RESOLUTION

NO. R-15-140

CITY HALL: <u>April 9, 2015</u>

BY: COUNCILMEMBERS WILLIAMS, HEAD, GUIDRY, BROSSETT AND GRAY

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

RESOLUTION AND ORDER REGARDING THE APPLICATION OF ENTERGY NEW ORLEANS, INC. AND ENTERGY LOUISIANA. LLC FOR APPROVAL OF SUPPLEMENTAL IMPLEMENTATION AND COST RECOVERY PLAN FOR THE CONTINUATION OF THE ENERGY SMART PLAN

WHEREAS, pursuant to the Constitution of the State of Louisiana and the Home Rule Charter of the City of New Orleans ("Charter"), the Council of the City of New Orleans ("Council") is the governmental body with the power of supervision, regulation, and control over public utilities providing service within the City of New Orleans; and

WHEREAS, pursuant to its powers of supervision, regulation, and control over public utilities, the Council is responsible for fixing and changing rates and charges of public utilities and making all necessary rules and regulations to govern applications for the fixing and changing of rates and charges of public utilities; and

WHEREAS, Entergy New Orleans, Inc. ("ENO") is a public utility providing electric service to all of New Orleans, except the Fifteenth Ward ("Algiers"), and gas service to all of New Orleans; and

WHEREAS, Entergy Louisiana, LLC ("ELL-Algiers") provides electric service to the Algiers section of New Orleans; and

WHEREAS, ENO and ELL-Algiers (the "Companies") are wholly-owned subsidiaries of Entergy Corporation ("Entergy"); and

Background

WHEREAS, through the Council's Integrated Resource Plan ("IRP") process, ENO and ELL-Algiers, working with the Council and stakeholders, have established Energy Smart programs to promote energy efficiency and conservation measures throughout New Orleans; and

WHEREAS, the Council in Resolution R-15-15 approved the interim extension of the existing Energy Smart programs through March 31, 2015 (Program Year 4); and

WHEREAS, the Council in Resolution R-14-509 directed that the Energy Smart programs be funded at the following levels for the program years running April 1, 2015 to March 31, 2016 ("Program Year 5") and April 1, 2016 to March 31, 2017 ("Program Year 6"):

1. The ENO Energy Smart Program shall be funded at a level of $6.5 million for Program Year 5, which shall be inclusive of all program costs, a 6.5% of program cost budget for EM&V, the lost contributions for fixed costs and incentives for reaching 100% of the Council's energy savings targets (incentives for the increments over 100% of the energy savings targets would be in addition to the $6.5 million budget);

2. The ENO Energy Smart Program shall be funded at a level of $7.8 million for Program Year 6, which shall be inclusive of all program costs, a 6.5% of program cost budget for EM&V, the lost contributions for fixed costs and incentives for reaching 100% of the Council's energy savings targets (incentives for the increments over 100% of the energy savings targets would be in addition to the $7.8 million budget);

3. The ELL-Algiers Energy Smart Program shall be funded at a level of $718,265 per year for Program Years 5 and 6, which shall be inclusive of all program costs, a 6.5% of program cost budget for EM&V, the lost contributions for fixed costs and incentives for reaching 100% of the Council's energy savings targets (incentives for the increments over 100% of the energy savings targets would be in addition to the $718,265 budget); and

WHEREAS, the Council also in Resolution R-14-509 directed the Companies to file their detailed DSM Implementation Plans ("Implementation Plans") incorporating the directives in Resolution R-14-509 and including:

1. The specific programs to be included in Energy Smart which are consistent with the Council's directions as expressed in Resolution R-13-363 under the section entitled "Implementation of Energy Efficiency and Demand Response Programs," and restricted to those programs that were previously demonstrated by ENO to have cost-effectiveness ratios greater than 1, except for the low income and other specific programs previously exempted from the cost-effectiveness test by this Council;

2. The funding levels under the Council-determined budget for the specific programs to be included in the Energy Smart programs for Program Years 5 and 6, which should also include Lost Contributions to Fixed Costs ("LCFC") based on after-the-fact estimates and a provision for utility incentives for achieving 100% of program goals;

3. Appropriate kWh savings goals for each program;

4. A proposed cap on the rate impact for large customers;

5. An EM&V budget of 6.5% of the program budget; and

6. The estimated impact on monthly customer bills for ENO and ELL-Algiers; and

WHEREAS, the Council in Resolution R-14-509 also provided a procedural schedule providing for comments on the Implementation Plans from stakeholders, reply comments from the Companies, and an Advisors Report; and

<u>Implementation Filing and Stakeholder Comments</u>

WHEREAS, on December 29, 2014, the Companies submitted the Application of Entergy New Orleans, Inc. and Entergy Louisiana, LLC for Approval of the Supplemental Implementation and Cost Recovery Plan for the Continuation of the Energy Smart Plan for Year 5 and Year 6, ("Implementation Filing"). The Companies submitted a corrected version of the filing on January 5, 2015; and

WHEREAS, the Companies' Implementation Filing (1) detailed the programs to be included in Energy Smart; (2) the funding levels for each program; (3) the kWh savings goals for each program; (4) the Companies' recommendation regarding a cap on the rate impact for large customers; (5) the EM&V budget; (6) the estimated impact on monthly customer bills; and (7) a proposed alternative incentive and penalty structure; and

WHEREAS, the Alliance for Affordable Energy ("Alliance" or "AAE") filed comments regarding the Implementation Plan on January 20, 2015 ("Alliance Comments"). The Alliance states that (1) program administration costs are out of line with best practices; (2) the program should shift decisively toward comprehensive programs; (3) the incentives and LCFC should be restructured; (4) the Council should hire independent EM&V services; (5) the planning process needs to be improved; (6) the lack of a multi-family housing program is a missed opportunity; (7) while it supports adding a behavioral program, the proposed pilot raises red flags and should be modified; (8) the loan program and facilitation aspect of NOLA Wise is not currently running and should be removed from any language or budget planning; (9) more detail is needed regarding the proposed smart thermostat pilot; and (10) the efficient light direct install program should move to LEDs; and

WHEREAS, Green Coast Enterprises ("GCE") also filed comments regarding the Implementation Plan on January 20, 2015 ("GCE Comments"). GCE states that (1) the affordable multi-family housing sector is a critical untapped resource for achieving widespread energy demand reductions in the residential sector and should be targeted; and (2) it strongly encourages the use of pilot programs to continue to innovate program design, but would like to see more specific timelines and budgets for the programs to ensure they are being given enough time to test the concept in the New Orleans market; and

WHEREAS, the Companies filed comments responsive to the Alliance and GCE comments on February 4, 2015 ("Companies' Reply Comments"); and

WHEREAS, as directed in Council Resolution No. R-14-509, the Companies conducted a technical conference on January 20,2015 on the Energy Smart Implementation Plan which was attended by the Advisors, Intervenors and interested stakeholders. At the technical conference, several parties, including the Advisors, expressed their concerns regarding the Implementation Filing and received the Companies' responses; and

WHEREAS, subsequent to the technical conference, the Advisors continued to seek additional information from the Companies regarding the Implementation Plan and to discuss their concerns with the Companies; and

WHEREAS, the Advisors filed their Advisors Report on ENO and ELL-Algiers' December 29, 2014 Supplemental Implementation and Cost Recovery Filing with the Council on February 19, 2015 ("Advisors' Report"). The Advisors state that compared to previous filings of detailed implementation plans by the Companies, the Implementation Filing was incomplete, contained several deficiencies and inconsistencies, was non-compliant with the Council's directives and lacked supporting workpapers necessary to verify the results and analysis performed in designing the programs.[1] The Advisors' Report recommends several changes to the proposed Implementation Plan; and

WHEREAS, the changes to the proposed Implementation Plan recommended by the Advisors Report included: (1) funding levels for each program adjusted to the total funding approved for each Program Year by the Council; (ii) a corresponding adjustment to kWh savings goal for each program; (iii) detailed support for proposed pilot programs in Year 5 and Year 6; (iv) a cap analysis for small and large commercial and industrial ("C&I") customers; (v) recommendations regarding the increased EM&V budget; (vi) an LCFC determined after each Program Year; and (vii) a modified performance-based incentive and penalty mechanism proposal for Program Year 5 and Year 6; and

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[1] Advisors' Report at 3.

WHEREAS, regarding the Advisors' request for additional information on the Implementation Filing, subsequent to the Advisors' Report the Companies provided some additional workpapers and summary results regarding program design and a cap analysis to the Advisors after the Advisors' report was filed; and

A. Programs to Be Included in Energy Smart

1. Companies' Proposal

WHEREAS, the Companies proposed that the ENO and ELL-Algiers Energy Smart programs for Program Years 5 and 6 incorporate the following programs for residential ratepayers: (1) Home Performance with ENERGY STAR ("HPwES"); (2) Consumer Products; (3) Low Income Audit & Weatherization; (4) School Kits and Education; and (5) Residential Heating and Cooling;[2] and

WHEREAS, the HPwES program would be a continuation of the current Energy Smart HPwES program, which offers a whole home approach to energy efficiency measures for single family unit customers;[3] and

WHEREAS, the Consumer Products program focuses on providing incentives for consumers to purchase more energy-efficient room air conditioners, the highest efficient ENERGY STAR labeled refrigerators, and specialty CFL and LED light bulbs;[4] and

WHEREAS, the income-qualified Low Income Audit and Weatherization program targets a hard-to-reach segment of the market with significant weatherization of single-family and multi-family units of up to $3,000 per unit;[5] and

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[2] Implementation Filing at 5-8. The Advisors note that although the program names were continued, a significant program restructuring was done relative to the April 1, 2013 implementation filing for Program Years 5 and 6 with measures moved between programs, two programs combined, and several pilots added. Advisors' Report at 3, n2.
[3] Implementation Filing at 5.
[4] *Id.* at 6.
[5] *Id.*

WHEREAS, the School Kits and Education program (which originated with NOLA Wise) will continue to offer energy education and energy conservation kits to fifth- through seventh-grade classrooms in Orleans Parish schools;[6] and

WHEREAS, the Residential Heating & Cooling program is a high-performance tune-up program supporting the use of DSM industry best practices for the delivery of tune-ups using a measurement and verification approach to generate measured savings;[7] and

WHEREAS, the Companies also propose a Large C&I program with facility audits and incentives for a suite of common energy efficiency measures as well as energy master planning and benchmarking and large custom projects;[8] and

WHEREAS, the Companies also propose a Small C&I program that offers facility audits, a suite of common energy efficiency measures, and incentives targeted at enhancing participation in key market segments and improving measure diversity by increasing the adoption of high performance tune ups to enhance HVAC program offerings;[9] and

WHEREAS, in addition to these programs, the Companies recommend setting aside $300,000 for the inclusion of a behavioral pilot program in Year 6, but note that having a duration of only one year decreases the likelihood of the overall behavioral pilot being cost-effective.[10] The pilot is envisioned to include home energy reports to compare a customer's electricity usage to the usage of other similar homes in the New Orleans area and to encourage

[6] *Id.* at 6-7.
[7] *Id.* at 7.
[8] *Id.* at 8.
[9] *Id.*
[10] *Id.* The Advisors note that the Council has previously not required limited term pilot programs to be cost-effective in one year, but rather to provide sufficient data to determine long-term cost-effectiveness. Advisors' Report at 4, n10.

energy conservation behavior and increased awareness of the Energy Smart Plan to customers at the household level;[11] and

WHEREAS, the Companies propose several additional pilot programs, including (1) a new residential program pilot to show that savings can be generated through residential new construction code compliance; (2) a study on new "learning thermostats"; (3) a pilot for both small and large commercial and industrial customers to use contractor cash "spiffs"[12] to encourage the removal of tubular T12 lighting prior to the shift in baseline for these retrofits; (4) an initiative to enhance activity in the Small Commercial Solutions Program by offering contractors spiffs for each correct and complete application that is submitted to the program using the program tool; and (5) for Large Commercial Solutions, Resource Conservation Manager ("RCM") services could be offered as a pilot to a limited number of schools that take advantage of benchmarking and Energy Master Planning services;[13] and

WHEREAS, the Companies noted that there are several changes from the Original Portfolio Plan filed by the Companies in April of 2013. Most notably, the Multi-Family Weatherization program has been incorporated into the Low Income Audit & Weatherization Plan, and in light of Council feedback on the April 2013 filing, the CFL Direct Install program has been added back into the Implementation Plan;[14] and

2. *Stakeholder Comments*

WHEREAS, the Alliance comments that while the program budget is growing, the proposed design changes little from prior years. The Alliance states that it is time for New

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[11] Implementation Filing, Supplemental Implementation and Cost Recovery Filing of Entergy New Orleans, Inc. and Entergy Louisiana, LLC Pursuant to Council Resolution R-14-509, Attachment, Docket UD-08-02 at 9 ("Implementation Attachment").
[12] A contractor cash spiff is an immediate bonus for a sale which is provided as an incentive to encourage the implementation of the program.
[13] Implementation Filing at 8-9.
[14] Implementation Filing, CLEAResult 2015-2016 Revised Energy Smart DSM Plana Attachment Docket No. UD-08-02 at 3 ("CLEAResult Attachment").

