BEFORE THE
COUNCIL OF THE CITY OF NEW ORLEANS

IN RE: EXAMINATION OF )
OPPORTUNITIES FOR AND )
EFFECTS OF CONSUMER-BASED )
RENEWABLE TECHNOLOGIES IN )
THE CITY OF NEW ORLEANS )

DOCKET NO. UD-13-02

COMMENTS OF THE ALLIANCE FOR SOLAR CHOICE ON ENTERGY’S NET METERING PROPOSAL

The Alliance for Solar Choice (“TASC”)¹ appreciates the opportunity to submit comments on the Comments and Net Metering Proposal of Entergy New Orleans, Inc. LLC (“Entergy”), submitted in this docket on September 28, 2016.

As TASC noted at the outset of its initial comments in this proceeding the City of New Orleans should “base any decision on the future of net metering on a solid foundation of data.”² Before any change can be justified, the Council should be presented with sufficient data so that it is able to fairly and accurately consider the relative costs and benefit of the net metering program. Entergy’s proposal and supporting comments fail to provide the Council the solid foundation of data it needs to approve what would be a drastic alteration to its current policy. Entergy’s proposal is the first step in a longer path to curtail citizen’s ability to install and enjoy the full benefit onsite solar generation facilities by diminishing the value of using onsite generation. While TASC appreciates Entergy’s collaborative spirit throughout the technical

¹ SolarCity Corporation is no longer a participating member of TASC for purposes of this proceeding and the views expressed in these comments are solely the views of the remaining participating TASC members.
workshop process, the hard truth is that Entergy lacks the actual data needed to prove its factual assertions that the quantifiable costs exceed the quantifiable benefits of net metering. Entergy is forced to heavily rely on outcome determinative assumptions and projections. As TASC has seen in other jurisdictions, there is no substitute for actual data in forging a just and sustainable public policy.

In light of these deficiencies, TASC asks that the Commission suspend the procedural schedule for this proceeding and order Entergy to undertake a statistically valid load research study as a prerequisite for completing any future cost of service analysis for residential net metering customers. Additionally, TASC requests that the Council hire an independent third-party to perform a comprehensive cost-benefit analysis. This cost-benefit study could realistically be completed within the timeframe it will take Entergy to design and deploy a load research study. The Council should further instruct Entergy that it will not approve any changes to net metering customers rates until Entergy has satisfied the load research requirement.

I. With No Proof that Net Metering Shifts Costs to Non-Participating Residential Customers, the Council Should Order Entergy to Collect Load Research Data and Hire an Independent Consultant to Perform a Cost-Benefit Analysis.

As the Council considers whether the existing net metering policy is providing a fair shake to all its citizens, it is important to put context on the measuring stick that is being used. Entergy’s comments in support of its two-channel billing proposal layout a sketch of two such measuring sticks: (1) a cost of service analysis of net metering customers; and (2) a cost-benefit analysis of the net metering program. These are both appropriate tools for considering the impacts and merits of existing net metering policy, particularly when performed by a disinterested third-party. Both analyses should be considered together to give the fullest picture
of how net metering affects the community over the short and long run. Considering either approach in isolation fails to give the whole story of how the program benefits the citizens of New Orleans and Algiers.

TASC appreciates Entergy’s attempt to perform these analyses on limited information, but emphasizes that it is inappropriate to base important public policy decisions on incomplete and one-sided information. If the data is too incomplete to support a determination of just and reasonable rates, it should not be deemed sufficient to change the rights of customer-generators under the current net metering program. Notably, Entergy is the only party in this proceeding with the resources and data to perform these studies.

A. A Cost of Service Analysis of Residential Net Metering Customers, Based on Actual Load Research Data, Will Reveal Important Information about the Fairness of Net Metering to the Residential Class.

For the short term, a cost of service analysis can reveal important information about how and whether the costs of the grid are being appropriately recovered from net metering customers. According to Entergy, over 97% of overall net metering customers are residential customers. In looking at it is important to consider these customers as belonging to the broader residential class and as having attributes that, in the aggregate, influence the costs to serve that class. Utilities use cost of service studies to allocate functionalized costs to specific classes based on the characteristics of the class (e.g., average class load shape, class peak, contribution of class to system peak costs) along appropriate allocators (e.g., number of customers, contribution to coincident peak, class non-coincident demand). Utilities rely on extensive load research data to accurately develop a composite class load profile to allocate many of these costs. Retail rates are then designed based on the class billing determinants to collect the revenue allocated to the class

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to ensure that the utility is recovering its costs and has the opportunity to earn its authorized rate of return on its rate base.

