BEFORE THE

COUNCIL OF THE CITY OF NEW ORLEANS

Docket No. UD-18-07

CNO Docket
No. UD-18-07
EXHIBIT
ENO-59

APPLICATION OF ENTERGY NEW)
ORLEANS, LLC, FOR A CHANGE IN)
ELECTRIC AND GAS RATES)
PURSUANT TO COUNCIL RESOLUTION)
R-15-194 AND R-17-504 AND FOR)
RELATED RELIEF. _)

DEPOSITION OF

PAMELA MORGAN

March 14, 2019

Tubac, Arizona

Colville & Dippel, LLC
(520) 884-9041
ArizonaDepos.com
Arizona RRP No. R1129

REPORTED BY: NANCY P. RICHMOND, RPR
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A P P E A R A N C E S

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Also Present:
D. Andrew Owens, Director, Entergy Services, Inc.
Logan Atkinson Burke, Executive Director, Alliance for Affordable Energy

BE IT REMEMBERED that pursuant to notice, the deposition of PAMELA MORGAN was taken at Tubac Golf Resort & Spa in the City of Tubac, County of Santa Cruz, State of Arizona, before Nancy P. Richmond, a Certified Court Reporter, in and for the State of Arizona, on the 14th day of March, 2019, commencing at the hour of 9:04 a.m. on said day, in a certain cause now pending before the Council of the City of New Orleans.

I N D E X

E X H I B I T S

PAMELA MORGAN,
having been first duly sworn by the Certified Reporter to tell the truth, the whole truth, and nothing but the truth, testified as follows:

EXAMINATION
BY MR. OLSON:
MR. OLSON: Here in the room, we'll go around and identify ourselves. Scott Olson, representing Entergy New Orleans.
MR. OWENS: Andrew Owens, representing Entergy New Orleans.
MS. BURKE: Logan Atkinson Burke with the Alliance for Affordable Energy.
MS. MILLER: Susan Stevens Miller, representing the Alliance.
THE WITNESS: Pamela Morgan with Graceful Systems.
MR. OLSON: Susan, you stipulate to the normal stipulations in reserving all objections except as to form?
MS. MILLER: Yes.
Q. Ms. Morgan, can we start off with spelling your first and last name for the record?
A. Sure. P-A-M-E-L-A M-O-R-G-A-N.

Q. Have you had your deposition taken before?
A. Yes.
Q. Ballpark, how many times?
A. Two or three.
Q. Okay. So you understand then that you are testifying under oath today, same as if we were in court?
A. Yes.
Q. You and I will both need to try and speak clearly for the court reporter.
A. Yes.
Q. If you don't understand a question I ask, please ask me to repeat it. Sometimes I may read fast, so feel free --
A. Okay.
Q. -- to slow me down. You understand you'll have an opportunity to review the transcript and sign it. Correct?
A. Yeah, okay.
Q. And is there any reason, medical or otherwise, that you're not fit to testify today?
A. No.
Q. Other than the response that you gave to New Orleans' data request 318, are there any corrections to your testimony today?

A. Yes. That's the only correction to my testimony.

Q. We're going to move to the topic of your background, since you are new to us.

A. Yeah.

Q. Other than your B.A. and J.D., do you have any other degrees?

A. No.

Q. Do you have any professional licenses, other than as an attorney?

A. No.

Q. Are you a practicing attorney?

A. No.

Q. Are you a member of any state bar association currently?

A. No.

Q. Do you currently teach any courses anywhere?

A. No.

Q. Move on. You are still the president of Graceful Systems, correct?

A. I am.

Q. What are your duties as president of Graceful Systems?

A. I am the company. It's just me.

Q. So you do not report to anyone else?
A. No.
Q. You have no employees?
A. No.
Q. Are you an executive at any other company or organization?
A. No.
Q. Are you on the board at any other company or organization?
A. No.
Q. Is Portland General Electric Company a client of Graceful Systems?
A. No.
Q. One other thing I forgot to mention, back on your name, some of the materials have the name Pamela Lesh.
A. Yes.
Q. That was you?
A. Prior name, yes. I changed it in 2010.
Q. Is Graceful Systems currently engaged by any domestic utility company as a client?
A. No.
Q. Has your company ever performed any engagements for a domestic electric utility?
A. Yes. Trying to remember what year. Maybe

2011 PGE had me in to do a systems thinking class for the rates and revenue department. I believe that's it.

Q. Did the scope of that engagement have anything to do with decoupling?

A. No.

Q. Okay. How about formula rate plans?

A. No.

Q. Formula rate plans and FRP will probably be A recurring term that we use. So you were at Portland General in the various capacities from 1986 to 1997 --

A. Yes.

Q. -- first stint?

A. Yes.

Q. And you first identified your role as an assistant general counsel from '86 to '89?

A. Yes.

Q. And did you work on regulatory matters at that time?

A. Yes.

Q. Did any of those matters involve decoupling or formula rate plans?

A. Not while I was an attorney. In '93 or '94 the company did do a two-year experimental

decoupling mechanism that I was involved with.

Q. Did they reengage in decoupling after that two-year pilot, we'll call it?

A. Yes. Sometime in the 2000s, and I simply can't remember whether this was before or after I left the company, but Portland General has a mechanism now. It's considerably different from that early experiment.

Q. Okay. Can you give me a summary of what that first decoupling mechanism was like?

A. Yeah. It was at the time Portland General had no power cost adjustment clause. So a lot of the effort was how to do decoupling when fuel was still very much a part of the rates and fuel variability. So we ended up doing a two-year test period to go with the two-year decoupling experiment and then trued out to each month of that -- those full two years.

So we did a revenue requirement for the full two years. That's -- I'm sure there were other nuances to it, but that's the gist of what I can remember. It was difficult, given the company's situation.

Q. And did you have a role in designing that decoupling mechanism?

A. Yes. The commission ordered us to do a collaborative to design it. So the staff of the commission, all the usual parties were there. It was not a company proposal, per se. It was what came out of the collaborative, is what we ended up going forward with.

Q. And then the -- after that went in and some period of time passed, and they have a decoupling mechanism that's in place today?

A. Yes.

Q. Can you give me a summary of what that meant?

A. This is just my understanding. I would direct you guys to the tariff to be sure. I believe for residential and small commercial, so non-demand, metered customers, it is a revenue per customer mechanism. And then the larger customers are handled totally different, and I'm not quite sure what that is. I know it's completely separate and apart.

Oregon is partially restructured. It is, so those small customers, residential and the small commercial, under 30 kW, I believe, have no ability to choose. Above that, they step into pretty much full choice, which gives rise to all kinds of

complications you guys probably don't want to know about.

But it does make it possible, in people's minds, to say we should treat this group differently than those, the customers that are eligible to choose, which a number have and then some have not. Some have gone back and forth.

Q. For the decoupling mechanism that is applicable to the --

A. Yeah.

Q. -- smaller customers, is there any kind of formula rate plan or cost adjustment mechanism involved with that decoupling piece?

A. Nothing that's tied to the decoupling piece. The company has a power cost adjustment clause and has for quite some time now, and I know it's gone through changes since I left the company.

I believe there's probably some other adjustment clauses, by and large, what I call full reconciliation charges. So we're going to carve out this cost, and we'll just track it and true it up to what you actually experience. I don't know what the list is at this point.

Q. Sure. But when you used the term "power cost adjustment," is that dealing primarily with fuel and purchase power?

A. Yes.

Q. Okay. So no formula or adjustment, though, to pick up changes in the overall cost of service during the decoupling periods?

A. No. Those have never really been present in the northwest.

Q. All right. And so I understand, in 1997 you left PG&E to work for a software company. What was your role with the software company?

A. PGE. I was responsible roughly for business development. This is Connext, which was a spinoff from Puget Sound Energy. Puget had been building a customer information system for some time and also was on the verge of doing the first generation of automatic meters through Cellnet, if you remember that name. This is way back. They spun those off to Connext with the idea of developing services for the retail market that looked like it was emerging in California at the time, so '96.

