

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

APPLICATION OF ENTERGY)
LOUISIANA, LLC FOR APPROVAL OF)
GENERATION AND TRANSMISSION)
RESOURCES PROPOSED IN)
CONNECTION WITH SERVICE TO A)
SIGNIFICANT CUSTOMER PROJECT)
IN NORTH LOUISIANA, INCLUDING)
PROPOSED RIDER, AND REQUEST)
FOR TIMELY TREATMENT)

DOCKET NO. U-_____

DIRECT TESTIMONY

OF

RYAN E. O'MALLEY

ON BEHALF OF

ENTERGY LOUISIANA, LLC

PUBLIC REDACTED VERSION

OCTOBER 2024

TABLE OF CONTENTS

I.	INTRODUCTION AND BACKGROUND.....	1
II.	PURPOSE OF TESTIMONY	2
III.	ACCOUNTING FOR CIAC	4
IV.	MONTHLY MINIMUM CHARGES DURING RAMP-UP.....	8

I. INTRODUCTION AND BACKGROUND

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Ryan O'Malley. I am employed by Entergy Services, LLC ("ESL")¹ as the Controller of Utility Operations Accounting. My business address is 639 Loyola Avenue, New Orleans, Louisiana 70113.

Q2. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying before the Louisiana Public Service Commission (the "LPSC" or "Commission") on behalf of Entergy Louisiana, LLC ("ELL" or the "Company").²

Q3. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I have a Bachelor of Science degree in Business Administration with a major in Accounting from Louisiana State University (Baton Rouge). I am a Certified Public Accountant. Prior to my employment with ELL, I worked for Deloitte & Touche, LLP ("Deloitte") for approximately nine years in the firm's Audit and Enterprise Risk Services practice, rising to the position of Senior Manager. I began my career with Entergy Services, LLC in 2018 as a Senior Staff Accountant in Accounting Policy, was promoted to Manager of Fuel

¹ ESL is a service company to the five Entergy Operating Companies ("EOCs"), which are Entergy Arkansas, LLC, Entergy Louisiana, LLC, Entergy Mississippi, LLC, Entergy Texas, Inc., and Entergy New Orleans, LLC.

² On October 1, 2015, pursuant to Commission Order No. U-33244-A, Entergy Gulf States Louisiana, LLC ("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 now stands in the shoes of Legacy EGSL and Legacy ELL in pending Commission dockets.

1 Accounting in October of 2018, and subsequently became Manager of Accounting Policy
2 in September of 2019. I served as the Director of Finance for ELL from June of 2022
3 through July of 2023, when I assumed my current position.
4

5 Q4. HAVE YOU TESTIFIED BEFORE A REGULATORY COMMISSION PREVIOUSLY?

6 A. Yes. I provided written testimony in LPSC Docket No. U-36959. I also provided written
7 testimony before the Public Utility Commission of Texas.
8

9 **II. PURPOSE OF TESTIMONY**

10 Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

11 A. The purpose of my testimony is to describe the accounting treatments of three payments
12 that [REDACTED] ("Customer") will make under the terms of Customer's Electric Service
13 Agreement so that the Commission, Staff, and any other parties to this proceeding can
14 understand how these accounting treatments will affect the per book information shown in
15 ELL's Formula Rate Plan Evaluation Reports in the future. As explained by Messrs. May
16 and Jones, Customer will make these payments to prevent harm to ELL's cash flow and
17 credit metrics, thus preserving the Company's financial condition and ensuring that other
18 customers' rates are not unreasonably affected by the generation and transmission capital
19 additions necessary to provide electric service to Customer. The three payments from
20 Customer that I discuss are: (1) the contribution in aid of construction ("CIAC") to offset
21 the cost of certain transmission capital additions, (2) the CIAC [REDACTED]
22 [REDACTED] and (3) the monthly minimum charges
23 received during the ramp-up period.

1 Q6. PLEASE SUMMARIZE THE ACCOUNTING TREATMENTS OF EACH OF THOSE
2 PAYMENTS.

3 A. The Company's accounting records would reflect the following accounting treatments:

- 4 • The Transmission Capital Addition CIAC will offset 100% of the cost of the following
5 transmission capital additions: Construction Power Project, Commissioning Power
6 Project, the Smalling 500/230kV Substation Project, the Customer Substations 1-6,
7 Smalling to Car Gas 500kV Transmission Line Project, and the Car Gas Road 500kV
8 Switching Station. I refer to this group of projects as the "Customer-Specific
9 Transmission Projects."

- 10 • [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]

- 18 • The Company will record the portion of the minimum monthly charges received during
19 the ramp-up period for which ELL is unable to provide service at the contracted load
20 level as a contract liability consistent with Generally Accepted Accounting Principles
21 ("GAAP"). Such contract liability shall result in those payments not being accounted
22 for as revenue in the year of receipt. As discussed by Company witness Ryan Jones,
23 the Company is requesting that the Commission accept the recognition of the contract

liability for ratemaking purposes and authorize ELL to recognize the contract liability to customer revenue in the future in such a way that promotes rate stability.³

III. ACCOUNTING FOR CIAC

Q7. DOES THE COMPANY'S ACCOUNTING SYSTEM SUPPORT SPECIFIC IDENTIFICATION OF TRANSMISSION AND GENERATION CAPITAL ADDITIONS?

A. Yes. ELL's Powerplan system allows the project team to establish specific project codes and work orders to track the transmission upgrades and generation projects separately.

