

LOUISIANA PUBLIC SERVICE COMMISSION

DOCKET NO. R-36832

LOUISIANA PUBLIC SERVICE COMMISSION, EX PARTE

In re: Investigation of jurisdictional electric, water, wastewater, and gas utilities' use of ratepayer funds on political spending.

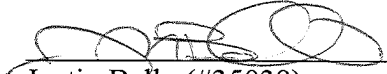
NOTICE OF CONSULTANT REPORT AND OPPORTUNITY TO COMMENT

The Louisiana Public Service Commission ("LPSC" or "Commission") opened this docket to investigate jurisdictional electric, NARUC Class A water and wastewater, and Group 1 and 2 gas utilities' use of ratepayer funds on political spending, and to recommend Commission action to protect against improper use and/or recovery of ratepayer funds. The Commission also directed Staff to open a Request for Proposals to hire consultants to assist with its review and to propose recommendations.

PLEASE TAKE NOTICE that the Commission Staff's consultant has concluded its review and provides its Initial Report, which is attached hereto. Commission Staff requests that comments on this report be filed on or before November 15, 2024. Please note that after the submission and review of comments, Commission Staff will issue a proposed recommendation, and will provide intervenors an additional opportunity to comment.

Issued this 25th day of October, 2024, Baton Rouge, Louisiana.

Respectfully Submitted,
LPSC STAFF



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing has been served upon all parties of record by facsimile, email, or United States Mail, properly addressed and postage prepaid, on this 25th day of October, 2024.



Justin Bello



Regulatory Treatment of Political Expenses in Louisiana and Around the Country

October 2024

A report prepared for the Louisiana Public Service Commission (PSC)
by E9 Insight for Docket No. R-36832.



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About E9 Insight

E9 Insight is a Boulder, CO based research and advisory firm dedicated to helping clients navigate the 50-state regulatory landscape. E9's clients include a broad cross-section of federal and state government agencies, technology companies, and nonprofit organizations.

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Key Terms

- **Recovery** – Inclusion of a certain expense in a utility's cost of service and utility bill via regulatory approval.
- **Disclosure** – A utility's presentation of information related to requested or spent expenses.
- **Disallowance** – A policy mechanism to prohibit a utility from recovering a certain expense from ratepaying customers.
- **Schedule** – A standardized format for organizing and presenting requested expenses.
- **Itemization** – A quality of disclosure in which expenses are broken out by specific recipient or initiative, amount, and other details.

E9 would like to acknowledge and thank the following organizations for providing material and context throughout the research process.

- Solar United Neighbors (SUN)
- Louisiana Public Service Commission (LPSC)
- Alliance for Affordable Energy
- Energy & Policy Institute (EPI)
- Center for Biological Diversity (CBD)
- University of Chicago
- Southern Renewable Energy Association (SREA)
- Kean Miller

Executive Summary

States around the country are taking steps to protect utility customers by enhancing accountability and transparency in utility ratemaking. Since 2023, over a dozen state legislatures and regulatory commissions have proposed or implemented new policies that require detailed disclosure or prohibit utilities from recovering expenses that are primarily related to political influence activities or focused on shareholder, not ratepayer, benefits. These legislative and regulatory changes seek to end or restrict instances in which these expenses—ranging from industry association dues to chartered aircrafts—are included in customer utility bills.

In June 2023, the Louisiana Public Service Commission (PSC) opened an investigation into the use of ratepayer funds on political spending. The investigation's goal is to protect Louisiana ratepayers "against improper use and/or recovery of ratepayer funds" and develop clarified rules around disclosure, recovery, and enforcement of certain expenses. The PSC retained E9 Insight to investigate (1) the current level of disclosure in recent utility proceedings in the State of Louisiana and (2) relevant legislative and regulatory actions in other states that might inform PSC actions in support of the objectives established in this proceeding.

E9's findings, detailed in this report, confirm that there are significant opportunities for regulators in Louisiana to re-examine and potentially reform rules and regulations governing the recovery of political expenses. We first find that Louisiana utility rate case applications today are not standardized and lack sufficient detail for PSC staff, commissioners and public stakeholders to meaningfully understand the nature or scope of a range of expenses. The opaque nature of utility reporting practices leaves customers vulnerable to being charged for inappropriate political influence activities. We further identify a wide range of activities in other states that are relevant to the goals established in this proceeding. These policies, regulations, and rules provide benchmarks and best practices that may inform opportunities for the PSC to update rules and regulations in this area. The lessons from this review position Louisiana to emerge as a national leader and innovator in utility accountability and customer protection policy.

By comprehensively consolidating, categorizing, and segmenting activities from twenty-two states, this report offers a set of recommendations for the Louisiana PSC. These recommendations serve as a roadmap for PSC staff to develop a proposed rule for the consideration of Louisiana regulators and stakeholders.

Introduction

E9 Insight (E9) prepared the following report in response to the directives offered in the Louisiana Public Service Commission's (PSC) June 22, 2023 Notice of Proceeding for Docket No. U-36832 (Investigation of jurisdictional electric, water, wastewater, and gas utilities' use of ratepayer funds on political spending). The report examines current rules and practices around Louisiana utility recovery for political spending; examines policy activities from peer states to enhance transparency and accountability; and, offers recommendations for a future rulemaking proceeding. This research seeks to ensure that any actions taken or rules proposed are consistent with the contemporary regulatory best practices, core principles and support policy goals established by the Commission and in Louisiana, thereby giving the PSC confidence that it is leveraging other jurisdictions' best practices.

This report and investigation exist within a larger policy context in which Louisiana regulators and ratepayers are concerned and taking action to promote enhanced transparency and accountability to their jurisdictional utilities. In recent years, the Louisiana PSC has participated in federal processes designed to enhance utility accountability, while the New Orleans City Council has litigated Entergy New Orleans related to mismanaged accounting and implemented new policies related to campaign finance. Louisianans are not alone in these pursuits and this desire. Policymakers, regulators and stakeholders in states nationwide have recently expressed concerns that regulators do not have access to information necessary to determine whether certain expenses are in ratepayers' best interest. Current state definitions of political influence are often to expense areas like lobbying and campaign finance. Meanwhile, there is mounting evidence from around the country that a broader set of expense types relate to political influence and may not be in ratepayers' best interest. This report offers a methodology for segmenting the landscape of direct and indirect political influence expenses often included in rate case, and describe how these expenses have been treated in leading jurisdictions.

This report features five sections. Section 1 defines the expense categories and subcategories that E9 will examine throughout this report. Section 2 examines current rules and practices around expense recovery in Louisiana and evaluates the FERC Uniform System of Accounting as an accountability mechanism. Section 3 examines requested recovery for examined expenses across Louisiana utilities' recent rate cases or rate stabilization plans. Section 4 examines peer state activities to promote enhanced disclosure and/or disallowance of examined expenses. Section 5 offers recommendations to guide PSC staff's development of a proposed rule. Appendices A, B, and C provide details on the regulatory, legislative, and legal material that serve as the foundation of E9's research and illustrate the findings of Sections 3 and 4.

The research for this report took place from February 2024 – June 2024; the report does not include up to date information for events that took place beyond this time period.

Section 1: Examined Expense Categories

This report begins by clarifying what E9 will include as “political expenses” in the scope of this investigation, which expands beyond narrow definitions of what constitutes political advocacy or influence. The Louisiana Public Service Commission’s (PSC) June 2023 Notice of Proceeding gives the following guidance for specific topics to focus the investigation:

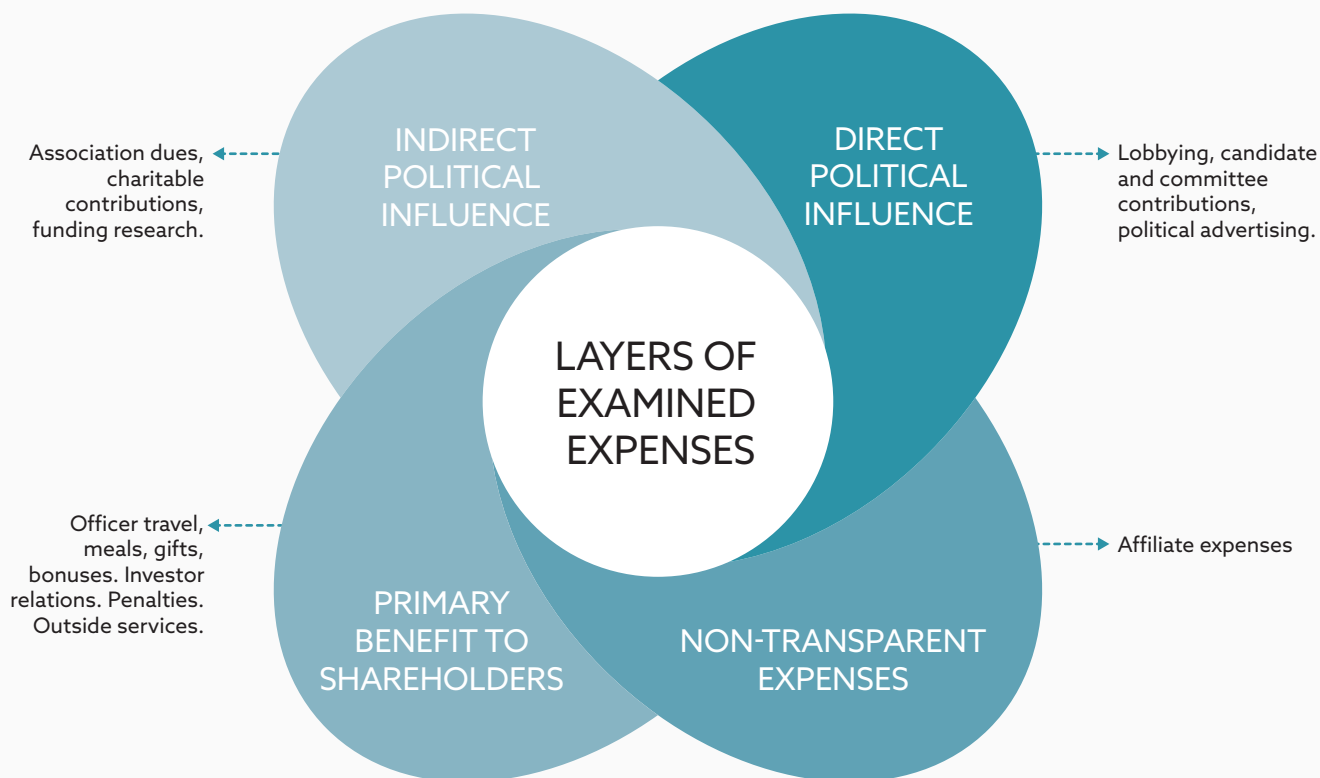
“This inquiry should include, but not be limited to, examination of said jurisdictional utilities charging Louisiana ratepayers for any (1) activities meant to influence the outcome of any local, state, or federal legislation, ordinance, resolution, rule, measure, or other regulatory decision, (2) advertising, marketing, and/or public relations expenses that do not directly relate to a purpose or program that is required or authorized under statute or commission rule or order, and/or (3) organization or membership dues or other contributions to any organization, association, institution, corporation, or other entity that engages in lobbying or other similar activities meant to influence the outcome of any local, state, or federal legislation, ordinance, resolution, rule, measure, or other regulatory decision.”¹

E9 identified seven expense categories that are included in the scope of this report. While the proceeding is framed to address “political spending,” these seven categories embody a broader view into what types of expenses should be recovered. These include direct political influence; indirect political influence through expenses delivered to other organizations or initiatives; expenses which may not involve political influence but arguably benefit shareholders more than ratepayers; and expenses which are not transparent enough for regulators to determine their nature or who they primarily benefit. While forms of direct political influence have the most obvious impacts on public policy and regulatory processes, this report situates them within a more complex and portfolio of activities – many of which are less well understood and potentially as or more profound mechanisms to influence policy and benefit corporate shareholders. These distinctions are visualized in Figure 1.

Current Louisiana law and regulatory tradition does not explicitly prohibit expenses that relate to direct or indirect political influence, primarily benefit shareholders, or are not transparent. These expense areas are included in the scope of this investigation based on a broad interpretation of the above Notice, combined with coordination with PSC staff; peer state and federal policy language; thought leadership; expert interviews and validation, and more. While the basis for or against recoverability for these kinds of expenses is well-considered across policy and legal scholarship, their inclusion in the present investigation is simpler. As Section 3 will review in depth, expense disclosure in Louisiana today is largely inconsistent, indiscernible, or invisible to regulators, researchers, and the public. That alone should justify deeper examination and consideration of potential mechanisms to promote transparency and protect customers; this outlook serves as a guiding principle to this report.

Below, E9 presents and defines the categories and subcategories examined within the scope of this report, referred to throughout the report as the “examined expense categories.”

1. Notice of Proceeding, Louisiana PSC. Docket No. U-36832. June 22, 2023. <https://e9radar.link/ry7u>

Figure 1: Layers of Examined Expenses

1. **Industry association dues.** Dues to membership organizations, trade associations, business associations, and chambers of commerce. Usually, such organizations are qualified under 501(c)(6) of the Internal Revenue Code of 1986;² for the purposes of this report, we include organizations incorporated under Section 501 of the amended Internal Revenue Code of 1986. Industry associations are generally incorporated as 501(c)(6) organizations, but utilities in certain cases include 501(c)(3) and 501(c)(4) organizations as part of industry association dues recovery requests.
2. **Charitable donations.** Donations to charitable organizations qualified under Sections 501(c)(3) and 501(c)(4) of the Internal Revenue Code of 1986. These include, but are not limited to, community nonprofit organizations, affinity and professional organizations, educational organizations, and environmental organizations.
3. **Advertising.** Public advertising expenses, distributed via media including, but not limited to, the internet, television, radio, and print. Advertising subcategories addressed in this report include:
 - Public image/goodwill advertising including corporate sponsorships, endorsements, and public relations campaigns
 - Political or regulatory advertising related to a policy process, proceeding, other forms of advocacy, or justifying utility activities or investments
 - Marketing and sales of utility products, including the products of unregulated affiliates.
 - Informational advertising related to utility operations and public service
 - Informational advertising related to utility customer programs, incentives, or other opportunities

2. Business Leagues, *Internal Revenue Service*. <https://e9radar.link/qytu>

4. **Operational.** Umbrella category for a range of expenses that relate to utility, holding, or affiliate company operations that may benefit shareholders. Operational subcategories addressed in this report include:
 - Officer (executive or board member) bonus compensation and incentives
 - Officer travel, including chartering of private aircraft
 - Officer hospitality including lodging, food and beverage
 - Officer entertainment
 - Gifts
 - Penalties and fines
 - Litigation fees for disputed legal issues involving the utility
 - Liability insurance
 - Responses to commission requirements or requests around expense disclosure (e.g., audits)
 - Investor relations expenses, including those related to shareholder meetings
5. **Political.** Expenses related to influencing executive, legislative, regulatory³ public policy outcomes at the federal, state, or local level. Subcategories of political expenses addressed by this report include:
 - Lobbying costs
 - Support for “grassroots” or citizen lobbying
 - Legislative testimony
 - Contributions or gifts to an electoral candidate, campaign, or in support of a ballot measure
 - Contributions to a political party
 - Contributions to a legislative or political committee (including a political action committee)
 - Funding of research related to advocacy
6. **Regulatory.** Expenses related to the costs of participating in significant regulatory proceedings, typically rate cases. Subcategories of regulatory expenses addressed by this report include:
 - In-house rate case expenses
 - In-house expenses for regulatory proceedings other than rate cases
 - Employment and/or compensation for outside services including attorneys, consultants, and expert witnesses
7. **Affiliates.** Expenses related to reimbursement, funding, or transactions with a utility’s holding company or other business entities under the same corporate umbrella. Subcategories of affiliate transactions may include (but are not limited to) administrative expenses; bilateral contracts (including power-purchase agreements); debt guarantees; tax recouping and/or treatment of tax burdens; legal costs; and insurance costs.

3. If the company in question is not the subject of a regulatory proceeding.

Section 2. Louisiana and FERC Rules for Recovery of Potential Influence Spending

This section examines existing systems of accounting for utility expense recovery at the Louisiana Public Service Commission (PSC) and at the Federal Energy Regulatory Commission (FERC). The review finds that Louisiana does not utilize a uniform system of accounts, while the FERC Uniform System of Accounts (USofA) provides only topical visibility into the details of examined expenses. If the Louisiana PSC desires a more rigorous system of accounting, they will have to develop a state rule or policy.

Section 2.1. Expense Reporting in Louisiana.

Typically, states have laws, policies, or regulations in place that direct how regulated utilities must structure rate case requests for recovery of various expenses, including the expense categories examined in this report. At least 29 states require utilities to utilize the FERC USofA, a federal accounting system designed to encourage standardization in utility ratemaking.⁴ Other states utilize statewide systems of accounting.

