

**BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION**

***EX PARTE:* APPLICATION OF)
ENTERGY LOUISIANA, LLC, FOR)
APPROVAL OF THE MAGNOLIA)
CAPACITY CREDIT PURCHASE)
AGREEMENT, COST RECOVERY,)
AND RELATED RELIEF)**

DOCKET NO. U-37193

**DIRECT TESTIMONY
OF
RYAN D. JONES

ON BEHALF OF
ENTERGY LOUISIANA, LLC**

MAY 2024

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EXHIBIT LIST

Exhibit RDJ-1	List of Prior Testimony
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I. INTRODUCTION

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

A. My name is Ryan D. Jones. I am employed by Entergy Louisiana, LLC (“ELL” or the “Company”) as a Manager, Regulatory Affairs. My business address is 4809 Jefferson Highway, Jefferson, Louisiana 70121.

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

A. I am testifying before the Louisiana Public Service Commission (“LPSC” or the “Commission”) on behalf of ELL.

Q3. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I hold a Bachelor of Science in Management degree with a major in Finance from Tulane University in New Orleans, Louisiana. I also hold a Master of Management in Energy from Tulane University. I began working for Entergy Services, LLC (“ESL”) in 2015 as a Financial Analyst, and, in that role, I maintained the budget and components of the financial model and provided additional support for utility operations support groups within ESL. In 2018, I transferred to work for Louisiana Regulatory Affairs and have accepted roles of increasing responsibility since that time. In my current capacity as Manager, Regulatory Affairs, I am responsible for providing regulatory support services to ELL and for coordinating various dockets and filings before the LPSC. I am also responsible for providing insight and guidance to various organizations across ELL and ESL on regulatory matters and compliance with Orders of the Commission.

1 Q4. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

2 A. Yes. A list of my prior testimonies is attached as Exhibit RDJ-1.

3

4 Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

5 A. My testimony supports ELL's Application for approval of its capacity credit purchase
6 agreement ("Magnolia CCPA") for 290 megawatts ("MW") of capacity-related benefits
7 (Midcontinent Independent System Operator, Inc. ("MISO") Zonal Resource Credits
8 ("ZRCs") or "Capacity Credits") from the Magnolia Power Generating Station, a
9 combined-cycle gas turbine ("CCGT") generation facility located in Iberville Parish,
10 Louisiana (the "Magnolia Facility"), and the relief requested therein. Specifically, my
11 testimony:

- 12 1. Sets forth the regulatory approvals that are required pursuant to the applicable
13 Commission Orders;
- 14 2. Explains that the Company's request for approval of the Magnolia CCPA complies
15 with the applicable Commission Orders, including the Commission's General
16 Order dated September 20, 1983 (the "1983 General Order"),¹ and how ELL has
17 complied with the LPSC's General Orders and requirements regarding market

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

1 testing, including the Commission's Market-Based Mechanisms General Order

2 ("MBM Order"), to the extent applicable;²

3 3. Discusses the reasons, as also supported by other witnesses, that the Magnolia
4 CCPA serves the public interest;

5 4. Explains the Company's requested cost recovery treatment for the Magnolia
6 CCPA;

7 5. Discusses the different approvals that ELL is seeking related to potential financial
8 implications resulting from the Magnolia CCPA; and

9 6. Introduces the other witnesses.

10
11 **II. COMPLIANCE WITH COMMISSION ORDERS**

12 Q6. WHAT COMMISSION ORDERS RELATE TO THE CERTIFICATION OF THE
13 MAGNOLIA CCPA?

14 A. The first LPSC Order implicated by the proposed Magnolia CCPA is the Commission's
15 1983 General Order. The second is the Commission's MBM Order. The third is the
16 Commission's Unsolicited Offers General Order.³ I will address each order below.

17

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

³ LPSC General Order dated October 15, 2008, in Docket No. R-30703, *In re: Consideration of procedures whereby jurisdictional electric utilities must provide the Commission Staff with notice of unsolicited offers, as well as their response to, and analysis of, unsolicited offers*.

