



September 16, 2019

By Hand Delivery

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

In Re: 2018 TRIENNIAL INTEGRATED RESOURCE PLAN OF ENTERGY NEW ORLEANS, INC.
[REDACTED] (Docket No. UD-17-03)

Dear Ms. Johnson:

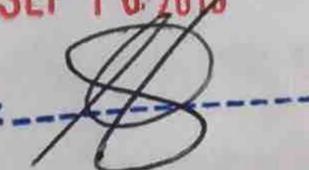
Please find enclosed an original and two (2) copies of the Alliance for Affordable Energy's comments in the above mentioned docket. Please file the attached communication and this letter in the record of the proceeding and return one timestamped copy to our courier, in accordance with normal procedures. 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

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BEFORE THE NEW ORLEANS CITY COUNCIL

RE: 2018 TRIENNIAL

INTEGRATED RESOURCE

PLAN OF ENTERGY NEW

UD-17-03

ORLEANS, INC.

**The Alliance for Affordable Energy’s Comments on Entergy New Orleans, LLC’s
Integrated Resource Plan Report**

The Alliance for Affordable Energy (“The Alliance”) respectfully submits these comments in response to Entergy New Orleans’ (“ENO”) 2018 IRP report, filed July 19, 2019. This IRP represents a significant step forward in modern energy planning and stakeholder engagement for New Orleans, and is a product of the commitment by all intervenors and stakeholders who took part in re-crafting Integrated Resource Planning Rules, and putting forth collaborative effort to follow the steps outlined in those rules. The Alliance is encouraged to see the outcome, which makes plain the opportunities for New Orleans to transition to affordable, renewable, and efficient energy in the future, especially when stakeholders are allowed to fully participate and provide meaningful input.

The Alliance is committed to an IRP process that is open and transparent. We were, therefore, disturbed to find that the City Council passed Resolution R-17-430 which included a provision for secrecy of the process. This resolution, for the first time, treated IRP technical meetings as confidential settlement negotiations. At the first technical meeting on the IRP, ENO staff and the Advisors pointed to this provision in the resolution and called on the Alliance and

other intervenors to agree to keep the meetings secret. Following this meeting, The Alliance and the Deep South Center for Environmental Justice filed a joint letter to the Council in opposition to secret IRP meetings (see attached). In our letter, we explained that the provision in Resolution R-17-430 was completely contrary to the Council's own IRP rules and an anathema to good public policy. As a result of our letter, the Council passed Resolution R-18-135 which deleted the secrecy provision for IRP meetings that was in the prior resolution. We appreciate the Council taking the necessary action to course correct the IRP process to ensure it is open and transparent, and we point out that the change to increase transparency improved engagement with community groups.

There are a number of outstanding pieces of information and decisions that will impact the long-term outcome of the energy landscape in New Orleans, and whether any of the portfolios presented in this report will eventually be executed. While an IRP is always a snapshot in time, this particular document shows four potential pathways at a critical point in the city's history: between traditional energy models, based on utility-owned centralized fossil fueled power plants threaded together across distribution and transmission, and an innovative future that seeks to use energy more intelligently, reduce energy waste, and use renewable energy both distributed and utility scale. Decisions related to the outcome of Docket UD-19-01, considering a Renewable Portfolio Standard, retirements and performance of affiliate PPAs, and the impact of a potential shift of Sewerage and Water Board's energy from self-generation to Entergy-provided transmission level service, will all have meaningful impacts on how the city moves forward on any of these portfolios. This means that this document must be considered in its own context, and is best used at this time to inform the upcoming years of Energy Smart programming. Below, we lay out our thoughts on the demand side management ("DSM") details provided in the IRP

report, and outline how some outstanding decisions and information may impact the eventual implementation of this resource plan.

