FORM U-1/A

Application or declaration under the act 1935 [amend]

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CENTRAL & SOUTH WEST CORP

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 7 TO

FORM U-1 APPLICATION-DECLARATION

UNDER THE

PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

CENTRAL AND SOUTH WEST CORPORATION

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Central and South West Corporation ("CSW"), a Delaware corporation and a holding company registered under the Public Utility Holding Company Act of 1935, as amended (the "Act"), hereby files this Amendment No. 7 to the Form U-1 Application-Declaration in File No. 70-8339 to respond to certain comments and questions by the Staff of the Securities and Exchange Commission (the "Commission") and to update certain information. As so amended, the Application-Declaration is hereby restated in its entirety as

follows:

(Note: A glossary of capitalized terms appears at the end of this application-declaration after Item 7.)

Item 1. Description of Proposed Transaction.

A. Introduction.

Central and South West Corporation ("CSW"), a Delaware corporation and a holding company registered under the Public Utility Holding Company Act of 1935, as amended (the "Act"), submits this application-declaration (the "Application") pursuant to Sections 6(a), 7, 9(a), 10 and 13(f) of the Act and the rules thereunder, for approval of CSW's proposed acquisition (the "Transaction") of El Paso Electric Company ("EPE" and, after completion of its reorganization in bankruptcy, "Reorganized EPE"), an electric public utility incorporated under the laws of the State of Texas and a debtor-in-possession in bankruptcy reorganization proceedings pending in the U.S. Bankruptcy Court for the Western District of Texas, Austin Division (the "Bankruptcy Court") in Case No. 92-10148-FM, and certain related transactions.

To effect the Transaction, EPE will merge with a shell subsidiary to be established by CSW. Simultaneously with that merger, EPE's plan of reorganization will become effective. As part of the reorganization and merger, in exchange for existing EPE securities and claims against EPE, EPE shareholders and creditors will receive shares of common stock, $3.50 par value, of CSW ("CSW Common Stock"), new securities of Reorganized EPE and cash.

The proposed Transaction is the result of nearly two years of proceedings and negotiations of enormous complexity and expense, and resolves a bankruptcy that is only the second bankruptcy of a major publicly traded electric utility company since the Great Depression. In the words of the Bankruptcy Court confirmation order, the Transaction involves a "global compromise" of the "many significant issues" and "intertwined" claims and interests in the proceedings, and avoids "the complexities and uncertainties of . . . litigation" and "inevitable appeals." As such, the Transaction "is calculated to permit EPE's rehabilitation and expedite its emergence from bankruptcy" on a consensual basis. Moreover, the Transaction "resolves the claims and interests of creditors and shareholders in a manner which is fair to each of them . . . and, in addition, provides the ratepayers with significant benefits." Finally, as the Bankruptcy Court found, "no other alternative . . . is or would be appropriate for EPE at this time." (See paragraphs 17 and 19-21 of the Findings of Fact and Conclusions of Law of the Bankruptcy Court dated December 8, 1993 in support of its order confirming the Plan ("Findings of Fact") (Exhibit D-14 hereto).)

For these reasons and the other reasons set forth herein, CSW respectfully requests that the Securities and Exchange Commission (the "Commission") consider and approve this Application on a timely and expeditious basis.

B. Description of the Parties.

1. CSW and Subsidiaries.

CSW is an electric utility holding company. CSW owns all of the outstanding shares of common stock of Central Power and Light Company ("CPL"), Public Service Company of Oklahoma ("PSO"), Southwestern Electric

Power Company ("SWEPCO"), West Texas Utilities Company ("WTU" and, collectively with CPL, PSO and SWEPCO, the "CSW Electric Operating Companies"), Transok, Inc. ("Transok"), CSW Credit, Inc. ("CSWC"), CSW Energy, Inc. ("CSWE"), and Central and South West Services, Inc. ("CSWS"), and 80% of the outstanding shares of common stock of CSW Leasing, Inc. ("CSWL"). In addition, CSWE holds interests in several power projects. The CSW System consists of the CSW Electric Operating Companies, Transok, CSWC, CSWE, CSWS, CSWL and the aforementioned power project interests (collectively, the "CSW System").

The CSW Electric Operating Companies are public utility companies engaged in generating, purchasing, transmitting, distributing and selling electricity. They supply electric service to approximately 1.6 million retail customers. CPL and WTU operate in south and central west Texas, respectively; PSO operates in eastern and southwestern Oklahoma; and SWEPCO operates in northeastern Texas, northwestern Louisiana and western Arkansas. Transok is a natural gas gathering, transmission and processing company which transports for and sells natural gas to PSO and for the other CSW Electric Operating Companies, and processes, transports and sells natural gas to and for non-affiliates. CSWS performs various accounting, engineering, tax, legal, financial, electronic data processing, centralized power dispatching and other services for the CSW System. CSWC purchases accounts receivable of the CSW Electric Operating Companies, Transok, and unaffiliated electric and gas utilities. CSWE pursues cogeneration projects and other energy ventures. CSWL invests in leveraged leases.

The authorized capital stock of CSW consists of 350,000,000 shares of CSW Common Stock. As of June 30, 1994, 189,359,000 shares of CSW Common Stock were issued and outstanding. Additional information concerning CSW and its subsidiaries is set forth in the Annual Report on Form 10-K and Annual Report to Shareholders for the year ended December 31, 1993 (Exhibits H-11 and H-13 hereto, respectively) and CSW's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1994 and June 30, 1994 (Exhibits H-15 and H-17 hereto, respectively).

2. EPE.

EPE is engaged in the generation and distribution of electricity through an interconnected system to approximately 262,000 retail customers in El Paso, Texas, and an area of the Rio Grande Valley in west Texas and southern New Mexico, and to wholesale customers located in southern California, Texas, New Mexico, and Mexico.

The authorized capital stock of EPE consists of 100,000,000 shares of common stock, no par value ("EPE Common Stock"), and 2,000,000 shares of cumulative preferred stock, no par value ("EPE Preferred Stock"). As of June 30, 1994, 35,544,330 shares of EPE Common Stock, 52,000 shares of EPE Series 10.75% Preferred Stock, 97,600 shares of EPE Series 8.44% Preferred Stock, 90,000 shares of EPE Series 8.95% Preferred Stock, 100,000 shares of EPE Series 10.125% Preferred Stock, 300,000 shares of EPE Series 11.375% Preferred Stock, 15,000 shares of EPE Series 4.5% Preferred Stock, 15,000 shares of EPE Series 4.12% Preferred Stock, 20,000 shares of EPE Series 4.72% Preferred Stock, 40,000 shares of EPE Series 4.56% Preferred Stock, and 52,450 shares of EPE Series 8.24% Preferred Stock were issued and outstanding. Additional information concerning EPE is set forth in EPE's Annual Report on Form 10-K and Annual Report to Shareholders for the year ended December 31, 1993 (Exhibits H-12 and H-14 hereto, respectively) and EPE's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1994 and June 30, 1994 (Exhibits H-16 and H-18 hereto, respectively).

3. CSW Sub Merger Subsidiary.

Solely for the purpose of facilitating the Transaction, and subject to the approval of the Commission, CSW will incorporate a new subsidiary -- CSW Sub, Inc. ("CSW Sub") -- under the laws of the State of Texas prior to the date on which the Plan becomes effective (the "Effective Date"). The authorized capital stock of CSW Sub will consist of 1,000 shares of common stock, $.01 par value ("CSW Sub Common Stock"), of which 1,000 shares will be issued to CSW at the price of $1 per share. Except as contemplated in connection with the Transaction, CSW Sub will not directly or indirectly engage in any business activities, incur any contractual liabilities or obligations, enter into any agreements or arrangements, or be subject to or bound by any obligation or undertaking prior to the consummation of the Transaction.

C. History of EPE Bankruptcy and the Proposed Transaction.

(The discussion in this Item 1.C. is derived from the Bankruptcy Court's Findings of Fact and from the court-approved disclosure statement relating to EPE's plan of reorganization (Exhibit B-3 hereto).)

In 1991, as a result of financial difficulties, EPE sought to negotiate a restructuring of its obligations with its creditors. Despite protracted negotiations and efforts, EPE was unable to implement an out-of-court restructuring of its obligations.

On January 8, 1992, EPE filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code ("Chapter 11"). In the summer and fall of 1992, EPE unsuccessfully proposed a plan of reorganization providing for it to emerge from bankruptcy as a stand-alone company. In late 1992, it became apparent that EPE would be unable to emerge from bankruptcy on a stand-alone basis within any predictable period of time. As a result, EPE undertook efforts to pursue a potential business combination as a means for emerging from Chapter 11.

EPE's pursuit of a potential business combination included an analysis of the entities which might have an interest in a merger or acquisition. Thirteen of these entities requested and were sent an information package about EPE prepared by EPE and its investment bankers. Six of the thirteen entities obtained detailed briefings and additional information from EPE, and four of them engaged in a formal due diligence investigation of EPE's business. As the process of merger discussions evolved, the field narrowed to two bidders -- CSW and Southwestern Public Service Company ("SPS"). Each held extensive discussions with EPE's creditors, and their offers to EPE reflected, in part, the results of those negotiations. Only one offer -- CSW's -- attracted the requisite support of the Bankruptcy Court and the parties to the EPE reorganization proceeding.

On May 3, 1993, after months of intensive merger negotiations, CSW and EPE entered into an Agreement and Plan of Merger dated as of May 3, 1993 (as amended on May 18, 1993 and by amendments dated as of August 26, 1993 and December 1, 1993, and as it may be further amended, the "Merger Agreement") (Exhibit B-1 hereto), which provides for CSW Sub to merge with and into EPE and for EPE to become a wholly owned subsidiary of CSW as part of EPE's reorganization in bankruptcy. Before entering into the Merger Agreement with CSW, EPE encouraged SPS to make a bid of greater attractiveness to both EPE's creditors and its shareholders than the CSW

proposal. While SPS responded with a bid that was marginally higher for creditors and preferred shareholders, the SPS bid provided for minimal consideration for the holders of EPE Common Stock, so that the overall enterprise value provided in the SPS offer was less than that offered by CSW. For these reasons, the EPE Board of Directors determined that the CSW offer provided a better resolution to the entire group of interested parties, including creditors, shareholders and ratepayers, and had a better potential for being implemented on a consensual basis and in an expeditious manner.

On May 5, 1993, EPE filed a third amended plan of reorganization (as thereafter modified, the "Plan") (Exhibit B-2 hereto) in connection with the Merger Agreement, which classified EPE's shareholders and creditors into nearly 30 classes and subclasses. On May 26, 1993, the Bankruptcy Court held a hearing on a motion by SPS to permit it to file a competing plan of reorganization. At the conclusion of the hearing, the Bankruptcy Court adjourned the hearing on SPS's motion and the hearing on approval of EPE's disclosure statement without setting a new hearing date, stating, in essence, that SPS, on the one hand, and EPE and CSW, on the other hand, needed to obtain a degree of creditor support before proceeding further. During the period from May 5, 1993 through September 6, 1993, EPE and CSW, on the one hand, and SPS, on the other hand, conducted extended and intensive negotiations with creditor representatives to secure creditor support for their respective proposals. CSW improved its offer to the various constituencies, without increasing the rate path on which its proposal was premised. After further negotiations and mediation sessions, the principal classes of secured and unsecured creditors (Classes 1, 2, 5, 11, and 13), the Palo Verde bondholders (Class 12(a)), and the equity committee (representing Classes 15 and 16) filed with the Bankruptcy Court statements supporting EPE's acquisition by CSW and objecting to a motion by SPS for leave to file a

competing plan. On July 30, 1993 and August 27, 1993, EPE filed modifications and amendments to its May 5 plan of reorganization. A related disclosure statement dated August 27, 1993 and corrected September 15, 1993 (the "Disclosure Statement") (Exhibit B-3 hereto) was approved by the Bankruptcy Court by orders dated August 27, 1993 and September 15, 1993 (Exhibits D-11 and D-12 hereto). In addition, the Bankruptcy Court's August 27 order set December 6, 1993 as the date of the confirmation hearing on the Plan. On September 17, 1993, the Bankruptcy Court entered an order denying SPS's motion for permission to file a competing plan of reorganization.

On November 15, 1993, EPE entered into, and on December 8, the Bankruptcy Court approved, settlement agreements (the "OP Settlements") (Exhibit B-8 hereto) with the beneficiaries (the "Palo Verde Owner Participants") of the trusts holding title to certain interests in the Palo Verde Nuclear Generating Station which were the subject of sale-leaseback transactions by EPE. The OP Settlements provide for the transfer back to EPE, upon the Effective Date, of the ownership interests covered by the sale-leasebacks. In exchange, the OP Settlements provide for EPE to release certain claims against the Palo Verde Owner Participants and to pay certain fees and expenses.

On November 19, 1993, the Bankruptcy Court approved a settlement agreement (the "APS Settlement") (Exhibit B-9 hereto) between EPE and Arizona Public Service Company ("APS"), for itself and as operating agent of, and on behalf of the other participants in, the Palo Verde Nuclear Generation Station, settling, effective as of the Effective Date, the dispute between EPE and APS regarding the amount and feasibility of cure by EPE of its defaults under certain agreements and certain claims by EPE

against APS.

On November 15, 1993, voting on the Plan was completed, with all applicable classes of creditors and shareholders voting overwhelmingly -- and in most cases unanimously or near unanimously -- in favor of the Plan. The vote of the impaired classes of creditors and shareholders is summarized below. Classes 4(a)-(i), 7, 8, 9, 10(a)-(b) and 14 were not impaired under the Plan and were therefore conclusively presumed to have accepted the Plan by operation of Section 1126(f) of the Bankruptcy Code, and no solicitation of the votes of such classes was required.

Class No.	Description	Percent of Votes in Favor: By Dollar Amount	Percent of Votes in Favor: By Number of Class Members
1	First Mortgage Bonds	99.7%	97.5%
2	Second Mortgage Bonds	100.0	100.0
3	Revolving Credit Facility	100.0	100.0
5(a) to (c)	Letters of Credit for Maricopa PCB's	100.0	100.0
6	Rio Grande Resources Trust	100.0	100.0
11	Letters of Credit for Farmington PCB's	100.0	100.0
12(a)	Palo Verde Bondholders	99.7	98.4
12(b)	Palo Verde Owner Participants	100.0	100.0
13	General Unsecured	99.9	97.4
		By Number of Shares	
15	Preferred Stock	93.1%	
16	Common Stock	97.9	

On December 1 and 6 1993, certain further technical amendments and modifications to the Plan were made which did not require creditor or shareholder approval. On December 8, 1993 (the "Confirmation Date"), the Bankruptcy Court confirmed the Plan and approved the Transaction proposed in this Application. In its Findings of Fact, the Bankruptcy Court unambiguously emphasized that the Transaction was the only presently viable option for allowing EPE to emerge from bankruptcy as a financially viable entity:

> "The events of this case, including particularly the competitive bidding process which involved SPS and the substantial preference for the CSW Merger which was expressed by the constituencies . . . demonstrate that no other alternative, including the alternative presented by the SPS proposal, is or would be appropriate for EPE at this time. Even if such other alternative were feasible, moreover, it would not be consistent with the objectives of the Bankruptcy Code or the best interests of the estate to delay EPE's emergence from Chapter 11 to pursue such other alternative." Findings of Fact para. 19 (emphasis added).

The Bankruptcy Court also stated that liquidation would be "extremely more undesirable" and "would be inconsistent with EPE's public service obligations." In addition, the Bankruptcy Court found that liquidation would

yield "piecemeal sales" from which all classes of "unsecured creditors and interest holders would receive significantly less in liquidation than they would under the Plan." Id. para. 20.

D. Treatment of Claims and Interests Under the Plan.

The total Transaction consideration will be approximately $2.1 billion, exclusive of cash retained by EPE and paid out to EPE creditors and preferred shareholders prior to the Effective Date and exclusive of bonds to be issued

in pledge as security for other obligations. The Transaction consideration will consist of securities of Reorganized EPE (the "New EPE Securities"), new shares of CSW Common Stock, and cash. Because the Plan and Merger Agreement allow CSW to substitute CSW Common Stock or cash for certain of the New EPE Securities and to substitute cash for CSW Common Stock, the exact amount of each form of consideration has not yet been determined; however, it is currently anticipated that the consideration will consist of approximately $569 million in CSW Common Stock to EPE creditors and common equity holders, approximately $1.125 billion in Reorganized EPE debt, $68 million of Reorganized EPE preferred stock, and approximately $336 million in cash. In addition, because the amount of consideration to be paid to holders of EPE Common Stock is subject to certain contingencies, the total Transaction consideration may be somewhat higher than $2.1 billion.

Except as noted below, claims of secured creditors will be paid in full, including post-petition interest, but with instruments that, after the Effective Date, are likely to bear interest rates that are lower than the corresponding existing obligations. Unsecured claims generally will receive notes of Reorganized EPE and CSW Common Stock equal to 95.5% of their claims, and post-petition interest from June 25, 1993 through the Effective Date; in the case of Classes 11 and 13, this interest will be in lieu of all claims for the period from the commencement of the case to the date such interest payments cease in the event the Effective Date does not occur. Creditors in Class 6 will be paid in full, but forego 15% of their interest claims prior to September 10, 1993. Other classes of claims are unimpaired, including claims relating to pollution control revenue bonds ("PCB's"). The letters of credit in Classes 5 and 11 supporting the PCB's will remain outstanding (or be reinstated or replaced by new letters of credit) under negotiated arrangements that will permit the favorable PCB financing to be preserved for the benefit of Reorganized EPE. The claims in Class 12(b) related to the leases entered into by EPE in connection with its sale and leaseback of certain interests in the Palo Verde Nuclear Generating Station (the "Palo Verde Leases") are compromised pursuant to the OP Settlements, and the claims of the Palo Verde Bondholders in Class 12(a) are treated in a manner similar to the allowed claims of unsecured creditors. Holders of EPE Preferred Stock will receive, at CSW's election within one year after the Confirmation Date, either CSW Common Stock or Reorganized EPE Preferred Stock with a value (calculated as set forth in the Plan) of $68 million, or 82% of the stated value of the shares of EPE Preferred Stock presently outstanding, plus accumulated prepetition dividends, and holders of EPE Common Stock will receive, in CSW Common Stock, between $3 and $4.50 per share of EPE Common Stock.

Further details regarding the amount and type of securities and other consideration to be given to EPE shareholders and creditors, and the rights and preferences of such securities, are set forth in Sections I.D.2. and V.B. of the Disclosure Statement (Exhibit B-3 hereto). In this regard, it should be noted that Sections I.D.2. and V.B. of the Disclosure Statement, which describe the securities and other consideration to be issued under the Plan, describe a number of alternative treatments which would apply if particular classes voted against the Plan. As all classes entitled to vote have voted in favor of the Plan, these alternative treatments are no longer applicable

and should be disregarded. In addition, certain other matters in the Disclosure Statement -- in particular, the description of arrangements relating to hedging transactions by EPE on pages 203-204 of the Disclosure

Statement -- have been superseded by subsequent modifications to the Plan. The sections of the Disclosure Statement describing the securities and other consideration to be issued under the Plan -- including Sections I.D.2. and V.B. -- were not affected by these modifications.

1. EPE Common Stock.

For each share of EPE Common Stock outstanding at the time of the consummation of the Transaction, holders of EPE Common Stock will receive at least $3 worth of CSW Common Stock, based on a price of $29.4583 per share of CSW Common Stock. Holders of EPE Common Stock may also receive up to $1.50 of additional consideration (the "Maximum Additional Consideration Amount") depending on the resolution of certain contingencies. The Maximum Additional Consideration Amount will depend on the amount of proceeds realized with respect to certain assets and the amount of savings realized from reductions in certain claims, and will be based on one of two pricing methods: (i) if realized before the Confirmation Date, the amount of additional CSW Common Stock will be based on a price of $29.4583 per share of CSW Common Stock; (ii) if realized after the Confirmation Date and before the Effective Date, the amount of CSW Common Stock will be based on the closing price of CSW Common Stock on the date such proceeds and/or savings are realized. After the Effective Date, EPE's rights in the assets and savings in question will be transferred to a liquidation trust (the "Liquidation Trust") in the event an amount less than the Maximum Additional Consideration Amount was paid to holders of EPE Common Stock on the Effective Date, and any further net proceeds and savings will be distributed from the Liquidation Trust in cash in the following order of priority: (i) first, pro rata to holders of EPE Common Stock up to the Maximum Additional Consideration Amount, and (ii) second, to Reorganized EPE for its own benefit.

In addition, holders of EPE Common Stock will receive "dividend shares," i.e., additional shares of CSW Common Stock in lieu of dividends that would be deemed to have been paid between the Confirmation Date and the consummation of the Transaction, on the shares of CSW Common Stock to be issued to holders of EPE Common Stock under the Plan, including dividends on the dividend shares. The value of the "dividend shares" will be equal to the amount of such dividends and will be based on the closing price of CSW Common Stock on the relevant dividend payment dates.

2. Creditors and Preferred Shareholders.

The Plan provides for claims and interests of EPE creditors and preferred shareholders to be discharged as set forth below. See Item 3.II.A.3.a. below for a summary description of the securities to be issued by Reorganized EPE under the Plan ("the New EPE Securities").

Class 1 -- EPE First Mortgage Bonds. Allowed claims arising from or relating to EPE First Mortgage Bonds (excluding bonds held as collateral claims) will be discharged through the issuance of Reorganized EPE Series A First Mortgage Bonds in the principal amount of $100 million, Reorganized EPE Series B First Mortgage Bonds for the remainder of the claim, and cash for claims for unpaid interim interest.

Class 2 -- EPE Second Mortgage Bonds. Allowed claims arising from or relating to EPE Second Mortgage Bonds (excluding bonds held as collateral claims) will be discharged through the issuance of Reorganized EPE Series A Second Mortgage Bonds and cash for claims for unpaid interim interest.

Class 3 -- EPE revolving credit facility. Allowed claims arising from or related to EPE's revolving credit facility, including EPE First Mortgage Bonds and EPE Second Mortgage Bonds held as collateral for such facility, will be discharged through (a) the issuance of, at the creditors' respective elections no later than 90 days prior to the Effective Date, subject to certain limitations, either (i) Reorganized EPE Class 3A Secured Notes under a term loan agreement in the amount of such claims, secured by a combination of pledged Reorganized EPE Series X First Mortgage Bonds and pledged Reorganized EPE Series X Second Mortgage Bonds or (ii) Reorganized EPE Series C First Mortgage Bonds and Reorganized EPE Series B Second Mortgage Bonds in an amount equal to one-third and two-thirds, respectively, of the amount of such claims, and (b) cash for claims for unpaid interim interest.

Class 5 -- Claims against EPE relating to the letters of credit associated with the Maricopa Pollution Control Bonds. The letter of credit issuers associated with the Maricopa PCB's have committed to provide replacement letters of credit on certain terms, and will receive Reorganized EPE Class 5A Secured Notes under term loan agreements, secured by pledged Reorganized EPE Series Y Second Mortgage Bonds with respect to outstanding draws and interest on the existing letters of credit, and cash for claims for unpaid interim interest and letter of credit fees. Post-Effective Date reimbursement obligations under such replacement letters of credit will be secured by pledged Reorganized EPE Series Y Second Mortgage Bonds. In the event a letter of credit issuer does not provide a replacement letter of credit, it will receive Reorganized EPE Series B Second Mortgage Bonds for claims determined by the Bankruptcy Court to be secured claims and Reorganized EPE Class 13 Senior Fixed Rate Notes for claims determined to be unsecured claims.

Class 6 -- Claims asserted by the Rio Grande Resources Trust. Holders of allowed claims relating to the Rio Grande Resources Trust, a trust established for purposes of financing the purchase and enrichment of nuclear fuel for use by EPE in connection with its interest in the Palo Verde Nuclear Generating Station, will receive, at the holder's respective election, either (a) Reorganized EPE Class 6A Secured Notes under a term loan agreement secured by pledged Reorganized EPE Series Z Second Mortgage Bonds, or (b) Reorganized EPE Series B Second Mortgage Bonds. In addition, they will receive cash for claims for 85% of unpaid interim interest.

Class 11 -- Claims relating to the letter of credit associated with the Farmington PCB's. The issuer of the letter of credit associated with the Farmington PCB's has committed to provide a replacement letter of credit on certain terms, and allowed claims relating to the letter of credit associated with the Farmington PCB's (other than claims, if any, for unreimbursed amounts drawn to pay the principal amount of the purchase price of Farmington PCB's that have not been canceled or extinguished) will be discharged by distribution of a combination of Reorganized EPE Notes and CSW Common Stock in the following amounts: Reorganized EPE Class 13 Senior Notes (Floating or Fixed Rate Notes, at the election of the claimants) in a principal amount

equal to 30% of the amount of such allowed claims, shares of CSW Common Stock with a value equal to 60% of the amount of such allowed claims, and, at the election of Reorganized EPE on the Effective Date, Reorganized EPE Class 13 Senior Notes (Floating or Fixed Rate Notes, at the claimant's election) or shares of CSW Common Stock in an amount equal to 5.5% of the amount of such

allowed claims. If the existing letter of credit is drawn upon before the Effective Date to pay the principal amount of the purchase price of any Farmington PCB's that have not been canceled or extinguished, such claims will be discharged and satisfied in full (to the extent not paid out of proceeds of a remarketing or refunding of the Farmington PCB's) by distribution of Reorganized EPE Class 11 Senior Floating Rate Notes under a term loan agreement in a principal amount equal to such claims. In addition, holders will receive cash for certain interim interest payments. Post-Effective Date reimbursement obligations under the replacement letter of credit will be secured by pledged Reorganized EPE Series Y Second Mortgage Bonds. If the issuer of the letter of credit does not issue a replacement letter of credit, allowed claims relating to the letter of credit will be discharged through the distribution of Reorganized EPE Class 13 Senior Fixed Rate Notes in an amount equal to one-third of such claims, and CSW Common Stock for the balance of such claims.

Class 12 -- Claims relating to Palo Verde Lease Obligation Bonds and Secured Lease Obligation Bonds. The $700 million in allowed claims relating to the Palo Verde lease obligation bonds and secured lease obligation bonds will be discharged through pro rata distribution of the following securities in the amount of 95.5% of the allowed claims: unsecured Reorganized EPE Series A Senior Notes in an amount equal to no less than one-third and no more than two-thirds of the amount distributed for such claims, and shares of CSW Common Stock equal to the remaining distribution amount. The Palo Verde Owner Participants, which are also holders of claims relating to the Palo Verde Leases, will transfer their interests in the leased Palo Verde Assets, release their claims for any additional damage amounts under the Palo Verde Leases, retain $288.4 million previously drawn under the related letters of credit, and be released from claims by EPE and indemnified by Reorganized EPE for claims by other creditors.

Class 13 -- General unsecured claims. General unsecured claims will be discharged through the issuance of a combination of Reorganized EPE Notes and CSW Common Stock in the following amounts: Reorganized EPE Class 13 Senior Notes (Floating or Fixed Rate Notes, at the election of the claimants) in an amount equal to 30% of such claims, exclusive of post-petition fees and costs; CSW Common Stock in an amount equal to 60% of the amount of such claims, exclusive of post petition fees and costs; and Reorganized EPE Class 13 Senior Notes (Floating or Fixed Rate Notes, at the election of the claimants) in an amount equal to 5.5% of such claims, or, at Reorganized EPE's option on the Effective Date, CSW Common Stock in an amount equal to 5.5% of the amount of such claims, exclusive of post-petition fees and costs.

Class 15 -- EPE Preferred Stock. Allowed interests of holders of EPE Preferred Stock will be discharged through the distribution of shares of Reorganized EPE Preferred Stock, or, at the election of CSW (which election must be exercised within one year after confirmation of the Plan) and in lieu of all or a portion of such shares of Reorganized EPE Preferred Stock, shares of CSW Common Stock, with an aggregate value, calculated as set forth in the Plan, of $68 million.

Other Claims. The following claims will be unimpaired and their legal rights unaltered: allowed claims relating to the Maricopa PCB's and Maricopa Loan Agreements (Class 4), allowed secured claims not classified elsewhere (Class 7); allowed priority claims (Class 8); allowed claims by EPE's customers for refunds or for deposits (Class 9); claims relating to the Farmington PCB's and Farmington Installment Sale Agreement (Class 10); and allowed administrative convenience claims of small creditors ($100,000 or less) (Class 14).

Interim Payments. Holders of certain claims will receive cash for

certain interim interest payments or other periodic payments prior to the Effective Date. It is currently projected that such interim payments will total approximately $166 million. The interest rate, duration and other details of such payments vary by class and are set forth in the Plan and described in the Disclosure Statement.

3. Cash in Lieu of Securities.

The Plan provides that, in lieu of any or all shares of CSW Common Stock to be issued under the Plan, CSW may, in its sole discretion, pay cash to the holders of certain classes of claims and interests, subject to the following limitations: (a) cash payments to certain classes must be made pro rata to all holders of allowed claims within that class, based on the dollar amount of the allowed claim held by each holder, (b) CSW may not elect to pay cash to the holders of EPE Preferred Stock or EPE Common Stock unless CSW has also elected to pay cash in lieu of stock to the holders of certain other claims, and (c) holders of claims within certain classes will receive the same proportion of cash to the amount of their claims as the holders of claims in other classes which receive cash distributions. CSW's ability to substitute cash for CSW Common Stock is discussed in further detail in Section 5.3.C of the Plan (Exhibit B-2 hereto) and Section I.D.2 of the Disclosure Statement (Exhibit B-3 hereto) under the heading "CSW Option to Distribute Cash". Under the present financing plan, EPE will pay approximately $336 million in cash to satisfy the claims of EPE creditors, of which approximately $200 million will be contributed by CSW.

The Plan also provides that CSW may, at its election, pay cash to the holders of certain classes of claims and interests in lieu of an equal principal amount of Reorganized EPE debt securities. Cash payments to such holders must be applied first pro rata to those holders that have elected to cause their Reorganized EPE debt securities to be underwritten and sold, and then pro rata in respect of all other such holders.

E. Conditions to the Transaction and the Plan.

The consummation of the Transaction and the Plan is subject to a number of conditions, including:

* entry of a final order by the Bankruptcy Court confirming the Plan;

* receipt of all necessary regulatory approvals, on satisfactory terms, from the Commission, the Federal Energy Regulatory Commission ("FERC"), the Nuclear Regulatory Commission ("NRC") and the applicable state regulatory authorities; expiration or termination

of all applicable waiting periods under the Hart-Scott-Rodino Act without action by the Department of Justice and the Federal Trade Commission; and receipt of satisfactory rate orders from the Public Utility Commission of Texas ("PUCT") and the New Mexico Public Utility Commission ("NMPUC") establishing certain ratemaking, accounting and regulatory treatments;

* resolution of certain contingent, disputed or allowed general unsecured claims in a total amount not to exceed $20,000,000;

* receipt of a no-action letter (or effectiveness of a registration statement) as to the securities to be issued under the Plan and Merger Agreement;

* receipt of an investment-grade rating for all publicly tradeable Reorganized EPE Series A and B First Mortgage Bonds and Reorganized

EPE Series A Second Mortgage Bonds; and

* transfer back to Reorganized EPE of good and marketable title to the leased Palo Verde Assets and resolution of the adversary proceeding between EPE and the Palo Verde Owner Participants without a material adverse effect on EPE or Reorganized EPE.

A number of these conditions have already been satisfied, and significant steps have been taken toward the satisfaction of other conditions: the Plan was confirmed on December 8, 1993; a no-action letter has been received with respect to the securities to be issued under the Plan and Merger Agreement; settlements were entered into on November 15, 1993 (and have been approved by the Bankruptcy Court) resolving the adversary proceeding between the EPE and the Palo Verde Owner Participants and providing for the transfer back to Reorganized EPE of title to the leased Palo Verde Assets on the Effective Date; and a capital structure for Reorganized EPE has been designed which positions Reorganized EPE's senior debt securities to meet the rating agencies' anticipated requirements for an investment-grade rating.

In addition to the conditions described above, the parties' obligations to consummate the Transaction are subject to a number of other conditions which must be satisfied or waived, as set forth in the Plan and the Merger Agreement and as further described in the Disclosure Statement. The other conditions include, (a) under the Merger Agreement: standard closing conditions relating to the accuracy of representations and warranties, performance of covenants and agreements, absence of injunctions, receipt of third-party consents, and receipt of closing certificates; issuance and listing of the new shares of CSW Common Stock; absence of a material adverse effect on EPE or CSW or any fact or circumstance which may reasonably be expected to give rise to such an effect on EPE; absence of any governmental enactment or order which would have a material adverse effect on EPE, CSW or the prospects for the business of CSW or Reorganized EPE; qualification of the Reorganized EPE mortgage indentures under the Trust Indenture Act of 1939 (to the extent required); effectiveness of the Plan; and absence of any decision or governmental enactment materially diminishing the benefits and protections of the Confirmation Order to EPE, CSW, CSW Sub or their subsidiaries; and (b) under the Plan: filing of Reorganized EPE's charter; qualification of the

Reorganized EPE note and mortgage indentures; satisfaction or waiver of the conditions to consummation of the Merger Agreement; and filing of notice with the Bankruptcy Court relating to the fulfillment of Plan conditions.

F. Description of Assets Being Acquired.

As noted above, EPE is engaged in the generation and distribution of electricity through an interconnected system to approximately 262,000 retail customers in El Paso, Texas, and an area of the Rio Grande Valley in western Texas and southern New Mexico and to wholesale customers located in southern California, Texas, New Mexico and Mexico. EPE also sells power on a wholesale basis to Texas-New Mexico Power Company, a non-affiliated electric utility company ("TNP").

EPE's service area extends approximately 110 miles northwesterly from El Paso to the Caballo Dam in New Mexico and approximately 120 miles southeasterly from El Paso to Van Horn, Texas. The service area has an estimated population of 784,000, including approximately 631,000 in the metropolitan area of El Paso. As of December 31, 1993, EPE's largest wholesale customers included Comision Federal de Electricidad (the national electric utility of Mexico), Imperial Irrigation District (an irrigation district in California), and TNP.

EPE's generating facilities have a net generating capacity of 1,497 MW, consisting of an entitlement of 600 MW from Palo Verde Nuclear Generating Station Units 1, 2 and 3 and 104 MW from the Four Corners Generating Project, and generating capacity of 246 MW from the Rio Grande Power Station, 478 MW from the Newman Power Station and 69 MW from the Copper Station. These assets are more fully described as follows:

Four Corners Generating Project. The Four Corners Generating Project ("Four Corners") consists of five coal-fired generating units located in northwestern New Mexico. Three units (Units 1, 2 and 3 with ratings of 170 MW, 170 MW and 220 MW, respectively) are owned solely by Arizona Public Service Company ("APS"). Units 4 and 5, with ratings of 740 MW each, are jointly owned by the following electric utilities: APS, Public Service Company of New Mexico, Salt River Project Agricultural Improvement and Power District, Southern California Edison Company, Tucson Electric Power Company and EPE. All five units are operated by APS. EPE has an undivided 7% interest in Units 4 and 5 of Four Corners. Four Corners is located on land held under easements from the federal government and also under a lease from the Navajo Nation. Certain of the transmission lines and all of the contracted coal sources for the Four Corners project are also located on the territory of the Navajo reservation. Units 4 and 5 are located adjacent to a surface-mined supply of coal. Units 4 and 5 are among the lowest-cost coal-fired resources in the western United States.

Rio Grande Power Station. The Rio Grande Power Station, located in Dona Ana County, New Mexico, adjacent to El Paso, Texas, consists of three steam-electric generating units owned by EPE which have an aggregate capability of 246 MW when operating entirely on natural gas. If natural gas at the station is curtailed, the units operate primarily on fuel oil.

Newman Power Station. The Newman Power Station, located in El Paso, Texas, consists of three generating units with an aggregate capability of 266 MW and one combined-cycle unit with a capability of 212 MW, all of which are owned by EPE. The units regularly operate on natural gas, but also are capable of operating on fuel oil.

Copper Station. The Copper Station, located in El Paso, Texas, consists of a 69 MW combustion turbine capable of operating on fuel oil or natural gas and is used for peaking purposes. The combustion turbine and other generating equipment at the station were sold and leased back by EPE in 1980 pursuant to a 20-year lease with an option to renew of up to seven years. The Plan provides for the assumption by EPE of all of the agreements related to the sale and leaseback transaction.

Palo Verde Nuclear Generating Station. The Palo Verde Nuclear Generating Station is a 3,810 MW facility located outside of Phoenix, Arizona. As of January 8, 1992, when EPE filed its petition for reorganization, EPE owned or leased a 15.8% interest in each of Palo Verde Units 1, 2 and 3 and the associated common plant (the "Palo Verde Assets"). Each Palo Verde Unit has an operating capability of 1,270 MW. EPE currently owns 100% of its interest in Unit 1 and 60.5% of its interest in Unit 3, and leases 100% of its interest in Unit 2 and 39.5% of its interest in Unit 3. EPE shares in Palo Verde power, energy entitlements and costs with six other utilities: APS, Southern California Edison Company, Public Service Company of New Mexico, Salt River Project Agricultural Improvement and Power District, Southern California Public Power Authority and the Department of Water and Power of the City of Los Angeles (collectively with EPE, the "Palo Verde Participants"). EPE is separately licensed by the NRC to possess its interest in the Palo Verde Assets. Necessary NRC approvals for the proposed indirect transfer of control

of EPE, and the return of the ownership interests in the leased Palo Verde Assets to EPE, are being applied for in a combined NRC application (Exhibit D-7 hereto), as discussed below in Item 4.V. Following NRC approval, and upon the Effective Date of the Transaction, Reorganized EPE will be licensed by the NRC to possess its interest in the Palo Verde Assets.

EPE's rights and obligations with respect to the Palo Verde Nuclear Generating Station, exclusive of rights or obligations arising in respect of sale-leaseback agreements, are governed by several interrelated agreements to which the Palo Verde Participants are parties. In addition, the Merger Agreement provides, as a condition to the effectiveness of CSW's obligation to consummate the Transaction (and, therefore, also as a condition to the effectiveness of the Plan), that good and marketable title to the leased Palo Verde Assets be transferred to Reorganized EPE. The OP Settlements provide for such transfer. Following consummation of the Transaction, EPE's interests in the Palo Verde Nuclear Generating Station will continue to be used for the benefit of EPE's operations and customers. The Plan makes no change in the extent of EPE's utilization of the Palo Verde Nuclear Generating Station, the percentage of costs that EPE is to bear, or the percentage of capacity it is entitled to receive.

Transmission Lines. EPE owns a 313-mile long, 345 KV transmission line and associated substation equipment known as the Arizona Interconnection Project. The Arizona Interconnection Project transmission line originates at the Springerville Generating Station in Springerville, Arizona, and terminates

at EPE's Diablo Substation near the Rio Grande Power Station. The Arizona Interconnection Project facilitates EPE's imports of energy from the Arizona and New Mexico power grids.

EPE also owns a 230-mile long, 345 KV transmission line from the Arroyo Substation near Las Cruces, New Mexico, to Albuquerque, New Mexico, at which point EPE's entitlement from Four Corners is delivered from 150 miles of transmission lines owned by Public Service Company of New Mexico. This 345 KV transmission line regularly carries power from Four Corners, where EPE has a major interconnection with the other five participants in Four Corners, to the EPE service territory.

EPE also owns undivided interests in a 200-mile long, 345 KV transmission line from the Newman Power Station across southern New Mexico to Greenlee, Arizona. Specifically, EPE owns an undivided 40% interest in the 60-mile segment from Greenlee, Arizona, to Lordsburg, New Mexico; an undivided 57.2% interest in the 50-mile segment from Lordsburg, New Mexico, to Deming, New Mexico; and a 100% interest in the 90-mile segment from Deming, New Mexico, to El Paso, Texas. This line provides interconnections with Tucson Electric Power Company through which EPE's entitlement from the Four Corners Generating Project and Palo Verde Nuclear Generating Station is transmitted to EPE's core transmission system in southern New Mexico, adding stability, flexibility and reliability to EPE's systems.

Finally, EPE owns an undivided 66% interest in a 125-mile long, 345 KV transmission line running between EPE's Amrad Substation and SPS's Eddy County Substation near Artesia, New Mexico. The line terminates with a direct current converter facility connected with SPS, providing EPE and TNP, the co-owner of the line and direct current converter, with 200 MW access to the Southwest Power Pool.

EPE also owns various other lower voltage transmission lines not described herein.

Additional Information. Further information regarding EPE's contracts and franchises is set forth in Section II.A. of the Disclosure Statement. EPE's material contracts are identified in the exhibit index to its 1993 Annual Report on Form 10-K (Exhibit H-12 hereto). EPE's balance sheet at December 31, 1993 and its income statements for the three years ending December 31, 1993 are contained in EPE's 1993 Annual Report on Form 10-K (Exhibit H-12 hereto); 1993 year-end financial statements are contained in EPE's 1993 Annual Report on Form 10-K and Annual Report to Shareholders (Exhibits H-12 and H-14 hereto, respectively).

G. Management Arrangements.

After the Confirmation Date and before the Effective Date, the business, operations, activities and affairs of EPE will be managed by substantially the same top management as on the date EPE filed for reorganization, subject to such changes as may be determined by EPE's Board of Directors and the applicable provisions of the Merger Agreement. In December 1993, the Bankruptcy Court approved the terms of an early retirement program to be offered to five senior officers of EPE. As of February 15, 1994, all five of the officers had accepted the offer and retired. After the Effective

Date, Reorganized EPE will be managed by a modified Board of Directors and executive officers to be designated by CSW in consultation with EPE, as discussed more fully in Sections XIII.A. and XIII.E. of the Disclosure Statement under "Future Management of the Debtor," and shall be governed by the Reorganized EPE Amended and Restated Articles of Incorporation and By-Laws (Exhibits A-7 and A-8 hereto, respectively).

H. Reasons for Transaction.

The Transaction is expected to produce a number of benefits for CSW and EPE, their customers, investors and creditors, and the communities they serve. As a result of these benefits, the Transaction is in the public interest and the interests of investors and consumers.

Bankruptcy-related benefits. Foremost among the benefits that will result from the Transaction are benefits flowing from a consensual end to the bankruptcy proceedings in which EPE has been mired since January 1992. By ending the bankruptcy proceedings, the Transaction will provide substantial immediate benefits to all EPE stakeholders and ratepayers and to the citizens and States of Texas and New Mexico. Among other things, the bankruptcy proceedings and related litigation have resulted in substantial direct costs to the EPE estate. These costs are expected to total between $65 million and $75 million (assuming that the Transaction is consummated and EPE emerges from bankruptcy on June 30, 1995). In addition, the bankruptcy has:

* diverted EPE's resources away from the operation of its business;

* created uncertainty for investors and customers and impaired their ability to make long-term plans; and

* exacerbated the uncertainty hanging over EPE's service territory and the business plans and economic development efforts of the businesses and communities served by EPE.

The Transaction will create a financially viable EPE with an investment-grade credit rating. This will reopen EPE's access to the capital markets and reduce EPE's cost of capital. As a result of the Transaction, EPE will become part of a financially secure system and will become a more reliable and stable corporation.

These benefits cannot be achieved by other means. EPE was unable to implement a viable stand-alone plan of reorganization within any predictable period of time despite protracted attempts to do so. No other acquisition proposal obtained the support of creditors and interest holders whose support is necessary for EPE to emerge from bankruptcy, and no other alternative offers the overall benefits provided by the Transaction proposed herein.

Cost Savings and Synergies. Apart from bankruptcy-related benefits, approximately $420 million (in nominal dollars) in potential cost savings and synergies from the Transaction have been estimated for the 1995-2004 period in the areas of non-fuel operating and maintenance expenses, financial synergies, and production and transmission costs. The projected cost savings and synergies will help hold future rates and rate increases below what would otherwise result from a stand-alone plan of reorganization.

