

**1. Please describe in detail what is provided from a Level 1 home assessment and a Level 2 whole home Audit.**

**Level 1 and Level 2 Audit:** Descriptions of the Audits are found in Appendix 4 (Pg 3 of 41) of the Filing within the “Implementation & Delivery” section of the Residential Solutions template. ENO anticipates the audits (subject to Council approval) to include the following:

**Level 1 Audit:** Is a walkthrough/visual inspection home energy audit provided at no cost to the customer should the customer elect to have at least one measure installed. Contractors will directly install low-cost measures, such as CFLs, hot water heater wraps, pipe insulation, and low-flow showerheads for customers with electric water heaters, where needed and allowed by participating customers. Some homeowners may follow-up with more comprehensive energy efficiency improvements, including air and duct sealing or appliance retrofits, or request a more comprehensive energy audit.

**Level 2 Audit:** Participating contractors will provide comprehensive whole home audits for interested customers for a fee (we estimate this cost to be \$400) with a discount applied against the cost of any contractor recommended installed measures. In addition to walkthrough and direct install of low-cost measures, this audit will be designed to estimate potential energy savings due to infiltration and heat loss through walls and attics. Diagnostic evaluations conducted during the Audit may include duct and air seal testing and combustion safety testing. A comprehensive, whole house audit report will be presented to the customer with recommendations for upgrades and information about available financing or cash incentives for certain measures.

**2. Appendix 3 to your Energy Smart plan shows that CHP could save 100 times as much energy as any other measure, yet it slightly fails the TRC test and was thus rejected by Entergy. What underlying assumption(s) led to it failing the TRC?**

**Combined heat and power (CHP),** Combined heat and power technologies are those that produce heat and electricity and can be deployed to produce energy savings and reduce green house gas emissions. It is a clean, and reliable approach to generating power and thermal energy from a single fuel source. However, the installation cost of CHP is quite high. The measures do not pass the TRC test due to the high installation costs, as well as the increase in gas usage (to fuel the CHP equipment) that would result from installation (see Appendix 3, Page 4 of the filing for TRC test results). The change in usage for all fuels (electricity, gas, etc.) must be included in the TRC calculation. For example, the cost to install and maintain a 500 kW CHP system would be greater than \$700,000. If the incentive cost for this measure were to equal 25% of the incremental cost, the total incentive for this size system would be \$175,000. For just one installation, this amounts to about 5% of the total Energy Smart budget, and would limit the types of other measures and programs that could be included in the portfolio. Small scale CHP measures were not included in the analysis due to scalability issues (i.e. the cost/savings would be even higher for smaller systems).

**3. Please explain if radiant barriers, ceiling insulation, and infiltration measures will be included in the program.**

ENO recognizes that these types of measures may provide energy savings to customers and its recommended program does not preclude contractors from offering these energy savings measures to customers; however, except for those measures exempted by Council Resolution R-09-136, only those measures which pass the established cost effectiveness testing criteria will be eligible for incentives under the Energy Smart Plan

**Residential radiant barriers.** According to the US Department of Energy, radiant barriers are, “Materials that are installed in buildings to reduce summer heat gain and winter heat loss.... Radiant barriers usually consist of a thin sheet or coating of a highly reflective material, usually aluminum, applied to one or both sides of a number of substrate materials.” Radiant barriers are available single- or double-sided and with a variety of substrates and reinforcing scrims. They are also available in perforated and un-perforated versions. This measure was not initially tested for cost-effectiveness in the course of ENO’s analysis for the Energy Smart Plan. There also appears to be limited interest in radiant barrier technology among contractors in New Orleans.

This measure has since been tested for cost-effectiveness. ENO’s finding is that radiant barriers do not pass the cost effectiveness testing criteria established for the Energy Smart Plan for new or existing home applications. The measure TRC results for radiant barrier applications range from .54 to .82.

This does not suggest that the technology does not provide energy savings and does not preclude contractors from offering radiant barrier technology to customers. However, the Company does not anticipate offering an incentive for the installation of this technology during the first program year due to the Council’s direction that all programs must be cost effective except as exempted by Resolution R-09-136. This also does not preclude ENO from rebating radiant barriers in future program years. For example, if the cost of radiant barriers (materials and/or labor) decreases, and/or if new data comes to light that demonstrates higher savings associated with installing radiant barriers, the measure may become cost-effective under the established testing criteria.

**Residential air infiltration reduction.** According to the US Department of Energy, air infiltration, “Occurs when outside air enters a house uncontrollably through cracks and openings.” Reducing air infiltration typically involves a variety of measures, including installation of proper home insulation, and proper sealing of windows, doors (or, more generally, “envelope sealing”) and ducts. Measures associated with air infiltration reduction were determined to be cost-effective under the established cost effectiveness testing criteria (see Appendix 3 to the filing). Therefore, rebates will be available for these measures through the proposed Residential Solutions program.

**Residential attic insulation.** This measure was tested for cost-effectiveness in the course of ENO’s analysis for the Energy Smart Plan. The measure is cost effective in certain applications (described below) but not universally under the established cost effectiveness testing criteria.

For existing electric heated and cooled homes where existing attic insulation levels range from R-0 (zero insulation) to R-14, increasing the insulation level to R-30 is cost-effective provided that the insulation is blown-in (TRC results range from 1.06-1.14). In addition, in existing electric heated/ cooled homes where existing attic insulation levels range from R-0 to R-8, installing R-30 batt insulation is cost-effective (TRC = 1.17).

Therefore, ENO proposes offering incentives for ceiling insulation through the proposed Residential Solutions program. Under the proposed program, ceiling insulation would be rebated as a measure through the Program where a pre-inspection (i.e. a Level 1 or Level 2 Audit) finds the existing attic insulation is commensurate with the levels discussed above in electric heated/ cooled homes. Incentive levels have yet to be determined.

