Mar 31, 2025

Via Electronic Mail

Aisha Collier
Assistant Clerk of Council
Room 1E09, City Hall
1300 Perdido St
New Orleans, LA 70112

Re: Comments on UD 24-02: DERs

Dear Ms. Collier,

Together New Orleans respectfully submits the following comments regarding UD 24-02 (DER docket).

Please do not hesitate to reach out with any questions related to this filing.

Sincerely,

Nathalie Jordi
Together New Orleans

Entergy New Orleans March 14 Filing – Response to Comments

Docket No. UD-24-02
Subject: DERP Proposal by TNO/AAE
Submitted by: Together New Orleans and the Alliance for Affordable Energy

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I. INTRODUCTION

This comment letter is submitted in response to Entergy New Orleans' (ENO) March 14, 2025 filing in Docket UD-24-02 regarding the proposed Distributed Energy Resource Program (DERP). The Alliance for Affordable Energy (AAE) and Together New Orleans (TNO) appreciate the progress reflected in ENO's updated submission and its acknowledgment of the robust, implementation-focused DERP proposal put forward by the Community Organizations. The Parties submit the following comments to clarify, respond to, and correct points raised by ENO.

II. SUMMARY

The main question in this docket is whether the Council prefers a program that stays small, is rolled out slowly and is fully controlled by the utility, or a program grows quickly, is rolled out broadly and that engages the resources and capacities of the market. TNO and AAE prefer the latter.

- ENO claims its program will result in more than 4,000 installations, but proposes incentives so small that they would likely result in a small fraction of that number. The incentives ENO proposes are lower than other comparable programs in the country and lower by orders of magnitude than successful programs. They will not sufficiently motivate participation.
- ENO claims that their plan will enable more battery installations at a lower cost, but those installations would exist only on paper, not in our community where they can save customers money and save lives.
- Contrary to ENO's assertions, the TNO/AAE proposal builds directly on ENO's existing BESS Pilot and DERMS platform, offering a cost-effective expansion rather than a departure from existing programs.
- The proposed $1,000/kW incentive and $10,000 cap are grounded in market data and aligned with leading national VPP programs, ensuring broad accessibility without over-subsidization.
- ENO claims the DERP proposal lacks clawback provisions, but the proposal incorporates clawback provisions via market contracts, based on best practices from national utilities and vendors, avoiding punitive measures that damage customer trust.
- The three-year DERP timeline is intentionally more ambitious than ENO's proposed five-year window, reflecting the urgency of local climate resilience and grid reliability goals.
- The DERP framework meets the Council's goals under Resolution R-24-624 to rapidly and equitably scale distributed energy investments using set-aside settlement funds.

III. SIDE-BY-SIDE COMPARISON BETWEEN ENO & TNO/AAE PROPOSALS

The key differences between Entergy New Orleans's (ENO's) proposal and the Alliance for Affordable Energy / Together New Orleans (TNO/AAE) proposal in Docket UD-24-02 center around **scale**, **control**, **timeline**, and **strategic purpose**.

A. Purpose

ENO proposes a utility-controlled program that focuses on deploying distributed batteries at a relatively small scale and over a long timeline.

TNO/AAE envision a decentralized network of batteries and solar installations that can function both as grid resources **and as community resilience hubs**. Their proposal is designed to deliver **public benefits**, including backup power for critical sites, emissions reduction, local economic development, and faster deployment.

B. Scale

ENO proposes a smaller program, which may engage a few hundred existing battery operators to participate, but whose incentives are too low to motivate many more new battery installations.

TNO/AAE propose incentives that would produce **nearly 2,000 sites** and much higher **capacity** by leveraging federal Inflation Reduction Act (IRA) provisions and private capital.

C. Ownership and Control

ENO: Utility-owned and controlled batteries. ENO retains operational control and likely earns a regulated return on capital investments, creating shareholder value.