Set forth below is CSW's estimate of net savings in these areas during the 1995-2004 period (in nominal dollars and on a present-value basis using an 8% discount rate):

	Nominal $	Present Value
Non-Fuel O&M	$234,000,000	$148,589,000
Financial	152,000,000	112,917,000
Production and Transmission	34,000,000	18,944,000
Total Net Savings	$420,000,000	$280,450,000

The foregoing estimate of Transaction-related savings takes account of all relevant costs required to achieve the benefits of the Transaction, including projected transmission access charges which are expected to average $1.5 million annually for the 1995-1998 period and $3.0 million annually for the 1999-2004 period and are discussed in Item 3.I.B.1.a.i. below), the cost of modifications needed on the CSW and the SPS systems before firm transmission service can be provided by SPS year-round, and the estimated wheeling costs associated with non-firm energy transactions. See also, FERC Exhibit (NWF-1) APP-62 to the direct testimony of Neil W. Felber before the FERC, dated August 1994, in Docket No. EC94-7-000 (non-fuel O&M-related costs which are accounted for in the $420 million estimate) (Exhibit D-3.77 hereto). A summary of Transaction savings broken down by company and category is contained in Exhibit D-1.17 hereto. Each of these areas of savings is discussed in greater detail below.

Non-Fuel Operation and Maintenance ("O&M") Savings. Initial studies indicate that substantial non-fuel O&M savings (including general and administrative savings) can be achieved from the Transaction. Savings are initially expected from the following areas:

* adoption of CSW "best business" practices and management philosophy in the operation of EPE, and staff reductions to levels more consistent with those of the four existing CSW Electric Operating Companies;

* consolidation of functions such as investor relations, power plant engineering, nuclear oversight, corporate legal services, and information processing services;

* reduction in certain costs, including employee benefits, audit fees, insurance premiums, and savings from reductions in facilities; and

* personnel reductions in technical, professional and managerial staff positions.

It is currently estimated that EPE and CSW will realize net non-fuel O&M savings of $234 million, in nominal dollars (approximately $149 million on a present-value basis), during the 1995-2004 period. A detailed breakdown and analysis of the non-fuel O&M savings and an analysis of the assumptions

related to the cost savings amounts are included in the direct testimony of Neil W. Felber before the FERC and the exhibits and workpapers thereto (Exhibit D-3.77 hereto).

CSW and EPE believe that reductions of current employees will occur through attrition, transfers within the combined CSW-EPE system, enhanced voluntary separation packages, and early retirement. CSW and EPE believe that layoffs will not be necessary to achieve workforce reductions. Although CSW intends to maintain a separate operating identity and headquarters for EPE in El Paso, Texas, the Transaction will provide an opportunity to integrate a number of corporate and administrative functions which at present are separately performed by CSW and EPE. The integration of certain duplicated functions in areas such as treasury, accounting, law, purchasing, investor relations, human resources, corporate planning, public relations, system planning, fuel management and administration should result in lower costs, since these costs are relatively fixed and do not vary directly with an increase in the number of customers served.

The integration of certain corporate and administrative functions will also result in the reduction of total corporate and administrative expenditures that are non-labor in nature. Corporate programs and expenditures which would be combined to reduce total expenditure levels include insurance, audit fees, information processing, facilities, pensions and benefits. Additional savings in other areas are anticipated but have not yet been quantified. The combination of these programs and expenditures as well as the resulting reduction of costs are not expected to affect the quality of these programs adversely. The Transaction provides the opportunity to limit expenditures for many nondiscretionary items to a single occurrence and to reduce total expenditures of both companies where economies of scale or scope are present.

Financial Savings. The Transaction is designed to permit EPE to emerge from bankruptcy with an investment grade credit rating on its senior secured debt securities versus the non-investment grade rating its debt securities would have if EPE were to remain a stand-alone entity. An investment grade bond rating will reduce EPE's financing costs and improve its financial flexibility by providing access to a much larger and lower cost market for capital than exists for non-investment grade companies. It is currently estimated that these financial savings will total up to $152 million in nominal dollars (approximately $113 million on a present-value basis) during the 1995-2004 period. In addition, it is expected that EPE will realize further savings from the factoring of its accounts receivable through CSWC.

A detailed breakdown and analysis of the financial savings and an analysis of the assumptions regarding the projected amounts of cost savings are included in the direct testimony and exhibits of Samuel C. Hadaway filed as part of CSW's Section 203 application to the FERC (Exhibit D-3 hereto and FERC Exhibit APP-56), and the workpapers thereto (filed as part of Exhibit D-3.12 hereto). For an analysis of the pre- and post-Transaction cost of capital reflecting a shift from non-investment to investment grade rating, see pages 4-8 of the testimony of David Carpenter filed as part of CSW's application to the PUCT (Exhibit D-1 hereto) and pages 6-17 and 20-26 of the

PUCT testimony of Mr. Hadaway (also filed as part of Exhibit D-3 hereto).

Production and Transmission Cost Savings. The integration of EPE and the CSW electric systems will be accomplished as set forth in Item 3.I.B.1.a. and will produce two types of cost savings: (1) fuel cost savings from the displacement of higher-cost generation with more efficient generation; and (2) capacity cost savings from the shared use of existing system generating capacity to avoid the cost of building new capacity or purchasing capacity from unaffiliated entities. Based on initial engineering studies, net savings of approximately $34 million in nominal dollars (approximately $19 million on a present-value basis) over the 1995-2004 period are expected after subtracting the costs to integrate the system. A detailed breakdown and analysis of the production and transmission savings and an analysis of the assumptions regarding the projected amounts of cost savings are included in the direct testimony and exhibits of James A. Bruggeman filed as part of CSW's Section 203 application to the FERC (Exhibit D-3 hereto and FERC Exhibit APP-39), and the workpapers thereto (filed as part of Exhibit D-3.12 hereto).

In the area of joint dispatch, the Transaction is expected to have a positive impact on the dispatching of CSW and EPE generating facilities to meet retail, wholesale, and off-system load. The ability to jointly dispatch the merged system's generating capacity will result in improved coordination and fuel savings. These savings will result from an improved ability to schedule and commit each of the base load, intermediate load, and peaking facilities of the combined CSW-EPE system in a more economical and efficient manner.

Over the 1995-2004 period, EPE and CSW will exchange both energy and capacity. However, on balance for the period, EPE is expected to be a net exporter of relatively low-cost energy to CSW. Such exports will displace what is projected to be higher-cost gas-fired generation of the existing CSW Electric Operating Companies and thereby reduce production costs of the combined CSW-EPE system relative to the costs that would be experienced if EPE and CSW were to continue separate operations.

In addition, the Transaction will reduce the risk and cost of power purchases for EPE. EPE is projected to use a mix of capacity purchases and unit construction to satisfy future capacity needs. Because EPE's capacity needs are projected to increase in small increments from year to year (annual increases are projected at approximately 30 MW in years when there are no retirements), and because EPE's projected capacity needs decrease in 1997 and 2002 due to the expiration of capacity sales contracts that are not expected to be replaced, incremental capacity purchases would be needed until EPE has a capacity need sufficient to warrant the construction of an efficiently sized generating unit. During this period, the Restated and Amended Operating Agreement, dated October 1, 1993, among CPL, PSO, SWEPCO, WTU and CSWS (as it is to be amended to make EPE a party thereto the "CSW System Operating Agreement") will provide a cost-based pricing mechanism for capacity purchases. Thus, the Transaction will significantly reduce EPE's market risk in its capacity costs and will produce capacity cost savings as EPE replaces higher-cost firm power purchases it would otherwise have made had it not become a part of the CSW System with capacity purchased at a lower cost from one or more of the CSW Electric Operating Companies through the CSW System Operating Agreement. This substitution of purchased resources will reduce EPE's purchased power costs and will at the same time produce additional net

revenue for the CSW Electric Operating Companies. The "at-cost" basis for

capacity purchases under the CSW System Operating Agreement also should provide EPE with a cost advantage over purchases at projected market prices. These savings could increase significantly if the market for additional capacity available to EPE in the late 1990's is smaller than currently projected.

EPE's purchase of CSW capacity will also provide EPE with greater flexibility. Purchases of firm capacity from third parties typically require the buyer to commit to specified levels of capacity over relatively long periods. Under the CSW System Operating Agreement, EPE would have the flexibility of purchasing capacity each December for any projected shortfall for the next year.

Other Savings. In addition to the savings and synergies quantified above, CSW expects the Transaction to create opportunities for cost savings, synergies and benefits in other areas that are not readily identifiable or quantifiable at present, including those set forth below.

Restructuring-Related Savings. The foregoing savings estimates do not take account of savings that are expected to result from the restructuring of the CSW System. The restructuring centralizes a number of functions that would otherwise be performed separately by the CSW Electric Operating Companies and EPE. As a result, the restructuring of the CSW System may make additional O&M savings possible.

Expansion of Bulk Power Sales and Purchase Capability. As a result of the Transaction, EPE will gain increased access to wholesale power markets to the east, and the CSW Electric Operating Companies will gain increased access to wholesale power markets to the west. The result will be to increase the combined system's opportunities to purchase bulk power, to increase competition in bulk power markets, and to provide the combined companies with opportunities to expand options for purchased power resources. This broader set of options will result in a more economic mix of generated and purchased power to meet system demand, increased opportunities to reduce supply costs, and better system reliability. Although the benefits of expanded bulk power transactions have not been quantified, in CSW's judgment, increased access to bulk power transactions will likely reduce costs and provide benefits to CSW's Electric Operating Companies and ratepayers.

Coordination of Resource Planning. The Transaction will result in a more efficient and effective resource planning process by providing an opportunity to plan jointly for future needs. Through integration of the resource planning process, the Transaction will enable the CSW Electric Operating Companies and EPE to take advantage of the expanded diversity and number of resource options afforded by the combined generation and power supply mix.

There are three areas where this greater flexibility should prove especially beneficial to EPE: (1) purchasing capacity; (2) participating in renewable technology demonstrations; and (3) pursuing a wider range of demand-side management programs. In each case, the combined CSW-EPE system has more potential for efficient procurement and program development than either EPE or CSW alone. This strengthened position could be critical to meeting customers' needs should the capacity purchase market become very tight

or environmental or economic factors greatly increase the rate at which demand-side management programs and/or renewable technologies are deployed. Market volatility and rapidly changing technology pose greater risks for relatively smaller utilities because of the more limited resources (human and capital) available to be invested in exploring options and developing

innovative responses to change.

Finally, economic benefits are expected to accrue to EPE and CSW from the Transaction as a result of added flexibility in making changes in the types and timing of resource additions. The integrated resource plan of the combined EPE/CSW system will result in a postponement of capital expenditures and a consequent savings in capital costs which are expected to accrue in the second decade of combined operations.

Reduction in Future Operating Systems Expenditures. Currently, the CSW System and EPE must develop the necessary operational systems for management information and customer service on an independent basis. After consummation of the Transaction, these separate development activities will be replaced by a CSW system-wide integrated development program for new systems. This is expected to reduce the level of costs that would otherwise be incurred. The development cost for new systems would be spread among a larger number of companies, thereby lowering each company's allocated portion of the development cost.

Item 2. Estimated Fees, Commissions and Expenses.

The projected fees, commissions and expenses to be paid or incurred by CSW in connection with the Transaction are estimated as follows:

	Approximate Amount
Holding Company Act filing fee	$ 2,000*
Hart-Scott-Rodino filing fees	25,000
Legal fees and expenses:	
Bracewell & Patterson	335,999
Broyles & Pratt	4,636,782
Christy & Viener	191,632
Jones, Day, Reavis & Pogue	2,382,957
Milbank, Tweed, Hadley & McCloy	7,085,719
Sheinfeld, Maley & Kay	508,871
Simons, Cuddy & Friedman	69,575
Taichert, Wiggins, Virtue, Wilson & Najjar	514,249
Exchange and information agent's fees and expenses	600,000

Services of engineering and other consultants:	
Access Management	1,028,772
Anderson, John	82,220
Burson-Marsteller	335,015
Energy Management	990,360
Energy Research	80,631
Espey-Huston	39,180
Hewitt Associates	158,582
Power Technology	61,595
Putnam, Hays & Bartlett, Inc.	1,211,708
Scott, Madden & Associates, Inc.	38,311
Services of temporary personnel:	
Pro Staff	307,798

Vinson and Associates	710,738
Burson-Marsteller	189,981
Services of financial consultants, accountants' fees and expenses:	
Arthur Andersen & Co.	196,350
Financo	810,889
National Economic Research Associates, Inc.	472,853
Wilson Consulting	478,769
Services of public relations consultants fees and expenses:	
Cambridge Reporting	715,042
Read-Poland.	1,142,674
Winner/Wagner & Mandabach Camp.	2,034,387
Investment banking fees and expenses:	
Morgan Stanley & Co. Incorporated	8,286,792
New York Stock Exchange listing fee	175,000
"Blue Sky" fees and expenses	500
Miscellaneous expenses, including financial consultants' fees, expert witness fees, and reimbursed employee expenses	6,134,277
Total	$42,035,208

_____
* Actual Amount.

No person to whom fees or commissions are to be paid in connection with the proposed Transaction is an associate company or affiliate of CSW or an affiliate of an associate company.

Item 3. Applicable Statutory Provisions.

The following sections of the Act and rules promulgated by the Commission pursuant to the Act are or may be applicable to the Transaction and other transactions described herein.

Section of the Act	Transactions to which sections are or may be applicable
6 and 7	Issuance of CSW Common Stock by CSW, CSW Sub Common Stock by CSW Sub, and New EPE Securities by Reorganized EPE; letters of credit supporting Maricopa and Farmington PCB's
9 and 10	Acquisition by CSW of CSW Sub Common Stock, and through merger of CSW Sub into EPE, common stock of Reorganized EPE

	Re-acquisition by EPE of ownership of the Palo Verde Assets which were sold and leased back to EPE
13	CSWS charges to EPE

Rules	
- -----	
Rules 80-91	CSWS charges to EPE

I. Acquisition of EPE by CSW.

Section 9(a)(1) makes it unlawful, without approval of the Commission under Section 10, "for any registered holding company or any subsidiary company thereof to acquire, directly or indirectly, any securities or utility assets or any other interest in any business." Section 9(a)(1) is applicable to the Transaction because, as a result of the formation of CSW Sub and the merger of CSW Sub into EPE, CSW will acquire all outstanding shares of common stock of CSW Sub and Reorganized EPE.

The Transaction complies with all applicable provisions of Section 10 of the Act and should be approved by the Commission. Among other things:

* The Transaction will not create detrimental interlocking relations or concentration of control.
* The consideration to be paid to the various parties in the Transaction is fair and reasonable.
* The Transaction will not unduly complicate the capital structure of the CSW System.

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* The Transaction does not involve an acquisition unlawful under the provisions of Section 8 or detrimental to the carrying out of the provisions of Section 11.
* The Transaction will serve the public interest by tending toward the economical and efficient development of an integrated electric utility system.

The standards set forth in each subsection of Section 10 are dealt with separately below.

A. Section 10(b).

Section 10(b) of the Act requires that the Commission approve a proposed acquisition unless the Commission finds that:

> "(1) such acquisition will tend towards interlocking relations or the concentration of control of public-utility companies, of a kind or to an extent detrimental to the public interest or the interest of investors or consumers;
>
> (2) in case of the acquisition of securities or utility assets, the consideration, including all fees, commissions, and other remuneration, to whomsoever paid, to be given, directly or indirectly, in connection with such

acquisition is not reasonable or does not bear a fair relation to the sums invested in or the earning capacity of the utility assets to be acquired or the utility assets underlying the securities to be acquired; or

(3) such acquisition will unduly complicate the capital structure of the holding company system of the applicant or will be detrimental to the public interest or the interest of investors or consumers or the proper functioning of such holding company system."

1. Section 10(b)(1).

The Transaction satisfies the standards of Section 10(b)(1) because it will not tend towards interlocking relations or the concentration of control of public utility companies of a kind or to an extent detrimental to the public interest or the interest of investors or consumers.

a. Interlocking Relations.

By its nature, the proposed Transaction will result in the creation of interlocking relations between CSW and EPE, but these relations will not be the sort of "detrimental" interlocking relations prohibited by Section 10(b)(1). The Merger Agreement provides that the Board of Directors of Reorganized EPE will consist of CSW's chief executive officer, Reorganized EPE's chief executive officer and five other officers, and six outside directors who are residents of EPE's service area or designated by CSW for at least three years from and after the Effective Date. In addition, one resident of EPE's service area or one

member of Reorganized EPE's Board of Directors will serve on CSW's Board of Directors. These interlocking relationships are necessary to integrate EPE into the CSW System and are, therefore, in the public interest and the interest of investors and consumers. The public interest is served by bringing an end to the EPE bankruptcy and providing EPE with the management needed to make it a viable operating entity again. In addition, the Transaction is expected to result in a number of benefits to investors and consumers, as described more fully in Item 1.H. above. The interlocking relations resulting from the combination of CSW and EPE are similar to those of all other registered holding company systems and are not the sort of relations intended to be prohibited by Section 10(b)(1).

b. Concentration of Control.

Section 10(b)(1) is intended to prevent utility acquisitions that would result in "huge, complex and irrational holding company systems," American Electric Power, 46 SEC 1299, 1307 (1978), or "an undue concentration of economic power." Northeast Utilities, 47 SEC Docket 1270, 1281 (1990). In permitting American Electric Power, a holding company significantly larger than CSW, to acquire another electric utility company, the Commission observed that, although the framers of the Act were "concerned about the evils of bigness":

"they were also aware that the combination of isolated local utilities into an integrated system afforded opportunities for economies of scale, the elimination of duplicate facilities and activities, the sharing of production capacity and reserves and generally more efficient operations."

American Electric Power, 46 SEC 1299, 1309 (1978). Other recent decisions confirm that the size of the combined system is not determinative. See

Entergy Corp., 55 SEC Docket 2035 (1993); Northeast Utilities, 47 SEC Docket 1270, 1279 (1990); Centerior Energy Corp., 35 SEC Docket 769, 771 (1986).

The Transaction will increase the size of the CSW System, but will not result in a system that exceeds the economies of scale of current electrical generation and transmission technology. The system will be smaller, in terms of value of total assets, than 15 other utility systems in the United States and, as the tables below illustrate, will be significantly smaller in terms of these and other categories than three other registered public utility holding company systems.

(As of December 31, 1993)

System ($ Millions)	Operating Revenues ($ Millions)	Total Assets (Thousands)	Electric Customers (Millions)	Sales in KWH
Southern Company	8,489	25,911	3,445	144,909
American Electric Power	5,269	15,341	2,841	117,000
Entergy	4,485	22,877	2,337	97,189
CSW	3,687	10,623	1,633	54,360
+EPE	544	1,715	262	8,041
New CSW	4,231	12,338	1,895	62,401

(As of December 31, 1993)

System ($ MW)	Net System Capacity Sq. Miles)	Service Territory (Thousand ($ Millions)	Transmission Assets (Total Miles)	Overhead Transmission Capacity
Southern Company	29,513	120	3,224	26,741
American Electric Power	24,084	46	3,169	21,856
Entergy	21,323	112	2,254	10,312
CSW	12,242	152	1,228	15,744
+EPE	1,497	10	235	715
New CSW	13,739	162	1,463	16,459

The Transaction will not significantly change the relationship between the size of the CSW System and the balance of the electric utility industry in the region. Compared to the recent acquisition of Gulf States Utilities by Entergy, which resulted in an increase of more than 40% in the Entergy system's operating revenues, more than 30% in electric customers and more than 40% in its electric sales (based on 1993 figures, as shown in the first of the two tables above), the acquisition of EPE by CSW would result only in increases of approximately 15% to 17% in the size of the CSW System in these same categories. In addition, as demonstrated by the tables below, the CSW System will remain smaller in these categories than other utilities in its region, including Entergy and Texas Utilities, and will be comparable in size

to another utility in the region, Houston Industries.

(As of December 31, 1993)

System ($ Millions)	1993 Operating Revenues ($ Millions)	Total Assets (Thousands)	Electric Customers (Millions)	Sales in KWH
Entergy	4,485	22,877	2,337	97,189
Texas Utilities	5,435	21,518	2,293	85,494
Houston Industries	4,324	12,230	1,449	61,149
Oklahoma Gas & Elec.	1,447	2,731	659	23,306
Public Service New Mexico	874	2,212	313	8,822
SPS	810	1,719	359	19,269
CSW	3,687	10,623	1,633	54,360
+EPE	544	1,715	262	8,041
New CSW	4,231	12,338	1,895	62,401

System ($ MW)	Net System Capacity Sq. Miles)	Service Territory (Thousand ($ Millions)	Transmission Assets (Total Miles)	1993 Overhead Transmission Capacity
Entergy	21,323	112	2,254	10,312
Texas Utilities	21,697	60	1,542	10,695
Houston Industries	13,679	5	841	3,560
Oklahoma Gas & Elec.	5,637	30	1,131	4,612
Public Service New Mexico	1,541	N/A	216	2,378
SPS	4,062	52	N/A	5,726
CSW	12,242	152	1,228	15,744
+EPE	1,497	10	230	715
New CSW	13,739	162	1,458	16,459

Note: The above figures were derived from a variety of public sources.

In addition, the Transaction will produce significant benefits for the public, investors and consumers. Among other things, as more fully discussed in Item 1.H. above, the proposed acquisition will serve the public interest by bringing a prompt end to the EPE bankruptcy, by providing EPE with the management capacity and financial reserves to make it a viable entity, and by creating significant efficiencies and economies.

Section 10(b)(1) also requires the Commission to consider the possible anti-competitive effects of the Transaction. In its August 1 order, the FERC found that any concern with potential anticompetitive effects of the Transaction would be adequately mitigated if "comparable transmission services" were offered over the transmission facilities of EPE and those of CSW that are operated in the Southwest Power Pool. On August 10, 1994, CSW and EPE informed the FERC that, subject to reservation of their rights, including their rights to seek rehearing of the order and judicial review, they would accept as a condition to the FERC's approval of the Transaction a requirement that such transmission services be offered to other electric utilities. The Transaction should not raise competitive concerns for a number of reasons, which are described more fully in the expert testimony submitted by CSW to the FERC in support of CSW's application for FERC approval of the Transaction (Exhibit D-6 hereto). The testimony concludes that the Transaction will not adversely affect competition because, among other things: (1) CSW and EPE have not competed in the past; (2) CSW and EPE will not dominate the bulk power market for any utility; (3) CSW and EPE will not block market entry by controlling scarce resources such as generation or fuel; (4) CSW does not have market power to affect short-term firm power transactions; (5) CSW and EPE have not competed in or dominated the nonfirm energy market, and competition in this market will be enhanced by recently available open access tariffs through other utilities (including PSO and SWEPCO) as well as an EPE open access tariff to be made effective upon consummation of the Transaction; (6) CSW and EPE will not control transmission paths that would otherwise provide competing alternatives to transmission users; and (7) CSW and EPE will not adversely affect retail competition.

In addition, CSW and EPE each will make filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, for review by the Department of Justice and the Federal Trade Commission, and under the Federal Power Act, as amended, for approval by the FERC. These filings will describe the effects of the Transaction on competition in the relevant markets. CSW and EPE expect that the FERC, the Department of Justice and the Federal Trade Commission will determine that the Transaction does not raise any antitrust concerns.

2. Section 10(b)(2).

Section 10(b)(2) requires that the Commission approve the Transaction unless it finds that the consideration, including all fees, commissions and other remuneration, is unreasonable or does not bear a fair relation to the sums invested in or the earning capacity of the utility to be acquired.

a. Reasonableness of Consideration.

The consideration to be paid by CSW in connection with the Transaction is reasonable and bears a fair relation to the earning capacity of the utility assets underlying the securities to be acquired, in compliance with Section 10(b)(2). As discussed in Item 1.D. above, the total Transaction consideration payable by CSW and EPE will be approximately $2.1 billion, exclusive of cash retained by EPE and paid out to EPE creditors and preferred shareholders prior to the Effective Date and exclusive of bonds to be issued in pledge as security for other obligations. A portion of the Transaction consideration will be paid by Reorganized EPE in the form of securities of

Reorganized EPE, and a portion will be paid by CSW in the form of new shares of CSW Common Stock and/or cash. Because the Plan and Merger Agreement allow CSW to substitute cash and/or CSW Common Stock for certain securities of Reorganized EPE and cash for CSW Common Stock, the exact amount of each form of consideration has not yet been determined; however, it is currently

projected that the consideration will consist of approximately $569 million in CSW Common Stock to EPE creditors and common equity holders, approximately $1.125 billion in Reorganized EPE debt, $68 million in Reorganized EPE Preferred Stock, and approximately $336 million in cash. (Based upon the resolution of certain contingencies, EPE's common shareholders may receive up to an additional $1.50 worth of CSW Common Stock per share of EPE Common Stock (or $54.3 million in the aggregate); however, any such additional payments will represent a pass-through of recoveries by EPE and reductions in claims against EPE. Such additional payments (if any) would therefore by fully offset and will not affect the reasonableness of the consideration.)

On April 30, 1993, Morgan Stanley & Co. Incorporated ("Morgan Stanley") delivered to the CSW Board of Directors a written opinion (Exhibit J-1 hereto) that the consideration to be paid to the creditors and equity holders of EPE is fair from a financial point of view to the holders of CSW Common Stock. No limitations were imposed by the CSW Board of Directors upon Morgan Stanley with respect to the investigations made or procedures followed by Morgan Stanley in rendering its opinion. In connection with its opinion, Morgan Stanley: (i) analyzed certain publicly available financial statements and other information of EPE and CSW; (ii) analyzed certain internal financial statements and other financial and operating data concerning EPE prepared by the management of EPE; (iii) analyzed certain financial projections concerning EPE prepared by the management of EPE; (iv) discussed the past and current operations and financial condition and the prospects of EPE with senior executives of EPE; (v) analyzed certain internal financial statements and other financial operating data concerning CSW prepared by the management of CSW; (vi) analyzed certain financial projections concerning CSW prepared by the management of CSW; (vii) discussed the past and current operations and financial condition and the prospects of CSW with senior executives of CSW, and analyzed the pro forma impact of the Merger Agreement and the Plan on CSW's earnings per share, consolidated capitalization and financial ratios; (viii) reviewed the reported prices and trading activity for EPE's Common Stock; (ix) compared the financial performance of EPE and the prices and trading activity of EPE Common Stock with that of certain other comparable publicly-traded companies and their securities; (x) discussed the strategic objectives of the Transaction with CSW and reviewed the amount and timing of the cost savings and synergies resulting from the Transaction projected by CSW; (xi) reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions; (xii) participated in discussions and negotiations among representatives of CSW and EPE and their financial and legal advisors; (xiii) reviewed the Merger Agreement and the Plan, and certain related documents; and (xiv) performed other analyses and examination and considered other factors deemed appropriate.

The purchase price to be paid to the creditors and equity holders of EPE was determined through nearly one year of arm's-length negotiations between CSW, on the one hand, and EPE and all the classes of its creditors on the other, as described more fully in Item I.C above. During the course of these negotiations, CSW and Morgan Stanley analyzed, among other factors, EPE's cash

flow from continuing operations and cash on its balance sheet, as well as prior rate cases and regulatory treatments in order to develop an achievable rate path, and used this information to determine a range of purchase prices to consider in CSW's negotiations with EPE and its creditors. CSW did not arrive at a judgment concerning the reasonableness of the purchase price for EPE merely by adding the book value of EPE's assets but also considered other factors such as the present and probable future ability of those assets to generate income. Similarly, in evaluating the "purchase price" of the Palo Verde Assets, CSW considered not only the depreciated book value of the assets, but also the settlement value of claims relating to those assets, tax

benefits arising from the lease rejection damages paid to settle the lease, and other factors. The ultimate amount of the Palo Verde Settlement was determined by arm's-length negotiations between CSW and EPE's claimants and was approved by the Bankruptcy Court on the Confirmation Date, as described more fully in Item 3.C. (In its Findings of Fact, the Bankruptcy Court found that the Palo Verde litigation "could not have been settled for a materially lower amount to obtain a consensual plan." Findings of Fact para. 18(g).) In its August 1, 1994 order, the FERC held that the consideration paid by CSW for EPE does not warrant a hearing. See Item 4.IV. The Transaction will result in a small positive plant acquisition adjustment being recorded. The development of the plant acquisition adjustment and the amounts of such adjustments are presented in the FERC testimony of Wendy Hargus, FERC Exhibits APP-110 and APP-111 (included in Exhibit D-3 hereto).

In addition, Barr Devlin & Co., Incorporated ("Barr Devlin") (formerly Barr, Beatty, Devlin & Co.) has delivered a written opinion to the Board of Directors of EPE, dated May 3, 1993 (Exhibit J-2 hereto), stating that, as of the date of such opinion and based upon the procedures and subject to the assumptions described in such opinion, the consideration to be paid to the holders of EPE Common Stock in the Transaction is fair to the holders of EPE Common Stock from a financial point of view.

The overall Transaction consideration remains at approximately $2.1 billion, a portion of which will be paid by CSW in the form of new shares of CSW Common Stock and a portion of which will be in the form of new debt securities and preferred stock of Reorganized EPE. The exact mix of securities and the exact number of shares of CSW Common Stock will depend on market conditions -- and CSW's assessment of those conditions -- at the time the Transaction is consummated.

For illustrative purposes, set forth below is a hypothetical EPE recapitalization table as of June 30, 1994, showing the amount of stock and other securities that would be issued under one possible set of assumptions presented to the PUCT:

<TABLE>

<CAPTION>

Hypothetical Recapitalization of EPE*
(as of June 30, 1994, $ thousands)

		Debt and/ or Cash	Preferred Equity	Common Equity	Total
<S>		<C>	<C>	<C>	<C>
Class 1	(EPE First Mortgage Bonds)	317,530			317,530
Class 2	(EPE Second Mortgage Bonds)	176,728			176,728
Class 3	(Revolving Credit Facility)	157,915			157,915
Class 4	(Maricopa Pollution Control Bonds)	159,835			159,835
Class 5	(Maricopa PCB - Letters of Credit)	8,693			8,693
Class 6	(Rio Grand Resources Trust)	70,377			70,377
Class 7	(Other Secured Claims)**	8,106			8,106
Class 10	(Farmington Pollution Control Bonds)	35,805			35,805
Class 11	(Farmington PCB's - Letters of Credit)	1,882		4,108	5,990
Class 12	(SLOB's & LOB's)	427,300		241,200	668,500
Class 13	(Unsecured Creditors)	96,873		211,505	308,378
Class 15	(Preferred Equity)		68,000		68,000
Class 16	(Common Equity)			106,633	106,633
	Accrued Dividends			5,432	5,432
Total (including total preferred		1,461,044	68,000	568,878	2,097,922

and common stock issued)				
Capital Contribution	(204,466)		204,466	0
Projected Cash in EPE Estate	(131,273)			(131,273)
Balance (including total debt securities issued)	1,125,305	68,000	773,344	1,966,649
Less: Pollution Control Bond Funds Held on Deposit	(5,981)			(5,981)
CSW Transaction Costs			42,035	
Proposed Capital Structure	1,119,324	68,000	815,379	2,002,703
Percentage	55.891%	3.395%	40.714%	100.00%

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* The recapitalization of EPE must be structured to permit EPE to emerge from bankruptcy with an investment grade rating, as discussed in Item I.H under the heading "Financial Savings."

** Class 7 includes the lease assumption of EPE's Copper Station in El Paso, Texas.

/TABLE

It is significant that the Plan has been approved by EPE creditors and shareholders and confirmed by the Bankruptcy Court. Under Section 1129 of the Bankruptcy Code, the Bankruptcy Court may confirm a plan only if, among other things, "[c]onfirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor or any successor to the debtor under the plan." In paragraph 31 of its Findings of Fact with respect to the Plan, the Bankruptcy Court so found. Implicit in these findings of the Bankruptcy Court is a determination that the debt portion of the capital structure of Reorganized EPE is reasonable and bears a fair relation to the earning capacity of its underlying utility assets. This in turn supports the reasonableness of the Transaction consideration.

Finally, the Merger Agreement contains a number of closing conditions which help ensure the continued reasonableness of the consideration. Under section 8.3(f) of the Merger Agreement, it is a condition to CSW's obligation to consummate the Transaction that "no EPE Material Adverse Effect shall have occurred" and that "there shall exist no fact or circumstance which may reasonably be expected to give rise to an EPE Material Adverse Effect."[1] In addition, under section 8.2(c) of the Merger Agreement, the obligations of each party to effect the Transaction are conditioned on no governmental authority enacting any law, rule, regulation or ordinance, or issuing any order, which would have an EPE Material Adverse Effect or a material adverse effect upon the prospects for the business of CSW or EPE after the consummation of the Transaction. Other closing conditions ensure that the Transaction will not be consummated in the event of onerous or burdensome regulatory orders or conditions.

For all of the foregoing reasons, CSW believes that the consideration bears a fair relation to the earning capacity of the utility assets that will be owned or leased by EPE.

b. Reasonableness of Fees.

CSW believes that the overall fees, commissions and expenses which

have been or will be incurred in connection with the Transaction are reasonable and fair in light of the size and complexity of the Transaction relative to other transactions, that they are consistent with recent precedent, and that they meet the standards of Section 10(b)(2).

As set forth in Item 2., CSW has incurred or expects to incur a total of approximately $42 million in fees, commissions and expenses in connection with the Transaction. This amount is less than the $46.5 million approved by the Commission in connection with the acquisition of Public Service of New Hampshire by Northeast Utilities, Northeast Utilities, 51 SEC Docket 934 (1992), and is comparable in magnitude to the

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[1] The Merger Agreement defines an "EPE Material Adverse Effect" as "a material adverse effect on the business, operations, franchises, properties, assets, condition (financial or other) or results of operations" of EPE.

$38 million approved by the Commission in connection with Entergy's recent acquisition of Gulf States Utilities, Entergy Corp., 55 SEC Docket 2035 (1993).

With respect to financial advisory fees, CSW believes that the fees payable to its investment banker are fair and reasonable for similar reasons. CSW retained Morgan Stanley as financial advisor in connection with its consideration of possible business combinations, including a business combination with EPE. As compensation for its financial advisory services in connection with the Transaction, CSW agreed to pay Morgan Stanley: (i) an advisory fee to reimburse for time and effort expended, (ii) an exposure fee of $500,000 (to which paid advisory fees are credited), and (iii) a transaction fee (against which any paid advisory and exposure fees are credited) of 0.395% of the "Aggregate Value" of the Transaction (based on an "Aggregate Value" of $2 billion or more). The "Aggregate Value" is defined in the engagement letter between Morgan Stanley and CSW, dated June 5, 1992 as follows: "The 'Aggregate Value' of the transaction shall be the value on the date of closing of the total consideration paid by CSW in connection with the acquisition, including the value of any debt, capital lease, or preferred stock obligations (including accrued interest and/or dividends thereon) of [EPE] directly or indirectly assumed by CSW." Assuming an "Aggregate Value" of $2,097,922,000 for the Transaction, the transaction fee payable to Morgan Stanley upon consummation of the Transaction would be $8,286,792, against which fees previously paid by CSW would be credited. In addition, CSW has agreed to reimburse Morgan Stanley for out-of-pocket expenses, which include travel, document procurement and delivery and fees of attorneys and other professional advisors, engaged with CSW's consent, should their advice be required. CSW has also agreed to indemnify Morgan Stanley against certain liabilities, including liabilities under federal securities laws, relating to or arising out of its engagement.

In one recent case, the Commission approved investment banking fees equal to 0.96% of the aggregate value of the acquisition, The Southern Company, 40 SEC Docket 350, 354 (1988), or nearly three times the investment banking fee, on a percentage basis, of Morgan Stanley. In the Northeast Utilities-Public Service of New Hampshire decision, the Commission approved approximately $10.6 million in financial advisory fees. Northeast Utilities, 51 SEC Docket 934 (1992). In its recent Entergy-Gulf States decision, the Commission approved financial advisory fees of $8.3 million by Entergy to its investment banker. Entergy Corp., 55 SEC Docket 2035 (1993). The financial advisory fees to be paid by CSW

in connection with the Transaction are significantly smaller on a percentage basis than those approved in Southern, significantly smaller in dollar amount to those approved in Northeast Utilities, and comparable in dollar amount to those approved in Entergy. Moreover, the Transaction here is significantly more complex than the transactions involved in the Entergy and Southern orders, none of which involved a bankruptcy and its associated risks, complexities and duration. Finally, the investment banking fees to be paid reflect the competition of the marketplace. Investment banking firms actively compete with each other to act as financial advisors to prospective merger partners. The investment banking fees to be paid by CSW in connection with the Transaction reflect this competition for services.

3. Section 10(b)(3).

Section 10(b)(3) of the Act requires the Commission to determine whether a proposed acquisition by a holding company will unduly complicate the capital structure of the holding company system, or will be detrimental to the public interest, the interest of investors or consumers or the proper functioning of such holding company system. The proposed combination of EPE and CSW will neither unduly complicate the capital structure of the CSW System nor will it be detrimental to the interests of investors or consumers or the proper functioning of the CSW System. The only changes to the capital structure of CSW and its subsidiaries (including Reorganized EPE) as a result of the Transaction will be the acquisition by CSW of Reorganized EPE Common Stock and the addition of the capital structure of Reorganized EPE. As in the case of the CSW Electric Operating Companies, Reorganized EPE will have publicly held debt and may have publicly held preferred stock, and all of its common stock will be held by CSW. Moreover, the Plan requires that Reorganized EPE's publicly traded mortgage bonds be rated "investment grade". The capital structure of Reorganized EPE will, therefore, be generally similar to the capital structures of the existing CSW Electric Operating Companies and will form only a small part of the capital structure of the overall CSW System. Thus, the Transaction will not unduly complicate the capital structure of the CSW System.

As of June 30, 1994, the respective capital structures of CSW and EPE were as follows:

	CSW (in $ millions)		EPE (in $ millions)	
Common Stock Equity	$2,940	47.75%	$ (378)	-30.91%
Preferred Stock	328	5.33%	81	6.62%
Long-Term Debt	2,889	46.92%		
Obligations Subject to Compromise			1,520	124.28%
Total	$6,157	100%	$1,223	100%

If the Transaction had been consummated on June 30, 1994, the pro forma consolidated capital structure of CSW as of such date would have been as follows:

	Transaction Pro Forma (in $ millions)	
Common Stock Equity	$3,755	46.0%

Preferred Stock	396	4.9%
Long-Term Debt	4,008	49.1%
Total	$8,159	100.0%

The foregoing pro forma figures assume the capitalization of Reorganized EPE presently contemplated by CSW and shown in Item 3.I.A.2.a. under the heading "Hypothetical Recapitalization of EPE". The actual amounts will depend on market conditions at the time the Transaction is consummated, elections by CSW to substitute cash for shares of CSW Common Stock, and other factors.

CSW's pro forma consolidated common equity to total capitalization ratio of 46% is significantly higher than Northeast Utilities' recently approved 27.6% common equity position and comfortably exceeds the "traditionally acceptable 30% level". Northeast Utilities, 47 SEC Docket 1270, 1279 & 1284 (1990).

The Reorganized EPE First and Second Mortgage Bonds will be substantially similar to the first mortgage bonds issued by the CSW Electric Operating Companies. However, it is anticipated that the Reorganized EPE First and Second Mortgage Bonds will vary in certain respects from the Commission's "Statement of Policy Regarding First Mortgage Bonds Subject to the Public Utility Holding Company Act of 1935" (Release No. 35-13105) and the amendments thereto (Release No. 35-16369). These variances from the Statement of Policy are not material for purposes of the Section 10(b)(3) analysis. See Exhibit A-21 hereto for a description of such differences.

The Reorganized EPE Preferred Stock will be substantially similar to the preferred stock issued by the CSW Electric Operating Companies. However, it is anticipated that the Reorganized EPE Preferred Stock will vary in certain respects from the Commission's "Statement of Policy Regarding Preferred Stock Subject to the Public Utility Holding Company Act of 1935" (Release No. 35-13106) and the amendments thereto (Release No. 35-16758). See Exhibit A-22 hereto for a description of such differences. These variances from the Statement of Policy are not material for purposes of the Section 10(b)(3) analysis.

Finally, it should be noted that, except for certain lock-up provisions described in Item 3.II.A.1. below, the CSW Common Stock which CSW proposes to issue has the same par value, voting rights and preference as to dividends and distributions and has the same rights as the CSW Common Stock presently outstanding. The only voting securities of CSW which will be publicly held after the Transaction will be CSW Common Stock, and because all of the Reorganized EPE Common Stock will be owned by CSW as a result of the Transaction, there will be no publicly held minority common stock interest in Reorganized EPE following the Transaction.

Interest of public, investors and consumers and proper functioning of CSW System: The Transaction is in the public interest and the interests of investors and consumers, and provides all with substantial benefits. EPE's investors will benefit from an end to EPE's bankruptcy because their investment in a bankrupt utility will be exchanged for more creditworthy securities. Investors in existing EPE securities will receive equity or debt of a financially stronger company -- CSW, in the case of recipients of CSW Common Stock, or Reorganized EPE, in the case of

recipients of New EPE Securities. After the Transaction, consumers will

enjoy rates which are lower than would otherwise be necessary under a stand-alone plan of reorganization. Further, the Transaction allows EPE to continue to fulfill its public service obligations as a utility and assures its ability to provide efficient and reliable public utility service (Findings of Fact paragraphs 20-21), while maximizing the value for all EPE stakeholders. In addition, the public and consumers will benefit from the greater resources that CSW can commit to economic development of the territory served by EPE.

The Transaction is entirely consistent with the "proper functioning" of a registered electric utility holding company system. EPE's electric operations will be integrated with those of the existing CSW Electric Operating Companies (see Item 3.I.B.1.a.). In addition, the combination will result in substantial, otherwise unavailable benefits to the public and to consumers and investors of both companies. The benefits to be generated from the combination are further described in Item 1.H.

B. Section 10(c).

Section 10(c) establishes additional standards for approval of the Transaction. Under Section 10(c), the Commission cannot approve:

> "(1) an acquisition of securities or utility assets, or of any other interest, which is unlawful under the provisions of section 8 or is detrimental to the carrying out of the provisions of section 11; or
>
> (2) the acquisition of securities or utility assets of a public utility or holding company unless the Commission finds that such acquisition will serve the public interest by tending towards the economical and the efficient development of an integrated public utility system."

1. Section 10(c)(1).

Section 10(c)(1) requires that the proposed acquisition be lawful under the provisions of Section 8. Section 8 prohibits registered holding companies from acquiring, owning interests in or operating both a gas and an electric utility serving substantially the same area if prohibited by state law. Because neither CSW nor EPE has or will have any direct or indirect interest in any gas utility company, the issues raised under Section 8 are not implicated by the Transaction.

Section 10(c)(1) also requires that the Transaction not be detrimental to the carrying out of the provisions of Section 11. Section 11(b)(1) generally requires a registered holding company system to limit its operations "to a single integrated public utility system, and to such other businesses as are reasonably incidental, or economically necessary or appropriate to the operations of such integrated public utility system." Section 11(b)(2) directs the Commission "to ensure that the corporate structure or continued existence of any company in the holding company system does not unduly or unnecessarily complicate the structure, or unfairly or inequitably distribute voting power among security holders, of such holding company system."

a. Section 11(b)(2).

The CSW System currently consists of an integrated electric utility system and other businesses that the Commission has previously approved as reasonably incidental, or economically necessary or appropriate to the operations of such system. Since EPE will be engaged solely in the electric utility business, the Transaction will not add any new businesses to the CSW System.

With respect to the integration of EPE and the CSW System, Section 2(a)(29)(A) of the Act defines an integrated public utility system, as applied to an electric utility company, as:

> "a system consisting of one or more units of generating plants and/or transmission lines and/or distribution facilities, whose utility assets, whether owned by one or more electric utility companies, are physically interconnected or capable of physical interconnection and which under normal conditions may be economically operated as a single interconnected and coordinated system confined in its operations to a single area or region, in one or more States, not so large as to impair (considering the state of the art and the area or region affected) the advantages of localized management, efficient operation, and the effectiveness of regulation."

As this language suggests, and as the Commission has previously observed, Section 11 is not intended to impose "rigid concepts" but rather creates a "flexible" standard designed "to accommodate changes in the electric utility industry." UNITIL Corp., 51 SEC Docket 562 (1992). Thus, Section 11 expressly directs the Commission to consider the "state of the art" in determining whether a system is capable of efficient operation and to apply "normal conditions" as the standard for determining whether a system may be economically operated as a single coordinated system.