Orleans to shift decisively toward comprehensive programs as has been done by Entergy in Arkansas and utilities throughout the country.[15] The Alliance notes that Energy Smart started out much like a "Quick Start" program where it was given three years of funding and allowed a large administrative overhead, but now that it is concluding its fourth year, it is time to expand the program to Phase II - a comprehensive energy efficiency program;[16] and

WHEREAS, the Alliance notes that two years of program implementation for 2015-2017 leaves little time for transition to comprehensive programs, and therefore recommends that Phase II planning begin soon with leadership from Entergy, CLEAResult, representatives of the Council, Intervenors, and the local energy efficiency business community.[17] The Alliance recommends that such planning include (i) increased participation among renters and low income households; (ii) contractor training and certification; (iii) capturing more savings per house; (iv) commercial building benchmarking; (v) investing in demand response programs; (vi) integrating Energy Smart communications with Entergy's communications; (vii) broadly communicating the benefits of, and opportunities for, energy efficiency upgrades to customers; and (viii) plan program in advance of program start periods;[18] and

WHEREAS, in their comments, the Alliance and GCE both state that there is a need for greater attention to multi-family housing programs which are a missed opportunity for the Energy Smart program and that low-income multi-family housing represents a large untapped resource for achieving widespread energy demand reductions in the residential sector.[19] The Alliance and GCE state (1) that there is a great deal of potential in New Orleans for this type of

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[15] Alliance for Affordable Energy Comments Regarding the Supplemental Implementation and Cost Recovery Plan for the Continuation of the Energy Smart Plan into Phase II, Docket No. UD-08-02 (Jan. 20, 2015) at 2 ("Alliance Comments").
[16] *Id.* at 3.
[17] *Id.*
[18] *Id.*
[19] *Id.* at 7; Green Coast Enterprises, Comments Regarding Entergy's Implementation Plan for 2015-2016, Docket No. UD-08-02 (Jan. 20, 2015) at 1 ("GCE Comments").

program with 80% of the New Orleans housing stock built before 1980 and 41% before 1949, (2) that since 2004, more than 37% of New Orleans residents spend on average more than 50% of their household income on rent and additional housing costs, including energy, and (3) that more than 40% of New Orleanians are renters with as much as 31% of the multi-family housing in New Orleans considered affordable or low-income.[20] The Alliance argues that the burden of the untapped savings in the older and less energy-efficient multi-family housing stock is being borne by the families with the fewest resources, so that renters pay a higher percentage of their income for energy which lowers their discretionary income and makes them more vulnerable to fluctuations in energy prices.[21] GCE notes that the City of New Orleans' residential market primarily consists of 1-4 family housing unit rental housing and that home ownership is less than 60%, far below the national average;[22] and

WHEREAS, GCE suggests that for the purpose of a multi-family housing program in New Orleans, rent limits should be defined for "affordable housing" rather than narrowing the program only to units in HUD affordable housing programs.[23] GCE notes that in addition to potential energy savings, improving energy efficiency standards improves the stability of vulnerable households, most of whom (88%) are renters whose average annual income is typically just over half that of homeowners,[24] making them more vulnerable to fluctuations in energy prices; and

WHEREAS, GCE notes that a widely cited 2009 report by the Benningfield Group, an energy consulting and software development firm, indicated that multifamily housing stock could feasibly become 28.6% more energy efficient by 2020, however, this sector has not

[20] Alliance Comments at 6; GCE Comments at 1.
[21] Alliance Comments at 6.
[22] GCE Comments at 1.
[23] *Id.*
[24] *Id.* citing The Benningfield Group, 2009 "U.S. Multifamily Energy Efficiency Potential by 2020", at 3.9.

received its fair share of investment, despite having a higher per-unit annual payback on investment than single-family homes;[25] and

WHEREAS, the Alliance and GCE further argue that the preliminary Total Resource Cost ("TRC") information on the Low Income Audit & Weatherization program in the Companies' Implementation Filing did not provide sufficient information on how the TRC was determined for the Council to rely upon it (noting that it does not capture non-energy benefits, and a low TRC result should be viewed as a signal to devote greater attention to the program rather than to reduce it).[26] They also note that multi-family building owners would benefit from energy benchmarking and that in light of the low interest in solar hot water heating, the Council should consider broadening the program to use available funds to cost-share with installation of heat-pump water heaters in a single large multi-family building with substantial hot water load;[27] and

WHEREAS, the Alliance states that it supports adding a behavioral program in order to increase participation by renters and low-income participants.[28] While the Alliance notes that behavioral programs are one tool to assure that all ratepayers have the opportunity to participate, the suggested pilot program raises a few red flags.[29] The Alliance states that the outlined structure ensures the pilot program will fail because it cannot achieve a TRC score over 1.0 for a one-year program.[30] The Alliance argues that this is a program with a short lead time that Entergy need not wait a year to implement;[31] and

[25] *Id.* at 2, citing The Benningfield Group, 2009 "U.S. Multifamily Energy Efficiency Potential by 2020", at 3.9.
[26] Alliance Comments at 7; GCE Comments at 4.
[27] Alliance Comments at 7; GCE Comments at 4.
[28] Alliance Comments at 7.
[29] *Id.*
[30] *Id.* at 8.
[31] *Id.*

WHEREAS, the Alliance states that behavioral programs meet all the objectives of moving forward with comprehensive energy efficiency programs that reach more segments of the community, capture new savings, further leverage rebate programs, and increase the utility's ability to meet a greater share of its customer demand through cost-effective energy efficiency.[32] The Alliance notes that behavioral energy efficiency programs have been extensively deployed to more than 20 million customers, independently tested and proven to deliver substantial energy and financial savings.[33] The Alliance argues that such a behavioral program should be implemented as soon as possible with sufficient resources for success;[34] and

WHEREAS, the Alliance points out that behavioral programs enable renters and low-income customers who might otherwise be unable to participate with an opportunity to become more energy efficient.[35] The Alliance argues that behavioral programs reach more people than the current Energy Smart programs, including the multi-family housing sector, and can accelerate the uptake of other energy efficiency measures and leverage other Energy Smart programs.[36] The Alliance recommends that a portion of the $300,000 budget for Behavioral Pilots be specifically designated to reach residents and building operators of affordable rental housing.[37] The Alliance notes that behavioral energy efficiency programs are approved as an energy-efficiency resource by regulators in over 31 states, including neighboring Southeastern states such as Arkansas, Mississippi, Oklahoma, and Texas, as well as Kentucky, Florida, and North Carolina and that a number of recent studies have pointed to the large potential of such

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[32] *Id.*
[33] *Id.*
[34] *Id.*
[35] *Id.* at 9.
[36] *Id.*
[37] *Id.*

programs, including one by McKinsey & Company, which found that behavioral programs have the potential to deliver roughly 16-22% savings of current residential sector energy use;[38] and

WHEREAS, the Alliance recommends that the current proposal for a behavioral pilot program be authorized for two years of operations rather than just one, which would increase its return on investment and improve its TRC score.[39] The Alliance argues that the ramp-up time needed for such a program reduces the cost-effectiveness of the first year, thus to reap the full benefits of the program, it should be at least two years long.[40] The Alliance suggests funding levels in line with those indicated in Appendix B of the Companies' Implementation Filing, enabling the initial ramp up and roll out in the first year and then reducing costs in the second year.[41] The Alliance also comments that the pilot should be redesigned to ensure success and suggests that the Companies put the behavioral program element out to request for proposal ("RFP") as there are a number of companies that deliver these types of programs;[42] and

WHEREAS, the Alliance notes in its comments that although it strongly supported the NOLA Wise program and urged that it be saved and integrated into Energy Smart, the program has since changed, the loan program ceased and was replaced by a school energy education and efficiency kit program.[43] Because the loan program and facilitation program is no longer running and the residential loan loss reserve is no longer being funded by the Southeast Energy Efficiency Alliance ("SEEA"), the Alliance argues that the loan program should be removed from any language or budget planning;[44] and

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[38] *Id.* at 10.
[39] *Id.*
[40] *Id.*
[41] *Id.*.
[42] *Id.* at 11.
[43] *Id.*
[44] *Id.*

WHEREAS, the Alliance notes that the school education and school kit program is not currently cost effective, and argues that it could be more cost effective and that program dollars should be directed to activities that meet cost-effectiveness criteria set forth by the Council.[45] The Alliance recommends the continuation and re-branding of the education program, including school education, and extending outreach to communities.[46] The Alliance notes that marketing and outreach to consumers are valid for a successful program, but encourages those administrative costs to be separately described for better evaluation.[47] The Alliance also notes that contractor training and recruitment are functions of education and outreach, and eventually growth, but the budget increase allocations are not clear, and that there is no clarification of how the increased budget is going to be allocated among schools, communities, or contractors or whether they have been moved over from separate administrative costs in prior years.[48] The Alliance comments that it appears that some large administrative costs that would generally be borne by the Energy Smart program as a whole have been put under the NOLA Wise program, which was specifically exempted from the Council's requirement to pass the TRC test.[49]

WHEREAS, the Alliance also notes that more detail is needed regarding the proposed smart thermostat pilot program and that the efficient light direct install program should move to LEDs;[50] and

WHEREAS, GCE also recommends the following: (i) the Plan and Budget for the 2015-2016 period should state the Council's goal for Entergy to capture all cost-effective efficiency in the affordable housing sector (noting that while it may not be achievable within the budgets for this time period, such a goal is an important marker); (ii) program budget should be set aside to

[45] *Id.* at 12. The "activities" that meet the cost-effectiveness criteria were not delineated.
[46] *Id.*
[47] *Id.*
[48] *Id.*
[49] *Id.*
[50] *Id.*

launch additional pilot programs aimed at affordable rental housing (GCE would be happy to work with Entergy's program implementer and bring examples of best practices in other states); (iii) the Council not rely upon the preliminary TRC information on Low Income Audit & Weatherization Program reported in Entergy's Implementation Filing, which did not provide sufficient information on how the TRC was determined (noting that it does not capture non-energy benefits, and a low TRC result should be viewed as a signal to devote greater attention to the program rather than to reduce it); (iv) the concepts to be tested in pilot programs should be broadened and a budget should be designated specifically to reach residents of affordable and rental housing (suggesting in particular a pilot program focusing on the behavior of building operators); (v) Entergy should plan to deliver benchmarking information to multifamily building owners; and (vi) in light of the low interest in solar hot water hearing, the Council should consider broadening the program to use available funds to cost-share with installation of heat-pump water heaters in a single large multifamily building with a substantial hot water load;[51] and

WHEREAS, GCE also states that they are excited to see Entergy and the Council continue to innovate with program design, and that they strongly encourage the use of pilot programs that are designed to give a full phase of data for review.[52] GCE notes that pilot programs that run for a shortened period of time will be under an unfair burden of program setup costs, and that more funding might be obtained through review of the administrative costs of programs that have been up and running for multiple years.[53] For all the proposed pilot programs, including Behavioral, Multifamily, Schools and Municipal Buildings, Hospitality and proposed commercial benchmarking, GCE would like to see more specific timelines and budgets for the programs to ensure they are being given enough time to test the concept in the New

[51] *Id.* at 2-4.
[52] *Id.* at 4.
[53] *Id.* at 4.

