

**ENTERGY NEW ORLEANS, INC.**  
ELECTRIC SERVICE

RIDER SCHEDULE EFRP-3

Effective: June 1, 2009  
Filed: May 1, 2009  
Supersedes: New Schedule  
Schedule Consists of: Three Sheets Plus  
Attachments A - H

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**ELECTRIC FORMULA RATE PLAN RIDER SCHEDULE**

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**I. GENERAL**

This Electric Formula Rate Plan Rider Schedule EFRP-3 ("Rider EFRP") defines the procedure by which the rates contained in the Entergy New Orleans, Inc. ("ENO" or "Company") electric rate schedules designated in Attachment A to this Rider EFRP ("Rate Schedules") may be periodically adjusted. Rider EFRP shall apply in accordance with the provisions of Section II.A below to all electric service billed under the Rate Schedules, whether metered or unmetered, and subject to the jurisdiction of the Council of the City of New Orleans ("CNO" or "Council").

**II. APPLICATION AND REDETERMINATION PROCEDURE**

**A. RATE ADJUSTMENT**

The adjustments to the Company's rates set forth in Attachment A to this Rider EFRP ("Rate Adjustments") shall be added to the rates set out in the monthly bills in accordance with the Company's Rate Schedules. The Rate Adjustments shall be determined in accordance with the provisions of Sections II.B and II.C below.

**B. ANNUAL FILING AND REVIEW**

**1. FILING DATE**

On or before May 31 of each year, beginning in 2010, ENO shall file a report with the Council containing an evaluation of the Company's earnings for the immediately preceding calendar year prepared in accordance with the provisions of Section II.C below ("Evaluation Report"). A revised Attachment A shall be included in each such filing containing the Company's proposed revised Rate Adjustments determined in accordance with the provisions of Section II.C below.

**2. REVIEW PERIOD**

The Council's Advisors ("Advisors") and all intervenors ("Intervenors"), which together with ENO shall be referred to hereinafter, collectively, as the "Parties," shall receive a copy at the time it is filed with the Council of each Evaluation Report filing together with all subsequent filings in the related proceeding. All Intervenors in Docket UD-08-03 shall be recipients of each such Evaluation Report filing. At the time each such Evaluation Report is filed, ENO shall provide all Parties with workpapers supporting the data and calculations reflected in the Evaluation Report. The Parties may request such clarification and additional supporting data as each deems necessary and within the scope of normal discovery to adequately review the Evaluation Report and ENO's proposed revised Rate Adjustments. ENO shall provide such clarifications and additional supporting data sought by the other Parties within fifteen (15) days for each and every request.

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The Parties shall then have until August 15 of the filing year or 75 days after filing, whichever is longer, to review the Evaluation Report to ensure that it complies with the requirements of Section II.C below. If any of the Parties should detect an error(s) (as distinguished from a regulatory issue(s)) in the application of the principles and procedures contained in Section II.C below, such error(s) shall be formally communicated in writing to the Company and/or other Parties by August 15 of the filing year. Each such indicated error shall include documentation of the proposed correction. The Company shall then have twenty-five (25) days to review any proposed corrections, to work with the other Parties to resolve any differences and to file a revised Attachment A containing Rate Adjustments reflecting all corrections upon which the Parties agree. The Company shall provide the other Parties with appropriate work papers supporting any revisions made to the Rate Adjustments initially filed.

Except where there is an unresolved dispute, which shall be addressed in accordance with the provisions of Section II.B.3 below, the Rate Adjustments initially filed under the provisions of Section II.B.1 above, or such corrected Rate Adjustments as may be determined pursuant to the terms of this Section II.B.2, shall become effective for bills rendered on and after the first billing cycle for the following month of October ("October Adjustment"). Those Rate Adjustments shall then remain in effect until changed pursuant to the provisions of this Rider EFRP.

### **3. RESOLUTION OF DISPUTED ISSUES**

In the event there is a dispute regarding any Evaluation Report, the Parties shall work together in good faith to resolve such dispute. If the Parties are unable to resolve the dispute by the end of the twenty-five (25) day period provided for in Section II.B.2 above, revised Rate Adjustments reflecting all revisions to the initially filed Rate Adjustments on which the Parties agree shall become effective as provided for in Section II.B.2 above. Any disputed issues shall be submitted to the Council for the setting of an Administrative Hearing before its designated Hearing Officer and a subsequent Resolution of the Council pursuant to the provisions of the Home Rule Charter.

If the Council's final ruling on any disputed issues requires changes to the October Adjustment referenced in Paragraph II.B.2 above, the Company shall file a revised Attachment A ("Final Adjustment") containing such further modified Rate Adjustments within fifteen (15) days after receiving the Council's order resolving the dispute. The Company shall provide a copy of the filing to the Council together with appropriate supporting documentation. Such modified Rate Adjustments shall then be implemented with the first billing cycle of the month after the date of the ruling if the ruling is received by the 5<sup>th</sup> day of the month, otherwise, the modified Rate Adjustments shall then be implemented with the first billing cycle of the second subsequent month after the date of the ruling and shall remain in effect until superseded by Rate Adjustments established in accordance with the provisions of this Rider EFRP.

