BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

EX PARTE: APPLICATION OF ENTERGY LOUISIANA, LLC, FOR APPROVAL OF THE MAGNOLIA CAPACITY CREDIT PURCHASE AGREEMENT, COST RECOVERY, AND RELATED RELIEF	))))))	DOCKET NO. U-_____

DIRECT TESTIMONY

OF

SHAWN D. ALLEN

ON BEHALF OF

ENTERGY LOUISIANA, LLC

PUBLIC REDACTED VERSION

MAY 2024

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EXHIBIT LIST

Exhibit SDA-1 Business Plan 2024 – Load and Capability (HSPM)

Exhibit SDA-2 Magnolia Capacity Only Power Purchase Agreement (HSPM)

I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

A. My name is Shawn D. Allen. I am employed by Entergy Louisiana, LLC ("ELL" or the "Company") as the Manager, Resource Planning, a role I assumed in September 2016. My business address is 446 North Boulevard, Baton Rouge, Louisiana 70802.

Q2. ON WHOSE BEHALF ARE YOU FILING THIS DIRECT TESTIMONY?

A. I am filing this Direct Testimony on behalf of ELL.

Q3. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. In 2000, I earned a Bachelor of Science in Mechanical Engineering from Louisiana Tech University. I have been employed by affiliates of Entergy Corporation since June 2000 and have held various roles of increasing responsibility in Distribution, Power Generation, and Regulatory.

Q4. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES.

A. As the Manager of Resource Planning for ELL, I am responsible for managing the planning of generation for the Company. This involves working closely with Entergy Services, LLC's ("ESL")[1] generation planning organizations on these activities.

[1] ESL, formerly known as Entergy Services, Inc., is an affiliated service company that provides engineering, planning, accounting, legal, technical, regulatory, and other administrative support services to each of the Entergy Operating Companies ("EOCs"), which are Entergy Arkansas, LLC, ELL, Entergy Mississippi, LLC, Entergy New Orleans, LLC, and Entergy Texas, Inc.

Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony supports the Company's Application for approval of its capacity credit purchase agreement ("Magnolia CCPA") for 290 megawatts ("MW") of capacity-related benefits (Midcontinent Independent System Operator, Inc. ("MISO") Zonal Resource Credits ("ZRCs") or "Capacity Credits") from the Magnolia Power Generating Station, a combined-cycle gas turbine ("CCGT") generation facility located near Plaquemine in Iberville Parish, Louisiana (the "Magnolia Facility"), and the relief requested therein. Through my Direct Testimony, I describe ELL's rationale for submitting an offer in the August 2023 Request For Proposals ("RFP") issued by Kindle Energy LLC ("Kindle"), which solicited bids for capacity, energy, or bundled energy and capacity from the Magnolia Facility ("2023 Kindle RFP"), including the objectives that inform ELL's long-term resource planning process and the reasons why the Magnolia CCPA helps to meet those objectives. I also discuss the basis for the Company's decision to bid on certain offerings and not on others. I further explain the benefits that the Magnolia CCPA is expected to provide to ELL's customers and the reasons why the Company asks that the Commission find, among other things, that the Magnolia CCPA serves the public convenience and necessity, is in the public interest, and, therefore, is prudent.

II. RESOURCE PLANNING NEEDS MET BY THE MAGNOLIA CCPA

Q6. WHAT IS THE GOAL OF ELL'S RESOURCE PLANNING?

A. ELL's resource planning efforts are driven by the fundamental goal to deliver a resource portfolio that is centered on customer outcomes and the safe, reliable delivery of electricity. Building a robust portfolio requires that ELL carefully balance three key objectives: reliability, affordability, and environmental stewardship. This balance looks at both the near-term and long-term benefits and risks associated with each key objective.

ELL's portfolio development places an emphasis on customer needs and preferences. ELL recognizes that customer expectations for electric service will continue to change alongside advancements in technology and evolving market and policy considerations both in and out of the traditional utility framework. Accordingly, ELL aims to meet customers' needs for reliable, reasonably priced electric services and energy solutions both today and in the future.

Q7. PLEASE ELABORATE ON THE THREE KEY OBJECTIVES YOU MENTIONED FOR BUILDING A ROBUST PORTFOLIO.

A. Reliability as a planning objective means ensuring that the stability of the grid is maintained through adequate resources to meet capacity and energy needs along with adequate transmission and distribution systems to ensure that power is reliably delivered to customers. Ensuring that there are adequate resources to meet customer demand is more than just supplying a certain number of megawatts or zonal resource credits. Resource adequacy must consider the diversity of the supply portfolio – both

in technology type and operational characteristics – combined with customer-targeted energy efficiency and demand-side resources. It also must consider the location of resources, proximity of those resources to customer load, and the availability of those resources under various conditions. The ability of the transmission and distribution systems to deliver those resources to customers is also a key aspect of maintaining reliability, and the careful integration of generation, transmission, and distribution ensures that this reliability can be delivered at the lowest reasonable cost.

