

LOUISIANA PUBLIC SERVICE COMMISSION

ORDER NUMBER U-36959

ENTERGY LOUISIANA, LLC, EX PARTE.

Docket No. U-36959, In re: Application for an increase in rates, whether through a Formula Rate Plan extension or rate review, and proposed revisions to certain fees assessed to customers.

(Decided at the August 14, 2024 Business and Executive Session.)

ORDER

I. OVERVIEW AND PROCEDURAL HISTORY

On August 30, 2023, Entergy Louisiana, LLC ("ELL" or the "Company") filed with the Louisiana Public Service Commission ("LPSC" or "Commission") its Application for an Increase in Rates Through Formula Rate Plan Extension or Rate Review ("Application"). In that Application, the Company requested an extension and modification of its current Formula Rate Plan ("FRP") for an additional three (3) year period (2023-2025). The Company also presented a cost-of-service study in compliance with LPSC Order No. U-33565, which requires ELL to submit a full cost of service filing, or rate case, if it seeks to extend its current FRP in a manner that includes a rate reset or modifications of its terms.

The Commission published notice of the Application in the Commission's Official Bulletin No. 1305, dated September 1, 2023. No intervention period was provided in the Bulletin; therefore, the default intervention period of 25 days applied. Notice of the Application was also published in the official journals. Notice was subsequently republished in the Commission's Official Bulletin No. 1308 dated October 13, 2023 for an additional 15-day intervention period to provide notice of ELL's October 11, 2023 request re-urging its original Application dated August 30, 2023 and subsequent publication of the request in the official journals.

The following parties intervened: Alliance for Affordable Energy; Americans for Affordable Clean Energy, Louisiana Energy Users Group; Marathon Petroleum Company, LP; Occidental Chemical Corporation, Olin Chlor Alkali Products and Vinyls, the United States Department of Defense and all other Federal Executive Agencies, and Walmart, Inc. (collectively, the "Intervenors").

In the course of this proceeding, the Intervenors and the Commission Staff ("Staff") conducted extensive discovery and analysis, issuing 44 sets of formal discovery consisting of approximately 700 requests for information, held four joint technical conferences, and participated

in multiple discussions and meetings. In addition, ELL, the Staff and Intervenors (collectively, the "Parties") engaged in settlement negotiations over a period of several months.

The hearing in this matter was originally scheduled on October 21-November 1, 2024, but was continued to December 9-17, 2024 and December 19-20, 2024 to allow the Parties to engage in settlement negotiations. As a result of the extensive good faith and productive settlement negotiations, the Parties entered into a Global Settlement Stipulation Agreement pursuant to which they agreed to settle this matter, as well as a number of other currently pending LPSC proceedings. This Stipulation, together with the exhibits thereto, is attached to this order as Attachment 1.

On August 2, 2024, ELL and Staff filed an Unopposed Joint Motion for Approval of Uncontested Global Stipulation Settlement Agreement Pursuant to Rule 57 requesting that the Commission exert its original and primary jurisdiction and consider at its August 14, 2024 Business and Executive Session the Global Settlement Stipulation Agreement and issue an order approving it. The Joint Motion was supported by the Stipulation (including its exhibits), the Affidavit of Company witness Ryan D. Jones, and the Affidavit of Staff witness R. Lane Sisung. At the Commission's August 14, 2024 Business and Executive Session, the Commission voted to exercise its original and primary jurisdiction under Rule 57 of the Commission's Rules of Practice and Procedure, and approved the Stipulation by unanimous vote.

II. COMMISSION JURISDICTION

The jurisdiction of the Commission is set forth by constitutional and statutory provisions. The Louisiana Constitution, Article IV, Section 21, provides:

The Commission shall regulate all common carriers and public utilities and have such other regulatory authority as provided by law. It shall adopt and enforce reasonable rules, regulations, and procedures necessary for the discharge of its duties, and shall have other powers and perform other duties as provided by law.

III. COMPANY'S APPLICATION

ELL rates have been set through LPSC-approved FRPs since 1995, and former Entergy Gulf States Louisiana, L.L.C. since 2005. ELL's most recent FRP was approved in Order No. U-35565, which extended the FRP for three years, through the 2022 Test Year. ELL's Application sets forth "two alternative paths" to regulate its rates. The first alternative is a full cost of service filing, which is required by the terms of Order No. U-35565. Under the cost-of-service approach, ELL's revenue requirement would increase by \$430 million, according to ELL's Application, due to requested increases in the return on equity and depreciation rates, among other factors.

The Application presents a second "preferred" alternative, the "Rate Mitigation Proposal," that "balances [customers'] need for affordability with the Company's need to maintain its creditworthiness and the overarching need for reliable, resilient, and sustainable electric service to power the State's economy in the future." [ELL Application at 2]. That alternative would extend the FRP for an additional three years, make certain modifications to the FRP, and would result in a rate increase that is less than half of what the cost of service study supports, according to the Application. As filed, the Rate Mitigation Proposal includes an initial revenue requirement increase of \$173 million, a target return on equity of 10%, and an increase in nuclear depreciation rates, among other things. The Application states that ELL's revenue requirement increase is necessary "to position ELL to continue the work that it has been doing to upgrade and strengthen the electric grid so that it can provide resilient, reliable, sustainable, and affordable service to customers into the future." [ELL Application at 4].

