

LOUISIANA PUBLIC SERVICE COMMISSION

ORDER NO. I-33014

ENTERGY LOUISIANA, LLC AND ENTERGY GULF STATES LOUISIANA, L.L.C.,
EX PARTE

Docket No. I-33014 In re: 2013 Integrated Resource Planning (“IRP”) process for Entergy Louisiana, LLC and Entergy Gulf States Louisiana, L.L.C. pursuant to General Order dated April 20, 2012.

(Decided at the Commission’s November 18, 2015 Business and Executive Session)

Overview

This matter is before the Louisiana Public Service Commission (“LPSC” or “Commission”) for consideration of a recommendation by Commission Staff that the Final Integrated Resource Plan (“IRP”) Report filed by Entergy Louisiana, LLC (“Entergy”, “ELL” or “the Company”)¹ on August 3, 2015, satisfies the Commission’s IRP Rules for Electric Utilities In Louisiana (“IRP Rules”) promulgated on April 20, 2012 in Docket No. R-30021,² and should be acknowledged without the necessity of a litigated proceeding. The Commission adopted the Staff Recommendation, acknowledging successful completion of Entergy’s first IRP cycle pursuant to the IRP Rules, and setting forth certain expectations for Entergy’s upcoming request for proposals (“RFP”) for renewable energy, as well as future IRP proceedings.

Background and Procedural History

The Commission’s regulatory authority over investor-owned electric utilities derives generally from the authority granted it by the Louisiana Constitution to regulate public utilities³ and from the statutorily granted power to regulate rates and services.⁴ Pursuant to this authority, the Commission has, since 1983, required utilities to seek certification that the public convenience and necessity will be served by commencing construction of electric generating facilities or entering into a contract for electric power.⁵ Since 2002, the Commission has

¹ This matter was originally filed by old Entergy Louisiana, LLC (“old ELL”), and Gulf States Louisiana, L.L.C (“EGSL”); however, as a result of the Business Combination of old ELL and EGSL approved in LPSC Docket No. U-33244 and consummated on October 1, 2015, the new Entergy Louisiana, LLC (“ELL”) assumed the obligations of Old ELL and EGSL and is now the LPSC-regulated utility in accordance with LPSC Order No. U-33244-A issued September 14, 2015.

² Attachment “A”, *Integrated Resource Planning Rules for Electric Utilities in Louisiana*, Corrected General Order dated April 20, 2012 (Docket No. R-30021 - *In re: Development and Implementation of Rule for Integrated Resource Planning/or Electric Utilities*. (“IRP Rules”).

³ La. Const. art. IV, § 21.

⁴ La. Rev. Stat. Ann. § 45:1163 (2014).

⁵ LPSC General Order dated September 20, 1983, as amended by LPSC General Order dated May 27, 2009 (Docket R-30517) (“1983 General Order”).

required electric utilities to employ a market-based mechanism (“MBM”) as part of the justification necessary for a certification pursuant to the 1983 General Order.

Consistent with the above-referenced General Orders, the Commission’s IRP Rules are intended to provide a framework for utilities to develop long-term resource plans for satisfying load requirements in collaboration with stakeholders. Resource planning decisions made as part of the utility’s IRP process are relevant to the Commission’s approval of future investment decisions and future revenue requirement and rate design proceedings. Consistency with the IRP Rules will be an additional factor for the Commission’s evaluation of the prudence of investments in construction and rate application proceedings. As the Commission’s Order notes:

These rules are intended to provide utilities the flexibility to develop plans that meet their own specific needs and circumstances, to encourage a collaborative working process with stakeholders, and to be consistent with the requirements of the Commission's Market Based Mechanism Order ("MBM") and the 1983 General Order, as amended. [Footnotes removed]

Resource planning under these rules does not change the fundamental relationship between the utilities and the Commission. The IRP Rules do not mandate a specific outcome, nor do they mandate any specific investment decisions to be made. Resource planning should reflect each utility's unique circumstances and the judgment of its management, and each utility will continue to bear the full responsibility for the consequences of its decisions. Resource planning decisions made as part of the utility's IRP process will be relevant to future investment decisions and approval proceedings, as well as revenue requirement and rate design proceedings. Consistency of a utility's Integrated Resource Plan with these IRP Rules will be an additional factor for the Commission to consider in evaluating the prudence of investments in construction and rate application proceedings.