Within 60 days after receipt of the Council's final ruling on disputed issues, the Company shall determine the amount to be refunded or surcharged to customers, if any, together with interest at a Council mandated rate of interest. Such refund/surcharge amount shall be based on customers' revenue from the first billing cycle of October of the filing year through the last date the interim Rate Adjustments were billed. Such refund/surcharge amount shall be applied to customers' bills in the manner prescribed by the Council.

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RIDER SCHEDULE EFRP-3 (Cont.)

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**ELECTRIC FORMULA RATE PLAN RIDER SCHEDULE**

**C. ANNUAL REDETERMINATION OF RATE ADJUSTMENTS**

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**1. DEFINITION OF TERMS**

**a. EVALUATION PERIOD**

The Evaluation Period shall be the twelve month period ended December 31 of the calendar year immediately preceding the filing. All data utilized in each Evaluation Report shall be based on actual results for the Evaluation Period as recorded as electric operations on the Company's books in accordance with the Uniform System of Accounts or such other documentation as may be appropriate.

**b. EARNED RATE OF RETURN ON COMMON EQUITY**

The Earned Return on Common Equity ("EROE") for any Evaluation Period shall be determined in accordance with the EROE Formula set out in Attachment B. The EROE determination shall reflect the Evaluation Period adjustments set out in Attachment C.

**c. BENCHMARK RATE OF RETURN ON RATE BASE**

The Benchmark Rate of Return on Rate Base ("BRORB") shall be determined in accordance with the BRORB formula set out in Attachment D. The BRORB is the composite weighted embedded cost of capital reflecting the Company's annualized costs of Long-term Debt, Preferred Stock, and Common Equity as of the end of the Evaluation Period. The Debt, Preferred Stock and Equity capitalization ratios, as set out in Attachment D, shall be the actual equity capitalization ratio as of December 31 of the calendar year immediately preceding the filing adjusted for financing activity and the exclusion of Affiliate notes arising in connection with ENO's exit from bankruptcy.

**d. EVALUATION PERIOD COST RATE FOR COMMON EQUITY**

The Evaluation Period Cost Rate for Common Equity ("EPCOE") is the Company's cost rate for common equity applicable to the Evaluation Period. The EPCOE value applicable for each Evaluation Period shall be determined in accordance with Attachment E.

**e. ANNUALIZED EVALUATION PERIOD EFRP REVENUE**

The Annualized Evaluation Period EFRP Revenue is the Rider EFRP Rider Rate Adjustment (Final Adjustment) in effect at the end of the Evaluation Period multiplied times the applicable Evaluation Period Billing Revenues.

**f. TOTAL RIDER EFRP REVENUE**

The Total Rider EFRP Revenue is the Annualized Evaluation Period EFRP Revenue plus the reduction/increase in Rider EFRP Revenue as calculated in Attachment F.

**g. RATE OF RETURN ON COMMON EQUITY BANDWIDTH**

The Rate of Return on Common Equity Bandwidth ("Bandwidth") shall be an Upper Band equal to the EPCOE plus 0.40% (40 basis points) and a Lower Band equal to the EPCOE minus 0.40% (40 basis points).

## **2. TOTAL RIDER EFRP REVENUE**

In each Evaluation Period, the Total Rider EFRP Revenue level shall be determined using the Rider EFRP Revenue Redetermination Formula set out in Attachment F, which reflects the following rules:

- a. If the EROE is less than the Lower Band, the ROE Adjustment shall be equal to the EPCOE minus the EROE.
- b. If the EROE is greater than the Upper Band the ROE Adjustment shall be equal to the EPCOE minus the EROE.
- c. There shall be no change in Rider EFRP Revenue level for the Evaluation Period if the EROE is less than or equal to the Upper Band and greater than or equal to the Lower Band.

## **3. RIDER EFRP REVENUE ALLOCATION**

The Total Rider EFRP Revenue, as determined under the provisions of Section II.C.2, will be allocated to each applicable rate schedule based on an equal percentage of base rate revenue. This percentage will be developed by dividing the Total Rider EFRP Revenue by the total applicable base rate revenue, calculated pursuant to Attachment B.

## **4. RATE ADJUSTMENT REDETERMINATION**

All applicable retail rate and rider schedules on file with the Council will be adjusted through Rider Schedule EFRP by the percentage as determined under Section II.C.3.

### **III. PROVISIONS FOR OTHER RATE CHANGES**

#### **A. EXTRAORDINARY COST CHANGES**

It is recognized that from time to time ENO may experience extraordinary increases or decreases in costs that occur as a result of actions, events, or circumstances beyond the control of the Company. Such costs may significantly increase or decrease the Company's revenue requirements and, thereby, require rate changes that this Rider EFRP is not designed to address. Should ENO experience such an extraordinary cost increase or decrease, excluding costs recovered via the Fuel Adjustment Clause, having an annual revenue requirement impact exceeding \$2 million on a total electric Company basis then either the Company or the Council may initiate a proceeding to consider a pass-through of such extraordinary cost increase or decrease.

