

KEAN|MILLER.LLP

CARRIE R. TOURNILLON, PARTNER
PH 504.585.3056 DIRECT FAX 504.620.3385
CARRIE.TOURNILLON@KEANMILLER.COM

April 26, 2021

VIA ELECTRONIC MAIL (lwjohnson@nola.gov)

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

RE: *Resolution and Order Establishing a Docket and Opening a Rulemaking Proceeding to Establish Renewable Portfolio Standards*
CNO Docket UD-19-01
Our File No.: 7717-47

Dear Ms. Johnson:

Enclosed please find attached for electronic filing in the referenced docket, Air Products and Chemicals, Inc.'s ("Air Products") Comments on the Council's Proposed Modifications to RCPS Rules. As a result of the remote operations of the Council's office related to COVID-19, Air Products submits this filing electronically and will submit the requisite original and number of hard copies once the Council resumes normal operations, or as you or the Council otherwise directs. Air Products requests that you file this submission in accordance with Council regulation as modified for the present circumstances.

Should you have any questions regarding the above, please do not hesitate to contact me. Thank you for your assistance with this matter.

Very truly yours,



Carrie R. Tournillon

CRT/tp
Enclosure

cc: Official Service List UD-19-01 (via electronic mail)

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**BEFORE THE
NEW ORLEANS CITY COUNCIL**

**IN RE: RESOLUTION AND ORDER
ESTABLISHING A DOCKET AND
OPENING A RULEMAKING
PROCEEDING TO ESTABLISH
RENEWABLE PORTFOLIO
STANDARDS.**

**DOCKET NO. UD-19-01
April 26, 2021**

**AIR PRODUCTS AND CHEMICALS, INC.
RESPONSE TO COUNCIL’S REQUEST FOR COMMENTS ON
PROPOSED MODIFICATIONS TO RCPS RULES**

Air Products and Chemicals, Inc. (“**Air Products**”) respectfully submits the following Comments to the Council of the City of New Orleans (“**Council**”) regarding its proposed modifications to the Renewable and Clean Portfolio Standard Rules (“**RCPS Rules**”), as requested in Resolution No. R-21-109, dated March 25, 2021 (“**2021 Resolution**”). Comments were requested within 30 days of the 2021 Resolution; thus, Air Products comments are timely submitted.

As discussed herein, Air Products opposes the Council’s proposed modifications. Further, Air Products requests the Council to adopt the RCPS Rules attached in Appendix A to the Advisors’ Reply Comments, date October 14, 2020, (“**Final Proposed RCPS Rules**”), without modification. As stated in the Advisors’ Reply Comments, the Advisors endeavored to balance an aggressive clean energy standard with “(i) rate protections for electricity customers, (ii) the flexibility to use any zero-carbon resource to accomplish the goal, and (iii) certain incentives to prioritize investment in measures that reduce carbon emissions inside Orleans Parish and renewable resources, zero carbon resources, distributed energy resources and

demand-side management resources located in Orleans Parish.”¹ Air Products supports the adoption of the Final Proposed RCPS Rules, without modification, as meeting those objectives - - objectives that are consistent with the Council’s instructions to the Advisors to develop a renewable and clean standard based on Alternative 2 of Appendix A to the Advisors’ Report dated September 3, 2019; the Alternative 2 approach includes all zero-carbon resources and has the goal of “rapid decarbonization while ensuring the City has a safe and reliable power supply at a reasonable cost and with as much flexibility as possible.”²

The Council’s proposed modifications depart from the objectives of rapid decarbonization and instead promote renewables over clean energy resources, eliminating the ability for integrated resource planning processes to determine the lowest cost resources to achieve compliance with the RCPS goals while providing reliable service for customers of Entergy New Orleans (“**ENO**”). The proposed modifications would essentially create a renewables and nuclear portfolio standard, with some energy efficiency and demand side management - - which is simply not practical economically or for reliability purposes and is not technology-neutral. Air Products respectfully requests the Council to adopt the Proposed Final RCPS Rules that will provide a path for rapid decarbonization in the City without giving preference to any technology.

Summary of Council’s Proposed Modifications

In Resolution No. R-21-109, the Council proposes three modifications to the RCPS Rules. First, the Council proposes to exclude the deployment of carbon capture sequestration

¹ Advisors Reply Comments, p. 1 (October 14, 2020).

² Resolution No. R-20-104 at 13-14; see also Advisors Reply Comments, p. 40 (October 14, 2020); and Advisors Report, p. 36 (September 3, 2019); see also, Advisors’ Report, Appendix A, p. 9 and 11-12 (September 3, 2019).)

