



November 13, 2015

Via Hand Delivery

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

Re: CNO Docket No: UD-08-02 Regarding the Consideration of Issues Related to Decoupling

Dear Ms. Johnson:

Enclosed please find an original and three copies of the Alliance for Affordable Energy's comments on ENO's Decoupling proposal in the above referenced docket.

Thank you for your time and attention.

Sincerely,

A handwritten signature in black ink that reads "Casey DeMoss". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Casey DeMoss
Alliance for Affordable Energy

The Alliance for Affordable Energy (hereinafter “the Alliance”) is pleased for the opportunity to offer our comments on the revenue decoupling proceeding. We offer our appreciation to the City Council of the City of New Orleans (hereinafter the “Council”), its advisors, Entergy New Orleans and Entergy Louisiana (hereinafter “the companies”), and fellow stakeholders for the constructive process that allowed the parties to explore the important aspects of revenue decoupling in a helpful manner. It has been collaborative, instructive, and genuinely encouraging to us.

The Council has made clear in its resolutions and pronouncements a commitment to safe, reliable, and affordable electricity and gas services while also achieving important sustainability goals. In order to achieve these goals the Council has commendably sought to use sound regulatory frameworks like decoupling and Integrated Resource Planning that properly balance the need to have affordable light bills and a more sustainable grid.

We applaud the Companies for stating (Final Comments, page 2) that full revenue decoupling is workable. We believe full decoupling promises substantial advantages to all customers and the City, and we strongly support moving forward with the pilot decoupling program.

Generally, we strongly encourage the Council to continue along the path, launched in its 2014 resolution, to implement full revenue decoupling when it revises rate in the next rate case. Doing so will assure just and reasonable compensation to the Companies while also accomplishing an important objective: assuring the Companies are not penalized between rate cases if customer usage drops, assuring the Companies do not receive a windfall if customer usage increases, and incenting the Companies to achieve the Council’s priorities. This is the central purpose of decoupling.

Full revenue decoupling is a simple, elegant solution to the problem created under traditional rates when the utility implements energy efficiency programs – it can lose expected contributions to fixed costs. Decoupling assures the Companies receive their full authorized revenue in the event usage drops (for any reason), rather than attempting to identify lost contributions to fixed costs from usage reductions that can be attributed to efficiency programs.

The companies’ comments suggest its preferred path is intended “to address lost revenues” (See “Path 1” on page 3) and to “address the lost revenue problem.” The purpose of revenue decoupling is broader and more important. It is to assure the utility receives its authorized revenue as contemplated by the Council in the next rate case, no more, no less, whether or not outside events or efficiency programs lead to customer usage increasing or decreasing. Full revenue decoupling accomplishes this, while the “preferred path” set forth by the Companies does not – it merely compensates the Companies for lost revenues attributable to its efficiency programs. Usage in the City of New Orleans will unquestionably be affected by many factors beyond the Companies’ authorized efficiency programs, including substantial improvements in federal appliances codes¹, implementation of renewables, such as rooftop solar, building efficiency projects undertaken by owners outside of the Energy Smart program, behavior changes, and many other factors.

¹ Eckman, T. (2015) *Historical and Projected Impact on Northwest Electric Loads*. Northwest Power and Conservation Council Federal Appliance Standards.

We concur with the Companies (and the Advisors) that implementing full revenue decoupling makes sense in the context of the next rate case proceeding. The method set forth in the Advisors' Comments appears reasonable to us, but we also suggest it is not necessary to determine exactly how full decoupling will be implemented, since doing so may depend on the rate design the Council determines to use. We note that across the country several leading jurisdictions are exploring innovative rate designs that might yield instructive lessons for the Council, and we are inclined to preserve flexibility rather than to define decoupling based on assumptions about the rate design that will emerge.

The Companies state (page 7) that intervenors' prior comments suggested a decoupling mechanism should determine the Companies' Authorized Revenue without regard to changes in the number of customers between rate cases. To be clear, we do not object to a decoupling mechanism (so long as it meets other stated requirements) that allows for adjustments of authorized revenue based on changes in the number of customers in a class.