



Control Number: 51415



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Addendum StartPage: 0



SOAH DOCKET NO. 473-21-0538  
PUC DOCKET NO. 51415

APPLICATION OF SOUTHWESTERN §  
ELECTRIC POWER COMPANY FOR §  
AUTHORITY TO CHANGE RATES §  
BEFORE THE STATE OFFICE  
OF  
ADMINISTRATIVE HEARINGS




**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS  
INDUSTRIAL ENERGY CONSUMERS' FOURTH SET OF REQUESTS FOR  
INFORMATION**

**JANUARY 4, 2020**

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**Files provided electronically on the PUC Interchange**

-  TIEC\_4\_9\_Attachment1.xlsx
-  TIEC\_4\_10\_Attachment1.xlsx
-  TIEC\_4\_15\_Attachment1.xls

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**Question No. TIEC 4-1:**

To the extent not already provided, please provide all schedules, attachments, tables, figures and supporting workpapers in electronic format with all formulas intact supporting the testimonies of Ms. Hawkins and Mr. D'Ascendis. This is an ongoing request for all subsequent testimonies filed by these witnesses.

**Response No. TIEC 4-1:**

The requested information for Ms. Hawkins has been provided with the Company's application package, Schedule K-1 through K-4 and the associated workpapers. See also the Company's response to TIEC 2-1 and CARD 3-3.

For Mr. D'Ascendis' schedules and supporting workpapers, please see the responses to TIEC 1-37 and CARD 3-14 through 3-25.

Prepared By: Carrie M. Luedtke

Title: Corp Finance Analyst Prin

Sponsored By: Renee V. Hawkins

Title: Mng Dir Corporate Finance

Sponsored By: Dylan D'Ascendis

Title: Director, ScottMadden, Inc.

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**Question No. TIEC 4-2:**

To the extent not already provided, please provide in electronic format with all formulas intact, the calculation of SWEPCO's credit metric calculations relied on by Standard and Poor's, Moody's, and Fitch.

**Response No. TIEC 4-2:**

Each rating agency conducts their own independent calculations of the credit metrics, however, TIEC 4-2 HS Attachments 1 and 2 contain the most recent calculations of credit metrics presented to them.

The attachments responsive to this request are **HIGHLY SENSITIVE MATERIAL** under the terms of the Protective Order. Due to current restrictions associated with COVID-19, this information is being provided electronically and a secure login to access the information will be provided upon request to individuals who have signed the Protective Order Certification.

Prepared By: Carrie M. Luedtke

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**Question No. TIEC 4-3:**

Please provide copies of all publications and credit reports referenced in or considered by witnesses Ms. Hawkins and Mr. D'Ascendis. This is an ongoing request for all subsequent testimonies filed by these witnesses.

**Response No. TIEC 4-3:**

All referenced publications and credit reports for Ms. Hawkins have been provided as part of the Company's RFP and in response to TIEC 1-30 and 1-31.  
For the publications cited in Mr. D'Ascendis' Direct Testimony, please see the response to TIEC 1-37.

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**Question No. TIEC 4-4:**

Please provide complete copies of all correspondence between AEP and/or SWEPCO, and credit rating agencies concerning the PUCT's last rate order findings for SWEPCO. Please also provide complete copies of all correspondence from AEP or SWEPCO to the credit rating agencies, and comments from the credit rating agencies back to AEP or SWEPCO.

**Response No. TIEC 4-4:**

There was no correspondence specific to SWEPCO's last Texas rate order.

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**Question No. TIEC 4-5:**

Please provide a projection of SWEPCO's capital expenditures out over the next five years, and an estimate of the sources of cash available to fund these capital expenditures broken out by external debt markets, external equity infusions from the parent company, retained earnings, depreciation expense, and other sources (explain). Please also include in this response the funding planned for debt maturity, retirements and/or refinancing over this same time period.

**Response No. TIEC 4-5:**

TIEC 4-5 HS Attachment 1 provides a projection of SWEPCO's capital expenditures out over the next five years along with the sources of cash available.

The attachment responsive to this request is HIGHLY SENSITIVE MATERIAL under the terms of the Protective Order. Due to current restrictions associated with COVID-19, this information is being provided electronically and a secure login to access the information will be provided upon request to individuals who have signed the Protective Order Certification.

