NO. R-10-141

BY: COUNCILMEMBERS MIDURA, CARTER, HEDGE-MORRELL AND

WILLARD-LEWIS

RESOLUTION AND ORDER TO ESTABLISH PROCEDURAL

SCHEDULE IN UTILITY DOCKET NO. UD-10-01 TO SEEK COMMENTS REGARDING THE

APPLICATION OF ENTERGY NEW ORLEANS, INC.

REQUESTING AUTHORIZATION TO IMPLEMENT AN

ADVANCED METERING INFRASTRUCTURE PILOT

AND REQUESTING RELATED APPROVALS

DOCKET NO. UD-10-01

WHEREAS, pursuant to the Constitution of the State of Louisiana and the Home Rule Charter of the City

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119 of 438 of New Orleans (“Charter”), the Council of the City of New Orleans (“Council”) is the

 governmental body with the power of supervision, regulation and control over public utilities providing

service within the City of New Orleans; and

WHEREAS, the Council is responsible for making all necessary rules and regulations to govern

applications for the fixing or changing of rates and charges of public utilities and all petitions and

complaints relating to any matter pertaining to the regulation of public utilities; and

WHEREAS, Entergy New Orleans (“ENO” or “Company”) provides electric service to all of New

Orleans, except the Fifteenth Ward, Algiers, and gas service to all of New Orleans; and

WHEREAS, Council Resolution R-07-600 asserted the Council’s commitment to energy efficiency and

the development of a viable energy efficiency program in Orleans Parish; and

WHEREAS, the March 25, 2009 Agreement in Principle in Docket UD-08-03 (“2009 AIP”), adopted by

Resolution R-09-136, expressed the Council’s desire to have one unified energy conservation program

available to customers in the Company’s service area; and

WHEREAS, the 2009 AIP directed the Advisors to the Council to collaborate with the Company in the

further evaluation of the general concepts identified by the Council in Resolutions R-07-600 and

R-08-366 for the Company’s program, evaluation, design, and integration into the DSM/energy

conservation programs previously developed by the Company in Docket UD-08-02 for potential

aggregation, as appropriate, into a unified program, namely, the Energy Smart Plan; and

WHEREAS, Resolution R-08-366 established the conceptual framework for the Energy Smart Plan AMI

Pilot (“Energy Smart Pilot”), a proposal for energy efficiency and conservation programs, which among

other things called for “a real-time energy use monitoring pilot program to study the effectiveness of

real-time monitoring in reducing energy consumption.”; and

WHEREAS, contemporaneously with efforts to develop a comprehensive energy policy and energy

efficiency program for the City of New Orleans, the American Recovery and Reinvestment Act of 2009

(“ARRA”) was adopted by Congress. The ARRA provides $4.5 billion in stimulus funding for the U.S.

Department of Energy’s Office of Electricity Delivery and Energy Reliability Smart Grid Investment

Grant Program. One of the goals of the ARRA funding is to stimulate the rapid deployment and

integration of advanced metering technology to upgrade the nation’s electricity systems; and

WHEREAS, on August 6, 2009, the Company, in an effort to pursue this opportunity, responded to the

Financing Opportunity Announcement issued by the U.S. Department of Energy (“DOE’) on or about

June 25, 2009. The Company submitted an application to DOE for a matching grant to fund not less than

fifty percent (50%)(estimated $5 million) of the eligible costs associated with this AMI Pilot (“DOE AMI

Pilot”; and

WHEREAS, on October 29, 2009, ENO was notified by DOE that ENO was selected to receive the

stimulus Grant. ENO states that with the DOE notification, the next step in the process is for ENO to

receive regulatory approval from the New Orleans City Council to launch the pilot program; and

WHEREAS, in ENO’s grant application to the DOE, the project schedule listed estimated completion

dates of January 2010 to “Update Regulators and make any required informational filings”, and March

2010 for “Regulatory approval of AMI program, [a Peak Time Rebate and Air Conditioner A/C] load

management rates and Cost Recovery Mechanism”; and

WHEREAS, on December 10, 2009, ENO made a presentation of the DOE AMI Pilot to the Council

Utility Committee, which indicated ENO’s intention to submit the DOE AMI Pilot filing to Council in

January 2010; and

WHEREAS, on March 4, 2010, ENO submitted its Application to the Council requesting expedited

consideration and authorization to implement an Advanced Metering Infrastructure (“AMI”) Pilot

program. In support of its Application, ENO filed the following material:

1. Affidavit and Exhibits of Mr. Charles B. Steen – which provide details regarding ENO’s proposed

design and overall implementation of the AMI Pilot program;

2. Affidavit and Exhibits of Mr. Michael Considine – which provide details regarding the development

and operation of the proposed experimental rate schedule for implementation of a Peak Time Rebate

program;

