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LA PUBLIC SERVICE
COMMISSION

DOCKET NO. S-34426

LOUISIANA PUBLIC SERVICE COMMISSION,
EX PARTE

In re: Status of Electric Rates in Louisiana: Where Are We and Where Are We Going?

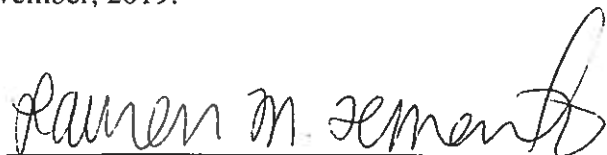
NOTICE OF STAFF'S FINAL REPORT OF TECHNICAL CONFERENCES

PLEASE TAKE NOTICE that pursuant to the *Notice of Proceeding and Technical Conferences* filed into this docket on April 6, 2017, and after consideration of all feedback received from Technical Conferences and filed comments, Staff submits its *Final Report of Technical Conferences*. The *Final Report of Technical Conferences* is attached as Exhibit A, and is structured as follows:¹

- I. Current Status of Electric Rates in Louisiana
- II. Where are Rates Going?
- III. Stakeholder Presentations, Proposals, and Recommendations

Consistent with the intent of this docket, Staff intends to provide a report for consideration at the Commission's December 2019 Business and Executive Session.

Baton Rouge, Louisiana this 20th day of November, 2019.



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¹ In order to better organize the information provided, this report is structured differently than Staff's Initial Report.

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**LOUISIANA PUBLIC SERVICE COMMISSION,
EX PARTE.**

In re: Status of Electric Rates in Louisiana: Where Are We and Where Are We Going?

FINAL REPORT OF TECHNICAL CONFERENCES

**PREPARED BY
R. LANE SISUNG**

**FILED ON BEHALF OF THE
LOUISIANA PUBLIC SERVICE COMMISSION STAFF**



Overview

Pursuant to the request of then-Chairman Scott Angelle, the Louisiana Public Service Commission (“LPSC” or “Commission”) Staff presented a report titled “Status of Electric Rates in Louisiana: where are we and where are we going” at the Commission’s Business and Executive Session (“B&E”) held on February 17, 2017. Subsequently, then-Chairman Angelle requested a follow up on the matter at the March 15, 2017 B&E. On April 6, 2017, then-Chairman Angelle requested that a consultant be procured to assist Staff in engaging in a series of technical conferences to (1) invite input from stakeholders on the status of electricity rates in Louisiana—where we are and where we are going, including any recommended policy or other options the Commission should consider for the future; (2) allow stakeholders to respond to each other’s respective views and recommendations; and (3) to obtain input from stakeholders on procedures and timelines needed to address their recommendations. Further, then-Chairman Angelle requested that Staff provide a report for consideration at the Commission’s September B&E meeting, including identification of the analysis that would be needed to consider the recommendations by stakeholders.² The Commission Staff received a bid from United Professionals Company, LLC (“UPC”) for under \$50,000 to assist it with this matter.

Staff issued a *Notice of Proceeding and Technical Conferences* on April 6, 2017, with a letter from then-Chairman Angelle attached thereto. Two technical conferences were held on May 11, 2017, and October 13, 2017.³ The first technical conference was held to receive input from stakeholders on the status of electricity rates in Louisiana—where are we and where are we

² Due to various delays, the timeline was modified.

³ See Exhibit B to the Report on May 11, 2017 Technical Conference filed on May 24, 2017 and Exhibit B to the Report on October 13, 2017 Technical Conference filed on December 14, 2018 for a list of participating stakeholders.

going—and to receive any recommended policy or other options the Commission should consider for the future. The purpose of the second technical conference was receiving feedback from stakeholders on the presentations made at the first technical conference. LEUG was the only stakeholder who requested to make an additional presentation. Staff filed its *Report on October 13, 2017 Technical Conference and Notice of Comment Period* on December 14, 2018. In its report, and in lieu of a third technical conference, Staff requested written comments on Staff's *Initial Report of Status Conferences*, which was attached the filing as Exhibit C. Specifically, Staff sought feedback from stakeholders regarding whether all matters previously discussed at the technical conferences had been adequately and accurately addressed. In addition, Staff requested comments on procedures and/or timelines that would be required to address stakeholder's respective recommendations. Staff also continued to welcome the introduction of any new discussion or proposals related to the original scope of the docket. Staff received written comments from the Association of Louisiana Electric Cooperatives ("ALEC"); Southwestern Electric Power Company ("SWEPCO"); the Louisiana Energy Users Group ("LEUG"); Entergy Louisiana, LLC ("Entergy" or "ELL"); the Alliance for Affordable Energy ("Alliance"); and the Advanced Energy Management Alliance ("AEMA").

Where are we and where are we going?

