



Entergy New Orleans, LLC  
1600 Perdido Street, Bldg #505  
New Orleans, LA 70112  
Tel 504 670 3680  
Fax 504 670 3615

**Gary E. Huntley**  
Vice President, Regulatory Affairs  
ghuntle@entergy.com

September 21, 2018

**Via Hand Delivery**

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

**Re: *Application of Entergy New Orleans, LLC for a Change in Electric and Gas Rates Pursuant to Council Resolutions R-15-194 and R-17-504 and For Related Relief;***  
**CNO Docket UD-18-\_\_**

Dear Ms. Johnson:

Enclosed are an original and three copies of an application with supporting testimony, exhibits (and where necessary, workpapers) of fifteen witnesses on behalf of Entergy New Orleans, LLC ("ENO" or the "Company") pursuant to the Council of the City of New Orleans' ("Council") Resolutions R-15-194 and R-17-504. The filing includes ENO's request for a change in electric and gas rates and new rate schedules applicable to electric and gas service. This filing includes a Period I Test Year ending December 31, 2017 and a forecasted Period II Test Year ending December 31, 2018, and consists of the following materials:

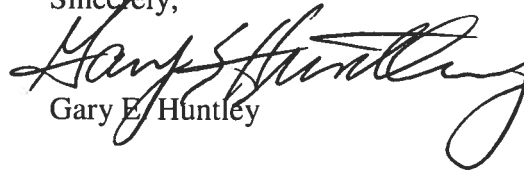
- 1) NOTICE identifying the nature of the documents pertaining to the filing and stating the right of the public to inspect and copy the documents;
- 2) A cover sheet Summary of ENO's filing summarizing the contents of the filing and the effect upon a typical customer in each of the major customer classes affected thereby;
- 3) Present Electric and Gas Rate Schedule;
- 4) Proposed Electric and Gas Rate Schedule;
- 5) Summaries of forecasted electric and gas revenues for ENO for the year ended December 31, 2018, and the corresponding net effect of the proposed changes;
- 6) Summary of revenue requirements for Period I and Period II; and
- 7) Analyses of the application of electric and gas rates to residential, commercial, and industrial bills.

Certain portions of the Company's filing contain commercially sensitive material, the public disclosure of which likely presents an unreasonable risk of harm to the Company and its customers. As such, this material is being provided to the Council's Advisors in accordance with the Council's Official Protective Order set forth in Resolution R-07-432.

ENO requests that you file the original and duplicates of the application in accordance with Council regulations. In addition, accompanying this letter is a Notice and Summary of the contents of the filing. The Company's understanding is that your office will arrange for a timely and proper publication of the document, the charges for which the Company will honor promptly upon receipt of an invoice. Further, ENO will make available, at each operating branch of the New Orleans Public Library and at the Company's Customer Care Centers, a copy of the filing for public inspection and copying at the requestor's cost.

Finally, the Company's filing is voluminous and as such ENO has provided both hard copies and electronic copies of its filing to the Clerk of Council. All other required services are being provided in electric format only. In the event any party below requires a hard copy of the filing, please do not hesitate to contact Alyssa Maurice-Anderson at (504) 576-6523.

Sincerely,



Gary E. Huntley

/ama

Enc. (4)

cc (e-copy only):

- All Members of the Council of the City of New Orleans
- Honorable LaToya Cantrell, Mayor
- Council Utilities Regulatory Office: Attention Ms. Bobbie F. Mason, Esq.
- Council Research Staff: Ms. Theresa R. Becher
- City Attorney: Sunni LeBoeuf, Esq.
- Dept. of Finance: Norman White
- All New Orleans Public Libraries
- Clint A. Vince, Esq.
- Presley R. Reed, Esq.
- Emma F. Hand, Esq.
- Herminia Gomez, Esq.
- Basile J. Uddo, Esq.
- J. A. "Jay" Beatmann, Jr., Esq.
- Ms. Kelley Bazile
- Philip J. Movish
- Joseph W. Rogers
- Victor M. Prep
- Byron S. Watson
- Errol Smith
- Erin Spears



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**Gary E. Huntley**  
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ghuntle@entergy.com

September 21, 2018

City of New Orleans  
Public Libraries

**Re: *Application of Entergy New Orleans, LLC for a Change in Electric and Gas Rates Pursuant to Council Resolutions R-15-194 and R-17-504 and For Related Relief;***  
**CNO Docket UD-18-\_\_**

Entergy New Orleans, LLC ("ENO") hereby deposits with the main branch of the New Orleans Public Library and each satellite branch in the Company's service territory for public inspection and copying, at the expense of the person requesting any copies, the following documents that relate to the September 21, 2018 filings on behalf of ENO:

- 1) NOTICE identifying the nature of the documents pertaining to the filing and stating the right of the public to inspect and copy the documents;
- 2) A cover sheet Summary of the enclosed filing summarizing the contents of and describing the effects thereof; and
- 3) A copy of the enclosed filing.

The supporting workpapers to the filing contain information that is designated as Highly Sensitive Protected Materials ("HSPM") and the workpapers are being produced only to the appropriate Reviewing Representatives under the terms of the provisions of the Official Protective Order adopted pursuant to Council Resolution R-07-432 relative to the disclosure of Protected Materials.

Sincerely,  
  
Gary E. Huntley

/ama  
Enc. (1)



Entergy New Orleans, LLC  
1600 Perdido Street, Bldg #505  
New Orleans, LA 70112  
Tel 504 670 3680  
Fax 504 670 3615

September 21, 2018

Gary E. Huntley  
Vice President, Regulatory Affairs  
ghuntle@entergy.com

**VIA HAND DELIVERY**

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

**Re: *Application of Entergy New Orleans, LLC for a Change in Electric and Gas Rates Pursuant to Council Resolutions R-15-194 and R-17-504 and For Related Relief;*  
CNO Docket UD-18-\_\_**

Dear Ms. Johnson:

Enclosed is a copy of the "Notice and Summary" for the above referenced filings of Entergy New Orleans, LLC. In accordance with Section 158-192 of the Code of the City of New Orleans. This advertisement must be published within one week in the official journal of the City of New Orleans ("*Times Picayune*"). The Times Picayune has an account for Entergy New Orleans, LLC and can bill the Company directly. Please expedite this advertisement being placed, as it is time sensitive. The Company further requests the notice to be run once a week for three consecutive weeks.

Thank you for your courtesy and assistance with this matter. If you have any questions, please contact Alyssa Maurice-Anderson at (504) 576-6523.

Sincerely,

A handwritten signature in black ink that reads "Gary E. Huntley".

Gary E. Huntley

/ama

Enc.

cc: Erin C. Spears

Denise M. Russ – Word documents of Notice & Summary sent by electronic mail to [DMRuss@nola.gov](mailto:DMRuss@nola.gov)

## **NOTICE**

Attached is a summary of an application with supporting testimony and exhibits made by Entergy New Orleans, LLC (“ENO”) with the Council of the City of New Orleans (“Council”) pursuant to Resolutions R-15-194 and R-17-504. The filing includes ENO’s request for a change in electric and gas rates, new services, and new rate schedules applicable to electric and gas service. The cover sheet summarizes the filing, and attached to the cover sheet summary is a copy of the filing so that anyone who wishes to may review the filing and may make a copy, at that person’s expense. A copy of this notice, the summary, and the filing is to be located at the main branch and every satellite branch of the New Orleans Public Library and also at the Entergy New Orleans, LLC Customer Care Centers located in Orleans Parish. A copy will also be available at the office of the Clerk of Council of the City of New Orleans.

**ENTERGY NEW ORLEANS, LLC**

**SUMMARY OF ENTERGY NEW ORLEANS, LLC'S APPLICATION FOR A CHANGE IN ELECTRIC AND GAS RATES  
PURSUANT TO COUNCIL RESOLUTION R-15-194 AND R-17-504**

Entergy New Orleans, LLC (“ENO”) filed an application with supporting testimony and exhibits (and where necessary, workpapers) of fifteen witnesses pursuant to Council Resolutions R-15-124 and R-17-504. The filing includes ENO’s request for a change in electric and gas service rates, new services and new rate schedules applicable to electric and gas service. In accordance with the Standard Filing Requirements, this filing presents a Period I Test Year, twelve months ending December 31, 2017, and a Period II Test Year, the twelve months ending December 31, 2018. The basis of the Company’s request is the forecasted Period II Test Year twelve months ending December 31, 2018. The Company proposes to reduce the overall electric revenue requirement by approximately \$20 million. The Company also proposes to reduce the overall gas revenue requirement by approximately \$142,000. The Company also proposes to change the electric and gas customer charges to all customers on a revenue-neutral basis. The estimated net effects of these proposed rate changes on typical monthly customer bills are shown below.

The net effects of these proposed rate changes on typical monthly electric summer bills are as follows:

<b>Estimated Typical Monthly Electric Bill Summer (inc AMICE &amp; EECR) (\$)</b>							
<b>Customer Type</b>	<b>Energy (kWh)</b>	<b>Demand (kW)</b>	<b>Present Rate</b>	<b>Proposed Rate (Phase I)</b>	<b>Difference</b>	<b>Proposed Rate (Phase II)</b>	<b>Difference</b>
Residential Legacy	1000		\$ 122.11	\$ 124.13	\$ 2.02	\$ 124.13	\$ -
Residential Algiers	1000		\$ 104.28	\$ 107.93	\$ 3.65	\$ 111.69	\$ 3.76
Small Electric Legacy	1,825	10	\$ 242.69	\$ 252.62	\$ 9.93	\$ 252.62	\$ -
Small Electric Algiers	1,825	10	\$ 265.13	\$ 247.27	\$ (17.86)	\$ 247.27	\$ -
Large Electric Legacy	91,250	250	\$9,552.67	\$ 9,213.95	\$ (338.72)	\$ 9,213.95	\$ -
Large Electric - HLF Algiers	91,250	250	\$8,439.13	\$ 9,236.05	\$ 796.92	\$ 9,192.81	\$ (43.24)

**Note: SSCO/SSCR revenues remain static to collect the same level of revenues after the implementation of new rates.**

The net effects of these proposed rate changes on typical monthly gas winter bills are as follows:

<b>Estimated Typical Monthly Gas Winter (inc AMICE &amp; EECR) (\$)</b>				
<b>Customer Type</b>	<b>Consumption</b>	<b>Present Rate</b>	<b>Proposed Rate</b>	<b>Difference</b>
Residential	100 ccf	\$ 82.11	\$ 81.24	\$ (0.87)
Commercial	50 mcf	\$ 428.66	\$ 414.00	\$ (14.66)
Industrial	1,000 mcf	\$ 6,944.09	\$ 6,876.56	\$ (67.53)

As part of its filing, ENO seeks to introduce new rate schedules/riders, modify and/or withdraw existing rate schedules, and to modify the Service Regulations Applicable to Electric and Gas Service.

**Written comments should be filed with the City Council Utilities Regulatory Office -City Hall, Room 6E07, 1300 Perdido Street, New Orleans, LA 70112. Phone (504) 658-1110 for more information.**

**ENTERGY NEW ORLEANS, LLC**

## NOTICE

Attached is a summary of an application with supporting testimony and exhibits made by Entergy New Orleans, LLC (“ENO”) with the Council of the City of New Orleans (“Council”) pursuant to Resolutions R-15-194 and R-17-504. The filing includes ENO’s request for a change in electric and gas rates, new services, and new rate schedules applicable to electric and gas service. The cover sheet summarizes the filing, and attached to the cover sheet summary is a copy of the filing so that anyone who wishes to may review the filing and may make a copy, at that person’s expense. A copy of this notice, the summary, and the filing is to be located at the main branch and every satellite branch of the New Orleans Public Library and also at the Entergy New Orleans, LLC Customer Care Centers located in Orleans Parish. A copy will also be available at the office of the Clerk of Council of the City of New Orleans.

### SUMMARY OF ENTERGY NEW ORLEANS, LLC’S APPLICATION FOR A CHANGE IN ELECTRIC AND GAS RATES PURSUANT TO COUNCIL RESOLUTION R-15-194 AND R-17-504

Entergy New Orleans, LLC (“ENO”) filed an application with supporting testimony and exhibits (and where necessary, workpapers) of fifteen witnesses pursuant to Council Resolutions R-15-124 and R-17-504. The filing includes ENO’s request for a change in electric and gas service rates, new services and new rate schedules applicable to electric and gas service. In accordance with the Standard Filing Requirements, this filing presents a Period I Test Year, twelve months ending December 31, 2017, and a Period II Test Year, the twelve months ending December 31, 2018. The basis of the Company’s request is the forecasted Period II Test Year twelve months ending December 31, 2018. The Company proposes to reduce the overall electric revenue requirement by approximately \$20 million. The Company also proposes to reduce the overall gas revenue requirement by approximately \$142,000. The Company also proposes to change the electric and gas customer charges to all customers on a revenue-neutral basis. The estimated net effects of these proposed rate changes on typical monthly customer bills are shown below.