#### **B. SPECIAL RATE FILINGS**

The Company is experiencing a changing business environment and increasing competition. Experimental, developmental, and alternative rate schedules may be appropriate tools for the Company to use to address these conditions. Therefore, nothing in this Rider shall be interpreted as preventing the Company from proposing, or requiring the Council to approve, any revisions to existing rate schedules or implement new rate schedules as may be appropriate. Any such rate changes shall be filed with the Council and evaluated in accordance with the rules and procedures then in effect.

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**C. FORCE MAJEURE**

In addition to the rights of ENO under this Rider, or as provided by law, to make a filing for the pass-through of costs outside the provisions of the Rider EFRP, if any event or events beyond the reasonable control of ENO including natural disaster, damage or unforeseeable loss of generating capacity, changes in regulation ordered by a regulatory body or other entity with appropriate jurisdiction, and orders or acts of civil or military authority, cause increased costs to ENO or result in a deficiency of revenues to ENO which is not readily capable of being addressed in a timely manner under this Rider EFRP, ENO may file for rate or other relief outside the provisions of the Rider EFRP. Such request shall be considered by the Council in accordance with applicable law governing such filings.

**D. ADDITIONAL PURCHASED CAPACITY**

**1. APPROVED ADDITIONAL CAPACITY PURCHASE**

Except as otherwise provided in the Agreement in Principle in Docket UD-08-03, ENO shall be allowed to recover fully through this Rider EFRP consistent with Section II.C.2, the revenue requirement associated with purchased capacity costs in excess of the amounts in base rates as approved by the Council. Such new capacity costs shall include:

- (1) approval of a new purchase capacity agreement, or
- (2) approval of the recovery of previously deferred capacity costs.

In the event the Company adds to its resources by means of a capacity and/or capacity and energy purchase and in the event that such new resource is used to provide capacity to the Company on or before the first billing cycle for the month of October of a filing year and the Council has approved the incurrence of such costs and their level, then the Company may include all capacity costs related to such resource under this Section III.D.1 as a cost, so that, at the time that new rates take effect with the first billing cycle for the month of October, those new rates will reflect the capacity costs that are represented by such generating resource.

**2. PURCHASED CAPACITY COST ADJUSTMENTS**

The Rider EFRP shall be adjusted on an interim basis for:

- (1) the expiration of a purchase capacity agreement previously recovered through Rider EFRP, or
- (2) the completion of the recovery of previously deferred capacity costs.

**3. PURCHASED CAPACITY COST TRUE-UP ADJUSTMENTS**

The revenue requirement associated with the purchased capacity costs that are billed to ENO pursuant to a cost of service agreement or tariff and recovered via this Rider pursuant to Section III.D shall be compared to the actual cost of such capacity. Any difference between the revenue requirement of the capacity costs used to determine the level of this Rider during the Evaluation Period and the revenue requirement associated with the actual capacity cost during the Evaluation Period shall be included in the

(Continued on reverse side)

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Evaluation Report as part of the Additional Purchased Capacity Revenue Requirement in the next Rider EFRP Revenue Requirement Redetermination Formula as set out in Attachment F.

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## **E. ENERGY EFFICIENCY PROGRAM**

### **1. LOST CONTRIBUTION TO FIXED COSTS**

ENO shall include in its annual Evaluation Report filing an estimate of Lost Contribution to Fixed Costs in the year of the filing ( i.e. the filing year). For example, in the 2010 Evaluation Report filing (evaluation period 2009), an estimate will be made of the lost Contribution to Fixed Costs expected to occur from energy efficiency programs in 2010. This amount will be reflected in the EFRP rider outside the ROE dead band. Such Lost Contribution to Fixed Costs shall be recorded in FERC Account 182.3 Other Regulatory Assets. In the subsequent annual Evaluation Report filing, such filing year estimates will be trueed up to the actual Lost Contribution to Fixed Costs occurring in the Evaluation Period. Any differential between the actual and the estimated Lost Contribution to Fixed Costs shall be reflected as an adjustment to the incremental Estimate of Lost Contribution to Fixed Costs in that subsequent period. After the true-up of Lost Contribution to Fixed Costs for a specific period, the amount in Account 182.3 attributable to that period will be reset..

The estimate of Lost Contribution to Fixed Costs for a filing year shall be the product of the Company's Adjusted Gross Margin per kilowatt-hour (AGM per KWH) multiplied by the deemed savings from estimated program participants. This amount shall only be the incremental amount related to the programs and incremental penetrations estimated to occur in the filing year.

Actual Lost Contribution to Fixed Costs for an evaluation period shall be the product of the Company's adjusted gross margin per kilowatt-hour multiplied by the deemed savings from actual program participants. The deemed savings will be based on the projected savings in kilowatt-hours used in determining the cost effectiveness of each energy efficiency program as approved by the Council. Attachment G contains an example of the calculations required by this provision.

### **2. ENERGY EFFICIENCY INCENTIVE MECHANISM**

ENO shall include in its annual Evaluation Report filing ( i.e. the filing year) an incentive amount based upon actual KWH savings calculated using deemed savings achieved in the Evaluation Period as compared to the Council approved energy efficiency performance targets for the Evaluation Period. This incentive amount will be reflected in the EFRP outside the ROE dead band. The incentive amount will be determined for example in 2011 based upon the actual achievement of KWH savings vs. 2010 targets.

