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January 2, 2025

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

Re: In Re: Application of Entergy New Orleans, LLC, and The Louisiana Utilities Restoration Corporation For Authority To Fund And Finance Storm Recovery Reserves, And Related Relief, Council Docket No. UD-22-01

Dear Clerk:

Entergy New Orleans, LLC, ("ENO" or "the Company") respectfully submits its Application requesting the establishment of a procedural schedule for future applications by ENO that seek securitization financing of storm restoration costs, including storm recovery reserves (the "Application") in furtherance of the goal to help mitigate customer exposure to carrying costs following expenditures for future storm restoration. To support this objective, ENO proposes a procedural schedule that would allow for the issuance of a financing order no later than four (4) months or 120 days from the date that ENO files any future applications seeking securitization financing of storm restoration costs, including storm recovery reserves, with the Council. ENO also requests that the Council approve an amendment to the Storm Recovery Reserve Escrow Agreement (the "Escrow Agreement"). This filing includes the Direct Testimony and Exhibits of Joshua Thomas.

ENO submits this filing electronically and will submit the requisite original and number of hard copies as directed.

Thank you for your consideration of ENO's request. Please feel free to contact me should you have any questions, concerns, or wish to discuss the proposed Application.

Sincerely,

Lacresha Wilkerson

Enclosures
cc: Official Service List (UD-22-01 *via electronic mail)*

BEFORE THE

COUNCIL OF THE CITY OF NEW ORLEANS

IN RE: APPLICATION OF	**)**	
ENTERGY NEW ORLEANS, LLC,	**)**	
AND THE LOUISIANA UTILITIES	**)**	
RESTORATION CORPORATION	**)**	**DOCKET NO. UD-22-01**
FOR AUTHORITY TO FUND AND	**)**	
FINANCE STORM RECOVERY	**)**	
RESERVES, AND RELATED RELIEF	**)**	

APPLICATION OF ENTERGY NEW ORLEANS, LLC
(1) TO ESTABLISH A PROCEDURAL SCHEDULE
FOR FUTURE SECURITIZATION FILINGS,
(2) TO AMEND STORM RESERVE ESCROW AGREEMENT,
AND (3) REQUEST FOR RELATED RELIEF

Entergy New Orleans, LLC, ("ENO" or "the Company") respectfully submits this Application requesting the establishment of a procedural schedule for future applications by ENO that seek securitization financing of storm restoration costs, including storm recovery reserves (the "Application"). As explained below and in the accompanying testimony, a procedural schedule in future dockets involving requests by ENO for Council authorization of securitization financing that is in line with ENO's request in this Application will help mitigate customer exposure to carrying costs following expenditures for future storm restoration. Further, ENO's ability to recover quickly and fully from storms is critical to customers and the City of New Orleans. ENO also requests that the Council approve an amendment to the Storm Recovery Reserve Escrow Agreement (the "Escrow Agreement") approved in this docket and permit additional annual reporting concerning investment options for the storm reserve balance.

Background

1.

ENO is a limited liability company duly authorized and qualified to do and doing business in the State of Louisiana, Parish of Orleans, created and organized for the purposes, among others, of generating, transmitting, distributing, and selling electricity for power, lighting, heating, and other such uses to residential, governmental, commercial, and industrial customers throughout the City of New Orleans. ENO's general office and principal place of business is located at 1600 Perdido Street, Building 505, New Orleans, LA 70112.

2.

ENO currently provides electric service to more than 200,000 customers in Orleans Parish.[1] ENO's customer base consists primarily of residential and commercial customers, and its service area is comprised of neighborhoods that are regularly exposed to extreme weather conditions and flooding.

Benefits of a Procedural Schedule and Escrow Flexibility

3.

To better serve all of its customers, ENO proposes, through this Application, that the Council commit to a procedural schedule that would support the issuance of a financing order within four (4) months, or 120 days, from the date that the Company files any future applications seeking securitization financing of storm restoration costs, including storm recovery reserves.

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[1] ENO currently provides natural gas service to customers in Orleans Parish. On December 19, 2024, in Docket No. UD-24-01, the Council approved the sale of ENO's natural gas business to Delta Utilities.

4.

ENO's request to establish a procedural schedule for future applications seeking securitization financing is in alignment not only with the Council's historical practice for review of Formula Rate Plan filings, but also is in accordance with other regulatory bodies' review of securitization filings and their issuance of financing orders pursuant to authorizing statutes that require a decision on a request for a financing order within the timeline requested herein.[2]

5.

While ENO's request for the Council to issue a financing order within 120 days of a securitization filing is a shorter timeframe than the Council's October 2022 issuance of the financing order in this docket (the "2022 Financing Order"), the requested timeframe is warranted based on the Council's familiarity with the process and the clear benefits to customers by implementing a procedural schedule and interim financing.

6.

An established procedural schedule will help to reduce the overall costs to customers associated with the restoration from major storm events by mitigating customer exposure to carrying costs following those events. For example, following a storm event where the restoration costs exceeded the available escrow balance by $150 million (roughly comparable to the restoration costs from Hurricane Ida), shortening the carrying cost period from 18 months to 6 months or less could lower overall costs by more than $13 million.

7.

In recent years, global supply chain challenges, in conjunction with the magnitude of materials needed to respond to major hurricanes and certain specialized material shortages that

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[2] *See* Council Resolution R-04-324, dated May 20, 2004; Arkansas Code § 23-18-903; Fla. Stat. § 366.8260; North Carolina General Statutes § 62-172.

arose during the 2020 and 2021 hurricane seasons, suggest there may be value in using a portion of ENO's storm reserve to procure storm materials and supplies in advance of anticipated storms. While the storm reserve remains in place, ENO may propose to the Council or its designee to use a portion of the restricted storm reserve to purchase storm supplies and materials to keep on hand in advance of future storms. To provide the flexibility for ENO to execute on any such proposal approved by the Council, ENO requests that the Council approve an amendment to the Escrow Agreement that adds that a Triggering Weather Event that permits a disbursement shall be established upon written agreement by ENO and the Council Designee and that funds not exceed twenty percent (20%) of the then-current balance of the Escrow Account should be used to purchase or secure inventory that will be needed to carry out storm restoration activity. Neither this request nor approval of any request in this Application is intended to or shall affect the 2022 Financing Order issued in this docket.

8.

Further, as part of its Annual Storm Reserve Report to the Council, ENO proposes that it commence reporting on whether economic conditions expected in the coming year might justify ENO's and the Council's consideration of investment options for the storm reserve balance that are not currently permitted under the Escrow Agreement. ENO expects that this addition to the reporting will facilitate further collaboration between the Company and the Council on storm preparation and mitigating cost impact to customers.

The Impact of Timely Restoration and How it Affects the Local Economy

9.

ENO's ability to recover quickly and fully from storms is critical to customers, ENO itself, and the City of New Orleans. In the aftermath of Hurricane Katrina, when the devastation caused by the storm threatened the future of the City and placed ENO into bankruptcy, storm recovery was critical. Since that time, the City has made a remarkable recovery, creating jobs and attracting young professionals and families to locate in New Orleans.[3] Facilitating timely storm restoration following major storms is critical to ensuring that the City can continue to grow and strengthen. A procedural schedule in future dockets will help mitigate customer exposure to carrying costs following expenditures for future storm restoration and support ENO's ability to respond to major storms.

Indeed, since Katrina, customers—and certainly rating agencies—have heightened expectations for fast storm recovery. Meeting customer expectations is, of course, one of the key drivers supporting ENO's plan to accelerate its investment in resilience, which plan the Council recently approved in Resolution No. 24-625.[4] Further, ENO's storm restoration capabilities are essential to the City's resilience and recovery from major storms. When major storm events disrupt electric service, ENO's timely restoration of power is crucial and can have a significant impact on the local economy, healthcare, and supply chains that have a presence in New Orleans.

10.

For example, the Port of New Orleans is a critical commerce and transportation hub, shipping goods to communities and businesses across the nation and around the world. But more

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3 *See* https://gnoinc.org/news/greater-new-orleans-1-for-healthcare-job-growth-in-usa/.

4 *See* Council Resolution R-24-625, dated October 24, 2024.

than that, it's one of the region's largest employers, generating significant annual revenue and wages through its four lines of business—cargo, rail, cruise, and industrial real estate.[5] Many other business, ranging from coffee roasting to energy production, have significant facilities in New Orleans. Because these businesses rely heavily on electricity, the sooner power is restored after a major disruption, the faster these businesses can resume operations and their related socioeconomic impact. Further, a reliable power grid is a key factor companies consider when deciding where to locate their operations, as it indicates a stable and supportive business environment.

The Direct Effect of Liquidity on Customer Benefits

11.

Storm restoration is a massive effort that requires ENO to expend large sums of money very quickly, which can significantly reduce the Company's liquidity and depreciate the financial metrics supporting its credit ratings, which are regularly examined by the investment community. Those credit ratings directly affect the cost of capital needed for utility investments and operations that benefit customers and drive overall customer rates.

12.

In 2020 and 2021, while in the midst of the COVID-19 pandemic, New Orleans was impacted by Hurricanes Zeta and Ida. Because of the availability of its storm reserves, ENO did not need emergency rate increases to recover costs related to those storms, and the reserves were the direct result of prior orders issued by the Council.[6]

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5 https://www.jpmorganchase.com/newsroom/stories/port-of-nola.

6 *See* Council Resolution R-15-193 (Resolution and Financing Order), dated May 14, 2015; Council Resolution R-15-195 (Resolution and Order Approving Storm Cost Securitization Agreement in Principle), dated May 14, 2015; and Council Resolution R-06-459 (Resolution and Order Approving Agreement in Principle), dated October 27, 2006, directing ENO to establish a storm reserve with a principal amount of $75 million.

13.

Following Hurricanes Zeta and Ida, ENO and the Louisiana Utilities Restoration Corporation (the "LURC") filed an application ("Securitization Application") in February 2022, seeking Council authorization for securitization financing under the Securitization Act.[7] Eight (8) months after ENO and LURC filed the Securitization Application, the Council issued the 2022 Financing Order[8] authorizing ENO to replenish and fund storm recovery reserves ("Storm Recovery Reserve Escrow Account") in the amount of $200 million.

14.

As a result of this action by the Council, ENO was able to withdraw $125 million from the Storm Recovery Reserve Escrow Account in December 2022 for interim recovery of storm restoration costs for Hurricane Ida.[9] The Council's authorizing that withdrawal benefitted customers in the form of savings in carrying charges that otherwise would have been incurred.

15.

The Council subsequently certified the amount of ENO's Hurricane Ida storm recovery costs, including carrying costs, as prudently incurred and therefore recoverable in December 2023.[10]

16.

On September 11, 2024, Hurricane Francine made landfall in Terrebonne Parish, Louisiana, as a Category 2 hurricane with maximum sustained winds of 100 mph. Hurricane Francine's path

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7 La. R.S. §§ 45:1226-1240, adopted by the Legislature through Act No. 64 of the Louisiana Regular Session of 2006 and supplemented by Act No. 293 of the Louisiana Regular Session of 2021.

8 *See* Council Resolution R-22-437 (As Corrected), dated October 6, 2022.

9 *See* Council Resolution R-22-438, dated October 6, 2022, at Ordering Paragraph 3.

10 *See* Council Resolution R-23-555, dated December 14, 2023.

tracked just west of New Orleans, and, although its intensity diminished after landfall, the storm's heavy rain and damaging winds caused flooding and downed power lines, utility poles, and trees, resulting in power outages throughout the City.

17.

On December 20, 2024, in accordance with the terms of the Escrow Agreement, ENO transmitted to the Council a notice of intent to withdraw up to $20 million[11] in estimated storm costs resulting from Hurricane Francine from its Storm Recovery Reserve Escrow Account ("Escrow Account"), subject to Council certification of those costs. The availability of funds in the Escrow Account has avoided ENO's incurring carrying charges on the Hurricane Francine storm costs and provided an important source of liquidity for ENO in the aftermath of Hurricane Francine.

18.

The 2022 Financing Order replenished storm reserves and allowed for interim recovery of ENO's Hurricane Ida and Hurricane Francine costs pending the Council's review and certification of those costs, bringing savings to customers.

19.

In the context of storm restoration, the Council has encouraged ENO to actively consider options that can bring potential savings to its customers.[12] Thus, this Application seeks to build on the Council's experience and success with securitization financing to provide further assurance of preparation to address the challenges presented by future storms.

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[11] ENO is still receiving invoices from contractors and mutual assistance utilities. Accordingly, this estimate is subject to change as actual costs are determined.

[12] *See* Council Resolution R-23-555 at 5.

Overview of Supporting Direct Testimony

20.

Accompanying this Application is the testimony and exhibits of Joshua B. Thomas, Vice President of Regulatory Services for Entergy Services, LLC. In his testimony, Mr. Thomas explains how the Company's request to establish a procedural schedule for future securitization filings addresses customer exposure to carrying costs following expenditures for future storm restoration, as well as how amending the Escrow Agreement will create flexibility to utilize the Company's securitized storm reserves to assist with preparation for and response to major storms and bring additional benefits to customers from ENO's requests in its Application. He also describes securitization financing generally and discusses the Council's familiarity with that mechanism through its prior issuances of financing orders.

Service of Notices and Pleadings

21.

The Company requests that notices, correspondence, and other communications concerning this Application be directed to the following persons:

Deanna Rodriguez
Leroy Nix
Kevin T. Boleware
1600 Perdido Street
L-MAG-505B
New Orleans, LA 70112

Courtney Nicholson
Regina Bartholomew-Woods
Lacresha Wilkerson
Mail Unit L-ENT-26E
639 Loyola Avenue
New Orleans, LA 70113

ENO requests that the foregoing persons be placed on the Official Service List for this proceeding, and further respectfully requests that the Council permit the designation of more than one person to be placed on the Official Service List for service in this proceeding.

Request for Waiver

22.

Out of an abundance of caution, pursuant to Section 158 of the Code of the City of New Orleans, ENO requests suspension and/or waiver of the Minimum Filing Requirements ("MFRs") set forth in Chapter 158, Division 1, Section 158-41, *et seq.*, of the New Orleans City Code, and, to the extent that the Council determines that the MFRs are applicable and requires additional information to fully consider ENO's request, ENO requests that it be provided additional time to supplement this Application to provide such information. To the extent that the filing does not contain information otherwise required by the MFRs or any applicable section of the Home Rule Charter of the City of New Orleans or the City Code, ENO requests a waiver of the applicability of such provision. The Company's request for suspension and/or waiver of MFRs, to the extent applicable, is not intended to waive any substantive rights of the Company in having the requested relief fully considered.

Prayer for Relief

WHEREFORE, for the reasons set forth in this Application, together with the accompanying testimony and exhibits, ENO respectfully requests that after due and lawful proceedings are held, its Application be approved. In particular, ENO requests that the Council, subject to the fullest extent of its jurisdiction, grant relief and give its approval as follows:

1. Enter a resolution establishing a procedural schedule that would allow for the issuance of a financing order no later than four (4) months or 120 days from the date that ENO

files any future applications seeking securitization financing of storm restoration costs, including storm recovery reserves, with the Council.

