

# LOUISIANA PUBLIC SERVICE COMMISSION

## SPECIAL ORDER NUMBER 19-2021

### LOUISIANA PUBLIC SERVICE COMMISSION, EX PARTE

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*Undocketed, In re: Temporary modifications to the FAC and PGA General Orders for electric and gas utilities for fuel costs associated with the February 2021 Winter Storm Events.*

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(Decided at the March 17, 2021 Business and Executive Session.)

#### I. OVERVIEW

At the February 24, 2021 Business and Executive Session, the Louisiana Public Service Commission (“LPSC” or “Commission”) received reports from the Investor-Owned Electric Utilities (“IOUs”), the Electric Cooperatives (“Co-ops”), and the Regional Transmission Organizations (“RTOs”) regarding the February 2021 Winter Storm Events (“Winter Storm Events”), including impacts to the utilities, the restoration efforts in response, as well as preliminary discussions regarding the anticipated increases in fuel costs due to the Winter Storm Events. Those discussions indicated that coordination should occur between the utilities and the Commission Staff to find a solution to ensure customers are protected from any significant increases.

Subsequent to the Commission’s February B&E, Staff coordinated with the IOUs and the larger Local Distribution Gas Companies (“LDCs”), as these two classes of utilities saw the most direct impact from increased fuel costs associated with the Winter Storm Events. Specifically, Staff consulted with Entergy Louisiana, LLC (“ELL”), Cleco Power LLC (“Cleco Power”), Southwestern Electric Power Company (“SWEPCO”), Atmos Energy Corporation (“Atmos”), and CenterPoint Energy Resources Corp. (“CNP”). All indicated that February’s fuel charges were substantially higher than January charges, as well as higher than historical February charges. However, while all saw higher costs, the costs varied greatly among the utilities. The majority of the above-named utilities provided notice that such an increase would result in noticeable impacts on customers’ bills. Each utility also indicated their willingness to spread the fuel costs, and the utility’s collection of those costs, over a longer period of time than the one month afforded to them by Commission General Orders.

Commission General Order dated November 6, 1997 (Docket No. U-21497, *LPSC, ex parte. In re: Development of standards governing the treatment and allocation of fuel costs by electric utility companies.*) (“FAC General Order”) and General Order dated March 24, 1999 (Docket No. U-22407, *LPSC, ex parte. In re: Development of Rules, Regulations, Practices and Procedures relative to the weighted average cost of gas filings made by jurisdictional Gas Utilities.*) (“PGA General Order”) provide an authorized recovery mechanism for fuel costs as a direct flow through to customers via the Fuel Adjustment Clause (“FAC”) or the Purchase Gas Adjustment (“PGA”) for IOUs/LDCs, respectively. Such recovery is a direct passthrough to customers on a monthly basis.

In order to facilitate the opportunity for the IOUs and LDCs to spread the fuel costs, and the collection of those costs, over a longer period of time than the afforded one month, the Commission would need to allow a temporary modification to the Commission’s FAC and PGA Orders. Allowing such a modification would also benefit customers as the higher fuel costs would be spread over multiple months instead of being included in one month.

#### II. COMMISSION JURISDICTION AND AUTHORITY

The jurisdiction of the Commission is set forth by the Louisiana Constitution Article IV, Section 21, which provides:

The commission shall regulate all common carriers and public utilities and have such other regulatory authority as provided by law. It shall adopt and enforce reasonable rules, regulations, and procedures necessary for the discharge of its duties, and shall have other powers and perform other duties as provided by law.

Pursuant to that jurisdiction, the Commission issued the FAC General Order regarding the treatment and allocation of fuel and purchased power costs. The Commission established the fuel adjustment clause mechanism to provide an opportunity for timely recovery of actual fuel and generation dependent costs incurred by electric utilities on a monthly basis. The FAC General Order specifies what costs may be included, excluded, and only allows actual incurred costs to be eligible for recovery through the fuel clause.

The Commission, pursuant to its Constitutional authority, also issued the PGA General Order, which developed standards governing the ratemaking treatment of purchased gas costs incurred by gas utilities operating within the State of Louisiana, as well as addressed issues concerning costs eligible for recovery through the cost of PGA mechanisms. As with the FAC General Order, the Commission established the purchase gas adjustment mechanism to provide gas utilities the opportunity to recover, on a timely basis, all prudently incurred purchased gas costs. The PGA General Order allows only direct purchased gas costs incurred consistent with best costs gas procurement standards (i.e., the lowest prudently incurred costs consistent with the need to provide safe, adequate and reliable service).

Both the FAC and PGA General Orders provide for an audit of the utility's fuel adjustment filings every other year. The audit is to determine whether the costs passed through were or were not reasonable and prudent, and whether the costs were appropriate for recovery through the fuel adjustment clause or purchase gas adjustment mechanism consistent with the FAC or PGA General Orders.

