



Elizabeth Benson
Energy Associates
c/o Cleco Power LLC
2030 Donahue Ferry Road
Pineville, LA 71360

Phil Hayet and Brandon Frey
Louisiana Public Service Commission
PO Box 91154
Baton Rouge, LA 70821

James E. Clement
Cleco Power LLC
2030 Donahue Ferry Road
Pineville, LA 71360

In Re: Cleco Power LLC's Draft 2007 Long-Term Request for Proposals ("RFP") for Capacity and Energy Resources

August 16, 2007

EnerNOC appreciates this opportunity to comment on Cleco Power LLC's ("Cleco") Draft 2007 Long-Term Request for Proposals ("RFP") for Capacity and Energy Resources. As Cleco solicits bids for up to 600 MW of new supply-side capacity, of which 350 MW can be sourced from a peaking resource, EnerNOC encourages the Louisiana Public Service Commission ("LPSC") and Cleco to consider implementing a demand response program as a reliable, cost-effective and environmentally-sensitive alternative to purchasing peaking power. EnerNOC would like to play a significant role in developing demand response resources in Cleco's service territory. This demand response program can target specific geographical regions in Cleco's service territory or be deployed system-wide. We respectfully request that the final RFP will contain explicit provisions for the consideration of demand response resources.

INTRODUCTION TO ENERNOC

EnerNOC is a leading developer and provider of demand response solutions in the United States. As of June 30, 2007, EnerNOC has 886 MW of demand response capacity under contract at over 1,850 commercial, institutional and industrial customer end-user sites. EnerNOC has experience in providing utilities in regulated markets with peaking capacity. For example, EnerNOC has contracts with multiple utilities in California and the Public Service Company of New Mexico to provide over 160 MW of peaking capacity. We are also active in organized wholesale RTO/ISO market regions of the United States, including the PJM Interconnection and ISO New England.

EnerNOC deploys technology that enables automated customer demand response as a reliable and cost-effective means of reducing peak electricity consumption. The "NOC" in EnerNOC stands for Network Operations Center. Our award-winning NOC technology enables us to network customer facilities across the United States, automate and aggregate demand response capacity, and provide this capacity to grid operators and utilities during periods of high prices, peak demand, or other system contingencies.

EnerNOC performs individualized audits at end-user facilities to identify demand response opportunities. Once the audit is complete, EnerNOC installs, programs, and tests communications and relay technology equipment. This enables our NOC operators to remotely monitor and manage customer demand resources (e.g., lighting, HVAC, motors, etc.) in real-time, 24 hours a day, seven days a week. When a demand response event is called by a utility or grid operator, EnerNOC initiates a series of pre-determined and pre-tested protocols to reliably dispatch each customer's demand response capacity in a systematic fashion.

CLECO'S DRAFT RFP FOR CAPACITY AND ENERGY

Cleco is seeking to solicit bids for up to 600 MW of new supply-side capacity, of which 350 MW can be sourced from a peaking resource.

In a presentation made at the Technical and Bidder's Conference, Cleco stated that DSM bids would not be considered in response to this RFP.¹ However, in response to a question EnerNOC submitted in regards to this RFP, Cleco responded that a demand response product would in fact be evaluated alongside supply-side resources.²

Q18: Will Cleco consider a dispatchable demand response program for Cleco's commercial and industrial customers in response to this RFP? Demand response is an alternative resource to peaking generation that has proven to be reliable and cost-effective in other markets. It is quick-to-market and environmentally sensible. We anticipate some portion of Cleco's 350 MW need for peaking capacity can be met with demand response.

A18: A bidder can bid a dispatchable demand response program into the RFP process. However, since this RFP is for peaking and load following products, such an option will be evaluated using the same criteria as other bids, i.e., a different analysis will not be performed to evaluate a dispatchable demand response program. Cleco Power recognizes that demand response programs could be valuable and is in the process of reviewing such programs as part of the LPSC's evaluation of time-based rates, wireless metering, and demand response in Docket Nos. R-29213 and R-29213A.

EnerNOC applauds Cleco's receptivity to demand response resources as an alternative to supply side resources and we look forward to responding to this RFP.

