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February 27, 2017

VIA HAND DELIVERY

Clerk of Council:
1300 Perdido Street
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New Orleans, LA 70112

Re: *Council of the City of New Orleans Docket No.: UD-17-01*
Resolution Regarding Proposed Rulemaking to Establish Integrated Resource
Planning Components and Reporting Requirements for Entergy New Orleans,
Inc.

Dear Clerk of Council:

Enclosed please find original and three (3) copies of Sewerage and Water Board of New Orleans' Comments Regarding Potential Improvements to Integrated Resource Planning Requirements.

Should you have any questions whatsoever, please do not hesitate to contact me.

Very truly yours,



Shannon Bell, Legal Assistant to
Luke F. Piontek, J. Kent Parsons &
Gayle T. Busch

Enclosure

cc: All Counsel of Record via email

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

COUNCIL OF THE CITY OF NEW ORLEANS

DOCKET NO. UD-17-01

In re: Resolution Regarding Proposed Rulemaking to Establish Integrated Resource Planning Components and Reporting Requirements for Entergy New Orleans, Inc.

**SEWERAGE AND WATER BOARD OF NEW ORLEANS'
COMMENTS REGARDING POTENTIAL IMPROVEMENTS TO
INTEGRATED RESOURCE PLANNING REQUIREMENTS**

NOW COMES, through undersigned counsel, comes the Sewerage and Water Board of New Orleans ("S&WB"), which respectfully provides the following comments concerning potential improvements to the Integrated Resource Plan ("IRP") requirements pursuant to Resolution No. R-17-32 (Corrected) of the Council of the City of New Orleans ("City Council" or "Council").

BACKGROUND

Through a series of resolutions since 2008, the City Council has sought to establish uniform IRP guidelines applicable to all electric utilities in its jurisdiction. The City Council adopted Resolution No. R-08-295 which instituted a rulemaking proceeding to develop IRP components and reporting requirements. The components were intended to provide a framework to guide Entergy New Orleans, Inc. ("ENO") in its decision-making on various topics, including the development of generation resources and purchased power agreements, both individually and in conjunction with its affiliated Entergy Operating Companies, and to develop transmission and distribution facilities,

both individually and in conjunction with the Operating Companies.¹ In Resolution No. R-10-142, the City Council expanded the IRP framework set forth in Resolution No. R-08-295 and ordered, among other things, that IRPs should include a risk analysis which balances costs with risks to customers and required utilities to evaluate all resource options from the perspective of both the utility and all stakeholders.² Next, through Resolution No. R-14-224, the City Council established guidance for ENO's 2015 Triennial IRP that was the subject of Docket No. UD-08-02.

In 2014 and 2015, ENO held technical conferences addressing issues such as the Demand Side Management ("DSM") Potential Study and renewables as components of its IRP and its IRP modeling and draft IRP. ENO eventually filed its Final 2015 IRP with the City Council on February 1, 2016. The Final 2015 IRP also includes additional analyses requested by the stakeholders, called the Shareholder Input Case ("SIC").

Resolution No. R-17-32 (Corrected) was adopted on January 26, 2017 to consider changes to the IRP Requirements and the triennial IRP process. The resolution also deemed intervenors in Docket No. UD-08-02, including S&WB, to be intervenors in this proceeding. This resolution also directs intervenors in this proceeding to file any comments they have regarding any "changes to the Council's IRP Requirements," no later than February 24, 2017,³ which deadline was extended to February 27, 2017, via the February 24, 2017 order of Hearing Officer Jeffrey Gulin.

¹ See Resolution No. R-16-104, at 2, fourth WHEREAS paragraph, referencing Resolution No. R-08-295.

² See *id.*, at 3, first WHEREAS paragraph.

³ See Resolution No. R-17-32 (Corrected), at 14, Sec. 3(b).

S&WB appreciates the opportunity to provide its comments regarding changes and/or improvements to the Council's IRP Requirements and looks forward to working with the City Council and other parties on the issues presented in this proceeding.