The customer information system was not done yet, and Connext reached an agreement with Cellnet that Puget Sound promptly said, we'll just enter into this directly with Cellnet, and took

Connext out of it. But, nonetheless, I pursued various arrangements with -- oh, gosh, I'm trying to -- Siebel at the time, other companies that were wandering around that nascent market for about a really long year and a half.

Q. Is it fair to say the software company was not focusing on decoupling?

A. No, nothing to do with that.

Q. And you returned to PGE in '01 and stayed there until you started your consulting company in '09?

A. Actually, I returned in 1999.

Q. Okay. Other than that decoupling mechanism that they implemented in the 2000's that we just got finished talking about that they have today --

A. Yeah.

Q. -- any other work on decoupling for PG&E --

A. PGE. It's so hard. No, not for PGE.

Q. You noted on your bio that you did some executive cross-training from 2007 to 2008. Did that have anything to do with decoupling or formula rate plans?

A. No. I went over to the distribution side

of the company. Very fun.

Q. Then what was the scope of your duties when you served as or went in as an executive loan to NRDC?

A. Yes. NRDC had just started up an office in the midwest in Chicago, and much of that year I spent helping gather information on what was going on in various of the midwest states so that they had background.

I also did testimony in the Black Hills Energy case on decoupling. NRDC was just at the early start of their really big push to get decoupling mechanisms in place, and Black Hills Energy had proposed one. So my testimony supported the company's proposal. It was a lot of sort of just internal helping them understand utilities a little bit better.

Q. Just because then was NRDC --

A. Yes.

Q. -- and not Black --

A. Yeah.

Q. -- Hills --

A. Yeah, yeah.

Q. Your client was NRDC?

A. Yes. Yes.

Q. But you supported Black Hills --
A. Yes.
Q. -- decoupling mechanism?
A. Yes, in Iowa.
Q. Do you recall whether that decoupling mechanism had any kind of cost adjustment mechanism as part of it?
A. I don't believe so. It was a gas -- gas utility, and when I reviewed that testimony, I didn't see anything about a cost adjustment.
Q. Gas companies are a little different animals.
A. They are different.
Q. All right. I also saw on your bio EQ Research. Are you an employee of EQ Research?
A. No. For several years we had a loose arrangement, I would say, where if one of Keyes & Fox clients was looking for an expert witness, they would occasionally call me and we'd see if it was a fit. And if I did that, it was billed under EQ Research. They took care of all the billing for me and for a percentage.
Q. I'm sorry. What's Keyes & Fox?
A. Keyes & Fox is the law firm. At that point they owned EQ Research, as I understand it. I

think they have separated now. I'm not totally sure.

Q. What type of organizations do Keyes & Fox represent?

A. Mostly distributed generation companies, solar companies, or organizations of such -- what is it, that Interstate Renewable Energy, then a long list of clients, most of whom I did not work for or did no work for.

Q. In any of your work for EQ Research as a witness, did you testify on decoupling matters?

A. No. I looked at it one time for Colorado Public Service, the XCel Company in Colorado, but ultimately did not do testimony.

Q. Any work on formula rate plans --

A. No.

Q. -- in your role with them? Shifting a little bit to more specific on testifying background --

A. Yes.

Q. -- have you ever represented as a witness or as a lawyer a domestic utility company other than PG&E?

A. No.

Q. Have you ever represented as a witness or

as a lawyer a utility commission or its staff in a domestic regulatory proceeding?
A. **Not as a lawyer.**
Q. Not as a lawyer, okay. But you have worked as a witness for a --
A. **No. I was a consultant for the Montana Public Service Commission when they did -- they had a redo of their integrated resource planning rules.**
Q. Was decoupling involved in the IRP there?
A. **No, it was not.**
Q. And you've never offered testimony in any capacity in New Orleans, correct?
A. **No.**
Q. How about Louisiana?
A. **No.**
Q. Do you recall if you've ever recommended a specific decoupling structure in a regulatory proceeding that has been adopted in whole by a regulator?
A. **I do not recall at this time. In Indiana I know I put in testimony supporting the company's proposal. I don't recall what happened.**
Q. Was that an electric case or gas case?
A. **Gas, I believe.**
Q. Do you have a recollection of the number

of times that you've offered a specific decoupling mechanism in a proceeding on behalf of a client?

A. I think I gave you guys all the testimony that I could find. So I think it was only three cases for them, and then there were a couple of -- there was a one case that I was a witness in opposing a lost revenue recovery mechanism, and one where the decoupling mechanism was in place and being used in a way that was about to cause serious problems for everybody, including utility. That was Consumers Energy.

Q. Which was the LRAM? Do you remember? L-R-A-M?

A. That was Detroit Edison.

Q. Then you said you mentioned three cases where you thought you recommended a decoupling mechanism?

A. Yeah. That was the Black Hills Energy, Ameren, A-M-E-R-E-N, Missouri, and Vectren, V-E-C-T-R-E-N, Indiana.

Q. Were Ameren and/or Vectren electric or gas?

A. Ameren, electric; Vectren, I think it's gas.

Q. And for Ameren specifically then do you recall if there was a cost of service adjustment mechanism involved with that --

A. I do not --

Q. -- structure?

A. -- recall.

Q. Moving on then to getting some timing worked out, with respect to your representation in this case, do you recall approximately when you were first contacted about potentially being a witness in this case, the New Orleans case?

A. January of this year.

Q. Okay. Do you know who contacted you?

A. Yes. Philip Henderson from NRDC.

Q. Who would you say is your client in this case?

A. Alliance for Affordable Energy.

Q. Is that the only client that you think that --

A. Yeah.

Q. Who is your client contact?

A. Logan.

Q. So is it safe to say you began researching your testimony in January of this year?

A. Yes.

Q. What in your opinion is the scope of your

engagement?
A. The scope of my engagement was pretty clear, was simply to understand the proposed decoupling mechanism and, if necessary, recommending any adjustments to that mechanism.
Q. And do you consider the LCFC issue to be part of decoupling?
A. Yes. Yes.
Q. When it came time to draft your testimony, how did you determine what issues to address? In other words, was it in your sole discretion or did you have meetings with others to decide what you do?
A. No. I would help locate the pieces of testimony pertinent to the issues, spent a lot of time with those, and began drafting. There were no -- we had a couple telephone calls, but no particular direction.
Q. You were not directed by Mr. Henderson --
A. No.
Q. -- or Ms. Logan to address any specific issue or come out in any specific way?
A. (Shakes head.)
Q. Other than Mr. Henderson -- and I'm sorry. I've been calling you Ms. Logan -- Ms. Burke, did you talk to anybody else in developing your

testimony?

A. **No.**

Q. Okay. You didn't talk to Mr. Barnes?

A. **Not about the contents of my testimony. I became aware of what he was testifying to. There were a few places where we overlapped. That was it. He did not -- he did not advise me on decoupling.**

Q. Did you all review each other's drafts?

A. **I did see a draft of his, yes, and he saw a draft of mine.**

Q. Did he provide you any comments on your draft?

A. **Nothing substantive that I recall.**

Q. Same question, did you provide him any comments on his testimony?

A. **Nothing substantive that I recall. Clarity comments, you know, this could make better sense sort of thing.**

Q. And what's your compensation arrangement for this case? Hourly?

A. **Yes.**

Q. What's your current rate?

A. **$200 an hour.**

Q. Are you working on any other consulting engagement at this time?

A. I am not, though, actually, I haven't done much under it, but Regulatory Assistance Project contacted me also in January. They are updating the decoupling study, the decoupling study, and I have agreed to help them if they run into questions and so forth along the way. But I haven't done really anything for them yet, other than send them the whole pile of materials that you guys got.

Q. That reminds me, though, with respect to RAP, have you worked for them before?

A. No, I haven't. I believe when I did the big study for NRDC, the second one, the 2012-'13, I think RAP contributed, as did ACEEE. It was all three of them, but I only interacted with NRDC on it.

