BEFORE THE

COUNCIL OF THE CITY OF NEW ORLEANS

IN RE: APPLICATION OF ENTERGY NEW ORLEANS, LLC FOR A CHANGE IN ELECTRIC AND GAS RATES PURSUANT TO COUNCIL RESOLUTIONS R-15-194 AND R-17-504 AND FOR RELATED RELIEF	**)))))**	**DOCKET NO. UD-18-07**

SURREBUTTAL AND CROSS-ANSWERING TESTIMONY

OF

VICTOR PREP

ON BEHALF OF

THE ADVISORS TO THE

COUNCIL OF THE CITY OF NEW ORLEANS

April 26, 2019

PREPARED SURREBUTTAL AND CROSS-ANSWERING TESTIMONY

OF

VICTOR PREP

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME.

A. My name is Victor Prep.

Q. ARE YOU THE SAME VICTOR PREP WHO FILED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes, I sponsored direct testimony in this proceeding, Council Docket No. UD-18-07.

Q. PLEASE IDENTIFY THE ORDER CAUSING YOU TO FILE YOUR SURREBUTTAL TESTIMONY.

A. On April 15, 2019, the Hon. Jeffrey S. Gulin, the Hearing Officer of the instant proceeding, issued an order modifying the date of Intervenor and Advisor Surrebuttal and Cross-Answering Testimony in the instant proceeding to be April 26, 2019. I am filing my Surrebuttal and Cross-Answering Testimony pursuant to that order, which I refer to as my "testimony" herein.

Q. PLEASE SUMMARIZE THE PRIMARY TOPICS OF YOUR SURREBUTTAL TESTIMONY.

A. My surrebuttal testimony reaffirms the recommendations and conclusions from my direct testimony, rebuts the related arguments made by witnesses sponsoring testimony on behalf of Entergy New Orleans, LLC ("ENO"), and discusses related issues in the testimony of intervenor witnesses. In particular:

- I discuss the importance of evaluating ENO's total cost of service, rather than limiting the cost of service and return on equity ("ROE") evaluation to only those costs recovered in base rates. The total electric and gas cost of service evaluation would inhibit single issue ratemaking by encompassing all costs and revenues, including those related to rider tariffs;
- I discuss the importance of providing the opportunity for ENO to achieve its approved ROE with certain proforma adjustments of known and measurable costs prospective to the test period and certain riders as contemporaneous cost recovery mechanisms to reduce regulatory lag;
- I reaffirm the appropriateness of the methodology I used to allocate specific costs of service to customer classes, and to determine the revenue requirement by customer class;
- I reaffirm my recommendations related to the proposed electric and gas formula rate plans ("FRPs"), as well as the electric FRP decoupling adjustment by customer class;
- I review the reasons and support for, and clarify my rate design recommendation, including the recommendations related to the implementation of the Algiers residential revenue adjustment to move toward parity with the Legacy residential customers; and
- I reaffirm my assessment of ENO's proposed community solar option, and my recommendation that the Council evaluate ENO's proposal in a separate proceeding.

The reasoning and analysis supporting each of these recommendations and conclusions is laid out more fully below.

II. EVALUATING THE TOTAL COST OF SERVICE INCLUDING RIDERS

Q. WHAT ARGUMENTS DO ENO WITNESSES USE TO DISAGREE WITH YOUR RECOMMENDATION TO EVALUATE ENO'S TOTAL COST OF SERVICE?

A. ENO Witness Klucher uses arguments of "properly considered base revenues", "double or under recovery", "accurate measure of base rate revenue requirement", and "synchronized" adjustments to limit ENO's test period ROE evaluation to only those costs recovered with base rate tariffs.[1] Similarly, Witness Thomas refers to riders allocating costs,[2] misconstrues a quote from Advisor Witness Rogers regarding the cost recovery methodology in riders[3] and presents arguments for using riders without a reference to first determining cost responsibility with the total cost of service.[4] While I will address these arguments, first and foremost, I believe that regardless of ENO's total rebuttal testimony on this issue, its witnesses ignore ENO's non-compliance with the directives of Council Resolution No. R-17-504 related to evaluating ENO's total cost of service in determining the utility's total revenue requirements.

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1 Witness M.S. Klucher presents these arguments on pages 3 through 14 of his Rebuttal testimony.

2 Rebuttal testimony of J.B.Thomas, page 19

3 Ibid. page 37

4 Ibid, pages 30 and 36.

Q. PLEASE RESTATE THE DIRECTIVES OF COUNCIL RESOLUTION NO. R-17-504 REGARDING THE INCLUSION OF A TOTAL COST OF SERVICE IN ITS APPLICATION.

A. Council Resolution No. R-17-504 listed filing requirements for ENO's 2018 Combined Rate Case. Among other things, in Council Resolution No. R-17-504, the Council provided the following intent regarding the evaluation of the cost of service:

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

> *WHEREAS, in the Council's evaluation of ENO's Filing, the Council will require information required to determine a clear separation of ratepayer class responsibility for the <u>utility's total electric and gas costs of service distinct from, and in advance. of, decisions regarding cost recovery mechanisms</u>; and*

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

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

Council Resolution No. R-17-504, directive 2.f stated:

"*include all of ENO's revenues and costs subject to ratemaking treatment, including an allocation of total costs among the rate classes (i.e., matching the allocation of total costs to the total revenues of each ratepayer class) as part of each fully allocated electric and gas cost of service study (i.e., Period I, Period II, and any out of period adjustments)*"

Q. DOES THE COST OF SERVICE MODEL ENO USED IN ITS APPLICATION TO EVALUATE ROE, AND WHICH ENO REFERENCED IN ITS REBUTTAL OF YOUR TESTIMONY, COMPLY WITH COUNCIL RESOLUTION NO. R-17-504 DIRECTIVES?

A. No. ENO only considered costs recovered through base rates in its cost of service model. If ENO was determined to develop its cost of service, its ROE and revenue requirement evaluation, and utilize a model limited to only costs recovered with base rates, it should have stated and supported its objections in September of 2017 when Council Resolution No. R-17-504 was approved by the Council.

Q. IN HIS REBUTTAL OF YOUR RECOMMENDED COST OF SERVICE ANALYSIS, ENO WITNESS KLUCHER SUMMARIZES THE APPROACH ENO USED FOR COST OF SERVICE IN ITS APPLICATION[5]. WHAT IS YOUR RESPONSE?

