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PUBLIC UTILITY COMMISSION
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PETITION OF CENTERPOINT §
 ENERGY HOUSTON ELECTRIC, §
 LLC, RELIANT ENERGY RETAIL §
 SERVICES, LLC AND TEXAS §
 GENCO, LP TO DETERMINE §
 STRANDED COSTS AND OTHER §
 TRUE-UP BALANCES PURSUANT TO §
 PURA § 39.262 §

**OCCIDENTAL POWER MARKETING, L.P.'S
STATEMENT OF POSITION ON REMANDED INTEREST ISSUE**

In accordance with Proc. R. 22.124, Occidental Power Marketing, L.P. (OPM) hereby files its Statement of Position in the above-captioned proceeding. Under Proc. R. 22.124, parties that have not prefiled direct testimony are required to file a statement of position no later than three working days before the start of the hearing unless the presiding officer determines that a different deadline should be imposed. To OPM's knowledge, no specific deadline for filing statements of position has been adopted in this proceeding. Accordingly, this statement of position is timely filed.

On June 18, 2004, the Texas Supreme Court issued its decision on the issue of interest on stranded costs in *CenterPoint Energy, Inc. v. Public Utility Commission of Texas*, 2004 WL 1386192 (Tex. 2004). In its decision, the Court expressly recognized that a utility's capacity auction true-up could constitute a partial or entire recovery of carrying costs for stranded costs for 2002 and 2003. As the Court stated, "[p]reventing an overrecovery of stranded costs requires a determination, on a company-by-company basis, of whether proceeds from a capacity auction true-up had a component for return on or of stranded costs and of the quantity of such return." *Id.* at 11. Following the Court's

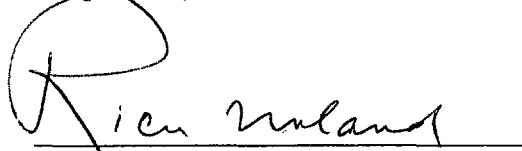
decision, on June 25, 2004, the Commission announced that it would convene a hearing on the merits to consider the remanded interest issues in this proceeding to be held on September 8, 2004. A procedural schedule for the interest phase of the proceeding was established in Order No. 17, issued July 2, 2004.

As a preliminary matter, OPM believe that the Applicants in this proceeding have no recoverable stranded costs and therefore the issue of interest on stranded costs is moot. Assuming for purposes of argument that Applicants are found to have some stranded costs, however, OPM's position is that Applicants are entitled to *no* interest recovery on such stranded costs under the standard enunciated in the *CenterPoint* decision. The capacity auction true-up procedures include a component for return of and on stranded costs that fully compensates Applicants for the period beginning January 1, 2002, through the date of a final true up. In this respect, OPM concurs with the positions expressed by Texas Industrial Energy Consumers, the Gulf Coast Coalition of Cities, the State of Texas, and other intervenors in their previously filed testimony and statements of position in the interest phase of this proceeding. Applicants are entitled to no further compensation for interest on any stranded costs the Commission may authorize them to recover.

Again assuming Applicants are entitled to recover some stranded costs, OPM also submits that Applicants have significantly overstated the interest rate used to calculate interest on such stranded costs. While OPM does not take a position on a specific interest rate, under no circumstances should it exceed the 7.5% interest rate approved by the Commission for CenterPoint's excess mitigation credits. Further, as pointed out by TIEC witness Pollock in his supplemental direct testimony filed on August 18, 2004, the

Commission has previously ruled that stranded costs are not used and useful; consequently, it established a lower return on equity for such costs to reflect the fact that such invested capital is less economically useful than other invested capital. Order, Docket No. 14965, *Application of Central Power and Light Company for Authority to Change Rates*, Finding of Fact No. 113A at p. 31 (March 31, 1997). Also, any interest rate approved by the Commission should take into account the fact that Applicants are essentially guaranteed recovery of all of their net, verifiable and non-mitigable stranded costs under PURA. Accordingly, Applicants' proposal to utilize an interest rate of 11.37% to calculate interest on stranded cost is unreasonable and should be rejected.

Respectfully submitted,

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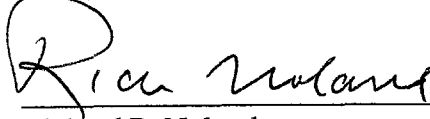
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September 1, 2004

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was mailed by U.S. Mail, postage prepaid, or delivered via facsimile, Federal Express, or hand delivery on the 1st day of September, 2004, to all parties of record in this proceeding.

A handwritten signature in cursive script, appearing to read "Rich Noland", written over a horizontal line.

Richard P. Noland