ALLOCATION OF SYSTEMWIDE FUEL COST DISALLOWANCES TO TEXAS RETAIL FIXED FUEL AND NON-FIXED FUEL FACTOR CUSTOMERS - Schedule JBG-1

Line	Description	Total	Jan-94	Feb-94	Mar-94	Apr-94	May-94	Jun-94	Jul-94	Aug-94	Sep-94
32	Refund to Texas Fixed Fuel Factor ($/MWh)										
33	Residual from SUS (Line 25*Allocation Factor)	$232,228	$682	$2,953	$4,085	($254)	$3,257	$30,826	$40,662	($8,438)	$8,751
34	Residual from SMQ (Line 25*Allocation Factor)	$63,333	$69	$912	$1,450	($111)	$600	$8,986	$8,878	($1,235)	$849
35	Residual from EAPS (Line 25*Allocation Factor)	$21,235	$25	$93	$222	($13)	$364	$3,470	$5,029	($489)	$340
36	Residual from MSS (Line 25*Allocation Factor)	$115	$0	$0	$0	($0)	$0	$0	$0	$0	$0
37	Total	$316,910	$777	$3,958	$5,757	($378)	$4,222	$43,281	$54,570	($10,162)	$9,939
38	Interest Adjustment (Schedule JBG-2)										
39	Totals as of June 1, 1997										
40	SSTS	$121,486									
41	SUS	$126,165									
42	SMQ	$30,591									
43	EAPS	$7,781									
44	MSS	$4									
45	Texas Fixed Fuel Factor	$361,955									
46	Refund ($/MWh)										
47	SSTS	$0.0301									
48	SUS	$0.0092									
49	SMQ	$0.0096									
50	EAPS	$0.0077									
51	MSS	$0.0010									

ALLOCATION OF SYSTEMWIDE FUEL COST DISALLOWANCES TO TEXAS RETAIL FIXED FUEL AND NON-FIXED FUEL FACTOR CUSTOMERS - Schedule JBG-1

Line	Description	Oct-94	Nov-94	Dec-94	Jan-95	Feb-95	Mar-95	Apr-95	May-95	Jun-95
32	Refund to Texas Fixed Fuel Factor ($/MWh)									
33	Residual from SUS (Line 25*Allocation Factor)	$62,283	$37,000	$28,549	$17,592	($8,674)	($14,816)	$4,676	$18,710	$4,383
34	Residual from SMQ (Line 25*Allocation Factor)	$24,549	$8,645	$1,622	$4,073	($2,075)	($1,627)	$581	$5,765	$1,403
35	Residual from EAPS (Line 25*Allocation Factor)	$4,992	$3,061	$2,213	$888	($586)	($810)	$197	$1,457	$782
36	Residual from MSS (Line 25*Allocation Factor)	$0	$0	$0	$61	$0	$0	$0	$50	$5
37	Total	$91,824	$48,705	$32,385	$22,614	($11,334)	($17,253)	$5,454	$25,982	$6,572
38	Interest Adjustment (Schedule JBG-2)									
39	Totals as of June 1, 1997									
40	SSTS									
41	SUS									
42	SMQ									
43	EAPS									
44	MSS									
45	Texas Fixed Fuel Factor									
46	Refund ($/MWh)									
47	SSTS									
48	SUS									
49	SMQ									
50	EAPS									
51	MSS									

INTEREST CALCULATION FOR FUEL COST DISALLOWANCES TO TEXAS RETAIL FIXED FUEL AND NON-FUEL FACTOR CUSTOMERS
- Schedule JBG - 2

Line No.	Month	Year	Interest Rate	Disallowance	SSTS Cumulative Disallowance	Monthly Interest	Cumulative Interest	Total Cumulative Disallowance and Interest
1	Jan.	1994	0.002684992	$1,327	$1,327	$0	$0	$1,327
2	Feb.	1994	0.002684992	$7,564	$8,891	$4	$4	$8,895
3	Mar.	1994	0.002684992	$678	$9,569	$24	$27	$9,597
4	Apr.	1994	0.002684992	$478	$10,047	$26	$53	$10,100
5	May	1994	0 002684992	$512	$10,559	$27	$80	$10,640
6	Jun.	1994	0.002684992	$12,120	$22,679	$29	$109	$22,788
7	Jul.	1994	0.002684992	$12,810	$35,490	$61	$170	$35,660
8	Aug.	1994	0.002684992	($2,288)	$33,202	$96	$266	$33,468
9	Sep.	1994	0.002684992	$4,547	$37,749	$90	$356	$38,105
10	Oct.	1994	0.002684992	$30,529	$68,278	$102	$458	$68,736
11	Nov.	1994	0.002684992	$17,166	$85,444	$185	$643	$86,087
12	Dec.	1994	0.002684992	$7,773	$93,218	$231	$874	$94,092
13	Jan.	1995	0.003530627	$3,484	$96,702	$332	$1,206	$97,908
14	Feb.	1995	0.003530627	$12	$96,714	$346	$1,552	$98,265
15	Mar.	1995	0.003530627	($4,518)	$92,196	$347	$1,899	$94,095
16	Apr.	1995	0.003530627	$1,834	$94,030	$332	$2,231	$96,261
17	May	1995	0.003530627	$10,608	$104,638	$340	$2,571	$107,209
18	Jun.	1995	0.003530627	$1,701	$106,339	$379	$2,949	$109,288
19	Jul.	1995	0.003530627	$0	$106,339	$386	$3,335	$109,674
20	Aug.	1995	0.003530627	$0	$106,339	$387	$3,722	$110,061
21	Sep.	1995	0.003530627	$0	$106,339	$389	$4,111	$110,450
22	Oct.	1995	0.003530627	$0	$106,339	$390	$4,501	$110,840
23	Nov.	1995	0.003530627	$0	$106,339	$391	$4,892	$111,231
24	Dec.	1995	0.003530627	$0	$106,339	$393	$5,285	$111,624
25	Jan.	1996	0.004867551	$0	$106,339	$543	$5,828	$112,167
26	Feb.	1996	0.004867551	$0	$106,339	$546	$6,374	$112,713
27	Mar.	1996	0.004867551	$0	$106,339	$549	$6,923	$113,262
28	Apr.	1996	0.004867551	$0	$106,339	$551	$7,474	$113,813
29	May	1996	0.004867551	$0	$106,339	$554	$8,028	$114,367
30	Jun.	1996	0.004867551	$0	$106,339	$557	$8,585	$114,924
31	Jul.	1996	0.004867551	$0	$106,339	$559	$9,144	$115,483
32	Aug.	1996	0.004867551	$0	$106,339	$562	$9,706	$116,045
33	Sep.	1996	0.004867551	$0	$106,339	$565	$10,271	$116,610
34	Oct.	1996	0.004867551	$0	$106,339	$568	$10,839	$117,178
35	Nov.	1996	0.004867551	$0	$106,339	$570	$11,409	$117,748
36	Dec.	1996	0.004867551	$0	$106,339	$573	$11,982	$118,321
37	Jan.	1997	0.004408203	$0	$106,339	$522	$12,504	$118,843
38	Feb.	1997	0.004408203	$0	$106,339	$524	$13,028	$119,367
39	Mar.	1997	0.004408203	$0	$106,339	$526	$13,554	$119,893
40	Apr.	1997	0.004408203	$0	$106,339	$529	$14,082	$120,422
41	May	1997	0.004408203	$0	$106,339	$531	$14,613	$120,952
42	Jun.	1997	0.004408203	$0	$106,339	$533	$15,146	$121,486

INTEREST CALCULATION FOR FUEL COST DISALLOWANCES TO TEXAS RETAIL FIXED FUEL AND NON-FUEL FACTOR CUSTOMERS
- Schedule JBG - 2

Line No.	Month	Year	Interest Rate	Disallowance	SUS Cumulative Disallowance	Monthly Interest	Cumulative Interest	Total Cumulative Disallowance and Interest
1	Jan.	1994	0.002684992	$22,137	$22,137	$0	$0	$22,137
2	Feb.	1994	0.002684992	$29,530	$51,666	$59	$59	$51,726
3	Mar.	1994	0.002684992	$0	$51,666	$139	$198	$51,865
4	Apr.	1994	0.002684992	$3,455	$55,121	$139	$338	$55,459
5	May	1994	0.002684992	$0	$55,121	$149	$486	$55,608
6	Jun.	1994	0.002684992	$22,711	$77,832	$149	$636	$78,468
7	Jul.	1994	0.002684992	$2,937	$80,769	$211	$846	$81,616
8	Aug.	1994	0.002684992	$992	$81,762	$219	$1,066	$82,827
9	Sep.	1994	0.002684992	$2,037	$83,799	$222	$1,288	$85,087
10	Oct.	1994	0.002684992	$5,931	$89,730	$228	$1,516	$91,246
11	Nov.	1994	0.002684992	$2,996	$92,725	$245	$1,761	$94,487
12	Dec.	1994	0.002684992	$2,425	$95,150	$254	$2,015	$97,165
13	Jan.	1995	0.003530627	$903	$96,054	$343	$2,358	$98,412
14	Feb.	1995	0.003530627	$8,690	$104,743	$347	$2,706	$107,449
15	Mar.	1995	0.003530627	$2,511	$107,254	$379	$3,085	$110,339
16	Apr.	1995	0.003530627	$1,801	$109,055	$390	$3,475	$112,530
17	May	1995	0.003530627	$101	$109,157	$397	$3,872	$113,028
18	Jun.	1995	0.003530627	$70	$109,227	$399	$4,271	$113,498
19	Jul.	1995	0.003530627	$0	$109,227	$401	$4,672	$113,898
20	Aug.	1995	0.003530627	$0	$109,227	$402	$5,074	$114,301
21	Sep.	1995	0.003530627	$0	$109,227	$404	$5,477	$114,704
22	Oct.	1995	0.003530627	$0	$109,227	$405	$5,882	$115,109
23	Nov.	1995	0.003530627	$0	$109,227	$406	$6,289	$115,516
24	Dec.	1995	0.003530627	$0	$109,227	$408	$6,697	$115,923
25	Jan.	1996	0.004867551	$0	$109,227	$564	$7,261	$116,488
26	Feb.	1996	0.004867551	$0	$109,227	$567	$7,828	$117,055
27	Mar.	1996	0.004867551	$0	$109,227	$570	$8,398	$117,624
28	Apr.	1996	0.004867551	$0	$109,227	$573	$8,970	$118,197
29	May	1996	0.004867551	$0	$109,227	$575	$9,545	$118,772
30	Jun.	1996	0.004867551	$0	$109,227	$578	$10,124	$119,350
31	Jul.	1996	0.004867551	$0	$109,227	$581	$10,705	$119,931
32	Aug.	1996	0.004867551	$0	$109,227	$584	$11,288	$120,515
33	Sep.	1996	0.004867551	$0	$109,227	$587	$11,875	$121,102
34	Oct.	1996	0.004867551	$0	$109,227	$589	$12,464	$121,691
35	Nov.	1996	0.004867551	$0	$109,227	$592	$13,057	$122,284
36	Dec.	1996	0.004867551	$0	$109,227	$595	$13,652	$122,879
37	Jan.	1997	0.004408203	$0	$109,227	$542	$14,194	$123,420
38	Feb.	1997	0.004408203	$0	$109,227	$544	$14,738	$123,965
39	Mar.	1997	0.004408203	$0	$109,227	$546	$15,284	$124,511
40	Apr.	1997	0.004408203	$0	$109,227	$549	$15,833	$125,060
41	May	1997	0.004408203	$0	$109,227	$551	$16,384	$125,611
42	Jun.	1997	0.004408203	$0	$109,227	$554	$16,938	$126,165

INTEREST CALCULATION FOR FUEL COST DISALLOWANCES TO TEXAS RETAIL FIXED FUEL AND NON-FUEL FACTOR CUSTOMERS

- Schedule JBG - 2

Line No.	Month	Year	Interest Rate	Disallowance	SMQ Cumulative Disallowance	Monthly Interest	Cumulative Interest	Total Cumulative Disallowance and Interest
1	Jan.	1994	0.002684992	$2,236	$2,236	$0	$0	$2,236
2	Feb.	1994	0.002684992	$9,116	$11,352	$6	$6	$11,358
3	Mar.	1994	0.002684992	$0	$11,352	$30	$36	$11,388
4	Apr.	1994	0.002684992	$1,513	$12,865	$31	$67	$12,932
5	May	1994	0.002684992	$0	$12,865	$35	$102	$12,967
6	Jun.	1994	0.002684992	$6,620	$19,485	$35	$137	$19,622
7	Jul.	1994	0.002684992	$641	$20,127	$53	$189	$20,316
8	Aug.	1994	0.002684992	$145	$20,272	$55	$244	$20,516
9	Sep.	1994	0.002684992	$198	$20,469	$55	$299	$20,768
10	Oct.	1994	0.002684992	$2,338	$22,807	$56	$355	$23,162
11	Nov.	1994	0.002684992	$700	$23,507	$62	$417	$23,924
12	Dec.	1994	0.002684992	$138	$23,645	$64	$481	$24,126
13	Jan.	1995	0.003530627	$209	$23,854	$85	$566	$24,420
14	Feb.	1995	0.003530627	$2,078	$25,932	$86	$653	$26,585
15	Mar.	1995	0.003530627	$276	$26,208	$94	$746	$26,954
16	Apr.	1995	0.003530627	$224	$26,432	$95	$842	$27,273
17	May	1995	0.003530627	$31	$26,463	$96	$938	$27,401
18	Jun.	1995	0.003530627	$22	$26,485	$97	$1,035	$27,520
19	Jul.	1995	0.003530627	$0	$26,485	$97	$1,132	$27,617
20	Aug.	1995	0.003530627	$0	$26,485	$98	$1,229	$27,715
21	Sep.	1995	0.003530627	$0	$26,485	$98	$1,327	$27,813
22	Oct.	1995	0.003530627	$0	$26,485	$98	$1,425	$27,911
23	Nov.	1995	0.003530627	$0	$26,485	$99	$1,524	$28,009
24	Dec.	1995	0.003530627	$0	$26,485	$99	$1,623	$28,108
25	Jan.	1996	0.004867551	$0	$26,485	$137	$1,760	$28,245
26	Feb.	1996	0.004867551	$0	$26,485	$137	$1,897	$28,382
27	Mar.	1996	0.004867551	$0	$26,485	$138	$2,035	$28,521
28	Apr.	1996	0.004867551	$0	$26,485	$139	$2,174	$28,659
29	May	1996	0.004867551	$0	$26,485	$140	$2,314	$28,799
30	Jun.	1996	0.004867551	$0	$26,485	$140	$2,454	$28,939
31	Jul.	1996	0.004867551	$0	$26,485	$141	$2,595	$29,080
32	Aug.	1996	0.004867551	$0	$26,485	$142	$2,736	$29,222
33	Sep.	1996	0.004867551	$0	$26,485	$142	$2,878	$29,364
34	Oct.	1996	0.004867551	$0	$26,485	$143	$3,021	$29,507
35	Nov.	1996	0.004867551	$0	$26,485	$144	$3,165	$29,650
36	Dec.	1996	0.004867551	$0	$26,485	$144	$3,309	$29,795
37	Jan.	1997	0.004408203	$0	$26,485	$131	$3,441	$29,926
38	Feb.	1997	0.004408203	$0	$26,485	$132	$3,572	$30,058
39	Mar.	1997	0.004408203	$0	$26,485	$133	$3,705	$30,190
40	Apr.	1997	0.004408203	$0	$26,485	$133	$3,838	$30,323
41	May	1997	0.004408203	$0	$26,485	$134	$3,972	$30,457
42	Jun.	1997	0.004408203	$0	$26,485	$134	$4,106	$30,591