A tax adjusted Return on Equity (ROE) applied to the equity component of rate base of between 0% and .30% ROE will be recognized in the EFRP rider outside the bandwidth mechanism based upon the percentage achievement of Council approved targeted savings. The incentive is based upon goal achievement on a sliding scale beginning at 75% achievement (ROE of +0.04%) to a maximum of 125 % achievement (capped ROE of +0.30%). 100% achievement of targeted goals results 0.25% in ROE incentive in the EFRP. An example of the amount of incentive is calculated pursuant to Attachment H.

## **IV. EFFECTIVE DATE AND TERM**

Rider EFRP shall continue in effect for three years with annual Evaluation Report filings to be made on or before May 31 of 2010, 2011 and 2012 for the Evaluation Periods 2009, 2010, and 2011, respectively. The Rate Adjustments, resulting from the May 31, 2012 Filing shall continue in effect until such time as new rates become effective pursuant to a final Council order.

**ENTERGY NEW ORLEANS, INC.  
ELECTRIC FORMULA RATE PLAN RIDER SCHEDULE EFRP -3  
FOR THE PERIOD ENDED DECEMBER 31, 200X**

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1	Attachment A - Revised Rate Adjustments
2	Attachment F - Evaluation Period Revenue Adjustment Total Rider EFRP Revenue
3	Attachment B - Earned Rate of Return on Common Equity Rate Base Operating Income Income Tax
4	Attachment E - Evaluation Period Cost Rate for Common Equity
5	Attachment D - Benchmark Rate of Return on Rate Base
6	Attachment C - Adjustment Descriptions Rate Base Adjustments Operating Income Statement Adjustments Income Tax Adjustments
7	Other Rate Changes  Attachment G-Example of Lost Contribution to fixed costs Attachment H-Example of incentive payment <b><u>Workpapers ( to be included in EFRP filings)</u></b>
8	Per Book Evaluation Period Result
8.1	Per Book Accounting Workpapers
8.2	Miscellaneous Data
9	FERC Form 1 selected pages substantiating Per Book Data

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- 10            Adjustments per Attachment C
    - Rate Annualization Adjustment
    - Interest Synchronization
    - Income Taxes
    - Ratemaking Adjustments for Evaluation Report Based on Test Year 2009
    - Ratemaking Adjustments for Evaluation Report Based on Test Year 2010 and 2011
    - Reclassifications
    - Out-of-Period Items
    - Other
  
  - 11            Benchmark Rate of Return on Rate Base
  
  - 12            Other Rate Changes
-



Effective: 12-31-13

**ATTACHMENT A**

**ENTERGY NEW ORLEANS, INC.  
ELECTRIC FORMULA RATE PLAN RIDER SCHEDULE EFRP-3  
RATE ADJUSTMENTS  
FOR THE TEST YEAR ENDED DECEMBER 31, 2011**

The following Rate Adjustments will be applied to the rates set out in the monthly bills of Entergy New Orleans, Inc.'s ("ENO") Rate Schedules identified below, or such additional rate schedules of ENO subject to the Electric Formula Rate Plan Rider Schedule EFRP-3 that may become effective. The Rate Adjustments shall be effective for bills rendered on and after the first billing cycle of January 2014.

The Net Monthly Bill calculated pursuant to each applicable retail rate schedule\* and rider schedule\* on file with the City Council of the City of New Orleans will be adjusted monthly by a percentage of -10.5278% before application of the monthly fuel adjustment except this Rider will not apply to the following:

\*Excluded Schedules: AFC-Additional Facilities Charge Rider, DTK-Datalink, RCL-Remote Communications Link Rider, PPS-Purchased Power Service, SMS-Standby Maintenance Service, FAC-Fuel Adjustment Charge, R-8-Summary Billing Rider, MES-Miscellaneous Service Schedules, R-3-Retail Rate Adder Rider, EOBP-Electric Optional Billing Plan, EPAD-Electric Pick a Date Rider, EOES-Extension of Electric Service, ESRES-Electric Storm Reserve Rider, EAC-Environmental Adjustment Clause Rider and RPCEA-Rough Production Cost Equalization Rider.

Base rates producing EFRP percent increases or decreases will be based on Exhibit 2, Column I to the 2013 Agreement in Principle in Docket No. UD-08-03.

