

RESOLUTION
NO. R-18-228

CITY HALL: June 21, 2018

HM
BY: COUNCILMEMBERS MORENO, WILLIAMS, GIARRUSSO, BANKS AND
BROSSETT

IN RE: RESOLUTION REGARDING PROPOSED RULEMAKING TO ESTABLISH
INTEGRATED RESOURCE PLANNING COMPONENTS AND REPORTING
REQUIREMENTS FOR ENTERGY NEW ORLEANS, LLC

DOCKET NO. UD-08-02

RESOLUTION AND ORDER REGARDING THE ENERGY SMART
PROGRAM YEARS 7-9

WHEREAS, pursuant to the Constitution of the State of Louisiana and the Home Rule Charter of the City of New Orleans ("Charter"), the Council of the City of New Orleans ("Council") is the governmental body with the power of supervision, regulation, and control over public utilities providing service within the City of New Orleans; and

WHEREAS, pursuant to its powers of supervision, regulation, and control over public utilities, the Council is responsible for fixing and changing rates and charges of public utilities and making all necessary rules and regulations to govern applications for the fixing and changing of rates and charges of public utilities; and

WHEREAS, Entergy New Orleans, LLC ("ENO" or "Company"), is a public utility providing electric and natural gas service to all of New Orleans; and

WHEREAS, ENO is a wholly owned subsidiary of Entergy Utility Holding Company, LLC ("EUH"). The other four operating companies are Entergy Arkansas, Inc. ("EAI"), Entergy Louisiana, LLC, ("ELL"), Entergy Mississippi, Inc. ("EMI"), and Entergy Texas, Inc. ("ETI"). These five operating companies are referred to collectively as the "Operating Companies;" and

WHEREAS, the Council is responsible for ensuring that New Orleans customers receive reliable electric service at just and reasonable prices; and

WHEREAS, on September 29, 2017, ENO filed its Application of the Supplemental and Amended Implementation Plan for Program Years (“PYs”) 7 through 9 of the Energy Smart Plan in Docket UD-08-02 (“Supplemental Application”); and

WHEREAS, the Council adopted Resolution R-17-623 on December 14, 2017, which required the following:

- ENO was directed to file within 30 days of the issuance of the Resolution all supporting models and work that demonstrate the reallocation of kWh savings forecasted for PY 7 to PY 8 while still achieving the combined prorated energy savings for PYs 7 and 8. (Said filing was made on January 22, 2018).
- Further comments and recommendations from all parties are required before the Council can give further consideration to the following unresolved issues:
 - a. The continued implementation levels of the three pilot programs based on a completed evaluation of results;
 - b. Any PY 8 and PY 9 budget revisions that may be required based on the pilot programs results;
 - c. A revised Utility Performance Incentive (“UPI”) structure and amount; and
 - d. Approval of the New Orleans Technical Reference Manual (“NO TRM”).

[Such comments and recommendations were to be provided by the Intervenors no later than January 31, 2018. The Advisors were to provide recommendations by February 28, 2018.]

- In the absence of any additional supplemental funding ordered by the Council prior to June 2018, ENO shall implement a transparent, stand-alone Energy Efficiency Cost Recovery (“EECR”) Rider on customers’ bills on ENO-Legacy customer bills commencing with the first billing cycle in July 2018 until such time as new rates are implemented and an appropriate alternate cost recovery mechanism and treatment on monthly customer bills is ordered in the Combined Rate Case.

WHEREAS, on March 1, 2018, the Advisors filed their recommendations to the Council based on their review of ENO's Supplemental Application related to Energy Smart PY 7 through 9; and

I. Combining Energy Smart PYs 7 and 8

WHEREAS, by way of background, the Council adopted Resolution R-17-176 on April 6, 2017, wherein the Council accepted the Advisors' recommendation that the Energy Smart Program Years should coincide with calendar years to enable better verification of source data and to be more consistent with rate making test years and financial periods. Consistent with that goal, the Council directed PY 7 to commence on April 1, 2017, and end on December 31, 2017, shortening PY 7 to a period of nine months instead of 12 months; and

WHEREAS, in its Supplemental Application ENO stated that due to the shortened PY 7 time period, energy savings that were originally targeted for achievement in PY 7 were reallocated to PY 8 while still achieving the combined pro-rated energy savings targets for PYs 7 and 8; and

WHEREAS, on January 22, 2018, ENO submitted their filing to demonstrate the reallocation of kWh savings forecasted for PY 7 to PY 8 pursuant to Resolution R-17-623. In its filing ENO stated that, at the time of filing, the Company anticipated that the pre-evaluation kWh savings results would be very close to the Council's approved Energy Smart savings target for PY 7 and, as such, a reallocation of program savings from PY 7 to PY 8 would be unnecessary. A review of the final Energy Smart Quarterly Report for PY 7 showed that the combined ENO-Legacy and ENO-Algiers Energy Smart programs had achieved 99% of their targeted 19,949 MWh in pre-evaluated savings for PY 7, resulting in no requirement to shift savings from PY 7 to PY 8; and

