

**EX PARTE: APPLICATION OF ENTERGY NEW ORLEANS, INC.
FOR AUTHORIZATION TO ENTER INTO A CONTRACT FOR
THE PURCHASE OF CAPACITY AND ENERGY
FROM POWER BLOCKS 3 AND 4 AT UNION POWER STATION, FOR COST
RECOVERY AND REQUEST FOR TIMELY RELIEF**

**ENTERGY NEW ORLEANS, INC.'S SUPPLEMENTAL AND
AMENDING APPLICATION FOR APPROVAL TO PURCHASE
POWER BLOCK 1 OF THE UNION POWER STATION,
FOR COST RECOVERY AND REQUEST FOR TIMELY RELIEF**

UTILITY DOCKET NO. UD-15-01 (Phase II)

**UNION POWER STATION POWER BLOCK 1 PURCHASE
AGREEMENT IN PRINCIPLE**

Recognizing that Entergy Gulf States Louisiana, L.L.C. ("EGSL"), including its successor in interest¹, intends to acquire two of the four power blocks – Power Blocks 3 and 4 – and related assets that comprise the Union Power Station ("UPS") in Union County, near El Dorado, Arkansas from Union Power Partners, L.P. ("UPP"), and that such units would provide approximately 990 megawatts of modern, combined-cycle turbine capacity and energy;

Recognizing that, on February 9, 2015, Entergy New Orleans, Inc. ("ENO" or the "Company") filed its Application for Authorization from the Council of the City of New Orleans ("Council") to Enter into a Contract for the Purchase of Capacity and Energy from Power Blocks 3 and 4 at Union Power Station, for Cost Recovery, and Request for Timely Relief and accompanying Direct Testimony ("Initial Application");

Recognizing that, by the Initial Application, ENO sought approval of a cost-based power purchase agreement ("PPA") with EGSL priced pursuant to Service Schedule MSS-4 of the Entergy System Agreement (or its Federal Energy Regulatory Commission ("FERC")-approved successor), entitling ENO to twenty percent (20%) of the capacity and related energy generated by Power Blocks 3 and 4 at UPS on a life-of-unit basis ("UPS PPA") and any other related approvals;

¹ On September 14, 2015, the Louisiana Public Service Commission ("LPSC") issued Order No. U-33244-A (the "Order") formally approving the business combination of Entergy Gulf States Louisiana, L.L.C. ("Old EGSL") and Entergy Louisiana, LLC ("Old ELL"), through which Old EGSL and Old ELL requested to combine substantially all of their respective assets and liabilities into a single operating company, Entergy Louisiana, LLC ("New ELL"). On October 1, 2015 (the "Effective Date") the business combination was consummated. The Stipulation Term Sheet that was attached to and approved by the Order provides that upon the Effective Date, Old ELL and Old EGSL would each "no longer be a public utility that provides electric generation, transmission, distribution, and electric power service to retail and wholesale customers in Louisiana ..." and "shall no longer be subject to regulation by the LPSC." [Attachment A to Order, pp. 43-44.] The Order further provides that at the Effective Date, New ELL "will assume, undertake to perform and be solely responsible for ... (iii) all pending dockets and reporting requirements that are or may be created in final, non-appealable orders, settlements, certifications, agreements issued or approved by the LPSC for [Old] EGSL and [Old] ELL before the LPSC ..." [Id. at p. 45.]

Recognizing that the Council issued Resolution R-15-134 on April 9, 2015, establishing Docket No. UD-15-01 to examine and consider ENO's Initial Application and setting a procedural schedule, including a period for interventions;

Recognizing that no parties intervened in Docket No. UD-15-01 during the intervention period following Council adoption of Resolution R-15-134;

Recognizing that, on May 29, 2015, the Council's Advisors filed their Direct Testimony;

Recognizing that, on June 12, 2015, the parties to Docket No. UD-15-01 entered into an Agreement in Principle providing for approval of the UPS PPA, related cost recovery, including approval of the Purchased Power Agreement Capacity Cost Recovery Rider ("PPACCR Rider"), and related relief ("UPS PPA AIP"), which was adopted by the Council in Resolution R-15-258;