INTEREST CALCULATION FOR FUEL COST DISALLOWANCES TO TEXAS RETAIL FIXED FUEL AND NON-FUEL FACTOR CUSTOMERS

- Schedule JBG - 2

Line No.	Month	Year	Interest Rate	Disallowance	EAPS Cumulative Disallowance	Monthly Interest	Cumulative Interest	Total Cumulative llowance and Interest
1	Jan.	1994	0.002684992	$826	$826	$0	$0	$826
2	Feb.	1994	0.002684992	$925	$1,751	$2	$2	$1,753
3	Mar.	1994	0.002684992	$0	$1,751	$5	$7	$1,758
4	Apr.	1994	0.002684992	$171	$1,922	$5	$12	$1,934
5	May	1994	0.002684992	$0	$1,922	$5	$17	$1,939
6	Jun.	1994	0.002684992	$2,556	$4,478	$5	$22	$4,500
7	Jul.	1994	0.002684992	$363	$4,842	$12	$34	$4,876
8	Aug.	1994	0.002684992	$57	$4,899	$13	$47	$4,946
9	Sep.	1994	0.002684992	$79	$4,978	$13	$61	$5,039
10	Oct.	1994	0.002684992	$475	$5,454	$14	$74	$5,528
11	Nov.	1994	0.002684992	$248	$5,701	$15	$89	$5,790
12	Dec.	1994	0.002684992	$188	$5,889	$16	$104	$5,994
13	Jan.	1995	0.003530627	$46	$5,935	$21	$126	$6,061
14	Feb.	1995	0.003530627	$587	$6,522	$21	$147	$6,669
15	Mar.	1995	0.003530627	$137	$6,660	$24	$171	$6,830
16	Apr.	1995	0.003530627	$76	$6,735	$24	$195	$6,930
17	May	1995	0.003530627	$8	$6,743	$24	$219	$6,962
18	Jun.	1995	0.003530627	$13	$6,756	$25	$244	$6,999
19	Jul.	1995	0.003530627	$0	$6,756	$25	$268	$7,024
20	Aug.	1995	0.003530627	$0	$6,756	$25	$293	$7,049
21	Sep.	1995	0.003530627	$0	$6,756	$25	$318	$7,074
22	Oct.	1995	0.003530627	$0	$6,756	$25	$343	$7,099
23	Nov.	1995	0.003530627	$0	$6,756	$25	$368	$7,124
24	Dec.	1995	0.003530627	$0	$6,756	$25	$393	$7,149
25	Jan.	1996	0.004867551	$0	$6,756	$35	$428	$7,184
26	Feb.	1996	0.004867551	$0	$6,756	$35	$463	$7,219
27	Mar.	1996	0.004867551	$0	$6,756	$35	$498	$7,254
28	Apr.	1996	0.004867551	$0	$6,756	$35	$533	$7,289
29	May	1996	0.004867551	$0	$6,756	$35	$569	$7,325
30	Jun.	1996	0.004867551	$0	$6,756	$36	$605	$7,360
31	Jul.	1996	0.004867551	$0	$6,756	$36	$640	$7,396
32	Aug.	1996	0.004867551	$0	$6,756	$36	$676	$7,432
33	Sep.	1996	0.004867551	$0	$6,756	$36	$713	$7,468
34	Oct.	1996	0.004867551	$0	$6,756	$36	$749	$7,505
35	Nov.	1996	0.004867551	$0	$6,756	$37	$786	$7,541
36	Dec.	1996	0.004867551	$0	$6,756	$37	$822	$7,578
37	Jan.	1997	0.004408203	$0	$6,756	$33	$856	$7,611
38	Feb.	1997	0.004408203	$0	$6,756	$34	$889	$7,645
39	Mar.	1997	0.004408203	$0	$6,756	$34	$923	$7,679
40	Apr.	1997	0.004408203	$0	$6,756	$34	$957	$7,713
41	May	1997	0.004408203	$0	$6,756	$34	$991	$7,747
42	Jun.	1997	0.004408203	$0	$6,756	$34	$1,025	$7,781

INTEREST CALCULATION FOR FUEL COST DISALLOWANCES TO TEXAS RETAIL FIXED FUEL AND NON-FUEL FACTOR CUSTOMERS
- Schedule JBG - 2

Texas Fixed Fuel Factor Adjustment

Line No.	Month	Year	Interest Rate	Disallowance	Cumulative Disallowance	Monthly Interest	Cumulative Interest	Total Cumulative allowance and Interest
1	Jan.	1994	0.002684992	$777	$777	$0	$0	$777
2	Feb.	1994	0.002684992	$3,958	$4,735	$2	$2	$4,737
3	Mar.	1994	0.002684992	$5,757	$10,491	$13	$15	$10,506
4	Apr.	1994	0.002684992	($378)	$10,113	$28	$43	$10,156
5	May	1994	0.002684992	$4,222	$14,335	$27	$70	$14,405
6	Jun.	1994	0.002684992	$43,281	$57,616	$39	$109	$57,725
7	Jul.	1994	0.002684992	$54,570	$112,185	$155	$264	$112,449
8	Aug.	1994	0.002684992	($10,162)	$102,023	$302	$566	$102,589
9	Sep.	1994	0.002684992	$9,939	$111,962	$275	$841	$112,804
10	Oct.	1994	0.002684992	$91,824	$203,786	$303	$1,144	$204,930
11	Nov.	1994	0.002684992	$48,705	$252,491	$550	$1,694	$254,186
12	Dec.	1994	0.002684992	$32,385	$284,876	$682	$2,377	$287,253
13	Jan.	1995	0.003530627	$22,614	$307,490	$1,014	$3,391	$310,881
14	Feb.	1995	0.003530627	($11,334)	$296,155	$1,098	$4,489	$300,644
15	Mar.	1995	0.003530627	($17,253)	$278,902	$1,061	$5,550	$284,452
16	Apr.	1995	0.003530627	$5,454	$284,356	$1,004	$6,554	$290,910
17	May	1995	0.003530627	$25,982	$310,338	$1,027	$7,582	$317,919
18	Jun.	1995	0.003530627	$6,572	$316,910	$1,122	$8,704	$325,614
19	Jul.	1995	0.003530627	$0	$316,910	$1,150	$9,854	$326,764
20	Aug.	1995	0.003530627	$0	$316,910	$1,154	$11,007	$327,917
21	Sep.	1995	0.003530627	$0	$316,910	$1,158	$12,165	$329,075
22	Oct.	1995	0.003530627	$0	$316,910	$1,162	$13,327	$330,237
23	Nov.	1995	0.003530627	$0	$316,910	$1,166	$14,493	$331,403
24	Dec.	1995	0.003530627	$0	$316,910	$1,170	$15,663	$332,573
25	Jan.	1996	0.004867551	$0	$316,910	$1,619	$17,282	$334,192
26	Feb.	1996	0.004867551	$0	$316,910	$1,627	$18,908	$335,818
27	Mar.	1996	0.004867551	$0	$316,910	$1,635	$20,543	$337,453
28	Apr.	1996	0.004867551	$0	$316,910	$1,643	$22,186	$339,096
29	May	1996	0.004867551	$0	$316,910	$1,651	$23,836	$340,746
30	Jun.	1996	0.004867551	$0	$316,910	$1,659	$25,495	$342,405
31	Jul.	1996	0.004867551	$0	$316,910	$1,667	$27,161	$344,071
32	Aug.	1996	0.004867551	$0	$316,910	$1,675	$28,836	$345,746
33	Sep.	1996	0.004867551	$0	$316,910	$1,683	$30,519	$347,429
34	Oct.	1996	0.004867551	$0	$316,910	$1,691	$32,210	$349,120
35	Nov.	1996	0.004867551	$0	$316,910	$1,699	$33,910	$350,820
36	Dec.	1996	0.004867551	$0	$316,910	$1,708	$35,617	$352,527
37	Jan.	1997	0.004408203	$0	$316,910	$1,554	$37,171	$354,081
38	Feb.	1997	0.004408203	$0	$316,910	$1,561	$38,732	$355,642
39	Mar.	1997	0.004408203	$0	$316,910	$1,568	$40,300	$357,210
40	Apr.	1997	0.004408203	$0	$316,910	$1,575	$41,875	$358,785
41	May	1997	0.004408203	$0	$316,910	$1,582	$43,456	$360,366
42	Jun.	1997	0.004408203	$0	$316,910	$1,589	$45,045	$361,955

Note: MSS has no interest adjustment.

GULF STATES UTILITY COMPANY
DOCKET NO. 15102 - FUEL RECONCILIATION
COMMISSIONER'S SCHEDULE OF THE
CALCULATED INTEREST BALANCE ON FUEL OVER/(UNDER) RECOVERY BALANCE
For the Reconciliation Period January 1, 1994 through June 30, 1995

Line No. (a)	Month (b)	Year (c)	Texas Cumulative Over/(Under) Recovery (d) *Staff Schedule B*	Interest Rate (e)	Monthly Interest Amount (f)	GSU Interest Refund (g) *Schedule FR-21*	GSU Interest Adjustment (h) *Schedule FR-21*	COMMISSIONER'S Interest Adjustment (i) *Staff Schedule C*	SURCHARGE INTEREST (j)	Cumulative Interest Amount (k)	Cumulative Over/(Under) Recovery of Fuel & Interest (l)
1	Beginning Balance		$0							$0	$0
2	Jan.	1994	($2,303,658	0.002684992	$0	$0	$0	$0		$0	($2,303,658
3	Feb.	1994	($2,881,510	0.002684992	($6,185)	$0	$0	$0		($6,185)	($2,887,696
4	Mar.	1994	($6,426,692	0.002684992	($7,753)	$0	$0	$0		($13,939)	($6,440,631
5	Apr.	1994	($8,734,132	0.002684992	($17,293)	$0	$0	$0		($31,232)	($8,765,364
6	May	1994	($16,981,342	0.002684992	($23,535)	$0	$0	$0		($54,767)	($17,036,109
7	Jun.	1994	($19,469,042	0.002684992	($45,742)	$0	$0	$0		($100,509)	($19,569,550
8	Jul.	1994	($22,623,362	0.002684992	($52,544)	$0	$0	$0		($153,053)	($22,776,415
9	Aug.	1994	($25,013,538	0.002684992	($61,154)	$0	($2,506) (A)	$2,506		($214,207)	($25,227,745
10	Sep.	1994	($23,757,396	0.002684992	($67,736)	$0	$0	$0		($281,943)	($24,039,340
11	Oct.	1994	($21,096,805	0.002684992	($64,545)	$0	$0	$0		($346,489)	($21,443,294
12	Nov.	1994	($20,055,884	0.002684992	($57,575)	$0	$0	$0		($404,064)	($20,459,948
13	Dec.	1994	($19,916,639	0.002684992	($54,935)	$0	$0	$0		($458,999)	($20,375,637
14	Jan.	1995	($17,542,527	0.003530627	($71,939)	$0	$0	$0		($530,937)	($18,073,464
15	Feb.	1995	($14,165,900	0.003530627	($63,811)	$0	$0	$0		($594,748)	($14,760,648
16	Mar.	1995	($13,652,198	0.003530627	($52,114)	$0	$0	$0		($646,862)	($14,299,060
17	Apr.	1995	($13,661,864	0.003530627	($50,485)	$0	$0	$0		($697,347)	($14,359,211
18	May	1995	($18,059,586	0.003530627	($50,697)	$0	$50,091 (B)	($50,091		($748,044)	($18,807,631
19	Jun.	1995	($17,659,023	0.003530627	($66,403)	$0	$0	$0		($814,447)	($18,473,469
20	Jul.	1995	($17,674,434	0.003530627	($65,223)	$0	$0	$0		($879,670)	($18,554,103
21	Aug.	1995	($17,674,434	0.003530627	($65,508)	$0	$0	$0		($945,177)	($18,619,611
22	Sep.	1995	($17,674,434	0.003530627	($65,739)	$0	$0	$0		($1,010,916)	($18,685,350
23	Oct.	1995	($17,674,434	0.003530627	($65,971)	$0	$0	$0		($1,076,887)	($18,751,321
24	Nov.	1995	($17,674,434	0.003530627	($66,204)	$0	$0	$0		($1,143,091)	($18,817,525
25	Dec.	1995	($17,674,434	0.003530627	($66,438)	$0	$0	$0		($1,209,529)	($18,883,962
26	Jan.	1996	($17,674,434	0.004867551	($91,919)	$0	$0	$0		($1,301,448)	($18,975,881
27	Feb.	1996	($17,674,434	0.004867551	($92,366)	$0	$0	$0		($1,393,814)	($19,068,247
28	Mar.	1996	($17,674,434	0.004867551	($92,816)	$0	$0	$0		($1,486,629)	($19,161,063

GULF STATES UTILITY COMPANY
DOCKET NO. 15102 - FUEL RECONCILIATION
COMMISSIONER'S SCHEDULE OF THE
CALCULATED INTEREST BALANCE ON FUEL OVER/(UNDER) RECOVERY BALANCE
For the Reconciliation Period January 1, 1994 through June 30, 1995

