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 1-22 Part No.: Addendum:

Question:

Ultimately, who bears the risk of Locational Marginal Pricing ("LMP") changes throughout MISO? Throughout SPP?

Response:

Entergy Louisiana, LLC ("ELL") participates in the energy market operated by the Midcontinent Independent System Operator, Inc. ("MISO") on behalf of its customers both as a Load Serving Entity and a generation provider. As a Load Serving Entity, the cost of load purchased in the MISO market, dictated by the LMP, would affect costs for ELL customers in terms of the costs charged to ELL by MISO for serving load. As a generation provider, the revenue received in the MISO market for generation, dictated by the LMP, would affect the level of revenue credit provided to ELL customers for that generation. In sum, increases in LMPs would lead to higher costs for load purchased in MISO and higher offsetting revenue for generation sold in MISO. Likewise, decreases in LMPs would lead to lower costs for load purchased in MISO and lower offsetting revenue for generation sold in MISO. In this way, ELL's generation fleet acts as a hedge to fluctuations in the cost to purchase load in MISO. Both the cost to serve load and the revenue received from generation provided are reflected in ELL's Fuel Adjustment Clause.

To further mitigate volatility in the MISO energy market, ELL utilizes Auction Revenue Rights ("ARRs") and Financial Transmission Rights ("FTRs") as a financial hedge. FTRs are derivative instruments which represent economic hedges of future congestion charges that will be incurred in serving ELL's customer load. ELL was granted ARR Entitlements based on its historical use of the transmission system upon entry into MISO. ELL then nominates from these ARR Entitlements and converts the awarded ARRs to FTRs. Both ARRs and FTRs settle based on the difference in the applicable prices at the source (usually the generator) and the sink (the ARR or Load Zone). These settlements can result in either revenues or charges which are then allocated to the customer through ELL's Fuel Adjustment Clause.