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BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

DIXIE ELECTRIC MEMBERSHIP)
CORPORATION)
EX PARTE,)
APPLICATION FOR APPROVAL OF)
(1) FORMULA RATE PLAN,)
(2) MODIFICATIONS TO STANDARD)
TERMS AND CONDITIONS AND)
ASSOCIATED RATE SCHEDULES,)
AND (3) REQUEST FOR INTERIM)
RATE RELIEF)

DOCKET NO. U -

APPLICATION FOR DIXIE ELECTRIC MEMBERSHIP CORPORATION FOR
APPROVAL OF (1) FORMULA RATE PLAN, (2) MODIFICATIONS TO STANDARD
TERMS AND CONDITIONS AND ASSOCIATED RATE SCHEDULES,
AND (3) REQUEST FOR INTERIM RATE RELIEF

EXHIBIT
JJA

PRE-FILED DIRECT TESTIMONY

of

JEFFREY J. ANDRY, JR.

on behalf of

DIXIE ELECTRIC MEMBERSHIP CORPORATION

September 2024

**APPLICATION FOR DIXIE ELECTRIC MEMBERSHIP CORPORATION FOR
APPROVAL OF (1) FORMULA RATE PLAN, (2) MODIFICATIONS TO STANDARD TERMS
AND CONDITIONS AND ASSOCIATED RATE SCHEDULES,
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JEFFREY J. ANDRY, JR.

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PRE-FILED DIRECT TESTIMONY OF JEFFREY J. ANDRY, JR.

ON BEHALF OF

DIXIE ELECTRIC MEMBERSHIP CORPORATION

1 **I. INTRODUCTION**

2 Q: PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION AT DIXIE
3 ELECTRIC MEMBERSHIP CORPORATION.

4 A: Jeffrey J. Andry, Jr., 16262 Wax Road, Greenwell Springs, Louisiana 70739. I am the
5 Chief Strategy & Regulatory Officer of Dixie Electric Membership Corporation ("DEMCO"
6 or "the Cooperative").
7

8 Q: HOW LONG HAVE YOU HELD THE POSITION OF CHIEF STRATEGY & REGULATORY
9 OFFICER AT DEMCO AND WHAT DOES THIS ROLE ENTAIL?

10 A: I began my employment with DEMCO as the Chief Strategy & Regulatory Officer in August
11 of 2023. In this role, I am responsible for overseeing the Cooperative's strategic planning,
12 power supply, regulatory, and compliance functions, as well as working with external
13 counsel on legal matters impacting DEMCO.
14

15 Q: PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL EXPERIENCE.

16 A: I earned a Bachelor of Arts degree from Louisiana State University in Baton Rouge in
17 Political Science with a minor in Business Administration and a Juris Doctor degree from
18 the University of Mississippi School of Law. I am also a Chartered Financial Analyst (CFA)
19 charterholder. I have over 10 years of experience in the power sector, having previously

worked for Cleco Corporate Holdings LLC and its regulated and unregulated affiliates (“Cleco”) in a variety of finance, business, and regulatory roles. After my time at Cleco, I was the MISO South regional lead for NextEra Energy Resources, LLC, where I led a team responsible for growing the company’s renewable generation business in Louisiana, Mississippi, Arkansas, and the MISO portion of Texas. Prior to my career in the power sector, I worked in finance in the areas of equity research and asset management.

II. PURPOSE OF PRE-FILED DIRECT TESTIMONY

Q: WHAT IS THE PURPOSE OF YOUR PRE-FILED DIRECT TESTIMONY?

A: The purpose of my pre-filed Direct Testimony is to support the Cooperative’s rate relief requested in DEMCO’s *Application for Approval of (1) Formula Rate Plan, (2) Modifications to Standard Terms and Conditions and Associated Rate Schedules, and (3) Request for Interim Rate Relief* (the “Application”). More specifically, I will describe how DEMCO’s request for a new, modernized Formula Rate Plan (“FRP”) (i) serves to further align DEMCO’s interests with those of its members, (ii) allows DEMCO to take advantage of technologies designed to create efficiencies and reduce costs, and (iii) enables DEMCO to achieve a number of its strategic goals, all of which will ultimately foster a healthier organization that is better able to serve its members in ways that are consistent with a number of key initiatives of the Louisiana Public Service Commission (“LPSC” or “the Commission”).