I. Current Status of Electric Rates in Louisiana

Entergy provided data from the U.S. Energy Information Administration ("EIA"), indicating that Louisiana has the lowest total rates in the country at \$7.41 cents/kWh compared to national average of \$10.28 cents/kWh for 2016. Entergy pointed out that natural gas prices have remained low in recent years and that ELL has made productive investments over the last 15 years,

contributing to low rates. ELL illustrated that retail rates in Louisiana only increased 6% over the last fifteen years as opposed to 41% in the United States as a whole. Further illustrations were provided, comparing the 6% increase in natural gas prices to the increased prices of staple items such as bread, gas, and other food items whose growth ranged from 37% to 107%.

ELL further pointed out that according to EIA, Louisiana has the fourth lowest average industrial rates in the country at \$5.03 cents/kWh, which is below the comparable Texas industrial rates of \$5.22 cents/kWh and also below the US average of \$6.75 cents/kWh. Further, ELL stated that studies have shown that since deregulation began in Texas, Electric Reliability Council of Texas ("ERCOT") rates have risen while non-ERCOT rates have not. The EIA data also illustrated that Louisiana has the lowest residential rates in the United States at \$9.11 cents/kWh compared to the national average of \$12.55 cents/kWh. ELL pointed out that the \$9.11 cents/kWh included retail rates for all of Louisiana, not just ELL, and that ELL's rates were even lower than the state average. ELL highlighted that its rates have declined between 17% and 20% since 2008, while the U.S. average has increased by 11%. ELL stated that its relatively low rates were supported by low natural gas prices and good policy decisions, citing examples such as the cancellation of Little Gypsy and its entrance into MISO.

Cleco Power stated that although its rates were highest, that its rates were still lower than the national average. Cleco stated that if gas prices were still at \$6-\$10, Cleco's rates would be lower than some of the other utilities.

SWEPCO discussed a national trend of increased rates, and also discussed that the impacts of the Tax Cuts and Jobs Act would benefit ratepayers with lower rates in the short run. SWEPCO further noted that it is in Southwest Power Pool ("SPP") and that SPP now has the Day-Ahead market, allowing for a reduction in energy costs.

ALEC noted that the electric cooperatives (“co-ops”) have provided electricity at or below the state’s average price of electricity. ALEC also noted that Louisiana co-ops have significantly lower rates compared to neighboring states.

DEMCO acknowledged that there are negative rate drivers, such as those associated with MISO service and pointed out that although there are clearly benefits to being in MISO, there are also greater transmission costs being borne by co-op customers because of MISO. DEMCO pointed out that the average monthly cost of transmission service has increased from approximately \$2,150/mW-month before MISO to now over \$3,600/mW-month on average in 2016, an increase of 60%. DEMCO pointed out that the increased transmission costs have increased for all co-ops and that, because the co-ops do not own transmission and generation assets, MISO costs are passed through to the co-ops who are forced to live with it. Since the capacity and energy rates are fixed in the co-ops power supply contracts, any savings are not seen or passed on to the co-ops. Thus co-ops are burdened with the full transmission costs. DEMCO summarized by saying that the co-ops are the big losers with MISO in Louisiana, and the benefits have gone to the IOUs and their customers.

In response to DEMCO, ELL stated that the increased costs are not attributable to Entergy’s participation in MISO, but to increases in transmission investment. Entergy continued that the transmission investment is being made either for reliability, which benefits the co-ops, or to generate fuel charge savings by reducing congestions. Whether the co-ops receive those energy savings was not a MISO issue, but rather a product of the contract between the co-ops and their provider.

The Alliance stated that the focus is often on “rates.” However, the Alliance believes the focus should be on monthly “bills” paid by ratepayers. The Alliance proffered that Louisiana uses

more energy than any other state, approximately 38% more than the national average, and that Louisiana also has a high energy burden, meaning the poorest Louisianans pay upward of 20% of their annual income on energy bills.

LEUG, whose membership is almost exclusively customers of Entergy, presented a contradicting view as to the competitiveness of industrial rates. LEUG pointed out that EIA data does not really fit the Louisiana situation because this data addresses a very different size of industrial customer and that the focus should be on Louisiana customers.

LEUG objected to Entergy's state-wide average comparison of average industrial prices. LEUG claims that there are three broad reasons why such comparisons are misguided: (1) not all utilities use the same criteria for classifying customers between commercial and industrial, (2) customer characteristics and composition vary widely across utilities and states; and (3) such comparisons do not distinguish quality of service as between firm and interruptible among the various utilities and states. LEUG shared various presentations of its opinions related to the competitiveness of ELL's industrial rates. LEUG shared a comparison of industrial rates in the Southeastern United States based upon a 50MW, 90% load factor industrial customer. LEUG also shared an ERCOT comparison representing a generalized comparison using the same 50MW, 90% load factor customer as used in the Southeastern Utility Costs comparison. The delivery service component of these calculations were determined from published tariffs, and the commodity portion was derived from marketers active with industrial customers in ERCOT. LEUG additionally presented a total of six different loads from LEUG member companies in other utility service territories, along with the actual billings for those loads for calendar year 2016. The loads were analyzed and then billed out under the best available ELL rate in both the Legacy EGSL and Legacy ELL territories. From these various presentations, LEUG concluded that contrary to

suggestions from Entergy, evaluation of the impact of future rate increases does not start from Entergy having the lowest industrial rates in the country.

