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Via Electronic Delivery

Ms. Lora W. Johnson, CMC, LMMC
Clerk of Council
City Hall - Room 1E09
1300 Perdido Street
New Orleans, LA 70112

**Re: IN RE: SYSTEM RESILIENCY AND STORM HARDENING
Council Docket No. UD-21-03**

Dear Ms. Johnson:

Attached please find the Reply Comments of Entergy New Orleans, LLC (“ENO”) for filing in the above-referenced docket. ENO makes this filing pursuant to Resolution 22-411 issued by the Council for the City of New Orleans. Thank you for your assistance in this matter, and please let me know if you have any questions or concerns.

Sincerely,



Edward R. Wicker, Jr.

ERW/jlc

cc: Official Service List (UD-21-03)

In addition to the comprehensive hardening, the Company proposed six potential microgrids, powered by batteries and other sources and serving broad areas such as hardened distribution feeders in the event of storm outages, with planning-level details of their costs potentially reaching over \$200 million.² The Company’s proposed microgrids are not a substitute for strengthening its electric infrastructure. Both sets of projects complement each other. The Company has proactively engaged in initial discussions with entities that proposed resiliency projects, the City of New Orleans (“City”) and Together New Orleans (“TNO”), including how they may complement the projects in the Company’s Filing. In these Reply Comments, the Company responds to comments recently filed by the Alliance for Affordable Energy (“Alliance”)³ in order to, among other things, reinforce the Company’s methodical approach to enhancing system resiliency, stress the importance of continued collaboration in this docket, and correct the record.

COMMENTS

A. The Model Used by the Company Prioritizes Projects to Provide the Highest Level of Customer Benefits.

The Company has used a data-driven, decision-making methodology utilizing robust and sophisticated algorithms to propose a preliminary set of hardening projects intended to strengthen the electric grid in New Orleans. The Storm Resiliency Model (“SRM”) used by the Company identified that set of ENO assets, or “projects,” for hardening by considering, among other factors, an asset’s likelihood of failure during a major storm, the potential project costs and benefits in terms of reducing restoration costs and customer outage minutes, as well as labor, materials, and other constraints. The Company focused on providing the highest level of

² The proposed microgrid projects were attached as Exhibit B to the Company’s Filing.

³ Other than the Company, the Alliance was the only party to file comments on November 7, 2022.

customer benefits for the dollars invested based on the risks posed by weather events to New Orleans.

The comprehensive hardening projects identified by the SRM are designed to address those risks to the Company's customers, including those who are most vulnerable. Under the SRM, projects (*i.e.*, sets of assets) were evaluated and prioritized considering, in part, the estimated benefits that could be achieved during and following a major weather event if that particular set of assets were hardened to better withstand the conditions created during major weather events. In that sense, the SRM assessed projects across the entire service area and prioritized assets in need of the most investment to better withstand hurricanes and produce customer benefits. Put differently, the SRM did not prioritize or deprioritize areas of New Orleans based on socio-economic factors, but instead considered whether the assets studied actually needed to be hardened and the relative benefits of doing so in terms of reducing outages and reducing storm restoration costs. The Company recognizes, however, that there are opportunities in this docket to further consider whether additional factors can be used to direct the resiliency investment at issue, such as microgrids and TNO's "resiliency hubs."

B. Microgrids Powered by Natural Gas Generators Should Be Considered.

In addition to comprehensive hardening, the Company presented six potential feeder-level microgrid projects, with a planning-level analysis of expected costs and benefits. The Company offered these microgrid options using various technologies to begin a discussion. The Company presented a limited number of microgrids anchored by natural gas generators for discussion purposes because they potentially offer benefits that may not be achievable using other currently available options, such as providing power to the microgrid for an extended duration following a major storm. Those potential benefits are worth discussing in the context of

resiliency along with the other alternatives presented. Given the more frequent and intense storm events affecting New Orleans, all reasonable options should be considered and discussed.