**4. Will you integrate a financing program that goes beyond the 3 years mentioned in the presentation?**

ENO is committed to continue to explore cost-effective, efficient financing mechanisms to complement the programs described in its July 2, 2009 filing in order to maximize participation in the Energy Smart programs. It is ENO's hope that by the time these programs are launched, a fully developed financing mechanism will be developed and ready for implementation. However, at present, ENO anticipates that the extent and duration of any potential financing program would be dependent on Council approval, which currently authorizes the Energy Smart Plan for three years.

**5. How will you encourage landlords to participate?**

Landlords would be encouraged to participate in the Energy Smart programs proposed by the Company. The programs would be promoted to homeowners, landlords and renters (but would require landlord consent where necessary).

**6. Will the auditors be RESNET certified?**

The Level one walk through audit described in the Company's proposed Residential Solutions program would be provided by a trained contractor who has signed a program participation agreement and undergone program training to perform a Level 1 audits.

For Level 2 energy audits, the auditor is expected to be either RESNET (Residential Energy Services Network-[www.natresnet.org](http://www.natresnet.org)) or BPI (Building Performance Institute Inc. – [www.bpi.org](http://www.bpi.org)) certified. Contractors performing Level 2 audits must also sign program participation agreements and undergo program specific training to better understand for example, program elements, monitoring and incentives.

**7. How are you going to get renters to participate?**

Under the programs proposed by the Company, renters would be eligible to participate in the Energy Smart programs with the written consent of their landlords. Landlord consent forms would be made available to any renter requesting to participate in the program. There are several

programs which renters can participate in at little or no cost to the participant. For example, the CFL Replacement Program will install energy efficient compact fluorescent light bulbs in homes at no cost to the participant. Also, the Air Conditioning tune-up program encourages anyone with a central air conditioning unit to have their unit tuned up so that it runs more efficiently. The average incentive for a tune-up is expected to be \$75 which should cover a majority of the cost of tuning up a unit.

#### **8. Will you consider ductless or mini-split air conditioners as an option in the program?**

A ductless heating or cooling system (“ductless heat pump”) is “a highly efficient zonal heating and cooling system that does not require the use of air ducts. Ductless heat pumps are reversible, 2-way heat pumps that use electricity. Using a refrigerant vapor compression cycle, like a common household refrigerator, ductless heat pumps collect heat from outside the house and deliver it inside on the heating cycle, and vice versa on the cooling cycle.”<sup>1</sup>

This technology was not originally tested for inclusion for the Energy Smart Plan because the major application to date has been used to replace electric resistance heating in the Pacific Northwest. This technology is not typically included in energy efficiency air conditioning rebate programs. However, the Energy Smart Plan does allow proven, cost-effective measures, to be considered for inclusion in the Energy Smart program.

Six iterations of the ductless air conditioning measure for the New Orleans area have since been tested for cost effectiveness using the DOE-2 modeling tool and information from the Northwest Energy Efficiency Alliance, the NAHB Research Center, Connecticut Light & Power, and United Illuminating. These iterations include a single-family, multi-family, and mobile home, for both existing and new vintages. The retrofit measures for existing homes did not pass, with TRCs ranging from 0.39 to 0.46. Savings for retrofit measures ranged from 1602 kWh per year to 2171 kWh per year, but the incremental costs ranged from \$4,500 to \$6,000.

We did find that new home installations in single-family homes and mobile homes were cost-effective at the measure level. The TRCs for these measures were 3.13 and 1.03 respectively, with savings of 1265 kWh per year for single family and 411 kWh per year for mobile homes, and incremental costs for new installations of \$500. The lower incremental installation cost is the difference between the purchase of a central air conditioner and associated ductwork and the ductless heat pump. New home installations for multi-family were not cost-effective (TRC of 0.66) because the cost of the unit remained the same with substantially lower energy savings.

1. Description supplied by Northwest Energy Efficiency Alliance via their consumer website [www.goingductless.com](http://www.goingductless.com).

#### **9. How will you select the households to receive weatherization services?**

The proposed programs are anticipated to be available to customers on a first come first serve basis, until all approved funding is utilized, at the request of the participant or through the contractor partners.

Customers participating in the low income program must qualify under Federal guidelines for Weatherization Assistance Program (WAP) funds.

Energy Smart Programs will be marketed to both customers and potential contractor partners through community outreach using various communication methods including the “One Stop Energy Shop”, electronically via the internet, advertisements, a special program call center, direct mail, community meetings and events. Participating contractors will be trained to market the programs to customers.

#### **10. Will Entergy ever consider on-bill financing?**

“On-bill financing” is a general concept and may be implemented in different forms. Presently, the Company will not support an on-bill financing system in which the utility pays for the cost of the energy efficiency measure and in addition to the standard utility rates collects a monthly fee on the bill to repay the utility. Nor will the company support an on-bill financing system that collects the monthly fee on behalf of a third party lender, especially if its customers would be subject to disconnection of service for non-payment of an energy efficiency loan that is unrelated to the utility service provided by the Company.

All forms of on-bill financing with which the Company is familiar present risk associated with the collection of funds for products/services outside the traditional delivery of electricity and natural gas and potential legal ramifications. Furthermore, utilities generally do not have the necessary resources or expertise to engage in financing activities. Such activities include the assessment of credit applications, necessary financial software systems, adherence to fair lending credit laws, *etc.* These risks are compounded when consideration is given to the collection of funds payable to a third party and the complications of partial or non-payment of the bill and the priority of posting payments (*i.e.*, who gets paid first, the utility or the third party). However, ENO is exploring, on behalf of the Energy Smart Plan, the feasibility of various third party financing alternatives that do not require on-bill financing.

#### **11. How will Entergy educate people about, and work with, existing Energy Efficiency and Renewable Energy programs, at state and local levels?**

Through the Proposed “One Stop Energy Shop” the Energy Smart Plan will consolidate information on federal, state and local energy efficiency and renewable energy programs and funding sources.

