

RESOLUTION

NO. R- 22-372

CITY HALL: August 18, 2022

BY: COUNCILMEMBERS MORRELL, MORENO AND GIARRUSSO

**RESOLUTION PROPOSING MINIMUM RELIABILITY PERFORMANCE
STANDARDS FOR ELECTRIC DISTRIBUTION WITH ASSOCIATED FINANCIAL
PENALTIES FOR SUBSTANDARD PERFORMANCE**

DOCKET NO. UD-17-04

WHEREAS, pursuant to the Constitution of the State of Louisiana and the Home Rule Charter of the City of New Orleans (“Charter”), the Council of the City of New Orleans (“Council”) is the governmental body with the power of supervision, regulation and control over public utilities providing service within the City of New Orleans; and

WHEREAS, pursuant to its powers of supervision, regulation and control over public utilities, the Council is responsible for fixing and changing rates and charges of public utilities and making all necessary rules and regulations to govern applications for the fixing and changing of rates and charges of public utilities; and

WHEREAS, Entergy New Orleans, LLC (“ENO” or “Company”) is a public utility providing electric and natural gas service to all of New Orleans; and

WHEREAS, ENO is a wholly-owned operating company subsidiary of Entergy Corporation (“Entergy”); and

WHEREAS, in Council Resolution No. R-17-427 the Council established Docket No. UD-17-04, for the Council's investigation into electric outages, electric reliability issues in Orleans Parish in general, ENO's level of distribution operation and maintenance (“O&M”) staffing and scheduling, and to consider the establishment of minimum reliability performance standards for

all of the utilities under the Council's jurisdiction, including the establishment of financial penalty mechanisms for failure to meet such minimum reliability performance standards as established by the Council; and

WHEREAS, in Council Resolution No. R-18-475 the Council expressed its grave concern about ENO's continuing pattern of frequent large-scale outages and customer interruptions, which led the Council to establish a prudence investigation to determine whether ENO's inaction and omissions in mitigating and remediating electric service disruptions and complaints and addressing the performance of its distribution system were imprudent and whether the Council should impose financial penalties for that conduct; and

WHEREAS, pursuant to that resolution the Council's utility advisors conducted a thorough investigation, developed an extensive record, and provided a report to the Council finding ENO had acted imprudently; and

WHEREAS, after receiving the Advisors' report, the Council passed Council Resolution No. R-19-442 finding ENO had acted imprudently and fining ENO \$1 million for the prior imprudent conduct, which order was appealed by ENO to the Civil District Court, Parish of Orleans where it is currently pending; and

WHEREAS, the Council is now considering the distribution reliability and performance standards and financial penalty phase of Docket UD-17-04; and

WHEREAS, two of the reliability indices commonly utilized by electric utilities to measure their reliability performance are the System Average Interruption Frequency Index ("SAIFI") and the System Average Interruption Duration Index ("SAIDI"); and

WHEREAS, SAIFI measures the average number of interruptions of all customers over a defined period; and

WHEREAS, SAIDI measures the average length of interruptions experienced by all customers served over a defined period; and

WHEREAS, the Council recognizes the importance of having a standardized method by which to measure and report the reliability performance of electric utilities under its jurisdiction; and

WHEREAS, the Institute of Electrical and Electronic Engineers (“IEEE”) Standards Association has developed guidelines for calculating electric power distribution reliability indices and published them in its IEEE Std 1366 -2012 (IEEE Guide for Electric Power Distribution Reliability Indices); and

WHEREAS, in establishing distribution reliability standards the Council believes it is informative to review the performance of other utilities; and

WHEREAS, the IEEE Distribution Reliability Working Group conducts an annual survey of small, medium, and large utilities and produces an annual benchmark study that reports SAIDI and SAIFI results of that survey, grouped into performance quartiles; and

WHEREAS, the IEEE Benchmark Year 2019 Results for 2018 Data indicated that its survey respondents included 7 small utilities ($\leq 100,000$ customers), 56 Medium utilities ($>100,000$ and $<1,000,000$ customers), and 32 large utilities ($\geq 1M$ customers), which in total represents 85,258,061 customers; and

WHEREAS, the IEEE Benchmark Year 2021 Results for 2020 Data showed that its survey respondents included 84 utilities; and

WHEREAS, in Council Resolution R-17-427 the Council directed ENO to provide recommended minimum SAIFI and SAIDI standards for evaluation by the Council and its Technical Advisors; and

WHEREAS, in its November 10, 2017 Reliability Plan, ENO did not provide its recommended minimum SAIFI and SAIDI standards as directed, and instead only provided suggested goals for a single year. Specifically, ENO suggested that a distribution line SAIFI goal for 2018 of 1.587 and a distribution line SAIDI goal of 175.7 would be reasonable; and

