

November 8, 2021

BY ELECTRONIC 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

In Re: *Establishing a Docket and Opening a Rulemaking Proceeding to Establish a Renewable Portfolio Standard*, CNO Docket No. UD-19-01

Dear Ms. Johnson:

Enclosed please find the *Advisors' Comments on Entergy New Orleans LLC's Initial RCPS Compliance Plan Covering Compliance Year 2022* in the above referenced docket, which we are requesting to be filed into the record along with this letter. As a result of the remote operations of the Clerk of Council's office related to COVID-19, the Advisors submit this filing electronically and will submit the original and required hard copies once the Council resumes normal operations, or as you direct. Please file this submission in accordance with Council's current regulations.

Sincerely,



Jay Beatmann
Counsel

JAB/dpm
Attachment

cc: Official Service List for UD-19-01

**BEFORE THE
COUNCIL OF THE CITY OF NEW ORLEANS**

Establishing a Docket and Opening a)	
Rulemaking Proceeding to Establish a)	Docket No. UD-19-01
Renewable Portfolio Standard)	

**ADVISORS' COMMENTS ON ENTERGY NEW ORLEANS LLC'S INITIAL RCPS
COMPLIANCE PLAN COVERING COMPLIANCE YEAR 2022**

On May 20, 2021, through Council Resolution R-21-182, the Council established a Renewable and Clean Portfolio Standard ("RCPS") applicable to any utility that is regulated by the Council and provides electric service to customers in the City of New Orleans. In the RCPS adopted in Resolution R-21-182, the Council directed ENO to file an interim RCPS Compliance Plan to cover the compliance period between the adoption of the RCPS and when ENO would file its first three-year compliance plan upon the completion of the 2021 Integrated Resource Plan ("IRP") process. Due to the timing of the issuance of the RCPS relative to the IRP, the Interim RCPS Compliance Plan would need to include only calendar year 2022. On August 18, 2021, ENO submitted its Initial RCPS Compliance Plan Covering Compliance Year 2022 in Docket No. UD-19-01 ("Initial RCPS Compliance Plan"). Subsequently, in Resolution R-21-347, the Council granted the parties until November 8, 2021 to submit comments on the Initial RCPS Compliance Plan. Under the current procedural schedule in Council Docket No. UD-20-02, the ongoing 2021 IRP process should be completed in time to inform a three-year RCPS compliance plan for the Compliance Years 2023-2025.

The Advisors have examined ENO’s Initial RCPS Compliance Plan and are of the opinion that the Initial RCPS Compliance Plan, for the 2022 calendar year, is in compliance with the RCPS and will meet the specified percentages of Retail Compliance Load without exceeding the Customer Protection Price Cap.

In addition to proposing a compliance plan for 2022 in its Initial RCPS Compliance Plan, ENO requests that the Council:¹

- a. *Approve the proposed definition of the term “deliverable into the MISO region” applied to renewable energy credits (“RECs”) as discussed in Section 3(c);*
- b. *Clarify whether the Council will provide a calculation of the Alternative Compliance Payment (“ACP”) for the Initial Compliance Plan period as discussed in Section 4(b);*
- c. *Approve the proposed treatment of the Green Power Option (“GPO”) throughput discussed in Section 2(a);*
- d. *Approve the Electric Vehicle credit calculation as described in Appendix A; and*
- e. *Approve the proposed purchase of RECs to establish a 5% contingency and compliance reserve as discussed in Sections 2(c) and 2(d).*

With respect to ENO’s requests, the Advisors recommend as follows:

A. Define “Deliverable into the MISO Region”

Section 2 of the RCPS defines “Renewable Energy Credit” or “REC” as:

“... a contractual right to the full set of nonenergy attributes, including any and all credits, benefits, emissions reductions, offsets, and allowances, howsoever entitled, directly attributable to a specific amount of electric energy generated from a renewable energy resource. One REC results from one MWh of electric energy generated from a renewable energy resource. To qualify for compliance purposes, RECs must meet the following conditions: (1) they were generated from a Renewable Energy Resource in MISO, the Electric Reliability Council of Texas, or elsewhere that are deliverable into the MISO region; (2) they are Green-e certified at the time of their creation and are subsequently tracked with M-RETS or an equivalent; and (3) they are retired against the compliance requirements in the compliance year in which they were utilized for compliance.”

¹ Initial RCPS Compliance Plan at 10. The sections identified in ENO’s requests reference sections in the Initial RCPS Compliance Plan and not sections in the RCPS.

