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RECEIVED

AUG 10 2021

LA Public Service Commission
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August 9, 2021

Ms. Terri Lemoine Bordelon
Records and Recording Division
Louisiana Public Service Commission
P.O. Box 91154
Baton Rouge, LA 70821-9154

Re: In Re: Southwest Louisiana Electric Membership Corporation
Application for Recovery
Docket No. _____

Dear Ms. Bordelon:

On behalf of SLEMCO, I am enclosing an original and three (3) copies of SLEMCO's Application for Recovery in Rates of Storm Damage Costs Incurred as a Result of Hurricanes Laura and Delta. We also ask that you return a date-stamped copy to me in the enclosed, self-addressed envelope.

Should you have any questions, please do not hesitate to contact me. Thank you for your courtesy and assistance with this matter.

With kind regards, I am,

Very truly yours,

**DAVIDSON, MEAUX, SONNIER, McELIGOTT,
FONTENOT, GIDEON & EDWARDS, LLP**


THEODORE G. EDWARDS, IV

CHRISTOPHER J. PIASECKI

ROUTE FROM

TGEIV/CJP/egb

Enclosures

DEPT. Bull DATE 8/10 DEPT. _____

DEPT. _____ DATE _____ DEPT. _____

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FILE 61745



August 10, 2021

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Mr. Brandon Frey
Executive Secretary
Louisiana Public Service Commission
P.O. Box 91154
Baton Rouge, LA 70821-9154

Dear Mr. Frey:

On November 13, 2020, the Louisiana Public Service Commission issued Special Order No. 73-2020 authorizing Jurisdictional Electric Utilities to establish, as needed and for accounting purposes only, regulatory assets to track and defer expenses associated with Hurricanes Laura, Delta, and Zeta.

SLEMCO was affected by Hurricanes Laura and Delta; therefore, SLEMCO has put in place a mechanism to track and accumulate costs incurred because of these two hurricanes that exclude any estimated FEMA recovery amounts, insurance recoveries and/or dollars collected/received by any other entities.

As of this date, the following is a summary of the actual and estimated costs of Hurricanes Laura and Delta, the estimated reimbursements anticipated from FEMA and a requested rate recovery amount:

Actual costs to date of Hurricane Laura	\$8,248,509
Estimated remaining costs of Laura	1,360,941
Actual costs to date of Hurricane Delta	16,881,517
Carrying costs of deferred balances	<u>755,208</u>
 Total of hurricane expenses	 \$27,246,175
 Less: Estimated FEMA payments Laura	 8,648,505
Less: Estimated FEMA payments Delta	<u>12,661,138</u>
 Unreimbursed hurricane expenses	 <u><u>\$5,936,532</u></u>
 SLEMCO actual kWh sales avg. for 2019 & 2020	 2,420,838,324
 Line item to be recovered per month, per kWh over 24 months	 \$0.001226
 Estimated average cost to the residential consumers per month	 \$1.70

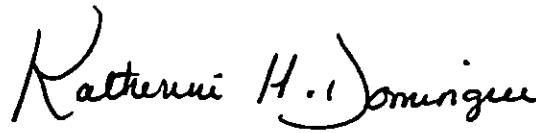
This institution is an equal opportunity provider and employer.

The line item (1.226 mills or approximately \$1.70 per month) will be charged to the customers on a kilowatt hour (kWh) basis until the regulatory assets have been completely recovered in an estimated 24 months. SLEMCO's rates will still be one of the lowest in the state.

Although FEMA does eventually pay a substantial portion of the costs of restoration, not all costs are recoverable and reimbursement can take up to a year or more. The regulatory assets and line item recovery would allow SLEMCO to get back to pre-storm financial condition. It would offset the cash drain caused by the storms to make their effects seamless to the customer going forward after restoration and provide them with the quality service they are accustomed to.

SLEMCO is formally requesting the approval to immediately implement a line item on all customers' bills to recover the amount of the regulatory assets due to the hurricanes.

Sincerely,

A handwritten signature in black ink that reads "Katherine H. Domingue". The signature is fluid and cursive, with the first name "Katherine" and last name "Domingue" clearly legible, and "H." in the middle.

Katherine H. Domingue
CFO & Assistant General Manager

BEFORE THE LOUISIANA PUBLIC SERVICE COMMISSION

IN RE: SOUTHWEST LOUISIANA
ELECTRIC MEMBERSHIP CORPORATION
APPLICATION FOR RECOVERY

DOCKET NO _____

**APPLICATION FOR RECOVERY IN RATES OF
STORM DAMAGE COSTS INCURRED AS A
RESULT OF HURRICANES LAURA AND DELTA**

NOW BEFORE THE COMMISSION, through undersigned counsel, comes SOUTHWEST LOUISIANA ELECTRIC MEMBERSHIP CORPORATION ("SLEMCO"), who requests the Louisiana Public Service Commission's approval of SLEMCO's implementation of a line item charge to recover costs resulting from Hurricanes Laura and Delta, and in support thereof, avers as follows:

I. OVERVIEW

On August 27, 2020, Hurricane Laura made landfall as a category 4 hurricane near Cameron, Louisiana. At the time of the landfall, Hurricane Laura's winds were in excess of 150 mph with a nearly 10 foot high storm surge, and thereafter wreaking havoc across the southern and western portions of Louisiana. Laura was responsible for 42 deaths, including thirty-three in Louisiana. Laura caused an estimated \$19 billion in damages in southwestern Louisiana and southeastern Texas near the Gulf of Mexico.

A little over a month later, Hurricane Delta made landfall on October 9, 2020 as a category 2 hurricane. When Delta made landfall near Creole, Louisiana it had winds of 100 mph. The total damage caused by Delta was an estimated \$2.9 billion in the United States.

