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May 30, 2013

**Via Hand Delivery**

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

Re: *In Re*: Resolution Regarding Proposed Rulemaking to Establish Integrated  
Resource Planning Components and Reporting Requirements for Entergy New  
Orleans, Inc. (Docket No. UD-08-02)

Dear Ms. Johnson

Enclosed please find an original and three copies of Entergy New Orleans, Inc.'s Reply  
Comments in Council Utility Docket No. UD-08-02. We respectfully request that you file the  
original and two copies into the record of the docket listed above, and return to us a date-stamped  
copy.

Thanking you for your usual professional courtesies and attention to this matter.

Sincerely,

A handwritten signature in black ink that reads "Chris Neel".

Chris Neel

Enclosure  
JCN:lpn

cc: Official Service List UD-08-02 (*via electronic mail*)

**BEFORE THE  
COUNCIL OF THE CITY OF NEW ORLEANS**

<b>IN RE: RESOLUTION REGARDING</b>	)	
<b>PROPOSED RULEMAKING TO</b>	)	
<b>ESTABLISH INTEGRATED RESOURCE</b>	)	<b>DOCKET NO. UD-08-02</b>
<b>PLANNING COMPONENTS AND</b>	)	
<b>REPORTING REQUIREMENTS FOR</b>	)	
<b>ENTERGY NEW ORLEANS, INC.</b>	)	

**REPLY COMMENTS OF  
ENTERGY NEW ORLEANS, INC.**

NOW COMES Entergy New Orleans, Inc. (“ENO” or the “Company”), through undersigned counsel, and pursuant to Resolution R-10-142, hereby respectfully submits its Reply Comments in response to comments of the Alliance for Affordable Energy (“Alliance”) and certain comments and questions submitted by the public during and following an April 19, 2013 Community Hearing in this docket.

**I. INTRODUCTION**

**A. Procedural Background**

These Comments are submitted pursuant to the procedural schedule established by the Council for the City of New Orleans (“Council”) in this docket in Resolution R-13-17, which established a thorough process for public questions, comments, and involvement in this Integrated Resource Plan (“IRP”) docket.<sup>1</sup> In order to permit public comment on ENO’s October 2012 filing, the procedural schedule required a technical conference be held prior to March 15, 2013; ENO conducted the technical conference on February 20, 2013. The procedural schedule permitted public questions through March 6, 2013; ENO responded to 73 informational

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<sup>1</sup> As ENO noted in its IRP filing and elsewhere, the public input process for this cycle of the IRP has also included five (5) quarterly stakeholder meetings and nine (9) DSM sub-group meetings over that past year or more.

questions. On April 1, 2013, ENO and Entergy Louisiana, LLC (“ELL”) filed their Supplemental Implementation and Cost Recovery filings pursuant to Resolution R-13-17; Intervenors in this docket were directed to file comments on the IRP filing and Supplemental Implementation and Cost Recovery filings by April 30, 2013; Resolution R-13-17 also encouraged Intervenors to recommend funding methods or sources generally, and particularly with respect to the future rate treatment, rate design, and cost recovery methods of ENO and ELL’s IRP programs. To the best of ENO’s knowledge, the Alliance was the only Intervenor to file comments with the Council.

The procedural schedule required a Community Hearing within 20 days of ENO and ELL’s April 1, 2013 filings, and the hearing was held on April 19, 2013; at the hearing’s conclusion, the Council solicited further comments on the IRP and related filings, and these Reply Comments will address certain of those comments that were relevant to this docket.

### **B. Summary of ENO’s Reply Comments**

Throughout the IRP process, and in its Comments, the Alliance has attempted to narrow the IRP debate among two elements from the many significant variables that must be considered in developing an IRP: renewable resources and demand-side management (“DSM”). By attempting to limit the IRP discussion to these two areas, the Alliance would skew a complex debate and ignores other important elements that ENO had to consider in weighing the ultimate recommendations in the IRP’s Preferred Portfolio. In its comments, the Alliance did not provide support for many of its conclusions and recommendations, and does not recognize the time and expense of pursuing additional precision in the analysis that has not shown to yield additional accuracy when developing an integrated resource plan spanning a 20-year time horizon. Many of the issues of concern to the Alliance are at such a level of detail that they are highly uncertain

and difficult to predict, yet the Alliance spends almost the entirety of its comments attempting to discredit the IRP analysis based on its highly uncertain point of view. The unsupported conclusions in the Alliance's comments recommend an IRP that would adopt such high and aggressive levels of DSM spending that it risks exposing customers to potentially cost-ineffective programs without the benefit of a reasonable ramp-up (or customer education and adoption) over time in order to ascertain the performance of various programs and make adjustments to program design, budgets, and spending in response. Further, the Alliance's comments do not address an important element of Resolution R-13-17: that Intervenors recommend funding methods or sources generally, and particularly with respect to the future rate treatment, rate design, and cost recovery methods of ENO and ELL's IRP programs. Because the Alliance ignores these practical issues, its proposals are at best theoretical and incomplete.

## **II. REPLY COMMENTS**

### **A. Background on the purpose of the IRP and DSM Potential Study**

Both ENO's DSM potential study (the "Potential Study")<sup>2</sup> and IRP are long-term analyses and planning tools meant to provide a framework for future resource planning decisions. These analyses and planning tools are not prescriptive, and are periodically updated to ensure they reflect the most reasonable assumptions and most accurate cost information appropriate for use in an IRP available at that time. In fact, as recognized by the Council, the IRP is not a static process and requires periodic review and update to reflect the dynamic environment in which utilities operate.<sup>3</sup> Contrary to much of the criticism of the Alliance, neither the Potential Study nor the IRP provides static recommendations for meeting customers'

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<sup>2</sup> ENO's Potential Study was prepared by ICF International ("ICF"), an industry leader in the analysis and management of energy efficiency programs.

<sup>3</sup> Council Resolution R-10-142 at 15.

future needs. Actual implementation decisions will be made based on then-current market conditions and analysis thereof and after appropriate internal and Council review and approval (e.g. Ninemile 6 CCGT, and more recently the Implementation and Cost Recovery Filings for future DSM programs). This study and refinement process is informed by input from stakeholders like the Alliance, the Council’s Advisors, and others, and from resulting policy guidance from the Council. Further, the experience gained from ongoing DSM program implementation as well as integration into the Midcontinent Independent System Operator<sup>4</sup> (“MISO”) will be taken into consideration in developing future IRPs.