III. DEMCO’S STATUS AS A NOT-FOR-PROFIT ELECTRIC COOPERATIVE

Q: HOW IS DEMCO ORGANIZED AS A BUSINESS ENTITY?

1 A: DEMCO is a cooperative, not-for-profit membership corporation, incorporated under
 2 Louisiana's Electric Cooperative Act (La. R.S. 12:401 *et seq*) and headquartered in
 3 Greenwell Springs, Louisiana. It was organized in August of 1938 by people in Southern
 4 Louisiana to allow residents and businesses to obtain electric service because they were
 5 unable to obtain such service from any other electricity supplier. Currently, the
 6 Cooperative services approximately 119,000 meters and approximately 97,000 members
 7 (93% of which are residential members).

8
 9 Q: AS AN ELECTRIC COOPERATIVE, HOW DOES DEMCO DIFFER FROM THE
 10 LOUISIANA INVESTOR-OWNED UTILITIES THAT ARE ALSO RATE REGULATED BY
 11 THE COMMISSION?

12 A: Louisiana investor-owned utilities are owned by shareholders. DEMCO is owned and
 13 controlled by its member-owners through their democratically-elected Board of Directors
 14 (DEMCO has a 13-member board). While an investor-owned utility has a fiduciary
 15 obligation to maximize shareholder earnings, electric cooperatives like DEMCO do not
 16 have financial incentives to maximize "profits" or "earnings" on behalf of investors but
 17 rather are 100% focused on advancing the interests of member-owners by providing safe,
 18 reliable, and economically sound service on a not-for-profit basis¹. Stated differently, when
 19 it comes to an electric cooperative, there is no conflict of interest between serving the

¹ It should be noted that "not-for-profit" is not the same as "non-profit;" moreover, "not-for-profit" does not mean "for loss." As is well established throughout the country, not-for-profit electric cooperatives are still expected to generate a profit. The key distinction with for profit utilities, however, is that not-for-profit electric utilities do not aim to maximize profits for shareholders; rather, the profits they earn are reinvested to meet the reasonable needs of the organization or else returned to member-owners.

1 needs of investors and customers; rather, the only obligation of an electric cooperative is
2 to meet the needs of its member-owners and to engage in initiatives that best align the
3 interests of the Cooperative with its member-owners. Apart from this critical distinction,
4 DEMCO's operating expenses, capital investment obligations, and regulatory
5 requirements are otherwise similar in scope to those of investor-owned utilities.
6

7 **IV. CHALLENGES OF DEMCO'S CURRENT FRP STRUCTURE AND BENEFITS**
8 **OF DEMCO'S PROPOSED FRP STRUCTURE**
9

10 Q: HOW ARE DEMCO'S RATES CURRENTLY DETERMINED?

11 A: DEMCO's current rates are determined pursuant to a Commission approved Formula Rate
12 Plan (the "U-35359 FRP," see LPSC Docket No. U-35359 dated December 30, 2020). As
13 detailed in the Application, DEMCO, on May 15, 2024, filed its last FRP annual report
14 mandated by LPSC Docket No. U-35359 (see LPSC Docket No. U-37211).²
15

16 Q: DO THE RATES DETERMINED BY THE U-35359 FRP SERVE THE BEST INTERESTS
17 OF DEMCO AND THOSE OF ITS MEMBERS?

18 A: No, the U-35359 FRP does not serve the best interests of the Cooperative or its members,
19 which is why DEMCO is proposing a new, modernized FRP in the Application. As a
20 member-owned electric cooperative, there should be as much alignment between the best
21 interests of the Cooperative and its members. If one were to represent these interests as
22 a Venn Diagram, there should be nearly complete overlap. From time to time, DEMCO

² LPSC Docket No. U-37211, *In re: Formula Rate Plan Annual Report for 2023 Test Year filing* ("U-37211").