(“CCS”) and carbon capture utilization and storage (“CCUS”) technologies on generating resources for compliance credit under the RCPS Rules. Second, the Council proposes to exclude beneficial electrification (“BE”) as an eligible resource for compliance credit under the RCPS Rules. Third, the Council proposes to restructure the Tiers system of the RCPS Rules, for awarding RCPS compliance credits, to reflect the exclusion of the CCS/CCUS and BE resources; the Council’s proposed modifications to the Tiers system also change the credit values to be awarded to resource by Tier level. No justification is provided in the Resolution for any of these changes.

Opposition to Exclusion of CCS/CCUS Technologies

CCS and CCUS are technology-based carbon removal solutions that have a practical and economic role in meeting climate goals. Carbon removal can neutralize or offset emissions where direct mitigation is currently technically challenging or prohibitively expensive. Further, as the industry looks to hydrogen as a fuel, CCUS provides a platform for low-carbon hydrogen production. Thus, use of CCS/CCUS technology is consistent with the structure of the proposed RCPS Regulations that sets a 2040 goal of net-zero carbon emissions leading up to the 2050 goal of zero carbon emissions while being mindful of impacts on ratepayers.

Elimination of CCS/CCUS as eligible resources for RCPS compliance undermines the function of the initial 2040 goal, which is to allow carbon emitting resources to operate until 2040 to prevent uneconomic, early retirements of generation resources, and ignores that CCUS deployment must result in 100% capture of carbon emissions. This is a practical, yet stringent, phased-in approach to achieving a carbon-free resource portfolio that recognizes the need to protect ratepayers against unreasonable increases in rates while preserving reliability of the system. As defined in the Proposed Final RCPS Rules, for CCUS to be deployed for RCPS

compliance credit, **100% of carbon emissions must be captured for the CCUS technology to meet the definition of “Zero-Emissions Resource.”**³ Thus, the Council’s proposed modification selectively excludes a zero-emissions resource from being eligible for RCPS compliance, thereby promoting renewable technology.

Favoritism of a particular technology interferes with long-standing principles of resource planning that require use of the lowest reasonable cost resources to provide reliable service to be selected by a utility - - which in the case of an RCPS, must also achieve carbon reduction compliance goals. The elimination of CCS and CCUS is a departure from the technology neutral approach of the Alternative 2, selected by the Council for developing the RCPS Rule, to promote renewable technology over other clean technology. Rather than promoting certain resources over others (and without any stated basis), all renewable and clean resources should be evaluated in the integrated resource planning (“**IRP**”) proceedings to allow the lowest cost resource to be selected that can provide reliable service while complying with the RCPS Rules, subject to the customer cost cap provisions.

As the Advisors stated in presenting the Proposed Final RCPS Rules in their Reply Comments:⁴

... the Advisors recommend that the Council take a technology-neutral approach that will allow any resource that can reduce carbon emissions or provide zero-carbon emission electricity to qualify for inclusion in the utility’s portfolio, including the increasingly important resources of energy efficiency, conservation, and demand-side management. Under the Advisors’ Proposed RCPS, a wide range of technologies, whether owned by the Utility, by a utility customer, or by a third party, may be used to get to a carbon emissions-free energy portfolio, including renewable energy, energy efficiency and conservation, demand-

³ See Advisors Reply Comments, Appendix A at p. 6 (October 14, 2020).

⁴ Advisors Reply Comments at p. 3 (October 14, 2020) (emphasis added).

side management, distributed energy resources, nuclear energy, energy storage resources, beneficial electrification, and carbon capture, utilization and storage (“CCUS”) as well as any other carbon emissions-free technology that may emerge as a commercially viable and cost-effective resource between now and 2050.

This technology-neutral approach will allow ENO to pursue the broadest range of technologies as in pursuit of the Council’s goal to achieve deep decarbonization as quickly as reasonably possible without jeopardizing the provision of safe, affordable, and reliable electricity to New Orleans. The Advisors have proposed regulations for the Council’s consideration that offer the greatest likelihood of success in achieving a net zero carbon emissions portfolio by 2040 and a truly zero carbon emissions portfolio by 2050 while protecting ratepayers against unreasonable increases in rates and preserving reliability.

CCS and CCUS technologies remove carbon emissions from the atmosphere and would advance the goal of achieving deep decarbonization. These clean technologies should be eligible to be used for compliance with the RCPS and no justification has been given by the Council in support of their elimination from the RCPS Rules.

