LOUISIANA PUBLIC SERVICE COMMISSION

***CORRECTED*[1] GENERAL ORDER**

LOUISIANA PUBLIC SERVICE COMMISSION, EX PARTE

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

(Decided at the Commission's June 23, 2010 Business and Executive Session)

I. Background

The Louisiana Public Service Commission ("LPSC") first considered implementing a Renewable Portfolio Standard ("RPS") in 2005, when it hired J. Kennedy and Associates, Inc. ("Kennedy") to assist Staff in studying the feasibility of implementing an RPS in Louisiana. The Commission concluded that the lack of available renewable resources in Louisiana and the associated energy production capabilities precluded the feasibility of an RPS at that time and declined to adopt an RPS. Instead the Commission authorized Entergy Gulf States Louisiana, LLC to implement a voluntary green pricing tariff pilot program now known as "Geaux Green". Subsequently, however, interest in renewable resources grew substantially with nine (9) additional states adopting an RPS, bringing the current total to approximately 30, and the federal government threatening to do the same.

The LPSC once again retained Kennedy in 2009 to assist Staff in evaluating the feasibility of adopting an RPS under the current circumstances. Kennedy, together with Staff, created a task force to evaluate the opportunity for developing additional renewable resources in Louisiana and to evaluate the cost of those resources. A series of meetings were held from May 2009 through November 2009 with robust participation from many divergent interests. After considering discussions from the meetings, written comments submitted by the parties to the docket, and Staff's own detailed study and analysis, Staff recommended on June 15, 2010, that the Commission implement the Renewable Energy Pilot Program described herein ("the Pilot"). The Pilot will allow the Commission to accomplish its stated policy goals of: providing additional resources that result in reliable and economical long-term electric supply; diversification of Louisiana's fuel mix; greater energy security through the use of indigenous resources; encouraging private investment; improving air quality; developing additional in-state renewable resources; and encouraging job creation and

[1] This Order is being reissued due to an incorrect Order No. in the footnote of the previous issuance.

job retention, while avoiding the uncertainty associated with the cost impacts of a long term policy decision in an uncertain economic and political climate.

II. Jurisdiction

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

III. Procedural History

This rulemaking was published in the Commission's Official Bulletin No. 925, dated February 6, 2009. Although there was a fifteen (15) day intervention period, Staff adopted a liberal intervention policy and allowed parties to intervene and file comments as late as practicable. As of this date, there are more than fifty (50) intervenors and interested parties in this docket.[2]

Staff held a total of four (4) meetings and issued seven (7) requests for comments. In addition to the formal intervenors and interested parties, representative of agencies such as the Louisiana Department of Economic Development and the Louisiana Department of Environmental Quality participated in task force meetings and received documentation. Throughout the process, several other non-parties contacted Staff and Commissioners with helpful data.

With the assistance of task force members as well as other representatives from various industries in Louisiana, data and models were developed to estimate the cost of relying on renewable resources in Louisiana. For purposes of the analysis, the House of Representatives' Waxman-Markey RPS legislation was used as the foundation for this study. The results of preliminary analyses were presented to task force members at meetings held on August 25, 2009 and November 13, 2009, and followed up with requests for comments. In addition, all models and data were distributed to the parties throughout the process and certain parties performed their own analyses with the models.

---

[2] The full list according to the R-28271 Subdocket B service list as of the date of this Order is as follows: AcciLouisiana, Agrilectric Power Partners, ALEC and ALEC Cooperatives, the Alliance for Affordable Energy, American Developments, LLC, American Sugar Cane League, Ann Reiley Jones, APX Environmental Markets, Inc., Boise Cascade, LLC, Byrd Energy, Cabot Corporation, CLECO, DeGussa, Entergy Services, Inc., Environmental Market Services, GT Energy, LLC, Father Bill Crumbly, Free Flower Power, Jean P. Bouffard, The Kerrigan Company, Lake Charles Cane-Lacassine Mill, LLC, Louisiana Clean Tech Network, Louisiana Department of Agriculture and Forestry, Louisiana Department of Natural Resources, Louisiana Energy Users Group, Louisiana Farm Bureau Federation, Louisiana Generating, Louisiana Forestry Association, Louisiana Geothermal, Louisiana Propane Gas Association, Louisiana Pulp and Paper Association, Louisiana State University Ag Center, Louisiana State University Center for Energy Studies, Marathon Oil Company, Occidental Chemical Corporation, ORMAT, Inc., Performance Building Consulting, Roy O. Martin, the Sierra Club, the Sierra Club Delta Chapter, SLEMCO, Soterra, LLC, SWEPCO, Sun Energy Group, LLC, Suniva, Tangipahoa Future Network, Tembec USA, LLC, Texas Natural Resources, The Times-Picayune, the U.S. Department of Energy, and Weyerhauser Company.

