

RESOLUTION

NO. R-20-51

CITY HALL: February 20, 2020

**BY: COUNCILMEMBERS MORENO, WILLIAMS, GIARRUSSO, BANKS AND
BROSSETT**

**IN RE: RESOLUTION REGARDING PROPOSED RULEMAKING TO ESTABLISH
INTEGRATED RESOURCE PLANNING COMPONENTS AND REPORTING
REQUIREMENTS FOR ENTERGY NEW ORLEANS, INC.**

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

DOCKET NOS. UD-08-02 AND UD-17-03

**RESOLUTION AND ORDER APPROVING IMPLEMENTATION PLANS FOR
ENERGY SMART PROGRAM YEARS 10 THROUGH 12 AND EXTENSION OF
ENERGY SMART PROGRAM YEAR 9**

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 governing the terms and conditions of service, and to govern applications for the fixing and changing of rates and charges of public utilities; and

WHEREAS, Entergy New Orleans, LLC ("ENO" or "Company") is a public utility providing electric service and natural gas service to all of New Orleans; and

WHEREAS, the Council approves Energy Smart program designs, savings targets, and budgets every three years upon the conclusion of ENO's Triennial Integrated Resource Plan ("IRP") analysis so that it can be informed by the results of that analysis; and

WHEREAS, since the beginning of the Energy Smart program, funding was provided from a variety of sources, but no dedicated funding measure for demand-side management resources had been established for ENO prior to the adoption of Resolution No. R-19-457 in the combined Rate Case earlier this year, which established an Energy Efficiency Cost Recovery (“EECR”) Rider as a permanent funding mechanism for the Energy Smart Program; and

WHEREAS, the EECR Rider was not in place at the time that Energy Smart Program Years 7-9 were approved by the Council in Resolution Nos. R-17-176 and R-17-623. In Resolution No. R-17-176, which approved the Implementation and Cost Recovery Plan for Program Years 7 through 9, the Council authorized ENO to continue to use the remaining \$11.8 million of Energy Smart funds as of April 1, 2017 for the ENO Legacy Energy Smart Program and directed that until “a universal funding mechanism is approved by the Council for both [ENO Legacy and Algiers customers], the Algiers Energy Smart programs will continue to be funded through the Algiers Fuel Adjustment Clause;” and

WHEREAS, at the time of the adoption of Resolution No. R-17-623, ENO was estimating that incremental ratepayer funding would be needed for the Energy Smart program on or about June 2018. In that Resolution, the Council noted that the Advisors had identified two other possible sources of Energy Smart funding. In Resolution No. R-17-623, the Council committed to monitor the status of the potential additional funding sources for Energy Smart, but in the absence of any additional supplemental funding ordered by the Council prior to June 2018, directed ENO to implement a transparent, stand-alone energy-efficiency cost recovery rider (“Interim EECR Rider”) on ENO Legacy customers’ bills commencing with the first billing cycle in July 2018 until such time as new rates are implemented and an appropriate cost recovery mechanism and treatment on monthly customer bills is ordered in the Combined Rate Case; and

WHEREAS, subsequently, in Resolution No. R-18-227, the Council approved an additional \$13.5 million of funds resulting from changes in taxation arising from *The Tax Cuts and Jobs Act* effective January 1, 2018, to be directed to the Energy Smart Program, which amount was estimated to be sufficient to fully fund Energy Smart through August 2019 when the new rates from the Combined Rate Case were due to be enacted. However, Resolution No. R-19-457 setting the new rates was not adopted by the Council until November 7, 2019. In the interim, on September 13, 2019, ENO sent a letter to the Council indicating that in order to continue funding Program Year 9 (“PY 9”) beyond August 2019 ENO would require an additional \$3,661,000 from customers for the ENO Legacy program and an additional \$437,000 for the Algiers program; and

WHEREAS, by way of a letter to ENO from the Chair of the UCTTC dated October 4, 2019 (“October 4 Letter”), the Council authorized ENO to collect any additional estimated amounts, including accompanying carrying costs, from customers through the Energy Smart Program Year 10 through 12 (“PY 10-12”) budgets, to be spread evenly across those three years; and

WHEREAS, as a result of the procedural schedule set forth in the most recent IRP process in Resolution No. R-17-430, as modified by the March 26, 2018 Order of the Hearing Officer in the proceeding (Council Docket No. UD-17-03), the Implementation Plan setting forth ENO’s proposed program design, budgets, savings targets, and Third-Party Administrator (“TPA”) and Third Party Evaluator (“TPE”) was not filed until December 9, 2019, leaving insufficient time for the Council to evaluate and approve the Implementation Plan prior to the end of PY 9 on December 31, 2019; and

WHEREAS, in order to ensure continuity of Energy Smart services to customers and prevent interruption of the program while the Council considers ENO's proposed Implementation Plan for PY 10-12, the Council in Resolution No. R-19-516 extended PY 9 for an additional three months, through March 31, 2020, to consist of a total of 15 months. The Council directed that program offerings to remain the same and the budgets and kWh savings goals for the extended three-month period to be adjusted from the original 12 month PY 9 approved budgets and kWh savings goals, as is appropriate recognizing the seasonality of certain programs and the need for a longer time frame for other programs. In addition, ENO was authorized to continue using the TPA and TPE approved for PY 7, 8, and 9 for the additional three-month period with similarly adjusted budgets; and

WHEREAS, the Council also found that PY 10 should be correspondingly shortened, to run from April 1, 2020 through December 31, 2020, with similarly adjusted budgets and savings targets for 9 months, as appropriate recognizing the seasonality of certain programs and the need for a longer time frame for other programs, based on the Implementation Plan filing for PY 10 which was based on the 12 months of calendar year 2020. The Council instructed ENO that the total Energy Smart program costs to be recovered from ratepayers for Energy Smart programs in calendar year 2020 should include three months of the extended PY 9 (January through March 2020) plus the nine months of shortened PY 10 to reflect a total twelve months of Energy Smart program costs incurred in calendar year 2020, as well as the portion of the outstanding PY 9 costs related to calendar year 2019 due to be collected in 2020 in a manner consistent with the October 4 Letter; and

WHEREAS, in Resolution R-19-516, the Council ruled that the kWh savings goals and corresponding utility incentives or penalties for both the extended PY 9 consisting of 15 months,

and the shortened PY 10 consisting of 9 months, should be adjusted based on the approved 12 months kWh savings goals and utility incentives for PY 9 and 10 as appropriate recognizing the seasonality of certain programs and the need for a longer time frame for other programs; and

WHEREAS, on December 6, 2019 ENO lodged an appeal of Resolution No. R-19-457 with the Civil District Court for the Parish of Orleans, which appeal also requested a stay of or preliminary injunctive relief from Resolution No. R-19-457 during the pendency of ENO's appeal; and

WHEREAS, December 9, 2019, ENO submitted the *Entergy New Orleans, LLC's Application for Approval of the Implementation Plan for Program Years 10 through 12 of the Energy Smart Program* ("Implementation Plan") to the Council setting forth its Program Years 10-12 program designs, budgets, kWh savings targets, and requested utility performance incentives; and

WHEREAS, because Resolution No. R-19-516 was adopted after ENO's initial filing of the Implementation Plan, ENO subsequently made three filings, a January 15 filing with proposed budgets and kWh savings targets for the PY 9 extension,¹ a January 22, 2020 filing with a Revised Implementation Plan for PY 10-12,² and a Corrected Energy Smart Revised Implementation Plan for PY 10 – 12;³ and

¹ Letter from Brian L. Guillot to Lora W. Johnson dated January 15, 2020, filed in Docket Nos. UD-08-02 and UD-17-03 ("PY 9 Extension Filing").

