

RESOLUTION
(AS CORRECTED)

NO. R-18-98

CITY HALL: April 5, 2018

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

**RESOLUTION INITIATING A SHOW CAUSE ORDER REGARDING ENTERGY NEW
ORLEANS, LLC ELECTRIC SERVICE DISRUPTIONS AND COMPLAINTS
DOCKET NO. UD-17-04**

**IN RE: DIRECTING ENTERGY NEW ORLEANS, INC. TO INVESTIGATE AND
REMEDiate ELECTRIC SERVICE DISRUPTIONS AND COMPLAINTS AND TO
ESTABLISH MINIMUM ELECTRIC RELIABILITY PERFORMANCE STANDARDS
AND FINANCIAL PENALTY MECHANISMS**

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, Entergy New Orleans, LLC ("ENO") provides electric service within the City of New Orleans; and

WHEREAS, on August 10, 2017, the Council adopted Resolution No. R-17-427 establishing Docket No. UD-17-04, for the Council's investigation into outages, and reliability issues in Orleans Parish in general, ENO's level of distribution Operations & Management ("O&M") staffing and scheduling, and to consider the establishment of minimum reliability performance standards for all of the utilities under the Council's jurisdiction including the establishment of financial penalty mechanisms for failure to meet such minimum reliability performance standards as established by the Council in this docket; and

WHEREAS, since the Council's adoption of Resolution No. R-17-427, numerous distribution outages through ENO's system have continued to occur with great frequency, and the Council has

received numerous customer complaints regarding the occurrence of such outages, especially related to equipment failures during normal clear weather conditions; and

WHEREAS, the Council is increasingly concerned about the continuation of ENO's pattern of frequent large-scale distribution outages and customer service interruptions; and

WHEREAS, amongst other things, Resolution No. R-17-427 directed ENO to provide the Council with its formal plans, budgets, schedules for improving the reliability performance of its distribution system, and recommended minimum System Average Interruption Frequency Index ("SAIFI") and System Average Interruption Duration Index ("SAIDI") standards to measure the reliability performance of its distribution system for evaluation by the Council and recommendation by its Technical Advisors; and

WHEREAS, on November 10, 2017, ENO filed its Reliability Plan with the Council which consists of six major reliability-focused programs: the FOCUS Program, the Backbone Program, the Internal Program, the Pole Program, the Equipment Inspection Program, and the URD/Cable Renewal Program. Each of these programs is generally described and includes the specific feeders targeted for reliability work during 2017 and 2018; and

WHEREAS, the Technical Advisors performed a review of ENO's Reliability Plan, and found that ENO's Reliability Plan lacks adequate detail concerning ENO's proposed projects, schedules, capital versus O&M costs by years, the location of each proposed project included in its Reliability Plan's FOCUS, Backbone, Internal, Equipment Inspection, and URD/Cable Renewal Programs; and

WHEREAS, the Technical Advisors have reviewed ENO's Reliability Plan and find that its lack of significant details regarding ENO's proposed remediation projects, project budgets and schedules thwarts the Council's ability to perform a thorough and comprehensive review of ENO's Reliability Plan and to constantly measure ENO's performance in accomplishing its Reliability Plan as proposed; and

WHEREAS, in Council Docket No. UD-17-04 the Alliance for Affordable Energy ("AAE")

submitted its Second Set of Data Requests to ENO on January 2, 2018, and the Advisors submitted their Second Set of Data Requests to ENO on January 11, 2018; and

WHEREAS, upon ENO's notification of this resolution, on March 23, 2018 ENO submitted partial responses to Advisors data requests and it is unknown if ENO has submitted any responses to the AAE's data requests; and

WHEREAS, the Council finds totally unacceptable ENO's lack of timely response, which is inhibiting forward progress in the docket; and

WHEREAS, in 1998 as a result of numerous customer complaints to the Council regarding ENO's service reliability and continuity of service in New Orleans East as well as complaints by residents in other areas of the City resulting in the Council's concerns regarding ENO's reliability, on July 16, 1998, the Council adopted Resolution No. R-98-460 which directed ENO to file a New Orleans East Service Remediation Plan including:

1. A substantive evaluation and analysis of the root causes of the problems;
2. ENO's proposed technical and engineering approach to the remediation of the problems;
3. A time schedule for completion, including proposed construction budget and expenditures by fiscal quarter;
4. Priority and interim projects to quickly alleviate the most severe customer service quality problems; and
5. Such other analysis and information as may be required by the Council and its Advisors to evaluate the effectiveness of ENO's proposed plans; and

WHEREAS, on July 31, 1998, as directed by Resolution No. R-98-460, ENO filed its New Orleans East Accelerated Remediation Plan; and

WHEREAS, on January 18, 1999, ENO filed remediation plans for ENO's Uptown Network, Lake Network, and Central Business District Network similar in scope to those contained in ENO's New

