



Entergy Services, Inc.
P.O. Box 61000
New Orleans, LA 70161-1000
Tel 504 576 2984
Fax 504 576 5579
hbarton@entergy.com

Harry M. Barton
Senior Counsel
Legal Services - Regulatory

July 15, 2016

By Hand Delivery

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

***Re: Application of Entergy New Orleans, Inc. for Approval to Construct New Orleans Power Station and Request for Cost Recovery and Timely Relief
CNO Docket NO.: UD-16-_____***

Dear Ms. Johnson:

Entergy New Orleans, Inc. ("ENO") hereby submits for your further handling and filing an original and three copies of ENO's Opposition to the Alliance for Affordable Energy's "Reply Motion." Please file an original and two copies into the record in the above referenced matter, and return a date-stamped copy to our courier.

Should you have any questions regarding the above matter, please don't hesitate to contact me. Thank you for your assistance with this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Harry M. Barton".

Harry M. Barton

HMB/jw
Enclosures

cc: Official Service List (*via electronic mail*)

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

APPLICATION OF ENTERGY NEW)	
ORLEANS, INC. FOR APPROVAL TO)	
CONSTRUCT NEW ORLEANS POWER)	DOCKET NO. UD-16-_____
STATION AND REQUEST FOR COST)	
RECOVERY AND TIMELY RELIEF)	

**ENTERGY NEW ORLEANS, INC.’s OPPOSITION TO
THE ALLIANCE FOR AFFORDABLE ENERGY’S “REPLY MOTION”**

Entergy New Orleans, Inc. (“ENO” or the “Company”), through undersigned counsel, respectfully opposes the Alliance for Affordable Entergy’s (“AAE” or the “Alliance”) motion to suspend proceedings in this docket. On June 20, 2016, ENO filed its Application for Approval to Construct New Orleans Power Station (“NOPS”) and Request for Cost Recovery and Timely Relief (“Application”), which attached the Direct Testimonies and exhibits of seven witnesses in support of the proposed unit.

The Company’s Application shows that a need for overall capacity, as well as a need for local peaking and reserve capacity resources, exists within ENO’s service territory. The Council of the City of New Orleans’ (“Council”) approval of NOPS will enable ENO to provide a modern, cost-effective, reliable, and local source of generating capacity capable of meeting ENO’s long-term supply-role needs at the lowest reasonable cost. NOPS also complies with the Council’s directive that the Company use “reasonable diligent efforts” to pursue development of peaking resources in the City following termination of the Entergy System Agreement.¹

¹ See Resolution R-15-524.

Made just days after ENO filed its Application, and without procedural standing,² the AAE’s “Reply Motion” essentially asks the Council to reject the Company’s proposed procedural schedule, stay the current docket indefinitely, open a new docket to study various issues in a separate, IRP-like proceeding wherein “independent” experts can opine on various issues, then set a procedural schedule in this certification proceeding only after a Technical Report is produced in its proposed IRP-like docket.³ The AAE makes these requests without reference to any procedural, precedential, factual, or evidentiary support.

Simply put, the AAE’s proposal to derail the certification docket lacks any foundation in any rule of procedure or prior Council precedent and amounts to nothing more than an attempt to delay and defeat an economically beneficial and necessary resource addition to the New Orleans area. The AAE filed a Petition for Intervention in the instant docket. Should the Council grant this Petition, the AAE can then fully participate in these proceedings as a party by, among other things, propounding and responding to discovery and offering expert testimony to support its assertions concerning NOPS. However, in the absence of evidence filed in this docket to support the AAE’s contentions, those contentions should have no effect on the Council’s determination concerning NOPS. For these reasons, and for those discussed in more detail below, the Council should not waste Council, customer, and Company resources addressing the AAE’s blatant delay tactics and should instead adopt the procedural schedule proposed by the Company without additional delays—which, as described in testimony, could expose customers to significant risks.

² Although the AAE filed a Petition for Intervention in combination with its “Reply Motion,” such Petition has not been granted and, in fact, the Council has not yet established a docket in which to intervene. Although no docket has been established, ENO is choosing to file its Opposition Memorandum at this time to ensure that the Council is aware that of ENO’s opposition to AAE’s requested action in a timely manner.

³ See Alliance for Affordable Energy Petition for Intervention and Inclusion on Service List, and Reply Motion (“Reply Motion”), at 19-20.