Recent changes in the law -- in particular, the Energy Policy Act of 1992 and its provisions for mandatory wholesale wheeling -- and the increasingly competitive and interconnected market for wholesale power have created significant changes in the electric utility industry and have redefined what is the "state of the art" and what conditions are "normal." In addition, the Energy Policy Act expands the means for achieving physical interconnection and the economic operation and coordination of utilities with non-contiguous service territories.

i. Interconnection.

EPE is physically interconnected with the CSW electric utility system through the transmission system of SPS. In order to gain access to the SPS transmission system, EPE and CSW (through CSWS, as agent for PSO, WTU, SWEPCO and CPL) filed an application with the FERC on November 4, 1993 (Exhibit D-5 hereto) seeking an order pursuant to Section 211 of the Federal Power Act to require SPS to provide 133 MW of firm and non-firm

transmission services in connection with the transfer of power and energy between the EPE and CSW control areas at rates and on terms and conditions that the FERC determines to be just and reasonable. The 133 MW of total transmission service is adequate to meet the electric transmission needs of EPE's interconnect to the CSW system. By its August 1, 1994 order, the

FERC determined that a final order requiring SPS to provide transmission service requested by CSW and EPE could lawfully be issued once the FERC has determined that reliability concerns have been met. As discussed below, the FERC's August 1, 1994 order established procedures by which reliability matters will be addressed by the FERC.

SPS and EPE are interconnected at SPS's transmission substation near Artesia, New Mexico. SPS has three points of interconnection with the CSW Electric Operating Companies: a 115 KV interconnection with WTU near WTU's Shamrock substation; a 230 KV interconnection with PSO at the Oklahoma-Texas state line by a 230 KV transmission line, jointly owned by PSO and SPS, connecting SPS's Harrington/Nichols substation and PSO's Elk City substation; and a 345 KV interconnection with PSO at PSO's Oklaunion substation. Power and energy to be delivered by SPS to EPE will be delivered to SPS by the Electric Operating Companies through a 69 KV interconnection with WTU at WTU's Shamrock substation (Harrison-Nichols to Shamrock 115 KV line), a 230 KV interconnection with PSO at Oklahoma state line (Harrington-Nichols to Elk City 230 KV line) and a 345 KV interconnection with PSO at PSO's Oklaunion substation (Tuco to Oklaunion 345 KV line); the power and energy from EPE will be delivered to SPS at Eddy County for redelivery to SPS's points of interconnection with PSO and WTU. An interconnection map identifying the 115 KV, 230 KV and 345 KV interconnection points is included in Exhibit E-3 hereto.

In connection with its request of SPS to provide the required transmission services, CSW conducted load flow studies and stability studies to determine the extent to which transmission system modifications would be required in order for the necessary services to be provided. The results of those studies were submitted to the FERC with the Section 211 application filed on November 4, 1993 and indicate that, at most, only minor system modifications would be needed to provide bi-directional firm service across the SPS system in conjunction with the coordination of the EPE and CSW systems and to assure that such service will not interfere with reliable SPS system operations. To assure that non-firm (interruptable) service can be provided without excessive curtailments, it may be necessary to increase transformer capacity at SPS's Eddy County substation. To assure that firm service can be provided throughout the year on this basis, it may also be necessary to increase transformer capacity at SPS's Tuco substation and to install capacitor banks to support voltage levels at the Oklaunion, Tuco and Shamrock substations. Moreover, CSW study results indicate that SPS can provide substantial non-firm service in shoulder and off-peak hours without making any system modifications at all. Studies performed by CSW since those submitted to the FERC on November 4, 1994 indicate that the transformer capacity at SPS' Tuco substation will not need to be increased. Further, CSW believes that the ratings used by SPS for its Eddy County substation are too low. If proper ratings are used, this substation would not need to be upgraded.

CSW estimates that transmission access will cost approximately $1.5 million annually for the 1995-1998 period, during which non-firm service would be provided, and $3.0 million annually for the 1999-2004 period, during which firm service would be provided. These costs have been subtracted from the Transaction benefits estimates to produce the nominal-dollar and present-value estimates of Transaction benefits described above in Item 1.H. These cost estimates are based upon CSW's and EPE's load ratio share of SPS's annual transmission costs, as described in greater detail in Exhibit D-3 (FERC Ex. JAB-15, APP-54) to this Application.

The physical interconnection requirement of Section 2(a)(29)(A) can

be satisfied by means of a contract path. In past instances, discussed below, the Commission has found that utility assets are physically interconnected where there is an agreement giving two affiliated utilities the right to use a non-affiliated utility's transmission system to transmit power between such utility assets.

In Centerior Energy Corp., 35 SEC Docket 769 (1986), the Commission found that the Cleveland Electric Illuminating Company and Toledo Edison Company were interconnected under the Act by a power transmission line, owned by an unaffiliated company, that the companies had the right to use. The service areas of Cleveland Electric and Toledo Edison were 50 miles apart, separated by the service area of Ohio Edison Company. A 345 KV transmission line extended through the service areas of Cleveland Electric, Ohio Edison and Toledo Edison, but each company owned only that portion of the line which extended over its service territory. Pursuant to an agreement among the members of a regional power pool, capacity of the transmission line was available for use by Cleveland Electric and Toledo Edison as long as such use did not materially interfere with the power pool's coordinated operations. Although the service areas of the affiliated companies, Cleveland Electric and Toledo Edison, were separated by the service area of a non-affiliated company, Ohio Edison, the Commission found that this agreement and the coordinated use of transmission lines satisfied the Act's requirement of physical interconnection.

In Northeast Utilities, 47 SEC Docket 1270 (1990), Northeast Utilities, a registered holding company, sought Commission approval to acquire Public Service Company of New Hampshire ("PSNH"), an electric public utility company in bankruptcy reorganization proceedings. The transmission lines of Northeast Utilities and PSNH were interconnected through a transmission line owned by Vermont Electric Power Company. The transmission lines of Northeast Utilities, PSNH and Vermont Electric constituted a part of the 345 KV Northfield-Scobie line. Vermont Electric and other Vermont utilities entered into an agreement with Northeast Utilities to provide service to Northeast Utilities and PSNH over Vermont Electric's portion of the Northfield-Scobie line. On the basis of this right of use agreement, the Commission found that the combined Northeast-PSNH system formed a single integrated public utility system and satisfied the requirements of Section 2(a)(29)(A). Northeast Utilities, 47 SEC Docket at 1285. See also Electric Energy, Inc., 38 SEC 658 (1958), in which the Commission found that, where none of the companies in a

utility system owns the full length of a transmission line connecting them to the facility to be acquired, the contractual right to use the unowned portions of the transmission facility constituted the physical interconnection required by the Act.

In UNITIL Corp., 51 SEC Docket 562 (1992), the Commission has found that, where utilities had no transmission system at all, contractual arrangements with non-affiliated companies for transmission service were sufficient to satisfy the physical interconnection requirement of the Act.

Through its Section 211 application with the FERC, CSW intends to enter into an agreement with SPS giving EPE and PSO the right to use the SPS transmission system connecting the utility assets of EPE with those of PSO. This contractual right to use the SPS transmission facilities satisfies the physical interconnection requirement of Section 2(a)(29)(A). See Item 4.IV for further information regarding the current status of the FERC Section 211 proceeding.

Section 2(a)(29) also provides that the interconnection requirement

also may be satisfied if the utility assets of the combining systems are capable of physical interconnection even though no such interconnection exists at the time the application is approved. The Commission has found that proposals to contract for or construct physical connections between utilities in a single system satisfy the requirement of interconnection under Section 2(a)(29)(A). See New England Electric System, 38 SEC 193, 198-99 (1958) (engineering studies and testimony showing feasibility of direct interconnections among four small systems satisfied the requirement of the Act that utilities be "capable of physical interconnection"). See also Panhandle Eastern Pipe Line Co. v. Securities and Exchange Comm'n, 170 F.2d 453, 462 (8th Cir. 1948) (district court upheld Commission's decision that proposal to construct pipeline connecting utilities demonstrated system was capable of interconnection, finding that proposed pipeline was not "so illusory . . . that the Commission could not consider its construction in determining the propriety of the proposed plan of compliance"). If wheeling through the SPS system cannot be obtained on a timely basis or ultimately is determined not to be available under the Federal Power Act, CSW would implement an alternative plan of integration. Alternatives available to CSW include construction of transmission facilities by one or more of the CSW Electric Operating Companies. Because CSW expects to obtain transmission service from SPS pursuant to the Federal Power Act, these alternatives and their associated costs are not further described herein.

ii. Single Interconnected and Coordinated System.

Under normal conditions, EPE and the CSW Electric Operating Companies may be economically operated as a single interconnected and coordinated system, as required by Section 2(a)(29)(A).

After consummation of the Transaction, the combined CSW-EPE system will be dispatched initially using either voice or data link communications with only minimal incremental costs (i.e., $300,000 to $500,000). Hourly preset schedules will be arranged each day from the existing central dispatch facility in Dallas, Texas and such schedules

will be subject to change as necessary to accommodate changing loads, fuel prices, "off-system" bulk power purchase and sale opportunities, generator availability and transmission constraints, and other factors. CSW believes that joint dispatch by means of hourly preset schedules will realize the majority of the cost savings of joint dispatch. However, in the future, CSW anticipates that it will be desirable to dispatch EPE on a minute to minute basis with the current CSW Electric Operating Companies in order to increase operating flexibility. The facilities required to accomplish such "real time" dispatch could be completed after the CSW energy management facilities are upgraded in 1996. The incremental costs of extending the planned upgrade to include EPE would not exceed $100,000 to $200,000.

The ongoing restructuring of the CSW System (the "Restructuring") will not change the way in which the combined CSW-EPE system will be initially dispatched. Joint dispatch of EPE and CSW will be performed from the CSWS Central Control Center in Dallas. To establish the hourly preset schedules, studies will be performed at the Dallas facility which calculate the optimal use of resources available to both CSW and EPE. Transactions which take place as a result of these studies will take place under the CSW Operating Agreement filed at the FERC, as amended, upon consummation of the Transaction.

This dispatch capability will initially be established by verbally communicating the optimal schedule between EPE and CSW. Each entity will

then use its energy management system to dispatch its generating plants to meet this optimal schedule. The Central Control Center will continually monitor this schedule and will verbally change the schedule with EPE as conditions dictate. The Commission has held that voice dispatch for utilities separated geographically but within the same system may be operated as a single interconnected and coordinated system. See Centerior Energy Corp., 35 SEC Docket 769, 775 (1986). Accordingly, CSW believes that the dispatch arrangements described above satisfy the requirements of the Act.

As soon as it is practical after the Transaction, this verbal communication will be replaced with electronic communication, established via datalinks between the Central Control Center and EPE. After this data path has been established and all necessary programming changes are made to both the EPE and CSW energy management systems, the Central Control Center facility will send an electronic signal to the EPE energy management system communicating the schedule to be established between EPE and CSW which will optimize the use of available resources in "real-time". Such "real-time" dispatch of EPE will eventually be accomplished in a manner described below for the existing CSW Electric Operating Companies.

CSW currently is restructuring its dispatch to streamline its operating procedures. After the Restructuring, the Central Control Center will be connected directly to the CSW Electric Operating Company generating units and will receive information from, and provide control signals to, those facilities. Currently, the Central Control Center receives information from and provides desired schedules to energy management systems at each of the operating companies, which in turn,

receive information from and provide control signals to each of the generating facilities. Transactions which take place after the Restructuring will continue to take place under the CSW System Operating Agreement which is filed at the FERC.

Under Section 6.07 (Energy Exchange Pricing) of the CSW System Operating Agreement, each CSW Electric Operating Company receives the benefit of its lowest cost generation. This is accomplished through the economic loading of CSW System generating units and the allocation, in an after-the-fact dispatch reconstruction process, of generating costs to individual CSW Electric Operating Companies.

In present-day CSW System operations, CSW System generating units are committed to load and then dispatched in a manner designed to achieve the lowest overall system cost. In selecting generating units to be committed to load for a given day, those generating units that must be on line for "security" purposes and those generating units which otherwise "must run" are committed to load. Generating capability expected to be needed to serve load over and above these "must run" requirements are selected in the order of lowest running cost. The units thus committed to load are then operated, first, as needed to meet "must run" requirements, and otherwise, in economic firing order.

On a daily basis, the CSW Central Control Center "reconstructs" the dispatch in a process by which the costs of producing energy on the previous day are allocated among the CSW Electric Operating Companies in accordance with Section 6.07 of the CSW System Operating Agreement. Section 6.07 provides that:

> For the purpose of pricing Energy exchange among the Companies, System resources shall be utilized to serve System requirements in the following order:

(a) Those Generating Units which are designated not to be operated in the order of lowest to highest Variable Cost due to Company operating constraints shall be allocated to the Company requiring the Generating Unit.

(b) The lowest Variable Cost generation of each Company's Hourly Capability shall first be allocated to serve its Own Load.

(c) The next lowest Variable Cost portion of each Company's remaining Hourly Capability shall be allocated to serve Pool Energy requirements of Companies under System Economic Dispatch. Pool Energy shall be priced in accordance with Schedule E [to the CSW System Operating Agreement].

(d) The next lowest Variable Cost portion of each Company's remaining Hourly Capability shall be used to supply Internal Economy Energy to Companies under System Economic Dispatch. Internal Economy Energy shall be priced in accordance with Schedule F [to the CSW System Operating Agreement].

These provisions have been included in CSW system operating agreements since the adoption of the initial agreement and were developed by a committee which included representatives of the CSW Electric Operating Companies. The provisions, therefore, represent a collective determination by the CSW Electric Operating Companies of their best interests.

The Restructuring will not change the "reconstruction" process described above. In addition, the Restructuring will not change the basis upon which unit commitment decisions are made. Units will be committed first to meet system "security" and other "must run" requirements. Thereafter, system generating units and other power supply resources will be deployed in economic order with a view to effecting the lowest overall system operating cost. Each of the CSW Electric Operating Companies will continue, in accordance with Section 6.07 of the CSW System Operating Agreement, to retain the benefit of its lowest cost generating resources. By participating in central economic dispatch, each participating company will receive the benefit of energy produced by sister companies that can generate electricity more cheaply. This economic sharing of generating resources produces the lowest overall system costs and thus substantial benefits for the ultimate consumers.

The currently effective CSW System Operating Agreement was filed with the FERC on October 15, 1993 in Docket No. ER94-32-000. This form of the CSW System Operating Agreement became effective on January 1, 1994 by FERC order issued November 15, 1993 in that docket. A copy of the FERC filing was provided to each of the state utility regulatory commissions having jurisdiction over the CSW Electric Operating Companies and to the New Mexico Public Utility Commission, which regulates El Paso Electric Company ("EPE"). Concurrent with its merger application filed with FERC, CSW also filed an Agreement to Amend Restated and Amended Operating Agreement. (Exhibit D-4 hereto.) The purpose of the filing was to add EPE as the fifth CSW Electric Operating Company to the CSW System Operating Agreement and to reflect how the addition of EPE would affect the allocation of the costs and benefits shared among the CSW Electric Operating Companies under the CSW System Operating Agreement. In its order issued on August 1, 1994, FERC consolidated the proceedings

regarding the CSW System Operating Agreement and the merger application, and set both proceedings for hearing.

iii. Single Area or Region.

As required by Section 2(a)(29)(A), the combined CSW-EPE system will be confined to a "single area or region." The "single area or region" requirement does not mandate a small service territory. The Commission has consistently found that utility systems extending over several states within the same region satisfy the requirements of the Act. American Electric Power Company, a holding company registered under the Act, has an electric service territory spanning seven states. Another registered system, the Southern Company system, spans five states, while the Columbia system, a registered gas system, also spans five states. EPE and the CSW Electric Operating Companies will provide retail electric service in Texas and four geographically contiguous states -- New Mexico, Oklahoma,

Arkansas and Louisiana. A large portion of EPE's retail service market is within one state, Texas -- and therefore "within the same region" -- as "a large portion" of CSW's "retail service market." See Environmental Action, Inc. v. Securities and Exchange Commission, 895 F.2d 1255 (9th Cir. 1990). The remainder of EPE's retail service market is in an adjacent portion of a contiguous state, New Mexico.

In evaluating whether the "single area or region" requirement is met, the Commission has considered not only size and distance, but also "the existing state of the arts of generating and transmission and the demonstrated economic advantages of the proposed arrangement." See Connecticut Yankee Atomic Power Co., 41 SEC 705, 710 (1963); Vermont Yankee Nuclear Power Corp., 43 SEC 693, 697-98 (1968), remanded on other grounds, Municipal Elec. Ass'n of Massachusetts v. Securities and Exchange Commission, 413 F.2d 1052 (D.C. Cir. 1969). cf. Electric Energy, Inc., 38 SEC 658, 668-72 (1958) (utility assets were within the same area or region as the acquiror's service area despite a distance of up to 100 miles crossing two states).

Given the proximity of EPE to the CSW Operating Companies and the present technological ability to transmit power, CSW and EPE have met the Act's requirement for a "single area or region."

iv. Localized Management, Efficient Operation and Effective Regulation.

The combined CSW-EPE system will not be so large as to impair the advantage of localized management, efficient operation, and the effectiveness of regulation, as required by Section 2(a)(29)(A). EPE will continue to have local management and directors and will remain headquartered in El Paso, Texas. CSW will provide support services for its operations in El Paso. As discussed in Item 1.H. above, the Transaction will also improve the efficiency of operation and service by EPE.

The economic dispatch functions described in Item 3.I.B.1.a.ii are more efficiently performed on a centralized basis because of economies of scale, standardized operating and maintenance practices and closer coordination of system-wide matters. Distribution dispatch will continue to be handled locally. The Transaction maintains the corporate structures of EPE and the CSW Electric Operating Companies; all will maintain their local corporate identities, headquarters, corporate names, and boards of directors, consisting primarily of company executives and independent business leaders from the respective local communities they serve. The

Commission's past decisions on "localized management" confirm that the Transaction fully preserves the advantages of localized management in the CSW System and at EPE. See, e.g., Centerior, 35 SEC Docket at 755 (advantages of localized management would not be compromised by the affiliation of two electric utilities under a new holding company because the new holding company's "management [would be] drawn from the present management" of the two utilities); Northeast Utils., 47 SEC Docket at 1285 (advantages of localized management would be preserved because the New Hampshire utility, which was to be acquired by an out-of-state holding company, would be maintained as a separate New Hampshire corporation and

its board included "four New Hampshire residents"). See also American Electric, Fed. Sec. L. Rep. [paragraph] 81,647 at 80,602 (distance of corporate headquarters from local management was a "less important factor in determining what is in the public interest" given the "present-day ease of communication and transportation").

Finally, the Transaction will not impair the effectiveness of regulation of either EPE or CSW. In its August 1, 1994 Order, the FERC held that a hearing on the impairment of effective regulation is unnecessary. EPE will continue to be subject to regulation by both the PUCT and the NMPUC. Intra-system transactions between EPE and affiliated CSW companies will be subject to regulation by the Commission, as are other CSW System transactions. Wholesale contracts between EPE and other companies, including the CSW Electric Operating Companies, will continue to be subject to regulation by the FERC. EPE's ownership interest in Palo Verde will continue to be regulated by the NRC.

b. Section 11(b)(2).

In addition, the Transaction will not unduly or unnecessarily complicate the capital structure of the CSW System or unfairly or inequitably distribute voting power among security holders of such system. The resulting capital structure is fully discussed in Item 3.I.A.3. above. Voting power is equitably and fairly distributed among the security holders of CSW and its current subsidiaries, which have been approved by the Commission in previous proceedings. The capital structure of EPE, which will become a wholly owned subsidiary of CSW as a result of the Transaction, will be generally similar to that of the existing CSW Electric Operating Companies. All outstanding preferred stock of CSW's utility subsidiaries following the Transaction, including that of EPE, will contain the voting provisions required by the Commission. The Transaction is therefore consistent with Section 11(b)(2).

2. Section 10(c)(2).

Section 10(c)(2) requires the Commission to approve a proposed transaction only if it will serve the public interest by tending towards the economical and efficient development of an integrated public utility system. For the reasons discussed above, the CSW-EPE system will be an integrated public utility system. In addition, as described in Item 1.H. above, the Transaction is expected to result in approximately $420 million in net cost savings and synergies during the 1995-2004 period (on a nominal basis) and will, therefore, tend towards the "economical and efficient" development of an integrated public utility system.

3. Section 10(f).

Section 10(f) provides that "[t]he Commission shall not approve any acquisition as to which an application is made under this section unless it appears to the satisfaction of the Commission that such state laws as

may apply in respect of such acquisition have been complied with, except where the Commission finds that compliance with such state laws would be detrimental to the carrying out of the provisions of Section 11." As described in Item 4. below, CSW intends to comply with all applicable

state laws in respect of the Transaction. In addition, CSW's obligation to consummate the Transaction is conditioned, among other things, on the receipt of all requisite state regulatory approvals. It is not anticipated that compliance with state laws would raise issues for the Commission under Section 11.

II. Other Transaction-Related Actions.

A. Issuances of Securities by CSW and Reorganized EPE.

Section 6(a) of the Act prohibits the issuance of securities by a registered holding company except in accordance with an effective declaration under Section 7. Section 7 in turn sets forth the standards applicable for the issuance of securities by a registered holding company or a subsidiary thereof. Under Section 7(c):

> "[t]he Commission shall not permit a declaration regarding the issue or sale of a security to become effective unless it finds that (1) such security is (A) a common stock . . . (B) a bond (i) secured by a first lien on physical property . . . or (iii) secured by any other assets of the type and character which the Commission . . . may prescribe as appropriate in the public interest or for the protection of investors . . . . or (2) such security is to be issued or sold solely (A) . . . for the purpose of effecting a merger, consolidation or other reorganization . . . ."

Section 7(g) of the Act states in pertinent part that if a state regulatory body informs the Commission that the issuance of securities does not comply with applicable state laws, then the Commission "shall not permit a declaration regarding the act in question to become effective until and unless the Commission is satisfied that such compliance has been effected."

If the requirements of Sections 7(c) and (g) are satisfied, Section 7(d) requires the Commission to permit the issuance of a security unless:

(1) the security is not reasonably adapted to the security structure of the declarant and other companies in the same holding company system;

(2) the security is not reasonably adapted to the declarant's earning power;

(3) financing by the issue and sale of the security is not necessary or appropriate;

(4) the fees paid in connection with the issue are unreasonable;

(5) the security is a guaranty of such liability as to be an improper risk; or

(6) the terms of issuance or sale are detrimental to the public interest or the interest of investors or consumers.

As set forth more fully below, the proposed issuances of securities under the Plan and Merger Agreement in connection with the Transaction meet the standards of Section 7.

1. Issuance of Common Stock by CSW.

As set forth in the Hypothetical Recapitalization Table in Item 3.I.A.2.a., CSW currently expects to issue $568,878,000 in CSW Common Stock. However, under the Plan and the Merger Agreement, it is theoretically possible for CSW to issue a maximum of approximately $925 million in CSW Common Stock to EPE creditors and shareholders. In addition, the Merger Agreement provides that certain options to purchase EPE Common Stock, if not exercised prior to the Effective Date, will be converted into options to purchase shares of CSW Common Stock. For the reasons set forth below, the issuance by CSW of new shares of CSW Common Stock pursuant to the Plan and Merger Agreement will comply with the standards of Section 7.

Section 7(c). The issuance is clearly permitted by Section 7(c). First, CSW Common Stock is a type of security permitted by Section 7(c)(1)(A). Second, the issuance of CSW Common Stock is an integral part of the reorganization of EPE contemplated by the Plan and therefore authorized by Section 7(c)(2)(A). The Commission has allowed the issuance of common stock to effect the reorganization and acquisition of a bankrupt utility. See Northeast Utilities, 47 SEC Docket 1270 (Dec. 21, 1990).

Section 7(d)(1). The CSW Common Stock to be issued is consistent with the existing capital structure of CSW and the CSW System. As the Commission has previously stated, "common stock is the cornerstone of a company's capital structure." Northeast Utilities, 47 SEC Docket 1270 (1990). As of September 30, 1994, approximately 188 million shares of CSW Common Stock were outstanding. The new shares of CSW Common Stock will be of the same rank as these outstanding shares of CSW Common Stock, will have the same par value and voting rights, and will have the same rights, privileges and preference as to dividends and distributions as the shares of CSW Common Stock currently outstanding. The sole difference between the new shares of CSW Common Stock and other shares is that holders of large blocks of the new shares will be prohibited from disposing of such shares during temporary "lock-up periods" specified in the Plan. These restrictions are intended to avoid having a large number of shares of CSW Common Stock sold into the market all at once, thereby increasing volatility in the market for CSW Common Stock. These restrictions are described more fully on pages 186 through 188 of the Disclosure Statement and will not apply to holders of 5,000 shares or less.

Section 7(d)(2). The new shares of CSW Common Stock will be reasonably adapted to the earning power of CSW.

Section 7(d)(3). The Commission has previously approved the issuance of common stock to finance corporate acquisitions under Section 7(d)(3) of the Act, including the issuance of common stock to creditors and equity holders in connection with the acquisition of a bankrupt utility. See Northeast Utilities, 47 SEC Docket 1270 (1990), 51 SEC Docket 504 (1992). Because CSW is a financially strong company, the use

of CSW Common Stock as part of the Transaction consideration is calculated to attract investors at reasonable cost and to fund the Transaction as

economically and efficiently as possible.

Section 7(d)(4). The fees, commissions and other remuneration incurred in connection with the Transaction and the EPE bankruptcy proceeding are discussed in Items 2. and 3.I.A.2.b. of this Application.

Section 7(d)(5). This subsection applies only to the guarantee or assumption of liability on securities of another company and is therefore inapplicable to CSW's proposed issuance of new shares of CSW Common Stock under the Plan and Merger Agreement.

Section 7(d)(6). The issuance of the CSW Common Stock is clearly in the public interest and the interest of investors and consumers. The CSW Common Stock is an integral part of a plan of reorganization which will permit EPE to emerge from bankruptcy and a Transaction which is expected to achieve identified cost savings of approximately $420 million. As described above in Item 1.H. of this Application, the public benefits from the Transaction include benefits to EPE's creditors, shareholders and ratepayers arising from the end of EPE's lengthy and costly bankruptcy and cost savings and synergies which will help hold future rates below what would otherwise be necessary under a stand-alone plan of reorganization.

Section 7(g). No approval is required under any state law for CSW to issue shares of CSW Common Stock.

2. Issuance of CSW Sub Common Stock.

CSW Sub will be formed solely for purposes of effecting the Transaction, and all shares of CSW Sub Common Stock will be issued to CSW and held by it until consummation of the Transaction, at which time such shares will be converted into shares of Reorganized EPE Common Stock pursuant to section 2.8(a) of the Merger Agreement. Prior to the Transaction, CSW Sub will not directly or indirectly engage in any business activities, incur any contractual liabilities or obligations, enter into any agreements or arrangements, or be subject to or bound by any obligation or undertaking prior to the consummation of the Transaction except as contemplated by the Merger Agreement. To the extent that the various provisions of Section 7 of the Act are applicable to the issuance of CSW Sub Common Stock, such issuance is permitted for substantially the same reasons as the issuance of CSW Common Stock discussed in Item 3.II.A.1. above.

3. Issuance of New EPE Securities.

Under the Plan, Reorganized EPE may issue Reorganized EPE First Mortgage Bonds (Series A, B, C and X) in a maximum aggregate principal amount of up to $400 million; Reorganized EPE Second Mortgage Bonds (Series A, B, C, D, E, F, X, Y and Z) in a maximum aggregate principal amount of up to $610 million; Reorganized EPE Secured Notes (Classes 3A, 5A and 6A) in a maximum aggregate principal amount of up to $250 million; Reorganized EPE Senior Floating Rate Notes (Classes 11 and 13) in a maximum aggregate principal amount of up to $125 million; Reorganized EPE

Senior Fixed Rate Notes (Series A and Class 13) in a maximum aggregate principal amount of up to $525 million; and Reorganized EPE Preferred Stock with a maximum aggregate value (calculated as set forth in the Plan) of $68 million.

These maximum levels reflect the options of CSW and creditors for distributions of securities, as discussed below, and bonds to be issued in pledge as security for other obligations, and therefore exceed the total

amount of New EPE Securities projected to be issued elsewhere in this Application.

The total amount of debt obligations actually projected to be issued to classes 3, 5, 6, 11 and 13 in satisfaction or partial satisfaction of their claims, excluding certain securities issued and pledged as collateral, is approximately $335,739,000. As a result of CSW's current capitalization Strategy, it is currently anticipated that the following securities will be issued or remain outstanding at the Effective Date: Reorganized EPE Secured Class 3A Secured Floating Rate Notes, Reorganized EPE Series X Second Mortgage Bonds, Reorganized EPE Secured Class 5A Secured Floating Rate Notes, Reorganized EPE Series Y Second Mortgage Bonds, Reorganized EPE Secured Class 6A Secured Floating Rate Notes, Reorganized EPE Series 7 Second Mortgage Bonds, and Reorganized EPE Senior Floating Rate Notes.

The actual approximate principal amount of Reorganized EPE debt securities (excluding securities issued in pledge as collateral) is expected to be as follows:

First Mortgage Bonds - Series A	109,000
First Mortgage Bonds - Series B	217,530
Second Mortgage Bonds - Series A	176,728
Pollution Control Bonds	
Maricopa Series A - 1983	61,700
Maricopa Series B - 18984	37,100
Maricopa Series C - 1985	59,235
Farmington	31,624
Series A Senior Notes	427,300

As set forth more fully below, the issuance of these securities meets the requirements of Section 7 of the Act and should be approved by the Commission. CSW has assumed, for purposes of this Application, that Section 7 applies to EPE's issuance of the New EPE Securities at a time contemporaneous with the Transaction, even though EPE is not technically a "registered holding company or subsidiary company thereof" within the meaning of Section 7(a) until after the Transaction has been consummated. A summary of the terms of the New EPE Securities is set forth below.

In addition, pursuant to the Plan, holders of the Reorganized EPE Series A and Series B First Mortgage Bonds and the Reorganized EPE Series A Second Mortgage Bonds have the right (to be exercised not later than

five days before the Effective Date) to have Reorganized EPE cause to beunderwritten and sold in a registered secondary offering such bonds within 60 days after the Effective Date. To the extent that such sales do not provide the holder with net proceeds equal to the principal amount of the bonds so sold, then Reorganized EPE will pay such holder cash in an amount equal to such deficiency. An aggregate of no more than 50% in aggregate principal amount of such bonds may be required to be so underwritten. Reorganized EPE will be responsible for all costs and expenses of any such sale.

a. Description of Securities.

i. First Mortgage Bonds.

The Reorganized EPE First Mortgage Bonds will consist of Series A, B, C and X and will be issued under an indenture, pursuant to which State Street Bank and Trust Company will act as Trustee (the "FMB Indenture") (Exhibit A-13 hereto).

The Series A and Series B First Mortgage Bonds will mature on the fifth and fifteenth anniversaries of the Effective Date, respectively; provided that, by timely notice to the recipients thereof, CSW may elect another maturity for such series of not less than five nor more than thirty years which will be in increments of five years if a maturity of greater than fifteen years is chosen. The Series C First Mortgage Bonds will mature on the eighth anniversary of the Effective Date or such shorter maturity as CSW may elect. The Series A, B and C First Mortgage Bonds will bear interest semi-annually in arrears at a per annum rate equal to a "Market Basket Rate," as defined in the Plan, to be determined pursuant to Schedule D to the Plan based on the actual maturity and rating of each series of such bonds.

Neither the Series A nor the Series B First Mortgage Bonds will be redeemable prior to the fifth anniversary of their issuance. On and after such date, the Series A and Series B First Mortgage Bonds will be redeemable at redemption prices calculated in accordance with Schedule B to the Plan. The Series C First Mortgage Bonds will be redeemable at any time in whole or in part at redemption prices calculated in accordance with Section 3.5.A.2. of the Plan and Schedule C thereto.

The Series X First Mortgage Bonds will be issued to partially secure the payment of the principal and interest due on the Class 3A Secured Floating Rate Notes. The Series X First Mortgage Bonds will mature on the same dates and bear interest at the same rates as the Class 3A Secured Floating Rate Notes. The Series X First Mortgage Bonds will be redeemable only upon an acceleration of the maturity of the Class 3A Secured Floating Rate Notes.

The following constitute defaults under the FMB Indenture: (i) failure to pay principal or premium when due, (ii) failure to pay interest for 60 days after becoming due, (iii) failure to satisfy sinking fund obligations for 60 days after becoming due, (iv) failure for 90 days after notice to observe other covenants and conditions, (v) entry of an order

for reorganization or appointment of a trustee or receiver and continuance of such order or appointment unstayed for 90 days, and (vi) certain adjudications, petitions or consents in bankruptcy, insolvency or reorganization proceedings.

The FMB Indenture includes the following covenants on the part of Reorganized EPE: (i) to maintain and preserve the lien of the FMB Indenture, (ii) to pay principal, premium, if any, and interest on the bonds, (iii) to pay taxes, (iv) to maintain customary insurance, (v) to maintain property, (vi) to merge, consolidate, or sell all or substantially all of its assets only upon complying with certain conditions, and (vii) other covenants of general applicability. The FMB Indenture also includes a maintenance and renewal covenant whereby Reorganized EPE agrees to expend in each year 2.5% of the average amount of Reorganized EPE's depreciable property for (1) the maintenance and repair of its mortgaged utility properties, (2) the construction or acquisition of bondable property or (3) the retirement, through purchase or payment of bonds issued under the FMB Indenture, or redemption of bonds that are subject to redemption. In addition, the Series A and Series B First Mortgage Bonds will be entitled to the following additional covenants: (i) Reorganized EPE will only pay dividends out of GAAP net

income after the Effective Date plus $300 million, (ii) Reorganized EPE will not retire such bonds to satisfy the annual maintenance and renewal obligations under the Indenture, and (iii) for so long as any original holders of such bonds continue to hold such bonds, Reorganized EPE will not pay dividends on its common stock unless such bonds have an investment grade rating.

Additional Reorganized EPE First Mortgage Bonds may be issued only upon the basis of: (i) 66 2/3% of bondable property (including bondable property existing on the Effective Date less an amount that would be utilized if the 66 2/3% test were applied to the issuance of the bonds on such date), (ii) retired bonds and (iii) the deposit of cash. A net earnings test of two times interest requirements may be applicable in certain situations.

Additional information regarding the Reorganized EPE First Mortgage Bonds is set forth in Section VIII.F.1. of the Disclosure Statement.

ii. Second Mortgage Bonds.

The Reorganized EPE Second Mortgage Bonds will consist of Series A, B, C, X, Y and Z and, under circumstances specified below, Series D, E and F Second Mortgage Bonds, and will be issued under an indenture, pursuant to which IBJ Schroder Bank & Trust Company will act as Trustee (the "SMB Indenture") (Exhibit A-14 hereto).

The Series A Second Mortgage Bonds will mature on the tenth anniversary of the Effective Date; provided that, by timely notice to the recipients thereof, CSW may elect another maturity for such series of not less than five nor more than thirty years which will be in increments of five years if a maturity of greater than fifteen years is chosen. The Series B Second Mortgage Bonds will mature on the eighth anniversary of the Effective Date or such shorter maturity as CSW may elect. The Series

A and B Second Mortgage Bonds will bear interest semi-annually in arrears at a per annum rate equal to a "Market Basket Rate" to be determined pursuant to Schedule D to the Plan based on the actual maturity and rating of each series of such Bonds.

The Series A Second Mortgage Bonds will not be redeemable prior to the fifth anniversary of their issuance. On and after such date, the Series A Second Mortgage Bonds will be redeemable at redemption prices calculated in accordance with Schedule B to the Plan. The Series B Second Mortgage Bonds will be redeemable at any time in whole or in part at redemption prices calculated in accordance with Section 3.5.A.2. of the Plan and Schedule C thereto.

The Series X, Y (sub-series Y-1 through Y-8) and Z Second Mortgage Bonds will be issued to secure or partially secure the payment of the principal and interest due on certain secured notes or the payment of certain reimbursement and other obligations described in such bonds. These pledged Second Mortgage Bonds will mature on the same dates and bear interest at the same rates as the obligations which such bonds secure. The pledged Second Mortgage Bonds will be redeemable only upon an acceleration of the maturity of the obligations which such bonds secure. Forms of the letter of credit and reimbursement agreements secured by Reorganized EPE Series Y Second Mortgage Bonds will be filed as Exhibit A-20 hereto.

In the event the Maricopa PCB's are not refunded on the Effective Date as contemplated by the Plan, Reorganized EPE will issue Series D, E

or F pledged Second Mortgage Bonds, as the case may be, to replace the existing EPE Series D, E or F Second Mortgage Bonds, as applicable, currently securing the Maricopa PCB's. Upon refunding, the Maricopa PCB's will no longer be secured.

Apart and independent from the provisions of the Plan, but pursuant to documents filed with the Bankruptcy Court, it is contemplated that the Farmington PCB's will be remarketed or refunded on the Effective Date or soon thereafter. In connection with the remarketing or refunding it is also contemplated that certain modifications will be made to the resolution governing the Farmington PCB's.

The terms of the SMB Indenture will be substantially identical to those of the FMB Indenture, except that Reorganized EPE's obligations under the SMB Indenture will be secured by a second mortgage on all bondable property of Reorganized EPE.

Additional Reorganized EPE Second Mortgage Bonds may be issued only upon the basis of: (i) 33 1/3% of bondable property additions after the Effective Date, (ii) retired bonds and (iii) the deposit of cash. A net earnings test of two times interest requirements may be applicable in certain situations.

Additional information regarding the Reorganized EPE Second Mortgage Bonds is set forth in Section VIII.F.2 of the Disclosure Statement.

iii. Senior Fixed Rate Notes.

The Reorganized EPE Senior Fixed Rate Notes will consist of Series A and Class 13 Senior Fixed Rate Notes and will be issued under an indenture, pursuant to which United States Trust Company of New York will act as Trustee (the "Note Indenture") (Exhibit A-15 hereto).

The Series A Senior Fixed Rate Notes will mature at the end of the quarter immediately following the tenth anniversary of the earlier of the Effective Date or December 31, 1994. The term of the Series A Senior Fixed Rate Notes may be adjusted at the election of CSW provided that such term may not exceed 10 years. The Class 13 Senior Fixed Rate Notes will mature on the ninth anniversary of the earlier of the Effective Date and December 31, 1994. The Senior Fixed Rate Notes will bear interest semi-annually in arrears at a per annum rate equal to a "Market Basket Rate" to be determined pursuant to Schedule D to the Plan based on the actual maturity and rating of each series of such notes.

The Senior Fixed Rate Notes will be redeemable at any time in whole or in part at redemption prices calculated in accordance with Sections 3.14.A.2. (with respect to the Series A Senior Fixed Rate Notes) and 3.15.A.2. (with respect to the Class 13 Senior Fixed Rate Notes) of the Plan and Schedule C thereto.

Additional information regarding the Reorganized EPE Senior Fixed Rate Notes is set forth in Section VIII.F.4. of the Disclosure Statement.

iv. Secured Floating Rate Notes.

The Reorganized EPE Secured Floating Rate Notes will consist of Class 3A Secured Floating Rate Notes, Class 5A Secured Floating Rate Notes and Class 6A Secured Floating Rate Notes. The Class 3A Secured Floating Rate Notes will be issued under a term loan agreement between Reorganized EPE, the holders of such Notes, and an agent acting for such holders

(Exhibit A-16 hereto). The Class 5A Secured Floating Rate Notes will be issued under four separate term loan agreements (each having substantially similar terms and conditions) between Reorganized EPE and the holders of the Class 5(a), 5(b) and 5(c) claims (Exhibit A-17 hereto). The Class 6A Secured Floating Rate Notes will be issued under a term loan agreement between Reorganized EPE, the holders of such Notes, and Canadian Imperial Bank of Commerce, as agent for such holders (Exhibit A-18 hereto).

The Class 3A and Class 5A Secured Floating Rate Notes will mature on the earlier of December 31, 1997 and the last business day of the month in which the third anniversary of the Effective Date occurs. The Class 6A Secured Floating Rate Notes will mature on the earlier of December 31, 1998 and the last business day of the month in which the fourth anniversary of the Effective Date occurs.

The Class 3A, Class 5A and Class 6A Secured Floating Rate Notes will each be payable in equal quarterly principal installments commencing on the earlier of December 31, 1994 and the last business day of the month in which the first anniversary of the Effective Date occurs (provided, that if the Effective Date occurs after December 31, 1994, any such

installments that would otherwise have been payable prior to the Effective Date will be payable on the last business day of the month in which the Effective Date occurs).

The Class 3A and Class 6A Secured Floating Rate Notes will bear interest at a rate equal to the 3-month London interbank offered rate ("LIBOR") plus 150 basis points (or, at the option of Reorganized EPE, at the respective agent's adjusted reference rate plus 50 basis points), payable at the end of each interest period. The Class 5A Secured Floating Rate Notes will bear interest at a rate equal to the LIBOR (resetting, at the option of Reorganized EPE, at 1, 3 or 6 months) plus 150 basis points (or, at the option of Reorganized EPE, at the respective holder's adjusted reference rate plus 50 basis points), payable at the end of each interest period (but in any event not less often than quarterly). The term "adjusted reference rate" means, with respect to any bank, a rate determined with reference to such bank's "base" or "prime" rate, such determination to be made according to the formula customarily applied by such bank to its domestic loans priced with reference to such rate, which formula may require that such rate be the higher of such "base" or "prime" rate and the sum of a specified margin plus a rate determined with reference to certificates of deposit and/or federal funds.

The Reorganized EPE Secured Floating Rate Notes will be prepayable by Reorganized EPE at any time in whole or in part without premium, subject only to LIBOR breakage costs, if any. In addition, the Class 5A Secured Floating Rate Notes will provide that the net proceeds of any remarketing or refunding after the Effective Date of any Maricopa PCB's purchased prior to the Effective Date through draws on letters of credit issued by the holders of such Notes will be applied to repay the principal of such Notes.

The Class 3A Secured Floating Rate Notes will be secured by bonds, one-third of which shall be Series X First Mortgage Bonds and two-thirds of which shall be Series X Second Mortgage Bonds; the Class 5A Secured Floating Rate Notes will be secured by Series Y Second Mortgage Bonds; and the Class 6A Secured Floating Rate Notes will be secured by Series Z Second Mortgage Bonds. Such Series X First Mortgage Bonds and Series X, Series Y and Series Z Second Mortgage Bonds will be issued and deposited as security for the payment of, and will have interest and payment terms identical to those in, the Class 3A, Class 5A and Class 6A Secured

Floating Rate Notes, as the case may be. However, no principal or interest will be payable on such Bonds except if, and to the extent that, the corresponding payment on the related Class 3A, Class 5A or Class 6A Secured Floating Rate Notes remains unpaid after the due date thereof.

Additional information regarding the Reorganized EPE Secured Floating Rate Notes is set forth in Sections V.B.4(b), V.B.4(c) and V.B.4(d) of the Disclosure Statement.

v. Senior Floating Rate Notes.

The Reorganized EPE Senior Floating Rate Notes will consist of Class 11 Senior Floating Rate Notes and Class 13 Senior Floating Rate Notes. The Class 13 Senior Floating Rate Notes will be issued under a term loan

agreement among Reorganized EPE, the holders of such Notes, and an agent acting for such holders (Exhibit A-19 hereto). The Class 11 Senior Floating Rate Notes will be issued under a term loan agreement that contains interest, maturity, amortization, covenant and default terms identical to the term loan agreement for the Class 13 Senior Floating Rate Notes, except to the extent discussed below.

The Reorganized EPE Senior Floating Rate Notes will mature on the seventh anniversary of the earlier of the Effective Date and December 31, 1994, and will each be payable in equal quarterly principal installments commencing at the end of the quarter after the earlier of the fifth anniversary of (i) the Effective Date and (ii) December 31, 1994 (provided, that the maturity and amortization schedule of such Notes will be adjusted prior to the Effective Date, if necessary, such that the maturity thereof is not greater than the maturity of the Reorganized EPE Series A Senior Fixed Rate Notes, as selected by CSW).

The Reorganized EPE Senior Floating Rate Notes will bear interest at a rate equal to 3-month LIBOR plus 200 basis points (or, at the option of Reorganized EPE, at the respective agent's adjusted reference rate plus 100 basis points), payable at the end of each interest period (but in any event not less often than quarterly).