Opposition to Elimination of BE

While the Council has proposed to exclude BE as a resource for RCPS compliance, from review of the revised RCPS Rules, charging stations for electric vehicles, which is a subset of BE, are allowed for compliance credits as a Tier 3 Resource. Thus, the Council appears to recognize the benefit of BE in decarbonization - - the previously stated goal of the RCPS - - but then selectively only allows EV charging stations while excluding other BE measures. The rationale for this limitation on BE is not explained or supported by the Council.

Further, such limitation would exclude carbon emissions reductions that ENO will likely achieve from its collaboration with the Sewerage & Water Board (“SWB”) - - collaboration that

will eliminate the SWB's use of old, diesel-fired engines for generation, reduce air emissions in the City, and create more reliable power source for operations of the SWB turbines. As such improvements will result in carbon emissions reductions, such reductions should count towards RCPS compliance if the goal is truly decarbonization. Further, there are multiple funding sources for the cost of such improvements – improvements that will result in reduced carbon emissions within the City.⁵ Not allowing such carbon emissions reductions to qualify towards RCPS compliance does not allow the residents and businesses of the City to benefit, with respect to the cost of RCPS compliance, from the grants and federal funding, as well as their own dollars, that are being paid for the SWB improvements.

The elimination of BE as a resource when ENO's load is expected to increase from the SWB work, and likely from the Council's promotion of electric vehicles in the City, will result in it being harder and more expensive for ENO to comply with the RCPS - - to the detriment of ENO ratepayers: (i) ENO's compliance requirements will increase from the beneficial electrification of the S&WB and electric vehicles, and (ii) ENO will lose use of the beneficial electrification as a cost-effective means to comply with the RCPS. And, as with the exclusion of CCS/CCUS, no justification has been provided by the Council in support of the exclusion of BE as an eligible resource for RCPS compliance.

Finally, the Advisors' Proposed Final RCPS Rules provide a reasonable compromise on how to credit BE. Contrary to the request and recommendation of ENO, the Advisors Proposed Final RCPS Rule defined and limited BE measures for RCPS compliance as follows:^{6, 7}

⁵ See SWB press release, dated February 24, 2021, attached hereto as Exhibits A; see also, SWB Executive Director's Report: March 17, 2021, attached hereto as Exhibit B.

⁶ Advisors' Reply Comments, Appendix A at pp. 5-6 (October 14, 2020) (emphasis added).

“Beneficial Electrification” means any program or process that replaces direct fossil fuel use as a source of power and/or heat with electricity in a way that -- when the electric utility’s emissions are accounted for -- reduces overall emissions, including, but not limited to, charging infrastructure supporting electrification of motor vehicles, electrification of home and commercial appliances that use natural gas, and electrification of municipal and commercial operations that currently rely on fossil-fuel use to power equipment. *To qualify as a Beneficial Electrification resource in Tier 1 under this RCPS, the measure must reduce net carbon emissions by the Beneficial Electrification Tier 1 Minimum Threshold.* Beneficial Electrification measures that create net reductions of carbon emissions of less than the Beneficial Electrification Tier 1 Minimum Threshold can qualify as a Beneficial Electrification resource in Tier 2 under this RCPS.

“Beneficial Electrification Tier 1 Minimum Threshold” is equal to 1,500 pounds of CO₂ per MWh.

Air Products respectfully opposes the elimination of BE as an eligible resource for compliance with the RCPS goals. As previously discussed in these Comments, ENO customers benefit from a technology neutral RCPS. Further, ENO customers (residents and business in the City) should be able to benefit, with respect to the cost of RCPS compliance, from the use of grants and other funding, and especially their own dollars, for the improvements to the SWB power supply, improvements that will result in reduced carbon emissions in the City.

Opposition to Restructuring of the Tiers System

The Council also proposes to change the Tiers system that classifies and credits resources for compliance with the RCPS. While the 2021 Resolution indicates that the changes in the Tiers system is to implement the exclusion of CCS/CCUS and BE as clean energy resources, the

⁷ Pursuant to the Advisors’ Proposed Final RCPS Rules, for years 2021 through 2040, RECs or CECs from Tier 1 Resources would be credited at a multiplier of 1.5; Tier 2 Resources at a multiplier of 1.25; and Tier 3 Resources at a multiplier of 1.0 for compliance purposes. After 2040, the tier multiplier for all tiers would be 1.0. See Advisors’ Reply Comments, Appendix A at p. 8 (October 14, 2020).

changes go beyond that to also change the value of compliance measures. The Council proposed to reduce the multiplier for Tier 1 Resources from 1.5 to 1.25 and reduce the multiplier for Tier 2 Resources from 1.25 to 1.0. Tier 3 Resources will also continue to have a 1.0 multiplier and all resources will have a 1.0 multiplier after 2040. These changes will magnify the impact of the proposed technology-specific exclusions of the Council with respect to the cost and difficulty of compliance. Respectfully, Air Products requests that the Council not adopt its proposed modifications to the Tiers system.

