BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

APPLICATION OF ENTERGY LOUISIANA, LLC FOR APPROVAL OF REGULATORY BLUEPRINT NECESSARY FOR COMPANY TO STRENGTHEN THE ELECTRIC GRID FOR STATE OF LOUISIANA	))))))	DOCKET NO. U-_____

DIRECT TESTIMONY

OF

ALYSSA MAURICE-ANDERSON

ON BEHALF OF

ENTERGY LOUISIANA, LLC

AUGUST 2023

TABLE OF CONTENTS

EXHIBITS

I. INTRODUCTION

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

A. My name is Alyssa Maurice-Anderson. I am employed by Entergy Services, LLC ("ESL")[1] as the Director of Regulatory Filings & Policy. My business address is 639 Loyola Avenue, New Orleans, Louisiana 70113.

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

A. I am filing this Direct Testimony on behalf of Entergy Louisiana, LLC ("ELL" or the "Company") in support of the Company's Application in this matter.

Q3. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I hold a Master of Business Administration (concentration in Finance) from Tulane University's Freeman School of Business (2011), a Juris Doctor from Loyola University New Orleans School of Law (2002) and a Bachelor of General Studies from the University of New Orleans (1998). I joined the ESL legal department in 2001 and until August 2020, I held varying levels of responsibility supporting regulatory litigation matters. Beginning in 2008, my practice focused on leading rate matters filed by regulated subsidiaries of Entergy Corporation; first for Entergy New Orleans, LLC ("ENO") and then for ELL (and its predecessors, Entergy Gulf States Louisiana, L.L.C. ("EGLS"), and then for both ENO and ELL. My responsibilities in that role included

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

providing legal advice and developing legal strategies necessary to file, manage, and obtain approval of ratemaking treatments that resulted in rates that were just and reasonable to customers and the investor-owned utility, as well as various related duties, such as issuing probability assessments, drafting, and reviewing inserts to disclosure documents and serving in roles that generally aided each company in managing regulatory matters.

In 2020, I transitioned from the ESL legal department to ENO as Director, Regulatory Operations (Affairs), reporting directly to the President and Chief Executive Officer of ENO. As Director, Regulatory Operations, I contributed to the development of regulatory strategy, appeared on behalf of ENO before its regulator, the Council of the City of New Orleans, and interfaced with customers one-on-one and at public meetings. Additionally, with the support of several analysts as my direct reports and ESL's Regulatory Services organization, I was responsible for the submission of retail regulatory filings for ENO. In May 2021, I returned to ESL and since then have worked in my current role, which is part of the larger Regulatory Services and Regulatory Strategy and Initiatives organization.

In my current role, I oversee a department of employees who assist in coordination and execution of activities necessary to meet certain regulatory requirements applicable to Entergy's Operating Companies as providers of utility service. Those activities include extracting per book data and/or preparing proformas to that data for use in the various regulatory filings submitted by and on behalf of Entergy's regulated companies. The deliverables resulting from this technical support generally take the form of revenue requirement and cost of service analysis, responding and coordinating responses to internal and external data requests for financial information and explanation of policies used in regulatory proceedings. I am also responsible for providing testimony on certain policy issues and/or ratemaking matters, including the type that are the subject of these proceedings.

Q4. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE LOUISIANA PUBLIC SERVICE COMMISSION ("LPSC" OR "COMMISSION")?

A. Yes. A list of my prior testimonies is attached hereto as Exhibit AMA-1.

II. PURPOSE OF TESTIMONY

Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony supports the request in ELL's Application for the continued use of the current Formula Rate Plan ("FRP"), with modifications, for a three-year term, either under the Rate Mitigation Proposal described in the Direct Testimony of Phillip May or following implementation of rates resulting from the Cost of Service Study presented with the Company's Application. Specifically, my testimony:

- Provides a high-level overview of the Company's existing FRP,[2] as well as a discussion of how both the Company and its customers have benefitted from the current FRP and its components, and describes the benefits of continuing to use the

[2] The "existing" or "current" FRP expires as of August 2024, i.e., the end of the rate effective period for the 2023 Evaluation Period. At that time, existing rates will remain in effect until reset as a result of implementing the results of the cost of service that is the subject of the Company's Application in this proceeding or the Company's alternative Rate Mitigation Proposal. Although the Company's cost of service study demonstrates that rates should be set to collect an additional approximately $430 million, the Company instead is recommending an extension of the current FRP for three years, the first year of which is expected to reduce the Company's rate request by more than half.

FRP for setting rates for a new three-year term, *i.e.*, for Evaluation Periods 2024-2026;

- Discusses some of the modifications that are necessary to meet the additional needs for timely recovery of investment, including, for example:
    - changes to the Additional Capacity Mechanism ("ACM") that formalize the interpretation of Rider FRP provisions and implementation methods accepted by the Commission for at least the last decade to address the addition of new generating resources and which update the mechanism to reflect the planned addition of renewable resources and to address revenues generated through green tariffs that have been approved by the Commission or are currently pending approval;
    - changes to the tax mechanism contained in Section 5 to, among other things, address ratemaking treatment of Production Tax Credits ("PTCs") recently enabled by the Inflation Reduction Act ("IRA"); and
    - modifications to the Distribution Recovery Mechanism ("DRM") required to facilitate the Company's necessary baseline investment in the distribution grid.
- Explains why granting the relief requested in Company's Application would provide an appropriate framework for setting just and reasonable rates for ELL and, therefore, is in the public interest.

Q6. WHAT WILL THE COMPANY'S PROPOSAL SERVE TO ACCOMPLISH?

A. The continuation of an FRP will facilitate the realization of benefits by customers and the Company and comport with sound regulatory principles observed by the

Commission in many rate proceedings. Specifically, the FRP will help to (i) ensure continued, timely, fairly-allocated recovery of recent investments in distribution, transmission and generation infrastructure, (ii) facilitate the Company's increased investment in renewable generating resources, which Company witnesses Mr. May and Laura Beauchamp explain are necessary investments to actualize economic growth opportunities for the State of Louisiana, (iii) provide for an equitable allocation of the benefits ELL's customers stand to realize from PTCs created by the IRA, (iv) promote rate stability and (v) provide a ratemaking structure that will allow ELL to remain a financially stable utility that can continue to attract capital at the lowest reasonable cost to its customers.

III. FRPS BENEFIT BOTH CUSTOMERS AND THE UTILITY

Q7. WHY IS THE COMPANY PROPOSING THAT AN FRP BE REINSTITUTED FOR THE SETTING OF ELL'S RATES?

A. The use of an FRP to set rates is beneficial to both customers and the Company. The use of an FRP provides significant administrative efficiencies (both in terms of cost and time) as compared to base rate cases. FRPs provide a streamlined, timely review of the Company's costs and revenues; they typically result in smaller rate changes over several years, rather than the more substantial periodic rate changes that tend to result from implementing cost of service rates.

Further, as discussed by Company witness Ryan O'Malley, a major obstacle to ELL's delivering benefits to stakeholders and continuing the modernization and hardening of the Company's transmission and distribution systems, as well as integrating more renewable generation resources, is regulatory lag. FRPs mitigate a certain degree of regulatory lag and increase the predictability of recovery mechanisms. Moody's recently noted the FRP as a "financial strength" because it "enhances cash flow predictability."[3] These enhancements to the Company's financial stability translate to benefits to customers by helping ELL to attract capital at low costs.

Q8. WHAT IS REGULATORY LAG?

A. Regulatory lag is generally defined as the period between when a utility experiences a change in cost and when new rates reflecting that change are implemented. The critical point is that during the period in which regulatory lag is experienced, the recovery or return of the cost change is lost forever, and neither customers nor the utility is made whole when rates change. In other words, regulatory lag prevents the utility from having a reasonable opportunity to earn its allowed return in the current environment of rising costs, or delays customers from receiving the benefits of lower rates in a decreasing cost environment. In the context of significant capital investment where cash flow is a concern, regulatory lag means that a utility has lost cash flow associated with a portion of the return of and the return on its investment.

Take this simplified illustration. In Year 1, assume a utility's rates recover a cost of service of $100. Assume further that during Year 1, the utility invests capital so that its cost of service increases to $300. In January of Year 2, the utility files a rate case, and, in Year 3, the utility receives a rate increase reflecting a cost of service of

[3] See Exhibit AMA-3, Moody's Credit Opinion, Entergy Louisiana, LLC, July 19, 2023, p.1.

$300. Although the utility's rates are raised in Year 3 to cover the cost for which the utility applied in Year 2 (*i.e.*, $300), the delay caused by the rate proceeding means the utility can't begin collecting the $300 until Year 3 and the utility is unable to make up for the difference lost in Year 2. The recovery of those costs has been lost forever. Further, the utility will also be incurring additional regulatory lag during Year 3 for any cost increases that occur during both Years 2 and 3.

Q9. PLEASE PROVIDE AN EXAMPLE OF A MECHANISM OF THE FRP THAT REDUCES REGULATORY LAG.

A. One such mechanism provided under the FRP is the ACM. It provides ELL the ability to timely reflect in rates the costs associated with power purchase agreements ("PPAs") and certain generation investment. Further, where substantial costs change annually and otherwise would require a rider or the filing of annual, or "pancaked," rate cases to timely reflect costs in rates, the FRP obviates the need for a full rate case. Pancaked rate cases are widely regarded as inefficient, costly, cumbersome, and suffer from substantial regulatory lag, thus undermining the reasonable opportunity for the Company to earn its authorized return. In addition, pancaked rate cases place a tremendous burden on the Commission's and utility's human capital and consume resources that can otherwise be directed to improving service. By providing for timely rate changes to reflect changes in the costs of service as well as significant capital investments, FRPs avoid the need for pancaked rate cases as well as synchronize cost recovery with associated savings resulting from those investments or other transactions.

Q10. ARE THERE DISCREET EXAMPLES OF HOW THE FRP HAS DIRECTLY BENEFITTED CUSTOMERS?

A. Yes. A look at the history of ELL's FRP implementation demonstrates these benefits. Over time, the FRP has led to both decreases and increases in rates. It has likewise allowed the Company to timely adjust rates based on changing circumstances. For example, when the Entergy System Agreement terminated in September 2016, the Company was able to reflect a $42 million reduction in rates on the day the agreement terminated. Similarly, as discussed earlier, the Tax Reduction Adjustment Mechanism ("TRAM") more recently has provided a means for the Company to timely and efficiently provide savings to customers from the Tax Cut and Jobs Act of 2017. I discuss later in my testimony how the Commission has also recognized some of the earlier benefits derived from having FRPs in place for setting rates ELL's predecessor companies.

Therefore, ELL proposes that the Commission reauthorize implementation of an FRP in this proceeding to mitigate regulatory lag and its potential harm to ELL's financial condition and, by extension, customers. ELL proposes that if the Commission reauthorizes implementation of an FRP following the implementation of rates resulting from cost of service that it do so in the form of Exhibit AMA-2, which in many respects tracks the major provisions of ELL Rider FRP-1. However, if the Commission approves an extension of the FRP through the Rate Mitigation Proposal described in the Direct Testimony of Mr. May, ELL proposes that Exhibit AMA-2 be used as the starting point for doing so, with certain additional modifications that align with the Rate Mitigation Proposal that Mr. May describes.

