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February 4, 2015

Via Hand Delivery

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

Re: *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)

Dear Ms. Johnson:

Enclosed please find an original and three copies of the Response to Comments Filed by the Alliance for Affordable Energy and Green Coast Enterprises filing of Entergy New Orleans, Inc. and Entergy Louisiana, LLC. Please file an original and two copies into the record in the above-referenced matter, and return a date-stamped copy to our courier.

Thank you for your assistance with this matter.

Sincerely,

A handwritten signature in blue ink that reads "Timothy S. Cragin".

Timothy S. Cragin

Enclosure

cc: Official Service List UD-08-02 (*via electronic mail*)

**BEFORE THE
COUNCIL OF THE CITY OF NEW ORLEANS**

**IN RE: RESOLUTION REGARDING)
PROPOSED RULEMAKING TO)
ESTABLISH INTEGRATED)
RESOURCE PLANNING) DOCKET NO. UD-08-02
COMPONENTS AND REPORTING)
REQUIREMENTS FOR)
ENERGY NEW ORLEANS, INC.)**

**RESPONSE TO COMMENTS FILED BY THE ALLIANCE FOR
AFFORDABLE ENERGY AND GREEN COAST ENTERPRISES**

Entergy New Orleans, Inc. (“ENO”) and Entergy Louisiana, LLC (“ELL”) with respect to the Council of the City of New Orleans’ (“Council”) jurisdictional service area of ELL in the Fifteenth Ward of the City of New Orleans (commonly known as “Algiers”)(ENO and ELL are collectively referred to as the “Companies”), though undersigned counsel, respectfully respond to the Alliance for Affordable Energy (“Alliance”) and Green Coast Enterprises’ (“Green Coast”) comments as follows:

RESPONSE TO THE ALLIANCE’S COMMENTS

The Companies respond to each issue (listed numerically) raised by the Alliance as follows:

1) Program Administrator Costs are Out of Line with National Best Practices

In its Comments, the Alliance contends that projected administrative costs for Energy Smart are too great as compared to funds used as ratepayer incentives and are more than 50% of the total program budget. The Alliance presented the calculation below:

	2015 (% back to ratepayers)	2016 (% back to ratepayers)
ENO	65.2% (34.8%)	55.93% (44.07%)
Algiers	60.67% (39.33%)	64.03% (35.97%)

These calculations, however, are skewed for the following reasons: First, the NOLA Wise program is included in non-incentive, but a portion of the funding for that program is for outreach, and contractor training/recruitment. These are costs which directly benefit the programs and as such are not retained by the implementer or administrator. The table below, which removes NOLA Wise funding, more accurately shows the incentive/non-incentive ratio. Also included in the table are the incentive/non-incentive ratios for prior years. The increased allotment for Evaluation, Measurement and Verification (“EM&V”) also affects the incentive/non-incentive ratio. The table below shows the incentive/non-incentive breakdown if EM&V was set at 3.0% which is closer to the national norm. The Alliance’s percentage data also appears to include lost contribution to fixed costs (“LCFC”) and utility performance incentives, which should be excluded when comparing how program costs are distributed.

ENO Program Year April 1, 2015 to March 31, 2016

Program	Incentive Budget	Implementation Budget	EM&V budget	Total
Home Performance with Energy Star	\$ 296,027	\$ 223,698		
Consumer Products IOS	\$ 244,172	\$ 183,026		
Low Income Audit and Wx	\$ 330,286	\$ 325,379	\$ 102,414	\$ 2,537,194
School Kits and Education	\$ 73,392	\$ 380,000		
Residential Heating and Cooling	\$ 256,783	\$ 122,017		
Small Commercial and Industrial	\$ 472,792	\$ 406,724	\$ 92,660	\$ 972,176
Large Commercial and Industrial	\$ 915,652	\$ 772,776	\$ 130,048	\$ 1,818,476
Total	\$ 2,589,104	\$ 2,413,620	\$ 325,122	\$ 5,327,846
Budget Allocation			Incentive	Implementation
with NOLA Wise & \$325,122 EM&V (6.5%)			49%	51%
without NOLA Wise & \$50,617 EM&V			54%	46%

**\$333,333 for NOLA Wise operations and \$46,667 for market development and contractor training/recruitment

The table below shows the incentive/implementation ratio for the first four years of Energy Smart.