Conclusion

The RCPS Rules included in the Advisors Reply Comments allow for a technology neutral RCPS and should be adopted without elimination of CCS/CCUS technologies or BE, and without changes to the Tiers system, that will result in a more expensive and harder to reach RCPS.

RESPECTFULLY SUBMITTED:



Katherine W. King (#7396)

Randy Young (#21958)

Carrie R. Tournillon (#30093)

KEAN MILLER LLP

Post Office Box 3513

Baton Rouge, LA 70821

(225) 387-0999

Attorneys for Air Products and Chemicals, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served upon all known parties to this proceeding by hand delivery and/or electronic mail.

New Orleans, Louisiana this 26th day of April, 2021.

A handwritten signature in blue ink, appearing to read "C. R. Tournillon", written over a horizontal line.

Carrie R. Tournillon


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Press Releases



City, Sewerage and Water Board Provide Update on Funding for Power System Upgrades

For Immediate Release: Wednesday, February 24 2021

NEW ORLEANS — Mayor LaToya Cantrell and other City officials today reviewed the power plan presented by Sewerage and Water Board of New Orleans Executive Director Ghassan Korban during the monthly Board of Directors meeting. The presentation was part of the continued collaboration between the City and the SWBNO to ensure that residents remain as safe as possible with the infrastructure in place and with the improvements to come.

"From day one, this Administration recognized the increasing vulnerability of the Sewerage and Water Board power generation system and got to work on identifying funds to support efficiency upgrades," said Mayor Cantrell. "To that end, the City pushed for and received approximately \$20 million in state capital outlay funds to begin construction on the new power complex at the Carrollton Water Plant which is now under way. There may be an opportunity in the next legislative session to access an additional \$34 million of committed resources available for work at the power complex.

"We remain firm in our commitment to ensure SWBNO power reliability for the City of New Orleans," Mayor Cantrell added.

"The City has invested approximately \$14 million in FEMA Hazard Mitigation Grant Program funds to purchase the first of three static frequency changers necessary to operate the new power complex in conjunction with existing drainage and water pumps," said Ramsey Green, Deputy CAO for Infrastructure. "Also, approximately \$1 million in Fair Share funds has been allocated for winterizing Turbine 6, which will enable use in weather below 42 degrees Fahrenheit. That work is also well under way and anticipated to be complete ahead of this hurricane season.

"Additionally, thanks to the Fair Share agreement and the State of Louisiana, another \$13 million in federal HUD Community Development Block Grant funds is being used to construct and install Turbine 7, providing SWBNO with additional power generation capabilities," Deputy CAO Green added.

"We recognize that our current power supply makes us extremely vulnerable regarding the amount of power we need to operate our drinking water, wastewater treatment and drainage systems. As it stands now, Turbine 1 and our five electromotive diesel generators (EMDs) are our frontline power supply. These pieces of equipment were previously used in a backup capacity. This is especially concerning as we look toward the rainy season. While the situation looks bleak now, thanks to investments from Mayor Cantrell and the City of New Orleans, our future is bright," said Ghassan Korban, Executive Director, Sewerage and Water Board of New Orleans. "Turbine 4 will be back online in early May 2021 and Turbine 5 will be back in June 2021. Entergy remains a steadfast partner in working with us to bring a dedicated Entergy substation to our Carrollton Water Plant. And we will commission a new turbine, "T7," by early 2023. Thanks to our Mayor's vision and commitment, we are working together to create the utility future generations deserve."

