OFFICE OF RESILIENCE & SUSTAINABILITY
CITY OF NEW ORLEANS

LATOYA CANTRELL
MAYOR

GREG R. NICHOLS
DEPUTY CHIEF RESILIENCE OFFICER

November 1, 2024

VIA ELECTRONIC MAIL
Clerk of Council
1300 Perdido Street
Suite 1E09
New Orleans, LA 70112

RE: UD-24-01

Dear Clerk of Council,

Attached you will find the reply brief comments from the Office of Resilience & Sustainability.

Should you have any questions, comments, or concerns, please contact either Greg Nichols (grnichols@nola.gov) or Sophia Winston (Sophia.winston@nola.gov).

In Service,

Sophia Winston
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BEFORE THE

COUNCIL OF THE CITY OF NEW ORLEANS

DOCKET NO. UD 24-01

IN RE: APPLICATION FOR AUTHORITY TO OPERATE AS LOCAL DISTRIBUTION COMPANY AND INCUR INDEBTEDNESS AND JOINT APPLICATION FOR APPROVAL OF TRANSFER AND ACQUISITION OF LOCAL DISTRIBUTION COMPANY ASSETS AND RELATED BRIEF

NOVEMBER 1, 2024

REPLY BRIEF OF THE CITY OF NEW ORLEANS OFFICE OF RESILIENCE & SUSTAINABILITY

I. INTRODUCTION

The City of New Orleans Office of Resilience & Sustainability (ORS) urges the City Council of New Orleans to not approve the sale of Entergy New Orleans' gas business to Delta State Utilities (DSU NO). Instead, ORS recommends that the City Council explore regulatory pathways to reduce the City's reliance on natural gas, such as diversification, retirement, or managed decapitalization plans for gas distribution by the year 2035.

ORS is concerned that sale of the gas utility to Delta State Utilities may maintain or expand current levels of natural gas use which would not align with the City's efforts to reduce greenhouse gas emissions and mitigate the impacts of climate change for the residents of New Orleans. Reducing the use of natural gas will be an important step to meet our climate goals, to ensure that our residents have access to clean and reliable energy, reduce energy burden, and contribute to a more equitable, sustainable, and resilient New Orleans.

II. CITY COUNCIL AND THE CITY HAVE SET CLIMATE GOALS RELATED TO UTILITY RESOURCES

On May 20, 2021, the New Orleans City Council unanimously adopted Resolution No. R-21-182 ("R-21-182"), creating the City's first Renewable and Clean Portfolio Standard ("RCPS"). The resolution created a pathway for Entergy New Orleans to scale down the purchase and use of fossil fuel energy sources for electric power generation. The RCPS mandated that Entergy New Orleans achieve net zero carbon emissions from electric power generation by 2040, and 100% zero carbon emissions by 2050. This measure applies only to ENO's electric fuel mix; therefore, the creation of a new natural gas utility would not fall under the RCPS mandate. Apart from broader regulatory oversight, the creation of a standalone gas utility inherently creates financial incentive for DSU NO to either expand its rate payer base or increase rates to support the financial investments made to acquire ENO's gas utility. The growth of a natural gas market is intrinsic to the success of DSU NO, the side effect of which, such as increased emissions and dependence on fossil fuels, runs counter to the core goals of the RCPS.

In 2022, the Office of Resilience & Sustainability adopted the most recent version of the City's Climate Action Plan, *Net Zero by 2050: A Priority List for Climate Action in New Orleans.* This plan adopts the Biden-Harris administration goal of 100% clean grid energy by 2035 – accelerating the demands of the Council mandated RCPS. Together, these city mandated plans would require the local electric utility to prioritize the procurement, creation, and deployment of renewable and clean[1] energy sources at a rapid pace in order to meet both the Council and City's goals around renewable and clean energy.

[1] Clean energy includes Nuclear energy and energy efficiency, per R-21-182

III. THE SALE OF ENO'S GAS UTILITY IS NOT IN THE PUBLIC INTEREST

On December 11, 2023, Entergy New Orleans, LLC ("ENO") and the newly created, private equity backed, Delta States Utilities NO, LLC ("DSU"), filed a joint application requesting that the Council authorize DSU to operate as a jurisdictional natural gas Local Distribution company, among other requests. The joint filing created Docket No. UD-24-01, *Joint Application of Delta States Utilities NO, LLC and Entergy New Orleans, LLC Authorizing Delta States Utilities NO, LLC, to Operate as a Jurisdictional Natural Gas Local Distribution Company.* Per Resolution No. R-06-88, the City Council of New Orleans must consider 18 factors when determining whether to approve transfer of ownership or control over local utilities. The first of the 18 factors is a simple test – whether the transfer is in the public interest.

Simply put, the sale of the natural gas portion of Entergy New Orleans, LLC, to Delta States Utilities NO, LCC, is not in the public interest. Natural gas emits carbon dioxide into the atmosphere, contributing to the harmful effects of global warming that have impacted the city of New Orleans for decades, such as increased frequency and intensity of tropical storms and hurricanes, sea level rise contributing to land loss, saltwater intrusion, loss of habitats, and prolonged periods of extreme heat or cold. Across the country, states and municipalities have signaled a shift away from natural gas infrastructure, with the passage of multiple policies that prohibit the utilization of natural gas appliances in new construction – legislation that is preemptively prohibited in Louisiana.[2] According to sources from Utility Dive, replacement for 1 mile of natural gas pipes costs roughly $3,000,000.[3] Studies from the City of Boston also identify that methane leaks from natural gas infrastructure account for the same amount of

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[2] Natural gas bans: 20 states have laws that prohibit cities from banning natural gas hookups | CNN Politics

[3] Electrifying neighborhoods could save California billions on gas line replacements | Utility Dive

natural gas used to power 200,000 homes.[4] Not only is the infrastructure needed to support natural gas costly to the public, but if left in disrepair, it can lead to leaks that further exacerbate rate payer cost and the harmful effects of GHG emissions. The sale and potential expansion of natural gas infrastructure and use in New Orleans would exacerbate the negative effects of climate change, does not align with energy goals both the City and the City Council have championed, and stands to increase rate payer costs to support the potential expansion and repair of natural gas infrastructure across the city.

Since the passage of both the Bipartisan Infrastructure Law (BIL) and the Inflation Reduction Act (IRA), states, counties, cities, and tribes have had more opportunities than ever before to push for more utility scale renewable energy, electrification, and energy efficiency to meet the Biden-Harris goal of 100% clean grid energy by 2035. The current federal push towards electrification will increase the amount of electric demand that Entergy New Orleans must supply residents to their homes, businesses, and transportation, creating a cost-effective trade-off between increased electric demand and diminished natural gas use. **The separation of ENO's gas utility from its electric utility creates a critical financial need for DSU NO to expand the network of natural gas since the utility would be relying solely on the sale and usage of natural gas within New Orleans to generate revenue – a mission that runs counter to the emission reduction goals mandated by the RCPS, the City's Climate Action Plan, and is out of step with funding and climate goals set forth by the Federal government**. The Federal government has created incentives for the creation of clean energy resources through tax credits of 30% at both the residential and commercial/utility scale, making these energy sources more affordable and accessible to the public and private entities. There are no federal tax incentives for

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[4] Research — Gas Transition Allies

natural gas use, and recently, the Biden Administration put a hold on the export of liquified natural gas citing concerns about previous assumptions about the true impact of liquified natural gas on rising global temperatures.[5]

IV. THE COUNCIL SHOULD DENY THE APPLICATION AND EXPLORE OTHER PATHWAYS FOR THE FUTURE OF NATURAL GAS USAGE

On many occasions, testimonies on behalf of DSU NO make reference to the sale being beneficial to customers because of new customer service interfaces and IT cloud capabilities. Testimony also states that the sale will allow ENO to recoup debt that can be reinvested in electric infrastructure, but not one testimony cites climate change and the use of natural gas as an ongoing threat to the public nor how related greenhouse gas emissions would be addressed in the short or long term. In Rebuttal Testimony for UD-24-01, DSU NO expert witness, David E. Dismukes, Ph.D., noted that, "[w]hile climate change and the elimination of GHG emissions are important public policy topics, they are also independent and have no direct relevance on whether this Proposed Transaction is in the public interest."[6] The City of New Orleans has made multiple public policy decisions and investments around the reduction of GHG emissions and has committed to ingraining the principles of equitable environmental stewardship into all aspects of governance and infrastructure improvements. To remove the effects of GHG emissions from a decision that will have an impact on the public is inherently counterintuitive to the steps the city has made to create a pathways for a just, clean energy transition. The Office of Resilience & Sustainability believes it prudent to explore options with Entergy New Orleans to diversify and/or decommission natural gas, in line with both the RCPS and 2022 Climate Action

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[5] Why New Liquified Natural Gas Infrastructure Is on Hold | Scientific American

[6] Corrected Public Redacted Rebuttal Testimony of David D. Dismukes Ph.D. on Behalf of DSU NO UD-24-0, David D. Dismukes, p.10

Plan goals, and forgo a sale that could have costly and negative side effects to the residents and business owners of New Orleans.

In Service,

Greg Nichols
Deputy Chief Resilience Officer
Office of Resilience & Sustainability