BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

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APPLICATION OF ENTERGY LOUISIANA, LLC FOR APPROVAL OF) **REGULATORY BLUEPRINT NECESSARY FOR COMPANY TO** STRENGTHEN THE ELECTRIC GRID FOR STATE OF LOUISIANA

DOCKET NO. U-____

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DIRECT TESTIMONY

OF

PHILLIP R. MAY

ON BEHALF OF

ENTERGY LOUISIANA, LLC

AUGUST 2023

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1		I. <u>INTRODUCTION AND BACKGROUND</u>
2	Q1.	PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.
3	A.	My name is Phillip R. May. I am President and Chief Executive Officer ("CEO") of
4		Entergy Louisiana, LLC ("ELL" or the "Company"). ¹ My business addresses are 4809
5		Jefferson Highway, Jefferson, Louisiana 70121 and 446 North Boulevard, Baton
6		Rouge, Louisiana 70802.
7		
8	Q2.	ON WHOSE BEHALF ARE YOU SUBMITTING THIS DIRECT TESTIMONY?
9	А.	I am testifying on behalf of ELL.
10		
11	Q3.	PLEASE DESCRIBE YOUR CURRENT DUTIES, AS WELL AS YOUR
12		EDUCATIONAL AND PROFESSIONAL BACKGROUND.
13	A.	As President and CEO of ELL, I have executive responsibility for the Company,
14		including financial responsibility for the business and assets that are used to serve
15		customers, which include generation, transmission, and distribution assets. My
16		responsibilities also include oversight of the field management of the Company's gas
17		distribution system, customer service, economic development, regulatory affairs,
18		public affairs, and the financial performance of ELL. I am attaching to my testimony

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¹ On October 1, 2015, pursuant to Louisiana Public Service Commission ("LPSC" or "Commission") Order No. U-33244-A, Energy Gulf States Louisiana, L.L.C. ("Legacy EGSL") and Entergy Louisiana, LLC ("Legacy ELL") combined substantially all of their respective assets and liabilities into a single operating company, Entergy Louisiana Power, LLC, which subsequently changed its name to Entergy Louisiana, LLC ("ELL"). Upon consummation of the business combination, ELL became the public utility that is subject to LPSC regulation and is the successor of Legacy EGSL and Legacy ELL.

1		Exhibit PRM-1, which provides my educational and professional background, as well
2		as a listing of my prior testimonies.
3		
4		II. OVERVIEW OF THE COMPANY'S APPLICATION
5	Q4.	WHAT IS THE PURPOSE OF THE COMPANY'S APPLICATION?
6	А.	The fundamental purpose of the Company's Application is to position ELL to continue
7		the work that it has been doing to upgrade and strengthen the electric grid so that it can
8		provide resilient, reliable, sustainable, and affordable service to its customers,
9		consistent with their expectations. A rate increase and changes to certain provisions of
10		ELL's Formula Rate Plan ("FRP") are needed to accomplish this core objective.
11		Because of these necessary changes, and in accordance with the stipulation reached in
12		LPSC Docket No. U-35565 (as evidenced in LPSC Order No. U-35565, extending and
13	-	modifying the Company's current FRP for three years, through the 2022 Test Year), ²
14		ELL's Application presents a full cost of service filing (the "COS" or "Rate Case").
15		The COS study that ELL has performed in accordance with the legal and regulatory
16		framework that guides the Commission's setting of base rates for electric service
17		establishes that ELL's rates should be set to collect at least \$430 million in additional
18		annual revenue from customers than they are currently collecting.

² See, LPSC Order No. U-35565 (June 4, 2021), In re: Application for Extension and Modification of Formula Rate Plan ("LPSC Order No. U-35565"), at Attachment A, pp. 15-16 ("If ELL seeks such a rate reset or change to Base FRP revenue after the term of this FRP other than through application of the existing FRP's Annual Redetermination of Rate Adjustments, it must file for a full rate case, which may include a request for an extended and/or modified FRP.").

1	Importantly, however, ELL is not recommending that the Commission set its
2	rates in accordance with the COS revenue requirement or incur the significant cost of
3	fully litigating the Rate Case over the next year, or longer. Instead, as an alternative to
4	the Rate Case, the Company is recommending that the Commission extend the current
5	FRP for three (3) years, with limited but necessary modifications to ELL's Formula
6	Rate Plan Rider Schedule FRP ("Rider FRP"), which extension will reduce the
7	necessary revenue requirement increase to approximately \$173 million, less than half
8	of the increase supported by the COS study (which represents an increase of less than
9	3% compared to the increase of over 7% that is supported by the COS study), and a
10	few other customer-centric changes that I will explain further below (the "Rate
11	Mitigation Proposal"). ³ Table 1 summarizes the key aspects (and differences) between
12	the Rate Case and the Rate Mitigation Proposal that I discuss in my testimony. ⁴

³ As part of the Rate Mitigation Proposal, the Company proposes that the Commission approve the lower late, connection, reconnection, and additional facilities charge ("AFC") fee rates included in the COS study (as discussed herein and in the testimony of other Company witnesses). All customer classes would benefit from those collective fee reductions. However, to implement on a revenue neutral basis, the reduction in fee revenue would result in a corresponding increase in FRP rates. Revenue from these fee categories is included in total Company revenue today and reducing the fees would not result in a net increase in revenue to ELL. Therefore, the Company is not including the reduction in fees within the \$173 million estimate but would expect to implement the changes in fee rates on a revenue neutral basis.

⁴ As I describe later when introducing the other witnesses providing testimony in support of the Company's Application, each of those witnesses' testimonies support the Rate Case, whereas my testimony presents the Rate Mitigation Proposal as the Company's recommendation to the Commission. Company witness Alyssa Maurice-Anderson discusses certain of the modifications to Rider FRP that are necessary to meet the Company's needs for timely recovery of investment under both the Rate Case and the Rate Mitigation Proposal. As she notes, the modifications that would be required under the Rate Mitigation Proposal are largely the same as the Rate Case; however, there are some differences. Ms. Maurice-Anderson also discusses why the Rate Case and the Rate Mitigation Proposal both provide a reasonable outcome for customers, namely, because both alternatives include processes designed to yield just and reasonable rates that are in the public interest. In addition, Company witness Elizabeth C. Ingram discusses the customer-centric programs proposed by the Company under both the Rate Case and the Rate Mitigation Proposal, as well as the elimination of the Company's Fuel Tracker Rider. As Ms. Ingram explains, while there are differences between the Rate Case and the Rate Mitigation Proposal, the Fuel Tracking Mechanism is no longer needed under either path.

1

Table 1

	Rate Case	Rate Mitigation Proposal
Initial revenue requirement change (net of one-time credits ⁵)	\$430 million	\$173 million
Test Years of the proposed FRP	2024-2026	2023-2025
Return on Equity	10.5%	10.0%
Other customer-centric	Lower customer fees,	Lower customer fees,
components	expanded low-income	expanded low-income
	senior discount	senior discount
Fuel Tracker	Eliminated	Eliminated
Depreciation Rates	Updated for all asset	Updated only for nuclear
\$	classes	assets (and phased in
		over three years)

2

The Company's Rate Mitigation Proposal recognizes that affordability is a 3 4 major concern for ELL's customers. As the Company and its customers face together 5 the challenges and opportunities of the future, it is important that the Company 6 demonstrate to its customers that it is accountable as the Company continues its work 7 to upgrade and strengthen the electric grid. ELL accomplishes that by presenting in 8 this Application both the Rate Case (and its supporting data and information) and the 9 Rate Mitigation Proposal. The comparison establishes clearly that ELL, through the 10 Rate Mitigation Proposal, is proposing to accept lower rates, including a lower return 11 on equity for ELL's owners, in order to achieve an expedited outcome for customers that keeps in place an efficient mechanism, that provides rate mitigation for customers 12 13 as compared to the Rate Case, and that provides certainty with respect to the ratemaking 14 construct that is beneficial to customers and owners and helps enable the substantial

⁵ The initial revenue requirement change under both the Rate Case and Rate Mitigation Proposal are net of certain one-time credits. Those one-time credits include \$17 million of Little Gypsy and FSC-II securitization refunds that the Company will return to customers through the SLGO-L and the SCO-II riders, respectively.