3. Affidavit and Exhibits of Ms. Karen Radosevich – which provide details regarding the development

and operation of ENO’s proposed experimental rate schedule for implementation of the proposed

Air-Conditioning (“A/C”) Load Control program;

4. Affidavit and Exhibits of Mr. Brian W. Caldwell – which support ENO’s request for ratepayer

recovery of unreimbursed DOE AMI Pilot project costs through its annual Electric Formula Rate Plan

(“E-FRP”) by providing a calculation of the estimated annual revenue requirement associated with the

pilot;

5. The complete DOE Grant Application package, including the Application for Federal Assistance

Form SF 424, Volume 1, Technical and Project Plan, and Volume 2, Project costs; and

WHEREAS, ENO’s Application proposes to initiate a limited AMI pilot utilizing advanced two-way

communications to install an initial AMI system that will enable ENO to conduct research and analysis on

the demand response of low income customers to particular demand response programs; and

WHEREAS, according to ENO’s Application, the proposed DOE AMI Pilot would include the purchase

and installation of approximately 11,500 AMI meters; 8,250 in-home display devices; and, 400 smart

thermostats at the homes of ENO’s low income, residential, electric customers during 2010 and 2011.

According to ENO, “based on the number of households in the city’s population that fall into the U.S.

Department of Housing and Urban Development’s (“HUD’s”) low income classification, ENO estimates

that, as of October 2009, approximately 62,400 of ENO’s 112,000 (or roughly 55%) of its residential

customers fall into this classification. ENO anticipates that the DOE AMI Pilot program could reach

approximately 18% of its low income (as per HUD guidelines) residential customers; and

WHEREAS, with the abovementioned participant requirements, ENO’s recognition of the “extensive

customer solicitation process” in their request for expedited consideration, and with a limited budget of

$470,000 for marketing and solicitation in the selection of participants, ENO needs to carefully

administer the qualification of participants using certification processes not addressed or discussed in

the required detail in its March 4, 2010 Application to the Council; and,

WHEREAS, the proposed DOE AMI pilot would include the following programs:

1. Near Real-Time Energy Use Information Program in which customers with AMI meters would have

the option of receiving a tabletop monitor referred to as an in-home display (“IHD”) for their home that

would display near real-time energy use information (15-minute interval lapse). The IHD monitor

would also display that customer’s (a) current energy consumption, (b) the rate of energy

use (kWh/day), (c) projected energy use by month, (d) current bill amount based on current usage and

(e) projected monthly bill amount based on current rate of energy use. With this information,

participating customers would be able to compare current usage to previous usage and would also be

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patterns.

2. Peak Time Rebate (“PTR”) Program would also be made available to 400 customers with AMI

meters. The proposed Peak Time Rebate rate is designed to provide customers with a price incentive to

reduce their energy consumption during those times that ENO is expected to experience peak

load conditions. There will be a maximum of 20 PTR periods lasting 5 hours each between the hours of

1:00 pm and 6:00 pm.. Prior to a PTR event, customers would be notified of their option to reduce

their usage during the upcoming the PTR event in order to be eligible for a rebate. Those customers

that successfully reduce energy usage during a PTR event as compared to that customer’s typical

weekday usage for those hours during a non-PTR event would receive rebates equal to the proposed

PTR rebate per kWH times the number of kWhs that were reduced during the PTR event. The PTR

program is projected to be available to customers during the months of June 2011 through September

2011. The rate that has been developed for the implementation of the Peak Time Rebate program is set

forth in the supporting material in ENO’s Application.

3. Air-Conditioning Load Management Program would require installation of smart thermostats, in the

homes of 400 customers with advanced meters. The smart thermostats will give the Company the

ability to temporarily interrupt service to participating Customers’ central air conditioning units for no

more than approximately 20 minutes in a one-hour period for three consecutive hours between the

hours of 12:00 P.M. and 8:00 P.M. As proposed, the interruptions may occur daily, on non-holiday

weekdays, from June through September 2011. According to ENO’s proposal, it is currently

anticipated that the proposed rate schedule would call for customers who participate in the A/C Load

Management Program to receive a credit on their monthly bills for participating in the program. Details

of the proposed Air-Conditioning Load Management rate are discussed in the supporting material

attached the Affidavit of Ms. Radosevich; and

WHEREAS, through participation in the proposed pilot, customers would be able to utilize in-home

display devices and/or a web portal-based energy information website to view their energy usage

information. Access to this information would enable pilot participants to make economic decisions

about consumption based on an estimated cost of then-current consumption relative to a projection of

each customer’s bill. Customers would be able to adjust their level of consumption based upon readings

from the in-home display to affect their month-end bills; and

WHEREAS, in order to ensure that customers participating in the pilot receive a reasonable estimate of

their bills, including fuel costs, ENO proposes that the customers participating in the DOE AMI and

