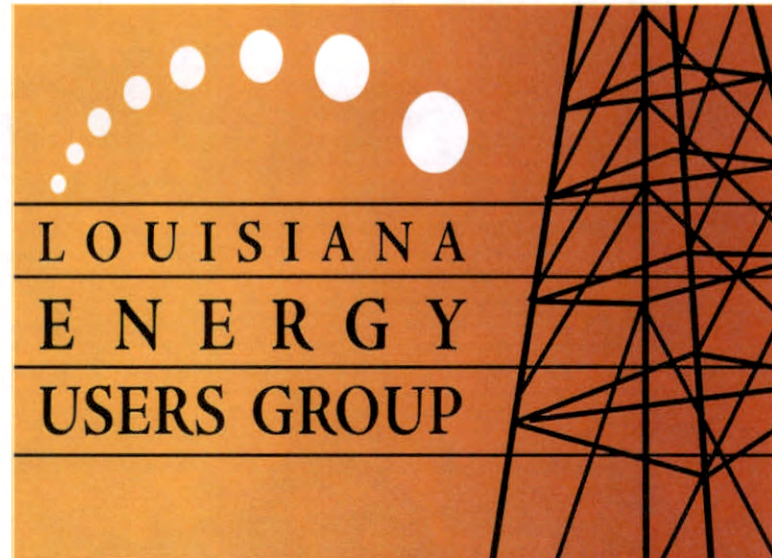


LPSC Rulemaking to Evaluate Customer- Centered Options

Docket R-35462

December 15, 2022

4887-8134-7382 v.1



2022 DEC -9 AM 10:16
LA PUBLIC SERVICE
COMMISSION

KEAN | MILLER^{LLP}

Who Pays the Cost?

Projected Entergy spend of \$17+ Billion for new power plants.

Industry seeks to be part of the solution:

Help avoid or reduce costs and rate increases for all ratepayers.

Support Louisiana economic development.

**LEUG Proposals Allow Louisiana Industry To Be Part Of The Solution - -
Avoid Costs For All Ratepayers and Provide Optionality That Can Help
Industrials Maintain Competitive Rates and Effectively Compete to
Bring New Investments in Louisiana**

If Entergy can avoid spending hundreds of millions or even potentially billions of dollars on new power plant by allowing more options for industrial customers, **that benefits all of the ratepayers and is in the public interest for the state of Louisiana.**

LEUG is proposing new options for industrial customers to be part of the solution.

LEUG is **not** proposing to deregulate the electric utilities in Louisiana, **or** a move to full retail open access, **or** to create a new market for electricity supply like exists in Texas.

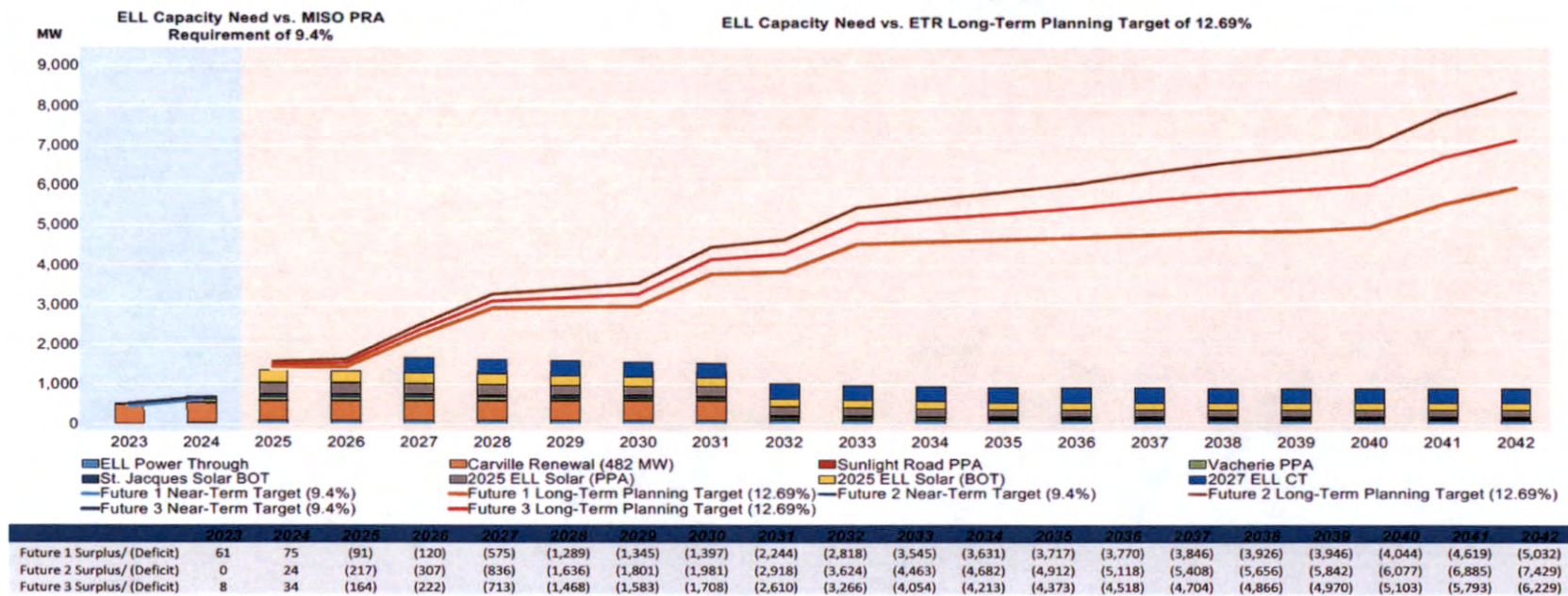
LEUG Proposals Allow Louisiana Industry To Be Part Of The Solution - - Avoid Costs For All Ratepayers and Provide Optionality That Can Help Industrials Maintain Competitive Rates and Effectively Compete to Bring New Investments in Louisiana

LEUG proposals:

- (1) provide benefits to all ratepayers,
- (2) help industry in Louisiana maintain competitive electricity prices, and
- (3) provide access to the significant amounts of renewable energy that will be needed by industry to be able to bring capital projects to Louisiana, as they compete within their companies against other potential sites within the United States and globally.

Entergy Integrated Resource Planning

ELL 20- Year Resource Need



Notes:

- Solar resources assume capacity credit that aligns with the MTEP21 capacity credit assumption.