The Reorganized EPE Senior Floating Rate Notes will be prepayable by Reorganized EPE at any time in whole or in part without premium, subject only to LIBOR breakage costs, if any. Reorganized EPE will be required to redeem all of the outstanding Class 11 and Class 13 Senior Floating Rate Notes if at any time less than 33-1/3% of the Series A Senior Fixed Rate Notes issued on the Effective Date remain outstanding. In addition, the Class 11 Senior Floating Rate Notes will include provisions for the mandatory prepayment thereof from the proceeds of any remarketing or refunding of the Farmington Series A 1983 PCBs paid for or purchased prior to the Effective Date with a draw on the Farmington PCB letter of credit.

Additional information regarding the Reorganized EPE Senior Floating Rate Notes is set forth in Sections V.B.4(e) and V.B.4(g) of the Disclosure Statement.

vi. Letters of Credit Supporting Maricopa PCB's.

The post-Effective Date obligations of Reorganized EPE with respect to replacement letters of credit supporting the Maricopa PCBs will be governed by separate letter of credit and reimbursement agreements between Reorganized EPE and the respective issuers of such replacement letters of credit (each such agreement having substantially similar terms) (Exhibit A-23 hereto).

Such replacement letters of credit will be scheduled to expire (i) in the case of the replacement letter of credit for the Maricopa 1994 Series A PCB's (which replaced the 1983 Series A PCB's on July 1, 1994), on the earlier of December 31, 1997 and the third anniversary of the Effective Date, (ii) in the case of the replacement letter of credit for the Maricopa Series E 1984 PCB's, on the last day of the fourth month following the earlier of December 31, 1998 and the fourth anniversary of

the Effective Date, and (iii) in the case of the replacement letter of credit for the Maricopa Series A 1985 PCB's, on the earlier of December 31, 1998 and the fourth anniversary of the Effective Date, in each case with a one-year extension at the option of Reorganized EPE.

Subject to the satisfaction of conditions specified in the respective letter of credit and reimbursement agreements, certain drawings under the replacement letters of credit may be treated as loans by the respective issuer to Reorganized EPE. Such loans would mature on the stated termination date of the relevant replacement letter of credit, would be payable in equal quarterly installments (commencing on the last day of the calendar quarter in which the 90th day following the relevant drawing occurs), would bear interest at a rate equal to LIBOR (resetting, at the option of Reorganized EPE, at 1, 3 or 6 months) plus 150 basis points (or, at the option of Reorganized EPE, at the respective issuer's adjusted reference rate plus 50 basis points), and would be prepayable by Reorganized EPE at any time in whole or in part without premium, subject only to LIBOR breakage costs, if any. Reimbursement obligations in respect of the replacement letters of credit (including those treated as loans, together with interest thereon) will be secured by pledged Reorganized EPE Series Y Second Mortgage Bonds.

Letter of credit commissions will be payable to the respective issuers of the replacement letters of credit at an initial rate per annum equal to 0.75% of the amount available to be drawn under such letter of credit, such rate increasing by 0.125% per annum on each anniversary of the earlier of December 31, 1994 and the Effective Date.

vii. Letter of Credit Supporting Farmington PCB's.

The post-Effective Date obligations of Reorganized EPE with respect to the replacement letter of credit supporting the Farmington PCB's will be governed by a letter of credit and reimbursement agreement between Reorganized EPE and the issuer of such replacement letter of credit (Exhibit A-24 hereto).

Such replacement letter of credit will be scheduled to expire on the last day of the sixth month after the scheduled final maturity date of the Reorganized EPE Class 13 Senior Floating Rate Notes.

Subject to the satisfaction of conditions specified in such letter of credit and reimbursement agreement, certain drawings under such replacement letter of credit may be treated as loans by such issuer to Reorganized EPE. Such loans would mature on the stated termination date of the replacement letter of credit, would be payable in equal quarterly installments (commencing on the last day of the calendar quarter in which the 90th day following the relevant drawing occurs), would bear interest at a rate equal to LIBOR (resetting, at the option of Reorganized EPE, at 1, 3 or 6 months) plus 150 basis points (or, at the option of Reorganized EPE, at the issuer's adjusted reference rate plus 50 basis points), and would be prepayable by Reorganized EPE at any time in whole or in part without premium, subject only to LIBOR breakage costs, if any.

Reimbursement obligations in respect of the replacement letter of credit (including those treated as loans, together with interest thereon) will be secured by pledged Reorganized EPE Series Y Second Mortgage Bonds.

Letter of credit commissions will be payable to the issuer of such replacement letter of credit at an initial rate equal to 0.625% per annum of the amount available to be drawn under such letter of credit, such rate increasing on the first seven anniversaries of the earlier of December 31, 1994 and the Effective Date to 0.75% per annum, 0.875% per annum, 1.00% per annum, 1.125% per annum, 1.25% per annum, 1.625% per annum and 2.00% per annum, respectively.

viii. Preferred Stock.

The Reorganized EPE Preferred Stock will have the rights and preferences set forth in the Reorganized EPE Amended and Restated Articles of Incorporation (Exhibit A-7 hereto).

The Reorganized EPE Preferred Stock will provide for cumulative cash dividends payable quarterly at a rate equal to the "Market Basket Rate" to be determined pursuant to Schedule E to the Plan based on the actual rating of such stock. The Reorganized EPE Preferred Stock will be redeemable at any time in whole or in part at redemption prices calculated in accordance with Section 3.17 of the Plan and Schedule C thereto plus accrued dividends. In addition, on each of the eleventh, twelfth, thirteenth and fourteenth anniversaries of the Effective Date, Reorganized EPE is required to redeem one-twentieth of the originally issued Reorganized EPE Preferred Stock, and on the fifteenth anniversary, it is required to redeem all outstanding Reorganized EPE Preferred Stock, in each case at a redemption price equal to the liquidation value of such stock.

The Reorganized EPE Preferred Stock will be entitled to vote only in the following limited circumstances: (i) amendments to Reorganized EPE Preferred Stock terms which are adverse to the holders thereof (including increases in authorized number of shares); (ii) creation of a class of stock having a preference superior to the Reorganized EPE Preferred Stock or of a security convertible into any kind of stock; (iii) issuance of additional Reorganized EPE Preferred Stock or parity stock (unless an earnings test is met); and (iv) merger or sale of all or substantially all of Reorganized EPE's assets. In addition, if dividends are in default in an amount at least equal to four quarterly dividends, the Preferred Stock, voting as a class, will be entitled to elect a majority of the Reorganized EPE Board of Directors.

For a more detailed description of the Reorganized EPE Preferred Stock, please see Section VIII.F.3. of the Disclosure Statement.

b. Analysis.

Section 7(c). The New EPE Securities are an integral part of the reorganization of EPE contemplated by the Plan and therefore authorized by Section 7(c)(2)(A). The Commission has allowed the issuance of securities to effect the reorganization and acquisition of a bankrupt utility. See Northeast Utilities, 47 SEC Docket 1270 (1990). In addition, the Reorganized EPE First Mortgage Bonds and the Reorganized EPE Class 3A Secured Notes to the extent they are secured by Reorganized EPE Series X

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First Mortgage Bonds are securities of the type expressly permitted in Section 7(c)(1)(B), namely, a bond "secured by a first lien on physical property."

Section 7(g). Approvals of the NMPUC and the FERC will be sought before the issuance of the New EPE Securities.

Section 7(d). Of the six subsections of Section 7(d), two -- Sections 7(d)(3) and 7(d)(5) -- are not pertinent to the issuance of the New EPE Securities. Section 7(d)(3) applies only to "financing[s]" and is therefore not applicable to the issuance of securities for reorganization rather than financing purposes. Section 7(d)(5) is not relevant because CSW is not guaranteeing any of the New EPE Securities. As shown below, the issuance of the New EPE Securities meets each of the remaining requirements. Thus, the New EPE Securities will be reasonably adapted to the security structure and earning power of EPE (Section 7(d)(2)) and will be consistent with the security structure of the CSW System as a whole (Section 7(d)(1)); the fees to be paid in connection with the issuance of the New EPE Securities are reasonable (Section 7(d)(4)); and the terms of the issuance of the New EPE Securities are not detrimental to the public interest or the interest of investors or consumers (Section 7(d)(6)).

Section 7(d)(1). In its confirmation order, the Bankruptcy Court found that the interest rates, maturities, and other terms and conditions of the New EPE Securities "were negotiated at arm's length, are appropriate for obligations of that type by comparison with other electric utilities with comparable financial and other characteristics to EPE, and represent, in the context of the Plan taken as a whole, a fair and reasonable resolution of such creditors' claims." (Findings of Fact para. 18(b)) In addition, the Bankruptcy Court found that the New EPE Securities "will be issued for the discharge or lawful refunding of [EPE's] obligations, and in all cases, the creditors are giving valid consideration for the securities to be issued," and that "[i]n many cases the amount offered to the creditors is less than the consideration they furnished to [EPE], and the securities will be priced at current market rates as of the Effective Date, thereby likely leading to a reduction in [EPE's] interest costs."

The New EPE Securities follow a standard utility capital structure, and in general, holders of existing EPE debt obligations will receive comparable new debt obligations. Thus, in general, holders of existing EPE First Mortgage Bonds will receive Reorganized EPE First Mortgage Bonds; holders of existing EPE Second Mortgage Bonds will receive Reorganized EPE Second Mortgage Bonds; holders of claims arising from secured credit facilities will receive Reorganized EPE Secured Notes; holders of unsecured claims or claims arising from unsecured credit facilities will receive Reorganized EPE Senior Floating Rate Notes or Reorganized EPE Senior Fixed Rate Notes; and holders of existing EPE Preferred Stock will receive Reorganized EPE Preferred Stock.

The New EPE Securities will be obligations solely of Reorganized EPE and will be issued in exchange for obligations of EPE. For all of these reasons, the New EPE Securities are reasonably adapted to the capital structure of the CSW System as a whole.

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Section 7(d)(2). The New EPE Securities are to be issued in connection with the reorganization of EPE under Chapter 11, the fundamental purpose of which is to reorganize a debtor to be a viable business upon emerging from bankruptcy. In its Findings of Fact with

respect to the Plan, the Bankruptcy Court found that the Plan "is not likely to be followed by the liquidation, or the need for further financial reorganization" of EPE. Implicit in this finding is a determination that the New EPE Securities are reasonably adapted to the expected earning power of Reorganized EPE. In addition, consummation of the Transaction, and therefore the issuance of the New EPE Securities, is contingent upon the receipt of rate orders from the PUCT and the NMPUC establishing certain ratemaking, accounting, and regulatory treatments that would enable Reorganized EPE to fulfill its obligations under the New EPE Securities. These conditions ensure that the New EPE Securities are "reasonably adapted" to the "earning power" of EPE and therefore in compliance with Section 7(d)(2). CSW's analysis indicates the pretax interest coverage ratio for EPE upon completion of the Transaction to be as follows:

1995	1996	1997	1998	1999
1.79	3.00	2.74	3.16	3.16

Section 7(d)(4). The fees, commissions and other remuneration incurred in connection with the Transaction and the EPE bankruptcy proceeding are discussed in Items 2. and 3.I.A.2.b. of this Application.

Section 7(d)(6). As an integral part of the Plan and the Transaction, the issuance of the New EPE Securities is clearly in the public interest and the interest of investors or consumers for all of the reasons discussed in Item 1.H. above.

4. Registration

CSW and EPE believe that, pursuant to Section 1145 of the Bankruptcy Code, the New EPE Securities to be issued by Reorganized EPE and the new shares of CSW Common Stock to be issued by CSW pursuant to the Plan and the Merger Agreement are exempt from the registration requirements of the Securities Act of 1933, as amended. By letter dated August 16, 1994, in response to a no-action request by CSW, the Staff of the Commission indicated that it would not recommend enforcement action to the Commission if Reorganized EPE Preferred Stock and CSW Common Stock were issued as contemplated in the Plan and the Merger Agreement without registration under the Securities Act of 1933, as amended.

B. Addition of EPE to CSW System Service Agreement.

The Commission has previously authorized the cost allocation methods employed in the system service agreement among CSW and its subsidiaries (the "Service Agreement") (Exhibit B-6 hereto), under which CSWS performs certain engineering, tax, legal, financial, human resources, information, operational and other services for companies in the CSW System. To integrate EPE into the CSW System after the Transaction, CSW seeks authority to cause EPE to become a party to the Service Agreement, subject to a phase-in period as described below.

The assimilation of EPE into the Service Agreement is essential to the realization of many of the cost savings and synergies described in this Application. Thus, as noted in Item 1.H. above, CSW expects the Transaction to result in approximately $234 million in non-fuel O&M savings on a nominal basis ($149 million on a present-value basis), primarily through the elimination of duplicated functions in areas such as law, investor relations, corporate planning, public relations, and administration -- areas covered by CSWS and the Service Agreement. Further savings arising from the inclusion of EPE in the Service

Agreement, in addition to the non-fuel O&M savings described above, are expected from the elimination of duplication in the areas of treasury, accounting, purchasing, human resources, system planning, and fuel management. To maximize these Transaction-related savings, it is anticipated that EPE will become a party to the Service Agreement effective immediately upon the consummation of the Transaction.

At the same time, the full assimilation of EPE into the CSW System is expected to occur over a number of years. Among other things, adjustments will be required in EPE's workforce to reflect the shift of various service functions from EPE to CSWS. It is expected that these workforce adjustments will be effected through attrition, hiring freezes, and transfers of personnel to other companies in the CSW System. As a result, the workforce adjustments will not occur simultaneously with the consummation of the Transaction and the addition of EPE to the Service Agreement. Full coordination of CSWS and the management systems and processes of EPE will require several years, consistent with the organization and restructuring described above.

Although the centralization of services in CSWS will create significant immediate and even greater long-term financial savings, some of these savings may initially be offset to some extent by the existence of duplicate resources at EPE during the first two years after the consummation of the Transaction. To avoid having EPE bear both CSWS charges and the cost of such pre-existing service capacity, CSW proposes to phase in CSWS charges to EPE. Under the phase-in arrangements, EPE will bear one-third of its pro-rata allocation of CSWS indirect charges during the first twelve months after the Effective Date, two-thirds during the second twelve months after the Effective Date, and the full allocation thereafter. EPE would bear its full share of direct charges by CSWS for functions such as information processing. This phase-in procedure for indirect charges will require an amendment to section 3 of the Service Agreement, which governs the allocation of costs among the parties for services performed by CSWS.

CSW believes that these phase-in arrangements are consistent with the at-cost requirements of the Act and the applicable Rules thereunder and will result in a fair and equitable allocation of expenses among all companies in the CSW-EPE system.

C. Reacquisition by EPE of Ownership of the Leased Palo Verde Assets.

As discussed above in Item 1.F. under the caption "Description of Assets Being Acquired," EPE sold and leased back 100% of its interest in Palo Verde Unit 2 and 39.5% of its interest in Palo Verde Unit 3

(collectively "Leased Palo Verde Assets"). The Plan and the OP Settlements provide for EPE to reacquire ownership of the Leased Palo Verde Assets. Because Section 9(a)(1) prohibits a registered holding company or its subsidiaries from directly or indirectly acquiring utility assets without Commission approval pursuant to Section 10, Commission approval may be required for Reorganized EPE to reacquire ownership of these interests. However, because the "acquisition" relates to an asset EPE previously owned and presently leases, Applicant believes that the only issue presented under Sections 9(a)(1) and 10 (assuming that such sections apply to the "acquisition") is the reasonableness of the consideration. As set forth more fully below, the consideration to be paid for the "acquisition" meets the standards of Section 10. In this regard, it should be noted that the "acquisition" of the Leased Palo Verde Assets is an integral part of the Plan and a condition to the consummation

of the Transaction under Section 8.2(e) of the Merger Agreement.

Under the Plan, holders of the Palo Verde bonds will be treated as creditors of the EPE estate and will receive consideration equal to 95.5% of their claims, to be allowed in the amount of $700 million, together with post-petition interest at LIBOR plus 200 basis points from July 29, 1993. Pursuant to the OP Settlements, the liens of the Palo Verde bondholders and the Palo Verde indenture trustees will be discharged, and the Palo Verde indenture trustees will transfer their rights with respect to the Leased Palo Verde Assets to Reorganized EPE and exchange releases with the Palo Verde Owner Participants. Subject to NRC approval, the Palo Verde Owner Participants will transfer their interests in the Leased Palo Verde Assets to Reorganized EPE, release their claims for any additional damage amounts under the Palo Verde Leases, retain $288.4 million previously drawn under related letters of credit, and be released from claims by EPE and other creditors. After the consummation of the Transaction and the OP Settlements, the Leased Palo Verde Assets will be used for the benefit of EPE's operations and customers. There will be no change in the extent of EPE's utilization of the Palo Verde Nuclear Generating Station, the percentage of costs that EPE is to bear, or the percentage of capacity it is entitled to receive.

As a consequence of the settlement, $956.9 million will have been paid on account of the Palo Verde claims, including the $288.4 million received by the Palo Verde Owner Participants as a result of their draws on the Palo Verde letters of credit. Of this amount, the Bankruptcy Court has determined that $605 million is reflective of the fair market value, based on book value as of June 30, 1993, of the assets which are being reacquired, and $351.9 million is attributable to lease rejection damages. (Findings of Fact para. 18(f))

In its order confirming the Plan, the Bankruptcy Court found that, "[i]n the context of the Plan and the overall benefit it provides, there was no practical or better alternative to this restructuring, either for [EPE] or for the holders of Claims in Class 12." According to the Bankruptcy Court, the OP Settlements constitute "a fair and equitable

resolution and a reasonable and sensible settlement by EPE and the Palo Verde Indenture Trustees of the respective rights of the parties [and] is within the reasonable range of litigation possibilities." Among other things, the Bankruptcy Court found that:

* the Palo Verde litigation "could not have been settled for a materially lower amount to obtain a consensual plan";

* "[t]he Allowed Claim amount of $700 million represents a significant reduction in the potential Claims of such Bondholders, if all the disputed issues had been decided in their favor," and that "[d]epending on the outcome of the Palo Verde adversary proceeding, such holders could hold potential unsecured Claims of approximately $725 million, including pre-petition interest, plus potential administrative claims for post-petition rent at the contract rate of $91 million per year, or such other reasonable rate as the [Bankruptcy] Court might determine."

* "although there are theories on which [EPE's] Palo Verde liabilities might have been less, there are also theories on which damages might have been considerably greater";

* "litigation of the issues, given the amounts involved in this

case and the importance of the issues, would be extensive and expensive, and likely involve multiple appeals";

* "continued litigation of [claims relating to Palo Verde] would have precluded [EPE] from entering into a favorable merger agreement that resolves this proceeding"; and

* "[u]nder all the circumstances, it would not have been appropriate for [EPE] to continue to litigate."

(Findings of Fact para. 18(d)-(g)) As the Bankruptcy Court clearly emphasized in finding that the litigation "could not have been settled for a materially lower amount," the OP Settlements were a critical element for EPE in achieving a consensual plan. Without the OP Settlements, EPE would have been committed to years of expensive and uncertain litigation regarding who was entitled to these valuable assets. By settling, the value of the Leased Palo Verde Assets is preserved instead of dissipated in litigation.

In sum, the reacquisition of the Leased Palo Verde Assets facilitates the Transaction and the emergence of EPE from bankruptcy, settles a potentially enormous litigation liability and avoids the costs of protracted litigation. In addition to these significant benefits, the reacquisition of the Leased Palo Verde Assets is also projected to result in lower long-term rates for ratepayers than if EPE continued to lease the Palo Verde Assets. In evaluating the options available to resolve the claims in EPE's bankruptcy case against EPE in connection with the Palo Verde leases, CSW performed economic analyses which compared the total net present worth revenue requirements for the reacquisition of the Leased

Palo Verde Assets to rejection of the leases, payment of damages and installation of alternative generation (gas, coal or gas/coal combination). CSW determined that reacquisition of the Leased Palo Verde Assets would result in lower net present worth revenue requirements for EPE's customers than rejection of the leases, payment of damages and installation of alternative generation.

The reacquisition of the Leased Palo Verde Assets does not substantially increase EPE's liability exposure in respect of Palo Verde, since under the terms of the leases, EPE is responsible for substantially the same share of O&M, decommissioning and other costs as it bears as owner of the Palo Verde Assets under the proposed reacquisition. As of May 31, 1994, EPE had contributed a total of $17,734,979 to Palo Verde's six decommissioning funds. EPE is responsible for 15.8% of the aggregate decommissioning costs for Palo Verde, or approximately $220 million.

As disclosed in 1934 Act filings of EPE, the Palo Verde facility has experienced axial cracking in steam generators. CSW is monitoring the situation and has advised EPE that the tube-cracking problems must be satisfactorily resolved before a closing of the Transaction will occur.

Item 4. Regulatory Approval.

Set forth below is a summary of the regulatory approvals that CSW and EPE have obtained or will seek in connection with the proposed transactions.

I. Bankruptcy Confirmation.

For the Plan to become effective, the Bankruptcy Code requires EPE to obtain confirmation of the Plan by the Bankruptcy Court. As noted

above, the Plan was overwhelmingly approved by all classes of creditors in November 1993 and was confirmed by the Bankruptcy Court on December 8, 1993.

II. Pre-Merger Notification.

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, CSW and EPE are required to file notification and report forms with the Federal Trade Commission and the Antitrust Division of the United States Department of Justice. CSW and EPE currently anticipate filing the required notification and report forms in the fourth quarter of 1994.

III. State Public Utility Regulation and Other State Approvals.

EPE is a public utility company operating under the Federal Power Act, the Texas Public Utility Regulatory Act, and the New Mexico Public Utility Act. Jurisdictional authority under such statutes may be affected by EPE's rights and responsibilities under the Bankruptcy Code. EPE is regulated in many aspects of its business, including as to the rates it can charge its customers.

A. Texas.

The PUCT is authorized to review acquisitions of utility plant and mergers involving a public utility to determine whether such transactions are consistent with the public interest. In addition, incorporated municipalities, such as the City of El Paso, have original jurisdiction over the rates and services of a public utility within the municipality's boundaries. Municipal rate determinations can be appealed to the PUCT for de novo review. The effectiveness of the Transaction is conditioned on receipt by Reorganized EPE and CSW of final orders of the PUCT (i) authorizing a rate increase (as described in Exhibit D-10 hereto) both in areas of PUCT original jurisdiction and in areas subject to appeals to the PUCT from municipal determinations, and certain ratemaking, accounting and regulatory treatments; (ii) to the effect that the combination of Reorganized EPE with CSW contemplated under the Plan is consistent with the public interest; and (iii) to the effect that Reorganized EPE's repurchase of the Palo Verde Assets which were sold and leased back to EPE, and related ratemaking treatments, are consistent with the public interest.

An application seeking such orders has been filed with the PUCT contemporaneously with this Application (Exhibit D-1 hereto). Reorganized EPE will be required at some time in the future to initiate proceedings to secure the regulatory approvals for the subsequent base rate increases. In addition to such PUCT orders, applications have been filed with the City of El Paso and other incorporated municipalities for an initial base rate increase within municipal boundaries. The hearing on these applications commenced on July 20, 1994, and the hearings are expected to be completed in the near future. An initial decision by the PUCT is expected in late February or early March 1995.

B. New Mexico.

EPE is subject to regulation as to rates, accounting, standards of service, issuance of securities and certification of service area and facilities by the NMPUC. The New Mexico Public Utility Act also requires the prior express authorization of the NMPUC of a business combination involving a New Mexico public utility and a public utility holding company under any jurisdiction. The NMPUC further has the authority to review

certain types of transactions among affiliated interests to assure that the transactions do not adversely affect public utility service or rates.

The effectiveness of the Plan and the Transaction is conditioned on the receipt by Reorganized EPE and CSW of the following New Mexico regulatory approvals and determinations:

(i) a final order of the NMPUC approving the combination;

(ii) a final NMPUC order authorizing the issuance by Reorganized EPE of the securities required for the consummation of the Plan;

(iii) a final NMPUC order approving a diversification plan for Reorganized EPE; and

(iv) a final NMPUC order determining that Reorganized EPE does not require a new certificate of public convenience and necessity as a result of the combination.

CSW and EPE filed an application before the NMPUC on March 14, 1994 requesting the NMPUC, to the extent necessary and appropriate under the law, to approve (i) the acquisition by CSW of the outstanding common stock of EPE; (ii) the accounting treatment of the Transaction; (iii) the reacquisition of ownership of the Leased Palo Verde Assets and the proposed accounting, regulatory and tax treatment associated with the reacquisition; and (iv) a General Diversification Plan for EPE for activities that will occur as a result of the Transaction. Under NMPUC rules, a General Diversification Plan is required for certain transactions among a public utility and its affiliates, including acquiring an interest in or guaranteeing the debt of the affiliate. The application before the NMPUC does not include any requests related to the establishment of different rates or the issuances of securities pursuant to the Plan; such requests will be included in separate applications when necessary. CSW and EPE have proposed a rate freeze in New Mexico through 1997. The condition in the Merger Agreement requiring an increase of rates in New Mexico has been waived by CSW.

IV. Federal Power Act.

The FERC has jurisdiction over several of the transactions proposed herein. These include approval of the disposition by EPE of control of its jurisdictional facilities to CSW, and amendment of the CSW System Operating Agreement to include EPE as a party. Applications seeking such approval (Exhibits D-3 and D-4 hereto) have been filed. On November 4, 1993, CSW filed a related application with the FERC (Exhibit D-5 hereto) requesting an order under Section 211 of the Federal Power Act to gain access to the transmission system of SPS for use in coordinating the operations of EPE and the existing CSW Electric Operating Companies. In addition to the foregoing applications, on August 12, 1994, EPE filed an application under Section 204 of the Federal Power Act seeking authorization to assume liability in connection with the redemption and reissuance of the Farmington PCB's (Class 10), and to assume liability for a new letter of credit that will be issued to secure the replacement PCB's (Class 11).

Section 211 Transmission Application: In its Section 211 order issued on August l, 1994, the FERC preliminarily found that "a final order requiring [SPS] to provide the transmission service requested by [CSW and

EPE] would comply with the statutory standards, once reliability concerns have been met." The FERC's order rejected assertions made by SPS that the FERC has no authority under Section 211 to order transmission service where the purpose of the service is to allow coordination of merging utilities' operations. The FERC stated: "We find nothing in the Energy Policy Act itself or in the legislative history that restricts transmission service on the basis of the length of the service, on the nature of the transaction, or the context in which the applicant applies for transmission service."

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The order directed SPS to perform reliability studies so that the FERC can determine whether provision of the requested transmission service will unreasonably impair reliability. On October 11, 1994, SPS filed the results of its reliability studies with the FERC together with a report of its planning engineering that argues that the studies show that it will be necessary for SPS to construct a new 345 kV transmission line at a cost of about $50 million in order to provide the requested transmission services. CSW and EPE have also filed with the FERC a report of their assessment of SPS' study results and presenting the results of studies independently conducted by CSW with the assistance of an expert consultant. The report filed by CSW and EPE explains that the SPS studies are flawed because SPS used improperly specified study models and had drawn incorrect conclusions from its studies. CSW and EPE intend to supplement their report to respond to SPS' assessment of its study results, which SPS had not shared with CSW or EPE prior to filing with the FERC. Such supplement will explain in detail why the particular study results on which SPS has based its conclusions are flawed and why properly conducted studies of the same operating conditions would not support a conclusion that SPS must construct a new transmission line in order to provide the requested service.

If, after reviewing the studies and comments filed by SPS, CSW and EPE, the FERC concludes that reliability will not be unreasonably impaired, the Commission will issue a further "proposed order" that requires CSW, EPE and SPS to negotiate the rates, terms and conditions on which the requested transmission service will be provided.

Section 203 Merger Application: On August l, 1994, the FERC issued an order setting certain issues for hearing in the merger case. In its order on the merger application, the FERC announced a new standard by which merger applications will be judged:

> "We . . . do not believe that we could find any newly filed merger consistent with the public interest if the merging public utilities do not offer comparable services, whether or not that merger results in an increase in market power. . . . Given the transition of the electric utility industry as a whole, we conclude that, absent other compelling public interest considerations, coordination in the public interest can best be secured only if merging utilities offer comparable transmission services."

Based on this new standard, the FERC ordered CSW and EPE to inform it within 15 days after the issuance date of the order whether they would accept as a condition to the Commission's approval of the Transaction a requirement to offer "comparable services" to other electric utilities over the transmission facilities of EPE and those of CSW that are operated in the Southwest Power Pool. On August 10, 1994, CSW and EPE informed the FERC that, subject to reservation of their rights, including their rights

to seek rehearing of the order and judicial review, they would accept as a condition to the FERC's approval of the Transaction requirement that such transmission services be offered to other electric utilities. On August 31, 1994, CSW and EPE filed with the FERC a Request for Rehearing that,

among other things, asks the FERC to reconsider the imposition of the comparable service requirement. On August 31, 1994, CSW and EPE also filed the form of transmission tariffs they would propose to file with the FERC in order to meet the comparable service requirement if the requirement is upheld and the Transaction is consummated.

Because the FERC's comparability rule has been so recently announced, it is not clear what comparability means in the circumstances presented in any given case. What "comparable service" means in the context of post-merger operations will be explored at the FERC hearing.

In addition to transmission service issues, the order sets for hearing several issues regarding the impact on CSW's and EPE's cost of the Transaction. These issues include:

1. the reasonableness of CSW's and EPE's projection of lower production costs resulting from the Transaction;

2. the reasonableness of CSW's and EPE's estimates for labor and administrative cost savings;

3. whether lowering the cost of capital of EPE will be offset by increases in the cost of capital of the existing CSW Electric Operating Companies;

4. whether the reacquisition by EPE of the Palo Verde Assets as part of the Transaction will result in cost savings over the remaining life of the assets; and

5. whether the costs and risks of the Transaction fall disproportionately on the CSW Electric Operating Companies (and their rates).

An administrative law judge of the FERC has established a procedural schedule providing for discovery procedures, the filing of additional testimony regarding the transmission and other issues set for hearing. The hearing is presently expected to be concluded by January 20, 1995 and the judge's initial decision is expected to be issued by March 24, 1994. However, the FERC rejected demands by certain intervenors that the approval of the Transaction be subjected to "hold harmless" conditions. The FERC indicated that, "if necessary, we will impose conditions in our final order if the Transaction is approved." Because the proposed changes in the Operating Agreement directly affect the distribution of costs and benefits of the Transaction among EPE and the CSW Electric Operating Companies, the FERC has also set for hearing the reasonableness of those changes.

The Section 203 order approved the use of purchase accounting for the Transaction. However, the FERC required that "the companies maintain full and complete information related to the business combination so that accounting that would have resulted from use of the pooling method can be reconstructed for all future accounting periods if necessary to do so for ratemaking purposes." The FERC also permitted CSW and EPE to record "the amount paid by CSW to acquire [EPE] in excess of book value depreciation

as an acquisition adjustment on [EPE's] books." Otherwise, the order found that no issues were presented as to the reasonableness of the purchase price, whether CSW coerced EPE to merge, or whether effective regulation would be impaired by the Transaction.

V. Atomic Energy Act.

EPE holds licenses issued by the NRC in connection with its ownership interests in the Palo Verde Nuclear Generating Station. The licenses authorize EPE to be a participant in the facility. The Atomic Energy Act of 1954, as amended, provides that such license or any rights thereunder may not be transferred or in any manner disposed of, directly or indirectly, to any person through transfer of control unless the NRC finds that such transfer is in accordance with the Atomic Energy Act. EPE and APS have filed a joint application (Exhibit D-7 hereto) for the NRC's consent to the indirect transfer of control of EPE's interest in the Palo Verde Nuclear Generating System licenses that will occur as a result of the Transaction. The application also requests that the NRC amend the licenses to reflect EPE's reacquisition of ownership of the Palo Verde Assets which were sold and leased back to EPE.

VI. Department of Energy.

Under the Federal Power Act and the Department of Energy Organization Act, the United States Department of Energy authorizes persons to transmit electric energy from the United States. EPE holds an authorization to transmit electric energy to Comision Federal de Electricidad, the national electric utility of Mexico. Because CSW will become the owner of EPE's common stock, the Department of Energy requires that notice of a succession of ownership be filed with it. CSW intends to file such a notice as soon as practicable after the consummation of the Transaction.

Item 5. Procedure.

CSW respectfully requests that the Commission issue notice of this Application not later than January 25, 1994 and issue an order approving the same, and permitting the Application to become effective promptly following the expiration of the period set forth in such notice and in any event prior to April 1, 1994.

CSW requests the Commission to issue its notice of proceedings as soon as is reasonably practicable and to make the notice sufficiently broad so that subsequent re-noticing will not be required if the details in the way the Plan is implemented should be modified or if the Plan itself should be modified.

No recommended decision by a hearing officer or other responsible officer of the Commission is necessary or required in this matter. The Division of Investment Management of the Commission may assist in the preparation of the Commission's decision in this matter. There should be no thirty-day waiting period between the issuance and the effective date of any order issued by the Commission in this matter, and it is respectfully requested that any such order be made effective immediately upon the entry thereof.

Item 6. Exhibits and Financial Statements.

I. Exhibits.

The number in parentheses after each exhibit description refers to the number of the amendment to this Application-Declaration with which that exhibit was filed (exhibit descriptions followed by "(0)" were filed with the original Form U-1 Application-Declaration).

A-1	Second Restated Certificate of Incorporation of CSW (incorporated by reference to CSW's Annual Report on Form 10-K for the year ended December 31, 1992 (Exhibit H-1 hereto)) (0)
A-2	By-Laws of CSW (incorporated by reference to CSW's Annual Report on Form 10-K for the year ended December 31, 1992 (Exhibit H-1 hereto)) (0)
A-3	Articles of Incorporation of EPE (0)
A-4	By-Laws of EPE (0)
A-5	Form of Articles of Incorporation of CSW Sub (to be filed by amendment)
A-6	Form of By-Laws of CSW Sub (to be filed by amendment)
A-7	Form of Amended and Restated Articles of Incorporation of Reorganized EPE (including Statement of Resolution Establishing Series of Shares) (0)
A-8	Form of By-Laws of Reorganized EPE (0)
A-9	Form of Articles of Merger (0)
A-10	Form of CSW Common Stock Certificate (0)
A-11	Form of CSW Sub Common Stock Certificate (to be filed by amendment)
A-12	Form of Reorganized EPE Preferred Stock Certificate (to be filed by amendment)
A-13	Form of Reorganized EPE First Mortgage Bond Indenture, including forms of bonds (1)
A-14	Form of Reorganized EPE Second Mortgage Bond Electronic Indenture, including forms of bonds (1)

A-15	Form of Reorganized EPE Senior Debt Securities Indenture, including forms of notes (1)
A-16	Form of Reorganized EPE Term Loan Agreement for Class 3A Secured Floating Rate Notes (including form of note) (0)
A-17	Forms of Reorganized EPE Term Loan Agreement for Class 5A Secured Floating Rate Notes (including forms of note) (0)
A-18	Form of Reorganized EPE Term Loan Agreement for Class 6A Secured Floating Rate Notes (including form of note) (0)
A-19	Form of Reorganized EPE Term Loan Agreement for Class 13 Senior Floating Rate Notes (including form of note) (0)

A-20	Forms of Reorganized EPE Letter of Credit and Reimbursement Agreements (1)
A-21	Summary of Variances from Statement of Policy Regarding First Mortgage Bonds Subject to the Public Utility Holding Company Act of 1935 (0)
A-22	Summary of Variances from Statement of Policy Regarding Preferred Stock Subject to the Public Utility Holding Company Act of 1935 (0)
B-1	CSW-EPE Merger Agreement (0)
B-2	EPE Modified Third Amended Plan of Reorganization (0)
B-3	Disclosure Statement to EPE Modified Third Electronic Amended Plan of Reorganization (without exhibits) (0)
B-4	CSW System Operating Agreement (0)
B-5	Form of CSW System-EPE Operating Agreement (0)
B-6	CSW System Service Agreement (0)
B-7	CSWS-EPE Service Agreement (to be filed by amendment)
B-8	OP Settlement Agreements (0)
B-9	APS Settlement Agreement (0)
B-9.1	Supplement to APS Settlement Agreement (1)
D-1	Application to the PUCT (2)
D-1.1	Presiding Officer's Order No. 1: Suspension Order and Notice of Consolidated Prehearing Conference (1/12/94) (4)

D-1.2	Order No. 2: Rescheduling Prehearing Conference (1/14/94) (4)
D-1.3	Order No. 3: Granting Motion to Extend (1/31/94) (4)
D-1.4	Order No. 4: Prehearing Order, Notice of Hearing on the Merits, Consolidation of Dockets (2/02/94) (4)
D-1.5	Order No. 5: Order Denying Motion to Reconsider (2/04/94) (4)
D-1.6	Order No. 6: Suspending Deadline for Filing Motion for Material Deficiencies (2/07/94) (4)
D-1.7	Order No. 7: Extending Time for Filing Motion to Compel; Revenue Requirement Phase (2/07/94) (4)
D-1.8	Errata Filing, Docket No.s 12700 & 12701 (2/15/94) (4)
D-1.9	Order No. 8: Protective Order (2/16/94) (4)
D-1.10	Order No. 9: Scheduling Prehearing Conference (2/17/94)

(4)

D-1.11 Order No. 10: Regarding Regional Hearing (2/18/94) (4)

D-1.12 Order No. 11: Rescheduling Time of Prehearing and Adding Topic to be Discussed (2/23/94) (4)

D-1.13 Order No. 12: Ruling on OPC's Motion to Compel EPEC and CSW to Respond to OPC's Third Request for Information (3/01/94) (4)

D-1.14 Order No. 13: Memorializing Prehearing Order (3/07/94) (4)

D-1.15 Order No. 14: Notice of Regional Hearing, and Procedure for Consolidating Appeals from City Ratemaking Ordinances (3/14/94) (4)

D-1.16 Order No. 15: Ordering the Companies to File and Index (3/23/94) (4)

D-1.17 Summary of Merger Benefits

D-2 Application to the NMPUC (to be filed by amendment)

D-2.1 New Mexico Public Utility Commission Procedural Order (4/05/94) (5)

D-2.2 New Mexico Public Utility Commission Order Amending Procedural Schedule (7/13/94) (6)

D-2.3 New Mexico Pubic Utility Commission Order Requiring Pre-Hearing Briefs and Supplemental Testimony (7/28/94) (6)

D-2.4 New Mexico Public Utility Commission Order Amending Procedural Schedule (8/08/94) (6)

D-2.5 New Mexico Public Utility Commission Order Amending Procedural Schedule (9/01/94) (6)

D-3 Section 203 Application to the FERC (2)

D-3.1 Federal Energy Regulatory Commission Notice of Filing (1/13/94) (4)

D-3.2 El Paso Electric Company and Central and South West Services, Inc. Supplemental Filing to Exhibit G and Workpapers for George R. Hall (1/13/94) (4)

D-3.3 Texas Office of Public Utility Counsel, Public Utility Commission of Texas, Attorney General of the State of New Mexico, Louisiana Public Service Commission, and City of Las Cruces Motion for an Extension of Time to File Protests and Interventions and Request for Expedited Action on this Motion (1/18/94) (4)

D-3.4 Southwestern Public Service Company Motion for an Extension of Time (1/18/94) (4)

D-3.5 Arkansas Public Service Commission Response in Support of

Motion for an Extension of Time to File Protests and Interventions (1/19/94) (4)

D-3.6 Arkansas Public Service Commission Notice of Intervention (1/19/94) (4)

D-3.7 Federal Energy Regulatory Commission Notice of Filing (1/21/94) (4)

D-3.8 El Paso Electric Company and Central and South West Services, Inc. Answer to Motions for Extension of Time (1/21/94) (4)

D-3.9 Louisiana Public Service Commission Notice of Intervention (1/27/94) (4)

D-3.10 Federal Energy Regulatory Commission Notice of Extension of Time (1/28/94) (4)

D-3.11 New Mexico Industrial Energy Consumers Motion for Leave to Intervene (2/01/94) (4)

D-3.12 El Paso Electric Company and Central and South West Services, Inc. Filing to Provide Workpapers for Applicants' Witnesses: Samuel C. Hadaway, David A. Harrell, and James A. Bruggeman (2/03/94) (4)

D-3.13 New Mexico Public Utility Commission Notice of Intervention (2/08/94) (4)

D-3.14 City of El Paso, Texas Notice of Intervention and Motion to Intervene (2/15/94) (4)

D-3.15 Texas-New Mexico Power Company Motion to Intervene (2/17/94) (4)

D-3.16 Salt River Project Agricultural Improvement and Power District Motion to Intervene (2/22/94) (4)

D-3.17 Arizona Public Service Company Motion to Intervene (2/22/94) (4)

D-3.18 Southern California Public Power Authority Motion for Leave to Intervene (2/22/94) (4)

D-3.19 Dona Ana County, New Mexico Motion to Intervene (2/23/94) (4)

D-3.20 Louisiana Public Service Commission Protest, Request for Hearing, Motion for Consolidation (2/24/94) (4)

D-3.21 Texas Utilities Electric Company Motion to Intervene (2/24/94) (4)

D-3.22 Public Utility Commission of Texas Notice of Intervention, Protest, Motion for Consolidation, and Request for Hearing (2/24/94) (4)

D-3.23 Arkansas Public Service Commission Protest and Request for Hearing (2/24/94) (4)

D-3.24 New Mexico Attorney General Motion to Intervene and Protest (2/24/94) (4)

D-3.25 Tucson Electric Power Company Motion to Intervene (2/24/94) (4)

D-3.26 Southern California Edison Company Motion for Leave to Intervene (2/24/94) (4)

D-3.27 Texas Office of Public Utility Counsel Motion to Intervene, Motion for Consolidation, Protest, and Request for Hearing (2/25/94) (4)

D-3.28 Houston Lighting & Power Company Motion to Intervene (2/25/94) (4)

D-3.29 Imperial Irrigation District Motion to Intervene (2/25/94) (4)

D-3.30 Entergy Service, Inc. Motion to Intervene (2/25/94) (4)

D-3.31 Cajun Electric Power Cooperative, Inc. Motion to Intervene, Protest, and Request for Hearing (2/25/94) (4)

D-3.32 TDU Customers Joint and Several Motion' to Intervene and Request that the Commission Initiate Hearing Procedures of Certain Transmission Dependent Customers on the Central and South West Corporation and Southwestern Public Service Company Systems (2/25/94) (4)

D-3.33 Northeast Texas Electric Cooperative, Inc. Motion to Intervene (2/25/94) (4)

D-3.34 Tex-La Electric Cooperative of Texas, Inc. Motion to Intervene (2/25/94) (4)

D-3.35 Oklahoma Corporation Commission Notice of Intervention (2/25/94) (4)

D-3.36 Plains Electric Generation and Transmission Cooperative, Inc. Motion to Intervene, Protest and Request for Hearing (2/25/94) (4)

D-3.37 Public Service Company of New Mexico Protest, Motion for Leave to Intervene, Request for Hearing, and Motion to Consolidate FERC Docket No. TX94-2-000 with this Proceeding (2/25/94) (4)

D-3.38 Southwestern Public Service Company Motion to Intervene, Protest, Motion to Consolidate, and Request for Hearing (2/25/94) (4)

D-3.39 City of Las Cruces, New Mexico Motion to Intervene and Protest (2/25/94) (4)

D-3.40 Public Service Company of New Mexico Motion for Leave to File One Day Out of Time (2/28/94) (4)

D-3.41 El Paso Electric Company and Central and South West Services, Inc. Response to Notice of Intervention of the New Mexico Public Utility Commission (3/01/94) (4)

D-3.42 Southwestern Public Service Company Answer to Applicants' Motion for an Extension of time to Answer (3/02/94) (4)

D-3.43 Arkansas Public Service Commission Response in Opposition to Motion for Extension of Time to Answer, Motion to Intervene (3/03/94) (4)

D-3.44 Public Utilities Board, City of Brownsville, Texas Motion to Intervene, Protest, and Answer (3/04/94) (4)

D-3.45 American Forest and Paper Association Motion to Intervene and Protest and Motion to Consolidate (3/07/94) (4)

D-3.46 Federal Energy Regulatory Commission Notice of Extension of Time (3/08/94) (4)

D-3.47 El Paso Electric Company and Central and South West Services, Inc. Supplemental Filing to Exhibit G (3/21/94) (4)

D-3.48 El Paso Electric Company and Central and South West Services, Inc. Answer to Motions to Intervene (3/21/94) (4)

D-3.49 New Mexico Public Utility Commission Reply to Applicants' Response (3/30/94) (5)

D-3.50 American Forest and Paper Association Reply to the Improper Answer of Applicants (4/01/94) (5)

D-3.51 Public Utility Commission of Texas Response to Answer of Applicants Motions to Intervene (4/04/94) (5)

D-3.52 City of Las Cruces Motion to Reply and Answer to Applicants' Answer to Interventions (4/05/94) (5)

D-3.53 Public Service Company of New Mexico Motion for Leave to File Response and Response to Applicants' Answer (4/05/94) (5)

D-3.54 Southwestern Public Service Company Answer in Opposition to Applicants' Request for Leave to Respond to Protests (4/05/94) (5)

D-3.55 El Paso Electric Company and Central and South West Services, Inc. Respond to Answers by Certain Intervenors to Applicants' Answer filed March 21, 1994 (4/19/94) (5)

D-3.56 Federal Energy Regulatory Commission Answer to El Paso Electric Company's Application of March 22, 1994 (4/20/94) (5)

D-3.57 Southwestern Public Service Company Answer to Applicants' Response to Answers filed April 19, 1994 (5/02/94) (5)

D-3.58 Central and South West Services, Inc. and El Paso Electric Company Letter to the Federal Energy Regulatory Commission

to Update David Harrell's Benefits Analysis (5/17/94) (6)

D-3.59 Southwestern Public Service Company Motion for Leave to Amend Protest to Address Application of the Commission's New Policy Regarding Comparability of Service (5/26/94) (6)

D-3.60 El Paso Electric Company and Central and South West Services, Inc. Answer to SPS' Motion to Amend Protest to Address Application of the Commission's New Policy Regarding Comparability of Service (6/10/94) (6)

D-3.61 City of Las Cruces, New Mexico Answer to Motion of SPS to Address Application of the Commission's Newly Announced Policy Regarding Comparability of Service (6/10/94) (6)

D-3.62 Plains Electric Generation and Transmission Cooperative, Inc. Answer to SPS' Motion to Amend SPS' Protest to Address Transmission Comparability Issues (6/10/94) (6)

D-3.63 City of Las Cruces, New Mexico Motion to Lodge Decision of U.S. Court of Appeals for the District of Columbia Circuit for EPE to File an Open Access Tariff (6/20/94) (6)

D-3.64 Central and South West Services, Inc. and El Paso Electric Company Letter to the Federal Energy Regulatory Commission Responding to Filing Made by Plains Cooperative and City of Las Cruces Which Supported a Previous Pleading by SPS to Amend SPS' Protest (6/28/94) (6)

D-3.65 Central and South West Services, Inc. and El Paso Electric Company Answer to the City of Las Cruces' Motion to Lodge for EPE to File an Open Access Tariff (7/25/94) (6)

D-3.66 Southwestern Public Service Company Motion for Leave to Supplement Record (7/08/94) (6)

D-3.67 Central and South West Services, Inc. and El Paso Electric Company Response to SPS' Motion For Leave to Supplement Record (7/15/94) (6)

D-3.68 Federal Energy Regulatory Commission Signed Final FERC Order On Merger Application and Rate Filing (8/01/94) (6)

D-3.69 Central and South West Services, Inc. and El Paso Electric Company Motion for Expedited Clarification of FERC's August 1, 1994 Order on Merger Application and Rate Filing (8/25/94) (6)

D-3.70 Federal Energy Regulatory Commission Approved Order for Central and South West Services, Inc. and El Paso Electric Company (8/25/94) (6)

D-3.71 American Forest and Paper Association Request for Rehearing to the FERC (8/30/94) (6)

D-3.72 Public Service Company of New Mexico Motion for Clarification and Request for Rehearing to the FERC (8/31/94) (6)

D-3.73 Arkansas Public Service Commission Petition for Rehearing

to the FERC (8/31/94) (6)

D-3.74 Southwestern Public Service Company Request for Rehearing (8/31/94) (6)

D-3.75 Central and South West Services, Inc. and El Paso Electric Company Request for Rehearing (8/31/94) (6)

D-3.76 Central and South West Services, Inc. and El Paso Electric Company Filing to the FERC of Transmission Tariffs to Offer "Comparable Service" (8/31/94) (6)

D-3.77 El Paso Electric Company and Central and South West Services, Inc. Filing to Provide Testimony and Workpapers for Applicants' Witness: Neil W. Felber.