Orleans market.[54] GCE also encourages Entergy and their third party operator to reach out to partners already working in these areas to best inform the program design;[55] and

3. *Companies' Reply Comments*

WHEREAS, with respect to the Alliance's comments regarding the proposed behavioral pilot program, the Companies state that the Implementation Filing left open the option of expanding the behavioral program to cover both years, and that although an example of a program was offered in the Implementation Filing, ENO has not expressed a preference for any particular provider of such programs.[56] However, the Companies note, if the behavioral program is expanded to cover both years, it is unlikely that there would be sufficient time to allow for a selection process that includes a RFP process.[57] The Companies also note that in order to provide a behavioral program in both years, funding for other programs in Program Year 5 likely would be reduced.[58] The Companies note that beginning the program in Program Year 6, as they propose, would provide more time for the development of the behavioral program and the selection of an implementer;[59] and

WHEREAS, with respect to the NOLA Wise program, the Companies note that the Alliance is correct that the loan funding has been removed, and that the Companies' intent in the Implementation Filing was to allow for the potential "reseeding" of the loan reserve should the original or any other funding source decide to back the program.[60] The Companies also clarify

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[54] *Id.*at 4.
[55] *Id.*at 4.
[56] Response to Comments filed by the Alliance for Affordable Energy and Green Coast Enterprises, Docket No. UD-08-02, at 7-8 (Feb. 4, 2015) ("Companies' Reply Comments").
[57] *Id.*at 8.
[58] *Id.*
[59] *Id.*
[60] *Id.*

that of the budget for NOLA Wise each year, $333,333 is for operation of the program and $46,667 is for advertising and contractor development and recruitment;[61] and

WHEREAS, with respect to the assertions that the TRC score for the Low Income Audit & Weatherization program is too low and not supported by appropriate detail, the Companies noted that they did not limit or reduce the low income weatherization program based on the TRC because the low income program is not required to pass the TRC test.[62] The Companies also noted that the identification and quantification of non-energy benefits are being studied as part of the 2015 IRP process and have proved elusive to date.[63] The Companies recommend that because they are unnecessary because the low income programs do not need to pass the TRC test and there has not been consensus on how to identify and quantify non-energy benefits, the Companies recommend that the Council not consider them in this Implementation Filing;[64] and

WHEREAS, in response to the Alliance's recommendation that the solar water heater program be expanded to include heat pump water heaters,[65] the Companies state that the solar water heater program performed dismally in the first three years of the Energy Smart program, and thus was not included in the plan for Years 5 and 6, therefore there is no avenue for customers to perform heat pump water heater projects within the residential program and the extension of a separate solar water heater program is not warranted;[66] and

WHEREAS, the Companies note in their Reply Comments that utilizing the Green Light New Orleans methodology for the direct installation of LED light bulbs does not pass cost effectiveness tests because the LED light bulbs are significantly more expensive than the CFL

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[61] *Id.* at 9.
[62] *Id.* at 9-10.
[63] *Id.* at 10.
[64] *Id.*
[65] The Residential Heat Pump Water Heater measure is proposed to be included in the Home Performance with Energy Star program, rather than the Solar Water Heater Program.
[66] Companies' Reply Comments at 10.

light bulbs. The Companies state that they will continue to monitor the cost-effectiveness of LEDs and that customers can take advantage of the inclusion of LEDs in the Home Performance with Energy Star program;[67] and

WHEREAS, with respect to the comments of the Alliance and GCE regarding the affordable and low-income housing sector, the Companies state that while they agree that it is important to capture cost-effective energy efficiency in the affordable housing sector, there are several issues that make implementation difficult under current market conditions.[68] The Companies note that the studies relied upon by GCE to support the claim that "affordable housing in most cities contains vast amounts of cost-effective energy efficiency potential" all examined regions with much higher avoided costs for capacity and energy, and much higher electricity rates, Massachusetts, New York, and Michigan.[69] The Companies note that the cost-effective potential identified in multi-family stock in these locations cannot compare with that in New Orleans, where the avoided costs are well below even the national average;[70] and

WHEREAS, the Companies also argue that the "split incentive" issue where the property owner is not usually interested in making improvements when the benefit will be realized by tenants while the tenants are generally not allowed to make modifications to the property, or may not be interested if they will not live there long enough to realize the full benefit, means that multi-family programs often have to pay much higher incentives;[71] and

WHEREAS, the Companies state that while they agree it is important to capture cost-effective energy efficiency in the affordable housing sector, it is important to strive for a cost-effective balance in order to implement the most robust and comprehensive portfolio of

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[67] *Id.*at 11.
[68] *Id.*
[69] *Id.*
[70] *Id.*
[71] Companies' Reply Comments at 12.

programs possible given current budget levels.[72] The Companies also state that building operator training is best offered as a component of other programs as opposed to a standalone program.[73] The Companies also note that the Implementation Filing does include a component which allows for benchmarking of multifamily dwellings and that this also is best offered as a component of other programs rather than as a standalone program;[74] and

4. *Advisor Recommendations*

WHEREAS, the Advisors report that the Implementation Filing incorporates several changes to programs from the Original Portfolio Plan filed by the Companies in April of 2013, some to rearrange measures with a low cost effective screening test result into other programs; others to add new pilot programs into existing programs.[75] The Council requires the specific programs to be included in Energy Smart to be restricted to those programs that were previously demonstrated by ENO to have cost-effectiveness ratios greater than one.[76] Some of the "restructured" programs are shown with benefit to cost results of less than one, while previous results before restructuring show benefit to cost results of greater than one.[77] While avoided costs are lower, the lower program cost-effectiveness is also related to the movement of measures between programs and the definition and assumptions used to estimate the kWh reductions of the measures;[78] and

WHEREAS, the Advisors' analysis of the program development detail showed several assumptions and measure definitions between the original and restructured programs with unidentified differences such that no clear path could be determined in deriving the results of

[72] Companies' Reply Comments at 12.
[73] Companies' Reply Comments at 13.
[74] Companies' Reply Comments at 13.
[75] Advisors' Report at 11.
[76] *Id.*, citing Resolution R-13-363.
[77] *Id.*
[78] *Id.*

much of the program restructuring.[79] The Advisors found that the Companies' work papers lacked supporting analytical details on the changes made to the original programs, and the factors considered in designing the new programs;[80] and

WHEREAS, the Advisors also report that the Implementation Filing is lacking significant detail for the proposed pilot programs, including the behavioral pilot in Program Year 6, to confirm that they would produce sufficient data to determine a long term cost benefit analysis.[81] The Advisors note that the Companies proposed a number of pilot programs without providing any detailed cost or analytics on these proposed programs.[82] It is the view of the Advisors that the Council does not have sufficient information before it at this time to approve the implementation of any specific pilot program;[83] and

WHEREAS, the Advisors state that a further resolution of the Council will be needed for approval of the proposed pilot programs, once the Companies provide supplemental information that includes, at a minimum:

a. Incentive costs, non-incentive costs and kWh savings (in some cases where the supporting calculations require, individual measures should be shown within a program) for each individual pilot program proposed;

b. EM&V spending at 6.5%;

c. LCFC including the adjusted gross margin ("AGM") calculation;

d. The composite of the pilot program costs and other proposed program costs, including NOLA Wise, should be shown to equal the annual total spending levels of $6.5 million for Program Year 5 and $7.8 million for Program Year 6 as approved in Resolution R-14-509; and

e. Similar tables should be provided for any pilot programs proposed for ELL-Algiers, with detailed worksheets to support the tables;[84] and

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[79] *Id.*
[80] *Id.*
[81] *Id.*
[82] *Id.*
[83] *Id.*
[84] *Id.* at 11-12.

WHEREAS, the Advisors recommend that the Council approve the development of a relevant behavioral pilot program that can be initiated with a carefully defined structure and goals, set of required results, a limited term specific to New Orleans' demographics and one which captures real data on consumer behavior and long term cost-effectiveness.[85] The Advisors also recommend that annual costs for such a pilot New Orleans program should be determined by the resources required to implement the defined structure and to obtain the required results, rather than a less supportable estimate related to industry-wide programs;[86] and

WHEREAS, the Advisors note that although parties have suggested that a two-year program would be more effective than a one-year program, no party has suggested or provided supporting evidence for any alternative to the budget proposed by the Companies, therefore, the Advisors recommend that the detailed cost estimate should not exceed the cost estimate proposed in the Implementation Filing of $300,000 in Program Year 6 for all associated costs.[87] The Advisors state that the use of Program Year 5 should allow the proper time for the issuance of a request for proposal by the Companies, stakeholder engagement in the development and design of the program and a filing before the Council by the Companies with a recommendation for the selected Behavioral Pilot Program and subsequent Council approval;[88] and

WHEREAS, the Advisors also recommend that the Behavioral Pilot Program be properly designed to control and adjust specific New Orleans consumer data for the impact of Energy Smart incentives so as not to confuse savings related with Energy Smart incentives with changes in energy that can be solely attributed to a program directed to behavioral modification;[89] and

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[85] *Id.* at 12.
[86] *Id.*
[87] *Id.*
[88] *Id.*
[89] *Id.*

WHEREAS, the Advisors also recommend that a potential Behavioral Pilot Program should produce relevant New Orleans-specific data to support projected costs and kWh reductions over a minimum 20-year planning period in order to adhere to the Council's IRP resolutions, noting that such data allows all supply- and demand-side resources to be evaluated on a level playing field in the IRP process and note that New Orleans ratepayer savings may not match those experienced by those customers in other jurisdictions with higher utility rates;[90] and

WHEREAS, the Advisors report that there was a consensus among the participants at the Implementation Filing technical conference that a load control of residential appliances demand response pilot program should be initiated in Program Year 6.[91] The Advisors also report that pursuant to Resolution R-13-363, such DSM demand response programs are currently being evaluated in ENO's October 2015 IRP filing;[92] and

WHEREAS, notwithstanding concerns regarding the funding level of the School Kits and Education program and NOLA Wise programs, the Advisors support the continuation of an Energy Smart School Kits and Education program; and

WHEREAS, the Advisors also recommend that a separate evaluation of multifamily benchmarking, which the Companies state is offered as a component of programs in the proposed Implementation Plan, be included in the Annual Energy Smart Reports to the Council; and

WHEREAS, notwithstanding the concerns the Advisors expressed in their Report, and assuming that much of the detail will be provided by the Company in subsequent filings for

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[90] *Id.*
[91] *Id.* at 12-13.
[92] *Id.* at 13.

Council review and approval, the Advisors recommend that the proposed restructured programs be approved by the Council;[93] and

5. *Council Determination*

WHEREAS, the Council notes that substantial changes have been proposed to the previously approved programs related to measures included within programs and the methodology incorporating changes to reference sources. While we find the programs as proposed to be generally acceptable, there are remaining concerns with the program design in the Implementation Plan related to supporting detail for pilot programs, reductions in kWh goals, and how these changes will impact the evaluation of Program Years 5 and 6; and

WHEREAS, the Council is supportive of pilot programs to continue to evaluate and develop new Energy Smart programs, but remains concerned that insufficient detail has been provided regarding the pilot programs, including the Behavioral Program, proposed in the Implementation Filing; and

WHEREAS, the Council notes that it is not necessary for a pilot program to meet the cost-effectiveness test, rather it is necessary for such programs to produce sufficient data for the Council to evaluate the long-term cost-effectiveness of the program being tested through the pilot; and

WHEREAS, the Council agrees with the Advisors that the Companies must file an application with the Council for review and approval prior to the implementation of any new pilot program that includes, at a minimum:

a. Incentive costs, non-incentive costs and kWh savings (in some cases where the supporting calculations require, individual measures should be shown within a program) for each individual pilot program proposed;

b. EM&V spending at 6.5%;

[93] Advisors' Report at 13.

c. LCFC including the adjusted gross margin ("AGM") calculation;

d. The composite of the pilot program costs and other proposed program costs, including NOLA Wise, should be shown to equal the annual total spending levels of $6.5 million for Program Year 5 and $7.8 million for Program Year 6 as approved in Resolution R-14-509; and

WHEREAS, the Council approves the development of a relevant Behavioral Pilot program for the ENO Energy Smart program to be initiated with a carefully defined structure and goals, set of required results, a limited term specific to New Orleans' demographics and one which captures real data on consumer behavior and long-term cost-effectiveness; and

WHEREAS, in the interest of transparency and openness, the Council finds it prudent to allow sufficient time for the Behavioral Program to be developed and for an RFP to be issued by ENO to select a program provider; and

WHEREAS, the Council finds that the annual costs for such a pilot should be determined by the resources required to implement the defined structure and to obtain the required results, rather than on estimates related to industry-wide programs, but that costs should not exceed the estimate proposed in the Implementation Filing of $300,000 in Program Year 6. The Council directs ENO to develop and design such a program and submit an application for approval of such a program in accordance with the criteria listed above to the Council for review and approval prior to implementation, and to conduct an RFP to select the company to deliver the pilot program; and

WHEREAS, the Council finds that there should be a separate evaluation of multifamily benchmarking included in the Annual Energy Smart Reports to the Council; and

WHEREAS, except as otherwise noted herein, the Council approves the program design proposed by the Companies for Energy Smart Program Years 5 and 6; and

B. Funding Levels for Each Program

1. Companies' Proposal

WHEREAS, the Companies propose the following budgets for the suite of programs to be included in ENO's Energy Smart program:[94]

ENO Residential C&I Program Portfolio Budgets Year 5			
Residential Program	**Incentives**	**Non-Incentives**	**Total**
HPwES	$296,027	$225,324	$521,351
Consumer Products	$244,172	$184,651	$428,823
Low Income Audit & Weatherization	$330,286	$374,147	$704,433
School Kits & Education	$73,392	$428,768	$502,160
Residential Heating & Cooling	$256,783	$123,643	$380,426
Total Residential	**$1,200,660**	**$1,336,533**	**$2,537,193**
C&I Program			
Small C&I	$472,792	$499,384	$972,176
Large C&I	$915,652	$902,824	$1,818,476
Total C&I	**$1,388,444**	**$1,402,208**	**$2,790,652**
TOTALS	**$2,589,104**	**$2,738,741**	**$5,327,845**

[94] Implementation Filing, CLEAResult Attachment at 8-10.