Louisiana is one of the states that does not require adoption of the USofA, although some utility requests voluntarily utilize aspects of the USofA. Furthermore, Louisiana does not have a comprehensive portfolio of laws, policies, or regulations that act as a substitute for the USofA by standardizing expense accounting across rate cases. In the absence of clear guiding principles for rate case applications, PSC staff are tasked to evaluate utility requests on a case-by-case basis. Staff are tasked with processing and navigating non-uniform filings and must use their discretion to determine what should be allowed for recovery as a typical operating expense.

Despite this overall characterization, regulated utilities in Louisiana are subject to some narrowly defined reporting requirements. A 1990 General Order titled "Periodic Reporting of Utility Companies Outside Attorney and Consulting Expenses" or simply the 'Attorney and Consultant Reporting Rule' requires utilities to annually report the costs associated with the hiring of outside attorneys, lobbyists, engineers, trade association contractors, financial advisors, and other consultants. Thus, within the limited subcategories of outside services and lobbying, the Louisiana PSC has a long-utilized regulatory reporting mechanism. Under the existing rule, utilities must itemize hourly fees paid to each organization by category of contractor. They must also itemize total expenses paid to each organization by category of contractor, broken out by quarter, year, and total to date. The recently filed staff Phase I report and recommendations filed in the Louisiana PSC's investigation into Customer-Centric Options (Docket No. R-35462) proposed minor changes to the rule, recommending that utilities provide information regarding attorneys and consultants retained as part of litigation between the LPSC and an LPSC-jurisdictional electric utility.^{5,6}

4. Opening Comments footnote #121, *Center for Biological Diversity*. Docket No. RM22-5. February 22, 2022. <https://e9radar.link/846dd4>.

5. Staff's Final Phase I Report, Louisiana PSC. Docket No. R-35462. <https://e9radar.link/vdyc>.

6. Staff's Final Phase I Report Appendix 2, Louisiana PSC. Docket No. R-35462. <https://e9radar.link/7ozx>.

Section 2.2. Evaluation of FERC USofA.

The FERC USofA contains deficiencies that were identified throughout E9's analysis, substantiated during some expert interviews, and described by intervenors in an ongoing FERC investigation into industry association dues reporting and the USofA. We raise three core concerns that challenge the notion that the FERC USofA can promote enhanced visibility and transparency into utility rate case applications:

1. **Inconsistent Disclosure.** Across the examined expense categories, the USofA provides variable visibility into the details of requested spending. For example, while there are three separate accounts for different types of advertising, industry association dues and several operational expenses are aggregated together with other expense sub-categories in a single account. Even a thorough review of the USofA account definitions does not resolve where certain expense subcategories would be recorded, such as chartered airfare and gifts.
2. **Demonstration of purpose.** Even accounts with specific definitions fail to require information that may be important for determining a given expense to be in ratepayers' best interest, like context about recipients or outcomes or benefit to ratepayers.
3. **Distribution of charges.** E9's examination of the FERC USofA finds sixteen categories whose definitions address expense areas related to the examined categories outlined in this report (see Table 1). However, in practice these account definitions often do not match with utilities' actual distribution of charges across USofA categories. According to the Louisiana PSC, Entergy Louisiana has often recorded the bulk of industry association dues not in Accounts 921 or 930.2, but across Accounts 165 and 517. Sometimes Entergy has charged these expenses as prepayments or part of the rate base without utilizing the USofA.⁷ The most recent Georgia Power rate case offers a similar example from another jurisdiction: while only two FERC USofA account definitions mention organizational dues (Accounts 921, 930.2), the schedule dedicated to requests for industry association dues in Georgia Power's 2022 rate case (Schedule B-4) lists expenses distributed across 49 USofA accounts.⁸

Table 1 below summarizes E9's analysis of the FERC USofA accounts as they definitionally apply to the seven examined expense categories. As the Georgia Power example suggests, it is unclear how these categories are applied in practice.

7. Comments, *Louisiana Public Service Commission*. Docket No. RM22-5-000. February 22, 2022. <https://e9radar.link/kvv7>.

8. Schedule B-4 Membership Fees and Dues, *Georgia Power*. Docket No. 44280. <https://e9radar.link/3xmh>.

Table 1: Examined Expenses by FERC USofA Account

CATEGORY	FERC ACCOUNT	EXPENSE DESCRIPTION
Dues	921	Dues to a trade, technical, and professional associations paid by a utility for employees.
Dues	930.2	Industry association dues for company memberships.
Charitable	426.1	Payments or donations for charitable, social or community welfare purposes.
Advertising	909	Advertising related to customer utilization of electric service to promote customer and public benefit.
Advertising	913	Advertising to promote or retain the use of utility service.
Advertising	930.1	General advertising, including good will, institutional, and public image advertising.
Operational	426.4	Company payments of penalties or fines for violation of any regulatory statutes.
Operational	921	Meals, traveling and incidental expenses, general services not applicable to other accounts.
Operational	925	Insurance against employee injuries and damages claims.
Operational	930.2	Stockholder meeting expenses, directors' fees and expenses, expenses to publish and distribute annual stockholder reports.
Political	426.4	Expenses related to influencing public opinion and/or public policy, including political contributions, lobbying, and other.
Regulatory	921	Court costs and witness fees.
Regulatory	923	Fees for professional consultants.
Regulatory	928	Expenses related to participation in regulatory proceedings in which the utility is the principal or an intervening party, including employee fees.
Affiliation	123	Securities investments issued by associated companies.
Affiliation	146	Management of cash and loans for which associated companies are liable.

Intervening stakeholders from organizations, state agencies and public service commissions nationwide—including the Louisiana PSC— have highlighted deficiencies with the USofA in an ongoing FERC investigation. In 2021, FERC initiated a Notice of Inquiry ("NOI") into the "Accounting Treatment of Industry Association Dues and Certain Civic, Political, and Related Expenses" in response to a petition filed by the Center for Biological Diversity ("CBD"). The scope of the NOI is similar to the Louisiana PSC proceeding at hand. It articulates the need for enhanced definitional clarity around various forms of potential political influence spending, calls for an evaluation of current accounting practices and their outcomes, and suggests the need to reconsider disclosure practices and assumptions around expense recoverability. The NOI has been largely inactive since 2022, which some experts attribute to leadership changes at FERC.

As an intervenor and commenter in the FERC NOI, the Louisiana PSC has advocated for enhanced transparency and accountability in utility ratemaking. The PSC argued that expense accounting in Louisiana and the FERC USofA are both insufficient, citing specific regulatory experiences. Arguing for a stronger FERC system of accounts, the PSC contextualized Louisiana's own accountability challenges:

*"There are currently no practical mechanisms for state retail regulators or ratepayers to meaningfully review industry association expenditures and activities. Neither the utility's accounting records, Form 1 reports, nor the industry association invoices provide any substantive information or detail regarding the activities of the organization or expenditures of dues collected from members."*⁹

9. Comments, Louisiana Public Service Commission. Docket No. RM22-5-000. February 22, 2022. <https://e9radar.link/kvv7>.

The PSC's initial comments in the NOI made the following statements (paraphrased unless quoted):

- Today, it is relatively easy for Louisiana utilities to charge political expenses to ratepayers with limited oversight.
- Meaningful review, auditing, and corrections of political expenses are inherently burdensome to regulators who are often "hamstrung in that review due to lack of access to meaningful data."
- Due to lack of transparent accounting, repeated instances of utility malfeasance or misreporting, and the advocacy-oriented activities of industry associations, industry association dues should be presumably non-recoverable.
- The current practice of presuming recoverability for charitable, advertising, and regulatory expenses should also be examined.

Section 2.3. Mechanisms for Disclosure Standardization.

As alternatives to adopting the FERC USofA, states have utilized a variety of mechanisms to enforce standard rate case schedules. We highlight three emergent jurisdictional pathways for providing enhanced guidance about the treatment of political expenses: legislative statute, commission rules or directives, and customary practice.

1. **Legislative statute:** Legislative statute refers to legislation adding or amending language of state statutory requirements. While many state utility commissions are beholden to legislative statutes, the Louisiana PSC was established by the executive branch of the state government and is comparatively more independent. As confirmed by PSC staff, no legislative statutes exist related to the treatment of examined expense categories.
2. **Commission rules, commissioner directives:** Commissioner rules or directives refer to rule changes that either result from formal rulemaking processes or from the authority of commissioners to implement policy on issues. The only relevant existing Louisiana rule for the scope of this report is the Attorney and Consultant Reporting Rule described in Section 2.1.
3. **Precedential treatment:** According to several Louisiana stakeholders, precedents established during regulatory processes can have significant impacts on utility practices. Precedents can be established based on regulatory decisions, as part of black box settlements in specific proceedings, or from informal engagement between utilities and PSC staff. In Louisiana's regulatory context, precedents have sometimes extended across utilities. As an alternative to written rules, precedents are not guaranteed to be uniformly applied, especially as personnel change and PSC staff and utilities contract third party consultants. Interviewees for this report suggest many utilities' preemptive removal of certain expenses from the cost of service is the result of precedents developed over many years. This includes removal of charitable contributions, scholarships, and community events; lobbying and other political expenses; and operational expenses including board member fringe benefits, travel and meals, and penalties and fines (see Section 2).

While E9 does not suggest that any one pathway is inherently more effective than another, the second pathway would fall within the commission's authority to pursue. As we expand upon in Section 5, the issuance of a proposed rule and initiation of a rulemaking could be an appropriate pathway to synthesize the recommendations of this report, garner stakeholder feedback, and implement new rules.

Section 3. Requested Recovery for Influence Spending in Louisiana

This section will present E9's review of requested recovery of examined expenses across Louisiana's largest jurisdictional electric, gas, and for-profit water utilities. The analysis finds that the nature and details of utility requests are largely inconsistent, indiscernible, or invisible. This observation begs the question: who is paying for utility political influence? Utility companies, including shareholder-owned corporations and cooperatives, are legally allowed to engage in politics. For regulated utilities, the question at hand is not whether utilities are spending related to politics, but rather whether these expenses are being charged to captive ratepaying customers. This analysis demonstrates that today, in most cases, regulatory practices do not provide sufficient detail to answer that framing question for most examples of political or related spending.

Section 3.1. Examined Expenses in Louisiana Rate Cases – Methodology.

To determine the nature of examined expenses requested among Louisiana electric, gas, and water utilities,¹⁰ E9 reviewed the most recent rate case application materials¹¹ of the state's four investor-owned electric utilities; eleven electric cooperative utilities with rate cases in the past decade; four largest natural gas distribution utilities (each serving at least three districts); and four largest for-profit water utilities (each serving at least three districts).

Regulated Louisiana utilities are differentiated by ownership structure, ratemaking procedures, and other qualities and nuances. The examined investor-owned electric utilities, gas distribution utilities, and for-profit water utilities are private companies owned and governed by shareholders; the electric cooperatives are owned by their customer and governed by boards, which are usually elected. Utilities may petition for changes to base rates in formal rate cases, which were the primary proceedings examined in Section 3. Gas distribution utilities alternatively file rate stabilization plans, which are similar in structure to base rate cases. Utilities also have the option to propose formula rate plans, which can be reported on and adjusted on an annual basis; in the absence of base rate cases or rate stabilization plans in the past decade, E9 examined initial applications to implement formula rate plans. The utilities examined in this Section also vary considerably in company size, revenue, and customers served. For example, while Entergy Louisiana features a multi-billion-dollar market cap, many of the electric cooperatives and water distributors serve small rural communities. Electric cooperatives without rate cases from the past decade as well as gas and water distributors serving less than three districts in Louisiana were not examined in this report. The Louisiana PSC website maintains a search engine listing all of its jurisdictional regulated utilities.¹²

The question at hand is not whether utilities are spending related to politics, but rather whether these expenses are being charged to captive ratepaying customers

10. Or in the case of natural gas distribution companies, usually gas rate stabilization plans.

11. Louisiana utilities may have filed new rate proceedings since June 2024.

12. Utility Companies, *Louisiana Public Service Commission*. <https://e9radar.link/vxzc>.

Research for this section involved a review of all materials included in each utility's application, which ranged from a single document to thousands of pages of material across dozens of distinct documents. The research methodology for this section included scanning rate case application materials for keywords related to the examined expense categories including (but not limited to) "expense," "membership," "dues," "advertising," "contribution," "fee," "charitable," "compensation," "investor relations" and "travel."

The results of this utility-by-utility review are presented in detail in Appendix B, which characterizes whether each utility's recent rate case or rate stabilization plan application included requests for recovery of expenses related to each examined expense category. Appendix B includes descriptions, links, and classifications of specific requests applicable to each expense category. Appendix B assigns each request with the following classifications:

- **Aggregated.** The utility refers to requested expenses without itemizing them by recipient, outcome, purpose, or other details. Most commonly, this is presented as a single line item in a schedule.
- **Itemized.** The utility presents requested expenses with associated information about the recipient, outcome, purpose, or other details. Partial itemization refers to itemization in some but not all expenses within an expense category.
- **Excluded.** The utility has removed certain expenses from requested recovery, either canceling them entirely or moving them 'above-the-line' to be charged to shareholders. Partial exclusion refers to the utility excluding some but not all expenses within an expense category.
- **Not Disclosed.** Indicates that requests for expenses associated with the defined categories were not clearly or apparently specified in the utility's application.

Section 3.2. Examined Expenses in Louisiana Rate Cases – Findings.

There is very little consistency in either the nature of the requested spending or delivery of the requests. Table 2 below summarizes which examined expense categories appeared in the rate case or rate stabilization plan application of the four examined utility types.

Table 2: Percentage of Each Utility Type's Rate Cases in which Expense Categories Were Clearly Requested¹³

UTILITY TYPE	INDUSTRY DUES	CHARITABLE	ADVERTISING	OPERATIONAL	POLITICAL	REGULATORY	AFFILIATE
Electric IOU (4)	50%	0%	25%	25%	0%	100%	50%
Electric Co-Op (10)	30%	0%	40%	50%	0%	40%	0%
Gas Distribution (4)	25%	0%	25%	25%	0%	25%	0%
For-Profit Water (4)	25%	0%	50%	50%	0%	50%	0%

This table displays the percentage of rate case applications where utilities clearly requested recovery for expenses from each category, broken out by utility type. Red quadrants indicate 25% of fewer rate cases; orange 26-75%; and green 76% or higher.

13. Due to its size and corporate affiliation with Entergy Louisiana, Entergy New Orleans is included as one of the four investigated Electric IOUs even though it is regulated by the New Orleans City Council.

Finding #1

Most requests do not articulate expense purpose or benefits to ratepayers.

Requests to recover expenses across the remaining categories were variable in nature and presentation, but never articulated expense purpose or benefit to ratepayer on an itemized basis. Industry Association Dues is the only expense category for which certain utilities, including Entergy Louisiana and three electric cooperatives, requested expenses with basic itemization (e.g., naming recipient organizations and associated amounts). Some utilities defined specific advertising, operational, and regulatory expense subcategories, such as travel and board member fees or general versus informational advertising. These usually aligned with the FERC USofA. Some requests relate to large sums of money being requested with limited transparency. For example, in its 2019 rate case Cleco proposed to recover \$99.5M to two affiliates, Cleco Support Group and Cleco Cajun. Cleco described that Cleco Support Group executes administrative functions but did not explain the drivers of the expenses. Cleco did not describe the functions of Cleco Cajun in detail.

Finding #2

Some requests suggest utility spending on direct or indirect political influence.

Some specific observed expense requests suggest activities clearly related to political influence. For example, SWEPCO's 2020 rate case requested recovery for a line item titled "miscellaneous expenses related to Regulatory and Legislative Actions in the State of Louisiana." Other requested expenses suggest outcomes related to indirect political influence. For example, Louisiana investor-owned utilities' requested recovery of dues to national industry associations like the Edison Electric Institute (EEI) generally do not specify the intended outcomes of the spending. In its comments to FERC's political spending NOI, the Louisiana Public Service Commission (PSC) summarized that "EEI engages in information campaigns, funding whitepapers and other advocacy in an attempt to achieve political and regulatory outcomes that will enhance shareholder profits, increase shareholder returns, and discourage scrutiny of utility rates," also articulating several specific examples of such advocacy and its potential adverse impact on ratepayers.¹⁴

Finding #3

Political spending was likely aggregated and not identifiable.

Based on PSC Staff and expert input, expenses related to the examined categories were most likely included in aggregate spending categories such as Administrative & General, Operation & Maintenance, or Miscellaneous General Expenses. This hypothesis is validated by Table 2, which captures only a limited number of observed requests. We suggest that our review was unable to track a considerable amount of requested in-scope spending that could have been aggregated under these catch-all categories. These "embedded" expenses would be impossible to review without a Commission audit or intervenor discovery request.

14. Comments, Louisiana Public Service Commission. Docket No. RM22-5-000. February 22, 2022. <https://e9radar.link/kvv7>.