## Attachment B

ENERGY NEW ORLEANS, INC. – ELECTRIC EARNED RATE OF RETURN ON COMMON EQUITY FORMULA		
Line No.	Description	Adjusted Amount
<b>TOTAL COMPANY</b>		
1	RATE BASE	P 2, L23
2	BENCHMARK RATE OF RETURN ON RATE BASE	Att D, L 4, Col D
3	REQUIRED OPERATING INCOME	L 1 * L 2
4	NET UTILITY OPERATING INCOME	P 3, L 25
5	OPERATING INCOME DEFICIENCY/(EXCESS)	L 3 - L 4
6	REVENUE CONVERSION FACTOR (1)	
7	REVENUE DEFICIENCY/(EXCESS)	L 5 * L 6
8	PRESENT RATE REVENUES ULTIMATE CUSTOMERS	P 3, L 1
9	REVENUE REQUIREMENT	L 7 + L 8
10	PRESENT RATE REVENUES	P 3, L 1
11	REVENUE DEFICIENCY/(EXCESS)	L 9 - L 10
12	REVENUE CONVERSION FACTOR (1)	
13	OPERATING INCOME DEFICIENCY/(EXCESS)	L 11/L 12
14	NOL CARRYBACK REFUND AMORTIZATION	P 3, L 26
15	OPERATING INCOME DEFICIENCY/(EXCESS) AFTER NOL CARRYBACK REFUND AMORTIZATION	L 13 - L 14
16	RATE BASE	P 2, L 23
17	COMMON EQUITY DEFICIENCY/(EXCESS)	L 15/L 16
18	WEIGHTED EVALUATION PERIOD COST RATE FOR COMMON EQUITY (%)	Att D, L 3, Col D
19	WEIGHTED EARNED COMMON EQUITY RATE (%)	L 18 - L 17
20	COMMON EQUITY RATIO (%)	Att D, L 3, Col B
21	EARNED RATE OF RETURN ON COMMON EQUITY (%)	L 19 / L 20

## Notes:

(1) Revenue Conversion Factor =  $1 / [(1 - \text{Composite Tax Rate}) * (1 - \text{Bad Debt})]$

## Attachment B

ENTERGY NEW ORLEANS, INC. – ELECTRIC RATE BASE (A)				
Line No.	Description	Per Books	Adjustments (B)	Adjusted Amount
1	PLANT IN SERVICE			
2	ACCUMULATED DEPRECIATION			
3	<b>NET UTILITY PLANT (L1+ L2)</b>			
4	PLANT HELD FOR FUTURE USE			
5	CONSTRUCTION WORK IN PROGRESS ( C )			
6	MATERIALS AND SUPPLIES ( D )			
7	PREPAYMENTS ( D )			
8	CASH WORKING CAPITAL ( E )			
9	PROVISION FOR INJURIES & DAMAGES RESERVE ( D )			
10	INVESTMENT IN SFI ( D )			
12	CUSTOMER ADVANCES			
13	CUSTOMER DEPOSITS			
14	ACCUMULATED DEFERRED INCOME TAXES			
15	ACCUMULATED DEFERRED ITC - PRE-1971			
16	OTHER ( F ) ( G )			
17	NOL CARRYBACK REFUND			
18	NET UNAMORTIZED TROPICAL STORM CINDY COSTS			
19	NET UNAMORTIZED KATRINA & RITA DEFERRED O&M			
20	NET UNAMORTIZED UNRECOVERED GENERAL PLANT			
21	NET UNAMORTIZED NON-STORM COSTS			
22	PENSION LIABILITY RATE BASE EXCL SFAS 158			
23	<b>RATE BASE (L3 + Sum of L4 through L22)</b>			

## Notes:

- (A) Ending balances are to be utilized except where otherwise noted
- (B) Adjustments as set out in Attachment C to this rider EFRP
- (C) Amount not subject to AFUDC accrual
- (D) 13-month average balances
- (E) Cash Working Capital is deemed to be zero.
- (F) Other items included pursuant to Section 6 of Attachment C
- (G) Beginning & Ending or 13-mos average as more appropriate

## Attachment B

**ENTERGY NEW ORLEANS, INC. – ELECTRIC  
OPERATING INCOME**

Line No.	Description	Per Books	Adjustments (A)	Adjusted Amount
<b>REVENUES</b>				
1	SALES TO ULTIMATE CUSTOMERS			
2	EPP & SYSTEM SALES			
3	OTHER ELECTRIC REVENUE			
4	TOTAL OPERATING REVENUES (Sum of L1 through L3)			
<b>EXPENSES</b>				
5	ELECTRIC O&M PRODUCTION			
6	TRANSMISSION			
7	DISTRIBUTION			
8	CUSTOMER ACCOUNTING			
9	CUSTOMER SERVICE & INFORMATION			
10	SALES			
11	ADMINISTRATIVE & GENERAL			
12	TOTAL ELECTRIC O&M EXPENSES ( Sum of L5 through L11)			
13	GAIN FROM DISPOSITION OF ALLOWANCES			
14	REGULATORY DEBITS & CREDITS (B)			
15	DEPRECIATION & AMORTIZATION EXPENSES			
16	INTEREST ON CUSTOMER DEPOSITS			
17	TAXES OTHER THAN INCOME			
18	STATE INCOME TAX			
19	FEDERAL INCOME TAX			
20	PROV DEF INC TAX - STATE – NET			
21	PROV DEF INC TAX - FED – NET			
22	INVESTMENT TAX CREDIT-NET			
23	OTHER (C)			
24	TOTAL UTILITY OPERATING EXPENSES (L12 + Sum of L13 through L23)			
25	NET UTILITY OPERATING INCOME (L4 – L24)			
26	NOL CARRYBACK REFUND AMORTIZATION			