It is anticipated that the information will be available to New Orleans residents through various avenues such as Energy Smart contractor partners, local organizations, electronically via the internet, in the Entergy customer care centers, through an Energy Smart program call center, and through sponsored events and programs.

The proposed Energy Smart programs are also designed to work in concert with existing programs and organizations. For example, after selection of a third party administrator, the CFL program will utilize established local non-profits to distribute bulbs, the low income program

will enhance the WAP funding provided through established channels to the City and the Solar monitoring Pilot will enhance the monitoring by current non-profit organizations.

**12. In your proposed energy smart programs you allocate \$230,000 to residential CFL. How do you plan to implement this part of the program?**

The proposed residential CFL program is currently designed as a direct install program administered through partnerships with local non-profit organizations who are experienced in CFL installation. The non-profit organizations would be required to install bulbs and provide tracking of number of bulbs installed at each location. Energy Smart would provide funding for the purchase of CFL bulbs and provide, through the third party administrator, administrative oversight, implementation, marketing and measurement and verification activities.

**13. Why don't residential and small commercial customers, have the bulk share of financing available through Energy Smart (4770 of 110,000)? Industrial customers can form their own program. Energy Smart is for the people.**

Approximately \$3,000,000 or 76% of the \$3,900,000 proposed Energy Smart budget is allocated to the residential and small commercial customers. Also 10 of the 11 proposed Energy Smart programs are designed for residential and small commercial customers. Large Commercial and Industrial customers are entitled to participate since they fund a share of the program expenses. Also, the directives of the City Council as outlined in the 2009 Agreement in Principle (“AIP”) mandates, “ENO shall design, select, and implement DSM programs benefiting all customer classes”.

The numbers shown in this question compare the estimated participation rate of a single residential program presented in the filing, the Residential Solutions Program to the total number of ENO’s electric residential customers. Given its budget; ENO estimates that approximately 7,500 participation opportunities for homes, businesses, non-profits and government entities will be available in the first full twelve months of the Energy Smart Plan, including approximately 44 potential large commercial and industrial participants (the remainder are residential and small commercial).

**14. Why isn't Entergy following the lead of other cities with the best energy efficiency programs that include leveraged financing to sustain the program over time?**

This question is unclear in that it asks the Company to compare the programs it has recommended for inclusion in the Energy Smart Plan with “cities with the best energy efficiency programs”, but does not identify those programs; and does not specify the type of “leveraged financing” contemplated.

The Company’s proposed programs have been designed utilizing best practices as implemented around the country and most third party financing programs are complementary to or enhance implemented energy efficiency programs.

Also, it is not clear to the Company that all of the “best” energy efficiency programs include leveraged financing. Data reviewed to date by the Company regarding several energy efficiency programs with financing options generally indicates that a minimal amount of eligible residential customers take advantage of these related financing options to install energy efficiency measures.

If the question assumes that the “leveraged financing” contemplates the use of a revolving fund-based program, the Company believes there could be a benefit to such a program if seeded by funds other than those collected from customers, such as stimulus funding or a third party lender. As explained in its filing, the Company continues to explore the potential viability of several financing alternatives. However, at this stage, the Company has not completed its investigation and analysis of potential application to the Energy Smart Plan. ENO will provide an update that includes its recommendations regarding potential financing as soon as practicable.

**15. Where is the New Orleans City Council's set targets for participation and energy savings in the Energy Smart program?**

It should be noted that the Council will ultimately determine the targets for the Energy Smart Plan programs.

However, consistent with the requirements of the 2009 Agreement in Principle, ENO included energy (kilowatt-hour) savings goals in its July 2, 2009 Energy Smart Plan filing; the 2009 AIP does not require specific participation level goals.

Table 1 (at page 3) of ENO’s Report in Support of its Application contains kWh goals for 12 months of energy savings by the proposed programs. However, because it is anticipated that the Energy Smart Plan will not be implemented by January 2010, ENO also has proposed to supplement its filing after program approval by the Council to establish goals and targets that better reflect the programs approved by the Council and a more certain implementation date. Although pre-determined participation levels are not required by the 2009 AIP, the settlement agreement did set forth an annual budget for implementing the Energy Smart Plan. ENO developed the Energy Smart Plan to optimize program savings and participation given the allocation of this budget across all customer classes. The program participation levels reflect what ENO believes to be achievable program penetration estimates given its budget; ENO estimates that approximately 7,500 participation opportunities for homes, businesses, non-profits and government entities will be available in the first full twelve months of the Energy Smart Plan.

**16. How much does a tier 1 audit cost if an individual does not follow through with additional energy efficiency improvements?**

A Level 1 home audit is currently valued at approximately \$100 as recommended by the Energy Smart Plan but the price is set by the market to encourage competition. The proposed Energy Smart Program covers \$100 for a Level 1 walk through audit performed by a contractor partner if the customer implements at least one of the identified improvement measures recommended by the contractor partner (other than the no-cost direct install measures). This is to discourage

participants from requesting an audit and utilizing Energy Smart funding if they do not intend to make energy efficiency improvements to their home.

**17. Can the plan shift more funding toward assisting low income customers?**

Yes, it is possible that the Council may ultimately decide that the benefits of individual proposed programs (such as the Residential Low Income program) merit an allocation of more funding. However, the currently proposed level of funding is fixed and that re-allocation of dollars towards any one particular program will mean fewer dollars available for another. In accordance with the City Council's directive (as outlined in Council Resolution R-09-136 and the 2009 Agreement in Principle), ENO proposes programs which can benefit all customer classes that support the funding of the programs through their electric rates. ENO notes that its proposed programs are designed to leverage or complement funding from current or expected programs where appropriate and to avoid duplication of program efforts in areas that may generate confusion or create competition for limited resources to deliver the programs.

**18. Do you screen radiant barriers and, if so, what were the results of your screening. If you did not screen radiant barriers, please explain why.**

Yes, radiant barriers were screened but were not found to be cost effective; see the response to question no. 3 above.

