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December 15, 2022

*VIA ELECTRONIC MAIL (lwjohnson@nola.gov)*

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

Re: In Re: System Resiliency and Storm Hardening  
CNO Docket UD-21-03  
File No. 7717-50

Dear Ms. Johnson:

Enclosed please find attached for electronic filing, Air Products and Chemicals, Inc.'s ("Air Products") Request to Submit Reply Comments Out of Time and Reply Comments in the referenced docket. As confirmed with your office, the requisite original and number of hard copies are not mandatory to formalize this filing in the docket.

Should you have any questions regarding the above, please do not hesitate to contact me. Thank you for your assistance with this matter.

Very truly yours,



Carrie R. Tournillon

CRT/tp  
Enclosure

cc: Official Service List UD-21-03 (via electronic mail)

**BEFORE THE  
NEW ORLEANS CITY COUNCIL**

**IN RE: SYSTEM RESILIENCY AND  
STORM HARDENING.**

**DOCKET NO. UD-21-03  
December 15, 2022**

**AIR PRODUCTS AND CHEMICALS, INC.  
REQUEST TO SUBMIT REPLY COMMENTS OUT OF TIME  
AND  
REPLY COMMENTS**

Air Products and Chemicals, Inc. ("Air Products") respectfully requests to be granted leave to submit these Reply Comments in the referenced docket in response to comments filed by Entergy New Orleans, LLC ("ENO") on November 7, 2022.

**I. Request to Submit Reply Comments Out of Time**

Based on discussions during the initial technical conference in this docket, Air Products believed the cost recovery mechanism proposed by ENO in its July 1, 2022, filing, the proposed "Resiliency Rider," was considered premature and to be considered after a resiliency plan was to be developed. However, based on comments and reply comments of ENO and the Alliance for Affordable Energy ("Alliance") - - the only two parties to file comments at this point in the proceeding - - the proposed Resiliency Rider appears to be teed up for discussion now, even though projects have not been finalized and availability of alternative funding sources not yet determined.

Air Products further submits that its Reply Comments are only in response to ENO's initial comments, dated November 7, 2022, and do not address reply comments of ENO or the Alliance, so as not to prejudice either party, and that receipt of Air Products'

Reply Comments to ENO’s initial comments on this date, versus in final comments due next spring, only benefits parties in that they are informed of Air Products’ position on the proposed Resiliency Rider prior to the anticipated additional technical conference(s) and the filing of final comments.

WHEREFORE, Air Products requests that its Reply Comment be accepted in the record.

## **II. Reply Comments of Air Products to ENO Initial Comments**

### **Approval of Resiliency Rider is Premature**

In its initial comments filed on November 7, 2022, ENO re-urged its request in its Resiliency and Storm Hardening Plan (dated July 1, 2022) to recover costs of its proposed projects from customers through a Resiliency and Storm Hardening Cost Recovery Rider (“Resiliency Rider”).<sup>1</sup> The Resiliency Rider was attached to ENO’s July 1, 2022 filing at Exhibit C. However, ENO also indicated in its comments that it intends to apply for federal funds that may offset ENO’s the cost of its resiliency proposal to benefit customers.<sup>2</sup> Further, ENO indicated that more discussions are needed to develop a “master resiliency plan” that could incorporate the City of New Orleans resiliency and hardening objectives, and additional meetings are to be had with the City and other stakeholders to discuss overall resiliency strategy for New Orleans.<sup>3</sup> In other words, ENO’s proposal is not the final plan for implementation of resiliency and storm

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<sup>1</sup> ENO Comments at 6-7 (November 7, 2022).

<sup>2</sup> ENO Comments at 8 (November 7, 2022).

<sup>3</sup> ENO Comments at 8-9 (November 7, 2022).

hardening projects and opportunities for alternative funding sources has not yet been determined.

In addition, at the initial technical conference held on August 18, 2022, concern was expressed regarding the prematurity of discussing cost recovery and cost allocation when do not yet have a plan agreed upon. Yet, in its initial comments, ENO continued to pursue approval of its proposed Resiliency Rider.<sup>4</sup>

Air Products submits that a determination cannot and should not be made on the proposed Resiliency Rider when projects have not yet been finalized such that no such plan yet exists. Allocation of the cost of the plan should be determined based on the project types and customer benefits to be achieved, which can only be known after a “master resiliency plan” has been finalized.

