

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION
GENERAL ORDER

Docket No. U-21497 - Louisiana Public Service Commission, ex parte. In re: Development of standards governing the treatment and allocation of fuel costs by electric utility companies.

(Decided at Open Session held October 1, 1997)

I. PREFACE.

A. Procedural Overview.

This fuel review proceeding was instituted by the Louisiana Public Service Commission ("Commission") to develop standards governing the treatment of fuel costs by investor-owned and cooperative electric generation utility companies operating in the State of Louisiana. More specifically, this Docket was designed to address the issue of which costs should and should not be recovered through the fuel adjustment clause (sometimes "fuel clause" or "FAC") and to standardize various reporting and review requirements. This proceeding grew out of the Commission's first investigation into the computation of the fuel adjustment factor of Gulf States Utilities Company (GSU) (since renamed Entergy Gulf States, Inc.). *Ex Parte, In Re: Investigation of the Practices and Procedures of Gulf States Utilities Co. in Connection with its Computation of the Fuel Adjustment Factor*, Order No. U-20647 (July 27, 1994).

In its investigation of GSU, the Commission identified costs collected through the fuel adjustment clause that more properly should have been reflected in base rates. *See id.* These items include capital expenditures, depreciation, lease expense, returns and operation and maintenance costs that are not generation-dependent. This apparent trend of utilities recovering non-fuel related costs through the FAC is problematic for several reasons. First, fuel costs collected through the fuel adjustment clause have traditionally been subject to less scrutiny than those non-fuel costs reflected in base rates, and therefore non-fuel costs recovered through the fuel clause are not analyzed with the same thoroughness as they would have been had recovery been sought in a traditional rate case. Second, by passing selected non-fuel costs through the

fuel

clause, electric utilities effectively grant themselves single-issue rate increases when those costs may have been offset by other savings or expense reductions for costs reflected in base rates. In order to address these issues, the generic proceeding was established.

Because action in this Docket will have industry-wide implications, the Commission has treated it as a rule-making proceeding. All Louisiana electric generation utilities were invited to participate, as were their customers. The parties who took active roles in this Docket included: the Commission in-house Staff; Commission outside consultants; Commission Special Counsel; Cajun Electric Power Cooperative, Inc. ("Cajun"); Central Louisiana Electric Company ("CLECO"); Entergy Gulf States, Inc. ("EGSI" - formerly Gulf States Utilities Company); Entergy Louisiana, Inc. ("ELI" - formerly Louisiana Power & Light Company); the Louisiana Energy Users Group ("LEUG"); and Southwest Electric Power Company ("SWEPCO").

In order to determine how the existing fuel adjustment clause mechanisms were operating, the Commission requested all Louisiana electric utilities to respond to a "Current Practices Questionnaire." After reviewing all of these responses, the Commission representatives prepared and distributed a "Generic Fuel Review Package" containing draft recommendations regarding future operation of the fuel clause. All active participants submitted multiple sets of written comments and data on the issues. In addition, two technical conferences were held during which utility representatives, customers and the Commission Staff, consultants and Special Counsel held extensive discussions regarding the issues in this Docket and the proposed "Generic Fuel Review Package." The Commission Staff agreed with many of the concerns and views expressed by the utilities and the LEUG, and the Proposed General Order distributed to the parties in August 1997, reflected many changes to the Staff's original proposal. After the Proposed General Order was distributed, the parties were given an opportunity to submit additional comments. The General Order incorporates several of the suggestions contained in the parties' comments to the Proposed General Order. This General Order is therefore the product of a collaborative effort on the part of the Commission Staff, consultants, and Special Counsel, and all interested industry representatives.

B. General History of the Fuel Adjustment Clause.

Fuel adjustment clauses have been authorized for use for almost forty years. *See, e.g., City of Norfolk v. Virginia Electric Power Co.*, 197 Va. 505, 90 S.E.2d 140 (1955). The use of such clauses was recently reviewed by the Louisiana Supreme Court in *Daily Advertiser v. TransLa*, 612 So.2d 7 (La. 1993). These clauses permit utilities to recoup fluctuating fuel costs on an ongoing basis without the necessity of conducting a full rate case. Such periodically adjusting clauses are permitted to be utilized when regulatory commissions identify a particular expense (most frequently the cost of fuel) that is more volatile compared to the utility's other costs.

"[F]uel adjustment clauses are not designed to allow the utility to earn a profit; rather, they are recoupment devices designed to permit a dollar-for-dollar recovery of fluctuations in fuel costs." *Daily Advertiser*, 612 So.2d at 24. Because only actual fuel costs should be recovered through the clause (with no return), neither the utility nor ratepayers should be harmed by the use of a fuel adjustment mechanism.