ENO Incentive to Implementation Budget Allocation

Program Year	1	2	3	Extension
Incentive	47%	51%	51%	54%
Implementation	53%	49%	49%	46%

The Alliance also included Table 7 (Saving Energy Efficiency Costs Effectively: A National Review of the Cost of Energy Saved Through Utility Sector Energy Efficiency Programs)(“Table 7”) in its Comments, which was intended to show that the administrative costs are too high compared to programs in other states. Table 7, however, (1) only provides data from five states; (2) it presents an average number for the five states, but the average is not weighted; and (3), the table does not show data past 2008. In addition, the Companies assert that the five states referenced in Table 7 do not demonstrate the appropriate program cost range for New Orleans. For example, CLEAResult implements several dozen programs for a variety of utilities across the State of Texas. The Alliance fails to note that the incentive category is defined much more broadly in Texas. In Texas, incentives include all costs that do not go directly to the implementer. These costs include advertising and other costs of implementation that are considered non-incentive costs in New Orleans. In Texas, incentives are divided into cash incentives, and non-cash incentives; the non-cash incentives are the costs associated with the implementation of the programs. The Alliance’s table depicts that 92% of total budgets are used for program delivery, including customer incentives as well as implementation costs. As a result, the 8% represents only the amount that goes directly to the utility.

The remaining four states in Table 7 have amongst the highest in avoided costs of any of the states in the contiguous United States. Additionally, the states represent examples of the most mature markets for energy efficiency (20 years or more of program activity). Avoided costs are the primary indicator of the value of an investment in energy efficiency. Higher

avoided costs can make even the most expensive technologies and energy efficiency measures cost-effective, which serves to greatly increase the comprehensiveness of the programs. In mature markets, such as those listed in Table 7, market transformation has already largely occurred, and the emphasis has moved from growing awareness and targeting projects, to maintaining momentum with the transformed markets. In a mature market, expensive equipment and energy efficiency measures often require more significant incentives to force a payback down to an acceptable level for customer uptake.

Given the Companies' resource mix and fuel input costs, the Companies have avoided costs that are well below the national average. Many types of measures that pass cost-effectiveness tests in the states included in Table 7 are excluded from the program in New Orleans because they are not cost-effective. The Companies' respective portfolios must be more selective in the types of measures they promote. In addition, the market in New Orleans is not as mature as any of the markets included in the Alliance's table. These two factors contribute to the need to devote more budget dollars to administration, including customer, as well as contractor, education and outreach.

2) Earlier Planning

The Alliance asserts that the planning process for energy efficiency programs is flawed. In summary, the Alliance stated that Energy Smart planning "continues to be rushed" and should begin earlier with more public input. The Companies are open to lengthening the planning process, given that parties understand and accept that a more intensive process ultimately increases the cost of planning. Not only are there labor costs associated with increased planning, but the more time individuals from the Companies and implementers spend in planning, the less time they will have actually in the field performing the current programs. The Companies and implementer already are required to produce quarterly reports and an annual

report. In addition, the Companies have been informally meeting with various stakeholders to provide updates and solicit their opinions. The addition of more required planning and related upfront interactions could have a dampening effect on current program execution.

3) Incentives and Lost Contribution to Fixed Costs (“LCFC”)

While the Companies’ 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 of the mechanism proposed in the implementation filing. The Companies, however, look forward to continued collaboration with the Council’s Advisors regarding the penalty mechanism.

The Alliance’s contention that LCFC should only be given if the Companies “fail to earn within the bandwidth” is misguided. Contrary to the Alliance’s assertion, the LCFC represents a mechanism to recover lost revenues directly attributable to utility-sponsored energy efficiency programs and has been traditionally considered outside of any Formula Rate Plan (“FRP”) bandwidth calculation. In addition, ENO is not currently operating under a Formula Rate Plan, therefore the Alliance’s bandwidth argument is not applicable. Furthermore, the use of an FRP and separate LCFC mechanism are mutually exclusive. The purpose of the LCFC mechanism is to specifically address lost revenues from utility-sponsored energy efficiency programs. Whether or not a utility’s energy sales are increasing or decreasing from other drivers such as weather, economic conditions, etc. is not relevant. In the event that a utility is actually utilizing an FRP, a provision can be made in the annual FRP filing to adjust for any separate LCFC recovery.

Additionally, the Alliance’s comments on LCFC are off-base in that the Companies recover their fixed and variable costs from residential and smaller commercial customers almost exclusively through volumetric (cents/kWh) rates. The Companies’ proposed LCFC

methodology and calculations are consistent with what has been done historically and are also consistent with the methodology employed in other jurisdictions, including the Arkansas Public Service Commission and the Louisiana Public Service Commission. In the absence of providing analysis to support their position, there is no basis for the Alliance's qualitative assertion that LCFC is too high.

