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2005 JUL 21 PM 3:08  
PUBLIC UTILITY COMMISSION  
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July 21, 2005

Ms. Tammy Cooper  
Administrative Law Judge  
Policy Development Division  
Public Utility Commission of Texas  
1701 N. Congress Avenue  
Austin, Texas 78701

**Re: SOAH Docket No. 473-04-1033, PUC Docket No. 28840 -- *Application of AEP Texas Central Company for Authority to Change Rates***

Dear ALJ Cooper:

Please consider this to be Cities' response to TCC's updated rate case expense filing of July 20, 2005. The Company's proposed revisions to certain findings of fact fail to accurately reflect Cities' rate case expenses. This is due to the fact that Cities' *actual* expenses are only calculated through *August, 2004*.

*Cities' Motion to Update Rate Case Expenses*, recently approved by the Commission, identified Cities' actual costs through August, 2004. The motion was filed in September, 2004. Obviously, there has been much activity in this case since then. The affidavit attached to TCC's filing indicates Cities have sought reimbursement of \$1,140,244 through June, 2005. To match TCC's update, Cities have calculated actual expenses through June, 2005 as follows:

|                 |                      |
|-----------------|----------------------|
| Lloyd Gosselink | \$ 650,666.70        |
| Consultants     | <u>\$ 507,891.67</u> |
| Total           | \$ 1,158,558.37      |

When Cities' actuals through June, 2005 are compared to the amount approved by the Commission (\$1,224,691) only \$66,132.70 remains to complete the case. Much of this amount will be necessary to prepare motions for rehearing and to reply to the Company's motion for rehearing, as well as review the Company's tariffs which must comply with the Commission's Order. Clearly, the remaining amount is insufficient to complete the case.

To be accurate, proposed finding of fact 213 should read:

213 Based on the hours expended on the case, the hourly rates charged and reasonable expenses incurred, Cities have incurred reasonable rate case expenses of \$1,158,558.37 as of June, 2005.

An additional finding, set out below, is necessary to accurately portray Cities' costs:

213A Cities' estimate to complete the case through the appellate process of \$191,132 is reasonable and approved.

The figure in 213A consists of the remaining amount (\$66,132.70) already approved by the Commission plus \$125,000 the Commission has found reasonable for participating in the appellate process. Proposed findings of fact 213 and 213A reflect accurate, actual costs through June, 2005, as well as appellate costs already found reasonable by the Commission.

Finding of fact 216 would then read:

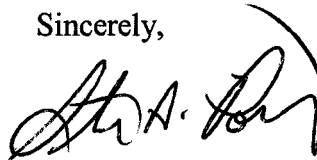
216 The amount of reasonable rate case expenses that should be recovered from customers is \$4,265,971.

Of course, Cities are entitled to recovery of *all* reasonable costs to complete this case. Thus far, it has been difficult to forecast the necessary time to present Cities' case. In that regard, proposed finding of fact 58A should be amended to allow TCC to request recovery of Cities' costs incurred subsequent to June, 2005:

58A TCC may seek to recover in its next rate case – rate case expenses in connection with Docket No. 28840 that are incurred after June, 2005, including the cost of municipal participation not already reflected in 213A.

Thank you for your attention to this matter. Cities stand ready to work with the Commission to handle this matter as expeditiously and fairly as possible. If the Commission requires an affidavit to attest to the facts stated herein, please let me know.

Sincerely,



Steven A. Porter  
Attorney for Cities

SAP:gaj  
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cc: Docket No. 28840 Parties of Record