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1		investments needed to deliver resilient, reliable, sustainable, and affordable service.
2		Further demonstrating its commitment to accountability and transparency, ELL is
3		proposing to adhere to the most stringent reliability standards of any power provider in
4		Louisiana, with financial consequences and customer credits for failing to meet
5		predetermined reliability goals. I attach as Exhibit PRM-2 to my testimony an
6		Executive Summary of the Company's Application in this docket.
7		
8	Q5.	PLEASE PROVIDE ADDITIONAL CONTEXT FOR ELL'S REQUESTS IN THIS
9		PROCEEDING.
10	А.	ELL, like the overall electric utility industry in the United States, is in a period of
11		evolution and modernization. With the Commission's support, ELL has already done
12		significant work to improve reliability, make the grid more resilient in the face of
13		extreme weather, and add clean, affordable sources of energy. Namely, ELL has
14		invested in dispatchable generation and transmission that have transformed the
15		foundational aspects of its service and resulted in cleaner energy, better access to
16		wholesale markets, and rates well below the national average. And ELL's pending
17		requests for approval of renewable (solar) resources represent the Company's efforts
18		to, among other things, respond to customer preferences, to increase the diversity of its
19		generation portfolio, and to continue to provide reliable service to customers at the
20		lowest reasonable cost. As I discuss below, however, ELL will need to continue
21		investing in the distribution, transmission, and generation functions in order to prepare
22		the Company and the State of Louisiana for the future. The Company's Application

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introduces a regulatory blueprint necessary to support that significant investment to
 strengthen the electric grid.

3 As discussed in my testimony and in that of other Company witnesses, 4 strengthening the grid benefits customers by improving reliability, adding resilience to 5 lower the damage from severe weather events and speed up restoration times, and 6 supporting the economic development that is occurring in Louisiana. In particular, 7 ELL needs to prepare itself (1) to meet customer expectations in the face of future 8 threats by hardening, modernizing, and increasing the resilience of its transmission and 9 distribution systems, as well as (2) to continue facilitating economic development in 10 the State by making the investments necessary to keep Louisiana attractive to 11 businesses on which the citizens of Louisiana rely. I discuss both of these 12 considerations in my testimony below, and I note that the Commission already is 13 considering in Docket No. U-36625 the Entergy Future Ready Resilience Plan (the 14 "Resilience Plan"),⁶ which is the Company's proposal to accelerate improving overall 15 electric system resilience.

16

17 Q6. PLEASE ELABORATE ON HOW THE REGULATORY BLUEPRINT THAT THE
18 COMPANY IS PROPOSING IN ITS APPLICATION RELATES TO THE
19 OBJECTIVES YOU HAVE JUST DISCUSSED.

A. ELL must be financially sound and healthy to achieve those objectives, and this
 Application positions ELL to make the investments necessary to do so. More

⁶ See, LPSC Docket No. U-36625, In re: Application for Approval of the Entergy Future Ready Resilience Plan (Phase I).

specifically, ELL needs to reasonably align its rates with the current costs it incurs to 1 2 provide service to customers, including the cost of equity, which has increased with 3 conditions in the capital markets. The Commission has approved a target return on equity ("ROE") for ELL of 9.5%.⁷ In each of the last three test years under the current 4 5 FRP, however, ELL's actual returns have been significantly less: TY 2020 - 8.45%, 6 TY 2021 - 8.33%, and TY 2022 - 8.33%. These actual returns fall short of providing 7 ELL a reasonable opportunity to recover its costs, and, accordingly, the Company is 8 now proposing cost recovery mechanisms that will allow ELL to make the investments 9 necessary to meet customer expectations and pursue customer growth opportunities 10 while maintaining the financial health of the Company and, in turn, preserving ELL's 11 ability to access necessary capital at reasonable costs, which benefits customers in the 12 form of lower rates.

13 As summarized later in my testimony and in Exhibit PRM-2, the Rate Case 14 presented in the Company's Application, as required by LPSC Order No. U-35565, 15 addresses ELL's financial health and is well supported by a full COS study. As I 16 indicated previously, however, the Company's Application recommends Commission 17 adoption of the Rate Mitigation Proposal, which is a rate mitigation strategy for 18 customers that balances their need for affordability with the Company's need for 19 financial stability and the overarching need for reliable, resilient, and sustainable 20 electric service to power the State's economy into the future. Under both scenarios, 21 the Company is proposing an increase in the Company's revenue requirement. But, as

See, LPSC Order No. U-35565, at 3; Attachment A, p. 3.

1		I noted above, under the Rate Mitigation Proposal, not only is the revenue requirement
2		increase supported by the Rate Case reduced by more than half, but the Company also
3		is proposing to accept a lower ROE for ELL's electric utility operations than the level
4		that the market indicates and is supported by the Rate Case. The Company's Rate
5		Mitigation Proposal also includes customer programs specifically focused on
6		affordability such as reducing late and certain other fees assessed to customers,
7		lowering AFC rates, and providing eligible low-income seniors with monthly discounts
8		on their electric bill. I discuss later in my testimony the particulars of the Company's
9		Rate Mitigation Proposal.
10		
11	Q7.	WHY IS THE COMPANY WILLING TO ACCEPT LESS REVENUE AND A
12		LOWER ROE THAN IS SUPPORTED BY THE ANALYSES BEING SUBMITTED
13		IN CONJUNCTION WITH THE RATE CASE?
14.	A.	This is a critical period in which ELL needs to make significant investment in the
15		electric grid for the State of Louisiana. Under these specific facts and circumstances,
16		the near-term certainty and stability that extending ELL's FRP will provide to the
17		Company, its investors, and credit rating agencies are especially important to providing
18		confidence that the regulatory mechanisms authorized by the LPSC are constructive
19		and will permit timely recovery of investment costs. The regulatory blueprint outlined
20		in my testimony will allow ELL to ramp-up efforts to strengthen the grid sooner rather
21		than later, which benefits customers in all sectors, from residential to industrial. In the
22		absence of a constructive regulatory mechanism, which would be signaled by rejecting

23 ELL's proposed Rate Mitigation Proposal, investors will be less willing to provide the

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equity and debt needed for ELL to make those investments or will require higher returns/interest for each. Because affordability is a paramount concern for ELL and its customers, the raising of costs to customers necessarily will slow the pace of needed investment to serve customers, both those here today and those looking to develop businesses in the State of Louisiana.

6 While ELL believes that the analyses supporting its Rate Case are sound and 7 support the implementation of just and reasonable rates, as noted, the Rate Mitigation 8 Proposal reflects a more streamlined, cost-effective process for establishing new rates 9 and provides a greater level of certainty regarding the FRP as a predictable mechanism 10 of rate recovery. This nearer-term certainty is consistent with investor expectations 11 and should be viewed more favorably by potential investors and credit rating agencies, 12 thus supporting ELL's ability to maintain its access to capital on reasonable terms.. If 13 accepted by the Commission, the Company's Rate Mitigation Proposal will reduce the 14 time and expense of a traditional rate case; keep in place an efficient FRP mechanism 15 and improve it in ways that support ELL's effort to build a stronger, more reliable grid; 16 provide rate mitigation for customers; result in just and reasonable rates under the 17 circumstances; and send positive signals about the ratemaking construct and ELL's 18 creditworthiness, to the benefit of customers.

19

20 Q8. HOW IS THE REMAINDER OF YOUR TESTIMONY ORGANIZED?

A. First, I provide an overview of ELL's current operations and address certain risks that
 support ELL's requested relief, including the sales volatility arising from ELL's
 relatively high concentration of industrial load, ELL's ownership of nuclear generating

1		resources, and weather-related risks. Second, I discuss ELL's investment in its
2		generation, transmission, and distribution systems. Third, I describe the Company's
3		objectives of meeting customer expectations and growth opportunities in the Louisiana
4		communities that ELL serves and the additional investment in the grid that is required
5		to accomplish those objectives. Fourth, I describe the relief that ELL is seeking in this
6		proceeding, including a summary of both the Rate Case and the Company's Rate
7		Mitigation Proposal.
. 8		
9		III. <u>ELL'S CURRENT OPERATIONS AND RISK PROFILE</u>
10	Q9.	PLEASE DESCRIBE ELL'S SERVICE AREA AND ITS VARIOUS CUSTOMER
11		CLASSES.
12	A.	The Company's service area covers 58 of the 64 parishes in Louisiana. ELL provides
13		electric service to approximately 1.1 million retail electric customers consisting of
14		residential, commercial, industrial, and governmental entities. ⁸ Roughly 86% of ELL's
-15		customers are residential customers, 12% are commercial, 1% are industrial, and 1%
16		are governmental. In 2022, ELL's total electric retail operating revenues consisted of
17		33% residential, 24% commercial, 42% industrial, and 2% governmental.9

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⁸ ELL also provides natural gas service to approximately 95,000 retail customers in the Baton Rouge area. However, this Application addresses only the Company's electric service in Louisiana.