2. Approve an amendment to the Storm Recovery Reserve Escrow Agreement that adds that a Triggering Weather Event that permits a disbursement shall be established upon written agreement by ENO and the Council Designee that funds not exceeding twenty percent (20%) of the then-current balance of the Escrow Account should be used to purchase or secure inventory that will be needed to carry out storm recovery activity;
3. Direct that, in its Annual Storm Reserve Report to the Council, ENO commence reporting on whether economic conditions expected in the coming year might justify ENO's and the Council's consideration of investment options for the storm reserve balance that are not currently permitted under the Storm Recovery Reserve Escrow Agreement;
4. Develop and implement appropriate procedures to facilitate a timely Council decision on the Company's Application;
5. Direct that notice of all matters in these proceedings be sent to Regina Bartholomew-Woods, Lacresha Wilkerson, Courtney Nicholson, Leroy Nix, and Kevin Boleware as representatives of the Company;
6. Adopt for application in this proceeding the Council's Official Protective Order as set forth in Resolution R-07-432, or provide for such other appropriate protection for any confidential information to be produced in this proceeding;
7. Approve a waiver of the Minimum Filing Requirements set forth in Chapter 158, Division 1, Section 158-41, *et seq.*, of the New Orleans City Code; and

8. Order such other general and equitable relief as to which the Company may show itself entitled.

Respectfully submitted,

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Courtney Nicholson, Bar No. 32618
Regina Bartholomew-Woods, Bar No. 26577
Lacresha Wilkerson, Bar No. 36084
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ATTORNEYS FOR
ENTERGY NEW ORLEANS, LLC

CERTIFICATE OF SERVICE
UD-22-01

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.

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Jesse George
Logan Atkinson Burke
Sophie Zaken
Alliance for Affordable Energy
4505 S. Claiborne Avenue
New Orleans, La 70125

New Orleans, Louisiana, this 2nd day of January, 2025

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Lacresha D. Wilkerson

BEFORE THE

COUNCIL OF THE CITY OF NEW ORLEANS

IN RE: APPLICATION OF ENTERGY	**)**	
NEW ORLEANS, LLC, AND THE	**)**	
LOUISIANA UTILITIES	**)**	
RESTORATION CORPORATION FOR	**)**	**DOCKET NO. UD-22-01**
AUTHORITY TO FUND AND	**)**	
FINANCE STORM RECOVERY	**)**	
RESERVES, AND RELATED RELIEF	**)**	

DIRECT TESTIMONY

OF

JOSHUA B. THOMAS

ON BEHALF OF

ENTERGY NEW ORLEANS, LLC

JANUARY 2025

TABLE OF CONTENTS

EXHIBITS

Name	Description
Exhibit JBT-1	List of Prior Testimony
Exhibit JBT-2	S&P Global Ratings Research Update on Entergy New Orleans, LLC (10/8/2020); Moody's Investors Service Issuer Comment (8/30/2021); S&P Global Ratings Research Update on Entergy New Orleans, LLC (9/2/2021); S&P Global Ratings Research Update on Entergy New Orleans, LLC (9/24/2021); Moody's Investors Service Rating Action (9/23/2021); Moody's Investors Service Credit Opinion (9/29/2021); S&P Global Ratings Research Update on Entergy New Orleans, LLC (9/3/2024); Moody's Investors Service Credit Opinion (7/1/24).
Exhibit JBT-3	Proposed Amendment to Escrow Agreement

I. INTRODUCTION AND QUALIFICATIONS

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

A. My name is Joshua B. Thomas. I am the Vice President of Regulatory Services for Entergy Services, LLC ("ESL").[1] My business address is 639 Loyola Avenue, New Orleans, Louisiana 70113.

Q2. ON WHOSE BEHALF ARE YOU SUBMITTING THIS DIRECT TESTIMONY?

A. I am submitting this Direct Testimony to the City Council of New Orleans ("the Council"), on behalf of Entergy New Orleans, LLC ("ENO" or the "Company").

Q3. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I have a Bachelor of Arts degree in Accounting from The Catholic University of America, and I am a Certified Public Accountant licensed in the State of Louisiana and the Commonwealth of Virginia. I began work for ESL (at that time known as Entergy Services, Inc.) as Manager, Accounting Policy Implementation in 2008. In that role, I was responsible for reviewing and providing guidance to management on the accounting and reporting for a variety of transactions. In 2013, I became the Finance Director for Legacy Entergy Louisiana, LLC ("Legacy ELL") and Legacy Entergy Gulf States Louisiana, LLC ("Legacy EGSL"), which position became the Finance Director for Entergy Louisiana,

[1] ESL is an affiliate of the Entergy Operating Companies ("EOCs") and provides engineering, planning, accounting, technical, and regulatory-support services to each of the EOCs. The five EOCs are Entergy Arkansas, LLC, Entergy Louisiana, LLC, Entergy Mississippi, LLC, Entergy New Orleans, LLC, and Entergy Texas, Inc.

LLC after Legacy ELL and Legacy EGSL consummated its Business Combination in 2015. In that role I was responsible for financial management, planning, monitoring, and reporting, as well as providing regulatory support to those EOCs.

In August 2016, I became the Director, Regulatory Policy and in August 2017, I assumed the role of Director, Regulatory Filings and Policy. In that capacity, I provided support to the EOCs in the preparation and review of regulatory filings and provided support and testimony in matters involving regulatory policy, ratemaking, finance, and accounting. In July 2020, I became the Acting Vice President of Regulatory Services and subsequently took on my current role as Vice President of Regulatory Services in February 2021. In this role, I oversee the departments responsible for Regulatory Filings, Customer Rates and Revenues, and Regulatory Strategy. I also continue to provide support and testimony to the EOCs in matters involving regulatory policy, ratemaking, finance, and accounting. Prior to working at ESL, I was employed on the Staff of the U.S. Securities and Exchange Commission in the Division of Corporation Finance. In that position, I was responsible for the review of public company financial information and disclosures filed with the U.S. Securities and Exchange Commission.

Q4. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE ANY REGULATORY BODY?

A. Yes. A list of the proceedings in which I have filed testimony previously is provided in Exhibit JBT-1.

II. PURPOSE OF TESTIMONY AND OVERVIEW OF APPLICATION

Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to support ENO's application (the "Application") requesting a Council-approved procedural schedule for future applications by ENO that seek securitization financing of storm restoration costs, including the creation or replenishment of securitized storm reserves, and other relief that supports ENO's ability to respond to major storms and pursue potential savings for customers. This request contemplates a standard regulatory timeline that preserves the opportunity for thorough regulatory review of the prudence of storm costs while also optimizing access to low-cost financing for those costs. ENO's Application responds to Council Resolution R-23-555, adopted on December 14, 2023, in which, in the context of storm restoration costs, the Council encouraged ENO to consider options that can bring potential savings to its customers.

Q6. PLEASE SUMMARIZE WHY ENO IS SEEKING A PROCEDURAL SCHEDULE FOR FUTURE SECURITIZATION APPLICATIONS.

A. As I explain below, a procedural schedule in future dockets involving requests by ENO for Council authorization of securitization financing will help mitigate customer exposure to carrying costs following expenditures for future storm restoration. ENO's ability to recover quickly and fully from storms is critical to customers, ENO itself, and the City of New Orleans. In the aftermath of Hurricane Katrina, when the devastation caused by the storm threatened the future of the City and placed ENO into bankruptcy, storm recovery was critical. Since that time, the City has made a remarkable recovery, creating jobs and attracting young professionals and families to locate in New Orleans. Facilitating timely storm restoration following major storms is critical to ensuring that the City can continue to grow and strengthen. Indeed, since Katrina, customers—and certainly rating agencies—have heightened expectations for fast storm recovery. Meeting customer expectations is, of course, one of the key drivers supporting ENO's plan to accelerate its investment in resilience, which plan the Council recently approved in Resolution R-24-625.[2] Further, storm restoration capabilities are directly tied to resilience and can have a significant impact on the local economy, which I discuss in more detail below. The relief requested by ENO in its Application is intended to establish a standard procedural timeline that will help to reduce the overall costs to customers associated with the restoration from major storm events by mitigating customer exposure to carrying costs following those events, while also sending positive signals concerning ENO's financial health and the City's ability to recover from major storms. Specifically, ENO seeks the Council's commitment to issue a financing order on any future securitization applications within four (4) months, or 120 days, of filing.

Q7. HOW IS YOUR TESTIMONY ORGANIZED?

A. In Section III, I explain how the Company's request to establish a procedural schedule for future securitization filings addresses customer exposure to carrying costs following expenditures for future storm restoration and how storm restoration impacts the City.

[2] *See* Council Resolution R-24-625, dated October 24, 2024.

Further, I touch on how timely restoration sends a positive signal concerning ENO's financial health and the City's recovery from major storms. In Section IV, I describe securitization financing generally and discuss the Council's familiarity with that mechanism through its prior issuances of financing orders.

Q8. WHAT EXHIBITS ARE YOU SPONSORING?

A. In connection with my Direct Testimony, I am sponsoring Exhibits JBT-1 through JBT-3.

III. THE REQUEST FOR A PROCEDURAL SCHEDULE WILL BENEFIT CUSTOMERS

Q9. PLEASE DESCRIBE THE CHARACTERISTICS OF ENO'S CUSTOMER BASE AND SERVICE AREA.

A. ENO currently provides electric service to more than 200,000 customers in Orleans Parish.[3] ENO's customer base consists primarily of residential and commercial customers, and its service area is comprised of neighborhoods in a small geographic area that are regularly exposed to extreme weather conditions and flooding.

As I discuss below, because ENO's customer base is relatively small and concentrated in residential and commercial customers in Orleans Parish, it is less able to

[3] ENO currently provides natural gas service to customers in Orleans Parish. On December 19, 2024, in Docket No. UD-24-01, the Council approved the sale of ENO's natural gas business to Delta Utilities.

withstand adverse weather events than, for example, utilities that have a larger service area and more diverse load.[4]

Q10. HAS ENO'S SERVICE AREA HISTORICALLY EXPERIENCED HURRICANES AND OTHER SEVERE STORMS?

A. Yes. ENO faces the risk of severe and widespread damage from major storms. The number of hurricanes that have struck Orleans Parish, such as Katrina in 2005, Gustav in 2008, Isaac in 2012, Zeta in 2020, Ida in 2021, and Francine in 2024, make ENO's operating territory an especially high-risk area for incurring weather-related infrastructure repair costs and service disruptions.[5]

Q11. WHAT EFFECT DOES ENO'S SUSCEPTIBILITY TO MAJOR STORM EVENTS HAVE ON THE COMPANY'S CREDIT RATINGS?

A. The immediate need to restore service following a major storm event places a significant and immediate cash requirement on the Company. Storm restoration is a massive effort that requires ENO to expend large sums of money very quickly, which expenditures can significantly reduce the Company's liquidity and undermine the financial metrics supporting its credit ratings, which are regularly examined by the investment community. The effect is a cycle that affects the Company's credit ratings after an event, but the resulting liquidity and credit concerns undermine ENO's ongoing ability to act in a resilient

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[4] *See, e.g.*, S&P Global Ratings Research Update on Entergy New Orleans, LLC (9/3/2024); Moody's Investors Service Credit Opinion (7/1/24), attached to my testimony as part of Exhibit JBT-2.

[5] *See generally* Exhibit JBT-2.

manner on an ongoing basis. In turn, those credit ratings directly affect the cost of capital needed for utility investments and operations that benefit customers and drive overall customer rates. Implementing a procedural schedule for addressing recovery of storm restoration costs will help to mitigate that cycle of negative credit implications and, as I will discuss further, is a necessary step in ENO's and the City Council's combined efforts to achieve a more resilient storm response.

Q12. PLEASE ELABORATE ON WHY ENO IS SEEKING THE COUNCIL'S COMMITMENT TO ADOPT A PROCEDURAL SCHEDULE FOR FUTURE SECURITIZATION FILINGS.

A. ENO has filed its Application in this docket because, while access to a storm reserve has proven to be beneficial, each time that it makes a withdrawal from its Escrow Account, the balance in that account decreases until, ultimately, the balance will be depleted. In addition, ENO has unfortunately experienced storm costs that have exceeded the escrow balance. As the Council recognized when it issued the October 2022 financing order in this docket (the "2022 Financing Order"), maintaining adequate cash storm recovery reserve funds allows ENO to be better prepared when major storm events affect its operations. It follows that the Council's commitment to consider issuance of a financing order under an established procedural schedule, at such time that ENO seeks to address storm costs and/or replenish its storm reserves through securitization financing, will yield similar benefits to the Company and its customers, including the potential prevention of credit downgrades by sending a positive signal to the Company's credit rating agencies that ENO has a supportive regulatory environment and adequate mechanisms in place to facilitate full and timely recovery of storm costs.

Q13. WILL A STANDARD PROCEDURAL TIMELINE FOR FUTURE SECURITIZATION APPLICATIONS IMPACT ENO CUSTOMERS?

A. Yes. An established procedural schedule will help to reduce the overall costs to customers associated with the restoration from major storm events by mitigating customer exposure to carrying costs following those events. For example, following a storm event where the restoration costs exceeded the available escrow balance by $150 million (roughly comparable to the restoration costs from Hurricane Ida), shortening the carrying cost period from 18 months to 6 months could lower overall costs by more than $13 million.

Q14. IS THE COMPANY'S REQUEST FOR A STANDARD SECURITIZATION TIMELINE IN LINE WITH OTHER REGULATORY BODIES' REVIEW OF SECURITIZATION FILINGS SEEKING FINANCING ORDERS?

A. Yes. Although I am not a lawyer, my understanding is that ENO's request in its Application is in line not only with the Council's historical practice for review of Formula Rate Plan filings, but also with the timelines under which other regulatory bodies are statutorily required to review requests for financing orders.

For example, Arkansas Code § 23-18-903 (Financing Orders) provides that within seven (7) days after a utility files a petition for a financing order, the commission must publish a case schedule that places the matter before the commission on an agenda that will permit a commission decision no later than 120 days after the petition is filed. The Commission must issue a financing order or an order rejecting the petition no later than 135 days after the petition is filed.

Similarly, Fla. Stat. § 366.8260 (Storm-recovery financing) provides that within 7 days after the filing of a petition for a financing order, the commission shall publish a case schedule, which schedule shall place the matter before the commission on an agenda that will permit a commission decision no later than 120 days after the date the petition is filed. No later than 135 days after the date the petition is filed, the commission must issue a financing order or an order rejecting the petition.

Finally, North Carolina General Statutes § 62-172 provides that within fourteen (14) days after filing a petition for a financing order, the commission must establish a procedural schedule that permits a commission decision no later than 135 days after the petition is filed, and any financing order must be issued within that same 135 period.

In line with the timelines under which those regulatory bodies review securitization filings and issue financing orders, ENO is proposing a procedural schedule that would allow for the issuance of a financing order no later than four (4) months or 120 days from the date that ENO files a securitization application with the Council.[6]

[6] *See* Council Resolution R-04-324, dated May 20, 2004, Arkansas Code § 23-18-903, Fla. Stat. § 366.8260, North Carolina General Statutes § 62-172.

Q15. IF THE COUNCIL COMMITS TO A PROCEDURAL SCHEDULE FOR FUTURE SECURITIZATION FILINGS AS REQUESTED BY ENO IN ITS APPLICATION, WILL THE COUNCIL HAVE AN ABILITY TO CONDUCT A PRUDENCE REVIEW OF FUTURE STORM COSTS INCURRED BY ENO?

A. Yes. While ENO is seeking a procedural schedule to support timely securitization financing, nothing in this process would require the Council to expedite its review for prudence of future storm costs nor diminish its jurisdiction to determine whether those costs are prudently incurred and to disallow any costs that the Council determines to have been imprudent. Just as the Council was able to take the time to thoroughly review and certify the recoverable amount of ENO's Hurricane Ida storm costs in Docket No. UD-22-05 after having authorized the funding and replenishing of ENO's storm reserves in the 2022 Financing Order, the Council maintains its ability to review the prudence of any future storm costs incurred by ENO for which interim recovery is facilitated through future securitization financings requested by ENO.

Q16. PLEASE DISCUSS THE OTHER ITEMS OF RELIEF THAT ENO SEEKS IN ITS APPLICATION.

