



BEFORE THE COUNCIL OF THE CITY OF NEW ORLEANS
RE: 2018 TRIENNIAL INTEGRATED
RESOURCE PLAN OF ENTERGY
NEW ORLEANS, INC.

August 23, 2018

By Hand Delivery
Clerk of Council
Room 1E09, City Hall
1300 Perdido St.
New Orleans, LA 70122

RE: 2018 TRIENNIAL INTEGRATED RESOURCE PLAN OF ENTERGY NEW ORLEANS, INC.

Dear Ms. Johnson,

Enclosed please find an original and three copies of the comments of the Alliance for Affordable Energy in the above matter. Please file the attached intervention and this letter in the record of this proceeding and return one time stamped copy to our courier, in accordance with normal procedures.

Thank you for your assistance with this matter.

Sincerely,

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BEFORE THE COUNCIL OF THE CITY OF NEW ORLEANS

**RE: 2018 TRIENNIAL INTEGRATED
RESOURCE PLAN OF ENTERGY
NEW ORLEANS, INC.**

DOCKET UD-17-03

**The Alliance for Affordable Energy's comments on Optimal's Draft
Demand Side Management Potential Study**

Thank you for this opportunity to provide input on the Draft Potential Study. We recognize that the timeline presents some barriers to providing information requested, and we look forward to the final product at the end of August. The Alliance would also like to comment on the draft and final report review schedule and process. While meeting the one-week review schedule for the draft report was a challenge, the Alliance was able to do so and submit both these Summary Comments as well as a fully marked-up version of the draft report. We are concerned, however, that the one week that Optimal now has to deliver the final report will be insufficient to allow them to give adequate consideration to our comments, and potentially those of others. While some of our comments are about the report format and presentation, some are specific to savings and cost assumptions. We cannot assume Optimal is prepared to redo its potential analysis if warranted by the comments received during the stakeholder review process. This is a concern we will preserve for future IRP cycles.

Overall Comments

We note that there are some details missing from the narrative that would improve the report, including an explicit reference to the Council's 2% savings goal. Additionally, an annual incremental savings for each year from 2018-2027 would clarify how the program develops over time. While the estimated 1.8% *average* Program achievable savings does not appear to meet the Council's 2% goal, without a timeline of annual incremental increases, the reader can assume the 2% goal is reached at some point as Program achievable savings increase due to increased measure penetration rates. We would ask that the final potential study explicitly provide a chart of these annual savings values to assess whether, when, and by how much the 2% target is met and possibly exceeded.

We note that the ability to thoroughly review the Optimal study is impeded by the lack of detail provided in the draft report. Specifically, the following are not provided.

- Measure level detail beyond that provided in Appendix I. We note that Optimal's Proposal described the following measure General inputs, few of which are provided in the draft report:

- Applicable market sector
- Primary fuel and end use
- Secondary and tertiary fuels and end uses
- Measure effective useful life (EUL)
- Baseline EUL (if different)
- Savings (primary Fuel, relative to baseline, both energy and peak demand)
- Secondary and tertiary fuel savings
- Efficient equipment cost
- Baseline equipment cost
- Incremental cost
- Measure interactions (*e.g.*, if you insulate a home first, then installing a high efficiency heating system will save less)
- Measure mutual exclusion (*e.g.*, some measures compete for each other in terms of market penetration, such as CFL and LED bulbs, where only one can be selected)
- Loadshape and peak coincidence factors
- Eligible population to which a measure is applicable
- Eligible population to which a measure is feasible
- Share of existing equipment that is already efficient
- Operating hours
- Incremental and/or total installed cost
- Baseline adjustment factors for retrofit measures
- Measure specific non energy benefits
- Efficient measure component life (*e.g.*, lifetime of ballasts and lamps)
- Efficient component replacement cost
- Baseline component life
- Baseline component replacement cost
- O&M levelized annual cost impact
- Water savings
- Baseline remaining useful life (RUL) (retrofit only)
- Baseline cost (retrofit only)
- Baseline shift savings factor (retrofit only)

- A mapping of measures to the different penetration rate scenarios derived from the Delphi process and how any calculated post-incentive paybacks further reduce the Program Achievable potential penetration estimates for individual measures.

- A more explicit and detailed presentation of projected 2018, 2027 and 2037 sales by sector, including the Low-Income Sector.
- A more explicit discussion of non-low income and low-income energy use and savings disaggregation.

In at least a couple of instances (pgs 34 and 36) there are references to the use of “conservative” savings estimates in the demand response and rate design sections, as well as the use of an opt-in vs. opt-out scenario for demand response. Is this consistent with Optimal’s statements of assuming “best practices” and “aggressive programs”?

It is not clear that energy use and savings for water and waste water have been properly accounted for and characterized. Will this be included in the final potential study?

