December 7, 2022

By Hand Delivery and U.S. Mail

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

In Re: RESOLUTION AND ORDER ESTABLISHING A DOCKET AND PROCEDURAL SCHEDULE WITH RESPECT TO STORM HARDENING AND RESILIENCE (Docket No. UD-21-03)

Dear Ms. Johnson:

Please find the enclosed Reply 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 submit physical copies at your instruction. If you have any questions, please do not hesitate to contact me.

Thank you for your time and attention.

Sincerely,

Jesse S. George
New Orleans Policy Director
Alliance for Affordable Energy

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Before
The Council of the City of New Orleans

In Re: RESOLUTION AND ORDER
ESTABLISHING A DOCKET AND
PROCEDURAL SCHEDULE WITH RESPECT
TO STORM HARDENING AND RESILIENCE

DOCKET NO. UD-21-03
DECEMBER 7, 2022

REPLY COMMENTS OF THE ALLIANCE FOR AFFORDABLE ENERGY

I. INTRODUCTION

On July 1, 2022, the parties to this docket filed their initial resilience plans with the New Orleans City Council (“the Council”) pursuant to the procedural schedule established in Council Resolution R-22-411. The procedural schedule provides that parties were to file comments by November 7, 2022 in response to the various proposals addressing four key issues: 1) each party’s assessment of which of the resiliency proposals are likely to provide the greatest benefits to ratepayers and the community and how the proposals should be prioritized; 2) to what extent the costs of the proposals should be ratepayer-funded and what an appropriate ratepayer bill impact would be for a master resiliency plan; 3) how the various ongoing energy resiliency efforts in the City can be successfully integrated with utility efforts into a comprehensive master resiliency plan and 4) what additional elements should be included in a master resiliency plan for the City. The only parties to submit comments were the Alliance for Affordable Energy (“the Alliance”) and Entergy New Orleans, LLC (“ENO”). The Alliance hereby submits the following reply comments in response to ENO’s filing:
II. THE COUNCIL MUST REJECT ANY FURTHER INVESTMENT IN FOSSIL FUELS

The Sixth Assessment Report of the Intergovernmental Panel on Climate Change, released on August 9, 2021, prompted United Nations Secretary General António Guterres to call the report a “code red for humanity” and to warn that its findings “must sound a death knell for coal and fossil fuels.” Of course, we know that the City of New Orleans is among those most vulnerable to the effects of climate change, having experienced numerous climate-related disasters in recent years, including Winter Storm Uri and Hurricanes Zeta and Ida. Quite simply, any further investment in fossil fuel infrastructure of any kind – including methane or “natural gas” – is suicidal.

In its initial resilience plan and in its comments, ENO has proposed eight microgrid projects that the company has suggested could be powered either by solar panels or by methane generators. Fossil fuel generation has no place in resilience planning, and the Council must reject any attempt by ENO to advance fossil fuel infrastructure under the guise of resilience.

III. THE COUNCIL MUST DO ALL IN ITS POWER TO MINIMIZE RATEPAYER BILL INCREASES

New Orleans is currently experiencing a crisis of energy affordability, particularly for vulnerable, low-income populations. At ENO’s last report to the Council at the October 26, 2022 meeting of the Utility, Cable, Telecommunications and Technology Committee (“UCTTC”), 20,000 residential accounts were at risk of disconnection, or roughly 12% of ENO’s residential accounts. At the December 6, 2022 UCTTC meeting, ENO executives reported that 38,000 accounts had entered deferred payment plans at some point during 2022 due to unaffordable

2 https://twitter.com/ShebaTurk/status/1585610191021678594
bills. The drivers of these outrageous bills are manifold: 1) ENO’s stubborn reliance on increasingly expensive methane, currently trading at prices approximately 25% higher than this time last year, for its generation resources, 2) intentional delay of maintenance of its infrastructure in order to pay dividends to shareholders\(^3\), 3) mismanagement of the Grand Gulf Nuclear Station, resulting in costs to ratepayers of approximately $100,000 per day of down time\(^4\), 4) ENO’s failure to invest in transmission infrastructure that could supply cheap, clean renewable energy to the city, and 5) the cost of numerous climate disasters – exacerbated by ENO’s heavy reliance on fossil fuels – including a pending ENO application for approximately $170M in costs related to Hurricane Ida.

