

RESOLUTION
R-17-7

CITY HALL: JANUARY 12, 2017

BY: COUNCILMEMBERS WILLIAMS, HEAD, GUDRY, BROSSETT AND GRAY

APPLICATION OF ENTERGY NEW ORLEANS, INC. FOR APPROVAL TO DEPLOY
ADVANCED METERING INFRASTRUCTURE, REQUEST FOR COST RECOVERY
AND RELATED RELIEF

RESOLUTION AND ORDER ESTABLISHING A
PROCEDURAL SCHEDULE FOR THE CONSIDERATION OF THE
APPLICATION OF ENTERGY NEW ORLEANS, INC. FOR APPROVAL TO
DEPLOY ADVANCED METERING INFRASTRUCTURE AND
REQUEST FOR COST RECOVERY AND RELATED RELIEF

DOCKET NO. UD-16-04

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”), effective September 1, 2015, is a public utility providing electric and natural gas service to all of New Orleans. The Company is engaged in the manufacture, production, transmission, distribution, and sale of electricity to residential, commercial, industrial, and governmental consumers throughout Orleans

Parish. As of December 31, 2015, ENO furnished electric service to approximately 197,000 retail electric customers in Orleans Parish. ENO is also engaged in the provision of natural gas service throughout New Orleans and serves approximately 107,000 retail gas customers; and

WHEREAS, on October 18, 2016, ENO filed an Application to Deploy Advanced Metering Infrastructure, Request for Cost Recovery and Related Relief (“Application”); and

WHEREAS, ENO, through its Application, proposes to enhance its electric system by deploying Advanced Metering Infrastructure (“AMI”), which is a system, including the associated hardware, software, and communications systems, that collects time-differentiated energy usage from advanced meters. According to ENO, AMI commonly includes three primary components: (1) advanced meters that enable two-way data communication; (2) a secure and reliable communications network that supports two-way data communication; and (3) related and supporting systems, including a Meter Data Management System (“MDMS”). Those components will be integrated into the Company’s information technology (“IT”) system. The Company also plans to update its legacy Outage Management System (“OMS”) and implement a new Distribution Management System (“DMS”); and

WHEREAS, ENO states that its AMI will be designed and built to deliver a number of functionalities and operational applications immediately upon deployment, including: (1) automated remote meter reading, including recording and processing interval consumption data at 15-minute intervals for residential customers and 5-minute intervals for commercial and industrial customers, with the verified data being made available to customers daily; (2) two-way communications; (3) remote enabled service connection, disconnection and reconnection; (4) remote configuration and firmware upgrades; (5) automated meter health and status communication; (6) web-based customer data accessibility, which will facilitate customers’ web

portal access of their usage information; (7) customer usage goal-setting thresholds and alerts; (8) outage management support, including restoration verification; (9) theft and tamper notifications to the Company; (10) event and load profiling for analytics; (11) power quality reporting; (12) asset mapping and predictive asset management; (13) more accessible information for load forecasting and load research efforts; (14) support for implementation of optional pre-pay programs; and (15) ability to incorporate Distributed Energy Resources (“DER”), which have grown more prevalent in recent years (*e.g.*, rooftop solar systems); and

WHEREAS, ENO further states that its AMI can support additional applications that may be implemented over time, including such features as: (1) advanced usage analytics and energy savings tips that are customized to each unique customer; (2) dynamic pricing programs such as time-of-use and real-time pricing; (3) more expansive demand programs; (4) potential control and dispatch of DERs; (5) streetlight monitoring and control applications; (6) voltage and optimization control (*e.g.*, conservation voltage reduction or “CVR” programs); (7) enablement of distribution automation; and (8) enablement of distributed intelligence. The Company notes that these additional functions and applications will not result from ENO’s AMI deployment, and each application will require some level of additional investment in order to achieve the described functionality; and

