entergy

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March 14, 2025

VIA ELECTRONIC MAIL
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City Hall - Room 1E09
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New Orleans, LA 70112

Re: Resolution (R-24-624) and Order Establishing A Docket and Procedural Schedule to Enhance Distributed Energy Resource Programs (CNO Docket No. UD-24-02)

Dear Clerk of Council:

Attached please find the Comments of Entergy New Orleans, LLC ("ENO") for filing in the above-referenced docket pursuant to Resolution No. 24-624. ENO submits this filing electronically and will submit the requisite original and number of hard copies once the Council resumes normal operations or as you direct.

Thank you for your assistance in this matter, and please let me know if you have any questions or concerns.

Sincerely,

Edward R. Wicker, Jr.

ERW/jlc
Enclosures
cc: Official Service List UD-24-02 *(via electronic mail)*

BEFORE THE

COUNCIL OF THE CITY OF NEW ORLEANS

RESOLUTION AND ORDER R-24-624	**)**	
ESTABLISHING A DOCKET AND	**)**	
PROCEDURAL SCHEDULE TO	**)**	**DOCKET NO. UD-24-02**
ENHANCE DISTRIBUTED ENERGY	**)**	
RESOURCE PROGRAMS	**)**	

COMMENTS OF ENTERGY NEW ORLEANS, LLC

Entergy New Orleans, LLC ("ENO" or "the Company") submits these Comments in compliance with the requirements of Resolution No. R-24-624 ("Resolution") issued by the Council of the City of New Orleans ("Council"). ENO appreciates the opportunity to provide these Comments regarding distributed energy resource ("DER") programs.

INTRODUCTION

Having reviewed the initial comments and proposals submitted by other stakeholders in December 2024, ENO submits that several key issues should be considered, including, among other things, the legality of using the particular System Energy Resources, Inc. ("SERI") credits at issue ("SERI Credits") for the stakeholders' programs; whether using the SERI Credits is contingent upon public funding being received for such programs; the appropriate cost and administrator(s) of such programs; the appropriate amount of customer incentives for such programs; and the appropriate length of time customers would be required to participate after receiving incentives for such programs.

With regard to these and other issues, ENO propounded data requests to Together New Orleans ("TNO") and the Alliance for Affordable Energy ("AAE") on February 26, 2025, regarding their proposal. To date, ENO has not received responses to its requests. Considering the complexity and number of issues relative to their proposal (and other stakeholders' proposals), and given its unique position as the electric public utility serving New Orleans customers, ENO presents herein its own proposal for consideration. ENO's proposal would avoid the legal obstacles discussed herein and in ENO's prior comments, and would provide benefits and protections to all customers in accordance with regulatory law and policy. ENO looks forward to reviewing and submitting additional comments and participating in continued discussions with other stakeholders.

COMMENTS

A. ENO's Proposal

While several key issues remain regarding the stakeholders' proposals, a primary question is whether the establishment of a battery energy storage system ("BESS") upfront incentive program is in the best interest of ENO customers and represents the best use of the SERI Credits, which were earmarked to be refunded to all customers, as discussed in ENO's prior comments. If the Council is inclined to move forward with a BESS upfront incentive program using SERI Credits, ENO herein submits its own proposal marked as Exhibit 1. Critically, ENO submits that an effective program that supports local, distributed resilience and demand response ("DR") can be administered for approximately $10 million over five years – far less than the $32 million, three-year proposal submitted by TNO and AAE.

ENO's proposal focuses on using upfront incentives to support distributed resilience and DR throughout New Orleans by transforming existing residential net metering systems into grid assets and encouraging the incorporation of BESS in new residential solar installations to be utilized by ENO through its Energy Smart Battery DR program. With approximately 10,000 customers (5% of ENO's customer base) already participating in net metering, ENO sees an opportunity to incentivize the retrofit of existing solar systems and encourage the adoption of BESS through upfront incentive levels ranging from $400/kWh for low to moderate income ("LMI") residential customers and $150/kWh for other residential customers.[1]

In addition to the retrofit incentive, ENO also proposes an upfront incentive for the inclusion of BESS on new residential solar systems with incentive levels ranging from $175/kWh for LMI residential customers to $75/kWh for other residential customers. Retrofit and new installation categories are capped at 13.5 kWh/customer[2] with a substantial LMI carve out in each category. ENO proposes to use approximately $10 million of the SERI Credits over a 5-year period with annual category caps. This more reasonable spending level would incentivize over 4,200 BESS in New Orleans over the next five years, including 2,500 retrofits which would add batteries to 25% of ENO residential homes that already have solar. The proposal is targeted towards retrofits and LMI customers, with retrofits expected to receive ~70% of the upfront incentive funding and LMI customers receiving ~40% of the proposed funding. All incentive recipients would be required to enroll in Energy Smart's DR program for 10 years (*i.e.*, the life of the battery system acquired with the program incentive).

