

RESOLUTION

NO. R-24-791

CITY HALL: December 19, 2024

BY: COUNCILMEMBERS MORRELL, MORENO, KING AND THOMAS

**JOINT APPLICATION OF DELTA STATES UTILITIES NO, LLC AND ENTERGY
NEW ORLEANS, LLC AUTHORIZING DELTA STATES UTILITIES NO, LLC TO
OPERATE AS A JURISDICTIONAL NATURAL GAS LOCAL DISTRIBUTION
COMPANY**

RESOLUTION AND ORDER

DOCKET NO. UD-24-01

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

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

WHEREAS, Entergy New Orleans, LLC ("ENO") provides retail electric and gas services within the City of New Orleans; and

WHEREAS, Delta States Utilities NO, LLC ("DSU NO") is a Delaware limited liability company and indirect subsidiary of BCP Infrastructure Fund, LP and its affiliated investment vehicles, which is managed by Bernhard Capital Partners Management, LP and owned by infrastructure investors; and

WHEREAS, on December 11, 2023, ENO and DSU NO (“Applicants”) filed a joint application (“Application”) requesting that the Council (i) authorize DSU NO to operate as a jurisdictional natural gas local distribution company; (ii) approve the transfer and sale of ENO’s jurisdictional gas distribution business to, and acquisition by, DSU NO; (iii) approve DSU NO’s assumption and adoption of ENO’s existing rates, rate schedules, and riders; (iv) approve DSU NO’s creation of a regulatory asset(s) to defer investments made by DSU NO to stand up the new gas distribution business for future recovery, subject to Council approval; (v) determine that the costs of purchased assets not yet in service but currently categorized by ENO as construction work in progress do not constitute an acquisition premium, such that costs may be eligible for recovery in rates once placed in service; (vi) approve ENO’s transfer of certain customer data; and (vii) find that appropriate Council ratemaking resolutions, orders, and ordinances continue to be applicable to DSU NO (referred to collectively herein as the “Gas Transaction”); and

WHEREAS, pursuant to Chapter 158 of the Code of the City of New Orleans ("City Code"), when a utility files an application to change rates or services, the application must satisfy certain minimum filing requirements, which requirements provide the information necessary to permit a thorough analysis of the utility's application; and

WHEREAS, Chapter 158 of the Code of the City of New Orleans provides detailed filing requirements with respect to the materials and analyses required in any application for a change in rates, but does not provide such detailed requirements with respect to the transfer and sale of a utility; and

WHEREAS, Council Resolution No. R-06-88 (“Restructuring Resolution”) was adopted, in part, to resolve ambiguity regarding the Council’s approval process and the approvals required before a corporate reorganization or transfer of assets by a regulated utility takes place; and

WHEREAS, the Restructuring Resolution resolves that: no utility subject to the jurisdiction of the Council shall sell, assign, lease, transfer, mortgage, or otherwise dispose of or encumber the whole or any part of its franchise, works, property, or system, nor by any means direct or indirect, merge or consolidate its utility works, operations, systems, franchises, or any part thereof, nor transfer control or ownership of any of the assets, common stock or other indicia of control of the utility to any other person, corporation, partnership, limited liability company, utility, common carrier, subsidiary, affiliated entity or any other entity, where the values involved in such action exceed one percent (1 %) of the gross assets of such regulated utility or common carrier, or subsidiary thereof,¹ nor in any way commit itself to take such action or affect any right, interest, asset, obligation, stock ownership, or control, involved in such action, without prior full disclosure of the prior intendment and plan of such utility or common carrier with regard to such action and without prior official action of approval or official action of non-opposition by the Council; and

WHEREAS, the Restructuring Resolution identifies the following 18 factors that the Council shall consider in determining whether to approve any such transfer of ownership or control: (a) whether the transfer is in the public interest; (b) whether the purchaser is ready, willing and able to continue providing safe, reliable and adequate service to the utility's ratepayers; (c) whether the transfer will maintain or improve the financial condition of the resulting public utility or common carrier; (d) whether the proposed transfer will maintain or improve the quality of service to public utility or common carrier ratepayers; (e) whether the transfer will provide net benefits to ratepayers in both the short term and the long term and provide a ratemaking method that will ensure, to the fullest extent possible, that ratepayers will receive the forecasted short and

¹ It is not disputed that the Transaction does exceed the 1% threshold.

long term benefit; (f) whether the transfer will adversely affect competition; (g) whether the transfer will maintain or improve the quality of management of the resulting public utility or common carrier doing business in the City; (h) whether the transfer will be fair and reasonable to the affected public utility or common carrier employees; (i) whether the transfer would be fair and reasonable to the majority of all affected public utility or common carrier shareholders; (j) whether the transfer will be beneficial on an overall basis to City and local economies and to the communities in the area served by the public utility or common carrier; (k) whether the transfer will preserve the jurisdiction of the Council and the ability of the Council to effectively regulate and audit the public utility's or common carrier's operations in the City; (l) whether conditions are necessary to prevent adverse consequences which may result from the transfer; (m) the history of compliance or noncompliance that the proposed acquiring entity or principals or affiliates have had with regulatory authorities in this City or other jurisdictions; (n) whether the acquiring entity, persons, or corporations have the financial ability to operate the public utility or common carrier system and maintain or upgrade the quality of the physical system; (o) whether any repairs and/or improvements are required and the ability of the acquiring entity to make those repairs and/or improvements; (p) the ability of the acquiring entity to obtain all necessary health, safety and other permits; (q) the manner of financing the transfer and any impact that may have on encumbering the assets of the entity and the potential impact on rates; (r) whether there are any conditions which should be attached to the proposed acquisition; and

WHEREAS, the Council established a procedural schedule in Resolution No. R-24-49 that allowed the parties to this proceeding to rigorously investigate the Application, conduct discovery, file testimony and otherwise establish a record upon which the Council may render a

determination as to whether to conditionally approve, approve, or deny the Applicants' request; and

WHEREAS, the Council's procedural schedule ensured that the Applicants and other parties to this proceeding had a reasonable opportunity to provide testimony and other information, state their concerns in the official record, and otherwise fully participate in this process; and

WHEREAS, in addition to DSU NO and ENO, four parties properly intervened in the docket: the Alliance for Affordable Energy ("Alliance"), Greater New Orleans Interfaith Climate Coalition, Sewerage and Water Board of New Orleans ("SWBNO"), and Healthy Gulf ; and

WHEREAS, the schedule provided all parties multiple opportunities to file sworn, written testimony stating their positions and concerns about the proposed Gas Transaction; and

WHEREAS, the Council's Utility Advisors ("Advisors") issued over 500 requests for information to DSU NO and ENO, reviewed hundreds of documents and evaluated thousands of individual data points during the discovery process in an effort to fully examine the proposed Gas Transaction and its potential effects on gas and electric customers in New Orleans; and