In its Initial RCPS Compliance Plan ENO requests more clarity with respect to the language in the definition of RECs regarding “deliverable into the MISO region.” ENO proposes that the term “deliverable into the MISO region” apply to any facilities located in an electrically interconnected balancing authority that neighbors the MISO balancing authority. ENO indicates that this would include SPP, TVA, PJM, and the Southern Company transmission system.

The Advisors believe that ENO’s proposed definition may be too broad and may encompass Renewable Energy Resources that may not be deliverable into the MISO Region and thus, inconsistent with the language of the RCPS. At this time, the Advisors do not recommend revising the definition contained in the RCPS. To the extent ENO desires to purchase RECs generated by a Renewable Energy Resource that is not located in either MISO or ERCOT, the Advisors believe a showing that energy from the identified Renewable Energy Resource either is currently being delivered to MISO or has been delivered to MISO previously should be sufficient to demonstrate that that facility is deliverable into the MISO region.

B. Calculation of ACP

Section 4 e) of the RCPS states that the utility shall include a calculation of the ACP with the development of its three-year prospective RCPS Compliance Plan. ENO did not propose an ACP in its Initial RCPS Compliance Plan, but rather referred to “...the unique nature of this initial one-year Compliance Plan period...” and asked whether the Council would provide a calculation of the ACP for the Initial Compliance Plan period. RCPS Section 5 a) 2 states that the ACP shall be based on the highest market value of RECs in MISO over the prior three years, multiplied by a 1.15 multiplier. The Advisors recommend that ENO should propose an ACP, as well as provide the Council with the range of highest price Green-e certified RECs, and associated REC contract terms, from available market sources in MISO or neighboring balancing authorities over the prior

three years. The Advisors recommend that the Council consider the proposed ACP, as well as ACP-related Comments from the Parties, in its review and approval of the RCPS Initial Compliance Plan.

C. RCPS Treatment of GPO

In its Initial RCPS Compliance Plan, ENO notes that the RCPS does not explicitly address the extent to which the renewable energy provided to GPO customers satisfies the RCPS obligations that ENO has on behalf of those customers. As such, ENO proposes to exclude from the 2022 RCPS compliance calculation all RECs used to match GPO customers' consumption that correspond to a consumption percentage equal to or greater than the current percentage of retail compliance load specified in the RCPS Section 3.a. ENO's stated intent of this proposal is to avoid having GPO customers who choose to support clean energy in excess of RCPS requirements provide credits to be used on behalf of other customers. ENO further notes that its proposal may have possible implications for the GPO program's Green-e certification and, accordingly, the proposal should be discussed with the Center for Resource Solutions ("CRS") to identify those implications.

In addition to the possible implications for the GPO program's Green-e certification, the Advisors believe ENO's proposal may be difficult to implement and monitor. The Advisor's believe that a better approach would be to modify the RCPS such that all RECs retired under the GPO are excluded from Compliance, and the retail compliance load is reduced by the same amount. The Advisors recognize that as GPO enrollment is sufficiently small,² there is no need for Council action to either accept ENO's proposal or modify the RCPS in coordination with

² ENO states that the current subscription levels of GPO enrollment would affect less than 100 MWh of output from ENO's solar facilities, p. 3.

reviewing this Initial RCPS Compliance Plan. The RCPS states the Council's intent to review, and modify as appropriate, the RCPS at intervals of no longer than five years. The Advisors recommend that during the next periodic RCPS Review, or to the extent GPO participation encompasses significantly more annual energy, that the Council consider the more straightforward approach of modifying the RCPS such that all RECs retired under the GPO are excluded from Compliance, and the retail compliance load is reduced by the same amount.

D. EV Credit Calculation

Appendix A of the Initial RCPS Compliance Plan presents ENO's proposed method of quantifying the net emissions reductions and corresponding clean energy credits ("CECs") related to its public electric vehicle charging infrastructure deployment.³ The Advisors reviewed ENO's proposed electric vehicle credit calculation, and concur with the estimated metrics⁴ and the methodology of the calculation to determine the CO2 Emissions Reduction per MWh of EV Charging, net of the corresponding increase in electric sector emissions.⁵ In the RCPS, electric vehicle charging infrastructure falls under the Tier 3 Resource category. For Tier 3 Resources, ENO must provide the Council with either a certified engineering calculation demonstrating the net reduction in carbon emissions or data demonstrating measured emissions reductions.

The Advisors note that from their review of the calculations in Appendix A there appears to be a computational error with respect to converting the net emissions reduction into an annual CEC per MWh conversion, which varies slightly by year related to the increasing RCPS Requirement. Table A-2 correctly defines the EV Charging CECs per MWh as the decreasing Net

³ ENO expects to install 30-50 public Level 2 Electric Vehicle charging stations as Tier 3 resources in early 2022, using the Council's already-approved \$500,000 funding level, p. 6-8.