TNO/AAE: Community or third-party owned assets, potentially using public-private partnerships or Energy Services Agreements (ESAs). Emphasizes **ratepayer and public benefit**, not utility shareholder profit.

D. Deployment Timeline

ENO: Gradual rollout over **5 years**. Conservative approach to technology integration.

TNO/AAE: Aggressive deployment over **3 years**, building on existing sites, designs, and funding mechanisms.

E. Cost and Use of Federal Incentives

ENO: Higher cost to ratepayers due to lack of federal tax credit monetization (as a regulated utility). **Does not leverage IRA incentives.**

TNO/AAE: Structure allows **full use of IRA incentives**, significantly reducing the cost burden on ratepayers by **30% to 50%.**

IV. POLICY ISSUES AND CONCERNS

A. Juxtaposition of Critiques:

ENO's filing simultaneously argues that the proposed $1,000/kW incentive is too generous and that the program fails to go far enough to support low-income participation. These two criticisms are fundamentally in tension. If ENO believes DER incentives should be more accessible to underserved customers, then rejecting the very funding levels required to achieve that accessibility reflects a policy contradiction—not a constructive proposal.

B. Undermining Their Own Objectives:

ENO has repeatedly stated—in this docket and others—that it supports equity, resilience, and customer empowerment. Yet here, it opposes the exact tool that makes those outcomes feasible: a right-sized incentive that lowers the up-front barrier to battery adoption for all customers, including those without the cash to float a $15,000+ installation.

C. False Fiscal Prudence:

The argument that DERP incentives are "too high" ignores the underlying economics of BTM ("behind-the-meter") storage and the very real, much-too-high cost of inaction. As noted in our RFI responses (ENO 1-5 and 1-6), a $10,000 site-level cap only covers ~35–40% of system cost—a number consistent with national precedent. Cutting that level further would render participation unaffordable for nearly all households without strong credit or liquidity, particularly in low-income neighborhoods.

ENO's effort to appear fiscally cautious while opposing a well-designed low-income adder—one modeled on national best practices like the 20% IRA Low-Income Bonus Credit—risks signaling to the public that equity and grid resilience goals are secondary to a regulated monopoly's investor interests. That is not the message New Orleanians need in the face of compounding climate and affordability challenges.

E. Use of SERI Credits

TNO and AAE does not intend to use this space to repeat the valid points made now made multiple times and by many parties that using SERI credits for this program is allowable use of funds. TNO ultimately is agnostic about whether the Council opts to use SERI credits or other funds to expand DERs, but it has been established definitively by Karl Rabago and others that the Council has the discretion to use SERI settlement funds if it determines that it is in the interest of customers to do so.

V. RESPONSE TO ENO COMMENTS

A. ENO Suggestion: The DERP Proposal Is Premature Without Deeper Cost/Benefit Analysis

Claim: ENO suggests that DERP lacks sufficient data and analysis to justify allocation of SERI funds and asserts that more cost/benefit modeling is needed before implementing any incentive-based program.

Response: TNO and AAE acknowledge the importance of cost/benefit analyses but respectfully disagree with the notion that such analysis must delay near-term program launch. As demonstrated in Section II.A of the DERP Proposal (pp. 21–28), the incentive levels, system cost assumptions, and hardware deliverability methodology are based on a rigorous comparative review of leading national programs. Programs such as Duke Energy PowerPair, Xcel Energy's Renewable Battery Connect, and Connecticut's Energy Storage Solutions all utilized comparable incentive designs to catalyze market entry.

Moreover, as explained in the DERP RFI Responses to ENO's RFI[1], while incremental cost recovery analysis is not included in the filing, the DERP structure is specifically designed to operate within the limits of the SERI settlement fund. Unlike utility capital expenditure projects, the DERP does not create rate base obligations and instead accelerates distributed infrastructure at a fraction of the cost of traditional grid investments.