Overall, there is limited consistency in the delivery or presentation of relevant recovery requests across Louisiana rate case and rate stabilization plan applications. Some applications classified requested expenses using the FERC USofA while others organized based on unique company accounting procedures; others did not present the information at all. This lack of consistent disclosure is a natural result of underdeveloped statutory guidance or precedent in Louisiana's regulatory construct (as discussed in Section 2). The dynamic makes it challenging to determine whether the absence of certain information reflects a lack of relevant requests, or rather the obscuring of expenses within catch-all expense categories. Certainty is often only achievable through time and resource-intensive PSC or intervenor-led discovery processes. Overall, this creates an environment that lacks transparency and specificity, making it challenging for regulators to ensure that utilities are investing ratepayer funds responsibly and in customers' best interests.

Overall, there is limited consistency in the delivery or presentation of relevant recovery requests

Other jurisdictions have taken actions to address this troublesome dynamic. The following section focuses on new, proposed and existing policies in other jurisdictions that promote disclosure, disallowance, and enforcement of expenses across the examined categories.

Section 4. Reform Activities From Around The Country

Across the country, public authorities are revisiting classification and treatment of expenses that potentially fund political influence, primarily benefit shareholders, or are not transparent. In recent years, state legislators and regulators have addressed this issue and changes have been implemented or proposed. In many states, state reform activities have emerged in response to public and regulatory concerns about vulnerabilities in the system, especially following improper or criminal behavior by regulated utility companies and their affiliates.

This section provides a comprehensive review of state activities to enhance disclosure, prohibit recovery of expenses, and enforce rules across the seven expense categories outlined in Section 1. Appendix C describes each state's reform activities in detail. The dataset examined in this section highlights many state approaches to promoting transparency and accountability, which serve to inform recommendations for consideration by the Louisiana PSC. Peer state activities provide several approaches to executing on the June 2023 memorandum's goal to implement reforms that "protect against improper use and/or recovery of ratepayer funds."¹⁵

Section 4.1. State Reform Activities – Methodology

Appendix C indexes the activities included in this report's review. It includes proposed and implemented state legislation, regulatory proceedings, state rules or statutes, and broadly utilized data request templates. This review prioritized identifying policy activities from the past several years. E9 verified identified actions with utility accountability experts from several national organizations. This section's review also identified and includes several examples of long-standing statutes or administrative code related to the examined expense categories, which primarily related to disclosure requirements.

Appendix C details how each state activity addressed each expense category and characterizes each state's reform activities overall. It classifies each examined expense category based on whether implemented or proposed state policy requires partial disclosure¹⁶; disclosure; partial disallowance; or disallowance. The checkboxes aligned with each state's expense categories in Appendix C indicate whether the policy includes a specific enforcement mechanism; whether it is proposed; whether it was implemented via legislation; or whether it was implemented via regulatory processes.

The following tiers capture the results of this analysis as they relate to disclosure, disallowance, and enforcement, and characterize each state's status implementing reforms to promote transparency and accountability.

- **Tier 1: Comprehensive disallowance.** State has disallowed ratepayer recovery for expenses across the majority of defined categories, or alternatively, in most categories the petitioning utility is required to demonstrate the purpose and benefit to ratepayers of each expense in order to recover it. Disclosure mechanisms such as rate case filing requirements or periodic reports are ubiquitous, defined in state policy, and require itemized information about expense recipients and outcomes. Enforcement mechanisms including penalties for non-compliance are ubiquitous and defined in state policy.

15. Notice of Proceeding, Louisiana PSC. Docket No. U-36832. June 22, 2023. <https://e9radar.link/ry7u>.

16. The "partial" attribute indicates that disclosure or disallowance requirements are conditional or only apply to certain in-scope expenses.

- **Tier 2: *Partial disallowance*.** Disallowance or partial disallowance of ratepayer recovery for expenses across at least one expense category. Disclosure mechanisms and enforcement mechanisms are defined by state policy and implemented for some categories, requiring itemized information about expense recipients and outcomes.
- **Tier 3: *Disclosure*.** Disclosure for expenses in most expense categories is required and defined by state policy and provides itemized information about expense recipients and outcomes. Disclosure rules are implemented via schedules for organizing information in rate applications and/or periodic reports related to relevant expense categories. Alternatively, categorical practices such as commission staff data requests provide consistent visibility into expenses. In some cases, regulators may have disallowed or audited certain expenses via rate case orders, investigations, or otherwise.
- **Tier 4: *Limited activity*.** Most expenses are assumed allowable for recovery. There are not consistent mechanisms for disclosure of itemized expenses. Discovery, audits, or additional requirements are required for detailed information.

Section 4.2. State Reform Activities – Findings

The following figures demonstrate the results of E9's analysis and state tiering. Today, three states require comprehensive disallowance (Tier 1); eight require partial disallowance (Tier 2); and seven require disclosure (Tier 3). As of June 2024, four additional states have proposed legislation that, if enacted, would re-classify them as Tier 1 and another state that would re-classify it as Tier 2. As of June 2024, reform activities in four states failed in the 2024 legislative cycle.

Figure 2: State Tiers Based on Implemented Reform Activities

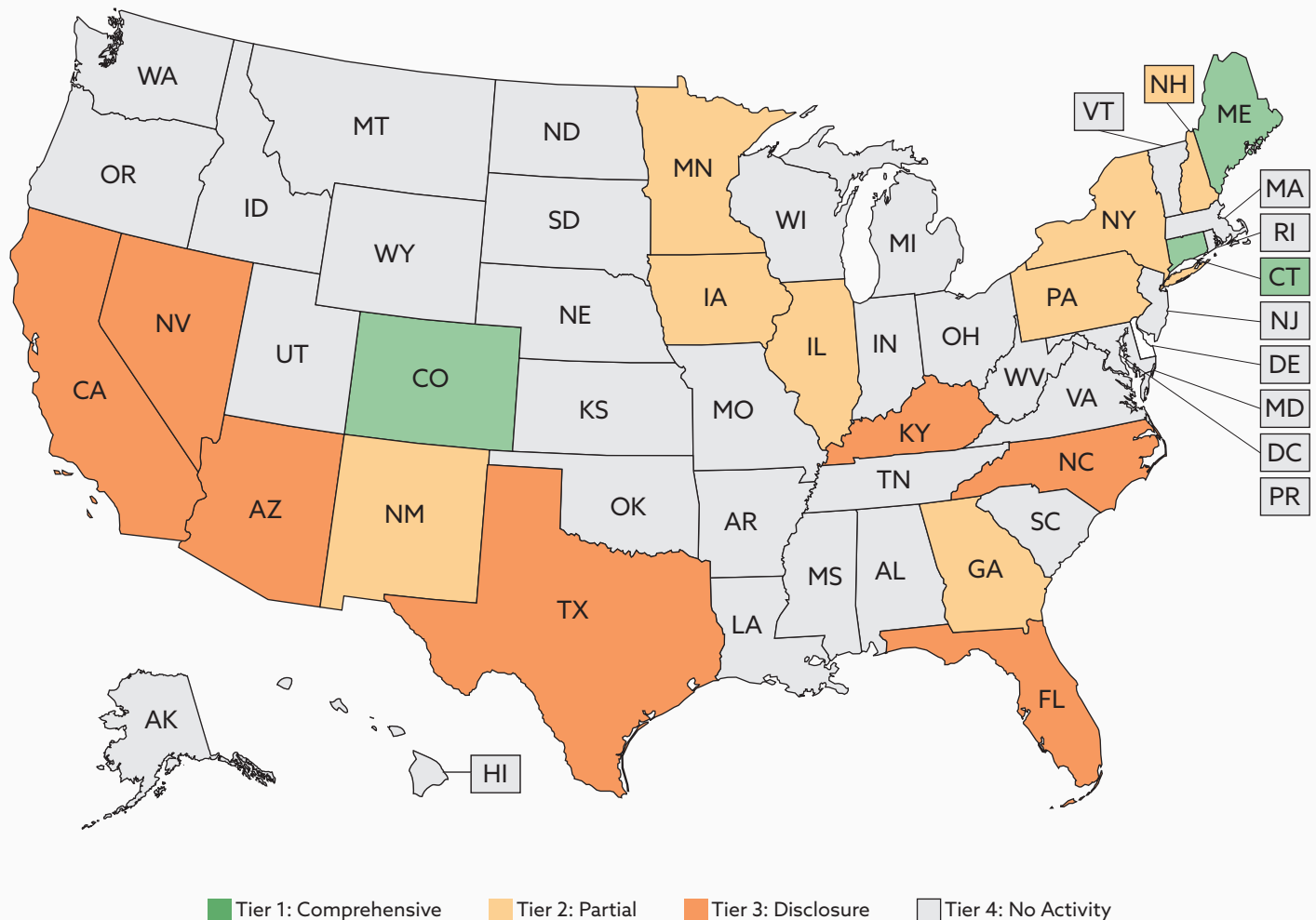
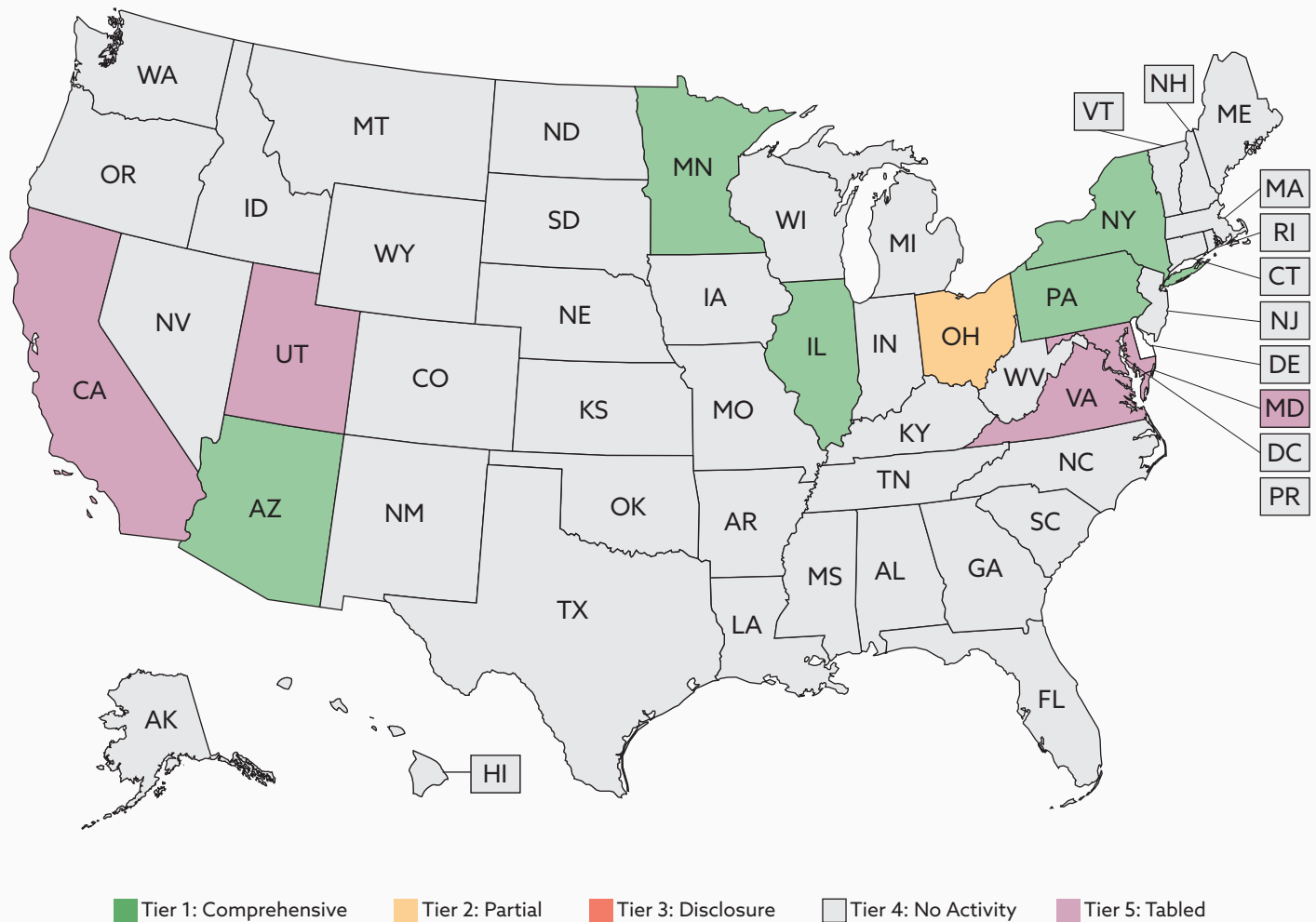


Figure 3: State Tiers Based on Proposed Reform Activities

Finding #1

States are taking action to promote enhanced transparency.

In recent years, policymakers and regulators in several states have addressed concerns around undue ratepayer recovery for political expenses and the need to promote a state regulatory environment with enhanced transparency and accountability. In certain states, these activities build on decades-old rules requiring standard expense disclosure or disallowing certain expenses. States that have recently explored reform pathways have defined a consistent set of concerns: most states lack clear mechanisms to ensure that ratepayers are not being charged for expenses that are related to political influence and advocacy, that primarily benefit shareholders, or that are being used to fund untraceable, non-transparent, or unregulated outcomes. States have turned to policies that require enhanced disclosure, presumptively prohibit recovery of certain expenses, and establish enforcement mechanisms to penalize violations. States' reform activities have targeted the categories most relevant to their concerns.

These new reporting and decision-making frameworks are substantively diverse. Some draw on existing state procedures while others integrate the FERC USofA, and many implement new requirements or schedules. They are also diverse in their application, adapting to each state's regulatory context and utility landscape. In some states, reform activities apply uniformly across regulated utility types, while others focus explicitly on investor-owned electric utilities or feature exemptions for customer-owned cooperatives. In summary:

1. State actions constitute a wave of nationwide reform activity.
2. These activities build on existing disclosure and disallowance rules.
3. These activities address a clear set of concerns.
4. States are seeking enhanced visibility to inform recoverability decisions.
5. Proposed and implemented frameworks are diverse in nature.

Finding #2

States are utilizing legislative and regulatory mechanisms to change policy.

There are multiple approaches to reforming disclosure, disallowance, and enforcement practices. Policymakers and regulators are prioritizing pragmatic solutions through diverse mechanisms. In 2023 and 2024, legislation has been the most common approach. Legislation has focused on establishing new regulatory requirements or amending state law related to utility ratemaking. Some state regulatory commissions have initiated investigations or rulemakings to achieve similar outcomes. Regulatory commissions have also made decisions that set precedent or disallowed specific expenses proposed in rate cases. In some states, regulatory commission staff or consumer advocates categorically request itemized information in utility rate cases. States have developed and adapted reform mechanisms based on what is practically feasible and best suited to their needs.

In states where policymakers and regulators have not proposed or implemented reforms, intervening stakeholders have worked through regulatory procedures such as discovery to request information. Intervening stakeholders interviewed for this report emphasized the time and resource constraints involved with engaging in rate cases, which often address many issues and investments at once.

Inconsistent or non-transparent disclosure related to the examined expense categories places the burden on these intervening parties to gain enhanced visibility into the outcomes, purpose, and benefits to ratepayers of specific expenses. In summary:

1. Policymakers and regulators are taking diverse approaches to reform.
2. Reform mechanisms primarily utilize legislative and regulatory pathways.
3. Reform mechanisms are best assessed on a state-by-state basis.
4. States without reform activities rely on third parties to promote transparency.

Finding #3

State disclosure rules have promoted standardization.

States have proposed or implemented disclosure mechanisms to enhance visibility into rate case requests and/or as periodic reports paired with disallowance requirements. States have proposed or implemented policy mechanisms that are best suited to their unique needs and opportunities. E9 identified three levels of disclosure observed across the landscape:

1. **Aggregated.** Rate cases or reports aggregate expenses by category or subcategory. For example, a rate case may indicate "Industry Association Dues" or "Image Advertising" with an aggregate dollar amount.
2. **Itemized (unqualified).** Rate cases or reports break out expenses based on requested amount and specific recipient or outcome, including individuals, organizations, or initiatives. For example, industry association dues, charitable donations, or affiliate transactions are listed by recipient title; advertising expenses are listed by campaign; travel expenses are listed by trip; lobbying expenses by policy issue; and regulatory expenses by docketed proceeding.
3. **Itemized (qualified).** Rate cases or reports break out expenses based on requested amount and specific recipient or outcome, including individuals, organizations, or initiatives. Each expense is further associated with information about the intended outcome, purpose, and/or benefits to ratepayers of each expense. Expense recipients may be broken out across several line items if the outcome, purpose, and/or benefits to ratepayers varies within a lump sum. In some cases, qualification of expenses may involve justifying an amount increase or the selection of a particular recipient.

Expenses that are aggregated or itemized without qualification usually do not provide sufficient information for regulators to determine if they are ratepayers' best interest. Expenses generally must be both itemized and qualified for regulators to effectively determine the basis of their recoverability. For example, expenses charged to a large industry association with a range of operational initiatives must be qualified for regulators to affirmatively determine that they are not being used to support political influence or to primarily benefit shareholders. Table 3 describes requirements from states that have implemented requirements related to both itemization and qualification of expenses.