In response to LEUG's claims regarding industrial competitiveness, ELL filed comments stating that even if LEUG's calculations could be verified, a 50MW customer with a 90% load factor is not representative of all, or even a significant number of, ELL's industrial customers. ELL stated that the Commission's focus should be on obtaining the lowest reasonable cost for all customer classes. ELL further responded that there has been no suggestion of current or projected electric rates causing Louisiana to lose an industrial project to a neighboring state. To the contrary, ELL stated that the last few years have seen several significant industrial developments or expansions choosing to construct in Louisiana (*e.g.* Cameron LNG, Driftwood, Exxon, Formosa, Lotte Chemical, Monsanto, Sasol, Shell, Shintech, Yuhuang Chemical, etc.). ELL further stated that according to Louisiana Economic Development, Louisiana has logged more than \$60 billion in foreign direct investment since 2008, which ranks first in the U.S. per capita foreign direct investment attraction. Entergy also referred to a study titled "The Economic Impact of the Chemical Industry on the Louisiana Economy: An Update, by Loren C. Scott & Associates, April 2018" and provided the report's conclusions of the impediments to competing with Texas as: business climate, legal climate, transportation, and education. Entergy then emphasized that there is not mention of a real or perceived electricity cost advantage.

Staff Observations

1. Based upon EIA data, Louisiana currently has some of the lowest residential and industrial rates in the country.
2. While certain utilities in the state may be higher than others, even the highest utility is below the national average, and on the whole, Louisiana's utility residential rates are very competitive.

3. Louisiana's main cost reduction drivers to utility rates has been the low price of natural gas and the Commission's proactive regulation in working with its utilities to strive for just and reasonable rates.
4. There is a disagreement between Entergy's industrial customers, as represented by LEUG, and Entergy as to the competitiveness of Entergy's industrial rates.
5. While Entergy's reliance on EIA's average data may not be a fair representation of Entergy's competitiveness for any one particular customer, neither does it appear is LEUG's examples based on a 50MW customer with a 90% load factor is a fair representation, unless all customers fit that specific profile. Further, while LEUG has identified some customers for which it attests would pay more under Entergy's tariffs, that does not mean there are customers who may not pay less.
6. In reconciling these contradictory positions, Staff has observed that there has been no direct evidence presented in this record that any potential industrial customer did not locate to Louisiana due to electric rates, however there has been introduced evidence that new industrial customers are locating in the state. Despite this observation, Staff does not support a conclusion one way or the other.
7. Based upon the observations from the record of this docket, Staff is of the opinion that the competitiveness of Entergy's industrial customer rates to other utilities or market based supplier options will vary as between individual industrial customers.
8. The Commission should closely monitor Entergy's industrial customer marketing efforts moving forward to gauge the actual competitiveness of Entergy's industrial rates, and if a concern is identified related to the competitiveness of Entergy's industrial customer rates, then a rate case with a full cost of service allocation study should be considered to ensure rates are appropriately set and appropriately competitive.
9. The Alliance points out that LEUG references electric rates in Texas and although the industrial rates may be lower, the average rate and bill for a residential customer in Texas is considerably higher than Louisiana (LA: \$00.0974/kWh, \$115.54/month versus TX: \$00.1101/kWh, \$122.47/month). Further, the Alliance fears that referencing the Texas model could be inferred as suggesting full deregulation among all rate classes, which has often had negative effects on the residential rate classes.

II. Where Are Rates Going?

There is little disagreement amongst the participating stakeholders that Entergy is beginning to replace an aging fleet and planning to meet expected load growth, and accordingly, Entergy base rates are increasing and expected to continue increasing. While newer and more efficient generation may produce lower energy costs to help mitigate some of the increase in base

rates, the degree of such impact is debatable when a similar benefit is attributable to MISO market wide dispatch and economic transmission investment.

Cleco believes that as a result of all of its past capacity additions, Cleco can absorb more load growth now and in the future and does not anticipate having to invest in major capacity projects in the near future, perhaps not needing additional capacity investment until the late 2020s. Cleco stated that while the impact of solar and energy efficiency are difficult to quantify, their impact on load growth will be more quantifiable in the years ahead.

SWEPSCO noted that it has plans to invest in up to 1200 MW of wind and does not anticipate needing a combined cycle unit until 2026, and that while energy savings may help to mitigate some of the increase in rates these investments would require, the degree of such impact is highly debatable.

