NO. R-10-234

BY: COUNCILMEMBERS HEDGE-MORRELL, HEAD, GUIDRY, GISLESON PALMER AND JOHNSON

RESOLUTION AND ORDER APPROVING THE APPLICATION OF ENTERGY NEW ORLEANS, INC.

REQUESTING AUTHORIZATION TO IMPLEMENT AN ADVANCED METERING INFRASTRUCTURE PILOT

AND REQUESTING RELATED APPROVALS

DOCKET NO. UD-10-01

WHEREAS, pursuant to the Constitution of the State of Louisiana and the Home Rule Charter of the City

of New Orleans (“Charter”), the Council of the City of New Orleans (“Council”) is the governmental

body with the power of supervision, regulation and control over public utilities providing service within

the City of New Orleans; and

WHEREAS, the Council is responsible for making all necessary rules and regulations to govern

applications for the fixing or changing of rates and charges of public utilities and all petitions and

complaints relating to any matter pertaining to the regulation of public utilities; and

WHEREAS, Entergy New Orleans (“ENO” or “Company”) provides electric service to all of New

Orleans, except the Fifteenth Ward, Algiers, and gas service to all of New Orleans; and

Procedural Background

WHEREAS, Council Resolution R-07-600 asserted the Council’s commitment to energy efficiency and

the development of a viable energy efficiency program in Orleans Parish; and

WHEREAS, the March 25, 2009 Agreement in Principle in Docket UD-08-03 (“2009 AIP”), adopted by

Resolution R-09-136, expressed the Council’s desire to have one unified energy conservation program

available to customers in the Company’s service area; and

WHEREAS, the 2009 AIP directed the Advisors to the Council to collaborate with the Company in the

further evaluation of the general concepts identified by the Council in Resolutions R-07-600 and

R-08-366 for the Company’s program, evaluation, design, and integration into the DSM/energy

conservation programs previously developed by the Company in Docket UD-08-02 for potential

aggregation, as appropriate, into a unified program, namely, the Energy Smart Plan; and

WHEREAS, Resolution R-08-366 established the conceptual framework for the Energy Smart Plan AMI

Pilot (“Energy Smart Pilot”), a proposal for energy efficiency and conservation programs, which among

other things called for “a real-time energy use monitoring pilot program to study the effectiveness of

real-time monitoring in reducing energy consumption.”; and

WHEREAS, contemporaneously with efforts to develop a comprehensive energy policy and energy

efficiency program for the City of New Orleans, the American Recovery and Reinvestment Act of 2009

(“ARRA”) was adopted by Congress. The ARRA provides $4.5 billion in stimulus funding for the U.S.

Department of Energy’s Office of Electricity Delivery and Energy Reliability Smart Grid Investment

Grant Program. One of the goals of the ARRA funding is to stimulate the rapid deployment and

integration of advanced metering technology to upgrade the nation’s electricity systems; and

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WHEREAS, on August 6, 2009, ENO submitted an application to the U.S. Department of Energy

(“DOE”) for a matching stimulus grant to fund not less than fifty percent (50%)(estimated $5 million) of

the eligible costs associated with this AMI Pilot (“DOE AMI Pilot”); and

WHEREAS, on October 29, 2009, ENO was notified by DOE that ENO was selected to receive a

stimulus grant. ENO states that with the DOE notification, the next step in the process is for ENO to

receive regulatory approval from the New Orleans City Council to launch the pilot program; and

WHEREAS, on March 4, 2010, ENO submitted its Application to the Council requesting expedited

consideration and authorization to implement an Advanced Metering Infrastructure (“AMI”) Pilot

program. In addition to approval of the AMI Pilot in general, the Company has requested Council

approval of the following incentive and rate proposals: (1) the Experimental Peak Time Rebate Rider

Schedule (“EPTR”); (2) the Experimental Residential Demand Response Service Rider Schedule

(“ERDRS”); and (3) the AMI Pilot Program Fuel Adjustment Clause Rider Schedule (“AMI FAC-1”) as

well as other related ENO proposals as discussed below; and

WHEREAS, on March 25, 2010, the Council adopted Resolution R-10-141, which established a

procedural schedule that included an opportunity for interested members of the public to intervene in

this proceeding, ask discovery questions, and to submit comments to aid in the Council’s consideration

of ENO’s Application. Resolution R-10-141 specifically included Parties from Docket UD-08-03 as

intervenors in the instant proceeding; and

WHEREAS, no initial comments were filed by members of the public, and on May 10, 2010, the