**B. The Alliance’s Comments misunderstand the purpose of ENO’s IRP process and Potential Study, and are in error in their proposals and conclusions.**

As shown below, the Alliance’s comments contain numerous inaccuracies regarding the purpose and method of the Potential Study and IRP because the comments:

- Oversimplify the IRP process conducted by the Entergy Operating Companies;
- Recommend overly aggressive and unsubstantiated levels of spending on energy efficiency in New Orleans and Algiers;
- Do not account for the fact that the Council jurisdiction is specific to New Orleans, and as such does not need to set generic targets for renewable resources or energy efficiency through a Renewable Portfolio Standard (“RPS”) or an Energy Efficiency Resource Standard (“EERS”) typically put in place by state regulatory authorities that desire to establish certain minimum requirements for all utilities under their jurisdiction in lieu of studying specific resource potential available in each and every service territory;
- Do not recognize that the IRP process is iterative and designed to adjust to changing conditions such that future resource plans will reflect the economic environment that prevails at the time such plans are produced; should renewable resources or more aggressive DSM spending become more economic in the future, future resource plans would take this into consideration;

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<sup>4</sup> Prior to April 26, 2013 MISO’s legal name was Midwest Independent System Operator, Inc. The name was changed to reflect recent growth in operations. “Midcontinent” better represents their expanding footprint which will include Entergy Corporation Operating Companies and other market participants in AR, LA, MS and TX starting on December 19, 2013.

- Do not acknowledge that high levels of energy efficiency spending will not negate the need to plan for replacement of ENO’s aging generating resources;
- Do not account for, in their analysis of energy efficiency, cost and potential, the differences in prevailing electric rates, climate, customer behaviors, and adoption rates across the United States, and in particular the Southeast, where the Entergy Operating Companies serve some of the lowest income communities;
- Provide no support for the many assertions that ENO’s IRP recommendations are below national standards;
- Do not take into consideration that ENO’s method of planning to meet customers’ current and future needs are subject to reliability requirements which must be maintained, while also being consistent with the objective of providing service to customers at the lowest reasonable cost;
- Incorrectly suggest that ENO’s planning methods are inconsistent with customer objectives to see their utility bills lowered, when in fact the IRP is entirely centered around evaluating a wide array of resource combinations under a range of future cost environments in order to ensure that the IRP reflects the lowest reasonable cost to customers while maintaining reliability;
- Do not discuss ways to mitigate the significant time and expense associated with the current IRP stakeholder process while recommending expanding the time, effort, and, ultimately, cost to be devoted to that process in subsequent IRPs;
- Reflect the Alliance’s bias against the IRP methods despite its participation in the open, transparent, and detailed information sharing that occurred in the stakeholder process;
- Do not acknowledge or address practical considerations associated with the implementation of higher levels of DSM than currently recommended by ENO, such as customer adoption, administration, cost, and potential effect on customer rates;
- Incorrectly suggest that spending on energy efficiency and renewables is the only type of spending influenced by the IRP that can create jobs and have positive economic effects and societal benefits;
- Do not account for the spending that will be necessary to improve the transmission and distribution system to support grid modernization;
- Incorrectly claim that ENO excluded tax credits available to utility scale wind and solar photovoltaic (“PV”) resources evaluated in the IRP;

- Do not address who would bear the cost of the Alliance’s suggestion that ENO should evaluate its commercial and industrial customer base for opportunities to develop combined heat and power projects, and seems to assume that these customers are incapable of performing their own analyses or making an independent decision on what is cost effective regarding their own facilities or business models;
- Recommend an alternative IRP based on dubious conclusions and incomplete statistical analysis.

In summary, it is ENO’s position that the October 2012 IRP filing and subsequent Implementation and Cost Recovery Filing represent a balanced and cost-effective plan to meet customer’s future needs at the lowest reasonable cost while maintaining reliability. The DSM programs outlined to the Council in the Implementation Plan, which incorporated comments received from customers, stakeholders, and Intervenors since the inception of the Energy Smart programs, are based on sufficient and significantly detailed analysis of the DSM potential from the 2012 IRP and incorporate reasonable assumptions and disciplined recommendations for future spending considering other issues that must also be addressed in the near-term by ENO in preparing to meet customers’ future needs. Notwithstanding, ENO responds to the Alliance’s many criticisms of the IRP in summary below.

### **C. Response to the Alliance’s Alternative IRP Recommendation**

#### **1. There is no need for an RPS or EERS in New Orleans**

The Alliance argues that the Council should consider the adoption of a Renewable Portfolio Standard and an Energy Efficiency Resource Standard. ENO believes that there is no need for an RPS or EERS in New Orleans. In a state or area where there are multiple utilities or jurisdictions, an EERS or RPS can provide very general guidelines or goals for all of the utilities under the regulator within that jurisdiction. In a jurisdiction such as New Orleans, with a single regulator overseeing a single utility, there is no need for an RPS or EERS when cost effective

energy efficiency or renewables can be studied directly as was done with the DSM Potential Study and IRP DSM Optimization for New Orleans.

The IRP is a bottom up approach to identify all cost effective supply-side (including renewables) and energy efficiency/ DSM opportunities. The RPS and EERS set generally random targets that are not based on robust analysis that considers cost-effectiveness or resource availability within a particular region. Such a generic target will not only serve to potentially increase the cost of energy for New Orleans residents, but is unnecessary given the current method of conducting potential studies specifically for New Orleans.

It should also be noted that customer-owned renewables (distributed generation, e.g. rooftop solar installations) are already highly subsidized in the state of Louisiana through the most generous renewable tax credit in the country (50%) in addition to the 30% federal tax credit. In addition, renewables are further subsidized by current net metering rules that do not reflect the cost to maintain the distribution and transmission system or to maintain sufficient resources in back up when the customer's distributed generation is not producing electricity. In its comments the Alliance argues for a solar feed-in tariff. Such a tariff would require ENO to purchase energy from customer distributed generation sources, as is done today under current net metering rules, with such purchase to be made under a long-term contract above the cost of other more cost-effective resources. This would only serve to further subsidize an already highly subsidized resource which will in turn serve to raise rates for the rest of ENO's customers.



**i. EERS**

The Alliance states that an EERS “sets the expected program size based on total achievable energy efficiency as opposed to a dollar cap on spending for the program<sup>5</sup>” and that EERS’s “are generally reviewed every 3-6 years<sup>6</sup>”. Similarly, the IRP bases the program size on achievable cost effective energy efficiency specifically for New Orleans, and does not include or represent a dollar cap on the amount of spending. The amount of cost-effective spending identified in the IRP is a function of the cost of alternative methods of meeting customers’ future needs. In addition, the IRP reviews the level of cost-effective DSM every three years, which is consistent with the Alliance’s own assessment of the frequency with which EERS’s targets are typically reviewed.

