

March 1, 2023

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

Re: *Resolution and Order Establishing Rulemaking to Consider Savings Targets and Program Design for Energy Efficiency, Conservation, Demand Response and Other Demand-Side Management Programs as well as Customer-Owned Distributed Energy Resources and Battery Storage*, Docket No. UD-22-04

Dear Ms. Johnson:

Enclosed please find the *Advisors' Report Regarding Parties' Proposed Changes and Additional Guidance* in the above referenced matter, which we are requesting be filed into the record along with this letter. The Advisors submit this filing electronically and will submit the requisite original and number of hard copies once the Council resumes normal operations, or as you direct.

Sincerely,



Jay Beatmann
Counsel

JAB/dpm
Attachment

cc: Service List for Docket No. UD-22-04

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

**RESOLUTION AND ORDER ESTABLISHING)
RULEMAKING TO CONSIDER SAVINGS)
TARGETS AND PROGRAM DESIGN FOR)
ENERGY EFFICIENCY, CONSERVATION,)
DEMAND RESPONSE AND OTHER DEMAND-) DOCKET NO. UD-22-04
SIDE MANAGEMENT PROGRAMS AS WELL AS)
CUSTOMER-OWNED DISTRIBUTED ENERGY)
RESOURCES AND BATTERY STORAGE)
)**

**ADVISORS' REPORT REGARDING
PARTIES' PROPOSED CHANGES AND ADDITIONAL GUIDANCE**

March 1, 2023

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INTRODUCTION

In Resolution No. R-22-413, Council opened Docket No. UD-22-04 to consider modification of the Energy Smart energy efficiency and conservation program, demand response, other demand-side management (“DSM”), customer-owned distributed energy resources (“DER”) and energy storage, as well as potential Council policy impacts with respect to proposed modifications. In that Resolution, the Council ordered parties interested in proposing changes to the Council’s energy efficiency, conservation, DSM, kW and kWh savings goals, and customer-owned DER and energy storage polices to submit their proposals, along with a proposed funding mechanism for those proposals, convene two technical conferences to discuss those proposals, and file any responsive comments. It also ordered the Advisors to fully participate in the docket and to submit an Advisors’ Report summarizing the comments received, the resulting changes to existing Council policies, and any additional guidance to the Parties on how to fulfill the Council’s goals for this docket. The Advisors submit this Advisors’ Report pursuant to that requirement.

Subsequent to this Report, the parties will hold a second technical conference, file comments regarding this Report and submit reply comments, after which the Hearing Officer will certify the record to the Council for Council action.

EXECUTIVE SUMMARY

The comments filed to date and the discussions in the technical conference indicate significant consensus on the types of changes the Parties believe should be made to the Energy Smart Program at this time. While differences remain as to the details, the Parties are generally in agreement that Energy Smart should enhance its programs for income-qualified residential customers and begin using geographic targeting and neighborhood delivery of certain programs in order to ensure that energy efficiency measures are being delivered to specific neighborhoods in the City that are particularly suffering from inequitable energy burdens and urban heat island impacts.

Based on the comments filed to date in the docket and the discussion held in the technical conference, the Advisors offer the following guidance, as more fully discussed herein.

- Maintain the current goal of generating kWh savings at a rate equal to 2% of annual kWh sales through the end of Program Year (“PY”) 15 (*i.e.* through the end of 2025). Then, in light of the changes ultimately made to Energy Smart in this proceeding and the new federal and state legislation regarding efficiency standards, consider setting the kWh savings targets for PYs 16-19 (2026-2029) based upon the outcome of the Demand-Side Management (“DSM”) potential studies performed in the 2024 Integrated Resource Plan (“IRP”) proceeding, which will reflect the most current data on the potential to achieve energy savings through energy efficiency in New Orleans. This docket may reflect changes in Council policy to redefine the value of programs and modify Energy Smart goals in addition to a kWh savings goal.
- Consider establishing a kW demand reduction goal beginning with PY15, since the Council has not yet approved PY15. Based on the DSM potential Studies conducted for the 2021 IRP, a suggested kW target for 2015 would be 3% of annual system peak. A performance incentive of 7% of demand response program costs for attaining 100% of the goal (similar

to the incentive for the energy savings goal) could be considered. Demand reduction goals for PYs 16 (2026) and beyond should be set at the time that the Energy Smart Program Implementation Plan for PYs 16-19 is approved, as the appropriate levels for those goals will be significantly impacted by whether the Council decides to establish a time-differentiated rate program for those years. At that time, the Council will also have the benefit of several years of results from the current demand response programs, the DSM potential studies performed as part of the 2024 IRP proceeding to inform the goal and, potentially, advice from a DSM Working Group.

- A performance incentive that rewards ENO for achieving savings related to measures installed for income-qualified customers is consistent with the Council's goals for this proceeding. However, the risk exists that if the incentive is not properly structured it could have the inadvertent effect of creating an unintended incentive for ENO to steer all income-qualified customers only into the program(s) that count toward the incentive and not to assist income-qualified customers with other Energy Smart program measures that might also benefit them. The Parties should work together to design a performance incentive for achieving savings for income-qualified customers that avoids this unintended consequence.
- The Council should consider formally clarifying that addressing inequitable energy burdens, urban heat island impacts, and other environmental and social justice issues are consistent with the Council's goals for the Energy Smart Program and add sufficient value as a policy matter to exempt measures addressing those issues from the Total Resource Cost ("TRC") cost-effectiveness test.
- The Council may wish to re-evaluate the goals for Energy Smart, which for the previous twelve program years have been primarily focused on cost-effectiveness. The total costs of Energy Smart, including the utility performance incentive and lost contributions to fixed costs, are estimated at \$33.7 million for Program Year 13, rising to \$37.7 million for Program Year 15, as can be reviewed in the attached Appendix A. Increasing the amount of Energy Smart projects proposed by the parties related to energy burden and heat islands, while also attempting to achieve the Council's kWh savings target, will likely increase program costs. Likewise, applying the same treatment to these proposed projects as with the income-qualified program will likely reduce overall portfolio cost-effectiveness, possibly below the 1.0 Cost/Benefit threshold required by the Council's rules. Should the Energy Smart goals be revised, the current approved Energy Smart Implementation Plan will necessarily require a complete revision of individual program design, including budget, savings, and timetable estimates, and field contractors reorganization.
- The creation of a DSM Working Group, if properly designed, could streamline the Council's processes for considering and approving Energy Smart program design and Implementation Plans, and could provide ENO and its trade allies with valuable assistance and community input. Such a working group, however, should be designed in such a manner as to avoid interfering with the responsibility of the Energy Smart team and the Third Party Administrator to develop the Energy Smart Implementation Plan, as well as the continuity of the provision of Energy Smart measures to customers. The Parties should continue working collaboratively on an appropriate design and mandate for such a working group to recommend to the Council.

- The enhancement of Energy Smart program offerings for income-qualified customers is consistent with the Council’s purposes of the Energy Smart Program, even where such enhancement increases the budget for the program and negatively impacts the cost-effectiveness of the overall program design, so long as the program costs do not become excessive. There appears to be a disconnect among the Parties as to what “counts” as an income-qualified customer participation and savings in the Energy Smart program, and the Parties should work to resolve this disconnect and develop a common understanding of how income-qualified customer participation is tracked and measured.
- There is considerable consensus around developing a geographic targeting and neighborhood-based delivery program for the Energy Smart Program, and the Advisors believe that development of such a program could lead to improved penetration of Energy Smart measures into hard-to-reach neighborhoods that suffer from inequitable energy burdens and urban heat island impacts. More development of the concept is needed, but such a program could be “kick-started” with a pilot program for 2025 and the DSM Working Group could develop program parameters for 2026 and beyond.
- With respect to making Energy Smart Programs “opt-out” rather than “opt-in,” in neighborhoods identified through the geographic targeting program, residents could be contacted and advised that they are eligible for either the Home Performance with Energy Star program or the Income-Qualified Weatherization program and be asked to either set up an appointment for an audit or choose to opt out of the program. Similarly, customers in an arrearage management program could have debt forgiveness conditioned upon participation in either the Home Performance with Energy Star Program or the Income-Qualified Weatherization Program, as appropriate.
- A more coordinated approach to resolving health and safety issues that lead to deferrals of energy efficiency upgrades would be beneficial. Developing such an approach could be a task set for the DSM Working Group.
- Many of the Council’s goals would benefit from enhanced availability of data regarding customers and participants, and from expansion of data tracking by ENO to make it easier to identify geographic clusters of customers that would benefit from income qualified programs or programs that specifically address energy burden and urban heat island impacts. The Parties should work to specifically identify which data should be collected from customers and participants by ENO and how that data might be appropriately utilized and shared with the Council, the DSM Working Group and stakeholders in a manner that complies with the Entergy Customer Bill of Rights and applicable privacy laws.
- The Parties should develop for the Council’s consideration a proposal for inclusion in PY 15 and beyond that would offer building owners support for building code verification and compliance as new building codes come into effect.
- ENO should work to leverage all sources of available funding that could enhance the Energy Smart program offerings. Identifying and assisting ENO with developing partnerships with the various state agencies and other entities administering and distributing such funding would be an appropriate role for the DSM Working Group.

- The Parties should discuss and recommend to the Council a long-term timetable for further proceedings in this docket to develop proposals for time-differentiated rate designs that could capture the potential for kW savings related to such programs identified in the DSM Potential Studies as well as for proposals for programs for customer-sited distributed energy resources and battery storage.
- The Advisors remain concerned about the bill impact of the overall Energy Smart Program Budget and suggest that the DSM Working Group be tasked with assisting ENO in identifying potential additional sources of funding for the program to mitigate the impact on customer bills. The Advisors also encourage the Parties to consider whether the total Energy Smart budget should be subject to a customer cap, similar to the cap on the Renewable and Clean Portfolio Standard budget and evaluate whether EECR Rider cost allocation between customer classes should be revised.
- The Advisors also recommend that the Parties provide more clarity on various proposals they have made, as discussed more fully herein.

BACKGROUND

The Energy Smart Program was initially developed through a professionally facilitated stakeholder process in 2008 that included representatives from environmental advocacy groups, energy watchdog groups, local developers, home builders and contractors, local charities, community service organizations, the utility, professors, scientists and experts in the field, large industrial and commercial electricity customers, Council and City staff, Council Advisors, the Department of Energy, the National Renewable Energy Laboratories, experts from other regions that had enacted similar programs, and a member of the public.¹ Around the same time period, the Council initiated Docket UD-08-02 to develop Integrated Resource Planning rules that included demand side management and energy efficiency components in ENO's planning process. Further, a 2009 Agreement In Principle in Docket No. UD-08-03 adopted by Resolution No. R-09-136 expressed the Council's desire to have one unified energy conservation program available to customers in the Company's service area.² During this time period the Council developed the following criteria to determine whether any particular program should be included in the Energy Smart Program: (1) cost effectiveness of such action (all programs, with the exception of low-income weatherization and domestic solar water heating programs were required to be determined cost-effective under the Total Resource Cost ("TRC") Test and the Program Administrator Cost ("PAC") Test as defined in the California Standard Practice Manual); (2) the maintenance of customer commercially sensitive or confidential information; (3) feasibility; (4) other criteria that may be identified by Entergy and determined appropriate by the Council.³ At the outset of the program, the primary goal of the program was to elevate customer awareness and adoption of energy efficiency and conservation measures, and encourage the use of energy efficiency and demand-side management as a tool to slow the rate at which energy rates increase for all customers as well

¹ See Resolution No. R-08-366 (as amended).

² See Resolution No. R-09-267.

³ See Resolution No. R-09-267 at 3.

as producing significant bill savings for those customers participating in the program and reducing environmental impacts of energy production. The first nine years of the Energy Smart Program were funded through a series of refunds related to litigation at the Federal Energy Regulatory Commission⁴ until 2019, when the Council approved the incorporation of the Energy Efficiency Cost Recovery Rider (“EECR”) into ENO’s rates to fund Energy Smart Program Years 10 and beyond as a more stable and predictable source of funding for the program.⁵ While the Council has always been concerned with ensuring that low-income customers had access to the Energy Smart Program and has always incorporated a low-income weatherization program within Energy Smart, the primary goal of the Council throughout this period has largely been to obtain the maximum kWh savings through cost-effective energy efficiency measures at the least possible impact upon customer rates.

In Resolution No. R-15-599, the Council adopted for Program Years 7 and beyond, a goal for the Energy Smart Program of increasing the kWh savings from the Energy Smart program by 0.2% of annual kWh sales per year until such time as the program generates kWh savings at a rate equal to 2% of annual kWh sales. Both of the DSM potential studies performed in the 2021 IRP –one performed by ENO’s consultant, Guidehouse, and one performed by the Council’s independent consultant, GDS – projected that the Energy Smart program has the potential to hit the Council’s 2.0% kWh savings goal by 2024. With the potential attainment of the Council’s 2% goal during the current Energy Smart three-year implementation period, the Council wished to consider what the next phase of the Energy Smart Program should be and whether the 2% goal should be maintained, increased, or otherwise altered. The Council is also interested in proposals to make Energy Smart programs more effective and more accessible to New Orleans customers as well as rate design proposals, such as time-of-use rates designed to encourage demand response.