² Letter from Brian L. Guillot to Lora W. Johnson dated January 22, 2020, filed in Docket Nos. UD-08-02 and UD-17-03 ("Revised Implementation Plan").

³ The Corrected Energy Smart Revised Implementation Plan for Program Years 10 – 12 was filed with the Clerk of Council on January 24, 2020 ("ENO Correction").

**ENO's Proposed Implementation Plan for Energy Smart
Program Years 10 Through 12**

WHEREAS, ENO's Implementation Plan sets forth ENO's proposed program offerings, budgets, kWh savings goals, and Utility Performance Incentive ("UPI") for PY 10-12 of the Energy Smart Program; and

WHEREAS, in this Implementation Plan, ENO for the first time has offered two budget scenarios for the Council's consideration, the first Budget Scenario being designed to comply with the requirement that ENO evaluate the Council's "goal of increasing energy efficiency incremental annual kWh savings by 0.2% of sales per year until such time as incremental annual kWh savings reach 2% of annual sales," and the second Budget Scenario being designed to reflect a more aggressive set of kWh savings goals;⁴ and

WHEREAS, ENO proposes to continue to employ the APTIM as the Third Party Administrator ("TPA") and ADM Associates ("ADM") as the Third-Party Evaluator ("TPE") for PY 10-12.⁵ Through an RFP selection process, ENO selected APTIM and Honeywell Smart Energy ("Honeywell") to assist ENO in developing and implementing its new demand response offerings for PY 10-12;⁶ and

WHEREAS, the Implementation Plan sets forth the following Residential Offerings for PY 10-12 of the Energy Smart Program:

- Home Performance with Energy Star ("HPwES") -- Local auditors and contractors will help residential customers analyze their energy use and identify opportunities to improve efficiency, install low-cost energy-savings measures, and identify and implement more comprehensive home efficiency projects through three levels of home energy audits.⁷
- Retail Lighting and Appliances -- Will provide customers the opportunity to purchase a variety of discounted products that are ENERGY STAR qualified or better.⁸ The two

⁴ Implementation Plan at 7.

⁵ Implementation Plan at 2.

⁶ Implementation Plan at 8-9.

⁷ Implementation Plan at 3-4.

⁸ Implementation Plan at 4.

main program activities include (1) retailer recruitment and merchandizing and (2) administration of the incentive process (including program tracking).⁹

- Multifamily Solutions -- Will address the unique needs of multifamily property owners through a combination of incentives for both direct install and prescriptive measures, and through property owner and tenant education.¹⁰
- Income Qualified Weatherization -- Will offer qualifying customers free energy efficiency projects ranging from direct install measures, to demand-response enabled smart thermostats and comprehensive envelope measures.¹¹
- A/C Solutions -- Will provide residential customers with a more comprehensive set of options to lower the energy consumption and cost associated with keeping their homes cool and comfortable in the summer.¹² The program will include comprehensive A/C tune-up and replacement, and demand-response enabled smart thermostats.¹³
- NOLA Wise School Kits & Education and Community Outreach -- Program will continue to target middle school students in the New Orleans area, working with local schools to enhance energy efficiency lessons and providing students with energy efficiency kits they will install in their homes.¹⁴
- Behavioral -- Program will work with Entergy's new Customer Engagement Platform to offer a behavioral program to ENO's residential customers where customers receive a monthly Home Utility Report that compares them to similar and efficient households, shows their usage over time, provides tips for having energy, rewards for taking actions and directs them to other program offerings.¹⁵
- Rewards -- This program includes a dedicated budget that will be leveraged to reward Behavioral Program participants with incentives or prizes for participation.¹⁶
- Appliance Recycling and Replacement Pilot -- Program will encourage early recycling of low efficiency appliances, such as refrigerators and freezers, for residential customers, as well as offering a refrigerator replacement option for income-qualified residential customers.¹⁷ The program will go beyond federal recycling requirements using environmentally friendly best practices for recycling all components of each appliance,¹⁸ and

⁹ Implementation Plan at 4.

¹⁰ Implementation Plan at 4.

¹¹ Implementation Plan at 4.

¹² Implementation Plan at 4.

¹³ Implementation Plan at 4.

¹⁴ Implementation Plan at 5.

¹⁵ Implementation Plan at 5.

¹⁶ Implementation Plan at 5.

¹⁷ Implementation Plan at 5.

¹⁸ Implementation Plan at 5.

WHEREAS, the Energy Smart PY 10-12 Commercial and Industrial Offerings proposed by ENO include:

- Small Commercial & Industrial Solutions -- Program will provide small businesses (100kW demand or less) and other qualified non-residential customers the opportunity to achieve electricity savings through strategies designed specifically for this sector.¹⁹ The program will help small business customers analyze facility energy use and identify energy efficiency improvement projects.²⁰
- Large Commercial & Industrial Solutions -- Program will provide solutions for larger (over 100 kW demand) non-residential customers interested in energy efficiency through a prescriptive or custom approach.²¹ The program will also nurture delivery channels, such as design professionals, distributors, installation contractors and Energy Service Companies.²²
- Commercial Real Estate -- This program would only be included in the second Budget Scenario (described below).²³ The program would be designed to more deeply engage Class A and B office space, which contains significant energy savings potential with a targeted approach reflecting the unique needs and decision makers in that class.²⁴
- Publicly Funded Institutions -- This program will target local publicly funded institutions and will assist end use customers in overcoming barriers that are specific to publicly funded groups through hands-on expertise and consulting including building benchmarking and creating roadmaps to success.²⁵
- Commercial & Industrial Construction Solutions -- This new program will encourage customers to design and construct higher efficiency facilities than required by building codes or planned designs, and would be available to ground-up construction, additions, or expansions, building repurposing and commercial building restorations.²⁶ It would include incentives for design assistance, prescriptive measures, and custom upgrades tailored to the customer's building operations,²⁷ and

WHEREAS, ENO is also adding demand response programming to the Energy Smart program for the first time for PY 10-12. The demand response programs include:

- Residential Direct Load Control -- the EasyCool program, which is strictly voluntary and only open to qualifying residential property owners manages peak load capacity for ENO

¹⁹ Implementation Plan at 6.

²⁰ Implementation Plan at 6.

²¹ Implementation Plan at 6.

²² Implementation Plan at 6.

²³ Implementation Plan at 6.

²⁴ Implementation Plan at 6.

