NO. R-10-13

BY: COUNCILMEMBERS MIDURA, CARTER, HEDGE-MORRELL, AND WILLARD-LEWIS

IN THE MATTER OF ENTERGY NEW ORLEANS, INC.’S APPLICATION OF ENTERGY NEW

ORLEANS, INC. FOR A CHANGE IN ELECTRIC AND GAS RATES PURSUANT TO COUNCIL

RESOLUTION R-06-459

DOCKET NO. UD-08-03

SECOND RESOLUTION AND ORDER CERTIFYING ENTERGY NEW ORLEANS, INC.’S

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UNCOMPENSATED HURRICANE KATRINA STORM COSTS ELIGIBLE FOR RATEPAYER

MITIGATION

WHEREAS, pursuant to the Constitution of the State of Louisiana and the Home Rule Charter of the City

of New Orleans, the Council of the City of New Orleans (“Council”) is the governmental body authorized

to exercise regulatory control over rates, charges and the general conditions under which electric and

gas services are provided in New Orleans; and

WHEREAS, Entergy New Orleans, Inc. (“ENO” or “the Company”) provides electric service to all of

New Orleans except the Fifteenth Ward (“Algiers”) and gas service to all of New Orleans; and

WHEREAS, on August 29, 2005, Hurricane Katrina struck the City of New Orleans. The hurricane and

ensuing multiple levee failures caused widespread flooding throughout the City, endangering the lives

and health of thousands of New Orleanians and causing catastrophic damage to homes, businesses, and

infrastructure. New Orleans was subject to mandatory evacuation, and the flooding and pervasive

damage rendered the City uninhabitable and prohibited residents from returning to their homes for

months afterwards. The devastation caused by Hurricane Katrina is considered to be the worst natural

disaster in U.S. history; and

WHEREAS, as a result of Hurricane Katrina and the levee failures, ENO suffered severe, unprecedented

damage to its electric and gas utility systems and, with the exodus of residents from the City

experienced dramatic reductions in its customer base and, accordingly, its base rate revenues; and

WHEREAS, on June 30, 2006, Entergy New Orleans, Inc. (“ENO”), filed with the Council an

“Application of Entergy New Orleans, Inc. for Authorization to Implement Riders to Recover Costs

Related to Hurricanes Katrina and Rita and to Adequately Fund a Storm Reserve” (“Rider Application”).

As it pertained to ENO’s costs related to Hurricanes Katrina and Rita, ENO sought Council authorization

to recover $146.429 million of storm costs incurred through March 31, 2006; and

WHEREAS, on December 18, 2006, ENO made a supplemental and amended filing requesting the

recovery of costs related to the two storms incurred during the period April 1, 2006 through October 31,

2006. For this filing, ENO sought to recover $51.914 million of storm costs; and

WHEREAS, on January 22, 2007, ENO made a second supplemental and amended filing requesting

recovery of storm costs incurred during November and December 2006 amounting to $11.994 million;

and

WHEREAS, for all three filings [June 30, 2006; December 18, 2006; and January 22, 2007], totaling

$210.337 million, ENO requested that the Council enter an order finding that the storm restoration costs

associated with Hurricanes Katrina and Rita were reasonable and necessary and certifying the recovery

of the costs in accordance with the Agreement in Principle approved in Council Resolution R-06-459; and

WHEREAS, on January 18, 2007, the New Orleans City Council’s Auditing Advisors, the certified public

accounting firms of Pailet, Meunier and LeBlanc, LLP and Bruno & Tervalon, LLP (together, the

“auditors”), issued an audit report in connection with the application that ENO filed with the Council on

June 30, 2006, to recover costs related to Hurricanes Katrina and Rita which were incurred during the

period August 2005 through March 31, 2006. The aforementioned report is referred to herein as the

“First Audit Report.” On February 9, 2007, the New Orleans City Council’s Auditors issued an audit

report in connection with ENO’s two supplemental filings [December 18, 2006 and January 22, 2007].

