

June 2, 2025

Via Electronic Mail

Aisha Collier

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

Dear Ms. Collier,

Together New Orleans and the Alliance for Affordable Energy respectfully submit the following supplementary response to Denton's Request for Information (RFI) in Docket UD-24-02 concerning the City of New Orleans' Distributed Energy Resource Program (DERP).

A topic on the agenda for the technical conference held on April 29, 2025 was:

"Customer Bill Impacts: Consistent with number two above, the parties will engage in an open discussion of the reasonably anticipated and substantially documented customer bill impacts that would result from the implementation of each proposer's proposal if implemented as filed. The discussion will include all impacts that would result from implementation including the costs of implementation and operation of the proposal as filed."

Together New Orleans and the Alliance for Affordable Energy have commissioned a customer rate and bill impact analysis, which we respectfully submit in fulfillment of the advisors' continuing request.

Please do not hesitate to contact us with any questions regarding this filing.

Sincerely,

Sincerely,



Broderick Bagert
Together New Orleans

Impacts of the Distributed Energy Resources Program on Customer Rates and Customer Bills

On May 8, 2025, Together New Orleans and the Alliance for Affordable Energy (TNO–AAE) submitted a comprehensive Benefit-Cost Analysis (BCA) of their proposed Distributed Energy Resources Program (DERP) in Council Docket UD-24-02. This analysis applied four standard benefit-cost tests: the Utility Cost Test (UCT), Participant Cost Test (PCT), Total Resource Cost Test (TRC), and Societal Cost Test (SCT). It found that DERP is cost-effective from all relevant perspectives, as summarized here:

- **Utility Cost Test (UCT):** BCR = **1.37**, Net Benefit = **\$12.7 million**
- **Participant Cost Test (PCT):** BCR = **6.25**, Net Benefit = **\$30.1 million**
- **Total Resource Cost Test (TRC):** BCR = **3.96**, Net Benefit = **\$119.1 million**
- **TRC (excluding VoLL):** BCR = **2.53**, Net Benefit = **\$61.6 million**
- **Societal Cost Test (SCT):** BCR = **2.01**, Net Benefit = **\$96.1 million**

These tests evaluate DERP's net benefits and return on investment. The effect of the program on customer rates and bills requires a complementary, but separate analysis.

Rate Impacts

According to the National Standard Practice Manual for Benefit-Cost Analysis of Distributed Energy Resources, five key factors determine how DERs may affect customer rates:

- Higher utility system costs can put upward pressure on rates.
- Lower utility system costs can put downward pressure on rates.
- Reduced electricity sales (e.g., from customer self-generation) can increase rates.
- Increased electricity sales (e.g., from added load like battery charging) can decrease rates.
- Rate design choices influence how any changes in costs or revenues are distributed among customers.

In the case of the proposed DERP, battery storage systems may slightly increase overall energy sales, since they require more energy to charge than they discharge. This increase is minimal and contributes a *de minimis* downward pressure on rates. Because DERP does not materially reduce or increase total sales volume, the primary drivers of rate impacts are the program's costs and the avoided utility system costs. These are precisely the components captured in the Utility Cost Test (UCT). Therefore, the DERP's UCT results can be used as a reasonable proxy for its impact on average rates for all customers — including both participants and non-participants.

The BCA's UCT ratio of 1.37 indicates that DERP delivers \$1.37 in utility system benefits for every dollar of utility system cost. These benefits include avoided capacity purchases, reduced peak load, deferred transmission and distribution investments, and enhanced reliability services. The net

present value of utility system savings is estimated at \$12.7 million over the 10-year life of the program.

To quantify the rate impact, we distribute that \$12.7 million of savings across all kWh sold during the life of the program studied by the BCA, to see how much less customers would pay, **per unit of electricity consumed**, as a result.

$$\text{Average Rate Impact} = \frac{- \$12.7 \text{ million (savings)}}{58 \text{ billion kWh}} \approx - 0.022\text{¢/kWh}$$

Thus, the DERP program is expected to modestly reduce average rates for all customers by approximately 0.02 ¢/kWh. While small, any rate reduction is a meaningful benefit — especially in contrast to proposals that increase rates to fund utility-scale investments.

Customer Bill Impacts

Bill impacts differ for participants and non-participants. Each group is discussed below.

Non-Participants

For non-participating customers, the only relevant driver of bill impacts is the change in rates. Since DERP exerts downward pressure on average rates, all customers — even those who do not participate — receive modest bill savings.

Using the average annual electricity consumption for a Residential or Low-Income customer in New Orleans (19,400 kWh/year), the typical annual bill savings for non-participants is:

$$\text{Annual Average Bill Impact} = 19,400 \text{ kWh/year} \times \$0.0002/\text{kWh} = \$3.88/\text{year}$$

This equates to approximately **\$0.32 per month** in reduced bills. While modest, the savings reflects a structural reduction in system-wide costs, not a cost shift from participants to non-participants.

Participants

For participating customers, three factors influence bill impacts:

- Changes in the average rate (which are shared across all customers)
- Changes in individual energy use and load shape (e.g., peak vs. off-peak consumption)
- Incentive payments received from DERP for participating in demand response events

The BCA's Participant Cost Test (PCT) ratio of 6.25 indicates that DERP participants receive over \$6 in benefits for every \$1 in costs — including upfront payments, avoided outages, bill savings and incentives. The exact bill impact will depend on customer type (Residential, Low-Income or Commercial), system size and level of participation in grid services. But under all modeled scenarios, participant bill outcomes are positive.

Given this variability, we do not offer a single point estimate. However, the PCT ratio — and the fact that participant out-of-pocket costs are only about 7% of system cost for Residential customers and 32% for Community sites — provides strong evidence that DERP participants will experience meaningful net savings on their utility bills.

Before

The Council of the City of New Orleans

**Re: Resolution and Order R-24-624 Re: Distributed Energy Resource Program (Docket
No. UD-24-02)**

CERTIFICATE OF SERVICE

I do hereby certify that I have, this May 8, 2025, served the foregoing correspondence upon
all other known parties of this proceeding by electronic mail.

A handwritten signature in black ink, appearing to read 'B/B' followed by a stylized flourish.

Broderick Bagert Together New Orleans