ENO Residential, C&I Program Portfolio Budgets			
Year 6			
Residential Program	**Incentives**	**Non-Incentives**	**Total**
HPwES	$380,633	$269,176	$649,809
Consumer Products	$293,105	$220,584	$513,689
Low Income Audit & Weatherization	$398,427	$446,282	$844,709
School Kits & Education	$89,012	$437,543	$526,555
Residential Heating & Cooling	$252,207	$147,695	$399,902
	$1,413,384	**$1,521,280**	**$2,934,664**
C&I Program			
Small C&I	$608,960	$595,256	$1,204,216
Large C&I	$1,065,404	$1,076,704	$2,142,108
Total C&I	**$1,674,364**	**$1,671,960**	**$3,346,324**
TOTALS	**$3,087,748**	**$3,193,240**	**$6,280,988**

WHEREAS, the Companies propose the following budgets for the suite of programs to be included in ELL-Algiers' Energy Smart program:[95]

ELL-Algiers Residential, C&I Portfolio Budgets			
Year 5			
Residential Program	**Incentives**	**Non-Incentives**	**Total**
HPwES	$23,806	$20,064	$43,870
Consumer Products	$19,333	$15,579	$34,912
Low Income Audit & Weatherization	$28,321	$30,243	$58,564
School Kits & Education	$6,433	$79,530	$85,963
Residential Heating & Cooling	$22,315	$10,436	$32,752
Total Residential	$100,208	$155,852	$256,061
C&I Program			
Small C&I	$41,913	$43,548	$85,461
Large C&I	$75,883	$77,220	$153,103
Total C&I	$117,796	$120,768	$238,564
TOTALS	**$218,004**	**$276,620**	**$494,625**

[95] *Id.*

ELL-Algiers Residential, C&I Portfolio Budgets			
Year 6			
Residential Program	**Incentives**	**Non-Incentives**	**Total**
HPwES	$26,795	$20,064	$46,859
Consumer Products	$20,616	$15,579	$36,195
Low Income Audit & Weatherization	$28,139	$30,243	$58,382
School Kits & Education	$6,293	$79,530	$85,823
Residential Heating & Cooling	$17,824	$10,436	$28,260
Total Residential	$99,667	$155,852	$255,519
C&I Program			
Small C&I	$43,078	$43,548	$86,626
Large C&I	$75,116	$77,220	$152,336
Total C&I	$118,194	$120,768	$238,962
TOTALS	**$217,861**	**$276,620**	**$494,481**

2. *Stakeholder Comments*

WHEREAS, the Alliance comments that program administration costs appear to be out of line with national best practices.[96] The Alliance states that it has calculated Energy Smart's Administrative costs to be more than 50% of the total program budget when national best practices indicate that the percentage should be in the range of 8-38%;[97] and

WHEREAS, the Alliance notes that costs properly included in program administrative costs include the following: (i) marketing, audits, application processing, and bid reviews; (ii) inspections and quality control; (iii) staff recruitment, placement, compensation, development, training and transportation; (iv) data collection, reporting, record-keeping, and accounting; and (v) overhead costs such as office space and equipment, vehicles and legal fees.[98]

[96] Alliance Comments at 1.
[97] *Id.* at 2, citing ACEEE's report "Saving Energy Efficiency Cost Effectively: A National Review of the Cost of Energy Saved Through Utility Sector Energy Efficiency Programs" Table 7.
[98] *Id.* at 1.

The Alliance requests that administrative costs be justified and ultimately reduced to be more in line with national averages;[99] and

3. *Companies' Reply Comments*

WHEREAS, with respect to the Alliance's comment that Program Administrator costs are out of line with national best practices, the Companies argue that the Alliance's calculation of the percentage of the total program budget going to program administrator costs is skewed.[100] The Companies argue that a portion of the NOLA Wise funding included in program administrator costs is for outreach and contractor training/recruitment which are costs that directly benefit the programs and are not retained by the implementer or administrator;[101] and

WHEREAS, the Companies also argue that the instruction to increase EM&V costs from 3% to 6.5% of program budget also affects the incentive/non-incentive ratio.[102] The Companies also argue that LCFC and utility performance incentives should be excluded from any comparison of incentive to non-incentive costs.[103] The Companies state that if these corrections are made, the percentage of program costs going to non-incentive program administrator costs decreases from 51% down to 46%, which is consistent with the ratios for Program Years 1-4 of the program;[104] and

WHEREAS, the Companies further argue that the table the Alliance included in its comments to demonstrate that administrative costs are too high compared to programs in other states is flawed because it only includes data from five states, presents an unweighted average number for the five states and does not show data beyond 2008.[105] The Companies also dispute

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[99] *Id.* at 2.
[100] Companies' Reply Comments at 2.
[101] *Id.*
[102] *Id.*
[103] *Id.*
[104] *Id.* at 2-3.
[105] *Id.* at 3.

the comparability of the ratios in other states used by the Alliance in their comments.[106] The Companies argue, for example, that in Texas, "incentives" are defined to include all costs that do not go directly to the implementer, thus costs such as advertising and other costs of implementation that are counted as "non-incentive" costs in New Orleans are considered "incentive" costs in Texas.[107] The Companies also argue that the remaining four states used for the comparison have some of the highest avoided costs of any states in the contiguous United States and are the most mature examples of markets for energy efficiency whereas in New Orleans, avoided costs are well below the national average and the market is not as well developed, both of which drive up administrative costs;[108] and

4. *Advisor Recommendations*

WHEREAS, the Advisors state that the NOLA Wise administrator costs for outreach and contractor training/recruitment not related directly to the School Kits and Education program should be identified separately for a clearer understanding and analysis.[109] The Advisors also report that the proposed School Kits & Education program and NOLA Wise budget should be clarified as to how the increased budget is allocated among schools and contractors and how these administrative costs were treated in prior program years.[110] The Advisors' Report provided the following tables[111] for Program Years 5 and 6 for ENO, showing the individual program incentive cost and non-incentive cost, NOLA Wise budget, EM&V at 6.5% of program budget, LCFC and utility incentive at 100% of goal as provided from the program in the Companies'

[106] *Id.* at 3-4.
[107] *Id.* at 3.
[108] *Id.* at 3-4.
[109] Advisors' Report at 16.
[110] *Id.*
[111] These tables included in the Advisors' Report were revised subsequent to the issuance of the Advisors' Report based upon further discussions and workpapers received from the Companies. The revised tables are shown below.

Implementation Filing.[112] The Advisors note that the individual program cost, as proposed in the Implementation Filing, does not match the program cost shown in Companies' response to stakeholder's comments.[113] The tables also show the difference in the total budget compiled from the Implementation Filing compared to the Council-approved budget as per Resolution R-14-509;[114] and

ENO Residential C&I Program Portfolio Budgets Year 5			
Residential Program	**Incentives**	**Non-Incentives**	**Total**
HPwES	$296,027	$225,324	$521,351
Consumer Products	$244,172	$184,651	$428,823
Low Income Audit & Weatherization	$330,286	$374,147	$704,433
School Kits & Education	$73,392	$48,768	$122,160
Residential Heating & Cooling	$256,783	$123,643	$380,426
Small C&I	$472,792	$499,384	$972,176
Large C&I	$915,652	$902,824	$1,818,476
Behavioral Pilot (Yr 6 Only)			
NOLA Wise			$380,000
EM&V at 6.5% of Budget			$325,121
LCFC			$805,563
Utility Incentive at 100% Goal			$530,000
TOTAL BUDGET			**$6,988,529**
COUNCIL APPROVED BUDGET			**$6,500,000**
Difference			**$488,529**

[112] Advisors' Report at 16.
[113] *Id.*
[114] *Id.* at 16-17.

ENO Residential, C&I Program Portfolio Budgets			
Year 6			
Residential Program	**Incentives**	**Non-Incentives**	**Total**
HPwES	$380,633	$269,176	$649,809
Consumer Products	$293,105	$220,584	$513,689
Low Income Audit & Weatherization	$398,427	$446,282	$844,709
School Kits & Education	$89,012	$57,543	$146,555
Residential Heating & Cooling	$252,207	$147,695	$399,902
Small C&I	$608,960	$595,256	$1,204,216
Large C&I	$1,065,404	$1,076,704	$2,142,108
Behavioral Pilot (Yr 6 Only)			$300,000
NOLA Wise			$380,000
EM&V at 6.5% of Budget			$383,564
LCFC			$980,744
Utility Incentive at 100% Goal			$530,000
TOTAL BUDGET			**$8,475,296**
COUNCIL APPROVED BUDGET			**$7,800,000**
Difference			**$675,296**

WHEREAS, the Companies provided further clarification on budget allocation for each program for Year 5 and 6 with information on implementation cost, NOLA Wise and EM&V. The Advisors in their analysis evaluated the total budget allocation for Year 5 and 6 and have observed the most recent data still doesn't meet the budget requirements of Council Resolution R-14-509. The revised tables below show the budget allocation and the difference in total budget based upon the most recent information submitted by the Companies subsequent to the filing of the Advisors' Report; and

ENO Residential, C&I Program Portfolio Budgets			
Year 5			
Residential Program	**Incentives [1]**	**Implementation Budget [2]**	**Total**
HPwES	$296,027	$223,698	$519,725
Consumer Products	$244,172	$183,026	$427,198
Low Income Audit & Weatherization	$330,286	$325,379	$655,665
School Kits & Education [3]	$73,392		$73,392
Residential Heating & Cooling	$256,783	$122,017	$378,800
Total Residential	**$1,200,660**	**$854,120**	**$2,054,780**
C&I Program			
Small C&I	$472,792	$406,724	$879,516
Large C&I	$915,652	$772,776	$1,688,428
Total C&I	**$1,388,444**	**$1,179,500**	**$2,567,944**
TOTAL	**$2,589,104**	**$2,033,620**	**$4,622,724**
NOLAWise			**$380,000**
Behavioral Pilot (Yr 6 Only) [4]			**$0.00**
EM&V at 6.5% of Budget			**$300,477**
LCFC [5]			**$805,563**
Utility Incentive at 100% Goal [6]			**$501,681**
TOTAL BUDGET			**$6,610,445**
COUNCIL APPROVED BUDGET			**$6,500,000**
Difference			**$110,445**
[1] ENO Implementation Filing, Residential and C&I Portfolio Budgets for 2015 and 2016, CLEAResult 2015-2016 Revised Energy Smart DSM Plan, Page 8 and 10.			
[2] ENO's Response to Comments Filed by AAE and Green Coast Enterprises, Page 2.			
[3] The Companies' work papers didn't provide the information for budget allocation for implementation cost for School Kits and Education Program.			
[4] ENO Implementation Filing Page 8.			
[5] ENO Implementation Filing, Supplemental Implementation and Cost Recovery Filing Page 12.			
[6] ENO Implementation Filing, Companies Proposed Incentive, Appendix A, Page 22.			

ENO Residential, C&I Program Portfolio Budgets			
Year 6			
Residential Program	**Incentives [1]**	**Implementation Budget [2]**	**Total**
HPwES	$380,633		
Consumer Products	$293,105		
Low Income Audit & Weatherization	$398,427		
School Kits & Education	$89,012		
Residential Heating & Cooling	$252,207		
	$1,413,384	**$1,400,441**	**$2,813,825**
C&I Program			
Small C&I	$608,960		
Large C&I	$1,065,404		
Total C&I	**$1,674,364**	**$1,409,180**	**$3,083,544**
TOTAL	**$3,087,748**	**$2,809,621**	**$5,897,369**
NOLAWise			**$380,000**
Behavioral Pilot (Yr 6 Only) [3]			**$300,000**
EM&V at 6.5% of Budget			**$383,329**
LCFC [4]			**$980,744**
Utility Incentive at 100% Goal [5]			**$501,681**
TOTAL BUDGET			**$8,443,123**
COUNCIL APPROVED BUDGET			**$7,800,000**
Difference			**$643,123**

[1] ENO Implementation Filing, Residential and C&I Portfolio Budgets for 2015 and 2016, CLEAResult 2015-2016 Revised Energy Smart DSM Plan, Page 8 and 10.

[2] ENO Implementation Filing, Residential and C&I Portfolio Budgets for 2016, CLEAResult 2015-2016 Revised Energy Smart DSM Plan, Page 6. The implementation budget cost was not provided for each for the program for Year 6.

[3] ENO Implementation Filing Page 8.

[4] ENO Implementation Filing, Supplemental Implementation and Cost Recovery Filing Page 12.

[5] ENO Implementation Filing, Companies Proposed Incentive, Appendix A, Page 22.

WHEREAS, the Advisors continue to be concerned regarding the proposed NOLA Wise budget of $380,000[115] in addition to the School Kits and Education program budget. The Advisors recommend that a more specific breakdown of the funding needed to support the School Kits and Education implementation program costs should be identified exclusive of

[115] The previously approved budget for NOLA Wise was $333,333. The additional proposed funding of $46,667 is proposed for advertising and contractor development and recruitment.