1 Q7. PLEASE DESCRIBE THE RELEVANT CONSIDERATIONS WITH RESPECT TO
2 THE 1983 GENERAL ORDER.

3 A. The 1983 General Order requires any Commission-jurisdictional electric public utility that
4 proposes to construct or acquire capacity or enter into a contract for the purchase of
5 capacity or energy (other than emergency or economy energy) to apply to the Commission
6 for certification that the public convenience and necessity would be served through the
7 proposed construction, acquisition, or contract. The 1983 General Order also requires that
8 applications submitted pursuant to that order shall include the specific data used by the
9 utility in the justification of the acquisition, construction, or purchased power agreement,
10 an itemized projection of the total costs, and, in the case of a contract, the proposed contract
11 in its entirety. The 1983 General Order then provides that the Commission shall schedule
12 a public hearing promptly, and render its decision within 120 days of the filing date for
13 acquisitions and long-term purchase power agreements.

14
15 Q8. DOES THE COMPANY'S APPLICATION COMPLY WITH THE 1983 GENERAL
16 ORDER?

17 A. Yes. As I explain below, the Magnolia CCPA is in the public interest because it helps to
18 ensure that the Company is able to satisfy its need for capacity to meet its MISO resource
19 adequacy and long-term resource planning requirements in the near term while limiting the
20 Company's overall commitment and exposure, thereby allowing ELL to explore additional
21 options with potentially longer lead times to serve future needs. Thus, as explained by
22 Company witnesses Shawn D. Allen and Phong D. Nguyen, the Magnolia CCPA furthers
23 ELL's resource planning objectives of providing reliable service to its customers at the

1 lowest reasonable cost and in a manner consistent with principles of prudent resource
2 planning.

3
4 Q9. PLEASE DESCRIBE THE RELEVANT CONSIDERATIONS WITH RESPECT TO
5 THE SECOND LPSC ORDER YOU REFERENCED, THE MBM ORDER.

6 A. On October 29, 2008, the Commission adopted the current version of the MBM Order,
7 establishing various procedures and requirements for the market testing of proposed
8 capacity acquisitions. The MBM Order augments the procedures of the 1983 General
9 Order and generally requires a utility proposing to acquire or build new generating capacity
10 to “employ a market-based mechanism” consisting of a “Request for Proposal (‘RFP’)
11 competitive solicitation process.”⁴ The purpose of a market-based mechanism is to provide
12 the results and analysis to serve as part of the “justification” required by the 1983 General
13 Order.⁵ In addition to setting forth the generally-applicable RFP process, the MBM Order
14 identifies multiple instances when a formal RFP process is not required,⁶ and it further
15 provides that “the utility can propose an alternative market-based mechanism or procedure
16 if it can demonstrate that a formal RFP would not be in the public interest.”⁷

17

⁴ MBM Order, at Ordering Paragraph 1.

⁵ *Id.*

⁶ *Id.* at Ordering Paragraph 2.

⁷ *Id.* at Ordering Paragraph 3.

1 Q10. DOES THE MAGNOLIA CCPA FALL WITHIN THE MBM ORDER'S LIST OF
2 GENERATING CAPACITY CONTRACTS THAT DO NOT REQUIRE THE FORMAL
3 USE OF AN RFP PROCESS?

4 A. In my view it arguably does. Included within the MBM Order's listed capacity investments
5 or contracts that do not require formal use of a market-based mechanism in the form of an
6 RFP are contracts involving "resources that have been previously certified by Commission,
7 but subsequently changing in status..."⁸ As I discuss below, a power purchase agreement
8 from the Magnolia Facility already has been certified by the Commission in LPSC Docket
9 No. U-35927. Thus, the Commission and LPSC Staff are in a position to determine if the
10 Magnolia CCPA is price-competitive and in the public interest based on the proceedings
11 and record in that docket involving the Commission's approval of a capacity sale and
12 tolling agreement involving the Magnolia Facility, which record may supplement and
13 provide relevant information to support the Staff's assessment of the Company's analysis
14 presented in the Direct Testimony of Mr. Nguyen in this proceeding. Considering those
15 circumstances, the Magnolia CCPA reasonably should not require the formal use of an
16 RFP process to market test the cost of the proposed contract prior to certification, consistent
17 with the MBM Order. I also recognize that the Commission and the LPSC Staff may
18 interpret the "status change" terminology in the MBM Order differently and may not
19 consider an allocation of available capacity credits from a previously certified resource as
20 a change in its status. While I respectfully disagree, I believe that the evidence presented

⁸ *Id.* at Ordering Paragraph 2.g.

