

July 11, 2023

VIA ELECTRONIC MAIL (lwjohnson@nola.gov)

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

In Re: *Application of Entergy New Orleans, Inc. for Certification
of Costs Related to Hurricane Ida*, CNO Docket UD-22-05
Our File No.: 7717-54

Dear Ms. Johnson:

Enclosed please find for electronic filing, Direct Testimony and Schedule of Maurice Brubaker on behalf Air Products and Chemicals, Inc.'s ("Air Products") in the referenced docket. As confirmed with your office, the requisite original and number of hard copies are not mandatory to formalize this filing in the docket.

Should you have any questions regarding the above, please do not hesitate to contact me. Thank you for your assistance with this matter.

Very truly yours,



Carrie R. Tournillon

CRT/tp
Enclosure(s)

cc: Official Service List UD-22-05 (via electronic mail)

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

**APPLICATION OF ENTERGY NEW)
ORLEANS, INC. FOR CERTIFICATION OF) DOCKET NO. UD-22-05
COSTS RELATED TO HURRICANE IDA)**

Direct Testimony & Schedule of

Maurice Brubaker

On behalf of

Air Products and Chemicals, Inc.

July 11, 2023



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COUNCIL OF THE CITY OF NEW ORLEANS**

**APPLICATION OF ENTERGY NEW)
ORLEANS, INC. FOR CERTIFICATION OF) DOCKET NO. UD-22-05
COSTS RELATED TO HURRICANE IDA)**

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BEFORE THE
COUNCIL OF THE CITY OF NEW ORLEANS

APPLICATION OF ENTERGY NEW)
ORLEANS, INC. FOR CERTIFICATION OF) DOCKET NO. UD-22-05
COSTS RELATED TO HURRICANE IDA)

Direct Testimony of Maurice Brubaker

1 Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A Maurice Brubaker. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 Q WHAT IS YOUR OCCUPATION?

5 A I am a consultant in the field of public utility regulation and President of Brubaker &
6 Associates, Inc., energy, economic and regulatory consultants.

7 Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
8 EXPERIENCE.

9 A This information is included in Appendix A to my testimony.

10 Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

11 A I am appearing on behalf of Air Products and Chemicals, Inc. (“Air Products”), a large
12 industrial customer taking service from Entergy New Orleans, Inc. (“ENO”).

1 **Q WHAT SUBJECT DO YOU ADDRESS IN YOUR TESTIMONY IN THIS**
2 **PROCEEDING?**

3 A Pursuant to Council Resolution No. R-22-482, I will address the most appropriate
4 means of recovery of any Hurricane Ida restoration costs determined eligible for
5 recovery, including specifically, the manner in which the securitization funding
6 associated with Hurricane Ida should be recovered from ENO's customers.

7 **Summary**

8 **Q PLEASE BRIEFLY SUMMARIZE YOUR RECOMMENDATION AND HOW**
9 **IT DIFFERS FROM THAT OF ENO.**

10 A ENO collects securitization costs associated with storms under its Securitized Storm
11 Cost Recovery ("SSCR") Rider, as a percentage applied to the base rate revenues of
12 all customer classes (excluding certain riders and tariffs). Essentially, all active rate
13 schedules are impacted by the application of Rider SSCR.

14 **Q DOES RIDER SSCR PROVIDE FOR RECOGNITION OF THE VOLTAGE**
15 **LEVEL AT WHICH CUSTOMERS ARE SERVED?**

16 A The Rider itself does not preclude making a distinction between customers served at
17 the transmission level and customers served at the distribution level, although the
18 implementation proposed by ENO for Hurricane Ida cost recovery does not make such
19 a distinction.

20 Since the separate amount of damages for the generation, transmission and
21 distribution systems are now available, updated factors can be developed and

1 implemented to recognize those distinctions. Later in my testimony, I explain and
2 illustrate how that can be done and provide the specific factors that would be applied
3 using ENO's proposed functionalization that is detailed in ENO's response to
4 Advisors' Data Request No. 1-1.

5 **Analysis**

6 **Q WHERE DOES AIR PRODUCTS RECEIVE SERVICE?**

7 A Air Products is one of the handful of customers who receive service at the
8 transmission level.

9 **Q WHERE DO MOST CUSTOMERS RECEIVE SERVICE?**

10 A Most customers receive service at the distribution level, which requires the use of both
11 the transmission system and the distribution system in order to provide service to
12 distribution-level customers.

13 On the other hand, customers served at the transmission level do not need, and
14 do not make use of, the distribution system.