Council’s Utility Advisors (“Advisors”) filed comments in the form of the Affidavits and supporting

exhibits of Joseph A. Vumbaco and Vic Prep. Among the supporting exhibits to the Advisors’ Affidavits

are copies of the Advisors’ six sets of discovery requests to ENO and the responses thereto. These

discovery responses are attached to the Affidavits as Exhibit No.\_\_\_ (JAV-2); and

WHEREAS, on or about May 4, 2010, ENO and DOE executed an agreement addressing the grant award

to ENO for the implementation of the DOE AMI Pilot Project, subject to the Council’s approval of the

AMI Pilot in general and the specific ENO proposals that require Council approval as discussed below;

and

ENO’s Proposed AMI Pilot and Incentive Proposals

WHEREAS, ENO’s Application proposes to initiate a limited AMI pilot utilizing advanced two-way

communications to install an initial AMI system that will enable ENO to conduct research and analysis on

the demand response of low income customers to particular demand response programs; and

WHEREAS, according to ENO’s Application, the proposed DOE AMI Pilot would include the purchase

and installation of approximately 11,500 AMI meters; 8,250 in-home display devices; and, 400 smart

thermostats at the homes of ENO’s low income, residential, electric customers during 2010 and 2011.

According to ENO, as of October 2009, approximately 62,400 of ENO’s 112,000 (or roughly 55%) of its

residential customers fall into the U.S. Department of Housing and Urban Development’s low income

classification. Per these federal guidelines, ENO anticipates that the DOE AMI Pilot program could reach

approximately 18% of its low income residential customers; and

WHEREAS, the proposed DOE AMI pilot would include the following programs:

1. Near Real-Time Energy Use Information Program in which customers with AMI meters would have

the option of receiving a tabletop monitor referred to as an in-home display (“IHD”) for their home that

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monitor would also display that customer’s (a) current energy consumption, (b) the rate of energy use

(kWh/day), (c) projected energy use by month, (d) current bill amount based on current usage and (e)

projected monthly bill amount based on current rate of energy use. With this information, participating

customers would be able to compare current usage to previous usage and would also be able to view

energy usage in hourly increments to better understand their energy use patterns.

2. Peak Time Rebate (“PTR”) Program would also be made available to 400 customers with AMI

meters. The proposed Peak Time Rebate rate is designed to provide customers with a price incentive to

reduce their energy consumption during those times that ENO is expected to experience peak load

conditions. There will be a maximum of 20 PTR periods lasting 5 hours each between the hours of 1:00

pm and 6:00 pm. Prior to a PTR event, customers would be notified of their option to reduce their usage

during the upcoming the PTR event in order to be eligible for a rebate. Those customers that

successfully reduce energy usage during a PTR event as compared to that customer’s typical weekday

usage for those hours during a non-PTR event would receive rebates equal to the proposed PTR rebate

per kWH times the number of kWhs that were reduced during the PTR event. The PTR program is

projected to be available to customers during the months of June 2011 through September 2011. The

rate that has been developed for the implementation of the Peak Time Rebate program is set forth in

the supporting material in ENO’s Application.

3. Air-Conditioning Load Management Program would require installation of smart thermostats in the

homes of 400 customers with advanced meters. The smart thermostats will give the Company the ability

to temporarily interrupt service to participating Customers’ central air conditioning units for no more

than approximately 20 minutes in a one-hour period for three consecutive hours between the hours of

 12:00 P.M. and 8:00 p.m. As proposed, the interruptions may occur daily, on non-holiday weekdays,

from June through September 2011. According to ENO’s proposal, it is currently anticipated that the

proposed rate schedule would call for customers who participate in the A/C Load Management Program

to receive a credit on their monthly bills for participating in the program; and

WHEREAS, according to the Company, through participation in the proposed pilot, customers would be

able to utilize in-home display devices and/or a web portal-based energy information website to view

their energy usage information. Access to this information would enable pilot participants to make

economic decisions about consumption based on an estimated cost of then-current consumption

relative to a projection of each customer’s bill. Customers would be able to adjust their level of

consumption based upon readings from the in-home display devices; and

WHEREAS, the Advisors recommend that ENO’s Application requesting authorization to implement the