WHEREAS, in Council Docket No. UD-18-07 (the “2018 Rate Case”), ENO’s September 21, 2018 *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* (“2018 Rate Case Application”), proposed a Reliability Incentive Mechanism Plan (“RIM Plan”), under which ENO’s allowed return on equity (“ROE”) would be adjusted over a 50 basis points (“bp”) range based on ENO’s SAIFI, using a target of 1.24 (no ROE adjustment), a lower bound SAIFI of 1.40 (25bp ROE reduction), and an upper bound SAIFI of 1.05 (25bp ROE increase); and

WHEREAS, Advisor witness Mr. Byron S. Watson, in his direct testimony in the 2018 Rate Case estimated that the effect on ENO’s electric revenue requirement of a 50 basis point increase to its ROE is an approximate \$2.7 million increase; and

WHEREAS, based on ENO’s proposed RIM Plan’s 35/100 range of SAIFI values (*i.e.*, 1.40-1.05=0.35), ENO’s revenue requirement would vary \$77,143, for each 1/100 change to SAIFI within that range; and

WHEREAS, ENO based its proposed RIM Plan SAIFI range of 1.40 to 1.05 on the IEEE Benchmark Year 2017 Results for 2016 Data where the upper-range SAIFI of 1.05 is equal to the

average of the first quartile SAIFIs for small utilities and medium utilities, and the lower-range SAIFI of 1.40 is equal to the average of the third quartile SAIFIs for small utilities and medium utilities; and

WHEREAS, although ENO is a medium utility, ENO argued in the 2018 Rate Case that the use of data for small utilities and medium utilities as the basis for its proposed RIM Plan SAIFI range of 1.40 to 1.05 was reasonable because ENO's size falls at the lower-end of an extremely broad size-range of medium utilities, and, as such, averaging SAIFIs for small utilities and medium utilities produces benchmarks that are more consistent with ENO's electric operations scale than using the SAIFI benchmarks for medium utilities alone; and

WHEREAS, in Council Resolution No. R-19-457, after considering arguments that New Orleans ratepayers should not be required to pay extra for the reliable electric utility service they are already entitled to by virtue of ENO's status as the monopoly provider of electric service, ENO's proposed RIM Plan was rejected; and

WHEREAS, in Council Resolution No. R-19-457, the Council found that, while ENO's proposed RIM Plan should be denied, the issue of reliability standards and any penalties for failing to meet them should be taken up in Docket No. UD-17-04 rather than in the 2018 Rate Case; and

WHEREAS, while the Council rejected ENO's proposed RIM Plan in the 2018 Rate Case, the Council believes that testimony presented in the 2018 Rate Case related to ENO's proposed RIM Plan is informative in establishing reasonable distribution reliability standards and financial penalties; and

WHEREAS, the Council's Advisors have developed proposed reliability standards and financial penalties to be considered by the Council and parties in this docket, which are included as Appendix A to this Resolution; and

WHEREAS, the Council's Advisors have indicated that they believe it is appropriate to take guidance from the IEEE benchmark results; and

WHEREAS, the Council's Advisors believe that, while ENO's proposed RIM Plan's SAIFI range was based on single-year IEEE benchmark results, similar calculations based on an average of several years are more appropriate in establishing standards; and

WHEREAS, the Council's Advisors have reviewed the IEEE benchmark results for the 5-year period 2016-2020 and utilized the third quartile average of small and medium utilities to establish minimum performance levels of SAIFI in the proposed standards, in similar fashion to how ENO identified 1.4 as lower-end of the SAIFI range in its proposed RIM Plan; and

WHEREAS, in the 2018 Rate Case, ENO witness Ms. Melonie P. Stewart noted in her revised direct testimony that ENO's SAIDI and SAIFI scores for 2016-2017 placed ENO in the fourth quartile among U.S. utilities for those years; and

WHEREAS, in the 2018 Rate Case, ENO witness Stewart also noted in her revised direct testimony that establishing a lower bound SAIFI score of 1.40 is an appropriate proxy for the 3rd quartile breakpoint for a small utility, which is a reasonable boundary at which to establish minimum reliability performance; and

WHEREAS, as the Council's Advisors have estimated the revenue effect on ENO of each 1/100th of a SAIFI as part of ENO's proposed RIM Plan to be \$77,143, this value provides a pathway to valuation of financial penalties that are reasonable and appropriate in this docket; and

WHEREAS, the Council's Advisors have utilized \$75,000 per 1/100th of a SAIFI increment with an annual maximum of \$2.7 million as the proposed penalty amounts in the proposed reliability standards; and

WHEREAS, the Council's Advisors have informed the Council that applying their proposed reliability standards to ENO's historic SAIFI performance would have resulted in total fines of approximately \$1,005,000 for its poor reliability performance in years 2016 and 2017, which is close in dollar amount to the \$1,000,000 ENO was fined for its failure to act prudently in its reaction to a reliability crisis in Council Resolution No. R-19-442; and

