

**BEFORE THE
COUNCIL OF THE CITY OF NEW ORLEANS**

**IN RE: APPLICATION OF ENTERGY)
NEW ORLEANS, INC. FOR APPROVAL TO)
DEPLOY ADVANCED METERING) DOCKET NO. UD-16-04
INFRASTRUCTURE, AND REQUEST FOR)
COST RECOVERY AND RELATED RELIEF)**

PUBLIC REDACTED VERSION

**DIRECT TESTIMONY
OF
BYRON S. WATSON, CFA, CRRA
ON BEHALF OF
THE ADVISORS TO THE
COUNCIL OF THE CITY OF NEW ORLEANS**

May 26, 2017

PREPARED DIRECT TESTIMONY

OF

BYRON S. WATSON, CFA, CRRA

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.**

3 **A.** My name is Byron S. Watson. My business address is 8055 East Tufts Avenue, Suite 1250,
4 Denver, Colorado, 80237. I am a Senior Consultant in the firm Legend Consulting Group
5 Limited of Denver, Colorado (“Legend”).

6 **Q. ON WHOSE BEHALF DO YOU APPEAR IN THIS PROCEEDING?**

7 **A.** I am presenting testimony on behalf of the Advisors to the Council of the City of New
8 Orleans (“Council”). The Council regulates the rates, terms, and conditions of electric and
9 gas service of Entergy New Orleans, Inc. (“ENO” or “Company”), which is a subsidiary
10 of Entergy Corporation (“Entergy”).¹

11 **Q. PLEASE SUMMARIZE YOUR RELEVANT EDUCATIONAL BACKGROUND**
12 **AND TESTIMONY EXPERIENCE.**

¹ The Entergy Operating Companies (“Operating Companies”) are comprised of: Entergy Arkansas, Inc. (“EAI”), Entergy Mississippi, Inc. (“EMI”), Entergy Louisiana, LLC (“ELL”), ENO, and Entergy Texas, Inc. (“ETI”).

1 A. Exhibit No. ____ (BSW-2) provides a summary of my relevant education and professional
2 experience and Exhibit No. ____ (BSW-3) lists my previous testimony experience.

3 **II. PURPOSE OF TESTIMONY AND SUMMARY**

4 **Q. CAN YOU PLEASE IDENTIFY THE APPLICATION THAT CAUSED THIS**
5 **DOCKET TO BE INITIATED?**

6 A. Yes. On October 18, 2016, ENO filed its *Application for Approval to Deploy Advanced*
7 *Metering Infrastructure, Request for Cost Recovery and Related Relief* (“Application”)
8 with the Council. On January 12, 2017, the Council adopted Resolution R-17-7 which
9 opened the instant docket and established the procedural schedule to consider the
10 Application. My testimony is being filed in accordance with that procedural schedule, as
11 subsequently adjusted by the Hearing Officer.

12 **Q. PLEASE STATE THE PURPOSE OF YOUR TESTIMONY.**

13 A. My testimony discusses and makes recommendations to the Council regarding ENO’s
14 request for a cost deferral, the regulatory ratemaking treatment of stranded costs, ENO’s
15 request for a special cost recovery mechanism, ENO’s proposed Advanced Metering
16 Infrastructure (“AMI”) opt-out program, data security and customer data privacy, and
17 ENO’s planned pre-pay program.

18 **Q. WHAT ARE THE MAIN COMPONENTS OF ENO’S PROPOSED AMI**
19 **DEPLOYMENT?**

1 **A.** As Advisor Witness Mr. Victor M. Prep, P.E. discusses in detail, ENO is proposing a multi-
2 year AMI deployment schedule having three primary components: advanced electric
3 meters for electric customers and gas meter communication modules for gas customers, a
4 communications network serving the advanced meters and communication modules, and
5 supporting software systems integrating the networked advanced meters into ENO's
6 information technology system. Collectively, ENO refers to these components as the "AMI
7 deployment."

8 **III. COST DEFERRALS**

9 **Q. WHAT IS A COST DEFERRAL?**

10 **A.** A cost deferral occurs when a utility incurs a cost, such as an Operations and Maintenance
11 ("O&M") cost, but with its regulator's approval, capitalizes such costs for later recovery.
12 Such authorizations to recover retroactive costs are recorded on ENO's books as regulatory
13 assets, reflecting an expectation based on such authorization of receiving revenues in a
14 future period. As of December 31, 2016, ENO reports \$30.5 million in non-pension, non-
15 energy related regulatory assets.²

16 **Q. WHAT COST DEFERRAL IS ENO REQUESTING IN ITS APPLICATION?**

² See ENO's 2016 FERC Form 1 Annual Report, page 232.

1 A. ENO requests that the Council allow it to defer certain O&M costs related to its AMI
2 deployment totaling ██████ electric and ██████ gas.³ ENO requests that these amounts
3 be recovered through its proposed AMI Customer Charge, amortized over the AMI
4 Customer Charge's duration, and allowed a return on their related rate base at ENO's
5 Weighted Average Cost of Capital ("WACC"). ENO estimates the total revenue
6 requirement related to these deferrals to be ██████ electric and ██████ gas.⁴

7 **Q. IS ENO'S REQUEST FOR A COST DEFERRAL APPROPRIATE?**

8 A. No. ENO is subject to a base rate freeze, and ENO's requested cost deferral is contrary the
9 terms of ENO's current base rate freeze.

10 **Q. PLEASE EXPLAIN THE BASIS FOR YOUR STATEMENT THAT ENO IS**
11 **SUBJECT TO A BASE RATE FREEZE.**

12 A. ENO's base rate freeze is the result of negotiated Agreement in Principle ("AIP") settling
13 Council Docket No. UD-14-02 (Algiers Transaction), and adopted in Council Resolution
14 No. R-15-194, ENO is subject to a base rate freeze:

15 *ENO will not initiate and the Council shall not take any base rate action*
16 *specific to Legacy-ENO or Algiers customers requesting any changes to*
17 *base rates set forth in existing Legacy-ENO or Algiers base rate schedules,*

³ See HSPM Exhibit OT-1, Excel Tab WP 2.B for electric and HSPM Exhibit OT-2, Excel Tab WP 2.B for gas.

⁴ Id.

