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June 2, 2020

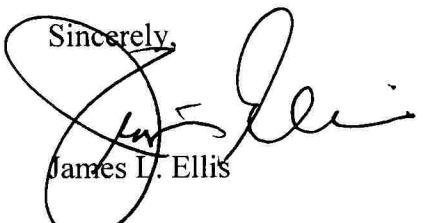
Ms. Terri Bordelon
Louisiana Public Service Commission
Records and Recordings Division
602 N. 5th Street, Galvez Bldg., Fl. 12
Baton Rouge, LA 70802

Re: Docket No. U-35359 Dixie Electric Membership Corporation, ex parte. In Re: Application for Rate Increases, Renewal of Formula Rate Plan, and Certification of Advanced Metering System Upgrade

Dear Ms. Bordelon:

Please find attached DEMCO's Rebuttal Testimony of Michael R. Johnson and J. Gregory Johnson to be filed in the above-referenced docket.

Please contact me if you have any question or require anything further.

Sincerely,

James L. Ellis
JLE:jd
Enclosures

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COMMISSION

By Hand

June 2, 2020

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COMMISSION

REBUTTAL TESTIMONY

of

MICHAEL R. JOHNSON

on behalf of

DIXIE ELECTRIC MEMBERSHIP CORPORATION

DOCKET NO. U-35359

JUNE 6, 2020

**REBUTTAL TESTIMONY OF MICHAEL R. JOHNSON
ON BEHALF OF
DIXIE ELECTRIC MEMBERSHIP CORPORATION**

1 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION AT DIXIE
2 ELECTRIC MEMBERSHIP CORPORATION (DEMCO).

3
4 A. Michael R. Johnson, 16262 Wax Road, Greenwell Springs, Louisiana, 70739. My position
5 is Vice President - Finance.

6
7 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

8
9 A. After reviewing the Direct Testimony of Karl J. Nalepa as filed on February 21, 2020,
10 DEMCO would like to comment, rebut, and offer different perspectives in regard to the
11 various comments and financial information filed by Mr. Nalepa concerning DEMCO's
12 Application for Rate Increase, Renewal of Formula Rate Plan and, Certification of
13 Advanced Metering System Upgrade (Collectively Docket No. U-35359). DEMCO will also
14 offer the same in regard to Staff's response to DEMCO's first set of data requests.

15
16 Q. HOW WILL YOU STRUCTURE YOUR RESPONSE TO MR. NALEPA'S DIRECT
17 TESTIMONY?

18
19 A. My comments will start with naming the page number and line number of Mr. Nalepa's
20 Direct Testimony for which my Rebuttal Testimony applies.

1 Q. ON PAGE 10, LINE NUMBER 5, MR. NALEPA BEGINS HIS DIRECT TESTIMONY ON
2 DEMCO'S REQUEST FOR INCREASED HOURLY RIGHT OF WAY (ROW) TREE
3 TRIMMING EXPENSES. DO YOU AGREE WITH HIS ASSESSMENT?

4
5 A. No. The hourly contract ROW crews employed by DEMCO serve a vital role in DEMCO's
6 reliability plan. The hourly contract ROW crews are dispatched to "trouble or danger" trees
7 that are near DEMCO's distribution lines and could potentially cause an outage situation
8 if the whole tree or a portion of the tree would come in contact with an energized
9 distribution line. Although DEMCO does not agree with Mr. Nalepa's downward cost
10 adjustment of \$326,401, DEMCO will not protest it; therefore, DEMCO accepts Mr.
11 Nalepa's recommended reduction to five contract hourly ROW crews.

12
13 Q. ON PAGE 11, LINE 7, MR. NALEPA BEGINS HIS ASSESSMENT OF DEMCO'S
14 RELIABILITY IN RELATION TO TREE TRIMMING. DOES DEMCO AGREE WITH MR.
15 NALEPA'S ASSESSMENT?

16
17 A. No, DEMCO does not agree. Mr. Nalepa attempts to directly correlate the success that
18 DEMCO has been able to achieve in both SAIDI and SAIFI to tree trimming alone.
19 DEMCO's reliability plan is comprised of multiple components, including but not limited to:
20 (1) a well-managed tree trimming plan, (2) rebuilding the distribution system when and
21 where needed, (3) addition of key transmission/distribution tie lines, (4) managed pole
22 inspection and replacement program, and (5) increased sectionalizing expenditures.

1 Q. ON PAGE 13, LINE NUMBER 6, MR. NALEPA BEGINS TO ADDRESS HIS
2 RECOMMENDATION FOR DEMCO'S MECHANICAL ROW TREE TRIMMING
3 ADJUSTMENT. DOES DEMCO AGREE WITH MR. NALEPA'S ADJUSTMENT?

4
5 A. No. Mr. Nalepa accepts DEMCO's proposed bid prices per mile but recommends a six
6 (6) year circuit trim cycle rather than the proposed five (5) year circuit trim cycle. As
7 presented above, DEMCO believes that achieving a five-year circuit trim cycle would
8 maintain or improve its long-term reliability. Although DEMCO does not agree with Mr.
9 Nalepa's downward cost adjustment of \$1,012,197, DEMCO will not protest it; therefore,
10 DEMCO accepts Mr. Nalepa's adjustment.

11
12 Q. ON PAGE 14, LINE NUMBERS 12 THROUGH 14, MR. NALEPA RECOMMENDS
13 REDUCING THE AFUDC (Capitalized Interest) EXPENSE BY \$151,642. DOES DEMCO
14 AGREE WITH THIS RECOMMENDATION?

15
16 A. No. DEMCO filed Exhibit F. 20, Proforma Annualization Adjustment to AFUDC
17 (Capitalized Interest) requesting an additional \$75,281 of expense treatment.
18 Exhibit F. 20 was presented as a positive number (DEMCO thought presenting it in this
19 manner would simplify the analysis; however, it seems to have led to some level of
20 confusion.). AFUDC is always (for an electric cooperative) reported on Line 17 of Part A
21 – Statement of Operations as a negative expense. A quick, commonly used definition of
22 AFUDC would be, "AFUDC is capitalized until the project is placed in operation by
23 concurrent credits to the income statement and charges to utility plant, based generally
24 on the amount expended to date on the particular project." DEMCO does not utilize a
25 formula approach to AFUDC, rather DEMCO offsets the amount of short-term interest

1 expense that results from borrowing funds from a Line of Credit instrument. DEMCO
2 booked (\$595,481) of AFUDC during 2018 and annualized an AFUDC amount of
3 (\$520,200) for Proforma 2018. Therefore, DEMCO requested a debit adjustment of
4 \$75,281 to AFUDC, which would increase the Total Cost of Electric Service, Line 20 of
5 Part A – Statement of Operations.

6 Although Mr. Nalepa responded to DEMCO's Data Request Item 1-1 for clarification of his
7 AFUDC calculation, based on his response it appears Mr. Nalepa does not understand
8 DEMCO's calculation methodology. After reviewing his response, DEMCO maintains that
9 its original proposed increase of \$75,281 (or debit) to the Total Cost of Electric Service is
10 correct and confirms its original requested increase as presented in Exhibit F. 20.

11
12 Q. ON PAGE 15, LINE NUMBER 6, MR. NALEPA BEGINS TO ADDRESS THE
13 RECOMMENDED DENIAL OF DEMCO'S REQUEST TO ELIMINATE CREDIT CARD
14 CONVENIENCE FEES. DOES DEMCO AGREE WITH MR. NALEPA'S ANALYSIS?

15
16 A. No. On the surface Mr. Nalepa's calculations are correct as his statements are based on
17 the information as presented within DEMCO's Exhibit F. 27. However, Mr. Nalepa's
18 analysis fails to address the overall savings to the entire DEMCO membership of
19 \$748,155, which was addressed in Mr. Michael Johnson's Direct Testimony on the top of
20 page 25. DEMCO does understand the subsidization issue, whereby approximately 25%
21 of DEMCO's members (top of page 16 of Mr. Nalepa's Direct Testimony) are paying
22 \$1,276,715 in convenience fees each year (Exhibit F. 27) and eliminating the convenience
23 fee would instead place the burden of credit card processing on the entire membership.
24 From a financial perspective DEMCO believes it is important to focus on the savings of
25 \$748,155, which ultimately benefits the membership as a whole.