1 in this Application and supported by the Company's witnesses demonstrates that an
2 exemption from the MBM Order, if deemed necessary, is also in the public interest.
3

4 Q11. PLEASE DESCRIBE THE COMMISSION'S UNSOLICITED OFFERS GENERAL
5 ORDER.

6 A. The LPSC has, under the Unsolicited Offers General Order, exempted from the MBM
7 Order's RFP process some unsolicited offers. While the LPSC strongly encourages
8 resource procurements by jurisdictional electric utilities through the use of a structured and
9 systematic competitive bidding process such as an RFP, the Unsolicited Offers General
10 Order acknowledges that unsolicited offers may be received, evaluated, and accepted or
11 rejected by the utility outside of the competitive process, with the emphasis being on
12 whether transacting on the unsolicited offer would provide savings to customers. In other
13 words, utilities should not reject otherwise attractive resource opportunities merely because
14 they arise outside of a formal utility-initiated RFP process.
15

16 Q12. DOES THE UNSOLICITED OFFERS GENERAL ORDER APPLY TO THE
17 MAGNOLIA CCPA?

18 A. The Magnolia CCPA resulted from ELL's participation in an unsolicited bid event which
19 is structured differently from an unsolicited offer made to a single utility. But the rationale
20 underlying the Unsolicited Offers General Order aligns with ELL's pursuing, and
21 ultimately negotiating through an arms' length process, the Magnolia CCPA. Let me
22 explain. In this case, ELL did not receive an unsolicited offer for Capacity Credits from
23 the Magnolia Facility; however, it did receive an unsolicited invitation to submit an offer

1 in an August 2023 RFP issued by Kindle Energy LLC (“Kindle”), an unaffiliated third
2 party, which solicited bids for capacity, energy, or bundled energy and capacity from the
3 Magnolia Facility (“2023 Kindle RFP”). In this way, the 2023 Kindle RFP did involve a
4 competitive, market-based process, albeit one originating from the seller’s side.

5 In addition, ELL’s economic analysis (based on which the Company calculated its
6 offer submitted in the 2023 Kindle RFP) indicated that the Magnolia CCPA would provide
7 net benefits to customers. Specifically, as explained by Company witnesses Mr. Allen and
8 Mr. Nguyen, the Company has a large projected capacity deficit, and the Magnolia CCPA
9 will effectively provide approximately 290 MW of seasonal accredited capacity and help
10 ELL reach its resource adequacy requirement at a cost below what ELL would need to
11 otherwise build and without the capital requirements associated with building a new
12 Combustion Turbine (“CT”). Once ELL’s bid was selected, ELL went through an arms’
13 length negotiation process to reach agreement on the terms of the final Magnolia CCPA.
14 In this way, ELL’s pursuing the Magnolia CCPA aligns with the rationale underlying the
15 Commission’s Unsolicited Offers General Order, including the emphasis on providing
16 savings to customers when unsolicited opportunities to procure economic capacity arise.

17
18 Q13. IS THE COMPANY SEEKING ANY EXEMPTION FROM THE MBM ORDER OR
19 THE UNSOLICITED OFFERS GENERAL ORDER?

20 A. The Company does not believe that an exemption is required in this case. Instead, the
21 Company seeks Commission confirmation that its transacting on the Magnolia CCPA is
22 consistent with all three LPSC Orders referenced above: the 1983 General Order, the MBM
23 Order, and the Unsolicited Offer General Order. The purpose of a formal utility-led RFP

1 process outlined in the MBM Order is to demonstrate that a proposed resource addition
2 represents a lowest reasonable cost alternative, consistent with the goal of the 1983 General
3 Order of ensuring that the procurement of new capacity is in the public interest. As Mr.
4 Allen describes in detail, because the Magnolia CCPA will provide net benefits to
5 customers and the Commission already has certified the Magnolia Facility (as I discuss
6 below), an RFP is not necessary to demonstrate that the Magnolia CCPA is in the public
7 interest and consistent with the purpose of both the MBM and Unsolicited Offer Orders.
8 Moreover, as demonstrated by the results of the economic evaluation conducted by Mr.
9 Nguyen, the Magnolia CCPA transaction is a reasonably-priced capacity transaction
10 relative to ELL's alternative capacity cost, providing economic value to customers while
11 also helping ELL meet its planning requirements while providing stable-priced capacity.

12 Nevertheless, if the Commission determines that a formal exemption to any LPSC
13 Order referenced in my testimony is necessary in this proceeding, the Company requests
14 such an exemption and believes that the evidence presented demonstrates that such an
15 exemption is in the public interest. As ELL has discussed at recent LPSC meetings,⁹
16 compliance with the LPSC's rules and orders is placing LPSC-jurisdictional utilities at a
17 competitive disadvantage to procure a finite and diminishing amount of existing resources
18 in MISO South and LRZ 9. In today's capacity market, it was reasonable and prudent for
19 ELL to participate in an unsolicited bid event conducted by Kindle to have an opportunity
20 to procure existing capacity at a cost below a new build CT cost.

