

necessary. The parties are encouraged to resolve confidentiality disputes among themselves without resort to a formal protective order signed by the examiner.

SIGNED AT AUSTIN, TEXAS on this the 6th day of December 1985.

PUBLIC UTILITY COMMISSION OF TEXAS

Elizabeth Drews
ELIZABETH DREWS
ADMINISTRATIVE LAW JUDGE

nsh

North Star Steel's First RFI

55. Regarding Mr. McWhinney's testimony at page 17, relating to the GSU reserve margin without additional purchased power capabilities, calculate the impact of the original 500 megawatts purchased from the Southern Companies on GSU's forecasted reserve margin based on the most recent forecasts available on February 25, 1982 and May 12, 1982.
69. Using Mr. McWhinney's methodology as he applied it to examine the original contract and the first amendment to that contract, compare the total projected costs of power and energy under the second amendment to the contract (including Schedule E power) with projected incremental costs of GSU's self generation based on fuel forecasts available as of December 1983.
91. Referring to Mr. McWhinney's testimony at page 6, provide all studies and analyses in the possession of GSU or upon which Mr. McWhinney has relied in determining that GSU has received indirect benefits from the contractual arrangement with the Southern Companies. Quantify these indirect benefits.
99. In reference to Mr. McWhinney's estimate of future benefits to GSU from Southern Companies purchases at page 48 of his testimony, explain why Mr. McWhinney fails to compare the cost of Southern Companies energy with the cost of power available for purchase from other entities (such as Middle South Utilities). Provide such a comparison.
101. Using the format of Exhibit RTM 12, provide a graphic comparison between the first modification to the Southern contracts, the second modification to the contracts, and the annual cost for on system GSU gas generation based on gas price projections available at the time of the second modification to the contract. List all assumptions and provide all workpapers and backup data.
51. For the years 1984 to 1995, calculate GSU's reserve margins (actual or estimated) absent (include in GSU's available capacity those units placed in long-term storage for future use):
 - a. capacity provided under contracts with the Southern Companies; ;
 - b. capacity buybacks from CEPCO related to River Bend Unit 1;
 - c. both (a) and (b) above;
 - d. GSU's 70% share of River Bend Unit 1 capacity; and
 - e. (a), (b), and (d) above.

INQUIRY OF THE PUBLIC UTILITY
COMMISSION OF TEXAS CONCERNING
THE FIXED FUEL FACTOR OF GULF
STATES UTILITIES COMPANY

APPLICATION OF GULF STATES
UTILITIES COMPANY FOR AUTHORITY
TO CHANGE RATES

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PUBLIC UTILITY COMMISSION
FILING CLERK OF TEXAS

ORDER NO. 10

NOTICE OF THIRD PREHEARING CONFERENCE, ORDER NUNC
PRO TUNC, AND ORDER RULING ON MOTIONS TO INTERVENE
AND CERTAIN DISCOVERY DISPUTES

I. Notice of Third Prehearing Conference

Pursuant to Order No. 4, on December 2, 1985, Gulf States Utilities Company (GSU) filed a request for a prehearing conference to resolve disputed requests for information (RFIs).

Pursuant to P.U.C. PROC. R. 21.83, a third prehearing conference will be conducted herein on Friday, December 13, 1985, beginning at 1:30 p.m. at the Commission's offices at 7800 Shoal Creek Boulevard, Austin, Texas. The following matters will be considered at the prehearing conference:

1. The discovery disputes referenced in GSU's request and any other request or motion filed with the Commission and served upon the parties on or before noon on Wednesday, December 11, 1985; and
2. Any other matters which may aid in the simplification of the proceedings and the disposition of any issues in controversy including the stipulation of uncontested matters.

The parties are urged to continue their best efforts to resolve the above and any other discovery disputes.

II. Order Nunc Pro Tunc

In Order No. 9 in this case, signed November 19, 1985, certain appeals from city decisions concerning GSU's rate request were consolidated with these dockets. On November 25, 1985, GSU filed a letter correctly pointing out that the City of Chester was mistakenly referred to as "Cluster". The order is hereby AMENDED to refer to the City of Chester.

III. Order Concerning Motions to Intervene

Motions to intervene were filed by SYNPOL, Inc. on October 24, 1985, the Cities of Nome and China on November 12, 1985, the Cities of Pinehurst, Rose City, Bevil Oaks and Vidor on November 14, 1985, the City of Huntsville and the County

of Montgomery on November 15, 1985 and E. J. Vandermark on November 18, 1985. No objections have been filed to these motions. However, on November 25, 1985, GSU filed a response to SYNPOL, Inc.'s motion. GSU did not object to this intervention but requested that SYNPOL, Inc. be grouped with Texas Industrial Energy Consumers (TIEC) for purposes of service of materials. GSU's request will be ruled on after the reply time set forth in Order No. 4 (filing of reply within five working days after receipt of GSU's response) has elapsed. Pending a ruling on GSU's request, copies of documents shall be served on SYNPOL, Inc. and TIEC.

All of the motions to intervene set forth above, with the exception of E. J. Vandermark's, are hereby GRANTED. E. J. Vandermark's motion is silent as to the movant's interest in the proceedings. For example, is E. J. Vandermark a customer? Under P.U.C. PROC. R. 21.41, a potential intervenor must show a justiciable interest to be granted party status. E. J. Vandermark is directed to supplement the motion to intervene to indicate the nature of the justiciable interest alleged. The examiner will rule upon the motion upon receipt of a supplemental motion satisfying this requirement.

IV. Order Concerning Discovery Disputes

On November 25, 1985, the second prehearing conference in this case was held for the purpose of considering discovery disputes. The following persons appeared: Donald M. Clements, Jr., George Avery, Bruce Stewart and Mark Ward for GSU; Ralph Gonzalez for TIEC; Peter J. P. Brickfield and Garrett Stone for North Star Steel Texas, Inc. (North Star Steel); Jim Boyle for the Office of Public Utility Counsel (OPC); Steven A. Porter for the Cities of Beaumont, Groves, Port Neches, Port Arthur, Nederland, Nome, Sour Lake, China, Vidor and Rose City (the Cities); and Alfred R. Herrera of the Commission General Counsel's Office for the Commission staff and the public interest. Argument was heard concerning disputed requests for information (RFIs) referred to in GSU's requests for a prehearing conference filed on November 8, November 14, November 18 and November 21, 1985. The RFIs still in dispute when the prehearing conference ended are: OPC's First RFI, Questions H-59, I-63, J-72, J-75 and R-142; Cities' First RFI, Questions A-11, A-112, A-33 and A-97; and North Star Steel's First RFI, Instruction No. 5 and Questions 55, 69, 91, 99, 101, 23, 42, 28, 35, 47, 50, 68, 51 and 84. As indicated at the prehearing conference, in order to expedite discovery, the examiner's approach is to rule on each disputed RFI as soon as the issue presented can be resolved, rather than waiting to rule on all discovery disputes simultaneously. Disputes concerning the following RFIs will be resolved by future order: OPC's First RFI, Question I-63; Cities' First RFI, Questions A-11 and A-112; and North Star Steel's First RFI, Instruction No. 5 and Questions 55, 69, 91, 99, 101, 23, 42, 51 and 84.

A. OPC's First RFI Questions H-59, J-72, J-75, and R-142;
Cities First RFI Questions A-33 and A-97

The RFIs referred to above request documents concerning the following subjects: OPC's First RFI Questions H-59 - travel expenses for GSU's senior officers and directors, J-72 - employee time spent on legislative and political functions, J-75 - charitable contributions, and R-142 - GSU airplane; and Cities First RFI Questions A-33 - charitable contributions, and A-97 - income and organization of affiliates.

GSU's objection to the above RFIs is that the expenses for which information is requested are "below the line" and are charged to GSU's shareholders, not its ratepayers. GSU argued that they are therefore irrelevant. GSU stated that the reason GSU did not request inclusion of such expenses in cost of service is because they are not worth the time and expense to fight over. If GSU must answer the RFIs anyway, in this and future cases, GSU will request inclusion of such expenses in rates.

OPC argued that the information must be produced to enable the parties to verify what is and is not below the line and to provide them with comparative information with which to test the reasonableness of expenses claimed "above the line".

The Cities argued that discovery is proper for the following reasons. Charitable contributions are mentioned in the Public Utility Regulatory Act (PURA), Tex. Rev. Civ. Stat. Ann. art. 1446c (Vernon Supp. 1985) and the Commission's rate filing package. Since under PURA, the Commission must consider efficiency and quality of management in evaluating return, GSU's spending habits are relevant. Affiliates and benefits of filing a consolidated tax return are also in issue under PURA.