1 Besides the monetary considerations of eliminating the convenience fee there are member
2 benefits as well; I will address each benefit separately. In an effort to become more
3 efficient with the personnel resources available, DEMCO is trying to direct the membership
4 to go to either the website or mobile application (app) to pay their monthly electric bill.
5 Currently, the membership has two options when paying their bills through those avenues.
6 Members can pay using an electronic check (e-check) at no additional cost or they can
7 pay using a debit or credit card, which is subject to a convenience fee. Additionally, both
8 the website and app offer flexible payment options; however, members can only take
9 advantage of those options if they elect to pay with a debit or credit card. The convenience
10 fee discourages members from utilizing a flexible payment option that may better suit their
11 needs. The effort to move members to either the website or app is driven by the goal of
12 reducing "foot traffic" at DEMCO's various offices to allow DEMCO's customer service
13 employees to focus on assisting the members with their questions and connection
14 requests rather than spending the majority of their time accepting payments.

15 DEMCO executed a contract on January 22, 2020 to move the back-office software from
16 SEDC to NISC (National Information Solutions Cooperative). The LPSC was notified of
17 this decision via postal mail on January 23, 2020, in accordance with Staff's third set of
18 data requests on LPSC Docket No. X-35351. DEMCO plans to go live with the NISC suite
19 of products on June 30, 2021.

20 The NISC suite of products offers three (3) different convenience fee options/models. (1)
21 A no convenience fee model, which is what DEMCO proposed within the rate filing. The
22 customer/member would not pay any convenience fees and DEMCO would benefit with
23 low VISA/Mastercard utility credit card processing rates. (2) Member billed model where
24 DEMCO would determine the amount of the flat fee charged per \$500.00 of member
25 payment. NISC follows a strict interpretation of the VISA/Mastercard agreement and does

1 not allow a % convenience fee, similar to what DEMCO currently employs with SEDC. (3)
2 NISC billed model where NISC would bill a \$3.95 flat fee per \$500.00 credit/debit card or
3 e-check transaction. That \$3.95 flat fee would go directly to NISC, with NISC then being
4 responsible for all credit card processing costs.

5 Under Option #2 DEMCO would have to charge the same flat fee to members using either
6 a credit/debit card or e-check to pay their monthly electric bill through either the website
7 or the app. Members paying via an e-check currently are not assessed a convenience fee,
8 thus members would be further limited on fee-free payment options available to them
9 under Options #2 and #3. Other features that would be lost under Options #2 and #3 are
10 the ability to initiate a face-to-face credit/debit card transaction (using a device like
11 Verifone) and the opportunity for members to set up recurring credit/debit card
12 transactions. Under Option #2, DEMCO would be responsible for paying the credit card
13 processing fees and would not benefit from the favorable VISA/Mastercard utility credit
14 card processing rates available under Option #1.

15 In conclusion, between the net \$748,155 social costs of charging convenience fees and
16 the reduction in member payment options DEMCO believes the request to increase the
17 total cost of service by \$498,560 is warranted.

18
19 **REBUTTAL OF REVIEW OF THE FORMULA RATE PLAN**
20

21 Q. ON PAGE 18, ON OR ABOUT LINE NUMBER 16, MR. NALEPA BEGINS HIS ANALYSIS
22 OF FRP (FORMULA RATE PLAN) FILING DATES. MR. NALEPA RECOMMENDS A
23 FILING DATE OF MARCH 15th, RATHER THAN DEMCO'S PROPOSED DATE OF MAY
24 15th. DOES DEMCO AGREE WITH HIS RECOMMENDATION?
25

1 A. No. The reason DEMCO proposed a May 15th filing date was to allow DEMCO to file its
2 annual FRP based on audited financial data. DEMCO believes it should be noted that the
3 closing process of a year-end (December 31) is much more exhaustive than simply a
4 normal month-end closing during the year. DEMCO's external audit firm, Bolinger, Segars,
5 Gilbert and Moss (BSGM), presents their audit findings and recommendations to
6 DEMCO's Board of Directors at the April board meeting, which is held the 3rd Thursday of
7 April. Therefore, DEMCO believes that the start date to begin counting the number of
8 weeks between the FRP year-end and filing date should be calculated beginning the third
9 Thursday of April vs. Mr. Nalepa's recommendation of December 31st. DEMCO has
10 actually reduced the number of weeks from eleven (11) in its prior FRP to three (3).

11
12 Q. ON PAGE 19, LINE NUMBER 5, MR. NALEPA PRESENTS A DIFFERENT APPROACH
13 TO DEMCO'S PROPOSED ADDITION OF AN EXTRAORDINARY REVENUE CLAUSE
14 IN THE FRP. DOES DEMCO AGREE WITH MR. NALEPA'S APPROACH TO THIS
15 ISSUE?

16
17 A. Overall DEMCO accepts Mr. Nalepa's approach to the addition of a provision for
18 Extraordinary Revenue. Mr. Nalepa's approach will require DEMCO to notify the LPSC
19 within 60 days prior to its FRP filing of its intent to include an Extraordinary
20 Expense/Revenue adjustment. Mr. Nalepa further states that the LPSC Staff is to review
21 DEMCO's notice and may require DEMCO to file its request in a separate proceeding. To
22 this point DEMCO has no exceptions to Mr. Nalepa's proposal; however, his proposal is
23 silent as to the timeline for LPSC Staff to notify DEMCO if a separate proceeding will be
24 required. This lack of LPSC Staff timeline may hamper DEMCO's ability to file its FRP in
25 a timely manner. DEMCO's proposed remedy for this lack of timeline would be to have

1 LPSC Staff notify DEMCO of their decision within 15 calendar days of receipt of DEMCO's
2 notice of Extraordinary Expense/Revenue adjustment. In the event LPSC staff fails to
3 notify DEMCO within that 15-day window then DEMCO would be allowed to include its
4 Extraordinary Expense/Revenue adjustment in the FRP filing.

5
6 Q. ON PAGE 23, BEGINNING WITH LINE NUMBER 15, MR. NALEPA PRESENTS HIS
7 RECOMMENDATION CONCERNING TEST YEARS FOR THE FRP. MR. NALEPA
8 RECOMMENDS 12/31/2021 AS THE FIRST TEST YEAR VS. DEMCO'S FILING OF
9 12/31/2020 AS BEING THE FIRST TEST YEAR. DOES DEMCO AGREE WITH MR.
10 NALEPA'S RECOMMENDATION?

11
12 A. No. DEMCO recognizes that the rate adjustment included in this docket will not be put
13 into place until the latter part of 2020. An FRP filing based on a 2020 Test Year would
14 include an adjustment to annualize the revenue associated with this Rate Application.
15 The test year for the Rate Application included in this docket is the calendar year 2018.
16 Utilizing a 2021 FRP Test Year for the first FRP filing would result in more than a four-year
17 period (YE September 2017 - 2021) between the FRP test year periods considered for
18 rate adjustment for DEMCO. Additionally, DEMCO feels that there is no disadvantage to
19 its members to submitting an FRP filing based on a 2020 Test Year. As in the past, there
20 is always the possibility that the FRP filing may result in a rate decrease for DEMCO's
21 members.

22 One final comment concerning Mr. Nalepa's recommendation of 2021 being the first test
23 year of DEMCO's 4-year FRP would be that DEMCO purposely filed asking for the first
24 year to be 2020 due to a new power supply contract that is expected to be in place in April
25 of 2024. DEMCO's reasoning was to have the 4-year period of FRP test years to end in

1 2023, the last full year of the current power supply agreement. DEMCO would then have
2 an opportunity to make an appropriate rate filing in 2024 that could restructure DEMCO's
3 rates to better reflect the provisions of a new Power Supply Agreement.

4
5 Q. ON PAGE 21 OF MR. NALEPA'S DIRECT TESTIMONY HE STATES THAT HE
6 DISAGREES WITH "RESETTING THE CTIER TO THE MIDPOINT OF THE
7 BANDWIDTH IN THE EVENT THAT THE CTIER FALLS BELOW THE LOWER LIMIT
8 OR ABOVE THE UPPER BAND." ON PAGES 22-23, MR. NALEPA PRESENTS
9 INFORMATION INDICATING THAT DEMCO'S RATES WOULD NOT HAVE BEEN
10 SIGNIFICANTLY DIFFERENT HAD DEMCO USED THE LOWER AND UPPER BAND
11 LIMITS TO ESTABLISH REVENUE LEVELS. DO YOU AGREE WITH MR. NALEPA'S
12 FINDINGS?