A. Mr. Klucher states that ENO prepared a fully-allocated cost of service, "which is limited to what ENO believes are properly considered <u>base rate revenues</u>", and that ENO removed the revenues and corresponding costs for which the revenue requirement will be collected through a mechanism other than base rates. He concludes that this approach assures that only the Company's base rate revenue requirement was considered for rate making purposes.[6] First, I question the use of the term "properly considered base rate revenues" as a rebuttal of a total cost of service approach, since costs related to base rates are "properly considered" along with all other utility costs in the total cost of service evaluation, unless Mr. Klucher refers to some "improper consideration" of base rate revenues. Second, by conceding that ENO's approach assures "only the Company's base rate revenue requirement," it is unclear how the Council can evaluate a complete and comprehensive analysis of ENO's costs and return on its total investment and establish the utility's total required revenue based on an approved return on equity. Ratemaking limited by setting an ROE based on only a partial set of utility costs rather than on the utility's total costs is not the most sound regulatory practice.

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[5] M.S. Klucher Rebuttal testimony, pages 3–4.

[6] Ibid. emphasis added.

Q. DO YOU AGREE WITH WITNESS KLUCHER'S REBUTTAL ARGUMENT TO REMOVE FUEL AND PURCHASED POWER FROM THE COST OF SERVICE STUDY[7]?

A. No. Mr. Klucher states that "removing fuel and purchased power expenses and revenues effectively synchronizes, or sets to zero, the expense and revenue associated with fuel and purchased power"[8], and that this removal is done to "to ensure that there is no increase or decrease requested in this proceeding related to fuel expenses that are recoverable through the Fuel Adjustment Clause rider."[9] Here again ENO is interjecting cost recovery issues ahead of the allocation of total cost responsibility to classes, which effectively redefines and limits the comprehensive evaluation of ENO's total cost of service.. Mr. Klucher's reasoning is flawed when he argues that simply because cost recovery can be tracked through a separate set of rate schedules these costs should be excluded from the total cost of service evaluation. All reported revenues and expenses should be included in the test period evaluation, and if proforma adjustments are proposed, they should be supported with explanations and complete documentation.

Q. DO YOU CONSIDER MR. KLUCHER'S REFERENCES TO OTHER JURISDICTIONS[10] TO BE PERSUASIVE SUPPORT FOR FAILING TO

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7 Ibid, page 4.

8 Ibid.

9 Ibid.

10 Ibid., page 9.

COMPLY WITH COUNCIL RESOLUTION NO. R-17-504 REQUIRING A TOTAL COST OF SERVICE EVALUATION?

A. No. Citing references supporting an evaluation of return on investment and revenue requirements without considering all costs of service because it has been done that way elsewhere is not a compelling reason to ignore the Council's directives. As ENO Witness Talkington stated in her Rebuttal testimony: "The rate-setting policies and principles applicable in those jurisdictions, and the costs of those other utilities, are not before the Council."[11]

Q. HOW DO YOU RESPOND TO MR. KLUCHER'S REBUTTAL THAT ENO PREPARED ITS CASE CONSISTENT WITH HISTORICAL PRACTICE AND THAT YOU DID NOT OBJECT TO THAT PRACTICE IN ENO'S PREVIOUS RATE CASE FILING?[12]

A. Following historical practice is not an acceptable reason for ignoring a current Council Resolution, the directives of which I restated previously. Many regulatory policies, judicial decisions, and legislation can change historical practice. Mr. Klucher points out that in my testimony in ENO's 2008 rate case, I did not recommend that ENO change the way it performed cost of service studies. At that time there was no applicable Resolution defining

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11 Rebuttal Testimony of M.L. Talkington, Page 15, in diminishing the reliance on customer charges of other utilities.

12 Ibid, page 5.

the total cost of service. I note that in that case I did recognize the limitation to ENO's cost of service approach.

Q. DO YOU AGREE WITH MR. KLUCHER'S CLAIM THAT YOUR APPROACH TO THE ALLOCATED INCOME TAX COMPONENT OF THE COST OF SERVICE IGNORES HOW ENO COMPUTES TAXES?

A. No. The before-tax rate of return concept that I proposed is an appropriate methodology to include an income tax cost component of the customer class revenue requirement. Replacing present revenue and costs with the Advisors' proposed revenue and adjusted costs would result in computed income taxes using before tax rate of return on rate base. While there may be some differences in allocated income taxes for the various customer classes, some discretion is involved with selection of allocation factors and the variances would not result in any change to the Advisors' proposed customer class revenue requirements.

Q. PLEASE COMMENT ON MR. KLUCHER'S REBUTTAL STATEMENT THAT YOUR APPROACH PROVIDED NO GROSS-UP ON INCREMENTAL INCOME FOR BAD DEBT AND REGULATORY COMMISSION EXPENSE.

A. In my deposition, I indicated that I was not opposed to an adjustment in my approach to account for bad debt and regulatory commission expense. That adjustment would be related to incremental revenue.

Q. HOW DO YOU RESPOND TO ENO'S REBUTTAL WITNESSES THAT RIDERS SHOULD BE EXCLUDED FROM THE COST OF SERVICE EVALUATION?

A. The use of riders as cost recovery mechanisms is separate and distinct from determining total cost responsibility and not an appropriate basis for excluding any costs from an evaluation of ENO's total cost of service including ROE. Excluding certain costs of service, specifically costs related to riders, is ratemaking on a single issue. In his Rebuttal testimony, ENO Witness Thomas stated that with electric and gas FRPs in place during riders' terms, "…the Council is able to consider **all** of the Company's costs on at least an annual basis, and inappropriate single-issue ratemaking is not an issue during that period" (*emphasis added*).[13] I would agree with Mr. Thomas' statement, assuming that the Council considers all of the Company's costs within a total cost of service in evaluating the earned ROE.

Q. IN HIS REBUTTAL TESTIMONY, MR. THOMAS STATES THAT ADVISORS ARGUE THAT CERTAIN RIDER MECHANISMS CONSTITUTE INAPPROPRIATE SINGLE-ISSUE RATEMAKING.[14] PLEASE ELABORATE.

If a particular rider tariff is recommended and approved as a cost recovery mechanism, the related costs and revenues should be included in the evaluation of the total cost of service. The Advisors do not categorically oppose the use of rider tariffs. In fact, the Advisors have recommended certain riders in their direct testimony primarily, but not exclusively, for reasons of contemporaneous recovery of costs. However, the Advisors have simultaneously recommended that the revenues and costs related to such riders be included

[13] Rebuttal testimony of J.B. Thomas, page 30.