The use of periodically adjusting fuel clauses is an exception to traditional regulation. Normally, a utility is prohibited from charging any rate other than the last rate approved by the Commission in a base rate case. Commission approval of the use of fuel adjustment clauses permits the utility to make monthly adjustments in its charges to customers without the scrutiny applied in base rate proceedings. For this reason, the use of fuel clauses has been criticized as an abdication of the Commission's regulatory authority which is designed to protect captive customers from paying monopoly prices. To the extent that a utility manipulates or abuses the FAC, ratepayers may be harmed.

Even when fuel adjustment clauses are utilized, regulatory commissions must have the ability to exercise full ratemaking review over utility fuel costs. For this reason, regulators retain jurisdiction to review and determine, after the fact, whether the costs passed through to consumers via such clauses were prudently incurred, produced just and reasonable rates, and were properly included in the fuel clause. This ability to review more closely the costs passed through the fuel adjustment clause is crucial to ensuring that ratepayers are protected.

C. History of the Louisiana Fuel Adjustment Clause.

On April 23, 1975, the Commission adopted a General Order regarding "Cost of fuel and purchased power adjustment clauses." ("April 23, 1975 General Order"). In that Order, the Commission recognized that in various prior orders it had permitted electric utilities to "pass along the increased costs of fuel or increased costs of purchased power, as the case may be, by making submissions of cost data to the Commission and requesting that the increment over base cost be approved for pass-along to the consumer on the next billing." *Id.* These prior Commission actions were approved on a company-by-company basis without general industry-wide guidelines. The Commission noted that "the past several years have seen predominantly rising fuel costs and an apparent shortage of fuel in virtually every sector of the economy." *Id.* In its earlier orders, the Commission had noted that the price of natural gas was "ever increasing" and that there was a "continuing upward trend thereof." Commission Order No. 7762. These flow-throughs of fuel costs permitted the utilities to recover their actual cost of fuel in a timely manner. This mechanism avoided the requirement by electric utilities to file base rate cases to recover their fuel costs. The Commission also noted that the mechanisms in place would "also operate to reduce electric billings in times of decreasing fuel costs." *Id.*

The Commission acknowledged the importance of permitting flow-throughs of this major cost component of electric generation and recognized that clauses of this type were in use nationwide. However, the Commission noted the difficulty customers were having in understanding the significant increases in their monthly electric bills. In order to increase consumer confidence, the Commission provided for monthly hearings and public participation regarding a company's fuel clause filing. In 1991, the Commission discontinued the monthly public fuel adjustment hearings. Thereafter, electric utilities were required to continue to file their proposed monthly fuel adjustments under oath and in writing only. The Commission, however, continued to allow requests for hearings by any interested party or consumers.

Even prior to the April 23, 1975 General Order, the Commission had addressed the use of periodically adjusting clauses for the recovery of fuel costs. Like electric utilities, the cost of fuel is a major cost component for gas local distribution companies ("LDCs"). Also like electric utilities, the cost of gas for resale by LDCs can vary widely from month-to-month. In

order to avoid the continual filing of base rate proceedings, by General Order dated April 16, 1971 (as amended by General Orders dated February 2, 1972 and March 23, 1992), the Commission approved the use of Cost of Gas Adjustment Clauses for gas local distribution companies. The Commission required that the fuel clause would only reflect the "exact" amount of the "direct cost" of gas incurred by the local distribution company. April 16, 1971 General Order. The Commission also permitted intrastate gas pipelines to recover the exact amount of their direct gas costs through a cost of gas adjustment clause. February 2, 1972, General Order.

Over the years, disputes periodically developed between the Commission Staff and the electric utilities as to which costs may properly be included in a company's fuel adjustment clause. (Similar questions arose regarding costs included by LDCs and intrastate gas pipelines in their fuel adjustment clauses. *See, e.g., Ex Parte: Investigation Into Gas Costs Included In The Purchased Gas Adjustment Clause Calculations Filed By Trans Louisiana Gas Company, Docket No. U-19997.*) These disputes developed, at least in part, because the Commission's April 23, 1975 General Order did not contain detailed standards regarding what is includable in and what is excludable from the fuel clause. The Commission's recent fuel clause investigations of EGSI demonstrated the magnitude of the differences in the opinions of the Commission and the utilities regarding which costs may be properly recovered through the fuel clause. This proceeding was instituted to delineate includable and excludable costs and to establish uniform standards for all electric generating utilities in this state. These standards will also facilitate the Staff's review of the utilities' fuel clause filings.

