



Filing Receipt

Filing Date - 2024-06-05 02:27:39 PM

Control Number - 56544

Item Number - 16



SIERRA CLUB

LONE STAR CHAPTER

PUC PROJECT NO. 56544 and SOAH Docket No. 473-24-17667

**PUC Docket No. 56544 SOAH
Docket No. 473-24-17667**

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**BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS**

June 5th, 2024

COMMENTS OF
LONE STAR CHAPTER OF SIERRA CLUB ON PROPOSED ENTERGY EECRF

The Lone Star Chapter of the Sierra Club appreciates the opportunity to file these brief comments on the proposed EECRF for Entergy Texas Inc. Sierra Club has a local group (Golden Triangle) that covers much of the area served by Entergy Texas Inc. and has many members that receive both residential and in a few cases, commercial service from Entergy Texas. Our members have an interest in growing access to energy efficiency programs, and clean energy programs like onsite solar. We understand that the deadline to intervene in this case is June 6th. While we are not asking to intervene in this case, we hope that parties will consider our comments, and that the Commissioners will consider the wider implications of approving EECRF that achieve very modest goals, largely focus on summer instead of winter programs and achieve very little in terms of overall savings, and currently allow large performance bonus for meeting very modest program goals, which are only measured on peak demand performance and not overall energy savings goals. We would also note that as in most EECRF cases, the only parties intervening are industrial consumers, who in general do not participate in the programs, and various cities represented by a law firm. The main concern of these parties is assuring that costs are kept low and programs are efficient,

but they do not have the same interest in the Sierra Club, which is to assure that utilities like Entergy Texas maximize the use of funds for reducing energy demand and consumption, which is still the cheapest, cleanest and quickest way to meet our energy needs, and that these programs contributed to creating a reliable electric system, both in ERCOT and outside of ERCOT. We would note that currently in a separate docket - *56517: Review of Energy Efficiency Planning* - the PUCT is considering potential changes to the Energy Efficiency programs. It is unfortunate that the timing is such that it is unlikely that any rulemaking will be finalized before this particular EECRF could be approved since it would be effective January 1, 2025. Finally, we would note just last week, Entergy Texas announced a major generation investment project through its STEP Forward proposal, one that would cost ratepayers billions of dollars to build two large gas and hydrogen power plants. Investing in energy efficiency, distributed energy resources and demand response could be one way to decrease the need and cost of those resources and thus we believe the Commission should consider encouraging Entergy Texas to think bigger about its energy efficiency program.

As required under state law (39.905) and PUCT rules (25.181 and 25.182), on May 2nd, Entergy Texas Inc filed its 2023 EECRF. Note that a corrected version of its EECRF application was refiled on June 3rd due to some technical issues, which can be found here http://interchange.puc.texas.gov/Documents/53517_20_1213014.PDF. The applicant is requesting a 2025 EECRF to recover \$10,522,323. That amount includes the following:

- (a) \$8,746,010 in projected costs for the 2025 energy-efficiency program;
- (b) \$3,232,686 for a performance bonus based on achieving demand savings in 2023 in excess of its 2023 goal;
- (c) \$93,735 in projected evaluation, measurement, and verification costs;
- (d) \$1,590,892, including \$89,785 in interest, to be refunded to customers for over-recovery of 2023 program costs;
- (e) \$3,150 for Cities' rate-case expenses and \$37,6345 related to rate-case expenses for

Entergy Texas in Docket No. 54938 which was Entergy Texas's 2023 EECRF Proceeding.

The effective date of this 2025 EECRF is January 1, 2025. Accordingly, a final order should be issued in this docket in time to allow this deadline to be met. While we do not believe that Entergy Texas has done anything but follow the required rules in proposing these rates, and Commission staff has confirmed this in a filing, we would note that the utility is choosing to seek over \$3.2 million in performance bonuses, which on a percentage basis would be more than 30 percent of the cost of the EECRF. Put another

way, nearly a third of the cost being charged under the proposed rates to the consumers would pay for a performance bonus for exceeding goals that are relatively easy to meet for the company.

Table 1. Categories Paid for by Proposed ENTERGY 2025 EECRF

Category	Proposed Budget	%
Program Costs	\$8,746,010	72.33%
Bonus	\$3,232,686	26.73%
EVM	\$93,437	0.77%
Overcharge from Previous Year	-\$1,590,892	-13.16%
Rate Case	\$3,150	0.03%
Municipal Rate case	\$16,988	0.14%
Total (1)	\$12,466,314	100.00%

(1) Total includes the overcharge which ENTERGY is not seeking to recover. The actual total being proposed to be recovered is \$10.5 million approximately.

In theory, the expenses related to these plans are intended to help ENTERGY Texas electric customers save energy and reduce peak demand through a variety of programs, incentives and rebates. As required by legislation approved in 2011 and the subsequent PUC rules, ENTERGY is required to reduce overall residential demand every year by at least 0.4% in peak demand, while also reducing energy consumption by a small amount (it translates to roughly one-tenth of one percent in energy consumption based on a capacity factor of 20 percent). We would again note that these goals were set more than 12 years ago, and Texas remains a laggard in achieving peak demand reduction and energy efficiency savings goals compared to other states.