D-4 Section 205 Application to the FERC (2)

D-4.1 Federal Energy Regulatory Commission Notice of Filing (1/13/94) (4)

D-4.2 Texas Office of Public Utility Counsel, Public Utility Commission of Texas, Attorney General of the State of New Mexico, Louisiana Public Service Commission, and City of Las Cruces Motion for an Extension of Time to File Protests and Interventions and Request for Expedited Action on this Motion (1/18/94) (4)

D-4.3 Arkansas Public Service Commission Notice of Intervention (1/19/94) (4)

D-4.4 Arkansas Public Service Commission Response in Support of Motion for an Extension of Time to File Protests and Interventions (1/19/94) (4)

D-4.5 El Paso Electric Company and Central and South West Services, Inc. Answer to Motions for Extension of Time (1/21/94) (4)

D-4.6 Louisiana Public Service Commission Notice of Intervention (1/27/94) (4)

D-4.7 Federal Energy Regulatory Commission Notice of Extension of Time (1/28/94) (4)

D-4.8 New Mexico Public Utility Commission Notice of Intervention (2/08/94) (4)

D-4.9 Texas Utilities Electric Company Motion to Intervene (2/08/94) (4)

D-4.10 Arizona Public Service Company Motion to Intervene (2/22/94) (4)

D-4.11 Salt River Project Agricultural Improvement and Power District Motion to Intervene (2/22/94) (4)

D-4.12 Louisiana Public Service Commission Protest, Request for Hearing, and Motion for Consolidation (2/24/94) (4)

D-4.13 Public Utility Commission of Texas Notice of Intervention, Protest, Motion for Consolidation, and Request for Hearing (2/24/94) (4)

D-4.14 Arkansas Public Service Company Protest and Request for Hearing (2/24/94) (4)

D-4.15 Cajun Electric Power Cooperative, Inc. Motion to Intervene, Protest and Request for Hearing (2/25/94) (4)

D-4.16 Houston Lighting and Power Company Motion to Intervene (2/25/94) (4)

D-4.17 Texas Office of Public Utility Counsel Motion to Intervene, Motion for Consolidation, Protest and Request for Hearing (2/25/94) (4)

D-4.18 Southwestern Public Service Company Motion to Intervene and Motion to Consolidate (2/25/94) (4)

D-4.19 Public Utilities Board of the City of Brownsville, Texas Motion to Intervene (2/25/94) (4)

D-4.20 Public Service Company of New Mexico Motion for Leave to Intervene (2/25/94) (4)

D-4.21 Northeast Texas Electric Cooperative, Inc. Motion to Intervene (2/25/94) (4)

D-4.22 TDU Customers Joint and Several Motion to Intervene, Protest and Request that the Commission Initiate Hearing Procedures of Certain Transmission Dependent Customers on the Central and South West Corporation and Southwestern Public Service Company Systems (2/25/94) (4)

D-4.23 Oklahoma Corporation Commission Notice of Intervention (2/25/94) (4)

D-4.24 Public Service Company of New Mexico Motion for Leave to File One Day Out of Time (2/28/94) (4)

D-4.25 El Paso Electric Company and Central and South West Services, Inc. Motion for Extension of Time to Answer Motions to Intervene and Motion for Expedited Procedures (3/01/94) (4)

D-4.26 Central and South West Services, Inc. Response to Notice of Intervention of the New Mexico Public Utility Commission (3/01/94) (4)

D-4.27 Southwestern Public Service Company Answer to Applicants' Motion for an Extension of Time to Answer (3/02/94) (4)

D-4.28 Arkansas Public Service Commission Response in Opposition to Motion for Extension of Time to Answer Motion to Intervene (3/03/94) (4)

D-4.29 Federal Energy Regulatory Commission Notice of Extension of Time (3/08/94) (4)

D-4.30 El Paso Electric Company and Central and South West Services, Inc. Answer to Motions to Intervene (3/21/94) (4)

D-4.31 New Mexico Public Utility Commission Reply to Applicants' Response (3/30/94) (5)

D-4.32 Public Utility Commission of Texas Response to Answer of Applicants' Motion to Intervene (4/04/94) (5)

D-4.33 Public Service Company of New Mexico Motion for Leave to File Response and Response to Applicants' Answer (4/05/94) (5)

D-4.34 Southwestern Public Service Company Answer in Opposition to Applicants' Request for Leave to Respond to Protests (4/05/94) (5)

D-4.35 El Paso Electric Company and Central and South West Services, Inc. Response to Answers by Certain Intervenors to Applicants' Answer Filed March 21, 1994 (4/19/94) (5)

D-4.36 Southwestern Public Service Company Answer to Applicants' Response to Answer filed April 19, 1994 (5/02/94) (5)

D-4.37 Southwestern Public Service Company Motion for Leave to Amend Protest to Address Application of the Commission's New Policy Regarding Comparability of Service (5/26/94) (6)

D-4.38 El Paso Electric Company and Central and South West Services, Inc. Answer to SPS' Motion to Amend Protest to Address Application of the Commission's New Policy Regarding Comparability of Services (6/10/94) (6)

D-4.39 Plains Electric Generation and Transmission Cooperative, Inc. Answer to SPS' Motion to Amend SPS' Protest to Address Transmission Service Comparability Issues (6/10/94) (6)

D-4.40 Southwestern Public Service Company Motion for Leave to Supplement Record (7/08/94) (6)

D-4.41 Central and South West Services, Inc. and El Paso Electric Company Answer to the City of Las Cruces' Motion to Lodge for EPE to File an Open Access Tariff (7/25/94) (6)

D-4.42 Central and South West Services, Inc. and El Paso Electric Company Response to SPS' Motion for Leave to Supplement Record (7/15/94) (6)

D-4.43 Federal Energy Regulatory Commission Signed Final FERC Order on Merger Application and Rate Filing (8/01/94) (6)

D-4.44 Central and South West Services, Inc. and El Paso Electric Company Motion for Expedited Clarification of FERC's August 1, 1994 Order on Merger Application and Rate Filing (8/25/94) (6)

D-4.45 Federal Energy Regulatory Commission Approved Order for Central and South West Services, Inc. and El Paso Electric Company (8/25/94) (6)

D-4.46 American Forest and Paper Association Request for Rehearing to the FERC (8/30/94) (6)

D-4.47 Public Service Company of New Mexico Motion for Clarification and Request for Rehearing to the FERC (8/31/94) (6)

D-4.48 Arkansas Public Service Commission Petition for Rehearing to the FERC (8/31/94) (6)

D-4.49 Southwestern Public Service Company Request for Rehearing (8/31/94) (6)

D-4.50 Central and South West Services, Inc. and El Paso Electric Company Request for Rehearing (8/31/94) (6)

D-4.51 Central and South West Services, Inc. and El Paso Electric Company Filing to the FERC of Transmission Tariffs to Offer "Comparable Service" Per the FERC's Order (8/31/94) (6)

D-5 Section 211 Application to the FERC (2)

D-5.1 Federal Energy Regulatory Commission Notice of Filing (11/10/93) (4)

D-5.2 Southwestern Public Service Company Motion for an Extension of Time and Request for Expedited Action on Motion (11/17/93) (4)

D-5.3 El Paso Electric Company and Central and South West Services, Inc. Answer to Motion of Southwestern Public Service Company for an Extension of Time (11/18/93) (4)

D-5.4 Federal Energy Regulatory Commission Notice of Extension of Time (11/22/93) (4)

D-5.5 Louisiana Public Service Commission Notice of Intervention (11/23/93) (4)

D-5.6 New Mexico Public Utility Commission Motion to Intervene (11/30/93) (4)

D-5.7 Western Farmers Electric Cooperative Motion for Leave to Intervene (12/15/93) (4)

D-5.8 City of El Paso, Texas Motion to Intervene (12/16/93) (4)

D-5.9 Public Service Company of New Mexico Motion to Intervene (12/17/93) (4)

D-5.10 Southwestern Public Service Company's Full Requirements Wholesale Customers Motion to Intervene and Protest (12/20/93) (4)

D-5.11 Dona Ana County, New Mexico Motion to Intervene (12/20/93) (4)

D-5.12 Texas Office of Public Utility Counsel Motion to Intervene, Protest, and Motion to Deny Summary Disposition (12/22/93) (4)

D-5.13 The New Mexico Attorney General Motion to Intervene and Protest (12/22/93) (4)

D-5.14 New Mexico Industrial Energy Consumers Motion to Intervene (12/22/93) (4)

D-5.15 Public Utility Commission of Texas Notice of Intervention (12/22/93) (4)

D-5.16 Arkansas Public Service Commission Notice of Intervention (12/22/93) (4)

D-5.17 Houston Lighting & Power Company Motion to Intervene (12/22/93) (4)

D-5.18 City of Las Cruces, New Mexico Motion to Intervene and Protest (12/22/93) (4)

D-5.19 TDU Customers Joint and Several Motion to Intervene and Request that the Commission Initiate Hearing Procedures of Certain Transmission Dependent Customers on the Central and South West Corporation and Southwestern Public Service Company Systems (12/22/93) (4)

D-5.20 Westplains Energy Division of Utilicorp United Inc. Motion to Intervene (12/22/93) (4)

D-5.21 PSI Energy, Inc. Motion to Intervene (12/22/93) (4)

D-5.22 Texas Utilities Electric Company Motion to Intervene (12/22/93) (4)

D-5.23 Southwestern Public Service Company Protest, Motion to Dismiss, Motion to Intervene, and Answer (12/22/93) (4)

D-5.24 Duke Power Company Motion to Intervene (12/22/93) (4)

D-5.25 Department of Defense Late Filed Motion to Intervene and Protest (1/05/94) (4)

D-5.26 New Mexico Public Utility Commission Statement in Support of Public Evidentiary Hearing (1/12/94) (4)

D-5.27 El Paso Electric Company and Central and South West Services, Inc. Response to Protest, Motion to Dismiss, Motion to Intervene, and Answer of Southwestern Public Service Company (1/13/94) (4)

D-5.28 Southwestern Public Service Company Leave to File and Reply to Applicants' Response (1/26/94) (4)

D-5.29 Public Service Company of New Mexico Motion for Leave to Reply to El Paso Electric Company's and Central and South West Services, Inc.'s Response Opposing PNM's Motion to

Intervene (1/27/94) (4)

D-5.30 Texas Utilities Electric Company Leave to File a Reply to El Paso Electric Company's and Central and South West Services, Inc.'s Response (1/28/94) (4)

D-5.31 El Paso Electric Company and Central and South West Services, Inc. Answer to Motion of Southwestern Public Service Company for Leave to File and Reply to Applicants' Response (2/03/94) (4)

D-5.32 El Paso Electric Company and Central and South West Services, Inc. Answer to Motions of Public Service Company of New Mexico and Texas Utilities Electric Company to Reply to Applicants' Response (2/10/94) (4)

D-5.33 The New Mexico Attorney General Letter requesting that its Motion to Intervene be considered timely filed despite being one day late due to delivery problems (2/28/94) (4)

D-5.34 Texas Utilities Electric Company Motion for Leave to File and Reply to Applicants' Answer to Texas Utilities Electric Company's Reply to Applicants' Responses to Motion to Intervene (3/04/94) (4)

D-5.35 American Forest and Paper Association Motion to Intervene and Protest and Motion to Consolidate (3/04/94) (4)

D-5.36 El Paso Electric Company and Central and South West Services, Inc. Letter indicating no opposition to the New Mexico Attorney General's letter of February 28, 1994 requesting previously submitted Motion to Intervene to be timely filed despite being filed one day late due to delivery problem (3/07/94) (4)

D-5.37 El Paso Electric Company and Central and South West Services, Inc. Answer to Motion of Texas Utilities Electric Company for Leave to File and Reply to Applicants' Answer to Texas Utilities Electric Company's Reply to Applicants' Response to Motion to Intervene (3/21/94) (4)

D-5.38 American Forest and Paper Association Reply to the Improper Answer of Applicants (4/01/94) (5)

D-5.39 Federal Energy Regulatory Commission Signed Final FERC Order on Transmission Services and Establishing Further Practices (8/01/94) (6)

D-5.40 Oklahoma Municipal Power Authority Notice of Withdrawal from Proceedings (8/01/94) (6)

D-5.41 Public Service Company of New Mexico Motion for Clarification and Request for Rehearing (8/31/94) (6)

D-6 Testimony of George R. Hall to the FERC (contained in Exhibit D-3) (2)

D-7 Application to the NRC (2)

D-7.1 Nuclear Regulatory Commission Notice in Federal Register

(3/02/94) (5)

D-7.2 Plains Electric G & T Cooperative Petition Filed to Address Anti-Competitive Issues and Request a Hearing (4/01/94) (5)

D-7.3 Arizona Public Service Company Letter to Provide Supplemental Information for EPE's NRC Filing (4/08/94) (5)

D-7.4 Public Utility Commission of Texas Petition to Intervene (4/12/94) (5)

D-7.5 Southwestern Public Service Company Petition for Leave to Intervene and Comments (4/13/94) (5)

D-7.6 City of Las Cruces Comments Regarding Antitrust Concerns (4/13/94) (5)

D-7.7 Nuclear Regulatory Commission Notice in Federal Register (4/14/94) (5)

D-7.8 Nuclear Regulatory Commission Order for Plains Electric Generation and Transmission Cooperative, Inc.'s Petition of April 1, 1994 (4/14/94) (5)

D-7.9 El Paso Electric Company and Central and South West Services, Inc. Letter to NRC (5/17/94) (5)

D-7.10 El Paso Electric Company and Central and South West Services, Inc. Letter to NRC Addressing Issues Raised in the Comments and Interventions by SPS, Las Cruces, and Plains Cooperative (5/17/94) (6)

D-7.11 Plains Electric Generation and Transmission Cooperative, Inc. Letter to NRC Regarding CSW/EPE's May 17, 1994 Letter to the NRC (6/03/94) (6)

D-7.12 City of Las Cruces Letter to NRC Staff Commenting on Claiming Errors or Mischaracterizations of CSW/EPE's May 17, 1994 Letter to the NRC (6/16/94) (6)

D-8 Notice of Succession of Ownership to the Department of Energy (to be filed by amendment)

D-9 Notification and Report Form to U.S. Department of Justice and Federal Trade Commission (to be filed by amendment)

D-10 Exhibit E to the Disclosure Statement (Rate Path) (0)

D-11 Order of Bankruptcy Court dated August 27, 1993 (Disclosure Statement Approval Order) (0)

D-12 Order of Bankruptcy Court dated September 15, 1993 (0)

D-13 Order of Bankruptcy Court dated December 8, 1993 (Confirmation Order) (0)

D-14 Findings of Fact (0)

D-14.1 Amended Findings of Fact (1)

E-1	Map showing service territories of CSW and EPE
E-2	Map showing interconnections of CSW and EPE
F-1	Preliminary Opinion of Counsel (to be filed by amendment)
F-2	Final or "past tense" opinion of Counsel (to be filed by amendment)
G-1	Proposed Notice of Proceeding (0)
H-1	CSW Annual Report on Form 10-K for the year ended December 31, 1992 (previously filed with the Commission and hereby incorporated by reference) (0)
H-2	EPE Annual Report on Form 10-K for the year ended December 31, 1992 (previously filed with the Commission and hereby incorporated by reference) (0)

H-3	CSW Annual Report to Shareholders for the year ended December 31, 1992 (previously filed with the Commission and hereby incorporated by reference) (0)
H-4	EPE Annual Report to Shareholders for the year ended December 31, 1992 (previously filed with the Commission and hereby incorporated by reference) (0)
H-5	CSW Quarterly Report on Form 10-Q for the quarter ended March 31, 1993 (previously filed with the Commission and hereby incorporated by reference) (0)
H-6	CSW Quarterly Report on Form 10-Q for the quarter ended June 30, 1993 (previously filed with the Commission and hereby incorporated by reference) (0)
H-7	CSW Quarterly Report on Form 10-Q for the quarter ended September 30, 1993 (previously filed with the Commission and hereby incorporated by reference) (0)
H-8	EPE Quarterly Report on Form 10-Q for the quarter ended March 31, 1993 (previously filed with the Commission and hereby incorporated by reference) (0)
H-9	EPE Quarterly Report on Form 10-Q for the quarter ended June 30, 1993 (previously filed with the Commission and hereby incorporated by reference) (0)
H-10	EPE Quarterly Report on Form 10-Q for the quarter ended September 30, 1993 (previously filed with the Commission and hereby incorporated by reference) (0)
H-11	CSW Annual Report on Form 10-K for the year ended December 31, 1993 (previously filed with the Commission and hereby incorporated by reference)
H-12	EPE Annual Report on Form 10-K for the year ended December 31, 1993 (previously filed with the Commission and hereby incorporated by reference)

H-13 CSW Annual Report to Shareholders for the year ended December 31, 1993 (previously filed with the Commission and hereby incorporated by reference)

H-14 EPE Annual Report to Shareholders for the year ended December 31, 1993 (previously filed with the Commission and hereby incorporated by reference)

H-15 CSW Quarterly Report on Form 10-Q for the quarter ended March 31, 1993 (previously filed with the Commission and hereby incorporated by reference)

H-16 EPE Quarterly Report on Form 10-Q for the quarter ended March 31, 1994 (previously filed with the Commission and hereby incorporated by reference)

J-1 Morgan Stanley opinion to the CSW Board of Directors dated April 30, 1993 (0)

J-2 Barr Devlin opinion to the EPE Board of Directors dated May 3, 1993 (0)

II. Financial Statements.

FS-1 Consolidated Balance Sheet of CSW as of December 31, 1992 (incorporated by reference to CSW's Annual Report on Form 10-K for the year ended December 31, 1992 (Exhibit H-1 hereto)) (0)

FS-2 Consolidated Statement of Income of CSW for the year ended December 31, 1992 (incorporated by reference to CSW's Annual Report on Form 10-K for the year ended December 31, 1992 (Exhibit H-1 hereto)) (0)

FS-3 Consolidated Statement of Cash Flows of CSW for the year ended December 31, 1992 (incorporated by reference to CSW's Annual Report on Form 10-K for the year ended December 31, 1992 (Exhibit H-1 hereto)) (0)

FS-4 Consolidated Statement of Retained Earnings of CSW for the year ended December 31, 1992 (incorporated by reference to CSW's Annual Report on Form 10-K for the year ended December 31, 1992 (Exhibit H-1 hereto)) (0)

FS-5 Notes to Consolidated Financial Statements of CSW for the year ended December 31, 1992 (incorporated by reference to CSW's Annual Report on Form 10-K for the year ended December 31, 1992 (Exhibit H-1 hereto)) (0)

FS-6 Balance Sheet of EPE as of December 31, 1992 (incorporated by reference to EPE's Annual Report on Form 10-K for the year ended December 31, 1992 (Exhibit H-2 hereto)) (0)

FS-7 Statements of Operations of EPE for the year ended December 31, 1992 (incorporated by reference to EPE's Annual Report on Form 10-K for the year ended December 31, 1992 (Exhibit H-2 hereto)) (0)

FS-8 Statement of Cash Flows of EPE for the year ended December 31, 1992 (incorporated by reference to EPE's Annual Report on Form 10-K for the year ended December 31, 1992 (Exhibit H-2 hereto)) (0)

FS-9 Statement of Retained Earnings (Deficit) of EPE for the year ended December 31, 1992 (incorporated by reference to EPE's Annual Report on Form 10-K for the year ended December 31, 1992 (Exhibit H-2 hereto)) (0)

FS-10 Notes to Financial Statements of EPE for the year ended December 31, 1992 (incorporated by reference to EPE's Annual Report on Form 10-K for the year ended December 31, 1992 (Exhibit H-2 hereto)) (0)

FS-11 Unaudited Actual and Pro Forma Combined Capitalization of CSW and EPE as of June 30, 1993 (0)

FS-12 Unaudited Pro Forma Combined Financial Statements as of and for the year ended June 30, 1993 (0)

FS-13 CSW Consolidated Balance Sheet as of September 30, 1993 (see page 4 of the Quarterly Report of CSW on Form 10-Q for the quarter ended September 30, 1993, incorporated by reference as Exhibit H-7 hereto) (0)

FS-14 CSW Consolidated Statement of Income and Surplus for the twelve months ended September 30, 1993 (see page 3 of the Quarterly Report of CSW on Form 10-Q for the quarter ended September 30, 1993, incorporated by reference as Exhibit H-7 hereto) (0)

FS-15 CSW Consolidated Statement of Income and Surplus for its last three fiscal years (see page 24 of the Annual Report of CSW to Shareholders for the quarter ended December 31, 1992, incorporated by reference as Exhibit H-3 hereto) (0)

FS-16 EPE Balance Sheet as of September 30, 1993 (see page 1 of the Quarterly Report of EPE on Form 10-Q for the Quarter ended September 30, 1993, incorporated by reference as Exhibit H-10 hereto) (0)

FS-17 EPE Statement of Income and Surplus for the twelve months ended September 30, 1993 (see page 3 of Quarterly Report of EPE on Form 10-Q for the quarter ended September 30, 1993, incorporated by reference as Exhibit H-10 hereto) (0)

FS-18 EPE Statement of Income and Surplus for its last three fiscal years (see page 58 of the Annual Report of EPE on Form 10-K for the year ended December 31, 1992, incorporated by reference as Exhibit H-2 hereto) (0)

Item 7. Information as to Environmental Effects.

The proposed transaction does not involve major federal action having a significant effect on the human environment. No federal agency has prepared or is preparing an environmental impact statement with

respect to the proposed transaction.

Glossary of Defined Terms

"Act" means the Public Utility Holding Company Act of 1935, as amended.

"Application" means this Application-Declaration on Form U-1.

"APS" means Arizona Public Service Company.

"APS Settlement" means the settlement agreement between EPE and APS approved by the Bankruptcy Court on November 19, 1993.

"Bankruptcy Code" means Title 11 of the United States Code, as amended.

"Bankruptcy Court" means the United States Bankruptcy Court for the Western District of Texas, Austin Division, before which the EPE bankruptcy reorganization proceedings, Case No. 92-10148-FM, are pending.

"Chapter 11" means Chapter 11 of the Bankruptcy Code.

"Commission" means the Securities and Exchange Commission.

"Confirmation Date" means December 8, 1993, the date upon which the Bankruptcy Court confirmed the Plan.

"CPL" means Central Power and Light Company, a wholly owned electric utility subsidiary of CSW.

"CSW" means Central and South West Corporation, a Delaware corporation.

"CSW Electric Operating Companies" means CSW's four existing electric utility subsidiaries: CPL, PSO, SWEPCO and WTU.

"CSW Common Stock" means the shares of common stock, $3.50 par value, of CSW.

"CSW Sub" means CSW Sub, Inc., a corporation proposed to be organized under Texas law as a wholly owned subsidiary of CSW for the sole purpose of facilitating the Transaction.

"CSW Sub Common Stock" means the shares of common stock, $.01 par value, of CSW Sub.

"CSW System" means CSW, the CSW Electric Operating Companies, Transok, CSWC, CSWE, CSWL and CSWS.

"CSWC" means CSW Credit, Inc., a wholly owned subsidiary of CSW.

"CSWE" means CSW Energy, Inc., a wholly owned subsidiary of CSW.

"CSWL" means CSW Leasing, Inc., a subsidiary of CSW.

"CSWS" means Central and South West Services, Inc., a wholly owned subsidiary of CSW.

"Disclosure Statement" means the Disclosure Statement dated August 27, 1993 and corrected September 15, 1993 relating to the Plan (Exhibit B-3 hereto).

"Effective Date" means the date on which the Plan becomes effective.

"EPE" means El Paso Electric Company.

"EPE Common Stock" means the shares of EPE common stock, no par value.

"EPE Preferred Stock" means the shares of EPE Series 10.75% Preferred Stock, no par value, Series 8.44% Preferred Stock, no par value, Series 8.95% Preferred Stock, no par value, Series 10.125% Preferred Stock, no par value, Series 11.375% Preferred Stock, no par value, Series 4.5% Preferred Stock, no par value, Series 4.12% Preferred Stock, no par value, Series 4.72% Preferred Stock, no par value, Series 4.56% Preferred Stock, no par value, and Series 8.24% Preferred Stock, no par value.

"FERC" means the Federal Energy Regulatory Commission.

"Findings of Fact" means the Findings of Fact and Conclusions of Law of the Bankruptcy Court dated December 8, 1993 in support of its order confirming the Plan.

"FMB Indenture" means the indenture pursuant to which State Street Bank and Trust Company will act as Trustee and under which the Reorganized EPE First Mortgage Bonds will be issued (Exhibit A-13 hereto).

"Four Corners" means the Four Corners Generating Project.

"Liquidation Trust" means the trust to be established as of the Effective Date and to which will be assigned EPE's rights to and interests in excluded assets and certain reductions in claims, if any, not disposed of or determined prior to the Effective Date.

"Maximum Additional Consideration Amount" with respect to holders of EPE Common Stock means $1.50.

"Merger Agreement" means the Agreement and Plan of Merger between EPE and CSW and to be subsequently joined in by CSW Sub, dated as of May 3, 1993, as amended (Exhibit B-1 hereto).

"Morgan Stanley" means Morgan Stanley & Co. Incorporated.

"New EPE Securities" means the securities to be issued by Reorganized EPE under the Plan: Reorganized EPE First Mortgage Bonds; Reorganized EPE Second Mortgage Bonds; Reorganized EPE Secured Notes; Reorganized EPE Senior Floating Rate Notes; Reorganized EPE Senior Fixed Rate Notes; and Reorganized EPE Preferred Stock.

"NMPUC" means the New Mexico Public Utility Commission.

"Note Indenture" means the indenture pursuant to which United States Trust Company of New York will act as Trustee and under which the

Reorganized EPE Senior Fixed Rate Notes consisting of Series A and Class 13 Notes will be issued (Exhibit A-15 hereto).

"NRC" means the Nuclear Regulatory Commission.

"OP Settlements" means the settlement agreements dated November 15, 1993 between EPE and the owner-participants in certain sale-leaseback arrangements relating to EPE's interests in the Palo Verde Nuclear Generating Station.

"Palo Verde Assets" means the 15.8% interest owned or leased by EPE in Units 1, 2 and 3 and the related common plant of the Palo Verde Nuclear Generating Station.

"Palo Verde Leases" means the leases entered into by EPE in connection with its sale and leaseback of its interest in Unit 2 and a portion of its interest in Unit 3 of the Palo Verde Nuclear Generating Station.

"Palo Verde Owner Participants" means the beneficiaries of the trusts which hold title to certain interests in the Palo Verde Nuclear Generating Station which were the subject of certain sale-leaseback transactions by EPE.

"Palo Verde Participants" means EPE, APS, Southern California Edison Company, Public Service Company of New Mexico, Southern California Public Power Authority, Salt River Project Agricultural Improvement and Power District and the Los Angeles Department of Water and Power.

"PCB's" mean pollution control revenue bonds.

"Plan" means the Modified Third Amended Plan of Reorganization of the Debtor Providing for the Acquisition of El Paso Electric Company by Central and South West Corporation, dated August 27, 1993 (as corrected on September 15, 1993 and as modified on December 1, 1993 and December 6, 1993) and all exhibits and other attachments thereto, as the same may be amended from time to time (Exhibit B-2 hereto). References to the Plan during the August 27-December 6, 1993 period refer to the version of the Plan then on file with the Bankruptcy Court.

"PSO" means Public Service Company of Oklahoma, a wholly owned electric utility subsidiary of CSW.

"PUCT" means the Public Utility Commission of Texas.

"Reorganized EPE" means EPE after the Effective Date of the Plan.

"Service Agreement" means the system service agreement among CSW and its subsidiaries.

"SMB Indenture" means the indenture pursuant to which IBJ Schroder Bank & Trust Company will act as Trustee and under which the Reorganized EPE Second Mortgage Bonds (Exhibit A-14 hereto).

"SPS" means Southwestern Public Service Company.

"SWEPCO" means Southwestern Electric Power Company, a wholly owned electric utility subsidiary of CSW.

"TNP" means Texas-New Mexico Power Company.

"Transaction" means the acquisition of EPE by CSW as proposed in the Application.

"Transok" means Transok, Inc., a wholly owned subsidiary of CSW.

"WTU" means West Texas Utilities Company, a wholly owned electric utility subsidiary of CSW.

S I G N A T U R E
- - - - - - - - -

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, as amended, the undersigned company has duly caused this document to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: October 21, 1994

Central and South West Corporation

By: /S/ STEPHEN J. MCDONNELL
Stephen J. McDonnell
Treasurer

Milbank, Tweed, Hadley & McCloy
1 Chase Manhattan Plaza
New York, New York 10005

October 21, 1994

James J. Moeller, Esq.
Office of Public Utility Regulation
Division of Investment Management
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: Central and South West Corporation
Application-Declaration on Form U-1
(Acquisition of El Paso Electric Company),
File No. 70-8339

Dear Jim:

On behalf of Central and South West Corporation ("CSW"), the following information is hereby provided in response to the letter of S. Kevin An dated June 3, 1994 to Stephen J. McDonnell and the undersigned (the "Comment Letter") relating to the above-referenced application-declaration (the "Application"). Capitalized terms that are not defined herein have the meanings ascribed to them in the Application or the Comment Letter.

For your convenience, the numbered paragraphs in this letter correspond to the numbered comments in the Comment Letter. Also enclosed are: (i) an amended and restated Application (the "Amended Application") reflecting CSW's responses to the Comment Letter and (ii) CSW's response (the "Intervention Response") to the petitions for leave to intervene and requests for hearing filed by Southwestern Public Service Company, the Texas Office of Public Utility Counsel, the City of Las Cruces, New Mexico, the New Mexico Public Utility Commission, the Louisiana Public Service Commission, the Arkansas Public Service Commission, and Texas Utilities Electric Company. Also enclosed in the courtesy copies of this filing for the convenience of the Staff is a black-lined version of the Amended Application marked to show changes from the initial Application as filed on January 10, 1994.

Set forth below is a summary of CSW's responses to the Staff's comments raised in the Comment Letter, together with cross references to the sections of the Amended Application where additional responsive information can be found. Comment numbers below correspond to numbers in the Comment Letter.

Comment No. 1. Revised tables with the additional information requested by the Staff are included in Item 3.I.A.1.b of the Amended Application.

Comment No. 2. An expanded description of the process and factors considered in determining the purchase price is included in Item 3.I.A.2.a of the Amended Application, under the heading "Reasonableness of Consideration."

In response to your request for an analysis of "assumed liabilities," please note that while CSW is acquiring the ownership of EPE, CSW will not assume EPE's obligations. Rather, the obligations of EPE will remain obligations of EPE. For example, EPE first and second mortgage bonds will be replaced by first and second mortgage bonds of Reorganized EPE.

Comment No. 2 of the Staff also requests a "hypothetical purchase price, including the amount of different securities to be issued, as of May 31, 1994." As you know, the Transaction was not effective and was not "priced" as of May 31, 1994. Under the terms of the merger agreement and the plan of reorganization confirmed by the Bankruptcy Court in December 1993, the "purchase price" (including the value of the new securities to be issued by Reorganized EPE) was -- and remains -- approximately $2.1 billion. A portion of the purchase price will be paid in the form of new shares of CSW Common Stock and a portion in the form of new debt securities and preferred stock of EPE. The exact mix of securities and the exact number of shares of CSW Common Stock will depend on market conditions -- and CSW's assessment of those conditions -- at the time the Transaction is consummated. In addition, CSW is entitled to substitute cash in lieu of stock or debt. This gives CSW flexibility if market

conditions are temporarily unfavorable to the issuance of any of the securities in question. For illustrative purposes, a hypothetical recapitalization table as of June 30, 1994, showing the amount of stock and other securities that would be issued under one possible set of assumptions, is set forth in Item 3.I.A.2.a of the Amended Application under the heading "Reasonableness of Consideration". A breakdown of the securities to be issued under these assumptions is set forth in Item 3.II.A.3 ("Issuance of New EPE Securities").

Comment No. 3(a). Further details regarding CSW's proposal before the FERC for interconnecting with EPE -- including information regarding specific transmission lines, proposed transmission reinforcement, and costs -- is set forth in Item 3.I.B.1.a.i of the Amended Application under the heading "Interconnection". In sum, parts (1) through (3) of your description of the proposal are correct. Part (4), regarding the reinforcement by the building of a new 345 kV transmission line, is no longer part of the proposal because further studies indicate that this reinforcement is not needed. Thus, parts (1) and (2) of the requested explanation are now moot. Regarding part (3) of the requested explanation, the 133 MW of total transmission service is adequate to meet the electric transmission needs of EPE's interconnect to the CSW system.

Comment No. 3(b). Projected transmission access charges are estimated to be $1.5 million annually for the 1995-1998 period during which non-firm service would be provided, and $3.0 million annually for the 1999-2004 period, during which firm service would be provided, and are discussed in Item 3.I.B.1.a.i, of the Amended Application under the heading "Interconnection". The estimated cost of transmission access is included in the estimate of Transaction benefits.

Comment No. 3(c). An interconnection map identifying the 115 kV, 230 kV and 345 kV interconnection points is included in Exhibit E-3, filed with the Amended Application.

Comment No. 3(d). By order dated August 1, 1994, the FERC confirmed its power under Section 211 of the Federal Power Act to order SPS to provide CSW with access to the SPS transmission system for purposes of integrating the operations of EPE and the CSW Electric Operating Companies, and established a procedure looking toward granting CSW such access. Further information regarding the FERC's 211 order is set forth in Item 4.IV of the Amended Application, under the heading "Section 211 Transmission Application." As a result of the FERC's August 1 order, CSW continues to expect that the proposed transmission access will be approved by the FERC. Since FERC approval is expected, alternative methods of interconnection and their associated costs are not described in the Amended Application at this time.

Comment No. 3(e). The CSW System central dispatch facility is located in Dallas. Further information regarding dispatch, including the effects of the current restructuring plan for the CSW System on central economic dispatch, the coordination of the CSW System and the preservation of advantages of localized management is set forth in Items 3.I.B.1.a.i, ii and iv of the Amended Application.

Comment No. 4(a). The acquisition of EPE is accounted for as a "purchase" rather than a "pooling of interests." If any one of the twelve pooling of interests criteria of APB Opinion No. 16 is not met, then the combination must be accounted for as a "purchase." The Transaction did

not satisfy five of the twelve criteria: (1) the exchange of CSW Common Stock and cash for voting common stock of EPE violates Criterion 4; (2) the equity interest of EPE shareholders will be reduced by amounts received from CSW and the liquidation trust, and EPE shareholders will be diluted by the issuance of CSW Common Stock to EPE creditors, both in violation of Criterion 5; (3) the ratio of interest of EPE shareholders to other shareholders in the CSW-EPE combined entity will be reduced in violation of Criterion 7; (4) the limited transferability restrictions imposed on large holders of newly issued shares of CSW Common Stock violate Criterion 8; and (5) the rights of EPE shareholders in a liquidation trust from which distributions may be made after the Effective Date violate Criterion 9.

In addition, this letter will confirm that the pro forma income statements furnished with the Application include goodwill amortization which is reflected in "Other Expenses." The amortization period used was approximately 30 years. This period was determined by measuring the approximate remaining life of EPE's plant.

Comment No. 4(b). Item 3.I.A.3 of the Amended Application (headed "Section 10(b)(3)") contains a revised pro forma consolidated capital structure to show CSW and EPE separately as of June 30, 1994, and on a combined pro forma basis.

Comment No. 4(c). Item 3.II.A.3.b. of the Amended Application includes an analysis of EPE's pretax interest coverage ratio for EPE upon completion of the Transaction.

Comment No. 5(a). CSW estimates that the quantified cost savings and synergies resulting from the Transaction (net of the relevant costs, as described in Item 1.H of the Amended Application under the heading "Reasons for Transaction") will be approximately $420 million in nominal dollars during the 10-year period 1995-2004, or $280 million on a present-value basis using a discount rate of 8.0%, which is the discount rate used with respect to the present value analyses of savings in the merger proceedings currently pending before the PUCT.

Comment No. 5(b). The foregoing estimate of Transaction savings (i.e., $420 million on a nominal-dollar basis or $280 million on a present-value basis) takes account of all relevant costs required to achieve the benefits of the Transaction, including the estimated costs of modifications needed on the CSW and the SPS systems before firm transmission service can be provided by SPS on a year-round basis. The savings estimate also takes account of the estimated wheeling costs associated with firm and non-firm energy transactions. (Further information regarding the costs to achieve the benefits of the Transaction is set forth in Item 1.H of the Amended Application, under the heading "Cost Savings and Synergies", and the exhibits cited therein.) In accordance with APB Opinion No. 16 (which prescribes the accounting for business combinations), the costs of completing the Transaction -- including the legal fees, investment banking fees and CSW's and EPE's internal costs -- are not subtracted from the estimate of Transaction benefits and will not be charged to the CSW Electric Operating Companies, but are included in the final purchase price and will be capitalized as part of CSW's common stock equity in Reorganized EPE. Further information regarding projected Transaction savings by company and category, in nominal and net present value terms, using a discount rate of 8.0%, is set forth in Exhibit D-1.17 to the Amended Application. Further information and analysis regarding the cost savings of the Transaction are included in Item 1.H of the Amended Application and the exhibits cited therein. CSW

does not have a "worst case scenario" for the Transaction as it would not be required to close the Transaction under such a scenario given the conditions precedent to the parties' obligations to close under the Merger Agreement.

Comment No. 5(c). An analysis of the pre- and post-Transaction cost of capital reflecting a shift from non-investment to investment grade rating is included in Item 1.H of the Amended Application.

Comment No. 5(d). Information regarding EPE sales to customers in the City of Las Cruces, including the amount of revenues received from, and percentage of aggregate sales to, customers in the City of Las Cruces, is set forth in the table below.

<TABLE>
<CAPTION>

		Twelve Months Ended December 31,		
Revenues:	Five Months Ended May 31, 1994	1993	1992	1991
<S>	<C>	<C>	<C>	<C>
Las Cruces	$ 14,909,470	$ 36,856,822	$ 35,855,501	$ 35,874,740
Total Company	$212,887,844	$543,594,232	$524,759,587	$462,404,511
Percent	7.00%	6.78%	6.83%	7.76%
KWH Sales:				
Las Cruces	162,005,791	406,822,116	399,116,026	379,012,391
Total Company	2,830,340,856	7,596,764,157	7,485,525,086	7,030,371,216
Percent	5.72%	5.36%	5.33%	5.39%
Customers:				
Las Cruces	30,296	30,081	29,221	28,498
Total Company	263,968	261,958	254,890	249,325
Percent	11.48%	11.48%	11.46%	11.43%

</TABLE>

As set forth in CSW's Current Report on Form 8-K dated September 14, 1994, EPE has stated that it will continue to provide electric service to the City of Las Cruces, and that before Las Cruces could terminate electric service from EPE, a number of legal matters would need to be resolved. EPE has informed CSW that it intends to continue its challenges to Las Cruces' efforts to force its removal as the provider of electric service to customers in Las Cruces. The Bankruptcy Court for the Western District of Texas has issued an order granting relief from the automatic stay, as of January 1, 1995, to permit the City of Las Cruces to file a condemnation proceeding in its effort to municipalize EPE's distribution system in the City. CSW has advised EPE that it will not close the Transaction unless these matters are resolved in a favorable and timely manner.

Comment No. 5(e). As discussed in Item 1.H of the Application under the headings "Other Savings" and "Expansion of Bulk Power Sales and Purchase Capability," the benefits to each CSW Electric Operating Company of increased access to power markets to the west have not been quantified. In CSW's judgment, increased access to these markets will likely reduce costs and provide benefits to CSW's Electric Operating Companies and ratepayers.

