Leslie M. LaCoste
Counsel – Regulatory
Entergy Services, LLC
504-576-4102 | llacost@entergy.com
639 Loyola Avenue, New Orleans, LA 70113

June 28, 2024

Via Electronic Delivery
Clerk of Council
Council of the City of New Orleans
1300 Perdido Street
Room 1E09, City Hall
New Orleans, LA 70112

Re: Delta States Utilities NO, LLC and Entergy New Orleans, LLC, Ex Parte. In Re: Application for Authority to Operate as Local Distribution Company and Incur Indebtedness and Joint Application for Approval of Transfer and Acquisition of Local Distribution Company Assets and Related Relief Council Docket No. UD-24-01

Dear Clerk of Council:

Attached please find the Rebuttal Testimonies of Alyssa Maurice-Anderson and Anthony P. Arnould, Jr. on behalf of Entergy New Orleans, LLC ("ENO"), for filing in the above-referenced docket.

Please note that the testimony of Alyssa Maurice-Anderson and Exhibits AMA-2, AMA-5, and AMA-6 attached thereto, contain Highly Sensitive Protected Materials, and are being provided via electronic means only to those appropriate reviewing representatives who have executed the Council's Official Protective Order in this docket.

ENO submits this filing electronically and will submit the requisite original and number of hard copies once the Council resumes normal operations, or as you direct. ENO requests that you file this submission in accordance with Council regulations as modified for the present circumstances.

Thank you for your assistance in this matter, and please let me know if you have any questions or concerns.

Sincerely,

Leslie M. LaCoste

LML/jlc
cc: Official Service List (UD-24-01)

BEFORE THE

COUNCIL OF THE CITY OF NEW ORLEANS

DELTA STATES UTILITIES LA, LLC AND ENTERGY LOUISIANA, LLC, EX PARTE.	)))	
IN RE: APPLICATION FOR AUTHORITY TO OPERATE AS LOCAL DISTRIBUTION COMPANY AND INCUR INDEBTEDNESS AND JOINT APPLICATION FOR APPROVAL OF TRANSFER AND ACQUISITION OF LOCAL DISTRIBUTION COMPANY ASSETS AND RELATED RELIEF.	)))))))	**DOCKET NO. UD-24-01**

REBUTTAL TESTIMONY

OF

ALYSSA MAURICE-ANDERSON

ON BEHALF OF

ENTERGY NEW ORLEANS, LLC

<u>PUBLIC REDACTED VERSION</u>

JUNE 2024

TABLE OF CONTENTS

EXHIBITS

I. INTRODUCTION AND BACKGROUND

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Alyssa Maurice-Anderson. I am employed by Entergy Services, LLC ("ESL")[1] as the Director, Regulatory Filings and Policy. My business address is 639 Loyola Avenue, New Orleans, Louisiana 70113.

Q2. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying before the Council of the City of New Orleans on behalf of Entergy New Orleans, LLC ("ENO" or the "Company").

Q3. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I hold a Master of Business Administration (concentration in Finance) from Tulane University's Freeman School of Business, a Juris Doctor from Loyola University New Orleans School of Law and a Bachelor of General Studies from the University of New Orleans. I have been licensed to practice law in the State of Louisiana since 2003.

I joined the ESL Legal Department in 2001 and until August 2020, I held increasing levels of responsibility supporting regulatory litigation matters. Most notably, beginning in 2008, my practice focused on leading rate matters filed by regulated EOCs -- first for ENO, then for Legacy Entergy Louisiana, LLC ("Legacy ELL") and Legacy

[1] ESL is a service company to the five Entergy Operating Companies ("EOCs"), which are Entergy Arkansas, LLC ("EAL"), Entergy Louisiana, LLC, Entergy Mississippi, LLC ("EML"), Entergy Texas, Inc., and Entergy New Orleans, LLC.

Entergy Gulf States Louisiana, LLC ("Legacy EGSL") and then for both ENO and ELL. My responsibilities included providing legal advice and developing legal strategies necessary to file applications/requests on behalf of the referenced operating companies, manage, and obtain approval of ratemaking treatments that resulted in rates that were just and reasonable to customers and the investor-owned utility, as well as various related duties, such as issuing probability assessments, drafting, and reviewing inserts to disclosure documents, *etc*. The ratemaking treatments for which the companies sought approvals (and which I supported) sometimes were made as stand-alone proceedings, *e.g.*, rate case or Formula Rate Plan ("FRP") proceedings or in connection with major strategic initiatives, such as joining the Midcontinent Independent System Operator, Inc. organization, business separations/internal restructurings, resource additions, *etc*.

In 2020, I transitioned from the Legal Department to ENO as Director, Regulatory Operations (Affairs), reporting directly to the President and Chief Executive Officer of ENO. As Director, Regulatory Operations, I contributed to the development of regulatory strategy, appeared on behalf of ENO before its regulator, the Council of the City of New Orleans (the "Council"), and interfaced with customers at public meetings. Additionally, with the support of several analysts and ESL's Regulatory Services organization, I was responsible for the coordination and/or submission of retail regulatory filings on behalf of ENO. In May 2021, I returned to ESL and since then have worked as Director, Regulatory Filings and Policy.

In my current role, I oversee the group of analysts that assists in coordination and execution of activities necessary to meet certain regulatory filing requirements applicable to the EOCs. Those activities include extracting per book data and/or preparing *pro* *formas* to that data for use in the various regulatory filings submitted by and on behalf of the EOCs and System Energy Resources, Inc., as well as providing financial analytics that support certain strategic initiatives that require regulatory approvals. The deliverables resulting from this technical support take the forms of revenue requirement development, cost of service analysis, responses to internal and external data requests and explanation of certain policies used in regulatory proceedings. I am also responsible for providing testimony on certain policy issues and/or ratemaking treatments, including the types that are the subject of these regulatory proceedings.

Q4. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY BODIES?

A. Yes. I have submitted testimony to the Council, the Louisiana Public Service Commission, and the Public Utility Commission of Texas. A list of my previously filed testimony is attached hereto as Exhibit AMA-1. I have also appeared as regulatory counsel on behalf of ELL and ENO before the LPSC and the Council, respectively.

II. PURPOSE OF TESTIMONY

Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to respond to the Advisors' testimony regarding ratemaking, financial, and accounting issues raised by their testimony. First, the Advisors have proposed that ENO be subject to mitigation measures to address alleged harm to electric customers from the Gas Transaction from certain shared electric and gas operation and maintenance expenses ("O&M") and capital costs that ENO would continue to incur post-transaction but would no longer be attributable to gas customers. In my testimony, I refer to these measures as "Electric Rate Mitigation Measures."

ENO requests that the Council reject the proposed Electric Rate Mitigation Measures because such measures arise from a limited, unbalanced application of Resolution R-06-88 ("Restructuring Resolution"), and the analysis of the benefits of the Gas Transaction requires broad consideration of scope and time to properly assess the benefits of the Gas Transaction. Moreover, the need for and the quantification of the Electric Rate Mitigation Measures is speculative at this time, and the Council should reject them.

Second, the Advisors' proposed transaction cost and gain treatment do not reasonably balance the interests of customers and ENO. Such treatment would result in ENO not recovering fully its prudent investment in its gas assets. Third, I clarify that ENO's equity ratio for AFUDC[2] purposes is not constrained by the lesser of 50% or ENO's actual equity ratio; Resolution R-19-457 does not address ENO's equity ratio for AFUDC purposes. Finally, I address certain comments of the Advisors regarding the Money Pool.

It is worth noting that simply because I do not address an argument or specific piece of testimony in my Rebuttal Testimony, it is not to be assumed that I agree or otherwise endorse that argument or specific piece of testimony.

[2] AFUDC stands for Allowance for Funds Used During Construction. AFUDC is an element of construction cost set forth in the Federal Energy Regulatory Commission's Uniform System of Accounts, Electric Plant Instruction 3(A)(17).

III. APPLICATION OF THE RESTRUCTURING RESOLUTION

Q6. DO YOU AGREE WITH THE ADVISORS' APPLICATION OF THE TERMS OF THE RESTRUCTURING RESOLUTION (RESOLUTION R-06-88) IN THIS PROCEEDING?

A. Actually, I disagree in several respects. First, the Restructuring Resolution does not expressly contemplate conditions being imposed on the selling entity, ENO, or its electric rates. Ordering Paragraph 3 of the Restructuring Resolution provides that the "entity seeking acquisition or control of a public utility . . . subject to the Council's jurisdiction . . . shall have the burden of proving that the requirements of this Order have been satisfied." In this instance, the entity seeking acquisition or control of the Gas Business is DSU NO. Therefore, the burden of satisfying the Restructuring Resolution lies with DSU NO, not ENO, and, likewise, the Council's evaluation of need for imposing conditions should be limited to DSU. Also, I discuss that, in certain instances, what the Advisors have described as a detriment to gas customers will be realized by electric customers of ENO who are largely the same customers.

Q7. HOW DOES THE RESTRUCTURING RESOLUTION RELATE TO THE JOINT APPLICANTS' REQUEST FOR A PUBLIC INTEREST FINDING?

A. The Restructuring Resolution requires a public interest determination by the Council. Although the public interest is listed as one of 18 factors, the public interest is the over-arching factor, and I view the other factors as being indicative of the public interest determination. In other words, the other factors are listed to guide the public interest determination. Thus, I read the Restructuring Resolution slightly differently from the

Advisors,[3] and it is this reading that leads me to some conclusions that vary from the Advisors.

Q8. WHAT IS THE PUBLIC INTEREST?

A. The public interest is that which is thought to best serve everyone; it is the common good. If the net effect of a decision is believed to be positive or beneficial to society as a whole, it can be said that the decision serves the "public interest."

Public utilities in general, and electric utilities in particular, affect nearly all elements of society. Public utilities have the ability to influence the cost of production of the businesses that are served by them, to affect the standard of living of their customers, to affect employment levels in the areas they serve, and to affect the interests of their investors. In sum, public utilities affect the general economic activity of the areas they serve.

In determining whether a particular decision or policy is in the public interest, there is no immutable law or principle that can be applied. While the public interest is often defined in terms of "net benefits," such a test or standard merely substitutes one expression for another. The difficulty is in defining and, if possible, quantifying the "net benefits."

It is recognized that "net benefits" cannot simply be defined as lower prices. For example, if lower prices are achieved through a reduction in the reliability or quality of service, it may very well be perceived that the lower prices have not produced net

[3] See Direct Testimony of Mr. Rogers at 20(11-18).

benefits. Similarly, higher prices might not produce negative net benefits or detriments. For example, if an existing price is low due to a cross-subsidy, removing that subsidy would raise that price, but doing so would not necessarily be detrimental. The Louisiana Supreme Court reached just such a conclusion in *City of Plaquemine v. Louisiana Public Service Commission*, 282 So. 2d 440, 442-43 (1973), when it found that:

> The entire regulatory scheme, including increases as well as decreases in rates, is indeed in the public interest, designed to assure the furnishing of adequate service to all public utility patrons at the lowest reasonable rates consistent with the interest both of the public and of the utilities.
>
> Thus the public interest necessity in utility regulation is not offended, but rather served by reasonable and proper rate increases notwithstanding that an immediate and incidental effect of any increase is improvement in the economic condition of the regulated utility company.

Objective measurement of how a decision affects the public interest is problematic at best. For the past eighty years, regulatory decision-making has been tested in the courts by a balancing-of-interests standard. In these cases, beginning with *Federal Power Commission v. Hope Natural Gas Company*, 320 U.S. 591, 603 (1944), the courts have found that if the regulatory body's decision reflected a reasonable balancing of customer and investor interests, the decision was to be affirmed as just and reasonable.

In sum, determining whether a decision is in the "public interest" requires a balancing of the various effects of a particular course of action measured subjectively over the longer run. Whether a course of action is in the public interest will depend upon factors that are potentially quantifiable on an estimated basis (applying certain assumptions and approximations), such as likely changes in costs or revenues, as well as upon other factors that are hard-to-quantify or unquantifiable, such as the effect of that course of action on the robustness of a competitive market.[4] Finally, although witnesses can provide facts and opinions that bear on this issue, the decision-maker – the Council – must ultimately weigh all of these factors and conclude whether the particular proposed course of action is in the public interest.

Q9. DO THE ADVISORS BALANCE VARIOUS EFFECTS CONSISTENT WITH THE AUTHORITIES YOU DISCUSS ABOVE?

A. It does not appear so. Although the Advisors contend that they are considering both quantifiable and unquantifiable effects, they do not give adequate weight to the non-quantifiable (or "hard-to-quantify" with a high degree of certainty) benefits, which they agree should result.[5] The Advisors recommend mitigation for potential quantifiable cost increases but make no attempt to adjust such mitigation for the potential non-quantifiable/hard-to-quantify benefits that customers stand to receive. That is not consistent with the weighing and the balancing of all relevant effects that I described here earlier. That is ignoring non-quantifiable benefits. The analysis of the benefits of the Gas Transaction requires broad consideration of scope and time to properly assess the net benefits of the Gas Transaction. With the proper consideration of scope and time, the Gas Transaction produces net benefits and the Gas Transaction's benefits outweigh the alleged short-term minor harms to ENO's electric customers that the Advisors seek to mitigate.

---

4 See Permian Basin Area Rate Cases, 390 U.S. 747, 815 (1968).

5 Rogers Direct at 25(1-13).

Q10. ARE THERE MAJOR HARD TO QUANTIFY BENEFITS THAT ARE NOT BEING CONSIDERED PROPERLY?

A. Yes. The Advisors' balancing does not give due weight to ENO's developing a plan to monetize its current gas assets and use the cash as capital for new resilient and reliable grid assets, thereby avoiding the current higher costs associated with obtaining new debt capital. The Council has observed that the cycle of storm damage and repair "is not sustainable for the Company or ratepayers."[6] The Company agrees, and as explained by Ms. Rodriguez in her Direct Testimony, ENO has proposed investments in its electric grid that are expected to provide substantial, long-term benefits to its customers, particularly in the areas of resilience and reliability.[7] The Gas Transaction can play a significant role in allowing ENO to finance these investments in a manner that minimizes the effect on customer rates.

Q11. PLEASE EXPLAIN HOW ENO WOULD AVOID THE CURRENT HIGHER DEBT COSTS.

A. ENO intends to use the cash proceeds from the proposed transaction to fund capital investments rather than obtaining new debt capital from the market, as discussed by Company witness Ms. Rodriguez in her Direct Testimony. Although the amount of cash proceeds to be retained by ENO has not been determined, if, hypothetically, ENO were to

---

6 Resolution R-21-401, p2.

7 Rodriguez Direct at 4(9-21).

retain $150 million, the expected annual recurring savings is estimated to be roughly $2.8 million. The calculation of this amount is shown in Highly Sensitive Exhibit AMA-2.

Q12. WHY ARE THESE BENEFITS HARD TO QUANTIFY?

A. We are unable to predict these benefits with certainty, though some level of these benefits has a strong likelihood of materializing. The illustration of annual recurring savings shown in Highly Sensitive Exhibit AMA-2 depends on two assumptions: (1) the amount of cash proceeds that ENO retains and (2) the market cost of debt at the time of ENO's investment of the cash proceeds. That benefits will occur is substantially likely given the current market interest rate levels (which are elevated relative to fairly recent history), but the exact amount of benefits is not known.