Additionally, the Alliance cites a 2011 American Council for an Energy Efficient Economy (“ACEEE”) study of 20 EERS which states that 13 states had met or exceeded their annual goal. What the Alliance did not include in its comments is that, for those states that have either an RPS or an EERS, most have electricity costs significantly above those of ENO. This raises the bar for the amount of spending on energy efficiency that can be shown to be cost-effective and allows for a higher level of energy efficiency measures and renewables to be cost-effective in those states and also creates a greater customer demand for these products and resources. Table 1 provides an overview of states with and without EERS goals and a comparison of their average residential electricity rates.

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<sup>5</sup> Alliance comments at 22.

<sup>6</sup> *Id.*

**Table 1:**

<b>States with an EERS</b>		<b>States without an EERS</b>	
State	Avg Residential Electric Rate (1) cents/ kWh	State	Avg Residential Electric Rate (1) cents/ kWh
HI	37.33	AK	17.28
NY	18.38	NH	16.31
CT	17.07	NJ	15.30
VT	16.88	NV	11.53
RI	15.78	SC	11.35
CA	15.77	KS	10.99
ME	14.61	AL	10.91
MA	14.50	GA	10.43
MI	13.85	NC	10.31
WI	13.27	MS	10.22
DE	12.84	MT	9.90
MD	12.52	TN	9.84
PA	12.32	UT	9.73
FL	11.31	OR	9.69
CO	11.22	WY	9.62
MN	11.21	WV	9.43
NM	11.11	SD	9.37
OH	11.11	KY	9.33
TX	10.99	NB	9.12
AZ	10.57	LA	8.96
IA	10.26	OK	8.78
VA	10.25	ID	8.53
IL	10.24	ND	8.10
IN	10.21	Average	10.65
MO	9.27		
AR	8.93		
WA	8.49		
Average	13.34		

(1)Average Residential rate March 2013 EIA electricity data  
[http://www.eia.gov/electricity/monthly/epm\\_table\\_grapher.cfm?t=epmt\\_5\\_6\\_b](http://www.eia.gov/electricity/monthly/epm_table_grapher.cfm?t=epmt_5_6_b)

ENO’s energy efficiency implementation plan is already in line with the actual results of many states throughout the country. The Alliance references the ACEEE 2012 State Scorecard which compares energy efficiency performance nationally<sup>7</sup> and claims that “Entergy’s savings plans are modest compared to those of many other jurisdictions, including some with long histories of extensive savings (e.g. California, Massachusetts, Vermont) as well as others with little DSM experience (e.g. Illinois, Indiana)”<sup>8</sup>. However, in reviewing the energy savings from energy efficiency as a percentage of retail sales, the results of ENO’s Implementation filing and

<sup>7</sup> *Id.* at 21.

<sup>8</sup> *Id.*

actual program performance are in line with national performance<sup>9</sup>. The median reduction in sales for all states is 0.38%, where ENO's actual results as well as projected results from its suggested portfolio is approximately 0.34-0.37%. Note that these results exclude any savings from the behavioral programs that ENO proposed in its Implementation filing<sup>10</sup>. This is better than roughly half of all states, including Indiana. Further, ENO's IRP results are more aggressive than the EERS for both Illinois and Indiana<sup>11</sup>.

## ii. RPS

The Alliance also recommends that the Council consider adopting a Renewable Portfolio Standard. Many of the states where an RPS is currently in effect are located in areas with high electricity rates and/or are located in areas where wind and solar economics are more attractive (e.g. due to their proximity to load centers). In those states, an RPS allows for the increased possibility of cost-effective renewable resources to be incorporated into the portfolio. However, not all states that have enacted an RPS fall into one or both of these 2 factors. Regardless, even if located in an area with one or both of these 2 factors, an RPS can arbitrarily set the standard beyond cost-effective potential within the region. In fact, a recent article discusses the current push in 16 states, including Colorado, Connecticut, Missouri, Ohio, Kansas, and North Carolina, to pare back, dilute, or do away with their RPS altogether, due to the fact that many are costing customers a significant amount.<sup>12</sup> The article cited one source which calculated North Carolina's RPS could cost customers as much as \$1.8 billion between 2008 and 2021. This is evidence that,

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<sup>9</sup> ACEEE 2012 State Scorecard at 31, Table 12.

<sup>10</sup> ENO and ELL requested approval of a behavioral pilot for which it would issue a request for proposal (RFP). Energy savings from the pilot are unknown until such time as the RFP is issued and proposals are received.

<sup>11</sup> Illinois EERS is a 2% reduction of 2008 sales by 2015. Indiana EERS is a 2% reduction in sales by 2019.

<sup>12</sup> U.S. States Turning Against Renewable Portfolio Standards as Gas Plunges, Christopher Martin, Bloomberg, April 23, 2013.

in many instances across the country, RPS programs are not based on the cost-effectiveness of the resources they recommend, but rather they are arbitrary targets.

#### **D. Response to Alliance comparison of DSM Potential Study to the Alliance's own study and ACEEE's potential study**

##### **1. Difference between Alliance, ACEEE, and ICF Potential Studies**

The Alliance makes a comparison between the ENO DSM Potential Study, an ACEEE report, and the Alliance's own DSM calculations. It is important to note that the ACEEE findings are not truly comparable to the ENO analysis for several reasons, the most significant being:

- ACEEE's analysis represents not only utility sponsored DSM savings, but also global DSM savings for the city from various sources such as building codes and standards and lead by example actions for energy savings in government operations and also personal measures taken at the customer level, as well as other energy efficiency initiatives;
- ACEEE's analysis makes assumptions regarding future energy savings due to code and policy changes and further subsidization of energy efficiency and renewables; and
- ACEEE's analysis is based on a different set of assumptions such as a 30% higher rate of inflation in its analysis (3.0%) than the inflation rate assumed by ENO (2.0%) and a lower discount rate;
- ACEEE assumes that all residences and businesses apply all current and future cost effective measures, currently known and unknown.

ACEEE is a well-respected organization which produces valuable analysis and information. However, its energy efficiency potential analysis has historically produced very aggressive energy savings results, which are not meant to represent the potential savings of a single utility sponsored DSM program. While the ACEEE analysis represents an exercise in what could potentially be possible, it is not comparable to the analysis performed by ENO on cost effective, utility sponsored DSM. In addition, ENO has an obligation to reliably and cost-

effectively provide electric service to all customers in New Orleans. Therefore the aggressive assumptions used by ACEEE and the Alliance would not be a prudent approach for ENO to take with regard to future resource planning.

The Alliance's analysis and alternative DSM spending recommendations are discussed further below.