DELTA STATES UTILITIES NO, LLC

WHEREAS, in the Application, DSU NO requested approval to purchase ENO's gas system assets and be allowed to assume and adopt ENO's rates and rate schedules in order to provide a seamless transition and safe and reliable natural gas service to customers; and

WHEREAS, DSU NO and ENO represented in the Application that the Gas Transaction would result in numerous benefits to gas customers and the City, some of which include:

1. A commitment from DSU NO to adhere to the currently approved rates in the gas base rate schedules of ENO at the time of Closing² or supported by

² Refers to closing of the Gas Transaction between DSU NO and ENO.

the most recent evaluation period of ENO's current Gas Formula Rate Plan ("GFRP") and that otherwise natural gas rates will remain unchanged for approximately 25 months after close of the Gas Transaction;

2. A commitment from DSU NO to continue ENO's Gas Infrastructure Replacement Program and Integrity Management Program;
3. A commitment from DSU NO to offer continued employment to all active ENO employees engaged primarily in the gas business;
4. A core-focused natural gas utility;
5. A state-of-the-art cloud-based IT system;
6. Lower projected growth in operation and maintenance ("O&M") expenses;
7. Assumption of ENO employees' pensions;
8. A core-focused electric utility;
9. Reduction of the need for additional ENO debt;
10. An opportunity for ENO to free up available capital to make investments in its electric business;
11. A commitment by DSU NO to provide approximately 100 new jobs in New Orleans and the greater metropolitan area;
12. A commitment from DSU NO to establish its headquarters in New Orleans; and
13. Millions in economic benefits to the City of New Orleans.

WHEREAS, the Council finds that DSU NO provided testimony in support of several benefits asserted in its Application, including that significant additional economic benefits would flow to the local economy by virtue of DSU NO establishing its headquarters in the City, creating approximately 100 new jobs;³ and

WHEREAS, the Council also finds that DSU NO testimony established that significant additional economic benefits would flow to the local economy by virtue of Accenture, its IT service provider, opening a local office locating employees and business operations in the City;⁴ and

³ See generally Rejoinder Testimony of David E. Dismukes, Ph.D.

⁴ *Id.*

WHEREAS, the Council finds that there are benefits to implementing a cloud-based technology platform that will improve gas system operations generally;⁵ and

WHEREAS, the Council finds it beneficial that DSU NO intends to continue ENO's Gas Infrastructure Replacement Program and Integrity Management Program and will offer continued employment to all active ENO employees engaged in the gas business;⁶ and

WHEREAS, the Council finds that the factors of the Restructuring Resolution can be favorably satisfied if appropriate conditions and mitigation are implemented; and

WHEREAS, DSU NO and ENO made additional commitments in the Application, responses to the Advisors' discovery requests, and in its testimony filed in this docket that the Council believes are essential for DSU NO to provide the benefits asserted and to provide seamless, safe and reliable natural gas service in the City; and

WHEREAS, the Council finds that the commitments made by DSU NO and ENO in this proceeding⁷ should be memorialized as conditions to approving the Gas Transaction; and

WHEREAS, the Restructuring Resolution authorizes the Council to take into account "whether conditions are necessary to prevent adverse consequences which may result from . . ."⁸ the Gas Transaction; and

WHEREAS, the Council, through its investigation in the instant proceeding, identified conditions necessary to prevent adverse consequences which may result from the Gas Transaction; and

⁵ *Id.*

⁶ *Id.*

⁷ Significant commitments made by DSU NO and ENO are memorialized in Appendix A as conditions of approval and Appendix A is attached hereto and made a part hereof.

⁸ Council Resolution No. R-06-088, Ordering Paragraph 2.1 at 4.

WHEREAS, as a result of a comprehensive and rigorous evaluation of the proposed Gas Transaction, the Advisors identified certain characteristics of the sale that, if left unmitigated, would significantly increase DSU NO's cost of service compared to that of ENO's continued ownership and operation of the gas utility; and

WHEREAS, upon Closing, benefits related to ENO's Accumulated Deferred Income Tax ("ADIT") balances will not transfer to DSU NO, which if left unmitigated, would cause a significant increase in gas customers' rates; and

WHEREAS, DSU NO intends to incur costs to "stand up" its new gas utility operation and a portion of those costs will be allocated to New Orleans customers which, if left unmitigated and uncapped, would also cause an increase in gas customers' rates and create an unacceptable level of exposure on ratepayers for cost overruns; and

WHEREAS, DSU NO's cost of debt is higher than ENO's current embedded cost of debt and, if left unmitigated, would cause rates to increase; and

WHEREAS, the Advisors calculated the potential effect of these issues and determined that, as filed, the Gas Transaction would increase DSU NO's cost of service by approximately \$16.5 million, which would result in a typical residential gas bill (50 ccf/month) impact of \$12.33 per month; and

WHEREAS, the Advisors expressed concern throughout the proceeding about the overall impact of these characteristics and continuously urged DSU NO to develop an approach to mitigate these concerns to the Council's satisfaction to minimize the potential corresponding rate impacts; and

WHEREAS, in its initial response to the Advisors' recommendation to mitigate the expected gas rate increases, DSU NO asserted that no mitigation was necessary because the

general benefits to ratepayers and the City resulting from the Gas Transaction outweighed any corresponding rate increases; and

WHEREAS, the Advisors, based upon their continuing concern for the need for mitigation to reduce the negative impact on gas rates, set forth a framework in the surrebuttal testimony of Joseph W. Rogers that would provide the necessary mitigation and allow for DSU NO to receive credit for calculable savings achieved by reducing costs; and

WHEREAS, as part of the rejoinder testimony filed by David E. Dismukes, DSU NO proposed its own, more expanded framework for the Council's consideration that would include the consideration of all benefits of the Gas Transaction, including both quantifiable and non-quantifiable benefits; and

WHEREAS, the Council agrees that the unfavorable characteristics of the Gas Transaction identified by the Advisors would, if left unmitigated, result in a significant rate impact on natural gas customers in the City; and

WHEREAS, the Council also acknowledges that the non-quantifiable benefits suggested by DSU NO have value to New Orleans, and should be recognized in an appropriate manner in the mitigation framework; and

WHEREAS, the Council believes that based on the information included in the record of this docket regarding the potentially adverse effects on natural gas rates, as originally proposed in the Application, mitigation is necessary to protect ratepayers from harmful rate increases; and

WHEREAS, the Council also believes that the mitigation framework should include the following components in order to protect gas customers from potentially significant increases in rates:

