

Public Utility Commission of Texas

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Reduced costs in AEP Texas Central region Securitization reduces financing costs for electricity

Electric customers in the AEP Texas Central Company (TCC) service area in parts of South Texas will have approximately \$318 million in reduced costs over the next 13 years as a result of the lowest securitized bond rates since retail electric competition began in Texas more than 10 years ago.

The pricing of approximately \$800 million of AEP TCC securitization bonds resulted in very favorable interest rates averaging 2.28 percent. This is the lowest financing rate ever achieved of the 12 Texas electric utility securitizations to date and is a substantial reduction from what would have been a 6.94 percent rate without securitization.

Securitized debt provides funding at a lower cost than traditional utility funding because of the risk reduction that securitization gives to bondholders. Texas law allows the securitization of utility costs only if it provides a greater customer benefit than traditional financing methods.

AEP TCC closed on these bonds on March 14. The transmission and distribution utility supplies electricity to more than 760,000 customers in a 44,000-square-mile area that includes the cities of Corpus Christi, McAllen, Harlingen, Laredo and Victoria.

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