BACKGROUND

In its June 20, 2016 Application, ENO requests the Council’s certification that the Company’s construction of NOPS, a nominally-sized 226⁴ megawatt (“MW”) combustion turbine (“CT”) generating unit located in New Orleans, Louisiana, would serve the public convenience and necessity.⁵ ENO proposes to site NOPS at ENO’s Michoud facility, which is located in an industrial area on the eastern edge of New Orleans. In the Company’s Application, ENO made its case for NOPS, spelling out the needs that the unit will help to meet and providing record support vis-à-vis the Direct Testimony and exhibits of seven Company witnesses. As the Application makes clear, recent unit deactivations (which were economic decisions based on maintenance and other operational issues) have left the Company short of both its overall long-term capacity needs and its long-term peaking and reserve capacity needs. The deactivated units (ENO’s Michoud Units 2 and 3) provided a significant source of local generating capacity within the Company’s service area (*i.e.*, Orleans Parish) in support of reliable operations and mitigated supply- and market-related risks. The Company proposes NOPS to address these and other long-term needs. In addition, locating NOPS in Orleans Parish complies with the Council’s prior directive to pursue local generation, and provides a myriad of reliability benefits, such as reactive power and hurricane restoration support.

Moreover, as discussed in the Direct Testimony of Charles L. Rice, Jr., Dr. Loren C. Scott’s study of the economic effects of NOPS 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 regional

⁴ This refers to the unit’s capacity at summer conditions (97° F and 59% relative humidity). Direct Testimony of Jonathan Long, at 3.

⁵ *Id.*

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 the region and State as long as NOPS is in operation. ENO attached the Economic Impact Study to the Testimony of Charles L. Rice as CLR-2 and the AAE has not disputed these benefits.⁶

On June 27, 2016, the AAE filed a Reply Motion in response to the Company's Application and supporting testimony, which essentially requests the Council to stay proceedings related to the Company's Application and open a separate docket to study certain issues, which can all be addressed within this certification docket. The AAE bases its Reply Motion on several misguided arguments, which all seek to summarily defeat/delay NOPS through adding new and novel procedural hurdles never before employed by the Council when considering any Application filed by the Company.⁷ Moreover, the arguments in the AAE's Reply Motion go to the merits of the Company's Application and should be addressed within the procedural contours of the certification docket filed by the Company.

A. The AAE's Suggested Path of Indefinite Inaction Risks Significant Consequences for ENO Electric Customers.

In its Reply Motion, the AAE asks to delay the Company's Application for an unspecified amount of time while an IRP-like docket is initiated and concluded. The AEE

⁶ In its Reply Motion, at 16-17, the AAE states that the economic benefits should be compared to the benefits of other alternative projects, but the AAE does not provide comparative projects or alternative economic benefits.

⁷ While the Council employs a procedural schedule for the Integrated Resource Planning ("IRP") process that utilizes a series of reports by the Company combined with a series of technical conferences to solicit stakeholder feedback, the IRP process is a global planning process that differs from a certification proceeding in many ways, as the instant docket asks the Council to certify a specific resource while the IRP is a process to create an optimized overall resource portfolio. The Council's Legal Advisor, Ms. Emma F. Hand, recently explained this basic procedural concept, stating, "The Integrated Resource Plan does not approve any specific resource but acts as a roadmap for the next few years until Entergy performs the next update to the plan. When Entergy does want to acquire or build a specific resource, it must still submit a specific detailed plan to the Council for review and approval." See Transcript of June 15, 2016 Integrated Resource Plan Community Hearing, at pg. 4, l. 4-11. The Company filed its final 2015 IRP in February 2016, which was the result of a two-year interactive process in which the AAE was an active participant. In the instant proceeding, the AAE will have a full and fair opportunity to participate and file testimony documenting its opposition to NOPS for the Council's consideration.

repeatedly states that “nothing in the record suggests the same deal, or better, will not be available at a later date.”⁸ This assertion, however, ignores the Company’s testimony regarding market equilibrium, the point at which supply for capacity (including third-party resources) and demand (including appropriate planning reserves), are in balance.⁹ At that time, the price for capacity is expected to increase significantly from current levels.¹⁰

The Company projects equilibrium in MISO South in 2022, though MISO projects an earlier date, 2020, for its entire footprint.¹¹ Recent industry trends indicate an increase in the demand for lower carbon alternatives, such as modern natural gas-fired CT technologies, due to current and projected prices for natural gas coupled with increasing pressures to move away from carbon-intense fuel sources. As demand for these types of resources increase, the cost for labor and materials necessary to construct and install new CT resources would be expected to increase.¹² In other words, because the construction of a new CT could take up to three-years or longer to complete depending on labor and equipment availability, delaying NOPS, as the AAE suggests, exposes customers to increased risk of significantly higher costs due to the labor and equipment premiums and long lead times that would be required for those resources. Moving forward with deployment of NOPS now mitigates customers’ exposure to higher capacity prices and higher construction costs as equilibrium approaches as well as the potential cost premium and longer lead times that may be required for new CT resources.