###

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Sewerage and Water Board of New Orleans



Executive Director's Report:



March 17, 2021

EXECUTIVE DIRECTOR'S REPORT

- **Power: Immediate Efforts/Master Plan**
- **Where We Are and Where We're Going**
- **Funding**
- **Customer Service Update**



POWER: Immediate Efforts + Master Plan

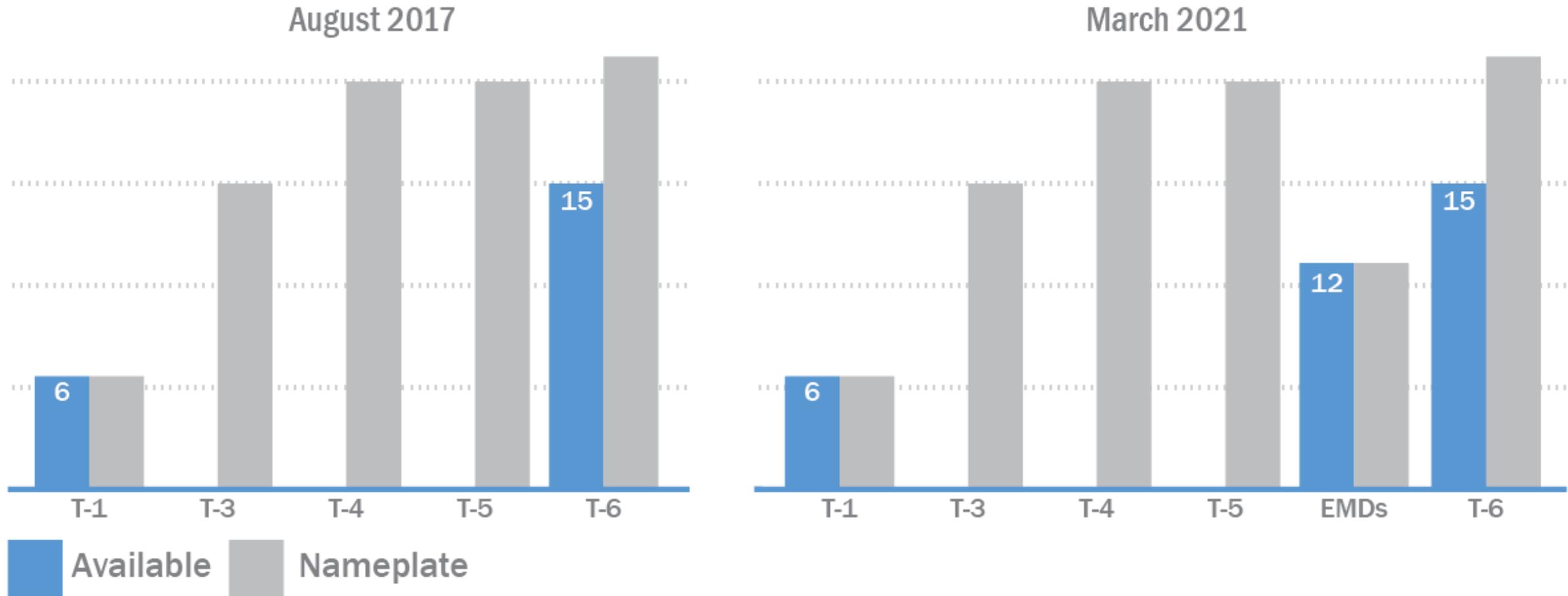


- **Where We Are:**
- The current state of the system is fragile – we have very few backup options
- Reliance on old/temporary equipment is costly, inefficient, and lowers quality of life for customers near our plant

- **Where We're Headed:**
- Getting our turbines back online for Hurricane Season
- Implementing Phase 1 of Power Master Plan (released one year ago)



