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June 28, 2019

Via Hand Delivery

Ms. Lora W. Johnson, CMC, LMMC
Clerk of Council
Room 1E09, City Hall
1300 Perdido Street
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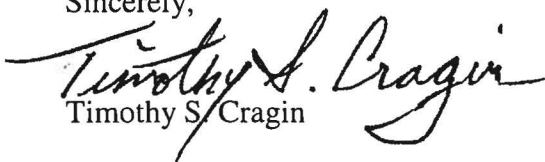
***Re: Application of Entergy New Orleans, LLC for Approval of Renewables
Portfolio and Request for Cost Recovery and Related Relief
CNO Docket NO.: UD-18-06***

Dear Ms. Johnson:

Pursuant to Council Resolution R-18-353 and the June 3, 2019 Order of the Honorable Jeffrey S. Gulin, enclosed for your further handling please find an original and three copies of the Stipulated Settlement Term Sheet signed by the parties in the above referenced docket. Please file an original and two copies into the record in the above-referenced matter and return a date-stamped copy to our courier.

Thank you for your assistance with this matter.

Sincerely,


Timothy S. Cragin

TSCrdm

Enclosures

cc: Official Service List (UD-18-06 via electronic mail)

RECEIVED
JUN 26 2019
BY: AH

CERTIFICATE OF SERVICE

Docket No. UD-18-06

I hereby certify that I have served the required number of copies of the foregoing report upon all other known parties of this proceeding, by the following: electronic mail, facsimile, overnight mail, hand delivery, and/or United States Postal Service, postage prepaid.

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New Orleans, Louisiana, this 28th day of June, 2019.



Timothy S. Cragin

**BEFORE THE
COUNCIL OF THE CITY OF NEW ORLEANS**

**APPLICATION OF ENTERGY NEW)
ORLEANS, LLC FOR APPROVAL OF)
RENEWABLES PORTFOLIO AND)
REQUEST FOR COST RECOVERY)
AND RELATED RELIEF)**

DOCKET NO. UD-18-06

STIPULATED SETTLEMENT TERM SHEET

Applicant, Entergy New Orleans, LLC (“ENO” or the “Company”), Air Products and Chemicals, Inc. (“Air Products”), the Alliance for Affordable Energy (“AAE”), 350 New Orleans, and the Council of the City of New Orleans’ (“Council”) Legal and Technical Advisors (“Advisors”), hereby enter into this Stipulated Settlement Term Sheet (“Term Sheet”) to settle and resolve the captioned matter upon the following terms, which shall be presented to the Council for approval:

1. In July 2018, the Company filed an Application, with the supporting Direct Testimony of Seth E. Cureington, Michael J. Goin, Jonathan Long, and Orlando Todd, seeking approval of its 90 megawatt (“MW”) proposed renewable energy resources portfolio consisting of a 20 MW self-build solar project located in New Orleans East (“New Orleans Solar Station” or “NOSS”), a 50 MW build-own-transfer (“BOT”) of a solar project located outside of Orleans Parish (“Iris BOT”), and a 20 MW purchase power agreement (“PPA”) from a solar project that is also located outside of Orleans Parish (“St. James Solar PPA”) (collectively, the “Original Renewables Portfolio”).
2. In November 2018, the Company filed the Supplemental Direct Testimony of Messrs. Cureington and Goin to update the results of the economic analysis for each solar resource to account for the most recent planning assumptions.

3. In March 2019, after taking into consideration comments from the Council's Advisors regarding whether the Iris Solar Facility's costs could be reduced in any way (including potentially by converting the BOT arrangement to a PPA), the Company filed a Supplemental and Amending Application, with Supplemental and Amending Direct Testimony of Company witnesses Cureington and Goin, withdrawing its request for the approval of the previously-proposed Iris BOT and proposing to substitute in its place a proposed Iris purchased power agreement ("Iris Solar PPA").
4. In May 2019, the Company filed additional Supplemental Direct Testimony of Company witnesses Cureington and Long in support of ENO's decision to provide an updated cost estimate and economic analysis for NOSS project based on substantial reductions in the previously estimated project cost.

A. Iris and St. James Solar PPAs

5. This Term Sheet sets forth the terms upon which the Council certifies and approves ENO's purchases under the Iris and St. James Solar PPAs. ENO will enter into a twenty-year PPA between ENO and Iris Solar, LLC ("Iris") for must-take, unit-contingent, as-available capacity, capacity-related benefits, environmental attributes, energy and other electric products from a 50 MW to-be-constructed solar photovoltaic ("PV") plant located on a remote, approximately 500 acre "greenfield" site in Washington Parish, Louisiana. The facility will be owned by Iris, which has secured a lease from the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College. The project is expected to enter service by December 2020.
6. ENO will also enter into a twenty-year PPA between ENO and St. James Solar, LLC ("St. James") for must-take, unit-contingent, as-available capacity, capacity-related benefits,

environmental attributes, energy and other electric products from a 20 MW to-be-constructed solar photovoltaic (“PV”) plant located on a 200 acre “greenfield” site in St. James Parish, Louisiana. The facility will be owned by St. James, which has secured a lease from Ten-R Farms. This project is expected to enter service by December 2020.

