

BEFORE THE MISSISSIPPI PUBLIC SERVICE COMMISSION

ENTERGY MISSISSIPPI, INC.

EC-123-0082-00

IN RE: REPORT OF ENTERGY
MISSISSIPPI, INC. ON ITS
EFFORTS TO MODERNIZE
CUSTOMER SERVICE
OFFERINGS AND IMPROVE
SYSTEM EFFICIENCY

DIRECT TESTIMONY

OF

CRYSTAL K. ELBE

ENTERGY SERVICES, INC.

ON BEHALF OF

ENTERGY MISSISSIPPI, INC.

July 2018

1 **I. QUALIFICATIONS**

2 Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

3 A. My name is Crystal K. Elbe. I am employed by Entergy Services, Inc. (“ESI”)¹ as
4 Manager of Rate Strategy. My business address is 639 Loyola Avenue, New Orleans,
5 Louisiana, 70113.

6

7 Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

8 A. I am submitting this testimony before the Mississippi Public Service Commission (the
9 “Commission” or “MPSC”) on behalf of EMI.

10

11 Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL, PROFESSIONAL, AND
12 BUSINESS EXPERIENCE.

13 A. I have a Master of Business Administration from the A. B. Freeman School of Business
14 at Tulane University and both a Master of Science and a Bachelor of Science in
15 Accounting from the E. J. Ourso College of Business at Louisiana State University. I
16 have worked for Entergy since 1995, holding a variety of positions during that time
17 primarily within the Regulatory, Finance and Accounting departments.

18 Currently, I am member of ESI’s Regulatory Services department as the Manager
19 of the newly formed Rate Strategy group. In this role, I support the Entergy Operating

¹ ESI is a service company affiliate of Entergy Mississippi, Inc. (“EMI,” “Entergy Mississippi,” or the “Company”) that provides general executive, management, advisory, administrative, human resources, accounting, finance, legal, regulatory, and engineering services.

1 Companies' (the "Companies")² efforts to develop regulatory mechanisms needed to
2 implement new customer solution offerings that address the evolving needs and interests
3 of customers. These new offerings include energy efficiency, demand response,
4 distributed energy resources ("DERs"), and customer billing and convenience offerings.
5 Prior to this role, I was a Regulatory Project Coordinator in ESI's Regulatory Strategy
6 group and coordinated the development of the Companies' regulatory strategies for
7 potential new customer offerings. In this role, I also coordinated the Companies'
8 Advanced Metering Infrastructure regulatory applications, which included the
9 development of the net benefit analysis and revenue requirement estimates for each
10 Company's AMI deployment.

11 Also within the Regulatory Services organization, I have held several leadership
12 positions as Manager of ELL Regulatory Filings (2015), Regulatory Strategy Manager
13 (2014), and Manager of Revenue Requirements and Analysis (2013). My primary area of
14 responsibility in these roles included managing cost recovery filings (Formula Rate Plans
15 and Rate Case Cost of Service), new tariff development, rate design analysis and
16 financial forecasting. From 2009-2012, I was the Regulatory Manager in ESI's Integrated
17 Energy Management organization, which led the initial research and analysis into
18 emerging new smart grid technologies and, as such, was responsible for coordinating the
19 financial and regulatory aspects of ENO's Department of Energy AMI Stimulus Grant
20 pilot project.

21

² The Entergy Operating Companies include Entergy Mississippi; Entergy Arkansas, Inc.; Entergy Louisiana, LLC; Entergy New Orleans, LLC.; and Entergy Texas, Inc.

1 **II. PURPOSE AND SUMMARY OF TESTIMONY**

2 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

3 A. My testimony explains EMI's proposed framework to increase customer access to new,
4 beneficial services and technologies through what EMI refers to as Smart Energy
5 Services. I describe the key elements of EMI's proposal, how EMI proposes to recover
6 from customers its expenditures in various Smart Energy Services, how the Company's
7 proposed framework is an improvement over current policies and is necessary for EMI to
8 respond more fully to changing customer interests and expectations, and how
9 implementation of EMI's proposal is consistent with the Commission's expectations.