A. First, ENO requests that the Council approve an amendment to the Storm Recovery Reserve Escrow Agreement (the "Escrow Agreement") that was previously approved in this docket to add a Triggering Weather Event that permits an escrow disbursement upon written agreement by ENO and the Council Designee[7] that funds not exceeding twenty percent (20%) of the then-current balance of the Escrow Account should be used to purchase or secure inventory that will be needed to carry out storm recovery activity. Global supply chain challenges in recent years, the magnitude of materials needed to respond to major hurricanes, and certain specialized material shortages which arose during the 2020 and 2021 hurricane seasons suggest there may be value in using a portion of ENO's storm reserve to procure storm materials and supplies in advance of anticipated storms. The proposed amendment would provide the flexibility for ENO to execute on any such proposal approved by the Council, and that flexibility can assist the Company's preparation for and response to major storms and bring additional benefits to customers.[8] I attach as Exhibit JBT-3 to my testimony redlines showing the proposed amendment to the Escrow Agreement.

Second, as part of its Annual Storm Reserve Report the Council, ENO proposes that it commence reporting on whether economic conditions expected in the coming year might justify ENO's and the Council's consideration of investment options for the storm reserve balance that are not currently permitted under the Storm Recovery Reserve Escrow Agreement. ENO expects that this addition to the reporting will facilitate further collaboration between the Company and the Council on storm preparation and mitigating cost effect to customers.

[7] For purposes of the Escrow Agreement, Council Designee is defined in that agreement as the Chair of the Council Utility, Cable, Telecommunications and Technology Committee, or in her/his unavailability, the Chief of Staff of the Council Utilities Regulatory Office.

[8] I note that this request does not in any way affect the 2022 Financing Order.

Q17. DOES ENO'S FINANCIAL HEALTH AFFECT ITS ABILITY TO MEET CUSTOMER EXPECTATIONS?

A. Yes, it does. Due to a variety of trends, customers' dependence upon the electric grid is increasing, which, in turn, is increasing demands and expectations for a resilient system.

Q18. PLEASE EXPLAIN THE RELATIONSHIP AMONG RESILIENCE, STORM PREPARATION AND RESPONSE, AND THE NEED TO MAINTAIN THE COMPANY'S FINANCIAL HEALTH.

A. Resilience encompasses preparation for, adapting to, and recovering from storms and therefore includes preparation initiatives (like grid-hardening) and the ability to adapt during, and recover promptly after, major events. ENO is now working on accelerating its grid-hardening efforts by implementing the projects approved by the Council in Docket No. UD-21-03, *In re: Application of Entergy New Orleans, LLC for Approval of Future Ready Resilience Plan* (*Phase I*). ENO will require continued access to capital in order to see these resilience efforts through to completion.

With respect to the Company's adaptive capacity and ability to recover promptly after a storm, financial health is a critical driver of success. Without adequate financial strength, ENO would be hindered in its ability to, among other things, procure the resources and materials needed to restore electric service quickly in the aftermath of a major storm. Similarly, the impact of storm costs on the Company's financial metrics can adversely affect the ability to recover from hurricanes by limiting ENO's access to favorable financing terms and, relatedly, slowing progress on capital-intensive projects. Financial health is thus a key component of resilience, and it is especially important with storm response efforts.

Q19. HOW DOES TIMELY RESTORATION IMPACT THE CITY?

A. ENO's storm restoration capabilities are essential to the City's resilience and recovery from major storms. When major storm events disrupt electric service, ENO's timely restoration of power is crucial and can have a significant impact on the local economy, healthcare, and supply chains that have a presence in New Orleans. For example, the Port of New Orleans is a critical commerce and transportation hub, shipping goods to communities and businesses across the nation and around the world. But more than that, it's one of the region's largest employers, generating significant annual revenue and wages through its four lines of business—cargo, rail, cruise and industrial real estate.[9] Many other business, ranging from coffee roasting to energy production, have significant facilities in New Orleans.

Because these businesses rely heavily on electricity, the sooner power is restored after a major disruption, the faster these businesses can resume operations and their related socioeconomic impact. Further, a reliable power grid is a key factor companies consider when deciding where to locate their operations, as it indicates a stable and supportive business environment.

[9] https://www.jpmorganchase.com/newsroom/stories/port-of-nola.

IV. SECURITIZATION FINANCING

Q20. PLEASE EXPLAIN THE CONCEPT OF SECURITIZATION FINANCING OF UTILITY STORM RESTORATION COSTS.

A. Securitization is a financial tool deployed by utilities to provide a lower-cost means for utility customers to finance storm restoration costs as compared to traditional utility financing. Securitization financing is accomplished by the sale or assignment of "tariff monetization" or securitization bonds that have special legal protections for the benefit of the bondholders, including rights to the collection of charges from the utility's customers. These rights are provided for in a financing order issued by the utility's retail regulator.

Q21. HOW WILL TIMELY SECURIZATION IMPACT ENO'S CREDIT RATING?

A. In a September 29, 2021 credit opinion following its change of outlook with respect to ENO, Moody's noted and explained the positive impact that securitization could have on ENO's credit rating going forward should ENO be successful in receiving approval for that method of cost recovery: "We view securitization to be a credit positive method of cost recovery, since it incorporates the lowest cost of financing to minimize the customer rate impact and is non-recourse to the utility, which acts as a pass through conduit of collections." I attach *in globo* the foregoing credit rating agency reports as Exhibit JBT-2 to my testimony. Establishing a procedural schedule that provides for the timely recovery of storm restoration costs will likely be viewed by rating agencies as a positive sign of the City Council's ongoing commitment to a constructive regulatory framework that recognizes the importance of a financially stable utility.

Q22. HAS THE COUNCIL PREVIOUSLY ISSUED FINANCING ORDERS THAT ALLOWED FOR SECURITIZATION FINANCING OF ENO'S STORM RESTORATION COSTS?

A. Yes. In Docket No. UD-14-01, the Council issued a financing order authorizing ENO to use the Louisiana Electric Utility Storm Recovery Securitization Act, La. R.S. §§ 45:1226-1240 ("Securitization Act"), adopted by the Legislature through Act No. 64 of the Louisiana Regular Session of 2006 ("Act 64"), to finance storm restoration costs resulting from Hurricane Isaac and to bring ENO's electric-only long-term storm reserve up to the $75 million level approved by the Council.[10] In this Docket No. UD-22-01, the Council issued the 2022 Financing Order authorizing ENO to replenish and fund storm restoration reserves in the amount of $200 million.[11] The 2022 Financing Order included the participation of the Louisiana Utilities Restoration Corporation ("LURC") as the assignee of storm recovery property as authorized by Act No. 293 of the Louisiana Regular Session of 2021 ("Act 293"), which supplemented the Securitization Act.

[10] *See* Council Resolution R-15-193, dated May 14, 2015; Council Resolution R-15-195, dated May 14, 2015.

[11] *See* Council Resolution R-22-437 (As Corrected), dated October 6, 2022.

Q23. PLEASE DESCRIBE THE SECURITIZATION ACT.

A. In response to the devastation caused by Hurricanes Katrina and Rita in 2005, the Legislature adopted the Securitization Act through Act 64. The Securitization Act allows electric utilities to finance through the issuance of "storm recovery bonds" the costs incurred in "storm recovery activities" as a result of hurricanes and other major storms that are approved by the regulator as storm recovery costs, as well as the approved costs to fund and finance "storm recovery reserves."[12]

Under Act 64, certain "storm recovery property"[13] is first created in the utility and then transferred by the utility to an affiliated special purpose entity ("SPE") in exchange for the net proceeds of the storm recovery bonds that are issued by the SPE. When it supplemented Act 64 through Act No. 293,[14] the Legislature authorized the LURC to participate as an assignee of storm recovery property under the Securitization Act, declaring that the "[f]inancing of storm recovery costs pursuant to this Part is hereby recognized to be a valid public purpose for the corporation."[15] When the LURC, rather than an affiliated SPE, participates as an assignee in the financial transactions provided by the Securitization Act, the securitization debt is "off-balance sheet" for the utility, thereby aiding the utility's credit metrics and ratings.

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[12] *See* La. R.S. § 45:1227(14) (defining "storm recovery bonds"); (13) (defining "storm recovery activity"); (16) (defining "storm recovery costs"); (18) (defining "storm recovery reserve"); *see also id.* at § 45:1227(12) (defining "storm").

[13] *See* La. R.S. § 45:1227(17).

[14] Together, Act 64 and certain provisions of Act 293 now compose the Securitization Act, La. R.S. §§ 45:1226-1240.

[15] La. R.S. § 45:1237(B).

Q24. PLEASE ELABORATE ON HOW SECURITIZATION BENEFITS CUSTOMERS.

A. The purpose of securitization, as explained in the Securitization Act, is "to use securitization financing for storm recovery costs, because this type of debt may lower the financing costs and/or mitigate the impact on rates in comparison with conventional utility financing methods or alternative methods of recovery, thereby benefiting rate payers."[16] Under the Securitization Act, storm recovery costs include the costs incurred by the utility in connection with the restoration of service resulting from storm damage (storm recovery activities) as well as costs to fund and finance storm recovery reserves and costs of repurchasing equity or retiring any existing indebtedness relating to storm recovery activities.[17] The Securitization Act permits a utility to recover storm restoration costs through the issuance of securitized bonds and creates a secure, separate, and identifiable cash flow dedicated to the repayment of the securitized bonds.

Because of the nature of the security available to a creditor, the securitization process allows the issuance of highly-rated bonds to raise the capital necessary to reimburse the Company for its storm recovery costs and to fund its storm recovery reserves. Selling these highly-rated securities to raise the capital necessary to reimburse the Company for its storm restoration costs, to fund storm recovery reserves, and to pay the associated upfront bond issuance and financing costs makes it possible to reduce the revenue requirement that has to be borne by the Company's customers in connection with these storm recovery costs. That is, the revenue requirement related to storm restoration costs, including storm

[16] La. R.S. § 45:1226(B).

[17] *Id.* at § 45:1227(16).

recovery reserve costs, will be financed and calculated using a lower-cost capital structure than would be the case under conventional utility financing. Further, securitization of storm recovery reserve amounts is beneficial to customers because it provides an immediate, fully-funded source of funds to pay storm costs.

Q25. WHY DID ENO AND THE LURC FILE AN APPLICATION IN DOCKET NO. UD-22-01 TO REPLENISH ENO'S STORM RESERVES?

A. After Hurricanes Zeta and Ida struck ENO's service area in 2020 and 2021, respectively, ENO's storm reserves were depleted when ENO recovered certain costs related to those storms through storm reserve withdrawals rather than through emergency customer bill increases. As a result, in February 2022, ENO and the LURC filed an application seeking Council authorization for securitization financing under the Securitization Act in order to fund and finance a new storm recovery reserve so that ENO could recover the costs incurred in restoring service after major storms like Hurricane Ida at a lower overall cost to customers as compared to traditional methods of recovering storm recovery costs.

On October 6, 2022, the Council issued the 2022 Financing Order, determining that ENO was authorized to replenish and fund storm recovery reserves in the amount of $200 million, which amount was to be financed through storm recovery bonds. As stipulated in the 2022 Financing Order, the reserves were to be held in a restricted escrow account (the "Escrow Account") from which ENO could make withdrawals to recover (on an interim and/or permanent basis) remaining Hurricane Ida storm recovery costs (subject to Council certification of those costs, including carrying costs) and to fund storm recovery activity after future storms. The securitization bonds authorized in the 2022 Financing Order were issued in December 2022. Shortly thereafter, ENO, as authorized by the Council,[18] withdrew $125 million from the Escrow Account for interim recovery of storm recovery costs for Hurricane Ida, subject to the Council's subsequent certification of the prudence of those costs. The Council subsequently certified the amount of ENO's Hurricane Ida storm recovery costs, including carrying costs, as prudently incurred and therefore recoverable in December 2023 in Docket No. UD-22-05.[19]

Q26. DID THE COUNCIL'S AUTHORIZING THE SECURITIZATION ACT FINANCING IN THE 2022 FINANCING ORDER BENEFIT CUSTOMERS?

A. Yes. The Council's authorizing the interim recovery that was made possible through the 2022 Financing Order benefitted customers by reducing their exposure to carrying charges following ENO's expenditures for Hurricane Ida storm recovery activity while also allowing the Council sufficient time to complete its review and certification of ENO's Hurricane Ida storm recovery costs.

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[18] *See* Council Resolution R-22-438, dated October 6, 2022.

[19] *See* Council Resolution R-23-555, dated December 14, 2023.

Q27. HAS THE COUNCIL ENCOURAGED ENO TO ACTIVELY CONSIDER OPTIONS, LIKE SECURITIZATION FINANCING, THAT CAN BRING POTENTIAL SAVINGS TO ITS CUSTOMERS?

A. Yes. In its Resolution certifying the amount of ENO's Hurricane Ida storm recovery costs in Docket No. UD-22-05, the Council recommended that ENO develop strategies such as interim financing to reduce the overall cost of storm restoration to customers: "We conclude that ENO should consider pursuing this economy [(interim financing)] following future hurricane events to identify and maximize all potential savings for its customers."[20] ENO's Application here is intended, in part, as a response to that recommendation.

Q28. DID ENO INCUR STORM RECOVERY COSTS AS A RESULT OF HURRICANE FRANCINE?

A. Yes. On September 11, 2024, Hurricane Francine made landfall in Terrebonne Parish, Louisiana, as a Category 2 hurricane with maximum sustained winds of 100 mph. Hurricane Francine's path tracked just west of New Orleans, and, although its intensity diminished after landfall, the storm's heavy rain and damaging winds caused flooding and downed power lines, utility poles, and trees, resulting in power outages throughout the City. ENO's current estimate of storm costs resulting from Hurricane Francine is $18 to 20 million.[21]

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20 *See id.* at 5.

21 ENO is still receiving invoices from contractors and mutual assistance utilities. Accordingly, this estimate is subject to change as actual costs are determined.

Q29. HOW DOES ENO INTEND TO RECOVER ITS HURRICANE FRANCINE STORM COSTS?

A. ENO plans to make withdrawals from its Escrow Account to provide recovery of its Hurricane Francine storm costs, subject to Council certification of those costs.[22]

Q30. DOES ENO'S ABILITY TO MAKE SUCH WITHDRAWALS FROM ITS STORM RESERVES BENEFIT CUSTOMERS?

A. Yes. The benefits to customers when ENO has storm reserves in place that it can access quickly after a major storm (should it need to do so) include the following:

- A known, low financing cost, which mitigates the uncertainty around the availability and cost of financing a future storm.
- Mitigation of negative action by rating agencies in the event of future storms.
- Additional assurance to power and fuel suppliers that the Company will be able to pay for purchases following a storm and mitigation of the risk of suppliers refusing to transact without prepayment or adequate assurance.
- Additional assurance to mutual aid companies and contractors that they will be paid for the restoration work they perform in ENO's service area.
- Mitigation of customer exposure to carrying costs following expenditures for future storm restoration.

[22] On December 20, 2024, ENO transmitted to the Council a notice of intent to withdraw up to $20 million in estimated storm costs resulting from Hurricane Francine from its Escrow Account, subject to Council certification of those costs.

V. CONCLUSION

Q31. PLEASE SUMMARIZE WHY ENO IS SEEKING THE RELIEF REQUESTED IN THIS APPLICATION.

A. In its Application in this docket, ENO is seeking to establish a procedural schedule for future applications by ENO seeking securitization financing of storm costs so as to mitigate customer exposure to carrying costs following expenditures for future storm restoration. In this way, ENO's Application recognizes the benefits that were made possible by the Council's action in the 2022 Financing Order, namely, ensuring that ENO is able to obtain interim recovery of storm costs in a timely manner. Indeed, ENO's storm reserves that were replenished and funded via the 2022 Financing Order have functioned exactly as intended. As I discussed above, ENO will be making withdrawals from those reserves to allow for interim recovery of its Hurricane Francine storm costs (subject to Council certification of those costs as prudent), which will avoid unnecessary carrying charges on those storm recovery costs to the benefit of customers.