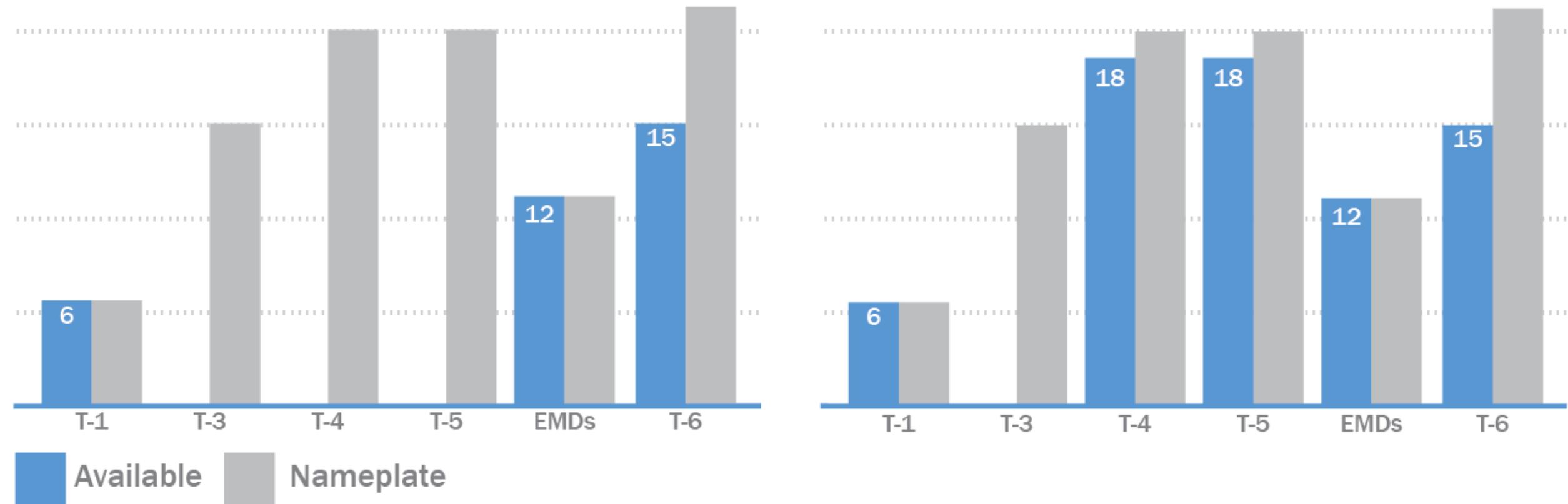
TODAY



IN TWO MONTHS

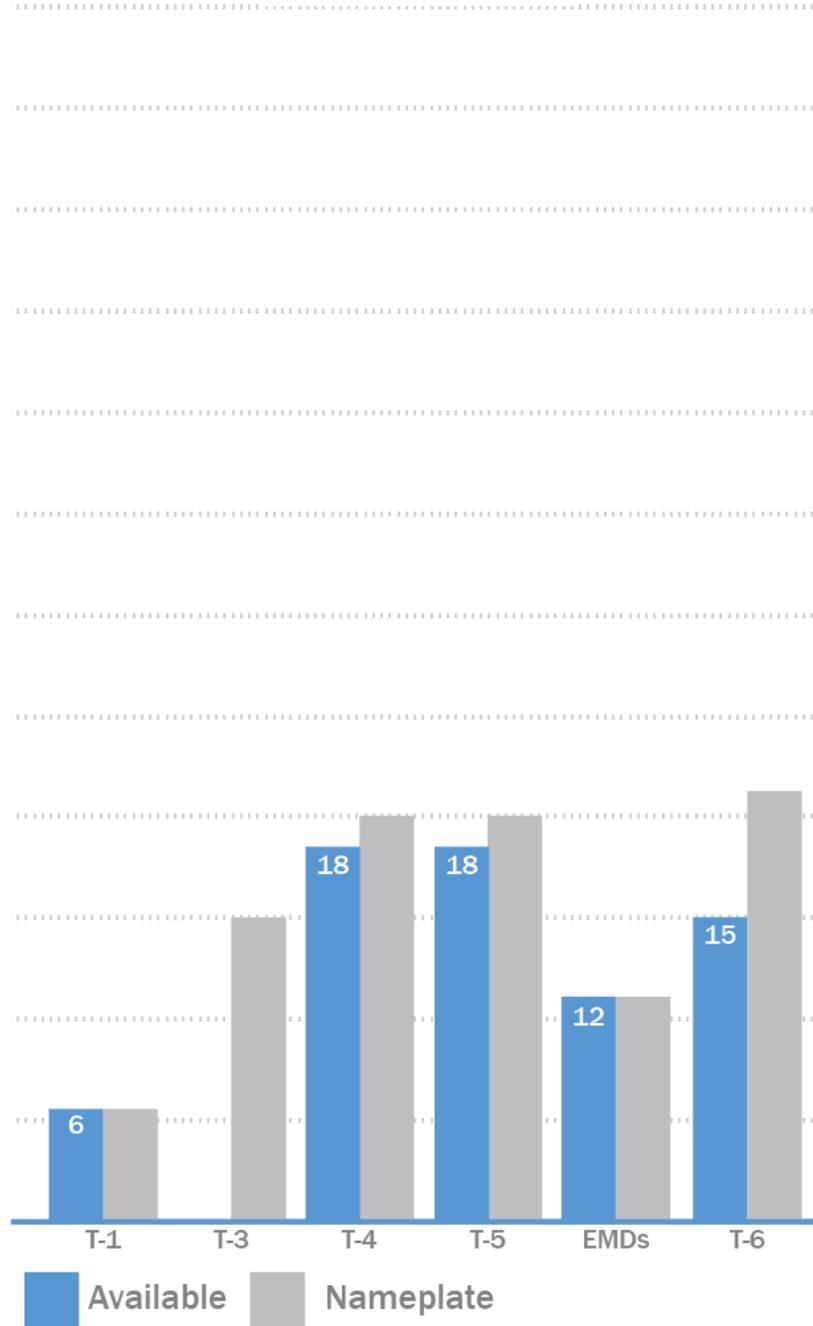
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May/June 2021