Affordability as a planning objective means keeping customer costs reasonable, considering current and expected cost impacts of grid and infrastructure improvements made on behalf of our customers, and taking advantage of scale to provide cost synergies. ELL recognizes the importance of maintaining affordable rates for customers and prides itself on the ability to maintain some of the lowest rates in the country and well below the national average. This requires balancing of various cost components such as capital investment, operations and maintenance expense, and fuel costs. Cost stability requires that ELL examine its portfolio over a variety of futures to ensure the long-term supply productivity of the resource.

Environmental stewardship as a planning objective refers to the use and protection of the natural environment, and it concerns compliance with existing and likely regulations, adaptability of resources, and paths towards a lower-carbon economy. Portfolios that are capable of adapting and remaining sustainable over the long-term horizon bring customers increased benefits and help to manage long-term cost-stability. When considering our environmental stewardship objective, we also monitor customers' desire for decarbonization through lower emission generation,

local renewables, and offerings that allow customers to meet their own sustainability goals in partnership with their utility. With our ability to provide broad access to customers, ELL stands in a unique position to enable and extend a lower carbon economy to customers and the communities it serves.

Appropriately balancing these three objectives with consideration of the near-term and long-term risks associated with each result in lowest reasonable cost portfolios for customers.

Q8. PLEASE DESCRIBE ELL'S LONG-TERM RESOURCE PLANNING PROCESS.

A. The core elements of ELL's resource planning process are: (1) a determination of the capability of the Company's current resources, (2) a forecast of the peak load plus reserve margin and energy that the Company expects to serve over the planning horizon, and (3) a determination of the amount and types of additional supply-side and demand-side resources that will be needed to meet the Company's load and energy requirements.

As part of its resource planning efforts, ELL has developed and continues to refine an Integrated Resource Plan ("IRP"), which is filed at the Louisiana Public Service Commission ("LPSC" or the "Commission") pursuant to the Commission's IRP rules.[2] ELL's most recent submission of an IRP to the Commission was on May 22, 2023 (ELL's "Final 2023 IRP"), and reflects inputs and assumptions that were

[2] *See* Corrected General Order No. R-30021 (April 20, 2012), *LPSC, ex parte, In re: Development and Implementation of Rule for Integrated Resource Planning for Electric Utilities, Docket No. R-30021.*

established based on ELL's Business Plan 2022.[3] Given the uncertainty and fluidity inherent in long-term resource planning, ELL's IRP provides a framework for the Company to plan for resources over the next several years but does not and cannot reasonably serve as a prescriptive plan to address ELL's long-term generation needs and options for meeting those needs. Circumstances will necessarily change, and to be reasonable and prudent, resource procurement decisions will be made based on the best information available at the time those decisions are made. ELL presents those decisions and the support for them to the Commission when seeking resource certifications required under applicable General Orders and does not seek certification via the IRP (nor, per my understanding of the Commission's IRP rules, does the Commission's acknowledgement of an IRP confer such approval).

Concerning resource certifications, ELL recently received LPSC approval for its 2021 Solar Portfolio, which consists of four solar photovoltaic ("PV") resources with a total nameplate capacity of 475 MW, as well as ELL's Geaux Green Option ("Rider GGO") green tariff.[4] The LPSC also recently approved ELL's 2022 Solar Portfolio, which consists of two solar PV resources with a total nameplate capacity of 224 MW.[5] Finally, the Company has two applications pending before the Commission

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[3] *See* Entergy Louisiana, LLC's IRP Final Report (May 22, 2023), *Ex Parte: In Re: 2021 Integrated Resource Planning ("IRP") Process for Entergy Louisiana, LLC Pursuant to the General Order No. R-30021, Docket No. I-36181.* The Final 2023 IRP was acknowledged by the LPSC on February 21, 2024.

[4] *See* Order No. U-36190 (October 14, 2022), *In re: Application for Certification and Approval of the 2021 Solar Portfolio, Rider Geaux Green Option, Cost Recovery and Related Relief, Docket No. U-36190.* The facilities are the Sunlight Road Facility, the Vacherie Facility, the Elizabeth Facility, and the St. Jacques Facility.

[5] *See* Order No. U-36685 (February 23, 2024), *In re: Application of Entergy Louisiana, LLC for Approval of the 2022 Solar Portfolio, Expansion of the Geaux Green Option, Cost Recovery and Related Relief, Docket No. U-36685.* The resources at issue in that docket are the Iberville Facility and the Sterlington Facility.

concerning the addition of solar resources via ELL's 2023 Solar Application and ELL's 3 GW filing, Docket Nos. U-37071 and U-36697 respectively.[6]

As described in detail in ELL's Final 2023 IRP, the records of Commission Docket Nos. U-36190 and U-36685, and ELL's Applications and Testimony in Docket Nos. U-37071 and U-36697, ELL is projected to need additional long-term generating capacity over the course of the long-term planning horizon to replace deactivated capacity and address load growth in order to reliably serve customers.

Q9. PLEASE DESCRIBE THE COMPANY'S CURRENT RESOURCE PORTFOLIO.