II. STATEMENT OF GENERAL PRINCIPLES.

The purpose of the Louisiana Fuel Adjustment Clause mechanism is to provide an opportunity for the timely recovery of actual fuel and generation dependent costs incurred by electric utilities on a monthly basis. Only direct fuel and generation dependent costs actually incurred are eligible for recovery through the fuel clause. This mechanism has been established due to the materiality and historical and potential volatility of these costs. In general, only the direct cost of fuel delivered to the plant site and other fuel related costs that are directly dependent upon the level of electricity generation or the energy cost of purchased power are recoverable through the fuel clause. The fuel clause process should not be considered a

supplement to or utilized by the utility to avoid the normal base ratemaking process for incremental base rate costs and without the full consideration of all revenue requirements issues.

Exceptions to the guidelines contained in this Order may be granted only as described in this Order or as directed by a majority vote of the Commission.

III. GUIDELINES FOR INCLUSION/EXCLUSION.

A. Goals/Objectives.

The guidelines and methodologies contained in this General Order are designed to assess the appropriateness of the inclusion of specific costs through the fuel adjustment clause mechanism. These guidelines are intended to provide more detail to the Statement of General Principles. In some instances, the guidelines may differ from FERC accounting conventions and regulatory practice. However, they have been designed to provide consistent and equitable standards for all Louisiana electric generation utilities to follow in the preparation of their fuel clause filings.

B. Specific Guidelines.

The following guidelines provide a listing of costs specifically includable in and costs specifically excludable from the fuel clause recovery mechanism and an example of each. While these listings address costs known to be currently incurred by the electric generation utilities, modifications may be necessary in the future as the industry undergoes further change.

C. Includable Costs.

- Direct cost of fuel purchased from nonaffiliated party.

Example: Invoice cost of coal from nonaffiliated mine supplier.

- Direct cost of fuel purchased from affiliated party at the lower of cost or market with the cost of the affiliated party determined in the same manner as if the electric generation utility incurred the costs directly unless such direct costs of fuel are allocated pursuant to a FERC-approved tariff, in which case the utility shall include the direct costs of fuel established by the FERC.

Example: Invoice cost of coal from utility fuels affiliate excluding fuel handling and corporate overhead costs.

- Cost of fuel treatment.

Example: Cost of dust suppression and freeze protection during coal transportation to plant site.

- Cost of transportation by nonaffiliated party.
 - Example: Invoice cost of transportation services provided by nonaffiliated railroad to haul coal from mine to plant site.

- Cost of transportation by affiliated party at the lower of cost or market and if the transportation cost is a direct function of the volume of fuel transported, with the cost of the affiliated party determined in the same manner as if the electric generation utility incurred the costs directly.
 - Example: Invoice cost of transportation services from utility affiliate excluding fuel handling and corporate overhead costs.

- Cost of emission reagents such as limestone.
 - Example: Invoice cost of reagents excluding purchasing, handling, and corporate overhead costs.

- Cost of nuclear fuel amortization expense dependent upon burn.
 - Example: Invoice cost due to the amortization of the net cost, excluding purchasing and corporate overhead costs and spent fuel storage or disposal costs and including (plus or minus) the expected net salvage of uranium, plutonium, and other byproducts and unburned fuel, of nuclear fuel assemblies used in the production of electric energy, distributed in the period in accordance with the thermal energy produced in the period.

- Cost of nuclear fuel disposal dependent upon burn imposed by the government.
 - Example: Invoice cost of DOE spent fuel disposal fee based upon generation.

- Cost of interest expense on leased nuclear fuel.
 - Example: Invoice cost of interest component on leased nuclear fuel regardless of whether capitalized lease or operating lease.

- Cost of emergency and economy purchased power including short term reservation charges but excluding investment related costs and including transmission costs to nonaffiliated parties.
 - Example: Economy power purchased to displace higher cost generation.

- Energy cost of other purchased power upon specific Commission review and approval preferably within a base rate proceeding, excluding demand, capacity, facilities charges, and reimbursements for fixed costs recovered by the utility through base revenues, whether explicitly identified or subsumed within an energy charge.
 - Example: Invoice cost of energy purchased under long term power purchase agreement that provides for varied energy payments related directly to the volume of energy purchased and excluding amounts representing recovery for fixed investment costs or reservation charges.

- Revenues from emergency and economy sales to affiliated and nonaffiliated parties.

Example: Revenues from invoices for sales of emergency and economy energy including any margin whether separately identified or not.