## Notes:

- (A) Adjustments defined in Attachment C
- (B) Including, but not limited to, the amortization of regulatory assets and liabilities established in the Agreement in Principle in UD-08-03.
- (C) Other items included pursuant to Section 6 of Attachment C

## Attachment B

ENTERGY NEW ORLEANS, INC. – ELECTRIC INCOME TAX					
Line No.	Description	Reference	Per Books	Adjustments (A)	Adjusted Amount
1	TOTAL OPERATING REVENUES	P 3, L 4			
2	TOTAL O&M EXPENSE	P 3, L 12			
3	GAIN FROM DISPOSITION OF ALLOWANCES	P 3, L 13			
4	REGULATORY DEBITS & CREDITS)	P 3, L 14			
5	DEPRECIATION & AMORTIZATION EXPENSE	P 3, L 15			
6	INTEREST ON CUSTOMER DEPOSITS	P 3, L 16			
7	TAXES OTHER THAN INCOME	P 3, L 17			
8	NET INCOME BEFORE INCOME TAXES	L 1- Sum of L 2 through L 7			
9	ADJUSTMENTS TO NET INCOME BEFORE TAXES				
10	TAXABLE INCOME	L 8 + L 9			
	COMPUTATION OF STATE INCOME TAX				
11	STATE TAXABLE INCOME	L 10			
12	STATE ADJUSTMENTS				
13	TOTAL STATE TAXABLE INCOME	Sum of L 11 through L 12			
14	STATE INCOME TAX BEFORE ADJUSTMENTS (B)	L 13*Eff. Tax Rate			
15	ADJUSTMENTS TO STATE TAX				
16	STATE INCOME TAX	L 14 + L 15			
	COMPUTATION OF FEDERAL INCOME TAX				
17	TAXABLE INCOME	L 10			
18	STATE INCOME TAX	L 14 as deduction			
19	FEDERAL ADJUSTMENTS				
20	TOTAL FEDERAL TAXABLE INCOME	Sum of L 17 through L 19			
21	FEDERAL INCOME TAX BEFORE ADJUSTMENTS (B)	L 20* Eff. Tax Rate			
22	ADJUSTMENTS TO FEDERAL TAX				
23	FEDERAL INCOME TAX	L 21+L 22			

## Notes:

- (A) Adjustments as defined in Attachment C  
 (B) The Tax Rate in effect at the time the Evaluation Report is filed shall be utilized.

**Attachment C**  
**ENTERGY NEW ORLEANS, INC.**  
**EVALUATION PERIOD ADJUSTMENTS**

The actual (per book) data for each Evaluation Period, as reflected in Attachment B, shall be adjusted to reflect the following:

**1 Rate Annualization Adjustment**

- A) Present base rate revenue shall be adjusted to reflect, on an annualized basis, the Rate Adjustment in effect at the end of the Evaluation Period under this Rider EFRP.
- B) The rate base, revenue and expense effects associated with any riders, or other rate mechanisms, that ENO may have in effect during the Evaluation Period which recover specific costs are to be eliminated.

**2 Interest Synchronization**

All Evaluation Period Interest expenses are to be eliminated and replaced with an imputed interest expense amount equal to the Evaluation Period rate base multiplied by the weighted embedded cost of debt for the Evaluation Period determined in accordance with Attachment D.

**3 Income Taxes**

All state and federal income tax effects including 1) adjustments to taxable income, 2) adjustments to current taxes, 3) provisions for deferred income tax (debit and credit), and 4) accumulated provision for deferred income tax (debit and credit) shall be adjusted or eliminated, as appropriate, to comport with the following principles:

- A) Effects associated with other adjustments set out in this Attachment C shall similarly and consistently be adjusted;
- B) All effects associated with the difference in the timing of transactions, where the underlying timing difference is eliminated, shall also be eliminated;
- C) The corporate state and federal income tax laws legally in effect on the date an Evaluation Report is filed under this EFRP Rider shall be reflected in the calculation of all income tax amounts; and
- D) Tax effects normally excluded for ratemaking purposes shall be eliminated.

**4 Ratemaking Adjustments for Evaluation Report Based on Test Year 2009**

- A) Present base rate revenue shall be adjusted to reflect, on an annualized basis, the rate actions set forth in the Agreement in Principle in UD-08-03.
- B) The offset to the electric revenue requirement resulting from flow through of Hurricane Katrina Carryback Refund shall be annualized, and the associated regulatory liability shall be adjusted to the amount agreed to for ratemaking purposes as specified in the attachments to the Agreement in Principle in Docket UD-08-03.
- C) The amortization of Account 301 Organization Costs shall be annualized.
- D) The depreciation of Hurricane Katrina and Rita capital expenditures shall be annualized.
- E) The amortization of Tropical Storm Cindy Costs shall be annualized.
- F) The amortization of Hurricane Katrina and Rita Deferred O&M shall be annualized.
- G) The amortization of Unrecovered General Plant shall be annualized.
- H) The amortization of Non-Storm Costs included in Docket UD-08-03 as per Paragraph 22 of the 2006 Agreement in Principle shall be annualized.

