ENTERGY LOUISIANA, LLC
LOUISIANA PUBLIC SERVICE COMMISSION
UNDOCKETED WINTER STORM EVENT

Response of: Entergy Louisiana, LLC
to the First Set of Data Requests
of Requesting Party: Louisiana Public Service Commission

Question No.: LPSC 1-20 Part No.: Addendum:

Question:

What are your suggestions on other ways to share the risk of such effects to the FAC rather than flowing those costs through to customer bills?

Response:

ELL does not have any suggestions on ways to "share the risk" of sharp increases in fuel costs on the FAC, however the Company has implemented risk mitigation strategies such as hedging designed to provide long term stability to natural gas prices, which could be expanded if approved by the LPSC. However, ELL would note that long term, nonspeculative hedging activity would not be expected to provide meaningful relief from the intramonth price spikes experienced in February 2021.

The Commission ordered, in LPSC Docket R-32975 issued on July 13, 2015, that utilities consider "instruments that could stabilize the cost of natural gas used as fuel…reducing the risk of sporadic natural gas price fluctuations for ratepayers," and required that utilities, "explore the feasibility of potential long-term natural gas procurement programs" by considering an "array of gas procurement instruments that could provide cost stability to rate payers for a period of five years."

In ELL's report filed in LPSC Docket No. X-34341, the Company recommended, among other things, that 25-50% of its natural gas exposure should be stabilized through hedging. However, the Commission ultimately refrained from recommending a specific range of natural gas exposure that should be stabilized. The Company's current 5-year pilot hedging program, as approved by LPSC Order No. U-34735, stabilizes the cost of approximately 3.7% of the Company's natural gas exposure significantly less than the amount initially proposed by the Company because of the program's nature as a pilot rather than a permanent or indefinite program.