The net effects of these proposed rate changes on typical monthly electric summer bills are as follows:

<b>Estimated Typical Monthly Electric Bill</b>							
<b>Summer (inc AMICE &amp; EECR)</b>							
<b>(\$)</b>							
<b>Customer Type</b>	<b>Energy (kWh)</b>	<b>Demand (kW)</b>	<b>Present Rate</b>	<b>Proposed Rate (Phase I)</b>	<b>Difference</b>	<b>Proposed Rate (Phase II)</b>	<b>Difference</b>
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**Note: SSCO/SSCR revenues remain static to collect the same level of revenues after the implementation of new rates.**

The net effects of these proposed rate changes on typical monthly gas winter bills are as follows:

<b>Estimated Typical Monthly Gas</b>				
<b>Winter (inc AMICE &amp; EECR)</b>				
<b>(\$)</b>				
<b>Customer Type</b>	<b>Consumption</b>	<b>Present Rate</b>	<b>Proposed Rate</b>	<b>Difference</b>
Residential	100 ccf	\$ 82.11	\$ 81.24	\$ (0.87)
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**Written comments should be filed with the City Council Utilities Regulatory Office -City Hall, Room 6E07, 1300 Perdido Street, New Orleans, LA 70112. Phone (504) 658-1110 for more information.**

**ENTERGY NEW ORLEANS, LLC**

**BEFORE THE  
COUNCIL OF THE CITY OF NEW ORLEANS**

<b>APPLICATION OF</b>	)	
<b>ENTERGY NEW ORLEANS, LLC</b>	)	
<b>FOR A CHANGE IN ELECTRIC AND</b>	)	
<b>GAS RATES PURSUANT TO</b>	)	<b>DOCKET NO. UD-18-__</b>
<b>COUNCIL RESOLUTIONS R-15-194</b>	)	
<b>AND R-17-504 AND FOR RELATED</b>	)	
<b>RELIEF</b>	)	

**REVISED APPLICATION OF ENTERGY NEW ORLEANS, LLC  
FOR A CHANGE IN ELECTRIC AND GAS RATES PURSUANT TO COUNCIL  
RESOLUTIONS R-15-194 AND R-17-504 AND FOR RELATED RELIEF**

Entergy New Orleans, LLC (“ENO” or the “Company”) respectfully files this Revised Application for Authority to Change Electric and Gas Rates, Approval of Proposed Electric and Gas Formula Rate Plans, and Related Relief (“Revised Application”), with the Council of the City of New Orleans (“Council”) as described below. ENO’s Revised Application, like its previous application, is not about receiving more revenue from customers overall; in fact, ENO is proposing to receive less revenue from customers overall. ENO seeks to implement an overall revenue reduction of just over \$20 million in order to reflect the Company’s cost of providing electric and gas service. The major issue before the Council is how much electric revenue should ENO seek to recover from the various segments of its customers when combining the rate structures of its Algiers customers and its Legacy ENO customers residing on the East Bank of the Mississippi River and realigning costs from riders to the combined rate structure.

The thoughtful feedback in response to the previous application was that the Company needed to develop a better path toward a combined rate structure. In the Revised Application, ENO now requests that the Council consider the proposed Algiers Residential Rate Transition (“ARRT”) Plan. The ARRT Plan calls for a gradual path to a single, combined rate structure for



both Legacy ENO and Algiers residential customers through consideration of appropriate cost allocation and rate design, a three-year phase-in that mitigates rate shock to Algiers residential customers, and collaborative exploration of rate class cost allocation and rate design alternatives to reduce the amount of the phase-in needed for Legacy ENO and Algiers residential rates to reach parity.

The feedback also included concern for the Company's reliability performance. ENO now proposes the Reliability Incentive Mechanism ("RIM") Plan, which would affect the base rates to be set in this proceeding and afterwards through the proposed Electric Formula Rate Plan ("FRP"). Under the RIM Plan, ENO proposes that the earnings component of its electric base rates be correlated to reliability performance through an adjusted return on equity formula, included in the FRP that features a Reliability Adjustment. Furthermore, for this proceeding, ENO proposes that the Reliability Adjustment be deemed to be a negative amount so that the electric base rate revenue requirement is determined based on a lower ROE than used previously. Only if ENO is able to improve its distribution reliability performance and improve service to its customers would the earnings component of ENO's electric base rates increase.

Although these two new proposals respond to issues that are in the forefront of the Councilmembers' and customers' minds, there are many other important proposals presented in the Revised Application, which were the subject of the previous application. As discussed below, these proposals revolve around the technological advances and related investment that stand to transform ENO so that ENO can meet customers' evolving expectations and the Council's policies and objectives.

## Overview of Revised Rate Application

### 1.

ENO's revised rate application request reflects three principal components: (1) a new electric rate structure, which realigns the revenue requirement associated with capacity and long-term service agreement expense from certain existing riders to base revenue, and provides for the recovery of the cost of Advanced Metering Infrastructure ("AMI"), and that partially blends rates for ENO's customers residing in Algiers with customers residing in the remainder of Orleans Parish; (2) contemporaneous cost recovery riders for investments in energy efficiency/demand response, incremental changes in capacity/Long-Term Service Agreement ("LTSA") costs, grid modernization investment, and for Gas Infrastructure Replacement investment; and (3) FRPs, one for Electric operations and one for Gas operations. The proposed Electric FRP includes a Reliability Incentive Mechanism to incentivize increased reliability on ENO's electric system by aligning the reliability of ENO's distribution system with its Council-authorized Return on Equity ("ROE") and also proposes a decoupling mechanism, as required by the Council.<sup>1</sup> Through its proposed rate structure, ENO seeks to position itself to support its customers' and the Council's ability to take advantage of the significant advances in technology that are occurring in the delivery of energy and the level of service expected by customers.

### 2.

Technology is driving rapid and transformational changes in how people live and work; it affects virtually every aspect of culture, society, and everyday lives. Advancements like the smartphone and other "smart" devices are continually improving daily lives by giving people better ways to accomplish a myriad of tasks, such as ordering a pizza, hailing a ride, or

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<sup>1</sup> Council Resolution R-16-103 (April 7, 2016).

monitoring weather radar and traffic conditions, just to name a few. Technological advancements also have changed and are continuing to change how power is generated, delivered, and consumed. Distributed energy resources (“DERs”), including those sourced from renewables, are continuing to become more economic, and demand-side management (“DSM”) activities, when properly administered, can be a valuable resource in managing the portfolio of resources that meets customers’ energy needs and desire for an environmentally sustainable generating portfolio. Similarly, as DERs become more economic, these advancements are changing customers’ expectations about the kinds and quality of services they expect from their utility. Utilities are observing increased customer adoption of DERs like rooftop solar photovoltaics (“PV”), smart thermostats, battery energy storage, and electric vehicles (“EVs”), with the expectation that the grid will accommodate these choices. Additionally, utilities are observing increased customer expectations regarding access to real-time information requiring enhanced reliability for uninterrupted connectivity, including through mobile devices for convenience and flexibility.

### 3.

ENO recognizes the effects these changes are having on its business and the opportunities and challenges they present and is transforming its operational capabilities in order to meet and exceed its customers’ evolving expectations. As such, ENO is:

- Planning for and beginning to execute a comprehensive grid modernization strategy that will create a grid capable of meeting customers’ changing needs and expectations, while delivering enhanced reliability and functional capabilities (*e.g.*, better integration of DERs and EVs) to all customers;

- Seeking to integrate DSM into its core business so that DSM can be a viable and sustainable resource for meeting customers' energy needs;
- Expanding the amount of renewable resources in its supply portfolio through a commitment to add up to 100 megawatts ("MW") of such resources, as reflected in ENO's certification filing made in Council Docket No. 18-06; and
- Engaging customers to a greater extent in an effort to learn more about their preferences among an array of options that further advance functionality, greater convenience, stability, and control over managing their utility service and over the environmental impact of their energy usage.

#### 4.

Since its last comprehensive base rate case in 2008,<sup>2</sup> ENO has undergone many changes. In 2009, ENO began a transformation of its supply portfolio by securing modern, efficient combined cycle gas-fired generation in the form of a power purchase agreement ("PPA") for a share of the output of Entergy Louisiana's ("ELL") then-new Ninemile 6 generating unit. Additionally, the Company joined the Midcontinent Independent System Operator, Inc. ("MISO") Regional Transmission Organization to bring customers the benefit of a more efficient way to dispatch the Company's generating facilities and plan for transmission expansion to meet load and compliance requirements. ENO's membership in MISO has created millions of dollars in savings for customers. MISO membership also paved the way for changes to the Entergy System Agreement ("ESA"), and ultimately, its termination in August 2016.

In addition, ENO acquired Union Power Block 1 in March 2016. Several months later, ENO deactivated its last remaining generating unit at the Michoud Power Station, which unit

was placed in service in 1957. In order to replace the loss of capacity within ENO’s footprint and meet the need for a peaking resource, ENO has secured authorization from the Council to place into service new generation sources powered by a technology that offers better fuel efficiency, lower carbon emissions, and requires less water than the older units it will replace. This includes construction of the New Orleans Power Station (“NOPS”), which will bring a new customizable, low-emission and flexible generating technology to enhance system reliability.<sup>3</sup> Also, most recently, ENO received authorization from the Council to begin the construction and development of rooftop solar generation.<sup>4</sup> In addition, ENO has filed a request for the Council to approve 90 MW of renewable generation, consisting of three solar projects—one located in Orleans Parish and two located outside of Orleans Parish.

ENO has made over \$550 million in investments in electric operations over the period 2012-2016<sup>5</sup> while maintaining rates that are among some of the lowest in the country, demonstrating that ENO has been a good steward of the resources provided by its stakeholders. Figure 1 below shows that ENO customers’ rates for the period 2012-2016 remained well below the national average.<sup>6</sup>

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<sup>2</sup> See generally, Council Docket No. UD-08-03.

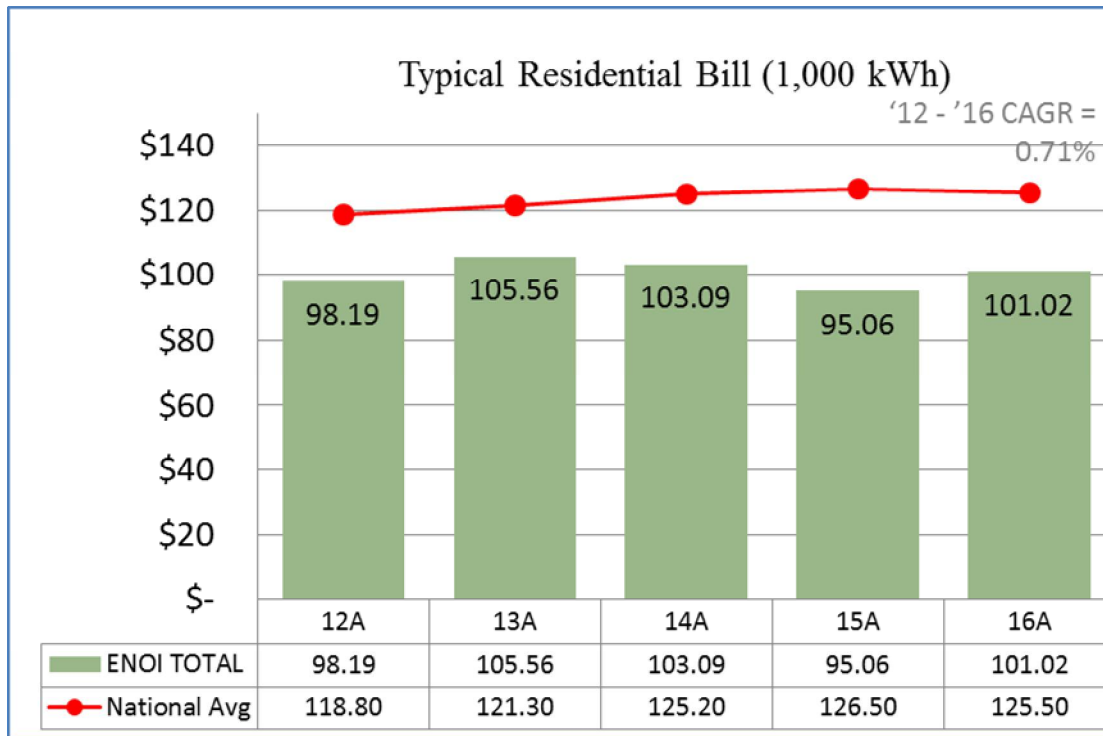
<sup>3</sup> See Council Resolution R-18-65 (March 8, 2018). This decision is currently under judicial review.

<sup>4</sup> Council Resolution R-18-222 (June 21, 2018).

