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March 29, 2023

VIA ELECTRONIC MAIL ONLY
Ms. Lora W. Johnson, CMC, LMMC
Clerk of Council
City Hall - Room 1E09
1300 Perdido Street
New Orleans, LA 70112

Re: Filing of Entergy New Orleans, LLC's Comments Regarding the Advisors' Report on Energy Efficiency and Conservation, Demand Response, and Other Demand-Side Management Programs as well as Customer-Owned Distributed Energy Resources and Battery Storage (Resolution R-22-413; UD-22-04)

Dear Ms. Johnson,

On September 15, 2022, the Council of the City of New Orleans ("Council") adopted Resolution R-12-413 allowing stakeholders to provide comments regarding energy efficiency and conservation, demand response, and other demand-side management programs as well as customer-owned distributed energy resources and battery storage. The resolution allowed for comments to be filed by stakeholders through October 31, 2022, and for Reply Comments to be filed through January 12, 2023. Subsequently, the Council's Advisors issued a report with their recommendations based upon comments that had been filed. Pursuant to Resolution R-22-413, Entergy New Orleans, LLC ("ENO") hereby respectfully submits its Comments in response to the Advisors' Report. As a result of the remote operations of the Council's office related to Covid-19, ENO submits this filing electronically and will submit the original and requisite number of hard copies once the Council resumes normal operations, or as you direct. ENO requests that you file this submission in accordance with Council regulations as modified for the present circumstances.

Should you have any questions regarding this filing, please contact my office at (504) 670-3527. Thank you for your assistance with this matter.

Sincerely,

Courtney R. Nicholson

Courtney R. Nicholson

Enclosures

cc: Official Service List UD-22-04 *(via electronic mail)*

BEFORE THE

COUNCIL OF THE CITY OF NEW ORLEANS

RESOLUTION AND ORDER ESTABLISHING RULEMAKING TO CONSIDER SAVINGS TARGETS AND PROGRAM DESIGN FOR ENERGY EFFICIENCY, CONSERVATION, DEMAND RESPONSE AND OTHER DEMAND-SIDE MANAGEMENT PROGRAMS AS WELL AS CUSTOMER-OWNED DISTRIBUTED ENERGY RESOURCES AND BATTERY STORAGE PURSUANT TO COUNCIL RESOLUTION R-22-413	**))))))))))))**	**DOCKET NO. UD-22-04**

ENTERGY NEW ORLEANS, LLC'S COMMENTS IN REPSONSE TO THE ADVISORS' REPORT

Entergy New Orleans, LLC ("ENO" or the "Company") respectfully submits these Comments in response to the Council of the City of New Orleans's ("Council") Advisors' ("Advisors") Report Regarding Parties' Proposed Changes and Additional Guidance ("Advisors' Report") that was issued by the Advisors on March 1, 2023. The Advisors' Report was submitted in Council Docket UD-22-04 that considers potential changes to the Council's energy efficiency, conservation, demand-side management as well as energy storage policies.

I. Savings Targets and Performance Metrics and Incentives

A. 2% of Annual Energy Sales kWh Savings Target

The Company supports the idea of maintaining the 2% target through Program Year ("PY") 15, which would cover through calendar year 2025. In the PY13-PY15 Implementation Plan proposed by the Company, the proposed PY15 kilowatt-hour ("kWh") savings target represented 2% of ENO's forecasted total annual kWh sales. The Company is also supportive of considering the kWh savings goals for PY16-PY19 after the 2024 Demand Side Management ("DSM") Potential Studies have been completed.

B. kW Demand Savings Target

The Company supports the Advisors' recommendation to set a peak demand reduction goal of 3% of ENO non-coincident annual peak for PY15. The Company recommends that the System Annual Peak be calculated based on a three-year rolling average similar to the manner in which "Total Annual kWh Sales" are calculated for purposes of determining kWh savings targets. The Company also recommends that the peak reduction goal reflect the amount of registered kW capacity reduction rather than the actual performance of customer demand response ("DR") resources during an event. Demand response events are typically of a relatively short duration (less than 4 hours) and actual reduction can be significantly affected by variables out of the Company's control. For example, residential customers are able to opt out of a Bring Your Own Thermostat ("BYOT") event by simply changing the temperature on their thermostat. Customers who choose to override their smart thermostat settings during an event risk losing their participation incentive, but there are no other penalties other than that to deter customers. To be clear, a relatively small number of customers are expected during any given event to override the smart thermostat setting. Large Commercial Demand Response participants similarly can opt out of individual events, although doing so causes them to lose the incentive payment they would otherwise receive for participating. Given that customers can opt out of DR events relatively easily, it is hard to predict the amount of actual load that will be reduced in a particular event. Therefore, the Company believes that the performance incentive should be based on the amount of peak reduction capacity that the Company has garnered rather than the actual amount reduced during events.

The Company also supports the Advisors' recommendation that peak demand reduction goals for PY16-PY19 be considered during the PY16-PY19 Implementation Plan approval process.