EM&V and the NOLA Wise budget and also that the detailed components of the NOLA Wise budget be identified exclusive of EM&V and the School Kits and Education program; and

WHEREAS, the Advisors recommend that the proposed individual program budgets for ENO and ELL-Algiers be revised to be in compliance with the Council-approved total budgets for Program Years 5 and 6 in Council Resolution R-14-509;[116] and

5. Council Determination

WHEREAS, the Council agrees with the Advisors' concerns regarding the proposed funding levels for the School Kits and Education program and the NOLA Wise program and instructs the Companies to create a single program budget for the School Kits and Education program that reflects reasonable costs for the implementation of such a program. The proposed budget should include a more specific breakdown of the funding needed to support the School Kits and Education incentive and implementation program costs exclusive of EM&V and NOLA Wise and that the detailed components of the NOLA Wise budget be identified exclusive of EM&V and the School Kits and Education program; and

WHEREAS, the Council agrees with the Advisors that the proposed individual program budgets should be revised to be in compliance with the Council-approved total budgets for Program Years 5 and 6 in Council Resolution R-14-509. The Council directs the Companies to file with the Council within 30 days of this Resolution a new calculation of individual program budgets that complies both with the Council's total approved budgets of $6,500,000 for Program Year 5 and $7,800,000 for Program Year 6 and all changes ordered within this Resolution; and

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[116] Advisors' Report at 16-17.

C. kWh Savings Goals for Each Program

1. Companies' Proposal

WHEREAS, the Companies proposed the following kWh savings goals for each ENO Energy Smart program:[117]

ENO Residential and C&I Portfolio Budgets			
Year 5			
Residential Program	**Participation**	**Gross Energy Savings (MWh)**	**Gross Demand Savings (MW)**
HPwES	872	745	0.3
Consumer Products	4,531	953	0.3
Low Income Audit & Weatherization	578	535	0.2
School Kits & Education	3,302	960	0.1
Residential Heating & Cooling	132	1,508	0.6
Total Residential	**9,415**	**4,701**	**1.5**
C&I Program			
Small C&I	39	3,829	1
Large C&I	34	7,745	1.3
Total C&I	73	**11574**	**2.3**
TOTALS	**9,488**	**16,275**	**3.8**

[117] Implementation Filing, CLEAResult Attachment at 8, 10.

ENO Residential and C&I Portfolio Budgets			
Year 6			
Residential Program	**Participation**	**Gross Energy Savings (MWh)**	**Gross Demand Savings (MW)**
HPwES	1,074	957	0.3
Consumer Products	5,146	1,214	0.3
Low Income Audit & Weatherization	698	646	0.2
School Kits & Education	4,004	1,164	0.1
Residential Heating & Cooling	172	1,616	0.6
Total Residential	**11,094**	**5,597**	**1.5**
C&I Program			
Small C&I	47	4,837	1.3
Large C&I	33	9,380	1.5
Total C&I	**80**	**14217**	**2.8**
TOTALS	**11,174**	**19,814**	**4.3**

WHEREAS, the Companies proposed the following kWh savings goals for each ELL-Algiers Energy Smart program:[118]

[118] *Id.* at 9-10.

ELL-Algiers Residential Portfolio Budgets Year 5			
Residential Program	**Participation**	**Gross Energy Savings (MWh)**	**Gross Demand Savings (MW)**
HPwES	70	60	0.02
Consumer Products	358	75	0.02
Low Income Audit & Weatherization	50	46	0.02
School Kits & Education	289	84	0.01
Residential Heating & Cooling	12	131	0.05
Total Residential	**779**	**396**	**0.12**
C&I Program			
Small C&I	3	340	0.1
Large C&I	3	645	0.1
Total C&I	**6**	**985**	**0.2**
TOTALS	**785**	**1381**	**0.32**

ELL-Algiers Residential Portfolio Budgets Year 6			
Residential Program	**Participation**	**Gross Energy Savings (MWh)**	**Gross Demand Savings (MW)**
HPwES	76	67	0.02
Consumer Products	362	85	0.03
Low Income Audit & Weatherization	49	46	0.02
School Kits & Education	283	82	0.01
Residential Heating & Cooling	12	114	0.05
Total Residential	**782**	**394**	**0.13**
C&I Program			
Small C&I	3	342	0.1
Large C&I	2	662	0.1
Total C&I	**5**	**1004**	**0.2**
TOTALS	**787**	**1398**	**0.33**

2. *Stakeholder Comments*

WHEREAS, no stakeholder comments were filed regarding this issue; and

3. Companies' Reply Comments

WHEREAS, the Companies' Reply Comments did not address this issue; and

4. Advisor Recommendations

WHEREAS, the Advisors report that during a conference call with the Companies and CLEAResult on February 12, 2015 CLEAResult explained to the Advisors that the change in kWh savings for the programs as reported in the April 2013 Filing and that in the Implementation Filing is due to changes in the assumptions used in the different Technical Reference Manual ("TRM") template used in program development, including the change in baseline[119] assumptions.[120] The table below summarizes the decrease in the kWh savings goals between the two Filings;[121] and

Program Year 5 and Year 6 Summary					
Program Name	**Sector**	**Savings (Gross annual kWh)**			
		2015		**2016**	
		April 1, 2013 Filing	**December 29, 2014 Filing**	**April 1, 2013 Filing**	**December 29, 2014 Filing**
Home Performance with Energy Star	Residential	1,223,492	745,000	1,234,252	957,000
Consumer Products POS	Residential	1,898,160	953,000	2,020,800	1,214,000
MF Wx	Residential	551,832	-	551,832	-
Low Income Audit & Wx	Residential	359,085	535,000	359,085	646,000
School Kits & Education	Residential	1,311,660	960,000	1,311,660	1,164,000
Res Heating & Cooling	Residential	1,038,509	1,508,000	1,142,436	1,616
Small C&I	C&I	3,331,267	3,829,000	3,499,152	4,837,000
Large C&I	C&I	9,028,838	7,745,000	8,439,274	9,380,000
Total		**18,742,843**	**16,275,000**	**18,558,492**	**18,199,616**

WHEREAS, the Companies provided the Advisors with workpapers derived from the different TRM template used in designing the programs for Year 5 and Year 6.[122] However, the Advisors report that the workpapers lacked supporting analytical details regarding the changes

[119] The baseline for each DSM measure represents the kWh reference level above which the measure's kWh savings is calculated. As the baseline is increased for a measure, because of newer building or appliance codes, the deemed savings for the measure is reduced.
[120] Advisors' Report at 20.
[121] *Id.* at 20-21.
[122] *Id.* at 21.

made to the original programs related to kWh reduction by measure, and the baselines used for the original as well as the restructured programs in calculating the kWh reduction by measure;[123] and

WHEREAS, at the Advisors' request, the Companies provided additional workpapers and summary results at a measure level with information regarding the variation in baseline assumptions, and details and characteristics, including some comparisons with the original program design filed by the Companies in April of 2013; and

WHEREAS, because the Advisors still have concerns related to the reduced kWh goals, they have recommended a different utility incentive than the new incentive proposed by the Company (as discussed later in this Resolution) and the one previously ordered by the Council;[124] and

5. Council Determination

WHEREAS, the Council finds that the proposed kWh goals for Program Years 5 and 6 shown in the Implementation Plan must be revised to correspond with the revised program costs that will comply with the approved total budgets for Program Years 5 and 6; and

WHEREAS, the Council is concerned that the Advisors had difficulty securing sufficient data to confirm the estimated kWh reduction calculations and still have concerns related to the reduced kWh goals; and

WHEREAS, the Council agrees with the Advisors that an appropriate remedy for the kWh goal reduction relative to the previous April 2013 Filing is to adjust the utility incentive mechanism proposed by the Companies; and

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[123] *Id.*
[124] *Id.*

D. Proposed Cap on Rate Impact for Large Customers

1. Companies' Proposal

WHEREAS, rather than proposing a cap on the rate impact for large customers, the Companies stated that in the absence of a separate rider mechanism where a cost cap can actually be implemented and calculated each month, there does not seem to be any means to compute such a monthly bill cap using a rider.[125] The Companies further state that the only means available to implement a cost cap for ENO would be to compute a separate offset rider that would provide a credit on the bill for any overage above the bill cap level.[126] The Companies state that it is simply not cost-beneficial to create, program, and test such a refund mechanism.[127] They strongly recommend that, given the very small number of affected customers, and the likelihood that the cost of implementing such a program would far exceed the benefit to the limited number of affected customers, no cost cap be implemented until such time as a separate energy efficiency cost recovery rider mechanism is put into place for ENO;[128] and

2. Stakeholder Comments

WHEREAS, no stakeholders filed comments on this issue; and

3. Companies' Reply Comments

WHEREAS, the Companies' Reply Comments did not address this issue; and

4. Advisor Recommendations

WHEREAS, the Advisors report that the Implementation Filing did not propose a cap for large customers or address the appropriate level of individual program expenditures which is related to the funding from specific ratepayer classes, as required by the Council;[129] and

[125] Implementation Attachment at 12.
[126] *Id.*
[127] *Id.* at 13.
[128] *Id.*
[129] Advisors' Report at 22.

WHEREAS, The Advisors state that notwithstanding that Rough Production Cost Equalization ("RPCE") funds are available for a majority of program costs in Program Years 5 and 6, a revenue cap analysis provides a benchmark to evaluate commercial/industrial program expenditures relative to residential program expenditures.[130] The Advisors also state that Program Years 1-3, and possibly for Program Year 7 and thereafter, program funding from ratepayer classes on a kWh basis including a cap can be compared to the level of program expenditures by ratepayer class;[131] and

WHEREAS, the Advisors sought additional information from the Companies, and an acceptable cap analysis was subsequently provided to enable an evaluation of source of funding and expenditure levels by class;[132] and

WHEREAS, on March 11, 2015 the Companies provided the Advisors with the results of a revenue analysis based upon historic billing data projected for the year 2016; and

WHEREAS, the following table summarizes the results of the cap analysis, including the impact on the residential class at various cap levels; and

Energy Efficiency Funding by Rate Schedule						
Customer Class		**No Cap**	**50 and 100**	**100 and 200**	**150 and 250**	**150 and 300**
Rate Schedule	KWH [1]	**Base Case 1.414 Mill/kWh**	**2.75 Mills/kWh**	**2.5 Mills/kWh**	**2.375 Mills/kWh**	**2.375 Mills/kWh**
Total Residential	1,853,639,965	$2,621,046.91	$5,097,509.90	$4,634,099.91	$4,402,394.92	$4,402,394.92
Total C&I	3,663,159,781	5,179,708	2,568,255	3,210,015	3,314,504	3,489,673
Total	5,516,799,746	$7,800,754.84	$7,665,764.50	$7,844,114.62	$7,716,899.06	$7,892,067.91
Residential as % of total		33.60%	66.50%	59.08%	57.05%	55.78%
Residential Impact		-	**$1,646,775.69**	**$1,189,259.62**	**$1,016,236.88**	**$993,680.93**
1.) Total kWh for 2016 by Rate Schedule are derived from relationship with 2012 test year data. 2.) Includes ODSL, ONW, TS, and SMS						

[130] *Id.*
[131] *Id.*
[132] *Id.*

WHEREAS, the Companies cap analysis shows the monthly bill caps of $150 for small C&I and $300 for large C&I would result in the least impact to Residential customers among the cap options in the analysis, and such impact could be considered in future funding of energy efficiency programs; and

WHEREAS, Resolution R-14-509 provides for funding of Program Year 5 and 6, largely through the Rough Production Cost Equalization payments; and

WHEREAS, the Advisors note that there is no instant rate action and also that the Companies have pointed out that in the absence of a separate rider mechanism where a cost cap can actually be implemented and calculated each month, there does not seem to be any administratively efficient means to compute such a monthly bill cap using a rider; and

WHEREAS, the Advisors also note that the Council is considering various Decoupling options in Docket UD-08-02, that are currently in process and will include the revenue treatment of funding energy efficiency programs among each of the classes of customers; and

5. Council Determination

WHEREAS, the Council agrees with the Advisors that funding and expenditures by customer class related to Energy Smart should be tracked; and

WHEREAS, based on the options considered in the cap analysis, the Council recognizes that a monthly bill cap on C&I customers applied in any future funding of energy efficiency programs would have varying revenue impacts on residential customers; and

WHEREAS, since funding has been approved through Program Year 6, the Council will further consider the appropriate treatment of monthly billing caps for C&I customers, if any, in the future funding of energy efficiency programs pending the outcome of subsequent ENO base rate actions and in its consideration of the Decoupling options in Docket UD-08-02; and

E. EM&V Budget

1. Companies' Proposal

WHEREAS, the Companies' Implementation Filing appears to suggest that the proposed Implementation Plan includes a budget of roughly 3% of the annual portfolio budget;[133] however, the Companies have clarified to the Advisors that their proposal does include a 6.5% EM&V budget; and