A. ELL controls approximately 11 gigawatts ("GW") of in-service capacity through direct ownership, capacity contracts with third parties, life-of-unit contracts with other EOCs, or Demand Response Resources. Over the last fifteen years, ELL has transformed and modernized its generation portfolio to support existing customers' needs and address significant current and expected industrial load growth in Louisiana by adding reliable and more efficient combustion turbine ("CT") and CCGT generating units to meet its supply needs. More recently, and as I noted above, ELL has begun its transition to renewable resources, including:

[6] *See* Entergy Louisiana, LLC's Application (December 18, 2023), *Ex Parte: Application for Approval of the Mondu Solar Power Purchase Agreement, Expansion of the Geaux Green Tariff, and Cost Recovery, Docket No. U-37071.* This application involves the purchase power agreement for the Mondu Facility; *See also,* Entergy Louisiana, LLC's Application (March 13, 2023), *In re: Application of Entergy Louisiana, LLC for Approval of Alternative Process to Secure up to 3,000 MW of Solar Resources, Certification of those Resources, Expansion of the Geaux Green Option, Approval of a New Renewable Tariff, and Related Relief, Docket No. U-36697.*

- the 50 MW Capital Region Solar facility in Port Allen, Louisiana, a Power Purchase Agreement ("PPA") that commenced in 2020;[7]
- a 475 MW solar portfolio that consists of 4 solar resources to be developed in the State of Louisiana, which the LPSC approved in 2022; and
- an additional 224 MW of solar to be developed in Louisiana that the Commission approved in January 2024.

Table 1 below shows ELL's current (as of 2023) resources by fuel type, including demand-side resources and supply-side resources owned by ELL and under contract through PPAs.

Table 1

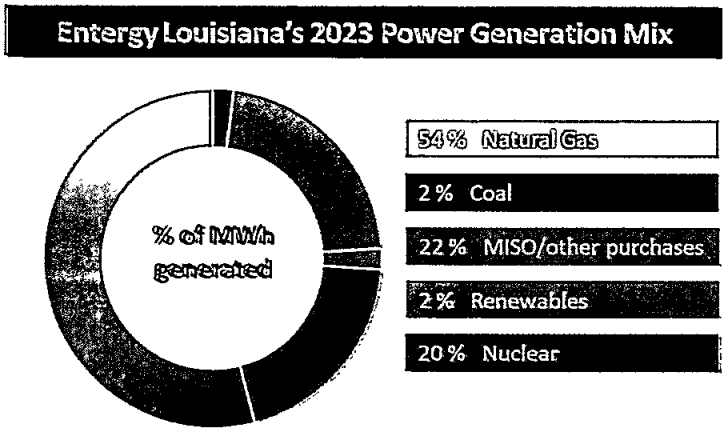
2023 ELL Resource Portfolio			
		Summer Seasonal Accredited Capacity ("SAC")[8]	**SAC % (La)**
Coal		328	3.0%
Nuclear		1,834	16.7%
CCGT		5,200	47.3%
CT		795	7.2%
Legacy Gas-Steam		2,395	21.8%
Renewable		187	1.7%
Load Modifying Resources ("LMRs")		260	2.4%
Total		**10,999**	**100.0%**

Figure 1 below shows ELL's energy mix in 2023 by generation type.

[7] *See* Entergy Louisiana, LLC's Application (May 3, 2018), *Application of Entergy Louisiana, LLC for Authorization to Participate in a Contract for the Purchase of Energy and Related Benefits from the LA3 West Baton Rouge, L.L.C. Solar Facility, Docket No. U-34836.*

[8] The amount of SAC MW shown in Table 1 is in accordance with MISO capacity accreditation rules reflected in the MISO *Business Practices Manual Resource Adequacy* (October 1, 2023), *available at* https://www.misoenergy.org/legal/rules-manuals-and-agreements/business-practice-manuals/, *Id.* at Section 4.2.1.4. The nameplate capacity of these resources is higher than the amount shown in the table.

Figure 1



Approximately 22% of the capacity in the Company's current resource portfolio is comprised of legacy generation units that have been in-service for over 49 years, with the oldest being in operation for 58 years. While the Company has made and will continue to make investments to maintain these generators when economic to do so, many of these generators are expected to reach the end of their economic useful lives and become deactivated during the next eight years.[9]

Q10. HOW DO MISO RESOURCE ADEQUACY REQUIREMENTS INFLUENCE THE COMPANY'S RESOURCE NEEDS?

A. ELL's resource planning efforts are primarily focused on the planning objectives I noted above to deliver the right type and amount of generating capacity to reliably serve

[9] For example, ELL deactivated Waterford 1 during the first quarter of 2021. *See* Entergy Louisiana, LLC's Notification (March 30, 2022), *In Re: Notification of Deactivation and Retirement Decisions Pursuant to Louisiana Public Service Commission's Deactivation General Order (Docket No. R-34407), Docket No. X-35751. See also, e.g.*, Entergy Louisiana, LLC's IRP Final Report (May 22, 2023), *Ex Parte: In Re: 2021 Integrated Resource Planning ("IRP") Process for Entergy Louisiana, LLC Pursuant to the General Order No. R-30021, Docket No. I-36181, Id.* at p. 27.