AMI Pilot should be granted by the Council incorporating the recommendations set forth in the Advisors’

Affidavits and the requirement of a series of supplemental filings (“Supplemental Filings”) as further

directed in this Resolution. In reaching its general recommendation that the Council should approve the

Company’s Application with modifications, the Advisors note that if properly designed, implemented,

monitored and evaluated, the AMI Pilot will provide useful information to the Council, ENO, and DOE

regarding low income customers which traditionally have been “hard to reach” segment in the delivery

of energy efficiency measures. Moreover, because this customer segment is a large portion of ENO’s

customer base, the useful information to be obtained from the AMI Pilot may address such matters as:

1. the means, manner and method of accessing this customer segment for the implementation of
2. energy efficiency programs and the effectiveness of the Company’s solicitation, enrollment, deployment and customer education processes;

2. the potential for realization of benefits by low income customers from certain demand response

functionalities (two-way AMI communication, peak time response and load control programs)

 associated with advanced metering; and

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3. an evaluation of the technology for subsequent implementation, should ENO desire to expand the use

of AMI throughout its service territory; and

WHEREAS, the Advisors raise some critical concerns regarding rates and incentives proposed for

implementation in the AMI Pilot. Chief among their concerns was the Company’s use of embedded cost

analysis and criteria for energy efficiency program evaluation in developing the cost support for demand

response rate incentives. The Advisors recommended that any demand response incentives for use in

the AMI Pilot should reflect avoided incremental costs which would support higher levels of incentives

than those proposed by the Company. In support of their analysis, the Advisors looked at other AMI

programs in other jurisdictions to determine the level of incentives that have been employed by other

AMI programs and the level of response achieved by such incentives. Notwithstanding that analysis, the

Advisors recognized that because the proposed programs are part of a voluntary pilot, the Company

should be free to utilize such incentives as it believes appropriate in the implementation of that pilot

program. However, the Advisors recommend that the Council in its approval of the Application make a

finding that it is not approving ENO’s specific methodology used to develop its incentives, given the

concerns raised by the Advisors. In addition, the Advisors recommend that at the end of the pilot ENO

should be prepared to demonstrate the success rate related to incentives it used in the PTR and A/C

Control Programs; and

Rate Recovery of Unreimbursed of AMI Pilot Costs

WHEREAS, in addition to the rate proposals, the Company has requested that the Council approve rate

recovery of ENO’s costs of the AMI Pilot that are not reimbursed by DOE. ENO projects that it will

incur approximately $10 million in total costs to implement the DOE AMI Pilot project in late 2010 and

2011. Based on the federal grant provisions, up to $10.0 million of eligible project costs could be subject

to Federal reimbursement of up to 50%. According to ENO, the cost breakdown by project activity/cost

component is as follows:

Personnel (payroll and benefits) $ 1,700,625

Equipment (materials & installation) $4,290,878

Contractual (materials, installation, IT, management)

$1,852,500

Other (marketing, communications, mailing) $ 470,000

Indirect (overheads/capital suspense/AFUDC)

$1,679,132

Total $9,993,935

Based on these total cost estimates and several assumptions, including, the level of DOE reimbursement

of eligible costs based on Federal guidelines (i.e., whether DOE will consider certain costs as eligible for

reimbursement under OMB guidelines) ENO has made revenue requirement projections for its request

for ratepayer recovery; and

WHEREAS, ENO’s electric rates are currently subject to the provisions of the Electric Formula Rate

Plan, Schedule E-FRP-3 (“E-FRP”) approved by the Council on April 2, 2009 in Resolution 09-136.

Upon an assumed 50% DOE match up to $5 million, ENO currently projects that it will seek annual

revenue requirement recovery from New Orleans ratepayers in the amount of approximately $1.2

million in 2011 and $1.7 million in 2012 associated with the DOE AMI Pilot project. Based upon the

possibility that DOE may disallow reimbursement for certain ineligible AMI Pilot project costs, ENO

projects an annual revenue requirement associated with the DOE AMI Pilot project of approximately

$1.5 million in 2011 and $2.0 million in 2012 or an assumed 40% DOE reimbursement of total project

costs; and

WHEREAS, the Advisors recommend that the Company should be allowed to recover all “prudently

incurred” and “used and useful” costs associated with ENO’s proposed AMI Pilot Program. Based on its