Executive Summary

The study does not specify and define the sectors examined. For example, there is no discussion of the Low-Income sector in the Executive Summary, and this sector is not defined in any part of the draft report. In addition, The executive summary should provide BCRs for all energy and demand savings sector and portfolio level activities. The summary should also provide sales by sector to provide context for the savings potential in New Orleans. Based on Entergy responses to Requests for Information, we understand forecasts of sales may fall under confidentiality agreements, but historic sales would not. This is especially useful in contextualizing a baseline.

Similarly, provide summer peak MW information and provide all demand savings estimates (efficiency, demand response and rate design) as a percent of forecasted peak. If available, also provide this information by sector. It is unclear if Entergy will provide a public version of either demand or sales forecasts? This makes a public discussion of needs (both energy and capacity) difficult for all stakeholders. The Executive Summary should explicitly note the use of the TRC test to assess cost effectiveness.

Introduction

It is not clear whether cost-effectiveness testing was applied to the demand response efforts. If not, why not?

Energy Efficiency

The benchmarking against states with successful EE programs concludes that the study's results are almost identical to the average of the 10 top 2016 states (1.8% vs. 1.82%). However, three states have much higher savings percentages. Why does Optimal's assessment not put the New Orleans savings potential more in line with those values of 2.5 - 3.0%%?

The cost effectiveness and avoided cost discussion should more explicitly address:

- Which test was used (TRC)
- Discount rate used
- LMP as a proxy for avoided costs, including the exclusion of any T&D avoided costs and whether and how avoided capacity benefits were quantified. The current discussion only addresses avoided energy costs. We understand Entergy does not provide T&D avoided costs for analysis, and this information would be useful in the narrative.

The 3% discount rate is not discussed until page 29, and considering the impact on the report's outcome, this topic should be taken up somewhat earlier in the final report.

The Delphi panel discussion does not discuss how individual measures were mapped to the 6 scenarios nor how Low-Income measures were treated in the development of achievable potential.

Table 10 (which is missing row labels) notes significant program budget in year 20. However, Optimal notes that full retrofit market adoption is achieved within the first ten years of program activity. Is this all ROF activity post-2027? How, if at all, do post-2027 budgets account for transformed markets, more stringent codes and standards, and lower measure costs? In the commercial sector, an emphasis on fixture, versus lamp, replacements might reduce the need for future program expenditures.

There appears to be no attempt made to more completely quantify non-energy benefits.


Optimal's proposal speaks at length to this topic:

Non-Energy Benefits

Both Optimal and ACEEE are at the forefront of research into the non energy benefits of energy efficiency. As mentioned earlier, Optimal prides itself on including the full range of benefits for each efficiency measures, and our measure database includes non energy benefits for measures where they are significantly justified based on the research. As part of the measure characterizations for New Orleans, Optimal will review the latest research to determine the

measures, sectors, or programs that should be updated. For example, a growing body of evidence has found and quantified significant health benefits associated with low income weatherization. Optimal's tools allow the inclusion of these measures at a measure level, program level, or as sector/global multipliers, depending on what makes the most sense for the specific benefit in question.

Capturing full range of benefits – The Optimal Team strives to look at the full range of benefits in addition to energy and demand savings from energy efficiency measures, in order to ensure that cost effectiveness tests are as accurate as possible. These factors include water savings, operation and maintenance savings, fossil fuel impacts, and non energy benefits in addition to traditional energy and capacity avoided costs.

 **Accounting of non-energy benefits** – See the discussion above. Optimal will work with the Council and other stakeholders to ensure that non energy benefits are appropriately included.

While the text discussion on job, economic, environmental and health benefits is informative, the Alliance does not believe that non-energy benefits, especially related to health, have been appropriately quantified and included in the study.

Demand Response/Rate Design

Beyond cooling equipment, no specifics are provided as to what other loads what might be controlled. For example there is no discussion of reducing demand for hot water and pool pumps? It appears that Optimal and ACEEE did an extensive literature review to inform DR and Rate Design savings and cost estimates. Summaries of these studies should be provided in an appendix of the final report. Finally, no commercial rate design options are proposed. Might there not be such opportunities, possibly for smaller customers?

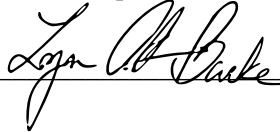
Conclusion

In addition to these Comments, we have attached an appendix of “markup” notes on the draft (Appendix 1) for more clarity on sections of concern. If there are questions related to these comments or those margin notes in the appendix, please feel free to contact the Alliance. Thank you again for the chance to provide feedback at this stage of the process.

**IN RE: 2018 TRIENNIAL INTEGRATED RESOURCE PLAN OF
ENTERGY NEW ORLEANS, INC.**

Certificate of Service Docket No. UD-17-03

I hereby certify that I have this 23rd Day of August, 2018, served the required number of copies of the foregoing correspondence upon all other known parties of this proceeding, by USPS or electronic mail.



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