



September 19, 2022

By Electronic Mail

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

**RE: RESOLUTION AND ORDER ESTABLISHING A DOCKET AND OPENING A
RULEMAKING PROCEEDING TO ESTABLISH RULES FOR COMMUNITY SOLAR
PROJECTS (Docket No. UD-18-03)**

Dear Ms. Johnson,

Please find enclosed the Comments of the Alliance for Affordable Energy in the above-mentioned docket. Please file the attached communication and this letter in the record of the proceeding. We will file physical copies at your instruction. If you have any questions, please do not hesitate to contact me.

Thank you for your assistance with this matter.

Sincerely,

Logan Burke
Executive Director
Alliance for Affordable Energy

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

**IN RE: A RULEMAKING
PROCEEDING TO ESTABLISH
RULES FOR COMMUNITY SOLAR
PROJECTS**

**DOCKET NO. UD-18-03
RESOLUTION NO. R-22-370**

COMMENTS OF THE ALLIANCE FOR AFFORDABLE ENERGY

Alliance for Affordable Energy (“the Alliance”) respectfully submits these comments in response to Resolution R-22-370, heard by the New Orleans City Council (“the Council”) on August 18, 2022, as part of Docket No. UD-18-03, with questions to intervenors regarding requested changes to the Council’s Community Solar rules, previously established on March 28, 2019 in Resolution No. R-190-111. The requests for comments outline specific areas of consideration and proposals raised by Madison Energy Investments (“MEI”), filed July 13, 2022 in its Motion to Amend the Community Solar Rules. As an intervenor in the initial docket, and an advocate for equitable community-led energy projects, the Alliance provides the following input and recommendations. In the Alliance’s view, any changes to the Council’s rule should create greater opportunity for Community Solar to flourish in New Orleans, and should benefit the people of New Orleans. We do not take any positions on behalf of any Subscriber Organizations or developers.

I. SECTION III OF ENTERGY NEW ORLEANS RATE SCHEDULE CSGF

The Alliance agrees that the revenues that would be generated by a Community Solar facility under the current rules and other programs clearly do not provide either enough funding or security of funding to finalize projects, as evidenced by the last two years with no development in Orleans Parish. This stagnation in development is despite significant growth of Community Solar across the country, even during the Covid-19 pandemic and supply chain challenges. MEI outlines a number of new mechanisms to increase revenue for projects overall and for Subscriber Organizations to attract investment. The Alliance has used these proposals in some calculations

outlined below in item III regarding Consolidated Billing, as the recommendations in tariff increases, and bill consolidation mechanisms are interlinked.

As described below, if the Council chooses to change the billing mechanism in favor of MEI's proposal, Alliance supports directing a higher percentage of the Total Benefits of Community Solar (as defined in the motion) to Subscribers. The addition of a Low Income Benefits Adder and the Public Entity Benefits Adder would each provide savings that would benefit many New Orleanians. Alternatively, the Council could change the tariff to a Virtual Net Energy Metering mechanism, or even a Value of Solar tariff. As described below, the Council could also make limited changes to the Community Solar rule, and instead institute a carveout requirement for Community Solar, or local clean generation in the Renewable and Clean Portfolio Standard.

Finally, the Alliance notes that since MEI filed their proposal to amend the Council's Community Solar Rules, U.S. Congress has signed the Inflation Reduction Act into law, which includes a number of provisions that should also help the development of Community Solar projects in New Orleans. These new provisions include an increase in the Investment Tax Credit across the board back to 30%, plus adders for Community Solar projects, especially in low-income communities and those impacted by fossil fuels. The Alliance expects these adders will significantly reduce the overall cost of projects, but possibly not enough to solve MEI's revenue concern.

II. ARTICLE VI. SECTION B. RAISE THE MAXIMUM PROJECT SIZE TO 5 MW

The Alliance supports raising the maximum Community Solar Generating Facility size from 2 MW to 5 MW. The benefit of economies of scale make this request by Madison Energy Investments reasonable. In addition, we are aware of several pieces of land in New Orleans that could, in fact, host up to 5 MW of solar. Furthermore, as MEI points out in their responses to Entergy New Orleans' Direct Request 1-5, as panels continue to increase in efficiency, solar project sites may see an opportunity to host increased total capacity in the future.