This report is referred to herein as the “Second Audit Report;” and

WHEREAS, in March 2006, ENO filed an application with the State of Louisiana for federal Community

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associated with Hurricanes Katrina and Rita. Federal CDBG funding is administered by the U.S.

Department of Housing and Urban Development (“HUD”). For purposes of hurricane recovery in

Louisiana, the funding is provided to the State’s Louisiana Recovery Authority (“LRA”); and

WHEREAS, in October 12, 2006, the LRA Board approved an allocation of $200 million of CDBG funds

to ENO to defray gas and electric utility system repair costs in an effort to mitigate rate increases that

would otherwise be passed on to New Orleans consumers. On November 6, 2006, the LRA Board

approved a detailed Proposed Action Plan Amendment Number 6 for Disaster Recovery Funds

(“Amendment No. 6”) intended to establish criteria for a Ratepayer Mitigation Plan associated with the

LRA’s $200 million allocation of CDBG funds to ENO. The LRA’s allocation to ENO was approved by

the Louisiana Legislature in December 2006; and

WHEREAS, the LRA’s Amendment No. 6 set forth certain conditions that would pertain to the $200

million allocation to ENO. For instance, the amendment specified that “CDBG funds may only be used to

reimburse the cost of restoration, reconstruction and rebuilding of ENO’s damaged electric and gas

utility systems, and to offset such other unrecovered fixed costs as may be the responsibility of

ratepayers.” Additionally, the amendment required that all costs claimed for CDBG funding must be

certified as “reasonable and necessary” through an independent audit process approved by the LRA and

that the “New Orleans City Council, after analyzing and validating the pertinent records will provide

notice to OCD that certifies the total of uncompensated costs eligible for ratepayer mitigation.” As

previously mentioned, the Council’s Auditors’ First and Second Audit Reports certified $205.026 million

of Hurricane Katrina costs incurred through December 31, 2006 as reasonable and necessary for CDBG

purposes; and

WHEREAS, based on the prior audit certifications, the LRA initially reimbursed ENO $171.7 million of

Hurricane Katrina storm restoration costs. To date, ENO has received approximately $180.8 million of

the $200 million of CDBG funding. To receive the full $200 million, ENO needs certification of

approximately $222 million of Hurricane Katrina costs. In addition to the $205.026 million of Hurricane

Katrina costs previously certified, the Company is seeking certification of an additional $73.789 million in

costs through March 31, 2008, which if approved, would far exceed the amount needed to seek the full

$200 million; and

WHEREAS, for the three ENO filings of June 30, 2006, December 18, 2006 and January 22, 2007, ENO

had submitted for certification as reasonable and necessary storm restoration costs totaling $210.337

million. Based on the Council’s Auditors’ First and Second Audit Reports, the total costs deemed

reasonable and necessary from ENO’s three filings were $209.936 million. Of that amount, $205.026

million were attributable to Hurricane Katrina and $4.910 million were attributable to Hurricane Rita;

and

WHEREAS, in addition to the three aforementioned filings made by ENO regarding its storm restoration

costs for the period August 29, 2005 through December 31, 2006, ENO made additional filings and

continued to incur storm restoration costs into 2008. On May 1, 2007 and November 14, 2007, ENO filed

its Fourth and Fifth Supplemental Hurricanes Katrina and Rita filings including storm restoration costs for

the first two quarters of 2007. On September 18, 2009, ENO filed its Sixth Supplemental Hurricanes

Katrina and Rita filing. The Sixth filing covered the periods of the Fourth and Fifth filings and hurricane

costs through March 31, 2008. With this Sixth filing, ENO sought audit and certification of $73.789

million and $0.177 million in storm restoration costs incurred in connection with Hurricanes Katrina and

Rita, respectively, and recorded by ENO during the period January 1, 2007 through March 31, 2008; and

WHEREAS, an Agreement in Principle entered into in connection with Docket No. UD-06-01 and related

dockets in August 2006, and approved by the Council in Resolution R-06-459, provides that the process

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Resolution R-06-329 and shall remain in place until all costs that may be offset by Community