Demand Side Management

An important, and certainly unique, feature of this IRP was the inclusion of two Demand Side Management Potential Studies: one by Optimal Energy, Inc. (“Optimal”) prepared for the City Council, and one by Navigant Consulting, Inc. (“Navigant”) for Entergy. The Council’s decision to contract with Optimal for this study underscores the benefit of an outside perspective, independent from the existing utility model. These two studies project substantially different achievable energy efficiency potentials, yet both outline opportunities to significantly increase efficiency and reduce peak demand. Entergy provides some conjecture regarding potential reasons for the different energy efficiency savings estimates provided by the two studies, and states that “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.”¹ The Alliance doesn’t entirely disagree with this conjecture, but urges the Council and Advisors to consider the converse as well: that Navigant may have used more conservative—even unreasonably conservative—assumptions about the potential adoption of energy efficiency by ENO’s customers. Indeed, a cornerstone of Navigant’s methodology is that after it develops an estimate of achievable potential, that estimate is then “calibrated to the historical Energy Smart program data.”² In other words, Navigant assesses the accuracy of its estimate based on

¹ August 28, 2019, Entergy New Orleans, LLC 2018 Integrated Resource Plan Report, p.44

² ENO IRP report, PDF p. 134.

the amount of savings that has historically been achieved by ENO. This approach will lead to inevitable conservatism since ENO has not previously been driven by Council requirements to achieve as much energy efficiency as can cost-effectively be achieved. In effect, Navigant benchmarks its achievable potential estimate with a past scenario in which maximized savings were not required.

However it is not unreasonable for Entergy to state that it intends to draw from both of these studies to develop its DSM Implementation Plan.³ Unfortunately, with only a 2038 level of anticipated peak load reduction (MW) associated with the DSM programs identified in each portfolio, it is difficult to ascertain how the two DSM potential studies translate to the total energy futures under any of the portfolios in the IRP. For example, what are the ramp-up periods and rates for these programs? How much of the peak reduction is coming from Energy Efficiency programs (and how much is coming from each program), and how much from Demand Response? Lastly, and perhaps most importantly, why is the overall peak reduction in the portfolios considerably lower than the potential from both the Navigant and Optimal studies?

Optimal describes a cumulative peak demand reduction from all DSM programs reaching 350 MW by 2037⁴, while Navigant's total peak demand reduction from all programs reaches 346 MW under the 2% savings scenarios. Despite this opportunity, the four portfolios range from only 187 MW on the low-end and 278 MW on the high end⁶. It may be that these levels are not assumed to be reached at the end of the time horizon, but rather at some point along the way. However, without more information on each of these portfolios' timelines, it is impossible to determine how each one functions over time. The Alliance recommends ENO provide tables,

³ ENO IRP report, pg 7

⁴ Optimal DSM report, pg 56

⁵ Navigant DSM report, pg xvi

⁶ ENO IRP, report, pg 62

similar to Table 27 included in the February 2, 2016 IRP report that show the annual incremental addition of capacity for each of the four portfolios.

Similarly, more information is needed regarding the expected total MWh energy savings associated with the different programs that comprise each of the portfolios. Entergy provides a visual reference comparing the different DSM potentials from the two studies,⁷ but any detail on the program areas that would produce the savings is lacking.

Specific Program Area Issues

Behavioral: The Navigant study includes savings from behavioral programs but the Optimal study does not. To what extent does Entergy expect to rely on behavioral programs to achieve the savings levels it includes in the different portfolios?

Conservation Voltage Reduction: In the Optimal study Conservation Voltage Reduction (“CVR”) was one of the top 10 saving measures for the residential sector (8% of potential electric energy savings⁸), the low-income sector (3.8%⁹), and the commercial and industrial sector (4.6%¹⁰). Never the less, Entergy’s IRP report is entirely mute on CVR, as is Navigant’s potential study. It is important for the Council and parties to understand what the basis of this significant omission is. For example, if Entergy is addressing CVR as an element of ongoing system maintenance, so that its benefits are already being captured outside of its DSM programs, that would be a wholly different reason than if, for some reason, Entergy has chosen not to

⁷ ENO IRP report pdf. p. 475.