Table 3: State Policies to Enhance Disclosure

STATE	TIER	APPLICABLE EXPENSE CATEGORIES	REPORTING TYPE	POLICY LANGUAGE
CT	1	All	Annual report	Utilities must include “unredacted billing amounts, billing dates, payees and explanation of the expenditure in detail sufficient to describe the purpose of the cost.”
CO	1	All	Annual report	Utilities include the “purpose, payee, and amount of any expenses associated with the costs and activities that are not permitted to be recovered from customers pursuant to this section.”
ME	1	Associations; charitable; advertising; political	Annual report	Utilities must include the “date, the payee, the amount and a description of the purpose of the expense.”
MN	2	Associations; charitable; operational; political	Rate case schedules	Itemized requests must include “the date of the expense, the amount of the expense, the vendor name, and the business purpose of the expense.” The utility must also “provide a one-page summary of the total amounts for each expense category included in the petitioning utility’s proposed test year.”
IL	3	Associations; charitable; political; regulatory	Rate case schedules	Itemized requests must include the “purpose and nature” of the organization or services employed.
NV	3	Associations; charitable; political; regulatory	Rate case schedules	Itemized dues requests must include the “purpose” and “provide any descriptive material the company has concerning the organization’s financial statements, annual budget, and activities.” Charitable and political requests must “describe the purpose of the expenditure and provide any information that establishes a causal relationship between the expenditure and corporate performance, state the benefit to the Nevada ratepayer.” Regulatory requests must include “payee, amount, account, purpose, docket, case, or proceeding reference, and describe briefly the nature of the case or legal service provided” and outside services requests must include the “rationale for the use of each outside consulting service,”
NC	3	Dues; advertising	Rate case schedules	Itemized requests must include “1. Justification for inclusion of said dues in the company’s cost of service. 2. Explanation of the use of said dues by the association receiving the dues. 3. Explanation of purpose and objectives of the association receiving dues from the company. 4. Current annual budget of the association receiving dues from the company by major category of activity, e.g., research, education, administration, lobbying, etc.”

Across disclosure or disallowance rules, states also use a variety of regulatory language to define expense categories. Some states define expense areas in great depth and detail, articulating subcategories, examples, or edge cases. Other states allow terminologies such as “membership dues” to speak for themselves or be more narrowly defined at the regulators’ discretion. Many states reference federal resources to define certain expenses, most prominently Section 501 of the Internal Revenue Service (IRS) Code of 1986 (primarily for organizational dues and charitable contributions) and the FERC Uniform System of Accounts. In summary:

1. States are enhancing visibility via standard rate case schedules and periodic reporting.
 2. Expenses must be itemized and qualified to provide a sufficient basis for regulation.
 3. Many states require that disclosed expenses are itemized and qualified.
 4. State definitions for expense categories vary considerably.

Finding #4

States are presumptively disallowing expenses across defined categories.

States are presumptively disallowing expenses across the examined categories, or alternatively making recovery of expenses contingent on rigorous demonstration of customer benefit. Disallowance rules have addressed expenses that have been deemed to fund political influence, benefit shareholders more than ratepayers, or which are not transparent enough for sufficient regulator review.

Figure 4 provides an overview of disallowance rules have been implemented (Figure 4a) or proposed (Figure 4b) in states assigned Tier 1 or Tier 2 (comprehensive or partial disallowance, respectively). Each large dot indicates comprehensive disallowance while each small dot indicates partial disallowance. The figures demonstrate that disallowance rules have been implemented or proposed across nearly every expense category and subcategory, while some categories have been the focus of reform activities across the majority of Tier 1 and 2 states.

Figure 4a: Existing state disallowances by expense subcategory

EXISTING ACTIVITIES			CO	CT	ME	GA	IA	IL	MN	NH	NM	NY	PA
CATEGORY	SUBCATEGORY	TIER	1	1	1	1	2	2	2	2	2	2	2
DUES			•	•	•				•			•	•
CHARITABLE			•	•	•				•		•		•
ADVERTISING	Image		•	•	•	•	•				•		•
	Political		•				•				•		•
	Marketing		•	•			•				•		•
	Operations						•						
	Programs						•						
OPERATIONAL	Bonuses		•										
	Travel		•	•					•	•			
	Hospitality		•	•						•			
	Entertainment		•	•					•	•			
	Gifts		•	•									
	Penalties		•										
	Litigation						•						
	Insurance												
	Reporting			•						•			
	Investor		•	•									
POLITICAL	Lobbying		•	•	•		•	•		•	•		
	Grassroots			•	•						•		
	Testimony			•									
	Election		•	•	•	•			•	•	•		
	Party			•	•						•		
	Committee		•	•	•					•			
REGULATORY	Research												
	Rate Case		•	•						•			
	Other												
	Services		•	•			•			•			
AFFILIATE			•										

Figure 4b: Proposed state disallowances by expense subcategory

PROPOSED ACTIVITIES			NY	MN	PA	AZ	IL	OH
CATEGORY	SUBCATEGORY	TIER	1	1	1	1	1	2
DUES			•	•	•	•	•	•
CHARITABLE			•	•	•	•	•	•
ADVERTISING	Image		•	•	•	•	•	•
	Political			•	•		•	•
	Marketing		•	•	•	•	•	
	Operations							
	Programs		•					
OPERATIONAL	Bonuses					•		
	Travel		•	•	•	•		
	Hospitality		•	•	•	•		
	Entertainment		•	•	•	•		
	Gifts		•	•	•	•		
	Penalties			•		•		
	Litigation					•		
	Insurance						•	
	Reporting		•					
	Investor		•	•	•			
POLITICAL	Lobbying		•	•	•		•	•
	Grassroots		•	•	•			
	Testimony							
	Election		•	•	•	•	•	•
	Party		•	•			•	
	Committee		•	•		•	•	
REGULATORY	Research				•			
	Rate Case					•	•	
	Other					•		
	Services				•	•	•	
AFFILIATE								

Dots indicate policy or regulation prohibiting (Figure 4a) or proposing to prohibit (Figure 4b) ratepayer recovery for expenses in each subcategory. Large dots indicate full prohibition while small dots indicate partial prohibition.

Expense categories that involve directly or indirectly influencing policy outcomes (see Figure Onion) were disallowed in most state reform activities. Most Tier 1 and 2 states have disallowed **political expenses** and defined unrecoverable political expense subcategories including lobbying, contributions to candidates and committees, and grassroots mobilization. Nearly as many states have presumptively prohibited recovery for expense categories that relate to indirect political influence or advocacy, such as **industry association dues**, **charitable contributions**, and certain subcategories of **advertising**. Together, these four expense categories have been or are in the process of becoming widely prohibited from ratepayer recovery among Tier 1 and 2 states. Further observations from these four expense categories and subcategories include:

- **There is a variety of treatment across political subcategories.** The majority of Tier 1 and 2 states have proposed or implemented disallowance for expenses related to lobbying, elections, political parties, and political committees. Fewer (but still several) states have disallowed expenses related to grassroots lobbying and advocacy research. In states without reform activities or firm rules, many utilities presumably remove political expenses, especially the lobbying subcategory from the cost of service.
- **Definition matters for industry association dues and charitable contributions.** Many Tier 1 and 2 states rely on IRS definitions for industry associations and charitable organizations for which they have disallowed recovery of expenses. However, recognizing there can be some definitional overlap between these organization types, some states clarify examples of disallowed contributions. For example, New Mexico disallows recovery for general industry association dues but allows professional association dues and offers examples of disallowed donation recipients including religious causes, social, recreational or fraternal organizations.
- **There is a variety of treatment across advertising subcategories.** State reform activities, as well as the FERC USofA, draw clear distinctions between subcategories of advertising. Most Tiers 1 and 2 states have proposed or implemented disallowance for general advertising and advertising to promote a utility's image or promote corporate goodwill, related to policy or regulatory issues, or to market utility products and services. These subcategories clearly either primarily benefit ratepayers or relate to political influence. Most Tier 1 and 2 states have, however, maintained that utilities may petition to recover informational advertising expenses related to executing utility operations or promoting programs, incentives, or initiatives that can benefit customers or advance public policy goals.

Disallowance for other expense categories that benefit shareholders more than ratepayers, principally **operational** and **regulatory** expenses, is more variable across Tiers 1 and 2 states. Operational expenses embody a range of subcategories. The operational subcategories that are disallowed in most states relate to special privileges for company executives, board members, and other officers, including travel, hospitality, entertainment, and gifts, and compensation and bonuses. Fewer states have incorporated disallowances related to mitigating or responding to non-compliance, including penalties, litigation, and liability insurance. Disallowances for regulatory expenses are varied. Depending on the procedural context, regulatory expenses walk a line between influencing policy (e.g., advocating for outcomes in a rulemaking) and primarily benefiting shareholders (e.g., defending a proposed rate of return in a rate case). Most disallowances in the regulatory category related to rate cases specifically or contracting outside regulatory services including attorneys and expert witnesses.

Disallowance for expense categories that are simply not transparent, principally **affiliate** transactions, are less common. Only Colorado has presumptively disallowed affiliate transactions; several other states have taken steps to require enhanced disclosure. Affiliate transactions are neither inherently influence-oriented nor beneficial to shareholders; regulated utilities may have reason-

able justification for charging affiliate transactions to ratepayers when they are necessary to regular operations. Rather, disallowance or enhanced disclosure for affiliate transactions addresses the fact that without itemized information about the outcomes or purpose of such transactions, regulators are unable to adequately determine whether they are in customers' best interests.

Most disallowance rules are paired with rules around **disclosure** and **enforcement**. Many states with disallowance rules require annual or similarly periodic reports itemizing expenses across the examined categories, including those that have been charged to shareholders rather than ratepayers. Many have also described a state utility commission or other governmental body's authority to administer penalties, either affirming the authority of a commission to use its discretion or dictating specific financial and procedural rules. Such rules include amount caps or proportions for financial penalties. In summary:

1. States have disallowed recovery for expenses across the examined categories.
2. Certain expense categories, especially those related to direct or indirect political influence, are near-ubiquitously disallowed across Tier 1 and 2 states.
3. Other expense categories, such as those related to shareholder benefits and non-transparent expenses, are more variably disallowed across Tier 1 and 2 states.
4. Disallowance rules are often paired with disclosure and enforcement requirements.

Section 5. Recommendations

In its June 2023 Notice of Proceeding initiating the present investigation, the Louisiana PSC presented the goal of identifying “Commission action to protect against improper use and/or recovery of ratepayer funds, such as (1) updated and clarified rules, (2) requirements for regular disclosures of relevant utility spending, and (3) propagation of related enforcement mechanisms.”¹⁷ Based on the findings articulated in this report, E9 Insight offers the following recommendations in response to the Louisiana PSC’s framing directive. This section breaks down the recommendations into five categories:

1. policy principles, 2. mechanisms, 3. disclosure and reporting, 4. disallowance, and 5. enforcement.

Summary of Recommendations

Principles. Articulate policy principles underlying any reform activity.

Procedure. Initiate a political expenses rulemaking.

Disclosure. Establish standard, statewide disclosure mechanisms.

Disallowance. Refer to peer states to guide subcategory-specific disallowances.

Enforcement. Design a procedure for financial non-compliance penalties.

Recommendation #1

Articulate policy principles underlying any reform activity.

The Louisiana PSC should clearly state the policy principles that serve as the foundational motivation for any order, rule change, order opening a rulemaking, or any other reform activity. Articulating policy principles or desired goals is a commonly adopted practice in legislation or regulatory decisions across the examined peer states. While crafting policy principles, the PSC should expand upon the principles articulated in the June 2023 directive. Policy principles should justify and contextualize any action to jurisdictional utilities, customers, and stakeholders. The PSC should consider the following principles as potential points to include in such a statement:

1. **Customers should not be funding political influence.** Ratepaying customers should not be charged for expenses related to utility advocacy or political influence, expenses that primarily benefit shareholders, or expenses that are not transparent. These expenses should be charged to corporate shareholders, or for cooperatives, be subject to enhanced regulatory scrutiny.
2. **Regulators need access to detailed, transparent information to adequately protect customers.** For the Louisiana PSC to adequately carry out its stated mission of ensuring that customers are provided “safe, adequate and reliable service, at rates that are just and reasonable, equitable and economically sound,”¹⁸ it is essential that regulators have access to itemized information about requested expenses. Regulators should be able to apply standard tools that empower them to gain comprehensive visibility into jurisdictional utility rate requests.

17. Notice of Proceeding, Louisiana PSC. Docket No. U-36832. June 22, 2023. <https://e9radar.link/ry7u>

18. Louisiana Public Service Commission. <https://e9radar.link/wrja>.

3. **The burden of proof should be on the utilities to demonstrate customer benefit.** Petitioning utilities, not public officials or intervening stakeholders, should be responsible for demonstrating why expenses should be included in a utility's regular cost of service. This includes demonstrating the purpose and specific customer benefits of expenses.
4. **Louisiana can leverage national best practices to inform policy decisions.** The state of Louisiana will benefit from drawing from peer state best practices related to expense disclosure, disallowance, and enforcement to inform next steps. With state policy actions to enhance transparency and accountability proliferating each of the past several years, Louisiana has access to and can draw from sophisticated policy leadership.
5. **Enforcement is necessary for meaningful policy.** New laws, policies, or regulations will only be effective if they disincentivize utilities from non-compliance; meaningful enforcement mechanisms are essential.
6. **Louisiana should ensure market transparency to promote market efficiency.** The state of Louisiana should take steps to ensure that utility ratemaking does not expand beyond the bounds of regular cost of service. Ensuring that all market participants have equitable access to information will guarantee that political influence does not present barrier to promoting an open market for innovation in Louisiana.

Recommendation #2

Initiate a political expenses rulemaking.

To implement any new disclosure, disallowance, or enforcement requirements, Louisiana must change its utility ratemaking practices. The PSC may consider three reform mechanisms or pathways: 1) issue a commission order, 2) initiate a rulemaking proceeding, or 3) make recommendations to the state legislature. Louisiana should proceed with pathway #2 and initiate a rulemaking proceeding. In this case, that rulemaking may be best initiated by issuing a proposed rule in the present proceeding, Docket No. R-36832.

E9 does not recommend Option #3 because it relies on external authority and may be vulnerable to partisan political dynamics and/or more subject to lobbying by industry or special interests; Options #1 and #2 each features pros and cons. Implementing changes via an order or proposed order would be the more expedient, least burdensome regulatory pathway. An order could directly incorporate this report's model for categorizing expenses, lessons from peer state best practices, and findings and recommendations. The main drawback of advancing directly to an order is that it would limit stakeholder engagement compared to other options. Issuing a proposed order and initiating a rulemaking could meaningfully address this concern. Incorporating stakeholder feedback via a rulemaking may be especially warranted considering that the interventions recommended in this report would involve substantive changes to ratemaking practices. A rulemaking proceeding would likely involve elements of the following procedure:

1. PSC staff filing a proposed rule that integrates the findings and recommendations of this report.
2. An opportunity for intervening stakeholders to file comments to the proposed rule.
3. A technical conference addresses stakeholder feedback and context and contextualizing elements of the proposed rule.
4. Incorporation of feedback and filing of a final rule.
5. Commission vote on the final rule in a business & executive meeting.

Recommendation #3

Establish standard, statewide disclosure mechanisms.

Louisiana should take a three-pronged approach to promoting availability of itemized information in rate case applications. First, Louisiana should expand upon existing reporting requirements for expenses related to lobbying and outside services, requiring that utilities publish a comprehensive annual expense report. This report would itemize expenses charged to both ratepayers and shareholders across the examined expense categories and be submitted to PSC auditing staff and published on a utility or PSC web page. Second, Louisiana should require utilities to make information available for inspection or auditing in response to a violation and/or at its discretion. Third, Louisiana should frame a future opportunity to develop a standard, statewide schedule for utilities to organize requests for recovery in rate case applications across allowed expense subcategories.

1. **Periodic disclosure reporting:** Louisiana should require an annual report utilizing the existing Attorney and Consultant Reporting Rule infrastructure. 'Political Spending Reports' could be combined with the current Rule framework or simply use it as a model; in the outside services expense category at least, two separate reports would be duplicative. Political Spending Reports should be filed quarterly and/or annually. E9 recommends that in addition to being filed for review by Louisiana PSC audit staff (as is the Attorney and Consultant Reporting Rule procedure), the PSC publish the reports on a publicly facing online portal. This practice has been implemented or proposed in Colorado, New York, and Ohio. Making expense disclosures publicly available reflects an expressed reality that PSC audit staff's capacity to audit extensive documentation can be limited; public access to the documentation equips intervening parties and other stakeholders to assist PSC staff in reviewing utility practices and identifying any emergent issues.