10 Recognizing that the electric utility industry is undergoing unprecedented change,
11 and that customers are expecting more from their electric service providers in terms of
12 technology, more detailed information about and control over their energy usage, and
13 more choices in the products, services, and technologies offered, EMI is proposing a
14 framework that will position EMI to meet and respond to those expectations. My
15 testimony explains this framework, including how, at its core, it will provide the
16 Company needed flexibility to respond to growing and evolving customer expectations
17 while continuing to provide safe, reliable, affordable, efficient, and modern electric
18 service that is accessible to all customers. The proposed framework will allow the
19 Company to expand and enhance its customer-centered offerings, facilitate recovering
20 associated costs, and position Smart Energy Services as an on-going core component of
21 EMI's business that is capable of delivering customer-centric solutions in a timely and
22 responsive manner.

1 Q. WHAT TYPES OF SERVICES AND TECHNOLOGIES IS THE COMPANY
2 CONTEMPLATING OFFERING AS PART OF ITS SMART ENERGY SERVICES
3 OFFERINGS?

4 A. Smart Energy Services is meant to be a broad term encompassing traditional energy
5 efficiency (“EE”) and demand response (“DR”) offerings (often referred to together as
6 demand-side management, or “DSM”); new emerging technologies and services around
7 distributed energy resources, or “DERs” (e.g., solar photovoltaic (“PV”) systems, battery
8 energy storage, distributed-scale back-up generation, and community solar), home energy
9 services, and new customer-centric billing and payment options (e.g., pre-pay and fixed
10 billing).

11

12 Q. WHY IS EMI PURSUING A FRAMEWORK THAT WOULD ALLOW THE
13 COMPANY TO INCORPORATE SMART ENERGY SERVICES AS A “CORE
14 COMPONENT” OF EMI’S BUSINESS?

15 As Company witness Robbin Jeter explains, technological advancements have changed,
16 and continue to change customers’ expectations regarding how they interact with their
17 service providers, how they manage the services that are provided, and their perception of
18 the value they derive from those services. Accordingly, EMI recognizes that the manner
19 in which the Company delivers its services and meets its customers’ expectations must
20 continue to evolve as well. EMI’s request for feedback from the Commission regarding
21 the framework described herein represents another step in this on-going evolution. This
22 initial filing will be followed by a subsequent filing later this year seeking Commission

1 approval of specific Smart Energy Services offerings and of the framework described in
2 my testimony.

3 EMI's proposed framework would enable the Company to offer to customers the
4 types of new services in which they are interested, adjust to changing circumstances, as
5 well as recover expenditures made on applicable Smart Energy Services in a manner that
6 is more consistent with how the Company recovers the costs of its investments in
7 infrastructure. The proposed framework is necessary to enable EMI's transition from the
8 role of an energy provider to a broader role where the Company partners with its
9 customers to meet their energy needs. For example, customers do not view their needs as
10 being measured in terms of kilowatts of load (kW) or the quantity of kilowatt-hours
11 (kWh) delivered to their premises; they view their needs as having lights when it is dark,
12 staying cool in the summer, being warm in the winter, cooking dinner, washing clothes,
13 etc. Recent and future technological advances mean that many customers tend to expect
14 that energy will be available, and, instead, tend to focus more on what they do with and
15 how they manage that energy.

16 Technological advances also mean that customers can, via certain Smart Energy
17 Services offerings, use less energy to meet these needs when they so desire, while also
18 helping in certain instances to lower total costs and increase reliability for all of EMI's
19 customers. As such, certain Smart Energy Services offerings can, when properly
20 administered, be a viable resource for meeting customers' energy needs and should be
21 treated similar to traditional supply-side resources and other infrastructure investments in
22 terms of cost recovery. EMI's proposed framework is intended to accomplish this
23 purpose.

1 **III. FRAMEWORK FOR PROVIDING SMART ENERGY SERVICES**

2
3 Q. WHY IS EMI PURSUING A NEW FRAMEWORK FOR PROVIDING SMART
4 ENERGY SERVICES?

5 A. EMI proposes Smart Energy Services as a way to cost-effectively meet customers'
6 expectations and interests for greater choice and more control of their energy usage while
7 improving system efficiency to benefit all customers, even those who choose not to
8 directly participate in Smart Energy Services. Given the various potential benefits of
9 Smart Energy Services, including benefits to the energy grid, the Company is proposing
10 to recover its expenditures in applicable Smart Energy Services in a manner that is
11 comparable to how the Commission allows recovery of other utility investments
12 including in supply-side resources and other forms of infrastructure.