The examiner notes that the standard for permissible discovery is broader than for admissibility in evidence. The documents requested must be "not privileged, which constitute or contain, or are reasonably calculated to lead to the discovery of, evidence material to any matter involved in the action." (Administrative Procedure and Texas Register Act (APTRA), Tex. Rev. Civ. Stat. Ann. art. 6252-13a (Vernon Supp. 1985 and Sess. Laws 69th Legis., ch. 570 at 4435).) The RFIs in question are proper under this standard. GSU's objections to these RFIs are OVERRULED. GSU SHALL respond to such RFIs as soon as possible and no later than five working days after the date of this Order.

B. North Star Steel's First RFI, Questions 28,
35, 47, 50 AND 68

The RFIs referred to above request certain information from GSU witness McWhinney. According to Mr. McWhinney's prefiled testimony at 4-5, his testimony concerns the reasonableness of costs incurred by GSU, now or in the future, under certain purchased power contracts with the Southern Companies, and specifically the prudence of decisions concerning such contracts and the costs and benefits to GSU's customers associated with such contracts.

GSU objected to the questions on the ground that each requires speculation based on hypothetical, not actual, circumstances. It stated that such questions may be appropriate for cross-examination under Texas Rules of Evidence 705, but not for discovery. In addition, Questions 28 and 68 require formulation of expert opinion beyond the scope of Mr. McWhinney's direct testimony, although not beyond the scope of his expertise.

North Star Steel pointed out that Order No. 4 instructs parties not to use cross-examination for the purpose of conducting discovery.

GSU's objections are OVERRULED. The RFIs are proper under the standard described in Section IV.A. of this Order. GSU SHALL respond to such RFIs as soon as possible and no later than five working days after the date of this Order.

SIGNED AT AUSTIN, TEXAS, on this the 3rd day of December, 1985.

PUBLIC UTILITY COMMISSION OF TEXAS

Elizabeth Drews
ELIZABETH DREWS
ADMINISTRATIVE LAW JUDGE

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INQUIRY OF THE PUBLIC UTILITY
COMMISSION OF TEXAS CONCERNING THE
FIXED FUEL FACTOR OF GULF STATES
UTILITIES COMPANY

PUBLIC UTILITY COMMISSION
OF TEXAS

APPLICATION OF GULF STATES UTILITIES
COMPANY FOR AUTHORITY TO CHANGE RATES

ORDER NO. 9

ORDER FINDING THAT DEFICIENCIES IN RATE FILING PACKAGE SPECIFIED IN ORDER NO. 5 HAVE BEEN CORRECTED, EXTENDING DEADLINE FOR INTERVENTION, DISCUSSING CLARIFICATION OF FILING REQUIREMENTS AND MOTIONS TO INTERVENE, GRANTING MOTIONS TO CONSOLIDATE CITY APPEALS, AND DISCUSSING PETITION FOR REVIEW OF DECISIONS OF CITIES OF PINEHURST AND ROSE CITY

I. Deficiencies in Rate Filing Package

In Order No. 5, issued October 28, 1985, the examiner partially granted the general counsel's motion and found Gulf States Utilities Company's (GSU) rate filing package to be materially deficient in certain respects. GSU was ordered to correct these deficiencies and to expressly indicate when it had filed all of the revisions it intended to file. Such a statement and revisions were to be received by the other parties on the day they were filed. It was further ordered that any comments other parties might have respecting deficiencies found to exist which they believed had not been corrected be filed within five working days after receipt of such revisions.

On November 7, 1985, GSU filed its statement and revisions. No comments respecting these revisions have been filed by other parties. Accordingly, the examiner finds that GSU has complied with Order No. 5. Since the filing was made within ten days after the Order No. 5 was issued, GSU's effective date will not be affected by the deficiencies which had been found to exist.

II. Motion for Partial Waiver of Commission Rule and for
Extension of Deadline for Intervention

On November 5, 1985, GSU filed a motion for partial waiver of the Commission's rule concerning mailed notice to customers and for extension of the date for intervention. GSU stated that through an administrative breakdown, the mailed notice of its rate filing of October 1, 1985 was not included in the mailing of its October bills. Notice was accomplished by special mailing accomplished during the period November 4 to November 8. Since the mailing was not accomplished by October 31, 1985, this mailing was not in compliance with P.U.C. PROC. R. 21.22(b)(2). GSU requested a waiver of this rule. GSU stated that since its effective date had already been extended by 45 days, no harm should have resulted from the eight day delay. To ensure that this is the case, GSU requested that the deadline for intervention be extended from November 15, 1985 until November 25, 1985. No responses to GSU's motion have been filed.

The examiner does not believe that she has the power to waive a rule promulgated by the Commission. She does believe, however, that from a procedural point of view the extension of the deadline for intervention and of the effective date should mitigate the harm the rule was designed to avoid. GSU's motion to extend the deadline for intervention is GRANTED. Motions to intervene in this case shall be filed no later than Monday, November 25, 1985.

III. Request for Clarification of Filing Requirements

On November 12, 1985, GSU filed a letter request for clarification of the number of copies of documents which must be filed in this case. This clarification was accomplished in examiner's Order No. 8.

IV. Motions to Intervene

On October 24, 1985, SYNPOL, Inc. (SYNPOL) properly and timely filed a motion to intervene in this docket. Unfortunately, since the motion was in letter form, it was "lost" among the numerous letters of protest concerning this docket which have been received. The motion also does not reflect that it was served on all parties to the case. On November 12, 1985, SYNPOL requested information concerning the status of its intervention. A copy of SYNPOL's motion to intervene is attached. The examiner will rule on it after the parties have had an opportunity to object, pursuant to the procedures established in Order No. 4. The examiner apologizes for any inconvenience the mixup may have caused.

Motions to intervene have also been filed by the Cities of Nome and China on November 12, 1985; the Cities of Pinehurst, Rose City, Bevil Oaks and Vidor on November 14, 1985; the City of Huntsville, Texas and the County of Montgomery, Texas on November 15, 1985; and E. J. Vandermark on November 18, 1985. Copies of these motions to intervene are attached. These motions will be ruled on in accordance with the procedures set forth in Order No. 4.

Recent intervenors and movants to intervene, or their counsel, are advised to acquaint themselves with the deadlines and procedures established in past orders in this docket, as well as with the Commission's rules and the Public Utility Regulatory Act, all of which they will be expected to comply with. Copies of these documents are available from the Commission's Central Records Office, (512)458-0262.

V. Motions to Consolidate City Appeals

On October 31, 1985, GSU filed an appeal from the decisions of the Cities of Ames, Shenandoah, Lumberton, Anahuac, Somerville, Caldwell and Roman Forest. On November 1, 1985, GSU filed an appeal from the decisions of the Cities of Franklin, Cluster, Woodville, Willis, Groveton, Crystal Beach, Corrigan, Shepherd, Panorama Village, Navasota, Bridge City, Daisetta and Splendora. These cities had all denied GSU's request for a rate increase. With the appeals were motions to consolidate such appeals with the present case. No objections to these motions were filed. In accordance with the procedures set forth in Order No. 4, these motions to consolidate are hereby GRANTED.

VI. Petition of Review of and Complaint Concerning Decisions
of Cities of Pinehurst and Rose City

On November 8, 1985, GSU filed a petition for review of and complaint concerning the decisions of the Cities of Pinehurst and Rose City requiring GSU to reduce its rates to a level equal to those GSU charges in the State of Louisiana. A copy of this petition is attached. GSU, the Cities of Pinehurst and Rose City, the staff, and intervenors in the present case are advised that this petition will be considered in the present dockets. Any parties interested in this matter shall be prepared to indicate at the prehearing conference scheduled for 1:30 p.m. on Monday, October 25, 1985 the manner in which they believe this matter should be considered.

SIGNED AT AUSTIN, TEXAS, on this the 19th day of November 1985.

PUBLIC UTILITY COMMISSION OF TEXAS

Elizabeth Drews
ELIZABETH DREWS
ADMINISTRATIVE LAW JUDGE

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Committed to Excellence

SYNPOL INC

P. O. Box 667
Port Neches, Texas 77651
(409) 722-8321

October 17, 1985

RECEIVED
PUBLIC UTILITIES COMMISSION
OCT 21 1985

Judge Elizabeth Drews
Administrative Law Judge
Public Utility Commission of Texas
7300 Shoal Creek Boulevard
Suite 400N
Austin, Texas 78757

Dear Judge Drews:

Docket #6525 - Gulf States Utilities Proposed 1986-87 Rate Increase

As you know, on October 1, 1985, Gulf States Utilities filed a rate request with the Public Utilities Commission for a 14% increase in 1986 (\$112.8M) and a 9.6% increase (\$87.8M) in 1987.

As a large power service (LPS) user of GSU electric power, we have been this year (37.5% increase) and will be in future years (1986 - 21.1% & 1987 - 12.1%) severely affected. The net profit effect to us over those three years will be a reduction of nearly \$1,000,000. We are, therefore, requesting we be allowed to participate as an intervenor in hearings to be held by the PUC on this increase.

As a long time (43 years) Southeast Texas business facility, we would also like to take this opportunity to tell you a little about our business and share our view of this issue and how we would like to see the PUC respond to it.

Our Company, SYNPOL INC, is a wholly owned subsidiary of UNIROYAL, Inc. and is in the business of producing Synthetic Rubber. We have been located in Port Neches, Texas and operating since first begun by the Government in 1943. We are in a mature business with a current industry overcapacity versus demand of some 35%. Were we to close our doors tomorrow, the industry would still have sufficient capacity to meet demand. This situation has led to very competitive pricing in the marketplace and industry producers have received no price increases in 1985 and are unlikely to receive price increases in 1986 with a slowing economy. This means that raw material costs, including energy, must be held as close to zero inflation as possible or margins erode, cash flow and profitability decline, and the health of the business becomes threatened. Since we are in a low margin business in any case, this is a serious matter and one in which we need the PUC's most careful and serious review before granting any increase.

We also question, at this point, whether Gulf States' management has done all that it can to mitigate the size of this increase and whether the GSU shareholders, as well as the GSU management, should not share the burden more of a nuclear plant that is five times its original forecasted cost (with only 50% of the original capacity).

In that view, we have examined as an interested member of the TIEC Task Force a number of key documents presented in public and private hearings and raise the following points/questions/issues for yours and the PUC's consideration:

1. Gulf States own capacity versus demand projections for the years 1986-96 show that (see Attachments I & II):
 - Capacity reserves with planned purchased power and with River Bend in operation range from 55% in 1986 to 15% in 1996.
 - Without Cajun and Southern purchased power, they still are above the 18% minimum required for membership in the Southwest Power Pool for all years in which these contracts are relevant.
 - Without Cajun, Southern, or River Bend, they do not fall below the minimum until 1993.
2. The cost of any of these sources of power is more than Gulf States' current gas fired facilities over these years and, thus, will contribute to operating costs and reduce revenues (and, hence, cause larger rate increases). See Attachment III.
3. Gulf States' average cost of power is the highest in the State of Texas and the cost in Texas for all classes of customers is higher than it is in Louisiana. See Attachment IV.
4. As of July, 1985, Gulf States' cost of power was exceeded by only two Florida based utilities versus some 30 southern power companies checked. See Attachment V.
5. Gulf States' plans to add 1883 employees over the next 10 years or 37% while peak electrical demand is rising only 445 MW or 8% during this same period of time. (See Attachments I & VI.) This is in stark contrast to our company in an unregulated but competitive industry where at approximately the same level of sales as four years ago, we have made a 13.5% reduction in head count.

6. During this period of rising employment of 36% from 1984 to 1994, compensation costs without fringes are expected to increase \$108.4M or 95%. If 36% is due to head count, then compensation increases account for 59% or 6%/year.
7. Pressure is occurring on Gulf States by Cajun to make the buyback contract even less attractive than it already is. See Attachment VII.
8. Gulf States Utilities is seeking a greater return on equity by the currently proposed increase than they are currently earning by some 2.3% and to a level greater than permitted elsewhere by other Public Utility Commissions (i.e., Louisiana). See Attachment VIII. This alone accounts for approximately \$35M of the requested increase.
9. The results of cost overruns for nuclear plants are not routinely passed along to customers in other states, but are either shared by owners and/or management of these utilities just as they are for businesses who are in a free market economy versus a regulated utility. See Attachment IX.
10. With already depressed industries in Southeast Texas facing for the 85-87 period increases averaging 23.5% (reference paragraph 2 of page 1 of this letter) for this period, the net results will be higher unemployment and worse economic times for this area.

In view of these points, we recommend the following action be taken by Gulf States Utilities and/or the PUC before any rate increase is granted:

1. Gulf States should not be allowed to include in revenue needs the effect of Cajun and Southern power purchases as these are unreasonable and unnecessary and Texas Law states

"regulatory authority shall not consider for rate making purposes the following expenses

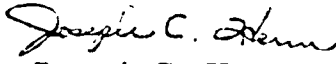
(D) Any expenditure found by the regulatory authority to be unreasonable, unnecessary, or not in the public interest".
2. That an extended phase in beyond that proposed by GSU be considered since it is obvious, even with prudent reserves, this capacity is not needed until 1992 earliest.
3. That Gulf States return on equity in this rate request be reduced to 12-13%, typical of the industry (see Attachment V). This alone would save \$53M to \$68M of the requested rate increase. It should also be noted that companies who have rates of return in this range do not necessarily have higher customer electric rates.

4. That Gulf States be expected to find and put into effect between \$50-\$100 million dollars worth of administrative and operating cost reduction, mitigating the size of the rate increase further. This kind of effort should be expected from any well management company before they ask their customers for an increase.
5. That Gulf States does not grant any relief to Cajun Power as Cajun has requested.
6. That power rates in Texas be reduced for all classes of customers to at least an equalized basis with that of Louisiana or lower.

I thank you and the other members of the PUC in advance for your time in reviewing all of these points and recommendations.

All of Gulf States' customers in Southeast Texas are counting on you to be both fair with Gulf States and fair to us who must bear the burden of this heavy load.

Sincerely,


Joseph C. Henn
Factory Manager

JCH/gf

Attachments

cc: Mr. N. F. McLeod	PUC Members
Mr. B. J. Bourque	Mr. Tom Turner - USI
Mr. F. E. Keeney	Mr. Don Boumans - BFG
Mr. P. W. Aguiard	
Mr. G. F. Gassen	
Mr. S. B. Turetzky	
Mr. B. E. Alexander	
Dr. H. J. Goldstein	
Mr. D. L. Fry	

GULF STATES UTILITIES CAPACITY VS. DEMAND

Year	PUC Peak Forecast (MW)	GSU Peak Forecast (MW)	Base Capacity (MW)		Purchased Power Contracts					Total Capacity	(To Reserve Capacity	% Reserve	Capacity W/O Southern & Cajun		b () Reserv
			Nuclear	Coal Gas	TVA	SRA	Southern	SRGT	SRMP						
985	5590	5522	650	605 5872	40					7167	1645	29.8%			
986	5454	5210	650	605 5872	29	40	500	32	60	8070	2860	54.9%	7288		36.9%
987	5328	5105	650	605 5872	29	40	600	27	60	8071	2966	58.1%	7283		42.7%
988	5281	5122	650	605 5872	29	40	700	22	55	8067	2945	57.5%	7273		42.7%
989	5260	5242	650	605 5872	29	40	700		55	7951	2709	51.7%	7251		35.3%
990	5265	5356	650	605 5872	40		700		40	7907	2551	47.7%	7207		34.6%
991	5320	5494	650	605 5872	40		700		40	7907	2413	43.9%	7207		31.2%
992	5490	5681	650	605 5872	40		700		30	7897	2216	39.0%	7197		29.7%
993	5769	5848	650	605 5872	40				30	7193	1349	23.1%			
994	6092	5967	650	605 5872	40				20	7187	1220	20.4%			
995	6401	6088	650	605 5872	40					7167	1079	17.7%			
996		6210	650	605 5872	40					7167	957	15.4%			