Comment No. 5(f). The Application addresses the effect of the

Transaction on rates in Item 1.H under the heading "Cost Savings and Synergies", which states that the "projected cost savings and synergies will help hold future rates and rate increases below what would otherwise result from a stand-alone plan of reorganization." CSW believes that rates will rise less than they would for EPE on a stand-alone basis. An application to establish EPE's rates in Texas is currently pending before the PUCT. (See Exhibit D-1 to the Application.) An explanation and quantification of CSW's settlement proposal is available in Exhibit D-1 (Vol. 2 of 4, Testimony of

David Carpenter, pp. 13-31 & Exh. DGC-5) to the Application. A request for rate relief has not been filed with the New Mexico Public Utility Commission, and CSW recently has announced a settlement offer for New Mexico that would freeze base rates until at least 1998 and allow only one increase in an aggregate amount not to exceed 6% during the period 1998-2001. Finally, an explanation and quantification of potential future rate impacts to New Mexico ratepayers associated with the merger is set forth in Exhibit D-2 to the Application (Testimony of Gary R. Hedrick, Vol. 2, pp. 29-43).

Comment No. 6. The net book value of the Leased Palo Verde Assets as of June 30, 1993 was approximately $605 million. As these assets were sold and leased back, this amount was determined by subtracting from the reasonable and prudent original cost of the assets as previously determined by the PUCT an amount representing accumulated depreciation that would have accrued had the units not been sold and leased back.

As stated in Item 3.II.C of the Application, the Palo Verde "acquisition" is an integral and necessary part of the Plan and a condition to the consummation of the Transaction. In addition, the acquisition is really a re-acquisition of full ownership of interests that were originally owned and are now leased by EPE. As discussed therein, CSW performed analyses which compared the total net present worth revenue requirements for the reacquisition of the Leased Palo Verde Assets to rejection of the leases, payment of damages and installation of new generation. These analyses indicated that the reacquisition of the Leased Palo Verde Assets would result in lower total net present worth revenue requirements for EPE's customers than rejection of the leases, payment of damages and installation of new generation. In any event, for these reasons, CSW has not performed a cost-benefit analysis of the Palo Verde reacquisition in isolation, apart from the other benefits of the Transaction. Further information regarding the Palo Verde Assets -- including a discussion of decommissioning funds and the potential effects of adding the Palo Verde Assets to the CSW System -- is included in Item 3.II.C of the Amended Application under the heading "Reacquisition by EPE of Ownership of the Leased Palo Verde Assets." With respect to the question raised by the Staff regarding tube cracking, CSW is monitoring the situation at Palo Verde and has advised EPE that the tube-cracking problems must be satisfactorily resolved before a closing of the Transaction will occur.

Comment No. 7(a). EPE sold the assets of Triangle Electric Supply Company ("Triangle"), the subsidiary cited in Item 1.B.2 of the Application, in the first quarter of 1994. The sale was approved by the Bankruptcy Court on March 22, 1994 and was completed on April 18, 1994. EPE intends to dissolve Triangle and distribute the remaining cash to EPE.

Comment 7(b). CSW undertakes to provide to the Staff additional terms of certain securities to be issued in connection with the proposed Transaction as soon as they have been determined pursuant to the terms of the Plan.

CSW believes that the foregoing responses, together with the Amended Application, the exhibits filed therewith, and CSW's Intervention Response, address all of the comments raised in the Staff's Comment Letter. Please direct questions or comments concerning the foregoing and any further requests for additional information with respect to the Amended Application to the undersigned at (212) 530-5106 or Rod J. Howard at (212) 530-5383.

Very truly yours,

/s/ JORIS M. HOGAN
Joris M. Hogan

Attachment

cc: Robert P. Wason
Ferd. C. Meyer, Jr., Esq.
Eduardo Rodriguez, Esq.
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Mary W. Cochran, Esq.
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Norma K. Scogin, Esq.
Stephen Fogel, Esq.
James C. Martin, Esq.

UNITED STATES OF AMERICA
BEFORE THE
SECURITIES AND EXCHANGE COMMISSION

In the Matter of) File No. 70-8339
Central and South West Corporation)

RESPONSE OF CENTRAL AND SOUTH WEST CORPORATION TO PETITIONS FOR LEAVE TO INTERVENE, COMMENTS AND REQUESTS FOR HEARING OF SOUTHWESTERN PUBLIC SERVICE COMPANY, TEXAS OFFICE OF PUBLIC UTILITY

COUNSEL, CITY OF LAS CRUCES, NEW MEXICO,
ARKANSAS PUBLIC SERVICE COMMISSION,
LOUISIANA PUBLIC SERVICE COMMISSION,
NEW MEXICO PUBLIC UTILITY COMMISSION,
AND TEXAS UTILITIES ELECTRIC COMPANY

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Attorneys for Central and
South West Corporation

October 21, 1994

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UNITED STATES OF AMERICA
BEFORE THE
SECURITIES AND EXCHANGE COMMISSION

In the Matter of	)	File No. 70-8339
Central and South West Corporation	)	

RESPONSE OF CENTRAL AND SOUTH WEST CORPORATION TO PETITIONS FOR LEAVE TO INTERVENE, COMMENTS AND REQUESTS FOR HEARING OF SOUTHWESTERN PUBLIC SERVICE COMPANY, TEXAS OFFICE OF PUBLIC UTILITY COUNSEL, CITY OF LAS CRUCES, NEW MEXICO, ARKANSAS PUBLIC SERVICE COMMISSION, LOUISIANA PUBLIC SERVICE COMMISSION, NEW MEXICO PUBLIC UTILITY COMMISSION, AND TEXAS UTILITIES ELECTRIC COMPANY

Central and South West Corporation ("CSW") submits this response (the "Response") in support of its Application-Declaration, as amended and restated through the date hereof (the "Application"), in which CSW seeks approval of the Securities and Exchange Commission (the "Commission") under the Public Utility Holding Company Act of 1935, as amended (the "Act"), for its proposed acquisition of El Paso Electric Company ("EPE").

This Response is also submitted in opposition to the petitions to intervene filed by Southwestern Public Service Company ("SPS") and the Texas Office of Public Utility Counsel (the "OPUC") on April 25, 1994, and by Texas Utilities

Electric Company ("TUEC"), on June 29, 1994.[1]

In addition, this Response addresses the comments, including the requests that the Commission conduct an

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[1] Citations to a particular petition to intervene will be in the form of [petitioner's abbreviated name] at [page number]. For example, a citation to page 75 of the SPS Petition would be "SPS at 75."

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evidentiary hearing, raised in the April 25, 1994 filings by SPS, the OPUC, the City of Las Cruces, New Mexico ("Las Cruces"), the Louisiana Public Service Commission (the "LPSC"), the Arkansas Public Service Commission (the "APSC"), and the May 27, 1994 filing of the New Mexico Public Utility Commission.[2]

For the reasons set forth below, the petitions to intervene of SPS, TUEC and the OPUC should be denied, and CSW's proposed acquisition of EPE (the "Transaction") should be approved without a Commission evidentiary hearing.[3]

I. INTRODUCTION

A. Preliminary Statement

The Transaction is the result of nearly three years of proceedings and negotiations of enormous complexity and expense. It resolves a bankruptcy that is only the second bankruptcy of a major publicly-traded electric utility company since the Great Depression. Moreover, as the United States Bankruptcy Court for the Western District of Texas, Austin Division (the "Bankruptcy Court") found, the Transaction "resolves the claims and interests of creditors and shareholders in a manner which is fair to each of them . . . and, in addition, provides the ratepayers with significant

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[2] The Public Utility Commission of Texas ("PUCT") filed a notice of appearance dated April 20, 1994 but has not filed comments.

[3] All the entities filing notices, petitions, comments or requests for hearing are sometimes collectively referred to as the "Petitioners."

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benefits." Bankruptcy Court Findings of Fact and Conclusions of Law [paragraph] 17 (Dec. 8, 1993) (emphasis added) ("Findings of Fact") (Ex. D-14 to the Application). Equally importantly, there is simply no other alternative to the Transaction. As the Bankruptcy Court found, "no other alternative . . . is or would [be] appropriate for EPE at this time." Findings of Fact [paragraphs] 19-21.

Against these concrete findings by an impartial Federal judge -- findings made after nearly two years of proceedings -- SPS and the other Petitioners have presented what are essentially self-interested and unsupported complaints about this Transaction and speculation about other hypothetical transactions. These arguments establish no basis for intervention or a hearing and no basis for delay in the approval of the Transaction by this Commission.

SPS's objections are the familiar complaints of a

frustrated losing bidder-turned-spoiler. They are nothing more than an effort by SPS to win by delay, obfuscation and subterfuge in the regulatory arena what SPS failed to win by open negotiations and proceedings before the Bankruptcy Court. SPS's efforts to misuse these proceedings to derail the Transaction should be rejected by this Commission, just as similar efforts by frustrated bidders have been rejected by the Commission in the past,[4] and just as SPS's efforts to

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[4] See, e.g., Entergy Corp., 55 SEC Docket 2035 (1993) (approving acquisition of Gulf States Utilities over objections of Houston Industries).

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abuse and circumvent the procedures established by the Bankruptcy Court were rejected by the Bankruptcy Court. Findings of Fact [paragraph] 13.

The other Petitioners' objections are essentially a wish that Humpty Dumpty had been put back together differently. These arguments fly in the face of the long -- and undisputed -- history of unsuccessful efforts by EPE to reach agreement with its creditors and the similarly unsuccessful efforts of other would-be acquirors to win support for their proposals.[5] Such jockeying for advantage in December 1991 was just the sort of behavior that caused EPE to fall into bankruptcy in the first place, and, if unchecked, will prevent EPE's emergence from bankruptcy. Moreover, a review of the undisputed history of the Transaction confirms that the Petitioners' speculation about other possible transactions, on other terms, is just that: speculation.

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[5] This history is summarized in Item 1.C of CSW's Application and is nowhere disputed by Petitioners. In 1991, EPE engaged in protracted and ultimately unsuccessful negotiations with creditors to implement an out-of-court restructuring of its obligations. EPE filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code in January 1992. In the summer and fall of 1992, EPE unsuccessfully proposed a plan of reorganization providing for it to emerge from bankruptcy as a stand-alone company. EPE thereafter analyzed the possibility of a business combination with other utility systems. Thirteen potential acquirors requested and were sent an information package about EPE. Only six of the thirteen entities obtained detailed briefings and additional information from EPE, and four of them engaged in a formal due diligence investigation of EPE's business. Thereafter, only two potential acquirors remained in the process -- CSW and SPS, which now says it is no longer interested in acquiring EPE -- and only one party, CSW, attracted the requisite support of the Bankruptcy Court and EPE stakeholders.

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Such speculation is wholly insufficient to warrant a hearing or to deny or delay this Commission's approval of the Transaction.

Moreover, these speculations are contradicted by the

findings of the Bankruptcy Court. In its Findings of Fact, the Bankruptcy Court unambiguously described the Transaction as the only presently viable option for allowing EPE to emerge from bankruptcy as a financially viable entity:

> The events of this case, including particularly the competitive bidding process which involved SPS and the substantial preference for the CSW Merger which was expressed by the constituencies . . . demonstrate that no other alternative, including the alternative presented by the SPS proposal, is or would [be] appropriate for EPE at this time. Even if such other alternative were feasible, moreover, it would not be consistent with the objectives of the Bankruptcy Code or the best interests of the estate to delay EPE's emergence from Chapter 11 to pursue such other alternative.

Findings of Fact [paragraph] 19 (emphasis added). The Bankruptcy Court also stated that liquidation would be "undesirable" and would be "inconsistent with EPE's public service obligations." Id. [paragraph] 20.

While the objectors quibble with certain details of the Transaction, one overarching fact is undisputed: the Transaction will extract EPE from nearly three years of bankruptcy proceedings that are expected to have cost an aggregate of between $65 million and $75 million by June 30, 1995. By ending the EPE bankruptcy, the Transaction will end this enormous financial hemorrhage and will redirect EPE's full resources -- which have necessarily been diverted by the

bankruptcy proceedings -- back to the operation of EPE's business in a time of unique challenges to the entire electric utility industry.

In addition, the Transaction will end the uncertainty that bankruptcy has created for EPE's investors and customers -- thereby providing a more certain basis for business expansion plans and economic growth opportunities in EPE's service areas.

Petitioners' desire to divert this Commission's attention away from these central considerations to other, less relevant issues is a compelling indication of the lack of merit in their petitions.

B. Summary Of CSW's Responses

1. Intervention And Hearing

The requests of SPS, TUEC and OPUC for intervention should be denied. SPS is simply a disappointed bidder who has become a spoiler, TUEC raises purely private issues which are already being addressed by the Federal Energy Regulatory Commission (the "FERC") in proceedings related to the Transaction,[6] and the OPUC appears to believe that the Commission is engaged in a ratemaking proceeding. The

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[6] Three proceedings related to the Application are presently before the FERC: (1) El Paso Electric Co., et al., Docket No. TX94-2-000 (seeking order pursuant to section 211 of the Federal Power Act); (2) El Paso Electric Co., et al., Docket No. EC94-7-000 (seeking approval of the acquisition pursuant to section 203 of the Federal Power Act); and (3) Central and South West

Services, Inc., Docket No. ER94-898-000 (seeking approval to amend CSW's operating agreement pursuant to section 205 of the Federal Power Act).

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participation of any of these entities as parties would not further the purposes of the Act.

The requests that the Commission convene a hearing should be denied. None of Petitioners' submissions sufficiently identifies which specific facts are to be the subject of the requested hearing. On this basis alone, their requests for a hearing should be denied. In addition, none of the issues raised has both sufficient merit and sufficient relationship to an interest protected by the Act to warrant consideration by the Commission. Even if the issues were relevant under the Act, no hearing would be necessary because the voluminous record before the Commission is more than adequate to enable the Commission to consider the Application and make all findings required for approval.

2. Substantive Issues

The facts regarding the principal issues raised by Petitioners are as follows:

* Integration: Petitioners' arguments that the post-Transaction CSW-EPE system would not be "physically interconnected," would not be sufficiently "coordinated" and would not be confined to a "single area or region" are simply wrong. FERC's recent order on CSW's section 211 application moots Petitioners' arguments insofar as transmission and other technical electric utility issues are concerned.[7] The record before the

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[7] On August 1, 1994, the FERC issued orders in two proceedings that relate to the Transaction -- (1) an order (the "211 Order") with respect to EPE's and CSW's application in Docket No. TX94-2-000 under section 211 of the Federal Power Act, as amended (the "Federal Power Act") seeking an order requiring SPS to provide firm and non-firm transmission services between EPE and CSW; and (2) an order (the "203 Order") with respect to CSW's applications in Docket Nos. EC94-7-000 and ER94-898-000

(continued...)

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Commission on this Application, which will include the full record before the FERC, fully supports a Commission finding that the Application meets the Act's integration requirements. No Commission hearing is required.

* Transaction Benefits: The record before the Commission (including the record before the FERC) provides ample basis for the Commission to find that approval of the Transaction will tend "towards the economical and efficient development of an integrated public-utility system." Many of the Petitioners' arguments regarding savings are speculative and therefore are not legitimate bases for a Commission hearing. In any event, Transaction benefits are being comprehensively addressed before the FERC, which will hold an evidentiary hearing.

See 203 Order at 64.[8] To hold a separate Commission hearing is unnecessary and would be duplicative and therefore wasteful. The end of EPE's bankruptcy is an additional and substantial public benefit which the Bankruptcy Court and the FERC have already found to be in the public interest and which, under Commission precedent, is sufficient "in itself" to satisfy section 10(c)(2) of the Act.

* Consideration: The consideration payable was the result of a supervised negotiation and its fairness is supported by ample evidence in the record and by the findings of the Bankruptcy Court and a formal written opinion of Morgan Stanley & Co. Petitioners' concerns regarding

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[7](...continued)
under sections 203 and 205 of the Federal Power Act seeking FERC approval of CSW's acquisition of EPE and of an amendment to the CSW System Operating Agreement to add EPE to that Agreement. See 68 FERC [paragraph] 61,182 (1994).

[8] Pursuant to the FERC's 203 Order, the FERC has set for hearing the following Transaction-related issues: (1) the reasonableness of the projection by CSW and EPE of lower production costs; (2) the reasonableness of CSW's and EPE's estimates for labor and administrative cost savings; (3) whether lowering the cost of capital of EPE will be offset by increases in the cost of capital of CSW's existing operating companies; (4) whether the reacquisition by EPE of the Palo Verde Assets will result in cost savings over the remaining life of the assets; and (5) whether the costs and risks of the Transaction fall disproportionately on CSW's operating companies and their ratepayers. In addition, the FERC will establish hearing procedures to address the details of transmission comparability and related cost and rate matters.

this issue or the related one of CSW's issuance of common stock are ill-defined, speculative and do not raise a serious factual issue necessitating a hearing.

* Competition, Antitrust and Size: The record before the Commission is more than sufficient to provide a basis for the Commission to conclude that the Application meets the Act's standards on these issues. The Commission should defer to the FERC's special expertise concerning the impact of the Transaction on competition and antitrust issues. As to both of those, the FERC has found that any potential anticompetitive effects can and will be "adequately mitigated" once the tariffs of PSO/SWEPCO and the pro forma tariff of EPE are modified to provide for comparable services. See 203 Order at 54. CSW has conditionally agreed to make those modifications. In addition, antitrust issues will be subject to review by the Antitrust Division of the Department of Justice and the Federal Trade Commission under the Hart-Scott-Rodino Antitrust Improvements Act and by the Nuclear Regulatory Commission under the Atomic Energy Act. Further consideration by the Commission is unnecessary and would

be duplicative, and a hearing is not needed.

* Ratepayer Considerations: While the Commission is charged with protecting consumers, it is not a rate-making body. Rate issues are being addressed in pending regulatory proceedings before the applicable state commissions. The Commission need not consider rate issues, much less hold a hearing about them. Apart from rate concerns, Petitioners have not raised any consumer-related issue bearing on an interest protected under the Act.

The sections below address why certain Petitioners should not be allowed to intervene (section II), why the principal issues raised by Petitioners lack merit and do not provide any basis for a hearing (section III), and why the Commission should not postpone consideration of this Application (section IV).

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II. SPS, TUEC AND OPUC HAVE FAILED TO SHOW THAT THEY SHOULD BE ALLOWED TO INTERVENE

A. Standards For Intervention

To intervene in a proceeding before the Commission, a person must assert an interest protected under the Act. See the Act [section] 1, 15 U.S.C. [section] 79a (1988). The Act protects the national public interest, investors in securities of holding companies and their subsidiaries and affiliates, and consumers of electric energy and gas. Under section 19 of the Act:

> In any proceeding before the Commission, the Commission, in accordance with such rules and regulations as it may prescribe, shall admit as a party any interested State, State commission, State securities commission, municipality, or other political subdivision of a State, and may admit as a party any representative of interested consumers or security holders, or any other person whose participation in the proceedings may be in the public interest or for the protection of investors or consumers.

15 U.S.C. [section] 79s (1988) (emphasis added).

Rule 9(e) of the Commission's Rules of Practice, 17 C.F.R. [sections] 201.1 et seq., governs the requirements for intervention by entities that are other than a State, a State commission, or a political subdivision of a State. Rule 9(e) provides, in pertinent part:

> [N]o person shall be admitted as a party to a proceeding by intervention unless the Commission is satisfied on the basis of the written application of such person (and any evidence taken in connection therewith) that his participation as a party will be in the public interest, and that leave to be heard pursuant to [Rules 9(c) and 9(d)] would be inadequate for the

protection of his interests.

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17 C.F.R. [section] 201.9(e) (1993) (emphasis added). Neither SPS nor TUEC has made the requisite showing that any interest it purports to advance is in the public interest or any other interest protected under the Act. In the absence of such a showing, Rule 9(e) specifically provides that "no [such] person shall be admitted as a party." Id.

These petitioners have also failed to show why, in the event there is a hearing, their interests could not be adequately protected by leave to be heard as a limited participant under Rules 9(c) and 9(d). TUEC concedes that its purported need to participate in the proceeding is limited. TUEC at 8 (asking to intervene only "to the extent necessary"). As Rules 9(c) and 9(d) make clear, whether to allow intervention of a private party is squarely within the discretion of the Commission. Similarly, the scope of any such intervention is within the Commission's discretion. Association of Mass. Consumers, Inc. v. Securities and Exchange Commission, 516 F.2d 711, 714-15 (D.C. Cir. 1975), cert. denied, 423 U.S. 1052 (1976); Okin v. Securities and Exchange Commission, 143 F.2d 960, 961 (2d Cir. 1944) (per curiam). Absent exceptional circumstances (which the proposed intervenor has the burden to prove), private interests are to be addressed through comments or limited participation. See Georgia Power Co., 6 SEC Docket 617, 618 (1975). The Commission should deny SPS's and TUEC's requests to intervene.

The Commission should also deny the OPUC's petition for intervention. While the OPUC does not suffer from the

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private interest disqualification that should exclude SPS and TUEC, its participation as a party would be duplicative and wasteful because the PUCT will be a party anyway and will advocate the interests of Texas consumers.

B. Intervention By SPS And TUEC Would Contravene The Standards Of Rule 9 And Disserve The Purposes Of The Act

SPS is a disappointed bidder seeking to play the role of spoiler. SPS's purely private and commercial interest in preventing CSW from acquiring EPE does not constitute any protected interest under the Act. That fact, combined with SPS's utter failure to explain why intervention in the proceedings before this Commission is necessary to protect its private interests, as required under Rule 9(e), warrants denial of SPS's petition for intervention.

Moreover, the issues SPS improperly purports to raise here are either already moot, by virtue of action taken by the FERC, or are being addressed in related federal and state proceedings. See generally 211 Order and 203 Order. SPS has intervened in all state and federal regulatory proceedings. In addition, as SPS's submission states, it is deeply involved in the ongoing proceedings before the FERC, as it is before the NRC.

Thus, intervention by SPS would neither further the purposes of the Act nor serve the public interest. Instead, intervention is another device that would allow SPS to use the

Act, the Commission, and the public's resources to attempt to

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keep CSW from obtaining what CSW fairly negotiated for in EPE's bankruptcy proceedings.

TUEC's submission similarly fails to justify its intervention as a party. Although the purpose for TUEC's submission is not entirely clear, it appears that TUEC bases its intervention request on its assertion that TUEC's "interconnections" with CSW will be vital to CSW's ability to achieve integration. This is simply not the case, as the 211 Order and Application demonstrate beyond cavil.

In any event, the technical questions of electrical feasibility and of the consequences of interconnection are more appropriately considered by the FERC. TUEC implicitly concedes as much and expressly states that resolution of the interconnection issue, and how it may affect TUEC's interests are fully dependent on the decision of the FERC under section 211 of the FPA. In view of TUEC's concession, and in view of the FERC's 211 Order (see note 13 and section III.B.1.c), TUEC does not need to intervene in this proceeding to protect its purported interests in the Transaction.

Even if the Commission were to consider TUEC's assertion regarding interconnections, nowhere in TUEC's submission does it explain why its intervention as a party is necessary to address that issue. TUEC merely offers the conclusory statement that "[l]eave to be heard" would be inadequate. TUEC at 7. Rule 9(e) requires, however, that TUEC set forth in detail its need for intervention. Since TUEC has not done that, and indeed, cannot do it, TUEC should

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not be permitted to intervene. See Georgia Power Co., 6 SEC Docket at 618.

C. Intervention By The OPUC Would Also Fail To Meet The Standards Of Rule 9 Or To Serve The Purposes Of The Act

The OPUC is not a State, a State commission or political subdivision of a State. It must therefore satisfy the standards for permissive intervention, which it has failed to do. While the OPUC is charged with representing Texas's residential and small commercial customers in public utility matters, that fact alone does not warrant according the OPUC party status in this proceeding.

The OPUC's primary statutory concerns are with ratepayers' interests in having low rates for reliable service. However, the OPUC's concerns are more appropriately addressed in other forums and, in any event, it is questionable whether the OPUC would be the only, or even the best, participant to raise these issues.

As described in more detail in section III.E below, the Commission has no role in ratemaking. To the extent that the OPUC wishes to protect Texas consumers from what it believes will be detrimental effects on rates resulting from the Transaction, it can do so -- and is doing so -- before the PUCT, which is considering the very same Transaction and issues. Neither hearing nor intervention is required here with respect to rate concerns.

Reliability of electric service is within the province of the FERC and applicable state commissions. The

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OPUC, among others, is participating in proceedings before the FERC and the PUCT, which can and will address OPUC's reliability arguments. No hearing by the Commission and no intervention by the OPUC in this proceeding is required with respect to reliability.

Finally, even if the Commission believes that some aspects of some of the issues raised by the OPUC ought to be considered, neither intervention nor a hearing is required. The interests sought to be represented by the OPUC in this proceeding are more appropriately and adequately represented by the PUCT, the state regulatory body charged with protecting the interests of ratepayers which has filed a notice of appearance in this proceeding. Intervention by the OPUC will add nothing except delay, duplication and waste. The Commission should deny the OPUC's request for intervention.

III. THE ISSUES RAISED BY PETITIONERS ARE WITHOUT MERIT AND DO NOT WARRANT A HEARING

Various Petitioners have requested an evidentiary hearing.[9] Each and every request should be denied.

A. Standards For A Hearing

To justify a hearing, a party must show both a genuine issue regarding a material fact and a useful purpose to be served by holding a hearing. The burden is on the party requesting a hearing to make such a showing; bare assertions will not suffice, and a request for a hearing will not be

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[9] See SPS at 72-73; Las Cruces at 28-30; OPUC at 14-16; LPSC at 1, 6-7; APSC at 8, 10, 13, 17, 22-23.

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granted if no disputed material facts are set forth. See, e.g., Centerior Energy Corp., 35 SEC Docket 769, 777-78 (1986) (request for hearing denied for failure to set forth facts making up a violation of the Act); Herring v. Securities and Exchange Commission, 673 F.2d 1191, 1193 (11th Cir. 1982) (evidentiary hearing "meaningless" in light of absence of disputed facts). Here, the various Petitioners' requests for a hearing should be denied because each has failed to meet these two fundamental requirements. If no genuine issue of material fact exists, the Commission need not conduct a hearing. Entergy Corp., 55 SEC Docket 2035, 2050 & n.121 (1993) (citing City of New Orleans v. Securities and Exchange Commission, 969 F.2d 1163, 1167 n.6 (D.C. Cir. 1992)); Wisconsin's Envtl. Decade, Inc. v. Securities and Exchange Commission, 882 F.2d 523, 526 (D.C. Cir. 1989); Northeast Utils., 48 SEC Docket 694, 698 (1991), aff'd sub nom. City of Holyoke Gas & Elec. Dep't v. Securities and Exchange Commission, 972 F.2d 358 (D.C. Cir. 1992); accord Cajun Elec. Power Coop. v. FERC, No. 92-1461, 1994 U.S. App. LEXIS 17001 (D.C. Cir. July 12, 1994) (per curiam) (ordering hearing but reiterating standards that hearing is required only where there are genuine issues of material fact).

Likewise, speculative and conclusory allegations do not rise to the level of genuine material issues and cannot provide a basis for a hearing. Entergy Corp., 55 SEC Docket at 2050; Woolen Mill Assocs. v. FERC, 917 F.2d 589, 592 (D.C. Cir. 1990). An agency need not conduct a hearing unless doing

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so would serve a useful purpose. Connecticut Bankers Ass'n v. Board of Governors of Fed. Reserve Sys., 627 F.2d 245, 250-51 (D.C. Cir. 1980); City of Lafayette v. Securities and Exchange Commission, 454 F.2d 941, 953 (D.C. Cir. 1971) (hearing not required in matter where ultimate decision would not be "enhanced or assisted by the receipt of evidence"), aff'd sub nom. Gulf States Utils. Co. v. Federal Power Comm'n, 411 U.S. 747 (1973). Even where issues of fact exist, a hearing will not be granted unless the reviewing agency in its discretion believes that it cannot adequately address the issues upon written submissions. See, e.g., Cities of Carlisle & Neola v. FERC, 741 F.2d 429, 431 (D.C. Cir. 1984); Boston Carrier, Inc. v. ICC, 728 F.2d 1508, 1510-11 & n.5 (D.C. Cir. 1984).

Here, Petitioners requesting a hearing have raised identical arguments before the FERC. These points are largely operational and technical in nature and involve policy decisions by the FERC. The resolution of such issues does not require a hearing by the Commission. See Iroquois Gas Transmission Sys., 52 FERC [paragraph] 61,091, at 61,368 (1990), aff'd sub nom. Louisiana Ass'n of Indep. Producers & Royalty Owners v. FERC, 958 F.2d 1101, 1113 (D.C. Cir. 1992) (per curiam). Moreover, the duplicative nature of the requests here and at the FERC is apparent. The Commission should defer to the FERC in areas of the FERC's particular expertise. Entergy Corp., 55 SEC Docket at 2041-42 & n.47; Northeast Utils., 48 SEC Docket at 696-97; cf. Ohio Power Co. v. FERC, 744 F.2d 162, 166 (D.C. Cir. 1984).

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Regardless of whether or not they are being addressed by the FERC, none of the issues raised by Petitioners would merit an evidentiary hearing. The record before the Commission is comprehensive and the Application is legally supported both by Commission precedent and recent regulatory policy changes.

Petitioners' arguments regarding integration are premised on an overly restrictive interpretation of the Commission's precedent and do not reflect present regulatory policy. Their attack on Transaction benefits is speculative, conjectural and myopic. CSW has shown and the Bankruptcy Court has found substantial public benefit from the Transaction's putting an end to EPE's bankruptcy -- benefit Petitioners either ignore or refuse to see. CSW has also fully supported the savings arising from the Transaction in the non-fuel O&M, production (including the Palo Verde reacquisition) and financial areas.

The record before the Commission also provides ample support for the fairness of the consideration to be paid. Petitioners' speculative concerns, including their vaguely expressed doubts about CSW's ability to issue common stock or the consequences of doing so, are an inappropriate basis for a hearing.

The interests of consumers in paying lower rates, cited by the OPUC and the APSC, are being addressed in other regulatory proceedings. Therefore, they are not appropriately addressed by the Commission, which in any event does not have

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ratemaking jurisdiction; much less are they the basis for a Commission hearing.

Finally, the FERC has fully and adequately dealt with the competition and antitrust issues, finding that all such concerns will be mitigated as long as CSW, EPE and certain of CSW's subsidiaries agree to open access transmission tariffs on a "comparable" basis. There is no need to conduct a hearing on those issues or with regard to the size of the combined CSW-EPE system.

B. The Commission Need Not Hold A Hearing To Conclude That The CSW-EPE System Will Form An "Integrated Public Utility System" Within The Meaning Of Sections 2(a)(29)(A) And 10(c)(2)

The Petitioners argue that the Transaction fails to satisfy the Act's integration requirements.[10] Their arguments are without merit and the Commission need not hold a hearing to dispose of them.

The Act's integration requirements,[11] as applied to electric utility companies, are set forth in section

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[10] Arguments concerning the Transaction's failure to satisfy the Act's integration requirements were made by OPUC at 11, 14; SPS at 9, 14-24; and APSC at 4-8, 10, 16.

[11] The Act's integration requirements are set forth in sections 2(a) (29), 10(c) and 11(b) (1). 15 U.S.C. [sections] 79b(a) (29), 79j(c), 79k(b) (1) (1988 & Supps. IV 1992 & V 1993). Section 10(c) states that the Commission shall not approve an acquisition that is "detrimental to the carrying out of the provisions of section [11]" (which addresses the integration and simplification of holding company systems). 15 U.S.C. [section] 79j(c) (1). In addition, section 10(c) requires that the acquisition "serve the public interest by tending towards the economical and efficient development of an integrated public-utility system." 15 U.S.C. [section] 79j(c) (2). See also Electric Energy, Inc., 38 SEC 658, 664 (1958) (summarizing integration standards under the Act).

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2(a)(29)(A) of the Act, which defines an "integrated public-utility system" as

> a system consisting of one or more units of generating plants and/or transmission lines and/or distributing facilities, whose utility assets, whether owned by one or more electric utility companies, are physically interconnected or capable of physical interconnection and which under normal conditions may be economically operated as a single interconnected and coordinated system

confined in its operations to a single area or region, in one or more States, not so large as to impair (considering the state of the art and the area or region affected) the advantages of localized management, efficient operation, and the effectiveness of regulation.

15 U.S.C. [section] 79b(a)(29)(A) (1988) (emphasis added). Only two Petitioners directly challenge the Transaction's ability to meet the integration test, and they raise only three grounds.[12] SPS addresses only the "interconnection" and "single area or region" requirements, SPS at 14-26, while the APSC argues that the CSW-EPE system would not satisfy the Act's "coordinated system" requirement. APSC at 5-8. The arguments of SPS and the APSC are without merit. In fact, the Transaction satisfies the Act's integration requirements, and

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[12] The OPUC's comments regarding integration merely state that "SPS has vigorously protested" CSW's proposed interconnections and that interconnection alternatives will have a financial impact upon CSW. OPUC at 11, 14. The OPUC's concerns regarding alternatives have been mooted by the FERC's 211 Order, and form no basis for a hearing. The APSC's comments regarding integration also question the financial impact upon CSW of interconnecting by means of FERC-approved transmission access across SPS. APSC at 4-5. The financial impact upon CSW of interconnecting across SPS is addressed in section III.C below.

the Commission should so conclude on the record before it, without conducting a hearing.

1. CSW And EPE Meet The Interconnection Requirements Of The Act

CSW and EPE will be interconnected by means of the SPS transmission system. Pursuant to section 211 of the FPA, 16 U.S.C. [section] 824j (1988 & Supps. IV 1992 & V 1993), the FERC has already stated that it will require SPS to provide such access, subject only to confirmation that doing so will not unreasonably impact the reliability of SPS's system.[13] Petitioners' arguments are therefore not properly addressed in an evidentiary hearing.

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[13] In its 211 Order, the FERC preliminary found that "a final order requiring [SPS] to provide the transmission service requested by the Applicants would comply with the statutory standards, once reliability concerns have been met." 211 Order at 21. The FERC's order rejected SPS's assertions that the FERC has no authority under section 211 to order transmission service to allow coordination of merging utilities' operations, and ordered SPS to perform reliability studies. 211 Order at 26. On October 11, 1994, SPS filed the results of its reliability studies together with a report of its

planning engineering department. CSW and EPE have also filed a report of their assessment of SPS' study results and presenting the results of studies independently conducted by CSW with the assistance of an expert consultant. If, after reviewing the studies and comments filed by SPS and CSW, the FERC concludes that reliability will not be unreasonably impaired, the FERC will issue a further order that requires CSW and SPS to negotiate the rates, terms and conditions on which the requested transmission service will be provided. 211 Order at 29.

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a. FERC-Approved Transmission Access Across SPS's System Satisfies The Act's Interconnection Requirement

The Commission has previously ruled that the interconnection requirements of the Act may be satisfied by FERC-approved transmission access or by a "contract path" over the transmission lines of other utilities. See Northeast Utils., 47 SEC Docket 1270, 1285 n.74 (1990) (Northeast's acquisition of bankrupt utility satisfied integration requirements in part through a "transmission agreement . . . pending before FERC which, if approved, would also provide an interconnection"); cf. American Natural Gas Co., 43 SEC 203, 205-06 (1966) (acquisition of gas utility approved based upon proposed interconnection for which Federal Power Commission approval would be sought). Such a contract path is analogous to the transmission access available pursuant to section 211 which is also akin to the FERC-approved plan which met the Act's integration requirements in Northeast Utilities.[14]

The Commission has also held that the Act's interconnection requirements may be satisfied by a contract path between merging systems over lines owned by other utilities. E.g., New England Elec. Sys., 38 SEC 193, 198-99 (1958) (four indirectly connected systems integrated due to

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[14] The FERC has rejected SPS's arguments questioning the purpose of section 211, its alleged adverse effects upon SPS or "wholesale power markets," and SPS's Fifth Amendment arguments (SPS at 15-16). Moreover, subject to the reliability studies, each of the issues raised by SPS in the 211 proceeding has been decided by FERC adversely to SPS. See 211 Order. See also section III.F.

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feasibility of direct interconnections, central coordination, and transmission contracts with nonaffiliates); Cities Serv. Power & Light Co., 14 SEC 28, 53 n.44 (1943) (interconnection by means of "a transmission line which functions as an important tie between the companies although it is owned, not in the system, but by [a federal agency]"). By contracting for transmission service provided by SPS pursuant to section 211, CSW and EPE will satisfy the requirements of section 2(a)(29)(A) of the Act.[15]

Contrary to SPS's assertion (SPS at 21), Northeast Utilities, Centerior and other cases show that the Act's physical interconnection standard may be satisfied by a right

to use transmission lines owned by another utility. See Northeast Utils., 47 SEC Docket at 1285 (integration found on the basis of this "right of use agreement" with a non-affiliated utility); Centerior, 35 SEC Docket at 774-75 (interconnection requirement met by right to use transmission line of non-affiliated utility to connect two service areas). SPS attempts to distinguish Northeast Utilities by citing the "tight" power pool and the settlement agreement in Northeast Utilities as factors not present in this Application. SPS at 22-23. This attempt ignores other facts in Northeast Utilities -- such as the presence of a contract path (after all, the settlement agreement in Northeast Utilities was in

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[15] The costs to CSW and EPE of transmission access across SPS are addressed in section III.C.3 below and in Items 1.H and 3.I.B.1.a.i of the Application.

effect a contract path) and the FERC's approval of a transmission agreement. Those factors make the Commission's approval in Northeast Utilities of the acquisition of a bankrupt utility analogous to the approval requested in the present Application.[16]

SPS also ignores the operating agreement between CSW's four electric operating subsidiaries, which EPE will join. This operating agreement offers the same advantages as the "tight" power pool in Northeast Utilities or UNITIL Corp., 51 SEC Docket 562 (1992), including "centralized dispatch and . . . coordinated planning, construction, operation and maintenance of generation and transmission facilities." UNITIL, 51 SEC Docket at 565 (footnotes omitted). See also section III.B.3 hereof.

Other historical and technological factors also explain the Commission's reliance upon a "tight" power pool in Northeast Utilities and UNITIL. As noted by SPS (SPS at 23-24), the utilities in UNITIL are very small. Without a "tight" power pool, the Commission would be justifiably concerned about their ability to move power reliably. This concern is not applicable within CSW's service territory, in which larger generating units regularly transmit power over

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[16] As noted below (in section III.C.1) in the discussion of the bankruptcy-related benefits of the Transaction, the Commission noted in a later proceeding in Northeast Utilities that "a public utility's emergence from bankruptcy reorganization is a benefit that, in itself, may satisfy the standards of section 10(c)(2)." Northeast Utils., 48 SEC Docket 694, 698 n.26 (1991) (emphasis added).

considerable distances. Moreover, Northeast Utilities and UNITIL predate the passage of the Energy Policy Act and therefore focus on the "tight" power pool rather than the more open transmission access allowed recently under section 211.

Finally, despite SPS's arguments to the contrary (SPS at 23-24), UNITIL also supports CSW's proposal to inte-

grate CSW and EPE by means of transmission access across SPS. In UNITIL, the Commission found that three noncontiguous electric distribution territories were sufficiently capable of interconnection due to contractual rights to use a third-party's transmission service, even though no particular lines would transfer power among the companies. UNITIL, 51 SEC Docket at 564-66. The description of the transmission arrangements in UNITIL -- "power will be delivered through a non-affiliate system and a transmission charge will be paid" (id. at 566) -- is analogous to the transmission service requested across SPS. Once again, as with Northeast Utilities, SPS attempts to distinguish UNITIL by ignoring the obvious similarities to the present Application.[17]

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[17] In light of the FERC's 211 Order, it is unnecessary to address SPS's assertion that CSW and EPE would have "no basis . . . to even argue" that "the proposed system is interconnected or capable of interconnection" if the FERC denies CSW's section 211 request. SPS at 16. However, it should be noted that even if transmission through SPS were unavailable, the integration provisions of the Act require only that CSW and EPE be "capable of physical interconnection", a standard CSW and EPE could meet if it ever became necessary to do so.

b. Application Of The Act's Integration Requirements Must Reflect Change In The Law, Technology And The Industry

At the time of the Act's passage, electric utilities supplied electricity to captive customers in a limited geographical area. The Act reflected the industry limitations of the day. In the 59 years since the Act was passed, the traditional constraints have eroded due to competitive pressure, technological change, and regulatory reform. Economical power sales are now possible over long distances through interconnected transmission grids.

Even before the Energy Policy Act was passed, the Commission held that electric utility systems could be integrated despite the necessity of transferring power over long distances, over third-party lines, or without direct interconnections. E.g., UNITIL Corp., 51 SEC Docket 562 (1992) (interconnection by contractual right to use third-party's transmission even though no particular lines would transfer power); Northeast Utils., 47 SEC Docket 1270 (1990) (interconnection by right to use third-party's transmission line); Centerior Energy Corp., 35 SEC Docket 769 (1986) (interconnection by right to use transmission line of non-affiliated utility to connect service areas fifty miles apart).

SPS refuses to recognize this fundamental shift in policy, arguing for an unreasonably rigid interpretation of the Act's integration requirements. The Commission has not allowed the Act to be constrained by Depression-era policies. Rather, Commission orders have evolved to reflect industry

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changes. For example, the Commission approved a transaction in 1978 (which it had rejected in 1946) because of the industry's changing "state of the art":

> Section 2(a)(29)(A) requires that a determination as to whether or not a system is too large be made upon consideration of "the state of the art." In the years since World War II, there have been important changes in the technology of electric generation and distribution . . . [including] a tremendous increase in the capacity of individual generating units . . . [and the ability] to transmit electricity economically and efficiently over greater distances. . . . [T]he concept of self-contained, local utility systems in each community has become technologically obsolete. . . . [N]ow there are technological justifications for large systems spanning many states.

American Elec. Power Co., 46 SEC 1299, 1309-10 (1978) (citation omitted) (holding company's acquisition of operating company approved, given present state of the art, despite combined system's large size and Commission's disapproval of identical transaction in 1946); cf. American Gas & Elec. Co., 22 SEC 808 (1946) (disapproving same transaction). In other cases, the Commission has noted the need for flexibility in applying the Act's integration requirement:

> We think it clear from the language of Section 2(a)(29)(A) . . . that Congress did not intend to impose rigid concepts but instead expressly included flexible considerations in that it provided that capability of interconnection as well as existing physical interconnection could satisfy the statutory standards . . . .

Mississippi Valley Generating Co., 36 SEC 159, 186 (1955) (acquisition of electric utility outside acquirors' service areas approved). The Commission recently repeated this

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principle in UNITIL (citing Mississippi), and went on to say that "the Commission has considered advances in technology and the particular operating circumstances in applying the integration standards." UNITIL, 51 SEC Docket at 566.

c. TUEC Raises No Genuine Issues Relating To The Integration Of CSW And EPE

TUEC raises no substantive issues regarding integration, but asserts that it should be granted intervenor status since its interconnections with the CSW operating companies would be used to integrate the operations of EPE with the existing CSW system in the event FERC issues an order under section 211 of the Federal Power Act. TUEC at 7-8. If the FERC refuses to issue an order under section 211, according to TUEC, it "will need the rights of a full party to ensure that the public interest will be served and that the operation and reliability of its transmission system and the ERCOT grid will not be adversely impacted by this proceeding." TUEC at 8. TUEC, however, makes no attempt to demonstrate that the Transaction would have any adverse operational or

reliability impacts (or, as discussed above, how its participation as a full party would add anything to the Commission's deliberations in this proceeding). Moreover, any concerns that TUEC may have about the operational and reliability impacts of the merger are more appropriately addressed in the proceedings pending before the FERC, the agency with particular expertise in those matters.

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2. CSW And EPE Meet The "Single Area Or Region" Requirements Of The Act

Despite SPS's characterizations (SPS at 17-24), CSW and EPE are within a "single area or region" and therefore satisfy this requirement of the Act. The "single area or region" requirement does not mandate a small service territory. American Electric Power Company, a holding company registered under the Act, has an electric service territory spanning seven states. Another registered electric system, the Southern Company system, spans five states; and the Columbia system, a registered gas system, spans five states. As a matter of law, the service territories of CSW and EPE are well within Commission precedent regarding the "single area or region" standard. In evaluating whether the "single area or region" requirement is met, the Commission has considered not only size and distance, but also "the existing state of the arts of generating and transmission and the demonstrated economic advantages of the proposed arrangement." Connecticut Yankee Atomic Power Co., 41 SEC 705, 710 (1963); Vermont Yankee Nuclear Power Corp., 43 SEC 693, 697-98 (1968), rev'd on other grounds sub nom. Municipal Elec. Ass'n of Massachusetts v. Securities and Exchange Commission, 413 F.2d 1052 (D.C. Cir. 1969); cf. Electric Energy, Inc., 38 SEC 658, 668-72 (1958) (utility assets were within the "same area or region" as the acquiror's service area despite a distance of up to 100 miles crossing two states).

