

Before

The Council of the City of New Orleans

**IN RE: PUBLIC APPLICATION OF ENERGY)
NEW ORLEANS, INC. FOR APPROVAL TO)
CONSTRUCT NEW ORLEANS POWER)
STATION AND REQUEST FOR COST)
RECOVERY AND TIMELY RELIEF)**

**Docket NO. UD-16-____
June 27, 2016**

**The Alliance for Affordable Energy
Petition for Intervention and Inclusion on Service List, and Reply Motion**

The Alliance for Affordable Energy, ("the Alliance") respectfully requests that the Council of the City of New Orleans grant the Alliance the right to intervene in the above captioned docket and participate as a party therein. The Alliance also submits a reply motion to Energy New Orleans Inc.'s ("ENO") Application.

The Alliance is a non-profit Louisiana organization that serves as a consumer advocate for the electric ratepayers of Louisiana, with special concern for residential and small commercial customers. The Alliance is dedicated to supporting fair, affordable, environmentally-responsible energy policy for the citizens of New Orleans and Louisiana.

The Alliance has members served by ENO. There is no other party representing the interests of the Alliance and its members.

The Alliance therefore possesses standing to intervene, and respectfully seeks intervenor status in order to fully participate in this docket. The Alliance requests that it be placed on the service list of this proceeding and be served with all pleadings, notices orders, and other filings.

Additionally, the Alliance respectfully submits the following reply motion in response to the publicly available version of ENO's motion: The Public Application of Entergy New Orleans Inc., for Approval to Construct New Orleans Power Station and Request for Cost Recovery and Timely Relief, dated June 20, 2015, and submitted to the Council.

I. SUMMARY

Entergy New Orleans (ENO) has filed with the City Council an Application for Approval to Construct New Orleans Power Station and Request for Cost Recovery and Timely Relief (the "Motion"), dated June 20, 2016.

The costs of the proposed power plant would be paid by ENO customers in the form of higher utility bills -- approximately \$215 million, plus the cost of fuel, operating costs, and maintenance costs, plus a return to ENO's shareholders of approximately 11% on equity. The costs of the power plant in terms of health impacts would be borne by residents.

The central proposition in ENO's motion is that the City has no realistic choice to meet its power requirements over the planning horizon except by building this proposed gas-fired power plant in New Orleans East.

Even though this is a complicated and important matter, ENO in its motion obliges the City Council to set an accelerated procedural schedule that would severely limit the Council from obtaining independent analysis of the facts and assumptions involved, would limit the Council and stakeholders from considering expert guidance, would hinder the Council from exploring the costs and benefits of alternatives to the proposed power plant, and would prevent the Council from obtaining meaningful input

from stakeholders.

ENO appears to unfairly force the Council's hand by agreeing to a price escalator if the Notice to Proceed is not received by a publicly undisclosed date. While the amount of the price escalation has not been disclosed at this time, the mere inclusion of it in ENO's application implies that if the Council does not proceed at the pace ENO demands then the ratepayers will bear the cost. According to the application, the utility has not signed the EPC with CB&I (as of June 24, 2016) but expects to sign it later this month. This is extremely alarming the Alliance.

In our Reply Motion, the Alliance urges the Council to set a procedural schedule that emphasizes the critical importance of evaluating the many critical facts and assumptions that underlie ENO's proposal with the benefit of independent analysis, expert opinion, and meaningful stakeholder engagement. We urge the Council to consider the costs and benefits of alternative resource mixes to meet the power expected demands of the City. We offer the outlines of such a schedule for the Council's consideration.

In our motion, we describe several key points related to the underlying subject presented in ENO's Motion -- the need for additional local power generation, transmission risks, alternatives for ENO to obtain some portion of the additional power the City might demand, health impacts of the proposed plant, and others -- to emphasize to the Council that the decision is a complicated one with many dimensions and many alternatives that deserve to be explored further and carefully. This is not a matter that requires a rush to judgement, as ENO aims to impose.