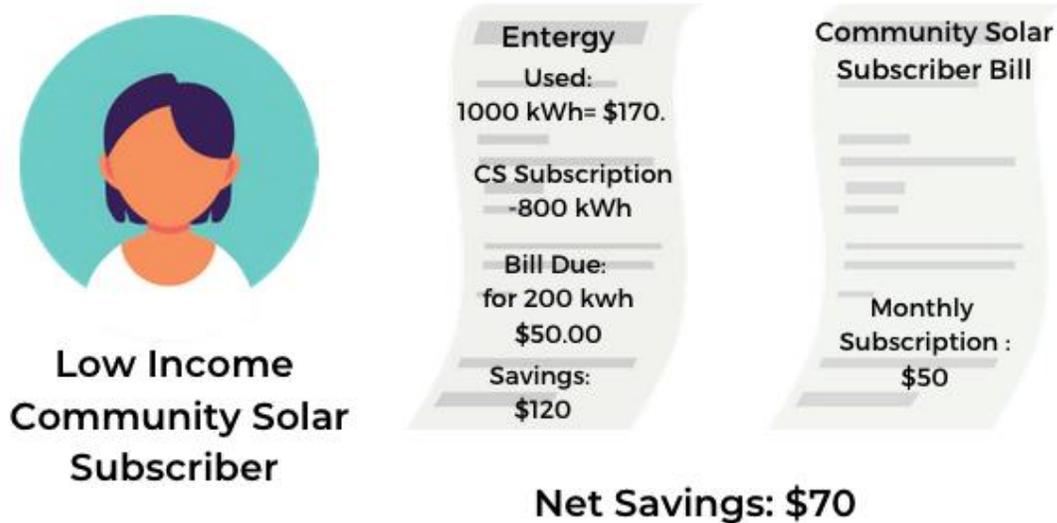
III. ARTICLE XIII. CONSOLIDATED UTILITY BILLING

The Alliance is not opposed to a consolidated billing mechanism, however we note this represents a very significant change in the structure of the rule. This change *could* benefit participants, as a

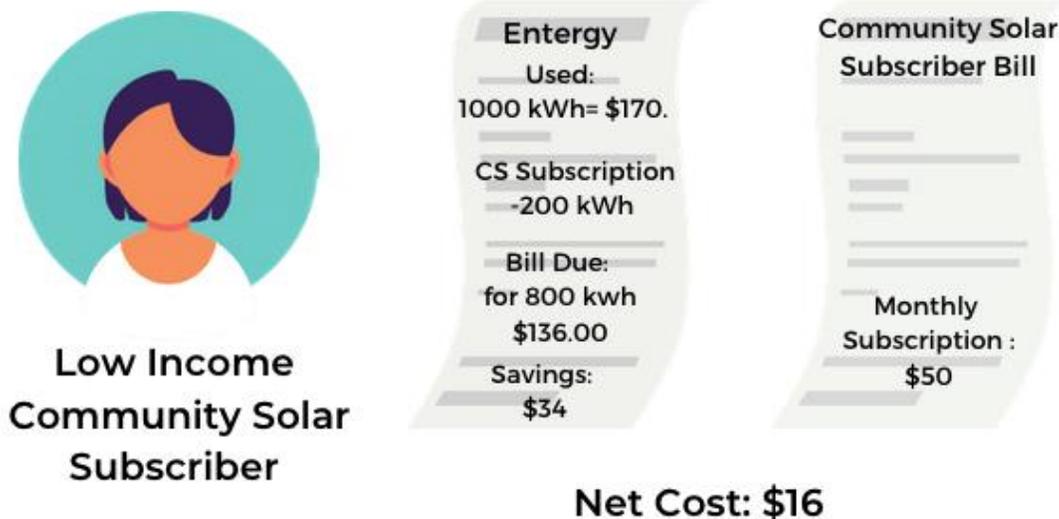
result of a streamlined billing process, but the greater benefit could be guaranteed savings to customers, depending on various adders approved, with a trade off for lower possible savings. This amendment could change the risk/reward structure of the program.