Q. You've never been hired as a consultant for RAP on any case or project?

A. No.

Q. Beginning to focus a little bit more specifically --

A. Yeah.

Q. -- on this case now --

A. Yeah.

Q. -- I know the answer to most of these questions, just based on what we've talked about so far --

A. Okay.

Q. -- but you didn't participate in the New Orleans Council docket, UD 08-02, which was their integrated resource planning docket. It started several years ago?

A. I did not.

Q. Did you review the advisers' September 6, 2013, report on ENO's 2014 IRP filing -- did you review the advisers' September 6, 2013, report on ENO's, short for Entergy New Orleans, 2012 IRP filing -- IRP stands for integrated resource plan -- in docket number UA -- UD-08-02 in conjunction with your testimony in this rate case?

A. No.

Q. So suffice it to say then that you did not review the RAP memorandum that was attached as Appendix D to that report?

A. I did not.

Q. Did you review Council Resolution R-13-363, dated October 10th, 2013, in docket UD-08-02 in conjunction with your testimony here?

A. There's only one. Let me locate it. All right. What was that docket again?

Q. That one is R-13-363.

A. No.

Q. I have doubts, but did you review any participants' filings or comments made in response to resolution R-13-363?

A. I did not.

Q. Do you recall if you reviewed the advisers' July 14th, 2014, report on decoupling filings made in response to R-13-363?

A. No.

Q. Do you recall if you read the Council resolution R-14-511 dated, November 20th, 2014, from docket UD-08-02?

A. No.

Q. And it's true that you did not participate in any of the technical conferences that resulted from R-14-511?

A. I did not.

Q. Did you have a chance to review any of the participants' filings or comments made in response to R-14-511?

A. I did not.

Q. Did you review the advisers' report regarding issues related to decoupling, dated February 10th, 2015, in conjunction with your testimony?

A. I did not.
Q. Now, you did review Council resolution R-16-103, dated April 7th, 2016?
A. I did.
Q. Okay. So since you did not participate in UD-08-02, it's safe to say that you did not speak to any of the participants in docket number UD-08-02 that you're aware of?
A. Other than --
MS. MILLER: The Alliance, of course, was a participant in that.
Q. Do you recall did you talk to the Alliance about that docket to gain any sense of the history or what occurred in that time?
A. I did have a conversation with the Alliance for some general background of what was going on in New Orleans. I do not remember particular docket numbers we discussed.
Q. Do you have any general sense of the time period and the regulatory filings that occurred leading up to R-16-103 from your communications with the Alliance?
A. Not from my communications with the Alliance. The resolution does a pretty good job covering the back and forth that occurred.

Q. Did you review ENO's illustrative examples of decoupling that were filed in UD-08-02 on September 6, 2016?

A. I did not, no.

Q. Okay. And are you familiar with -- let me say it this way. Do you have an understanding from R-16-103 in paragraph thirteen that some examples were supposed to be filed?

A. Yes.

Q. But you don't have a copy of them?

A. I do not. Yes.

Q. Do you have any understanding whether the advisers of Council, New Orleans counsel, issued any kind of comments or findings on those illustrative examples?

A. I do not.

Q. Did you review any other testimony or exhibits in connection with preparing your testimony that we haven't discussed in this background, if you can recall?

A. Any other testimony. I reviewed a few select data requests and responses to data requests that have been filed by other parties that related the either to the LCFC or to the decoupling mechanism. There weren't very many.

Q. That request in this current case?
A. In this current case.
Q. Not related to that prior --
A. No.
Q. -- docket? Have you prepared any reports schedules or analysis supporting your testimony in this case that have not at this point been provided with your testimony or in response to the data request?
A. No.
Q. And, generally, how did you prepare for this deposition today?
A. I read my report from 2012-'13. I read my testimony, reviewed the resolution 16-103, the data requests that I have responded to, and put together testimony of the company that I had been addressing.
Q. Did you have any meetings with the Alliance or anybody else to discuss your deposition today?
A. We met briefly yesterday to talk about depositions in general.
Q. Let's move on to the testimony.
A. Okay.
MR. OLSON: Been forty minutes. Does anyone --

THE WITNESS: I'm good.

Q. All right. I'm looking first at page three, and it will be lines four through six. Specifically, you say that ENO's proposed FRP, which is formula rate plan, does NOT appear to provide a decoupling mechanism either as the council ordered or as decoupling is commonly understood. And then my question is, well, first as far as compliance, you're referring to R-16-103? Is that --

A. Yes, I am.

Q. -- correct? If so, then when I read through your testimony and what I didn't see is any specific testimony specifically identifying where the company's proposal does not comply with R-16-103. Is that accurate, as far as you know?

A. I don't recall every word of my testimony, but the primary piece that I am struggling to understand, and I don't believe is there, is a reconciliation of the actual revenues for a given period to the prior year's revenues for a given period and then recovery of that difference or return of that difference, either way. That's -- the Council's resolution separates that off. That's number nine.

The first -- item one of the resolution

does appear to be what's filed, but I could not locate where the reconciliation was happening.

Q. I didn't -- so is it -- are you saying that the company's proposal does not comply, you think, with paragraph nine?

A. Yes.

Q. Okay.

A. Yes. I believe in the testimony I talked about it in terms of the reconciliation not clearly happening.

Q. Were there any other paragraphs of R-16-103 that you can recall that you don't believe the company's proposal complied with?

A. Upon review for this deposition, I am unsure what is happening with weather normalization because I do not understand weather normalization in the context of the formula rate plan. So I would say that's a new question mark in my mind.

Q. Have you read the advisers' testimony that was filed in this case in February of 2019?

A. Only selected portions of it.

Q. Do you have an understanding of whether the advisers took the position on whether New Orleans' proposal complies with R-16-103?

A. My understanding of Victor Perp's

testimony was that they were in agreement with your proposal. They did not explain your proposal, however.

Q. All right. Then moving down to lines eleven through twelve, you say that you're recommending three changes to conform ENO's proposal to a standard decoupling mechanism. And my first question is, there you're not recommending those changes to conform ENO's proposal to R16-103, right?

A. No.

Q. Give you our exhibit, Depo Exhibit 1.

(Exhibit 1 was marked for identification.)

Q. I'm going to try and walk you through this a little bit, and then --

A. Thank you.

Q. -- ask you some questions about your testimony to see if it helps us -- helps me understand what you're proposing. So the columns on the left side of the page, what we've done there is essentially a summary of Phil Gillam's Exhibit PBG-8, which you discussed in your testimony --

A. Yeah.

Q. -- and this is essentially the company's

proposal as comes through PBG-8 and --
A. May I ask a question?
Q. Sure.
A. Is the actual revenue weather adjusted?
Q. I'm not able to answer that question --
A. Okay.
Q. -- and I don't know.
A. Okay.
Q. But, structurally, what --
A. Structurally, this is what is in PG --
Q. Yeah, and right, so what we're looking at is the actual revenues compared to the test year adjusted revenues, assuming that --
A. Yes.
Q. -- and the test year adjusted revenues assume that there was a three million dollar FRP increase indicated by the FRP model. That make sense?
A. Yes. That's -- yeah.
Q. And you understood that from going through -- and we're just talking about residential class in this --
A. Okay, right.
Q. -- whole exhibit.
A. Right.

Q. And then so keeping the numbers tied to PBG-8, if you move over to the right-hand side, the top portion there, steps one, two, three is what we've put together to illustrate, I think, what you're saying on pages seventeen through eighteen of your testimony. And I'll walk you that --

A. Okay.

Q. -- in the column. So in step one what we've done there is break out the customer charge component --

A. Yeah.

Q. -- from step A from PBG-8.

A. Yes.

Q. And that's --

A. The thirty-three million. I see that.

Q. Okay. So, and otherwise the energy -- the variable energy stays the same, and then we believe what you're saying, okay, then is that you take that, because those were the outcomes of this rate case, okay, and then you have your actual revenue from the test year, which again came from PBG-8, but for decoupling all you're looking at are the energy fixed charges, so line six minus line two, and that resulting 1704 would be the decoupling revenue requirement, if you want to say it that way. Does that --

A. **I did not take a position on the variable energy. I didn't completely understand what that was supposed to be. Is it -- it's not fuel, but I wasn't clear what it was and whether it varied with energy or not. If it does not vary with energy, I'm fine with it being included in the decoupling mechanism. It simply, I was not familiar with that presentation and that separation of costs.**

Q. But -- well, let's just assume for purposes of this illustration that the variable energy piece is -- is a cost that does vary with energy use.