Q13. THE ADVISORS STATE THAT, IN GENERAL, ENO SHOULD NOT REDEEM EXISTING LONG-TERM DEBT PRIOR TO ITS MATURITY. DO YOU AGREE?

A. I generally agree, and ENO plans to continue to prudently manage its debt portfolio after it receives the proceeds from the Gas Transaction. ENO may use proceeds to potentially repay some debt maturing in the near future, as opposed to refinancing it. For example, one series of bonds with a principal amount of $85.0 million will mature in June 2026. That long-term debt issuance has a coupon rate of 4.00% and annualized interest expense of $3.4 million. By using a portion of the proceeds from the Gas Transaction to retire this debt, ENO avoids having to refinance this debt at today's higher market interest rates.

Q14. ARE THERE OTHER HARD-TO-QUANTIFY BENEFITS THAT ARE NOT BEING CONSIDERED PROPERLY?

A. Yes. The Gas Transaction provides gas customers the opportunity to access capital markets without as significant a risk premium as that associated with an electric utility operating in a concentrated geographic area susceptible to frequent and severe storm activity.[8] The credit rating agencies downgraded ENO after Hurricane Ida, and ENO's credit reports are dominated by discussion of ENO's storm risk to its electric operations. In its most recent report, S&P Global Ratings ("S&P") opined that key risks for ENO were "[e]xposure to severe hurricanes and storms within its service territory that requires continuous management of regulatory risk" and "[l]ack of sufficient system hardening limits ability to protect against severe storms and increases business risk relative to peers." The S&P Report is attached as Exhibit AMA-3.

Similarly, in its most recent report, Moody's Investor Service ("Moody's") opined that a credit challenge for ENO is being "[g]eographically positioned in a low-lying coastal region exposed to storm surges and severe weather events." The Moody's Report is attached as Exhibit AMA-4. Although gas assets are not immune from storm damage and the gas business is not immune to interruption from storms, the storm damage risk to gas assets is less than the storm damage risk to electric assets. For example, ENO's electric storm capital expenditures associated with Hurricane Ida totaled approximately $126 million. The gas capital expenditures associated with Hurricane Ida totaled less than $500,000. Because ENO is a combined electric and gas company, ENO's capital

8 *See* Rodriguez Direct at 4(1-3).

cost for the gas business reflects ENO's storm risk premium from its electric operations. The Gas Transaction will permit for the first time gas customers to access capital markets without the risk premium largely attendant to gas operations. Even though this benefit is difficult to quantify in both the short and long term, conceptually, gas customers should benefit significantly from the mitigation of such risk premium.

Q15. DO YOU EXPECT THE SALE OF THE GAS BUSINESS TO ADVERSELY AFFECT ENO'S CREDIT RATINGS?

A. I do not, and the Advisors do not conclude otherwise.[9] The above credit reports do not discuss ENO's gas business; the gas business is neither a strength nor a risk. Although the sale of ENO's gas business may temporarily decrease ENO's cash flow, in the long-run, ENO's operating cash flow should improve as ENO invests the Gas Transaction's net proceeds in new reliable and resilient grid infrastructure and that investment is included in ENO's rate base. Using a portion of the sales proceeds to retire maturing debt would further support ENO's credit metrics by reducing its overall amount of debt.

9 Watson Direct at 19(3-12).

Q16. PUTTING ASIDE THE *WEIGHING* OF NON-QUANTIFIABLE BENEFITS, DO YOU AGREE WITH THE ADVISORS' QUANTIFICATIONS OF THE COSTS AND BENEFITS TO ENO'S ELECTRIC CUSTOMERS AND DSU NO'S FUTURE GAS CUSTOMERS?

A. No, the quantifications need adjustment. The Advisors did not quantify the potential reversal of gas-related asset accumulated deferred income taxes ("ADIT") that would arise from the gain on the sale, thus reducing ENO's Net Operating Loss Carryforward ("NOLC") when quantifying their Electric Rate Mitigation Measures.[10] Currently, ENO has an NOLC; this results in ADIT included in both ENO's electric and gas rate bases, which increases these rate bases. ENO expects to use a portion of its NOLC to offset the tax gain from the transaction, and ENO expects such utilization to reduce the amount of NOLC ADIT included in electric rate base post-transaction. If the Gas Transaction is consummated, ENO estimates that its NOLC ADIT would [redacted], assuming no unplanned events occur producing significant deductions, such as a major storm. Whereas, if the Gas Transaction does not occur, ENO estimates that its NOLC ADIT [redacted]. The net present value of this benefit is $[redacted] million to ENO's customers. Highly Sensitive Exhibit AMA-5 shows the calculation of this expected benefit.

---

[10] *Id*. at 54(6)-55(2).

Q17. DO YOU AGREE THAT THE ADVISORS' PROPOSED ELECTRIC RATE MITIGATION MEASURES ARE APPROPRIATE?

A. No. The harm that the Advisors are proposing to mitigate is ENO's loss of the ability to recover common electric and gas costs, which are currently recovered from both electric and gas customers. As I mentioned above, I'm concerned that the wording of Resolution R-06-88 does not contemplate such action relative to the selling entity. Also, as I discussed above, a combination of quantifiable and non-quantifiable benefits adequately mitigate any perceived harm from ENO losing the ability to spread common electric and gas costs to gas customers. Indeed, a potential rate increase by itself does not justify a mitigation proposal. Moreover, the basis for any perceived harm is tenuous and speculative because the estimates that have been provided are contingent on ENO's historical state, including costs, cost structure, and revenues remaining the same after the Gas Transaction, when it will not.

Q18. PLEASE ELABORATE.

A. Currently, the Gas Transaction closing date, subject to timely approval by the Council, is expected to be no earlier than July 2025. Thus, ENO's April 30, 2026, Electric FRP Evaluation Report, the final filing in the current FRP, is expected to provide the first opportunity to examine any Gas Transaction effects on ENO's costs.

In the next twenty-three months, a myriad of factors could make the proposed mitigation measures unwarranted. ENO may be able to achieve cost efficiencies that would mitigate alleged harm from the Gas Transaction. The EOCs, including ENO, are encouraged to identify and engage in opportunities for continuous improvement to identify operational performance, customer affordability, and organizational health improvements. Relative to the present transaction, ENO estimates these efforts should produce meaningful, ongoing benefits for ENO's customers in the next three years, the narrow period of time over which the evaluation of the Gas Transaction has been focused.

Also, ENO's O&M, especially the portion billed by ESL, can vary significantly from year to year because of changes in ESL activities and the drivers of those cost allocators. Conceptually, ESL is expected to have some small amount of workforce capacity freed up after the Gas Transaction, but the electric operations of the EOCs is expected to grow and utilize that capacity quickly. This would limit or eliminate any shifting of ESL costs allocated to ENO's electric customers (attributable to shared electric and gas costs) after the Gas Transaction.

Q19. DOES CUSTOMER USAGE AFFECT ENO'S PER KWH PRICE?

A. Yes, and the Advisors do not consider this factor when proposing the Electric Rate Mitigation Measures. ENO's electric customers' usage can vary significantly from year to year. For example, ENO's electric customers' usage was slightly over 6 million kilowatt-hours in 2023. ENO's electric customers' usage was slightly over 5.8 million kilowatt-hours in 2022. Although ENO does not expect significant load growth, ENO expects the Sewerage and Water Board of New Orleans ("SWB") to increase its electric consumption significantly and decrease its gas consumption significantly. Thus, SWB's electrification should lessen any perceived harm from ENO losing the ability to charge these costs to gas customers.

Q20. WHAT WAS THE SOURCE AND VINTAGE OF THE INFORMATION THE ADVISORS USED TO DEVELOP THE PROPOSED ELECTRIC RATE MITIGATION MEASURES?

A. The Advisors' proposed Electric Rate Mitigation Measures are based on the Company's estimates using calendar year 2023 information provided in a data request response.[11] As discussed above, such information will be out of date and have limited probative value by 2026, when the Council will have the first chance to view ENO's post-transaction financial data in an FRP Evaluation Report. Furthermore, ENO explained in that data request response that it continues to consider potential options to mitigate such costs/identify additional benefits of the transaction. Thus, the Council should not rely on the proposed level of Electric Rate Mitigation Measures. The second addendum response to the Advisors' data request is attached hereto as Highly Sensitive Exhibit AMA-6. Rather than assume that all common electric and gas costs currently borne by gas customers will be assumed by electric customers after the Gas Transaction, the Council should holistically review post-transaction electric rates through the appropriate rate proceeding(s) (*i.e.*, review of the FRP Evaluation Report(s)).

[11] Watson Direct at 54, n. 88 (referencing the Company's highly sensitive response to ADV 1-13).

IV. TRANSACTION/COOPERATION COSTS AND GAIN TREATMENT

Q21. HOW DOES ENO PROPOSE TO ADDRESS ITS TRANSACTION AND COOPERATION COSTS?

A. ENO proposes that the Council allow ENO to offset its transaction and cooperation costs, currently estimated to be approximately $29.0 million, against the sale proceeds.

Q22. WHAT COMPRISES THOSE TRANSACTION AND COOPERATION COSTS?

A. Company witness Mr. Arnould discusses transaction costs and cooperation costs in his Rebuttal Testimony. Of the approximately $29.0 million, Mr. Arnould states that approximately $16.45 million represents forecasted 2024-2025 transaction costs, and approximately $8.9 million represent cooperation costs, with a total of $3.7 million spent through the end of December 2023. These estimates are subject to revision.

Q23. DO THE ADVISORS OPPOSE SUCH RECOVERY?

A. Yes, they do. They claim prohibition of such recovery is permissible because the Gas Transaction is expected to impose significant additional costs on customers[12] and no quantifiable electric customer benefits.[13] As I discussed above, the Advisors' quantification of these alleged "significant additional costs" is unsound, and the fact that the Gas Transaction may result in additional costs is not a basis for prohibiting recovery

[12] Watson Direct at 16(5-10).

[13] *Id*. at 54(1-2).

of ENO's transaction and cooperation costs. Furthermore, the Advisors concede that the Gas Transaction should provide non-quantifiable benefits to electric customers.[14]

Q24. DO THE ADVISORS CONTEND THAT THE TWO CATEGORIES OF COSTS ARE IMPRUDENT?

A. No.

Q25. ARE THE TRANSACTION AND COOPERATION COSTS NECESSARY?

A. Yes. Once ENO decided to sell the Gas Business, ENO had an obligation to find an operator that could satisfy the public interest requirements of Resolution R-06-88. Thus, the transaction and cooperation costs are necessary to achieve the benefits of the Gas Transaction, as further discussed by Company witness Mr. Arnould in his Rebuttal Testimony.

Q26. WHAT WOULD BE THE EFFECT ON ENO OF NOT RECOVERING ITS TRANSACTION AND COOPERATION COSTS?

A. Although the Advisors couch their proposal as prohibiting recovery of transaction and cooperation costs, the effect is that ENO does not recover all of its prudently invested capital in its gas assets being sold. Under the Advisors' proposal, ENO would take, at minimum, an approximately $29.0 million loss on the Gas Transaction. This is an

[14] Roger Direct at 25(1-13).

unreasonable result. Indeed, under the Advisors' approach, ENO would have been better off if it had never pursued the Gas Transaction.

Q27. WHAT IS ENO'S CURRENT ESTIMATE OF THE BOOK GAIN FROM THE TRANSACTION?

A. See the following table for the most recent estimate.

Current Estimate of Book Gain ($millions)	
	Assumed Closing Date of 9/2025
Adjusted Purchase Price[15]	[redacted]
Less Net Book Value of Assets Sold[16]	[redacted]
Less Transaction and Cooperation Costs	[redacted]
Estimated Book Gain	[redacted]

Q28. WHY IS THE ADJUSTED PURCHASE PRICE IN THE ABOVE TABLE DIFFERENT FROM THE PURCHASE PRICE DISCUSSED BY THE ADVISORS?

A. The Purchase and Sale Agreement between ENO and DSU NO provides for adjustments to the purchase price. The Advisors reference the Base Purchase Price.[17]

15 The Adjusted Purchase Price consists of the Base Purchase Price of $[redacted] million in addition to $[redacted] million in Adjustments to Base Purchase Price per the Purchase Sale Agreement.

16 The net book value of the assets is based on a forecasted Net Plant value as of September 2025, and other relevant balance sheet items as of December 31, 2023.

17 Watson Direct at 47(1-3).

Q29. THE ADVISORS' CLAIM THE GAIN ON THE GAS TRANSACTION SHOULD NOT FACTOR IN TRANSACTION AND COOPERATION COSTS. IS THAT A REASONABLE ASSERTION?

A. No. Electric Plant Instruction 5 (Electric Plant Purchased or Sold) explains that the default determination of gain on a sale of assets is "the difference, if any, between (1) the net amount of debits and credits and (2) the consideration received for the property (less commissions and other *expenses of making the sale*). . . ."[18]

Q30. THE ADVISORS TAKE THE POSITION THAT THE GAIN SHOULD BE USED TO REDUCE ENO'S ELECTRIC RATES. DO YOU AGREE?

A. No. The Council should approve an equitable sharing of the correctly calculated gain from the Gas Transaction.

Q31. WHY SHOULD THE COUNCIL DETERMINE AN EQUITABLE SHARING OF THE BOOK GAIN?

A. ENO bore the risk of operating its gas business (*i.e.*, the gains and losses of normal utility operations), and the outcomes of recent ratemaking proceedings demonstrate that risk. Therefore, ENO should receive the benefits of its operation of the assets being sold.

In FRP proceedings following the pandemic, ENO worked with the Advisors and accepted less in revenues than it should have otherwise been entitled in those proceedings due to the need for customer mitigations at that time. Customers received the benefit of

[18] 18 CFR Ch.1, Subchapter C, Part 101, Electric Plant Instruction 5.F (2021).

smaller rate increases, and ENO bore the risk of operating without the level of revenue resulting from the Council-approved formula.

Q32. ARE THERE OTHER REASONS THAT SUPPORT SHARING THE GAIN?

A. If the Council takes the position that all gains should be used to offset customer rates, then utilities will be discouraged from selling assets which could be better optimized by another firm.

V. ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION ("AFUDC")

Q33. DO YOU HAVE OTHER CONCERNS ABOUT THE ADVISORS' RATEMAKING RECOMMENDATIONS REGARDING THE GAS SALE TRANSACTION?

A. Yes. In the context of discussing how DSU NO should account for AFUDC upon the close of the transaction, Mr. Watson alleges that "the equity ratio for AFUDC purposes is the lesser of 50% or ENO's actual equity ratio[.]"[19] For reasons that I discuss here, this statement is inconsistent with ENO's understanding of the Council-approved requirements for current ratemaking and requires clarification.

Q34. DOES RESOLUTION R-19-457 (OR ITS PROGENY) LIMIT THE EQUITY RATIO TO BE USED IN ENO'S AFUDC CALCULATIONS?

