NO. R-08-366
(AS AMENDED)
BY: COUNCILMEMBERS MIDURA, CARTER, HEDGE-MORRELL AND WILLARD-LEWIS

RESOLUTION ON REPORT OF THE ENERGY SMART NEW ORLEANS FACILITATION PROCESS
AND
PROPOSED ENERGY SMART NEW ORLEANS ENERGY EFFICIENCY PROGRAM

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, the creation and implementation of system benefit programs designed to increase energy efficiency and conservation represent a reasonable and necessary exercise of the Council's police power to regulate and ensure the public welfare; and

WHEREAS, the Council is responsible for making all necessary rules and regulations to govern applications for the fixing or changing of rates and charges of public utilities and all petitions and complaints relating to any matter pertaining to the regulation of public utilities; and

WHEREAS, Entergy New Orleans, Inc. ("ENO" or "Company") provides electric service to all of New Orleans, except the Fifteenth Ward ("Algiers"), and gas service to all of New Orleans; and

WHEREAS, Entergy Louisiana, LLC. ("ELL" or "Company") provides electric services to residents of Algiers; and

WHEREAS, the Council recognizes that like every other community, we are now faced with unprecedented global pressures that are affecting the prices of energy here in New Orleans. Unfortunately, the Council has no control over the increased demand for global commodities. But these cost increases will drive up the cost of oil, natural gas and other fuel costs that will cause our electric bills to increase; and

WHEREAS, at the same time as we are experiencing fuel cost increases, we are approaching an electricity capacity shortage in the U.S. which means the demand for electricity is increasing much faster than the generation plants that supply electricity

can be built, which will also cause price for electricity to go up; and

WHEREAS, worldwide, prices are going up in virtually every area that affects utility prices. Increasing natural gas purchases in Japan and Europe are driving up natural gas costs at the same time increased construction in China, India and other developing nations is driving up steel costs; and

WHEREAS, the reduction in coal use as a fuel for electricity generation may be good for the environment, it has resulted in increased demand for natural gas instead; and

WHEREAS, we must find new ways to control the rise in utility costs because the status quo is not an option; and

WHEREAS, energy efficiency can help soften the impact of these cost increases; and

WHEREAS, widespread public support is needed in order to maximize the effectiveness of energy efficiency in protecting consumers from run-away price increases; and

WHEREAS, in the Spring of 2007, the Council informally initiated a grass-roots effort to explore improvements to the New Orleans energy policy, which resulted in the establishment of an Energy Efficiency Task Force in which individuals, community groups and stakeholders from many segments of the city volunteered their time, energy and expertise to consider a varied and complex set of energy efficiency issues such as climate change, renewable energy, and sustainable design; and

WHEREAS, on October 10, 2007, the Energy Efficiency Task Force presented its recommendations to the Council in the form of the Energy Hawk Report; and

WHEREAS, although many of the Energy Hawk recommendations may have a positive impact on New Orleans citizens, , the Council's Utility Committee did not take formal action with regard to the Task Force recommendations but rather took the Energy Efficiency Task Force the recommendations under advisement until such time as a broad cross-section of the New Orleans community had an opportunity for input and each proposal was shown to be practical, cost-beneficial, and energy efficient; and

WHEREAS, in December 2007, the Council adopted Resolution R-07-600, expressing the Council's commitment to energy

efficiency and the development of a viable energy efficiency program as part of the city's comprehensive long-term energy policy; and

WHEREAS, goals set out in Resolution R-07-600 provide that the Council would develop a process to explore the energy efficiency potential in the City and policies to promote robust energy efficiency practices and expressed its commitment plans to integrate energy efficiency into energy resource plans at the utility and regulatory level and to provide, when costs allow, program funding for energy efficiency initiatives; and

WHEREAS, the Council also expressed its intent to modify policies and ratemaking practices to promote energy efficiency investments and to develop plans to encourage Entergy New Orleans, Inc. to investigate and implement cost-effective state-of-the-art billing, information sharing and delivery, and advanced technologies systems that promote energy efficiency; and

WHEREAS, acting on that commitment, on February 28, 2008, the Council Utility Committee initiated "Energy Smart New Orleans" – the policy framework for implementation of the goals set out in Resolution R-07-600; and

WHEREAS, on March 17 and 18, 2008, the Council convened an Energy Smart New Orleans stakeholder process to discuss the appropriate criteria for evaluating proposals and to evaluate selected proposals in light of those criteria; and