Application and data responses, ENO understands that certain costs necessary to support the AMI Pilot

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reimbursed at the forty percent (40%) level. The Advisors estimate (as shown on Advisor Exhibit No.\_\_\_

(VP-2)) such variance in the DOE grant amounts would translate into an estimated $242,000 increase in

revenue requirements for 2011, $337,000 for 2012, $313,000 for 2013 and declining thereafter to

$4,100 in the tenth (10th) year - above those required to support the AMI Pilot at the fifty percent (50%)

matching level; and

WHEREAS, the Advisors note that, under federal DOE funding regulations, certain indirect costs such as

pension and stock option benefits, legal services, and executive and corporate planning costs may not

be eligible for reimbursement by DOE. In order to minimize the increase in annual revenue requirement,

the Advisors recommend that the AMI Pilot budget should be capped at a total of $10 million. In order

to accommodate unexpected cost increases, the Advisors suggest that ENO could reduce the number of

Pilot participants, subject to DOE approval, since the overall project objectives can still be achieved at a

reduced participant level; and

Cost Allocation of AMI Pilot Costs

WHEREAS, recognizing that one of the basic tenets of proper cost allocation among rate classes is the

matching of burdens (costs) with the benefits on each rate class, the Advisors examined four (4)

approaches to allocating the increased revenue requirement related the AMI Pilot across customer rate

classes. As shown on Advisor Exhibit No.\_\_\_ (VP-3), the revenue requirement allocation to residential

customers would be 32% on a usage (kWh) basis, 41% using base rate revenue, 48% using a method

similar to Energy Smart with caps on large customers, and an equal weighting of 50% to the residential

class and 50% to the other classes assuming comparable benefits are received between residential and

all other customer classes; and

WHEREAS, the Advisors recommend that the unreimbursed AMI Pilot costs be recovered through the

use of the EFRP, which would allocate approximately forty-one percent (41%) of the increased revenue

requirement related the AMI Pilot to the residential class. The Advisors also recommend that should

Council approve the allocation methodology embedded in the EFRP, such approval should only be

applicable to the recovery of AMI Pilot costs and that the Council should revisit the appropriate cost

allocation methodology should any future expansion of an AMI program be proposed throughout New

Orleans. The Advisors also properly note that under the “prudently incurred” and “used and useful”

ratemaking standards, specific costs must be shown by the Company to be properly includable for cost

recovery through the EFRP; and

WHEREAS, recognizing that ENO estimates that approximately 62,400 of its 112,000 of its residential

customers (or roughly 55%) fall into the classification of having household income that is less than eighty

percent (80%) of the Area Median Income for Orleans Parish, the Advisors acknowledge that alternative

allocation methodologies may be more appropriate if one were just considering the direct costs and

benefits to the segment of the residential class that are considered low-income. However, there is

sufficient support in ENO’s Application and discovery responses to conclude that all customer classes

will derive a benefit from information to be obtained from the AMI Pilot especially in light of the

possible expansion of the AMI technology to serve all customers in the future. Accordingly the Advisors,

have hown that this cost allocation approach can be accomplished in a cost-effective and

straightforward manner through the recovery mechanism used in the EFRP, which distributes increases

in revenue requirements on the basis of base rate revenue; and

Lost Contribution to Fixed Costs

WHEREAS, ENO contends that the Near Real-Time Energy Use Information Program and the Peak Time

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Rebate Program should qualify as Demand Side Management/Energy Efficiency programs that result in a

reduction of kWh consumed by ratepayers. Therefore, ENO proposes to include these savings in the

quantification of the Lost Contribution to Fixed Costs that are recoverable under Section E-1 of the

E-FRP. The Company currently projects the amount of “lost contribution to fixed costs” to be incurred

with the DOE AMI pilot to be roughly $278,000; however, ENO contends that it will not pursue cost

recovery for those costs prior to the completion for the pilot; and

WHEREAS, in response to ENO’s proposed treatment, the Advisors agree that the Company is entitled to

recover its “lost contributions to fixed costs.” However, given the operation of the EFRP, such lost

contributions would be recovered by the Company in the ordinary course of the calculation of the

revenue requirements in the EFRP by a reduction in billing determinants throughout the period that an