WHEREAS, based on our Advisors' review of the summary of results provided in the quarterly reports of PY 7, there is no longer a need to combine PY 7 and PY 8 for evaluating the performance related to budgets and kWh savings, and our Advisors recommended¹ that ENO provide a separate annual report and evaluation of PY 7 and PY 8; and

WHEREAS, the Council accepts the recommendation of our Advisors to require ENO to provide a separate annual report and evaluation of PY 7 and PY 8; and

WHEREAS, on May 30, 2018, ENO filed the Energy Smart Program Year 7 Annual Program Report, and Annual Evaluation, Measurement and Verification Report, which showed that the combined ENO-Legacy and ENO-Algiers Energy Smart programs had achieved 95.55% of their kWh savings goal for PY 7;² and

II. Further Unresolved Issues

Continued Implementation Levels of The Three Pilot Programs

WHEREAS, the Direct Load Control Pilot ("DLC"), the Behavioral Pilot, and the Algiers Smart Thermostat Pilot programs were approved and implemented in 2016; and

WHEREAS, as stated in the Advisors' March 1, 2018 Report,³ no analyses or results had been provided by ENO to the Council's Advisors for these three pilot programs as of the date of the Report, and no determination could be made at that time regarding any required budget revisions to PYs 8 and 9 based on the pilot programs; and

¹ Advisors' Recommendations for Council Consideration in connection with Entergy New Orleans, Inc.'s September 29, 2017, Application for Approval of the Supplemental and Amended Implementation Plan for Program Years 7 through 9 of the Energy Smart Plan. (Mar. 1, 2018) ("March 1, 2018 Report").

² The Advisors also note that the PY 7 Annual Report indicated that the Algiers Energy Smart Programs achieved 61.3% of their kWh savings goal.

³ Ibid.

WHEREAS, our Advisors recommended ⁴ that the PY kWh savings goals and corresponding budgets approved by the Council be maintained until an evaluation can be completed of ENO's analyses and results of the three pilot programs with supporting documentation to determine if any proposed changes to the kWh savings targets and budgets are required through PY 9; and

WHEREAS, on May 30, 2018, ENO filed the Evaluation of PY 7 Energy Efficiency Programs Portfolio prepared by the Energy Smart Third-Party Evaluator ("TPE"), which included a description of the analysis and results for the DLC and Smart Thermostat pilot programs, but which have not yet been evaluated by the Council's Advisors; and

PYs 8 and 9 Budget Revisions Based on Pilot Programs Results

WHEREAS, In Resolution R-17-623 the Council ordered that within 30 days following ENO's evaluation of final and complete results from the three pilot programs as provided to the Advisors and Intervenors, ENO is directed to file any revisions to the Supplemental and Amended Implementation Plan for PYs 8 and 9, including any associated shifts in program costs, the increased UPI, and the impact on total budget. Subsequent to that ENO filing of such revisions, the Council will consider any additional program and budget revisions as it deems appropriate; and

WHEREAS, the Council finds that no proposed changes to the kWh savings targets and budgets through PY 9 related to the three pilot programs will be considered until such time as the evaluations are completed; and

⁴ Ibid.

ENO's Behavioral Pilot Program Transition from Opt-In to Opt-Out

WHEREAS, on April 26, 2016, ENO filed the Application of Entergy New Orleans, Inc. For Approval of a Behavioral Pilot Program (“Application”); and

WHEREAS, the Application indicated that the program would be designed to reach 30,000-70,000 customers; and

WHEREAS, On May 19, 2016, the Council adopted Resolution R-16-184 approving ENO's proposal for the Behavioral Pilot Program for the Energy Smart Program; and

WHEREAS, ENO's Behavioral Pilot Program was originally proposed as an Opt-in program whereby customers could choose to participate in the Program by fulfilling the necessary participation process implemented by ENO and the Council-approved program services provider/contractor, Accelerated Innovations (“AI”); and

WHEREAS, in January 2017, ENO and AI began implementing the Behavioral Pilot Program by actively recruiting participants; and

WHEREAS, according to ENO, despite efforts to enhance the recruitment process, participation became stagnant at approximately 1,000-1,400 participants; and

WHEREAS, due to the low level of participation, in September 2017, ENO and its contractor discussed the potential of shifting from an Opt-in to an Opt-out format with the Council's Advisors and other stakeholders during one of the technical conferences convened pursuant to Council Resolution R-17-176; and

