

LOUISIANA PUBLIC SERVICE COMMISSION

ORDER NUMBER U-37193

ENTERGY LOUISIANA, LLC, EX PARTE.

Docket No. U-37193, In re: Application for approval of Magnolia Power, LLC Capacity Credits Purchase Agreement, including cost recovery.

(Decided at the December 18, 2024 Business and Executive Session.)

ORDER

I. Background and Procedural History

In this proceeding, Entergy Louisiana, LLC (“ELL”) filed an application with the Louisiana Public Service Commission (“LPSC” or “Commission”) seeking certification and approval of a ten-year capacity credit purchase agreement (“CCPA”) for 290 megawatts (“MW”) of capacity-related benefits from the Magnolia Power Generating Station located in Iberville Parish, Louisiana (the “Application”) in accordance with the Commission’s General Order dated September 20, 1983 (the “1983 General Order”). ELL also requested a finding that ELL had complied with the LPSC’s requirements regarding market testing, to the extent applicable, or in the alternative, an exemption from those requirements. Finally, ELL requested a determination that the costs associated with the Magnolia CCPA are deemed eligible for recovery through the appropriate rate mechanisms, and related regulatory relief.

After discovery, the filing of testimony, and the filing of pre-hearing statement and briefs, the parties filed a *Joint Motion for Scheduling of Hearing on Uncontested Stipulated Settlement Term Sheet*, signed by all parties indicating that they either support or do not oppose the Stipulated Settlement, on December 9, 2024. Thereafter, the motion was granted and the hearing previously scheduled for December 11, 2024 was converted to an uncontested stipulation hearing.

II. Jurisdiction and Applicable Law

The Commission exercises jurisdiction over common carriers and public utilities in Louisiana pursuant to Article IV, Section 21(B) of the Louisiana Constitution, which states:

“The commission shall regulate all common carriers and public utilities and have such other regulatory authority as provided by law. It shall adopt and enforce reasonable rules, regulations, and procedures necessary for the discharge of its duties, and shall have other powers and perform other duties as provided by law.”

Pursuant to that authority, the Commission’s General Order dated September 20, 1983, states that no jurisdictional electric utility “shall commence any on site construction activity or enter into

any contract for construction ... without first having applied to the Commission for a certification that the public convenience and necessity would be served through completion of such project or confection of such contract.”

III. Stipulated Settlement

The Uncontested Stipulated Settlement filed into the record on December 9, 2024 contained the following stipulated terms:

1. ELL has filed an Application seeking certification of and approval for the Magnolia CCPA, a ten-year capacity credit purchase agreement for 290 megawatts (“MW”) of capacity-related benefits – namely, Midcontinent Independent System Operator, Inc. (“MISO”) Zonal Resource Credits (“ZRCs”) or “Capacity Credits” – from the Magnolia Power Generating Station located in Iberville Parish, Louisiana (the “Magnolia Facility”). This Term Sheet sets forth the terms upon which the Movers recommend that the Commission certify and approve the Magnolia CCPA in accordance with the Commission’s 1983 General Order.¹
2. The evidence ELL has presented demonstrates that ELL is projected to need additional long-term generating capacity over the course of the planning horizon, and that the Magnolia CCPA helps to ensure that the Company is able to reasonably satisfy its need for capacity to meet its MISO resource adequacy and long-term resource planning requirements in the near term. Accordingly, the Commission finds and certifies that the Magnolia CCPA serves the public convenience and necessity, is in the public interest, and is therefore prudent, in accordance with the Commission’s 1983 General Order.
3. Concerning the Commission’s Market-Based Mechanisms General Order (“MBM Order”),² the Magnolia CCPA did not originate from a traditional, utility-issued Request for Proposals (“RFP”). In August 2023, Kindle Energy LLC (“Kindle”) issued an RFP soliciting bids for capacity, energy, or bundled energy and capacity from the Magnolia Facility (the “2023 Kindle RFP”). Following an economic analysis conducted by the Entergy System Planning & Operations (“SPO”) organization, ELL submitted its offer for 290 MW of Capacity Credits with a 10-year term, commencing on June 1, 2025, in the 2023 Kindle RFP. ELL’s offer was selected, and the Magnolia CCPA was executed between ELL and Magnolia Power, LLC (“Magnolia Power”) in February 2024 following an arm’s-length negotiation process to reach agreement on the terms of the final Magnolia CCPA. The Commission finds that the Magnolia CCPA (i) meets the requirements for an alternative market-based mechanism or procedure required by the MBM Order or, in the alternative, is exempt from any applicable, unmet requirement of the MBM Order and (ii) meets the LPSC’s public interest standard.
4. The Commission finds that, with respect to the Magnolia CCPA, ELL has complied with, or is not in conflict with, the provisions of all applicable LPSC General Orders with respect to approval of the resource.
5. The Commission finds that the costs incurred by ELL under the Magnolia CCPA are deemed eligible for recovery from customers subject to the provisions of this Term Sheet. More specifically, the Commission finds that the costs of the Magnolia CCPA are eligible for recovery through the Additional Capacity Mechanism of ELL’s Formula Rate Plan (“FRP”) (Section 3.D), to the extent that ELL remains subject to the FRP at the time.