Other proposals submitted in the docket appear to include incentives that fully subsidize the cost of the battery, yet only require participation in the Energy Smart DR program for a period of three years, far less than the life of the BESS asset being subsidized. The TNO and AAE proposal also calls for institutional or small commercial customers to be eligible for up to $300,000 per site, or more if approved by the Council, far greater than other rebate programs across the

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1 The proposed upfront incentives are based upon the installed kWh duration of a battery. For example, a BESS installation at an existing solar system (retrofit) for a qualifying LMI ENO residential customer who installs a 13.5 kWh BESS would receive an upfront incentive in the amount of $5,400 (13.5 installed kWh x $400/kWh = $5,400).

2 The proposed cap is based on the size of a single Tesla Powerwall, which is one of the more prevalent installed battery types in New Orleans.

country. The TNO and AAE proposal also calls for upfront incentives for residential customers of up to $12,000 (for qualifying LMI customers, with a cap of $10,000 for other residential customers). The amount of TNO and AAE's proposed upfront incentives far exceeds the other examples that they and other parties cite as reasonable benchmarks for other similar programs offered across the country.

While ENO acknowledges the role that DERs can play in supporting resilience, the incentive amounts proposed by TNO and AAE are egregiously high and would potentially create queueing and force a program administrator or the Council to pick and choose winners for public welfare projects with funds intended to be returned to customers. ENO does not foresee a need to select projects to fund at the incentive levels proposed by ENO. The large incentives and accelerated disbursement of funds over three years will almost certainly lead to a drastic uptick in new net metering installations, further exacerbating the cost shift to non-participating customers associated with net metering,[3] and likely would drive costs for distribution system upgrades to accommodate the increased DER generation. ENO would recover those upgrade costs directly from the customer whose system triggered the upgrade in the absence of direction from the Council to recover those costs in a different way.

As stated in its Energy Smart filings, ENO supports upfront incentives to encourage BESS installations and supports the expansion of DR capabilities. However, overall program funding and per project caps should be designed and disbursed in a way that encourages reasonable uptake, minimizes impacts on the grid, is compatible with ENO's selected Distributed Energy Resource Management Systems ("DERMS") platform, requires long-term participation in the Energy Smart

[3] *See* ENO's Comments Regarding Consolidated Billing Implementation (October 30, 2024), *In Re: Resolution and Order Related to Madison Energy Investments, Inc. Motion to Amend Community Solar Rules*, CNO Docket No. UD-18-03, pp. 8-11 (explaining cost shift to non-participating customers associated with net metering).

DR program to ensure benefits for non-participating customers, and does not further exacerbate the net metering cost shift. Furthermore, coordinating these new upfront BESS incentives through the existing Energy Smart Battery DR program will align with the Council's goals for expanding DR benefits to all customers, and is consistent with comments and proposals from several other parties.[4]

B. <u>SERI Credits</u>

ENO is the only stakeholder that previously submitted substantive written comments on the legal issue of whether SERI Credits can be used to support the programs proposed by other stakeholders. That is a threshold issue in this docket. In this round of comments, ENO will not repeat its prior comments, though ENO expects that other stakeholders will now brief the legal issue, and ENO thereafter will respond in writing as permitted by the procedural schedule.

Suffice to say, using the SERI Credits as proposed by various stakeholders in this docket raises legal (and other) concerns in relation to the language and purpose of the SERI Agreement in Principle ("SERI AIP"), Resolution No. R-24-194 approving the SERI AIP, and the Resolution issued in this docket. The SERI AIP specifically provides that the SERI Credits are to be retained by ENO and returned to customers – not third-party developers and nonprofits that are not regulated by the Council. Resolution No. R-24-194 also states that the SERI Credits are to be returned to customers. The Resolution in this docket reiterates the requirement, stating that the SERI Credits are to be refunded to customers, and further stating that regulatory law and policy require that such credits be passed onto customers.

Thus, there is no doubt that the SERI Credits are intended to be refunded to customers. The SERI Credits would go back on customers' bills such that all customers get a credit and

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[4] *See, e.g.,* Resilience New Orleans ("RNO"), TNO and AAE, and PosiGen's Comments (recommending upfront incentives be coordinated with the Energy Smart Battery DR program).

benefit. The AAE's prior references to various resolutions starting in the 1980s – whereby the Council created an Economic Development Fund and allocated *de minimis* monies to various third parties to promote and develop New Orleans[5] – are not precedent and have no bearing on this docket. Those resolutions did not provide that the monies would be returned to customers. By contrast, the SERI AIP, Resolution No. R-24-194, and the Resolution all state that the SERI Credits are to be returned to customers.