SEWERAGE AND WATER BOARD OF NEW ORLEANS' COMMENTS

A. Introduction

S&WB provides the following comments concerning suggested improvements to the Council's IRP Requirements but notes that these comments are not to be construed as an exhaustive list of its concerns regarding the IRP Requirements or their ramifications. These comments are a representative set of S&WB's concerns, and S&WB reserves the right to raise other concerns and make further recommendations regarding the Council's IRP Requirements.

B. Recommended Changes to the Council's IRP Requirements

1. The Council's IRP Requirements do not adequately emphasize reliability in ENO's service territory

S&WB recognizes that Integrated Resource Planning focuses primarily on planning for resources needed to meet load, however, reliability of supply is also a vitally important aspect of such planning processes. The very first stated purpose for the Council's IRP Requirements is, "To optimize the integration of generation and transmission services with demand-side resource options to provide New Orleans ratepayers *with reliable electricity* at the lowest practicable cost."⁴ Likewise, ENO's Final 2015 IRP states that its "primary objective [is] to continue providing safe and

⁴ IRP Requirements, Attachment to Resolution No. R-10-142, at 2 (emphasis added).

reliable service to ENO’s customers at the lowest reasonable cost.”⁵ Despite these and similar statements, ENO’s Final 2015 IRP contains very little analysis of service reliability within ENO’s service territory. S&WB is deeply concerned regarding “dips” it has experienced in ENO’s electric service over the last several months. Some of these service dips have led directly to S&WB equipment failures, and a few have forced S&WB to issue boil water advisories. Boil water advisories are serious matters that affect the health and welfare of the citizens of New Orleans.

Therefore, S&WB encourages the Council to amend its IRP Requirements to require electric utilities within its jurisdiction to analyze reliability of supply to their ratepayers, along with supply-side and demand-side resources to meet their ratepayers’ needs. Specifically, S&WB recommends the Council amend Component 1 – IRP Objectives, second paragraph, setting forth items the IRP shall address, particularly part (3), which currently states, “use of the transmission and distribution systems to deliver power to New Orleans;...”, to read as follows:

(3) improvements to the transmission and distribution systems to enhance the reliability of service and delivery of power to New Orleans; ...

2. The effects of ENO’s membership in MISO must be analyzed

The current Council’s IRP Requirements were prepared prior to December 19, 2013, when ENO (along with the other Entergy Operating Companies) joined the Midcontinent Independent System Operator, Inc. (“MISO”), which is a Regional Transmission Organization (“RTO”). As an RTO, MISO controls access to, and oversees expansion planning regarding, its members’ transmission systems. MISO conducts a

⁵ Final 2015 IRP, at 8 (emphasis added).

near-continuous analysis of grid reliability and the ability of potential upgrades to enhance reliability and alleviate congestion. Further, MISO operates two energy markets (a Day-Ahead Market and a Real-Time Market) and an operating reserve market. ENO currently offers all of its generating resources and bids the demand of its customers into these markets. Upon receiving all offers of resources and bids for load, MISO determines the overall lowest reasonable cost mix of resources to meet the overall need of its members. That means energy and capacity availability and pricing in MISO are crucial factors in determining ENO's cost to supply electricity to its ratepayers in New Orleans.

The Council's IRP Requirements should be amended to account for this paradigm shift regarding planning with regard to ENO's transmission system and the energy and operating reserve markets. Specifically, the Council should amend its IRP Requirements, Component 1 – IRP Objectives, Component 2 – Demand and Energy Use Forecast, and Component 3 – Supply- and Demand-Side Resources, to recognize the MISO construct.

In Component 1 – IRP Objectives, second paragraph, setting forth items the IRP shall address, new categories should be added as new subparts (4) and (5) (with the current subpart (4) renumbered as subpart (6)), as follows:

(4) each relevant MISO Transmission Expansion Plan (“MTEP”), and including any Baseline Reliability Project (“BRP”), Market Efficiency Project (“MEP”) (which are designed to reduce congestion) and Multi-Value Project (“MVP”) (which are expected to provide multiple economic benefits across multiple pricing zones in the transmission footprint), and any transmission upgrades required to accomplish the retirement and/or deactivation of generation resources, (5) projections of energy prices, including, but not limited to Locational Marginal Prices (“LMP”) affecting the cost of energy, operating reserve market clearing prices, anticipated date of “equilibrium” and its effect on capacity or operating reserve prices, and other pricing factors affected by MISO's energy and capacity markets,...