) Required reserve for GSU due to membership
in Southwest Power Pool 18%

ATTACHMENT II

GSU CAPACITIES VS. DEMAND WITHOUT RIVER BEND
CAJUN & SOUTHERN POWER SOURCES

<u>YEAR</u>	<u>GSU PEAK FORECAST (MW)</u>	<u>TOTAL CAPACITY INCL RIVER BEND & PURCHASED</u>	<u>LESS</u>		<u>ADJUSTED CAPACITY</u>	<u>% RESERVE</u>
			<u>RIVER BEND</u>	<u>CAJUN SOUTHERN</u>		
1985	5522	7167	(650)	(282)	5735	3.7%
1986	5210	8070	(650)	(188)	6632	27.5%
1987	5105	8071	(650)	(94)	6627	29.8%
1988	5122	8067	(650)	(700)	6717	31.1%
1989	5242	7951	(650)	(700)	6601	25.9%
1990	5356	7907	(650)	(700)	6557	22.4%
1991	5494	7907	(650)	(700)	6550	19.5%
1992	5681	7897	(650)		7247	27.6%
1993	5848	7193	(650)		6543	11.9%
1994	5967	7187	(650)		6537	9.6%
1995	6088	7167	(650)		6517	7.0%
1996	6210	7167	(650)		6517	4.9%

(1) Required reserve for GSU for membership in the Southwest Power Pool is 18%

ATTACHMENT III

COST COMPARISON OF SOUTHERN
& CAJUN POWER TO GSU VS ALTERNATE
CAPTIVE SOURCES

YEAR	CAJUN BUYBACK (MW)			SOUTHERN (MW)			GSU CAPTIVE ¢ COST/KWH	
	Quantity	\$ Total (M)	Total Cost (1) ¢ Cost/KWH	Quantity	\$ Total (M)	¢/KWH	Natural Gas	River Bend
1986	500	151.3	8.11	282	277.9	18.44	4.0-4.5	19.58 ⁽⁴⁾
1987	600	199.6	9.44	188	181.7	18.25		
1988	700	244.8	9.17	94	89.9	18.15		17.51 ⁽³⁾
1989	700	290.5	11.00					
1990	700	313.2	11.20					15.06 ⁽²⁾
1991	700	325.7	11.63					
1992	700	138.5	11.91					

(1) GSU estimate includes capacity costs
fuel costs & O/M costs

(2) At BUS BAR - 61% capacity factor

(3) At BUS BAR - 60% capacity factor

(4) At BUS BAR - 65% capacity factor

COMPARISON OF GSU RATES VS OTHERS

GSU CUSTOMER COST PER KWH (JAN. - JULY, 1985)

<u>CUSTOMER</u>	<u>LOUISIANA</u>	<u>TEXAS</u>	<u>% TEXAS OVER LA</u>
Residential	7.62¢	9.71¢	+27%
Commercial	6.97¢	8.12¢	+16%
Industrial	5.12¢	5.30¢	+ 4%

GSU COST OF POWER VS OTHER UTILITIES (AUGUST, 1985)

<u>UTILITY</u>	<u>COST FOR 1000 KWH</u>	<u>% GSU HIGHER THAN OTHERS</u>
GSU	\$105.50	
El Paso	\$ 92.75	+13.7%
Houston L & P	\$ 87.50	+20.6%
WTU	\$ 80.01	+31.9%
San Antonio	\$ 79.25	+33.1%
TUEC	\$ 78.52	+34.4%
SWEPCO	\$ 77.60	+36.0%
SPS	\$ 74.35	+41.9%
CP & L	\$ 68.71	+53.5%
Austin	\$ 62.52	+68.7%
LCRA	\$ 53.09	+98.7%

Comparative Study of the Cost of Firm Power Delivered
to an Industrial Customer in July of 1985
50,000 kW Load, 90% Load Factor and
90% Power Factor at Transmission Level

Line	Utility Company	Mills per kWh	1984 Return on Equity
1	Florida Power & Light Company	55.19	10.1%
2	Tampa Electric Company	51.83	
3	Gulf States Utilities Company, TX	49.44)	13.1%
4	Gulf States Utilities Company, LA	47.63)	
5	Central Power and Light Company	47.24	
6	Central Louisiana Electric Company	47.20	
7	Florida Power Corporation	46.90	
8	Southwestern Electric Power Company, LA	45.88	
9	Houston Lighting & Power Company	44.90	13.2%
10	Carolina Power & Light Company, SC	44.60	
11	Carolina Power & Light Company, NC	44.42	
12	Mississippi Power Company	41.94	
13	Gulf Power Company	40.61	
14	South Carolina Electric & Gas Company	40.04	
15	New Orleans Public Service, Inc.	39.74	
16	Louisiana Power & Light Company	39.56	
17	Louisville Gas and Electric Company	39.45	
18	Alabama Power Company	39.43	
19	Texas Utilities Electric Company	39.00	12.1%
20	Georgia Power Company	38.74	
21	Duke Power Company, NC	38.38	
22	Tennessee Valley Authority	38.11	
23	Southwestern Electric Power Company, TX	38.04	
24	Arkansas Power & Light Company, AR	36.95	
25	Union Electric Company, MO	36.86	14.3%
26	Duke Power Company, SC	36.61	13.1%
27	Mississippi Power & Light Company	36.58	
28	Virginia Electric and Power Company	33.32	
29	Appalachian Power Company, WV	32.73	
30	Appalachian Power Company, VA	31.97	
31	Kentucky Power Company	30.93	
32	Monongahela Power Company, WV	27.14	
33	Southern Company		12.3%
34	MID South		11.5%

GSU EMPLOYEE PROJECTIONS

<u>CALENDAR YEAR</u>	<u>NUMBER OF GSU INCL. CONSTRUCTION</u>	<u>EMPLOYEES W/O CONSTRUCTION</u>	<u>YEAR TO YEAR INC</u>	<u>WAGES & SALARIES (INCL. CONST.) (EXCL. FRINGE BENEFITS)</u>
1984	5104	3417	Base	-
1985	5297	5297	+1880 (55%)	\$114.3M (Base)
1986	5384	5384	+ 87 (2%)	\$134.9M (18%)
1987	5637	5637	+ 253 (5%)	\$156.9M (16%)
1988	5815	5815	+ 178 (3%)	\$164.2M (5%)
1989	5997	5997	+ 182 (3%)	\$172.1M (5%)
1990	6185	6185	+ 183 (3%)	\$180.6M (5%)
1994	6987	6987	+ 802 (13%)	\$222.7M (23%)

STATUS OF RIVER BEND BUYBACK CONTRACT
WITH CAJUN (GSU 7/9/85 1985 FORM 8-K)

"The changes requested (by Cajun) include a limitation on the amount of costs CEPCO will be required to pay (for River Bend construction costs), substantial increases in the amount and term of purchases by the Company (GSU) of power from CEPCO's share of the unit, and purchases of other power from CEPCO".

GULF STATES UTILITIES - RATE FILING SUMMARY

Date of Filing	October 1, 1985
Revenue Deficiency - Year 1 ⁽¹⁾	\$112.8 [—] _M
- Year 2	\$ 87.8 [—] _M
	\$200.6 [—] _M
% Increase - Year 1 (1986)	14.0%
- Year 2 (1987)	9.6%
Rate Base (Year end original cost)	
- Year 1 (1986)	1,936.5 [—] _M
- Year 2 (1987)	1,953.6 [—] _M
CWIP in the Rate Base	-
% of CWIP	-
Return on Rate Base	13.33%
Return on Equity	16.50%
Common Equity Ratio	36.00%
Return on Equity 12 Months	14.20%
Ending 7/31/85	

- (1) The revenue deficiency reflects GSU's proposed "Rate Moderation Plan". The plan defers billing customers a portion of the revenue requirement associated with River Bend Unit 1 in the first three years of the unit's commercial operation and collects the deferrals over the next four years.

Zimmer Owners To Absorb Costs Of \$861 Million

Three Utilities in Accord
To Pay Amounts Based
On Individual Stakes

By MARK RUSSELL

Staff Reporter of THE WALL STREET JOURNAL

COLUMBUS, Ohio—The three partners in the ill-fated Zimmer nuclear power plant tentatively agreed to absorb \$861 million of construction costs they previously sought to pass on to ratepayers.

The three utilities will absorb the construction costs based on their percentage ownership of the plant. Cincinnati Gas & Electric Co., which owns 46.5% of Zimmer, will absorb \$400 million; Dayton Power & Light Co., with a 28.1% stake, will absorb \$242 million, and American Electric Power Co.'s Columbus & Southern Ohio Electric Co. unit, with a 25.4% stake, will absorb \$219 million.

In a statement, the utilities said the proposed settlement "is an acceptable and constructive step in dealing with a difficult and complex situation that could have adversely affected our ability to provide electricity in the future to millions of Ohioans."

The proposed settlement was orchestrated by the staff of the Public Utilities Commission of Ohio, but final approval must come from the full commission, which will convene three public hearings to review the proposal.