Energy Smart Pilots pay the same FAC as other non-participating customers. However, the fuel

component of participating customer’s bills would be billed on a one-month lag, as described in

Paragraph

XI. of ENO’s Application. It is also acknowledged that wide variances in fuel costs may result from this

one-month lag; and

WHEREAS, in this Application, ENO proposes that “any over/under –recovery created by this method

would flow through the over/under –recovery mechanism in the current FAC and would be billed to all

customers through the surcharge in the normal process. ENO believes the differential between what

customers will have been billed while on the pilot versus actual fuel costs at the end of the pilot would

be negligible, such that there would be no reason to establish a separate accounting for the pilot

participants.”; and

WHEREAS, the DOE AMI Pilot would also provide the Company an opportunity to test the operational

and economic feasibility of AMI, and the potential for realization of benefits by low income customers

from certain demand response (“DR”) functionalities associated with advanced metering. The

information gleaned from the pilots is part of the due diligence that will be required for the Company

(and the Council) to make further decisions regarding the potential development and implementation of

widespread/larger scale DR programs; and

WHEREAS, such decisions regarding the potential development and implementation of widespread

larger scale DR programs will necessarily include important considerations such as the revenue

requirement

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122 of 438 impact on non-participating ratepayers, the timing of the projected benefits, and customer

acceptance of time differentiated rates; and

WHEREAS, since November 2009, ENO has been engaged in DOE’s process for negotiation of the final

award of up to $5 million to ENO for completion of the DOE AMI Pilot Project. The final award would

serve as the contract between ENO and DOE and would specify the terms and conditions under which

ENO would receive reimbursement from DOE for eligible project costs and other project-related

guidelines. Once ENO and DOE have reached agreement on the final award, DOE will execute the

document and send formal notice to ENO; and

WHEREAS, in order to move forward with the negotiation of the final award agreement with DOE, the

Company has requested approvals from the Council with regard to the following rate proposals: (1) the

Experimental Peak Time Rebate Rider Schedule (“EPTR”); (2) the Experimental Residential Demand

Response Service Rider Schedule (“ERDRS”); and (3) the AMI Pilot Program Fuel Adjustment Clause

Rider Schedule (“AMI FAC-1”); and

Recovery of ENO’s Unreimbursed Costs of the DOE AMI Pilot

WHEREAS, ENO projects that it will incur approximately $10 million in costs to implement the DOE

AMI Pilot project in late 2010 and 2011. Based on the federal grant provisions, up to $10.0 million of

eligible project costs could be subject to Federal reimbursement of up to 50%. According to ENO, the

cost breakdown by project activity/cost component is as follows:

Personnel (payroll and benefits) $1,700,625

Equipment (materials & installation) $4,290,878

Contractual (materials, installation,

IT, management)

$1,852,500

Other (marketing, communications, mailing) $ 470,000

Indirect (overheads/capital suspense/AFUDC) $1,679,132

Total

$9,993,935

WHEREAS, based upon an assumed 50% DOE match, ENO’s current projections of the annual revenue

requirement associated with the DOE AMI Pilot project are approximately $1.2 million in 2011 and $1.7

million in 2012. Based upon an assumed 40% DOE match given DOE’s disallowance for funding of

certain AMI Pilot project costs, current projections of the annual revenue requirement associated with

the DOE AMI Pilot project are for approximately $1.5 million in 2011 and $2.0 million in 2012; and.

WHEREAS, the revenue requirement calculation and underlying assumption are explained in the

Affidavit and Exhibits of Mr. Caldwell. ENO’s revenue requirement projections are based on several

assumptions, including, the rate of DOE reimbursement of eligible costs (i.e., whether DOE will consider

certain projects as eligible for reimbursement under OMB guidelines); and

WHEREAS, more information is required related to DOE considering certain projects as eligible for

reimbursement under OMB guidelines, as represented by ENO’s estimates of a 50% match versus a 40%

match and correspondingly different revenue requirement projections, since that information was not

included in the initial DOE Grant Application; and

WHEREAS, ENO’s electric rates are currently subject to the provisions of the Electric Formula Rate

Plan, Schedule E-FRP-3 (“E-FRP”) approved by the Council on April 2, 2009 in Resolution 09-136.