ENO has proposed a plan, including grid hardening and microgrid projects, with a price tag of $1.5B. In its Third Quarter 2022 shareholder report, ENO boasted of a 10.4% return on equity, well above the 9.85% rate cap the Council has imposed. New Orleans ratepayers, who suffer one of the highest energy burdens in the country, must not be made to bear the full cost of resilience and storm hardening measures that Entergy should have undertaken years ago. We know that ENO has deliberately delayed necessary maintenance of its infrastructure in order to pay out dividends to shareholders. Furthermore, the extraordinary costs ratepayers cover following major storms would almost certainly be lower if the system was properly maintained with the dollars the utility recovers for operations and maintenance, rather than put to the company’s profit line. The Council must look to creative financing models in any final resilience plan, drawing on all available funding streams and minimizing the ratebasing of expensive capital projects. The Council should seek to integrate utility projects into existing,

\(^3\) https://www.propublica.org/article/entergy-resisted-upgrading-new-orleans-power-grid-when-ida-hit-residents-paid-the-price

community-led resilience efforts such as the Together New Orleans Community Lighthouse Project and Feed the Second Line’s Get Lit Stay Lit Project. Additionally, the Council could use its broad authority to implement other measures to protect ratepayers from excessive costs, including 1) a time-of-use rate, 2) the addition of incentives for private investment in distributed resources added to the Energy Smart program, 3) property tax abatements, or 4) a local solar carveout under the city’s Renewable and Clean Portfolio Standard, Docket No. UD-19-01, which would create a market for local Renewable Energy Credits, or RECs, incentivizing homeowners and community solar developers to invest in local solar, with its attendant resilience benefits.

It is concerning that the Federal Emergency Management Agency has thus far denied all of ENO’s applications for grant funding for its proposed resilience projects.\(^5\) The Council must take a proactive approach, including working with the executive branch of city government and Louisiana’s State Energy Office within the Department of Natural Resources, and paying close scrutiny to ENO’s pursuit of federal funding, in order to maximize these opportunities.

ENO’s filing and comments propose a new rider for the purpose of recovering resilience planning and construction costs. As the Alliance noted in our initial comments, this is alarming for a number of reasons. Capitalization of costs, as the company has proposed, would mean the utility would earn additional profits on resilience projects, even if the costs are traditionally considered in the slim category of expenses from which the company does not profit. This means ENO is requesting – and assuming it will receive approval – to extract profits from their customers for spending that they are not allowed in all other cases. ENO did not provide any calculations in its filing using typical expense categorization assumptions, which would highlight

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\(^5\) Federal Energy Management Agency, Building Resilient Infrastructure and Communities (BRIC) selections. FY 2021
the additional utility profits and customer costs they are requesting. If the Council approves any cost recovery or cost recovery mechanism, it must not allow the utility to shift expenses into atypical categories such that they increase costs to customers.

The utility’s request to shift expense categories also points to Entergy’s history of deferred maintenance in the interest of shareholder profits. The utility’s parent company has proudly announced to shareholders that they are among the best utilities in the country at “managing” operations and maintenance spending. These O&M expenses are built into rates for a reason, and where the expense does not match revenues between rate cases, it means customers are not getting what they have paid for, as evidenced by a poorly maintained distribution system. It is unreasonable for ENO to profit on these new capital-intensive proposals after years of using these revenues “flexibly” to customers’ detriment.

IV. THE COUNCIL SHOULD REQUIRE ENO TO INCORPORATE COMMUNITY-LED RESILIENCE PROJECTS INTO ITS RESILIENCE PLANNING

In the Introduction section of its filing, ENO discusses the performance of utility infrastructure in Florida during Hurricane Ian this year, which fared much better than did Entergy’s after Hurricane Ida. ENO points to the Florida Public Service Commission’s adoption of resilience planning rules in 2006 as the major reason behind Florida’s preparedness, essentially admitting that its own failure to invest in resilience is due to a lack of strong direction from the Council.

While ENO mentions discussions with community organizations such as Together New Orleans (“TNO”) around its Community Lighthouse Project, its comments state that it has “not

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reached any conclusions about the feasibility” of the project. Meanwhile, both TNO and Feed the Second Line’s Get Lit Stay Lit program have moved ahead, raising millions of dollars in funding through various sources, and even installing solar and battery systems at participating sites.

ENO is sure to state in its filing that it is “entitled to a reasonable opportunity to recover its prudently-incurred costs.” Thus, the Council must make clear to ENO from the outset that recovery for any resilience planning will depend on ENO’s cooperation with, and willingness to be led by, community-driven initiatives. A prudent utility would have begun the process of hardening its grid and transitioning to local, renewable energy after Hurricane Katrina in 2005. Numerous climate disasters later, ENO has made clear that without a mandate from the Council, it will not do so. In the absence of leadership from the utility, the community has developed its own solutions, and ENO must be made to integrate them into its planning.

V. CONCLUSION

The Alliance thanks the Council for this opportunity to respond to ENO’s filing, and looks forward to working together toward an equitable, livable future for the City of New Orleans.

Submitted respectfully,

Jesse S. George
New Orleans Policy Director
Alliance for Affordable Energy

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7Ibid., p. 6
8Id.
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The Council of the City of New Orleans

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CERTIFICATE OF SERVICE

I do hereby certify that I have, this 7th day of December 2022, served the foregoing correspondence upon all other known parties of this proceeding by electronic mail.

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