January 27, 2020

BY HAND DELIVERY

Ms. Lora W. Johnson
Clerk of Council
Council of the City of New Orleans
City Hall, Room IE09
1300 Perdido Street
New Orleans, LA 70112

Re: 2018 Triennial Integrated Resource Plan of Entergy New Orleans, LLC
CNO Docket No. UD-17-03

Dear Ms. Johnson:

Enclosed please find an original and four (4) copies of the Advisors' Report Regarding the Entergy New Orleans, LLC Application for Approval of the Implementation Plan for Program Years 10-12 of the Energy Smart Plan, which we are requesting be filed on behalf of the Council's Utility Advisors. Please file the enclosed document and this letter in the record of this proceeding in accordance with your normal procedure.

Sincerely,

[Signature]

J. A. "Jay" Beatmann, Jr.
Counsel

JAB/dpm
Enclosures

cc: Official Service List
BEFORE THE
COUNCIL OF THE CITY OF NEW ORLEANS

IN RE: 2018 TRIENNIAL INTEGRATED
RESOURCE PLAN OF ENTERGY NEW
ORLEANS, INC.

DOCKET NO. UD-17-03

IN RE: RESOLUTION REGARDING PROPOSED
RULEMAKING TO ESTABLISH INTEGRATED
RESOURCE PLANNING COMPONENTS AND
REPORTING REQUIREMENTS FOR ENTERGY
NEW ORLEANS, INC.

DOCKET NO. UD-08-02

ADVISORS REPORT REGARDING THE ENTERGY NEW ORLEANS, LLC
APPLICATION FOR APPROVAL OF THE IMPLEMENTATION PLAN FOR
PROGRAM YEARS 10 THROUGH 12 OF THE ENERGY SMART PLAN

January 27, 2020
Pursuant to the procedural schedule set forth in Resolution No. R-19-516, the Advisors submit this Advisors’ Report regarding Entergy New Orleans, LLC’s Application for Approval of the Implementation Plan for Program Years 10 Through 12 of the Energy Smart Program (“Implementation Plan”).

Entergy New Orleans, LLC (“ENO”) submitted its Implementation Plan to the Council in compliance with Council Resolution No. R-17-430, as modified by the March 26, 2018 Order from the Hearing Officer in Council Docket No. UD-17-03, to set forth ENO’s proposed program offerings, budgets, kWh savings goals, and Utility Performance Incentive (“UPI”) for Program Years (“PY”) 10-12 of the Energy Smart Program.

The Advisors are pleased that in the Implementation Plan ENO offered two scenarios for the Council to consider, one that achieves the Council’s stated energy efficiency goals and one that is even more aggressive. The Advisors generally conclude that the program designs put forth by ENO in the Implementation Plan are reasonable, as discussed herein. The Advisors reviewed the development of estimated measure costs and reductions using program planning tool inputs and assumptions, and confirmed the appropriateness of the proposed budgets and kWh and kW savings goals. The Advisors recommend that the Council approve Scenario 2, the more aggressive budget scenario. Further, as discussed herein, the Advisors recommend that ENO’s Utility Performance Incentive (“UPI”) structure be approved, but that ENO’s proposed incentive at 100% achievement of the Council’s kWh savings targets of 10% of program costs be reduced to 7% of program costs. The following table represents the Advisors’ recommended budgets and savings targets for Energy Smart Program Years 10-12.

Scenario 2 Summary: Revised EMV @4% and Prorated PY10 w/ Advisor’s Recommended UPI

<table>
<thead>
<tr>
<th></th>
<th>EM&amp;V @4%</th>
<th>Program Costs Excl EM&amp;V</th>
<th>TPA Coordination</th>
<th>Total Costs</th>
<th>kWh</th>
<th>kW</th>
<th>UPI</th>
<th>Total Costs incl UPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>PY10</td>
<td>$581,195</td>
<td>$14,021,970</td>
<td>$26,600</td>
<td>$14,629,764</td>
<td>56,572,937</td>
<td>12,286</td>
<td>$903,841</td>
<td>$15,533,605</td>
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<tr>
<td>PY11</td>
<td>$750,504</td>
<td>$18,149,064</td>
<td>$11,700</td>
<td>$18,911,268</td>
<td>87,511,515</td>
<td>16,447</td>
<td>$1,208,699</td>
<td>$20,119,968</td>
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<tr>
<td>PY12</td>
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<td>$21,298,519</td>
<td>96,773,677</td>
<td>18,456</td>
<td>$1,363,192</td>
<td>$22,661,711</td>
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<tr>
<td><strong>Total</strong></td>
<td>$2,177,700</td>
<td>$52,608,854</td>
<td>$53,000</td>
<td>$54,839,551</td>
<td>240,858,129</td>
<td>47,289</td>
<td>$3,475,733</td>
<td>$58,315,284</td>
</tr>
</tbody>
</table>

The Council should also be advised that for the first time in many years, customers will experience a rate impact related to the implementation of the Energy Smart Program. Since Program Year 4, the program has been largely funded through refunds received by ENO from various proceedings at the Federal Energy Regulatory Commission. However, the availability of such refunds is neither stable nor predictable, and the Council, ENO, and stakeholders have all expressed interest in establishing a permanent, stable funding mechanism for the Energy Smart program. As a result, the costs of the Energy Smart program will now be incorporated into ENO’s rates. The projected typical bill impacts of the Energy Smart Implementation Plan, including the UPI recommended by the Advisors for Scenario 2 are approximately $3.99 on the typical residential customer monthly bill, $34.39 on the typical commercial customer monthly bill, and $480.46 on the typical industrial customer monthly bill.

1 Filed by Entergy New Orleans, LLC in Council Docket No. UD-17-03 on Dec. 9, 2019.
I. Background

The Energy Smart Program has its foundations in the Triennial Integrated Resource Plan (“IRP”) and consequently is planned in three-year cycles, consistent with the IRP cycles.

In Resolution R-15-140, ENO was required to issue a Request for Proposals (RFP) for a Third Party Administrator ("TPA") and a Third Party Evaluator ("TPE") for PYs 7-9. Based on the RFP, ENO chose APTIM as the TPA and ADM as the TPE. The selection of these firms for Energy Smart was approved by Resolution R-17-31, and they have served in those roles for Program Years 7 through 9.

Beginning April 1, 2017 ENO implemented PYs 7-9 and the results for Energy Smart reported as of September 2019 show that PYs 7 and 8 have exceeded the kWh goals for ENO Legacy and were close to achieving the kWh goals for Algiers. ENO has stated that it expects to meet or exceed the kWh goals for the results of the 4th quarter of PY9.

In Resolution R-17-430 initiating the 2018 IRP process, the Council adopted a procedural schedule which included a demand side management ("DSM") potential study conducted by a consultant selected by the Council. Thus, two DSM potential studies were developed for the 2018 IRP: one by Navigant Consulting, Inc. ("Navigant”), prepared on the Company’s behalf, and the other by Optimal Energy, Inc. ("Optimal"). Both DSM potential studies were used with the New Orleans Technical Reference Manual ("NOTRM”) to estimate the DSM costs and kWh/kW reductions for PYs 10-12 related to the energy efficiency ("EE") and demand response ("DR”) measures included in the Implementation Plan.