ENO proposes to recover those DOE AMI Pilot costs that are not reimbursed by DOE from ratepayers

through the appropriate E-FRP evaluation periods. Based upon an assumed 50% DOE match, current

projections of the annual revenue requirement associated with the DOE AMI Pilot project are for

approximately $1.2 million in 2011 and $1.7 million in 2012. Based upon an assumed 40% DOE match,

current projections of the annual revenue requirement associated with the DOE AMI Pilot project are for

approximately $1.5 million in 2011 and $2.0 million in 2012; and

WHEREAS, ENO also contends that the Near Real-Time Energy Use Information Program and the Peak

Time Rebate Program should qualify as Demand Side Management/Energy Efficiency programs that

would result in a reduction of kWh consumed. Therefore, ENO, proposes to include these savings in the

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123 of 438 quantification of the Lost Contribution to Fixed Costs that are recoverable under Section E-1

of the E-FRP, but plans to identify the savings separately. Also ENO does not intend to project savings for

these pilot programs to estimate the lost contribution to fixed costs nor pursue cost recovery for those

costs prior to the completion for the pilots. As explained in the affidavit of Mr. Steen, the Company

currently projects the amount of Lost Contribution of Fixed Costs to be incurred with the DOE AMI pilot

to be roughly $278,000; and Proposed Adjustment of Certain Service Regulations for Pilot Participants

WHEREAS, ENO requests that the deadline in Section 49 of the Service Regulations Applicable to

Electric and Gas Service by Entergy New Orleans, Inc. (“Service Regulations”) requiring internal

resolution of customer complaints within ten (10) days be relaxed for AMI Pilot participants for the

duration of the pilot to permit any such complaints to be resolved by the Company within twenty (20)

days. According to ENO, the temporary adjustment will assist ENO in its evaluation of customer

response to this pilot, including the level of customer service required to provide adequate support to

optimize savings that may be realized through the addition of AMI facilities. In order to implement this

adjustment, ENO proposes that, at an appropriate time following the issuance of the Council’s decision

on its Application, ENO will submit a document containing the parameters approved by this Council and

any other necessary details for implementation of the DOE AMI Pilot including guidelines to be

developed for the resolution of claims related to the pilot and, in particular, for use in the Customer

Complaint and Dispute Resolution process set forth in the Customer Bill of Rights; and Expedited

Consideration And Approval Of The Proposed Procedural Schedule

WHEREAS, according to ENO, because of the extensive customer solicitation process and numerous

materials that will be required for implementation of this pilot project, ENO seeks to initiate as soon as

is practicable the necessary activities to achieve the milestones presented in the affidavit of Mr. Steen

and because ENO desires to obtain regulatory approval from the Council prior to entering into a

contractual agreement with DOE, ENO has proposed a condensed procedural schedule for Council

consideration of ENO’s Application; now therefore:

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF NEW ORLEANS THAT:

1. The Council desires sufficient public input regarding ENO’s Application prior any regulatory

approval of the proposed DOE AMI Pilot and such other information as may be deemed relevant by

the Council; and

2. The Council establishes the following expedited procedural schedule to accommodate due process

within the time frame of DOE’s award negotiation process: Procedural Schedule for Consideration of

ENO’s DOE AMI Pilot filing

Procedural Deadlines

03/18/2010 Commencement of Discovery\* Period

(7 calendar day turnaround)

3/25/2010 Council adoption of procedural schedule (establishing commencement of intervention period

on 3/25/2010)

4/8/2010 End of Intervention period (Parties from Docket UD-08-03 deemed automatically

grandfathered into the instant proceeding.)

4/16/2010 Final Day to Issue/Conduct Discovery

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5/3/2010 Comments by Intervenors

5/10/2010 Responsive Comments to be filed by all parties

5/13/2010\*\* Hearing before Utility Committee for recommendation to full Council

5/20/2010 Proceeding goes to full Council for Decision

\* Includes all forms of discovery

\*\* Exact date to be determined

3. The Honorable Jeffrey Gulin is hereby appointed as the Hearing Examiner for the proceeding; the

Hearing Examiner shall rule on procedural disputes and certify the record of the proceeding to the

Council without recommendation. For purposes of this proceeding, the aforementioned informational

questions shall be treated as interrogatories, and except as otherwise provided herein, shall be

governed in accordance with the rules of discovery set forth in Section 158 of the New Orleans City Code

and the Louisiana Code of Civil Procedure. Such questions shall be limited in scope to inquiries

regarding issues that are wholly germane to ENO’s March 4, 2010 filing.

4. In the event that during the period of posting of questions, the parties may be required to produce

documents or information that is deemed confidential and/or highly sensitive and, accordingly, the

Council adopts for use in this docket its Official Protective Order adopted by Resolution R-07-432, a

copy of which can be obtained from the Council Utilities Regulatory Office.

5. Parties filing documents with the Council shall serve same via electronic mail upon all parties

identified on the Official Service List of this docket on the date of filing.

THE FOREGOING RESOLUTION WAS READ IN FULL, THE ROLL WAS CALLED ON THE

ADOPTION THEREOF AND RESULTED AS FOLLOWS:

YEAS: Carter, Clarkson, Head, Hedge-Morrell,

Willard-Lewis - 5

NAYS: 0

ABSENT: Fielkow, Midura - 2

AND THE RESOLUTION WAS ADOPTED