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January 4, 2019

Via Electronic Mail

Honorable Helena Moreno
Councilmember-At-Large
City of New Orleans
City Hall, Room 2W40
1300 Perdido Street
New Orleans, Louisiana 70112

Re: Rulemaking Proceeding to Establish Rules for Community Solar Projects, CNO Docket No. UD-18-03
File No. 7717-42

Dear Councilmember Moreno:

On behalf of Air Products and Chemicals ("Air Products"), I write to respond to the letters you have received on behalf of the Alliance for Affordable Energy ("AAE") and Entergy New Orleans, LLC ("ENO"). Specifically, Air Products opposes the adoption of a 1:1 retail rate credit for capacity from community solar facilities, as is being requested by the AAE and others because such a credit would drastically overstate the value of the capacity being provided by the facilities.

As indicated at the Council's December 13, 2018 Utility, Cable, Technology and Telecommunications Committee meeting, the Advisor's proposed use of the MISO CONE valuation as the basis of the capacity valuation for a community solar facility's capacity value already substantially overstates the value of such capacity in the current MISO market, which is not at equilibrium, and will result in a subsidy of the community solar program by ENO customers.[1] However, as ENO demonstrates in its letter dated December 20, 2018, using a 1:1 retail credit would go much farther in over-valuing capacity from community solar facilities. Participants in the community solar program should not be compensated more for the capacity of a community solar facility than ENO can receive from the current market, as the difference will result in such costs being shifted to other ENO customers.

[1] The Cost of New Entry ("CONE") represents the cost of developing a new CT ***if the MISO market was at equilibrium (no excess capacity)***, which it is not expected to for at least five to seven years.

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While the AAE and others wish to compare participating in the community solar program to participating in the net energy metering program, there are differences. It is important to point out that participants in the community solar program are not making long-term investments to demand a premium price. Further, there is no requirement in the proposed rules that creates an obligation for a community solar facility to produce power for a particular term. [Sec. VI.B.6] Nor is there an obligation for a community solar facility to deliver to ENO a particular amount of capacity or energy. [Sec. VI.B.6] Nor do we know to what level ENO will be able to count capacity under the program towards its MISO Capacity Requirements given that there appears to be a lack of any firm commitments. Moreover, the rules do not require a community solar facility to be new generation not in existence prior to the effective date of the rules. [Sec. IV.A.5] Thus, there is no obligation for a community solar facility to be developed as long-term generation resources that will provide reliable, low-cost power, and there is no basis to over-value capacity from such facilities at CONE - - much less full retail rates.

Air Products respectfully objects to the use of full retail rates for valuing capacity from community solar facilities.

Very truly yours,

C. R. T.

Carrie R. Tournillon

CRT/

cc: All Councilmembers
Official Service List, Council Docket No. UD-18-03