Line No. (a)	Month (b)	Year (c)	Texas Cumulative Over/(Under) Recovery (d) *Staff Schedule B*	Interest Rate (e)	Monthly Interest Amount (f)	GSU Interest Refund (g)	GSU Interest Adjustment (h) *Schedule FR-21*	Staff Interest Adjustment (i) *Staff Schedule C*	SURCHARGE INTEREST (j)	Cumulative Interest Amount (k)	Cumulative Over/(Under) Recovery of Fuel & Interest (l)
29	Apr.	1996	($17,674,434	0.004867551	($93,267)	$0	$0	$0		($1,579,897)	($19,254,330
30	May	1996	($17,674,434	0.004867551	($93,721)	$0	$0	$0		($1,673,618)	($19,348,052
31	Jun.	1996	($17,674,434	0.004867551	($94,178)	$0	$0	$0		($1,767,796)	($19,442,229
32	Jul.	1996	($17,674,434	0.004867551	($94,636)	$0	$0	$0		($1,862,432)	($19,536,865
33	Aug.	1996	($17,674,434	0.004867551	($95,097)	$0	$0	$0		($1,957,529)	($19,631,962
34	Sep.	1996	($17,674,434	0.004867551	($95,560)	$0	$0	$0		($2,053,088)	($19,727,522
35	Oct.	1996	($17,674,434	0.004867551	($96,025)	$0	$0	$0		($2,149,113)	($19,823,546
36	Nov.	1996	($17,674,434	0.004867551	($96,492)	$0	$0	$0		($2,245,605)	($19,920,039
37	Dec.	1996	($17,674,434	0.004867551	($96,962)	$0	$0	$0		($2,342,567)	($20,017,000
38	Jan.	1997	($17,674,434	0.004408203	($88,239)	$0	$0	$0		($2,430,806)	($20,105,239
39	Feb.	1997	($17,674,434	0.004408203	($88,628)	$0	$0	$0		($2,519,434)	($20,193,867
40	Mar.	1997	($17,674,434	0.004408203	($89,019)	$0	$0	$0		($2,608,452)	($20,282,886
41	Apr.	1997	($17,674,434	0.004408203	($89,411)	$0	$0	$0		($2,697,863)	($20,372,297
42	May	1997	($8,837,217	0.004408203	($89,805)	$0	$0	$0	$1,438,737	($1,348,932)	($10,186,149
43	Jun.	1997	$0	0.004408203	($44,903)	$0	$0	$0	$1,393,834	$0	$0
44		TOTAL			($2,832,571)		$47,585	($47,585	$2,832,571		

GULF STATES UTILITY COMPANY
DOCKET NO. 15102 - FUEL RECONCILIATION
COMMISSIONER'S SCHEDULE OF THE
CALCULATED INTEREST BALANCE ON FUEL OVER/(UNDER) RECOVERY BALANCE
For the Reconciliation Period January 1, 1994 through June 30, 1995

COLUMN INFORMATION

Column	Work Paper Reference	Discription
(a)		Line Number of Staff Schedule.
(b)		Month of activity.
(c)		Year of activity.
(d)		Staff Recommended Texas Cumulative Over/(Under) Recovery from Staff Schedule B.
(e)		Commission approved interest rates.
(f)		Prior month's column (k), Cumulative Over/(Under) Recovery of Fuel & Interest, times the current month's column (e), interest rate.
(g)		GSU's interest refunded according to Schedule FR-21.
(h)		GSU's interest adjustment according to Schedule FR-21.
(i)		Staff recommended interest adjustments according to Staff Schedule C.
(j)		April 97 column (k)/2 less current months column (f).
(k)		Prior month's column (k) plus current month's column (f) and (j).
(l)		Column (d) plus column (j).

NOTES

Note	Work Paper Reference	Discription
(A)		Staff recommendation to remove GSU's August 1994 Loss Factor Adjustment to interest.
(B)		Staff recommendation to remove GSU's May 1995 Adjustment to interest accrual on Docket No. 13170 refund.

GULF STATES UTILITY COMPANY
DOCKET NO. 15102 - FUEL RECONCILIATION
COMMISSIONER'S SCHEDULE OF FUEL OVER/(UNDER) RECOVERY CALCULATION
For the Reconciliation Period January 1, 1994 through June 30, 1995

										Texas Retail Basis					
Line No. (a)	Month (b)	Year (c)	Total Company Fuel Cost (d) *Schedule FR-21*	COMMISSIONER'S Adjustments (e) *Staff Schedule C*	Total Company Adjusted Fuel Cost (f)	Texas Retail Allocator (Jeff Goodman) (g) *Staff Schedule C*	Texas Allocated Fuel Costs (h)	Texas Fuel Revenue (i) *Schedule FR-21*	Texas Monthly Over/(Under) Recovery (j)	GSU's Fuel Refund & Adjustments (k) *Schedule FR-21*		COMMISSIONER'S Adjustments (l) *Staff Schedule C*	Residual Adjustment *(Jeff Goodman)*	SURCHARGE (m)	Texas Cumulative Over/(Under) Recovery (n)
1	Beginning Balance								0						0
2	Jan.	1994	47,680,643	(260,110)	47,420,533	39.074%	18,529,099	16,237,538	(2,291,561)	0	(A)	(12,874)	777		(2,303,658)
3	Feb.	1994	43,941,055	16,356	43,957,411	37.295%	16,393,916	15,823,530	(570,386)	0	(A)	(11,424)	3,958		(2,881,510)
4	Mar	1994	46,583,979	1,189,787	47,773,766	37.368%	17,852,101	14,313,275	(3,538,826)	0	(A)	(12,113)	5,757		(6,426,692)
5	Apr	1994	44,900,421	1,460,384	46,360,805	37.197%	17,244,829	14,949,441	(2,295,388)	0	(A)	(11,674)	(378)		(8,734,132)
6	May	1994	61,294,794	1,119,494	62,414,288	37.376%	23,327,964	15,092,469	(8,235,495)	0	(A)	(15,937)	4,222		(16,981,342)
7	Jun.	1994	53,232,378	228,668	53,461,046	38.378%	20,517,280	18,000,141	(2,517,139)	0	(A)	(13,841)	43,281		(19,469,042)
8	Jul.	1994	59,150,756	(274,993)	58,875,763	38.760%	22,820,246	19,627,326	(3,192,920)	0	(A)	(15,971)	54,570		(22,623,362)
9	Aug.	1994	53,980,498	1,495,821	55,476,319	38.206%	21,195,282	18,815,269	(2,380,013)	(148,226)	(B)	148,226	(10,162)		(25,013,538)
10	Sep.	1994	46,501,724	549,242	47,050,966	38.407%	18,070,864	19,317,067	1,246,203	0		0	9,939		(23,757,396)
11	Oct.	1994	39,688,673	(794,046)	38,894,627	37.065%	14,416,294	16,985,061	2,568,767	0		0	91,824		(21,096,805)
12	Nov.	1994	35,927,886	(193,166)	35,734,720	36.997%	13,220,774	14,992,961	1,772,187	0	(C)	(779,971)	48,705		(20,055,884)
13	Dec.	1994	43,023,099	(363,745)	42,659,354	36.682%	15,648,304	15,755,165	106,861	0		0	32,385		(19,916,639)
14	Jan.	1995	42,476,092	(305,506)	42,170,586	38.477%	16,225,976	15,759,924	(466,052)	0	(D)	2,817,550	22,614		(17,542,527)
15	Feb.	1995	31,630,461	605,890	32,236,351	39.150%	12,620,531	16,008,492	3,387,961	0		0	(11,334)		(14,165,900)
16	Mar	1995	34,936,268	895,578	35,831,846	41.018%	14,697,507	15,228,462	530,955	0		0	(17,253)		(13,652,198)
17	Apr.	1995	38,517,509	131,000	38,648,509	37.356%	14,437,537	14,422,417	(15,120)	0		0	5,454		(13,661,864)
18	May	1995	45,607,886	(420,972)	45,186,914	38.020%	17,180,065	15,568,464	(1,611,601)	0	(D)	(2,812,104)	25,982		(18,059,586)
19	Jun.	1995	49,720,742	920,347	50,641,089	38.797%	19,647,223	20,074,738	427,515	0	(D)	(33,523)	6,572		(17,659,023)
20	Jul.	1995	0	0	0	- NA -	0	0	0	0	(D)	(15,411)	0		(17,674,434)
21	Aug.	1995	0	0	0	- NA -	0	0	0	0		0	0		(17,674,434)
22	Sep.	1995	0	0	0	- NA -	0	0	0	0		0	0		(17,674,434)
23	Oct.	1995	0	0	0	- NA -	0	0	0	0		0	0		(17,674,434)
24	Nov.	1995	0	0	0	- NA -	0	0	0	0		0	0		(17,674,434)
25	Dec.	1995	0	0	0	- NA -	0	0	0	0		0	0		(17,674,434)
26	Jan.	1996	0	0	0	- NA -	0	0	0	0		0	0		(17,674,434)
27	Feb.	1996	0	0	0	- NA -	0	0	0	0		0	0		(17,674,434)
28	Mar.	1996	0	0	0	- NA -	0	0	0	0		0	0		(17,674,434)
29	Apr.	1996	0	0	0	- NA -	0	0	0	0		0	0		(17,674,434)
30	May	1996	0	0	0	- NA -	0	0	0	0		0	0		(17,674,434)
31	Jun.	1996	0	0	0	- NA -	0	0	0	0		0	0		(17,674,434)
32	Jul.	1996	0	0	0	- NA -	0	0	0	0		0	0		(17,674,434)
33	Aug.	1996	0	0	0	- NA -	0	0	0	0		0	0		(17,674,434)
34	Sep.	1996	0	0	0	- NA -	0	0	0	0		0	0		(17,674,434)
35	Oct.	1996	0	0	0	- NA -	0	0	0	0		0	0		(17,674,434)
36	Nov.	1996	0	0	0	- NA -	0	0	0	0		0	0		(17,674,434)
37	Dec.	1996	0	0	0	- NA -	0	0	0	0		0	0		(17,674,434)
38	Jan.	1997	0	0	0	- NA -	0	0	0	0		0	0		(17,674,434)
39	Feb.	1997	0	0	0	- NA -	0	0	0	0		0	0		(17,674,434)
40	Mar.	1997	0	0	0	- NA -	0	0	0	0		0	0		(17,674,434)
41	Apr.	1997	0	0	0	- NA -	0	0	0	0		0	0		(17,674,434)
42	May	1997	0	0	0	- NA -	0	0	0	0		0	0	8,837,217	(8,837,217)
43	Jun.	1997	0	0	0	- NA -	0	0	0	0		0	0	8,837,217	0
44		TOTAL	818,794,864	6,000,029	824,794,893		219,236,955	296,971,740		(148,226)		(769,067)	316,913	17,674,434	

GULF STATES UTILITY COMPANY
DOCKET NO. 15102 - FUEL RECONCILIATION
COMMISSIONER'S SCHEDULE OF FUEL OVER/(UNDER) RECOVERY CALCULATION
For the Reconciliation Period January 1, 1994 through June 30, 1995

COLUMN INFORMATION

Column	Work Paper Reference	Discription
(a)		Line Number of Staff Schedule.
(b)		Month of activity.
(c)		Year of activity.
(d)		Total Company Fuel Cost (System Expenses) per Schedule FR-21.
(e)		Staff Adjustments on a Total System Basis. See column (u) on Staff Schedule C.
(f)		Column (d) plus Column (e).
(g)		Staff recommended Texas Retail Allocator. See column (d) on Staff Schedule C. (Jeff Goodman)
(h)		Column (f) times column (h).
(i)		Texas Retail Fuel Revenue according to GSU's Schedule FR-21.
(j)		Column (j) less Column (i).
(k)		Fuel refund and adjustments, according to GSU's Schedule FR-21
(l)		Staff recommended Adjustments on a Texas Basis. Also see Staff Schedule C columns (g), (h), (i), and (j). (Craig Archer)
(m)		Column (n) / remaining months of surcharge.
(n)		The sum of Columns (k), (l), and (m) plus the prior months amount of Column (n).

NOTES

Note	Work Paper Reference	Discription
(A)		Staff recommendation of loss adjustments per GSU's response to General Counsel's 6th RFI CA-42. (Craig Archer)
(B)		Staff recommendation to to remove GSU's August 1995 loss factor adjustment to Texas Retail Over/(Under) Balance. (Craig Archer)
(C)		Staff recommendation to account for the over refunded amount from Docekt No. 10894 to be carried forward into the "then existing over/under balance". (Craig Archer)
(D)		Staff recomendation to account for the accumulation of interest on Docket No. 13170 refund which was Not refunded before 12/31/94 per joint stipulation. (Craig Archer)

(POSITIVE AMOUNTS INCREASE FUEL COST. NEGATIVE AMOUNTS DECREASE FUEL COSTS)

Line No. (a)	Month (b)	Year (c)	Texas Retail Allocator (Jeff Goodman) (d)	Staff Recommendation to Remove GSU's May 1995 Adjustment to Interest (Craig Archer) (e)	Staff Recommendation to Remove GSU's August 1995 Loss Factor Adjustment to Interest (Craig Archer) (f)	Staff Recommendation to Remove GSU's August 1995 Loss Factor Adjustment to Tx Over/Under (Craig Archer) (g)	Loss Adjustments Per GSU's Response to General Counsel's Sixth RFI CA-42 (Craig Archer) -- For Interest Calculations ONLY -- (h)	To Account for the Accumulation of Interest on Docket No. 13170's Refund which was NOT refunded before 12/31/94 per Joint Stipulation (Craig Archer) (i)	Over Refunded Amount from Docket No. 10894 to be carried forward into the "then existing over/under balance" (Craig Archer) (j)
1	Beginning Balance								
2	Jan.	1994	0.39074	$0	$0	$0	($12,874)	$0	$0
3	Feb.	1994	0.37295	$0	$0	$0	($11,424)	$0	$0
4	Mar	1994	0.37368	$0	$0	$0	($12,113)	$0	$0
5	Apr.	1994	0.37197	$0	$0	$0	($11,674)	$0	$0
6	May	1994	0.37376	$0	$0	$0	($15,937)	$0	$0
7	Jun.	1994	0.38378	$0	$0	$0	($13,841)	$0	$0
8	Jul.	1994	0.38760	$0	$0	$0	($15,971)	$0	$0
9	Aug	1994	0.38206	$0	$2,506	$148,226	$0	$0	$0
10	Sep.	1994	0.38407	$0	$0	$0	$0	$0	$0
11	Oct.	1994	0.37065	$0	$0	$0	$0	$0	$0
12	Nov	1994	0.36997	$0	$0	$0	$0	$0	($779,971)
13	Dec.	1994	0.36682	$0	$0	$0	$0	$0	$0
14	Jan.	1995	0.38477	$0	$0	$0	$0	$2,817,550	$0
15	Feb.	1995	0.39150	$0	$0	$0	$0	$0	$0
16	Mar.	1995	0.41018	$0	$0	$0	$0	$0	$0
17	Apr.	1995	0.37356	$0	$0	$0	$0	$0	$0
18	May	1995	0.38020	($50,091)	$0	$0	$0	($2,812,104)	$0
19	Jun.	1995	0.38797	$0	$0	$0	$0	($33,523)	$0
20	Jul.	1995	- NA -	- NA -	- NA -	- NA -	- NA -	($15,411)	- NA -
21									
22	TOTALS			($50,091)	$2,506	$148,226	($93,834)	($43,488)	($779,971)

COMMISSIONER'S
SCHEDULE C
Docket No. 15102
Page 1 of 3

GULF STATES UTILITY COMPANY
DOCKET NO. 15102 - FUEL RECONCILIATION
SCHEDULE OF COMMISSION AJUSTMENTS
For the Reconciliation Period January 1, 1994 through June 30, 1995

ADJUSTMENTS ON A TOTAL GSU SYSTEM BASIS
(POSITIVE AMOUNTS INCREASE FUEL COST. NEGATIVE AMOUNTS DECREASE FUEL COSTS)