Q8. BRIEFLY DESCRIBE HOW EXPENDITURES ON CONSTRUCTION PROJECTS ARE RECORDED IN THE COMPANY'S ACCOUNTING SYSTEM.

A. When costs are incurred during construction – either external Engineering, Procurement, or Construction contracts or internal materials and labor – they are attributed to specific projects using the project codes and work orders specific to the project. ELL's accounting system is set up so that the project codes record the charges to FERC account 107, Construction Work in Progress. These charges receive their proportionate allocation of direct and indirect loaders.

³ See Mr. Jones's Direct Testimony at Section IV.

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]

4
5 Q9. PLEASE DESCRIBE THE ACCOUNTING FOR THE TRANSMISSION CAPITAL
6 ADDITIONS CIAC.

7 A. From time to time, ELL receives CIACs for transmission facilities necessary to serve a
8 specific customer. The accounting for the Transmission Capital Additions CIAC will be
9 consistent with such previous CIACs. The Company will record the CIAC in FERC
10 Account 252 as a credit, when received; the Company's accounting entry will also
11 associate the CIAC with a Customer-Specific Transmission Project. Monthly, when costs
12 are debited to account 107 during construction, a credit in an amount equal to the costs
13 incurred is reclassified from account 252 to account 107 to offset the charges recorded.
14 When the project is complete, the Company will transfer the accumulated debits and
15 credits, including the CIAC credits, to Account 101 Plant in Service. The Company's
16 intent is that upon closing, each Customer-Specific Transmission Project will have a zero
17 balance in account 101, and the accounting treatments I have described will accomplish
18 that result.

19
20 Q10. WILL THE LOADER RATES BE APPLIED TO THE CIAC CREDITS?

21 A. Yes. Each CIAC credit is treated essentially as a negative expenditure covering the direct
22 costs incurred as well as any loaders applied to the applicable project.

1 Q11. [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 A. [REDACTED]
5 [REDACTED]
6 [REDACTED]
7
8 Q12. [REDACTED]
9 [REDACTED]
10 A. [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14
15 Q13. [REDACTED]
16 [REDACTED]
17 A. [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]

1 Q14. THE TRANSMISSION CIAC AMOUNTS ARE BASED ON PROJECTIONS AND
2 WILL BE TRUED-UP WHEN ACTUAL COSTS ARE AVAILABLE. PLEASE
3 DESCRIBE THE ACCOUNTING FOR THE TRANSMISSION CIAC TRUE-UPS.

4 A. All true-up payments resulting from the difference between the transmission CIAC
5 estimates and the actual costs incurred will follow the same process as the initial payments.
6 That is, if ELL receives an additional payment, it will record a deferred credit for the
7 amount received, and the account will subsequently be debited as the additional CIAC is
8 applied to the additional transmission project costs incurred. In the event ELL receives
9 more funding up front than is ultimately necessary, once all of the transmission project
10 costs are offset, ELL will return the amount over the actuals back to the Customer in order
11 to clear out the remaining balance in the deferred credit.

12
13 Q15. [REDACTED]

14 A. [REDACTED]

15
16 Q16. MR. JONES EXPLAINS THAT THE CUSTOMER WILL CONTRIBUTE CIAC FOR
17 TRANSMISSION COSTS AND [REDACTED] AT AN
18 AMOUNT EQUAL TO THE NET PRESENT VALUE OF THE TOTAL COST. HOW
19 DOES THIS AFFECT THE ACCOUNTING?

20 A. To account for the difference between the net present value of the CIAC contributed and
21 the total cost to construct the transmission assets for which ELL is receiving CIAC and [REDACTED]
22 [REDACTED] ELL will recognize an expense and build-
23 up the liability in the CIAC accounts to the expected total cost to be incurred. To achieve

1 this, ratably throughout the period in which ELL is holding the customer's CIAC, ELL will
2 calculate a carrying cost using the rate agreed-upon with Customer and debit account 421,
3 other interest expense, and credit the CIAC liability at account 252 for the transmission
4 CIAC and [REDACTED]. This will ensure that at
5 the end of the construction period the total amount of CIAC applied is equal to the total
6 costs incurred.

7
8 **IV. MONTHLY MINIMUM CHARGES DURING RAMP-UP**

9 Q17. [REDACTED]
10 [REDACTED]
11 [REDACTED]

12 A. [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]

1 Q18. [REDACTED]
2 [REDACTED]
3 A. [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15
16 Q19. [REDACTED]
17 [REDACTED]
18 A. [REDACTED]
19 [REDACTED]
20 [REDACTED]

1 Q20. [REDACTED]
2 [REDACTED]
3 A. [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11
12 Q21. [REDACTED]
13 [REDACTED]
14 A. [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]

1 Q22. [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 A. [REDACTED]

5 [REDACTED]

6

7 Q23. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY AT THIS TIME?

8 A. Yes, at this time.

AFFIDAVIT

STATE OF LOUISIANA

PARISH OF ORLEANS

NOW BEFORE ME, the undersigned authority, personally came and appeared, **Ryan E. O'Malley**, who after being duly sworn by me, did depose and say:

That the above and foregoing is his sworn testimony in this proceeding and that he knows the contents thereof, that the same are true as stated, except as to matters and things, if any, stated on information and belief, and that as to those matters and things, he verily believes them to be true.



Ryan E. O'Malley

SWORN TO AND SUBSCRIBED BEFORE ME

THIS 14 DAY OF October 2024



NOTARY PUBLIC

My commission expires: Dec 24

Skylar Rosenblum
Notary Public
State of Louisiana
Louisiana Bar Roll # 31323
My Commission is issued for Life