Q11. WHAT HAS BEEN THE COMMISSION'S POSITION ON FRPS?

A. The Commission has repeatedly found FRPs to be timely and efficient mechanisms for setting rates and to be in the public interest. The Commission currently uses either a formula rate plan or a similar rate stabilization plan to set rates for all LPSC-jurisdictional investor-owned utilities (or is currently considering an extension of one).[4] In the mid-1990s, the Commission first adopted the FRP for ELL in a decreasing cost environment so that customers received the benefits of decreasing costs on a timely basis year after year. As the Commission explained in September 2000, the FRP, since its inception in 1995, has reduced rates by $111.7 million and provided cumulative savings of $286.1 million through May 2000.[5]

Q12. IS THE COMPANY PROPOSING TO IMPLEMENT A FORMULA RATE PLAN SIMILAR TO THE FRP THAT WAS MOST RECENTLY IN PLACE FOR ELL?

A. Yes. In several respects, the structure and the major mechanisms of the prior FRP have been preserved in the Company's proposal. The elements of the FRP's procedural

[4] *See* e.g., LPSC Order No. U-35229 dated June 22, 2021 (Cleco Power LLC); LPSC Order No. U-36126 dated May 19, 2022 (Centerpoint Energy Arkla); LPSC Order No. U-36124 dated May 19, 2022 (Centerpoint Energy Entex); LPSC Order No. U-35535 dated April 15, 2021 (Atmos); LPSC Order No. U-34200-A (Southwestern Electric Power Company) dated May 18, 2017; LPSC Order No. U-35565 dated June 4, 2021 (ELL); and, LPSC Order No. U-36338 dated March 15, 2023 (ELL – Gas Operations). Many of the electric cooperatives also operate under Formula Rate Plans, but I have not tried to catalogue the list of such cooperatives.

[5] *In Re*: Investigation of Louisiana Power & Light Company's Rates, Charges, Services Rendered And Operations -- 1999 Formula Rate Plan Filing, LPSC Order U-20925-I dated Sept 7, 2000, 2000 WL 36273799 (La. P.S.C.), p.5.

structure, such as the timing and form of the annual filings, period of review by the parties, the revenue bandwidth (100-basis point bandwidth), rate redetermination that resets changes in revenue to the edge of the applicable band, timing of rate implementation and the dispute resolution process have all been retained, with minor enhancements and/or clarifications. Several of the major adjustment mechanisms, including among others, the ACM largely retain their operational characteristics, but are modified in a way that formalizes in one document, the steps that have been taken (in practice) for many years to implement the FRP provisions under the authority of the Commission.

Similarly, with respect to the DRM and Transmission Recovery Mechanism ("TRM"), the structure of those mechanisms has been retained and the Company's request in this proceeding contemplates expansion of the amount of costs eligible for recovery through the DRM. I describe these and several other major provisions of the proposed FRP in greater detail later in my testimony. Note that under the Rate Mitigation Proposal described by Mr. May, additional modifications of Rider FRP would be necessary to align with the features described in Table 1 of Mr. May's Direct Testimony.

Q13. WHAT WOULD BE THE TERM OF THE NEWLY ADOPTED FRP?

A. If the Company and the Commission agree on suitable parameters for the FRP, including an appropriate Return on Equity ("ROE"), as mentioned earlier in my testimony, the Company proposes that the terms and conditions of the FRP would be effective for three years. That is to say that the benchmark/midpoint ROE established in the proceeding would remain unchanged for a period of three years. If the Commission determines to accept ELL's Rate Mitigation Proposal, the FRP would begin with the 2024 filing year (for Evaluation Period 2023) and continue through the rate effective period stemming from the final Evaluation Report, August 2027. If, however, the Commission declines to adopt that plan, then the FRP would begin with the 2025 filing year (for Evaluation Period 2024) through the rate effective period stemming from the final Evaluation Report, August 2028.

IV. ELL'S CURRENT FRP

Q14. PLEASE PROVIDE AN OVERVIEW OF HOW ELL'S CURRENT FRP IS USED TO ANNUALLY REDETERMINE RATES.

A. Under the current FRP, in May of each year, ELL files for Commission review an Evaluation Report that sets forth the results of operations for the twelve months ended December 31 of the immediately preceding calendar year ("Evaluation Period" or "Test Year"). The annual Evaluation Report summarizes the revenues received and costs incurred by ELL for the Evaluation Period, as well as the results of certain calculations required by the FRP rate schedule, including, for example, the Earned Return on Equity ("EROE"). The level of the EROE determines whether a prospective adjustment to rates is required. Any adjustment to rates required by the FRP becomes effective with the first billing cycle of September of the filing year, *i.e.*, nine months following the close of the Evaluation Period.

Q15. PLEASE EXPLAIN GENERALLY HOW THE FRP FORMULA DETERMINES WHETHER AN ADJUSTMENT TO ELECTRIC RATES IS REQUIRED.

A. ELL's FRP regulates electric rates by establishing an approved Evaluation Period Cost Rate for Common Equity ("EPCOE" or "midpoint") and then requiring prospective rate changes to occur if ELL's Test Year operating revenues produce an EROE either lower or higher than the approved earnings Bandwidth, *i.e.*, EPCOE plus 50 basis points ("Upper Band"), or minus 50 basis points ("Lower Band"). If the EPCOE falls within this 100-basis point bandwidth (*i.e.*, the "Dead Band"), there is no change in rates for the corresponding rate effective period. ELL's most recently approved FRP included an EPCOE of 9.5%. In other words, based on an approved EPCOE of 9.5%, the Dead Band includes a range of EROE between 9.0% and 10.0%, for which the results would yield no change in prospective rates.[6]

Q16. PLEASE DESCRIBE IN GREATER DETAIL THE CORE PROVISIONS THAT DEFINE THE STRUCTURE OF THE CURRENT FRP.

A. The core provisions of the FRP are summarized as follows:

Section 2 Application and Redetermination Procedure

- Annual Filing and Review (Section 2.B.) – The process for annual review commences with the filing of an annual Evaluation Report on May 31st of the actual results of operations from the immediately preceding calendar year, and the process includes a period for the parties to review the

[6] Pursuant to Order U-35565, the bandwidth mechanism was temporarily suspended to implement a settlement for Test Year 2020.

Evaluation Report for compliance. The review period runs from the date of filing through August 20th of the filing year, the date by which the Parties must identify alleged error(s) or compliance issues. If any issues or alleged errors are raised, Sections 2.B.2. and 2.B.3. set forth the process whereby Disputed Issues are to be resolved. During the pendency of any Disputed Issues, rates are implemented subject to refund.

- Annual Redetermination of Rate Adjustments (Section 2.C.) – The provisions of Section 2.C. define certain terms and prescribe the overall means by which applicable revenues are to be adjusted under the FRP. Section 2.C.2 provides that in addition to (Base) Rider FRP Revenue, (Total) Rider FRP Revenue shall consist of Extraordinary Cost (Section 3.A.), Additional Capacity Cost (Section 3.D.), Recovery of Realigned Costs (Section 3.E.), Transmission Recovery Mechanism ("TRM") (Section 3.F.), Distribution Recovery Mechanism ("DRM") (Section 3.G.), Midcontinent Independent System Operator, Inc. ("MISO") Cost Recovery Mechanism ("MCRM") (Section 4), and Tax Reduction Adjustment Mechanism ("TRAM") (Section 5). Extraordinary Costs, Additional Capacity Costs, Realigned Costs, and costs eligible for recovery through the TRM, DRM, MCRM, and the TRAM are considered outside of the Bandwidth mechanism.

Q17. IS ELL PROPOSING TO MAKE SUBSTANTIVE CHANGES TO ANY OF THESE PROVISIONS?

A. Yes. Although the changes to Section 2 are substantive, they are not material to the operation of the FRP. ELL is, however, proposing substantial revisions to the inputs to the rate redetermination that are defined in the "Other Rate Changes" section, Section 3 and Section 5 of the FRP. Most of the proposed changes to Section 3 will not result in material changes as to how rates are implemented.

Q18. PLEASE DESCRIBE OTHER MAJOR PROVISIONS OF THE CURRENT FRP AND THEIR FUNCTIONS.

A. In addition to the core provisions in Section 2 of Rider FRP that define the primary structure of the FRP and processes for evaluating the revenues of the most recent year's operations (*i.e.*, the rate redetermination formula), Section 3, "Other Rate Changes" governs those circumstances where revenues/changes in revenues *will not* be reflected through the bandwidth mechanism. In other words, they prescribe treatment of revenues/costs on a dollar-for-dollar basis in order to achieve certain policy goals, *e.g.*, providing a mechanism to return certain credits and/or refunds to customers, reduce regulatory lag on productive investments that deliver benefits to customers that are likely to reduce costs and/or increase efficiencies; and to address circumstances that were unforeseen or unforeseeable by the Company, including among other things changes in tax rates. I describe those provisions in greater detail below.

- Extraordinary Cost Changes (Section 3.A.) – The Extraordinary Cost provision recognizes that there are, from time to time, events or items which cause an extraordinary change to the cost of service that could deprive the Company of a reasonable *opportunity* to recover a prudently incurred cost, or customers the benefit of a significant decrease in costs on a timely basis. In these instances, this provision allows the Company or the Commission the ability to seek a rate change as a pass-through, *i.e.*, outside of the bandwidth calculation to allow for the reflection in rates of such extraordinary changes on a timely basis, rather than allow those costs to flow through the normal FRP calculation. In the current Rider FRP, the categories that are covered by this provision pertain to Unforeseen Costs, Depreciation/Commissioning Rate Effects and Storm Damage Accrual Effects.

- Special Rate Filings (Section 3.B) – allows the Company to propose new rate schedules for consideration by the Commission during the term of the FRP.
- Force Majeure (Section 3.C) – The Force Majeure provision allows the Company to seek Commission approval for the pass-through of costs outside the provisions of the FRP if any events beyond the reasonable control of the Company (*e.g.*, natural disasters, changes in regulation, orders of a civil or military authority, etc.) cause increased costs or result in a deficiency in revenues.
- Additional Capacity Mechanism (referred to as the ACM) / Additional Capacity Revenue Requirement (Section 3.D.) – The ACM provisions describe the treatment of certain capacity costs in excess of the amounts included in base rates as of a certain point in time.

