

LOUISIANA PUBLIC SERVICE COMMISSION

GENERAL ORDER

LOUISIANA PUBLIC SERVICE COMMISSION,
EX PARTE

Docket No. R-28271 Subdocket B In re: Re-study of the feasibility of a renewable portfolio standard for the State of Louisiana

(Decided at the Commission's August 21, 2013 Business and Executive Session)

I. Background

At its August 21, 2013 Business and Executive Session ("B&E"), the Louisiana Public Service Commission Staff ("LPSC" or "the Commission" "Staff") presented its final annual report, including conclusions and recommendations, in accordance with Section 7.4 of the Commission's Renewable Energy Pilot Program ("REPP") (Corrected General Order dated December 9, 2010 (R-28271-A Subdocket B Attachment "A")).

II. Jurisdiction

The Commission has jurisdiction pursuant to the constitutional authority found in Article IV § 21 of the Louisiana Constitution of 1974, to "adopt and enforce reasonable rules, regulations, and procedures necessary" for the regulation of common carriers and public utilities.

III. Procedural History

In accordance with § 7.4 of the REPP, Cleco Power, LLC; Entergy Gulf States, Louisiana, L.L.C., and Entergy Louisiana, LLC ("the Entergy Companies"); and Southwestern Electric Power Company ("SWEPCO") filed annual reports in February 2013. As a follow-up to the Companies' reports, Staff requested the utilities (1) to provide their recommendations whether a Louisiana RPS should be pursued given the benefit of having conducted the REPP, and (2) to provide their recommendations if the Commission were inclined to continue a renewable energy policy other than a RPS, but to implement renewable energy programs on a more limited basis.

After considering each Company's report and responses to Staff's requests, Staff issued its *2013 Annual Report and Request for Comments* June 19, 2013. On July 10, 2013, Entergy Gulf States, Louisiana, L.L.C., and Entergy Louisiana, LLC, filed comments. No other party filed comments¹ or otherwise opposed the Staff recommendation. Given the limited comments

¹Although the Gulf Coast Clean Energy Application Center filed a petition for late intervention June 24, 2013, they did not file substantive comments on the Staff Report.

filed, Staff found it unnecessary to make any changes to its June 19, 2013 recommendation, as enumerated below.

IV. Staff's Conclusions and Recommendations

Based on Staff's review of the reports and comments, as well as its experience with the three-year REPP process, Staff concluded that the investor-owned electric utilities adequately complied with the requirements of the REPP and did so in different ways that suited each utility. The three-year REPP enabled Staff and the Commission to evaluate the availability, costs, and potential benefits of renewable generation resources for Louisiana. Each utility provided significant analysis and data on the potential development of renewable resources both in Louisiana and around the United States. The RFP process provided valuable information and experience for all participants in terms of how to develop a workable RFP, attract and evaluate renewable bidders, and determine which resources were the best alternatives for Louisiana ratepayers. The REPP process also enabled Staff and the utilities to consider developments at the federal level and in other states with respect to the promotion of renewable energy resources.

Each utility accomplished specific results during the REPP. The Entergy Companies developed both a standard offer tariff and a renewable RFP that attracted qualified renewable resources that have been approved by the Commission. SWEPCO developed a standard offer tariff as well, although no customers are currently taking service under that tariff. SWEPCO also developed a renewable RFP that resulted in a winning bid that was approved by the Commission in 2011. Cleco pursued the self-build option and in conjunction with the University of Louisiana at Lafayette has done extensive research into a variety of renewable technologies. Cleco also performed an extensive evaluation of biomass co-firing at its Madison Unit 3. Staff's report dated January 31, 2013 found that to date Cleco has satisfied the requirements of the Commission's REPP Implementation Plan and offered the Commission several alternatives for how to proceed. The alternative options for how Cleco should proceed were discussed in Section 4 of the Staff report, as well as in the separate docket addressing the biomass co-firing.

Overall, Staff found that the Commission's REPP was a valuable learning experience for the Commission, Staff, and participating utilities. Staff also concluded that based on the information filed by the utilities, as well as Staff's participation throughout the process, a mandatory RPS is not warranted at this time. The data provided by the utilities indicated that the levelized cost of renewable technologies exceeds the costs of conventional resources. For

example, the levelized cost of a combined cycle gas turbine is below the cost of any of the major renewable technologies. Current prices for natural gas have put renewable technologies at a cost disadvantage. Finally, interest at the federal level for a mandatory renewable energy policy currently appears to be limited.

Staff found that the REPP was a useful means of gaining valuable information and experience with renewable resources, and continued to support the implementation of cost-effective renewable resources in Louisiana. While Staff did not recommend moving forward with a mandatory Louisiana RPS, Staff did support the continuation of some of the REPP program policies and made the following specific recommendations:

1. The Commission should conclude and acknowledge that to date all of the utilities have satisfactorily complied with the requirements of the REPP.
2. With regard to the research component, both SWEPCO and Entergy's standard offer tariff programs should remain in place until either the separate 30 MW capacity caps have been reached or until the Commission determines that it is in the public interest to modify or terminate the standard offer tariffs.
3. In addition, the 5 MW cap currently in place for standard offer tariff projects should be increased to 10 MW².
4. With regard to Cleco's research activities, Staff supports continued research into the renewable projects that Cleco currently has under development and discussed in its 2012 Annual Report. Staff believes that Cleco should be permitted to continue its research activities associated with those projects, but recommends that the Company be required to seek Commission approval for any future projects that it may wish to research. Also, the costs Cleco spends on these activities should be reported as part of the Company's ongoing annual reports to the Commission concerning renewable activities.
5. Recognizing Cleco's continuing obligation to perform an RFP now that it has completed its biomass co-firing evaluation, Staff recommends that the Commission should consider the facts concerning Cleco, and decide the next step that it should take. Section IV of Staff's *Annual Report* includes a discussion of the options available for the Commission to consider for Cleco³.