1 *prior to ENO's filing a full cost of service study based on combined ENO*
2 *operations on both the east bank and west bank of the Mississippi River (the*
3 *"Combined Rate Case"). The Combined Rate Case shall not be submitted*
4 *to the Council prior to the first quarter of 2018 and shall be based on a 12-*
5 *month historical test year (Period I) ended December 31, 2017.⁵*

6 **And:**

7 *ENO may experience a specific action, event, or circumstance, including*
8 *those beyond the control of the Company, that results in an exceptional cost*
9 *increase or decrease. Should ENO experience such an exceptional increase*
10 *or decrease in costs, excluding costs recovered via the Fuel Adjustment*
11 *Clause and other applicable riders, having a revenue requirement effect*
12 *exceeding \$3.2 million on a total Company basis, including but not limited*
13 *to, changes in revenue requirement associated with any Council-approved*
14 *capacity addition, including purchased power contracts determined by the*
15 *Council to be in the public interest, major storms/weather events of the type*
16 *identified as Triggering Weather Events in Council Docket UD-14-01, and*
17 *nuclear decommissioning, then the Company may initiate a filing with the*
18 *Council seeking consideration of whether a mechanism for recovery or*
19 *return of such exceptional cost increases or decreases is appropriate. Such*

⁵ Council Resolution No. R-15-194, paragraph 2 at page 4.

1 *Council consideration may take into account ENO's overall financial*
2 *health/performance, including but not limited to its earned return on equity*
3 *for the most recent calendar year ending December 31.*⁶

4 In 2018, ENO may request the Council set new rates as part of the above-referenced
5 Combined Rate Case. ENO anticipates that such new rates could take effect in August
6 2019.⁷

7 **Q. WHY IS ENO'S COST DEFERRAL CONTRARY TO THE PROVISIONS OF**
8 **ENO'S BASE RATE FREEZE?**

9 **A.** O&M costs, such as the ones underlying ENO's proposed cost deferral, are fixed costs that
10 are customarily recovered through base rates. While ENO states that these deferred costs
11 are incremental to its current cost of service,⁸ the incurrence of such costs does not
12 necessarily mean ENO is not being allowed to earn a reasonable rate of return on said costs,
13 absent a consideration of all of ENO's costs and revenues. Furthermore, no part of the
14 terms of the base rate freeze discusses special ratemaking treatment simply because some
15 costs may be considered incremental. Implicit to the base rate freeze is that ENO would
16 continue to prudently operate its utility in accordance with the terms of its franchise with
17 the City of New Orleans ("City"), which necessarily involves expenses and investments
18 that may vary. No part of the base rate freeze suggests ENO may delay prudent

⁶ Id. pages 11-12.

⁷ See the Direct Testimony of Orlando Todd, the answer to question Q12 at page 9.

⁸ See ENO's responses to the Advisors' RFIs CNO 1-28 and 2-14.

1 expenditures in support of its operations until regulatory ratemaking treatment might be
2 more favorable to its shareholders. Furthermore, the base rate freeze explicitly allows ENO
3 to request special recovery of costs related to specified matters or having a \$3.2 million or
4 greater revenue requirement impact. ENO's request for a cost deferral is a base rate action
5 and is specifically not allowed under the portions of Council Resolution No. R-15-194 cited
6 above.

7 **Q. WHAT IS YOUR RECOMMENDATION TO THE COUNCIL REGARDING**
8 **ENO'S REQUEST FOR A COST DEFERRAL?**

9 **A.** As ENO is subject to a base rate freeze to which it voluntarily agreed and which has
10 allowed it to earn more than the just and reasonable Returns on Equity ("ROE") last
11 approved by the Council, as I discuss elsewhere in this testimony, I recommend the Council
12 deny ENO's request for a cost deferral as part of any approval of AMI deployment.

13 **IV. SINGLE ISSUE RATEMAKING**

14 **Q. WHAT IS THE CUSTOMARY METHOD FOR ESTABLISHING BASE RATES?**

15 **A.** A principle of customary regulatory ratemaking is that a utility's rates should be based on
16 its overall prudently-incurred cost to provide service including costs such as taxes, plus a
17 reasonable return on shareholder investment in the utility. The Code of the City of New
18 Orleans, Louisiana ("Code") reflects this principle by requiring a total company and

1 jurisdictional income statement part of rate case applications.⁹ The Louisiana Supreme
2 Court has stated: “The general approach of a regulatory agency in determining whether an
3 existing rate structure is producing inadequate or excessive revenues is well established.
4 The agency first selects a ‘test year,’ normally the most recent annual period for which
5 complete financial data are available, and calculates the utility's revenues, expenses and
6 investments during the test period.”¹⁰ A utility’s rates should offer the utility the reasonable
7 opportunity to recover its prudently incurred costs in the aggregate, including a reasonable
8 return on shareholder investment in the utility.

9 **Q. WHAT IS SINGLE ISSUE RATEMAKING?**

10 **A.** Single issue ratemaking is a deviation from the accepted regulatory ratemaking principle
11 that rates should generally be based on a utility’s overall costs and risks. The Supreme
12 Court of Louisiana has found that: “Single issue ratemaking occurs when a utility’s rates
13 are altered **on the basis of only one of the numerous factors** that are considered when
14 determining the revenue requirements of a regulated utility.”¹¹ (Emphasis added). Said
15 differently, single issue ratemaking occurs when particular portions of a utility’s revenue
16 requirement are considered for recovery in isolation from the utility’s total costs and
17 revenues.

⁹ Code, Sec. 158-134

¹⁰ Supreme Court of Louisiana, South Central Bell Telephone Co. v. Louisiana Public Service Commission, 352 So. 2d 964 (1977).

¹¹ Supreme Court of Louisiana, Entergy Louisiana, LLC v. Louisiana Public Service Commission, et al., No. 2008-CA-0284, 990 So.2d 717, Section 2.

1 **Q. IS SINGLE ISSUE RATEMAKING GENERALLY APPROPRIATE?**

2 **A.** No. Single issue ratemaking is generally not appropriate because its application is contrary
3 to the generally accepted regulatory ratemaking principle that a utility's rates that produce
4 its revenues should be based on a utility's overall costs. Single issue ratemaking may not
5 capture the overall impact of the portion of a utility's revenue requirement under special
6 consideration by potentially not reflecting offsetting changes in other areas of the utility's
7 operations. Further, single issue ratemaking may reduce a utility's incentive to control its
8 costs to the extent such ratemaking guarantees cost recovery through a true-up mechanism.

9 **Q. DOES ENTERGY AGREE THAT SINGLE ISSUE RATEMAKING IS**
10 **INAPPROPRIATE?**

11 **A.** Yes. ELL defines single issue ratemaking, saying: "Single-issue ratemaking occurs when
12 a utility's rates are altered on the basis of only one of the numerous factors that are
13 considered when determining the revenue requirements of a regulated utility."¹² ELL said
14 the Louisiana Supreme Court "is the ultimate arbiter of legal issues, including issues
15 relating to the application of regulatory principles such as the rule against retroactive
16 ratemaking and the prohibition against single issue ratemaking, which are well-established
17 in the jurisprudence of this Court."¹³ ELL goes on to say "the Commission is prohibited

¹² Louisiana Supreme Court, *Entergy Louisiana, LLC v. Louisiana Public Service Commission, et al.*, Original Brief on the Merits on Behalf of Appellant Entergy Louisiana, LLC, page 17.