<sup>5</sup> Comparative data for 2017 and 2018 is not yet available.

<sup>6</sup> Algiers Customers were not ENO customers during most of this period (2015 partial and 2016).

**Figure 1<sup>7</sup>**



**5.**

In addition to the important additions to ENO’s generation portfolio, ENO also is focused on transforming its distribution system and metering equipment, improving and expanding how ENO communicates with customers, and developing new solutions to meet customers’ energy needs. As an initial step to facilitate the transformation in this area for all customers, in 2015, ENO purchased ELL’s electric operations in Algiers (“Algiers Transaction”) so that the Council and the Company could more efficiently and more effectively address the utility needs of all New Orleans residents. In addition, since 2016, ENO has invested more than \$101 million to enhance its distribution infrastructure (including reliability/storm hardening, smart meter infrastructure and grid modernization) and approximately \$22 million in gas infrastructure

<sup>7</sup> Comparisons for 2017 and 2018 are not yet available. 2015 and 2016 comparisons include Algiers Customers.

during the same period. It is critical that ENO enhance the strength and flexibility of its distribution grid in order to support the transformation that is coming through DER in the way that electricity is produced and distributed to customers.

## 6.

ENO recognizes that customers rely on the delivery of electricity (and in many cases, natural gas) every minute of every day. ENO's vision is to transform that basic delivery of service to helping people – regardless of income levels – and businesses achieve their full potential through innovative, tailored solutions. This is the focus of the transformation for which ENO seeks to position itself through this rate filing. ENO has taken the first step on this journey to develop these solutions by obtaining Council authorization to deploy AMI. AMI is the foundation of the modernized power grid and will give ENO the capability to collect time-differentiated energy usage information for the benefit of ENO and its customers. In addition, as recognized in Council Resolution R-18-37, 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 options, time-differentiated information, and specially designed customer options, among other system and customer benefits.<sup>8</sup> In this proceeding, ENO is asking the Council to approve a just and reasonable mechanism to recover AMI's costs contemporaneous with the associated benefits ENO's customers will begin to realize.

## 7.

As ENO's AMI deployment proceeds, additional innovation opportunities are emerging. ENO's grid modernization strategy will transform ENO's existing distribution system into an

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<sup>8</sup> Council Resolution R-18-37, pp. 3-4.

intelligent, multi-directional modern distribution system by adding advanced grid sensing and control, that is, “smart” devices to the distribution infrastructure that communicate and are monitored and controlled through the AMI network. In this proceeding, ENO is presenting its first set of five grid modernization capital projects for the Council’s consideration, and a proposal for a streamlined evaluation procedure by the Council that will position future grid modernization capital projects for timely implementation and related cost recovery. Furthermore, ENO believes that grid modernization can be an important complement to the efforts to transform the City of New Orleans into a Smart City,<sup>9</sup> and ENO looks forward to advancing that initiative. This rate case will determine the extent to which ENO will be able to be a valued partner to the Council, the City’s Administration, our customers, and other key stakeholders and service providers in helping to drive that transformation for the entire City.

## 8.

ENO is developing new solutions that give customers more control over their utility service and allow them to use it in new ways, and, in this proceeding, ENO is seeking authorization to implement the following new service offerings: Pre-pay, Fixed Billing, Green Power, Community Solar, and options to add EV charging infrastructure. These new service offerings are only the beginning, and ENO hopes this rate case will help establish a framework for flexible processes to allow ENO to introduce new service offerings in the future. ENO seeks to accomplish these goals through the regulated utility paradigm because it protects the public interest, provides more universal access to customers, and will be necessary to ensure that all customers have the opportunity to see the benefits of technological advances.

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<sup>9</sup> See Council Resolution R-18-36 (Feb. 8, 2018).



## **ENO's Revised Application Addresses Feedback from the Council and its Advisors**

### **9.**

While ENO fundamentally seeks the same objectives in this Revised Application as it did in its original filing, ENO took seriously the feedback received from the Council and its legal and technical Advisors in developing the rate structure proposed in this case. In doing so, ENO has focused on the admonition in Council Resolution R-17-504 to “present a single set of proposed tariffs and riders available to applicable customers throughout all of New Orleans, including a single MISO rider, *unless significant rate shock could occur to single or multiple classes of customer[s]*.”<sup>10</sup> (Emphasis added.) As a result, the Revised Application represents a mitigation of the rate increase for Algiers customers that would have occurred under the Council’s historical cost allocation. The issues presented in blending rates for ENO Legacy Customers (customers taking service on the east bank of the Mississippi River) and Algiers Customers (customers taking service in the Fifteenth Ward of the City of New Orleans, commonly referred to as “Algiers”) arise, in part, from the realignment of all capacity-related costs from riders (*e.g.*, Fuel Adjustment Clause (“FAC”) and the Purchased Power and Capacity Cost Recovery Rider (“Rider PPCACR”) to base revenues, and, in part, from the fact that Algiers customer rates do not include ENO’s recent investments in generation, including the majority of the Ninemile 6 PPA and Union Power Block 1, both of which are highly efficient, modern generating units that provide economic energy supporting all of ENO’s customers.

### **10.**

In order to address the feedback of the Council and its legal and technical Advisors, ENO’s Revised Application reflects several changes to its original rate filing. Specifically, ENO

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<sup>10</sup> *Id.*, at 9.

proposes to adjust the manner in which it has realigned capacity to base rates in order to better balance the allocation of costs among customers and benefits derived from ENO's generation portfolio. Further, ENO proposes to include in its proposed electric FRP, a RIM Plan that rebalances costs and service quality by linking the earnings component of its base rates to reliability performance. Under the RIM Plan, ENO's rates initially would be established based on an allowed ROE of 10.50%, with an opportunity to achieve enhanced returns with increases in service reliability. Additionally, ENO proposes to implement the ARRT to moderate the effect of the rate change from this proceeding for those customers using a credit rider to support a three-year phase-in of the rate change that is primarily driven by the allocation of prudently incurred costs associated with incremental ENO capacity (i.e., Ninemile 6 and Union Power Block 1). Finally, ENO proposes to engage in a collaborative process with the Council and parties to this proceeding through one or more technical conferences to further examine rate class allocation and rate design alternatives based on sound ratemaking principles and other considerations that may be employed to achieve full parity in rates across ENO's residential class of customers. In the event full parity is not achieved through implementation of the final phase of the ARRT Plan, ENO requests that the Council re-examine the prevailing cost allocation methodology and/or rate design of electric rates.

## **11.**

Although ENO has proposed an overall decrease in electric rates, the change in rates will not affect all customers in the same manner. For example, under the proposed rate design, ENO estimates that typical monthly bills for Legacy ENO residential customers using 1000 kWh would see an increase of approximately \$2.02 (1.65%) in August 2019. Whereas, under ENO's proposed ARRT, ENO estimates Algiers residential customers using 1000 kWh would see

increases of approximately \$3.65 (3.5%) in August 2019, and 3.76 (3.5%) in September 2021. This includes a proposed customer charge of \$15.53 for all residential customers.

## 12.

With respect to ENO's gas rates, ENO requests an overall decrease in total gas revenue of \$0.142 million (-0.183%). ENO estimates that a typical gas residential customer using 100 centum cubic feet ("CCF") per month will see an estimated decrease of \$0.87 (1.10%).

### **Council Resolutions Affecting the Rate Filing**

## 13.

ENO's base rates were last established by the Council in Docket No. UD-08-03. At that time, the Council also approved a FRP for a three-year period, the last Test Year for which was 2011. ENO has charged the same base rates approved as a result of that 2011 Test Year proceeding. In Council Resolution R-15-194, dated May 14, 2015, the Council approved an Agreement in Principle ("AIP") authorizing ENO to acquire from ELL its electric operations and related assets and liabilities in Algiers, which is located on the west bank of the Mississippi River. In connection with the approval of the Algiers Transaction, the Council directed ENO to utilize a four-step change in base rates for Algiers Customers<sup>11</sup> that would bring customer rates more in line with the 2012 test year cost of service on which rates were based. The last of the four-step changes was implemented in July 2017. Resolution R-15-194 also established authorization for several riders, i.e., a revised Fuel Adjustment Clause, a separate MISO Cost

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<sup>11</sup> The four-step change in rates was authorized by Council Resolution R-14-278 dated July 10, 2014, which approved an Agreement in Principle ("2014 Algiers AIP") that established a rate path for Algiers Customers. That rate path included successive annual base rate increases followed by implementation of an annual formula rate plan FRP.

Recovery Rider, the Ninemile 6 Non-fuel Cost Recovery Rider, and a rider to maintain on a geographically-specific basis the franchise fee collected by the City, such that these mechanisms preserved the ELL rate structure on which Algiers Customers' rates were based until rates could be combined in the next base rate case. That same resolution, Resolution R-15-194, also required that ENO would file that next base rate proceeding ("the Combined Rate Case") no sooner than the first quarter 2018. Resolution R-15-194 also provides the following:

- That ENO will file a full cost of service study based on combined operations on the east and west bank of the Mississippi River;
- That the filing will be based on a 12-month historical test year ending December 31, 2017.

#### **14.**

The Council subsequently issued Resolution R-15-542 on November 19, 2015 approving the acquisition of Union Power Block 1, establishing a "base rate freeze" until the filing of the Combined Rate Case and providing for a credit to ENO Legacy Customers in connection with the retirement of Michoud Generating Station, Unit No. 2. Also, in preparation for the filing of the Combined Rate Case, the Council issued Resolution R-17-504, dated September 28, 2017, which set out additional filing requirements for this proceeding, including the following:

- That ENO should make the filing no later than July 31, 2018;
- That the Company should have as its objective the presentation of a single set of rates and tariffs for all customers in New Orleans, as well as a single MISO rider unless it would result in rate shock;
- That the Company should make a Period II filing reflecting the 12-months ending December 31, 2018;

- That ENO should provide a complete set of FRP implementation documents, to the extent ENO seeks implementation of a FRP;
- That the Company should provide ratepayer funding requirements and a funding mechanism for Council Energy Smart initiatives;
- That the Company should provide other information listed in the resolution and appropriate to comprise a filing sufficient to comply with all Council requirements, fully apprise the Council of the nature of ENO's request, and allow the Council to thoroughly and efficiently review the filing; and
- Resolution R-17-38 authorized ENO to proceed with the replacement of gas infrastructure until the resolution of the 2018 Combined Rate Case.

### **ENO's Requested Relief in This Proceeding**

#### **15.**

As demonstrated by the accompanying revised direct testimony, ENO's requested rate relief is necessary to permit the Company an opportunity to recover its actual costs, including the cost of capital, to provide safe and reliable electric and gas service to its retail customers. The Company's filing in this proceeding is a full base rate case with a Period I test year ending December 31, 2017 and a Period II test year ending December 31, 2018. ENO has provided pro forma adjustments to both test periods so that they are as representative as reasonably possible of costs and operations when new rates authorized by the Council are implemented. ENO proposes that the new rates reflect its Period II revenue requirement, including pro forma adjustments for known and measurable changes.

## 16.

ENO's rate request has several important components and seeks:

(1) approval of ENO's proposed electric rate schedules, tariffs, and riders into a single set of ENO rate schedules and tariffs, as well as a new rider to support a phase-in of the rate change for Algiers residential customers, in order to moderate the impact of the rate change for those customers;

(2) approval of ENO's proposed nine retail electric customer classes, reflecting elimination of several unneeded classes and consolidation of ENO's lighting classes into a single class;

(3) approval of new electric base rates and riders, including the re-alignment of capacity- and LTSA-related costs previously recovered through riders into base rate recovery (with the River Bend 30 and EAI Wholesale Baseload ("Resource Plan") PPAs allocated within the base rate using test year sales (kWh) and the balance of the capacity realignments being allocated based on the Council's prior approved methodology), the net of which results in an overall decrease in rates;

(4) approval of an Electric FRP, including but not limited to ENO's proposed Reliability Incentive Mechanism;

(5) confirmation that ENO has met the filing requirements of Council Resolution No. R-16-103 with respect to the decoupling pilot component of the Electric FRP;

(6) approval of ENO's proposed gas rate schedules, tariffs, and riders a Gas FRP;

(7) approval of ENO's proposed new riders for the recovery of prudently incurred DSM investments, grid modernization investments, and the Gas Infrastructure Replacement Program Investment, and the implementation of the rate phase-in for Algiers residential customers;

(8) approval of proposed modifications to certain existing riders, including but not limited to the MISO Cost Recovery Rider and the Rider PPCACR (which would recover, among other things, costs of PPA and other capacity resources that may be added to the Company's resource portfolio in the future), the Fuel Adjustment Clause Rider, and the Purchased Gas Adjustment ("PGA") Rider;

(9) approval of a new charge to recover the cost of AMI deployment;

(10) approval of new proposed services that promote the Council's vision for ENO's utilization of modern, efficient technologies and services, and approval of related cost recovery mechanisms, including community solar, options for EV charging infrastructure, a green power tariff, and two new convenient billing options: pre-pay and fixed billing; and,

(11) proposed changes to Service Regulations Applicable to Electric and Gas Service and several miscellaneous service schedules affecting both electric and gas.