SLEMCO's system was significantly affected by these two major storm events with total damages of \$26,490,967.00. Sustained damages to SLEMCO's system from Hurricane Laura

were \$9,609,450.00 (including significant damage occurring to the line for the Pecan Island area in Vermilion Parish). Of that amount, SLEMCO is expected, pending FEMA approval, to recover all but \$960,945.00 from FEMA. The total damages sustained to SLEMCO's system as the result of Hurricane Delta was \$16,881,517.00. Pending FEMA approval of expected payments, SLEMCO's unrecovered damages from this storm are \$4,220,379.00. Additionally, SLEMCO will incur estimated carrying costs, while waiting for FEMA reimbursement, of \$755,208 for funds advanced to make storm repairs necessary to promptly restore power to its consumers. In summary, the resulting unrecovered damage to SLEMCO as a result of these two storms totals \$5,936,532.00. Accordingly, SLEMCO is submitting this application to recover the un-reimbursed costs of the damage sustained as a result of the 2020 hurricanes. The Testimony of Katherine Domingue, CFO, and Assistant General Manager of SLEMCO, attesting to the foregoing is attached hereto as Exhibit A. A spreadsheet containing the relevant calculations described above is attached hereto as Exhibit B.

II. COSTS

As a result of these two storms, SLEMCO's service area suffered substantial damage. As of this filing, the total actual cost of Laura and Delta damages had grown to more than \$26 million. SLEMCO estimates there is still over \$1.3 million worth of damage repair work left over from the storms, specifically re-building a line in the Pecan Island area of Vermilion Parish. Pending FEMA approval, SLEMCO expects reimbursement of over \$21 million as of this filing in the coming months, leaving a shortfall of approximately \$5.9 million.

SLEMCO seeks to recover approximately \$5,936,532.00, which includes the cost of repairs necessary to restore power to its consumers following each storm along with its carrying

costs for funds expended to promptly bring the consumers power pending applications for FEMA recovery.

SLEMCO is proposing that the full \$5,936,532.00, which includes carrying costs, be included as a line item on SLEMCO customer bills for the next 24 months. SLEMCO's average actual kilowatt hour sales for 2019 and 2020 was 2,420,838,324. Assuming similar sales for 2021 and 2022 (and portions of 2023), the cost to be recovered per month per kilowatt hour over the 24 month period will be \$0.001226 (1.226 mills) per kilowatt hour. This results in an average cost to residential customers of \$1.70 per month. The line item (1.226 mills or approximately \$1.70 per month) will be charged to the customers on a kilowatt hour's basis until the regulatory assets have been completely recovered in an estimated 24 months. Even with these modest increases, SLEMCO will still offer rates among the lowest in the state. See the rate comparison for July 2021 attached as Exhibit C.

III. PRIOR LPSC ACTION

By Special Order No. 73-2020, the Louisiana Public Service Commission previously approved establishment of regulatory assets for jurisdictional electric utilities for accumulation of the costs incurred in connection with Hurricanes Laura and Delta. Exhibit D attached. These assets were approved to track and defer expenses associated with Hurricanes Laura and Delta in order to facilitate utilities' efforts to restore and maintain service.

In Special Order No. 73-2020 the PSC reserved making a determination as to the appropriate, just, and reasonable amount of storm damage that ultimately may be recovered from SLEMCO's ratepayers. Accordingly, the mechanisms for accounting for these regulatory assets has already been put in place; it is simply a matter of determining what amounts may be recovered in connection with the 2020 hurricanes.

In connection herewith, SLEMC0 proposes a transparent reporting system that will allow the Commission to carefully monitor and track the effect of the line item charge and the recovery of the pending FEMA reimbursements. SLEMC0 proposes to file with the Commission every six months a report detailing the revenues collected through the line item, the actual costs incurred in rebuilding the line for the Pecan Island area, the carrying costs associated with financing hurricane repairs, the amount of any applicable FEMA reimbursements received, and the current balance of the regulatory assets.

IV. JUSTIFICATION

Although FEMA does eventually pay a substantial part of the costs of system restoration, not all costs are recoverable, and reimbursement can take up to a year or more. The regulatory assets and line item recovery proposed herein would allow SLEMC0 to return to its pre-storm financial position at minimal cost to its customers. Allowing this recovery in the manner proposed will offset the cash drain caused by the 2020 storms and render the system restoration process seamless from the customers' perspective. Going forward, SLEMC0 members will feel very few negative effects from this process, while still enjoying the highest quality customer service and ultimately gaining an improvement in the overall SLEMC0 system.

VI. CONCLUSION AND REQUEST FOR ACTION

Considering the foregoing, SLEMC0 requests consideration and approval of this application to recover storm restoration costs associated with the damages from Hurricanes Laura and Delta. These restoration costs have allowed SLEMC0 to effectively harden its system.

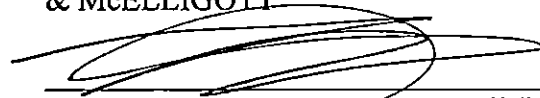
In addition, SLEMCO will provide status reports to the commission and staff every six months to show the status of the regulatory assets and the costs that have been recovered from its customers in connection with this proposal.

Although SLEMCO is of the opinion that this request does not constitute a request for an increase in its base rates, SLEMCO nevertheless agrees to publish notice of the filing of this request in the official journals of each parish in which it does business, and in the official journal of the State of Louisiana within the time required by law. Upon completion of such publications, SLEMCO will supplement the record in this matter with proof of such publications.

SLEMCO hereby requests that this action be set for action at the earliest possible Commissioner's Business and Executive session for approval of the cost recovery outlined herein.

Respectfully submitted,

DAVIDSON, MEAUX, SONNIER
& McELLIGOTT



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