



Control Number: 31056



Item Number: 639

Addendum StartPage: 1

RECEIVED

APPLICATION OF AEP TEXAS
CENTRAL COMPANY AND CPL
RETAIL ENERGY, LP TO DETERMINE
TRUE-UP BALANCES PURSUANT TO
PURA § 39.262 AND PETITION TO
DETERMINE AMOUNT OF EXCESS
MITIGATION CREDITS TO BE
REFUNDED AND RECOVERED

§
§
§
§
§
§
§
§

PUBLIC UTILITY COMMISSION

PUBLIC UTILITY COMMISSION
OF TEXAS
FILING CLERK

ORDER NO. 14

**ESTABLISHING PROCEDURES AND GUIDELINES FOR THE PREHEARING
CONFERENCE AND HEARING ON THE MERITS; SETTING DEADLINES**

Prehearing conference. Pursuant to P.U.C. PROC. R. 22.121, a prehearing conference will convene Wednesday, **September 21, 2005, at 8:30 a.m.** in Hearing Room Gee, 7th floor of the William B. Travis Building, 1701 North Congress Avenue, Austin, Texas 78701. This prehearing conference will include discussion of specific procedures to be followed at the hearing on the merits, including the order of the hearing, order of witnesses, alignment of parties, composition of witness panels, and the admission of evidence. Parties should be prepared to discuss any outstanding motions, evidentiary matters, including objections and/or motions to strike testimony and rebuttal testimony, and any other matters as may assist in the disposition of this proceeding in a fair and efficient manner. Every effort should be made by the parties to work out any objections, motions to strike, or other disputes prior to the prehearing conference.

Time allotments for parties participating in the hearing on the merits. No later than 12:00 Noon, Tuesday, **September 20, 2005**, any party who filed testimony or a statement of position and wishes to participate in the hearing on the merits shall inform this administrative law judge (ALJ) of the amount of time requested for opening statements, cross-examination, and redirect. A final determination of time allotments shall be made at the prehearing conference. Parties are directed to work together to reach agreement, as much as possible, on time allotments. All parties will be allotted a specific amount of time. Parties may decide how much of that time to use for opening statements, cross-examination, and redirect. If the Commission decides to hear closing arguments, the amount of time for closing arguments will not be deducted from the parties' allotted time. Parties should anticipate 8-hour days, except as noted in the revised procedural schedule, and allow sufficient time for questions by the Commissioners and staff

advisors to the Commissioners. Parties should also include in this filing a proposal regarding panel composition/alignment for the hearing on the merits.

Marking exhibits. All exhibits shall be pre-marked prior to the start of the September 21, 2005 prehearing conference. To the extent parties can reasonably anticipate using documents in cross-examination; these documents shall also be pre-marked as exhibits and made available at the time of the prehearing conference on September 21, 2005. It is the obligation of the party offering the evidence to make sure that all exhibits, including copies distributed to other parties, are properly marked and included in the record. All parties shall provide an exhibit list to the court reporter, the presiding officer, and a copy for the appeal box. The exhibit list shall clearly delineate any exhibits that are confidential. In addition, prior to the start of the prehearing conference, an electronic copy of the exhibit list shall be emailed to the following: irene.montelongo@puc.state.tx.us and kathy.shockey@puc.state.tx.us. The exhibits presented to the ALJ for admission into the record shall be grouped as sets of exhibits, each set containing one copy of consecutively numbered exhibits. For instance, if Exhibits 1-15 are introduced there shall be 14 bundled sets of Exhibits 1-15.

Confidential exhibits. Exhibits containing confidential material shall meet all the requirements of P.U.C. PROC. R. 22.71(d)(1), in addition to being marked with the exhibit number. Exhibits submitted that do not conform to P.U.C. PROC. R. 22. 71(d)(1) may be rejected at the prehearing conference and will not be accepted until they are resubmitted as corrected.

Copies of exhibits. Parties are required to provide the following number of copies of exhibits:

- **For all evidence:** In addition to copies provided to parties, a total of 14 copies of all offered evidence will be required for hearing purposes. Any exhibits for which motions to strike have been granted must be provided in completely redacted form. The exhibits should be grouped by sets as indicated above. The ALJ is responsible for distribution of copies to the Commissioners, Appeals Box and appropriate Commission personnel; parties are responsible for distribution to the Court Reporter, as indicated below.

Distribution of Exhibits	Number of Copies
Commissioners	6
Administrative Law Judge	1
Appeals Box	2
Staff	3
Court Reporter	2
Total Copies	14

- **Confidential Exhibits** – In addition to copies provided to parties, a total of 14 copies of all confidential exhibits offered as evidence will be required for hearing purposes. Confidential exhibits shall meet the requirements of P.U.C. PROC. R. 22.71(d)(1) and will follow the same distribution as outlined above.

Exhibits presented for evidence at the prehearing conference. Parties are encouraged to arrive prior to the start of the prehearing conference to exchange exhibits, and distribute exhibits to the court reporter and the ALJ. Every effort should be made to work out objections to the evidence prior to the start of the prehearing conference (i.e., authentication, optional completeness, comparison of summary with entire document, etc.).

Exhibits not admitted at the prehearing conference. All documents to be used or introduced in the hearing on the merits not admitted at the prehearing conference shall be distributed to parties prior to the start of the hearing on the merits. Every effort should be made to work out objections to the evidence prior to the hearing. Objections that cannot be resolved will be taken up before the hearing on the merits begins.