Each of these proposals is designed to help ensure that ENO can continue meeting its obligations to its stakeholders (*i.e.*, its customers, investors, the communities where it provides service, and its employees), provide the services desired by the Council, improve the safety, reliability, and efficiency of its electric and gas utility infrastructure, and effectively and flexibly adapt to advances in technology that will fundamentally transform the public utility sector.

## 17.

Electric rate change — ENO's request results in an overall decrease in ENO's Total Revenue Requirement of approximately \$20.3 million. These proposed changes are shown in Table 1 below and Minimum Filing Requirement Statement F (and Statement AA-2 with allocations to the various customer classes):

<b>Table 1</b>			
<b>Summary of Electric Rate Relief Requested Based on the Period II Electric Cost of Service</b>			
	<b>Description</b>	<b>Amount (\$ millions)</b>	<b>Witness</b>
1	Base Rate Revenue Based on the Cost of Service Study <sup>12</sup>	428.4	Phillip B. Gillam
2	Fuel and Purchased Energy Revenue After Realignment	117.4	Myra L. Talkington
3	Revenue from Existing Riders After Realignment	17.6	Phillip B. Gillam
4	AMI Charge Electric	7.1	Joshua B. Thomas
5	Interim Energy Efficiency Cost Recovery Rider <sup>13</sup>	6.0	D. Andrew Owens
6	<b>Proposed Total Revenue</b> (Sum of L1 through L5)	<b>576.5</b>	
7	Present Base Rate Revenues <sup>14</sup>	293.2	Myra L. Talkington
8	Fuel and Purchased Energy	209.8	Myra L. Talkington
9	Revenue from Existing Riders	93.9	Phillip B. Gillam
10	<b>Present Total Revenues</b> (Sum of L7 through L9)	<b>596.9</b>	
11	<b>Total Revenue Deficiency/ (Sufficiency)</b> (L6 – L10)	<b>(\$20.3)</b>	
12	Base Rate Revenue Based on Cost of Service Study (L1)	428.4	Phillip B. Gillam
13	Present Base Rate Revenues (L7)	293.2	Myra L. Talkington
14	<b>Total Base Revenue Deficiency/(Sufficiency)</b> (L12 – L13)	<b>135.2</b>	

Note: Amounts may not tie due to rounding.

## 18.

Gas rate change – approval of the Company’s request with respect to gas rates would result in an overall decrease in ENO’s Total Revenue Requirement of approximately \$0.142 million, as shown in Statement AA-2. These proposed changes are shown in Table 2 below and Minimum Filing Requirement Statement F (and Statement AA-2 with allocations to the various customer classes):

<sup>12</sup> Statement F, Page RR 1, Line 35, Total Retail Column on the Summary of Model Results. The total in Line 1 of the above table also includes Additional Facilities Charge Revenues of \$153,195.

<sup>13</sup> This amount has not been annualized and reflects only a five-month revenue requirement to recover the difference between Energy Smart Program Year 9 originally anticipated funding and costs.

<sup>14</sup> Statement F, Page RR 1, Line 4, Total Retail Column on the Summary of Model Results.



<b>Table 2</b>			
<b>Summary of Gas Rate Relief Requested Based on the Period II Gas Cost of Service</b>			
	<b>Description</b>	<b>Amount (\$ millions)</b>	<b>Witness</b>
1	Base Rate Revenue Based on Cost of Service Study <sup>15</sup>	41.4	Phillip B. Gillam Myra L. Talkington Joshua B. Thomas
2	Purchased Gas Adjustment	34.9	
3	AMI Charge Gas	0.8	
4	<b>Proposed Total Revenue (L1 + L2 + L3)</b>	<b>77.1</b>	Myra L. Talkington Myra L. Talkington
5	Present Base Rate Revenues <sup>16</sup>	42.3	
6	Purchased Gas Adjustment	34.9	
7	<b>Present Total Revenues (L5 + L6)</b>	<b>77.2</b>	
8	<b>Total Revenue Deficiency/ (Sufficiency) (L4 – L7)</b>	<b>(0.1)</b>	
9	Base Rate Revenue Based on Cost of Service Study (L1)	41.4	Phillip B. Gillam Myra L. Talkington
10	Present Base Rate Revenues (L5)	42.3	
11	<b>Total Base Revenue Deficiency/(Sufficiency) (L9 – L10)</b>	<b>(0.9)</b>	

## 19.

In addition to addressing these and other standard ratemaking issues, important components of the Company's rate request include, but are not limited to the following:

- Inclusion in rate base of historical and projected investments through calendar year 2019 that are necessary to continue to provide reliable and dependable electric and gas service;
- Establishment of an overall rate of return on rate base of 7.79% consisting of the following components: weighted average long-term debt rate of 2.30%; weighted average rate of return on common equity of 5.48% (based on a proposed return on common equity of 10.75%); and actual capital structure;
- New depreciation rates based on current data to synchronize the return of capital to the service life of the plant used to provide customers electric and gas service and permit the recovery of removing the plant from service net of salvage proceeds;

<sup>15</sup> Statement F, Page RR 1, Line 35, Total Retail Column on the Summary of Model Results.

<sup>16</sup> Statement F, Page RR 1, Line 4, Total Retail Column on the Summary of Model Results.

- Provision to customers of permanent benefits of the reduction of the federal income tax rate pursuant to the 2017 Tax Cuts and Jobs Act (“Tax Cut Act”);
- Recovery of deferred external transaction expenses associated with the Algiers Transaction;
- Approval of deferral and recovery of Algiers migration expenses;
- Implementation of an exact recovery process for all ENO capacity and LTSA expenses (“Schedule A” process);
- Implementation of contemporaneous recovery mechanisms for investments in DSM and grid modernization and gas infrastructure replacement plan;
- Approval of a streamlined regulatory review process for future grid modernization projects, which process will enable efficient and timely modernization of the electric distribution grid throughout Orleans Parish, while maintaining Council oversight and encouraging stakeholder involvement;
- Recovery of external rate case expenses through a deferral and amortization over three years;
- Implementation of the Company’s proposed rate design, which takes into account past Council cost allocation and rate design practices, avoidance of adverse rate impacts, and other appropriate rate design principles, as well as the ARRT Plan;
- Authorization to withdraw certain rate schedules and implement new and modified rate schedules, including green pricing, fixed billing, pre-paid electric and gas service, community solar, and electric vehicle charging;
- Approval of certain modifications to the Service Regulations Applicable to Electric and Gas Service by Entergy New Orleans, LLC (“Service Regulations”); and

- Confirmation of the mechanism to be used to implement the contemporaneous rate change for the revenue requirement of NOPS the month after its commercial operation date, consistent with the parameters of Council Resolution R-18-65.

### **Formula Rate Plans**

#### **20.**

ENO proposes adoption of FRPs for both electric and gas service. A well-designed FRP provides regulatory clarity through a rate-setting mechanism that is easy to use and easy to monitor; reduces the cost associated with base rate adjustments through a regulatory mechanism that is more streamlined and efficient; promotes price stability through gradual annual rate changes; allows routine review and input from the Council, Advisors and other parties in interest; and supports a utility's ability to access capital on reasonable terms.

#### **21.**

The initial proposed term of the FRPs is three years. The electric FRP is based on and contains many features of the predecessor FRP approved by the Council in Resolution R-09-136, including the basic structure that evaluates whether the Company's rates fall within a bandwidth around the authorized ROE (midpoint) established by the Council, with annual evaluations that prospectively adjust rates to the midpoint. The current proposal, however, includes a Reliability Incentive Mechanism to adjust the authorized ROE (midpoint) depending on ENO's distribution reliability performance and a symmetrical change in the bandwidth that increases it from 40 to 50 basis points above and below the midpoint. The current proposal also includes several other changes from its predecessor FRP. It includes an earlier filing date to implement more timely rate changes, as appropriate, and changes to accommodate the Energy Smart program. In addition, in accordance with the Council's requirements the Company has included a Decoupling

Pilot Program within the electric FRP, through a four-step process to be applied only if a rate adjustment is necessary under the terms of the rider. Under the Company's decoupling proposal, the fixed and variable cost revenue requirements would be recovered from each rate class consistent with the allocation methodology used in the baseline rate case.

**22.**

ENO also has based its proposed FRP for gas service on the Gas FRP Rider previously approved by Council Resolution R-09-136. ENO proposes only three changes from its predecessor, consistent with changes in the electric FRP. First, for the reasons discussed previously, ENO proposes that the Company file its Gas Evaluation Report by April 30, same as the Electric FRP, and that the initial rate adjustment, if necessary, become effective for the first billing cycle in September. Second, ENO proposes a provision similar to the one proposed in the Electric FRP regarding the treatment of changes in the tax rate. This new provision can be found in Section III D. Finally, ENO proposes to increase the revenue requirement impact trigger to the Extraordinary Cost Changes section (Section III A.) from \$750 thousand in the previous FRP to \$1 million. This increase in the trigger is due primarily to the increases in the gas rate base since the last FRP was approved.

**Return on Equity**

**23.**

Under the Company's RIM Plan set forth in the Revised Direct Testimony of Company witness Joshua B. Thomas, ENO is requesting that for the purpose of initially setting rates resulting from this proceeding that a ROE of 10.50% be implemented its Cost of Service based on a negative adjustment of 25 basis points be applied to the proposed ROE of 10.75% recommended by Company witness Robert B. Hevert. Through the Company's proposed

electric FRP as described by Company witness Phillip B. Gillam, ENO seeks an opportunity to achieve enhanced returns commensurate with the 10.75% recommended by Mr. Hevert as ENO realizes increases in electric service reliability.

**24.**

Recognizing that although ENO has been taking significant steps to improve reliability performance, it is not currently at desirable levels. The proposed RIM performance adjustment framework is based on customer-view System Average Interruption Frequency Index (“SAIFI”). The framework is composed of a lower-bound SAIFI of 1.40, a mid-point target SAIFI of 1.24, and an upper-bound SAIFI of 1.05. As Mr. Thomas explains, scores higher than the lower bound SAIFI (1.40) would not permit any adjustment toward the allowed ROE. Between the lower bound SAIFI (1.40) and the target SAIFI (1.24), the ROE adjustment would be the proportionate share of 25 basis points based on the relative position between the target SAIFI and the lower-bound SAIFI. At the target SAIFI (1.24), ENO would be permitted to earn the allowed ROE (10.75%). Finally, between the target SAIFI and the upper-bound SAIFI, the allowed ROE adjustment would again be the proportionate share of 25 basis points based on the relative position between the target SAIFI and the upper-bound SAIFI (*i.e.*, ENO could earn up to an additional 25 basis points). Company witness Melonie P. Stewart explains in her Revised Direct Testimony why SAIFI is an appropriate benchmark to be used in ENO’s proposed RIM performance adjustment.

**25.**

Mr. Hevert’s Revised Direct Testimony supports the position that a reasonable cost of equity for ENO would fall within a range extending from 10.25% to 11.00%, and, considering both Company-specific factors and general market conditions, 10.75% is the best estimate of

ENO's cost of equity. In addition to analytical models, Mr. Hevert's recommendation takes into consideration: (1) ENO's planned capital investment program; (2) the Company's credit profile; (3) the geographic risk associated with severe weather; (4) the Company's small size relative to the proxy group; and (5) the effect of flotation costs. He also considers the effect of the current capital market environment and the Tax Cut Act, and their implications for the Company's credit profile. On a stand-alone basis ENO's credit profile falls well below those of most electric utilities. The comparatively high level of risk borne by investors requires a correspondingly higher return.

## 26.

ENO's proposed ROE also considers the changing market environment in which companies such as ENO must compete for capital. For example, federal monetary policy has begun its process of "normalization," with the Federal Open Market Committee increasing the target range for the Federal Funds rate four times since December 2016, and the Federal Reserve "unwinding" the approximately \$4 trillion of assets it acquired during its policy of "Quantitative Easing." Because the Cost of Equity is forward-looking, the models used in its estimation should reflect such dynamics, and their results should be considered in the context of such evolving market conditions. The quantitative models and market factors considered by Mr. Hevert well support ENO's proposed 10.75% ROE.

## **Request for New Depreciation Rates**

### **27.**

The Company is also presenting the results of a new depreciation study conducted by Tangibl, LLC. If approved by the Council, this would be the first update to ENO's depreciation rates for electric property since 1980, and for gas property since 2009. The depreciation study was prepared using the straight line method and the average service life procedure applied on a remaining life basis. The calculations were based on the original cost and attained ages of the property as of December 31, 2016, and estimates of survivor curves, probable retirement dates, and net salvage percentages applicable to each property group. This is the predominant methodology employed by the electric and gas utility industry for depreciation studies.