¹ LPSC General Order dated September 20, 1983 (*In re: In the Matter of the Expansion of Utility Power Plant; Proposed Certification of New Plant by the LPSC*), as amended by General Order (Corrected) in Docket No. R-30517 (*In re: Possible modifications to the September 20, 1983 General Order to allow (1) for more expeditious certifications of limited-term resource procurements and (2) an exception for annual and seasonal liquidated damages block energy purchases*) dated May 27, 2009.

² See LPSC General Order (February 16, 2004), *In re: Development of Market-Based Mechanisms to Evaluate Proposals to Construct or Acquire Generating Capacity to Meeting Native Load*, Supplements the September 20, 1983 General Order, Docket No. R-26172 Subdocket A, (as amended by General Order, Docket No. R-26172, Subdocket B, dated November 3, 2006, and further amended by the April 26, 2007 General Order, and the amendments approved by the Commission at its October 15, 2008 Business & Executive Meeting; the October 29, 2008 General Order, Docket No. R-26172, Subdocket C; and the October 14, 2024 General Order, Docket No. R-34247.

6. As part of its Application in this matter, ELL sought a determination that it is entitled to timely rate relief in the event it experiences adverse effects of debt imputation that could result from the Magnolia CCPA. Commission Staff found this request premature. However, if and at such time as ELL experiences adverse financial implications resulting from debt imputation by any of the major credit rating agencies, ELL may seek rate relief. The Commission Staff, and any Intervenor in any proceeding in which ELL seeks such rate relief, reserves any rights to oppose or take any other position on such a rate relief request.
7. The Commission acknowledges that the terms, conditions, rights, remedies, and limitations set forth in the Magnolia CCPA appear to be commercially reasonable and negotiated at arm's length. The Commission confirms that, to the extent that ELL acts prudently in its decision-making in administering and enforcing the Magnolia CCPA, and in exercising its rights and remedies under the Magnolia CCPA, ELL and Entergy Corporation shareholders shall not be responsible, beyond the rights and remedies specified therein, absent imprudence on the part of ELL. Nothing herein is intended to limit ELL's obligation to prudently manage and enforce the terms of the Magnolia CCPA or to terminate the Magnolia CCPA, as necessary and allowed by its terms, to protect ELL ratepayer interests. The Commission expressly reserves its authority to review whether ELL has prudently managed and enforced the terms, conditions, rights and remedies, and limitations of the Magnolia CCPA.
8. ELL has an ongoing affirmative obligation to prudently manage and administer the Magnolia CCPA for the benefit of its customers through the term of the contract. The prudence of ELL's management of the Magnolia CCPA is subject to review by this Commission at any time.
9. ELL acknowledges that all costs incurred by ELL associated with the Magnolia CCPA shall remain subject to annual FRP reviews, to the extent applicable.
10. Except as otherwise expressly stated herein, this Term Sheet shall have no precedential effect in any other proceedings involving issues similar to those resolved herein and shall be without prejudice to the right of any party to take any position on any such similar issue in future proceedings, including FRP proceedings, base rate proceedings, rulemakings or in other regulatory proceedings or appeals therefrom. Other than in a proceeding to approve, implement, administer, or enforce a requirement of this Term Sheet, the Term Sheet shall not be admissible in evidence against either the Commission Staff, ELL, or the Parties, and the terms of this Term Sheet may not be used as an admission of any sort in any proceeding whatsoever except to approve or enforce the terms of this Term Sheet. Nothing stated herein is intended to prohibit parties from continuing to cite to final Orders of the Commission, which Orders are the best evidence of their meaning and evidentiary or precedential value (if any).

IV. Commission Consideration

This matter was considered at the Commission's December 18, 2024 Business and Executive Session. On motion of Chairman Francis, seconded by Commissioner Skrmetta, with Vice Chairman Lewis and Commissioner Campbell concurring, and Commissioner Greene temporarily absent, the Commission voted to approve the Uncontested Stipulated Settlement filed into the record on December 9, 2024.

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IT IS THEREFORE ORDERED THAT:

- 1. The Uncontested Stipulated Settlement filed into the record on December 9, 2024 is approved; and,
- 2. This Order is effective immediately.

**BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA**
January 16, 2025



A handwritten signature in blue ink, appearing to read "Brandon M. Frey".

**BRANDON M. FREY
SECRETARY**

/S/ MIKE FRANCIS
**DISTRICT IV
CHAIRMAN MIKE FRANCIS**

/S/ DAVANTE LEWIS
**DISTRICT III
VICE CHAIRMAN DAVANTE LEWIS**

/S/ FOSTER L. CAMPBELL
**DISTRICT V
COMMISSIONER FOSTER L. CAMPBELL**

/S/ ERIC F. SKRMETTA
**DISTRICT I
COMMISSIONER ERIC F. SKRMETTA**

ABSENT
**DISTRICT II
COMMISSIONER CRAIG GREENE**