ENO and all parties reached a consensus related to incorporating the metrics from the measures in the two DSM potential studies into various program offerings in PYs 10-12.

The historical performance (kWh goal, kWh achieved, PY budget, and PY cost) of Energy Smart relative to the Council’s approved goals and budget through PY 8 (2018) – for each Legacy and Algiers are summarized in the Implementation Plan, Exhibit A. All but two years exceeded the kWh goals, with those two years exceeding 95% of goal for ENO Legacy. Complementing the success of the energy efficiency programs, the A/C direct load control program, initiated in PY 6, will now be expanded into several direct load control programs including large customers. While the first three program years were funded by ratepayers, the funding of Energy Smart in subsequent years was provided by non-ratepayer sources, including rulings favorable to ENO from several FERC dockets and the 2017 Tax Cuts and Jobs Act.

Although the annual costs of Energy Smart are soon expected to exceed $20 million annually, it is important to keep in mind that Energy Smart is cost-effective when evaluated and measured as a long-term resource. Program costs are incurred in the initial (program) year, but the benefits associated with those programs are represented by long-term avoided energy and capacity costs which accrue over the estimated useful life of those programs. The Implementation Plan tables of budget and goals show only the initial year kWh and kW reductions associated with programs and their cost for that specific program year. However, the cost incurred in the program year is expected to be less than the present value of the projected costs avoided over the life of the

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2 Exhibit A, page 2, Section II.a, Energy Smart Implementation Plan filed December 9, 2019.
programs. Likewise each year kWh savings reductions have been accumulating from many programs implemented in previous program years, such that there are kWh savings still being realized from some programs implemented in PY 1.

II. ENO’s Proposed Implementation Plan

Recognizing that it would not have sufficient time to approve the program design, budget and targets for Program Year 10 of the Energy Smart program before the expiration of Program Year 9 on December 31, 2019, the Council issued Resolution No. R-19-516 extending Program Year 9 by three months through March 31, 2020 and shortening Program Year 10 by three months, to run from April 1, 2020 through December 31, 2020. Because Resolution No. R-19-516 was adopted after ENO’s initial filing of the Implementation Plan, ENO subsequently made three filings, a January 15 filing with proposed budgets and kWh savings targets for the Program Year 9 extension, a January 22, 2020 filing with a Revised Implementation Plan for Program Years 10-12, and a Corrected Energy Smart Revised Implementation Plan for Program Years 10 – 12.

On December 9, 2019, ENO filed its Implementation Plan for Program Years 10-12 of the Energy Smart Program. The Implementation Plan sets forth ENO’s proposed program offerings, budgets, kWh savings goals, and Utility Performance Incentive (“UPI”) for Program Years 10-12 of the Energy Smart Program. Of particular note, ENO for the first time has offered two budget scenarios for the Council’s consideration, the first Budget Scenario being designed to comply with the requirement that ENO evaluate the Council’s “goal of increasing energy efficiency incremental annual kWh savings by 0.2% of sales per year until such time as incremental annual kWh savings reach 2% of annual sales,” and the second Budget Scenario being designed to reflect a more aggressive set of kWh savings goals.

ENO proposes to continue to employ the APTIM as the Third Party Administrator (“TPA”) and ADM Associates (“ADM”) as the Third-Party Evaluator (“TPE”) for Program Years 10-12. Through an RFP selection process, ENO selected APTIM and Honeywell Smart Energy (“Honeywell”) to assist ENO in developing and implementing its new demand response offerings for Program Years 10-12.

The Implementation Plan sets forth the following Residential Offerings for Program Years 10-12 of the Energy Smart Program:

- **Home Performance with Energy Star (“HPwES”)** -- Local auditors and contractors will help residential customers analyze their energy use and identify opportunities to improve

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3 Letter from Brian L. Guillot to Lora W. Johnson dated January 15, 2020, filed in Docket Nos. UD-08-02 and UD-17-03 (“PY 9 Extension Filing”).
4 Letter from Brian L. Guillot to Lora W. Johnson dated January 22, 2020, filed in Docket Nos. UD-08-02 and UD-17-03 (“Revised Implementation Plan”).
5 The Corrected Energy Smart Revised Implementation Plan for Program Years 10 – 12 was filed with the Clerk of Council on January 24, 2020 (“ENO Correction”).
6 Implementation Plan at 7.
7 Implementation Plan at 2.
8 Implementation Plan at 8-9.
efficiency, install low-cost energy-savings measures, and identify and implement more comprehensive home efficiency projects through three levels of home energy audits.\(^9\)

- **Retail Lighting and Appliances** -- Will provide customers the opportunity to purchase a variety of discounted products that are ENERGY STAR qualified or better.\(^{10}\) The two main program activities include (1) retailer recruitment and merchandizing and (2) administration of the incentive process (including program tracking).\(^{11}\)

- **Multifamily Solutions** -- Will address the unique needs of multifamily property owners through a combination of incentives for both direct install and prescriptive measures, and through property owner and tenant education.\(^{12}\)

- **Income Qualified Weatherization** -- Will offer qualifying customers free energy efficiency projects ranging from direct install measures, to demand response enable smart thermostats and comprehensive envelope measures.\(^{13}\)

- **A/C Solutions** -- Will provide residential customers with a more comprehensive set of options to lower the energy consumption and cost associated with keeping their homes cool and comfortable in the summer.\(^{14}\) The program will include comprehensive A/C tune-up and replacement, and demand-response enabled smart thermostats.\(^{15}\)

- **NOLA Wise School Kits & Education and Community Outreach** -- Program will continue to target middle school students in the New Orleans area, working with local schools to enhance energy efficiency lessons and providing students with energy efficiency kits they will install in their homes.\(^{16}\)

- **Behavioral** -- Program will work with Entergy’s new Customer Engagement Platform to offer a behavioral program to ENO’s residential customers where customers receive a monthly Home Utility Report that compares them to similar and efficient households, shows their usage over time, provides tips for having energy, rewards for taking actions and directs them to other program offerings.\(^{17}\)

- **Rewards** -- This program includes a dedicated budget that will be leveraged to reward Behavioral Program participants with incentives or prizes for participation.\(^{18}\)

- **Appliance Recycling and Replacement Pilot** -- Program will encourage early recycling of low efficiency appliances, such as refrigerators and freezers, for residential customers, as well as offering a refrigerator replacement option for income-qualified residential

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9 Implementation Plan at 3-4.
10 Implementation Plan at 4.
11 Implementation Plan at 4.
12 Implementation Plan at 4.
13 Implementation Plan at 4.
14 Implementation Plan at 4.
15 Implementation Plan at 4.
16 Implementation Plan at 5.
17 Implementation Plan at 5.
18 Implementation Plan at 5.
customers. The program will go beyond federal recycling requirements using environmentally friendly best practices for recycling all components of each appliance.