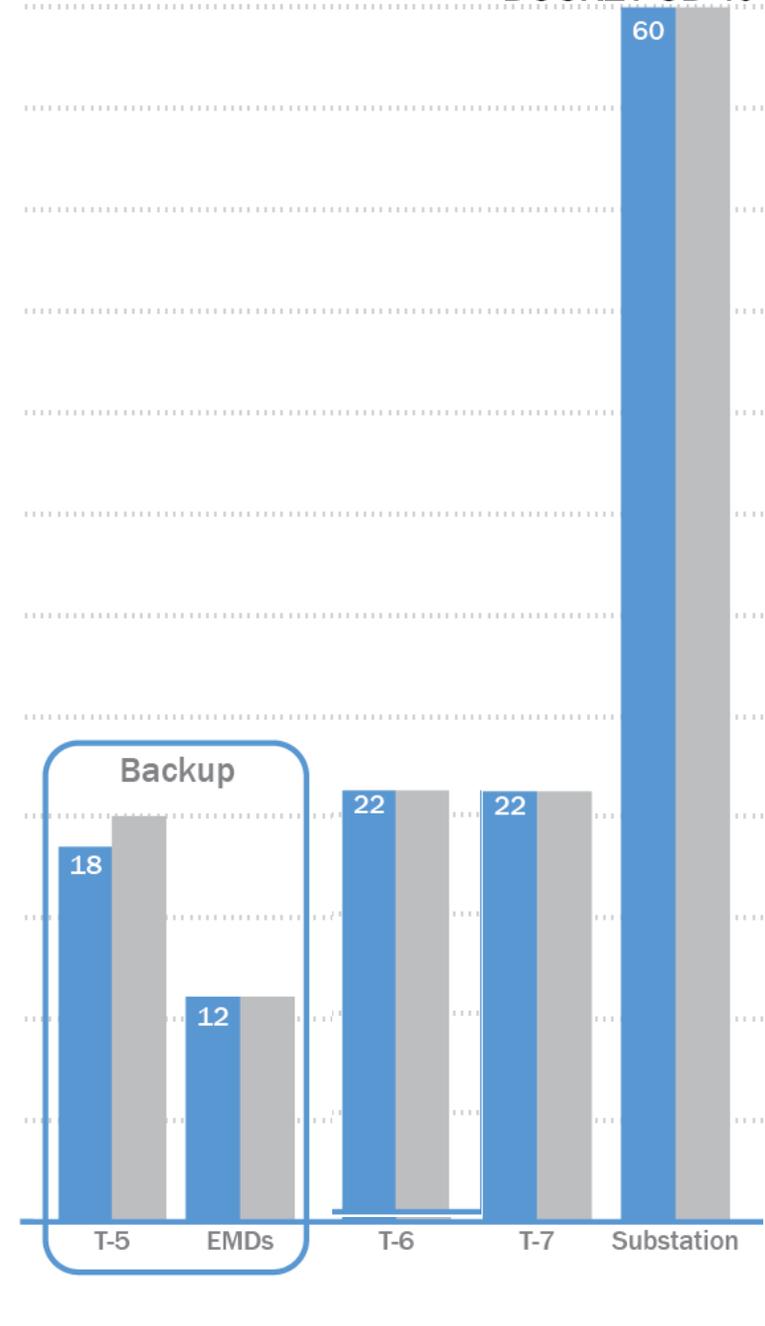


IN TWO YEARS

May/June 2021



2023 EXHIBIT B, AP COMMENTS DOCKET UD-19-01



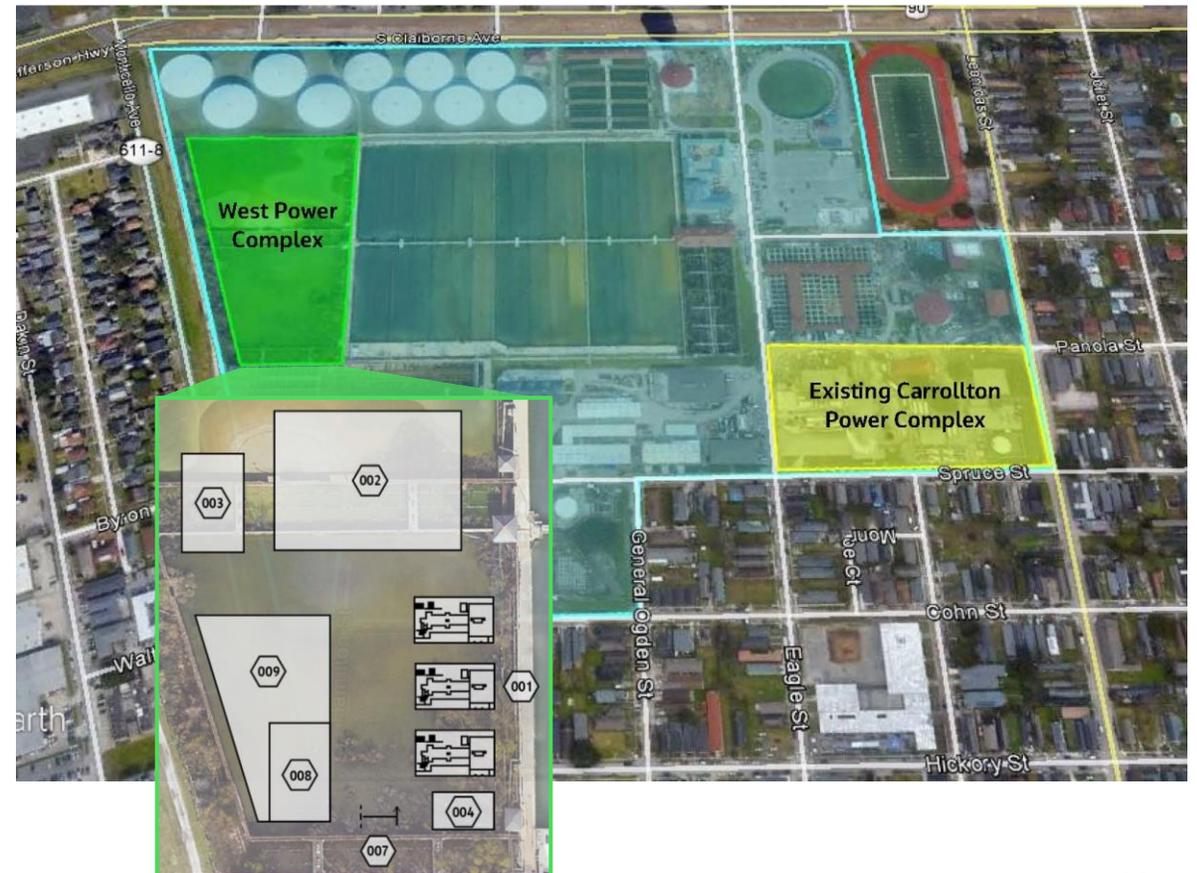
HAPPENING NOW: DEDICATED SUBSTATION

- Design, site prep, and negotiations underway
 - Groundbreaking 2021
- Lower Cost of Operation
 - Purchased power vs self-generated power
- Reduced Run-time on Turbines
 - Reduced Maintenance
 - Extended Useful Service Life
- Sustainability and Reliability
 - Drastic Reduction in On-Site Air Emissions
 - Consistent reliability



IN THE WORKS: NEW ASSETS

- Near Term – Phase 1a
 - Utility Substation
 - Turbines 5, 6, 7 as Backup
 - Frequency Changers
- Phase 1b
 - Add Turbines 8 and 9
 - Retire Existing Steam Plant
- Longer Term – Phase 2
 - 60 Hz Conversion of Drainage Pump Stations
 - Connect More Stations to Carrollton Plant



FUNDING

- Leveraging nearly \$30M in federal funding
- Applied for further \$46M from FEMA BRIC program for T8 and T9
- Limited percentage being covered by system funds

Asset	Cost (Estimated)	Funding Source
Substation	\$34 M	Entergy Capital
Frequency Changer 1	\$15 M purchase \$5 M integration	Fair Share/HMPG Capital Outlay
Frequency Changers 2,3	\$30 M	Entergy Capital
Turbine 7	\$13 M purchase \$7 M integration	CDBG System Funds
Substation Integration (Control system, bus, feeders)	\$20 M	Capital Outlay?