⁸ Optimal Study, pg. 27

⁹ Optimal Study, pg 29

¹⁰ Optimal Study, pg 31

conduct CVR at all. Given that Optimal reports a TRC cost-effectiveness score of 56.53¹¹ the Alliance encourages ENO to explain its approach to CVR, and if it is not being conducted outside the DSM program umbrella then ENO should include this measure in its forthcoming DSM implementation plan in order to maximize cost-effective savings across the DSM portfolio.¹²

Retirements and Affiliate PPAs

More information is needed from Entergy on the expectation of retirements associated with affiliate PPAs, and how these plant retirements impact the energy mix in terms of time, cost, and resource replacement. Some assumptions may be made that the 150 MW ENO states it expects to retire¹³ by 2038 are the oldest coal and legacy gas plants owned by Entergy affiliates, including Independence, Little Gypsy, White Bluff, Nine Mile, and Sterlington. The Alliance is aware that ENO's affiliate, Entergy Louisiana is conducting a Legacy Generation Economic Study, expected to be released in the fourth quarter of 2019, which will evaluate its "legacy" fossil fueled power plants. According to Entergy Louisiana's IRP report, filed in May of this year¹⁴, they will report on "reliability implications of future unit deactivations and retirements...." ENO notes that deactivation decisions are confidential¹⁵, but in prior New Orleans IRPs, the timeline of total retiring capacity was made public¹⁶ even if the specific plant level information was not.

¹¹ Optimal Study, pg 90

¹² While a DSM implementation plan for 2020-2022 has yet to be filed, (expected in December, 2019), preliminary information related to the program, filed in the docket on August 28, 2019, suggests that CVR has been left out of DSM plans.

¹³ ENO IRP report, pg 13

¹⁴ May 2019, LPSC Docket I-34694 Entergy Louisiana IRP Report, pg. 14 [https://www.energy-louisiana.com/userfiles/content/irp/2019/ELL_IRP_2019_public.pdf]

¹⁵ ENO IRP report pg. 13

¹⁶ February 2, 2016, Entergy New Orleans, Inc, 2015 Integrated Resource Plan, table 28, page 79

Since at least 521 MW of capacity is owned through affiliate PPAs and any part of those resources may be considered for retirement as a result of poor economics or reliability, the Alliance recommends ENO plan to file Entergy Louisiana's Legacy Economic Study with the Council when the study is filed with the Louisiana Public Service Commission.

These affiliate PPAs currently leave Entergy New Orleans customers exposed to risk. Currently New Orleans customers are paying for expensive PPAs that are propping up uneconomic resources, including Grand Gulf, and others. The relative economics of these aging plants as opposed to low-cost renewable energy PPAs and demand side management could dramatically change the overall portfolio of resources for New Orleans, and provide a benefit to ratepayer bills as well. This IRP report shows only information related to incremental additions to ENO's current resources, rather than allowing potentially lower-cost resources to compete and replace inefficient and uneconomic power. In addition, here, resources allowed to compete are assumed to be investments by ENO, as opposed to contracted or acquired in other ways. As the Council is aware, it may be far more cost effective for ENO to contract with an unaffiliated third party for resources than for ENO to build, own, and operate them.

Sewerage and Water Board

Entergy refers, in this report, to an on-going discussion related to the electrification of Sewerage and Water Board's ("S&WB") drainage and water purification¹⁷. While this is still uncertain, and is subject to agreements by S&WB, it is notable that the impact of additional load replacing S&WB's current self-generation would represent a significant change in New Orleans' energy system and a change to the utility's load shape, as S&WB is understood to be the largest energy

¹⁷ ENO IRP Report, pg 14

user in the city. The work of the Joint Reliability Team may have an impact in the long-term, although, the timeline of “short, mid, and long-term” has not been defined. While it is not addressed, the Alliance assumes S&WB falls under either (or both) governmental or industrial classes for planning purposes, including DSM opportunities. While the Alliance takes no position here on the future of S&WB’s energy portfolio, it is worth noting that what-ever decisions may be made, even before this Council takes a position on this IRP, will surely impact the outcome.