13
14 A. No. DEMCO requested copies of Mr. Nalepa's workpapers to review and verify the
15 accuracy of his calculations. Mr. Nalepa declined DEMCO's request to provide copies of
16 these calculations. DEMCO performed its own set of calculations to determine the
17 impact of removing the midpoint (1.45 TIER) from the FRP. DEMCO's analysis utilized
18 the resulting calculations as agreed to by both DEMCO and the LPSC using the midpoint
19 of the FRP calculations for the period 2014 – 2017. These calculations were then
20 modified to remove the midpoint provision and utilize either the upper or lower limit of the
21 bandwidth to determine the appropriate revenue level. As each year's calculation was
22 completed, an adjustment was made to the next FRP submittal's base rate revenues to
23 reflect the adjusted FRP revenue factor.

1 The results of DEMCO's calculations and analysis are contained in Appendix - 1 of this
2 Rebuttal Testimony. As indicated in the Appendix, DEMCO's analysis determined that
3 the difference in revenue between use of the midpoint and the use of the upper and
4 lower bands of FRP would have amounted to \$1,064,609 for the period examined. The
5 \$1,064,609 difference identified by DEMCO is far greater than the \$19,078 as indicated
6 in Mr. Nalepa's report. I would also like to point out that the LPSC has supported the use
7 of the midpoint in FRP bandwidths to establish revenue levels in filings prepared by all of
8 the five (5) electric cooperatives currently utilizing Formula Rate Plans. A list of these
9 cooperatives and associated dockets is found below:

11	Beauregard Electric Cooperative, Inc.	Docket No. U-31408
12	Claiborne Electric Cooperative, Inc.	Docket No. U-35117
13	Concordia Electric Cooperative, Inc.	Docket No. U-35194
14	Jefferson Davis Electric Cooperative, Inc.	Docket No. U-35183
15	Pointe Coupee Electric Membership Corporation	Docket No. U-33917

16
17 Written testimony prepared by the LPSC consultants in each of the above filings
18 approving FRPs for these five (5) cooperatives indicates support for the FRP midpoint
19 provision. In fact, the LPSC recently approved the renewal of an FRP containing a
20 midpoint provision for an electric cooperative at its April 29, 2020 B&E meeting.
21 DEMCO would also like to point out that its last FRP filing which was approved by the

1 LPSC in Docket No. U-34717 included a provision to reset the CTIER to the midpoint of
2 1.45.

3 DEMCO feels that removal of the midpoint provision of its FRP would not be consistent
4 with the approved FRPs for the other electric cooperatives in the State of Louisiana.
5 The removal of the midpoint provision would result in DEMCO being treated differently
6 than all other electric cooperatives in the state currently utilizing FRPs.

7
8 **REBUTTAL OF REVIEW OF THE ADVANCED METERING SYSTEM (AMS)**
9 **CERTIFICATION FILING**
10

11 Q. BEGINNING ON THE TOP OF PAGE 32, MR. NALEPA BEGINS HIS DIRECT
12 TESTIMONY CONCERNING DEMCO'S RESPONSE TO COMPLIANCE WITH THE
13 TERMS AND CONDITIONS OF THE AMS GENERAL ORDER. ARE HIS COMMENTS
14 FAIR?

15
16 A. For the most part Mr. Nalepa's description of DEMCO's installation of AMS meters through
17 a pilot program without prior LPSC certification was fair; however, DEMCO would like to
18 underscore the changes implemented by their current leadership. When Randy Pierce
19 became CEO/General Manager in the summer of 2018 he hired a national consulting
20 group to look at staffing and overall operations within DEMCO. Through this review it
21 quickly became apparent that DEMCO was deficient in their ability to monitor LPSC
22 reporting requirements and respond to LPSC questions and concerns in a timely manner.
23 To address this issue he created the Regulatory Analyst position, which was filled in March
24 of 2019. Now DEMCO has someone responsible for managing the regulatory processes

1 at DEMCO to ensure compliance with all existing and future LPSC directives. Based on
2 this action I would respectfully request that instead of reviewing DEMCO's history
3 regarding the fulfillment of regulatory requirements, let us instead focus on DEMCO's
4 ongoing ability and commitment to comply with all future LPSC rules, orders, and
5 directives.

6
7 Q. ON PAGE 43, LINE NUMBER 8, MR. NALEPA INDICATES THAT HE DOES NOT
8 AGREE WITH DEMCO'S COST RECOVERY PROPOSAL. PLEASE ADDRESS
9 DEMCO'S POSITION AS IT RELATES TO THIS PORTION OF MR. NALEPA'S DIRECT
10 TESTIMONY.

11
12 A. Mr. Nalepa states, "Recovery of these AMS system costs should be no different than any
13 other cost incurred by DEMCO." The LPSC has recognized that significant plant
14 investments should be considered outside of traditional ratemaking methodologies.
15 Entergy identified several examples of significant plant investment projects considered
16 outside of traditional ratemaking procedures by the LPSC in its request for a customer
17 charge to recover AMS related expenses (LPSC Docket No. U-34320). The estimated
18 total cost of the DEMCO AMS project contained within DEMCO's Advanced Metering
19 System Certification Filing – 2019 is in excess of \$15 million (See Exhibit MRJ-1: Proposed
20 Charges for Rider AMS, assumes achieving a 1.45 TIER). The plant investment
21 associated with this AMS project and its related expenses represents a significant cost to
22 DEMCO that will ultimately benefit the membership as a whole, but could potentially be a
23 financial burden on the cooperative if timely and consistent recovery of expenses
24 associated with the investment is not available.

1 DEMCO notes that Entergy, an electrical provider utilizing an FRP to establish proper
2 revenue levels, also under the jurisdiction of the LPSC, requested and was recently
3 granted approval of an AMS customer charge during AMS deployment (Docket No.
4 U-34320). DEMCO argues that the precedent for request and approval of recovery of
5 AMS related expenses through a customer charge (fixed charge recovery product) by a
6 utility operating with an FRP was set by the approval of Entergy's AMS customer charge
7 in LPSC Docket No. U-34320, and further requests the Commission to grant DEMCO the
8 same allowances as previously afforded to other entities under their purview.

9 Mr. Nalepa's recommendation states, "... Staff proposed that DEMCO be permitted to
10 include these costs into annual FRP filings". The inclusion of these costs in annual FRP
11 filings will result in members paying varying amounts of additional revenue associated with
12 the recovery of AMS expenses as the FRP adjustment is applied as a percentage of base
13 rate revenues. Fundamentally, these costs should be recovered through a "fixed cost"
14 recovery system as they are directly related to known fixed costs: Depreciation, Taxes,
15 and Interest. Recovering these fixed costs through the FRP would result in higher kWh
16 usage members paying a greater percentage of the AMS expense recovery as their base
17 revenues are higher than members with lower kWh usage. DEMCO believes that the
18 recommendation of recovery through the FRP made by Mr. Nalepa is inconsistent with his
19 previous comments regarding subsidization in terms of the elimination of convenience
20 fees, as forcing higher kWh users to pay a larger portion of the AMS recovery through the
21 FRP ultimately results in these members subsidizing the cost of the lower kWh usage
22 members. Since AMS costs essentially do not vary by member usage, DEMCO feels that
23 it is only appropriate to recover these costs using a per-member charge as proposed in
24 the AMS Rider.

1 Unlike other major projects constructed by DEMCO, the AMS project will have an ongoing
2 impact on DEMCO's expense levels. The expenses associated with the AMS meters will
3 be included in DEMCO's financials as AMS meters are deployed. The recovery of AMS
4 related expenses through the FRP would delay DEMCO from receiving revenues to
5 support these expenses. DEMCO's FRP filings do not provide revenue relief until later in
6 the year in which the filing is made, typically known as the "regulatory lag". This would
7 require DEMCO to support the expenses associated with the AMS upgrade without the
8 benefit of rate relief. DEMCO's cash position and its ability to meet its TIER obligation to
9 its lenders would both be compromised without appropriate/timely rate relief. The Rate
10 Application associated with this docket does not include any expenses associated with the
11 AMS upgrade.

12 Lastly concerning this issue, once again, Mr. Nalepa states, "DEMCO be permitted to
13 include these costs into annual FRP filings, and those costs be subject to a Commission
14 prudence review and approval through the FRP review process." DEMCO is committed
15 to providing the LPSC with periodic reports on the progress of the AMS project. These
16 project reports will provide statistics on AMS installations and associated project related
17 costs. DEMCO feels that these reports will allow the LPSC to sufficiently monitor
18 DEMCO's progress on deployment and associated costs of its AMS upgrade.

