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September 29, 2023

Ms. Terri Lemoine Bordelon
Records and Recording
Louisiana Public Service Commission
602 North 5th Street, 12th floor
Baton Rouge, Louisiana 70802

VIA HAND DELIVERY

Re: In Re: Rulemaking to Research and Evaluate Customer-Centered Options for all Electric Customer Classes as well as Other Regulatory Environments
LPSC Docket No. R-35462
KM File No. 4388-333

Dear Ms. Bordelon:

We have enclosed for filing an original and three (3) copies of Louisiana Energy Users Group's Comments to Louisiana Public Service Commission Staff's Phase I Report in the referenced docket.

If you have any questions, please do not hesitate to contact us. Thank you for your assistance.

Very truly yours,

Randy Young

Randy Young

JRY/mac
Enclosures
cc: Official Service List (via electronic mail)

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BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

LOUISIANA PUBLIC SERVICE COMMISSION, ex parte	**DOCKET NO. R-35462**

In Re: RULEMAKING TO RESEARCH AND EVALUATE CUSTOMER-CENTERED OPTIONS FOR ALL ELECTRIC CUSTOMER CLASSES AS WELL AS OTHER REGULATORY ENVIRONMENTS

LOUISIANA ENERGY USERS GROUP COMMENTS TO LPSC STAFF PHASE I REPORT

The Louisiana Energy Users Group ("LEUG") submits these comments to the Louisiana Public Service Commission ("LPSC") in response to the LPSC Staff Phase I Report issued in this proceeding on August 29, 2023, with respect to the Renewables topic.

LEUG urges the LPSC to take action to determine the regulatory path forward for Louisiana industry to access renewable generation development in Louisiana.

Specifically, LEUG requests the LPSC provide and require an option for Louisiana industry to be able to negotiate directly with renewable developers to bring renewable generation to Louisiana through "Sleeve PPAs", developed and paid for at the cost and risk of industrial customers.

Louisiana industry has been urging the LPSC for more than three years that it needs a regulatory path to access significant amounts of renewable generation to meet economic development needs and carbon reduction objectives so that industrials can effectively compete within their own companies and within global markets to sustain existing operations, support expansions and bring new projects and capital investment to Louisiana.

Sleeve PPAs would allow Louisiana industry to directly participate in the solution to bring renewable generation to the electric grid in Louisiana at its own cost and risk, which will benefit all ratepayers.

Optionality of power supply is increasingly important for existing industrial plants as they seek to bring economic development projects to Louisiana, remain competitive, and meet their carbon reduction needs. The ability to have a variety of ways to contract directly with renewable providers to fulfill industry needs is an advantage in economic development. Texas currently holds a significant advantage over Louisiana in providing optionality of power supply for industrial customers considering capital investments for expansion of existing plant as well as new plant projects.

In response to the LPSC Staff Report, LEUG submits the following to address that: (1) LPSC Staff is incorrect and misplaced in its assumption that Virtual PPAs have or can meet the needs of Louisiana industry for renewable generation; and (2) Sleeve PPAs by industry have already been endorsed by LPSC Staff, and they are needed by Industry as an option to be able to effectively bring renewable generation to Louisiana to meet their economic development and carbon reduction needs while also bringing benefits for all ratepayers.

Virtual PPAs At Wholesale Level Do Not Meet Industry Needs For Access To Renewable Generation In Louisiana

Contrary to LPSC Staff assumptions in its Phase I report of August 29, 2023 in this docket, Virtual PPAs have not and do not provide the answer to meet the needs of Louisiana industry for renewable generation.

The Virtual PPA option has been available for the past 5+ years and has obviously not provided the answer to industry needs for renewables, as there is currently more than 2,000 MW of identified industrial load seeking a retail level solution to access renewables in Louisiana.

A Virtual PPA is a financial transaction where an entity invests in a solar project at the wholesale level with a third party developer for a share of the facility and output along with renewable energy credits. The transaction takes place completely separate from the entity's purchase of power and electricity service from a regulated electric utility.

As a financial transaction the Virtual PPA is used to play the MISO LMP market; it is not an actual purchase of renewable capacity and energy at a long-term fixed price as can be achieved through a Sleeve PPA to meet the renewable generation needs of Louisiana industry.

The Virtual PPA exposes the purchaser to market prices, whereas a Sleeve PPA provides physical delivery of electricity at a fixed price with only a volume profile risk.

The Virtual PPA is also a financial derivative, which means the projected value of the profit/loss from MISO LMP market participation outcomes must be calculated and reported at the accounting level as Earnings Before Income Tax ("EBIT") volatility and counted against net income; whereas, a Sleeve PPA by comparison is a known fixed price contract.

The Virtual PPA renewable resource is often located remote from the generation need and in states other than where the industrial customer load is located, and thus does not provide local generation capacity or reduction to local energy prices.

