Consultant hired to present study

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A consultant who has criticized Gulf States Utilities Co.'s River Bend nuclear plant was hired Tuesday by the Public Service Commission to present a study on the plant.

The consultant, Charles Komanoff, has already done a study that was the basis for a recommendation before the Texas Public Service Commission that Texas customers of GSU get a $138 million rate reduction rather than a rate increase.

That recommendation came from the Texas Office of Public Counsel, which hired the firm of Komanoff Energy Associates to do the initial study.

The Louisiana Public Service Commission agreed Tuesday at the request of Commissioner Louis Lambert to hire Komanoff for a fee not to exceed $8,000. Lambert said that Komanoff was available at a minimal cost since the consultant already had done the GSU study, although he had some updated information to add to the document.

GSU counsel Tom Phillips said that Komanoff's study could be mailed to the PSC for the cost of a 40-cent postage stamp.

“He gives us a perspective I think we ought to take a look at,” Lambert said. Lambert said Komanoff would provide an analysis of the cost of construction of the River Bend nuclear plant compared with similar plants around the country as well as a comparison of the cost of nuclear power compared to coal.

The commission also agreed to hire consultant J.P. Kennedy to study GSU. Lambert said Kennedy, who is the former secretary of the Florida Public Service Commission, will look at such things as GSU's rate of return and return on equity. He also will study the capability of GSU stockholders to absorb the cost of the River Bend plant, Lambert said.

Meanwhile, the commissioners agreed to hold public hearings on a request of GSU to change some of its accounting procedures in connection with how GSU records transactions in connection with the nuclear plant.

The effect of the accounting method changes would be to defer depreciation, operating and maintenance expenses the company shows on its books. The company contends it needs to make the accounting changes until it can get rate relief.

“In absence of such an authorization . . . the company would experience a substantial increase in depreciation and operating and maintenance expenses,” the company said in a letter to the PSC.

Lambert said the request involved complex issues, and he wanted to hold hearings to make sure that the PSC, if it adopted the proposed accounting changes, wouldn't relinquish any options that it might have in rate setting matters in connection with the nuclear plant. No date was set for the hearing.

The commission is conducting so-called "prudency" hearings on GSU's River Bend nuclear plant.

The "prudency" proceedings are to determine whether any costs associated with construction of the River Bend nuclear plant are attributable to waste and mismanagement. The PSC has the authority to pass such costs on to GSU's stockholders instead of including the costs in customers' electricity bills.

GSU is requesting a 40 percent rate increase over the next two years in connection with River Bend. The company wants a $242.2 million increase the first year and a $117.9 million increase the second year. Attorney General William Guste Jr., already has asked the PSC to reject the rate increase on grounds that the $4.2 billion River Bend plant isn't needed by consumers.

The utility company, however, contends that eventually GSU customers will benefit from the use of nuclear fuel, which he said is cheaper than other forms of fuel available to utility companies.

The company claims that, despite the high initial construction costs, customers will benefit from the cheaper nuclear fuel sometime around the seventh to tenth year, depending on what happens to prices of other fuels.

Fuel makes up about 57 percent of a customer's electricity bill, the company has said.