Orleans East Accelerated Remediation Plan; and

WHEREAS, on January 18, 1999, Entergy Louisiana, Inc. (“ELL”) filed its Algiers Service Remediation Plan to improve the reliability of electric service to ELL customers in the City’s 15th Ward which was similar to ENO’s New Orleans East Accelerated Remediation Plan, as well as ENO’s remediation plans for ENO’s Uptown Network, Lake Network, and Central Business District Network; and

WHEREAS, ENO’s remediation plans filed in 1998 and 1999 and ELL’s Algiers Service Remediation Plan in 1999 covered each of its networks and ranked each of the circuits and networks by SAIFI reliability performance as follows:

- Red, SAIFI > 3.5 (unacceptable)
- Orange, SAIFI 2.5 – 3.4 (unacceptable)
- Yellow, SAIFI 1.1 – 2.4 (acceptable)
- Green, SAIFI ≤ 1.0 (superior); and

WHEREAS, ENO’s and ELL’s remediation plans filed in 1998 and 1999 covering each of its networks provided proposed improvement targets to move its red and orange classified circuits to yellow and green SAIFI performance ranges as a result of completion of proposed remediation projects; and

WHEREAS, in measuring ENO’s reported 2017 SAIFI values for all feeders on the distribution system against the SAIFI standards set forth in ENO’s remediation plans filed in 1998 and 1999 our Technical Advisors have informed us that the following number of feeders fall within each ranking:

- Red, SAIFI - 19 Feeders
- Orange, SAIFI – 15 Feeders
- Yellow, SAIFI – 45 Feeders
- Green, SAIFI – 121 Feeders; and

WHEREAS, the Technical Advisors have found that the plans contained in ENO's New Orleans East Accelerated Remediation Plan and 1999 remediation plans for its other networks, as well as ELL's Algiers Service Remediation Plan are vastly superior to ENO's current Reliability Plan filed in Council Docket No. UD-17-04 in that they provide detailed project specifics, budgets and schedules for completion along with circuit and network SAIFI performance measurement and improvement targets upon which ENO's performance in improving its reliability of service as directed by Resolution No. R-17-427 can be clearly evaluated; and

WHEREAS, Resolution No. R-99-433 directed ENO to file with the Council information detailing its proposed specific level of reliability by network for each of its networks as a result of completing its proposed projects; and

WHEREAS, ENO's Reliability Plan filed in Council Docket No. UD-17-04 contains no information upon which the Council can measure any improvement in ENO's reliability performance; and

WHEREAS, in order to insure that ENO carried out its remediation plans to improve its electric service reliability on a timely basis, on July 15, 1999 Council Resolution No. R-99-433 directed ENO to file written progress reports with both the Council Utilities Office ("CURO") and its Advisors on both a monthly and quarterly basis which at a minimum includes the following information:

1. An executive summary describing the overall work accomplished during the reporting period;
2. Identification of individual planned projects;
3. Capital cost and total project budget for each planned project;
4. Estimated and actual start date for each planned project;
5. Cumulative project expenditures and budget variance, and reasons therefore;
6. Percent complete for each planned project at end of reporting period;

7. Actual completion date and scheduled completion date for each planned project;
8. Problems encountered during reporting period and resulting impacts upon ENO's plans, budget, and schedule;
9. Status of overall project schedule and budget in comparison to plan values; and

WHEREAS, Council Resolution No. R-99-433 placed ENO on notice that upon establishing that: (i) ENO's computed SAIFIs fail to meet or exceed the SAIFIs which ENO specifically proposed to achieve annually in its remediation plans as submitted to the Council and/or (ii) ENO failed to complete those remediation projects specifically proposed in accordance with its plans and prudent utility practice to be completed during the preceding twelve-month period, financial penalties were to be imposed, which penalties were to be in an amount the Council deemed sufficient to constitute a reasonable penalty and which assure the ultimate achievement by ENO of a reliable electric distribution system; and

WHEREAS, Council Resolution No. R-99-433 also advised ENO that the assessment of financial penalties were to be determined and implemented annually based upon a Council finding that the reliability achieved annually by ENO in each of its networks, as defined in ENO's remediation plans, failed to achieve the level of reliability proposed by ENO, and ENO's reliability performance for each of its networks were to be measured by comparing ENO's actual SAIFIs achieved each year in comparison to those SAIFIs projected to be achieved by ENO in its network remediation plans; and

WHEREAS, numerous state utility regulatory commissions have established minimum reliability performance standards for the utilities in their respective jurisdictions in governing what constitutes acceptable and reliable electric service; and

WHEREAS, in conjunction with establishing minimum reliability performance standards for the utilities under their jurisdiction, a significant number of state utility regulatory commissions have also established financial penalty mechanisms for failure to meet the reliability performance standards so established; and

WHEREAS, numerous state utility regulatory commissions have adopted reliability performance standards measuring the annual SAIFI, SAIDI, and Customer Average Interruption Duration Index ("CAIDI") performance for utilities under their respective jurisdictions; and

WHEREAS, ENO's reliability performance should be measured against minimum reliability performance standards that relate to the specific nature of ENO's urban service territory; and