The Energy Smart Program Year 10-12 Commercial and Industrial Offerings proposed by ENO include:

- **Small Commercial & Industrial Solutions** -- Program will provide small businesses (100kW demand or less) and other qualified non-residential customers the opportunity to achieve electricity savings through strategies designed specifically for this sector. The program will help small business customers analyze facility energy use and identify energy efficiency improvement projects.

- **Large Commercial & Industrial Solutions** -- Program will provide solutions for larger (over 100 kW demand) non-residential customers interested in energy efficiency through a prescriptive or custom approach. The program will also nurture delivery channels, such as design professionals, distributors, installation contractors and Energy Service Companies.

- **Commercial Real Estate** -- This program would only be included in the second Budget Scenario (described below). The program would be designed to more deeply engage Class A and B office space, which contains significant energy savings potential with a targeted approach reflecting the unique needs and decision makers in that class.

- **Publicly Funded Institutions** -- This program will target local publicly funded institutions and will assist end use customers in overcoming barriers that are specific to publicly funded groups through hands-on expertise and consulting including building benchmarking and creating roadmaps to success.

- **Commercial & Industrial Construction Solutions** -- This new program will encourage customers to design and construct higher efficiency facilities than required by building codes or planned designs, and would be available to ground-up construction, additions, or expansions, building repurposing and commercial building restorations. It would include incentives for design assistance, prescriptive measures, and custom upgrades tailored to the customer’s building operations.

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19 Implementation Plan at 5.
20 Implementation Plan at 5.
21 Implementation Plan at 6.
22 Implementation Plan at 6.
23 Implementation Plan at 6.
24 Implementation Plan at 6.
25 Implementation Plan at 6.
26 Implementation Plan at 6.
27 Implementation Plan at 6.
28 Implementation Plan at 6-7.
29 Implementation Plan at 7.
ENO is also adding several new demand response programs to the Energy Smart program for the first time for Program Years 10-12. The demand response programs include:

- **Residential Direct Load Control** -- the EasyCool program, which is strictly voluntary and only open to qualifying residential property owners manages peak load capacity for ENO through the utilization of a digital cycling unit (“DCU”) that will control the operation of air conditioning compressors on conventional residential split systems, package units and heat pumps to cycle the appliances on and off for defined intervals as directed by ENO.\(^{30}\)

- **Residential Bring Your Own Thermostat** -- In the Energy Hub program, residential customers will purchase and install qualifying connected thermostats from device manufacturers on their own, and voluntarily enroll those devices in the program, which will allow ENO load control of the connected thermostats.\(^{31}\)

- **Small Commercial and Industrial (“C&I”) Offering** -- This offering will be a Bring Your Own Thermostat program for small businesses where ENO can trigger minor thermostat set-back adjustments at enrolled small businesses during peak demand events.\(^{32}\)

- **Large Commercial and Industrial Offering** -- Under this program, Honeywell, in coordination with ENO, will recruit, enroll, conduct demand response surveys, and install control equipment at customer sites to provide a turn-key solution for ENO Commercial customers.\(^{33}\) Specific load control shed measures will be tailored to the individual customer facility and their operations.\(^{34}\)

ENO proposed two budget scenarios for the Energy Smart energy efficiency programs and one budget scenario for the Energy Smart demand response programs.

ENO’s proposed two budget scenarios for the energy efficiency programs for the 9-month Program Year 10 and the 12-month Program Years 11 and 12 compare as follows:\(^{35}\)

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\(^{30}\) Implementation Plan at 9.

\(^{31}\) Implementation Plan at 9.

\(^{32}\) Implementation Plan at 9-10.

\(^{33}\) Implementation Plan at 10.

\(^{34}\) Implementation Plan at 10.

\(^{35}\) Revised Implementation Plan at 6 and 11, see also ENO Correction at 2 and 3.
<table>
<thead>
<tr>
<th>Budget Scenario 1</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>(reflects 2% goal)</td>
<td>PY 10</td>
<td>$11,969,008</td>
<td>$494,546</td>
<td>$12,463,554</td>
<td>54,877</td>
<td>7.45</td>
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<tr>
<td></td>
<td>PY 11</td>
<td>$14,904,329</td>
<td>$614,813</td>
<td>$15,519,142</td>
<td>78,154</td>
<td>10.14</td>
</tr>
<tr>
<td></td>
<td>PY 12</td>
<td>$17,382,165</td>
<td>$718,064</td>
<td>$18,100,229</td>
<td>89,525</td>
<td>12.62</td>
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</table>

<table>
<thead>
<tr>
<th>Budget Scenario 2</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(more aggressive kWh savings goal)</td>
<td>PY 10</td>
<td>$12,399,533</td>
<td>$512,485</td>
<td>$12,912,018</td>
<td>56,573</td>
<td>7.75</td>
</tr>
<tr>
<td></td>
<td>PY 11</td>
<td>$16,582,396</td>
<td>$684,738</td>
<td>$17,267,134</td>
<td>87,512</td>
<td>11.60</td>
</tr>
<tr>
<td></td>
<td>PY 12</td>
<td>$18,701,145</td>
<td>$773,026</td>
<td>$19,474,171</td>
<td>96,774</td>
<td>13.68</td>
</tr>
</tbody>
</table>

The Revised Implementation Plan set forth the detailed program-by-program budgets, which the Advisors have reviewed and analyzed in detail. The energy efficiency Portfolio Planner software tool provides costs and estimated reductions for each DSM measure and the corresponding programs under both scenarios, the calculations using inputs and assumptions by measure from the New Orleans Technical Manual ("NOTRM") and the two DSM Potential Studies conducted by Navigant and Optimal in the 2018 Integrated Resource Plan proceeding. Over 300 DSM measures were individually identified along with the quantity of each measure to be implemented in the various program offerings. The Advisors conducted an extensive review of measures and calculations to confirm the results of the Portfolio Planner, including cross-referencing metrics for each measure to the NOTRM and DSM Potential Studies, verifying the kWh "deemed savings" and kW savings calculations using the NOTRM, verifying the Incremental Measure Costs and Estimated Useful Life used for each measure, and verifying the participant incentives levels used in the calculations. The Advisors also reviewed the use of the Navigant and Optimal DSM Potential Studies' metrics as they were incorporated into the Portfolio Planning tool, by measure and by program, and compared the DSM Potential Studies' metrics to the Implementation Plan portfolio proposed by APTIM. The Advisors noted that while there are differences among the three studies, there are also significant similarities, particularly with respect to which programs would be expected to be top performers.

