

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

CENTERPOINT ENERGY RESOURCES
CORP., DELTA UTILITIES NO. LA, LLC,
AND DELTA UTILITIES S. LA, LLC,
EX PARTE.

DOCKET NO. U-

37187

IN RE: JOINT APPLICATION FOR ALL
NECESSARY AUTHORIZATIONS AND
APPROVALS FOR DELTA UTILITIES
NO. LA, LLC AND DELTA UTILITIES S.
LA, LLC TO ACQUIRE THE ASSETS OF
CENTERPOINT ENERGY RESOURCES
CORP. AND FOR AUTHORITY OF
DELTA UTILITIES NO. LA, LLC AND
DELTA UTILITIES S. LA, LLC TO
OPERATE AS LOCAL DISTRIBUTION
COMPANIES AND INCUR
INDEBTEDNESS, AND FOR RELATED
RELIEF.

Direct Testimony of
DAVID E. DISMUKES, PH.D.

On the Behalf of
DELTA UTILITIES NO. LA, LLC
and
DELTA UTILITIES S. LA, LLC

JOINT APPLICATION EXHIBIT 3

April 24, 2024

DELTA UTILITIES NO. LA, LLC, DELTA
UTILITIES S. LA., LLC AND
CENTERPOINT ENERGY RESOURCES
CORP. EX PARTE.

IN RE: APPLICATION FOR AUTHORITY
TO OPERATE AS LOCAL DISTRIBUTION
COMPANY AND INCUR INDEBTEDNESS
AND JOINT APPLICATION FOR
APPROVAL FO TRANSFER AND
ACQUISITION OF LOCAL DISTRIBUTION
COMPANY ASSETS AND RELATED
RELIEF

DOCKET NO. U- _____

AFFIDAVIT OF DAVID E. DISMUKES, PH.D.

STATE OF LOUISIANA

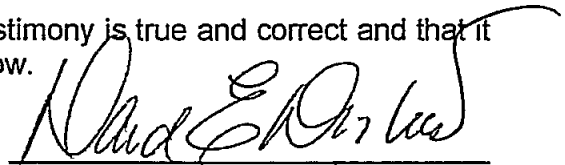
PARISH OF EAST BATON ROUGE

David E. Dismukes, being first duly sworn, on his oath states:

1. My name is David E. Dismukes. I am employed by the Acadian Consulting Group, LLC as a Consulting Economist and the Managing Partner. My principal place of business is located at 5800 One Perkins Place Drive, Suite 5-F, Baton Rouge, Louisiana 70808.

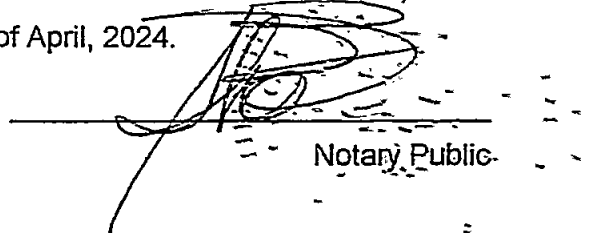
2. Attached hereto and made a part hereof for all purposes is my direct testimony which was prepared in written form for introduction into evidence in this proceeding before the Louisiana Public Service Commission.

3. I hereby swear and affirm that my testimony is true and correct and that it shows the matters and things that it purports to show.



David E. Dismukes, Ph.D.

Subscribed and sworn to before me this 23 day of April, 2024.


Notary Public

SHANNON O. BARNES
NOTARY PUBLIC ID #85415
STATE OF LOUISIANA
MY COMMISSION IS FOR LIFE

CENTERPOINT ENERGY RESOURCES
CORP., DELTA UTILITIES NO. LA, LLC,
AND DELTA UTILITIES S. LA, LLC,
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Exhibit DED-4 – Historic Known System Leaks

Exhibit DED-5 – Composition of CERC Mains and Service Pipes

Exhibit DED-6 – Historic CERC Competitive Transport Volumes

**BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION**

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INDEBTEDNESS, AND FOR RELATED)
RELIEF.)

DIRECT TESTIMONY OF DAVID E. DISMUKES, PH.D.

1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

3 A. My name is David E. Dismukes. My business address is 5800 One Perkins Place,
4 Suite 5-F, Baton Rouge, Louisiana, 70808.

**5 Q. PLEASE STATE YOUR OCCUPATION AND CURRENT PLACE OF
6 EMPLOYMENT?**

7 A. I am a Consulting Economist and Managing Partner with the Acadian Consulting
8 Group ("ACG"), a research and consulting firm that specializes in the analysis of
9 regulatory, economic, financial, accounting, statistical, and public policy issues
10 associated with regulated and energy industries. ACG is a Louisiana-registered
11 business, formed in 1995, and located in Baton Rouge, Louisiana.

1 **Q. DO YOU HOLD ANY ACADEMIC POSITIONS?**

2 A. Yes. I am a professor emeritus at the Louisiana State University ("LSU"). I retired
3 from my active academic position after close to three decades of service in January 2023
4 and immediately prior to my retirement I served as a full professor, executive director,
5 and director of policy analysis at the LSU Center for Energy Studies and as a full tenured
6 professor in the Department of Environmental Sciences and the director of the Coastal
7 Marine Institute in the LSU College of the Coast and Environment. I also served as a
8 senior fellow at the Institute of Public Utilities at the Michigan State University, where I
9 taught energy regulatory staff and other utility stakeholders about principles, trends, and
10 issues in the electric and natural gas local distribution company ("LDC") industries. I am
11 also a Distinguished Fellow and Senior Economist with the Institute for Energy Research
12 in Washington, D.C.

13 **Q. HAVE YOU SERVED IN ANY ADVISORY CAPACITIES?**

14 A. Yes. Over the course of my career, I have served in numerous public policy
15 advisory capacities including serving on the National Petroleum Council, the University
16 Advisory Board of the Energy Council, the Interstate Oil and Gas Compact Commission,
17 the National Association of Regulatory Utility Commissioners ("NARUC"), and the
18 National Association of State Utility Consumer Advocates ("NASUCA").

19 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE LOUISIANA PUBLIC**
20 **SERVICE COMMISSION?**

21 A. Yes. Attachment A to my direct testimony includes my academic vitae, including
22 a list of: (1) the Louisiana Public Service Commission ("LPSC" or "the Commission")

1 proceedings in which I have testified; (2) my publications, presentations; and (3) my pre-
2 filed expert witness testimony, expert reports, expert legislative testimony, and affidavits
3 in other jurisdictions and venues.

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

5 A. I have been retained by Delta Utilities No. LA, LLC ("Delta Utilities North") and
6 Delta Utilities S. LA, LLC ("Delta Utilities South") (collectively, "Delta Utilities" or "DU
7 LDCs"), which together with CenterPoint Energy Resources Corp. ("CERC") are the "Joint
8 Applicants" in this proceeding, to offer an opinion on the public benefits arising from the
9 Joint Application filed in this docket requesting authorization and approvals for Delta
10 Utilities to acquire certain of CERC's public utility natural gas assets ("Purchased Assets"
11 as further defined in the Asset Purchase Agreement or "APA") that provide LDC service
12 to customers in Louisiana ("CERC Louisiana Business"), assume certain liabilities of
13 CERC ("Assumed Obligations" as defined in the APA), and finance the asset acquisition
14 (the "Proposed Transaction"), as further described in the Joint Application and Delta
15 Utilities witnesses testimonies filed with the Joint Application. My testimony will address
16 and/or estimate economic benefits, environmental benefits, and other benefits arising
17 from the Proposed Transaction. I will also discuss various ratemaking provisions
18 including Delta Utilities' commitment to assume CERC Louisiana Business's currently
19 approved retail service tariffs and its proposal to create a regulatory asset for future base
20 rate recovery of its prudently incurred transition costs. My testimony will touch on the
21 following LPSC public interest factors (sections addressing these factors are provided in
22 parentheses):

Factor No. 3 addressing the resulting utility financial condition (Section IV discussing the ratemaking terms, the proposed regulatory asset, and transition cost recovery).

