

November 30, 2018

VIA HAND DELIVERY

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

RE: *Resolution and Order Establishing a Docket and Procedural Schedule to Consider the Application of Entergy New Orleans, LLC for Approval of Renewable Portfolio and Request for Cost Recovery and Timely Relief*
CNO Docket UD-18-06

Dear Ms. Johnson:

Please find enclosed the original and three copies of the Comments on behalf of Air Products and Chemicals, Inc. which we request you file into the record in the above-referenced matter. Please file an original and two copies into the record and return a date-stamped copy to my office in accordance with normal procedures.

Also enclosed is the HSPM version of the Comments on behalf of Air Products and Chemicals, Inc. which will be served by means of overnight Federal Express to those parties on the service list who are entitled to receive an HSPM version.

Should you have any questions regarding the above, please do not hesitate to contact me. Thank you for your assistance with this matter.

Very truly yours,



Carrie R. Tournillon

CRT/mpk

Enclosure

cc: Official Service List UD-18-06 (via electronic mail)
HSPM Service List UD-18-06 (via Federal Express)

Nov 30 11 16

BEFORE THE
NEW ORLEANS CITY COUNCIL

IN RE: RESOLUTION AND ORDER
ESTABLISHING A DOCKET AND
PROCEDURAL SCHEDULE TO
CONSIDER THE APPLICATION OF
ENTERGY NEW ORLEANS, LLC FOR
APPROVAL OF RENEWABLE
PORTFOLIO AND REQUEST FOR
COST RECOVERY AND TIMELY
RELIEF.

DOCKET NO. UD-18-06
November 30, 2018

AIR PRODUCTS AND CHEMICALS, INC.
COMMENTS

Air Products and Chemicals, Inc. ("Air Products") respectfully submits the following comments pursuant to the Resolution and Order Establishing A Docket And Procedural Schedule to Consider the Application of Entergy New Orleans, LLC ("ENO") for Approval of Renewable Portfolio and Request for Cost Recovery and Timely Relief (Resolution R-18-353), as modified by Order dated October 26, 2018 of Hearing Officer Gulin.

Lowest Reasonable Cost Resources:

Air Products raises as a general concern that ENO's application seeks approval of renewable resources that have not been established to be the lowest reasonable cost resources to meet ENO's capacity and energy needs. Rather the resources were selected from a renewables-only request for proposal ("RFP") and are expensive compared to

market prices of resources as forecasted by ENO. While Air Products understands that ENO has committed to the Council that it will add 100 MW of renewable power to its generation portfolio, the economic impact on customers of ENO's fulfilling such commitment must be considered. Air Products maintains that any renewable resource pursued by ENO and approved by the Council in an effort to fulfill ENO's renewables commitment, or otherwise, should still be the lowest reasonable cost resource to meet an identified need and provide reliable power to ENO's captive ratepayers. Additionally, Air Products requests that future renewable RFPs include an option for brown power (PPA or plant) with the purchase of renewable energy credits (RECs) or emission free energy certificates (EFECs).

Opposition to FAC Recovery of Capacity Costs:

Air Products objects to the recovery of the capacity component of the St. James PPA through ENO's fuel adjustment clause ("FAC"). Despite the energy-only pricing, ENO's economic evaluation of the proposed PPA attributes approximately 21% of the value of the PPA to capacity, which is only possible because ENO will receive capacity credit and capacity-related benefits from the PPA. [See HSPM Schedule 1, attached hereto, which relies on ENO Response to Advisors 1-1, Addendum 1, Summary Tab (BP19 Capacity value).] The PPA being "energy-only" characterizes the pricing structure but is not an accurate characterization of the products being provided under the proposed PPA, which are typically associated with fixed costs of the resources. Recovery of costs associated with capacity benefits (*i.e.*, fixed costs) through

a volumetric energy is not appropriate and should not be approved by the Council. As advocated by the Advisors' witness Mr. Victor M. Prep, P.E., in Docket No. UD-16-02:¹

Fairness among customer classes is maintained by a cost recovery treatment that is based on cost incurrence. The indiscriminate use of the volumetric recovery of costs through the FAC should be avoided.

Thus, Air Products objects to FAC recovery of the capacity-related resource value associated with the St. James PPA, as is proposed by ENO. This resource value component should be recovered on a base rate revenue basis.

Opposition to New Orleans Solar Station ("NOSS"):

As indicated on HSPM Schedule 1, attached hereto, the projected energy and capacity benefits of the NOSS are similar to that of the proposed St. James PPA; however, the net benefits of the NOSS are significantly less than the PPA due to the cost of the NOSS (on both a total price and per MW basis) being more than twice that of the PPA. Without the NOSS project going forward, the remaining two projects (if approved by the Council²) would still add 70 MW of capacity from renewable resources, materially advancing ENO towards fulfilling its commitment of adding 100 MW of renewable resources to its generation portfolio.

¹ Docket UD-16-02, *In Re: Application of Entergy New Orleans, Inc. for Approval to Construct New Orleans Power Station and Request for Cost Recovery and Timely Relief*, Direct Testimony of Victor M. Prep, P.E. on Behalf of the Advisors of the Council of the City of New Orleans, pages 26-27 (November 27, 2017).

² As indicated herein, Air Products opposes FAC recovery of the capacity-related costs of the St. James PPA; thus, any approval of the St. James PPA should require the costs associated with the capacity benefits of the PPA being recovered on a base rate revenue basis.

RESPECTFULLY SUBMITTED:



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Attorneys for Air Products and Chemicals, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served by hand delivery to the Clerk of Council with a copy to the Director, Council Utilities Regulatory Office, and upon all known parties of record via electronic mail.

New Orleans, Louisiana this 30th day of November, 2018.



Carrie R. Tournillon

HSPM SCHEDULE 1

REDACTED