A. No. As I discuss in further detail here later, Resolution R-19-457, which is the Council's final decision on the 2018 Rate Case filed in Docket UD-18-07, does not limit the equity

[19] Watson Direct p. 22(13-15) citing Council Resolution No. R-19-457, Ordering Paragraph 2 at 184.

ratio to be used in ENO's AFUDC calculation. Nor did the resolutions approving subsequent settlement of 2018 Rate Case issues.

Q35. WHAT IS AFUDC?

A. As mentioned before, AFUDC stands for allowance for funds used during construction. AFUDC is defined, and its calculation is set forth, in FERC Electric Uniform System of Account in Electric Plant Instruction 3(A)(17). AFUDC captures for the plant construction period the net cost of borrowed funds used and a reasonable rate on other funds (e.g., equity).

Q36. DOES THE PLANT INSTRUCTION ADDRESS THE EQUITY RATIO TO BE USED IN THE AFUDC CALCULATION?

A. Yes. The instruction requires that the common equity ratio shall be determined using the actual, year-end book balance: "long-term debt, preferred stock and common equity shall be the actual book balances as of the end of the prior year."

Q37. WHAT WAS THE ADVISORS' RECOMMENDATION IN THE 2018 RATE CASE WITH RESPECT TO ENO'S EQUITY RATIO?

A. Their recommendation was that "the Council set ENO's equity ratio at 50% as opposed to ENO's proposed 52.2%. If the Council approves a Formula Rate Plan ("FRP") mechanism, I recommend that the equity ratio for the FRP mechanism be equal to the lesser of 50% or ENO's actual equity."[20] ENO's proposed 52.2% equity ratio for the calculation of base rates was ENO's projected equity ratio as of December 31, 2018, which was the test year-end of the Period II cost of service in the 2018 Rate Case required by the Council's minimum filing requirements. ENO's actual equity ratio as of the test year-end of Period I was 54.93%.

Q38. DID THE COUNCIL ADOPT THE ADVISORS' RECOMMENDATION IN ITS FINAL DECISION?

A. Yes. The Council explained as follows: "the Council rejects ENO's proposal in favor of a more reasonable equity ratio of the lesser of 50% or ENO's actual equity ratio for the purposes of this instant proceeding and for the FRP evaluations ordered in this resolution."[21] The corresponding ordering paragraph states that "ENO's WACC shall be based on an equity ratio equal to the lesser of ENO's actual equity ratio or 50% and shall be used for all rate ratemaking purposes."[22]

Q39. DOES RESOLUTION R-19-457 MENTION AFUDC?

A. No.

[20] 2018 Rate Case Direct Testimony of Mr. Watson at 2(10-13).

[21] Resolution R-19-457 at 31.

[22] Resolution R-19-457 at 184.

Q40. WHAT DID THE COUNCIL MEAN BY USING THE PHRASE "ALL RATE RATEMAKING PURPOSES"?

A. In the context of Resolution R-19-457, the term "all rate ratemaking purposes" refers to the FRP evaluations authorized by the Council.

Q41. DID ENO SEEK JUDICIAL REVIEW OF THE EQUITY RATIO LIMITATION ADOPTED IN RESOLUTION R-19-457?

A. Yes.

Q42. DID THE DISTRICT COURT RULE ON THIS ISSUE?

A. No, the Council and ENO resolved the legality of the equity ratio limitation through a settlement. The Council approved an Agreement in Principle in Resolution R-20-344 that eliminated the equity ratio limitation in Resolution R-19-457 and put in its place a hypothetical capital structure with a 51% equity ratio. The Agreement in Principle further required ENO to dismiss its petition for judicial review of Resolution R-19-457. The Agreement in Principle (without attachments) is attached as Exhibit AMA-7.

Q43. DOES ENO CONTINUE TO USE A HYPOTHETICAL CAPITAL STRUCTURE IN ITS FRP?

A. Yes, it does. Resolution R-23-491 increased the equity ratio to 55% in the hypothetical capital structure.

VI. OTHER RESPONSES TO TESTIMONY

Q44. PLEASE DESCRIBE THE MONEY POOL.

A. The Money Pool is an approved mechanism through which the EOCs can either borrow from other Money Pool participants or invest temporarily available funds and make those funds available to the EOCs and other Money Pool participants, such as ESL, on a short-term basis.

Q45. THE ADVISORS SUGGEST THAT CASH CAN BE ASSIGNED TO ANY MONEY POOL PARTICIPANT. DO YOU AGREE WITH THAT DESCRIPTION?

A. I would clarify such testimony[23] as follows. ENO does not lose ownership of its funds invested in the Money Pool, and ENO has no obligation to keep its funds in the Money Pool for a definite period of time. If another EOC borrows funds from the Money Pool, then the other EOC reflects that borrowing as a liability on its books of account. Similarly, if ENO borrowed from the Money Pool, it would reflect such borrowings as a liability on its books of account.

VII. CONCLUSION

Q46. WHAT ARE THE MAIN POINTS IN YOUR TESTIMONY THAT YOU RECOMMEND THE COUNCIL CONSIDER?

A. With the proper consideration of scope and time, the Gas Transaction produces net benefits and the Gas Transaction's quantifiable and non-quantifiable benefits outweigh

[23] Watson Direct at 48(1-10).

the alleged short-term minor harms to ENO's electric customers that the Advisors seek to mitigate, and the alleged short-term minor harms to ENO's electric customers are speculative. Furthermore, the Advisors' proposed treatment of ENO's transaction and cooperation costs and the gain from the Gas Transaction is unreasonable, and ENO would have been better off never pursuing the Gas Transaction. The Council should approve an equitable sharing of the correctly calculated gain from the Gas Transaction and permit ENO to offset its transaction and cooperation costs against proceeds received from DSU NO.

Q47. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes, at this time.

AFFIDAVIT

STATE OF LOUISIANA

PARISH OF ORLEANS

NOW BEFORE ME, the undersigned authority, personally came and appeared, ALYSSA MAURICE-ANDERSON, who after being duly sworn by me, did depose and say:

That the above and foregoing is her sworn testimony in this proceeding and that she knows the contents thereof, that the same are true as stated, except as to matters and things, if any, stated on information and belief, and that as to those matters and things, she verily believes them to be true.

ALYSSA MAURICE-ANDERSON

SWORN TO AND SUBSCRIBED BEFORE ME
THIS 27th **DAY OF** June **2024.**

NOTARY PUBLIC

My commission expires: at death

HARRY M. BARTON
Notary Public for the State of Louisiana
LA Bar No. 29751 - Notary ID 90845
Commission Issued For Life

List of Testimony Presented by Alyssa Maurice-Anderson
Before Utility Regulators

No.	Date	Testimony	Docket No.	Jurisdiction	Type	Subject Matter
1	June 2022	Application of Entergy Louisiana, LLC, for Approval of the 2021 Solar Portfolio, the Geaux Green Option, Cost Recovery and Related Relief , Rebuttal Testimony	U-36190	Louisiana Public Service Commission	Rebuttal	Ratemaking
2	June 2022	In Re: Application of Entergy Louisiana, LLC for Recovery in Rates of Costs Related to Hurricane Ida and Related Relief, Direct Testimony Re Financing Application	U-36350	Louisiana Public Service Commission	Direct	Securitization, Ratemaking
3	June 2022	In Re: Application of Entergy Louisiana, LLC for Recovery in Rates of Costs Related to Hurricane Ida and Related Relief, Direct Testimony Re Ancillary Application	U-36350	Louisiana Public Service Commission	Direct	Securitization, Ratemaking
4	July 2022	Application of Entergy Texas, Inc. for Authority to Change Rates	53719	Public Utility Commission of Texas	Direct	Decomm Escalation Rate, Affiliate Costs
5	Dec 2022	In Re: Application of Entergy Louisiana, LLC for Recovery in Rates of Costs Related to Hurricane Ida and Related Relief, Direct Testimony Re Financing Application	U-36350	Louisiana Public Service Commission	Settlement	Securitization, Ratemaking
6	Mar 2023	In Re: Application of Entergy Louisiana, LLC for Approval of the Entergy Future Ready Resilience Plan (Phase I)	U-36625	Louisiana Public Service Commission	Direct	Ratemaking
7	April 2023	In Re: System Resilience and Storm Hardening	UD-21-03	Council of the City of New Orleans	Direct	Ratemaking
8	Mar 2023	In Re: Application of Entergy Louisiana, LLC for Approval of the Entergy Future Ready Resilience Plan (Phase I)	U-36625	Louisiana Public Service Commission	Rebuttal	Ratemaking

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

DELTA STATES UTILITIES LA, LLC AND ENTERGY LOUISIANA, LLC, EX PARTE.	)))	
IN RE: APPLICATION FOR AUTHORITY TO OPERATE AS LOCAL DISTRIBUTION COMPANY AND INCUR INDEBTEDNESS AND JOINT APPLICATION FOR APPROVAL OF TRANSFER AND ACQUISITION OF LOCAL DISTRIBUTION COMPANY ASSETS AND RELATED RELIEF.	)))))))	**DOCKET NO. UD-24-01**

EXHIBIT AMA-2

HIGHLY SENSITIVE
PROTECTED MATERIAL

INTENTIONALLY OMITTED

JUNE 2024

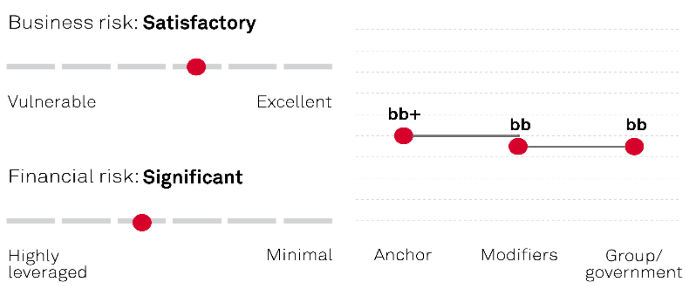
S&P Global
Ratings

RatingsDirect®

Entergy New Orleans LLC

August 30, 2023

Ratings Score Snapshot



BB/Developing/--

Issuer credit rating

Primary contact

Omar El Gamal, CFA
Toronto
1-4165072523
omar.elgamal
@spglobal.com

Additional contact

Matthew L O'Neill
New York
1-212-438-4295
matthew.oneill
@spglobal.com

Research contributor

Kashish C Khandheria
CRISIL Global Analytical Center, an S&P Global Ratings affiliate
Pune

Credit Highlights

Overview

Key strengths	Key risks
Fully rate-regulated vertically integrated utility operations.	Exposure to severe hurricanes and storms within its service territory that requires continuous management of regulatory risk.
Relatively supportive regulatory framework with formula rate plans (FRP) that provide cash flow stability and predictability.	Lack of sufficient system hardening limits ability to protect against severe storms and increases business risk relative to peers.
Well-established procedure for allowing utilities to securitize storm-related costs, which we assess as credit supportive.	Small scale operations increases cash flow volatility.
	Uncertainty of company’s future ownership.

ENO's credit quality is materially affected by its small service territory, limited diversity, and ongoing exposure to severe storms and hurricanes. ENO operates in a low-lying service territory along the Gulf Coast, increasing its susceptibility to physical risks. We believe the company remains exposed to severe storms--such as Hurricane Ida in 2021--that can significantly damage its infrastructure. This could result in higher capital spending and operating expenses from storm restoration and revenue declines following power outages and load reduction. Overall, this credit risk, along with the company's small scale increases ENO's volatility of profitability measures, weakening credit quality.

ENO's developing outlook reflects uncertainty on its future ownership. In September 2021, The New Orleans City Council (NOCC) announced its intention to study the future ownership of Entergy New Orleans LLC (ENO). Subsequently, parent, Entergy Corp. proposed the sale, spin-off, or municipalization of ENO along with possibly merging it into affiliate Entergy Louisiana LLC. In April 2022, the NOCC reissued a request for qualifications for a management audit of ENO; however, as of late August 2023 no new developments have taken place. We view these events as demonstrating significant uncertainty surrounding the future ownership of ENO, which could result in our assessing the utility's credit quality as stronger, weaker, or the same. Our developing outlook reflects this high degree of uncertainty, and we will monitor related developments. Also because of this uncertainty, we assess ENO as a nonstrategic subsidiary of Entergy Corp. and accordingly, our issuer credit rating on ENO does not benefit from Entergy's higher-rated group credit profile.

We are monitoring the company's resilience filing. In July 2022, ENO filed an application with the NOCC for a resiliency and storm hardening plan. ENO is seeking approval of a forward-looking rider with true-ups. The filing reflects the first five years of a 10-year, $1 billion resilience plan and includes investments of approximately $560 million. In July 2023 ENO filed comments in support of its application.

Outlook

The developing outlook indicates that we could take a rating action on ENO following NOCC's decision on the future ownership of the utility, which could result in our assessment of the utility's credit quality as stronger, weaker, or unchanged.

Downside scenario

We could lower the rating on ENO if:

- The utility's financial measures decline, including sustained S&P Global Ratings-adjusted funds from operations (FFO) to debt consistently below 10%;
- Credit quality weakens following the NOCC's review and decision on ownership of ENO;
- The regulatory relationship weakens; or
- The financial profile deteriorates as a result of storm-related costs.

Upside scenario

We could take a positive rating action on ENO if:

- The utility's FFO to debt consistently exceeds 17%; or

- The NOCC's review and decision on ENO's ownership improves the utility's credit quality. Such an event could occur, for example, if ENO were acquired by a stronger parent that we believed would likely support ENO in times of severe stress.

Our Base-Case Scenario

Assumptions

- Periodic annual rate increases through annual FRPs.
- Capital spending of about $560 million through 2025.
- Negative discretionary cash flow, indicating external funding needs.
- All debt maturities are refinanced.

Key metrics

Entergy New Orleans, LLC--Forecast summary

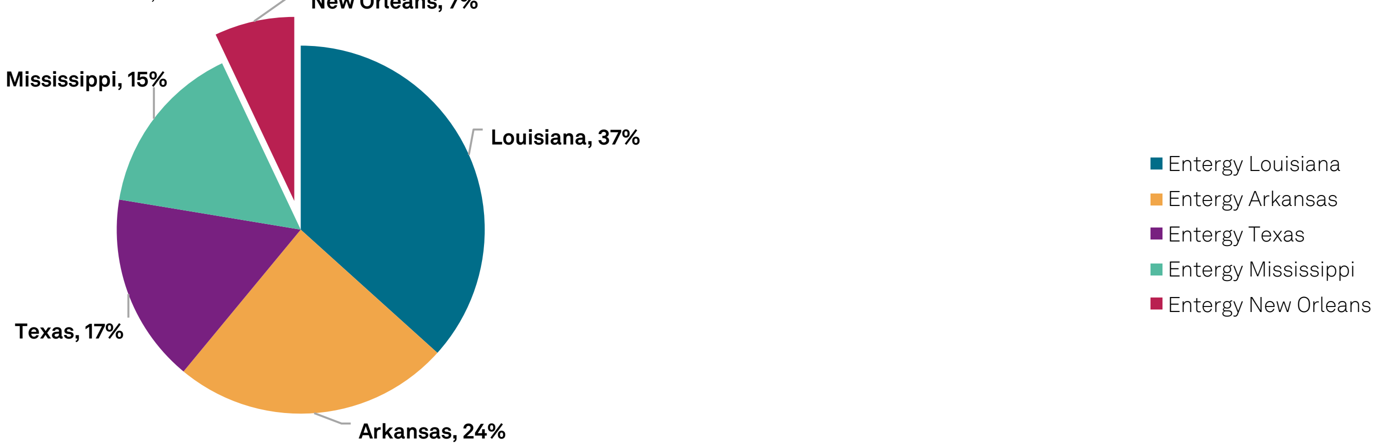
Period ending	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025
	2019a	2020a	2021a	2022a	2023e	2024f	2025f
Adjusted ratios							
Debt/EBITDA (x)	5.1	5.8	6.3	4.6	4.5-5	4.5-5	4.5-5
FFO/debt (%)	15.8	12.2	12.6	17.4	16-18	15-17	15-17
FFO cash interest coverage (x)	4.2	3.8	4.3	5.1	5-5.5	4-4.5	4-4.5

Company Description

Entergy New Orleans LLC (ENO) is a vertically integrated electric and a natural gas distribution utility operating largely in New Orleans. It serves a small customer base of 211,000 electric and 109,000 natural gas customers (constituting around 7% of electric and 53% of gas customers of total Entergy customers). It has a generation fleet of more than 650 megawatts. About 95% of its generation portfolio is natural gas-fired generation, and the rest is solar generation.