Factor No. 4 addressing service quality (Section V discussing other benefits).

Factor No. 5 addressing net benefits of the Proposed Transaction (Sections III, IV, and V discussing economic benefits, ratemaking terms, and other benefits).

Factor No. 6 addressing competition (Section V discussing other benefits).

Factor No. 8 addressing public utility employees (Section V discussing other benefits).

Factor No. 10 addressing local and state economic benefits (Sections III and V discussing economic benefits and other benefits).

Factor No. 11 addressing LPSC regulatory jurisdiction (Section IV discussing ratemaking terms and regulatory asset).

Factor No. 14 addressing physical system upgrades (Section IV discussing regulatory asset and transition costs as well as section discussing other benefits).

Q. HAVE YOU PREPARED ANY EXHIBITS TO SUPPORT YOUR TESTIMONY?

A. Yes. I have prepared 6 exhibits in support of my testimony. My testimony and exhibits have been prepared by me or under my direct supervision.

Q. HOW IS YOUR TESTIMONY ORGANIZED?

A. My testimony is organized as follows:

- Section I: Introduction
- Section II: Summary of Recommendations
- Section III: Economic Benefits
- Section IV: Ratemaking Matters for Consideration
- Section V: Other Benefits
- Section VI: Conclusions and Recommendations

II. SUMMARY OF RECOMMENDATIONS

Q. WHAT ARE YOUR FINDINGS REGARDING THE PROPOSED TRANSACTION'S ECONOMIC BENEFITS?

A. The Proposed Transaction will generate considerable economic benefits through Delta Utilities' commitment to continue CERC's Louisiana Businesses, as well as CERC's provision of LDC services to customers in Mississippi ("CERC Mississippi Business") (collectively "CERC Louisiana and Mississippi Businesses"). In addition, Delta Utilities is committed to the development and implementation of a greenfield information technology ("IT") investment that will have considerable qualitative and quantitative ratepayer benefits. With respect to Delta Utilities acquisition of the CERC Louisiana Business, I estimate a total annual new employment impact of up to 442 Louisiana jobs, \$168.4 million in total economic output; \$86.5 million in value added, and \$30.1 million in labor income.¹ These figures are "total" employment impacts solely attributable to the up to 100 new direct positions, as well as all the "multiplier" (i.e., indirect and induced impacts) created by Delta Utilities new employment activities related to the Proposed Transaction and the development of a new Louisiana based utility. Importantly, this estimate is conservative since it does not include jobs related to Delta Utilities proposed IT investment, the approximately 350 retained CERC Louisiana Business employees, or its commitment to continued capital improvement throughout the acquired CERC service

¹ Economic output, value added, and labor income are all independent measures that cannot be summed. Economic output can be thought of as total economic purchases and demands while value added is a measure of state gross domestic product ("GDP").

territory. Additionally, if the Proposed Transaction and the Entergy Transaction (as defined herein) are both approved, the impact is increased to a total annual employment impact of up to 885 Louisiana jobs, \$336.9 million in total economic output; \$173.0 million in value added, and \$60.1 million in labor income. These figures are "total" employment impacts solely attributable to the up to 200 new direct positions, as well as all the "multiplier" (i.e., indirect and induced impacts) created by Delta Utilities new employment activities related to the Proposed Transaction and the development of a new Louisiana based utility. Thus, the Proposed Transaction, as a standalone transaction, will have significant positive impacts on local economies and the Louisiana economy as identified in LPSC public interest condition No. 10, and when combined with the Entergy Transaction, such benefits will be considerably greater.

Q. ARE THERE ANY OTHER IMPORTANT ECONOMIC OUTCOMES THE COMMISSION SHOULD CONSIDER WITH THIS PROPOSED TRANSACTION?

A Yes. While the Proposed Transaction will provide significant benefits on its own, when combined with the purchase of the natural gas assets of Entergy Louisiana, LLC and Entergy New Orleans, (hereafter, "Entergy Transaction") by Louisiana affiliates of the DU LDCs, the two transactions will create a new multi-state natural gas utility valued at approximately \$1.7 billion that is headquartered in Louisiana with approximately 900 employees serving approximately 600,000 customers. Having a large, Louisiana-owned and operated natural gas utility, that has the continued opportunity to grow and expand, represents a considerable economic development opportunity for the state. For decades, Louisianians have seen far too many energy-related corporate and regional offices move

1 out of the state simply to locate on the other side of the Sabine River. This is an important
2 opportunity to bring some of these jobs and economic development back home to
3 Louisiana. The Commission should keep this consideration in mind in evaluating the
4 overall public interest considerations of this Proposed Transaction.

5 **Q. WHAT ARE YOUR FINDINGS REGARDING THE PROPOSED**
6 **TRANSACTION'S RATEMAKING TIMING?**

7 A. Approval in this filing would result in no incremental rate impacts for ratepayers as
8 Delta Utilities is requesting to step into the shoes of CERC Louisiana Business, with any
9 rate impacts associated with transition investments not occurring until after the resolution
10 of Delta Utilities next base rate case, which is estimated to be filed no sooner than
11 approximately 33 months after closing, with any impacts not expected to occur until
12 approximately 45 months after the close of the Proposed Transaction. Specifically, Delta
13 Utilities proposes to operate the new natural gas entity with the support of a transition
14 services agreement with CERC ("TSA") and in a manner consistent with the current
15 operations of CERC Louisiana Business, including annual Rate Stabilization Plan ("RSP")
16 filings, for a period of at least 18 months after the close of the Proposed Transaction.
17 Once services provided under the TSA have largely been terminated or the TSA expires,
18 Delta Utilities would operate under traditional ratemaking for a sufficient period to obtain
19 12 months of historical test year information and develop a full rate case filing for the
20 Commission, which Delta Utilities estimates will require at least 15 months to complete.
21 Finally, rates included in this future rate case proceeding are estimated to not take effect
22 until approximately 12 months after the filing of the future rate case.

1 **Q. HOW WILL DELTA UTILITIES ACCOUNT FOR COSTS ASSOCIATED WITH**
2 **ITS TRANSITION PLAN POST-CLOSING?**

3 A. Delta Utilities is requesting the use of a regulatory asset to “hold” the costs
4 associated with its transition investments until the time of its next base rate case.
5 Importantly, a significant portion of Delta Utilities’ required transition investments are
6 associated with the standing up of a new cloud-based Information Technology (“IT”)
7 architecture to modernize legacy systems being retained by CERC and covering all
8 technology-based functions that will provide benefits to customers and Delta Utilities with
9 respect to scalability and adaptability, resiliency, security, cost efficiency, customer
10 satisfaction and economic development. At the time of this future base rate case, the
11 Commission will have the opportunity to review these transition costs for prudence. I find
12 the proposal offered by Delta Utilities to be in the public interest and beneficial for
13 ratepayers consistent with LPSC public interest conditions No. 1 (public interest), No. 2
14 (safe, reliable, and adequate service), and No. 5 (providing short-term and long-term net
15 benefits). I also find the regulatory asset proposal to be reasonable and in the public
16 interest since it will assist Delta Utilities in meeting LPSC conditions No. 3 (financial
17 integrity), No. 4 (service quality), and No. 14 (physical upgrades to system).