WHEREAS, a review of ENO's operations for the years 2013 through 2021 reveals that ENO would have met the Advisors' proposed SAIFI reliability standards for seven out of those nine years, with the exceptions being 2016 and 2017; and

WHEREAS, the Council believes that ENO having attained the proposed SAIFI reliability standards for all but two of the years 2013 through 2021 supports that the Advisors' proposed standards can be met with recent levels of distribution reliability spending during 2018-2021, where ENO was able to achieve results that would have met the reliability standards; and

WHEREAS, similar to developing the proposed standard for SAIFI, the Council's Advisors have reviewed the IEEE SAIDI data for the 5-year period 2016-2020 and utilized third quartile average of small and medium utilities to establish minimum performance levels of SAIDI in the proposed standards. In addition, the Advisors have proposed financial penalties of up to \$500,000 annually for un-remediated SAIDI violations; and

WHEREAS, the proposed standards also address the performance of the SAIFI and SAIDI of individual distribution feeders to assure that systemwide performance cannot mask poor performance of portions of the system. In addition, the Advisors have proposed financial penalties of up to \$500,000 annually related to feeder issues; and **NOW THEREFORE**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF NEW ORLEANS, That Parties in Docket No. UD-17-04 shall have thirty (30) days from the passage of this resolution by the Council to file comments to the proposed reliability standards and penalties summarized herein and attached as Appendix A.

THE FOREGOING WAS READ IN FULL, THE ROLL WAS CALLED ON THE ADOPTION THEREOF, AND RESULTED AS FOLLOWS:

YEAS: Giarrusso, Green, Harris, King, Moreno, Morrell - 6

NAYS: 0

ABSENT: Thomas - 1

THE FOREGOING IS CERTIFIED
TO BE A TRUE AND CORRECT COPY
Lera W. Johnson
CLERK OF COUNCIL

AND THE RESOLUTION WAS ADOPTED.

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APPENDIX A

Electric System Distribution Reliability Standards (ESDRS)

SECTION 1: OVERVIEW

The purpose of these standards is to establish minimum distribution reliability performance levels applicable to all electric utilities subject to the Council of the City of New Orleans (Council) regulatory jurisdiction. In addition, these standards set forth the method by which to determine performance, annual compliance reporting requirements, and penalties for non-compliance.

SECTION 2: DEFINITIONS

- a) **“IEEE”** means the Institute of Electrical and Electronic Engineers
- b) **“SAIFI”** means System Average Interruption Frequency Index. SAIFI measures the average number of interruptions of all customers over a defined period.
- c) **“SAIDI”** means System Average Interruption Duration Index. SAIDI measures the average length of interruptions experienced by all customers served over a defined period.
- d) **“CURO”** means the Council Utility Regulatory Office.
- e) **“Council”** means the Council of the City of New Orleans
- f) **“MED”** means Major Event Day as defined in IEEE Std 1366-2012¹
- g) **“Momentary Interruptions”** means outages lasting no longer than five (5) minutes.
- h) **“Utility”** means any electric utility subject to the Council's regulatory jurisdiction.
- i) **“ESDRS Annual Compliance Filing”** means the Utility's annual filing in compliance with these standards.

SECTION 3: DISTRIBUTION RELIABILITY STANDARDS

- a) These standards shall be applicable all Utilities and for the calendar year 2023 and each calendar year thereafter.
- b) SAIFI and SAIDI shall be calculated on an annual basis for the twelve months ending December 31st of each year.
- c) In calculating its annual SAIFI and SAIDI performance, each Utility shall utilize the calculation methods contained in IEEE Std 1366-2012. The calculation shall exclude Momentary Interruptions, outages on days which are classified as a MED, and outages that are mandated by a public authority.²

¹ IEEE Guide for Electric Power Distribution Reliability Indices

² While outages on days which are classified as a MED are excluded for the purposes of calculating SAIFI and SAIDI performance in accordance with these standards, such outages should be recorded and reported as part of each Utility's ERDRS Annual Compliance Filing.

- d) SAIFI and SAIDI shall be calculated for each of the Utility's feeders and for the Utility's entire service territory as a whole.
- e) The minimum annual performance level for distribution system SAIFI, measured annually and with respect to the Utility's entire service territory, shall be **1.53**. This represents the number of interruptions, on average, that a customer experienced.
- f) The minimum annual performance level for distribution system SAIDI, measured annually and with respect to the Utility's entire service territory, shall be **178.2**. This represents the number of minutes of interruption, on average, that a customer experienced.