21

⁹ See, e.g., Transcript of LPSC Business & Executive Meeting Held on March 27, 2024 at 37-51.

1 **III. PUBLIC INTEREST**

2 Q14. YOU INDICATED PREVIOUSLY THAT YOU WOULD DISCUSS WHY, IN YOUR
3 OPINION, THE COMPANY'S APPLICATION IS IN THE PUBLIC INTEREST.
4 WHAT IS THE PUBLIC INTEREST?

5 A. This is not a new concept, and the public interest standard has been discussed by many
6 witnesses in many proceedings before the Commission. Put simply, the public interest is
7 that which is thought to best serve everyone; it is the common good. If the net effect of a
8 decision is believed to be positive or beneficial to society as a whole, it can be said that the
9 decision serves the "public interest."

10 Public utilities in general, and electric utilities in particular, affect nearly all
11 elements of society. Public utilities have the ability to influence the cost of production of
12 the businesses that are served by them, to affect the standard of living of their customers,
13 to affect employment levels in the areas they serve, and to affect the interests of their
14 investors. In sum, public utilities affect the general level of economic activity and social
15 well-being in the state.

16 In determining whether a particular decision or policy is in the public interest, there
17 is no immutable law or principle that can be applied. While the public interest is often
18 defined in terms of "net benefits," such a test or standard merely substitutes one expression
19 for another. The difficulty is in defining and, if possible, quantifying the "net benefits."

20 It is recognized that "net benefits" cannot simply be defined as lower prices. For
21 example, if lower prices are achieved through a reduction in the reliability or quality of
22 service, it may very well be perceived that the lower prices have not produced net benefits.
23 Similarly, higher prices might not produce negative net benefits or detriments. For

1 example, if an existing price is low due to a cross-subsidy, removing that subsidy would
2 raise that price, but doing so would not necessarily be detrimental. While I am not an
3 attorney, I understand that the Louisiana Supreme Court reached just such a conclusion in
4 *City of Plaquemine v. Louisiana Public Service Commission*, 282 So. 2d 440 (La. 1973),
5 when it found that:

6 The entire regulatory scheme, including increases as well as decreases in
7 rates, is indeed in the public interest, designed to assure the furnishing of
8 adequate service to all public utility patrons at the lowest reasonable rates
9 consistent with the interest both of the public and of the utilities.

10
11 Thus, the public interest necessity in utility regulation is not offended, but
12 rather served by reasonable and proper rate increases notwithstanding that
13 an immediate and incidental effect of any increase is improvement in the
14 economic condition of the regulated utility company.¹⁰

15
16 Objective measurement of how a decision affects the public interest is problematic
17 at best. For decades, regulatory decision-making has been tested in the courts by a
18 balancing-of-interests standard. In these cases, beginning with *Federal Power Commission*
19 *v. Hope Natural Gas Company*, 320 U.S. 591, 660 (1944), the courts have found that if the
20 regulatory body's decision reflected a reasonable balancing of customer and investor
21 interests, the decision was to be affirmed as just and reasonable.

22 In sum, determining whether a decision is in the "public interest" requires a
23 balancing of the various effects of a particular course of action measured subjectively over
24 the longer run. Whether a course of action is in the public interest will depend upon factors
25 that are potentially quantifiable on an estimated basis, such as likely changes in costs, as
26 well as upon other factors that are not quantifiable, such as the effect of that course of

¹⁰ *Id.* at 442-43.

1 action on the robustness of a competitive market. Finally, while witnesses can provide
2 facts and opinions that bear on this issue, the decision-maker, the Commission, in the first
3 instance must ultimately determine whether a utility's proposal is in the public interest.
4

5 Q15. IN YOUR OPINION, IS THE MAGNOLIA CCPA IN THE PUBLIC INTEREST?

6 A. Yes. I base this opinion on several factors discussed in detail by Company witnesses Mr.
7 Allen and Mr. Nguyen in their Direct Testimonies. As they discuss, ELL submitted an
8 offer in the 2023 Kindle RFP. ELL's offer was for 290 MW of Capacity Credits with a
9 10-year term, commencing on June 1, 2025. The offer was shortlisted on November 3,
10 2023, and ELL subsequently executed the Magnolia CCPA with Magnolia Power, LLC
11 ("Magnolia Power"), a subsidiary of Kindle.