⁹ For 2022, ELL's total kilowatt hour retail sales consisted of 24% residential, 19% commercial, 55% industrial, and 1% governmental. These figures are based on Federal Energy Regulatory Commission ("FERC") Form 1 data.

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Q10. WHAT ARE THE SOURCES OF THE ENERGY THAT ELL USES TO SERVE ITS. CUSTOMERS?

ELL primarily uses natural gas and nuclear power generation in addition to purchased power to meet customers' needs. As Company witness Laura Beauchamp describes, ELL's current mix of generation is as follows: 53% natural gas, 23% nuclear, 19% purchased power, 2% renewables, and 3% coal. The below figure provides a graphic representation of ELL's power generation mix in 2022.

Entergy Louisiana 2022 power generation mix



The Company's fuel diversity keeps customer rates as low as reasonably possible, and ELL continues to add emission-free, renewable energy to its portfolio, as Ms. Beauchamp discusses in her testimony. Fortunately, ELL's recent investments (undertaken in collaboration with the Commission and enabled by credit supportive ratemaking provisions in its FRP) in modern, efficient, dispatchable gas-fired generation have paved the way for integration of such renewable resources in a manner that preserves reliability.

1		In this proceeding ELL seeks, among other things, approval of credit supportive
2		ratemaking mechanisms (such as the Additional Capacity Mechanism ("ACM") within
3		the FRP) that likewise will enable the Company to make these necessary investments
4		with the support of the Commission while maintaining its financial health and good
5		credit ratings in the future.
6		
7	Q11.	PLEASE DESCRIBE ELL'S TRANSMISSION SYSTEM.
8	А.	The ELL transmission system is comprised of approximately 5,267 circuit miles of
9		transmission lines and 575 substations operating at voltages of 500 kiloVolts ("kV"),
10		345 kV, 230 kV, 138 kV, 115 kV, and 69 kV. The transmission system moves high-
11		voltage, bulk electric power across an interconnected system of transmission lines and
12		substations to distribution points for delivery to ELL's retail customers, as well as to
13	•	wholesale customers such as municipalities and cooperatives, or to points of delivery
14		into other transmission systems not owned by the Company. ELL's transmission
15		system also delivers power directly to large commercial and industrial retail customers
16		of the Company, including refineries, chemical plants, oil and gas processing facilities,
17		pumping stations, and large manufacturing sites vital to the region and nation.
18		Company witness Steven N. Benyard provides more details about the
19		Company's transmission system in his testimony, including the transmission
20		investments that the Company has made during the term of the current FRP and those
21		anticipated in the 2023-2027 time frame, which Ms. Beauchamp also discusses. ¹⁰

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I also provide an overview of ELL's investment in its transmission system later in my testimony.

1		Mr. Benvard, along with Ms. Maurice-Anderson, also discuss the Transmission
2		Recovery Mechanism ("TRM") included in FUL's current FRP ¹¹ and how the TRM
4		Recovery weekanish (TRWT) melded in EEE's current TRT and now the TRW
3		has helped to facilitate the Company's investment in its transmission system, which
4		investment has, in turn, provided significant benefits to customers, most notably in the
5		form of enhanced reliability.
6		
7	Q12.	PLEASE DESCRIBE ELL'S DISTRIBUTION SYSTEM AND THE GENERAL
8		FUNCTION IT SERVES.
9	А.	The distribution system is the infrastructure that ultimately delivers electric power to
10		most of ELL's customers. ELL's distribution system begins at the substations, where
11		power is transformed from transmission-level voltage into distribution-level voltage,
12		suitable for delivering power directly to residential, and most commercial,
13		governmental, and industrial customers. ¹² ELL's electric distribution system is the
14		portion of the electric grid operating at voltage levels below 69,000 volts (69 kV).
15		There are approximately 500 ELL substations that supply power to approximately
16		1,200 distribution circuits, consisting of over 32,000 distribution circuit miles, of which
17		approximately 28,000 are overhead circuit miles, and approximately 4,000 are
18		underground circuit miles.

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¹¹ The TRM was first approved in LPSC Order No. U-34631 (May 8, 2018), In re: Application for Extension and Modification of Formula Rate Plan, and subsequently extended in LPSC Order No. U-35565.

¹² As I noted above, some of ELL's largest commercial, governmental, and industrial customers are connected directly to the Company's transmission system. It should be understood, however, that an interconnectivity exists between the bulk transmission and distribution systems, which must operate in balance with one another in order to ensure safe and reliable power delivery.

1		Mr. Benyard describes the Company's distribution system in more detail in his
2		testimony, as well as the distribution investments that the Company has made during
3		the term of the current FRP and those anticipated in 2023-2027. ¹³ Mr. Benyard, along
4		with Ms. Maurice-Anderson, also discuss the current FRP's Distribution Recovery
5		Mechanism ("DRM"), ¹⁴ which has facilitated the Company's investment in its
6		distribution system since its approval. The benefits of such investment have included
7		increased reliability of the distribution grid, reduction of the frequency and duration of
8		outages, reduction of the number of customer interruptions occasioned by outages that
9		do occur, enhanced resilience and storm restoration responses, and increasingly data-
10		driven preventative maintenance and system planning.
11		
12	Q13.	IS THE COMPANY SEEKING TO CONTINUE THE TRM AND DRM
13	,	COMPONENTS OF THE CURRENT FRP?
14	A.	Yes. Continuing the TRM and the DRM, as the Company requests in its Application
15		(as part of the Rate Case and the Rate Mitigation Proposal), will enable the Company
16		to make the planned investments in the Company's transmission and distribution
17		facilities described by Mr. Benyard and provide the corresponding benefits to
18		customers while maintaining the financial health of the Company and ensuring that the
19		ELL may obtain financing at the lowest reasonable cost, benefitting customers.

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¹³ I also provide an overview of ELL's investment in its distribution system later in my testimony.

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¹⁴ The DRM was approved in LPSC Order No. U-35565.

1 On the transmission side, the level of investment anticipated for 2023-2027 will 2 be driven by reliability planning, infrastructure maintenance, reliability needs, and 3 generation interconnection projects. It is anticipated that these investments will 4 provide contemporaneous and continuous benefits to customers in the form of 5 increased reliability, economic development, and cost savings.

6 On the distribution side, the Company's planned investments focus on replacing 7 aging infrastructure; targeting solutions to improve reliability in the short term while 8 ensuring longer term, sustainable reliability; and putting processes in place to ensure 9 that ELL's portfolio is executed in a comprehensive manner to better ensure the 10 delivery of benefits to customers. These benefits, which are described in greater detail 11 by Mr. Benyard, include, among other things, enhanced reliability for customers and increased system visibility and awareness that enable faster response times during 12 13 service interruptions.

14 As explained by Ms. Maurice-Anderson, there are certain modifications to the 15 DRM that are required to better facilitate the Company's necessary investments in the 16.. distribution grid, including removing the cap on the amount of investment that is 17 eligible for recovery through the DRM. These modifications would be required under 18 both the Rate Case and the Rate Mitigation Proposal. And as discussed by Mr. 19 Benyard, ELL is proposing the continuation of the DRM Performance Accountability Standards, subject to certain necessary modifications, that are tailored to hold the 20 Company accountable for delivering the reliability benefits associated with distribution 21 22 investments, with financial penalties and customer credits for failing to meet pre-23 determined reliability goals.