### **28.**

Tangibl developed the historical indications of service life using the retirement rate method and the Iowa curves. For electric production plant, Tangibl used the Life Span approach with probable retirement dates supplied by the Company. The indications of historical net salvage were developed by relating experienced cost of removal, gross salvage, and net salvage to retirements. The net salvage estimate for the Union Power Block 1 was based on the most recent estimate developed for ELL. After the analysis of the historical data was completed, Tangibl reviewed the historical indications of service life and net salvage with Company personnel, and conducted a field visit to observe representative facilities. Based on the input of Company personnel and the field observations, Tangibl then made final estimates of service life and net salvage.

A summary of the results of the depreciation studies is shown below:

<b>COMPARISON OF EXISTING AND PROPOSED DEPRECIATION RATES AND ACCRUALS RELATED TO PLANT IN SERVICE AT DECEMBER 31, 2016</b>						
	<b>Present Annual Accrual</b>		<b>Proposed Annual Accrual</b>		<b>Difference in Annual Accrual</b>	
	<b>Rate</b>	<b>Amount</b>	<b>Rate</b>	<b>Amount</b>	<b>Rate</b>	<b>Amount</b>
<b>Electric Plant</b>						
Production	5.51%	\$ 11,828,150	5.87%	\$ 12,588,851	0.35%	\$ 760,701
Transmission	2.93%	4,244,172	2.40%	3,478,249	-0.53%	(765,923)
Distribution	3.09%	20,834,692	3.29%	22,187,996	0.20%	1,353,304
General	3.86%	1,741,042	4.65%	2,097,897	0.79%	356,854
Storm Contra	3.09%	(799,634)	3.83%	(990,159)	0.74%	(190,526)
Unrecovered Ret. Plant	N.M.	-	N.M.	1,002,266	N.M.	1,002,266
<b>Total Electric Plant</b>	<b>3.59%</b>	<b>\$ 37,848,423</b>	<b>3.83%</b>	<b>\$ 40,365,099</b>	<b>0.24%</b>	<b>\$2,516,676</b>
<b>Gas Plant</b>						
Transmission	0.75%	\$ 56,013	0.58%	\$ 43,655	-0.16%	\$ (12,357)
Distribution	2.49%	4,956,763	2.57%	5,112,856	0.08%	156,093
General	4.26%	400,172	4.19%	393,814	-0.07%	(6,358)
<b>Total Gas Plant</b>	<b>2.50%</b>	<b>\$ 5,412,947</b>	<b>2.57%</b>	<b>\$ 5,550,325</b>	<b>0.06%</b>	<b>\$ 137,378</b>
<b>Total</b>	<b>3.40%</b>	<b>\$ 43,261,370</b>	<b>3.61%</b>	<b>\$ 45,915,424</b>	<b>0.21%</b>	<b>\$2,654,054</b>

### **Tax Reform**

#### **29.**

The Council recently approved ENO's Tax Reform Plan<sup>17</sup>, which provides many of the benefits from the 2017 Tax Cut Act to customers during the period January 1, 2018 through July 31, 2019. This period was established based on the Company's assumption that base rates would change effective August 1, 2019. Any changes to the benefits from the Tax Cut Act as a result of a change in the assumed effective date would then be reflected in customers' base rates.

<sup>17</sup> Council Resolution R-18-227 (June 21, 2018)



ENO's rate proposal in this proceeding provides ENO's customers the benefits of the reduction of the federal corporate income tax rate from 35% to 21% once new rates are established. The federal income tax expense element of the cost of service studies is comprised of: (1) current federal income tax expense, that is, the amount that should be paid to the taxing authorities in the current period attributable to economic activity in the current period; and (2) deferred federal income tax expense, that is, the amount that will be paid to the taxing authorities in the future attributable to economic activity in that same current period. The Company proposes to reflect the new lower federal income tax rate in the adjustments for current federal income tax expense and deferred federal income tax expense.

### **Cost Allocation and Rate Design**

#### **30.**

ENO proposes to eliminate two obsolete customer classes (Master Metered Residential and Experimental Interruptible) and to consolidate its Small Electric Service and Traffic Signal Service classes into a single class. ENO also proposes to consolidate all of its private area lighting services into a single customer class. As a result, the Company's cost of service studies are based on allocating costs to the following nine classes: Residential, Small Electric, Municipal Building, Large Electric, Large Electric-High Load Factor, Master Metered Non-Residential, High Voltage, Large Interruptible Service, and Lighting.

#### **31.**

The Company has prepared two electric cost of service studies, one each for Period I and Period II. ENO's requested change in rates is based on the pro-formed Period II revenue requirement, since it is more representative of the level of costs the Company expects to incur

during the rate effective period and is a reasonable representation of what ENO believes to be normal business operations during that time frame.

**32.**

Council Resolution R-17-504 directed ENO present one combined cost of service study and one combined set of rate schedules for the ENO Legacy and Algiers customers, *unless significant rate shock could occur to single or multiple classes of customer[s]*. Toward this end, the new electric rate structure proposed by ENO partially blends rates for ENO's customers residing in Algiers with customers residing in the remainder of Orleans Parish and realigns the revenue requirement associated with capacity and long-term service agreement expense from certain riders to base revenue. Though ENO's filing presents the fully allocated class cost of service for informational purposes, its proposed class cost allocation for purposes of establishing rates is not strictly based on cost of service principles. For several reasons, ENO proposes an approach to class cost allocation and rate design that does not follow the cost of service. Several important factors considered by ENO were the Council's historical practice regarding the class allocation of rate changes, the prior cost recovery approved for certain affiliate power purchase agreements, and the fact that Algiers customer rates do not include ENO's recent investments in generation, including the majority of the Ninemile 6 PPA and Union Power Block 1. In addition, the Company was concerned that strict adherence to the cost of service results would result in significant customer impacts, particularly to the residential class of customers. Finally, ENO considered rate design from a comprehensive standpoint, considering not only the effects of changes in base rates, but also the overall customer bill impacts, including offsetting reductions in rider recovery.

**33.**

Taking into account these various rate design considerations, the Company proposes that rates be based in part on the historic cost allocation approved by the Council and the prior cost recovery approved for certain affiliate PPAs realigned from riders to base rates. The base rate increase, however, is offset by the reduction in rider recovery associated with moving costs from riders to base rates. The proposed rate change for certain customer classes, moreover, would be affected by the AART plan to phase-in the increase that would otherwise result for Algiers residential customers. The first step of the phase-in will be implemented effective with the change in rates approved in this case. ENO proposes that the second step be made effective in September 2021, at the same time as the annual changes authorized under its proposed FRP. This approach will avoid an additional increase for these customers in 2020, when NOPS is expected to be included in ENO rates. Although the Company has proposed a reasonable path to achieving parity among all residential customers, it is but one approach that would result in just and reasonable rates. ENO recognizes that through this proceeding and the collaborative process it has proposed, a better path to achieving rate parity among residential customers may be devised. In default thereof, the approach under the ARRT Plan would allow the Council to retain flexibility to determine how best to move forward based on knowledge gained during the phase-in period.

**34.**

ENO has provided typical bill impacts associated with the overall rate change in Statement AA-5 to the filing. Company witness Myra L. Talkington explains that although there is an overall decrease in the revenue requirement, when the rate design is applied to some customers, it is estimated that some customers would see increases.

**35.**

Company witness Joshua B. Thomas and Ms. Talkington explain in their Revised Direct Testimonies why the electric bill effects from the Company's requested electric rate relief differ significantly between residential Legacy ENO Customers and residential Algiers Customers, and that the differential in bill effects, which is the result of combining Legacy ENO Customers' and Algiers Customers' rate structures, are appropriate and consistent with information provided and Council decisions made in previous proceedings. Mr. Thomas also further explains the policy basis for the proposed ARRT Plan.

**36.**

ENO's proposed electric rate design includes moving the residential customer towards the level determined by the cost of service study (from the current \$8.07 to a proposed \$15.53 customer charge, as compared to the cost of service level of \$21.07). In this respect, ENO's proposed rate design strives to reasonably balance cost of service and gradualism objectives, while also contributing to revenue and rate stability.

**37.**

For gas rates, the Company's Period II gas cost of service study indicates that the proposed annual rate schedule revenue requirement for the Total Gas jurisdiction is approximately \$41.4 million. This represents an approximate \$0.142 million revenue sufficiency compared to the Company's currently effective gas base rates. ENO designed base rates to meet the Company's total gas sales revenue requirement described above. As with the electric revenue requirement, the Company chose not to base proposed rates on the cost of service studies and, instead, to maintain the currently effective base rate revenue allocations. Statement AA-2 to the filing shows the allocation of the proposed base revenue requirement among

customer classes. ENO proposes to set all gas rate schedules' customer charge to the amount supported by the Company's Gas cost of service study, which is a reduction from \$13.08 to \$12.57.

### **Withdrawn, Modified, and New Rate Schedules**

#### **38.**

The Company proposes to withdraw all of its Algiers schedules and riders, save for two riders that allow customers and aggregators to participate as demand-side resources in the MISO market (Market Valued Load Modifying Rider and Market Valued Demand Response Rider). ENO proposes that these latter two schedules be available throughout its service area. In addition, ENO proposes to withdraw several obsolete base rate schedules (Master Metered Residential and Experimental Interruptible, Remote Communications Link Rider). ENO proposes pricing changes and global textual clarifications to numerous schedules. ENO also proposes modifications to several existing riders, as well as adoption of several new riders. Notable aspects of these proposed changes are discussed below.

### **Revisions to Existing Schedules/Riders**

#### **39.**

In addition to the riders discussed above relating to customer provision of load modifying resources, ENO proposes to modify several existing riders: the FAC Rider, the PGA, the MISO Rider, the Rider PPCACR, and Datalink.

- FAC Rider — Currently the FAC Rider for electric service produces two separate FAC rates — one for the Legacy ENO Customers and another for the Algiers Customers. ENO now proposes a single FAC rider for all retail customers. ENO further proposes several changes to the FAC, including:

- Modify recovery of the Resource Plan PPA capacity expenses to include the return of the difference between estimated monthly capacity expenses (which are shown through a revised Schedule A) and that amount recovered through base rates, and the actual monthly capacity expenses.
- Elimination of the recovery of LTSA expenses, which ENO proposes to recover through base rates and the PPCACR Rider.
- Elimination of the Grand Gulf repricing mechanism for Algiers Customers, which is discussed by Mr. Thomas.
- Elimination of the allocation to Legacy ENO Customers of Union Power Block 1 fuel costs and wholesale revenues so that all customers are allocated these expenses and benefit from these revenues.
- Combination of the two over/under balances into a single over/under balance.
- Use of per book rider revenue instead of calculated FAC collections.
- PGA Rider — To ensure a more accurate PGA Rider calculation, the Company proposes to use per book PGA Rider revenue instead of calculated PGA Rider collections. PGA revenue, unlike calculated PGA collections, will reflect customer billing corrections recorded in the operations month.
- Combined MISO Rider — Consistent with the combination of ENO Legacy and Algiers customers, ENO is proposing a combined MISO Cost Recovery Rider that for the most part mimics the current separate MISO Riders, though certain now inapplicable costs have been eliminated from the formula. The combined MISO Cost Recovery Rider would be re-determined annually and subject to annual true-ups beginning in 2020. The Company is also proposing to use this combined rider in the upcoming 2019 MISO

Rider filing in order to facilitate the transition from the two current riders and two sets of rates to the combined rates expected to become effective in August 2019.

- Revised Rider PPCACR — Rider PPCACR has been utilized in the past for the recovery of the cost of new resource acquisitions not included in base rates, such as Union Power Station. ENO proposes to include three types of recoverable costs in revised Rider PPCACR. The first type of costs is the incremental difference (positive or negative) between the estimated/approved PPA (except the Resource Plan PPAs) and LTSA costs in the new base rates coming out of the rate case and the actual PPA and LTSA costs that are incurred by the Company on a monthly basis. The estimated/approved PPA and LTSA costs are included as a “Schedule A” to this Rider PPCACR similar to the “Schedule A” that is currently part of the FAC Rider.

The second type of costs that will be recoverable in this rider is the cost related to newly constructed and/or acquired capacity (*e.g.*, a power plant similar to the Union Power Station or a solar plant), which could also include future capacity projects such as battery storage capacity projects.

The final type of costs that will be recovered in this rider is the cost related to new PPAs the Company may enter into as approved by the Council (*e.g.*, a PPA similar to the current Ninemile 6 PPA or a solar plant). The revised rider will initially reset the rates to zero, since the current Rider PPCACR costs relating the Union Power Station acquisition and the Ninemile 6 PPA will be transferred to base rates in this rate case proceeding.

