

**RESOLUTION  
R-17-504**

**CITY HALL: September 28, 2017**

**BY: COUNCILMEMBERS WILLIAMS, HEAD, GUIDRY, BROSSETT AND GRAY**

**COMBINED RATE CASE AS PROVIDED FOR IN  
COUNCIL RESOLUTION NO. R-15-194.**

**UNDOCKETED**

**RESOLUTION AND ORDER DIRECTING ENTERGY NEW ORLEANS INC.'S  
COMPLIANCE WITH INFORMATION AND FILING REQUIREMENTS FOR ITS  
2018 COMBINED RATE CASE**

**WHEREAS**, pursuant to the Constitution of the State of Louisiana and the Home Rule Charter of the City of New Orleans ("Charter"), the Council of the City of New Orleans ("Council") is the governmental body with the power of supervision, regulation, and control over public utilities providing service within the City of New Orleans; and

**WHEREAS**, pursuant to its powers of supervision, regulation, and control over public utilities, the Council is responsible for fixing and changing rates and charges of public utilities and making all necessary rules and regulations to govern applications for the fixing and changing of rates and charges of public utilities; and

**WHEREAS**, Entergy New Orleans, Inc. ("ENO" or "Company") is a public utility providing electric and natural gas service to all of New Orleans; and

**WHEREAS**, ENO is a wholly-owned subsidiary of Entergy Corporation ("Entergy"). The other four operating companies are Entergy Arkansas, Inc. ("EAI"), Entergy Louisiana, LLC ("ELL"), Entergy Mississippi, Inc. ("EMI"), and Entergy Texas, Inc. ("ETI"). These five operating companies are referred to collectively as the ("Operating Companies"); and

## COMBINED RATE CASE FILING

**WHEREAS**, on May 14, 2015, the Council adopted Resolution No. R-15-194 adopting the terms of an Agreement in Principle resolving Docket No. UD-14-02 ("Algiers Transaction") ("AIP"); and

**WHEREAS**, the AIP was a negotiated settlement agreed to by the parties to that docket, including ENO and the Council's Advisors ("Advisors"); and

**WHEREAS**, the AIP provides for ENO's filing a full cost of service study based on combined ENO operations on both the east bank and west bank of the Mississippi River (the "Filing") beginning in 2018;<sup>1</sup> and

**WHEREAS**, ENO has stated in Council Docket No. UD-16-04 its intention to make its Filing before the Council in 2018 with the anticipation of the Council setting new rates effective as of August 2019; and

**WHEREAS**, the AIP states that ENO's Filing shall be based on a 12-month historical test year (Period I) ended December 31, 2017; and

**WHEREAS**, the Council wishes to thoroughly and efficiently review ENO's Filing and to set new rates and tariffs for the combined ENO operations consistent with applicable, generally recognized regulatory ratemaking principles; and

**WHEREAS**, the Code of Ordinances of the City of New Orleans ("Code"), Sec. 158-44 et. seq. prescribes certain Minimum Filing Requirements ("MFRs"), standard filing requirements, and supplemental information requirements applicable to ENO's Filing; and

**WHEREAS**, among the filing requirements in the Code applicable to ENO's Filing is the requirement of presenting Period II information, which, by operation of the Code and the AIP's

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<sup>1</sup> AIP, paragraph 8 at page 7.

definition of Period I as the 12-month period ending December 31, 2017, is the 12-month period ending December 31, 2018; and

**WHEREAS**, the Council finds that complying with the filing requirements applicable to ENO's Filing as prescribed in the Code assists the Council in its exercise of its ratemaking and supervisory powers over ENO; and

**WHEREAS**, the Code, Sec. 158-91 directs that applications such as ENO's Filing shall also be filed in electronic format and that applicable statements, schedules, spreadsheets, and working papers shall be provided in an operable electronic format with formulas intact and source data included and in a format useable by the Council; and

**WHEREAS**, the Council finds that, currently, numeric data is most useable by parties to the instant docket in the Microsoft Excel ("Excel") file format with the file extension ".xlsx", or for data sets larger than those practicably stored in an Excel file, a Microsoft Access database file; and

**WHEREAS**, in advance of ENO's Filing, the Council wishes to identify and clarify certain information likely to be probative in its review of ENO's Filing in the interest of a thorough and efficient review of such; and

#### **COST OF SERVICE STUDIES**

**WHEREAS**, in the Council's evaluation of ENO's Filing, the Council will require information necessary to determine an allocation of revenue requirements and to set rates based on an evaluation of fully-allocated electric and gas cost of service studies, and alternatives, that include total revenues and allocate total utility costs to the various rate classes; and