- MISO Cost Recovery Revenue Requirement (referred to as the "MCRM", Section 4). The MCRM provides for the recovery of all costs charged or revenues provided to ELL through the MISO FERC-approved tariff, outside of those recovered through ELL's Fuel Adjustment Clause and costs/revenues associated with MISO's Planning Resource Auction. Also, Commission Order No. U-34081 accepted ELL's ratemaking treatment of a $2.2 million annual receipt resulting from the termination of the Entergy System Agreement, which treatment calls for that receipt to be reflected in rates as an additional credit to the MCRM. The MCRM provides that these net charges/or credits are to be recovered through the FRP, outside of sharing, and that they shall be allocated as a percentage of base revenue consistent with all other aspects of the FRP.
- Transmission Recovery Mechanism (referred to as the "TRM," Section 3.F). The TRM provides for recovery of the return on rate base and depreciation expense associated with (1) all transmission capital additions that are placed in service, or expected to be placed in service, between January 1 and August 31 of the filing year subject to a TRM floor of $100 million per year ("Filing Year TRM Amount") and true-up and, (2) transmission capital additions placed in service during the Evaluation Period, subject to a TRM Floor, less the Filing Year TRM Amount reflected in the prior year's Evaluation Report.
- Distribution Recovery Mechanism (Section 3.G.). The DRM provides for recovery of the return on rate base and depreciation expense associated with (1) up to $150 million of distribution capital additions, excluding those associated with the Company's Advanced Metering System, through August 31 of the

filing year subject to a DRM floor of $100 million per year ("Filing Year DRM Amount") and true-up and, (2) up to $75 million of distribution capital additions placed in service during the Evaluation Period, subject to a DRM Floor of $150 million, less the Filing Year DRM Amount reflected in the prior year's Evaluation Report. In other words, the DRM provides for recovery of up to $225M of additions for each calendar year, subject to a floor of $150M, with a pro rata limitation on additions through August 31 of the filing year.

- Tax Reform Adjustment Mechanism (referred to as the "TRAM," Section 3.D.5). The TRAM provides for the flow-through of excess protected and unprotected accumulated deferred income taxes ("ADIT"), and other attendant ratemaking effects resulting from the Tax Cuts and Jobs Act of 2017.
- Evaluation Period Adjustments (Attachment C) – This is a listing of "Specific Ratemaking Adjustments" that are made to the per books data for the Evaluation Period that have, in many instances, resulted from a particular Commission order(s) or, generally, have been accepted as a matter of practice.

Q19. YOU DESCRIBED EARLIER THAT SOME SUBSTANTIVE CHANGES ARE BEING PROPOSED. PLEASE DESCRIBE THOSE CHANGES.

A. I explain these modifications in Section V in the context of ELL's need for enhancement of the FRP.

V. NEED FOR ENHANCEMENT OF THE FRP

Q20. WILL THE FRP IN ITS CURRENT FORM CONTINUE TO PROVIDE A TIMELY AND ADEQUATE MECHANISM BY WHICH TO ADJUST RATES OVER THE NEXT THREE YEARS?

A. No, not entirely. As indicated by Mr. O'Malley in his Direct Testimony, ELL did not achieve its authorized return during the term of the current FRP. Further, as explained in the direct testimonies of Mr. May, Mr. O'Malley and Todd Shipman, similar to the rest of the utility industry, ELL is facing evolving circumstances that make it difficult for cost recovery mechanisms to keep pace. And, unlike the rest of the industry, ELL's service area has been highly prone to severe weather. Despite what has been generally supportive treatment of the Commission, ELL faces unique challenges for financing future storms that will require strong financial flexibility. Other witnesses in this proceeding describe the substantial investment in planned capacity additions, distribution, and transmission projects ELL anticipates making in the near future.

To address some of these realities, some FRPs of other utilities include provisions that facilitate more contemporaneous recovery of all utility investment and therefore reduce regulatory lag in an effort to provide an opportunity for the utility to earn its authorized return in the current climate. For example, Entergy Mississippi, LLC ("EML"), Entergy Arkansas, LLC ("EAL"), and Entergy New Orleans, LLC ("ENO") are subject to FRPs that use forward-looking mechanisms or a forward test year, as the basis for redetermining rates. The approved use of forward-looking provisions better aligns rates with the benefits derived from significant investments, and implicitly recognizes an increasing need to invest in the business. Additionally, if those utilities' earned returns fall outside of the bandwidth, rates are reset to a targeted ROE[7] within the FRP bandwidth. Although ELL is not proposing moving to a forward test year construct, it is seeking modifications that will reduce, at least to some extent, the regulatory lag that ELL experiences in recovering sizable investments in certain portions of its business and thereby providing ELL a fair opportunity to earn its allowed return on such investments.

Finally, as I describe later in my testimony, ELL's FRP is in need of procedural enhancements to ensure timely resolution of Test Year filings, as I describe in greater detail herein. Specifically, ELL currently has several open FRP Evaluation Period filings pending resolution before the Commission, going back as far as 2017. Having several "pancaked" FRP dockets that have not been finalized could significantly undermine many of the policy reasons that support use of an FRP. For this reason, the Company is proposing procedural modifications to add new milestones (following the parties and intervenors review) that should enhance the efficiency of resolving disputed issues in a timely manner.

Q21. PLEASE SUMMARIZE THE MATERIAL CHANGES ELL IS PROPOSING TO MAKE TO THE FRP.

A. In connection with the Rate Mitigation Proposal or following the implementation of the results of the cost of service study, ELL seeks to implement an FRP that reflects the following modifications.

[7] With respect to EML, its FRP calls for a reset to the specified point of adjustment, which incorporates performance results, and is based on an overall rate of return on rate base.

- New Effective Date and Term: ELL seeks to modify the effective date and term to cover a new three-year Evaluation Period. Under the Rate Mitigation Proposal, ELL would be required to file Evaluation Reports in 2024, 2025, and 2026. Otherwise, the new term of the FRP would require Evaluation Reports to be filed in 2025, 2026, and 2027.
- Removal of Legacy References: As discussed by witnesses Chris Barrilleaux and Matthew Klucher, ELL is proposing a simplified set of rates, eliminating the need to include special provisions in the FRP related to Legacy Revenues and other calculations that will no longer be necessary, including references to Legacy Rate Redeterminations and Legacy capacity contracts.
- Recovery of Regulatory Commission Consultant Expense: ELL proposes a new provision to be included in Section 3 of Rider FRP to address those costs of consultants engaged by the Commission in carrying out its duty of oversight and supervision of utilities.
- Clarification of the ACM: ELL has included clarifying language in the ACM to expressly reflect the manner in which the Commission has administered the recovery of the cost of new generation for at least the past decade. The Company has also proposed to add a provision specific to renewable resources and address revenues generated under various optional renewable tariffs like the recently approved Geaux Green Option and others.
- New Tax Adjustment Mechanism: The Company has proposed modifications to Section 5 of the FRP, which was initially applicable to the Tax Cuts and Jobs Act of 2017, to make the mechanism flexible enough to address other changes

to tax laws that will affect the Company's revenue requirement, including *ad valorem* taxes and Production Tax Credits for clean energy available under the Inflation Reduction Act of 2022 described in the Direct Testimony of Company witness, Stacey Whaley.

- <u>Expansion of Distribution Recovery Mechanism (DRM)</u>: The Company proposes to remove the cap on the amount of investment that is eligible for recovery through the DRM and to modify the performance targets (as further discussed by Company witness Steven Benyard) initially required for the first few years of implementation of the DRM. The Company proposes to update, consistent with the recommendation of depreciation expert Dane Watson presented in his Direct Testimony, the depreciation rate that will be assumed for the calculation of applicable DRM revenue requirement.
- <u>Annual Filing and Review</u>: ELL is proposing minor edits to address the issue of the inefficiencies created by the lingering unresolved filings I described above and the potential for similar inefficiencies to occur in the future.
- <u>Elimination of Equity Ratio Limitations</u>: ELL proposes that it be authorized to use its actual capital structure in establishing prospective rates under Rider FRP. The capital structure maintained by ELL is within the range of reasonableness for similarly situated peer utilities. As such, the use of ELL's actual capital structure is appropriate.

Q22. ARE THE CHANGES TO RIDER FRP EXPRESSLY IDENTIFIED IN YOUR TESTIMONY AN EXHAUSTIVE LIST OF THE CHANGES TO RIDER FRP THAT ELL IS SEEKING?

A. No. However, Exhibit AMA-2 contains a redlined version of all proposed changes,[8] including but not limited to any ministerial changes that are necessary to effectuate the Company's requested extension, that removes language that has expired and/or is no longer applicable, *e.g.*, Interruptible Load Case Effects, formerly Section 3.A.4 and restrictions on revenues.

A. Changes to Additional Capacity Mechanism

Q23. PLEASE EXPLAIN FURTHER THE CHANGES ELL IS PROPOSING TO THE ADDITIONAL CAPACITY MECHANISM.

A. The modifications to the ACM that ELL is proposing details what investments are eligible to be recovered through the Additional Capacity Revenue Requirement and how the appropriate, eligible amounts will be incorporated into the FRP. The provision addresses recovery of nonfuel costs associated with supply-side resources. For example, the provision directs that for new, Company-owned resources, the estimated first-year revenue requirement is included in the ACM upon being placed in service and recovered outside the band. In the FRP cycle following the asset's first year of operation, the estimated nonfuel revenue requirement of the Company-owned resource (reflected in rates) and the actual revenue requirement incurred will be trued-up. The

[8] Exhibit AMA-2 does not contain the additional modifications that I previously mentioned would be necessary under the Rate Mitigation Proposal.

difference between the two will flow through the ACM on a dollar for dollar basis (*i.e.*, outside of the band) in the corresponding rate effective period. In addition, the total nonfuel revenue requirement of the resource is realigned from outside of the band to Base Rider FRP Revenue, *i.e.*, inside the band.

Q24. IS ELL PROPOSING TO MODIFY THE HISTORICAL OPERATION OF THE ACM WITH THESE CHANGES?

A. No. The additional language that ELL is proposing to add to the ACM mainly seeks to clarify but does not actually change the operation of the mechanism itself. In an effort to facilitate consistent interpretation and application of the ACM, ELL is proposing these changes to formalize the ratemaking treatment that has been used in practice by incorporating them expressly into the text of Rider FRP.[9]

Q25. IS THE ADDITIONAL LANGUAGE ELL HAS PROPOSED CONSISTENT WITH PAST COMMISSION PRACTICE AND ORDERS?

A. Generally, yes. Most of the language is consistent with long-standing, historical practice relative to ELL and one of its predecessors, EGSL. However, some of the language

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[9] *See*, Order No. U-31971 (*Ex Parte*: Joint Application of Entergy Louisiana, LLC for Approval to Construct Unit 6 at Ninemile Point Station and of Entergy Gulf States Louisiana, L.L.C. for Approval to Participate in a Related Contract for the Purchase of Capacity and Electric Energy, for Cost Recovery and Request for Timely Relief), Order No. U-33510 (*Ex Parte*: Application of Entergy Gulf States, L.L.C. For Approval to Purchase Power Blocks Three and Four of the Union Power Station and Request for Timely Treatment and Cost Recovery), Order No. U-33770 (*Ex Parte*: Joint Application of Entergy Louisiana, LLC, Entergy Gulf States, L.L.C. and Entergy Louisiana Power, LLC for Approval to Construct St. Charles Power Station, And for Cost Recovery), Order No. U-34283 (*Ex Parte*: Application of Entergy Louisiana, LLC For Approval to Construct the Lake Charles Power Station, and for Cost Recovery), and Order No. U-34472 (*Ex Parte*: Application of Entergy Louisiana, LLC For Approval to Acquire Washington Parish Energy Center and For Cost Recovery).

pertains to treatment for certain renewable capacity relates to matters involving new offerings by the Company.

