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March 23, 2017

Via U.S. Mail and/or Email

Ms. Lora Johnson
Clerk of Council
Council of the City of New Orleans
City Hall, Room 1E09
1300 Perdido Street
New Orleans, LA 70112

RE: In Re: Application of Entergy New Orleans, Inc. for
Approval to Construct New Orleans Power Station and
Request for Cost Recovery and Timely Relief
Council Docket No. UD-16-02

Dear Ms. Johnson:

Please find enclosed the Advisors' Recommendations with Respect to ENO's New Orleans Power Station Supplemental Filing. It is requested that you file these Recommendations in accordance with your normal procedure, and that you provide us a time-stamped copy of same to certify receipt.

With best regards, I remain

Sincerely,

WILKERSON & ASSOCIATES, PLC


Walter J. Wilkerson

WJW/krb

Enclosures

cc: Official Service List

**BEFORE THE
COUNCIL OF THE CITY OF NEW ORLEANS**

**IN RE: APPLICATION OF ENTERGY)
NEW ORLEANS, INC. FOR)
APPROVAL TO CONSTRUCT NEW) DOCKET NO. UD-16-02
ORLEANS POWER STATION AND)
REQUEST FOR COST RECOVERY)
AND TIMELY RELATED RELIEF)**

**ADVISORS' RECOMMENDATIONS WITH RESPECT TO
ENO'S NEW ORLEANS POWER STATION SUPPLEMENTAL FILING**

On February 14, 2017, Entergy New Orleans, Inc. ("ENO") filed a motion to temporarily suspend the procedural schedule in Council Docket No. UD-16-02 and requested a subsequent status conference. On February 21, 2017, the Hearing Officer granted the motion to temporarily suspend the procedural schedule and set the requested status conference for March 6, 2017.

The status conference was held on March 6, 2017, and ENO reported that due to its new load forecast information, it will be submitting a Supplemental Amended Application ("Amended Application") in this proceeding within approximately 60-90 days and that it would file a motion before the Council of the City of New Orleans ("Council") to adopt a new procedural schedule with the Amended Application.

To ensure that any Amended Application filed by ENO contains sufficient and supporting information for the Council, as well as the parties in the Docket, to evaluate any revised request for approval to construct the New Orleans Power Station; the Council's Advisors recommend that, at a minimum, the following information and analyses should be conducted and contained in any Amended Application in support of any ENO request in the Amended Application.

To the extent the Amended Application proposes a re-sized NOPS project as a result of reductions in ENO's load forecast, the Amended Application should contain the following in support of ENO's Amended Application:

1. Detailed work papers supporting the updated forecast of customer load referenced in ENO's February 14, 2017 motion. The workpapers should identify the specific amounts of energy and capacity impacts of existing demand side management ("DSM") programs and customer-owned distributed energy resources incorporated in the forecast.

2. A 20-year resource portfolio cost analysis which is the direct result of implementing the DSM goal referenced by the Council in Resolution R-15-599¹ (“DSM Goal”) with the balance of the resource portfolio, including generation and transmission alternatives, optimized utilizing the AURORAxmp automated resource optimization logic and ENO’s most current planning assumptions (“Optimization Analysis”).
3. The Reference Planning Scenario assumptions should be based on ENO’s current Business Plan forecasts extended as necessary to conduct the 20-year analysis.
4. The Optimization Analysis should identify two Resource Portfolios (a Least Cost Resource Portfolio and a Second Best Least Cost Resource Portfolio) for the Reference Planning Scenario. Each Resource Portfolio should include the Council’s DSM Goal and shall, for the initial years, be consistent with Scenario 2 in the Company’s February 13, 2017 Energy Smart Implementation Filing in Council Docket No. UD-08-02. The balance of each Resource Portfolio, including generation and transmission alternatives, should be optimized utilizing AURORAxmp.
 - a. To the extent any proposed re-sized NOPS project is not the result of a least cost resource portfolio optimization, ENO should develop resource costs for an alternate portfolio with the proposed re-sized NOPS project included in a resource portfolio for comparison with the optimized Least Cost Resource Portfolio. This alternate resource portfolio should be optimized under the assumption that the proposed re-sized NOPS project will be constructed.
 - b. To the extent any proposed re-sized NOPS project is the result of a least cost resource portfolio optimization, ENO should develop a Second Best Least Cost Resource Portfolio that is the result of a least cost resource portfolio optimization that does not have the proposed re-sized NOPS project as resource alternative to the optimization process.
 - c. In any event, ENO should provide the 20-year resource cost results from the two Resource Portfolios such that the Council will have a basis by which any proposed re-sized NOPS project can be compared.
5. The Optimization Analysis under the Reference Planning Scenario should:
 - a. Utilize the updated load forecast referenced in ENO’s February 14, 2017 motion;