In sum, the DERP Proposal represents not a premature initiative but a deliberately phased approach: Phase 1A launches near-term installation, Phase 1B builds the testbed and evaluation capacity for deeper analysis, and Phase 2 supports a successor tariff.[2]

B. ENO Suggestion: DERP Does Not Address Tariff Design or Long-Term Integration

Claim: ENO expresses concern that DERP fails to include sufficient guidance on long-term integration, tariff design, and utility operational impacts.

Response: The DERP Proposal outlines a clear three-part structure, culminating in a Phase 2 Pay-for-Performance (PFP) Tariff (see pp. 9 and 41). The Proposal explicitly anticipates and supports a transition from incentive-based enrollment to tariff-based long-term participation, consistent with best practices from ISO New England, California, and Hawaii, and invites Entergy New Orleans and City Council to convene a course for ENO to develop a robust jurisdictional tariff based on the results of an expanded pilot that is supported with the deployment of SERI credits and matching dollars from private sector investments.

Additionally, as explained in the VPP RFI Responses (ENO RFI 1-3 and 1-11), DERP was specifically designed to integrate into ENO's existing BESS Pilot Program and DERMS architecture (EnergyHub), ensuring operational continuity while scaling capacity. The proposal invites ENO to use this proceeding to engage in co-development of the long-term tariff with stakeholders, a recommendation consistent with utility best practices nationwide.

C. ENO Suggestion: The DERP Incentive Levels Are Too High

Claim: ENO questions the proposed $1,000/kW base incentive and the $10,000 residential cap, suggesting these are too generous relative to battery costs. Instead, they propose a base incentive for non-low-income homes of $150/kWh for retro-fits and $75/kWH for new installs, and a low-income incentive of $400/kWh for retrofits and $175/kWh for new installs.

Response: As seen in the table below, ENO's proposed incentive is much lower than the incentives provided by other successful programs, and as such will not do enough to stimulate participation.

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[1] ENO RFI 1-14

[2] See pp. 7–9 of the DERP Proposal.

Provider	Base Incentive	Low-income Incentive	Other Incentive
ENO proposal for retro-fits	**$150/kWh**	**$400/kWH**	
ENO proposal for new installs	**$75/kWH**	**$175/kWH**	
Hawaiian Electric Company	$850/kW		Monthly $5/kW bill credit for 10 years
Arizona Public Service	$500/kW		$1,250 additional flat incentive
Rocky Mountain Power (UT)	$400/kW (residential		$15/kW annual bill credit
	$500/kW (commercial)		
California	$250/kWh	$850/kWh	$1,000/kWh for low-income customers affected by public safety power shutoffs
Green Mountain Power (Vermont)	$850/kW for three-hour systems		Additional $100/kW for solar-paired systems in transmission-constrained areas
	$950/kW for four-hour systems		
Connecticut	$200/kWh	$400/kWh	$300/kWh for customers in designated underserved areas
			50% adder for customers served by a feeder in top 10% of outage frequency
Maine	$200/kW		$200/kW for storage systems located at critical care facilities
Massachusetts	$275/kW		
Oregon	$300/kWh		
Eversource (NH)	$225/kW		

The DERP proposes an incentive level of $1,000/kW of deliverable capacity, which, as explained in the math on page 22 of the DERP proposal, translates to ~$400/kWh, on par with incentives provided in other markets. The choice to provide an incentive as measured in kW rather than kWH incentive is explained on page 17 of the DERP. The main point is that a kW-based incentive balances the dual resilience and VPP roles that New Orleans' batteries should offer, rewarding installations that deliver both grid capacity and onsite resilience, without prioritizing one over the other.

ENO's filing simultaneously argues that the proposed $1,000/kW incentive is too generous and that the program fails to go far enough to support low-income participation. These two criticisms are fundamentally in tension. If ENO believes DER incentives should be more accessible to underserved customers, then rejecting the very funding levels required to achieve that accessibility reflects a policy contradiction—not a constructive proposal.

