



Entergy Services, Inc.
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Timothy S. Cragin
Assistant General Counsel
Legal Services - Regulatory

January 30, 2018

Via Hand Delivery

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

***Re: Application of Entergy New Orleans, Inc. for Approval to Deploy Advanced Metering Infrastructure, and Request for Cost Recovery and Related Relief
CNO Docket No. UD-16-04***

Dear Ms. Johnson:

Please find enclosed for your further handling an original and three copies of Entergy New Orleans, Inc. ("ENO") Stipulated Settlement Term Sheet in Council Docket No. UD-16-04. Please file an original and two copies into the record in the above referenced matter, and return a date stamped copy to our courier.

Thank you for your assistance with this matter.

Sincerely,

Timothy S. Cragin

Enclosure

cc: Official Service List (*via electronic mail*)

RECEIVED
JAN 30 2018

BY:

JAN 30 2 41

**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 the basis for an agreement in principle to be presented to the Council for approval. The only Intervenor, the Alliance for Affordable Energy, either supports or does not oppose this settlement term sheet, as designated by the signature of its representative below.

1. 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. ENO’s estimate for the total capital investment of AMI is approximately \$75 million. 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 Faruqi.

2. On May 25, 2016, the Council's Advisors filed the Direct Testimony of Joseph Vumbaco, P.E., Byron Watson, CFA, Victor Prep, P.E., and Courtney Crouch, which recommended that the Council find that ENO's proposed AMI Implementation is in the public interest, subject to certain conditions.

3. 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, and the installation of new advanced meters and supporting systems and equipment, and a customer education plan, as modified herein is in the public interest, serves the public convenience and necessity, and therefore is prudent.

4. The prudence determination 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, in the long-term, benefits in excess of the costs of AMI on a combined electric and gas basis.

5. The prudence determination 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 as modified herein.

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

7. 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, time differentiated pricing, and specially designed customer options, among other system and customer benefits.

8. ENO is not authorized to defer AMI-related customer education expenses or AMI-related O&M expenses prior to implementation of new rates approved by the Council as part of the 2018 Combined Rate Case provided for in Resolution R-15-194 (“2018 Rate Case”).

9. ENO and Advisors have different positions regarding the regulatory ratemaking treatment of plant expected to be retired as part of AMI implementation, and they have resolved their differences by agreeing to accept, for purposes of this settlement, the specific amounts and amortization period set forth below in this paragraph without agreeing to the principles or methodology used to derive the amounts or determine the amortization period and agreeing that said derivation and determination shall have no precedential effect beyond the treatment specified in this paragraph, with all parties reserving all rights to argue their respective positions or any other position in future proceedings. Upon commencement of AMI deployment, ENO is authorized to reclassify the amount of the remaining net book value as of 12/31/2017 for the existing plant that will be retired as a result of the AMI deployment to separate electric and gas regulatory assets (in FERC account 182.2). These regulatory assets shall be amortized in a straight-line manner over 12 years, starting with the effective date of new rates resulting from ENO’s 2018 Rate Case. These regulatory assets shall be excluded from rate base. However, ENO will be allowed to include \$2,400,000 per year in its annual electric revenue requirement and \$360,000 in its gas revenue requirement (“Retired Plant Revenue Requirements”) for a period of twelve (12) years, coinciding with the amortization of the regulatory assets described above. ENO’s 2018 Rate Case shall include the Retired Plant Revenue Requirements and any

remaining net book value in the electric and gas meter accounts in its Period 1 and Period 2 proforma adjustments used in setting rates.

10. The prudently incurred costs associated with constructing, installing, owning, and operating AMI are eligible for recovery from ENO's customers through ENO's Council-approved electric and gas rates resulting from a final order of the Council on 2018 Rate Case. Nothing herein shall prohibit any party from advancing a specific form of cost recovery for AMI revenue requirements for Council consideration in the 2018 Combined Rate Case (i.e., base rates, special rider, customer service charge, etc.), but it is hereby agreed that the cost recovery mechanism implemented shall provide a reasonable opportunity for the Company to timely recover its incremental AMI revenue requirement subsequent to cost recovery included in rates established for AMI in the 2018 Rate Case.

11. As part of ENO's 2018 Rate Case filing, ENO may 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) any Customer Education Expense for 2019 not provided for as part of an Energy Smart program; 3) the Ongoing AMI O&M Expense for 2019; 4) Retired Plant Revenue Requirements; and 5) an offset for Operational Benefits expected to be realized in 2019; (collectively, the "2019 AMI Revenue Requirements").

12. As part of ENO's 2018 Rate Case filing, ENO's cost of service studies filed therein shall include and allocate AMI-related costs and savings, including proforma adjustments.

13. Irrespective of the rate design method for recovery of the AMI Revenue Requirements, 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.

14. 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 in 2018 prior to meter deployment for approval of the opt-out fees consistent with the methodology described by Mr. Lewis, which shall be designed to avoid the shifting of opt-out-related costs from opt-out customers to all other customers. The Parties in this case will convene a technical conference within 4 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.

15. ENO will file semi-annual (every six months) reports on the progress of the AMI deployment, with the first report being due August 15, 2018 and concluding with a final report six month after the AMI deployment is complete.

16. The Parties also agree to convene a technical conference within 3 months of this Stipulation to discuss any potential to utilize AMI technology for Energy Smart Programs; to combine the AMI Customer Education Program with the existing Energy Smart Behavioral Pilot Program, and the feasibility of a portal for third-parties with customer granted access to specific usage information, including any legal and security issues related thereto.

17. 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.

18. 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: CHARLES L. RICE, JR.

REPRESENTING
ENTERGY NEW ORLEANS, INC.

By:  _____

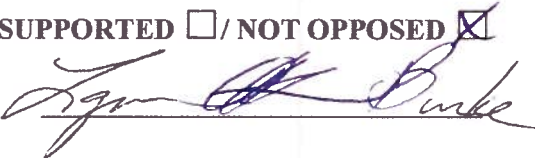
Name: Clinton A. Vance

REPRESENTING
NEW ORLEANS CITY COUNCIL'S ADVISORS

SUPPORTED OR NOT OPPOSED BY THE FOLLOWING SIGNATORIES:

SUPPORTED / NOT OPPOSED

By:



Name: Logan A. Burke

REPRESENTING
ALLIANCE FOR AFFORDABLE ENERGY