[14] Ibid.

in ENO's total cost of service evaluation. The Advisors recommended that the Council not approve certain riders because they would be unnecessary in providing ENO with the reasonable opportunity to recover their related costs; namely, the Securitized Storm Cost Offset ("SSCO") Rider, the Gas Infrastructure Replacement Program ("GIRP") Rider, the Advanced Metering Infrastructure ("AMI") Charge riders, a certain portion of the Purchased Power and Capacity Acquisition Cost Recovery ("PPCACR") Rider, and the Distribution Grid Modernization ("DGM") Rider. ENO Witness Thomas in Rebuttal testimony refers to Advisor Witness Watson's direct testimony to imply incorrectly that the Advisors' position is that recovery of costs through rider tariffs constitutes single issue ratemaking.[15]

Q. PLEASE RESPOND TO MR. THOMAS' INTERPRETATION OF THE DIRECT TESTIMONY OF ADVISOR WITNESS ROGERS REGARDING THE POTENTIAL OF RIDERS HAVING UNCERTAIN EFFECTS ON THE CHARGES TO CUSTOMER CLASSES.

A. Mr. Thomas's statement that there is no cost uncertainty with proposed riders[16] relates to the proposed riders recovering the full costs that they are intended to recover, rather than addressing the impact of cost recovery among each of the customer classes. A more complete context is that rider tariffs should be designed to recover costs from customer classes consistent with the customer class cost responsibility determined in the fully

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[15] Ibid. Q.36.

[16] Ibid. page 35

allocated total cost of service. If the cost responsibility of generation resources is allocated to customer classes with a specific production level demand allocation methodology in the total cost of service, then that same methodology should be used in the specific rider design to recover those costs from customer classes.

Q. HAS YOUR RECOMMENDATION TO THE COUNCIL CHANGED REGARDING THE TOTAL COST OF SERVICE EVALUATION TO INCLUDE COST AND REVENUES OF PROPOSED RIDERS?

A. No. I believe that all rider costs and revenues should be evaluated in the total cost of service in every total company revenue adjustment, including general rate cases and FRPs.

III. COST ALLOCATION AND CUSTOMER CLASS REVENUE REQUIREMENTS

Q. DO YOU AGREE WITH ENO'S PROPOSED KWH-BASED ALLOCATION OF RIVER BEND 30% AND EAI's WBL PURCHASED POWER AGREEMENT ("PPA") CAPACITY COSTS?

A. No. ENO classifies these costs as capacity-related, yet proposes the cost recovery from customer classes be based on energy/kWh sales. Mr. Thomas supports recovery of these costs in the Fuel Adjustment Clause ("FAC") (i) by offering the possibility: "…if the Council adopts ENO's revenue allocation of these PPA capacity expenses based on energy…"[17], and (ii) by relying on my deposition statement that cost recovery methodology should be consistent with the methodology determining cost responsibility. In my direct

[17] Rebuttal testimony of J.B. Thomas, page 19

testimony, I have recommended that the Council not accept ENO's proposal related to these PPA capacity-related costs. Mr. Thomas's use of the term "revenue allocation" is a misnomer; revenue is not allocated. The method of recovering these costs, whether through base rates or a rider, is distinct from, and follows, the issue of the appropriate customer class allocation to determine cost responsibility. ENO's stated intent was to reduce their proposed revenue requirement to residential customers using an argument based on cost recovery ("…ENO's adjustment for the allocation of River Bend 30 and EAI WBL purchased capacity costs mitigates rate impacts to residential customers…").[18] The allocated cost responsibility for these PPA capacity-related costs should be determined using a production level demand allocation, and not influenced by the objectives related to customer class revenue requirements.

Q. HOW DO YOU RESPOND TO ENO WITNESS TALKINGTON'S REBUTTAL CONCERNING YOUR TREATMENT OF INTERRUPTIBLE SERVICE IN THE COST ALLOCATION ANALYSIS?

A. Witness Talkington stated that my treatment of interruptible service considered the frequency of the actual interruption of these customers because I included information on the number of actual interruptions in my testimony as relevant information. However, her Rebuttal testimony omitted that I did not use any metric related to frequency of interruptions in my treatment. My treatment of interruptible service, including the

[18] Rebuttal testimony of M.L. Talkington, page 7

development of an appropriate adjustment to the production level demand allocation factor, was based on a credible study addressing the value of interruptible loads.

Q. DID ENO WITNESSES OPPOSE YOUR ALLOCATION OF THE COST RESPONSIBILITY RELATED TO AMI COSTS?

A. Yes. ENO's proposal is to use a rider to both assign cost responsibility and to recover AMI costs based on numbers of customers, in contrast to the Advisors' allocation of cost responsibility based on the net benefits of AMI implementation. An Advisors' discovery response indicated that the proposed AMI cost allocation factor would not require annual updating since AMI net benefits would not vary significantly on an annual basis. However, Witness Klucher believes that not updating the Advisors' proposed AMI allocation is inconsistent with the Advisors' position that external allocation factors should be updated annually. I do not agree that the AMI net benefits analysis needs annual updating, but after AMI implementation is complete and evaluated, the AMI net benefits and allocation methodology could be updated.

Q. IN THEIR REBUTTAL TESTIMONY, ENO WITNESSES TALKINGTON AND KLUCHER STATED THAT YOUR DIRECT TESTIMONY EXHIBITS RELATED TO ALLOCATED COST OF SERVICE DO NOT TIE TO ENO'S EXTERNAL COST OF SERVICE MODELS.[19] HOW HAVE YOU ADDRESSED THIS ISSUE?

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[19] Rebuttal testimony of M.L. Talkington, page 4, and the Rebuttal testimony of M.S. Klucher, page 12.