18 **Q. ARE THERE OTHER BENEFITS THE COMMISSION SHOULD CONSIDER IN**
19 **EVALUATING THE PROPOSED TRANSACTION?**

20 A Yes. The Proposed Transaction, if approved, will result in several other benefits
21 addressing important LPSC public interest factors and conditions. For instance, the
22 Proposed Transaction’s continuation of CERC Louisiana Business’s improved leak

1 performance will reduce potentially dangerous methane leaks that can combust and lead
2 to service interruptions and potential accidents. Methane leaks from faulty pipelines and
3 natural gas equipment can also serve as a very potent greenhouse gas ("GHG") emission
4 source. The avoidance of these methane leaks addresses LPSC public interest condition
5 No. 2 (safe and reliable service) and No. 4 (service quality). Delta Utilities is committed
6 to maintaining current tariffs including CERC Louisiana Business's transportation service
7 tariffs that facilitate retail competition and energy choice for certain larger energy users
8 thereby addressing LPSC condition No. 6 (competition). The Proposed Transaction
9 would continue, and potentially grow, the opportunity for the use of natural gas as an
10 energy resource thereby supporting Louisiana's important natural gas industry and
11 continued resource competition (condition No. 6), public benefits (conditions No. 1 and
12 No. 2), and local economic benefits (condition No. 10). The transaction will also include
13 technology improvements, inclusive of a modern and cloud-based greenfield IT platform
14 and business model supporting LPSC public interest condition No. 2 (safe and reliable
15 service), No. 4 (service quality), and No. 15 (infrastructure repairs). Lastly, this Proposed
16 Transaction, if approved will create a new natural gas utility headquartered in Louisiana
17 employing approximately 600 workers (including approximately 100 new jobs), and when
18 combined with the October 2023 proposed Entergy Transaction approximately 900
19 workers (including up to approximately 200 new jobs). This will help local communities
20 and the state's economy (condition No. 10).

1 **Q. WHAT ARE YOUR OVERALL RECOMMENDATIONS TO THE COMMISSION?**

2 A I recommend the Commission approve this Proposed Transaction as well as Delta
3 Utilities' proposed ratemaking conditions, including its request for a regulatory asset. The
4 Proposed Transaction and its component ratemaking proposals will collectively continue
5 rates that are fair, just, and reasonable, as well as continue service that is safe, reliable,
6 and adequate. The Proposed Transaction will also result in an overall policy outcome
7 that is in the public interest, beneficial to state and local economies, will facilitate
8 continued energy competition, facilitates energy resource diversity, supports Louisiana's
9 important energy economy particularly in natural gas production and transportation.

10 **III. ECONOMIC BENEFITS**

11 **A. Economic benefits of Louisiana corporate ownership**

12 **Q HAS LOUISIANA HAD AN ECONOMIC DEVELOPMENT CHALLENGE WHEN**
13 **IT COMES TO SERVING AS HOME FOR MAJOR CORPORATIONS?**

14 A. Yes. Louisiana faces considerable challenges in luring and maintaining corporate
15 headquarters within our state. Exhibit DED-1 provides a map of Fortune 1,000
16 companies, both privately held and publicly traded. The map clearly shows that Louisiana
17 is not well positioned when it comes to serving as a corporate headquarters location.
18 Anything the state can do, within reason, to encourage companies to locate and
19 headquarter in the state, therefore, can have positive economic development benefits.

1 Q. ARE THERE ANY ECONOMIC BENEFITS THAT WILL ARISE BY
2 TRANSFORMING THE CENTERPOINT LOUISIANA BUSINESS ASSETS INTO A
3 LOUISIANA-OWNED AND HEADQUARTERED ENERGY COMPANY?

4 A. Yes. If approved, this Proposed Transaction will bring home the ownership and
5 management of an important energy company to Louisiana. Having a large, Louisiana-
6 owned and operated natural gas utility, that has the continued opportunity to grow and
7 expand, represents a considerable economic development opportunity for the state. For
8 decades, Louisianians have seen far too many energy-related corporate and regional
9 offices move out of the state simply to locate on the other side of the Sabine River. This
10 is an important chance to bring one of those opportunities back home to Louisiana. The
11 Commission should keep this consideration in mind in evaluating the overall public
12 interest considerations of this Proposed Transaction as well as the potential economic
13 benefits this Proposed Transaction provides, if approved.

14 B. Technology investment benefits

15 Q. WILL DELTA UTILITIES' PROPOSED TECHNOLOGY INVESTMENTS CREATE
16 ECONOMIC BENEFITS?

17 A. Yes. In fact, since announcement of the Entergy Transaction and this Proposed
18 Transaction, several full-time positions have already been created and filled, and efforts
19 are underway to determine the steady-state staffing levels to be achieved, including a
20 new facility for Delta Utilities' corporate headquarters to be located in Louisiana. This
21 includes positions to facilitate implementation and technological build out of new IT
22 platforms, which are in addition to the new job estimates of approximately 100 jobs for

1 the Proposed Transaction, and approximately 200 jobs when combined with the Entergy
2 Transaction. This new cloud-based architecture will modernize a broad number of critical
3 legacy systems covering functions, such as Human Resources management, payroll,
4 enterprise asset management, supply chain operations, billing, finance, accounting and
5 field force scheduling.

6 **Q. WILL DELTA UTILITIES' PROPOSED IT INVESTMENT LEAD TO POSITIVE**
7 **ECONOMIC IMPACTS IN LOUISIANA?**

8 A. Yes. While some technical roles required to build out the initial IT environments
9 and new cloud-based architecture envisioned by the Proposed Transaction will be
10 temporary and not local in nature, consultants, such as Accenture are being utilized to
11 support these efforts, and this impact is in addition to, and not included in, my financial
12 impact estimates contained herein. Indeed, Accenture has committed to its own long-
13 term investment in Louisiana by establishing a new office in New Orleans and growing
14 staff that will operate out of this location. The Commission should recognize that having
15 any local content impact like this is rare in, not only the energy business, but also in any
16 major capital project in Louisiana. Often, a large amount of materials, and sometimes
17 specialized labor (like engineering services), exclusively is sourced from areas outside
18 the state.

19 **C. Total economic benefits**

20 **Q. HAVE YOU QUANTIFIED ANY OTHER TRANSACTION BENEFITS IN YOUR**
21 **ANALYSIS?**

1 A Yes. This Proposed Transaction, if approved will create a new natural gas utility
2 headquartered in Louisiana employing approximately 600 workers -- Including up to
3 approximately 100 new jobs. The new positions will primarily be in Louisiana even though
4 some will support activities in Mississippi. In total, Delta Utilities estimates average total
5 fully burdened compensation, including short-term incentives for these new positions at
6 over \$100,000 per year.² As shown in Exhibit DED-2, the new positions alone will lead
7 up to a total annual employment impact of 442 jobs, and up to \$ 168.4 million in total
8 economic output, \$86.5 million in value added, and \$30.1 million in labor income. These
9 figures include up to 100 new direct positions, as well as well as employment created
10 through "multiplier" (i.e., indirect and induced impacts) created by these new employment
11 activities related to the Proposed Transaction and the development of a new Louisiana
12 based utility. Importantly, this estimate is conservative since it does not include jobs
13 related to Delta Utilities proposed IT investment, the approximately 350 retained CERC
14 Louisiana Business employees, or its commitment to continued capital improvement
15 throughout the acquired CERC service territory.

16 **Q. ARE THERE OTHER IMPORTANT ECONOMIC BENEFITS ASSOCIATED WITH**
17 **THE PROPOSED TRANSACTION THE COMMISSION SHOULD CONSIDER?**

18 A. Yes. While the Proposed Transaction will provide significant benefits on its own,
19 when combined with the October 2023 Entergy Transaction, the two transactions will
20 create a new multi-state natural gas utility valued at approximately \$1.7 billion that is

² Total compensation include base wages or salary, and the value of annual benefits.