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**Question No. TIEC 4-6:**

Please provide complete copies of all credit reports issued by S&P, Moody's and Fitch Ratings in the last three years that discuss the U.S. electric utility industry.

**Response No. TIEC 4-6:**

Please refer to responses in TIEC 1-30 and TIEC 1-31.

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**Question No. TIEC 4-7:**

Please provide the most recent senior secured, unsecured and corporate credit ratings of SWEPCO assigned by S&P, Moody's and Fitch. Also, please provide SWEPCO's S&P business and financial risk profiles.

**Response No. TIEC 4-7:**

Please refer to responses in TIEC 1-33 and TIEC 1-34.

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**Question No. TIEC 4-8:**

Please provide all copies of all correspondence, presentations, and all other materials that SWEPCO and its parent provided to credit and equity analysts over the last two years.

**Response No. TIEC 4-8:**

Please refer to responses in TIEC 1-32.

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**Question No. TIEC 4-9:**

In an electronic spreadsheet with all formulas intact, please provide the monthly average balances for construction work in progress and short-term debt for the most recent 13-month period.

**Response No. TIEC 4-9:**

Please see TIEC\_4\_9\_Attachment1.xlsx.

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**Average of Beginning and End of Month Balance**

	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
Acct 107 - CWIP	241,598,730	227,457,793	215,281,815	226,914,307	229,911,906	232,023,120	236,010,756	221,192,650	211,504,293	222,561,082	247,624,823	266,965,697	260,069,765
Acct 233 - Short Term Debt	0	29,930,197	71,656,200	95,128,570	127,433,732	145,686,692	145,148,959	138,688,059	101,685,039	66,397,911	65,817,407	85,737,288	98,033,589

**Balance at Month End**

	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
Acct 107 - CWIP	238,447,807	244,749,653	210,165,933	220,397,696	233,430,918	226,392,894	237,653,346	234,368,166	208,017,135	214,991,452	230,130,712	265,118,934	268,812,459	251,327,072
Acct 233 - Short Term Debt	0.00	0 00	59,860,394	83,452,006	106,805,133	148,062,331	143,311,054	146,986,865	130,389,254	72,980,824	59,814,998	71,819,816	99,654,760	96,412,419

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**Question No. TIEC 4-10:**

Please provide the amount of capitalized interest estimated to be paid during the test year related to construction projects.

**Response No. TIEC 4-10:**

For SWEPCO, the construction projects include AFUDC. TIEC\_4\_10\_Attachment1.xlsx provides the requested AFUDC interest component.

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**Monthly AFUDC Debt/Capitalized Interest**  
**AFUDC Debt Incurred**

	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
Acct 432 - AFUDC Debt	358,721	339,012	278,014	342,122	271,110	310,120	365,141	416,427	464,363	280,297	291,349	322,197	294,472

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**Question No. TIEC 4-11:**

Please state whether SWEPCO's regulated electric retail operations has any off balance sheet debt such as purchased power agreements and operating leases. If the answer is "yes," provide the amount of each off-balance sheet debt item and estimate the related imputed interest and amortization expense associated with these off balance sheet debt equivalents specific to SWEPCO's jurisdictional regulated retail electric operations.

**Response No. TIEC 4-11:**

SWEPCO does not have any off balance sheet debt. SWEPCO's Consolidated financing and operating leases are disclosed in Footnote 13 of the 2019 10-K and have been on balance sheet since 2019.

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**Question No. TIEC 4-12:**

In an electronic spreadsheet with all formulas intact, please provide the five-year projected and five-year historical capital structure, capital expenditures and capital funding.

**Response No. TIEC 4-12:**

TIEC 4-12 HS Attachment 1 provides five-year projected and five-year historical capital structure and capital expenditures. Capital funding was included in Schedule K-7 for the years 2020 - 2023 and is internally generated funds and debt for 2024-2025.

The attachment responsive to this request is **HIGHLY SENSITIVE MATERIAL** under the terms of the Protective Order. Due to current restrictions associated with COVID-19, this information is being provided electronically and a secure login to access the information will be provided upon request to individuals who have signed the Protective Order Certification.

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**Question No. TIEC 4-13:**

Please provide a detailed explanation of SWEPCO's dividend payment and debt financing plans through the test period.

**Response No. TIEC 4-13:**

For the twelve months ended March 31, 2020, SWEPCO's dividend payment was \$18.75M.