Similarly, Component 2 – Demand and Energy Use Forecast, item (7) should be changed, since it refers to the Entergy System Agreement, which was terminated effective August 31, 2016, and to account for the effect on ENO’s planning resulting from its membership in MISO. Item (7) should be amended to read as follows:

(7) To the extent the utility is a party to a Regional Transmission Organization (“RTO”), such as the Midcontinent Independent System Operator, Inc. (“MISO”), the utility should supply the reference planning scenario demand and energy forecasts and peak demand forecasts coincident with the MISO peak demand, together with a full explanation of the effects on ratepayers of planning to the coincident MISO peak (as opposed to the coincident utility’s stand-alone peak).

Component 3 – Supply- and Demand-Side Resources should be amended by adding the following in the list of data to be supplied in the utility’s IRP:

A description of the effects on the utility’s required reserve margin as a result of the utility’s membership in MISO (or other RTO) and other cost and reliability effects of such RTO membership, including, but not limited to, Resource Adequacy Requirements, Zonal Resource Credits, Fixed Resource Adequacy Plans, Planning Reserve Auction and any Capacity Deficiency Charges.

3. The effects of any resource retirements or deactivations must be thoroughly vetted

The Council’s IRP Requirements touch upon potential or planned resource retirements or deactivations, but the requirements should be enhanced due to multiple recent changes (accelerations) in retirement decisions by ENO and its affiliates and the effects of such changes on the utilities’ supply-side resources. By way of example, a large portion of ENO’s claimed resource need in the Final 2015 IRP was driven by its decision to retire (mothball) two generating units located in New Orleans, known as Michoud Units 2 and 3 in 2016. The combined capacity of Michoud 2 and 3 is 780 MW,

representing over one-half of ENO's generating capacity.⁶ With the retirement of Michoud 2 and 3, ENO will own no operable generating resources in New Orleans. While the Michoud units were not new (the units were 53 and 49 years' old, respectively, at the time they were deactivated),⁷ they were not beyond their useful lives. MISO assumes a life-of-unit for a gas turbine of 60 years in its planning processes. The decision to retire generating units, and especially changes in such retirement decisions, merit more scrutiny in the IRP process.

In particular, Component 3 – Supply- and Demand-Side Resources should be amended by adding the following in the list of data to be supplied in the utility's IRP:

A description and analysis of any retirement and/or deactivation decisions concerning any supply-side resource(s), including, but not limited to, a complete description and analysis of any change in the retirement and/or deactivation date for such resource(s); whether, and if so, when, the utility has supplied the Attachment Y Notice to MISO; whether the Attachment Y Notice denotes retirement or "suspension" such that the utility may preserve Network Integrated Transmission Service ("NITS") or other transmission service reserved for such resource(s) for certain periods of time; and other cost and reliability effects of such retirement and/or deactivation decisions.

The utility should supply detailed engineering studies demonstrating that retiring such resource(s) is required from a safety standpoint, and/or economic analyses showing that maintaining such resource(s) would be more or less cost-effective than constructing a new generating unit.

CONCLUSION

S&WB appreciates the opportunity to provide the above comments regarding proposed changes and/or improvements to the Council's IRP Requirements. S&WB recognizes the IRP process is an important mechanism through which the City Council

⁶ See Final 2015 IRP, at 9.

⁷ See Final 2015 IRP, at 41.

and stakeholders can participate in, and provide input concerning, ENO's decision-making with respect to resource planning and reliability. ENO should be directed through enhanced IRP Requirements to more thoroughly address the concerns raised by S&WB's comments, particularly, the improvement of reliability in its service territory.

Respectfully submitted:


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***ATTORNEYS FOR SEWERAGE AND WATER BOARD
OF NEW ORLEANS***

CERTIFICATE

I hereby certify that on this day a copy of the foregoing Sewerage and Water Board of New Orleans' Comments Regarding Improvements to Integrated Resource Planning Requirements has been sent to the official service list by email, and served by United States mail, postage prepaid, through their representatives, at the following addresses:

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New Orleans, Louisiana, this 27th day of February, 2017.

Luke F. Piontek

LUKE F. PIONTEK