**BEFORE THE**

**COUNCIL OF THE CITY OF NEW ORLEANS**

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

|  |  |  |
| --- | --- | --- |
|  |  |  |

**STIPULATED SETTLEMENT TERM SHEET**

Applicant, Entergy New Orleans, Inc. (“ENO” or the “Company”), and the New Orleans City Council’s (“Council”) Advisors (“Advisors”), hereby agree to settle and resolve the captioned matter upon the following terms, which shall be presented to the Council for approval. The remaining parties either support or do not oppose this settlement term sheet, as designated by their signatures below.

# On October 18, 2016, ENO filed its Application seeking authorization from the Council for the Company to acquire, construct, deploy, own, operate and maintain Advanced Metering Infrastructure (“AMI”), which includes advanced meters that enable two-way data communication, a secure and reliable communications network that supports two-way data communication, related and supporting systems, including a Meter Data Management System (“MDMS”), an Outage Management System (“OMS”), and a Distribution Management System (“DMS”)(“AMI Implementation”), along with related accounting treatment for existing and future assets and costs. In support of the Application, the Company included the pre-filed Direct Testimonies and Exhibits of Charles Rice, Orlando Todd, Dennis Dawsey, Michelle Bourg, Rodney W. Griffith, Jay A. Lewis, and Dr. Ahmad Faruqui.

# On May 25, 2016, the Council’s Advisors filed Direct Testimony on behalf of Joseph Vumbaco, P.E., Byron Watson, Victor Prep, and Courtney Crouch, which recommended that the Council approve ENO’s proposed AMI Implementation subject to certain modifications.

# ENO and the Advisors, through this Stipulation, agree that the proposed AMI Implementation, as detailed in ENO’s Application, including the removal and retirement of existing metering equipment, installation of new advanced meters and supporting systems and equipment, and a customer education plan, is in the public interest, serves the public convenience and necessity, and therefore is prudent.

# The prudence finding in paragraph 3 recognizes that, while ENO and the Advisors differ as to the magnitude and methodology for calculating net benefits, both agree that the Company’s proposed AMI Implementation is reasonably expected to produce benefits in excess of the costs of AMI on a combined electric and gas basis.

# The prudence finding in paragraph 3 also recognizes that, while ENO and the Advisors differ as to several aspects of regulatory policy and principles, both agree that the Company’s proposed AMI Implementation is beneficial for customers and should therefore be approved.

# The Company’s proposed timeline for AMI Implementation, which begins in 2018 and results in full implementation in 2021 is reasonable.

# The Company’s proposed AMI Implementation provides the technology platform to achieve greater grid resiliency in the distribution network, improved outage and reliability performance, improved grid planning for modifications and improvements, DSM programs, and specially designed customer options, among other system and customer benefits.

# ENO is not authorized to defer AMI-related customer education expenses or Ongoing AMI O&M expenses incurred during the period January 1, 2017 through December 31, 2018.

# ENO is authorized to create an electric and a gas regulatory asset for the remaining net book value of the existing meters when such meters or the communications modules are retired and to include the unamortized costs, net of the related accumulated deferred income taxes, in rate base. ENO is authorized to amortize these regulatory assets at the same amounts recorded as depreciation expense for the underlying assets in 2018. This amortization will be reflected in ENO’s electric and gas revenue requirements for ratemaking purposes each year until the regulatory assets are fully amortized.

# The prudently incurred costs associated with constructing, installing, owning, and operating the permanent AMI are eligible for recovery from ENO’s customers. ENO is authorized to implement declining AMI Customer Charges for electric and gas customers to facilitate recovery of its prudently-incurred AMI costs. ENO and Advisors have different positions regarding the amount and types of costs and benefits that may be included in the AMI Customer Charges, and they have resolved their differences by the adoption of a “black box” settlement. Accordingly, upon Council approval of this Settlement Term Sheet, ENO will be authorized to implement the AMI Customer Charges as set forth in the attached Schedule A, which Charge is designed to recover AMI costs incurred by the Company net of the Operational Benefits described and quantified in the Company’s Application and supporting testimony. Other Benefits described in the Company’s Application and supporting testimony will be reflected as avoided costs in the monthly Fuel Adjustment Clause and/or through future base rate setting mechanisms, where appropriate.

# (a) The 2018 Combined Rate Case (“2018 Rate Case”) will reflect *pro forma* adjustments to both Period I and Period II test years for known and measurable changes related to AMI. Those known and measurable changes would include 1) return on and of the projected AMI rate base as of December 31, 2019 and related Property Tax Expense; 2) the Customer Education Expense for 2019; 3) the Ongoing AMI O&M Expense for 2019; 4) an offset for Operational Benefits expected to be realized in 2019; and 5) the estimated annualized 2019 AMI Customer Charge Revenues as set forth by the rates included in Schedule A.