Entergy submitted a request to initiate this IRP process on October 21, 2013 in accordance with § 10(d) of the IRP Rules. Although § 10(d) provides for the filing of data assumptions one month after the request to initiate the IRP process, that deadline was informally extended in order to allow the Commission to hire consultants at its December 2013 Open Session. On December 20, 2013, Entergy submitted its *Data Assumptions and Description of Studies to be Performed* to provide the data assumptions and the studies to be performed in advance of the first stakeholder meeting held on January 22, 2014 in Baton Rouge, Louisiana. At the January 22 stakeholder meeting, the Company allowed stakeholders the opportunity to provide input by suggesting alternative data assumptions and sensitivity analyses for Entergy to consider in developing its plan. During the meeting, the Company presented its previously filed data assumptions and a description of studies to be performed, along with its proposed IRP schedule. The Company also invited a representative of ICF International to give a presentation on the Company’s anticipated Demand Side Management (“DSM”) Potential Study. Staff issued

a Report of Stakeholder Meeting on February 7, 2014. In response to requests made at the January 22, 2014 stakeholder meeting, Entergy provided additional data assumptions in multiple responses, which were supplied on February 28, April 2 and April 23. On May 6, 2014, Staff extended the deadline for stakeholder comment until May 20, 2014, in order to allow parties sufficient time to review the updated information.

The IRP process provides stakeholders with “the opportunity to file written recommendations requesting the use of specific data assumptions and sensitivity cases” by Entergy. Staff filed comments on May 20, 2014 following the filing of stakeholder comments acknowledging Entergy’s hard work and cooperation, but noted several areas of concern that Entergy should address in the Draft IRP Report. Staff encouraged Entergy to consider the recommendations put forth by all parties in this first round of comments and fully respond to the issues raised by each party in accordance with the IRP Rules.

On August 15, 2014, Entergy filed a revision to the IRP schedule that indicated the Draft IRP Report would be published on January 13, 2015, and included a revised timeline of events adjusted for the change in schedule. On November 5, 2014, Entergy filed a detailed report that ICF International developed on its behalf for the IRP entitled, Long-Term DSM Potential in the Entergy Louisiana and Entergy Gulf States Louisiana Service Areas. In addition, Entergy provided another set of updated IRP data assumptions. On January 9, 2015, Entergy filed another request to extend the deadline for the Draft IRP Report to January 30, 2015.

Entergy’s Draft IRP Report was filed with the Commission on January 30, 2015, and included written responses to the stakeholders’ April 2014 comments. A second stakeholder meeting was held on February 24, 2015 in Baton Rouge, Louisiana to discuss Entergy’s Draft IRP Report. Following the meeting, on March 10, 2015, Staff filed a report discussing the Second Stakeholder Meeting, and included the remaining procedural schedule. Additional Stakeholder comments were filed April 1, 2015 and additional Staff comments were filed May 4, 2015. Entergy then filed its Final IRP Report on August 3, 2015. Pursuant to the IRP Rules, Stakeholders were given one last opportunity, on October 1, 2015, to submit a list of disputed issues and make alternative recommendations. Staff filed its recommendation on November 6, 2015.

Entergy’s Final IRP Report includes a long-term expansion plan covering a 20-year planning horizon and a 5-year action plan. Entergy developed its 5-year action plan after

modeling a number of scenarios and determining that some level of DSM is economic in every scenario, renewable generation is not economic relative to Simple Cycle Combustion Turbines (“CT”) and Combined Cycle Gas Turbines (“CCGT”) under most assumptions aside from high gas and carbon prices, and CT and CCGT resources perform well across most scenarios. As a result of its modeling, Entergy determined that the most reliable method of meeting its power needs at the lowest reasonable cost to customers is to add modern, efficient generating capacity, predominantly CTs and CCGTs.