**19. Do you screen heat pipes and, if so, what were the results of your screening. If you did not include test heat pipes, please explain why.**

The Company did not screen heat pipes. This is because heat pipes, although effective at improving home comfort, do not save energy. Heat pipes cause conditioned air to leave the AC system warmer than it would have without the pipes in place; therefore more energy is needed to cool the home with pipes in place. AC systems with heat pipes can also consume more fan power, as the fan must blow air across the pipes. ENO recognizes the importance of technologies that reduce humidity in customers' homes, but in the case of heat pipes, the technology does not have the characteristics of an energy efficiency measure.

**20. In regards to Entergy New Orleans' Energy Smart program, what are you doing for customers to overcome up-front costs?**

ENO recognizes that the success of any energy efficiency program implemented will be affected by the customer's ability to finance the cost of efficiency measures suitable to their dwelling or building structure. As outlined in the Plan, ENO will provide eligible customers with cash incentives that reduce the cost of their energy efficiency projects on the order 25 to 75 percent of the project's incremental cost (the incremental cost being the difference between the project cost with and without the energy efficient measures), depending on the type and nature and size of the project. Average incentive levels for each measure type are shown for each program in Appendix 4 of the Plan

Information will be made available from the proposed One-Stop Shop on programs such as the Federal Energy Efficiency Mortgage offered through FHA and the Louisiana State Home Energy Loan Program (HELP), as well as the many other federal, state, and private programs available. Additionally, as described in its July 2, 2009 filing, ENO is evaluating the feasibility of coupling the Energy Smart Plan with an opportunity for customers to obtain subsidized financing from a third-party lender. Under this type of subsidy, the customer may have the option of choosing a financial rebate for installed measures or buy down the interest rate that would be required to obtain a loan to finance the energy efficiency measures.

**21. What specific steps are being taken to provide a robust finance mechanism for participants?**

As explained in its filing, the Company continues to explore the potential viability of several financing alternatives. However, at this stage, the Company has not completed its investigation and analysis of potential application to the Energy Smart Plan. ENO will provide an update that includes its recommendations regarding potential financing as soon as practicable. See also the response to question nos. 4 and 14 above.

**22. As leveraged financing was an essential part of the original program design, when will you include leveraged financing as part of your proposal?**

It is unclear what is meant by the question's reference to an "essential part of the original program design;" however, as noted above, ENO continues to explore the potential viability of several financing alternatives. However, at this stage, the Company has not completed its investigation and analysis of potential application to the Energy Smart Plan. ENO will provide an update that includes its recommendations regarding potential financing as soon as practicable. See also the response to question no. 14 above.

**23. How many kilowatt hours will Energy Smart, according to your plan, save per year, and how much carbon will that save?**

ENO's July 2, 2009 filing includes goals for a full year of the Energy Smart Plan assuming it were in effect as of January 2010; a full year's savings for the proposed programs would be approximately 12,200,000 kWhs and 5,600,000 tons of avoided carbon dioxide. However, because it is anticipated that the Energy Smart Plan will not be implemented by January 2010, ENO also has proposed to supplement its filing after program approval by the Council to establish goals and targets that better reflect the programs approved by the Council and a more certain implementation date. Appendix # 4 of the filing contains additional information for kWh savings and avoided tons of CO<sub>2</sub> in subsequent years. See also the response to question no. 15.

**24. What principles will guide the program EV&M? Please provide a detailed explanation.**

The Company has three goals it would like to achieve through Evaluation, Measurement and Verification (EM&V). The first is to better understand the New Orleans area market for energy efficiency. This can be achieved via Market Assessments, which through interviews with product

distributors, contractors and consumers, typically determine awareness and penetration of energy efficiency products and services across market sectors.

ENO's second goal is to continually improve the precision of deemed savings. This can be achieved through impact evaluations, which typically employ a variety of internationally approved methods to measure energy and demand savings; on-site and laboratory metering, as well as calibrated building simulation, are examples.

The third goal is to improve delivery of program implementation services. This can be achieved through a combination of evaluation types – market and impact (already discussed above) as well as process. Process evaluations measure customer and trade ally (contractor and distributor) program participation experiences, including overall program awareness and satisfaction. During process evaluations, program non-participants (both customer and trade ally) are typically also interviewed to determine why they are not participating and what can be done to get them to participate. Market assessments assist in achieving this third goal by helping program managers understand where they need to focus their efforts in the marketplace. Impact evaluations can help improve delivery of program services by determining free-ridership rates; for example if a free-ridership rate for a particular measure is high, the program may consider dropping that measure's eligibility for rebate.

**25. Will the program include comprehensive packages for participants that include financing, rather than just la carte options?**

The proposed Energy Smart Plan includes a full-spectrum of participation opportunities for New Orleans' customers, ranging from "a la carte" to comprehensive. The Residential Solutions program is designed specifically to encourage homeowners to take a whole-home approach to energy efficiency by offering two levels of home audits and incentives for a variety of energy efficiency measures that could comprise a whole-home energy efficiency project. The Small and Large C&I Solutions programs are also designed to encourage business and other nonresidential customers to undertake comprehensive projects that reduce energy use over many end-uses within a facility.

However, the Company believes that offering incentives only for comprehensive projects will result in what is very well known throughout the energy efficiency industry as "lost-opportunities." For example, if a residential customer's central AC expires during the cooling season, that customer is going to want an immediate replacement in order to maintain the comfort of their home. As proposed, ENO's Energy Smart Plan would offer discount on an energy efficient unit to replace the expired unit in lieu of the standard replacement. If the Company were to only offer rebates for comprehensive projects, then the customer in search of an immediate replacement for their AC will not be eligible for an incentive and may simply have the inefficient unit installed. This is a lost opportunity because that inefficient unit will be in place and operating for 15 years or more. As far as ENO is aware, there are no examples of energy efficiency program portfolios in the country that are regarded within the industry as successful which offer incentives only for whole-home or facility projects. Texas, Vermont, New York, Wisconsin, and California, for example, all states highly regarded for their energy

efficiency policies and practices, all have a wide range of programs offered to all customer classes that offer energy efficiency services and financial incentives for the full range of efficiency opportunities, from a simple replacement of incandescent lamp with a CFL, to a custom rebate for comprehensive industrial process improvements.