Recognizing that the UPS PPA AIP also provided for the recovery of the Capability Payments associated with the Ninemile 6 PPA through the PPA Rider from Legacy ENO Customers² and the recovery of Long-term Service Agreement ("LTSA") costs associated with the Ninemile 6 PPA through ENO's Fuel Adjustment Clause ("FAC") from all ENO customers, inclusive of the Algiers customers added under the Algiers Transaction;

Recognizing that the Public Utility Commission of Texas ("PUCT") considered Entergy Texas, Inc.'s ("ETI") request for a modification of its Certificate of Convenience and Necessity to authorize its acquisition of Power Block 1 of the UPS ("PB1") in PUCT Docket No. 43958;

Recognizing that, on July 17, 2015, ETI filed a motion to dismiss its request for a Certificate of Convenience and Necessity before the PUCT in Docket No. 43958, which motion was granted by the PUCT on July 30, 2015, ending consideration of ETI's acquisition of PB1;

Recognizing that a July 15, 2015 letter from New Orleans City Council Utility Committee Chair Jason R. Williams to ENO CEO Charles Rice requested that ENO expeditiously explore the possibility of ENO acquiring PB1 in lieu of the UPS PPA;

Recognizing that the Council Advisors and ENO have been negotiating with the LPSC and the PUCT for more than a year on the terms and conditions under which termination of the Entergy System Agreement would be acceptable and would protect New Orleans ratepayers;

Recognizing a proposed Settlement Agreement was crafted and filed with FERC in Docket No. ER14-75 on August 14, 2015 that provides that ENO will have the option to enter into purchase power agreements ("PPAs") for up to a 30% share of the next LPSC-certified Amite South combined cycle gas turbine ("CCGT") generation unit constructed or acquired by ELL and/or

² The Council authorized a transaction whereby ENO would acquire from Old ELL, certain assets and electric operations located in the Fifteenth Ward of the City of New Orleans ("the Algiers Transaction") by adopting an Agreement in Principle ("Algiers Transaction AIP") in Resolution R-15-194. The Algiers Transaction AIP contemplates separate rate structures for the Algiers customers and ENO's customers located outside of Algiers, which customers are referred to herein as "Legacy ENO Customers," until a final decision in the Combined Rate Case, which is to be filed in 2018.

EGSL and 10% of subsequent CCGT units constructed or acquired by ELL and/or EGSL in Amite South, with the options limited to 15 years and a total of 500 megawatts;

Recognizing that acquisition of Union PB1 by ENO is a contingency to ENO's options to acquire energy and capacity through the aforementioned PPAs;

Recognizing that, on August 21, 2015, ENO filed before the Council its "Supplemental and Amending Application of Entergy New Orleans, Inc. for Approval to Purchase Power Block 1 of the Union Power Station, for Cost Recovery and Request for Timely Relief" ("Supplemental Application"), which seeks Council approval to replace the UPS PPA with approval for ENO to purchase PB1 for approximately \$237 million, plus approximately \$3.75 million for transaction costs;

Recognizing that the Supplemental Application seeks recovery of ENO's non-energy related, non-LTSA costs to own and operate PB1 through the Purchased Power and Capacity Acquisition Cost Recovery ("PPCACR") Rider, as presented in ENO Exhibit PBG-SD-4, from Legacy ENO customers;

Recognizing that the Supplemental Application proposes, that for the purpose of calculating the revenue requirement associated with ENO's investment in PB1 and recovered through the PPCACR Rider, ENO's common equity portion of total capital be capped at 50 percent;

Recognizing that the Supplemental Application seeks recovery of ENO's energy-related revenues and expenses and LTSA expenses related to PB1 through ENO's FAC from all ENO customers;

Recognizing that the Council issued Resolution R-15-436 on September 3, 2015, establishing a further procedural schedule in Docket No. UD-15-01 to examine and consider ENO's Supplemental Application and setting a procedural schedule, including a period for interventions;

Recognizing that no parties intervened in Docket No. UD-15-01 during the intervention period following Council adoption of Resolution R-15-436;

Recognizing that, on October 5, 2015, the Council's Advisors filed their Supplemental Direct Testimony;