In the 2021 IRP Docket, UD-20-02, the Alliance for Affordable Energy (“AAE”) commented that the Council could open a new docket to consider a demand-side management (“DSM”) rule, which would include consideration of a kW savings target and new programs directing more support to parts of the City. The Advisors also recommended that the Council open a new rulemaking proceeding to consider Energy Smart goals and a broad range of issues, including achieving energy efficiency through regulatory measures, and the impact of the programs on customer bills. This Rulemaking Docket is not limited to Energy Smart energy efficiency savings targets and program design, but also includes demand response, customer-owned distributed energy resources (“DER”), battery storage, other demand side management programs, and conservation.

PROPOSALS OF THE PARTIES

Proposals and comments were filed in this proceeding on October 31, 2022 by the AAE, the National Audubon Society (“Audubon”), the Sierra Club, and Entergy New Orleans, LLC (“ENO”). These Parties also all participated in a technical conference to discuss their proposals on December 8, 2022 and filed reply comments on January 12, 2023.

⁴ See e.g. Resolution Nos. R-09-483, R-14-122, R-14-277, R-15-15, R-15-599.

⁵ See Resolution No. R-19-457 at 146-161 and 188.

I. Savings Targets and Performance Metrics and Incentives

A. 2% of Annual Energy Sales kWh Savings Target

In light of the likelihood that the Council’s 2% kWh savings goal will be attained in 2024 or 2025, the Council specifically sought the input of the Parties as to whether to keep the goal in place or to increase or otherwise modify it.

AAE recommended that the Council maintain the 2% goal as a minimum achievement threshold for energy efficiency savings funded through ENO program funds beginning in PY 16 for at least the next three-year program cycle.⁶ AAE noted that ENO’s Energy Smart Implementation Plan scales back on savings from many LED lighting products, based on the Energy Independence and Security Act (“EISA”) Phase II enforcement decisions that will affect ENO’s ability to claim savings through LED lighting programs, but rather than increasing participation in other home efficiency improvement measures, ENO focuses on increasing investments and savings in the Large Commercial & Industrial Solutions, Publicly Funded Institutions, and Behavioral programs to reach the 2% goal.⁷ AAE argues that redirecting program benefits to Large Commercial and Industrial programs is not the right starting point, and that New Orleans is uniquely positioned to begin addressing the inequities that cause energy insecurity.⁸

ENO commented that both DSM potential studies performed in the 2021 IRP projected that the Energy Smart program has the potential to hit the Council’s 2.0% target by 2024.⁹ ENO explains both studies showed that the 2% level could be maintained or slightly exceeded for the following 3 to 5 years, and then would be expected to decrease thereafter.¹⁰ However, ENO argues, both studies were performed prior to the implementation of the EISA legislation announced in April 2022, which, ENO argues, will drastically change the baselines by which the program savings are calculated.¹¹ Additionally, ENO argues, new local building code changes will similarly raise baselines and thereby reduce the calculated savings in future years.¹² Specifically, ENO notes that the EISA Phase II legislation will remove certain light bulbs from the market and, as a result, rebates for LED light bulbs will no longer be offered in several Energy Smart programs.¹³ Similarly, ENO observes, the recent adoption of the 2021 International Energy Conservation Code (“IECC”) and the 2021 International Residential Code (“IRC”) will also have a significant effect on the baselines by which kWh savings are calculated.¹⁴ ENO explains that these two legislative actions will likely have significant effects on ENO’s ability to hit increasing kWh savings targets.¹⁵

⁶ AAE Comments at 2; AAE/Audubon Reply Comments at 2-3.

⁷ AAE Comments at 3-5.

⁸ AAE Comments at 5.

⁹ ENO Comments at 2.

¹⁰ ENO Comments at 2.

¹¹ ENO Comments at 2.

¹² ENO Comments at 2.

¹³ ENO Comments at 3.

¹⁴ ENO Comments at 3.

¹⁵ ENO Comments at 3.

Advisors' Guidance

The Advisors recognize that the legislation cited by ENO may very well raise the baseline against which savings are measured, making it more difficult to attribute savings to the incentives and program designs set forth in the Energy Smart program. This represents progress – new efficiency standards set forth at federal and state levels means more energy is saved before estimated kWh savings from the Energy Smart Program take effect, and it reduces the need for certain types of incentives to be provided in order to achieve kWh savings. It also represents an opportunity to shift focus away from previously highly successful programs such as lighting upgrades (because customers will no longer have access to inefficient lighting in the first place) to more challenging areas such as deep, whole home measures, to capture kWh savings that would not be achieved without further design adjustments in the Energy Smart Program.

The 2% kWh savings goal should be maintained through at least the end of PY 15 (2025). The 2% goal could then be re-evaluated in light of new developments (including those arising from this proceeding) and any new direction chosen for the Energy Smart Program at the time the PY 16-19 Implementation Plan is considered. Some of the modifications to the Energy Smart Program proposed in this proceeding may impact the Council's overall goals and direction of the Program for PYs 16 and beyond,¹⁶ and the impacts of both the legislation noted by ENO in its comments and any potential technological developments will be better understood by the end of PY 15. At the time that the kWh savings targets for PYs 16-19 are set in the PY 16-19 Implementation Plan, the Council will have the benefit of another round of DSM Potential Studies having been performed as part of the 2024 IRP proceeding, which will have updated projections of the maximum and achievable kWh savings projected for the City that will have taken all of the more recent developments into account. The 2024 IRP DSM Potential Studies will better inform the Council's decisions regarding appropriate kWh and kW savings goals for PYs 16-19.

B. kW Demand Savings Target

The Parties have been exploring the possibility of adding a kW demand reduction target to the 2% energy savings goal, and there appears to be consensus to do so. While an energy savings target focuses on reducing the overall amount of electricity consumed over a period of time, a demand reduction goal focuses on reducing the maximum amount of electricity used at system peak. Since ENO must be able to serve all of its customers when the system is operating at peak, the peak demand number is a primary driver of the resources ENO must procure to serve its customers when they want to be served. Peak usage can be reduced in multiple ways. Energy efficiency (doing more but using less electricity – such as using a more efficient clothes dryer), conservation (using less electricity – air drying your clothes instead of using a dryer), and demand-side management measures like time-shifting customer loads (using your dryer at night when demand is low instead of in the afternoon when demand is high) can all reduce peak demand. The Energy Smart Program has historically focused on energy efficiency and conservation, which both also reduce the overall amount of electricity used, but adding demand-side management measures that reduce peak load without necessarily saving kWhs (often referred to as demand response) can also provide

¹⁶ If, after considering the Parties' proposals in this docket, the Council adds other priorities to the Council's Energy Smart goals in addition to cost-effectiveness, such as energy burden and heat islands, a program redesign and revised budget would likely be required, as well as a re-evaluation of the Utility Performance Incentive ("UPI") which is currently based on the costs to achieve a kWh savings goal.

significant benefits by reducing the need to acquire new generation units, since it allows the utility to run the units it has more efficiently. ENO has been increasing the demand response offerings in the Energy Smart Program and for PYs 13-15 has included four demand response programs: Bring Your Own Thermostat, Peak Time Rebate Pilot, Electric Vehicle Bring Your Own Charger Pilot, and Large Commercial Automated Demand Response.

AAE recommended the Council establish a Demand-Reduction Target that aligns with the achievable kW reduction potential identified in ENO's DSM potential study, and includes a long-term goal of a 7% reduction in projected peak load with reductions targets at intervals along the way, including 6% by 2030.¹⁷ AAE states that Entergy's most recent DSM potential study indicates that these targets could be achieved through cost effective demand response programs.¹⁸

ENO stated that it is looking forward to working with stakeholders to determine demand reduction goals as well as a performance incentive mechanism that allows a reasonable reward for ENO hitting those goals, and recommends that any discussion around setting kW goals should be based upon the kW projections in the PY13-15 Implementation Plan.¹⁹ ENO states that while the Guidehouse Study provides a good framework for the IRP, it should be remembered that the IRP is a long-term planning tool, and the long-term view should be analyzed alongside present circumstances and recent historical results to develop a reasonable goal.²⁰

Advisors' Guidance

Both DSM potential studies included Critical Peak Pricing and Time of Use, or Dynamic Pricing programs in their results for demand response peak reductions, which are not included in the PY 13-15 Implementation Plan.²¹ As an example to note the impact of these demand response programs, without including those two time-of use ("TOU") programs, the two DSM potential study results would be projections of 2.2% to 3% peak demand reductions from demand response programs for 2025. The Energy Smart Implementation Plan projects peak demand reductions from demand response programs in 2025 at 26.9 MW (2.7% of peak). Based on this data, a suggested demand response programs kW savings target for PY 15 (2025) would be 3%. If an incentive is recommended for achieving 100% of a kW savings goal, an incentive of 7% of demand response program costs, similar to the incentive for the energy efficiency kWh savings goal, could be considered. The Advisors suggest that the Council consider kW savings goals for PY 16 and beyond at the time that the PY 16-19 Implementation Plan is considered. As with the energy savings goal, the Council will then have the benefit of an updated DSM Potential Study as well as having better information on the status of the development of any Critical Peak Pricing, Time of Use or Dynamic Pricing mechanisms that are developed as a result of this proceeding in order to inform further demand reduction goal setting.

¹⁷ AAE Comments at 2; AAE/Audubon Reply Comments at 3-4.

¹⁸ AAE Comments at 18.

¹⁹ ENO Comments at 4.

²⁰ ENO Reply Comments at 5.

²¹ Although the Energy Smart Implementation Plan includes proposed demand response through PY15 (2025), the Council has only approved programs through PY 14 (2024). Therefore a kW savings target could be considered to be implemented beginning in PY15.

C. Additional Performance Metrics

AAE recommended the Council establish additional performance metrics for ENO requiring 15% of total portfolio savings to benefit income-qualified customers.²² AAE alleges that despite making up approximately 35% of ENO's residential customers, income-qualified households receive just over 8% of the residential savings on average from PY13 to PY15 and only about a quarter of the residential program budgets.²³

ENO disputes this assertion, arguing that AAE's analysis fails to recognize that other programs, such as Retail Solutions, Multifamily Solutions and the Behavioral Program contain savings associated with income qualified participants, although the tables in the Implementation Plan do not show those savings separately.²⁴ ENO argues that determining whether participants in other non-income qualified-specific programs are in fact income-qualified customers is not feasible at the time of their participation, particularly when a customer goes into a retail location or online marketplace and purchases a product that has been marked down in price using Energy Smart incentives.²⁵ ENO argues that while there is no way to get an accurate count of the exact amount of savings associated with income qualified participants that are registered under other programs, it is clear that the actual amount of savings associated with income qualified participants is much closer to, if not already above, the 15% of residential savings that the AAE proposes to target in future years.²⁶

AAE notes that in addition, savings for residential programs are projected to decline from PY 13 to PY 15 while savings for commercial and industrial programs increase significantly.²⁷ ENO argues that the reason for the shift is related to the effort to keep the overall Energy Smart program cost-effective while attempting to meet the Council's aggressively increasing kWh savings target.²⁸ AAE argues that the rate of participation in the income qualified weatherization program is too slow and that at the average rate of less than 800 households per year, it would take 80 years to reach all of the households in New Orleans currently eligible for the income-qualified weatherization.²⁹ AAE supports establishing a subgoal within the 2% portfolio savings requirement that at least 15% of total portfolio savings should result from the participation of income-qualified households in program offerings that are specifically designed to serve the needs of the income-qualified community.³⁰ Sierra Club also recommends expanding and targeting ENO's income-qualified energy efficiency programs.³¹ ENO argues that to increase the amount of income-qualified weatherization projects and also achieve the desired kWh savings target, program costs will necessarily increase, and overall portfolio cost-effectiveness will be reduced, likely below the 1.0 Cost/Benefit threshold required by the Council's rules.³²

²² AAE Comments at 2; AAE/Audubon Reply Comments at 3.

²³ AAE Comments at 7.

²⁴ ENO Reply Comments at 3-4.

²⁵ ENO Reply Comments at 4.

²⁶ ENO Reply Comments at 4.

²⁷ AAE Comments at 8.

²⁸ ENO Reply Comments at 4.

²⁹ AAE Comments at 9-10.

³⁰ AAE Comments at 10.

³¹ Sierra Club Comments at 5.

³² ENO Reply Comments at 5.

Advisors' Guidance

While all parties support the value and desirability of strong income-qualified programs, there is considerable dispute about how to appropriately attribute savings to various customer populations. AAE and the Sierra Club appear to be arguing that only savings from the Income-Qualified Weatherization Program can be attributed to low-income customers, whereas ENO points out that low-income customers participate in many other programs as well, but that it is difficult to identify them separately from other customers participating in the same programs. The Advisors suggest that the Parties engage in further dialog about how to address this issue. A target for achieving a certain percentage of the overall kWh savings from income-qualified customers may be appropriate, assuming the required participant data is available. However, if such an incentive is not properly structured, there is the potential for an incentive to be inadvertently created for ENO to steer low-income customers into only one program, such as Income-Qualified Weatherization, where they may be counted toward such a target, and to direct them away from other programs that may also be beneficial to them simply because those programs cannot be counted toward the achievement of such target. Income-qualified customers should be directed to any and all Energy Smart programs that might benefit them. The Advisors would like to see the Parties work together to develop a better structure for such a target that provides a reasonable incentive for ENO to achieve kWh savings associated with income-qualified participants, but that properly accounts for all savings resulting from income-qualified customers participating in any of the Energy Smart programs that might benefit them. The Advisors suggest that the Parties work together to consider various options such as, for example, whether it would be feasible to track energy savings by income-qualified customer rather than by program or to credibly project what percentage of customers in each program may be income-qualified, or, given the discussions about neighborhood-based program delivery, whether kWh savings could be tracked by neighborhood, and what resources might be required to accomplish such options.

