

**BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION**

GENERAL ORDER NO. R-30479-C

**LOUISIANA PUBLIC SERVICE COMMISSION
EX PARTE**

Docket No. R-30479, In re: Development of a funding mechanism for jurisdictional gas utilities for research and development programs.

(Decided at the Business and Executive Session held on October 19, 2017)

General Background

In the General Order dated October 28, 2008, the Louisiana Public Service Commission (“Commission” or “LPSC”) authorized the creation of the Louisiana Research and Development Committee (“RDC”), a coalition of representatives from the Commission Staff and all Group I gas utility companies (as defined in the Commission’s General Order dated March 24, 1999) under the jurisdiction of the Commission. The RDC is comprised of one member from each Group I gas utility company and is chaired by a Commission Staff member. Each Group I gas utility company is required to separately become a member of Utilization Technology Development (“UTD”), a collaborative research and development (“R&D”) funding program that is dedicated to developing or increasing the efficiency of gas end use equipment, while reducing the environmental impact of gas-consuming equipment. Additionally, each Group I gas utility company is required to become a member of Operations Technology Development (“OTD”), an R&D funding program focused on pipeline and distribution operations, with projects that reduce operational costs while enhancing reliability and safety.¹

The RDC is tasked with reviewing proposals for R&D projects and selecting projects that have a reasonable chance to benefit Louisiana gas utility customers within a reasonable amount of time. Proposals are submitted to the RDC by Gas Technology Institute (“GTI”),² the managing entity for UTD and OTD. These proposals can come from several sources, including regulating agencies, universities, and the local distribution companies (“LDCs”). Approved proposals are then submitted by GTI to the full UTD membership and OTD membership, where the Louisiana funds are supplemented by funding from other OTD and UTD members for the

¹ Both UTD and OTD are stand alone, 501c(6) not-for-profit companies controlled by their respective members.

² GTI is a not-for-profit 501c(3) corporation designated to perform R&D programs for the benefit of natural gas consumers and jurisdictional gas local distribution companies (“LDCs”) nationwide. It is subject to the rules and regulations of public utility commissions across the country where R&D surcharges are collected from jurisdictional gas LDCs. Pursuant to the terms of the October 28, 2008 General Order, GTI receives a ten percent (10%) fee from UTD for its services and a five percent (5%) fee from OTD for providing administrative services, program oversight, contracting and licensing negotiations, planning and project closeout services.

projects selected. The selected projects are funded through UTD and OTD, as applicable, by an R&D charge of ninety cents (\$0.90) per meter per year. The R&D charge is submitted by the Group I gas utilities to UTD and to OTD, and the Group I gas utilities may recover the R&D charge through their respective rates or via other recovery mechanisms at the discretion of the Group I gas utility.

Jurisdiction

The Commission exercises jurisdiction in this proceeding pursuant to Article 4, Section 21 of the Louisiana Constitution, La. R.S. 45:1163(A)(1), and La. R.S. 33:4510. Louisiana Constitution, Article 4, Section 21 provides in pertinent part:

The Commission shall regulate all common carriers and public utilities and have such other regulatory authority as provided by law. It shall adopt and enforce reasonable rules, regulations, and procedures necessary for the discharge of its duties, and shall have other powers and perform other duties as provided by law.

Committee Review of R&D Charge-funded Programs

The October 28, 2008 General Order established the R&D charge for a period of three (3) years, at which time the RDC was required to review the results of the R&D charge and determine if it should be continued or whether it should be cancelled. The provisions of the General Order dated October 28, 2008 were renewed in General Order No. R-30479-A, dated September 16, 2011. In General Order No. R-30479-B, dated December 23, 2014, the Commission once again ordered the renewal of the program for a period of three years and ordered that the funding mechanism continue in effect for an additional period of three years until October 28, 2017, at which time Staff and members of the RDC will again review the results of the R&D charge in order to determine if it should be continued or whether it should be cancelled. Further, the RDC was ordered to continue to conduct and attend meetings in order to carry out its duties, and shall provide annual reports to the Commission and to Staff.

The RDC continued to hold annual meetings to review the general progress of natural gas R&D programs both directly funded by the RDC and to which RDC members have access through UTD and OTD. These meetings were held on August 3, 2015, August 2, 2016, and August 2, 2017. The formal meeting at the Commission's central office in Baton Rouge on August 2, 2017 was held to review the general progress of natural gas R&D programs that are both directly funded by the RDC and to which RDC members have access through UTD and OTD. The RDC members agreed that the program has sufficiently proven its value for 9 years

and should be authorized to continue for another 3 years. The member representatives of the RDC unanimously agreed to recommend a dues increase to the LPSC, more specifically, that the R&D charge should be increased from (\$.90) per meter per year to (\$1.00) per meter per year. Validation for the increase included that this would level the UTD dues (currently \$.40 per meter per year) to OTD dues (currently \$.50 per meter per year), and would be applied to additional program funding.

