

LOUISIANA PUBLIC SERVICE COMMISSION

DOCKET NO. R-31106

LOUISIANA PUBLIC SERVICE COMMISSION,  
EX PARTE

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LA PUBLIC SERVICE  
COMMISSION

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*In re: Rulemaking to study the possible development of financial incentives for the promotion of energy efficiency by jurisdictional electric and natural gas utilities.*

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**STAFF'S SUMMARY OF JANUARY 25, 2011 TECHNICAL CONFERENCE**  
**AND**  
**SECOND REQUEST FOR COMMENTS**

**Background**

In response to certain assurances made to the federal government regarding the Louisiana Public Service Commission's ("LPSC") role in exploring Energy Efficiency ("EE") opportunities in Louisiana, as well as a general concern over the need for EE, the LPSC opened a rulemaking to determine whether it should enact some sort of EE policy or provide incentives for the implementation of programs by LPSC-regulated utilities. Docket No. R-31106 was initially opened in August 2009, and since that time Staff has:

- 1) Received an initial round of comments;
- 2) Performed extensive research of programs by other state commissions, and issued a preliminary staff report; and
- 3) Held a technical conference at the LPSC.

The preliminary staff report, initial comments submitted by interested stakeholders, and a power point presentation from the technical conference can be viewed on the Commission's website at [www.lpsc.org](http://www.lpsc.org) under the document access section by performing a docket search for Docket No. R-31106.

## Summary of Discussions at the January 25, 2011 Technical Conference

During the Technical Conference, Staff discussed the recommendations found in Staff's preliminary report that it has been considering. Those recommendations are:

- EE guidelines should be adopted to allow utilities to propose to implement cost-effective EE programs
- The TRC test should be the primary evaluation test, though weight should be given to other tests as well
- EM&V must be included in any EE program approved by the Commission
- Properly designed incentives should be considered (lost revenue, sharing of benefits, etc.)
- Opt-out provisions may be considered

### Additional Issues Discussed at Technical Conference:

The following topics were also discussed during the Technical Conference:

- **Collaborative Process** – Many parties, including the Alliance for Affordable Energy urged that some form of a collaborative process would be beneficial in developing EE rules and designing the best EE programs for Louisiana
- **Incentives** - Staff's report and discussions at the Technical Conference were consistent with the finding that it is common for states with EE programs to offer some form of incentives (Including recovery of all costs on a current basis, lost revenue recovery, and some form of additional earnings incentives)
- **Incentives** - If lost revenue recovery is considered, Staff recommended additional evaluation should be made as to whether utilities in Louisiana with formula rate plans are able to maintain their required earnings levels without the need for additional lost revenue recovery.
- **Incentives** - While utilities and environmental groups are supportive of incentives, the Louisiana Energy Users Group ("LEUG") spoke in opposition.
- **Rules Development Process** - In addition to the states that Staff evaluated, Oklahoma is another state with rules that should be considered for Louisiana.

- **Rules Development Process** – Entergy Services, Inc. (“Entergy”) suggested that rules be patterned after Arkansas’ EE rules
- **Rules Development Process** - Several parties including Entergy recommended that a multi-phase process be implemented with Quick Start programs introduced in the first phase. While those programs are implemented, more comprehensive programs could be evaluated and additional EE rules would be developed. Staff is supportive of this approach.
- **Rules Development Process** - John Sibley, Southeast Energy Efficiency Alliance (“SEEA”), recommended that if such an approach is implemented, the name Quick Start programs would be superior to Pilot programs.
- **Incentives** – If incentives are implemented, they should be dependent upon meeting certain pre-defined performance goals.
- **EE Targets** – CenterPoint Energy “CenterPoint” recommends that initially utilities should be permitted to establish EE targets they believe are realistic.
- **Opt-out Provisions** – Staff noted that opt-out provisions are permitted in all states surveyed. LEUG recommends an opt-out provision be used if EE is required in Louisiana. Some parties are opposed.
- **EM&V Programs** – There was general agreement with Staff’s finding that EM&V is an important aspect of an EE rule. EM&V must be included in any EE program approved by the Commission.
- **Third Party Administration** – Many parties agreed that utilities should be responsible for administering programs in Louisiana.
- **Achievable Potential Study** – An achievable potential study is important and should be performed. The question discussed was when would it be necessary to perform the study, and who should perform it.
- **Cost Effectiveness Tests** – There was general agreement with Staff’s findings that the TRC test should be the primary evaluation test, though weight should be given to other tests as well.