1 may pursue initiatives that are mindful of future members' interests at a cost to current
2 members, e.g. by adequately investing in maintenance to ensure the Cooperative is not
3 "robbing Peter (future members) to pay Paul (current members)." However, there should
4 be little cause for misalignment. This principle is due primarily to the fact that DEMCO
5 does not have shareholders; rather, DEMCO is owned by the communities it serves. This
6 is a fundamental distinction between member-owned and shareholder-owned
7 organizations, and a defining characteristic of what it means to be an electric cooperative.
8

9 The U-35359 FRP not only fails to produce sufficient revenue to prudently manage the
10 Cooperative, but also disrupts what should otherwise be a near-perfect alignment of
11 interests between DEMCO and its members. This is due to two separate but equally
12 important causes. The first relates to how much revenue DEMCO is allowed to recover
13 through rates as well as the regulatory lag between when DEMCO incurs costs and when
14 it is allowed to collect the necessary funds to offset them. The second relates to the
15 extreme weather-dependency that is created on account of the current mix between
16 DEMCO's fixed and variable revenue streams. I will address each of these challenges in
17 turn in the context of why they contribute to the misalignment of interests previously
18 described.
19

20 Q: HOW DO THE LEVEL OF DEMCO'S REVENUES AND CONCOMITANT REGULATORY
21 LAG UNDER DEMCO'S EXISTING FRP FRUSTRATE THE ALIGNMENT OF
22 INTERESTS DEMCO'S MEMBERS DESERVE?

A: DEMCO and its members are aligned in the desire for a financially healthy, viable cooperative, able to serve its members safely, economically, and reliably. The Cooperative's existing rate structure does not allow for these objectives to be met.

Under the U-35359 FRP, revenues for the rate applicable year are based on expenses incurred two years ago, with minor attrition adjustments. This requires DEMCO to fund ensuing deficits primarily with the use of short- and long-term debt. In so doing, DEMCO is required to allocate an increasingly greater percentage of its cash flows from operations towards non-productive debt servicing costs, often at the expense of mission critical reliability initiatives such as right-of-way trimming. As pernicious as this cycle would be for any cooperative, it is even more pronounced for a cooperative such as DEMCO, whose primarily suburban footprint³ happens to include some of the state's fastest-growing parishes. These dynamics often put DEMCO in the unenviable position of having to allocate capital towards its lowest and worst use, in this case ever-increasing debt service requirements.

To illustrate, under the U-35359 FRP, rates are set primarily on the basis of a midpoint Times Interest Earned Ratio ("TIER") of 1.45. This ratio is used to measure DEMCO's

³ According to the U.S. Census Bureau's 2020 Census Demographic and Housing Characteristics app, the rural vs. urban breakout, as those terms are used by the Bureau, for the seven parishes DEMCO serves are as follows: Ascension (10.8% rural, 89.2% urban), East Baton Rouge (6.9% rural, 93.1% urban), East Feliciana (100.0% rural, 0.0% urban), Livingston (38.8% rural, 61.2% urban), St. Helena (100.0% rural, 0.0% urban), Tangipahoa (46.0% rural, 54.0% urban), and West Feliciana (100.0% rural, 0.0% urban). On a population-weighted basis, and as further weighted by the percentage of DEMCO's members that are located in each parish, DEMCO's system-wide rural vs. urban breakout is 33.5% and 66.5%, respectively.

1 financial health and the Cooperative's ability to meet interest expense on its debt by
2 comparing the Cooperative's pre-interest margins with interest expense. This means that
3 for each one dollar DEMCO spends on interest expense, it only has forty-five cents leftover
4 to fund any remaining cash needs, whether that be for unforeseeable items (e.g.
5 storm/extreme weather event restoration), funding future growth⁴, or replacement of
6 capital assets at a cost that, especially in an inflationary environment, is destined to be
7 higher than current depreciation expense. Often, DEMCO is forced to prioritize debt
8 service above system improvements or, worse, to incur even greater debt simply to
9 sustain operations. As a matter of clarification, the forty-five cents mentioned above is not
10 "profit" to the Cooperative in the traditional sense of the word; it is simply a prudent source
11 of funding to help sustain and grow DEMCO's operations.

