
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

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COMMISSION ADOPTS REMEDY TO MAINTAIN ROUGH PRODUCTION COST EQUALIZATION ON THE ENTERGY SYSTEM

The Federal Energy Regulatory Commission today agreed with an administrative law judge's February 2004 finding that the allocation of production costs among the Entergy System operating companies is no longer just and reasonable. "The Entergy System is no longer in rough production cost equalization," the Commission said, "and therefore use of a bandwidth remedy is appropriate."

"The Commission acts today to prospectively revise the Entergy System Agreement to make sure that all of the Entergy Companies' customers are treated in a non-discriminatory fashion. While the Commission properly rejected full production cost equalization, we adopt a bandwidth remedy to ensure the system returns to its historic rough production cost equalization," Chairman Pat Wood, III said.

The Commission accepted the judge's recommendation to use a percentage "bandwidth" above or below system average production costs to establish rough equalization for those costs. However, the Commission adopted a broader percentage bandwidth than that proposed by the ALJ for assessing rough production cost equalization.

The Commission also reversed the ALJ's finding that the Vidalia hydroelectric plant in Louisiana is a system resource, the effect of which would greatly reduce the amount of Vidalia costs allocated system wide.

In the current proceeding, the presiding judge defined rough production cost equalization as within a numerical bandwidth of 7.5 percent annually from the system average and 5 percent over a rolling three-year average. However, the Commission's order adopts a broader bandwidth of plus or minus 11 percent with no rolling annual average finding the judge's remedy was never proposed by any party, and was not tied to specific record evidence. "While history shows that production cost disparities have always existed, large disparities among the Operating Companies started to rise in 2000 and appear likely to continue into the future," the Commission said. Only if deviation becomes particularly severe -- greater than +/- 11 percent -- will the bandwidth remedy

become applicable. The bandwidth remedy becomes “an insurance policy,” the Commission said.

The Commission noted that this remedy is consistent with Commission precedent and would mitigate massive cost shifts among the Entergy operating companies.

The four-state Entergy system has operated for more than 50 years under a System Agreement that, among other things, provides for allocation of operating costs among the five Entergy operating companies. The current System Agreement was filed in 1982.

Entergy Corporation is a public utility holding company providing electric retail service in Arkansas, Louisiana, Mississippi and Texas, through five operating companies – Entergy Arkansas, Inc. (EAI), Entergy Louisiana, Inc. (ELI), Entergy Mississippi, Inc. (EMI), Entergy Gulf States, Inc. (EGSI) and Entergy New Orleans, Inc. (ENOI).