Accordingly, in its prior comments, ENO explained that the SERI Credits should not be used for third party programs.[6] Indeed, to the extent the Council may be inclined to allow the SERI Credits to be used for third party programs, that would be inconsistent with the terms of the SERI AIP and Resolution No. R-24-194 approving the settlement, and also may exceed the Council's regulatory authority and likely implicates the Council's taxing authority and constitutes the taking of private property. The other stakeholders are not public utilities and do not otherwise represent the interests of all ENO customers, and ENO is concerned about protecting its customers should any of their proposed programs not be properly developed or managed.

Moreover, a common theme runs through the SERI AIP and ENO's initial comments: the return of the SERI Credits to customers must be accomplished without harming ENO's financial condition. As explained previously, in the SERI AIP, the Advisors and ENO agreed on the mechanisms to return the entirety of the SERI refund to customers – with one portion, $66 million, being returned over lengthy 10 to 25 year terms; and another portion, the SERI Credits at issue totaling $32 million, that could be returned more quickly to customers, with a maximum of $10

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5 AAE Comments, p. 2.

6 Notably, RNO "does not support the use of SERI Credits for third party developers or nonprofits." RNO Comments, p. 1.

million returned in any twelve-month period. The Council approved these terms and expressly found them to be in the public interest. The timing of the return of the SERI refund to customers protects ENO's financial condition so that capital costs borne by customers are not adversely affected. No stakeholder in this docket has stated unequivocally that it recognizes the importance of protecting ENO's financial condition.

From ENO's perspective, the surest way to protect ENO's financial condition is for the Council to implement the SERI AIP as written and return the SERI Credits to customers in a manner that complies with Paragraph 6(a). Contrary to the AAE consultant's claims at the February 4, 2025 technical conference, the SERI AIP dictates the form and mechanism of returning the SERI Credits. The SERI AIP's third introductory paragraph explains that the primary purpose of the SERI AIP is to provide "expeditious benefits to ENO's customers in the form of credits and prospective rate reductions." Additionally, the AAE consultant conceded that ENO's reference to *Entergy Gulf States*[7] supports the proposition that the Council cannot ignore the plain language of the SERI AIP. Thus, no obstacle exists to the Council implementing Paragraph 6(a) of the SERI AIP by ordering the SERI Credits be returned to customers in the near term through credits and prospective rate reductions.

Nevertheless, as discussed herein, ENO is open to using the SERI Credits to offset the cost to expand the Energy Smart Battery program provided that ENO's financial condition is protected. Indeed, ENO has proposed its own expansion of the program. TNO and AAE's DER proposal, among others, seems to indicate that they favor a utility-based DER program, "building on the current Entergy New Orleans Demand Response BESS Pilot" as opposed to a program managed

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[7] *Entergy Gulf States, Inc. v. Louisiana Pub. Serv. Comm'n*, 730 So. 2d 890, 897-901 (La. 1999).

by a non-utility.[8] One of ENO's main concerns continues to be the legality of the Council's ordering ENO to turn over the SERI Credits to third parties to develop their own programs composed of non-utility projects. If a court were to find later that such an order is unlawful and orders that ENO return to customers the SERI Credits paid to the third parties as originally intended in the SERI AIP, ENO may have to use its capital to place customers in the same position they would have been without the Council order. Such an outcome would have an adverse effect on ENO's financial condition and would be detrimental to all stakeholders. If no party is seeking to have ENO turn over the SERI Credits to third parties and the Council is not inclined to order the same, then illegal takings or taxes are not at issue.

If, however, stakeholders are seeking to have ENO turn over the SERI Credits to third parties, then illegal takings or taxes are at issue, as ENO explained previously. The arguments from the AAE consultant at the technical conference were not persuasive and only highlight the seriousness of such issues. The suggestion that the Council can ignore its constituents' property interests in the SERI Credits misses the mark. Indeed, the Council cannot evaluate the public interest without considering its constituents' property interests in the SERI Credits. ENO's customers' interests in the SERI Credits are clear; in fact, Grand Gulf capacity expenses are subject to an exact cost recovery mechanism and have been since 1991.[9] By the same token, the SERI Credits should flow to ENO's customers, not third parties. That is what is contemplated by Resolution No. R-24-194, which approved the SERI AIP and acknowledged in the penultimate

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[8] TNO and AAE Comments, p. 2 ("Participation will require enrollment in Entergy New Orleans' Demand Response BESS program or its successor programs or tariffs that offer pay-for-performance compensation for distributed BESS.").