12
13 Compounding the issue, as detailed in the pre-filed Direct Testimony of DEMCO's Chief
14 Financial Officer, Peggy A. Maranan, attached to the Application as Exhibit PAM, the
15 regulatory lag DEMCO experiences means that the Cooperative is unable to even earn
16 what was already an inadequate TIER to begin with. In 2018, 2019, 2020, 2021, 2022,
17 and 2023, DEMCO's calculated TIER was 1.48, 1.15, 0.91, 0.23, 1.59⁵, and 1.03,
18 respectively, for an average of 1.07 over this six-year period, which falls well below the

⁴ Of note, and as discussed in the pre-filed Direct Testimony of DEMCO's Chief Executive Officer, Randall C. Pierce, attached to the Application as Exhibit RCP, the nature of DEMCO's footprint is such that it is constantly extending its facilities to provide services to new neighborhoods and commercial enterprises; these investments have multi-decade lives but require DEMCO to spend the capital to fund them on Day 1, even though it often takes many years to generate the necessary revenue to make DEMCO whole for these investments.

⁵ As further discussed in the testimony of Peggy A. Maranan, DEMCO's TIER in 2022 would have been 0.82 but for the receipt of Emergency Interim Rate Relief funding in that year; this would have brought the six-year average calculated TIER referenced in this paragraph to 0.94.

1 minimum ratios required by DEMCO's lenders (noting that minimum required lender ratios
 2 are not meant to serve as threshold measurements for establishing a cooperative's rates).
 3 With this being the case, it should be no surprise that DEMCO's ratio of debt to total assets
 4 has increased over time or that it has been forced to allocate an increasingly larger
 5 percentage of member capital to mere debt service at the exclusion of higher and better
 6 uses such as investments in reliability, resiliency, and/or improving the quality of member
 7 service.

8
 9 Q: HOW DOES THE EXTREME WEATHER DEPENDENCY CREATED BY THE U-35359
 10 FRP FURTHER FRUSTRATE THE ALIGNMENT OF INTERESTS DEMCO SEEKS
 11 BETWEEN THE COOPERATIVE AND ITS MEMBERS?

12 A: DEMCO collects revenue from its primarily residential members via both fixed and variable
 13 mechanisms. The fixed portion is received in the form of a monthly charge that is applied
 14 to residential members' bills irrespective of how many kilowatt-hours ("kWh") they
 15 consume, which DEMCO now calls the Grid Access Charge. *Theoretically*, this is meant
 16 to recover the fixed costs of operating DEMCO's system. The variable portion is received
 17 in the form of a monthly charge applied to residential members' bills that is directly tied to
 18 kWh consumption, which DEMCO now calls the Delivery Charge⁶. The Delivery Charge
 19 is *theoretically* meant to recover the variable costs of operating DEMCO's system.

⁶ Note that there is an additional variable charge on members' bills, which DEMCO now calls the Wholesale Power Charge, through which DEMCO recovers on a one-for-one basis the charges billed to it by its wholesale power supplier. Given this is a passthrough, it is not the focus of this section of my testimony, although it is also tied to kWh consumption and is just as relevant for members in terms of potential savings from energy efficiency and other initiatives.

1 The use of the term “theoretically” in the immediately preceding paragraph is intentional
2 given how these fixed and variable charges are meant to be applied from a textbook
3 perspective, namely that fixed charges are meant to recover fixed costs and variable
4 charges are meant to recover variable costs. However, DEMCO currently only recovers
5 *a portion* of its fixed costs in the form of its fixed Grid Access Charge, as is further
6 explained in the pre-filed Direct Testimony of Mr. Craig E. Brown, Senior Project Manager
7 of 1898 & Co., part of Burns & McDonnell Engineering Company, Inc. (“1898 & Co.”),
8 attached to the Application as Exhibit CEB.