- Energy revenues from firm sales, excluding demand, capacity, and facilities charges whether explicitly identified or subsumed within an energy charge, regardless of whether sales are to affiliated or nonaffiliated parties.

Example: Revenues from invoices for firm sales, excluding amounts clearly identifiable as demand, capacity, or facilities charges, and including any margin whether separately identified or not. Demand, capacity, or facilities charges would reflect investment costs and fixed operating and maintenance costs.

D. Excludable Costs.

- Nonfuel operation and maintenance costs.

Example: Accounting and other administrative costs.

- Procurement costs.

Example: Salaries, wages, and overheads for personnel in fuel purchasing department.

- Fuel handling and testing costs.

Example: Personnel, equipment, and other overhead costs related to coal inventory at plant site.

- Cost (net of sales revenues) of byproduct disposal.

Example: Hauling costs for bottom ash disposal.

- Property taxes including ad valorem taxes.

Example: Property taxes on railroad cars and other equipment owned or leased by utility.

- Depreciation and amortization costs (other than nuclear fuel).

Example: Depreciation of railroad cars and other equipment owned by utility.

- Lease expense (other than nuclear fuel).

Example: Lease expense for railroad cars and other equipment.

- Interest expense or carrying charges (other than Commission authorized return on under and over recoveries and interest on leased nuclear fuel) on capital investments and inventories.

Example: Interest due on capital investment in gas storage facility.

- Purchased power demand, capacity, or facilities charges whether explicitly identified or subsumed within an energy charge, regardless of whether affiliated or nonaffiliated parties.

Example: Purchased power demand charge based upon Mw commitment of supplier.

- Cost of and revenues from transmission for affiliated parties.

Example: Payment for transmission services under FERC open access tariff to affiliated company for pool energy purchases.

- Firm sales revenue for demands, capacity, or facilities whether explicitly identified or subsumed within an energy charge, regardless of whether made to affiliated or nonaffiliated parties.

Example: Revenues received from purchaser for demand charge based upon Mw commitment from utility.

E. Glossary of Terms.

"Affiliated parties" - refer to definition 5.A. "Associated (affiliated) companies" in Subchapter C, Part 101 of the Code of Federal Regulations ("CFR").

"Changes in the elements of cost" -- elements of cost clearly authorized by this Order for fuel clause recovery, but which were not identified by the utility in a previous fuel filing. Changes in the elements of cost differ from "exceptions" and "uncertainties" as defined by this Order.

"Commission" - the Louisiana Public Service Commission. Any matter that requires Commission action under this Order shall be accomplished only upon an affirmative vote of a majority of the Commission.

"Control" - refer to definition 5.B. "Control (including the terms "controlling," "controlled by," and "under common control with")" in Subchapter C, Part 101 of the CFR.

"Emergency and economy power" - defined pursuant to their descriptions in FERC Account 555 as defined in Subchapter C, Part 101 of the CFR, recoverable as fuel and purchased power under the Louisiana FAC guidelines and rules.

"Exceptions"-- elements of cost which are not authorized by this Order for fuel clause recovery.

"Fuel" - only those direct costs of fuel included in FERC Accounts 151 and 501 recoverable as fuel and purchased power under the Louisiana FAC guidelines and rules.

"Fuel Treatment" - the costs of treating fuel for dust control, freeze prevention, odorizing.

"Jurisdictional" - wholesale and retail sales, excluding off-system sales to other utilities or to intercompany pools.

"Non-fuel operations and maintenance costs" - all O&M costs booked in FERC Accounts other than 151, 501, and 555, or otherwise considered to be "excluded" from recoverable fuel and purchased power costs under the Louisiana FAC.

"Nuclear fuel amortization" - portion of nuclear fuel expense based on the amount of fuel burned during the period, whether fuel is leased or owned, excluding interest and other costs on leased nuclear fuel and excluding carrying costs and other costs on owned nuclear fuel.

"Procurement" - the administrative costs incurred to purchase fuel including planning, contract administration, accounting, regulatory, outside services (including brokerage costs and/or purchasing agents), and other related expenses.

"Redispatch" - the incremental generation cost incurred by the utility to provide transmission service when transmission is constrained consistent with FERC Order 888 and the utility's open access tariff filed in compliance therewith.

"Time-of-use" - sales under tariffs that use an incremental fuel cost to price the fuel component of the rate instead of the average Louisiana FAC rate regardless of tariff name or titling.

"Transportation" - the costs of transportation included in FERC accounts 151 and 501 recoverable as fuel and purchased power under the Louisiana FAC guidelines and rules.

"Uncertainties"-- elements of costs which are not clearly includable in nor clearly excludable from the fuel clause recovery mechanism; *i.e.*, "grey areas" of fuel clause recovery.