ENO’s single proposed demand response Budget Scenario for the 9-month Program Year 10 and the 12-month Program Years 11 and 12 is as follows:

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36 Revised Implementation Plan at pages 7-9 and 12-14.
37 ENO Potential Study Measure Crosswalk and Portfolio Planner PY10_12 excel spreadsheets.
38 Revised Implementation Plan at 20, see also ENO Correction at 2 and 3.
<table>
<thead>
<tr>
<th>Budget Scenario</th>
<th>DR Program Costs</th>
<th>DR EM&amp;V Costs</th>
<th>DR Programs Total</th>
<th>DR Projected MW Savings</th>
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<tbody>
<tr>
<td>PY 10</td>
<td>$1,649,036</td>
<td>$68,710</td>
<td>$1,717,746</td>
<td>4.63</td>
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<td>PY 11</td>
<td>$1,578,368</td>
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<tr>
<td>PY 12</td>
<td>$1,751,374</td>
<td>$72,974</td>
<td>$1,824,348</td>
<td>14.27</td>
</tr>
</tbody>
</table>

Having reviewed ENO's energy efficiency and demand response budget scenarios in detail, the Advisors conclude that ENO's proposed program designs and budgets are reasonable and are based on sound data regarding expected costs and program performance.

ENO proposes that the Council adopt a simple formula for calculating the UPI for PY 10-12. ENO argues that it is imperative that the Council address and correct a trend that has presented itself in recent Energy PYs: as savings targets have increased, the UPI as a percentage of the program costs required to achieve those targets has decreased, meaning that ENO and the TPA’s team had to work harder, think more creatively, and expend more effort to achieve increasingly difficult goals. ENO argues that this trend needs to change if the Council wishes to signal strong support for DSM as a resource and place demand- and supply-side resources on equal financial footing. Citing the Council approved UPI for PY 5 as precedent, ENO proposes that the UPI for achieving 100% of the kWh savings goals be 10% of the Council-approved program costs and that the UPI multiplier increase or decrease by 0.1% based on ENO’s under- or over-achievement of the 100% target mark. ENO proposes a minimum threshold for ENO to earn any UPI to be achieving 95% of kWh goals, for which ENO would earn 9.5% of Council-approved program costs, if ENO achieved 110% of kWh savings targets, it would earn a UPI of 11% and for achieving 120% a UPI of 12%; however the UPI would be capped at 12% of Council-approved program costs for any achieved level of kWh savings above 120% of target.

ENO’s proposed UPI’s for the two Budget Scenarios for the 9-month Program Year 10 and the twelve-month Program Years 11 and 12 is as follows:

<table>
<thead>
<tr>
<th>Scenario</th>
<th>95%</th>
<th>100%</th>
<th>120%</th>
</tr>
</thead>
<tbody>
<tr>
<td>PY 10</td>
<td>$1,184,038</td>
<td>$1,246,355</td>
<td>$1,495,626</td>
</tr>
<tr>
<td>PY 11</td>
<td>$1,474,318</td>
<td>$1,551,914</td>
<td>$1,862,297</td>
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<tr>
<td>PY 12</td>
<td>$1,719,522</td>
<td>$1,810,023</td>
<td>$2,172,027</td>
</tr>
</tbody>
</table>

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39 Implementation Plan at 13.
40 Implementation Plan at 14-15.
41 Implementation Plan at 15.
42 Implementation Plan at 15.
43 Implementation Plan at 15-16.
44 Revised Implementation Plan at 4.
<table>
<thead>
<tr>
<th>Scenario 2</th>
<th>95%</th>
<th>100%</th>
<th>120%</th>
</tr>
</thead>
<tbody>
<tr>
<td>PY10</td>
<td>$1,226,642</td>
<td>$1,291,202</td>
<td>$1,549,442</td>
</tr>
<tr>
<td>PY11</td>
<td>$1,640,378</td>
<td>$1,726,713</td>
<td>$2,072,065</td>
</tr>
<tr>
<td>PY12</td>
<td>$1,850,046</td>
<td>$1,947,417</td>
<td>$2,336,901</td>
</tr>
</tbody>
</table>

ENO also changed its budget for Evaluation Measurement & Verification ("EM&V") for Program Years 10-12. In past Energy Smart Implementation plans (since PY 5), EM&V has been set at 6.5% of total program costs, which was instrumental in allowing for development of a robust New Orleans Technical Resource Manual ("NOTRM") by which programs and measures can be measured going forward. However, now that several versions of the NOTRM have been completed and the NOTRM will require less comprehensive updates going forward, ENO believes that a reduction in the amount of funding dedicated to EM&V may be warranted, and, after consulting with the Advisors and stakeholders, proposes that EM&V be reduced to 4.0% of total program costs.

In addition, ENO anticipates the need to have coordination between the Demand Response implementing contractors in order to develop the Energy Smart database for DR data processing and incentive payment processing. ENO’s proposed costs associated with this coordination are:

<table>
<thead>
<tr>
<th>Activity</th>
<th>PY10</th>
<th>PY11</th>
<th>PY12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Systems Development</td>
<td>$20,000</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Check Processing</td>
<td>$1,200</td>
<td>$4,500</td>
<td>$7,500</td>
</tr>
<tr>
<td>Program Coordination</td>
<td>$5,400</td>
<td>$7,200</td>
<td>$7,200</td>
</tr>
<tr>
<td>Totals</td>
<td>$26,600</td>
<td>$11,700</td>
<td>$14,700</td>
</tr>
</tbody>
</table>

45 Revised Implementation Plan at 4.
46 Revised Implementation Plan at 4.
47 Revised Implementation Plan at 5.
48 Revised Implementation Plan at 5.
ENO’s total proposed budgets for the two scenarios are therefore:\(^\text{49}\)

<table>
<thead>
<tr>
<th>ENO (10% UPI)</th>
<th>Scenario 1</th>
<th>Scenario 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PY 10</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EE</td>
<td>$12,463,554</td>
<td>$12,912,018</td>
</tr>
<tr>
<td>DR</td>
<td>$1,717,746</td>
<td>$1,717,746</td>
</tr>
<tr>
<td>UPI at 100%</td>
<td>$1,246,355</td>
<td>$1,291,202</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$15,427,654</td>
<td>$15,920,964</td>
</tr>
<tr>
<td><strong>PY 11</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EE</td>
<td>$15,519,142</td>
<td>$17,267,134</td>
</tr>
<tr>
<td>DR</td>
<td>$1,644,134</td>
<td>$1,644,134</td>
</tr>
<tr>
<td>UPI at 100%</td>
<td>$1,551,914</td>
<td>$1,726,713</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$18,715,189</td>
<td>$20,637,980</td>
</tr>
<tr>
<td><strong>PY 12</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EE</td>
<td>$18,100,229</td>
<td>$19,474,171</td>
</tr>
<tr>
<td>DR</td>
<td>$1,824,348</td>
<td>$1,824,348</td>
</tr>
<tr>
<td>UPI at 100%</td>
<td>$1,810,023</td>
<td>$1,947,417</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$21,734,600</td>
<td>$23,245,936</td>
</tr>
<tr>
<td><strong>TOTAL PY 10-12</strong></td>
<td><strong>$55,877,444</strong></td>
<td><strong>$59,804,881</strong></td>
</tr>
</tbody>
</table>