12 As discussed by Mr. Allen, ELL has a need for capacity to meet its MISO resource
13 adequacy and long-term resource planning requirements and continues to explore all
14 reasonable opportunities to fill this need. Since the Magnolia Facility is currently under
15 construction with a scheduled commercial operation date in 2025, the 2023 Kindle RFP
16 provided ELL with an opportunity to procure capacity on a timely basis. Moreover, the
17 10-year term of the Magnolia CCPA provides ELL with the assurances needed to help
18 support its requirements in the near term while limiting the overall commitment and
19 exposure, thus allowing ELL to explore additional options with potentially longer lead
20 times to serve future needs. The Magnolia CCPA thus furthers ELL's resource planning
21 objectives of providing reliable service to its customers at the lowest reasonable cost and
22 in a manner consistent with principles of prudent resource planning, which Mr. Allen
23 discusses in detail.

1 Additionally, as Mr. Nguyen explains, the pricing of the Magnolia CCPA resulted
2 from the Company's assessment of the value of the Magnolia CCPA, which supported the
3 bid price recommendation for ELL to submit into the 2023 Kindle RFP. Specifically,
4 ELL's economic analysis indicated that the Magnolia CCPA would provide net benefits to
5 customers.

6 I also explain above that the Magnolia CCPA is consistent with the requirements
7 of the Commission's 1983 General Order and consistent with the purpose of both the MBM
8 and Unsolicited Offer General Orders.

9 For all of these reasons, it is my opinion that the Magnolia CCPA is in the public
10 interest, and the Company requests that the Commission so find.

11
12 Q16. YOU MENTIONED THAT THE COMMISSION ALREADY HAS APPROVED A
13 CAPACITY SALE AND TOLLING AGREEMENT INVOLVING THE MAGNOLIA
14 FACILITY. PLEASE ADDRESS THAT APPROVAL AND EXPLAIN WHY IT IS
15 RELEVANT TO THE COMPANY'S APPLICATION IN THIS DOCKET.

16 A. The Magnolia Facility is an approximately 700 MW natural gas-fired CCGT that is
17 anticipated to be clean, flexible, and highly efficient, located near Plaquemine in Iberville
18 Parish, Louisiana. Magnolia Power already has a capacity sale and tolling agreement in
19 place to supply approximately 400 MW of CCGT capacity from the Magnolia Facility over
20 a 20-year term to the 1803 Electric Cooperative, Inc. ("1803"), a generation and
21 transmission cooperative with five members: Beauregard Electric Cooperative, Inc.;
22 Claiborne Electric Cooperative, Inc.; Northeast Louisiana Power Cooperative, Inc.; South

1 Louisiana Electric Cooperative Association; and Washington-St. Tammany Electric
2 Cooperative, Inc.¹¹

3 In its Order approving and certifying 1803's capacity sale and tolling agreement
4 with Magnolia Power in Docket U-35927, the Commission determined that the agreement
5 served the public convenience and necessity and was in the public interest.¹² The
6 Commission found that "Magnolia will be a highly efficient CCGT located in proximity to
7 the critically-constrained MISO South Zone 9 load pocket known as 'Amite South' and as
8 such, will assist the reliability of the MISO South region."¹³ This same finding applies to
9 the Magnolia CCPA between ELL and Magnolia Power. Moreover, and importantly, as I
10 noted above, based on the proceedings in LPSC Docket No. U-35927, the Commission and
11 LPSC Staff are in a position to determine if the Magnolia CCPA also is price-competitive
12 and in the public interest.¹⁴

13
14 **IV. COST RECOVERY FOR THE MAGNOLIA CCPA**

15 Q17. DOES THE COMPANY PROPOSE COST RECOVERY TREATMENT FOR THE
16 MAGNOLIA CCPA ENTIRELY THROUGH EXISTING MECHANISMS?

17 A. Yes. The Company is requesting that costs associated with the Magnolia CCPA be deemed
18 eligible for recovery through the Formula Rate Plan ("FRP"), and more specifically the

¹¹ See LPSC Order No. U-35927 (January 25, 2022), *In re: Application for Approval Power Purchase Agreements and for Cost Recovery* (approving and certifying 1803's capacity sale and tolling agreement with Magnolia Power (along with other power purchase agreements with other power providers).