Q26. WHAT HAS ELL PROPOSED RELATED SPECIFICALLY TO ADDRESS RENEWABLE RESOURCES?

A. ELL proposes that recovery of the cost of renewable resources follow the treatment of other supply-side resources, whether owned or purchased. Certain renewable resources will generate subscription revenue from Commission-approved green tariffs, such as Rider Geaux Green Option[10] and the proposed Rider Geaux ZERO. To the extent that the costs and/or revenues are not reflected within the Company's Fuel Adjustment Clause, such costs and/or revenues, including, but not limited to subscription fee revenues or capacity-related bill credits issued to participants in those programs shall be reflected as a component of the additional capacity revenue requirement (or "ACRR" as defined in AMA-2).

Q27. WHY IS ELL PROPOSING THESE CHANGES?

A. ELL proposes these additions to ensure consistency of implementation and alignment of recovery of nonfuel revenue requirement (and related revenues) for owned, renewable resources with other owned capacity and recovery of the expense incurred for PPAs (and related revenue) with the treatment of PPAs within Rider FRP. In this instance, whether the revenue requirement continues to be recovered inside or outside

[10] It should be noted that the Company's proposal as to the Geaux Green Rider is consistent with the conditions on which the Commission approved the Rider in Order No. U-36190.

the band after the first-year revenue requirement generally should be a function of whether the costs involved are material, variable and outside of the Company's operational control. In this way, the two resources have more direct comparability for evaluation purposes.

Further, it is notable that in determining what level of debt may be imputed for PPAs when determining a utility's credit rating, S&P's criteria focuses on the probability that the utility will fully recover costs related to that PPA.[11] S&P's methodology for imputing debt on a utility's balance sheet has a direct relation to the probability that the utility will be unable to reflect in rates incremental changes in the PPA's cost. In other words, if ELL is unable to demonstrate that it can recover 100% of the cost of PPAs, a higher percentage (> 25%) of a PPA's costs will be imputed as debt to the Company. This, in turn, can translate into downward pressure on the Company's credit metrics, particularly if its portfolio is comprised of multiple PPAs and the means of recovery is the same. As such, authorizing the continued recovery of PPAs on a dollar for dollar basis, *i.e.*, outside of the bandwidth will be viewed more favorably by rating agencies than the alternative, *i.e.*, permitting recovery within the band, thus providing additional support for maintaining ELL's financial metrics.

For the reasons described in the Direct Testimony of Company witness, Mr. O'Malley, constructive regulatory policy would seek to avoid adding downward pressure on ELL's financial metrics, as it is in the best interests of the Company and customers that ELL's credit metrics remain healthy. As further described in Mr.

[11] Standard & Poors Financial Services, LLC., "Key Credit Factors for the Regulated Utilities Industry," Nov. 19, 2013, p.14, republished Nov. 22, 2022.

O'Malley's and Mr. Shipman's direct testimonies, healthy credit metrics support ELL's ability to obtain capital on favorable terms.

B. <u>Tax Adjustment Mechanism (formerly "TRAM")</u>

Q28. WHAT CHANGES IS THE COMPANY PROPOSING TO SECTION 5 OF THE FRP?

A. The Company is proposes to change the title of Section 5 of Rider FRP from the TRAM to the Tax Adjustment Mechanism (or "TAM") because ELL is proposing to expand the scope of the mechanism beyond the ADIT-related changes that became effective with the decrease in federal income tax rates approved in 2017 and to include other effects relating to tax rate changes, such as *ad valorem* taxes and PTCs.

Q29. WHAT ARE THE ADDITIONS FOR *AD VALOREM* TAXES?

A. The new Section 5.A. pertaining to *Ad Valorem* taxes will allow for known and measurable changes to the Evaluation Period expense to be reflected in the TAM for the first year that incremental expense is incurred and then will be realigned within the band, *i.e.*, to Base FRP Revenue for subsequent years. The proposed additions are necessary to address changes in how, whether and to what extent certain investments are subject to property taxes. This addition addresses investments that initially may have been exempted from an assessment of *ad valorem* taxes (perhaps due to favorable economic development incentives), but which exemption has expired, or the tax rate has changed. As such, ELL will begin to incur tax on these assets and these expenses currently are not in rates. These changes are necessary to achieve one of the FRPs primary objectives, that is allowing the Company a *reasonable* opportunity to earn its authorized return.

As discussed by Mr. O'Malley, in the absence of this treatment reasonable and necessary costs will be subject to the bandwidth provision of Rider FRP, which will prevent ELL from recovering or returning the full incremental change in the amount of *ad valorem* tax. To be clear, the proposed addition does not guarantee recovery, but rather authorizes ELL to set rates in a way that permits full recovery or return of the incremental changes outside of the band for the first year, assuming that the level of sales used to set those rates is at least the same as adjusted sales for the prior year.

Q30. IN WHICH PROVISION(S) OF THE TAM IS ELL PROPOSING TO ADDRESS PTCS?

A. The section of the FRP that addresses ratemaking for PTCs is 5.D. In her Direct Testimony, Ms. Whaley discusses the fact that the IRA gives rise to PTCs that ELL will be eligible to earn. Mr. O'Malley discusses the need for a ratemaking mechanism to provide the benefits of PTCs to customers in an equitable manner that does not adversely affect the Company's creditworthiness. The provision that ELL is proposing to include in Rider FRP will authorize ELL to use PTCs generated annually by clean energy resources to directly offset federal cash tax payments, including but not limited to any Corporate Alternative Minimum Tax ("CAMT") due from ELL, and/or by transferring them to a third party for cash. The effects of the LPSC-jurisdictional share of cash benefits derived annually through such monetization and the use of these net proceeds shall be provided to customers through this Rider. The return on the net proceeds of the annual PTCs that are included in rate base shall be reflected as part of Base FRP Revenue, except as stated otherwise below.

> To the extent that the Company receives PTCs in connection with the generation of solar, nuclear or other clean energy technology, such as those enabled by the Inflation Reduction Act of 2022 ("IRA") the Company shall monetize the PTCs by offsetting federal cash income tax payments, including but not limited to the federal corporate alternative minimum tax ("CAMT"), and/or by transferring them to a third party for cash. The LPSC-jurisdictional share of cash benefits derived through such monetization and the use of these net proceeds shall be provided to customers through [this] Rider FRP in accordance with the terms of the paragraph below and consistent with Order **[insert order number in this proceeding]**.
>
> Cash benefits derived through the monetization of PTCs, including the related gross-up, shall be recorded as a contra-asset in Plant in Service and offset the rate base of the assets having generated the PTCs. The contra-assets shall have depreciable lives initially set to 30 years for solar/wind and 46 years for nuclear, with each annual tranche of PTCs generated by the asset having a depreciable life of one year less than the previous tranche.[12] The revenue requirement associated with the amortization of the contra-asset, shall be credited to customers annually in the TAM. To avoid the potential for any double recovery, an adjustment to the FRP will be made to account for this treatment.

Q31. WHY IS THIS TREATMENT OF PTCS NECESSARY?

A. Beginning in 2024, ELL is expected to begin earning PTCs generated by its owned, clean supply-side generation. There are different ways to ensure that customers receive the benefits of the PTCs. In the context of this proceeding, the Commission has an opportunity to establish sound, deliberate policy that balances the interests of all

[12] Each tranche of PTCs generated annually will be likewise reflected over the remaining useful life of the related asset using the same methodology. For example, solar PTCs earned in Year 1 would be amortized over 30 years. PTCs earned in Year 2 would be amortized over 29 years and so on through Year 11, when no additional tranches of PTCs would be added. *See, e.g.*, Exhibit AMA-4, p.1. Nuclear PTCs earned in Year 1 would be amortized over 43 years (consistent with the depreciation rate recommended in this proceeding by Dane Watson), 42 years in Year 2, etc. *See, e.g.*, Exhibit AMA-4, p.2.

stakeholders in determining the ratemaking treatment that should be applied to PTCs. Overarching policy considerations consistent with the Inflation Reduction Act legislation should include achieving cost-effective solutions to expand the amount of clean energy available to serve customer load and achieving rate stability for customers while doing so.

Further, sound policymaking requires consideration of the direct financial effects on both the utility and its customers that can result from the pertinent tax accounting for PTCs that Ms. Whaley describes. Mr. O'Malley describes the potential effects on ELL's cash flow and credit metrics. ELL proposes that PTCs be used to offset the cost of the assets generating those credits, or other rate base designated by the Commission. By including these credits in rate base, they offset the cost of the asset, both the return on and of the Company's investment through the use of contra-assets. As the asset depreciates, the contra-asset reflecting the net proceeds of the PTCs likewise will be depreciated. The amortization of the PTCs will be flowed through to customers outside the bandwidth mechanism. ELL proposes that PTCs generated by solar resources will initially be amortized over 30 years, with nuclear PTCs initially being amortized over 46 years, consistent with the depreciation rate proposed by Dane Watson in this proceeding. Thereafter, ELL proposes that the subsequent annual tranches of PTCs be amortized in accordance with Exhibit AMA-4 to my testimony.

Through the Company's proposed rate treatment, all customers who receive power from, and bear the costs of the solar resource from which the PTCs are derived would likewise receive the value and the benefits of the PTCs (which are received over a narrow 10-year period starting when the resources are placed in service). Spreading the benefits of the PTCs consistently with the depreciation of the asset in this manner thus avoids a result in which the benefit of the PTCs flows only to the subset of customers who receive service during the first 10 years of the asset's life or, in the case of existing nuclear plants, the subset of customers who take service from ELL only for the nine-year period that the PTCs are expected to be received.

Q32. ARE THERE ANY ADDITIONAL REASONS WHY THE COMPANY IS PROPOSING THIS RATEMAKING TREATMENT OF PTCS?

A. Yes. The Company's proposed rate treatment for PTCs promotes rate stability for customers and helps ensure the Company's cash flow and credit metrics are maintained. Under the IRA, PTCs derived from clean energy resources expire after nine (9) or 10 years. When the resources are no longer eligible for PTCs, absent the treatment I discussed, the associated credits would be removed from rates, causing an immediate increase in rates by the amount of the expiring PTCs, all else equal. ELL's proposed rate treatment for the PTCs would avoid such a sharp increase in rates. The illustration in Figure 1 below graphically depicts the sharp increase in rates that would arise upon expiration of PTCs, absent the treatment proposed by ELL.