SECTION 4: COMPLIANCE AND REPORTING

- a) By March 1, 2024, and each successive year thereafter, each Utility shall file its ESDRS Annual Compliance Filing for the preceding calendar year.
- b) Each ESDRS Annual Compliance Filing shall include:
 - 1. A data set including all distribution system and transmission system outages including each of the fields identified in Attachment A to these standards.
 - 2. Calculations of the Utility's distribution system SAIFI and SAIDI for the Utility's entire service territory.
 - 3. Calculations of Utility's transmission system SAIFI and SAIDI for the Utility's entire service territory.
 - 4. Calculations of the Utility's distribution system SAIFI and SAIDI for each of the Utility's distribution feeders.
 - 5. Identification of poor performing feeders (lowest 5% of feeders based on annual SAIFI) and the Utility's plan, budget, and schedule to improve the performance of each of the poor performing feeders.
 - 6. To the extent either the Utility's distribution system SAIFI for the Utility's entire service territory or the Utility's distribution system SAIDI for the Utility's entire service territory failed to meet the standards set forth herein, the Utility shall also include in its ESDRS Annual Compliance Filing an analysis of the outage causes and durations; its plan, budget, and schedule to bring the distribution system in compliance with these standards; and any other information it believes the Council should consider in determining whether enforcement actions are warranted.

SECTION 5: ENFORCEMENT

- a) Failure to meet minimum annual performance level distribution system SAIFI for the Utility's entire service territory.

1. The Council may issue a fine of up to \$2.7 million annually for the Utility's failure to meet minimum annual performance level distribution system SAIFI for the Utility's entire service territory.
2. The maximum fine amount for any given year shall be proportionate to the amount by which the Utility failed to meet the minimum annual performance level. For each 100th of a whole number unit of SAIFI (i.e., 0.01) by which the actual SAIFI failed to meet the SAIFI minimum performance level the Council may fine the utility up to \$75,000.
 - i) For Example:
 - (1) The minimum annual performance level SAIFI is 1.53 and the actual Utility SAIFI is 1.65.
 - (2) The Utility would have failed to meet the standard by 12/100 and the maximum penalty for that year would be equal to 75,000 multiplied by 12, for a maximum penalty of \$900,000.
 - b) Failure to meet minimum annual performance level distribution system SAIDI for the Utility's entire service territory.
 1. The Council shall review the Utility's analysis of the outage causes and durations, and the Utility's plan, budget, and schedule to bring the distribution system in compliance.
 2. To the extent the implementation of Utility's plan does not bring the distribution system into compliance, the Council may take additional enforcement actions, including fining the Utility up to \$500,000 annually for the failure to comply.
 - c) Failure to significantly improve poor performing feeders.
 1. The Council shall review the Utility's identification of poor performing feeders (lowest 5% of feeders based on annual SAIFI) and the Utility's plan, budget, and schedule to improve the performance of each of the poor performing feeders.
 2. To the extent the implementation of Utility's plan does not measurably improve the poor performing feeders in subsequent evaluation years, the Council may take additional enforcement actions, including fining the Utility up to \$500,000 annually.

**Attachment A
Outage Data Required Information**

Field	Data Description / Field Contents
Outage Identification Number	A unique number identifying the outage/interruption
Network Name	To the extent the Utility's distribution system is divided into networks, the Utility should identify the network name associated with the outage/interruption
Weather Condition	Weather conditions at the time of the outage/interruption (i.e., Fair, Thunder, Lightning, Rain, wind, etc.)
First Call Date and Time	Date and time the Utility became aware of the outage/interruption
Trouble Clear Date and Time	Date and time the outage ended
Feeder Identification Name or Number	A unique number or name that identifies the feeder that experienced either a full or partial outage/interruption
Primary Device	Name of device type (i.e., Fuse, Transformer, Breaker, etc.) that failed and resulted in the outage/interruption
Cause Description	The general cause category associates with the outage/interruption (i.e., Equipment-Arrestor, Equipment-Crossarm, Equipment-Insulator, Equipment-Transformer, Lightning, Tree Limb, Animal-Raccoon, Animal-Squirrel, Fire, Human Error, Scheduled Interruption, etc.)
System	Identification of whether the outage was due to a condition on the Utility's transmission system or the Utility's distribution system
Total Customers Affected	The total number of customers affected by the outage/interruption
Outage Duration Minutes	The duration of the outage/interruption in minutes
Actual Customer Minutes	The number of customer minutes associated with the outage/interruption
Major Event Classification	A yes or no field as to whether the outage is classified as a MED
Additional Information/Remarks	Contains additional information regarding the outage/interruption that may have been recorded by field service personnel and which further describes the nature of the outage/interruption and the subsequent restoration
Longitude	The GPS longitude of the failed equipment or feeder that which most closely identifies the general area of the outage
Latitude	The GPS latitude of the failed equipment or feeder that which most closely identifies the general area of the outage
ZIP	The Zip Code of the failed equipment or feeder that most closely identifies the general area of the outage
Council District	The Council District in which the outage/interruption occurred