9
10 The effect of this mismatch in fixed costs and fixed charges creates a situation in which
11 DEMCO is only able to recover its residual fixed costs in the form of its variable Delivery
12 Charge. This results in a misalignment of interests between DEMCO and its members for
13 several reasons. From a financial perspective, it puts DEMCO in the position of needing
14 to sell as many kWhs as possible to recover not only its variable costs but also the portion
15 of fixed costs not recovered by DEMCO’s fixed Grid Access Charge. Just as importantly,
16 this makes it difficult for DEMCO to fully endorse initiatives designed in part to save
17 members money, including energy efficiency, net metered generation, and demand
18 response. As a member-owned organization who has no shareholders to benefit from
19 rate base expansion, DEMCO desires to be an enthusiastic advocate for technologies
20 such as these that our members demand. That being said, the dynamic described herein
21 puts DEMCO at odds with its membership in that DEMCO needs summers to be
22 excessively hot or winters to be inordinately cold (or both) to fully recover its costs. In
23 addition to these periods being the times of year in which member bills are already higher-

1 than-average due to greater consumption, these are also the times of year in which
 2 wholesale power costs tend to be highest⁷. And, unfortunately, DEMCO's current rate
 3 design is such that investments members make to shield themselves from high utility bills
 4 are to the detriment of DEMCO's financial health.

5
 6 Q: IS DEMCO ASKING TO INCREASE ITS FIXED MONTHLY CHARGE (GRID ACCESS
 7 CHARGE) TO A LEVEL THAT WOULD GUARANTEE FULL RECOVERY OF ITS FIXED
 8 COSTS?

9 A: No, it is not. While DEMCO's recently completed Cost of Service Study ("COSS"), as
 10 discussed in Mr. Brown's pre-filed Direct Testimony and attached to the Application as
 11 Exhibit CEB-2, identified a Grid Access Charge of \$27.43 would be needed to allow
 12 DEMCO to fully recover its residential fixed customer-related costs with this fixed charge
 13 alone⁸, DEMCO is not proposing to raise its Grid Access Charge all the way up to this
 14 level. Three reasons drive this rationale. First, DEMCO understands and is appreciative
 15 of Commission concerns around raising the fixed portion of residential members' bills to a
 16 level that may place a burden on members who cannot easily offset this expense by
 17 reducing kWh consumption. Second, DEMCO recognizes that a higher variable weighting
 18 within member bills creates more elasticity of demand, thereby sending a more

⁷ While the structure of DEMCO's new wholesale power supply agreement is such that the Wholesale Power Charge is fixed for a year at a time, the total annual expected procurement cost, which forms the basis for the fixed annual charge, would be lower if less consumption took place during the highest-priced times of year. This is particularly relevant in the context of energy efficiency, in which certain investments (improved insulation, for instance) could generate energy savings during both summer and winter months.

⁸ In addition to customer costs, demand-related costs are generally considered fixed costs as well. To recover all customer and demand-related fixed costs in a non-variable charge, a residential Grid Access Charge of \$65.64 per month would be necessary.

1 appropriate economic price signal to members to invest in energy efficiency or participate
2 in time-of-use rates, for example. Finally, raising DEMCO's Grid Access Charge all the
3 way up to a level that would provide complete recovery of DEMCO's fixed costs would be
4 akin to giving DEMCO the money it requires "up-front" and potentially lead to refunds in
5 the event volumetric sales are higher-than-normal. Recognizing the importance of striking
6 a balance between DEMCO's need to recover its fixed costs and these important policy
7 considerations, DEMCO believes the Quarterly Adjustment mechanism proposed in the
8 Application for the proposed FRP would do a better job of making DEMCO whole when
9 volumetric sales are inadequate, but do so in a way that would not require members to
10 make upfront payments for fixed cost deficits that may end up being recovered variably.
11 Thus, DEMCO aims to slightly reduce the inherent weather dependency that exists when
12 fixed revenues are too low while retaining a variable component large enough to allow
13 members to justify investments that reduce or shift consumption.

14
15 Q: PLEASE FURTHER DESCRIBE INVESTMENTS MEMBERS CAN MAKE TO ACHIEVE
16 SAVINGS, CONTRIBUTE TO DEMCO'S GENERATION MIX, AND/OR CONTRIBUTE
17 TO GRID RELIABILITY AND RESILIENCY.