With respect to the concern about increasing the PY15 budgets for commercial and industrial customers over residential customers, while it is undesirable to reduce budgets for residential programs, there is significant value to be attained by providing commercial and industrial customers – who are cost-effective large consumers of electricity – with incentives to save electricity; and to the extent that those customers do contribute to the funding of the Energy Smart Program, there must be appropriately designed program offerings available to them. However, in balancing the approved level of Energy Smart budget, residential customer offerings should not be reduced in favor of commercial and industrial programs. Further, the Advisors note that the EECR Rider that funds the Energy Smart program is based on cost recovery by rate class being commensurate with kWh savings benefits by rate class, which at least approximately ensures that measures benefitting a rate class are paid for by that rate class, and that, for example, the residential rate class is not subsidizing energy efficiency measures being provided to the commercial and industrial rate classes. However, if the Energy Smart goals are revised or modified to reflect Parties' proposals in this docket, benefits by rate class may be redefined other than as exclusively kWh savings, and the cost allocation in the EECR Rider may be re-evaluated relative to such redefined benefits.

II. Program Goals and Objectives

As is noted above, the Council's goal for the Energy Smart Program to date has been primarily to achieve the greatest kWh savings cost-effectively with the least impact on customer bills feasible. This has resulted in a significant emphasis on achieving cost-effective kWh savings within reasonable, specific budgets and leaning heavily into programs that provide the most "bang for the buck." The Council has always recognized that low-income programs are desirable, and that such programs may need to be more heavily subsidized than programs for customers who can afford to bear a portion of the cost of the energy efficiency upgrade, and has always exempted the low-income weatherization program from the TRC cost-effectiveness test.

All ENO customers are automatically eligible for the Energy Smart Program, and programs available to all customers should continue, particularly since all customers bear a portion of the cost of the program.³³

However, since the time that the Energy Smart Program was created, a great deal more information has come to light regarding inequitable energy burdens and environmental justice concerns that have an undue impact on income-qualified customers. The Parties have expressed a strong interest in increasing the Energy Smart Programs accessibility to and emphasis on serving income-qualified customers and addressing issues such as inequitable energy burdens, the urban heat island impacts, and negative health impacts on low-income neighborhoods.

In addition to the historic factors used as criteria to select Energy Smart programs: cost effectiveness measured by the TRC test, feasibility, and the protection of customer commercially sensitive or confidential information used to evaluate Energy Smart Programs, it would be helpful for the Council to clarify whether inequitable energy burdens, urban heat island impacts and other environmental and social justice issues are also appropriate factors in evaluating the value of a program to be included in the Energy Smart Portfolio. With that clarification, such factors could be incorporated along with the historic factors in evaluating the selected Energy Smart programs and developing a revised Implementation Plan.

Programs and energy efficiency measures related to income-qualified participants are less cost-effective than non income-qualified programs when measured by the traditional \$/kWh method. This is because a measure that achieves the same amount of kWh savings per participant requires ratepayers to fund 100% of the measure cost when it is provided to income-qualified participants, whereas ratepayers pay only a portion of the cost of the measure when provided to non-income-qualified participants. The Advisors suggest that the Council might consider, as a policy matter, whether the value of addressing inequitable energy burdens, urban heat island impacts and other environmental and social justice issues is sufficient to allow program measures designed to address these issues to be exempt from the TRC cost-effectiveness test applied to regular Energy Smart Programs so long as the program is not excessive in cost. The Advisors suggest that the Parties also work on developing an approach to measuring ENO's progress toward evaluating the effectiveness of such program measures that may not meet the TRC cost-effectiveness test.

³³ A few of the largest industrial customers support energy efficiency measures specific to their industry and are not included in Energy Smart.

For a more current assessment of the value of such program measures, the cost-effectiveness methodology could also be re-evaluated, in addition to the discount rate applied. Energy equity is an important concept of several of the parties' proposals, and while equity metrics for tracking the outcome of projects are either nonexistent or in nascent stages of development and application in many states,³⁴ some energy equity metrics include benefits that are not related to energy. Evaluating non-energy benefits (NEB) is still relatively new in regulatory jurisdictions. The benefit-cost analyses of Energy Smart programs use the widely accepted TRC test, which may make a business case difficult for energy equity programs. The Advisors note that the National Energy Screening Project³⁵ has proposed a Resource Value Test (RVT) which considers NEBs that benefit the utility, the participant, and society. The National Standard Practice Manual for Assessing Cost-Effectiveness of Energy Efficient Resources³⁶ provides detail related to quantifying hard-to-monetize costs and benefits, observing a universal principle that each jurisdiction's primary cost-effectiveness test should account for its energy and applicable policy goals of the jurisdiction. The regulatory perspective embedded in the RVT flows from the notion that determining whether a resource has benefits that exceed its costs requires clarity about the purpose of the resource investment decision. The RVT includes the utility system costs and benefits, plus those costs and benefits associated with achieving relevant applicable policy goals, such as energy security costs and benefits.

In addition to using the RVT to answer the fundamental question of which resources have benefits that exceed their costs, the important question remains regarding how much utility customer funding should be spent on energy efficiency resources.³⁷ Increasing the emphasis on income-qualified measures in the Energy Smart Program will likely increase the program budget and the resultant impact on ratepayer bills, making it more expensive to meet the Council's savings goals, but would allow for greater flexibility and creativity in meeting the needs of income-qualified customers.

III. Demand-Side Management Working Group

AAE recommended the Council implement a Demand-Side Management Working Group ("DSM Working Group").³⁸ AAE states that such a group should meet four times annually to address program success, development, or changes that can better serve New Orleans.³⁹ AAE states it should be facilitated by CURO and include representatives of the third party administrator as well as intervenors in the instant proceeding and participants who may not have intervened in the docket.⁴⁰ AAE argues that the DSM Working Group should develop plans for implementation

³⁴ See Electricity Markets and Policy, Lawrence Berkely National Laboratory, February 21, 2023, <https://emp.lbl.gov/news/22-states-dc-are-advancing-energy-equity>.

³⁵ The National Efficiency Screening Project (NESP) is a group of organizations and individuals that are working together to improve the way that utility customer-funded electricity and natural gas energy efficiency resources are screened for cost-effectiveness. The purpose of NESP is to improve efficiency screening practices throughout the United States, and to help inform decision makers regarding which efficiency resources are in the public interest and what level of investment is appropriate.

³⁶ National Standard Practice Manual, Edition 1, May 18, 2017, https://www.nationalenergyscreeningproject.org/wp-content/uploads/2017/05/NSPM_May-2017_final.pdf.

³⁷ See Appendix A for a summary of the current Energy Smart total Costs and costs by customer rate class.

³⁸ AAE Comments at 2.

³⁹ AAE Comments at 18-19.

⁴⁰ AAE Comments at 19.

and new programs starting in 2023 in order for programming to be ready for 2024 and beyond and identify new recommendations for Council approval.⁴¹ Audubon supports such a DSM Working Group in its comments and points the Council to the “Parties Working Collaboratively” working group with Entergy Arkansas which informs the work of the Arkansas Public Service Commission as an example of such a group.⁴² Audubon states that such an advisory group should include a budget to ensure that all key stakeholder voices can be represented.⁴³

ENO supports the creation of a DSM Working Group to the extent that the Group’s efforts do not inhibit or in any way become a hindrance to implementation of the Program.⁴⁴ ENO recommends that such a group meet semi-annually rather than quarterly.⁴⁵

AAE and Audubon suggest that it would be useful for the Council, upon establishing the DSM Working Group, to direct it to: (1) consider and develop a recommendation for demand reduction goals for Energy Smart; and (2) provide the Council with a report detailing its recommendations.⁴⁶ AAE and Audubon report that successful collaboratives reflecting certain, overarching principles, including (1) having clear objectives and operating procedures; (2) being public, transparent, and inclusive; (3) evaluating their work to ensure it is productive and useful; (4) having a strong, experienced facilitator – preferably independent of any of the parties to the collaborative; and (5) having influence with regulators.⁴⁷ AAE and Audubon note that having influence with regulators deserves special attention and that clear directives from the Council regarding the tasks the DSM Working Group should accomplish, and the successful accomplishment of those tasks will be critical to achieving this level of influence.⁴⁸ Sierra Club similarly calls for the Council to ensure the workgroup has clear directives, deliverables and timelines, and states that the Council should identify ahead of time its own procedures and timelines for acting on the workgroup’s recommendations for policy changes.⁴⁹ AAE and Audubon note the Arkansas Parties Working Collaboratively group as an instructive model.⁵⁰

Sierra Club urges the Council to establish a working group coordinated by an independent facilitator selected by the Council.⁵¹ Sierra Club states it should be open to all interested stakeholders, in addition to intervenors in the docket and that community action agencies, contractors, and others who implement energy efficiency programs and coordinate benefits for households would be important participants.⁵² Sierra Club states that the workgroup’s discussions and findings should be open to the public such that the process is transparent and accountable.⁵³ Sierra Club suggests that the working group begin meeting as soon as possible after the selection of an independent facilitator with an interim report due no more than six months following the first

⁴¹ AAE Comments at 19.

⁴² Audubon Comments at 3.

⁴³ Audubon Comments at 3.

⁴⁴ ENO Reply Comments at 6.

⁴⁵ ENO Reply Comments at 7.

⁴⁶ AAE/Audubon Reply Comments at 4.

⁴⁷ AAE/Audubon Reply Comments at 8.

⁴⁸ AAE/Audubon Reply Comments at 8.

⁴⁹ Sierra Club Reply Comments at 1-2.

⁵⁰ AAE/Audubon Reply Comments at 8.

⁵¹ Sierra Club Reply Comments at 2.

⁵² Sierra Club Reply Comments at 2.

⁵³ Sierra Club Reply Comments at 2.

meeting of the working group with an additional report containing specific recommendations due no later than one year after the initiation of the workgroup, or in time to be included in the next Council docket that considers ENO's Energy Smart Implementation Plan or other future docket where Energy Smart is being considered.⁵⁴ Sierra Club also encourages the Council to clarify what types of ENO data may be designated confidential or highly sensitive protected material and a procedure for automatic review of those designations.⁵⁵

AAE/Audubon suggest that the Council could task the DSM Working Group with drafting principles and objectives for geographically targeted energy efficiency programs, considering Sierra Club's recommendations and other successful models, which the Council could then approve and direct ENO to implement.⁵⁶ AAE/Audubon suggest that if all parties agree to the DSM Working Group's recommendations, it could save the Council from a more drawn-out process where it must serve as the arbiter of divergent viewpoints, thus streamlining the entire process.⁵⁷ AAE/Audubon encourage the Council to prioritize establishing the DSM Working Group and identifying an appropriate facilitator for Energy Smart as early as practicable in 2023.⁵⁸ They explain that the DSM Working Group could then develop a set of operating principles and practices to submit to the Council for approval.⁵⁹ AAE and Audubon recommend the Council also provide the DSM Working Group with prioritized tasks for 2023 with specific timelines and deliverables, including the development of a fulsome geographic targeting program to be submitted to the Council for approval by September 1, 2023.⁶⁰ AAE and Audubon suggest that if the program is submitted with the broad agreement of the DSM Working Group, the Council could approve the program on an expedited schedule so that Energy Smart can ramp up the benefits it provides to highly energy-burdened households.⁶¹

The Sierra Club recommends that the Council charge the working group with developing policy and program design recommendations on geographic targeting, health and safety, multi-family and renters, data collection and reporting and leveraging external funding.⁶²

Advisors' Guidance

As is noted above, the original Energy Smart Program design was developed through a stakeholder process governed by an independent facilitator, so there is precedent for a working group such as is suggested by the Parties, and all Parties appear to support the formation of such a DSM Working Group. The Advisors also support the formation of a DSM Working Group. Much detail still needs to be addressed, however, regarding how the DSM Working Group would be constituted and what its functions would be, and as several parties have noted, clear directions and guidance from the Council with specific deliverables and timelines will be important to ensure the DSM Working Group provides the input the Council seeks.

⁵⁴ Sierra Club Reply Comments at 2.

⁵⁵ Sierra Club Reply Comments at 2.

⁵⁶ AAE/Audubon Reply Comments at 9.

⁵⁷ AAE/Audubon Reply Comments at 9.

⁵⁸ AAE/Audubon Reply Comments at 9.

⁵⁹ AAE/Audubon Reply Comments at 9.

⁶⁰ AAE/Audubon Reply Comments at 9.

⁶¹ AAE/Audubon Reply Comments at 9.

⁶² Sierra Club Reply Comments at 3.