A. I presented the Advisors' proposed cost allocation and customer class revenue requirements in Exhibit VP-9 for the electric cost of service and Exhibit VP-11 for the gas cost of service. The variances in allocated costs between the external cost of service models and the Exhibits were addressed in the Advisors' Addendum to Discovery Response ENO 5-1.a. and in my deposition. The variances were due to using subtotal values from earlier iterations of the ENO electric and gas external model results in the workpapers creating Exhibits VP-9 and VP-11. In addition, some costs were not included in the external model structure, such as those related to the storm securitization cost recovery rider ("SSCR") and the energy efficiency cost recovery rider ("EECR"), and had to be added to the external model results from separate ENO filing documents. The aforementioned variances have been addressed in my amendments to Exhibit VP-9, Exhibit VP-11 and the related tables which are attached hereto as Exhibit VP-17 through Exhibit VP-21. Specifically, Exhibit VP-17 presents an amended Table 1 of proposed customer class electric revenues and percent increases; Exhibit VP-18 presents an amended Table 5 of Advisors' recommended total revenue by rate class; Exhibit VP-19 presents an amended Exhibit VP-4 of present and Advisors' recommended electric revenues; Exhibit VP-20 presents an amended Exhibit VP-9; and Exhibit VP-21 presents an amended Exhibit VP-11, showing the gas cost of service by customer class. There are no substantial changes to the Advisors' recommendations for proposed electric and gas revenue by rate class. The Advisors' recommended customer class electric cost of service and recommended electric revenue decreases are as filed in Exhibit VP-9 of my direct testimony, with the exception of customer classes LIS and LEHLF which reflect adjustments regarding EECR costs. Similarly, there are no changes to the Advisors' recommended gas customer class cost of service and gas customer class revenue decreases as filed in Exhibit VP-11 of my direct testimony.

Q. DID MR. KLUCHER CORRECTLY SUMMARIZE YOUR DIRECT TESTIMONY REGARDING THE TWO STEPS YOU DESCRIBED IN YOUR APPROACH TO DETERMINING THE ALLOCATED COST OF SERVICE BY CUSTOMER CLASS?

A. No. On page 10 of his Rebuttal testimony, his question references the "total cost of service" but then summarizes my approach to determining the allocated cost of service by customer class. He takes no issue with the first step, which represents the allocation of all other costs of service with the exception of customer class returns on allocated rate base. However, he mischaracterizes my testimony by stating that "the second step is inconsistent with generally-accepted cost of service principles. At this step Mr. Prep begins combining the concepts of cost of service principles with the concept of rate design principles." There was no "rate design" involved, but rather the remaining straightforward process of determining the customer class revenue requirements based on a proposed rate of return on rate base by customer class. I disagree with Mr. Klucher's apparent interpretation of the phrase "generally-accepted cost of service principles", in that I would characterize an approach that applies varying before-tax rates of return as a necessary step in determining proposed changes to each customer class cost of service. The cost of serving each customer class is, by definition, the proposed revenue for each class which corresponds to a revised rate of return on the allocated rate base of each customer class. Accepting a set of proposed customer class revenues is also accepting the corresponding rate of return cost component for each customer class. It can be viewed as the means to express a regulatory body's current decisions regarding revenue changes among the classes, which implies differing rates of return cost components. It should not be confused with "rate design principles."

Q. DO YOU AGREE WITH ENO WITNESS KLUCHER'S STATEMENT: "THE EXTERNAL ALLOCATION FACTORS ARE NOT DRIVING THE PURPORTED TOTAL COST OF SERVICE RESULTS DEVELOPED BY THE ADVISORS' APPROACH"?

A. No, I do not. External allocation factors and internally developed allocation factors determine many, but not all, of the cost components of the total cost of service. Return on rate base and income taxes are also substantial cost components which are determined in part by the customer class rates of return. As applied in the Electric COS Study, the Residential rate class is allocated 55% and 48% of ENO's Total Company Adjusted Rate Base and Operating Expenses, respectively. This would indicate that the total cost to serve the Residential class would be at least 48% of the total Company Cost of Service. It is misleading to minimize the importance of the external allocation factors and internally developed allocation factors, regardless of the issue of determining the customer class rates of return.

Q. PLEASE CONTRAST THE ADVISORS' APPROACH TO CUSTOMER CLASS REVENUE INCREASES WITH ENO'S "REVENUE ALLOCATION"

METHODOLOGY DESCRIBED IN WITNESS TALKINGTON'S REBUTTAL TESTIMONY.[20]

A. Witness Talkington stated: "ENO proposed that rates be based on the historic allocation approved by the Council rather than on the results of the cost of service studies. As a result, each rate class initially received an equal percentage base rate increase…"[21] My review of the Council's decision in ENO's 2008 rate case did not indicate an equal percentage total revenue increase for each class, or that the customer class revenue increases approved by the Council could be regarded as ratemaking policy or precedent. And while CCPUG Witness Baron stated that "ENO's proposed allocation of the overall Electric base revenue increase to rate classes in this case is not reasonable…", his alternative "…to simply allocate the total base revenue increase to rate classes on a uniform percentage basis"[22] is not as preferable as the Advisors' approach. In contrast to equal percentage revenue adjustments for each class, I recommend that the Council consider the existing relative revenue levels by class, the variances in the allocated class cost of service, and use the discretion of their ratemaking authority in deciding on the revenue adjustments for each customer class. In that regard, the Advisors' analysis supporting changes to the allocated total cost of service is more useful than equal percentage adjustments. Revenue adjustments should be based on changes to the total revenue of each customer class and changes to the corresponding rates of return by class. ENO has commented on what would

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20 Rebuttal testimony of M.L.Talkington, page 2.

21 Ibid.

22 Direct Testimony of S.J.Baron, page 9.

be necessary to implement the Advisors' recommended total cost of service approach. ENO Witness Klucher stated: "if the Council approves an Electric and Gas COS Study approach that ultimately includes all costs and revenues, as explained earlier, it will be necessary to require the synchronization of the expenses and revenues associated with riders in this proceeding and in any future FRP that is implemented."[23]

Q. DO YOU AGREE WITH CCPUG WITNESS BARON THAT UNLESS THE REVENUES FROM EACH CUSTOMER CLASS PROVIDED AN ALLOCATED RATE OF RETURN EQUAL TO THE APPROVED RATE OF RETURN FOR THE TOTAL COMPANY THAT THERE WOULD BE SUBSIDIES PAID AND RECEIVED BY EACH CLASS?[24]

A. No. Determining the return component of the cost of service based on equal rates of return by customer class is only one of several considerations for the regulatory body in establishing the customer class revenue requirements. Equal rates of return by customer class is often discussed, but rarely achieved in rate actions because there are numerous factors impacting customer class revenues such that a formulaic approach is difficult to achieve as a ratemaking standard. The Council has wide discretion in its decisions regarding customer class revenue adjustments. Each approved customer class revenue has a corresponding cost component of return, and that customer class revenue can be viewed as the current accepted cost of serving that customer class. The Council's exercise of its

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[23] Rebuttal testimony of M.S. Klucher, page 13.