1. A cap on transition costs that requires DSU NO to bear the risk of any costs that exceed the cap;

2. A rate-related benefits and savings analysis that requires DSU NO to demonstrate operation and maintenance (“O&M”) savings that result from the Gas Transaction;
3. A mechanism that requires DSU NO to support its transition costs with savings realized from the Gas Transaction;
4. A mechanism that requires the use of goodwill tax benefits associated with the Gas Transaction to offset, to the fullest extent possible, the loss of ENO’s ADIT credits;
5. A requirement that DSU NO utilize, on a temporary basis, a cost of debt factor that is more closely aligned with the lower cost of debt that ENO would be expected to pay, which would result in savings to gas ratepayers; and

WHEREAS, the Council adopts the Gas Transaction Impact Evaluation Framework, attached hereto as Appendix B, which more specifically describes the components and details of these mitigation measures; and

WHEREAS, the Council finds that the incorporation of conditions and mitigation measures that protect gas customers from potentially unreasonable rate increases is indispensable in considering whether the Gas Transaction should be approved; and

WHEREAS, with the implementation of mitigation measures and imposition of necessary conditions as part of the Gas Transaction, the typical residential bill impact is estimated to be approximately \$2.60 per month; and

WHEREAS, ENO’s present retail gas rates allow recovery of costs related to certain plant in service that will not be transferred to DSU NO as part of the Gas Transaction (“Retained Assets”); and

WHEREAS, DSU NO has proposed to amortize (*i.e.*, credit or reduce) its Transition Plan regulatory asset cost balance during the interim period from the Closing and until new rates are

set as part of the first DSU NO rate action following the Closing (“Initial Rate Case”) in an amount equivalent to the Retained Assets’ recovery inherent in ENO’s customer rates;⁹ and

WHEREAS, the Council finds that the revenue requirement of ENO’s Retained Assets in DSU NO’s assumed gas rates should offset DSU NO’s Transition Plan cost deferral and accrual; and

WHEREAS, DSU NO stated its “commitment to adhere to the currently approved rates in the gas base rate schedules of ENO at the time of Closing or supported by the most recent evaluation period of the ENO LDC’s current GFRP. . .”¹⁰ (ENO’s “Final Gas FRP”); and

WHEREAS, in the case where the Final Gas FRP evaluation is in process (*i.e.*, between the filing of a GFRP evaluation report and the Council’s setting of new gas rates pursuant to that evaluation) at the time of the Closing, DSU NO commits to adopt the rates resulting from this GFRP evaluation pursuant to the GFRP rider (*i.e.*, rates effective with the September billing cycle); and

WHEREAS, the Council requires a reporting of the balances of the ratemaking components (*i.e.*, plant in service, accumulated depreciation, depreciation expense, and ADIT) of ENO’s Retained Assets as of the Closing, specifically as included in ENO’s Final Gas FRP; and

WHEREAS, the Council’s regulatory ratemaking of its gas utility has customarily relied on books of account kept according to Federal Energy Regulatory Commission (“FERC”) accounting guidance, and the Council deems it important to continue this practice; and

WHEREAS, FERC accounting, as opposed to Generally Accepted Accounting Principles (“GAAP”) accounting, is appropriate for regulatory ratemaking purposes; and

⁹ See Direct Testimony of Brian Little at 29.

¹⁰ Yuknis Direct, Appendix B at 3.

WHEREAS, the Council requires reliable and consistent presentations of its subject utilities' financial statements; and

WHEREAS, the Council finds that review by and favorable opinion from a reputable certified independent auditor is one assurance of reliable and consistent presentations of financial statements; and

WHEREAS, DSU NO has committed that ENO's pension and Other Postretirement Employee Benefits ("OPEB") plans can be expected to continue under DSU NO ownership substantially as they have under ENO ownership; and

WHEREAS, the Council expects that DSU NO, as part of its Initial Rate Case filing, will propose a ratemaking treatment comparable to that which ENO has proposed in recent Formula Rate Plan ("FRP") Evaluation filings for both pension and OPEB; and

ENTERGY NEW ORLEANS, LLC

WHEREAS, in the Application, ENO represented that the proposed Gas Transaction offers benefits to ENO's electric customers because the Gas Transaction will free up available capital and generate an additional source of capital that would otherwise not be available to make beneficial and productive investments in the electric business, including areas such as reliability and resiliency; and

WHEREAS, ENO also represents that the Gas Transaction is expected to strengthen ENO's credit by either allowing it to pay down its existing debt or by reducing ENO's dependency on new financings either of which would ultimately benefit customers; and

WHEREAS, the Council finds these long-term benefits for electric customers support a favorable determination under the Restructuring Resolution although they cannot be fully quantified at this time; and

WHEREAS, the Council finds that appropriate conditions and mitigations should be imposed; and

WHEREAS, the Advisors also presented testimony and data about the adverse impact on electric customers created by ENO's retention of certain assets and O&M expenses that are presently recovered in gas rates; and

WHEREAS, ENO's initial estimate of this impact on electric customers was \$11.4 million which without satisfactory mitigation, would have an adverse effect on electric rates; and

WHEREAS, ENO also represented that the budgeted transaction and cooperation costs associated with the Gas Transaction as proposed are approximately \$29 million and that ENO planned on deferring recovery of its share of those costs to a future rate action; and

WHEREAS, the Advisors expressed serious concern that deferring those costs for future recovery would have an adverse impact on electric customers; and

WHEREAS, the Advisors recommended that the Council consider mitigating the adverse impact on electric rates resulting from the Gas Transaction in order to protect ratepayers; and

WHEREAS, ENO asserted that the Council did not have the authority to impose conditions on the selling entity in transactions governed by Council Resolution No. R-06-88 and thus the Council is unable to impose conditions on ENO in this docket; and

WHEREAS, specifically, Ordering Paragraph (2) of the Restructuring Resolution directly addresses the Council's analysis and authority to attach conditions to a proposed transaction stating that "[I]n determining whether to approve any such transfer of ownership or control the Council shall take into account the following factors...whether conditions are necessary to

prevent adverse consequences which may result from the transfer...and whether there are any conditions which should be attached to the proposed acquisition¹¹; and

WHEREAS, the Advisors also responded that the Restructuring Resolution, on its face, does not distinguish between adverse consequences created by one party as opposed to another; and

WHEREAS, the Council finds that nothing in the Restructuring Resolution prevents or otherwise limits the Council from attaching any reasonable conditions to the Gas Transaction, including but not limited to, those that may require the action or inaction of either DSU NO, ENO, or both; and

WHEREAS, in its testimony, ENO also asserted that no mitigation was necessary to minimize the potentially negative impact on electric customers because a combination of quantifiable and non-quantifiable benefits adequately mitigate any harm to electric customers caused by the retention of certain assets and O&M expenses; and

WHEREAS, the Council agrees with the Advisors that while long-term benefits may be achieved for electric customers, the corresponding impact on electric rates must be mitigated to avoid unreasonable electric rate increases from the Gas Transaction; and

WHEREAS, the Council finds that mitigation is necessary to offset the negative effects on electric customers of the impact of ENO's Retained Assets and the uncapped transaction and cooperation costs; and

WHEREAS, the Advisors recommended that ENO file monthly reports of its transaction costs and cooperation costs; and

¹¹ Resolution R-06-88 at 3-4 (l) and (r).