- Modification of Datalink and related riders to take into account deployment of AMI.

## New Riders/Rate Schedules

### 40.

ENO proposes several new riders and rate schedules for the recovery of costs with significant and beneficial policy implications for the Council and ENO retail customers: the Demand-Side Management Cost Recovery rider (“DSMCR” or “Rider DSMCR”), the Distribution Grid Modernization rider (“DGM” or “Rider DGM”), the Gas Infrastructure Replacement Program (“GIRP”) rider (“Rider GIRP”), the Base Rate Adjustment Rider, and the Advanced Meter Infrastructure Charges for electric and gas service.

- Rider DSMCR — ENO proposes Rider DSMCR in response to the Council resolutions aimed at identifying a permanent funding mechanism for DSM customer offerings (Resolution R-17-504, R-17-623, R-17-176). The annual filings to update the rider will provide transparency to the Council, its Advisors, and other stakeholders. The use of a rider provides greater stability and facilitates planning by helping ensure that a long-term funding mechanism will be in place. ENO proposes a cost recovery model that will utilize regulatory asset-based cost recovery and that fairly addresses three distinct elements of cost recovery for DSM offerings: (1) direct and indirect costs of DSM offerings; (2) lost contributions to fixed costs (“LCFC” or “lost revenues”); and (3) incentives for the conduct of the offerings and achievement of energy savings. This model is sometimes referred to as “rate basing” and has been recognized by other regulators as aligning well the interests of the utility and customers in increasing DSM. The return and the determination of the rate of return that ENO would earn on the rate based regulatory asset would function as an incentive mechanism for achieving the savings goals established during the Integrated Resource Plan (“IRP”) process. Rider



DSMCR would also help to fulfill the Council's objective that demand-side resources should be on an equal financial footing with traditional supply-side resources.<sup>18</sup> Rider DSMCR would become effective in January 2020.

- Interim EECR — ENO is proposing an Interim Energy Efficiency Cost Recovery (“Interim EECR”) rider effective for the period August 2019 through December 2019, unless otherwise determined by the Council. The Interim EECR functions in the exact same manner as the Council-approved EECR, filed on May 31, 2018. The only difference is that the Interim EECR applies to all ENO customers, and does not appear as a separate line item on customer bills.
- Rider DGM — ENO is proposing to focus in the coming years on grid modernization investments, and has designed Rider DGM as the cost recovery mechanism for these investments. Grid modernization is a fundamental change to ENO’s approach on how to evaluate, invest in, operate, and maintain the distribution system, while monitoring and responding to the rapid pace of technological innovations and evolution of customer need and expectations. The Council has already acknowledged and identified long-term benefits that grid modernization can enable, noting that “deploying sustainable strategies and becoming technologically smarter is necessary to improve quality of life and to gain a competitive advantage in attracting investment and positive growth.”<sup>19</sup> Rider DGM, as well as the regulatory review and approval process ENO proposes that the Council adopt in this proceeding for the evaluation of future grid modernization projects, will help to facilitate an efficient and timely modernization of the distribution grid in New Orleans in a manner consistent with the Council’s policy goals.

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<sup>18</sup> See, e.g., Council Resolution No. R-07-600.

The technology and infrastructure components that comprise a modernized grid can be thought of in three broad categories: Smart Grid Infrastructure; Smart Grid Technology; and Advanced Distribution Planning. As described in testimony, the Company through detailed engineering analysis identified five projects that collectively are expected to improve reliability by reducing the number of Customer Interruptions by more than 53,000 per year and lowering the number of customer minutes of experienced interruptions by approximately 7.2 million per year. Company witness Erica H. Zimmerer describes each of these five projects in detail and has provided engineering design packages for each project with her revised direct testimony.

Pursuant to an AIP approved by the Council on June 21, 2018, in Resolution R-18-227, a portion of these projects will be funded through excess deferred taxes as discussed by Mr. Thomas. ENO proposes that the investment associated with the portions of the grid modernization projects expected to close to plant in service by December 31, 2019 be reflected in base rates adopted in this proceeding. With regard to portions of the above projects closing after December 31, 2019, and any future grid modernization projects, ENO is proposing that the Council, in this proceeding, approve Rider DGM as the cost recovery mechanism. For future grid modernization projects developed and proposed subsequent to this proceeding, ENO proposes that the Council adopt (in this proceeding) an expedited process for the Council, its Advisors, and stakeholders to review and provide input on the design of such future projects through written comments and a technical conference. ENO's proposed process would have the

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<sup>19</sup> See Council Resolution R-18-36 at pg. 2.

Council render a determination on the eligibility of such projects for recovery through Rider DGM within six months of ENO's initial submission of the projects to the Council.

Rider DGM would consist of a charge based on a percentage of base rates that is incremental to base rates and would recover depreciation and return on grid modernization investments made in the applicable year. The rider would be updated on a quarterly basis to include any new investments made in the preceding three months for the grid modernization projects described above, or for future grid modernization projects.

- Rider GIRP — Through its Gas Infrastructure Replacement Program, ENO proposes to follow the gas industry trend of accelerated infrastructure replacement to ensure the safety and reliability of its gas distribution system. On January 26, 2017, in Docket No. UD-07-02, the Council adopted Resolution R-17-38 which found, among other things, that “ENO’s proposed GIRP will provide customers with a safer, most reliable gas distribution system...”<sup>20</sup> The Council authorized ENO “to proceed with the replacement of gas infrastructure ... at a rate of approximately 25 miles per year and approximately \$12.5 million in capital investment per year until the resolution of the 2018 Combined Rate Case.”<sup>21</sup> ENO proposes to include GIRP investment made through the resolution of this proceeding in the costs collected through the proposed Rider GIRP. The Company further proposes that Rider GIRP support ENO recovery of certain operation and maintenance expense associated with prior closed-trench technology as described by Company witness Michelle P. Bourg.

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<sup>20</sup> Council Resolution R-17-38 at 6.

<sup>21</sup> *Id.* at 7.

- Base Rate Adjustment Rider — This rider is for the purpose of implementing the AART Plan. The rider contemplates two step changes in the rates of the Algiers residential customer and other participating classes. The first step takes place when rates approved in this proceeding are implemented (August 2019), and the second step in September 2021. The rate adjustments applicable to the Algiers residential customers, which would be expressed as a percentage, would increase rates at the second step of the plan, moving them closer to parity with other residential customers. The rate adjustments applicable to the other participating classes (Large Electric, Large Electric High Load Factor, High Voltage, and Large Interruptible), which also would be expressed as percentage, would reduce rates at the second step.
- AMI Charge for electric and gas service — On February 8, 2018, in Resolution R-18-37, the Council approved a Stipulated Settlement and Term Sheet regarding the AMI Implementation. The Term Sheet provided that the prudently incurred costs associated with AMI were eligible for recovery from ENO’s customers through electric and gas rates resulting from a final order of the Council in this rate case. The Term Sheet recognized that ENO and the Advisors were unable to reach agreement on the specific method for cost recovery at that time and reserved the parties’ rights to argue their cost recovery positions in future proceedings.

ENO proposes that the Council authorize ENO to include in electric and gas bills beginning in the first billing cycle of August 2019, the expected effective date of base rates from this case, an Electric AMI Charge and a Gas AMI Charge. Both would change annually, beginning on January 1, 2020. After 2022, the Electric AMI Charge would

decline over time based on the schedule. After 2020, the Gas AMI Charge would decline over time based on the schedule.

The number of customers ENO serves, in large part, drives the level of the costs associated with AMI. Therefore, these costs should be recovered through a customer charge so that a customer bears only the cost that the customer causes. The charges are intended to recover the net present value of the Electric and Gas AMI revenue requirements. Any differences in the revenue resulting from the customer charges and the actual costs of AMI would be reconciled through the proposed Electric and Gas FRPs. For customers that are billed on a rate schedule with a customer charge, the Electric and Gas AMI Charges would be added to the rate schedule customer charge approved in this case. For customers that are not billed on rate schedule with a customer charge, the Electric AMI Charge would be added to the charge for the first block of demand approved in this case.

### **New Customer Services and Product Offerings**

#### **41.**

ENO is proposing several new products and services for Council approval, in order to give customers greater opportunities for the utilization of renewable energy and new energy-related technologies. These include the Community Solar Offering, the Electric Vehicle Charging Infrastructure Offering, and the Green Power Option. Should the Council approve of these offerings in this proceeding, ENO proposes to work with the Council, Advisors, and other stakeholders as the offerings are rolled out to customers to make adjustments that may be needed in order to ensure optimal customer experiences with each of the voluntary offerings in an expedited manner and to mitigate potential risk(s) to non-participants.

- Community Solar Offering (“Schedule CSO”) — ENO proposes a new community solar offering, whereby participants voluntarily pay for a specific allocation of offsite solar PV projects. In return for an upfront or on-going payment, the participant receives a credit on his/her monthly electric bill, tied to the actual output of the solar PV project.

In order to maximize participation, ENO’s community solar offering is designed using a “pay-as-you-go” model. As specified in Rider Schedule CSO, the monthly charge is fixed for the duration of the offering and will be expressed on a \$ per kW<sub>AC</sub>-basis based on the customer’s allocated share in kW. The credit rate that is applied to the customer’s allocated share of the actual output of the solar systems that underpin the community solar offering is based on two components: the historic embedded value of generation, which is adjusted from time to time, and the current FAC value. ENO believes this proposal can be accomplished on a parallel path with the Council’s rulemaking proceeding, in which ENO intends to participate.

- Electric Vehicle Charging Infrastructure (“Rider Schedule EVCI”) — EV charging infrastructure consists of equipment necessary to provide electricity to charge the battery inside an electric vehicle. ENO supports the development of technologies that are consistent with Entergy Corporation’s goal of creating sustainable value for its customers, employees, communities, and owners. EVs are one such technology because, with increased market penetration, EVs reduce the environmental footprint of transportation. Increasing the availability of charging infrastructure encourages increased demand for this technology. While adoption of electric vehicles is still modest in both the broader U.S. and in Louisiana, growth has been increasing in recent years and is expected to continue as manufacturers release more models over the next few years.

Based on a recent article, almost 200,000 electric vehicles were sold in 2017 in the U.S., which is an approximate 25% increase over 2016 sales.<sup>22</sup>

The Council has recently indicated that “the demand for electric vehicles nationwide is growing and many states and utilities have already taken actions to encourage the use of such vehicles, including the construction, location and operation of electric vehicle charging stations.”<sup>23</sup> The Council further agreed that “the construction, location and operation of electric vehicle charging stations is in the public interest and should be encouraged.”<sup>24</sup>

In furtherance of the Council and ENO’s share objectives related to EVs, ENO is proposing two different concepts, for two different types of customers, which are designed to expand access to EV charging infrastructure in New Orleans and which would complement an offering currently available to residential customers that is discussed in direct testimony. The first concept, available to non-residential customers, would involve ENO constructing, owning, and operating EV charging infrastructure on customer-owned property. In return, the customer would pay a fixed amount each month tied to a percentage specified under the proposed Rider Schedule EVCI and the installed cost of the equipment less (1) the value of a 30% tax credit available from the State of Louisiana and (2) an estimated level of near-term, non-fuel revenue.

The second concept, available to public institutions, would involve ENO constructing, owning, and operating EV charging infrastructure solely for public use at a handful of key locations in New Orleans. ENO would collaborate with City officials to

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<sup>22</sup> See <https://arstechnica.com/cars/2018/01/2017-was-the-best-year-ever-for-electric-vehicle-sales-in-the-us/>.

<sup>23</sup> Council Resolution R-18-100 (Apr. 5, 2018).

<sup>24</sup> *Id.*

determine optimal locations for the EV chargers, which could include downtown City-owned right-of-way (*e.g.*, adjacent to City Hall), public libraries and schools, parks, and other recreational areas. Essentially, ENO is proposing that it would invest up to \$500,000, over the next 24-30 months, to build out EV charging infrastructure on public property that would be made accessible to electric vehicle drivers. ENO is proposing to recover the capital investment and related expenses in retail rates through the normal ratemaking process.

- Green Power Option — Consistent with Council direction in Resolution R-18-97, ENO includes a “green pricing proposal.” Under the Green Power Option, a voluntarily enrolled customer would be able to match some or all (*i.e.*, 100%) of their electricity usage with renewable energy certificates (“RECs”) sourced from renewable energy sources like wind and solar. A REC represents the environmental benefits of 1 megawatt hour of renewable energy. By purchasing and pairing RECs with their electricity service, retail customers can use and receive the benefits of that renewable electricity. RECs are used across the country as a low-risk option to support renewable energy and meet renewable energy usage goals. The Green Power Option proposed herein is open to all customers and allows them the option of matching 100%, 50%, or 25% of their electricity usage each month with RECs.