WHEREAS, after several additional months of minimal participation increases, ENO and AI made a filing in this docket on March 22, 2018, recommending switching the Behavioral Pilot Program participation model from an Opt-in to an Opt-out model; and

WHEREAS, according to ENO's filing, in the Opt-out design, the recipients of an educational home energy report (Treatment Group) are chosen at the outset of program implementation and are sent monthly reports comparing their energy use to that of their neighbors and will continue to receive reports unless the recipients contact ENO to request discontinuation of the monthly reports; and

WHEREAS, the Council's Advisors reviewed ENO's March 22, 2018 filing and agreed with ENO's recommendation to change the Behavioral Pilot Program participation model from an Opt-in to an Opt-out model; and

WHEREAS, on April 19, 2018, the Council adopted Resolution R-18-136 which adopted ENO's proposal to change the Behavioral Pilot Program from an Opt-in to an Opt-out model; and

WHEREAS, no additional action is necessary regarding the design of the Behavioral Pilot Program at this time; and

UPI Structure and Amount

WHEREAS, in its Supplemental Application, ENO requested that the Council approve a UPI amount that increases the amount set forth in Resolution R-15-140 by "an appropriate amount proportional to kWh savings goals"⁵ projected under Scenario 2, while maintaining the incentive structure of Resolution R-15-540. Specifically ENO proposed the following UPIs at 100% of kWh goal: for ENO-Legacy - \$711,159 for PY 7; \$1,234, 538 for PY 8; and \$1,443,525 for PY 9; and for Algiers - \$64,271 for PY 7; \$108,981 for PY 8; and \$127,123 for PY 9; and

WHEREAS, the Advisors, in their March 1, 2018 Report, recommended an appropriate amount and proportional measure for the UPI that differed from ENO's UPI proposal. Specifically, the Advisors recommended that the incentive amount per each 1% increment between

⁵ ENO referenced the Advisors' March 14, 2017, "Observations & Conclusions for Council Consideration ENO's February 13, 2017 Filing Approval of Energy Smart Program Years 7-9," at 11.

95% and 100% be increased by \$44,000 for ENO-Legacy Energy Smart, which results in a total incentive of \$750,000 for achieving 100% of the kWh program year goal;⁶ and

WHEREAS, our Advisors also believe that the incentive should be related to maximizing demand-side management (“DSM”) through the incentive provided beyond 100% of the kWh savings goal; and

WHEREAS, with the current UPI structure for ENO-Legacy Energy Smart Programs, there is only an additional \$100,000 incentive to achieve the additional savings at 120% of goal. Our Advisors also recommend an increase in the per increment incentive over 100% to result in an additional incentive of \$200,000 at 120% of goal. The recommended total additional incentive of \$200,000 at 120% of savings goal (for a total ENO incentive of \$950,000 at 120% of goal) makes the increase in savings above 100% of goal more appealing; and

WHEREAS, for the Algiers Energy Smart programs, the Advisors recommend a \$70,000 UPI for achieving 100% of the kWh program year goal, increasing to an \$89,000 UPI for achieving 120% of the kWh savings goal; and

WHEREAS, with respect to the existing penalty mechanism, our Advisors recommend no change; and

Approval of the NO TRM

WHEREAS, the NO TRM is a critical resource in supporting the design and performance evaluation of all DSM measures and programs included in Energy Smart and the Integrated Resource Plan (“IRP”). It is important to note that the NO TRM is a comprehensive reference manual, but limited to data and some methodologies to estimate savings. The NO TRM is not a

⁶ The Advisors estimated that the proposed \$750,000 UPI relates to a 15 to 20 basis point increase in ENO’s return on equity.

policy or planning document; the Council establishes policy with the evaluations and planning of Energy Smart and the IRP Rules; and

WHEREAS, the Advisors have completed multiple reviews of not only the NO TRM Version 1, but also of multiple draft versions of the NO TRM previously supplied by ENO, and the TRM Update Initial Scoping Memo. The Appendix A attached to the Advisors' March 1, 2018 Report: Legend Review of ENO NO TRM Version 1 is the Technical Advisors' complete review of the NO TRM Version 1, to update the previous Advisors' critique supplied to ENO on August 22, 2017; and

WHEREAS, our Advisors have determined the NO TRM updated through March 28, 2018, to be satisfactory for use in Energy Smart planning and evaluation and the 2018 IRP, with the understanding that the NO TRM will be considered a "living document" and require updates through biannual meetings; and

III. Current Status of Potential Energy Smart Funding Sources

WHEREAS, in its January 30, 2018 Quarterly Report for the Period of October 1, 2017 to December 31, 2017, ENO noted that as of January 30, 2018, ENO-Legacy had a balance of approximately \$8 million remaining in Energy Smart funding for ENO-Legacy; and