Specifically, Entergy’s 5-year action plan includes its acquisition of the Union Power Station near El Dorado, Arkansas, the addition of the St. Charles Power Station (certification of which is currently pending before the Commission), and the addition of the resource selected in the ongoing 2015 RFP. The Company also intends to determine whether a pair of CT units is needed in the Lake Charles area by 2020 to meet industrial growth. And finally, the Company plans to continue assessing development of other CT units in areas for quick deployment if load growth exceeds projections and/or other supply options are not completed as planned.

Additionally, the Company intends to continue studying distributed solar and storage pilot projects to determine the viability and performance of the technologies in Louisiana, assessing power contracts as viable alternatives for meeting long-term needs, exploring opportunities for long-term gas supplies to mitigate price volatility and hedge against future price increases, evaluating the results of the Quick Start phase of Entergy Solutions: A Louisiana Program, and working with regulators to develop rules for cost-effective energy efficiency programs beyond the Quick Start phase. On October 30, 2015, Entergy submitted a notice of intent to issue an RFP for 200 MW of renewable resources pursuant to the Commission’s MBM Order to identify potentially cost-effective renewable resources that can provide fuel diversity and other benefits to customers.

Staff finds that although there were disagreements concerning modeling assumptions and methodologies used in the development of its IRP, Entergy adequately explained its assumptions and conclusions except with regard to its evaluation of wind generation. Importantly, however, Staff believes any deficiency in Entergy’s evaluation of wind generation is sufficiently addressed by Entergy’s intent to issue a renewable RFP in 2016. Moreover, the 2016 RFP will not only assist in determining the proper valuation of renewable resources, but it will also allow the Company to acquire those resources if they prove to be economic and in the public interest.

Staff's Recommendation

After reviewing the recommendations of the parties, and considering Entergy's upcoming RFP for renewable resources, Commission Staff recommends that the Commission acknowledge the Final IRP Report. Staff found the process to have been successful in terms of the amount of information shared among the parties, but makes several recommendations for improving the process when Entergy initiates its next IRP process in 2017. Further, Staff is satisfied that the Commission has developed a reasonable process through its IRP rule that worked well in Entergy's first IRP cycle. Staff believes that the proper balance was struck between allowing Entergy the opportunity to conduct its own resource planning, while allowing interested parties, including Staff the opportunity to review important planning information and to influence the process, such as what happened with regard to modeling renewable resources. Staff also believes Entergy's renewable RFP is a reasonable mechanism for resolving any disputes with regard to the valuation of renewable energy, and recommends that the Commission closely monitor that RFP process to ensure fairness and the acquisition of economic resources.

Staff makes the following additional recommendations for improvement in future IRP proceedings:

1. Transparency – In general, Entergy properly followed all IRP requirements concerning disseminating information, including publishing trade secret data with the proper protections afforded by the Commission's Order. However, parties in their comments consistently asked for additional information concerning the underlying methods that were relied upon in developing assumptions such as how Entergy developed renewable resource assumptions and how Entergy developed its load forecasts, etc. While Entergy properly responded to all questions, Entergy should strive in future IRPs to provide clear discussions of its underlying assumptions used in modeling analyses such as how it developed its load forecasts. As another example, many parties had questions with Entergy's use of a "capacity match-up cost" in its renewable resource screening analysis. While Staff found the concept to be reasonable and had no objection to its use in screening analyses, Staff notes that some parties were concerned about its use and how it may have influenced Entergy's results. In the future, Staff believes that Entergy should provide a better discussion of how it was

developed and used in screening analyses, and perhaps even include an analysis to demonstrate its use.