²⁵ Implementation Plan at 6.

²⁶ Implementation Plan at 6-7.

²⁷ Implementation Plan at 7.

through the utilization of a digital cycling unit (“DCU”) that will control the operation of air conditioning compressors on conventional residential split systems, package units and heat pumps to cycle the appliances on and off for defined intervals as directed by ENO.²⁸

- Residential Bring Your Own Thermostat -- In the Energy Hub program, residential customers will purchase and install qualifying connected thermostats from device manufacturers on their own, and voluntarily enroll those devices in the program, which will allow ENO load control of the connected thermostats.²⁹
- Small Commercial and Industrial (“C&I”) Offering -- This offering will be a Bring Your Own Thermostat program for small businesses where ENO can trigger minor thermostat set-back adjustments at enrolled small businesses during peak demand events.³⁰
- Large Commercial and Industrial Offering -- Under this program, Honeywell, in coordination with ENO, will recruit, enroll, conduct demand response surveys, and install control equipment at customer sites to provide a turn-key solution for ENO Commercial customers.³¹ Specific load control shed measures will be tailored to the individual customer facility and their operations.³²

WHEREAS, ENO proposed two budget scenarios for the Energy Smart energy efficiency programs and one Budget Scenario for the Energy Smart demand response programs. Scenario 1 was designed to meet the Council’s goal of increasing energy efficiency by 0.2% of kWh sales until the savings reach 2% of kWh sales. Scenario 2 is more aggressive and exceeds that target. ENO submitted analyses demonstrating that both Scenario 1 and Scenario 2 are similarly cost-effective for customers under both the Total Resource Cost test and the Utility Cost Test,³³ which indicates that in both Scenarios customers receive value from the investments greater than the costs of the investment.³⁴ ENO’s proposed two budget scenarios for the energy efficiency programs for the 9-month PY 10 and the 12-month PY 11 and 12 compare as follows:³⁵

²⁸ Implementation Plan at 9.

²⁹ Implementation Plan at 9.

³⁰ Implementation Plan at 9-10.

³¹ Implementation Plan at 10.

³² Implementation Plan at 10.

³³ Advisors’ Report at 17.

³⁴ Advisors’ Report at 17-18.

³⁵ Advisors’ Report at 7-8; Revised Implementation Plan at 6 and 11, *see also* ENO Correction at 2 and 3.

		EE Program Costs	EE EM&V Costs	EE Programs Total	EE Projected MWh Savings	EE Projected MW Savings
Budget Scenario 1 <i>(reflects 2% goal)</i>	PY 10	\$11,969,008	\$494,546	\$12,463,554	54,877	7.45
	PY 11	\$14,904,329	\$614,813	\$15,519,142	78,154	10.14
	PY 12	\$17,382,165	\$718,064	\$18,100,229	89,525	12.62
Budget Scenario 2 <i>(more aggressive kWh savings goal)</i>	PY 10	\$12,399,533	\$512,485	\$12,912,018	56,573	7.75
	PY 11	\$16,582,396	\$684,738	\$17,267,134	87,512	11.60
	PY 12	\$18,701,145	\$773,026	\$19,474,171	96,774	13.68

WHEREAS, ENO's single proposed demand response Budget Scenario for the 9-month PY 10 and the 12-month PY 11 and 12 is as follows:³⁶

		DR Program Costs	DR EM&V Costs	DR Programs Total	DR Projected MW Savings
Budget Scenario	PY 10	\$1,649,036	\$68,710	\$1,717,746	4.63
	PY 11	\$1,578,368	\$65,766	\$1,644,134	9.49
	PY 12	\$1,751,374	\$72,974	\$1,824,348	14.27

WHEREAS, having reviewed ENO's energy efficiency and demand response budget scenarios in detail, the Advisors conclude that ENO's proposed program designs and budgets are reasonable and are based on sound data regarding expected costs and program performance;³⁷ and

³⁶ Advisors' Report at 8-9, citing to Revised Implementation Plan at 20, *see also* ENO Correction at 2 and 3.

³⁷ Advisors' Report at 9.

WHEREAS, ENO proposes that the Council adopt a simple formula for calculating the UPI for PY 10-12.³⁸ ENO argues that it is imperative that the Council address and correct a trend that has presented itself in recent Energy PY: as savings targets have increased, the UPI as a percentage of the program costs required to achieve those targets has decreased, meaning that ENO and the TPA's team had to work harder, think more creatively, and expend more effort to achieve increasingly difficult goals.³⁹ ENO argues that this trend needs to change if the Council wishes to signal strong support for DSM as a resource and place demand- and supply-side resources on equal financial footing;⁴⁰ and

WHEREAS, citing the Council approved UPI for PY 5 as precedent, ENO proposes that the UPI for achieving 100% of the kWh savings goals be 10% of the Council-approved program costs and that the UPI multiplier increase or decrease by 0.1% based on ENO's under- or over-achievement of the 100% target mark.⁴¹ ENO proposes a minimum threshold for ENO to earn any UPI to be achieving 95% of kWh goals, for which ENO would earn 9.5% of Council-approved program costs, if ENO achieved 110% of kWh savings targets, it would earn a UPI of 11% and for achieving 120% a UPI of 12%, however the UPI would be capped at 12% of Council-approved program costs for any achieved level of kWh savings above 120% of target;⁴² and

WHEREAS, ENO's proposed UPI's for the two Budget Scenarios for the 9-month PY 10 and the twelve-month PY 11 and 12 is as follows:⁴³

³⁸ Implementation Plan at 13.

³⁹ Implementation Plan at 14-15.

⁴⁰ Implementation Plan at 15.

⁴¹ Implementation Plan at 15.

⁴² Implementation Plan at 15-16.

⁴³ Revised Implementation Plan at 4.

Scenario 1	95%	100%	120%
PY10	\$1,184,038	\$1,246,355	\$1,495,626
PY11	\$1,474,318	\$1,551,914	\$1,862,297
PY12	\$1,719,522	\$1,810,023	\$2,172,027

Scenario 2	95%	100%	120%
PY10	\$1,226,642	\$1,291,202	\$1,549,442
PY11	\$1,640,378	\$1,726,713	\$2,072,065
PY12	\$1,850,046	\$1,947,417	\$2,336,901

WHEREAS, the Advisors report that ENO also changed its budget for Evaluation Measurement & Verification (“EM&V”) for PY 10-12.⁴⁴ The Advisors explain that in past Energy Smart Implementation plans (since PY 5), EM&V has been set at 6.5% of total program costs, which was instrumental in allowing for development of a robust New Orleans Technical Resource Manual (“NOTRM”) by which programs and measures can be measured going forward.⁴⁵ However, the Advisors write, now that several versions of the NOTRM have been completed and the NOTRM will require less comprehensive updates going forward, ENO believes that a reduction in the amount of funding dedicated to EM&V may be warranted, and, after consulting with the Advisors and stakeholders, proposes that EM&V be reduced to 4.0% of total program costs;⁴⁶ and

WHEREAS, in addition, ENO anticipates the need to have coordination between the Demand Response implementing contractors in order to develop the Energy Smart database for

⁴⁴ Advisors’ Report at 10.