15 **Q WHY IS THIS AN IMPORTANT DISTINCTION?**

16 A It is important because to follow cost-causation and appropriate cost recovery
17 principles, there must be a distinction between customers served at the distribution
18 level and customers served at the transmission level. Customers served at the
19 transmission level should not be charged any costs associated with the distribution
20 level.

1 Q HAS ENO PROVIDED INFORMATION WHICH SHOWS THE AMOUNT OF
2 HURRICANE IDA COSTS AT THE DISTRIBUTION SERVICE LEVEL AND
3 THE TRANSMISSION SERVICE LEVEL?

4 A Yes. The response to Advisors' Data Request No. 1-1 details the Hurricane Ida storm
5 costs which total to \$165.2 million. Of that amount, \$6.1 million (or 3.72% of the
6 total) is associated with transmission system (and generation) damages and the
7 balance, or \$159 million (96.28% of the total), is associated with damage on the
8 distribution system.

9 Q FROM A COST-BASED STANDPOINT, HOW SHOULD THESE COSTS BE
10 RECOVERED?

11 A All of the distribution costs should be recovered only from customers taking service at
12 the distribution level. Costs associated with generation and transmission systems
13 should be recovered both from customers taking service at the distribution level and
14 customers taking service at the transmission level.

15 Q WHAT IS THE CURRENT SURCHARGE COST RECOVERY FACTOR
16 THAT ENO HAS IMPLEMENTED IN CONNECTION WITH HURRICANE
17 IDA?

18 A From a review of monthly power bills sent by ENO to Air Products, a cost recovery
19 factor of 5.53% for Hurricane Ida cost recovery was applied beginning in December
20 2022. Subsequently, in April 2023, the recovery factor increased to 6.007%.

1 **Q WHAT PERCENTAGE OF BASE RATE REVENUES IS COLLECTED FROM**
2 **CUSTOMERS SERVED AT THE TRANSMISSION LEVEL?**

3 A Based on ENO's response to Air Products' Data Request No. 2-3, base rate revenues
4 of customers served at transmission level account for 2.58% of the total, with
5 customers served at the distribution voltage level accounting for the balance, or
6 97.42%.

7 **Q HAVE YOU DEVELOPED COST RECOVERY PERCENTAGES**
8 **CONSISTENT WITH YOUR VIEW OF HOW HURRICANE IDA COST**
9 **RECOVERY SHOULD BE ACCOMPLISHED?**

10 A Yes. As shown herein, when all of the costs associated with repairing the distribution
11 system are collected from distribution-only customers, and the transmission/generation
12 costs are recovered from all customers, the cost recovery factor for distribution
13 customers would be 6.1584% of their base rate revenues, and the cost recovery factor
14 for transmission level customers would be 0.2235% of their base rate revenues (see
15 Schedule MEB-1).

16 **Q PLEASE PUT IN CONTEXT WHAT ENO'S PROPOSAL TO SURCHARGE**
17 **EACH CUSTOMER CLASS AN IDENTICAL PERCENTAGE OF ITS**
18 **RESPECTIVE BASE RATES HAS FOR THE FAIRNESS OF THE COST**
19 **RECOVERY?**

20 A It results in a substantially skewed recovery mechanism. Customers who do not use
21 the distribution system and who are not responsible for any part of the 96.28% of the

1 damages that occur on the distribution system would be required to proportionately
2 contribute to those costs the same as those customers who do take service at the
3 distribution level.

4 In essence, transmission level customers would be required to pay more than
5 25 times as much as they should on a cost of service basis. ($6.007\% / 0.2235\% = 26.8$
6 times).

7 **Q PLEASE SUMMARIZE WHY YOU BELIEVE THAT TRANSMISSION**
8 **LEVEL CUSTOMERS SHOULD NOT BE REQUIRED TO SHARE IN THE**
9 **COSTS OF REPAIRING THE DISTRIBUTION SYSTEM.**

10 A As indicated previously, the fundamental reason is that customers served at the
11 transmission level do not need the distribution system in order to receive service, and
12 do not use the distribution system. The distribution system is utilized by customers at
13 lower voltage levels who require both the transmission system and the distribution
14 system in order to receive electric service. Requiring transmission level customers to
15 pay part of the costs associated with repairing the distribution system is not consistent
16 with cost-causation principles because transmission level customers do not cause
17 distribution system costs to be incurred.

1 Q IF A CLASS COST OF SERVICE STUDY WERE PREFORMED, WOULD
2 TRANSMISSION LEVEL CUSTOMERS BE ALLOCATED ANY
3 INVESTMENT IN DISTRIBUTION FACILITIES?

4 A No. When it performs a class cost of service study, ENO follows an industry standard
5 approach of not allocating any distribution system costs to transmission customers.