A. **Okay.**

Q. In other words, if there's no kilowatt hours produced, there's no cost associated with --

A. **Okay.**

Q. So in that case you would prefer to keep it out of the decoupling, right?

A. **Yes.**

Q. And so given that setup -- again, we're not agreeing with the numbers --

A. **Right.**

Q. -- or anything, but the general framework, does that --

A. The general framework --
Q. -- seem to appear consistent with what -- does that appear consistent with what you're recommending for decoupling?
A. Yes.
Q. And your recommendation for decoupling, this steps one through three, that would occur no matter what, right, regardless of whether there was an FRP adjustment or anything else?
A. Can I ask a question about number five, which is the adjusted revenue requirement?
Q. You can, but I haven't --
A. Okay.
Q. -- got there yet.
A. Okay. Sorry.
Q. I'm just still trying to focus on your piece.
A. But I will say the calculations are correct, but I need to understand what is gone into that adjusted revenue requirement.
Q. You're on the FRP stuff, right?
A. Yeah.
Q. This part is going to be fascinating on the record.
A. Yeah. Hard way to do it.

Q. Yeah. Focusing just on steps one through three --
A. I'm with you.
Q. -- I want to stay there for right now -- this would be the decoupling structure, and your recommendation would be this decoupling would occur every year regardless of an FRP?
A. Yes.
Q. And --
A. There would not be a dead band that would -- the FRP would operate on costs --
Q. Okay.
A. -- if the council approved it.
Q. Okay. So then let's move into steps five through seven, and I'll try and explain what's being represented here. And I think at the end of the day we're just trying to see if your -- how this fits into your understanding of how an FRP might work with decoupling.
So step five there, that is the same adjusted revenue requirement for test year that we have in step C for PBG-8. In other words, that's what results if you run the FRP analysis and you have a three million dollar deficit that, after running through the FRP model, results in about 3.1

million dollars to the residential class.

And what we have then done for the FRP portion of that is compared those adjusted revenues to the target revenues resulting from this rate case to try and capture that differential on the cost piece, moving around.

A. And we run up against where I had problems, which is I don't understand everything that goes into the adjusted revenue requirement for the evaluation period in the formula rate plan.

Q. Let me -- in general, though, would it be safe to say that this essential two-step process is what you have in mind by saying that decoupling can work with the formula rate plan?

A. Based on what I know now, I suspect, subject to somebody much more familiar figuring it out, that you could take, once the decoupling adjustment was calculated and you have that difference, use -- you assume you're either going to return that or you're going to recover it, and then you use the level of revenues as if that's already happened, because it's going to happen. You probably book it for doing the rest of the formula rate plan, so that you've taken care of the difference of revenues, and you're using the

decoupled revenue amount for running the rest of the formula rate plan.

Q. That's --

A. I know.

Q. Well, maybe let's try and tie it up this way. One thing, before I start back here --

A. Yeah.

Q. -- if you do this formula rate plan as a second step, so to speak --

A. Yeah.

Q. -- do you have an objection of the dead band applied to that, if it was, you know, without the -- if it was within the dead band, you wouldn't do the second stuff, essentially?

A. I don't have a position on that. I made an observation about the dead band, but it sounds like what people are used to, so.

Q. I mean, and that's largely what we're --

A. Yeah.

Q. -- hoping to confirm, is that you've got a two-step process in mind, but I think --

A. Yes.

Q. -- somewhat to --

A. Yes.

Q. -- to do with -- we've still got some ground to cover here with respect to the second stuff and trying to understand that. But I've got some questions.

A. Yes.

Q. I'll get to that.

A. If I could attempt a clarifying statement, it is that, generally speaking, whether you do it all in the same tariff or not, I'd like to see the revenue decoupling pulled out, done first, and then take care of your costs.

Q. Right. So you're not opposed to an adjustment for the costs; it's just you got to do decoupling first?

A. Yes.

Q. And our discussion is taking care of some of this, so let me --

A. Yeah, take your time.

THE WITNESS: Might be a good time for a break?

(Recess from 9:54 a.m. to 10:07 a.m.)

MR. OLSON: Can anybody on the line hear us?

Q. All right. If you would turn to page

twenty-three -- question twenty-three, page twenty. You said that, for the purposes -- I'm sorry. "For the proposed FRP's purposes of updating ENO's costs and calculating a new revenue requirement, all of its calculations involving revenue could use the following."

And then the first one is the book evaluation period, or EP, revenues for those revenue categories that are outside the decoupling mechanism. And could you give an example of what those revenues are that are outside the decoupling mechanism?

A. The customer charges, the minimal bill amounts, and then I was -- I think earlier on I suggested that any adjustment clause that is essentially a true-up to the actual amount would not need to go through decoupling because the company's only going to recover that actual amount of the cost.

My brief review of the advisers, I understand they're going in a different direction, which I will say I do not fully understand. I -- I would take those out and simplify this to the extent possible.

Q. When you say minimum bills, can you give

me an example of what you mean by the minimum bill?
A. All the demand charge schedules have a minimum bill, rather than a customer charge. So regard -- there's demands operating on a ratchet, and basically the minimum bill is that, regardless what their demand is during the month, you will pay at least this month -- this much. It's fixed. It's just done as a minimum bill, and -- yeah.
Q. Okay. And so what we would do with that -- that minimum part that doesn't vary on a demand basis, kind of looking back at our ENO 1 up in step one, you would either include that with the customer component --
A. Yes.
Q. -- another --
A. Yes.
Q. -- but either way that would --
A. Yes.
Q. -- not be included --
A. Yes.
Q. -- in line three?
A. Yes.
Q. Then the next bullet point says, "The post decoupling calculations for those EP revenue categories that are subject to the decoupling

mechanism." So what revenues are those?
A. So what you've run through the decoupling mechanism then are the revenues that were driven by energy but are for fixed costs --
Q. Okay.
A. -- which I assume you would figure out through the allocations. And there my thought was you could use the post decoupled with the amount as -- for the evaluation period revenues. So you would -- you would first make the decoupling calculation, as you've shown, and then use that.
If you reduced it because it was higher and you're going to give that money back, you could use -- you would use that reduced level of revenues. If you increased it because you were going to get money back the following year, then you would use that increased level. So the post decoupled revenue is what you would use for the evaluation period as you then continue to do all the other steps in the formula rate plan.
Q. So if I'm following, if we looked at, you know, step C on PBG-8, would you reduce that adjusted test year revenue amount by the decoupling piece? Is that what you're saying?
A. In this example, I believe it's going to

be a surcharge, so you would add that in. The company is going to get that revenue, so that would become part of the actual revenues that it is getting and, I mean, presumably booking for the appropriate year.

Q. I see. So you're using the decoupling amount sort of as an adjustment to the adjusted test year --

A. Yes.

Q. -- revenue amount for your --

A. To the actual revenue for the evaluation.

Q. I see. Okay. So in this example, would we add 1.7 million to the 1.9 million in B?

A. Yes.

Q. Would you agree that excluding the customer charge in the minimum bill portion of the demand-driven bills is inconsistent with paragraph six of R-16-103 and what the advisers are recommending?

A. Yes.

Q. And I think that's the second parameter that you discuss in your testimony --

A. Yes.

Q. -- about what you would --

A. Yes.

Q. -- use to adjust R-16-103? This is one you're tired of hearing about, but how does excluding the customer charge revenues from the decoupling maintain some degree of financial risk for the utility?

