

**BEFORE THE
NEW ORLEANS CITY COUNCIL**

**IN RE: REVISED APPLICATION OF ENO
FOR A CHANGE IN ELECTRIC AND GAS
RATE IN THE CITY OF NEW ORLEANS
PURSUANT TO COUNCIL RESOLUTIONS
R-15-194 AND R-17-504 AND FOR RELATED
RELIEF**

**DOCKET NO. UD-18-07
July 15, 2022**

**AIR PRODUCTS AND CHEMICALS, INC.’S
IDENTIFICATION OF DISPUTED ISSUES
ENO 2022 FORMULA RATE PLAN FILING**

Air Products and Chemicals, Inc. (“**Air Products**”) respectfully submits this Identification of Disputed Issues in the referenced proceeding, relating to Entergy New Orleans, LLC’s (“**ENO**”) 2022 Formula Rate Plan (“**FRP**”) filing (Test Year 2021) (“**2022 FRP Filing**”).

As background, the 2022 FRP filing is ENO’s second FRP filing and rate adjustment pursuant to its electric FRP Rider Schedule that was filed on December 9, 2019 (“**FRP Rider**”), pursuant to Resolution No. R-19-457, dated November 7, 2019, in Docket U-18-07. The initial 2021 filing (Test Year 2020) resulted in rate changes inclusive of the effects of a decoupling mechanism that was initially mandated by the Council of the City of New Orleans (“**Council**”) in Resolution No. R-16-03 and further approved and required to be implemented as part of the electric FRP Rider in Resolution No. R-19-457. In its 2022 FRP Filing, ENO seeks to deviate from its filed electric FRP Rider schedule to recover a revenue increase of approximately \$37 million from electric customers pursuant to an alternative customer cost allocation proposal that does not use the decoupling mechanism of the FRP Rider, but instead allocates the rate increase to each rate class based on the rate class’s percent contribution to per book base revenues.¹

¹ ENO FRP Summary Pleading at 6, 8-10 (April 29, 2022).

Air Products respectfully submits the below Disputed Issues, relating to ENO’s proposal to implement an alternative customer class cost allocation (“**Proposed Rate Allocation A**”) in place of the cost allocation required by ENO’s FRP Rider (“**Compliance Attachment A**”). ENO’s alternative proposal (Proposed Rate Allocation A) is a results oriented, discriminatory approach to ratemaking that would result in arbitrary and capricious electric rates being imposed on customers by the City Council despite the requirements of the electric FRP Rider that prescribe the mechanics for incremental adjustments to rates based on customer class revenue requirements.

I. Disputed Issue: ENO’s Alternative Rate Change Proposal

A. Violation of the Council Resolution

ENO’s alternative customer cost allocation proposal violates the Council’s Resolution adopting ENO’s electric FRP Rider schedule that requires use of the Council approved decoupling mechanism. In Docket UD-18-07, the Council explicitly set forth the requirements for ENO’s electric FRP and decoupling mechanism:²

25. The Council approves ENO's proposed electric and gas FRP mechanisms with the following modifications:

....

- d. The electric FRP decoupling revenue adjustment for each customer class should be determined by comparing the evaluation period fixed and variable revenue by class with the FRP evaluation period allocation of total ENO fixed and variable revenue requirement.

....

26. ENO's decoupling proposal shall be modified such that a full decoupling mechanism shall be filed with each electric E-FRP evaluation, with total allocated costs of service for each customer class included in the decoupling revenue adjustment, and the customer rate class allocation factors be updated annually with current billing determinants. The decoupling adjustment shall be applied to all customer classes if the E-FRP revenue adjustment is outside the bandwidth. However, ENO shall, for rate classes Master Metered Non-

² Resolution R-19-457, Ordering Paras. 25(d) and 26 at 187-188 (November 7, 2019).

Residential, Large Electric High Voltage and Large Interruptible Service, implement a decoupling revenue adjustment cap of 10% which will apply to each of the 3 annual E-FRP evaluation period revenue adjustments provided that the total electric utility FRP revenue adjustment for that evaluation does not exceed 10%. A new baseline of customer class fixed and variable revenue requirements shall be determined in each E-FRP from an allocation of costs and a return component based on the rates of return corresponding to the customer class total revenues set in the instant docket. Any adjustments that may be needed to the relative rates of return will be such that those adjustments move the relative customer class rates of return toward the utility's rate of return based on the weighted average cost of capital. The revenue deficiencies/excesses shall be determined for each customer class by comparing the E-FRP customer class total revenue requirements with the customer class evaluation period total actual revenues, with the decoupling adjustments applied within each customer class using updated billing determinants excluding the customer charge. The decoupling adjustment shall apply to proforma revenue requirements and billing determinants in the E-FRP rate effective period, based upon updated allocation factors and billing determinants in each E-FRP.

ENO filed the electric FRP Rider on December 9, 2019, in compliance with the Resolution No. R-19-457.