18 A: A key part of DEMCO's go-forward strategy is to identify opportunities to increase
19 collaboration with its members, further aligning the interests of the Cooperative and its
20 members. This can come from several initiatives, such as promoting energy efficiency,
21 becoming more supportive of net metered generation, and working with members to invest
22 in distributed energy resources (DERs) for the purposes of providing backup power,
23 demand response, and/or an additional source of generation for DEMCO's system-wide

needs when the resource in question is not being utilized by the member. The proposed rate relief in the Application promotes adaptability to the inevitably changing dynamics in the electric world, while maintaining member interests at the forefront.

In the case of energy efficiency, one outcome of LPSC Docket Number R-31106⁹ was to bring electric cooperatives into the Commission's energy efficiency program for the first time and to turn the administration of the program over to a third-party. DEMCO is supportive of this initiative and believes it is natural for it, as a member-owned organization, to be an advocate of its members' desire to conserve energy. The inadequacy of DEMCO's existing rate structure, which causes it to be overly reliant on kWh sales, puts it in the odd position of wanting to assist with something that would be detrimental to its financial health. The Quarterly Adjustment mechanism detailed in the proposed FRP in the Application would allow DEMCO to retain a safety net in the event greater efficiency exacerbates DEMCO's financial shortfalls during years in which weather is mild.

With respect to net metered generation, avoided cost rates as of the time of writing are such that rooftop solar is the cheapest source of "wholesale power" currently available to DEMCO, yet DEMCO has seen more and more members wanting to install it. While attractive to DEMCO from a power supply standpoint, net metered generation results in a kWh credit on the member's bill that extends not only to the volume applied for Wholesale

⁹ *In re: Rulemaking to study the possible development of financial incentives for the promotion of energy efficiency by jurisdictional electric and gas utilities.*

1 Power Charge purposes but also the volume used to determine the member's variable
2 Delivery Charge. For that reason, when a member installs rooftop solar, this creates a
3 subsidy that is paid for by other members since DEMCO is otherwise reliant on variable
4 revenues to cover some of its fixed costs. The Quarterly Adjustment mechanism detailed
5 in the proposed FRP outlined in the Application would also serve to remove the
6 disincentive to support rooftop solar that could both lower utility bills for the member in
7 question and contribute to lower wholesale power costs for all members.

8
9 Finally, DEMCO is in the early stages of developing programs to incentivize the installation
10 of member-owned DERs within the Cooperative's footprint. Near-term, DEMCO expects
11 these resources to consist primarily of smart thermostats (or direct load control devices)
12 and whole-home generators at the residential level¹⁰, but expects emerging technologies
13 such as member-owned battery storage to complement this portfolio in the future. At the
14 commercial level, DEMCO already believes it has members taking steps to shave peaks
15 and reduce usage, making these members ripe to begin working with more strategically.
16 At the aggregated level, DEMCO expects all of these resources to combine into a
17 meaningful demand response tool that can be used to unlock savings for enrolled
18 members while creating reliability and power supply benefits for the entirety of DEMCO's
19 membership. Yet again, though, given these programs would be anticipated to reduce
20 kWh consumption, at least at certain times of the year, DEMCO believes the Quarterly

¹⁰ In addition to rooftop solar, which is discussed in the immediately preceding paragraph.

1 Adjustment mechanism included in the proposed FRP is needed to allow DEMCO to
2 promote these programs without sacrificing the Cooperative's financial health.

3
4 Q: ARE THERE OTHER COMMISSION INITIATIVES THAT DEMCO WOULD BE BETTER
5 POSITIONED TO COMPLY WITH IF IT WERE ALLOWED THE RATE TREATMENT
6 REQUESTED IN THE APPLICATION?

7 A: Yes. In addition to Commission directives to encourage energy efficiency and demand
8 response, the Commission has also placed a much greater emphasis on reliability and
9 resiliency in recent years. As of the date of writing, at least three proceedings are ongoing
10 which attempt in part to ensure LPSC-jurisdictional utilities, including electric cooperatives,
11 are properly investing in reliability and resiliency: R-36226¹¹, R-36227¹², and R-35394¹³.
12 Like the Commission, DEMCO also desires to make the appropriate investments to
13 improve service to its members; however, these and other proceedings underscore the
14 importance of DEMCO having a rate structure in place that allows it to earn its regulatorily-
15 prescribed financial metrics to begin with, which the Quarterly Adjustment mechanism
16 outlined in the proposed FRP is meant to enable.