Staff's Review

Staff reviewed the positions of the RDC member representatives, as well as examples cited at the annual meetings as producing benefits for LPSC-jurisdictional ratepayers. Staff filed a *Notice of Issuance of Staff Report and Recommendation and Notice of Comment Period* on September 28, 2017. A comment period was opened until October 5, 2017. No comments were filed.

In its *Report and Recommendation*, Staff found that Louisiana's participation in the OTD and UTD through the RDC for the past nine years has been beneficial to natural gas utility customers. Through the funding provided by the R&D charge, the utilities are taking advantage of nationwide research and development investments into expanding the supply of clean, abundant, and affordable natural gas, ensuring a safe and reliable delivery infrastructure, and promoting the clean and efficient use of natural gas.

Staff found that Atmos, CenterPoint, and Entergy are each able to see collaborative R&D benefits through their participation in the RDC. These benefits include being highly cost effective, leveraging their collective intelligence, reducing technical and financial risk, and increasing market impact. Funding for projects in the OTD working groups impact safety, system integrity, and efficiency of operations, in addition to research into renewable energy and alternative fuels. Staff found that these projects have a positive impact on Louisiana utilities and customers by enhancing the focus on service and safety of the public and workers through improved system reliability and integrity, as well as improved system knowledge through the use of new technologies. The projects funded into UTD have impacts on energy efficiency, environmental concerns, and are part of leading Louisiana to a smart energy future. The UTD has had even more of a positive impact in Louisiana, by partnering directly with local manufacturers to grow the markets for their products, along with expanding markets elsewhere to capitalize on the abundant supply of natural gas within the state.

In addition to supporting the three year continuation of the R&D charge, Staff also supported the increase in the UTD portion of the charge from \$0.40 per meter per year up to \$0.50 per meter per year, which would bring the total cost up from \$0.90 per meter per year to \$1.00 per meter per year. Staff found that this small increase in costs to customers would lead to even bigger savings and benefits in the long-term, and would keep Louisiana's unique collaboration between gas utilities at the same level of contribution as other jurisdictions. This \$0.10 per meter per year increase would bring the cost to \$0.083 per meter per month, up from \$0.075 per meter per month.

Staff Recommendation

On September 28, 2017, Staff filed its *Report and Recommendation*, in which Staff concluded that that the programs financed by the R&D charge are in the public interest and that the Group I gas utilities are directly impacted by the programs financed by the R&D charge. As such, Staff concurred with the member representatives of the RDC at the August 2, 2017 meeting, and recommended the following:

1. That the RDC, created by the General Order dated October 28, 2008 in Docket No. R-30479, and extended by General Orders dated September 16, 2011 and December 23, 2014, should continue to operate according to its current organizational structure for another three year period, and
2. That the UTD's portion of the research and development charge created by the General Order dated October 28, 2008 and extended by General Order dated September 16, 2011, be increased from \$0.40 per meter per year up to \$0.50 per meter per year, resulting in a total cost of \$1.00 per meter per year, and that the R&D charge recommended should remain in effect for the same three year period.

Commission Consideration

Staff's Recommendation was considered by the Commission at its October 19, 2017 Business and Executive Session. On motion of Chairman Skrmetta, seconded by Commissioner Francis, with Vice Chairman Boissiere and Commissioner Campbell concurring and Commissioner Baldone absent, the Commission voted to accept Staff's recommendation to extend the RDC for another three years with a \$.10 per meter per year increase in certain related funding.

IT IS THEREFORE ORDERED THAT:

1. The RDC, created by the General Order dated October 28, 2008 in Docket No. R-30479, and extended by General Orders dated September 16, 2011 and December 23, 2014, will continue to operate according to its current organizational structure for another three year period, and
2. That the UTD's portion of the research and development charge created by the General Order dated October 28, 2008 and extended by General Order dated September 16, 2011, is increased from \$0.40 per meter per year up to \$0.50 per meter per year, resulting in a total cost of \$1.00 per meter per year, and that the R&D charge recommended will remain in effect for the same three year period.

This Order is effective immediately.

**BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA
November 15, 2017**

/S/ ERIC F. SKRMETTA

**DISTRICT I
CHAIRMAN ERIC F. SKRMETTA**

/S/ LAMBERT C. BOISSIERE

**DISTRICT III
VICE CHAIRMAN LAMBERT C. BOISSIERE**

/S/ FOSTER L. CAMPBELL

**DISTRICT V
COMMISSIONER FOSTER L. CAMPBELL**

/S/ MIKE FRANCIS

**DISTRICT IV
COMMISSIONER MIKE FRANCIS**

**EVE KAHAO GONZALEZ
SECRETARY**

ABSENT

**DISTRICT II
COMMISSIONER DAMON J. BALDONE**