### **Any Cost Recovery Mechanism Should Follow Principle of Cost Causation**

It is premature to approve a rider for cost recovery of a plan that does not yet exist because the final list of projects and anticipated benefits of those projects is not yet known. Any mechanism to recover cost of resiliency and storm hardening projects should follow cost causation or else will have unequitable results.

Based on what has been presented to date by ENO (and others) the focus of proposed plan is distribution hardening:

- ENO’s proposal includes 888 distribution projects and 2 transmission projects, with a total budget estimate for all projects of approximately \$1.3 billion;<sup>5</sup>

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<sup>4</sup> ENO Comments at 6-7 (November 7, 2022).

<sup>5</sup> ENO Resiliency and Storm Hardening Filing at 11-13 (July 1, 2022).

- The distribution projects account for \$1.223 billion of the \$1.276 billion total budget estimate - - *distribution projects are 95.8% of ENO's total budget estimate;*<sup>6</sup> and
- The transmission projects account for \$53 million of the \$1.276 billion total budget estimate - - *transmission projects are 4.2% of the total budget estimate.*<sup>7</sup>

Yet, ENO's proposed Resiliency Rider allocates the \$1.3 billion in costs to all customer classes based on their percent of base revenue, instead of cost allocation factors used in prior rate cases and Electric FRP reports (*i.e.*, the Transmission Demand Allocation Factor and the Maximum Diversified Demand Allocation Factor).<sup>8</sup> Given that all but 4.2% of the cost of ENO's proposed resiliency and storm hardening projects are for improving its distribution system, use of an equal percent of base rate revenue allocation is nonsensical and prejudices customers taking service at transmission voltage who do not use or benefit from ENO's distribution system.

ENO submits that usage of ENO's transmission and distribution systems is not driving the resiliency projects, and that the purpose of the resiliency projects is to have facilities that are less susceptible to storms and can be more expeditiously and economically returned to service after the storm.<sup>9</sup> However, this explanation ignores that the reason customers need distribution facilities returned to service after the storm is to be able to use the facilities. Thus, customer use of the facilities being hardened or made

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<sup>6</sup> ENO Resiliency and Storm Hardening Filing at 11-13 (July 1, 2022).

<sup>7</sup> ENO Resiliency and Storm Hardening Filing at 11-13 (July 1, 2022).

<sup>8</sup> Entergy Resiliency and Storm Hardening Filing at 19 (July 1, 2022).

<sup>9</sup> ENO Resiliency and Storm Hardening Filing at 19, FN 42 (July 1, 2022).

more resilient is entirely relevant to the need for the resiliency and storm hardening plan. ENO's proposal focuses that need on the use of distribution facilities, which are used by customers taking service at distribution voltage without benefit to those taking service at transmission voltage.

Charging customers who are receiving service at transmission voltage, who do not use distribution facilities, the same rate as distribution level customers for a plan in which 95.8% of the costs are unrelated to the transmission level customers electric service defies the principle of cost causation and is inequitable. ENO points to the Securitized Storm Recovery Rider ("SSCR Rider") that was approved for recovery of Hurricane Isaac costs and the 2015 replenishment of ENO's storm reserve as an example for approval of its proposed Resiliency Rider and equal percent base revenue recovery of project costs. However, the SSCR Rider is likewise contrary to cost causation principles and inequitable (and should be revised and corrected with respect to Hurricane Ida storm costs). It is not reasonable to replicate such an unfair cost allocation approach for recovery of more than \$1 billion in future resiliency and storm hardening project costs.

Air Products objects to the develop and implementation of any cost recovery proposal that requires transmission level customers to pay and equal percent of the costs driven by improvements to the distribution system. Rather, the costs of the "master resiliency plan" should be functionalized between distribution and transmission system projects and allocated to customer classes based on the type of service they receive. Knowing the type of projects included in the "master resiliency plan" is a prerequisite to allocation of the costs of those projects to customers.

RESPECTFULLY SUBMITTED:



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*Attorneys for Air Products and Chemicals, Inc.*

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing pleading has been served by electronic delivery to the Clerk of Council and all known parties of record on the Official Service List.

New Orleans, Louisiana this 15<sup>th</sup> day of December , 2022.



Carrie R. Tournillon