For example, under the current rule, with no ceiling for subscription cost, a low-income Subscriber may be charged more or less than the credit they would receive from the solar generated from their portion of the facility each month. Below, see two examples for a Low-Income Community Solar Subscriber's two bills under the current rule, assuming a subscription is \$50, using rough numbers. Note, if the Subscription cost is too high, and the Subscriber's portion of the facility doesn't generate much power, participation is a net cost.

**Image 1. Current Rule: high generation relative to usage
+ \$50 monthly subscription**



**Image 2: Current Rule: low generation relative to usage
+ \$50 monthly subscription**



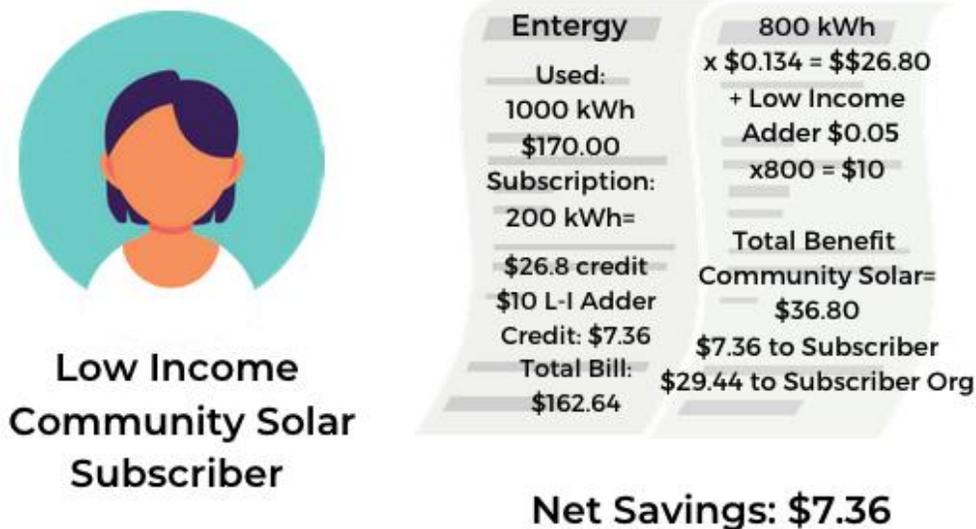
However, if the rule were to change to direct revenues toward the Subscriber Organization as a consolidated bill, first giving the Subscriber a set percentage of “Total Benefits of Community Solar”¹, or a set value per kWh, without a separately billed subscription cost (essentially subtracting the “subscription cost” from the revenue before distributing credits), the customer would necessarily receive some net benefit every single month, however likely much lower than if directly credited to the bill. See images 3 and 4 below, illustrating an example of the proposed MEI mechanism, as understood by the Alliance, using the low-income adder, and the posted low-income CSGE rate for August, 2022.

¹ July 1, 2022, Madison Energy Investments Motion, PDF page 4.

**Image 3. Proposed Bill Consolidation, high generation relative to usage
+ free subscription**



**Image 4. Proposed Bill Consolidation, low generation relative to usage
+free subscription**



These illustrations show that the savings outcome under the current billing mechanism can be significantly higher each month than the MEI proposed consolidated mechanism, but because a subscription cost is not set by the current rule, those savings can vanish if the Subscriber Organization charges a higher monthly subscription than the savings.

In order to ensure customer benefits, the Alliance recommends the Council either:

1) keep the existing mechanism, while putting a cap on the total monthly subscription cost for Low-Income customers; or

2) adopt MEI's proposed consolidated bill mechanism, but with a higher percentage of the "Total Benefits of Community Solar" directed to all subscribers than recommended by MEI, in order to ensure New Orleans subscribers receive significant guaranteed savings each month.

IV: ARTICLE IV. ENO REQUIREMENT TO PURCHASE ENERGY OUTPUT VIA PPA

It is unclear at this time, from either MEI's initial motion or their responses to Entergy's first set of Requests for Information, what the value of a PPA would be, or if the proposed amendment would set a precedent for a specific contract value. For example, is MEI proposing that a PPA contract is the same as the "Total Benefits of Community Solar" or some other value? We do not disagree that the energy and capacity has value. The existing community solar rule currently values unsubscribed energy at a wholesale PURPA avoided cost rate, in Article IX. If the Council wishes to increase the value of Community Solar in order to encourage development and adoption, this is another part of the mechanism that could be increased, by creating a "value of solar" or adder.