With respect to cost recovery, ENO notes in its Implementation Plan that it has submitted an appeal of the Council’s determination in Resolution No. R-19-457 to approve a permanent Energy Efficiency Cost Recovery ("EECR") Rider rather than ENO’s proposed method of cost recovery for the Energy Smart program along with a request for a stay, or injunctive relief from the resolution during the pendency of ENO’s appeal.\(^\text{50}\) ENO notes that if its request is granted, it is possible that a universal funding mechanism for Energy Smart may not be in place at the start of PY 10.\(^\text{51}\) ENO therefore explains that in the absence of Council instructions to the contrary, ENO intends to recover the costs of implementing PY 10 through the mechanisms approved in Council Resolutions R-17-176 and R-17-623 (which directed ENO to fund the Energy Smart program for Algiers through the Algiers Fuel Adjustment Clause and for ENO Legacy customers through an interim EECR, respectively).\(^\text{52}\)

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\(^{49}\) See ENO Correction at 2 and 3.  
\(^{50}\) Implementation Plan at 12.  
\(^{51}\) Implementation Plan at 12.  
\(^{52}\) Implementation Plan at 11-12.
III. Comments of the Parties

While many parties intervened in the case and participated in the stakeholder meetings, the only party to file comments on the Implementation Plan was the Alliance for Affordable Energy ("AAE"). AAE is supportive of the majority of ENO's Implementation Plan for the Energy Smart Program. AAE supports continuity in program administration by APTIM and ADM Associates, and the addition of Honeywell Smart Energy for Demand Response programming. AAE notes that the Energy Smart programs of the last three years have proven successful, and the team assembled to implement these growing energy savings programs should be retained to continue this momentum.

AAE is supportive of the new program offerings, especially Commercial Real Estate, which AAE believes dovetails with the increase in data access granted to these customers in Docket No. UD-18-04. AAE also supports the implementation of ENO’s proposed Demand Response programs. AAE also supports the Green Light New Orleans initiative and recommends that the remaining budget continue to be dedicated to the project. AAE states it would be happy to work with the Council and other stakeholders on Green Light New Orleans issues.

AAE supports ENO’s proposal for Scenario 2, to more aggressively reduce energy waste in New Orleans, and increase customer benefits for the next three years, including proposed budgets, with some amendments. AAE supports the demand response programs, but is concerned that the projections for the proposed programs are anemic, especially for Small Commercial and Industrial offerings, and seeks information regarding how many years were used in calculating the TRC benefits.

In its Reply Comments, ENO explains that its planning assumptions were initially based on the market potential studies conducted by Navigant and Optimal Energy, which made no distinction between “small” and “large” C&I customers, and that as the program sees participation in the market, it is likely that the actual demand reduction delivered by participating small businesses may evolve from initial program planning assumptions.

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54 Alliance for Affordable Energy’s Reply to Entergy New Orleans, LLC’s Application for Approval of the Implementation Plan of the Energy Smart Program, Jan. 6, 2020, Docket No. UD-17-03 ("AAE Comments").

55 AAE Comments at 1.
56 AAE Comments at 2.
57 AAE Comments at 2.
58 AAE Comments at 2.
59 AAE Comments at 2.
60 AAE Comments at 3.
61 AAE Comments at 3.
62 AAE Comments at 2.
63 AAE Comments at 6.
64 ENO Reply Comments at 8.
AAE appreciates the addition of new programs and pilots, but voices concern that there may not be enough useful information about the success of the pilot and encourages ENO to supply information regularly, recommending that the program be re-approved each program year. In its Reply Comments, ENO agrees that the Appliance Recycling Program should be a one-year pilot program, the benefits of which should be assessed to determine whether to continue the program in future years and states that its revised PY 10 filing will list the Appliance Replacement and Recycling Program as a one-year pilot.

AAE supports cost recovery through the EECR rider approved by the Council in Docket UD-18-07, with a potential change to the UPI. While AAE does not agree with the exact UPI formula that ENO has proposed in the Implementation Plan, AAE believes the majority of the format is workable. AAE agrees that the fixed-dollar formula has been opaque and ENO’s proposed formula is a more transparent way for all parties to understand how ENO’s performance is encouraged. AAE recommends the Council approve the mechanism ENO put forward, with the substitution of 5% in place of ENO’s proposed 10% of Council-approved program costs. AAE otherwise agrees that the language ENO has put forward protect ratepayers from unnecessary increases, and elegantly ties achieved savings above and below program year kWh savings goal to an appropriate inducement. AAE prefers this approach to approaches that link incentives to spending. AAE opposes the size of ENO’s proposed incentive and finds no reason to assume that the incentives for Program Year 5 are a reasonable best practice or threshold. AAE argues that the UPI should not be equivalent to ENO’s Weighted Average Cost of Capital (“WACC”) unless achievement is well in excess of 100%. AAE argues that Energy Smart programs differ in many ways from the historic utility business model of spending and recouping costs on large capital investments with an allowed return on investment, and should not try to mimic or fit that outdated mold.

AAE agrees with the multiplier framework that would increase or decrease by 0.1% based on under/over achievement of the 100% goal, which would allow ENO to earn an incentive up to 7% of the Council-approved program costs for savings achieved at 120% of the savings goal. While AAE has concerns about an excessive baseline incentive, AAE argues that if the Council approves Entergy’s formula, using the Alliance’s recommended 5% of Approved Budget, and Scenario 2, the company still has an opportunity to earn a fair and increasing incentive at both baseline and for additional savings.

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65 AAE Comments at 6.
66 ENO Reply Comments at 9.
67 AAE Comments at 2-3.
68 AAE Comments at 3.
69 AAE Comments at 3.
70 AAE Comments at 3.
71 AAE Comments at 3.
72 AAE Comments at 3.
73 AAE Comments at 4.
74 AAE Comments at 4.
75 AAE Comments at 4.
76 AAE Comments at 5.
77 AAE Comments at 5.
In its Reply Comments, ENO disagrees with AAE’s recommendation that the UPI should be 5% of program costs when ENO achieves 100% of the Council’s savings goals. ENO argues that evidence it submitted in the Combined Rate Case indicates that, compared to other states’ programs, ENO’s proposal of 10% of program costs would be a somewhat moderate UPI, while AAE’s 5% proposal would place the Energy Smart program near the bottom level of UPIs allowed by regulators when evaluated on a percentage of program costs basis. ENO argues that the AAE’s 5% of program costs proposal would yield a decrease in the UPI even as savings targets and program budgets increase, and that it would be less than ENO’s WACC, meaning that under the AAE’s proposal, even if it achieved 100% of the Council’s savings targets, ENO would be unable to earn a UPI equivalent to the cost of capital that is necessary to achieve the Council’s targets. ENO also argues that even under the most aggressive spending scenario contained in the Implementation Plan, the average monthly bill impact of ENO’s proposed 10% UPI on a typical residential customer’s bill would be only $0.36. ENO also argues that its proposed UPI generally contains more risk for ENO than the mechanisms of other utilities, which often contain no penalty mechanism and begin providing incentives for lower levels of achievement.

IV. Advisors’ Analysis of Implementation Plan for Program Years 10-12

As is discussed above, the Advisors performed an extensive review and analysis of ENO’s proposed program design, individual program budgets and kWh and kW savings targets, and generally found them to be well-founded and reasonable.