WHEREAS, ENO also proposes AMI implementation for its gas customers. According to the Company, the key benefit associated with ENO’s implementation of gas AMI is the safety of the gas system as AMI would allow the Company to identify a potentially hazardous situation, like a leak within the service location. Additional benefits noted by the Company are increased personnel and contractor safety, improved billing accuracy, reduced customer call volume, optimization of distribution system capital investment, refined process for gas forecasting and

procurement, improved pipeline safety compliance, reduced metering tampering losses, and reduced losses due to inactive meters; and

WHEREAS, ENO states that its planned full AMI deployment is expected to take approximately five years. According to ENO, assuming Council approval is received in 2017, and after the necessary IT infrastructure and communications network are in place, the deployment and installation of the advanced meters and components at customers' premises would begin in early 2019; and

WHEREAS, ENO states the cost/benefit analysis conducted by the Company shows that benefits are expected to exceed the overall costs of the deployment. Specifically, the Company asserts that AMI implementation will produce a collective benefit to ENO's electric and gas customers of \$27 million on a present value basis, assuming a 15-year useful life of the AMI assets; and

WHEREAS, the Application seeks a Council finding that its AMI deployment, including the removal and retirement of existing meters, is in the public interest. The Company also requests that the Council approve its AMI Rate Plan, accounting treatment requests; and

WHEREAS, in support of its Application, the Company submitted the direct testimonies of Charles L. Rice, Jr., Dennis P. Dawsey, Rodney W. Griffith, Michelle P. Bourg, Jay A. Lewis, Dr. Ahmad Faruqui, and Orlando Todd; and

WHEREAS, ENO requests that the Council grant the following approvals and relief:

1. Find that the Company's deployment of AMI, including the removal and retirement of existing meters, installation of new advanced meters and supporting systems and equipment, and customer education plan, serves the public convenience and necessity and is in the public interest, and is therefore prudent;

2. Confirm that the Company's investments made pursuant to a public interest determination by the Council are presumed prudent and eligible for recovery from customers, and that the Company will have a full and fair opportunity to recover all prudently-incurred costs of the AMI deployment;
3. Find that the Company's AMI Rate Plan as presented in the direct testimony of ENO witness Orlando Todd, which includes the implementation of an AMI Customer Charge, which would recover the costs of AMI, net of certain benefits, through a customer charge phased in over the period 2019 through 2022 and quantified Other Benefits through corresponding Fuel Adjustment Clause, Purchased Gas Adjustment, or Formula Rate Plan ("FRP") as appropriate, is just and reasonable, and in the public interest;
4. Approve ENO's proposed AMI Customer Charge to be included in rates resulting from the 2018 Combined Rate Case and to be implemented in the first billing cycle following a determination of rates by the Council resulting from the contemplated 2018 Combined Rate Case; and approve the AMI Customer Charge to be adjusted in January 2020 and January 2021 to reflect the incremental changes in AMI costs and benefits for the 2020 and 2021 calendar years, respectively;
5. Authorize ENO to: (a) defer all incremental 2017 and 2018 Customer Education Expenses and Ongoing AMI Operation & Maintenance ("O&M") Expenses incurred by the Company in 2017 and 2018 in connection with its AMI deployment, with carrying charges at the pre-tax Weighted Average Cost of Capital ("AMI Deferral"); (b) establish a regulatory asset that includes the unamortized balance of the AMI Deferral; and (c) commence recovery thereof with the January 2020 AMI Customer Charge, amortized over a two-year period;

6. Find that, with respect to existing electric and gas meters, the Company shall continue to recover the remaining book value of those assets at the current rate through the existing mechanisms, until the undepreciated value is fully recovered;
7. Approve the Company's proposed methodology that will be used to establish the opt-out fees and confirm to correct application of the approved methodology following a the Company's submission of compliance filing for this purpose;
8. Grant a waiver of any applicable requirement to the extent that such a waiver may be required to facilitate approval of the transaction described in this Application; and
9. Order such other general and equitable relief as to which the Company may show itself entitled; and