**WHEREAS**, in the Council's evaluation of ENO's Filing, the Council will require information required to determine a clear separation of ratepayer class responsibility for the

utility's total electric and gas costs of service distinct from, and in advance of, decisions regarding cost recovery mechanisms; and

**WHEREAS**, the Council wishes to examine ENO's fully allocated cost of service where total base rate and rider revenues provided from each rate tariff, as well as all other operating revenues that may be assigned or allocated, are evaluated relative to the fully allocated total costs of ENO, both fixed and variable, such as to determine a fully allocated rate of return for each rate tariff; and

**WHEREAS**, in past Council rate actions, ENO has proposed certain pro-forma adjustments (sometimes labeled "AJ-1" or "Adjustment 1") separately identifying fixed costs for allocation rather than ENO having performed a fully allocated cost of service study; and

**WHEREAS**, sound regulatory principles generally provide that a cost of service study is a proper methodology to evaluate the utility's total fixed and variable revenue requirement by customer rate class; and

**WHEREAS**, ENO should provide the complete set of ENO load research data or other credible customer usage data supporting its estimates of the customer rate class coincident demands used to allocate fixed costs for each voltage level of service; and

**WHEREAS**, currently ENO maintains a largely separate set of electric base rates and riders for each of the service areas of the east and west banks of the Mississippi River, including separate cost recovery in the Midcontinent Independent System Operator, Inc. ("MISO"), Fuel Adjustment Clause ("FAC"), and Purchase Power Capacity Acquisition and Cost Recovery ("PPCACR") Riders; and

**WHEREAS**, Council Resolution No. R-15-194 requires ENO's Filing to be based on "a full cost of service study based on combined ENO operations on both the east bank and west bank of the Mississippi River"; and

**WHEREAS**, the Council anticipates that ENO may request in its Filing recovery of certain costs through cost recovery mechanisms other than base rates; and

**WHEREAS**, ENO's Filing should clearly identify such costs within the fully allocated cost of service study, together with the separate cost recovery mechanisms; and

**WHEREAS**, the Council expects that as part of ENO's Filing, ENO may annualize and/or normalize (*e.g.*, weather normalize) certain customer, cost, revenue, and balance sheet values in Period I and Period II for regulatory ratemaking treatment; and

**WHEREAS**, the Council wishes to thoroughly review any ENO annualization or normalization as part of its Filing; and

#### **COST RECOVERY MECHANISMS**

**WHEREAS**, ENO currently recovers certain non-fuel, non-variable costs through its FAC, including certain purchased power fixed costs and some portion of fixed costs related to ENO's participation in the Grand Gulf Nuclear Station; and

**WHEREAS**, sound regulatory principles generally provide for the FAC to be a cost recovery mechanism for variable costs on a volumetric basis; and

**WHEREAS**, ENO currently recovers certain electric fixed costs through Rider PPCACR for customers on the east bank of the Mississippi River on a volumetric basis (*i.e.*, fixed costs related to Ninemile 6 and Union Power Block 1); and

**WHEREAS**, sound regulatory principles generally provide that the fixed costs currently recovered on a volumetric basis through Rider PPCACR be allocated in a cost of service study according to demand-based allocation factors; and

**WHEREAS**, to the extent the additional Energy Smart funding is required from base rates, the Council finds that ENO should include the additional ratepayer funding requirements and specific funding mechanisms in the Filing; and

#### **SYSTEM RESTORATION COSTS**

**WHEREAS**, on or about October 19, 2015, ENO notified the Council of its intent to withdraw \$1,005,148 from the storm reserve escrow established pursuant to Council Resolution No. R-06-459 to recover certain Operations and Maintenance (“O&M”) costs incurred to restore electric service following Triggering Weather Events occurring from July 2012 through May 2015; and

**WHEREAS**, ENO’s withdrawal from the storm reserve escrow provided for the recovery of O&M costs related to system restoration following storms other than named weather systems; and

**WHEREAS**, O&M book accounting data for the test periods may reflect O&M costs related to system restoration activities following storms other than named weather systems; and

**WHEREAS**, the Council desires a complete understanding of which O&M costs ENO has or expects to be recoverable from a storm reserve escrow withdrawal that may be presented in the cost of service studies in ENO’s Filing; and

#### **ENO’S INTERNAL RESTRUCTURING**

**WHEREAS**, pursuant to Council Resolution No. R-17-228, ENO is proceeding with an Internal Restructuring; and

**WHEREAS**, ENO is expected to incur both internal and external costs as part of its Internal Restructuring; and

**WHEREAS**, pursuant to Council Resolution No. R-17-228, ENO's external costs as part of its Internal Restructuring are not recoverable through rates; and

**WHEREAS**, related to its Internal Restructuring, ENO's successor is expected to issue new securities that may include long-term debt, preferred membership interest, and membership interest; and