In particular, the governance of the working group and the role that it would play need to be addressed. Such a working group would be very helpful if it helps stakeholders resolve issues and reach consensus before proposals are brought to the Council and could reduce the administrative burden of the Council by reducing the number of disputes brought before it. The Council cannot delegate its regulatory responsibilities or authority, so such a DSM Working Group would have to be advisory in nature,⁶³ and affected parties would still need to be given the opportunity to comment upon proposals brought forth by the DSM Working Group before the Council takes action, much the same way settlement agreements are handled. But proposals reflecting the consensus of the DSM Working Group could reasonably be expected to be less controversial than the typical utility proposal, resulting in simpler proceedings before the Council. Establishment of a DSM Working Group could also give ENO and its program delivery partners better access to community leaders and experts that could help them develop creative solutions tailored to the needs of New Orleans communities.

Streamlining the Council's considerations of the Energy Smart program design and implementation could be very helpful. The mandate to the DSM Working Group would need to be carefully designed to ensure that this is the result, however, and that the DSM Working Group does not interfere with the responsibility of the Energy Smart team and the Energy Smart Third Party Administrator ("TPA") to develop the Implementation Plan, as well as the deployment of Energy Smart Programs. The Council has historically employed a three-year cycle to develop the IRP which, in turn, informs the implementation plans of the Energy Smart program and ENO's RCPS compliance, and has often found that it is difficult to get the proceedings completed in sufficient time to have the next three-year Energy Smart Implementation Plan approved in advance of the expiration of the current one, requiring the Council to resort to interim measures to ensure continuity of services to customers. So it would be important to ensure that the DSM Working Group helps to streamline the process, rather than creating further delays in the review and approval of implementation plans or interruptions in the provision of Energy Smart Program measures to customers.

With respect to Audubon's request that a DSM Working Group be given a budget by the Council, the Council's ability to provide budget to non-governmental groups is limited. For example, even when setting up formal Advisory Committees to the Council, as the Council is authorized to do under the Home Rule Charter, the members of the Advisory Committee cannot be paid and the Advisory Committee shall have no employees.⁶⁴ The Council can cause its own employees to provide services to an Advisory Committee and can reimburse committee expenses from appropriations to the Council.⁶⁵ The Council could direct CURO to facilitate the DSM Working Group as suggested by AAE, or potentially hire a third party independent facilitator to facilitate the Working Group, as suggested by Sierra Club, in the same manner that it hires an independent consultant to perform the DSM Potential Study in the IRP docket. Either solution could work, depending upon the Council's staffing and budget situation.

The role and desired output of the group are important to determining the appropriate composition, as are the desired governance format. For example, what constitutes a quorum of the DSM

⁶³ See e.g. Home Rule Charter Section 3-127, stating that Advisory Committees created by the Council must be limited in their function to counsel and advice.

⁶⁴ Home Rule Charter Section 3-127.

⁶⁵ Home Rule Charter Section 3-127.

Working Group and whether a majority vote, supermajority vote or unanimous agreement are required to adopt a DSM Working Group position can mean that a larger number of members can make it logistically difficult for the DSM Working Group to get a quorum or a majority vote sufficient to make a recommendation to the Council. On the other hand, too small of a DSM Working Group would not represent a sufficiently wide array of interests to provide a well-rounded and properly vetted recommendation to the Council.

The Task Force that originated the proposals that eventually developed into the Energy Smart program started with 35 individuals from environmental advocacy groups, energy watchdog groups, local developers, home builders and contractors, local charities, community service organizations, the utility, professors, scientists and experts in the field, large industrial and commercial electricity customers, Council and City staff, Council Advisors, the Department of Energy, the National Renewable Energy Laboratories, experts from other regions that had enacted similar programs, and a member of the public who met in March of 2008, broke into smaller working groups and had follow-up meetings for eight weeks then reconvened as a larger group of 52 people in May of 2008 to finalize the recommendation to the Council, after which it was disbanded, having completed its task.⁶⁶ This format worked for a short-term, intensive effort with a limited time commitment from participants and could be used again, however, the Advisors understand that the Parties envision a DSM Working Group with a more long-term, ongoing role. For a longer-term, ongoing DSM Working Group, the Advisors recommend that a smaller group be utilized, with the ability to reach out to various experts for input, as necessary. CURO, for example, could serve as a liaison for the DSM Working Group with Council and City staff (and potentially other governmental entities) and consult with other Council and City staff on behalf of the DSM Working Group, as appropriate. A smaller DSM Working Group would find it easier to reach a quorum and gain sufficient consensus to act. It would be quite difficult to get 52 people to attend every meeting, particularly as time passes and enthusiasm for the project diminishes. Note that a reduced size would not in any way prohibit the meetings from being open to the public or limit the DSM Working Group from seeking input from subject matter experts or impacted communities. It could be productive to include not only the parties to this docket, but also ENO's Energy Smart team, representatives from ENO's trade allies who are implementing the programs on the ground, the Energy Smart Third Party Administrator, the EM&V Third Party Evaluator, representatives of community groups such as Total Community Action that are working in the communities and partnering with Energy Smart, and representatives from other groups such as home builders and local developers likely to be directly impacted by changes to the program. The Advisors suggest that the Parties further consider and discuss what the right size and composition of the DSM Working Group would be and provide a further recommendation to the Council.

The Parties have made various proposals about specific tasks that could be given to the DSM Working Group, which are discussed in the relevant sections below. The Advisors note that to the extent the Council does not approve the creation of a DSM Working Group, many of these tasks could also be performed as part of the further proceedings in this Docket.

⁶⁶ See Resolution No. R-08-366 (as amended).

IV. Program Design

A. Enhancements to Income-Qualified Program Offerings

Sierra Club argues that ENO should put more emphasis on reaching low-income renters and adopt recognized best practices such as those set forth by the American Council for an Energy Efficiency Economy.⁶⁷ Sierra Club notes that while the low-income weatherization and HPwES include multi-family homes with four or fewer units, they do not distinguish a different approach for them or offer any solutions for larger buildings.⁶⁸ Sierra Club explains that the Multi-Family Solutions Program specifically for multi-family homes does not distinguish between income-qualified and other customers.⁶⁹ Sierra Club considers the omission of offerings specific to income-qualified renters in these three programs to be a serious omission, given that 91% of renter households are responsible for their own electric bills.⁷⁰ ENO explains that the Energy Smart program currently treats multi-family homes of four or fewer units like single-family homes, because they tend to function like such, unlike larger buildings.⁷¹ However, income-qualified customers participating in that program receive an assessment where they receive direct install measures and recommendations for follow-up measures, which are offered and performed at no charge to them.⁷² ENO states that the Multifamily program is designed for larger multifamily buildings, such as large apartment complexes, many of which house income-qualified renters, and that the multifamily complexes do receive deeper measures such as duct sealing and air sealing in addition to direct install measures.⁷³

Sierra Club recommends that ENO prioritize deep energy-savings measures over simpler direct install measures like lightbulbs, and suggests ENO may need to focus on improving and expanding its network of trusted contractors who can provide building shell weatherization and air sealing.⁷⁴ Sierra Club suggests the Oncor Targeted Weatherization Low-Income Standard Offer Program as a model of a program designed for households with income at or below 200% of the federal poverty line where utility funds are pooled with federal weatherization dollars and administered through the Texas Association of Community Action Agencies.⁷⁵ Sierra Club states that Energy Smart should incorporate other recognized best practices for low-income energy efficiency programs identified by ACEEE and other experts such as (1) encouraging community engagement and participatory planning; (2) creating a one-stop-shop for enrollment and implementation; (3) allowing fuel-neutral programs; (4) incorporating new and emerging technologies; and (5) collecting and sharing metrics.⁷⁶ Sierra Club also argues that an increased budget will be required to reach low-income customers and that ENO has not explained or justified its plan to decrease spending on these programs between PY 13 and PY 15.⁷⁷

⁶⁷ Sierra Club Comments at 20-21, Sierra Club Reply Comments at 5-7.

⁶⁸ Sierra Club Comments at 21; Sierra Club Reply Comments at 5-7.

⁶⁹ Sierra Club Comments at 21.

⁷⁰ Sierra Club Comments at 21.

⁷¹ ENO Reply Comments at 10.

⁷² ENO Reply Comments at 10.

⁷³ ENO Reply Comments at 10-11.

⁷⁴ Sierra Club Comments at 26.

⁷⁵ Sierra Club Comments at 27.

⁷⁶ Sierra Club Comments at 28.

⁷⁷ Sierra Club Comments at 29.

ENO explains that under the current program design, the simpler direct install measures are used to “break the ice” with the customer, who is then receives an assessment and is offered all follow-up deeper measures that would be beneficial to them.⁷⁸ ENO states that if the customer does not ultimately receive the deeper energy-saving follow-up measures, it is because the customer has chosen not to for reasons that are generally not shared with ENO or the contractors acting on ENO’s behalf.⁷⁹

ENO states that Income Qualified projects tend to cost more than other residential program projects because the full costs of the Income Qualified Weatherization Program projects is covered by the Program rather than the benefitting customer also bearing some portion of the costs.⁸⁰ ENO states that it does not oppose promoting and supporting increased Energy Smart participation among Income Qualified customers, but it should be noted that shifting the Program’s focus to support more Income Qualified participation will require more funding and likely will impact some of the portfolio cost-effectiveness scores.⁸¹

Sierra Club also recommends that the Council charge the DSM Working Group with identifying specific next steps and strategies, and a timeline, to improve accessibility to, and participation in, energy efficiency offerings for multi-family buildings and particularly for income-qualified renters.⁸²

Advisors’ Guidance

As is discussed in the section above on the topic of a performance metric for income-qualified energy savings, the Advisors note that there appears to be a disconnect between the Parties as to how to accurately account for income-qualified participation in various programs. This is an area that may benefit from further discussion among the Parties.

It is the Advisors’ understanding that increasing the focus of the Energy Smart Program on income-qualified residents is generally consistent with the Council’s goals for the docket, the increased budgetary requirements notwithstanding.

B. Geographic Targeting and Neighborhood-Based Delivery

AAE observes that ENO has noted that in many cases customers participating in the Income-Qualified Weatherization Program live in geographic areas of the city that are affected by heat islands or particularly severe energy burdens and recommends that the Council direct ENO to obtain geographic data pertaining to energy burden, urban heat islands, race, and to further correlate it with utility data on arrearages and disconnections and then target its increased income qualified program investments to the communities that are most in need, as evidenced by this data.⁸³ AAE further recommends that the data reporting be presented with disconnection, late fee

⁷⁸ ENO Reply Comments at 12.

⁷⁹ ENO Reply Comments at 12.

⁸⁰ ENO Reply Comments at 2.

⁸¹ ENO Reply Comments at 2.

⁸² Sierra Club Reply Comments at 5.

⁸³ AAE Comments at 13.

and arrearage levels to track how increased targeted programming improves energy security over time and that ENO track participation in its income qualified programs by census tract.⁸⁴

Sierra Club argues in its comments that the Energy Smart Program should be modified to include geographic targeting based on energy burden, heat islands and other indicators.⁸⁵ Sierra Club states that extreme heat is a financial burden for income qualified households and heat islands are an additional barrier to maintaining healthy and comfortable homes.⁸⁶ Sierra Club notes that other utilities have developed geographic targeting programs and could serve as models for New Orleans, and that it has worked with DTE Energy and Consumers Energy to establish such programs.⁸⁷ Sierra Club recommends that ENO target program offerings to specific priority census tracts that are most impacted by severe energy burden, heat island impacts and additional indicators such as income, race, housing burden and asthma, which, it explains, are the DOE's indicators for a disadvantaged community.⁸⁸ In addition, Sierra Club supports the use of other indicators such as level of energy bill arrearages and number of utility disconnections for nonpayment, which ENO should be required to track and share.⁸⁹ Sierra Club recommends that various federal agencies' approach to identifying disadvantaged communities can provide additional insight for prioritizing communities within New Orleans for resources.⁹⁰ Sierra Club applies such factors to identify ten priority census tracts in New Orleans including the neighborhoods of Viavant, Venetian Isles, Roch, Central City, and Iberville.⁹¹ Sierra Club proposes ENO initiate a neighborhood-based delivery program that delivers comprehensive, building shell energy efficiency services and weatherization measures focusing on heavily energy burdened and heat island impacted households.⁹²

ENO explains that it has historically performed Energy Smart projects in all areas of Orleans Parish, and that in upcoming program years Energy Smart staff will use geo-mapping to identify areas with higher need of energy efficiency project penetration.⁹³ ENO notes that there has already been significant Energy Smart activity in the specific zip codes identified by Sierra Club, but states that the Energy Smart Team does plan to incorporate increased use of census tract data into its marketing efforts.⁹⁴ ENO also states that it does currently target neighborhood associations throughout the city for outreach, but looks forward to discussing the potential for a neighborhood-based offering in New Orleans.⁹⁵

AAE and Audubon suggest that such a program could be modeled after the Duke Energy Neighborhood Energy Savers program where, in identified communities with a high percentage of income-qualified households, Duke goes door-to-door to provide direct install measures to as many households as want to receive them, and includes an assessment of the opportunity to install

⁸⁴ AAE Comments at 13-14.

⁸⁵ Sierra Club Comments at 2.

⁸⁶ Sierra Club Comments at 3.

⁸⁷ Sierra Club Comments at 6-7, Sierra Club Reply Comments at 9.