The Advisors find that ENO’s proposed EM&V budget of 4% of total program costs is reasonable. As ENO noted in its filing, there was consensus among the parties, including, to the Advisors’ understanding, ADM, the Third Party Evaluator, that the reduction to 4% is appropriate. The change to 4% of total budget for EM&V compared to 6.5% will reduce the PY10 EM&V budget by 30% compared to PY9, counteracted in part by the overall growth of Energy Smart.

A reduction in EM&V budget is reasonable since (i) most studies of DSM measures have been completed and fewer additional studies are needed for current measures, (ii) the NOTRM updates will not require significant revisions as needed in the earlier versions, (iii) as programs grow, they absorb certain fixed costs associated with evaluation, such as required sample sizes hit caps with the increasing size of programs.

To account for this reduction in the EM&V budget, the TPE has recommended certain strategies or EM&V approaches. Under Approach 1, the TPE would conduct impact (savings) and process evaluations at the same rigor level as under the current EM&V budget, but would select certain programs to have this evaluation performed once per three-year cycle, rather than on an annual basis.

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79 ENO Reply Comments at 3.
80 ENO Reply Comments at 4.
81 ENO Reply Comments at 6.
82 ENO Reply Comments at 6-7.
83 EM&V was originally set at 6.5% of total program costs in Resolution R-14-509.
basis.\textsuperscript{85} The impact or process evaluation schedules would also consider different evaluation rigor levels that vary from year to year, related to whether programs are based on New Orleans-specific data and analysis, are new measures for which data has not been collected to support a deemed savings estimate, or are programs that require custom analysis because of uncertainty in their savings impact.\textsuperscript{86}

Under Approach 2, the TPE could opt for lower-cost approaches for certain programs, such as greater use of customer billing data in lieu of field monitoring data, reducing the cost of EM\&V but maintaining rigor levels that correspond with industry best practices.\textsuperscript{87} The Advisors prefer this approach as being more consistent with industry best practices.

The Council has continued to consider the utility performance incentive as a performance-based mechanism to incentivize the utility to achieve greater use of Energy Smart as a preferred resource. It is worthwhile to note relevant portions of previous Council Resolutions related to the UPI.

In Resolution R-13-363, the Council adopted an incentive mechanism based on shared net benefits.

In Resolution R-15-140, the Council adopted the Advisors proposal of a performance-based incentive that would increase between 95\% and 120\%, with an amount of $530,000 for Legacy and $49,000 for Algiers at 100\% of goal.

Resolution R-17-176 stated: “The Council directs the current performance-based utility incentive amount and incentive structure previously approved in Resolution R-15-140 for achieving 100\% of the kWh savings goal for ENO Legacy and ENO Algiers be maintained.”

Resolution R-17-623 maintained the performance based utility incentive structure, based on kWh savings goal approved in Resolution No. R-15-140, and directed that the current incentive amounts for achieving 100\% of the kWh savings goal should be increased an appropriate amount proportional to kWh savings goals projected under the scenario approved by the Council (citing Advisors' March 14, 2017 Report which noted that ENO's proposal to increase the incentive amount in essence represents a cost-plus approach with no relationship to exhibiting good or poor performance in the implementation of the Energy Smart Programs).

In Resolution R-18-828, the Council adopted UPI increases above 95\% of goal, with $750,000 for Legacy and $70,000 for Algiers at 100\% of goal, and $950,000 for Legacy and $89,000 for Algiers at 120\% of goal.

The Advisors recommend an increase in the UPI incentive reflecting the increasing PY savings goals, and that the UPI continue to be based on achievement of savings from 95\% to 120\% of goal. The Advisors recommend that the amount of UPI at 100\% of goal be increased to a value calculated at 7.0\% of program costs, and that the Council re-evaluate the level of UPI based on ENO’s performance implementing Energy Smart for PY 10 - 12. A 7\% incentive would give ENO a reasonable increase over the current level of incentives in PY10 and would allow ENO to earn greater incentives as greater savings are achieved.

\textsuperscript{85} EM\&V at Revised Budget Prepared by ADM Associates, Inc. at 2.
\textsuperscript{86} EM\&V at Revised Budget Prepared by ADM Associates, Inc. at 2-5.
\textsuperscript{87} EM\&V at Revised Budget Prepared by ADM Associates, Inc. at 5.
The tables below summarize the current UPI mechanism, the UPI proposals, and the Advisors' UPI recommendation, showing dollars and percentages for both Scenario 1 and Scenario 2.

**UPI Proposals Scenario 1:**

<table>
<thead>
<tr>
<th></th>
<th>100% kWh Savings</th>
<th>Current Mechanism</th>
<th>UPI AAE</th>
<th>UPI ENO</th>
<th>UPI Recommended</th>
<th>%Current Mechanism</th>
<th>%AAE</th>
<th>%ENO</th>
<th>% Recommended</th>
</tr>
</thead>
<tbody>
<tr>
<td>PY10</td>
<td>$12,463,552</td>
<td>$820,000</td>
<td>$623,178</td>
<td>$1,246,355</td>
<td>$872,449</td>
<td>6.58%</td>
<td>5.00%</td>
<td>10.00%</td>
<td>7.00%</td>
</tr>
<tr>
<td>PY11</td>
<td>$15,519,142</td>
<td>$820,000</td>
<td>$775,957</td>
<td>$1,551,914</td>
<td>$1,086,340</td>
<td>5.28%</td>
<td>5.00%</td>
<td>10.00%</td>
<td>7.00%</td>
</tr>
<tr>
<td>PY12</td>
<td>$18,100,230</td>
<td>$820,000</td>
<td>$905,011</td>
<td>$1,810,023</td>
<td>$1,267,016</td>
<td>4.53%</td>
<td>5.00%</td>
<td>10.00%</td>
<td>7.00%</td>
</tr>
<tr>
<td>Total</td>
<td>46,082,924</td>
<td>$2,460,000</td>
<td>$2,304,146</td>
<td>$4,608,292</td>
<td>$3,225,805</td>
<td>5.46%</td>
<td>5.00%</td>
<td>10.00%</td>
<td>7.00%</td>
</tr>
</tbody>
</table>