WHEREAS, the Technical Advisors have performed a review of the minimum SAIFI and SAIDI reliability performance standards for predominantly urban electric utilities which have been adopted by retail regulatory commissions around the country, and compared ENO's reported 2017 SAIFI and SAIDI values as a relative measure of ENO's reliability performance to such minimum standards; and

WHEREAS, the Technical Advisors review shows that ENO's 2017 SAIFI performance indicates that 36 ENO feeders (18%) exceeded the highest SAIFI standard (2.28) adopted by the retail regulatory commissions sampled, and 73 ENO feeders (37%) exceeded the median of the minimum SAIFI standards (1.21); and

WHEREAS, the Technical Advisors review shows that ENO's 2017 SAIDI performance indicates that 29 ENO feeders (15%) exceeded the highest SAIDI standard (4.92) adopted by the retail regulatory commissions sampled, and further 54 ENO feeders (27%) exceeded the median of the minimum SAIDI standards (2.73); and

WHEREAS, in determining a method of ensuring that ENO provides acceptable levels of reliability to its customers prospectively, it is prudent for the Council to consider the establishment of minimum reliability performance standards for ENO; and

WHEREAS, the establishment of financial penalty mechanisms for failure to meet minimum reliability performance standards as established by the Council will appropriately provide consequences to ENO for noncompliance with such standards; now therefore:

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

1. The Council hereby directs ENO to show cause within 30 days why ENO's inaction and omissions in mitigating and remediating electric service disruptions and complaints and unacceptable reliability performance should not be presumed imprudent.
2. The Honorable Jeffery Gulin is appointed the Hearing Officer in this docket to preside over the proceeding and rule on procedural disputes, including motions and discovery, and shall, for good cause shown and as required by the circumstance of the proceeding, have the authority to change or amend the procedural dates set forth.
3. A discovery period in the instant docket has commenced and the Council hereby orders that all responses to discovery shall be made on a rolling basis and shall be due in hand within 10 calendar days of receipt. Parties are encouraged to submit their data requests and responses electronically, where appropriate. Objections to data requests shall be filed within 5 days of receipt. All parties are strongly encouraged to provide complete, unambiguous and non-evasive responses to requests for information. Failure to do so could cause unnecessary discovery disputes and may disrupt the procedural schedule outlined herein. 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.
4. ENO is directed to provide a written response to the Council within 7 days of the adoption of this Resolution providing a detailed explanation and rationale for its total lack of response to the data requests filed by AAE and the Advisors in Council Docket No. UD-17-04 for Council consideration and future action.
5. Within 60 days of the issuance of this Resolution, ENO is directed to modify and re-submit its Remediation Plan ("Revised Reliability Plan") filed in Council Docket No. UD-17-04 including at a minimum:

- i. A substantive evaluation and analysis of the root causes of the problems;
 - ii. ENO's proposed technical and engineering approach to the remediation of the problems;
 - iii. A time schedule for completion, including proposed construction budget and expenditures by fiscal quarter;
 - iv. Priority and interim projects to quickly alleviate the most severe customer service quality problems; and
 - v. Such other analysis and information as may be required by the Council and its Advisors to evaluate the effectiveness of ENO's proposed plans.
6. Within 30 days of receipt of ENO's Revised Reliability Plan, the Intervenors shall file any comments with the Council into the instant docket regarding ENO's Revised Reliability Plan.
7. Within 60 days of receipt of ENO's filing of its Revised Reliability Plan, the Advisors are directed to file a report with the Council in the instant docket regarding: (i) their review and recommendations regarding ENO's Revised Reliability Plan and (ii) recommending proposed minimum reliability standards upon which ENO's reliability performance can be evaluated; and (iii) proposed financial penalty mechanisms for ENO's non-compliance with such minimum reliability performance standards for the Council's consideration and future action.
8. Within 30 days of the date of the Advisors' filing of their findings and recommendations, ENO shall file any responsive comments to the Advisors' findings and recommendations.
9. Upon receipt of ENO's responsive comments, the Council shall take such further action as it deems appropriate in the instant docket.
10. Commencing with the end of the quarter associated with ENO's filing of its Revised Reliability Plan, ENO is directed to submit bi-monthly written progress reports on its Revised Reliability Plan including at a minimum:

- i. An executive summary describing the overall work accomplished during the reporting period;
- ii. Identification of individual planned projects;
- iii. Capital cost and total project budget for each planned project;
- iv. Estimated and actual start date for each planned project upon the Council's approval of ENO's Revised Reliability Plan;
- v. Cumulative project expenditures and budget variance, and reasons therefore;
- vi. Percent complete for each planned project at end of reporting period;
- vii. Actual completion date and scheduled completion date for each planned project;
- viii. Problems encountered during reporting period and resulting impacts upon ENO's plans, budget, and schedule; and
- ix. Status of overall project schedule and budget in comparison to plan values.

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 - 6

NAYS: 0

ABSENT: Williams - 1

AND THE RESOLUTION WAS ADOPTED.

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THE FOREGOING IS CERTIFIED
TO BE A TRUE AND CORRECT COPY
Lera W. Johnson
CLERK OF COUNCIL