¹¹ LPSC R-36226, *In re: Evaluation of Louisiana's electric grid regarding status, maintenance, and whether there is more that could have been done and can be done to benefit Louisiana customers.*

¹² LPSC R-36227, *In re: Assessment of Louisiana's current electric utility infrastructure for resilience and hardening for future storm events.*

¹³ LPSC R-35394, *In re: Proceeding to examine options pertaining to pole viability, pole attachments, and all areas that may affect the reliability and sustainability of Louisiana's electric utility distribution grid.*

1 Q: ARE THERE ANY OTHER DETAILS OF DEMCO'S APPLICATION YOU WISH TO
2 SPEAK TO?

3 A: Yes. DEMCO's Application includes proposed updates to DEMCO's tariffs and rate
4 schedules, including a few modified or new rate schedules I wish to speak to from a
5 strategic perspective. First, DEMCO proposes to modernize its time-of-use rate schedules
6 (identified as the Residential Time-Of-Use Service and Commercial Time-Of-Use Service
7 rate schedules in the redlined tariff attached to the Application) and to actively market
8 these new rates to its membership¹⁴. Together with a greater focus on energy efficiency
9 and development of demand response initiatives which were discussed above, this is part
10 of a coordinated strategy to flatten DEMCO's load shape and reduce its seasonal peaks.
11 In the aggregate, these initiatives should translate into savings for the membership both
12 from a system-sizing standpoint and from a wholesale power supply standpoint. Each of
13 these rate structures would include a six-month "summer" season (May through October)
14 as well as a six-month "winter" season (November through April). The summer season
15 would include a peak period lasting from 1:00 pm to 8:00 pm. The winter season would
16 include two peak periods – one in the morning from 6:00 am to 10:00 am and another in
17 the evening from 6:00 pm to 9:00 pm. All other hours of the day would be classified as
18 off-peak, except that the residential time-of-use rate would also include a "super" off-peak
19 period lasting from 11:00 pm to 5:00 am to incentivize overnight EV charging. The
20 structure of these TOU rates is such that there is a 2:1 ratio of on-peak to off-peak prices,
21 which is intended to reward members successfully able to shift consumption into less

¹⁴ As of the time of writing, DEMCO only had one residential member utilizing its current residential TOU rate, which DEMCO believes is due to both the structure of this rate schedule needing to be modernized and DEMCO needing to more actively market it.

1 costly times of day. DEMCO is hopeful to use these rate schedules on an “opt-in” basis
2 to engage in a meaningful dialogue with its membership around how behavioral changes
3 can produce savings both for participating members as well as the membership at large.
4

5 Second, and consistent with the theme around increasing system utilization to spread
6 fixed costs across a larger number of kWhs, DEMCO is also proposing a new large power
7 rate schedule (identified as the Industrial Service High Load Factor rate schedule in the
8 redlined tariff attached to the Application as Exhibit “C”) that would feature a Grid Access
9 Charge, Demand Charge, and Delivery Charge consistent with DEMCO’s COSS, but also
10 a cost for wholesale power that is custom-tailored to the large power member’s individual
11 load profile. Historically, DEMCO’s system-wide load factor has been below 50%, owing
12 primarily to the overwhelming proportion of residential and small commercial members it
13 serves. From 2012 to 2022, DEMCO only had eight members with an average load factor
14 greater than 50%. Of these, only four had an average load factor in excess of 60% and
15 none had an average load factor of 70% or higher. Thus, from a wholesale power supply
16 standpoint, it has not been necessary historically to think about wholesale power supply
17 procurement for “high load factor” members differently from how DEMCO procures
18 wholesale power for the rest of its members. Going forward, however, DEMCO does have
19 some interest in increasing its system-wide load factor by attracting high load factor loads.
20 Given that high load factor loads involve a larger percentage of kWhs being procured in
21 the off-peak hours relative to DEMCO’s current system-wide average, this would thereby
22 necessitate a different wholesale power supply procurement strategy. For that reason,
23 and to ensure DEMCO is positioned to attract large load factor loads that could have

significant economic development benefits for the communities DEMCO serves, DEMCO's proposed tariff includes a large power-focused rate schedule that would allow for the idiosyncrasies of these distinguishable loads to be taken into account.