Further, in its Resolution No. R-19-457, it is discussed that ENO was ordered by the Council in Resolution No. R-16-03 to include in its 2018 base rate case filing (*i.e.*, UD-18-07) a proposal for an electric utility full decoupling mechanism as a three-year pilot program, to begin with the implementation of rate changes arising from the rate case.

Thus, the decoupling mechanism allocation that ENO has proposed not to use for implementing its 2022 FRP Filing rate increase was required by the Council not once, but twice.

In the absence of contrary directives, Air Products does not oppose use of an equal percent base rate allocation for incremental rate changes implemented through the FRP - - such allocation was not approved by the Council, is not part of the current FRP Rider, and is not what was used to increase rates in the first year of the three-year FRP Rider term. Thus, varying from the Council approved FRP Rider schedule, in the middle of the three-year term and solely to

mitigate harm to certain customer classes, violates the Council's Resolutions requiring use of a decoupling mechanism, creates uncertainty as to how rates will be set in any given year (despite rate schedules being on file at the Council), and is prejudicial to Air Products, as discussed further herein.

B. Arbitrary and Capricious

Use of an alternative rate change approach for the 2022 FRP Filing is clearly a results-oriented approach to ratemaking to benefit certain customer classes over others. The alternative approach is contrary to the Council Resolution No. R-19-457 that requires ENO to propose and implement a decoupling mechanism in its last rate case and contrary to the Council Resolution No. R-16-03 that mandated inclusion of a decoupling mechanism proposal in the last rate case.

There was significant argument regarding use of a decoupling mechanism in both dockets that resulted in the Council Resolutions R-19-457 and R-16-03, including with respect to potential risks to customers. Nevertheless, the Council determined that a decoupling mechanism was in the public interest for the term of the current Rider FRP.

Thus, use of an alternative cost allocation approach that does not use the Council approved decoupling mechanism simply to avoid certain customer classes, including largely the residential customer class, having the pay their share of revenues under the FRP Rider, is contrary to the record evidence in those dockets, contrary to the Council's decisions in those dockets, and contrary to the rate schedule on file at the City Council, and thus would be arbitrary and capricious.

C. Unjust and Unreasonable Rates

Use of the proposed alternative rate change approach for the electric 2022 FRP Filing would result in unjust and unreasonable rates for certain rate classes who would be required to

pay for the revenue deficiency of other customer classes compared to the level of revenues previously determined by the City Council to be reasonable. Specifically, the alternative proposal would burden Air Products with an additional **\$1 Million** in annual revenue requirement that is not its responsibility pursuant to the customer class cost allocation with decoupling in the electric FRP Rider schedule.

While ENO has indicated that the increase to the residential class is due to cost allocation not being weather normalized, from review of the allocation factors, there is minimal change in the factors for the residential class between Test Year 2020 and Test Year 2021.

The main cause of the rate increase to the residential class appears to be due to a shortfall in revenues from residential customers - - ENO has provided no basis to support deviating from its filed rate schedule to require other customer classes to make up that shortfall and Air Products objects to ENO's alternative cost allocation that would require it to do so.

II. Air Products Requested Action

Air Products requests that the City Council reject ENO's proposed alternative customer class cost allocation and require ENO to follow the customer cost allocation approved by the Council in UD-18-07 and included in the Compliance Attachment A. The alternative proposal is contrary to the electric FRP Rider schedule approved and on file with the Council and contrary to final resolutions of the Council. Further, the alternative proposal is discriminatory against certain customer classes in favor of others and would be arbitrary and capricious and result in unjust and unreasonable rates for the prejudiced customers. Moreover, the adoption of the alternative proposal in year two of the three-year FRP term creates more volatility and uncertainty with respect to ENO's electric ratemaking - - what happens in year three of the FRP? Should customers expect rates to be set on an equal percent base rate revenue requirement, as


used in the alternative approach, or will rates again be set using the decoupling mechanism in the FRP?

Air Products is not unsympathetic to the desire to mitigate rate increases to customers. However, high electric bills are not just an issue of the residential customer class. To the extent the Council determines that mitigation of the electric rate impact of the 2022 FRP filing is necessary for customers, ENO should work with the Council and stakeholders to determine a way to mitigate electricity costs that is not so radically different from the customer class allocation approved by the Council in UD-18-07 and required by ENO's electric Rider FRP schedule, such that other customers are not overburdened and prejudiced by a one-off results-oriented solution.

III. Conclusion

WHEREFORE, for the foregoing reasons, Air Products requests that the Council initiate further proceedings to evaluate Air Products disputed issues.

RESPECTFULLY SUBMITTED:



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CERTIFICATE OF SERVICE

Thereby certify that a copy of the foregoing has been served upon the Official Service List via electronic mail.

New Orleans, Louisiana this 15th day of July, 2022.



Carrie R. Tournillon