EFRP is in effect and the distribution of base rate revenues increases in the measurement of its allowed

rate of return. Accordingly, the Advisors urge the Council to defer any finding at this time that would

provide a separate vehicle for cost recovery for lost contributions; and

Further, the Advisors recommend that for the purposes of evaluating the total rate impact to

non-participants of the AMI Pilot, the Council should direct ENO to make a filing within one hundred

twenty (120) days of the conclusion of the AMI Pilot which demonstrates the actual magnitude of lost

contributions to fixed costs that resulted by virtue of the AMI Pilot’s actual penetration rates and

customer participation/utilization. The Advisors explain that such a filing would allow the Council to

evaluate the true total cost in rates to non-participating customers of the AMI Pilot because the Council

will know the actual revenue requirements collected by ENO in connection with the operation of the

AMI Project. In addition, the Advisors explain that if the Council chooses to not extend the EFRP beyond

 the 2011 Test Year, ENO would be free to make an application with the Council for a change in rates

which would reflect its kWh billing determinates for the 2012 test year, thereby directly incorporating

the effects of any “lost contributions” by virtue of the use of actual test year billing determinates; and

Proposed Adjustment Relative to Fuel Adjustments Charges

WHEREAS, in order to ensure that customers participating in the AMI Pilot receive a reasonable estimate

of their bills, including fuel costs, ENO proposes that the customers participating in the DOE AMI and

Energy Smart Pilots pay the same FAC as other non-participating customers except that the fuel

component of participating customer’s bills would be billed on a one-month lag. While it acknowledges

that wide variances in fuel costs may result from this one-month lag, ENO believes the differential

between what customers will have been billed while on the pilot versus actual fuel costs at the end of

the pilot would be negligible, such that there would be no reason to establish a separate accounting

mechanism for the pilot participants; and

WHEREAS, in response to Advisors data requests, ENO provided its analysis in support of its proposed

FAC modification. This analysis showed that the amounts of over/under collection would range from

$286,884 (over collected) to $181,342 (under collected). See ENO’s response to Advisor Data Request

CNO 1-15. According to the Advisors, the Company’s analysis is in error. Based on the Advisors’

historical three year analysis of the FAC and related assumptions, the actual amounts of over/under

collection that may be experienced range from an under collection of $124,465 to an over collection of

$457,910. Under this analysis, the potential over/under effect is not “negligible” as ENO contends.

According to the Advisors, this range of cumulative twelve month over/under collection shows that the

impact of the additional month lag due to the magnitude and timing of fuel costs is significant and

related specifically to the AMI Pilot and non-participating customers should not be burdened with

additional costs or receive additional benefits from revenue associated with AMI Pilot participants.

Therefore, the Advisors recommend that the Council require ENO to include a separate FAC over/under

revenue adjustment for AMI Pilot participants, and that ENO be directed to file a separate over/under

accounting for the FAC mechanism within thirty (30) days of Council action on ENO’s Application for its

AMI Pilot program participants that will be subject to further Council consideration and approval; and

Proposed Adjustment of Certain Service Regulations for Pilot Participants

WHEREAS, ENO seeks a revision of Section 49 of the Service Regulations Applicable to Electric and

Gas Service by Entergy New Orleans, Inc. (“Service Regulations”) with regard to the ten-day time period

in which customer complaints are required to be addressed through the Company’s internal dispute

resolution process. Specifically ENO has requested that any complaints made by AMI Pilot participants

be resolved by the Company within twenty (20) days. This temporary modification would be applicable

for the duration of the AMI Pilot. According to ENO, the temporary adjustment will assist ENO in its

evaluation of customer response to the AMI Pilot, including the level of customer service required to

provide adequate support to optimize savings that may be realized through the addition of AMI

facilities.

In order to implement this adjustment, ENO proposes that at an appropriate time following the issuance

of the Council’s decision on its Application, ENO will submit a document containing the parameters

approved by this Council and any other necessary details for implementation of the DOE AMI Pilot

including guidelines to be developed for the resolution of claims related to the pilot and, in particular,

for use in the Customer Complaint and Dispute Resolution process set forth in the Customer Bill of

Rights;

and

WHEREAS, the Advisors believe that ENO’s request is reasonable and should be granted, and that the

Council should require that ENO submit such document to the Council for final approval of any

requested modifications to the Service Regulations by the Council within forty-five (45) days of the