¹³ *Id.*, page 13.

1 from engaging in single issue ratemaking.”¹⁴ I note that ELL was subject to Council
2 regulation in Algiers at the time it made these statements. While the Council is a distinct
3 regulatory body from the Louisiana Public Service Commission, the Council should give
4 strong weight in its consideration of ENO’s proposed AMI Customer Charge to the
5 Louisiana Supreme Court’s rulings that single-issue ratemaking is prohibited, especially as
6 ENO’s operating affiliate ELL has accepted this prohibition.

7 **Q. IS ENO REQUESTING SPECIAL COST RECOVERY IN ITS APPLICATION**
8 **THAT YOU BELIEVE CONSTITUTES SINGLE ISSUE RATEMAKING?**

9 **A.** Yes.

10 **Q. PLEASE DESCRIBE THE SPECIAL COST RECOVERY ENO IS REQUESTING.**

11 **A.** ENO is requesting an “AMI Customer Charge” that would provide contemporaneous cost
12 recovery of its newly incurred costs related to AMI deployment and credit certain costs
13 avoided as a result of AMI deployment to ratepayers. ENO’s proposed AMI Customer
14 Charge would be affected through special out-of-period (i.e., a projection of the future
15 beyond the evaluation period) pro-forma adjustments to ENO’s Combined Rate Case cost
16 of service study and three annual adjustments thereafter. ENO’s proposed AMI Customer
17 Charge could appear as a line-item on customer bills. ENO proposes that its AMI Customer

¹⁴ Id.

1 Charge persist beyond the AMI deployment's completion and until new rates may be set
2 as part of the next Council base rate action undertaken thereafter.

3 **Q. DOES ENO'S PROPOSED AMI CUSTOMER CHARGE REPRESENT SINGLE**
4 **ISSUE RATEMAKING?**

5 **A.** Yes. ENO's proposed AMI Customer Charge constitutes single issue ratemaking because
6 it seeks to single-out for recovery AMI-related costs and select credits without the
7 consideration of ENO's overall costs, revenues, and its ability to earn a reasonable return
8 on its investment.

9 **Q. IF THE COUNCIL DENIES ENO'S REQUEST FOR AN AMI CUSTOMER**
10 **CHARGE, HOW MAY ENO RECOVER ITS AMI-RELATED COSTS?**

11 **A.** ENO may recover its prudently-incurred AMI-related costs through customary regulatory
12 ratemaking, in particular through ENO's opportunity to file a Combined Rate Case cost of
13 service study in 2018 which may take into account prospective AMI-related costs.

14 **Q SINCE THE IMPLEMENTATION OF THE AIP IN COUNCIL DOCKET NO. UD-**
15 **14-02 (ALGIERS TRANSACTION), HAS ENO BEEN ALLOWED TO EARN A**
16 **REASONABLE RETURN ON EQUITY FOR ITS PRUDENTLY INCURRED**
17 **COSTS OF SERVICE?**

18 **A.** Yes. My analysis of data presented in ENO's FERC Form 1 annual reports to FERC for
19 the last three years shows ENO has likely earned in excess of the Council's last authorized
20 ROEs.

1 **Q. WHAT HAVE BEEN ENO’S RECENT EARNING LEVELS?**

2 **A.** The below table presents approximate estimates of ENO’s regulatory Earned ROE and
 3 resulting revenues in excess of those required for it to earn the Council’s last allowed ROEs
 4 (i.e., excess revenues) for the years 2016, 2015, and 2014 based on an analysis of ENO’s
 5 FERC Form 1 data for these years.¹⁵ Workpapers supporting the 2016 values presented in
 6 the below are provided as Exhibit No. ____ (BSW-4).

Table 1: ENO’ Estimated Financial Performance (Gas and Electric)			
	2016	2015 [1]	2014 [2]
Excess Revenues	\$11.2 million	\$19.5 million	\$10.6 million
Earned ROE	12.8%	15.8%	14.3%
[1] Source: ENO-provided estimate dated April 20, 2016			
[2] Source: Council Docket No. UD-15-01, Exhibit BSW-4			

7 I note that in 2016, following discussions among ENO representatives and the Advisors to
 8 the Council (“Advisors”) related to ENO’s 2015 excess revenues, ENO voluntarily credited
 9 ratepayers \$5 million outside of its Council-authorized rates pursuant to Council
 10 Resolution No. R-16-333. Had ENO not done so, its 2016 excess revenues as estimated
 11 based on an analysis of ENO’s FERC Form 1 data would have been \$16.2 million and its
 12 Earned ROE 13.6%. Also, the Advisors requested that ENO provide its estimate of its
 13 regulatory earnings so they could be placed into the instant docket’s record, but ENO
 14 objected to this request and refused to provide such an estimate.¹⁶ As the above table

¹⁵ ENO has correctly noted that estimating its earned ROE based on an analysis of FERC Form 1 data is not “regulatory grade” suitable for ratemaking purposes. Such estimates provide reasonable guidance as to ENO’s financial condition.

¹⁶ See the Advisors’ RFIs CNO 2-18 and 2-19

1 demonstrates, ENO’s estimated excess revenues for each of 2016, 2015, and 2014 exceed
2 the revenue requirement underlying ENO’s proposed AMI Customer charge.

3 **Q. IS THE COUNCIL’S APPROVAL OF SPECIAL RECOVERY OF ENO’S FIXED**
4 **COSTS RELATED TO UNION PB1 THROUGH RIDER PPCACR**
5 **PRECEDENTIAL?**

6 **A.** No. ENO Witness Todd discusses the Council’s allowance of recovery of fixed costs
7 related to Union Power Block 1.¹⁷ The terms of ENO’s base rate freeze agreed to by ENO
8 explicitly excluded from the base rate freeze “the proposed capacity rider pending in
9 Council Docket UD-15-01.”¹⁸ This rider, as renamed at the suggestion of ENO, is Rider
10 PPCACR. As such, Mr. Todd’s example of the Council allowing special cost recovery is
11 based on a non-precedential¹⁹ compromise²⁰ negotiated settlement to a Council Docket,
12 and the Council is not required to give such any weight in its consideration of ENO’s
13 request for special cost recovery in the instant docket.