The reports should itemize expenses across the seven examined categories (and all subcategories) from the previous period, significantly expanding upon the Attorney and Consultant Reporting Rule's itemization requirements significantly. Itemized expenses should demonstrate not only the nature of the expense, but also its purpose and benefits to ratepayers. For each expense, utilities should report:

- a. Time frame (e.g., test year, year range).
- b. Expense category and subcategory according to this report.
- c. Charged entity (ratepayers or shareholders)
- d. Recipient organization¹⁹ or outcome/activity²⁰.
- e. Amount requested for recovery (and total amount, if only part of a larger sum is requested for recovery).
- f. Nature of the recipient organization or outcome/activity.
- g. Purpose and benefit to ratepayers of the expense (if charged to ratepayers).

Louisiana should require that annual reports itemize both expenses recovered from ratepayers and charged to shareholders. Including expenses charged to shareholders would guard against an unintended consequence of disallowance— in which removing sensitive expenses from the cost of service renders them completely invisible to regulators and the public. If the PSC adopts this report's disallowance recommendations, companies will likely continue spending on political advocacy with shareholder funds. Reports including in-scope shareholder charges would ensure continued accountability and transparency in that scenario.

Tier 1 policies implemented in Colorado, Connecticut, and Maine and proposed in New York and Minnesota support the periodic reporting approach and require itemization at a similar level of

19. For use cases including industry association dues, charitable contributions, grassroots lobbying, electoral finance, political committee contributions, political party contributions, outside services, affiliate transactions.

20. For use cases include advertising expense, operational expenses, political lobbying, legislative testimony, advocacy research, rate case or other regulatory expenses.

detail and qualification. Proposed activities in Pennsylvania, Arizona, and Ohio additionally require reporting for specific expense subcategories related to direct and indirect political influence.

2. **Standard rate case schedule development:** Reporting alone does not dictate what expenses utilities recover as part of their cost of service. Accordingly, the PSC should consider a broader examination of ratemaking practices that incorporates a similar level of disclosure. With expanding Political Spending Reports recommended as an immediate 'Phase I' effort, creating standardized rate case schedules would be a natural 'Phase II'. Such schedules would require utilities to integrate the same level of informational itemization in their rate case applications. The PSC can think of these phases as 1) gaining access to detailed information in the near term and 2) ensuring that this level of detail gets integrated into utility ratemaking processes in the intermediate term.

The PSC should consider scoping a prospective rulemaking in two phases, with the second addressing ratemaking accounting procedures and any other contested issues that cannot be resolved during an initial phase. The second phase could also be aligned and integrated with related PSC efforts, such as certain findings from the June 2024 staff report in Docket No. R-35462, *Customer-Centric Options*. Rate case reforms would involve creating and implementing a unique statewide schedule for expense recovery requests in rate case applications. This report would recommend that this envisioned schedule require utilities to report the political expenses for which they seek recovery (per the exemption outlined in Recommendation 4). These requests would utilize the same itemization framework proposed as part of the Political Spending Report. This option could eventually serve as an alternative to adoption of the FERC Uniform System of Accounts (USoA).

Two leading examples of standard, statewide rate case application schedules that generally follow this format are Minnesota's statutory filing schedules and Nevada's Master Data Request rules (See Appendix A). In the development of its own schedule, E9 recommends that PSC Staff consult these and other examples described in Appendices A and B.

3. **Right to audit:** Louisiana should include language in any policy action that reserves the right to require an inspection or audit of utility accounting. This language could emphasize the PSC's state constitutional authority to take such actions either in response to a violation of the new rules or at its discretion. Similar language is included in implemented actions in Connecticut, Colorado and Maine.

Recommendation #4

Refer to peer states to guide subcategory-specific disallowances.

Louisiana should act to presumptively prohibit ratepayer recovery across the majority of examined expense subcategories, which are labeled "disallow" in Table 4. Louisiana should require companies to appropriately itemize any requests for recovery in Recommendation #3 for the subcategories labeled "itemize." Any PSC action should include a provision allowing exemptions to disallowance rules if companies can demonstrate why a given expense primarily benefits customers and is in their best interest.

The following recommendations are based on the Section 4 findings and this report's review of how each expense subcategory relates to direct or indirect political influence or advocacy, shareholder and/or ratepayer benefits, and enhanced or reduced transparency in utility expenditures. Furthermore, these recommendations reflect lessons from reform activities across peer states. For each expense subcategory associated with a "disallowance" recommendation, other states have taken action to implement or propose similar actions.

Table 4: Recommended Disallowances by Expense Subcategory

CATEGORY	SUBCATEGORY	RECOMMENDATION	JUSTIFICATION
Dues	N/A	Disallow	Disallowed in all Tier 1 states and many Tier 2 states. Industry associations may engage in direct and indirect advocacy and political influence.
Charitable	N/A	Disallow	Disallowed in all Tier 1 states and many Tier 2 states. Charitable organizations may engage in direct and indirect advocacy and political influence.
Advertising	Image	Disallow	Disallowed in all Tier 1 states and most Tier 2 states. Image advertising primarily benefits shareholders.
Advertising	Political	Disallow	Disallowed in many Tier 1 and Tier 2 states. Political advertising is a form of direct advocacy and political influence.
Advertising	Marketing	Disallow	Disallowed in most Tier 1 states and many Tier 2 states. Image advertising primarily benefits shareholders.
Advertising	Operations	Itemize	Allowed in most states. Operational communications can be critical for supporting safe and reliable utility service.
Advertising	Programs	Itemize	Allowed in most states. Programmatic communications can lead to direct customer benefits.
Operational	Bonuses	Disallow	Disallowed in some states. Executive bonus structures are not a regular cost of service and primarily benefit shareholders.
Operational	Travel	Disallow	Disallowed in most Tier 1 and some Tier 2 states. Officer travel primarily benefits shareholders.
Operational	Hospitality	Disallow	Disallowed in most Tier 1 and some Tier 2 states. Officer travel primarily benefits shareholders.
Operational	Entertainment	Disallow	Disallowed in most Tier 1 and some Tier 2 states. Officer travel primarily benefits shareholders.
Operational	Gifts	Disallow	Disallowed in most Tier 1 and some Tier 2 states. Officer travel primarily benefits shareholders.
Operational	Penalties	Disallow	Disallowed in some states. Customers should not bear the burden of company noncompliance or malfeasance.
Operational	Litigation	Itemize	Disallowed in some states. To recover expenses, companies should demonstrate why the execution of a given legal process is primarily benefiting ratepayers.
Operational	Reporting	Disallow	Disallowed in some states. Customers should not be charged for the costs of compliance with enhanced disclosure.
Operational	Investor	Disallow	Disallowed in most Tier 1 states. Investor relations activities primarily benefit shareholders.
Political	Lobbying	Disallow	Disallowed in most Tier 1 and 2 states. Lobbying is a form of direct advocacy and political influence.
Political	Grassroots	Disallow	Disallowed in most Tier 1 and some Tier 2 states. Grassroots lobbying or mobilization is a form of indirect advocacy and political influence.
Political	Testimony	Disallow	Disallowed in some states. Legislative testimony is a form of direct advocacy and political influence.
Political	Election	Disallow	Disallowed in most Tier 1 and 2 states. Campaign financing is a form of direct advocacy and political influence.
Political	Committee	Disallow	Disallowed in most Tier 1 and some Tier 2 states. Committee and PAC financing is a form of direct or indirect advocacy and political influence.
Political	Research	Disallow	Disallowed in some states. Research related to policy, politics or advocacy is either a form of indirect political influence or primarily benefits shareholders.
Regulatory	Rate Case	Disallow	Disallowed in many Tier 1 and some Tier 2 states. Regulatory advocacy regarding rates primarily benefits shareholders.
Regulatory	Other	Itemize	Disallowed in some states. To recover expenses, companies should demonstrate why the execution of a given regulatory process is primarily benefiting ratepayers.
Regulatory	Services	Disallow	Disallowed in many Tier 1 and some Tier 2 states. Enhancements to regulatory advocacy brought on by external attorneys and consultants primarily benefits shareholders.
Affiliate	N/A	Itemize	Disallowed in some states. To recover expenses, companies should demonstrate the purpose of each affiliate transaction and why it primarily benefits ratepayers.

PSC staff will have to decide whether the implementation of any disclosure or disallowance requirements apply uniformly or variably across jurisdictional utilities. While states have taken diverse approaches to this question, Louisiana should apply new rules uniformly. While cooperatives are distinct from for-profit electric, gas, and water utilities in that they are customer-owned, most cooperative customers still do not participate in regulatory processes. As such, E9 suggests that cooperatives should still be required to demonstrate that recovery of expenses across the examined categories are in customers' best interest. Per E9's general recommendation, if cooperatives can prove why certain expenses are in customers' best interest, they should be approved by the commission as an exemption.

Recommendation #5

Design a procedure for financial non-compliance penalties.

Louisiana should establish a protocol or terms for assessing and penalizing noncompliance with new rules or requirements. There are three general approaches to establishing such a protocol: 1) clarify that the PSC may use its discretion to assess a penalty, 2) establish a hard cap on the non-compliance penalty amount, 3) establish a cap on the penalty amount based on a proportion of the violation’s financial impact. Table 5 provides examples of policy language exemplifying each approach.

Table 5: State Policies to Enforce Accountability Rules

STATE	STATUS	APPROACH	POLICY LANGUAGE
CO	Implemented	Discretion	"If the Commission determines that a utility improperly recovered costs... the Commission may assess a nonrecoverable penalty against the utility."
KY	Implemented	Discretion	The commission may, on its own motion, conduct investigations and order hearings into any act or thing done or omitted to be done by a utility, which the commission believes is in violation of [state rules]."
MN	Proposed	Discretion	"The commission must request that the commissioner of commerce assess the public utility a nonrecoverable penalty up to the amount improperly recovered."
CT	Implemented	Hard Cap	In the case of non-compliance but not a formal commission-issued penalties, utility would be subject to a fine of "not more than ten thousand dollars for each offense" or "a combination of a fine and restitution of not more than forty thousand dollars."
OH	Proposed	Proportional Cap	"The amount of the fine shall equal twenty times the amount that the public utility charged to customers in violation of that section."

To develop an appropriate enforcement mechanism, Louisiana should develop a proportional cap while reserving PSC discretion to enforce violations as necessary and incorporating any existing mechanisms in use at the PSC or other state agencies. A proportional cap of 10x or 20x the financial impact of a utility’s violation (e.g., amount unduly charged to ratepayers) would give the PSC a straightforward tool for issuing a penalty in uncomplicated cases. In the event of a more complex violation, the commission will benefit from language that reserves discretion for the commission to assess an appropriate penalty amount based on the context and details of a specific violation. The commission should also assess the need for a penalty for late filing of an annual political spending report, should it decide to adopt Recommendation #3. For each of these enforcement mechanisms, the PSC should investigate whether an enforcement mechanism can be informed by or expand upon any mechanisms that already exist at the PSC or state mechanisms.

Louisiana PSC should additionally establish a process for which recovered penalties are distributed. First and foremost, penalties should provide that utilities must refund customers for any unduly recovered expenses. Penalties should then be managed in a PSC-administered fund that contributes to PSC-led and/or customer-centric programs or initiatives, such as the state’s energy efficiency programs or community distributed energy initiatives. To the extent that they exist, E9 suggests that the PSC review and consider building upon other similar state procedures related to distribution of recovered penalty funds. The PSC can also look towards recent examples of penalty distribution like the settlement funds recovered as part of New Orleans’ lawsuit against Entergy for its accounting malpractice related to the Grand Gulf nuclear plant.



Appendix A: Peer Jurisdiction Reform Activities

Legislation

SB 1514	2024	Amendments Related to Campaign Contributions	Proposed	AZ	http://e9radar.link/h6m4
SB23-291	2023	Utility Regulation Act	Existing	CO	http://e9radar.link/z5c6
SB 7	2023	Act Strengthening Consumer Protections	Existing	CT	http://e9radar.link/ghs8
SB 2885	2024	Act Prohibiting Recovery for Political Expenses	Proposed	IL	http://e9radar.link/9iy1
L.D. 325	2023	Transparency in Public Utility Advertising Expenditures	Existing	ME	http://e9radar.link/y6jo
HF 4292	2024	Act Specifying Unrecoverable Utility Expenses	Proposed	MN	http://e9radar.link/r5np
SB 206	2019	Act Excluding Lobbying and Political Activity from Rates	Existing	NH	http://e9radar.link/wvon
A7880A	2023	Prohibition on Ratepayer Funding for Political Expenses	Proposed	NY	http://e9radar.link/6ezx
SB 1556	2021	Membership Dues Used for Lobbying Activities	Existing	NY	http://e9radar.link/p6a8
SB 149	2023	Act to Prohibit Public Utilities Recovering Political Expenditure Costs	Proposed	OH	http://e9radar.link/vkib
HB 2047	2024	Act Amending Title 66	Proposed	PA	http://e9radar.link/4ep7

Proceeding

E-01345A-19-0043	2019	Investigation into APS Political Spending	Existing	AZ	https://e9radar.link/66d
This is not a docket					
24R-0168EG	2024	Political Spending Rule Changes	Proposed	CO	http://e9radar.link/rauo
R-36832	2023	Investigation into Ratepayer-Funded Political Spending	Proposed	LA	http://e9radar.link/4lin
2023-00283	2023	Inquiry into Rule Changes Related to Political Expenditures	Proposed	ME	http://e9radar.link/n80i
E-100 SUB 49	1984	Form E-1 Rate Case Information Report	Existing	NC	http://e9radar.link/n04i
23-094	2023	Rulemaking for Recoverable Rate Case Expenses	Existing	NH	http://e9radar.link/yb43
22-00099-UT	2022	Utility Reporting Rulemaking	Existing	NM	https://e9radar.link/redirect-NM

Rule

G.O. 77-M	2003	General Order 77-M: Dues & Donations	Existing	CA	https://e9radar.link/hb2n
MFR C-15		Minimum Filing Requirement (MFR) C-15: Industry Association Dues	Existing	FL	https://e9radar.link/g3s3
MFR B-4		Georgia MFR Schedule B-4	Existing	GA	http://e9radar.link/1q04
PUR §476.18		Impermissible Rate Case Charges	Existing	IA	http://e9radar.link/993s
§ 285.3005		Illinois Administrative Code Part 285 Schedule C	Existing	IL	http://e9radar.link/st6n
Schedule C					
807 Ky. Admin. Regs. 5:001		Rules of Procedure: Membership Dues	Existing	KY	https://e9radar.link/v3s5
216B.16 Subd. 17		Filing Schedule with Itemized Expenses	Existing	MN	https://e9radar.link/yotr
PUC 1604		Administrative Code Part PUC 1604	Existing	NH	https://e9radar.link/87n4
Section 378:30-e	2019	Exclusion of Lobbying and Political Activity Costs From Rates	Existing	NH	http://e9radar.link/ew5h
17.3.350		General Provisions Treatment of Utility Political Expenses	Existing	NM	https://e9radar.link/k3uo
NMAC					
MDR 94E		Commission Rule on Industry Association Dues	Existing	NV	https://e9radar.link/isx
NAC 703.2208		Nevada Master Data Request	Existing	NV	http://e9radar.link/vlj7
Title 66	1978	Public Utility Code Title 66	Existing	PA	http://e9radar.link/jfm8
RULE §25.77		Electric Service Providers Payments, Compensation, and Other Expenditures	Existing	TX	https://e9radar.link/ynu0



Appendix B: Louisiana Rate Cases

Accountability and Disclosure Activities

ENTERGY LOUISIANA

Entergy

Integrated

Entergy's 2024 initial rate case application featured over 60 individual filings. It included itemized requests to national trade associations, aggregated advertising and rate case expenses, and adjustments related to rate case consultants and executive compensation. Some requests related to the examined expense categories are associated with the FERC US of A Accounts to which they were charged; most are classified with Entergy-specific denominations.

Associations *Itemized*

In Exhibit CEB-2, Entergy requested recovery for dues to the Institute of Nuclear Power Operations (INPO), Edison Electric Institute (EEL), and the Electric Power Research Institute charged as test year 2022 prepaid cost of service plant expenses. The filing noted that lobbying expenses for EEL and the Nuclear Energy Institute (which was listed as a plant expense with no associated amount) were recorded below the line and therefore not recoverable from ratepayers. Entergy charged about \$10.9M to 2022 FERC Account 930.2.

e9radar.link/pyvz

Charitable *Not Disclosed*

Entergy excluded charitable contributions from its cost of service. According to Entergy's website, the shareholder-funded Entergy Charitable Foundation awarded \$7.6M to 671 nonprofits in 2021; research from the Energy and Policy Institute estimates that Entergy's (holding company) charitable giving from 2013-2017 was \$69.5M.

<https://e9radar.link/v3bi>

Advertising *Aggregated*

In Exhibit CEB-3, Entergy requested recovery for several subcategories of advertising expenses. Entergy made adjustments removing image advertising from the cost of service.

<https://e9radar.link/yf5a>

Operational *Aggregated*

In Barrilleaux's testimony, Entergy requested an adjustment for reduced recovery for awards related to executive pay.