ENO's Application also recognizes, however, that the time will come when ENO's existing storm recovery reserves will be depleted and the sort of interim recovery of storm costs made possible through 2022 Financing Order no longer will be available to ENO. Planning for that future scenario, and now that securitization financing under the Securitization Act is a mechanism that is familiar to the Council, ENO has every expectation that, when the time ultimately comes, the Council will be positioned to issue a financing order within 120 days so that customers again may benefit from a reduction in the amount of carrying charges to which they otherwise would be exposed. A procedural schedule for future securitization filings as requested by ENO and the other items of relief included in the Application will send positive signals that the Council and ENO are working constructively to address prompt, cost-efficient recovery from disruptive weather events.

Q32. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, at this time.

AFFIDAVIT

STATE OF LOUISIANA

PARISH OF ORLEANS

NOW BEFORE ME, the undersigned authority, personally came and appeared, **Joshua B. Thomas**, 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.

Joshua B. Thomas

SWORN TO AND SUBSCRIBED BEFORE ME
THIS 2nd DAY OF JANUARY 2025

NOTARY PUBLIC

My commission expires: @ Death

OFFICIAL SEAL
LACRESHA D. WILKERSON
BAR ROLL # 36084
STATE OF LOUISIANA
PARISH OF CATAHOULA
My Commission is for Life

Listing of Previous Testimony Filed by Joshua B. Thomas

DATE	TYPE	SUBJECT MATTER	REGULATORY BODY	DOCKET NO.
04/09/2013	Direct	Hurricane Isaac Cost Recovery	LPSC	U-32764
10/24/2013	Rebuttal	Hurricane Isaac Cost Recovery	LPSC	U-32764
10/30/2013	Direct	Ninemile 6 Revenue Requirement	LPSC	U-33033
12/20/2013	Direct	Hurricane Isaac Storm Cost Recovery	CNO	UD-14-01
09/30/2014	Direct	ELL/EGSL Business Combination	LPSC	U-33244
11/06/2014	Direct	ELL/EGSL Business Combination	CNO	UD-14-03
01/13/2015	Direct	Union Power Station	LPSC	U-33510
05/01/2015	Rebuttal	ELL/EGSL Business Combination	LPSC	U-33244
06/05/2015	Rebuttal	Union Power Station	LPSC	U-33510
07/31/2015	Supplemental	Union Power Station	LPSC	U-33510
08/25/2015	Direct	St. Charles Power Station	LPSC	U-33770
09/21/2015	Settlement	Union Power Station	LPSC	U-33510
11/2/2016	Direct	Lake Charles Power Station	LPSC	U-34283
11/15/2016	Direct	Oxy PPA Amendment	LPSC	U-34303
02/23/2017	Direct	Carville PPA	LPSC	U-34401
04/21/2017	Direct	MISO Renewal	LPSC	U-34447
04/24/2017	Rebuttal	Lake Charles Power Station	LPSC	U-34283
11/02/2016	Settlement	Lake Charles Power Station	LPSC	U-34283
05/23/2017	Direct	Washington Parish Energy Center	LPSC	U-34472
08/21/2017	Direct	ELL FRP Extension/Modification	LPSC	U-34631
11/15/2017	Direct	Attachment O Tariff Update	FERC	ER15-1436
03/15/2018	Direct	EMI Formula Rate Plan (FRP-6)	MPSC	2014-UN-132
03/20/2018	Rebuttal	Attachment O Tariff Update	FERC	ER15-1436
05/15/2018	Direct	ETI Rate Case	PUCT	48371
07/06/2018	Direct	EAI FRP Evaluation	APSC	16-036-FR
08/16/2018	Rebuttal	ETI Rate Case	PUCT	48371
09/21/2018	Direct	ENO Rate Case	CNO	UD-18-07
10/19/2018	Rebuttal	EAI FRP Evaluation	APSC	16-036-FR
03/22/2019	Rebuttal	ENO Rate Case	CNO	UD-18-07
05/24/2019	Rejoinder	ENO Rate Case	CNO	UD-18-07
05/28/2020	Direct	ELL FRP Extension/Modification	LPSC	U-35565
07/06/2020	Direct	Other Post-Employment Benefits	MPSC	2020-UA-90
07/06/2020	Direct	Pension	MPSC	2020-UA-91

11/09/2020	Rebuttal	EAL FRP Extension	APSC	16-036-FR
11/24/2020	Sur-Surrebuttal	EAL FRP Extension	APSC	16-036-FR
05/21/2021	Direct	ENO Storm Application	CNO	UD-21-02
07/30/2021	Direct	ELL Storm Recovery (Financing)	LPSC	U-35991
07/30/2021	Direct	ELL Storm Recovery (Ancillary)	LPSC	U-35991
09/22/2021	Direct	ELL Hurricane Ida Escrow	LPSC	U-36154
09/30/2021	Supp. Direct	ELL Storm Recovery	LPSC	U-35991
01/31/2022	Answering	SERI UPSA Rate Complaint	FERC	EL20-72-000
02/10/2022	Settlement	ELL Storm Recovery	LPSC	U-35991
04/11/2022 (Revised 05/17/2022)	Cross-Answering	SERI UPSA Rate Complaint	FERC	EL20-72-000
09/09/2022	Answering	SERI UPSA Rate Complaint	FERC	EL20-72-000
04/03/2023	Cross-Answering	MSS-4 Replacement Tariff, NOLC ADIT	FERC	EL22-6, et. al.
04/03/2023	Amended	Walnut Bend Acquisition	APSC	20-052-U
05/09/2023	Rebuttal (Amended)	Walnut Bend Acquisition	APSC	20-052-U
07/07/2023	Amended	Walnut Bend Acquisition	APSC	20-052-U
07/11/2023	Direct	MSS-4 Replacement Tariff, NOLC ADIT	FERC	EL22-6, et. al.
07/11/2023	Amended	Walnut Bend Acquisition	APSC	20-052-U
09/12/2023	Direct	MSS-4 Replacement Tariff, NOLC ADIT	FERC	EL22-6, et. al.
10/13/2023	Direct	SERI Pension	FERC	ER22-24
11/03/2023	Answering	MSS-4 Replacement Tariff, NOLC ADIT	FERC	EL22-6, et. al.
11/27/2023	Direct	MSS-4 Replacement Tariff, NOLC ADIT	FERC	EL22-6, et. al.
11/28/2023	Cross-Answering	MSS-4 Replacement Tariff, NOLC ADIT	FERC	EL22-6, et. al.
12/22/2023	Rebuttal	MSS-4 Replacement Tariff, NOLC ADIT	FERC	EL22-6, et. al.
01/11/2024	Cross-Answering	MSS-4 Replacement Tariff, NOLC ADIT	FERC	EL22-6, et. al.

04/05/2024	Rebuttal	SERI Pension	FERC	ER22-24
10/30/2024	Direct	Application for Approval of Resources for Significant North Louisiana Customer Project	LPSC	U-37425

S&P Global
Ratings

RatingsDirect®

Research Update:

Entergy New Orleans LLC Downgraded To 'BBB' From 'BBB+' On Storm Risks, Outlook Negative

October 8, 2020

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Rating Action Overview

- Regulated utility Entergy New Orleans LLC's service territory is subject to the risk of severe storms and hurricanes.
- We our lowering our issuer credit rating on Entergy New Orleans LLC (ENO) to 'BBB' from 'BBB+'. The outlook is negative.
- We are revising our assessment of ENO's group support from parent company Entergy Corp. (Entergy) to moderately strategic from core given our view that group support has weakened because of the propensity and severity of storm activity along the Gulf Coast. Our stand-alone credit profile (SACP) for ENO remains 'bbb-'.
- At the same time, we are lowering our ratings on ENO's first-mortgage bonds to 'A-' from 'A'. The recovery rating remains '1+'.
- The negative outlook reflects our expectation of weaker financial measures including adjusted funds from operations (FFO) to debt in the 13%-15% range through 2022. In addition, our outlook reflects the potential that we could revise the designation of group support under our group rating methodology to nonstrategic within the next year. As such, we could lower the issuer credit rating on ENO to reflect view of a stand-alone credit profile (SACP) 'bbb-' and our assumption of no group support.

Rating Action Rationale

ENO's service territory creates severe storm and hurricane risks for the utility. Given ENO'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 impact of such storms, ENO's SACP remains 'bbb-'.

We revised our assessment of ENO's group status to parent Entergy, under our group rating methodology to moderately strategic from core. Our reassessment of ENO's group status incorporates its importance to the group's long-term strategy and being a reasonably successful utility. We have concluded that group support has weakened because of the propensity and severity of storm activity along the Gulf Coast, which is critical to a service territory that mostly encompasses a low-lying city that has been in the path of numerous hurricanes. We would however expect ENO to receive extraordinary group support in some circumstances. This could include in times of stress such as for storm repairs or large capital spending initiatives.

The outlook reflects our baseline forecast of weaker financial measures through 2022, the service territory's continued susceptibility to severe storms, and the lack of significant financial support from parent Entergy. Specifically, we expect ENO's service territory to have ongoing exposure to severe storms like the recent Hurricane Laura, and Hurricane Delta currently moving through the Gulf of Mexico, potentially leading to significant liabilities and damages to the infrastructure. Therefore our outlook reflects the potential that we could revise the designation of group support under our group rating methodology to nonstrategic within the next year. As such, we could downgrade ENO to reflect our view of ENO's SACP of 'bbb-' and our assumption of no group support. In addition, our negative outlook reflects our expectation of weaker financial measures including adjusted FFO to debt in the 13%-15% range through 2022

Environmental, social, and governance (ESG) credit factors for this credit rating change.

- Natural conditions

Outlook

The negative outlook on ENO reflects its small service territory, limited diversity, and ongoing exposure to severe storms and hurricanes and our expectation of weaker financial measures partly from higher capital spending and elevated leverage. Specifically, we forecast the company's adjusted consolidated FFO to debt to remain weak in the 13%-15% range in 2020 and 2021.

Downside scenario

We could lower our ratings on ENO if its business risk would materially weaken or financial measures decline, including adjusted FFO to debt consistently below 13%. The negative outlook reflects the weaker financial measures and the potential that we could revise the designation of group support under our group rating methodology to nonstrategic if we perceive limited to no group support for ENO during times of stress. As such, we could downgrade ENO to reflect our view of ENO's SACP of 'bbb-' and our assumption of no group support, particularly in times of stress such as for storm repairs or large capital spending initiatives. Although unlikely, we could lower our ratings on ENO if we lower our ratings on Entergy.

Upside scenario

We could revise the outlook to stable if financial measures materially strengthen and, although unlikely, we reassess and conclude that group support would be readily available to fund ENO if a severe storm resulted in material restoration costs to the utility.

Company Description

ENO is a vertically integrated electric and natural gas distribution utility operating largely in New Orleans.

Our Base-Case Scenario

- Expected EBITDA margin averaging about 22% per year;
- Annual capital spending of $160 million to $180 million through 2022;
- Dividends over $20 million after 2020;
- Negative discretionary cash flow indicating external funding needs;
- Generally constructive regulatory environments help provide prudent cost recovery; and
- All debt maturities are refinanced.

Based on our assumptions, we expect the following measures over the forecast period through 2022:

- Annual adjusted FFO to debt in the 13%-15% range;
- Annual adjusted debt to EBITDA in the 4.5x-5.5x range; and
- Annual adjusted FFO cash interest coverage in the 4x-4.5x range.

Liquidity

We assess ENO's stand-alone liquidity as adequate, because we believe its liquidity sources are likely to cover uses by more than 1.1x over the next 12 months and meet cash outflows even with a 10% decline in EBITDA. The assessment also reflects the company's generally prudent risk management, sound relationship with banks, and a generally satisfactory standing in credit markets.

Principal liquidity sources

- Cash and liquid investments of about $30 million;
- Estimated cash FFO of about $120 million; and
- Credit facility availability of about $25 million.

Principal liquidity uses

- Debt maturities of about $25 million;
- Capital spending of about $120 million; and
- Dividends of about $10 million.

Group Influence

We view ENO as a member of the Entergy group. We assess ENO as a moderately strategic subsidiary of Entergy because it is important to Entergy's long-term strategy and it is reasonably successful as a utility, and we expect extraordinary group support will remain limited to some circumstances. As a result, our rating on ENO is based on its SACP of 'bbb-' and one notch of group support.

Issue Ratings - Recovery Analysis

ENO's first-mortgage bonds benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of '1+' and an issue rating of two notches above the issuer credit rating.

Ratings Score Snapshot

Issuer Credit Rating: BBB/Negative/--

Business risk: Strong

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Satisfactory

Financial risk: Significant

- Cash flow/leverage: Significant

Anchor: bbb

Modifiers

- 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: bbb-

- Group credit profile: bbb+
- Entity status within group: Moderately Strategic (+1 notch above SACP)

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013

- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, 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 List

Downgraded; Outlook

	To	**From**
Entergy New Orleans LLC		
Issuer Credit Rating	BBB/Negative/--	BBB+/Negative/--

Ratings Lowered; Recovery Rating Unchanged

	To	From
Entergy New Orleans LLC		
Senior Secured	A-	A
Recovery Rating	1+	1+

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30 August 2021

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RATINGS

Entergy Corporation

LT Issuer Rating	Baa2
Senior Unsecured	Baa2
Senior Unsec. Shelf	(P)Baa2
Commercial Paper	P-2
Outlook	Stable

Entergy Louisiana, LLC

LT Issuer Rating	Baa1
First Mortgage Bonds	A2
Senior Secured	A2
Senior Secured Shelf	(P)A2
Outlook	Stable

Entergy New Orleans, LLC

LT Issuer Rating	Ba1
First Mortgage Bonds	Baa2
Outlook	Stable

Source: Moody's Investors Service

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Entergy Corporation

Hurricane Ida affects service territories, but liquidity and cost recovery should support long-term credit quality

On Sunday, Hurricane Ida made landfall on the Louisana Gulf Coast as a Category 4 storm, severely impacting the service territory of Entergy Louisiana (ELL, Baa1 stable) and Entergy New Orleans (ENOL, Ba1 stable), utility subsidiaries of Entergy Corporation (Entergy, Baa2 stable). The hurricane's heavy rain, storm surge and high winds have caused substantial physical damage and widespread power outages in the area. At the time of this publication, approximately 720,000 ELL and 178,000 ENOL customers were without power, amounting to outages at about one third of Entergy's total electric customers.

The storm took out all eight transmission lines that deliver power into Orleans Parish, ENOL's entire service territory, causing the whole city to lose power on Sunday night. In addition, one of the levees failed near neighboring Jefferson Parish, served by ELL, sending over 7.5 feet of floodwaters into the area and knocking out power in several parts of the Parish. Entergy has reported catastrophic damage to its transmission system, citing that it could take several weeks to restore power in some areas. This will heighten the company's social risk related to customer relations and health and safety as power remains out.

Hurricane Ida will be credit negative for Entergy in the near term because of the potential for substantial costs related to infrastructure damage, as well as revenue losses stemming from extended service outages. Due to the extensive transmission damage, it is possible that these costs could be higher than previous storms. For reference, Hurricanes Katrina and Rita that hit the same area in 2005 cost the company over $1.3 billion in restoration of damaged infrastructure . However, we expect Entergy's business fundamentals to remain intact as it recovers from the storm, given the strong precedent for storm cost recovery in Louisiana and New Orleans.

The Louisiana Public Service Commission (LPSC) has a robust track record of allowing utilities to securitize and recover storm costs, including over $2.2 billion for ELL, alone, since 2005. The City Council of New Orleans' (CCNO) regulatory responses have also been helpful in the recovery of major storm costs, such as allowing ENOL to collect revenue for a storm reserve fund and providing for the securitization of storm costs through a discrete charge to customers. We expect Entergy to work closely with regulators and other stakeholders to ensure adequate recovery of Hurricane Ida costs through avenues mentioned previously such as storm reserves, securitization and through customer rates.