The Virtual PPA, as a wholesale level transaction, is not subject to LPSC jurisdiction or coordinated with an LPSC jurisdictional electric utility, and thus there is no LPSC regulation or control for purposes of resource planning.

The Virtual PPA, without LPSC regulation or control, can be structured as an energy-only resource and thus not bring additional generation capacity to the grid.

The Virtual PPA at the wholesale level does not provide sufficient relationship to industrial loads at the retail level to provide meaningful contribution to carbon reduction objectives of industrial customers.

A Virtual PPA may not satisfy certain European Union ("EU") rules for manufactured product imports (e.g., Carbon Border Adjustment Mechanism ["CBAM"] penalty & proposed EU Gas Packaging Rule), and thus could subject certain product exports from the United States into Europe to tariffs in the future.

Even within the United States, some product purchasers exclude Virtual PPAs when they issue requests to industry for products manufactured with green power.

The Virtual PPA, as a financial transaction, rather than a physical delivery of power, creates risk under International Financial Reporting Standards ("IFRS") regarding mark-to-market valuation when selling electricity.

The Virtual PPA also creates risk of eligibility under European Renewable Energy Directive II ("RED") criteria, and the Renewable Fuels of Non-Biological Origin ("RFNBO") delegated act, thus potentially limiting Louisiana industrial companies from being able to effectively compete in global markets. In the RED, a renewables PPA is defined as a contract under which a natural or legal person agrees to purchase renewable electricity directly from an electricity producer.

Further, in addition to currently existing European rules and limitations, other countries including the U.S., and Japan and Korea as examples where US products are exported, are considering rules which may similarly include restrictions that would disqualify Virtual PPAs as a valid way to decarbonize products of U.S. Manufacturing, which creates risk for use of Virtual PPAs by Louisiana industry as a means to meet renewable generation objectives.

Sleeved PPAs By Industry Have Been Endorsed By LPSC Staff And Can Effectively Bring Renewable Generation To Louisiana, Which Will Benefit All Ratepayers

The Sleeve PPA option which allows Louisiana industry to be part of the solution, has the greatest potential to expedite bringing renewable generation to Louisiana, which will provide both capacity and energy benefits to all ratepayers when brought to the grid.

LPSC Staff has already expressed support for and endorsed Sleeve PPAs as providing value to bring renewable generation to Louisiana. In particular, the LPSC Staff Initial Report filed more than a year ago in the LPSC Renewable Energy Tariff Rulemaking in Docket R-35423 on August 26, 2022, specifically recommends that utilities offer a

Sleeved PPA option for renewable generation in Louisiana, in addition to both a Subscriber-based option and the Virtual PPA option. *(Staff Report, pages 15-16)*

In its Initial Report in the Renewable Tariff Rulemaking, the LPSC Staff described Sleeve PPAs as allowing industrial customers to negotiate directly with renewable developers, and "[c]ost recovery is typically based on a Rate Schedule which replaces the customer's base service." *(Staff Report, page 7)* The Staff recommendation and definition of a Sleeve PPA is consistent with the Rocky Mountain Power Electric Service Schedule No. 32 recommended by LEUG in this docket and well as multiple other dockets before the LPSC over several years including R-35462, R-35423 and U-36190. In addition, the LPSC Staff also cited to a Duke Energy Green Sourcing Advantage ("GSA") program example. The Duke GSA programs allows for negotiations between the participating customer and the renewable developer, the participating customer receives Renewable Energy Credits ("REC"s), and the GSA program provides for renewable capacity and energy to be conveyed to the utility as a system supply resource rather than to the individual participating customer like under the Rocky Mountain Tariff.

Importantly, the Sleeve PPA option allows an Industrial customer to negotiate directly with a renewable developer to achieve the specific needs of the industrial for the amount, the price and the attributes of renewable generation that its needs to meet its economic development and carbon reduction objectives and to bring renewable generation to the grid in Louisiana, all while fully accepting the costs and risks instead of shifting that burden onto other ratepayers.

Absent allowing industry to pursue renewable generation through Sleeve PPAs, Entergy has well documented intentions and plans to use and spend ratepayer money to bring almost 5,000 MW (4,899 MW) of solar resources to Louisiana, at the cost and risk to all ratepayers. *(LPSC Docket I-36181; Entergy 2023 IRP and LEUG Comments and Identification of Disputed Issues, July 24, 2023, page 5)*

Thus, a very important question for the LPSC is - - does the LPSC want all of the cost and risk of renewable generation development to fall on all of the Entergy ratepayers, or does the LPSC want to allow Louisiana industry to be part of the solution and take-on some of the cost and risk through Sleeve PPAs?

Louisiana industry is asking to be part of the solution through Sleeve PPAs.

Costs and risks that can be avoided for Entergy ratepayers by allowing Louisiana industry to pursue Sleeve PPAs include:

1) Entergy ratepayers do not bear the construction or contracting cost or risk for renewable resources.

2) Entergy ratepayers do not bear the performance risks (availability and efficiency) or resource availability (i.e., sunshine and wind).

3) Entergy ratepayers do not bear the repair or replacement risks.

4) Entergy ratepayers do not bear decommissioning risks.

5) Entergy ratepayer do not bear any liability arising from operation of the renewable projects.

6) Entergy ratepayers do not bear the financial statement burdens of the renewable project, either as a PPA or self-build.

Contrary to LPSC Staff questions, Sleeved PPAs will not shift risks to non-participating ratepayers. If the LPSC has concerns whether Sleeve PPAs will be structured with Network Integrated Transmission Service ("NITS") to ensure capacity value is brought to the Louisiana grid, the LPSC can establish that threshold requirement at the same level as is expected of Entergy and other regulated electric utilities. And the increased opportunities and competition among renewable developers created from negotiations with Louisiana industry who will negotiating at their own cost and risk, will further serve to ensure that the best, most efficient and most cost effective renewable projects will ultimately be brought to Louisiana rather than only those which Entergy selects for funding by all of its ratepayers.

The Sleeve PPA option also avoids the "bottleneck" and delays of waiting on Entergy alone to attempt to develop 5,000 MW of renewable generation in Louisiana, including to meet the pressing needs of Louisiana industry for a regulatory solution and path forward.

The Sleeve PPA option also avoids the "cookie-cutter" approach to renewable generation opportunities through Entergy proposals. The needs of Louisiana industry are very individualized and unique as to the renewables they need for their individual projects - - they do not all fit within the cookie-cutter offerings by Entergy. The direct negotiation path under the Sleeve PPA option would allow industrials the flexibility to negotiate for renewables that meet their individualized needs.

The Sleeve PPA option also allows Louisiana industry to access the significant volumes of renewable generation needed for economic development and carbon reduction - - whereas, in contrast, Entergy's new proposal for up to 3,000 MW of solar capacity will only provide about 1,000 MW or less of actual renewable generation, which pales in comparison to Industry needs.

The Sleeve PPA option also does not have the tariff participation limitations for industrials that Entergy imposes on its new proposal for up to 3,000 MW of solar capacity. Entergy sets up its new proposal to have industrials compete for limited subscription availability as among types and groups of customers - - 25% existing, 25% expanding and 50% new.

The Sleeve PPA option also does not have the tariff eligibility limitations for industrials that Entergy imposes on its new proposal for up to 3,000 MW of solar capacity. Entergy limits its proposal to only customers that take service under some of its industrial rate schedules, it excludes eligibility to longstanding industrial customers served for decades on tariffs that Entergy has chosen to close to new business, and which limitation may become even worse as Entergy is proposing to close even more industrial tariffs to new business in its newly filed and pending rate case in Docket U-36959.

The Sleeve PPA option also allows Louisiana industry to meet its needs for renewable generation in coordination with Entergy as the regulated electric utility, including to be able to meet its needs for transmission and distribution of the renewable resources, to coordinate with existing electric power agreements and services, and to obtain back-up power. Back-up power will be needed for the renewable generation no matter who brings it to the grid, but the Sleeve PPA options allows for Entergy to create additional product offerings to meet this need rather than having all of the costs of backup power placed on all Entergy ratepayers.

In contrast to a Sleeve PPA option for which an industrial can negotiate needs and terms directly with a renewable developer, Entergy's latest green tariff Geaux Zero proposal has significant implementation complexities across multiple steps and levels which adds material uncertainties including unknown timing, unknown completion dates, unknown technology, and unknown volume per customer, and thus does not sufficiently allow for adequate near or long-term planning needed by some industrials to meet decarbonization objectives.

Additional significant uncertainties and difficulties currently experienced by Louisiana industry with Entergy green tariff proposals include in particular: the status and timing of the initial 365 MW allocated and currently pending under its Geaux Green Option ("GGO") tariff approved in Docket U-36190, the pricing of GGO which will remain uncertain reportedly through at least July 2024, mishandling by Entergy of initial subscription allocations under GGO, inappropriate efforts by Entergy to carryover "waitlists" to new and pending requests for GGO expansion in Docket U-36685, and whether and when Entergy will be approved to create a new 3,000 MW Geaux Zero Option ("GZO") subscription tariff in Docket U-36697.

Considering the above, LEUG urges the LPSC to take action now to provide and require an option for Louisiana industry to be able to negotiate directly with renewable developers to bring renewable generation to Louisiana through "Sleeve PPAs", developed and paid for at the cost and risk of industrial customers.

RESPECTFULLY SUBMITTED:

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CERTIFICATE OF SERVICE

I hereby certify that a copy of Louisiana Energy Users Group's Comments to Louisiana Public Service Commission Staff's Phase I Report has been served by electronic mail and/or by U.S. mail, postage prepaid, on all parties on the Official Service List.

Baton Rouge, Louisiana this 29th day of September 2023.

Randy Young

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