In addition, as explained in its filing, the Company continues to explore the potential viability of several financing alternatives. However, at this stage, the Company has not completed its investigation and analysis of potential application to the Energy Smart Plan. As such, the Company is not able to be more specific as to how the various programs referenced above may be coupled with financing to provide a comprehensive package. Of course, with the proposed inclusion of a One Stop Shop in the Energy Smart Plan, the Company is contemplating that information regarding all funding opportunities, including those external to the Energy Smart Plan, would be made available to customers to assist them in learning how to minimize the cost (especially upfront costs) of making energy efficient upgrades. ENO will provide an update that includes its recommendations regarding potential financing as soon as practicable. See also the response to question no. 14 above.

**26. Will financing be available for those of modest means or who have impaired credit scores?**

As explained in its filing, the Company continues to explore the potential viability of several financing alternatives. However, at this stage, the Company has not completed its investigation and analysis of potential application to the Energy Smart Plan. ENO will provide an update that includes its recommendations regarding potential financing as soon as practicable. See also the response to questions nos. 14 and 25 above.

**27. With regard to financing, is ENO willing to increase availability, decrease transaction costs, and lower interest rates if the company can be protected from risk?**

This question is vague and unclear as to what information is being sought and it is unclear what the Company is being asked to consider. As explained in its filing, the Company continues to explore the potential viability of several financing alternatives. However, at this stage, the Company has not completed its investigation and analysis of potential application to the Energy Smart Plan. As such, the Company must know what options are being compared (i.e. “increase availability, decrease transactions costs and lower interest rates” relative to what?), before an attempt at a response can be offered.

**28. Will separate bidders be considered for:**

- a) various program elements?**
- b) marketing?**
- c) cutting checks?**

The Company currently contemplates the use of performance based contracts for implementation of the Energy Smart Plan. With respect to the third party administrator (TPA) to be selected to administer the Energy Smart Plan, once programs have been approved by the Council for inclusion in the Energy Smart Plan, the Company, with the collaboration of the Council’s

Advisors) will develop and identify the requirements that must be met by the TPA in connection with its development of the Request for Proposals. Accordingly, it is premature to speculate about the fulfillment of the TPA requirements at this time.

**29. Will the program impose cost guidelines for energy efficiency improvements on participating contractors?**

No, the proposed program will not impose cost guidelines for energy efficiency improvements on participating contractors. The cost of products and services will be set by the market. Customers will have the ability to compare prices offered by contractors as they normally should prior to any major purchase.

**30. Will energy efficiency targets be set to reflect savings possible through all potential sources of funding, such as stimulus dollars, HERO funding, and leveraged financing, or will they be set based simply on the amount already appropriated?**

When the Council determines appropriate energy savings targets for the Energy Smart plan, these energy efficiency targets will reflect only those energy savings derived from the energy efficiency programs that the Council has approved pursuant to the 2009 AIP. These targets will not reflect energy savings from programs that are beyond the scope of the Energy Smart Plan, such as stimulus programs, the HERO program, or leveraged financing, if any.

**31. What specific steps has the company taken to date to pursue leveraged financing as envisioned in the Consensus Energy Smart Plan?**

The May 12, 2008 New Orleans Consensus Energy Efficiency Program outlined risk underwriting and targeted buydowns, discusses third-party financing and leveraging public and other financing resources. As explained in its filing, the Company continues to explore the potential viability of several financing alternatives. However, at this stage, the Company has not completed its investigation and analysis of potential application to the Energy Smart Plan. ENO will provide an update that includes its recommendations regarding potential financing as soon as practicable. Presently, the Company is evaluating, among other alternatives, subsidized financing through a third-party. See also the response to question no. 14 above

**32. Will the company demonstrate the minimum, average, and maximum incentives for a prospective participant in the program?**

The incentive levels shown in Appendix 4 of the Plan are average calculated incentives based on reducing the cost of the efficient product or service such that the simple payback level is attractive enough for the customer to choose the efficient alternative over the baseline, or inefficient alternative. These target payback levels vary by customer class – residential customers typically require a faster payback time than non-residential customers. Based on the analysis conducted for the Plan, ENO anticipates offering a wide range of incentives – from free CFLs through the Residential CFL program, to \$200 rebates for SEER 14 ACs through the Efficient AC program, to larger incentives of \$1,000 or more for whole-home efficiency projects, and incentives up to \$50,000 for projects undertaken by C&I customers.

The incentives are based on the needs of the specific customer. ENO anticipates that the home owner/ business owner will be provided with a list of suggested energy efficiency improvements and the costs and related incentives, additional discounts available through other sources and any potential financing sources available. The customer will determine which measures to install in their home or business.

**33. The 2<sup>nd</sup> of July filing mentions a host of states that the company considered when evaluating national best practices. Exactly which programs did the company evaluate and what were the best practices each program had implemented and how did the company adopt or adapt them for inclusion in the Energy Smart Plan?**

Set forth below are illustrative examples of specific best practices that were considered in designing the proposed Energy Smart Plan:

- Residential Solutions. The program concept behind Residential Solutions is a very common model that has been successfully implemented by many program administrators across the country. The basic concept is to assist residential customers in implementing whole-home energy efficiency solutions.