- **Deemed Savings Approach** – There was general agreement that a deemed savings approach should be used.
- **Fuel Switching** – CenterPoint is in favor of fuel switching from electric to gas when significant savings can be demonstrated. Entergy pointed out that existing Commission Orders may prohibit some fuel switching programs.
- **Collaboration With Other State Agencies** – There was general agreement that Staff should encourage participation by other agencies and organizations such as the Louisiana Department of Natural Resources (“LDNR”), and the Louisiana Association of Community Action Partnerships (“LACAP”) in this rulemaking. Not only can the Commission learn from the experience of existing programs, but the collaboration may lead to greater participation in EE programs, and help avoid overlapping activities. For example, the LDNR already administers the HERO program, which promotes energy efficiency in new and existing residential homes, and existing commercial buildings. LACAP administers the Weatherization Assistance Program (“WAP”) in partnership with the Louisiana Housing Finance Authority.
- **CHP** – There was little discussion of what do about CHP, and parties requested the opportunity to give additional comments in writing.<sup>1</sup>

### **Entergy’s EE Policy Proposal**

Attachment 1 to this document is an unsolicited proposal containing an EE policy recommendation that Entergy provided to Staff at the start of the January 25, 2011 technical conference. Entergy’s proposal recommends the Commission implement an EE policy based on a phased approach. Phase 1 requires utilities (gas and electric) to expedite the implementation of a limited set of EE programs relying on general EE guidelines and procedures. After the Phase 1 programs have been designed and are being rolled out to customers, the utilities would work to design comprehensive EE programs that would be implemented during Phase 2. The implementation of the utilities’ Phase 2 programs would be contingent on the Commission having developed and adopted final comprehensive EE rules.

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<sup>1</sup> Staff notes that some members of the Department of Energy’s Gulf Coast Clean Energy Application Center, major proponents of CHP, were inadvertently omitted from the original meeting notice and Staff looks forwards to their formal comments.

Staff neither endorses nor opposes this recommendation at this time. However, Staff notes that the proposal is consistent with comments that were made by several people at the technical conference that appeared to favor a Quick Start approach. Staff further notes that the idea of implementing Quick Start programs is consistent with Staff's preliminary recommendation that EE guidelines should be adopted in Louisiana to allow utilities to propose to implement cost-effective EE programs. For the sake of efficiency, Staff provides Entergy's proposal for parties to review. This will be addressed further in the request for specific comments below.

### **Request for Specific Comments**

Staff requests specific comments on the following list of issues:

- 1) **Process** - Staff has concluded that it is reasonable for the Commission to promote the use of energy efficiency in Louisiana. Going forward which of the following options should Staff rely on to facilitate the implementation of EE rules?
  - a) Develop comprehensive rules first. The Commission should develop and adopt comprehensive EE rules first that address all policy matters including consideration of all forms of incentives, opt-out provisions, EM&V plans, contractor ally development, potential for customer shifting between electric and gas (or vice-a-versa), EE goals, cost recovery, etc, before utilities begin to design and implement EE programs. This option most likely would require some type of Maximum Achievable Potential study to be performed up front in order to know the full extent of cost effective energy efficiency programs that could be implemented in Louisiana. This could possibly require as much as 2 years or more before any EE programs could be implemented.
  - b) Rely on a phased implementation process such as proposed by Entergy. Phase 1 will rely on high level guidelines resulting in a modest level of EE programs being implemented, and Phase 2 requires comprehensive rules and programs to be implemented. (Please provide modifications to Entergy's approach if you believe any are necessary.)
  - c) Other. If you prefer an alternative process, please provide a proposal similar to the detail provided by Entergy's plan, including a timeline that identifies when steps should be

completed. (Please provide this as a high level outline similar to the proposal provided by Entergy.)