ALEC stated that co-ops struggle with building and maintaining infrastructure as they have fewer than 10 member/customers per mile of line, which is well less than the IOU's. ALEC further opined that the issues that co-ops face are not enough to prevent them from keeping cost of service low. ALEC pointed to increased cost of transmission and potential environmental regulations as potential causes to increased rates. ALEC also stated that they believed there rate design needed to be addressed. ALEC stated that monthly service charges need to be revisited and become a better reflection of actual costs of service, allowing the energy cost to be a direct flow through. ALEC states that allowing a monthly charge reflecting the actual cost of service will assist in allowing for fair payment for maintenance, upkeep, and improvements to electric utility facilities and limit unfair subsidization.

Although LEUG and Entergy both acknowledge that Entergy's rates will be increasing, they present different perspectives towards those increases. LEUG proffered that base rates could

increase 50% or more due to building new infrastructure. Entergy did not provide an expected amount of increase, but in the Technical Conferences stated that Entergy is starting from a low rate relative to its peers who also need to make investments and thus comparatively speaking they expect to maintain relatively lower rates. LEUG also stated that these increases could come sooner than expected if there were other earlier-than-expected retirements to occur as Entergy has recently experienced.

Staff Observations

1. While each utility will be unique, rates are likely to begin rising for the majority of Louisiana customers as utility plant ages and is retired and replaced. Also providing upward pressure on rates is low to no load growth and prudent investment in the transmission system.
2. Entergy's base rates will be rising in the short term to account for St. Charles Power Station, Lake Charles Power Station, and the Washington Parish Power Project. While fuel savings may be achieved from these projects, the extent to which those projected savings may lower overall rates is debatable. Further, Entergy is heavily increasing its investment in its transmission system which will apply upward pressure on rates. Finally, Entergy will need capacity beyond the named generation projects out in further years.
3. SWEPCO has plans to increase base rates in the near term with wind and solar projects and also plans a CCGT in the intermediate term, all of which, if approved, will put upward pressure on base rates. As with Entergy, while there may be offsetting fuel savings from these capacity additions, the amount of such savings is debatable.
4. Cleco Power has an opportunity to maintain or even reduce rates in the short term with its rate case filed on June 28, 2019 in Docket No. U-35299 and has represented it has current capacity not necessitating large scale generation projects. However, Cleco Power has also indicated a desire for potential investment in renewables to diversify its fuel supply and also is investing in its transmission system. These upward pressures combined with flat to declining load growth will put upward pressure on Cleco Power's rates in the intermediate term.
5. The cooperatives have declining load growth which puts upward pressures on rates. Also contributing to potential higher rates for cooperatives will be their share of the cost of upgrading the transmission system. Potential savings for the cooperatives could come as it seeks to replace its generation capacity and energy contracts.
6. Understanding that Louisiana utilities are entering a period where rate increases are to be expected it is more important than ever for the Commission to remain vigilant, as it has proven to be in the past, and to regulate its utilities in a comprehensive manner to provide

the best opportunity for ratepayers to receive safe and reliable service at the lowest possible cost.

III. Stakeholder Presentations, Proposals, and Recommendations

All utilities were invited to make presentations and proposals for potential action items for the Commission related to rate stability. Although nearly all stakeholders made general presentations addressing current rates and where they believed rates were going, only LEUG made specific proposals for Commission consideration.

The Alliance for Affordable Energy

The Alliance for Affordable Energy encouraged the Commission to complete ongoing efforts to finalize statewide energy efficiency rules in Docket No. R-31106 (In re: Rulemaking to study the possible development of financial incentives for the promotion of energy efficiency by jurisdictional electric and gas utilities.)⁴ and approve a final rule in Docket No. R-34948 (In re: Rulemaking to study the implications of participation of Aggregators of Retail Customers to determine whether, and under what conditions, such activity should be allowed in the Louisiana Public Service Commission's jurisdiction.)⁵. The Alliance stated that in 2018, six utilities across four of our neighboring MISO states, developed or expanded DR programs within their respective regulatory structure. The Alliance cautioned against a rush to invest in natural gas-fired powered plants and urged consideration of renewable energy and distributed energy resources citing a study to support the economics of their recommendation.

⁴ At the time of this report, a final rule has not yet been issued in Docket No. R-31106.

⁵ Final rules were adopted in General Order dated March 7, 2019 (R-34948). Subsequent Docket Nos. R-35135 and R-35136 have been opened and are ongoing to address specific rules which would allow an Aggregator of Retail Customers to be regulated by the Commission and to implement Demand Response Programs.

ALEC

First, ALEC urged completion of Rulemakings Docket No. R-34758 (In re: Timely Disclosure of Facts and Notices, Regarding Such Matters as MaxGen Alerts, to Commission and Commissioners, and Related Matters)⁶ and Docket No. R-34860 (In re: Rules applicable to electric service providers' provision of service to load outside its historical footprint and rates that may be offered for industrial load.).⁷

Second, as all ALEC Cooperatives face the completion of their all-requirements power supply contracts in the 2024-25 timeframe, ALEC urged that it is also important that the Commission support the ALEC Cooperatives in seeking to identify and secure power in a manner that will allow the ALEC Cooperatives to provide reliable service at the lowest reasonable cost.