ELL's customers in Louisiana. In doing so, ELL must also account for the resource adequacy requirements established by MISO for the prompt Planning Year to ensure that the results of ELL's planning efforts meet those requirements.[10]

While MISO has no responsibility to build or provide capacity, it nevertheless assigns resource adequacy requirements to load-serving entities in its footprint, including ELL. Historically, MISO provided annual resource adequacy requirements; however, MISO has recently implemented its new Seasonal Resource Adequacy Construct that took effect for the first time in the 2023-2024 Planning Year. For this new resource adequacy construct, MISO has conducted seasonal assessments to evaluate potential resource adequacy risks for the various seasons. These assessments evaluate seasonal loss of load risk by modeling near-term capacity subject to historic outage conditions and by modeling a wide range of potential load forecast and weather scenarios, including extreme weather scenarios. The assessments also highlight potential issues in the upcoming seasons to help system operators and stakeholders prepare for potentially strained system conditions and develop preventative actions.[11]

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[10] "Load serving entities ('LSEs') in MISO have an obligation to have available capacity resources sufficient to reliably serve load on a forward looking basis, and each LSE is assigned a Planning Reserve Margin Requirement ('PRMR') based on that entities' coincident peak demand plus MISO's system wide planning reserve margin. Each LSE must obtain ZRCs equal to its PRMR. That ZRC requirement can be satisfied in MISO by (1) submitting a Fixed Resource Adequacy Plan ('FRAP') (through bi-lateral contracts) or (2) participating in the annual MISO voluntary Planning Resource Auction ('PRA'), or 3) by a combination of both." *See* LPSC General Order (July 6, 2018), *In Re: Commission Consideration of Potential Rules and Parameters for Participation in the Midcontinent Independent System Operator, Inc. ("MISO") Annual Planning Resource Auction ("PRA"), Docket No. R-33391, Id.* at 1. The proposed Magnolia CCPA defines [redacted]

[11] *See generally* Midcontinent Independent System Operator, Inc., *Resource Adequacy, available at* https://www.misoenergy.org/planning/resource-adequacy2/resource-adequacy.

As part of its resource adequacy requirements, MISO determines how much capacity must be located within each Local Resource Zone ("LRZ") relative to how much capacity can be "imported" from other LRZs. In the event an LRZ does not qualify enough capacity to meet the local requirements in a given season,[12] that zone's clearing price for that season calculated in MISO's annual auction will be the cost of new entry ("CONE").[13] The total effective cost across all seasons calculated in the auction can reach as high as 1.75x CONE. If the load-serving entity's ("LSE") resources fall short of its seasonal requirements, that LSE is exposed to the zonal clearing prices.

The Planning Resource Auction ("PRA") Results for the 2023-2024 MISO Planning Year represent the first time MISO released PRA results based on its new Seasonal Accreditation Construct. While no LRZ cleared at CONE in any season, significant tightening was noted in Local Resource Zone 9 ("LRZ 9") in the Fall season.[14] In fact, MISO's data show that the capacity surplus that the MISO South subregion enjoyed the preceding year was reduced by nearly 40% on an annual basis from that prior year – a drop of over 1,000 MW.[15] Further, in MISO LRZ 9, in which Louisiana sits, there was not a surplus but rather a shortfall of necessary capacity – as

[12] The risk of a Local Resource Zone failing to qualify enough capacity to meet its local requirements is illustrated by the experience of LRZ 5 (Missouri) in the 2024-2025 Planning Resource Auction. A shortfall of qualified capacity within that zone caused it to clear at CONE in two of the four seasons.

[13] The "cost of new entry" represents the regional, annualized capital cost of building a new CT.

[14] Midcontinent Independent System Operator, Inc., *Planning Resource Auction Results for Planning Year 2023-24* ("MISO 2023-2024 PRA Results") (May 19, 2023), *Id.* at slide 4, *available at* https://cdn.misoenergy.org/2023%20Planning%20Resource%20Auction%20(PRA)%20Results628925.pdf.

[15] *Id.* at slide 6.

the zone's Planning Reserve Margin Requirement ("PRMR") was higher than the capacity offered into the PRA in that zone in all four seasons of the Planning Year.[16] Indeed, LRZ 9 was the only Zone in MISO to have experienced elevated pricing in the 2023-2024 MISO PRA, and it experienced this elevated pricing in two out of the four seasons.[17]

In late April 2024, MISO released the results of the 2024-2025 PRA. The latest results show the surplus in the MISO South subregion held steady, although the surplus in MISO as a whole dropped 30%.[18] Zone 9 continued to show a capacity shortfall in two of the four seasons,[19] suggesting that tight capacity conditions in Louisiana continue to be a factor for which the Company and the Commission must plan and prepare. To that end, and as I noted, ELL's planning efforts carefully consider the location of resources and the proximity of those resources to customer load and therefore are aligned with, and take into account, MISO's zonal requirements. This alignment serves to mitigate the level of exposure to anticipated capacity shortfalls and places an emphasis on securing adequate in-zone resources.

[16] *Id.* at slides 17-20.

[17] *Id.* at slide 4.

[18] *See* Midcontinent Independent System Operator, Inc., *Planning Resource Auction Results for Planning Year 2024-25* ("MISO 2024-2025 PRA Results") (April 25, 2025), *available at* https://cdn.misoenergy.org/2024%20PRA%20Results%20Posting%2020240425632665.pdf, *Id.* at Slide 15.