14 **Q. PLEASE DESCRIBE THE ALTERNATIVE ENO OFFERS TO ITS PROPOSED**
15 **AMI CUSTOMER CHARGE?**

16 **A.** Mr. Todd’s direct testimony presents, and then generally dismisses as inappropriate, an
17 alternative to the AMI Customer Charge wherein ENO defers recovery of capital additions

¹⁷ See the Direct Testimony of Orlando Todd, the answer to Question Q9 at page 7.

¹⁸ Council Resolution No. R-15-194, paragraph 4 at page 5.

¹⁹ Id., paragraph 6 at page 15.

²⁰ Id., paragraph 3 at page 14.

1 until ENO’s proposed AMI deployment is complete. Mr. Todd’s alternative would involve
2 accrual for later recovery of carrying charges from the time of capital spending to the
3 commencement of recovery.²¹

4 **Q. WHAT DO YOU BELIEVE ABOUT THE ALTERNATIVE ENO PROPOSES AND**
5 **DISMISSES?**

6 **A.** The alternative Mr. Todd discusses is inappropriate. As with ENO’s request for an O&M
7 cost deferral that I recommend the Council deny, deferring recovery of and on capital
8 investments for later recovery is a base rate action that is contrary to the terms of ENO’s
9 current base rate freeze.

10 **Q. IS THERE ANOTHER ALTERNATIVE TO THE AMI CUSTOMER CHARGE**
11 **THAT MR. TODD DOES NOT DISCUSS?**

12 **A.** Yes. The proper alternative to the inappropriate single issue ratemaking constituted by the
13 AMI Customer Charge is to allow ENO the opportunity to recover through rates its
14 prospective prudently incurred costs as a whole, including AMI-related costs, through
15 customary regulatory ratemaking mechanisms and according to the provisions of the Code
16 of the City of New Orleans (“Code”) Section 158-41 et. seq.

²¹ See the Direct Testimony of Orlando Todd, the answer to question Q11 at pages 8-9.

1 **Q. WOULD ALLOWING ENO TO RECOVER ITS AMI-RELATED COSTS**
 2 **THROUGH CUSTOMARY RATEMAKING JEOPARDIZE ENO'S FINANCIAL**
 3 **CONDITION?**

4 **A.** No. As demonstrated above, ENO's proposed AMI deployment capital additions are in-
 5 line with other capital additions ENO makes as part of its ongoing operations. The below
 6 table presents ENO's recent capital additions to plant, for which ENO has not requested
 7 any special cost recovery mechanism.

Table 2: ENO's Gross Additions to Utility Plant by Year					
Year	2016	2015	2014	2013	2012
Gross Additions to Utility Plant (millions) [1]	\$90.5	\$85.9	\$62.2	\$88.9	\$86.4
[1] Source: FERC Form No. 1 Annual Report, page 120, line 26.					

8 As the above table demonstrates, during a period affording no base rate adjustments (i.e.,
 9 the current base rate freeze), ENO has proven to have the financial ability to make additions
 10 to plant in excess of the \$23.2, \$7.7, \$18.3, and \$12.5 million AMI-related capital additions
 11 ENO is forecasting for 2018, 2019, 2020, and 2021 respectively.²² As such, and given the
 12 reasonable expectation that ENO will be afforded recovery of its prospective overall costs
 13 according to customary ratemaking mechanisms as part of the Combined Rate Case,
 14 allowing ENO recovery of its prudently incurred AMI-related costs through customary
 15 ratemaking should not jeopardize either ENO's financial condition or its access to financial
 16 markets.

²² See the Direct Testimony of Orlando Todd, Table 1 at page 3.

1 **Q. WHAT IS YOUR RECOMMENDATION TO THE COUNCIL WITH REGARD TO**
2 **ENO'S AMI CUSTOMER CHARGE?**

3 **A.** I recommend that the Council, as part of any AMI deployment approval, deny ENO's
4 request for interim special cost recovery. In particular, I recommend that the Council deny
5 ENO's request for an AMI Customer Charge.

6 **V. STRANDED COSTS**

7 **Q. WHAT ARE STRANDED COSTS?**

8 **A.** A useful definition of stranded costs for the purposes of AMI deployment is that stranded
9 costs are the result of a utility's investments either ceasing to be or never becoming "used
10 and useful" in the provision of service to ratepayers. Stranded costs may be measured in
11 terms of their net book value (i.e., historical cost less accumulated depreciation).

12 **Q. WHAT COSTS MAY BE STRANDED AS A RESULT OF ENO'S PROPOSED AMI**
13 **DEPLOYMENT?**

14 **A.** The below table summarizes stranded costs related to an AMI deployment as of December
15 31, 2016. ENO's actual stranded costs may differ depending on the timing of asset
16 retirements and any further investments in legacy-technology equipment from 2017
17 through final AMI deployment. ENO does not expect to realize any salvage value related

1 to the above plant. To the extent any salvage value is realized, ENO intends to record a
 2 credit against net book value.²³

Table 3: AMI-Deployment Stranded Costs			
(\$ millions)			
	Plant in Service	Accumulated Reserve	Net Book Value
Electric Meters	25.4	4.4	21.0
Electric AMI Meters	0.5	0.3	0.3
Total Electric	25.9	4.6	21.3
Gas Meters	21.5	1.1	20.5
Gas Meters Inst	4.8	3.5	1.3
Gas Regulators	1.5	0.9	0.6
Gas Regulators Inst	0.4	0.3	0.1
Total Gas	28.2	5.7	22.5
Total Electric and Gas	54.1	10.3	43.8
Source: ENO's Response to the Advisors' RFI CNO 2-22, part a.			

3 The Advisors asked ENO if any of the amounts presented in the above table include plant
 4 that will continue in service after the AMI deployment and to present data only for plant
 5 that is expected to be retired. ENO's response was that net book value of \$28.2 million
 6 related to gas plant is based on what ENO refers to as "the estimated value of Retirement
 7 Units that will be partially retired."²⁴ The Advisors specifically asked ENO for net book
 8 value data only for plant ENO intends to retire as part of the AMI deployment, and ENO
 9 referenced the data in the above table as its response.²⁵ ENO Witness Bourg estimates that
 10 approximately 8,000 gas meters will be retired and that for other gas meters, only their

²³ See ENO's response to the Advisors' RFI CNO 1-22.

²⁴ ENO's response to the Advisors' RFI CNO 2-22, part b.

²⁵ Id., part c.

1 index would be removed.²⁶ 8,000 meter retirements, when divided into ENO's net book
 2 value of gas meters to be retired from the above table yields \$2,563 per meter (\$20.5 million
 3 \div 8,000 = \$2,563).