AEMA

AEMA made several recommendations related to demand response programs as follows: (1) that the Commission approve a final Demand Response rule in Docket R-34948 (In re: Rulemaking to study the implications of participation of Aggregators of Retail Customers to determine whether, and under what conditions, such activity should be allowed in the Louisiana Public Service Commission's jurisdiction) based on Staff's Final Report, filed February 6, 2019;⁸ (2) that the Commission require Direct Load Serving Entities ("LSEs") to partner with a DR Provider through a bilateral DR contract or allow DR Providers to serve customers in utility DR tariffs; (3) that the Commission encourage utilities to have informal conversations with

⁶ This docket remains ongoing.

⁷ Final rules were adopted in General Order dated July 29, 2019 (R-34860).

⁸ Final rules were adopted in General Order dated March 7, 2019 (R-34948). Subsequent Docket Nos. R-35135 and R-35136 have been opened and are ongoing to address specific rules which would allow an Aggregator of Retail Customers to be regulated by the Commission and to implement Demand Response Programs.

stakeholders, outside of a formal rulemaking process, that would help accelerate the development of new DR programs; and (4) that the Commission approve new utility DR programs no later than September 1, 2019, as this timeline is necessary to have capacity ready by the 2020 winter peak season and MISO's 2020/2021 annual capacity auction, and is reasonable for those utilities for which there is already a robust body of evidence supporting the need for new DR programs.

AEMA bases its recommendations on its view that there is significant DR potential within Louisiana. It cites a report from Applied Energy Group which states there is almost 900MW of incremental DR potential across the state, with 500-700MW of load able to participate in DR programs by 2021.

LEUG

LEUG's presentations

LEUG made a presentation on ERCOT, where LEUG stated that the EIA data is flawed with regard to pricing for large industrial customers because it is based on Standard Industrial Classification (SIC) Code, not size. In ERCOT, this leads to higher reported prices than can be obtained by >1-megawatt industrial customer. In ERCOT, large customers can typically contract for the forward price plus a pass through of transmission charges, where ERCOT charges a very small mark-up. There are a large number of variations in contracting, depending on how much forward price risk the customer chooses to hedge. LEUG then presented data comparing Louisiana CHP Production to Texas. LA has 33.6 GWh, with 13.3 GWh sold to the grid, and Texas has 84.6 GWh, with 49.7 GWh sold to the grid. Staff asked how capacity is planned in ERCOT. LEUG responded that it is not planned and that the free market system determines if and when capacity is built.

LEUG also presented a report titled “Competitive Wholesale Power Market for Industrial Customers in Louisiana.” This report concluded that allowing industrial customers the option to directly participate in a competitive market will allow them to more effectively compete for projects that will benefit the economic development of Louisiana. In addition, allowing alternative electric supply options for these industrial customers could benefit other customers of Entergy by avoiding the cost for Entergy to construct new regulated generating plants.

LEUG's Proposals and Responses, Generally.

Based on LEUG's observations of where rates are, where they are going, and Entergy's industrial rate competitive position, it has made four proposals for Commission consideration, each of which is proposed to reduce industrial rates and provide benefits to other classes of customers by relieving Entergy's need to build more capacity. The four specific proposals are discussed in more detail, below.

Generally, LEUG states that it seeks to be part of the solution by providing options that could avoid some of the need for Entergy to replace 5,800 MW of aging generation fleet in a manner that provides savings for all ratepayers, and at the same time helps industry in Louisiana maintain competitive electricity prices. Absent alternative options, LEUG's consultant estimates the cost of the replacement generation could be in the range of \$10 - 12 billion and would increase base rates on customer bills by 50% or more.

LEUG states that they believe that we are already at or past the low water mark for Entergy's electric rates in Louisiana, and Entergy's electric rates will increase as it replaces its aging generation fleet and continues to spend on new infrastructure and increase its rate base. However, if some industrial customers are willing to take on the risk of meeting their electricity

supply on their own through long-term contracts with other generation resources, a Combined Heat & Power ("CHP") generation island, from their own CHP generation at affiliate plants, or any other generation source separate from Entergy, then Entergy would not have to replace its aging generation fleet and the cost of the replacement generation could be avoided for the benefit of all ratepayers. Likewise, if industrial customers are allowed to participate in new demand response tariffs and products, it could avoid the need to replace some of Entergy's aging generation fleet and avoid costs for the benefit of all ratepayers.

LEUG emphasized that the time for the LPSC to investigate their proposed options is now. The LPSC should not wait to begin evaluating alternative options until after Entergy proposes to deactivate the next generation unit and replace it with constructing another new generation unit that will have to be paid for by ratepayers through rate increases.

As LEUG looks forward to the future, it sees that Entergy has 5,800 MW of aging generation that it will be seeking to replace over its planning horizon. LEUG is also seeing that Entergy has substantially moved-up the deactivation dates for certain of its older generation units in recent instances by ten years or more, and so the future for generation replacements could be much sooner than currently planned.