On the other hand, if the Council desires to change the billing mechanism as proposed by MEI, it appears that this PPA contract mechanism amendment is necessary in order to guarantee savings to customers and allocate revenues differently. Even so, the value of the contract should be transparent, in order to offer subscribers some certainty that they are receiving a fair benefit or portion of the value of the energy.

The Alliance recommends that the Council seek clarification from the movant as to the level of value, or mechanism of valuation, associated with a PPA contract expected before taking action on this proposed amendment.

V: ARTICLE XII. RENEWABLE ENERGY CERTIFICATE OWNERSHIP

MEI's motion proposes that all ownership and rights to Renewable Energy Certificates ("RECs") defaults to the Subscriber Organization. The Alliance disagrees with this change, as the rules

already allow Subscribers to transfer the ownership and rights of the RECs to the Subscriber Organization for the purpose of additional revenue streams to reduce subscription costs. The current rule allows the flexibility for Subscribers and Subscriber Organizations to decide how these RECs and associated revenue may be used. There may be Subscribers with specific renewable energy goals who wish to retire the RECs on their own behalf, and the proposed change in this rule would make this more difficult. We do not see a reason to change this flexible language.

We also note that RECs are a major driver of community solar adoption in other states where there are Renewable Portfolio Standards, and particularly where those RPSs include a carveout for a specific kind of resource. For example, the value of Solar RECS as of this filing date in Washington DC is \$345 per MWh². These additional revenues acknowledge the social and environmental value of local solar, and make Community Solar projects “pencil” much faster, bringing even greater savings to participants. If the Council desires greater adoption of Community Solar in Orleans Parish, but does not want to make major changes to the rule as outlined above, then the addition of a carveout for local or low income Community Solar in the Renewable and Clean Portfolio Standard is warranted.

VI: ARTICLE IV. PPA LIMIT EXTENSION TO TWENTY YEARS

The Alliance does not oppose a change to the rule to extend the Power Purchase Agreement (“PPA”) to 20 years, rather than the current 10. Entergy New Orleans has an existing 20-year long-term PPA with the St. James Solar facility, on behalf of New Orleans customers, which is similar to other PPAs held by other Entergy operating companies for solar projects. The extension of the agreements for Community Solar should lead to easier financing for these projects and puts Community owned resources on par with other long-term power agreements in the area.

VII: ARTICLE V. RAISE LOW-INCOME SUBSCRIBER MINIMUM TO 40%

The Alliance does not oppose the proposal to increase the minimum requirement for Low-Income Category projects from 30% to 40%. However, it is unclear why a change in this rule is necessary.

² As of September 19, 2022, Retrieved from https://www.sretrade.com/markets/rps/srec/district_of_columbia

MEI, or any other developer or Subscriber Organization can voluntarily reserve a percentage of a project in this category to 40% or even higher. There is currently no maximum or upper limit to the percentage of a project that is eligible for Low-Income subscribers. Without further explanation from the movant as to the barrier to development currently posed by the existing rule's requirement of at least 30% of a Low Income Category project, the Alliance does not see a reason for the Council to take action on this particular amendment at this time.

VIII: CONCLUSION

The Alliance is grateful for this opportunity to re-visit the Community Solar rules created by the Council in 2019. We are glad to see there is interest from both community members and companies who want to invest in New Orleans and creative proposals offered to the Council to address challenges. We look forward to Council action to reduce barriers to clean energy expansion and greater distributed, and community directed energy systems.

In Re: A RULEMAKING PROCEEDING TO ESTABLISH RULES FOR COMMUNITY SOLAR (Docket No. UD-18-03)

Certificate of Service Docket UD-18-03

I hereby certify that I have, on this 19th day of September 2022, served the foregoing correspondence upon all other known parties of this proceeding by USPS or electronic mail.



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