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October 12, 2022

VIA ELECTRONIC DELIVERY

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

Re: Rulemaking Proceeding to Establish Renewable Portfolio Standards
Council Docket No. UD-19-01

Dear Ms. Johnson:

Entergy New Orleans, LLC (“ENO”) respectfully submits its Reply Comments in response to the Comments submitted by the Alliance for Affordable Energy (“AAE”) regarding ENO’s 2023-2025 Renewable and Clean Portfolio Standard Compliance Plan. This filing is being electronically submitted and the original and requisite number of hard copies once the Council resumes normal operations, or as you direct. ENO requests that you file this submission in accordance with Council regulations as modified for the present circumstances.

Should you have any questions regarding this filing, please contact my office at (504) 670-3633. Thank you for your assistance with this matter.

Sincerely,

A handwritten signature in blue ink that reads 'Keith D. Wood'.

Keith D. Wood

Enclosures

cc: Official Service List (*via email*)

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

IN RE: A RULEMAKING)	
PROCEEDING TO ESTABLISH)	
RENEWABLE PORTFOLIO)	DOCKET NO. UD-19-01
STANDARDS)	

**ENTERGY NEW ORLEANS, LLC’S
REPLY COMMENTS**

Entergy New Orleans, LLC (“ENO”) submits these Reply Comments in response to the Comments submitted by the Alliance for Affordable Energy (“AAE”) regarding ENO’s 2023-2025 Renewable and Clean Portfolio Standard (“RCPS”) Compliance Plan (“Plan”).

INTRODUCTION

In its Comments, AAE objected to ENO’s request that the Sullivan Substation project for the Sewerage and Water Board (“SWB”) be approved as a Qualified Measure, and to ENO’s proposed electrification credit calculation that would be used if the project were approved as a Qualified Measure. By way of background, ENO and the SWB entered into an Agreement in Principle (“AIP”) that outlines the construction and use of the Sullivan Substation. The AIP provides that the Sullivan Substation will be owned and operated by ENO, and that ENO will contribute to the construction costs only if the total project cost rises beyond the \$30 million of SWB’s agreed-upon Contribution in Aid of Construction (“CIAC”) payment. The AAE’s objections to ENO’s request for treatment of the project as a Qualified Measure and for approval of the associated electrification credit calculation are entirely without merit and should be rejected.

COMMENTS

The Sullivan Substation Project Meets the Criteria as a Qualified Measure

AAE argues that “ENO does not offer justification for why they should receive credit for a project they *may* invest in,”¹ suggesting that the initial investment of the full amount of capital required for a project is required for eligibility as a Qualified Measure. This is not an accurate characterization of the Council’s RCPS Rules, and, as explained below, ENO will invest in the Sullivan Substation over time assuming no further CIACs. While ENO may or may not contribute to the construction costs given current cost estimates and the SWB’s CIAC payment (which occurred through fortuitous circumstances), the Council’s Rules do not require that ENO invest capital in a project in order for it to be deemed a Qualified Measure and to receive an appropriate level of Clean Energy Credits (“CECs”). Rather, the Rules define Qualified Measure as “a project, program or measure which produces a measurable net reduction in carbon emissions in Orleans parish, is cost-effective from the utility perspective, and is approved by the Council for purposes of RCPS compliance.”² The requirements are clearly satisfied: the Council-approved project is cost effective from the utility perspective and will produce a measurable net reduction in carbon emissions in Orleans Parish.³ The Sullivan Substation therefore can be considered a Qualified Measure regardless of the investing party. The AAE, however, would have the Council deny Qualified Measure treatment of the Sullivan Substation project based on a rule that does not exist. The Council should not permit that result.

While it is unknown at this point whether ENO will contribute to construction costs on the project, that alone is of no moment. There is ample justification for approving the Sullivan

¹ AAE Comments, at p. 2 (emphasis in original).

² RCPS Rules, at p. 4.

³ ENO Plan, at pp. 4-6.

Substation as a Qualified Measure under the Rules. The \$30 million CIAC from the City reduces the project cost that will ultimately be collected through rates, but ENO will bear the cost and financing risk for amounts beyond the \$30 million during a time of broad inflationary pressure that is impacting projects across the industry. Moreover, ENO's industry experience and supply chain processes will likely result in a lower overall project cost than would have been realized if the SWB were to build the substation itself.

Following construction, ENO will invest in the Sullivan Substation just like ENO's other utility infrastructure. ENO will be responsible for owning and maintaining the Sullivan Substation just like ENO's other utility infrastructure, and over time, ENO's investment in the Sullivan Substation will increase. For example, as components of the Sullivan Substation wear out and must be replaced, ENO must make the necessary investments to replace those components. If the Sullivan Substation experiences significant damage in a major weather event and is inoperable, ENO must make the necessary investment, even though it may be substantial, to repair the substation and return it to service. Eventually, when the CIAC is fully depreciated and assuming no further CIACs are executed, only ENO's investment will support the Sullivan Substation.

