**ENO 5 MW DG Rooftop Solar PV Application, Docket UD-17-05**

* Primary Concern: ENO’s proposal for Distributed Generation (“DG”) rooftop Solar PV located in New Orleans is not cost-effective (by ENO’s own analysis), compared to several other solar PV projects that ENO evaluated with much lower costs, substantial net benefits, and located in southern Louisiana.
* ENO’s final evaluation phase of the 2016 RFP for renewables included 8 solar PV projects, four of which are summarized in the following tables showing results of ENO’s evaluation as well as Advisors’ adjustments.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Comparison of ENO Solar PV Proposed Projects**  **(Levelized Real) $/MWh** | | | | |
| **ENO Reference Case Gas & CO2** | | | | |
| Project MW | 20 | 20 | 20 | 4.7 |
| Location | Lafayette | Baton Rouge | New Orleans | New Orleans |
| Financing | PPA | PPA | Local Build | Rooftop DG |
| Total Expenses | ($ ) | ($ ) | ($ ) | ($ ) |
| Energy Revenues | $ | $ | $ | $ |
| Capacity Revenues | $ | $ | $ | $ |
| **Net Benefit** | $ | $ | ($ ) | ($ ) |

* The levelized cost of ENO’s proposed 5 MW DG rooftop Solar PV at **$ /MWh** is 336% greater than the average cost of the other solar PV projects not in the city, and it has a significant negative net benefit of **($ )/MWh**.
* With adjustments to the comparative evaluation to reflect: (i) ENO’s projections of MISO Capacity Market Prices replaced by MISO Capacity Market Prices used by the Advisors’ sensitivity analysis in the NOPS Docket, (ii) the 2017 Tax Law (lowering the Federal Income Tax rate to 21%), and (ii) a lower ENO return on equity to proxy the 2018 Combined Rate Case potential results, ENO’s proposed 5 MW DG rooftop Solar PV shows a negative net benefit in the range of **($97 )/MWh.**

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| --- | --- | --- | --- | --- |
| **Advisors Adjusted MISO Capacity Curve, Tax Rate & WACC** | | | | |
| Project MW | 20 | 20 | 20 | 4.7 |
| Location | Lafayette | Baton Rouge | New Orleans | New Orleans |
| Financing | PPA | PPA | Local Build | Rooftop DG |
| Total Expenses | ($ ) | ($ ) | ($ ) | ($ ) |
| Energy Revenues | $ | $ | $ | $ |
| Capacity Revenues | $ | $ | $ | $ |
| **Net Benefit** | $ | ($ ) | ($ ) | ($ ) |

* ENO is unable to make a demonstrable showing and quantification of any aspect of additional multiple benefits for the proposed project.
* Of particular note is the fact that the levelized cost of energy saved through Energy Smart is **$40/MWh**, based on ENO data for total program costs through 2019. In evaluating revenue requirements borne by ENO ratepayers, investments in DSM compare favorably to the most cost-effective solar PV projects short-listed by ENO.
* It is highly questionable that the project can be found to be in the public interest when ratepayers are paying ENO a return on equity of 11.1% to generate a net loss somewhere in the range of ($97)/MWh to be paid by all ratepayers, particularly should the project grow to an estimated 20 MW level, or approximately ($3,400,000) per year.
* As an alternative to imposing an additional cost burden on ratepayers from the 5 MW DG Solar PV project as proposed by ENO (and potentially growing to 20MW), ENO should develop the project as a Community Solar PV project where interested ENO customers can participate in a share of the project as a portion of their electric bill and ENO earns its return of and on its investment solely from that revenue stream.
* As a Community Solar PV project with its own revenue stream, no recovery of project net costs would be included in the cost of service examined in the Combined Rate Case or the revised retail rates anticipated by August 2019.
* The share of the project selected by the interested ENO customer, corresponding to a portion of the customer’s usage (up to X% - TBD), will be priced at the $/kWh project cost, and a credit will also be applied related to the selected share of the capacity and energy benefits of the project.
* For a typical residential customer (1000 kWh/mo. bill) with a 10 % portion of the bill related to a share of the community solar project, the incremental bill impact could range from $ 8.70 to $9.70 per month.
* The interested ENO customer can select terms in increments of 5 years (TBD) for participating in the project.

