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PUC DOCKET NO. 26000
SOAH DOCKET NO. 473-02-3169

APPLICATION OF WEST TEXAS
UTILITIES FOR AUTHORITY TO
RECONCILE FUEL COSTS

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BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS
2003 MAY 16 PM 1:34
FILING CLERK

CITIES' RESPONSE TO WTU'S REQUEST FOR ORAL ARGUMENT

The Cities of Abilene, Ballinger, Cisco, San Angelo and Vernon ("Cities"), intervenors in the above-referenced docket, file this response to WTU's request for oral argument filed May 15, 2003. Cities respectfully show as follows:

If the PUC authorizes oral argument, Cities intend to focus on two egregious errors in the PFD. If these errors are remedied, headroom will be increased and competition encouraged in WTU's service territory.

First, WTU's abandonment of the portfolio approach to natural gas purchases left ratepayers unprotected from escalating natural gas prices. The ALJs concede that WTU's failure to maintain a balance of firm and spot gas cost ratepayers \$6-\$33 million. WTU's refusal to implement a balanced portfolio has gone unexplained. The Company's determination to purchase 99% of its natural gas on the spot market is puzzling as well as imprudent considering the numerous warnings from the Commission that a balanced portfolio would be required. Chairman Wood clearly stated that any Company relying solely on the spot market would have "some problem with this Commission." The Commission needs to follow up on its directives or risk having statements from the bench disregarded by those it regulates.

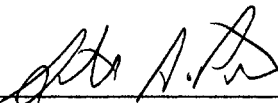
Second, in protecting ratepayers during this chaotic transition to competition, the Commission needs to ensure that captive customers do not subsidize unregulated ventures. In this case, WTU operated Oklaunion at 65% in 2001, an all-time low, in order to take the plant down for a major turbine inspection. However, the Company concedes that such inspection

could have been performed in 2002 following deregulation. The Company admits that absent its decision to inspect the plant during regulation, Oklahoma would have performed at 80%. According to WTU's calculations this would have saved ratepayers in excess of \$15 million.

These are the issues that stand out as deserving scrutiny by the Commission. If oral argument is authorized, Cities will address WTU's arguments and the issues set out above.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was transmitted by fax and/or regular, first class mail on this 16th day of May 2003 to the parties of record.


Steven A. Porter