- 2) **Policy Objectives** - Depending on the option selected in 1) above, what are the overall objectives that you believe should be achieved, and what criteria should be used to measure success? (Please provide an answer that is specific and brief as possible, unless you believe a more detailed response is necessary).
- 3) **Utility Administration** – If you disagree with the notion that utilities should be responsible for administering EE programs as contemplated by the Commission, please explain your position, and explain your plan for administering the programs. Include in your answer, an explanation of the authority by which the LPSC could rely on to implement and fund such an approach, and the role that utilities would play in that approach. (Please elaborate only if you disagree, unless you believe a response is necessary)
- 4) **Cost Effectiveness Tests** - Do you agree with Staff’s finding that the TRC test should be the primary evaluation test, though weight should be given to other tests as well? (Please elaborate only if you disagree, unless you believe a response is necessary)
- 5) **Cost Effectiveness Tests** - Please respond to the following:
  - a) Should there be a requirement that every measure in a given program must meet cost effectiveness criteria on its own, or could some measures be included, so long as the overall program meets the criteria? What about the overall portfolio?
  - b) Do you agree that it would be reasonable to use the definitions in the California Standard Practice Manual to define the calculations for the cost-effectiveness tests and the elements that are to be included in the tests (Please elaborate only if you disagree, unless you believe a response is necessary. If you disagree, please provide an alternative recommendation)?
- 6) **Cost Effectiveness Tests** - If Quick Start programs are relied on, they may be in effect for 1 – 3 years. Recognizing that, what time period should be relied on in the evaluation of measures in cost/benefit calculations? (Please adjust your answer if you are not in favor of a Quick Start approach.)
- 7) **Collaborative Process** - Staff believes that some form of a collaborative process would be beneficial in developing EE rules and designing and implementing the best EE programs for

Louisiana. However, as Staff cautioned at the Technical Conference, the design of the collaborative process has to be such that it leads to the development of better EE rules and program design, but does not needlessly delay the process. In bullet form (elaborate if necessary), please identify the elements of a collaborative process that you would recommend. This should encompass EE rules development through program design, implementation, EM&V, etc. At a minimum, please identify at what point in the timeline would meetings be necessary, what would the objectives of the meetings be, and how many meetings could you foresee would be necessary.

- 8) **Coordinate with Other State Agencies** - Please provide a plan in bullet form (elaborate if necessary) by which the LPSC could coordinate with utilities and other state agencies to develop coordinated, standardized, statewide programs to increase energy efficiency, recognizing there are already programs in place such as LDNR's HERO program, which encourages building energy efficient new homes, and improving the efficiency of existing homes and commercial buildings.
- 9) **Maximum Achievable Potential Study** – If any of your answers to prior questions have not provided a plan for performing a Maximum Achievable Potential Study (either by each utility, or one statewide effort run either by the LPSC or the utilities), please provide your plan in bullet form (elaborate if necessary) for such a study. Indicate if such a study is necessary, which entity should be responsible for overseeing such a study, when in the process should such a study be completed, how much your proposed study might cost, etc.?
- 10) **Cooperative Utility Participation** – Staff understands that it is the Commission's intent that any rules that are adopted should affect both electric and gas utilities. However, to what extent should cooperative electric utilities participate? For example, if a phased approach is adopted, should COOPs be exempt from the Quick Start implementation phase and participate when comprehensive programs are introduced? (Please fully explain and support your position, but be brief as possible).
- 11) **Filing Process** – If you have not discussed this in response to any other question, please present your plan for filing requirements. What would the specific steps be, what information should be filed, what kind of timeline, etc.?

12) **Deemed Savings Approach** – Do you agree that to the greatest practical extent, deemed savings should be used. If not, please present your plan for deriving energy savings used in screening cost effectiveness, deriving incentive payments, etc. Please explain how your approach is superior to a deemed savings approach, taking cost into account. (Please provide a response only if you object to a deemed savings approach, unless you believe a response is necessary).

13) **EM&V** –

- a) Explain your plan for an EM&V process
- b) Explain how your EM&V process would work in conjunction with the Deemed Savings Approach.
- c) If a phased implementation approach is pursued, please explain if you would object to waiting to implement the EM&V process until the second phase when more detailed rules would be implemented?
- d) What percent of the budget would you recommend be allocated to perform EM&V activities?

14) **Opt-Out Provision**

- a) Staff understands there are many details to be decided concerning an opt-out provision. However, if you oppose an opt-out provision, please explain your position. (No need to respond if you are in favor, unless you believe a response is necessary).
- b) If a phased implementation approach is pursued, please explain if you would object to waiting until the second phase when more detailed rules would be implemented? If you would object, please provide your recommended rules for an opt-out provision that you would like implemented in the first phase. (Only provide a response if you object to waiting until the second phase, unless you believe a response is necessary).

15) **Utility Incentive Mechanisms** (This includes lost revenue recovery as well as any other incentives, other than direct cost recovery of program expenses) –

- a) Based on your preferred implementation process, please describe your plan for allowing utilities to recover additional incentives.