4 **Q. WHAT IS THE REMAINING DEPRECIABLE LIFE OF THE PLANT ENO**
 5 **PLANS TO RETIRE EARLY?**

6 **A.** The below table summarizes the remaining useful life, as of December 31, 2016, of the
 7 plant ENO plans to retire as part of its AMI deployment.

Table 4: Stranded Costs Remaining Life			
(\$ millions)			
	Depreciable Life (yr)	Estimated Remaining Life (yr)	Percent Depreciable Life Remaining
Electric Meters	32	27	83%
Electric AMI Meters	10	5	49%
Gas Meters	41	39	95%
Gas Meters Inst	56	15	27%
Gas Regulators	50	21	43%
Gas Regulators Inst	52	10	19%
Source: ENO's Response to the Advisors' RFI CNO 2-22, part a.			

8 As the above table demonstrates, the percent remaining depreciable lives of Electric Meters
 9 (83%) and Gas Meters (95%) can be viewed as unexpectedly high for an established
 10 technology that I understand ENO has employed for longer than the five-year average
 11 depreciation age of Electric Meters and the two-year average depreciation age of Gas

²⁶ See the Direct Testimony of Michelle P. Bourg, the answer to Question Q9 at pages 4-5.

1 Meters. The Advisors asked ENO to explain the reasons for these remaining-life values.²⁷
2 ENO objected to this question and referenced generally its accounting policies used to track
3 and report accumulated depreciation, but was unresponsive as to the reasons Electric
4 Meters and Gas Meters plant should have their reported remaining life values. The
5 Advisors have served further discovery upon ENO related to the remaining lives of Electric
6 Meters and Gas Meters. It is reasonable to rely on ENO's accounting for meter plant as
7 being consistent with generally accepted accounting principles and FERC accounting
8 guidance, however the high reported remaining lives of Electric Meters and Gas Meters is
9 indicative of the ratepayer burden ENO is proposing related to stranded costs and should
10 be further justified by ENO prior to the Council's treatment of its AMI-related stranded
11 cost request.

12 **Q. WHAT IS THE ANNUAL REVENUE REQUIREMENT ASSOCIATED WITH**
13 **THE EARLY RETIREMENT OF THE PLANT PRESENTED IN TABLE 3?**

14 **A.** The early retirement of currently existing meter plant will result in stranded costs whose
15 net-book value as of December 31, 2016 is \$43.8 and whose 2016 annual depreciation
16 expense totals \$1.5 million.²⁸ While ENO has objected to the Advisors' request for its
17 current WACC and refused to provide this data that is required to estimate revenue
18 requirement,²⁹ in reliance on an older WACC provided as part of ENO's October 18, 2016

²⁷ See the Advisors' RFI CNO 2-22, part i.

²⁸ See ENO's response to the Advisors RFI CNO 2-22, part b.

²⁹ See the Advisors RFI CNO 2-20 and ENO's response thereto.

1 Application, I estimate the annual revenue requirement of the plant in service presented in
2 Table 3 to be approximately \$4.7 million, and due to tax write-offs, the revenue
3 requirement related to such plant if retired to be approximately \$4.6 million.³⁰ My analysis
4 was performed in reliance on the data ENO provided in response to the Advisors' RFI CNO
5 2-22. Should the actual net book value of the plant ENO may retire as part of an AMI
6 deployment vary significantly from the data ENO provided in its response to RFI CNO 2-
7 22, I reserve the right to adjust my recommendation to the Council regarding the
8 amortization period for stranded costs.

9 **Q. WHOM DOES ENO PROPOSE PAY FOR STRANDED COSTS ASSOCIATED**
10 **WITH THE EARLY RETIREMENT OF PLANT AS A RESULT OF AMI**
11 **DEPLOYMENT?**

12 **A.** ENO's Witness Todd proposes that ratepayers continue to pay the total amortization of this
13 cost plus a return at its full weighted cost of capital as authorized by the Council, in addition
14 to the new costs related to AMI deployment. Mr. Todd proposes that ENO recover from
15 ratepayers stranded costs at their related plant's current depreciation rate along with
16 recovery on their related rate base at ENO's full WACC.

³⁰ I note that the referenced WACC value, as calculated by ENO, employed a hypothetical 50% common equity ratio, as was used in similar calculations related to Union PB1. The use of ENO's actual recent common equity ratios would have resulted in a higher revenue requirement value.

1 **Q. DO YOU ACT IN RELIANCE ON MR. PREP'S RECOMMENDATION THAT**
2 **ENO'S STRANDED COSTS RELATED TO AMI DEPLOYMENT BE**
3 **RECOVERABLE?**

4 **A.** Yes. My recommendation elsewhere in my testimony that any regulatory asset created
5 related to ENO's AMI-related stranded costs be amortized over 15 years is in reliance on
6 Mr. Prep's recommendation that the Council allow recovery of ENO's AMI-related
7 stranded costs through the creation of a regulatory asset, but with a return on the related
8 rate base at ENO's debt-only WACC (i.e., ENO's WACC, but calculated absent
9 components for ROE and preferred stock dividends/preferred membership interest). As I
10 discuss elsewhere, ENO's existing Electric Meters and Gas Meters plant is relatively early
11 into their average depreciable useful lives (i.e., 5 out of 27 years and 2 out of 41 years,
12 respectively), so ENO is proposing ratepayers provide simultaneous recovery of both AMI-
13 related costs and two largely-undepreciated sets of meter plant.

14 **Q. ENO IS SUBJECT TO A BASE RATE FREEZE. WHEN SHOULD ENO'S AMI-**
15 **RELATED STRANDED COST RECOVERY BEGIN?**

16 **A.** ENO's AMI-related stranded cost recovery should begin with the Council's setting of new
17 rates as part of the Combined Rate Case. As I discuss elsewhere in this testimony, ENO is
18 subject to a base rate freeze, which encompasses ENO's revenue requirement related to its
19 metering and related plant. As such, until the Council sets new rates as part of the
20 Combined Rate Case, ENO should amortize its stranded costs by applying the full
21 depreciation expense rates for such plant approved in Council Docket No. UD-08-03 and

1 Council Docket No. UD-13-01 for Legacy-ENO and Algiers plant respectively. As part of
2 its cost of service study in its Combined Rate Case Filing, ENO should present the then
3 AMI-related stranded cost rate base component (i.e., net book value less related ADIT) for
4 recovery through base rates. As further plant is early-retired as a result of AMI deployment,
5 with each subsequent relevant rate action, such stranded costs should be afforded similar
6 treatment.