Ì		ELL also understands that the Commission is interested in exploring broader
2		performance-based rate provisions beyond the DRM, and the Company stands ready to
3		collaborate on such mechanisms to further the important goals of transparency and
4		accountability to customers.
5		
6	Q14.	PLEASE DESCRIBE THE COMPANY'S CURRENT FINANCIAL STRUCTURE
7		AND ITS MOST RECENT GENERAL CREDIT RATINGS.
8	А.	As of December 31, 2022, ELL's LPSC-jurisdictional rate base was approximately \$15
9		billion, and its capitalization was 50.49% debt/49.51% equity. ¹⁵ ELL's current credit
10		ratings are Baal (Moody's Investor Service) with a stable outlook and BBB+ (S&P
11		Global Ratings) with a stable outlook. The generally supportive and consistent
12		regulatory framework in which ELL has operated in its recent history and the cash flow

¹⁵ It should be noted that these figures exclude both the Company's shorter-term storm debt and certain securitized storm debt, consistent with Commission Order No. U-36350-C. (In April 2023, ELL filed with the Commission an application seeking approval to continue to take advantage of certain low-interest, shorter-term debt that had originally been issued in the aftermath of Hurricanes Laura, Delta, Zeta, and Ida to partially finance restoration costs while the Commission conducted proceedings to review the restoration costs and issue permanent financing orders. The Commission approved ELL's application, confirming that this shorter-term debt would continue to be excluded from the derivation of ELL's capital structure and cost rate of debt for ratemaking purposes. See, LPSC Order No. U-36350-C (June 15, 2023), In re: Application for Recovery in Rates of Costs Related to Hurricane Ida and Related Relief ("LPSC Order No. U-36350-C").) It should also be noted that, consistent with their respective financing orders and pursuant to the Louisiana Utilities Restoration Corporation Act, Part VIII of Chapter 9 of Title 45 of the Louisiana Revised Statutes, securitized storm debt is issued through the Louisiana Utilities Restoration Corporation ("LURC") and is not a debt of the Company. See, LPSC Order Nos. U-32764 (June 18, 2014), In re: Joint Application for Recovery in Rates of Costs Related to Hurricane Isaac, Determination of Appropriate Storm Reserve Escrow Amounts and Related Relief ("LPSC Order No. U-32764"); U-32764-A (June 18, 2014), In re: Joint Application for Recovery in Rates of Costs Related to Hurricane Isaac. Determination of Appropriate Storm Reserve Escrow Amounts and Related Relief ("LPSC Order No. U-32764-A"); U-35991-A (March 3, 2022), In re: Application for Recovery in Rates of Costs Related to Hurricanes Laura, Delta, Zeta and Winter Storm Uri and for Related Relief ("LPSC Order No. U-35991-A"); and U-36350-A (January 27, 2023), In re: Application for Recovery in Rates of Costs Related to Hurricane Ida and Related Relief. The Company's obligation for the securitized storm debt is to act as servicer for the bonds, which requires, among other things, that the Company collect the applicable system restoration costs for the benefit of LURC, to make true-up adjustments of the system restoration charges, and to account for and remit the system restoration charges for the benefit and account of LURC.

predictability associated with ELL's FRP have been cited as credit strengths. In its recent Credit Opinion, Moody's emphasized again, as it has done in past years, that ELL's FRP supports such predictability in future cash flow because ELL's utility operating and capital costs are incorporated into rates without the need for lengthy or contentious periodic general rate case proceedings.¹⁶

6 As discussed by Mr. Shipman, however, regulatory lag, which arises from a mismatch between a utility's rates and its costs,¹⁷ is commonly a major factor in 7 8 evaluating regulatory risk. Regulatory risk, in turn, is a major factor in the credit rating agencies' determination of a utility's credit rating. Although, in theory, an FRP can 9 10 help to mitigate regulatory lag, ELL's FRP in its current form does not sufficiently 11 reduce regulatory lag. As I noted above and as discussed by Company witnesses Ryan E. O'Malley and Ms. Maurice-Anderson, ELL's recent earnings track record shows 12 13 that it has under-earned its authorized return significantly in each of the past three years. 14 Still, the FRP remains a valuable, lag-reducing approach to setting rates that 15 can not only support ELL's credit ratings but also benefits customers by moderating 16 rates and providing a timely and efficient mechanism for the Commission to review 17 rates and determine whether adjustments are necessary. As discussed by Ms. Maurice-Anderson, the use of an FRP provides significant administrative efficiencies (both in · 18

¹⁶ Moody's, Entergy Louisiana, LLC Credit Opinion, July 19, 2023, at 3 (attached to the Direct Testimony of Company witness Todd A. Shipman as Exhibit TAS-5). See also, *e.g.*, Moody's Investors Service Credit Opinion, January 31, 2020, at 3.

¹⁷ Regulatory lag is generally defined as the period between when a utility experiences a change in cost and when new rates are set reflecting that change. In the context of significant capital investment in which cash flow is a concern, regulatory lag means that a utility has lost cash flow associated with a portion of the return of and the return on its investment.

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1		terms of cost and time) as compared to base rate cases. The FRP also helps to ensure
2		that adjustments to rates will be made in a timely fashion, which benefits both
3		customers and the Company. But improving the regulatory lag that is currently
4		embedded in ELL's FRP would protect ELL's credit ratings as ELL's increasing capital
5		requirements - driven by customer needs and expectations - put pressure on ELL's
6		cash flows. Mr. O'Malley provides additional detail regarding the Company's financial
7		condition and why the continuation of a constructive regulatory environment is critical
8		to maintaining that condition and allowing ELL to make needed investments for
9		customers.
10		
11	Q15.	IN THE CONTEXT OF THE CURRENT APPLICATION, ARE THERE ANY
12		OPERATING CHARACTERISTICS OF ELL THAT YOU WISH TO HIGHLIGHT?
13	A.	Yes, in the context of this proceeding, the most significant features of the Company's
14	•	profile from my point of view are: (1) ELL's relatively high concentration of industrial
15		load, ¹⁸ (2) ELL's ownership of two nuclear stations, and (3) the challenges presented
16		by maintaining reliable service in an area that has seen more than its fair share of
17		devastation from severe weather and that also has some of the most prolific vegetation
18		growth in the country, many rural and remote areas, and marshes and wetlands. These
19		characteristics, especially when combined with the increased distribution capital
20		spending described by Mr. Benyard, contribute to ELL's current risk profile and

.

¹⁸ Based on its most recent FERC Form 1 data, ELL's industrial sales are 55% (volume) and 42% (revenue) of ELL's customer mix.

1		support the Company's request as part of the Rate Case to incorporate a return on equity
2		of 10.5% in order to allow the Company to earn its authorized rate of return. ¹⁹
3		
4	Q16.	WITH RESPECT TO THE FIRST FEATURE OF THE COMPANY'S RISK
5		PROFILE THAT YOU HIGHLIGHT, HOW DOES ELL'S PERCENTAGE OF
6		INDUSTRIAL LOAD COMPARE TO ITS JURISDICTIONAL PEERS?
7	A.	The table below depicts the 2021 industrial sales for LPSC-jurisdictional investor-
8		owned electric utilities as a percentage of total retail sales and indicates not only that
9		the percentage of ELL's industrial load is the greatest of all of the three investor-owned
10		electric utilities regulated by the LPSC, ²⁰ but also that ELL's percentage of industrial
11		sales for 2021 (55%) is more than double that of Cleco Power LLC's ("Cleco") (25%)
12		and more than triple that of Southwestern Electric Power Company's ("SWEPCO")
13		(17%).

¹⁹ ELL's requested ROE in the Rate Case of 10.5% is less than the 10.7% ROE recommended by Company witness Adrien M. McKenzie as adequate to compensate ELL's investors while maintaining the Company's financial integrity and ability to attract capital on reasonable terms. As discussed in Section VII below, the Company's Rate Mitigation Proposal is based upon a further reduction of the requested ROE, from 10.5% to 10.0%, which is below the ROE range (of 10.2% to 11.2%) recommended by Mr. McKenzie.