Cost of Projected Entergy Generation Additions



<u>Year</u> (1)	<u>Installed Capacity Additions (MW)</u> (2)	<u>Type of Capacity</u> (3)	<u>MISO Value of Capacity (MW)</u> (4)	<u>Cost per Installed kW</u> (5)	<u>Total Installed Cost (\$Billions)</u> (6)	<u>Carrying Cost Rate</u> (7)	<u>Annual Cost (\$Millions)</u> (8)
Total	13,976		5,732		\$17.7		\$2,653

Source:

Entergy Louisiana 2023 Integrated Resource Plan (Draft Report) October 21, 2022, pages 27, 59, 61, 62, 83, and 84.

Note:

Solar MISO capacity value is currently at 50% of installed firm capacity. MISO expects the value to decline to 30% by 2042.

Cost of Projected Entergy Generation Additions

<u>Year</u>	<u>Installed Capacity Additions (MW)</u>	<u>Type of Capacity</u>	<u>MISO Value of Capacity (MW)</u>	<u>Cost per Installed kW</u>	<u>Total Installed Cost (\$Billions)</u>	<u>Carrying Cost Rate</u>	<u>Annual Cost (\$Millions)</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2024	475	Solar	175	\$1,063	\$0.5	15%	\$76
	(350 Firm, 125 Non-firm)						
2025	600	Solar	300	\$1,063	\$0.6	15%	\$96
2026	1,500	Solar	750	\$1,063	\$1.6	15%	\$239
2028	1,200	Solar	600	\$1,063	\$1.3	15%	\$191
2031	1,102	2x1 CCGT	1,102	\$894	\$1.0	15%	\$148
2032	100	Solar	50	\$1,063	\$0.1	15%	\$16
2033	500	Solar	250	\$1,063	\$0.5	15%	\$80
2033	200	Onshore Wind	32	\$1,505	\$0.3	15%	\$45
2033	549	1x1 CCGT	549	\$1,156	\$0.6	15%	\$95
2034	400	Solar	200	\$1,063	\$0.4	15%	\$64
2035	100	Solar	50	\$1,063	\$0.1	15%	\$16
2035	600	Onshore Wind	96	\$1,505	\$0.9	15%	\$135
2036	400	OnShore Wind	64	\$1,505	\$0.6	15%	\$90
2037	300	Solar	150	\$1,063	\$0.3	15%	\$48
2037	1,000	OnShore Wind	160	\$1,505	\$1.5	15%	\$226
2038	1,000	OnShore Wind	160	\$1,505	\$1.5	15%	\$226
2039	800	OnShore Wind	128	\$1,505	\$1.2	15%	\$181
2040	600	OnShore Wind	96	\$1,505	\$0.9	15%	\$135
2041	100	Solar	50	\$1,063	\$0.1	15%	\$16
2041	1,000	OnShore Wind	160	\$1,505	\$1.5	15%	\$226
2041	300	Lithium-Ion Battery	300	\$1,171	\$0.4	15%	\$53
2042	1,000	OnShore Wind	160	\$1,505	\$1.5	15%	\$226
2042	150	Lithium-Ion Battery	150	\$1,171	\$0.2	15%	\$26

Who Pays the Cost?

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Costs Will Increase Much Faster Than Sales, Which will Cause Dramatic Increases in Rates

From 2022 to 2042:

- Customer requirements are projected to increase less than 10%
- Base revenue requirements are projected to increase by over 75%
- As a result of the large expenditures to replace retiring capacity,
Base Rates could increase 65% or more.