C. Conductor Handling Costs Should Be Capitalized.

Conductor handling costs are the costs associated with transferring existing conductors and fixtures to new poles during pole replacements. The FERC Uniform System of Accounts requires these costs to be recorded to Account 593 Maintenance of Overhead Lines, an operation and maintenance expense (“O&M”) account. As noted in its Filing, ENO intends to propose the capitalization of distribution conductor handling costs incurred with its proposed resiliency projects.⁴ In so doing, ENO seeks to prevent an increase in O&M recorded to Account 593 solely due to those projects. Other utilities recently sought and were granted substantially similar authorizations.⁵

The Alliance opposes the capitalization of distribution conductor handling costs incurred with the Company’s resiliency projects.⁶ The Alliance does not offer any analysis or evidence in support of its opposition, but instead makes the specious claim that ENO defers maintenance to harm customers.⁷ The claim is totally wrong and unfounded. Importantly, the capitalization of distribution conductor handling costs incurred with the projects would benefit customers by allowing recovery of the costs over time as projects are depreciated, instead of being recovered in their entirety in the year the cost is incurred. The Alliance’s contrary position would actually

⁴ All other distribution conductor handling costs would continue to be recorded as O&M in Account 593.

⁵ See Florida Power & Light Co., FERC Letter Order, Docket No, AC18-23 (Jan. 31, 2018); Gulf Power Co., FERC Letter Order, Docket No, AC20-131 (July 30, 2020); Duke Energy Florida, LLC, FERC Letter Order, Docket No, AC21-141 (July 29, 2021).

⁶ Alliance Comments, pp. 3-4.

⁷ Alliance Comments, p. 4.

increase bill impacts to the Company's customers during the construction period of the resiliency projects.⁸

D. Certain Additional Comments Made by the Alliance are Misleading or Unfounded.

While the Company does not wish to distract from the collaborative nature of this docket, the Company is compelled to respond briefly to certain additional comments made by the Alliance that are misleading or unfounded.

First, the Alliance suggests that ENO should have undertaken accelerated resiliency investments at some unspecified time in the past, and that ENO has reduced O&M expenses to obtain profits.⁹ Those accusations are wrong and unfounded. During two major rate cases since Hurricane Katrina, no party or stakeholder – not even the Alliance – suggested that the Company undertake a comprehensive resiliency plan and spend hundreds of millions of dollars (and increase customers' rates) to further harden its electric system.¹⁰ Moreover, as explained in its Filing, the Company and the Council have worked together on storm hardening, and its prior storm hardening strategies were approved by this Council.¹¹ In addition, the Company has made

⁸ For example, if ENO incurred \$800,000 in conductor handling costs in 2025 and was authorized to capitalize those costs, ignoring income taxes and assuming an applicable depreciation rate of 3% and 6.5% return on rate base, ENO would recover approximately \$74,000 in 2025. On the other hand, if ENO incurred \$800,000 in conductor handling costs in 2025 but was not authorized to capitalize those costs, ENO would recover \$800,000 in 2025.

⁹ Alliance Comments, pp. 2-4.

¹⁰ In 2008, ENO filed its first base rate case after Hurricane Katrina and Rita and ENO's emergence from bankruptcy. Hurricane Katrina and the prolonged flooding from the multiple levee failures caused unprecedented damage to ENO's electric and gas infrastructure, and the cost of restoration was extraordinary. During this rate case, Hurricanes Gustav and Ike caused significant damage to ENO's infrastructure. Despite these events, no one advocated that ENO should undertake a comprehensive storm hardening plan that would increase customers' rates. Ten years later, in 2018, ENO filed its second base rate case. In its plant additions adjustment, ENO sought recovery of the costs of storm hardening projects expected to be completed in 2018. Again, no one advocated that ENO should do more storm hardening or commence a comprehensive storm hardening plan.

¹¹ By way of example, upon Council approval in July 2017, the Company executed an approximately \$30 million storm hardening plan, which included pole treatment or replacement, targeted equipment for replacement or upgrade, grid sectionalization and automation, and circuit reconfiguration. See Council Resolution R-17-331.

significant investments in its distribution system and worked to maintain its system¹² – all of which have produced results. Further, before the recent intensification in strength and frequency of storms, making investment of the magnitude needed to withstand these new storms would not have been cost-effective, not to mention that the technology that is available today to increase resiliency was not available following Hurricane Katrina, the last storm of the size and magnitude of the hurricanes that struck Louisiana in 2020 and 2021. In this docket, the Company has proposed to accelerate its resiliency investments to provide additional benefits to customers.