The only changes in financings for this test period was a renewal of the \$100M term loan credit facility. The proceeds of the term loan facility were used to refinance the previously existing Credit Agreement, for funding capital expenditures and repairs, for paying fees and expenses incurred in connection with the previous Agreement, and for other general corporate purposes.

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**Question No. TIEC 4-14:**

Do any of SWEPCO's outstanding long-term debt issues have call provisions? If the answer is "yes," please provide a list of the callable issues with the following: a) outstanding balance, b) issuance date, c) maturity date, d) coupon payment percent, e) annual interest expense, and f) call price (as a percent of par).

**Response No. TIEC 4-14:**

Par calls exist for Series I and Series M Senior Notes 3 months prior to maturity. The only other call provisions available in SWEPCO's debt are the standard make-whole provisions.

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**Question No. TIEC 4-15:**

Has SWEPCO performed any debt refinancing feasibility studies on its outstanding debt issues?

If the answer is "yes," please provide the following:

- a. A detailed description of the results from the study.
- b. A detailed description of the conclusions(s) made by SWEPCO based on the results of the study.
- c. All debt refinancing feasibility studies in an electronic spreadsheet with all formulas intact.

**Response No. TIEC 4-15:**

The Company has not performed any debt refinancing feasibility studies but does maintain a debt tracking file that is updated quarterly for general tracking purposes. The Company updates make-whole prices by updating interest rates and settlement dates within the debt tracking file. Call prices for make-wholes are above par for the outstanding debt. Please see the TIEC\_4\_15\_Attachment1.xls.

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**Southwestern Electric Power Company**  
**Long-Term Debt with Make-Whole Call Provisions**  
**Outstanding as of March 31, 2020**

<u>Security Type</u>	<u>Security Description</u>	<u>Outstanding Balance</u>	<u>Issuance Date</u>	<u>Put Date</u>	<u>Maturity Date</u>	<u>Coupon</u>	<u>Annual Interest Expense</u>	<u>Call Price</u>
Senior Notes	Series H	\$350,000,000	3/8/2010	N/A	3/15/2040	6.200%	\$21,700,000	185.53%
Senior Notes	Series I	\$275,000,000	2/3/2012	N/A	2/15/2022	3.550%	\$9,762,500	104.76%
Senior Notes	Series J	\$400,000,000	3/26/2015	N/A	4/1/2045	3.900%	\$15,600,000	150.47%
Senior Notes	Series K	\$400,000,000	9/29/2016	N/A	10/1/2026	2.750%	\$11,000,000	113.13%
Senior Notes	Series L	\$450,000,000	1/22/2018	N/A	2/1/2048	3.850%	\$17,325,000	153.83%
Senior Notes	Series M	\$575,000,000	9/13/2018	N/A	9/15/2028	4.100%	\$23,575,000	126.66%

\* Assumed Make-Whole Settlement Date: 7/27/2020

- Settlement Date assumed to be approximately 45 days after completion of analysis.

<u>Senior Notes</u>	<u>Remaining Life at Settlement</u>	Life <u>Min</u>	UST <u>Rate 1</u>	Life <u>Max</u>	UST <u>Rate 2</u>	<u>Interpolated UST</u>	<u>UST +</u>	<u>MW Yield</u>
Series H	19.63	10.00	0.650%	30.00	1.410%	1.016%	0.25%	1.266%
Series I	1.55	1.00	0.170%	2.00	0.160%	0.165%	0.30%	0.465%
Series J	24.68	10.00	0.650%	30.00	1.410%	1.208%	0.25%	1.458%
Series K	6.18	5.00	0.300%	10.00	0.650%	0.382%	0.20%	0.582%
Series L	27.51	10.00	0.650%	30.00	1.410%	1.315%	0.15%	1.465%
Series M	8.13	5.00	0.300%	10.00	0.650%	0.519%	0.20%	0.719%

\* Remaining Life at Settlement is shown in years.

\* Corresponding US Treasury Rates are actual U.S. Treasury rates as of 5/29/2020.

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**Question No. TIEC 4-16:**

Please state whether SWEPCO has any off-balance sheet debt such as operating leases. If the answer is "yes," please provide the amount of each off-balance sheet debt item and estimate the related imputed interest and amortization expense associated with these off-balance sheet debt equivalents.

**Response No. TIEC 4-16:**

Please see response to question TIEC 4-11.

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