# (b). These pro forma adjustments will be made for the purposes of evaluating ENO’s retail revenue excess or deficiency in the 2018 Rate Case. The results from the 2018 Rate Case will not change the declining AMI Customer Charge rates listed in Schedule A. Also, to the extent that the Council and the Company are able to agree on the implementation of a Formula Rate Plan as a result of the 2018 Rate Case, the actual AMI Customer Charge Revenues collected per Schedule A and the costs incurred to implement AMI will be included in the Evaluation Report of the Company’s FRP retail revenue excess or deficiency. For example, if the Company submits an FRP report for the 2019 Evaluation Period, the Company would include all AMI costs along with all revenue received through the AMI Customer Charges.

# The 2019 AMI Customer Charges will be implemented in conjunction with any rates resulting from the 2018 Rate Case. The implementation of the AMI Customer Charges will be a part of the rate design for any rates resulting from the 2018 Rate Case.

# The parties agree that a 15-year useful life (equating to a depreciation rate of 6.67%) for the AMI assets is reasonable for ratemaking purposes.

# ENO and the Advisors agree that the AMI Customer Charges are limited to the amounts set forth on Schedule “A.” Specifically, the declining AMI Customer Charges as reflected in Schedule “A” will not be adjusted for any true-up of revenues from the AMI Customer Charges to the actual revenue requirements resulting from the related costs. Further, the Company will not defer any surplus or deficiency in revenues related to such a true-up as either a regulatory liability or regulatory asset.

# The Company is authorized to implement an opt-out policy for residential customers as described in Mr. Lewis’s Direct Testimony, and the Company will make a compliance filing prior to meter deployment for approval of the opt-out fees consistent with the methodology described by Mr. Lewis. The Parties in this case will convene a technical conference within 6 months of approval of this Stipulation for the purpose of reaching consensus on a methodology and calculation of the opt-out charge designed to avoid cost shifting between AMI customers and opt-out customers will occur.

# ENO will file semi-annual (every six months) reports on the progress of the AMI deployment, with the first report being due August 15, 2019 and concluding with a final report six months after the AMI deployment is complete.

# The Parties also agree to convene a technical conference within 6 months of this Stipulation to discuss whether there is any potential to combine the AMI Customer Education Program with the existing Energy Smart Behavioral Pilot Program.

# The parties agree that ENO will include annually, as a part of one of its semi-annual reports in response to Council Resolution R-14-279, an update regarding ENO’s data security plan, which will include: the state of and any changes to vendors and contractors tasked with providing data security products and services; the dollar amount of internal and external resources expended during the past fiscal year in ensuring data security; ENO’s policies and controls related to data security and any changes thereto; new and evolving relevant data security threats known to ENO; adverse events related to data security and ENO’s responses thereto; and the findings of any relevant internal review of data security.

# Except as may be expressly stated herein, this Term Sheet shall have no precedential effect in any other proceedings involving issues similar to those resolved herein and shall be without prejudice to the right of any party to take any position on any such similar issue in future rate proceedings, including FRP proceedings, or in other regulatory proceedings or appeals therefrom.

# **AGREED TO BY THE FOLLOWING PARTIES:**

# By:

# Name:

# REPRESENTING

# ENTERGY NEW ORLEANS, INC.

# By:

# Name:

# REPRESENTING

# NEW ORLEANS CITY COUNCIL’S ADVISORS

|  |
| --- |
| **SUPPORTED OR NOT OPPOSED BY THE FOLLOWING SIGNATORIES:** |

**SUPPORTED □/ NOT OPPOSED □**

# By:

# Name:

# REPRESENTING

# ALLIANCE FOR AFFORDABLE ENERGY

# **Schedule A: AMI Customer Charge Schedule**

|  |  |  |
| --- | --- | --- |
| Implementation Month | AMI Customer Charge for Electric Customers ($) | AMI Customer Charge for Gas Customers ($) |
| August 2019 | 2.31 | 0.48 |
| January 2020 | 3.21 | 0.96 |
| January 2021 | 3.45 | 0.95 |
| January 2022 | 3.00 | 0.84 |
| January 2023 | 2.77 | 0.74 |
| January 2024 | 2.54 | 0.64 |
| January 2025 | 2.31 | 0.54 |
| January 2026 | 2.08 | 0.44 |
| January 2027 | 1.85 | 0.24 |
| January 2028 | 1.62 | 0.13 |
| January 2029 | 1.39 | 0.00 |
| January 2030 | 1.16 | 0.00 |
| January 2031 | 0.93 | 0.00 |
| January 2032 | 0.70 | 0.00 |
| January 2033 | 0.47 | 0.00 |
| January 2034 | 0.35 | 0.00 |
| January 2035 | 0.00 | 0.00 |
| January 2036 | 0.00 | 0.00 |
| January 2037 | 0.00 | 0.00 |

# 