WHEREAS, approximately thirty-five invited stakeholder representatives reflecting a wide range of constituencies participated in the March facilitated stakeholder meetings including representatives of low-income residents and others vulnerable to rising energy costs; the Mayor's Office of Recovery Management; Entergy New Orleans, Inc.; experts and activists committed to promoting progressive energy policies for New Orleans; both non-profit and commercial homebuilders interested in incorporating energy best practices into the rebuilding effort; and local business people providing green services, products, technologies, and jobs; and

WHEREAS, a professional facilitator assisted the participants in reaching consensus on a set a of objective assessment criteria that were used to evaluate the many progressive energy efficiency proposals that have been and are being developed for recommendation to the Council for consideration and potential implementation; and

WHEREAS, the nine criteria used in evaluating the proposals are: (1) meaningful scale of impact; (2) timeliness; (3) economical feasibility; (4) financial feasibility; (5) technical feasibility; (6) compliance with best practices; (7) benefits to the community, with emphasis on the low income, elderly, and others vulnerable to rising energy costs; (8) suitability for Council implementation rather than other governmental or private sector action; and (9) achievability in the near-, mid-, and long-term; and

WHEREAS, the stakeholders also worked together to review twelve proposals to improve energy efficiency and conservation in the City of New Orleans that have been presented to the Council by various stakeholders; and

WHEREAS, the participants then formulated a set of "next steps" to fully develop these proposals for the Council's consideration, including the formation of multiple work groups to address specific additional information needed with regard to eight of the twelve proposals considered at the March 2008 facilitated meetings; and

WHEREAS, of the twelve Energy Smart New Orleans proposals evaluated at the March 2008 facilitated meetings, eight proposals were assigned to a working group for further development as necessary, to enable the group to determine whether to recommend Council action, based on the assessment criteria that was adopted; and

WHEREAS, it was decided by the stakeholder group that the remaining four proposals were ready for consideration by the group without additional development; and

WHEREAS, over the next eight weeks, the working groups had a series of meetings, facilitated by the Council's Utility Advisors, to refine proposals to address each of the agreed assessment criteria. The full stakeholder group then reconvened on May 20, 2008 to consider the refined proposals and develop recommendations to the Council; and

WHEREAS, on May 20, 2008, fifty-two people attended a meeting of the Energy Smart New Orleans stakeholders in order to finalize recommendations to the Council regarding proposals it should consider as it moves forward in establishing an energy efficiency and renewable energy policy for the City of New Orleans. This stakeholder meeting followed up on the progress made by the stakeholders at the March 17-18 Energy Smart New

Orleans Stakeholder meetings and the work performed by numerous participants through subgroups formed at the March 17-18 meeting to further develop several of the proposals before the stakeholder group; and

WHEREAS, participants included representatives from environmental advocacy groups, energy watchdog groups, local developers, home builders and contractors, local charities, community service organizations, the utility, professors, scientists and experts in the field, large industrial and commercial electricity customers, Council and City staff, Council Advisors, the Department of Energy, the National Renewable Energy Laboratories, experts from other regions that have enacted similar programs, and a member of the public; and

WHEREAS, these participants heard presentations regarding and discussed various issues before the Council and at the end of the meeting, the stakeholder participants voted on whether to recommend the proposals before them to the Council for consideration; and

WHEREAS, the Consensus Energy Efficiency Program (hereafter referred to as the "Energy Smart Plan") was ranked as the top proposal to be considered by the Council – a comprehensive energy efficiency program for New Orleans with the goal to annually provide 2,800 homes and businesses with significant efficiency improvements for a three-year period; and

WHEREAS, the Energy Smart Plan's proposed program's elements envisioned include: (1) community education; (2) technical diagnostics and delivery of energy efficiency measures to 2,500 homes and small businesses per year (new and existing); (3) weatherization for 300 low income homes per year; (4) energy efficiency training and certification for contractors and builders; (5) a real-time energy use monitoring pilot program to study the effectiveness of real-time monitoring in reducing energy consumption; (6) an Energy Information and Training Program for large commercial and industrial consumers; (7) quality assurance measures to verify the effectiveness of the program elements; (8) a program start-up, administration and management plan; and (9) risk underwriting and targeted buydowns to foster third-party financing of energy efficiency improvements; and

WHEREAS, the Energy Smart Plan envisions a Community Education strategy that would provide general community education effort through nonprofit and community organizations to stimulate participation. Additionally, the Community

Education Strategy would include regular bill inserts in Entergy bills and a third-party call-center where ratepayers can acquire information concerning the program and other general energy efficiency information; and