7 **Q. OVER WHAT PERIOD SHOULD ENO AMORTIZE ITS AMI-RELATED**
8 **STRANDED COSTS?**

9 **A.** Elsewhere in my testimony, I estimate the 2016 annual revenue requirement of plant that
10 may become stranded costs as part of any AMI deployment to be approximately \$4.7
11 million. If such plant were retired and allowed recovery on its rate base at ENO's current
12 debt-only WACC, I estimate that an amortization period of 14-15 years would maintain
13 rough correspondence with this \$4.7 million revenue requirement. Further, a reduced debt-
14 only WACC for recovery on such stranded costs is consistent with a shorter amortization
15 period than the up-to 39 years' remaining life of this plant in service. Finally, ENO is
16 requesting a 15-year depreciation life for its AMI investments, and a 15-year stranded cost
17 amortization period would match recovery of such costs with AMI's overall benefits. As
18 such, a 15-year amortization period for stranded costs is appropriate.

19 **Q. WHAT IS YOUR RECOMMENDATION TO THE COUNCIL REGARDING**
20 **ENO'S AMI-RELATED STRANDED COSTS?**

1 **A.** In reliance on Mr. Prep’s recommendation to the Council that ENO be allowed recovery
2 of its AMI-related stranded costs and recovery on such costs at ENO’s debt-only WACC,
3 I recommend that, as part of any AMI deployment approval, the Council find that the then
4 net book value of ENO’s prudently incurred, but stranded, costs related to AMI
5 deployment, less any realized salvage receipts, be recoverable in base rates through a
6 regulatory asset amortized over 15 years on a straight-line basis. I recommend such
7 ratemaking treatment of AMI-related stranded costs commence with the Council setting
8 new base rates as part of the Combined Rate Case and that such treatment be applied in
9 subsequent relevant rate actions to reflect AMI-related retirements subsequent to the
10 Combined Rate Case. Further, I recommend, as part of any AMI deployment approval, that
11 ENO be directed to separately identify such stranded costs, including related ADIT
12 balances, in its cost of service studies to allow Council evaluation of such costs and their
13 recovery.

14 **VI. OPT-OUT PROGRAM**

15 **Q. PLEASE DESCRIBE ENO’S PROPOSED OPT-OUT PROGRAM.**

16 **A.** ENO Witness Lewis describes a program whereby customers may choose to not have a
17 smart meter installed for their utility services (i.e., opt-out of AMI). Mr. Lewis, on page 34
18 of his direct testimony, presents estimated up-front fees of up-to \$102.89, and monthly fees
19 of \$14.34 for customers who opt-out of AMI. These fees are intended to enable ENO to
20 recover its estimated cost to provide utility service to customers who opt-out of AMI.

21 **Q. HOW MANY CUSTOMERS DOES ENO ESTIMATE WILL OPT-OUT OF AMI?**

1 **A.** ENO estimates that approximately 769 customers, or 0.24% of customers, will opt-out of
2 AMI. ENO's derivation of this estimate is presented in Exhibit AF-3 which presents ten
3 utilities' AMI opt-out rates ranging from 0.95% to 0.00%, the average of which is 0.24%.

4 **Q. IS ENO'S AMI OPT-OUT RATE ESTIMATE OF 0.24% RELIABLE FOR**
5 **PLANNING PURPOSES?**

6 **A.** No. I note that of the ten utilities upon which ENO based its AMI opt-out rate estimate,
7 several of the higher opt-out rates were for utilities serving areas distant from Louisiana
8 (i.e., PG&E – 0.95%, Southern California Edison – 0.45%). Utilities serving customers
9 closer to Louisiana showed a lower opt-out rate (i.e., Georgia Power – 0.02%, AEP Texas
10 – 0.01%, Oncor – 0.01%, CenterPoint – 0.00%). Further, a visual inspection of Exhibit
11 AF-3 shows the subject utilities with higher opt-out fees had lower opt-out rates.³¹
12 Assuming opt-out fees do impact opt-out rates consistent with ENO's presented subject
13 utilities' fees and rates, and placing ENO's estimated opt-out fees on the scale of the ten
14 utilities presented in Exhibit AF-3 suggests an opt-out rate of between 0.02% and 0.13%.
15 ENO's method of using a simple average of the ten utilities' AMI opt-out rates to estimate
16 its AMI opt-out rate may not be reliable for planning purposes.

17 **Q. WHY IS THE ESTIMATED AMI OPT-OUT RATE IMPORTANT?**

³¹ ENO has not performed an evaluation of the correlation between opt-out fees and opt-out rates, nor has ENO regressed such data to estimate its expected opt-out rate. See ENO's responses to the Advisors' RFI CNO 1-18, parts a and b.

1 **A.** ENO's presentation of AMI opt-out program costs in Mr. Lewis's testimony involves
2 certain fixed costs that are presented as not varying with the number of customers who opt-
3 out of AMI. As such, should the number of actual ENO customers who opt-out of AMI be
4 fewer than ENO's projections, the per-customer fee required to recover ENO's costs would
5 need to be higher than Mr. Lewis's estimate. Based on a review of Exhibit AF-3, should
6 ENO's per-customer AMI opt-out fee increase substantially from the fees estimated by Mr.
7 Lewis, such an increase in fees could cause a smaller AMI opt-out rate than estimated by
8 ENO. Should ENO's opt-out rate approach those reported for Oncor or CenterPoint, ENO
9 might have difficulty recovering fixed opt-out-related costs from customers who opt-out.

10 **Q.** **HOW SHOULD ENO ESTIMATE ITS AMI OPT-OUT RATE AND AMI OPT-OUT**
11 **FEES?**

12 **A.** ENO should estimate an AMI opt-out rate taking into account regionally local utilities'
13 opt-out rates and based upon an evaluation of any inverse relationship between opt-out fees
14 and opt-out rates. ENO should employ such an estimate as the basis for the AMI opt-out
15 fees it presents to customers who intend to opt-out of AMI.

16 **Q.** **HOW SHOULD ENO RECOVER ITS COSTS ASSOCIATED WITH ANY AMI**
17 **OPT-OUT PROGRAM THE COUNCIL MAY APPROVE?**

18 **A.** As opting-out of AMI is an optional personal choice for the small minority of customers
19 expected to do so, all the costs related to any AMI opt-out program should be recovered
20 from customers who opt-out. Any AMI opt-out program should not serve to increase

1 ENO's net revenue requirement recoverable from customers or customer classes who do
2 not opt-out.

3 **Q. WHAT IS YOUR RECOMMENDATION TO THE COUNCIL REGARDING**
4 **ENO'S PROPOSED AMI OPT-OUT PROGRAM?**

5 **A.** As part of any approval to deploy AMI, I recommend the Council direct ENO to ensure
6 that its AMI opt-out program's costs are not recoverable from customers who do not opt-
7 out of AMI.

