August 6, 2018

By Hand Delivery and U.S. Mail

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

RE: RESOLUTION DIRECTING ENTERGY NEW ORLEANS, INC. TO INVESTIGATE AND REMEDIATE ELECTRIC SERVICE DISRUPTIONS AND COMPLAINTS AND TO ESTABLISH MINIMUM ELECTRIC RELIABILITY PERFORMANCE STANDARDS AND FINANCIAL PENALTY MECHANISMS Docket No. UD-17-04

Dear Ms. Johnson:

Please find enclosed an original and three (3) copies of the Alliance for Affordable Energy’s Comments in the above mentioned docket. Please file the attached communication and this letter in the record of the proceeding and return one timestamped copy to our courier, in accordance with normal procedures. If you have any questions, please do not hesitate to contact me.

Thank you for your time and attention.

Sincerely,

Logan Burke
Executive Director
Alliance for Affordable Energy

4505 S. Claiborne Ave, New Orleans, LA 70125 □ Office: 504.208.9761 □ www.all4energy.org
RE: RESOLUTION DIRECTING ENTERGY NEW ORLEANS, INC. TO INVESTIGATE AND REMEDIATE ELECTRIC SERVICE DISRUPTIONS AND COMPLAINTS AND TO ESTABLISH MINIMUM ELECTRIC RELIABILITY PERFORMANCE STANDARDS AND FINANCIAL PENALTY MECHANISMS  Docket No. UD-17-04

Certificate of Service Docket No. UD-17-04

I hereby certify that I have this 6th Day of August, 2018, served the required number of copies of the foregoing correspondence upon all other known parties of this proceeding, by USPS or electronic mail.

[Signature]

Logan A. Burke
Executive Director
Alliance for Affordable Energy
Before the Council of the City of New Orleans

RE: RESOLUTION DIRECTING ENERGy NEW ORLEANS, INC. TO INVESTIGATE AND REMEDIATE ELECTRIC SERVICE DISRUPTIONS AND COMPLAINTS AND TO ESTABLISH MINIMUM ELECTRIC RELIABILITY PERFORMANCE STANDARDS AND FINANCIAL PENALTY MECHANISMS

Docket No. UD-17-04

The Alliance for Affordable Energy’s Response to Energy New Orleans Inc, Reliability Plan

The Alliance appreciates this opportunity to provide comments on Entergy New Orleans Inc, (“ENO”) amended plan for reliability improvements. In particular, these comments are focused on ways in which the City Council may require reliability standards, and how success in meeting such standards should be incentivized or penalized. The Alliance maintains that in order for Council priority goals to be met, that explicit policies must be memorialized. Priorities spoken from the dais cannot be assumed to be followed by a regulated entity without clear direction in ordering paragraphs. Therefore, we recommend this Council make clear their priorities through resolution in order to provide specific guidance to the utility, on reliability matters, and any other issues the Council considers central to the public’s interest in New Orleans.

The use of performance standards, with accompanying incentives and penalties is not unusual, and in fact is a common tool used by regulators to improve utility reliability. Without clear direction from the regulator, a utility may find themselves performing below an unspoken standard. In the case of Entergy New Orleans, no standards have ever been set, leading to frustration from consumers, regulators, and thus the utility. As with every business, uncertainty of expectations can lead to disappointment, but clear targets, rewards, and consequences give a business a way forward to provide the service expected of them.

Based on data and the Company’s filings, there is no doubt the root of our reliability concern is the distribution grid. Further, equipment failure on the distribution system has
consistently been the driver of outages in New Orleans over the last 6 years. Public responses to
discovery requests received from Entergy in Council Docket UD-16-01 shows the decline in the
reliability of Entergy’s equipment since 2011. Unfortunately, current regulatory structure
actually provided a disincentive to invest in the New Orleans distribution grid. The costs to
maintain the local system were presumably “baked into” the utilities’ operations and
maintenance costs, which were firmed up the 2008/2009 rate case. While it was clear enough the
utility was over-earning based on the rate structure following the 2008/2009 rate case that the
Formula Rate Plan reduced the overall revenue requirement for five years in a row, since 2014,
the dollars slated to pay for distribution have held steady. With a “rate freeze” in place, an
investor-owned utility’s profit motive incentivizes savings to be found, and a reduction in
operations and maintenance costs is the place to find those savings. This may explain Entergy’s
self-described decision to reduce distribution system spending by $1M in 2015. An unintended
consequence of a regulatory decision like a rate-freeze may be balanced with service standard
requirements to ensure a utility’s profit-seeking doesn’t come at the expense of reliability.

The Alliance recognizes that the costs of 100% reliability are untenable for New Orleans
ratepayers, and is not recommending such an un-reachable and expensive goal. However, as
Entergy and the Council are focusing on “modernizing” the grid, like in Docket UD-18-01, the
Alliance encourages a coordinated effort to consider how to use the technology that is already
being deployed to improve both duration and frequency of disruptions. Entergy and others have
pointed out that Advanced Metering Infrastructure (“AMI”) will be a valuable tool for
monitoring and optimizing the distribution system, and will improve outage duration by allowing
the utility to more efficiently pinpoint the cause and location of the outage. In addition, AMI can
be used to diagnose developing problems on the system even before an outage occurs so that the
utility can focus their attention on reliability efforts ahead of a failure.