With the benefit of the parties input, Staff issued its Preliminary Task Force Report and Request for Comments ("Preliminary Task Force Report") December 15, 2009, and supplemented it on December 18, 2009. After considering the comments to its December 15 Preliminary Task Force Report, Staff then issued a Final Task Force Report and Strawman Policy Proposal February 9, 2010 and received a final round of comments. Staff was scheduled to present the proposal to the Commission at is February 2010 B&E, but was unable to do so when the B&E was cancelled as a result of winter weather conditions. Staff was likewise unable to present the proposal at the March B&E, when a lengthy agenda required the Commissions to pass several items to the April session. At a special session held April 20, 2010, Staff presented its proposal, and discussion ensued for nearly six hours with several parties and even some nonparties stating their positions on the record for Commission consideration. Staff's proposal at that time called for a goals-based RPS with a 12.5% renewable energy target by 2020.

IV. Staff's Final Recommendation

After considering all of the comments and discussion surrounding its Strawman Proposal, including a presentation at the May 19 B&E by Dr. Mark Zappi, P.E., Dean of Engineering, Director of the Bioprocessing Laboratory, and Professor of Chemical Engineering at the University of Louisiana, on the benefits and prudence of conducting Louisiana-specific pilot programs regarding renewable energy projects and sources, Staff determined that a pilot program was a reasonable alternative to its February 9 proposal. Staff thereafter worked diligently with Commissioners and interested parties to develop a proposal that is feasible and appropriate for the State of Louisiana and issued its Final Recommendation June 15, 2010, seeking Commission approval of the following pilot program:

I. Renewable Energy Pilot Program ("The Pilot")

A. The Pilot consists of two components: 1) a Research component; and 2) an RFP Component. Each component is described in more detail below.

1. Research Component

The first component of the program is a research component through which the best types of renewable resources will be identified and characteristics regarding specific renewable technologies will be evaluated. In addition, the research component will evaluate the best practices for implementing renewable resources such as what contract structure would provide

for the greatest opportunity for implementing renewable resources without becoming overly burdensome for customers. The research component will result in small projects being developed, some as small as fractions of MWs.

a. Purpose. The purpose of the Research Component of the Pilot is to conduct research and perform evaluations of renewable energy projects specifically sited in Louisiana.

b. Requirement. In this component, utilities will be required to either develop at least 3 small self-build research projects or offer a tariff to purchase renewable energy based on a specified price and based on standardized terms and conditions.

c. Self-Build Projects. Projects developed as utility self-build projects will be limited in size to no larger than 300 kW per project.

d. Affiliated Entities. For those utilities that offer a standardized tariff, the contracts must be with unaffiliated developers.

e. PPAs. Under the standardized tariff option, sellers of renewable energy to utilities will be paid a standard price equal to the utility's avoided cost plus $30 per MWH.

f. Any purchase made under the standardized tariff option will be limited to a capacity limit of no greater than 5 MW, for a term no greater than 3 years, and the maximum total amount of capacity that any utility may acquire under the standardized option is 30 MW.

2. RFP Component

The second part of the Pilot is a Request for Proposals (RFP) component, which will allow utilities to evaluate characteristics of larger renewable projects.

a. Purpose. The purpose of the RFP Component of the Pilot is to evaluate larger renewable energy projects specifically sited in Louisiana that could come on-line in the 2012 – 2013 time frame.

b. Requirement. Each jurisdictional investor-owned utility, as well as jurisdictional electric cooperative will be expected to conduct RFPs. With

regard to electric cooperatives, the requirement to conduct an RFP should be timed such that the renewable resources would be available when the electric cooperative's existing full or partial requirements contracts expire.

c. Capacity. A total of 350 MWs will be the maximum amount of capacity that all of the utilities (investor-owned utilities and electric cooperatives) will request in their RFPs. Each utility's portion of the 350 MW total will be determined based on the utility's retail sales compared to the total jurisdictional retail sales in Louisiana.[3].

d. Commission Approval. The Commission will have the ultimate authority to approve the acceptance of any bids in an RFP issued in conjunction with the Pilot.

e. Contract terms. The term of contracts awarded through an RFP issued herein shall not exceed twenty (20) years.

f. Exception. For purposes of the pilot RFPs, utilities will not be permitted to submit self-build proposals. However, one exception is that a utility can propose a biomass co-firing self-build option in the RFP. If a utility desires to submit such a bid, the proposal would have to include the additional capital cost to convert an existing generating unit to accept biomass fuel, as well as the cost of the biomass fuel, O&M costs, and any additional costs required to convert the unit and operate it as a biomass co-firing facility.