8 **VII. PREPAID SERVICE**

9 **Q. PLEASE DESCRIBE ENO'S PRE-PAY PROGRAM.**

10 **A.** ENO Witness Dawsey notes that ENO's pre-paid service is still under development, but
11 describes a typical pre-pay program. As the name suggests, customers choosing to take
12 utility service under a pre-pay service schedule would deposit cash with ENO prior to
13 receiving service. As such customers utilize utility service, their credit balances with ENO
14 would decline, and should that balance reach zero, service would be remotely disconnected
15 using AMI-enabled technology. Once a credit balance is restored through a customer
16 payment, service would be reestablished.

17 **Q. HAVE PARTIES TO THE INSTANT DOCKET EXPRESSED CONCERNS**
18 **REGARDING ENO'S PRE-PAY PROGRAM?**

1 **A.** Yes. The Alliance for Affordable Energy (“Alliance”), in its April 7, 2017 comments,
2 expresses concern that low-income and “energy burdened” ratepayers could suffer from
3 excessive disconnections of utility service.

4 **Q. DO YOU HAVE ANY OTHER CONCERNS REGARDING ENO’S PRE-PAY**
5 **PROGRAM?**

6 **A.** Yes, the Alliance’s concerns notwithstanding, the implementation of a voluntary pre-pay
7 program could affect ENO’s cost of service and the allocation of costs among the customer
8 classes. For example, should the rate of bill write-offs for pre-pay customers be less than
9 for other residential customers, the Council may wish to evaluate the allocation of costs
10 associated with write-offs. Also, pre-payment credits could be considered a credit similar
11 to customer deposits, affecting ENO’s rate base and revenue requirement.

12 **Q. WHAT IS YOUR RECOMMENDATION TO THE COUNCIL WITH REGARD TO**
13 **ANY PRE-PAY PROGRAM ENO MAY PROPOSE?**

14 **A.** To the extent ENO may propose a pre-payment program similar to the one described by
15 Mr. Dawsey, the Council may wish to consider whether the implementation of any pre-pay
16 program ENO may propose and the Council may approve should be as a part of a future
17 rate action involving a fully-allocated cost of service study that may allow a comprehensive
18 consideration of concerns such as the ones expressed by the Alliance and in my testimony.

19 **VIII. DATA SECURITY AND CUSTOMER DATA PRIVACY**

20 **Q. WHAT IS DATA SECURITY?**

1 **A.** In the context of AMI, data security refers to systems and controls intended to ensure that
2 customer data, including AMI-related meter data, are properly collected, recorded,
3 maintained, and secured from unwanted or unintended disclosure or transmittal to
4 unauthorized parties while still allowing timely and useful access to data required to
5 support to the wide range of AMI-related beneficial goals as discussed by Mr. Prep.

6 **Q.** **DOES ENO DISCUSS ITS PLAN TO ENSURE DATA SECURITY?**

7 **A.** Yes. ENO Witness Rodney W. Griffith lists several industry data security standards as the
8 basis for the design of its proposed AMI system. Mr. Griffith states in his testimony that
9 ENO “. . . already has cyber security controls in place with respect to its current customer
10 data storage systems, controls related to the new advanced meters and related infrastructure
11 are being developed as part of the AMI design phase. These new controls will be
12 implemented during the build, test and deployment phases of the project to ensure
13 continued protection of Company and customer data after AMI is deployed.”³² As Mr.
14 Griffith indicates, ENO does not have a final data security system in place, and the
15 development of such is planned as part of the multi-year AMI deployment schedule.

16 **Q.** **ARE ENO’S PRESENT EFFORTS REGARDING DATA SECURITY WITH**
17 **RESPECT TO AMI REASONABLE?**

18 **A.** Yes. My review of the Application indicates that ENO considers data security to be a
19 component of AMI and that ENO has engaged reputable vendors that ENO considers

³² Direct Testimony of Rodney W. Griffith, the answer to question Q51 at page 37.

1 experienced in data security, such as IBM,³³ to provide data security as part of the AMI
2 deployment. A review of the daily news may conclude that data security is an evolving
3 profession that must confront ongoing ever-new and unpredictable data security threats.
4 As such, it is likely not possible to design today a distributed data collection and data
5 network system, such as AMI, that will be secure from the data security threats that may
6 arise by ENO's 2022 full-deployment milestone or over the 15-year useful life of ENO's
7 proposed AMI. Based on this observation, I conclude it is reasonable for ENO at this time
8 to state its general plan and guiding standards for data security with the understanding that
9 a robust data security system will be in place before the AMI system begins to handle
10 customer data and that the system will be regularly enhanced as needed thereafter.

11 **Q. SHOULD THE COUNCIL MONITOR ENO'S DATA SECURITY SYSTEM?**

12 **A.** Yes. As Mr. Prep discusses, AMI will enable the collection and retention of detailed
13 customer behavior data not currently available to ENO. The Council should exercise its
14 supervision and regulation control over ENO in monitoring its ongoing maintenance and
15 development of its data security system. The Council should be informed of all matters
16 relevant to this issue, including: a) the state of and any changes to vendors and contractors
17 tasked with providing data security products and services, b) the dollar amount of internal
18 and external resources expended over the past fiscal year in ensuring data security, c)
19 ENO's policies and controls related to data security and any changes thereto, d) new and

³³ See the Direct Testimony of Rodney W. Griffith, the answer to question Q40 at page 29.

1 evolving relevant data security threats known to ENO, e) adverse events related to data
2 security and ENO's responses thereto, and f) the findings of any relevant internal review
3 of data security, such as those that may be performed in compliance with the Sarbanes-
4 Oxley Act and the rules that proceed therefrom. I note that the data contemplated in the
5 above matters for Council monitoring could be appropriately subject to protection
6 according to the provisions of Council Resolution No. R-07-432 (HSPM) or FERC's
7 protections for Critical Energy/Electric Infrastructure Information.

8 **Q. WHAT IS YOUR RECOMMENDATION TO THE COUNCIL REGARDING**
9 **DATA SECURITY?**

10 **A.** As the public interest, as defined by Mr. Vumbaco, clearly involves the security of the data
11 ENO collects, maintains, uses internally, and disseminates, and as Mr. Prep discusses, AMI
12 enables the collection and retention of detailed and potentially sensitive customer data, I
13 recommend that as part of any AMI approval, the Council direct ENO to provide periodic
14 reports on data security, either upon the occurrence of any adverse data security event, or
15 under any event, at least annually. Such reports should discuss all relevant matters affecting
16 ENO's data security system, but at a minimum report on the data security issues for Council
17 monitoring I enumerate above. I recommend that the Council allow the data in such reports
18 to be protected according to the most appropriate protective means.