⁸⁸ Sierra Club Comments at 9.

⁸⁹ Sierra Club Comments at 9.

⁹⁰ Sierra Club Comments at 9-10.

⁹¹ Sierra Club Comments at 9-17.

⁹² Sierra Club Comments at 18.

⁹³ ENO Comments at 4.

⁹⁴ ENO Reply Comments at 8-9.

⁹⁵ ENO Reply Comments at 9.

comprehensive energy efficiency measures.⁹⁶ AAE and Audubon also support the Sierra Club's geographic targeting model developed with DTE Energy in Michigan.⁹⁷

Sierra Club suggests that the Council and ENO could act immediately to commit to goals, timelines, and a seed budget for a geographic targeting program to better serve the areas of the city facing overlapping energy, heat, and other burdens, and that ENO should also commit to conducting an evaluation of which areas should be prioritized for a focused program.⁹⁸ Sierra Club suggests that the working group could then provide feedback on ENO's proposed geographic areas of focus and help develop an outreach plan, a target number of households in each census tract, community partners for outreach and implementation, and a plan to avoid deferrals.⁹⁹ Sierra Club urges the Council to include in its rulemaking order for this docket an instruction for ENO to conduct research studies to inform the prioritization of neighborhoods for energy efficiency assistance and a plan for increasing participation in these areas, goals and objectives for the geotargeting initiatives, the budget amount for the initiative and a timeline for implementation of the initiative.¹⁰⁰

Sierra Club agrees that the geographic targeting program for extreme energy burden and severe heat island impacted communities should be a neighborhood-based delivery program, however, it must be more than an effort to go door-to-door with direct install measures.¹⁰¹ Sierra Club argues that the primary participation goal for this program should be to deliver comprehensive, building shell energy efficiency services and weatherization measures to low-income households that suffer from extreme energy burden and severe heat island impacts.¹⁰² Sierra Club recommends beginning with a survey, ensuring that customers in a designated geographic area automatically qualify for the Energy Smart Program and, upon signing up, would receive an energy audit and access to the weatherization upgrades recommended by the audit.¹⁰³ Sierra Club recommends that the program also set program goals and objectives related to improvements for the selected geographic area and address health and safety issues to reduce Energy Smart Program deferrals, which should be tracked.¹⁰⁴ Sierra Club offers further recommendations based on its experience with DTE Energy and Consumers Energy.¹⁰⁵ Sierra Club also recommends that ENO develop key performance indicators for low-income participation in Energy Smart Programs and any geographic targeting initiatives, with the purpose of engaging low-income households in whole-house energy-efficiency treatments.¹⁰⁶

Advisors' Guidance

The Parties appear to have formed significant consensus around the concept of geographic targeting and neighborhood delivery of programs, and the Advisors concur that such an approach

⁹⁶ AAE/Audubon Reply Comments at 6.

⁹⁷ AAE/Audubon Reply Comments at 6.

⁹⁸ Sierra Club Reply Comments at 4.

⁹⁹ Sierra Club Reply Comments at 4.

¹⁰⁰ Sierra Club Reply Comments at 9.

¹⁰¹ Sierra Club Reply Comments at 10.

¹⁰² Sierra Club Reply Comments at 10.

¹⁰³ Sierra Club Reply Comments at 10-11.

¹⁰⁴ Sierra Club Reply Comments at 11.

¹⁰⁵ Sierra Club Reply Comments at 12.

¹⁰⁶ Sierra Club Reply Comments at 12-13.

could improve the ability of the Energy Smart Program to get deeper penetration into hard-to-reach neighborhoods that suffer from inequitable energy burdens and urban heat island impacts. Such an effort could be “kick started” with a marketing campaign or pilot program for PY 15 (2025) potentially directed at one or more of the zip codes identified by the Sierra Club while the design of a longer-term approach, including the development of appropriate criteria for prioritizing neighborhoods is developed by the DSM Working Group. The Advisors encourage the Parties to continue discussing this issue and refining the suggestions made to date in the docket.

For example, Sierra Club proposes that customers in a designated geographic area “automatically qualify for the Energy Smart Program.”¹⁰⁷ However, all ENO customers automatically qualify for the Energy Smart Program, so more refinement of what, exactly, Sierra Club is proposing would be helpful. Non-income qualified residential customers are automatically qualified for the Home Performance with Energy Star (“HPwES”) program where they receive a home audit that includes the installation of simple products like energy efficient light bulbs and smart power strips at no cost to the customer, after which an Energy Smart-approved trade ally provides them with an estimate for recommended upgrades and assistance identifying any specific rebates the non-income-qualified customer may qualify for. Income-qualified customers are offered the Income-Qualified Weatherization program which starts with the same energy audit with direct install measures, but which is followed by an Energy Smart-approved trade ally installing weatherization improvements such as attic insulation, air sealing and duct sealing at no cost to the income-qualified customer. It is unclear whether or not Sierra Club is proposing that all customers in an identified target neighborhood be automatically qualified for the Income-Qualified Weatherization Program with 100% rebates regardless of their income level. The Advisors suggest that the Parties work to refine what the proposed program would look like for PY 15 and whether there are options or issues that would benefit from being initially evaluated as a pilot program in PY 15, before a DSM Working Group would make a final recommendation to the Council as to a long-term Geographic Targeting and Neighborhood Delivery program.

C. Automatic Enrollment

While all ENO customers automatically qualify for the Energy Smart Programs, the Council has been interested in making such programs more accessible and in whether the programs could be converted to “opt-out” programs requiring the customer to actively remove themselves from programs they do not want to participate in, rather than “opt-in” programs that require customers to identify and opt into programs in which they want to participate.

ENO explains that some Energy Smart programs lend themselves better to an opt-out approach while others do not fit well with this approach because customer authorization is required to perform projects in their houses.¹⁰⁸ ENO explains that Residential Energy Efficiency programs cannot be converted to opt-out programs as they are currently designed, because, while every residential customer is eligible, all residential customers cannot be opted in to participate in the programs every year.¹⁰⁹ ENO explains that doing so would result in prohibitively high costs, likely exceed contractor availability, impact program evaluation, cost-effectiveness, and individual

¹⁰⁷ Sierra Club Reply Comments at 10.

¹⁰⁸ ENO Reply Comments at 2-3.

¹⁰⁹ ENO Reply Comments at Appendix A.

program measure mix and encounter reluctance among some customers to participate.¹¹⁰ ENO also explains that commercial and industrial programs cannot automatically enroll customers because they require that a customer submit a project that meets the design standards and if the project is approved, the customer receives an incentive based on the kWh savings associated with the project.¹¹¹ ENO reports that the Retail Point of Purchase Program does opt all customers into the program, because energy efficient products are rebated at participating retailers so that customers purchasing the energy efficient product receive a lower price for it.¹¹² ENO states that the School Kits program is designed to teach children in certain grades about energy efficiency inside their school classrooms, so all customers cannot be opted into that program.¹¹³ ENO explains that nearly all customers can be opted in to the Behavioral Energy Efficiency Program, (except for the control group required for evaluation, measurement and verification of the program) though it will increase costs.¹¹⁴ ENO explains that all customers could be automatically enrolled in the Peak Time Rebate program, but the costs would dramatically increase, because every participant receives a yearly incentive of \$25.¹¹⁵ ENO states that the Bring Your Own Thermostat programs require a compliant thermostat to be installed in the customer's home or business by the customer, and the customer must accept certain terms and conditions to accept, therefore customers cannot be automatically enrolled.¹¹⁶ Finally, ENO states that the Bring Your Own Charger Program is only open to customers with electric vehicles.¹¹⁷

AAE proposes an arrearage management program that would pair debt forgiveness over time with enrollment in the Energy Smart program, where customers that have fallen into arrears should be actively directed into the program in order to provide them the improvements necessary to keep them from falling behind.¹¹⁸

Advisors' Guidance

The Advisors appreciate that it would be prohibitively expensive and difficult to enroll every customer in New Orleans into every applicable program every year. It should not be perceived that the Council's intent is that every home in New Orleans be upgraded in a single year. The proposed neighborhood approach might be a more effective means by which to accomplish the Council's goals. To be clear, Energy Smart Programs should remain available to all ENO customers, as it currently is designed. However, a supplemental geographic targeting initiative with neighborhood delivery where customers in the identified neighborhood are contacted and informed of their eligibility for either the HPwES program or Income-Qualified Weatherization Program and asked to either schedule an audit or let ENO know they are opting out could be a reasonable means to accomplish this initiative. Such a program could also be applied to an

¹¹⁰ ENO Reply Comments at Appendix A.

¹¹¹ ENO Reply Comments at Appendix A.

¹¹² ENO Reply Comments at Appendix A.

¹¹³ ENO Reply Comments at Appendix A.

¹¹⁴ ENO Reply Comments at Appendix A.

¹¹⁵ ENO Reply Comments at Appendix A.

¹¹⁶ ENO Reply Comments at Appendix A.

¹¹⁷ ENO Reply Comments at Appendix A.

¹¹⁸ AAE/Audubon Reply Comments at 3.

arrearrange management program as suggested by AAE. The Advisors suggest that the Parties continue their dialog to further develop a proposal for the Council.

D. Addressing Health and Safety Deferrals

Sierra Club argues that the Energy Smart Program should include a strategy for avoiding health and safety “deferrals” of energy efficiency installations, situations where issues such as faulty wiring or presence of asbestos present potential health and safety concerns for the contractor or resident to perform the work.¹¹⁹ Sierra Club recommends that if a working group is formed as a result of this docket, it could be charged with designing a health and safety program to avoid such deferrals.¹²⁰ Such a program could involve a coordinated service delivery model that takes advantage of various supplemental funding opportunities through federal and state programs.¹²¹ ENO explains that it does currently offer up to \$500 to remedy minor issues on a case-by-case basis, and that its trade allies do refer customers to implementers of other programs such as Quad Area, Total Community Action, and Rebuilding Together that receive federal funding for larger and more complex issues, such as the presence of asbestos.¹²²

Sierra Club recommends that the Council charge the DSM Working Group with identifying sustainable funding options, and implementing partners, to minimize the number of households turned away from weatherization or other energy efficiency services because the home presents a health or safety issue such as asbestos, mold, lead, structural damage, or faulty wiring.¹²³ Sierra Club states that ENO currently has no plan for addressing deferrals and is not even tracking when or where deferrals occur.¹²⁴ It suggests that the DSM Working Group could be charged with identifying specific strategies for a health and safety complement to Energy Smart’s low-income programs and with identifying external sources of funding for such a program, along with specific local partners for different areas of the service territory.¹²⁵ Sierra Club states that in the short term, the Council can and should require ENO to immediately start working with its implementing partners to track and report all deferrals, including the location of the home by census tract, and specific reason for each deferral.¹²⁶

Advisors’ Guidance

Reducing health and safety deferrals is an important issue that a DSM Working Group could address and the DSM Working Group could have a mandate to develop and propose a more coordinated approach to resolving health and safety issues that lead to deferrals.

¹¹⁹ Sierra Club Comments at 23-24.

¹²⁰ Sierra Club Comments at 25.

¹²¹ Sierra Club Comments at 24-25.

¹²² ENO Reply Comments at 11.

¹²³ Sierra Club Reply Comments at 4.

¹²⁴ Sierra Club Reply Comments at 4.

¹²⁵ Sierra Club Reply Comments at 5.

¹²⁶ Sierra Club Reply Comments at 5.

E. Data Collection and Reporting

AAE recommended the Council establish new data collection and reporting protocols to ensure that program benefits are being targeted to those most in need.¹²⁷ Similarly, Sierra Club recommends that the Council require ENO to track and share key data on measures implemented, demographics and locations of participating households, bill impacts, and deferrals.¹²⁸ Sierra Club argues that access to aggregated customer data at the zip code, or, preferably, census tract level, is an important prerequisite for designing effective and equitable utility programs and determining where resources should be targeted.¹²⁹ Sierra Club recommends that ENO be required to begin collecting such data and sharing it with stakeholders and the City so that an analysis of such data could inform the preparation and review of its next implementation filing.¹³⁰

ENO states that included in its proposed enhancements to the Income-Qualified Weatherization offering was GIS mapping with census tract data to identify areas of Orleans Parish with the highest energy burden to target program outreach.¹³¹ ENO states it anticipates working with stakeholders on ideas for marketing to those areas once identified.¹³²

Sierra Club recommends that the Council charge the DSM Working Group with discussing data and reporting needs to ensure an equitable and effective Energy Smart program, which would include how information should be reported to stakeholders and the public.¹³³

Advisors' Guidance

Many of the Council's goals and the goals proposed by the Parties would benefit from enhanced availability of data. ENO should expand its data tracking to make it easier to: (i) identify geographic clusters of customers that would benefit from income-qualified programs, (ii) specifically address energy burden and urban heat island impacts, and (iii) track deployment of measures to income-qualified participants regardless of which program the participant receives measures. While there are significant privacy and data security issues that arise with enhanced data collection, the Parties should work with ENO's Energy Smart team to identify specifically which data should be collected from customers and participants, and how that data might be best utilized and shared with the DSM Working Group and stakeholders consistent with the Entergy Customer Bill of Rights and all applicable privacy laws. This might also be a task the Council could consider giving to the DSM Working Group.