In the wake of the issues that arose during Winter Storm Uri, in fact, now is the time to ramp up programs that will help us create a more resilient grid and directly help those impacted during winter and summer peaks. While the PUCT has taken some small steps to recognize the importance of looking at the demand side such as increasing Emergency Response Programs, they have yet to address the energy efficiency programs run by the utilities themselves. If the PUCT chooses not to change the rules

governing the 2025 EE plans and 2025 EECRF, the PUCT staff and ultimately the Commissioners can and should require the utilities to meet higher program goals and prioritize programs that help make the grid more resilient, even without having to change the underlying rules.

What is Entergy Texas proposing in terms of its goals?

As can be seen in Table 1, through this EECRF Entergy Texas is essentially stating that they expect to meet the same goals in 2025, as they are doing currently in 2024 and as they did in 2023. They are stating that they expect to have very similar results, and will easily meet the required goals. The charts clearly show that Entergy Texas can easily meet the “required” goals, but it also shows they have largely run and achieved the same results year after year. Overall, according to what has been filed, energy efficiency demand reductions and savings from Entergy Texas will remain nearly identical if this EECRF and plan are approved later this year by the PUCT.

Table 2. ENTERGY Texas Demand and Energy Goals, 2023 - 2025

Utility	2025 Peak Demand Goal (MWs)	2024 Peak Demand Goal	2023 Peak Demand Goal	2023 Peak Demand Achieved (MWs)	2025 Energy Savings Goal (MWhs)	2024 Energy Savings Goal	2023 Energy Savings Goal	2023 Energy Savings Reduced (MWhs)
Entergy	17,410	17,410	15.7	22.69	30,502	30,502	27,500	42,850

How much money is Entergy Texas proposing to spend on its PROGRAM budget?

Energy Texas is proposing to spend a slight increase in its actual program expenditures (excluding the performance bonus) – roughly \$8.75 million – and its proposed EECRF is a slight increase for both residential and commercial tariffs. The program expenditures represent less than a five percent increase. According to its application, the requested EECRF adjustment would result in a \$0.02 per month increase to a residential customer's bill, assuming a monthly usage of 1,000 kWh, or a 0.02%

increase based on ETI's charges currently approved by the Commission. The requested revised major EECRF rates would be as follows:

- Residential \$0.000943 per kWh
- Small General Service \$0.000822 per kWh
- General Service \$0.000783 per kWh

For residential customers, the cost cap applicable to the 2025 EECRF is \$0.001626 per kWh, and the commercial cost cap is \$0.001017 per kWh.

Thus, in both residential and commercial programs, ETI could be asking for significantly more and achieving more under the current Commission rules.

Table 3. Utility Energy Efficiency Budgets, 2024 and 2025

Utility	2024 Approved Budget	Average 2024 Residential Monthly Rate to Pay for the Plan (based on 1,000 KWh/month)	Average 2025 Residential Monthly Rate to Pay for the Plan (Based on 1,000 KWH per month)	2025 Proposed Budget
Entergy	\$8,376,658	\$0.92	\$0.94	\$8,746,010

Source: Energy Efficiency Plans submitted in PUC Docket 52949; and EECRF submitted in 53517.

Anything new in the plan?

Outside of ERCOT, Entergy Texas is the largest utility currently required to operate an energy efficiency program. Entergy Texas currently serves over some half-a-million distinct customers, although not all of these customers are subject to paying the EECRF or receiving the direct benefits of its programs, since most industrial customers have opted out of the program. Based upon its filing, Entergy Texas Inc (ETI) energy efficiency programs could theoretically serve more than 550,000 customers, though it is a relatively small percentage of these that take advantage of the programs each year.

Table 4. Number of residential and commercial customers in ETI charged an EECRF

Category	Number of Customers
<i>Commercial</i>	53,017
Residential	450,506
Hard-to-Reach Residential	63,071

Currently, they only offer five program areas as can be seen below, though some of these program areas have several options within them.

Table 5: 2024 Entergy Texas Energy Efficiency Programs

Program	Target Market	Application
Commercial Solutions MTP	Commercial	Retrofit, New Construction, Behavioral; Midstream
Load Management SOP	Commercial	Demand Response
Residential SOP	Residential	Retrofit
Residential Solutions MTP	Residential	New Construction; Retrofit
Hard-to-Reach SOP	Residential	Existing; Income Qualified

While these general categories have some sub-programs, it is important to note that until recently, ENTERGY Texas offered no demand response programs for residential consumers, although they do provide information to customers through their website about how to reduce peak demand (http://www.entergy-texas.com/energy_efficiency).

However, to their credit, ETI began to explore different pilot programs to increase residential demand response.

As part of the RES SOL MTP, ETI included a pilot residential load management program in program year 2023, Demand Solutions (DEM SOL), that utilized residential smart thermostats to reduce load during peak events. In 2024, this program was expanded from only 750 devices in 2023 to 5,000 devices and includes two new smart thermostat manufacturers: Google Nest and ecobee.