In addition, Entergy has access to considerable financial resources with strong capital market access and an adequate liquidity profile. These resources should help sustain the company's ability to manage anticipated storm costs. Entergy has access to a $3.5 billion revolving credit facility, expiring in June 2026. As of 30 June 2021, Entergy had about $2.5 billion of available revolver capacity, with $150 million of borrowings under the facility, $6 million in letters of credit and $866 million of commercial paper outstanding. The Entergy credit facility does not contain a material adverse change clause for new borrowings. The company had approximately $687 million of cash on hand at 30 June 2021.

Exhibit 1

Entergy has over $3 billion in liquidity resources available
$MM

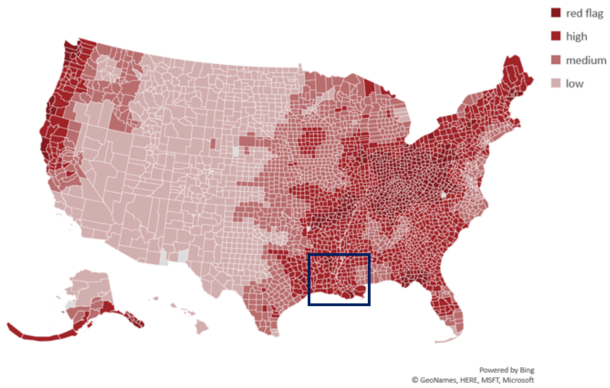
	Entergy Corp	ELL	ENOL
Credit facility total capacity	3,500	350	25
Credit facility capacity available	2,478	350	25
	-	-	-
Money pool borrowing limit	N/A	450	150
Money pool borrowing available	N/A	334	73
Cash on hand	687	207	26
	-	-	-
Total liquidity resources	**3,165**	**891**	**124**

Data as of 30 June 2021.
Source: Entergy SEC Filings

Entergy's credit metrics have remained weak throughout this year and will continue to be challenged by the recovery of previous storm damage costs, which will likely be exacerbated by the most recent hurricane. In 2020, the company incurred roughly $2.4 billion of storm-related costs, leading to a cash flow from operations before working capital (CFO pre-WC) to debt metric around 10% as of the last twelve months ended 30 June 2021. Although Hurricane Ida damage estimates are yet to be determined, these costs will put additional strain on Entergy's credit metrics in the near-term, which have already limited the company's headroom vis-à-vis our expectation that CFO pre-WC to debt will remain above 14% on a sustained basis by 2023. Assuming total storm costs similar to Hurricanes Katrina and Rita of over $1 billion are initially funded mainly with debt, Entergy's credit metrics would be cut about in half at the end of this year.

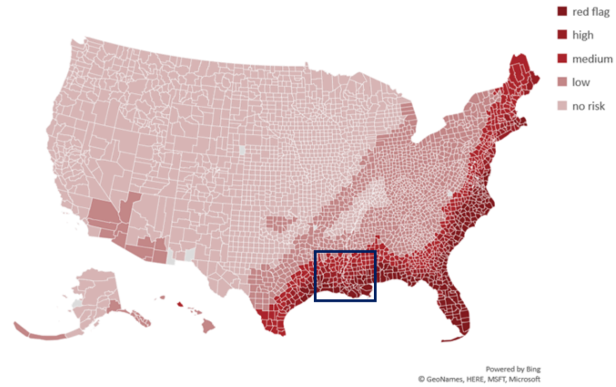
The latest hurricane underscores Entergy's exposure to climate change risk, which is driven by the company's location and the increasing frequency and magnitude of natural disasters such as flooding and hurricane intensity. Storm costs are continuing to rise, a risk that will persist for Entergy, with ongoing exposure to extreme weather events.

Exhibit 2
Relative projected extreme rainfall and flood stress



This metric is a combination of 3 projected components (wet days, very wet days, rainfall intensity) with annual changes from 2030-2040 vs. 1975-2005 + 2 historical components (flood frequency and flood severity, on return inundation basis).
Source: 427 (data sourced from CMIP5 models and Fathom)

Exhibit 3
Hurricane risk (historical data)



The indicator reflects the cumulative wind velocity from recorded cyclones over the period 1980-2016
Source: 427 (data sourced from IBTrACS version 3)

Entergy Corporation is a multistate vertically integrated holding company with five utility subsidiaries and a power generation portfolio, headquartered in New Orleans, LA. The company serves over 3 million utility customers in Arkansas, Louisiana, Mississippi, and Texas. The regulated segment also includes System Energy Resources, Inc. (SERI, Baa1 first mortgage bonds, negative, a 1,400 MW nuclear unit in Mississippi) and together these subsidiaries represent nearly all of operating cash flow and net property plant and equipment. It's largest subsidiary, Entergy Louisiana, LLC (Baa1 stable), is expected to provide nearly 40% of operating company EBITDA in 2021.

Exhibit JBT-2

REPORT NUMBER 1301094

CLIENT SERVICES

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

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Research Update:

Entergy New Orleans LLC Downgraded To 'BB+' On Weather-Related Weaker Credit Metrics; Outlook Stable; Bond Rating Lowered

September 2, 2021

Rating Action Overview

- Entergy New Orleans LLC (ENO), an operating subsidiary of Entergy Corp. (Entergy), will likely have weaker financial measures than we previously expected because of higher capital spending from severe storms and hurricanes, like Hurricane Ida. We forecast ENO's adjusted funds from operations (FFO) to debt to be in the 12%-13% range through 2023.
- We lowered our issuer credit rating on ENO to 'BB+' from 'BBB'. At the same time, we lowered our ratings on ENO's first-mortgage bonds (FMBs) to 'BBB+' from 'A-'. The '1+' recovery rating on the bonds remains unchanged.
- The lower issuer credit rating reflects a change in the business risk profile to satisfactory from strong due to ongoing risks related to ENO's exposure to coastal storms. In addition, we apply the negative comparable ratings analysis modifier due to weaker financial measures within the financial risk category.
- The stable outlook reflects our view that ENO will restore operations following hurricane Ida in an orderly manner and that any additional costs will be manageable within the current financial risk profile assumptions.

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Rating Action Rationale

The lower issuer credit rating reflects a weakening of ENO's business risk along with weakening financial measures. We changed the business risk profile to satisfactory from strong, reflecting ENO's small service territory, limited diversity, and ongoing exposure to severe storms and hurricanes. This revision reflects the smaller size of the utility, exposure to severe storms including hurricanes due to its low-lying service territory along the Gulf Coast, and expectation of more volatile profitability measures. Financial risk measures have weakened within the significant financial risk profile category to the lower end of the benchmark range. The weaker measures include adjusted FFO to debt in the 12%-13% range from severe storms such as Hurricane Ida that lead to higher capital spending, operating expenses from storm restoration, and revenue declines following power outages and load reduction.

The outlook reflects our baseline forecast of weaker financial measures through 2023, the service territory's ongoing susceptibility to severe storms, and limited financial support from parent Entergy. Specifically, we expect ENO's service territory to have ongoing exposure to severe storms like the recent Hurricane Ida, potentially leading to significant liabilities and damages to the infrastructure. The stable outlook incorporates the weaker financial measures including adjusted FFO to debt in the 12%-13% range through 2022. Our downside scenario, while not expected, includes the potential that we could revise the designation of group support under our group rating methodology to nonstrategic if we perceive limited to no group support for ENO during times of stress. As such, we could downgrade ENO to reflect our view of ENO's stand-alone credit profile (SACP) of 'bb' and our assumption of no group support, particularly in times of stress such as for storm repairs or large capital spending initiatives.

Environmental, social and governance (ESG) credit factors for this credit rating change.

- Natural conditions

Outlook

The stable outlook reflects our view that ENO will restore operations following hurricane Ida in an orderly manner and that any additional costs will be manageable within the current financial profile assumptions. The company's small service territory, limited diversity, and ongoing exposure to severe storms and hurricanes remains a risk as does the expectation of weaker financial measures partly from higher capital spending and elevated leverage. Specifically, we forecast the company's adjusted consolidated FFO to debt to remain in the 12%-13% range through 2023.

Downside scenario

We could lower the ratings on ENO if its financial measures decline, including sustained adjusted FFO to debt consistently below 11%. We could also lower the rating if we revise the designation of group support under our group rating methodology to nonstrategic if we perceive limited to no group support for ENO during times of stress. As such, we could downgrade ENO to reflect our view of ENO's SACP of 'bb' and our assumption of no group support, particularly in times of stress such as for storm repairs or large capital spending initiatives.

Upside scenario

We could upgrade ENO if financial measures remain consistently above 17% and we believe group support would be readily available to fund ENO if a severe storm resulted in material restoration costs to the utility.

Company Description

ENO is a vertically integrated electric and a natural gas distribution utility operating largely in New Orleans.

Our Base-Case Scenario

- Expected EBITDA margin averaging about 20% per year;
- Annual capital spending of $205 million through 2023;
- Dividends over $30 million through 2023;
- Negative discretionary cash flow indicating external funding needs;
- Generally constructive regulatory environments help provide prudent cost recovery; and
- All debt maturities are refinanced.

Based on our assumption, we expect the following measures over the forecast period through 2023:

- Annual adjusted FFO to debt in the 12%-13% range;
- Annual adjusted debt to EBITDA in the 5.5x-6.5x range; and
- Annual adjusted FFO cash interest coverage in the 3.5x-5x range.

Liquidity

We assess the company's stand-alone liquidity as adequate because we believe its liquidity sources are likely to cover uses by more than 1.1x over the next 12 months and meet cash outflows even with a 10% decline in EBITDA. The assessment also reflects the company's generally prudent risk management, sound relationship with banks, and a generally satisfactory standing in credit markets.

Principal liquidity sources:

- Cash and liquid investments of about $25 million;
- Estimated cash FFO of about $130 million;
- Expected ongoing group support of $110 million; and
- $40 million of the storm reserve.

Principal liquidity uses:

- Debt maturities of about $70 million;
- Capital spending of about $205 million.

Group Influence

We view ENO as a member of the Entergy group. We assess ENO as a moderately strategic subsidiary of Entergy because it is important to Entergy's long-term strategy and it is reasonably successful as a utility, and we expect extraordinary group support will remain limited to some circumstances. As a result, our rating on ENO is based on its SACP of 'bb' and one notch of group support.

Issue Ratings - Recovery Analysis

Key analytical factors

- ENO's debt structure consists of $35.6 million in securitized bonds, $525 million in FMBs secured by mortgages on its regulated utility assets, unsecured bank debt consisting of a $25 million revolving facility, and a $70 million term loan, and a long-term payable obligation owed to an associated company.
- Our '1+' recovery rating on ENO's senior secured FMBs reflect the substantial value of its regulated utility assets, which is sufficiently larger than its secured debt and the limited amount of priority claims, and other liabilities. For our recovery analysis, we treat the securitized bonds as a priority claim due to its senior claim to the company's cash flows and the structural protections of this financing structure.
- The recovery rating indicates our highest expectation for full recovery and results in an issue-level rating three notches above our long-term issuer credit rating. It also reflects collateral coverage in excess of 150%, which is consistent with our criteria for recovery ratings on debt issued by regulated utilities and secured by key utility assets.
- 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 roughly $1.458 billion.

Simulated default assumptions

- Simulated year of default: 2026
- Gross enterprise value (discrete asset valuation approach): $1.458 billion.

Simplified waterfall

- Net recovery value after administrative costs (5%): $1.385 billion
- ENO value: $1.385 billion
- Priority claims at ENO (securitization bonds, unrated): $36.1 million

- Secured debt claims at ENO (FMBs): $536.1 million
- -- Recovery expectations: 100% (coverage in excess of 150%)
- Residual value available to other ENO claimants: $812.8 million
- Unsecured debt and other estimated claims: $107.7 million

Debt amounts include six months of accrued interest that we assume will be owed at default. We also assume cash flow revolvers are 85% drawn at default. We assume any debt maturing before default is refinanced on similar terms before maturity.

Ratings Score Snapshot

Issuer Credit Rating: BB+/Stable/--

Business risk: Satisfactory

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Fair

Financial risk: Significant

- Cash flow/leverage: Significant

Anchor: bb+

Modifiers

- 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

Group credit profile: bb+

- Entity status within group: Moderately strategic (+1 notches above SACP)

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- 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
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, 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 List

Downgraded; Outlook Action

	To	From
Entergy New Orleans LLC		
Issuer Credit Rating	BB+/Stable/--	BBB/Negative/--
Issue-Level Ratings Lowered; Recovery Ratings Unchanged		
Entergy New Orleans LLC		
Senior Secured	BBB+	A-
Recovery Rating	1+	1+

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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Research Update:

Entergy New Orleans LLC Downgraded To 'BB' From 'BB+ On Group Status Revision; Outlook Developing

September 24, 2021

Rating Action Overview

- Entergy Corp. proposed multiple options regarding subsidiary Entergy New Orleans LLC (ENO) including a sale, spinoff, or municipalization of the utility following an announcement from the New Orleans City Council (NOCC) president regarding the future ownership of the utility.
- As a result, we revised our assessment of ENO's group status to nonstrategic from moderately strategic. Our stand-alone credit profile (SACP) remains 'bb'.
- With the change in group support, ENO will receive no uplift from its SACP of 'bb'. Therefore, we lowered the issuer credit rating on ENO to 'BB' from 'BB+'.
- At the same time, we lowered our ratings on ENO's first-mortgage bonds (FMB) to 'BBB' from 'BBB+'. The recovery rating on the bonds remains '1+' (150%).
- The outlook is developing to reflect the uncertainty surrounding the future ownership of ENO, which could result in our assessment of the utility's credit quality as stronger, weaker, or it may not affect credit quality at all.

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Rating Action Rationale

We revised our assessment of ENO's group status to the Entergy group, under our group rating methodology to nonstrategic from moderately strategic. In the aftermath of Hurricane Ida, the NOCC announced the intention to study the future ownership of ENO after which Entergy proposed the sale, spinoff, or municipalization of ENO along with merging into affiliate Entergy Louisiana LLC. In our view, this indicates there it is unlikely that ENO would receive extraordinary support from Entergy group--particularly in times of severe stress. Therefore, we revised ENO's group status to nonstrategic from moderately strategic regarding ENO's strategic importance to Entergy.

We continue to assess our SACP on ENO as 'bb'. Our assessment of ENO's business risk is satisfactory and its financial risk is significant. Financial risk measures remain within the significant financial risk profile category but at the lower end of the benchmark range. Specifically, we forecast ENO's adjusted funds from operation (FFO) to debt to remain in the 12%-14% range through 2023.

Our developing outlook reflects uncertainty regarding the future ownership of ENO pending the conclusion of the NOCC's investigation. The developing outlook reflects the uncertainty surrounding the future ownership of ENO, which could result in our assessment of the utility's credit quality as stronger, weaker, or it may not affect credit quality at all. After NOCC reaches a decision and there is greater certainty regarding the future ownership of the utility, we will be able complete further analysis on the credit quality of ENO and reflect this in our ratings and outlook.

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.

Downside scenario

We could lower the ratings on ENO if:

- Its financial measures decline, including sustained adjusted FFO to debt consistently below 10%; or
- The NOCC's review and decision on ownership of ENO will lead to fundamental deterioration of the utility's credit quality or through a potential weakening of the regulatory relationship or financial profile deterioration from storm-related costs.

Upside scenario

We could take a positive rating action on ENO if:

- The utility's financial measures remain consistently above 17%; or
- The NOCC's review and decision on ENO's ownership will lead to fundamental improvement of the utility's credit quality. Such an event could occur, for example, if ENO was to be acquired by a stronger parent that we believed would be likely to support ENO in times of severe stress.