**2. The Alliance's alternative DSM spending recommendations are unsupported and derive from a model that is based on incomplete and potentially erroneous statistical analysis**

In support of an "Alternative IRP Recommendation", the Alliance conducted an analysis of the cost-effectiveness of alternative spending trajectories for energy efficiency programs in New Orleans. This was done in order to forecast projected energy savings and corresponding benefits associated with more aggressive program spending trajectories than what was recommended by ENO in the IRP and still higher than the spending levels ENO included in the subsequent and more detailed Implementation and Cost Recovery filing. According to the Alliance, its analysis was conducted in three stages beginning with the development of alternative spending trajectories over the planning horizon as recommended by ENO, the ACEEE, and the Alliance. While ENO and ACEEE's trajectories for future energy efficiency spending are based on an analysis, albeit with different methodologies, of energy efficiency potential in New Orleans, the Alliance provided no support or basis for its alternative spending trajectory.

The Alliance went on to provide a summary of an empirical statistical model developed as part of its analysis in order to predict the average cost of energy efficiency program spending across time and customer class using an econometric modeling technique known as regression analysis. The results of this model were then used in conjunction with the Alliance's own

estimates of avoided energy and capacity costs in order to predict the net benefit of each of the three alternative spending trajectories. A key issue associated with the starting point for the Alliance's recommendation is that it provided no support for the alternative spending trajectory, and, although it was nearer to ACEEE's trajectory than ENO's, it still recommended ENO spend \$141 million more, equivalent to a 75% increase over the spending level shown by ENO to be cost-effective over the term of the 20-year planning horizon. In 2014 alone, the Alliance's recommended spending level is over 70% greater than what is budgeted for the current Energy Smart program and Implementation Filing. The level of spending in the Implementation Filing is appropriate and implementing a higher level of spending than what ENO recommends would reduce the cost-effectiveness of the programs. In addition, spending beyond the levels identified as cost-effective in the Implementation and Cost Recovery filing would likely cause a delay in implementation because programs would need to be redesigned to accommodate a higher level of spending. The relationship between program funding and kWh savings is not necessarily a linear relationship.

In addition to the concerns associated with the unsupported spending levels recommended by the Alliance, there are also material issues with the Alliance's empirical statistical analysis associated with the lack of documentation in support of the methodology used to develop its model. As provided for by the Alliance, the model was developed to predict the average cost (\$/kWh-yr.) of energy efficiency savings targets as a function of four types of variables hypothesized to explain average cost. When conducting a regression analysis such as the one conducted by the Alliance, it has become standard practice to conduct a battery of statistical tests on the underlying data, as well as on the results of the regression analysis, in order to determine if the data and corresponding regression results are suitable for drawing

conclusions and predicting outcomes as done by the Alliance. This helps avoid the “correlation equals causation” pitfall that just because a set of data are correlated (i.e. work well in a regression analysis) that then those data can be used to define a statistical relationship to predict future outcomes. Take for example the Alliance’s position that increased spending on energy efficiency always leads to increased energy savings. While it can be shown that a correlation exists between spending on efficiency and associated energy savings (or other variables modeled by the Alliance), without the appropriate tests on the underlying data or the model itself, it would be inappropriate to conclude that such a model could be used to predict the cost of increasing energy efficiency targets. Even if the appropriate tests were conducted, the Alliance did not disclose the assumptions used in the analysis necessary to evaluate the reasonableness of the model.

The typical battery of statistical tests apparently excluded from the Alliance’s modeling would otherwise help to ensure, but do not guarantee, that the results of the model are not “spurious”, or robust enough to provide support for the hypothesis that the variables used in the model can actually be used to explain average cost (\$/kWh-yr.) of various energy efficiency savings targets. These “spurious regression” relationships among the data modeled by the Alliance would need further analysis in order to garner any merit. In its comments, the Alliance provided no such support or documentation that the data or model was subjected to these routine tests. These tests are critical given that the model was used to determine the costs and benefits of more aggressive DSM spending trajectories than recommended by ENO, and as such call into question the conclusions reached by the Alliance that the Council should dramatically increase energy efficiency spending beyond current levels shown to be cost-effective in the IRP.

## **E. Responses to Alliance’s criticism of the Potential Study.**

### **1. The Potential Study’s programs and participation rates were based on Energy Smart and industry best practices.**

The Alliance’s comments state, "[s]ince ICF maintained that it did not assume any particular program design, it is not clear how ICF could have made these [participation assumptions] about customer reactions to a range of technologies under a range of program designs."<sup>13</sup> As noted in the Potential Study report, most of the energy efficiency programs modeled in the Potential Study are based on Energy Smart program designs; with the exception noted below, ICF did not assume any fundamental changes to any of these program designs when modeling programs for the Potential Study.<sup>14</sup> Additional energy efficiency programs modeled were based on program designs consistent with industry best practices. For example, the multifamily program was modeled based on input from ICF program managers who run successful programs in states such as Massachusetts and Maryland.

ICF reevaluated Energy Smart program designs during the analysis to assess whether different program designs could result in materially higher participation. While ICF determined that the Council-approved Energy Smart portfolio as a whole is consistent with best practices, ICF believes the residential lighting program could gain significantly higher participation if it were operated as a retail-based program (*e.g.*, where rebates are built into the cost of bulbs on retail shelves), rather than as a direct install program. Therefore, ICF assumed a retail-based design when modeling the residential lighting program.<sup>15</sup> Demand response programs modeled were based on those described in the Federal Energy Regulatory Commission (“FERC”) national demand response potential study.

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<sup>13</sup> *Id.* at 5.

<sup>14</sup> Potential Study at 18.

<sup>15</sup> *See* Potential Study at Figure 16.



## **2. ICF's market acceptance rate estimates are maximum annual market acceptance rates.**

The Alliance comments state, in reference to ICF's assumption about small commercial market acceptance, "... ICF assumes that no more than 10% of existing small commercial customers will participate in any efficiency program."<sup>16</sup> To clarify, ICF's market acceptance rate estimates are maximum annual market acceptance rates. For example, the maximum level of market acceptance estimated for Small Commercial Energy Solutions is 10% per year. However, the Alliance provides no basis for its assertion that "[t]hese Market Acceptance Rate ceilings are astonishingly low...."<sup>17</sup> Nor is there any basis provided for the Alliance's claim that "participation has been nearly universal [in unspecified HVAC programs]."<sup>18</sup> During the course of the quarterly IRP technical conferences, DSM sub-team meetings, and public meetings, Intervenors, including the Alliance, reviewed ICF's market acceptance rates and have not provided any specific supportable alternative values for consideration to date.

## **3. The Alliance's claims regarding payback acceptance data are incorrect.**

The Alliance comments state that "[t]he residential [payback acceptance] curve is estimated from five data points and the non-residential curve is estimated from 15 data points."<sup>19</sup> This statement is incorrect because the points on the payback acceptance curves are not data points. Instead, each point represents the percentage of survey respondents who would accept particular payback levels, based on their stated payback acceptance levels. The non-residential payback acceptance curves were based on a survey of 783 commercial and industrial respondents

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<sup>16</sup> Alliance comments at 6.

<sup>17</sup> *Id.* at 5-6.

<sup>18</sup> *Id.* at 6.