<https://e9radar.link/pyvz>

Regulatory *Aggregated*

In Exhibit CEB-2, Entergy non-itemized requested rate case expenses. Barrilleaux's testimony additionally proposed an adjustment to recovery of consultant costs related to rate case support.

<https://e9radar.link/m77s>

Affiliate *Aggregated*

In Exhibit CEB-3, Entergy requested recovery of about \$600M in 2022 for Entergy Services, Inc., an unregulated affiliate of Entergy Louisiana. This request does not feature robust qualification or itemization. About \$284M of the expense is classified as "Payroll" and \$315M as "ESI," shorthand Entergy Services, Inc. The application also proposes to recover funding to cover considerable Entergy Services, Inc. tax expenses. The application also requests to reclassify about \$327,000 in Entergy Services, LLC and Entergy Operations Inc. incremental expenses as recoverable and above-the-line. There is limited information online about the responsibilities or operations any of these Entergy affiliates.

<https://e9radar.link/85og>



Appendix B: Louisiana Rate Cases

Accountability and Disclosure Activities

CLECO POWER LLC

Cleco Power

Integrated

Cleco Power's 2019 rate case included limited disclosure across the examined expense categories, only clearly requesting recovery for regulatory expenses. Relevant information is mostly presented as part of witness testimony.

Charitable *Excluded*

In Hasan's testimony, Cleco excluded charitable contributions from the cost of service.

<https://e9radar.link/iofh>

Political *Excluded*

In Hasan's testimony, Cleco excluded governmental relations costs from the cost of service.

<https://e9radar.link/iofh>

Regulatory *Aggregated*

In Cleghorn's testimony, Cleco requested recovery for regulatory costs related to formula rate plans and resource plans.

<https://e9radar.link/5x2k>

Affiliate *Aggregated*

In Hasan and Cleghorn's testimony, Cleco proposed to recover \$89.5M and remove other expenses charged to Cleco Support Group from its cost of service and migrate these expenses to formula rate planning. Cleco proposed to recover Cleco Support Group expenses classified as billing, payroll, and administrative and general. According to Hasan's testimony, Cleco Support Group "provides corporate shared or support services for Cleco Power and its affiliates" and provides a range of functions including "purchasing, accounting, treasury, human resources, information technology, administrative, real estate, legal, engineering, safety, environmental, research and development, risk management, internal audit, and corporate communications." Cleco provides detailed information about Cleco Support Services cost allocation. Cleco also proposes recovery of \$10M to fund another affiliate, Cleco Cajun, which it does not describe in detail.

<https://e9radar.link/iofh>



SOUTHWESTERN ELECTRIC POWER CO

American Electric Power

Integrated

SWEPCO's 2020 rate case application attached a 2018 FERC Form 1 filing, which offers some retrospective details illustrating proposed recovery across the examined expense categories. SWEPCO also provided exhibits addressing changes to its formula rate planning that notes expense categories not recognized for ratemaking.

Associations *Aggregated*

SWEPCO included an attachment of a 2018 FERC Form 1, which includes a top line amount for industry association dues spending and specific expenses charged as "Chamber of Commerce" and "Other Corporate Contributions and Memberships."

<https://e9radar.link/hze>

Charitable *Excluded*

In Exhibit TPB 3, SWPECO noted that charitable contributions are not recognized for ratemaking.

<https://e9radar.link/yvlp>

Operational *Excluded*

In Exhibit TPB 3, SWEPCO noted that fines and penalties are not recognized for ratemaking.

<https://e9radar.link/yvlp>

Political *Excluded*

In Exhibit TPB 3, SWPECO noted that lobbying expenses are not recognized for ratemaking.

<https://e9radar.link/yvlp>

Regulatory *Aggregated*

SWEPCO included an attachment of a 2018 FERC Form 1, which listed charges related to "Regulatory Commission Expenses" which was not associated with a US of A account. It also listed sub-charges for "Various Rate Case Expenses Pending — Future Approval for Collection from State Commission Authorities."

<https://e9radar.link/hze>



Appendix B: Louisiana Rate Cases

Accountability and Disclosure Activities

ENTERGY NEW ORLEANS INC

Entergy

Integrated

Application filings for Entergy New Orleans' 2018 rate case is accessible via published materials on the Alliance for Affordable Energy website. The application materials note the inclusion of some advertising and regulatory expenses without offering any details related to amounts.

Advertising *Aggregated*

In Gillam's testimony, Entergy noted a proposed adjustment for "certain advertising expenses."

<https://e9radar.link/g8>

Regulatory *Aggregated*

Entergy's application summary requested recovery of rate case expenses over three years.

<https://e9radar.link/kxg>



Appendix B: Louisiana Rate Cases

Accountability and Disclosure Activities

SOUTHWEST LOUISIANA E M C

Cooperative

Southwest Louisiana Electric Membership Corporation (SLEMCO)'s 2024 rate case only appeared to request rate case expenses.

Regulatory *Aggregated*

In Proctor's testimony, Southwest Louisiana requested an adjustment reducing costs for attorneys and consultants assisting with its rate case application.

<https://e9radar.link/ag73>



Appendix B: Louisiana Rate Cases

Accountability and Disclosure Activities

BEAUREGARD ELECTRIC COOP, INC

Cooperative

Beauregard's 2019 rate case application organized its recovery requests through a Financial Statement form consistent with other Louisiana electric cooperatives. The Financial State included requests for recovery across the examined expense categories. This includes itemized requests for industry association dues itemized to specific organizations, including to the Association of Louisiana Electric Cooperatives (ALEC) and the National Rural Electric Cooperative Association (NRECA). The Statement also included many expenses that may fall into the operational category, but without further detail it is unclear.

Associations *Partially Itemized*

Beauregard's Financial Statements requested recovery for expenses classified as "Dues and Donations," "NRECA Dues" "ALEC Dues," and "Trade Assn. Funding." It is unclear whether these charges are mutually exclusive or what differentiates them.

<https://e9radar.link/tsuw>

Charitable *Excluded*

Exhibit GJW_2 excluded charitable contributions from test year expenses.

<https://e9radar.link/bvz9>

Advertising *Aggregated*

Beauregard's Financial Statements requested recovery for monthly line items for advertising expenses and "Member & Marketing Services."

<https://e9radar.link/tsuw>

Operational *Partially Itemized*

Beauregard's Financial Statements requested recovery for expenses classified as "Directors & Officers," insurance, transportation and "Training & Education." It also requested recovery for expenses classified as "Wellness," "Commercial Umbrella," "NRECA Youth Tour" and "Louisiana Country." Without further detail, it is unclear which of these expenses would fall within the defined operational category.

<https://e9radar.link/tsuw>

Political *Excluded*

Exhibit GJW_2 excluded lobbying activities and political contributions from test year expenses.

<https://e9radar.link/bvz9>

Regulatory *Aggregated*

Beauregard's Financial Statements requested recovery for expenses classified as "PSC, NERC & Other Fees," "Outside Services Consultant," and "Rate Engineer & Consultant".

<https://e9radar.link/tsuw>



Appendix B: Louisiana Rate Cases

Accountability and Disclosure Activities

WASHINGTON-ST TAMMANY E C, INC

Cooperative

Washing-St. Tammany's 2022 rate case application organized its recovery requests through a Financial Statement form consistent with other Louisiana electric cooperatives as well as company-specific schedules. It included requests for industry association dues itemized by organization and for several operational expense subcategories within its administrative & general expense classification.

Associations *Itemized*

In Part Q Section I. Investments of its Financial Statement, Washington-St. Tammany itemized "Investments in Associated Organizations" and clarified which expenses were included and excluded from cost of service. These include "patronage capital" expenses and "investment," and range from political think tanks like the American Legislative Exchange Council (ALEC) to trade associations, banks, and other utilities. Schedule C-27 includes Administrative & General including "Dues to Assoc. Org."

<https://e9radar.link/ltbz>

Charitable *Excluded*

In Waguespack's testimony, Washington-St. Tammany excluded charitable contributions from test year expenses.

<https://e9radar.link/ltbz>

Advertising *Aggregated*

In Schedule C-26, Washington-St. Tammany requested recovery for "Information Advertising."

<https://e9radar.link/ltbz>

Operational *Partially Itemized*

In Schedule C-27, Washington-St. Tammany requested Administrative & General expenses including "Director Fees," "Director Travel Reimbursement," "Director Expense - Other," and "Director Insurance."

<https://e9radar.link/ltbz>

Political *Excluded*

In Waguespack's testimony, Washington-St. Tammany excluded political contributions and lobbying expenses from test year expenses.

<https://e9radar.link/ltbz>

Affiliate *Excluded*

In its attached Financial and Operating Report, Washington-St. Tammany listed a category for "Investments in Subsidiary Companies" but no associated charges.

<https://e9radar.link/ltbz>



Appendix B: Louisiana Rate Cases

Accountability and Disclosure Activities

CLAIBORNE ELECTRIC COOP, INC

Cooperative

Claiborne's 2022 rate case application included requests for advertising and regulatory expenses associated with FERC US of A accounts.

Advertising *Aggregated*

Claiborne requested test year expenses for both "advertising" and "info & instruct. advertising," associated with FERC Account 909.

<https://e9radar.link/t0bf>

Regulatory *Aggregated*

Claiborne requested test year expenses for "outside services" (FERC Account 923) and "regulatory commission" (FERC Account 928).

<https://e9radar.link/t0bf>



Appendix B: Louisiana Rate Cases

Accountability and Disclosure Activities

SOUTH LOUISIANA ELEC COOP ASSN

Cooperative

South Louisiana's 2017 rate case application organized its recovery requests through a Financial Statement form consistent with other Louisiana electric cooperatives. The report included itemized requested recovery for industry association and other organizational dues.

Associations *Itemized*

In Part Q Section I. Investments of South Louisiana's Financial and Operating Report, itemized requests for "Investments in Associated Organizations," which included classifications for expenses charged as "patronage capital" and "investment" in trade associations, banks and insurance, and affiliated companies. In Part C. Balance Sheet, South Louisiana requested "Invest in Assoc. Org" items classified as "Patronage Capital," "Other - General Funds," and "Other - Nongeneral funds."

<https://e9radar.link/w30r>

Charitable *Excluded*

Section III of South Louisiana's tariff noted that charitable contributions are excluded from expenses.

<https://e9radar.link/w30r>

Operational *Aggregated*

In Part Q Section I. Investments of South Louisiana's Financial and Operating Report, itemized requests for "Investments in Associated Organizations," which included classifications for banks and insurance.

<https://e9radar.link/w30r>

Political *Excluded*

Section III of South Louisiana's tariff noted that political contributions and lobbying activities are excluded from expenses.

<https://e9radar.link/w30r>

Affiliate *Aggregated*

South Louisiana's Financial and Operating Report "Part Q Section I. Investments" included itemized requests for "Investments in Associated Organizations," which included classifications for affiliated companies.

<https://e9radar.link/w30r>



JEFFERSON DAVIS ELEC COOP, INC

Cooperative

Jefferson Davis' 2017 Formula Rate Plan included a schedule requesting recovery for non-itemized advertising, salary, and outside services expense, each associated with FERC US of A accounts.

Charitable *Excluded*

In Exhibit RDC_2, Jefferson Davis excluded charitable contributions from test year expenses. However, it requested recovery for charges under FERC Account 426.I, which is defined to host "payments or donations for charitable, social or community welfare purposes."

<https://e9radar.link/j3uo>

Advertising *Aggregated*

In Schedule C-29, Jefferson Davis requested recovery for advertising expenses charged to FERC Account 914, information advertising charged to FERC Account 909, and general advertising charged to FERC Account 930.I.

<https://e9radar.link/jcvi>

Operational *Aggregated*

In Schedule C-29, Jefferson Davis requested recovery for "Injuries & Damages".

<https://e9radar.link/jcvi>

Political *Excluded*

In Exhibit RDC_2, Jefferson Davis excluded political contributions and lobbying activities from test year expenses.

<https://e9radar.link/j3uo>

Regulatory *Aggregated*

In Schedule C-29, Jefferson Davis requested recovery for "Outside Services Employed," charged to FERC Account 923 and Regulatory Commission Expenses charged to FERC Account 928.

<https://e9radar.link/jcvi>



POINTE COUPEE ELEC MEMBER CORP

Cooperative

Pointe Coupee's 2016 rate case application organized its recovery requests through a Financial Statement form consistent with other Louisiana electric cooperatives. The report excluded industry association dues and other organizational expenses from the cost of service, and requested board of director fees related to an annual meeting.

Associations *Excluded*

Pointe Coupee's Financial and Operating Report Part Q Section I. Investments itemized industry association dues as "Investments in Associated Organizations," but noted that these expenses are excluded from cost of service.

<https://e9radar.link/t7p3>

Operational *Partially Itemized*

Part M of Pointe Coupee's Financial and Operating Report, Annual Meeting and Board Data, requested recovery of "Fees and Expenses for Board Members."

<https://e9radar.link/4kts>



CONCORDIA ELECTRIC COOP, INC

Cooperative

Concordia's 2015 Formula Rate Plan did not clearly request recovery for any expense categories from the cost of service, while it noted some exclusions from its cost of service.

Charitable *Excluded*

Concordia's Section III tariff excluded charitable contributions from test year expenses.

<https://e9radar.link/wkpb>

Political *Excluded*

Concordia's Section III tariff excluded political contributions and lobbying activities from test year expenses.

<https://e9radar.link/wkpb>



ATMOS ENERGY

Atmos Energy

Gas

Atmos Energy's 2020 rate stabilization tariff review indicated requested recovery for examined expense categories including industry association dues and executive compensation, but provided no itemization or illustrative detail.

Associations *Aggregated*

In Exhibit DAE-I, Atmos Energy requested recovery for unspecified "prepaid dues."

<https://e9radar.link/72a134>

Operational *Excluded*

In Exhibit DAE-I, Atmos Energy noted that "to the extent necessary, adjustments shall be made to exclude incentive compensation," not specifying whether this applied to executives and officers or employees generally.

<https://e9radar.link/72a134>



ENTERGY LOUISIANA GAS

Entergy

Gas

Entergy Louisiana Gas' 2023 rate stabilization plan requested recovery for advertising and regulatory expenses categorized according to the FERC US of A.

Advertising *Partially Itemized*

Across several schedules, Entergy Gas' application requested recovery for various forms of advertising charged to FERC US of A Accounts 913 and 930.I. These included non-itemized general advertising and informational advertising expenses. The request excluded image advertising.

<https://e9radar.link/lykv>

Regulatory *Aggregated*

Across several schedules, Entergy Gas' application requested recovery for outside services charged to FERC US of A Account 923. It also requested recovery for regulatory commission expenses charged to Account 928, subcategorized as "general labor" and "retail sales."

<https://e9radar.link/fpaa>



DIVERSION WATER COMPANY

Water

In its 2012 rate case, Diversion Water Company requested recovery across several examined expense categories. Diversion's requested were listed as aggregated operating expense line items. Unlike most Louisiana rate case applications, Diversion included a request to recover "donations".

Associations *Aggregated*

In its Income Statement, Diversion requested recovery for an aggregated dues and subscriptions line item classified as operating expenses.

<https://e9radar.link/xeua>

Charitable *Aggregated*

In its Income Statement, Diversion requested recovery for aggregated donations classified as operating expenses.

<https://e9radar.link/xeua>

Advertising *Aggregated*

In its Income Statement, Diversion requested recovery for aggregated advertising expenses classified as operating expenses.

<https://e9radar.link/xeua>

Operational *Aggregated*

In its Income Statement, Diversion requested recovery for operational subcategories including travel, meals, entertainment, and continuing education, each classified as operating expenses.

<https://e9radar.link/xeua>

Regulatory *Aggregated*

In its Income Statement, Diversion requested an expense titled "contract - legal" as part of operating expenses.

<https://e9radar.link/xeua>



MAGNOLIA WATER UTILITY

Central States Water Resources

Water

Magnolia Water Utility's 2023 rate case application did not include apparent recovery requests across the examined expense categories.

Associations *Not Disclosed*

(no reported information)



NATIONAL WATER INFRASTRUCTURE

Water

In its 2022 rate case, National Water Infrastructure described several specific adjustments to advertising, executive compensation, and political expenditures without presenting any holistic itemized disclosures. It itemized requested recovery-specific firms contracted as rate case consultants as well as charges in other examined expense categories.

Associations *Aggregated*

In Rabon's testimony, National Water requested recovery for dues and subscriptions as an aggregated line item.

<https://e9radar.link/o3x0>

Advertising *Partially Excluded*

In Rabon's testimony and Exhibit 3, National Water excluded certain advertising expenses for negotiations, communications and public outreach related to a specific infrastructure acquisition.

<https://e9radar.link/p158>

Operational *Partially Excluded*

In Rabon's testimony, National Water noted adjustments to partially reduce recovery for executive compensation.

<https://e9radar.link/3vbg>

Political *Excluded*

In Rabon's testimony, National Water excluded a portion of miscellaneous expenses related to contributions to a political action committee (PAC).