A. Those revenues are going to vary based on the number of accounts on a given rate schedule. That's the driver of that piece because if it -- whether it's a minimum bill or customer charge, if you send out the bill, you get it back. So the utility remains subject to variations in those amounts. People move out. The space is vacant for a couple months. You're not going to get the customer charge for those months.

All of that's very difficult to -- some of it will be captured in the forecasted billing determinants, but forecasts are always wrong, so there is risk associated with those. But it's not risk that varies based on how much energy people are using. It's really only occupancy of existing meters or occupancy behind existing meters or and/or new meters.

Some states have made a specific new customer adjustment to -- you know, to figure out their revenues that are decoupled from. I think

this is a simpler way, but it would -- if unusual circumstances were going on, you might want to do something some other way to get at -- think costs that are driven by number of customers.

Q. I guess maybe the little more fundamental question is, why does the utility need to maintain some degree of financial risk if you're doing decoupling?

A. So decoupling addresses only revenue, first of all. It still remains risk around -- utilities all keep their risks around costs, risk of upsides, downsides. So decoupling is only targeting a really specific portion. It's a tool. It's not a complete answer.

Actually, you know, in the 1980s, Public Service New Mexico had a total true-up every year to their complete cost of service. That didn't last very long. It's the only one I'm aware of.

So the utility is still at risk. It's at risk for all of the usual things around prudency of costs, around used and useful nature of rate base, and in this case around the -- it -- between the test year and what actually happens, how well it's been able to either forecast or in this case the historical and make adjustments to the number of

accounts of each type it expects to have in the system. That's -- it's a usual regulatory formula risk.

Q. Back on page three of your testimony and at line seventeen through nineteen, you -- you're saying that your decoupling mechanism will not operate on revenues collected under tariffs and riders that are subject to full reconciliation, and just -- and my -- I guess, my first question is your understanding of ENO's proposal is that it does include those riders, right?

A. Yes.

Q. And then you understand or you would agree that your recommendation is not consistent with R-16-103 in that respect as well, right?

A. Yes.

Q. And that's the first parameter that you discuss in your testimony --

A. Yes.

Q. -- about what you would change --

A. Yeah.

Q. -- to R-16-103?

A. Yes.

Q. Then on page three, lines twenty through twenty-three, you recommend that ENO clarify that the comparison is between the most recent approved revenues and the actual revenues allocated to rate classes/schedules per approved allocation factors and not to a calculation of required allocated revenues and includes this change -- changes in costs during the decoupling period.

And what we're trying to understand is, in an FRP environment what forms the most recent approved revenues? What's your baseline?

A. So there is where I hit a point I could not resolve at 3:00 in the morning one day. When the formula rate plan makes all the adjustments to the evaluation period, normalizes it, pro formas it, all of that goes on, and it's -- you're outside the dead band, so you're going to make a rate adjustment, does that become essentially the new test period?

And when the adjustment is approved, is the commission approving the new test period? If so, and it would seem to me that's the case because you're getting a rate adjustment, so new essentially approved revenues. In that case if these two are operating, if decoupling is operating hand in hand going forward the next year, the decoupling mechanism would use those revenues that came out of

the formula rate plans.
If the formula rate plan did not trigger because it was within the dead band, I think then the only choice is to go back and use the prior -- whatever prior period there was.
Q. That makes sense. And then so I've got an example, just to make sure I'm --
A. Yeah.
Q. -- thinking about it right.
A. Yeah.
Q. Let's first assume it operates the way that you've described --
A. Okay.
Q. -- and let's assume that the first FRP test year is 2019. So we roll into 2020, and that's where we're going to make our first FRP and decoupling adjustments. And we'll assume you're using your schedule where you make a decoupling adjustment first. But for purposes of that decoupling adjustment, would you compare your 2019 actual revenues to the 2017 baseline established in this rate case in that first, you know, adjustment period?
A. You would compare to the revenues that are the basis of the rates.

Q. Right. And then in this case --

A. So --

Q. -- would that be --

A. -- to the revenue requirement essentially. So if that's period one or period two or some combination, which isn't clear to me, then -- but it would be the decoupling almost always operates out of what came out of some kind of rate case. It doesn't have to have been a full blown rate case. It could be something like a formula rate plan or a K factor or some other way that the revenue requirement is updated. That's what you are decoupling to.

Q. And you're agnostic at this point about whether that would be period one or period two because you're not real sure about how that works?

A. No.

Q. And then in the next year, though, 2021, you would use the updated adjusted FRP revenues from 2019 compared to your 2020 actuals in --

A. Yeah.

Q. -- making the decoupling adjustment?

A. Yes.

Q. Covered a lot of this stuff. We talked a minute ago about the two parameters you would adjust

R-16-103. In your mind, if you -- the Council made those adjustments, would it reflect standard decoupling, as you propose it?

A. It would reflect a clear decoupling, one that is easy to understand. Based on my review of my report, it's difficult to say there's a standard out there, and, of course, I've lost track. I haven't looked at what's happened since 2013 to now. But it would be certainly one of the simplest applications and easiest to understand applications of decoupling that exist.

Q. I'm sorry. So if you made those two adjustments --

A. Yeah.

Q. -- you described to R-16-103, but otherwise follow R-16-103, that would be, in your mind, an example of standard-ish decoupling?

A. Yes. I think that's about all you can say, standard-ish decoupling.

Q. I mean, I --

A. Satisfying -- when I think of standard, I'm thinking of satisfying what the intent is you're trying to accomplish, which is to remove that link between energy-driven costs and revenues so that the revenues are to the extent fixed for rate design

reasons. The Council, the company want to recover fixed costs through an energy-driven billing determinant that does not affect its financial results.

Q. I think we talked about this earlier, but in your review of Gillam's PBG-8, I think you said your opinion was that it violates paragraph nine of R-16-103?

A. It was not clear to me really what all was going on in 8 because where the numbers came from was not explained. I think someone would need to understand in detail how the formula rate plan works with the revenues and all the costs. But I could not find in that example or in the tariff where there was this, what I consider the true-up piece of decoupling, where the revenues got brought up to or down to the last approved level of those revenues.

Q. On page -- Q20 on page seventeen, you use the, "term regulatory nature in question."

A. I'm sorry?

Q. Q20, the question, "Does the example in ENO Exhibit PBG-8 clarify for you the regulatory nature of the current or proposed FRP?" What does the term, "regulatory nature," mean there?

A. How it works in -- in the context of the

regulatory formula.

Q. The concepts you were just explaining to me?

A. Yes.

Q. Couple of questions about some data request responses.

A. Yeah.

MR. OLSON: Anybody need them?

MS. MILLER: Yes, please.

MR. OLSON: Logan?

MS. BURKE: Yes. Thank you very much.

THE WITNESS: I didn't need to run my printer.

Q. I was looking at ENO data request 3-1. It mentions that eleven of twenty-two utilities have an attrition adjustment. I wondered if you could explain what an attrition adjustment is.

A. That is some way to deal with cost changes during the period being covered by the decoupled revenues.

Q. Okay. And then you mentioned that you thought -- you mentioned at the very end of that response, you say, "It's likely that the cost portion of ENO's formula rate plan would generally fit within this category." What do you mean by the cost portion of the FRP?

A. So because the formula rate plan works off of a calculated ROE, it's got revenues and costs in there. Most of these attrition adjustments have only dealt with the cost side. They don't involve calculations of return on equity. They simply are either the -- some automatic inflation minus productivity adjustment to fixed costs, or they are selective updates to fixed costs or something like that. But they're cost only. That's -- that's what I meant by the cost portion. If -- if the formula rate plan only worked off of costs, it would be like these.

Q. Okay. Do you agree that a common source of increasing costs to serve customers is infrastructure improvement?

A. In recent years, yes, and -- and I'm thinking then of distribution and transmission infrastructure. Generation has always been a source of --

Q. Sure.

A. Well, as long as I've been working in this field, it's been a source of increasing cost. But over the last decade or two, distribution,

infrastructure improvement, and transmission improvement have also been very much drivers.