<sup>19</sup> *Id.*

in Arizona, and the residential curves were based on a national survey that included 407 respondents.

The Alliance's Comments go on to claim that "[u]sing ICF payback acceptance curves without the arbitrary and undocumented acceptance ceilings would result in potential estimates three to thirteen times higher than ENO has assumed."<sup>20</sup> This statement is inaccurate because it implies that customer payback levels are the only factor impacting participation. For some programs, ICF used payback acceptance as a means of modeling the financial attractiveness of efficiency options. However, financial attractiveness is only one factor that influences participation. In reality, many other factors impact both customer and market actors' (e.g., distributor, contractor, and retailer) engagement in programs. Such factors vary by program; one key factor for AC programs is the level of AC contractor engagement, and a key factor for lighting programs is retailer stocking practices. A variety of financial and non-financial factors need to be weighted together when estimating participation in energy efficiency programs.

**4. ICF's net-to-gross ratios were estimated separately for each program in the Potential Study analysis.**

The Alliance's comments state that "ICF assumes the same net-to-gross ratio for all incentive levels ... In reality, it is obvious that programs with low incentives would attract the vast majority of customers who would have implemented a measure without the program (free riders) ... Higher incentives attract participants who would not otherwise have implemented the measures."<sup>21</sup> These statements are incorrect because net-to-gross assumptions were estimated separately for each program in the analysis, although ICF did not vary net-to-gross assumptions by scenario (low, reference, high).

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<sup>20</sup> *Id.*

<sup>21</sup> *Id.* at 8.

While it is possible that for some programs low incentives could be correlated with high free-ridership, and vice versa, market barriers to participation are different for each program; there are many other factors that drive program success besides incentives. Therefore, it would not be appropriate to increase net-to-gross levels for all programs under the high scenario, and to decrease them under the low scenario. During the course of the public input and review process, Intervenors, including the Alliance, reviewed ICF's net-to-gross assumptions and have not provided any specific alternative and supportable values for consideration to date.

**5. It is reasonable to use average avoided energy costs for the purposes of estimating measure and program cost-effectiveness.**

The Alliance's comments state that "ICF reports only a single avoided electric energy price for each year...apparently ignoring the differences in the share of savings among measures."<sup>22</sup> ICF used average Entergy avoided kWh to estimate measure and program level cost-effectiveness. The other avoided costs included peak capacity (kW) benefits and avoided gas benefits. The outputs of ICF's analysis (load shapes and program costs) were then used by Entergy in its IRP model, which employs avoided costs that vary for each hour of every year of the analysis. Although the Alliance seems to take issue with ICF using average avoided energy costs for the purposes of estimating measure and program cost-effectiveness, the Alliance does not state what affect using average avoided costs may have on the estimates on the Potential Study.

It should be noted that measures with off-peak operating hours (such as the outdoor lighting measure mentioned by the Alliance) have a better chance of being cost-effective using average avoided energy costs since average energy costs are higher than off-peak costs and most outdoor lighting does not operating during peak hours. In general, and contrary to the Alliance's

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<sup>22</sup> *Id.* at 9.

suggestions, ICF finds that using average avoided kWh costs to screen energy efficiency measures results in more measures being included in the analysis, not fewer.

#### **6. The Potential Study accounted for gas savings where applicable.**

The Alliance's comments state that "[t]he benefits of reduced gas and water use does not appear to be reflected in the cost-benefit analysis."<sup>23</sup> This statement is incorrect; gas savings were accounted for where applicable. For example, installing insulation in a gas-heated home results in both electric and gas savings. In such cases, gas savings were accounted for. Water savings estimates, for the small number of measures where they are applicable, were not available for those measures and therefore not included in the analysis. It should be noted, however, that water is not a source of energy in New Orleans area homes and businesses and therefore is not meaningful in the context of energy efficiency.

#### **F. Discussion of Specific Errors in the Alliance's claims regarding ENO's DSM methods**

The Alliance claims that ENO was deficient by "[s]creening out energy efficiency found to be cost effective in the screening phase by a use of a non-standard screening test."<sup>24</sup> This claim is incorrect because ENO's optimization process considered all cost effective programs as measured by the Total Resource Cost ("TRC") test in the ICF Potential Study. ENO's position is presented in greater detail below.

#### **1. DSM Optimization and ENO's Integration of DSM**

The Alliance claims that ENO's DSM Optimization did not conform to the requirements of Council Resolution R-10-142 because ENO should have used the Total Resource Cost ("TRC") Test as the basis for its DSM Optimization Process.<sup>25</sup> Yet ENO met the requirements

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<sup>23</sup> *Id.* at 9.

<sup>24</sup> Alliance comments at 4.

<sup>25</sup> Alliance comments at 12.

of Resolution R-10-142, which states that the TRC test should be used “for initial screening of resource options,”<sup>26</sup> and ENO’s Potential Study used the TRC to determine cost effective DSM measures and programs. As stated in its IRP filing, ENO used the Program Administrator Test (“PAC”) as the basis for developing program bundles to be evaluated in the DSM Optimization process of the IRP.<sup>27</sup> This was done to decrease the number of modeling iterations. ENO performed 152 modeling iterations with the program bundles created in the DSM Optimization process. This count does not include any test or rework iterations. Had the programs not been bundled by cost, the number of iterations would have been about four times greater. The DSM Optimization took a majority of the time of two analysts on the AURORA Modeling Team about six weeks to complete. This does not include time for management review or for support from ICF International Consulting. Had all 22 programs been analyzed individually, the process would have taken about two to four times as long to complete, resulting in additional delays that likely would have prevented ENO from meeting its obligation to file by October 30, 2012 as required by the Council.

The California Practices Manual states that “for purposes of comparison, costs in the Program Administrator Cost Test are defined similarly to those supply-side projects.”<sup>28</sup> In other words, the PAC is an appropriate test for comparing supply-side and demand-side resources in a head-to-head manner. This concept is also discussed in the soon to be released ACEEE report regarding energy efficiency in New Orleans, which was mentioned by the Alliance in its comments<sup>29</sup>. According to the ACEEE report, “With many states and regions increasingly using energy efficiency as a resource to the utility system, the PAC has become an increasing focus.

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<sup>26</sup> Council Resolution R-10-142 at 5.

<sup>27</sup> See ENO IRP Report at 39.

<sup>28</sup> California Practices Manual, October 2001, at 24.

<sup>29</sup> Alliance comments at 23.