¹² See *id.* at 43.

¹³ *Id.*

¹⁴ As detailed in the record of the proceedings in LPSC Docket No. U-35927, the capacity sale and tolling agreement executed between 1803 and Magnolia Power was selected by 1803 through a competitive RFP process that the Commission found complied with the MBM Order. See LPSC Order No. U-35927, at 47.

1 Additional Capacity Mechanism (“ACM”) of the FRP, subject to the terms of the then-
2 applicable rider schedule.

3 Because the Company’s current FRP will have expired by the time the Magnolia
4 CCPA enters into service, and it is not yet known whether a successor mechanism will
5 exist or what the terms of that mechanism may be, the Company also proposes an
6 alternative to FRP recovery.¹⁵ In the event that there is no successor FRP, or the
7 Commission approves a successor FRP without an ACM like the one that exists today, the
8 Company offers an alternative below.

9
10 Q18. IN THE EVENT THAT A SUCCESSOR FRP WITH AN ACM LIKE THE ONE THAT
11 EXISTS TODAY IS NOT APPROVED OR IN PLACE, HOW IS THE COMPANY
12 PROPOSING TO RECOVER THE COSTS OF THE MAGNOLIA CCPA?

13 A. The Company requests that, if no FRP or no ACM like the one that exists today is in place
14 when the Company begins paying for and receiving Capacity Credits, the Company be
15 allowed to defer the costs that would otherwise be included in an FRP during the period
16 from the incurrence of the costs until such time as the costs can be reflected in rates. The
17 Company also requests that it be allowed to accrue interest on the net-of-tax balance of the
18 deferred capacity costs at a rate equal to the Company’s then-effective weighted average
19 cost of capital.

20

¹⁵ The rate effective period for ELL’s current Rider FRP is scheduled to end in August 2024. The Commission is expected to address whether a new or expanded Rider FRP should be implemented in a separate proceeding (LPSC Docket No. U-36959).

V. REQUESTED REGULATORY APPROVALS

Q19. IS THE COMPANY SEEKING REGULATORY APPROVALS ASSOCIATED WITH THE POTENTIAL FINANCIAL IMPLICATIONS RESULTING FROM THE MAGNOLIA CCPA?

A. Yes. The Company is asking the Commission to acknowledge that it may become necessary for the Company to seek rate relief if, during the 10-year term of the Magnolia CCPA, the Company should experience adverse financial implications resulting from the agreement. These adverse financial implications could arise from debt imputation associated with ELL's obligations under the Magnolia CCPA.

The Company works to maintain a credit rating that supports a low total cost of capital for customers, while providing the financial stability and flexibility for the Company to support the safe and reliable operation of its business. The Company's credit ratings, and the cost of debt, reflect this balance. Credit ratings agencies, like Standard & Poor's ("S&P"), may impute additional debt to the Company, on a risk adjusted basis, for agreements like the Magnolia CCPA. While the Company currently enjoys a BBB+ unsecured credit rating from S&P and a Baa1 unsecured credit rating from Moody's Investors Services, there is a risk that transactions like the Magnolia CCPA may affect the Company's credit ratings to the extent that the imputation of debt becomes a more significant factor in the Company's credit profile, or S&P determines that there are additional risks to the recovery of amounts under the Magnolia CCPA or similar transactions. This imputation may require the Company to take actions – and to incur costs – to maintain its investment grade credit rating and to avoid a variety of potential increased

1 costs to customers that would result from a sub-investment grade credit downgrade, such
2 as increased borrowing costs and increased costs of capital.

3
4 Q20. IS THE COMPANY SEEKING RATE RELIEF AT THIS TIME REGARDING
5 POTENTIAL EFFECTS OF DEBT IMPUTATION?

6 A. No. At this time, the Company is not asking the Commission to grant the Company rate
7 relief to address any costs that the Company may incur as a result of the above-described
8 debt imputation. The Company does, however, ask that the Commission recognize, in its
9 order approving the Magnolia CCPA, that the Company is entitled to seek rate relief as
10 determined by the Commission to address the potential adverse effects of debt imputation,
11 should those effects occur, and to commit that the Commission will determine the form of
12 and provide such relief in a timely manner.

13
14 Q21. IS THE COMPANY SEEKING ANY SPECIFIC REGULATORY APPROVALS
15 RELATING TO PERFORMANCE BY MAGNOLIA POWER OR ITS CONTRACTORS
16 FOR THE MAGNOLIA FACILITY?