The Company filed supporting testimony from witnesses Phillip R. May, Steven N. Benyard, Laura K. Beauchamp, Ryan E. O'Malley, Alyssa Maurice-Anderson, Elizabeth C. Ingram, Adrien M. McKenzie, Todd A. Shipman, Stacey L. Whaley, Chris E. Barrilleaux, Crystal K. Elbe, Matthew S. Klucher, Kenneth F. Gallagher, and Dane A. Watson.

IV. STIPULATION

After extensive discovery and settlement negotiations, the Parties were able to resolve all issues in the Company's Application and executed the Stipulation with exhibits. Attached to the Stipulation are the following exhibits: Exhibit 1, the Updated Nuclear Depreciation Rate Schedule; Exhibit 2, the Extended FRP Rider; Exhibit 3, a redline that shows the changes between the most recent FRP and the Extended FRP Rider (Exhibit 2); Exhibit 4, DRM (Distribution Recovery Mechanism) Reporting Requirements; Exhibit 5, clean versions of ELL's modified riders and rate schedules; Exhibit 6 redline version of ELL's modified riders and rate schedules.

In support of the Stipulation, both Staff and ELL filed affidavits, from R. Lane Sisung and Ryan D. Jones, respectively. Both witnesses supported the Stipulation as reasonable and in the public interest.

A summary of the key provision in the settlement are as follows:

- Continuation of ELL's Formula Rate Plan ("FRP") for 2024-2026 (test years 2023-2025);
- A base formula rate plan revenue increase of \$120 million for test year 2023, effective for rates beginning September 2024;

- A \$140 million cumulative cap on base formula rate plan revenue increases, if needed, for test years 2024 and 2025, excluding outside the bandwidth items;
- \$184 million of customer rate credits to be given over two years to resolve any remaining disputed issues stemming from formula rate plan test years prior to test year 2023, including but not limited to the investigation into Entergy Services costs billed to Entergy Louisiana, all issues resulting from the 2016-2018 IRS audit, Docket No. U-34332 (Review of LPSC Special Order 01-2001), and Docket No. X-35071, the investigation into Entergy Services costs billed to Entergy Louisiana;
- \$75.5 million of customer rate credits, as provided for in a contemporaneous, but independent, settlement related to System Energy Resources, Inc. (“SERI”), to be credited over three years subject to and conditioned upon FERC approval of the SERI settlement;
- \$5.8 million provided for in the FRP global settlement agreement approved by the LPSC in November 2023, credited over one year;
- An increase in the allowed midpoint return on common equity from 9.5% to 9.7%, with a bandwidth of 40 basis points above and below the midpoint, for the extended term of the formula rate plan, with the exception of the test year 2023 base FRP rate change, which is included in the terms of the Stipulation, and further subject to an agreement for FRP 2024 Test Year that ELL shall credit customers for an earned return on common equity above 9.7%;
- An increase in nuclear depreciation rates by \$15 million in each of the 2023, 2024, and 2025 test years outside of the formula rate plan bandwidth calculation; and,
- Continuation of the Transmission Recovery Mechanism (“TRM”) and the Distribution Recovery Mechanism (“DRM”) with no change to the existing floors and with caps established for both, which would be \$350 million for test year 2023, \$375 million for test year 2024, and \$400 million for test year 2025. Transmission projects that have been submitted to the LPSC for review, approval, or certification of an exemption from approval will be exempt from the TRM cap.

V. COMMISSION CONSIDERATION

The matter considered at the Commission’s August 14, 2024 Business and Executive Session. On motion of Commissioner Skrmetta, seconded by Commissioner Greene, and unanimously adopted, the Commission voted to assert its original and primary jurisdiction and take the matter up pursuant to Rule 57.

After discussion, on motion of Commissioner Skrmetta, seconded by Commissioner Greene, and unanimously adopted, the Commission voted to accept the Uncontested Stipulated Settlement filed into the record on August 2, 2024.

THEREFORE, IT IS ORDERED:

- 1. That the Commission adopts the Global Settlement Stipulation Agreement with its accompanying exhibits, attached to this Order as Attachment 1, *in globo*.
- 2. This Order is effective immediately.

BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA
September 13, 2024



Brandon M. Frey

BRANDON M. FREY
SECRETARY

[Signature]
DISTRICT IV
CHAIRMAN MIKE FRANCIS

[Signature]
DISTRICT III
VICE CHAIRMAN DAVANTE LEWIS

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DISTRICT V
COMMISSIONER FOSTER L. CAMPBELL

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DISTRICT I
COMMISSIONER ERIC F. SKRMETTA

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DISTRICT II
COMMISSIONER CRAIG GREENE