The primary model for ENO's proposed Residential Solutions program is Home Performance with ENERGY STAR ("HPwES), which is a program designed by the U.S. Environmental Protection Agency and the U.S. Department of Energy and is currently being implemented in over 20 states by about 30 program sponsors. Specific HPwES programs the Company considered include those implemented by Oncor Energy in Texas, Focus on Energy in Wisconsin, the New York Energy Research and Development Authority, and the Long Island Power Authority. The Company has elected to not pursue official sponsorship of HPwES due to the somewhat high costs and long ramp-up timeline required for program sponsors. However, much of ENO's proposed Residential Solutions program is based on the HPwES design, which takes a comprehensive, whole-home approach to home energy efficiency. Like HPwES, ENO's proposed Residential Solutions program will offer a comprehensive home audit that must be conducted by a contractor qualified through the Building Performance Institute, or equivalent. Like HPwES, the proposed Residential Solutions program will offer incentives for comprehensive energy efficiency projects, and assist in educating the contractor network about whole-home energy efficiency. And like many HPwES programs, ENO anticipates that 3<sup>rd</sup> party financing will be available for qualified participants/applicants.

Unlike HPwES, however, the proposed Residential Solutions programs will offer different tiers of program participation for New Orleans' residents. Nationally, the average comprehensive home energy efficiency project costs a homeowner participating in a HPwES-type program between \$5,000-10,000, after program incentives are applied. In addition, we anticipate qualified contractors will charge an average of approximately \$400-\$600 for the Level 2 Audit. Although it is important that these options are available in the marketplace, ENO recognizes that the expenses associated with a whole-home project may not be affordable for many New Orleans' residents. Therefore, as proposed,

the Residential Solutions program will also offer a “walkthrough” audit (the “Level 1” Audit), which we anticipate a qualified contractor to charge an average of approximately \$100 for conducting. Both Level 1 and Level 2 audit participants will have a portion of their audit expenses reimbursed by the Company if participants implement at least one measure recommended by the auditor. In addition, all audit participants are eligible for free, direct install energy efficiency measures, such as CFLs, hot water heater wrap, and low-flow showerheads.

- Large C&I Solutions: ENO’s proposed Large C&I initiative is designed around core program delivery strategies that have proven successful throughout the country in meeting the unique needs of large C&I customers (defined in ENO’s territory as customers with peak demand equal to or greater than 100 kW). Two programs that are recognized nationally as standouts in the Large C&I arena are the Wisconsin Focus on Energy Industrial Program and Pacific Gas & Electric’s Standard Performance Contract program. Best practice programs for large customers such as these often result in very high levels of cost-effective energy and demand savings, which benefit all customer classes in the long-run; this is because the large efficiency projects undertaken through these types of initiatives contribute substantially towards avoiding the need for a new supply-side option (building a new power plant), the costs of which are passed on to all customers through rates.

Programs such as those named above, upon which ENO’s proposed Large C&I Solutions program is based, support complex and comprehensive energy-efficiency projects. Like ENO’s proposed program, these programs offer expert technical assistance to local non-residential customers in a variety of forms, including support of investment and non-investment grade audits, and engineering analysis, amongst others. These programs also offer a variety of incentive options, but most typically “custom” incentives paid on a per kW savings basis. ENO’s program retains the “custom” incentive option, but also gives customers the flexibility to undertake projects of a more prescriptive nature, such as lighting retrofits.

### **34. What accounts for the high cost of non-incentive expenditures for residential programs?**

The non-incentive costs are not “high” as the question states; they are in fact in-line with historical program non-incentive costs for new programs in relatively immature energy efficiency markets, which is currently the state of the market in New Orleans, and Louisiana, more generally. Historical program data also suggests that over time as the market matures, non-incentive costs tend to decrease allowing programs to spend a higher percentage of program dollars on incentives.

There are three things that an energy efficiency program must do to get people to participate.

1. The program needs to help make people aware of the efficient alternative(s);
2. The program needs to help educate people about where get the efficient alternative(s) and how to have it installed and managed appropriately, and;
3. The program needs to help people afford the efficient alternative(s).

Regarding the third criteria, affordability, ENO has designed programs with incentive amounts that reduce simple payback for customers to levels that make efficient alternatives attractive and financially viable. Some customers may seek to secure financing through a third party lender to pay for energy efficiency upgrades. As explained in its filing, the Company continues to explore the potential viability of several financing alternatives. However, at this stage, the Company has not completed its investigation and analysis of potential application to the Energy Smart Plan. ENO will provide an update that includes its recommendations regarding potential financing as soon as practicable.

Regarding the first and second criteria, awareness and education, these require a substantial amount of marketing, outreach and training, particularly in the residential market. These market transformation activities involve traditional marketing strategies and tactics targeted at residential customers, such as newspaper and radios, direct mail, and program Web sites, as well as significant contractor outreach and training. This is a particular challenge in New Orleans and in Louisiana more generally as the state among is the bottom tier of states in terms of market penetration of energy efficient products and services. The non-incentive program costs proposed in the Energy Smart Plan are appropriate given the state of the market in New Orleans.

Table 9 in the Energy Smart Plan filing shows proposed program incentive and non-incentive costs. As shown in the table, ENO is not projecting administrative costs exceeding 10 percent of program costs for any program. Program non-incentive costs for residential programs are commensurate with costs expended by programs where the market for energy efficiency was in a similar stage of maturity as the market in New Orleans is today. With this in mind, the non-incentive costs shown in Table 9 reflect the following activities for each residential program.