Council’s action on its Application so that the processes and procedures for dealing with customer

complaints be in place before the Company officially initiates its solicitation of AMI Pilot participants;

and

AMI System Security and Ownership of Customer Information

WHEREAS, the Company has indicated that it intends to comply with DOE’s cyber security requirements

associated with the installation and operation of an AMI network and such requirements will be

incorporated in its selection of AMI vendors for the AMI Pilot. Such compliance should alleviate the

concerns of the customer and the Council insofar as an extensive amount of industry-wide work has

gone into the development of these standards with its goal being to ensure a high level of information

assurance, availability and security necessary to maintain a reliable system and consumer confidence;

and

WHEREAS, with respect to the protection and ownership of customer information, ENO has indicated

that the data collected from AMI Pilot participants will be used solely for the purpose of the AMI Pilot

and for enhancing utility service provided by ENO and the data will not be sold, nor will it be distributed

to unaffiliated third parties without the consent of the customer. Out of abundance of caution and in

the interest of protecting the customer from any sale, barter and exchange of such sensitive customer

information and to alleviate any of their potential concerns, the Advisors recommend the Council should

require the Company to fulfill the following requirements:

a. All meter data, including all data generated, provided, or otherwise made available by advanced

meters and meter information networks, shall belong to a customer, including data used to calculate

charges for service, historical load data, and any other proprietary customer information. A customer

may authorize its data to be provided to DOE, ENO or an affiliated corporation of ENO upon the

execution of

a proper consent form previously approved by the Council.

b. ENO and any affiliate of ENO so authorized are prohibited from the sale, exchange and barter of any

AMI Pilot program participant’s customer information.

c. ENO is to file with the Council, for its subsequent review and approval, its form of customer waiver

and release incorporating these recommendations no later than forty-five (45) days following the date of approval of the Application by the Council; and

Integration with Energy Smart – Accounting and Separation of Costs

WHEREAS, Energy Smart includes an in-home display program similar to the AMI Pilot. The Energy

Smart in-home display participants will be non-low-income control group for the AMI Pilot, and ENO

also intends to use the same AMI vendor and in-home display vendor for both programs. In order to

ensure that the costs of each program is identified separately, ENO is proposing to set up distinct project

codes that will not be finalized until after the Council’s approval of the AMI Pilot. The Advisors note that

 ENO must also specify the design structures of the Energy Smart control group and the AMI control

group without in-home displays, since these are necessary components for planning the implementation

of both programs. Therefore, the Advisors recommend that ENO be directed to file distinct and separate

project codes, along with the basis of any allocations and the allocation factors that will be used to

allocate joint costs between project codes, and the specific design structure of the Energy Smart control

group and the AMI control group within 45 days of the Council’s action on its Application. The Advisors

also recommend that the Council should direct ENO to identify all costs by these project codes, including

any allocations of costs between the two programs, in ENO’s AMI Pilot Quarterly Reports to be filed with

Council; and

AMI Pilot Finalization, Implementation and Deployment

WHEREAS, the Advisors note that in their review of the Company’s Application and the various

responses to discovery on numerous matters, it became evident that ENO has much work yet to be

done prior to the roll out of the AMI Pilot. Due to the significant amount of detail lacking in the

Application that reasonably should be completed before any final overall regulatory approvals are given

 by the Council, the Advisors identified numerous issues that should be addressed. Those issues include:

customer identification, solicitation and enrollment plans and the size of the accompanying budget,

communications plan, media plan, benefit and measurement plan and/or consumer behavior study

plan, technical operational requirements for the In Home Display (“IHD”), selection of the IHD vendor,

finalized timeline for implementation, finalized policies and procedures needed to coordinate and track

 the AMI Pilot, customer enrollment and release forms, in addition to the other matters. The Advisors

stress that studies have consistently shown that those utilities that have done extensive consumer

research and continual outreach with customers before and during AMI Pilot deployment and

continuing throughout the Pilot have had the most successful Smart Grid or Smart Meter programs. The

Advisors recognize that as an integral part of the AMI Pilot it is necessary for ENO to have the flexibility

to continually evolve some of these processes and plans to achieve the greatest penetration of the

programs, and to measure the effectiveness of the solicitation process and the overall program results.