Line No. (a)	Month (b)	Year (c)	Off-System Sale's Revenue Above Off-System Sale's Cost Allocator (Jeff Goodman) (k)	*ERRATA* Methodology Impact on Recoverable GSU System Expenses (Jeff Goodman) (l)	Application of Off-System Sale's Revenue Above Off-System Sale's Cost (Craig Archer) (m)	Generation Expense Adjustments Per GSU's Response to General Counsel's Sixth RFI CA-42 (Craig Archer) (n)	Purchased Power Adjustments Per GSU's Response to General Counsel's Sixth RFI CA-42 (Craig Archer) (o)	Short-term Gas Contracts (COMMISSION) (p)	Total Monthly GSU Wheeling Revenue (Jim Neeley) (q)	*ERRATA* Fuel Pricing (Brian Almon) (r)	Absent Loss Recovery Program (Hal Hughes) (s)	Agrilectric Adjustment (Hal Hughes) (t)	*ERRATA* Replacement Power Cost (Glenn Dishong) (u)	Replacement Power Cost (Commission) (v)	EILEEN PITCHFORD COAL (Commission) (w)	COMMISSIONER'S TOTAL COMPANY ADJUSTMENTS (x)
23	Beginning Balance															
24	Jan.	1994	75.00%	$443,985	$105,280	$0	$0	($683,038)	$0	$0	$0	($126,337)	$0	$0	$0	($260,110)
25	Feb.	1994	75.00%	$940,413	$20,620	$0	$0	($840,038)	$0	$0	$0	($104,639)	$0	$0	$0	$16,356
26	Mar.	1994	75.00%	$1,305,130	$63,835	$0	$0	$0	$0	($62,958)	$0	($116,220)	$0	$0	$0	$1,189,787
27	Apr.	1994	75.00%	$1,545,488	$99,990	$0	$0	($91,869)	$0	$0	$0	($93,225)	$0	$0	$0	$1,460,384
28	May	1994	100.00%	$1,211,895	($20,698)	$0	$0	$0	$0	$0	$0	($71,704)	$0	$0	$0	$1,119,494
29	Jun.	1994	100.00%	$1,918,223	($4)	$0	$0	($716,730)	$0	$0	$0	($101,608)	($871,213)	$0	$0	$228,668
30	Jul.	1994	100.00%	$1,174,269	($787)	($391,485)	$0	($97,632)	$0	$0	$0	($2)	($959,356)	$0	$0	($274,993)
31	Aug.	1994	100.00%	$1,251,914	($15,470)	$391,305	$0	($32,506)	$0	$0	$0	($99,422)	$0	$0	$0	$1,495,821
32	Sep.	1994	100.00%	$926,663	($328)	$34,550	$0	($71,279)	$0	$0	$0	($114,781)	$0	$0	($225,583)	$549,242
33	Oct	1994	100.00%	$1,391,579	($48,805)	($81,649)	$0	($190,023)	$0	$0	$0	($115,262)	$0	($1,749,886)	$0	($794,046)
34	Nov	1994	100.00%	$957,263	($61,604)	$47,262	($5,503)	($86,173)	$0	$0	$0	($141,526)	$0	($315,449)	($587,436)	($193,166)
35	Dec.	1994	100.00%	$519,891	($9,643)	$0	$0	($69,178)	$0	($788)	$0	($137,740)	$0	($657,386)	($8,900)	($363,745)
36	Jan.	1995	100.00%	$488,666	($3,461)	$0	($617,940)	($38,789)	$0	$0	$0	($133,982)	$0	$0	$0	($305,506)
37	Feb.	1995	100.00%	$606,575	($111,491)	($9,000)	$615,213	($372,289)	$0	$0	$0	($123,118)	$0	$0	$0	$605,890
38	Mar.	1995	100.00%	$371,009	($20,739)	$0	$767,306	($107,047)	$0	$0	$0	($114,951)	$0	$0	$0	$895,578
39	Apr.	1995	100.00%	$376,196	($36,002)	$0	$0	($68,179)	$0	$0	$0	($141,015)	$0	$0	$0	$131,000
40	May	1995	100.00%	$528,434	($36,141)	$0	($769,776)	($5,111)	$0	$0	$0	($138,378)	$0	$0	$0	($420,972)
41	Jun.	1995	100.00%	$1,131,373	($95,821)	$9,000	($1,322)	($3,326)	$0	$0	$0	($131,847)	$0	$0	$12,290	$920,347
42	Jul.	1995	- NA -	- NA -	- NA -	- NA -	- NA -		- NA -	- NA -	- NA -		- NA -			$0
43																
44	TOTALS			$17,088,966	($171,270)	($17)	($12,022)	($3,473,207)	$0	($63,746)	$0	($2,005,756)	($1,830,569)	($2,722,721)	($809,629)	$6,000,029

GULF STATES UTILITY COMPANY
DOCKET NO. 15102 - FUEL RECONCILIATION
SCHEDULE OF COMMISSION AJUSTMENTS
For the Reconciliation Period January 1, 1994 through June 30, 1995

COLUMN INFORMATION		
Column	**Work Paper Reference**	**Discription**
(a)		Line Number of Staff Schedule
(b)		Month of Activity
(c)		Year of Activity
(d)		Staff recommendation of the Texas Retail Allocator. Also see column (l). (Jeff Goodman)
(e)		Staff recommendation to Remove GSU's May 1995 Adjustment to Interest. Also see column (i) to account for the accumulation of interest on Docket No. 13170 refund which was not refunded before December 31, 1994 per joint stipulation. (Craig Archer)
(f)		Staff recommendation to Remove GSU's August 1995 Loss Factor Adjustment to Interest. Also see column (g) & (h) to to account for the Loss Adjustment per GSU's response to General Counsels Sixth RFI CA-42. - This Adjustment FOR INTEREST CALCULATIONS ONLY! - (Craig Archer)
(g)		Staff recommendation to Remove GSU's August 1995 Loss Factor Adjustment to Texas Over/(Under). Also see column (f) & (h) to to account for the Loss Adjustment per GSU's response to General Counsel's Sixth RFI CA-42. - This Adjustment FOR INTEREST CALCULATIONS ONLY! - (Craig Archer)
(h)		Staff recommendation to account for the Loss Adjustments, FOR INTEREST CALCUATIONS ONLY, per GSU's response to General Counsel's Sixth RFI CA-42 Also see columns (f) and (g). (Craig Archer)
(i)		Staff recommendation to account for the accumulation of interest on Docket No 13170's refund which was NOT refunded before December 31, 1994 per joint stipulation. (Craig Archer)
(j)		Staff recommendation on over refunded amount from Docket No. 10894 to be carried forward into the "then existing over/(under) balance". (Craig Archer)
(k)		Off-System Sales Revenue Above Off-System Sales Cost Allocator (Jeff Goodman)
(l)		Staff recommendation of the methodology impact on recoverable GSU System Expenses. Also see column (d) Staff recommendation of the Texas Retail Allocator. (Jeff Goodman)
(m)		Staff recommendation of the application of Off-System Sale's Revenues above Off-System Sales Cost. (Jeff Goodman & Craig Archer)
(n)		Staff recommendation of the Generation Expenses Adjustments, excluding an adjustment to nuclear costs in December 1994, per GSU's response to General Counsel's Sith RFI CA-42. (Craig Archer)
(o)		Staff recommendation of the Purchased Power Expense Adjustments per GSU's response to General Counsel's Sixth RFI CA-42. (Craig Archer)
(p)		Short-term Gas Contracts (Commission).
(q)		Staff recommendation of the total monthly wheeling revenues (Jim Neeley)
(r)		Staff recommendation on the fuel Pricing. (Brian Almon)
(s)		Staff recomendation on the absent Loss Recovery Program (Hal Hughes)
(t)		Staff recomendation on the Agrilectric Adjustment. (Hal Hughes)
(u)		Staff recomendation on the replacement power cost. (Glenn Dishong)
(v)		Commission Recommendation on replacement power. (Commission)
(w)		Pitchford recommendation on coal. (Commission)
(x)		Total COMMISSIONER'S Disallowances. The sum of columns (l) through column (w).

SOAH DOCKET NO. 473-96-0117
PUC DOCKET NO. 15102

APPLICATION OF GULF STATES UTILITY COMPANY, INC., TO RECONCILE ITS FUEL COSTS, FOR PERMISSION TO DELAY REQUESTING A SURCHARGE, OR IN THE ALTERNATIVE, FOR A SURCHARGE TO RECOVER UNDER-RECOVERED FUEL EXPENSE	§ § § § § § § §	BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS

PROPOSAL FOR DECISION

I. Introduction

On December 7, 1995, Entergy-Gulf States, Inc., (GSU or the Company) filed an application requesting approval of total fuel and purchased power costs of approximately $318 million for the period from January 1, 1994, through June 30, 1995, (the reconciliation period), and authorization to request in a future proceeding the collection of under-recovered fuel expense of $22,375,752 through a surcharge to be approved in that future proceeding. In the alternative, GSU proposes a collection of its under-recovered fuel expenses through a surcharge in this proceeding of $22,375,752, less any Commission-authorized fuel cost disallowances, over a 12-month period. All of GSU's Texas retail customers whose fuel charges are calculated under GSU's fixed fuel factor tariff in all service territories served by it are affected by the request. This docket is GSU's first fuel reconciliation since the merger with Entergy Corporation in December 1993. GSU's application includes its natural gas, coal, fuel oil, nuclear, and purchased-power fuel expenses incurred as an Entergy Operating Company during the reconciliation period.

The major issues in this proceeding are the level and allocation of merger-related fuel savings, the reasonableness of GSU's long-and short-term natural gas contracts, GSU's nuclear fuel costs, including its management of the outages at River Bend Nuclear Station, and the subsidization of GSU's special rate, non-fixed-fuel-factor customers by GSU's fixed-fuel-factor customers. Other issues, as set forth in the Commission Preliminary Order issued on February 23, 1996, are summarized in Section VI. of this proposal for decision.

Cities recommended total disallowances of approximately $35.3 million. North Star Steel Company (North Star or NSS) proposed a disallowance of $1.8 million, primarily relating to purchased power expense and wheeling revenues. The Commission General Counsel initially recommended that a total of approximately $12,541,771 million in fuel expenses be disallowed. The Office of Public Utility Counsel (OPC) recommended disallowance of approximately $317,000 based on the OPC's recalculation of the Company's September 1994 accounting adjustments and the coal costs attributable to Big Cajun II, Unit 3, during November and December 1994.

For the reasons discussed below, the Administrative Law Judge (ALJ) generally agrees with the OPC and with General Counsel's recommended disallowances, with the exception of General Counsel's motion for sanctions and the Staff's $300,000 theft recovery program disallowance. The ALJ recommends that the Commission find that GSU's deferred under-recovered fuel balance for the reconciliation period, without interest, is $20,452,982, as of October 1996, subject to the correction of Staff Schedule C to reflect a 100 percent allocation of off-system sales adders beginning on April 28, 1994, as required in the Preliminary Order, and to correct other less apparent errors. The ALJ recommends that the Commission find that GSU's total cumulative under-recovered interest balance is $2,441,961 as of October 1996. The ALJ further recommends that both the under-recovered fuel balance and the cumulative interest balance should be surcharged, as recommended by General Counsel, immediately during the billing month following the Commission's issuance of a Final Order in this docket.

II. Jurisdiction and Notice

The Public Utility Commission of Texas (Commission) has jurisdiction and authority in this proceeding under the Public Utility Regulatory Act of 1995 §2.001, 1.101(a), and 2.212(g).[1] This case was transferred to the State Office Of Administrative Hearings (SOAH) on January 9, 1996. SOAH has jurisdiction over all matters relating to the conduct of a hearing in this proceeding, including the preparation of a proposal for decision with findings of fact and conclusions of law under TEX. GOV'T. CODE ANN. ch. 2003.047 and PURA 95 §1.101(e).

GSU published notice of its application once a week for two consecutive weeks in each of the counties included in its service area in Texas, as required by P.U.C. SUBST. R. 23.23(b)(4). GSU also provided individual notice to all Texas retail customers in its service territory as required under P.U.C. SUBST. R. 23.23(b)(4). GSU completed published notice on September 4, 1996, and filed its notice affidavits on September 23, 1996, attesting that notice had been published as required. No party contested jurisdiction or notice.

III. Procedural History

A concise procedural history of this docket is attached as Attachment A to this Proposal for Decision (PFD). A list of parties is also included as Attachment B.

1. TEX. REV. CIV. STAT. ANN. ART. 1446c-0 (Vernon Supp. 1997)[hereinafter referred to as "PURA 95"].

IV. Overview of Entergy Corporation and Gulf States' Application

A. Entergy Gulf States, Inc.

Entergy Corporation is an investor-owned, public utility holding company headquartered in New Orleans, Louisiana. Its five wholly-owned operating companies include Entergy-Arkansas, Inc. (formerly Arkansas Power & Light Company), Entergy-Gulf States, Inc., Entergy-Louisiana, Inc., Entergy-Mississippi, Inc., and Entergy-New Orleans Public Service Company, Inc., and it provides electric service to approximately 2.4 million retail customers. Entergy also provides gas service in Baton Rouge and New Orleans, Louisiana to nearly 240,000 customers. The Entergy system companies provide electricity to wholesale customers as well. Ex. EGS-1 at 4.

GSU, as one of the five wholly-owned operating subsidiaries of Entergy Corporation, serves a 28,000 square mile area that stretches across some 350 miles of the Gulf Coast from Baton Rouge, Louisiana, to within 50 miles of Austin, Texas. GSU's electric utility operations are approximately evenly divided between Texas and Louisiana. The Company is divided into two customer service regions: the Southwest Region, headquartered in Beaumont, Texas, and ranging from Somerville, Texas, to Jennings, Louisiana; and the Southern Region, headquartered in Baton Rouge, Louisiana, and ranging from Jennings, Louisiana, to the Bogalusa District of Louisiana Power & Light. Throughout these two areas, GSU serves over 595,000 customers. Ex. EGS-1 at 5-6.

B. GSU's Electric Generating System

GSU owns four fossil-fuel powered generating plants, including two in Texas and two in Louisiana. Approximately 44 percent or 2,410 megawatts (MW) of its total operating generating capacity is provided by its Texas power plants, which are located near Bridge City in Orange County (Sabine Station) and near Willis in Montgomery County (Lewis Creek Station). The Louisiana power plants, which are located near St. Gabriel in Iberville Parish (Willow Glen Station) and Westlake in Calcasieu Parish (Nelson Station) provide the remaining 56 percent or 3,076 MW of fossil fuel generating capacity. All of these plants, with the exception of Nelson Station, Unit 6, normally use natural gas as base-load fuel.[2] Ex. EGS-18 at 3.