WHEREAS, the Energy Smart Plan envisions a Technical Diagnostics and Field Delivery component that is premised on a positive cash flow payback structure which would be employed in all energy efficiency improvements under the program. The recommended energy efficiency improvements would be based on the results of an initial energy efficiency audit. Participants would be presented with investment options that demonstrate the savings from the investments would be larger than the monthly financing costs; and

WHEREAS, the energy efficiency package should include a basic set of cost–effective measures that could be supplemented with higher cost measures based on supplemental investments and financing by third parties or the customer. This tiered approach would allow for large scale deployment of the most cost–effective measures and more selective investments in more expensive measures such as solar thermal or super insulation. In all instances, only measures that have passed an appropriate cost-benefit analysis and will provide immediate positive cost-benefit with a payback of no more than seven years would be funded through the program if there are the financial resources and capability to do so; and

WHEREAS, the Technical Diagnostics and Field Delivery program component is envisioned to serve customers on a first–come, first–served basis, with a targeted outreach and marketing to customers who are in the rebuilding phase of their homes and businesses so as to help accelerate and improve reconstruction efforts; and

WHEREAS, the Energy Smart Plan is envisioned to focus on Program Elements and Markets, and the Markets are divided into five segments to better evaluate costs and savings as follows: (1) New Construction / Major Rehab; (2) Small Single Family; (3) Large Single Family/Small Commercial; (4) Multi-Family; (5) Large Commercial & Industrial; and

WHEREAS, the Low-Income program component should be designed to enhance and be coordinated with the delivery of the DOE-funded low income weatherization program already administered by Total Community Action (“TCA”), and/or any other properly certified low-income weatherization program administered by other qualified entities. The funding for this

enhanced service would come from the proposed System Benefit Charge funds; and

WHEREAS, the Energy Smart Plan also envisions a Solar Technology component because these technologies, although often less cost–effective than traditional energy efficiency measures, do have the ability to reduce costs for peak power, promote renewable energy and protect the environment; and

WHEREAS, the Energy Smart Plan proposal envisions that at least 500 customers will take advantage of this program to install solar energy systems that use solar thermal and/or solar electric. The solar technology component of the Energy Smart Plan is voluntary and contemplates that participating customers would secure funding from alternative resources such as customer savings, state and federal incentives, and complementary financial instruments that may be available under the Plan but exclusive of any ratepayer funding mechanism that may ultimately be established by the Council; and

WHEREAS, the Large Commercial & Industrial sector would be addressed through an Energy Information and Training Program including seminars and vendor presentations, as well as an annual Large Commercial & Industrial energy efficiency conference for building owners and managers, facility and engineering directors, operations and maintenance senior staff and other facility decision-makers with the goal of improving the knowledge of building owners and facility managers regarding available energy efficiency techniques and opportunities. The conference would build upon the seminars presented over the course of the year; and

WHEREAS, in addition to energy efficiency conference, the Large Commercial & Industrial sector would be offered a Grant Clearinghouse Program that provides information and assistance to locate and apply for state, regional, federal and private-sector funding for energy and energy efficiency-related projects that will facilitate the leveraging the energy-related grant opportunities and low or no-cost energy efficiency assistance available from state, federal and private entities. Such federal and state programs include Rebuild America, Million Solar Roofs, Louisiana Energy Fund, NICE3, and Industrial Assessment Centers. The grant clearing-house program would also provide customers with information regarding financial vehicles offered by entities such as Energy Service Companies; and

WHEREAS, the Energy Smart Plan envisions a component that focuses on Contractor & Builder Training and Certification.

Under this program component, all qualified builders and contractors would be encouraged to participate in the Energy Smart Plan, however, only program-certified builders and contractors would be allowed to make energy efficiency improvements financed under the program. This component would employ a retraining plan for participating contractors and would include both classroom and in-field training that includes technical standards, administrative standards and customer service standards; and

WHEREAS, in order to attain certification, contractors would be required to provide evidence of sufficient insurance coverage and demonstrate they have the capacity to conduct business successfully, in addition to other requirements. In concept, contractors will be required to sign and honor a participation agreement which will include their warranty for correct workmanship and operation for a period of not less than 120 days. Specific standards to be developed in conjunction with the Homebuilders Association of performance and their enforcement would be incorporated into the participation agreement. Certified builders and contractors that agree to abide by a specific code of conduct would be allowed to display an official program seal of approval and be listed on the program website. In addition, certified builders and contractors would be monitored by a group to include a representative of the Homebuilders Association and the State Licensing Board to maintain program integrity; and