WHEREAS, the Company asserts that certain exhibits supporting the Direct Testimony of Orlando Todd, Jay A. Lewis, and Rodney W. Griffith contain information considered by ENO to be proprietary and confidential and that the public disclosure of certain of this information may expose ENO and its customers to an unreasonable risk of harm; and

WHEREAS, it is the Council's desire to establish a procedural schedule that will allow the parties to this proceeding to rigorously investigate the Application, conduct discovery, file testimony and otherwise establish a record upon which the Council may use to render a decision regarding ENO's Application, the Council shall establish the procedural schedule as set forth below; and

WHEREAS, the Application includes a proposed cost recovery plan which identifies certain cost recovery mechanisms to be utilized by the Company to recover non-fuel costs, long term service agreement expenses, fuel expenses and any revenue or expense resulting from Midcontinent Independent System Operator, Inc. market settlements; and

WHEREAS, the Company states that the combined \$75 million AMI capital investment represents a substantial commitment for ENO, as the investment from 2019-2021 represents an average increase of approximately 25% over ENO's annual baseline distribution capital investment budget for electric operations for the period 2016-2018. Because of the significant overall investment required to deploy AMI — and the resulting benefit to customers as the deployment occurs — the Company is requesting the implementation of a charge calculated on a per-customer basis that would recover the costs of AMI, net of certain benefits, through a customer charge phased in over the period 2019 through 2022. This charge is referred to as the “AMI Customer Charge,” and would be charged to all metered electric and gas ENO customers; and

WHEREAS, Council Resolution No. R-15-194 approved the May 7, 2015 Agreement in Principle settling Council Docket No. UD-14-02 (“Algiers Transaction AIP”), and provided: (i) for ENO to file “a full cost of service study based on combined ENO operations on both the east bank and west bank of the Mississippi River” (“Combined Rate Case”); and (ii) “ENO will not initiate and the Council shall not take any base rate action specific to Legacy-ENO or Algiers customers requesting any changes to base rates set forth in existing Legacy-ENO or Algiers base rate schedules, prior to ENO's filing . . . The Combined Rate Case [which] shall not be submitted to the Council prior to the first quarter of 2018”; and

WHEREAS, ENO's Council-approved base rates provide ENO the opportunity to recover its non-energy costs to provide gas and electric service to ratepayers, including costs related to capital investment in meters and customer educational expense; and

WHEREAS, the Algiers Transaction AIP provides that ENO may only seek special recovery of base-rate related costs should “ENO experience such an exceptional increase or decrease in costs, excluding costs recovered via the Fuel Adjustment Clause and other applicable

riders, having a revenue requirement effect exceeding \$3.2 million on a total Company basis, . . . then the Company may initiate a filing with the Council seeking consideration of whether a mechanism for recovery or return of such exceptional cost increases or decreases is appropriate;” and

WHEREAS, the Algiers Transaction AIP excludes certain existing and proposed riders from the base rate freeze, saying “The base ‘rate freeze’ described in this Paragraph 8 is with respect to base rates and excludes changes in the rates of existing riders and proposed riders currently pending before the Council (including, but not limited to, the fuel adjustment clause, environmental and/or energy efficiency-related riders, proposed securitization riders pending in CNO Docket UD-14- 01 Phase II and the proposed capacity rider pending in Council Docket UD-15-01);” and

WHEREAS, the AMI Customer Charge proposed by ENO in the Application is not among those riders exempted from the base rate freeze in the Algiers Transaction AIP; and

WHEREAS, in its Application, ENO has proposed to defer certain O&M and customer education expenses in 2017 and 2018, with carrying charges, for recovery commencing in January 2020; and

WHEREAS, ENO’s proposal in essence constitutes single issue rate making during its base rate freeze; and

WHEREAS, ENO’s rates can reasonably be expected to allow it to earn more than a fair return on its investment while recovering all of its costs in the present economic climate; and