<https://e9radar.link/o3x0>

Regulatory *Partially Itemized*

In Rabon's testimony, National Water requested recovery for rate case expenses including professional services, which were listed by contracting firm.

<https://e9radar.link/p158>



UTILITIES INC. OF LOUISIANA

Water

Utilities Inc.'s 2015 rate case application does not include requests for expenses related to the scope of this report.

Associations *Not Disclosed*

(no reported information)



Appendix C: State Reform Activities

Accountability and Disclosure Activities

COLORADO

Tier I

In 2023, Colorado passed legislation disallowing recovery across the examined expense categories, leaving some details around implementation to the Public Utilities Commission(PUC). The legislation requires utilities to file annual compliance reports and, in the event a utility violates the established rules, gives the PUC discretion to assess a non-recoverable penalty or mandate a full customer refund. In 2024, the Colorado PUC opened a rulemaking that was partially scoped to implement the legislation. Attachment B Code 3354 of the proposed rule prohibits the full range of costs included in Colorado's legislation; the rule has not yet been approved.

Associations *Disallowance*

State law prohibits recovery for organizational and industry association membership dues. It prohibits recovery for contributions to any organization, association, institution, or corporation that engages in or seeks to influence policy processes.

Charitable *Disallowance*

State law prohibits recovery for charitable giving expenses, including to IRS 501(c)(3) and 501(c)(4) organizations.

Advertising *Disallowance*

State law prohibits recovery for advertising and public relations expenses related to the utility's brand, influencing public opinion or creating goodwill about the utility. It disallows recovery for marketing, administration, and customer service related to products provided or sold by unregulated utility affiliates. It allows recovery for communications costs as they relate to approved programs.

Operational *Disallowance*

State law prohibits recovery for the following operational subcategories:

- More than 50% of board member compensation.
- Tax penalties.
- Investor-relations expenses.
- Travel, lodging, food, or the leasing or chartering of private aircraft for board members and officers.
- Entertainment and gifts.

Political *Disallowance*

State law prohibits recovery for lobbying or other activities meant to influence policy processes as well as contributions to political candidates, campaign committees, issue committees, independent expenditure committees, or similar political expenses.

Regulatory *Partial Disallowance*

State law defers authority to the PUC to limit recovery of rate case expenses in regulatory rulemakings. The legislation articulates potential approaches for the PUC's consideration, including establishing a limit or percentage of unrecoverable expenses or incentivizing low expenses. It also requires the PUC to develop rules limiting recovery of expenditures for outside services, consultants, and legal resources.

Affiliate *Partial Disallowance*

State law prohibits recovery of expenses related to unregulated products or services offered by unregulated utility affiliates. These include activities related to marketing, administration, or customer service for such products.



Appendix C: State Reform Activities

Accountability and Disclosure Activities

CONNECTICUT

Tier I

In 2023, Connecticut passed legislation disallowing recovery across the examined expense categories. These changes were included as part of a broader piece of legislation focused on ratemaking reforms and consumer protection. The legislation gives explicit guidance around disclosure and reporting of various expenses. It also establishes guidance for regular audits, discretionary penalties, or fines of up to \$10,000 for instances of non-compliance, or up to \$40,000 if the penalty includes both a fine and customer restitution.

Associations *Disallowance*

State law prohibits recovery of direct or indirect costs related to industry association membership, dues, sponsorships or contributions. Prohibited recipients are defined as a business or industry trade association, group or related entity incorporated under Section 501 of the Internal Revenue Code of 1986.

Charitable *Disallowance*

State law prohibits recovery of direct or indirect costs for contributions to charitable, religious, scientific or other organizations, defined as entities incorporated under Section 501 of the Internal Revenue Code of 1986.

Advertising *Disallowance*

State law prohibits recovery of direct or indirect costs related to advertising, marketing, or communications that seek to influence public opinion or any other related costs. The law grants an exception if certain advertising expenses are approved or ordered by the Department of Energy and Environmental Protection.

Operational *Disallowance*

State law prohibits recovery of expenses for travel, lodging, food, or leased/chartered aircrafts for utility or parent company board members; entertainment or gifts; and investor relations.

Political *Disallowance*

State law prohibits recovery for direct or indirect costs for lobbying or legislative action. This prohibition was in place prior to the 2023 legislation, defined in detail in section 1-91 of the Connecticut general statutes.

Regulatory *Partial Disallowance*

State law prohibits direct or indirect costs related to rate case expenses, including attorneys, witnesses, and consultants.

Affiliate *Disclosure*

State law requires utilities to submit an annual report itemizing expenses that were directly billed or allocated to the regulated utility but spent by the parent company or unregulated affiliates.



Appendix C: State Reform Activities

Accountability and Disclosure Activities

MAINE

Tier I

In 2023, Maine passed legislation prohibiting recovery for expenses across most examined expense categories. Most of the disallowances apply to investor-owned but not consumer-owned utilities. Investor-owned utilities must report regularly on non-recoverable expenses for industry association membership dues and political spending. This accounting is subject to inspection by the PUC. As required by the legislation, the PUC opened a rulemaking to implement the new requirements and resolve the definitions of political and educational expenses.

Associations *Disallowance*

State law prohibits recovery for contributions to trade associations or chambers of commerce, with the exception of recovery requested by a consumer-owned water utility. It requires utilities to file annual reports itemizing contributions membership organizations charged to shareholders.

Charitable *Disallowance*

State law prohibits recovery for contributions to a public charity, including charities managed by the public utility or affiliated interest, with the exception of recovery requested by a consumer-owned water utility.

Advertising *Disallowance*

State law prohibits recovery for "educational expenditures" by investor-owned utilities, which are defined to include promotional advertising and corporate image or goodwill advertising. Disallowed educational expenditures include messaging delivered to the public or to public utility customers by radio, television, the Internet, print and other media or through sponsorships, paid endorsements and public relations campaigns. In 2023, the PUC opened a rulemaking in part to evaluate the definition of "educational expenditure."

Political *Disallowance*

State law prohibits recovery for political activities. These are defined to include contributions or gifts to political candidates, political parties, political or legislative committees or any committee or organization working to influence referendum petitions or elections as well as lobbying or grassroots lobbying. The legislation requires utilities to file a quarterly report itemizing political spending charged to shareholders. In 2023, the PUC opened a rulemaking in part to better define subcategories of "major political activities."



Appendix C: State Reform Activities

Accountability and Disclosure Activities

NEW YORK

Tier 2

prop. I

Introduced legislation (A07880) would disallow recovery across most examined expense categories. It would expand upon SB 1556, passed in 2021, which disallowed recovery for membership dues to organizations that lobby. A07880 requires utilities to publicly file annual disclosure reports and directs the DPS to create whatever rules and regulations necessary to implement the legislation.

Associations *Disallowance*

State law prohibits recovery of membership dues to organizations, associations, institutions, or corporations that engage in lobbying. Following the passage of this legislation, utilities removed certain recovery requests as part of ongoing rate cases. Previously, the DPS had exercised a precedent of only charging about 50% of membership dues to ratepayers.

A07880 would disallow contributions to trade associations and chambers of commerce. This prohibition would apply to all jurisdictional utilities except for consumer-owned water utilities. The legislation would maintain New York's definition of a trade association as a business or industry trade association, group or related entity incorporated under Section 501 of the Internal Revenue Code of 1986.

Charitable *Disallowance*

A07880 would disallow contributions to public charities including those managed by the utility. A public charity is defined in New York as an entity formed for charitable purposes including charitable corporations or charitable trusts.

Advertising *Disallowance*

A07880 would disallow recovery for what it frames as educational expenses. These include promotional advertising to promote corporate image or goodwill and promotional allowances, including to promote utility rebates or credits. This includes material delivered to the public or to public utility's customers by radio, television, the Internet, print and other media or through sponsorships, paid endorsements and public relations campaigns. This does not apply to consumer-owned utilities. Exceptions to this rule can be brought before the DPS, which has the discretion to charge advertising expenses to ratepayers if it deems the expense to be in the public interest.

Operational *Disallowance*

A07880 would disallow recovery for 1) travel, lodging, food and beverage expenses, 2) owned, chartered or leased aircrafts for board members and holding company officers, 3) entertainment or gifts, 4) and investor relations.

Political *Disallowance*

A07880 would disallow recovery for lobbying and grassroots lobbying expenses. Lobbying includes communication with public officials to influence policy outcomes, while grassroots lobbying includes communication with and solicitation of the public to advocate on the company's behalf. It would also disallow recovery for contributions or gifts to political candidates, political parties, political, legislative, or any other committee involved with influencing policy outcomes.



Appendix C: State Reform Activities

Accountability and Disclosure Activities

PENNSYLVANIA

Tier 2

prop. I

Introduced legislation (HB 2047) would update and expand disallowances for recovery of expenses that Pennsylvania Public Utility Code already partially prohibits. Existing state statute (Title 66) prohibits recovery for expenses related to certain clubs and political expenses, and requires disclosure of other expenses in rate case applications. HB 2047 would extend these disallowances to general membership dues contributions, most advertising, several forms of political activity, and several operational expenses. It requires an annual report itemizing the costs of lobbying and political activities.

Associations *Disallowance*

Title 66 prohibits recovery of expenses related to fraternal, social or sports clubs. HB 2047 would expand disallowance to include membership, dues, sponsorships or contributions to any business or industry trade association, group or related entity exempt from taxation under section 501 of the Internal Revenue Code.

Charitable *Disclosure*

Title 66 requires disclosure for donations, which it does not define, at the beginning of each budgetary period.

Advertising *Disallowance*

Title 66 prohibits recovery for political and other forms advertising. It requires utilities to file itemized lists of advertising expenses with rate case applications, including and distinguishing expenses it wishes to charge to ratepayers versus shareholders. Title 66 allows recovery of advertising expenses related to financing; operational information related to public safety, rates, energy use reduction and load management; provides customer benefits; relates to community services; or "encourages energy independence by promoting the wise development and use of domestic sources of coal, oil or natural gas."

HB 2047 would continue the requirements of Title 66. It would clarify the definition of prohibited political advertising as advertising that influences public opinion related to legislative, administrative, electoral, or otherwise voted-on issues.

Operational *Disallowance*

Title 66 requires disclosure for expenses related to policy classes of salaries of executive officers, entertainment, and expenditures. Utilities are required to report this information at the beginning of each budgetary period. HB 2047 would disallow recovery for expenses related to 1) travel, lodging, food and beverage, or owned, chartered or leased aircraft, 2) entertainment or gifts, and 3) investor relations.

Political *Disallowance*

Title 66 requires disclosure at the beginning of each budgetary period for expenses related to lobbying expenses and political contributions. HB 2047 would disallow recovery for lobbying and political activities, which it defines to include action taken at the state or municipal government related to 1) influencing legislation, 2) engaging in an electoral campaign, 3) influencing the public related to a policy issue, 4) political advertising, and 5) supporting public policy research, analysis, preparation or planning.

Regulatory *Partial Disclosure*

Title 66 requires disclosure of expenses related outside services. It requires disclosure of "any affiliated interest for advice, auditing, associating, sponsoring, engineering, managing, operating, financing, legal, or other services."



Appendix C: State Reform Activities

Accountability and Disclosure Activities

ILLINOIS

Tier 2

prop. I

Existing Illinois Administrative Code, most recently updated via the Illinois Public Utilities Act, provides disclosure and some disallowance requirements for many expense categories examined by this report. Electric, gas, and water utilities must address these expense categories reported in Schedule C of their rate case applications. Under current code, Illinois utilities are also prohibited from most forms of advertising. Pending legislation (SB 2885) would build on these disclosure requirements, enforcing disallowance across many of the same categories. The legislation would only disallow certain operational expenses and does not include guidance around disclosure, reporting, and enforcement.

Associations *Disallowance*

Illinois Administrative Code Section 285.3066 Schedule C-6.I requires that utility rate case applications provide itemized lists of industry association, social club, and other membership dues for three years prior to the test year, including the amount paid, the nature of each recipient, and the purpose of the contribution.

SB 2885 would disallow recovery for trade associations and chambers of commerce.

Charitable *Disallowance*

Illinois Administrative Code Section 285.3066 Schedule C-6.I requires that utility rate case applications provide an itemized list of charitable contributions for three years prior to the test year, including the amount paid to and purpose and nature of each recipient.

SB 2885 would disallow recovery for contributions to a public charity, including charities managed by the utility. It would also prohibit recovery for donations to the public welfare or for charitable, scientific, religious, or educational purposes nonrecoverable. Proposed requested recovery for donations made to support energy assistance would be subject to review by the ICC.

Advertising *Disallowance*

Illinois Administrative Code Section 285.3066 Schedule C-6.I requires that utility rate case applications provide an itemized list of advertising expenses for the test year, including ratemaking adjustments for prohibited political, promotional, goodwill and institutional advertising. This schedule also requires that utilities submit additional workpapers regarding advertising expenses in rate case applications.

SB 2885 would clarify existing rules disallowing the recovery of political, promotional, and institutional or goodwill advertising, which are each defined in the legislation. The legislation clarifies that certain advertising expenses will remain recoverable, including related to utility operations and disruptions, energy efficiency and peak reduction opportunities, pending or implemented rate changes, and employment opportunities.

Operational *Partial Disallowance*

SB 2885 would disallow recovery for officer or director liability insurance.

Political *Disallowance*

Illinois Administrative Code Section 285.3066 Schedule C-6.I requires that utility rate case applications provide an itemized list of expenses for lobbyists, monitoring policy, and influencing legislation. These lists must include the amount paid to the recipient, the nature of each recipient, and the purpose of the contribution.

SB 2885 reinforces the existing prohibition of recovery for political activities or lobbying. It introduces new prohibitions for recovery of contributions or gifts to political candidates, political parties, political or legislative committees, or any organization or committee working to influence referendum petitions or elections.



Appendix C: State Reform Activities

Accountability and Disclosure Activities

Regulatory *Disallowance*

Illinois Administrative Code Section 285.3066 Schedule C-6.I requires that utility rate case applications provide an itemized list of project expenses related to the rate case that the utility is engaged in including outside consultants, witnesses, and legal services, overtime, and other expenses. Disclosure related to outside legal services must include information about the payee, specific service rendered, travel, and otherwise. Utilities must also file information addressing how the current rate case cost projections compare to previous rate cases and qualify any increase of 20% or more.

SB 2885 would disallow recovery for rate case expenses, including shifting recovery for attorneys and technical expert compensation from subject to ICC review to unrecoverable.

Affiliate *Disclosure*

Illinois Administrative Code Section 285.3150 requires that utilities provide a list of all affiliated interest transactions for three years prior to the test year and the test year, including the date, nature of, dollar amount for, and docket granting approval for the transactions.



Appendix C: State Reform Activities

Accountability and Disclosure Activities

MINNESOTA

Tier 2

prop. I

Existing Minnesota statute prohibits recovery for most forms of advertising costs and requires itemized disclosure of other examined expense categories for PUC review. Statutory requirements require utilities to include recipient, amount, and purpose for many itemized disclosures. Introduced legislation in Minnesota would disallow recovery of expenses across the topics addressed by this report, except for rate case expenses. The legislation establishes requirements for itemized expense reports and, in case of an instance of utility violation, gives the PUC authority to require customer refunds and assess a nonrecoverable penalty. The PUC has disallowed or reduced requested recovery for membership dues in certain investor-owned electric utility rate cases.

Associations *Disallowance*

Existing Minnesota statute requires utilities to, in rate case applications, include a schedule itemizing dues and expenses for organizational or club memberships.

HF 4292 would disallow recovery for membership dues, sponsorships, contributions to, and expenses related to activities of trade associations/membership organizations.

In certain rate cases for investor-owned electric utilities, most recently including Minnesota Power's 2024 rate case, the Minnesota PUC disallowed or reduced recovery for industry association dues. These included the American Gas Association (AGA), the Carbon-Free Future MN Coalition, chambers of commerce, and others.

Charitable *Disallowance*

Existing Minnesota statute allows recovery for 50% of operating expenses related to charitable contributions.

HF 4292 would disallow recovery for cash or property charitable contributions.

Advertising *Disallowance*

Existing Minnesota statute prohibits recovery for advertising expenses related to promoting energy consumption or nuclear power; promoting goodwill towards the utility; influencing the public about policies or policy processes; and justifying rates. This applies to print publishing and other forms of media communications. Statute allows advertising expenses related to promoting beneficial electrification; income-based utility services; utility operations and disruptions; and employment opportunities. HF 4292 would maintain these requirements.

Operational *Disallowance*

Existing Minnesota statute disallows recovery for travel, entertainment, and employee expenses that "the commission deems unreasonable and unnecessary for the provision of utility service." It further requires utility rate case applications to include a schedule itemizing expenses related to travel and lodging; food and beverage; recreation and entertainment; board member compensation and reimbursement; gifts; and chartered aircrafts.

HF 4292 would disallow recovery for expenses related to travel, lodging, entertainment, gifts, investor relations and penalties or fines issued against the utility.