Figure 1

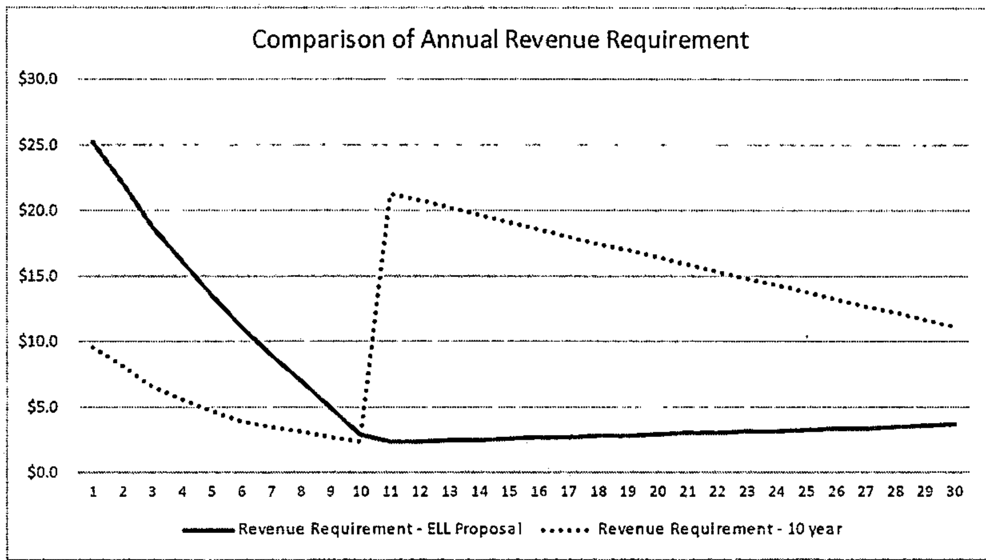

Table 1 below demonstrates that, on a net present value basis, ELL's proposed rate treatment for the PTCs would provide customers with roughly the same reduction in revenue requirement as an immediate flow-through of PTCs, while rate stability is preserved over the asset life.

Comparison of Total Revenue Requirement (Nominal vs NPV)		
	Nominal Rev Req ($M)	NPV Rev Req ($M)
Revenue Requirement - ELL Proposal	$189.7	$109.0
Revenue Requirement - 10 year	$373.5	$111.7

Q33. ARE THERE OTHER REASONS FOR ELL'S PROPOSED RATE TREATMENT?

A. Yes. This treatment also supports maintaining ELL's cash flow and related financial metrics through the projected period of capital-intensive investment described by Mr. O'Malley, which, as he discusses, preserves the Company's creditworthiness and ability to make the many necessary investments to serve its customers.

In addition, as explained in the Direct Testimony of Ms. Whaley, ELL expects the effects of the PTCs to be flowed through to customers on a grossed-up basis. This will require ELL to source capital from equity (*e.g.*, cash reserves) or debt. In either case, the effect is downward pressure on ELL's credit metrics at a time when a substantial amount of capital is required for ELL's operations, including emergent conditions, as Mr. O'Malley has described in his Direct Testimony. When several PTC-eligible renewable assets are placed into service, the cumulative effects of immediately flowing through the grossed-up credits will likely be material. This negative pressure on ELL's credit metrics would potentially increase the Company's cost of capital and ultimately put upward pressure on the rates that ELL customers pay or imperil the Company's ability to make beneficial investments to serve its customers.

Q34. WHY DO YOU BELIEVE THE EFFECTS OF THE PTCS COULD LIKELY BE MATERIAL?

A. The effects of PTCs could be substantial because, in addition to the PTCs that ELL will be eligible to earn from the production of its nuclear resources, as explained in the Direct Testimony of Ms. Beauchamp, ELL has a robust resource plan that calls for the addition of significant renewable capacity. These additions also will be eligible for PTCs. The Company has calculated a range of preliminary estimates of the potential effects of PTCs. As Ms. Whaley explains in her Direct Testimony, the phaseout provisions for nuclear generation are unclear at this time. And, as Mr. O'Malley explains, absent ratemaking treatment that balances the effects that this level of PTCs would yield among both the Company and its customers, the PTCs could impair the

Company's ability to manage its cash flows as ELL undertakes significant capital projects to benefit customers.

Q35. HOW CAN THE COMMISSION ENSURE CUSTOMERS RECEIVE THE FULL VALUE OF PTCS?

A. ELL will work with the parties to ensure that sufficient information is included in the work papers to the FRP Evaluation Report to ensure compliance with the terms of the FRP.

C. Miscellaneous Modifications

Q36. WHAT OTHER MATERIAL CHANGES IS ELL PROPOSING TO THE PROCEDURES FOR REVIEWING ELL'S EVALUATION PERIOD FILINGS?

A. The revised FRP requires that a list of any remaining Disputes outstanding by January 15 of the year following the filing of the Evaluation Report be submitted to the Commission in writing for resolution. Following receipt of any such list, the Company will be required to submit a request for a status conference to the assigned Administrative Law Judge, at which status conference a procedural schedule shall be established. An exception to this requirement would be permitted if the requesting party can demonstrate that there is good cause not to move forward in accordance with this provision.

This enhancement to the resolution procedures of the FRP simply requires an affirmative step to be taken by any party(ies) that has identified an issue with the Company's Evaluation Report filing upon which the parties have been unable to agree and elevates those issues in manner that permits the tribunal to establish a path for getting to a resolution so that rates can be finalized in a timely manner.

Q37. WHY ARE THESE CHANGES NECESSARY?

A. These changes are necessary to aid in the timely resolution of disputed issues identified through the review process of the FRP and to provide predictability in the rate setting process.

Q38. WILL THESE CHANGES DEPRIVE THE COMMISSION AND OTHER PARTIES OF A MEANINGFUL OPPORTUNITY TO REVIEW ELL'S FILINGS?

A. No. The prescribed action will not be triggered until 120 days following the deadline for the parties to have completed their initial reviews and submitted a report identifying any errors observed in and/or objections to the Company's filing. Further, the procedural schedule would allow for the filing of testimony by the parties and discovery pertaining to the issues identified by the parties in their Errors and Objections report(s) and related testimony. As such, the protections of transparency to customers will be preserved.

Q39. ARE THERE ANY OTHER SUBSTANTIVE CHANGES THAT ELL IS PROPOSING TO MAKE TO RIDER FRP?

A. Yes. ELL is proposing one substantive update to Attachment "C," Evaluation Period Adjustments. The proposed change pertains to the need to update the effective FRP Rate for certain "outside the bandwidth" changes in revenue levels that should be applied to the rate effective period if the Commission does not approve the Rate Mitigation Proposal. The adjustment would be necessary to correct the amount of revenues collected from customers for this period. The proposed addition would be number 4.L. and would read as follows:

> Concurrent with the effective date of this Rider FRP, the FRP rate adjustments shall be redetermined for outside the bandwidth components of the FRP, including the ACM, TRM, DRM, MCRM, and TAM, which shall also reflect a true-up for actuals incurred for 2023. To the extent that the effective date of this Rider falls after September 2024, the FRP rate adjustments shall be grossed up such that the annualized revenue requirements are recovered in their entirety through the rate effective period.

VI. ELL'S PROPOSALS ARE IN THE PUBLIC INTEREST

Q40. YOU HAVE IDENTIFIED THE TWO ALTERNATIVES FOR RELIEF THAT ELL HAS PRESENTED. WHICH ALTERNATIVE PROVIDES A REASONABLE OUTCOME FOR CUSTOMERS?

A. Both the cost of service study and Rate Mitigation Proposal provide a reasonable outcome for customers. The alternatives present different results from different paradigms and time periods. Mr. May generally describes ELL's cost of service study as a compliance filing stemming from the most recent extension of the FRP granted by the Commission to ELL. Mr. May also explains and recommends pursuing the more streamlined Rate Mitigation Proposal to reset ELL's rates because it would extend the predictability of ELL's recovery mechanisms and avoid the prolonged uncertainty and costly proceedings that are typically required with rate cases.

The results of the two alternatives are different for several reasons. First, the cost of service study reflects a historical period with known and measurable changes through the rate effective period ending August 2024. The test period and costs included in that span of time are appropriate because the basis for implementing the initial change in rates assumes a 12-month statutory review period for the Commission to make a decision and reflects that a prospective FRP is not guaranteed. ELL's recommended Rate Mitigation Proposal reflects a historical period, although certain costs that are included in that evaluation period extend into the filing year. Both alternatives reflect ELL's substantial capital program and the need for ELL to maintain the financial flexibility and financial metrics necessary to respond to unanticipated opportunities and address unanticipated risks. Both alternatives include processes designed to yield just and reasonable rates that are in the public interest. The Louisiana Supreme Court explained in *City of Plaquemine v. Louisiana Public Service Commission* that:

> [t]he entire regulatory scheme, including increases as well as decreases in rates, is indeed in the public interest, designed to assure the furnishing of adequate service to all public utility patrons at the lowest reasonable rates consistent with the interest both of the public and of the utilities.
>
> Thus the public interest necessity in utility regulation is not offended, but rather served by reasonable and proper rate increases notwithstanding that an immediate and incidental effect of any increase is improvement in the economic condition of the regulated utility company.[13]

The need for ELL's substantial capital program has been described in the Direct Testimony of the witnesses submitted by the Company in this proceeding, along with

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[13] 282 So. 2d 440, 442-443 (1973).

the reasons that a constructive regulatory environment is necessary to deliver these benefits to customers: fewer service interruptions; when there are interruptions, less costly and more rapid service restoration; more service options to meet customers' expectations; transmission facilities that are storm hardened; award-winning storm restoration capability; fuel costs reasonably consistent with the heat rate of ELL's generation fleet rather than uncertain fuel costs driven by an unknown mix of market resources; reasonable debt and equity costs; and an electric utility with the financial flexibility to pursue unanticipated opportunities and address unexpected events and risks like COVID-19 and the 2020 hurricanes.

VII. CONCLUSION

Q41. PLEASE SUMMARIZE THE REASONS WHY ELL IS PROPOSING THAT THE COMMISSION APPROVE THE OPERATION OF A REVISED FRP.

A. ELL is proposing that the Company adopt an FRP to establish rates and specifically recommends the Rate Mitigation Proposal. The form of the FRP that I am sponsoring corresponds to the Company's cost of service study and the related relief that would be implemented under that alternative. However, as stated earlier in my testimony, whether the Commission pursues the Rate Mitigation Proposal or authorizes an FRP to take effect following implementation of rates resulting from ELL's cost of service study, the results produced from either alternative should, and indeed must, result in just and reasonable rates. Though, the Company's recommended Rate Mitigation Proposal presents a more streamlined, cost-effective process for establishing new rates and provides a greater level of certainty regarding the FRP as a predictable mechanism of rate recovery. This nearer term certainty is consistent with investor expectations[14] and should be viewed more favorably by potential investors, thus supporting ELL's ability to maintain its access to capital on reasonable terms thereby keeping rates lower for customers.

Q42. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, at this time.

[14] Exhibit AMA-3.

AFFIDAVIT

STATE OF LOUISIANA

PARISH OF ORLEANS

NOW BEFORE ME, the undersigned authority, personally came and appeared, **ALYSSA MAURICE-ANDERSON**, who after being duly sworn by me, did depose and say:

That the above and foregoing is her sworn testimony in this proceeding and that she 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, she verily believes them to be true.