In addition, over the past four years, ENO has worked towards helping meet the SWB's goals to modernize its infrastructure and has invested a great deal of time and resources towards the creation of this substation as well as a new, innovative rate structure that will allow the SWB to utilize grid electricity for much of its operations in lieu of burning fossil fuel in aging equipment to generate its own power. The AAE itself acknowledged this, noting that the Sullivan Substation "is expected to shift the vast majority of power consumption for SWB to Entergy New Orleans,

and obviate the need for diesel, gas, and oil-fired generation onsite at the Carrollton Site.”⁴ For all these reasons, the Sullivan Substation should be approved as a Qualified Measure under the Rules.

**The CEC per MWh Calculation for the Sullivan Substation Project
Does Not Propose the Use of a Multiplier as Suggested by AAE**

AAE suggests that the CEC calculation provided in connection with the Sullivan Substation project proposes the use of a multiplier.⁵ This is not correct. As required by the definition of Tier 3 Resource under the Rules, “[t]he Utility must also propose the annual amount of CECs in MWh associated with each proposed Tier 3 Resource for Council consideration.”⁶ The calculation provided in Appendix B of the Plan compares the emission rate of a MWh of the SWB generation to the emission rate of a MWh of marginal generation on the grid. Based on the comparison of these emission rates, the credit calculation proposes that each MWh of the SWB generation that is avoided or replaced through service from the Sullivan Substation should receive an amount of CECs starting at 4.57 per MWh electrified for purposes of RCPS compliance. There is no “multiplier” included as that term is contemplated under Section 3(b) of the rules. A multiplier, such as the 1.25 multiplier included for Tier 1 resources, would further compound the calculated number of CECs. But no such multiplier exists in this case.

Here, the proposed CEC calculation reflects the significant amount of local CO₂ emissions being avoided with each MWh of electricity served from the grid instead of the SWB’s self-generation units. Because the Sullivan Substation will largely eliminate the future need for diesel, gas, and oil-fired generation onsite at the Carrollton facility, as noted above, ENO’s efforts will help reduce in-parish CO₂ emissions by over 90,000 tons annually, and avoid substantial in-parish

⁴ AAE Comments, at p. 1.

⁵ AAE Comments, at p. 2.

⁶ RCPS Rules, at p. 5.

emissions of NO_x, volatile organic compounds, particulate matter, and other surface-level pollutants.⁷

In addition, ENO is seeking Council approval for an amount of CECs per MWh in line with the project's CO₂ reductions in accordance with RCPS rules. To clarify, ENO is only requesting that the calculation apply to the demand associated with the SWB pumps that would otherwise be served by less efficient, higher-emitting SWB self-generation. Therefore, AAE's suggestion that ENO is proposing to claim over 475,000 CECs annually based on the SWB loads already served by ENO not subject to electrification, is inaccurate.

Based on the SWB's reported average annual self-generation of 35,570 MWh,⁸ ENO would receive approximately 164,000 CECs annually under its proposal, commensurate with the over 90,000 tons of CO₂ emissions avoided annually by replacing that self-generation with grid-powered electricity.⁹ Finally, while AAE claims "Entergy is asking for a lot of credit for not much new clean energy,"¹⁰ the fact is that converting the SWB service away from its old self-generation to the much cleaner ENO generation portfolio will have an obvious and positive effect on local carbon emissions. This is the very purpose of the Rules. Indeed, the intent of the RCPS as explained in Section 1 of the Rules is to "[a]ggressively pursue *reductions to carbon emissions*,"¹¹

⁷ AAE notes that a need for additional CECs will be created in 2040 when multipliers no longer apply, which is irrelevant here since no multiplier is being used in the calculation and Tier 3 resources, which include Qualified Measures such as this one, carry a multiplier of 1.0 by default. ENO's compliance plans for 2040 and beyond will account for the need for additional CECs in the future.

⁸ Sewerage and Water Board of New Orleans, Louisiana, *Comprehensive Annual Financial Report for the years ended December 31, 2020 and 2019*, p.IV-6.

⁹ On p. 3, AAE objects that "Entergy's filing doesn't show a need for the utility to conduct all this unwarranted multiplication...." This statement is a further indication of confusion on AAE's part regarding the distinction between the CEC per MWh calculation required to support a Qualified Measure proposal and the multipliers contemplated for Tiers 1, 2, and 3. The proposed calculation necessarily requires multiplication (as well as addition, subtraction, and division); the proposal does not include the use of an additional multiplier (such as 1.25 used for Tier 1 resources) to further compound the calculated number of CECs.

¹⁰ AAE Comments, at p.3

¹¹ RCPS Rules, Section 1(a)(emphasis added).

which is recognized through the Tier 3 Resource category and the achievement of electrification of the SWB self-generation.

CONCLUSION

For all these reasons, and those previously articulated, the Council should approve the Sullivan Substation project as a Qualified Measure and approve ENO's proposed calculation of CECs per MWh of SWB self-generation replaced with grid power. The comments submitted by the AAE do not require a different result.

CERTIFICATE OF SERVICE

Docket No. UD-19-01

I hereby certify that I have served the required number of copies of the foregoing report upon all other known parties of this proceeding, by the following: electronic mail, facsimile, overnight mail, hand delivery, and/or United States Postal Service, postage prepaid.

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New Orleans, Louisiana, this 12th day of October, 2022.

A handwritten signature in blue ink that reads "Keith D. Wood". The signature is written in a cursive style with a horizontal line underneath it.

Keith D. Wood