### **III. ANALYSIS**

The Commission's FAC and PGA General Orders provide for IOUs and LDCs to recover fuel costs as a direct passthrough to customers on a monthly basis. Thus, the increased fuel costs incurred in February due to the Winter Storm Events could, per Commission Order, be assessed to customers in a single month. The Commission, Staff, IOUs, and LDCs all recognize the strain of these additional costs on customers, and have coordinated to protect customers from this impact. As a result of these coordination efforts, Staff's opinion is that a temporary modification to the FAC and PGA General Orders is the most appropriate avenue to address the utilities' recovery mechanism.

Based on the preliminary information provided by the IOUs and LDCs, each utility's situation is unique, and as such, should be treated independently of other utilities. Not only does the amount of fuel costs incurred vary among utilities, but so does customer count, customer classification, and allocation of fuel costs. Thus, Staff does not believe there is a "one-size-fits-all" approach to the temporary modification to the FAC and PGA General Orders. In order to allow each utility to be treated appropriately based on its unique circumstances, Staff believes the Executive Secretary should be delegated the authority to approve temporary utility-specific modifications to the FAC and PGA General Orders. This will allow the utilities to propose modifications to their cost recovery mechanism that reasonably mitigates the customer bill effects. Along with this delegation of authority, Staff believes the Executive Secretary should retain his authority to make the determination whether a docket should be opened based on the modification request made by a utility.

### **IV. STAFF'S RECOMMENDATION**

Staff recommended that the Commission adopt a proposed Special Order: 1) authorizing temporary modifications to the Commission's Fuel Adjustment Clause General Order; 2) authorizing temporary modifications to the Commission's Purchase Gas Adjustment General Order; and 3) delegating to the Executive Secretary the authority to approve utility-specific modifications to the appropriate Commission Order on fuel recovery, including the opening a docket, if necessary. Further, any temporary modification, and associated recovery, will either be subject to the audit provisions of the Commission's Fuel Adjustment Clause and Purchase Gas Adjustment Orders, or a separate audit initiated by the Commission to review fuel costs associated with the Winter Storm Events.

### **IV. CONCLUSION**

This matter was considered at the March 17, 2021 Business and Executive Session. On motion of Vice Chairman Skrmetta, seconded by Commissioner Francis, and unanimously adopted, the Commission accepted Staff's recommendation to issue a Special Order authorizing temporary utility-specific modifications to the fuel cost recovery mechanisms for each IOU/LDC.

**THEREFORE, IT IS ORDERED:**

- 1) The Executive Secretary is delegated authority to review and approve utility-specific requests for temporary modifications to the Commission’s General Order dated November 6, 1997 (Docket No. U-21497, *LPSC, ex parte. In re: Development of standards governing the treatment and allocation of fuel costs by electric utility companies*) (“FAC General Order”) related to the February Winter Storm Events;
- 2) The Executive Secretary is delegated authority to review and approve utility-specific requests for temporary modifications to the Commission’s General Order dated March 24, 1999 (Docket No. U-22407, *LPSC, ex parte. In re: Development of Rules, Regulations, Practices and Procedures relative to the weighted average cost of gas filings made by jurisdictional Gas Utilities*) (“PGA General Order”) related to the February Winter Storm Events;
- 3) The Executive Secretary retains the authority to open a docket, if necessary, for the review and approval of temporary utility-specific modifications to either the Commission’s FAC General Order or PGA General Order; and
- 4) Any approved temporary modification, and associated recovery, will either be subject to the audit provisions of the Commission’s Fuel Adjustment Clause and Purchase Gas Adjustment Orders, or a separate audit initiated by the Commission to review fuel costs associated with the Winter Storm Events.

**This Order is effective immediately.**

**BY ORDER OF THE COMMISSION  
BATON ROUGE, LOUISIANA  
March 25, 2021**



A handwritten signature in blue ink, appearing to read "Brandon M. Frey".

**BRANDON M. FREY  
SECRETARY**

*/S/ CRAIG GREENE*  
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**DISTRICT II  
CHAIRMAN CRAIG GREENE**

*/S/ ERIC F. SKRMETTA*  
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**DISTRICT I  
VICE CHAIRMAN ERIC F. SKRMETTA**

*/S/ FOSTER L. CAMPBELL*  
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**DISTRICT V  
COMMISSIONER FOSTER L. CAMPBELL**

*/S/ LAMBERT C. BOISSIERE, III*  
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**DISTRICT III  
COMMISSIONER LAMBERT C. BOISSIERE, III**

*/S/ MIKE FRANCIS*  
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**DISTRICT IV  
COMMISSIONER MIKE FRANCIS**