2. Stakeholder Comments

WHEREAS, the Alliance comments that EM&V is critical for ensuring that energy efficiency programs provide the intended benefits to utility customers and that it must serve several extremely important functions, including verification of savings to validate savings claims both to support program effectiveness and to determine utility compensation for LCFC and performance incentives and to determine whether programs are underperforming and in need of corrective action.[134] The Alliance also argues that future program planning and design should be rooted in EM&V findings.[135] The Alliance applauds the increase in budget allocation for EM&V but is seriously concerned that once again most or all of these resources are being administered by the utility rather than being allocated to the hiring of a qualified independent third party under the management of the City Council.[136] The Alliance argues that while it is appropriate that a portion of EM&V work be managed by the utility, it is a serious conflict of interest to have the company control the resources meant to ensure compliance and to inform future policy making.[137] The Alliance recommends that the Council reserve a substantial portion

[133] Implementation Filing, CLEAResult Attachment at 11.
[134] Alliance Comments at 4.
[135] *Id.*at 5.
[136] *Id.*
[137] *Id.*

of the 6.5% dedicated to EM&V for hiring and managing their own qualified independent third party EM&V services;[138] and

3. *Companies' Reply Comments*

WHEREAS, the Companies state that they do not oppose the idea that the Council directly hire an independent third party to carry out EM&V, but it should be noted that this would be an additional responsibility for the Council.[139] The Companies note that the Council's role as regulator often involves it managing a host of issues that can be time-consuming and that the Companies are equipped and capable of handling oversight of increased EM&V.[140] The Companies assert that the relatively small size of the evaluation community and the public regulatory process act as safeguards against evaluator impropriety.[141] The Companies also state that although there are a few outlier states, it is customary and prevalent for the utility or implementer to contract directly with an evaluator.[142] The Companies further note that in most cases the utility or its third-party contractor have much of the data needed by the evaluator, and involving an additional party not under contract to either would create the need for additional, cumbersome contracts and processes to adequately protect the distribution and use of customer data;[143] and

WHEREAS, in order to clarify its initial filing, the Companies also stated in their reply comments that the original program plan EM&V allocation of $50,617 per year is for an independent evaluator to monitor and verify the savings data collected by CLEAResult and needs to remain a separate budget item.[144] Under a 6.5% EM&V budget, the Companies note

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138 *Id.*
139 Companies' Reply Comments at 6.
140 *Id.*
141 *Id.*
142 *Id.*
143 *Id.* at 6-7.
144 *Id.* at 7.

that this leaves $274,505 in the Year 5 budget for EM&V and they propose three potential options for using these funds for EM&V:[145]

a. Creation of new measures specific to New Orleans to help enhance energy efficiency;

b. Development of a New Orleans Technical Resource Manual ("TRM"); or

c. Field verification of energy savings for measures in each of the programs; and

4. Advisor Recommendations

WHEREAS, the Advisors recommend that to monitor the implementation of the increased EM&V budget, the Council should consider directing ENO in its resolution approving the Implementation Filing to create an EM&V Reference Manual ("RM") that would be compiled by ENO for New Orleans customers to provide a single common reference document for estimating energy and peak demand reductions resulting from the installation of utility-administered energy efficiency measures;[146] and

WHEREAS, the Advisors recommend that the EM&V RM: (i) organize the methods and sources used to develop average and default values by DSM measure category and sector, (ii) summarize the results of recent EM&V research as well as planned EM&V, and (iii) lay out the resulting savings per measure estimates in the form of savings values, algorithms, and/or calculation tools for New Orleans energy efficiency measures.[147] The Advisors also recommend that the EM&V RM provide guidance on the frequency that key inputs and/or equations (an algorithm with stipulated or variable parameters) should be updated, based on the vintage of the input parameters, as well as an assessment of the level of variability in energy efficiency reductions estimates across the range of likely applications in New Orleans;[148] and

[145] *Id.*
[146] *Id.*
[147] *Id.*
[148] *Id.*

WHEREAS, the Advisors also recommend that an EM&V team be formed to make recommendations about the scope and detail needed for updates to savings algorithms and values based on input gathered from (i) ENO and ELL-Algiers customers, (ii) the TPA and independent EM&V evaluator, (iii) the Council Advisors, (iv) other stakeholders, (v) EM&V best practices and research with New Orleans EE programs, and (vi) consideration of the uncertainties and the potential for bias in current TRM estimates;[149] and

5. Council Determination

WHEREAS, the Council agrees with the Advisors' recommendations with respect to EM&V; and

WHEREAS, ENO is directed to create an EM&V Reference Manual for New Orleans which (i) organizes the methods and sources used to develop average and default values by DSM measure category and sector, (ii) summarizes the results of recent EM&V research as well as planned EM&V, and (iii) lays out the resulting savings per measure estimates in the form of savings values, algorithms, and/or calculation tools for New Orleans energy efficiency measures; and

WHEREAS, the EM&V RM should also provide guidance on the frequency that key inputs and/or equations (an algorithm with stipulated or variable parameters) should be updated, based on the vintage of the input parameters, as well as an assessment of the level of variability in energy efficiency reductions estimates across the range of likely applications in New Orleans; and

WHEREAS, the EM&V budget should also be allocated to verification of energy savings for measures in each program, as well as identifying potential new measures specific to New Orleans; and

[149] *Id.*

WHEREAS, the Annual Report of Energy Smart should include details regarding how the EM&V budget was expended toward the above directives; and

F. Estimated Impact on Monthly Customer Bills for ENO and ELL-Algiers

1. Companies' Proposal

WHEREAS, in quantifying the impact of the Energy Smart program on customer rates, the Companies explain that for ENO, the majority of the program will be funded through the RCPE funds set aside by the Council in Resolutions R-14-277 and R-14-509, and as a result, customer rates will only be affected in Program Year 6.[150] The Companies state that in Program Year 6 they currently expect that $1,796,532 will flow through the FAC, resulting in an increase of $0.33 on customers' bills for ENO.[151] The Companies state that the level of funding for the ELL-Algiers Energy Smart program for Program Years 5 and 6 will be approximately the same amount that is currently being collected through the FAC, and thus customer bills are not expected to be significantly impacted;[152] and

2. Stakeholder Comments

WHEREAS, no stakeholder commented on this issue; and

3. Companies' Reply Comments

WHEREAS, the Companies' Reply Comments did not address this issue; and

4. Advisor Recommendations

WHEREAS, the Advisors report that since RPCE funds are likely to be expended before the end of Program Year 6 and will likely not be available thereafter, showing the bill impact of $7.8 million annual costs after Program Year 6 would be a planning benefit related to continued

[150] Implementation Attachment at 14-15.
[151] *Id.*
[152] *Id.* at 15.

DSM funding.[153] Similar to the exhibits showing customer bill impacts in applications for a change in rates, the Companies should provide the Council typical monthly bill impacts at the annual level of funding in Program Year 6 ($7.8 million annual funding) for residential and C&I customers at the usage levels specified in previous rate applications for each rate class;[154] and

WHEREAS, the Advisors recommend that the Companies provide typical monthly bill impacts at the annual level of funding in Program Year 6 ($7.8 million annual funding) for residential and C&I customers; and

5. Council Determination

WHEREAS, the Council finds the currently anticipated rate impact of the Energy Smart Program in Year 6 to be acceptable, but directs ENO to provide an updated rate impact analysis to the Advisors 30 days prior to the date of any change in rates related to Energy Smart; and

WHEREAS, when the Companies make a filing for additional program funding, including their initial filing containing their proposed budget levels for Energy Smart Program Year 7 and beyond, they are directed to include in that filing the typical monthly bill impacts of the amount of approved funding to be recovered through rates; and

G. <u>Lost Contribution to Fixed Cost Recovery and the Incentive and Penalty Mechanism</u>

1. Companies' Proposal

WHEREAS, the Companies propose continuing the current method of lost revenue recovery, which results in an estimated lost contribution to fixed costs for ENO and ELL-Algiers as follows;[155] and

[153] Advisors' Report at 25.
[154] *Id.*
[155] Implementation Attachment at 12.

ENO	Year 5	$805,563
	Year 6	$980,744
ELL-Algiers	Year 5	$64,328
	Year 6	$65,166

WHEREAS, the Companies propose changing the incentive mechanism put into place by the Council in Resolution R-13-363;[156] and

WHEREAS, the incentive mechanism adopted in Resolution R-13-363 provided for incentives and penalties for the Companies as follows;[157] and

1. Incentive of 5% of shared net benefits for reaching 100% of the Council's energy savings target;
2. Incentive of 7.5% of shared net benefits for the increment over 100% of the Council's energy savings target;
3. Incentive of 10% of shared net benefits for the increment over 110% of the Council's energy savings target; and
4. Penalty of 5% of program costs to be applicable if the Companies do not meet the Council's energy savings targets; and

WHEREAS, the Companies argue in their Implementation Filing that the incentive and penalty mechanism adopted in R-13-363 is inappropriate because it (1) does not contain sufficient detail to be implemented, (2) fails to provide a meaningful shareholder incentive; (3) there is no cap on the shareholder incentive; (4) results in a significant automatic penalty even if ENO were to reach 99.9% of its goal; (5) provides no incentive to increase savings in the range of 0-99% of goal and very little incentive to increase savings above 100% of goal; (6) the incentive is highly sensitive to volatile factors outside of ENO's control; and (7) is complicated and difficult to explain to stakeholders and customers;[158] and

WHEREAS, the Companies propose the following alternative incentive mechanism:

[156] *Id.* at 13.
[157] Council Resolution No. R-13-363.
[158] Implementation Attachment, Appendix A at 18-21.

1. Set a target annual incentive equal to 10% of all program costs in each year to be paid at 100% of goal achievement (approximately $501,681 for 2015);

2. Set a target energy savings goal equivalent to the net lifecycle kWh energy savings (i.e. annual net energy savings * useful life of the energy efficient measures) of measures planned to be installed in the program year (170,763,286 kWh for 2015);

3. Set the per kWh incentive payment as the target annual incentive divided by the net lifecycle energy savings goal ($0.00294 for 2015);

4. At goal achievement of less than 50% of goal, no shareholder incentive is paid;

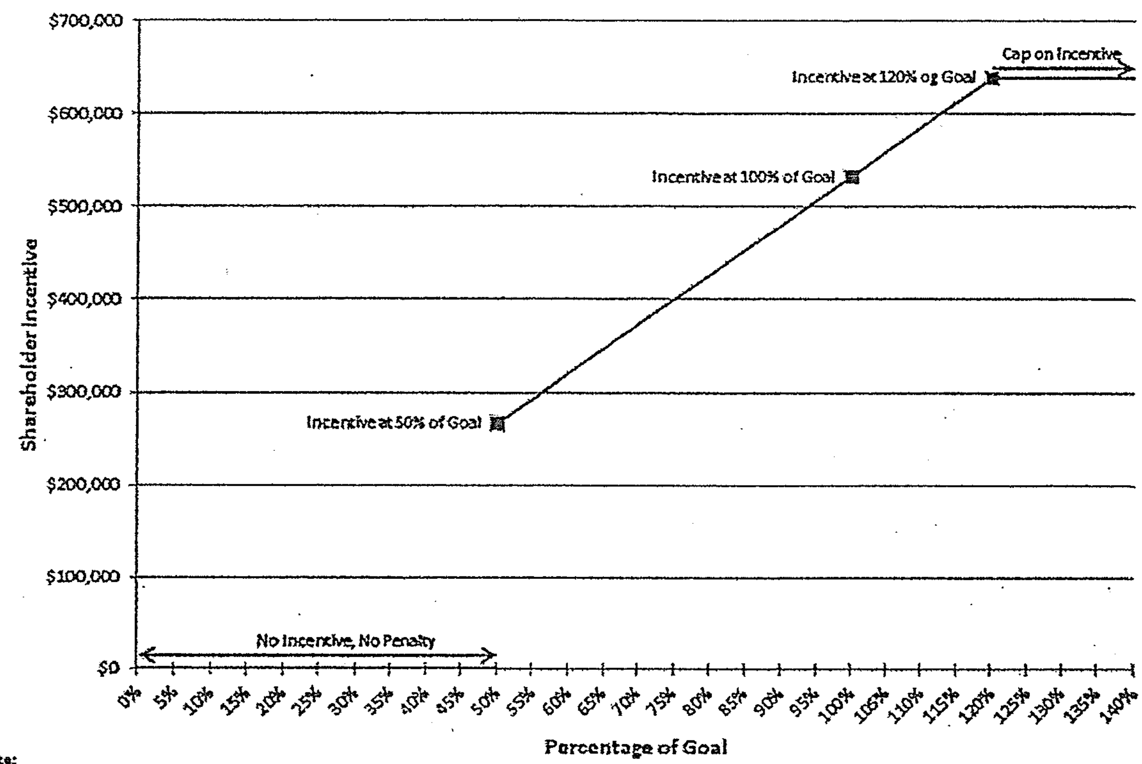
5. At goal achievement between 50% and 120% of goal, pay an incentive of the per kWh incentive payment times the verified net lifecycle energy savings of measures installed that program year; and

6. Cap the incentive payment for the amount payable at 120% of goal;[159] and

WHEREAS, the Companies' proposal of incentive mechanism for ENO is shown in the graph below;[160] and

[159] *Id.* at 21-23.
[160] Advisors Report at 27.