Recognizing that no other party filed Supplemental Direct Testimony responding to ENO's Supplemental Application in this phase of Docket No. UD-15-01 as established in Resolution R-15-436; and,

Recognizing that, on September 1, 2015, ENO purchased certain assets and the electric operations of Old ELL in the Fifteenth Ward of the City of New Orleans as part of the Algiers Transaction;

Recognizing that regulatory processes seeking approval of the Union Power Station Acquisition were initiated on behalf of Entergy Arkansas, Inc. ("EAI"), Entergy Louisiana, LLC ("ELL") (as the successor-in-interest to Entergy Gulf States Louisiana, L.L.C.), and Entergy Services, Inc., at

the Arkansas Public Service Commission ("APSC"), the LPSC, and FERC, respectively, and recognizing that the LPSC approved the transaction via a settlement at its October 28, 2015 Business and Executive Session, and that the APSC held a hearing on September 15, 2015, and that the APSC Staff and the Arkansas Attorney General support the transaction, and that an APSC decision is expected in time to allow for a transaction close in December 2015, and that a FERC decision is also expected in time to allow for a transaction close in December 2015; and

Recognizing that the U.S. Department of Justice is performing a Hart-Scott-Rodino review of the transaction and that the Company expects that review to be completed in time to allow for a December 2015 close.

The signatories to this Agreement in Principle hereby agree to the following provisions, terms, and conditions and agree to propose these settlement terms to the Council:

1. ENO plans to present and recommend the adoption of this Agreement in Principle to its Board of Directors. The Council's Advisors plan to present and recommend adoption of this Agreement in Principle to the Council. This Agreement in Principle is non-binding, and cannot be implemented without (1) ENO obtaining approval from its Board of Directors and (2) the Council adopting a Resolution implementing the terms of this Agreement in Principle.

APPROVAL OF THE PURCHASE OF PB1

2. The Advisors and the Company recommend that the Council issue a decision in this proceeding containing the following findings:
 - a. Based on the Initial Application, the Supplemental Application, ENO's testimony, and the Council's Advisors' testimony submitted in this proceeding, ENO's proposed purchase of PB1 in lieu of the UPS PPA is prudent and in the public interest.
 - b. ENO's costs, including LTSA costs, associated with owning and operating PB1 are deemed eligible for contemporaneous recovery by ENO.
 - c. This approval supersedes and renders moot those provisions of Resolution R-15-258 pertaining to approval of the UPS PPA.

CONDITIONS OF APPROVAL

3. Council approval will be conditioned on the following:
 - a. ENO shall close its purchase of PB1 by April 30, 2016, unless the Council extends its approval beyond that date;
 - b. ENO shall advise the Council in writing of any developments that might reasonably prevent the close of its purchase of PB1 by year end 2015;

- c. If ENO's purchase of PB1 is not consummated by year-end 2015, ENO shall advise the Council in writing of any developments that might reasonably prevent the close of that acquisition by April 30, 2016;
- d. If it becomes clear that ENO will not close its purchase of PB1 by April 30, 2016, ENO shall make a supplemental filing in Council Docket UD-15-01 fully explaining the causes and effects of such delay and seeking appropriate relief;
- e. Consistent with Paragraph 12 of the May 7, 2015 Agreement in Principle approved by Resolution R-15-194 (see footnote 2 above), ENO shall implement a credit to its FAC as set forth in Paragraph 10 below payable to Legacy ENO Customers in recognition of expenses that will be avoided as a result of the deactivation of Michoud Units 2 and 3 and which expenses are currently recovered through base rates;
- f. ENO shall provide the Council with documentary evidence that UPS has been granted or will be granted 2,000 MW of Network Resource Interconnection Service ("NRIS") for UPS (including at least 500 MW of NRIS per power block) within a reasonable period of time after MISO has granted, or UPP has obtained a commitment from MISO to receive, such NRIS. Should there be any material change in the ability to obtain such NRIS, ENO shall notify the Council in writing explaining the causes and effects of such change, and, if appropriate after discussions with the Council's Advisors, make a supplemental filing seeking appropriate relief; and
- g. ENO ratepayers shall not be responsible for the costs related to any transmission upgrades required to obtain adequate NRIS for the UPS facility, unless such costs are appropriately billed to ENO by Midcontinent Independent System Operator, Inc.