Company Description

ENO is a vertically integrated electric and a natural gas distribution utility operating largely in New Orleans.

Our Base-Case Scenario

Elevated capital spending averaging about $235 million in 2021 and 2022 due to restoration costs from Hurricane Ida, and about $175 million in 2023.

Dividends averaging about $30 million per year through 2023.

Negative discretionary cash flow indicating external funding needs;

Generally constructive regulatory environments help provide prudent cost recovery; and

All debt maturities are refinanced.

Liquidity

We assess the company's stand-alone liquidity as adequate because we believe its liquidity sources are likely to cover uses by more than 1.1x over the next 12 months and meet cash outflows even with a 10% decline in EBITDA. The assessment also reflects the company's generally prudent risk management, sound relationship with banks, and a generally satisfactory standing in credit markets.

Principal Liquidity Sources

- Cash and liquid investments of about $25 million;
- Estimated cash FFO of about $130 million;
- Expected access to the Entergy money pool of $110 million; and
- Storm reserves of about $40 million.

Principal Liquidity Uses

- Debt maturities of about $70 million; and
- Capital spending of about $195 million.

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 based our rating on ENO on the utility's SACP of 'bb'.

Issue Ratings - Recovery Analysis

Key analytical factors

- ENO's debt structure consists of $35.6 million in securitized bonds, $525 million in FMBs secured by mortgages on its regulated utility assets, unsecured bank debt consisting of a $25 million revolving facility, and a $70 million term loan, and a long-term payable obligation owed to an associated company.
- Our '1+' recovery rating on ENO's senior secured FMBs reflect the substantial value of its regulated utility assets, which is sufficiently larger than its secured debt and the limited amount of priority claims, and other liabilities. For our recovery analysis, we treat the securitized bonds as a priority claim due to its senior claim to the company's cash flows and the structural protections of this financing structure.
- The recovery rating indicates our highest expectation of full recovery and results in an

issue-level rating three notches above our long-term issuer credit rating. It also reflects collateral coverage in excess of 150%, which is consistent with our criteria for recovery ratings on debt issued by regulated utilities and secured by key utility assets.

- 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 roughly $1.458 billion.

Simulated default assumptions

- Simulated year of default: 2026
- Gross enterprise value (discrete asset valuation approach): $1.458 billion.

Simplified waterfall

- Net recovery value after administrative costs (5%): $1.385 billion
- ENO value: $1.385 billion
- Priority claims at ENO (securitization bonds, unrated): $36.1 million
- Secured debt claims at ENO (FMBs): $536.1 million
- -- Recovery expectations: 100% (coverage in excess of 150%)
- Residual value available to other ENO claimants: $812.8 million
- Unsecured debt and other estimated claims: $107.7 million

Debt amounts include six months of accrued interest that we assume will be owed at default. We also assume cash flow revolvers are 85% drawn at default. We assume any debt maturing before default is refinanced on similar terms before maturity.

Ratings Score Snapshot

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+

Modifiers

- 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

Group credit profile: bbb+

- Entity status within group: Nonstrategic (no impact)

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: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, 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

Related Research

Entergy New Orleans LLC Downgraded To 'BB+' On Weather-Related Weaker Credit Metrics; Outlook Stable; Bond Rating Lowered, Sept. 2, 2021

Ratings List

Downgraded; Outlook Action

	To	From
Entergy New Orleans LLC		
Issuer Credit Rating	BB/Developing/--	BB+/Stable/--
Issue-Level Ratings Lowered; Recovery Ratings Unchanged		
Entergy New Orleans LLC		
Senior Secured	BBB	BBB+
Recovery Rating	1+	1+

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's changes the outlooks of Entergy Corp. and its two Louisiana-based utilities to negative from stable

23 Sep 2021

Approximately $17 billion of debt securities affected

New York, September 23, 2021 -- Moody's Investors Service ("Moody's") today affirmed the ratings of Entergy Corporation (Entergy, including its Baa2 senior unsecured rating and P-2 short-term rating for commercial paper) and its two Louisiana-based utilities Entergy Louisiana, LLC (ELL, including its Baa1 Issuer rating) and Entergy New Orleans, LLC. (ENOL, including its Ba1 Issuer rating). The outlooks of all three entities were changed to negative from stable. See a complete list of affected debt toward the end of this press release.

The negative outlooks follow a 21 September 2021 8-K filing [1] which indicated that restoration costs for the repair and/or replacement of the electrical facilities damaged by Hurricane Ida are estimated to be in the range of $2.1 billion to $2.6 billion, higher than we had originally anticipated.

RATINGS RATIONALE

"The physical effects of climate change continue to cause significant damage to Entergy's Louisiana service territory, with over $4.5 billion of total storm costs for Entergy Louisiana and Entergy New Orleans combined over the past 13 months" said Ryan Wobbrock, Vice President - Senior Credit Officer. "These added costs will place incremental pressure on customer bills -- increasing risks related to customer relations and potential political intervention into rate making - and could keep Entergy's financial performance lower for longer" added Wobbrock.

While Entergy's current liquidity profile is adequate to address these costs over the near term and storm cost securitization has a proven track record for both of its Louisiana utilities, successive years with $2.0 billion storm events is unprecedented and could result in social and political push-back preventing full, timely and ongoing cost recovery.

The frequency and severity of storms could also cause Entergy's currently weakened financial profile (e.g., CFO pre-WC to debt of about 10% through LTM 2Q21) to persist, should securitization be delayed, political intervention surface for other incremental rate increases or additional storms cause further damage.

ELL has taken the brunt of these costs, with about $2.0 billion incurred in 2020 and preliminary estimates indicating that Hurricane Ida has caused another $2.0 - $2.4 billion. The roughly $4.0 billion of costs represent nearly 30% of ELL's approximately $14 billion total rate base.

ENOL's Ba1 Issuer rating already incorporates the utility's storm exposure to some degree and the likelihood of costly repairs that may be needed in any given year. However, a high degree of contentiousness and politicization has already begun in New Orleans, with various calls for an investigation into ENOL's performance during Hurricane Ida, a management audit, consideration of the potential sale or municipalization of the utility and market reforms introducing retail competition. These various and unique social pressures around stakeholder and customer relations have arisen largely as a result of customer outages experienced during the storm.

From a cost perspective, ENOL has been less affected by recent storms than ELL, with 2020 and 2021 combined storm costs expected to be under $200 million (i.e., about $40 million from Hurricane Zeta in 2020 and an estimated $120-$150 million for Hurricane Ida), which is about 20% of total electric and gas rate base.

The combination of these headwinds creates higher-risk political, regulatory and operating environments for both the utilities and Entergy. Should financial improvements not materialize over the next 12-18 months as a result of securitization or other measures, negative rating action could ensue.

Outlooks

The negative outlooks for Entergy, ELL and ENOL reflect the added cost burden imposed by recent storm activity and the potential for impaired customer relations, increased political or regulatory challenges to full and timely cost recovery, and prolonged financial metric weakness.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Factors that could lead to a downgrade

Entergy could be downgraded if there are challenges affecting the company's ability to achieve a 14% cash flow to debt ratio by 2023, if one or more of its key subsidiaries are downgraded or if there is a decline in regulatory support for its utilities.

ELL and ENOL could be downgraded if storm costs are not recovered on a timely basis, if regulatory support declines or if the ratio of CFO pre-WC to debt declines (below 18% for ELL or below the mid-teens percent range for ENOL) for an extended period of time.

Additional material and destructive storms could also apply downward pressure the ratings of Entergy, ELL and ENOL.

Factors that could lead to an upgrade

Given the negative outlook for all three companies, it is unlikely that any of them will be upgraded over the next 12-18 months. However, the outlooks could stabilize if regulatory support remains consistent with recent historical practices, storm costs are recovered on a timely basis and if each company can recover to appropriate CFO pre-WC to debt levels by year-end 2023.

Affirmations:

..Issuer: Entergy Corporation

.... Issuer Rating, Affirmed Baa2

....Senior Unsecured Shelf, Affirmed (P)Baa2

....Senior Unsecured Commercial Paper, Affirmed P-2

....Senior Unsecured Regular Bond/Debenture, Affirmed Baa2

..Issuer: Entergy Louisiana, LLC

.... Issuer Rating, Affirmed Baa1

....Senior Secured First Mortgage Bonds, Affirmed A2

....Senior Secured Shelf, Affirmed (P)A2

..Issuer: Entergy New Orleans, LLC.

.... Issuer Rating, Affirmed Ba1

....Senior Secured First Mortgage Bonds, Affirmed Baa2

..Issuer: Louisiana Loc. Govt. Env. Fac.& Comm.Dev.Auth

....Senior Secured Revenue Bonds, Affirmed A2

..Issuer: Louisiana Public Facilities Authority

....Senior Secured Revenue Bonds, Affirmed A2

Outlook Actions:

..Issuer: Entergy Corporation

....Outlook, Changed To Negative From Stable

..Issuer: Entergy Louisiana, LLC

....Outlook, Changed To Negative From Stable

..Issuer: Entergy New Orleans, LLC.

....Outlook, Changed To Negative From Stable

The principal methodology used in these ratings was Regulated Electric and Gas Utilities published in June 2017 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1072530 . Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1288435 .

At least one ESG consideration was material to the credit rating action(s) announced and described above.

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The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the UK and is endorsed by Moody's Investors Service Limited, One Canada Square, Canary Wharf, London E14 5FA under the law applicable to credit rating agencies in the UK. Further information on the UK endorsement status and on the Moody's office that issued the credit rating is available on www.moodys.com.

REFERENCES/CITATIONS

[1] https://entergycorporation.gcs-web.com/node/33331/html

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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MOODY'S
INVESTORS SERVICE

CREDIT OPINION
29 September 2021

Update

Rate this Research

RATINGS

Entergy New Orleans, LLC.

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

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.

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Entergy New Orleans, LLC.

Update following outlook change to negative

Summary

Entergy New Orleans, LLC.'s (ENOL, Ba1 negative) credit profile is supported by its monopoly service territory as a vertically integrated utility company and predictable financial metrics derived from a formula rate plan (FRP).

ENOL's credit profile is challenged by its small, geographically concentrated service territory in a storm-prone location. The coastal nature of the service territory is a material credit negative due to the rising risk of storm surges, more severe weather events and the impact this has on customer migration or local economic conditions. For these reasons, ENOL's credit quality is well below peer utilities with similar financial metrics.

Recent storm events have also created a more contentious political and regulatory environment for ENOL, with various calls for an investigation into the utility's performance during Hurricane Ida (August 2021), a management audit, consideration of a potential sale or municipalization of the utility and market reforms introducing retail competition. These various and unique social pressures around stakeholder and customer relations could have negative financial implications for the company, if support for incremental rate increases wanes.

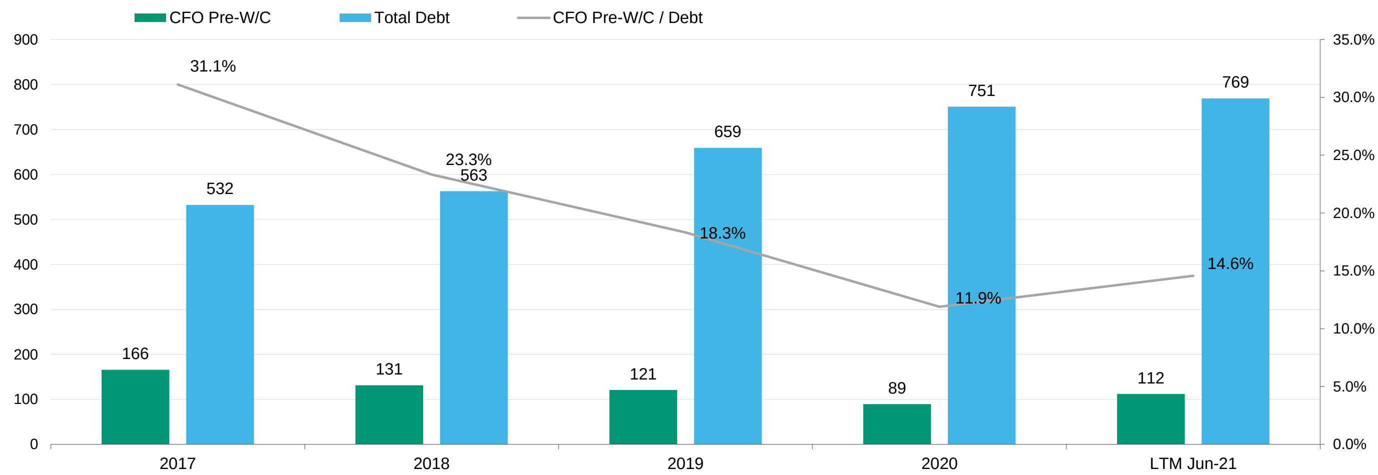
Recent Developments

On 23 September 2021, we changed the outlooks of ENOL, its parent company Entergy Corp. (Baa2 negative) and affiliate utility, Entergy Louisiana, LLC (ELL, Baa1 negative) to negative following a 21 September 2021 8-K filing which indicated that restoration costs for the repair and/or replacement of the electrical facilities damaged by Hurricane Ida are estimated to be in the range of $2.1 billion to $2.6 billion, enterprise-wide, which are higher than we had originally anticipated.

From a cost perspective, ENOL has been less affected by the most recent storms than ELL, with 2020 and 2021 combined storm costs expected to be under $200 million (i.e., about $40 million from Hurricane Zeta in 2020 and an estimated $120-$150 million for Hurricane Ida), which is about 20% of ENOL's total electric and gas rate base.

Exhibit 1

Historical CFO pre-WC, CFO pre-WC to Debt, Total Debt



Source: Moody's Financial Metrics

Credit strengths

» Adequate financial metrics should be sustainable given regulatory provisions and a rate base of around $900 million

» Storm cost recovery mechanisms are tested and important features given climate risks

Credit challenges

» Small and concentrated service territory in a low-lying coastal region exposed to storm surges and severe weather events

» Weaker than expected financial metrics due to recent storm activity

» Currently contentious political and regulatory environment following Hurricane Ida

Rating outlook

ENOL's negative outlook reflects a higher-risk political and regulatory environment following Hurricane Ida. Customer outages and the added cost burden caused by recent storm activity risks impaired customer relations, increased political or regulatory challenges to full and timely cost recovery, and prolonged financial metric weakness.

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 maintenance of a financial profile that is much stronger than peer utilities and significantly improved regulatory and legislative support could lead to an upgrade

Factors that could lead to a downgrade

» A materially adverse regulatory decision

» Significant storm damage and delayed cost recovery for repairs

» A sustained decline in financial metrics, including cash flow to debt ratios remaining below the mid-teens

Key indicators

Entergy New Orleans, LLC.

	Dec-17	Dec-18	Dec-19	Dec-20	LTM Jun-21
CFO Pre-W/C + Interest / Interest	8.1x	6.3x	5.5x	3.8x	4.4x
CFO Pre-W/C / Debt	31.1%	23.3%	18.3%	11.9%	14.6%
CFO Pre-W/C – Dividends / Debt	17.0%	19.1%	18.3%	11.9%	14.6%
Debt / Capitalization	43.5%	42.6%	44.0%	44.3%	44.6%

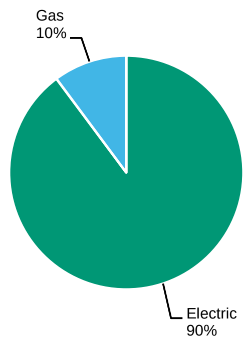
All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics

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) family, which includes five utility subsidiaries and System Energy Resources, Inc. (SERI Baa3 negative, a 1,400 MW nuclear unit in Mississippi). ENOL represents well under 10% of Entergy's adjusted consolidated cash flow, debt and net PP&E. ENOL's rate base is currently split roughly 90:10 (i.e., roughly $800 million to about $100 million) between electric and gas assets.