Q. You just took care of three additional questions. Did you have a chance to look at ENO's cap ex forecast in this case?

A. I did not.

Q. Do you have an understanding through any portion of the case of their intent with regard to distribution upgrades?

A. I -- I read quickly the portion of some testimony about the distribution and the grid improvement plan, which is like very many other utilities looking to either -- and I'm aware the company is going to do automated metering infrastructure, EMI, and all of the things that go with that meter database. I know it's complex.

Q. Would you agree, in general, that without, you know, some kind of cost adjustment mechanism to compensate for fairly significant infrastructure improvements and distribution and transmission, that, everything else equal, that utility would not likely have an opportunity to recover its revenue requirement associated with the turn on significantly increasing investments over the year?

A. I would say that the tools are all there

and have been used by utilities. A rate case every year, adjustment clauses, trackers of various sorts, utilities kind of make use of all of those, and I don't know the New Orleans situation well enough to say which one.

Q. Fair enough. I was just saying in general, not New Orleans specific. Assuming that those various cost adjustment mechanisms weren't available for whatever reason, the remedy is to file a case --

A. Yes.

Q. -- rate cost if your costs --

A. Yes.

Q. -- are increasing that much?

A. Yes. I would agree with that.

Q. You know, in your experience are yearly rate cases favored by utilities?

A. In recent years they seem to have been. We -- the industry went through a long period where every five years, sometimes even much longer, and I'm talking here about the nineteen -- mid 1980s through the nineties, there were long spells with no rate cases. Then the -- starting about 2004 or five, the number has crept up, till now there have been so many rate cases, it's crazy. It goes

through cycles, I believe.

Q. And do you think that there are benefits to cost adjustment mechanisms to avoid serial rate cases?

A. It really depends on the circumstances. During my years with PGE, we went both through a period where it was five years between rate cases. The downside of those is that people forgot where you were and you had to rebuild a lot of foundation. Also, waiting a long time between rate cases usually meant you had a larger increase than you would have had if you did it more frequently.

The company, PGE again, had to do a fair number of rate cases in quick succession around the turn of the century for a variety of reasons. It got easier the more we went on because the baseline was already there. Then there was a dry spell.

And since I've left the company, they, for a number of years, did a rate case every year. They were adding a lot of wind-powered generation. So it's all the circumstances. It's hard to say which is better. They have pluses and minuses both ways.

Q. Assuming in this case the Council did not approve a formula rate plan, would you be opposed to some kind of attrition adjustment in the decoupling

mechanism, if it went that way, to compensate for increasing costs?
A. **Without spending any time on it, I think I would be agnostic. I have no opinion based on my report. I would say some do and some don't.**
Q. Look at page twelve, lines one through two, please. There you say that, "With decoupling, utilities and the rating agencies and financial analysts have assurance that changes in energy use or levels of demand will not harm utilities' finances." Are you suggesting in any way that ENO's credit ratings might improve if the Council were to approve your decoupling recommendation?
A. **I'm not. There are too many other variables.**
Q. Do you have any -- an opinion on whether a formula rate plan can accomplish a similar purpose with respect to credit risk?
A. **Based on my experience in dealing with credit rating agencies, once they understood the plan, I would expect them to react favorably.**
Q. A formula rate plan?
A. **Yes. Rating agencies generally like things that update the costs, assuming costs are going up. They don't like it if they update costs**

that are going down.
Q. To be clear, you're not offering any opinion on return of equity in this case?
A. No.
Q. You're not offering an opinion on cost of capital in this case?
A. I am not.
MR. OLSON: I'd like to take about a five-minute break real quick to talk with Andrew, because I think we're almost done with that piece.

(Recess from 10:42 a.m. to 10:53 a.m.)

Q. We're going to continue moving along here. Moving on to the energy efficiency and demand-side management topics, I will use the term "demand-side management" to include both energy efficiency and demand response, if that's all right.
Would you agree that in order to encourage demand-side management, there's three primary elements that need to be addressed these days, first being recovery of reasonable DSM program costs?
A. Yes.
Q. Second, recovery of lost revenues resulting from reductions in energy sales

attributable to the utility DSM measures?

A. Yes, with a strong preference to do that through decoupling.

Q. Sure. And utility incentives to promote DSM?

A. Yes.

Q. You would agree that without some kind of recovery mechanism, effective energy efficiency programs will negatively impact utility's ability to recover its authorized revenue requirement?

A. Yes.

Q. Would you agree that, particularly in the short term, utilities' fixed costs do not increase reductions in consumption?

A. Yes.

Q. You would agree, as a general principle, that a regulated utility should have a reasonable opportunity to meet its revenue requirement?

A. Yes.

Q. And you would agree that regulators have to allow the utility the opportunity to earn a reasonable rate of return on their investments, right?

A. Yes, subject to hope and all the other standard --

Q. Or pursuant to hope and other standards --
A. Yes. Yes.
Q. -- perhaps another way to put it? Do you agree that utilities -- regulated utilities should be able to recover their actual lost revenues associated with energy efficiency programs?
A. I would not agree as phrased. I -- the difficulty is with so many things, utility is lost. What is lost? And in my mind that's the key essence of why decoupling, because is a kilowatt hour sale lost to energy efficiency actually not lost because there was another kilowatt hour somewhere else?
I know generally I resist these, but personal experience, I had insulation put in. Did I save kilowatt hours? I'm not sure. I would never know. Did I use more heating because I put in the insulation? Did I decide I would be more comfortable? Those issues all get into it, and I --
Q. Hm-hmm.
A. -- I've found over the years it's just a much harder, longer slog to demonstrate to regulatory satisfaction that a kilowatt hour that would have been consumed was not consumed because of an energy efficiency measure. With decoupling, you don't have to go through those slogs.

Q. Regardless of the mechanism, you would agree that making utilities whole for lost revenues associated with successful energy efficiency programs removes potential disincentives for utilities to participate and promote energy efficiency programs?

A. Yes.

Q. Ask the question first, and then if we want to go back and look, we'll do that. We may have to, but on page four you say that, "LCFC is unnecessary if the Council adopts the standard decoupling proposal for ENO," and later, on page twenty-two, you say, "If the Council adopts this recommendation, ENO should also eliminate the LCFC mechanism from its DSM CR rider."

Would you agree that if the Council does not adopt decoupling, that LCFC or some form of LRAM would be appropriate to address lost revenues attributable to DSM?

A. I could never recommend an LRAM for the reasons I went into in my testimony and in the data request responses. They are so problematic. Minimum requirements would include everything I wrote in the testimony about you would have to true-up for evaluations. You would have to do

measurement evaluations to weight and true-up that. Could not bill anything until you got through that step. The timing would have to be done according to when the savings actually came in. Is it better than nothing? Yes, better than nothing.

Q. I think that's essentially the question.

A. Yes, I'm sorry. It's just -- it's hard to answer that with a yes or no.

Q. I appreciate it's not your favorite --

A. Yeah.

Q. -- mechanism for tackling --

A. No.

Q. -- this issue. Do you agree that, even with decoupling as you propose it, there is still some lag between the time that energy efficiency measures are implemented and cause the reduction to sales and the time that the utility is able to recover those revenues in the updated rates?

A. There's a lag in the actual transfer of the dollars. My belief is that there is a way, with how the Council approves the tariff, that the utility can book the -- their accruing for the decoupling mechanism monthly, say, and can book -- either be booking the refund or booking the surcharge as it's appearing throughout the year.

Then, of course, you're going to reconcile it all, and you're going to have the -- the rate adjustment that returns a refund or charges the surcharge. But I believe with a decoupling mechanism, unlike lost revenue recovery, that you actually can make the accounting work so you can keep everything in the year it belongs in. That's my recollection from what we were able to do at Portland General.

Q. And is that -- would you effect that monthly type accrual through some tariff language?

A. I -- I think it is accounting only because the -- the nuance that would take a tariff is probably whether you were going to do carrying charges on that amount, which I believe we did that at Portland General. But as I went through the report, it looks like it kind of -- states are all over the place. Some do it. Some don't. Carrying charges on decoupling are all over the place.