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Moreover, in this circumstance, as in Environmental Action, Inc. v. Securities and Exchange Commission, 895 F.2d 1255, 1265 (9th Cir. 1990), a large portion of EPE's retail service market is within the same state -- and therefore "within the same region" -- as "a large portion" of CSW's "retail service market." The remainder of EPE's retail service market is in an adjacent portion of a contiguous state. Given the present technological ability to transmit power, CSW and EPE have met the Act's requirement for a "single area or region."

SPS cites Northeast Utilities and UNITIL for the proposition that "`a third party cannot be relied upon to integrate two distant utilities.'" SPS at 18 (quoting Northeast Utils., 47 SEC Docket at 1284 n.75, and citing UNITIL, 51 SEC Docket at 566 n.30). These cases predate the passage of the Energy Policy Act and therefore do not reflect current policy favoring enhanced transmission access.

SPS also mischaracterizes the Act's policy against "distant" utilities. The Act's clear purpose was to reorganize unwieldy corporate structures containing "[w]hole

strings of companies with no particular relation to, and often essentially unconnected with, units in an existing system." S. Rep. No. 621, 74th Cong., 1st Sess. 56 (1935) (Report of National Power Policy Committee on Public-Utility Holding Companies). A House of Representatives report noted:

> [S]ection 11(b) . . . contemplates the reestablishment of the advantages of localized management in the operating utility industry and the consequently necessary breakdown of the control of large holding companies over geographically scattered operating utility companies.

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H.R. Rep. No. 1903, 74th Cong., 1st Sess. 70 (1935). Clearly, the Act's policy against "distant" utilities arises from concerns about "localized management," a requirement of section 2(a)(29)(A) which, significantly, none of the Petitioners has raised as an issue. In essence, this policy addresses the fear that electricity nationwide was under the control of a "few financial centers."[18] S. Rep. No. 621, 74th Cong., 1st Sess. 3 (1935) (President's Message to Congress). The early application of the Act confirms this interpretation. In North American Co., 11 SEC 194 (1942), the Commission dismantled a holding company system containing eighty companies with electric utility operations scattered nationwide across ten states and the District of Columbia. North American Co., 11 SEC at 200.[19] The CSW-EPE combination is unlike the scattered disconnected empires to which the Commission addressed its policy against "distant" utilities.

Further, in asserting Northeast Utilities' purported limitation against third parties integrating "distant" utilities, SPS quotes selectively from note 75 of Northeast

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[18] The passage states: "[w]e should take the control and the benefits of the essentially local operating utility industry out of a few financial centers and give back that control and those benefits to the localities which produce the business and create the wealth." S. Rep. No. 621, 74th Cong., 1st Sess. 3 (1935).

[19] See also Burco, Inc. v. Whitworth, 81 F.2d 721, 724 (4th Cir.) (public utility holding company cannot retain "seven separate purely intra-state systems"), cert. denied, 297 U.S. 724 (1936); Cities Serv. Power & Light Co., 14 SEC 28, 31 (1943) (section 11 divestiture proceeding for holding company with electric utility operations spanning fourteen states nationwide and Canada).

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Utilities and omits stating that the same note not only cites Centerior[20] with approval but also supports the Commission's holding that the "combined Northeast-PSNH system" -- a system requiring the "use of a third party" to interconnect -- "meets the integration requirements of section 11(b)(1)." Northeast Utils., 47 SEC Docket at 1285 & n.75.

SPS's citation to American Electric Power is similarly misleading. SPS at 20. Although American Electric Power states that the "framers of the Act were clearly

concerned about the evils of bigness,"[21] it balances this concern in the following sentence not quoted by SPS:

> On the other hand, they were also aware that the combination of isolated local utilities into an integrated system afforded opportunities for economies of scale, the elimination of duplicate facilities and activities, the sharing of production capacity and reserves and generally more efficient operations.

American Elec. Power, 46 SEC at 1309. As described in the Application, the Transaction offers economies and efficiencies

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[20] Even before the adoption of the Energy Policy Act and the expansion of FERC wheeling authority under section 211, the Commission in Centerior approved an acquisition even though the two utilities' service areas were fifty miles apart and were separated by a third utility. Centerior, 35 SEC Docket at 774-75. SPS's attempts to distinguish Centerior (SPS at 21-22) fall short. The merging utilities in Centerior integrated through transmission access across a non-affiliated utility by means of a power pool agreement binding upon all three utilities. Similarly, this Transaction will integrate CSW and EPE across SPS by means of a FERC-approved wheeling order and agreement binding on all three parties, a proposed order regarding which has already been issued. See 211 Order.

[21] Petitioners' arguments regarding the size of the CSW-EPE system are addressed below in section III.F.2.

as great as those described above in American Electric Power. Further, as stated above in section III.B.1.b, American Electric Power notes that the changing "state of the art" must be considered when determining whether a system is too large to meet the integration standards of section 2(a)(29)(A). 46 SEC at 1309-10. As discussed in the Application (e.g., Application Item 3.I.B.1.a.ii), CSW and EPE will employ the present state of the art to integrate the systems.

SPS argues that, by virtue of the Transaction, CSW will gain control of all transmission gateways that SPS and others must use to gain access to the Northern Mexican market, as well as transmission facilities spanning three power grids. Therefore, SPS asserts, "the proposed [transmission] system cannot be considered to be confined to a single region as required by the Act." SPS at 19-20. This is a non sequitur. SPS makes no attempt to explain how control over inter-connected transmission facilities, whether located within one or more grids, has any bearing on the integration requirements under the Act. Moreover, SPS's gratuitous argument about control over transmission gateways into Mexico has nothing to do with the integration requirements. Similarly, SPS's argument that CSW will usurp SPS's transmission capacity in violation of the integration requirements of the Act (SPS at 20) is not an argument about integration at all, but just

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another attempt by a spurned suitor to raise the issue it has raised unsuccessfully at the FERC.[22]

3. CSW And EPE Meet The "Coordinated System" Requirement Of The Act

Section 2(a)(29)(A) of the Act states that an integrated system "under normal conditions may be economically operated as a single interconnected and coordinated system." 15 U.S.C. [section] 79b(a)(29)(A). SPS argues that the Transaction will not result in a single integrated public utility system since CSW's ERCOT operating companies, as well as EPE, are interconnected asynchronously with the CSW operating companies located within the Southwest Power Pool. SPS at 14-15. As SPS acknowledges, however, CSW presented this fact to the FERC in the context of whether a single-system transmission rate would be appropriate for the entire CSW system, post-Transaction. This is an entirely separate issue from whether the CSW system is "integrated" within the meaning of the Act. In any event, the FERC has determined that "[t]he fact that El Paso and the other CSW affiliates are located in asynchronous

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[22] SPS bleats about "indentured servitude" and a "taking" with respect to its transmission facilities. E.g., SPS at 21. The FERC's 211 Order implicitly rejects these arguments. SPS's continued whining ignores the FERC's role in such matters and has nothing to do with the integration requirements of the Act. The FERC will assure that SPS is properly compensated. SPS is therefore without basis to complain of the purported imposition of "perpetual nonconsensual indentured servitude by another utility." Id. In addition, SPS may commence a proceeding before the FERC if SPS believes that the ultimate order on CSW-EPE's section 211 application does not justly compensate it for the use of its transmission system. See, e.g., Indiana Mich. Power Co., 64 FERC [paragraph] 61,184 (1993).

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electrical regions is not a deterrent to the integration of the CSW system." 203 Order at 56.

The APSC tries a different tack. It asserts that the post-Transaction CSW-EPE system will not be sufficiently "coordinat[ed]" to satisfy the Act (APSC at 5-8).[23] CSW agrees that integration requires "not only interconnection, but also coordination." APSC at 5. Contrary to the APSC's contentions, however, the CSW-EPE system will meet the "coordination" requirements of section 2(a)(29)(A).

The coordination requirement was recently addressed in UNITIL. In that case, the Commission concluded that the merged system was sufficiently coordinated by means of factors which will also be present in the CSW-EPE system, specifically, "centralized dispatch and . . . [the] coordinated planning, construction, operation and maintenance of generation and transmission facilities." UNITIL, 51 SEC Docket at 565 (footnotes omitted).[24] In its analysis of the

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[23] SPS does not apparently question CSW's and EPE's post-Transaction coordination but instead challenges certain "production economies" arising from this coordination.

SPS at 24-25. This and other arguments regarding cost savings are addressed below in section III.C.

[24] See also Electric Energy, Inc., 38 SEC 658, 670-71 (1958) (acquired company satisfies "coordinated system" standard if its "generation, transmission and distribution" functions can be efficiently coordinated with the existing system through communications equipment, joint dispatch and joint planning). SPS emphasizes that, unlike UNITIL, CSW and EPE are not within a "tight" power pool. SPS at 23 & n.6. That is beside the point, however. As noted in section III.B.1.a, the post-Transaction CSW-EPE system will have the same advantages UNITIL lists as arising from "tight" power pools.

coordination requirement, the UNITIL decision places particular emphasis on the importance of centralized dispatch:

> Section 2(a)(29) further requires that the utility . . . be "economically operated as a single interconnected and coordinated system." The Commission has interpreted this language to refer to the physical operation of utility assets as a system in which . . . the generation and/or flow of current within the system may be centrally controlled and allocated as need or economy directs.

UNITIL, 51 SEC Docket at 566 (footnote omitted).[25] The Commission's emphasis on centralized dispatch is also reflected in other decisions. In those decisions the Commission has relied on the presence of centralized dispatch to conclude that a system is sufficiently "coordinated," regardless of whether dispatch was centralized by means of a power pool,[26] an operating or other agreement,[27] power

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[25] This passage from UNITIL also stresses the need for "flexible considerations" in applying the Act's integration requirements. UNITIL, 51 SEC Docket at 566. See also section III.B.1.b.

[26] E.g., Northeast Utils., 47 SEC Docket at 1286 n.85 ("[T]he operation of the generating and transmission facilities . . . is coordinated and centrally dispatched [through a power pool]."); Electric Energy, 38 SEC at 670-71 ("generation, transmission and distribution" are coordinated through communications equipment, joint dispatch and joint planning).

[27] E.g., Sierra Pac. Resources, 40 SEC Docket 103, 110 (1988) ("Under such operating arrangement, which is an integrated and coordinated operation, the [new generating unit] will automatically respond to load changes and other occurrences on [the acquiror subsidiary]'s system."), aff'd sub nom. Environmental Action, Inc. v. Securities and Exchange Commission, 895 F.2d 1255 (9th Cir. 1990); Eastern Utils. Assocs., 31 SEC 329, 348 (1950) (power is "coordinated under a power agreement and with a single load dispatching office").

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contracts with non-affiliated companies,[28] or evidence of joint control and planning.[29] As discussed in Item 3.I.B.1.a.ii of the Application, CSW and EPE will be centrally dispatched in a manner analogous to that described in UNITIL.

The APSC's citation to North American Co. is misplaced and its attempt to analogize the post-Transaction CSW-EPE system to an "ordinary buyer-seller relationship"[30] lacking sufficient "coordination" under the Act (APSC at 6) misses the mark. The central dispatch for CSW and EPE makes

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[28] New England Elec. Sys., 38 SEC at 198-99 (four small indirectly connected systems integrated in part due to power and transmission contracts with nonaffiliates).

[29] New England Elec. Sys., 38 SEC at 198-99 ("Construction of new generation, transmission and other facilities is planned . . . [for] the system as a whole as well as of the constituent company. . . . Daily coordination of the power supply for the system is controlled by a central system dispatcher . . . who schedules and controls, principally through automatic electronic equipment, the use of the important generating units in the system. He also arranges the daily purchases and sales with neighboring companies. The supplying of power for the [isolated] areas, which are not directly connected with the system's high voltage transmission lines, is . . . coordinated with that of the system. . . . [W]e find that the electric utility assets . . . may be economically operated as a coordinated system."); Middle South Utils., Inc., 35 SEC 1, 10 (1953) ("We have also considered the high degree of coordination which, in part, appears to be due to common control, leading in turn to common planning development."); Standard Power & Light Corp., 9 SEC 862, 871 (1941) ("The electric utility assets . . . function as a single system. The output of its generating stations is coordinated in a single load dispatching office.").

[30] Actually, North American Co.'s "buyer-seller relationship" language addresses non-utility businesses rather than "coordination" of an integrated system. North American Co., 28 SEC 742, 752-56 (1948), cited in APSC at 6.

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them unlike ordinary buyers and sellers.[31] This central dispatch meets the standards set forth in North American Co. that the "`generation and/or flow of current within the system'" will be "`centrally controlled and allocated as need or economy directs.'" APSC at 5 (quoting North American Co., 11 SEC at 242). In contrast to North American Co.,[32] CSW has specific dispatching plans to centralize control over the routing of power within the CSW-EPE system. See Application Item 3.I.B.1.a.ii. These plans are hardly "[v]ague expectations of future coordination" of the type described in North American Co.[33] (APSC at 5 (citing North American Co.,

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[31] The APSC is also incorrect when it says the cost savings arising from the Transaction are "existing efficiencies available in the market" (APSC at 6). The production and financial cost savings and other benefits of consolidation (as described below in section III.C and in Item 1.H of the Application) are not available in the market.

[32] In North American Co., the Commission could not find that "isolated territories" could be "operated in conjunction with the remainder of the system [so] that central control is available for the routing of . . . the system." North American Co., 11 SEC at 242.

[33] In finding that the system in North American Co. failed to meet the "coordinated system" requirement, the Commission noted that:

> There has been no attempt to show that the . . . properties are at present operated as a "coordinated" system, or that such operation under "normal" conditions is possible. . . . [Normal conditions] does not refer to conditions which might occur in the remote future, and whose occurrence has not been foreshadowed by any facts shown in the record.

North American Co., 11 SEC at 243.

11 SEC at 243)), but rather are well-defined and will be implemented as soon as the Transaction closes.

C. The Commission Need Not Hold A Hearing To Conclude That The Proposed Acquisition Will Tend Toward The "Economical And Efficient Development" Of An Integrated Public Utility System

Four Petitioners question the cost savings and other benefits of the Transaction.[34] Their arguments are without merit and do not warrant a hearing. Petitioners minimize or ignore one of the principal benefits of the Transaction: the end of EPE's bankruptcy, a benefit which the Commission has said can, by itself, satisfy the requirements of section 10(c)(2) of the Act. Northeast Utils., 48 SEC Docket at 698 n.26.

The Transaction will also produce other substantial benefits in addition to the undisputed public benefits. The Petitioners' unsupported assertions to the contrary do not preclude the Commission from determining that the Transaction is in the public interest. CSW has adequately demonstrated that the Transaction will produce total net benefits of $420 million during the initial ten years of post-Transaction operations (1995-2004). See Application Item 1.H and exhibits cited therein. Post-Transaction operations are expected to generate $234 million in non-fuel O&M savings, $152 million in financial savings, and $34 million in production and

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[34] Arguments which generally question cost savings or

Transaction benefits are made by the OPUC at 8-9, 12; SPS at 24-26; the LPSC at 2-6; and the APSC at 6-7, 9-15.

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transmission savings. Id. CSW's estimate of the savings it and its customers will enjoy as a result of the Transaction were carefully developed, based on objective and verifiable data, using appropriate tools and assistance from expert consultants.

Each of the assumptions on which the estimates are based is conservative, and the methodologies used are entirely reasonable. Accordingly, the speculative and unsupported assertions made by those challenging the savings estimates provide no basis upon which to hold an evidentiary hearing. Moreover, since the FERC has already ordered a hearing on the costs and benefits of the Transaction, (203 Order at 38-41), there is no need for the Commission to hold a hearing on the same issue.

1. Bankruptcy-Related Benefits

Petitioners urge the Commission to ignore the benefit of EPE's emergence from bankruptcy, simply because the Bankruptcy Court confirmed the reorganization plan over the objection of the OPUC and certain other Petitioners. This astonishing argument ignores Commission precedent, the strong public interest in the rehabilitation of a financially troubled public utility and the numerous benefits to the public, investors and consumers that will flow from EPE's emergence from bankruptcy. As set forth in CSW's amended and restated Application:

> [E]nding the bankruptcy proceedings . . . will provide substantial immediate benefits to all EPE stakeholders and ratepayers and to the citizens and

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> States of Texas and New Mexico. Among other things, the bankruptcy proceedings and related litigation have resulted in substantial direct costs to the EPE estate. These costs are expected to total between $65 million and $75 million (assuming that the Transaction is consummated and EPE emerges from bankruptcy on June 30, 1995. In addition, the bankruptcy has:
>
> * diverted EPE's resources away from the operation of its business;
>
> * created uncertainty for investors and customers and impaired their ability to make long-term plans; and
>
> * exacerbated the uncertainty hanging over EPE's service territory and the business plans and economic development efforts of the businesses and communities served by EPE.

Application Item 1.H. The Transaction will create a financially viable EPE with an investment-grade credit rating. This will reopen EPE's access to the capital markets and reduce EPE's costs of capital. As a result of the

Transaction, EPE will become part of a financially secure system and will become a more reliable and stable corporation.

These benefits cannot be achieved by other means. EPE was unable to implement a viable stand-alone plan of reorganization within any predictable period of time despite protracted attempts to do so. No other acquisition proposal obtained the support of creditors and interest holders whose support is necessary for EPE to emerge from bankruptcy, and no other alternative offers the overall benefits provided by the Transaction proposed herein.

As the Commission held just three years ago, "a public utility's emergence from bankruptcy reorganization is a

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benefit that, in itself, may satisfy the standards of section 10(c)(2)." Northeast Utils., 48 SEC Docket at 698 n.26 (emphasis added). See also Middle West Corp., 1 SEC 514, 516 (1936) (reorganized utility better able to serve the public). Cf. Utilities Power & Light Corp., 4 SEC 131, 138 (1938) (facilitates reorganization of the parent of a public utility); Peoples Light & Power Co., 2 SEC 829, 835 (1937) (substitution of a solvent company for an insolvent company).

Similarly, the FERC has found under the Federal Power Act that "emergence from bankruptcy is a distinct benefit. . . . [The debtor's] recovery is entitled to substantial weight in the consideration of the acquisition's consistency with the public interest." Northeast Utils. Serv. Co., 53 FERC [paragraph] 63,020, at 65,212 (1990), aff'd in part, 56 FERC [paragraph] 61,269 (1991), modified on reh'g, 58 FERC [paragraph] 61,070 (1992), aff'd in part sub nom. Northeast Utils. Serv. Co. v. FERC, 993 F.2d 937, 946 (1st Cir. 1993). The FERC reaffirmed this view in its recent order concerning the Transaction. 203 Order at 39-40.

Moreover, the Bankruptcy Court held that the Transaction "resolves the claims and interests of creditors and shareholders in a manner which is fair to each of them . . . and, in addition, provides the ratepayers with significant benefits." Findings of Fact [paragraph] 17. The resolution of the bankruptcy is therefore in the public interest and the interests of consumers and investors -- the interests specially protected by the Act.

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2. Petitioners Have Failed To Raise Any Material Issues Of Fact That Require A Hearing

Petitioners' submissions are rife with speculation that cannot support their request for a hearing. OPUC's own choice of words shows that it is engaged in pure speculation. OPUC states that "[i]t is possible that depressed returns for EPEC could raise the cost of capital for CSW's other electric utility subsidiaries." OPUC at 7 (emphasis added). This Commission is not required to hold a hearing on every speculative possibility, let alone to deny or condition its approval of the Transaction on such a basis.

Many of Petitioners' other issues, in addition to being too weak on the merits to warrant serious consideration, are simply not appropriate for a hearing. For example, the OPUC complains that the estimated cost savings resulting from

the Transaction were presented in nominal dollars, rather than on a net present value basis. OPUC at 8-9. As a result, the OPUC argues, a further examination of the Transaction cost savings is required. However, there is no requirement that the estimated cost savings be presented on a present value basis. Moreover, calculating the net present value of the Transaction savings is a simple mathematical exercise that can be done without an evidentiary hearing. A hearing would add nothing to that process. In fact, SPS, using an 8.0% discount rate, calculates that the net present value of the benefits is approximately $282 million. SPS at 25-26. SPS's arithmetic

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is either right or wrong. To determine which, the Commission needs a calculator, not a hearing.

3. CSW Has Established That Significant Production Cost Savings Will Result From The Transaction

Various Petitioners challenge CSW's production cost savings estimates.[35] However, each of these challenges is speculative and unsupported. For example, SPS claims that "EPEC likely will lose load," and therefore have no need for any additional capacity for the years 2000 through 2004. SPS at 27. In support of its contentions, SPS contends that the City of Las Cruces is planning to operate a municipally-owned electric utility and expects that SPS would be its supplier of wholesale power. Id. at 27-28. SPS also cites the possible loss of certain military bases as customers of EPE.

These claims establish no basis for a hearing. As set forth in CSW's Current Report on Form 8-K dated September 14, 1994, EPE has stated that it will continue to provide electric service within Las Cruces, and that before Las Cruces could terminate electric service from EPE, a number of legal matters would need to be resolved. EPE has informed CSW that it intends to continue its challenges to Las Cruces' efforts to force its removal as the provider of electric service to Las Cruces. With regard to the military bases, EPE has filed suit to prevent the Holloman base from entering into power supply arrangements with another supplier, and the issue is being litigated in the U.S. District Court for the District of

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[35] See SPS at 9, 26-35; APSC at 7-9; LPSC at 4-5.

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New Mexico. In any event, CSW has advised EPE that it will not close the Transaction unless these matters are resolved in a favorable and timely manner. There is therefore no issue for this Commission to determine.

SPS argues that CSW does not adequately explain or support the assumption that the cost of transmission over the SPS system, which will be needed to achieve the fuel-related savings, will be approximately $27 million over ten years.[36] SPS at 32. In fact, SPS is the one who has failed to support its position.

CSW's estimate is based on SPS's embedded costs as reported in its 1992 FERC Form 1, to which CSW added $3.1 million, which represented CSW's estimate of the cost of internal system improvements that SPS would have to make in

order to provide bi-directional firm wheeling beginning in 1999 and non-firm wheeling before that time. SPS has failed to provide any evidence that CSW's projected cost of transmission over the SPS system is unreasonable. In addition, while the precise rate for the transmission service will be determined by the FERC, no Petitioner has proffered evidence demonstrating that the cost of such service will be greater than the expected production cost savings.

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[36] CSW has since refined this assumption and now estimates that transmission access will cost approximately $1.5 million annually for the 1995-1998 period and $3.0 million annually for the 1999-2004 period. Application Item 3.I.B.1.a.i.

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4. CSW's Financial Savings Are Fully Supported

SPS and the APSC quibble with the financial savings from the Transaction.[37] Their arguments should be rejected. CSW's financial savings are fully supported.

SPS and the APSC fault CSW for not quantifying any potential negative cost of capital impacts of the Transaction on the existing CSW operating companies. SPS at 37-38; APSC at 11. However, Dr. Samuel C. Hadaway, the expert retained by CSW to perform cost of capital studies, has reasonably concluded that the financial savings from the Transaction will be between $70 million and $152 million.[38] No Petitioner has seriously and credibly questioned his conclusions, and thus no hearing on this issue is required. Moreover, given the conservative assumptions adopted by Dr. Hadaway, CSW reasonably believes that the high end of the range will be achieved.

5. CSW's Non-Fuel O&M Savings Are Fully Supported

Various Petitioners argue that CSW's non-fuel O&M savings are speculative and unsupported. E.g., SPS at 41. SPS challenges CSW's estimate of the number of employee positions that will be eliminated as a result of the Transaction. SPS's argument is without merit. CSW's projection that it can achieve a reduction of approximately 250 positions in three

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[37] SPS at 10, 36-39, 41-46; APSC at 9-10.

[38] See direct testimony of Samuel C. Hadaway before the FERC, dated January 1994, in Docket No. EC94-7-000, Ex. APP-56, and the exhibits and workpapers thereto, included in Ex. D-3 and Ex. D-3.12 to the Application ("Hadaway Testimony").

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years is based on the experience of other merging utilities, the judgment of EPE and CSW senior management, and an assessment of the actual 1992 turnover ratios for EPE and for CSW's four operating companies. No Petitioner has seriously and credibly challenged CSW's projections, or proffered any evidence that would warrant a hearing on this issue.

6. The "Reacquisition" Of The Palo Verde Nuclear Generating Units Will Provide Significant Cost Savings Over The Remaining Life Of The Assets

SPS and OPUC question the wisdom of reacquiring the Palo Verde Assets by terminating the sale/leaseback transactions.[39] These objections are without merit, and the Commission need not hold a hearing to conclude that such reacquisition will provide significant cost savings.

SPS asserts that the Commission should investigate whether the repurchase of the previously leased portions of Palo Verde "is favorable." SPS at 40. However, SPS provides no analysis supporting its request for an investigation, or any other evidence that would undermine the conclusions of the Bankruptcy Court regarding the appropriateness of reacquisition or refute the testimony of CSW's expert witness that the present value of the savings from the repurchase is in the range of $28.7 million to $69.2 million. See Hadaway Testimony at 39 (Ex. D-3 to Application, Vol. 4 of 4). Accordingly, no hearing is necessary with respect to this issue.

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[39] Arguments concerning the reacquisition of Palo Verde were made by OPUC at 8 and by SPS at 39-41.

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These Petitioners, moreover, ask and answer the wrong question by focusing on this aspect of the Transaction in isolation. The "acquisition" involves no change in the extent of EPE's utilization of the Palo Verde Assets, the percentage of costs that EPE is to bear, or the percentage of capacity it is entitled to receive. In reality, the Palo Verde "acquisition" is a litigation settlement and an integral part of the overall reorganization of EPE. The question is therefore not the wisdom of an acquisition in isolation, but rather, the wisdom of a litigation settlement which resolves a potentially massive litigation liability on favorable terms.[40] As to the right question, Petitioners raise no issue warranting a hearing. Moreover, the Bankruptcy Court has already addressed and decided the wisdom of the Palo Verde settlements and has determined that they are fully justified.

In its confirmation order, the Bankruptcy Court found that, "[i]n the context of the Plan and the overall benefits it provides, there was no practical or better alternative to this restructuring." Findings of Fact [paragraph] 18(c). The Bankruptcy Court stated that the Palo Verde settlements constitute "a fair and equitable resolution and a reasonable and sensible settlement by [EPE] and the Palo Verde Indenture

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[40] The settlement calls for total payments of $956.9 million on account of the Palo Verde claims. Of this amount, the Bankruptcy Court has determined that $351.9 million is attributable to lease rejection damages; the remaining $605 million is reflective of the fair market value, based on the regulatory book value as of June 30, 1993, of the assets which are being reacquired. Findings of Fact [paragraph] 18 (f).

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Trustees of the respective rights of the parties [and] is within the reasonable range of litigation possibilities." Findings of Fact [paragraph] 18(g). Among other things, the Bankruptcy Court found that:

* the Palo Verde litigation "could not have been settled for a materially lower amount to obtain a consensual plan";

* the settlement "represents a significant reduction in the potential Claims of [the Palo Verde] Bondholders";

* "there are . . . theories on which damages might have been considerably greater";

* "[l]itigation of the issues, given the amounts involved in this case and the importance of the issues, would be extensive and expensive, and likely involve multiple appeals";

* "continued litigation of [claims relating to Palo Verde] would have precluded [EPE] from entering into a favorable merger agreement that resolves this proceeding"; and

* "[u]nder all the circumstances, it would not have been appropriate for EPE to continue to litigate."

Findings of Fact [paragraph] 18(d)-(g). Without the settlements, EPE would have been committed to years of expensive and uncertain litigation. By settling, the value of the leased Palo Verde Assets is preserved instead of dissipated in litigation. Petitioners have raised no issues that would justify the Commission's second-guessing the findings of the Bankruptcy Court, and certainly nothing that warrants a hearing.

In addition to these significant benefits, the reacquisition of the leased Palo Verde Assets is also projected to result in lower long-term rates than if EPE continued to lease the Palo Verde Assets. CSW performed

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economic analyses which compared the total net present worth revenue requirements for the reacquisition of the Leased Palo Verde Assets to rejection of the leases, payment of damages and installation of alternative generation (gas, coal or gas/coal combination). CSW determined that reacquisition of the leased Palo Verde Assets would result in lower net present worth revenue requirements -- i.e. lower rates -- for EPE's customers than rejection of the leases, payment of damages and installation of alternative generation.[41] In any event, FERC has already set for hearing, among other issues, the question whether reacquisition of the Palo Verde Assets will result in cost savings over the remaining life of the assets. Therefore, there is no need for this Commission to address that issue.

Recently, CSW has advised EPE of certain concerns relating to tube cracking at the Palo Verde facility. While these concerns must be satisfactorily resolved before a closing of the Transaction can occur, they present nothing for this Commission to review, much less a basis for a hearing.

[41] Moreover, the reacquisition of the leased Palo Verde Assets does not substantially increase EPE's liability exposure in respect of Palo Verde because, under the terms of the leases, EPE is responsible for substantially the same share of O&M, decommissioning and other costs as it will bear as owner of the Palo Verde Assets under the proposed reacquisition. EPE is responsible for 15.8% of the aggregate decommissioning costs for Palo Verde, or approximately $220 million. As of May 31, 1994, EPE had already contributed a total of $17,734,979 to Palo Verde's six decommissioning funds.

D. The Commission Need Not Hold A Hearing To Conclude That The Proposed Consideration Is Reasonable Under Section 10(b)(2) Of The Act

Several Petitioners argue that the consideration to be paid is not fair, either in general[42] or because CSW's plan to pay EPE's creditors in CSW stock may, they say, have a negative effect on CSW's operating companies and cost of capital.[43] None of these arguments has merit. The record before the Commission fully supports a conclusion that the consideration is fair and that CSW's proposed methods of payment are appropriate.

Section 10(b)(2) of the Act states that the Commission shall approve an acquisition unless the consideration to be paid, including all fees, commissions and other remuneration, "is not reasonable or does not bear a fair relation to the sums invested in or the earning capacity of the utility assets to be acquired or the utility assets underlying the securities to be acquired." 15 U.S.C. [section] 79j(b)(2) (1988). The consideration to be paid by CSW meets this standard. As set forth in Items 1.D and 3.I.A.2 of the Application, the

[42] Arguments under [section] 10(b) (2) concerning the fairness of consideration paid are made by: OPUC at 5-6; and SPS at 66-69.

[43] Arguments under [sections] 6, 7 and 10(b) (3) concerning the issuance of stock and its effect upon CSW's operating companies and cost of capital are made by: OPUC at 7-8; and SPS at 69-72.

total consideration payable by CSW and EPE will be approximately $2.1 billion.[44]

SPS and the OPUC have questioned the reasonableness of the consideration to be paid by CSW and EPE. OPUC at 5-6; SPS at 66-69. The OPUC argues that the Application "does not constitute substantial evidence to satisfy" this requirement of the Act because: (1) "there is reason to question" assumptions based upon the interpretation of the PUCT's orders and

likelihood of certain rate-related action by the PUCT; and (2) certain purported deficiencies allegedly lurk in the procedures followed by Morgan Stanley & Co. Incorporated ("Morgan Stanley") in producing its fairness opinion. OPUC at 6. SPS questions certain assumptions and risks underlying financial projections and notes that the consideration to be paid depends upon fluctuating market conditions and the results of certain "fiercely contested" state regulatory proceedings.[45] SPS at 66-69.

All of these concerns are speculative and do not raise a serious factual issue necessitating a hearing, particularly in light of the extensive record on the reasonableness

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[44] This amount is subject to certain exclusions and contingencies described in greater detail in Item 3.I.A.2 of the Application. This consideration will be paid by EPE after the effective date of the Transaction in the form of new EPE securities and by CSW in the form of new shares of CSW common stock or cash or both.

[45] SPS also argues that ratepayers "were not represented in any of the negotiations concerning the plan," (SPS at 69), but, as described below in Section III.E, these ratepayer considerations are being addressed in state regulatory proceedings.

of the consideration already before the Commission on this Application. This record includes: (1) an opinion by Morgan Stanley that the consideration to be paid to the creditors and equity holders of EPE is fair from a financial point of view to the holders of CSW Common Stock (Ex. J-1 to the Application); (2) an opinion of Barr Devlin & Co., Incorporated stating that, as of the date of such opinion and based upon certain procedures and assumptions, the consideration to be paid to the holders of EPE Common Stock is fair to the holders of EPE Common Stock from a financial point of view (Ex. J-2 to the Application); and (3) a plan of reorganization approved by EPE creditors and shareholders and the Bankruptcy Court.[46] In addition, the consideration was arrived at after nearly two years of Bankruptcy Court proceedings, competitive arm's-length negotiations between CSW and EPE's creditors, and a bid by SPS. Application Items 1.A, 1.C; Findings of Fact [paragraph] 18(b) (Ex. D-14 to Application). The ample record before the Commission provides compelling support for the reasonableness of the consideration and is more than

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[46] By confirming the plan of reorganization, the Bankruptcy Court implicitly found under 11 U.S.C. [sections] 1129 that "[c]onfirmation . . . is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor or any successor to the debtor." Findings of Fact [paragraph] 31. Implicit in this finding is a determination that the debt portion of the capital structure of EPE after reorganization is reasonable and bears a fair relation to the earning capacity of its underlying utility assets. This in turn supports the reasonableness of the Transaction's consideration.

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sufficient for the Commission to conclude that section 10(b)(2) of the Act has been satisfied.

Neither SPS nor the OPUC has raised a genuine issue of material fact that would warrant an evidentiary hearing. Instead, both have merely set forth speculative concerns that might affect the consideration and now presumably request a hearing to explore these conjectures. SPS at 68-69, 72-73; OPUC at 14-15. Neither SPS nor the OPUC has explained how a hearing on this issue would enhance the Commission's ability to make an ultimate decision on this Application. Such a showing -- or lack thereof -- does not justify commitment of the Commission's scarce resources to a purposeless hearing.

SPS's objections to the amount of consideration are particularly disingenuous, since SPS itself offered to pay approximately the same amount for EPE. SPS's comparable valuation of EPE belies its objections and provides compelling support for the reasonableness of the consideration to be paid by CSW.

The reasonableness of the consideration is further supported by the analysis performed by Morgan Stanley in connection with its fairness opinion. In rendering that opinion, Morgan Stanley analyzed a number of factors directly relevant to fairness of the consideration and its relation to the earning power of the assets of EPE, including the pro forma impact of the Transaction on CSW's earnings per share, consolidated capitalization and financial ratios.

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In addition, the Bankruptcy Court's findings contain an implicit determination that the new capital structure of EPE bears a fair relation to the earning power of the assets of EPE. Under section 1129 of the Bankruptcy Code, the Bankruptcy Court may confirm a plan of reorganization only if "[c]onfirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor or any successor to the debtor under the plan." In paragraph 31 of its Findings of Fact with respect to the Plan, the Bankruptcy Court so found.

Finally, the Merger Agreement contains a number of closing conditions which help ensure the continued reasonableness of the consideration. Under section 8.3(f) of the Merger Agreement, it is a condition to CSW's obligation to consummate the Transaction that "no EPE Material Adverse Effect shall have occurred" and that "there shall exist no fact or circumstance which may reasonably be expected to give rise to an EPE Material Adverse Effect."[47] In addition, under section 8.2(c) of the Merger Agreement, the obligations of each party to effect the Transaction are conditioned on no governmental authority enacting any law, rule, regulation or ordinance, or issuing any order, which would have an EPE Material Adverse Effect or a material adverse effect upon the prospects for the business of CSW or EPE after the

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[47] The Merger Agreement defines an "EPE Material Adverse Effect" as "a material adverse effect on the business, operations, franchises, properties, assets, condition

(financial or other) or results of operations" of EPE.

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consummation of the Transaction. Other closing conditions ensure that the Transaction will not be consummated in the event of onerous or burdensome regulatory orders or conditions.

E. The Ratepayer Considerations Raised By The OPUC And APSC Do Not Merit A Hearing By The Commission

The OPUC and the APSC argue that the Transaction is detrimental to ratepayers for reasons which are inapplicable to the Commission's consideration of this Application.[48] The ratepayer considerations cited by the OPUC and the APSC -- such as rate paths, pricing, transmission costs, etc. -- are not matters within the Commission's power to prescribe under the Act. Instead, these considerations are appropriately addressed (and presently being addressed) by the FERC or under state law in state regulatory proceedings.[49]

The OPUC asserts that EPE's bankruptcy proceedings excluded ratepayer considerations and that "no ratepayer representative or regulatory entity" voted in the bankruptcy proceedings for the rate path upon which the Transaction depends. OPUC at 9. Yet the next page of the OPUC's petition states that "[t]his rate path is now at issue before the PUCT." OPUC at 10. Indeed, EPE applied to the PUCT for

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[48] Arguments concerning benefits to or considerations for ratepayers made by OPUC at 9-13 and by APSC at 11-15.

[49] The OPUC and APSC are participating in Transaction-related proceedings before the FERC. In addition, the OPUC is participating in Transaction-related proceedings before the PUCT.

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approval of the rate path, thereby placing the rate path "at issue." The PUCT is well able to address ratepayer concerns in that proceeding. The OPUC is participating in the PUCT proceedings and has contested the rate path in those more appropriate forums. Although the OPUC raises several issues regarding the rate path, it does not explain how these issues relate to any interest protected by the Act, and therefore these issues should not be addressed by the Commission in considering the Application. Instead, these issues are more appropriately addressed by the FERC or the PUCT.

Similarly, the remaining ratepayer issues raised by the OPUC -- issues regarding the impact upon ratepayers of changes in capacity, transmission upgrades, pricing and reliability (OPUC at 11-13) -- and the issues raised by the APSC regarding the impact upon ratepayers of cost allocation formulas or CSW's cost of equity (APSC at 11-15), are more appropriately addressed by the FERC or in state proceedings. To the extent these issues touch upon Transaction savings, they are addressed above in section III.C.

F. No Commission Hearing Is Required To

Review The Competitive Or Antitrust Consequences Of The Transaction Or The Size Of The Combined System

Four Petitioners argue that the Transaction will be anti-competitive or violate antitrust principles, or that the resulting CSW-EPE system will be too large.[50] Anti-

[50] Arguments concerning antitrust, size and competition-related issues made by: OPUC at 5; SPS at 7, 20, 46-47, 50-66; Las Cruces at 2-4, 5-14, 16-27; and APSC at 17.

competitive concerns have been addressed by the FERC in its 203 Order, and will be subject to review by the Antitrust Division of the Department of Justice and the Federal Trade Commission under the Hart-Scott-Rodino pre-merger notification procedures and by the Nuclear Regulatory Commission in its review of the proposed Transaction. The Commission should defer to the FERC and other agencies on this issue. With regard to the size of the CSW-EPE system, none of the Petitioners has raised a cogent objection using criteria recognized under section 2(a)(29)(A) of the Act -- effect on localized management, effectiveness of regulation and efficiency of operation. Their arguments are therefore without merit, and the Transaction should be approved without delay or a hearing.

1. No Commission Hearing Is Required To Review The Competitive Or Antitrust Consequences Of The Transaction

Section 10(b)(1) of the Act, 15 U.S.C. [section] 79j(b)(1), provides that the Commission may not approve a transaction that "will tend towards . . . the concentration of control of public-utility companies, of a kind or to an extent detrimental to the public interest or the interest of investors or consumers." In making such a determination, the Commission must draw upon federal antitrust policies. See Municipal Elec. Ass'n v. Securities and Exchange Commission, 413 F.2d 1052, 1056-57 (D.C. Cir. 1969).

The antitrust issues raised by Petitioners are carbon-copies of objections which have already been fully

aired before, and decided by, the FERC. As a result, no hearing before the Commission is required. The Commission is entitled to defer to those proceedings.

a. Petitioners' Contentions

SPS argues that the Transaction will foreclose it from use of EPE's transmission facilities and that the merged company will have the ability to exercise monopsony power. SPS at 50-66. This argument focuses largely on the so-called Eddy County Tie, a HVDC tie with a capacity of 200 MW near Artesia, New Mexico, which is jointly owned by EPE and Texas-New Mexico Power. SPS claims that after the Transaction CSW and EPE will reserve the Eddy County Tie capacity for themselves, including capacity that SPS currently uses for its sales to EPE for resale to Mexico, and that SPS's exclusion from this capacity will prevent it from gaining access to a

transmission path for serving wholesale customers.

To similar effect are the objections of Las Cruces, a city currently served at retail by EPE. Las Cruces is investigating the feasibility of establishing a municipally-owned electric utility. (See discussion of Las Cruces in section III.C.3 above.) Las Cruces argues that the Transaction will enable the combined CSW-EPE system to achieve monopoly power in the market for transmission services and will result in denying Las Cruces access to an "essential facility." Las Cruces at 16-28.

The OPUC raises only amorphous concerns about "regional market dominance" and the prospect of fewer market

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options for wholesale purchasers. OPUC at 5. In the absence of any details, the objections seem to mirror those of other Petitioners.

b. CSW's Responses

These varied objections have been fully addressed in the FERC proceedings. See Answer of El Paso Electric Company and Central and South West Services, Inc. to Motions to Intervene, at 16 et seq. (Ex. D-3.48 to Application). In response to SPS's argument that the Transaction will diminish competition, CSW and EPE pointed out that, in the past, CSW and EPE have not competed in the provision of transmission services or in the sale of power because, in the past, SPS, which lies between them, has steadfastly refused to allow transmission over its lines. Thus, the Transaction will not eliminate any pre-existing competition between CSW and EPE or otherwise deprive bulk-power market participants of an alternative choice of power suppliers or transmission services formerly available to them.

As to the Eddy County Tie issue, CSW and EPE pointed out that the Transaction will not enable EPE to gain control over the Tie and that SPS will not be denied use of the Eddy County Tie. In any event, CSW and EPE have agreed, subject to certain conditions including the preservation of administrative and judicial review rights, to offer comparable transmission services to third-party utilities and other wholesale suppliers. Thus the Transaction will enhance other utilities' ability to compete in the wholesale market.

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With respect to Las Cruces' varied objections, CSW and EPE pointed out that these claims, although they are cloaked in the guise of antitrust claims, did not satisfy even the minimal requirements of pleading in the federal courts. No support was adduced for the proposition that EPE's transmission system was an "essential facility" or that the Transaction would affect Las Cruces' access to the Eddy County Tie. Indeed, the Transaction would enhance Las Cruces' access to eligible electric utilities.

c. The FERC's Decision

The FERC issued the 203 Order after fully considering the submissions of the intervenors (the Petitioners here) as well as those of CSW and EPE. In the 203 Order, the FERC found that any potential anticompetitive effects of the Transaction would be adequately mitigated if "comparable transmission services" were offered over the transmission facilities of EPE and those of CSW that are

operated in the Southwest Power Pool. On August 10, 1994, CSW and EPE informed the FERC that, subject to reservation of their rights, including their rights to seek rehearing of the order and judicial review, they would accept as a condition to the FERC's approval of the Transaction a requirement that such transmission services be offered to other electric utilities. Hence, the only competition issues remaining to be decided are those relating to the terms on which transmission service must be provided in order to mitigate any potential for anticompetitive effects posed by the Transaction. Those

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matters will be decided by the FERC, the agency having expertise with regard to them.

d. Commission Deference To The FERC

In short, the issues raised by Petitioners in this proceeding have been addressed by the FERC in accordance with well-established antitrust principles. These same principles necessarily guide the Commission in its deliberations. See Municipal Elec. Ass'n, 413 F.2d at 1056-57. Under such circumstances, a hearing before the Commission would be duplicative and a waste of administrative resources. As the Commission has previously recognized, it is appropriate to defer to the FERC in crafting conditions designed to regulate post-merger conduct:

> Because the [Federal Power Act] is directed at operational issues, including transmission access and bulk power supply, the expertise and technical ability for resolving the types of anticompetitive issues raised . . . lie principally with the FERC. When the [Securities and Exchange] Commission, in determining whether there is an undue concentration of control, identifies such issues, we can look to the FERC's expertise for an appropriate resolution of these issues.