In addition to the foregoing generating capacity, GSU also owns 42 percent or 227 MW of a coal-fired unit known as Big Cajun II, Unit 3, operated by Cajun Electric Power Cooperative, Inc., (CEPCO), located near New Roads in Pointe Coupee Parish, Louisiana. Apart from its River Bend Nuclear Station, GSU also has available, subject to the water level of Toledo Bend Lake, one-half or approximately 46 MW of the generating capacity of two hydropower units (total of 92 MW) located on the Sabine River. The hydropower units are owned by the Sabine River Authorities of Texas and Louisiana and are operated and maintained under contract by GSU. Ex. EGS-18 at 4.

C. The Entergy System Agreement and Rate Service Schedules

Because Entergy Gulf States is an Entergy Operating Company (EOC), it operated after the approval of the merger as a part of an integrated "power pool." Ex. EGS-5 at 4. Entergy's overall objective is to provide electric power to the Entergy Operating Companies' customers at as low a cost as is possible, while meeting reliability and transmission constraints. Through economic dispatch of the system, Entergy tries to minimize the total cost of energy by loading all available energy sources on the system at the same incremental cost. Ex. EGS-4 at pp. 4-6.

The Entergy System Agreement (ESA) is the contract that provides the basis for the joint planning and operation of the Entergy System including the EOCs. It governs wholesale transactions among the EOCs by providing for joint operation and establishment of a basis for equalizing among the companies the costs associated with the construction, ownership, and operation of facilities. The

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2. Nelson Unit 6 is a 550 MW coal-fired unit that has no natural gas fuel burning capability. GSU owns approximately 70 percent or 385 MW of this unit. The remaining 30 percent or 165 MW is owned in part by the Sam Rayburn Municipal Power Agency (SRMPA) accounting for 20 percent or 110 MW, and Sam Rayburn G&T, Inc., (SRG&T) accounting for 10 percent or 55 MW. Ex. EGS-18 at 4.

version of the ESA in effect today was approved by the Federal Energy Regulatory Commission (FERC) in Opinion No. 234, *Middle South Energy, Inc.*, 31 F.E.R.C. (CCH) Par. 61,305 (1985) (this is the 1982 version which contains the substantive provisions relevant to the reconciliation period). Ex. EGS-5 at 4. Effective January 1, 1994, the ESA was amended to add Entergy Gulf States as a party. This version of the ESA was approved by the FERC in Opinion No. 385, *Entergy Service, Inc., and Gulf States Utilities Company*, 65 F.E.R.C. (CCH) Par. 61,332 (1993). Ex. EGS-5 at 4-5.

Entergy's System Operations Center (SOC) and Resource Planning Department implement the ESA. The SOC is responsible for billing the EOCs in accordance with the service schedules that make up the ESA. Ex. EGS-5 at 7. The payments and receipts under these schedules are set forth for each EOC in the monthly intra-system bill (ISB). Ex. EGS-68 at 5. There are six service schedules that have been approved by the FERC as part of the ESA.[3] The three schedules at issue in this proceeding are MSS-2, MSS-3, and MSS-5. Ex. EGS-5 at 9.

1. Schedule MSS-2.

Schedule MSS-2 provides transmission equalization payments to equalize costs among the EOCs associated with Entergy's transmission grid. Ex. EGS-68 at 4. The payments are calculated according to the formula set forth in MSS-2.

2. Schedule MSS-3.

Schedule MSS-3 determines the pricing and exchange of energy among the EOCs. According

3. The six schedules are: MSS-1, Reserve Equalization; MSS-2, Transmission Equalization; MSS-3, Exchange of Electric Energy Among the Companies; MSS-4, Unit Power Purchases; MSS-5, Distribution of Revenue from Sales Made for the Joint Account of All the Companies; and MSS-6, Distribution of Operating Expenses of System Operations Center. Proposed Schedule MSS-7, Merger Fuel Protection Procedures, was submitted to the FERC as a compliance filing after the FERC's approval of the merger between Entergy and Gulf States. It contains the so-called "fuel tracker," a negotiated mechanism for calculating payments that may be necessary between the EOCs. In part because the MSS-7 has not been approved yet by the FERC, no fuel tracker calculations have been made. Ex. EGS-5 at 8.

to the Entergy economic dispatch system, each EOC has first call on its own generation and makes exchange energy sales when it has energy from its own units in excess of its own demands that is cheaper than other system energy. EGS-5 at 9. By approving Schedule MSS-3, the FERC has determined how the EOCs will be reimbursed for energy sold to the exchange energy pool and how they will purchase energy from the pool. If an EOC such as GSU supplies energy to the pool that it generated, it receives an Operations & Maintenance (O&M) "adder,"[4] the purpose of which is to reimburse the EOC for the incremental costs associated with making the sale to the exchange energy pool. This "adder" is not reflected in fuel costs. Tr. Vol. III at 704-706; 638-639. In contrast, when an EOC makes energy, that was purchased outside the Entergy operating system, available to the pool, it is reimbursed only for the cost of the energy. Tr. Vol. III at 706.

3. Schedule MSS-5.

Schedule MSS-5 addresses the net balance from sales made to companies other than EOCs for the joint account of all EOCs ("Joint Account Sales"). The net balance is calculated by deducting any costs associated with Joint Account Sales from the gross revenues received for the sales. The net balance is then distributed among the EOCs in proportion to each EOC's "Responsibility Ratio." According to the ESA, an EOC's "Responsibility Ratio" is its own load responsibility divided by the system load responsibility, which is the average of the previous 12-months hourly loads coincident with the system's monthly peak hourly load. Ex. EGS-5 at 11 and Ex. SGC-1. The FERC has previously determined that GSU may not share in the distribution of the net balance from Joint Account Sales contracts entered into by the four other EOCs before the merger. Opinion No. 385, *Entergy Services, Inc., and Gulf States Utilities Company,* 65 F.E.R.C. Par. 661,332 at 62,506 (1993). GSU does, however, receive its share of net balance revenues from the Joint Account Sales made after the merger. Ex. EGS-5 at 11.

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4. This "adder," it should be pointed out, is governed by the FERC and is separate and distinct from the "adder" referenced in Commission Preliminary Order Issue No. 9. The O&M "adder" addressed in Preliminary Order Issue No. 9 is the adder that GSU receives when it makes certain off-system sales for its own benefit to non-EOCs.

V. Legal Standards Applicable to Fuel Reconciliation Proceedings

A. Relevant Commission Precedent

The Commission considered GSU's last fully litigated fuel reconciliation in *Application of Gulf States Utilities Company for a Final Reconciliation of Fuel Costs,* Docket No. 10894, 19 P.U.C. BULL. 1401 (July 6, 1993).[5] GSU's most recent reconciliation of fuel and purchased power costs covered the period from October 1, 1991, through December 31, 1993, in a stipulated docket entitled *Application of Gulf States Utilities Company to Reconcile Fuel Costs,* Docket No. 13170, 20 P.U.C. BULL. 1026 (April 18, 1995) (mem.). In the intervening period between Docket Nos. 10894 and 13170, the Commission approved the merger of GSU and Entergy Corporation in Docket No. 11292, *Application of Entergy Corporation and Gulf States Utilities Company, for Sale, Transfer, or Merger,* 19 P.U.C. BULL. 1889 (Dec. 29, 1993). Thus, the instant docket is the first fuel reconciliation proceeding to address GSU's post-merger fuel costs.

During the reconciliation period, GSU collected fuel revenues via two separate fixed fuel factors that were set in Docket No. 10894 and Docket No. 12712, the latter of which was entitled *Petition of Gulf States Utilities Company to Lower Its Fixed Fuel Factor and For Good Cause Exception to PUC Subst. R. 23.23(b)(2),* 19 P.U.C. BULL. 1761 (April 28, 1994) (mem.). GSU filed Docket No. 12712 to revise its fixed fuel factors to reflect the anticipated merger-related fuel savings from its merger with Entergy. The fixed fuel factors set in Docket No. 10894 applied during the months of January and February 1994. The fixed fuel factors set in Docket No. 12712 applied during the months of March 1994 through June 1995. Comm. Preliminary Order at 1, f.n. 2.

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5. GSU has appealed to the Texas courts the Commission's order in Docket No. 10894 on the grounds that the Commission erroneously disallowed certain costs. Although the appeal is still pending, GSU nevertheless reserved its right in this proceeding to a recovery of any under-recovered expenses found to be erroneously disallowed in final decision of the appeal.

B. Reasons for Fuel Reconciliation and Under-Recovery

GSU states in its application that from January 1994 to August 1994, natural gas prices were significantly higher than the $1.85/MMBtu forecasted price that went into the composition of GSU's fixed fuel factors which were in effect during the reconciliation period. GSU's actual system weighted average prices ranged from $1.95/MMBtu to $2.86/MMBtu during the first eight months of 1994. It was not until September 1994 that gas prices finally dropped to the forecasted price of $1.85/MMBtu. During those eight months, GSU's under-recovered fuel balance, including interest, grew to $27,564,084, a material amount as that term is defined in P.U.C. SUBST. R. 23.23(b)(2)(A)(iii)(II). Ex. EGS-1 at 12-13.

In mid-1994, GSU projected that it would continue operating in a state of material under collection. The Commission's substantive rules therefore required that GSU file a petition for approval of a surcharge to recover the under collection. Accordingly, in September of 1994, GSU made the required filing to surcharge the under-recovered fuel costs in *Application of Gulf States Utility Company to Surcharge a Cumulative Under-Collection of Fuel and Purchased Power Costs,* Docket No. 13409, 20 P.U.C. BULL. 686 (Jan. 18, 1995) (mem.). In that docket, GSU and the other parties entered into a joint stipulation resulting in dismissal of the application to surcharge cumulative under-recovered fuel costs. The Commission's Order directed GSU to reconcile, in calendar year 1995, its fuel and purchased power costs from January 1, 1994, through June 30, 1995. GSU filed its application in the instant docket in compliance with the Commission's final order in Docket No. 13409. GSU does not request a revision of its fixed fuel factors in this docket.

C. Definition of Reconcilable Fuel Expenses and Burden of Proof

1. Utility's Burden of Proof in a Fuel Reconciliation Proceeding.

As of June 30, 1995, GSU claimed a fuel cost under-recovery of $22,375,752, including interest. Ex. EGS-1, Sch. FR-21 at 6. Except for the issues discussed separately below and found adverse to GSU, the evidence indicates generally that GSU has met its burden of proof and the requirements of P.U.C. SUBST. R. 23.23(b)(3)(B)(i) concerning efficient generation, maintenance of cost controls, and procurement of fuel at the lowest reasonable cost possible, and that all fuel-related affiliate expenses are reasonable and necessary.

2. Legal Standard of Proof for Reasonable Fuel Expenses Defined.

P.U.C. SUBST. R. 23.23(b)(3)(B)(i) establishes the standard of review for GSU's fuel expenses incurred during the reconciliation period. P.U.C. SUBST. R. 23.23(b)(3)(B)(i) states, in pertinent part:

> (i) In a proceeding to reconcile fuel factor revenues and expenses, a utility has the burden of showing that:
>
> (I) its eligible fuel expenses during the reconciliation period were reasonable and necessary expenses incurred to provide reliable electric service;
>
> (II) if its eligible fuel expenses for the reconciliation period included an item or class of items supplied by an affiliate of the utility, the prices charged by the supplying affiliate to the utility were reasonable and necessary and no higher than the prices charged by the supplying affiliate to its other affiliates or divisions or to unaffiliated persons or corporations for the same item or class of items;
>
> (III) it has properly accounted for the amount of fuel-related revenues collected pursuant to the fuel factor during the reconciliation period.

(ii) The scope of a fuel reconciliation proceeding includes any issue related to determining the reasonableness of the utility's fuel expenses during the reconciliation period and whether the utility has over- or under-recovered its reasonable fuel expenses. The scope does not include those issues precluded by subsection (a)(7) of this section. P.U.C. SUBST. R. 23.23(b)(3)(B)(i); and Ex. GC-12 at 3-4.[6]

In deciding whether the utility has met the foregoing standard, the Commission has previously considered whether a utility acted prudently in incurring such costs and has defined prudence as:

> The exercise of that judgment and the choosing of one of that select range of options which a reasonable utility manager would exercise or choose in the same or similar circumstances given the information or alternatives available at the point in time such judgment is exercised or option is chosen.
>
> There may be more than one prudent option within the range available to a utility in any given context. Any choice within the select range of reasonable options is prudent, and the Commission should not substitute its judgment for that of the utility . . .. The reasonableness of an action or decision must be judged in light of the circumstances, information, and available options existing at the time, without benefit of hindsight.[7]

6. The ALJ finds as a matter of law that the Commission should apply the "new fuel rule," or post-1993 version of P.U.C. SUBST. R. 23.23(b) because GSU's fixed fuel factors in effect during the first two months of the reconciliation period (January and February 1994) were set in Docket No. 10894 (decided on August 19, 1993) after the May 1, 1993 effective date of the new fuel rule. The other fixed fuel factors in effect during the reconciliation period were set in Docket No. 12712, decided on April 28, 1994, but became effective beginning in March 1994. The Docket No. 12712 fixed fuel factors were in effect for the remainder of the reconciliation period from March 1994 through June 1995. The current version of the fuel rule has not significantly been changed from the May 1, 1993 version.

7. *Inquiry of the Public Utility Commission of Texas into the Prudence and Efficiency of the Planning and Management of the Construction of the South Texas Nuclear Project*, Docket No. 6668, 16 P.U.C. BULL. 183, 483 (June 20, 1990); and *Petition of Southwestern Public Service Company for a Fuel Reconciliation*, Docket No. 14174, __ P.U.C. BULL. __ (Jan. 5, 1996) (not published yet).

3. Affiliate Transactions Standard.

The affiliate transaction standard set forth in PURA 95 §2.208(b) is the standard applicable in this proceeding. That section provides, in pertinent part:

> **(b) Transactions with Affiliated Interests.** Payment to affiliated interests for costs of any services or any property, right, or thing or for interest expense may not be allowed either as capital cost or as expense except to the extent that the regulatory authority shall find such payment to be reasonable and necessary for each item or class of items as determined by the commission. Any such finding shall include specific findings of the reasonableness and necessity of each item or class of items allowed and a finding that the price to the utility is no higher than prices charged by the supplying affiliate to its other affiliates or divisions for the same item or class of items or to unaffiliated persons or corporations . . ..

VI. Summary of Preliminary Order Issues, Answers, and Recommended Findings

The Commission's Preliminary Order in this docket included the following list of issues to be addressed:

1. Were the prices charged to GSU by its fuel- and power-supplying affiliates during the reconciliation period in accordance with PURA §2.208(b)?

<u>Answer</u>: Yes. During the reconciliation period, GSU's affiliate transactions for purchased power from the Entergy Operating Companies and for fuel oil from System Fuels, Inc., and the payments to Nelson Industrial Steam Company at or no higher than its avoided cost were reasonable and in accordance with PURA 95 §2.208(b). GSU's purchased power from its affiliate EOCs during the reconciliation period for a total of $36,936,199.02. GSU purchased fuel oil from System Fuels, an Entergy affiliate, for $1,189,982.80. The ALJ recommends that the Commission find that these GSU affiliate transactions were all reasonable and in accordance with PURA 95 §2.208(b). This issue is discussed at Section XI. of the PFD.