⁴⁵ Advisors’ Report at 10, citing to Revised Implementation Plan at 4.

⁴⁶ Advisors’ Report at 10, citing to Revised Implementation Plan at 4.

DR data processing and incentive payment processing.⁴⁷ ENO's proposed costs associated with this coordination are:⁴⁸

Activity	PY10	PY11	PY12
Systems Development	\$20,000	\$0	\$0
Check Processing	\$1,200	\$4,500	\$7,500
Program Coordination	\$5,400	\$7,200	\$7,200
Totals	\$26,600	\$11,700	\$14,700

WHEREAS, ENO's total proposed budgets for the two scenarios are therefore:⁴⁹

ENO (10% UPI)		Scenario 1	Scenario 2
PY 10	EE	\$12,463,554	\$12,912,018
	DR	\$1,717,746	\$1,717,746
	UPI at 100%	\$1,246,355	\$1,291,202
	Total	\$15,427,654	\$15,920,964
PY 11	EE	\$15,519,142	\$17,267,134
	DR	\$1,644,134	\$1,644,134
	UPI at 100%	\$1,551,914	\$1,726,713
	Total	\$18,715,189	\$20,637,980
PY 12	EE	\$18,100,229	\$19,474,171
	DR	\$1,824,348	\$1,824,348
	UPI at 100%	\$1,810,023	\$1,947,417
	Total	\$21,734,600	\$23,245,936
TOTAL PY 10-12		\$55,877,444	\$59,804,881

WHEREAS, finally, with respect to cost recovery, ENO notes in its Implementation Plan that it has submitted an appeal of the Council's determination in Resolution No. R-19-457 to

⁴⁷ Revised Implementation Plan at 5.

⁴⁸ Advisors' Report at 10, citing to Revised Implementation Plan at 5.

⁴⁹ Advisors' Report at 11, citing to ENO Correction at 2 and 3.

approve a permanent Energy Efficiency Cost Recovery (“EECR”) Rider rather than ENO’s proposed method of cost recovery for the Energy Smart program along with a request for a stay, or injunctive relief from the resolution during the pendency of ENO’s appeal.⁵⁰ ENO notes that if its request is granted, it is possible that a universal funding mechanism for Energy Smart may not be in place at the start of PY 10.⁵¹ ENO therefore explains that in the absence of Council instructions to the contrary, ENO intends to recover the costs of implementing PY 10 through the mechanisms approved in Council Resolutions R-17-176 and R-17-623 (which directed ENO to fund the Energy Smart program for Algiers through the Algiers Fuel Adjustment Clause and for ENO Legacy customers through an interim EECR, respectively);⁵² and

Comments of the Parties

WHEREAS, the only party to file comments on the Implementation Plan was the Alliance for Affordable Energy (“AAE”).⁵³ AAE expresses support for of the majority of ENO’s Implementation Plan for the Energy Smart Program.⁵⁴ AAE supports continuity in program administration by APTIM and ADM Associates, and the addition of Honeywell Smart Energy for Demand Response programming.⁵⁵ AAE notes that the Energy Smart programs of the last three years have proven successful, and argues that the team assembled to implement these growing energy savings plans should be retained to continue this momentum;⁵⁶ and

WHEREAS, AAE is supportive of the new program offerings, especially Commercial Real Estate, which, AAE states, dovetails with the increase in data access granted to these

⁵⁰ Implementation Plan at 12.

⁵¹ Implementation Plan at 12.

⁵² Implementation Plan at 11-12.

⁵³ *Alliance for Affordable Energy's Reply to Entergy New Orleans, LLC's Application for Approval of the Implementation Plan of the Energy Smart Program*, Jan. 6, 2020, Docket No. UD-17-03 (“AAE Comments”).

⁵⁴ AAE Comments at 1.

⁵⁵ AAE Comments at 2.

⁵⁶ AAE Comments at 2.

customers in Docket No. UD-18-04.⁵⁷ AAE also supports the implementation of ENO's proposed Demand Response programs.⁵⁸ AAE supports the Green Light New Orleans initiative and recommends that the remaining budget continue to be dedicated to the project.⁵⁹ AAE also states it would be happy to work with the Council and other stakeholders on Green Light New Orleans issues;⁶⁰ and

WHEREAS, AAE supports ENO's proposal for Scenario 2, to more aggressively reduce energy waste in New Orleans, and increase customer benefits for the next three years, including proposed budgets, with some amendments.⁶¹ AAE supports the demand response programs, but is concerned that the projections for the proposed programs are anemic, especially for Small Commercial and Industrial offerings, and seeks information regarding how many years were used in calculating the TRC benefits;⁶² and

WHEREAS, in its Reply Comments, ENO explains that its planning assumptions were initially based on the market potential studies conducted by Navigant and Optimal Energy, which made no distinction between "small" and "large" C&I customers, and that as the program sees participation in the market, it is likely that the actual demand reduction delivered by participating small businesses may evolve from initial program planning assumptions;⁶³ and

WHEREAS, AAE expresses appreciation for the addition of new programs and pilots, but voices concern that there may not be enough useful information about the success of the pilot, and encourages ENO to supply information regularly, and that the program be re-approved

⁵⁷ AAE Comments at 2.

⁵⁸ AAE Comments at 2.

⁵⁹ AAE Comments at 3.

⁶⁰ AAE Comments at 3.

⁶¹ AAE Comments at 2.

⁶² AAE Comments at 6.

⁶³ ENO Reply Comments at 8.

each program year.⁶⁴ In its Reply Comments, ENO agrees that the Appliance Recycling Program should be a one-year pilot program, the benefits of which should be assessed to determine whether to continue the program in future years and states that its revised PY 10 filing will list the Appliance Replacement and Recycling Program as a one-year pilot;⁶⁵ and

WHEREAS, AAE supports cost recovery through the EECR rider approved by the Council in Docket UD-18-07, with a potential change to the UPI.⁶⁶ While AAE does not agree with the exact UPI formula that ENO has proposed in the Implementation Plan, AAE believes the majority of the format is workable.⁶⁷ AAE agrees that the fixed-dollar formula has been opaque and ENO's proposed formula is a more transparent way for all parties to understand how ENO's performance is encouraged.⁶⁸ AAE recommends the Council approve the mechanism ENO put forward, with the substitution of 5% in place of ENO's proposed 10% of Council-approved program costs;⁶⁹ and

WHEREAS, AAE otherwise agrees that the language ENO has put forward protect ratepayers from unnecessary increases, and elegantly ties achieved savings above and below program year kWh savings goal to an appropriate inducement.⁷⁰ AAE prefers this approach to approaches that link incentives to spending.⁷¹ AAE opposes the size of ENO's proposed incentive and finds no reason to assume that the incentives for PY 5 are a reasonable best practice or threshold.⁷² AAE argues that the UPI should not be equivalent to ENO's Weighted

⁶⁴ AAE Comments at 6.

⁶⁵ ENO Reply Comments at 9.