Electric customer base of Entergy based on geography

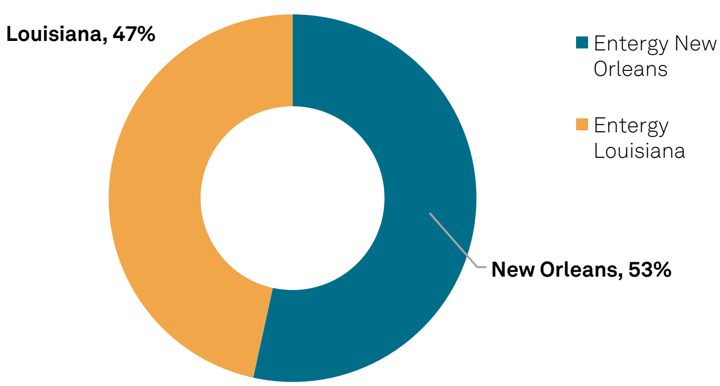
As of Dec. 31, 2022



Source: Company disclosures.

Gas customer base of Entergy based on geography

As of Dec. 31, 2022



Source: Company dsclosures.

Peer Comparison

Entergy New Orleans, LLC--Peer Comparisons

	Entergy New Orleans LLC	Cleco Power LLC	Tucson Electric Power Co.
Foreign currency issuer credit rating	BB/Developing/--	BBB+/Stable/NR	A-/Stable/NR
Local currency issuer credit rating	BB/Developing/--	BBB+/Stable/NR	A-/Stable/NR

Entergy New Orleans, LLC--Peer Comparisons

Period	Annual	Annual	Annual
Period ending	2022-12-31	2022-12-31	2022-12-31
Mil.	$	$	$
Revenue	985	1,611	1,808
EBITDA	196	456	575
Funds from operations (FFO)	157	384	489
Interest	39	82	90
Cash interest paid	38	72	86
Operating cash flow (OCF)	356	268	504
Capital expenditure	220	227	518
Free operating cash flow (FOCF)	136	41	(15)
Discretionary cash flow (DCF)	136	(64)	(115)
Cash and short-term investments	4	15	16
Gross available cash	4	15	16
Debt	902	1,700	2,401
Equity	703	2,023	2,656
EBITDA margin (%)	19.9	28.3	31.8
Return on capital (%)	8.2	6.9	6.7
EBITDA interest coverage (x)	5.0	5.5	6.4
FFO cash interest coverage (x)	5.1	6.3	6.7
Debt/EBITDA (x)	4.6	3.7	4.2
FFO/debt (%)	17.4	22.6	20.4
OCF/debt (%)	39.5	15.8	21.0
FOCF/debt (%)	15.1	2.4	(0.6)
DCF/debt (%)	15.1	(3.8)	(4.8)

Business Risk

Our assessment of ENO's business risk profile is based on its relatively small size, limited regulatory and business diversity, and susceptibility to physical risks. The company's business risk is affected by the propensity and severity of storm activity within ENO's service territory along the Gulf Coast, as well as the utility's limited ability to protect against severe storms. Because of these risks, we assess the company at the lower half of the range of its business risk profile category, compared to peers. While we view securitization as a great backstop for storm restoration costs, securitization takes time to receive the ultimate funds, and it takes up headroom in rates for recovery of, and on, rate base investments. In April 2023, ENO filed the required application and supporting testimony seeking approval of the first phase (five years and approximately $560 million) of a 10-year infrastructure hardening plan totaling approximately $1 billion which we view as credit supportive in the long run.

Supporting its business risk profile is a generally constructive regulatory framework by the NOCC, where ENO operates under an FRP, providing cash flow stability. ENO also benefits from fuel, purchased power, and purchased gas adjustment riders that limit the company’s exposure to commodity prices.

ENO is a small-sized utility serving roughly 211,000 electric customers and 109,000 natural gas customers. More than 80% of ENO's revenues are generated from residential and commercial customers providing an element of cash flow stability. However, ENO's operations are concentrated to the local economy of the city of New Orleans.

Financial Risk

Over the next three years, we expect capital spending of about $560 million to drive its financial performance. We expect that the company's regulatory construct will provide periodic annual rate increases as its rate base grows. We expect consistent negative discretionary cash flow through 2025 and anticipate ENO will fund the shortfall with debt and capital contributions from parent Entergy. Furthermore, we expect ENO's financial measures will remain at the low to middle of the range for its financial risk profile category.

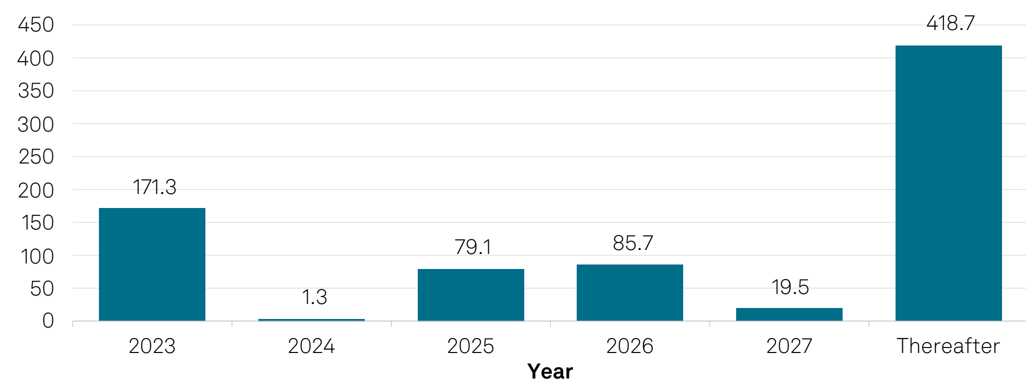
Our base case includes adjusted FFO to debt of 15%-18% through 2025, which is at the low-to-mid benchmark range of the significant financial risk profile category. This reflects the company's capital expenditures to add new generation resources and harden its transmission and distribution infrastructure.

Still, our base case is sensitive to the company's exposure to future weather events, which are occurring more frequently and with more intensity. Such events could significantly increase capital spending, depress cash flows, and weaken financial measures relative to our base case.

We assess ENO's financial risk under our medial volatility financial benchmarks, reflecting the company's lower-risk, regulated utility operations and effective management of regulatory risk. These benchmarks are more relaxed compared with those we use for a typical corporate issuer.

Debt maturities

Debt maturity schedule of Entergy New Orleans as of Dec. 31, 2022
$ mil.



Source: Company disclosures.

Entergy New Orleans, LLC--Financial Summary

Period ending	Dec-31-2017	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022
Reporting period	2017a	2018a	2019a	2020a	2021a	2022a
Display currency (mil.)	$	$	$	$	$	$
Revenues	703	705	674	621	756	985
EBITDA	142	128	119	125	135	196
Funds from operations (FFO)	127	140	95	89	107	157
Interest expense	24	27	27	32	32	39
Cash interest paid	23	27	29	32	32	38
Operating cash flow (OCF)	119	162	103	55	71	356
Capital expenditure	116	202	227	232	221	220
Free operating cash flow (FOCF)	3	(40)	(124)	(177)	(149)	136
Discretionary cash flow (DCF)	(93)	(64)	(124)	(177)	(149)	136
Cash and short-term investments	33	20	6	0	43	4
Gross available cash	33	20	6	0	43	4
Debt	390	509	604	731	845	902
Common equity	416	445	498	607	639	703
Adjusted ratios						
EBITDA margin (%)	20.1	18.1	17.7	20.1	17.8	19.9
Return on capital (%)	12.7	8.5	7.3	5.9	4.9	8.2
EBITDA interest coverage (x)	6.0	4.7	4.4	3.9	4.2	5.0
FFO cash interest coverage (x)	6.5	6.1	4.2	3.8	4.3	5.1
Debt/EBITDA (x)	2.8	4.0	5.1	5.8	6.3	4.6
FFO/debt (%)	32.6	27.5	15.8	12.2	12.6	17.4
OCF/debt (%)	30.4	31.8	17.1	7.5	8.4	39.5
FOCF/debt (%)	0.8	(7.8)	(20.5)	(24.2)	(17.7)	15.1
DCF/debt (%)	(23.8)	(12.5)	(20.5)	(24.2)	(17.7)	15.1

Reconciliation Of Entergy New Orleans, LLC Reported Amounts With S&P Global Adjusted Amounts (Mil. $)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2022									
Company reported amounts	776	703	997	198	121	34	196	364	-	217
Cash interest paid	-	-	-	-	-	-	(33)	-	-	-
Lease liabilities	10	-	-	-	-	-	-	-	-	-
Operating leases	-	-	-	2	0	0	(0)	2	-	-
Accessible cash and liquid investments	(4)	-	-	-	-	-	-	-	-	-
Capitalized interest	-	-	-	-	-	1	(1)	(1)	-	(1)
Securitized stranded costs	(19)	-	(13)	(13)	(1)	(1)	1	(12)	-	-

Reconciliation Of Entergy New Orleans, LLC Reported Amounts With S&P Global Adjusted Amounts (Mil. $)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Power purchase agreements	139	-	-	9	5	5	(5)	4	-	4
Nonoperating income (expense)	-	-	-	-	1	-	-	-	-	-
Total adjustments	126	-	(13)	(2)	6	5	(39)	(7)	-	3

S&P Global Ratings adjusted	Debt	Equity	Revenue	EBITDA	EBIT	Interest expense	Funds from Operations	Operating cash flow	Dividends	Capital expenditure
	902	703	985	196	127	39	157	356	-	220

Liquidity

As of June 30, 2023, we assess ENO's liquidity as adequate, with sources covering uses by 1.1x over the coming 12 months, and that its sources cover uses even if forecasted consolidated EBITDA declines by 10%. We believe the predictable regulatory framework for ENO provides a manageable level of cash flow stability for the company even in times of economic stress, supporting our use of slightly lower thresholds to assess liquidity. In addition, ENO has the ability to absorb high-impact, low-probability events. We believe that the company can lower its high capital spending during stressful periods, indicative of a limited need for refinancing under such conditions. Furthermore, our assessment reflects the company's generally prudent risk management and sound relationships with its banking group. Overall, we believe that the company should be able to withstand adverse market circumstances over the next 12 months with sufficient liquidity to meet its obligations. The company has long-term debt maturity of about $170 million coming due over the next twelve months. ENO has paid down $100 million of first-mortgage bonds In July 2023, and we expect the company to proactively address its $85 million term loan well in advance of its scheduled due date in June 2024.

Principal liquidity sources

- Cash and liquid investments of about $140 million; and
- Estimated cash FFO of about $170 million.

Principal liquidity uses

- Assumed maintenance capital spending of about $90 million; and,
- Debt maturities of about $185 million.

Environmental, Social, And Governance

Environmental factors are a very negative consideration in our credit rating analysis of ENO, namely because the utility's service territory has severe storm and hurricane risks. The company's exposure to severe storms including hurricanes, a low-lying service territory along the Gulf Coast, and relatively limited size and diversity to help absorb the effect of such storms are negative factors in our rating analysis. We expect the service territory to have ongoing exposure to severe storms that can lead to significant liabilities and damage to the infrastructure. Social factors are moderately negative because of reputational damage after severe storms and hurricanes, including Hurricane Katrina and Hurricane Ida.

Group Influence

We view ENO as a member of the Entergy group. We assess ENO as nonstrategic to the Entergy group, reflecting our view that the company has very limited strategic importance to the parent. We believe that Entergy will no longer provide extraordinary support to ENO. As a result, we base our rating on ENO on the utility's stand-alone credit profile (SACP) of 'bb'.

Issue Ratings--Recovery Analysis

Key analytical factors

- ENO's debt structure consists of $11.7 million in securitized bonds, $585 million in first-mortgage bonds (FMBs) secured by mortgages on its regulated utility assets (including a $100 million repayment in July 2023), unsecured bank debt consisting of a $25 million revolving facility and an $85 million term loan, and a long-term payable obligation owed to an associated company.
- We conduct our recovery analysis for ENO on a consolidated basis and assume a default in 2025, before sizable maturities that year. Our recovery valuation assumes ENO's regulated assets will be valued at their net book value of about $1.584 billion as a proxy for the allowed regulated return of these assets.
- We expect ENO's secured debt to total about $610 million at default (including an estimated six months of accrued interest) and that it would have the highest priority claim to the value of the regulated assets (about $1.505 billion net of estimated bankruptcy costs). This suggests collateral coverage of roughly 247%. Our first-mortgage bond (FMB) criteria require coverage from regulated assets of at least 150% to qualify for a '1+' recovery rating. As such, our '1+' recovery rating on this debt reflects our expectation for full recovery.
- A default could stem from sudden liquidity pressure amid additional severe disruptions due to unpredictable weather events, costs, or other market events outside the company's control, which is consistent with the conditions of past utility defaults.
- We expect ENO would continue to operate and reorganize after a default given the essential nature of its services. We also assume the value of the utility's assets would be preserved. We use the net value of its regulated fixed assets as a proxy for its enterprise value. The company's regulated asset value is about $1.548 billion.

Simulated default assumptions

- Simulated year of default: 2025

Simplified waterfall

- Regulated asset value: $1.584 billion
- Net enterprise value (after 5% administrative costs): $1.505 billion
- Net value available to ENO's first-lien debt: $1.505 billion
- FMBs and other first lien claims: $610 million
- -- Recovery expectations: 247%

Note: All debt amounts include six months of prepetition interest.