2. What level of fuel savings have accrued to Texas ratepayers during the reconciliation period as a result of GSU's merger with Entergy Corporation; and, has GSU's Texas retail jurisdiction received a proportionate share of Entergy's systemwide merger-related fuel savings?

<u>Answer</u>: During the reconciliation period, fuel savings accruing generally to Texas ratepayers totaled approximately $9.6 million. However, because GSU allocates fuel costs differently as between its fixed and non-fixed-fuel-factor customers, GSU's Texas retail fixed-fuel-factor customers do not receive their fair or proportionate share of merger-related fuel savings. Therefore, the ALJ recommends adoption of the Commission Staff's fuel cost allocation methodology because it allocates fuel costs among the two types of customers on the basis of the fuel costs actually incurred by the Company to serve them. These issues are discussed at Section VII of the PFD.

3. Are GSU's non-fixed-fuel-factor sales subsidized to any degree by Texas retail customers paying the fixed fuel factor?

<u>Answer</u>: Yes. As discussed at Section VIII of the PFD, while it is generally true that whether GSU's Texas retail fixed-fuel-factor customers subsidize GSU's non-fixed-fuel-factor customers depends to some extent on whether system average fuel costs are greater than system incremental fuel costs, a subsidy occurs in either direction in any given month depending on such factors as natural gas prices and what methodology is used to allocate system fuel costs to each type of customer class. Therefore, the ALJ recommends that the Commission adopt the Commission Staff's proposed fuel cost allocation methodology to reduce or eliminate the cross-subsidies.

4. To what extent did GSU seek to market any excess capacity at its Spindletop natural gas storage facility to third parties during the reconciliation period in an effort to reduce fuel costs for GSU's ratepayers; and, were GSU's efforts in this respect reasonable?

<u>Answer</u>: To the extent there was any excess capacity available in the Spindletop storage facility during the reconciliation period, GSU reasonably and prudently sought to market excess capacity to third parties during the reconciliation period. GSU evaluates excess capacity to the extent the value of the services and storage capacity to third parties exceeds the value of such services to GSU's ratepayers. Considering the requirements of its long-term contract with Spindletop Gas Transmission Company and GSU's need for such capacity, there was little if any excess capacity available during the reconciliation period. The value of such SGT services and facilities to third parties was diminished during the reconciliation period due to GSU's relatively large demand for capacity to meet its own needs and the geographic proximity of SGT's facilities to gas marketing centers where third parties could take delivery of such gas. The ALJ recommends that the Commission find GSU's marketing efforts were thus reasonable to the extent any excess capacity existed. This issue is discussed at Section IX of the PFD.

5. What is the effect on Gulf States and its ratepayers, if any, of GSU's change in coal inventory accounting methodology from last in, first out (LIFO) to average cost in the absence of a corresponding rate base adjustment to fuel inventory in a general rate case?

Answer: There was no significant harmful effect on GSU and its ratepayers because the change reflected the lower, more advantageous market prices for coal and therefore resulted in lower fuel costs. The magnitude of the change or difference in dollars per ton was insignificant for the reconciliation period. This issue is discussed at Section IX, B of the PFD.

6. Was the duration of GSU's River Bend refueling outage number five (RF-5) reasonable and was the outage prudently planned and managed?

Answer: The duration of GSU's River Bend Nuclear Plant Unit One outage number (RF-5) was reasonable to the extent of 69.06 days, as recommended by Commission Staff Witness Glenn Dishong. In general, the outage was prudently planned and managed, with the exception of 12.94 days which the Staff recommended be disallowed to account for the unreasonable portion of the outage due to the airlock containment repairs. The Staff's recommended disallowance, which the ALJ recommends the Commission adopt, results in a total disallowance of $1,830,569. The outage issues are discussed beginning at Section X, C of the PFD.

7. Was the extended forced outage 94-03 at River Bend due, in whole or in part, to imprudent management by GSU/Entergy?

Answer: No. Extended forced outage 94-03 at River Bend was not due in whole or in part to imprudent management by GSU/Entergy because the unknown process noise spike that caused the Rosemount Model 1153 process water level transmitters to trigger the reactor scram would have caused the transmitters to trip even with maximum damping installed. The forced outage 94-03 would have occurred whether or not the vessel level transmitters had been properly installed with damping.

8. Assuming that extended forced outage 94-03 at River Bend was not due to imprudent management and that fuel costs for GSU increased as a result of the outage, should GSU be required to absorb some or all of the increased fuel costs, or should this risk be borne entirely by GSU's ratepayers?

Answer: Because extended forced outage 94-03 at River Bend was not due in whole or in part to imprudent management on GSU's part, the ALJ recommends that the Commission find that GSU should not be required to absorb of any increased fuel costs, regardless of whether such costs increased.

9. Is there good cause to justify an exception to the allocation of 100 percent of the revenues from off-system sales to ratepayers during the reconciliation period subsequent to the final order in Docket No. 12712?

Answer: The ALJ finds that GSU did not establish good cause to justify an exception to the allocation of 100 percent of the revenues from off-system sales to ratepayers during the reconciliation period subsequent to the final order in Docket No. 12712. This issue is discussed at Section XII of the PFD.

VII. Merger-Related Fuel Savings

A. Definition and Quantification of Merger-Related Fuel "Savings"

The level of merger-related fuel savings was the most hotly contested issue of the hearing. The controversy was due to an unclear definition of merger-related fuel savings, as well as the fact that no mechanism has ever been implemented to quantify the actual level of merger-related fuel savings experienced by GSU after the merger. For the reasons discussed below, the ALJ agrees with General Counsel and, in part GSU. He rejects the arguments of the Cities, North Star Steel, and OPC that GSU somehow misrepresented, promised, or guaranteed merger-related fuel savings. The ALJ recommends that the Commission find that for 1994, GSU realized approximately $12 million in merger-related fuel savings and for 1995, it realized approximately $9.6 million in merger-related fuel savings, or a total of approximately $21.6 million on a total company basis. The ALJ finds that on a Texas jurisdictional basis, GSU's Texas retail ratepayers' share of merger-related fuel savings was approximately $9.6 million for the reconciliation period.

1. What level of fuel savings have accrued to Texas ratepayers during the reconciliation period as a result of GSU's merger with Entergy Corporation? (Preliminary Order Issue No. 2)

a. GSU's Definition of Merger-Related Fuel Savings.

At the hearing, GSU explained its definition of merger-related fuel "savings" by offering the testimony of Mr. Frank Gallaher, former Vice President and Chief Executive Officer of GSU, and Mr. Kenneth W. Turner, Entergy's Director of Resource Planning. Mr. Gallaher explained that GSU's projected merger-related fuel savings were based on the understanding that fuel costs were projected to be lower as a result of the merger than they would have been had the merger not occurred. Tr. Vol. I at 232-233. Stated another way, merger-related fuel savings were never represented in the merger proceeding as synonymous with lower actual fuel costs for GSU customers. Tr. Vol. I at 235.

Additionally, GSU's definition of merger-related fuel savings does not necessarily mean that there is any correlation between fuel savings and the level or amount of its fuel-cost under-recovery. Mr. Gallaher explained that fuel savings can occur even when total fuel costs for GSU customers increase. For example, if actual fuel costs incurred by the Company exceed the Company's fixed-fuel-factor revenues, there will be an under-recovery of fuel costs, even though merger-related fuel savings are occurring. Tr. Vol. I at 232-233. Therefore, according to GSU, the existence of merger-related fuel savings is not synonymous with a lower under-recovery of fuel costs. One of the reasons that GSU did not achieve as great a level of merger-related fuel savings as expected during the merger case, according to Mr. Gallaher, was due to lower natural gas prices than were anticipated.

b. Quantification of Fuel Savings and Intervenors' Recommended Offset.

According to GSU witness Mr. Kenneth Turner, GSU's merger-related fuel savings amounted to $21.6 million, or approximately $12 million for 1994, and approximately $9.6 million for 1995, of which $9.6 million, or 49.3 percent, is GSU's share. Ex. EGS-6 at KMT-1; and Ex. EGS-7 at KMT-3 (revised). This compares to GSU and Entergy's predicted system fuel savings of $40.5 million, or approximately $35 million for GSU as a result of its merger with Entergy Corporation. Ex. EGS-7 at 1-2. Commission Staff witness Mr. T. Brian Almon testified that his projected fuel savings for GSU in Docket No. 11292 was no savings in 1994 and a savings of $7.26 million in 1995. Ex. GC-12 at 13. In Mr. Almon's opinion, even though actual [merger-related] fuel savings were different from the projections GSU and Entergy made in Docket No. 11292, they appeared to be reasonable. Ex. GS-12 at 13.

Although Cities argued that there have been no fuel savings as a result of the merger, they nevertheless acknowledged that GSU's customers' fuel bills since the merger have been approximately $9.6 million lower than their pre-merger fuel bills. Cities In. Brief at 3. Cities argue that GSU should not be permitted to "get back" all of the $9.6 million in fuel savings already flowed through, plus a surcharge of an additional $13.1 million through its request to recover a $22.4 million fuel cost under-recovery. Cities argue that GSU's estimate of merger-related fuel savings does not square with its $22.4 million under-recovery of fuel costs for the reconciliation period and that there should be some offset of the under-recovery to reflect the difference in the merger-related fuel savings that Entergy and GSU predicted and what actually materialized.

North Star Steel (NSS) argues that GSU's $22.4 million under-recovery should be offset by the predicted merger-related fuel savings which they argue did not materialize, because GSU has failed to prove that any merger-related fuel savings occurred. NSS In. Brief at 13. NSS offered no evidence to prove its assertions.

OPC argued that GSU's under-recovery, if allowed, would effectively strip GSU's Texas retail ratepayers of 100 percent of the $9.6 million in merger-related fuel savings they received from the fixed fuel factors adopted in Docket No. 12712 after the merger, and leave the ratepayers "holding the bag" for approximately $13 million in additional fuel costs. OPC In. Brief at 2-3.

c. <u>ALJ's Recommendation Regarding Merger-Related Fuel Savings</u>.

The ALJ agrees with General Counsel and GSU that, for 1994, GSU realized approximately $12 million in merger-related fuel savings, and that in 1995 GSU experienced approximately $9.6 million in merger-related fuel savings, or a total of approximately $21.6 million in merger-related fuel savings on a total company basis. Ex. GC-12 at 13. The ALJ finds that on a Texas jurisdictional basis, GSU's Texas retail ratepayers' share of the merger-related fuel savings was approximately $9.6 million. Ex. EGS-7 at 1 (rev.) and KMT-3 (rev.) (Attachment C). Although the ALJ tends to agree with Commission Staff witness Almon that GSU's merger-related fuel savings for the reconciliation period are reasonable, the ALJ believes that the central issue is whether GSU's fuel costs for the reconciliation period were reasonable and not whether actual merger-related fuel savings were as high as projected by GSU in the merger or why. In fact, the Commission did not find a specific level of merger-related fuel savings in Docket No. 11292.

The ALJ rejects Cities, NSS, and OPC's arguments because they offered insufficient controverting evidence to show that GSU witness Turner's estimated merger-related fuel savings were either incorrect or that it would be appropriate to offset GSU's under-recovery of fuel costs for the reconciliation period by the difference between projected and actual merger-related fuel savings. Although Cities' witness Andersen was involved in the Docket No. 11292 merger proceedings and actually testified, he reviewed his files on the matter but offered no opinion on the level of merger-related fuel savings in this case. Tr. Vol. XIV at 3346-3349. The ALJ rejects the Cities' argument that because GSU under recovered its fuel costs during the reconciliation period, there could not have been any merger-related fuel savings during the reconciliation period. The difficulty with the intervenors' arguments is the fact that fuel savings were never *guaranteed*, but that GSU attempted to *predict* them. No implemented mechanism exists to calculate a concrete amount of merger-related fuel savings attributable to GSU as distinguished from the other EOCs because Schedule MSS-7 ("the so-called fuel tracker") has not yet been implemented.

The ALJ finds that the level of GSU's merger-related fuel savings during the reconciliation period were not a function of GSU's fixed fuel factors in effect during that time because merger-related fuel savings simply cannot be correlated with the level of GSU's fuel-cost under-recovery. Tr. Vol. I at 232-233. Nor were the merger-related fuel savings experienced by GSU during the reconciliation period necessarily synonymous with actual fuel savings on customers' bills. Tr. Vol. II at 401-405. Because of this relationship, the ALJ finds that it would be inappropriate to offset GSU's fuel cost under-recovery by the difference in projected and actual merger-related fuel savings and recommends that the Commission not order such an offset in this case.

The ALJ recommends that the Commission find that GSU's fuel cost under-recovery during the reconciliation period was unrelated to its prediction of merger-related fuel savings. The fuel factors set in Docket No. 10894 in 1993 were not based on the merger assumptions. Tr. Vol. IV at 990. That fuel factor was set too low based on a forecasted gas price of $1.76/MMBtu. Tr. Vol. IV at 990. In March of 1994, in Docket No. 12712, GSU's fuel factors were revised to approximate a gas price of $1.85/MMBtu. However, gas prices did not decline to that forecasted level until September 1994, further contributing to an increase in GSU's cumulative fuel-cost under-recovery. Gas prices began to drop at the end of 1994 and through the first six months of 1995, but the cumulative effect of the low fuel factors in effect during the reconciliation period resulted in a cumulative fuel cost under-recovery of $22.4 million. Tr. Vol. IV at 991.

The ALJ finds that much of the difference between actual and predicted merger-related fuel savings was caused to some extent by gas price volatility during the reconciliation period. Tr. Vol. IV at 911-912. The ALJ finds that volatile commodity gas prices were also the true cause of the magnitude of GSU's fuel cost under-recovery during the reconciliation period. GSU witness Turner testified that GSU's recoverable fuel expense during the reconciliation period was $59.1 million higher (or $22 million higher on a Texas jurisdictional basis) in 1994 than was approved for recovery by virtue of the fuel factors adopted in Docket No. 12712. Ex. EGS-6 & 7 at KMT-2. According to Mr. Turner, approximately 93 percent of GSU's recoverable fuel expense was directly attributable to gas prices, with the remaining 7 percent due to volume. GSU experienced a fuel-cost under-recovery because the fuel factors in effect during the reconciliation period were set based on the assumption that commodity gas prices would be much lower than those actually experienced in 1994. Ex. EGS-6 at 13.