1 headquartered in Louisiana with approximately 900 employees serving approximately
2 600,000 customers. In total, I estimate the combined annual employment impact of the
3 approximately 200 new positions as well as all the “multiplier” (i.e., indirect and induced)
4 impacts associated with the combined transactions to be up to 885 jobs, and up to \$336.9
5 million in total economic output, \$173.0 million in value added, and \$60.1 million in labor
6 income. Similarly, this estimate is conservative since it does not include jobs related to
7 Delta Utilities proposed IT investment, the approximately 700 retained employees of
8 CERC and Entergy, or its commitment to continued capital improvement throughout the
9 acquired CERC and Entergy service territories. These are substantial economic benefits
10 that support the conclusion that this Proposed Transaction, if approved will be
11 economically beneficial on an overall basis to state and local economies and to the
12 communities in the areas that will be served by Delta Utilities.

13 **Q. ARE THESE THE ONLY BENEFITS THAT WILL ARISE FROM THIS**
14 **PROPOSED TRANSACTION?**

15 A. No, there are several other benefits that will arise from this Proposed Transaction
16 that go beyond the economic benefits that Delta Utilities will create from its direct
17 economic activities (i.e., investing and maintaining its annual operations). These benefits
18 include reduced greenhouse gas (“GHG”) emissions from pipeline and equipment
19 replacement and modernization, safety, and reliability benefits, delivering a competitive
20 energy resource alternative to Louisiana ratepayers, continuing to support Louisiana’s
21 natural gas industry, facilitating other infrastructure asset development, and facilitating a
22 greenfield technology platform that will create new incremental benefits for Delta Utilities

1 future Louisiana natural gas customers. In addition, there are benefits tied to having a
2 local call center, maintaining employee positions, and making charitable contributions in
3 the communities served by Delta Utilities that need to be reiterated. I will discuss all of
4 these additional benefits after my discussion on the rate implications of the transaction.

5 **IV. RATEMAKING MATTERS FOR CONSIDERATION**

6 **A. Rate Treatment.**

7 **Q. PLEASE DISCUSS DELTA UTILITIES' PROPOSED RATE TREATMENT.**

8 A. Upon closing, Purchased Assets and Assumed Obligations associated with CERC
9 Louisiana Business will be transferred to and owned and operated by Delta Utilities, with
10 operations and maintenance performed by a Delta Utilities affiliated entity and Delta
11 Utilities shared services entity. As part of the Proposed Transaction, Delta Utilities is
12 requesting to assume and adopt CERC Louisiana Business's existing rates, rate
13 schedules, and riders in effect as of the closing and/or supported by CERC Louisiana
14 Business's most recent RSP test year. Delta Utilities is not requesting any modifications
15 to CERC Louisiana Business's existing rates, rate schedules, and riders as part of the
16 current proceeding and is therefore seeking to maintain the status quo. Any future
17 changes to Delta Utilities rate structure will not occur until after the resolution of Delta
18 Utilities' next base rate case, which resolution is estimated to be at least 45 months after
19 the close of the proposed transaction. Specifically, Delta Utilities proposes to operate
20 the new natural gas entity with the support of the TSA and in a manner consistent with
21 the current operations of CERC Louisiana Business, including annual RSP filings, for a

1 period of at least 18 months after the close of the Proposed Transaction. Once services
2 provided under the TSA have largely been terminated or the TSA expires, Delta Utilities
3 would operate under traditional ratemaking for a sufficient period to obtain 12 months of
4 historical test year information and develop a full rate case filing for the Commission,
5 which Delta Utilities estimates will require at least 15 months to complete. Finally, rates
6 included in this future rate case proceeding are estimated to not take effect until
7 approximately 12 months after the filing of the future rate case.

8 **Q. DOES THIS MEAN THAT THE PROPOSED TRANSACTION WILL HAVE NO**
9 **IMPACT ON RATES UNTIL THE CONCLUSION OF THE NEXT BASE RATE CASE?**

10 A. Yes. However, Delta Utilities is requesting to assume CERC Louisiana Business's
11 RSPs, which support CERC's safety and pipeline modernization investments. So, while
12 rates may change to accommodate annual adjustments under the existing and/or
13 renewed RSPs, including for the CERC Louisiana Gas safety and modernization
14 obligations, rates will not change for any other reason until a subsequent rate case. Most
15 importantly, rates will not be allowed to change as a result of any transition costs incurred
16 as part of this transaction, as Delta Utilities will not seek any rate change attributed to the
17 transition costs until its next base rate case, at which time the Commission will have a full
18 opportunity to review the costs and determine the prudence thereof. So, there will be a
19 period of time extending to approximately 45 months, or nearly four years, after the close
20 of the Proposed Transaction before a rate change specific to the Proposed Transaction,
21 if any, would be implemented.

B. Regulatory asset

Q. PLEASE EXPLAIN THE REGULATORY ASSET REQUEST.

A. This transaction represents a “carve out” of smaller natural gas utility businesses from a significantly larger, publicly traded combination natural gas and electric holding company. As a result, the Purchased Assets do not encompass all the assets that will be needed for Delta Utilities to provide safe, economic, and reliable service. Delta Utilities, therefore, will incur certain transition costs (*i.e.*, the costs of standing up the utility operations under Delta Utilities’ ownership) that will ultimately need to be recovered to assure the remaining utility’s financial viability (*i.e.*, LPSC public interest condition No. 3). This leads to an incongruity for Delta Utilities: rates are fixed in the short run and will not increase as a result of this transaction, despite the fact that Delta Utilities will need to incur various expenses and make meaningful investments to stand up a new Louisiana natural gas utility. Delta Utilities proposes the use of a regulatory asset to bridge this incongruity.

Q. WHAT IS A REGULATORY ASSET?

A. A regulatory asset is a common regulatory tool that is used to allow utilities to “book,” and “hold” certain costs for future cost recovery.³ These assets (or liabilities)⁴ are regulatory constructs, defined and approved by utility regulatory commissions and can represent revenues, expenses, gains, or losses that would have been included in the

³ 18 CFR Part 201 PART 201, *Uniform System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of The Natural Gas Act*

⁴ A regulatory liability arises when money is owed to ratepayers: the owed amounts are “liabilities” to the utility since they are amounts that have to be paid back to ratepayers, often with interest, over time.

1 determination of net income in any given period, but for it being probable that: (a) such
2 items will be included in a different period(s) for purposes of developing the rates the
3 utility is authorized to charge for its utility services; or (b) in the case of regulatory
4 liabilities, that refunds to customers, not provided for in other accounts, will be required.
5 Further, the term "probable," as used in the definition, refers to that which can reasonably
6 be expected or believed on the basis of available evidence or logic but is neither certain
7 nor proved.⁵

8 **Q. WHAT SPECIFIC COSTS WILL BE INCLUDED IN THE REGULATORY ASSET?**

9 A. Costs associated with the transition plan for Delta Utilities and its service company
10 will be included in this regulatory asset. Mr. Little discusses this transition plan in more
11 detail, which includes costs associated with stand-up costs such as leasing commercial
12 space for shared service and operational centers and costs associated with recruiting and
13 hiring required positions. However, a large portion of these costs, as discussed by Mr.
14 Little, is associated with a greenfield modernized and cloud-based IT architecture to
15 support all technology functions of Delta Utilities. However, it is important to recognize
16 that Delta Utilities is not seeking "pre-approval" of specific transition costs nor the
17 composition of these costs at this time. Instead, Delta Utilities is only seeking approval
18 to use this regulatory tool (*i.e.*, a regulatory asset) to book costs until such time as the
19 next base rate case.