[24] Direct testimony of S.J. Baron, page 10.

discretion in this manner does not necessarily amount to the creation of subsidies, and setting a specific percentage to reduce perceived subsidies is contrary to the Council's discretion to set customer class revenues on a class-by-class basis without a formulaic approach.[25] Another reason to refrain from using a formulaic approach is that the subsidy issue raised herein has been framed strictly within the context of an embedded cost of service analysis, while Baron's related concern of economic efficiency is typically applied in the context of marginal costs, which are not the focus of this analysis.

Q. HAVING DISCUSSED THE DIFFERENCES IN THE ADVISORS' APPROACH AND CCPUG WITNESS BARON'S APPROACH TO PROPOSING CUSTOMER CLASS REVENUES, DID YOU COMPARE THE ADVISORS' REVENUE PROPOSAL WITH THE CCPUG PROPOSAL?

A. Yes. In my opinion, the proposals are similar with respect to the trends of the revenue decreases among classes. The Advisors have proposed relatively small revenue decreases to the electric residential and small electric customer classes which exhibited lower rates of return, while proposing substantial revenue reductions to the large customer classes which exhibited high rates of return. CCPUG Witness Baron has proposed comparable approaches to net revenue changes (base rates and riders), with substantial decreases to the large customer classes and a small decrease to residential customers.[26] The revenue

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[25] Ibid.

[26] Ibid, page 28.

proposals are similar for ENO's gas customers; small and large general classes with relatively large decreases, and the residential class with a modest revenue decrease.

Q. ARE THERE ANY OTHER SIMILARITIES BETWEEN THE APPROACHES USED BY THE ADVISORS AND WITNESS BARON WITH RESPECT TO DETERMINING THE CUSTOMER CLASS REVENUE REQUIREMENT?

A. Yes, there are similarities in approach with respect to recognizing the amount of individual customer class revenue adjustment relative to other customer classes as well as the amount of revenue adjustment based on relative rates of return among customer classes. Witness Baron proposed a mitigation adjustment to cap the revenue adjustment to the Municipal Buildings and Lighting Service rate classes. He also recommended that the first $3.325 million of any Council approved revenue adjustment to ENO's requested revenue requirements be used to eliminate the ENO-proposed Base Rate Adjustment Rider ("BRAR") charges to large customers. ENO's allocated cost of service indicated higher present rates of return for those large customers.

Q. WHAT IS YOUR RESPONSE TO MR. BARON'S CONTENTION THAT IN THE CONTEXT OF ELECTRIC UTILITY RATEMAKING THERE IS NO VAGUENESS OR AMBIGUITY REGARDING THE CONCEPT OF COST OF SERVICE?[27]

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[27] Ibid. page 14.

A. While the total electric or gas utility cost of service can be clearly defined in a general rate case or similar rate action, the regulatory body uses discretion related to the customer class cost of service and is not bound by measurement relative to a standard. Cost allocation factors may change with more defined cost analyses enabled by AMI implementation, as well as many other factors influencing decisions regarding changes to customer class revenues and rates of return.

IV. REDUCING REGULATORY LAG - CONTEMPORANEOUS COST RECOVERY

Q. WITNESS THOMAS'S REBUTTAL TESTIMONY RAISES CONCERNS REGARDING REGULATORY LAG. HOW HAVE THE ADVISORS ADDRESSED THESE CONCERNS?

A. In Advisor Witness Watson's surrebuttal testimony, he re-addresses Mr. Thomas's concerns regarding regulatory lag related to ENO's contemplated continuous capital additions over a multi-year period, and Mr. Thomas's support for the recovery of these costs through the riders proposed by ENO. In the instant proceeding, the Advisors concurred with ENO's adjustment (AJ14) to test year 2018 rate base to pro forma rate base costs as of December 31, 2019, recognizing that rates become effective in August 2019. In my direct testimony I recommended that the Council consider prospective period proforma adjustments to ENO's rate base in future Formula Rate Plan ("FRP") evaluations. The Advisors also recommend that the Council allow recovery of depreciation expenses anticipated for the rate effective period in both the instant proceeding and in any FRP the Council may approve. Assuming that ENO's capital budgets are credible, and that the proposed electric and gas FRPs will be approved with proforma adjustments to ENO's cost of service, there should be contemporaneous recovery of costs related to growth in ENO's depreciation expense and investment. These recommendations are similar to ENO's proposals in its Revised Application to reduce regulatory lag, such that ENO should have a reasonable opportunity to recover its costs of service.

V. <u>FORMULA RATE PLAN WITH REVENUE DECOUPLING</u>

Q. PLEASE EXPLAIN THE DIFFERENCE IN YOUR POSITION AND THAT OF ENO WITNESS KLUCHER REGARDING THE COSTS AND REVENUES WHICH SHOULD BE INCLUDED IN THE FRP.

A. I recommended that all costs and revenues, including those recovered through riders, be included in the FRPs, which is consistent with my recommendation regarding the total cost of service evaluation in the instant proceeding. In an FRP filing, a comprehensive evaluation of the earned ROE compared to the Council-approved ROE requires that all costs and revenues be included. In contrast, Mr. Klucher's position is that only those costs that are to be collected through base rates should be included in evaluating the ROE in the FRP.[28] He contends that limiting the evaluation to costs related only to base rates will ensure that costs that are recovered through riders are not double-counted in the FRP formula.

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[28] Rebuttal testimony of M.S. Klucher, page 14.

Q. DO YOU BELIEVE THAT THERE IS A DOUBLE-COUNTING ISSUE SIMPLY BECAUSE TOTAL COSTS AND TOTAL REVENUES ARE EVALUATED IN THE FRP?

A. No. If all revenues and costs are supported by the financial reports of the system of accounts, and each proforma adjustment is supported with explanation and workpapers, double-counting of costs and revenues should be avoided. In addition, directive 6 of Resolution R-16-103 requires that all utility fixed costs should be included in the decoupling revenue adjustment, regardless of the revenue recovery mechanism used to recover any specific fixed (non-fuel) costs. After determining the allocated cost responsibility from the total cost of service, the FRP adjustment by customer class can be determined by the difference between the customer class total cost of service and the customer class total revenue. There would be no issue of double recovery.

Q. ENO WITNESS THOMAS RAISED AN ISSUE WITH YOUR PROPOSAL THAT THE FIRST YEAR REVENUE REQUIREMENT OF THE NEW ORLEANS POWER STATION ("NOPS") BE INCLUDED IN THE FRP BANDWIDTH CALCULATION AND REFERRED TO A RELATED ADVISOR DISCOVERY RESPONSE. PLEASE CLARIFY FURTHER.