LEUG also alleged that Entergy, as a regulated monopoly electric utility, has a natural incentive to replace older generation with construction of new generation. In a regulated environment, construction of new generation adds to rate base and increased rate base adds to earnings for the utility shareholders.

Entergy generally responded to these four proposals by stating the central question presented in this docket (where are rates today and where are they going) is not a new or novel question. The consistent pursuit of safe and reliable service at the lowest reasonable cost has

positioned Louisiana as a low electricity cost state which, when coupled with its infrastructure, work force, and natural resources, has resulted in significant economic growth and development in Louisiana. ELL recommends that the LPSC maintain that course through application of its multiple existing orders and processes designed to ensure the provision of safe and reliable electric service at the lowest reasonable cost for all customers.

Entergy states that the Commission's approach to a utility's necessary new capacity (e.g. MBM General Order and 1983 Certification General Order) provide for meaningful stakeholder engagement and input, all of which is considered by the LPSC in determining whether a proposed course of action is expected to result in the lowest reasonable cost to customers. At no point in this process has the Commission endeavored to prioritize an alternative that was the best alternative for one customer or one group of customers at the expense of others.

With regard to LEUG's concerns over early deactivations, Entergy points out that the Commission recently enacted a rule that generally requires the utility to provide advanced notification of decisions to deactivate or retire units, including specified information supporting that decision.⁹ Also, Entergy refers to a February 2018 directive of the Commission requires ELL to prepare and submit to the Commission an economic study regarding the economic status and viability of ELL's legacy gas units.

Entergy alleges that each of LEUG's four recommendations appears aimed primarily at the parochial pecuniary benefit of a select few large industrial customers, although LEUG suggests ELL's remaining customers will also benefit. ELL's planning processes are focused on providing

⁹ See General Order dated October 19, 2018 (R-34407).

the lowest reasonable cost to all customers, not just the largest and most sophisticated industrial customers.

ELL stresses that the MBM and IRP process are collaborative processes for sound resource planning that does not change the fundamental relationship between the utilities and the Commission in terms of supply planning and decision making and that if the Commission does not substitute its judgement for that of the utility, neither should a customer or trade group.

Entergy states that now is not the time to abandon comprehensive resource planning in favor of hasty and potentially short-sighted solutions to what are clearly long-term issues. Nonetheless, the Company does agree that now is the time to begin thinking about alternatives to capacity and has included some of LEUG's proposals in the five-year action plan of the 2018 Draft IRP, as discussed further below.

Entergy states that resource decisions should not be made in one-off proceedings initiated at the request of a single customer or group of customers. This would invite an endless stream of requests from individual customers or special interest groups designed to advance their self-interests, endless litigation at the Commission, and suboptimal resource planning. Thankfully, the Commission had the foresight to enact a general order requiring utilities to engage in comprehensive and integrated resource planning that reflects the needs of all customers and that takes into account comments and suggestions from stakeholders such as LEUG

Entergy states that a separate docket to review LEUG's resource proposals in isolation is contrary to the Commission-mandated JRP process, would elevate industrial concerns above other stakeholders' concerns, and result in suboptimal long-term resource planning.

The co-ops provided support for LEUG's recommendations and stated that providing the co-ops with access to these proposals could assist in addressing its concerns related to increasing costs.

LEUG's specific Proposals

LEUG Proposal #1: Industrial Customer Market (LEUG proposed that this might take a 9-month proceeding)

With this proposal, an industrial customer could leave Entergy service and obtain its electric supply from whatever other source it may choose, at its own risk and cost. The alternative source could be any of a number of potential options, such as entering a long-term contract with some other utility or private entity that has excess generation it needs to sell, or building or joining in a shared CHP island with neighboring plants, or serving itself with excess generation located at affiliate plant sites, or buying from the MISO market if they are willing to accept the risk of short-term market prices. The customer would have the option to be certified by the LPSC as its own retail supplier, and ELL would still be responsible for providing the ultimate delivery of the power to the participating customers under a LPSC-jurisdictional delivery service tariff (customer charges, metering charges, and distribution service). Under any of these options, Entergy would not have to supply the power to the departing customer and thus could avoid replacing generation plant that would otherwise be needed to meet the departing customer's needs.

LEUG pointed out that the availability of MISO greatly simplifies the implementation of this option versus the past, and also points out that it is likely that not all industrial customers would be willing to take on the risk of a market option as some will prefer to remain with the utility.

LEUG believes that there would be benefits delivered by the proposed Industrial Customer Market Option to both participating and non-participating customers. To participating customers, the proposal provides access to off-site CHP generation, the bilateral wholesale power market, and the MISO capacity, energy, and operating reserve markets. For non-participating customers, the proposal could reduce the need for ELL to replace capacity and thus lower base rates. However, LEUG acknowledged that several issues would need to be addressed in order for this type of proposal to be implemented which would include changes to Commission Rules, including: certification of retail suppliers, reporting requirements of retail suppliers, metering, temporary default service, return to regulated service, stranded costs, and securitization costs.