The PAC is recommended for jurisdictions seeking to emphasize efficiency as a resource to the utility system on par with other resources.”<sup>30</sup>

This type of comparison was necessary to meet the requirement of Resolution R-10-142 that “the IRP shall consider the types and combination of resources relied upon to ensure a reliable, balanced resource portfolio that incorporates factors including but not limited to fuel cost forecasts, anticipated load growth, environmental risk, timing and change to total revenue requirements, to New Orleans rate payers, Utility’s continued financial integrity, and relevant conditions outside of Utility’s control.”<sup>31</sup> The decision to use the PAC in constructing the DSM bundles for the DSM Optimization process was not arbitrarily made by ENO, but rather was specifically chosen to meet the requirements of Resolution R-10-142. It is important to note that CLEAResult used the TRC test in assessing the cost-effectiveness of programs included in the Implementation Filing.

The Alliance also claims that “this portion of the IRP actually de-optimizes the resource plan, by removing cost effective resources previously identified.”<sup>32</sup> The Potential Study was designed to examine a wide range of DSM measures and programs and to select promising programs using the TRC test as the benchmark. The Potential Study was designed to select as varied and large a pool of DSM programs as could be economically justified under the TRC test for inclusion in the ENO DSM Optimization process. The DSM Optimization process was a much more detailed analysis of hourly energy requirements of ENO customers in the context of ENO’s existing energy resources as well as the hourly energy requirements of neighboring electricity users and existing resources of neighboring electricity providers that are

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<sup>30</sup> ACEEE, New Orleans’ Efficient Path to 2030, 2013, Eric Mackres and Maggie Molina, pending release.

<sup>31</sup> Council Resolution R-10-142 at 4.

<sup>32</sup> Alliance comments at 12.

interconnected with the Entergy System and the Eastern Interconnect of the United States and Canada. The DSM Optimization process analyzed changing requirements on an hourly basis over a twenty year period, for a total of 175,320 hours. To complete this analysis within the IRP's time constraints, it was necessary to group similar DSM Programs and spending levels coming out of the Potential Study into bundles.

ENO also worked extensively with DSM industry leader ICF International in developing its DSM Optimization process. The optimization process was vetted with Intervenors including the Alliance, the Council Advisors, and other public participants in quarterly technical conferences and DSM sub-team meetings.

## **2. DSM Optimization and Understanding Avoided Cost**

The Alliance claims that “it appears that ENO has grossly understated the avoidable capacity resources, by optimizing DSM assuming that no resources are avoidable, and then testing whether DSM can be further reduced by the addition of generation.”<sup>33</sup> This assertion is incorrect and misleading. As stated on page 5 of the DSM Technical Supplement in ENO's IRP filing and in a response to Data Request AAE 4-2, the only supply-side resource addition that is considered non-avoidable is the Ninemile 6 generating unit, which was already under construction, and in which ENO's participation was previously approved by the Council, at the time of the IRP analysis.

To determine the optimized level of DSM, the evaluation considered how much DSM would be optimal given current supply-side resources, including Ninemile 6, but with no new supply resources for ENO. The analysis then added supply-side resources to the optimal level of DSM to see if cost could be reduced further. ENO's IRP analysis determined that costs could be

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<sup>33</sup> Alliance comments at 12.

reduced further by adding supply-side resources to the optimal level of DSM. Then ENO conducted additional analysis to see if DSM or supply-side resources should be adjusted down to get a lower cost. Although it may appear that ENO's DSM Technical Supplement<sup>34</sup> suggests that the final Optimization Step could result in a lower level of DSM than if only DSM is allowed to fill new resource needs, in fact, in all four scenarios modeled in the IRP, the optimal level of DSM did not change once supply-side resources were allowed to be considered, an assumption that is consistent with reality. The Alliance appears to be misinterpreting the process map on page 5 of the DSM Technical Supplement and transposing that misinterpretation onto the actual results of the DSM Optimization Process. By identifying the optimal level of DSM spending before adding supply-side resources, ENO gave DSM the benefit of the doubt that such spending was more economic than supply-side alternatives, or at minimum that DSM would be considered first in meeting customers' future needs.

The Alliance also calls into question ENO's need for a portion of new CCGT capacity identified for the Amite South region in 2020 given a forecast of excess capacity for ENO in 2020.<sup>35</sup> The CCGT in 2020 was not part of the DSM optimization process, nor the result of the AURORA capacity expansion modeling. Instead, the CCGT was added to the Preferred Portfolio to reflect aging generating resource infrastructure in Amite South, the uncertainty around the date those resources will become uneconomic to maintain and operate, and the limits of current or projected transmission imports to make up for the unexpected but potential failure of one or more aging resources during times of high energy demand. Given the long lead time for new supply additions and uncertainty around load growth, it is important to begin studying a new resource for 2020 now, as the System must plan for the disciplined replacement of aging

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<sup>34</sup> ENO IRP Report, process diagram on the right of page 5 of the DSM Technical Supplement.

<sup>35</sup> Alliance comments at 13.



resources over time so as not to expose customers to the uncertainty in costs associated with meeting all future capacity needs at a single point in time.

ENO notes that the Entergy System has not sought approval to construct a 2020 Amite South resource at this time nor has it initiated a market test for a new CCGT. Moreover, no determination has yet been made on how the new resource might be allocated among the Operating Companies. The 2020 CCGT identified in the System and ENO IRP Preferred Portfolios serves as a placeholder. Ultimately, capacity could be met through one or a combination of resources (CCGT or otherwise) including capacity built by a third party, transmission upgrades, renewables, or DSM.

### **3. The Entergy System Agreement and DSM**

The Alliance criticizes ENO for not including Entergy System Agreement effects in its DSM Optimization Process; however, ENO notes that neither DSM resource additions nor supply-side resource additions considered System Agreement effects, and therefore supply-side resources were not advantaged in this respect and similarly DSM resources were not disadvantaged. The Entergy System is operated and planned for as a single integrated electric system for the mutual benefit of all participating Operating Companies. Reductions in ENO peak do not necessarily result in an opportunity to reduce power purchases by the remaining System Companies and are unlikely to change the timing, let alone replace the eventual need, for long-term resource additions. Resource additions at Operating Companies are driven by a number of factors including:

- Need to address aging fleet
- Energy requirements (base load and load-following)
- Local area reliability requirements

Because supply additions are vastly more economic when added in large utility-scale blocks, small reductions in ENO's coincident peak are not likely to alter timing or economics of long-term resource additions for the System. The ability to enter into long-term contracts (or acquisitions) at below replacement costs will diminish in coming years as market conditions tighten. Therefore, deferring long-term purchases involves an opportunity cost.

The consideration of the effects of Entergy System Agreement Service Schedule MSS-1 (capacity reserve equalization) in the optimization process may distort results and is not appropriate for, but not limited to, the following reason:

- As a threshold matter, it is important to recognize that the System Agreement does not provide for the treatment of demand-side resources as capacity.
- It could have the effect of reducing or increasing ENO supply cost at the expense or benefit of other Operating Companies.
- Attempting to game the System Agreement for the benefit of one or more Operating Companies at the expense of another Operating Company(ies) is not permitted.