⁶⁶ AAE Comments at 2-3.

⁶⁷ AAE Comments at 3.

⁶⁸ AAE Comments at 3.

⁶⁹ AAE Comments at 3.

⁷⁰ AAE Comments at 3.

⁷¹ AAE Comments at 3.

⁷² AAE Comments at 4.

Average Cost of Capital (“WACC”) unless achievement is well in excess of 100%.⁷³ AAE argues that Energy Smart programs differ in many ways from the historic utility business model of spending and recouping costs on large capital investments with an allowed return on investment, and should not try to mimic or fit that outdated mold;⁷⁴ and

WHEREAS, AAE agrees with the multiplier framework that would increase or decrease by 0.1% based on under/over achievement of the 100% goal, which would allow ENO to earn up to 7% of the Council-approved program costs for savings achieved at 120% of the savings goal.⁷⁵ While AAE has concerns about an excessive baseline incentive, and argues that if the Council approves Entergy’s formula, using the Alliance’s recommended 5% of Approved Budget, and Scenario 2, the company still has an opportunity to earn a fair and increasing incentive at both baseline and for additional savings;⁷⁶ and

WHEREAS, in its Reply Comments, ENO disagrees with AAE’s recommendation that the UPI should be 5% of program costs when ENO achieves 100% of the Council’s savings goals.⁷⁷ ENO argues that evidence it submitted in the Combined Rate Case indicates that, compared to other states’ programs, ENO’s proposal of 10% of program costs would be a somewhat moderate UPI, while AAE’s 5% proposal would place the Energy Smart program near the bottom level of UPIs allowed by regulators when evaluated on a percentage of program costs basis.⁷⁸ ENO argues that the AAE’s 5% of program costs proposal would yield a decrease in the UPI even as savings targets and program budgets increase, and that it would be less than ENO’s WACC, meaning that under the AAE’s proposal, even if it achieved 100% of the Council’s

⁷³ AAE Comments at 4.

⁷⁴ AAE Comments at 4.

⁷⁵ AAE Comments at 5.

⁷⁶ AAE Comments at 5.

⁷⁷ *Entergy New Orleans, LLC’s Reply Comments Concerning the Implementation Plan for Program Years 10 Through 12 of the Energy Smart Program*, at 3, filed Jan. 21, 2020, Docket No. UD-17-03 (“ENO Reply Comments”).

⁷⁸ ENO Reply Comments at 3.

savings targets, ENO would be unable to earn a UPI equivalent to the cost of capital that is necessary to achieve the Council's targets;⁷⁹ and

WHEREAS, ENO also argues that even under the most aggressive spending scenario contained in the Implementation Plan, the average monthly bill impact of ENO's proposed 10% UPI on a typical residential customer's bill would be only \$0.36.⁸⁰ ENO also argues that its proposed UPI generally contains more risk for ENO than the mechanisms of other utilities, which often contain no penalty mechanism and begin providing incentives for lower levels of achievement,⁸¹ and

Advisors' Report

WHEREAS, the Advisors performed an extensive review and analysis of ENO's proposed program design, individual program budgets and kWh and kW savings targets, and generally found them to be well-founded and reasonable;⁸² and

WHEREAS, the Advisors report that the Revised Implementation Plan set forth the detailed program-by-program budgets, and the Advisors have reviewed and analyzed it in detail.⁸³ The Advisors explain that the energy efficiency Portfolio Planner software tool provides costs and estimated reductions for each DSM measure and the corresponding programs under both scenarios, the calculations using inputs and assumptions by measure from the New Orleans Technical Manual ("NOTRM") and the two DSM Potential Studies conducted by Navigant and Optimal in the 2018 Integrated Resource Plan proceeding. The Advisors report that over 300

⁷⁹ ENO Reply Comments at 4.

⁸⁰ ENO Reply Comments at 6.

⁸¹ ENO Reply Comments at 6-7.

⁸² Advisors' Report at 14.

⁸³ Advisors' Report at 8, citing to Revised Implementation Plan at pages 7-9 and 12-14

DSM measures were individually identified along with the quantity of each measure to be implemented in the various program offerings;⁸⁴ and

WHEREAS, the Advisors conducted an extensive review of measures and calculations to confirm the results of the Portfolio Planner, including cross-referencing metrics for each measure to the NOTRM and DSM Potential Studies, verifying the kWh “deemed savings” and kW savings calculations using the NOTRM, verifying the Incremental Measure Costs and Estimated Useful Life used for each measure, and verifying the participant incentives levels used in the calculations.⁸⁵ The Advisors also reviewed the use of the Navigant and Optimal DSM Potential Studies’ metrics as they were incorporated into the Portfolio Planning tool, by measure and by program, and compared the DSM Potential Studies’ metrics to the Implementation Plan portfolio proposed by APTIM.⁸⁶ The Advisors noted that while there are differences among the three studies, there are also significant similarities, particularly with respect to which programs would be expected to be top performers;⁸⁷ and

WHEREAS, the Advisors found that ENO’s proposed EM&V budget of 4% of total program costs is reasonable and that the parties were in consensus regarding this reduction.⁸⁸ The Advisors note that the change to 4% of total budget for EM&V compared to 6.5% will reduce the PY10 EM&V budget by 30% compared to PY9, counteracted in part by the overall growth of Energy Smart;⁸⁹ and

WHEREAS, the Advisors also found that a reduction in EM&V budget is reasonable because (i) most studies of DSM measures have been completed and fewer additional studies are

⁸⁴ Advisors’ Report at 8, citing to ENO Potential Study Measure Crosswalk and Portfolio Planner PY10_12 excel spreadsheets.

⁸⁵ Advisors’ Report at 14.

⁸⁶ Advisors’ Report at 14.

⁸⁷ Advisors’ Report at 14.

⁸⁸ Advisors’ Report at 14, explaining that EM&V was originally set at 6.5% of total program costs in Resolution R-14-509.

⁸⁹ Advisors’ Report at 14.

needed for current measures, (ii) the NOTRM updates will not require significant revisions as needed in the earlier versions, (iii) as programs grow, they absorb certain fixed costs associated with evaluation, such as required sample sizes hit caps with the increasing size of programs.⁹⁰ The Advisors also report that to account for this reduction in the EM&V budget, the TPE recommended certain strategies or EM&V approaches.⁹¹

WHEREAS, the Council has continued to consider the utility performance incentive as a performance-based mechanism to incentivize the utility to achieve greater use of Energy Smart as a preferred resource.⁹² After reviewing the history of Council decisions with respect to the UPI, the Advisors recommend an increase in the UPI incentive reflecting the increasing PY savings goals, and that the UPI continue to be based on achievement of savings from 95% to 120% of goal.⁹³ The Advisors further recommend that the amount of UPI at 100% of goal be increased to a value calculated at 7.0% of program costs, and that the Council re-evaluate the level of UPI based on ENO's performance implementing Energy Smart for PY 10 - 12.⁹⁴ The Advisors note that a 7% incentive would give ENO a reasonable increase over the current level of incentives in PY10 and would allow ENO to earn greater incentives as greater savings are achieved;⁹⁵ and

WHEREAS, the Advisors submitted in their Advisors' Report tables summarizing the current UPI mechanism, the UPI proposals, and the Advisors' UPI recommendation, showing dollars and percentages for both Scenario 1 and Scenario 2.⁹⁶

⁹⁰ Advisors' Report at 14.