[19] *Id.* at slides 16-19. And two other seasons were near equilibrium with surpluses of less than 1% and 3%. *See id.* at slides 17-18. In the 2024-2025 PRA, Zone 9 did not experience elevated pricing relative to other MISO capacity zones.

Q11. HAS THE COMMISSION TAKEN STEPS TO ADDRESS CONCERNS SURROUNDING THE TIGHTENING OF CAPACITY IN LOUISIANA AND THE RESULTING IMPACT ON GRID RELIABILITY?

A. Yes. In February 2022, the Commission directed LPSC Staff to open a rulemaking to determine whether the Commission should establish a capacity obligation policy containing requirements that go beyond those that have already been established by MISO for electric utilities subject to Commission jurisdiction. Docket No. R-36263 was initiated, and, most recently, the Staff has recommended in that rulemaking adoption of a Minimum Capacity Rule (the "Proposed Rule") that requires a demonstration for the ownership or bilateral purchase of 90% of a Louisiana Load Serving Entity's ("LLSE") Applicable PRMR. As discussed in the Proposed Rule, that capacity threshold is necessary to address the reliability concerns discussed above that have arisen in recent years.[20] These concerns stem largely from the impending expiration of contracts under which various electric cooperatives had historically procured capacity from wholesale suppliers who own or contract for identifiable generation to cover the cooperative load obligation; as the expiration dates of these long-standing contracts approached, certain cooperatives elected, for the majority of their load, to enter new contracts with parties that do not own or control identifiable generation to cover the cooperative load.[21]

[20] *See generally* Notice of Staff's Recommendation (March 21, 2024), *In re: Consideration of Whether the Commission Should Adopt Minimum Physical Capacity Threshold Requirements for Load Serving Entities, Docket No. R-36263.*

[21] *Id.* at 6.

The purpose of the Proposed Rule is to ensure that every utility prudently plans to supply 100% of its PRMR with Qualified Capacity (as defined in the Rule), with the flexibility to occasionally procure less due to the lumpiness of capacity investment.[22] The Proposed Rule has been offered by Staff to ensure that long-term resource adequacy for Louisiana is secured through prudent forward planning for the procurement of physical capacity *instead of* relying on the suppressed, short-term PRA price signals:[23] "Staff does not believe it is prudent for Louisiana regulated utilities to plan for its long-term capacity needs relying on a short-term, residual MISO PRA that is designed with the anticipation that a Planning Year may not have the generation necessary to cover the projected load."[24] As the Staff recommends, the Commission should seek to restrict such increased reliance on the PRA, "which may not have the actual capacity needed, for the purpose of maintaining the reliability that has been historically provided in Louisiana."[25]

Q12. DOES THE COMPANY NEED ADDITIONAL LONG-TERM GENERATING CAPACITY TO SATISFY ITS PLANNING OBJECTIVES?

A. Yes. Projected load (plus planning a reserve margin) exceeds the capacity of ELL's existing and LPSC-approved resources, which indicates a need for additional long-term capacity. My exhibit, SDA-1, which contains Highly Sensitive Protected Materials

[22] *Id.* at Attachment A, Section 100.

[23] *Id.* at 15-16.

[24] *Id.* at 13.

[25] *Id.* at 16.

("HSPM"), reflects ELL's resources relative to forecasted load for 2024-2035, with the red line depicting the capacity deficit from year to year. HSPM Exhibit SDA-1 was prepared using the load forecast from ELL's Business Plan 2024 ("BP24"), with consideration of current owned and contracted resources as well as those future resources that have been approved by the LPSC. In terms of resource availability, HSPM Exhibit SDA-1 reflects unit deactivation assumptions from BP24, and existing PPAs that are assumed to expire on stated expiration dates. As seen in HSPM Exhibit SDA-1, using ELL's summer seasonal accredited capacity, ELL will need approximately [redacted]

Q13. WHAT ARE ELL'S CURRENT PLANS TO MEET ITS LONG-TERM CAPACITY NEEDS?

A. As noted above, the Company has developed and continues to refine an integrated plan that considers generation and transmission and is expected to meet customer needs in the lowest-reasonable-cost manner. The Company continues to need long-term capacity over the planning horizon, and the plan is to meet ELL's needs from a diverse set of resources that will provide efficient operating flexibility to serve evolving customer demands.

Q14. DOES THE MAGNOLIA CCPA SUPPORT ELL'S THREE KEY PLANNING OBJECTIVES THAT YOU HAVE DISCUSSED?

A. Yes. In terms of reliability, the Magnolia CCPA will help meet the Company's long-term capacity needs that I discussed above.

With respect to affordability, as I explain below and as further explained by Company witness Phong D. Nguyen in his Direct Testimony, the Magnolia CCPA will help meet the Company's capacity needs while providing benefits (economic and otherwise) to ELL's customers. Specifically, as described by Mr. Nguyen, the Magnolia CCPA provides the Company with access to Capacity Credits at a cost that is expected to be lower on a $/kW-year basis than ELL's cost for a new build CT based on System Planning and Operations' internal modeling of the resource. In this way, the capacity-only product helps avoid a new CT resource that otherwise would need to be built.