C. Additional Performance Metrics

The Company supports the Advisors' recommendation to have additional performance metrics should new income-qualified ("IQ") programs be created. Currently, the performance incentive structure is based upon achieving kWh savings only. If new programs with a different policy goal is created, the performance metrics related to those programs should reflect that policy goal as well.

II. Program Goals and Objectives

The Company supports the idea of the Council clarifying that addressing inequitable energy burdens, urban heat island impacts, and other environmental and social justice issues are consistent with the Council's goals for Energy Smart. To date, the primary driver for Energy Smart has been achieving cost-effective kWh savings from a diverse range of residential and commercial programs. Clarifying that there are new objectives for certain low- to moderate-income-focused programs would help ENO in developing such programs to achieve the Council's goals.

III. Demand-Side Management Working Group

The Company supports the creation of a Demand-Side Management Working Group ("DSMWG"). The Company agrees with the Advisors that the DSMWG should be structured such that it should not interfere with day-to-day program implementation and instead should focus on longer-term planning for Energy Smart and related efforts and serve as a forum for stakeholder input and collaboration. The Company agrees with the Advisors that a smaller DSMWG would "find it easier to reach a quorum and gain sufficient consensus to act."[1] The Parties Working Collaboratively ("PWC") model used in Arkansas has been a successful collaboration of

[1] Advisors Report Regarding Parties' Proposed Changes and Additional Guidance at 16.

stakeholders and should be considered when creating the DSMWG. The Company recommends that the DSMWG meet with a regular cadence of once per quarter to discuss relevant issues.

IV. Program Design

A. Enhancements to Income-Qualified Program Offerings

The Company supports the enhancement of programs that are directed to income-qualified customers. The Company recommends exempting any new initiatives for income-qualified customers from the Total Resource Cost ("TRC") test requirement. This approach would be consistent with the way the Income-Qualified Weatherization program has been treated under Energy Smart.

B. Geographic Targeting and Neighborhood-Based Delivery

The Company supports targeted marketing and other initiatives designed to help reach designated areas. As such, the Company looks forward to working with stakeholders to identify geographic areas within which to target marketing efforts. A neighborhood-based delivery initiative pilot would allow the opportunity to gauge how successful this type of marketing strategy could be in New Orleans.

C. Automatic Enrollment

The Company is generally supportive of the idea of developing "a supplemental geographic targeting initiative with neighborhood delivery where customers in the identified neighborhood are contacted and informed of their eligibility for either the HPwES program or Income-Qualified Weatherization Program and asked to either schedule an audit or let ENO know they are opting out. Such a program could also be applied to an arrearage management program as suggested by AAE."[2] It should be noted that similar strategies have been deployed in the program for a number

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[2] Id at 22-23.

of years. Currently, some trade allies go door-to-door in neighborhoods and inform residents of their eligibility for the program. Regarding arrearage management, the Energy Smart team currently performs targeted outreach to all customers in arrears twice each year. That said, the Company is open to more discussion about how to deploy automatic enrollment in instances where such an approach is feasible. The Company suggests that further discussion of the feasibility and desirability of automatic enrollment occur within the context of the DSMWG once that effort is initiated.

D. Addressing Health and Safety Deferrals

The Company agrees that reducing health and safety deferrals is an important issue that can be addressed by the DSMWG.

E. Data Collection and Reporting

The Company supports the Advisors' recommendation to "(i) identify geographic clusters of customers that would benefit from income-qualified programs, (ii) specifically addresses energy burdens and urban heat island impacts, and (iii) track deployment of measures to income-qualified participants regardless of which program the participant receives measures."[3] The Company looks forward to discussing potential ways to track deployment of measures to income-qualified participants in all programs as this data might prove difficult to track in some programs. Further, the Company and Energy Smart team looks forward to working with the Parties to identify data that can and should be collected and how that data can be shared with the DSMWG and stakeholders while upholding customer privacy and contractor proprietary information concerns.

[3] Id at 24.

F. Guidance on Additional Program Design Issues Raised by the Parties

Discount Rate

While the Company still believes that the appropriate discount rate for cost-effectiveness testing is ENO's Weighted Average Cost of Capital ("WACC") used for ratemaking purposes, the Company supports the idea of including cost-effectiveness scores using both the WACC and a pre-determined "societal" discount rate in evaluating future programs.

Building Code Verification

The Company supports the Advisors' recommendation of developing a proposal for an offering that would provide commercial building owners support in building code verification and compliance for PY15.

Consultant to Perform In-Depth Analysis on Energy Smart Program Designs and Operational Practices

The Company supports the Advisors' position that the "Council receives regular reporting on the performance of the Energy smart programs, that the EM&V provider is independent of ENO and the TPA and has created a Technical Resource Manual specific to New Orleans, and that the Council has the ability to hire its own DSM Potential Study consultant to perform analysis regarding which energy efficiency and demand response programs have potential to perform well in New Orleans[.]"[4] Further, it should be noted that the EM&V provider who is independent of ENO and the TPA performs annual process and impact evaluations of the various programs and makes recommendations on improving the programs. The Company does not believe that another consultant beyond the independent EM&V provider and the Council's selected consultant for a DSM Potential Study presuming that hiring occurs is necessary at this time.