²⁰ In fact, according to 2021 Energy Information Administration ("EIA") annual data, ELL's 2021 industrial sales (in MWh terms) exceeded the amount of industrial MWh sales individually reported by all other reporting entities noted on EIA Form 861. EIA Form 861 identifies revenue, sales, and customers by customer class for each reporting entity in each state. See, 2021 EIA Form 861 Data, accessible at: https://www.eia.gov/electricity/data/eia861/.

Table 22021 Industrial Sales (MWh)for LPSC-Jurisdictional IOUs (electric)				
	Industrial Sales	Total Retail Sales	Percentage of Total Retail Sales	
ELL	29,869,186	54,632,932	55%	
CLECO	2,169,777	8,512,528	25%	
SWEPCO LA	1,050,715	6,163,049	17%	
Final 2021 Form 861M Data Provided by U.S. Energy Information Administration (<u>www.eia.gov</u>).				

As such, ELL's concentration of industrial load is perceived by rating agencies as riskier relative to its peers because the loss of only one or two of ELL's largest customers can swing ELL's revenues, and hence its financial performance, substantially.²¹

5

6 Q17. DOES ELL'S RELATIVELY HIGH CONCENTRATION OF INDUSTRIAL LOAD 7 CREATE ANY PARTICULAR RISKS?

A. Yes. As discussed further by Mr. Shipman and Mr. McKenzie, ELL's exposure to a
high concentration of industrial sales implies a significant degree of risk to ELL's
operations in the eyes of credit rating agencies and investors. Most industrial
customers, particularly those located in ELL's service area, operate in commoditybased industries that can be cyclical. Accordingly, economic downturns domestically
and internationally can affect ELL's sales to industrial customers and other businesses

²¹ See, Moody's Investors Service Sector Comment (3/18/2020) at 3–4 (stating that the "[m]ost direct risk is declining commercial and industrial demand" and listing ELL among the top 10 utilities with the highest proportion of industrial customers); Moody's, Entergy Louisiana, LLC Credit Opinion, July 19, 2023, at 2 (citing as a credit challenge "high exposure (*i.e.*, around two-thirds of historical demand) to commercial and industrial customers") (attached to the Direct Testimony of Company witness Todd A. Shipman as Exhibit TAS-5).

1		that support industrial customers and their employees. On the other hand, economic
2		expansion and/or favorable commodity pricing can drive high demand from industrial
3		customers at certain times, affecting usage on the system and power sales to ELL.
4		Furthermore, industrial customers generally have more options available to them than
5		other types of electric service customers and, as a result, are at a greater risk of leaving
6		the system than other customers. An industrial customer can choose to install
7		cogeneration, shift load to other locations, or could choose to suspend operations when
8		its business is not economic. For example, Shell Oil decided in December 2020 to shut
9		down its refinery in Convent, Louisiana, ²² and BASF closed its plant in Zachary,
10		Louisiana, in 2019. Similarly, in September 2019, Bayou Steel Group abruptly shut
11		down its steel mill in LaPlace, Louisiana. When such unexpected customer shutdowns
12		occur, it often makes it more difficult for the utility to recover its fixed costs. In this
13		way, ELL's large share of industrial load results in increased risk of volatility with
14		respect to sales, earnings, cash flow, and the ability to earn its allowed return.
15		
16	Q18.	PLEASE DISCUSS LPSC DOCKET NO. R-35462 AND THE ADDITIONAL
17		UNCERTAINTY THAT IT CREATES AS IT RELATES TO ELL'S INDUSTRIAL
18		CUSTOMERS.

A. As discussed by Ms. Ingram, the Commission has an open rulemaking docket, Docket
No. R-35462, in which LPSC Staff is currently investigating a wide range of topics,
including, but not limited to, the practice known as wheeling and limited or complete

²² Reflecting trends in the global economy, I note that Shell has announced plans to repurpose the Convent facility into a producer of lower carbon fuels.

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1		deregulation of the Louisiana electricity market. Both direct access and wheeling (itself
2		a form of limited direct access) implicate a number of legal issues, including
3		constitutional concerns, long-standing Commission rules and regulations, and relevant
4		federal policy implemented by the FERC.
5		Assuming, arguendo, that direct access and wheeling could be accomplished
6		without violating state law, Commission regulation, or FERC policy, both of these
7		practices open up a Pandora's box of issues that cannot easily be resolved and will
8		adversely affect other customers, as discussed by Ms. Ingram.
9		
10	Q19.	WITH RESPECT TO THE SECOND FEATURE OF THE COMPANY'S RISK
11		PROFILE, WHY IS ELL'S OWNERSHIP OF NUCLEAR GENERATION
12		SIGNIFICANT, AND WHAT SORTS OF RISKS DOES SUCH OWNERSHIP
13		ENTAIL?
14	A.	Nuclear generation is an important part of ELL's generation resource portfolio. It
15		provides clean, economic base load capacity and contributes to fuel diversity in ELL's
16		portfolio. More specifically, the 974 MW River Bend Nuclear Station ("River Bend")
17		in St. Francisville and the 1,159 MW Waterford 3 Steam Electric Station ("Waterford
18		3") in Killona are the largest sources of carbon-free power in Louisiana; together, they
19		annually provide on average more than 15% of the electricity generated in the State of
20		Louisiana; they support employment for more than 1,500 highly-skilled workers; they
21		contribute millions of dollars annually in state and local taxes; and they have a
22		significant economic impact on the local and regional economies.

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1	Irrespective of these benefits, nuclear generation has different risks relative to
2	other types of generation given the extensive safety and regulatory compliance
3	requirements needed for nuclear generation, complexity of the plants, and limited
4	availability of vendors with the specialized knowledge to provide services to the plants.
5	As described by Mr. McKenzie, the credit rating agencies have recognized ELL's
6	increased operating risk associated with its ownership of nuclear generation.
7	Moreover, historically, River Bend and Waterford 3 have been subject to significant
8	regulatory disallowances. One such example may be observed from the results of the
9	Commission's prudence review of the Waterford 3 Steam Generator Replacement
10	Project in Docket No. U-32812. In that instance, there were only two contractors in
11	the world with the specialized knowledge necessary to support the design and
12	fabrication of the key component of the roughly \$650 million project. Despite finding
13	no negligence on ELL's part, the Administrative Law Judge recommended that ELL
14	not be allowed to recover a significant portion of the project's cost. Ultimately, the
15	Company agreed to a one-time refund of \$70.48 million, an ongoing rate reduction of
16	\$9.44 million, and a reduction to ELL's plant-in-service of \$67.38 million.

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18 Q20. HOW DOES ELL COMPARE TO LPSC-JURISDICTIONAL PEER INVESTOR19 OWNED UTILITIES AS IT PERTAINS TO THE INCLUSION OF NUCLEAR 20 `GENERATION IN ITS RESOURCE PORTFOLIO?

21 A. Neither Cleco nor SWEPCO has nuclear generation in its portfolio.

22

Q21. WHY ARE THESE DIFFERENCES BETWEEN ELL AND ITS LPSC JURISDICTIONAL PEERS NOTABLE?

A. Considering that Cleco and SWEPCO both operate under the Commission's
jurisdiction with an FRP and ELL's relatively high concentration of industrial load and
its nuclear generation present certain risks or levels of risk that Cleco and SWEPCO do
not have, the Commission should expect that ELL's risk profile requires a higher target
ROE than its peers.

8

9 Q22. WITH RESPECT TO THE THIRD FEATURE OF THE COMPANY'S PROFILE,
10 PLEASE DISCUSS THE RISK THAT SEVERE WEATHER POSES TO ELL AND
11 ITS CUSTOMERS.

12 A significant portion of ELL's service area in Louisiana is comprised of communities A. 13 that are regularly exposed to extreme weather and flooding. Recent storms such as 14 Hurricanes Laura, Delta, Zeta, and Ida (which impacted the State of Louisiana during 15 back-to-back historic storm seasons in 2020 and 2021), as well as Winter Storm Uri, 16 have shown that extreme weather events are impacting Louisiana with increased 17 frequency and severity, resulting in greater costs and disruptions to ELL, its customers, 18 and Louisiana itself. Some of these major storms have moved slowly after landfall or 19 brought more precipitation than prior storms, further increasing the potential for 20 devastation and damage.

21

Q23. DOES ELL ALSO FACE CHALLENGES RELATED TO THE NATURE OF ITS SERVICE AREA?