WHEREAS, the Real-Time Energy Use Monitoring Pilot component is intended to assess the effectiveness of real-time energy use monitoring in assisting low to moderate income ratepayers in controlling their own energy costs. The pilot program would consist of 100 ratepayers of which half would be recruited from low income (as defined by the program) customers and half would be recruited from customers that fall within the low to moderate income bracket (as defined by the program) and have displayed a history of late payment. Participation will be on a first-come, first-served basis and all participants will be required to attend a two-hour training course on how to use the installed equipment to monitor their energy use and to identify major energy users; and

WHEREAS, after attending the course and the installation of energy use monitors in the participating customers' homes, participants would be assigned a target energy budget that represents some percentage of their historical use. Participants meeting the target budget would receive a monetary incentive in the form of a coupon that can be applied to pay

past bills or, for up-to-date customers, applied to their next monthly bill; and

WHEREAS, the program contemplates utilizing a bulk purchase strategy to reduce the cost to participants that would purchase real-time energy use monitors. Individuals purchasing monitors would receive basic training in the installation and use on the monitors; and

WHEREAS, the Energy Smart Plan shall include the development of significant Quality Assurance and Consumer Protection standards designed to ensure the protection of participating ratepayers; and

WHEREAS, the Energy Smart Plan would be administered by a third-party entity selected through an open and competitive solicitation using an expedited Request for Proposal ("RFP") process to identify the most qualified company or team to develop and deliver both the program set up and operations. Included in the program administration and management budget will be all administrative activities, the program IT operations and the maintenance of a call-in center and physical center where customers can seek program information and technical assistance; and

WHEREAS, consistent with the Council's commitment expressed in Resolution R-07-600 the Energy Smart Plan shall include cost-effectiveness tests and appropriate evaluation, measurement, and verification mechanisms that shall be developed and approved by the Council prior to the final approval and initiation of any Energy Smart Plan program component; and

WHEREAS, it is envisioned that the Council would appoint a Selection Committee to select the program administrator; and

WHEREAS, a panel of national energy efficiency experts associated with the U.S. Department of Energy and/or its partners would serve as a Review Panel to evaluate the technical and financial capability of respondents to the Council's RFP and the review panel would submit its recommendation report to the Council Selection Committee; and

WHEREAS, the plan envisions a nonprofit corporation would be established to serve as a Special Purpose Vehicle with fiduciary and business management responsibilities over the Energy Smart Plan, modeled after a highly successful organization, Energy Trust of Oregon, first established in 2001; and

WHEREAS, the plan contemplates that direct oversight of the Energy Smart Plan would be provided by a fiduciary Board comprised of financial and energy efficiency industry subject matter experts. The Board and the Program Administrator would receive input from an Advisory Council representing broad aspects of the community and interest groups directly affected by the program; and

WHEREAS, the Council will direct its Advisors to investigate and recommend to the Council appropriate mechanisms to finance the Energy Smart Plan that would be instituted no later than the conclusion of the base rate case that ENO is to file on or before July 31, 2008 pursuant to Resolution R-06-459; and

WHEREAS, it is projected that any appropriate funding mechanism that is ultimately implemented should be structured to raise approximately $3 to $3.7 million annually which would be used to fund the risk underwriting and targeted buydown element of the program to leverage approximately $37.5 million third-party financing in support of the program; and”

WHEREAS, in addition to the Energy Smart Plan, two other competing proposals were considered by the stakeholder group; and

WHEREAS, the second ranked proposal was a Weatherization and Public Education program component administered by Entergy but managed by a third party vendor with a program design similar to the program that is currently being run by Entergy in Texas; and

WHEREAS, the weatherization program component would consist of five major initiatives focusing on (1) Residential, (2) Small Commercial, (3) Large Commercial and Industrial, (4) “Hard to Reach”, and (5) Market Transformation. The first four programs (Residential, Small Commercial, Large Commercial and Industrial, and “Hard to Reach”) would be standard offer programs where contractors bid to install the weatherization measures, ENO manages the process, and contractors are paid based on the deemed savings for each measure (with the incentives being doubled for the “Hard to Reach” category of participants). Under the program’s “Deemed Savings” approach, the savings expected to be earned through each weatherization measure are set ahead of time, rather than measured after installation; and

WHEREAS, ENO’s Public Education program component proposes using $250,000 of the money it has set aside for energy efficiency measures to develop and implement a program that would (1) effect a change in customer attitude and behavior in regards to energy efficiency; (2) provide beneficial links to enhance energy efficiency education and to access incentive programs; and (3) define the method by which the education program ties to the energy efficiency programs. The program would be targeted at residential, small commercial, large commercial and industrial customers; and