#### **Timing of Rate Effective Date**

#### **42.**

Had ENO not withdrawn its original rate application and the case been determined within applicable time delays under Section 158-91 of the Code of the City of New Orleans, the decrease in ENO’s rates would have become effective for bills rendered on and after the first



billing cycle of August 2019. In order to ensure that customers receive the lower rates at that same time but without compressing the Council's twelve-month review period, ENO commits that rates approved in this proceeding will be effective as of August 2019 even though a Council decision may not be issued by that time. Assuming the typical 12-months for review and disposition of its application, ENO will make the necessary refunds to ensure that customers enjoy the benefit of ENO's lower rates within the same time frame as would have occurred had the original rate application not been withdrawn.

### **New Customer Billing Options**

#### **43.**

ENO is proposing two new voluntary billing options in order to facilitate expanded choice and convenience for customers. Survey work conducted by ENO, and described by Company witness Raiford L. Smith, indicates that various segments of ENO's customer base have an interest in each of these options. The options summarized below and described in greater detail by Mr. Smith will help to provide customers with more flexibility, convenience, and certainty when it comes to paying for service from ENO, in addition to a greater ability to control how much they pay for their energy service. Should the Council approve of ENO's ability to provide customers with these options, ENO proposes to work with the Council, Advisors, and other stakeholders as the options become available to customers in order to make any adjustments that may be needed to ensure optimal customer experiences in an expedited manner and to mitigate potential risk(s).

- Pre-pay Electric Service ("PES") Option and Pre-pay Gas Service ("PGS") Option (Schedules PES and PGS) — ENO proposes a prepaid billing option for residential customers. Pre-pay is a voluntary billing option enabled by the Council's approval of the

deployment of AMI and supporting technology. It is a customer-facing service offering that allows qualifying residential customers to buy a dollar amount of electricity and gas in advance of usage. The utility then deducts the cost of each day's usage from the customer's account balance. As described by Mr. Smith, customers participating in pre-pay value the greater sense of control provided by pre-pay and eliminating the surprise that sometimes occurs when bills are only received once a month. Mr. Smith also notes that across the country millennials, in particular, have expressed interest in pre-pay.

Pre-pay works by allowing electric and gas customers using this service add to their electricity and gas "tank" by making deposits into their account via, for example, payment centers, online, by phone or any other accepted method of payment. They can monitor what is left in the "tank" by checking their balance online via mobile device, computer, and by telephone. They can also elect to receive notifications about their balance, as often as daily, and establish thresholds for phone, email, and/or text alerts regarding low or zero balances. Although a zero or negative balance results in a disconnection (subject to certain disconnect moratoriums), service can be restored quickly after a payment is received by the Company – without incurring late fees or electric service reconnect fees.<sup>25</sup> Moreover, security deposits are not required for pre-pay service. These features can allow some customers to escape a continuous cycle of experiencing disconnection, reconnect fees, late fees, and posting security deposits.

ENO has issued a request for proposals for a vendor to provide pre-pay support services. Accordingly, the Company is providing the form of Schedules PES and PGS.

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<sup>25</sup> The disconnection and reconnection process for gas service is different in that gas service cannot be remotely disconnected or reconnected, so reconnect fees will continue to apply to gas service.

Once a contract is executed with a vendor, ENO would make a compliance filing that updates Schedules PES and PGS if any changes are necessary.

- Fixed Bill Option (“Schedule FBO”) — ENO proposes a fixed billing option for residential customers. Fixed billing is designed to shield participating customers against higher bills caused by extreme hot or cold weather, and it is of primary interest to customers that value certainty in their monthly energy bill (*e.g.*, convenience-oriented customers). In exchange for paying a premium over what the standard residential service rate, customers are provided valued peace of mind knowing that their monthly bill will not change for their contract period. ENO has reviewed fixed billing options in other jurisdictions and found that significant participation and increased customer satisfaction is associated with this offering.

Nonparticipants also stand to benefit because the monthly fixed bill paid by participants includes risk adjustments that would likely create revenues to be included in the Company’s proposed FRP. All else equal, those potential additional revenues, in turn, would lower the revenue requirement and resulting standard rates paid by all customers.

ENO’s Schedule FBO would be voluntary. Under a fixed billing rate schedule, a customer pays the same amount each month for a 12-month contract period. Importantly, unlike levelized billing, there are no adjustments to a customer’s bill based on actual electricity usage or other rate changes that occur within the 12-month contract period. In exchange for this certainty, fixed billing customers will pay a higher rate than for standard residential electric service. Fixed billing rate schedules do provide for a reset of the customer’s monthly payment amount at the end of each 12-month contract period, at

which time the payment amount is re-determined for the next 12-month contract period based on the customer's actual usage, rate changes, and/or other factors. At that point, customers would have the option of accepting the re-determined contract payment amount for the subsequent contract period or leaving the Fixed Bill Option.

### **Lighting Schedules**

#### **44.**

Until recently, ENO has provided private area lighting service predominantly with High Intensity Discharge ("HID") lighting fixtures. In January 2016, however, ENO introduced a new Light Emitting Diode ("LED") private area lighting tariff offering, within Rate Schedule Premium Lighting Service ("PLS"), which allowed customers to choose LED lighting or to convert existing lights from an HID fixture to an LED fixture. The LED light fixture has gained in popularity due to its energy efficiency. In order to simplify its private area lighting tariffs and align its service offerings more closely with customers' growing interest in the use of LED lighting fixtures, ENO is proposing to close several private area lighting offerings to new business. These changes affect the Outdoor Directional Security Lighting rate schedule and the High Pressure Sodium Vapor 100 watt Outdoor Night Watchman rate schedule.

### **Modifications to Service Regulations, Electric and Gas Service Extension Policies, and Miscellaneous Electric and Gas Service Fees**

#### **45.**

The Company is proposing that the Council approve of certain modifications to the Service Regulations Applicable to Electric and Gas Service by ENO. As Ms. Stewart discusses, the proposed modifications vary in purpose. Some of the changes address minor modifications necessary to reflect current practices. Other changes involve addition of new definitions, requirements, and other modifications necessary to reflect the changing nature of service due to

innovations such as the impending deployment of AMI and new customer offerings and billing options the Company proposes to make available to customers, described above. The Company's filing includes both clean and marked, or "redlined," versions of the Service Regulations that ENO asks the Council to approve when it issues a final order resolving this matter.

**46.**

The Company is proposing to: update fees for Rate Schedules MES (Miscellaneous Electric Services) and MGS (Miscellaneous Gas Services), which capture fees associated with service provided beyond the normal requirements of providing electric and gas service; changes to Schedule EOES (Extension of Electric Service Policy) and changes the EOGS (Extension of Gas Service Policy) to more closely align with Schedule EOES. Marked copies of both Schedules EOES and EOGS are attached as exhibits to Ms. Stewart's Direct Testimony.

**Company Witnesses' Supporting Testimony**

**47.**

The revised direct testimony, associated exhibits for the following ENO witnesses, as well as prepared statements and associated workpapers consistent with the filing requirements presented in Section 158-41, *et seq.* of the New Orleans City Code, all presented in support of the Company's requested rate relief, are attached hereto and filed herewith as part of this Application. The proposed rate schedules to produce the level of rate relief sought herein at this time by the Company are among those statements and may be found in Section A, Statement A.2.1 of the MFR statements. Witnesses submitting direct testimony in support of this application are as follows:

1. **Joshua B. Thomas** Mr. Thomas’s testimony addresses:
  - a. ENO’s revised electric rate proposal, the chief parts of which are the reallocation of ENO proposed treatment of certain capacity costs, the proposed ARRT Plan.
  - b. ENO’s proposed RIM Plan, which would affect the base rates to be set in this proceeding and afterwards through the proposed Electric FRP, and which Plan was developed the in response to feedback concerning the performance of ENO’s distribution system.
  - c. How ENO’s rate proposal provides ENO’s customers the benefits of the reduction of the federal corporate income tax rate from 35% to 21%, pursuant to the 2017 Tax Cuts and Jobs Act.
  - d. How the continuation of a constructive regulatory environment is important to ENO’s financial condition and benefits customers through a favorable cost of capital.
  - e. The need for elimination of certain ratemaking treatment related to the Algiers’ Transfer that is inconsistent with the Council historical ratemaking treatment; and
  - f. Certain information required by Council Resolution R-17-504.
  
2. **Orlando Todd** – Mr. Todd’s testimony provides support for the Period II “per books” amounts included in the cost of service study and the basis of the Company’s request for a change of rates in this proceeding. Mr. Todd’s testimony also provides support for certain pro forma adjustments and information regarding the estimated first-

year non-fuel revenue requirement associated with the NOPS required by Council Resolution R-18-65.

3. **Melonie P. Stewart** – Ms. Stewart’s testimony describes ENO’s Distribution Operations Organization (“DSO”), which includes distribution and maintenance for Electric Operations. Ms. Stewart’s testimony focuses particularly on the DSO’s activities to support maintenance and reliability, including the integration of those activities with grid modernization and the Company’s planned investment to improve system performance. Ms. Stewart also explains ENO’s proposed framework for tracking reliability improvements and the basis for the reliability targets included in the RIM Plan. Additionally, Ms. Stewart explains the activities that ENO has undertaken to complete the final steps of the Algiers Transaction. Ms. Stewart also describes proposed changes to ENO’s rate schedules for Miscellaneous Electric and Gas Services, Datalink and the Remote Communications riders, Extension of Electric and Gas Service Policies, and ENO’s regulations applicable to electric and gas service.

4. **Erica H. Zimmerer** – Ms. Zimmerer’s testimony describes the nature and benefits of ENO’s contemplated investment in distribution grid modernization in the City of New Orleans and ENO’s request for Council authorization to implement Rider DGM. Her testimony describes the kinds of technologies and infrastructure upgrades that ENO’s grid modernization efforts would deploy in New Orleans, as well as the expected immediate and long-term benefits of such deployment, including (i) enhanced reliability for customers due to technological upgrades designed to minimize the frequency, effects,

and duration of service interruptions to customers; (ii) increased system visibility and awareness that can enable faster response times during service interruptions; (iii) enablement of a more proactive and efficient approach to reliability planning and system maintenance through predictive analytics; and (iv) increased customer choice and expanded access to the benefits of technological advancements, such as “Smart City” applications, for all customers, regardless of socio-economic status.

Ms. Zimmerer’s testimony also describes the first five projects being developed for ENO’s grid modernization as well as the framework of the analysis through which ENO intends to develop future grid modernization projects. Her testimony also provides an overview of the regulatory process ENO proposes for the Council to use to oversee implementation of these future projects. Lastly, Ms. Zimmerer’s testimony provides support for ENO’s request for a determination that a 15-year depreciable life is appropriate for certain distribution assets that will be deployed in connection with certain grid modernization projects.

5. **Michelle P. Bourg** – Ms. Bourg’s testimony explains and supports the cost of service for the Company’s gas business. She discusses ENO’s efforts to modernize the gas infrastructure in the City to ensure the safe and reliable provision of service, in alignment with industry trends of accelerating the replacement of vintage piping infrastructure under the oversight of the Council and Advisors. Ms. Bourg explains that through its proposed Gas Infrastructure Replacement Program, ENO will employ a condition-based approach similar to that employed in the post-Katrina rebuild program, with the scope expanded beyond flooded areas of the City and including resolution of



underground utility conflicts associated with gas infrastructure replacement. Her testimony also supports ENO's participation in Research and Development programs administered by the non-profit Gas Technology Institute, which will benefit customers by developing system reliability and safety improvements and driving innovation in end-use gas appliances and products.

6. **D. Andrew Owens** – Mr. Owens' testimony supports ENO's request that the Council approve a new model for cost recovery related to demand-side management services offered through Energy Smart, which would continue the Council-approved practice of using a rider as the mechanism for providing consistent and stable funding for DSM initiatives. His testimony also explains the new community solar and EV charging infrastructure offerings that the Company seeks approval to implement.

7. **Dr. Ahmad Faruqui** – Dr. Faruqui's testimony is to support the reasonableness of ENO's proposed Demand-side Management Cost Recovery and Distribution Grid Modernization riders. Dr. Fauqui explains how these proposed riders are in line with current industry best practices for implementing fair and supportive ratemaking structures that have proven records of accomplishing DSM goals and industry best practices for implementing similar comprehensive grid modernization strategies.

8. **Raiford L. Smith** – Mr. Smith's testimony explains the several new billing options that ENO wishes to offer in order to facilitate expanded choice and convenience for customers. The new options Mr. Smith supports are the proposed Pre-Pay Option, the

proposed Fixed Bill Option, and the proposed Green Power Option, in accordance with Council Resolution R-18-97, and ENO's corresponding rate schedules.

9. **Robert B. Hevert** – Mr. Hevert's testimony presents evidence and provides the Council a recommendation regarding the Company's ROE and assesses the reasonableness of ENO's capital structure to be used for ratemaking purposes.

