

LOUISIANA PUBLIC SERVICE COMMISSION

ORDER NUMBER U-36003

UTILITIES, INC. OF LOUISIANA,
EX PARTE

Docket No. U-36003, In re: Request for Extension of Formula Rate Plan with Modifications Thereto.

(Decided at the June 22, 2022 Business and Executive Session.)

I. Background

On May 25, 2021, Utilities, Inc. of Louisiana (“UIL,” “Applicant,” or “Company”) filed an application (“Application”) seeking authority from the Louisiana Public Service Commission (“LPSC” or “Commission”) to extend and modify its formula rate plan (“FRP”). Specifically, UIL sought to renew its FRP as authorized by the Commission in Order No. U-34742, with a modified return on equity (“ROE”) bandwidth. UIL also requested that the Extraordinary Cost Changes section be modified to strike certain provisions, and to reduce the dollar threshold for extraordinary cost changes to \$250,000 from \$1,000,000. Notice of the Application was published in the Commission’s Official Bulletin No. 1246, dated May 28, 2021. No interventions were filed during the intervention period or at any point thereafter.

II. Jurisdiction and Applicable Law

The Commission exercises jurisdiction over common carriers and public utilities in Louisiana pursuant to Article IV, Section 21(B) of the Louisiana Constitution, which states:

“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. Staff Review and Uncontested Stipulated Settlement

Staff conducted a review of the Application and accompanying exhibits, as well as responses to formal data requests. On November 23, 2021, Staff filed the Direct Testimony of Paul Thomas Chastant, III and R. Lane Sisung, wherein Staff recommended extending UIL’s FRP, subject to certain modifications. Specifically, Staff recommended changing the mechanics of the FRP from a pure mid-point reset to a mid-point reset within a bandwidth formula with a target ROE of 9.17%.

Subsequently, UIL and the Commission Staff agreed to a settlement of this proceeding pursuant to the Uncontested Stipulated Settlement. The Stipulation resolves all issues in this docket. The redacted version terms of the Uncontested Stipulated Settlement are as follows:

1) Formula Rate Plan (FRP)

- a. Upon execution of this Agreement, the attached FRP Rider (Exhibit “A”) will take effect, which contains a three (3) year term covering the test years of 2021, 2022 and 2023 with rates being reset in December 2022, November 2023, and November 2024.
- b. **TEST YEAR**
 - i. The test year shall be the twelve-month period ending December 31 immediately preceding the year in which the FRP Annual Report is filed.
- c. **CALCULATED RETURN ON EQUITY**
 - i. The Calculated Return on Equity (“ROE”) for each test year shall be determined as the Net Income for the test year divided by the equity portion of rate base for the test year. The ROE determination shall reflect the actual results for the test year as recorded on the Company’s books in accordance with the NARUC Uniform System of Accounts.
 - ii. $\text{Adjusted Net Income} / (\text{Adjusted Rate Base} * \text{Equity \% of Capital Structure}) = \text{ROE}$
- d. **BANDWIDTH FOR ROE**
 - i. The ROE Rate Bandwidth (“Bandwidth”) shall be the range of values with a lower limit (“Lower Band”) equal to 9.00% and an upper limit (“Upper band”) equal to 10.00%.
- e. **MIDPOINT FOR ROE**
 - i. The ROE Rate Midpoint (“Midpoint”) shall be equal to 9.50%.

For Test Year December 31, 2021, the FRP Revenue Level will be adjusted by 100% of the difference between the ROE and the Midpoint. For the Test Years ending December 31, 2022 and December 31, 2023, the Total Rider FRP Revenue level shall be determined using the following rules:

- a. **NO RIDER FRP CHANGE**

There shall be no change in the Rider FRP Revenue level in effect for the test year if the ROE is greater than or equal to the Lower Band and less than or equal to the Upper Band.
- b. **RIDER FRP INCREASE – ROE**

If the ROE is less than the Lower Band, the Rider FRP Revenue level in effect for the test year shall be increased by 100% of the difference between the ROE and the Lower Band.
- c. **RIDER FRP DECREASE – ROE**

If the ROE exceeds the Upper Band, the Rider FRP Revenue level in effect for the test year shall be reduced by 100% of the difference between the ROE and the Upper Band.

2) Corporate Allocations

- a. The Parties agree to the following with regard to UIL’s Corporate Allocations:
 - i. It is acknowledged that the Income Statement of the annual FRP filings contain allocations of costs from Water Service Corporate (“WSC”) and Corix Infrastructure, Inc. (“CII”), both affiliates of UIL. It is agreed that combined allocations for WSC and CII corporate services costs and

amortizations to be included on such income statement, shall be capped at amounts no greater than \$2,379,711 in Year 1 with a 2021 Test Year, \$2,558,843 in Year 2 with a 2022 Test Year and \$2,635,608 in Year 3 with a 2023 Test Year, in determining UIL's earned return and measurement against the allowed return on equity. UIL shall provide support for such amounts so included by providing a "bridge" report in the same format as the attached report (Exhibit "B"), which was related to Test Year 2020 and the basis for determining the capped amounts stated herein.

3) Conditions Precedent

- a. This Stipulation reflects a compromise, settlement, and accommodation among the Parties and the terms and conditions herein are interdependent.
- b. All actions by the Company contemplated or required by this Stipulation are condition upon the Commission's issuance of a final order in this proceeding consistent with the terms of this Stipulation, which includes the exhibits hereto.

4) Application in LPSC Docket No. U-36003

- a. This Stipulation resolves all issues associated with the Company's pending application in this proceeding.

5) Miscellaneous Provisions

- a. Other than in a proceeding to approve, implement, administer, or enforce this Stipulation, the Stipulation shall not be admissible in evidence against either the Staff, or UIL, Intervenors, and the terms of this Stipulation may not be used either as an admission of any sort or as evidence in any proceeding whatsoever except to approve or enforce the terms of this Stipulation. All oral or written statements made during the course of the settlement negotiations are governed by Louisiana Codes of Evidence Article 408.
- 6) The Parties agree that this Agreement does not set any precedent in any other proceeding, current or future, in front of the Commission.**

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IV. Commission Consideration

This matter was considered at the Commission’s June 22, 2022 Business and Executive Session. On motion of Commissioner Skrmetta, seconded by Commissioner Greene, with Chairman Boissiere and Vice Chairman Francis concurring, and Commissioner Campbell absent, the Commission voted to accept the Uncontested Stipulated Settlement filed in to the record on May 23, 2022.

IT IS THEREFORE ORDERED THAT:

1. The Uncontested Stipulated Settlement filed in to the record on May 23, 2022 is accepted; and,
2. This Order is effective immediately.

**BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA
August 4, 2022**



A handwritten signature in blue ink, appearing to read "Brandon M. Frey".

**BRANDON M. FREY
SECRETARY**

/S/ LAMBERT C. BOISSIERE, III
DISTRICT III
CHAIRMAN LAMBERT C. BOISSIERE, III

/S/ MIKE FRANCIS
DISTRICT IV
VICE CHAIRMAN MIKE FRANCIS

ABSENT
DISTRICT V
COMMISSIONER FOSTER L. CAMPBELL

/S/ ERIC F. SKRMETTA
DISTRICT I
COMMISSIONER ERIC F. SKRMETTA

/S/ CRAIG GREENE
DISTRICT II
COMMISSIONER CRAIG GREENE