2. **Has GSU's Texas retail jurisdiction received a proportionate share of Entergy's systemwide merger-related fuel savings?** (Preliminary Order Issue No. 2, Part 2)

The ALJ agrees with General Counsel that the answer to the second portion of the issue depends, in part, on how GSU to allocates its fuel costs to its Texas retail fixed-fuel-factor customers. Ex. GC-9 at 18-19. GSU's Texas retail fixed-fuel-factor customers receive merger-related fuel savings through GSU's fixed fuel factor and its impact on their bills. Tr. Vol. IV at 1002-1003; and Ex. GC-9 at 18 ("Fixed-fuel-factor customers would receive merger-related savings through their fuel costs."). Additionally, Entergy determines a monthly responsibility ratio for each of the EOCs to allocate costs and revenues to the appropriate subsidiary company. The methodology used to determine the responsibility ratios is found in the FERC-approved ESA. Ex. GC-9 at 19.

Because GSU's retail fixed-fuel-factor customers are assessed through a fuel factor for GSU's fuel costs, any merger-related savings are embedded in GSU's reconcilable fuel and purchased power costs. Tr. Vol. IV at 1003. It follows that whether GSU's Texas retail jurisdiction received a proportionate share of GSU's and Entergy's systemwide merger-related fuel savings depends on how GSU allocates fuel costs to its Texas retail customers paying rates based on the fixed fuel factor. Ex. GC-9 at 18-19. Commission Staff witness Mr. Jeff Goodman testified on behalf of the Commission General Counsel that, to the extent that GSU's fuel costs are lower than they would have been had the merger not occurred, this cost reduction would be passed through to GSU's customers on a proportionate basis if GSU has allocated its fuel costs on a proportionate basis. Ex. GC-9 at 19-20.

Mr. Goodman recommended that any merger-related fuel savings should therefore be allocated in proportion to the fuel costs incurred by GSU to serve each customer. Based on Mr. Goodman's analysis, GSU's fuel costs are now allocated to GSU's Texas retail jurisdiction fixed-fuel-factor customers based on the ratio of Texas fixed-fuel-factor kWh sales to GSU's adjusted system kWh sales (the so-called "Texas Retail Allocator," from which GSU deducts all special rate, non-fixed-fuel-factor customers' usage in making its allocation). Mr. Goodman would allocate fuel costs differently by not deducting special rate customers' usage from the Texas retail Allocator or from GSU's system-adjusted fuel expenses.

Staff witness Goodman concluded that GSU's current methodology of excluding non-fixed-fuel-factor customers' usage from the retail allocator does not proportionately allocate merger-related fuel savings to GSU's Texas retail jurisdiction. He found that Entergy's systemwide merger-related fuel savings are not explicitly allocated to Entergy's customers because these savings are embedded in fuel costs, some of which may have decreased as a result of the merger. Ex. GC-9 at 18-20. Therefore, he recommended the new methodology retain non-fixed-fuel-factor customers' usage in determining the Texas Retail Allocator and GSU's adjusted system fuel expenses, and thereby proportionately allocate fuel costs to the Texas retail jurisdiction, which the ALJ adopts. The ALJ agrees with Mr. Goodman's recommended new methodology and finds that the Texas retail jurisdiction should be allocated a proportionate share of fuel costs and thus, should receive a proportionate share of Entergy's merger-related fuel savings. Ex. GC-9 at 20-21; and Schedule

JBG-1 at 1-5. The net effect of this new methodology is that a slightly lower, more proportionate share of systemwide fuel costs are allocated to Texas retail fixed-fuel-factor customers than under GSU's methodology. Compare Ex. GC-9 at JBG-1 at 1, with JBG-1 at 2. (Attachment P to this PFD)

The ALJ finds that under the Commission Staff's methodology, GSU's Texas retail fixed-fuel-factor customers should receive their proportionate share of merger-related fuel savings and that the Commission should adopt the fuel-cost allocation methodology proposed by the Staff and General Counsel for this reason. Cities' witness Dr. Steven Andersen did not address merger-related fuel savings or the allocation methodology in that context. Tr. Vol. XIV at 3349. In fact, Cities later adopted the Commission Staff's methodology in its reply brief. *See* Cities' Reply Brief at 14. Additionally, the ALJ finds that the Commission Staff's cost allocation methodology is particularly appropriate for reasons related to the subsidy issue, as discussed below, in Section VIII, of this PFD.

VIII. Subsidy of GSU's Non Fixed-Fuel Factor Customers by Fixed-Fuel Factor Customers

A. GSU's Fuel Cost Allocation Methodology: System Average Fuel Cost Versus System Incremental Fuel Cost

GSU allocates fuel costs differently among its Texas retail fixed-fuel-factor customers and its non-fixed-fuel-factor customers, depending on whether the energy charge on the tariff schedule for non-fixed-fuel-factor-rate customers is based on "system average fuel cost,"[8] or whether it is based on "incremental fuel cost."[9] If the energy charge on the tariff schedule for a non-fixed-fuel-factor or "special rate" customer is based on system average fuel cost, then sales and expenses are not

8. System average fuel cost is defined as the systemwide average of the cost incurred to produce a kWh of electricity over a given period of time, usually on a monthly basis. Tr. Vol. X at 2340.

9. Incremental fuel cost is defined as the cost incurred to produce the next increment or kWh of electricity. Tr. Vol. X at 2332.

subtracted from the allocation methodology utilized to account for these customers' fuel costs incurred on GSU's system. Conversely, if the energy charge in the tariff is based on incremental fuel cost, the associated sales and expenses to these customers is subtracted, e.g., removed from the allocator utilized by GSU to impute fuel costs to the two classes of customers. Ex. GC-9 at 10. The problem is due in part to the fact that the special rate, non-fixed-fuel-factor customers do not pay their fair share of fuel costs if the fuel costs they incur are based on incremental fuel costs and are therefore removed from the equation used to allocate fuel costs to GSU's customers.

1. Overview of GSU's Special Rate, Non Fixed-Fuel-Factor Customer Classes.

GSU currently has six special-rate schedules which do not use a fixed fuel factor to recover fuel expenses. Because these six rate schedules are non-cost-based discount rates, there is no requirement that they recover costs through a fuel factor. Ex. GC-9 at 22-23. Some of these rate schedules are for incentive rates and some are for experimental rates. The six special-rate schedules are as follows:

(1) WHS--Rider for Water Heating Service;
(2) MSS--Rider for Short-Term or Maintenance Service;
(3) SSTS--Supplemental Short-Term Service;
(4) EAPS--Economic As-Available Service;
(5) SUS--Rider for Industrial Service to Qualifying Thermal Energy Users; and
(6) SMQ--Standby and/or Maintenance Service for Qualifying Facilities.

Ex. GC-9 at 22.

The fuel charge on a special-rate customer's tariff does not necessarily equate to the fuel expense incurred by GSU to serve that customer. For example, some of GSU's non-fixed-fuel-factor rates are incentive rates and some are experimental, and incentive and experimental rates may not be based on cost causality. GSU's rate schedule SUS is based on the avoided cost of self-generation; if the customer decided to leave the system and self-generate, the captive remaining customers would bear a greater share of fixed costs. *See* Ex. GC-9 at 11; and Ex. Cities-84 at 6 (Cities' witness Andersen termed it "weighted average cost of gas"). Schedule SSTS is priced on the basis of monthly average cost, while rate schedules EAPS, MSS, and SMQ are all priced on the basis of incremental cost. *See* Ex. Cities-84 at 6. GSU did not collect any revenues under rate schedule WHS during the reconciliation period; therefore, treatment of schedule WHS sales and revenues is not addressed in this proceeding. Tr. Vol. IX at 2190; 2285-2291.

2. The "Texas Retail Allocator": GSU's Methodology does not Proportionately Allocate Fuel Costs to Fixed- and Non-Fixed-Fuel-Factor Customers on a Consistent Basis.

Commission Staff witness Jeff Goodman testified that GSU allocates fuel costs to its Texas retail jurisdiction fixed-fuel-factor customers based on the ratio of Texas fixed-fuel-factor kWh sales to GSU's adjusted system kWh sales, according to the so-called "Texas Retail Allocator." Ex. EGS-1 at Schedule FR-21 at 1-3; Schedule WP/FR-21 at 1-6; and Ex. GC-9 at 8-9. He testified that the formula for the "Texas Retail Allocator" (TRA) is as follows:

$$\textbf{Texas Retail Allocator} = \frac{\textbf{Texas Fixed-Fuel-Factor kWh sales at the plant}}{\textbf{GSU Adjusted System kWh sales at the plant}}$$

According to Mr. Goodman, GSU determines the numerator of the TRA by taking (1) Texas retail kWh sales at the meter, (2) subtracting Texas non-fixed-fuel-factor kWh sales, and (3) adjusting the result for line losses to determine Texas retail sales to fixed-fuel-factor customers at the plant. GSU then divides this result by the denominator, which according to GSU's methodology is determined by taking (1) GSU's total system sales in kWh at the meter, (2) subtracting off-system sales and certain of the system non-fixed-fuel-factor sales ("Adjusted System Sales") (i.e., those non-fixed-fuel factor customers' sales with rates based on incremental or avoided cost, as distinguished from system average cost, are deducted), and (3) adjusting the result for line losses to obtain adjusted system sales in kWh at the plant. Ex. GC-9 at 9.

In order to actually allocate fuel costs to Texas retail fixed-fuel-factor customers, GSU then multiplies the TRA by GSU's adjusted system expenses to determine "Texas Allocated Expenses." The formula, according to GSU's methodology for allocating fuel expenses, is as follows:

Texas Allocated Expenses=Texas Retail Allocator(TRA) x Adjusted GSU System Expenses

GSU's Adjusted System Expenses are determined by subtracting the expenses associated with the non-fixed-fuel-factor customer sales from GSU's system expenses. Ex. EGS-1, WP/FR-21 at 1-3; and 4-6; and Ex. GC-9 at 10. As Mr. Goodman states, "In essence, there are two methods for excluding non-fixed-fuel-factor rate expenses, depending upon whether the tariff fuel charge is based on incremental or average cost of fuel." Mr. Goodman concluded, in part, that GSU's methodology therefore may allow non-fixed-fuel-factor fuel costs to remain in the expenses which are allocated to fixed-fuel-factor customers. Ex. GC-9 at 10-11. The ALJ finds that under GSU's methodology, there is no assurance that the fuel costs allocated to Texas retail customers paying the fixed fuel factor will be based only on the costs incurred to serve them. Accordingly, the ALJ finds in accordance with Commission Staff witness Goodman's analysis, that GSU's fuel cost allocation methodology does not proportionately allocate fuel costs to Texas retail fixed-fuel-factor customers and non-fixed-fuel-customers on a consistent basis.

a. Whether GSU's non-fixed fuel factor sales are subsidized to any degree by Texas retail customers paying the fixed fuel factor? (Preliminary Order Issue 3)

The ALJ finds that because GSU's fuel cost allocation methodology does not proportionately allocate fuel costs to Texas retail fixed-fuel-factor customers and non-fixed-fuel-factor customers on a consistent basis, fuel costs incurred by one customer class, e.g., non-fixed-fuel-factor customers, are subsidized by the other customer class in any given month of the reconciliation period, depending on whether GSU's system average fuel costs are greater or less than system incremental fuel costs. Ex. GC-9 at 11-21; Ex. Cities-84 at 2-5; and Tr. Vol. XIV at 3440-3451. During some months of the reconciliation period, Texas retail fixed-fuel-factor customers were allocated fuel costs which GSU did not incur to serve them, but which were incurred to serve non-fixed-fuel-factor customers. Therefore, during some months of the reconciliation period, GSU's non-fixed-fuel-factor sales were subsidized by Texas retail customers paying the fixed fuel factor. Ex. GC-9 at 21.

The ALJ finds that by definition, if GSU's fixed-fuel-factor customers are paying only the fuel costs for which they are responsible, they will not be paying an extra charge and therefore will not be subsidizing the non-fixed-fuel-factor customers' fuel costs. In general, a subsidy occurs if non-fixed-fuel-factor customers pay too little for the fuel costs which GSU incurs to serve them ***and*** fixed-fuel-factor customers are actually making a payment through the fixed fuel factor that is being used to make up the difference. Ex. GC-9 at 21-22. The ALJ finds that according to the Commission Staff's analysis of GSU's fuel cost allocation methodology, the monthly cross-subsidies to and from Texas retail fixed-fuel-factor customers during the reconciliation period almost cancel each other out, with the difference amounting to approximately $50,000. However, the absolute magnitude of the monthly cost-shifting or cross-subsidies during the reconciliation period amounts to approximately $900,000. As Staff witness Jeff Goodman concluded, as long as GSU's methodology is utilized, the potential for cross-subsidization of fuel costs between the fixed- and non-fixed-fuel-factor customers will continue to exist. Ex. GC-9 at 13-14.

b. Relevant Docket No. 10894 Findings.

The issue of including or excluding certain non-fixed-fuel-factor expenses from system fuel costs was also addressed in Docket No. 10894, GSU's last fully litigated fuel reconciliation. In that proceeding, the conclusion reached was correct insofar as the analysis identified the problem, with the ALJ concluding that:

> Whether the incentive rate fuel expense should be included in or excluded from the reconcilable fuel balance is not a matter appropriately resolved simply upon whether the reconcilable fuel balance goes up or down. Otherwise, the Commission's decision would flip-flop from case to case, depending on whether incremental cost was less than or greater than system average cost. Therefore, the ALJ finds it is reasonable to exclude incentive rate fuel expenses as recommended by GSU and General Counsel.

The problem, however, was that the methodology proposed by GSU in that docket did not specify how the methodology to exclude such incentive rate fuel expenses should be calculated. Tr. Vol. XIV at 3447-3449. Accordingly, the ALJ adopted the only methodology supported by the record at the time. Ex. GC-9 at 16; and Ex. Cities-84 at 16. The ALJ agrees with Commission Staff that in Docket No. 10894, the issues of cross-subsidies and fuel cost allocation were not fully analyzed. Ex. GC-9 at 16.

c. Cities' Recommended Fuel Cost Allocation Methodology.

Cities' witness Dr. Steven Andersen essentially agreed with Commission Staff witness Goodman that GSU's methodology and the methodology adopted in Docket No. 10894 creates a cross-subsidy of fuel costs as between fixed- and non-fixed-fuel-factor customers. Ex. Cities-84 at 16. Cities endorsed the fuel cost allocation methodology proposed by the Commission Staff and General Counsel. Cities Reply Brief at 14. Dr. Andersen believed that the fuel cost allocation methodology should ideally be addressed by the Commission in a consolidated base rate and fuel reconciliation proceeding but that the immediate subsidy problem could be solved by adopting a methodology as the Commission Staff recommended. Tr. Vol. XIV at 3450-3451.

d. The Staff's Fuel Cost Allocation Methodology.