⁵ 18 CFR Part 201 PART 201, *Uniform System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of The Natural Gas Act*

1 **Q. ARE ANY OF THE TRANSITION COSTS ALREADY ACCOUNTED FOR IN**
2 **BASE RATES?**

3 A. Yes, a significant portion of the transition costs are related to the implementation
4 of the modernized IT platform, which will be replacing retained assets of CERC that will
5 not be transferred at Closing, as further discussed in the Direct Testimony of Mr.
6 Little. The net book value of these retained assets, including a majority of the IT platform
7 transition costs, are already included in the CERC Louisiana Business base rates and
8 the transition costs will be reduced by the book value of the retained assets during the
9 subsequent rate case.

10 **Q. WHAT HAPPENS AT THE TIME OF THE NEXT BASE RATE CASE?**

11 A. Delta Utilities will provide the Commission with a complete accounting for its
12 actually incurred transition costs and a proposal on how to recover those transition costs
13 booked to the regulatory asset.

14 **Q. WILL THE COMMISSION HAVE THE ABILITY TO REVIEW THE PRUDENCE**
15 **OF THESE INVESTMENTS AND EXPENSES?**

16 A. Yes. These transition costs will be booked to a regulatory asset and will not be
17 included in base rates until a subsequent rate case is filed, as discussed herein. These
18 transition costs, and their corresponding return component and cumulative depreciation
19 expenses that are part of the regulatory asset will be provided to the Commission at the
20 time of the next base rate case. The costs will then be subjected to a prudence review
21 that will include an examination as to their need, an examination of their relevance (i.e.,
22 to assure they are indeed transition related), their overall expenditure levels, their

1 reasonableness, and whether they are used and useful. If the Commission finds that any
2 of these transition costs are not prudent, these costs will not be allowed to be included in
3 retail rates established in the future base rate proceeding. Thus, the creation of this
4 regulatory asset will in no way violate LSPC public interest condition No. 11. The
5 Commission will in no way be weakening nor impeding its jurisdiction or authority to
6 review future transition costs for ratemaking purposes, nor will the creation of this
7 regulatory asset in any way diminish the Commission's authority to audit these transition
8 costs or any other component of these transition costs in the regulatory asset, nor will the
9 creation of a regulatory asset negatively impact the Commission's ability to set fair, just,
10 and reasonable rates.

11 **Q. HOW WILL COSTS BE BOOKED AND AMORTIZED WITHIN THE**
12 **REGULATORY ASSET?**

13 A. Delta Utilities will book its actual transition costs to FERC Account 182.3 ("Other
14 Regulatory Assets) with an initial return consistent with CERC Louisiana Business's
15 authorized return on equity at the time of closing and further subject to change following
16 CERC Louisiana Business's next base rate case.⁶ Only those legitimate transition costs
17 that are attributable to standing up the new utility by Delta Utilities and its service company
18 will be booked into this regulatory asset (FERC Account 182.3). Directly assignable costs
19 will be specifically charged to FERC account 182.3 of each LDC in the Louisiana,
20 Mississippi and City of New Orleans regulatory jurisdictions associated with this Proposed

⁶ Rate Stabilization Plan, Rider RSP-1, CenterPoint Energy Arkla Tariffs, Sheet Nos. 26, et seq. Rate Stabilization Plan, Rider RSP-R4, CenterPoint Energy Entex Tariffs, Sheet Nos. 19, et seq.

Transaction and the Entergy Transaction. Any remaining transition costs common amongst all the LDC's will also be charged to each LDC's FERC account 182.3 based on each LDC's respective share of the common transition costs.

Q. IS DELTA UTILITIES COMMITTED TO REDUCING THE RATE IMPACT OF THESE TRANSITION COSTS TO ITS CUSTOMERS?

A. Yes. It is my understanding that Delta Utilities is committed to minimizing the rate impacts, including pursuing appropriate growth opportunities during the transition period. As discussed in the Direct Testimony of Mr. Jeffrey Yuknis, the Delta Utilities platform will pursue growth through a number of means, including acquisitions like the Proposed Transaction and the Entergy Transaction, and also through organic growth across all Delta Utilities service jurisdictions. Delta Utilities' growth strategy will benefit customers in each of the service territories by enhancing economies of scale, buying power and operational efficiencies, providing more citizens with the option of gas utility service, and enhancing resiliency for the DU LDC service areas. Delta Utilities is committed to minimizing any rate impact of transition costs over time while assuring its opportunity to earn a reasonable rate of return on and of these prudently incurred transition costs consistent with the goals of LPSC public interest commitments Nos. 3 (financial integrity), 4 (service quality), and 14 (physical upgrades to system).

Q. WHY IS APPROVAL OF THE REGULATORY ASSET IN THE PUBLIC INTEREST?

A. Approval of the regulatory asset will facilitate Delta Utilities' ability to pursue its transition plan designed to maintain, modernize and improve service quality for its retail

1 customers. A large portion of proposed transition activities is associated with the
2 implementation of new greenfield IT platforms to replace critical legacy systems being
3 retained by CERC or an affiliate. These systems encompass a new customer care
4 platform (to include, e.g. customer information system, call center operations, billing
5 platform), enterprise resource planning systems ("ERP"), geographic information systems
6 ("GIS"), supervisory control and data acquisition ("SCADA"), network infrastructure and
7 security and other systems. These new IT platforms will additionally be cloud-based,
8 allowing for easy scalability and adaptability as needed in the future. This is in addition
9 to enhanced reliability and resiliency during extreme weather events such as hurricanes
10 and other tropical weather events, and additional security and customer satisfaction
11 benefits. The creation and Commission approval will ensure the goals of LPSC public
12 interest conditions Nos. 3 (financial integrity), 4 (service quality), and 14 (physical
13 upgrades to system) are met.

14 **Q. WHAT ARE YOUR RECOMMENDATIONS REGARDING DELTA UTILITIES'**
15 **REGULATORY ASSET REQUEST?**

16 A. I recommend the Commission approve this Proposed Transaction as well as Delta
17 Utilities' request for a regulatory asset. These proposals are in the public interest and will
18 facilitate enhanced customer service and service reliability for Louisiana ratepayers.

19 **C. Current rate affordability relative to U.S. and regional averages**

20 **Q. ARE THE CERC LOUISIANA BUSINESS RATES HISTORICALLY**
21 **COMPETITIVE?**

1 A. Yes. As proposed, the Proposed Transaction will continue under the existing
2 RSPs, and renewal RSPs, what are historically competitive rates for providing natural gas
3 service to Louisiana customers

4 **D. Current affordability relative to electricity alternatives**

5 **Q. IS NATURAL GAS A MORE EFFICIENT ENERGY RESOURCE RELATIVE TO**
6 **ELECTRICITY?**

7 A Yes. It is well recognized that burning natural gas directly, for space heating, water
8 heating, and other appliance uses, is almost always more efficient than using electricity,⁷
9 which requires a power generation facility to combust a fuel (which at this point in time, is
10 fired, on the margin, by natural gas), incur the losses with this generation, transmit this
11 electricity over high voltage and ultimately lower voltage, transmission and distribution
12 lines, to end users. All of these losses are typically larger, resulting in lower efficiencies,
13 relative to just burning natural gas on-site. Thus, preserving natural gas as an end user
14 energy resource can lead to economic advantages for end users, particularly residential
15 customers.

16 **Q. WILL THE PROPOSED TRANSACTION, IF APPROVED, CONTINUE THIS**
17 **ADVANTAGE FOR LOUISIANA RETAIL RESIDENTIAL CUSTOMERS?**

18 A. Yes. Exhibit DED-3 quantifies the historical advantages natural gas service has
19 had for a typical Louisiana residential customer relative to other electricity end use. Delta

⁷ See, Joseph F. DeCarolus (October 16, 2023), "Winter Fuels Outlook 2023-2024: A supplement to the Short-Term Energy Outlook," U.S. Energy Information Administration; The EIA estimates that the average U.S. residential customer would spend \$460 on natural gas heat compared to electric heat during the 2023-2024 winter heating season.