⁹¹ Advisors' Report at 14, citing to EM&V at Revised Budget Prepared by ADM Associates, dated November 27, 2019.

⁹² Advisors' Report at 15.

⁹³ Advisors' Report at 15, citing Resolution Nos. R-13-363, R-15-140, R-17-176, R-17-623, and R-18-828

⁹⁴ Advisors' Report at 15.

⁹⁵ Advisors' Report at 15.

⁹⁶ Advisors' Report at 16.

UPI Proposals Scenario 1:

	100% kWh Savings	Current Mechanism	UPI AAE	UPI ENO	UPI Recommended	%Current Mechanism	%AAE	%ENO	% Recommended
PY10	\$12,463,552	\$820,000	\$623,178	\$1,246,355	\$872,449	6.58%	5.00%	10.00%	7.00%
PY11	\$15,519,142	\$820,000	\$775,957	\$1,551,914	\$1,086,340	5.28%	5.00%	10.00%	7.00%
PY12	\$18,100,230	\$820,000	\$905,011	\$1,810,023	\$1,267,016	4.53%	5.00%	10.00%	7.00%
Total	46,082,924	\$2,460,000	\$2,304,146	\$4,608,292	\$3,225,805	5.46%	5.00%	10.00%	7.00%

UPI Proposals Scenario 2:

	100% kWh Savings	Current Mechanism	UPI AAE	UPI ENO	UPI Recommended	%Current Mechanism	%AAE	%ENO	% Recommended
PY10	\$12,912,019	\$820,000	\$645,601	\$1,291,202	\$903,841	6.35%	5.00%	10.00%	7.00%
PY11	\$17,267,134	\$820,000	\$863,357	\$1,726,713	\$1,208,699	4.75%	5.00%	10.00%	7.00%
PY12	\$19,474,172	\$820,000	\$973,709	\$1,947,417	\$1,363,192	4.21%	5.00%	10.00%	7.00%
Total	49,653,325	\$2,460,000	\$2,482,666	\$4,965,333	\$3,475,733	5.10%	5.00%	10.00%	7.00%

WHEREAS, the Advisors' calculated bill impacts were determined based on the revised Implementation Plan filing, which included program year ten revised to 9 months.⁹⁷ The bill impacts include EM&V costs at 4% of total program costs, UPI at 7% of program costs, and the remaining program year 9 costs estimated by ENO and recovered equally over program years 10, 11, and 12.⁹⁸ The Bill impacts are shown on the following two tables for Scenario 1 and Scenario 2 for typical monthly bills of the residential, small electric, and large electric customer classes,⁹⁹ and

Bill Impacts for the Advisors' Proposed Scenario 1 Budget

<u>Scenario 1</u>	<u>PY10</u>	<u>PY11</u>	<u>PY12</u>	<u>Average</u>
Typical Bill Impact (1000 kWh residential customer)	\$3.90	\$3.46	\$3.93	\$3.76
Typical Bill Impact (9,125 kWh commercial customer)	\$33.64	\$29.77	\$33.82	\$32.41
Typical Bill Impact (91,250 kWh industrial customer)	\$470.84	\$416.11	\$472.21	\$453.05

⁹⁷ Advisors' Report at 16.

⁹⁸ Advisors' Report at 16.

⁹⁹ Advisors' Report at 16-17.

Bill Impacts for the Advisors' Proposed Scenario 2 Budget

<u>Scenario 2</u>	<u>PY10</u>	<u>PY11</u>	<u>PY12</u>	<u>Average</u>
Typical Bill Impact (1000 kWh residential customer)	\$4.01	\$3.78	\$4.19	\$3.99
Typical Bill Impact (9,125 kWh commercial customer)	\$34.61	\$32.56	\$35.99	\$34.39
Typical Bill Impact (91,250 kWh industrial customer)	\$484.22	\$454.82	\$502.34	\$480.46

WHEREAS, the projected typical bill impacts of the Energy Smart Implementation Plan, including the UPI recommended by the Advisors, are: for Scenario 1, approximately \$3.76 on the typical residential customer monthly bill, \$32.41 on the typical commercial customer monthly bill, and \$453.05 on the typical industrial customer monthly bill; and for Scenario 2, \$3.99 on the typical residential customer monthly bill, \$34.39 on the typical commercial customer monthly bill, and \$480.46 on the typical industrial customer monthly bill;¹⁰⁰ and

WHEREAS, the Council finds the Advisors' recommended UPI and the resulting typical monthly bill impacts to be reasonable; and

WHEREAS, with respect to ENO's proposal to recover the costs of implementing PY 10 through the mechanisms approved in Council Resolutions R-17-176 and R-17-623 (which directed ENO to fund the Energy Smart program for Algiers through the Algiers Fuel Adjustment Clause and for ENO Legacy customers through an interim EECR, respectively) in the event that the permanent funding mechanism approved in Council Resolution No. R-19-457 is not available at the start of PY 10,¹⁰¹ the Advisors state that ENO's approach is reasonable. The Advisors note that the Council has already reviewed and approved these recovery

¹⁰⁰ Advisors' Report at 17.

¹⁰¹ Implementation Plan at 11-12.

mechanisms, and the interim EECR approved in R-17-623 is similar to the EECR approved in R-19-457.¹⁰² The Advisors support the use of ENO's proposed interim mechanisms until such time as the EECR approved in R-19-457 goes into effect or the Council issues other instructions regarding the matter;¹⁰³ and

WHEREAS, the Council agrees that the proposed interim mechanism is reasonable for ENO to employ until such time as the EECR approved in R-19-457 goes into effect; and

WHEREAS, the Advisors state that they agree with ENO and AAE that the Energy Smart Programs have performed well over the past three years and that APTIM and ADM Associates should be retained as TPA and TPE for PY 10-12 in order to preserve continuity and momentum of the programs.¹⁰⁴ The Advisors recommend, however, that in order to ensure ratepayers continue to receive the best available service for the Energy Smart Program, as ENO begins to design PY 13-15 of the Energy Smart Program, it would be appropriate for ENO to issue an RFP for the TPA and TPE functions for PY 13-15.¹⁰⁵ In addition, the Advisors concur with ENO's selection of Honeywell Smart Energy to develop and implement DR offerings for PY 10-12;¹⁰⁶ and

WHEREAS, the Council agrees that it is reasonable to continue to retain APTIM and ADM Associates as TPA and TPE, respectively for PY 10 through 12 and to retain Honeywell Smart Energy for the DR program. The Council also agrees that ENO should issue an RFP for the TPA and TPE functions for PY 13 through 15; and

¹⁰² Advisors' Report at 17.

¹⁰³ Advisors' Report at 17.