Q. What's your position on carrying charge adjustments on that --

A. I would do it. I would do it, as it goes both ways. Without looking at Entergy New Orleans' annual load shape, by and large for electric utilities you're going to largely balance out over a

year. There may be months you would be booking, oh, it looks like a surcharge this month. Ah, now it's switched over, looks like we might have a refund.

That -- it may be somewhat different because of the summer loading. So in the northwest we have winter load and summer load. But, anyway, regardless, it has always seemed to me, why not do carrying charges as long as they go both ways? It's time value of money.

MR. OLSON: You two are aligned on that.

MR. OWENS: How is that?

MR. OLSON: Time value of money.

Q. In your work with PG&E, can you think of other -- did you ever support testimony advocating for rate-making mechanisms that reduce regulatory lag?

A. Certainly power cost adjustment clauses.

Q. And what was the rationale for -- how did you argue it was important to reduce the regulatory lag to the commissioners there?

A. The biggest issue for PGE with power costs was the variability of hydro, a lot of hydroelectric resources, where water was way different from one year to the next and impossible to forecast what

that was going to be. If there wasn't much water, power costs were going to be higher.

I don't recall what arguments I or the company would have made about lag associated with that, other than really basic, this is large and we can't absorb it within the year. It would really move financial results around. Bad year, we're going to -- even if it turned around later, you're off, always off.

Q. If you would move to your Exhibit 3, page five, there are some bullet points there on page five explaining what this paper --

A. Hm-hmm.

Q. -- appears to purport as other critical policies that lead to maximum energy efficiency success. The third one there says, "Providing performance-based shareholder incentives for investor-owned utilities to award energy efficiency and insure that investments in cost-effective energy efficiency opportunities are at least as attractive over time as alternative investments in generation and infrastructure." Do you agree that that is a critical policy for promoting effective energy efficiency?

A. Yes, it certainly has been. Many states

have done such performance incentives.

Q. And would you agree that truly aligning a utility's interest and its customers' interests with respect to cost-effective energy efficiency requires that the utility have an opportunity to do as well financially, whether it supplies additional electricity to a customer or helps that customer reduce electricity consumption?

A. Yes, with the -- the observations noted that I made in my testimony, that demand-side resources, we may call them that, they are not the same as generating resources. Utility is not responsible for O&M. Utility is not responsible for operation. Utility is not at risk for ongoing maintenance or operation or capital additions.

So in some respects I think the demand-side resources are better. On the other hand, they pose the difficulties of measurement, evaluation, and verification, and are -- you have to convince somebody to do them. You can't just plan it on paper, go raise the money, and build the plant.

So while I understand and generally support the idea that, yes, they should be on a level playing field, a phrase I always hated, I

resist calling them the same and letting that drive anything. I prefer to think in terms of what makes sense here, what makes this interesting, what touches the bases in terms of what a utility needs to do to maintain its financial support and interest, what will help all stakeholders be comfortable with the utility engaging in this role, which was a much bigger issue twenty years ago than now because it's just become expected: Of course utilities will do energy efficiency. But a blanket, oh, we should be treated the same doesn't work for me.

Q. Okay. Maybe this is another way of putting what you just said. Do you agree that the utility DSM incentive should provide an earnings opportunity at least as good as those associated with new investment in tangible utility property?

A. Consistent with what I just said, yes. So you would have to tell me exactly. So the earnings opportunity associated with new generation, if we're talking about the 1980s, that was not very good. If we're talking about more recently, it's been better. Generation always has had -- before integrated resource planning, was much riskier than it is now.

You didn't have buy-in on the plans to do

a big plant. Energy efficiency, usually you'll buy in before you spend the money. I apologize. I just think they are -- it's way too simplistic to go to a "they should be comparable" place. They should be treated in --

Q. Roughly comparable, is that --

A. Roughly comparable, recognizing their differences.

Q. Okay. Final section --

A. Okay.

Q. -- page eleven of your testimony. On line eleven you performed a calculation representing that ENO's proposed fixed customer charge exceeds twelve percent of ENO's total proposed revenue requirement. Are you offering any opinion on whether ENO's rate design is based on cost causation?

A. I am not offering an opinion on class cost of service studies.

Q. Assuming that the proposed residential fixed charge is the result of a cost-based rate design, is it your opinion that rates should be structured to recover most of the revenues through volumetric charges, regardless of whether the rate design is based on cost causation?

A. I have serious reservations about the

validity of class cost of service studies. I spent a long time with those a couple years ago, doing a -- an article that's way too long to be read, digging back through Bonbright and the other gurus of class cost of service studies. The judgment calls that have to be made in those to me make them pretty much useless for rate design in particular; maybe on a gross level for allocating the costs among rate schedules because you have to do that and it's nice to have some basis to do it.

But for rate design, I -- I think other factors are much more important, including the effect on all of the accounts that are in a particular rate schedule and residential, because it's always been treated as a monolith, you can't recognize those differences. And as I read the company's testimony, you're beginning to look at that there are differences among people.

So among residential accounts in particular, rate design can get you part of the way there, but over time we're going to have to figure out a better way to do this because it -- it won't be fair to anybody, and I don't believe allocated costs are the answer that tell you it's fair.

Q. And with that, is it your opinion that leaving residential rates on volumetric basis should be a primary factor in considering a rate design?

A. I think volumetric -- leaving a large chunk volumetric has several benefits: Familiarity, not that most people could tell you what their rate is, because they can't, but it is a familiar rate design. It does provide better circumstances for convincing somebody to adopt an energy efficiency measure because you can show them that they're going to save something, you hope.

So I think it has some benefits for now. Long term, I'm not sure what utilities will do, but it's -- for now, it has more benefits than drawbacks in my mind.

Q. Would you agree that if rate design is not cost based, however, there could create subsidies between rate classes?

A. You cannot conclude there's a subsidy unless you trust the numbers that you're drawing that conclusion from. All accounts people behave differently, and is one subsidizing another? We have decided, as a country, to sort of socialize electricity provision. We do it through utilities. You are going to have that. People -- some people are going to pay more than they would pay if they

provided themselves; some less.

But the theory has been that everybody is better off and paying less because we have socialized this whole thing. I don't find compelling handwringing about subsidies going from one class to another. I know large industrials love to go there.

Q. In structuring a rate design, is it your opinion that promoting energy efficiency or conservation should be a high priority in designing the rates?

A. I would support that, simply because I believe there is yet a lot of improvement. Whether it's going to happen through utility programs or not, I don't know, but that the ways we use -- we apply energy to accomplish things is still pretty energy heavy and that I generally like the idea that you signal that.

And, again, I think for people that don't know their rate and don't follow -- even follow their bills very closely, maintaining some kind of connection -- oh, it costs more if I use more; it costs less if I use less -- I think has -- intuitively makes sense. And it helps lay a foundation for, okay, somebody could work with you,

provide a service that helps you manage how you use energy to achieve what you want to achieve.

Q. Do you think you could accomplish similar results through rebates and low interest financing and those types of programs versus encouraging it through volumetric charges, it being energy efficiency?

A. I think the best way ultimately or a successful way to help people improve the efficiency with which they apply energy is going to be a service that provides that energy in terms of a decision they make. So I decide to -- the decisions I make are, do I turn on the lights or not, do I adjust my heating and cooling or not. If my energy was part of that, then I could manage it -- manage my decision in consideration of the energy outcome.

The way we structured this environment for now, where you have a commodity fuel, natural gas or electricity, then you have all these decisions about what equipment I buy and then I have use decisions, it's very difficult for anybody to make sense of that. Rebates just kind of get in there and make it a little more complicated and probably help move some people; others not.

But, ultimately, we're going to need to

step back from the pieces and, I think, put them together in different ways to get a different result. It's the old, "You keep doing what you've been doing, you will keep getting what you've got." And I see rebates and offers as just, it's just a -- it's an incremental thing within the way they're structured because that's all you can do right now. It's structured this way, so we have to -- the best you can do is offer, here's a coupon for, now, an LED light bulb, used to be for compact fluorescents.