13 A significant benefit of the proposed framework would be the elimination of the
14 energy efficiency rider schedule along with the need for annual budgets or specified
15 savings targets that exist under Quick Start and Rule 29 today because Smart Energy
16 Services will be driven by customer demand rather than predetermined budgets.³ In
17 essence, EMI is proposing that Smart Energy Services, and the broader set of offerings
18 and services that it encompasses, be the successor to the Company's current Quick Start
19 energy efficiency offerings. In short, EMI is seeking to fully satisfy customer interest in
20 and demand for Smart Energy Services, and providing a mechanism for timely recovery

³ Although the Smart Energy Services framework provides for more flexibility than currently exists in the Quick Start budget, the Company is not proposing and could not implement an unlimited budget for demand-side management expenditures. However, as explained by Mr. Jeter, EMI does expect its spending on Smart Energy Services to outpace current Quick Start funding.

1 of EMI's costs to provide Smart Energy Services is an important part of successfully
2 meeting this objective. For this innovative approach to be successful, EMI must also
3 have the ability to modify during the year various Smart Energy Services as may be
4 necessary in order to adjust to the actual levels of customer interest. On the other hand, if
5 one of EMI's offered solutions does not effectively address customer needs, customers
6 will not participate, and EMI would need the ability to terminate or suspend that offering
7 and possibly provide an alternative solution that better meets customers' expectations.
8

9 Q. PLEASE EXPLAIN WHAT EMI SEEKS TO ACCOMPLISH BY PROVIDING
10 SMART ENERGY SERVICES.

11 A. EMI's proposed approach to Smart Energy Services is predicated on two principal
12 aspirations: (1) enabling all customers to achieve benefits from a wide range of energy-
13 related offerings, and (2) employing a customer-centric model that helps meet desired
14 policy goals of reducing energy costs, improving reliability, and enhancing Mississippi's
15 environmental and economic competitiveness, all while affording customers more choice
16 and greater control over their energy use.

17 Regulatory oversight also requires that a regulated utility provide its services to
18 all customers on a not-unduly discriminatory basis. As such, low-income customers who
19 may not be able to otherwise afford the types of things EMI anticipates will be included
20 in its Smart Energy Services offerings can have increased access to those options through
21 a regulated utility. Indeed, public policy often supports regulated utilities making such
22 offerings available to low-income customers on a lower-cost basis than those customers
23 could obtain on their own behalf. Regulatory oversight can better enable all customers to

1 benefit from Smart Energy Services offerings through EMI's resource planning efforts, as
2 explained more by Company witness Robbin Jeter. Finally, under Smart Energy Services,
3 the Commission would retain its jurisdiction over any customer complaints or consumer
4 protection issues related to EMI's customer offerings.

5
6 Q. HOW WILL THE PROPOSED CUSTOMER-CENTRIC FRAMEWORK ACHIEVE
7 THOSE GOALS?

8 A. To achieve the goals that I just described, EMI is proposing an approach to Smart Energy
9 Services that provides flexibility to meet customer interests and encourage innovation by
10 EMI. The existing Rule 29 framework focuses solely on demand-side management
11 offerings and not the broader portfolio of Smart Energy Services that EMI is envisioning
12 and which customers desire. Rule 29 in its present form may also create a perception that
13 energy impacts benefit a limited number of customers who participate, while all
14 customers bear the costs of Quick Start offerings.

15 With respect to demand-side management in particular, the current regulatory
16 framework around Quick Start is budget-centric, limited in its scope, and not truly
17 responsive to customer interests or flexible enough to satisfy changing customer
18 preferences. In some respects, the approach today places more emphasis on budgets and
19 achieving targeted savings levels rather than addressing evolving customer preferences
20 and opportunities. In contrast, we believe EMI's proposed framework for cost recovery
21 of demand-side management-related Smart Energy Services can provide necessary
22 funding and will encourage ingenuity and innovation to place EMI and its customers on a
23 path towards more sustainable, customer-focused outcomes that ultimately produces

1 greater benefits for all customers while allowing EMI to recover its costs in a timely
2 manner and in a way that is fair to all of EMI's customers.