19 **Q. WHAT DO YOU MEAN BY CUSTOMER DATA PRIVACY?**

20 **A.** Apart from data security, the failure of which may involve the involuntary loss or
21 dissemination of private customer data, customer data privacy relates to ENO's

1 maintenance, use, and dissemination of customer data as part of its normal operations and
2 according to established policies and controls.

3 **Q. DOES THE COUNCIL HAVE THE AUTHORITY TO REGULATE ENO'S USE**
4 **OF CUSTOMER DATA?**

5 **A.** Yes, and the Council has done so in the past without objection. La. R.S. 45:1176 provides
6 that the Council “shall investigate the reasonableness and justness of all contracts,
7 agreements and charges entered into or paid by such public utilities.” As customer data is
8 an item of value that is often traded for compensation by unregulated companies, the
9 Council has the authority to investigate the reasonableness of any agreement to disseminate
10 AMI-related customer data. The Council has already resolved that “all meter data,
11 including data generated, provided, or otherwise made available by advanced meters and
12 meter information networks, shall belong to a customer. . .”³⁴ ENO’s service regulations
13 protect customer data: “Unless specific written permission is obtained from the Customer
14 to release the information regarding the Customer, the Company shall insure that Customer
15 information, including payment history and consumption patterns will be kept
16 confidential.”³⁵ Other jurisdictions have considered customer data privacy as well.³⁶

³⁴ Council Resolution No. R-10-234, ordering paragraph 8, part a.

³⁵ *Service Regulations Applicable to Electric and Gas Service by Entergy New Orleans, Inc.* paragraph 53 at pages 34-35.

³⁶ For example, see the Colorado Public Utility Commission Dockets 10R-799E and 10I-099EG and Decision C11-0406 and the California Public Utilities Commission Docket R.08-12-009 and Decision 11-07-056.

1 **Q. HOW MAY AMI INCREASE CONCERNS REGARDING CUSTOMER DATA**
2 **PRIVACY?**

3 **A.** As Mr. Prep discusses, AMI enables ENO to collect and maintain interval load and
4 consumption data by customer – data that it generally is not able to collect today. Such data
5 is more indicative of individuals’ behaviors and patterns of behavior than the data ENO
6 currently collects. As such, the proper use of AMI-related customer data is an area for
7 Council consideration.

8 **Q. HOW DOES ENO ADDRESS CUSTOMER DATA PRIVACY IN ITS**
9 **APPLICATION?**

10 **A.** ENO Witness Dawsey discusses the EOCs’ existing policies and practices related to
11 customer data confidentially. Mr. Dawsey argues that AMI deployment currently does not
12 necessitate changes to existing policies.³⁷ Mr. Dawsey notes that Company policies are
13 periodically reviewed by the Company and updated as needed.

14 **Q. HAVE OTHER REGULATORY JURISDICTIONS ESTABLISHED CUSTOMER**
15 **DATA PRIVACY POLICIES?**

16 **A.** Yes. For example, in 2011 the Public Utilities Commission of the State of California
17 (“CPUC”) issued rules to protect the privacy and security of customer usage data.³⁸ The

³⁷ See the Direct Testimony of Dennis P. Dawsey, the answer to question q37 at page 29.

³⁸ CPUC Rulemaking 08-12-09, Decision 11-07-056.

1 CPUC's rules, whose pages number 168, address the privacy and security of customer data
2 generated by smart meters.

3 **Q. WHAT DO YOU RECOMMEND THE COUNCIL CONSIDER WITH RESPECT**
4 **TO PROTECTIONS AND USE OF CUSTOMER DATA?**

5 **A.** As AMI affords the collection, retention, and potential dissemination of larger and more
6 detailed amounts of customer data currently possible for ENO, the Council should establish
7 a policy, as has occurred in other regulatory jurisdictions, on the ownership, use, and
8 protection of AMI-based data in concert with the existing provisions of ENO's service
9 regulations, protection of information policy, and other relevant controls and policies.

10 Furthermore, ENO should be directed to provide periodic reports upon any change to ENO
11 customer data privacy policy or a customer data privacy adverse event, but in any event
12 not less than annually, related to its customer data privacy policy and practices. Such
13 reports should discuss all developments relevant to customer data privacy, but at a
14 minimum provide: a) any privacy notices sent to customers in specie and a discussion of
15 issues relevant to such notices, b) copies of internal customer data privacy-related policies
16 or changes thereto, c) reports presenting categories of third parties who are authorized to
17 receive customer data, and counts of such by category, d) copies of any authorizations for
18 third parties receiving customer data to then release such data to other parties for secondary
19 use, e) identification and discussion of any release or dissemination of customer data not
20 according to Council authorization to do so, including an accounting of the number and
21 type of customers affected, and f) the findings of any internal review or audit of ENO's

1 customer data policies and controls. With regard to the minimum reporting requirement
2 involving inappropriate dissemination or release of customer data, such report sections
3 should be made public absent ENO's demonstration to the Council's satisfaction of reasons
4 why such information should be protected.

5 **Q. WHAT ARE YOUR RECOMMENDATIONS TO THE COUNCIL REGARDING**
6 **CUSTOMER DATA?**

7 **A.** Should the Council authorize ENO's AMI deployment, I recommend the Council establish
8 a policy on the ownership, use, and protection of AMI-based data. Further, as part of any
9 AMI approval, I recommend that the Council order ENO to make periodic reports to the
10 Council, but no less frequently than annually, discussing all developments relevant to
11 customer data privacy, but always discussing the minimum issues I enumerate earlier in
12 my testimony.


13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 **A.** Yes.

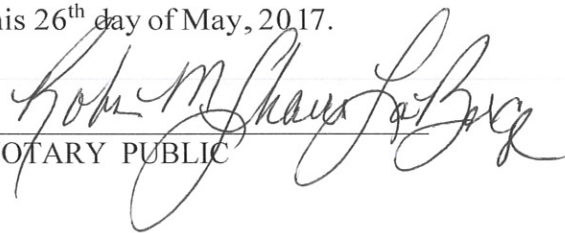
AFFIRMATION

STATE OF COLORADO)
)
COUNTY OF DENVER)

I, Byron S. Watson, am the person identified in the attached Testimony and such testimony was prepared by me or under my direct supervision; the answers and information set forth therein are true to the best of my knowledge and belief, and if asked the questions set forth therein, my answers thereto would, under oath, be the same.


Byron S. Watson

Subscribed and sworn to before me
this 26th day of May, 2017.


NOTARY PUBLIC