The agreement also sets a ceiling on expenditures at the plant should the utilities continue with current plans to convert the plant to a coal-fired facility. Under the settlement, the companies could spend more than \$3.6 billion to complete the plant, but any money spent over that amount couldn't be recovered from customers.

"The solution won't be easy for us economically," the utilities said in their statement. "It will be a difficult and challenging task to keep the Zimmer conversion costs, after the disallowance, within the ceiling."

Last July, the utilities requested that a settlement conference be convened by the Ohio commission to attempt to resolve the case. The parties to the case have met frequently in the last two months, which led to yesterday's announcement.

Efforts to build the 97%-complete site as a nuclear plant were abandoned in 1983 after expenditures of \$1.7 billion. The conversion to a coal-fired plant is expected to cost another \$1.7 billion.

Louis Clark, executive director of the Government Accountability Project, a consumer watchdog group involved in Zimmer, said: "We're very pleased that the ratepayers are going to be escaping the liability caused by the disastrous management of the project."

IBM Adds Feature To Sierra Model To Increase Speed

By RANDALL SMITH

Staff Reporter of THE WALL STREET JOURNAL

NEW YORK — International Business Machines Corp. announced an enhancement that will enable its new Sierra frame computers to run certain scientific and engineering programs faster.

The vector processing feature will make the Sierra into a full-fledged computer, but could still boost IBM's presence in scientific and engineering markets. IBM traditionally hasn't been as strong there as in financial services, manufacturing and other areas.

DOCKET NO. 6525

FILED 12 17 4:26
PUBLIC UTILITY COMMISSION
FILING CLERK

RE: RATE CHANGE PROPOSAL §
OF GULF STATES UTILITIES § PUBLIC UTILITY COMMISSION
COMPANY § OF TEXAS

MOTION TO INTERVENE

NOW Comes the CITY OF NOME, Texas, a duly incorporated municipality, domiciled in Jefferson County, Texas, and CITY OF SOUR LAKE, Texas, a duly incorporated municipality, domiciled in Hardin County, Texas, herein called "Cities" and files this their Motion to Intervene in the above-entitled and numbered cause, and in support thereof would show the following:

I.

On or about October 1st, 1985, GULF STATES UTILITIES COMPANY, herein called "Company" filed its Application herein for a general rate increase within the unincorporated areas served by it within the State of Texas. Simultaneously, the Company filed its Application for a general rate increase with the above named Cities and with each other City in Texas served by it. Such increase, if granted, would adversely effect rate payers within the intervening Cities who are served by said Company.

II.

The Cities have justiciable interest in this proceeding because regulatory policies adopted by this Commission in this proceeding may become binding upon the Cities. Only through participation herein may the intervening Cities contest contentions made by the Company which may adversely effect regulatory policies at the local level.

III.

The Cities are "Regulatory Authorities" under the terms of the Public Utility Regulatory Act, charged with the duty to regulate the rates of said Company, and entitled to intervene herein.

WHEREFORE, Premises Considered, the Cities pray that this Motion to Intervene be granted and that they be allowed to participate fully herein as a party to this proceeding.

Respectfully submitted,

CITY OF NOME

Benckenstein, Oxford,
Radford & Johnson
P. O. Box 598
Winnie, Texas 77665
(409) 296-2170

By: *Richard Y. Ferguson*
Richard Y. Ferguson,
TSB #06919700
City Attorney

CITY OF SOUR LAKE

Benckenstein, Oxford,
Radford & Johnson
P. O. Box 598
Winnie, Texas 77665
(409) 296-2170

By: *Richard Y. Ferguson*
Richard Y. Ferguson,
TSB #06919700
City Attorney

CERTIFICATE OF SERVICE

Copy of this Motion has been mailed by depositing same in the U. S. Mail, postage pre-paid, certified mail, return receipt requested to Cecil L. Johnson, attorney for GULF STATES UTILITIES COMPANY, P. O. Box 2951, Beaumont, Texas 77704, on this the 6TH day of November, 1985; and to the Commission filing Clerk with the PUBLIC UTILITY COMMISSION of Texas, at 7800 Shoal Creek Boulevard, Austin, Texas 78757, on this the 6TH day of November, 1985.

Benckenstein, Oxford,
Radford & Johnson
P. O. Box 598
Winnie, Texas 77665
(409) 296-2170

Richard Y. Ferguson
RICHARD Y. FERGUSON
TSB #06919700
City Attorney for City of Nome
City Attorney for City of
Sour Lake

BKD:cf:9075
10/29/85

CAUSE NO. 6525

RE: RATE CHANGE PROPOSAL OF § PUBLIC UTILITY COMMISSION
§
GULF STATES UTILITIES COMPANY § OF TEXAS

MOTION TO INTERVENE

Now comes the City of China, Texas, a duly incorporated municipality domiciled in Jefferson County, Texas, hereinafter referred to as the "City", and files this Motion to Intervene in the above-entitled and numbered cause and, in support thereof, would show the following:

1.

On or about the 1st day of October, A.D. 1985, Gulf States Utilities Company, hereinafter referred to as the "Company", filed its application herein for a general rate increase within the unincorporated areas served by it within the State of Texas. Simultaneously, the Company filed its application for a general rate increase with the above-named City and with each other city in the State of Texas served by it. Such increase, if granted, will adversely affect rate-payers within the intervening City who are served by said Company.

2.

The City has a justiciable interest in this proceeding because regulatory policies adopted by this Commission in this proceeding may become binding upon the City. Only through participation herein may the intervening City contest contentions made by the Company which may adversely affect regulatory policies at the local level.

3.

The City is a "regulatory authority" under the terms of the Public Utility Regulatory Act, is charge with the duty to regulate the rates of said Company, and is entitled to intervene herein.

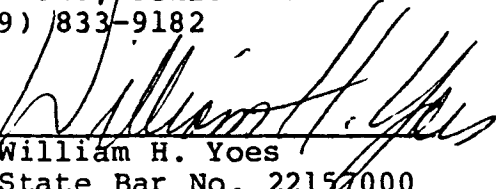
WHEREFORE, PREMISES CONSIDERED, the City prays that this Motion to Intervene be granted and that it be allowed to participate fully herein as a party in this proceeding.

Respectfully submitted,

CITY OF CHINA, TEXAS

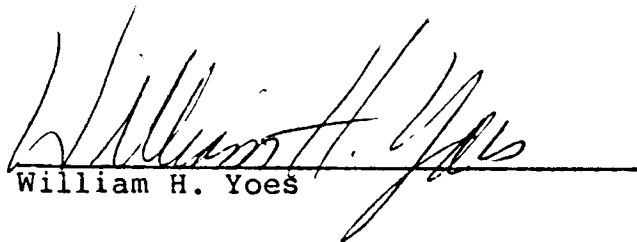
BENCKENSTEIN, OXFORD
RADFORD & JOHNSON
P. O. Box 150
Beaumont, Texas 77704
(409) 833-9182

By:


William H. Yoes
State Bar No. 22157000

CERTIFICATE OF SERVICE

A copy of this Motion to Intervene has been forwarded to: Cecil L. Johnson, Attorney for Gulf States Utilities Company, P. O. Box 2951, Beaumont, Texas 77704; and all other interested parties herein, on this, the 6th day of November, A.D. 1985.


William H. Yoes

DOCKET NO. 6525

APPLICATION OF GULF STATES
UTILITIES COMPANY FOR
AUTHORITY TO CHANGE RATES

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*

PUBLIC UTILITY COMMISSION
OF TEXAS

MOTION TO INTERVENE BY CITY OF PINEHURST

In accordance with Sections 21.3, 21.41 and 21.42 of the Rules of Practice and Procedure of the Public Utility Commission of Texas, hereinafter designated as "the Commission", the CITY OF PINEHURST, TEXAS, hereinafter designated as "City", hereby files its Motion to Intervene in the above-referenced proceeding, and, in support of this Motion states as follows:

I.

On October 1, 1985, Gulf States Utilities Company, hereinafter designated as "GSU", filed its request for a general rate increase on a systemwide basis with this Commission and City. Such proposed rate increase will adversely affect the City as users of the GSU's services as well as other ratepayers within the City.

II.

The City has standing to participate in this proceeding pursuant to Section 24 of the Public Utility Regulatory Act, subject to the right of the Commission to consolidate on issues of common interest.

III.

Because of the complexity of this procedure, it is necessary to engage in extensive discovery and to present testimony and conduct cross-examination at a public hearing prior to any action on Applicant's request. Therefore, it is requested that GSU's proposed schedule of rates be suspended for a period of 150 days beyond the proposed effective date.