**Proposed Community Solar DG Program**

**Rationale**

* Given the substantial incremental cost of ENO’s Solar DG Proposal as compared to the other solar proposals received as a result of the 2016 ENO Renewables RFP, and as evident from Councilmember comments in the recent NOPS Public Hearing before the UCTTC, all ratepayers should not absorb the incremental costs and negative net benefits of ENO’s Solar DG Proposal.
* Recognizing the expressed interest of the public and some intervenors in the Council’s IRP and NOPS Dockets in both Distributed Generation and Community Solar there appears to be strong support for ENO proceeding with a Solar DG Proposal as a Community Solar DG Program.
* Continued Development of ENO’s Solar DG Project as a Community Solar DG Program would allow Customers without the ability or the means to install renewable facilities on their residences or business the ability to participate in local renewables .
* Development of ENO’s Solar DG Project as a Community Solar DG Program would ensure that customers with an interest in local renewables would bear the costs and benefits of the Community Solar DG Program and customers without the desire or the means to support local renewables would not be required to support the incremental cost and negative net benefits of ENO’s Solar DG Proposal.

**Proposed Structure of the Community Solar DG Program**

The proposed structure of the Community Solar DG Program would incorporate the following features subject to further discussion and refinement:

* Customer participation per discrete set of Community Solar DG projects
* Customer participation at varying Community Solar DG contract terms (e.g. five year increments up to the life of the project - TBD)
* Customer elects the percentage (energy offset) of their monthly bill that they would like to offset with solar power (TBD))
* “Pay-as-you-go” amortization and investment costs through monthly billings to minimize initial impact on customer
* Customer pays a Community Solar DG Rider Rate for the portion of their energy usage they elect to offset (Customer pays their normal retail rate for the energy they do not offset including: Energy Charge, Fuel Adjustment Charge and all applicable Riders - TBD)
* The Community Solar DG Rider Rate is designed to recover the customer’s normal retail rate plus the all in cost to construct (including interconnection), operate, and maintain the Community Solar DG project by ENO and provide a return to ENO at the Council’s authorized ROE on a per kWh basis
* Customer receives a monthly Community Solar DG Credit based on the MISO market revenues ENO receives for the Community Solar DG Project in the MISO Energy and Capacity Markets

**Customer Bill Example: Assuming Residential Customer elects 20% energy offset**

|  |  |  |
| --- | --- | --- |
| **Customer**  **Charge** |  | Customer is billed their normal Customer Charge |
| **+** |  |  |
| **Normal**  **Retail Rate** |  | Customer is billed for **80%** of their energy usage at the Normal Retail Rate which includes: Energy Charge, Fuel Adjustment Charge, Rider SSCR, Rider SSCO, Rider EFRP, Rider EAC, Rider PPCACR, and Rider MISO, as applicable |
| **+** |  |  |
| **Community Solar DG Rider Rate** |  | Customer is billed for **20%** of their energy usage at the Community Solar DG Rider Rate which is designed to recover the customer’s normal retail rate plus the all in cost to construct (including interconnection), operate, and maintain the Community Solar DG project by ENO and provide a return at the Council’s authorized ROE on a per kWh basis - TBD |
| **-** |  |  |
| **Community Solar DG Credit** |  | This credit Includes the value of MISO energy market credits and MISO capacity market credits directly attributable to the Community Solar DG Project |
| **+** |  |  |
| **Retail Rider R-3** |  | City of New Orleans Street Use Franchise Fee Rate (established as 5% by Ordinance 17962 M.C.S.) |
| **=** |  |  |
| **Total**  **Bill** |  | Total bill will likely be higher than that of a similar non-Community Solar DG Project participant but could be lower if MISO energy market prices and MISO capacity market prices are higher than current expectations |