GSU hires specialist in bankruptcy law

By STEVE CULPEPPER

Faced with mounting financial pressures related to its River Bend nuclear plant, Gulf States Utilities Co. has retained a Dallas-based attorney specializing in bankruptcy matters, according to a GSU spokesman.

David White, at GSU’s headquarters in Beaumont, Texas, said the company’s Board of Directors on Friday hired the attorney to “explore the alternatives that are available to us.”

GSU has said that lack of adequate and timely rate relief in Texas and Louisiana on its $4.5 billion investment in its River Bend nuclear plant may force the company to “seek appropriate relief.”

Also on Friday the company announced that it may omit dividends on common stock when the board meets to make that decision Aug. 7.

GSU’s common stock tumbled 1 3/8 points to 8 3/8 Monday following GSU’s announcement to the Securities and Exchange Commission that the company had retained the bankruptcy specialist. The decline put the stock at less than half of what it was last August when it rose to a record high of 16 3/4 points.

In March the board voted to lower common stock dividends by 15 cents per share, the first time dividends have been cut since the company began issuing them in 1938.

White said GSU hired the bankruptcy specialist because GSU is facing a long wait before it receives rate relief in either its Texas or Louisiana service areas.

The company last week filed an appeal of the Louisiana Public Service Commission’s rejection of GSU’s $360 million two-year rate increase package. GSU asked a state district court for an “expedited” hearing on its appeal.

Meanwhile, GSU is facing an annual loss of about $80 million in Texas revenues. The Public Utility Commission there approved a $25 million per year reduction in base rates and a $55 million decrease in consumer costs, the latter reduction pending until the PUCT decides if a contract GSU has with Southern Companies is “prudent.”

The $55 million reflects the Texas costs of GSU’s power purchase contract with the Atlanta-based utility conglomerate.

The PUCT may yet decide that the contract with Southern Companies was prudent and allow GSU to pass those charges on to its customers, White said.

GSU still is predicting that River Bend will be declared in commercial operation sometime this month.