The AAE also criticizes the Company for “unfairly” agreeing to escalation with Chicago Bridge & Iron (“CB&I”), the Company’s Engineering, Procurement, and Construction (“EPC”)

⁸ AAE Petition for Intervention and Inclusion on Service List, and Reply Motion, at 18.

⁹ See Direct Testimony of Seth E. Cureington, at 32.

¹⁰ *Id.*

¹¹ See Direct Testimony of Seth E. Cureington, at 31.

¹² See Direct Testimony of Seth E. Cureington, at 32.

contractor.¹³ As the Direct Testimony of Jonathan Long states, a construction project like NOPS represents a substantial undertaking, and the Company lacks the in-house capability necessary to execute the engineering, procurement and construction for such a project.¹⁴ Engaging an EPC contractor who can perform all of these functions under a single contract is cost effective and common within the power industry for such projects.¹⁵ EPC Contractors like CB&I, however, experience normal market pressures just like any other company, and cannot hold a contract open for an indeterminate amount of time at a locked-in price given the demand for its resources and inflationary pressures in the market. As such, EPC Agreements routinely employ escalation provisions to account for inflationary pressures should construction not begin on a specified date. This practice is reasonable and standard.

As explained in the Company's Application, the timing of the proceeding and the ability of the Company to release its contractor to construct the resource affects the cost of the resource and in-service date of the resource. The current NOPS cost estimate and construction schedule is based on the expectation that the Company will have received acceptable approvals from the Council by January 31, 2017. If these approvals are not timely obtained, a day-for-day slip of the in-service date will occur. In that case, a significant delay in the proceeding could cause the completion date to slip beyond the start of the 2020/2021 MISO planning year. If that occurred, in addition to being exposed to the market risks caused by equilibrium and contractual escalation, customers would also lose a full year's worth of capacity revenue associated with NOPS.

In summary, in the face of substantial testimony regarding an escalating EPC Agreement and market equilibrium premiums and risks, the AAE represents to the Council that ENO could

¹³ See Reply Motion, at 3.

¹⁴ See Direct Testimony of Jonathan E. Long, at 20.

¹⁵ *Id.*

get the same deal (or one materially similar) at a later date. The AAE, however, provides no evidence in support of such a contention, and ENO electric customers should not be forced to foot the bill for mere speculation.

B. Due Process Requires the AAE to Engage in the Discovery Process and Submit Expert Testimony and Competing Evidence Regarding the Substantive Issues it Opposes.

1. Renewables and Demand Side Management (“DSM”)

In its Reply Motion, the AAE advances several substantive arguments aimed at promoting renewables and DSM, which the Company’s testimony and supporting analysis expose as less cost effective and not comparable to the supply role capabilities of NOPS.¹⁶ While the Company disagrees with many of the AAE’s contentions, the proceedings held in this docket will afford the AAE a full and fair opportunity to come forward with testimony and competing evidence in this proceeding supporting its contentions.

To be clear, however, the Company has repeatedly stated in testimony that cost-effective incremental DSM programs beyond the Company’s currently approved Energy Smart programs are not available to meet the entirety of the Company’s long-term needs. The Company engaged ICF International (“ICF”) to conduct an analysis of the long-term DSM potential achievable in New Orleans. Based on the results of ICF’s study, the Company concludes that the achievable amount of cost-effective DSM in New Orleans constitutes only approximately 13% of ENO’s need for long-term peaking and reserve capacity by 2019.

Moreover, the intermittent nature of renewable resources such as wind and solar photovoltaics that results from their reliance on the wind and sun to produce energy, limits the ability of such resources to meet customer demand and their ability to be dispatched to meet peak demand. The intermittent nature of renewable resources also means that the Company cannot

¹⁶ See Direct Testimony of Seth E. Cureington, at 25-30.

count a megawatt of renewable resource capacity toward meeting a megawatt of its long-term capacity needs. Thus, even if these intermittent resources could meet the Company's long-term need for incremental peaking/revenue capacity (which they cannot), the Company would need to acquire significantly more capacity than its need dictates due to the lower capacity credit applied to these resources. Moreover, to emphasize such capacity would not meet ENO's specific supply role need for peaking and reserve capacity.