Q: DO YOU BELIEVE THE RATE RELIEF REQUESTED IN THE APPLICATION WILL LEAD TO JUST, REASONABLE, AND FAIR RATES FOR DEMCO'S MEMBERS, INCLUDING FOR LOW-INCOME MEMBERS?

A: Yes. The approval of the rate relief requested will support rate stability and financial viability for the Cooperative, while also assisting in the furtherance of aligning the interests of the Cooperative with its members. As for low-income members, and as further discussed in Mr. Brown's testimony, DEMCO took special care to understand if the rate treatment proposed in the Application was not unduly burdensome for the most vulnerable within DEMCO's membership base. In assessing this, DEMCO wanted to evaluate if there was indeed a correlation between low income and low usage, as this is not always the case in every part of the country. The analysis conducted by Mr. Brown concluded that low-income census tracts in DEMCO's footprint also coincide with lower usage, meaning DEMCO does expect a positive correlation between income and usage, *i.e.* the lower the income, the lower the usage. With this being the case, DEMCO is able to reasonably conclude that the higher fixed charge (Grid Access Charge) proposed in its Application would not be harmful to DEMCO's low-income members **when combined with** the proposed inclining block structure, where lower usage is proposed to be billed at a lower rate than higher usage. Please refer to Mr. Brown's testimony attached to the Application as Exhibit CEB or more information on the relationship between income and usage and

1 how DEMCO's rate structure proposed in its Application is not expected to be harmful to
2 low-income members.

3
4 **V. SUMMARY AND CONCLUSION**

5 Q: PLEASE SUMMARIZE YOUR PRE-FILED DIRECT TESTIMONY.

6 A: As discussed in my pre-filed Direct Testimony, DEMCO has and continues to struggle
7 through a period of insufficient revenues, prolonged regulatory lag, and high weather-
8 dependency combining in a way that has made it exceedingly difficult to achieve allowed
9 margins that are already inadequate to begin with. This confluence of negative factors
10 has frustrated the alignment of interests that cooperatives are supposed to have with their
11 member-owners and has impeded DEMCO's ability to fully support initiatives designed to
12 achieve savings. Importantly, those savings would accrue both to members, individually,
13 and to DEMCO. Recognizing constraints which exist around raising DEMCO's allowed
14 TIER too much and/or overweighting the fixed portion of member bills, DEMCO's
15 Application proposes a rate structure that appropriately balances rates with DEMCO's
16 financial health and its ability to deliver on important member-centered initiatives. In effect,
17 DEMCO's proposed Quarterly Adjustment mechanism would provide a meaningful
18 backstop meant to allow DEMCO to still achieve needed margins even during periods of
19 muted kWh sales. In turn, this would create a cooperative that is more modern, more
20 stable, and even more attuned to member interests.

21
22 Q: DOES THIS CONCLUDE YOUR PRE-FILED WRITTEN TESTIMONY?

23 A: Yes, it does; however, I reserve the right to supplement my testimony.

LOUISIANA PUBLIC SERVICE COMMISSION

DIXIE ELECTRIC MEMBERSHIP)
CORPORATION)
EX PARTE,)
APPLICATION FOR APPROVAL OF)
(1) FORMULA RATE PLAN,)
(2) MODIFICATIONS TO STANDARD)
TERMS AND CONDITIONS AND)
ASSOCIATED RATE SCHEDULES,)
AND (3) REQUEST FOR INTERIM)
RATE RELIEF)

DOCKET NO. U -

AFFIDAVIT OF WITNESS

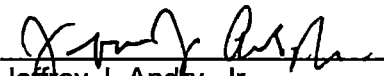
I, Jeffrey J. Andry, Jr., being duly sworn, depose

that the Pre-filed Direct Testimony in the

above referenced matter on behalf of

Dixie Electric Membership Corporation,

is true and correct to the best of my knowledge, information and belief.


Jeffrey J. Andry, Jr.

Subscribed and sworn before

me this 19th day of

September, 2024.


My Commission expires

Commissioned for life