Second, the Alliance complains that the Federal Emergency Management Agency (“FEMA”) did not select certain applications from ENO requesting funding for projects to enhance resiliency through FEMA’s Building Resilient Infrastructure and Communities (“BRIC”) Program.¹³ Every state and territory, including 36 tribes, submitted 788 applications requesting \$4.16 billion in federal cost share funding. FEMA made a total of \$1.16 billion available to be awarded for BRIC projects, funding 389 applications totaling \$994 million. Whether or not FEMA awards ENO BRIC funding is completely beyond ENO’s control. While not every request for federal funding will be granted, federal funding likely will not cover nearly all costs associated with a master resiliency plan for New Orleans, and such grants have a matching requirement. Nonetheless, ENO continues to diligently explore the availability of federal funding for resiliency, in particular under the Infrastructure Investment and Jobs Act

¹² To the extent the Alliance’s comments regard vegetation management, ENO is currently working a 1½ year trimming cycle and seeks to remove reported danger trees (*i.e.*, damaged, dying, diseased, decayed, leaning, or otherwise compromised trees) located outside ENO’s rights-of-way that might endanger the Company’s conductors and structures, particularly during storm events, through negotiations with private property owners. And, from time to time, as required, the Company will initiate a focused effort to address areas where ENO’s cycle-maintenance vegetation program may not fully address reliability needs.

¹³ Alliance Comments, p. 3.

(“IIJA”), to help offset costs to customers. In the last round of comments, the Company provided an update on its continued efforts to obtain federal funding.

Third, the Alliance mentions certain concepts such as time-of-use rates, Energy Smart incentives, property tax abatements, and Renewable Energy Credits (“RECs”).¹⁴ The Alliance, however, fails to explain how these concepts will enhance resiliency in the face of more frequent and intense storm events, or otherwise lead to the development of a master resiliency plan for New Orleans. Indeed, those concepts are no substitute for the comprehensive hardening that the Company proposed in its Filing.¹⁵ To the extent the Alliance may wish to further explore those concepts, the Alliance can do so in a variety of other pending dockets at the Council.¹⁶ But those concepts – and those other dockets– should not distract from the ongoing resiliency efforts in this docket.¹⁷

Finally, the Alliance seems to suggest a two-step approach for pursuing resiliency projects. The first step is to proceed with consensus projects, and the next step is to consider a master resiliency plan through a mediated approach.¹⁸ To be clear, the Company must propose comprehensive hardening to strengthen the electric grid against storms for all New Orleanians by providing an enhanced, resilient backbone and undertaking the additional resiliency efforts that have been proposed. The Company supports the procedural schedule approved by the Council as

¹⁴ Alliance Comments, p. 3.

¹⁵ Likewise, the “resiliency hubs” of TNO or the Get Lit Stay Lit Project of Feed the Second Line – which the Alliance suggests – are no substitute for the Company’s proposed hardening. Alliance Comments, p. 3.

¹⁶ See, e.g., UD-17-04, UD-18-03, UD-19-01, UD-22-02, UD-22-03, and UD-22-04. The Alliance itself lists several pending dockets before the Council. Those other dockets, contrary to the Alliance’s claim, do not involve resiliency planning. Alliance Comments, pp. 4-5. Such planning is the focus of this docket.

¹⁷ In fact, to keep the focus squarely on resiliency, the Council recently carved out of this docket any consideration of time-of-use rates. Resolution 22-411, p. 4 (“[B]ecause time-of-use rates are primarily a demand response measure rather than a storm hardening and storm resiliency measure, the Council finds that time-of-use rate proposals would be most properly considered in the new rulemaking docket the Council is establishing concurrently with the issuance of this Resolution rather than in this proceeding[.]”). By the same token, there is no need to inject Energy Smart incentives, property tax abatements, and RECs into this resiliency docket.

¹⁸ Alliance Comments, pp. 5-6.


the best and most efficient path forward for the parties to propose their respective plans to the Council to enhance resiliency in the face of more frequent and intense storm events. Notwithstanding that, the parties should continue their collaboration.

CONCLUSION

ENO appreciates the opportunity to submit these Reply Comments. The Company looks forward to continuing this collaborative process with the parties, the Advisors, the Council, and other stakeholders.

Respectfully submitted,

By:



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CERTIFICATE OF SERVICE

UD-21-03

I hereby certify that I have served the required number of copies of the foregoing pleading upon all other known parties of this proceeding individually and/or through their attorney of record or other duly designated individual.

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New Orleans, Louisiana, this 7th day of December, 2022



Edward R. Wicker, Jr.