Moreover, ENO notes that the customer rate analysis,<sup>36</sup> which measures the effect of DSM on customer rates and customer bills, does include relevant Entergy System Agreement changes associated with the optimal level of DSM spending identified in the Preferred Portfolio.

#### **4. Access to Highly Sensitive Protected Materials**

The Alliance claims that the application of the AURORA model is like a "black box" with no transparency based on ENO's decision to designate certain data responses highly sensitive protected materials ("HSPM").<sup>37</sup> The purpose of the HSPM designations is to protect ENO's customers from potential harmful effects of commercially sensitive forecast information

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<sup>36</sup> ENO IRP Data Supplement No. 6.

<sup>37</sup> See Alliance comments at 12.

being inadvertently transferred to third parties that could use it for their own commercial benefit and raise costs to ENO customers.

These materials are designated HSPM pursuant to the terms of the Council's Official Protective Order adopted by Resolution R-07-432, which is specifically cited in the most recent Council IRP Resolution.<sup>38</sup> Despite having access to ENO's October 30, 2012 IRP filing for six months, the Alliance did not request to review the HSPM data until April 29, 2013, the day before its comments were due under the Council's procedural schedule for this proceeding in R-13-17. As ENO has communicated to the Alliance on April 29, ENO will permit the Alliance to review HSPM data pursuant to the protocols set forth in the Council's Official Protective Order; any claims by the Alliance that the information cannot be reviewed are incorrect. As of the filing of these comments, ENO has not received communication back from the Alliance regarding its interest in reviewing the HSPM information requested pursuant to the Council's protective order.

##### **5. Results of ENO's DSM Optimization process**

The Alliance's conjecture regarding what might have happened had ENO conducted its DSM Optimization process differently, and the incremental cost and benefit of increasing program spending to attract more participants, is without merit. While attracting more participants would spread administrative costs over a larger customer base, the Alliance fails to appreciate that the marginal incentive cost of attracting more participants outweighs economies of scale for administrative costs. While some administrative costs are fixed, many are not and would therefore increase as program spending increases. ENO cannot price discriminate in its incentive payments, so moving to higher levels of spending increases free rider costs or costs to

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<sup>38</sup> Resolution R-13-17 at 11.

participants who would have participated had the incentive been less. These incremental costs are not ENO's conjecture but are based on ICF's years of experience in DSM program design.

Additionally, on page 20 of its comments the Alliance implies ENO looked at the average energy cost savings from energy efficiency programs. The Alliance says that ENO should consider the marginal cost savings from energy efficiency. In fact, that is what the AURORA model does in its hourly commitment and dispatch algorithm.

#### **G. Discussion of Specific Errors in the Alliance's claims regarding ENO's analysis of supply-side resources.**

The Alliance claims that the IRP could be strengthened in the treatment of supply diversification,<sup>39</sup> yet its comments do not acknowledge that the IRP process considered a wide range of supply alternatives including modern natural gas plants, continued operation of stable priced baseload nuclear and coal, investing in existing resources to retain long-term reliability, and investing in renewable generation alternatives. The resulting Preferred Portfolio, which in addition to the supply-side components includes DSM, provides a mix of reliable alternatives that balances the objectives of providing low cost power while mitigating risks and maintaining reliability.

##### **1. Discussion of the Alliance's claims regarding Alternative Energy Options**

The IRP does not limit ENO's ability to solicit or respond to offers for cost effective alternative energy options, including renewable generation. As discussed earlier, ENO does not favor a renewable portfolio standard or special feed-in tariff requirements as they limit ENO's ability to seek the lowest reasonable cost supply-side resources for the benefit of its customers. In regards to customer-supplied distributed generation, including rooftop solar installations, the IRP implicitly anticipates these developments because their effects are reflected in ENO's load

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<sup>39</sup> See Alliance comments at 15.

forecasts. The development of customer-supplied distributed generation is just one of the reasons that the load forecasts reflect a lower electricity sales growth (before considering DSM) to gross domestic product growth ratio than has been historically observed. Over the period 2012-2031, only one case (Austerity Reigns) has an electricity sales growth to gross domestic product growth ratio that approximates historical averages; the three other cases (Scenario 1/Base, Green Growth, and Economic Rebound) are below historic averages, due in part to the effects of customer-supplied distributed generation.

For the identification and development of cost-effective combined heat and power (“CHP”) projects or district-cooling systems in New Orleans, the IRP is flexible in that it accommodates these alternative energy supply options. Entergy Corporation’s commitment to alternative supply in New Orleans is demonstrated by Entergy Thermal’s expanded District Energy operations, which will also help to cool and provide steam for the Louisiana State University’s Medical Center project that is under construction.

The Alliance’s contention that renewable energy resources provide benefits through supply diversity ignores the obvious question: At what cost? The results of ENO’s assessment of the various supply-side alternatives (Technology Assessment Technical Supplement) indicate that when considering their total integration costs, renewables are more costly than modern gas-fired generation, which today is the technology of choice for new supply-side resources due to its ability to operate in either a baseload or load-following role, and due to the greater efficiency and reduced emissions over other forms of fossil fuel sources. The results of the portfolio optimization process indicate that the Preferred Portfolio provides a low cost mix of alternatives to meet customers’ future needs under a range of alternative outcomes for the price of natural gas and potential CO<sub>2</sub> regulation.

Nonetheless, ENO continues to monitor the relative economics of both traditional and alternative generation sources and supports renewable generation to the extent that it will not result in increased costs to customers. ENO notes that not only the capital cost and performance of resources are important but so are the cost of fuel and the level of government subsidies. ENO will evaluate any proposals received for long-term purchases from renewable resources for their ability to help meet customer's future needs at the lowest reasonable cost while maintaining reliability. Further, as a load serving market participant in MISO, ENO will have the ability to utilize renewable energy bid into the MISO market when it is economic to do so even if ENO does not enter into a firm long-term contract to take power from a given renewable resource or resources.

## **2. The Alliance's claim of overstated wind power costs is incorrect.**

The Alliance criticizes the three broad categories of wind cost used in the Technology Assessment: (1) levelized resource cost per MWh, (2) the capacity match up cost, and (3) the flexible capability cost.<sup>40</sup> The latter two cost categories are appropriate to make wind, an intermittent resource, comparable to a dispatchable resource when conducting a bus bar cost assessment such as the Technology Assessment; however, these cost assumptions are irrelevant in a production cost model driven optimization process. In other words, ENO did not use these costs in the DSM Optimization Process. Rather, the ENO IRP Technology Assessment was used to determine which supply-side resources would be modeled in the DSM Optimization Process.