Rating Component Scores

Foreign currency issuer credit rating	BB/Developing/--
Local currency issuer credit rating	BB/Developing/--
Business risk	Satisfactory
Country risk	Very Low
Industry risk	Very Low
Competitive position	Fair
Financial risk	Significant
Cash flow/leverage	Significant
Anchor	bb+
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Satisfactory (no impact)
Comparable rating analysis	Negative (-1 notch)
Stand-alone credit profile	bb

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Criteria | Corporates | Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (as of August 30, 2023)*

Entergy New Orleans LLC	
Issuer Credit Rating	BB/Developing/--
Senior Secured	BBB
Issuer Credit Ratings History	
24-Sep-2021	BB/Developing/--
02-Sep-2021	BB+/Stable/--
08-Oct-2020	BBB/Negative/--
02-Oct-2020	BBB+/Negative/--
Related Entities	
Entergy Arkansas LLC	
Issuer Credit Rating	A-/Stable/--
Senior Secured	A
Entergy Corp.	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured	BBB
Entergy Louisiana LLC	
Issuer Credit Rating	BBB+/Stable/--
Senior Secured	A
Entergy Mississippi LLC	
Issuer Credit Rating	A-/Stable/--
Senior Secured	A
Entergy Texas Inc.	
Issuer Credit Rating	BBB+/Stable/--
Preferred Stock	BBB-
Senior Secured	A
System Energy Resources Inc.	
Issuer Credit Rating	BB/Negative/--
Senior Secured	BBB

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

MOODY'S INVESTORS SERVICE

CREDIT OPINION
16 May 2023

Update

Send Your Feedback

RATINGS

Entergy New Orleans, LLC

Domicile	New Orleans, Louisiana, United States
Long Term Rating	Ba1
Type	LT Issuer Rating
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Ryan Wobbrock +1.212.553.7104
VP-Sr Credit Officer
ryan.wobbrock@moodys.com

Cole Egan +1.212.553.0300
Associate Analyst
cole.egan@moodys.com

Michael G. Haggarty +1.212.553.7172
Associate Managing Director
michael.haggarty@moodys.com

Jim Hempstead +1.212.553.4318
MD - Global Infrastructure & Cyber Risk
james.hempstead@moodys.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Entergy New Orleans, LLC

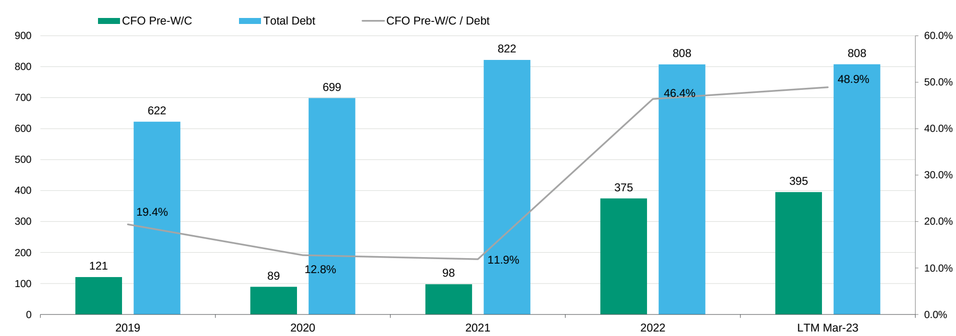
Update after change to stable outlook

Summary

Entergy New Orleans, LLC's (ENOL, Ba1 stable) credit profile is supported by its monopoly service territory as a regulated vertically integrated utility company and supportive rate treatment underpinned by its annual formula rate plan (FRP) filing. Management has also been able to quell negative political rhetoric that surfaced following the storm damage caused by Hurricane Ida in 2021, including the successful storm cost securitization in December 2022 of approximately $209 million of storm expenditures.

ENOL's credit profile is challenged by its small, geographically concentrated asset footprint in a storm prone location. The coastal nature of the service territory is a material credit negative due to ENOL's exposure to physical climate risk events, such as storm surges and flooding. In addition, more severe weather events can have a negative impact on customer migration and local economic conditions. For these reasons, ENOL's credit rating is well below peer utilities with similar financial metrics.

Exhibit 1
Historical CFO Pre-W/C, Debt and ratio of CFO Pre-W/C to Debt *($MM)*



2022 and LTM cash flow includes the one-time benefit of storm cost securitization proceeds.
Source: Moody's Financial Metrics

Credit strengths

» Solid financial profile including a ratio of CFO pre-WC to debt above 20% that should be sustainable given regulatory provisions and a rate base of around $1.4 billion

» Supportive storm cost recovery mechanisms that have been tested and are critical to credit quality given physical climate risks

Credit challenges

» Small and concentrated service territory

» Geographically positioned in a low-lying coastal region exposed to storm surges and severe weather events

Rating outlook

ENOL's stable outlook incorporates Moody's view that support for storm cost recovery will continue in New Orleans and that stakeholder relationships have improved back to historical norms. Moody's expects ENOL to generate a ratio of CFO pre-WC to debt over 20% on a sustainable basis.

Factors that could lead to an upgrade

It is unlikely that ENOL's issuer rating will be upgraded to Baa3, due to its concentrated service territory and vulnerability to storm activity. However, the company's ability to maintain a financial profile that is much stronger than peer utilities and a significantly improved regulatory and legislative support could lead to an upgrade.

Factors that could lead to a downgrade

ENOL could be downgraded if there is a combination of significant storm damage and delayed cost recovery for repairs, if regulatory and stakeholder relationships deteriorate or if its ratio of CFO pre-WC to debt declines to the mid-teen's percent range for a sustained period.

Key indicators

Exhibit 2
Entergy New Orleans, LLC.

	Dec-19	Dec-20	Dec-21	Dec-22	LTM Mar-23
CFO Pre-W/C + Interest / Interest	5.5x	3.8x	4.3x	11.4x	11.7x
CFO Pre-W/C / Debt	19.4%	12.8%	11.9%	46.4%	48.9%
CFO Pre-W/C – Dividends / Debt	19.4%	12.8%	11.9%	46.4%	48.9%
Debt / Capitalization	42.6%	42.6%	45.0%	42.6%	42.4%

All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
2022 and LTM cash flow includes the one-time benefit of storm cost securitization proceeds.
Source: Moody's Financial Metrics

Profile

ENOL is an electric and gas utility serving the city of New Orleans, Louisiana. The company is the smallest of the Entergy Corporation (Entergy, Baa2 negative) corporate family, which includes five utility subsidiaries and System Energy Resources, Inc. (SERI, Baa1 negative, 90% owner of the 1,400 MW Grand Gulf nuclear unit in Mississippi). ENOL represents about 3% of Entergy's adjusted consolidated cash flow, debt and net PP&E. ENOL's rate base is currently split roughly 85%/15% between electric and gas assets (i.e., roughly $1.2 billion to about $200 million, respectively). The utility is regulated by the New Orleans City Council (NOCC).

Detailed credit considerations

Elevated social risks in the aftermath of Hurricane Ida have sufficiently subsided and storm cost recovery completed

ENOL's stakeholder relationships have returned to historical levels following heightened tensions in the aftermath of Hurricane Ida in August 2021. The storm caused roughly $125 million of damage (equivalent to approximately 10% of ENOL's rate base at the time) and significant customer outages right before city elections in November of that year. This dynamic elicited more severe political rhetoric than normal, including various calls for an investigation into ENOL's service performance, a management audit, market reforms to introduce retail competition and even consideration of municipalizing the utility.

To-date, none of these risks have materialized to negatively impact the company and, on the contrary, ENOL was able to successfully securitize over $200 million (including damages associated with Hurricane Zeta in 2020) of storm related costs in December 2022 and filed for a formula rate increase on 28 April 2023. Storm cost securitization is materially credit supportive for the Gulf Coast utility which has a small, concentrated service territory that is below sea level and prone to severe storms and hurricanes.

Monopoly utility operating within a formulaic rate plan framework

ENOL's credit is underpinned by its business profile as a vertically integrated utility operating in a monopoly service territory with a regulated cost of service model and allowed return on equity. The underlying framework of ENOL's regulated rates includes a three-year FRP for both electric and gas operations and a pilot program for full revenue decoupling. The FRP also contains some forward-looking adjustments for known and measurable costs in subsequent FRP evaluation periods and new rate constructs for renewable power offerings and electric vehicle investments.

We view the FRP construct as credit-supportive since it allows for annual rate increases and true-up of costs, which is particularly helpful in an inflationary environment. The FRP proceedings are also generally less contentious than traditional general rate case filings and more predictable since there are prescribed levels for capitalization and allowed returns and the cost review is generally agreed upon.

On 28 April 2023, ENOL submitted its FRP 2022 test year filing, which included a 7.34% earned electric ROE and a 3.52% earned gas ROE. The company is seeking approval for about $26 million of total electric and gas rate increases (as well as an additional $3.4 million previously approved through the FRP), with new rates effective September 2023.

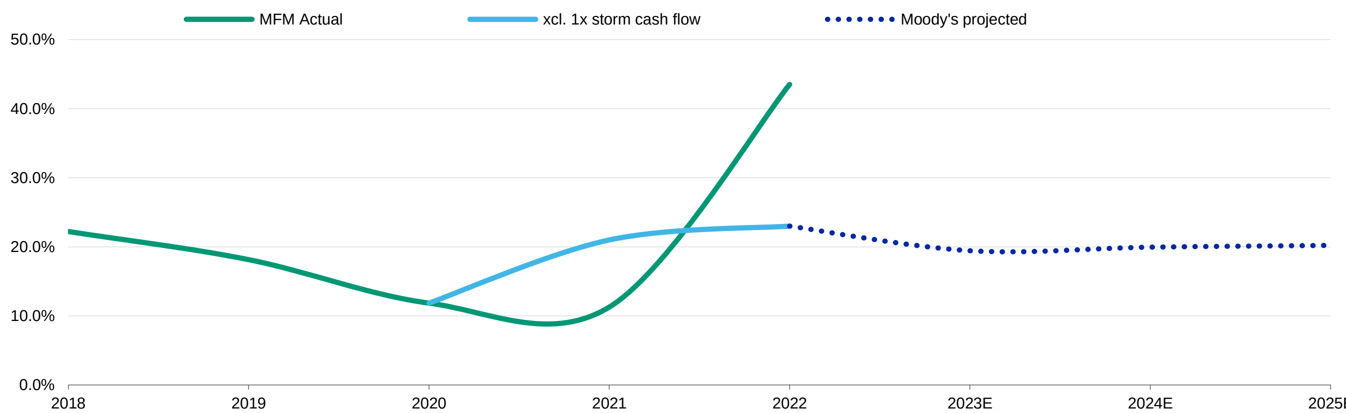
Run-rate financials expected to produce a ratio of CFO pre-WC to debt in the low-20% range

Based upon ENOL's regulatory rate framework and assumptions that include a $1.4 billion rate base, 51% equity capitalization and a 9.35% allowed ROE, we expect the utility will generate a ratio of CFO pre-WC to debt over 20% for the next several years. 2022 and LTM 1Q23 cash flow volatility has resulted due to the various accounting conventions around the storm cost securitization process. We illustrate a normalized version of ENOL's cash flow metrics, on an annual basis, in the exhibit below.

Our assumptions also include some growth attributable to around $500 million of capital expenditures we assume in 2023-2025 and ongoing benefit from deferred taxes. Tax assumptions could differ materially from actual results since Entergy employs aggressive tax strategies at times, which has greatly benefitted ENOL and affiliate cash flow in the past.

Exhibit 3

ENOL's ratio of CFO pre-WC to debt should remain in the low-20% range



“xcl. 1x storm cash flow” removes the volatile cash flow effects of storm cost securitization accounting from regulatory asset and other accounts.
Source: MFM, Entergy Corp. SEC filings and Moody's projections

ESG considerations

Entergy New Orleans, LLC's ESG Credit Impact Score is Very Highly Negative CIS-5

Exhibit 4
ESG Credit Impact Score

CIS-5
Very Highly Negative

NEGATIVE IMPACT — POSITIVE IMPACT

For an issuer scored CIS-5 (Very Highly Negative), its ESG attributes are overall considered as having a very high negative impact on the current rating. The negative influence of the overall ESG attributes on the rating is more pronounced compared to an issuer scored CIS-4.

Source: Moody's Investors Service

ENOL's CIS-5 indicates that the rating is lower than it would have been if ESG risk exposures did not exist and that the negative impact is more pronounced than for issuers scored CIS-4. ENOL's has significant exposure to physical climate risks given the company's small size and concentrated service territory in a storm-prone location.

Exhibit 5
ESG Issuer Profile Scores

ENVIRONMENTAL	SOCIAL	GOVERNANCE
E-5	S-3	G-2
Very Highly Negative	Moderately Negative	Neutral-to-Low

Source: Moody's Investors Service

Environmental

ENOL's very highly negative exposure to environmental risks (**E-5** issuer profile score) is driven by the concentrated nature of its customer base, located on the coast of the Gulf of Mexico. This exposes ENOL's asset base to physical climate risk events such as storms and flooding. The company is making significant investments to harden the system and improve resiliency, however, severe weather events can also have an impact on customer migration or local economic conditions that disrupt ENOL's revenue and cash collections.

Social

ENOL's social risk is moderately negative (**S-3** issuer profile score) reflecting the fundamental utility risk that demographics and societal trends could include social pressures or public concern around affordability, utility reputational or environmental concerns. In turn, these pressures could result in adverse political intervention into utility operations or regulatory changes.

Governance

ENOL's neutral-to-low governance risk is driven by that of its parent. Entergy's governance is broadly in-line with other utilities and does not pose particular risk (**G-2** issuer profile score). This is supported by our neutral-to-low scores on financial strategy and risk management, management credibility and track record, despite the above average use of aggressive tax policies that have caused some cash flow volatility and recent challenges by regulators.

ESG Issuer Profile Scores and Credit Impact Scores for ENOL are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

We expect ENOL to maintain adequate liquidity over the next 12-18 months, due to the availability of external borrowing sources, including external liquidity sources, and its ability to borrow from the Entergy money pool.

We expect ENOL's internal liquidity to consist of around $150-$200 million of cash flow from operations, compared to around $115 million in capital expenditures over the next 12 months. As a result, ENOL's free cash flow position will largely depend on its dividend policy and maintaining its regulated capital structure. ENOL has not paid a dividend to Entergy for the past 5 years.

To supplement internal liquidity needs, ENOL has a FERC authorized short-term borrowing limit of $150 million, corresponding to its ability to borrow from the Entergy System money pool through October 2023. Additionally, ENOL has a stand-alone credit agreement in the amount of $25 million, expiring June 2024, which was fully available at 31 December 2022.

ENOL's next significant long-term debt maturity is $100 million of First Mortgage Bonds due in July 2023.