ELL specifically addressed its concerns with this program, stating that while it is considering other proposals, it does not contemplate taking further action on this proposal. It based its position on the fact that the Commission spent more than a decade studying and evaluating retail electric access before concluding that retail access in Louisiana was "not in the public interest for any customer class."¹⁰ ELL explained that prior to the Commission making that determination, Staff had submitted a February 22, 1999 Report expressing a

"strong belief that restructuring of the electric industry is not in the public interest at this time. We implore that the Commission is not persuaded by various parties contentions regarding the immediate economic development impact associated with electric restructuring in Louisiana . . . Implementation of electric retail competition throughout the state of Louisiana is in the public interest only if retail access shall produce lower billings for electric service to all Louisianans, a result which at this time appears uncertain at best and doubtful at worst."¹¹

¹⁰ Order No. Consolidated U-21452, U-20295 (SC), U-22092 (SC)- (Subdocket A) - B (December 4, 2001) at page 8.

¹¹ February 22, 1999 Staff Report in Docket No. U-21453 at pages 95-97.

ELL went on to describe that in response to Staff's February 22, 1999 Report, the Commission deferred making a public interest determination and directed Staff to develop a plan for implementation of retail access that could be considered by the Commission.¹² While maintaining that retail access was not in the public interest, Staff developed a transition plan that would allow customers with load exceeding 5MW to access the competitive generation market.¹³ It was noted that "Louisiana's industrial customers have lobbied extensively for the right to choose their generation suppliers. These large industrial customers are sophisticated players in the marketplace and can be presumed to make intelligent business decisions in their own self-interests."¹⁴ The Commission squarely rejected the industrial access program in holding "prior to sanctioning even the most limited competitive experiment, we had to ensure that no class of ratepayers would be harmed by such a change."¹⁵ ELL also noted that in 2001, the Commission and its staff recognized that "the slow and steady course followed by the Commission to date has, we believe, saved Louisiana ratepayers significant amounts of money, maintained reliable service and permitted consumers to receive substantial rate reductions and refunds."¹⁶

Further, ELL stated that today, average electric rates in Louisiana are well below the national average, approximately 25% lower. For its part, ELL's average rates in 2018 are among the lowest in the nation based on EIA reports. Since 2008, average residential electric rates in the U.S. have increased by 15% with a 1,000 kWh/mo residential customer paying approximately \$130 or approximately 13 cents per kWh. Over the same time horizon, average residential rates

¹² See Order No. U-21453-A (April 13, 1999).

¹³ See January 2001 Proposed Competitive Transition Plan prepared by the LPSC Staff.

¹⁴ Order No. Consolidated U-21452, U-20295 (SC), U-22092 (SC)- (Subdocket A) - B (December 4, 2001) at page 6.

¹⁵ *Id.* at 1.

¹⁶ *Id.* at 5.

for Legacy ELL and Legacy EGSL have decreased by 18% and 22%, respectively. ELL stated that the Commission's decision to reject retail access in Louisiana and maintain its long-standing regulatory regime has balanced the interests of all customer groups while at the same time positioning Louisiana as a low electricity cost state, that the Commission should continue the wise course it has plotted over the last two decades to keep Louisiana positioned to maintain low electric rates and continued economic development into the future, and that any drastic departures from this approach risks long-term unintended consequences and may derail the significant economic development that is occurring in the state.

ELL also stated that through integrated resource planning, utilities should evaluate a range of resource options that can advance the objective of reliable service at the lowest reasonable cost, and those may include, for example, new interruptible rates and dynamic pricing options. However, requests that the Commission mandate these or other options to benefit industrial users alone will frustrate the integrated resource planning process, result in cost shifts, and may harm area reliability.

SWEPCO stated that this proposal could have an adverse impact on utility planning due to a potentially shifting industrial load, which could result in stranded costs and the shifting of costs to other ratepayers.

Although the Alliance agrees with some of LEUG's proposals, it stated that the Industrial Market Option is a potentially risky proposal for which the Alliance reserves serious concern. Market options provided to one rate class can place a high burden on other rate classes unless strict protections for residents are created and enforced. If the industrial class were to leave ELL's regulated market, commercial and residential customers could be left with the bill for infrastructure needed only for the industrial class unless a clear policy for exit fees is created and adhered to.

The Alliance further states that crafting a policy for an Industrial Market Option for Industrial customers would take the better part of a year, according to LEUG's own admission, and could be risky to Louisiana's residential and small commercial businesses. Any discussions regarding a deregulated market for Louisiana must be very carefully examined, and thoroughly measured against other statewide policies to ensure bad policy does not allow utilities or other customer classes to take advantage of residents, especially those low-income customers without the flexibility or opportunity to "shop around."