[9] *See* Resolution R-91-157, dated September 5, 1991.

"WHEREAS" clause that the objective of the SERI AIP is to "return the SERI refund to ENO's customers."

In summary, ENO prefers the Council implement the SERI AIP as written and order the return of the SERI Credits to customers in a manner that complies with Paragraph 6(a). That is the surest way to protect ENO's financial condition. Nevertheless, the Company is open to using the SERI Credits to offset the cost to expand the Energy Smart Battery program as described in its proposal submitted here by funding the proposed upfront incentives at approximately $10 million over the next five years, a rate of spending the SERI Credits that would protect ENO's financial condition. ENO's more reasonable proposal would leave $22 million of the SERI Credits at issue to be returned to customers as contemplated by the SERI AIP.

CONCLUSION

If the Council is interested in implementing a BESS upfront incentive program using the SERI Credits, ENO believes that its proposal submitted here to expand the existing Energy Smart Battery program would provide benefits and protections to all customers and avoid the legal obstacles discussed herein. Indeed, to the extent the Council may be inclined to allow other stakeholders to use the SERI Credits for their own non-utility programs, that would be inconsistent with the terms of the SERI AIP and Resolution No. R-24-194, may exceed the Council's regulatory authority, and likely implicates the Council's taxing authority and constitutes the taking of private property. ENO would welcome the opportunity to discuss its proposal and looks forward to reviewing comments from other stakeholders and submitting additional comments for consideration.

Respectfully submitted,

By: ______________________________

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CERTIFICATE OF SERVICE
UD-24-02

I hereby certify that I have served the required number of copies of the foregoing pleading upon all other known parties of this proceeding individually and/or through their attorney of record or other duly designated individual.

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New Orleans, Louisiana, this 14th day of March, 2025

Edward R. Wicker, Jr.

Exhibit 1

Introduction

Entergy New Orleans, LLC ("ENO" or "the Company") filed its Report Regarding Phase One of the Battery Storage Demand Response Pilot Program and Application for Approval of Phase Two ("Report") on December 1, 2023 in Docket UD-22-03. In the Report, the Company recapped the successful launch of its Energy Smart Bring Your Own Battery ("BYOB") demand response pilot in 2023 and laid out its proposal to expand the pilot to a Phase 2 in 2024. Regarding the possibility of an eventual Phase 3, the Company stated it "anticipates that up-front incentives may be necessary to spur broader adoption of battery systems among residential customers (including low-to-moderate ('LMI') customers) and small commercial customers." Report, p. 8.

Consistent with that plan for Phase 3 of the BYOB pilot, and given both the Council's interest in the continued development of a Virtual Power Plant ("VPP") in New Orleans and the 3% demand reduction goal for the Energy Smart program adopted in Resolution R-23-553, ENO proposes to significantly expand the existing Energy Smart VPP by using a portion of the existing SERI Credits (as defined in the Comments) to offer upfront incentives for the purchase of batteries for the five-year period from 2026 through 2030.

ENO would continue to work with its current Distributed Energy Resource Management System ("DERMS") provider, EnergyHub, to assist up to 4,250 residential customers in purchasing batteries that will be utilized in the Energy Smart BYOB demand response program. Of the residential participants, ENO will seek to include up to 1,000 LMI customers by offering a larger incentive to those that qualify. Over the five-year implementation period, as shown in the table below, ENO projects adding approximately 11.5 installed MWh of battery capacity per year to the Energy Smart VPP, for a total of approximately 57.4 installed MWh.

Program Parameters

With approximately 10,000 net metered solar systems already installed throughout New Orleans, ENO's battery incentive program would primarily target the retrofit of existing residential solar systems by encouraging the addition (or "bolt on") of a Battery Energy Storage System ("BESS"), with approximately 70% of total proposed funding targeted at these retrofits. By the end of the five-year period, under ENO's proposal, approximately 25% of these existing customers could add batteries to their existing residential solar systems. These existing net metered customers have already made substantial capital investments that reduce the upfront economic barrier associated with buying a new solar plus storage system.

Providing incentives to defray the cost of a BESS would transform existing behind the meter resources into dispatchable grid assets, creating additional resources that can be easily added to ENO's existing VPP operated under the Energy Smart program. ENO intends to offer up to 500 incentives per year totaling greater than $1,000,000, with a 35% low-income carve out to existing net metered customers for BESS retrofits, which would convert 2,500 existing solar systems into distributed grid-supporting resources. Recognizing that approximately 15% of all 2024 solar interconnection applications in New Orleans have included batteries, ENO also proposes to offer upfront incentives to support the inclusion of BESS on new residential solar installations.