**UPI Proposals Scenario 2:**

<table>
<thead>
<tr>
<th></th>
<th>100% kWh Savings</th>
<th>Current Mechanism</th>
<th>UPI AAE</th>
<th>UPI ENO</th>
<th>UPI Recommended</th>
<th>%Current Mechanism</th>
<th>%AAE</th>
<th>%ENO</th>
<th>% Recommended</th>
</tr>
</thead>
<tbody>
<tr>
<td>PY10</td>
<td>$12,912,019</td>
<td>$820,000</td>
<td>$645,601</td>
<td>$1,291,202</td>
<td>$903,841</td>
<td>6.35%</td>
<td>5.00%</td>
<td>10.00%</td>
<td>7.00%</td>
</tr>
<tr>
<td>PY11</td>
<td>$17,267,134</td>
<td>$820,000</td>
<td>$863,357</td>
<td>$1,726,713</td>
<td>$1,208,699</td>
<td>4.75%</td>
<td>5.00%</td>
<td>10.00%</td>
<td>7.00%</td>
</tr>
<tr>
<td>PY12</td>
<td>$19,474,172</td>
<td>$820,000</td>
<td>$973,709</td>
<td>$1,947,417</td>
<td>$1,363,192</td>
<td>4.21%</td>
<td>5.00%</td>
<td>10.00%</td>
<td>7.00%</td>
</tr>
<tr>
<td>Total</td>
<td>49,653,325</td>
<td>$2,460,000</td>
<td>$2,482,666</td>
<td>$4,965,333</td>
<td>$3,475,733</td>
<td>5.10%</td>
<td>5.00%</td>
<td>10.00%</td>
<td>7.00%</td>
</tr>
</tbody>
</table>

Bill impacts were determined based on the revised Implementation Plan filing, which included program year ten revised to 9 months. The bill impacts include EM&V costs at 4% of total program costs, UPI at 7% of program costs, and the remaining program year 9 costs estimated by ENO and recovered equally over program years 10, 11, and 12. The Bill impacts are shown on the following two tables for Scenario 1 and Scenario 2 for typical monthly bills of the residential, small electric, and large electric customer classes.

**Bill Impacts for the Advisors' Proposed Scenario 1 Budget**

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>PY10</th>
<th>PY11</th>
<th>PY12</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Typical Bill Impact (1000 kWh residential customer)</td>
<td>$3.90</td>
<td>$3.46</td>
<td>$3.93</td>
<td>$3.76</td>
</tr>
<tr>
<td>Typical Bill Impact (9,125 kWh commercial customer)</td>
<td>$33.64</td>
<td>$29.77</td>
<td>$33.82</td>
<td>$32.41</td>
</tr>
<tr>
<td>Typical Bill Impact (91,250 kWh industrial customer)</td>
<td>$470.84</td>
<td>$416.11</td>
<td>$472.21</td>
<td>$453.05</td>
</tr>
</tbody>
</table>
Bill Impacts for the Advisors’ Proposed Scenario 2 Budget

<table>
<thead>
<tr>
<th>Scenario 2</th>
<th>PY10</th>
<th>PY11</th>
<th>PY12</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Typical Bill Impact (1000 kWh residential customer)</td>
<td>$4.01</td>
<td>$3.78</td>
<td>$4.19</td>
<td>$3.99</td>
</tr>
<tr>
<td>Typical Bill Impact (9,125 kWh commercial customer)</td>
<td>$34.61</td>
<td>$32.56</td>
<td>$35.99</td>
<td>$34.39</td>
</tr>
<tr>
<td>Typical Bill Impact (91,250 kWh industrial customer)</td>
<td>$484.22</td>
<td>$454.82</td>
<td>$502.34</td>
<td>$480.46</td>
</tr>
</tbody>
</table>

The projected typical bill impacts of the Energy Smart Implementation Plan, including the UPI recommended by the Advisors, are: for Scenario 1, approximately $3.76 on the typical residential customer monthly bill, $32.41 on the typical commercial customer monthly bill, and $453.05 on the typical industrial customer monthly bill; and for Scenario 2, $3.99 on the typical residential customer monthly bill, $34.39 on the typical commercial customer monthly bill, and $480.46 on the typical industrial customer monthly bill.

With respect to ENO’s proposal to recover the costs of implementing PY 10 through the mechanisms approved in Council Resolutions R-17-176 and R-17-623 (which directed ENO to fund the Energy Smart program for Algiers through the Algiers Fuel Adjustment Clause and for ENO Legacy customers through an interim EECR, respectively) in the event that the permanent funding mechanism approved in Council Resolution No. R-19-457 is not available at the start of PY 10, the Advisors believe that ENO’s approach is reasonable. The Council has already reviewed and approved these recovery mechanisms, and the interim EECR approved in R-17-623 is similar to the EECR approved in R-19-457. The Advisors support the use of ENO’s proposed interim mechanisms until such time as the EECR approved in R-19-457 goes into effect or the Council issues other instructions regarding the matter.

V. Advisors’ Recommendations Regarding Implementation Plan

The Advisors agree with ENO and AAE that the Energy Smart Programs have performed well over the past three years and that APTIM and ADM Associates should be retained as TPA and TPE for Program Years 10-12 in order to preserve continuity and momentum of the programs. The Advisors recommend, however, that in order to ensure ratepayers continue to receive the best available service for the Energy Smart Program, as ENO begins to design Program Years 13-15 of the Energy Smart Program, it would be appropriate for ENO to issue an RFP for the TPA and TPE functions for Program Years 13-15. In addition, the Advisors concur with ENO’s selection of Honeywell Smart Energy to develop and implement DR offerings for Program Years 10-12.

While the Advisors are cognizant that Scenario 1 is less expensive than Scenario 2, Scenario 2 achieves a higher level of kWh savings than does Scenario 1. Moreover, ENO submitted its analyses demonstrating that both Scenario 1 and Scenario 2 are similarly cost-effective for customers under both the Total Resource Cost test and the Utility Cost Test, which indicates that

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88 Implementation Plan at 11-12.
89 Revised
in both Scenarios customers receive value from the investments greater than the costs of the investment. In light of the Council’s strong desire to encourage greater energy efficiency throughout the city, and the particular cost-effectiveness of energy efficiency in reducing carbon emissions by reducing energy consumption, the Advisors support Scenario 2. The Advisors also support the inclusion of the Commercial Real Estate program only available under Scenario 2, which will reach a new set of commercial customers. Therefore, the Advisors recommend that the Council approve the Scenario 2 program design, budget and kWh and kW savings goals.

The Advisors recommend that regardless of whether the Council approves Scenario 1 and Scenario 2, the Council approve ENO’s proposal to decrease the EM&V budget from 6.5% of total program costs to 4% of total program costs, that the Council approve the budgets for coordination of the Demand Response third party administrators, and that the Council approve ENO’s proposed UPI mechanism, but set the incentive level for 100% achievement of the Council’s targets at 7% rather than 10%.