WHEREAS, ENO is agreeable to working with the Council and the Advisors to provide information on a routine basis regarding its transaction and cooperation costs;¹² and

WHEREAS, the Council finds it reasonable that DSU NO and ENO have comparable reporting periods for reporting costs related to the Gas Transaction; and

WHEREAS, the Council finds that quarterly reporting of ENO's transaction costs and cooperation costs is necessary to be included as a condition to the approval of the Gas Transaction; and

ALLIANCE FOR AFFORDABLE ENERGY

WHEREAS, the Alliance filed direct testimony in this proceeding recommending that the Council deny the Joint Application and offered three (3) alternative options: (1) the Council should direct ENO to develop a retirement and managed decapitalization plan for the gas distribution utility that will result in ending gas distribution service to residential and small commercial customers by no later than December, 2035; (2) the Council should develop a plan for a municipal takeover of the gas distribution utility in New Orleans; or (3) if the Gas Transaction is approved, it should be calibrated to and conditioned on the outcome of a full rate review of the utility; and

WHEREAS, the Alliance also proposed that the Council impose conditions on the sale including a requirement for developing and executing a managed decapitalization plan to accomplish electrification of all residential and small commercial demand for gas by the end of 2035; and

WHEREAS, the Alliance raised concerns about the effect of the Gas Transaction on the climate change-related policies adopted by the Council and the State of Louisiana; and

¹² See Rebuttal Testimony of Anthony P. Arnold, Jr. p.10.

WHEREAS, the record supports that approval of the Gas Transaction will not nullify or change the existence or force of these policies and DSU NO will operate under the same franchise that ENO's gas business now operates and will be required to adhere to all of the Council's existing climate-related policies; and

WHEREAS, with respect to the Alliance's request that any approval should be calibrated to and conditioned on the outcome of a full rate review of the utility, DSU NO will be assuming and adopting ENO's existing rates, rate schedules, and riders as part of the Gas Transaction, which existing rates have been reviewed by the Council in a full rate case and have continued to be reviewed annually in GFRP evaluations; the Council will exercise its regulatory authority to re-evaluate gas rates based upon a comprehensive review of DSU NO's Initial Rate Case filing which will be filed not sooner than (15) months after the Closing; and

WHEREAS, neither decapitalization nor municipalization are topics that are within the scope of the Restructuring Resolution or the resolution initiating the evaluation of the Application and the Alliance fails to provide analysis of the proposed Gas Transaction; **NOW THEREFORE**

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

1. The request by DSU NO to operate as a natural gas distribution utility within the City of New Orleans and subject to the jurisdiction of the Council is approved subject to the conditions outlined in Appendix A and the provisions of the Gas Transaction Impact Evaluation Framework contained in Appendix B.
2. The requests by DSU NO and ENO for approval of the transfer and sale of the Purchased Assets and assumption of the Assumed Liabilities, in each case defined in the Purchase and Sale Agreement ("PSA") produced by DSU NO in this docket and in accordance with the Gas Transaction Agreements, of the ENO gas business and

acquisition by DSU NO of the same, subject to the conditions outlined in Appendix A and the provisions of the Gas Transaction Impact Evaluation Framework contained in Appendix B, is in the public interest and hereby approved.

3. The requests by DSU NO and ENO for approval of the transfer of ENO's gas business franchise to DSU NO to allow it to operate the ENO gas business within public rights of way within the City of New Orleans are consistent with Council Resolution No. R-06-88 and are approved.
4. The Council finds that the conditions outlined in Appendix A and provisions outlined in the Gas Transaction Impact Evaluation Framework contained in Appendix B to this resolution are required and are necessary conditions of approval of the Gas Transaction pursuant to Council Resolution No. R-06-88.
5. The request by DSU NO for a regulatory asset for future recovery of investments associated with standing up a stand-alone local distribution company ("LDC") and transitioning natural gas services from ENO to DSU NO, consistent with this resolution and subject to the conditions outlined in Appendix A and the provisions outlined in the Gas Transaction Impact Evaluation Framework contained in Appendix B, is approved.
6. Subject to the conditions outlined in Appendix A and the provisions outlined in the Gas Transaction Impact Evaluation Framework contained in Appendix B, the requests by DSU NO and ENO for approval of DSU NO's assumption and adoption of the ENO gas business rates, rate schedules and riders in effect at the Closing or supported by the most recent evaluation period of ENO gas business GFRP, which assumption and adoption will continue until the Council's review and approval of DSU NO's proposed

base rates and rate schedules as part of the Initial Rate Case filed by DSU NO not sooner than fifteen (15) months after the Closing, using a prior consecutive twelve (12)-month test period, is approved.

7. The costs of Purchased Assets not yet in service but currently categorized by ENO as Construction Work in Process (“CWIP”) do not constitute an acquisition premium, such that these costs are eligible for recovery in rates once placed in service, subject to a prudence review by the Council.
8. Subject to the conditions outlined in Appendix A and the provisions outlined in the Gas Transaction Impact Evaluation Framework contained in Appendix B, DSU NO’s request to incur indebtedness and/or issue securities to finance the Gas Transaction and costs to stand-up the new jurisdictional natural LDC and for DSU NO’s encumbering of the Purchased Assets with a mortgage and/or security interest to secure the indebtedness is approved.
9. The requests by DSU NO and ENO to transfer certain customer deposits from ENO to DSU NO, subject to the terms of the PSA, are approved.
10. ENO’s request to transfer to DSU NO certain customer data, including specifically data related to ENO’s AMI system, is approved.
11. ENO shall provide DSU NO with information related to natural gas customer deposits and data (including related to ENO’s AMI system), and any other information pertaining to the natural gas system at the Closing of the Transaction, and the transfer of natural gas customer deposits will occur pursuant to the terms of the PSA. To the extent ENO and DSU NO believe that sharing certain financial, customer, or other information before the Closing of the Gas Transaction will further a seamless

transition of the gas business to DSU NO, the Council authorizes ENO and DSU NO to enter into appropriate arrangements to do so provided the information is properly maintained as confidential.