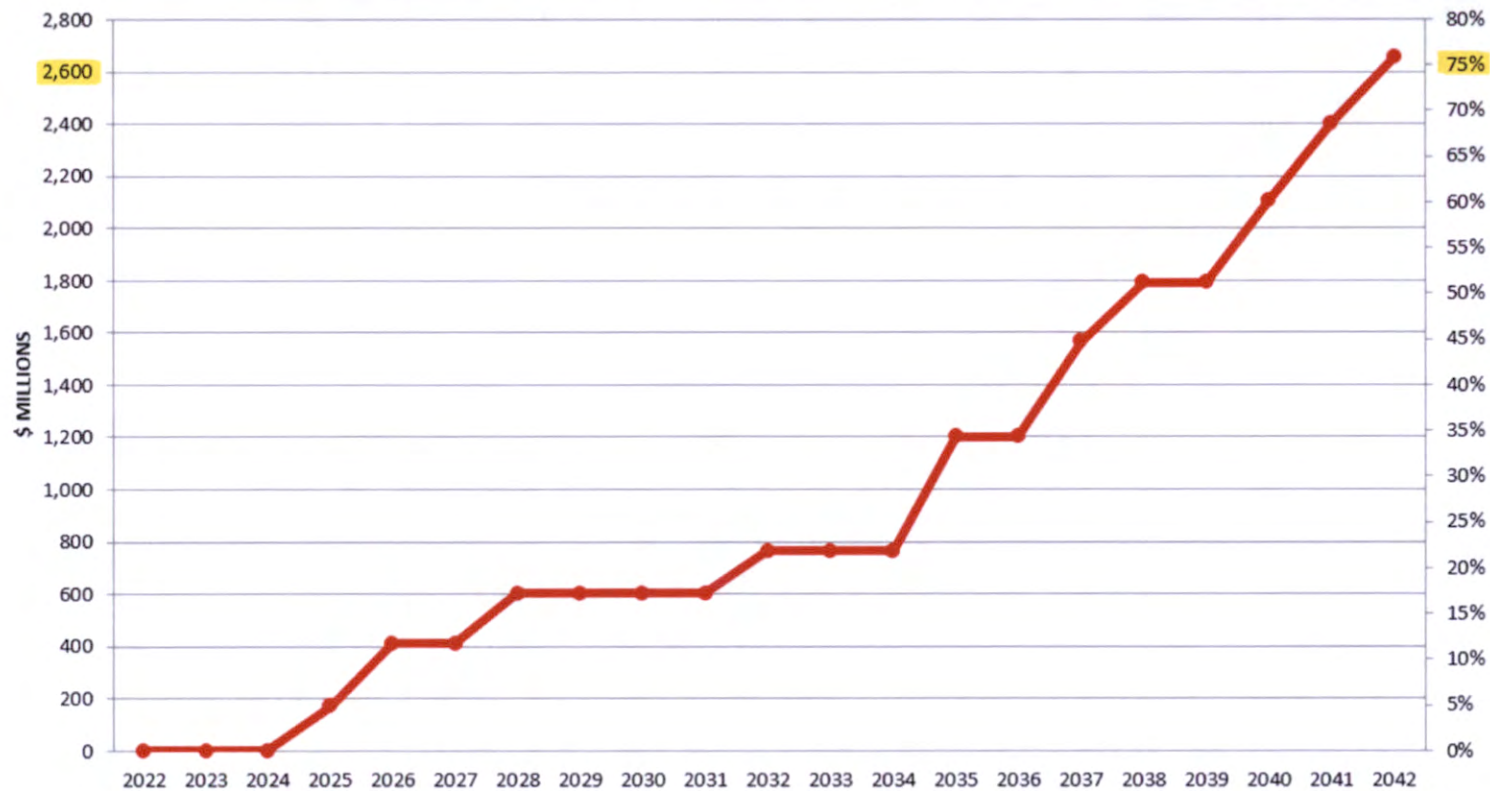
Note: Based on ELL's October, 2022 IRP

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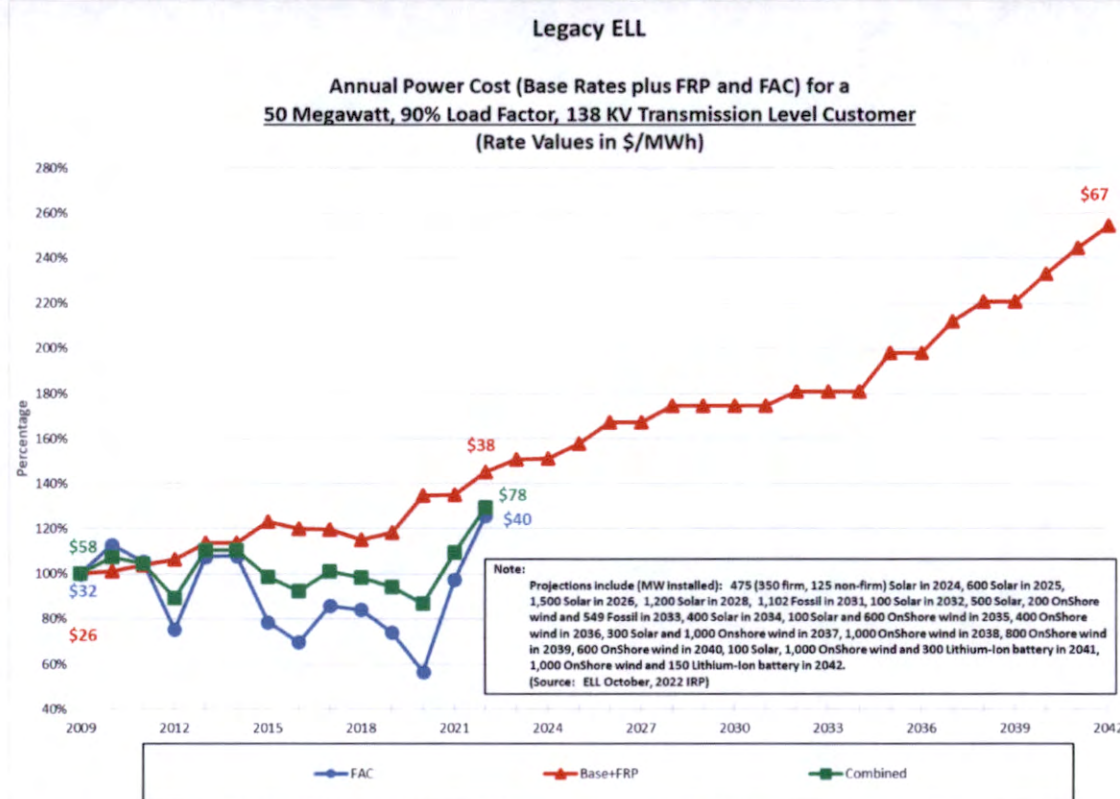
Entergy Louisiana, LLC

Expected Cumulative Increases over Present Base Rates (including current FRP Adjustment) from Expected Future Generation Additions Through 2042



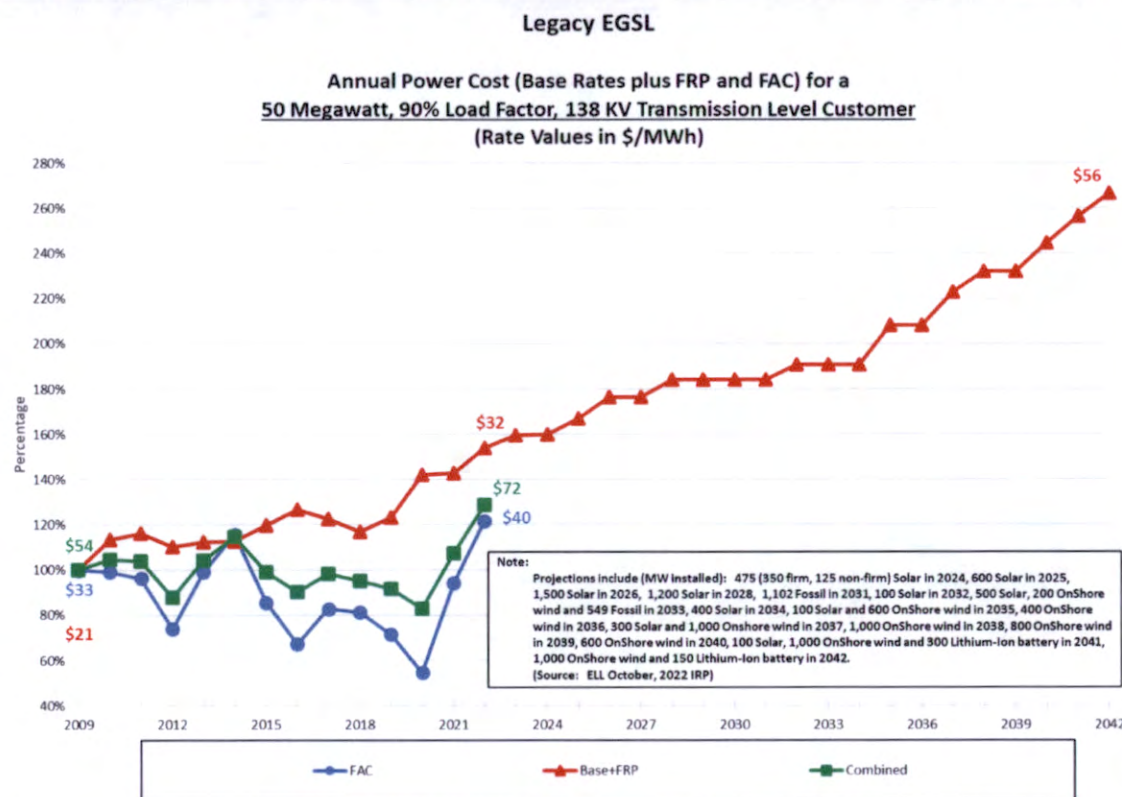
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Ratepayer Bill Impacts for Projected Entergy Generation Additions (Legacy ELL)