Development Block Grant (“CDBG”) funding made available by the State’s Louisiana Recovery Authority

(“LRA”) are certified;

and

WHEREAS, Pursuant to Council Resolution R-06-459, on July 31, 2008, ENO submitted to the Council

its Application for a Change in Electric and Gas Rates, which was assigned Council utility docket number

UD-08-03. On April 2, 2009, by Council Resolution R-09-136, the Council approved an Agreement in

Principle relative to the aforementioned electric and gas rate proceedings. In the Agreement in Principle

the parties agreed that the Council’s Auditors would provide final audit certification of ENO’s previously

submitted Hurricanes Katrina and Rita storm-related costs no later than September 30, 2009. Those

costs are the costs incurred during the current audit period January 1, 2007 through March 31, 2008;

and

WHEREAS, on September 30, 2009, the Advisors filed their audit report with respect to ENO’s storm

costs from January 1, 2007 through March 31, 2008 and, in the opinion of our auditors, ENO storm costs

in the amount of $73.789 million relative to Hurricane Katrina and $0.177 million relative to Hurricane

Rita were found to be reasonable and necessary; and

WHEREAS, the total costs deemed reasonable and necessary inclusive of the costs set forth in the

auditors’ January 18, 2007 and February 9, 2007 reports are $283.902 million. Of that amount, $278.815

million are attributable to Hurricane Katrina and $5.087 million are attributable to Hurricane Rita; and

WHEREAS, the 2006 Agreement in Principle requires that all CDBG funds received be utilized to

mitigate the impact on rates on a dollar for dollar basis of ENO’s eligible costs of restoration,

reconstruction, and rebuilding of its damaged electric and gas utility systems; and

WHEREAS, upon receipt of the $19.2 million of CDBG funds this benefit to customers will be

accomplished as a reduction to the Hurricane Katrina costs recovered in ENO’s electric and gas rate base

through its formula rate plan filings in 2010, estimated to result in an approximate reduction in annual

revenue requirement of $2.6 million for electric customers, and $1.3 million for gas customers; now,

therefore:

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF NEW ORLEANS THAT pursuant to the

LRA Ratepayer Mitigation Action Plan, the Council, having the opportunity to review ENO’s storm costs

recovery filings from January 1, 2007 through March 31, 2008, and our auditors audit report of

September 30, 2009, certifies $73.789 million in storm costs incurred by ENO related to Hurricane

Katrina reasonable and necessary for purposes of satisfying the LRA and OCD requirements for receipt of

CDBG Funds.

BE IT FURTHER RESOLVED that the total storm costs deemed reasonable and necessary inclusive of

the sum of $205.026 million set forth in our January 18, 2007 and February 9, 2007 reports attributable

to Hurricane Katrina are $278.815 million.

BE IT FURTHER RESOLVED that the Council hereby authorizes the President of the Council to

transmit a certified copy of this resolution with a cover letter, the form of which is attached, notifying

the OCD of the following:

1. The Council certifies that the amount of Eligible Costs for ENO under the Ratepayer Mitigation

Action Plan, in addition to the sum of $205.026 million supported by our audit reports of January 18,

2007 and February 9, 2007, is $73.789 million, consisting of Eligible Costs incurred through March 31,

2008, under the criteria established in the HUD approved Plan Amendment Number 6.

2. The Council requests that the OCD take all steps necessary to reimburse the balance of the $200

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15 of 438 million ($19.1 million) in CDBG funding due to ENO immediately.

THE FOREGOING RESOLUTION WAS READ IN FULL, THE ROLL WAS CALLED ON THE

ADOPTION THEREOF AND RESULTED AS FOLLOWS:

YEAS: Carter, Clarkson, Head, Hedge-Morrell, Midura,

Willard-Lewis - 6

NAYS: 0

ABSENT: Fielkow - 1

AND THE RESOLUTION WAS ADOPTED.

\*Copies of the attachment may be seen in full in the Clerk of Council Office, 1300 Perdido Street, Room

1E09, City Hall.