- I) All prudently incurred capital expenditures found not to be related to Hurricane Gustav/Ike in the audit of Hurricane Gustav/Ike costs shall be treated and recovered as plant in service.
- J) All non-capital charges found not to be related to Hurricane Gustav/Ike in the audit of Hurricane Gustav/Ike costs shall be removed. All fully-loaded, direct labor (i.e., straight time labor) associated with non-capital activities related to Hurricane Gustav/Ike shall be removed.
- K) The reversal of the Resolution R-86-112 Accumulated Liability shall be removed from O&M expense.
- L) Deferred purchased capacity costs will be adjusted.
- M) Additional purchased capacity costs will be annualized.
- N) Extraordinary Cost Changes
- O) Energy Efficiency Lost Contribution Adjustment as per Sec III.D

#### 5 **Ratemaking Adjustments for Evaluation Reports Based on Test Year 2010 and 2011**

- A) Offset to the electric revenue requirement resulting from flow through of Hurricane Katrina Carryback Refund and adjustment of the associated regulatory liability to the amount agreed to for ratemaking purposes.
- B) Deferred purchased capacity costs will be adjusted.
- C) Additional purchased capacity costs will be annualized.
- D) Extraordinary Cost Changes
- E) Energy Efficiency Lost Contribution Adjustment as per Sec III.D
- F) Energy Efficiency Incentive Mechanism as per Sec III.D

#### 6 **Reclassifications**

- A) Revenues associated with ENO's rates in the CNO Retail Jurisdiction, but included in Other Electric Revenue on a per book basis (Attachment B, Page 3, Line 3) shall be reclassified as rate schedule revenue.
- B) Costs not allowable for ratemaking purposes shall be removed by adjustment from the Evaluation Period cost data. Likewise, costs that are allowed, but recorded below the utility operating income line, shall be included in the Evaluation Period cost data through appropriate reclassification adjustments. These adjustments shall include, but are not limited to: 1) the reclassification of below-the-line interest expense associated with customer deposits as interest on customer deposits expense, and 2) interest income related to System Fuels, Inc.

#### 7 **Out-of-Period Items**

Expenses and revenues recorded in any Evaluation Period that are related to transactions occurring prior to the Evaluation Period used in the first Filing shall be eliminated by adjustment from the Evaluation Period cost data. This shall include any associated tax adjustments.

#### 8 **Other**

In addition to Adjustments 1 through 7 above, there may, from time-to-time, be special costs or rate effects that occur during an Evaluation Period that require adjustments of the Evaluation Period cost data. Nothing in this Rider EFRP shall preclude any Party from proposing such adjustments.

## Attachment D

## ENTERGY NEW ORLEANS, INC.

## BENCHMARK RATE OF RETURN ON RATE BASE

<u>Description</u>	( A ) Capital Amount (1) (\$)	( B ) Capital Ratio (%)	( C ) Cost Rate (2) (%)	( D ) Benchmark Rate of Return on Rate Base (3)
1 LONG-TERM DEBT				
2 PREFERRED EQUITY				
3 COMMON EQUITY				
4 TOTAL		100%		

## Notes:

- (1) Amounts at the end of the Evaluation Period as adjusted for refinancing activities. All Long-Term Debt issues shall reflect the balance net of a) unamortized debt discount, premium, and expense; b) gain or loss on reacquired debt; and c) any adjustments required per Attachment C. All Preferred Stock issues shall reflect the balance net of discount, premium and capital stock expense. The Affiliate Notes shall be excluded from the calculation of the BRORB.
- (2) Annualized cost of Long-Term Debt and Preferred Equity at the end of the Evaluation Period divided by the corresponding Capital Amount. The Long-Term Debt Cost Rates shall include a) annualized amortization of debt discount, premium, and expense; b) annualized gain or loss on reacquired debt; and c) any adjustments required per Attachment C. The Common Equity Cost Rate shall be the Evaluation Period Cost Rate for Common Equity (EPCOE) determined in accordance with Attachment E.
- (3) The components of the BRORB column are the corresponding Cost Rates multiplied by the associated Capital Ratio. The BRORB is the sum of the components so determined and expressed as a % to two decimal places (XX.XX%).



**Attachment E**

**ENTERGY NEW ORLEANS, INC.**

**EVALUATION PERIOD COST RATE FOR COMMON EQUITY PROCEDURE**

**EVALUATION PERIOD COST RATE FOR COMMON EQUITY**

The EPCOE applicable for any Evaluation Report pursuant to this Rider EFRP shall be 11.10%.