¹⁰⁴ Advisors' Report at 17.

¹⁰⁵ Advisors' Report at 17.

¹⁰⁶ Advisors' Report at 17.

WHEREAS, while the Advisors are cognizant that Scenario 1 is less expensive than Scenario 2, Scenario 2 achieves a higher level of kWh savings than does Scenario 1.¹⁰⁷ Moreover, ENO submitted its analyses demonstrating that both Scenario 1 and Scenario 2 are similarly cost-effective for customers under both the Total Resource Cost test and the Utility Cost Test,¹⁰⁸ which indicates that in both Scenarios customers receive value from the investments greater than the costs of the investment.¹⁰⁹ In light of the Council's strong desire to encourage greater energy efficiency throughout the city, and the particular cost-effectiveness of energy efficiency in reducing carbon emissions by reducing energy consumption, the Advisors support Scenario 2.¹¹⁰ The Advisors also support the inclusion of the Commercial Real Estate program only available under Scenario 2, which will reach a new set of commercial customers. Therefore, the Advisors recommend that the Council approve the Scenario 2 program design, budget and kWh and kW savings goals;¹¹¹ and

WHEREAS, the Council is of the opinion that because it results in increased kWh and kW savings at a budget that is still cost-effective to customers, the Scenario 2 design achieves the Council's goals for increasing energy efficiency within New Orleans better than does Scenario 1; and

WHEREAS, the Council agrees with the Advisors and finds that the Scenario 2 program design, budgets and kWh and kW savings goals better serve the Council's goals of increasing energy efficiency in the City in a cost-effective manner, and should be approved; and

WHEREAS, the Advisors recommend that regardless of whether the Council approves Scenario 1 or Scenario 2, the Council approve ENO's proposal to decrease the EM&V budget

¹⁰⁷ Advisors' Report at 17.

¹⁰⁸ Advisors' Report at 17.

¹⁰⁹ Advisors' Report at 17-18.

¹¹⁰ Advisors' Report at 18.

¹¹¹ Advisors' Report at 18.

from 6.5% of total program costs to 4% of total program costs, that the Council approve the budgets for coordination of the Demand Response third party administrators, and that the Council approve ENO's proposed UPI mechanism, but set the incentive level for 100% achievement of the Council's targets at 7% rather than 10%:¹¹² and

Scenario 1 Summary: Revised EM&V @4% and Prorated PY10
w/ Advisor's Recommended 7% UPI

Scenario 1 - Demand Response and EE Combined								
	EM&V @4%	Program Costs Excl EM&V	TPA Coordination	Total Costs	kWh	kW	UPI	Total Costs incl UPI
PY10	\$ 563,256	\$ 13,591,444	\$ 26,600	\$ 14,181,300	54,876,701	12,101	\$ 872,449	\$ 15,053,749
PY11	\$ 680,579	\$ 16,470,997	\$ 11,700	\$ 17,163,276	78,154,258	14,988	\$ 1,086,340	\$ 18,249,616
PY12	\$ 791,039	\$ 19,118,838	\$ 14,700	\$ 19,924,577	89,525,272	17,400	\$ 1,267,016	\$ 21,191,594
Total	\$ 2,034,874	\$ 49,181,280	\$ 53,000	\$ 51,269,154	222,556,231	44,489	\$ 3,225,805	\$ 54,494,958

Scenario 2 Summary: Revised EM&V @4% and Prorated PY10
w/ Advisor's Recommended 7% UPI

Scenario 2 - Demand Response and EE Combined								
	EM&V @4%	Program Costs Excl EM&V	TPA Coordination	Total Costs	kWh	kW	UPI	Total Costs incl UPI
PY10	\$ 581,195	\$ 14,021,970	\$ 26,600	\$ 14,629,764	56,572,937	12,386	\$ 903,841	\$ 15,533,605
PY11	\$ 750,504	\$ 18,149,064	\$ 11,700	\$ 18,911,268	87,511,515	16,447	\$ 1,208,699	\$ 20,119,968
PY12	\$ 846,001	\$ 20,437,820	\$ 14,700	\$ 21,298,519	96,773,677	18,456	\$ 1,363,192	\$ 22,661,711
Total	\$2,177,700	\$ 52,608,854	\$ 53,000	\$ 54,839,551	240,858,129	47,289	\$ 3,475,733	\$ 58,315,284

WHEREAS, the Council agrees that in light of the reduced need for EM&V services, reducing the EM&V budget from 6.5% to 4% is reasonable; and

WHEREAS, the Advisors continue to monitor the progress of the behavioral program, which has experienced several revisions since its implementation as a pilot program in 2017.¹¹³

The behavioral program estimated kWh savings is a significant portion of the PY savings goal,

¹¹² Advisors' Report at 18.

¹¹³ Advisors' Report at 18.

approximately 25%, and unlike the majority of measures whose deemed savings are based on relatively long estimated useful lives, the estimated savings from the behavioral program are based on one program year and require several statistical analyses.¹¹⁴ The Advisors have reviewed the TPE's EM&V reports evaluating the behavioral program and support the following recommendations offered by the TPE:¹¹⁵

- Develop a quality assurance (QA) process for monthly scorecard review. As the program reaches more households, it will be advantageous to create a QA process to ensure content and data is accurate prior to sending monthly scorecards.¹¹⁶
- Provide a link to information on how home comparisons were developed. It might be beneficial to provide more detailed explanation of the Scorecard for households interested in how usage and comparisons are calculated.¹¹⁷
- Perform mid-year verification.¹¹⁸
- For all future waves of the Home Energy Report Program, it is recommended that a randomized control trial (RCT) be created before the onset of the program. This pre-created control group will allow more reliable analysis results due to significantly decreased self-selection bias.¹¹⁹ Create a randomized control trial for any future waves using customers that are not assigned to any current or previous treatment or control groups, even if they have opted out.
- Continue marketing for household opt-in participants, using the same marketing efforts made in the Behavioral Pilot; implement a "variance in adoption" model.¹²⁰

WHEREAS, because these suggestions appear to be designed to increase the accuracy of data and encourage greater participation, the Council agrees with the Advisors that these recommendations are reasonable; and

¹¹⁴ Advisors' Report at 18-19.

¹¹⁵ Advisors' Report at 19.

¹¹⁶ Advisors' Report at 19, citing July 18, 2018 Filing of Entergy New Orleans, LLC's Energy Smart Program Behavioral Pilot Evaluation, Measurement and Verification Report.

¹¹⁷ Advisors' Report at 19, citing July 18, 2018 Filing of Entergy New Orleans, LLC's Energy Smart Program Behavioral Pilot Evaluation, Measurement and Verification Report.

¹¹⁸ Advisors' Report at 19, citing July 18, 2018 Filing of Entergy New Orleans, LLC's Energy Smart Program Behavioral Pilot Evaluation, Measurement and Verification Report.

¹¹⁹ Advisors' Report at 19, Evaluation of 2018 Energy Smart Programs - ADM Associates, Inc. (TPE) May 2019, Scorecard Behavioral Program (Section 10).