Exhibit 3

Roughly 90% of ENOL's revenue is derived from electric operations, even amid COVID-19 challenges for electric sales
Revenue ($M) for the 3 months ended 30 June 2021



Source: Entergy Corp.

Detailed credit considerations

More contentious political and regulatory environment following Hurricane Ida

The magnitude of the damage ($120-$150 million) and customer outages (roughly 205,000 at the peak of the storm) caused by Hurricane Ida has resulted in a higher level of political and regulatory contentiousness for ENOL, with various calls for an investigation into the utility's performance during Hurricane Ida, a management audit, consideration of the potential sale or municipalization of the utility and market reforms introducing retail competition. While a negative political reaction to severe storms is not new for the utility industry, the nature and severity of the rhetoric in New Orleans is unusual, including Entergy's own press release (21 September 2021) that outlined four potential paths for the future operation and ownership of ENOL (i.e., a merger with ELL, sale of ENOL to a third party, spin off ENOL as a stand-alone company and ENOL municipalization).

Given the degree of political and stakeholder scrutiny at this time, it is possible that regulators will modify they typical nature of storm recovery, or limit other rate increases requested by the utility in annual FRP filings - a key consideration in ENOL's negative outlook. We will continue to monitor the progress with storm and FRP filings, as well as the future legal structure and ownership of the utility.

Notwithstanding the current relationship climate between Entergy and the City of New Orleans, there is a strong precedent for storm cost securitization in New Orleans and we expect that ENOL will be able to move forward on this mode of cost recovery. We view securitization to be a credit positive method of cost recovery, since it incorporates the lowest cost of financing to minimize the customer rate impact and is non-recourse to the utility, which acts as a pass through conduit of collections. We estimate that $150 million of storm cost securitization would translate to about a 1% increase to ENOL revenue, or about 3% of non-fuel related gross profit.

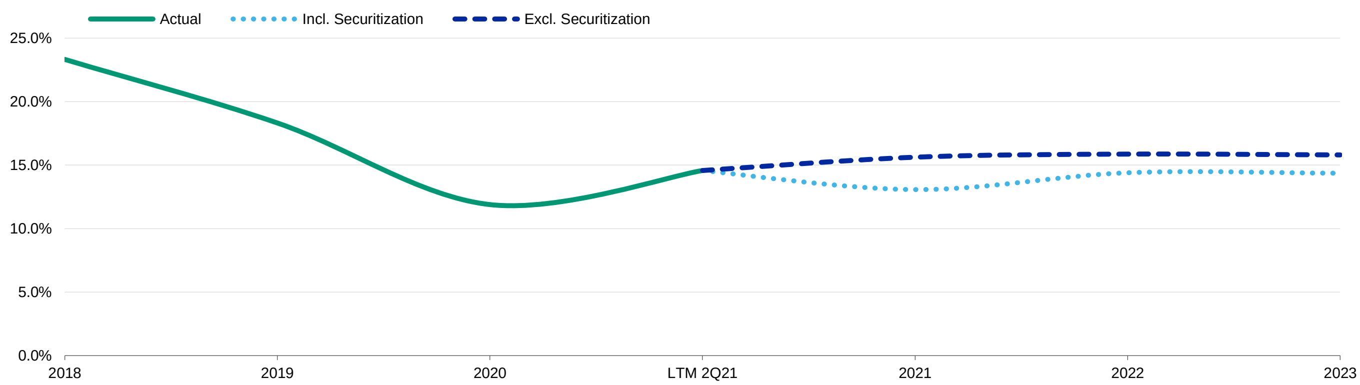
Ida occurred only 11 months after Hurricane Zeta, which also caused damage to the company's service territory in October 2020. However, the cost of Zeta was much less, at roughly $36 million, including approximately $28 million in capital costs and about $8 million in operating costs.

Financial metrics should remain steady around 16% CFO pre-WC to debt over the next two years

Based upon ENOL's regulatory rate framework, we expect the utility will generate CFO pre-WC to debt in the mid teen's percent range through 2023. Even without storm-related headwinds from lost revenue, higher costs and additional debt, this financial profile will remain below historical averages due to the ongoing impact of 2017's federal tax reform, a lower ROE and increasing debt used to fund capital expenditures.

In Exhibit 4, we show our base case financial projections (the "excluding securitization" line disregards securitized debt) for ENOL, based on its regulatory allowed rate base (approximately $900 million), capital structure (51%) and allowed ROE (9.35%). Our assumptions also include some growth attributable to around $480 million in capital expenditures made from 2021-2023 and including new generation assets in rates and a modest level of deferred tax benefits. 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 4 also shows the impact that securitizing $150 million of debt would have on ENOL's metrics ("Including securitization").

Exhibit 4
ENOL's CFO pre-WC to debt should remain steady in the mid-teen's percent range through 2023



Source: Moody's Financial Metrics and Moody's projections

Aside from storm repair and equipment replacement, ENOL's capital expenditure program will include advanced metering infrastructure, additional solar power generation resources as well as the long-term repair and replacement of 844 miles of steel and cast iron pipes that were flooded with saltwater after hurricanes Katrina and Rita. The company has estimated that the effort will cost a total of $465 million over several years, an amount that has been certified by the New Orleans City Council.

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 regulatory allowed return on equity. The underlying framework of ENOL's regulated rates is supportive, since it includes a three-year formula rate plan (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.

In July 2021, ENOL submitted its FRP 2020 test year filing, which reported a 6.26% earned ROE and seeks approval for about $65 million of rate increases. The case is still being reviewed, with resulting rates to be effective in November, unless the City Council sets a procedural schedule that would extend the process into 2022.

Previously, the City Council had approved certain parameters of the FRP, which allows ENOL to: 1) use a 51% equity structure, 2) increase the depreciation rate (and annual revenue recovery) of its New Orleans Power Station to 3% from 2%, 3) retain over-recovery of $2.2 million in rider revenues, 4) recover $1.4 million of certain rate case expenses outside of the earnings band and 5) recover the costs of the New Orleans Solar Station (NOSS, a 20 MW solar plant) upon its completion. NOSS has subsequently been completed and is now in-service and reflected in rates.

These features provide a line of sight into what ENOL's cost recovery and financial position should be - absent any regulatory penalties or changes to the framework - throughout the three-year plan period, a credit positive.

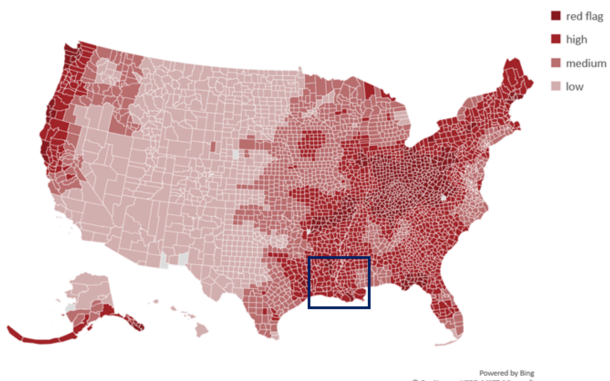
ESG considerations

Environmental - climate risks

ENOL has an ongoing vulnerability to weather events that constrains its credit profile. While New Orleans is better prepared for a major hurricane than it was pre-Katrina, the company still has a higher risk service territory because it is concentrated in a small geographic area and is located partially below sea level in a storm prone location. Therefore, potentially damaging storms, with increasing severity and higher storm surges, are the most persistent threat to the company's customers and assets.

Exhibit 5

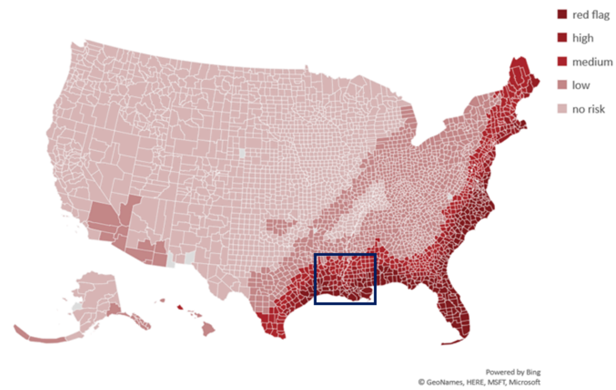
Relative projected extreme rainfall and flood stress



This metric is a combination of 3 projected components (wet days, very wet days, rainfall intensity) with annual changes from 2030-2040 vs. 1975-2005 + 2 historical components (flood frequency and flood severity, on return inundation basis).
Source: 427 (data sourced from CMIP5 models and Fathom)

Exhibit 6

Hurricane risk (historical data)



The indicator reflects the cumulative wind velocity from recorded cyclones over the period 1980-2016
Source: 427 (data sourced from IBTrACS version 3)

Historically, regulatory responses have been helpful in recovering costs of major storms - a credit positive. For example, the City Council allows ENOL to collect revenue for a storm reserve fund and has provided for the securitization of storm costs through a discrete charge to customers. We expect similar treatment to be applied following Hurricanes Zeta and Ida.

Environmental - carbon transition

ENOL's owned generation portfolio is comprised almost entirely of natural gas-fired units, which emit roughly half of the carbon, per unit of electricity generated, than coal-fueled generation. The company also acquires roughly 30% of its generation supply from an affiliate's nuclear plant, which has no carbon emissions. The company is actively pursuing the implementation of solar generation, a trend we expect to continue over the foreseeable future. Entergy as a whole exhibits strong positioning for the carbon transition with a business model that is not expected to be materially affected, as well as its plans in place to mitigate carbon transition exposure.

In May 2021, the City Council adopted a Renewable and Clean Portfolio Standard (RCPS) for the city, which requires that, by 2050, Entergy must entirely eliminate the use of fossil fuels. This legal mandate will help to improve ENOL's carbon profile, over time, and will be credit positive as long as the appropriate cost recovery provisions maintain the utility's financial profile throughout the transition.

Social

ENOL is facing significant social risk around customer, political and regulatory relationships as a result of significant customer outages due to Hurricane Ida. Given the degree of political and stakeholder scrutiny at this time, it's possible that regulators will modify the typical nature of storm recovery, or limit other rate increases requested by the utility in annual FRP filings - a key consideration in ENOL's negative outlook.

Governance

ENOL's governance is driven by that of Entergy Corp., its ultimate parent company.

Entergy's governance is broadly in-line with other utilities and does not pose particular risk. This is underpinned by our view that the company's financial strategy and risk management, management credibility and track record are generally supportive to credit, despite the above average use of aggressive tax policies that have caused some cash flow volatility and recent challenges by regulators.

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.

ENOL requires external funding since the company generates material amounts of negative free cash flow, like most utilities. For example, through LTM 30 June 2021, ENOL generated around $67 million of cash flow from operations, had $205 million in capital expenditures, but distributed no dividends due to these high capital needs. ENOL's negative free cash flow was $138 million through LTM Q2 2021 - a trend that we expect to continue.

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 money pool through July 2022. As of 30 June 2021, ENOL had a $38 million payable balance on the money pool. Additionally, ENOL has a stand-alone credit agreement in the amount of $25 million, maturing in June 2024, which was fully available at 30 June 2021. ENOL also has a $70 million unsecured term loan issued on 18 December 2019 that will mature in May 2022, which is fully outstanding. The company also has $1 million of letters of credit outstanding under an uncommitted credit facility to support its MISO obligations.

ENOL's next significant long-term debt maturity is $100 million of senior secured notes due in July 2023.

Appendix

Exhibit 7

Credit metrics and financial statistics

CF Metrics	Dec-17	Dec-18	Dec-19	Dec-20	LTM Jun-21
As Adjusted					
FFO	**164**	**133**	**127**	**116**	**115**
+/- Other	2	-2	-6	-26	-3
CFO Pre-WC	**166**	**131**	**121**	**89**	**112**
+/- ΔWC	-28	45	-6	-25	-45
CFO	**137**	**176**	**115**	**64**	**67**
- Div	75	24	0	0	0
- Capex	115	196	218	223	205
FCF	**-53**	**-44**	**-103**	**-159**	**-138**
(CFO Pre-W/C) / Debt	31.1%	23.3%	18.3%	11.9%	14.6%
(CFO Pre-W/C - Dividends) / Debt	17.0%	19.1%	18.3%	11.9%	14.6%
FFO / Debt	30.7%	23.7%	19.3%	15.4%	15.0%
RCF / Debt	16.6%	19.5%	19.3%	15.4%	15.0%
Revenue	716	717	686	634	685
Interest Expense	23	25	27	31	33
Net Income	51	58	67	48	42
Total Assets	1,508	1,584	1,731	1,936	1,906
Total Liabilities	1,101	1,149	1,245	1,331	1,295
Total Equity	407	435	486	605	611

All figures & ratios calculated using Moody's estimates & standard adjustments. Periods are Financial Year-End unless indicated. LTM=Last Twelve Months.
Source: Moody's Financial Metrics

Exhibit 8

Peer comparison

	Entergy New Orleans, LLC. Ba1 (Negative)			Mississippi Power Company Baa1 (Stable)			Duke Energy Kentucky, Inc. Baa1 (Stable)			Alaska Electric Light and Power Company(AELP) Baa3 (Stable)		
(In US millions)	FYE Dec-19	FYE Dec-20	LTM Jun-21	FYE Dec-19	FYE Dec-20	LTM Jun-21	FYE Dec-19	FYE Dec-20	LTM Jun-21	FYE Dec-20	FYE Dec-20	LTM Jun-21
Revenue	686	634	685	1,264	1,172	1,222	479	452	483	37	43	44
CFO Pre-W/C	121	89	112	419	341	345	134	125	132	15	17	17
Total Debt	659	751	769	1,614	1,506	1,995	823	885	834	133	127	124
CFO Pre-W/C + Interest / Interest	5.5x	3.8x	4.4x	6.9x	6.6x	6.9x	6.0x	5.5x	5.7x	5.1x	6.0x	5.7x
CFO Pre-W/C / Debt	18.3%	11.9%	14.6%	26.0%	22.6%	17.3%	16.3%	14.1%	15.8%	11.1%	13.8%	13.3%
CFO Pre-W/C – Dividends / Debt	18.3%	11.9%	14.6%	26.0%	17.7%	9.6%	16.3%	14.1%	15.8%	3.1%	9.4%	8.8%
Debt / Capitalization	44.0%	44.3%	44.6%	43.6%	40.8%	46.4%	48.6%	48.0%	44.3%	52.6%	51.1%	47.8%

All figures & ratios calculated using Moody's estimates & standard adjustments. Periods are Financial Year-End unless indicated. LTM=Last Twelve Months
Source: Moody's Financial Metrics

Rating methodology and scorecard factors

Entergy New Orleans, LLC

Regulated Electric and Gas Utilities Industry [1][2]	Current LTM 6/30/2021		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)	4.6x	A	5x - 5.5x	A
b) CFO pre-WC / Debt (3 Year Avg)	14.5%	Baa	16% - 19%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	14.0%	Baa	14% - 17%	Baa
d) Debt / Capitalization (3 Year Avg)	45.2%	Baa	49% - 50%	Baa
Rating:				
Scorecard-Indicated Outcome Before Notching Adjustment		Baa1		Baa1
HoldCo Structural Subordination Notching	0	0	0	0
a) Scorecard-Indicated Outcome		Baa1		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 6/30/2021(L).
[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

Ratings

Exhibit 10

Category	Moody's Rating
ENTERGY NEW ORLEANS, LLC.	
Outlook	Negative
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

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Research Update:

Entergy New Orleans LLC's Outlook Revised To Stable; 'BB' Issuer Credit Rating Affirmed

September 3, 2024

Rating Action Overview

- We believe there is a less of a likelihood the New Orleans City Council (NOCC) will force a sale of Entergy New Orleans LLC (ENO) to a lower rated entity. We also expect that ENO's financial measures will improve to the middle of the range for its financial risk profile category.
- We therefore revised ENO's outlook to stable from developing. We also affirmed all our ratings on ENO including our 'BB' issuer credit rating.
- The stable outlook on ENO reflects our view the company will implement a resiliency plan that reduces the risks of sustained outages and high damages from severe storms, while financial measures improve such that stand-alone FFO to debt is consistently greater than 12%.