3

4 Q. WHAT IS EMI'S PROPOSED REGULATORY FRAMEWORK FOR DEMAND-SIDE
5 MANAGEMENT COST RECOVERY?

6 A. To fully implement its Smart Energy Services vision, EMI is proposing to update the
7 current model used for cost recovery of Quick Start demand-side management efforts.
8 The Commission has acknowledged, under its existing authority, that service providers
9 should be allowed to recover costs to provide demand-side management to customers,
10 including (1) direct and indirect costs of demand-side management offerings, (2) lost
11 contributions to fixed costs ("LCFC"), and (3) an additional incentive.⁴ In order to more
12 fairly treat investments in demand-side management similar to other investments EMI
13 makes to meet its customers' energy needs, EMI proposes to improve the current
14 regulatory model by eventually eliminating the current Energy Efficiency Cost Recovery
15 rider schedule and moving to an amortization-based cost recovery within the annual
16 Formula Rate Plan ("FRP") process. Modifying the existing model by moving to
17 amortization-based cost recovery will help treat demand-side management investments
18 more consistent with traditional supply-side and other investments in assets that meet
19 customers' energy needs. Additionally, an amortization-based cost recovery model helps
20 to initially mitigate higher bill impacts that would otherwise occur with full
21 contemporaneous cost recovery, while still reflecting the three cost recovery components

⁴ RP 29.106.

1 listed above. Under the proposed framework, EMI will continue to provide its customers
2 with a variety of cost-effective demand-side management offerings through its broader
3 Smart Energy Services portfolio, and EMI will be able to further expand upon those
4 offerings while better matching the timing of cost recovery of those demand-side
5 management investments to the customer benefits that they produce over time.

6
7 Q. PLEASE EXPLAIN WHAT YOU MEAN BY AN AMORTIZATION-BASED COST
8 RECOVERY MODEL AND WHY IT IS APPROPRIATE.

9 A. EMI proposes that Smart Energy Services-related expenditures in demand-side
10 management such as energy efficiency rebates and other similar offerings be amortized
11 over a three-year period⁵ and, during that three-year period, EMI would be allowed to
12 earn an incentive equal to its pre-tax weighted average cost of capital on the unamortized
13 balance. A three-year amortization period could also be tied to a three-year cycle as part
14 of the IRP process, if the Commission so directs. In addition, amortization over three
15 years will help mitigate the initial near-term bill impacts that would occur if demand-side
16 management investments were recovered in a single year. Rather than recovering the
17 costs of those expenditures in one calendar year, the proposed amortization period allows
18 the investment to be recovered over a longer time period, thus lessening the immediate
19 effect on customer bills and aligning cost recovery to better match the timing of customer
20 benefits being produced.

⁵ EMI expects that Smart Energy Services will also include offerings that involve investments in utility-owned and operated physical assets. While these offerings may require a customer contribution (e.g., some type of monthly charge), EMI believes that these assets would be properly included in rate base and depreciated over their respective useful lives as is customary with all other infrastructure expenditures made by the Company.

1 Although demand-side management offerings are generally not capital
2 investments in the sense of supply-side physical assets like generating plants or T&D
3 infrastructure, they serve to help EMI meet its customers' energy needs. As previously
4 discussed, EMI's customers do not express "needs" in terms of load (kW) or energy
5 usage (kWh), but instead in terms of using energy for their desired levels of lighting,
6 cooling, heating, cooking, etc. Indeed, by providing a wide range of cost-effective
7 demand-side management offerings, EMI expects to meet its customers' energy needs at
8 a cost that is lower overall than it otherwise would be without such offerings. From
9 EMI's perspective, the amortization-based cost recovery model will help put demand-
10 side management investment on more equal investment footing with other types of
11 traditional utility assets, thus treating EMI fairly for responding to its customers'
12 expectations.