**WHEREAS**, the Council desires information as part of ENO's Filing sufficient to allow a complete review of ENO's costs related to its Internal Restructuring, including internal and external costs and securities flotation costs; and

#### **TAX-RELATED MATTERS**

**WHEREAS**, in Council Docket No. UD-16-03, Council Resolution No. R-17-228 provides for specific regulatory ratemaking treatment of Accounting for Uncertainty in Income Taxes reserves ("FIN 48") related to ENO's Internal Restructuring but allows for parties to subsequent Council rate actions to contest the regulatory ratemaking treatment FIN 48 reserves unrelated to ENO's Internal restructuring; and

**WHEREAS**, for any request for regulatory ratemaking treatment of any FIN 48 reserve ENO may make as part of its Filing, the Council finds that ENO should present the relevant underlying regulatory ratemaking principle(s) supporting such request; and

**WHEREAS**, for any request for regulatory ratemaking treatment of any NOLC balance ENO may make as part of its Filing, the Council finds that ENO should present the relevant underlying regulatory ratemaking principle(s) justifying such request; and

## **FORMULA RATE PLAN**

**WHEREAS**, to the extent ENO requests a Formula Rate Plan ("FRP") as part of its Filing, the Council finds that ENO's Filing should contain a complete set of proposed FRP implementation documents, including any proposed application of a Return on Equity ("ROE") bandwidth in FRP revenue adjustment formulas and the costs ENO may propose to be excluded from the bandwidth; and

## **MATTERS SPECIFIC TO GAS RATES**

**WHEREAS**, ENO provides gas service and gas transportation service according to retail utility tariffs and according to other agreements; and

**WHEREAS**, ENO provides services to entities that connect to ENO's gas distribution system other than through jurisdictional retail utility tariffs, including non-jurisdictional gas sales and gas transportation agreements; and

**WHEREAS**, the Council desires as part of its consideration of the appropriate revenue requirement of the gas system, a complete understanding of the terms by which ENO provides gas service and gas transportation service and the revenues ENO derives from all parties who connect to ENO's gas distribution system in order to properly assign gas cost responsibilities and determine the proper allocation of gas revenue requirements; now therefore

**BE IT RESOLVED BY THE COUNCIL OF THE CITY OF NEW ORLEANS**  
**THAT:**

1. ENO is directed to make its Filing before the Council on or before July 31, 2018.
2. In the interest of economy, efficiency, and a reduction in regulatory costs, ENO is directed as a part of its Filing to, and subject to the Council's Official Protective Order adopted by Resolution No. R-07-432 as applicable,



- a. have as its objective the presentation of a single set of proposed tariffs and riders available to applicable customers throughout all of New Orleans, including a single MISO rider, unless significant rate shock could occur to single or multiple classes of customer;
- b. comply with each applicable filing requirement prescribed in the Code, including making a Period II filing as described in the Code, reflecting the 12-month period ending December 31, 2018;
- c. provide all numeric data and all supporting calculations in electronic format (*e.g.*, Excel workbook) with all formulas and sources of data intact;
- d. to the extent ENO does not present numeric data in an electronic format with all formulas and sources of data intact, identify and explain the reasons why providing such data in its native electronic format is not feasible, identify and describe the original source of such data (*e.g.*, printed output from a proprietary information system), and state the means by which parties to the proceeding may gain access to the original source of the data;
- e. to the extent an electronic document (*e.g.*, an Excel workbook) contains hard-coded numeric data (*i.e.*, a lack of formulas and identification of data sources sufficient to allow an understanding of a flow of logic), state valid reasons why providing an electronic document with functioning formulas showing a flow of logic and data sources is not feasible, identify and describe the source of the data presented in the electronic document, and state the means by which parties to the proceeding may gain access to the original source of the data presented in the electronic document;

- f. include all of ENO's revenues and costs subject to ratemaking treatment, including an allocation of total costs among the rate classes (*i.e.*, matching the allocation of total costs to the total revenues of each ratepayer class) as part of each fully allocated electric and gas cost of service study (*i.e.*, Period I, Period II, and any out of period adjustments);
- g. provide the complete set of ENO load research data or other customer usage data ENO relies on to support its estimates of the customer rate class coincident demands used to allocate fixed costs for each voltage level of service;
- h. provide copies of all models, workpapers, studies, supporting data, and all other related documents and materials in their original operable format as used by ENO related to the normalization and/or annualization of data;
- i. include a description of each of the Filing's per-book accounting entries, tax calculations and any adjustments thereto sufficient to provide an understanding of the nature and purpose of the entry or adjustment;
- j. for each of Period I, Period II, and any out-of-period pro-forma presented by ENO related to Triggering Weather Events ("TWE") and their related cost recovery:
  - i. Identify each TWE as defined in Council Resolution No. R-06-459 for which ENO requested or made a storm reserve escrow withdrawal, state the date of the TWE's occurrence, state the amount in dollars of any related system restoration O&M costs, and state the dollar amount of ENO's requested or actual storm reserve escrow withdrawal;