## Attachment F

**ENTERGY NEW ORLEANS, INC. – ELECTRIC  
RIDER EFRP REVENUE REDETERMINATION FORMULA**

<b>SECTION 1</b>		<b>BANDWIDTH CHECK</b>	
Line No.	DESCRIPTION	REFERENCE	
1	Earned Rate of Return on Common Equity ("EROE")	Attachment B, P 1, L 21	_____
2	Evaluation Period Cost Rate for Common Equity ("EPCOE")	Per Attachment E	_____
3	Upper Band	L 2 + 0.40%	_____
4	Lower Band	L 2 - 0.40%	_____
5	ROE Adjustment	If L1 < L4, then L2 - L1; If L1 > L3, then L2 - L1 but no adjustment if L1 ≥ L 4 and L1 ≤ L3	_____ _____
<b>SECTION 2</b>		<b>ROE BAND RATE ADJUSTMENT</b>	
Line No.	DESCRIPTION	REFERENCE	
6	ROE Adjustment	Per L 5	_____
7	Common Equity Capital Ratio	Attachment D, L 3, Col B	_____
8	Rate Base	Attachment B, P 1, L 1	_____
9	Revenue Conversion Factor	Attachment B, P 1, L 6	_____
10	Total Change in Rider EFRP Revenue	L6 * L7 * L8 * L9	_____
<b>SECTION 3</b>		<b>TOTAL BAND RATE ADJUSTMENT</b>	
Line No.	DESCRIPTION	REFERENCE	
11	Annualized Evaluation Period EFRP Revenue (1)	See Note 1	_____
12	(Reduction)/Increase in Rider EFRP Revenue	L 10	_____
13	Extraordinary Cost Change Revenue Requirement	Per Sec. III.A of the Tariff	_____
14	Additional Purchased Capacity Revenue Requirement	Per Sec. III.D of the Tariff	_____
15	Energy Efficiency Lost Contribution/Incentive Mechanism	Per Sec. III.E of the Tariff	_____
16	Total Rider EFRP Revenue (2)	L 11 + L 12 + L 13 + L 14 + L 15	_____

- Note:
- (1) Rider EFRP Rate Adjustments in effect at the end of the applicable Evaluation Period multiplied by the applicable Evaluation Period billing revenues.
- (2) The Total Rider EFRP Revenue reflects the total credit or surcharge to be applied to customer bills based on the results of the Rider EFRP Redetermination Formula

**Attachment G****Example of Estimate of Lost Contribution to Fixed Costs due to Energy Efficiency in FRP**

Assume: May 2010 EFRP Filing-initial filing  
 Calendar 2009 Evaluation period  
 EFRP Rider Effective October 2010 through September 2011  
 May 2011 EFRP Filing-True up/new estimate of incremental Lost Contribution  
 AGM/kWh = \$0.04

1) Determine Estimate of Incremental 2010 Lost Contribution for May 2010 EFRP Filing [3,000,000 KWH X \$0.04 AGM per kWh] <sup>1</sup>	\$120,000
2) 2010 Lost Contribution Estimate for May 2010 EFRP filing	\$120,000
3) Actual Lost Contribution related to 2010 [2,500,000 KWH X \$0.04 per kWh] <sup>2</sup>	\$100,000
4) 2010 Lost Contribution True-up for May 2011 EFRP Filing [2010 Estimate – 2010 actual] <sup>3</sup>	\$20,000
5) Determine Estimate of Incremental 2011 Lost Contribution for May 2011 EFRP Filing [3,200,000 X \$.04 AGM per kWh] <sup>4</sup>	\$ 128,000
Less 2010 Lost Contribution True-up <sup>5</sup>	<u>(\$ 20,000)</u>
Net 2011 Incremental 2011 Lost Contribution for 2011 EFRP Filing	\$108,000

<sup>1</sup> deemed savings from estimated program participants times AGM per kWh ,where AGM is average base rates

<sup>2</sup> deemed savings from actual program participants times AGM per kWh

<sup>3</sup> 2010 Estimated lost contribution of \$120,000 less actual of \$100,000

<sup>4</sup> 2011 incremental deemed savings from estimated program participants times AGM per kWh

<sup>5</sup> Line 4

**Attachment H**  
**Illustrative Example of DSM Incentive Calculation**

To determine annual incentive in the filing year based on achievement of deemed savings kWh goals set in the evaluation period.

The incentive is calculated as shown below:

**Equity Rate Base x ROE Incentive x Tax Factor**

The incentives will be calculated based on the following sliding scale:

<b>% DSM Goal Achieved</b>	<b>ENO ROE Incentive %</b>
<75%	0.000%
75%	0.040%
80%	0.080%
85%	0.120%
90%	0.160%
95%	0.200%
<b>100%</b>	<b>0.250%</b>
105%	0.260%
110%	0.270%
115%	0.280%
120%	0.290%
125%	0.300%
>125%	0.300%

Based on a sliding scale shown in the table below, at 75% of goal, ENO earns a 0.04% ROE incentive, at 100% of goal, ENO earns a 0.25% incentive and at 125% of goal or greater, the incentive is capped at 0.3% ROE adder.

A sample calculation using the following assumptions is shown below:

Equity portion of Rate base = \$168,000,000

Tax Factor = 1.62%

Target KWh savings = 10,000,000

Actual KWh savings = 9,000,000

KWh goal achieved = 90% =  $1 - (10,000,000 - 9,000,000) / 10,000,000$

At 90% of Goal, ROE Incentive = 0.16% (based on table above)

[ROE Incentive = \$168,000,000 x 0.16% x 1.62 = \$435,456]

- 1) % DSM Goal Achieved = Ratio of KWh goal achieved to target kWh
- 2) ENO is eligible for an ROE incentive adder if the Company achieves 75% of its kWh savings goal. The ROE adder will increase as the percentage of achievement versus target increase along a sliding scale to a maximum of 0.3% ROE