If a particular class is under-contributing its cost of service, that class is likely producing a lower relative rate of return for the utility than other classes that are fully contributing to their cost of service. In such circumstances, the under-contributing class is being subsidized by other classes that are over-contributing relative to that class. A classic example of this type of inter-class subsidization is the residential class, which is often—for reasons of public policy—allowed to be subsidized by non-residential customer classes with much larger electricity users.

In the context residential customers engaged in net metering, Entergy’s focus is not on inter-class subsidization, but is on its allegation that the current residential rate design results in an intra-class cost shift from net metering customers to the general body of residential ratepayers. Under the existing rate structure, most fixed costs of the grid are collected through kWh sales (i.e., by volumetric sales). Because net metering customers are able to reduce the kWhs they purchase, through behind the meter consumption and by receiving credit for exported kWh to offset future purchases, Entergy alleges that net metering customers are underpaying their cost of service. According to Entergy, net metering customers are thereby under-contributing to the revenue requirement for the overall residential class, leaving non-participating customers holding the bag.³

The simplicity of Entergy’s cost-shift argument belies the complex factual predicates needed to demonstrate that such a cost shift is actually occurring. In order to isolate this intra-class effect, Entergy proposed an analytical exercise: separate out net metering customers as a separate class, allocate costs to that separate class based on the class characteristics (e.g., load

³ Entergy Comments at p. 20.
profile, class peaks, class contributions to system peaks), and compare the residential net metering class revenue requirement against the revenue actually collected. At a minimum, Entergy needs to collect valid load research data for 12 months of net metering customer usage (i.e., covering the test year period) to satisfy this factual deficiency. In addition, Entergy should attempt to obtain valid solar production data for the test year to understand when net metering customers are providing generation to the grid. This is necessary to determine if solar exports—in addition to the load reduction behind the meter consumption provides—are providing a benefit to the utility during the hours of monthly coincident peaks.

While looking at residential net metering customers as a separate class may be a valid for purely analytical purposes, Entergy’s approach has several glaring and fatal deficiencies. First, Entergy lacks hourly load research data (8760 data) on actual net metering customers and relies on a hypothetical approximation of that data. To perform its analysis, Entergy was required to use its general residential class load research data and make certain adjustments to simulate and approximate the net metering class load profile. To establish a unique profile for the residential net metering class, Entergy made a crude approximation that net metering customers were larger-than-average customers before installing solar and, therefore, must have higher hourly demands than average customers in each hour of the day. This means that Entergy used validated load research data for the control group (non-participating net metering customers) and constructed a fictional customer class based on best guesses and approximations. Under this method, Entergy cannot provide the type of apples to apples comparison necessary to isolate and identify actual instances of cost-shifting occurring between residential net metering customers and the rest of the residential class.
This method to project a unique load shape for residential net metering customers also fails the basic smell test. Entergy had to assume that the load shape of net metering customers was identical to the composite residential load shape. However, to account for the fact that net metering customers had greater usage than the average customer before installing solar, Entergy simply multiplied the average residential hourly demand by a factor of 1.49 (i.e., assuming that the net metering load customer class load shape without solar is exactly 149% of the average customer load shape in each hour). Entergy provides no suitable justification for why net metering customers demand should be uniformly higher in each hour of the day.

This approach simply ignores the possibility that larger customers might have a higher load factor, which would suggest a flatter load shape than average residential customers.\textsuperscript{4} If this were true, net metering customers may have hourly load below average in some hours or even above the adjustment factor of 1.49 in other hours. Entergy did not explain how the load factor data in Attachment A supports their assertion that larger net metering customers (as a group) would have the same load shape as the class average load shape. There is no substitute for actual data to simulate the reality of customer class behavior that a cost of service study seeks to capture. Therefore, the assumption that net metering customers have uniformly greater demand (always 149% higher) in each hour than average customers is a gross simplification that could wildly swing the outcome of allocations of costs to the class.