3 Yes. As I noted above and as discussed in more detail by Mr. Benyard, while many A. 4 other utilities in the Gulf region face similar threats from severe weather, ELL also 5 faces challenges that are unique to the Company due to the nature of its service area. 6 Specifically, ELL's service area has a high vegetation growth rate with multiple 7 growing seasons, which requires more investment on a per-customer basis in order to 8 maintain its distribution facilities with activities like vegetation maintenance and other 9 reliability-focused work. ELL's service area is also topographically unique in terms of 10 the amount of marsh and wetlands it covers, as well as in terms of the quality and nature 11 of soil.

12

Q24. WILL YOU PROVIDE MORE DETAILS ABOUT THE IMPACTS OF SEVERE
 STORMS ON THE COMPANY, ITS CUSTOMERS, AND THE COMMUNITIES IT
 SERVES?

A. Yes. The following table reflects the outages experienced by the Company's customers
and the costs that the Company (through its predecessor entities) incurred following
Hurricanes Katrina, Rita, Gustav, Ike, Isaac, Laura, Delta, Zeta, and Ida.

1

Table 3

Hurricane	Year(s) of	Customer	Time Between Landfall	Costs Incurr	ed (\$M) ²⁴
	Storm	Outages (approximate)	and Date of Restoration ²³		
Katrina and Rita	2005	1,007,000 ²⁵	 11 days (Legacy EGSL); 25 days (Legacy ELL) 21 days (Legacy EGSL); 5 days (Legacy ELL) 	Legacy ELL: Legacy EGSL: Total:	545 187 732 ²⁶
Gustav and Ike	2008	862,000 ²⁷	19 days 11 days	Legacy ELL: Legacy EGSL: Total:	394 234 628 ²⁸
Isaac	2012	580,000	7 days	Legacy ELL: Legacy EGSL: Total:	224.3 66.5 290.8 ²⁹
Laura, Delta, and Zeta	2020	1,355,000 ³⁰	35 days 8 days 15 days	Total:	2,029.3 ³¹
Ida	2021	697,000	29 days	Total:	2,543.3 ³²

Reflects the restoration of power to customers who were able to safely accept service (*i.e.*, customers who did not require reconstruction of their personal property).

²⁴ The costs indicated in the table are those costs that the Company incurred and the Commission, after thorough investigation and extensive regulatory proceedings, deemed prudent and properly recoverable following Hurricanes Katrina, Rita, Gustav, Ike, Isaac, Laura, Delta, Zeta, and Ida.

²⁵ Approximately 598,000 outages are associated with Hurricane Katrina, and 409,000 with Hurricane Rita.

²⁶ See, LPSC Order No. U-29203-B (August 21, 2007), In re: Joint Application of Entergy Gulf States, Inc. and Entergy Louisiana, Inc. for Interim and Permanent Recovery in Rates of Costs Related to Hurricanes Katrina and Rita, at p. 16.

²⁷ Approximately 721,000 outages are associated with Hurricane Gustav, and 141,000 with Hurricane Ike.

²⁸ See, LPSC Order No. U-30981 (April 30, 2010), In re: Joint Application of Entergy Gulf States Louisiana, L.L.C. and Entergy Louisiana, LLC for Recovery in Rates of Costs Related to Hurricanes Gustav and Ike, at p. 7.

²⁹ See, LPSC Order No. U-32764, at p.57. See also LPSC Order No. U-32764-A, at p.57.

³⁰ Approximately 436,000 outages are associated with Hurricane Laura, 616,000 with Hurricane Delta, and 303,000 with Hurricane Zeta.

³¹ See, LPSC Order No. U-35991-A, at p. 28 (\$2.007 billion in costs associated with Hurricanes Laura, Delta, and Zeta). See also LPSC Order No. U-36350 (January 27, 2023), In re: Application of Entergy Louisiana, LLC for Recovery in Rates of Costs Related to Hurricane Ida and for Related Relief ("LPSC Order No. U-36350"), at p. 10 (an additional \$22 million in costs associated with Hurricanes Laura, Delta, and Zeta); Direct Testimony of Sarah M. Harcus, filed in Docket No. U-36350, at Exhibit SMH-5 (breaking out summary of additional costs, including Hurricanes Laura, Delta, and Zeta).

³² See, LPSC Order No. U-36350, at p. 10. The Company also received approval for recovery of \$59.5 million in carrying costs. *Id.*

1		In addition, the Commission authorized ELL to recover \$59.5 million in costs
2		associated with ELL's response to back-to-back winter storms (referred to as Winter
3		Storm Uri) in 2021,33 which knocked out power to approximately 228,000 ELL
4		customers. ³⁴ Although not quantified above, the harmful non-bill impacts and
5		disruption to customers and communities from major storm events (such as life-
6		threatening impacts from extreme weather or other accidents, damage to personal
7		property, water/sewer system outages, health care disruptions, lost business inventory
8		costs, evacuation inconvenience and costs, industrial outages, and school and business
9		closings, gas and gasoline price increases, and supply chain disruptions) cannot be
10		overlooked.
11		
12	Q25.	ARE THE SEVERE WEATHER EVENTS THAT RECENTLY HAVE IMPACTED
13		LOUISIANA LIMITED TO HURRICANES?
14	A.	No. Louisiana has been subjected to all manner of severe weather events in recent
15		years, and those impacts are not limited to the Company's service area, or to the
16		southern portion of the state. For example, in August 2016, the Gulf Coast region was
17		inundated with extreme rainfall caused by a slow-moving storm system. The heavy
18		rainfall totals (upwards of 20 to 30 inches in some areas) resulted in catastrophic

³³ See, LPSC Order No. U-35991-A, at p. 28-29 (\$49.6 million in costs associated with Winter Storm Uri); LPSC Order No. U-36350, at p. 10 (an additional \$9.9 million in costs associated with Winter Storm Uri); Direct Testimony of Sarah M. Harcus, filed in Docket No. U-36350, at Exhibit SMH-5 (breaking out summary of additional costs, including Winter Storm Uri).

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³⁴ Customers who were affected by the first storm, which hit on February 15, 2021, including those that lost power days after the storm had passed due to limbs falling after the fact and other scenarios, were restored by February 20. Most customers affected by the second storm, which hit on February 17, 2021, were restored by February 22, with isolated cases in the hardest-hit areas restored on February 23.

flooding, including river flooding, especially in areas around Baton Rouge, over a
 three-day period.

In February 2021, Winter Storm Uri brought freezing rain and ice to Louisiana. The first storm hit on February 15, 2021, and heavily impacted the Livingston Parish, Tangipahoa Parish, and Greater Baton Rouge areas. On February 17, the second storm heavily impacted central and north Louisiana. Ice accumulation damaged vegetation, causing sagged or downed trees, limbs, and power lines, which, in turn, caused significant damage to ELL's distribution equipment and facilities.

9 Some communities also recently have endured devastating tornadic activity. 10 Louisiana experienced multiple tornadoes within an 8-day period in March 2022. A powerful tornado caused significant damage in the Arabi community of St. Bernard 11 12 Parish on the evening of March 22, 2022. The tornado sprung from a storm system blamed for earlier tornadoes in Texas. It also spawned a tornado that touched down in 13 the Lacombe area of St. Tammany Parish. According to the National Weather Service, 14 15 the Arabi damage was caused by a tornado of at least EF-3 strength, meaning it had 16 winds of 158 to 206 mph, while the Lacombe-area twister was an EF-1, with winds as 17 strong as 90 mph. Southeast Louisiana again saw severe storms move through during 18 the evening of March 30, 2022. Several storms triggered tornado warnings, and there 19 were two reports of tornadoes touching down on the Northshore of Lake Pontchartrain 20 in St. Tammany Parish.

A line of powerful storms and tornadoes also tore through North Louisiana on December 13, 2022. Several tornadoes reportedly touched down in the community of Keithville in Caddo Parish and the town of Farmerville in Union Parish, leaving

devastating destruction in their wake. On December 14, 2022, this same storm system
 spawned tornadoes that caused damage in or near Marrero and Gretna in Jefferson
 Parish, and once again in Arabi in St. Bernard Parish. As it worked its way from west
 to east, this same line of storms spawned more than 40 reported tornadoes across four
 states, including 21 tornadoes in Louisiana.