Alyssa Maurice-Anderson

SWORN TO AND SUBSCRIBED BEFORE ME
THIS 28th **DAY OF AUGUST 2023**

NOTARY PUBLIC

My commission expires: at death

HARRY M. BARTON
Notary Public for the State of Louisiana
LA Bar No. 29751 - Notary ID 90845
Commission Issued For Life

List of Testimony Presented Before Utility Regulatory Bodies

by Alyssa Maurice-Anderson

No.	Date	Testimony	Docket No.	Jurisdiction	Type	Subject Matter
1	June 2022	*Ex Parte:* Application of Entergy Louisiana, LLC, for Approval of the 2021 Solar Portfolio, the Geaux Green Option, Cost Recovery and Related Relief, Rebuttal Testimony	U-36190	Louisiana Public Service Commission	Rebuttal	Ratemaking
2	June 2022	*In Re:* Application of Entergy Louisiana, LLC for Recovery in Rates of Costs Related to Hurricane Ida and for Related Relief, Direct Testimony Re Financing Application	U-36350	Louisiana Public Service Commission	Direct	Securitization; Ratemaking
3	June 2022	*In Re:* Application of Entergy Louisiana, LLC for Recovery in Rates of Costs Related to Hurricane Ida and for Related Relief, Direct Testimony Re Ancillary Application	U-36350	Louisiana Public Service Commission	Direct	Securitization; Ratemaking
4	July 2022	Application of Entergy Texas, Inc. for Authority to Change Rates	53719	Public Utility Commission of Texas	Direct	Decomm Escalation Rate; Affiliate Costs
5	Dec. 2022	*In Re:* Application of Entergy Louisiana, LLC for Recovery in Rates of Costs Related to Hurricane Ida and for Related Relief, Direct Testimony Re Financing Application	U-36350	Louisiana Public Service Commission	Settlement	Securitization; Ratemaking
6	March 2023	*In Re:* Application of Entergy Louisiana, LLC for Approval of the Entergy Future Ready Resilience Plan (Phase I)	U-36625	Louisiana Public Service Commission	Direct	Ratemaking
7	April 2023	*In Re:* System Resiliency and Storm Hardening	UD-21-03	Council of the City of New Orleans	Direct	Public Interest; Ratemaking

FORMULA RATE PLAN
RIDER SCHEDULE FRP

1. GENERAL

Formula Rate Plan Rider Schedule ELL FRP ("Rider FRP") defines the procedure by which the rates contained in the Entergy Louisiana, LLC ("ELL" or "Company") rate schedules designated in Attachment A to this Rider FRP ("Rate Schedules") may be periodically adjusted. Rider FRP shall apply in accordance with the provisions of Section 2.A. below to all electric service billed under the Rate Schedules, whether metered or unmetered, and subject to the jurisdiction of the Louisiana Public Service Commission ("LPSC" or "Commission"), except as otherwise set forth on Attachment A.

2. APPLICATION AND REDETERMINATION PROCEDURE

2.A. RATE ADJUSTMENTS

The adjustments to the Company's rates set forth in Attachment A to this Rider FRP shall be added to the rates set out in the Net Monthly Bill section in the Company's Rate Schedules. The Rate Adjustments shall be determined in accordance with the provisions of Sections 2.B. and 2.C. below.

2.B. ANNUAL FILING AND REVIEW

2.B.1. FILING DATE

ELL shall file on or before May 31 of each year during the term of this FRP as set forth in Section 6 below, a report with the Commission containing an evaluation of the Company's earnings for the immediately preceding calendar year prepared in accordance with the provisions of Section 2.C. below ("Evaluation Report"). A revised Attachment A shall be included in each such filing containing revised Rate Adjustments determined in accordance with the provisions of Section 2.C. below.

2.B.2. REVIEW PERIOD

The Commission Staff, together with ELL, shall be referred to hereinafter, collectively, as the "Parties," and shall receive a copy of each Evaluation Report filed with the Commission with all subsequent filings in the related proceeding. Intervenors will be required to file an intervention in the proceeding associated with each annual Evaluation Report filing. At the time each such Evaluation Report is filed, ELL shall provide the Parties with workpapers supporting the data and calculations reflected in the Evaluation Report. Within ten business days after the Evaluation Report is filed, ELL shall provide to Commission Staff electronic copies of all workpapers supporting the data and calculations reflected in the Evaluation Report in Microsoft Excel .xlsx format, with all formulae, functions, and calculations intact and working. The Parties may request clarification and additional supporting data.

The Parties and any Intervenor(s) shall then have until August 20 of the filing year to review the Evaluation Report to ensure that it complies with the requirements of Section 2.C below. If any error(s) are detected in the application of the principles and procedures contained in Section 2.C below or any issues upon which further information is required of ELL and/or to verify any of the data or issues contained in the annual filing are found, such error(s), data or issues requiring verification ("Dispute" or "Disputes") shall be formally communicated in writing through an Errors & Objections Report to the other Parties and

Intervenor(s) by August 20 of the filing year. Each such Dispute indicated in the Errors & Objection Report shall include, if available, documentation of the proposed correction. The Company shall then have until September 30 of the filing year to review any proposed corrections, to work with the other Parties to resolve any Disputes and to file a revised Attachment A containing Rate Adjustments reflecting all corrections upon which the Parties and Intervenors agree. The Company shall provide the Parties and Intervenor(s) with appropriate workpapers supporting any revisions made to the Rate Adjustments initially filed.

Except where there are unresolved Disputes, which shall be addressed in accordance with the provisions of Section 2.B.3 below, the Rate Adjustments initially filed under the provisions of Section 2.B.1 above, or such corrected Rate Adjustments as may be determined pursuant to the terms of this Section 2.B.2, shall become effective for bills rendered on and after the first billing cycle of the month of September of the filing year. Those Rate Adjustments shall then remain in effect until changed pursuant to the provisions of this Rider.

To the extent that there are no issues raised during the annual review period of the FRP or that any issues raised are amicably resolved, *i.e.*, there are no unresolved issues to be addressed pursuant to Section 2.B.3 below, the Parties shall submit a joint report of the proceedings to the Commission for consideration as timely as practicable, including the terms under which any issues have been resolved and the resulting effect on rates.

2.B.3. RESOLUTION OF DISPUTES

In the event there are Disputes regarding any Evaluation Report, the Parties shall work together in good faith to resolve such Disputes. If the Parties are unable to resolve the Disputes or reasonably believe they will be unable to resolve the Disputes by the end of the period provided for in Section 2.B.2 above, revised Rate Adjustments reflecting all revisions to the initially filed Rate Adjustments on which the Parties agree shall become effective as provided for in Section 2.B.2 above. Partie(s) shall submit in writing to the Commission a list of any remaining Disputes outstanding by January 15 of the year following the filing of the Evaluation Report. Within five (5) days of receipt of such written list of Disputes, the Company shall file a motion with the assigned Administrative Law Judge requesting that a status conference be set and a procedural schedule be established, unless good cause is shown by any party why it should not be set.

Following all due proceedings, if the Commission's final ruling on any Disputes requires changes in the Rate Adjustments initially implemented pursuant to the above provisions, the Company shall file a revised Attachment A containing such further modified Rate Adjustments within fifteen (15) days after receiving the Commission's order resolving the Disputes. The Company shall provide a copy of the filing to the Parties and Intervenors together with appropriate supporting documentation. Such modified Rate Adjustments shall then be implemented with the next applicable monthly billing cycle after filing and shall remain in effect until superseded by Rate Adjustments established in accordance with the provisions of this Rider FRP.

FORMULA RATE PLAN
RIDER SCHEDULE FRP

Within 60 days after receipt of the Commission's final ruling on any Disputes, the Company shall determine the amount to be refunded or surcharged to customers, if any, together with interest at the legal rate of interest. Such refund/surcharge amount shall be calculated to be effective as of September (or, such other date authorized by the Commission for the calculation), shall be applied on a percentage basis pursuant to Section 2.C.4 of this Rider FRP and shall be based on the customer's applicable base revenue from the first billing cycle of September through the last date the Rate Adjustments were billed. Such refund/surcharge amount shall be applied to customers' bills in the manner prescribed by the Commission.

2.C. ANNUAL REDETERMINATION OF RATE ADJUSTMENTS

2.C.1. DEFINITION OF TERMS

a. EVALUATION PERIOD

The Evaluation Period shall be the twelve-month period ended December 31 of the calendar year immediately preceding the filing of an Evaluation Report. All data utilized in each Evaluation Report shall be based on actual results and balances for the Evaluation Period, as recorded on the Company's books in accordance with the Uniform System of Accounts or such other documentation as may be appropriate, allocated to LPSC retail operations as set forth in Attachment B, except where either 13-month average balances or beginning/ending average balances will be used for determination of rate base items.

b. EARNED RATE OF RETURN ON COMMON EQUITY

The Earned Rate of Return on Common Equity ("EROE") for any Evaluation Period shall be determined in accordance with the Earned Rate of Return on Common Equity Formula set out in Attachment B. The EROE determination shall reflect the Evaluation Period Adjustments set out in Attachment C.

c. BENCHMARK RATE OF RETURN ON RATE BASE

The Benchmark Rate of Return on Rate Base ("BRORB") is the composite weighted embedded cost of capital reflecting the Company's annualized costs of Short-Term Debt, Long-Term Debt, Preferred Stock and Common Equity. The BRORB shall be determined in accordance with the Benchmark Rate of Return on Rate Base Formula set out in Attachment D.

d. EVALUATION PERIOD COST RATE FOR COMMON EQUITY

The Evaluation Period Cost Rate for Common Equity ("EPCOE") is the Company's cost rate for common equity applicable to the Evaluation Period. The EPCOE value applicable for each Evaluation Period shall be determined in accordance with the Evaluation Period Cost Rate for Common Equity Procedure set out in Attachment E.

e. RATE OF RETURN ON COMMON EQUITY BANDWIDTH

The Rate of Return on Common Equity Bandwidth ("Bandwidth") shall be the range of values with an upper limit ("Upper Band") equal to the EPCOE plus 0.50% and a lower limit ("Lower Band") equal to the EPCOE minus 0.50%.

f. ENVIRONMENTAL COST RELATED REVENUE REQUIREMENT

If during the term of this FRP, there is a change in the law or regulation related to environmental issues or environmental compliance that increases the costs to ELL, ELL shall have the right to request the recovery of the prudent level of such costs outside the FRP bandwidth mechanism. Nothing in this provision shall constitute pre-approval of the recovery of such increased costs.

g. ENERGY EFFICIENCY RELATED REVENUE REQUIREMENT

If during the term of this FRP, there is a change in law or regulation that adopts measures designed to increase the efficient use of electric energy and that results in increased costs to ELL, ELL shall have the right to request the recovery of the prudent level of such costs outside the FRP bandwidth mechanism and outside of the cap set forth in Section 2.C.2.d. herein. Nothing in this provision shall constitute the pre-approval of the recovery of such increased costs.