THE BUSINESS CASE FOR DEMAND RESPONSE

There are a number of reasons why EnerNOC believes that demand response could be the most cost effective solution for meeting Cleco's capacity needs.

- **Demand response potential in Cleco's service territory.** EnerNOC's experience has shown that matching the utility and system operator's needs with end-user realities is a critical design step in achieving effective results from a well functioning demand response program. EnerNOC estimates that between five (5) and 10 percent of a system's peak demand can be met with demand response resources. Cleco's historical peak demand is 2,137 MW,³ and has grown at an average annual rate of

¹ See, "Cleco Power LLC, Technical and Bidders Conference 2007 Request for Proposal," available at <http://www.cleco.com/uploads/20070726TechnicalandBiddersConferenceFINAL.pdf>, p. 24 (download 16 August 2007).

² See, "Questions Posted To The Cleco Power RFP Website By Bidders and from the July 26, 2007 Technical And Bidders' Conference," p. 4, available at http://www.cleco.com/uploads/20070808Bidders_QA.pdf (downloaded 16 August 2007).

³ This peak occurred in 2006. See, 2006 Cleco Power Annual Report, p. 13.

3.7% over the last 10 years.⁴ Cleco forecasts 2010 full requirements load to be 2,221 MW and estimates that peak load will grow by about one (1) percent annually through 2029, or up to about 2,885 MW.⁵ As such, EnerNOC estimates that Cleco could expect to meet between 111 MW and 222 MW of its 2010 peak with demand response.

Connecticut, where EnerNOC is extremely active, is a good example of a state that has been very successful in attracting demand response resources. In Connecticut, there are currently over 690 MW enrolled in ISO New England's 30-Minute Real-Time Demand Response Program,⁶ or 9.2 percent of that State's 7,479 MW peak.⁷ This is only a subset of all demand response resources and interruptible load currently in Connecticut.

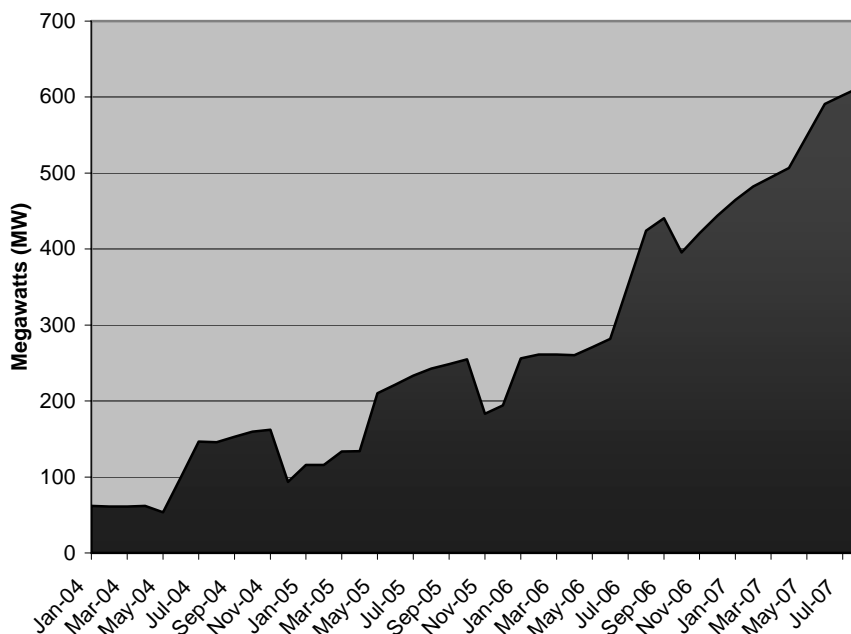


Figure 1: Demand Response Growth in Connecticut, January 2004-August 2007

- **Flexible product and an alternative to purchasing firm capacity and associated energy.** A demand response program will provide Cleco with a call option right to capacity and energy. EnerNOC can reliably deliver this demand response capacity to Cleco within thirty minutes of Cleco initiating a demand response event. In fact, EnerNOC participates in various demand response programs across the United States in which capacity is delivered within 10 minutes, 30 minutes, 2 hours and 24 hours prior to the demand response event. In these different programs, demand response events have lasted between 10 minutes and 11 hours. EnerNOC's technology is flexible and can accommodate the needs of Cleco.