Such flexibility must be balanced against the Council’s need to ensure that the AMI Pilot is in the public

interest. Therefore, the Advisors recommend that the Council require the Company to make a series of

Supplemental Filings as discussed in the Advisors’ Affidavits and as listed in Exhibit No. \_\_\_ (JAV-3); and

WHEREAS, in its review and evaluation of the Company’s Application, the Advisors have identified

several areas that the Council may want to consider in conjunction with its consideration of the

Company’s Application and requested approvals.

1. The Company should provide the Council with the complete documentation supporting the final

evaluation of the AMI Pilot including the performance of comprehensive analyses along with all

supporting workpapers. In this regard, the Advisors note that as much as half of the $10 million project

cost will be expended on computer software, IT programming, analysis, and evaluation of results. The

AMI Pilot will provide detailed usage data for approximately 11,500 low income customers for twelve

months, not including the 400 participants from the Energy Smart control group. Considering the paucity

of data related to customer usage characteristics that were provided by ENO in its 2008 rate filing, the

database of detailed customer usage data to be developed in conjunction with the AMI Pilot will be

valuable for many future regulatory issues before the Council.

2. The Council should direct ENO to provide the methodology and specific procedure for applying a THI

adjustment within the detailed plan for implementation for the AMI Pilot, on or before September 30,

2010. The Advisors assert that an important and widely accepted aspect of load profile analysis that was

not proposed by ENO in its Application is an adjustment for the Temperature-Humidity Index (“THI”) in

determining reference or baseline participant usage during non-rebate periods within the PTR program.

According to the Advisors, adjustments for THI are commonly applied in AMI programs to remove

weather-related bias in the evaluation of results. In fact ENO uses THI adjustments to develop pro-forma

customer usage data in all of its rate filings.

Further, the Company’s response states that the PTR reference usage would be based solely on

participants usage of preceding and succeeding days, and that such adjustments are not programmed in

the billing system was unresponsive to the concern that normalized or baseline usage must be adjusted

for weather. See ENO responses to Advisor Data Requests CNO 3-8 and CNO 6-12. According to the

Advisors, THI adjustments must be applied to determine reference usage levels in evaluating the

demand response of participants to the rebate and ENO’s workpapers should provide complete

documentation for the adjustments included in the analyses of AMI load profiles.

3. At such time that ENO may propose to expand the AMI Pilot, the Company should be required

develop and present to Council a “business case” that should include: (1) operational efficiencies,

reduced costs and improved cash flow; (2) new and improved services to customers; (3) demand

response, direct load control and other cost effective programs; and (4) preparation for the future with

improvements in distribution asset management and an infrastructure that will support a two-way

“intelligent grid.” The Advisors assert that the substantial investment in hardware and software that

ENO will incur with regard to the AMI Pilot will likely continue to be useful after the AMI Pilot ends.

According to the Advisors, based on information in ENO’s Application and its discovery responses, ENO

may decide to expand the AMI program based on the Company’s evaluation of this AMI Pilot as well as

results of similar programs in other jurisdictions. See Application at pages 6 and 7; see also ENO

Response to Advisor Data Request CNO 1-13; and

WHEREAS, the Council finds that the proposed AMI Pilot will provide valuable information to the

Council and ENO that will benefit all ratepayers while also providing a unique and beneficial program to

11,500 low-income ratepayers, in light of the substantial funding to be provided by DOE; now therefore:

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF NEW ORLEANS THAT:

1. The proposed DOE AMI Pilot is hereby approved for implementation with the requirements set forth

herein and noted below; and

2. The Council finds there commendations of the Advisors discussed herein will ensure that the AMI

Pilot maximizes the benefit to ratepayers while providing reasonable protections to ENO, its customers

and the public interest; and

3. The Supplemental Filings and dates recommended by the Advisors in Exhibit No. \_\_\_ (JAV-3) are

hereby adopted; and

4. The Council action granting approval for implementation of the proposed AMI Pilot is not an approval

of the specific methodology the Company used to develop its incentives. In the final report to Council

upon completion of the pilot the Company is to demonstrate the success rate related to incentives it

used in the PTR and A/C Control Programs; and

5. The Council finds that Company should be allowed to recover all “prudently incurred” and “used and

useful” costs associated with the proposed AMI Pilot Program, not reimbursable by DOE, and not

exceeding a maximum program cost of $10 million; and

6. The Council finds that the unreimbursed AMI Pilot costs should be recovered through the EFRP,

which allocates such costs to ratepayers on the basis of base rate revenue. The unreimbursed AMI Pilot

costs must be shown by the Company to be properly includable for cost recovery through the EFRP

under the “prudently incurred” and “used and useful” ratemaking standards. This allocation

methodology is approved solely for recovery of the unreimbursed costs of this AMI Pilot program; and

7. The Council finds that a separate FAC over/under revenue adjustment mechanism should be

developed for AMI Pilot participants due to the impact of the additional month lag related to the

magnitude and timing of fuel costs which is significant and related specifically to the AMI Pilot.

