

RESOLUTION

NO. R-22-410

CITY HALL: September 15, 2022

**BY: COUNCILMEMBERS MORENO, MORRELL, GIARRUSSO, HARRIS, KING,
GREEN AND THOMAS**

**RESOLUTION AND ORDER APPROVING THE APPLICATION OF
ENTERGY NEW ORLEANS, LLC FOR CERTIFICATION OF COSTS
RELATED TO HURRICANE ZETA**

DOCKET UD-21-02

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, Entergy New Orleans, LLC ("ENO" or "the Company") 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 Utility Holding Company, LLC. ENO, and four other Entergy subsidiaries, Entergy Arkansas, LLC, Entergy Louisiana, LLC, Entergy Mississippi, LLC, and Entergy Texas, Inc. are the Entergy Operating Companies ("EOCs"); and

WHEREAS, on October 28, 2020, Hurricane Zeta made landfall near Cocodrie, Louisiana with 115 mph sustained winds just before moving over New Orleans and onto Mississippi and Alabama; and

WHEREAS, the storm's center passed directly over Orleans Parish, and damaging winds brought down trees, limbs, poles, and lines throughout the metropolitan New Orleans area causing

extensive damage to ENO's distribution facilities, as well as some damage to ENO's transmission facilities; and

WHEREAS, the storm caused widespread customer service outages across several states, and ENO reports that at its peak, the storm disrupted power to approximately 178,171 ENO customers; and

WHEREAS, on May 21, 2021, ENO filed its Application for Certification of Costs Related to Hurricane Zeta ("ENO Application"); and

WHEREAS, the ENO Application stated the Company incurred approximately \$35.8 million of Hurricane Zeta-related system restoration costs through March 31, 2021 ("Total Storm Costs"); and

WHEREAS, in the ENO Application, the Company stated that of ENO's Total Storm Costs of approximately \$35.8 million, \$28.1 million are capital expenditures (*e.g. replacement of poles and wires*), and \$7.7 million are non-capital costs; and

WHEREAS, in the ENO Application, the company provided a breakdown of storm costs by class and category representing that the \$35,798,619 in Total Storm Costs include certain estimated costs in the amount of \$6,958,157 related to mutual-aid utilities that assisted ENO in the restoration of its distribution system following Hurricane Zeta, but not final invoices; and

WHEREAS, in the ENO Application, ENO requested a Council order determining that the total amount of Hurricane Zeta storm costs of \$35.8 million (or any updated total of such costs submitted in this proceeding) was reasonable, necessary, and prudently incurred; and

WHEREAS, on August 5, 2021, the Council adopted Resolution R-21-296 establishing Docket UD-21-02 and instituting a procedural schedule to review the ENO Application; and

WHEREAS, two parties intervened in the Docket: the Alliance for Affordable Energy (“the Alliance”) and Air Products and Chemicals, Inc; and

WHEREAS, the Alliance timely filed comments which among other things stressed that the City is increasingly vulnerable to the impacts of climate change and there needs to be a sustainable path forward to improve the resilience of ENO’s distribution system without increasing the financial burden on ratepayers; and

WHEREAS, on May 18, 2022, the Council’s utility Advisors filed *Investigation and Review of Entergy New Orleans, LLC’s Application for Certification of Costs Related to Hurricane Zeta* (“Report”); and

WHEREAS, in the Report, the Advisors found:

- i. ENO’s system restoration activities both pre- and post- Zeta were reasonable and necessary to rebuild ENO’s electric infrastructure and to restore power to its customers;
- ii. ENO reasonably demonstrated that the accounting for its costs incurred to restore electric utility service following Zeta was accurate in all material respects and based on appropriate accounting practices and controls; and
- iii. No evidence to suggest ENO’s Storm Costs were other than prudently incurred; and

WHEREAS, in the Report, the Advisors concluded:

- i. ENO’s as-filed Total Storm Costs totaling \$35,798,619 included estimates that turned-out to be overstated. ENO’s actual final Storm Costs totaled \$32,594,926. This latter amount represents the recoverable Total Storm Costs related to Zeta. However, approximately \$304,424 of these Storm Costs are costs that are deemed recovered through ENO’s base rates (i.e., “Straight Time”) and ENO should not be afforded additional recovery from its Storm Reserve for this amount; and

- ii. ENO's withdrawal of \$44,200,000 in Storm Reserve escrow funds, which was based in part on an initial estimate of ENO's Storm Costs for Hurricane Zeta and previous storms, was in excess of ENO costs for the identified purposes; and

WHEREAS, the Council has reviewed the ENO Application, the comments, and the Report and deems it in the public interest to approve the ENO Application and certify the costs incurred by the Company as recommended in the Report; **NOW THEREFORE**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF NEW ORLEANS, That:

1. ENO's system restoration activities both pre- and post- Zeta were reasonable and necessary to rebuild ENO's electric infrastructure and to restore power to its customers.
2. ENO acted prudently in restoring electric utility service following Zeta;
3. ENO's Storm Costs totaling \$32,594,926 are presumed prudently incurred and therefore recoverable.
4. ENO's Storm Costs involving "Straight Time" are already allowed recovery through ENO's base rates and are not recoverable through an escrow withdrawal.
5. ENO is directed to apply \$304,424, equal to the "Straight Time" amount of ENO's Total Storm Costs, toward recovery of those costs that may be certified related to Hurricane Ida.

THE FOREGOING RESOLUTION WAS READ IN FULL, THE ROLL WAS CALLED ON THE ADOPTION THEREOF, AND RESULTED AS FOLLOWS:

YEAS: Giarrusso, Green, Harris, King, Moreno, Morrell, Thomas - 7

NAYS: 0

ABSENT: 0

AND THE RESOLUTION WAS ADOPTED.

THE FOREGOING IS CERTIFIED
TO BE A TRUE AND CORRECT COPY
Lera W. Johnson
CLERK OF COUNCIL

g:\mills\council 1\adopted m-r 2022\r-410.docx