- ii. Identify each TWE as defined in Council Resolution No. R-15-195 for which ENO requested or made a storm reserve escrow withdrawal, state the date of the TWE's occurrence, state the amount in dollars of any related system restoration O&M costs, and state the dollar amount of ENO's requested or actual storm reserve escrow withdrawal;
  - iii. Identify each TWE as defined in Council Resolution No. R-06-459 for which ENO did not request or make a storm reserve escrow withdrawal, state the date of the TWE's occurrence, and state the amount in dollars of any related system restoration O&M costs; and
  - iv. Identify each TWE as defined in Council Resolution No. R-15-195 for which ENO did not request or make a storm reserve escrow withdrawal, state the date of the TWE's occurrence, and state the amount in dollars of any related system restoration O&M costs;
- k. for any O&M or capital cost ENO may seek recovery through a cost recovery mechanism other than base rates, provide a clear identification of such costs within each of ENO's fully allocated cost of service studies;
- l. for each fixed cost for which ENO may seek recovery through a volumetric rider such as the FAC and PGA riders, provide the generally accepted regulatory ratemaking principles supporting the basis for such request;
- m. for each tax position resulting in a FIN 48 reserve for which ENO is seeking regulatory ratemaking treatment:
- i. clearly identify the tax position, describe its nature, and state the date the tax position was taken;

- ii. state whether the tax position relates to ENO's Internal Restructuring as provided for in Council Resolution No. R-17-228;
  - iii. discuss in detail the status of the tax position in terms of taxation authority review and/or audit, settlement discussions, and anticipated timeframe of resolution;
  - iv. state the amount of the FIN 48 reserve, including a subtotal for any accrual for interest and/or penalty;
  - v. state the amount of any accrual for interest and/or penalty for which ENO is not seeking a regulatory ratemaking treatment; and
  - vi. state the amount of deferred tax related to the tax position as of the measurement dates for Period I, Period II, and any out-of-period pro-forma date (*e.g.*, December 31, 2017, December 31, 2018) ENO may employ in its Filing;
- n. for each NOLC balance for which ENO is seeking regulatory ratemaking treatment:
- i. clearly identify the source or cause of the NOLC balance and describe its underlying operational, tax position, or other circumstance;
  - ii. state the dollar amount of the NOLC;
  - iii. state the dollar amount by measurement period (*i.e.*, year) constituting or contributing to the NOLC balance; and
  - iv. state whether and to what dollar amount the NOLC balance is related to ENO's Internal Restructuring;

- o. clearly identify each cost related to its Internal Restructuring, including proforma adjustments to ENO's per-books costs intended to exclude such costs from regulatory ratemaking treatment;
- p. to the extent ENO is seeking the adoption of an FRP as part of its Filing, provide a complete set of proposed FRP implementation documents, including any proposed application of any ROE bandwidth calculation included in FRP revenue adjustment formulas;
- q. to the extent additional Energy Smart funding is required based upon Council-approved Energy Smart programs from base rates, include the additional ratepayer funding requirements and a specific recommendation for funding mechanisms;
- r. clearly identify any securities' flotation costs used in computing proposed new rates, including common equity and membership interests, and provide supporting workpapers and data; and
- s. clearly identify each category of entity that connects to ENO's gas distribution system or receives gas service from ENO (*e.g.*, retail gas customer class, non-jurisdictional customer class, party to a gas transportation contract); and
  - i. for each identified category, provide monthly demand, use, and revenue information so as to enable a comprehensive cost responsibility assignment for all of ENO's gas costs of service.
  - ii. For non-jurisdictional gas customers, provide each such customer's name, monthly demand, consumption, margin contribution, and revenue information.

- iii. For gas transportation customers, provide each such customer's name, details of contracted transportation volumes, marginal contractual contribution to ENO's fixed costs, and revenue information.

**THE FOREGOING RESOLUTION WAS READ IN FULL, THE ROLL WAS CALLED  
ON THE ADOPTION THEREOF AND RESULTED AS FOLLOWS:**

**YEAS:** Brossett, Cantrell, Gray, Head, Ramsey, Williams - 6

**NAYS:** 0

**ABSENT:** Guidry - 1

**AND THE RESOLUTION WAS ADOPTED.**

THE FOREGOING IS CERTIFIED  
TO BE A TRUE AND CORRECT COPY

Lara W. Johnson  
CLERK OF COUNCIL