19
20 Q. ON PAGE 44, LINE 13, MR. NALEPA MENTIONS DEMCO'S MEMBER EDUCATION
21 PROGRAM THAT WILL BE DESIGNED TO PROVIDE FACTS ABOUT THE AMI/RF
22 TECHNOLOGY. WOULD DEMCO LIKE TO PRESENT ANY INFORMATION TO THE
23 LPSC CONCERNING THIS PROGRAM?
24

1 A. Yes. In Mr. Michael Johnson's Direct Testimony on page 10 he states, "DEMCO will
2 implement a member education program that will address some of the misinformation
3 surrounding RF technology as well as the many member benefits associated with this
4 AMS upgrade project." Contained within this Rebuttal Testimony are three (3)
5 appendices that DEMCO has developed as its campaign to inform and educate the
6 membership on the AMS upgrade project. Appendix - 2 is a 2-sided door hanger that
7 informs the member that his/her Smart Meter has been installed. The front side of the
8 door hanger includes basic information focusing on the benefits of the AMI/Smart Meter.
9 The back side of the door hanger provides details as to who successfully installed the
10 meter as well as the date and time of the meter changeout. Please note, the member will
11 experience a brief interruption of service during the changeout. Appendix - 3 is a letter
12 executed by DEMCO's CEO/General Manager informing the member that their meter will
13 be changed out in the near future. The letter gives the member a short explanation of the
14 benefits of AMI/Smart Meter technology as well as a description of the meter change out
15 process. DEMCO plans on mailing out this letter within two weeks of actual meter
16 changeout so the member is given fair notice since the member will experience a short
17 interruption of service. Appendix - 4 is bill stuffer that will be included in the member's bill
18 prior to their scheduled meter changeout period. It is a condensed version of the previous
19 documents, meant to alert the member to the upcoming program and give a short
20 summary of benefits. Appendix - 5 is a multipage Frequently Asked Questions (FAQ)
21 document that educates the membership on AMI/Smart Meter technology. The FAQ
22 addresses potential member concerns about member data/information privacy, security
23 from potential hackers, and health issues. The FAQ provides basic information on why
24 and how DEMCO will be implementing the massive meter changeout. Lastly, the FAQ
25 informs the member on the process of "opting out" of the program if they wish to do so.

1 DEMCO will post this document on its website to allow its members access to this
2 information at any time.

3
4 Q. ON PAGE 47, LINE 17, MR. NALEPA BEGINS TO OUTLINE HIS RECOMMENDATIONS
5 FOR REPORTING REQUIREMENTS DURING AND AFTER THE IMPLEMENTATION
6 PERIOD OF DEMCO'S AMS UPGRADE PROJECT. DOES DEMCO AGREE WITH THE
7 REPORTING FREQUENCY AS RECOMMENDED BY MR. NALEPA?

8
9 A. No, DEMCO does not agree with the frequency of reporting as recommended by Mr.
10 Nalepa. DEMCO simply does not have the personnel resources on hand to compile and
11 submit reports on a monthly basis. Monthly reporting would require the efforts of at least
12 four different individuals every single month, in addition to the work that they currently
13 perform. As has previously been noted in the National Consulting Group study provided
14 to the Commission through the data request dated October 13, 2019, on Docket No. X-
15 35131, DEMCO is shown to operate at a staffing level significantly lower than that of other
16 comparable cooperatives across the country. Monthly reporting would simply stretch these
17 already limited resources much beyond their capacity. The other alternative would be to
18 hire an outside consultant to prepare and submit monthly reports on behalf of DEMCO.
19 DEMCO also does not see this as a viable option since outside consultants are typically
20 paid at a rate much higher than that which DEMCO compensates its own employees, thus
21 creating an additional expense that would need to be recovered from the rate payers.
22 Additionally, DEMCO would still need to dedicate man hours of its staff each month to
23 gather the data to provide to the consultant. DEMCO further objects to monthly reporting
24 due to the manner in which the financial books are closed each month. As is standard
25 practice in this industry, DEMCO does not close the book for a particular month until

1 approximately six (6) weeks following the end of that month. By DEMCO supplying data
2 monthly, the Commission would not be provided with a true picture of the project's
3 progress. Based on the reasons outlined above, DEMCO is proposing to provide the
4 Commission with project reports on a quarterly basis during the implementation phase,
5 with bi-annual reports to continue as stipulated in Staff's initial response.

6
7 Q. AT THIS POINT, WOULD DEMCO LIKE TO ADDRESS ANY OTHER CONCERNS THEY
8 HAVE WITH MR. NALEPA'S DIRECT TESTIMONY?

9
10 A. Yes. As indicated earlier, DEMCO is requesting that the LPSC reconsider (1) the removal
11 of the CTIER midpoint provision of the FRP, (2) the 2020 Test Year for the first filing of
12 the FRP and (3) the use of an AMS Rider to recover AMS related expenses. As DEMCO
13 sees it, Mr. Nalepa presents three (3) primary positions/recommendations that cause
14 DEMCO a great deal of concern. The first of these positions begins on page 21 of Mr.
15 Nalepa's Direct Testimony. In this portion of the document Mr. Nalepa states that he
16 disagrees with DEMCO's request of resetting the CTIER to the midpoint of the FRP
17 Bandwidth in the event the CTIER falls below the Lower Band or above the Higher Band.
18 Secondly, on page 24, Mr. Nalepa recommends that this first FRP filing be based on a
19 test year-end of 2021 (instead of DEMCO's proposal of test year-end of 2020) to allow a
20 full year at new rates. Lastly, on page 43, Mr. Nalepa disagrees with DEMCO's proposal
21 to utilize an AMS Rider, and instead proposes that the recovery of the AMS upgrade costs
22 be addressed via the FRP process.

23 Individually, each of these recommendations would be harmful to DEMCO's ability to meet
24 ongoing financial covenants year-to-year, but the approval of all three would place
25 DEMCO's long term financial stability in a precarious position. In 2019 DEMCO obtained

1 a RUS TIER of 1.15, which is below the RUS minimum TIER of 1.25. At this point in 2020
2 DEMCO is forecasting a TIER well below 1.00, which is once again significantly below the
3 RUS minimum of 1.25. Given this scenario, DEMCO would be required to achieve a TIER
4 of 1.35 in 2021 to remain compliant with RUS mortgage obligations (1.25 average TIER,
5 best 2 of last 3 years). DEMCO may lose its access to low interest long-term debt
6 financing if it is unable to meet its minimum mortgage covenants. An FRP filing based on
7 a 2021 Test Year would not ensure that DEMCO's revenue level is set to meet a 1.35
8 TIER in 2021. An FRP filing based on a 2020 Test Year without a midpoint provision
9 would provide DEMCO with no ability to meet the needed 1.35 TIER level should
10 DEMCO's kWh sales level decrease or DEMCO experience an unexpected increase in
11 expenses due to minor weather events in its service area. In addition, the FRP would not
12 be put in effect until late 2021 and would more than likely not provide the level of rate relief
13 needed in 2021 to allow DEMCO to meet the needed 1.35 TIER. The lack of a method to
14 recover AMS related expenses would further place DEMCO at risk of being unable to meet
15 its needed TIER level in 2021.

16 As indicated earlier, removal of the midpoint provision would provide DEMCO with less
17 revenue thereby making it more difficult for DEMCO to continue to meet its mortgage
18 obligations in the future. A mild weather year or multiple small weather events during a
19 year can have a significant impact on revenues and expenses. These events would cause
20 DEMCO to not meet its minimum TIER levels if the lower bandwidth is used to set
21 DEMCO's revenue levels. The use of the CTIER midpoint provision provides DEMCO
22 with a much-needed cushion to ensure that DEMCO will meet its mortgage obligations
23 and will continue to have access to the long-term, low interest financing to be used for
24 future capital projects.

1 I will address both the second and third recommendations together as one issue in this
2 section as they directly impact one another. If the Commission were to agree with Mr.
3 Nalepa's recommendation of using 2021 as the first FRP test year and his proposed denial
4 of DEMCO's AMS Rider request, DEMCO would have already expended most of the AMS
5 program cost before the first dollar was ever recovered through the FRP as recovery
6 dollars would not begin to flow to DEMCO until September 2022. At this time, DEMCO
7 expects to complete the AMS project within a 24-month period, with implementation
8 commencing upon LPSC approval of Docket No. U-35359 presumably in August or
9 September of 2020 based on the original filing date of August 15, 2019. As previously
10 mentioned in this Rebuttal Testimony, based on this schedule DEMCO would have
11 expensed an expected \$2,306,451 during those first 24 months, before one dollar of
12 recovery was received. Using DEMCO's Exhibit B.1 LTD Interest amount of \$14,456,575
13 equates to an annual estimated TIER reduction of $((\$2,306,451/2) =$
14 $\$1,153,226/\$14,456,575 = .08)$. This would effectively reduce the approved 1.45 TIER
15 level in the Rate Application to 1.37. This timeline would also result in two consecutive
16 periods of two years or more with DEMCO receiving no level of rate relief through the FRP
17 process (04/2018 – 09/2020 and 09/2020 – 09/2022).