F. Guidance on Additional Program Design Issues Raised by the Parties

1. ENO recommends that the Council once again consider the adoption of a Demand-Side Management Cost Recovery Rider, as proposed in ENO's 2018 Rate Case (Docket UD-18-07).¹³⁴ ENO suggests that such a rider would fairly address (1) direct and indirect costs

¹²⁷ AAE Comments at 2.

¹²⁸ Sierra Club Comments at 29.

¹²⁹ Sierra Club Comments at 29; Sierra Club Reply Comments at 7.

¹³⁰ Sierra Club Comments at 30.

¹³¹ ENO Reply Comments at 7.

¹³² ENO Reply Comments at 7.

¹³³ Sierra Club Reply Comments at 7.

¹³⁴ ENO Comments at 4-5.

of DSM offerings; (2) lost contributions to fixed costs (“LCFC”); and (3) incentives for the conduct of the offerings and achievement of energy savings.¹³⁵ ENO recognizes that approval of such a rider would require additional regulatory process and review beyond that contemplated by the instant rulemaking docket.¹³⁶ ENO also argues that while LCFC is currently recovered through ENO’s Formula Rate Plan (“FRP”), it believes that there should be a mechanism to recover LCFC in the event an FRP is not available, and in the event the FRP is not extended recommends LCFC be collected through Rider EECR.¹³⁷

Advisors’ Guidance

The Advisors note that the Council already considered and rejected the DSMCRR in favor of the EECR in the 2018 Rate Case. The Advisors do not believe circumstances have changed sufficiently to recommend that the Council reconsider that decision. With respect to the LCFC, the Advisors do not believe it is necessary to address that issue in this docket, it can more appropriately be handled in the next rate case or FRP extension, if approved.

2. ENO argues that, as was done in both DSM Potential Studies, it is appropriate to use ENO’s weighted average cost of capital (“WACC”) as the discount rate to evaluate the overall cost-effectiveness of potential DSM programs because ENO is investing its own funds to implement Energy Smart programs.¹³⁸ AAE and Audubon dispute that ENO is investing its own funds and argue that because ENO recovers the costs of the Energy Smart program from its ratepayers, it is investing ratepayer dollars in Energy Smart, not its own funds, and further that ENO’s cost recovery for Energy Smart investments is determined by the Council, therefore ENO’s WACC is not the correct discount rate to use for benefit-cost analysis of the Energy Smart programs.¹³⁹

Advisors’ Guidance

The choice of discount rate is a policy decision that should be informed by the jurisdiction’s energy and other applicable policies—and thus should reflect the regulatory perspective,¹⁴⁰ which is applied in defining the Resource Value Test¹⁴¹ addressed previously herein. The regulatory perspective recognizes that the objective of efficiency cost-effectiveness analysis is to identify those utility resources that will best serve customers over the long term, while also achieving applicable policy goals of the jurisdiction.¹⁴² Discount rate options for cost-effectiveness analyses range from societal (0-3%), utility customers on average, to the investor-owned utility costs of capital. To provide more flexibility in selecting Energy Smart programs, the cost-effectiveness test results could be presented using the societal discount rate and the utility’s weighted average cost of capital, and the

¹³⁵ ENO Comments at 5.

¹³⁶ ENO Comments at 5.

¹³⁷ ENO Comments at 5-6.

¹³⁸ ENO Comments at 6-7.

¹³⁹ AAE/Audubon Reply Comments at 4-5.

¹⁴⁰ National Standard Practice Manual for Assessing Cost-Effectiveness of Energy Efficiency Resources, May 2017, Chapter 9, Discount Rates, and Chapter 2, Resource Value Framework and Primary test.

¹⁴¹ *Id.*

¹⁴² *Id.*

nominal and present value \$ of benefits versus costs should be provided for each discount rate and individual program.

3. ENO argues that the best scenario exists when energy efficiency programs support the enforcement of building efficiency standards, and recommends using energy efficiency programs to support the enforcement of building efficiency standards.¹⁴³ As was discussed among the parties during the Technical Conference, AAE and Audubon suggest avoiding use of the term “enforcement,” which makes it hard to gain cooperation from building owners.¹⁴⁴ Rather, they suggest, such efforts could support code verification and compliance efforts by building owners, such as producing compliance certificates for homes that meet the standards as a convenience for builders, rather than reporting non-compliance to enforcement officials.¹⁴⁵

Advisors’ Guidance

The Parties should develop a proposal for inclusion in Energy Smart PY 15 and beyond that would offer building owners such support in building code verification and compliance.

4. AAE and Audubon encourage the Council to initiate a deeper, more comprehensive analysis of Energy Smart program designs and operational practices to identify new savings efficiency opportunities going forward, and state that the work could be performed in tandem with the DSM Working Group and be completed ahead of Council decision-making on future implementation plans.¹⁴⁶ AAE and Audubon propose that the Council hire its own consultant to complete this work.¹⁴⁷

Advisors’ Recommendations and Guidance

Given that the Council receives regular reporting on the performance of the Energy Smart programs, that the EM&V provider is independent of ENO and the TPA and has created a Technical Resource Manual specific to New Orleans, and that the Council has the ability to hire its own DSM Potential Study consultant to perform analysis regarding which energy efficiency and demand response programs have potential to perform well in New Orleans, the Parties should provide a more specific recommendation as to what further analysis they believe is necessary.

5. Sierra Club recommends the Council consider requiring ENO to include air source heat pumps as an efficiency measure to replace inefficient electric resistance heating, as well as provide highly efficient air conditioning.¹⁴⁸

Advisors’ Guidance

¹⁴³ ENO Comments at 7.

¹⁴⁴ AAE/Audubon Reply Comments at 6-7.

¹⁴⁵ AAE/Audubon Reply Comments at 7.

¹⁴⁶ AAE/Audubon Reply Comments at 10.

¹⁴⁷ AAE/Audubon Reply Comments at 10.

¹⁴⁸ Sierra Club Reply Comments at 8, 14-16..

Given that the Energy Smart A/C Solutions program includes rebates for the purchase and installation of an Air Source Heat Pump, the Sierra Club should provide clarification as to what further program designs regarding air source heat pumps or modifications to the A/C Solutions Program should be considered.

V. Program Funding

The Sierra Club recommends that ENO leverage the existing and potential city, state, and federal funding in order to fund a whole home retrofit approach for the Energy Smart Program and other design changes to lessen the economic burden on ratepayers, allow the program to reach more customers and prevent deferrals.¹⁴⁹ Sierra Club advises that there are opportunities for ENO to partner with programs that are helping city residents with asthma.¹⁵⁰ Sierra Club recommends that if there is not an existing partnership between ENO and the non-profit Green and Healthy Homes Initiative (“GHHI”) that such a relationship be developed.¹⁵¹ The Sierra Club also recommends that because lead hazards are among the primary reasons that comprehensive energy waste reduction measures cannot be performed and are subsequently deferred, funding from several programs targeting health-based housing repairs to address lead hazards could be leveraged.¹⁵² Sierra Club also notes that significant funding may be available through the Bipartisan Infrastructure Law, including Weatherization Assistance Program funding, and encourages ENO to partner with the Louisiana Housing Corporation, as well as seeking various other potential sources of funding including Energy Efficiency and Conservation Block grants, Climate Pollution Reduction Grants, and Environmental and Climate Justice Block Grants.¹⁵³ Sierra Club recommends that the Council also charge the DSM Working group with exploring funding and partnership possibilities, particularly for health and safety measures, including working with GHHI and ACEEE.¹⁵⁴

Sierra Club notes that there are near-term opportunities for ENO to leverage Weatherization Assistance Program and Weatherization Readiness funds through coordination with the Louisiana Housing Corporation, as well as the Louisiana Low-Income Home Energy Assistance Program (“LIHEAP”) and urges the Council to invite the appropriate staff from the Louisiana Housing Corporation to participate in the working group to explore funding and partnership opportunities.¹⁵⁵

AAE recommended the Council require ENO to develop and implement program enhancements for low-to-moderate income customer programs that leverage the historic opportunity provided by the Inflation Reduction Act rebates and tax credits.¹⁵⁶ AAE recommends that the Council require ENO to develop income-qualified program enhancements targeted to low and moderate income

¹⁴⁹ Sierra Club Comments at 31.

¹⁵⁰ Sierra Club Comments at 31.

¹⁵¹ Sierra Club Comments at 32.

¹⁵² Sierra Club Comments at 32-33.

¹⁵³ Sierra Club Comments at 33-36.

¹⁵⁴ Sierra Club Reply Comments at 8.

¹⁵⁵ Sierra Club Reply Comments at 13-14.

¹⁵⁶ AAE Comments at 2.

households that are specifically designed to ensure that those customers can take full advantage of the opportunities presented by the IRA.¹⁵⁷

Advisor Guidance

Identifying and assisting ENO with developing partnerships with the various state agencies and other entities administering and distributing funding to assist participants with other issues in their homes that cause deferrals would be an appropriate task for the DSM Working Group. Since the total costs of Energy Smart, including utility performance incentive and lost contributions to fixed costs, are estimated at \$33.7 million for Program Year 13, rising to \$37.7 million for Program Year 15,¹⁵⁸ identifying additional sources of funding for the Energy Smart Program beyond the EECR Rider would also be an appropriate role for the DSM Working Group.

VI. Rate Design

The Council is also interested in various potential time-of-use rate designs and whether they might be used to productively encourage customers to shift energy usage to off-peak hours. As discussed above, the DSM Potential Studies in the 2021 IRP proceeding indicated that such rate designs could result in substantial kW savings.

On the topic of time-of-use rates, ENO argues that its Peak Time Rebate Pilot, Bring Your Own Charger, and Bring Your Own Thermostat demand response programs are better options for customers than time-of-use rates would be because they are voluntary and allow customers to avoid the price risk and disruption that a whole house time-of-use rate entails.¹⁵⁹

In Docket No. UD-21-03 ProRate Energy, Inc. proposed a time-of-use rate design coupled with behind-the-meter solutions such as distributed energy resources including batteries as a cost-effective means of utilizing rate design to finance distributed energy resources for customers. ProRate Energy's proposal is a time-of-use rate structured as a variable peak pricing rate design which is two directional, for both buying from ENO and selling to ENO, and includes a simple rate step function that increases during hours near peak demand times.

Advisors' Guidance

Various time-differentiated rate structures can be designed to encourage demand response, provide additional customer near-term savings, maximize the benefit of AMI hourly interval data from each customer and optimize the use of new technology. Considering the lengthy period of time-of-use or time differentiated rate implementation that has occurred in many regulatory jurisdictions, the Parties could discuss and recommend to the Council a long term timetable for further proceedings in this docket to develop proposals for time-differentiated rate designs that could capture the potential for kW savings identified in the DSM Potential Studies.

¹⁵⁷ AAE Comments at 17.

¹⁵⁸ Refer to the Appendix, which presents data from the Energy Smart Implementation Plan for PY 13-15

¹⁵⁹ ENO Comments at 7-9.

VII. Bill Impact Considerations

The Advisors remain concerned about the impact of the Energy Smart Budget on ratepayer bills. The Advisors encourage the parties to consider whether the total Energy Smart budget should be subject to a customer impact cap, similar to the cap in the Renewable and Clean Portfolio Standard, and to evaluate whether the EECR Rider allocation should be revised: (i) to increase Energy Smart funding from commercial and industrial customers and reduce funding from residential, or (ii) to reflect Council potential policy changes related to program goals. Current EECR cost recovery allocation is based on kWh savings by rate class defined as benefits, such that the cost of the Energy Smart Program is borne by each customer class in proportion to the benefit received by that customer class. However, if Energy Smart benefits in addition to kWh savings are defined in this docket, the current EECR cost recovery allocation may have to be reevaluated. In addition, as is referenced above, the Advisors suggest that the DSM Working Group could be tasked with assisting ENO in identifying potential additional sources of funding for the Energy Smart program to mitigate the impact on customer bills.

There are also national-based programs that have yet to be considered that are relevant to certain proposals of the Parties. The EPA is committed to facilitating expansion of programs that overcome barriers to energy efficiency faced by low income, minority, and other underserved and disadvantaged communities, such as an “Inclusive Utility Investments (IUI)” model, including “Pay As You Save” programs. IUI programs remove qualification hurdles by attaching the cost of energy efficiency and clean-energy investments to the meter, rather than the customer. The demonstrated benefits have been a grid resource, a program with high adoption rates, and a proven economic model, while customers benefit from lower bills and no debt. IUI expands access to cost-effective and more comprehensive energy efficiency, such as major end uses in the home, for all customers, including those that are often underserved by utility energy efficiency programs.

The IUI model is proven among rural electric cooperative utilities and is gaining traction among Investor-Owned Utilities because it combines unique attributes: enables utilities to make site-specific investments in building efficiency upgrades on the customer's side of the meter with site-specific (as opposed to customer-specific) cost recovery; cost recovery is achieved through a tariffed charge on the utility bill tied to the location rather than an individual; successor customers at an upgraded site are notified that the cost recovery charge applies automatically to the bill until the utility's costs are recovered; some IOUs are pursuing the treatment of Inclusive Utility Investment as a regulatory asset where they earn an authorized rate of return on their expenditures, similar to treatment of supply-side investments; and unlike consumer loan programs, all customers are eligible regardless of income, credit standing, or status as a building owner or tenant.