12. All ratemaking, or any other orders and/or resolutions that are applicable to ENO shall continue to be applicable to DSU NO as of the Closing, which include but may not be limited to: Resolution Nos. R-03-272, R-18-38, R-18-227, R-19-457, R-20-67, R-20-133, R-23-157, R-23-423, and R-23-491; Ordinance Nos. 6822 C.C.S., 7069 C.C.S., 8423 C.C.S., 10,612 C.C.S., 1443 M.C.S., 4272 M.C.S., 12,162 M.C.S. and 17,963 M.C.S. (each as amended) of the City of New Orleans; and any Council ordinances and resolutions of general application to a Council-jurisdictional natural gas LDC.
13. No part of this resolution shall be interpreted as limiting the Council's power of supervision, regulation, and control over DSU NO or any other utility subject to the Council's authority.

BE IT FURTHER RESOLVED BY THE COUNCIL OF THE CITY OF NEW ORLEANS THAT:

1. ENO shall, as part of its 2025 FRP evaluation filing, not allocate to electric rates any costs presently allocated to gas rates. This is expected to result in no change in the FRP Rate Adjustment in 2025 to electric rates as a result of the Gas Transaction. This does not preclude changes to the FRP Rate Adjustment from other causes reflected in the 2025 FRP, such as electric capital additions.
 - a. ENO, as part of its 2026 FRP evaluation filing, may reflect retained O&M costs (presently estimated at \$5.4 million per year) previously recovered in

gas rates in its electric rates, which will be partly offset by the benefits outlined below.

2. ENO shall not seek recovery in electric rates of the Retained Assets. Such assets shall be reclassified to non-utility property effective with the 2026 FRP. The estimated net book value of the Retained Assets is \$18.8 million based on December 31, 2024 information.
3. ENO's transaction and cooperation costs shall be capped at \$19 million instead of ENO's estimated \$29 million budgeted transaction and cooperation costs from the Joint Application. ENO may recover its actual transaction and cooperation costs up to this cap from the per book proceeds of the Gas Transaction. As an example, netting the \$19 million from the total per book proceeds results in an estimated \$8.2 million in per book net proceeds from the Gas Transaction.
4. ENO shall share with ratepayers 50% (\$4.1 million in the above example) of ENO's per book net proceeds from the Gas Transaction, which ENO shall record as a regulatory liability to be amortized over three years commencing with the FRP Rate Adjustment from ENO's 2026 electric FRP. In the above example, this results in an estimated \$1.5 million annual benefit to ratepayers over three years starting in September 2026.
5. Ratepayers shall receive an estimated \$3.1 million electric ratepayer revenue requirement decrease beginning in September 2026 as a result of a sooner-than-expected reduction in net operating loss accumulated deferred incomes taxes due to the Gas Transaction. The estimated customer benefit is expected to last for three years and total \$5.6 million.

6. As part of ENO's final calculation of gas rates at the conclusion of ENO's final gas FRP evaluation (*i.e.*, the 2025 GFRP compliance filing), ENO is directed to identify and state the balances of all the ratemaking components of its Retained Assets relative to the Gas Transaction (*i.e.*, plant in service, accumulated depreciation, depreciation expense, ADIT balance) and state the total revenue requirement associated with the Retained Assets that is included in its revenue requirement.

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

YEAS: Green, Harris, King, Moreno, Morrell - 5

NAYS: 0

ABSENT: Giarrusso, Thomas - 2

AND THE RESOLUTION WAS ADOPTED.

**THE FOREGOING IS CERTIFIED
TO BE A TRUE AND CORRECT COPY**



ASSISTANT CLERK OF COUNCIL

APPENDIX A

CONDITIONS OF APPROVAL

1. DSU NO shall provide high quality safe, reliable, and affordable local gas distribution services to its New Orleans customers.
2. DSU NO and its affiliate Bernhard Capital Partners (“BCP”) shall maintain company level management as well as investment-level management in Louisiana. DSU NO has asserted that it has an experienced team in place to ensure the parties work jointly and in cooperation with the Council on a smooth and seamless transition.
3. DSU NO shall stand up new “fit-for-purpose” systems to replace retained assets such that they are fully functional to provide a seamless transition and safe and reliable services independent of ENO, ELL, ESL on day one following the Closing.
4. DSU NO and ENO shall work collaboratively through the date of the Closing to ensure day-one readiness for providing safe and reliable gas services to customers, with a limited need for transition services post-Closing, and with the majority of such transition services to be provided on a consultative basis as needed under the Transition Services Agreement, as evidenced by the Interim Cooperation Agreement executed by DSU NO and ENO.
5. DSU NO and BCP shall make significant investments in improving the business – both in the short-term as part of the Transition Plan process and build-out of the shared services functions and standalone systems prior to the Closing, and in long-term improvements in the facilities and infrastructure of the business post-Closing. DSU NO has asserted that many of these investments and improvements will directly enhance the customer experience and the overall reliability of the service provided. For example, the build-out of a new customer care platform (to include, e.g. customer information system, call center operations, billing platform, etc.) dedicated solely to natural gas customers should improve the quality of services and the overall experience for those customers. Further, DSU NO has asserted that it will be better able to quickly and efficiently make changes to systems and business processes due to changing business requirements in order to streamline operations, as well as respond to external requirements and requests such as from the Council, the Department of Transportation and the Pipeline Hazardous Materials Safety Administration.
6. DSU NO’s headquarters shall be located in New Orleans.
7. DSU NO shall maintain the local management of the acquired ENO gas business assets to ensure the continuation of important benefits to Louisiana and the New Orleans community that it serves in terms of safety, service reliability and rates, employment, economic development, and charitable contributions.
8. DSU NO and BCP shall provide sufficient capital to safely and reliably maintain and operate the DSU NO system post-Closing, and to accommodate all operational and capital needs of the utility.
9. DSU NO and BCP shall support the communities in which it does business in Louisiana. DSU NO has asserted that, as part of this Gas Transaction, it is committed to maintaining the strong

community and economic development support in New Orleans and the entire DSU Utilities' service area.