A proposed breakdown of incentives is shown below:

	Per kWh	Max kWh	Total Per	Proposed Annual # of Incentives	Total Incentive $/Year	Total Installed kWh	Total kW	Total MW
BESS Retrofit - Residential (LMI)	$ 400.00	13.5	$ 5,400	100	$ 540,000	1,350	675	0.7
BESS Retrofit - Residential	$ 150.00	13.5	$ 2,025	400	$ 810,000	5,400	2,700	2.7
BESS New Installation - Residential (LMI)	$ 175.00	13.5	$ 2,363	100	$ 236,250	1,350	675	0.7
BESS New Installation - Residential	$ 75.00	13.5	$ 1,013	250	$ 253,125	3,375	1,688	1.7
Year 1 Total				850	$ 1,839,375	11,475	5,738	5.7
Year 2 Total				850	$ 1,839,375	11,475	5,738	5.7
Year 3 Total				850	$ 1,839,375	11,475	5,738	5.7
Year 4 Total				850	$ 1,839,375	11,475	5,738	5.7
Year 5 Total				850	$ 1,839,375	11,475	5,738	5.7
			Program Total	4,250	$ 9,196,875	57,375	28,688	28.7

*The capacity figures in this table assume a two-hour duration battery.

ENO intends to work with local trade organizations and contractors to promote the program and ultimately keep incentive dollars in the local economy. Offering an annualized incentive budget instead of a lump sum program budget is expected to deter outside contractors with no local footprint from coming into the market, taking advantage of lucrative incentives, and then leaving when the incentive pool is gone. ENO believes the New Orleans local green economy is more than sufficient to help bring a successful program to market.

Participants will have the ability to choose from several different major BESS manufacturers to qualify for the incentive, including current partners Tesla and Enphase, and additional partners Franklin WH, Solar Edge, and any other residential BESS manufacturers that are integrated with EnergyHub. In exchange for the upfront incentive, these resources will be automatically enrolled into the Energy Smart demand response program, adding valuable capacity to the existing VPP. As part of the terms and conditions associated with receiving the upfront incentive, each residential customer will agree to allow ENO to utilize their BESS up to 60 times per year for the next ten years.

In order to help facilitate low-to-moderate income participation and support different financing options, ENO intends to make the upfront incentive assignable by the customer to the vendors and contractors selling and installing the battery systems. The assignability of the upfront incentive would reduce upfront cost associated with installing a BESS. ENO and EnergyHub will work together to verify interconnection application compliance, facilitate successful recipient enrollment into the DR program, and process incentive payments. Customers who receive incentives and do not participate in DR program events will be subject to claw back which will be detailed in the terms and conditions for participation. Participation of BESS systems in the Energy

Smart DR program is what provides key benefits to all customers. Therefore, the claw back mechanism is a critical component of ENO's proposal to ensure all ENO customers get value from funding these upfront incentives.

As the VPP achieves larger scale, ENO will be able to register the resource(s) with MISO for participation in MISO's capacity and/or energy markets. ENO would function as the MISO Market Participant, dispatching the VPP for grid support and flowing back to all ENO customers the revenues received from MISO for market participation, which is the only way to provide a value stream to non-participating ENO customers. Additionally, ENO will be able to explore integrating these resources over time into the distribution management and outage management systems to provide additional local grid benefits.

ENO proposes to recover the incentive cost shown above, approximately $1.85 million annually, along with associated administrative costs that would be developed once contracted with EnergyHub, through the SERI Credits over a period of five years. Incentives for ongoing, annual participation in the demand response program would be budgeted separately through Energy Smart as is the case today.

Conclusion

This proposal sets forth a plan to support significant development of a local VPP, provides a path to achieve the 3% demand reduction goal set by the Council for Energy Smart without significantly increasing costs collected through the Energy Efficiency Cost Recovery Rider ("EECR"), would distribute incentives over time in a manner that would support development of the local green economy, and leverages ENO's position as the local utility and MISO Market Participant to ensure non-participating customers receive some benefit in the form of lower rates in exchange for the SERI Credits being directed to the program in accordance with regulatory law and policy requiring credits to be passed on to ratepayers. ENO looks forward to working with the Council and intervenors to finalize and implement this plan as ENO agrees that distributed resilience and expansion of DR through DERs has a key role to play in supporting the bulk electric system.