A program based on Pay-As-You-Save (PAYS) has an essential independent certification that the energy efficiency upgrades are appropriate and that savings estimates exceed payments in both the near and long term. The monthly charge for a location must be set so that (i) the amount a participant pays annually is not more than 80 percent of the upgrade's estimated annual savings based on current retail rates, and (ii) the payment term is not more than 80 percent of the estimated life of the shortest-life measure of the upgrade package. Specifically, PAYS upgrades and the associated monthly charge must not entail new debt or liens for the participant. Once the utility has recovered all of its investment in upgrades at a location, ownership of the upgrades will transfer to the building owner at that time without any additional financial obligations.

VIII. Procedural Recommendations from the Parties

In its comments, Audubon urges the Council to amend the procedural schedule for the docket to allow for more time for intervenors and interested parties to assemble policy changes and programs that will really meet the Council's goals.¹⁶⁰ Audubon also expresses concern about siloed-off policymaking and urges the Council to ensure that administrative economy does not become an uncoordinated and piecemeal approach to addressing systemic issues.¹⁶¹ Audubon urges the Council to work through the dockets and identify how best to align the mechanisms that would align for optimized regulation of the utility, and states that the ongoing effort to perform a management audit of the utility will be integral to the effort.¹⁶²

Advisors' Guidance

The Advisors concur that there are several issues that have been raised thus far in this proceeding that would benefit from a longer timeline with more time needed for the Parties to collaborate. In particular, the Advisors believe more time is required for proposals to develop time of use/time differentiated rate proposals and proposals for customer-sited distributed energy resources or battery storage, which the parties have largely not yet addressed.

CONCLUSION

While there are differences between the Parties to this docket on the details of execution, the Advisors are encouraged by the level of consensus the Parties have already reached in this proceeding and urge the Parties to continue working collaboratively on the remaining areas of difference. The Advisors believe that the direction in which the Parties are going: enhancing income-qualified programming, developing a geographic targeting and neighborhood delivery model, and working collaboratively with other agencies and other entities receiving funding that could enhance the Energy Smart Program, are generally consistent with the Council's goals for this proceeding, and should be further developed.

Attached:

Appendix A– Summary of Energy Smart Implementation Plan Program Years 13-15

¹⁶⁰ Audubon Comments at 1-2.

¹⁶¹ Audubon Comments at 2.

¹⁶² Audubon Comments at 2.

RESPECTFULLY SUBMITTED:



J. A. "Jay" Beatmann, Jr. (#26189)
Dentons US LLP
650 Poydras Street, Suite 2850
New Orleans, LA 70130
Telephone: (504) 524-5446
Facsimile: (504) 568-0331
Email: jay.beatmann@dentons.com

Clinton A. Vince
Emma F. Hand
Presley R. Reed, Jr.
1900 K Street, N.W.
Washington, D.C. 20006
202-408-6400 (Telephone)
202-408-6399 (Facsimile)
clinton.vince@dentons.com
emma.hand@dentons.com
presley.reedjr@dentons.com

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 upon the following parties of record by electronic mail on this 1st day of March 2023.



J. A. "Jay" Beatmann, Jr.

DOCKET UD-22-04

Lora W. Johnson, lwjohnson@nola.gov

Clerk of Council
City Hall - Room 1E09
1300 Perdido Street
New Orleans, LA 70112
Tel: (504) 658-1085
Fax: (504) 658-1140
Service of Discovery not required

Erin Spears, espears@nola.gov

Chief of Staff, Council Utilities Regulatory Office

Bobbie Mason, bfmason1@nola.gov

Christopher Roberts, cwroberts@nola.gov

Byron Minor, Byron.minor@nola.gov

City Hall - Room 6E07
1300 Perdido Street
New Orleans, LA 70112
Tel: (504) 658-1110
Fax: (504) 658-1117

Keith Lampkin, CM Morrell Chief-of-Staff, Kdlampkin@nola.gov

1300 Perdido St. Rm. 2W50
New Orleans, LA. 70112

Andrew Tuozzolo, CM Moreno Chief-of-Staff, avtuozzolo@nola.gov

1300 Perdido St. Rm. 2W40
New Orleans, LA. 70112

Paul Harang, 504-658-1101 / (504) 250-6837, Paul.harang@nola.gov
Interim Chief of Staff
City Hall - Room 1E06
1300 Perdido Street
New Orleans, LA 70112

Donesia D. Turner, Donesia.Turner@nola.gov
Ashley Spears, Ashley.Spears@nola.gov
Law Department
City Hall - 5th Floor
New Orleans, LA 70112
Tel: (504) 658-9800
Fax: (504) 658-9869
Service of Discovery not required

Norman White, Norman.White@nola.gov
Department of Finance
City Hall - Room 3E06
1300 Perdido Street
New Orleans, LA 70112
Tel: (504) 658-1502
Fax: (504) 658-1705

Greg Nichols, grnichols@nola.gov
Deputy Chief Resilience Officer
Office of Resilience & Sustainability
1300 Perdido Street, Suite 8E08
New Orleans, LA 70112
Tel: 504-658-4958
Cell: 504-253-1626

ADMINISTRATIVE HEARING OFFICER

Hon. Jeffrey S. Gulin, judgegulin@gmail.com
3203 Bridle Ridge Lane
Lutherville, MD 2109
Tel: (410) 627-5357

CITY COUNCIL CONSULTANTS and SUPPORT STAFF

Clinton A. Vince, clinton.vince@dentons.com
Presley Reed, presley.reedjr@dentons.com
Emma F. Hand, emma.hand@dentons.com

Adriana Velez-Leon, adriana.velez-leon@dentons.com

Dee McGill, dee.mcgill@dentons.com

Denton Law Firm,
1900 K Street NW
Washington, DC 20006
Tel: (202) 408-6400
Fax: (202) 408-6399

Basile J. Uddo, (504) 583-8604 cell, buddo@earthlink.net

J. A. "Jay Beatmann, Jr. (504) 256-6142 cell, (504) 524-5446 office direct,
jay.beatmann@dentons.com

c/o DENTONS US LLP
650 Poydras Street
Suite 2850
New Orleans, LA 70130

Joseph W. Rogers, jrogers@legendcgl.com

Victor M. Prep, vprep@legendcgl.com

Byron S. Watson, bwatson@legendcgl.com

Legend Consulting Group
6041 South Syracuse Way, Suite 105
Greenwood Village, CO 80111
Tel: (303) 843-0351
Fax: (303) 843-0529

ENTERGY NEW ORLEANS, LLC

Courtney R. Nicholson, (504) 670-3680, cnicho2@entergy.com

Entergy New Orleans, LLC
Vice-President, Regulatory and Public Affairs

Barbara Casey, (504) 670-3567, bcasey@entergy.com

Entergy New Orleans, LLC
Director, Regulatory Affairs

Polly Rosemond, prosemo@entergy.com

Kevin T. Boleware, (504) 670-3673, kbolewa@entergy.com

Brittany Dennis, bdennil@entergy.com

Keith Wood, (504) 670-3633, kwood@entergy.com

Derek Mills, (504) 670-3527, dmills3@entergy.com

Ross Thevenot, (504) 670-3556, rtheven@entergy.com

1600 Perdido Street, L-MAG 505B
New Orleans, LA 70112

Vincent Avocato, (281) 297-3508, vavocat@entergy.com

Entergy New Orleans, LLC
2107 Research Forest Drive, T-LFN-4
The Woodlands, TX 77380

Brian L. Guillot, (504) 576-6523, bguill1@entergy.com
Leslie M. LaCoste (504) 576-4102, llacost@entergy.com
Lacresha D. Wilkerson, (504) 576-6571, lwilkel@entergy.com
Ed Wicker, (504) 576-3101, ewicker@entergy.com
Linda Prisuta, (504) 576-4137, lprisut@entergy.com
Entergy Services, LLC
Mail Unit L-ENT-26E
639 Loyola Avenue
New Orleans, LA 70113
Fax: 504-576-5579

Joe Romano, III (504) 576-4764, jroman1@entergy.com
Tim Rapier, (504) 576-4740, trapier@entergy.com
Farah Webre, (504) 576-6038, fwebre@entergy.com
Entergy Services, LLC
Mail Unit L-ENT-3K
639 Loyola Avenue
New Orleans, LA 70113
Fax: (504) 576-6029

W. Raley Alford, III, (504) 523-1580, wra@stanleyreuter.com
Stanley, Reuter, Ross, Thornton, & Alford, LLC
O/B/O Entergy New Orleans, LLC
909 Poydras Street, Suite 2500
New Orleans, Louisiana 70112
Fax: (504) 524-0069

INTERVENORS

National Audubon Society

Brent Newman, 303-681-8420, Brent.newman@audubon.org
Senior Policy Director
3801 Canal Street, Suite 400
New Orleans, LA 70119

Nicholas Dixon, 225-315-3026, Nicholas.dixon@audubon.org
Outreach Associate
3801 Canal Street, Suite 400
New Orleans, LA 70119

Karl Rabago, karl@rabagoenergy.com
Rabago Energy

Alliance for Affordable Energy

Logan A. Burke, logan@all4energy.org

Jesse S. George, jesse@all4energy.org
Sophie Zaken, regulatory@all4energy.org
Susan Stevens Miller, Earth Justice, smiller@earthjustice.org
Chinyere A. Osuala, Earth Justice, cosuala@earthjustice.org
Jim Grevatt, Energy Futures Group, jgrevatt@energyfuturesgroup.com
4505 S. Claiborne Ave
New Orleans, Louisiana 70125
Tel: (504) 208-9761

Susan Stevens Miller, smiller@earthjustice.org
Chinyere Osuala, cosuala@earthjustice.org
Maya DeGasperi (she/her), mdegasper@earthjustice.org
Earthjustice (On behalf of Alliance for Affordable Energy)
1625 Massachusetts Avenue, N.W., Suite 702
Washington, D.C. 20036
Tel: (443) 534-6401

Sierra Club

Elena Saxonhouse, elena.saxonhouse@sierraclub.org
Environmental Law Program
2101 Webster Street, Suite 1300
Oakland, CA 94612
Tel: (415) 265-2943

Sharonda Williams-Tack, sharonda.williams-tack@sierraclub.org
50 F Street, NW
Washington, DC 20001

INTERESTED PARTIES

Michelle Kruegler, LEED AP BDE+C, michelle.krueger@aptim.com
Program Director
APTIM | Energy Solutions
Tel: (225) 432-3393

Jackie Dadakis, jackie@greencoastenterprises.com
Chief Executive Officer
Green Coast Enterprises
Tel: (504) 459-4006
Cell: (504) 264-2394
www.greencoastenterprises.com

Appendix A to Advisors' Report in Council Docket No. UD-22-04

March 1, 2023

Summary of Energy Smart Implementation Plan for Program Years 13-15, 2023-2025, Approved in Council Resolution R-22-523

Summary of Energy Smart Implementation Plan Total Costs for Program Years 13-15, 2023-2025

Program Year	Energy Efficiency ("EE") Program Costs	Demand Response ("DR") Program Costs	EE & DR Program Costs Subtotal	Utility Incentive 100% kWh Goal	Lost Contributions to Fixed Costs	Total Energy Smart Costs
13 (2023)	\$ 22,239,643	\$ 2,313,596	\$ 24,553,239	\$ 1,556,775	\$ 7,522,062	\$ 33,632,076
14 (2024)	\$ 24,431,148	\$ 2,248,187	\$ 26,679,335	\$ 1,710,180	\$ 7,748,997	\$ 36,138,512
15 (2025)	\$ 25,317,853	\$ 2,527,949	\$ 27,845,802	\$ 1,772,250	\$ 8,008,484	\$ 37,626,536

Notes Pursuant to Council Resolution No. R-22-523:

1. ENO's proposal for the implementation of DSM programs is approved through December 31, 2024.
2. ENO's selection for Third-Party Administrators and Third-Party Evaluators for Program Years 13-14 are approved.
3. ENO's level of funding and associated kWh savings recommended for the programs is approved.
4. ENO's continued use of the current Utility Performance Incentive ("UPI") mechanism is approved.