13 EMI's focus on customer-driven solutions within the context of Smart Energy
14 Services means that in the future, EMI will have more options available to help the
15 Company meet its customers' energy needs, including: increasing local, distributed
16 generation; adding more renewable resources; investing in energy storage and a wider
17 range of demand-side management options. The availability of this evolved regulatory
18 model will further enable EMI to continue to put the energy needs and interests of its
19 customers at the forefront. Further, earning the proposed level of incentive on demand-
20 side management investments is more consistent with the general view of EMI's owners
21 that investments (whether in traditional assets or in demand-side management) should
22 present an opportunity to earn a fair return. EMI believes that incorporating
23 amortization-based cost recovery in the context of the FRP as a successor to the rider-

1 based model for Quick Start is an appropriate path to help EMI prioritize the allocation of
2 funding for demand-side management Smart Energy Services offerings to satisfy
3 customer demand and will be described more fully in a filing later this year.

4
5 Q. EXPLAIN MORE SPECIFICALLY HOW THE VARIOUS SMART ENERGY
6 SERVICES WOULD BE IMPLEMENTED UNDER THE COMPANY'S PROPOSAL.

7 A. EMI emphasizes that, in this first phase, it is seeking Commission guidance before EMI
8 seeks subsequent approval for specific Smart Energy Services offerings and recovery
9 mechanisms. EMI is committed to working with the Commission and Staff to develop
10 Smart Energy Services offerings and associated cost recovery that will be fair to EMI and
11 its customers.

12 It is important to note that Smart Energy Services encompasses a broad array of
13 products and services, some of which involve demand-side management as a successor to
14 Quick Start, some of which involve capital investments in physical infrastructure, and
15 some of which involve new billing and payment options. As I discussed above, EMI
16 believes that it is appropriate for the Commission to treat Smart Energy Services
17 expenditures in demand-side management similar to traditional generation, transmission,
18 and distribution investments because both traditional investments and Smart Energy
19 Services represent expenditures made by EMI to produce benefits for customers and meet
20 their needs. EMI expects that its demand-side management expenditures will include the
21 following three elements: (1) direct incentives paid to customers (*e.g.*, rebates) and other
22 direct costs of offerings (*e.g.*, the cost to EMI of purchasing and installing a smart
23 thermostat); (2) labor costs and indirect costs necessary to develop and administer

1 demand-side management offerings, provide periodic reporting, etc.; and (3) amounts
2 paid to EMI's vendors for development and administration of demand-side management
3 offerings. And to summarize what I described above, EMI proposes that investments in
4 demand-side management be amortized over a three-year period, recovered through the
5 FRP, and that EMI be allowed to earn an incentive during the timeframe that demand-
6 side management expenditures are being amortized.

7 EMI proposes that investment and expenditures in demand-side management
8 made in conjunction with Smart Energy Services would be incorporated into the review
9 process currently utilized by the Commission when EMI submits its transmission and
10 distribution ("T&D") plan to the Staff. EMI proposes that cost recovery would be
11 addressed in EMI's formula rate plan and that the revenue requirement for the demand-
12 side management Smart Energy Services expenditures would be allowed in the FRP test
13 year on a prospective basis (*i.e.*, as known and measurable changes). The estimated
14 reduction in energy usage resulting from implementation of certain Smart Energy
15 Services offerings also would be reflected prospectively in the FRP test year as a known
16 and measurable change to future test year utility revenues.⁶

17 Appropriately accounting for lost contributions to fixed costs within the FRP as I
18 have just described eliminates complexity and helps reduce administrative burden on all
19 parties. EMI pledges to work with the Staff to develop a process and mechanism to
20 adjust spending as may be necessary to respond to higher or lower customer demand, to
21 take advantage of market opportunities, to deal with what under Quick Start today

⁶ The forward-looking features of EMI's FRP are what allow EMI to propose this treatment of lost contributions to fixed cost. Absent such forward-looking features, FRP treatment of LCFC would not adequately address this issue.

1 become oversubscriptions, and to mitigate stop-start funding. One such mechanism that
2 could be employed is an over/under recovery balance through the FRP for those non-rate
3 base expenditures in demand-side management, for example. Any balance in such an
4 account could be reflected in the next FRP forward test year as an additional known and
5 measurable change, in addition to the anticipated Smart Energy Services spending annual
6 amortization for the FRP forward test year that is developed based on the expected
7 customer demand. Such a mechanism would allow EMI the opportunity to fully recover
8 its expenditures made to address customer demand, while the level of customer demand
9 and amount of expenditures needed to meet that demand is largely outside the
10 Company's control. In order to allow EMI the flexibility to meet changing customer
11 demand for Smart Energy Services and to account for the eventual elimination of the
12 Quick Start cost recovery rider impact on customers, EMI proposes that Smart Energy
13 Services should be excluded from the current 4% cap on revenue adjustments under the
14 FRP.