WHEREAS, the Council wishes to avoid the single issue rate making effect of the deferred recovery of ENO’s AMI O&M costs and customer education expenses from a period of a base rate freeze to a period where new rates may be established by the Council as part of the Combined Rate

Case and will deny ENO's request to defer certain AMI O&M costs and customer education expenses in 2017 and 2018, with carrying charges; **NOW THEREFORE,**

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

1. The Council opens Docket No. UD-16-04 to consider ENO's Application as discussed herein.
2. ENO and the Council's Advisors, are designated Parties to these proceedings. Additionally, a period of 30 days from the adoption of this Resolution is established for interventions in this docket by individuals not herein designated a party. Persons desiring to intervene shall do so by filing an intervention request with the Clerk of Council, with a copy submitted to Director, Council Utilities Regulatory Office, Room 6E01 City Hall, 1300 Perdido Street, New Orleans, LA 70122; and to persons on the Official Service List of this docket, which can be obtained from the Council Utilities Regulatory Office. All fees associated with the filing of interventions are hereby waived, in accordance with Section 158-286 of the City Code. Objections to intervention requests shall be filed within seven days of such requests. Timely-filed intervention requests not objected to within that time period shall be deemed GRANTED.
3. Jeffrey Gulin is appointed the Hearing Officer to preside over the discovery in this docket, including scheduling, motions and discovery disputes, as needed.
4. A period of discovery shall commence with the adoption of this Resolution and end eight days prior to the evidentiary hearing (discovery requests must be made in time that responses may be received prior to the close of the discovery period). Responses to data requests shall be made on a rolling basis and shall be due in hand within 12 calendar days of receipt (All requests received after 3:00 o'clock p.m. (central) on a Friday shall be

deemed received the following business day). Parties are encouraged to submit their data requests and responses electronically, where appropriate. Objections to data requests shall be filed within five days of receipt. The parties are encouraged to attempt to resolve their discovery disputes amicably prior to seeking the intervention of the Hearing Officer or appealing to the Council.

5. It is anticipated that during discovery, the parties may be required to produce documents or information that are deemed confidential and/or highly sensitive and, accordingly, the Council adopts for use in this docket its Official Protective Order adopted by Resolution No. R-07-432, a copy of which can be obtained from the Council Utilities Regulatory Office.

6. To the extent technical conferences or settlement negotiations are required, they are to be arranged by the parties with the assistance of the Hearing Officer, if necessary.

7. Direct Testimony of Intervenors shall be filed not later than April 7, 2017.

8. Direct Testimony of Advisors shall be filed not later than May 19, 2017.

9. Rebuttal Testimony of ENO shall be filed not later than June 16, 2017.

10. The evidentiary hearing shall take place on July 14, 2017.

11. The Hearing Officer shall certify the record of these proceedings to the Council not later than July 21, 2017.

12. To the extent that the City Clerk's office closes before 5:00 pm on the date of any deadline contained therein, the deadline shall be extended to the next business day.

13. For good cause shown and as required by the circumstances of the proceedings, the Hearing Officer shall have the authority to change or amend the dates set forth herein.

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

14. ENO's request to defer certain AMI O&M costs and customer education expenses in 2017 and 2018, with carrying charges, during the base rate freeze period for recovery commencing in January 2020 is DENIED.

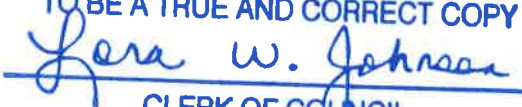
THE FOREGOING RESOLUTION WAS READ IN FULL, THE ROLL WAS CALLED ON THE ADOPTION THEREOF AND RESULTED AS FOLLOWS:

YEAS: Brossett, Cantrell, Gray, Guidry, Head, Ramsey, Williams - 7

NAYS: 0

ABSENT: 0

AND THE RESOLUTION WAS ADOPTED.

THE FOREGOING IS CERTIFIED
TO BE A TRUE AND CORRECT COPY

CLERK OF COUNCIL