- Residential Solutions. This program requires a substantial amount of outreach to and training of contractors to perform the Level 1 and Level 2 audits. Based on the experience of similar successful programs run across the county, we expect that only one in three contractors recruited to perform audits will be very active in the program, another third will be somewhat active, and a third will be either inactive or barely active. The costs associated with contractor outreach and training are reflected in the implementation and marketing budgets. Implementation and marketing dollars will also be used to increase homeowner awareness of whole-home energy efficiency projects, and performing QA/QC checks of energy efficiency projects, among other activities. The Company has also allocated 4 percent of the program's budget to EM&V activities; 4% is a typical amount of EM&V spending based on data from similar energy efficiency programs around the country.
- Low Income. As proposed, this program will expend considerable effort, especially in early program years, training contractors and other trade allies to better serve New Orleans' low income community. Proposed implementation activities include residential home improvement contractor recruitment and training, AC contractor recruitment and training (for performing window AC change-outs), training and market development for proper window AC disposal, coordination and implementation of "DIY" workshops, coordination with WAPs, and project QA/QC, among other activities. Marketing tactics will target both low income customers and contractors and may include direct mail, radio and print media advertising, community events, a program Web site, and a variety of

other activities. The company has also allocated 4 percent of the program's budget to EM&V activities; 4% is a typical amount of EM&V spending based on data from similar energy efficiency programs around the country.

- Residential CFL. Sixty-one percent of program dollars are allocated to purchasing CFLs for installation in the homes of New Orleans' residents. Program implementation costs reflect a variety of activities, including recruitment of contractors to carry-out the direct-install component of the program, direct-install training, installation scheduling, and installation verification, amongst others. Marketing tactics may include a program Web site, on-line advertising, direct mail, radio advertisements, and materials on proper CFL disposal, amongst others. The company has also allocated 4 percent of the program's budget to EM&V activities; 4% is a typical amount of EM&V spending based on data from similar energy efficiency programs around the country.
- Efficient AC. As shown in Table 9, 61 percent of program dollars are allocated to providing incentives for efficient central and window ACs. The success of this program hinges on recruiting and training of qualified AC contractors and in turn those contractors performing quality installations of efficient ACs. According to the U.S. EPA, 70 percent of newly installed AC systems do not have proper air flow; other common installation issues include refrigerant over- and under-charging, and unit over-sizing. These improper installation activities can offset energy savings achieved by installing an efficient unit. ENO's proposed Efficient AC program will help rectify these issues in New Orleans by teaching participating AC contractors to perform Quality Installations (QI). The program will expend considerable effort, especially in early program years, recruiting and training AC contractors in the New Orleans area. Additional implementation and marketing costs will be expended to promote efficient ACs and QI to residential customers, to get them to recognize and understand the benefits of efficient ACs and QI, how to find a contractor trained by the program to properly install an AC, on in-field training for contractors, and on QA/QC of contractor work, among other activities. The company has also allocated 5 percent of the program's budget to EM&V activities; 5 percent is a typical amount of EM&V spending based on data from similar energy efficiency programs around the country.
- AC Tune-up. As shown in Table 9, 61 percent of program dollars are allocated to providing incentives for AC tune-ups. The success of this program hinges on recruiting and training qualified AC contractors and in turn those contractors performing tune-ups correctly. According to the U.S. EPA, about 70 percent of existing (installed and operating) ACs systems suffer from refrigerant over- or under-charging or improper airflow, or both. Therefore, the program will expend considerable effort, especially in early program years, recruiting and training AC contractors in the New Orleans area. Additional implementation and marketing costs will be expended to promote tune-ups to residential customers, to get them to recognize and understand what a quality AC tune-up is, what the benefits are and which contractors are qualified through the program to perform a tune-up, on in-field training for contractors, and on QA/QC of contractor work, among other activities. The company has also allocated 5 percent of the program's budget to EM&V activities; 5 percent is a typical amount of EM&V spending based on data from similar energy efficiency programs around the country.

**35. How will the company evaluate the effectiveness of the one-stop shop?**

The One-Stop Shop is anticipated to be a centralized location for energy efficiency resources and information. Since the benefits of the One-Stop Shop can not be isolated to any one Energy Smart Program, the costs of the One-Stop Shop were allocated to all of the proposed energy efficiency programs. To specifically evaluate the effectiveness of the One-Stop Shop, the Company will monitor the level of customer interaction at the various communications points (in-person, call-center, internet hits, U.S. mail, etc.), as well as customer feedback.

**36. What are the projected peak load savings from the aggregated program?**

Table 1 (at page 3) of ENO's Report in Support of its Application shows 2,449 kilowatts (kW) of demand reduction for the first 12 months of demand savings by the proposed programs.

**37. Did the company assume code compliance when evaluating specific measures for inclusion in the program?**

Yes. The 2008 "baseline" assessment conducted by GCR provided data on a post-Katrina basis that took into consideration compliance with current building codes in those areas where substantial rebuild was necessary. That data was then included in the evaluation of all measures considered for inclusion in the program.

**38. For code non-compliant homes will appropriate incentives be available to homeowners to achieve code compliance?**

ENO assumes that the question refers to 2006 International Energy Efficiency Code (IEEC) requirements for Orleans Parish. Through the proposed Energy Efficient New Homes program, the Company has proposed incentives for contractors who build homes that exceed the 2006 IEEC Code by 15 percent, and a larger incentive for homes that exceed the Code by 30 percent. As proposed by the Company, the New Homes program will not provide incentives to contractors for building homes to the 2006 IEEC Code. If in the course of bringing a home to code a homeowner makes energy efficiency upgrades they may be eligible for an incentive provided that the efficiency upgrade is done in compliance with program policy and procedural guidelines. For the proposed Solutions programs, incentives will only be offered for products that meet or exceed code.

**39. What specific measures will the company or participating auditors and contractors take to encourage customers to follow through with Tier 2 audits and deeper energy efficiency improvements?**

As stated in the Residential Solutions template in Appendix 4 of the Plan, the Company will offer rebates on energy efficient products and services. Also, as explained in its filing, the Company continues to explore the potential viability of several financing alternatives. In addition, participating auditors will be required to discuss the results of their audits, including recommended energy efficiency improvements and their associated benefits in terms of cost, comfort and performance, among others. The program will also follow-up with customers who

receive Level 2 audits to assess their experience and encourage them to implement measures/projects recommended by the auditor.

