


RESOLUTION  
R-18-224

CITY HALL: June 21, 2018

BY: COUNCILMEMBERS  MORENO, WILLIAMS, GIARUSSO, BANKS AND BROSSETT

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

RESOLUTION AND ORDER DIRECTING  
ENTERGY NEW ORLEANS, LLC TO ACCELERATE IMPLEMENTATION OF ITS  
ADVANCED METERING INITIATIVE

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, LLC (“ENO” or “Company”) is a public utility providing electric and natural gas service to all of New Orleans; and

WHEREAS, on October 18, 2016, ENO filed its *Application of Entergy New Orleans, Inc. for Approval to Deploy Advanced Metering Infrastructure, and Request for Cost Recovery and Related Relief* (“Application”) seeking authorization from the Council for the Company to acquire, construct, deploy, own, operate and maintain Advanced Metering Infrastructure (“AMI”), which

includes advanced meters that enable two-way data communication, a secure and reliable communications network that supports two-way data communication, related and supporting systems, including a Meter Data Management System (“MDMS”), an Outage Management System (“OMS”), and a Distribution Management System (“DMS”) (“AMI Implementation”), along with related accounting treatment for existing and future assets and costs; and

**WHEREAS**, ENO’s estimate for the total capital investment of AMI is approximately \$75 million; and

**WHEREAS**, on January 29, 2018, ENO and the Advisors executed a Stipulated Settlement and Term Sheet (“AMI Term Sheet”) that the proposed AMI Implementation, as detailed in ENO’s Application and modified by the AMI Term Sheet, including the removal and retirement of existing metering equipment, and the installation of new advanced meters and supporting systems and equipment, and a customer education plan, as modified therein, is in the public interest, serves the public convenience and necessity, and therefore is prudent. The only intervenor in this proceeding, the Alliance for Affordable Energy, certified that it did not oppose the AMI Term Sheet; and

**WHEREAS**, on February 8, 2018, the Council, in Resolution R-18-36, opened a new docket to consider *An Inquiry Into Establishing a Smart Cities Initiative for the City of New Orleans*; and

**WHEREAS**, the cornerstone of a Smart Cities initiative is the modernization of the electric grid and its integration with other technologies; and

**WHEREAS**, in addition to electric grid modernization, Smart Cities also incorporate advanced telecommunications and Wi-Fi technology, high speed data services, advanced mobile

applications, interactive communications with utility providers, and advanced public safety technology; and

**WHEREAS**, on April 5, 2018, the Council, in Resolution R-18-99, among other things, directed ENO to investigate ways in which their implementation of AMI can be reasonably accelerated so that customers may reap the benefits of AMI sooner than 2021 but in a manner that makes sense given ENO's system needs and relative costs to customers; and

**WHEREAS**, recognizing that the Council's Smart Cities initiative and the Internet of Things may be best utilized through the availability of real-time information, such as that from AMI on an open standards-based platform, the Council also directed ENO to investigate how and at what cost, concurrent with the current AMI deployment, ENO may make AMI meter data most useful to the Council's Smart Cities initiative on an open standards-based platform, including making real-time or near-real-time meter data available, consistent with best Smart Cities industry practices; and

**Accelerated Deployment of AMI**

**WHEREAS**, on June 6, 2018, ENO filed a report in response to Resolution R-18-99. Therein, ENO states that it worked with its vendors and has determined that a one-year acceleration that will not affect the quality of the deployment, is feasible for an estimated \$4.4 million increase in capital costs; and

**WHEREAS**, ENO asserts that its vendors have assured ENO that this acceleration can be done without sacrificing quality control but that the vendors will lose certain economies of scale that resulted from a deployment schedule that was heavily linked and coordinated with the deployment of AMI in other Entergy Operating Company jurisdictions, which will result in an increase in the investment needed for ENO's deployment; and

**WHEREAS**, according to ENO, the estimated \$4.4 million increase includes incremental spending for items such as increased labor, warehouse space, security, equipment, vehicles, tools, insurance and risk premiums, startup and shutdown costs, increased back-office support, and increased risks, etc. and includes incremental internal Entergy costs (*i.e.*, incremental taxes, contingency, contract oversight, etc.); and

**WHEREAS**, ENO notes that it has estimated that the AMI project is expected to produce \$101 million in net benefits on a nominal basis, and \$27 million net benefits on a present value basis. ENO also states that the Council's Advisors, after certain adjustments, also found ENO's AMI deployment will produce net benefits.<sup>1</sup> Specifically, the Advisors found that ENO's electric AMI deployment will produce a net benefit of approximately \$85 million nominal; and \$16 million net present value.<sup>2</sup> Accordingly, ENO argues that regardless of which net benefit analysis is used, the Company's or the Advisors', an incremental \$4.4 million in capital costs resulting from a one-year acceleration in ENO's AMI will still produce substantial net benefits to customers; and<sup>3</sup>

**WHEREAS**, ENO states its vendors have had plans in place related to AMI deployment for a considerable amount of time and a one-year acceleration represents a substantial change to those deployment plans. Therefore, the vendors have informed ENO that decisions and commitments on their end need to be made in very short order for capital expenditures such as vehicles, warehousing, labor, supervision, etc. Moreover, the vendors are presently making capital expenditures and agreements for supply chain capacities and need a firm commitment regarding

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<sup>1</sup> See Direct Testimony of Advisor witness Victor M. Prep, at 22, (May 27, 2017).

<sup>2</sup> *Id.*

<sup>3</sup> According to ENO, because its vendors needed a substantial amount of time to update their cost estimates and AMI deployment design, the Company could not update its revenue requirement models in time for the June 6th filing; however, the Company is in the process of updating these models, and will provide the results to the Council's Advisors and parties to Docket No. UD-16-04 as soon as possible.

their scope of work from ENO and this Council. Accordingly, ENO is requesting Council approval before June 29, 2018, in order to meet the deadline provided by the vendors; and

**WHEREAS**, if the Council approves the acceleration, ENO also requests that the incremental amount will either be recoverable in ENO's electric and gas rates resulting from the 2018 Rate Case, or for its incremental revenue requirement related to costs incurred subsequent to those included in the 2018 Rate Case, through a cost recovery mechanism that provides timely recovery; and

**WHEREAS**, ENO further notes that, in addition to the four-hour data displayed in the CEP, customers will have the ability to view their near-real-time usage data through the CEP by making a request using a computer, tablet, or other mobile device. Due to potential burden on the system, ENO proposes that each customer will be limited to a certain number of such requests per day although that number is still being determined at this time; and

**WHEREAS**, the Council finds that ENO's proposal to accelerate its AMI deployment by one year fulfills the Council's goal of making the benefits of AMI available to customers sooner is consistent with the goals of Resolution R-18-99; and

**WHEREAS**, the Council further finds that with regard to its proposal to accelerate its AMI deployment, ENO has shown that the acceleration at an incremental cost of \$4.4 million does not erode the net benefits presented by ENO or our Advisors; now therefore:

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

1. ENO's request to accelerate its AMI deployment is approved.

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

**YEAS:** Banks, Brossett, Giarrusso, Gisleson Palmer, Moreno, Nguyen, Williams - 7

**NAYS:** 0

**ABSENT:** 0

**AND THE RESOLUTION WAS ADOPTED.**

THE FOREGOING IS CERTIFIED  
TO BE A TRUE AND CORRECT COPY

*Lera W. Johnson*  
CLERK OF COUNCIL