IV. **METHODOLOGIES.**

A. **Reconciliation of FERC account to includable costs.**

These reconciliations should be made in accordance with Exhibits D through J and the explanatory statements attached thereto.

B. **Use of Projections vs. Historical.**

The fuel clause filing should include only historical actual fuel costs. The use of projections is unnecessary, burdensome, complicated, and administratively difficult to audit. The use of actual costs avoids controversy over the development of projected costs.

C. **Over/Under Recoveries.**

The Louisiana electric utilities should continue an over/(under) recovery computation to provide a true-up of actual recoverable costs to actual recovery revenues. This computation should be based solely upon Louisiana retail jurisdictional sales excluding fuel costs and revenues related to time of use and fixed price contract customers. This computation is not based upon total system costs and revenues in order to remove distortions that would otherwise occur due to differences in regulatory treatments between jurisdictions and within the Louisiana retail jurisdiction. This computation should be made in accordance with Exhibit B.

D. **Carrying Charges on Over/Under.**

The over/(under) recovery computation should include interest on the balance existing at the end of the current operating month. The interest rate to be utilized is the prime bank lending rate as published in the Wall Street Journal on the last business day of each month. This computation should be made in accordance with Exhibit C.

E. Differentiation Among Customers.

Differentiated fuel adjustment clause recovery rates shall be implemented based on the voltage levels at which customers take service. Typically, three "classes" will be established as follows: (1) customers taking service below 13kV; (2) customers taking service from 13kV to 114kV; and (3) customers taking service at or above 115kV. (Utilities may request the establishment of more than three "classes" to accommodate their unique circumstances.) Each utility shall establish "loss factor multipliers" for each of the three voltage levels described above. Each such loss factor multiplier will reflect the energy loss factor for that class relative to the utility's overall (average) loss factor. Each utility shall establish the initial loss factors determined by company-specific engineering studies reflecting actual line losses experienced. These studies shall be updated no less frequently than every 2 years with the results submitted to the Commission. The loss factor multipliers shall apply to all customers taking service with three exceptions: (1) That portion of a customer's load taken under curtailable, interruptible (or other comparable) service; (2) Customers taking service under special rates such as Entergy Louisiana Inc.'s EECS tariff; and (3) Kilowatt hours taken pursuant to negotiated agreements between the utility and the customer. For those customers, the company-wide jurisdictional average loss factor shall be applied. In addition, the latter three groups of customers will be treated as if they had paid the average fuel adjustment clause rate in order to compute the rates applicable to all other customers. Any electric utility or customer may petition the Commission to permit these excepted customers to receive the benefit of the line loss differential. Upon an affirmative vote of a majority of the Commission, such relief may be granted. Any change in cost resulting from the implementation of differentiated fuel clause recovery shall reflect the results of the engineering studies described above but shall not exceed 2 percent in any two-year period. That is, no class shall experience more than a 2 percent change in fuel rates (compared to the present mechanism) in any two-year period as a result of this change. The Commission retains the right to implement these differential fuel cost recovery rates on a more gradual basis if circumstances require.

F. Book to Physical Inventory Adjustments.

Book to physical inventory adjustments will be allowed if no more frequent than annually and no greater than " 1% of the prior month's inventory balances at the plant or storage facility. No adjustments in excess of \$1 million will be allowed without specific Commission review and approval. Book to physical inventory adjustments will be added to or subtracted from the current month's over/(under) recovery balance absent other direction from the Commission.

G. Contract Buyouts.

The electric generation utilities are obligated to obtain the lowest practicable cost of fuel. Therefore, the utilities are obligated to engage in prudent and economic contract buyouts. The utilities are also obligated to seek Commission approval for recovery of contract buyout costs through the fuel clause recovery mechanism and to demonstrate the prudence as well as the economic benefits. This includes both explicit contract buyouts as well as implicit contract buyouts through price renegotiation.

H. Correction of Errors in Prior Periods.

The electric utilities are obligated to correct filing errors in prior period fuel clause filings. Filing errors are differentiated from vendor invoice errors or changes that occur on a continuing basis that are simply corrected in the current operating

month's fuel costs. Filing errors in prior period filings must be described and quantified in a supplemental report in the current operating month filing. Correction of the errors will be through an addition or subtraction to the cumulative over/(under) recovery balance absent other direction from the Commission. The correction of the error should include interest from the effective date of the error through the effective date of the correction. (See IV (D) above)

I. Timing.

The electric utilities will continue to make monthly fuel clause filings based upon an operating month for recovery in the billing month and on the same schedule as currently exists.