[4] Id at 26.

V. Program Funding

The Company supports the Advisors' recommendation of that "[I]dentifying and assisting ENO with developing partnerships with the various state agencies and other entities administering and distributing funding to assist participants with other issues in their homes that cause deferrals would be an appropriate task for the DSM Working Group."[5]

VI. Rate Design

The Company does not believe that the significant time and effort necessary to develop and implement a new residential time-of-use ("TOU") rate would be beneficial. Instead, as discussed further in the Company's Initial and Reply Comments filed in this proceeding, the Company believes that its Peak Time Rebate ("PTR") and off-peak electric vehicle DR programs approved for implementation for PY13-15 should be allowed at least two (2) years to fully operate to better understand customer response, effectiveness, and overall desirability.

During the next two years, the Company will monitor developments around the U.S. related to TOU pricing. For example, Xcel Energy implemented a TOU pilot in late 2020 with first year results becoming publicly available in early 2022.[6] The results after the first year of the pilot, which involved customers in an urban area as well as customers in a suburban area, indicate that the ~17,000 residential customers participating in the TOU rate had only a small impact on peak demand and savings were very modest (urban customers saved an average of $1.20 a month, whereas suburban participants saw an average 50 cents increase in their monthly bills).

With respect to ProRate Energy's proposed CLEP model, which to be clear has not actually been suggested in this proceeding but has been in other Council proceedings, the Company strongly

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[5] Id at 28.

[6] *See* https://energynews.us/2022/05/24/xcel-energy-time-of-use-rate-pilot-shows-only-slight-impact-on-peak-demand/

opposes wasting time and resources on the concept. Although there seems to have been multiple iterations over the years, the current CLEP concept appears to be an unwieldly and overly complex version of a one-part real-time pricing ("RTP") model that would be impractical as well as incredibly risky for a residential consumer. Additionally, the Council considered and rejected the CLEP proposal as unworkable in Resolution No. R-19-457, issued in Docket UD-18-07. The cost of ENO being required to manually bill a residential participant in CLEP each month would likely exceed the total bill itself. And with respect to risk, the following is a cautionary tale involving consumers who did not understand the risk they were assuming. A company called Griddy Energy ("Griddy") operated for a time in the Texas competitive retail market promising residential customers direct access to ERCOT wholesale market pricing plus a monthly charge of $9.99 (separate charges for transmission and distribution were also passed thru by Griddy). During Winter Storm Uri in February 2021, Griddy famously hit its ~29,000 residential customers with bills that week that went into the thousands of dollars.[7] Griddy subsequently went bankrupt and was sued by the State of Texas as well as others. In a settlement involving the Texas Attorney General, Griddy agreed to a settlement and forgo payment from its customers. In the aftermath of the Griddy debacle, the Public Utility Commission of Texas ("PUCT") also instituted new rules that prohibit residential and small commercial customers from taking on the risk of indexed pricing based on the ERCOT wholesale market.[8]

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[7] *See* https://www.cbsnews.com/news/griddy-energy-charged-9000-power-bills-settles-with-texas/ and [$9,000 power bill during Texas blackout prompts class-action lawsuit - CBS News]

[8] See PUCT §25.475(c)(3)(F). General Retail Electric Provider Requirements and Information Disclosures to Residential and Small Commercial Customers; "*A REP, aggregator, or broker is prohibited from offering: (i) an indexed product to a residential or small commercial customer on or after February 1, 2022; or (ii) a wholesale indexed product to a residential or small commercial customer on or after September 1, 2021*."

VII. Bill Impact Considerations

With respect to Inclusive Utility Investment ("IUI") models such as Pay As You Save® ("PAYS"), the Company suggests that further discussion and evaluation of such concepts occur with the DSMWG once that has been initiated. Based on the Company's limited research, the majority of IUI programs to-date in the U.S. involve rural electric cooperatives ("coops") where participating coops have access to very low interest rate debt from sources like the U.S. Department of Agriculture's Rural Utilities Service ("RUS"). Access to very low interest debt appears to allow a coop to offer on-bill financing (PAYS or other models) to its customers in such a way that the participating customer is likely to see net savings (bill savings from energy efficiency upgrades less the monthly fixed charge to pay back the investment) and where other customers are not adversely impacted through bearing higher rates. An investor-owned utility such as ENO does not have similar access to very low interest rate financing and also has a very different capital structure and has to pay federal and state income tax. That said, there are a few IUI pilots involving investor-owned utilities (e.g., Missouri, Georgia Power) that can be further investigated to understand program design, sources of funding, and any lessons learned thus far.

CERTIFICATE OF SERVICE
Docket No. UD-22-04

I hereby certify that I have served the required number of copies of the foregoing report upon all other known parties of this proceeding, by the following: electronic mail, facsimile, overnight mail, hand delivery, and/or United States Postal Service, postage prepaid.

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New Orleans, Louisiana, this 29th day of March, 2023.

Courtney R. Nicholson

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