II. INTRODUCTION

Entergy New Orleans (ENO) has filed with the City Council an Application for Approval to Construct New Orleans Power Station and Request for Cost Recovery and Timely Relief (the "Motion"), dated June 20, 2016. In this Motion, Entergy New Orleans asks the City Council to approve spending approximately \$215 million (plus the cost of fuel, operating costs, and maintenance costs) on a new power plant in the City of New Orleans and to approve ENO recovering those costs through utility bills paid by ENO customers along with an additional amount to pay ENO's shareholders for their return on equity (approximately 11%).

This is a major decision with substantial consequences for ENO, ENO's customers, and the future of the City of New Orleans.

As the basis for this substantial project, ENO essentially asks the Council to trust ENO on one central factual assertion. ENO asserts that electric power needed by the City of New Orleans over the next 20 years cannot reliably be obtained from any other source than this proposed new gas-fired power plant to be built on a flood-prone site in New Orleans East. ENO's motion basically says no other option is worth discussing.

The Alliance strongly disagrees.

This is a matter that demands careful analysis, independent validation, evaluation of options, and an open process. Making a reasoned decision requires an examination of the assumptions about expected power demand in New Orleans, of the costs and benefits of alternative resources and sources of power, of the costs and benefits of more demand-side management, of the health impacts on the community, among other considerations.

Moreover, making a responsible decision in this matter will require a process to share with key stakeholders the independent analysis showing the need for the new power plant and a process to hear from key stakeholders.

This motion will require a procedural schedule that is designed to fulfill these values. It will take time, expert input, and transparency. These are the values of responsible regulatory oversight that the City Council has followed in recent years. These values have been central to the Council's Integrated Resource Planning process and the Energy Smart proceedings – proceedings that have drawn the Council praise from many quarters for leadership and vision.

ENO's Motion appears to reflect the opposite view of regulatory oversight and opposite values: ENO asks the Council to trust the utility's conclusion with no independent analysis, obtain limited input from other stakeholders, and rush to judgement.

To be clear, the Alliance is not, in this motion, rejecting the possibility that building new installed generation in New Orleans could be a necessary investment for ENO, the City, and its residents. The Alliance agrees with ENO that power reliability is a critical value and will support responsible investments, as demonstrated by our recent participation in the proceeding to acquire additional combined cycle natural gas generation at Union Power Station. Moreover, we highly value ENO's analysis and judgements about the resources needed to operate a reliable system.

The rationale for the new power plant, as presented in the Motion, is unsubstantiated by any independent analysis. The Motion contains no meaningful discussion of alternative resources or the benefits to the New Orleans community of alternatives. The unfinished 2015 IRP or any other evidence on the record does not

support ENO's assertion that the proposed power plant is the "best" option to provide power to the City.

Taken only on its face, ENO's Motion appears to reflect the pre-figured decision to build a new natural gas power plant regardless of the cost as compared to alternatives, regardless of the health impacts on residents, and regardless of compelling evidence from other jurisdictions that a new power plant is not the only option that should be evaluated.

Most troubling is the schedule proposed by ENO. It appears designed to preclude the Council from obtaining independent analysis of the matter and to limit the Council's ability to explore the amount of alternative sources of power and what is the best value for the people of New Orleans. The rush to judgement urged by ENO would hinder, not encourage, careful consideration of the facts.

Among other problems, the rush to judgement pressed by ENO would limit the Council's ability to share information with and hear from key stakeholders in a meaningful way. We note for the Council's consideration the Hearing held on June 15, 2016, on the subject of ENO's resource planning process. The active and engaged community participation in that hearing is strong evidence of community interest in this matter and the value of their input. Community-based organizations are capable of understanding the trade-offs at stake in ENO's resource acquisition decisions – it is, after all, ENO's customers who pay the cost of building the proposed power plant in terms of bills and health and who would potentially benefit from alternative investments. The Council should enable these organizations to participate in the decision making process in more than a pro-forma manner – in a manner that affords sufficient time for

these organizations to assess the record, including independent analysis of the matter, and for the Council to consider their views.

Simply put, ENO's motion appears designed to pressure the Council to make an important decision without a proper assessment of the facts and alternatives. The 2015 IRP is still unfinished and subject to significant disagreement about ENO's continual refusal to model a robust investment in the least-cost resource available – energy efficiency, demand response programs, and more.