J. Identification of Elements of Costs.

In their first fuel clause filing made pursuant to this General Order, the electric utilities should identify in the affidavit described in Section V(D) of this Order each element of cost, (*e.g.*, cost of fuel treatment, cost of transportation, cost of emergency and economy purchased power) included in its filing. In subsequent filings, the utilities should identify in the Section V(D) affidavit any changes in the elements of cost included in their filings. *See* definition of "Changes in the elements of cost."

K. Notice and Explanation of Increase in Fuel Adjustment Factor.

If the utility's fuel adjustment factor increases by more than 10% per kwh from the prior month, specific notice shall be provided by the utility in the Section V(D) affidavit accompanying the fuel adjustment filing. Moreover, the utility must explain the reason(s) for the increase and supply supporting documentation.

L. Specials.

To the extent that the Commission has specifically authorized fuel clause recovery treatment for identified costs, that treatment should continue unless and until a change is authorized by the Commission. An example of such special treatment is the GSU River Bend deregulated asset sellback.

M. Exceptions.

The Commission retains the authority to make exceptions to the guidelines contained in this Order to allow recovery or provide refunds through the fuel clause for specific costs. This authority shall be exercised by majority vote of the Commission pursuant to application by the utility, any interested party, or upon its own motion.

N. Treatment of Exceptions and Uncertainties.

Exceptions and uncertainties, as defined by this Order, should *not* be recovered through the fuel clause mechanism without prior approval by the Commission, except if those costs impact fuel clause recovery by less than 3 percent per month. In that circumstance, exceptions and uncertainties may be recovered through the

fuel clause prior to Commission approval, but subject to refund with interest (see IV (D) above). When the exception or uncertainty impacts the fuel clause by an amount greater than 3 percent per month, the company must obtain prior Commission approval to recover the cost through the fuel clause and should identify that cost in advance. When such an exception or uncertainty cannot be identified in advance, the company must await Commission approval in order to lawfully recover that element of cost.

O. Balancing With Base Rate Recovery.

There shall be no true-up through the fuel clause of base ratemaking costs that are over or underrecovered, unless specifically authorized as an exception by the Commission.

P. Categorization of Fuel.

The electric utilities should segregate fossil fuel costs between contract (C), firm (F), interruptible (I), and spot (S) purchases in accordance with FERC Form 423 reporting guidelines.

Q. Procurement Costs.

Procurement costs are excluded from recoverable costs in the fuel clause mechanism and to the extent recoverable should be included in base rates.

R. Redispatch Costs.

Revenues recovered from transmission customers for redispatch costs are to be credited to the cost of fuel and purchased power otherwise recoverable through the fuel clause recovery mechanism.

S. Delineations of Affiliate Transactions.

To the extent an electric generation utility incurs fuel, purchased power, or other costs from an affiliated party and seeks to recover those costs through the fuel clause mechanism, the utility must provide the following information to the Commission annually.

1. Identification of the affiliated party.
2. Description of the affiliate relationship.
3. Products and services provided by affiliate.
4. Prices, volumes, and other quantitative measures (annual amounts).
5. Description of costs included for recovery.
6. Computational methodology.
7. Market engineering and cost study.
8. Comparison of cost to market.

The utility is only allowed the lower of actual cost or market for costs incurred through an affiliated party, except as specifically provided in Section III.C. above. Recoverable cost is determined on the same basis as if the electric generation utility incurred the cost directly.

T. Risk Management Tools.

All utilities are encouraged to design plans for the use of risk management tools to meet their particular fuel needs and to accommodate the risks associated with those needs. Any utility that designs such a plan may submit it to the Commission for consideration and approval.

V. **REPORTING.**

A. **Goals and Objectives.**

1. Level of Detail - The information provided by the electric utilities in their fuel adjustment filings should be sufficiently detailed to permit the Commission, its Staff and customers to determine the type of fuel, the quantity utilized, the cost (total and on a per unit basis), the over and under collection adjustment, carrying charges, loss factor multipliers, elements of cost being flowed through the fuel clause, changes in those costs, specials, proposed exceptions, and uncertainties.
2. Adherence to Guidelines - In making their fuel adjustment filings the electric utilities should fully comply with the guidelines contained in this order and provide the information required herein and in the attached Exhibits.
3. Reconciliation between FERC accounts per books amounts and recoverable amounts - This reconciliation should be presented on Exhibits D through J in accordance with the Explanatory Statements attached thereto.