ENO's Newly Proposed Incentive Mechanism



Note:
1. 100% Goal = 16,274 MWh

2. *Stakeholder Comments*

WHEREAS, the Alliance argues that the current incentive and penalty formula should be modified because it is both overly generous and overly punitive.[161] The Alliance supports using stepped incentives that are tied to performance as ENO has suggested, but does not agree with the formula proposed in ENO's filing.[162] The Alliance specifically disagrees with the payment of incentives at 50% of goal, 10% ROI of all program costs, and the threat of gaming if a penalty is included.[163] The Alliance proposes the following incentive structure:

a. Penalty should be *not* earning incentive if goals are not reached;

b. 95% of goal reached = 5% of all program costs

c. 100% of goal reached = 10% of all program costs

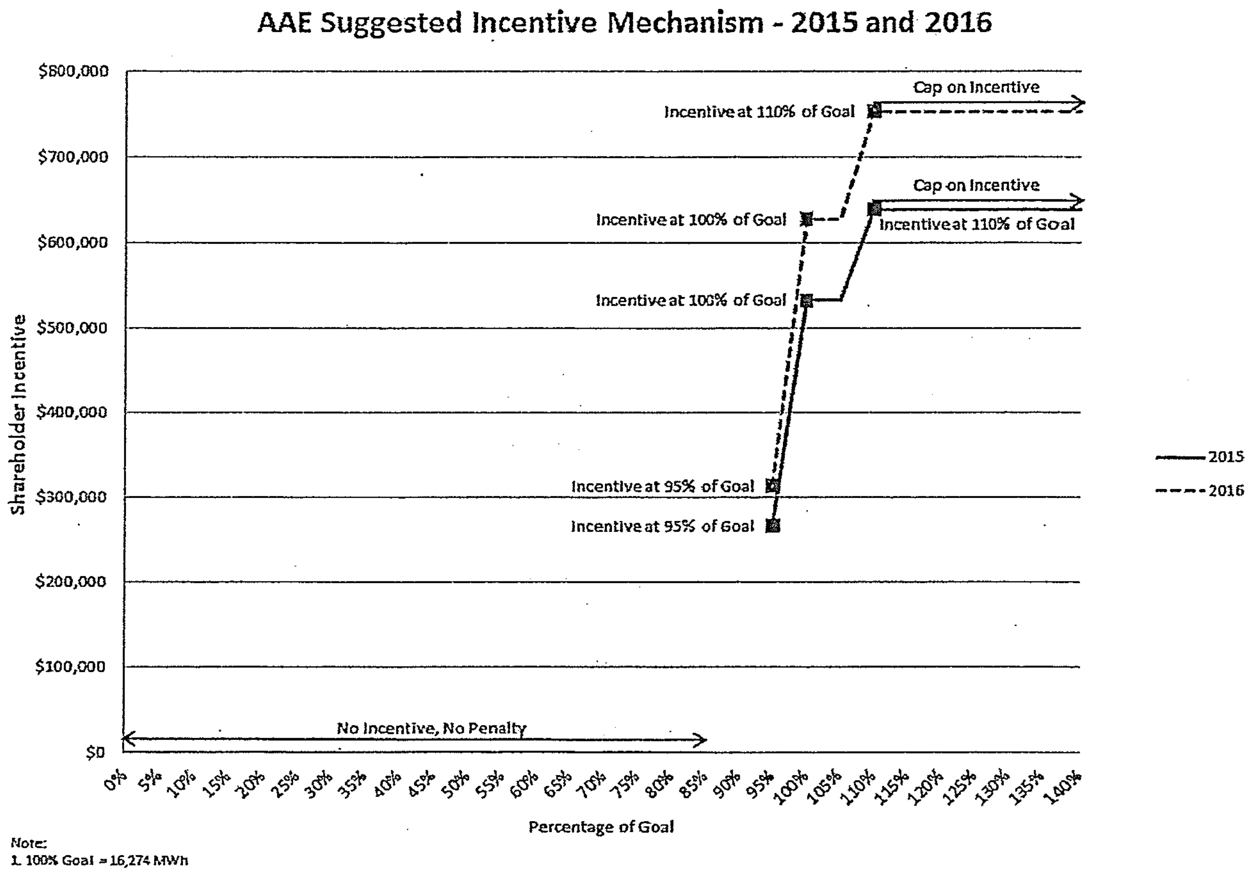
[161] Alliance Comments at 3.
[162] *Id.* at 3-4.
[163] *Id.* at 4.

d. 110% of goal reached = 12% of all program costs

e. Incentives capped at 110%; and

f. LCFC allowed at 100% of goal reached;[164] and

WHEREAS, the graph below shows the Alliance's proposed incentive mechanism;[165] and



WHEREAS, the Alliance also notes that LCFC is a mechanism to ensure that ENO fixed costs are covered in response to reduced kWh sales in the aggregate and is not a kWh per kWh recovery as stated explicitly in ENO's filing.[166] The Alliance states that it believes that the LCFC proposed by the Companies is too high and should not be guaranteed because New Orleans is working under a Formula Rate Plan, so if the Companies earn within the bandwidth, then clearly

[164] *Id.*
[165] Advisors' Report at 28.
[166] *Id.*

there was no lost contribution to fixed costs.[167] The Alliance states that the company should still be allowed to recover fixed costs associated with Energy Smart, but only if the savings outpaces the growth in electricity sales;[168] and

3. *Companies' Reply Comments*

WHEREAS, the Companies state in their reply comments that while they agree with the Alliance that not receiving an incentive is enough of a penalty and thus an extra penalty for falling short is "overly punitive," the Companies maintain their support for their proposed incentive mechanism;[169] and

WHEREAS, the Companies argue that the Alliance's contention that LCFC should be awarded only if the Companies "fail to earn within the bandwidth" is misguided.[170] The Companies note that LCFC represents a mechanism to recover lost revenues directly attributable to utility-sponsored energy efficiency programs and has traditionally been considered outside the Formula Rate Plan ("FRP") bandwidth calculation.[171] Moreover, they argue, because ENO is not currently operating under an FRP, the Alliance's bandwidth argument is not applicable.[172] The Companies also assert that the Alliance's comments on LCFC are off-base because the Companies recover both fixed and variable costs from residential and smaller commercial customers almost exclusively through volumetric (cents/kWh) rates and the methodology and calculations of the LCFC are consistent with historical practice and practice in other jurisdictions like the Arkansas and Louisiana;[173] and

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[167] *Id.*
[168] *Id.*
[169] Companies' Reply Comments at 5.
[170] *Id.*
[171] *Id.*
[172] *Id.*
[173] *Id.* at 5-6.

4. Advisor Recommendations

WHEREAS, the Advisors clarify that regarding AAE's suggestion that "LCFC should not be guaranteed because New Orleans is working under a Formula Rate Plan,"[174] ENO filed their last FRP in 2012, using a 2011 test year and there has been no FRP filed since that date.[175] The Advisors note that ENO's base rate remains the same as that approved in Council Resolution R-13-270, thus ENO is not currently operating under an FRP,[176] however, ELL-Algiers is presently under a FRP as approved by the Council in Resolution R-14-278.[177] The Advisors state that a new FRP for ENO could only become effective if approved by Council, after the next general rate case filing by ENO;[178] and

WHEREAS, the Advisors note that DSM industry best practices support the recovery of fixed costs from kWh sales reductions due to DSM programs with such recovery maintained separate from any ROE evaluation and change in allowed revenue requirements.[179] The Advisors recommend that the Companies' reimbursement of LCFC be continued until the results of the Decoupling technical conferences and reports are evaluated by the Council and the Council renders decision on an alternative methodology to LCFC;[180] and

WHEREAS, although to the lack of information available in the Companies' Implementation Filing and that requested by the Advisors in follow up discussions and discovery, including the "kWh at risk" incorporated in the TPA contract renewal, has been reduced with additional discussions and work papers the Advisors report that they have some remaining concerns related to the reduction in program savings goals proposed for ENO and ELL-Algiers

[174] Alliance Comments at 5.
[175] Advisors' Report at 29.
[176] *Id.*
[177] *Id.*
[178] *Id.*
[179] *Id.*
[180] *Id.*

and how this reduction will affect the annual evaluation of program performance.[181] Therefore, they state it is appropriate to have an incentive mechanism with incentives provided at a higher percentage level of savings goal.[182] Also, it is important to have a penalty applicable to the inability to reach the percentage of savings goal below a certain minimum level.[183] The Advisors propose a performance-based incentive for ENO with a penalty applicable below an inception minimum kWh level of 60%, below which the penalty increases until 40% of the kWh savings goal, and below which a cap on the penalty amount would be applied.[184] The Advisors also recommend a "buffer zone" from a kWh savings level of 60% of the goal to 95% of the goal, where no incentive and no penalty would be applicable within this range of kWh savings achieved.[185] Under the Advisors' proposal the utility would begin receiving incentive payments at 95% of the kWh goal instead of 50% of the goal as proposed in ENO's alternate incentive mechanism, with a cap at achieving 120% of the goal.[186] The Advisors recommend that the incentive for achieving 100% of goal should be $530,000;[187] and

WHEREAS, the Advisors recommend that the incentives be computed based on the formula used in excel which is used to compute the results to plot the chart. It can be presented either via a logical equation or via a Boolean expression:

The logical equation with two linear segments with a break point in between:

> X = Percent Increment
> IF(("savings goal" > 0.60 & "savings goal" < 0.95); ("Incentive"= 0); ELSE (IF(("savings goal">0.95 & "savings goal"< 1); ("Incentive"= (0+106000*X)); ELSE(IF(("savings goal"=1.00); ("Incentive"= 530000);) (ELSE (IF(("savings goal">1 & "savings goal"< 1.2); ("Incentive"= (530,000+5000*(X))));

181 *Id.*
182 *Id.*
183 *Id.*
184 *Id.* at 30.
185 *Id.*
186 *Id.*
187 *Id.*

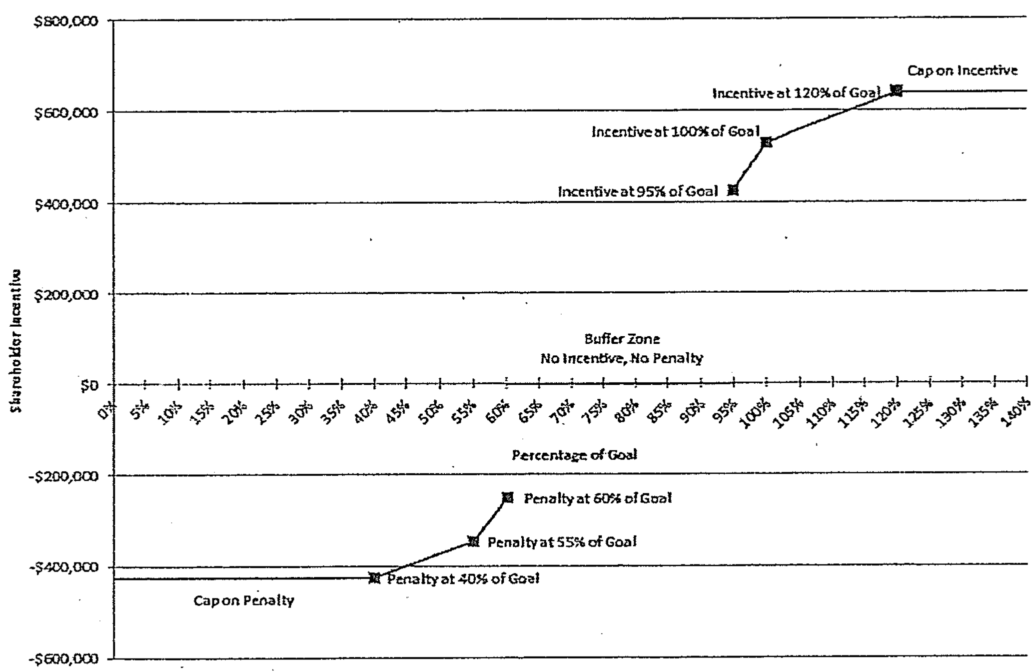
Representing with a Boolean Expression:

> X= Percent Increment
> Incentive = 0 + 10600 * (X < 1) * + 530000 (X = 1 & X >1) + 5000(X > = 1.2)

The percent increment is the estimated kWh reduction relative to the kWh savings goal.

