

LOUISIANA PUBLIC SERVICE COMMISSION

RESOLUTION NO. 01-2021

In re: Resolution directed to Louisiana’s Congressional Delegation to take any necessary action to ensure federal disaster relief be made available to all Louisiana electric utilities affected by the 2020 and 2021 storms, and ultimately the ratepayers and citizens of Louisiana.

(Decided at the LPSC Business & Executive Session dated September 22, 2021.)

A RESOLUTION

The Louisiana Public Service Commission (“Commission”), pursuant to its constitutional authority, regulates the rates, terms and conditions of service of both investor-owned and not-for-profit electric utilities providing service to industrial, residential, and commercial customers in Louisiana.

WHEREAS, the electric utilities under the Commission’s jurisdiction provide service in areas of Louisiana that frequently experience extreme weather conditions and are vulnerable to catastrophic hurricanes; and

WHEREAS, the Commission and the electric utilities are unfortunately experienced in the destructive impact hurricanes have on the generation, transmission, and distribution systems of said electric utilities; and

WHEREAS, the prudently-incurred costs to repair and/or rebuild the generation, transmission, and distribution systems of the electric utilities are costs that are traditionally borne by the customers of said utilities; and

WHEREAS, given the impacts these costs can have on customers also seeking to repair and rebuild their own homes, businesses, and infrastructure, the Commission was the first to allow recovery of storm-related losses through “securitization,” a process which has ultimately saved customers hundreds of millions of dollars over traditional rate recovery and has been adopted by several other jurisdictions as a least cost recovery mechanism; and

WHEREAS, notwithstanding the tremendous savings obtained by securitization, customers are still obligated to cover costs associated with repairing and/or rebuilding a utility’s generation, transmission, and distribution systems; and

WHEREAS, not-for-profit electric cooperatives traditionally have had a large portion of their storm-related losses covered by the federal government through the Stafford Act (42 U.S.C. 5172 *et seq.*) when damages were sustained in a parish in which a federal declaration was declared; and

WHEREAS, historically, investor-owned utilities have not had access to such federal relief; and

WHEREAS, the 2020 Hurricane season was the most active on record and had an unprecedented catastrophic impact on Louisiana with its electric utilities being impacted by seven named systems,¹ including three major hurricanes; and

WHEREAS, the first major hurricane making landfall in 2020 was Hurricane Laura, as a Category 4, which made landfall in southwest Louisiana on August 27, 2020 and maintained significant strength after landfall, arriving in central and north Louisiana as a Category 2 and Category 1, respectively;

¹ Cristobal, Laura, Marco, Sally, Beta, Delta, and Zeta.

WHEREAS, the second major hurricane making landfall was Hurricane Delta, as a Category 2, which made landfall in southwest and central Louisiana on October 9, 2020, causing additional damage to some of the same areas impacted by Laura;

WHEREAS, the third major hurricane making landfall was Hurricane Zeta, as a Category 3, which made landfall in southeast Louisiana on October 28, 2020, causing downed trees, limbs, poles, and lines throughout the metropolitan New Orleans area;

WHEREAS, the 2020 Hurricane season was unprecedented, with Hurricane Laura being the strongest storm in modern history to impact Louisiana causing catastrophic damage on the electrical systems of a majority of Louisiana's electric utilities with damages exceeding \$2.2 billion; and

WHEREAS, Hurricane Ida matched Hurricane Laura's intensity when it made landfall near Port Fourchon, Louisiana on August 29, 2021 as a strong Category 4 with winds sustained at 150 mph; and

WHEREAS, Louisiana has now become the first state to experience hurricanes of that intensity in back-to-back years; and

WHEREAS, Hurricane Ida caused over 1 million power outages in Louisiana, second only to Hurricane Gustav in 2008, as well as substantial damage to the electric infrastructure, including the transmission system that serves southeast Louisiana; and

WHEREAS, preliminary estimates regarding the repair and restoration costs for the electric utilities suggest damages from Hurricane Ida may exceed \$2,085,000,000; and

WHEREAS, assuming traditional methods are followed, the costs incurred by two of Louisiana's three investor-owned utilities - Entergy Louisiana and Central Louisiana Electric Company would ultimately be borne by those utilities' customers; and

WHEREAS, even using the cost-saving securitization methods previously implemented by the Commission, those costs to be paid by customers will still likely be substantial; and

WHEREAS, those costs would be borne by Louisiana's industrial customers in the critical infrastructure industries, including: significant petroleum refining capacity which serves the nation's transportation system, ports and transportation, petrochemical industry, Liquefied Natural Gas (LNG) exporters, the pulpwood and paper industry, not to mention the impact on commercial and residential customers, many of whom are currently dealing with financial issues related to the COVID-19 pandemic and their own repairs; and

WHEREAS, an expansion of Stafford Act relief to allow all electric utilities, as opposed to solely not-for-profit electric cooperatives, to cover all or part of storm-related losses would mitigate the impact on not only the citizens of Louisiana, but also some of the nation's critical infrastructure industries; and

WHEREAS, the United States Department of Housing and Urban Development ("HUD") has previously restricted Community Development Block Grant ("CBDG") access by investor owned utilities contrary to federal regulation (24 C.F.R § 570.201); and

WHEREAS, eliminating HUD restrictions and/or providing waivers that permit CBDG funds to be applied to reimburse investor owned utilities for all or part of storm-related restoration costs would mitigate the impact on not only utility customers, but also some of the nation's critical infrastructure industries; and

WHEREAS, the Commission has been working and will continue to work to provide for recovery of prudently incurred storm restoration costs incurred as a result of the 2020 hurricanes, and now will include in those efforts recovery for Hurricane Ida; and

WHEREAS, the Commission continues these efforts to support the financial health and stability of the utilities under its jurisdiction to ensure safe, reliable service is provided to Louisiana citizens at the lowest reasonable costs; and

WHEREAS, the extraordinary, unprecedented, historical impacts of not only the 2020 hurricane season, but now Hurricane Ida as well, have had on Louisiana and its utilities warrant consideration of federal assistance; and

WHEREAS, the 2021 hurricane season continues through November 30, 2021.

NOW, THEREFORE BE IT RESOLVED, THAT THE LOUISIANA PUBLIC SERVICE COMMISSION, urges and requests the Louisiana Congressional Delegation to consider the issues addressed herein and take any necessary action to ensure federal disaster relief be made available to all Louisiana electric utilities affected by 2020 and 2021 storms in order that the same can address essential infrastructure investments, which will ultimately benefit the ratepayers and citizens of Louisiana.

BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA



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BRANDON M. FREY
SECRETARY



DISTRICT IV
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BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA