

Briefing Statement:

Energy Regulation in New Orleans For Council Candidates and Voters

The New Orleans City Council has an extraordinary power -- the regulation of Entergy as an investor-owned utility company. In the United States, only the municipally appointed regulators in Washington, D.C. share the authority of the New Orleans City Council to set electric and gas rates and issue orders on electric and gas service. The City of New Orleans Home Rule Charter gives the City Council an enormous role in deciding the costs that Entergy charges to customers, the types of services it provides, and the kind of energy that powers our city. How councilmembers choose to exercise their utility regulatory authority affects the everyday lives of New Orleans residents.

For years, the Energy Future New Orleans Coalition has advocated for strong regulatory oversight of Entergy in order to lower costs to ratepayers, increase the reliability of electric service in New Orleans, and reduce greenhouse gas emissions that are the cause of the changing climate threatening the future of our city.

Though the Council has a designated Utility, Cable, Telecommunications and Technology Committee (“UCTTC”) consisting of five members, major regulatory decisions are brought to the full Council for voting. Thus, all New Orleans City Council members are both legislators and regulators of a major electric and gas utility. Accordingly, we have prepared this simple informational sheet to highlight some of the regulatory issues currently pending before the Council:

1. RENEWABLE AND CLEAN PORTFOLIO STANDARD (“RCPS”)

On May 20, 2021, the Council voted to adopt resolution R-21-182 under docket number UD-19-01, which established a Renewable and Clean Portfolio Standard, or RCPS, for New Orleans. This policy, one of a growing number of similar policies adopted by jurisdictions across the country, requires Entergy to satisfy an escalating percentage of its user demand through the use of renewable and clean energy technologies. The policy targets net-zero emissions by year 2040, and 100% carbon-free generation by 2050. The policy accomplishes this by allowing Entergy to purchase renewable energy credits (“RECs”) in the early stages of implementing the policy, the allowance of which gradually phases out in favor of energy efficiency and clean energy. The RCPS also provides incentives for local generation in order to encourage local investment in the new green economy.

Entergy’s efforts to weaken the policy began during its development, when the company advocated for the inclusion of unfeasible technologies such as carbon capture and sequestration in the portfolio of qualifying resources. Regulators will need to ensure that the integrated resources planning (“IRP”) process, discussed below, strikes the right balance between demand-side and supply-side technologies to meet the goals of the RCPS.

2. INTEGRATED RESOURCE PLANNING (“IRP”)

Integrated resource planning, or IRP, is a process whereby the utility determines the mix of demand-side (such as energy efficiency, weatherization, energy storage) and supply-side (such as the construction of a fossil fuel-fired generating plant or solar farm) technologies that it will use to economically and efficiently meet its user demand. The IRP process encompasses all aspects of the utility planning process, from generation to transmission and distribution. Docket number UD-20-02 pending before the UCTTC is the current IRP docket for Entergy New Orleans.

Regulators must ensure that Entergy’s modeling of the energy future reflects real-world conditions. Legacy coal- and natural gas-fired generation units are retiring at an accelerating rate, often years before past predictions. Meanwhile, energy efficiency and renewable energy continue to outpace large-scale fossil fuel generation in terms of cost-efficiency. The IRP process is a powerful tool for ensuring that New Orleans energy consumers receive affordable and reliable electricity service that does not compromise the health of their communities or the environment.

3. PRUDENCE

As a regulated monopoly, Entergy is guaranteed by law the opportunity to earn a reasonable profit. However, that profit must not come at the expense of efficient and reliable service to consumers. Even while Entergy reported a record-setting profit of \$1.4B in 2020 during the midst of a global pandemic, ratepayers in New Orleans face an inordinate number of power outages, even on clear-weather days. This problem was amplified this past winter during the week of Mardi Gras, when a severe winter storm left thousands of residents without power. Regulators learned subsequently that Entergy shed far more load than it needed to during the storm, effectively freezing customers in their own homes unnecessarily. Meanwhile, the company has also neglected its existing nuclear generation fleet, such that the New Orleans City Council has joined an action filed before the Federal Energy Regulatory Commission alleging mismanagement of its Grand Gulf nuclear power plant in Mississippi. These imprudent utility costs should not be passed on to ratepayers, and regulators have a duty to ensure that does not happen. To that end, the UCTTC opened docket number UD-21-01 to investigate the prudence of Entergy’s decision-making during winter storm Uri.

4. COUNCIL UTILITY ADVISORS

The contracts of the Council’s utility advisors are the most lucrative contracts that it awards. The firms that currently hold these contracts have done so for decades, while New Orleans continues to battle high rates and unreliable service. Ideally, the utility advisors would provide a probative perspective on the utility’s filings before the Council, but instead the advisors often provide support to Entergy’s unpopular and costly decisions, such as the construction of the natural gas-fired plant in New Orleans East. The Council should investigate closely the value, or lack thereof, that the current advisors provide not only to the Council itself, but to New Orleans ratepayers.

5. RATE CASES

Periodically, the utility files a rate case, or a formal request to raise rates. Through this process, the utility must demonstrate that the costs it wishes to pass on to consumers are made prudently. If it cannot do so, the utility should not be allowed to pass the imprudent costs on to consumers. It is the job of the Council, as regulators guided by their advisors, and with the input of other stakeholders, to ensure that rates are fair and affordable for New Orleans ratepayers. As last winter's storm Uri demonstrated, access to affordable and reliable electricity service is a necessity of survival, and should be considered a human right. As a City Council that doubles as the regulatory body for a major electric utility, the New Orleans City Council has enormous power to ensure that this right is afforded to New Orleans residents.

6. MANAGEMENT AUDIT

New Orleanians, who because of its legal monopoly are bound to deal with Entergy, have watched over the years as the company has astroturfed City Council meetings in order to push through an unpopular new gas plant, mismanaged its Grand Gulf nuclear power plant at a cost of millions of dollars to ratepayers, and freezing city residents in their own homes during the severe winter storm the week of Mardi Gras. All of this is compounded by routine reliability issues that occur even during periods of fair weather. At the March 2021 meeting of the UCTTC, Council President and chair of the committee Helena Moreno committed to an independent and comprehensive audit of Entergy's management practices. The Council should proceed with this audit in order to ensure that New Orleanians are receiving a fair deal and that Entergy is abiding by best practices in its provision of electric and gas service.

7. REDUCING ENERGY BURDENS

The average American household spends an average of 3% of their income on home energy costs. In 2020 over 18,000 households in Orleans Parish gave 20% of their income to Entergy. This is called an "energy burden" and New Orleans ranks among some of the very worst energy burdens in the country, as an effect of the intersection of high energy bills and high poverty rates. Considering the fact that a "housing burden" above 30% is considered excessive, and that factor includes utilities, this issue is compounding the affordability crisis in our city. While there isn't a docket open to address this issue, the Council has the authority to develop solutions to tackle these burdens, ranging from more targeted efficiency programs, championing community solar, and looking to billing solutions that have proven successful elsewhere.