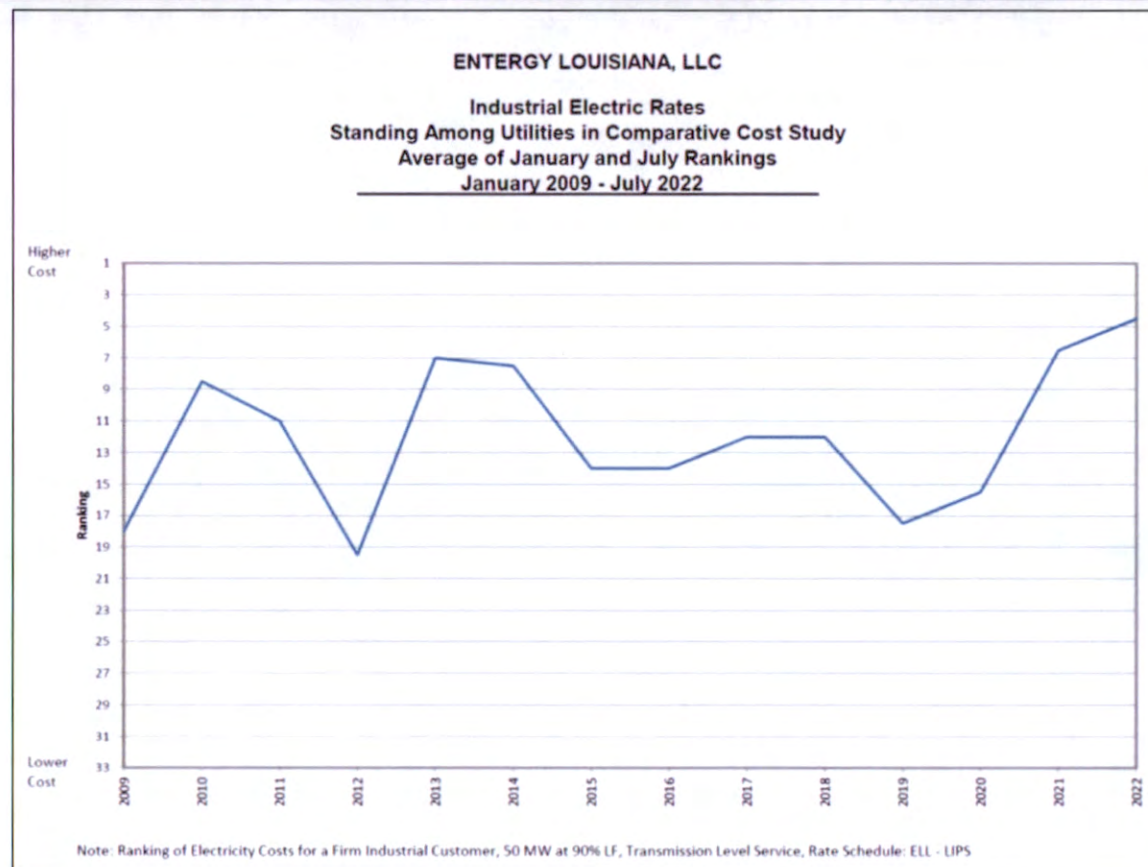
Note: Analysis based on Rate LIPS-L with a load of 50 MW at a load factor of 90%. Projections are base rates and FRP only, and do not include FAC, securitization cost recovery and other charges.

Ratepayer Bill Impacts for Projected Entergy Generation Additions (Legacy EGSL)