² Although Staff's written recommendation was to increase the cap to 10 MW, Staff stated its support with regard to further increasing the cap to 15 MW at the August 21, 2013 Open Session.

6. Staff recommended that the Commission should continue to monitor renewable resource policies at the both the Federal and state level, and the Commission should monitor the renewable resources that have been acquired as a result of this REPP policy. To support this objective, Staff recommended that the utilities should be required to continue providing yearly reports to the Commission, containing the following information:
 - a. The reports should contain an update on the status of any important federal renewable energy policies being evaluated and a review of best practices in other states of interest to Louisiana.
 - b. The reports should discuss recent developments with renewable energy technologies that are suitable for Louisiana such as reductions in capital costs.
 - c. The reports should provide an update of the renewable resources that the utilities have acquired either through the research component or the RFP component of this REPP.
 - d. The reports should describe any serious discussions the utilities have with renewable energy developers, such as inquiries into the standard offer tariffs, where a deal is not ultimately consummated because of one of the standard terms. This information will assist the Commission in making any necessary adjustments to the standard offer tariff terms.
 - e. Cleco should continue to provide brief reports regarding the status of its research activities, and it should provide a report on the costs of its programs including current and forecasted budgets.
7. Staff recommended that it would continue to review the annual utility reports and would provide additional evaluations and summaries as it deems appropriate.
8. Staff acknowledged that the utilities will all have the opportunity to explore adding additional renewable resources as part of their upcoming IRP evaluations, which they will be embarking on this coming October. However, should the Commission desire to require utilities to continue adding additional renewable resources to their portfolios, Staff recommended that after a review and update of the implementation plan the Commission should require the utilities to implement another limited renewable RFP.

V. Commission Consideration

On motion of Commissioner Angelle, seconded by Commissioner Holloway, with Commissioners Skrmetta and Boissiere concurring and Commissioner Campbell opposing, the Commission voted to adopt Staff Recommendations 1-4, 6 and 7⁴ found in the June 19, 2013 Report and Recommendation at pp. 67-70, with the exception that the 5MW cap currently in place for standard offer tariff projects should be increased to 15MW.

IT IS THEREFORE ORDERED THAT:

1. All of the utilities have satisfactorily complied with the requirements of the REPP.

2. With regard to the research component, both SWEPCO and Entergy's standard offer tariff programs shall remain in place until either the separate 30 MW capacity caps have been reached or until the Commission determines that it is in the public interest to modify or terminate the standard offer tariffs.

3. In addition, the 5 MW cap currently in place for standard offer tariff projects shall be increased to 15 MW.

4. Cleco shall be permitted to continue its research activities on existing projects, but the Company shall seek Commission approval for any future projects that it may wish to research. Cleco shall report its costs on these activities as part of the annual report required herein.

5. The Commission should continue to monitor renewable resource policies at both the Federal and state level, and the Commission should monitor the renewable resources that have been acquired as a result of this REPP policy. To support this objective, The utilities shall continue providing yearly reports to the Commission, containing the following information:

- a. The reports should contain an update on the status of any important federal renewable energy policies being evaluated and a review of best practices in other states of interest to Louisiana.
- b. The reports should discuss recent developments with renewable energy technologies that are suitable for Louisiana such as reductions in capital costs.

⁴ Staff recommendation number 5 will be addressed in a separate order.

- c. The reports should provide an update of the renewable resources that the utilities have acquired either through the research component or the RFP component of this REPP.
- d. The reports should describe any serious discussions the utilities have with renewable energy developers, such as inquiries into the standard offer tariffs, where a deal is not ultimately consummated because of one of the standard terms. This information will assist the Commission in making any necessary adjustments to the standard offer tariff terms.
- e. Cleco should continue to provide brief reports regarding the status of its research activities, and it should provide a report on the costs of its programs including current and forecasted budgets.

6. Staff shall continue to review the annual utility reports and would provide additional evaluations and summaries as it deems appropriate.

7. This Order is effective immediately.

BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA
 September 20, 2013

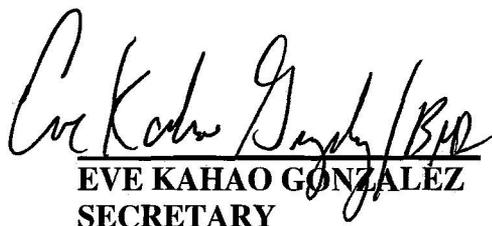
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CHAIRMAN ERIC F. SKRMETTA

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SECRETARY