As to environmental stewardship, although the Magnolia CCPA does not include any of the facility's environmental attributes (thus, whether ELL enters into the Magnolia CCPA does not change the environmental attributes), the Magnolia Facility will be constructed with the capability to utilize up to 50% hydrogen fuel as a fuel source.[26]

Finally, the additional, in-region capacity will also mitigate ELL's exposure to the potential risk of volatility of MISO capacity auction clearing prices.

[26] ELL is not currently aware of near-term plans to build a hydrogen supply to the Magnolia Facility that would allow for the blending and combustion of hydrogen in the facility.

Q15. PLEASE EXPLAIN FURTHER HOW THE MAGNOLIA CCPA IS CONSISTENT WITH THE CAPACITY NEEDS OF THE COMPANY.

A. ELL weighed the benefits of the Magnolia CCPA with other options and determined that, among those options, the proposed agreement would create the most benefit for ELL and its customers at this time. The 10-year term of the Magnolia CCPA provides ELL with the assurances needed to help support its requirements in the near term while limiting the overall commitment and exposure, thus allowing ELL to explore additional options with potentially longer lead times to serve future needs. The Magnolia CCPA thus furthers ELL's resource planning objectives of providing reliable service to its customers at the lowest reasonable cost and in a manner consistent with principles of prudent resource planning.

III. THE 2023 KINDLE RFP

Q16. PLEASE DESCRIBE THE 2023 KINDLE RFP.

A. The 2023 Kindle RFP solicited bids for capacity, energy, or bundled energy and capacity from the Magnolia Facility, which is presently under construction and scheduled to come online in 2025. The RFP was independently administered by GDS Associates, Inc. The RFP allowed for offers on up to 290 MW, with a 3-to-20-year term, beginning on June 1, 2025. The following schedule and deadlines applied to the RFP:

Table 2: 2023 Kindle RFP Schedule and Deadlines

Description	Deadline
RFP Issued	August 2, 2023
Submission of RFP Questions Due	August 18, 2023
Notice of Intent to Bid and NDA Execution	September 1, 2023
Respondents Bids Due	September 15, 2023 5:00 PM ET
Notification of Awards	No earlier than September 29, 2023

Q17. PLEASE DESCRIBE WHY THE COMPANY DECIDED TO SUBMIT A BID IN THE 2023 KINDLE RFP.

A. As I discuss above, ELL will need approximately [redacted]. While ELL is currently planning to solve for its capacity deficit in the long-term, the Magnolia CCPA may provide a bridge until a longer-term solution is achieved. Based on this capacity need, ELL submitted an offer for 290 MW of Capacity Credits with a 10-year term, commencing on June 1, 2025.

Q18. WHY DID THE COMPANY SEEK ONLY CAPACITY AND NOT ENERGY OR BUNDLED CAPACITY AND ENERGY FROM THE MAGNOLIA FACILITY?

A. In some instances, a utility will procure capacity and energy from a generating resource because it reasons that the cost associated with the capacity and energy is reasonable

and that, absent a contractual arrangement between the utility and the generator owner, the resource may not ultimately be constructed. In this instance, the generator owner is constructing the Magnolia Facility, which already has an off-taker for the majority of the capacity and energy. The Magnolia Facility will be a highly efficient, low cost resource providing both capacity and energy into the respective capacity and energy markets. The Magnolia Facility will bid its energy into the MISO market, and it will operate only when it is economic to do so or needed to support reliability. Given the Magnolia Facility's proximity to ELL's load, it is reasonable to assume that when it achieves commercial operations, ELL's customers will benefit from those operations. And by procuring capacity and not energy associated with the Magnolia Facility, ELL's customers stand to benefit by reasonably hedging against the capacity market, again, at a cost that is less than the cost to acquire new generation, and purchasing energy from the MISO energy market at the cost of the next incremental megawatt hour required to serve load, from a resource that is (1) already being constructed and (2) located close to ELL's load.

Q19. PLEASE DESCRIBE THE OFFER SUBMITTED BY ELL INTO THE 2023 KINDLE RFP.

A. The Company submitted an offer for 290 MW of Capacity Credits with a 10-year term at a price of [redacted] for a total cost over the ten-year term of approximately [redacted] Mr. Nguyen describes the Company's assessment and assumptions used to

identify and derive the calculation of that bid price and the benefits to customers of the Magnolia CCPA.

Q20. WHEN WAS THE COMPANY NOTIFIED THAT IT WAS THE SELECTED BIDDER?

A. ELL's offer was shortlisted on November 3, 2023. The parties ultimately executed an agreement on February 21, 2024.

Q21. SHOULD THE COMMISSION BE CONCERNED THAT THE COMPANY'S OFFER WAS SELECTED IN AN RFP IN WHICH A SUPPLIER WAS SEEKING TO OBTAIN THE BEST PRICE FOR ITS RESOURCE?