15 EMI expects that Smart Energy Services will also include offerings that involve
16 investments in utility-owned and operated physical assets. While these offerings may
17 require a customer contribution (e.g., some type of monthly charge), EMI believes that
18 these assets would be properly included in rate base and depreciated over their respective
19 useful lives as is customary with all other infrastructure expenditures made by the
20 Company.

21 Finally, billing and payment options, like fixed billing, pre-pay and community
22 solar, would be offered as tariffed rates.

23

1 Q. HOW DO CUSTOMERS BENEFIT FROM EMI EARNING THE PROPOSED
2 INCENTIVE ON CERTAIN DEMAND-SIDE MANAGEMENT EXPENDITURES
3 MADE UNDER SMART ENERGY SERVICES?

4 A. Foremost, Smart Energy Services is a broad array of new products and services that will
5 deliver significant benefits for customers, both quantitatively and qualitatively.
6 Traditionally, customer benefit has been evaluated primarily in terms of higher reliability
7 and lower rates. The primary goals of Smart Energy Services are to increase choices
8 available to customers, to encourage smarter energy use, and to help customers achieve
9 energy savings and other benefits, without requiring customers to sacrifice comfort or
10 reliability.

11 The unique aspect of Smart Energy Services is that EMI is investing, essentially,
12 in a long-term partnership with its customers and in an evolving role, which moves EMI
13 away from being only an “energy supplier” to a more comprehensive role as an energy
14 service provider. Under this proposed framework, customers create demand for new
15 services and cover a fair share of the cost for utilizing the new services and technologies
16 that provide direct, individual benefits to them, while EMI will pay for that portion that is
17 beneficial to the system and helps lower costs to all customers. Company witness Matt
18 Dearmon provides a good example of what I am describing when he discusses how a
19 natural gas-fired back-up generator offering could work. Together, the framework
20 satisfies the economic justification to deploy new services and technologies to a wider
21 audience as the Company progresses to a cleaner and lower-cost future. This model will
22 require a long-term financial commitment from EMI to respond to customer demand,
23 build the necessary capabilities and employee skill sets, find the most qualified partners,

1 and demonstrate an appropriate cost recovery framework that will maintain the
2 confidence that EMI and its management will need in order to transition to offering this
3 broad array of new offerings and services. To make the expenditures that will drive these
4 benefits, EMI must raise capital from external sources, who expect to be compensated for
5 the use of their money.

6 Further, accomplishing the goals of Smart Energy Services requires actions on the
7 part of both the utility and customers, which is different than actions associated with EMI
8 adding a new supply-side resource. To foster a climate that facilitates EMI developing
9 and implementing innovative and cost-effective solutions to meet its customers' needs,
10 supply-side resources and demand-side management should be afforded similar
11 treatment, both from an investment and cost recovery perspective. Further, the ability to
12 earn the proposed incentive on Smart Energy Services demand-side management
13 expenditures will reflect the fact that these expenditures are helping serve customer needs
14 in a manner similar to traditional supply-side and other infrastructure expenditures.

15 The Commission has also previously stated that putting demand-side management
16 offerings on more equal footing with traditional capital investments is desirable and can
17 be in the public interest. Procedural Rule 29.106 provides that "[t]o address disincentives
18 for energy efficiency investments, the utilities may propose an approach to earn a return
19 on energy efficiency investments through a shared-savings or performance-incentive
20 mechanism to make these investments more like other investments on which utilities earn
21 a return."