A. Mr. Thomas stated: "…the Advisors clarified that the interim rate adjustment would occur without any bandwidth calculation."[29] The Advisors have proposed that pro-forma

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[29] Rebuttal testimony of J.B. Thomas, page 47.

adjustments be included in the FRP for the 12-month period subsequent to the FRP evaluation period, which would encompass calendar year 2020 for the first FRP. The commercial operation date ("COD") for NOPS is anticipated in early 2020. If the NOPS updated revenue requirement filing is not included in the proposed FRP filed in April 2020, the NOPS in-service rate adjustment would be effective until NOPS costs are included in the bandwidth of the following FRP. If the NOPS updated revenue requirement filing is included as a 2020 proforma adjustment in the proposed FRP filed in April 2020, the NOPS in-service rate adjustment would be effective with the COD until the FRP rate adjustment effective in September 2020, at which time NOPS recovery would be included in the FRP rate adjustment.

Q. HOW DO YOU RESPOND TO WITNESS KLUCHER'S CONCERNS REGARDING YOUR RECOMMENDED DECOUPLING ADJUSTMENT?[30]

A. Mr. Klucher contends that my recommended decoupling adjustment would require the Company to provide a new cost of service study each year by updating the allocation factors for each customer class with then-current customer data. His Rebuttal statements imply that an effort comparable to the instant proceeding would be required. However, if an electric FRP is approved, return on equity, allocation methodology issues and other cost issues limited by the structure of the formula rate plan would not require the effort expended in a general rate case proceeding. Regardless of whether a decoupling adjustment is included, total company cost of service is required in the FRP to determine

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[30] Ibid.

the earned return, and revenue and kWh information is updated for the evaluation period. Also, the allocation of costs should be more streamlined with the allocation factors update, and fewer adjustments. The Company uses software systems to update monthly coincident demands by rate class and has several models to allocate costs and accommodate revenue adjustments. He implies that there would also be effort required for the Council's potential redetermination of the before-tax rates of return for each customer class. After reviewing his concerns, I do not concur that the requirements to support the Advisors' decoupling proposal would substantially undermine the purposes and efficiencies of an FRP.

Q. ENO WITNESS KLUCHER CLAIMS THAT UPDATING ALLOCATION FACTORS IN YOUR DECOUPLING PROPOSAL IS A WASTE OF RESOURCES AND INEFFICIENT. WHAT IS YOUR RESPONSE?

A. I question ENO's estimate regarding resources and time to update allocation factors, and I disagree with Mr. Klucher's contention that the Advisors' decoupling recommendation would "… substantially undermine the purposes and efficiencies of an FRP."[31] The Advisors examined the allocation factor workpapers in the instant docket, including the Excel files of numbers of customers, customer weighting and other weighting factors, monthly MWH sales and kWh allocators, and the development of non-coincident and coincident monthly peak demands and demand allocators. There would be no requirement for two test periods, weather normalization would not be used in the FRP, weighting factors would not require much updating, and the use of the external and internal allocation factors

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[31] Rebuttal testimony of M.S. Klucher, page 15.

in the cost of service model would not be changed. Also, ENO uses software very capable of managing the allocation factor process. I would suggest detailed walk-throughs of the process between ENO staff and the Advisors to assess how the allocation factor update could require at least two to four analysts working for a period of four to six weeks, as described by Mr. Klucher.[32] Furthermore, the updating of allocation factors in the Advisors' decoupling proposal is certainly not a waste of resources. The updated allocation factors are necessary to reflect the change in usage patterns related to increased energy efficiency, distributed energy resources, renewables including solar, new products and equipment, and other current impacts affecting usage that were not as much of a concern in years previous. In contrast, ENO's decoupling proposal would maintain the relative basis of customer class revenue requirements static for the next three years of FRPs.

Q. WHAT IS YOUR RESPONSE TO ENO WITNESS TALKINGTON'S REBUTTAL THAT NO SPECIFIC STANDARD WAS USED TO DETERMINE WHAT CONSTITUTES AN APPROPRIATE CUSTOMER CLASS BEFORE-TAX RATE OF RETURN AND THAT THERE IS NO METHODOLOGY REGARDING HOW THE APPROACH MAY BE ACCURATELY DUPLICATED?

A. Duplication of results in the FRPs is not an objective. Rather the Advisors' approach would apply cost allocation methodologies consistently based on the instant proceeding, and any

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[32] Rebuttal testimony of M.S. Klucher, page 18.

changes to the customer class rates of return would be entirely at the discretion of the Council.

Q. MR. KLUCHER CLAIMS THAT THE ADVISORS' DECOUPLING PROPOSAL DOES NOT FOLLOW THE DIRECTIVES OF RESOLUTION R-16-104.[33] HOW DO YOU RESPOND?

A. Mr. Klucher has mis-interpreted the Resolution directives and made contradictory statements in his claim. Directive 2 of Resolution R-16-103 states that if an FRP is adopted in the Combined Rate Case, the decoupling mechanism should consist of an annual determination of the allocated fixed cost revenue requirements, and a recovery of such from each customer rate class consistent with the allocation methodology used in the baseline rate case. The Advisors' decoupling proposal with the FRP does include allocation methodologies consistent with the instant proceeding, and it does consist of an annual determination of the allocated fixed cost revenue requirements using the approach the Advisors proposed in the instant proceeding. Mr. Klucher agrees with the Advisors that "… the different required before-tax rates of return on rate base are not allocation factors…"[34], but then he refers to applying different before-tax rates of return to "allocate" costs. His argument is internally inconsistent.

Q. HOW DO YOU PROPOSE TO ADDRESS ENO'S CONCERNS ABOUT THE REGULATORY LAG RELATED TO THE PROJECTED LOSS OF BILLING

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33 Ibid. page 21.

34 Ibid.

DETERMINANTS FROM ENERGY EFFICIENCY PROGRAMS IN THE RATE EFFECTIVE PERIOD SUBSEQUENT TO THE FRP TEST YEAR?