LEUG Proposal #2: New Interruptible Service Tariffs (LEUG proposed that this could be potentially accomplished in 90 days)

This proposal provides that with minimum notice, a customer must curtail down to firm service level during system emergencies; that there would be daily and annual limits on curtailments; and that the customer would receive a monthly demand charge credit. This proposal is not intended to replace the existing interruptible rate schedules which are currently closed to new customers.

LEUG stated that the benefits to participating customers is that the proposal provides the customer with the ability to reduce its cost for power by committing to curtail its load during emergencies and during high cost periods. The benefit to non-participating customers is that ELL would no longer be responsible for providing capacity for the interruptible portion of the participating customer's load, thus lowering the need for ELL capital investment.

LEUG proffered that the topics that would need to be addressed to implement this Interruptible Service Rider Option are: notice and duration of curtailments, limits on curtailment, terms of service, and the magnitude of monthly demand charge credit.

LEUG pointed out that the percentage of ELL's peak system demand that is currently interruptible (3%) is very low compared to other utilities such as Northern Indiana Public Service Company (NIPSCO) at 16%. ELL pointed out that the NIPSCO service territory included a different type of industrial customer than south Louisiana.

Entergy proposed to consider interruptible tariffs as part of its five year action plan reflected in ELL's 2018 Draft IRP. ELL stated that the Commission would not need to open a separate docket, but rather any new interruptible tariffs would be submitted to the Commission for review and approval under the new tariff rules newly adopted by the Commission in General Order dated July 1, 2019 (R-34738). According to Entergy, addressing these issues in the five-year action plan of the Draft IRP provides a path to carefully evaluate and develop solutions that benefit all customers well before the projected capacity need in the 2028-2029 timeframe that is the stated basis of LEUG's concern.

Staff notes that since the time of LEUG's proposal and stakeholder responses thereto, the Commission has opened Docket No. R-35136, which is considering interruptible service rate schedules for all electric utilities.

LEUG Proposal #3: Real Time Pricing (LEUG proposed that this could be potentially accomplished in 90 days)

This proposal would create a rider that would allow industrial customers to time their load usage to incur lower hourly energy costs. The proposed benefit to participating customers is that it would provide customers the ability to reduce cost for power by shifting the timing of energy consumption. The potential benefit to non-participating customers would be if ELL's peak demand were able to come down, it could reduce need for new capacity, thus providing the potential for a reduction in base rates. This has also been referred to as a Demand Response tariff,

as supported by a study presented by LEUG conducted by Applied Energy Group titled “Preliminary Assessment of Demand Response Potential for Large C&I in the State of Louisiana.”

Like Interruptible Tariffs, Entergy proposed that these be considered as part of its five-year action plan and submitted pursuant to the Commission rules, without the need for a separate docket.

Staff notes that since the time of LEUG’s proposal and stakeholder responses thereto, the Commission has opened Docket No. R-35136, which is considering real time pricing rate schedules for all electric utilities.

LEUG Proposal #4: Stand-By Service (LEUG proposed that this could be potentially accomplished in 90 days)

Under this proposal, the utility purchases capacity necessary for service from the MISO Planning Resource Auction, based on expected standby service demand at the time of the annual MISO system peak. When drawing standby power, the customer pays for capacity at a daily demand charge equal to the daily MISO Auction Clearing Price and for energy at the actual, real-time Locational Marginal Price (“LMP”). This proposal is not intended to replace existing standby service rate schedules.

LEUG proposed that the benefit of this option to participating customers is that it provides customers with the option to pay for standby capacity and energy based on MISO market prices for capacity and energy. The benefit to non-participating customers is that ELL would no longer be responsible for providing capacity and energy from its own generation to provide standby service to the participating customers.

Topics needing to be addressed would include: specifics of rate design, and maintenance outage provisions.

Staff notes that since the time of LEUG's proposal and stakeholder responses thereto, the Commission has opened Docket No. R-35136, which is considering stand by service rate schedules for all electric utilities.

Conclusion

The purpose of this docket was to provide the Commission with the stakeholder's views of where electric rates are and where they are going, and to further allow stakeholders to make proposals to the Commission for its consideration for further study and consideration. Staff was not directed to perform an analysis of any specific proposals nor was Staff directed to make recommendations regarding the proposals. As such, Staff makes no formal recommendations, but does have the following observations.

1. To the extent that any previously-opened Commission docket is already addressing the stakeholder proposals made by LEUG, those dockets should continue to address those appropriately scoped issues.
2. Any investigation and consideration of LEUG's proposed industrial customer market option would require significant investments of time and energy. Staff, with the assistance of experienced consultants and outside attorneys, would need to research other jurisdictions' practices and different RTO markets to analyze RTO market issues, as well as new rate making mechanisms. Staff believes that a study related to such a fundamental shift in Commission policy, including but not limited to the topics that LEUG stated would need to be addressed, could take up to or slightly over a year.

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