18 Should the LPSC decide not to approve DEMCO's original request for an AMS Rider as
19 the means of recovery for AMS related expenses, DEMCO would request for the
20 Commission to include an additional \$814,235 of AMS related expenses in its Rate
21 Application (See Appendix – 6), which is the expected first 12 months cost of the AMS
22 implementation. This alternate approach would "match" the expenditures of cost with the
23 timely recovery of revenues.

1 Q. COULD DEMCO EXPLAIN HOW THEIR REQUESTED ANNUAL RECOVERY OF
2 \$814,235 IN AMS RELATED EXPENSES WAS DETERMINED?

3
4 A. The \$814,235 from above was taken from Exhibit MRJ-1 of the Advanced Metering
5 System Certification Filing, Page 1 of 3, Column 12 (Total Recoverable Annual Cost), Line
6 12 less Column 11 (TIER/Expense/Annual), Line 12. The calculation is as follows:
7 \$908,962 - \$94,277 = \$814,235. The inclusion of this cost is also shown in the calculation
8 on Appendix - 6.

9
10 **SUMMARY AND RECOMMENDATIONS**

11
12 Q. MR. JOHNSON, PLEASE SUMMARIZE YOUR REBUTTAL OF MR. NALEPA'S DIRECT
13 TESTIMONY.

14
15 A. **Summary regarding recommended changes to proposed revenue requirement:**

16
17 1. DEMCO would be willing to accept Mr. Nalepa's recommendation of reducing
18 hourly tree trimming crews by \$326,401.

19 2. DEMCO would be willing to accept Mr. Nalepa's recommendation of reducing
20 mechanical ROW tree trimming by \$1,012,197.

21 3. DEMCO does not agree with Mr. Nalepa's adjustment of AFUDC (Allowance for
22 Funds Used During Construction). DEMCO believes the amount included within the Rate
23 Application is the correct adjustment.

24 4. DEMCO does not agree with Mr. Nalepa's adjustment to eliminate credit card
25 convenience fees. While DEMCO understands Mr. Nalepa's remarks concerning

1 subsidization, DEMCO believes Mr. Nalepa fails to recognize the \$748,155 of social costs
2 borne by the overall membership as well the enhanced member payment services that
3 elimination of the credit card convenience fee would provide.

4
5 **Summary regarding recommended changes to proposed FRP:**

6
7 5. DEMCO would agree with Mr. Nalepa's recommended approach to extraordinary
8 revenues with the addition of DEMCO's proposed remedy to have LPSC Staff notify
9 DEMCO of their decision within 15 calendar days of receipt of DEMCO's notice of
10 Extraordinary Expense/Revenue adjustment. In the event LPSC Staff fails to notify
11 DEMCO within that 15-day window then DEMCO would be allowed to include its
12 Extraordinary Expense/Revenue adjustment in the FRP filing.

13 6. DEMCO disagrees with Mr. Nalepa's recommendation of a March 15th FRP filing
14 date. The May 15th filing date proposed by DEMCO was to allow the test year to be filed
15 using year-end audited financial data.

16 7. DEMCO strongly disagrees with Mr. Nalepa's recommendation of eliminating the
17 CTIER calculation. Mr. Nalepa filed Table 1 (top of page 23 of his Direct Testimony) and
18 was later requested by DEMCO to provide Excel spreadsheets, work papers and the like
19 to support Table 1 (DEMCO Data Request 1-2); Mr. Nalepa declined DEMCO's request.
20 DEMCO has included in this proceeding (see Appendix - 1) the calculation that proves Mr.
21 Nalepa erred in his assumption that the net impact to DEMCO during the four-year period
22 of 2014 - 2017 would have only been \$19,078. DEMCO's calculation determined the total
23 to be \$1,064,609. Further, Mr. Nalepa offered no basis to support his position removing
24 DEMCO's midpoint provision, which is contrary to the LPSC's precedent that has been
25 set with other cooperatives in the state.

1 8. DEMCO also disagrees with Mr. Napela's recommendation of using year-end 2021
2 as the first year of the FRP vs. year-end 2020 as proposed within the original filing. At the
3 conclusion of this Rate Application DEMCO will presumably receive some level of rate
4 increase, the first adjustment of any type (positive or negative) in over two years as the
5 last FRP increase was implemented in April of 2018. Should the LPSC approve Mr.
6 Nalepa's proposal DEMCO would be forced to wait another two years to implement an
7 adjustment (positive or negative) through the Formula Rate Plan process. This timeline
8 requires DEMCO to repeatedly absorb two years of cost fluctuations without the
9 associated benefit of a rate adjustment.

10
11 **Summary regarding recommended changes to proposed AMS Filing:**

12
13 9. DEMCO disagrees with Mr. Nalepa's recommendation of denying DEMCO's
14 proposed AMS Rider. Mr. Nalepa recommended the recovery of AMS dollars be made
15 via the FRP process; however, he also recommends year-end 2021 as the first FRP test
16 year which would translate to DEMCO being almost fully deployed before any offsetting
17 revenue dollars are collected. This scenario would cause DEMCO financial harm.

18 10. DEMCO disagrees with Mr. Nalepa's monthly filings requirements as they appear
19 within his Direct Testimony pages 47 & 48. Monthly reports are burdensome on DEMCO's
20 already limited staff. Due to labor constraints, DEMCO proposes quarterly reporting during
21 the implementation phase.

22
23 Q. IS DEMCO WILLING TO PROVIDE AN ALTERNATE APPROACH FOR THE
24 RECOVERY OF AMS COSTS TO FACILITATE A SETTLEMENT OF THIS
25 PROCEEDING?

1

2 A. Yes, while DEMCO still firmly believes that its original request of recovering the AMS
3 system upgrade costs through the Proposed AMS Rider is in the best interest of both the
4 cooperative and the membership, DEMCO would be willing to withdraw its AMS Rider
5 proposal if the LPSC would allow DEMCO to include recovery of expected AMS costs into
6 its base rates. DEMCO would propose a revised revenue requirement increase of
7 \$3,426,964, which includes accepting Mr. Nalepa's recommendations concerning tree
8 trimming dollars (See Appendix – 6). Under this proposal DEMCO believes it will be able
9 to maintain its financial obligations to its lenders while still making a significant investment
10 into AMS technology.

11

12 Q. DOES DEMCO HAVE ANY FINAL COMMENTS TO BE INCLUDED WITHIN THIS
13 REBUTTAL TESTIMONY?

14

15 A. Yes, DEMCO would like to include a few comments to bring to the attention of the LPSC.
16 Assuming the LPSC approves DEMCO's revised revenue increase of \$3,426,964, the
17 overall percentage increase to the entire membership translates to a mere 1.5%. This
18 small increase would help DEMCO to match up the rates with the various cost increases
19 that have occurred in the two years since DEMCO's last rate adjustment.
20 Finally, DEMCO would like to demonstrate the small impact that the requested increase
21 would have on two of DEMCO's residential tariffs, Rate A and Rate AWS. Appendix – 7
22 takes residential billing amounts from the LPSC's April 2020 Residential Bill Comparison
23 report for both 1,000 and 1,500 kWh consumptions. Based on this report, DEMCO's Rate
24 AWS currently is the lowest in the state. A member on this rate at both the 1,000 and
25 1,500 kWh consumption levels would continue to benefit from a monthly bill that is within

1 the lower quartile of all providers in the state. Members served on DEMCO's Rate A will
2 still benefit from rates lower than other higher priced providers. A 1,000-kWh user can
3 expect a monthly bill 9.42% lower than the highest, while a 1,500-kWh user can expect
4 one 10.45% lower than the highest. By comparison, prior to this proposed rate increase
5 the same bills would have been 11.89% and 12.14% lower than the highest, respectively.
6 As shown, the increase requested in this filing will have very little impact on the competitive
7 position in which DEMCO currently resides and still allow DEMCO to provide its members
8 with reliable, reasonably priced electricity.

9
10 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

11
12 A. Yes, it does.

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION
DOCKET NO. U-35359

IN RE: Request of Dixie Electric Membership Corporation,
for Rate Relief and Advanced Metering System Certification Filing

AFFIDAVIT OF WITNESS

I, Michael R. Johnson, being duly sworn, depose
that the Rebuttal Testimony in the
above referenced matter on behalf of
Dixie Electric Membership Corporation,
is true and correct to the best of my knowledge, information and belief.