10. DSU NO shall assume and adopt the rates and rate schedules of the ENO gas business and continue to operate under the rates in effect as of the Closing and/or supported by ENO's most recent Gas Formula Rate Plan ("GFRP") test year, until any necessary rate adjustments are approved by the Council as part of the Initial Rate Case, which rate adjustments would be expected to occur approximately 23-25 months post-Closing. In the case where ENO's Final GFRP evaluation is in process as of the Closing, DSU NO shall adopt the rates set by the Council in the Final GFRP (i.e., as of the September billing cycle).
11. DSU NO shall submit to a full rate review following Closing of the Gas Transaction, no sooner than fifteen (15) months post-Closing. DSU NO has asserted that, following the Closing, DSU NO would begin a 12-month period that will serve as an historical test year for the Initial Rate Case.
12. DSU NO shall not seek recovery of its transaction costs or any acquisition premium associated with the Gas Transaction.
13. As part of the Initial Rate Case, DSU NO shall file a fully allocated cost of service study, and its general rate case shall include the following: (i) all customer classes served, including Non-Jurisdictional ("NJ") customers; (ii) a cost of service component of adjusted relative customer class rates of return, upon which adjustments to customer class revenue requirements would be based; (iii) revised rates and rate schedules in consideration of the fully allocated cost of service study; and (iv) a revised Purchase Gas Adjustment tariff and NJ customer contracts that are developed in consideration of the fully allocated cost of service study.
14. DSU NO shall not execute any new NJ contracts without express Council approval.
15. In the Initial Rate Case, the agreement and rate to deliver gas to the New Orleans Power Station ("NOPS") shall be reviewed in consideration of an updated cost of service analysis and a current review of gas transportation rates and contracts offered by intrastate gas distribution companies.
16. DSU NO shall assume the commitments and obligations of the ENO Gas Business with respect to various plans for capital improvements, including specifically ENO's Gas Infrastructure Replacement Program ("GIRP") and ongoing Integrity Management Program ("IM Program").
17. DSU NO shall adopt ENO's Gas Incident Command System ("ICS") structure until such time that DSU NO develops plans specific to DSU NO.
18. DSU NO shall establish its headquarters in New Orleans and offer employment to approximately 200 employees primarily engaged in the Entergy Louisiana, LLC ("ELL") and ENO gas businesses. As part of such offer of employment, DSU shall fulfill its commitment to providing these employees pay and benefits substantially similar to and no less beneficial than what they currently receive from ENO, ELL and ESL (collectively, "Entergy"), ensuring that the Gas Transaction is fair and reasonable to Entergy's employees. DSU NO has asserted that it will hire approximately 100 new Louisiana based employees to provide shared services that will no longer be provided Entergy post-Closing.

19. DSU shall honor any bargaining-unit agreement in place at ENO Gas Business and assume the employee pension assets and liabilities associated with the gas utilities, including more than 160 Entergy retirees.
20. DSU NO's and its affiliate companies shall assume the employee pension assets and liabilities associated with the ENO and ELL gas LDCs, including more than 160 retirees primarily involved in the ELL and ENO Gas Business.
21. Following the Closing, assets held in the Entergy retirement plans pension trust in respect of the current and former gas employees of ENO specified in the Employee Matters Agreement between ENO and DSU NO ("EMA") whose pension liabilities will be assumed by one or more corresponding qualified defined benefit pension plan(s) established by DSU NO in accordance with the EMA ("DSU Plan") shall be transferred to a trust established by DSU NO under the DSU Plan in accordance with the terms of the EMA, and DSU NO's and its affiliate companies shall ensure that the DSU Plan will assume the forgoing pension assets and liabilities in accordance with the terms of the EMA; and certain assets held in the Entergy voluntary employees' beneficiary association ("VEBA") trusts to fund retiree welfare benefits of current and former gas employees of ENO specified in the EMA ("OPEB Liabilities") shall be transferred to corresponding DSU NO VEBA trusts in accordance with the terms of the EMA, and DSU NO or its affiliate will assume the forgoing OPEB Liabilities in accordance with the terms of the EMA.
22. ENO shall ensure that 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 that DSU NO shall establish for the DSU defined benefit pension plans.
23. DSU and ENO have represented that they have worked collaboratively to respond to employee questions regarding the Gas Transaction and their employment. During the course of the Gas Transaction, DSU and DSU NO shall maintain communications with, and provide updates to, the stakeholders of the utility.
24. DSU NO shall establish and maintain a robust internal controls process to govern the business post-Closing. As described in CNO 1-6(a), DSU NO is engaged in, and shall continue, a process not only to implement the appropriate systems to ensure Day-One Readiness of the operations, but also shall remain focused during this transition process upon establishing and designing the key control processes related to operating effectiveness and controls over financial reporting. In doing so, DSU NO shall design a compliance program that follows, in large part, the principles set forth in the Sarbanes-Oxley Act of 2002 (SOX). Similar to a SOX compliance program in a public company, DSU NO's effort shall include the identification of significant risks to the business; the design of controls aimed to mitigate those risks; a plan for testing to confirm the effectiveness of control design and performance; and a process to confirm that an effective control environment is in place.
25. At a minimum, DSU NO shall comply with the requirements associated with its financing and operation as a BCP portfolio company, which includes the generation of independent audited consolidated financial statements prepared by a reputable public accounting firm in accordance with FERC accounting guidance to be accompanied by an opinion of DSU NO's independent auditors stating that such statements present fairly in all material respects DSU NO's financial

position and the results of its operations within 120 days after the end of each fiscal year (or 150 days after the end of the first full fiscal year after the Closing).

26. All DSU NO base rate action filings (*i.e.*, rate case applications, FRP evaluation filings) shall be based on a test year (*i.e.*, Period I of a rate case, the evaluation period of an FRP filing) whose entire period has been audited by a reputable public accounting firm. All per book data presented in such filings shall be based on the review of a reputable public accounting firm.
27. Commencing with the Closing and through the end of Period II of the Initial Rate Case, DSU NO is directed to amortize (*i.e.*, credit) its Transition Plan regulatory asset's balance at a rate equal to the revenue requirement of the Retained Assets as determined by ENO at the conclusion of ENO's Final Gas FRP. DSU NO shall keep its books of account according to FERC accounting guidance. DSU NO shall present its per book accounting by FERC Account (or as does ENO, by FERC Account plus a sub-account identifier) as part of its rate action applications, such as the Initial Rate Case application.
28. Upon completion of the first full quarter after regulatory approvals of the Gas Transaction, DSU NO will commence filing quarterly reports of the Transition Plan costs.
29. DSU NO shall submit an accounting of Transaction Costs as part of its Initial Rate Case Filing. DSU NO has committed to not requesting the recovery of Transaction Costs in this filing or in future filings. DSU NO has asserted that reporting on Transition Costs should be sufficient to allow the Council to ensure ratepayers are only paying for prudently incurred Transition Plan costs. However, DSU NO has indicated that it is open to preparing an accounting of Transaction Costs to submit to the Council as part of its initial rate proceeding.
30. Upon completion of the first full quarter after regulatory approvals of the Gas Transaction, ENO shall commence filing quarterly reports of its transaction costs, cooperation costs, and other costs directly related to the Gas Transaction. This report shall continue until all Gas Transaction-related costs have been recognized or until December 31, 2025, whichever is later.

