	$455	$455	$455	$455	$455
Less: Aftertax Acquisition Interest Expense	3.75%	$148	$155	$162	$169	$176	$183	$190
Proforma Net Income		$3,495	$3,488	$3,481	$3,474	$3,467	$3,460	$3,453
Proforma Shares Outstanding		481	481	482	483	484	485	486
Proforma EPS		**$7.27**	**$7.24**	**$7.22**	**$7.19**	**$7.16**	**$7.13**	**$7.11**
NEE Standalone EPS		$6.90	$6.90	$6.90	$6.90	$6.90	$6.90	$6.90
Potential Accretion		*$0.37*	*$0.34*	*$0.32*	*$0.29*	*$0.26*	*$0.23*	*$0.21*

Source: Barclays Research, company filings

EIX Scenario Analysis

To enable an apples-to-apples comparison, we utilize the same template and assumptions for EIX that we use for NEE. We calculate that a bid in the range of $18–19B for Oncor could be accretive to EIX by approximately $0.30–0.40.

EIX/Oncor Scenario Analysis (figures in millions, except per share data)

	Inputs	2018E
Edison International		
Share price	$76	
Shares outstanding		326
2018E EPS		$4.37
2018E Net Income		$1,424
Oncor (certain figures per EFH 8k, 8/3/15)		
Ratebase est @ YE15		$10,641
O&M		$761
EBITDA		$2,053
D&A		$882
EBIT		$1,171
Interest		$373
Pretax Income		$798

Total Enterprise Value		**$17,000**	**$17,500**	**$18,000**	**$18,500**	**$19,000**	**$19,500**	**$20,000**
Less: Oncor debt assumed		$6,486	$6,486	$6,486	$6,486	$6,486	$6,486	$6,486
Less: minority equity interest	20%	$2,103	$2,203	$2,303	$2,403	$2,503	$2,603	$2,703
Cash Consideration		$8,411	$8,811	$9,211	$9,611	$10,011	$10,411	$10,811
Acquisition Financing								
Debt Financing	72%	$6,056	$6,344	$6,632	$6,920	$7,208	$7,496	$7,784
Common Equity	28%	$2,355	$2,467	$2,579	$2,691	$2,803	$2,915	$3,027
EV/EBITDA		8.3x	8.5x	8.8x	9.0x	9.3x	9.5x	9.7x
EV/Ratebase		1.6x	1.6x	1.7x	1.7x	1.8x	1.8x	1.9x
EIX Net Income		$1,424	$1,424	$1,424	$1,424	$1,424	$1,424	$1,424
Oncor EBITDA		$2,053	$2,053	$2,053	$2,053	$2,053	$2,053	$2,053
Plus: O&M savings	10%	$76	$76	$76	$76	$76	$76	$76
Less: D&A		$882	$882	$882	$882	$882	$882	$882
Less: Interest		$373	$373	$373	$373	$373	$373	$373
Less: Income Taxes	35%	$306	$306	$306	$306	$306	$306	$306
Less: Minority Equity Interest	20%	$114	$114	$114	$114	$114	$114	$114
Oncor Net Income Contribution to EIX		$455	$455	$455	$455	$455	$455	$455
Less: Aftertax Acquisition Interest Expense	3.75%	$148	$155	$162	$169	$176	$183	$190
Proforma Net Income		$1,731	$1,724	$1,717	$1,710	$1,703	$1,696	$1,689
Proforma Shares Outstanding		357	358	360	361	362	364	365
Proforma EPS		**$4.85**	**$4.81**	**$4.77**	**$4.74**	**$4.70**	**$4.66**	**$4.62**
EIX Standalone EPS		$4.37	$4.37	$4.37	$4.37	$4.37	$4.37	$4.37
Potential Accretion		*$0.48*	*$0.44*	*$0.40*	*$0.37*	*$0.33*	*$0.29*	*$0.25*

Source: Barclays Research, company filings please click here.

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Request

Provide all rating agency reports prepared by Moody's, S&P, and Fitch in the last three years regarding NextEra's credit ratings.

Response

Please see NextEra's response to TIEC RFI Set No. 1, Question 1-04.

Request

Provide all rating agency reports prepared by Moody's, S&P, and Fitch in the last three years regarding ~~NextEra's~~ Oncor's credit ratings.