- b) If a phased implementation approach is pursued, please explain if you would object to waiting until the second phase to implement incentives?
  - c) If a phased implementation approach is pursued, should utilities be allowed to accumulate lost revenue costs in a regulatory asset for possible recovery at a later time?
  - d) Even if lost revenue recovery were viewed as being desirable, generally lost revenue recovery is considered a regulatory lag issue (lost sales due to conservation would not be captured until a rate case or some other rate change goes into effect). In the case of Louisiana utilities that are subject to a Formula Rate Plan, such rate changes take place annually and thus the issue of lost revenue may be mitigated, and therefore, a lost revenue recovery mechanism may be unnecessary. Please explain your position on this matter and explain what changes to the FRP or any other tariffs might be necessary depending on your position.
- 16) **Cost Recovery** – Based on your preferred implementation process, please describe your cost recovery proposal. Please discuss how costs would be allocated to rate classes as part of your plan. For example, should rate classes only be allocated costs associated with programs geared towards the specific rate classes?
- 17) **Budget Guidelines** – Based on your preferred implementation process, please describe your plan for developing budget guidelines.
- 18) **Reporting Process** – If you have not discussed this in response to any other question, please present your plan for reporting requirements. What information should be filed, what timeline should be followed, what should be done with the filed information, what approval process should be required, etc?
- 19) **Commission Audit** –
- a) Would it be necessary for the Commission to conduct any sort of audit?
  - b) If it would, could this requirement be implemented in the second phase of a multi-phase process? If you would object to waiting for Phase 2, please provide a description of your plan for a Commission Audit that would take place during Phase 1. (No need to provide a response if you believe it could wait, unless you believe a response is necessary)

20) **CHP** – The LPSC has requested Staff to evaluate CHP in this rulemaking given that it is considered an energy efficiency measure. Some states have policies that lead to CHP developers receiving payments to help offset the cost of CHP installations. Louisiana is generally regarded as already having a considerable amount of CHP capacity installed, however, much of that is from large cogeneration applications. The ACEEE 2010 State Energy Efficiency Scorecard Report<sup>2</sup>, ranked Louisiana close to the bottom for having state policies and regulations that encourage CHP. ACEEE ranked states on the following six factors:

- Standard interconnection rules
  - Status of CHP-friendly standby rates
  - Presence of CHP financial incentive programs
  - Presence of output-based emissions regulations
  - Inclusion of CHP/waste heat recovery in a state RPS or EERS
  - Net metering regulations
- a) Please discuss why you believe Louisiana has ranked so low on this scorecard, and how some of these areas could be improved in this rulemaking.
- b) Other than the areas listed above, please discuss any other policies that you recommend should be addressed regarding CHP in this rulemaking.

21) **EE Programs that Promote Fuel Switching** –

- a) Please state your position regarding whether the Commission should allow gas utilities to implement EE programs that encourage electricity customers to switch to gas for some specific end-use, or electric utilities to implement programs that encourage gas customers to switch to electricity for some end-use.

Assuming a multi-phase process is implemented, would you object to this being considered further in Phase 2. If you prefer this to be permitted as part of Phase 1, please provide your proposed rules for allowing fuel switching to occur.

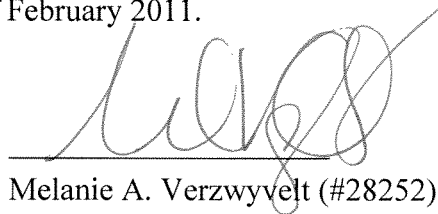
22) **Other Issues** – Please address any issues that you believe are important and have not been sufficiently covered in the above questions.

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<sup>2</sup> <http://www.aceee.org/research-report/e107/>

All responses to the Staff's Second Request for Comments shall be filed no later than Friday, March 11, 2011.

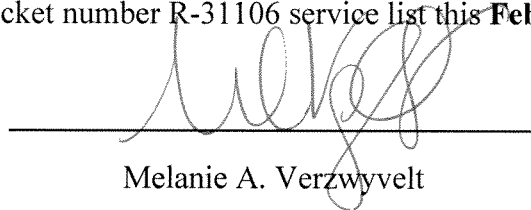
Baton Rouge, Louisiana, this 11<sup>th</sup> day of February 2011.



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**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY** that a true and correct copy of the foregoing was sent via email and/or U. S. Mail, to the docket number R-31106 service list this **February 11, 2011**.



Melanie A. Verzwyvelt

Service List for R-31106  
as of 2/11/2011

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