The graph below shows the results of this performance-based incentive mechanism;[188] and

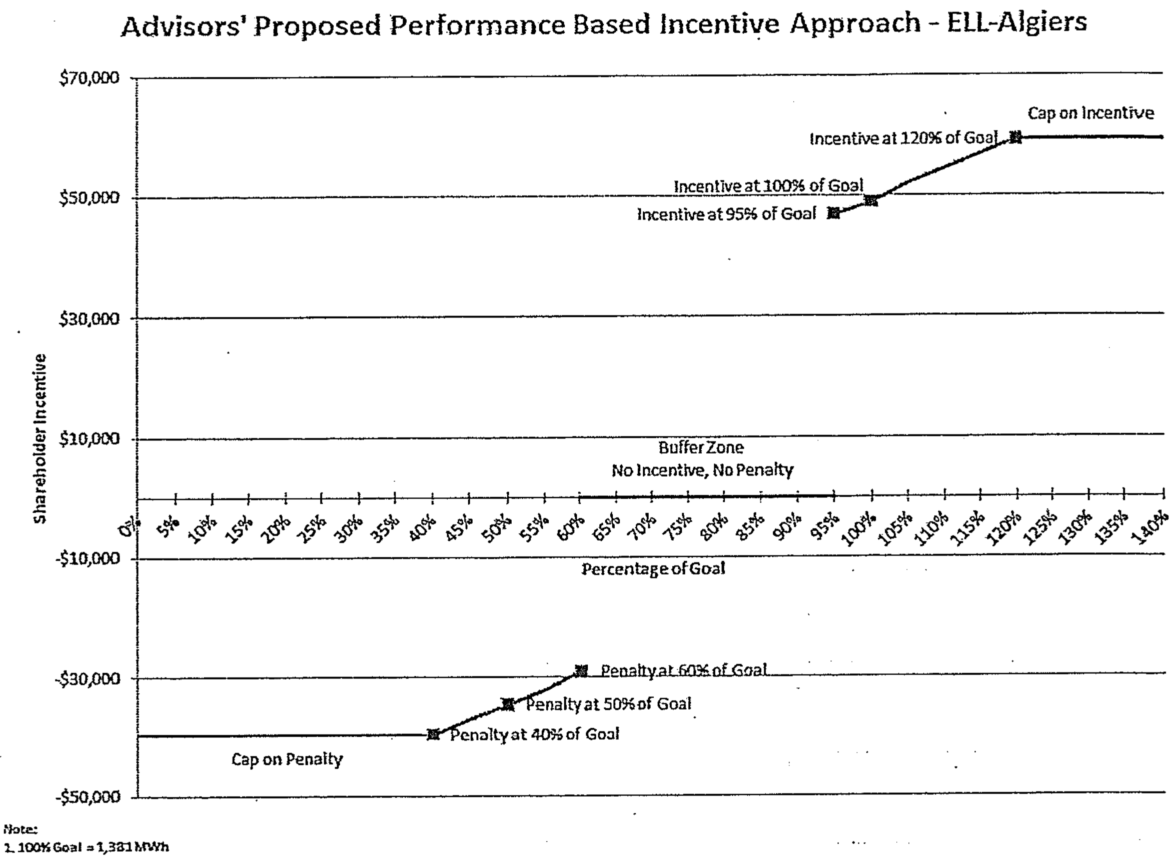
Advisors' Proposed Performance Based Incentive Approach - ENO



Note:
1. $1.7 million = 1% ROE
2. 100% Goal = 16,274 MWh

WHEREAS, similar to ENO, the Advisors propose a performance-based incentive mechanism for ELL-Algiers calculated in the same manner with an incentive payment at reaching 95% of kWh goal and a cap at reaching 120% of goal. The Advisors recommend that the incentive for achieving 100% of goal should be $49,000. Advisors proposed incentive mechanism has a buffer zone from a kWh savings level of 60% of the goal to 95% of the goal, with no incentive and no penalty applicable in this zone. The Advisors also recommend that

[188] *Id.*



there should be a penalty applicable below an inception minimum kWh level of 60%, which increases until 40% of kWh savings goal with a cap applicable at anything below 40% of kWh goal. The graph below shows the results of Advisors proposed performance-based incentive mechanism for ELL-Algiers; and

5. *Council Determination*

WHEREAS, the Council agrees with the parties that the incentive mechanism adopted in Resolution R-13-363 should be modified; and

WHEREAS, the Council agrees that in light of the difficulty in evaluating the Companies' reduction in kWh goals, it is appropriate for the Companies to receive incentives at a higher level than proposed by the Companies; and

WHEREAS, the Council recognizes that it is possible that a failure to meet the kWh savings goals could be due to factors outside of the Companies' control, and therefore the Companies should be permitted an opportunity to show cause why a penalty should not be imposed if they have failed to meet the kWh goals; and

WHEREAS, the Council adopts the incentive mechanism proposed by the Advisors and adds the provision that prior to the imposition of a penalty under the incentive mechanism, the Companies shall be granted the opportunity to appear before the Council and show cause as to why the imposition of a penalty would be unjust and unreasonable; and

H. Other Issues

WHEREAS, the Companies request that the Council approve the choice of CLEAResult as the third party implementer for Program Years 5 and 6; and

WHEREAS, the Advisors report that they have been unable to obtain from the Companies the contract with CLEAResult including the information regarding the "kWh at risk" under the contract; and

WHEREAS, the Council desires to maintain continuity of Energy Smart programming for Program Years 5 and 6, but is concerned that the selection of a third party implementer does warrant periodic review; and

WHEREAS, the Council provisionally approves the selection of CLEAResult as the third party implementer for Program Years 5 and 6, conditioned upon the Companies providing to the Advisors the contract with CLEAResult for Advisor review. The Council also instructs the Companies to conduct an RFP process to select the third party implementer for the subsequent Energy Smart cycle (Program Years 7-9). The Council instructs the Companies to present a proposed RFP to the Council for review and approval; and

WHEREAS, the Alliance comments that the process is still a problem.[189] The Alliance argues that ENO and CLEAResult should set long-term goals for energy efficiency designed to capture a significant percentage of the achievable potential energy savings identified through the 2015 IRP energy efficiency potential study.[190] The Alliance would like to see a program development process that is more open to the business community and the public with mechanisms in place to draw on the collective knowledge of the people.[191] The Alliance states that Energy Smart planning is still rushed and requests that ENO lay out a timeline much earlier in the process next time;[192] and

WHEREAS, in response, the Companies state that they are open to lengthening the planning process, given that the parties understand and accept that a more intensive process ultimately increases the cost of planning.[193] The Companies note that the more time the Companies and implementers spend planning, the less time they spend actually in the field performing the current programs.[194] They also note that they are already required to produce quarterly reports and an annual report and that they have been informally meeting with stakeholders to provide updates and solicit their opinions;[195] and

WHEREAS, the Companies also note that the Alliance's comments regarding the need to set long-term goals for energy efficiency and for a more open program design process are not relevant to this Implementation Plan.[196] The Companies state that the 2015 IRP is still in the

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[189] *Id.*
[190] *Id.*
[191] *Id.* at 6.
[192] *Id.*
[193] Companies' Reply Comments at 4.
[194] *Id.*at 4-5.
[195] *Id.*at 4.
[196] *Id.*at 9.

process of being developed and the process issues raised by the Alliance should be raised in that context;[197] and

WHEREAS, the Advisors note that the 2015 IRP will be filed in October 2015, after a significantly expanded stakeholder input process, and the evaluation of the supply and demand side resources in the current IRP will provide the basis for the DSM programs to be implemented in Program Year 7 and beyond; and

WHEREAS, the Council notes that the current IRP process is a good deal more open to stakeholder input than prior IRP processes have been; and

WHEREAS, the Council directs the Advisors to continue to work with the parties to this docket to establish procedural schedules that allow for sufficient public input to the IRP process; now therefore:

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF NEW ORLEANS THAT:

1. Except as otherwise noted herein, the individual programs proposed by the Companies for the ENO and ELL-Algiers Energy Smart Program Years 5 and 6 are approved, with the exception of the pilot programs and individual budget levels as further ordered herein.
2. Prior to the implementation of any new pilot program for the Energy Smart program, the Companies must file an application with the Council for review and approval that includes, at a minimum:
    a. Incentive costs, non-incentive costs and kWh savings (in some cases where the supporting calculations require, individual measures should be shown within a program) for each individual pilot program proposed;
    b. EM&V spending at 6.5%;

[197] *Id.*

c. LCFC including the adjusted gross margin ("AGM") calculation;

d. The composite of the pilot program costs and other proposed program costs, including NOLA Wise, should be shown to equal the annual total spending levels of $6.5 million for Program Year 5 and $7.8 million for Program Year 6 as approved in Resolution R-14-509; and

e. A program description that includes the objective of the pilot, including results, as appropriate, that will provide data to determine cost-effectiveness should a full implementation of the pilot program be considered.

3. ENO is directed to design and develop a proposed Behavioral Pilot Program consistent with the findings of this Resolution and submit it to the Council for review and approval. ENO is also directed to conduct an RFP to select the program services provider for the pilot program.

4. The Companies shall file with the Council within 30 days of this Resolution a new proposal for individual program budgets that complies both with the Council's total approved budgets of $6,500,000 for Program Year 5 and $7,800,000 for Program Year 6 and all changes ordered within this Resolution.

5. ENO is directed to create an EM&V Reference Manual for New Orleans which (i) organizes the methods and sources used to develop average and default values by DSM measure category and sector, (ii) summarizes the results of recent EM&V research as well as planned EM&V, and (iii) lays out the resulting savings per measure estimates in the form of savings values, algorithms, and/or calculation tools for New Orleans energy efficiency measures. The EM&V RM should also provide guidance on the frequency that key inputs and/or equations (an algorithm with stipulated or variable parameters) should be updated, based on the vintage of the input parameters, as well as an assessment of the level of variability in energy

efficiency reductions estimates across the range of likely applications in New Orleans.

6. ENO shall provide an updated rate impact analysis to the Advisors 30 days prior to the date of any change in rates related to funding Energy Smart. In addition, when the Companies make their initial filing containing their proposed budget levels for Energy Smart Program Year 7 and beyond, they are directed to include in that filing the typical monthly bill impacts associated with the approved annual level of funding.

7. The LCFC shall be determined subsequent to each Program Year by multiplying the annual kWh reduction by the adjusted gross margin. The Companies are directed to make a supplemental filing with the Council for recovery of the LCFC and any incentive related to the previous Program Year.

8. The incentive and penalty mechanism adopted in Resolution R-13-363 is modified as follows:

    a. The Companies shall begin receiving a performance-based incentive when they reach 95% of the kWh goal set by the Council in this Resolution. The incentive shall increase until 120% of the kWh goal is reached and then shall be capped at that level. The incentive will be determined based on the estimated annual kWh level as a percent of the approved kWh goal for each Program Year. The incentive at 100% of goal for Program Years 5 and 6 shall be $530,000 for ENO and $49,000 for ELL-Algiers.

    b. The Companies shall neither receive an incentive nor be assessed a penalty for achieving a kWh savings level of 60% to 95% of the kWh savings goal approved by the Council.

c. If either ENO or ELL-Algiers fails to achieve 60% of the kWh goal, it shall appear before the Council Utility, Cable, Telecommunications and Technology Committee and show cause why it should not be assessed a penalty. If the Council determines the Company in question has failed to show cause the Company shall be assessed a penalty of $430,000 for ENO and $40,000 for ELL-Algiers for achieving anything less than 40% of the goal. At levels of achievement between 40% and 60% of goal, the penalty shall be $250,000-$430,000 for ENO and $29,000-$40,000 for ELL-Algiers.

9. The Companies' selection of CLEAResult as the third party implementer for Program Years 5 and 6 is provisionally approved. The Companies shall provide a copy of the contract with CLEAResult to the Council's Advisors for Advisor review within 30 days of the issuance of this Resolution. Once the Advisors indicate to the Council that they have been provided with the contract and are satisfied with it, the Council will issue a further order finalizing the selection of CLEAResult as the third party implementer for Program Years 5 and 6. The Companies shall conduct an RFP process for the selection of a third party implementer for the subsequent Energy Smart cycle (Program Years 7-9). By October 1, 2015, the Companies shall submit to the Council a proposed RFP for the third party implementer. Within 60 days of the filing of the draft RFP, the Companies shall hold a technical conference to receive feedback from the Intervenors, stakeholders, and Advisors regarding the proposed RFP. Within 30 days of the technical conference, the Companies shall file a report on the technical conference and their final proposed RFP with the Council.

10. The Companies shall be permitted to pay costs incurred for the Energy Smart programs retroactive to April 1, 2015.

11. The Advisors are directed to continue working with the parties to this docket to establish procedural schedules that will allow for sufficient public input.

THE FOREGOING RESOLUTION WAS READ IN FULL, THE ROLL WAS CALLED ON THE ADOPTION THEREOF AND RESULTED AS FOLLOWS:

YEAS: **Brossett, Gray, Guidry, Ramsey, Williams - 5**

NAYS: **0**

ABSENT: **Cantrell, Head - 2**

AND THE RESOLUTION WAS ADOPTED.

THE FOREGOING IS CERTIFIED
TO BE A TRUE AND CORRECT COPY
Lora W. Johnson
CLERK OF COUNCIL