Response

The following response was prepared by or under the direct supervision of David M. Davis, the sponsoring witness for this response.

The information requested is voluminous and will be made available in the Austin Voluminous Room. An index of the voluminous information is included in Attachment 1.

ATTACHMENT:

ATTACHMENT 1 – Voluminous Index, 2 pages.

VOLUMINOUS INDEX

1. S&P Global Ratings Research Bulletin titled "Oncor Electric Delivery Co. LLC Ratings Unaffected By TCEH Corp. Spin-Off From Energy Future Holdings Corp.", dated October 6, 2016, 2 pages.

2. Fitch Ratings document titled "Fitch Rates Oncor's Senior Secured Notes 'BBB+'", dated August 16, 2016, 4 pages.

3. S&P Global Ratings document titled "Oncor Electric Delivery Co. LLC Outlook Revised To Positive From Developing; Ratings Affirmed", dated August 2, 2016, 4 pages.

4. Fitch Ratings document titled "Fitch Places Oncor On Positive Watch Following EFH's Acquisition Announcement", dated August 1, 2016, 4 pages.

5. Moody's Investors Service Issuer Comment titled "NextEra's Acquisition of Oncor is Credit Positive for Both", dated August 1, 2016, 3 pages.

6. Moody's Investors Service document titled "Rating Action: Moody's upgrades Oncor Electric Delivery Company's senior secured rating to A3 from Baa1; Rating on review for further upgrade", dated July 29, 2016, 4 pages.

7. S&P Global Ratings Research Bulletin titled "Oncor Electric Delivery Ratings Unaffected By NextEra's Acquisition Agreement", dated July 29, 2016, 2 pages.

8. Fitch Ratings document titled "Oncor Electric Delivery Company Full Rating Report", dated May 2, 2016, 11 pages.

9. Fitch Ratings document titled "Fitch Affirms Oncor at 'BBB'; Outlook Stable", dated April 7, 2016, 4 pages.

10. Standard & Poor's Ratings Services Research Bulletin titled "Oncor Electric Delivery Co. LLC Ratings Unaffected by Regulator's Acquisition Approval", dated March 28, 2016, 2 pages.

11. Moody's Investors Service Credit Opinion document titled "Oncor Electric Delivery Company LLC -- Largest Texas T&D Electric Utility", dated February 4, 2016, 7 pages.

12. Standard & Poor's Ratings Services Research Bulletin titled "Oncor Electric Delivery Ratings Unchanged On Court's Confirmation of EFH Bankruptcy/Reorganization Plan, dated December 15, 2015, 2 pages.

13. Standard & Poor's Ratings Services Research document titled "Oncor Electric Delivery Co. LLC's Senior Secured Reveolving Credit Facility Rated 'A'; Ratings Affirmed", dated November 6, 2015, 4 pages.

14. Standard & Poor's Ratings Services Research Bulletin titled "Oncor Electric Delivery Co. Ratings Are Not Immediately Affected By Filing To Acquire Ultimated Parent EFH", dated September 30, 2015, 2 pages.

VOLUMINOUS INDEX

15. Fitch Ratings document titled "Oncor Electric Delivery Company, LLC Full Rating Report", dated May 11, 2015, 10 pages.

16. Standard & Poor's Ratings Services Research titled "Summary: Oncor Electric Delivery Co. LLC", dated May 8, 2015, 7 pages.

17. Moody's Investors Service Issuer In-Depth report titled "Oncor Electric Delivery Company LLC -- Exploring the limits of parent company leverage, again", dated May 4, 2015, 10 pages.

18. Fitch Ratings document titled "Fitch Rates Oncor's Senior Secured Notes 'BBB+'; Outlook Stable", dated March 23, 2015, 3 pages.

19. Moody's Investors Service Credit Opinion document titled "Oncor Electric Delivery Company LLC", dated February 9, 2015, 6 pages.

20. Moody's Investors Service Issuer Comment document titled "Oncor Electric Delivery Company LLC -- Bankruptcy Court Approves Oncor Auction Process, a Credit Positive", dated January 23, 2015, 3 pages.

21. Moody's Investors Service Credit Focus document titled "Oncor Electric Delivery Company LLC Life after the Separation from EFH", dated July 10, 2014, 13 pages.