B. Renewable Resources Defined. The renewable resources which should be considered herein are found in the following list. These resources must be new resources or an expansion of existing resources built in Louisiana. *This list may be further revised in the implementation phase, as necessary.*

- Biologically derived methane gas (including landfill gas)
- Biomass energy
- Black Liquor
- Combined Heat and Power ("CHP")
- Distributed generation systems
- Fuel cells

[3] If this 350 MW were split up only among the investor-owned utilities and cooperatives, using 2009 retail sales data, it would break down approximately as follows: Electric Cooperatives – 12.2% or 42.7 MW, SWEPCO – 8.0% or 27.9 MW, CLECO – 11.7% or 40.8 MW, EGSL – 26.2% or 91.5 MW, and ELL – 42.0% or 147 MW. Staff will review this data with the utilities in the implementation phase.

- Generation of electricity using by-products of the pulping process and wood
- Geothermal energy
- Municipal solid waste ("MSW")
- Ocean thermal, wave, tidal, hydrokinetic
- Qualified hydropower
- Solar photovoltaic energy
- Solar thermal
- Waste Heat Recovery ("WHR")
- Waste-to-energy
- Wind power

C. Should the Commission approve this Pilot Proposal, Staff shall then work with utilities and other parties that the Commission designates to finalize the implementation details associated with the Program. While Staff has outlined many of the details in this proposal, additional details may be determined as part of the implementation phase, and in some cases, some of the details may change as part of the implementation process. Staff's intention will be to request approval of the implementation details within 90 days of issuance of the Order approving the Pilot.

D. All electric utilities shall provide a report to Staff on December 31 of each year, beginning in 2010 and ending in 2012, detailing information gathered from the Pilot. Staff will review the information, collate the reports, determine if sufficient information has been provided, and present a single report to the Commission.

E. At the conclusion of the Pilot, Staff will analyze and summarize the information obtained in the Pilot to assist the Commission in determining whether to implement a long-term RPS program, and if so, whether it should be a goals-based or mandatory RPS, and what the appropriate size of the program should be.

V. Commission Consideration

This matter was considered at the June 23, 2010 Business and Executive Session. Commissioner Field directed Staff to re-energize the dormant integrated resource planning docket as an appropriate mechanist to use in developing the proper framework for energy policies. Commissioner Field further directed Staff to determine whether there is sufficient budget remaining to move forward with that docket.

On motion of Commissioner Holloway, seconded by Commissioner Field, and unanimously adopted, the Commission voted to accept the Staff Recommendation and approve the implementation of a Renewable Energy Pilot Program for the purpose of obtaining more

Louisiana-specific information regarding the availability and cost of renewable resources in Louisiana, as described at length in the June 15, 2010 Recommendation.

Upon the suggestion of the Louisiana Energy Users Group, Commissioner Skrmetta directed Staff to add job retention to the goals of the Pilot Program. In addition, Commissioner Skrmetta asked Staff to include information on the price of nuclear, coal and natural gas in its annual reports to the Commission.

And finally, Commissioner Field directed Staff to re-examine the net-metering order and solicit comments from stakeholders in order to identify any potential regulatory obstacles to the self-generation of renewable energy and suggest ways that the net-metering order might be improved.

IT IS THEREFORE ORDERED THAT:

1. **The Commission adopts the Staff Recommendation and approves the implementation of the Renewable Energy Pilot Program as described in Paragraph IV above.**

2. **Staff will present an Implementation Plan to the Commission for approval within ninety (90) days of the date of this Order.**

3. **This Order is effective immediately.**

BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA
July 21, 2010

/S/ LAMBERT C. BOISSIERE, III
DISTRICT III
CHAIRMAN LAMBERT C. BOISSIERE, III

/S/ JAMES M. FIELD
DISTRICT II
VICE CHAIRMAN JAMES M. FIELD

/S/ FOSTER L. CAMPBELL
DISTRICT V
COMMISSIONER FOSTER L. CAMPBELL

/S/ ERIC F. SKRMETTA
DISTRICT I
COMMISSIONER ERIC F. SKRMETTA

EVE KAHAO GONZALEZ
SECRETARY

/S/ CLYDE C. HOLLOWAY
DISTRICT IV
COMMISSIONER CLYDE C. HOLLOWAY