Leroy Nix
Vice-President – Regulatory & Public Affairs
Entergy New Orleans, LLC
lnix@entergy.com
1600 Perdido Street, Bldg. 505,
New Orleans, LA 70112

December 13, 2024

VIA ELECTRONIC MAIL
Clerk of Council
City Hall - Room 1E09
1300 Perdido Street
New Orleans, LA 70112

Re: Community Solar Program Implementation (CNO Docket No. UD-18-03)

Dear Clerk of Council:

Entergy New Orleans, LLC ("ENO" or "the Company") respectfully submits this letter as a supplement to its comments filed on October 30, 2024, in the above-referenced docket ("Comments"). The Comments discuss the significant hurdles and costs associated with implementing consolidated billing for the community solar program in New Orleans. This letter provides additional information regarding the Comments, and ENO stands ready to work with the Council and other stakeholders on the community solar program pursuant to the Council's Community Solar Rules ("Rules").

The intervenors have urged the Council to require ENO to implement a "net crediting consolidated billing" model for community solar. ENO generally understands this model to involve no out-of-pocket subscription fee to be paid by participating subscribers. Each month, the utility calculates a total bill credit for each participating customer based on their pro rata share of the project's output to which they are subscribed using the subscriber credit methodology approved by the regulator. The total bill credit is split between the subscriber and the project developer based on a pre-determined percentage (e.g., 10%/90% or 20%/80%). The subscriber's portion (the smaller percentage) is reflected on their utility bill as a credit against their electric service charges. The developer's portion is paid to them via check.

The methodology for calculating total bill credits is contained in the Rules set forth in Resolution No. R-23-507, as modified by Resolution Nos. R-24-310 and R-24-571. In the Comments, ENO, using the approved methodology, laid out a number of analyses that estimated total bill credits at the start of the program of 8.3 to 14.2 cents per kWh, and recognized the upper bound of that range could increase over time.[1] ENO also pointed out that the total nominal costs of the community solar program (excluding consolidated billing implementation costs, which are discussed further below) are projected to start at $7.5 million in year 1 and grow to over $17.8 million by year 20.

[1] See Attachments 1 and 2 of the Comments, specifically the "Backwards Look Scenario Summary" tab of Attachment 1 and the "Summary 60 MW Scenario" tab of HSPM Attachment 2.

While the Comments addressed consolidated billing, ENO reiterates that certain aspects of the community solar program make implementation of consolidated billing (and the community solar program overall) quite complex. Examples of such complexity include the monthly bill credit calculations, the split described above of total bill credits between subscribers and project developers for each project, and monthly updates to the list of subscribers. With respect to the split of bill credits for each project, ENO understands that developers want the ability to change the ratio for each customer and each project over time.

As noted in the Comments, ENO's analyses project 7,000 to 9,000 future subscribers to the community solar program based upon the current Rules and assuming the entire 60 MW of solar facilities are built. As a result, for every subscriber, ENO would have to carry out multiple calculations each month, including, among other things, the amount of bill credit rates, the allocation of energy for each project to applicable subscribers, and the total credit splits. Accommodating such changes in the billing system will not be simple and will come at a cost given the number of inputs to these calculations that are subject to change on a monthly basis. Overall, the number of calculations and exchange of information each month drives the complexities (and costs) and increases the likelihood of future billing errors.

To address the complexities involved with consolidated billing, certain aspects of the Rules and consolidated billing would need to be simplified and/or ENO would have to employ an incremental number of full-time employees ("FTEs") to handle such complexities. More specifically, additional FTEs to administer the program would be needed to support enrollment, to enable data transfers between subscriber organizations regarding subscriber lists, to perform reconciliations to ensure that all activity is complete and accurate for any given period, to release payments to developers, to review invoices to ensure credits are properly reflected, and possibly other tasks. The FTEs could reside in one department or may need to be embedded in different support functions throughout shared services functions. ENO does not yet know the specific number of additional FTEs required to accurately administer the program (which will depend on whether the Rules are simplified).

Moreover, ENO anticipates additional expenditures to implement a consolidated billing program from both an IT and business process perspective. There would be increased logic that would need to be configured in the billing systems to ensure that credits are properly recorded and that activity and billing calculations are accurately maintained. There will need to be several more accounting transactions recorded so that all of the activity can be properly reflected on ENO's financial records. The complexities in both system configuration and accounting processes further result in additional expenses being needed to maintain the level of detail to support and administer the program accurately. Complexities in billing logic also extend beyond just the monthly billing – those complexities impact any subsequent activity associated with maintenance of an account such as cancel/rebills, payment processing, late fee calculations, etc.

As noted above, implementation of complex billing arrangements introduces higher costs, increased potential for errors, and increased potential for negative customer experience. Based on preliminary information to date, IT costs associated with the initial implementation of consolidated billing provisions are estimated to be up to approximately $3 million over a 6-12 month period.

In its Comments, ENO expressed concerns about cost shifts to nonparticipating customers as a result of implementing consolidating billing. Unless the Council modifies its Rules to address that concern, consolidated billing could result in disbursed costs among all ratepayers of approximately $2 per month for a typical 1000 kWh residential customer. This estimate was calculated for a typical residential customer based on the average annual net costs over 20 years (approximately $10.6 million per year). If the Council decided to act on ENO's suggestions to lower the overall capacity limit from 60 MW to some lower level and/or change the current subscriber credit calculations to something less lucrative, that would reduce the amount of costs shifted to nonparticipating customers and borne on customer bills.

Ultimately, because (i) ENO needs further guidance from the Council and (ii) no project will be operational before 2026, ENO will not be able to implement consolidated billing by July 1, 2025. However, to be able to implement consolidated billing at a later date, ENO submits the following questions to both firm up its estimates of implementation costs and also to address the cost shift concerns raised in its Comments:

:

1. In the event the Council elects not to change the bill credit calculation approved in Resolution No. R-23-507, as modified by Resolution Nos. R-24-310 and R-24-571, will the Council consider setting the percentage split of total subscriber credits between subscriber organizations and subscribers in any further amendment of the Rules that adopts consolidated billing?
2. Will the Council consider modifying the credit rate for subscribers and subscriber organizations to a set rate?
3. Will the Council consider limiting the community solar program to low-income customers?
4. Will the Council consider limiting or phasing in the capacity of the community solar program?
5. If the Council further amends its Rules to require consolidated billing, would it limit the participation of anchor customers and the availability of alternative billing structures besides consolidated billing?

ENO appreciates the opportunity to provide this supplement to its Comments. Should you have any questions or require additional information, please do not hesitate to reach out.

Sincerely,

Leroy Nix