Grid Modernization

The Alliance is encouraged to see the efforts put forward by ENO to optimize distributed resources and a modern distribution grid for New Orleans. In particular, leveraging the value of the stack of features inherent in Advanced Metering Infrastructure. The Alliance feels it is imperative that these, already approved, technologies be fully utilized to improve reliability of the grid and the deployment of more demand side resources. As new modernizations are required, we look forward to full analysis to ensure customers will receive the affordability and reliability promised. The Alliance also encourages ENO to file the studies described in this report¹⁸ into docket UD-18-01 as they are completed. While the company’s DOE grant proposal for DERadio was not selected, the Alliance looks forward to further discussion of similar projects within UD-18-01. It is clear that distributed resources are already a powerful aspect of the New Orleans energy system, and will continue to grow, whether ENO-owned or not, and tools that better plan for such resources, will be necessary for future system planning.

¹⁸ ENO IRP report, pg 30-32

Renewable Portfolio Standard

Entergy's portfolios, and the scenarios and strategies that shaped them, were developed ahead of the Council's decision to consider a Renewable Portfolio Standard. While the new IRP rules contemplate such Council action¹⁹, there was no renewable policy in place when this IRP cycle was initiated. However, all parties to this IRP are aware that a process is now underway to consider such a Standard for the city of New Orleans. Therefore it is worthwhile to note where these two proceedings overlap, where they diverge, and where additional information from both may provide a clearer path forward.

Of all proposed rules (Energy Future New Orleans, ENO, and Advisors) only Portfolios 3 and 5 would support compliance in the future. In fact, based on the information provided here, even Portfolios 3 and 5 would provide less renewable energy than even Entergy recommends in their proposal for a Clean Energy Standard, ("CES"). Entergy's proposal in Docket UD-19-01²⁰ suggests the utility should acquire an additional 150 MW²¹ of renewable energy before 2030, which is not included in any of the portfolios modeled in this IRP. These additional resources would likely supplant early retirements of uneconomic Entergy affiliate PPAs, but as noted above, because existing resources were "baked in" to the model, it is somewhat difficult to use this IRP to inform the Council's decision on in docket UD-19-01. The best information to be gleaned from this IRP report, however, is that optimized demand, plus renewable, efficient resources, all supported by backup storage would be the most cost effective new choices going forward.

¹⁹ R-17-429, Electric Utility Integrated Resource Plan Rules, 5.A.3.a, pg. 7

²⁰ June 3, 2019, Entergy New Orleans, LLC's Comments in Response to Council Resolution R-19-109, Concerning the Establishment of Renewable Portfolio Standards.

²¹ ENO's comments recommend 240 MW, including the 90 MW of new solar resources the Council has already approved in R-19-293.

Conclusion

The Alliance is encouraged by this collaborative effort. There is no doubt that dynamic technology, policy, and system change is underway which will impact the future of New Orleans' energy landscape, and this IRP report provides insight as to the value of cost-effective programs to more optimally use energy, reduce energy waste, adopt fuel-free renewable resources, and focus on resources located on the distribution grid. But, there is more homework to do. We urge the Council to consider this IRP report as they prepare to make decisions about New Orleans energy future, including Energy Smart in the short term and a Renewable Portfolio Standard in the long term, and continue to foster community input and transparency as policy goals.

Docket UD-17-03

2018 TRIENNIAL INTEGRATED RESOURCE PLAN OF ENERGY NEW ORLEANS, INC. DOCKET NO. UD-17-03

Certificate of Service Docket No. UD-17-03

I hereby certify that I have this 16th Day of September, 2019, served the required number of copies of the foregoing correspondence upon all other known parties of this proceeding, by USPS or electronic mail.



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