17 A. Yes. The Company is seeking specific approval of the terms, conditions, rights, remedies,
18 and limitations set forth in the Magnolia CCPA and confirmation that ELL, its member
19 entity, and Entergy Corporation shareholders shall not be responsible, beyond the remedies
20 specified in the Magnolia CCPA, for any acts or omissions by Magnolia Power, its
21 employees, or contractors of any tier in connection with those entities' ownership or
22 operation of the facilities, including, without limitation, failure to deliver the products
23 under the Magnolia CCPAs and the resulting effects to ELL's rates.

1

2 Q22. WHY IS THE COMPANY SEEKING THIS CONFIRMATION FROM THE
3 COMMISSION?

4 A. The Company's analysis indicates that the Magnolia Facility will help meet the Company's
5 capacity needs while providing benefits (economic and otherwise) to ELL's customers.
6 However, ELL will not own or operate the Magnolia Facility, and the terms of the
7 Magnolia CCPA do not provide ELL with any right to direct or manage the operations or
8 maintenance of the facility. Likewise, ELL will not have direct control over either the
9 construction or ongoing operation of the Magnolia Facility. As a result, circumstances
10 beyond ELL's control could interrupt delivery of the products contracted for under the
11 Magnolia CCPA and result in an increase in the cost to serve ELL's customers. As part of
12 the Commission's approval of the Magnolia CCPA, ELL requires and respectfully requests
13 confirmation from the Commission that the Company may recover from customers the
14 costs it prudently incurs to address any such circumstances. In other words, should the
15 Commission approve the Magnolia CCPA, the Commission, in granting such approval,
16 would consider and accept the well-defined recourse that ELL and its customers have under
17 the terms of the Magnolia CCPA in the event of non-performance and forgo the ability to
18 disallow any cost increases occasioned by the seller's failure to deliver the products.

19 Were the Commission to automatically impute to ELL the fault of the Magnolia
20 CCPA counterparty, or its contractors, this would present an unacceptable risk to ELL and
21 would impair its ability to meet resource needs through economic agreements like the
22 Magnolia CCPA. The traditional regulatory compact under which ELL operates does not
23 compensate it for assuming the risk of disallowances attributable to the acts or omissions

1 of a third-party seller or its contractors—over which ELL has absolutely no control and
2 can address only through negotiating reasonable contractual rights and remedies and
3 obtaining a Commission determination that such contractual terms are reasonable. Thus,
4 ELL seeks the Commission’s specific confirmation that, in approving the Magnolia CCPA,
5 it is approving the adequacy of the contractual rights and remedies that ELL has negotiated
6 with Magnolia Power to protect against potential risks. ELL respectfully suggests that the
7 Commission’s refusing to recognize ELL’s contractual rights as adequate and instead
8 conferring on ELL all risks caused by the acts and omissions of any seller and its
9 contractors would conflict with good public policy and the interests of customers by
10 discouraging the use of economic resource structures.

11
12 Q23. DOES THE COMPANY’S REQUESTED APPROVAL REGARDING ACTS OR
13 OMISSIONS BY MAGNOLIA POWER AFFECT ELL’S OBLIGATION OF PRUDENT
14 MANAGEMENT?

15 A. Absolutely not. ELL is not proposing this approval to avoid or diminish its obligation to
16 manage its business or the Magnolia CCPA in a reasonable manner. This approval, instead,
17 addresses circumstances beyond ELL’s control that could increase the cost to serve ELL’s
18 customers. Under the traditional regulatory compact, and applicable Louisiana law, ELL
19 is entitled to a reasonable opportunity to recover the costs that are prudently incurred to
20 address such circumstances.

1 Q24. PLEASE SUMMARIZE THE REGULATORY APPROVALS THAT ELL IS SEEKING.

2 A. As set forth in its Application, the Company requests, among other things, that the
3 Commission:

4 1. Find that the Magnolia CCPA serves the public convenience and necessity, is in the
5 public interest, and is therefore prudent, in accordance with the Commission's 1983
6 General Order;

7 2. Find that ELL has complied with the LPSC's general orders and requirements
8 regarding market testing, to the extent applicable, or is granted an exemption to any
9 applicable, unmet requirement;

10 3. Find that, with respect to the Magnolia CCPA, the Company has complied with, or is
11 not in conflict with, the provisions of all applicable LPSC Orders;