The fuel cost allocation methodology proposed by the Commission Staff and General Counsel would require that GSU include fuel costs imposed on the system by non-fixed-fuel-factor customers in both the Texas retail allocator and in system adjusted fuel expenses, regardless of whether those customers' fuel costs are priced on an incremental basis. Ex. GC-9 at JBG-1. The Commission Staff's methodology would thereby ensure that fuel costs are allocated to both fixed- and non-fixed-fuel-factor customers based on the fuel costs they impose on GSU's system and ensure that they bear their fair share of the fuel costs. Ex. GC-9 at 16-17. The Staff's method would also eliminate the chance of cross-subsidization because it is based on cost incurrence, not on the basis of pricing or differing definitions of fuel cost. Ex. GC-9 at 17.

The Commission Staff's methodology is calculated according to the following summary:

$$\textbf{Texas Retail Allocator(TRA)=} \quad \frac{\textbf{Texas fixed-fuel-factor kWh sales @ plant}}{\textbf{GSU adjusted system kWh sales @ plant}}$$

The numerator, or "Texas fixed-fuel-factor kWh sales @ plant," is calculated by the following method: (1) taking total Texas retail sales <u>at the meter</u>, (2) subtracting Texas non-fixed-fuel-factor kWh sales, and (3) adjusting the result for line losses to determine Texas retail kWh sales to fixed-fuel-factor customers <u>at the plant</u>. The denominator, or "GSU adjusted system kWh sales @ plant," is calculated according to the Commission Staff methodology by the following: (1) taking the GSU system kWh sales <u>at the meter</u>, (2) subtracting off-system sales, and (3) adjusting the result for line losses to obtain adjusted system sales in kWh <u>at the plant</u>.

According to Commission Staff witness Mr. Jeff Goodman, the resulting "Texas Retail Allocator" is then multiplied by the total "Recoverable GSU system fuel expenses," which is determined without deducting the fuel expenses attributable to the non-fixed-fuel-factor customers, unlike GSU's methodology. Ex. GC-9, JBG-1 at 1-2. The difference is that the Staff's method does not remove the non-fixed-fuel-factor customers' usage or fuel expenses from the fuel cost allocator.

e. **ALJ's Recommended Fuel Cost Allocation Methodology**.

The ALJ agrees with Commission Staff witness Mr. Jeff Goodman and finds that GSU's methodology does not accurately represent the ratio of Texas fixed-fuel-factor sales to GSU total system sales, and it therefore does not proportionately allocate to Texas retail fixed-fuel-factor customers the fuel costs actually incurred by GSU to serve them. Moreover, the ALJ finds that as the electric industry becomes more competitive, the anticipated increased use of non-fixed-fuel-factor incentive rates will likely worsen the cost-shifting between customer classes associated with GSU's fuel cost allocation methodology. The ALJ finds that if the Commission wishes to ensure that Texas retail fixed-fuel-factor customers do not pay in excess of the fuel costs GSU incurs to serve them, the Commission will need to decide whether or not to use GSU's methodology in each fuel reconciliation depending on the net effect of cost-shifting between customer classes due to GSU's methodology. This is not an acceptable regulatory result, in the ALJ's view, and would not lead to a consistent or fair treatment of either the utility or the customer from case to case.

GSU opposes the allocation methodology changes recommended by Commission Staff witness Goodman. GSU In. Brief at 81-84. GSU argues that the methodology proposed by Staff, which Cities now endorse in lieu of the adjustment proposed by Dr. Andersen, is inappropriate for several reasons as follows:

- GSU asserts that it is appropriate as well as consistent with the Commission's last directive in Docket No. 10894 for the non-fixed-fuel-factor customers' fuel expense to be removed from the jurisdictional allocator ratio as GSU's methodology provides.

- GSU's argument is that it is incorrect to assume, as Mr. Goodman does, that there is no difference between sales made at system average fuel cost and sales made at incremental fuel cost.

- GSU argues that its treatment accomplishes the result advocated by Mr. Goodman: ensuring that fixed-fuel-factor customers are unaffected by sales at incremental fuel costs by removing them from the allocation altogether. Ex. EGS-69 (Moses Reb.) at 10.

- GSU argues that adopting Mr. Goodman's recommendation would create a regulatory trap by penalizing Entergy Gulf States in this reconciliation for compliance with the Commission's allocation decisions in Docket No. 10894. If any allocation methodology changes are found to be appropriate on the basis of the record in this case, they should only be applied prospectively, and then only in the context of a consolidated base rate case and fuel reconciliation proceeding.

The ALJ finds that GSU did not offer sufficient evidence to carry its burden of proof on the methodology it proposed and therefore the Commission should not adopt GSU's methodology to allocate fuel costs to GSU's Texas retail customers. GSU attempted to define its fuel allocation methodology in such a way that the special rate customers' fuel costs were completely removed from consideration in the fuel cost allocator by simply deducting such costs from adjusted system fuel expenses and from the denominator of the Texas retail allocator on the basis that those customers' fuel costs are "incrementally priced." Ex. EGS-41, Reb. at 5. GSU's special-rate fuel costs are therefore treated "independently," GSU argues, of its fixed-fuel-factor customers' fuel costs.

The problem with GSU's argument, however, is that it begs the question in the ALJ's view by ignoring the fact that there is an average fuel cost per kWh which represents the fuel cost any customer imposes on the GSU system, whether or not that customer is billed for fuel on the basis of incremental fuel cost or average fuel cost. *See* Ex. GC-9 at 12; Tr. Vol. X at 2387; 2428-2430. Stated another way, GSU experiences actual fuel costs per kWh that are the same whether the kWh is used by a fixed- or a non-fixed-fuel factor customer. Ex. GC-9 at 12. As GSU's own witness Mr. Tim Gautreau testified: "...that indicates that average fuel costs remain[s] (sic) the same whether an incremental load is served--[th]at (sic)....incremental cost or not." Tr. Vol. X at 2387-2388. The ALJ finds that to remove fuel costs incurred by GSU to serve one customer class from the fuel cost allocator on the basis of the method used to price such customers' use would result in one customer class paying more than its fair share of GSU's system fuel costs. Ex. GC-9 at 11-12.

The ALJ finds that the Commission Staff's methodology as proposed by General Counsel is the best method to allocate fuel costs to GSU's fixed- and non-fixed-fuel-factor customers because it is based on actual fuel costs incurred and therefore proportionately allocates fuel costs to customers based on the actual fuel costs imposed on the GSU system by those customers. Additionally, the ALJ finds that the Commission Staff's methodology ensures that no cross-subsidization of fuel costs will exist among fixed- and non-fixed-fuel-factor customers because it does not artificially eliminate non-fixed-fuel-factor sales from the denominator of the Texas Retail Allocator based on the pricing mechanism in effect at the time. Because the non-fixed-fuel-factor customers' fuel costs are included in the Staff's allocation methodology, those customers' fuel costs imposed on the GSU system are accounted for proportionately when allocating fuel costs to GSU's customers. The ALJ recommends that the Commission should accept the Commission Staff's methodology as a fair and consistent way of allocating fuel costs and require its use by GSU. The ALJ believes that this methodology will likely be more critical in the future in a more competitive electric utility environment where special incentive rates with fuel costs not recovered through fixed-fuel-factors will likely increase. Consequently, the ALJ recommends adoption of the Commission Staff's fuel cost allocation methodology.

Alternatively, if the Commission agrees with GSU that consistent regulatory treatment of the issue requires consideration of both special rate tariff pricing mechanisms and additional fuel cost allocation methodologies in a consolidated base rate and fuel proceeding, the ALJ recommends that the Commission find that regulatory timing is appropriate to accommodate such treatment given the fact that GSU anticipates filing its next base rate case and fuel reconciliation in November 1996.

The ALJ believes that the Commission could defer the decision on whether to adopt a fuel cost allocation methodology to that time if consistent base rate treatment is required.

IX. Fossil Fuel Expenses

A. Natural Gas Expenses

During the reconciliation period the Company's primary fuel was natural gas. Ex. EGS-3 at 9. GSU had a total of $589,573,767 of eligible natural gas expenses during the reconciliation period. Ex. EGS-1, Sch. FR-16; Ex. GC-12 at 19. The ALJ recommends that the Commission disallow $62,958 as the difference in price for the 185,059 MMBtu's of higher priced natural gas burned at its Willow Glen Station in March 1994, and the lower priced fuel oil in inventory at Willow Glen Station at that time, as recommended by Commission Staff witness Mr. T. Brian Almon. This disallowance results in total recommended reasonable natural gas expenses for the reconciliation period of $589,082,490. Ex. GC-12 at 7. The ALJ recommends no other disallowance of GSU's natural gas expenses.

1. The Role of Natural Gas in GSU's Energy Mix.

The factors that most affected the cost of natural gas during the reconciliation period included the role of natural gas in the Company's capacity and energy mix and the relevant markets in which the Company purchased gas. Ex. EGS-61. During the reconciliation period, GSU purchased approximately 44 percent of its natural gas through long-term contracts with the remaining 56 percent acquired through short-term purchases. Ex. GC-12 at 19. GSU's long-term gas contracts during the reconciliation period provided for GSU's relatively large "swing" requirements. "Swing" is a term used to describe the degree of flexibility of delivery of gas to a utility company, based on its customers' changing demand for electricity at a given time.[10] Natural gas played a very important role in GSU's energy mix during the reconciliation period, since without sufficient swing, GSU's total energy costs would likely have increased because it would not have been able to take advantage of more economic energy sources and still meet its customers' peak energy demands without having to purchase more expensive energy resources elsewhere. Ex. EGS-61 at 7-8. GSU usually negotiates seasonal, daily, and hourly 'swing' gas contracts. Ex. EGS-9 at 7.

2. GSU's Long-Term and Short-Term Natural Gas Contracts and Gas Purchasing Strategy after FERC Open Access and Unbundling.

The factors that most affected GSU's gas procurement practices during the reconciliation period were the FERC's gas transportation open access and unbundling initiatives, which promoted the development of a commodity-driven, short-term gas market. Since 1985, the FERC has implemented competition for natural gas supplies attached to interstate gas pipelines by encouraging interstate pipelines to offer transportation services on a non-discriminatory, first come first served ("open access") basis. After implementation of this policy, competition for natural gas did not develop in a uniform fashion, resulting in interstate pipeline companies' inability to deliver highly reliable, economic, or flexible gas supply services. Unbundling and open access have affected intrastate pipelines because they are integrated into the national pipeline system, and customers of interstate pipelines must follow protocols including tariffed flow requirements and tariff-based nomination provisions. Ex. EGS-61 at 9-11.

By 1992, the FERC had instituted a complete restructuring of the interstate natural gas pipeline industry by requiring all interstate pipelines to offer all transportation services on a non-

10. Natural gas accounted for approximately 50 percent of GSU's energy mix during the reconciliation period, providing a significant portion of fuel for its base-load generation. Additionally, natural gas is the "swing" fuel on the GSU system; that is, of the energy resources available to GSU, energy generated from natural gas generally has the highest marginal cost. Therefore, GSU's gas consumption followed the instantaneous energy demand of GSU's customers during the reconciliation period. GSU's swing requirement means that gas supplies must be reliable and available in adequate volumes and in flexible ways to provide for changes in instantaneous customer demand for electricity. Ex. EGS-9 at 6-7.

discriminatory or open access basis, making interstate pipelines true common carriers of natural gas. The FERC also required unbundling of services, meaning that full-service gas transportation services were disaggregated into gathering, transportation, imbalance control, flexibility, and storage services, with separate charges for individual services. Ex. EGS-61 at 10. The impact of these developments on GSU included an operational need to negotiate separate contracts for highly reliable and flexible swing services.[11] Before unbundling and open access of intrastate and interstate gas pipeline systems, pipelines provided swing as a component of their service. Open access has also resulted in a more competitive, short-term gas market. Management of gas portfolios have become even more complex.

3. GSU's Short-Term Gas Supply Purchasing Practices and Management.

To more effectively manage its short-term gas purchases, GSU's operational planning group prepares monthly gas consumption forecasts by use of a short-term production simulation model. Projected system operating conditions, projected electrical demand, estimated fuel prices, and the estimated availability of off-system economy energy are the inputs. From the model, a monthly energy strategy is then developed. The strategy predicts the volume of gas to be purchased during "bid-week."[12] Ex. EGS-61 at 18. Although GSU tries to purchase the bulk of its short-term gas during bid-week, the reality of GSU's short-term gas purchases during the reconciliation period was that it had to buy as much as 30 percent of its short-term needs as daily or after-market gas. Tr. Vol. II at 480.

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11. Interstate gas pipeline tariffs require shippers to match receipts to the pipeline with deliveries from the pipeline. This produces an inconsistent relationship between gas production, which must occur ratably or at a constant flow, and electricity demand, which is constantly varying. To provide reliable electricity to meet customers' demands, generating electric utilities like GSU must plan to meet their demands by base loading gas or purchasing enhanced flexibility or swing services from the pipelines. Ex. EGS-61 at 10. GSU does both in order to maintain the most economic natural gas supplies to meet its customers' demands.

12. "Bid week" is the formalized period immediately preceding the operational month during which gas suppliers and gas purchasers conduct monthly gas supply transactions and when monthly pipeline nominations must be made. Ex. EGS-61 at 18.

a. **<u>Cities' Recommended Disallowances Relating to GSU's Short-Term Gas Contracts</u>**.

Cities' witness Ralph M. Griffin recommended a total natural gas fuel cost disallowance of \$11,216,839 for GSU on a total company basis because, in his opinion, GSU paid too much for some of its long- and short-term natural gas during the reconciliation period. Ex. Cities-83 at 2-3; and 14-23. Mr. Griffin testified that from about mid-1982 forward, a surplus in natural gas deliverability existed and that the terms and conditions of gas contracts generally became more favorable to buyers, creating a "buyer's market." According to Mr. Griffin, although GSU had been active in the spot-gas market during the reconciliation period, much of the natural gas GSU purchased had been purchased at higher prices than market conditions justified. In Mr. Griffin's opinion, there was an apparent "lack of good management in fuel acquisition" by GSU. Ex. Cities-83 at 16.

Mr. Griffin also testified that he reviewed the invoices and nomination sheets for a number of GSU's short-term gas purchases during the reconciliation period and found many of GSU's spot-gas purchases were substantially higher than market conditions warranted. Mr. Griffin testified that many of GSU's short-term gas contracts which reflected purchases made during the reconciliation period were not available on standard contract forms for review. Nevertheless, Mr. Griffin testified that he had identified spot-gas purchases made on a monthly or shorter basis and that a comparison of the prices GSU paid for this gas with the relevant index prices reflected excessive short-term gas expenses. Mr. Griffin based his recommended adjustment to GSU's short-term gas purchases on a monthly index, *Inside FERC*, published at the first of the month, at either a reference point located at the Houston Ship Channel for GSU's Sabine Power Plant, or the Henry Hub, in Louisiana, for GSU's Willow Glen Power Plant plus a margin of \$0.03/MMBtu.

Although Mr. Griffin provided no basis or rationale for the recommended \$0.03 margin, he disallowed GSU's short-term natural gas expenses that were above the recommended index plus \$0.03/MMBtu for each respective power plant during the reconciliation period. Ex. Cities-83