6 More recently, in June 2023, a destructive line of storms swept across north 7 Louisiana bringing straight line and hurricane force winds as high as 80 mph in 8 Shreveport and 55 mph in Monroe. The storms spawned an EF-1 half-mile wide 9 tornado that touched down near the Texas-Louisiana border and crossed into Caddo 10 Parish. The storms resulted in downed trees and power lines causing thousands of 11 outages to the Company's customers as well as those of surrounding utilities, like 12 SWEPCO, which reported extensive damage to its transmission and distribution 13 systems due to the extreme weather. ١

14

15 Q26. DO THESE WEATHER-RELATED RISKS ALSO HAVE IMPLICATIONS FOR16 ELL'S FINANCIAL POSITION?

A. Yes. As discussed by Mr. McKenzie, the Company's service area's location in a stormprone region implies a higher risk operating environment and exposes ELL to the additional financial pressures associated with repairing the damage caused by catastrophic weather events. Mr. McKenzie also explains that while the LPSC's regulatory framework and the precedent for storm cost securitization in Louisiana are generally viewed as supportive by rating agencies, the practical realities of increasing customer bills and related customer affordability could weaken the Company's

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1	financial position. Likewise, as discussed by Mr. O'Malley, ELL likely will have
2	limited capacity to use securitization debt to finance any additional storm restoration
3	costs for a number of years due to the amount of securitization bond principal
4	outstanding subsequent to the securitization financings completed by ELL in 2022 and \int_{t}^{t}
5	2023. ³⁵ In this way, the reality of unpredictable and costly storms in ELL's service
6	area increases ELL's risk profile, even within a supportive regulatory environment.
7	Because weather-related risks affect investors' determinations regarding the
8	risks experienced by ELL, these risks should be considered in evaluating a fair ROE
9	and credit supportive cost recovery mechanisms, as discussed by Messrs. O'Malley,
10	Shipman, and McKenzie. As Moody's recent opinion plainly indicates, such
11	mechanisms are what position the Company to strengthen the grid and successfully
12	respond to these risks: "Due to the physical effects of climate change and the capital
13	required to bolster infrastructure and recover from damaging events, we require ELL's
14	financial profile to be more robust than the average utility." ³⁶ As described by Mr.
15	McKenzie, ELL must be able to marshal both internal and external resources on a
16	massive scale very quickly, and this leads to an extraordinary need for credit and
17	liquidity. Restoration efforts must be funded long before the recovery of prudently
18	incurred costs can be expected. A financially strong utility will be better prepared to
19	deal with these situations when they inevitably arise, ultimately benefitting customers.

³⁵ See, LPSC Docket No. U-35991, In re: Application of Entergy Louisiana, LLC for Recovery in Rates of Costs Related to Hurricanes Laura, Delta, Zeta and Winter Storm Uri and for Related Relief; LPSC Docket No. U-36350, In re: Application of Entergy Louisiana, LLC for Recovery in Rates of Costs Related to Hurricane Ida and for Related Relief.

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³⁶ Moody's, Entergy Louisiana, LLC Credit Opinion, July 19, 2023, at 4 (attached to the Direct Testimony of Company witness Todd A. Shipman as Exhibit TAS-5).

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1		IV. <u>ELL'S INVESTMENT IN ITS SYSTEM</u>
2	Q27.	WILL YOU DESCRIBE GENERALLY THE COMPANY'S HISTORICAL
3		INVESTMENT IN ITS SYSTEM?
4	А.	Yes. ELL has been working to strengthen its system since the significant storms that
5		impacted Louisiana in the early 2000s, and the experience with Hurricane Ida in 2021,
6		as well as the challenges of the record-setting 2020 Atlantic hurricane season,
7		demonstrate the necessity of those improvements. In the intervening years, ELL, like
8		the overall electric utility industry in the United States, has invested considerable
9		capital to replace and upgrade aging infrastructure.
10		In particular, ELL has modernized its power plants, adding both cleaner and
11		more efficient energy sources in order to provide its customers with reliable, safe, and
12		low-cost energy. ELL has also invested significantly in its transmission grid to expand
13		for growth and to comply with federal reliability requirements. And for its distribution
14		system, ELL has implemented grid modernization and system-hardening
15		improvements. In particular, grid modernization is being enabled by new technology
16		and developed in response to increasing customer expectations for reliability
17		enhancements that require a more modern, responsive, and resilient grid to minimize
18		the frequency and duration of outages.
19		
20	Q28.	WHAT CONSIDERATIONS ARE INVOLVED IN DETERMINING THE
21		APPROPRIATE LEVEL OF INVESTMENT IN THE COMPANY'S SYSTEM?
22	А.	The Company's investment in its system must be balanced with the need to maintain
23		affordable customer bills. Indeed, in LPSC Docket No. U-35565, the parties did not

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1 support a cost recovery mechanism necessary to reasonably support the level of 2 distribution spending proposed by ELL due to concern with customer bill impacts. A 3 settlement reflecting a mechanism (the current DRM) that did not fully support the 4 higher level of distribution spending proposed by the Company was reached and 5 approved by the Commission. In this proceeding, ELL seeks to make necessary 6 improvements to that mechanism, including expansion of the amount of costs eligible 7 for recovery through the DRM (as discussed by Ms. Maurice-Anderson), so that ELL 8 can make the investments necessary to prepare Louisiana for the future.

9 As I discuss further below, the Company's Resilience Plan filing is part of the 10 Company's proposal to prepare Louisiana for the future and improve overall electric 11 system resilience to meet the expectations of its customers. But the Resilience Plan, 12 which involves accelerated capital projects to produce near term benefits to customers, 13 would be incremental to ELL's ongoing capital program. Furthermore, the proposed 14 resilience investments do not fall into the same category as the Company's day-to-day 15 reliability programs. Instead, these projects represent a careful, studied approach to 16 enable the Company to accelerate investment, where appropriate, to address the frequency and intensity of storms that pose an increasing threat to the electric system. 17

18 Thus, while the Company is not proposing to recover the costs of the Resilience 19 Plan as part of this proceeding, the requests that ELL is making in its Application are 20 necessary to allow ELL to obtain the capital needed to make those investments, as well 21 as the existing, ongoing planned capital expenditures, at a reasonable cost and to 22 maintain the overall financial health of the Company. As discussed by Mr. O'Malley, 23 ELL's planned capital expenditures, *before* considering accelerated resilience efforts,

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1		stress ELL's creditworthiness, and the Commission has recognized such stress by
2		authorizing the TRM and the DRM, as I discuss above. In a similar way, the
3		Company's request for approval of its Rate Mitigation Proposal includes regulatory
4		modifications necessary to position the Company to undertake the Resilience Plan and
5		other programs and improvements to strengthen the grid.
6		
7	Q29.	WILL YOU DESCRIBE IN MORE DETAIL THE COMPANY'S EFFORTS TO
8		MODERNIZE ITS GENERATION PORTFOLIO?
.9	A.	Yes. Ninemile Unit 6 ("Ninemile 6"), a highly efficient combined-cycle gas turbine
10		("CCGT") that commenced commercial operation in 2014, was a significant step in the
11		Company's long-term plan to modernize its generation fleet. In 2016, the Company,
12		along with other Entergy Operating Companies ("EOCs"),37 acquired the 1,980-
13		megawatt ("MW") (summer rating) Union Power Station ("UPS"), a highly efficient,
14		natural gas-fired generating facility consisting of four CCGTs located near El Dorado,
15		Arkansas. (The Company also had previously acquired other modern gas-fired
16		combustion turbine-based generation including Perryville Power Station ("Perryville"),
17		Ouachita Power Plant Unit 3 ("Ouachita 3"), Calcasieu Generation Facility
18		("Calcasieu"), and Acadia Energy Center Power Block 2 ("AECPB2").) The J. Wayne
19		Leonard Power Station ("JWLPS") followed in 2019, followed by the Lake Charles
20		Power Station ("LCPS") in 2020. CCGT units like Ninemile 6, UPS, Perryville,
21		Ouachita 3, AECPB2, JWLPS, and LCPS supply reliable energy to customers and have

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³⁷ The EOCs include ELL; Entergy New Orleans, LLC ("ENO"); Entergy Arkansas, LLC; Entergy Mississippi, LLC; and Entergy Texas, Inc.