2. Updates - Entergy's IRP discusses that it will experience "unprecedented growth" over the planning horizon, particularly by 2020. Any projections that are made are subject to change, and as LEUG points out in its comments, Entergy has already made public announcements that while substantial load growth caused by industrial expansion is occurring, the expansions is occurring more slowly than expected.⁶ LEUG recommends, and Staff agrees, that it is important for Entergy to update its load projections, and allow the Commission the opportunity to monitor the projections. In this first IRP cycle, Entergy's Draft IRP Report was published in early 2015. According to the current schedule, Entergy's Draft IRP Report in the second cycle will not be published until late 2018 or early 2019. Many changes will occur to Entergy's System between now and then that will affect load growth and resource plans, and it is important that the Commission be updated concerning the changes. Section 11 of the IRP Rules provides one way that utilities could keep the Commission informed of updates, as that section allows utilities to file updated IRP Reports containing modifications to such things as load forecasts, fuel forecasts, deactivations, expansion plans, action plans, etc.⁷ The IRP rule mentions that one such time when a utility may want to develop an updated IRP is when it anticipates submitting an application for a certificate to construct or acquire a supply-side or demand-side resource. In addition, the Commission has the authority to require utilities to file updated IRP Reports as it deems necessary. Staff encourages Entergy to file updated IRPs Reports as conditions and ultimately resource plans change.
3. Deactivations – Decisions regarding deactivations was mentioned above as an item that may change over time and may bring about the need to file IRP Updates with the Commission. LEUG notes that while Entergy did not mention it in this IRP, in LPSC Docket U-33510, Entergy indicated there is a potential for near-term deactivations of generating units at Willow Glen. LEUG recommends that Entergy's deactivation evaluations should be examined by the Commission, which Staff agrees with. Staff

⁶ LEUG's comments reference a Q2 2015 Earnings Conference Call.

⁷ Note that § 11 of the Commission's IRP Rules allows the utility to determine which components of the IRP to include in its update, unless mandated otherwise by the Commission.

notes that Georgia Power routinely supplies detailed deactivations analyses of generating resources as part of its IRP proceedings. Entergy may want to take note of the deactivation analysis that will be discussed in Georgia Power's upcoming IRP that is expected to be filed in January 2016. This may be a useful model for Entergy to follow as it includes information in IRP Updates and in future IRP Reports.

In summary, Staff has no disputed issues, and recommends that the Commission acknowledge that Entergy has met the requirements of the Commission's IRP Rules. Staff reminds parties that the Commission's acknowledgement does not constitute Commission approval of the IRP or any specific resource decision that Entergy made within the IRP. The IRP may, however, be considered in any future Commission proceedings concerning Entergy's resource plans.

Commission Consideration

On motion of Commissioner Angelle, seconded by Commissioner Skrmetta, and unanimously adopted, the Commission voted to accept Staff's Recommendation filed November 6, 2015 and acknowledge Entergy's Final IRP Report.

IT IS THEREFORE ORDERED THAT:

1. The Commission finds that Entergy has met the requirements of the IRP Rules and acknowledges its final IRP Report without the need for a litigated hearing;
2. The Commission should closely monitor Entergy's upcoming renewable RFP process to ensure fairness and the acquisition of economic resources;
3. The Commission finds that on a going forward basis, Entergy should strive to:
 - a. Provide clear explanations in future IRP cycles of its underlying assumptions used in modeling analyses (e.g. development of load forecast);
 - b. File an updated IRP Report, including load forecasts, should circumstances warrant; and
 - c. Consider including a deactivation analysis in IRP updates and future IRP Reports.
4. The Commission's acknowledgment in this matter does not constitute Commission approval of the IRP or any specific resource decision that Entergy made within the IRP.

The IRP may, however, be considered in any future Commission proceeding concerning Entergy's resource plans; and

5. This order is effective immediately.

**BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA**

December 17, 2015

/S/ CLYDE C. HOLLOWAY

DISTRICT IV

CHAIRMAN CLYDE C. HOLLOWAY

S/ SCOTT A. ANGELLE

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VICE CHAIRMAN SCOTT A. ANGELLE

/S/ FOSTER L. CAMPBELL

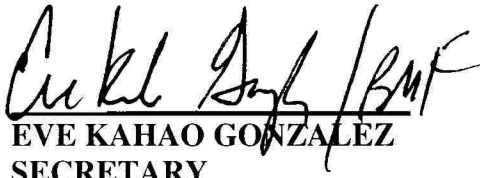
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/S/ LAMBERT C. BOISSIERE

DISTRICT III

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EVE KAHAO GONZALEZ

SECRETARY

/S/ ERIC F. SKRMETTA

DISTRICT I

COMMISSIONER ERIC F. SKRMETTA