APPENDIX B

GAS TRANSACTION IMPACT EVALUATION FRAMEWORK

Transition Plan Cost-Benefit Evaluation Framework

Transition Plan Costs

Transition Plan Cost Cap:

- a. CAP A: Entergy Only Transaction: DSU NO shall cap the amount of its Transition Plan Costs it may seek to recover from customers that is in excess of the net book value (“NBV”) of Entergy New Orleans, LLC’s (“ENO”) Retained Assets at \$19.3 million plus carrying costs (“Cap A”). The Cap A calculation shall use a NBV of ENO’s Retained Assets as of December 31, 2023, of \$21.2 million, regardless of any change in the NBV of ENO’s Retained Assets as of closing of the Entergy transaction. Recovery of DSU NO’s total Transition Plan Costs net of the NBV of ENO’s Retained Assets (“Net Transition Plan Costs”) that are within Cap A will be subject to the following provisions set forth herein: (i) Rate Related Benefits and Savings Analysis (Sec. I.B); (ii) Transition Plan Cost Deferral (Sec. III.A); and (iii) Mitigation to Council’s Satisfaction (Sec. IV). If Net Transition Plan Costs exceed Cap A, DSU NO will not seek to recover such costs in excess of Cap A.
- b. CAP B: Entergy and CenterPoint Combined Transactions: DSU NO shall cap the amount of its Transition Plan Costs it may seek to recover from customers that is in excess of the NBV of ENO’s Retained Assets at \$4.5 million plus carrying costs (“Cap B”). The Cap B calculation shall use a NBV of ENO’s Retained Assets as of December 31, 2023, of \$21.2 million, regardless of any change in the NBV of ENO’s Retained Assets as of closing of the Entergy transaction. Recovery of DSU NO’s Net Transition Plan Costs that are within Cap B will be subject to the following provisions set forth herein: (i) Rate Related Benefits and Savings Analysis (Sec. I.B), (ii) Transition Plan Cost Deferral (Sec. III.A), and (iii) Mitigation to Council’s Satisfaction (Sec. IV). If Net Transition Plan Costs exceed Cap B, DSU NO will not seek to recover such costs in excess of Cap B.

Transition Plan Costs:

For the purpose of the Cost Cap, Transition Plan Costs shall be all such costs recorded prior and through Period I of the initial rate case following closing of the Gas Transaction (“Initial Rate Case”) plus those identified as known and measurable for inclusion in Period II of the Initial Rate Case.

Carrying Costs:

Carrying costs shall commence accrual and deferral upon the Close of the Transaction and shall be based on DSU NO's Interim Weighted Average Cost of Capital ("WACC") as calculated using the Interim Return on Equity, Interim Equity Ratio and Interim Cost of Debt ("COD") set forth in Section II.B of this framework.

Regulatory Asset Treatment:

While DSU NO is required to comply with all relevant accounting requirements, DSU NO shall seek to defer the maximum permissible portion of Transition Plan Costs consistent with how a regulatory asset would be established for deferred O&M costs.

Retained Assets:

Net book value of retained assets (assets not being acquired by DSU NO) as of Closing.

Cost Recovery Period:

DSU NO may, in its Initial Rate Case filing, propose a reasonable extended amortization / depreciation period for recovery of Transition Plan Costs to minimize customer rate impacts. A 25-year period for recovery is appropriate for planning purposes.

Rate Related Benefits and Savings Analysis**Category of Savings:**

DSU NO will provide support for the benefits and savings at the time of the Initial Rate Case filing through the following categories.

- a. Adjusted Total Gas O&M Expenses: Total gas operation and maintenance ("O&M") expenses less production – gas purchases (FERC account 804) and deferred gas costs (FERC account 880180). DSU NO's adjusted total gas O&M expenses for ratemaking purposes will be compared to ENO's test year 2024 FRP filing, expected to be filed in April 2025, ("Final FRP") adjusted comparable total gas O&M expense escalated at a compound annual growth rate of 6.5% from the rate effective date of ENO's Final FRP through the end of Period II of DSU NO's Initial Rate Case. At the time of quantification of benefits and savings, adjustments to adjusted total gas O&M expenses may be needed to remove the effects of events beyond the control of DSU NO. Adjusted total gas O&M expense savings will reflect savings realized across all

operations of the utility, which are expected to include (but are not limited to) the following categories of savings:

- i. *Lower O&M Expense Growth Rate*: Savings from DSU NO's reduced O&M expense growth rate compared to the 6.5% compound annual growth rate.
- ii. *Shared Service O&M Savings*: Savings to DSU NO's shared services expenses, including, without limitation, efficiencies, synergies and economies of scale related to the consolidated shared service company.
- iii. *IT-Related Operational Efficiency Savings*: DSU NO will have the opportunity to include any proven and supported IT-related operational efficiency savings incremental to adjusted total gas O&M expenses.
- b. IT-Related Capital Savings: DSU NO will have the opportunity to include any proven and supported IT-related going forward capital savings, such as from ability to upgrade or update cloud-based IT system at lower capital spend.
- c. Other: DSU NO is not precluded from demonstrating other quantifiable savings for Council consideration.

Quantification of Savings:

Transition Plan Costs "Savings" are those determined in accordance with this section.

- a. Savings - Periods I and II of Rate Case: DSU NO will support 75% of its Transition Plan Costs with quantified savings; however, 25% of DSU NO's Transition Plan Costs can be supported with difficult to quantify benefits (e.g., resilience/reliability/safety/scalability, gas-focused customer call center and services; etc.). DSU NO shall not be limited in the type of difficult to quantify benefits or the means of demonstrating such benefits, provided that DSU NO uses industry standards and regulatory best practices that can be shown through industry-accepted publications and/or prior utility commission acceptance and approvals in other state regulatory jurisdictions.
- b. Benefits Demonstration Period: To the extent Savings at the time of DSU NO's initial rate case do not adequately support DSU NO's Transition Plan Costs, with total costs not to exceed the relevant Cap (Cap A or Cap B), those costs in excess of Savings can be deferred for recovery for three FRP evaluation periods following the Initial Rate Case if a FRP is in place for DSU NO, or if a FRP is not in place immediately following the conclusion of the Initial Rate Case, then costs in excess of Savings can be deferred for recovery until DSU NO's next rate case filing using a Benefits Demonstration Period of the three years following Period II of the Initial Rate Case and subject to an analysis to be mutually agreed upon by DSU NO and the Council's Advisors in the future rate action and subject to Council approval.

Cost Benefit Analysis

As part of its Initial Rate Case filing, DSU NO shall present a cost-benefit analysis (“CBA”) to support the overall prudence of DSU NO’s Transition Plan investments. The CBA shall not be limited in the number of longer-term benefits it can offer as part of its CBA, provided that all such estimates use industry standards and regulatory best practices that can be shown through industry-accepted publications and/or prior utility commission acceptance and approvals in other state regulatory jurisdictions.

The Council will evaluate all proposed DSU weightings and those weightings approved by the Council will be based on the merits and documentation provided in the initial and any subsequent base rate proceedings.