WHEREAS, the Report also stated that as of January 30, 2018, ENO-Algiers had approximately \$350,000 remaining in Energy Smart Algiers funding sources; and

WHEREAS, if no additional funding sources are allocated to Energy Smart by mid-year 2018, Resolution R-17-623 directed that a transparent, stand-alone EECR Rider would appear on customers' July 2018 bills in ENO-Legacy jurisdiction; and

WHEREAS, on May 31, 2018, ENO submitted an Interim Energy Efficiency Cost Recovery Rider filing which could be implemented on ENO-Legacy customers' July 2018 bills; and

WHEREAS, on December 22, 2017, the President of the United States signed The Tax Cuts and Jobs Act ("Tax Law"), which reduced the federal corporate income tax rate from 35% to 21%. As a result, commencing January 1, 2018, ENO's cost of providing utility service was reduced because it is now required to pay less in current and deferred income taxes; and

WHEREAS, ENO submitted a proposal to the Council⁷ to flow tax savings of \$48.4 million to electric customers and \$2 million to gas rates customers over a 13-month period in response to Resolution R-18-38, which required ENO to provide certain information regarding the effects of the newly enacted Tax Law; and

WHEREAS, ENO's proposal to allocate these tax savings would include funding of Energy Smart programs through August 2019 in the amount of approximately \$13.5 million; and

WHEREAS, ENO and the Council's Advisors reached an agreement regarding the treatment of the proposed ratepayer refunds resulting from the newly enacted Tax Law; and

WHEREAS, on May 22, 2018, ENO filed an Agreement in Principle ("AIP") reflecting a settlement of the issues related to the effects of the Tax Law, including the manner in which the tax savings will be flowed back to ENO's customers; and

WHEREAS, the AIP will be considered at the Council's Utility, Cable, Telecommunications and Technology Committee meeting on June 14, 2018, and then, if approved, the full Council on June 21, 2018; and

⁷ ENO Second Supplemental Response to Council Resolution No. R-18-38 (May 18, 2018).

WHEREAS, in its May 31, 2018 EECR filing, ENO stated that if the Council approves the May 22, 2018 AIP and the proposed allotment of funding to Energy Smart, ENO would not need to implement the EECR Rider; and

WHEREAS. THE Council is also interested in learning more about how to reduce peak demand through its Energy Smart energy efficiency program; and

WHEREAS, the Council accepts the recommendations of its Advisors on the issues discussed above; and

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF NEW ORLEANS

THAT:

1. ENO shall provide a separate Annual Report and evaluation of Energy Smart PY 7 and PY 8.
2. The program year kWh savings and corresponding budgets previously approved by the Council be maintained until an evaluation is completed and recommendations are made regarding ENO's analyses and results of DLC Pilot, the Behavioral Pilot, and the Algiers Smart Thermostat Pilot programs with supporting documentation for any proposed changes to the kWh savings targets and budgets through PY 9.
3. The ENO-Legacy Energy Smart programs UPI amount per each 1% increment between 95% and 100% be increased by \$44,000, which results in a total incentive of \$750,000 for achieving 100% of the goal. Also, the per increment incentive over 100% shall be increased to result in an additional incentive of \$200,000 at 120% of goal as described in our Advisors' March 1, 2018 Report. The Algiers Energy Smart programs UPI will be \$70,000 for achieving 100% of the program year kWh savings goal, increasing to a UPI of \$89,000 for achieving 120% of the program year kWh savings goal. There shall be no change in the existing penalty mechanism at this time.
4. The NO TRM updates through March 2018 shall be used in Energy Smart planning and evaluation and the 2018 IRP, with the understanding that the NO TRM will be considered a "living document" and require updates through biannual meetings.

5. The Council shall defer action on continued funding of the Energy Smart Program in this docket pending the outcome of the Council's consideration of the AIP related to the newly enacted Tax Law at its meeting on June 21, 2018.
6. Interested parties shall have 30 days to submit comments to the Council regarding opportunities for the Energy Smart program to assist in deducing peak demand.

THE FOREGOING RESOLUTION WAS READ IN FULL, THE ROLL WAS

CALLED ON THE ADOPTION THEREOF AND RESULTED AS FOLLOWS:

YEAS: Banks, Brossett, Giarrusso, Gisleson Palmer, Moreno, Nguyen,
Williams - 7

NAYS: 0

ABSENT: 0

AND THE RESOLUTION WAS ADOPTED.

THE FOREGOING IS CERTIFIED
TO BE A TRUE AND CORRECT COPY
Lara W. Johnson
CLERK OF COUNCIL