RATEMAKING PROVISIONS

4. ENO shall be allowed to recover from Legacy ENO Customers its prudently incurred non-energy related, non-LTSA costs related to PB1 through the mechanisms presented in the PPCACR Rider on an interim basis until such time as the Council may establish new rates as part of the Combined Rate Case. Effective with the first billing cycle of the month following the close of the PB1 transaction, ENO shall commence collection of the initial estimated monthly revenue requirement associated with PB1 in the PPCACR Rider in the amount of one-twelfth of \$53.968 million annually, subject to true-up and annual redetermination as set forth in the PPCACR Rider.
5. The weighting of common equity employed in the PPCACR Rider's calculation of the revenue requirement related to ENO's investment in PB1 shall be the lesser of ENO's actual common equity capital weighting or 50 percent.
6. Effective with monthly bills rendered on and after the first billing cycle of the first calendar month following Council approval of this Agreement in Principle, ENO shall realign the recovery of the Capability Payments associated with the Ninemile 6 PPA from the existing PPACCR Rider to the PPCACR Rider for recovery from Legacy ENO Customers.

7. The PPACCR Rider shall terminate the first billing cycle of the first calendar month following Council approval of this Agreement in Principle. ENO and the Council's Advisors agree that any rights ENO has or may have under Section VII of the PPA Rider are deemed satisfied through the Council's approval of the PPCACR Rider, as discussed herein.
8. ENO shall continue to be allowed to recover from both Algiers customers and Legacy ENO Customers through its FAC its share of the LTSA costs associated with the Ninemile 6 PPA until such time that the Council effects some other method of recovery in the Combined Rate Case. The Council, the Advisors, and ENO reserve their rights to take any position and raise any arguments with respect to the method of recovery of these costs in the Combined Rate Case described in Paragraph 8 of the Algiers Transaction AIP.
9. (a) Effective the first billing cycle of the first calendar month following the close of the PB1 transaction, ENO shall be allowed to recover from Legacy ENO Customers LTSA costs and energy-related revenues and expenses associated with PB1 (e.g., MISO Market Settlements revenues and expenses in the categories of Ancillary Services, Uplift, Losses, Energy and Congestion) until such time that the Council effects some other method of recovery in the Combined Rate Case. Recovery of LTSA costs associated with PB1 and PB1 energy-related revenues and expenses shall be accomplished through a Geographically-Specific Legacy ENO adjustment to the FAC that ensures recovery of these categories of costs/revenues from Legacy ENO customers only as authorized through this Paragraph 9. Similarly, MSS-1-related effects of the PB1 acquisition shall be attributable to Legacy ENO customers only and shall also be the subject of a Geographically-Specific Legacy ENO adjustment to the FAC until such time that the Council effects some other method of recovery in the Combined Rate Case.
 - (b) On or before December 1, 2015, ENO shall file with the Council for review the proposed revision to the FAC and associated workpapers required to demonstrate the methodology that will be used to assign PB1 energy-related revenues and expenses to Legacy ENO customers ("PB1 FAC Methodology Workpapers"). The PB1 FAC Methodology Workpapers shall form the basis upon which the FAC Rider rates will be calculated effective for the first operations month following the close of the Union transaction and each month thereafter until such time as the Council effects some other method of recovery in the Combined Rate Case. In the development of the December 1, 2015 filing, ENO shall work with the Council's Advisors to assure their agreement prior to December 1, 2015. The filing shall be deemed approved by the Council unless the Advisors file an objection with the Council by December 7, 2015. In the event that the Council or its Advisors identify any deficiency(ies) in the PB1 FAC Methodology Workpapers filing, the Company agrees to work with the Council's Advisors to correct such deficiency(ies) and reflect the effects of such correction(s) no later than the filing of the FAC Rider rates for the second month following implementation of the revised FAC.
 - (c) Notwithstanding the provisions of this Paragraph 9, the Council's Advisors, and ENO reserve their rights to take any position and raise any arguments with respect to the method of recovery of these costs in the Combined Rate Case described in Paragraph 8 of the Algiers Transaction AIP.