4) Independent EM&V Services

In its Comments, the Alliance recommends that the Council directly hire an independent third party to carry out EM&V. While the Companies are not opposed to this idea, it should be noted that this would be an added responsibility on the Council. The Council's role as regulator often involves it managing a host of issues that can be time-consuming. The Companies are equipped and capable of handling the oversight of increased EM&V. The relatively small size of the evaluation community and the public regulatory process act as safeguards against evaluator impropriety. Though there are some outlier states, it is customary and prevalent for the utility or the implementer to contract directly with an evaluator. Evaluators often require frequent and in-depth access to: customer information (including confidential customer identifiable information), program metrics, third-party implementer data and processes, and information technology/tracking databases. In most cases, the utility either has the data, or has a contract with the implementer or other third-party who has the data (which contracts typically include extensive confidentiality and data protection obligations). If the evaluator is contracted with an entity other than the utility or implementer, the entity would still need to request much of the needed data from the utility. Involving an additional party not under the purview of the utility or third party implementer is potentially cumbersome, since the utility and the implementers will have a legitimate need to establish additional contracts and processes to protect the distribution

and use of customer data; further it will take significant time and expense to establish such contracts and processes.

In addition, the following should be noted about EM&V:

1. In the original program plan, \$50,617 per year was allocated for EM&V. This budget allocation is for an independent evaluator to monitor and verify the savings data collected by CLEAResult. This is a yearly review process to ensure accuracy in the data that is collected via program participation. This budget allocation needs to remain separate from any additional EM&V performed through the program.
2. At a 6.5% EM&V level, this necessarily means that \$274,505 remains in the year 5 budget for additional evaluation of the Energy Smart Program. There are a few ways in which these dollars can be utilized, including:
 - a. Creation of new measures specific to New Orleans- Utilizing the International Performance Measurement and Verification Protocol (“IPMVP”) new measures could be added to help enhance energy efficiency in New Orleans. One example would be “air curtains,” which are devices that help reduce the amount of conditioned air which escapes businesses that leave their doors open in the summer time.
 - b. Development of a New Orleans Technical Resource Manual (“TRM”)
 - c. Field verification of energy savings for measures in each of the programs

5) Multi-Family Housing

The Alliance discusses the potential savings associated with a multi-family housing program. In doing so, the Alliance references a very similar argument as the one provided by Green Coast. To prevent duplication, please see Section 1 of the Companies’ Response to Green Coast.

6) Behavioral Energy Efficiency Programs

The Companies note that the Alliance, through its Comments, seems generally supportive of the inclusion of a behavioral program, but recommends two changes:

- The pilot be extended to two years in order to be cost-effective; and
- Multiple implementers be considered.

In its filing, ENOeft open the option of expanding the behavioral program to cover both years. Although the Companies' implementation filing does include information on a sample of a behavioral pilot, ENO has not expressed a preference for using any company to the exclusion of other possible providers. It is unlikely, however, that the timeline for the implementation of programs, if the behavioral program is expanded to cover both years, would allow for a selection process that includes a request for proposal ("RFP"). Further, the Council should consider that in order to have a behavioral pilot that covers both years, funding for other programs would most likely have to be cut in year five. As expressed in the implementation filing, beginning the pilot in year six when there is more funding available would allow more time for the development of the behavioral program and the selection of an implementer.

7) Future of NOLA Wise

The Alliance asserts that the loan component of the NOLA Wise program "should be removed from any language or budget planning" because the funding has been removed. Additionally, the Alliance requests that more information be provided to explain the increase in funding for the NOLA Wise program.

The Companies' intent in mentioning the loan program was to allow for the potential "reseeding" of the loan reserve should the original or any other funding source decide to back the program. The Alliance correctly states that the loan funding has been removed. The Companies plan to continue to educate customers about the availability of other loan funding sources through the NOLA Wise program.

A breakdown of the proposed budgets for the NOLA Wise program is below:

NOLA Wise Budget Allocation

Operating Expense	year 5	year 6
Operation	\$333,333	\$333,333
Advertising and Contractor Development/recruitment	\$46,667	\$46,667

8) The Process is Still a Problem

The Alliance suggests that the Companies 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 Integrated Resource Plan (“IRP”) energy efficiency potential study.” Additionally, the Alliance asserts that the program design process should be “more open to the business community and the public,” and that the Companies should “lay out a timeline much earlier in the process next time.”

While the Companies understand the Alliance’s perspective, the Companies also believe that the Alliance’s comments regarding this process are not relevant to this implementation plan. The 2015 IRP is still in the process of being developed and the issues regarding process that the Alliance raises should be considered in that broader context. Process improvements for the development of programs beyond Year 6 are similarly not relevant to the implementation plan filed for years 5 and 6.

9) Low Income Audit and Weatherization (“Wx”) Program Total Resource Cost (“TRC”)

The Alliance raises concerns that the TRC score for the Low Income Audit and Wx program is too low and not supported by the appropriate detail. Further, the Alliance states that, “preliminary cost-effectiveness numbers should not be viewed by the Council as a basis to reduce or limit the weatherization program, but rather as a signal to devote greater attention to the program, to make corrections, and to identify new interventions.” The Alliance also

suggests that “loosely termed Non-Energy Benefits” should be included in the TRC cost-effectiveness screening assessments.