The Technology Assessment indicated utility-scale wind should be optimized, but utility-scale solar should be excluded due to its high cost relative to other alternatives. Even though wind was not selected in the Preferred Portfolio it was selected in some of the modeled

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<sup>40</sup> See Alliance comments at 16.

scenarios. One reason that wind was not selected in the Preferred Portfolio is that the economics of wind are sensitive to the price of natural gas-fired generation alternatives that are currently more attractive due to prevailing projections for future natural gas prices. In the event that natural gas prices rise higher than the Reference Case point of view, or wind or solar cost and performance improves relative to alternatives, then ENO will make adjustments in future IRPs.

Although the Alliance claims that the twenty-five year levelized bus bar cost of electricity for wind at \$80/MWh (before considering tax incentives) is too high, ENO notes that is an estimate for wind produced in or around New Orleans,<sup>41</sup> not wind produced in parts of the U.S. that are known for having high levels of wind; this criticism is ironic because the Alliance's past comments in this docket have criticized ENO for not using enough New Orleans-specific data. Wind projects in the "wind belt" can produce capacity factors of 10-20% above wind projects in Louisiana; although this will drive the levelized cost down, there would also be associated transmission costs to move the power to the New Orleans area. ENO may find it is more cost effective to purchase wind from resources distant from New Orleans if transmission costs are more reasonable than to build or purchase wind from resources in or in close proximity to New Orleans.

Additionally, The Technology Assessment showed cost with and without tax incentives for utility scale wind and solar PV resources. The AURORA production cost modeling of wind assumed tax benefits for new wind resources throughout the study period when in fact current federal law requires wind resources be under construction by the end of 2013 to qualify for these

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<sup>41</sup> The IRP optimization process using AURORA assumed wind built to serve New Orleans load would be locally built. It assumed an average 30% capacity factor. It also assumed that federal wind tax incentive in place in 2012 would be extended for new wind resources constructed through 2031.

resources and, at the time of the IRP filing, federal law only provided for benefits for resources online by the end of 2012.

**3. The Alliance’s claim that Utilities are reluctant to embrace new and clean technology is inaccurate.**

The Alliance claims that “a movement in the direction of clean energy is the right choice for the future of our city” but that “this opportunity represents a departure from the past and comes in the face of utility reluctance to embrace these new technologies.”<sup>42</sup> On the contrary, Entergy has made a strong commitment to the communities it serves and to the environment. Entergy has one of the cleanest generating fleets in the country and has won numerous awards for its environmental efforts. Through its wholesale commodity business, Entergy Corporation shares ownership in two wholesale wind-powered generating facilities in Texas and Iowa, and Entergy Corporation owns a district cooling business in Entergy Thermal. In 2012 alone, Entergy was recognized for its environmental, community, and sustainability efforts, including but not limited to being:

- Named one of the Top Utilities in Economic Development in North America by *Site Selection* magazine.
- Named a 2012 Tree Line USA Utility by the Arbor Day Foundation.
- Named by the Dow Jones Sustainability Index to its World Index and North America Index.
- Named to the Carbon Disclosure Project Leadership Index.

**H. Alliance’s Suggestion for Inclusion of the CFL Direct Install Program**

**1. CFL Direct Install Program kWh Savings Harder to Realize**

The CFL Direct Install program was not included as a separate program in the implementation filing for several reasons. Market saturation and baseline changes have played a

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<sup>42</sup> Alliance comments at 3.



significant role in decreasing the cost-effectiveness of the CFL Direct Install program. The success of the Direct Install program in the first two years of Energy Smart has significantly reduced the available market for CFL installation. In addition, retirement of certain incandescent bulbs has affected the deemed savings associated with the replacement of these bulbs by CFL bulbs. As a result, the costs associated with the CFL Direct Install program are rising while kWh savings are harder to realize.

It is important to also note that, though it does not exist as a separate program within the suite of Energy Smart programs, the Direct Install option is still available in the Home Performance with Energy Star program, Multifamily Weatherization and Income Qualified programs. Additionally, customers also will have access to energy efficient lighting alternatives through the Consumer Products program.

**I. Comments from the general public received at and following the Community Hearing held April 19, 2013**

**1. Comments and questions have previously been addressed**

At the Community Hearing held April 19, 2013, the Council and its Advisors accepted comments and questions from the public. The public was also given the opportunity to provide written comments for an additional week following the Community Hearing. The Council's Advisors shared a copy of all comments from the public with ENO.

The comments focused on two broad areas: the IRP, and the Implementation Filing. For the IRP, the public's comments largely focused on recommending the use of renewable energy instead of traditional supply-side resources, and the comments requested more spending on the implementation of energy efficiency and DSM. The public's comments recommended including the public at large earlier in the process in the development of future IRPs so its suggestions could be incorporated before any work begins. ENO believes it has previously addressed all

comments submitted by the public, both through these Reply Comments and the Public Questions and Answers on ENO's website. Questions or comments that were not germane to the IRP or the Implementation Filing were not addressed.

It is important to note that ideas from the public related to new Energy Smart programs were considered by ENO in the development of the new programs offered in the Implementation and Cost Recovery Filing. We would like to note that the public's comments were not only considered during the period as required by the Council for the IRP, but also heard over the 2-year life of the Energy Smart program.

**J. The Alliance largely ignores the cost to customers or impact to rates of its recommendations**

While the Alliance is quick to state the need for greater amounts of energy efficiency, it does not provide an assessment of the impact on customer rates of its proposal. The Alliance's recommended levels of energy efficiency would cost rate payers an additional \$13 million over the next three years and over \$400 million over and above the IRP by 2031.

**III. CONCLUSION**

As evidenced in these Reply Comments, ENO has spent a significant amount of time and detail in addressing the comments and criticisms of the IRP. This is to help ensure that the Council and its Advisors have the best available information prior to a ruling on the matters before the Council in this docket. As discussed above, ENO is in favor of cost-effective DSM programs, as demonstrated by Energy Smart, and its integration of DSM into its Integrated Resource Plan process. In the development of the Implementation Plan for the new Energy Smart programs, ENO took great care to incorporate comments and ideas of stakeholders, including those of the Alliance and the public, which have been relayed over the last two years of the current Energy Smart programs. The resulting portfolio represents some of the most innovative



**CERTIFICATE OF SERVICE**

**Docket No. UD-08-02**

I hereby certify that I have this 30<sup>th</sup> day of May 2013, served the required number of copies of the foregoing report upon all other known parties of this proceeding, by:  electronic mail,  facsimile,  overnight mail,  hand delivery, and/or  United States Postal Service, postage prepaid.

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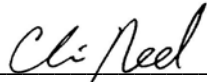
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New Orleans, Louisiana, this 30<sup>th</sup> day of May, 2013.

A handwritten signature in cursive script that reads "Chris Neel". The signature is written in black ink and is positioned above a horizontal line.

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Chris Neel