¹²⁰ Advisors' Report at 19, Evaluation of 2018 Energy Smart Programs - ADM Associates, Inc. (TPE) May 2019, Scorecard Behavioral Program (Section 10).

WHEREAS, in its Application, ENO discussed and estimated the impact of the Implementation Plan reductions of kWh/kW in succeeding years, with a corresponding loss of billing determinants and lost recovery of fixed costs.¹²¹ This lost contribution to fixed costs (“LCFC”) issue represents a concern which should be addressed by regulators as savings goals increase each program year. ENO’s calculation of the impact of the kWh reductions on the recovery of the utility’s fixed costs showed a similar range for both Scenario 1 and Scenario 2;¹²² and

LCFC- Scenario 1

Projected LCFC - Scenario 1			
	PY10	PY11	PY12
Gross kWh Savings	54,876,701	78,154,258	89,525,272
2018 ENO Adjusted Gross Margin	\$0.05011	\$0.05011	\$0.05011
Total LCFC	\$2,749,871	\$3,916,310	\$4,486,111

LCFC - Scenario 2

Projected LCFC - Scenario 2			
	PY10	PY11	PY12
Gross kWh Savings	56,572,937	87,511,515	96,773,677
2018 ENO Adjusted Gross Margin	\$0.05011	\$0.05011	\$0.05011
Total LCFC	\$2,834,870	\$4,385,202	\$4,849,329

WHEREAS, Council Resolution R-17-176 directed that no LCFC be recovered for program years 7 – 9, during which there was no rate action to reset billing determinants and rates impacted by the kWh reduction/savings goals.¹²³ With the 3-year formula rate plan (“FRP”) approved for filings in 2020 through 2023 in Docket No. UD-18-07, an adjustment to prospective billing determinants corresponding to the approved savings goals will be

¹²¹ Advisors’ Report at 19.

¹²² Advisors’ Report at 19-20.

¹²³ Advisors’ Report at 20.

implemented in determining the FRP revenue requirement.¹²⁴ The Advisors believe that the three-year FRP will adequately address the LCFC issue for PY 10-12,¹²⁵ and

WHEREAS, the Council agrees with the Advisors that the three-year FRP will adequately address the LCFC issue for PY 10-12; and

Program Year 9 Extension

WHEREAS, ENO notes in its Implementation Plan that it is owed recovery of approximately \$4.1 million in implementation costs for PY 9, and that it was instructed in a letter from the Council President, dated October 4, 2019, to recover those costs by amortizing them (with carrying costs) over the three-year period covering PY 10-12 and including the costs in the revenue requirement for the mechanisms approved in the Combined Rate Case.¹²⁶ As noted with the PY 10 costs, ENO proposes to begin recovering the outstanding PY 9 costs through the mechanisms previously approved in Council Resolutions R-17-176 and R-17-62,¹²⁷ and

WHEREAS, additionally, on December 19, 2019, the Council adopted Resolution No. R-19-516, recognizing that it would not be able to approve the Implementation Plan for PY 10-12 prior to the expiration of PY 9 on December 31, 2019, and extending PY 9 for an additional three months, through March 31, 2020 ("PY 9 Q5"). In R-19-516, the Council directed ENO to confer with the Advisors and to file with the Council a proposal for adjusted budgets, kWh savings targets, and corresponding utility incentives or penalties for the additional three months of PY 9; and

¹²⁴ Advisors' Report at 20.

¹²⁵ Advisors' Report at 20.

¹²⁶ Implementation Plan at 13.

¹²⁷ Implementation Plan at 13.

WHEREAS, ENO duly consulted with the Advisors and submitted its filing on January 15, 2020.¹²⁸ ENO's filing explains that it began developing the budget and targets by assuming a three-month pro rata share of the approved PY9 budget and targets, and from there made adjustments based on actual program performance in PY 8 and 9 as well as other factors that affect program results.¹²⁹ The Advisors reviewed ENO's proposed PY 9 Q5 budget, targets, and incentives and found them to be reasonable,¹³⁰ and

WHEREAS, while ENO did not specify its cost recovery mechanism for PY 9 Q5, the Advisors believe it is ENO's intent to utilize the same mechanism it proposes for the recovery of the outstanding implementation costs for PY9 and for PY 10-12, *i.e.* to recover the costs through the mechanisms approved in Council Resolutions R-17-176 and R-17-623 (which directed ENO to fund the Energy Smart program for Algiers through the Algiers Fuel Adjustment Clause and for ENO Legacy customers through an interim EECR, respectively) in the event that the permanent funding mechanism approved in Council Resolution No. R-19-457 is not immediately available.¹³¹ It is Advisors' opinion that this approach would be reasonable.¹³² The Advisors note that the Council has already reviewed and approved these recovery mechanisms, and the interim EECR approved in R-17-623 is similar to the EECR approved in R-19-457.¹³³ The Advisors support the use of ENO's proposed interim mechanisms until such time as the EECR approved in R-19-457 goes into effect or the Council issues other instructions regarding the matter;¹³⁴ and

¹²⁸ Letter from Brian L. Guillot to Lora W. Johnson dated January 15, 2020, filed in Docket Nos. UD-08-02 and UD-17-03 ("Revised PY 9 Budget").

¹²⁹ Revised PY 9 Budget at 1.

¹³⁰ Advisors' Report at 21.

¹³¹ Implementation Plan at 11-12.

¹³² Advisors' Report at 21.

¹³³ Advisors' Report at 21.

¹³⁴ Advisors' Report at 21.

WHEREAS, the Advisors recommend that the Council approve ENO's proposed PY 9 Q5 budgets, targets, and incentives,¹³⁵ and

WHEREAS, the Council agrees that ENO's proposals for PY 9 Q5 are reasonable;

NOW THEREFORE

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

THAT:

1. ENO's Scenario 2 program design, program budgets and kWh and kW savings goals for PY 10 through 12 are approved.
2. ENO's proposed reduction of the EM&V budget from 6.5% to 4% is approved.
3. ENO's proposed UPI structure is approved, but the incentive amount at achievement of 100% of the savings goals shall be reduced from ENO's proposed 10% to the Advisors' proposed 7%. The Advisors are directed to work with ENO to clarify the manner in which the UPI shall be accounted for and collected in the EECR Rider.
4. ENO's proposed interim cost recovery mechanism for PY 10 through 12 is approved and may be employed by ENO until such time as the EECR approved in R-19-457 goes into effect.

¹³⁵ Advisors' Report at 21.

5. ENO's selection of APTIM as TPA, ADM as TPE and Honeywell for DR programs is approved.
6. ENO's proposed PY 9, Q5 budget, targets, and incentives are approved. ENO's proposed interim cost recovery mechanism for PY 9, Q5 is approved and may be employed by ENO until such time as the EECR approved in R-19-457 goes into effect.

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

YEAS: Banks, Brössett, Giarrusso, Moreno, Nguyen, Williams - 6

NAYS: 0

ABSENT: Gisleson Palmer - 1

AND THE RESOLUTION WAS ADOPTED.

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