A. No. The Company cannot speak to the particulars of any other offers submitted in the 2023 Kindle RFP. This is the nature of participating in an RFP, where bidder participation and submissions are confidential. I would not assume that price is the sole deciding factor in an RFP like Kindle's, which was flexible on products, delivery term, and MW volume. In such an RFP, a seller may well decide against accepting the highest priced bid in favor of a lower priced bid after considering other factors such as product, term, volume, and counterparty risk. The important takeaway is that ELL's accepted proposal is a lower cost alternative for ELL's customers and thus provides economic benefits that otherwise would not be available had ELL not been selected. Additionally, in a region where load is growing and existing capacity is dwindling, the Commission should reasonably expect utilities to explore all reasonable opportunities to procure existing capacity at prices below new-build costs. Mr. Nguyen discusses

further in his Direct Testimony why the Magnolia CCPA is an appealing transaction for ELL's customers.

IV. MAGNOLIA FACILITY AND THE MAGNOLIA CCPA

Q22. PLEASE DESCRIBE THE MAGNOLIA FACILITY.

A. The Magnolia Facility will be an approximately 700 MW CCGT generation facility located in Iberville Parish, Louisiana. The Magnolia Facility will include a GE 7HA.03 gas turbine, a GE STF-A650 steam turbine, and a triple pressure with reheat Heat Recovery Steam Generator ("HRSG"). It will be constructed with the capability of combusting up to 50% hydrogen as a fuel source.[27]

As discussed in the Direct Testimony of Company witness Ryan Jones, the Magnolia Facility already has a capacity sale and tolling agreement in place to supply approximately 400 MW of CCGT capacity over a 20-year term to the 1803 Electric Cooperative, Inc. ("1803"), a generation and transmission cooperative that has five members: Beauregard Electric Cooperative, Inc.; Claiborne Electric Cooperative, Inc.; Northeast Louisiana Power Cooperative, Inc.; South Louisiana Electric Cooperative Association; and Washington-St. Tammany Electric Cooperative, Inc.[28]

[27] *See supra* n.25.

[28] In its Order approving and certifying 1803's capacity sale and tolling agreement with Magnolia Power in Docket U-35927, the Commission determined that the agreement served the public convenience and necessity and was in the public interest. *See* LPSC Order No. U-35927 (January 25, 2022), *In re: Application for Approval Power Purchase Agreements and for Cost Recovery, Docket No. U-35927.*

Q23. PLEASE DESCRIBE THE MAGNOLIA CCPA.

A. Once ELL's bid was selected, ELL went through an arms' length negotiation process to reach agreement on the terms of the final Magnolia CCPA. The Magnolia CCPA was executed between ELL and Magnolia Power, LLC ("Magnolia Power"), which is a subsidiary of Kindle. The Magnolia CCPA is included as HSPM Exhibit SDA-2 to my testimony.

Specifically, under the Magnolia CCPA, the Company will acquire 290 MW of Capacity Credits with a 10-year term from the Magnolia Facility. Magnolia Power (defined in the Magnolia CCPA as the "Seller") [redacted]

Q24. ARE THERE ECONOMIC BENEFITS ASSOCIATED WITH THE MAGNOLIA CCPA?

A. Yes. The Magnolia CCPA is expected to result in net benefits to customers, which Mr. Nguyen describes in detail. Mr. Nguyen also discusses the analyses and assumptions used to derive the calculation of these net benefits.

Q25. WOULD IT BE ECONOMIC FOR ELL TO ADDRESS ITS LONG-TERM CAPACITY NEED THROUGH THE PURCHASE OF CAPACITY CREDITS IN THE MISO SEASONAL PRA RATHER THAN THROUGH THE MAGNOLIA CCPA?

A. No, at least not over the long-term. While the MISO PRA provides an avenue to correct short-term imbalances, over-reliance on the short-term market in lieu of a long-term resource planning strategy is an imprudent and risky practice – especially at a time when market conditions are tightening as I discuss above. The MISO PRA is a one-year-ahead mechanism that is not designed to ensure that an adequate amount of, or appropriate types of, resources will be available in the long-term.[29] Indeed, as the Federal Energy Regulatory Commission ("FERC") itself has explained, "unlike the centralized capacity constructs used in the Eastern RTOs/ISOs, MISO's Auction is not—and has never been—the primary mechanism for its LSEs to procure capacity."[30] As a result, relying on the MISO PRA involves greater economic risk compared to the Magnolia CCPA.

Further, as discussed in greater detail above in the response to Q10, significant tightening has been noted in MISO as a whole and in LRZ 9 (in which Louisiana is located) since MISO implemented the seasonal PRA. MISO's data show that the surplus of MISO-wide capacity fell 30% in the latest PRA and that the capacity offered

[29] *See also* Notice of Staff's Recommendation (March 21, 2024), *In re: Consideration of Whether the Commission Should Adopt Minimum Physical Capacity Threshold Requirements for Load Serving Entities, Docket No. R-36263, Id.* at 13 ("Staff does not believe it is prudent for Louisiana regulated utilities to plan for its long-term capacity needs relying on a short-term, residual MISO PRA that is designed with the anticipation that a Planning Year may not have the generation necessary to cover the projected load.").

[30] *Midcontinent Independent System Operator, Inc.*, 170 FERC ¶ 61,215, at P 13 (2020) (emphasis in original).

into the MISO PRA in Zone 9 is less than its required PRMR in two out of four seasons, *i.e.* a deficit (and two other seasons were near equilibrium with surpluses of less than 1% and 3%, respectively).