Exhibit 6

ENOL's various liquidity facilities as of 31 March 2023

Facility Description		Capacity	Expiration		Outstanding		Availabile
Money Pool Payable/(Receivable)	$	150		$	(13)	$	150
Revolving credit facility	$	25	June 2024	$	-	$	25
Uncommitted, MISO LCs	$	15		$	1	$	14

Source: Entergy Corp. SEC filings

Rating methodology and scorecard factors

Exhibit 7

Entergy New Orleans, LLC

Regulated Electric and Gas Utilities Industry [1][2]	Current LTM 03/31/2023		Moody's 12-18 Month Forward View As of Date Published [3]	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	A	A	A	A
b) Sufficiency of Rates and Returns	A	A	A	A
Factor 3 : Diversification (10%)				
a) Market Position	B	B	B	B
b) Generation and Fuel Diversity	B	B	B	B
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	6.9x	Aa	5x - 6x	A
b) CFO pre-WC / Debt (3 Year Avg)	24.9%	A	20% - 23%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	24.9%	A	15% - 18%	Baa
d) Debt / Capitalization (3 Year Avg)	43.8%	A	40% - 45%	A
Rating:				
Scorecard-Indicated Outcome Before Notching Adjustment		A3		Baa1
HoldCo Structural Subordination Notching		0		0
a) Scorecard-Indicated Outcome		A3		Baa1
b) Actual Rating Assigned		Ba1		Ba1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 03/31/2023. LTM includes one-time cash flow benefits associated with 2022 storm securitization.
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Investors Service

Appendix

Exhibit 8

Credit metrics and financial statistics

CF Metrics	Dec-19	Dec-20	Dec-21	Dec-22	LTM Mar-23
As Adjusted					
FFO	**127**	**116**	**119**	**161**	**152**
+/- Other	-6	-26	-22	213	243
CFO Pre-WC	**121**	**89**	**98**	**375**	**395**
+/- ΔWC	-6	-25	-15	-9	0
CFO	**115**	**64**	**83**	**365**	**395**
- Div	0	0	0	0	0
- Capex	218	223	220	219	197
FCF	**-103**	**-159**	**-137**	**146**	**199**
(CFO Pre-W/C) / Debt	19.4%	12.8%	11.9%	46.4%	48.9%
(CFO Pre-W/C - Dividends) / Debt	19.4%	12.8%	11.9%	46.4%	48.9%
FFO / Debt	20.4%	16.5%	14.5%	20.0%	18.8%
RCF / Debt	20.4%	16.5%	14.5%	20.0%	18.8%
Revenue	686	634	769	997	1,008
Interest Expense	27	31	30	36	37
Net Income	67	48	47	82	75
Total Assets	1,731	1,936	2,150	2,212	2,237
Total Liabilities	1,245	1,331	1,512	1,510	1,524
Total Equity	486	605	639	703	713

All figures & ratios calculated using Moody's estimates & standard adjustments. Periods are Financial Year-End unless indicated. LTM=Last Twelve Months.
2022 and LTM cash flow includes the one-time benefit of storm cost securitization proceeds.
Source: Moody's Financial Metrics

Exhibit 9

Peer comparison

	Entergy New Orleans, LLC Ba1 (Stable)			Kentucky Power Company Baa3 (Stable)			Duke Energy Kentucky, Inc. Baa1 (Negative)			Alaska Electric Light and Power Company(AELP) Baa3 (Stable)		
(In US millions)	FYE Dec-21	FYE Dec-22	LTM Mar-23	FYE Dec-20	FYE Dec-21	FYE Dec-22	FYE Dec-20	FYE Dec-21	FYE Dec-22	FYE Dec-21	FYE Dec-21	FYE Dec-22
Revenue	769	997	1,008	646	773	773	520	668	668	45	46	46
CFO Pre-W/C	98	375	395	63	137	137	145	149	149	17	17	17
Total Debt	822	808	808	1,215	1,277	1,277	921	942	942	123	120	120
CFO Pre-W/C + Interest / Interest	4.3x	11.4x	11.7x	2.7x	4.0x	4.0x	6.3x	5.6x	5.6x	5.9x	5.7x	5.7x
CFO Pre-W/C / Debt	11.9%	46.4%	48.9%	5.2%	10.7%	10.7%	15.7%	15.8%	15.8%	14.0%	13.8%	13.8%
CFO Pre-W/C – Dividends / Debt	11.9%	46.4%	48.9%	5.2%	10.7%	10.7%	15.7%	15.8%	15.8%	9.5%	9.2%	9.2%
Debt / Capitalization	45.0%	42.6%	42.4%	48.1%	48.1%	48.1%	45.8%	44.9%	44.9%	50.1%	49.2%	49.2%

All figures & ratios calculated using Moody's estimates & standard adjustments. Periods are Financial Year-End unless indicated. LTM=Last Twelve Months.
ENOL's 2022 and LTM cash flow includes the one-time benefit of storm cost securitization proceeds.
Source: Moody's Financial Metrics

Ratings

Exhibit 10

Category	Moody's Rating
ENTERGY NEW ORLEANS, LLC	
Outlook	Stable
Issuer Rating	Ba1
First Mortgage Bonds	Baa2
PARENT: ENTERGY CORPORATION	
Outlook	Negative
Issuer Rating	Baa2
Senior Unsecured	Baa2
Commercial Paper	P-2

Source: Moody's Investors Service

REPORT NUMBER 1365838

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Moody's
INVESTORS SERVICE

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

DELTA STATES UTILITIES LA, LLC AND ENTERGY LOUISIANA, LLC, EX PARTE.	)	
IN RE: APPLICATION FOR AUTHORITY TO OPERATE AS LOCAL DISTRIBUTION COMPANY AND INCUR INDEBTEDNESS AND JOINT APPLICATION FOR APPROVAL OF TRANSFER AND ACQUISITION OF LOCAL DISTRIBUTION COMPANY ASSETS AND RELATED RELIEF.	)	**DOCKET NO. UD-24-01**

EXHIBIT AMA-5

HIGHLY SENSITIVE
PROTECTED MATERIAL

INTENTIONALLY OMITTED

JUNE 2024

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

DELTA STATES UTILITIES LA, LLC AND ENTERGY LOUISIANA, LLC, EX PARTE.	)))	
IN RE: APPLICATION FOR AUTHORITY TO OPERATE AS LOCAL DISTRIBUTION COMPANY AND INCUR INDEBTEDNESS AND JOINT APPLICATION FOR APPROVAL OF TRANSFER AND ACQUISITION OF LOCAL DISTRIBUTION COMPANY ASSETS AND RELATED RELIEF.	)))))))	**DOCKET NO. UD-24-01**

EXHIBIT AMA-6

HIGHLY SENSITIVE
PROTECTED MATERIAL

INTENTIONALLY OMITTED

JUNE 2024

AGREEMENT IN PRINCIPLE TO DELAY THE INITIAL ELECTRIC AND GAS FORMULA RATE PLAN FILINGS IN LIGHT OF COVID-19 ECONOMIC EFFECTS, MODIFY THE ELECTRIC AND GAS FORMULA RATE PLANS, AND OTHER RELIEF

Recognizing that beginning in March 2020, New Orleans began experiencing the effects of an outbreak of a novel coronavirus, and the associated disease, COVID-19, and that the State of Louisiana and the City of New Orleans implemented emergency mitigation measures in response to the outbreak, which rapidly became a pandemic. The mitigation measures included social distancing and the closing of non-essential businesses;

Recognizing that the outbreak and emergency mitigation measures had (and continue to have) a detrimental effect on economic activity across the globe and employment levels in New Orleans;

Recognizing that, in March 2020, ENO responded to the local economic hardship by suspending temporarily customer disconnections for non-payment of bills, which suspension subsequently became the subject of Resolution R-20-133, dated May 21, 2020;

Recognizing that ENO prepared its 2020 Electric and Gas FRP Evaluation Reports and, if filed, the Reports would have requested a $32 million electric and gas total combined revenue requirement increase that would have become effective the first billing cycle of September 2020;

Recognizing that such an increase in rates for electric and gas service in the wake of the COVID-19 could be an additional burden to those ENO customers already being adversely affected by the pandemic;

Recognizing that, on April 29, 2020, ENO filed a motion to extend the deadline for filing its 2020 Electric and Gas FRP filings for the purposes of commencing discussions with the Council Advisors and CURO to provide assurances that would enable ENO to largely forego such FRP revenue increase and receive certain financial protections;

Recognizing that the Council granted several motions to extend the deadline in Resolution R-20-112, which allowed the parties to discuss the possibility of delaying the 2020 Electric and Gas FRP Filings;

Recognizing that this Agreement in Principle ("AIP") not only addresses the 2020 Electric and Gas FRP filings and modifies the Electric Formula Rate Plan Rider Schedule EFRP-5 and Gas Formula Rate Plan Rider Schedule GFRP-5, but also resolves the remaining issues pending in the judicial review of the Rate Case Resolution, CDC No. 2019-12656;

The signatories to this AIP hereby agree to the following provisions, terms, and conditions:

1. Except as otherwise provided herein, ENO agrees to forgo its 2020 Electric and Gas FRP Evaluation Report filings and rate adjustments that would have resulted therefrom. Instead, ENO will make its initial FRP Evaluation Report filings on June 30, 2021 based on a 2020 Evaluation Period, with a procedural schedule contemplating an FRP Rate Adjustment effective with the first billing cycle of November 2021. The 2022 and 2023

FRP Evaluation Report filings will be filed on or before April 30th with procedural schedules contemplating an FRP Rate Adjustment effective the first billing cycle of September of the respective years.

2. For the term of the three-year Electric and Gas FRPs (test years 2020, 2021 and 2022), ENO is authorized to utilize a hypothetical capital structure of 51% equity and 49% long-term debt in determining its Benchmark Return on Rate Base.

3. In the Electric Formula Rate Plan ENO shall be allowed to collect, outside of the bandwidth formula, the Electric IRAR adjustments provided for in Paragraph 4 of the Base Rate Implementation AIP approved in Council Resolution R-20-67. Accordingly, ENO will collect $4.0 million in the initial 2021 Electric FRP filing outside of the FRP bandwidth formula and will collect $2.2 million in the 2022 Electric FRP filing outside of the FRP bandwidth formula. No other true-up adjustments related to the Electric IRAR and no adjustments to the Gas IRAR shall be permitted.

4. ENO shall recover outside of the FRP bandwidth formula $1.4 million of rate case expenses incurred in November and December 2019 in its Electric and Gas 2021 FRP filings.

5. ENO will retain the aggregate over-recovery balance of approximately $2.2 million related to the Union Revenue Requirement recovered through the Purchased Power and Capacity Acquisition Cost Recovery Rider and related to the Ninemile Non-Fuel Cost Recovery Rider. Such retention will be excluded for ratemaking purposes from the 2021 FRP filings.

6. ENO shall begin recovery of the New Orleans Solar Station (“NOSS”) revenue requirement through the Purchased Power Cost Recovery Rider beginning with the first billing cycle of the month following NOSS entering commercial operation. 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. NOSS is currently expected to enter commercial operation in November 2020.

7. Upon approval of this AIP by the Council, the depreciation expense for the NOPS production assets shall be calculated using a 3.0 % depreciation rate. Such depreciation rate shall remain in place until such time that the Council approves another depreciation rate for NOPS based on a depreciation study in a future rate proceeding. Additionally, the regulatory asset for the deferral of collection of the accrued but unrecovered NOPS first-year, non-fuel revenue requirement shall be recovered over a five-year amortization period with the unamortized balance accruing a 5.75% annual return (based on the current Louisiana judicial interest rate) until such time that the balance is fully recovered. Nothing contained in this settlement document shall alter or otherwise disturb the language contained in Resolution R-19-457 regarding the timing of the recovery of NOPS costs.

8. ENO shall continue to maintain its books of account according to the FERC Uniform System of Accounts. Except as specifically discussed herein, each of the 2021, 2022, and 2023 FRP filings provided for in this agreement shall reflect prospective electric and gas cost of service in accordance with the electric and gas FRP rate schedules. For example, any regulatory asset(s) authorized by the Council in Docket UD-18-07 for which recovery of the related amortization expense did not commence with the effective date of rates from Docket UD-18-07(*e.g.*, the Underground Utility Conflicts associated with the Gas Infrastructure Replacement Program), shall commence with the change in rates resulting from the 2021 Electric and Gas FRP filings.

9. The provisions of this AIP modify the terms of the Electric Formula Rate Plan Rider Schedule EFRP-5 and Gas Formula Rate Plan Rider Schedule GFRP-5. Accordingly, attached as Exhibit 1 and Exhibit 2 are Electric Formula Rate Plan Rider Schedule EFRP-6 and Gas Formula Rate Plan Rider Schedule GFRP-6, respectively, which incorporate modifications to effectuate the pertinent provisions of this AIP.

10. ENO shall dismiss, with prejudice, ENO's Verified Petition for Appeal and Judicial Review of, and for Stay of or Injunctive Relief from Resolution R-19-457 of the Council of the City of New Orleans currently pending in the Civil District Court ("CDC"), Parish of Orleans, No. 2019-12656 and waive any and all claims, assignments of error, or other causes of action, known or unknown, asserted or not asserted, that have been made or could be made in connection with the judicial review of Resolution R-19-457.

11. This AIP 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 AIP are conditioned upon the Council expressing its authorization of and consent to all of the terms of this AIP.

12. Except as otherwise expressly provided for herein, no party shall be deemed to have approved, accepted, agreed to, or consented to any ratemaking or other legal principle or policy, and nothing in this AIP should be considered precedent for ratemaking, legal or policy purposes.

AGREED TO OR NOT OPPOSED BY THE FOLLOWING SIGNATORIES:

THE COUNCIL OF THE CITY OF NEW ORLEANS

BY:______________________ DATE: 9/28/20

Erin Spears,
Counsel for Council Utilities Regulatory Office

BY:______________________ DATE:___________________

Clinton A. Vince
Utility Advisors to the Council of New Orleans

8. ENO shall continue to maintain its books of account according to the FERC Uniform System of Accounts. Except as specifically discussed herein, each of the 2021, 2022, and 2023 FRP filings provided for in this agreement shall reflect prospective electric and gas cost of service in accordance with the electric and gas FRP rate schedules. For example, any regulatory asset(s) authorized by the Council in Docket UD-18-07 for which recovery of the related amortization expense did not commence with the effective date of rates from Docket UD-18-07(*e.g.*, the Underground Utility Conflicts associated with the Gas Infrastructure Replacement Program), shall commence with the change in rates resulting from the 2021 Electric and Gas FRP filings.

9. The provisions of this AIP modify the terms of the Electric Formula Rate Plan Rider Schedule EFRP-5 and Gas Formula Rate Plan Rider Schedule GFRP-5. Accordingly, attached as Exhibit 1 and Exhibit 2 are Electric Formula Rate Plan Rider Schedule EFRP-6 and Gas Formula Rate Plan Rider Schedule GFRP-6, respectively, which incorporate modifications to effectuate the pertinent provisions of this AIP.

10. ENO shall dismiss, with prejudice, ENO's Verified Petition for Appeal and Judicial Review of, and for Stay of or Injunctive Relief from Resolution R-19-457 of the Council of the City of New Orleans currently pending in the Civil District Court ("CDC"), Parish of Orleans, No. 2019-12656 and waive any and all claims, assignments of error, or other causes of action, known or unknown, asserted or not asserted, that have been made or could be made in connection with the judicial review of Resolution R-19-457.

11. This AIP 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 AIP are conditioned upon the Council expressing its authorization of and consent to all of the terms of this AIP.

12. Except as otherwise expressly provided for herein, no party shall be deemed to have approved, accepted, agreed to, or consented to any ratemaking or other legal principle or policy, and nothing in this AIP should be considered precedent for ratemaking, legal or policy purposes.