There is nothing in the record to suggest the cost of building a new power plant would meaningfully change during the time required for an open and informed proceeding. We encourage the Council to examine whether the same deal (or one materially similar) sought by ENO now could be available at a later date.

Approving ENO's motion to force an accelerated, limited schedule to evaluate the proposal to build a new power plant in the City would be a rejection of the deliberate, open, and informed regulatory oversight of the City Council. It would financially obligate New Orleans ratepayers to pay for another fossil fuel plant while preventing the Council from even exploring its stated desire to meet a greater share of New Orleans energy needs from investments in alternatives that position New Orleans for the future -- renewable energy, demand response, load control, micro-grids, energy efficiency, among the many choices.

Careful analysis of these many questions and the many options for the City of New Orleans will be fruitful for the Council, for ENO, for utility customers, and for all stakeholders.

III. Resource Planning Process

A defining feature of the Council's regulatory oversight is the Integrated Resource Planning (IRP) process that purports to assure Entergy invests in the mix of resources over the planning horizon that will provide the greatest value to customers, all things considered.

The IRP process sets forth a method to evaluate the many options to meet the needs of the utility system and to consider the many values at stake in those choices. An open, multi-stakeholder process is vital to a good outcome in the IRP.

The IRP process lays the foundation for decisions such as how much power is needed, including reserve requirements, whether local installed generation capacity is needed, how much to invest in energy efficiency programs, demand response programs, among other things. The IRP does not definitively answer those questions. It informs them with vital facts.

ENO's proposal to seek approval to construct a new combustion turbine plant is premature. Not only is the IRP still unfinished, serious issues identified in the proceeding to date raise specific concern about the accuracy of ENO's load projections and point to a deliberate bias against more cost effective demand side management and renewable energy resources. ENO's CT filing is premised on a false urgency and undermines the due consideration of cleaner more affordable energy resource options.

A. 2015 IRP is unfinished due to ENO's refusal to model robust DSM

The 2015 IRP process is still open. There is substantial disagreement about the amount of "Demand Side Management" (DSM) – the collective term for a variety of measures utilities can take to improve control and dexterity over the power demanded,

such as energy efficiency, demand response, load shifting, storage, and more. DSM is an essential part of ENO's mix of resources.

ENO's Motion states: "The results of the Final 2015 IRP support the conclusion that a CT resource is the lowest reasonable cost resource addition capable of meeting the Company's overall capacity needs (including the target PRM)." (ENO Motion, Para. XXII).

This assertion is not supported. In fact, the ICF report included in the IRP shows (at page 31) that multiple programs deliver energy savings at \$0.02, \$0.03, and \$0.04 per kWh. A range of resource options are available to ENO, including energy efficiency, demand response, load shifting, distributed generation, and storage. These resources are low cost and deliver economic value by devoting investment to local residents, improving local building stock, reducing negative health impacts on New Orleans residents from toxic air pollution and carbon pollution, and more. (We note that the version of ENO's Motion available to us at the time this Reply Motion was completed does not show estimates or forecasts for the levelized cost per kwh of the proposed plant on its own or as compared to alternative sources of power or energy savings programs. Some level of insight into these facts is essential for stakeholders to engage in this matter.)

The Alliance argues that the definitive conclusion of the IRP is that ENO is under-investing in DSM. Greater investment in DSM will reduce demand and peak demand, which at the least would change the sizing and timing requirements for any new local generation.

We also highlight for the Council that it passed in Resolution R-15-599 a directive for ENO to invest in DSM programs at the levels needed to deliver approximately 2%

energy savings annually. ENO failed to account for this in either their latest IRP filing or CT proposal.

B. Planning Principles

The fact that the 2015 IRP is unfinished is highly problematic to the question now before the Council. The fact that ENO has asked for approval for a new power plant with the IRP still open strongly suggests ENO long-ago concluded it wants to build a new power plant regardless of the facts, regardless of whether alternative resources would be less expensive, and regardless of the content of stakeholder input. It raises the concern that ENO has “fit” the facts presented in its draft of the IRP to its desired outcome of a new plant.