6 Q IS IT TRUE THAT RATES ARE NOT SET PRECISELY ON COST OF
7 SERVICE?

8 A Yes, that is correct. However, the rates do embody cost of service principles in that
9 rates charged to large customers who take service at the transmission level are lower
10 than rates charged to customers who take service at the distribution level. One of the
11 main reasons for the difference is the fact that customers taking service at the
12 transmission level do not utilize the distribution system and are not responsible for
13 distribution system costs.

14 Q WHAT MAKES THE RECOVERY OF STORM DAMAGE COSTS
15 DIFFERENT FROM THE RECOVERY OF COSTS IN GENERAL RATE
16 CASE AND FORMULA RATE PLAN (“FRP”) PROCEEDINGS, WHEN A
17 MORE UNIFORM PERCENTAGE ON BASE RATE REVENUES MAY BE
18 APPLIED?

19 A In general, in rate cases and FRPs it is typical that a variety of costs are being
20 addressed, and most of the costs that are being passed through are associated with
21 facilities that are utilized to provide service to all customers. Thus, without a class

1 cost of service study, and absent other evidence, it is generally appropriate to apply the
2 same percentage increase to the base rates of all customers.

3 In this case, there is other evidence about the nature of the costs for which
4 increased revenues are sought. It is clear that most of the costs are related to the
5 distribution system, so it is appropriate to allocate these costs to customers who use
6 these facilities to receive service. That is why this functionalization approach I have
7 suggested is appropriate.

8 **Q PLEASE ELABORATE.**

9 A In the case of storm damage cost recovery that is the subject of this proceeding, there
10 is other specific evidence and it is clear that the vast majority (over 96%) of the costs
11 are associated with facilities that are not used to supply service to high voltage
12 transmission customers. Fundamental cost of service and cost-causation principles
13 require that costs be allocated in a manner that recognizes the actual use of the
14 facilities by the various customers, in order to reflect appropriate cost responsibility.
15 Customers should not be allocated the costs of facilities that are not used, and cannot
16 be used, to serve them.

17 **Q IS THIS SAME TREATMENT APPROPRIATE FOR THE STORM DAMAGE**
18 **RESERVE FUND?**

19 A Yes. It is reasonable to use the same functional allocation because, absent an ability to
20 forecast the future, it is logical to assume future damages will mirror the same
21 functional impacts as Hurricane Ida.

1 Q IS IT POSSIBLE THAT IN ORDER TO FULLY RESTORE OPERATIONS,
2 SOME TRANSMISSION CUSTOMERS MAY DEPEND ON OTHER
3 CUSTOMERS WHO ARE SERVED AT DISTRIBUTION?

4 A It is possible, but also irrelevant. A customer should not be required to pay the utility
5 for the costs of repairs needed by other customers. To assume that they should, if
6 taken to its logical conclusion, would make residential customers pay for all repair
7 costs since these repairs are necessary to return service to commercial and industrial
8 customers so they can continue to pay wages to the employees, who are residential
9 customers.

10 Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

11 A Yes, it does.

Qualifications of Maurice Brubaker

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Maurice Brubaker. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 **Q PLEASE STATE YOUR OCCUPATION.**

5 A I am a consultant in the field of public utility regulation and President of the firm of
6 Brubaker & Associates, Inc. (“BAI”), energy, economic and regulatory consultants.

7 **Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND
8 EXPERIENCE.**

9 A I was graduated from the University of Missouri in 1965, with a Bachelor's Degree in
10 Electrical Engineering. Subsequent to graduation I was employed by the Utilities
11 Section of the Engineering and Technology Division of Esso Research and
12 Engineering Corporation of Morristown, New Jersey, a subsidiary of Standard Oil of
13 New Jersey.

14 In the Fall of 1965, I enrolled in the Graduate School of Business at
15 Washington University in St. Louis, Missouri. I was graduated in June of 1967 with
16 the Degree of Master of Business Administration. My major field was finance.

17 From March of 1966 until March of 1970, I was employed by Emerson Electric
18 Company in St. Louis. During this time I pursued the Degree of Master of Science in
19 Engineering at Washington University, which I received in June, 1970.

1 In March of 1970, I joined the firm of Drazen Associates, Inc., of St. Louis,
2 Missouri. Since that time I have been engaged in the preparation of numerous studies
3 relating to electric, gas, and water utilities. These studies have included analyses of
4 the cost to serve various types of customers, the design of rates for utility services, cost
5 forecasts, cogeneration rates and determinations of rate base and operating income. I
6 have also addressed utility resource planning principles and plans, reviewed capacity
7 additions to determine whether or not they were used and useful, addressed demand-
8 side management issues independently and as part of least cost planning, and have
9 reviewed utility determinations of the need for capacity additions and/or purchased
10 power to determine the consistency of such plans with least cost planning principles. I
11 have also testified about the prudence of the actions undertaken by utilities to meet the
12 needs of their customers in the wholesale power markets and have recommended
13 disallowances of costs where such actions were deemed imprudent.