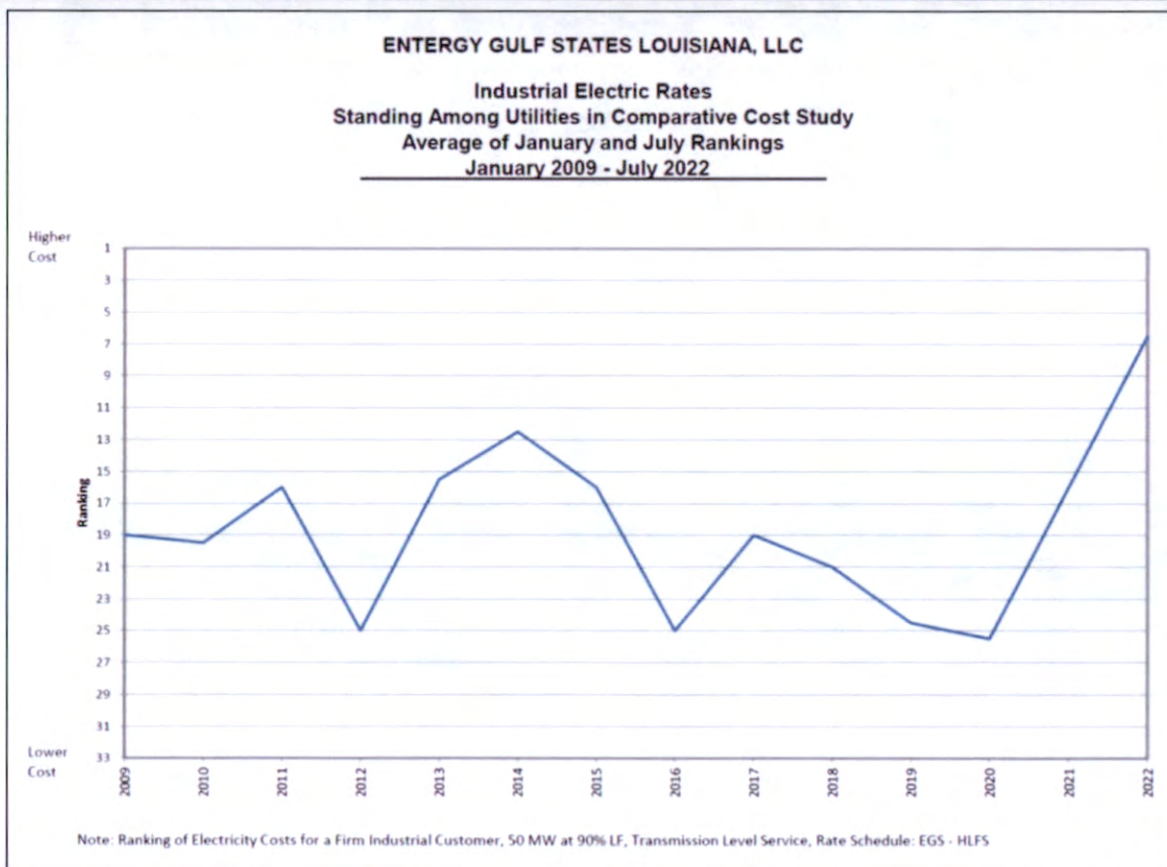


Note: Analysis based on Rate HLFS-G with a load of 50 MW at a load factor of 90%. Projections are base rates and FRP only, and do not include FAC, securitization cost recovery and other charges.

Louisiana Industrial Rates Not Among Lowest in Southeastern U.S. (Legacy ELL)



Louisiana Industrial Rates Not Among Lowest in Southeastern U.S. (Legacy EGSL)



Louisiana Industrial Rates Not Among Lowest in Southeastern U.S. (Abridged Table)

BRUBAKER & ASSOCIATES, INC.

July 2022 Survey of Electricity Cost
for an Industrial Customer
50,000 kW Load, 90% Load Factor
90% Power Factor and Transmission Service¹



<u>Line</u>	<u>Utility Company</u>	<u>Mills per kWh</u>
1	Central Louisiana Electric Company, Inc.	105.99
2	Entergy Louisiana, LLC	100.34
3	Entergy Gulf States Louisiana, LLC	93.75
4	Kentucky Power Company	86.67
5	Southwestern Electric Power Company, LA	86.64
6	Entergy New Orleans, Inc.	81.52
22	Entergy Mississippi, Inc.	59.38
23	Monongahela Power Company, WV	59.21
24	Entergy Arkansas, Inc.	54.72
25	Entergy Texas Inc.	52.25
29	Duke Energy Carolinas, NC	47.05
30	Southwestern Electric Power Company, TX	46.79
31	July 2022 Average	68.28

Notes: The above was prepared by Brubaker & Associates, Inc. using publicly available information.

Calculations do not include sales or use tax.

SWEPKO includes some adjustment factors that may not be the most current.

¹For base rates that vary by season (i.e. not because of fuel or other riders),
a seasonal blended rate is used.



Texas Holds Advantage Over Louisiana In Optionality Of Power Supply for Industrial Customers

Texas currently holds an advantage over Louisiana in providing optionality of power supply for industrial customers considering capital investments for expansion of existing plant as well as new plant projects.

Optionality of power supply is also becoming increasingly important for existing industrial plants as they seek to remain competitive and meet their needs for diversity of power supply.

Having a variety of ways to hedge electric supply, align electric supply cost with the revenue from product sales, link electric supply across plant sites, and contract directly with renewable providers to fulfill corporate strategies, is an advantage in economic development for new and expanding industrial plants as well as sustaining the competitiveness of existing industrial plants.

Allowing industrial customers in Louisiana alternative power supply options including enhanced opportunities for combined heat and power (“CHP”) cogeneration, would allow these consumers to effectively manage their power costs, improve economic development opportunities for Louisiana, and reduce the need for Entergy to acquire all of the billions in new generation assets in its current plans.

LEUG Proposals

Industrial Customer Market Option

- Industrial Customer Market Option would allow an industrial customer to leave Entergy service in whole or part and obtain all or some portion of its electric supply from whatever other source it may choose, at its own risk and cost.
- The alternative source could be any of a number of potential options - - such as:
 - 1) entering a long-term contract with some other utility or private entity that has excess generation it needs to sell, or
 - 2) building or joining in a shared CHP island with neighboring plants, or
 - 3) serving itself with excess CHP or other generation located at affiliate plant sites, or
 - 4) buying from the MISO market if they are willing to accept the risk of short-term market prices.
- Under any of the options, Entergy would not have to supply the power to the departing customer load and thus could avoid replacing and/or adding generation plant that would otherwise be needed to meet the departing customer load.

LEUG Proposals

Enhanced CHP Options

- Enhanced CHP Opportunities is a subset of the Industrial Customer Market Option, and includes:
 - a) allow sharing of CHP power among industrial customers and steam consumers without current requirements for ownership or leasehold interests, and
 - b) allow sharing of CHP power among affiliated industrial sites.

LEUG Proposals

Renewable Generation Option

- Renewable Generation Option would allow industrial customers to select and negotiate terms with renewable developers to “purchase and utilize” renewable power, while coordinating and “sleeving” the transaction through Entergy for delivery and stand-by or back-up power.

Timing Is Important

The time for the LPSC to investigate options is now.

Convergence of projected future electric supply costs and needs in the Entergy service area make this a critical time for the LPSC to evaluate and consider whether it can avoid or reduce costs and rate increases for the benefit of all ratepayers by providing options for industrial customers to seek alternative power supply separate from Entergy.

LPSC should not wait to begin evaluating alternative options until after Entergy proposes to deactivate the next generation unit and replace it with constructing another new generation unit that will have to be paid for by ratepayers through rate increases.

LEUG recommends and urges that evaluation of its proposals move forward as soon as possible, such that they can be presented for consideration by the LPSC by July 2023.

Topics For LPSC Evaluation To Ensure No Harm To Other Ratepayers

- 1) LPSC certification of retail suppliers,
- 2) LPSC reporting requirements for retail suppliers,
- 3) metering,
- 4) temporary default service,
- 5) return to regulated service,
- 6) stranded costs,
- 7) securitization costs, and
- 8) changes needed to LPSC rules.

