

ENTERGY GULF STATES, INC.
PUBLIC UTILITY COMMISSION OF TEXAS
Docket No. 21111

Response of: Entergy Gulf States, Inc.
to the Twenty Seventh Set of Data Requests
of Requesting Party: Cities

Prepared By: H. G. Wise
Sponsoring Witness: J. P. Hurstell
Beginning Sequence No.
Ending Sequence No.

Question No.: CITIES 27-4

Part No.:

Addendum:

Question:

Reference page 66, lines 1-9 of Mr. Hurstell's testimony:

- a. Please explain whether the full amount of the gas cost savings will be passed on to EGSI's ratepayers, or will it be shared with other Entergy operating companies?
 - b. Please explain why it would not be appropriate to treat the gas cost savings in a fashion similar to the treatment afforded the EPMC interruptible storage service profits (i.e., pay off debt on the Storage Facility).
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Response:

- a. The savings described in Mr. Hurstell's testimony are based on the difference between what the Company paid for the gas and what the market price of gas was at the time. However, because this gas was inventoried, the savings ultimately realized by EGSI customers will be based on the difference between this inventory cost and the market price of gas at the time of withdrawal. EGSI customers are expected to receive 100% of any fuel savings ultimately realized from this transaction. However, there are certain conditions under which other Entergy operating companies could benefit as well through the operation of the Entergy System Agreement. In order for the other Entergy operating companies to share in these savings, two conditions would have to exist at the time the associated gas is withdrawn from inventory and burned:
 1. The generation from EGSI plants is greater than EGSI's load; and
 2. The generation produced from this gas is the most expensive generation on the EGSI system, and this generation is allocated through the System Agreement Service Schedule MSS-3, to the Entergy exchange.
- b. Although the Coral transaction had elements of a storage lease (i.e., Coral was permitted to use the Spindletop storage facility to store the gas), this was fundamentally a simple gas purchase by EGSI. Neither SGT nor EGSI received any

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revenues related to the use of the facility since this was done merely to facilitate the gas purchase transaction between Coral and EGSI.