Alliance for Affordable Energy
Review of Draft IRP
October 19, 2012

The approach taken to consider best practices considered only whether IRP processes in other jurisdictions alternative levels of DSM, rather than looking at the jurisdictions that have been the most successful in DSM to draw lessons learned to assist New Orleans in maximizing its DSM resource allocations.

Given that the intention of the Council when passing the Integrated Resource Planning rules was largely to ensure customers would fully benefit from cost effective energy efficiency resources, the report itself does not reflect this priority for three reasons:
1. Rather than being identified as one of the report's three main objectives, DSM is presented as a separate addition. This difference is then reflected throughout the report by neglecting to mention DSM in later discussion of system resources.
2. DSM / energy efficiency is not discussed in the section entitled: Type of Resources Needed (a critical example of the point above)
3. Substantive discussion of future DSM / energy efficiency resources does not begin until page 25, making it one of the last items in the report

Entergy has indicated that they do not have a mechanism in place to account for DSM impacts on system needs between operating companies, thereby limiting potential benefits to New Orleans for our DSM opportunities in system planning.

We continue to feel that deeper scrutiny is called for to validate the cost / allocation of resources between CT, CCGT, and DSM resources - with particular attention paid to the Aurora outputs (not just inputs) and the addition of any new resources.

What is the cost of DSM for the Aurora modeling process?
For this questions, we are not asking what the cost of each input is, we are asking for the aggregate cost for the sum of all the DSM resources that were selected. What is the cost per megawatt hour in aggregate. The table that you provided for question 4 was very interesting. We would like to see more information included in that table. For example:

Resource	2014	Average Cost 2014	2021	Average Cost 2021	2031	Average cost 2031
DSM	.2%	.02/kWh	10%	.02/kWh	20%	.02/kWh
Exiting Supply						
New Supply						
Imports net of exports						

In ENO's response 1, they stated that "Year One of the Energy Smart programs achieved 15,812,955 kWh of annual energy savings at a cost of $3,323,607. Thus, first year DSM costs are $210/MWh. By comparison, the first year costs of Flight 5 of the DSM programs are estimated to be $138/MWh in 2012 and the first year costs of Flight 11 programs are estimated to be $353/MWh in 2012."

We are confused as to why the flights would include "First year costs". Whichever flight is chosen, New Orleans' energy efficiency program will actually be in the 4th year, not the 1st. Please explain why the flights include first year costs.

ENO replied that the "cost benefit of DSM to the System" is interpreted to refer to the treatment of line losses and reserve margin in the Aurora modeling process. The benefit of both impacts was incorporated into the Aurora modeling process. The hourly load shape for each DSM flight was increased to reflect line losses and the reserve margin requirement was calculated based on the load forecast decremented for a flight of DSM."

Beyond the system, were any other cost benefits included in the DSM modeling? We would like to know if avoided cost of new generation, decrease in peak demand, non energy related benefits, etc. were included. The process in Vermont for determining cost benefits include

Other jurisdictions use a discount rate of 6%. Could you explain why a discount rate of 7.8% was used?

Why is variable cost so much higher than incremental fixed cost when the largest resource percent is new supply resources?

Results of Initial Portfolio Design & Risk Assessment Forward Supply Cost				
$/MWh Levelized	Scenario 1	Economic Rebound	Green Growth	Austerity Reigns
Incremental Fixed Cost	$5.94	$8.96	$4.87	$6.33
Variable Cost	$43.82	$50.23	$57.07	$30.10
Total	$49.76	$59.19	$61.94	$36.43

Contribution to DSG Annual Energy Requirement By All Resources			
	2014	**2021**	**2031**
DSM	0.2%	1.5	2.5
Existing Supply Resources	26.2	23.2	9.2
New Supply Resources	5.1	39.6	73.1
Imports Net of Exports	68.5	35.7	15.2
Total	**100.0**	**100.0**	**100.0**

Please explain how the incremental levelized cost per MWh was calculated.

ENOI DSM Cost Summary						
DSM Supply Curve (Flights)	Cumulative Energy Savings 2012-2031 (GWh)	Peak Demand Savings in 2031 (MW)	NPV of Annual Program Costs 2012$	NPV of Incremental Program Cost From Previous Flight	Levelized Cost Per MWh (2012-2031)	Incremental Levelized Cost Per MWh (2012-2031)
1	-	23	2	2	NMF	NMF
2	-	43	5	3	NMF	NMF
3	3,101	102	25	19	19.95	15.67
4	3,101	116	28	3	22.51	-
5	4,278	203	45	17	26.08	35.31
6	5,231	224	83	38	39.74	102.01
7	5,231	224	85	2	40.52	-
8	5,231	228	87	2	41.57	-
9	6,780	262	154	67	56.90	109.45
10	7,194	354	176	22	61.33	133.15
11	7,903	365	195	19	61.67	64.89
12	7,903	365	198	3	62.54	-
13	8,435	460	229	31	67.81	145.89
14	8,786	465	249	20	70.78	140.91
15	9,021	469	266	17	73.51	173.97
16	9,123	471	272	7	74.41	146.40
17	9,318	477	297	25	79.51	314.64
18	9,373	478	304	6	80.65	251.94

Notes and Assumptions
Discount Rate = Generic System WACC 7.81%
NMF = Not Meaningful, flights #1 #2 are demand response only

We need more consistency across data sources/jurisdictions. Some of the data we received was specific to ENO, some from the whole system, and some from DSG. This variation makes it impossible to compare data. We must have the information presented in the context of the ENO system.