

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44

APPLICATION FOR FINANCING ORDER TO SECURITIZE REGULATORY ASSETS
BY ELECTRIC UTILITIES

DOCKET NUMBER:

NAME OF APPLICANT:

ADDRESS OF APPLICANT:

Representative to contact about this application:

NAME

ADDRESS

TELEPHONE

FAX

This application form shall be used by electric utilities seeking a financing order to securitize regulatory assets pursuant to Public Utility Regulatory Act (PURA) Subchapter G. The utility may submit additional information it deems necessary to meet the requirements in PURA Sec. 39.301 and 39.303.

ASSET-SPECIFIC INFORMATION

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

Provide the following information for each regulatory asset for which the utility seeks securitization.

Name of asset (note 1): _____

Number of asset (Per COS Schedules A through F): _____

Description of asset: _____

Date asset originated: _____

Original asset balance recorded on utility's books: _____

Original balance of associated ADFIT: (Accumulated deferred federal income taxes) _____

Original balance of associated ITCs (investment tax credits): _____

Docket number in which Commission allowed recovery (note 2): _____

Description of regulatory treatment allowed (or being requested) including amortization period, methodology and whether a return was allowed: (note 3) _____

Annual amortization of asset on financial books: _____

Annual amortization of asset on regulatory books: _____

Unamortized balance of asset on 12/31/98 (Note 4): _____

Unamortized balance of ADFIT as of 12/31/98: _____

Unamortized balance of ITC as of 12/31/98: _____

Any other asset-specific information that the applicant deems pertinent:

Note 1: If the asset name is not listed on the utility's 1998 SEC Form 10-K, explain why.

Note 2: If asset has not previously been reviewed for recovery, state "not previously reviewed" and complete Supplemental Schedule 2.

Note 3: Example: Straight line amortization over 12 years with no return.

Note 4: Provide a reconciliation with the utility's 1998 SEC Form 10-K on Supplemental Schedule 1.

1 Statement of Financial Accounting Standards (SFAS) 109 Questions

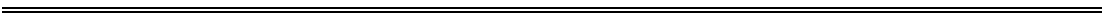
2
3 Responses to the following questions should be submitted as part of the application as an
4 attachment **ONLY IF** the Company is requesting a return on its SFAS 109 regulatory
5 asset(s). The responses should be provided under oath by an authorized representative of
6 the company.

- 7
8
- 9 1. Does the Company agree that the positive amounts in rate base *generally* represent the
10 investor-supplied plant facilities and other investments required in supplying utility
11 service to consumers? If not, please explain the logic/rationale.
12
 - 13 2. a) In the Company's opinion, do Statement of Financial Accounting Standards
14 (SFAS)109 assets represent "investor-supplied" funds/assets?
15 b) If no, please explain why SFAS 109 assets are entitled to earn a return.
16 c) If yes, please explain when and how the shareholder provided these funds.
17
 - 18 3. If the Company's request for return on SFAS 109 assets is based on prior Commission
19 rulings, please provide all documents that specifically chart the request, litigation and
20 resolution of this issue (i.e. copies of Company or other testimony, ALJ Reports and
21 Commission Orders).
22
 - 23 4. Is the SFAS 109 asset related to a future obligation to pay the IRS? If no, please
24 explain.
25
 - 26 5. Do SFAS 109 assets represent historical costs incurred by the Company that required
27 some form of cash outlay as did plant in service, accounting order deferrals, etc? If yes,
28 please fully explain the answer.
29
 - 30 6. a) Does the Company agree that *generally* return on equity compensates investors for
31 the deferred recovery of costs for which they had a historical cash outlay? If not, please
32 fully explain your answer.
33 b) Please discuss *all* instances, to the Company's knowledge, where an asset was
34 included in rate base, but had no historical cost to the investors. In the answer, do not
35 assume that some assets are funded solely by debt-financing.
36
 - 37 7. What percentage of the Company's SFAS 109 asset relates to Allowance for Equity
38 Funds Used During Construction (AEFUDC) historically included in plant in service?
39 Please provide the calculation.
40
 - 41 8. What percentage of the Company's SFAS 109 deferred tax liability relates to AEFUDC
42 historically included in plant in service? Please provide the calculation.
43
 - 44 9. Are the SFAS 109 net asset/liability and the SFAS 109 accumulated deferred tax
45 liability equal amounts? If yes, please provide the net asset/liability amount. If no,
46 please provide the net asset/liability amount as well as the accumulated deferred tax
47 liability amount and explain why the amounts are not equal.

- 1
2 10. Is the AEFUDC portion of plant in service part of the “deferred debit” per PURA
3 Section 39.251 (7) that will remain regulated? If no, please explain.
4
5 11. If the AEFUDC portion of plant in service will be collected on the regulated side (via
6 stranded costs) and the AEFUDC portion of the SFAS 109 net asset/liability will also be
7 collected on the regulated side (via securitization), what will happen to the SFAS 109
8 accumulated deferred tax liability related to AEFUDC? Please explain the logic and
9 equity of this answer.
10
11 12. Before the implementation of SFAS 109, did the future obligation to pay the IRS taxes
12 related to permanent differences exist? If no, why not?
13
14 13. a) Before SFAS 109 was implemented, did the Company earn a return on the tax effects
15 of the permanent differences that are currently reflected in the SFAS 109 asset?
16 b) If yes, please explain how.
17 c) If no, please explain how the implementation of Generally Accepted Accounting
18 Principles (GAAP), specifically SFAS 109, can create a shareholder right to earn return
19 on an asset.
20
21 14. Does the Company believe that GAAP (i.e. SFAS 109) as promulgated by the Financial
22 Accounting Standards Board created economic value? If yes, please provide all
23 literature and logic to support this position.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

AFFIDAVIT

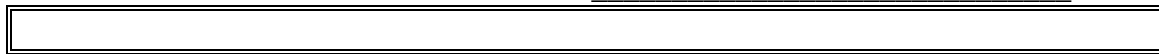


The State of ___ §
County of ___ §
§

SWORN STATEMENT OF

My name is ___. I am an authorized representative of ___.

I swear or affirm that I have personal knowledge of the facts in the testimony and/or exhibits/attachments that I am sponsoring in this application for a Financing Order to Securitize Regulatory Assets, and that I am competent to testify to them. I further swear or affirm that all of the statements and representations made in those parts of this application for a Financing Order to Securitize Regulatory Assets that I am sponsoring are true and correct.



SWORN TO AND SUBSCRIBED before me on the ___ day of _____, _____.

Notary Public in and for the State of Texas