A. If ENO's proposed DSMCR rider were approved, ENO would calculate a projected annualized lost contributions to fixed costs ("LCFC") amount based upon anticipated DSM investments to be made in the projected 12 months following the test year. The Advisors are not recommending the proposed DSMCR; however, the revenue impacts of increasing energy efficiency should be addressed in a timely manner. Assuming that the reduction in billing determinants will continue with greater impact due to the Council's 2% energy efficiency goal, it is likely that proposed FRP revenue adjustments will not reflect the energy efficient impact in the year in which the FRP adjustment is effective. In Mr. Owens' Rebuttal testimony, he indicates that this issue could be addressed within the FRP framework: "Should the Council wish to reevaluate the methodology regarding the steps necessary to implement a pilot decoupling framework within an FRP in this rate case, ENO would be supportive – provided the overall outcome preserves the essential features of the FRP and addresses important issues like timely recovery of lost contributions to fixed costs ("LCFC")."[35] The Advisors have proposed modifications to ENO's FRP proposal to include proforma adjustments of known and measurable costs projected to be incurred in the twelve months subsequent to the FRP evaluation period. I would propose an additional adjustment of a similar nature related to evaluation period billing determinants. If the documentation accompanying approved Energy Smart programs for the following program

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[35] Rebuttal testimony of D.A. Owens, page 5.

year includes credible support for the customer class kWh reductions of the approved programs, that support could be the basis for an adjustment of the evaluation period customer class billing determinants, intended to reduce the regulatory lag associated with the energy efficiency impact.

VI. RATE DESIGN ISSUES

Q. WHAT IS YOUR RESPONSE TO ENO AND INTERVENOR WITNESSES WHO HAVE PROPOSED ELECTRIC CUSTOMER CHARGES WHICH DIFFER FROM YOUR RECOMMENDED CUSTOMER CHARGE?

A. My recommendation for a $10 per month electric customer charge is a relatively small increase which recognizes that costs have increased since the 2008 rate case but also minimizes the impact on low-use customers. Alliance for Affordable Energy ("AAE") Witness Barnes recommends no change to the existing $8.07 customer charge, but his argument based on costs to add one additional customer juxtaposes incremental cost concepts with rate design based on the allocation of embedded costs. ENO Witness Talkington's recommended $15.21 electric customer charge is almost a 100% increase above the existing customer charge. Even with ENO lowering its proposal below the customer costs indicated in its embedded cost of service methodology, the proposed $15.21 customer charge is still significantly more than what I would consider a gradual rate increase for a customer charge.

Q. ENO WITNESS TALKINGTON CONTENDS THAT COSTS DECREASE WITH INCREASED USAGE. DO YOU AGREE?

A. No. I believe that economies of scale or other reasons to postulate that costs decrease with usage must be supported with credible studies. Witness Talkington stated that the declining block rate structure reflects "…the fact that the cost to serve customers becomes lower at higher usage levels."[36] However, ENO has not provided any analyses to support the "fact" of declining costs with increased usage for the rate tariffs with a declining block structure.

Q. WITNESS TALKINGTON REFERRED TO YOUR RESPONSE IN DEPOSITION REGARDING FURTHER ANALYSIS OF THIS ISSUE BY ENO, THE ADVISORS AND THE COUNCIL. CAN YOU EXPLAIN FURTHER?

A. Since no detailed analyses have been completed using current load research data or other specific cost and usage data, I believe that it is prudent to conduct an independent examination of declining block rates independent of this proceeding. Rate design issues such as declining block rates and other current trends of rate structure and economic-based price signals have often been examined in proceedings separate from establishing the revenue requirements.

Q. REGARDING YOUR PROPOSAL TO ACHIEVE RATE PARITY BETWEEN THE ALGIERS AND ENO LEGACY ELECTRIC RESIDENTIAL CUSTOMERS, WITNESS TALKINGTON STATES THAT IT IS UNCLEAR UNDER WHAT TERMS AND CONDITIONS SUCH A RESIDENTIAL RATE STRUCTURE MIGHT BE DESIGNED. HOW DO YOU RESPOND?

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[36] Rebuttal testimony of M.L. Talkington, page 19.

A. The methodology or algorithm to compute the adjustment between Algiers and ENO Legacy residential customers with each rate action was provided in my Exhibit VP-15, Residential Combined Rate Adjustment for Algiers, which would be applied with each prospective annual rate action. Subsequent to the instant proceeding and under a combined residential rate, the adjustment would increase Algiers residential revenue up to 4%, with a corresponding adjustment to ENO Legacy customers such that the combined adjustment would reflect the revenue change for the total residential class. The Advisors' Algiers proposal could be implemented in the context of a rider or through modification of the combined residential base rate tariff, in the three-year FRP, or in future rate actions as necessary. If the Advisors' Algiers proposal is approved by the Council, ENO could propose a specific design of either a stand-alone rider, FRP residential revenue adjustment, or a modified combined rate residential tariff.

Q. HOW WOULD THE ADVISORS' PROPOSED ALGIERS ADJUSTMENT BE APPLIED IN OTHER RATE ACTIONS WHICH RESULTED IN RESIDENTIAL REVENUE INCREASES?

A. The objective of the proposed adjustment is to move the Algiers and ENO residential customers to revenue parity under the combined rate. If the residential revenue increase was less than 4%, Algiers residential revenue would be increased 4% and the increase to ENO Legacy residential would be moderated accordingly to reflect the total residential class increase. If a prospective residential revenue increase was greater than 4%, all residential customers, including Algiers, would receive the revenue change exceeding 4%. The anticipated percent increase in revenue requirement related to the commercial operation of NOPS in 2020 would be applied equally to ENO Legacy and Algiers residential.

Q. WHAT IS YOUR RESPONSE TO WITNESS BARNES' RECOMMENDATION TO ADOPT A VOLUMETRIC RATE DESIGN FOR ENERGY EFFICIENCY, AMI, AND CERTAIN RIDERS?[37]

A. The recovery of the costs of energy efficiency by customer class is based on the customer incentives and program expenditures by customer class of recent program years and is reflected in the design of the EECR rider. The Advisors' proposed customer class cost responsibility for AMI implementation is based on a net benefits analysis. Cost recovery mechanisms such as rider tariffs should be designed such that customer class revenue recovery is consistent with the cost responsibility identified in the allocated cost of service. To further support his recommendation to use volumetric rate design, Witness Barnes expressed concern that cost recovery with riders that use base rate percentages effectively increases the fixed charge that a customer pays each month.[38] I agree that, considering the current metering and billing systems, and providing that customer class revenue recovery is consistent with the cost responsibility identified in the allocated cost of service, for the interim period it is reasonable to use a kWh-based rate structure for a rider tariff which is designed to recover demand-related costs. When AMI is fully implemented, and billing and software systems can be used to support rate structures for small customers that are not

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[37] Direct testimony of AAE Witness J. Barnes, pages 34 and 36.

[38] Ibid, page 53.

strictly based on monthly kWh usage, the Council can then consider appropriate rate structures that are not kWh-based.