**Scenario 1 Summary: Revised EMV @4% and Prorated PY10 w/ Advisor’s Recommended 7% UPI**

<table>
<thead>
<tr>
<th>Scenario 1 - Demand Response and EE Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EM&amp;V @4%</strong></td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>PY10</td>
</tr>
<tr>
<td>PY11</td>
</tr>
<tr>
<td>PY12</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

**Scenario 2 Summary: Revised EMV @4% and Prorated PY10 w/ Advisor’s Recommended 7% UPI**

<table>
<thead>
<tr>
<th>Scenario 2 - Demand Response and EE Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EM&amp;V @4%</strong></td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>PY10</td>
</tr>
<tr>
<td>PY11</td>
</tr>
<tr>
<td>PY12</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

The Advisors continue to monitor the progress of the behavioral program, which has experienced several revisions since its implementation as a pilot program in 2017. The behavioral program
estimated kWh savings is a significant portion of the PY savings goal, approximately 25%, and unlike the majority of measures whose deemed savings are based on relatively long estimated useful lives, the estimated savings from the behavioral program are based on one program year and require several statistical analyses. The Advisors have reviewed the TPE’s EM&V reports evaluating the behavioral program and support the following recommendations offered by the TPE:

- Develop a quality assurance (QA) process for monthly scorecard review. As the program reaches more households, it will be advantageous to create a QA process to ensure content and data is accurate prior to sending monthly scorecards.\(^\text{90}\)

- Provide a link to information on how home comparisons were developed. It might be beneficial to provide more detailed explanation of the Scorecard for households interested in how usage and comparisons are calculated.\(^\text{91}\)

- Perform mid-year verification.\(^\text{92}\)

- For all future waves of the Home Energy Report Program, it is recommended that a randomized control trial (RCT) be created before the onset of the program. This pre-created control group will allow more reliable analysis results due to significantly decreased self-selection bias.\(^\text{93}\) Create a randomized control trial for any future waves using customers that are not assigned to any current or previous treatment or control groups, even if they have opted out.

- Continue marketing for household opt-in participants, using the same marketing efforts made in the Behavioral Pilot; implement a "variance in adoption" model.\(^\text{94}\)

In its Application, ENO discussed and estimated the impact of the Implementation Plan reductions of kWh/kW in succeeding years, with a corresponding loss of billing determinants and lost recovery of fixed costs. This lost contribution to fixed costs ("LCFC") issue represents a concern which should be addressed by regulators as savings goals increase each program year. ENO’s calculation of the impact of the kWh reductons on the recovery of the utility’s fixed costs showed a similar range for both Scenario 1 and Scenario 2.

### LCFC - Scenario 1

<table>
<thead>
<tr>
<th></th>
<th>PY10</th>
<th>PY11</th>
<th>PY12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross kWh Savings</td>
<td>54,876,701</td>
<td>78,154,258</td>
<td>89,525,272</td>
</tr>
<tr>
<td>2018 ENO Adjusted</td>
<td></td>
<td>$0.05011</td>
<td>$0.05011</td>
</tr>
<tr>
<td>Gross Margin</td>
<td></td>
<td>$0.05011</td>
<td>$0.05011</td>
</tr>
</tbody>
</table>


\(^{91}\) Ibid.

\(^{92}\) Ibid.


\(^{94}\) Ibid.
| Total LCFC | $2,749,871 | $3,916,310 | $4,486,111 |

**LCFC - Scenario 2**

<table>
<thead>
<tr>
<th>Projected LCFC - Scenario 2</th>
<th>PY10</th>
<th>PY11</th>
<th>PY12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross kWh Savings</td>
<td>56,572,937</td>
<td>87,511,515</td>
<td>96,773,677</td>
</tr>
<tr>
<td>2018 ENO Adjusted Gross Margin</td>
<td>$0.05011</td>
<td>$0.05011</td>
<td>$0.05011</td>
</tr>
<tr>
<td>Total LCFC</td>
<td>$2,834,870</td>
<td>$4,385,202</td>
<td>$4,849,329</td>
</tr>
</tbody>
</table>

Council Resolution R-17-176 directed that no LCFC be recovered for program years 7 – 9, during which there was no rate action to reset billing determinants and rates impacted by the kWh reduction/savings goals. With the 3-year formula rate plan (“FRP”) approved for filings in 2020 through 2023 in Docket No. UD-18-07, an adjustment to prospective billing determinants corresponding to the approved savings goals will be implemented in determining the FRP revenue requirement. The Advisors believe that the three-year FRP will adequately address the LCFC issue for PY 10-12.

**VI. Remaining Funding for Program Year 9 and Extension of Program Year 9**

ENO notes in its Implementation Plan that it is owed recovery of approximately $4.1 million in implementation costs for PY 9, and that it was instructed in a letter from the Council President, dated October 4, 2019, to recover those costs by amortizing them (with carrying costs) over the three-year period covering PY 10-12 and including the costs in the revenue requirement for the mechanisms approved in the Combined Rate Case. As noted with the PY 10 costs, ENO proposes to begin recovering the outstanding PY 9 costs through the mechanisms previously approved in Council Resolutions R-17-176 and R-17-623.

Additionally, on December 19, 2019, the Council adopted Resolution No. R-19-516, recognizing that it would not be able to approve the Implementation Plan for PY 10-12 prior to the expiration of PY 9 on December 31, 2019, and extending PY 9 for an additional three months, through March 31, 2020 (“PY 9 Q5”). In R-19-516, the Council directed ENO to confer with the Advisors and to file with the Council a proposal for adjusted budgets, kWh savings targets, and corresponding utility incentives or penalties for the additional three months of Program Year 9. ENO duly consulted with the Advisors and submitted its filing on January 15, 2020. ENO’s filing explains that it began developing the budget and targets by assuming a three-month pro rata share of the approved PY9 budget and targets, and from there made adjustments based on actual program performance in Program Years 8 and 9 as well as other factors that affect program results.

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95 Implementation Plan at 13.
96 Implementation Plan at 10.
97 Letter from Brian L. Guillot to Lora W. Johnson dated January 15, 2020, filed in Docket Nos. UD-08-02 and UD-17-03 (“Revised PY 9 Budget”).
98 Revised PY 9 Budget at 1.
Advisors have reviewed ENO’s proposed PY 9 Q5 budget, targets, and incentives and find them to be reasonable.

While ENO did not specify its cost recovery mechanism for PY 9 Q5, the Advisors believe it is ENO’s intent to utilize the same mechanism it proposes for the recovery of the outstanding implementation costs for PY9 and for PY 10-12, i.e. to recover the costs through the mechanisms approved in Council Resolutions R-17-176 and R-17-623 (which directed ENO to fund the Energy Smart program for Algiers through the Algiers Fuel Adjustment Clause and for ENO Legacy customers through an interim EECR, respectively) in the event that the permanent funding mechanism approved in Council Resolution No. R-19-457 is not immediately available. It is Advisors’ opinion that this approach would be reasonable. The Council has already reviewed and approved these recovery mechanisms, and the interim EECR approved in R-17-623 is similar to the EECR approved in R-19-457. The Advisors support the use of ENO’s proposed interim mechanisms until such time as the EECR approved in R-19-457 goes into effect or the Council issues other instructions regarding the matter.

The Advisors recommend that the Council approve ENO’s proposed PY 9 Q5 budgets, targets, and incentives.

VII. Conclusion

As discussed herein, the Advisors recommend that the Council approve ENO’s Scenario 2 Implementation Plan for PY 10-12, with the Advisors’ proposed UPI modifications, as well as ENO’s proposed interim cost recovery mechanism. The Advisors recommend that the Council also approve ENO’s proposed PY 9 Q5 budgets, targets, and incentives.

RESPECTFULLY SUBMITTED:

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99 Implementation Plan at 11-12.
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading has been served upon the following parties of record by electronic mail on this 27th day of January 2020.

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