Program Year 13			
<u>Energy Efficiency Program</u>	<u>Program Cost</u>	<u>kWh</u>	<u>kW</u>
Small C&I Solutions	\$ 1,105,876	4,925,994	949
Large C&I Solutions	\$ 7,221,219	35,008,874	6,475
Publicly Funded Institutions	\$ 2,616,243	10,799,767	409
C&I Construction Solutions	\$ 898,381	3,512,971	806
Home Performance with Energy Star (“HPwES”)	\$ 2,533,365	16,461,506	883
Retail Lighting and Appliances	\$ 1,632,415	7,997,811	1,110
Multifamily Solutions	\$ 977,320	2,678,475	142
Income Qualified Weatherization	\$ 2,544,729	3,817,679	108
A/C Solutions	\$ 1,223,882	2,848,496	1,239
Appliance Recycling & Replacement	\$ 559,357	1,701,810	25
School Kits & Education and Community Outreach	\$ 319,682	797,088	107
Behavioral	\$ 607,174	14,067,914	-
Energy Efficiency Subtotal	\$ 22,239,643		
<u>Demand Response Program</u>	<u>Program Cost</u>	<u>kWh</u>	<u>kW</u>
Residential Peak Time Rebate Pilot	\$ 276,920	-	714
Residential - BYOT	\$ 923,098	-	9,600
Large C&I DR	\$ 914,821	-	6,970
Bring Your Own Charger (BYOC) Pilot	\$ 198,756	-	525
Demand Response Subtotal	\$2,313,596		
TOTAL	\$ 24,553,239	104,618,385	30,061

Program Year 14			
<u>Energy Efficiency Program</u>	<u>Program Cost</u>	<u>kWh</u>	<u>kW</u>
Small C&I Solutions	\$ 1,454,957	6,349,948	1,112
Large C&I Solutions	\$ 9,163,958	45,589,079	7,291
Publicly Funded Institutions	\$ 3,600,302	15,730,841	397
C&I Construction Solutions	\$ 991,962	4,301,994	987
Home Performance with Energy Star (“HPwES”)	\$ 1,791,010	3,404,313	966
Retail Lighting and Appliances	\$ 1,125,629	1,558,999	16
Multifamily Solutions	\$ 1,000,035	2,526,471	145
Income Qualified Weatherization	\$ 2,395,956	3,220,972	66
A/C Solutions	\$ 1,498,799	3,322,555	1,453
Appliance Recycling & Replacement	\$ 581,634	1,785,774	26
School Kits & Education and Community Outreach	\$ 319,682	797,089	107
Behavioral	\$ 507,224	19,186,619	-
Energy Efficiency Subtotal	\$ 24,431,148		

<u>Demand Response Program</u>	<u>Program Cost</u>	<u>kWh</u>	<u>kW</u>
Residential Peak Time Rebate Pilot	\$ 246,253	-	998
Residential - BYOT	\$ 961,380	-	11,600
Large C&I DR	\$ 782,004	-	8,870
Bring Your Own Charger (BYOC) Pilot	\$ 258,550	-	1,125
Demand Response Subtotal	\$ 2,248,187		
TOTAL	\$ 26,679,335	107,774,655	35,159

Program Year 15			
<u>Energy Efficiency Program</u>	<u>Program Cost</u>	<u>kWh</u>	<u>kW</u>
Small C&I Solutions	\$ 1,678,839	6,846,039	1,331
Large C&I Solutions	\$ 9,647,151	47,767,306	7,780
Publicly Funded Institutions	\$ 3,716,628	15,981,018	491
C&I Construction Solutions	\$ 1,076,216	5,000,235	1,147
Home Performance with Energy Star ("HPwES")	\$ 1,553,945	2,392,127	898
Retail Lighting and Appliances	\$ 1,175,752	1,587,308	16
Multifamily Solutions	\$ 939,819	2,402,578	139
Income Qualified Weatherization	\$ 2,328,717	2,989,692	32
A/C Solutions	\$ 1,750,005	3,651,365	1,602
Appliance Recycling & Replacement	\$ 613,502	1,917,201	28
School Kits & Education and Community Outreach	\$ 319,682	797,089	107
Behavioral	\$ 517,597	20,051,684	-
Energy Efficiency Subtotal	\$ 25,317,853		
<u>Demand Response Program</u>	<u>Program Cost</u>	<u>kWh</u>	<u>kW</u>
Residential Peak Time Rebate Pilot	\$ 264,649	-	1,254
Residential - BYOT	\$ 1,078,428	-	13,600
Large C&I DR	\$ 846,069	-	10,470
Bring Your Own Charger (BYOC) Pilot	\$ 338,803	-	1,575
Demand Response Subtotal	\$ 2,527,949		
TOTAL	\$ 27,845,802	111,383,642	40,470

	Including Behavioral			
	EE Program Costs	UPI at 100% of Goal	Projected kWh Savings	LCFC @ 100% of Goal
Program Year 13	\$ 22,239,643	\$ 1,556,775	104,618,390	\$ 7,522,062
Program Year 14	\$ 24,431,148	\$ 1,710,180	107,774,640	\$ 7,748,997
Program Year 15	\$ 25,317,853	\$ 1,772,250	111,383,640	\$ 8,008,484

III. Cost Recovery

ENO proposes that program costs and UPI continue to be recovered through the Energy Efficiency Cost Recovery (“EECR”) rider.

IV. Typical Bill Impact

The estimated typical bill impact for customers based on their rate class is shown in the table below.

ENO Typical Monthly Bill Impacts			
	PY 13	PY 14	PY 15
Typical Bill Impact (1,000 kWh residential customer)	\$ 5.47	\$ 4.96	\$ 5.05
Typical Bill Impact (9,125 kWh commercial customer)	\$ 16.01	\$ 21.16	\$ 24.13
Typical Bill Impact (91,250 kWh industrial customer)	\$ 564.55	\$ 703.64	\$ 740.01



Portfolio Budgets and Savings

The APTIM team developed the following budgets and savings estimates detailed in this implementation plan utilizing historical results and best practices of energy efficiency programs to provide aggressive, yet achievable program savings targets that provide significant benefits to ENO's customers.

ENERGY SMART - DSM PORTFOLIO BUDGETS			
	Year 13	Year 14	Year 15
Residential Total	\$10,397,924	\$9,219,969	\$9,199,019
<i>EM&V</i>	\$416,236	\$369,082	\$368,244
<i>Program Costs</i>	\$9,981,688	\$8,850,887	\$8,830,775
C&I Total	\$11,841,719	\$15,211,179	\$16,118,834
<i>EM&V</i>	\$474,033	\$608,915	\$645,248
<i>Program Costs</i>	\$11,367,686	\$14,602,264	\$15,473,586
Energy Smart Total	\$22,239,643	\$24,431,148	\$25,317,853
<i>EM&V</i>	\$890,269	\$977,997	\$1,013,492
<i>Program Costs</i>	\$21,349,374	\$23,453,151	\$24,304,361

ENERGY SMART - DSM PORTFOLIO SAVINGS			
	Year 13	Year 14	Year 15
Residential Total			
Participation	158,038	144,541	151,114
Gross Energy Savings (MWh)	50,371	35,803	35,789
Gross Demand Savings (MW)	3.62	2.80	2.83
C&I Total			
Participation	306	403	427
Gross Energy Savings (MWh)	54,248	71,972	75,594
Gross Demand Savings (MW)	8.64	9.79	10.75
Energy Smart Total			
Participation	158,344	144,944	151,541
Gross Energy Savings (MWh)	104,619	107,775	111,383
Gross Demand Savings (MW)	12.26	12.59	13.58



Net Benefits and Cost Effectiveness Analysis

The table below summarizes the cost effectiveness results for both the Total Resource Cost test (TRC) and the Utility Cost test (UCT), sometimes referred to as the Program Administrator Cost test (PACT). The screening tool relies on the most recent avoided costs determined through calculations that are consistent with the methodology that was implemented in the Entergy New Orleans IRP. The only offerings (excluding pilots) that fail to pass is the Income Qualified Weatherization, Appliance Recycling & Replacement and the School Kit and Community Outreach offerings. The outreach and community engagement costs included within the School Kits & Education program's budget led to increased energy savings benefits for the entire portfolio. The Appliance Recycling & Replacement offering includes high efficiency replacement refrigerators for income-qualified participants.

DSM PORTFOLIO COST EFFECTIVENESS ANALYSIS	TRC BENEFITS (\$)	TRC RATIO	UCT RATIO
Small C&I Solutions	\$7,384,555	1.1	1.7
Large C&I Solutions	\$57,675,677	1.2	2.2
Publicly Funded Institutions	\$16,465,987	1.3	1.7
C&I Construction Solutions	\$7,102,225	2.1	2.4
Home Performance with ENERGY STAR ("HPwES")	\$9,650,682	1.9	1.6
Retail Lighting and Appliances	\$4,866,949	1.2	1.2
Multifamily Solutions	\$3,028,593	1.1	1.0
Income Qualified Weatherization	\$3,829,976	0.6	0.5
A/C Solutions	\$4,429,122	1.2	1.0
Appliance Recycling & Replacement	\$991,112	0.4	0.6
School Kits & Education and Community Outreach	\$840,523	0.9	0.9
Behavioral	\$1,699,417	1.0	1.0
TOTAL	\$117,964,818	1.2	1.6



Program Budgets and Savings

The following tables represent the budget and savings totals for the program portfolio.

PROGRAM YEAR 13 - ENERGY SMART DSM PORTFOLIO BUDGET AND SAVINGS						
Offering	EM&V	Program Costs	Total	Participation	Gross Energy Savings (MWh)	Gross Demand Savings (MW)
Small C&I Solutions	\$44,269	\$1,061,607	\$1,105,876	83	4,926	0.95
Large C&I Solutions	\$289,071	\$6,932,148	\$7,221,219	136	35,009	6.47
Publicly Funded Institutions	\$104,730	\$2,511,513	\$2,616,243	51	10,800	0.41
C&I Construction Solutions	\$35,963	\$862,418	\$898,381	36	3,513	0.81
Home Performance with ENERGY STAR ("HPWES")	\$101,412	\$2,431,953	\$2,533,365	24,415*	16,462	0.88
Retail Lighting and Appliances	\$65,347	\$1,567,068	\$1,632,415	9,646	7,998	1.11
Multifamily Solutions	\$39,123	\$938,197	\$977,320	1,525	2,678	0.14
Income Qualified Weatherization	\$101,867	\$2,442,862	\$2,544,729	1,635	3,818	0.11
A/C Solutions	\$48,993	\$1,174,889	\$1,223,882	1,319	2,848	1.24
Appliance Recycling & Replacement	\$22,391	\$536,966	\$559,357	1,775	1,702	0.03
School Kits & Education and Community Outreach	\$12,797	\$306,885	\$319,682	3,628	797	0.11
Behavioral	\$24,306	\$582,868	\$607,174	114,095	14,068	0.00
TOTAL	\$890,269	\$21,349,374	\$22,239,643	158,344	104,619	12.26

*Includes 22,500 Home Performance Kits.

PROGRAM YEAR 14 - ENERGY SMART DSM PORTFOLIO BUDGET AND SAVINGS

Offering	EM&V	Program Costs	Total	Participation	Gross Energy Savings (MWh)	Gross Demand Savings (MW)
Small C&I Solutions	\$58,243	\$1,396,714	\$1,454,957	107	6,350	1.11
Large C&I Solutions	\$366,840	\$8,797,118	\$9,163,958	178	45,589	7.29
Publicly Funded Institutions	\$144,123	\$3,456,179	\$3,600,302	74	15,731	0.40
C&I Construction Solutions	\$39,709	\$952,253	\$991,962	44	4,302	0.99
Home Performance with ENERGY STAR (“HPwES”)	\$71,695	\$1,719,315	\$1,791,010	6,560*	3,404	0.97
Retail Lighting and Appliances	\$45,060	\$1,080,569	\$1,125,629	1,440	1,559	0.02
Multifamily Solutions	\$40,032	\$960,003	\$1,000,035	1,418	2,526	0.15
Income Qualified Weatherization	\$95,912	\$2,300,044	\$2,395,956	1,472	3,221	0.07
A/C Solutions	\$59,998	\$1,438,801	\$1,498,799	1,441	3,323	1.45
Appliance Recycling & Replacement	\$23,283	\$558,351	\$581,634	1,854	1,786	0.03
School Kits & Education and Community Outreach	\$12,797	\$306,885	\$319,682	3,628	797	0.11
Behavioral	\$20,305	\$486,919	\$507,224	126,728	19,187	0.00
TOTAL	\$977,997	\$23,453,151	\$24,431,148	144,944	107,775	12.59

*Includes 5,000 Home Performance Kits.

PROGRAM YEAR 15 - ENERGY SMART DSM PORTFOLIO BUDGET AND SAVINGS

Offering	EM&V	Program Costs	Total	Participation	Gross Energy Savings (MWh)	Gross Demand Savings (MW)
Small C&I Solutions	\$67,205	\$1,611,634	\$1,678,839	115	6,846	1.33
Large C&I Solutions	\$386,182	\$9,260,969	\$9,647,151	186	47,767	7.78
Publicly Funded Institutions	\$148,779	\$3,567,849	\$3,716,628	75	15,981	0.49
C&I Construction Solutions	\$43,082	\$1,033,134	\$1,076,216	51	5,000	1.15
Home Performance with ENERGY STAR (“HPwES”)	\$62,206	\$1,491,739	\$1,553,945	1,580	2,392	0.90
Retail Lighting and Appliances	\$47,066	\$1,128,686	\$1,175,752	1,466	1,587	0.02
Multifamily Solutions	\$37,622	\$902,197	\$939,819	1,431	2,403	0.14
Income Qualified Weatherization	\$93,220	\$2,235,497	\$2,328,717	1,472	2,990	0.03
A/C Solutions	\$70,054	\$1,679,951	\$1,750,005	1,503	3,651	1.60
Appliance Recycling & Replacement	\$24,559	\$588,943	\$613,502	1,937	1,917	0.03
School Kits & Education and Community Outreach	\$12,797	\$306,885	\$319,682	3,628	797	0.11
Behavioral	\$20,720	\$496,877	\$517,597	138,097	20,052	0.00
TOTAL	\$1,013,492	\$24,304,361	\$25,317,853	151,541	111,383	13.58