ENO’s motion states: “The Company’s long-term resource planning process seeks to design a portfolio of resources that reliably meets customer power needs at the lowest reasonable supply cost while considering risk.” (ENO Motion, Para. XXI, pg. 12)

The City Council made clear that responsible resource planning requires a broader, more expansive approach. The Council directed planning that includes all stakeholders and evaluates a range of alternatives on an equal footing. In Resolution R-10-104 (summarizing earlier Resolution R-10-142) the Council stated:

Whereas, *the Council ordered that [ENO's resource planning process] should include a risk analysis which balances costs with risks to customers. These IRP requirements stressed the importance of the IRP process as a whole and the interdependence of matters such as renewable energy, energy efficiency, distributed generation, transmission, regional developments, price stability, environmental and climate change legislation, rather than a*

discrete analysis of individual issues. These requirements evaluate all resource options, from the perspective of both the utility and all stakeholders, integrating both the supply- and demand-side in a fair and consistent manner while minimizing costs to all stakeholders (not just the utility), and the creation of a flexible plan that allows for uncertainty through a risk analysis permitting adjustment in response to changed circumstances.

ENO's current Motion appears to reject that directive. ENO's proposal is one-dimensional (citing only ENO sources), considers one option (the proposed power plant), and appears to not consider the interests of ENO's customers, who might very well have a strong preference for sources of local installed power other than a new central power plant or might prefer a smaller plant.

The Council should follow a procedural schedule that allows it to fulfill the planning goals the Council already established.

IV. Local installed power capacity.

Many utilities around the country have local capacity requirements to help assure reliability. These requirements often derive from analysis showing vulnerability to storm or transmission constraints. These concerns and risks are not unique to New Orleans.

What is different is that the requirements in places like New York, California, and New England are determined based on technical analysis by an independent system operator.

New York City and Long Island have local installed generation requirements – utilities must maintain capacity within the region to meet a certain percentage of expected demand in the event of a transmission outage or other event. These are determined by the New York Independent System Operator (NYISO). (See *Locational Minimum Installed Capacity Requirements Study Covering the New York Balancing Authority Area For the 2015 – 2016 Capability Year*, NY Independent System Operator, Operating Committee, January 14, 2015.)

Regions in New England subject to transmission constraints have requirements to maintain a certain amount of capacity locally. These requirements are determined by a methodology and analysis of Independent System Operator of New England. (See *ISO New England Installed Capacity Requirement, Local Sourcing Requirements and Capacity Requirement Values for the System-Wide Capacity Demand Curve for the 2019/20 Capacity Commitment Period*, ISO New England Inc., January 2016.)

California has several zones deemed to require local installed capacity. The analysis and methodology is conducted by the California Independent System Operator (CAISO). (See *2017 Local Capacity technical Analysis Final Report and Study Results*, California Independent System Operator, April 29, 2016.)

Since Entergy joined the Midwest Independent System Operator (MISO), it is our understanding that MISO has local capacity requirements and could provide technical assistance on these matters if requested.

The Council's decision on this matter should be similarly informed by analysis performed by an independent source that does not have a financial stake in the decision to build a new power plant and/or to invest in alternative resources. Such analysis should use open methodology to determine the capacity needs and available

resources. The analysis should include accommodating a robust stakeholder process. We welcome the opportunity to explore these questions with ENO and the Council through its technical advisors, and other stakeholders.

V. Assessing current local power capacity.

Any analysis of the need for additional local capacity (or power generation) should include an examination of the generation resources that are present in the New Orleans region and resources expected to come online in the planning period.

In its Motion, ENO fails to describe the available local power resources that are not owned by ENO but that could be dispatchable, such as Combined Heat and Power systems (CHP) installed locally, back-up generators at commercial buildings, power facilities in planning by the New Orleans Sewage and Water Board, and more. One possibility is that additional power capacity could be obtained through arrangements with many generating sources that can be called upon on short notice, including CHP plants located in local industrial or commercial sites. Reports from independent system operators cited above discuss these options. We are not suggesting these sources, on their own, constitute sufficient local installed capacity to resolve the problem. Rather, it is difficult to understand how ENO can expect the Council or other stakeholders to conclude there is an unmet need to be filled by the new power plant without an accounting of local generation and capacity that is currently present.

An independent assessment of these factors will be valuable and will inform the questions at the heart of this matter: how ENO can best fulfill its need for additional power in the manner that delivers the greatest value to the people of New Orleans, all things considered.