AGREED TO OR NOT OPPOSED BY THE FOLLOWING SIGNATORIES:

THE COUNCIL OF THE CITY OF NEW ORLEANS

BY:______________________ DATE:___________________
Erin Spears,
Counsel for Council Utilities Regulatory Office

Clinton A. Vince

BY:______________________ DATE: September 25, 2020
Clinton A. Vince
Utility Advisors to the Council of New Orleans

ENTERGY NEW ORLEANS, LLC

BY:______________________ DATE: 9-28-2020
David Ellis
President & CEO

Crescent City Power Users Group

BY:______________________ DATE:____________________
Luke F. Piontek

ENTERGY NEW ORLEANS, LLC

BY:______________________ DATE:____________________
David Ellis
President & CEO

Crescent City Power Users Group

BY:______________________ DATE: 9/25/2020
Luke F. Piontek

Air Products and Chemicals, Inc.

BY:______________________ DATE:____________________
Carrie R. Tournillon

ENTERGY NEW ORLEANS, LLC

BY:______________________ DATE:__________________
David Ellis
President & CEO

Crescent City Power Users Group

BY:______________________ DATE:__________________
Luke F. Piontek

Air Products and Chemicals, Inc.

BY: C. R. T______________ DATE: 9/25/20__________
Carrie R. Tournillon

BEFORE THE

COUNCIL OF THE CITY OF NEW ORLEANS

DELTA STATES UTILITIES LA, LLC AND ENTERGY LOUISIANA, LLC, EX PARTE.	**)))**	
IN RE: APPLICATION FOR AUTHORITY TO OPERATE AS LOCAL DISTRIBUTION COMPANY AND INCUR INDEBTEDNESS AND JOINT APPLICATION FOR APPROVAL OF TRANSFER AND ACQUISITION OF LOCAL DISTRIBUTION COMPANY ASSETS AND RELATED RELIEF.	**)))))))**	**DOCKET NO. UD-24-01**

DIRECT TESTIMONY

OF

ANTHONY P. ARNOULD, JR.

ON BEHALF OF

ENTERGY NEW ORLEANS, LLC

JUNE 2024

TABLE OF CONTENTS

I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.

A. My name is Anthony P. Arnould, Jr., and I am currently employed by Entergy Services, LLC ("ESL") as the director of Gas Distribution. In this capacity, I oversee all aspects of the safe, reliable delivery of natural gas service to the natural gas customers of Entergy New Orleans, LLC ("ENO" or the "the Company") and Entergy Louisiana, LLC ("ELL"). My business address is 5755 Choctaw Drive, Baton Rouge, Louisiana 70805.

Q2. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of ENO.

Q3. DID YOU PREVIOUSLY SUBMIT DIRECT TESTIMONY IN THIS PROCEEDING?'

A. Yes, I did.

Q4. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. My Rebuttal Testimony supports the Joint Application requesting approval of the proposed transaction involving ENO's sale of its gas distribution business to Delta States Utilities NO, LLC ("DSU NO"), which is a portfolio company of Bernhard Capital Partners ("BCP"). In particular, I address certain issues and proposed conditions for approval of the proposed transaction raised by the Advisors in their Direct Testimonies regarding, among other things, transaction and cooperation costs, delivery of gas to the New Orleans Power Station ("NOPS"), and Entergy pension trust. I also address certain issues and proposed conditions raised by the Alliance for Affordable Energy ("Alliance") in its Direct Testimony. It is worth noting that simply because I do not address an argument or specific piece of testimony in my Rebuttal Testimony, it is not to be assumed that I agree or otherwise endorse that argument or specific piece of testimony.

Q5. DO YOU HAVE ANY COMMENTS AT THE OUTSET OF YOUR TESTIMONY?

A. I believe the proposed transaction provides net benefits to customers and the New Orleans community. As ENO witness Ms. Deanna Rodriguez explained in her Direct Testimony, the gas distribution industry is going through a period in which natural gas companies are either getting larger through acquisitions or getting purchased, in order to take advantage of economies of investment and other efficiencies afforded by a greater size and scale of business with a core focus on the gas LDC business. Considering this period of transformation in the industry, it is in the interest of ENO's gas customers for the Company to sell its gas business to a company with the size, scale, and core focus of DSU NO and its affiliates.[1]

Upon approval of the transaction, as DSU NO witnesses Mr. Jeffrey Yuknis and Mr. Brian Little discuss in their Direct Testimonies, ENO's gas customers are expected to have the benefit of a service provider in DSU NO that is entirely focused on the gas business, with planned efficiencies and investments that are directly

1 Rodriguez Direct Testimony, p. 3.

designed to benefit gas customers in New Orleans. In particular, ENO expects gas customers to benefit from DSU NO's planned "fit for purpose" IT system, as DSU NO witnesses discuss, while ENO's current IT system will remain fit for and continue to serve its electric customers. Thus, this transaction presents a unique opportunity for gas customers (and electric customers) to enjoy core-focused technology. ENO expects that DSU NO's ownership, in the long run, will result in greater benefits to gas customers than if ENO maintained ownership. ENO has and continues to work with DSU NO to ensure that gas customers experience a seamless transition, as well as the benefits discussed by DSU NO.[2]

In addition, ENO expects the proposed transaction to benefit electric customers. ENO's electric customers will have the benefit of a service provider that is entirely focused on the electric business. As Company witness Ms. Rodriguez stated in her Direct Testimony, ENO can use a portion of the cash proceeds from the sale retained by ENO to improve the electric grid across New Orleans with resilience, reliability, and other investments.[3]

In this way, ENO can seek to implement various resilience, reliability, and other projects without having to issue additional debt at rates that are expected to be significantly higher than on its existing debt,[4] as further explained by Company witness Ms. Maurice-Anderson in her Rebuttal Testimony. Electric customers will benefit from a stronger grid and are ultimately expected to pay lower costs because, as the

---

[2] Yuknis Direct Testimony, pp. 10-13; Little Direct Testimony, pp. 24-27.

[3] Rodriguez Direct Testimony, p. 4.

[4] Rodriguez Direct Testimony, p. 4.

Advisors observe in their Direct Testimony, if ENO can avoid future debt issuances, among other things, that may improve ENO's credit rating and allow access to lower cost debt when future debt issuances are required.[5]

ENO also expects the proposed transaction to benefit the New Orleans community. As Mr. Yuknis and Mr. Little have discussed, New Orleans is expected to benefit from the addition of a new company, with DSU NO planning to establish its headquarters in New Orleans and making investments in workforce training initiatives. The establishment of the new company is expected to provide an additional 100 new jobs for Louisiana residents and economic output of approximately $168 million for New Orleans, inclusive of approximately $30 million in new ongoing annual labor income and approximately $86.5 million in additional gross state product.[6] These are the kind of benefits – like those that gas customers are expected to enjoy from DSU NO's "fit for purpose" IT system – that can only be realized upon approval of the proposed transaction.

Given the expected benefits to customers and the New Orleans community, it is unreasonable for the Advisors to recommend that the Council condition approval of the proposed transaction on ENO taking a financial loss of $29 million (among other conditions directed to ENO and DSU NO), as further discussed in the Rebuttal Testimony of ENO witness Ms. Maurice Anderson. It is also unreasonable for the

[5] Rogers Direct Testimony, p. 25.

[6] See Yuknis Direct Testimony, pp. 13, 31, 32; Little Direct Testimony, p. 25; Dismukes Rebuttal Testimony, Exhibit DED-4 (Slide 18).

Alliance to recommend that the Council shut down the gas business in New Orleans.[7] Rejecting the proposed transaction, as the Alliance urges, would not guarantee that customers' gas rates remain the same for the foreseeable future. There may be gas rate cost increases down the road for prudent reasons other than the proposed transaction, which costs DSU NO is poised to manage as Mr. Yuknis and Mr. Little discuss in their Direct Testimonies.[8]

II. RESPONSE TO ADVISORS' DIRECT TESTIMONY

A. Transaction and Cooperation Costs

Q6. PLEASE DESCRIBE ENO'S TRANSACTION COSTS RELATIVE TO THE PROPOSED TRANSACTION.

A. ENO's transaction costs include costs associated with the proposed sale and transaction of the ENO gas business, including but not limited to costs relating to the assessment of the gas business, information for solicitations, bid and evaluation processes, consulting costs, drafting and negotiation of various agreements, and actions required in the regulatory process (the "Transaction Costs").

Q7. HOW DOES ENO TRACK TRANSACTION COSTS?

A. ENO tracks Transaction Costs using a particular project code. ENO has and expects to incur approximately $20.2 million in Transaction Costs relative to the proposed

7 Rábago Direct Testimony, pp. 7, 18, 38.

8 Yuknis Direct Testimony, pp. 36-37, 39-40; Little Direct Testimony, pp. 23-24, 26-27, 29-30.

transaction, as ENO reflected in its response to CNO 1-46 ($3.7 million in prior costs and $16.46 million in forecasted costs).

Q8. PLEASE DESCRIBE ENO'S COOPERATION COSTS RELATIVE TO THE PROPOSED TRANSACTION.

A. ENO's cooperation costs arise out of the Interim Cooperation Agreement between DSU NO and ENO. The Interim Cooperation Agreement governs the cooperation that ENO has provided and continues to provide to DSU NO prior to the closing of the transaction to enable DSU NO to stand up and independently operate the gas business in New Orleans on day one post-closing ("Day One Readiness"). ENO's Cooperation Costs include but are not limited to its consultation services relating to current state LDC operations, including regular meetings and technical support on operational processes and procedures, shared service organization functions, IT systems, data migration, and other business-related topics ("Cooperation Costs").[9]

Q9. HOW DOES ENO TRACK COOPERATION COSTS?

A. ENO tracks Cooperation Costs using a particular project code. ENO has and expects to incur approximately $8.9 million in Cooperation Costs relative to the proposed transaction, as ENO reflected in its response to CNO 1-46.

---

[9] At times, the Advisors appear to use the term "transition costs" to refer to certain costs of ENO. E.g., Prep Direct Testimony, pp. 15-17. ENO does not have expected material "transition costs" per se, as ENO and DSU NO have agreed to limited post-closing transition agreement services, and instead ENO and DSU NO are focused on Day One Readiness. ENO understands this term, at least in relation to ENO, to refer to its Cooperation Costs per the Interim Cooperation Agreement.

Q10. DO THE ADVISORS SUGGEST THAT ENO CONTINUE ITS COOPERATION SERVICES AFTER THE CLOSE OF THE TRANSACTION?

A. Yes. The Advisors suggest that the Council could explore the possibility of ENO extending its cooperation services to DSU NO for a period of time after the close of the transaction.[10] ENO understands that this possibility is a suggestion from the Advisors, not a proposed condition for approval.

Q11. DO YOU HAVE A RESPONSE TO THE ADVISORS' SUGGESTION?

A. The Interim Cooperation Agreement governs the terms pursuant to which DSU NO and ENO are cooperating prior to the closing of the transaction to facilitate Day One Readiness for DSU NO. The Interim Cooperation Agreement does not contemplate ENO continuing cooperation services after the closing. Having said that, ENO is sensitive to the Advisors' desire to ensure a seamless transition and Day One Readiness, even though that desire seems to run counter to the recommendation that ENO not be permitted to recover its Transaction and Cooperation Costs. In any event, the proposed transaction is structured to achieve Day One Readiness.

As indicated in the Joint Application, DSU NO has committed to offer employment to retain all employees who are primarily involved in the ENO (and ELL) gas business. This would allow DSU to operate the gas business with the same experienced team that manages the day-to-day operations of the gas business today. In fact, I have agreed to accept a role at DSU pending the close of the transaction, along

[10] Prep Direct Testimony, p. 26.

with Entergy's current gas operations leadership team, slated to transfer as part of the transaction. The team's transition to DSU will help ensure consistency in day-to-day leadership and operations. This also means that DSU NO will inherit my team's institutional knowledge, which I believe will aid DSU NO in providing safe and reliable service. That is prior to considering benefits that DSU NO anticipates may result from the proposed acquisition of the Louisiana and Mississippi natural gas assets of CenterPoint Energy Resources Corp. ("CERC") by DSU NO's affiliates, which ENO understands DSU NO witnesses will address in their Rebuttal Testimonies.

Moreover, ENO understands that DSU NO is currently working to set up any additional replacement assets and systems (e.g., accounting, HR, and IT systems) designed specifically for a gas business that, in addition to the purchased assets and the offering of employment to current gas LDC employees, will facilitate Day One Readiness. ENO is facilitating DSU NO's efforts through various means, including routine conference calls and workshops where information is provided around current-state operations of the gas LDC. Given these ongoing efforts, ENO currently believes that the cooperation agreement in place will provide gas customers with a seamless transition to DSU NO at the time of closing.

Q12. WHAT IS THE TOTAL ESTIMATED AMOUNT OF TRANSACTION AND COOPERATION COSTS FOR ENO?

A. ENO has and expects to incur approximately $29 million in Transaction Costs and Cooperation Costs, as ENO stated in response to CNO 1-13.

Q13. DO THE ADVISORS COMMENT ON THE TOTAL ESTIMATED AMOUNT OF TRANSACTION AND COOPERATION COSTS FOR ENO?

A. Yes. Referring to ENO's response to CNO 1-46, the Advisors state that "ENO provided a combined ENO and ELL cost estimate for the two aforementioned project codes for 2024 and 2025: $16.4 million of Transaction Costs and $8.9 million of Transition Costs, with an aggregate spend of $3.7 [million] previously."[11] The Advisors go on to state that "[r]elying on the recent years of shared costs between ENO and ELL, ENO gas would be allocated $10.4 million of Transaction Costs and $5.6 million of Transition Costs."[12] The Advisors further state that ENO reflected a higher estimate of transaction costs ($29 million) in its response to CNO 1-13 than ENO reflected in its response to CNO-1-46.[13] Thus, the Advisors suggest there is a need for cost detail and cost reconciliation, among other things, relative to this issue.[14]

Q14. DO YOU HAVE A RESPONSE TO THE ADVISORS' COMMENT?

A. The cost estimate that ENO provided in CNO 1-46 is solely for ENO. It is not a combined estimate for both ENO and ELL. Nor is that estimate meant to be allocated between ENO and ELL. Moreover, the costs that the Advisors mention in the two data responses are entirely consistent. The estimated costs in ENO's response to CNO 1-46 ($16.4 million, $8.9 million, and $3.7 million) total the approximately $29 million of

[11] Prep Direct Testimony, p. 16.

[12] Prep Direct Testimony, p. 16

[13] Prep Direct Testimony, p. 16.

[14] Prep Direct Testimony, pp. 16-17.

Transaction Costs and Cooperation Costs in ENO's response to CNO 1-13.[15] Accordingly, there is no need for cost detail or cost reconciliation relative to this issue.

Q15. DO THE ADVISORS PROPOSE A CONDITION OF APPROVAL REGARDING MONITORING ENO'S TRANSACTION AND COOPERATION COSTS?

A. Yes. The Advisors recommend that the Council condition approval on the Council monitoring ENO's Transaction Costs and Cooperation Costs, and that ENO should submit monthly reports regarding such costs.[16]

Q16. DO YOU HAVE A COMMENT REGARDING THIS PROPOSED CONDITION FROM THE ADVISORS?