IV.

The City further demands that GSU meet the burden of proof imposed upon it by Section 40 of the Public Utility Regulatory Act to show that any proposed or existing rate is just and reasonable.

V.

The City further alleges, pursuant to Section 42 of the Public Utility Regulatory Act, that the present rates charged by GSU may be unjust, unreasonable, or unreasonably preferential, prejudicial or discriminatory.

VI.

The City further alleges that the present standards, classifications, regulations, and practices observed and followed by the Applicant with respect to service furnished and to be furnished by the Applicant may be unjust or unreasonable.

VII.

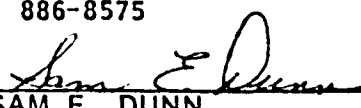
The City is participating in this proceeding under Section 24 of the Public Utility Regulatory Act, which provides for the reimbursement of Cities' reasonable rate case expenses, so that same can be recovered through rates in the same manner as Applicant's rate case expenses. The City stands ready to make proof of the reasonableness of such expenses and requests that the Commission determine same prior to any final disposition of this proceeding, whether such disposition be by final order, dismissal, withdrawal or otherwise.

WHEREFORE, the CITY OF PINEHURST, prays that this motion and all relief requested be granted and that it be allowed to participate fully herein as a part of this proceeding.

Respectfully submitted,

DUNN & KELLEY
701 West Park
P. O. Box 1026
Orange, Texas 77630

(409) 886-8575

BY: 
SAM E. DUNN
State Bar No. 06252200

Attorneys for City of Pinehurst

CERTIFICATE OF SERVICE

Copies of this motion have been forwarded to Company Counsel and the General Counsel of the Public Utility Commission of Texas on this 11th day of November, 1985.


SAM E. DUNN

APPLICATION OF GULF STATES
UTILITIES COMPANY FOR
AUTHORITY TO CHANGE RATES

X
X
X

PUBLIC UTILITY COMMISSION
OF
TEXAS

MOTION TO INTERVENE BY CITY OF ROSE CITY, TEXAS

In accordance with Sections 21.3, 21.41 and 21.42 of the Rules of Practice and Procedure of the Public Utility Commission of Texas, hereinafter designated as "the Commission", the CITY OF ROSE CITY, TEXAS, hereinafter designated as "City", hereby files its Motion to Intervene in the above referenced proceeding, and, in support of this Motion states as follows:

1.

On October 1, 1985, Gulf States Utilities Company, hereinafter designated as "GSU", files its request for a general rate increase on a systemwide basis with this Commission and City. Such proposed rate increase will adversely affect the City as users of the GSU's services as well as other ratepayers within the City.

2.

The City has standing to participate in this proceeding pursuant to Section 24 of the Public Utility Regulatory Act, subject to the right of the Commission to consolidate on issues of common interest.

3.

Because of the complexity of this procedure, it is necessary to engage in extensive discovery and to present testimony and conduct cross-examination at a public hearing prior to any action on Applicant's request. Therefore, it is requested that GSU's proposed schedule of rates be suspended for a period of 150 days beyond the proposed effective date.

4.

The City further demands that GSU meet the burden of proof imposed upon it by Section 40 of the Public Utility Regulatory Act to show that any proposed or existing rate is just and reasonable.

5.

The City further alleges, pursuant to Section 42 of the Public Utility Regulatory Act, that the present rates charged by GSU may be unjust, unreasonable, or unreasonably preferential, prejudicial or discriminatory.

6.

The City further alleges that the present standards, classifications, regulations, and practices observed and followed by the Applicant with respect to service furnished and to be furnished by the Applicant may be unjust or unreasonable.

7.

The City is participating in this proceeding under Section 24 of the Public Utility Regulatory Act, which provides for the reimbursement of Cities' reasonable rate case expenses, so that same can be recovered through rates in the same manner as Applicant's rate case expenses. The City stands ready to make proof of the reasonableness of such expenses and requests that the Commission determine same prior to any final disposition of this proceeding, whether such disposition be by final order, dismissal, withdrawal or otherwise.

WHEREFORE, the City of Rose City, Texas, prays that this Motion to Intervene and all relief herein requested be granted and that it be allowed to participate fully herein as a party to this proceeding.

Respectfully submitted,
CITY OF ROSE CITY, TEXAS

By: 

LARRY C. HUNTER, P.C.
Attorney at Law
1260 North Main
Vidor, Texas 77662
State Bar No. 10300700

ATTORNEY FOR ROSE CITY, TEXAS

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Motion to Intervene by City Rose City, Texas, was forwarded by Federal Express to Hon. Rhonda Colbert Ryan, Director of Hearings, Texas Public Utility Commission, 7800 Shoal Creek, Suite 400 N, Austin, Texas 78757, and a copy of same was also forwarded to Donald M. Clements, Jr., Legal Department, Gulf States Utilities Company, P. O. Box 2951, Beaumont, Texas 77704, and Mr. Jim Boyle, Public Counsel, Office of Public Utility Council, 8140 Mopac Westpark III, Suite 120, Austin, Texas 78728, by certified mail with return receipt requested on this the 12th day of November, 1985.


LARRY C. HUNTER

APPLICATION OF GULF STATES § PUBLIC UTILITY COMMISSION
UTILITIES COMPANY FOR §
AUTHORITY TO CHANGE RATES § OF TEXAS

MOTION TO INTERVENE BY CITY OF BEVIL OAKS, TEXAS

In accordance with Sections 21.3, 21.41 and 21.42 of the Rules of Practice and Procedure of the Public Utility Commission of Texas, hereinafter designated as "the Commission", the CITY OF BEVIL OAKS, TEXAS, hereinafter designated as "City", hereby files its Motion to Intervene in the above referenced proceeding, and, in support of this Motion states as follows:

I.

On October 1, 1985, Gulf States Utilities Company, hereinafter designated as "GSU", filed its request for a general rate increase on a systemwide basis with this Commission and City. Such proposed rate increase will adversely affect the City as users of the GSU's services as well as other ratepayers within the City.

II.

The City has standing to participate in this proceeding pursuant to Section 24 of the Public Utility Regulatory Act, subject to the right of the Commission to consolidate on issues of common interest.

III.

Because of the complexity of this procedure, it is necessary to engage in extensive discovery and to present testimony and conduct cross-examination at a public hearing prior to any action on Applicant's request. Therefore, it is requested that GSU's

proposed schedule of rates be suspended for a period of 150 days beyond the proposed effective date.

IV.

The City further demands that GSU meet the burden of proof imposed upon it by Section 40 of the Public Utility Regulatory Act to show that any proposed or existing rate is just and reasonable.

V.

The City further alleges, pursuant to Section 42 of the Public Utility Regulatory Act, that the present rates charged by GSU may be unjust, unreasonable, or unreasonably preferential, prejudicial or discriminatory.

VI.

The City further alleges that the present standards, classifications, regulations, and practices observed and followed by the Applicant with respect to service furnished and to be furnished by the Applicant may be unjust or unreasonable.

VII.

The City is participating in this proceeding under Section 24 of the Public Utility Regulatory Act, which provides for the reimbursement of Cities' reasonable rate case expenses, so that same can be recovered through rates in the same manner as Applicant's rate case expenses. The City stands ready to make proof of the reasonableness of such expenses and requests that the Commission determine same prior to any final disposition of this proceeding, whether such disposition be by final order, dismissal, withdrawal or otherwise.

WHEREFORE, the City of Bevil Oaks, Texas, prays that this motion and all relief herein requested be granted and that it be allowed to participate fully herein as a party to this proceeding.

Respectfully submitted,



JERRY L. HATTON
Attorney at Law
906 Goodhue Building
Beaumont, TX 77701
(409) 832-2515
SBN: 09233000

Attorney for
The City of Bevil Oaks, Texas

DOCKET NO. 6525

APPLICATION OF GULF STATES
UTILITIES COMPANY FOR
AUTHORITY TO CHANGE RATES

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PUBLIC UTILITY COMMISSION
OF TEXAS

MOTION TO INTERVENE BY CITY OF VIDOR, TEXAS

In accordance with Sections 21.3, 21.41 and 21.42 of the Rules of Practice and Procedure of the Public Utility Commission of Texas, hereinafter designated as "the Commission", the CITY OF VIDOR, TEXAS, hereinafter designated as "City", hereby files its Motion to Intervene in the above referenced proceeding, and, in support of this Motion states as follows:

I.