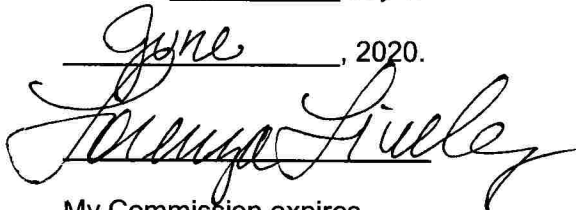


Michael R. Johnson

Subscribed and sworn before

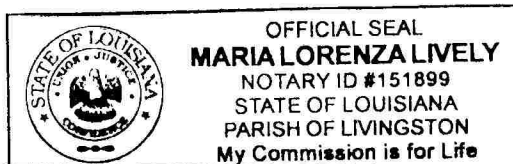
me this 1st day of

June, 2020.



My Commission expires

commissioned for life



Appendix - 1

Docket No. U-35359 Rebuttal Testimony

DEMCO

DEMCO's Review of FRP Midpoint vs. Upper/Lower Bandwidth Options

	<i>Reset to Midpoint</i>		<i>Reset to U/L Band</i>		<i>Difference</i>
2014	-4.69%	(\$6,550,652)	-3.73%	(\$5,204,440)	(\$1,346,212)
2015	3.52%	\$4,940,650	2.57%	\$2,270,028	\$2,670,622
2016	-1.81%	(\$2,457,565)	0.00%	\$0	(\$2,457,565)
2017	5.18%	\$6,868,014	3.42%	\$4,670,250	\$2,197,764
Totals		\$2,800,447		\$1,735,838	\$1,064,609



INTRODUCING SMART METER TECHNOLOGY:

Your meter is smarter than ever

DEMCO is excited to bring its members the most advanced meter reading technology for enhanced member benefits and service.

BENEFITS INCLUDE:

Convenient - automatic energy usage reports, voltage and outage information means DEMCO can quickly detect an outage even if you're not home to report it.

Accurate - meters are read at predetermined times, helping to identify when and how you are using electricity to help with energy use and cost savings.

Enhanced Safety - self-detection of voltage issues means we can remotely monitor the safety and status of your meter.

Faster Restoration - faults can be isolated quickly and some circuits automatically switched to another feeder, so that members can be restored within minutes.

More Control - with more information about how much power you use and when, you can identify ways to conserve energy and save money.

Updated Technology - radio frequency technology is used to receive meter information.

Member Safety - remote encrypted data keeps your information safe, and tampering detection provides an added level of security.

Enhanced Member Service - with this digital link between DEMCO and our members, there is potential for new and expanded services, such as smart home energy management, load control, budget billing, usage alerts, outage notifications, and time-varying pricing.

LEARN MORE AT





DEMCO

A Touchstone Energy
Cooperative 

CONGRATULATIONS!

Your DEMCO Smart Meter was
successfully installed on:

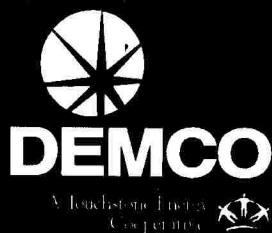
DATE:

TIME:

TECHNICIAN:

Have questions or to learn more?
visit **DEMCO.org**





INTRODUCING SMART METER TECHNOLOGY:

Your meter is smarter than ever

John Smith
123 Memory Lane
Greenwell Springs, LA 70739

Dear John Smith,

DEMCO is excited to bring our members the most advanced meter reading technology for enhanced benefits and service: Smart Meter Technology. This technology is being implemented across the country, and we are proud to be on the forefront of utilities services in this region.

Smart Meters are digital meters that measure and record electricity usage data hourly so that they can communicate a household's energy consumption to DEMCO in real-time. These Smart Meters have more features than the current meters and will allow DEMCO to provide better service to our members.

What are the key member benefits?

Convenient - automatic energy usage reports, voltage and outage information means DEMCO can quickly detect an outage even if you're not home to report it.

Accurate - meters are read at predetermined times, helping to identify when and how you are using electricity to help with energy use and cost savings.

Enhanced Safety - self-detection of voltage issues means we can remotely monitor the safety and status of your meter.

Faster Restoration - faults can be isolated quickly and some circuits automatically switched to another feeder, so that members can be restored within minutes.

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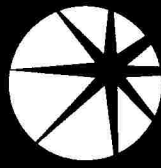
Enhanced Member Service - with this digital link between DEMCO and our members, there is potential for new and expanded services, such as smart home energy management, load control, budget billing, usage alerts, outage notifications, and time-varying pricing.

DEMCO has already installed approximately 30,000 Smart Meters and aims to install the more than 70,000 that remain by the end of 2022. DEMCO will send an automated call to tell you when meters in your area are scheduled for change-out; you will also receive notification by mail prior to the meter being changed. Our meter installation vendor, Texas Meter and Device Company, will attempt to notify each resident upon arrival; if no one is available and the meter is accessible, the installer will leave a door hanger and proceed with the meter exchange. If you are home, you will notice a brief power interruption. This program is based on 100% acceptance rate; however, requests to opt-out of the Smart Meter upgrade program will be addressed on a case-by-case basis.

As always, our focus remains on providing the very best in utilities service, and Smart Meters are the next step in DEMCO's commitment to our members. **Learn more at www.DEMCO.org.**

Sincerely,

Randy Pierce
CEO and General Manager



DEMCO

A Touchstone Energy
Cooperative

INTRODUCING SMART METER TECHNOLOGY:

Your meter is smarter than ever

DEMCO is excited to bring its members the most advanced meter reading technology for enhanced member benefits and service.

LEARN MORE AT **DEMCO.org**



/DEMCOLouisiana

BENEFITS INCLUDE:

Convenient - automatic energy usage reports, voltage and outage information means DEMCO can quickly detect an outage even if you're not home to report it.

Accurate - meters are read at predetermined times, helping to identify when and how you are using electricity to help with energy use and cost savings.

Enhanced Safety - self-detection of voltage issues means we can remotely monitor the safety and status of your meter.

Faster Restoration - faults can be isolated quickly and some circuits automatically switched to another feeder, so that members can be restored within minutes.

More Control - with more information about how much power you use and when, you can identify ways to conserve energy and save money.

Updated Technology - radio frequency technology is used to receive meter information.

Member Safety - remote encrypted data keeps your information safe, and tampering detection provides an added level of security.

Enhanced Member Service - with this digital link between DEMCO and our members, there is potential for new and expanded services, such as smart home energy management, load control, budget billing, usage alerts, outage notifications, and time-varying pricing.

This program is based on 100% acceptance rate; however, requests to opt-out of the Smart Meter upgrade program will be addressed on a case-by-case basis.



Smart Meter

Frequently Asked Questions

What is Advanced Metering Infrastructure (AMI)?

(AMI) or **Smart Meters** are digital meters that measure and record electricity usage and automatically report the data to DEMCO using radio frequency technology.

Why are they called Smart Meters?

These meters are "Smart" because they have built-in technology to measure energy usage, voltage and outages; then they can automatically report this information directly to DEMCO. Using technology that has been well-established for many years as a safe and secure alternative to manual meter reading, members can enjoy enhanced services.

Why is DEMCO changing out meters?

About 30,000 DEMCO meters are already Smart. DEMCO will change-out the more than 70,000 meters that remain, so that all members are part of the Advanced Metering Infrastructure. Giving all members access to Smart Meter technology means our members receive electricity via the safest, most reliable and most affordable distribution system available.

How does a Smart Meter work?

Smart Meters measure your kilowatt hour (kWh) usage of electricity and transmit that information to DEMCO using wireless radio frequency (RF) technology. RF technology is the same technology as used with common items already in your home such as baby monitors, microwaves, wi-fi networks, and cell phones.

When will I get a Smart Meter?

Not every DEMCO meter will be changed – about 30,000 DEMCO meters are already Smart. DEMCO aims to change the more than 70,000 meters that remain by the end of 2022. If your meter is scheduled for a change-out, you will be notified in advance.

Who will change my meter?

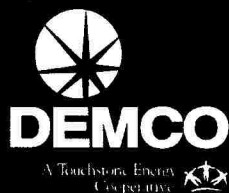
Our meter installation vendor, Texas Meter and Device Company (TMD), will be changing out the meters. Personnel will wear a TMD uniform, have identification cards, and their vehicles will be clearly marked with a sticker that reads "Licensed contractor of DEMCO."