The analysis should also provide a check on the estimated level of demand expected in New Orleans, including ENO implemented DSM programs -- energy efficiency, demand response, load control, and more. While any forecast will necessarily include uncertainty, there is substantial evidence on the record in the Integrated Resource Planning proceeding, and examples from utility planning proceedings in other jurisdictions, and expert testimony that ENO is under-investing in DSM.

As we have noted several times in this Reply Motion, the Alliance recognizes that a new power plant could be the best of the many ways to obtain the needed power, but the record does not yet support that conclusion.

VI. Transmission risks.

ENO's proposal ultimately seems to rest on a conclusion that responsible planning requires more local installed capacity because transmission lines that bring power to the city are unreliable. We concur that this a vital subject to consider when determining the amount of local installed capacity needed.

We strongly recommend the Council obtain independent expert analysis of the question and how the risks inform the appropriate amount of local installed capacity needed and where it should be located.

This is a complicated matter because any event that threatens transmission, such as a storm, could also create risk to any power plant located at the Michoud site and to the distribution grid serving New Orleans. Michoud is approximately 10 miles from the New Orleans central business district. It is in a location vulnerable to the same kinds of weather events that are likely to threaten transmission lines.

We note ENO does not describe in its Motion the presence of Nine-Mile plant (approximately 550 MW) located about 4 miles from New Orleans CBD. It also does not cite the plant Entergy has proposed to build in nearby St. Charles Parish (approximately 980 MW).

There may indeed be valid reasons why transmission from nearby power plants to the distribution grid serving New Orleans would not be available or would be materially more vulnerable than the infrastructure that would serve the proposed plant at the Michoud site. We look forward to hearing from independent experts on this subject.

The analysis should also take into account other resilience planning taking place city-wide. Micro-grids with distributed resources throughout the city may prove to be a more appropriate answer to this question. We look forward to hearing from the City's resiliency office in the stakeholder process.

VII. Health Impacts.

A new natural gas plant comes with health impacts, including increased risks of asthma, cardiovascular illness, subsidence and flood-related health challenges that should be considered when weighing the costs of a new asset. Putting ratepayer funds into healthy homes and businesses in New Orleans year-round, through energy efficiency may prove to be a more prudent investment than a new 226 MW peaking plant, especially considering that it is only intended to run 15% of the year.

It is important that the Council assess health impacts with input from stakeholders.

VIII. Economic considerations.

ENO's motion states,

[The Project] is expected to have a positive impact on the economies of the State of Louisiana and Orleans Parish. Loren C. Scott & Associates, Inc. conducted a study and concluded that the construction and operation of NOPS will produce significant economic benefits – totaling hundreds of millions of dollars – in terms of new business sales, household earnings, and jobs in both the State and Parish economies. Benefits result not only from one-time capital expenditures, but also from ongoing operational expenditures that will continue to accrue to the benefit of residents in Orleans Parish as long as NOPS is in operation.

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This is a useful data point but meaningless in isolation. The meaningful question is whether the proposed project would deliver greater local economic value than the alternatives. We strongly encourage the Council to obtain similar analysis of the economic effects of the alternatives to the proposed power plant.

To illustrate the point, consider that one alternative to the proposed power plant might be a much smaller fossil plant accompanied by an investment by ENO in a suite of localized combined heat and power (CHP) systems, microgrids, and demand response programs. CHP power systems can be installed at commercial and industrial sites to provide needed power and can be called upon by Entergy in certain events, such as peak summer demand, or if storms threaten transmission lines. What would the

local economic impact of those investments be? Note the recipients of value are local businesses. This economic impact must be compared against the cited analysis of local impact associated with paying Chicago Bridge & Iron, Inc. to build the proposed power plant.

IX. Financial considerations.

We are mindful of Entergy's predisposition to expenditures for self-build generation assets, for which it can recover costs through rates while also charging customers for a substantial return on equity. This factor heightens the need for the Council to obtain independent validation of ENO's assertions that a new power plant is the only realistic option for the City.