Northeast Utils., 48 SEC Docket at 697. To coordinate with the FERC in that case, the Commission conditioned its approval of the Northeast transaction upon issuance of a final order by the FERC. The court of appeals sustained the Commission in Holyoke Gas, 972 F.2d at 363-64, holding that "when the [Commission] and another regulatory agency both have jurisdiction over a particular transaction, the [Commission] may `watchfully defer[]' to the proceedings held before -- and

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the result reached by -- that other agency" (citing Wisconsin's Envtl. Decade, 882 F.2d at 527).

Accordingly, any hearing before the Commission on competition-related issues in this proceeding would be wasteful, unnecessary and inappropriate. The Commission is entitled to defer to the FERC in the resolution of those issues and in the promulgation of conditions designed to safeguard competition in the market.

Las Cruces' other antitrust argument, based on "monopoly leveraging," is defective on its face; the provision of power to the population of Las Cruces is a matter of state law with which federal regulation should not interfere.

At the heart of Petitioners' objections is access to

transmission affording competitive alternatives. The FERC has decided those issues. The Commission need not engage in any further examination of the antitrust or competitive issues.

2. No Hearing Is Required To Review The Size Of The Proposed Entity

The Petitioners make references to the size of the post-Transaction CSW-EPE system. E.g., OPUC at 5; SPS at 20-21; cf. APSC at 17. However, under section 2(a)(29)(A), the dispositive consideration in evaluating the size of a system is not size alone or size in an absolute sense, either big or small, but size in relation to its effect, if any, on localized management, efficient operation and effective regulation. Size is not to be considered abstractly or mechanistically, on the basis of preconceived notions of

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"appropriate" size limitations. Rather, the express terms of section 2(a)(29)(A) mandate a flexible test based on the specific facts and circumstances at hand. To this end, the Act requires that the Commission assess the size of a proposed system with reference both to the impact on localized management, efficient operation, and the effectiveness of regulation and to the state of the art and the area or region affected.

Commission decisions construing section 2(a)(29)(A) firmly establish that sheer size is not dispositive, that the Commission must take into account all relevant circumstances, and that it must "exercise its best judgment as to the maximum size of a holding company in a particular area, considering the state of the art and the area or region affected." Entergy Corp., 55 SEC Docket 2035, 2040 (1993); Northeast Utils., 47 SEC Docket at 1281; Centerior, 35 SEC Docket at 771 (determination regarding enlargement of a system should be on the basis of all the circumstances, and not on the basis of size alone); American Elec. Power, 46 SEC at 1309-10.

Petitioners make no analysis of the effect of the Transaction on localized management, effectiveness of regulation and efficiency of operation (except to the extent the APSC's argument regarding a "coordinated system," disposed of in section III.B.3 above, touches upon "efficiency of operation"). In contrast, these issues are discussed in considerable detail in the Application. Petitioners' silence on these issues, and their failure to address the plain

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language of section 2(a)(29)(A), are a telling concession that there is no genuine basis for objection under section 2(a)(29)(A). Further, even on the basis of absolute size, the post-Transaction CSW-EPE system is smaller by a variety of measures than three other registered public utility holding companies, including the neighboring Entergy system, and a number of other regional utilities. See Application Item 3.I.A.1.b.

IV. THE COMMISSION IS NOT REQUIRED TO AND SHOULD NOT POSTPONE CONSIDERATION OF THE APPLICATION

SPS and the APSC request that the Commission post-

pone its consideration of the Application until after the FERC has ruled upon related pending proceedings. SPS further requests that the Commission defer consideration until after certain other regulatory actions have been taken.[51]

Postponement of consideration by the Commission will certainly result in delay, substantial added expense and uncertainty in the Transaction. Each month of delay adds several million dollars to the parties' costs and delays the realization of the savings and benefits that will flow from the Transaction. For EPE alone, the direct out-of-pocket costs of the EPE bankruptcy will total between $65 million and $75 million by June 30, 1995. Delay in the resolution of the EPE bankruptcy proceedings will compound these already enormous costs. These costs will ultimately be borne by

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[51] SPS argues for postponement at SPS 4, 17, 73-75; APSC does so at 21-22.

investors or consumers or both -- the very classes that the Commission is charged with protecting under the Act.

In addition to the direct out-of-pocket costs, a prolongation of the EPE bankruptcy will exacerbate the uncertainty hanging over EPE's service territory and the business plans and economic development efforts of the businesses and communities served by EPE. The paralysis of bankruptcy drastically curtails EPE's ability to respond to the challenges -- and to take advantage of the opportunities -- - created by the new, more competitive utility environment arising from the Energy Policy Act and other recent regulatory initiatives. The longer EPE languishes in bankruptcy, the more unlikely its ultimate recovery will become. Needless delay will also cause considerable harm to CSW and its shareholders by unnecessarily increasing CSW's Transaction-related expenses.

Finally, an extended delay would reward the dilatory tactics of SPS, a spurned suitor seeking an opportunity to scuttle the Transaction, whatever the cost to consumers, investors and the public interest. The Commission should not permit SPS to abuse the process, and should act promptly to approve the Transaction, subject, if necessary, to a final order from the FERC.

V. CONCLUSION

Based on the foregoing, the Commission should approve the Application. There is no necessity for the

Commission to hold a hearing to consider the Application. Further, SPS, TUEC and OPUC should not be permitted to participate as full parties. Finally, there is no need for the Commission to postpone its consideration until the FERC and the various state regulators have acted.

WHEREFORE, CSW requests that the Commission deny full party status to SPS, TUEC and OPUC, consider the Application without a hearing and without postponement, and promptly approve the Transaction.

Dated: October 21, 1994

Respectfully submitted,

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INDEX OF EXHIBITS

The number in parentheses after each exhibit description refers to the number of the amendment to this Application-Declaration with which that exhibit was filed (exhibit descriptions followed by "(0)" were filed with the original Form U-1 Application-Declaration).

In accordance with Rule 202 of Regulation S-T, exhibits denoted by an asterisk (*) are being filed in paper pursuant to a continuing hardship exemption.

EXHIBIT NUMBER	EXHIBIT	TRANSMISSION METHOD
A-1	Second Restated Certificate of Incorporation of CSW (incorporated by reference to CSW's Annual Report on Form 10-K for the year ended December 31, 1992 (Exhibit H-1 hereto)) (0)	By Reference
A-2	By-Laws of CSW (incorporated by reference to CSW's Annual Report on Form 10-K for the year ended December 31, 1992 (Exhibit H-1 hereto)) (0)	By Reference
A-3	Articles of Incorporation of EPE (0)	Electronic
A-4	By-Laws of EPE (0)	Electronic
A-5	Form of Articles of Incorporation of CSW Sub (to be filed by amendment)	---
A-6	Form of By-Laws of CSW Sub (to be filed by amendment)	---
A-7	Form of Amended and Restated Articles of Incorporation of Reorganized EPE (including Statement of Resolution Establishing Series of Shares) (0)	Electronic
A-8	Form of By-Laws of Reorganized EPE (0)	Electronic
A-9	Form of Articles of Merger (0)	Electronic
A-10	Form of CSW Common Stock Certificate (0)	Electronic

A-11	Form of CSW Sub Common Stock Certificate (to be filed by amendment)	---
A-12	Form of Reorganized EPE Preferred Stock Certificate (to be filed by amendment)	---
A-13	Form of Reorganized EPE First Mortgage Bond Indenture, including forms of bonds (to be filed by amendment) (1)	Electronic
A-14	Form of Reorganized EPE Second Mortgage Bond Indenture, including forms of bonds (to be filed by amendment) (1)	Electronic
A-15	Form of Reorganized EPE Senior Debt Securities Indenture, including forms of notes (to be added by amendment) (1)	Electronic
A-16	Form of Reorganized EPE Term Loan Agreement for Class 3A Secured Floating Rate Notes (including form of note) (0)	Electronic
A-17	Forms of Reorganized EPE Term Loan Agreement for Class 5A Secured Floating Rate Notes (including forms of note) (0)	Electronic
A-18	Form of Reorganized EPE Term Loan Agreement for Class 6A Secured Floating Rate Notes (including form of note) (0)	Electronic
A-19	Form of Reorganized EPE Term Loan Agreement for Class 13 Senior Floating Rate Notes (including form of note) (0)	Electronic
A-20	Forms of Reorganized EPE Letter of Credit and Reimbursement Agreements (1)	Electronic
A-21	Summary of Variances from Statement of Policy Regarding First Mortgage Bonds Subject to the Public Utility Holding Company Act of 1935 (0)	Electronic

A-22	Summary of Variances from Statement of Policy Regarding Preferred Stock Subject to the Public Utility Holding Company Act of 1935 (0)	Electronic
B-1	CSW-EPE Merger Agreement (0)	Electronic
B-2	EPE Modified Third Amended Plan of Reorganization (0)	Electronic
B-3	Disclosure Statement to EPE Modified Third Amended Plan of Reorganization (without exhibits) (0)	Electronic
B-4	CSW System Operating Agreement (0)	Electronic
B-5	Form of CSW System-EPE Operating Agreement (0)	Electronic
B-6	CSW System Service Agreement (0)	Electronic
B-7	CSWS-EPE Service Agreement (to be filed by amendment)	---
B-8	OP Settlement Agreement (0)	Electronic
B-9	APS Settlement Agreement (0)	---
B-9.1	Supplement to APS Settlement Agreement (1)	Electronic
D-1	Application to the PUCT (2)	P*
D-1.1	Presiding Officer's Order No. 1: Suspension Order and Notice of Consolidated Prehearing Conference (1/12/94) (4)	P*
D-1.2	Order No. 2: Rescheduling Prehearing Conference (1/14/94) (4)	P*
D-1.3	Order No. 3: Granting Motion to Extend (1/31/94) (4)	P*
D-1.4	Order No. 4: Prehearing Order, Notice of Hearing on the Merits, Consolidation of Dockets (2/02/94) (4)	P*

D-1.5	Order No. 5: Order Denying Motion to Reconsider (2/04/94) (4)	P*
D-1.6	Order No. 6: Suspending Deadline for Filing Motion for material Deficiencies (2/07/94) (4)	P*
D-1.7	Order No. 7: Extending Time for Filing Motion to Compel; Revenue Requirement Phase (2/07/94) (4)	P*
D-1.8	Errata Filing, Docket Nos. 12700 & 12701 (2/15/94) (4)	P*
D-1.9	Order No. 8: Protective Order (2/16/94) (4)	P*
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D-1.12	Order No. 11: Rescheduling Time of Prehearing and Adding Topic to be Discussed (2/23/94) (4)	P*
D-1.13	Order No. 12: Ruling on OPC's Motion to Compel EPEC and CSW to Respond to OPC's Third Request for Information (3/01/94) (4)	P*
D-1.14	Order No. 13: Memorializing Prehearing Order (3/07/94) (4)	P*
D-1.15	Order No. 14: Notice of Regional Hearing, and Procedure for Consolidating Appeals from City Ratemaking Ordinances (3/14/94) (4)	P*
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D-2.1	New Mexico Public Utility Commission	

	Procedural Order (5)	P*
D-2.2	New Mexico Public Utility Commission Order Amending Procedural Schedule (7/13/94) (6)	P*
D-2.3	New Mexico Public Utility Commission Order Requiring Pre-Hearing Briefs and Supplemental Testimony (7/28/94) (6)	P*
D-2.4	New Mexico Public Utility Commission Order Amending Procedural Schedule (8/08/94) (6)	P*
D-2.5	New Mexico Public Utility Commission Order Amending Procedural Schedule (6)	P*
D-3	Section 203 Application to the FERC (2)	P*
D-3.1	Federal Energy Regulatory Commission Notice of Filing (1/13/94) (4)	P*
D-3.2	El Paso Electric Company and Central and South West Services, Inc. Supplemental Filing to Exhibit G and Workpapers for George R. Hall (1/13/94) (4)	P*
D-3.3	Texas Office of Public Utility Counsel, Public Utility Commission of Texas, Attorney General of the State of New Mexico, Louisiana Public Service Commission, and City of Las Cruces Motion for an Extension of Time to File Protests and Interventions and Request for Expedited Action on this Motion (1/18/94) (4)	P*
D-3.4	Southwestern Public Service Company Motion for an Extension of Time (1/18/94) (4)	P*
D-3.5	Arkansas Public Service Commission Response in Support of Motion for an Extension of Time to File Protests and Interventions (1/19/94) (4)	P*
D-3.6	Arkansas Public Service Commission	

	Notice of Intervention (1/19/94 (4)	P*
D-3.7	Federal Energy Regulatory Commission Notice of Filing (1/21/94) (4)	P*
D-3.8	El Paso Electric Company and Central and South West Services, Inc. Answer to Motions for Extension of Time (1/21/94) (4)	P*
D-3.9	Louisiana Public Service Commission Notice of Intervention (1/27/94) (4)	P*
D-3.10	Federal Energy Regulatory Commission Notice of Extension of Time (1/28/94) (4)	P*
D-3.11	New Mexico Industrial Energy Consumers Motion for Leave to Intervene (2/01/94) (4)	P*
D-3.12	El Paso Electric Company and Central and South West Services, Inc. Filing to Provide Workpapers for Applicants' Witnesses: Samuel C. Hadaway, David A. Harrell, and James A. Bruggeman (2/03/94) (4)	P*
D-3.13	New Mexico Public Utility Commission Notice of Intervention (2/08/94) (4)	P*
D-3.14	City of El Paso, Texas Notice of Intervention and Motion to Intervene (2/15/94) (4)	P*
D-3.15	Texas-New Mexico Power Company Motion to Intervene (2/17/94) (4)	P*
D-3.16	Salt River Project Agricultural Improvement and Power District Motion to Intervene (2/22/94) (4)	P*
D-3.17	Arizona Public Service Company Motion to Intervene (2/22/94) (4)	P*
D-3.18	Southern California Public Power Authority Motion for Leave to Intervene (2/22/94) (4)	P*

D-3.19	Dona Ana County, New Mexico Motion to Intervene (2/23/94) (4)	P*
D-3.20	Louisiana Public Service Commission Protest, Request for Hearing, Motion for Consolidation (2/24/94) (4)	P*
D-3.21	Texas Utilities Electric Company Motion to Intervene (2/24/94) (4)	P*
D-3.22	Public Utility Commission of Texas Notice of Intervention, Protest, Motion for Consolidation, and Request for Hearing (2/24/94) (4)	P*
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D-3.25	Tucson Electric Power Company Motion to Intervene (2/24/94) (4)	P*
D-3.26	Southern California Edison Company Motion for Leave to Intervene (2/24/94) (4)	P*
D-3.27	Texas Office of Public Utility Counsel Motion to Intervene, Motion for Consolidation, Protest, and Request for Hearing (2/25/94) (4)	P*
D-3.28	Houston Lighting & Power Company Motion to Intervene (2/25/94) (4)	P*
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D-3.34	Tex-La Electric Cooperative of Texas, Inc. Motion to Intervene (2/25/94) (4)	P*
D-3.35	Oklahoma Corporation Commission Notice of Intervention (2/25/94) (4)	P*
D-3.36	Plains Electric Generation and Transmission Cooperative, Inc. Motion to Intervene, Protest and Request for Hearing (2/25/94) (4)	P*
D-3.37	Public Service Company of New Mexico Protest, Motion for Leave to Intervene, Request for Hearing, and Motion to Consolidate FERC Docket No. TX94-2-000 with this Proceeding (2/25/94) (4)	P*
D-3.38	Southwestern Public Service Company Motion to Intervene, Protest, Motion to Consolidate, and Request for Hearing (2/25/94) (4)	P*
D-3.39	City of Las Cruces, New Mexico Motion to Intervene and Protest (2/25/94) (4)	P*
D-3.40	Public Service Company of New Mexico Motion for Leave to File One Day Out of Time (2/28/94) (4)	P*
D-3.41	El Paso Electric Company and Central and South West Services, Inc. Response to Notice of Intervention of the New Mexico Public Utility Commission (3/01/94) (4)	P*

D-3.42	Southwestern Public Service Company Answer to Applicants' Motion for an Extension of Time to Answer (3/02/94) (4)	P*
D-3.43	Arkansas Public Service Commission Response in Opposition to Motion for Extension of Time to Answer, Motion to Intervene (3/03/94) (4)	P*
D-3.44	Public Utilities Board, City of Brownsville, Texas Motion to Intervene, Protest, and Answer (3/04/94) (4)	P*
D-3.45	American Forest and Paper Association Motion to Intervene and Protest and Motion to Consolidate (3/07/94) (4)	P*
D-3.46	Federal Energy Regulatory Commission Notice of Extension of Time (3/08/94) (4)	P*
D-3.47	El Paso Electric Company and Central and South West Services, Inc. Supplemental Filing to Exhibit G (3/21/94) (4)	P*
D-3.48	El Paso Electric Company and Central and South West Services, Inc. Answer to Motions to Intervene (3/21/94) (4)	P*
D-3.49	New Mexico Public Utility Commission Reply to Applicants' Response (3/30/94) (5)	P*
D-3.50	American Forest and Paper Association Reply to the Improper Answer of Applicants (4/01/94) (5)	P*
D-3.51	Public Utility Commission of Texas Response to Answer of Applicants Motions to Intervene (4/04/94) (5)	P*
D-3.52	City of Las Cruces Motion to Reply and Answer to Applicants' Answer to Interventions (4/05/94) (5)	P*

D-3.53	Public Service Company of New Mexico Motion for Leave to File Response and Response to Applicants' Answer (4/05/94) (5)	P*
D-3.54	Southwestern Public Service Company Answer in Opposition to Applicants' Request for Leave to Respond to Protests (4/05/94) (5)	P*
D-3.55	El Paso Electric Company and Central and South West Services, Inc. Response to Answers by Certain Intervenors to Applicants' Answer filed March 21, 1994 (4/19/94) (5)	P*
D-3.56	Federal Energy Regulatory Commission Answer to El Paso Electric Company's Application of March 22, 1994 (4/20/94) (5)	P*
D-3.57	Southwestern Public Service Company Answer to Applicants' Response to Answers filed April 19, 1994 (5/02/94) (5)	P*
D-3.58	Central and South West Services, Inc. and El Paso Electric Company Letter to the Federal Energy Regulatory Commission to Update David Harrell's Benefits Analysis (5/17/94) (6)	P*
D-3.59	Southwestern Public Service Company Motion for Leave to Amend Protest to Address Application of the Commission's New Policy Regarding Comparability of Service (5/26/94) (6)	P*
D-3.60	El Paso Electric Company and Central and South West Services, Inc. Answer to SPS' Motion to Amend Protest to Address Application of the Commission's New Policy Regarding Comparability of Service (6/10/94) (6)	P*
D-3.61	City of Las Cruces, New Mexico Answer to Motion of SPS to Address Application	

	of the Commission's Newly Announced Policy Regarding Comparability of Service (6/10/94) (6)	P*
D-3.62	Plains Electric Generation and Transmission Cooperative, Inc. Answer to SPS' Motion to Amend SPS' Protest to Address Transmission Comparability Issues (6/10/94) (6)	P*
D-3.63	City of Las Cruces, New Mexico Motion to Lodge Decision of U.S. Court of Appeals for the District of Columbia Circuit for EPE to File an Open Access Tariff (6/20/94) (6)	P*
D-3.64	Central and South West Services, Inc. and El Paso Electric Company Letter to the Federal Energy Regulatory Commission Responding to Filing Made by Plains Cooperative and City of Las Cruces Which Supported a Previous Pleading by SPS to Amend SPS' Protest (6/28/94) (6)	P*
D-3.65	Central and South West Services, Inc. and El Paso Electric Company Answer to the City of Las Cruces' Motion to Lodge for EPE to File an Open Access Tariff (7/25/94) (6)	P*
D-3.66	Southwestern Public Service Company Motion for Leave to Supplement Record (7/08/94) (6)	P*
D-3.67	Central and South West Services, Inc. and El Paso Electric Company Response to SPS' Motion For Leave to Supplement Record (7/15/94) (6)	P*
D-3.68	Federal Energy Regulatory Commission Signed Final FERC Order On Merger Application and Rate Filing (8/01/94) (6)	P*
D-3.69	Central and South West Services, Inc. and El Paso Electric Company Motion for Expedited Clarification of FERC's	

	August 1, 1994 Order on Merger Application and Rate Filing (8/25/94) (6)	P*
D-3.70	Federal Energy Regulatory Commission Approved Order for Central and South West Services, Inc. and El Paso Electric Company (8/25/94) (6)	P*
D-3.71	American Forest and Paper Association Request for Rehearing to the FERC (8/30/94) (6)	P*
D-3.72	Public Service Company of New Mexico Motion for Clarification and Request for Rehearing to the FERC (8/31/94) (6)	P*
D-3.73	Arkansas Public Service Commission Petition for Rehearing to the FERC (8/31/94) (6)	P*
D-3.74	Southwestern Public Service Company Request for Rehearing (8/31/94) (6)	P*
D-3.75	Central and South West Services, Inc. and El Paso Electric Company Request for Rehearing (8/31/94) (6)	P*
D-3.76	Central and South West Services, Inc. and El Paso Electric Company Filing to the FERC of Transmission Tariffs to Offer "Comparable Service" (8/31/94) (6)	P*
D-3.77	El Paso Electric Company and Central and South West Services, Inc. Filing to Provide Testimony and Workpapers for Applicants' Witness: Neil W. Felber.	P*
D-4	Section 205 Application to the FERC (2)	P*
D-4.1	Federal Energy Regulatory Commission Notice of Filing (1/13/94) (4)	P*
D-4.2	Texas Office of Public Utility Counsel, Public Utility Commission of Texas, Attorney General of the State of New Mexico, Louisiana Public Service Commission, and City of Las Cruces	

	Motion for an Extension of Time to File Protests and Interventions and Request for Expedited Action on this Motion (1/18/94) (4)	P*
D-4.3	Arkansas Public Service Commission Notice of Intervention (1/19/94) (4)	P*
D-4.4	Arkansas Public Service Commission Response in Support of Motion for an Extension of Time to File Protests and Interventions (1/19/94) (4)	P*
D-4.5	El Paso Electric Company and Central and South West Services, Inc. Answer to Motions for Extension of Time (1/21/94) (4)	P*
D-4.6	Louisiana Public Service Commission Notice of Intervention (1/27/94) (4)	P*
D-4.7	Federal Energy Regulatory Commission Notice of Extension of Time (1/28/94) (4)	P*
D-4.8	New Mexico Public Utility Commission Notice of Intervention (2/08/94) (4)	P*
D-4.9	Texas Utilities Electric Company Motion to Intervene (2/08/94) (4)	P*
D-4.10	Arizona Public Service Company Motion to Intervene (2/22/94) (4)	P*
D-4.11	Salt River Project Agricultural Improvement and Power District Motion to Intervene (2/22/94) (4)	P*
D-4.12	Louisiana Public Service Commission Protest, Request for Hearing, and Motion for Consolidation (2/24/94) (4)	P*
D-4.13	Public Utility Commission of Texas Notice of Intervention, Protest, Motion for Consolidation, and Request for Hearing (2/24/94) (4)	P*
D-4.14	Arkansas Public Service Company Protest	

	and Request for Hearing (2/24/94) (4)	P*
D-4.15	Cajun Electric Power Cooperative, Inc. Motion to Intervene, Protest and Request for Hearing (2/25/94) (4)	P*
D-4.16	Houston Lighting and Power Company Motion to Intervene (2/25/94) (4)	P*
D-4.17	Texas Office of Public Utility Counsel Motion to Intervene, Motion for Consolidation, Protest and Request for Hearing (2/25/94) (4)	P*
D-4.18	Southwestern Public Service Company Motion to Intervene and Motion to Consolidate (2/25/94) (4)	P*
D-4.19	Public Utilities Board of the City of Brownsville, Texas Motion to Intervene (2/25/94) (4)	P*
D-4.20	Public Service Company of New Mexico Motion for Leave to Intervene (2/25/94) (4)	P*
D-4.21	Northeast Texas Electric Cooperative, Inc. Motion to Intervene (2/25/94) (4)	P*
D-4.22	TDU Customers Joint and Several Motion to Intervene, Protest and Request that the Commission Initiate Hearing Procedures of Certain Transmission Dependent Customers on the Central and South West Corporation and Southwestern Public Service Company Systems (2/25/94) (4)	P*
D-4.23	Oklahoma Corporation Commission Notice of Intervention (2/25/94) (4)	P*
D-4.24	Public Service Company of New Mexico Motion for Leave to File One Day of Time (2/22/94) (4)	P*
D-4.25	El Paso Electric Company and Central and South West Services, Inc. Motion for Extension of Time to Answer Motions to Intervene and Motion for Expedited	

	Procedures (3/01/94) (4)	P*
D-4.26	Central and South West Services, Inc. Response to Notice of Intervention of the New Mexico Public Utility Commission (3/01/94) (4)	P*
D-4.27	Southwestern Public Service Company Answer to Applicants' Motion for an Extension of Time to Answer (3/02/94) (4)	P*
D-4.28	Arkansas Public Service Commission Response in Opposition to Motion for Extension of Time to Answer Motion to Intervene (3/03/94) (4)	P*
D-4.29	Federal Energy Regulatory Commission Notice of Extension of Time (3/08/94) (4)	P*
D-4.30	El Paso Electric Company and Central and South West Services, Inc. Answer to Motions to Intervene (3/21/94) (4)	P*
D-4.31	New Mexico Public Utility Commission Reply to Applicants' Response (3/30/94) (5)	P*
D-4.32	Public Utility Commission of Texas Response to Answer of Applicants' to Motion to Intervene (4/04/94) (5)	P*
D-4.33	Public Service Company of New Mexico Motion for Leave to File Response and Response to Applicants' Answer (4/05/94) (5)	P*
D-4.34	Southwestern Public Service Company Answer in Opposition to Applicants' Request for Leave to Respond to Protests (4/05/94) (5)	P*
D-4.35	El Paso Electric Company and Central and South West Services, Inc. Response to Answers by Certain Intervenors to Applicants' Answer Filed March 21, 1994 (4/19/94) (5)	P*
D-4.36	Southwestern Public Service Company Answer to Applicants' Response to Answer	

	filed April 19, 1994 (5/02/94) (5)	P*
D-4.37	Southwestern Public Service Company Motion for Leave to Amend Protest to Address Application of the Commission's New Policy Regarding Comparability of Service (5/26/94) (6)	P*
D-4.38	El Paso Electric Company and Central and South West Services, Inc. Answer to SPS' Motion to Amend Protest to Address Application of the Commission's New Policy Regarding Comparability of Services (6/10/94) (6)	P*
D-4.39	Plains Electric Generation and Transmission Cooperative, Inc. Answer to SPS' Motion to Amend SPS' Protest to Address Transmission Service Comparability Issues (6/10/94) (6)	P*
D-4.40	Southwestern Public Service Company Motion for Leave to Supplement Record (7/08/94) (6)	P*
D-4.41	Central and South West Services, Inc. and El Paso Electric Company Answer to the City of Las Cruces' Motion to Lodge for EPE to File an Open Access Tariff (7/25/94) (6)	P*
D-4.42	Central and South West Services, Inc. and El Paso Electric Company Response to SPS' Motion for Leave to Supplement Record (7/15/94) (6)	P*
D-4.43	Federal Energy Regulatory Commission Signed Final FERC Order on Merger Application and Rate Filing (8/01/94) (6)	P*
D-4.44	Central and South West Services, Inc. and El Paso Electric Company Motion for Expedited Clarification of FERC's August 1, 1994 Order on Merger Application and Rate Filing (8/25/94) (6)	P*
D-4.45	Federal Energy Regulatory Commission	

	Approved Order for Central and South West Services, Inc. and El Paso Electric Company (8/25/94) (6)	P*
D-4.46	American Forest and Paper Association Request for Rehearing to the FERC (8/30/94) (6)	P*
D-4.47	Public Service Company of New Mexico Motion for Clarification and Request for Rehearing to the FERC (8/31/94) (6)	P*
D-4.48	Arkansas Public Service Commission Petition for Rehearing to the FERC (8/31/94) (6)	P*
D-4.49	Southwestern Public Service Company Request for Rehearing (8/31/94) (6)	P*
D-4.50	Central and South West Services, Inc. and El Paso Electric Company Request for Rehearing (8/31/94) (6)	P*
D-4.51	Central and South West Services, Inc. and El Paso Electric Company Filing to the FERC of Transmission Tariffs to Offer "Comparable Service" Per the FERC's Order (8/31/94) (6)	P*
D-5	Section 211 Application to the FERC (2)	P*
D-5.1	Federal Energy Regulatory Commission Notice of Filing (11/10/93) (4)	P*
D-5.2	Southwestern Public Service Company Motion for an Extension of Time and Request for Expedited Action on Motion (11/17/93) (4)	P*
D-5.3	El Paso Electric Company and Central and South West Services, Inc. Answer to Motion of Southwestern Public Service Company for an Extension of Time (11/18/94) (4)	P*
D-5.4	Federal Energy Regulatory Commission Notice of Extension of Time (11/22/93) (4)	P*

D-5.5	Louisiana Public Service Commission Notice of Intervention (11/23/93) (4)	P*
D-5.6	New Mexico Public Utility Commission Motion to Intervention (11/30/93) (4)	P*
D-5.7	Western Farmers Electric Cooperative Motion for Leave to Intervene (12/15/93) (4)	P*
D-5.8	City of El Paso, Texas Motion to Intervene (12/16/93) (4)	P*
D-5.9	Public Service Company of New Mexico Motion to Intervene (12/17/93) (4)	P*
D-5.10	Southwestern Public Service Company's Full Requirements Wholesale Customers Motion to Intervene and Protest (12/20/93) (4)	P*
D-5.11	Dona Ana County, New Mexico Motion to Intervene (12/20/93) (4)	P*
D-5.12	Texas Office of Public Utility Counsel Motion to Intervene, Protest, and Motion to Deny Summary Disposition (12/22/93) (4)	P*
D-5.13	The New Mexico Attorney General Motion to Intervene and Protest (12/22/93) (4)	P*
D-5.14	New Mexico Industrial Energy Consumers Motion to Intervene (12/22/93) (4)	P*
D-5.15	Public Utility Commission of Texas Notice of Intervention (12/22/93) (4)	P*
D-5.16	Arkansas Public Service Commission Notice of Intervention (12/22/93) (4)	P*
D-5.17	Houston Lighting & Power Company Motion to Intervene (12/22/93) (4)	P*
D-5.18	City of Las Cruces, New Mexico Motion to Intervene and Protest (12/22/93) (4)	P*
D-5.19	TDU Customers Joint and Several Motion	

	to Intervene and Request that the Commission Initiate Hearing Procedures of Certain Transmission Dependent Customers on the Central and South West Corporation and Southwestern Public Service Company Systems (12/22/93) (4)	P*
D-5.20	Westplains Energy Division of Utilicorp United Inc. Motion to Intervene (12/22/93) (4)	P*
D-5.21	PSI Energy, Inc. Motion to Intervene (12/22/93) (4)	P*
D-5.22	Texas Utilities Electric Company Motion to Intervene (12/22/93) (4)	P*
D-5.23	Southwestern Public Service Company Protest, Motion to Dismiss, Motion to Intervene, and Answer (12/22/93) (4)	P*
D-5.24	Duke Power Company Motion to Intervene (12/22/93) (4)	P*
D-5.25	Department of Defense Late Filed Motion to Intervene and Protest (1/05/94) (4)	P*
D-5.26	New Mexico Public Utility Commission Statement in Support of Public Evidentiary Hearing (1/12/94) (4)	P*
D-5.27	El Paso Electric Company and Central and South West Services, Inc. Response to Protest, Motion to Dismiss, Motion to Intervene, and Answer of Southwestern Public Service Company (1/13/94) (4)	P*
D-5.28	Southwestern Public Service Company Leave to File and Reply to Applicants' Response (1/26/94) (4)	P*
D-5.29	Public Service Company of New Mexico Motion for Leave to Reply to El Paso Electric Company's and Central and South West Services, Inc.'s Response Opposing PNM's Motion to Intervene (1/27/94) (4)	P*

D-5.30	Texas Utilities Electric Company Leave to File a Reply to El Paso Electric Company's and Central and South West Services, Inc.'s Response (1/28/94) (4)	P*
D-5.31	El Paso Electric Company and Central and South West Services, Inc. Answer to Motion of Southwestern Public Service Company for Leave to File and Reply to Applicants' Response (2/03/94) (4)	P*
D-5.32	El Paso Electric Company and Central and South West Services, Inc. Answer to Motions of Public Service Company of New Mexico and Texas Utilities Electric Company to Reply to Applicants' Response (2/10/94) (4)	P*
D-5.33	The New Mexico Attorney General Letter requesting that its Motion to Intervene be considered timely filed despite being one day late due to delivery problems (2/28/94) (4)	P*
D-5.34	Texas Utilities Electric Company Motion for Leave to File and Reply to Applicants' Answer to Texas Utilities Electric Company's Reply to Applicants' Responses to Motion to Intervene (3/04/94) (4)	P*
D-5.35	American Forest and Paper Association Motion to Intervene and Protest and Motion to Consolidate (3/10/94) (4)	P*
D-5.36	El Paso Electric Company and Central and South West Services, Inc. Letter indicating no opposition to the New Mexico Attorney General's letter of February 28, 1994 requesting previously submitted Motion to Intervene to be timely filed despite being filed one day late due to delivery problem (3/07/94) (4)	P*
D-5.37	El Paso Electric Company and Central	

	and South West Services, Inc. Answer to Motion of Texas Utilities Electric Company for Leave to File and Reply to Applicants' Answer to Texas Utilities Electric Company's Reply to Applicants' Response to Motion to Intervene (3/21/94) (4)	P*
D-5.38	American Forest and Paper Association Reply to the Improper Answer of Applicants (4/01/94) (5)	P*
D-5.39	Federal Energy Regulatory Commission Signed Final FERC Order on Transmission Services and Establishing Further Practices (8/01/94) (6)	P*
D-5.40	Oklahoma Municipal Power Authority Notice of Withdrawal from Proceedings (8/01/94) (6)	P*
D-5.41	Public Service Company of New Mexico Motion for Clarification and Request for Rehearing (8/31/94) (6)	P*
D-6	Testimony of George R. Hall to the FERC (2)	P*
D-7	Application to the NRC (2)	P*
D-7.1	Nuclear Regulatory Commission Notice in Federal Register (3/02/94) (5)	P*
D-7.2	Plains Electric G & T Cooperative Petition Filed to Address Anti-Competitive Issues and Request a Hearing (4/01/94) (5)	P*
D-7.3	Arizona Public Service Company Letter to Provide Supplemental Information for EPE's NRC Filing (4/08/94) (5)	P*
D-7.4	Public Utility Commission of Texas Petition to Intervene (4/12/94) (5)	P*
D-7.5	Southwestern Public Service Company Petition for Leave to Intervene and	

	Comments (4/13/94) (5)	P*
D-7.6	City of Las Cruces Comments Regarding Antitrust Concerns (4/13/94) (5)	P*
D-7.7	Nuclear Regulatory Commission Notice in Federal Register (4/14/94) (5)	P*
D-7.8	Nuclear Regulatory Commission Order for Plains Electric Generation and Transmission Cooperative, Inc.'s Petition of April 1, 1994 (4/14/94) (5)	P*
D-7.9	El Paso Electric Company and Central and South West Services, Inc. Letter to NRC (5/17/94) (5)	P*
D-7.10	El Paso Electric Company and Central and South West Services, Inc. Letter to NRC addressing Issues Raised in the Comments and Interventions by SPS, Las Cruces, and Plains Cooperative (5/17/94) (6)	P*
D-7.11	Plains Electric Generation and Transmission Cooperative, Inc. Letter to NRC Regarding CSW/EPE's May 17, 1994 Letter to the NRC (6/03/94) (6)	P*
D-7.12	City of Las Cruses Letter to NRC Staff Commenting on Claiming Errors or Mischaracterizations of CSW/EPE's May 17, 1994 Letter to the NRC (6/16/94) (6)	P*
D-8	Notice of Succession of Ownership to the Department of Energy (to be filed by amendment) (6)	---
D-9	Notification and Report Form to U.S. Department of Justice and Federal Trade Commission (to be filed by amendment)	---
D-10	Exhibit E to the Disclosure Statement (Rate Path) (0)	Electronic
D-11	Order of Bankruptcy Court dated	

	August 27, 1993 (Disclosure Statement Approval Order) (0)	Electronic
D-12	Order of Bankruptcy Court dated September 15, 1993 (0)	Electronic
D-13	Order of Bankruptcy Court dated December 8, 1993 (Confirmation Order) (0)	Electronic
D-14	Findings of Fact (0)	Electronic
D-14.1	Amended Findings of Fact (1)	Electronic
E-1	Map showing service territories of CSW and EPE	P*
E-2	Map showing interconnections of CSW and EPE	P*
F-1	Preliminary Opinion of Counsel (to be filed by amendment)	---
F-2	Final ("Past Tense") Opinion of Counsel (to be filed by amendment)	---
G-1	Form of Notice (0)	Electronic
H-1	CSW Annual Report on Form 10-K for the year ended December 31, 1992 (previously filed with the Commission and hereby incorporated by reference) (0)	By Reference
H-2	EPE Annual Report on Form 10-K for the year ended December 31, 1992 (previously filed with the Commission and hereby incorporated by reference) (0)	By Reference
H-3	CSW Annual Report to Shareholders for the year ended December 31, 1992 (previously filed with the Commission and hereby incorporated by reference) (0)	By Reference
H-4	EPE Annual Report to Shareholders for the year ended December 31, 1992 (previously filed with the Commission and hereby incorporated by reference) (0)	By Reference
H-5	CSW Quarterly Report on Form 10-Q for the quarter ended March 31, 1993	

	(previously filed with the Commission and hereby incorporated by reference)	(0)	By Reference
H-6	CSW Quarterly Report on Form 10-Q for the quarter ended June 30, 1993 (previously filed with the Commission and hereby incorporated by reference)	(0)	By Reference
H-7	CSW Quarterly Report on Form 10-Q for the quarter ended September 30, 1993 (previously filed with the Commission and hereby incorporated by reference)	(0)	By Reference
H-8	EPE Quarterly Report on Form 10-Q for the quarter ended March 31, 1993 (previously filed with the Commission and hereby incorporated by reference)	(0)	By Reference
H-9	EPE Quarterly Report on Form 10-Q for the quarter ended June 30, 1993 (previously filed with the Commission and hereby incorporated by reference)	(0)	By Reference
H-10	EPE Quarterly Report on Form 10-Q for the quarter ended September 30, 1993 (previously filed with the Commission and hereby incorporated by reference)	(0)	By Reference
H-11	CSW Annual Report on Form 10-K for the year ended December 31, 1993 (previously filed with the Commission and hereby incorporated by reference)		By Reference
H-12	EPE Annual Report on Form 10-K for the year ended December 31, 1993 (previously filed with the Commission and hereby incorporated by reference)		By Reference
H-13	CSW Annual Report to Shareholders for the year ended December 31, 1993 (previously filed with the Commission and hereby incorporated by reference)		By Reference
H-14	EPE Annual Report to Shareholders for the year ended December 31, 1993 (previously filed with the Commission and hereby incorporated by reference)		By Reference
H-15	CSW Quarterly Report on Form 10-Q for		

	the quarter ended March 31, 1994 (previously filed with the Commission and hereby incorporated by reference)	By Reference
H-16	EPE Quarterly Report on Form 10-Q for the quarter ended March 31, 1994 (previously filed with the Commission and hereby incorporated by reference)	By Reference
J-1	Morgan Stanley opinion to the CSW Board of Directors dated April 30, 1993 (0)	Electronic
J-2	Barr Devlin opinion to the EPE Board of Directors dated May 3, 1993 (0)	Electronic
FS-1	Consolidated Balance Sheets of CSW as of December 31, 1992 (incorporated by reference to CSW's Annual Report on Form 10-K for the year ended December 31, 1992 (Exhibit H-1 hereto)) (0)	By Reference
FS-2	Consolidated Statements of Income of CSW for the year ended December 31, 1992 (incorporated by reference to CSW's Annual Report on Form 10-K for the year ended December 31, 1992 (Exhibit H-1 hereto)) (0)	By Reference
FS-3	Consolidated Statements of Cash Flows of CSW for the year ended December 31, 1992 (incorporated by reference to CSW's Annual Report on Form 10-K for the year ended December 31, 1992 (Exhibit H-1 hereto)) (0)	By Reference
FS-4	Consolidated Statements of Retained Earnings of CSW for the year ended December 31, 1992 (incorporated by reference to CSW's Annual Report on Form 10-K for the year ended December 31, 1992 (Exhibit H-1 hereto)) (0)	By Reference
FS-5	Notes to Consolidated Financial Statements of CSW for the year ended December 31, 1992 (incorporated by reference to CSW's Annual Report on Form 10-K for the year ended	

	December 31, 1992 (Exhibit H-1 hereto)) (0)	By Reference
FS-6	Balance Sheets of EPE as of December 31, 1992 (incorporated by reference to EPE's Annual Report on Form 10-K for the year ended December 31, 1992 (Exhibit H-2 hereto)) (0)	By Reference
FS-7	Statements of Operations of EPE for the year ended December 31, 1992 (incorporated by reference to EPE's Annual Report on Form 10-K for the year ended December 31, 1992 (Exhibit H-2 hereto)) (0)	By Reference
FS-8	Statements of Cash Flows of EPE for the year ended December 31, 1992 (incorporated by reference to EPE's Annual Report on Form 10-K for the year ended December 31, 1992 (Exhibit H-2 hereto)) (0)	By Reference
FS-9	Statements of Retained Earnings (Deficit) of EPE for the year ended December 31, 1992 (incorporated by reference to EPE's Annual Report on Form 10-K for the year ended December 31, 1992 (Exhibit H-2 hereto)) (0)	By Reference
FS-10	Notes to Financial Statements of EPE for the year ended December 31, 1992 (incorporated by reference to EPE's Annual Report on Form 10-K for the year ended December 31, 1992 (Exhibit H-2 hereto)) (0)	By Reference
FS-11	Unaudited Actual and Pro Forma Combined Capitalization of CSW and EPE as of June 30, 1993 (0)	Electronic
FS-12	Unaudited Pro Forma Combined Financial Statements as of and for the year ended June 30, 1993 (0)	Electronic
FS-13	CSW Consolidated Balance Sheet as of September 30, 1993 (see page 4 of the	

	Quarterly Report of CSW on Form 10-Q for the quarter ended September 30, 1993, incorporated by reference as Exhibit H-7 hereto) (0)	By Reference
FS-14	CSW Consolidated Statement of Income and Surplus for the twelve months ended September 30, 1993 (see page 3 of the Quarterly Report of CSW on form 10-Q for the quarter ended September 30, 1993, incorporated by reference as Exhibit H-7 hereto) (0)	By Reference
FS-15	CSW Consolidated Statement of Income and Surplus for its last three fiscal years (see page 24 of the Annual Report of CSW to Shareholders for the year ended December 31, 1992, incorporated by reference as Exhibit H-3 hereto) (0)	By Reference
FS-16	EPE Balance Sheet as of September 30, 1993 (see page 1 of the Quarterly Report of EPE on Form 10-Q for the Quarter ended September 30, 1993, incorporated by reference as Exhibit H-10 hereto) (0)	By Reference
FS-17	EPE Statement of Income and Surplus for the twelve months ended September 30, 1993 (see page 3 of Quarterly Report of EPE on Form 10-Q for the quarter ended September 30, 1993, incorporated by reference as Exhibit H-10 hereto) (0)	By Reference
FS-18	EPE Statement of Income and Surplus for its last three fiscal years (see page 58 of the Annual Report of EPE on Form 10-K for the year ended December 31, 1992, incorporated by reference as Exhibit H-2 hereto) (0)	By Reference

There have been no material changes, not in the ordinary course of business, to the financial statements listed above since the date of such financial statements.

ENDNOTES

1. The Merger Agreement defines an "EPE Material Adverse Effect" as "a material adverse effect on the business, operations, franchises,

properties, assets, condition (financial or other) or results of operations" of EPE.