Smart Meter Benefits:

- **Convenient** – Smart Meters automatically report energy usage, voltage and outage information to DEMCO, so you don't have to! This means DEMCO can quickly detect an outage, even if you're not home to report it.
- **Accurate** – Smart Meters automatically send in the meter reading at predetermined times, so over time, it helps identify when and how you are using electricity. Over time, this helps with energy use and your budget.
- **Enhanced Safety** – Smart Meters can self-detect voltage issues and automatically send information to DEMCO, which means we can remotely monitor the safety and status of your meter.
- **More Control** – Smart Meters can provide information about how much power you use and when. This information can help you make informed energy-use choices and identify ways to conserve energy and save money.
- **Updated technology** – Smart Meters use radio frequency technology – the same type of technology that is used for baby monitors, microwave ovens and wifi – to receive meter information.
- **Member safety** – Smart Meters can communicate with DEMCO using remote encrypted data to keep your information safe. Smart Meters can also detect tampering and transmit that information to DEMCO which is an added level of security.
- **Enhanced member service** – Smart Meters provide a digital link between DEMCO and our members, and there is potential for new and expanded services, such as smart home energy management, load control, budget billing, usage alerts, outage notifications, and time-varying pricing.

Who owns the meter on my home or business?

DEMCO owns the meter. The property owner owns the meter enclosure box and all of the wiring in the home or business.



Smart Meter

Frequently Asked Questions

How will I be notified that my meter is scheduled to be changed?

DEMCO will send an automated call to tell you when meters in your area are scheduled for change-out. You will also receive notification by mail prior to the meter being changed. When our meter installation vendor, Texas Meter and Device Company (TMD), arrives at your home, the installers will knock at the door to let you know they are there to replace your meter. The installers will not need nor will they request to enter your home. They also will not request any personal or payment information from you for the meter replacement service.

How will I know when my meter is changed?

Our meter installation vendor, Texas Meter and Device Company (TMD), will attempt to notify the resident upon arrival that the meter is being replaced. If no one is available and the meter is accessible, the installer will leave a door hanger and will proceed with the meter exchange.

What will happen when my meter is replaced?

During the process, you will notice a brief power interruption. When the installation is complete, our meter installation vendor, Texas Meter and Device Company (TMD), will leave a door hanger at your location to let you know your meter has been replaced.

Do I need to do anything to get ready for the meter replacement?

Most members do not need to do anything to prepare for the meter replacement. If meter access is obstructed in some way, those obstructions should be removed.

What if the meter installer arrives and my meter is obstructed so they cannot change my meter?

Our meter installation vendor, Texas Meter and Device Company (TMD), will leave a door hanger and phone number for the member to call and schedule the change-out once the meter is clearly accessible.

Will my bill go up with a Smart Meter?

Smart Meters will not directly cause your bill to go up. However, if the old meter removed was not recording energy usage accurately, increased bills are possible.

Are other electric companies using Smart Meters?

Smart Meter installations in the U.S. are expected to reach 107 million by the end of 2020, averaging about 10 million new installations annually.

Will all members be required to accept a Smart Meter?

All DEMCO members are entitled to enjoy and participate in the new and improved services available as a result of advanced metering technology. This program is based on 100% acceptance rate; however, requests to opt-out of the Smart Meter upgrade program will be addressed on a case-by-case basis.

Will DEMCO need to access my Smart Meter in the future?

Smart Meters include technology which allows readings to be automatically submitted to DEMCO. However, DEMCO may need to access the Smart Meter at a future date to provide service or perform periodic quality control. The Smart Meter should always remain clearly accessible to the extent possible to allow for safe service at your location.

Does the Smart Meter interfere with other household appliances, such as computer routers, television signals, cordless phones, etc.?

Smart Meters operate in an approved FCC radio spectrum and will not interfere with existing RF devices due to mandatory FCC compliance regulations. The FCC regulates all electronics to prevent one type of electronic equipment from interfering with other electronic and wireless devices that operate in the same frequency band.

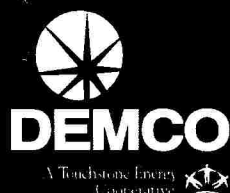
Does the Smart Meter interfere with my HAM radio or will my HAM radio interfere with the Smart Meter?

No. HAM radio operates on a different frequency, so smart meters will not interfere.

I have solar power at my home. Does the Smart Meter work with that?

Smart Meters will record "net metering" the same as existing mechanical or electronic meters do today.





Smart Meter

Frequently Asked Questions

Do Smart Meters interfere with medical devices such as pacemakers?

The wireless signals from Smart Meters comply with all Federal Communications Commission (FCC) regulations for commonly used utility wireless devices. Medical device manufacturers advise people to consult with their physicians regarding radio signal interference if this is a concern.

Are Smart Meters safe?

Smart Meter technology has been well-established for many years as a safe and secure alternative to manual meter reading. The technology selected by DEMCO has been submitted and certified to be within all FCC and RF safety standards, the same standards as RF devices currently used in your home or business.

Is a Smart Meter safe for homes with older wiring?

Smart meters do not add load to the member's home. Smart Meters are powered by energy provided by DEMCO and only monitor the energy consumed by the member's home.

Since Smart Meters use Radio Frequency (RF) waves to transmit data, is that dangerous to me and my family?

Smart Meters are only known by their ID on the AMI network, and no member account information such as name or address is broadcast by the meter. Data from the meter is also encrypted, further securing the network and information.

- **Smart Meters** are in the same category as baby monitors, microwaves, residential wi-fi networks, and cell phones.
- **Smart Meters** use minimal levels of (RF) transmissions – they are categorized as low radiation and cannot penetrate our body. RF waves are not cancer-causing.

COMPARISON OF RF POWER DENSITY IN THE EVERYDAY ENVIRONMENT

Device Relative Power Density in microwatts per square centimeter

• FM radio or TV broadcast station signal	0.005
• Smart Meter™ device at 10 feet	0.1
• Cyber cafe (Wi-Fi)	10 - 20
• Laptop computer	10 - 20
• Cell phone held up to head	30 - 10,000
• Walkie-Talkie at head	500 - 42,000
• Microwave oven, two inches from door	5,000

Source: Richard Tell Associates, Inc. 3

Is the DEMCO AMI Smart Meter network secure?

Cyber security is nothing new to the utility industry. We have extensive experience maintaining cyber security for information systems and operating the electricity grid. While AMI meters have added a new component to our system, the meters, communications and information management are subject to the same Department of Energy security standards that keep the grid secure.

How is my personal data protected?

No member account information such as name or address is broadcast by the meter. Data from the meter is also encrypted, further securing the network and information.

How does DEMCO protect against hackers and security breaches?

DEMCO and other utilities already take careful measures to prevent unauthorized access to computers that control critical electrical systems. Cyber security is not new to us, and we routinely protect highly sensitive data from unauthorized access through the use of encryption technologies.

Can unauthorized people monitor my account to learn more about energy use in my home?

All DEMCO meter information is encrypted, preventing any unauthorized access to member energy consumption information.

Is it easy for someone to tamper with my meter and energy use?

Smart Meters can detect tampering in real time. Tampering or energy theft is recorded and transmitted to DEMCO, which means we can help monitor your meter if anyone attempts to tamper with it.

Notes:

- Smart Meter installations in the U.S. are expected to reach 107 million by the end of 2020, averaging about 10 million new installations annually.
- In 2018, Louisiana reported a total of 478,000 **Smart Meters** installed: 307,000 investor-owned; 171,000 public or co-op owned.
- For the purposes of these talking points, the electric power industry includes electric cooperatives, investor-owned electric companies, public power utilities, and federal utilities.