The AAE appears to criticize the Company for proposing the option that ENO's extensive analysis reveals as the best resource to meet its planning requirements. However, the AAE owes no obligation to provide electric service to ENO's customers, and accordingly does not have an obligation to provide capacity and energy at the lowest reasonable cost considering risks. AAE advocates for higher cost alternatives compared to NOPS, which may financially harm the high amount of low-income residents of Orleans Parish who would likely not prefer to pay more for resources that ultimately cannot meet their supply role needs or offer the same capacity value or reliability benefits as a NOPS. The AAE will have a full and fair opportunity to litigate these issues in this proceeding, but to date, it has not come forward with any evidence of a better alternative to NOPS in any proceeding before this Council. To be clear, the unsupported contentions in its Reply Motion do not warrant a separate docket or delay in this proceeding.

2. Transmission

Again turning to the merits of the case without providing any support, the Alliance concedes that local generation can have positive reliability benefits, but apparently argues that the requirements for local generation has not been determined by an independent operator as in other parts of the country and, in any case, should be studied "independently." The AAE

overlooks the fact that, as stated in the Direct Testimony of Charles W. Long (a transmission planner with over 20 years of experience), the Midcontinent Independent System Operator, Inc. (“MISO”) does independently evaluate these issues and imposes Voltage and Local Reliability (“VLR”) operating guides on operations in the Downstream of Gypsy (“DSG”) load pocket (which is the region in which New Orleans is located). These operating guides commit local generation solely for reliability purposes. All local DSG units, including Michoud Units 2 and 3 (prior to their deactivations) and the Ninemile units, are VLR resources and are committed by MISO to ensure reliability in the region.¹⁷ As Mr. Long explains, NOPS will also likely be included in the DSG VLR commitment guide and will be committed for reliability purposes.¹⁸

Moreover, Mr. Long states that NOPS allows ENO to avoid large-scale transmission projects otherwise necessary to ensure reliability over the ten-year horizon.¹⁹ Thus, contrary to the AAE’s assertions, MISO imposes operating guidelines (which derive from MISO’s own independent evaluation) that require local generating capacity and NOPS will impact the Company’s ability to maintain local reliability. Again, in the face of the Company’s reasonable testimony and analysis, the AAE provides mere speculation and suggests that the issue should be studied “independently,” for an unspecified amount of time. The Council, however, employs Technical Advisors who are more than capable of formulating opinions regarding these issues and submitting testimony on behalf of the Council in this proceeding. The AAE, as an intervenor, also has a right to participate in the docket and come forward with countervailing

¹⁷ See Direct Testimony of Charles W. Long, at 4-5.

¹⁸ *Id.* at 5. The AAE’s Reply Motion states that ENO does not describe the Ninemile Plant and nearby St. Charles Power Station, which is proposed to be built in St. Charles Parish. While the exact point of referencing these units is unclear, the Ninemile units are clearly listed in the Direct Testimony of Charles Long as units located in DSG and that are committed for reliability purposes. Those units, however, along with St. Charles Power Station (which is not in DSG), do not obviate the need for NOPS with respect to its reliability benefits and, as stated by Mr. Long, the construction of St. Charles Power Station has been factored into the Company’s plan for NERC Compliance and also does not obviate the need for NOPS. *Id.* at 4, 7.

¹⁹ See Direct Testimony of Charles W. Long, at 6-8.

evidence and testimony disputing the Company's determination that the unit will have a positive impact on reliability. Again, the Council should not force customers to subsidize the AAE's delay and opposition tactics by the creating a separate docket and imposing significant, unnecessary delays on the Council's evaluation and approval of NOPS.

3. Health, and Environmental Considerations

The AAE also states that the 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 cost of a new asset."²⁰ Of course, the AAE offers no evidence linking NOPS to any health impacts, including asthma, cardiovascular illness, subsidence, or any other environmental or health related concern. As Company witness Jonathan Long explains, the NOPS will use newer, cleaner, and more efficient technology than the recently deactivated units at the Michoud site. This means that NOPS, which is about one-third the size of the deactivated Michoud units, will produce significantly lower emission levels than the recently deactivated units.

Moreover, although ENO does not believe any material impacts resulted from groundwater usage by the deactivated Michoud units, the Council should be aware that NOPS will result in a substantial decrease in the capacity for groundwater usage when compared to the recently deactivated units. Considering the absolute maximum possible groundwater usage for NOPS, there is expected to be a reduction of 90% in comparison to the deactivated Michoud units. Moreover, considering the maximum expected groundwater usage for NOPS, there is expected to be a reduction of approximately 99%.