⁴ See, "Informational Filing, Containing Draft 2007 Long-Term Request for Proposals (RFP) for Capacity and Energy Resources," 27 June 2007, p. 5.

⁵ See, Appendix B, "Cleco Power LLC Estimate of Load Requirements and Sources – 2007 Long-Term RFP", p. 2.

⁶ See, Presentation from ISO New England's Demand Response Working Group, "ISO New England/NEPOOL Demand Response Working Group Meeting," 1 August 2007, available at http://www.iso-ne.com/committees/comm_wkgrps/mrkt comm/dr_wkgrp/mtrls/2007/aug12007/intro_dr_working_group_meeting_08_01_2007.ppt, p. 4, (downloaded 3 August 2007).

⁷ See, Connecticut Light & Power Press Release, "Connecticut Sets another Electric Usage Record," 4 August 2006, available at <http://www.cl-p.com/companyinfo/newsreleases.asp> (downloaded 3 August 2007).

- **Least cost planning.** EnerNOC has responded to several RFPs that have evaluated supply- and demand-side resources concurrently where it was concluded that demand-side resources are more economically-efficient.
- **Risk mitigation.** The *EnerNOC Demand Response NetworkSM* would provide a further hedge against unexpected fluctuations in wholesale energy and natural gas markets, upon which Cleco heavily relies. Allowing Cleco to deploy demand response resources as an alternative to purchasing power would be in the best interest of ratepayers and in accordance with Cleco's least cost planning. Joseph Kelliher, Chairman of the Federal Energy Regulatory Commission, said "Effective demand response has great potential to lower consumer costs and dampen market volatility."⁸
- **Reserve margin planning.** The *EnerNOC Demand Response NetworkSM* can serve as a reliable way to reduce required reserve margins. Cleco's 2007 IRP outlined how transmission constraints force planning reserve margins to be higher than Southwest Power Pool requirements (15% vs. 12%). Demand response, especially when combined with networked distributed generation, would reduce transmission needs by locating resources throughout the service territory.
- **Alternative to building peaking generation.** EnerNOC's utility customers have deployed demand response programs as an alternative to building additional peaking generation. Demand response can be used to defer the need to invest in peaking generation or acquire additional supply side resources. American Electric Power is considering demand-side resources alongside traditional supply-side generation in its current request for capacity resources for subsidiaries Southwest Electric Power Company and Public Service Company of Oklahoma.⁹
- **Alternative to building transmission and distribution.** Demand response can help avoid or defer the costs associated with transmission and distribution investments.
- **Complementary to energy-efficiency initiatives.** By targeting commercial and industrial customers, the *EnerNOC Demand Response NetworkSM* would allow Cleco to expand its energy management offerings to the heaviest users of energy and serve as a sound counterpart to existing and planned efficiency programs. In fact, studies have shown that demand response has a small conservation effect. That is, customers that participate in demand response programs are likely to engage in energy efficiency strategies as well.¹⁰

CONCLUSION

EnerNOC welcomes the opportunity to work with the LPSC and Cleco to deliver value to the company, its shareholders and to its commercial and industrial customers through a demand response program. We hope the final RFP will explicitly contain provisions for the consideration of demand response resources.

Respectfully submitted,

/s/ Brett Perlman

Brett Perlman
Vice President Corporate Development
EnerNOC, Inc.
1010 Lamar, Suite 1040
Houston, Texas 77002
713.933.8836

⁸ See Burke, Monte, "Power Brokers," *Forbes.com*, 08 May 2006, available at http://www.forbes.com/home/free_forbes/2006/0508/075.html (downloaded 25 September 2006).

⁹ See, Capacity 2009 RFP dated 6 August 2007, available at <http://www.psoklahoma.com/news/rfp/capacity2009/> (downloaded 7 August 2007).

¹⁰ See, Nemtzow, Delurey and King, "The Green Effect: How demand response programs contribute to energy efficiency and environmental quality," *Public Utilities Fortnightly*, March 2007.