22. Moody's Investors Service Credit Opinion document titled "Oncor Electric Delivery Company LLC", dated July 8, 2014, 6 pages.

23. Moody's Investors Service document titled "Rating Action: Moody's upgrades Oncor's senior secured rating to Baa1 from Baa3; positive outlook remains", dated July 8, 2014, 5 pages.

24. Moody's Investors Service document titled "Rating Action: Moody's affirms Baa3 senior secured rating for Oncor Electric Delivery Company; changes rating outlook to positive from stable", dated May 13, 2014, 4 pages.

25. Fitch Ratings document titled "Fitch Affirms Oncor's IDR at 'BBB'; Outlook Stable", dated May 5, 2014, 4 pages.

26. Standard & Poor's Ratings Services RatingsDirect document titled "Research Update: Oncor Electric Delivery Co. LLC Outlook Revised to Developing; 'BBB+' Issuer Credit and 'A' Bond Ratings Affired", dated April 29, 2014, 8 pages.

27. Moody's Investor Service document titled "Issuer Comment: Oncor Electric Delivery shielded from EFH bankruptcy filing, a credit positive", dated April 29, 2014, 4 pages.

28. Moody's Investor Service document titled "Credit Opinion: Oncor Electric Delivery Company LLC", dated February 24, 2014, 7 pages.

Request

Provide all a listing and discussion of all the reasons why NextEra considers the acquisition of Oncor to be good for NextEra.

a. Is one of the reasons that it improves the amount of regulated revenue and earnings at NextEra?

b. Does the acquisition improve the credit profile of NextEra?

c. What portion of NextEra's EBITDA and earnings will come from regulated entities on a pro forma basis after the acquisition is complete?.

d. What portion of NextEra's EBITDA and earnings came from regulated entities during 2015?

Response

Please see NextEra's response to TIEC RFI Set No. 1, Question 1-06.

Request

Has NextEra developed, or is NextEra currently developing, plans to increase Oncor's capital expenditures beyond Oncor's current plans? If so, please provide such plans.

Response

Please see NextEra's response to TIEC RFI Set No. 1, Question 1-07.

Request

Please describe and, where possible, quantify any synergies NextEra anticipates from the acquisition of Oncor with respect to expanding the penetration of renewables in Texas. Please provide any documents or analysis related to this topic.

Response

Please see NextEra's response to TIEC RFI Set No. 1, Question 1-08.

Request

Please describe and, where possible, quantify any synergies NextEra anticipates from the acquisition of Oncor with respect to expanding the penetration of electric storage in Texas. Please provide any documents or analysis related to this topic.

Response

Please see NextEra's response to TIEC RFI Set No. 1, Question 1-09

Request

Please describe and quantify any anticipated synergies between Oncor and FPL with respect to purchasing or operations. Please provide any supporting documentation or analysis.

Response

Please see NexEra's response to TIEC RFI Set No. 1, Question No. 1-10.

Request

Please explain how NextEra and/or Oncor intends to pass through to consumers the lower cost of debt claimed to result from this transaction.

Response

The following response was prepared by or under the direct supervision of David M. Davis, the sponsoring witness for this response.

As stated in the direct testimony of Mr. Davis, "Savings are realized in the future each time existing debt is refinanced at a lower rate than Oncor could have achieved pre-transaction and each time new debt is issued at a lower rate than Oncor could have achieved pre-transaction" and customers will "benefit from Oncor's reduced revenue requirement in the future due to the lower cost of borrowing as those savings are realized through the normal regulatory process" (see page 6 of Mr. Davis's direct testimony errata, lines 16-26). In essence, the lower weighted average cost of debt included in the overall weighted average cost of capital will be passed along to customers through a lower revenue requirement than otherwise would have existed. For example, the yield on the debt issued by Oncor in August 2016 was approximately 10 basis points lower than it would have been without the Moody's upgrade on Oncor's credit rating.

Request

Mr. Reed testifies that NextEra is "financially strong" (pg. 25, line 11). Please provide the facts Mr. Reid relies upon for this assertion. Does Mr. Reed believe NextEra is financially strong in an absolute sense, or in a relative sense? If in a relative sense, please identify the entities or circumstances to which this "strength" is relative.

Response

Please see NextEra's response to TIEC RFI Set No. 1, Question No. 1-12.