Framework for Consideration of Other Transaction-related Customer Impacts

Accumulated Deferred Income Taxes (“ADIT”)

1. **Quantification of Impact:** As part of its Initial Rate Case filing (and subsequent rate actions as may be needed), DSU NO shall submit for consideration and approval by the Council an ADIT model (“ADIT Model”) in order to estimate the ongoing revenue requirement impact, including from the roll-off of ENO ADIT if the Gas Transaction had not occurred and the buildup of new ADIT by DSU NO using reasonable assumptions regarding the turnaround of ADIT (“Net ADIT Impact”).
2. **Impact Mitigation:** Based on the ADIT Model results, remaining Net ADIT Impact can be mitigated through an application of goodwill tax benefits (as a credit to revenue requirement).
3. **Calculation of Goodwill Benefits:** DSU NO shall share up to 100% of the annual benefit associated with the tax amortization of the ENO acquisition premium (including the gross-up of the tax effects) as an offset to the estimated increase in DSU NO’s revenue requirement as a result of ENO’s net ADIT balance not transferring at closing. This annual offset would begin at the time of DSU NO’s rates being set in the Initial Rate Case when any ADIT impact would first affect customers. Sharing of the goodwill tax amortization benefits as a rate credit shall continue on an annual basis as needed until the Net ADIT Impact would have turned around (*i.e.*, the Net ADIT Impact from ENO and DSU NO’s changes in net ADIT balances is eliminated), pursuant to the ADIT Model, or the goodwill tax credit is fully amortized for tax purposes, whichever occurs first. The goodwill used to calculate the rate credit (\$71.3 million in the calculation below) will be based on applicable tax regulations and may be subject to change from the initial estimates below.

Goodwill Computation

Purchase Price per Advisors	\$ 305,800,000
Net Book Value Including Retained Assets Per Advisors	255,700,000
Less Retained Assets at 12/31/23	<u>(21,221,708)</u>
Net Book Value, net of Retained Assets	<u>234,478,292</u>
Goodwill	71,321,708
Amortization Life (Years)	<u>15</u>
Annual Amortization	4,754,781
Effective Tax Rate	<u>26.925%</u>
Tax Deduction	1,280,225
Tax Gross-up Factor	<u>1.368457065</u>

Revenue Requirement	<u>\$ 1,751,932</u>
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Subject to the above provision,

- a. If required to offset the effects of the Net ADIT Impact, DSU NO shall share the goodwill amortization benefit that accrues between the close of the Gas Transaction and the Council authorization of DSU NO rates in the Initial Rate Case, with such accrued credit amortized and shared with customers over a period of years determined in the Initial Rate Case; and
- b. As part of the Initial Rate Case, to the extent the Council determines that the rate impact requires front-loading of goodwill amortization credits to address the remaining Net ADIT Impact, DSU NO shall provide a revenue credit of up to twice the grossed-up revenue benefit (*e.g.*, \$1.75 million x 2 = \$3.5 million in the above initial estimate) for the specific years in which the ADIT Model reflects a remaining Net ADIT Impact greater than \$1.75 million and to the extent that the goodwill tax credits have not been fully amortized. Any difference between the annual goodwill benefits (*i.e.*, \$1.75 million in the above initial estimate) and benefits provided to ratepayers shall be added to (*i.e.*, a debit when ratepayer benefits provided exceed annual goodwill benefit) or removed from (*i.e.*, a credit when annual goodwill benefit exceeds ratepayer benefits provided) a regulatory asset whose rate base (*i.e.*, net balance less ADIT) shall accrue carrying charges at DSU NO's WACC and added to the regulatory asset's balance (*i.e.*, debited) ("Goodwill Regulatory Asset"). Ratepayer benefits shall continue no longer than for a period projected to allow the regulatory asset balance to reach zero as of the end of the goodwill amortization period (*i.e.*, at the end of 15 years).

Cost of Debt) and Interim WACC

1. **Interim Return on Equity (“ROE”)**: Until the Council allows a different return as part of the Initial Rate Case, for ratemaking purposes, including AFUDC and carrying costs, the Transition Plan Cost regulatory asset, and any goodwill amortization-related regulatory asset, DSU NO’s ROE shall be 9.35%.
2. **Interim Equity Ratio**: Until the Council sets an equity ratio as part of the Initial Rate Case, DSU NO’s Interim Equity Ratio shall be 50% for ratemaking purposes, including AFUDC and carrying costs, the Transition Plan Cost regulatory asset, and any goodwill amortization-related regulatory asset. The Council may set a different equity ratio as part of the Initial Rate Case, which may be DSU NO’s actual equity ratio.
3. **Interim COD**: Until new rates are set as part of the Initial Rate Case, for ratemaking purposes including AFUDC and carrying costs, the Transition Plan Cost regulatory asset, and any goodwill amortization-related regulatory asset, DSU NO’s Interim COD shall be 6.61%. This provision shall only apply to DSU NO Initial COD for purposes of determining its Interim WACC.
4. **Initial Rate Case COD**: DSU NO’s initial acquisition financing cost of debt, or any refinancing thereof, for ratemaking purposes including AFUDC, carrying costs and any goodwill amortization-related regulatory asset, shall be 6.61% at the time of the Initial Rate Case and through the initial term of any FRP that may be approved by the Council in the Initial Rate Case. However, any additional DSU NO debt issuances shall be calculated into the weighted average cost of DSU NO debt at the actual cost of such debt issuance(s), subject to the Council’s general authority to review the cost of utility debt issuances.

Council Consideration of Additional Benefits and Savings

Transition Plan Cost Deferral

In determining whether deferral of recovery of Transition Plan Costs is necessary, the Council may consider the following, or other, benefits supported by DSU NO in its Initial Rate Case filing:

- Economic benefits to the City of New Orleans and local communities;
- \$1.7B organization headquartered in New Orleans, without DSU NO requesting any tax incentives;
- GHG emission reductions;
- Foundation and charitable engagement;
- Employee and corporate community engagement; and
- Other demonstratable benefits and savings.

Determination of ADIT Impacts

In determining whether the ADIT impact requires mitigation beyond DSU NO's sharing of goodwill amortization credits, the Council may consider the following, or other benefits, supported by DSU NO in its Initial Rate Case filing:

- Economic benefits to the City of New Orleans and local communities;
- \$1.7B organization headquartered in New Orleans, without DSU NO requesting any tax incentives;
- GHG emission reductions;
- Foundation and charitable engagement;
- Employee and corporate community engagement; and
- Other demonstratable benefits and savings.

Mitigation to Council's Satisfaction

In the Initial Rate Case (and rate actions beyond the Initial Rate Case, as may be necessary), after review of (i) DSU NO's Transition Plan Costs pursuant to the above benefits/savings analysis, and (ii) Net ADIT Impact, and subject to the Council's additional considerations of benefits and savings, to the extent there are costs that the Council determines should be further mitigated, DSU NO shall mitigate such costs to the Council's satisfaction.