2.C.2. TOTAL RIDER FRP REVENUE LEVEL

In each Evaluation Report, the Total Rider FRP Revenue level shall consist of Base Rider FRP Revenue, including any change as determined through application of the Rider FRP Revenue Redetermination Formula set out in Attachment F, Lines 1-27 and described further in Section 2.C.2.c below, and revenue associated with the following outside-the-bandwidth components of this Rider FRP:

a. The Extraordinary Cost, Additional Capacity Cost, Transmission Recovery Mechanism, Distribution Recovery Mechanism, the MISO Cost Recovery Mechanism, and the Tax Adjustment Mechanism, all of which are defined herein;

b. Recovery of Realigned Costs Related Revenue Requirement component shall be as defined in Section 3.E.

c. For Test Years 2024, 2025 and 2026, the Base Rider FRP Revenue change shall be determined using the Rider FRP Revenue Redetermination Formula set out in Attachment F, Lines 1-27, which reflects the following rules:

(1) The Base Rider FRP Revenue Requirement for the Evaluation Period shall be reduced by the Evaluation Period amounts for the items reflected in Section 2.C.2.a through 2.C.2.b above.

(2) The Base Rider FRP Revenue level for the Evaluation Period shall be determined in accordance with Attachment C Section 1.A of this Rider FRP.

FORMULA RATE PLAN
RIDER SCHEDULE FRP

(3) If the EROE, as determined through an assessment of the Base Rider FRP Revenue Requirement, is less than the Lower Band, the Base Rider FRP Revenue level for the Evaluation Period shall be increased by the amount necessary to increase the EROE for the Evaluation Period by 100% of the difference between the Lower Band and the EROE.

(4) There shall be no change in Base Rider FRP Revenue level for the Evaluation Period if the EROE is less than or equal to the Upper Band and greater than or equal to the Lower Band.

(5) If the EROE exceeds the Upper Band, the Base Rider FRP Revenue level for the Evaluation Period shall be reduced by the amount necessary to decrease the EROE for the Evaluation Period by 100% of the difference between the EROE and the Upper Band.

(6) A change in the Base Rider FRP Revenue level shall not be made unless it changes the EROE for the Evaluation Period by more than 0.05% (5 basis points).

2.C.3. RIDER FRP REVENUE ALLOCATION

The Total Rider FRP Revenue as determined under the provisions of Section 2.C.2. above, shall be allocated to each LPSC rate class based on applicable Base Rate Revenue as a percentage of total applicable Base Rate Revenue for all retail rate classes pursuant to Attachment A, Page 2. Total Rider ELL FRP revenues shall be allocated to each LPSC rate class based on the applicable Base Rate Revenue as a percentage of total applicable Base Rate Revenue for all retail rate classes pursuant to Attachment A, Page 2, unless otherwise specified.

DRM revenues, reflected on Attachment F, Lines 29 and 35 shall be allocated to each LPSC rate class based on the applicable Distribution Plant in Service Allocation Factor as a percentage of total retail Distribution Plant in Service for all applicable retail rate schedules pursuant to Attachment A, Page 2 of this Rider FRP.

The applicable Base Rate Revenue for all other FRP Revenues shall be the Louisiana Retail Base Rate Revenue for the Evaluation Period as reflected in Attachment A, Page 2.

2.C.4. RIDER ELL FRP RATE ADJUSTMENT REDETERMINATION

All applicable retail rates and riders as noted on Attachment A on file with the Commission will be adjusted for the ELL FRP Revenues by the appropriate percentage of the Evaluation Period Base Rate Revenue of all bills.

FORMULA RATE PLAN
RIDER SCHEDULE FRP

3. PROVISIONS FOR OTHER RATE CHANGES

3.A. EXTRAORDINARY COST CHANGES

3.A.1. UNFORESEEN COSTS OR REVENUES

a. It is recognized that from time-to-time ELL may experience extraordinary increases or decreases in costs that occur as a result of actions, events, or circumstances beyond the control of the Company.

b. The Company may also be required to implement other one-time changes to rates resulting from a Federal Energy Regulatory Commission ("FERC") ruling or as provided for under this Rider FRP.

Such costs may increase or decrease the Company's revenue requirements and, thereby, warrant rate changes for which this Rider FRP does not expressly provide. Should ELL experience such changes as described in Section 3.A.1.a, or 3.A.2.b above, then either the Company may request (through the Evaluation Report or separate proceeding), or the Commission may initiate a proceeding to consider a pass-through of such extraordinary cost increase or decrease.

3.A.2. DEPRECIATION/DECOMMISSIONING RATE EFFECTS

The effects of changes in depreciation rates, and/or decommissioning accruals, increases or decreases, ordered by the LPSC, including as a result of changes in the requirement to fund the decommissioning trust that may be ordered by the Nuclear Regulatory Commission during the period that this FRP is in effect, shall be considered separately outside of the FRP mechanism. In addition, 100% of the incremental rate base (depreciation and ADIT) effects of the depreciation rate change shall be reflected in the derivation of the change in the revenue requirement resulting from a change in the depreciation rate.

3.A.3. STORM DAMAGE ACCRUAL EFFECTS

The effects of changes in storm damage accruals, increases or decreases, ordered by the LPSC shall be considered separately outside of the FRP mechanism.

3.A.4. REGULATORY COMMISSION CONSULTANT EXPENSE

Any costs associated with third party consultants and/or counsel hired on behalf of the Louisiana Public Service Commission which are passed through to the Company associated with any utility regulatory rulemakings and/or other dockets and which are not currently recovered through a separate, existing recovery mechanism, shall be considered outside of the bandwidth mechanism.

FORMULA RATE PLAN
RIDER SCHEDULE FRP

3.B. SPECIAL RATE FILINGS

The Company is experiencing a dynamic business environment (*e.g.*, effects of energy efficiency, demand side management integration, net metering, and increasing competition). Experimental, developmental, and alternative rate schedules may be appropriate tools for the Company to use to address these and other emerging conditions. Therefore, nothing in this Rider shall be interpreted as preventing the Company from proposing to revise existing rate schedules or implement new rate schedules as may be appropriate. Any such rate changes shall be filed with the Commission and evaluated in accordance with the rules and procedures then in effect.

3.C. FORCE MAJEURE

In addition to the rights of ELL under this Rider, or as provided by law, to make a filing for the pass-through of costs outside the provisions of this Rider FRP, if any event or events beyond the reasonable control of ELL, including, for example, Natural Disaster, damage or unforeseeable loss of generating capacity, changes in regulation ordered by a regulatory body or other entity with appropriate jurisdiction, and orders or acts of civil or military authority, cause increased costs to ELL or result in a deficiency in revenues to ELL, ELL may file for rate or other relief outside the bandwidth provisions of this Rider. Such request shall be considered by the Commission in accordance with its regulations and applicable law governing such filings.

The Term "Natural Disaster" in the above paragraph shall include but not be limited to weather events such as hurricanes and/or tropical storms, or other events such as earthquakes, wildfire, pandemics, for example. If the Commission determines that a Natural Disaster causes a loss of customers for ELL that would result in the loss of at least $10 million in base rate revenues during the rate-effective period of any Evaluation Period during the term of this Rider FRP, ELL may seek recovery of those base revenues outside of the provisions of this Rider FRP. ELL shall bear the burden of proof to demonstrate to the Commission the level of base rate revenue loss during the rate-effective period and that the loss was caused by the Natural Disaster.

The loss of base rate revenue during the rate effective period shall, at a minimum, take into consideration the following:

1) The net loss of customers caused by the Natural Disaster looking at the entire service area, adjusted for normal growth.

2) The usage patterns of the actual lost customers or some reasonable proxy.

3) Any offsets due to the decreased costs and/or due to costs that are still recovered from the remaining customers.

If this calculation produces a result less than $10 million in the rate-effective period, no relief should be granted outside of the FRP. If the amount equals or exceeds $10 million as approved by the Commission, ELL shall be entitled to recover outside of the FRP the lesser of (1) the Commission-approved loss in revenues, or (2) the difference between the EROE adjusted to reflect the estimated loss in revenue and the EPCOE. In succeeding years, the revenue loss will be recalculated to recognize the effect of returning customers and load. Once that revenue requirement effect falls below $10 million, the effect of the revenue reduction will be reflected in the FRP.

3.D. ADDITIONAL CAPACITY MECHANISM

The "Additional Capacity Revenue Requirement" ("ACRR") refers to non-fuel, retail revenue requirement associated with any LPSC-approved supply-side resource in excess of the amount in base rates at the time of ELL's annual Evaluation Report filing. Such ACRR for the rate effective period shall be eligible for recovery through this Rider FRP, outside the FRP bandwidth mechanism through the ACRR consistent with Section 2.C.2 and the following:

3.D.1 OWNED CAPACITY RESOURCES

The first-year non-fuel, retail revenue requirement for:

(a) the modification or replacement of an existing generating facility having an incremental annual revenue requirement exceeding $10 million;

(b) the acquisition of new generating facilities; and/or,

(c) the construction of a new generating facility, having an annual revenue requirement exceeding $10 million (except as otherwise provided for in Section 3.D.3 below), and/or unless otherwise authorized by the Commission.

In the Evaluation Report following the first year of operation, the first-year revenue requirement shall be trued-up to the actual first-year revenue requirement and realigned to Base Rider FRP Revenue where it will be maintained at the adjusted level subject to the FRP bandwidth mechanism. To the extent that any costs relating to the construction, acquisition or modification of a generating facility are subsequently determined to be disallowed by the Commission as reflected in a final, non-appealable order, those amounts shall be credited or refunded to customers with interest, calculated at the then-effective pre-tax weighted average cost of capital, from the time those amounts were collected until those amounts are credited or refunded on the same basis as they were charged to customers.

FORMULA RATE PLAN
RIDER SCHEDULE FRP

3.D.2. PURCHASED CAPACITY RESOURCES

For each filing year of the FRP, the Company shall reflect in the ACRR the incremental LPSC-retail revenue requirement for purchased capacity costs that are to be billed to ELL pursuant to a Commission approved Purchased Power Agreement, cost-of-service agreement or tariff for the rate effective period. Incremental capacity costs consist of those amounts that are above or below the amount included in rates for the respective resources at the time of filing of the Evaluation Report.

Although extinguished by operation of law pursuant to LPSC Order U-33244-A, the purchased capacity contract costs for the unregulated portion of River Bend (the River Bend 30 PPA) shall be deemed eligible for recovery in accordance with this Section 3.D.2. and shall be re-calculated at then-current Evaluation Period levels.

The LPSC-retail revenue requirement associated with the purchased capacity costs recovered via this Rider shall be compared to the actual cost of such capacity. Any difference between the revenue requirement of the capacity costs used to determine the level of this Rider during the Evaluation Period and the revenue requirement associated with the actual capacity cost during the Evaluation Period shall be included in the Evaluation Report as part of the Additional Capacity Revenue Requirement in the next Rider FRP Revenue Requirement Redetermination Formula as set out in Attachment F.

3.D.3. RENEWABLE CAPACITY

The non-fuel revenue requirement of all Additional Capacity derived from a renewable resource (*i.e.,* solar, wind or such other resources that the Commission shall determine qualifies as renewable) shall be recoverable through the ACRR in accordance 3.D.1 or 3.D.2 above, as applicable depending on the form of addition.