1 Utilities expects the retail pricing competitive advantage of natural gas as compared to
2 electricity end uses will continue.

3 **E. Total ratemaking benefits and recommendations**

4 **Q. IN SUMMARY, CAN YOU EXPLAIN THE TOTAL RATEMAKING BENEFITS**
5 **CERC LOUISIANA BUSINESS'S RETAIL CUSTOMERS WILL RECEIVE AS A**
6 **RESULT OF THIS PROPOSED TRANSACTION?**

7 **A.** Yes. The following rate commitments will lead to positive acquisition benefits for
8 CERC Louisiana Business's natural gas ratepayers:

- 9 • Delta Utilities is committed to not increasing rates to recover any transition-related
10 costs until such time as it files a base rate case.
- 11 • At the time of Delta Utilities' next base rate case, it will only seek cost recovery
12 for prudently incurred and verifiable transition-related costs.
- 13 • Delta Utilities will not seek cost recovery for any acquisition premium nor any
14 transaction-related costs.
- 15 • The Commission will have the opportunity to review the prudence and
16 reasonableness of all transition-related costs incurred by Delta Utilities to stand
17 up its utility operations.
- 18 • Delta Utilities will "hold" any costs it incurs to stand up its Louisiana natural gas
19 utility operations in a Commission-approved regulatory asset. No costs from this
20 regulatory asset will be passed along to ratepayers until approved by the
21 Commission.
- 22 • The regulatory asset will facilitate Delta Utilities' transition plan, particularly the
23 greenfield IT infrastructure capital investment component of this plan that will
24 provide benefits with respect to scalability and adaptability, resiliency, security,
25 cost efficiency, customer satisfaction and economic development.
- 26 • The Proposed Transaction will not impact retail rates for CERC Louisiana
27 Business's retail gas customers, until such time that Delta Utilities concludes its
28 first base rate case that will be reviewed by the Commission.

- 1 • Delta Utilities intends to step into the shoes of the CERC Louisiana Business and
2 adopt Commission approved rates, rate schedules and riders in effect at the
3 Closing of the Transaction, including RSP Riders and annual RSP filings to
4 maintain the status quo absent the Proposed Transaction.
- 5 • Delta Utilities broader commitment to provide safe, economic, and reliable service
6 will assure that Louisiana retail natural gas customers in a large part of the state
7 receive affordable and competitive natural gas service relative to peer natural gas
8 LDCs and other energy alternatives like electricity.

9 **Q. WHAT ARE YOUR RECOMMENDATIONS RELATIVE TO RATES AND THESE**
10 **RATEMAKING TOPICS YOU HAVE DISCUSSED ABOVE?**

11 A. I recommend the Commission approve the proposed transaction as being in the
12 public interest. Delta Utilities will adopt commission approved rates, rate schedules and
13 riders in effect at the Closing of the Transaction, including RSP Riders and annual RSP
14 filings to maintain the status quo absent the Proposed Transaction and will not include
15 transition-related costs in rates until the time of Delta Utilities' next base rate case. The
16 ratemaking provisions proposed by Delta Utilities will ensure that Louisiana ratepayers
17 are not harmed, and, in fact will continue to receive ongoing benefits of relatively low cost,
18 safe, and reliable natural gas services. The approval of a regulatory asset will support
19 the beneficial transition investments planned by Delta Utilities to meet service quality and
20 reliability requirements and the implementation of a modern and cloud-based technology
21 platform. Collectively, all of these ratemaking provisions will assure that the proposed
22 transaction is in the public interest (LPSC public interest condition No. 1), will assure and
23 improve the financial condition of the remaining public utility (LPSC public interest
24 condition No. 2), will provide both short term and longer term ratepayer benefits through
25 more affordably-priced, reliable, and diverse energy resources (LPSC public interest

condition No. 5); and will continue to support competition by maintaining competitive and diverse resources (LPSC public interest condition No. 6).

V. OTHER BENEFITS

Q. WOULD THE PROPOSED TRANSACTION PROVIDE ADDITIONAL BENEFITS TO LOUISIANA?

A. Yes. In addition to the economic and ratemaking benefits I discussed earlier, the proposed transaction would additionally impart a number of other benefits to Louisiana. These include ongoing environmental benefits due to reduced methane emissions; increased safety and reliability; providing support for competitive natural gas choice; promotion of natural gas as an alternative resource for residential and small commercial customers; support for Louisiana's natural gas industry; and creation of a modern, cloud-based and greenfield IT platform, and increased local-focused business model. In addition to these benefits, Delta Utilities proposes a number of additional benefits to local communities and local economies that will continue upon closing of the Proposed Transaction.

A. Environmental Benefits

Q. PLEASE DISCUSS THE DIRECT ENVIRONMENTAL BENEFITS THAT CUSTOMERS WILL SEE FROM THE PROPOSED TRANSACTION.

A. As noted earlier, Delta Utilities proposes to maintain CERC Louisiana Business's existing and ongoing natural gas pipeline replacement and modernization efforts and will assure many of the same safety, reliability, and environmental benefits seen in these past

1 efforts. Over the past decade, these replacement, repair and modernization activities
2 have led to the avoidance of GHG emissions. While there will likely be diminishing returns
3 from these avoided emissions, as the "most leaky" equipment is replaced first, there are
4 still ongoing and comparable near-term environmental benefits from these activities that
5 will exist under Delta Utilities ownership and operation. This benefit addresses the
6 Commission's public interest factor No. 2 addressing safe, reliable, and adequate service.

7 **B. Safety and Reliability Benefits**

8 **Q. HAVE YOU PREPARED ANY ANALYSES OF CERC LOUISIANA BUSINESS'S**
9 **PIPELINE INVENTORY, PIPELINE REPLACEMENT RATES, AND LEAK**
10 **PERFORMANCE?**

11 A. Yes. I have prepared two exhibits (Exhibits DED-4 to Exhibit DED-5) that examine
12 CERC Louisiana Business's inventory of leak-prone mains and services, as well as the
13 leak rates associated with these facilities. These exhibits also provide a comparison of
14 CERC Louisiana Business's inventories and leak trends to a group of regional natural gas
15 distribution utilities.

16 **Q. WHAT IS THE SOURCE OF THE DATA YOU USED FOR YOUR ANALYSIS?**

17 A. I utilized data from the Pipeline Hazardous Materials Safety Administration
18 ("PHMSA"), Office of Pipeline Safety ("OPS"). The OPS collects a variety of information
19 from pipeline operators under its jurisdiction in accordance with federal pipeline safety
20 regulations. This annual data is required by 49 CFR 191.11, which states that:

21 ...each operator of a distribution pipeline system shall submit
22 an annual report for that system on Department of
23 Transportation Form PHMSA F 7100.1-1. This report must be

submitted each year, no later than March 15, for the preceding calendar year.⁸

Some of the information submitted in this report is provided to the public, including the "Distribution, Transmission, and Liquid Annual Data" that was used in this analysis.⁹

Q. WHAT IS THE RESULT OF YOUR ANALYSIS?

A. Exhibits DED-4 and DED-5 show that CERC Louisiana Business's operations currently has 1,261 known leaks present on its system as of the end of 2023, a 28.4 percent reduction from the 1,761 known leaks present on its system as of the end of 2017. This corresponds to a 60.8 percent reduction in bare steel mains present on CERC Louisiana Business's system at the end of 2023 as compared to 2017, from 34.4 miles at the end of 2017 to only 13.5 miles by the end of 2023, and a 96.4 percent reduction in at-risk steel services, from 13,162 services at the end of 2017 to only 476 such services at the end of 2023. Delta Utilities is committed to maintaining this improved performance. This commitment supports the Commission's public interest factor No. 2 in providing safe, reliable and adequate service.