22

1 Q. DO SMART ENERGY SERVICES ELIMINATE THE NEED FOR SPECIFIC
2 ENERGY SAVINGS TARGETS TYPICAL FOR ENERGY EFFICIENCY?

3 A. Yes. With Smart Energy Services there is no need for inflexible budgets and specific
4 savings targets because they are unnecessary and inefficient in a customer-centric model
5 where cost-effective demand-side management offerings (as well as various distributed
6 energy resources that could provide similar benefits) are fully embraced as a part of
7 EMI's core business and treated, for cost recovery purposes, similar to traditional supply-
8 side and other infrastructure investments.

9
10 Q. HOW WILL THE COMMISSION BE ASSURED THAT PROPOSED DEMAND-SIDE
11 MANAGEMENT OFFERINGS WILL BE COST-EFFECTIVE?

12 A. EMI proposes that planned demand-side management offerings will be incorporated into
13 the review process currently utilized by the Commission when EMI submits its T&D plan
14 to the Staff, which occurs in November of each year for the following year's FRP cycle.
15 That filing would include analyses using appropriate and widely-accepted methods to
16 illustrate the overall cost-effectiveness of the portfolio of demand-side management
17 offerings being planned for the following year. In that way, Staff would have the
18 opportunity to fully review EMI's proposed demand-side management offerings before
19 they are placed into rates, which would occur via the next FRP rate change.

20

1 Q. HOW DOES THE COMPANY CURRENTLY RECOVER COSTS ASSOCIATED
2 WITH ITS DEMAND-SIDE MANAGEMENT OFFERINGS?

3 A. Presently, as I discussed briefly earlier in my testimony, EMI operates under the
4 Commission's Quick Start rules and recovers the costs it incurs through an energy
5 efficiency rider schedule ("Schedule EE-2"). Under Schedule EE-2, EMI currently does
6 not recover any lost contribution to fixed costs or incentives, although it is allowed to do
7 so under Rule 29. Also, Quick Start offerings and budgets are pre-approved and fixed by
8 the MPSC each year and, while EMI has some limited ability to shift funds between
9 offerings during the year, EMI cannot otherwise change the approved budget.

10

11 Q. DOES THE CURRENT QUICK START PHASE UNDER RULE 29 LIMIT EMI'S
12 ABILITY TO BE INNOVATIVE AND PURSUE BENEFITS FOR CUSTOMERS IN A
13 WAY THAT MEETS CUSTOMERS' CHANGING EXPECTATIONS?

14 A. Yes. The current framework under Rule 29, whether viewed as Quick Start or a more
15 comprehensive phase for energy efficiency, promotes a focus on a fixed and generally
16 inflexible level of annual spending to achieve certain annual energy savings targets. This
17 narrow focus on budgets and targets essentially limits customer choice when demand for
18 a particular offering outstrips the proposed budget for that offering or EMI is required to
19 pursue an offering that customers may not truly want in order to achieve the targeted
20 savings levels. The current framework discourages the Company from responding fully
21 to customer demand and does not encourage EMI to take advantage of innovation and
22 pursue broad-based deployment of new technology, like AMI, or to grow offerings into
23 other areas beyond those already approved.

1 Another limitation of the current framework is the emphasis placed on individual
2 offerings, rather than the results that can be achieved across a portfolio of offerings or
3 with broad-based deployment of technology, whether advanced meters, LED lighting
4 fixtures, local distributed generation or energy storage, or other types of grid
5 modernization improvements. As a result, the Company has less ability to apply
6 resources to meet changing customer interest or more adequately explore new
7 technologies that may be of interest to customers such as natural gas-fired back-up
8 generators. The current framework also introduces risk if the Company is not able to
9 quickly modify offerings to better address customer needs. If an offering has little
10 customer interest, the Company should not lack an ability to adjust away from such an
11 offering toward something that better meets customers' expectations and demand.
12 Similarly, the limitations with the current framework do not incentivize EMI's pursuit of
13 innovative, new solutions that might replace offerings with lower customer interest.

14 Lastly, the benefits from new, load-modifying resources like distributed
15 generation, smart thermostats, and energy storage, to name a few examples, are primarily
16 accruing today to a very narrow group of customers who can afford these technologies.
17 The Company believes that a shift in strategy, an expansion into offering new services,
18 and an innovative cost recovery model can unlock additional value and position EMI to
19 help all customers achieve these benefits, furthering the policy of universal access to
20 offerings and services that provide greater customer choice and more control over how
21 customers manage their energy use.

