Screen calls on GSU to share in costs

By GIBBS ADAMS
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Mayor Pat Screen Tuesday called on management and stockholders of Gulf States Utilities Co. to “take their medicine” and share in more than $2 billion in cost overruns at the River Bend nuclear plant.

After meeting with the mayor, Jim Moss, vice president of GSU in Baton Rouge, said the management and stockholders are already making sacrifices, and outlined several steps that are being taken by GSU to cut costs:

- Executives of the company are taking as much as a 17 percent cut in pay in 1986.
- Other employees are operating under a wage and hiring freeze, with 600 retirees not being replaced.
- Stockholders’ dividends for the year are being cut from $1.62 per share in 1985 to $1.04 in 1986. The company has notified its shareholders that they may not receive more dividends on their stock this year, Moss said.

Screen proposed a middle road after independently contacting a number of people, including Attorney General William Guste, who suggested the company should file for bankruptcy, and Bill Little, president of the Chamber of Commerce, who said Guste’s suggestion was nonsense.

“I do not think it is in the best interest of Baton Rouge or the state of Louisiana or Gulf States Utilities for GSU to have to go into bankruptcy,” Screen said, pointing out the company has a payroll of $40-$50 million and 2,000 employees.

“But it serves no useful purpose to...”
accuse GSU of mismanagement or negligence when we have the benefit of 20-20 hindsight. Everyday it happens to me, to other elected officials and in business where good-faith decisions would have been done another way with the benefit of 20-20 hindsight.”

Screen said he “had to take my lumps” over the National Sports Festival’s financial failure and in cutting city employees when sales tax revenues did not come in as expected last year.

Both Screen and Moss pointed out that GSU had to borrow money as the cost of completing the nuclear plant escalated from $2 billion to $4.3 billion since construction began in 1979.

Under the Energy Act of 1978, the company was required to shift from using natural gas to other energy sources. A changing world market has resulted in a glut of gas, which has turned the economy sour, particularly in Louisiana.

The Louisiana Public Service Commission rejected a GSU request for a $212 million increase in 1986 and another $118 million proposed increase next year. That case is now on appeal in the 19th Judicial District Court.

But Moss said that on Aug. 1, the court will hear a motion by the company to refer the case back to the PSC.

Meanwhile, he said, the company is preparing a new application for a rate increase to file directly with the PSC.

“I don’t think the public understands or accepts the fact that consumers should bear the full tab for River Bend,” Screen said. “I honestly believe GSU, its management and stockholders have to swallow the medicine first and in the strongest dose to demonstrate they will bite the bullet along with the ratepayer.”

Moss said the value of the stock has declined on the stock market and the dividends have already been cut one-third, but he said the new application for a rate increase will anticipate repaying the investors what they expected to make when they bought GSU stocks and bonds to finance River Bend.

Nevertheless, he indicated, GSU would not be unhappy if the Public Service Commission whittles its request down to reflect the $205,362,000 decline in the dividends.

He said stockholders have already been notified of the possibility of no more dividends by the end of this year, and said the company board of directors could decide to end the dividends as early as the next quarter.

Screen defended Guste’s right to “speak up on any issue he feels affects the people of Louisiana. Anyone who says otherwise overlooks the fact he’s elected by the people of Louisiana.”

But for the company to file for reorganization under the bankruptcy laws, Screen said, would be “a negative input on the economy” — just as the bankruptcy of any other industry, manufacturer, wholesaler or retailer.

Screen said he understands GSU’s dilemma is not of its own making, citing the Energy Act and changing world conditions.

“They operated on information available at the time,” he said, and “we now have the plant, which will obviously have the capacity for economic expansion in the years ahead.”

But the mayor said he suggested that the 40 percent rate hike over a two-year period while continuing to pay dividends to stockholders fails to promote the good will of consumers toward the company.