Non-participating customers should not be burdened with additional costs or receive additional benefits

from revenue associated with AMI Pilot participants; and

8. The Council finds:

a. All meter data, including all data generated, provided, or otherwise made available by advanced

meters and meter information networks, shall belong to a customer, including data used to calculate

charges for service, historical load data, and any other proprietary customer information. A customer

 may authorize its data to be provided to DOE, ENO or an affiliated corporation of ENO upon the

execution of a proper consent form previously approved by the Council.

b. ENO and any affiliate of ENO so authorized are prohibited from the sale, exchange and barter of any

AMI Pilot program participant’s customer information; and

9. The Council finds that THI adjustments must be applied to determine reference usage levels in

evaluating the demand response of participants to the rebate. In addition, the Company’s work papers

provided in the final report must provide complete documentation for the THI adjustments included in

the analyses of AMI load profiles; and

10. The Council finds the final report of the AMI Pilot submitted to the Council is to include the

complete set of documentation supporting all analyses and evaluation of the AMI Pilot along with all

supporting work papers.

BE IT FURTHER RESOLVED That the Company is directed to provide the Council with all progress

reports, analyses, and documentation provided to DOE related to the AMI Pilot.

BE IT FURTHER RESOLVED That the Company is directed to make Supplemental Filings for

subsequent action by the Council in accordance with the table provided in Advisors Exhibit No.\_\_\_

(JAV-3).

BE IT FURTHER RESOLVED THAT the Company is directed to make a filing within one hundred

twenty (120) days of the conclusion of the AMI Pilot and submittal of the final report to Council which

demonstrates the actual magnitude of lost contributions to fixed costs that resulted by virtue of the AMI

Pilot’s actual penetration rates and customer participation/utilization. Such filing is to include the impact

on revenue requirements.

BE IT FURTHER RESOLVED THAT the Company is directed to file a separate over/under accounting

for the FAC mechanism for application to its AMI Pilot program participants within thirty (30) days of the

Council’s action on its Application that will be subject to further Council consideration and approval.

BE IT FURTHER RESOLVED THAT within forty-five (45) days of the Council’s action on its

Application the Company is directed to submit a document containing the parameters to be approved

by this Council and any other necessary details for implementation of the DOE AMI Pilot including

guidelines to be developed for the resolution of claims related to the pilot and, in particular, for use in

the Customer Complaint and Dispute Resolution process set forth in the Customer Bill of Rights for final

approval of any requested modifications to the Service Regulations by the Council.

BE IT FURTHER RESOLVED THAT the Company is hereby directed to file with the Council, for its

subsequent review and approval, its form of customer waiver and release incorporating the findings

herein no later than forty-five (45) days following the date of approval of the Application by the Council.

BE IT FURTHER RESOLVED THAT the Company is directed to file distinct and separate project codes,

along with the basis of any allocations and the allocation factors that will be used to allocate joint costs

between project codes, and the specific design structure of the Energy Smart control group and the AMI

control group within 45 days of the Council’s action on its Application. The Company is also directed to

identify all costs by these project codes, including any allocations of costs between the two programs, in

ENO’s AMI Pilot Quarterly Reports to be filed with Council.

BE IT FURTHER RESOLVED THAT the Company is directed to provide the methodology and specific

procedure for applying THI adjustments within the detailed plan for implementation for the AMI Pilot,

on or before September 30, 2010.

THE FOREGOING RESOLUTION WAS READ IN FULL, THE ROLL WAS CALLED ON THE

ADOPTION THEREOF AND RESULTED AS FOLLOWS:

YEAS: Clarkson, Fielkow, Gisleson Palmer, Guidry, Head,

Hedge-Morrell, Johnson - 7

NAYS: 0

ABSENT: 0

AND THE RESOLUTION WAS ADOPTED.