On October 1, 1985, Gulf States Utilities Company, hereinafter designated as "GSU", filed its request for a general rate increase on a systemwide basis with this Commission and City. Such proposed rate increase will adversely affect the City as users of the GSU's services as well as other ratepayers within the City.

II.

The City has standing to participate in this proceeding pursuant to Section 24 of the Public Utility Regulatory Act, subject to the right of the Commission to consolidate on issues of common interest.

III.

Because of the complexity of this procedure, it is necessary to engage in extensive discovery and to present testimony and conduct cross-examination at a public hearing prior to any action on Applicant's request. Therefore, it is requested that GSU's

proposed schedule of rates be suspended for a period of 150 days beyond the proposed effective date.

IV.

The City further demands that GSU meet the burden of proof imposed upon it by Section 40 of the Public Utility Regulatory Act to show that any proposed or existing rate is just and reasonable.

V.

The City further alleges, pursuant to Section 42 of the Public Utility Regulatory Act, that the present rates charged by GSU may be unjust, unreasonable, or unreasonably preferential, prejudicial or discriminatory.

VI.

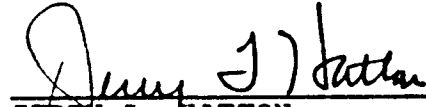
The City further alleges that the present standards, classifications, regulations, and practices observed and followed by the Applicant with respect to service furnished and to be furnished by the Applicant may be unjust or unreasonable.

VII.

The City is participating in this proceeding under Section 24 of the Public Utility Regulatory Act, which provides for the reimbursement of Cities' reasonable rate case expenses, so that same can be recovered through rates in the same manner as Applicant's rate case expenses. The City stands ready to make proof of the reasonableness of such expenses and requests that the Commission determine same prior to any final disposition of this proceeding, whether such disposition be by final order, dismissal, withdrawal or otherwise.

WHEREFORE, the City of Vidor, Texas, prays that this motion and all relief herein requested be granted and that it be allowed to participate fully herein as a party to this proceeding.

Respectfully submitted,



JERRY L. HATTON
Attorney at Law
906 Goodhue Building
Beaumont, TX 77701
(409) 832-2515
SBN: 09233000

Attorney for
The City of Vidor, Texas

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FBI

THE

UTILITY COMMISSION

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municipal corporat

(409) 291-5400.-

over the last four years, G.S.U. is requesting the P.U.C. to give them more money - over 21% more. The City Council of the City of Huntsville, its citizens and taxpayers, believe that G.S.U.'s inflated revenue request is inappropriate.

V.

Wherefore, the City of Huntsville, Texas, requests that the Commission reduce the rates presently charged by Gulf States Utilities Company, and that the City and customers of G.S.U. be given such other and additional relief to which they are fairly entitled.

Respectfully submitted,

THE CITY OF HUNTSVILLE, TEXAS

By Scott Bounds
Scott Bounds, City Attorney
Bar Card No. 02706000
1212 Avenue M
Huntsville, TX 77340
(409) 291-5400

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PETITION OF GULF STATES §
UTILITIES COMPANY FOR §
AUTHORITY TO CHANGE RATES §

PUBLIC UTILITY COMMISSION
OF TEXAS

in
FILED
RECEIVED

PLEA IN INTERVENTION, COMPLAINT OF AN
AFFECTED PERSON, REQUEST FOR SUSPENSION,
AND ANSWER OF MONTGOMERY COUNTY, TEXAS

Comes Now D. C. Jim Dozier, County Attorney of Montgomery County, Texas, for and on behalf of THE PEOPLE OF THE COUNTY OF MONTGOMERY, TEXAS and the COUNTY OF MONTGOMERY, TEXAS (The County), and files this plea in Intervention, Complaint of an Affected Person, Request for Suspension and Answer.

INTERVENTION

A. This Plea in Intervention is filed pursuant to P.U.C. Proc. R. §21.31. The County has a justiciable interest in the application in that it is a customer of Applicant, GULF STATES UTILITIES COMPANY (GSU), and will be directly affected by the proposed changes in existing rates. The County is a legally constituted political subdivision of the State of Texas.

B. The County and the People of Montgomery County, Texas are represented by D. C. Jim Dozier, County Attorney of Montgomery County, Texas. The County Attorney is charged with representing the interests of the People of Montgomery County, Texas insofar as they are taxpayers supporting the operations of County government

and recipients of government services. The rate changes requested by GSU directly affect the provision of services by the County, in that the changes requested would substantially increase the overhead costs associated with the operation of County government, and so diminish the amount of funds available for other purposes.

C. The County asserts that the proposed revenue increases, if permitted to go into effect by the Public Utility Commission (Commission), will result in rates which are excessive, unjust, unreasonable, not supported by substantial evidence of record, and otherwise contrary to the public interest. Any action by Applicant to charge the proposed rates will constitute the exercise of power not authorized by law. The proposed rate increases for certain services are not justified by the information provided with the filing. This is in contravention to the requirements of the Public Utility Regulatory Act (PURA) that utility rates be just, reasonable, non-discriminatory, non-preferential, and in the public interest.

D. The County and departments of the County are customers of Applicant. Under P.U.C. Subst.R. 23.3, governmental agencies are customers of utilities when they receive services from such utilities. P.U.C. Proc. R. 21.2 and 21.44 provide that persons in the position of County may appear before the Commission and be parties to Commission proceedings. The County Attorney represents all instrumentalities of County government, under the Constitution of the State of Texas, various State statutes and under the common law.

The County Attorney also represents the People of the County insofar as they are taxpayers supporting the operations of County government and recipients of County government services. If the rate changes proposed by G.S.U. are permitted to take effect, there will be a severe strain placed upon the operating budget of the County and its departments, necessitating either an increase in taxes or a reduction in County government services, contrary to the public interest.

COMPLAINT OF AN AFFECTED PERSON

Without waiver of any of the assertions and legal positions taken above, the County hereby makes its complaint against the proposal made by the Applicant in its filing. This complaint is made for and in behalf of County and for and in behalf of the PEOPLE OF MONTGOMERY COUNTY, TEXAS who are taxpayers and consumers and, as such, who are both directly and indirectly affected by the rate changes proposed by Applicant. The County hereby specifically requests a hearing on this Application in order that it may show that the proposals, if permitted to go into effect, would result in unreasonable, and excessive rates, and the exercise of power not authorized by law.

REQUEST FOR SUSPENSION

The County respectfully requests the Commissioners to suspend the operation of the proposed rate changes pursuant to PURA §§43(d), (e), and (f).

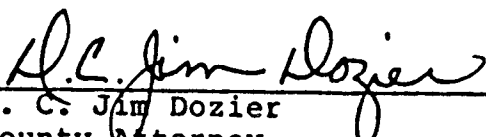
ANSWER

The County herein provides its Answer to the Application of GSU for an increase in rates. County alleges and would show that not only are the proposed rates unlawful and excessive, but that rates currently in effect are unlawful and excessive. The County hereby requests the Commission to order Applicant to reduce current rate charges to lawful and proper levels.

WHEREFORE, PREMISES CONSIDERED, Movant respectfully requests:

- (1) That he be granted party status as an Intervenor;
- (2) That the Application be set for hearing;
- (3) That the operation of the proposed rate changes be suspended pending such hearing; and
- (4) That, upon such hearing, the Commission order a reduction in existing rates to reasonable and lawful levels.

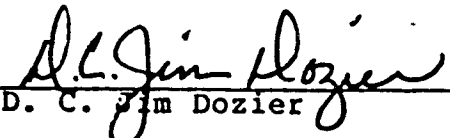
Respectfully requested,



D. C. Jim Dozier
County Attorney
T. B. No. 06100500
Montgomery County, Texas
Montgomery County Courthouse
Room 203
Conroe, Texas 77301
(409) 539-7828

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing Plea in Intervention, Complaint of an Affected Person, Request for Suspension and Answer has been served upon Applicant, GULF STATES UTILITIES COMPANY, by and through its counsel of record, Mr. Cecil L. Johnson, P. O. Box 2951, Beaumont, Texas 7704, and to all intervenors as of the date of filing of this Intervention, and hand-delivered, via Federal Express, to Ms. Jacqueline Holmes, General Counsel, Public Utility Commission of Texas, 7800 Shoal Creek Blvd., Suite 400N, Austin, Texas 78757 on this the 14th day of October, 1985.