Second, Entergy lacks actual solar production data for the test year it used to develop its cost of service analysis. Actual solar production data is essential because it means that a net metering customer is self-generating (i.e., consuming behind the meter) or exporting excess

\textsuperscript{4} See Attachment A, ENOI Residential Load Factors from Separate Ratio Analysis.xlsx (Sent to the service list from Polly S. Rosemond on 4/28/16).
power to the grid relative to the level of production in that hour. This directly influences Entergy’s estimate of net metering customers load shape, which is critical to accurately allocating costs to the theoretical net metering residential class. Absent actual production data, Entergy was forced to rely on NREL’s PVWatts solar calculator, which reflects a typical meteorological year.\(^5\) There is no evidence that the meteorological inputs informing production lines up with the same actual weather events driving usage patterns in the test year.

It is impossible to rely on a cost of service analysis that glosses over the key ingredient in determining the actual load shape of net metering customers in the test year. It is critical to know from a cost allocation and cost causation perspective whether solar is producing in the hour of monthly or annual coincident peak. A “best guess” would not do in a ratemaking proceeding and should not be accepted as an accurate evaluation of whether net metering customers are providing sufficient revenue to cover their associated revenue requirement.

Moreover, even if the Council accepted Entergy’s cost of service analysis with caveats, the results of the cost of service study show that residential net metering customers are providing nearly 90% of the cost to serve them.\(^6\) If actual solar production is capable of moving the needle on even one of the monthly coincident peak days, the allocation of costs to the class could change and this result could be significantly closer to 100% recovery of costs from the class. Additionally, if actual hourly usage data from net metering customers were relied upon, it is entirely possible that net metering customer’s usage profiles would reveal class peaks and contributions to monthly coincident peaks that are significantly less than what Entergy estimated. In that case, it is entirely plausible that net metering could be providing Entergy more than enough revenue to cover the costs to serve those customers. If that were true, it is possible that


\(^6\) Entergy Comments at p. 20.
net metering customers are subsidizing non-participating customers. Indeed, residential net metering customers could be providing a net benefit to the class by helping to average out the class load shape in a manner that creates more beneficial allocations for the general residential class. Conversely, if Entergy removes net metering customers from the residential class—and they are helping beneficially influence the composite class load shape—it could result in greater allocation of certain system costs to the general residential class. Entergy lacks the actual data it needs to perform such an analysis. Such an analysis seems critical, however, to ensuring that residential customers do not suffer due to an overzealous campaign to isolate and disassemble the value proposition of net metering.

There is simply insufficient data—absent actual load research and production data on net metering customers—to determine whether intra-class subsidization is occurring and which way that subsidy flows. In 2014, the Utah Public Service Commission rejected a utility proposal to levy a separate customer charge on net metered customers and ordered the utility to begin a load research study on net metering customers.\textsuperscript{7} TASC asks that the Council, similarly, require Entergy to begin to collect load research data so that the \textit{actual} impact of net metering on the cost of service can be adequately examined prior to shifting course on the structure of the policy or the underlying rate design of residential net metering customers. Entergy should be required to gather, at a minimum, 12 months of load data from a statistically valid sample of net metering customers prior to seeking any future changes to the policy.

B. \textit{A cost-benefit analysis is important to assess the long range costs and benefits to assess the efficacy of the program in supporting resource development}

While an important tool to give an accurate picture of how net metering impacts other customers within the residential class, a cost of service study gives only limited information. A cost-benefit analysis is a necessary tool to view the efficacy of a resource program over an appropriate timeframe and across a broader range of cost and benefit categories that are not necessarily captured in a cost-of-service test year snap shot of the utility system.

As a policy program, it is important to look at net metering from a variety of cost-effectiveness perspectives, including the costs and benefits to the utility, to non-participating customers, to customer-generators, and to society. While many jurisdictions attempt to exclude societal benefits from consideration (e.g., local tax and economic benefits associated with installation of rooftop solar), it is entirely appropriate for the Council to consider the holistic impact of the net metering program on the City and to seek to quantify the economic benefits that a thriving local solar industry brings to its constituents. Viewing the costs and benefits from all of these perspectives provides a fuller picture of whether the policy is creating a net positive impact on the community.