A. ENO is agreeable to working with the Council and the Advisors to provide information on a routine basis regarding its Transaction Costs and Cooperation Costs as defined and discussed above.

[15] In its response to CNO 1-13, ENO used the term "transaction costs" and broadly intended that term to refer to both Transaction Costs and Cooperation Costs solely for purposes of that response.

[16] Prep Direct Testimony at p. 25. In addition, the Advisors seek to condition approval on ENO not recovering its transaction or cooperation costs relative to the proposed transaction. Prep Direct Testimony, p. 25; Watson Direct Testimony, p. 16. ENO witness Ms. Maurice-Anderson addresses this proposed condition in her Rebuttal Testimony.

B. Delivery of Gas to NOPS

Q17. AT THE CLOSE OF THE TRANSACTION, PLEASE DESCRIBE HOW GAS WILL BE DELIVERED TO NOPS.

A. At the close of the transaction, DSU NO will deliver gas owned by ENO to NOPS along the gas LDC pipeline distribution system pursuant to a Natural Gas Distribution Services Agreement (the "NOPS Distribution Agreement"). DSU NO and ENO will enter into the NOPS Distribution Agreement at the close of the transaction. The NOPS Distribution Agreement maintains the status quo as to the cost of gas transportation to the NOPS site as previously approved by the Council. Following the close of the transaction, DSU NO has the right under the NOPS Distribution Agreement to submit to the Council a formal cost recovery adjustment request in connection with the services provided under the NOPS Distribution Agreement subject to the negotiated terms of the NOPS Distribution Agreement.

Q18. DO THE ADVISORS PROPOSE A CONDITION OF APPROVAL REGARDING THE DELIVERY OF GAS TO NOPS?

A. Yes. The Advisors recommend that the Council include as a condition of approval of the proposed transaction that the NOPS Distribution Agreement and rate to deliver gas to NOPS be reviewed based on an updated cost of service analysis and a review of gas transportation rates and contracts offered by intrastate gas distribution companies.[17]

[17] Prep Direct Testimony, pp. 7, 24.

Q19. DO YOU HAVE ANY COMMENTS REGARDING THIS PROPOSED CONDITION OF APPROVAL FROM THE ADVISORS?

A. As discussed above, the NOPS Distribution Agreement contemplates Council approved rates that are currently in place for ENO, and further contemplates that DSU NO may seek a cost recovery adjustment following the closing. ENO is generally open to agreement on the Advisors' proposed condition provided it is consistent with the terms of the NOPS Distribution Agreement.

C. Pension Trust

Q20. AT THE CLOSE OF THE TRANSACTION, WILL ASSETS HELD BY THE ENTERGY PENSION TRUST BE TRANSFERRED TO DSU NO?

A. Yes. In response to CNO 1-44b, ENO stated: "Cash and cash equivalents or, to the extent agreed to by the parties, assets in kind held by the Entergy pension trust will be transferred to a trust established for the DSU defined benefit pension plans."

Q21. DO THE ADVISORS PROPOSE A CONDITION OF APPROVAL REGARDING THIS TRANSFER OF ASSETS?

A. Yes. The Advisors recommend that ENO memorialize its response to CNO 1-44b as a condition of approval of the proposed transaction.[18]

---

[18] Rogers Direct Testimony, Exhibit No. JWR-4, p. 4.

Q22. DO YOU HAVE A RESPONSE TO THIS PROPOSED CONDITION FROM THE ADVISORS?

A. ENO has agreed to the transfer of assets from Entergy's pension trust to the trust or trusts established under or for the DSU NO pension plans, which ENO understands will be established by DSU NO or its affiliates in connection with this transaction. The Employee Matters Agreement between ENO and DSU NO governs, among other things, the terms pursuant to which this transfer is to occur, and contains the language that ENO provided in response to CNO 1-44b. Thus, ENO is agreeable to the Advisors' proposed condition on this issue.

III. RESPONSE TO ALLIANCE'S DIRECT TESTIMONY

Q23. WHAT IS YOUR MAIN TAKEAWAY FROM THE ALLIANCE'S TESTIMONY?

A. The Alliance wants the Council to shut down the gas business serving residential and small commercial customers in New Orleans. In fact, the Alliance suggests that shutting down the gas business should be the focus of this docket – not the proposed transaction involving ENO and DSU NO. Instead of considering the proposed transaction, the Alliance asks the Council to require ENO to develop a plan to retire its gas business no later than 2035. And, even if the Council approves the transaction, the Alliance wants the gas business shut down by 2035.[19]

[19] Rábago Direct Testimony, pp. 7, 38.

Q24. WHAT IS YOUR RESPONSE TO THE ALLIANCE'S POSITION THAT THE GAS BUSINESS SHOULD BE SHUT DOWN?

A. This docket involves a request for Council approval of the proposed transaction involving ENO's sale of its gas distribution business to DSU NO. The docket does not involve shutting down the gas business in New Orleans. The Alliance's request to shut down the gas business (or perhaps alternatively to municipalize the gas business) is not relevant to the proposed transaction or any other issues raised in the Joint Application and under consideration by the Council in this docket. Thus, the Council should not consider the Alliance's request.

Beyond that, the Alliance's effort to condition selling the business on shutting down the business, is unreasonable. The Alliance's effort is also unreasonable because it seeks to eliminate an entire industry that is critical to New Orleans residents, the business community, and the economy as a whole – without providing any analysis or evidence of the impact that its proposal would have on New Orleans, or that such proposal is supported by New Orleans residents and businesses. The Council need not consider such an unreasonable and unsupported request that bears no relevance to the central issues in this docket.

Further, many gas customers choose to have gas appliances in their homes, which is a right protected under Louisiana law.[20] The Alliance's proposal to shut down the gas business in New Orleans would appear to violate that right. The proposal would also take away the option that customers have, in the event of power outages, to cook

[20] La. R.S. RS 40:1847.

using gas appliances, and force customers to purchase new appliances to replace their existing gas appliances. The proposal would also take away from customers a potential fuel source (natural gas) for backup power generation at their homes in the event of storms. The Alliance's proposal is not fair to customers across New Orleans, and indeed would pose an especially harmful burden to low-income customers.

Q25. BEFORE THE COUNCIL CONSIDERS THE PROPOSED TRANSACTION, DOES THE ALLIANCE WANT ENO TO MAKE AN ADDITIONAL FILING?

A. Yes. The Alliance wants ENO to file a full rate case for its gas business before considering the proposed transaction.[21]

Q26. DO YOU HAVE A RESPONSE TO THIS REQUEST FROM THE ALLIANCE?

A. There is no need for ENO to file a full rate case for the gas business before considering the proposed transaction. First of all, it is my understanding that Resolution R-06-88 does not require a rate case to be filed before the Council considers a transaction like the proposed gas transaction. Second, ENO is in the midst of an ongoing Formula Rate Plan extended by the Council in Resolution No. R-23-491, pursuant to which the Council will have the opportunity to timely re-determine ENO's gas base rates until the proposed transaction is completed. Third, re-determining ENO's gas rates in a separate rate case would be a useless and expensive exercise. A full rate case, which the Alliance requests here, can take one or more years to resolve, and that timing would

21 Rábago Direct Testimony, p. 31.

delay the Council's consideration of the proposed transaction. Such delay and added cost will not facilitate ENO and DSU NO in providing gas customers the service that they expect at a reasonable cost. Moreover, I understand that DSU NO has committed to filing a full rate case after establishing a historical test period, with such to be made not sooner than 15-months post-Closing.

Q27. ARE THERE ANY OTHER CLAIMS FROM THE ALLIANCE TO WHICH YOU WANT TO RESPOND?

A. The Alliance seeks assurances that the transaction will benefit customers.[22] In particular, the Alliance seems concerned that the proposed transaction is not intended to benefit customers but rather will benefit "ENO shareholders."[23]

Q28. DO YOU HAVE A RESPONSE TO THE ALLIANCE'S CONCERN?

A. The Alliance's concern is unfounded. The Alliance has not offered any evidence in support of its concern. The proposed transaction is expected to offer net benefits to ENO's customers, as I discussed earlier in my testimony, and as further discussed in the testimonies of DSU NO witnesses. For example, ENO expects the transaction to have long term benefits for ENO's electric customers by using certain portions of the proceeds to make resilience, reliability, and other improvements. Using the sales proceeds to finance capital investments would allow ENO to avoid the issuance of

---

22 Rábago Direct Testimony, p. 32.

23 Rábago Direct Testimony, p. 24.

additional debt at current interest rates, which are significantly higher than rates on existing debt.

The Advisors note the benefits, including that ENO's potential use of the proceeds from the transaction to retire or pay-off debt as it matures and/or avoid future debt issuances that would have been required absent the proceeds from the transaction, and that the proposed transaction may improve ENO's credit rating and allow access to lower cost debt when future debt issuances are required.[24] Thus, the Alliance's concern appears at odds with the Advisors' testimony. As for the Alliance's reference to "ENO shareholders," ENO is a subsidiary of Entergy Corp. and does not have its own shareholders. Nonetheless, the Advisors recognized that, in addition to certain benefits to ENO's customers, the new capital from the proposed transaction will reduce the need for new debt and potentially improve ENO's credit rating, resulting in a fair and reasonable outcome for shareholders.[25]

IV. CONCLUSION

Q29. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes, at this time.

[24] Rogers Direct Testimony, p. 25.

[25] Rogers Direct Testimony, p. 29.

AFFIDAVIT

STATE OF LOUISIANA

PARISH OF EAST BATON ROUGE

NOW BEFORE ME, the undersigned authority, personally came and appeared, ANTHONY P. ARNOULD, JR., who after being duly sworn by me, did depose and say:

That the above and foregoing is his sworn testimony in this proceeding and that he knows the contents thereof, that the same are true as stated, except as to matters and things, if any, stated on information and belief, and that as to those matters and things, he verily believes them to be true.

ANTHONY P. ARNOULD, JR.

SWORN TO AND SUBSCRIBED BEFORE ME
THIS 28 **DAY OF** June **2024.**

, 201034
NOTARY PUBLIC

My commission expires: @ death

CERTIFICATE OF SERVICE
UD-24-01

I hereby certify that I have served the required number of copies of the foregoing pleading upon all other known parties of this proceeding individually and/or through their attorney of record or other duly designated individual.

Clerk of Council
Council of the City of New Orleans
City Hall, Room 1E09
1300 Perdido Street
New Orleans, LA 70112

Erin Spears
Chief of Staff, Council Utilities Regulatory Office
City of New Orleans
City Hall, Room 6E07
1300 Perdido Street
New Orleans, LA 70112

Bobbie Mason
Christopher Roberts
Byron Minor
Candace Carmouche
Jared Reese
Council Utilities Regulatory Office
City of New Orleans
City Hall, Room 6E07
1300 Perdido Street
New Orleans, LA 70112

Krystal D. Hendon
City of New Orleans
CM Morrell Chief-of-Staff
1300 Perdido St. Rm. 2W50
New Orleans, LA 70112

Andrew Tuozzolo
City of New Orleans
CM Moreno Chief of Staff
1300 Perdido Street, Rm 2W40
New Orleans, LA 70112

Paul Harang
Chief of Staff
New Orleans City Council
City Hall, Room 1E06
1300 Perdido Street
New Orleans, LA 70112

Donesia D. Turner
City Attorney Office
City Hall, Room 5th Floor
1300 Perdido Street
New Orleans, LA 70112

Tanya L. Irvin
Chief Deputy City Attorney
City Hall – 5th Floor
New Orleans, LA 70112

Norman White
Department of Finance
City Hall – Room 3E06
1300 Perdido Street
New Orleans, LA 70112

Greg Nichols
Deputy Chief Resilience Officer
Office of Resilience & Sustainability
1300 Perdido Street, Ste 8E08
New Orleans, LA 70112

Sophia Winston
Energy Policy & Program Manager
Office of Resilience & Sustainability
1300 Perdido Street, Ste. 8E08
New Orleans, LA 70112

Hon. Jeffrey S. Gulin
Administrative Hearing Officer
3203 Bridle Ridge Lane
Lutherville, MD 21093

Clinton A. Vince
Presley R. Reed, Jr., Esq.
Emma F. Hand, Esq.
Dee McGill
Dentons US LLP
1900 K Street NW
Washington, DC 20006

Basile J. Uddo
J.A. "Jay" Beatmann, Jr.
c/o Dentons US LLP
650 Poydras Street, Suite 2850
New Orleans, LA 70130

Joseph W. Rogers
Victor M. Prep
Byron S. Watson
Legend Consulting Group
6041 South Syracuse Way, Suite 105
Greenwood Village, CO 80111

Courtney R. Nicholson
Vice-President, Regulatory and Public Affairs
Deanna Rodriguez
President & Chief Executive Officer
Entergy New Orleans, LLC
Mail Unit L-MAG-505B
1600 Perdido Street
New Orleans, LA 70112

Polly Rosemond
Kevin T. Boleware
Keith Wood
Derek Mills
Ross Thevenot
Entergy New Orleans, LLC
1600 Perdido Street
Mail Unit L-MAG-505B
New Orleans, LA 70112

Vincent Avocato
Entergy Services, LLC
2107 Research Forest Drive, T-LFN-4
The Woodlands, TX 77380

Brian L. Guillot
Heather Silbernagel
Leslie M. LaCoste
Lacresha D. Wilkerson
Edward Wicker Jr.
Linda Prisuta
Entergy Services, LLC
Mail Unit L-ENT-26E
639 Loyola Avenue
New Orleans, LA 70113

Joe Romano, III
Tim Rapier
Erin Farrell
Entergy Services, LLC
Mail Unit L-ENT-3K
639 Loyola Avenue
New Orleans, LA 70113

Anthony Arnould, Jr.
5755 Choctaw Drive
Baton Rouge, LA 70805

Ryan King
President
Lucie R. Kantrow
General Counsel
Delta State Utilities
400 Convention Street, 10^{th} Floor
Baton Rouge, LA 70802

Carrie R. Tournillon
Kean Miller LLP
909 Poydras Street, Suite 3600
New Orleans, LA 70112

Gordon Polozola
Kean Miller LLP
Post Office Box 3513
Baton Rouge, LA 70821-3513

Edward H. Bergin
Jones Walker LLP
201 St. Charles Ave
New Orleans, LA 70170

Logan A. Burke
Jesse S. George
Sophie Zaken
Alliance For Affordable Energy
4505 S. Claiborne Ave.
New Orleans, LA 70125

Paster Gregory Manning
Bette Kussmann
Peter Digre
Greater New Orleans Interfaith Climate Coalition
2021 S. Dupre Street
New Orleans, LA 70125

Luke F. Piontek
Daniel T. Price
Paige S. Stein
Judith Sulzer
Sewerage and Water Board of New Orleans
8440 Jefferson Highway, Suite 201
Baton Rouge, LA 70809

Yolanda Y. Grinstead
Sewerage and Water Board of New Orleans
625 St. Joseph Street, Suite 201
New Orleans, LA 70165

Sage Michael Pellet
Martha Collins
Matt Rota
Healthy Gulf
935 Gravier Street, Suite 700
New Orleans, LA 70112

New Orleans, Louisiana, this 28^{th} day of June 2024

Leslie M. LaCoste