Circumstances Today For Entergy Customers Are Nothing Like 20 Years Ago When LPSC Last Considered Limited Retail Access Options For Industrial Customers

2001:

LPSC Staff presented plan to permit market option for industrials with average loads greater than 5 MW, while providing continued regulated service and protections for all other customers including industrials who choose to continue regulated service.

LPSC Staff believed its plan provided *“numerous benefits for all customers”*.

LPSC Staff plan was able to protect non-participating customers, stating in particular: *“Should the Commission determine that retail access may be in the public interest for large customers, this plan is designed to provide the Commission with an implementation approach that protects the interest of residential and small commercial customers, while permitting access to those who desire it.”*

LPSC Order U-21453, U-20925(SC), U-22092 (SC), (Subdocket A) - B, December 4, 2001; Staff Proposed Competitive Transition Plan, January 2001.

Circumstances Today For Entergy Customers Are Nothing Like 20 Years Ago When LPSC Last Considered Limited Retail Access Options For Industrial Customers

2001 (con't):

LPSC decided against Staff plan “*at this time*” in 2001, for reasons that included:

Over the previous seven years, base rates of Louisiana’s four investor-owned utilities had been reduced by approximately \$300 million and further reductions were anticipated;

Implementation of retail access was considered premature at that time;

There was no functioning Retail Transmission Organization (“RTO”), which the LPSC believed would greatly enhance the potential for success of any retail choice regime;

Questions existed whether there was a robust wholesale market, as well as to the adequacy of the bulk transmission system.

Circumstances Today For Entergy Customers Are Nothing Like 20 Years Ago When LPSC Last Considered Limited Retail Access Options For Industrial Customers

Compare 2022:

Entergy has implemented more than \$500 million dollars of base rate increases in recent years, not rate decreases.

Entergy's IRP process contemplates spending additional billions of dollars in the future for new generation resources, not rate decreases.

Entergy rate increases for new generation could be avoided or reduced at least to some extent by providing alternative options for industrial customers willing to take on the risk of pursuing alternative power supply options.

Circumstances Today For Entergy Customers Are Nothing Like 20 Years Ago When LPSC Last Considered Limited Retail Access Options For Industrial Customers

Compare 2022 (con't):

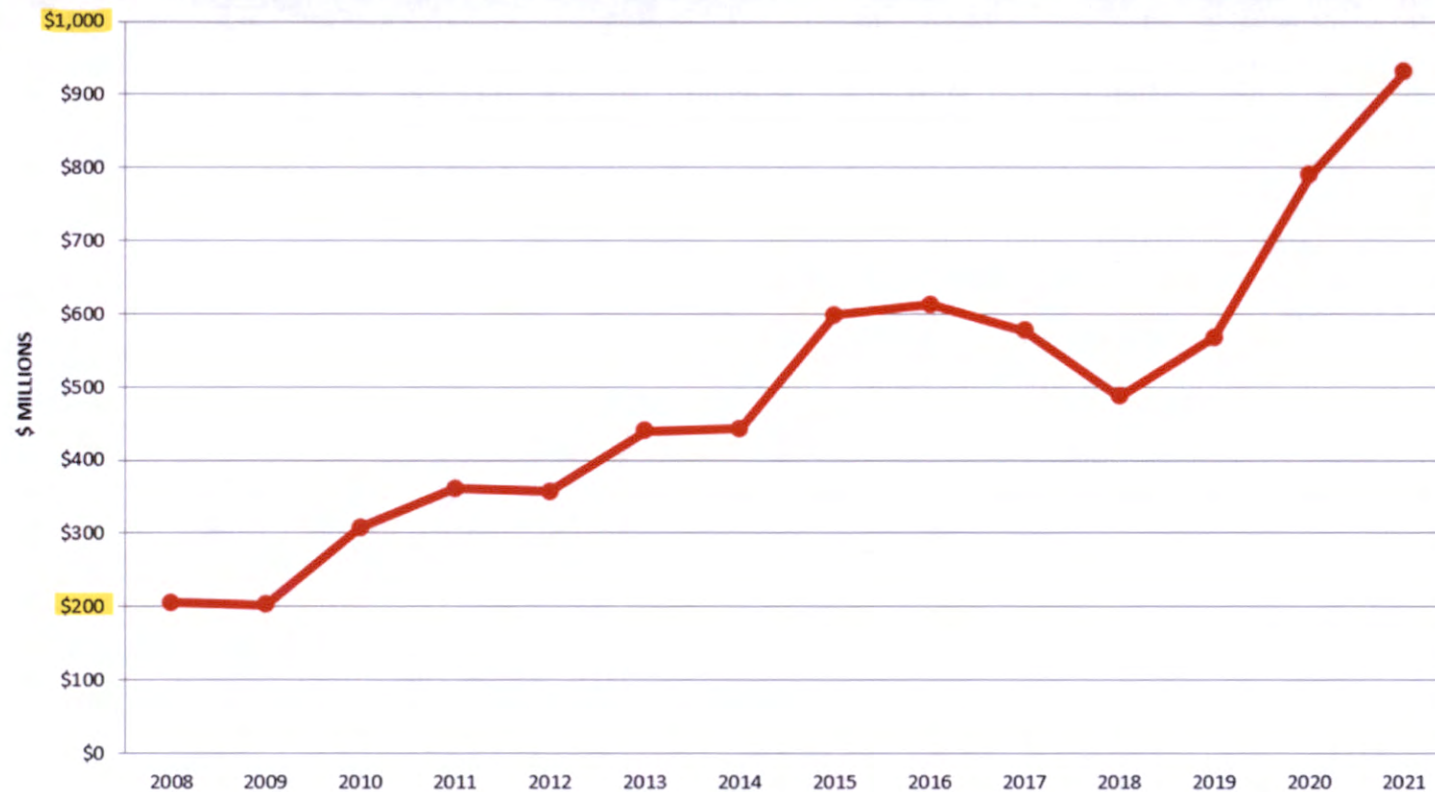
MISO has been in place as the RTO for the Entergy service area in Louisiana for almost a decade - since 2013.

Billions of dollars have and continue to be spent by Entergy on MISO-approved transmission system upgrades in Louisiana.

Recent power procurement processes before the LPSC have made clear there are abundant competitive options available in the market today.

Competitive energy suppliers are actively engaged in this proceeding, wanting to pursue competitive power supply options in Louisiana.