The Companies did not limit or reduce the low income weatherization program based on the TRC because the low income program has not been required to pass the TRC test. The Companies’ fully recognize the benefits of providing energy efficiency options to customers who qualify by means of an income which otherwise might not support the execution of energy efficiency projects. As such, the Companies proposed a low income audit and weatherization program which provides qualifiers with several options for significant energy efficiency savings. The identification and quantification of non-energy benefits (“NEBs”) are being studied as part of the 2015 IRP process and have proved to be elusive to date. Inasmuch as they are unnecessary because the low income programs do not have to pass the TRC test and there has not been consensus on how to identify and quantify NEBs the Companies recommend the Council not consider them in this implementation filing.

10) Expansion of the Solar Water Heater Program

The Alliance recommends that the solar water heating program be expanded to include heat pump water heaters.

The solar water heater program performed dismally during the first three years of Energy Smart and therefore was not included in the implementation plan for Years 5 and 6. The implementation plan does include an avenue for customers to perform heat pump water heater projects within the residential programs. Therefore, the extension of a separate solar water heater program is not warranted.

LED Direct Install Lighting Programs

Utilizing the Green Light New Orleans methodology for the direct installation of LED lightbulbs does not pass cost effectiveness tests. While the costs of LEDs continue to drop in the marketplace, the difference in cost as compared to compact fluorescents lights (“CFLs”) is still prohibitive. The Companies will continue to monitor the cost-effectiveness of LEDs for contemplation in the planning of future programs. However, customers can take advantage of the inclusion of LEDs in the Home Performance with Energy Star program.

RESPONSE TO GREEN COAST’S COMMENTS

1) The Plan and Budget should state the Council’s goal for Entergy to capture all cost-effective efficiency in the affordable housing sector.

While the Companies’ 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. First, Green Coast makes several generalizations that are not reflective of current market conditions in New Orleans. In particular, the studies that are offered to support the claim that “affordable housing in most cities contains vast amounts of cost-effective energy efficiency potential” all examine regions with much higher avoided costs for capacity and energy, Massachusetts, New York, and Michigan. Unlike New Orleans, these regions have some of the highest avoided costs as well as some of the highest retail electric rates in the entire United States..¹ 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.

¹ New York has the highest avoided costs in the United States; and Massachusetts has the third highest.

Moreover, another issue commonly referred to as “split incentive” in multi-family housing stock, compounds the difficulty in implementing Green Coast’s suggestions. Under the split incentive theory, the owner of the property is not usually interested in investing in energy efficiency upgrades when the benefit will be realized by the tenant. Also, the tenant of the property may not be allowed to make modifications to the property, or may not be interested because they will not live their long enough to realize the full benefit of the investment. This is one of the key reasons why multifamily programs often have to pay much higher incentives, which In turn, this would divert incentive money from other programs that could have leveraged the incentives to achieve more savings in a sector where participants are willing to cover more of the cost to reap the full benefits over the lifetime of the investments, such as the single-family home sector.

Thus, while the Companies’ agree that it is important to capture cost-effective energy efficiency in the affordable housing sector, it is important to strive for a balance between the two in order to implement the most robust and comprehensive portfolio of programs possible given current budget levels.

2) Improvement of the Cost-effectiveness of the Income Qualified Program

The Companies have been and remain open to informally meeting with stakeholders to garner new perspectives and ideas.

3) Low Income Audit and Wx Program Total Resource Cost (“TRC”)

Please see Subsection 9 of the Companies’ Response to the Alliance for Affordable Energy’s Comments.

4) Budget should set aside funds to reach residents of affordable rental housing

The implementation filing included a component that allows for building operator training. The Companies believe that this measure is best offered as a component of other programs as opposed to a standalone program.


5) Benchmarking information to multifamily building owners

The implementation filing included a component which allows for benchmarking of multifamily dwellings. The Companies believe that this measure is best offered as a component of other programs as opposed to a standalone program.

6) Expansion of the Solar Water Heater program

Please see Subsection 10 of the Companies' Response to the Alliance for Affordable Energy's Comments.

Respectfully Submitted:


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**ATTORNEYS FOR ENTERGY NEW ORLEANS, INC.
AND ENTERGY LOUISIANA, LLC**

CERTIFICATE OF SERVICE
Docket No. UD-08-02

I hereby certify that I have this 4th day of February 2015, served the required number of copies of the foregoing report upon all other known parties of this proceeding, by:
 electronic mail, facsimile, overnight mail, hand delivery, and/or
 United States Postal Service, postage prepaid.

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New Orleans, Louisiana, this 4th day of February, 2015.



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