Entergy’s cost-benefit analysis, however, fails to provide the Council this complete picture. Entergy’s calculations present a limited picture to show the impacts on other ratepayers, (i.e., using the Ratepayer Impact Measure or “RIM” test). As pointed out by Synapse Energy Economics in their study for the Mississippi Public Service Commission, this test is flawed:

“Utility lost revenues are not a new cost created by the net metered systems. Lost revenues are simply a result of the need to recover existing costs spread out over fewer sales. The existing costs that might be recovered through rate increases as a result of lost revenues are (a) not caused by the efficiency program themselves, and (b) are not a new,
incremental cost. In economic terms, these existing costs are called “sunk” costs. Sunk costs should not be used to assess future resource investments because they are incurred regardless of whether the future project is undertaken. Consequently, the application of the RIM test is not valid for analyzing the efficacy of net metered or distributed resources as it is a violation of this important economic principle.\(^9\)

Other perspectives are crucially important for providing a full look at the efficacy of the net metering program in encouraging private investment in solar resource.

Entergy’s incomplete showing underscores the importance of having an independent third party, without a vested interest in the outcome, to perform a complete and comprehensive cost-benefit analysis of the net metering program considering the full range of costs and benefits appropriate for each of the standard cost-effectiveness test perspectives. Even accepting Entergy’s cost-benefit numbers as true—which TASC does not—the size of the alleged cost-benefit mismatch is de minimis. Just as was the case with Entergy’s cost of service analysis, a slight adjustment to the input assumptions could drastically change the outcome in a direction showing a long-term net benefit to other customers. TASC encourages the Council to hire a third-party consultant to determine the costs and benefits prior to making any changes to its current net metering policy.

II. Grandfathering Rights Should Be Granted to all Customers Installing Net Metering Facilities Prior to an Order Modifying Net Metering or Establishing New Rates.

TASC does not believe Entergy has sufficient data to justify any changes to the existing net metering policy. There is no proof that the current rate structure and current net metering policy design results in a rate or practice that is currently unjust or unreasonable. Accordingly,

Entergy’s discussion of grandfathering existing customers is premature and need not be addressed until such time that substantial modifications to the policy are under consideration. As recommended above, TASC suggests that the procedural schedule of this proceeding should be stayed for the amount of time necessary for Entergy to design, deploy and conduct net metering load research study to collect a minimum of twelve months of data.

Should the Council consider near-term modifications to net metering, notwithstanding the need to cure this data deficiency, TASC suggests that it is important as a matter of public policy to respect the investment of existing net metering customers and allow them to continue to receive service on the generally applicable rates using the current net metering structure. Allowing customers to remain on the legacy policy for 20 years would match many of the solar panel manufacturer’s warranties and approximate the useful life of the system. This would allow customers not only to recoup their investment, but to fulfill their reasonable investment expectation that the overall historic rate structure applicable to the residential class for generations would not be altered as it relates to them as net metering customers.

At approximately 7,000 strong, net metering customers represent an impressive constituency and reflect the full economic and geographic diversity of the Entergy’s service territory. Providing grandfathering is a sensible public policy to avoid the tumultuous and contentious struggles that have occurred in other jurisdictions where attempts to curtail net metering rights have been made. As multiple other jurisdictions have already done, TASC recommends that the Council adopt full grandfathering, for at least a period of 20 years, for

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existing customers should it significantly alter either the net metering rules or the rate options available to customer-generators.\textsuperscript{11}

III. Conclusion

For the reasons stated herein, TASC respectfully requests that the Commission stay the procedural schedule in this proceeding and require Entergy to undertake a load research study of net metering customers using a statistically valid sample. During the period where Entergy is designing and deploying its net metering load research study, TASC asks that the Council hire an independent consultant to perform a comprehensive cost-benefit analysis of the existing net metering program.

Respectfully submitted on November 14, 2016.

Respectfully Submitted,

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\textsuperscript{11} See, e.g., California Public Utilities Commission Decision No. 14-03-041 (granting 20 year grandfathering period for existing net metering customers); Hawaii Public Utilities Commission Order No. 33258 (providing indefinite grandfathering for existing customers); Nevada Public Utilities Commission (9/21/16 Order in Docket Nos. 16-07028 and 16-07029) (approving stipulation providing for 20 years of grandfathering for existing net metering customers).
CERTIFICATE OF SERVICE

I hereby certify that I have this 14th day of November, 2016, served the required number of copies of the foregoing pleading upon all other known parties of this proceeding, by electronic mail.

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UTILITY DOCKET NO. UD-13-02

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Attachment A

ENOI Residential Load Factors from Separate Ratio Analysis.xlsx
Sent to the service list via email from Polly S. Rosemond 4/28/16

<table>
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ENOI Residential Sample Design

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