⁴ The estimated metrics include Average Electric Vehicle Efficiency, Approximate MISO South Marginal Emission Rate, Average Fuel Economy of U.S. Passenger Cars, and the CO2 Content of Gasoline, p. 11-13.

⁵ ENO's proposed electric vehicle credit calculation was clearly identified in the ten steps shown in Table A-1, p. 11-12.

Emissions Reduction from EV Charging relative to the MISO South CO2 Emissions Reduction per CEC (expected to be maintained at the current estimate). The computation as indicated in Table A-2 should result in slightly decreasing values of CECs per MWh for EV charging, rather than the increasing values shown.⁶ The Advisors concur with ENO's sample presentation that would be submitted for its public Level 2 chargers in its end-of-year compliance report, using the actual metered kWh at the chargers for the year to determine the annual CECs created by the EV chargers.⁷

While the Advisors concur with the estimated metrics and the methodology of the calculation to determine the CO2 Emissions Reduction per MWh of EV Charging, net of the corresponding increase in electric sector emissions, the Advisors recommend that ENO review the calculations in Appendix A and resubmit the calculations, with any appropriate revisions, as a certified engineering calculation in accordance with the requirements of the RCPS.

E. Proposed 5% Contingency

ENO proposes to pursue a level of CECs that would provide a 5% contingency under expected resource performance if the BP21 retail sales forecast materializes. To clarify, RCPS compliance is based on RCPS Compliance Credits which are the sum of RECs and CECs multiplied by the applicable tier multiplier. The 5% contingency should be expressed as RCPS Compliance Credits rather than CECs. The Advisors concur that a 5% contingency is prudent for several reasons: (i) to protect against unforeseen supply-side contingencies, due to variations in weather patterns, unexpected maintenance requirements,⁸ or constraints hindering full

⁶ The Advisors computation of line 17 of Table A-2 has EV CECs per MWh ranging from 1.88 in 2022 to 1.80 in 2026. p. 13.

⁷ Table A-3: SAMPLE Electric Vehicle Charging Demand and CECs, *Id.*

⁸ Grand Gulf operation provides 50.7% of the 2022 estimated RCPS Compliance Credits, based on projections of Grand Gulf operating 86% of the year, which represents a large singular impact in achieving RCPS compliance. p. 4-5.

implementation of energy efficiency programs; (ii) forecasted retail sales could be higher than expected (higher retail compliance load) amid the economic uncertainty of COVID-19 recovery; and (iii) to create a compliance reserve providing flexibility for future years compliance and helping to limit customer costs. Since this is the first RCPS Compliance year, there is no pre-established compliance reserve to draw upon. Considering ENO's 2022 RCPS Requirement for the Initial Compliance Plan, the additional 67,104 RCPS Compliance Credits that ENO proposes is a reasonable request.⁹ In Table 5, ENO anticipates that 99% of the additional RCPS Compliance Credits to meet the 5% contingency in 2022 would consist of unbundled RECs. Many resources that ENO will consider in future compliance plans, such as new solar facilities or some Qualified Measure projects, are not expected to be available to ENO in 2022.

Other Advisor Comments

Based on the estimates of ACP, RCPS Compliance Credits for the proposed 5% contingency, and reasonable current price estimates up to \$5 per unbundled REC, it appears that ENO's compliance costs for the 2022 Initial Compliance plan will be well below the Customer Protection Cost Cap of one percent (1%) of plan year total utility retail sales revenues.

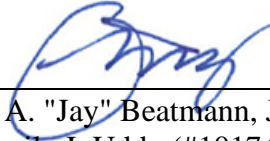
Conclusion

The Advisors are of the opinion that ENO's RCPS Initial Compliance Plan is in compliance with the RCPS and will meet the specified percentages of Retail Compliance Load without exceeding the Customer Protection Price Cap. The Advisors recommend that the Council approve the RCPS Initial Compliance Plan, subject to the recommendations made by the Advisors herein

⁹ Table 4: 2022 Initial Compliance Plan CEC Target. However, ENO has stated that the Iris and St James solar facilities were damaged by Hurricane Ida. ENO should confirm the status of those facilities and anticipated CECs for 2022. p. 5.

regarding the definition of RECs, ACP calculation, treatment of GPO RECs and load, EV calculations, and the 5% contingency.

RESPECTFULLY SUBMITTED:



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Advisors to the Council of the City of New Orleans

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading has been served by electronic mail on this 8th day of November, 2021.



J. A. "Jay" Beatmann, Jr.

Service List for UD-19-01