**40. At the 9 July hearing, Entergy representatives stated that the program would achieve sustainability through customer awareness and education. As the biggest obstacle to energy efficiency for most customers is cost, rather than lack of awareness of the benefits of energy efficiency, how will the program achieve sustainability?**

The Company would agree that one of the biggest obstacles for many customers is cost. This is the basis for the Company's efforts to develop viable financing alternatives. However, focusing on cost alone is not adequate. Sustainability can only be achieved through the success of the programs themselves, which at this early stage should focus on customer awareness and education. Community awareness of energy efficiency benefits and availability of products, services, and incentives for energy efficiency, assist in the growth of an energy efficiency market. As more consumers participate in making their homes and businesses energy efficient, providers of such services will expand. Through their own efforts of advertising and providing such services, the cost of energy efficiency measures will become more competitive.

As stated in the 2009 AIP, the funding of the Energy Smart Plan is currently fixed at three years; during which time, the Council may evaluate the success of the programs and check and adjust accordingly. After the initial three year period, the Council may decide to continue the programs based on the success to date and the progression of the market as a whole.

**41. The initial phase of the Residential Solutions program affords customers the opportunity to replace up to six incandescent light bulbs with CFLs. The CFL program affords customers the opportunity to replace up to 20 incandescent bulbs with CFLs. Assuming that the CFL program does not require a separate walk-through audit, why not allow customers to replace the maximum 20 or 26 bulbs after the initial walk-through?**

Customers do have the option of replacing up to 20 bulbs. The six bulbs discussed in the proposed Residential Solutions Program are currently expected to be installed by the auditor. The replacement of up to 20 light bulbs can be time consuming, and an auditor in the Residential Solutions program has limited time to replace bulbs if they are to inspect the whole house for potential energy efficiency needs. It is not a requirement of the Solutions program that a customer participate in the CFL Replacement Program.

Up to 20 bulbs can be installed upon request of the customer by a third party through the CFL Replacement Program. Likewise, it is not necessary to request an audit to have the bulbs installed through the CFL Replacement Program.

**42. Page 2 of Appendix 4 to the 2 July filing reads, ENO will offer a customer rebate for the portion of the audit [sic] if the customer installs one or more energy efficiency upgrades recommended by the auditor. What is the cost of each of the audits and exactly what percentage of the audit cost will the company return to the customer?**

As stated in response to question 1 above, a Level 1 home audit is currently valued at approximately \$100 as recommended by the Energy Smart Plan but the price is set by the market to encourage competition. The proposed Energy Smart Program covers \$100 for a Level 1 walk through audit performed by a contractor partner if the customer implements at least one of the identified improvement measures recommended by the contractor partner (other than the no-cost direct install measures). This is to discourage participants from requesting an audit and utilizing Energy Smart funding if they do not intend to make energy efficiency improvements to their home. See also the response to question no. 16 above.

A Level 2 home audit is currently valued at an average of approximately \$400-\$600 as recommended by the Energy Smart Plan but the price is set by the market to encourage competition. The exact rebate amount for a Level 2 audit amount is still to be determined pending approval of the Energy Smart Plan and selection of the Third Party Administrator. Customers will receive a rebate for a portion of the cost of a Level 2 comprehensive audit performed by a contractor partner if the customer implements at least one of the identified improvement measures recommended by the contractor partner (other than the no-cost direct install measures). This is to discourage participants from requesting an audit and utilizing Energy Smart funding if they do not intend to make energy efficiency improvements to their home.

**43. Can the company offer a plain language explanation of why ceiling insulation and radiant barrier failed the chosen cost-effectiveness tests?**

Yes. With regards to radiant barriers, this means that the ratio of:

- The total lifetime of energy and demand savings associated with installing a radiant barrier in a home in New Orleans, to the
- Cost (materials plus labor) of installing a radiant barrier in a home in New Orleans

ranges between 0.54 and 0.82, depending on the type of home (new, existing, gas or electric heated, mobile, multifamily or single family residence). If radiant barriers were cost-effective in New Orleans, these ratios would be equal to or greater than 1.00.

With regard to attic insulation, as discussed in response no. 3 above, ENO found that this measure is cost effective for certain applications. Consequently, ENO will offer rebates for this measure when it is installed under these specific circumstances. Specifically, the ratio consists of:

- The total lifetime of energy and demand savings associated with installing attic insulation (R-30) in a home in New Orleans, to the
- Cost (materials plus labor) of installing attic insulation in a home in New Orleans.

The measure is cost-effective for existing electric heated and cooled homes where existing attic insulation levels range from R-0 (zero insulation) to R-14 provided that the insulation is blown-in. In addition, in existing electric heated/ cooled homes where existing attic insulation levels range from R-0 to R-8, installing R-30 batt insulation is cost-effective.

**44. Where did the money for the programs come from?**

City Council Resolution R-07-600 asserted the Council's commitment to energy efficiency, the Council later adopted Resolution R-08-601 directing ENO to set aside \$1.855 million of a FERC refund for future use as "seed money" in the Energy Smart Plan.

In July of 2008, ENO filed for a change in electric and gas rates pursuant to an order of the City Council. As a result of the evaluation of the Company's rate filing, on April 2, 2009, the City Council adopted Resolution R-09-136 approving new electric and gas rates and an Agreement in Principle (2009 AIP). One of the provisions of the 2009 AIP provided for a funding source of \$3.1 million per year to be included electric rates to be used to fund all costs associated with the Energy Smart Plan. Resolution R-09-136 directs that rates for each customer class be designed to collect revenues from customers in accordance with Exhibit 1 to the AIP. The initial \$3.1 million funding allocation between residential and non-residential programs is based primarily on the collection of funds from customers segments.

**45. Is ICF the same company that worked on Road Home?**

The work performed on this filing was done by ICF Resources, L.L.C. The company that worked on the Road Home program is ICF Emergency Management Services, L.L.C. and is not the same company as ICF Resources, L.L.C., although both companies are separate subsidiaries of ICF International, Inc.