Again, should the AAE believe health and environmental concerns warrant the rejection of NOPS, it will have a full and fair opportunity to establish a record in this proceeding and file

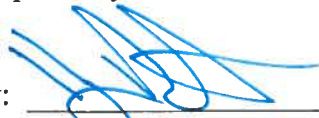
²⁰ See Reply Motion at 15.

testimony regarding, and evidence supporting, its concerns to the Council. The Council should not delay this Project, however, which as explained above and more fully in Direct Testimony, has considerable financial consequences, based on mere speculation without proof.

CONCLUSION

For the foregoing reasons, the Company urges the Council to deny AAE’s Reply Motion to Suspend Procedural Schedule. Suspending the schedule as requested by AAE can be expected to significantly raise cost and market risks to customers. Such an outcome is unnecessary when the AAE will have a full and fair opportunity to litigate its concerns in this docket on the timeline proposed by the Company.

Respectfully Submitted:


By: _____
Karen H. Freese, Bar No. 19616
Timothy S. Cragin, Bar No. 22313
Brian L. Guillot, Bar No. 31759
Alyssa Maurice-Anderson, Bar No. 28388
Harry M. Barton, Bar No. 29751
639 Loyola Avenue, Mail Unit L-ENT-26E
New Orleans, Louisiana 70113
Telephone: (504) 576-2603
Facsimile: (504) 576-5579

**ATTORNEYS FOR
ENTERGY NEW ORLEANS, INC.**

CERTIFICATE OF SERVICE

CNO Docket No. UD-16-__

I, the undersigned counsel, hereby certify that a copy of the above and foregoing has been served on the persons listed below by facsimile, by hand delivery, by electronic mail, or by depositing a copy of same with the United States Postal Service, postage prepaid, addressed as follows:

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

Pearlina Thomas,
Chief of Staff
W. Thomas Stratton, Jr.
Director
City Council Utilities Regulatory Office
City Hall, Room 6E07
1300 Perdido Street
New Orleans, LA 70112

Matthew Lindsay
Deputy Chief of Staff
City Hall, Room 1E06
1300 Perdido Street
New Orleans, LA 70112

Jeffrey S. Gulin, Esq.
Hearing Officer
3203 Bridle Ridge Lane
Lutherville, MD 21093

Rebecca Dietz
City Attorney Office
Law Department
City Hall – 5th Floor
New Orleans, LA 70112

Norman S. Foster
Department of Finance
City Hall, Room 3W06
1300 Perdido Street
New Orleans, LA 70112

Karen H. Freese, Esq.
Timothy S. Cragin, Esq.
Brian L. Guillot, Esq.
Alyssa Maurice-Anderson, Esq.
Harry M. Barton, Esq.
Entergy Services, Inc.
639 Loyola Avenue, L-ENT-26E
New Orleans, LA 70113

Clinton A. Vince, Esq.
Presley R. Reed, Jr., Esq.
Emma F. Hand
Dentons US LLP
1301 K Street, NW
Suite 600, East Tower
Washington, DC 20005-3364

Basile J. Uddo, Esq.
J. A. “Jay” Beatmann, Jr.
c/o Dentons US LLP
650 Poydras Street, Suite 2850
New Orleans, LA 70130

Walter J. Wilkerson, Esq.
Kelley Bazile
Wilkerson and Associates, PLC
The Poydras Center, Suite 1913
650 Poydras Street
New Orleans, LA 70130

Joseph A. Vumbaco, P.E.
Joseph Rogers
Victor Prep
Legend Consulting Group Limited
8055 East Tufts Avenue, Suite 1250
Denver, CO 80237-2835

Errol Smith, CPA
Bruno and Tervalon
4298 Elysian Fields Avenue
New Orleans, LA 70122

Gary Huntley
Entergy New Orleans, Inc.
1600 Perdido Street, L-MAG-505A
New Orleans, LA 70112

Polly S. Rosemond
Entergy New Orleans, Inc.
1600 Perdido Street, L-MAG-505B
New Orleans, LA 70112

Joseph Romano
Suzanne M. Fontan
Danielle Burleigh
Entergy Services, Inc.
639 Loyola Avenue, L-ENT-4C
New Orleans, LA 70113

Casey DeMoss
CEO
Logan Atkinson Burke
Alliance for Affordable Energy
4035 Washington Avenue
New Orleans, LA 70125

New Orleans, Louisiana, this 15th day of July, 2016.