Q. HAVE YOU EXAMINED CERC LOUISIANA BUSINESS'S PIPE COMPOSITION?

A. Yes. Exhibit DED-5 shows that CERC Louisiana Business's mains inventory is comprised primarily of plastic (42 percent) and cathodically protected steel (58 percent).

⁸ 49 CFR 191.11.

⁹ See, Gas Distribution, Gas Gathering, Gas Transmission, Hazardous Liquids, Liquefied Natural Gas (LNG), and Underground Natural Gas Storage (UNGS) Annual Report Data, Pipeline and Hazardous Materials Safety Administration, available online at: "<https://www.phmsa.dot.gov/data-and-statistics/pipeline/gas-distribution-gas-gathering-gas-transmission-hazardous-liquids>."

CERC Louisiana Business's service lines are comprised of 45 percent plastic, 41 percent cathodically protected steel, and 13 percent other materials.¹⁰

Q. WHAT CONCLUSIONS DO YOU REACH FROM THIS ANALYSIS.

A. CERC Louisiana Business has maintained an active program of pipeline replacement and modernization that has consistently reduced annual leaks and leak inventories. Delta Utilities is committed to maintaining these practices and assuring safe and reliable service, consistent with LPSC public interest factor No. 4 addressing service quality and No. 14 addressing continued physical system upgrades.

C. Competitive Natural Gas Options.

Q. HAVE YOU REVIEWED THE CURRENT SALES COMPOSITION OF CENTERPOINT LOUISIANA BUSINESS RELATIVE TO OTHER REGIONAL LDCS?

A. Yes. Exhibit DED-6 analyzes the reported volumes associated with competitive transport customers as a share of total volumes for the years 2010 through 2022. Exhibit DED-6 shows that while transport customers accounted for 17.4 percent of total volumes in 2010, this grew to 26.2 percent as of 2022. This robust percentage of competitive transport customers seen on CERC's system is consistent with the percentage of competitive service volumes on other regional systems, which averages 26 percent in the region in 2022.

Q. WILL THE PROPOSED TRANSACTION MAINTAIN EXISTING COMPETITIVE SERVICE TARIFFS?

¹⁰ Note that components may not sum to 100 percent due to the presence of rounding.

1 A. Yes. Delta Utilities proposes to maintain all tariff obligations as part of the
2 Proposed Transaction. This includes current competitive service obligations to customers
3 taking service through transport tariffs. This means that the transaction, if approved, will
4 continue to maintain competitive options through the use of transportation services in
5 CERC Louisiana Business's service territory. Delta Utilities' commitment to maintaining
6 these tariff options, that facilitate retail competition, supports the Commission's public
7 interest factor No. 6 (competition).

8 **D. Natural Gas Resource Benefits.**

9 **Q. DOES NATURAL GAS PROVIDE ECONOMIC BENEFITS TO CUSTOMERS**
10 **WHEN COMPARED TO ELECTRICITY?**

11 A. Yes. Natural gas generally is more efficient than electricity due to electricity
12 delivery having comparably high line losses when compared to any losses associated
13 with the delivery of natural gas to end use customers. As shown in Exhibit DED-3, this
14 efficiency in delivery also translates into increased economic efficiency of natural gas
15 relative to electricity. I estimate that the average Louisiana residential customer will save
16 \$412 per year using natural gas for space heating relative to electric-resistance heating.
17 Likewise, I estimate that the average Louisiana residential customer will save \$421 per
18 year using natural gas for water heating relative to an electric water heater. Having a
19 Louisiana-owned natural gas business active and viable in the state will support the
20 competitive energy resource options that should be part of LPSC public interest factor
21 No. 6 competition considerations.

1 **Q. WILL THE CONTINUED AVAILABILITY OF NATURAL GAS TO LOUISIANA**
2 **RATEPAYERS PROVIDE ADDITIONAL ECONOMIC BENEFITS TO LOUISIANA?**

3 A. Yes. In 2022, the State of Louisiana produced and marketed more than 4,070
4 billion cubic feet ("BCF") of natural gas statewide.¹¹ This generated more than \$125
5 million in severance tax revenues for the State of Louisiana in 2022. Louisiana is the third
6 largest state in the U.S. in natural gas production and reserves.¹² Further, EIA recently
7 found that most intrastate natural gas infrastructure development occurred in states with
8 a large natural gas production sector including Louisiana. Thus, natural gas upstream
9 and midstream activities are important aspects of the Louisiana economy. This Proposed
10 Transaction, if approved, will support the development of a Louisiana-owned and
11 managed utility, with headquarters in Louisiana, and will further support the overall
12 Louisiana natural gas economy, which is a very important part of our broader energy
13 economy and, in turn will positively impact LPSC public interest factor No. 10 addressing
14 local and state economic benefits.

15 **Q. ARE THERE ANY OTHER BENEFITS ARISING FROM HAVING AFFORDABLE**
16 **NATURAL GAS RESOURCES FOR LOUISIANA END USERS?**

17 A Yes. As the Commission is well aware, Louisiana is often subjected to repeated,
18 and often devastating natural disasters, particularly tropical activity. Louisiana has seen

¹¹ Louisiana Energy Facts and Figures, Louisiana Department of Energy and Natural Resources, Facts Annual Table 13.

¹² Energy Information Administration, "natural gas gross withdrawals."

1 as many as 33 different tropical storm emergency declarations alone since 1990.¹³ This
2 tropical activity results in considerable electric system outages, some of which can last
3 weeks. Natural gas provides the fuel for backup generators at schools, hospitals,
4 emergency shelters, and residential structures. In fact, nation-wide, the proliferation of
5 home generator installations over the past decade has been considerable and Louisiana
6 is no exception to this trend. This transaction will help to maintain natural gas as a
7 resource for assuring reliable basic services for many households and communities
8 supporting LPSC public interest condition No. 4 on service quality.

9 **E. Greenfield & Cloud-Based Technology Platform**

10 **Q. IS DELTA UTILITIES PROPOSING ANY CAPITAL INVESTMENTS TO**
11 **SUPPORT ITS PROPOSED ACQUISITION OF CERC LOUISIANA BUSINESS'S**
12 **NATURAL GAS DISTRIBUTION ASSETS?**

13 A. Yes. As part of its proposals to stand up a new utility in place of CERC Louisiana
14 Business, as well as CERC Mississippi Business and the LDCs of the proposed October
15 2023 Entergy Transaction, Delta Utilities is proposing to implement modernized, cloud-
16 based and greenfield IT platforms to replace systems being retained by CERC or an
17 affiliate and encompassing a new customer care platform (to include, e.g. customer
18 information system, call center operations, billing platform), enterprise resource planning
19 systems ("ERP"), geographic information systems ("GIS"), supervisory control and data
20 acquisition ("SCADA"), network infrastructure and security and other systems. The new

¹³ Federal Emergency Management Agency ("FEMA"). "Disaster Declarations for States and Counties."

1 IT infrastructure will be cloud-based, which will allow for meaningful cost synergies as
2 well as ease of future scalability and adaptability as the needs of the utility change over
3 time. The proposed cloud-based system will also provide additional security over
4 physically-based (on premises) systems, as well as reliability and resiliency during severe
5 weather events such as hurricanes and other tropical weather events.