A clear plan for ENO to build new power plants was set forth by Entergy, Inc. in its recent investor presentation. See, Investor Presentation, Analyst Day, June 9, 2016, (discussion at page 33-37, available on Entergy's website on the "Investor" page). The document describes Entergy's plan to achieve regular annual earnings growth by investing over \$16 billion in new infrastructure on which it earns a regulated rate of return.

Under the current Formula Rate Plan, Entergy earns a rate of return (approximately 11%) on a measure of shareholder capital devoted to fixed assets. Paying ENO shareholders such returns makes sense for ENO customers in many instances when Entergy's capital is at risk and going to high-value investments, such as modernizing the grid, managing the distribution grid safely, operating baseload with reliability, operating efficiency programs, and many more functions.

These factors further support the importance of the Council proceeding carefully, with diligence, openness, and a decision making process informed by independent analysis.

Nothing in ENO's motion suggest there is any adverse impact on New Orleans or ENO's customers of the Council undertaking a proper review of this matter.

There is no evidence on the record that the cost of constructing a new power plant would be materially greater if the Council takes the time needed to examine this matter. In fact, a likely outcome of deciding a smaller plant would suffice to meet the needs of the City would be to reduce the cost to ENO customers. According to the filing, we note that a current agreement appears to have been negotiated with penalties for delay, but nothing in the record suggests the same deal, or better, will not be available at a later date.

X. Controls and conditions to consider.

After an opportunity for full analysis and stakeholder engagement, the Council may conclude ENO should invest to build additional local generation to increase the installed capacity. And, after further analysis, the Council might conclude that a plant similar to the CT plant proposed by ENO is a responsible investment, as opposed to the other options. In the event the Council does conclude such a plant should be built, the Alliance strongly suggests the Council consider identifying conditions for such approval.

Essential conditions for any new power plant in New Orleans should include:

- a. Installing maximum pollution controls to protect the health of New Orleans residents.

- b. A plan for cooling that does not require groundwater withdrawals, in order to prevent further subsidence (sinking) of New Orleans.
- c. Investing in all DSM programs that are cost-effective relative to alternative sources of power, including a wide range of values realized by ENO customers.
- d. Express conditions on ENO's off-system sales of power from the plant. The Council should consider how such sales affect ENO customers negatively (e.g., health) and positively (e.g., costs).

The Council must also scrutinize the assumptions related to sizing the new power plant.

The Alliance implores the Council to assure that the site is selected in light of health impacts to our community, weather and climate risks, and Environmental Justice considerations.

XI. Process.

In light of the foregoing, we respectfully recommend the Council follow a process for this matter substantially similar to the following:

- 1) ENO's proposed procedural schedule in the filing should be rejected. It is proper that the Council first convene a status conference before such a procedural schedule is adopted. The purpose of the status conference is to ensure alignment in scope and schedule between the IRP, ENO's proposal for new generation, and examination of the specific transmission constraints, local installed capacity requirements, and resource alternative options noted below.

- 2) We request the Council open a new docket to study transmission constraints, local installed capacity requirements, and resource alternatives for meeting those requirements. The analysis should include expected demand, peak demand, risks to transmission due to storm, and sources of local capacity. Analysis should also include considerations of potential for distributed generation, projected demand side management targets, demand response, renewable energy PPAs, storage, and other alternatives that could be part of the resource mix that are clean, renewable, and affordable. The docket would culminate with a Technical Report prepared by the Council Advisors to be completed and entered into the record prior to procedural action related to ENO's proposed CT plant. We expect that the time and cost associated with this due diligence need not be excessive and will provide critical insight regarding the prudence of additional resource investments considered by the Council.

- 3) Following completion of the Technical Report, the Council would set a second status conference to determine next steps for consideration of ENO's proposed CT plant and its alternatives.

It is our sincere hope that Council will consider the requests in the Alliance's reply motion. We believe this will add transparency to the process and provide the best outcome to ratepayers.

All communications and pleadings in this docket should be directed to :
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Respectfully Submitted,

Casey DeMoss
CEO
Alliance for Affordable Energy

Certificate of Service

I hereby certify that I have this ____ day of June, 2016, served copies of the foregoing pleading upon all other known parties, of this proceeding, as listed below, by U.S. Mail, email, hand delivery, or electronic mail.

Casey DeMoss