D. C. Jim Dozier

THE STATE OF TEXAS
THE PUBLIC UTILITY COMMISSION OF TEXAS

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GULF STATES UTILITIES COMPANY

DOCKET NO. 12

MOTION OF E. J. VANDERMARK FOR LEAVE TO INTERVENE

Pursuant to the Notice of Rate Change Request filed by GULF STATES UTILITIES COMPANY, E. J. VANDERMARK hereby respectfully moves for leave to intervene in the above captioned proceeding.

Communications concerning this filing should be addressed as follows and the following should be included in the Official Service List in this proceeding.

E. J. VANDERMARK
5323 Forrest Haven
Houston, Texas 77066

Respectfully submitted,



E. J. VANDERMARK
5323 Forrest Haven
Houston, Texas 77066

DOCKET NO. _____

PETITION FOR REVIEW AND
COMPLAINT OF GULF STATES
UTILITIES COMPANY AGAINST
THE CITIES OF PINEHURST
AND ROSE CITY

PUBLIC UTILITY
BEFORE THE PUBLIC UTILITY
COMMISSION OF TEXAS

PETITION FOR REVIEW AND COMPLAINT

Comes now, Gulf States Utilities Company (Gulf States), a corporation organized and existing under the laws of the State of Texas and a public utility pursuant to Section 3(c) of the Public Utility Regulatory Act, Tex.Rev.Civ.Stat.Ann. art. 1446c (P.U.R.A.) and files this, its Petition for Review and Complaint and would respectfully show:

1. The name and the address of Petitioner is:

Gulf States Utilities Company
350 Pine Street
P. O. Box 2951
Beaumont, Jefferson County, Texas 77704

2. The names, address and telephone number of the persons representing Gulf States are:

Cecil L. Johnson and Donald M. Clements, Jr.
Gulf States Utilities Company
350 Pine Street
P. O. Box 2951
Beaumont, Texas 77704
(409) 838-6631

3. The Commission has jurisdiction over the parties and subject matter hereof pursuant to Sections 2, 16, 17, 26, 37, 43 and other applicable sections of P.U.R.A.

4. The names and addresses of the Cities whose decisions and actions are the subject of this Petition and Complaint are:

City of Pinehurst
3640 Mockingbird
Orange, Texas 77630

City of Rose City
P. O. Box 978
Vidor, Texas 77662

5. Pinehurst and Rose City have passed, ordinances evidencing unlawful and improper decisions and actions, regarding the rates of Gulf States, all of which are within the appellate and complaint jurisdiction of this Commission. A copy of the ordinances are attached hereto and have been marked for identification as follows:

Exhibit A - Ordinance of City of Pinehurst

Exhibit B - Ordinance of City of Rose City

6. The dates on which each City passed its respective ordinance are:

City of Pinehurst - October 10, 1985

City of Rose City - October 10, 1985

7. The ordinances passed by the Cities evidence a decision by each City that the City is required to reduce the rates Gulf States charges for service within each City to a level equal to rates imposed upon Gulf States by another state, Louisiana, in which Gulf States provides retail electric service in interstate commerce. These ordinances evidence a decision by each City that such City must lower Gulf States' applicable Texas rates to such lower level without regard to whether such lower rates would be in compliance with the requirements of Sections 39 and 41 of P.U.R.A. and other applicable Texas and Federal law.

8. The ordinances passed by the Cities evidence decisions to apply and utilize unlawful standards in setting the rates of Gulf States. Such standards are contrary to and in violation of P.U.R.A. and other

Texas and Federal law. Additionally, such ordinances evidence decisions to disregard legally mandated standards. Such legally mandated standards include, but are not limited to those set forth in Sections 39 and 41 of P.U.R.A. and rules and regulations of this Commission implementing those and other sections of P.U.R.A.

9. Each ordinance evidences an unconstitutional and otherwise unlawful ratemaking decision to require Gulf States to undertake to persuade the City not to do what the City has already decided must be done, i.e., reduce the rates of Gulf States to a level equal to the lowest rates imposed by force of law upon Gulf States by a different state.

10. Each ordinance evidences not only a decision that Gulf States must show that the existing rates are "just and reasonable", but a further decision that Gulf States must thereafter make an additional showing of "why the same should not be reduced". Said decision does not comply with Section 40 of P.U.R.A. and other applicable Texas and Federal law.

11. The existing rates were set by this Commission in proceedings to which each of the Cities was a party. The Commission served upon each City a copy of its Order establishing such rates. The mere recitation of a broad and unsupported conclusion by the Cities that there has been a material change since such rates were set by this Commission is not sufficient to overcome the legal presumption that such rates are just and reasonable nor does it provide adequate notice to Gulf States. The Cities have not described with any specificity

whatsoever what they have decided the material change, if any, is nor have they made available to Gulf States such evidence, if any, which they may have relied upon to make such decision. The Cities have denied Gulf States due process of law in making such decision and have otherwise acted unlawfully.

12. On October 1, 1985, Gulf States filed with each City named above, and with the Commission, a virtually identical Statement of Intent and Petition for Authority to Change Rates. The Commission has assigned such filing its Docket No. 6525 and has suspended the proposed rates. The City of Rose City has suspended the new rates proposed by Gulf States for 90 days to obtain additional time to consider the material submitted by Gulf States. The City of Pinehurst, so far as is known to Gulf States, has neither rejected nor suspended the rate changes proposed by Gulf States on October 1, 1985.

13. There presently exists confusion and a definite lack of specificity and clarity, in the documents and statements directed by the Cities to Gulf States, about when and how the Cities intend to proceed to execute their rate reduction decisions. Hearings have been scheduled and rescheduled, both as to time and place, all on short and inadequate notice to the detriment of Gulf States. An undefined gathering referred to by various cities as a "joint hearing" by the "regulatory body" was held on October 23, 1985 at the Port Arthur Civic Center. The copy of the Pinehurst ordinance received by Gulf States' Legal Department on October 22, 1985 (one day before the "hearing") reflected that the location for Pinehurst's public hearing had apparently been changed,

since the location was crossed out but no new location had been inserted. To the best knowledge of Gulf States, representatives of Pinehurst were in the audience at the "joint hearing" but were not a party or did not participate. Rose City's ordinance also calls for due notice of the Ordinance and "hearing" to be served upon Gulf States; however, while Rose City's representatives were a party to the "joint hearing" and participated therein, the Ordinance is not scheduled to be signed and finally passed until November 14, 1985 and Gulf States did not receive a copy of the ordinance until it went to Rose City on its own to pick up a copy on October 25, 1985, or two days after the "joint hearing". Pinehurst's ordinance states that the purpose of its hearing is to consider just the rate decrease, while Rose City's ordinance indicates that the purpose of the hearing is to consider both the rate increase and the rate decrease. Gulf States has previously expressed its concern about the confused order, nature and purpose of the so-called "joint hearing" and its concern was justified. The "joint hearing" was a hydra-headed creature and Gulf States was required to contend with each head simultaneously. Such action by the Cities is unconstitutional and unlawful; it is in violation of the hearing requirements of P.U.R.A. and other applicable Texas and Federal law; and it is a patent denial of due process of law.

14. Before the so-called "joint hearing", Gulf States at first verbally requested a prehearing conference and was verbally told one would be held but one was neither held nor scheduled, at least not so far as was known to Gulf States. After several days had passed and Gulf

States was not accorded a prehearing conference, Gulf States renewed its request for a prehearing, this time in writing, to each Mayor. Copies of such letters are attached hereto as Exhibit C. The Company's renewed request for a prehearing conference was ignored and again it was not accorded one, in patent violation of due process requirements. It was unclear what agenda or procedural plan, if any, the Cities had for the joint hearing. Any agenda or plan was not disclosed to Gulf States prior to the hearing and Gulf States was repeatedly denied any voice in its formulation. Without advanced knowledge of such a plan or agenda, and without Gulf States being informed of such plan and allowed meaningful opportunity to address the adequacy and appropriateness of such plan and to propose, seek and obtain appropriate changes therein, Gulf States was denied its rights to due process of law including adequate notice and sufficient opportunity to prepare for hearing and to participate meaningfully in the hearing.

15. Gulf States had repeatedly expressed concern to the Cities about the safe and orderly management of such hearing. The "joint hearing" was not an orderly and proper one and Gulf States' rights to due process were repeatedly denied. It also remains unclear how Gulf States was and is to address jointly but adequately several Cities (the two Cities in this Petition and the others referred to in the Petition filed October 18, 1985) who have taken different legal actions on Gulf States' rate increase request:

16. Each City is a person as that term is defined in Section 21.2 of the Commission's Rules of Practice and Procedure.