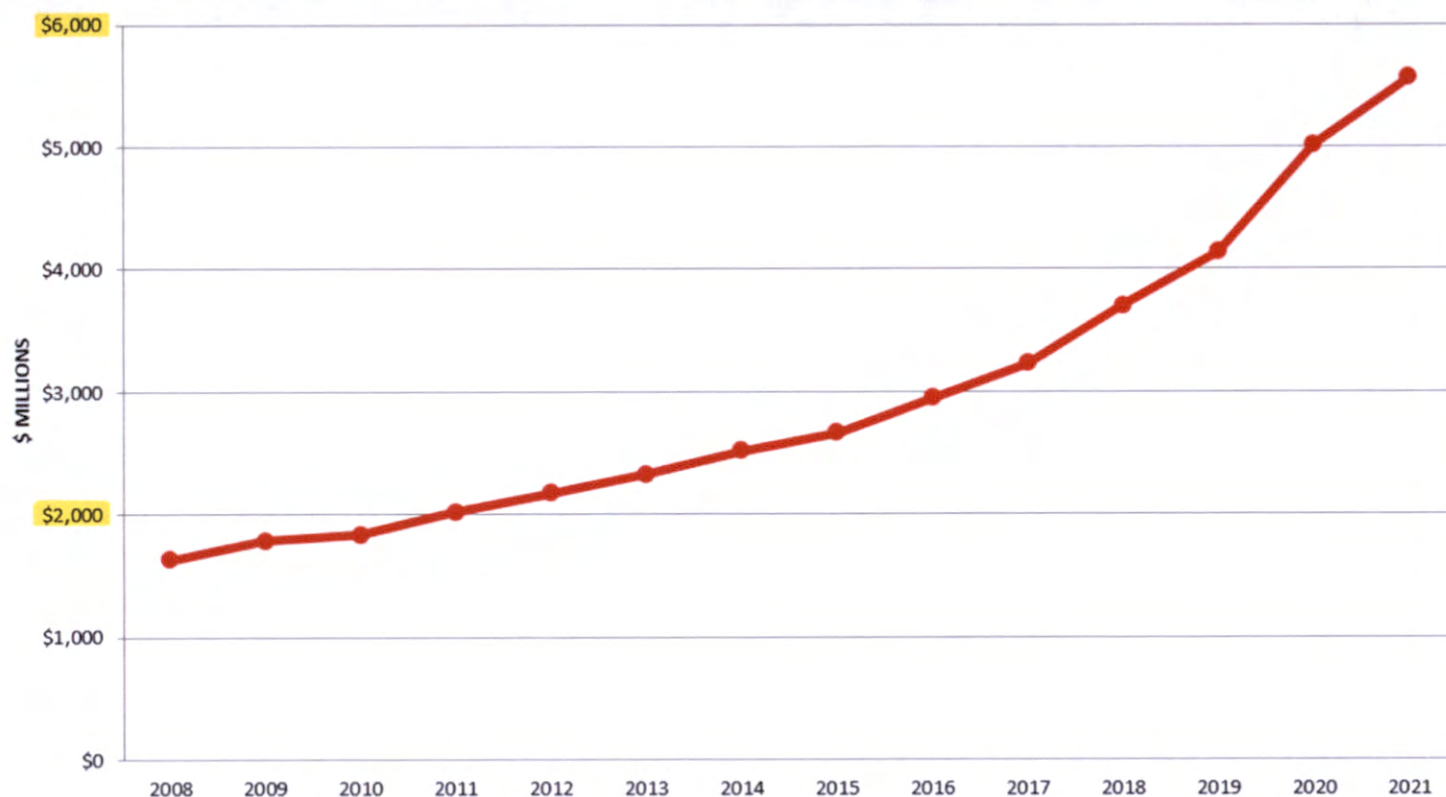
Entergy Louisiana, LLC Historical Annual FRP Cost for ELL Total (\$ Millions) 2008 through 2021



Entergy Louisiana, LLC

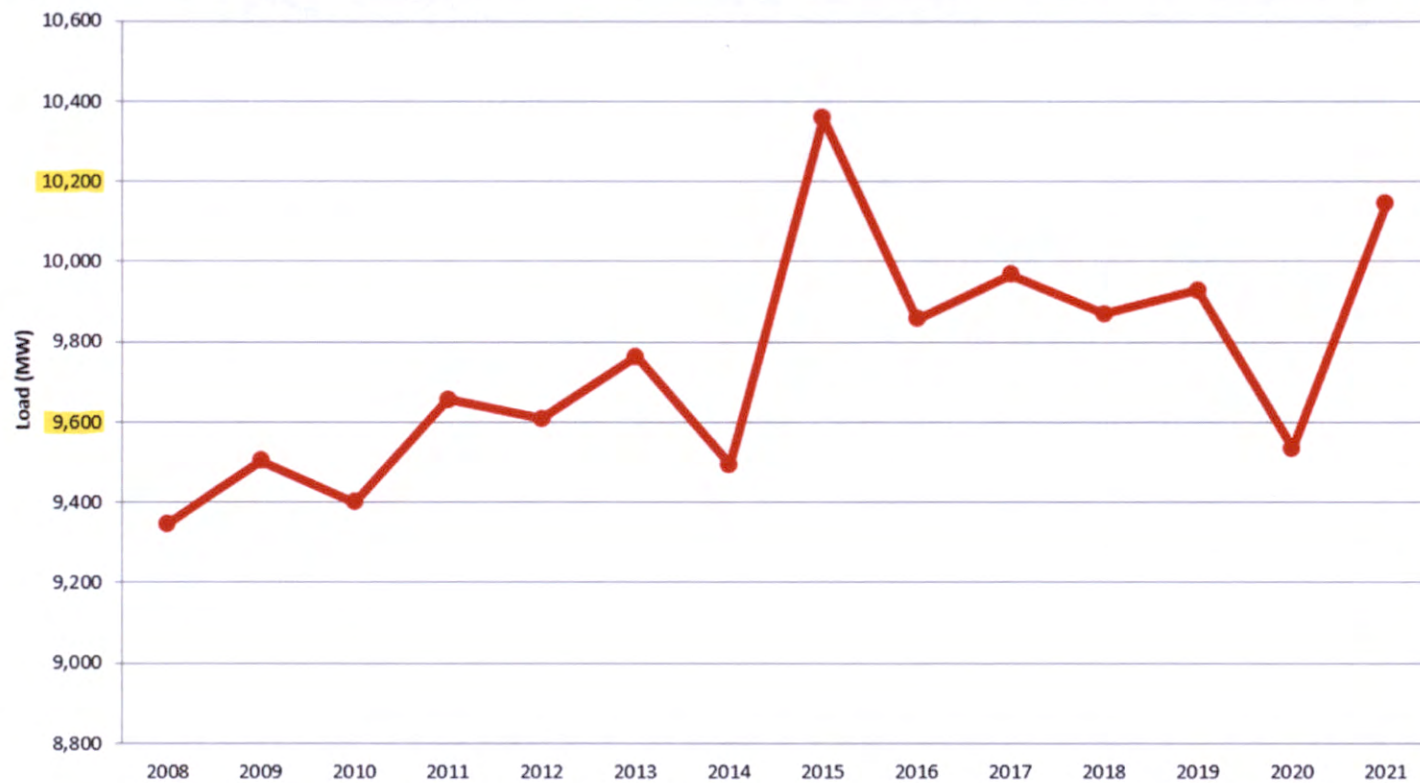
Historical End-of Year Transmission Plant in Service (\$ Millions)