22

1 **IV. SMART ENERGY SERVICES PORTFOLIO AND OFFERING CHOICES**

2
3 Q. HOW DO YOU EXPECT NEW OFFERINGS WOULD BE CHOSEN?

4 A. The Company believes demonstrable customer interest is the critical requirement for any
5 new offering. As such, any offering would need to show a sufficient level of customer
6 interest via analytical analysis to warrant inclusion in the Company's portfolio. The
7 Direct Testimony of Mr. Dearmon discusses how EMI has undertaken efforts to better
8 understand and determine future customer interest in new offerings. Similarly, the
9 portfolio of all such offerings should demonstrate current or future cost-effectiveness
10 and/or alignment with important public policy goals. Finally, EMI expects to focus on
11 customer solutions that allow key policy objectives to be served, help customers gain
12 access to technologies and services they actually want, and enable EMI to partner with
13 third-parties and to innovate through emerging capabilities.

14
15 Q. WILL EMI CONTINUE TO PROVIDE LOW-INCOME OPTIONS?

16 A. Yes. Low-income offerings can support valid public policy objectives. For example,
17 EMI plans to seek Commission approval of a community solar project later this year. As
18 part of that approval, EMI plans to offer to qualifying low-income customers a specified
19 portion of the solar facilities being used to offer community solar. EMI also is exploring
20 different options to expand its planned Smart Energy Services offerings to low-income
21 customers. For example, EMI could introduce offerings like home-sited back-up
22 generation that extends new technologies to underserved, high-cost areas that could
23 deliver both individual and system benefits, such as improved reliability, ancillary

1 services and reduced maintenance costs. To increase affordability of such options, the
2 Company will work with the Commission and the Staff to find innovative ways to
3 address the needs of low-income customers. For example, EMI's customer-centric model
4 pairs well with the possibility of offering tariffed on-bill financing and/or partnering with
5 third-parties to extend low-cost credit to low and middle income households for certain
6 Smart Energy Services offerings.

7
8 **V. CONCLUSION**

9 Q. IS THE COMPANY PRESENTING A TARIFF OR RIDER FOR APPROVAL IN THIS
10 PROCEEDING?

11 A. Not at this time. The Company is instead seeking feedback from the Commission and
12 Staff that EMI's planned approach is reasonable and is likely to satisfy the public interest.
13 The Company plans to make a subsequent filing later this year with a proposed portfolio
14 of customer offerings and accompanying tariffs that certain Smart Energy Services
15 offerings will require.

16
17 Q. IF THE COMPANY'S PROPOSED CUSTOMER-CENTRIC MODEL IS APPROVED,
18 WHAT WILL HAPPEN TO THE COMPANY'S EXISTING QUICK START
19 OFFERINGS?

20 A. If the Commission approves Smart Energy Services, it will be the successor to EMI's
21 Quick Start offerings once new Smart Energy Services begin to be offered to customers,
22 and would be followed by the elimination of the Company's Energy Efficiency Cost
23 Recovery Rider Schedule. And to reiterate, Smart Energy Services is intended to be

1 broader and encompass a wider range of products and services relative to the limited
2 number of energy efficiency offerings under Quick Start.

3


4 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

5 A. Yes, at this time.

STATE OF LOUISIANA

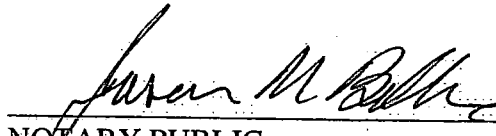
PARISH OF ORLEANS

Personally appeared before me, the undersigned authority in and for the jurisdiction aforesaid, CRYSTAL K. ELBE, who after being by me first duly sworn stated that she is Manager of Rate Strategy for Entergy Services, Inc., on behalf of Entergy Mississippi, Inc., and that as such is fully authorized to make this affidavit; and further states that the matters and things contained in the foregoing Direct Testimony are true, accurate, and correct as therein set forth to the best of her knowledge, information, and belief.



CRYSTAL K. ELBE
Manager, Rate Strategy
Entergy Services, Inc.

SWORN TO AND SUBSCRIBED before me, this the 30th day of July, 2018.



NOTARY PUBLIC

Jason M. Bilbe

#24965