12 4. Find that the costs of the Magnolia CCPA are eligible for recovery through the then-
13 effective FRP, and more specifically the ACM of the FRP, or in the alternative that
14 ELL may defer the costs associated with the Magnolia CCPA and accrue interest on a
15 net-of-tax basis at the then-current weighted average cost of capital until such time that
16 the costs can be reflected in rates;

17 5. Find that the Company is entitled to seek rate relief from the Commission to address
18 any adverse effects of debt imputation that result from the Magnolia CCPA at such a
19 time as those effects arise, and that the Commission will determine the form of and
20 provide such relief in a timely manner; and

21 6. Approve the terms, conditions, rights, remedies, and limitations set forth in the
22 Magnolia CCPA and confirm that ELL, its member entity, and Entergy Corporation
23 shareholders shall not be responsible, beyond the rights and remedies specified in the

1 terms of the Magnolia CCPA, for any acts or omissions by Magnolia Power, its
2 employees, or its contractors of any tier in connection with Magnolia Power's
3 ownership or operation of the relevant facility, including, without limitation, Magnolia
4 Power's failure to deliver the contracted products under the Magnolia CCPA.

5
6 **VI. INTRODUCTION OF WITNESSES**

7 Q25. PLEASE INTRODUCE THE OTHER WITNESSES WHOSE TESTIMONY IS BEING
8 SUBMITTED WITH THE APPLICATION AND IDENTIFY THE SUBJECTS THAT
9 EACH ADDRESSES.

10 A. In addition to my testimony, the Company's Application is supported by the testimonies
11 of the following witnesses:

- 12 • Shawn D. Allen – Manager, Resource Planning for ELL. Mr. Allen describes ELL's
13 rationale for submitting an offer in the 2023 Kindle RFP, including the objectives that
14 inform ELL's long-term resource planning process and the reasons why the Magnolia
15 CCPA helps to meet those objectives. He explains the benefits that the Magnolia
16 CCPA is expected to provide to ELL's customers and the reasons why the Company
17 asks that the Commission find, among other things, that the Magnolia CCPA serves the
18 public convenience and necessity, is in the public interest, and is therefore prudent.
- 19 • Phong D. Nguyen – Manager, Supply Planning and Analysis, for the System Planning
20 and Operations ("SPO") Organization. Mr. Nguyen describes the economic assessment
21 that was the basis for the Company's offer for Capacity Credits in the 2023 Kindle
22 RFP.

1 As required by the 1983 General Order, the Company's Application and the
2 supporting testimonies include the specific data that ELL relied upon to justify its decision
3 to enter into the Magnolia CCPA, an itemized projection of total costs, and the proposed
4 Magnolia CCPA in its entirety, subject to appropriate redaction in the public version of the
5 filing.

6
7 Q26. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

8 A. Yes, at this time.

AFFIDAVIT

STATE OF LOUISIANA

PARISH OF JEFFERSON

NOW BEFORE ME, the undersigned authority, personally came and appeared, **Ryan D. Jones**, who after being duly sworn by me, did depose and say:

That the above and foregoing is his sworn testimony in this proceeding and that he knows the contents thereof, that the same are true as stated, except as to matters and things, if any, stated on information and belief, and that as to those matters and things, he verily believes them to be true.



Ryan D. Jones

SWORN TO AND SUBSCRIBED BEFORE ME

THIS 1st DAY OF May 2024



NOTARY PUBLIC

My commission expires: at death

LAWRENCE J. HAND, JR., 23770
Notary Public in and for
the State of Louisiana.
My Commission is for Life.



Listing of Previous Testimony Filed by Ryan D. Jones

<u>DATE</u>	<u>TYPE</u>	<u>JURISDICTION</u>	<u>DOCKET NO.</u>
08/22/2019	Affidavit	LPSC	U-35370
06/17/2021	Settlement	LPSC	U-35584
12/08/2021	Direct	LPSC	U-36222
4/21/2022	Direct	LPSC	U-36338
11/14/2022	Settlement	LPSC	U-36222
11/15/2022	Rebuttal	LPSC	U-36338
12/29/2022	Settlement	LPSC	U-36338
10/31/2023	Affidavit	LPSC	U-34951, U-35205, U-35581, U-36092, U-36381
12/11/2023	Direct	LPSC	S-37079
1/31/2024	Affidavit	LPSC	S-37113
3/5/2024	Direct	LPSC	U-37131
3/22/2024	Direct	LPSC	U-37143