B. **Format for Calculation of Factors.**

1. Computation of Fuel Adjustment Factors Report (Exhibit A).
2. Over/(Under) Surcharge Computation Report (Exhibit B).
3. Interest Adjustment on Over/(Under) Recovery Report (Exhibit C).
4. Fossil Fuel Plant Report - Fuel Stock (Exhibit D).
5. Fossil Fuel Plant Report - Fuel Cost (Exhibit E).
6. Nuclear Fuel Plant Report (Exhibit F).
7. Economy and Emergency Purchased Power Report (Exhibit G).
8. Other Purchased Power Report (Exhibit H).
9. Economy Sales Report (Exhibit I).
10. Firm Sales Report (Exhibit J).

(Explanation of Exhibits D-J are attached immediately following Exhibit J.)

C. **Required Support for Line Items in Computations.**

1. Detailed reports (Exhibits B - J) - Each electric utility shall submit, on a monthly basis, the detailed reports contained in Exhibits B-J attached to this Order.
2. Other required supporting information - In addition to the detailed reports contained in Exhibits B-J, and the information contained in the Affidavit described in Section V(D) below, the electric utilities are required to submit the invoices supporting their monthly filings. If the Commission or its Staff, at any time, has questions concerning any of the information contained on the detailed summary reports, it may request backup for that information and such data will be provided by the electric utility within 10 working days from the date of the request.
3. Unique reporting requirements for companies belonging to multi-company systems - These companies should segregate purchased power expenses and sales reported on Exhibits G-J between affiliated and nonaffiliated parties.

D. Affidavit.

1. Sworn statement - Each monthly fuel adjustment filing by an electric utility shall be accompanied by a sworn statement by the responsible utility executive that the filing has adhered to all of the Commission guidelines as contained in this Order.
2. Identification of exception/uncertainties/changes - In the affidavit described in Section V(D)(1) above, the utility shall identify any exceptions or uncertainties (as defined by this Order) in the types of costs it seeks to pass through its fuel adjustment mechanism. The utility must also submit a formal application to the Commission as stated in Section IV(K) of this Order, for approval of any proposed exceptions or uncertainties. For any proposed exceptions or uncertainties, the utility should identify the nature of the cost and the reason it is seeking to recover the cost through the fuel adjustment mechanism. However, the electric utilities are prohibited from seeking fuel clause recovery of base ratemaking items in circumvention of the principles and guidelines of this General Order. For those exceptions already granted, the utility should identify the Commission Order granting the exception including the date of that Order. The electric utility should identify each element of cost and subsequent changes included in their filings. Finally, the utility should provide notice of any increase in the utility's fuel adjustment factor of more than 10% per kwh from the prior month, and provide an explanation and supporting documentation for the increase.

VI. OTHER PROCEDURAL ISSUES.

A. Staff Review and Audit.

1. Audit. Every other year, the Commission shall perform an audit of the prior year's fuel adjustment filings for each electric utility. In connection with this audit, each electric utility is required to provide the Commission with any backup information required and to respond to data requests and other requests for information propounded by the Commission Staff, which may include special counsel and outside consultants. The electric utilities are to make their books and records available to the Commission to facilitate the completion of such audit. Customers of electric utilities shall have the opportunity to participate in these audits subject to appropriate proprietary and confidentiality safeguards.
2. Audit Report. Each audit by the Commission shall result in an Audit Report containing the results of the investigation. That report must contain specific findings and recommendations concerning whether the costs passed through the fuel adjustment clause were or were not reasonable and prudent, and whether the costs were appropriate for recovery in the fuel adjustment clause mechanism consistent with this General Order.
3. Publication in Commission Bulletin and Hearings. Opportunity for comment by interested parties. Notice of the issuance of the Audit Report for each electric generation utility shall be published in the Official Commission Bulletin. The utility or any individual or group of ratepayers of that utility shall have an opportunity for comment on the Audit Report and may request a hearing prior to final action by the Commission. The Commission may order hearings on its own motion. The Commission may accept the Audit Report as written, make modifications and order changes and/or refunds where appropriate.

4. Audit Costs. Any electric utility may petition the Commission to recover reasonable incremental external costs it may have incurred associated with the audit.

B. Burden of Proof.

Each electric utility has the burden of proving that the costs passed through its fuel adjustment mechanism were prudently incurred, produced just and reasonable rates, were necessary to the provision of electric service, and were eligible for recovery through the fuel clause.