14 I have testified before the Federal Energy Regulatory Commission (“FERC”),
15 various courts and legislatures, and the state regulatory commissions of Alabama,
16 Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia,
17 Guam, Hawaii, Illinois, Indiana, Iowa, Kentucky, Louisiana, Michigan, Missouri,
18 Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania,
19 Rhode Island, South Carolina, South Dakota, Texas, Utah, Virginia, West Virginia,
20 Wisconsin and Wyoming.

21 The firm of Drazen-Brubaker & Associates, Inc. was incorporated in 1972 and
22 assumed the utility rate and economic consulting activities of Drazen Associates, Inc.,
23 founded in 1937. In April, 1995 the firm of Brubaker & Associates, Inc. was formed.

1 It includes most of the former DBA principals and staff. Our staff includes consultants
2 with backgrounds in accounting, engineering, economics, finance, mathematics,
3 computer science and business.

4 Brubaker & Associates, Inc. and its predecessor firm have participated in over
5 700 major utility rate and other cases and statewide generic investigations before
6 utility regulatory commissions in 40 states, involving electric, gas, water, and steam
7 rates and other issues. Cases in which the firm has been involved have included more
8 than 80 of the 100 largest electric utilities and over 30 gas distribution companies and
9 pipelines.

10 While the firm has always assisted its clients in negotiating contracts for utility
11 services in the regulated environment, increasingly there are opportunities for certain
12 customers to acquire power on a competitive basis from a supplier other than its
13 traditional electric utility. The firm assists clients in identifying and evaluating
14 purchased power options, conducts RFPs and negotiates with suppliers for the
15 acquisition and delivery of supplies. We have prepared option studies and/or
16 conducted RFPs for competitive acquisition of power supply for industrial and other
17 end-use customers throughout the United States and in Canada, involving total needs in
18 excess of 3,000 megawatts. The firm is also an associate member of the Electric
19 Reliability Council of Texas.

20 In addition to our main office in St. Louis, the firm also has branch offices in
21 Corpus Christi, Texas; Detroit, Michigan; Louisville, Kentucky and Phoenix, Arizona.

Entergy New Orleans, Inc.
Docket No. UD-22-05

Derivation of Cost Recovery Surcharges*

<u>Line</u>	<u>Description</u>	<u>Transmission Customer</u> (1)	<u>Distribution Customer</u> (2)
1	Transmission and Generation Function Costs	0.2235%	0.2235%
2	Distribution Function Costs	_____	5.9349%
3	Total Surcharge Factor	0.2235%	6.1584%

*See workpaper for Schedule MEB-1 for detailed development.

**ENTERGY NEW ORLEANS
Docket. No UD-22-05**

**Development of
Functional Cost Recovery
for IDA Securitization Costs**

Line	Description	Amount	Percent of Total Damage Costs
1	Total System Annual Base Rate Revenue ¹	\$394,586,134	
2	Distribution Base Rate Revenue ²	\$384,525,354	
3	Annual Securitization Cost ³	\$23,702,789	
4	Damage Costs: Total ⁴	\$165,154,477	
5	Damage Costs: Distribution ⁵	\$159,018,294	96.28%
6	Damage Costs: Generation	\$849,015	
7	Damage Costs: Transmission	\$5,287,168	
8	Damage Costs: Transmission and Generation ⁶	\$6,136,183	3.72%
9	Generation and Transmission Annual Amount ⁷	\$881,744	
10	Distribution Annual Amount ⁸	\$22,821,045	
11	CRF for Transmission Customers ⁹	0.2235%	
12	CRF: Distribution only ¹⁰	5.9349%	
13	CRF for Distribution Customers ¹¹	6.1583%	

¹Source: ENO's Response to APC DR 2-3

²Line 1 without HV and LIS costs. Source: APC DR 2-3

³Line 1*Storm Securitization Rider Percent 2. Source: ENO Apr. 2023 bill/ENO bill analysis

⁴Lines 4-8 Source: ENO's response to Advisors' DR 1-1a

⁵Line 4*96.28%

⁶Line 6+Line 7

⁷Line 3*3.72%

⁸Line 3-Line 9

⁹Line 9/Line 1

¹⁰Line 10/Line 2

¹¹Line 11+Line 12