Sources: Report: Electric Company Smart Meter Deployments: Foundation for a Smart Grid (2019 Update) Institute for Electric Innovation 701 Pennsylvania Avenue, N.W. | Washington, D.C. 20004-2696
Centers for Disease Control and Prevention



Appendix - 6
Docket No. U-35359 Rebuttal Testimony
DEMCO
Statement of Operations - Proforma 2018

	As Filed		Proposed LPSC Staff Reductions as Accepted by DEMCO		DEMCO Proposal	Adjusted
1. Operating Revenue						\$226,024,269
2. Power Costs						136,907,211
Gross Margins (Rev - PC)						\$89,117,058
3. Transmission Expense						727,505
4. Distr. Exp. - Operation						9,034,790
5. Distr. Exp. - Maint.						18,344,341
6. Consumer Accounts Exp.						7,245,091
7. Customer Service Exp.						537,507
8. Sales Expense						1,479,020
9. Admin. & Gen.						8,589,629
New AMS First Yr. Implementation Costs						603,731
10. Total O & M Expense						\$183,468,825
11. Depreciation Expense						20,950,548
12. Property Tax Expense						5,111,063
13. Other Taxes						914,201
14. L-T-D Interest						14,667,079
15. Interest - Construction Credit						-520,200
16. Interest Exp. - Other						395,948
17. Other Deductions						611,733
18. Total Cost of Electric Service						\$225,599,195
19. Operating Margins						\$425,074
20. Non-Operating Margins - Interest						1,044,391
21. Income (Loss) Equity Investment						525,831
22. Non-Operating Margins - Other						615,363
23. Other Capital Credits						562,563
24. Extraordinary Items						0
25. Margins						\$3,173,222
26. TIER						1.22

Appendix - 6
Docket No. U-35359 Rebuttal Testimony
DEMCO
Revised TIER Calculation

Times Interest Earned Ratio (TIER) Calculation

1. DEFINITION

$$\text{TIER} = (\text{Margins PLUS Long Term Debt Interest}) / (\text{Long Term Debt Interest})$$

2. ADJUSTED TEST YEAR TIER CALCULATION

$$\text{Margins} = \$3,173,222$$

$$\text{Long-Term Debt Interest} = \$14,667,079$$

$$\begin{aligned} \text{TIER} &= ((\$3,173,222 + \$14,667,079) / \$14,667,079) \\ &= 1.22 \end{aligned}$$

3. DETERMINATION OF REQUIRED MARGINS FOR A 1.45 TIER

$$\begin{aligned} 1.45 &= (\text{Required Margins} + \$14,667,079) / \$14,667,079 \\ 1.45 * \$14,667,079 &= (\text{Required Margins} + \$14,667,079) \\ \$21,267,265 &= \text{Required Margins} + \$14,667,079 \\ \text{Required Margins} &= \$6,600,186 \end{aligned}$$

4. DETERMINATION OF ADDITIONAL REVENUE REQUIREMENT FOR A 1.45 TIER

$$\begin{aligned} \text{Revenue Requirement} &= \text{Required Margins for 1.45 TIER MINUS Adjusted Test Year Margins} \\ \text{Revenue Requirement} &= \$6,600,186 - \$3,173,222 = \$3,426,964 \end{aligned}$$

5. ADJUSTED TEST YEAR TIER CALCULATION including Revenue Requirement

$$\begin{aligned} \text{Margins} &= \$3,173,222 + \$3,426,964 = \$6,600,186 \\ &\quad (\text{Additional Revenue Requested}) \end{aligned}$$

$$\text{Long-Term Debt Interest} = \$14,667,079$$

$$\begin{aligned} \text{TIER} &= (\$6,600,186 + \$14,667,079) / \$14,667,079 \\ &= 1.45 \end{aligned}$$

1,000 kWh per Month

DEMCO Rate AWS	\$83.02
Claiborne	\$86.40
Panola-Harrison	\$87.29
NELPCO	\$87.98
CLECO	\$90.51
SLECA	\$91.60
SWEPCO	\$92.66
Entergy EGSL	\$93.37
Entergy ELL	\$94.56
SLEMCO Rate 05	\$94.67
WSTE	\$95.20
DEMCO Rate A	\$95.93
SLEMCO Rate 01	\$98.58
Concordia	\$98.63
PC Electric	\$103.44
JDEC	\$106.10
BECi	\$108.88

Claiborne	\$86.40
Panola-Harrison	\$87.29
NELPCO	\$87.98
DEMCO Rate AWS	\$88.02
CLECO	\$90.51
SLECA	\$91.60
SWEPCO	\$92.66
Entergy EGSL	\$93.37
Entergy ELL	\$94.56
SLEMCO Rate 05	\$94.67
WSTE	\$95.20
SLEMCO Rate 01	\$98.58
DEMCO Rate A	\$98.62
Concordia	\$98.63
PC Electric	\$103.44
JDEC	\$106.10
BECi	\$108.88

1,500 kWh per Month

DEMCO Rate AWS	\$118.66
CLECO	\$123.32
Claiborne	\$123.61
NELPCO	\$124.45
Panola-Harrison	\$127.69
SLECA	\$132.90
Entergy ELL	\$133.03
SWEPCO	\$133.48
Entergy EGSL	\$134.49
SLEMCO Rate 05	\$136.01
WSTE	\$138.30
DEMCO Rate A	\$139.24
SLEMCO Rate 01	\$141.87
Concordia	\$147.73
PC Electric	\$150.01
JDEC	\$153.35
BECi	\$158.48

CLECO	\$123.32
Claiborne	\$123.61
NELPCO	\$124.45
DEMCO Rate AWS	\$125.51
Panola-Harrison	\$127.69
SLECA	\$132.90
Entergy ELL	\$133.03
SWEPCO	\$133.48
Entergy EGSL	\$134.49
SLEMCO Rate 05	\$136.01
WSTE	\$138.30
SLEMCO Rate 01	\$141.87
DEMCO Rate A	\$141.92
Concordia	\$147.73
PC Electric	\$150.01
JDEC	\$153.35
BECi	\$158.48

2020 JUN -2 PM 3:41
LA PUBLIC SERVICE
COMMISSION

REBUTTAL TESTIMONY

of

J. GREGORY JOHNSON

on behalf of

DIXIE ELECTRIC MEMBERSHIP CORPORATION

DOCKET NO. U-35359

JUNE 6, 2020

**REBUTTAL TESTIMONY OF J GREGORY JOHNSON
ON BEHALF OF
DIXIE ELECTRIC MEMBERSHIP CORPORATION**

1 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION AT KATAMA
2 TECHNOLOGIES, INC (KTI).

3

4 A. J. Gregory Johnson, 16100 Whitesail Drive, Charlotte, North Carolina, 28278. My position
5 is President/CEO.

6

7 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

8

9 A. After reviewing the Direct Testimony of Karl J. Nalepa as filed on February 21, 2020, I
10 would like to comment, rebut, and offer different perspectives on DEMCO's behalf in
11 regard to the various comments filed by Mr. Nalepa specifically concerning DEMCO's
12 Certification of Advanced Metering System Upgrade (One portion of the filing collectively
13 known as Docket No. U-35359).

14

15 Q. HOW WILL YOU STRUCTURE YOUR RESPONSE TO MR. NALEPA'S TESTIMONY?

16

17 A. My comments will start with naming the page number and line number of Mr. Nalepa's
18 testimony for which my rebuttal testimony applies.

19

20 Q. ON PAGE 34, LINE NUMBER 21, MR. NALEPA BEGINS HIS RECOMMENDATION
21 THAT DEMCO COMMIT MORE STRONGLY TO PREVENT CUSTOMER-SPECIFIC

1 INFORMATION BEING TRANSFERRED OUTSIDE THE CUSTOMER-UTILITY
2 WORKING RELATIONSHIP. CAN YOU PROVIDE THESE ASSURANCES?

3
4 A. Yes. DEMCO agrees that cyber security and data privacy protection must be adhered to
5 with the strongest commitment. In the case of the planned AMS infrastructures for
6 DEMCO and its membership, the information maintained in the software applications is
7 strictly limited. Personally Identifiable Information (PII) such as member names, ages,
8 social security numbers, or other similar details are not available to the AMS
9 environments. In addition, web portal access (mentioned on page 35 line 8) is not a part
10 of the AMS scope. DEMCO maintains administrative control over what users have access
11 to what data. Per the agreements in place with Sensus and Landis+Gyr, the vendors with
12 which DEMCO currently has a relationship, the only data that will reside in their AMS
13 applications will be as follows:

- 14 • Historical consumption and event data – meter readings, voltage information and
15 outage data.
- 16 • Location data – the physical location of the meter in the form of GPS coordinates,
17 service addresses or similar data.
- 18 • Meter device data – information which defines the physical meter devices at each
19 site.
- 20 • Billing cycle data – determines the day that meter usage data is processed for
21 billing.

22
23 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?
24

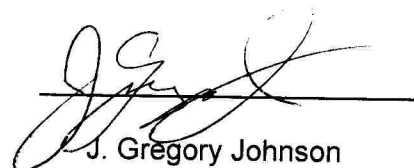
1 A. Yes, it does.

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION
DOCKET NO. U-35359

IN RE: Request of Dixie Electric Membership Corporation,
Request of Advanced Metering System Certification Filing

AFFIDAVIT OF WITNESS

I, J. Gregory Johnson, being duly sworn, depose
that the Rebuttal Testimony in the
above referenced matter on behalf of
Dixie Electric Membership Corporation,
is true and correct to the best of my knowledge, information and belief.


J. Gregory Johnson

Subscribed and sworn before

me this 18th day of

May, 2020.



My Commission expires

12/28/2022