The argument that DERP incentives are "too high" ignores the underlying economics of BTM storage and the cost of inaction. As noted in our RFI responses (ENO 1-5 and 1-6), a $10,000 site-level cap only covers ~35–40% of system cost—a number consistent with national precedent. Cutting that level further would render participation unaffordable for nearly all households without strong credit or liquidity, particularly in New Orleans' low-income neighborhoods. That's not fiscal prudence. It's self-defeating rationing.

As detailed in Section II.A of the DERP Proposal (pp. 21–28), the $1,000/kW rate is derived from deliverable capacity assumptions and cost comparisons with Duke Energy's and Connecticut's programs. Deliverable kW is not equivalent to nameplate battery size; it accounts for inverter capacity and usable energy over a defined dispatch window (see p. 22). The $10,000 cap corresponds to typical 10 kW systems, based on a conservative assumption of 2–3 hour dispatch duration. Notably, a simple extrapolation from hardware cost alone does not

include installation, permitting, and main panel upgrades, which can represent over half of system cost in New Orleans' aging housing stock (see footnotes 9 and 10).

Furthermore, ENO's current BESS Pilot caps incentives at $600/year for residential and $1,800/year for small commercial—regressive levels that disincentivize residential participation, as demonstrated on pp. 25–26 of the DERP Proposal.

D. ENO Suggestion: DERP Fails to Prioritize Low-Income or Equity Participation

Claim: ENO notes that DERP does not include a dedicated carveout or set-aside for low-income customers.

Response: DERP includes a 20% low-income adder and maintains vendor-neutral, third-party ownership structures that reduce upfront costs to customers (see p. 21). The proposal intentionally avoids a carveout because the upfront incentive structure is designed to allow private capital, nonprofit partners, and community solar developers to bring in additional financing tools.

TNO and AAE explicitly support expanding equity provisions as DERP matures and recommend that EnergySmart or similar programs develop complementary equity-specific offerings.

E. ENO Suggestion: The DERP Proposal Fails to Identify the Cost of Administrative Infrastructure

Claim: ENO raises concerns that DERP does not identify the cost of administering the program, managing contractors, or compliance.

Response: The DERP Proposal (pp. 14–16) specifies that administrative functions can be handled within existing infrastructure, leveraging ENO's existing contract with EnergyHub. The Program Implementer (EnergyHub) already manages DER enrollment, verification, and compliance. The Incentive Administrator role is designed to be competitively selected or Council-appointed, with a clear scope of work focused on fund disbursement and eligibility verification.

Administrative costs are thus not new but incremental and likely represent less than 5–8% of total funds, as seen in similar program structures nationwide. The proposal allocates $30 million of the $32 million in SERI credits to incentives, with $2 million for administration. Additional detail is available in RFI ENO 1-13.

VI. CONCLUSION

ENO's March 14 filing represents an encouraging shift from earlier opposition to a more collaborative posture, including concession that SERI funds can be used for the purpose of a DERP incentive. However, many of the concerns raised reveal internal inconsistencies and ultimately reflect a broader discomfort with community-scale DER adoption rather than a set of actionable program design critiques.

The DERP Proposal is not only consistent with national best practices—it is built to scale, designed to learn, and intended to transition into a tariff-based, long-term DER compensation framework. It uses set-aside funds to launch and does not impose rate impacts. It includes a

20% equity adder and relies on vendor and community partnerships to extend reach and participation.

Finally, Council should reject the notion that fiscal caution requires program delay. The DERP proposal is fiscally prudent, operationally feasible, and rooted in the idea that the cost of inaction—particularly in New Orleans—is far greater than the cost of getting started.

The Parties urge the Council to adopt this model and move quickly to deliver real value to ratepayers.

Respectfully submitted,
Together New Orleans
Alliance for Affordable Energy

Before
The Council of the City of New Orleans

Re: Comments on UD 24-02: DERs
CERTIFICATE OF SERVICE

I do hereby certify that I have, this Mar 31, 2025, served the foregoing correspondence upon all other known parties of this proceeding by electronic mail.

Nathalie Jordi, Together New Orleans