C. Retention of Documentation.

Each electric utility utilizing a fuel adjustment mechanism must maintain the records to support its fuel purchases and costs for a period of at least three years from the end of the calendar year in which the costs were incurred or are sought to be recovered through the fuel clause, whichever is later. Copies of contracts relating to fuel purchases and any modifications to those contracts must be maintained for at least three years after those contracts and modifications remain effective. In addition, should any audit of an electric utility's fuel cost become the subject of a Commission investigation, all documents pertaining to those fuel costs must be maintained until all final appeals of any Commission action have been exhausted.

D. Cost Realignment.

The Commission will realign the recovery of costs, on a revenue neutral basis, between the fuel clause mechanism and base rates within one year from the adoption of this General Order, whether through scheduled annual earnings reviews or dockets opened specifically for this purpose.

E. Time for Implementation.

The electric utilities should comply with this General Order when submitting their January, 1998 fuel clause filing and all subsequent filings.

F. Proprietary Information.

The Commission is cognizant that electric utilities may claim that some of the information required by this Order is proprietary, confidential, or a trade secret. To the extent that any information required to be provided by this Order is provided to the Federal Energy Regulatory Commission or any other public agency, is published, reported or otherwise disseminated outside of the utility or is otherwise a matter of public record, it will not be considered proprietary or confidential information or a trade secret. If a claim is made that information is proprietary, confidential, or a trade secret, that issue shall be addressed in accordance with the provisions of the Commission's August 31, 1992 General Order "In re: Treatment of Information Designated as Trade Secret, Proprietary, or Confidential". If the Commission determines that any such information is proprietary, confidential or a trade secret requiring exemption from public disclosure, that exemption shall expire no later than 2 years from such Commission determination or upon the expiration of the contract/agreement containing the proprietary information, whichever is later, or at such other time as the Commission may designate.

VII. LOUISIANA CONSUMER BILL OF RIGHTS.

In its regulation of public utilities in the State of Louisiana, the Louisiana Public Service Commission is committed to ensuring that utility consumers are provided safe, reliable, and non-discriminatory service at the lowest reasonable price. In this General Order, we have put in place a series of mechanisms to ensure that ratepayers are treated fairly by their electricity providers. While we are confident that the provisions of this General Order will safeguard customers from unreasonable charges, we are also mindful that no system, however well-intentioned and detailed, works perfectly. We have, therefore, as always, maintained the right of the citizens of Louisiana to seek redress from the Commission for any charges they believe are wrongfully assessed. The consumer protection mechanisms contained in this General Order include the following:

- A. All electricity consumers are ensured that they will only pay the actual cost of fuel utilized to produce electricity, no more and no less. The electric utilities are prohibited from earning a profit on their use of fuel to produce electricity.
- B. All electricity consumers are ensured that only the direct cost of fuel, and no other charges, are passed through electric company fuel adjustment clauses. This requirement will protect consumers from paying unauthorized charges and prevent utilities from accelerating the recovery of non-fuel costs.
- C. All consumers have an opportunity to review the monthly fuel adjustment clause filings made by every electric utility in the state. These filings are maintained at the office of the Louisiana Public Service Commission in Baton Rouge and are available for review by any interested consumer.
- D. The monthly fuel adjustment clause filings required by this General Order will ensure that the Louisiana Public Service Commission and its Staff have data made available to them on a timely basis to guarantee that only appropriate direct fuel costs are included in the fuel adjustment charges paid by customers.
- E. The Staff of the Louisiana Public Service Commission will perform audits of all fuel adjustment clause filings made by every electric public utility in the State, no less frequently than every other year. These audits will ensure that customers are paying the lowest reasonable rates for fuel costs and, in the event that any overcharges are discovered, credits and/or refunds to customer bills may be ordered by the Louisiana Public Service Commission.

- F. All customers will receive effective consumer protection through the efficient monitoring, auditing, and enforcement activities of the Louisiana Public Service Commission. In addition, any consumer who believes that the fuel adjustment filings are improperly calculated may file a complaint with the Louisiana Public Service Commission.

IT IS SO ORDERED.

**BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA
NOVEMBER 6, 1997**

/S/ DON OWEN
DON OWEN, CHAIRMAN
DISTRICT V

/S/ IRMA MUSE DIXON
IRMA MUSE DIXON, VICE-CHAIRMAN
DISTRICT III

/S/ C. DALE SITTIG
C. DALE SITTIG, COMMISSIONER
DISTRICT IV

/S/ JAMES M. FIELD
JAMES M. FIELD, COMMISSIONER
DISTRICT II

/S/ LAWRENCE C. ST. BLANC
SECRETARY

/S/ JACK "JAY" A. BLOSSMAN, JR.
JACK "JAY" A. BLOSSMAN, JR., COMMISSIONER
DISTRICT I

THIS ORDER HAS EXHIBITS