Political *Disallowance*

Existing statute disallows recovery for expenses related to influencing elections or ballot measures. It requires utility rate case applications to include a schedule itemizing lobbying expenses.

HF 4292 would disallow recovery for political lobbying including activity that directly supports communication with or urging others to communicate with public officials. It also disallows recovery for political contributions to candidates, political parties, campaign or issue committees, and people or organizations advocating for the approval or defeat of a ballot measure.



Appendix C: State Reform Activities

Accountability and Disclosure Activities

GEORGIA

Tier 2

Georgia's Minimum Filing Requirements (MFRs) include schedules for reporting across the examined expense categories. While no up to date master MFR governing document is published online, MFRs are consistent across recent rate case applications. Some schedules include itemized expense lists and others indicate that the associated expenses are presumed to be unrecoverable.

Associations *Disclosure*

Utilities report itemized lists of membership fees and dues in Schedule B-4. Disclosures are organized by number of memberships and FERC US of A accounts charged.

Charitable *Disallowance*

Utilities report charitable or civic contributions in Schedule B-3, preemptively excluding recovery.

Advertising *Partial Disallowance*

Utilities report Informational and Instructional Advertising and Institutional and Goodwill Advertising in Schedule B-5, the latter of which must be reported but is excluded from recovery.

Political *Disallowance*

Utilities report political contributions in Schedule B-3 and lobbying in Schedule B-6, preemptively excluding recovery.

Regulatory *Disclosure*

Utilities report regulatory expenses in Schedule B-1b, which is associated with FERC US of A Account 928.



Appendix C: State Reform Activities

Accountability and Disclosure Activities

IOWA

Tier 2

Section 476.18 of Iowa Public Utility Regulation code, titled "Impermissible Charges," clarifies that certain political, advertising, and regulatory expenses are unrecoverable from ratepayers. The Iowa Utility Board's (IUB) ongoing Review of Rate Cases, Tariffs, and Rate Regulation Election Practice and Procedure Rules reaffirms this disallowance, adding that utilities must file a statement within rate case applications demonstrating that prohibited expenses were not included in the request.

Advertising *Disallowance*

State law prohibits ratepayer recovery for advertising expenses other than advertising which is required by the board or by other state or federal regulation. Advertisements that are charged to customers must indicate as such.

Operational *Partial Disallowance*

State law prohibits ratepayer recovery for legal fees related to any utility's appeal in federal court related to IUB actions.

Political *Partial Disallowance*

State law prohibits ratepayer recovery for lobbying expenses.

Regulatory *Partial Disallowance*

State law prohibits ratepayer recovery for attorney fees related to any utility's appeal in federal court related to IUB actions.



Appendix C: State Reform Activities

Accountability and Disclosure Activities

NEW MEXICO

Tier 2

New Mexico Administrative Code prohibits recovery for certain charitable, advertising, and political expenses. It requires utilities to disclose expenses related to trade associations, advertising, and political contributions. It requires disclosure for these and some other examined expense categories.

Associations *Partial Disclosure*

State code prohibits recovery for general industry association dues. It allows recovery for dues in professional or trade associations and subscriptions to publications if they contribute to the professional education and standing of utility employees.

Charitable *Disallowance*

State code prohibits recovery for contributions or donations to any religious causes, social, recreational or fraternal organization.

Advertising *Partial Disallowance*

State code requires utilities to disclose itemized advertising expenses. Prohibited advertising expenses include those that promote energy usage, promote the sale of goods or services, promote a favorable public image, advocate a position, justify a request for higher rates, or advocate the need for plant expansion.

Political *Disallowance*

State code prohibits recovery for contributions or donations to political candidates or political parties. It also prohibits recovery for expenses that directly or indirectly support lobbying efforts in the determination of cost of service. Utilities are required to maintain complete records of all expenditures, including portions of payments made for dues or other expenses, in support of utility or other lobbying efforts.



Appendix C: State Reform Activities

Accountability and Disclosure Activities

NEW HAMPSHIRE

Tier 2

New Hampshire's recent reform activities built on disclosure rules in existing statute, with legislation and new rules requiring new forms of disclosure and disallowance and giving the Public Utilities Commission (PUC) parameters to rule on individual expense requests. SB 206 (Sec. 378:30-e) prohibited utilities from recovering the costs of lobbying or political activity from rates. In 2024, the New Hampshire PUC adopted a rule to amend NH Administrative Code to implement new disclosure and disallowance requirements across the examined expense categories.

Associations *Disclosure*

State statute requires utilities to annually report an itemized list of all membership fees, dues, lobbying expenses and donations. This disclosure must list each recipient, amount, and the utility account charged. Utilities with annual gross revenue (AGR) over \$100M must report any fees, dues, and donations of \$5,000 or more. Utilities with AGR less than \$100M must report all fees, dues, and donations.

Charitable *Disclosure*

State statute requires utilities to annually report an itemized list of charitable contributions charged in the test year. These disclosures must include the recipient organization, amount, and the account charged. Utilities with annual gross revenue (AGR) over \$100M must report contributions of \$2500 or more. Utilities with AGR less than \$100M must report all contributions of \$50 or more.

Advertising *Disclosure*

State statute requires utilities to annually report an itemized list of advertising expenses charged in the test year. This disclosure must include the recipient organization, media type, subject matter, and account charged. Utilities with annual gross revenue (AGR) over \$100M must report all expenditures over \$2500. Utilities with less than \$100M AGR must report all expenditures \$50 or more.

Operational *Partial Disallowance*

State rules prohibit recovery for expenses related to first class airfare, gifts, or alcohol. The PUC can approve travel expenses if they are determined to be in the public interest.

Political *Disallowance*

State statutes prohibit recovery for expenses related to lobbying and contributions to candidate committee, a political committee, or an inaugural committee, or in support of or opposition to a candidate for public office. The final rule issued in NH PUC's Rate Case Expense rulemaking (23-094) also disallows lobbying expenses.

Regulatory *Partial Disallowance*

State rules allow the PUC to approve rate case expenses, including expert, consultant, legal, and accounting fees, if they are deemed to be in the public interest. It prohibits recovery for expenses related to matters handled by service providers that are typically performed by the utility; expenses typically included in a test year revenue requirement; responding to department audit inquiries; and interest charges on rate case expenses.



Appendix C: State Reform Activities

Accountability and Disclosure Activities

ARIZONA

Tier 3

prop. I

Proposed legislation (SB 1514) would prohibit utilities from recovering costs of trade association dues, charitable contributions, advertising, and lobbying. The legislation follows an Arizona Corporation Commission (ACC) investigation into utility political spending that surfaced information but did not result in new rules.

Associations *Partial disallowance*

SB 1514 would disallow all membership dues, sponsorships, or contributions. The ACC's order in Arizona Public Service's 2024 rate case disallowed Edison Electric Institute (EEI) dues.

Charitable *Disallowance*

SB 1514 would disallow recovery of expenses related to charitable giving.

Advertising *Disallowance*

SB 1514 would disallow recovery for advertising expenses. It would also disallow any marketing, administrative, customer service, or other costs for products or services that are not regulated by the commission.

Operational *Disallowance*

SB 1514 would disallow recovery for aircraft, travel, lodging, gifts, entertainment, and food/beverage expenses for company officers. These include members of the PSC, the company board of directors, company officers, or officials from a corporate affiliate. It would also disallow fees for litigation related to compliance with regulations, legislation, or ordinances and penalties and fines.

Political *Disallowance*

SB 1514 would disallow recovery for all political expenses, including contributions to political action committees, directly to candidates for the ACC, or expenses to influence elections.

Regulatory *Disallowance*

SB 1514 would disallow recovery for costs of participating in contested commission proceedings, including rate cases and other. This would include attorney fees.



Appendix C: State Reform Activities

Accountability and Disclosure Activities

CALIFORNIA

Tier 3

PUC General Order 77-M requires annual retrospective disclosures of organizational membership dues, donations, subscriptions, and contributions as well as attorney fees. The CPUC has partially disallowed membership dues to certain organizations in specific rate cases. California's proposed SB 938, which stalled in committee in April 2024, would have disallowed recovery across the examined expense categories.

Associations *Partial Disallowance*

General Order 77 requires that utilities annually disclose the total dues, donations, subscriptions, and contributions paid to organizations in the previous year. The CPUC has ruled to partially remove recovery for Edison Electric Institute (EEI) expenses in a San Diego Gas & Electric rate case.

Charitable *Disclosure*

General Order 77-M requires that utilities annually disclose the total donations and contributions paid to organizations in the previous year; the order language does not specify whether these to apply to charitable donations.

Regulatory *Disclosure*

General Order 77-M requires that utilities annually disclose expenses related to attorney fees.



Appendix C: State Reform Activities

Accountability and Disclosure Activities

TEXAS

Tier 3

Texas Administrative Code requires that utilities file an annual report disclosing itemized expenses exceeding \$500 related to recovery of examined expense categories and other expenses as deemed appropriate by the commission.

Associations *Disclosure*

Annual reports required by Texas Administrative Code must itemize all membership dues over \$500, including the portion of dues to a trade association, industry group, or other organization dedicated to advancing utility interests.

Charitable *Disclosure*

Annual reports required by Texas Administrative Code must itemize all charitable, civic, and religious contributions and/or donations over \$500.

Advertising *Disclosure*

Annual reports required by Texas Administrative Code must itemize all institutional and other advertising expenses over \$500. These also include public relations expenses and messaging that encourages the consumption of utility products and services.

Operational *Partial Disclosure*

Annual reports required by Texas Administrative Code must itemize business gifts and entertainment expenses over \$500.

Political *Partial Disclosure*

Annual reports required by Texas Administrative Code must itemize political expenses over \$500 including but not limited to advocacy before any legislative body, other governmental body, or municipality.

Regulatory *Disclosure*

Annual reports required by Texas Administrative Code must itemize expenses related to legal representation in front of a governmental agency.



Appendix C: State Reform Activities

Accountability and Disclosure Activities

FLORIDA

Tier 3

Florida's Minimum Filing Requirements provide requirements and schedules for regulated utilities to disclose expenses in rate cases, across the examined expense categories. Some areas of disclosure are conditional, partial, or aggregated.

Associations *Partial disclosure*

State statute requires utility rate case applications to itemize requested industry association dues over \$10,000, and an aggregated amount combining those under \$10,000.

Charitable *Disclosure*

State statute requires utility rate case applications to itemize requested civic and charitable contributions by organization and amount.

Advertising *Disclosure*

State statute requires utility rate case applications to itemize requested advertising expenses by subaccounts and classify each type of advertising included.

Political *Disclosure*

State statute requires utility rate case applications to itemize requested lobbying, civic, political and related activities by organization and amount.

Regulatory *Partial Disclosure*

State statute requires utility rate case applications to itemize requested expenses related to outside professional services, aggregated into categories like accounting, financial, engineering, or legal.



Appendix C: State Reform Activities

Accountability and Disclosure Activities

NORTH CAROLINA

Tier 3

North Carolina Utilities Commission (NCUC) staff routinely requests that utilities complete Form E-I Rate Case Information Reports following rate case applications. The scope of these reports were amended in a 1984 order to include many examined expense categories. Utilities generally do not proactively submit Form E-I's as part of applications. The disclosures provided in response to staff requests are aligned with the FERC US of A and among the more itemized state accounting systems in the country.

Associations *Disclosure*

In response to a staff request to complete a Form E-I, utilities must present itemized lists of industry association dues and subscriptions charged to FERC Account 930. This list must include justification for recovery, explanation of the recipient's use, purpose, and objectives of the dues, and the recipient organization's annual budget broken out by activity category. The order establishing today's Form E-I requirements includes a model format for the appropriate schedule.

Charitable *Disclosure*

In response to a staff request to complete a Form E-I, utilities must present itemized lists of donations charged to FERC Account 426. The order establishing Form E-I requirements includes a model format for the appropriate schedule.

Advertising *Disclosure*

In response to a staff request to complete a Form E-I, utilities must present lists of advertising expenses charged to FERC account 930, distinguishing between institutional, sales, and conservation advertising, and FERC account 913, distinguishing between media types.

Operational *Partial Disclosure*

In response to a staff request to complete a Form E-I, utilities must present itemized lists of directors' fees and expenses as well as research expenses associated with FERC Account 930.

Political *Disclosure*

In response to a staff request to complete a Form E-I, utilities must list any "contributions for political purposes." They must further prepare a statement describing their lobbying activities and detailed information about each lobbyist they employ, including the expense amount, organizational details, and policy issues addressed. The order establishing today's Form E-I requirements includes a model format for the appropriate schedule, including itemized civic and political activities.

Affiliate *Disclosure*

In response to a staff request to complete a Form E-I, utilities must present lists of utility investments in subsidiaries and joint ventures for the preceding two years, including recipient name, amount, and officers involved.



Appendix C: State Reform Activities

Accountability and Disclosure Activities

KENTUCKY

Tier 3

KY Administrative Rules require utilities to, in rate case applications, file summary schedules itemizing organization membership dues, initiation fees, charitable contributions, marketing/advertising, political activity expenses, and operational activity expenses.

Associations *Disclosure*

State law requires disclosure of organizational membership dues through summary schedules. The PSC has disallowed utility requests to recover trade association dues in specific rate cases.

Charitable *Disclosure*

State law requires utilities to itemize disclosure of charitable contributions reported through rate summary schedules.

Advertising *Disclosure*

State law requires utilities to itemize disclosure of marketing, sales, and advertising expenditures reported through rate case summary schedules.

Operational *Disclosure*

State law requires utilities to itemize disclosure of expenditures for employee parties and outings, employee gift expenses, professional service expenses, and expenditures at country clubs reported through rate case summary schedules.

Political *Disclosure*

State law requires utilities to itemize disclosure of civic and political activity expenses reported through rate case summary schedules.

Regulatory *Disclosure*

State law requires utilities to itemize disclosure of rate cases expenses reported through rate case summary schedules.

Affiliate *Disclosure*

In the event that a utility has had funding charged or allocated to it by an affiliate or paid an affiliate during the test period or the previous three calendar years, Kentucky Administrative Rules require it to itemize those transactions and provide descriptions of the methods used.



Appendix C: State Reform Activities

Accountability and Disclosure Activities

NEVADA

Tier 3

The Public Utilities Commission of Nevada (PUCN) routinely utilizes Master Data Requests (MDR) in rate cases to gather information on industry association dues. MDRs 32, 61, 63, 94, and 95 are mechanisms to solicit disclosure of affiliate, regulatory, advertising, political, operational, and charitable expenses.

Associations *Disclosure*

Utilities are required to disclose requested industry association dues in MDR 94. They must describe each organization's purpose and descriptive material concerning its financial statements, annual budget, and activities.

Charitable *Disclosure*

Utilities are required to disclose requested charitable contributions MDR 95. Amounts paid directly, by reimbursement, or otherwise booked by the company must be listed. A description of the purpose of the expenditure and how it relates to corporate performance must also be included. Utilities are also required to disclose requested expenses for employee associations, sports related expenditures, and musical events in MDR 95. Utilities must also state the benefit of these expenditures to Nevada ratepayers.

Advertising *Disclosure*

Utilities are required to disclose requested advertising expenses in MDR 63, including itemized details around campaigns and estimated effectiveness. Companies with jurisdictional gross operating revenue less than \$100M must itemize campaigns totaling \$25,000 or more. Companies with jurisdictional gross operating revenue greater than \$100M must itemize campaigns totaling \$50,000 and more.

Political *Disclosure*

Utilities are required to estimate the portion of organizational dues related to advocacy or influencing public opinion in MDR 94. MDR 95 requires utilities to disclose political contributions and expenses related to legislative efforts. Utilities must also state the benefit of political contributions to Nevada ratepayers.

Regulatory *Disclosure*

Utilities are required to itemize requested legal expenses for regulatory work in MDR 61.

Affiliate *Disclosure*

Utilities are required to disclose transactions with affiliated companies that affect jurisdictional operations, rate base, and/or cost of capital in MDR 32. They are required to disclose expenses allocated from the utility to an affiliate in MDR 34.



Appendix C: State Reform Activities

Accountability and Disclosure Activities

OHIO

prop.2

Proposed legislation (SB 149) would prohibit utilities from recovering the cost of political expenditures through rates or other charges. "Political expenditure" would be defined to include contributions or gifts to political candidates or parties, contributions to trade associations, membership dues to industry associations, lobbying expenditures, and expenses incurred for the purpose of influencing public opinion about policy issues or about the reputation of the utility.

Associations *Disallowance*

SB 149 would prohibit recovery for all trade association and chamber of commerce dues.

Charitable *Disallowance*

SB 149 would prohibit contributions to any nonprofit organization or other charitable organizations.

Advertising *Partial Disallowance*

SB 149 would prohibit utilities from recovering expenses incurred for the purpose of influencing public opinion about policy issues or about the reputation of the utility.

Political *Disallowance*

SB 149 would prohibit all political expenditures, including those incurred for lobbying or any other political activity and any political contributions and gifts. The bill would also require utilities to file annual expenditure reports listing all political expenditures for the past year.