2008 through 2021

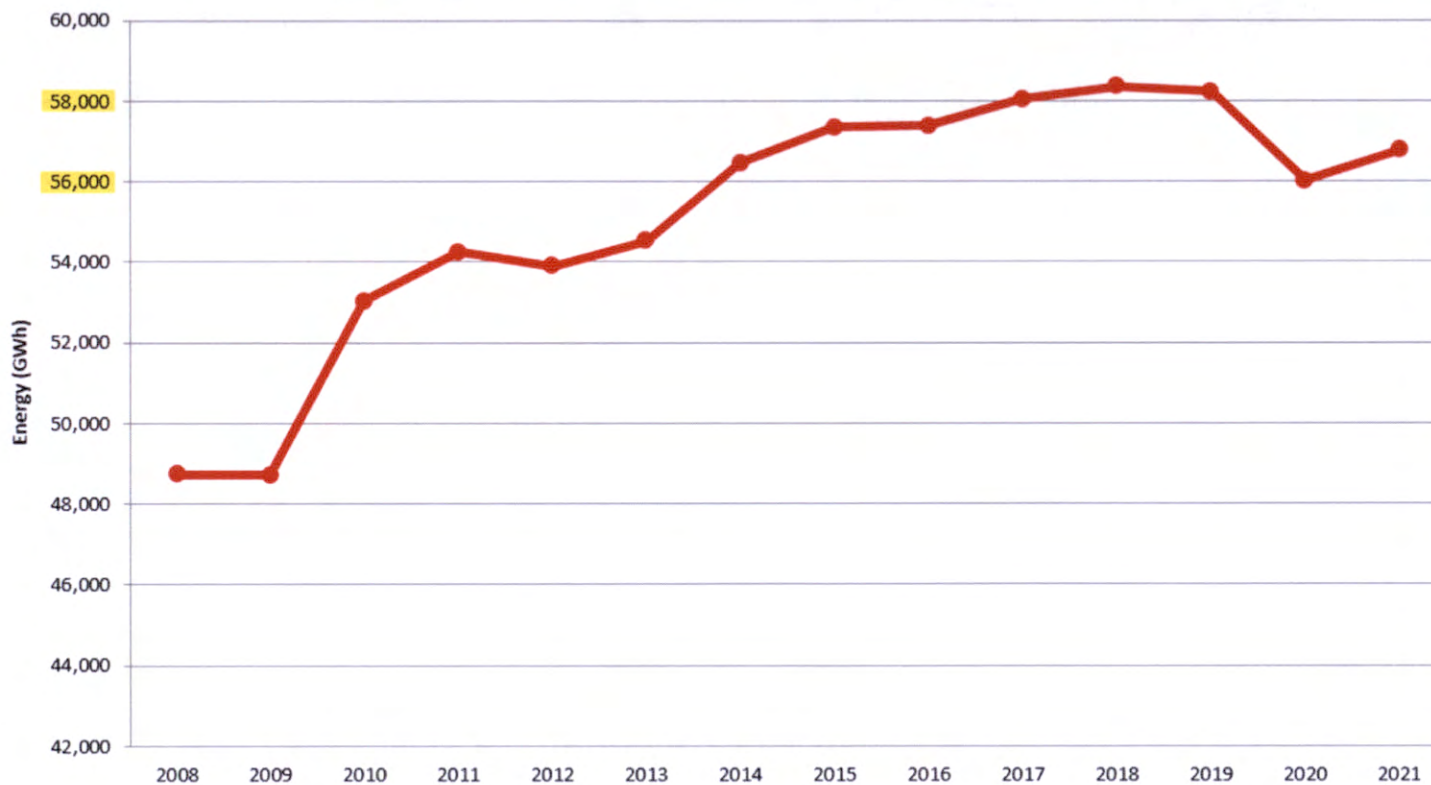


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Entergy Louisiana, LLC Historical Summer Peak Load (MW) 2008 through 2021



Entergy Louisiana, LLC Historical Energy (GWh) 2008 through 2021



The Important Question Remains - - Who Will Pay the Cost?

Projected Entergy spend of \$17+ Billion for new power plants.

The LPSC should allow Industry to be part of the solution:

Help avoid or reduce costs and rate increases for all ratepayers.

Support Louisiana economic development.

The time to act is now.

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December 9, 2022

Ms. Terri Lemoine Bordelon
Records and Recording
Louisiana Public Service Commission
602 North 5th Street, 12th floor
Baton Rouge, Louisiana 70802

VIA HAND DELIVERY

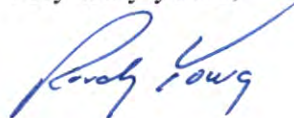
Re: In Re: Rulemaking to Research and Evaluate Customer-Centered Options for
all Electric Customer Classes as well as Other Regulatory Environments
LPSC Docket No. R-35462
KM File No. 4388-333

Dear Ms. Bordelon:

We have enclosed for filing an original and three (3) copies of Louisiana Energy Users Group's Presentation for the Technical Conference scheduled for December 15, 2022 in the referenced docket.

If you have any questions, please do not hesitate to contact us. Thank you for your assistance.

Very truly yours,



Randy Young

JRY/mac

Enclosures

cc: Official Service List (via electronic mail)
Lauren Evans

Hand