

ENTERGY NEW ORLEANS, LLC  
CITY OF NEW ORLEANS  
Docket No. UD-17-03

Response of: Entergy New Orleans, LLC  
to the Fourth Set of Data Requests  
of Requesting Party: Advisors to the Council  
of the City of New Orleans

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Question No.: Advisors 4-3

Part No.:

Addendum:

Question:

Please refer to the 2018 Triennial Integrated Resource Plan of Entergy New Orleans, Inc., Section 4.2.4 Demand-Side Management, and the statement on page 44: “Given Optimal’s general conclusions that significantly more kWh savings can be achieved at a lower cost per kWh than Navigant projects, it seems likely that Optimal may have more aggressive assumptions about measure costs, initial measure saturation levels, and adoption rates as well.” Refer also to the statement on page 44: “In the context of short-term DSM implementation planning, ENO must consider the different perspectives offered by the studies as it designs an Energy Smart Implementation Plan that it believes is reasonable, cost-effective, and achievable for the Council to review. To that end, ENO intends to develop the Energy Smart Implementation Plan by drawing on information from both studies.” Please describe in detail how the measure costs, initial measure saturation levels, and adoption rates for each program will be drawn from both studies to support the Energy Smart implementation plan for program years 10, 11, and 12.

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Response:

### **Incremental Measure Costs**

Consistent with the Council’s IRP Rules,<sup>1</sup> the projection model measure costs used to develop the Energy Smart Implementation Plan will be primarily determined via the Incremental Measure Costs (“IMC”) listed specifically in the New Orleans Technical Reference Manual, v.2 (“NOTRM”). Measures that do not have explicit incremental measure costs in the TRM will be researched using additional resources such as the most current Arkansas TRM, Wisconsin Focus on Energy program TRM, the Michigan Energy Measures Database, and other online sources.

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<sup>1</sup> See Electric Utility Integrated Resource Plan Rules of the Council of the City of New Orleans at Section 2(A)(12) (“The data and methodologies in this document [NOTRM] are to be used by program planners, administrators, implementers and evaluators for forecasting, reporting and evaluating energy and demand savings, costs, and other metrics from DSM measures installed in New Orleans.”).

Measure-level incentive amounts will be set using a combination of the guidance provided in (i) the 2018 IRP DSM Potential Studies, prepared by Navigant Consulting and Optimal Energy, Inc., (ii) analysis of historical ENO incentive rates, (iii) recommendations from the program evaluator, ADM and Associates, (iv) benchmarking via online sources such as ESource and CoStar, and (v) APTIM's years of experience administering the Energy Smart program and other programs around the country.

The Navigant 2018 DSM Potential Study specifically states that incremental cost information from the NOTRM was used as much as possible. This is consistent with what APTIM will use as the main source of measure costs for its projections. The study also references a "Base Case" where incentives cover on average 50% of total incremental measure cost across the board. The overall program Total Resource Cost ("TRC") score for the Base Case is 1.7 on average, indicating relatively high cost effectiveness. Two other cases from the Navigant study ("Low" and "High" cases) use incentives that cover 25% and 75% of total incremental measure cost, respectively. The High Case (where incentives are 75% of measure cost) has a slightly lower TRC, however it is noted that "higher incentives may make higher cost measures more attractive to end users and spur their adoption." The Navigant "2%" case ramps the incentive amounts from 50% to 100% of IMC between 2018 and 2024. The Optimal Energy, Inc., 2018 DSM Potential Study also specifically references the NOTRM as the main source of its measure list and it uses an average incentive of 50% of total IMC in its Program Achievable Case, as it states that increasing incentive levels overall (i.e., offering incentives closer to 100% of IMC) results in diminishing returns.

### **Initial Saturation Rates**

Neither of the potential studies predicts that market saturation will become a factor in Program Years 10, 11 or 12. The Optimal study estimates that market saturation will have an impact after 2027, at the earliest, while the Navigant study references earlier potential studies that estimate that the earliest impact would be in 2024. This is consistent with APTIM's expectation for this market. As a result, impacts of saturation are not included.

### **Adoption Rates**

In developing measure adoption rates in the Energy Smart Portfolio, APTIM will utilize the Navigant and Optimal potential studies to help develop comprehensive offerings that introduce new measures and highlight existing measures with large potential and impacts. APTIM will blend those analyses with historical measure data and the vision of the Energy Smart Portfolio to propose a cost effective and achievable measure mix. APTIM will leverage their experience and the experience of the main residential implementer, Franklin Energy, both of which have significant experience administering and implementing programs around the country and with the Energy Smart program since 2017. The measures outlined in the models will align with the measure potential indicated in both potential studies.