¹ “...the Council believes it would be reasonable in the development of subsequent Energy Smart Program Years (Program Year 7 and beyond) for the Company to incorporate in its Energy Smart and IRP filings for evaluation by the Advisors, Intervenors, and the Council the goal of increasing the projected savings from the Energy Smart program by 0.2% per year, until such time as the program generates kWh savings at a rate equal to 2% of annual kWh sales”

- b. Utilize an updated fuel forecast, updated MISO energy price forecast, updated MISO capacity price forecast of net CONE, and updated CO₂ price forecast which are consistent with the updated load forecast;
 - c. Include conventional generating resources and renewable generating resources with current estimates of operating parameters, capital costs, and operating and maintenance costs;
 - d. Implement the Council's DSM Goal, and optimize the balance of the resource portfolio in coordination with transmission alternatives such that all other resource and transmission alternatives are evaluated on an equal basis;
 - e. Recognize ENO's commitment to seek up to 100 MW of new renewable resources;
 - f. To the extent any proposed supply-side resources, when added to ENO's existing resources, exceed ENO's total load requirements by more than 10%, or exceed ENO's total load requirements needs for more than 7 years after the commercial operation date of the proposed supply side resource, ENO must demonstrate why either case is not an over-reliance on the MISO market and an increased risk to ratepayers.
6. The following sensitivity analyses should be performed on each of the two Resource Portfolios;
- a. High Natural Gas Price Sensitivity based on ENO's estimate of a future with higher natural gas prices and corresponding MISO energy prices;
 - b. Low Natural Gas Price Sensitivity based on ENO's estimate of a future with lower natural gas prices and corresponding MISO energy prices;
 - c. MISO Capacity Market Surplus Sensitivity with MISO capacity prices assumed at 60% of ENO's updated MISO capacity price forecast of net CONE utilized in the Reference Planning Scenario.
7. Transmission load flow studies reflecting ENO's updated summer peak load forecast covering 2019, 2024 and 2027. ENO's studies should include all input assumptions and identify any system topology changes (generation and transmission) from the studies performed in support ENO's original NOPS application in this Docket. Study results should be presented in the same form as was provided in support of ENO's original NOPS application to the Council. Specifically, study results should include powerflow and voltage threshold diagrams which identify the location and magnitude of all thermal loading and voltage violations for the identical NERC P2.3, P2.4 and P6 contingencies analyzed in support of ENO's original NOPS application. Tabular summary information

concerning all observed thermal and voltage violations should also be provided, along with all proposed transmission upgrades and/or actions (i.e. load shedding) necessary to mitigate such violations. The following transmission load flow studies should be performed for 2019, 2024 and 2027 utilizing ENO's updated load forecast referenced in ENO's February 14, 2017 motion:

- a. Transmission load flow studies assuming no generating unit additions at the Michoud site;
- b. Transmission load flow studies assuming the Resource Portfolio which includes any proposed re-sized NOPS project;
- c. Transmission load flow studies assuming the Resource Portfolio which does not include any proposed re-sized NOPS project;
- d. Transmission load flow studies assuming the Council approves NOPS as proposed in ENO's original NOPS application before the Council.