According to Entergy’s filings in this docket over the last year, two leading causes of
equipment related outages are transformer and conductor failures. While ENO filings state that
these outages are unpredictable, there may be an opportunity to reduce the strain on the system
that results in overloading by using targeted Demand Side Management. Indeed, Entergy’s Root
Cause Analysis¹, described “Winter Cold Snap, Summer Heat Wave, or Unusual Peak

¹ July 5, 2018, Entergy New Orleans, LLC’s. Revised Reliability Plan, Docket UD-17-04,
Exhibit 3
Loading” as reasons for equipment failure. This points to value in both management and generation on the customer side of the system, ranging from efficiency, demand response, battery storage, and solar. Reducing strain and overloading on the utility’s aging infrastructure can mitigate outages, while AMI provides better data to predict outages and system weakness, but for improved and maintained reliability clear direction from the regulator is needed as to what level of customer disruption will be tolerated.

In addition to SAIDI and SAIFI, the Alliance recommends ENO be required to report Momentary Average Interruption Frequency Index. The Alliance is aware that momentary outages can be just as disruptive as longer duration outages, especially where these momentary outages cause electronics/equipment failure on the customer side from voltage spikes and dips. HVAC, computers, and other mechanical equipment, owned by residents, businesses, and government agencies are vulnerable to these kinds of brief surges and losses of reliable power, and the costs to replace equipment can be high. For this reason, we suggest MAIFI be considered an important metric and guideline.

Performance Reporting

This docket was opened in response to increasing constituent phone calls to Council offices related to frequent outages. In order for the Council to stay aware of Entergy’s system performance, the Alliance recommends the Council maintain the requirement for bi-monthly reporting on outages including cause of outages, council district data, and fair weather vs. storm metrics. In addition, we recommend the utility be required to file an annual report to include:

1) SAIDI/SAIFI/MAIFI for Orleans Parish and each Councilmanic district
2) Information on major events (such as hurricanes/floods)
3) ENO’s plan for addressing worst-performing feeders, and summary of outage causes.

Performance Standards

When the Louisiana Public Service Commission created reliability standards for major utilities the Commission required incremental improvement in order for utilities to reach their goals. Over the course of 5 years, utilities were required to improve interruptions metrics by 25%. Entergy New Orleans reported in their July 5, 2018 filing that Customer interruptions in

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2018 have decreased by 30%\(^3\), and that where devices were specifically targeted, interruptions decreased by 64%. This is significant improvement, and suggests that Entergy New Orleans’ plan is working. Where outage causes have increased, including equipment failure, the Alliance urges the utility to consider resolving the “root causes” by reducing strain on equipment from the demand side where possible.

At this time, the Alliance does not have a specific recommendation for SAIDI/SAIFI/MAIFI goals at this time, but does encourage the Council to consider average LPSC jurisdictional metrics in deciding on an appropriate target, including

- Annual Maximum SAIDI: 2.87 hours
- Annual Maximum SAIFI: 2.28 interruptions per year\(^4\)

The Council and advisors may also compare peer-utility performance when deciding on a target for ENO. Utilities with similar weather and infrastructure age should be part of this comparison, including utilities along the Gulf Coast like Entergy Louisiana’s LPSC requirements.

In addition, as discussed in the Utility, Technology, Telecommunications Committee meeting on July 19, 2018, Entergy was asked if it has a standard tracking system for its distribution assets. Such a tracking system, alongside regular reporting could provide both the utility and the Council a better understanding of the age, health, and reliability of the distribution grid, and how the utility might plan for future needs.

**Incentives and Penalties**

Goals tied to utility incentives or penalties can provide the utility a path for both improving service quality and improving their bottom line, especially if the rate structure is performance-based. As described above, the structure of Entergy New Orleans profit model passively incentivizes reduced focus on cost-cutting, rather than performance. On the other hand, the Alliance is not suggesting the utility be incentivized to “throw money” at the problem and incentivize spending on distribution just to spend. Instead, a system that values performance and customer satisfaction over capital investments would send the appropriate signals to provide the service prioritized by both the Council and customers. Penalties do provide the accountability

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\(^3\) July 5, 2018, Entergy New Orleans, LLC’s. Revised Reliability Plan, Docket UD-17-04, p. 7.

\(^4\) General Order of April 30, 1998, Docket No. U-22389
necessary to ensure goals and targets are met. LPSC rules provide for only penalties, with an annual $500,000 fine for failure to meet standards. If the council is not interested in broad performance based regulation we recommend a simple penalty structure is applied to maintain accountability.

Thank you for this opportunity to provide our comments on Entergy’s reliability reports and for considering appropriate rules and policies to provide New Orleans energy customers the reliability they deserve.
Docket UD-17-04

ENTERGY NEW ORLEANS, INC. TO INVESTIGATE AND REMEDIATE ELECTRIC SERVICE DISRUPTIONS AND COMPLAINTS AND TO ESTABLISH MINIMUM ELECTRIC RELIABILITY PERFORMANCE STANDARDS AND FINANCIAL PENALTY MECHANISMS

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