(a) To the extent that ELL incurs cost or receives subscription fee revenue under Commission-approved green tariffs, including but not limited to Rider Geaux Green Option ("GGO") and Rider Geaux ZERO ("GZ"), and to the extent that the costs and/or revenues are not reflected within the Company's Fuel Adjustment Clause, such costs and/or revenues, including, but not limited to subscription fee revenues or capacity-related bill credits issued to participants in those programs shall be reflected as a component of the ACRR.

(b) As established in LPSC General Order No. 12-9-10 (U-28271-1 Subdocket B) (Corrected), dated December 9, 2010 (the "Renewable Pilot Implementation Plan G.O."), the Company shall be allowed to recover fully through this Rider FRP outside of the FRP bandwidth mechanism, and consistent with Section 2.C.2, the capacity costs related to any renewable contract entered into, and approved by the LPSC pursuant to the provision of Paragraph 8.2 of the Renewable Pilot Implementation Plan G.O. Further, as established in the Renewable Pilot Implementation Plan G.O., any premium above market cost as well as any cost incurred to acquire unneeded capacity ordered by the Commission (regardless of whether priced at or above market) will be recovered dollar-for-dollar and will not be considered in any FRP provision or calculation that limits the full recovery of capacity costs when the utility's earnings exceed the upper end of the earnings bandwidth (*i.e.,* Section 2.C.2.c.(5). of the FRP). This section is intended to implement but not modify the provisions of General Order No. 12-9-10 (U-28271 – Subdocket B) (corrected).

3.D.4 INTERIM CAPACITY COST ADJUSTMENTS

During the term of this Rider FRP (*i.e.*, through the last day of the rate effective period of the final Evaluation Period under the term of this FRP), the ACRR shall be adjusted on an interim basis for:

(1) the expiration of a purchase capacity agreement previously recovered through Rider FRP, or

(2) the completion of the recovery of previously deferred capacity costs, or

(3) the modification or addition of capacity resources by means of a self-build, acquisition, or capacity and/or capacity and energy purchase.

3.E. RECOVERY OF REALIGNED COSTS

To the extent that, during the term of this Rider ELL FRP, the Commission orders the Company to realign costs from recovery via the Fuel Adjustment Clause to base rates, or the reverse, it shall be done on a basis that, in the aggregate, is revenue-neutral to retail customers.

3.F TRANSMISSION RECOVERY MECHANISM (TRM)

The Company shall be allowed to recover fully through this Rider FRP, outside the FRP bandwidth mechanism, the return on rate base and depreciation expense associated with (1) all transmission capital additions that are placed in service, or expected to be placed in service, between January 1 and August 31 of the Filing Year subject to a TRM floor as described below ("Filing Year TRM Amount") and true-up and, (2) transmission capital additions placed in service during the Evaluation Period subject to a TRM Floor as described below ("Evaluation Period TRM Amount"), less the Filing Year TRM Amount reflected in the prior year's Evaluation Report. The Company will include a Filing Year TRM Amount in its initial Evaluation Report using the best estimate then available. It will then update this amount in a compliance report submitted prior to the rate effective date, with explanations provided for changes in the amount. The end of period Transmission Plant in Service estimated (based on most recent actuals) through August 31 of the Filing Year shall be subject to an after-the-fact true-up in the next FRP Evaluation Period. This true-up adjustment will be designed to correct over- or under- collections that may have occurred due to the use of estimated Transmission Plant in Service through August 31 compared to actual Transmission Plant in Service through August 31.

ELL shall include with the FRP Evaluation Report, a true-up report comparing the estimated Transmission Plant in Service through August 31 of the previous Filing Year and the actual Transmission Plant in Service through August 31 of the previous Filing Year and, if the difference exceeds $2 million, a calculation of the proposed adjustment to correct any over- or under-collections due to the use of the estimated Transmission plant-in-service, with carrying costs at the Company's WACC, along with any workpapers supporting that true-up calculation.

For purposes of calculating the Evaluation Period TRM Amount, rate base included in the TRM shall include amounts for Transmission Plant in Service above a TRM Floor of $100 million per year. For purposes of calculating the Filing Year TRM Amount, rate base shall include amounts of Transmission Plant in Service above $66.7 million, which represents the $100 million TRM Floor prorated to eight of twelve months.

Depreciation Expense for the transmission projects shall be calculated using a 2.76 percent annual depreciation rate, with that amount included in the Accumulated Reserve for Depreciation, which will serve as a reduction to Plant in Service with the net amount reflected as rate base in the TRM. Any difference between the depreciation rate used for the TRM and the actual depreciation rate applicable to the assets recovered through the TRM is recoverable through the normal recovery mechanism (*i.e.*, within the bandwidth mechanism). In other words, this assumed depreciation rate is for ease of calculating a revenue requirement for the TRM only; this is not meant to change the applicable LPSC-approved transmission depreciation rate.

3.G. DISTRIBUTION RECOVERY MECHANISM (DRM)

The Company shall be allowed to recover fully through this Rider FRP, outside the FRP bandwidth mechanism the return on rate base and depreciation expense associated with distribution capital additions, excluding those associated with the Company's Advanced Metering System, through August 31 of the Filing Year, including those placed in service during the Evaluation Period, subject to a DRM Floor and true-up adjustment as described in Section 3.G.1. below.

3.G.1. Recovery of Distribution Capital Additions

The revenue requirement associated with distribution capital additions shall include the return on rate base and depreciation expense associated with (1) all distribution capital additions, excluding those associated with the Company's Advanced Metering System, that are placed in service, or expected to be placed in service, between January 1 and August 31 of the Filing Year subject to a DRM Floor as described below ("Filing Year DRM Amount"), and (2) distribution capital additions, excluding those associated with the Company's Advanced Metering System, placed in service during the Evaluation Period subject to a DRM Floor as described below ("Evaluation Period DRM Amount"), less the Filing Year DRM Amount reflected in the prior year's Evaluation Report.

The Company will include a Filing Year DRM Amount in its initial Evaluation Report using the best estimate then available. It will then update this amount in a compliance report submitted prior to the rate effective date, with explanations provided for changes in the amount. The end of period Distribution Plant in Service estimated (based on most recent actuals) through August 31 of the Filing Year shall be subject to an after-the-fact true-up in the next FRP Evaluation Period. This true-up adjustment will be designed to correct over- or under- collections that may have occurred due to the use of estimated Distribution Plant in Service through August 31 compared to actual Distribution Plant in Service through August 31.

ELL shall include with the FRP Evaluation Report, a true-up report comparing the estimated Distribution Plant in Service through August 31 of the previous Filing Year and the actual Distribution Plant in Service Page through August 31 of the previous Filing Year and, if the difference exceeds $2 million, a calculation of the proposed adjustment to correct any over- or under-collections due to the use of the estimated Distribution plant-in-service, with carrying costs at the Company's WACC, along with any workpapers supporting that true-up calculation.

For purposes of calculating the Evaluation Period DRM Amount, capital additions included in the DRM shall include amounts for Distribution Plant in Service above an annual DRM Floor of $150 million for each year. For purposes of calculating the Filing Year DRM Amount, rate base shall include amounts of Distribution Plant in Service above $100 million, which represents the $150 million DRM Floor prorated to eight of twelve months.

Depreciation Expense for the distribution projects shall be calculated using a 3.78 percent annual depreciation rate, with that amount included in the Accumulated Reserve for Depreciation, which will serve as a reduction to Plant in Service with the net amount reflected as rate base in the DRM. Any difference between the t depreciation rate used for the DRM and the actual depreciation rates applicable to the assets recovered through the DRM is recoverable through the normal recovery mechanism (*i.e.,* within the bandwidth mechanism). In other words, this assumed the depreciation rate is for ease of calculating a revenue requirement for the DRM only; this is not meant to change the applicable LPSC-approved distribution depreciation rates.

3.G.2. Distribution Recovery Mechanism Revenue Requirement Allocation

The Distribution Recovery Mechanism revenue requirement as determined under the provisions of Section 3.G.1. above, shall be allocated to each of the applicable LPSC retail rate classes based on the applicable class Distribution Plant in Service Allocation Factor as a percentage of total retail Distribution Plant in Service for all applicable retail rate schedules pursuant to Attachment A, Page 2 of this Rider FRP.

FORMULA RATE PLAN
RIDER SCHEDULE FRP

4. MISO COST RECOVERY MECHANISM (MCRM)

The Company shall be allowed to recover fully through this Rider FRP, outside the FRP bandwidth mechanism, the LPSC Retail costs described below:

A. **NET MISO CHARGES OR CREDITS:** The estimated Net MISO Charges/(Credits) pursuant to the Federal Energy Regulatory Commission ("FERC")-approved MISO Open Access Transmission Energy and Operating Markets Tariffs that the Company expects to incur for the twelve (12) months ended December 31 of the filing year and that are not recovered via the Fuel Adjustment Clause as ordered by the LPSC in Commission Order No. U-32675 dated November 4, 2013, as modified by LPSC Order No. U-34631.

B. **RETAIL REGULATORY COMMISSION EXPENSE INCURRED FOR MISO OVERSIGHT:** Retail regulatory commission expense actually incurred for the Evaluation Period in connection with ELL's participation in MISO.

C. **TRUE-UP ADJUSTMENT:** A True-up Adjustment for the difference between the Estimated MISO Cost Recovery Revenue Requirement and the Actual MISO Cost Recovery Revenue Requirement for the twelve (12) months ended December 31 of the immediately preceding calendar year as defined on Attachment G, Page 3. The True-up Adjustment shall include carrying charges based on the Company's before-tax weighted average cost of capital in this Rider FRP applied to the difference between the actual and estimated MISO Cost Recovery Revenue Requirement as shown on Attachment G, Page 3.

5. TAX ADJUSTMENT MECHANISM ("TAM")

It is recognized that ELL may be subject to increases or decreases in its revenue requirement as a result of changes in federal or state taxes during the term of this FRP, including but not limited to changes in federal or state tax codes, changes in ad valorem taxes, or changes associated with the realization of certain income tax credits. Such costs may increase or decrease the Company's revenue requirements and, thereby, require rate changes that this Rider FRP is not otherwise designed to address. As such. the Company shall be allowed to recover fully through this Rider FRP, outside the FRP bandwidth mechanism, the revenue requirement effects of these changes as prescribed below. The rate adjustments provided for in this Section shall operate outside of the Base Rider FRP Revenue Adjustment provisions contained in Section 2.C. of the FRP, including the bandwidth mechanism. Nothing in this Rider shall preclude the Company from requesting similar relief for other tax-related changes not specifically provided for below.

5.A. ACCUMULATED DEFERRED INCOME TAXES ("ADIT")

In the event that there is a change to state or federal tax codes which modifies the statutory federal or state tax rate(s), the Company shall revalue all ADIT at the newly effective tax rate(s) and reflect the revenue requirement effects of such revaluation through this Rider FRP outside of the FRP bandwidth mechanism. Rates shall further be adjusted in a manner such that the recovery of (deficient) or payment of (excess)