10. **Phillip B. Gillam** – Mr. Gillam's testimony presents the results of both the electric and gas cost-of-service studies based on data for the test years ending December 31, 2017 (Period I) and December 31, 2018 (Period II), both of which test years have been performed for known and measurable changes as of December 31, 2019. In support of those cost of service studies, Mr. Gillam:

- describes the electric cost of service studies for the test years ending December 31, 2017 and December 31, 2018 presented in the Council's Minimum Filing Requirements ("MFR")<sup>26</sup> Statement F (Electric);
- discusses the methodology employed in preparing the Company's cost of service studies presented in the Cost of Service Workpapers provided in support of MFR Statement F;
- sponsors certain pro forma adjustments in the electric and gas cost of service studies (Exhibit PBG-2);
- presents the jurisdictional and class results of the Company's cost of service studies presented in MFR Statement F (Exhibits PBG-3 through PBG-6);
- sponsors and discusses the framework and mechanics of ENO's proposed Electric Formula Rate Plan Rider ("Rider EFRP-5") presented in Exhibit PBG-7, including among other things, the mechanics of ENO's proposed Reliability Incentive Mechanism, and the Company's proposed decoupling provisions as required by Council Resolution R-16-103 Exhibit PBG-8;

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<sup>26</sup> Section 158-137, *et seq.*, of the New Orleans City Code.

- sponsors and discusses the framework and mechanics of the Company’s proposed Gas Formula Rate Plan Rider (“Rider GFRP-5”) presented in Exhibit PBG-9;
- sponsors and discusses framework and mechanics of the Company’s proposed Combined MISO Cost Recovery Rider presented in Exhibit PBG-10;
- sponsors and discusses the framework and mechanics of the Company’s proposed revised Rider PPCACR presented in Exhibit PBG-11;
- sponsors and discusses the framework and mechanics of the Company’s proposed GIRP Rider presented in Exhibit PBG-12;
- sponsors and discusses the framework of the Company’s proposed Distribution Grid Modernization Rider presented in Exhibit PBG-13.

11. **Scott M. Celino** Mr. Celino’s testimony supports the proposed combined FAC Rider so that all customers in the same service voltage group pay the same FAC Rider rate effective with new base rates to be determined in this proceeding in accordance with Paragraph 2(a) of Council Resolution R-17-504. Mr. Celino’s testimony also supports ENO’s request for technical change to the PGA Rider applicable to natural gas service.

12. **Lisa Walther**. Ms. Walther’s testimony describes the Company’s per book accounting data presented in the Company’s application for the twelve-month historical period ended December 31, 2017, Period I, reflected in MFR Statement F of the Company’s filing. Her revised direct testimony further supports certain pro forma adjustments to the Period I test year for known and measurable changes to the historical costs and revenues. The basis for Period II is described in the Revised Direct Testimony of Company witness Orlando Todd. Her revised direct testimony further supports certain pro forma adjustments to the Period II test year for known and measurable changes. Therefore, the Company has prepared two electric and two gas cost of service studies,

one for each Period I and Period II. Ms. Walther also support the Company's capital structure and embedded cost rates for debt, as set forth in Statement D-1 of the Company's filing.

13. **Myra L. Talkington** - Ms. Talkington's testimony:

- discusses the impact of the combination of the Legacy ENO and Algiers customers on the development of ENO's proposed allocation factors, base revenues and rate design;
- describes, for ENO's electric business, the development of certain external customer class allocation factors, the development of the test period base revenues, the Company's proposed rate design (including the Company's AART Plan, as well as the re-allocation among the customer classes of certain capacity-related PPA costs), and certain proposed tariff changes;
- addresses certain aspects of the "decoupling" component of ENO's proposed electric formula rate plan; and
- addresses ENO's gas business, including explaining the development of external allocation factors used in the cost of service study, the development of test period base revenues, the proposed rate design, and certain proposed tariff changes.

14. **Donald J. Clayton** - Mr. Clayton's testimony supports the depreciation studies for ENO's electric and gas property. For purposes of the depreciation studies, Mr. Clayton determined service life and net salvage estimates and developed depreciation rates for the Company's gas and electric plant, asset retirement obligations, and acquisition premiums.

15. **Kenneth F. Gallagher** – Mr. Gallagher's testimony presents the Lead-Lag analysis that supports the level of Cash Working Capital consistent with Section 158-133 B (12) of the Code of the City of New Orleans.

## **Description of Applicant and Affected Parties in Interest**

### **48.**

ENO is a limited liability company duly authorized and qualified to do and doing business in the State of Texas and State of Louisiana, with its general place of business at 1600 Perdido Street, Building 505, New Orleans, Louisiana, 70112. The Company is engaged in generating, transmitting, distributing, and selling electricity to residential, commercial, industrial, governmental, and lighting customers throughout the City of New Orleans. ENO provides retail electric service to approximately 200,250 retail customers in Orleans Parish, composed of approximately 179,755 residential customers, 16,505 commercial customers, 2,110 industrial customers, and 1,883 governmental customers. ENO is also engaged in the business of providing natural gas service throughout the City, serving approximately 106,390 customers.

To serve its electric customers, ENO owns approximately 144 miles of transmission lines and 1,800 miles of distribution lines. ENO's gas system is comprised of approximately 36 miles of transmission pipelines, 11 City Gates, approximately 1,740 miles of distribution mains, and approximately 800 miles of distribution service lines. The rate relief sought in this application would affect all of the Company's retail customers in the City of New Orleans.

**Service of Notices and Pleadings**

**49.**

The Company requests that notices, correspondence, and other communications concerning this Revised Application be directed to the following persons, and that they be placed on the Official Service List in this proceeding:

Gary E. Huntley  
Polly S. Rosemond  
Kevin Boleware  
1600 Perdido Street  
Bldg. 505  
New Orleans, Louisiana 70113  
Telephone: (504) 670-3680  
Email: [ghuntle@entergy.com](mailto:ghuntle@entergy.com)

Joe Romano, III  
Suzanne Fontan  
Therese Perrault  
Entergy Services, Inc.  
639 Loyola Avenue  
Mail Unit L-ENT-4C  
New Orleans, LA 70113  
[litigationsupport@entergy.com](mailto:litigationsupport@entergy.com)

Timothy S. Cragin  
Alyssa Maurice-Anderson  
Harry M. Barton  
Brian L. Guillot  
Entergy Services, Inc.  
639 Loyola Avenue  
Mail Unit L-ENT-26E  
New Orleans, Louisiana 70113  
Telephone: (504) 576-6523  
[amauric@entergy.com](mailto:amauric@entergy.com)

**Request for Confidential Treatment**

**50.**

Portions of the Company's evidence supporting this Revised Application contain information considered by the Company to be proprietary and confidential. Disclosure of certain of this information may expose the Company and its customers to an unreasonable risk of harm. Therefore, in light of the commercially sensitive nature of such information, the Company has submitted two versions of each of the affected documents, one marked "Non-Confidential Redacted Version" and the other marked "Confidential Version." In anticipation of the Council's adoption of its Official Protective Order in this proceeding, the Confidential Versions

bear the designation “Highly Sensitive Protected Materials” or words of similar import. In accordance with the terms of Council Resolution R-07-432, this confidential information shall be exempt from public disclosure.

### **Request for Waiver**

#### **51.**

Through submission of its Original Application, from a technical standpoint, ENO satisfied the requirements of Council Resolution R-17-04 that a combined rate case be filed on or before July 31, 2018. However, in withdrawing and re-submitting its Revised Application based on the same Period I and Period II test years required by Resolution R-17-504. With the submission of its revised Application, out of an abundance of caution, ENO requests waiver of any filing requirements pertaining to the timing of the filing of the Period I and Period II test years. ENO believes its Revised Application and supporting documentation comports with the Minimum Filing Requirements set forth in Chapter 158, Division 1, Section 158-41, *et seq.*, of the New Orleans City Code. However, to the extent that the Council determines that ENO’s filing does meet applicable MFRs, pursuant to Section 158-48, of the New Orleans City Code, the Company requests waiver of such requirements. Alternatively, ENO requests that a reasonable opportunity to remedy any such deficiencies be granted by the Council.

**WHEREFORE,** Entergy New Orleans, LLC requests that the Council:

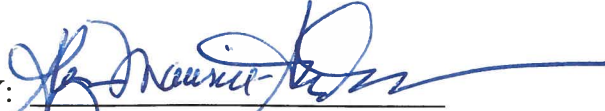
1. Issue an order confirming that Entergy New Orleans' filing, including its Application is in compliance with the Minimum/Standard Filing Requirements;
2. Direct that notice of all matters in these proceedings be sent to Gary E. Huntley and Alyssa Maurice-Anderson, as representatives of Applicant Entergy New Orleans, LLC;
3. Find that the change in electric and gas rates described herein, but more particularly and specifically described in the testimony and exhibits of the witnesses attached hereto and made part hereof, is in the public interest, will result in just and reasonable rates and, subject to the terms and conditions to be established hereby, fully complies with Louisiana law and the ordinances of the Council;
4. Take official action to grant the Company's request for a change in electric and gas rates, including but not limited to ENO's proposed Algiers Residential Rate Transition Plan, and such other specific requests for which the Company seeks approval herein, including but not limited to the following:
  - a) approving the Company's proposed depreciation rates so that the return of capital may be synchronized to the service life of the plant used to provide customers electric service;
  - b) approving the Company's proposed electric formula rate plan, including but not limited to ENO's proposed Reliability Incentive Mechanism, and natural gas formula rate plans;
  - c) approving the other new and revised riders proposed by ENO, including but not limited to the Rider DSMCR, Interim Rider EECR, Schedule CSO,



Rider GPO, and Rider Schedule EVCI; and the new customer service and billing offerings proposed by the Company: Schedules PES and PGS, and Schedule FBO;

- d) approving the withdrawal of certain rate schedules, as well as the new and modified rate schedules, including the Company's proposed changes to Schedules MES, MGS, EOES, and EOGS;
  - e) approving of ENO's recovery of costs associated with the five grid modernization projects proposed in the filing via Rider DGM for such projects closing to plant after December 31, 2019, and approves the regulatory review process proposed for use with future grid modernization projects;
  - f) approving of the Company's proposed modifications to the Service Regulations Applicable to Electric and Gas Service by Entergy New Orleans, LLC;
4. Adopt for application in this proceedings its Official Protective Order as set forth in Resolution R-07-432, or provide for such other appropriate protection for any confidential information to be produced in this proceeding;
  5. Issue a final decision in this proceeding in accordance with Section 158-91 of the Code of the City of New Orleans, with effects on electric and gas rates relating back to an effective date as of the first billing cycle of August 2019; and
  6. Grant all other Orders and decrees as may be necessary, and for all general and equitable relief that the law and the nature of the case may permit.

Respectfully submitted,

BY: 

Timothy S. Cragin, LSBN 22313  
Alyssa Maurice-Anderson, LSBN 28388  
Harry M. Barton, LSBN 29751  
Brian L. Guillot, LSBN 31759  
ENTERGY SERVICES, INC.  
639 Loyola Avenue  
Mail Unit L-ENT-26E  
New Orleans, Louisiana 70113  
Telephone: (504) 576-6523  
Facsimile: (504) 576-5579

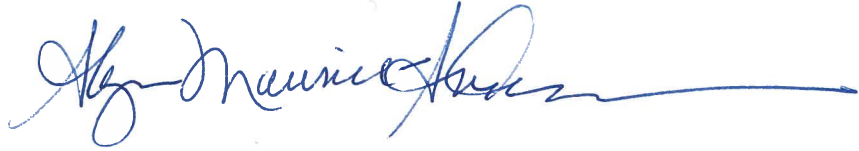
Stephen T. Perrien, LSBN 22590  
TAGGART MORTON, L.L.C.  
1100 Poydras Street, Suite 2100  
New Orleans, Louisiana 70113  
Telephone: (504) 599-8500  
Facsimile: (504) 599-8501

John F. Williams, TX Bar No. 21554100  
Scott R. Olson, TX Bar No. 24013266  
James F. McNally, Jr., TX Bar No. 13815680  
DUGGINS WREN MANN & ROMERO, LLP  
One American Center  
600 Congress Avenue, Suite 1900  
Austin, Texas 78701  
Telephone: (512) 744-9300  
Facsimile: (512) 744-9399

**ATTORNEYS FOR ENTERGY NEW ORLEANS, LLC**

**CERTIFICATE OF SERVICE**

I hereby certify that I have this 21<sup>st</sup> day of September 2018, served the required number of copies of the foregoing pleading in accordance with the applicable provisions of the New Orleans City Code by:  electronic mail,  facsimile,  overnight mail,  hand delivery, and/or  United States Postal Service, postage prepaid.

A handwritten signature in blue ink, appearing to read "Ally Maurice", with a long horizontal flourish extending to the right.