6 **Q. WILL THE PROPOSED NEW IT SYSTEM ALSO PROVIDE ECONOMIC**
7 **BENEFITS TO LOUISIANA?**

8 A. Yes. While some technical roles required to build out the initial environments will
9 be temporary and not viable as sustained permanent hires, Delta Utilities partner,
10 Accenture is committing to its own long-term investment in Louisiana as part of the
11 Proposed Transaction and the October 2023 proposed Entergy Transaction. Specifically,
12 Accenture proposes to establish a new office in New Orleans with local high-paying
13 technology professionals. In this manner, the proposed new IT platform will create
14 positive new benefits for Delta Utilities customers as envisioned in LPSC public interest
15 factor No. 4 addressing quality of service and the State of Louisiana with respect to LPSC
16 Condition No. 10 addressing local and state economic benefits.

17 **F. Call Center and Employee Retention**

18 **Q. HAS DELTA UTILITIES MADE ANY COMMITMENT TO A LOCAL CALL**
19 **CENTER ASSOCIATED WITH THE PROPOSED TRANSACTION?**

20 A. Yes. Delta Utilities will stand-up and staff a new customer call center located in
21 the service area to support customers associated with the Proposed Transaction (CERC
22 Louisiana Business and CERC Mississippi Business) and the proposed October 2023

1 Entergy Transaction. This proposed call center will take the place of existing operations
2 and activities currently performed and being retained by CERC or an affiliate, as well as
3 those activities and operations being performed and retained in connection with the
4 proposed October 2023 Entergy Transaction.

5 **Q. HAS DELTA UTILITIES MADE ANY COMMITMENT REGARDING EXISTING**
6 **EMPLOYEE RETENTION?**

7 A. Yes. Delta Utilities has committed, as part of the Proposed Transaction, to offer
8 employment to and retain approximately 350 employees of CERC Louisiana Business
9 who are primarily involved in the CERC Louisiana Business with a substantially similar
10 level of, but no less beneficial than, their current pay and benefits, which I conclude is fair
11 and reasonable to CERC Louisiana Business's employees and addresses LPSC public
12 interest factor No. 8 addressing public utility employees. These employees would be
13 employed by Delta Utilities or an affiliate company.

14 **Q. WHAT CONCLUSIONS DO YOU REACH FROM THESE TECHNOLOGY**
15 **INVESTMENTS?**

16 A. These investments will lead to both economic benefits but will also have "other"
17 benefits that are more difficult to quantify. These other benefits include additional
18 technology investment in the Louisiana economy, continued contributions to workforce
19 and labor development opportunities, and enhanced customer service and customer
20 service experiences. Collectively, these all contribute positively to LPSC public interest
21 factor No. 4 on quality of service.

1 VI. CONCLUSIONS AND RECOMMENDATIONS

2 Q. WHAT ARE YOUR FINDINGS REGARDING THE PROPOSED
3 TRANSACTION'S ECONOMIC BENEFITS?

4 A. The Proposed Transaction will generate considerable economic benefits through
5 Delta Utilities' commitment to continue CERC's Louisiana and Mississippi Businesses. In
6 addition, Delta Utilities is committed to the development and implementation of a
7 greenfield IT investment that will have considerable qualitative and quantitative ratepayer
8 benefits. Relative to new jobs created in the standing up of the utility alone, I estimate a
9 total employment impact of up to 442 jobs, \$168.4 million in total economic output; \$86.5
10 million in value added, and \$30.1 million in labor income.¹⁴ These figures are "total"
11 employment impacts solely attributable to the up to 100 new direct positions, as well as
12 all the "multiplier" (*i.e.*, indirect and induced impacts) created by Delta Utilities' new
13 employment activities. Importantly, this estimate is conservative since it does not include
14 jobs related to Delta Utilities proposed IT investment, the approximately 350 retained
15 CERC Louisiana Business employees, or its commitment to continued capital
16 improvement throughout the acquired CERC service territory. Thus, the Proposed
17 Transaction will have positive impacts on local economies and the Louisiana economy as
18 identified in LPSC public interest condition No. 10.

¹⁴ Economic output, value added, and labor income are all independent measures that cannot be summed. Economic output can be thought of as total economic purchases and demands while value added is a measure of state gross domestic product ("GDP").

1 **Q. ARE THERE ANY OTHER IMPORTANT ECONOMIC OUTCOMES THE**
2 **COMMISSION SHOULD CONSIDER WITH THIS PROPOSED TRANSACTION?**

3 A Yes. While the Proposed Transaction would provide significant benefits on its own,
4 the October 2023 proposed Entergy Transaction would collectively result in great
5 economic benefits to Louisiana. Together, these transactions will create a new multi-
6 state natural gas utility valued at approximately \$1.7 Billion with approximately 600,000
7 customers and 900 employees. This new natural gas utility will be headquartered in
8 Louisiana, bringing home the ownership and management of an important energy
9 company to Louisiana. Having a large, Louisiana-owned and operated natural gas utility,
10 that has the continued opportunity to grow and expand, represents a considerable
11 economic development opportunity for the state. For decades, Louisianians have seen
12 far too many energy-related corporate and regional offices move out of the state simply
13 to locate on the other side of the Sabine River. This is an important opportunity to bring
14 some of those jobs and economic benefits back home to Louisiana. The Commission
15 should keep this consideration in mind in evaluating the overall public interest
16 considerations of this transaction.

17 **Q. ARE THERE OTHER BENEFITS THE COMMISSION SHOULD CONSIDER IN**
18 **EVALUATING THE PROPOSED TRANSACTION?**

19 A. Yes. The Proposed Transaction, if approved, will result in several other benefits
20 addressing important LPSC public interest factors and conditions. For instance, the
21 Proposed Transaction's continuation of CERC Louisiana Business's improved leak
22 performance will reduce potentially dangerous methane leaks that can combust and lead

1 to service interruptions and potential accidents. Methane leaks from faulty pipelines and
2 natural gas equipment can also serve as a very potent GHG emission source. The
3 avoidance of these methane leaks addresses LPSC public interest condition No. 2 (safe
4 and reliable service) and No. 4 (service quality). Delta Utilities is committed to maintaining
5 current tariffs including CERC Louisiana Business's transportation service tariffs that
6 facilitate retail competition and energy choice for energy users thereby addressing LPSC
7 condition No. 6 (competition). The Proposed Transaction would continue, and potentially
8 grow, the opportunity for the use of natural gas as an energy resource thereby supporting
9 Louisiana's important natural gas industry and continued resource competition (condition
10 No. 6), public benefits (conditions No. 1 and No. 2), and local economic benefits (condition
11 No. 10). The transaction will also include technology improvements, inclusive of a
12 modern and cloud-based greenfield IT platform and business model supporting LPSC
13 public interest condition No. 2 (safe and reliable service), No. 4 (service quality), and No.
14 15 (infrastructure repairs). Lastly, this Proposed Transaction, if approved will create a
15 new natural gas utility headquartered in Louisiana employing approximately 600 workers
16 (up to approximately 100 new jobs), and when combined with the October 2023 proposed
17 Entergy Transaction approximately 900 workers (up to approximately 200 new jobs). This
18 will help local communities and the state's economy (condition No. 10).

19 **Q. WHAT ARE YOUR OVERALL RECOMMENDATIONS TO THE COMMISSION?**

20 A I recommend the Commission approve this Proposed Transaction as well as Delta
21 Utilities' proposed ratemaking conditions including its request for a regulatory asset. The
22 Proposed Transaction and its component ratemaking proposals will collectively continue

1 rates that are fair, just, and reasonable, as well as continue service that is safe, reliable,
2 and adequate. The Proposed Transaction will also result in an overall policy outcome
3 that is in the public interest, beneficial to state and local economies, will facilitate
4 continued energy competition, facilitates energy resource diversity, supports Louisiana's
5 important energy economy particularly in natural gas production and transportation.

6 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

7 **A. Yes.**