Finally, while the precise timing of market equilibrium is unknown, there is an expectation that market conditions in the MISO market will tighten in the coming years, which is expected to lead to higher capacity prices.[31]

Q26. IS THERE ANY ASSURANCE THAT THE MISO PRA WILL HAVE CAPACITY AVAILABLE TO MEET ELL'S NEEDS FROM YEAR TO YEAR?

A. No, and it is not intended to provide such an assurance. Additionally, it is important to note that MISO has no responsibility to build or provide capacity; the responsibility to meet resource adequacy falls to load serving entities like ELL, which have an obligation to plan resources to reliably serve their customers.

Q27. PLEASE SUMMARIZE THE BASIC PRICING TERMS AND EXPECTED ANNUAL CAPACITY QUANTITIES FOR THE MAGNOLIA CCPA.

A. Table 3 below provides this information:

[31] Midcontinent Independent System Operator, Inc., *2023 OMS-MISO Survey Results* (July 14, 2023), *available at* https://cdn.misoenergy.org/20230714%20OMS%20MISO%20Survey%20Results%20Presentation629607.pdf, *Id.* at Slides 2, 14, and 21.

Table 3
Key Pricing Terms for Magnolia CCPA
HIGHLY SENSITIVE PROTECTED MATERIAL

Contract Year	Price	Expected Annual Capacity Quantity
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

Q28. PLEASE SUMMARIZE THE OBLIGATIONS OF THE PARTIES TO THE MAGNOLIA CCPA.

A. [redacted]

Q29. PLEASE ADDRESS THE FINANCIAL PROTECTIONS FOR ELL'S CUSTOMERS UNDER THE MAGNOLIA CCPA UPON A FAILURE TO DELIVER CAPACITY CREDITS.

A. [redacted]

Q30. ARE THERE OTHER PROVISIONS THAT ADDRESS THE SELLER'S PERFORMANCE UNDER THE MAGNOLIA CCPA AND ELL'S ASSOCIATED RIGHTS AND REMEDIES?

A. [redacted]

[redacted]

[redacted]

Q31. WHICH ENTITY WILL SERVE AS THE MARKET PARTICIPANT ("MP") UNDER THE MAGNOLIA CCPA?

A. [redacted]

Q32. WHAT ARE THE REQUIREMENTS OF THE MAGNOLIA CCPA THAT GOVERN THE REQUIRED TIME FOR ELL'S RECEIPT OF REGULATORY APPROVALS?

A. [redacted]

[redacted]

Q33. UNDER WHAT CONDITIONS COULD ELL OR THE SELLER TERMINATE THE MAGNOLIA CCPA?

A. [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

V. CONCLUSION

Q34. PLEASE SUMMARIZE THE REASONS WHY THE COMMISSION SHOULD APPROVE THE COMPANY'S APPLICATION AND CERTIFY THE MAGNOLIA CCPA.

A. ELL has a need for capacity to meet MISO resource adequacy requirements and continues to explore opportunities to fill that need. When presented with the unsolicited opportunity to procure capacity through the Kindle RFP, ELL weighed the benefits of the Magnolia CCPA against other potential options and concluded that the capacity-only product provided positive benefits for ELL and its customers at this time. Overall, the Magnolia CCPA will effectively provide approximately 290 MW of seasonal accredited capacity to address ELL's large projected capacity deficit and will help ELL reach its resource adequacy requirement at a cost below what ELL would need to otherwise build and without the capital requirements associated with building a new CT. As such, for all of the reasons I describe above and the reasons expounded upon by other Company witnesses, ELL urges the Commission to approve the Company's Application and certify that the Magnolia CCPA serves the public convenience and necessity, is in the public interest, and, therefore, is prudent.

Q35. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, at this time.

AFFIDAVIT

STATE OF LOUISIANA

PARISH OF EAST BATON ROUGE

NOW BEFORE ME, the undersigned authority, personally came and appeared, **Shawn D. Allen**, who after being duly sworn by me, did depose and say:

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

Shawn D. Allen

SWORN TO AND SUBSCRIBED BEFORE ME
THIS 1st **DAY OF** May **2024**

Amber Denise Abshire
NOTARY PUBLIC

My commission expires: February 5, 2025

AMBER DENISE ABSHIRE
Notary ID #12189259
My Commission Expires
February 5, 2025

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

EX PARTE: **APPLICATION OF**	)	
ENTERGY LOUISIANA, LLC, FOR	)	
APPROVAL OF THE MAGNOLIA	)	**DOCKET NO. U-_____**
CAPACITY CREDIT PURCHASE	)	
AGREEMENT, COST RECOVERY,	)	
AND RELATED RELIEF	)	

EXHIBIT SDA-1

HIGHLY SENSITIVE PROTECTED MATERIALS
FILED UNDER SEAL

INTENTIONALLY OMITTED

MAY 2024

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

EX PARTE: **APPLICATION OF ENTERGY LOUISIANA, LLC, FOR APPROVAL OF THE MAGNOLIA CAPACITY CREDIT PURCHASE AGREEMENT, COST RECOVERY, AND RELATED RELIEF**	))))))	**DOCKET NO. U-_____**

EXHIBIT SDA-2

HIGHLY SENSITIVE PROTECTED MATERIALS
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MAY 2024