Two recent improvements to their residential standard offer program includes a specific multi-family housing HVAC retrofit program which can include modern heat pumps, as well as an A/C tuneup program for homeowners. Recently, they also began a pilot program for water heat pumps that can be controlled to provide demand response. While small, the program which is part of their residential solutions program is an important addition that could be expanded significantly.

Indeed, ETI did grow the Heat Pump Water Heater Pilot program within the residential program in recent years. The program works in two parts: incentivizing customers to install heat pump water heaters and to participate in residential demand response. The program included outreach to these customers to encourage enrollment in a demand response program that will utilize the demand response technology. The purpose of the residential demand response program will be to reduce summer or winter demand. The Sierra Club supports this relatively new programs. In 2025, ETI is seeking to expand the DEM SOL program in 2025. The growth of this program will include adding more smart thermostats and expanding into other curtailable technologies. Some of these new technologies could include heat pump water heaters, back-up generators, and batteries. ETI will request \$150,000 in Research & Development (R&D) budget to explore new curtailable technologies for the DEM SOL program in 2025. Sierra Club supports the proposal in their filing for ETI to add \$150,000 in R & D costs to expand the Demand Solutions to include additional types of curtailment devices, but we would note this program could be expanded even further with a larger budget and EECRF.

Again to their credit, they also expanded and are continuing to expand their hard-to-reach program to focus on multi-family heating and cooling and residential AC tuneups recently. We would note and do support a slight increase in incentives available to residential consumers and their implementers.

It must be said, however, that Entergy offers no incentives for either onsite commercial or residential solar and/or storage, have a very small hard-to-reach program and only recently began outreach to multi-family housing dwellers. Indeed, out of their goal of 15 MW demand reduction, they are only expecting to reduce residential and hard-to-reach demand by 4.6 MWs, while reducing their energy savings by less than 10,000 MWhs in terms of residential consumers. The Sierra Club would be supportive of additional programs focused on both small businesses and multi-family housing to provide incentives for onsite solar and storage, as well as hot water heat pumps and space heat pumps.

Even as the company proposes to spend billions on a new gas-fired power plant, they are only willing to propose spending about \$8.5 million a year, and less than \$1 per month on the average consumer's bill. Clearly they could easily double or triple their energy efficiency expected achievements, and reduce the energy burden of thousands of residential and commercial accounts, and potentially delay or reduce the need to build new expensive gas and hydrogen plants.

Obviously, under current PUC cost caps this would be very difficult. Yet ETI is well under the cost caps established through PUC rules. Indeed, for residential customers, the cost cap applicable to the 2025 EECRF is \$0.001626 per kWh, meaning ETI's proposal is about 73% of the cap, and the commercial cost cap is \$0.001017 per kWh. Indeed, its proposed general service rate for commercial customers is only about 70% of the commercial cost cap. Thus, ETI should raise its proposed EECRF to at least the cost cap, which could result in a program budget for residential consumers that is approximately thirty percent larger, and a commercial program that is at least 30% more.

Conclusions

The Lone Star Chapter of the Sierra Club appreciates the opportunity to file these brief comments. First, we continue to ask the Commission to consider opening up a rulemaking on the Energy Efficiency programs and EECRF process, and take stakeholder comments on making major changes to the programs to expand the use of load management and energy savings programs that will make these programs more beneficial to residential and commercial consumers, and help make the grid more resilient. The Blueprint said the Commission would be making improvements to the TDU programs, but we have yet to see any action by the Commission or staff and nearly two years has passed since.

In terms of the particular EECRF, we would note that 27% of the proposed budget would go to a performance bonus for exceeding the peak demand reduction goal in 2023, even though those goals are quite modest, and ENTERGY has not grown the programs in terms of energy savings or peak demand reduction. Essentially, the Utility is getting a bonus for goals it can easily achieve.

We do appreciate some recent improvements made to the residential programs, including the new smart thermostat programs and improvements in the AC Tune-up and multi-family programs.. We believe more can be done to also incentivize space heat pumps, and would note that the hard-to-reach program could be expanded significantly, and there is a vast opportunity to expand service to multi-family housing, a significant growing population in many areas of Beaumont, Port Arthur, Port Neches and other facilities.

We also believe offering some performance incentives for solar and solar plus storage to both residential and commercial entities could help boost energy savings and demand reduction, while improving resiliency.

Indeed, even while proposing to take up about a third of its budget with a performance bonus, ETI is well under the cost caps established through PUC rules. Indeed, for residential customers, the cost cap applicable to the 2025 EECRF is \$0.00162 per kWh, and the commercial cost cap is \$0.001017 per kWh. Thus, ETI should raise its proposed EECRF to at least the cost cap, which could result in a program budget for residential consumers that is approximately thirty percent larger, and the commercial program could be expanded by a similar amount, resulting in a total program budget of \$11.4 million.

We would note that vertically integrated municipalities like Austin Energy and CPS Energy within ERCOT are spending some \$3 to \$4 dollars on a monthly bill for energy efficiency programs, and achieving much greater levels of energy savings than Entergy. With Entergy Texas considering spending billions of dollars for new generation resources that will increase consumer bills, expanding demand response and energy efficiency programs would be a much more cost effective solution.

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