VII. ENO'S COMMUNITY SOLAR PROPOSAL

Q. DO YOU BELIEVE THAT THE COUNCIL SHOULD APPROVE ENO'S PROPOSED COMMUNITY SOLAR OPTION AS AN EXCEPTION TO THE PROPOSED COMMUNITY SOLAR RULEMAKING ON THE BASIS OF ENO WITNESS OWENS' STATEMENT THAT ENO BEGAN CONSIDERING A COMMUNITY SOLAR OPTION WELL BEFORE THE INSTANT CASE WAS FILED?[39]

A. No. If ENO had begun to evaluate Community Solar options in 2015 with the Patterson project, and continued to evaluate opportunities for developing a community solar offering in early 2016 when ENO began pursuing a bid for the 5 MW rooftop solar self-build project,[40] no indication was made to the Advisors or the Council of its intention to pursue and initiate a filing regarding community solar. In an April 2017 letter to the Advisors, then President and CEO Charles Rice discussed the RFP status of the 5 MW rooftop solar project: "At this point, however, it must be acknowledged that the Company has not received the necessary internal and board approvals needed to file an application. Once the Company makes its final RFP selection, it will begin the process of obtaining those

[39] Rebuttal testimony of D.A. Owens, page 34

[40] Ibid.

approvals and preparing an application for the Council's consideration." He also wrote: "The Company is in the process of drafting a concept paper, which it will send as soon as possible."[41] There was no reference to an evaluation of community solar at that time or in a follow-up document to the Council. Neither did the Phase II evaluation results of the Renewables RFP in May 2017 address any evaluation of community solar. Based on ENO's RFP evaluations indicating that the 5 MW Solar project did not provide net benefits, in the Renewables RFP technical conferences the Advisors proposed project alternatives that would not require ratepayer funding, including a community solar proposal that would support the all-in cost to construct and operate the project. In response, in March 2018 ENO did provide several community solar options with varying levels of subscriber monthly charges and credits based on retail rates. However, ENO did not file a community solar option at that time, or at any time prior to the Council's Community Solar Rulemaking which was initiated in June 2018, or at any time prior to ENO's rate case filing of July 31, 2018.

Q. WHAT IS THE ADVISORS' POSITION REGARDING THE REGULATORY EVALUATION OF AN ENO-OWNED COMMUNITY SOLAR PROPOSAL?

A. The rate structure for an ENO-owned Community Solar project must be cost-based to prevent cross-subsidization by all other ratepayers not participating in the Community Solar Project. To be included as part of ENO's total cost of service, any proposed investment by ENO, including renewables, should either (i) demonstrate a net present value

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[41] April 17, 2017 letter to Mr. Clinton A. Vince, SNR Denton, from Charles L. Rice, Jr. President & CEO.

positive net benefit to all ratepayers, or (ii) have the annual project costs of service recovered from voluntary participants in the project using a cost-based rate structure associated with the project. The cost-based rate structure should be derived from the annual revenue requirements and annual revenue credits associated with the project.

Q. HOW DO YOU RESPOND TO WITNESS OWENS' STATEMENT THAT IT IS NOT FAIR FOR ENO'S COMMUNITY SOLAR PROPOSAL TO BE DISADVANTAGED BY A RETROACTIVE APPLICATION OF RULES THAT THE FULL COUNCIL HAS YET TO ADOPT?[42]

A. First, the Advisors stated the aforementioned position regarding an ENO-owned community solar project clearly during the Renewables RFP technical conferences in which community solar options were proposed for the 5 MW solar project. The Advisors' recommendations to the Council in this regard were known prior to any ENO community solar filing. Second, Witness Owens's Rebuttal testimony statement is not addressing the long term concern of Advisor Witnesses Rogers and myself that preferential treatment to ENO as a developer of a community solar project, by using ratepayer funding not available to other developers, will adversely affect the long term growth of community solar in New Orleans.

Q. DO YOU AGREE WITH WITNESS OWENS' ASSESSMENT THAT THE COMMUNITY SOLAR RULEMAKING PROCESS WILL REQUIRE SEVERAL

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[42] Rebuttal testimony of D.A. Owens, page 39.

MORE PHASES BEFORE COUNCIL APPROVAL, INTERCONNECTION AGREEMENTS AND TARIFFS ARE IN PLACE TO PROVIDE COMMUNITY SOLAR?[43]

A. Yes, the process to provide community solar projects from various potential developers is lengthy, but it is also necessary to encourage viable long term investments in community solar in New Orleans and insure fairness among the community solar developers. However, I do not consider this lengthy process as an overriding reason to approve ENO's community solar proposal.

Q. PLEASE SUMMARIZE THE CONSIDERATIONS BEFORE THE COUNCIL IN EVALUATING ENO'S COMMUNITY SOLAR PROPOSAL?

A. Witness Owens has enumerated some advantages related to ENO's proposal,[44] the primary advantage being its near term availability to potential New Orleans subscribers. ENO would also gain experience with the administration of a community solar offering before the Council's initiative gets under way, and possibly reduce the incremental costs of ENO's administration, such as with billing system changes. However, these apparent near-term advantages may not be significant relative to the longer-term impact on community solar growth in New Orleans if potential developers are clearly disadvantaged by not having ratepayers support the project's financing as ENO would realize with its community solar proposal. Even if ENO's community solar proposal provides some revenue offset to the

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[43] Ibid, page 36.

[44] Ibid, page 39.

project revenue requirements secured from ratepayers, it is nonetheless contrary to the Council's community solar principles espoused in Council Resolution R-18-223: "In order to ensure a level playing field, to the extent that ENO chooses to become a community solar developer, it must offer the same privileges it allows itself to all other developers. ENO may not give itself preferential treatment as a developer of a community solar project and may not use ratepayer funding for its community solar projects in any manner not available to other developers." Advisor Witnesses Rogers and myself have recommended that the Council require the Company to justify (in a separate proceeding) why its proposal should be approved in its present form. I reiterate that recommendation herein, with the expectation that ENO may present specific evidence to justify their proposal with respect to the Council's community solar principles. The Advisors' recommendations did not reject ENO's community solar proposal outright. Rather, the Advisors' recommendations provided a path to Council approval that would be consistent with the proposed Community Solar Rulemaking and would also consider the net benefits to the New Orleans community in a separate proceeding.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes. However, I reserve the right to amend or revise my testimony based on additional information, through discovery or otherwise, that may become available before the hearing in this docket.