1	helped to transform the Company's portfolio to cleaner, more efficient generation
2	intended to improve system reliability, reduce environmental impacts, and produce
3	substantial customer savings over the long-term. ³⁸
4	The Company also acquired in 2020 the Washington Parish Energy Center
5	("WPEC") – with its two modern, combustion turbines that are designed to start and
6	ramp up quickly to meet customers' immediate energy needs - to provide ELL with
7	needed peaking and reserve generating capacity. The addition of WPEC provided a
8	modern, cost-effective, and reliable source of power to the Company's grid.
9	The Company also has sought to grow its renewable power-generating portfolio
10	by procuring 475 megawatts of solar power, in addition to the 50 MW of solar the
11	Company purchases through the Capital Region Solar Plant in West Baton Rouge ³⁹ and
12	various hydroelectric and other renewable resources. These new solar facilities are
13	expected to begin delivering power to customers in 2024. ⁴⁰ ELL also has applications
14	pending before the Commission to add another 3.2 gigawatts ("GWs") of solar
15	generation and an RFP that is in progress. ⁴¹

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³⁸ Ninemile 6 and JWLPS played critical roles in quickly restoring power to the greater New Orleans and surrounding areas following Hurricane Ida in 2021.

³⁹ See, LPSC Order No. U-34836 (March 18, 2019), In re: Application for Authorization to Participate in a Contract for the Purchase of Energy and Related Benefits from the LA3 West Baton Rouge LLC Solar Facility. The Capital Region Solar Plant began delivering power to the grid in October 2020.

⁴⁰ See, LPSC Order No. U-36190 (October 14, 2022), In re: Application for Certification and Approval of the 2021 Solar Portfolio, Rider Geaux Green Option, Cost Recover and Related Relief ("LPSC Order No. U-36190").

⁴¹ See, LPSC Docket No. U-36685, In re: Application for Approval of the 2022 Solar Portfolio, Expansion of the Geaux Green Option, Cost Recovery and Related Relief; LPSC Docket No. U-36697, In re: Application for Approval of an Alternative Process to Secure up to 3,000 MW of Solar Resources, Certification of Those Resources, Expansion of the Geaux Green Option, Approval of a New Renewable Tariff, and Related Relief.

Q30. HAS THE COMPANY'S HISTORICAL INVESTMENT IN GENERATION ALSO SUPPORTED THE RESILIENCE OF THE ELECTRIC SYSTEM FOLLOWING STORMS AND OTHER MAJOR WEATHER EVENTS?

A. Yes. Generation investment is a critical part of resilience. Typical restoration protocols
after major weather events call for rebuilding damaged transmission structures first,
powering up the grid, and then building out the distribution system. But when the
transmission system is severely damaged, the availability of local generation is
essential to providing timely restoration of power to the region after a major weather
event.

For example, in 2020, Hurricane Laura resulted in southwest Louisiana's 10 11 complete isolation from the bulk electric system, with all nine transmission lines into 12 that region rendered out of service. Due to the extensive damage to the transmission 13 system surrounding LCPS and Calcasieu, these plants were not able to draw from external power to resume operations. After the first transmission source was energized 14 15 to the area providing limited capacity, ELL was able to return LCPS and Calcasieu to 16 service, paying the way for providing significant amounts of power to communities 17 impacted by Hurricane Laura in Sulphur and Lake Charles.

18 Similarly, after Hurricane Ida in 2021, the greater New Orleans area was 19 completely isolated from the bulk electric system, with all eight transmission lines into 20 that region rendered out of service. After the first transmission tie line into the 21 Jefferson/Orleans area was reconnected, Ninemile 6 and the New Orleans Power

1 Station ("NOPS")⁴² were utilized in tandem, building load and restoring power to the 2 region.

3 It also is worth recognizing the strong performance of ELL's nuclear plants 4 during Winter Storm Uri. While gas deliveries were disrupted to certain plants, and 5 coal piles froze at other plants, at ELL, both River Bend and Waterford 3 performed 6 well during this storm event, providing much needed energy to power customers' 7 homes and businesses. River Bend, in fact, postponed a planned outage in order to 8 remain online through the storm, providing close to 1,000 MW of capacity and energy 9 for customers. Given the shortage of power during Uri, the performance of these units 10 highlights their importance to providing reliable service in Louisiana. As previously 11 noted, maintaining ELL's ability to invest in these units is part of the reason that ELL's 12 financial health must be maintained.

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14 Q31. PLEASE DESCRIBE IN MORE DETAIL THE COMPANY'S RECENT
15 INVESTMENT IN AND IMPROVEMENT OF ITS TRANSMISSION SYSTEM.

A. As discussed by Mr. Benyard, transmission capital investment can be divided into a
few primary categories: (1) projects that ensure the transmission system meets North
American Electric Reliability Corporation ("NERC") standards for bulk electric system
reliability through new lines, substations, and equipment upgrades; (2) projects that
improve reliability through replacement of aging equipment; (3) projects that go
beyond basic NERC reliability to enhance the reliability of critical infrastructure or

NOPS is owned and operated by ENO.

1 improve customer experiences; (4) projects needed to interconnect new facilities such 2 as new generators or new customers; and (5) projects that build new facilities to reduce 3 congestion on the system to ensure customers have access to the lowest cost power. As 4 Mr. Benyard describes, for the period starting in 2016 through 2022, the Company 5 invested approximately \$2.8 billion in its transmission system (not including costs 6 associated with Hurricanes Laura, Delta, and Zeta, Winter Storm Uri, and Hurricane 7 Ida). The need for this level of investment was driven by many factors, including 8 reliability planning, load growth, infrastructure maintenance and reliability needs, 9 economic transmission investments (*i.e.*, investments that produce cost savings to 10 customers), and generation interconnection projects. Mr. Benyard also provides 11 examples of ELL's transmission projects that closed to plant during the term of the 12 most recent FRP (2020-2022), and the level of transmission investment anticipated for 13 the 2023-2027 time frame.

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15 Q32. WHAT IS THE STATUS OF ELL'S INVESTMENT IN ITS DISTRIBUTION16 SYSTEM?

A. As Mr. Benyard and Mr. O'Malley describe, ELL has ramped up the pace and level of
its distribution investment in recent years and plans to continue making significant
investments to modernize and improve the reliability and resilience of the distribution
grid. On average, the Company invested approximately \$301 million annually in
capital spending for its distribution system for the six-year period of 2017 through
2022, with distribution line plant closings increasing from \$177 million in 2017 to \$464

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·1		million in 2022. ⁴³ This investment has been part of the Company's overall effort to
2		meet customers' expectations and transform its business as technology and the industry
3		evolve, while maintaining reasonable rates.
4		These improvements to the distribution system are time-consuming and capital-
5		intensive due to the large amount of equipment involved and the broad geographic
6		footprint of ELL's system, which includes over 32,000 miles of distribution lines in
7		Louisiana. Yet these improvements, and the resulting benefits to all customers from a
8		more modern electric grid, will be particularly visible and meaningful to the
9		Company's distribution-level customers who depend on ELL to keep their homes and
10		businesses running. Mr. Benyard provides examples of the types of projects that ELL
11		has undertaken to improve its distribution system. He also provides details on the level
12		of distribution investment anticipated for the 2023-2027 time frame.
13		
14		V. MEETING CUSTOMER EXPECTATIONS AND GROWTH
15		OPPORTUNITIES
16	Q33.	YOU MENTIONED PREVIOUSLY THAT ELL NEEDS TO PREPARE ITSELF TO
17		MEET CUSTOMER EXPECTATIONS AND TAKE ADVANTAGE OF FUTURE
18		GROWTH OPPORTUNITIES. PLEASE DISCUSS THE CUSTOMER
19		EXPECTATIONS THAT THE COMPANY IS WORKING TO MEET.
20	A.	Our society depends on electricity to power homes and businesses and to support
21		critical services and infrastructure such as government, military, police, fire, health

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⁴³ Distribution capital spend and additions for 2017-2022 exclude amounts related to storm damage and Advanced Metering System ("AMS") investments.