(d) Additionally, MISO Market and Transmission Settlement Administrative costs associated with PB1 shall be allocated to Legacy ENO Customers only and accomplished through the Legacy ENO Rider MISO; initial recovery shall commence with rates implemented as a result of the ENO Rider MISO true-up that is to be filed on or about May 31, 2016.

10. Should ENO deactivate Michoud Units 2 and 3 prior to a final decision in the Combined Rate Case described in Paragraph 8 of the Algiers Transaction AIP, then pursuant to paragraph 12 of the Algiers Transaction AIP, consistent with Paragraph 3(e) above, and in recognition of the expenses that ENO will avoid as a result of the unit deactivations, ENO shall credit to Legacy ENO Customers each month through ENO's FAC one-twelfth of \$4.8 million, that is, \$400,000. Such credit to the FAC shall commence the first billing cycle of the calendar month following the calendar month in which the unit or units are deactivated. Such credit shall cease the calendar month prior to the calendar month that rates from the Combined Rate Case become effective. In connection with the Combined Rate Case required by the Algiers Transaction AIP, ENO shall reflect in its test year cost of service the ongoing effects of the deactivation of Michoud Units 2 and 3 for a determination of the appropriate level of revenue requirements to be reflected in rates on a prospective basis.

Additional Provisions

11. This Agreement in Principle reflects a compromise, settlement, and accommodation among the signatories and the terms and conditions herein are interdependent. All actions by the signatories contemplated or required by this Agreement in Principle are conditioned upon the entry of the Council of a Resolution consistent with the terms of this Agreement in Principle.
12. Nothing contained in this Agreement in Principle shall be precedential with respect to any issue in any other proceeding or except as specifically stated herein or specifically stated in any of the Exhibits submitted as part of this Agreement in Principle.
13. This Agreement in Principle can be modified by a subsequent written agreement between the Council's Advisors and ENO provided that (1) ENO obtains approval from its Board of Directors and (2) the Council adopts a Resolution implementing the terms of the subsequent written agreement.

AGREED TO BY THE FOLLOWING SIGNATORIES:

AGREED TO BY THE FOLLOWING SIGNATORIES: NEW ORLEANS

ADVISORS TO THE COUNCIL OF THE CITY OF NEW ORLEANS

BY: CAV
Clinton A. Vince

DATE: 11/6/15

ENTERGY NEW ORLEANS, INC.
ENTERGY NEW ORLEANS, INC.

BY: [Signature]
Charles Rice, Jr.
President & CEO

DATE: 11-6-15

AGREED TO BY THE FOLLOWING SIGNATORIES:

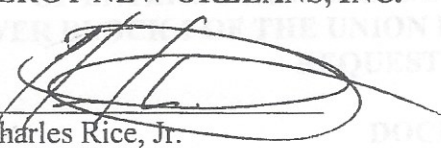
ADVISORS TO THE COUNCIL OF THE CITY OF NEW ORLEANS

BY: _____
BY Clinton A. Vince

DATE: _____

CITY HALL: November 23, 2015

ENERGY NEW ORLEANS, INC.

BY: 
Charles Rice, Jr.
President & CEO

DATE: 11-6-15

RESOLUTION AND ORDER APPROVING AGREEMENT IN PRINCIPLE

WHEREAS, pursuant to the Constitution of the State of Louisiana and the Home Rule Charter of the City of New Orleans ("Charter"), the Council of the City of New Orleans ("Council") is the governmental body with the power of supervision, regulation and control over public utilities providing service within the City of New Orleans; and

WHEREAS, pursuant to its powers of supervision, regulation and control over public utilities, the Council is responsible for fixing and changing rates and charges of public utilities and making all necessary rules and regulations to govern applications for the fixing and changing of rates and charges of public utilities; and

WHEREAS, Energy New Orleans, Inc. ("ENO"), effective September 1, 2015, is a public utility providing electric and natural gas service to all of New Orleans; and

WHEREAS, ENO is a wholly-owned subsidiary of Entergy Corporation ("Entergy"). The other four operating companies are Entergy Arkansas, Inc. ("EAI"), Entergy Louisiana, LLC