

2016 Second Extraordinary Session

HOUSE RESOLUTION NO. 7

BY REPRESENTATIVE CONNICK

UTILITIES: Requests an audit of Entergy's fuel adjustment charges assessed to consumers for the recoupment of costs incurred for the purchase and generation of electricity

1 A RESOLUTION

2 To urge and request the legislative auditor to conduct a full-scale audit of the fuel  
3 adjustment charges assessed within the last two years by Entergy Corporation, i.e.,  
4 Entergy Gulf States and Entergy Louisiana, to rate-paying consumers to determine  
5 the status of the refunds owed to consumers, if any, with interest, and to determine  
6 the status of outstanding audits of fuel adjustment charges conducted by the  
7 Louisiana Public Service Commission.

8 WHEREAS, the Louisiana Public Service Commission's General Order dated  
9 November 6, 1997 in Docket Number U-21497 is referred to as the "Fuel Adjustment Clause  
10 Order"; and

11 WHEREAS, the Fuel Adjustment Clause Order contains rules and standards  
12 established by the Louisiana Public Service Commission (commission) to determine certain  
13 costs for which an electric utility is authorized by the commission to recover through  
14 operation of a fuel adjustment clause; and

15 WHEREAS, to recover the costs associated with providing electricity to citizens in  
16 the state of Louisiana, the subsidiaries of the Entergy Corporation use fuel adjustment  
17 mechanisms as authorized by a fuel adjustment clause to determine such costs for recovery;  
18 and

19 WHEREAS, "to insure compliance with the strict rules applicable to fuel adjustment  
20 clauses and to protect ratepayers, the commission retains full authority 'to review and  
21 determine, after the fact, whether the costs passed through to the consumers via such clauses

1 were prudently incurred, produced just and reasonable rates, and were properly included in  
2 the fuel clause"; and

3 WHEREAS, an electric utility may use the fuel adjustment clause to timely recover,  
4 on a monthly basis, the "actual fuel and generation dependent costs" it incurs; and

5 WHEREAS, fuel adjustment clauses are not designed to allow an electric utility to  
6 earn a profit; however, such clauses are recoupment devices designed to permit a utility's  
7 dollar-for-dollar recovery of fluctuations in fuel costs; and

8 WHEREAS, the commission's Fuel Adjustment Clause Order places the burden  
9 solely on the electric utility to show the calculated charges to be collected from rate-paying  
10 consumers as recoupment for the electric utility's costs incurred for electricity generation and  
11 market purchases; and

12 WHEREAS, because the fuel adjustment clause has traditionally been used as a  
13 means of passing through actual costs to rate-paying consumers, the charges paid by a  
14 particular consumer should reflect the actual costs incurred in serving that particular  
15 consumer; and

16 WHEREAS, there are some criticisms and concerns with respect to an electric  
17 utility's use of a fuel adjustment clause; and

18 WHEREAS, such criticisms and concerns include but are not limited to the  
19 following:

20 (1) There may be a loss of incentives by an electric utility to control fuel costs if  
21 such costs are automatically recoverable from rate-paying consumers.

22 (2) There is a preference for bundled, all-cost ratemaking and the possibility of  
23 missed opportunities to offset costs in other line items, because costs are singly analyzed and  
24 allowed separately.

25 (3) There is a question concerning the rate of interest applied to the overages and  
26 underages of charges assessed to and collected from rate-paying consumers, and the  
27 applicable rate of interest paid by Entergy Corporation on refunds made to rate-payers.

28 (4) There is a question concerning the timeliness of completion and the number of  
29 outstanding audits of fuel adjustment charges conducted by the Louisiana Public Service  
30 Commission; and

1           WHEREAS, it is a state interest to ensure that Louisiana citizens who are rate-paying  
2 consumers of respective subsidiaries of the Entergy Corporation are allocated fair fuel  
3 adjustment charges; and

4           WHEREAS, it is also a state interest to ensure that such fuel adjustment charges are  
5 a reflection of the consumer's actual electricity usage in connection to fair, actual costs  
6 incurred by the electric utility for supplying electricity for consumption in this state; and

7           WHEREAS, the mission statement of the legislative auditor is "to foster  
8 accountability and transparency in Louisiana government by providing the Legislature and  
9 others with audit services, fiscal advice, and other useful information"; and

10          WHEREAS, the legislative auditor's office provides several services to Louisiana  
11 agencies, including financial audit, performance audit, investigative audit, recovery  
12 assistance, advisory, actuarial, and legal services; and

13          WHEREAS, auditors perform audits of state agencies with certain professional  
14 auditing standards, and such audits are intended to assess the stewardship of public officials  
15 and to instill public confidence in government; and

16          WHEREAS, in light of the state interest to ensure fair fuel adjustment charges to  
17 consumers, it is also a state interest to assess the many cost components and factors imputed  
18 in the calculation of fuel adjustment charges that an electric utility subsequently recovers  
19 from rate-paying consumers.

20          THEREFORE, BE IT RESOLVED that the House of Representatives of the  
21 Legislature of Louisiana does hereby urge and request the legislative auditor to do all of the  
22 following: (1) conduct a full-scale audit of the fuel adjustment charges assessed by Entergy  
23 Corporation within the last two years, (2) determine the status of the refunds owed to  
24 consumers, (3) determine the rate of interest applicable to refunds paid and owed to  
25 consumers, and (4) determine the status of outstanding audits of fuel adjustment charges  
26 conducted by the Louisiana Public Service Commission.

27          BE IT FURTHER RESOLVED that the legislative auditor is hereby authorized to  
28 exercise his discretion as to the type of audit procedure most suitable to perform the audit  
29 necessary to assess fuel adjustments charges and related costs.

1 BE IT FURTHER RESOLVED that the legislative auditor shall report his findings  
2 to the House Committee on Commerce on or before February 1, 2017.

3 BE IT FURTHER RESOLVED that a copy of this Resolution be transmitted to the  
4 Louisiana Public Service Commission, Entergy Louisiana, Entergy Gulf States Louisiana,  
5 and the legislative auditor.

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DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

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HR 7 Original

2016 Second Extraordinary Session

Connick

Requests the legislative auditor to provide a full-scale audit of the fuel adjustment charges, assessed within the last 2 years, by Entergy Gulf States and Entergy Louisiana to rate-paying consumers to determine the status of the refunds owed to consumers, to determine the rate of interest applicable to those refunds, and to determine the status of outstanding audits of fuel adjustment charges conducted by the LPSC.

Requests a report of his findings by Feb. 1, 2017.