Cross-examination, redirect, and clarifying questions. Each witness presenting written testimony shall be available for cross-examination by the other parties. The Commissioners and/or advisory staff members may ask clarifying questions at any point during the proceeding and may direct a party or a witness to provide additional information as needed to fully develop the record of the proceeding. Only one, time-limited, round of cross-examination will be allowed. Redirect is limited to the scope of cross-examination.

Populated Joint Decision Point List (DPL). Parties populated joint DPL shall be filed no later than **September 20, 2005**. An electronic version in Microsoft Word format shall also be forwarded to the administrative law judge.

Briefing Outline for post hearing briefs. On or before **October 5, 2005**, Parties shall submit a joint proposed briefing outline of issues for post hearing briefs. By way of example only, a copy of a briefing outline used in a previous true-up proceeding is attached for your information and convenience.

Additional requirements. All witnesses will be sworn in at the start of the hearing on the merits. Parties are required to provide the court reporter with business cards for each attorney and each witness. In addition, each witness shall have a nameplate that displays their name and party affiliation.

During the course of the hearing, Parties shall notify the Commission daily of which exhibits they intend to use during cross-examination that day. Prior to the start of the hearing each morning by 8:00 a.m., an electronic copy of the list of exhibits to be used that day shall be emailed to the following: irene.montelongo@puc.state.tx.us and kathy.shockey@puc.state.tx.us.

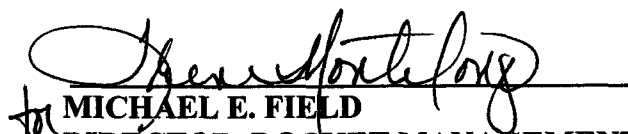
Individual Parties are responsible for the safeguarding of their own confidential exhibits and documents used throughout the hearing.

SIGNED AT AUSTIN, TEXAS this 14th day of September 2005.

PUBLIC UTILITY COMMISSION OF TEXAS



**IRENE MONTELONGO
ADMINISTRATIVE LAW JUDGE
POLICY DEVELOPMENT DIVISION**



**MICHAEL E. FIELD
DIRECTOR, DOCKET MANAGEMENT
POLICY DEVELOPMENT DIVISION**

Briefing Outline Pursuant To Order No. 19

I. Introduction

II. Stranded Costs

A. Standards for Recovery of Stranded Costs

B. Determination of Market Value

1. Effect of Prior Commission Decisions
2. Partial Stock Valuation Method
 - a. Statutory requirements
 - b. Quantification
 - c. Methodology
 - i. Stock Distribution vs. IPO
 - ii. Appropriateness of 19% Float / Liquidity
 - iii. Corporate Structure
 - iv. Timing
3. Book Value of Debt and Preferred Stock

C. Determination of Net Book Value

1. Net Book Value of Generation Assets
 - a. Net Electric Plant in Service (EPIS)
 - b. CWIP (excluding Environmental)
 - c. PHFU
 - d. Fuel Inventories
 - e. Material and Supplies in inventory
 - f. Assignment of Liabilities to TGN (Jewitt Mine etc.)
 - g. Kerr McGee Costs
 - h. Calculation
2. Above Market Purchased Power Costs
3. SFAS No. 71 Deferred Debits
4. Environmental Costs
 - a. Uncontested Costs
 - b. Recovery of Gas Plant Expenditures
 - c. Limestone Fuel Conversion
 - d. Limestone Fuel Unloading Expenditures
 - e. AFUDC / Capitalized Interest
5. EMCs
 - a. EMCs Paid to Reliant
 - b. Interest on EMCs
6. CTC Charge on GLO Tariff

D. Adjustments to Net Book Value

1. Commercially reasonable means to mitigate stranded costs and use of normal business practices

- a. Legal Standards governing mitigation requirement
- b. Capital Structure / Debt / Cash Position
- c. Dividend Policy
- d. RRI Stock Purchase Option / Restrictions
- e. Investor Communications
- f. Texas Genco Sale
- g. Current Stock Price and other Stock Issues
- h. Impact of 19% float
- i. Uncontested Issues
- j. Operations / Business Plan
- k. Management
- l. Hedging
- m. Uneconomic gas plants
- n. Other failures to mitigate stranded costs
- 2. Other Proposed Adjustments
- 3. Uncontested Issues
- E. Comparable company and other evidence of market values
- F. Comparable methods to determine stranded costs
- G. Excess Profit Adjustment
- H. Calculation of Stranded Costs

III. Final Fuel Balance

IV. Capacity Auction True-Up (Wholesale Clawback)

- A. Whether CenterPoint complied with the statutes and rules governing the capacity auction
- B. Quantification of the Capacity Auction True-up
 - 1. Use of capacity auction true-up formula
 - 2. Alternative methods of quantification
 - 3. Regulated rate of return calculation
- C. Fuel Issues
 - 1. Dayton Storage Costs
 - 2. January 2002 Fuel Expense

V. True-Up of PTB Revenues (Retail Clawback)

VI. Regulatory Assets and Liabilities

VII. Termination or Continuation of EMC Payments

VIII. Tax Issues

EXAMPLE

- A. ADIT
- B. ITC
 - 1. Use of ITC to offset stranded costs
 - 2. If offset to stranded costs, computation of ITC
- C. EDIT
 - 1. Use of EDIT to offset stranded costs
 - 2. If offset to stranded costs, computation of EDIT
- D. Tax Gross Up on Disallowed Stranded Costs

IX. Total True-Up Balance

- X. Rate Case Expenses**
 - A. CenterPoint
 - B. Municipalities'

XI. Impact on Ratepayers

XII. Other Issues

XIII. Conclusion