WHEREAS, the third competing proposal is the Distributed Generation/Demand Side Utility program which was ranked a close third behind ENO’s Weatherization and Public Education proposal. The goals of the Distributed Generation/Demand Side Utility program proposal are to foster increased energy sustainability in the City and to jumpstart a renewable energy industry for New Orleans through an initiative to attract US and foreign renewable energy equipment manufacturers to locate operations in a very large warehouse/manufacturing/ distribution facility on the banks of the Industrial Canal. The program would also promote remote/displaced generation, wherein a net-metering customer can locate his or her generation facilities somewhere other than on the same or contiguous real estate upon which the electricity consumption will occur which allows customers whose buildings are not suitable for solar panels to participate in solar generation. It would also allow tenants to participate in the program, even where their landlords do not wish to participate. Under the program, remote/displaced generation would be placed on the roofs of first responders, schools, hospitals, and other public buildings that would benefit from the ability to use the power generated by the solar panels in times of emergency, without any cost to the City government for the installation of the panels; and

WHEREAS, the second and third ranked proposals have aspects that could be incorporated into the Energy Smart Plan proposal, although no formal recommendation was made to take such action; and

WHEREAS, the remaining proposals – the Center for Excellence in the Built Environment, Bill Redesign, the Recognition and Awards Program and Decoupling have been approved by the Council on June 5, 2008 in separate Council Resolutions; and

WHEREAS, Council believes that the Energy Smart Plan proposal was ranked as the top proposal to be considered by the Council; and

WHEREAS, Council believes that the Energy Smart Plan concept is consistent with and capable of fulfilling the Council's commitment to energy efficiency and the development of a viable energy efficiency program, as part of the city's comprehensive long-term energy policy; now, therefore

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

1. The Council of the City of New Orleans hereby believes that the establishment of an energy efficiency program to be known as the Consensus Energy Smart New Orleans Efficiency Programs ("Energy Smart Plan"), that is consistent with the Consensus Energy Efficiency Program that was determined to be the highest ranked program by the voting stakeholder participants at the May 20, 2008 facilitated meeting and as modified herein, is a reasonable and necessary exercise of its regulatory authority and its police power to regulate and ensure the public welfare within the City of New Orleans and is in the public interest. The purpose of the Energy Smart Plan is to promote and facilitate increased energy efficiency and conservation and to foster the development of an energy efficiency industry in the City of New Orleans.

2. The Council hereby directs its Advisors to take the necessary steps to develop and submit such proposed documents and recommendations as are necessary to implement the Energy Smart Plan concept including the development of a proposed Request for Proposals and evaluation criteria that ensures the selection of a third-party administrator as contemplated by the Energy Smart Plan. In addition, the proposed Request for Proposals shall include the submission of proposed program components consistent with the Energy Smart Plan and the proposed evaluation criteria to determine the appropriateness for any proposed programs to be considered for implementation.

3. In developing the proposed Request for Proposals for the third party administrator and the other enabling documents to implement the Energy Smart Plan, the Advisors shall insure that any paid consultant, advisor or subcontractor to the Council that may have participated in the Energy Smart process will be precluded from submitting a proposal

or being a part of any entity submitting a proposal to serve as the third party administrator. The Advisors shall also investigate other state and federal sources of funding that would used to lessen or eliminate the financial impact of the proposed system benefits charge.

4. The Advisors shall investigate potentially appropriate funding mechanisms to finance the Energy Smart Plan and shall also investigate other state and federal sources of funding that would be used to lessen or eliminate the financial impact of a ratepayer funding mechanism.

5. Prior to the final Council approval of the Energy Smart Plan, the Director of the Council Utility Regulatory Office, in conjunction with the Advisors, shall ensure that at least one publicly noticed meeting is held in each Council District and that at least two (2) of the public meetings will be held during the evening and/or on a weekend to allow for greater public participation.

6. The Council hereby directs its Utility Advisors to investigate policies and programs that will foster the development of a renewable energy industry and related jobs for New Orleans and submit a report on its preliminary findings within 120 days from the effective date of this Resolution.

THE FOREGOING RESOLUTION WAS READ IN FULL, THE ROLL WAS CALLED ON THE ADOPTION THEREOF AND RESULTED AS FOLLOWS:
YEAS: Carter, Clarkson, Fielkow, Head, Hedge-Morrell, Midura, Willard-Lewis - 7
NAYS: 0
ABSENT: 0
AND THE RESOLUTION, AS AMENDED, WAS ADOPTED.