7. The evidence that ENO has presented demonstrates that ENO’s decision to execute the Iris and St. James Solar PPAs would advance the public policy objectives of the Council and provide fuel diversity. Accordingly, Council approval of the PPAs is in the public interest, serves the public convenience and necessity, and is therefore prudent.
8. Pursuant to this Term Sheet, the capacity-related and energy-related components of ENO’s payments to Iris and St. James, respectively, shall be reflected in rates as follows: (i) 25% of the PPA costs are deemed to be capacity costs, and (ii) 75% of the PPA costs are deemed to be energy costs.
9. The capacity component of ENO’s payments to Iris and St. James, as determined pursuant to Paragraph 8(i) above, shall be aligned to base rates and are eligible for recovery from customers as described for NOSS in Paragraph 15 herein.
10. The energy component of the PPA payments, as determined pursuant to Paragraph 8(ii) above, are deemed eligible for recovery by ENO through its Fuel Adjustment Clause (“FAC”) in accordance with the FAC Rider approved by the Council in Docket No. UD-18-07.
11. With respect to the Iris PPA, the project was originally proposed as a BOT asset acquisition. Under the originally-proposed Iris BOT structure, the seller would design and build the Iris Solar Facility, subject to ENO obtaining the required regulatory approvals and other conditions necessary for the issuance of a notice to proceed being met. The

original Iris BOT was selected by ENO to help ENO achieve its 100 MW renewable commitment and to give ENO more control over the asset, creating long-term cost certainty and stability for customers. While these factors remain important considerations, as noted, the Iris BOT arrangement was converted into an Iris PPA based on recommendations received from certain parties to the proceeding. The costs incurred to pursue the Iris BOT, which total \$818,371.47, will be recoverable through a regulatory asset that will be amortized in a straight-line manner over 3 years. In the event that an FRP is in effect, the amortization of this regulatory asset will be included in the calculation of the annual revenue requirement for FRP purposes, beginning with the test year ended December 31, 2019. If no FRP is in place, recovery will be by such other reasonable method that allows for full and timely recovery of all prudently incurred costs as may be approved by the Council.

B. NOSS

12. ENO will also proceed with constructing NOSS, a 20 MW solar photovoltaic (“PV”) ground-mounted system at the Michoud Assembly Facility in New Orleans, Louisiana, an installation of the National Aeronautics and Space Administration (“NASA”) based on the present estimated cost of \$42.4 million, which represents a \$10.6 million reduction compared to the original estimate due to an innovative approach to interconnect the resource. This project represents a unique opportunity to add a grid-scale solar project within Orleans Parish, which is significantly land-constrained. The project is located in an ideal location that is protected by flood mitigation structures and it will enhance the reliability of the grid. If there are no unanticipated project delays due to the inability to

obtain necessary regulatory approvals, permits, materials, and equipment, NOSS is expected to enter service in the third quarter of 2020.

13. The evidence that ENO has presented demonstrates that ENO's decision to construct the NOSS facility would advance the public policy objectives of the Council and provide fuel diversity. Accordingly, Council approval of NOSS is in the public interest, serves the public convenience and necessity, and is therefore prudent.
14. Nothing in this Term Sheet should be understood to: (a) exempt ENO from the obligation to complete construction of NOSS at the lowest reasonable cost; (b) exempt ENO from prudent management of the project following certification, including prudent cost control, continued evaluation of the appropriateness of continued construction of the project, effective administration of the engineering, procurement and construction contract and all other contracts related to the project, timely completion, reasonable financing decisions, and all other aspects of the project; (c) preclude a party from challenging the prudence of the particular costs that are incurred to construct NOSS; or (d) to be a waiver of (and the parties specifically reserve) any and all arguments as to the prudence standard applicable to the transactions under applicable law.
15. Through the Council's approval of this agreement, the prudently incurred costs associated with constructing NOSS and placing it in-service shall be deemed eligible for recovery from ENO's customers. NOSS is expected to enter service in the third-quarter of 2020. The parties agree that ENO will be allowed a reasonable opportunity to recover its NOSS-related investment, its authorized return and related operation and maintenance expenses on a timely/in-service basis. When NOSS enters commercial operation, it is anticipated that ENO's 2018 Combined Rate Case will have been acted upon by the Council and that

all of ENO's customers will be subject to a single set of Council-approved base rates and riders. To effect such recovery, ENO shall be permitted recovery either through the process described in paragraph 15(a) below, or alternatively, if necessary, through the recovery process as described in paragraph 15(b) below:

- a. If an FRP is approved in the Combined Rate Case that includes a mechanism that allows ENO to account for forward-looking known and measurable changes or other appropriate recovery mechanisms as set forth in rider EFRP, then the signatories hereto agree that ENO be allowed to include the full revenue requirement of NOSS units through an appropriate known and measurable (in-service) adjustment. No later than 45 days in advance of the expected commercial operation date ("COD"), ENO shall submit a compliance filing containing an updated estimate of the costs associated with NOSS. In accordance with the provisions of such FRP, a true-up of the estimated revenue requirement to the actual revenue requirement will be included in the FRP Evaluation Report for Evaluation Period subsequent to the first-year recovery.
- b. Alternatively, as provided in more detail below, recovery shall be permitted through the Purchased Power Cost Recovery Rider ("PPCR Rider") that has been proposed for Council consideration and adoption in the Combined Rate Case. In the event that the cost recovery contemplated in paragraph 15(a) is not possible or approved, or if no other mutually agreeable mechanism is in place by the first billing cycle of the month following commercial operation of NOSS, ENO will be authorized to commence recovery of the revenue requirement associated with the NOSS project through the PPCR Rider beginning with the first full billing cycle of the month

following commercial operation of NOSS. Such recovery shall continue until ENO's next rate case, Formula Rate Plan or other rate setting proceeding (whichever comes first), when the NOSS revenues and costs will then be realigned to ENO's base rates in the manner approved by the Council. Within 12 months following the NOSS COD, after the actual construction costs of NOSS are known, ENO shall submit a compliance filing to the Council setting forth the actual construction costs and schedule, with comparisons to the estimated costs and schedule of the Project.

- c. ENO shall recover the imputed capacity costs associated with the Iris and St. James PPAs as set forth in Paragraphs 15(a) and 15(b) above. Additionally, following realignment of such costs from the PPCR to base rate recovery, ENO shall continue to recover from or return to customers any incremental difference between the amount of capacity costs included in base rates and the actual costs incurred on a monthly basis through the PPCR.

16. Except as may be expressly stated herein, this Term Sheet shall have no precedential effect in any other proceedings involving issues similar to those resolved herein and shall be without prejudice to the right of any party to take any position on any such similar issue in future proceedings.

17. Commencing with the first quarter following Council approval of this settlement term sheet and until such time as the COD of the NOSS project is achieved, ENO will file in Docket UD-18-06 quarterly reports on the status of the NOSS Project, including schedule, cost status and summary, and other critical activities, within 45 days of the end of each calendar quarter. Those reports should also reflect any material events, including change orders that

increase or decrease engineering, procurement, and construction costs, any law changes affecting project costs, the status of required permits, any delays affecting project costs, and such other information mutually agreed upon by the Advisors and ENO. While the quarterly reports will be provided to all parties in this docket, no party shall be permitted to conduct discovery concerning such reports or the subject matter thereof, provided that the Advisors shall be permitted to request additional information reasonably needed to evaluate the quarterly report. Moreover, any quarterly report containing confidential or proprietary information of ENO or its vendors, consultants or contractors may be submitted on a confidential basis to the Advisors and parties who have executed a non-disclosure agreement in this proceeding.

18. The Council approves the terms, conditions, rights, remedies, and limitations set forth in the PPAs and confirms that ENO, and Entergy Corporation shareholders shall not be responsible, beyond the remedies specified in the PPAs, for any acts or omissions by Iris or St. James, their employees, or their contractors of any tier in connection with their ownership or operation of the facilities, including, without limitation, their failure to deliver the contracted products under the PPA. Nothing herein is intended to limit ENO's obligation to prudently manage and enforce the terms of the PPAs or to act prudently in procuring replacement energy or capacity at the lowest reasonable cost or the Council's authority to investigate the prudence of such activities of ENO.
19. This term sheet does not approve or address any potential future cancellation, or the ratemaking treatment associated with any future cancellation of the NOSS project should that occur. If the Company determines at some future date that NOSS should be cancelled or modified, the Company will make any necessary filing at that time.

SUPPORTED OR NOT OPPOSED BY THE FOLLOWING PARTIES:

SUPPORTED / NOT OPPOSED

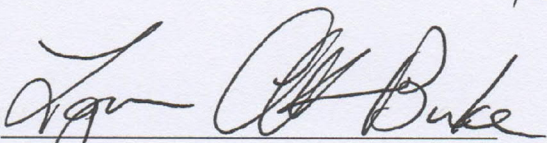
By: 

Name: Brian L. Guillot

REPRESENTING
ENTERGY NEW ORLEANS, LLC

SUPPORTED OR NOT OPPOSED BY THE FOLLOWING SIGNATORIES:

SUPPORTED / NOT OPPOSED

By: 

Name: Logan A. Burke

REPRESENTING

ALLIANCE FOR AFFORDABLE ENERGY

SUPPORTED / NOT OPPOSED

By: Emma F. Hand

Name: Emma F. Hand

REPRESENTING
THE ADVISORS TO THE COUNCIL OF THE CITY OF NEW ORLEANS

SUPPORTED / NOT OPPOSED

By: C. R. Tournillon

Name: CARRIE R. TOURNILLON

REPRESENTING
AIR PRODUCTS AND CHEMICALS, INC.

SUPPORTED / NOT OPPOSED

By: X *Andrew S Kowalczyk*

Name: Andy Kowalczyk

REPRESENTING
350 NEW ORLEANS