That's what we can do, except for in the commercial market you're starting to see some lighting as a service, kind of like software is a service. That's very interesting. Maybe they will make its way slowly out of the commercial market into other markets as well. That's where all the pieces are getting put together. What's the amount of lighting you want? I will figure out the energy supply. You figure out your lighting because that's what you care about.

MR. OWENS: Couple minutes?

MR. OLSON: Sure.

(Recess from 11:21 a.m. to 11:28 a.m.)

MR. OLSON: We're back on the record, and this concludes my questions for today, but we will reserve the right to continue the deposition upon further testimony, if any, is filed in this case. Thank you.

MS. MILLER: Thank you. I have no redirect. Send it to me, and I'll get it to her, and we'll get it turned around as soon as possible.

(Deposition concluded at 11:29 a.m.)

DEPOSITION SIGNATURE PAGE

BEFORE THE

COUNCIL OF THE CITY OF NEW ORLEANS

Docket No. UD-18-07

APPLICATION OF ENTERGY NEW)
ORLEANS, LLC, FOR A CHANGE IN)
ELECTRIC AND GAS RATES)
PURSUANT TO COUNCIL RESOLUTION)
R-15-194 AND R-17-504 AND FOR)
RELATED RELIEF. _)

DECLARATION UNDER PENALTY OF PERJURY

I declare under penalty of perjury that I have read the entire transcript of my deposition taken in the above-captioned matter, or the same has been read to me, and the same is true and accurate, save and except for changes and/or corrections, if any, as indicated by me on the DEPOSITION ERRATA SHEET hereof, with the understanding that I offer these changes as if still under oath.

Signed on the ____ day of _________, 2019.

____

PAMELA MORGAN

DEPOSITION ERRATA SHEET

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SIGNATURE:______________________DATE:_______________

WITNESS

CERTIFICATE OF REPORTER

STATE OF ARIZONA)
) ss:
COUNTY OF PIMA)

I, NANCY P. RICHMOND, a certified reporter in the State of Arizona, do hereby certify that the foregoing deposition was taken before me in the County of Pima, State of Arizona; that an oath or affirmation was duly administered by me to the witness, PAMELA MORGAN, pursuant to A.R.S. 41-324(B); that the questions propounded to the witness and the answers of the witness thereto were taken down by me in shorthand and thereafter reduced to typewriting; that the transcript is a full, true, and accurate record of the proceeding, all done to the best of my skill and ability; that the preparation, production and distribution of the transcript and copies of the transcript comply with the Arizona Revised Statutes and in ACJA 7-206(F)(3); ACJA 7-206(J)(1)(g)(1) and (2); and ACJA 7-206(J)(3)(b).

The witness herein, PAMELA MORGAN, reserved review and signature.

I FURTHER CERTIFY that I am in no way related to any of the parties nor am I in any way interested in the outcome hereof.

IN WITNESS WHEREOF, I have set my hand in my office in the County of Pima, State of Arizona, this 15th day of March, 2019.

Nancy P. Richmond

NANCY P. RICHMOND, RPR,
CR NO. 50864

DEPOSITION SIGNATURE PAGE

BEFORE THE

COUNCIL OF THE CITY OF NEW ORLEANS

Docket No. UD-18-07

APPLICATION OF ENTERGY NEW ORLEANS, LLC, FOR A CHANGE IN ELECTRIC AND GAS RATES PURSUANT TO COUNCIL RESOLUTION R-15-194 AND R-17-504 AND FOR RELATED RELIEF.)

DECLARATION UNDER PENALTY OF PERJURY

I declare under penalty of perjury that I have read the entire transcript of my deposition taken in the above-captioned matter, or the same has been read to me, and the same is true and accurate, save and except for changes and/or corrections, if any, as indicated by me on the DEPOSITION ERRATA SHEET hereof, with the understanding that I offer these changes as if still under oath.

Signed on the 1st day of April, 2019.

Pamela G. Morgan

PAMELA MORGAN

DEPOSITION ERRATA SHEET

Page No. 22 Line No. 4 Change to: "Recommending" should be "Recommend"

Reason for change: Incorrect tense

Page No. 22 Line No. 13-17 Change to: "I would help locating" should be "I received help locating"

Reason for change: Incorrect sentence

Page No. 46 Line No. 10 Change to: "remains" should be "maintains"

Reason for change: Incorrect word

Page No. 55 Line No. 15 Change to: "EMI" should be "AMI"

Reason for change: Incorrect word

Page No. ____ Line No. ____ Change to: Throughout document "PG&E should be "PGE"

Reason for change: Incorrect abbreviation

Page No. ____ Line No. ____ Change to: Throughout document "Connext" should be "ConneXt"

Reason for change: Incorrect spelling

Page No. ____ Line No. ____ Change to: __________

Reason for change: __________

SIGNATURE: Pamela Schwartz DATE: April 1, 2019

WITNESS

Summary of Decoupling Within the FRP Using Exhibit PBG-8

Step	Description	Component	Residential	%	Line
A	Target Revenue Per Outcome of Rate Case	Fixed	$190,794,569	99.52%	1
		Variable	$918,065	0.48%	2
		Total	$191,712,634	100.00%	3
B	Actual Revenue in TY	Fixed	$189,090,136	99.52%	4
		Variable	$909,864	0.48%	5
		Total	$190,000,000	100.00%	6
C	Adjusted Revenue Requirement for TY per FRP Result	Fixed	$192,131,114	99.52%	7
		Variable	$924,496	0.48%	8
		Total	$193,055,611	100.00%	9
D	Calculate Total Revenue Deficiency (Excess)	Fixed (Ln 7 - Ln 4)	$3,040,978	99.52%	10
		Variable (Ln 8 - Ln 5)	$14,633	0.48%	11
		Total (Ln 9 - Ln 6)	$3,055,611	100.00%	12
E	Calculate FRP % (Ln 12 / Ln 6)		1.6082%		

Notes:

For Illustrative Purposes Only

Sources are Exhibit PBG-8, Myra Talkington Workpaper AA-2, and Alliance Witness P. Morgan Direct Testimony

No increase in residential customer count occurs during TY (i.e., stays at 181,500)

Total revenue requirement increase per FRP is assumed to be $3m

Alliance Witness P. Morgan Decoupling Methodology Using Exhibit PBG-8

Step	Description	Component	Residential	%	Line
1	Target Revenue Per Outcome of Rate Case	Customer	$33,824,340	17.64%	1
		Energy (Fixed)	$156,970,229	81.88%	2
		Energy (Var.)	$918,065	0.48%	3
		Total	$191,712,634	100.00%	4
2	Actual Revenue in TY	Customer	$33,824,340	17.80%	5
		Energy (Fixed)	$155,265,796	81.72%	6
		Energy (Var.)	$909,864	0.48%	7
		Total	$190,000,000	100.00%	8
3	Calculate Decoupling Revenue Deficiency (Excess)	Energy (Fixed) (Ln 6 - Ln 2)	$1,704,433		10
4	Calculate Decoupling % (Ln 10 / Ln 8)		0.8971%		
5	Adjusted Revenue Requirement for TY per FRP Result	Customer	$33,824,340	17.52%	11
		Energy (Fixed)	$158,306,774	82.00%	12
		Energy (Var.)	$924,496	0.48%	13
		Total	$193,055,611	100.00%	14
6	Calculate Revenue Deficiency (Excess)	Customer (Ln 11 - Ln 5)	$0	0.00%	15
		Energy (Fixed) (Ln 12 - Ln 2)	$1,336,545	99.52%	16
		Energy (Var.) (Ln 13 - Ln 3)	$6,431	0.48%	17
		Total	$1,342,977	100.00%	18
7	Calculate FRP % (Ln 18 / Ln 8)		0.7068%		

EX: 1 DATE 3/14/19
WITNESS: Morgan
NANCY P. RICHMOND, RPR