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Rating Action Rationale

We believe New Orleans' regulatory construct has steadied. In 2021, the NOCC announced its plan to study the future ownership of ENO, which could of resulted in the sale of the company to a lower rated entity, potentially weakening credit quality. Subsequently, we believe the New Orleans regulatory construct has stabilized.

Since 2021, the NOCC has issued several constructive regulatory orders that supports ENO's credit quality. This includes a securitization order, allowing ENO to recover storm restorations costs, an extension of ENO's formula rate plan (FRP), and a settlement agreement with System Energy Resources. These developments steadies our view of the New Orleans regulatory construct and accordingly, we revised ENO's outlook to stable from developing.

The pace of climate change raises credit risks for the company. In our view, 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 its relatively limited size and diversity to help absorb the effect of such storms present material credit risks. Furthermore, weather events have been growing in severity. To reflect these rising risks, we revised ENO's FFO to debt downgrade threshold to 12% from 10% and revised its upgrade threshold to 18% from 17%.

Investment in resiliency is necessary to reduce risk. While the company has some tools to recover costs following a severe storm, including a limited storm reserve (about $82 million) and securitization, further investments in resiliency is needed to reduce credit risks. In July 2022, ENO filed a preliminary plan for storm hardening and resiliency for an approximate cost of $1.5 billon. The NOCC determined that ENO should narrow its proposal and in April 2023, ENO filed an approximate $560 million resilience plan over five years. The NOCC requested that ENO narrows its proposed plan to three years, and in March 2024, ENO filed a $168 million three-year resilience plan. We expect that the NOCC will approve a continuous and sustained resiliency plan that will gradually reduce the company's risks of sustained outages and high damages from severe weather events.

We continue to assess the company's business risk profile as satisfactory. We base our assessment of ENO's business risk profile on its 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. Supporting its business risk profile is the NOCC's generally constructive regulatory framework. ENO operates under an FRP, providing cash flow stability, and ENO also benefits from a storm reserve and securitization laws that we assess as supportive of credit quality.

We continue to assess the financial risk profile as significant. Under our current base case, we expect ENO's stand-alone FFO to debt will improve to 16% to 18%. We assess ENO's financial risk profile under our medial volatility financial benchmarks, reflecting the company's regulated utility operations and generally effective management of regulatory risk. These benchmarks are more relaxed compared with those we use for a typical corporate issuer.

We expect that ENO's 2024 stand-alone FFO to debt will weaken to about 10%, reflecting a one-time a tax benefit of $78 million that was recorded as a regulatory liability, which will be refunded to ratepayers over 25 years. We expect ENO's future financial performance will improve, reflecting the middle of the range for its financial risk profile category. A material base case assumption is the extent of the resilience plan approved by the NOCC. Currently, ENO's proposed $168 million three-year capital resiliency spending is representative of ENO's entire annual capital spending budget.

We continue to assess ENO as nonstrategic subsidiary of Entergy. We believe that it is unlikely that ENO would receive extraordinary support from Entergy group--particularly in times of severe stress. This reflects our view of ENO's small contribution to the Entergy consolidated group at about 3% of consolidated EBITDA. It also reflects our view that ENO is highly susceptible to severe storms with considerably higher physical risks that Entergy's other subsidiaries and that ENO is not a growth platform for the Entergy group.

Outlook

The stable outlook on ENO reflects our view that the company will implement a resiliency plan that reduces the risks of sustained outages and high damages from severe storms, while financial measures improve such that stand-alone FFO to debt is consistently greater than 12%.

Downside scenario

We could lower our ratings on ENO over the next 12 months if the company does not implement a resiliency plan that gradually reduces its exposure to severe storms, its ability to consistently manage regulatory risk weakens, or business risk increases. We could also lower the ratings over the next 12 months if ENO's standalone FFO to debt remains consistently below 12%, which could occur if ENO experiences a severe weather event that causes extensive damages or sustained customer outages.

Upside scenario

Although less likely, we could raise our ratings on ENO over the next 12 months if the company effectively manages regulatory risk, implements a continuous resiliency plan, and improves FFO to debt to consistently greater than 18%, without any increase to business risk.

Company Description

Entergy New Orleans LLC (ENO) is a vertically integrated electric and a natural gas distribution utility operating largely in the city of New Orleans. It serves a small customer base of 208,000 electric and 110,000 natural gas 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.

Our Base-Case Scenario

- Periodic gross profit increases from formula rate plans.
- Steady level of capital expenditure (capex) of about $160 million per year through 2026.
- The company sells its gas LDC assets in 2025.
- Consistent negative discretionary cash flows due to capex and dividends.
- All debt maturities are refinanced.

Liquidity

As of June 30, 2024, 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 forecast consolidated EBITDA declines 10%. We believe the predictable regulatory framework for ENO provides manageable cash flow stability even in times of economic stress, supporting our use of slightly lower thresholds to assess liquidity. ENO maintains a $25 million in committed credit facilities through June 2027, and participates in Entergy's group money pool with a sublimit of $150 million. We believe the company can lower its capital spending during stressful periods. Overall, we believe ENO should withstand adverse market circumstances over the next 12 months with sufficient liquidity to meet its obligations. The company's next debt maturity coming due in March 2025 amounts to $78 million. We expect the company to proactively address its debt maturities well in advance of their due dates.

Principal liquidity sources include:

- Cash on hand of about $5 million;
- Total credit facilities availability of $175 million
- Cash FFO of about $130 million; and,
- Working capital inflows of about $110 million.

Principal liquidity uses include:

- Capital expenditure of about $165 million;
- Dividends of about $115 million; and,
- Debt maturities of about $80 million.

Environmental, Social, And Governance

Environmental factors are a negative consideration in our credit rating analysis of ENO, namely because its 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 impact 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 negative because of reputational damage after severe storms and hurricanes including Hurricane Katrina and Hurricane Ida.

Issue Ratings - Recovery Analysis

Key analytical factors

- ENO's debt structure consists of about $735 million in first mortgage bonds (FMBs) secured by mortgages on its regulated utility assets , unsecured bank debt consisting of a $25 million revolving facility, and a long-term payable obligation of $8.3 million owed to an associated company.
- We conduct our recovery analysis for ENO on a consolidated basis and assume a default in 2029.
- Our recovery valuation assumes ENO's regulated asset value plan will be valued at their net book value of about $1.647 billion as a proxy for the allowed regulated return of these assets.
- We expect ENO's secured debt to total about $752.4 million at default (including an estimated six months' accrued interest) and that it would have the highest priority claim to the value of the regulated assets (about $1.565 billion net of estimated bankruptcy costs).
- This suggests collateral coverage of nearly 208%.
- Our 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 indicates our expectation for full recovery.

- Hence, we rate senior secured bonds at 'BBB' three notches above the issuer credit rating.

Simulated default assumptions

- Simulated year of default: 2029

Simplified waterfall

- Regulated asset value: $1.647 billion
- Net enterprise value (after 5% administrative costs): $1.565 billion
- Net value available to ENO's first-lien debt: $1.565 billion
- FMBs and other first-lien debt: $752.4 million

Ratings Score Snapshot

Issuer credit rating: BB/Stable/--

Business risk Satisfactory

- Country risk: Very Low
- Industry risk Very Low
- Competitive position Fair

Financial risk: Significant

- Cash flow/leverage Significant

Anchor: bb+

Modifiers

- Diversification/portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity Adequate (no impact)

- Management and governance: Neutral (no impact)
- Comparable rating analysis: Negative (-1 notch)

Stand-alone credit profile: bb

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- 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: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, 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: Principles Of Credit Ratings, Feb. 16, 2011

Ratings List

Ratings Affirmed; Outlook Action

	To	From
Entergy New Orleans LLC		
Issuer Credit Rating	BB/Stable/--	BB/Developing/--
Issue-Level Ratings Affirmed; Recovery Ratings Unchanged		
Entergy New Orleans LLC		
Senior Secured	BBB	

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

CREDIT OPINION
1 July 2024

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.

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Entergy New Orleans, LLC

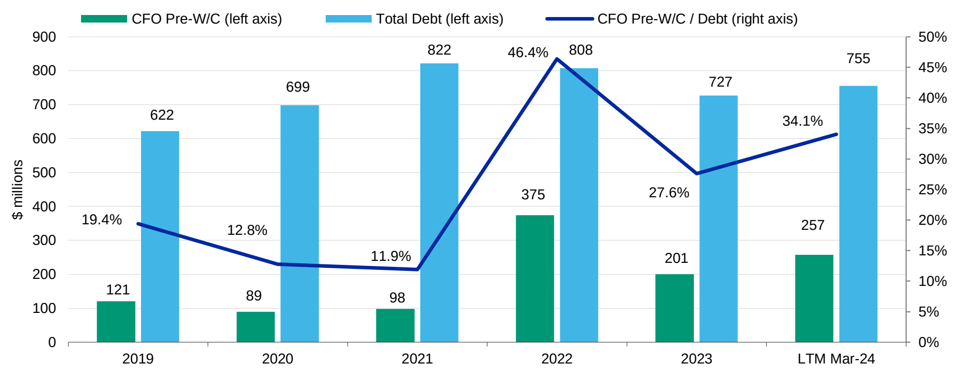
Update to credit analysis

Summary

Entergy New Orleans, LLC's (ENOL, Ba1 stable) credit profile is constrained 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 patterns and local economic conditions. For these reasons, ENOL's credit rating is well below peer utilities with similar financial metrics.

ENOL's credit 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.

Exhibit 1
Historical CFO Pre-WC, Total Debt and CFO Pre-WC to Debt



All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Periods are fiscal year-end unless indicated. LTM = Last 12 months.
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 will be more so following the sale of roughly $200 million of gas distribution assets in 2025

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

Rating outlook

ENOL's stable outlook incorporates our view that support for storm cost recovery will continue in New Orleans and that stakeholder relationships are relatively supportive. 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 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 significantly improved regulatory and legislative support could lead to an upgrade.

Factors that could lead to 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

	2019	2020	2021	2022	2023	LTM Mar-24
CFO Pre-W/C + Interest / Interest	5.8x	3.8x	4.3x	11.4x	6.1x	7.6x
CFO Pre-W/C / Debt	19.4%	12.8%	11.9%	46.4%	27.6%	34.1%
CFO Pre-W/C – Dividends / Debt	19.4%	12.8%	11.9%	46.4%	10.4%	17.5%
Debt / Capitalization	42.6%	42.6%	45.0%	42.6%	42.0%	44.9%

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Periods are fiscal year-end unless indicated. LTM = Last 12 months.
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 utility in the Entergy Corporation (Entergy, Baa2 stable) corporate family, which includes five utility subsidiaries and System Energy Resources, Inc. (SERI, Ba1 stable, 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

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.

In April 2024, ENOL submitted its FRP 2023 test year filing, which included a 8.66% earned electric ROE and a 5.87% earned gas ROE. The company is seeking approval for about $12.6 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 2024.

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

The company's 2022 and LTM 1Q24 cash flow was inflated by $200 million of storm cost securitization proceeds and refunds from affiliate generator System Energy Resources, Inc. (SERI, Ba1 stable), respectively. When projecting the company's financial performance - 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 estimate that the utility will generate a ratio of CFO pre-WC to debt of over 20% for the next several years.

Our assumptions also include some growth attributable to around $500 million of capital expenditures we assume in 2023-2025 and ongoing benefits 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.

ESG considerations

Entergy New Orleans, LLC's ESG credit impact score is CIS-5

Exhibit 3

ESG credit impact score

CIS-5

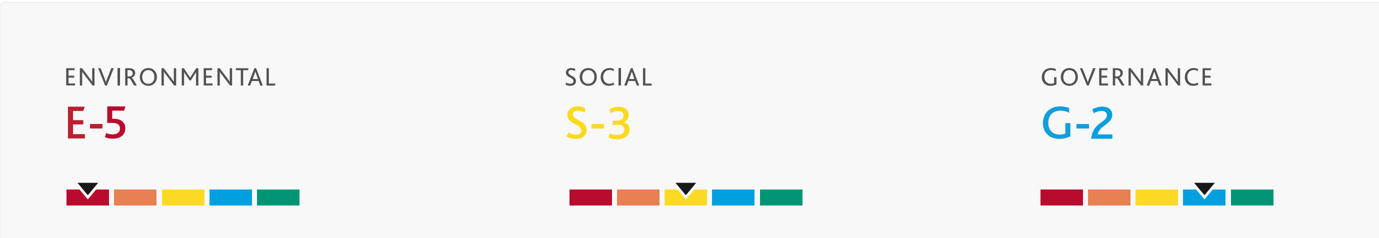
ESG considerations have a pronounced impact on the current rating, which is lower than it would have been if ESG risks did not exist. The negative impact of ESG considerations on the rating is higher than for an issuer scored CIS-4.

Source: Moody's Ratings

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 has significant exposure to physical climate risks given the company's small size and concentrated service territory in a storm-prone location.

Exhibit JBT-2

Exhibit 4
ESG issuer profile scores



Source: Moody's Ratings

Environmental
ENOL's **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 investment 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 **S-3** issuer profile score reflects 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 **G-2** issuer profile score is driven by that of its parent. Entergy's **G-2** issuer profile score reflects credit-supportive financial policies such as common equity issuance, using asset sales proceeds to help fund increasing capital expenditures and a lower dividend payout to retain more cash. We also note the company's use of aggressive tax policies which can cause cash flow volatility in some years or be challenged by regulators.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction 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 liquidity facilities, and its ability to borrow from the Entergy money pool.

ENOL's internal liquidity is projected to consist of around $150-$200 million of cash flow from operations, compared to roughly $160 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. Through 2018-2022, ENOL retained all of its internally generated cash flow, but paid $125 million of dividends to Entergy in Q4 2023.

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 March 2025. On 11 June 2024, Entergy amended its master credit facility, so that the $3.0 billion facility is due 11 June 2029. We note that ENOL is excluded from cross-default language in Entergy's master credit facility; we interpret this to be an indication of ENOL's higher probability of default versus its utility affiliates.

ENOL also has a stand-alone short-term credit agreement in the amount of $25 million.

The company's next significant long term debt maturity is $78 million of first mortgage bonds due in March 2025.

Exhibit 5
ENOL's various liquidity facilities as of 31 March 2024

Facility Description (in $ millions)	Capacity	Expiration	Outstanding	Available
Money Pool Payable/(Receivable)	150.0		50.0	100.0
Revolving credit facility	25.0	June 2027	-	25.0
Uncommitted, MISO LCs	15.0	-	0.5	14.5

Source: Company filings

Rating methodology and scorecard factors

We use our global Regulated Electric and Gas Utilities rating methodology as the primary methodology for analyzing Entergy New Orleans, LLC.

Exhibit 6

Methodology scorecard factors

Entergy New Orleans, LLC

Regulated Electric and Gas Utilities Industry Scorecard	Current LTM Mar-24		Moody's 12-18 month forward view	
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)	8.1x	Aaa	5.0x - 6.0x	A
b) CFO pre-WC / Debt (3 Year Avg)	31.8%	Aa	20.0% - 23.0%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	26.5%	Aa	15.0% - 18.0%	Baa
d) Debt / Capitalization (3 Year Avg)	43.9%	A	40.0% - 45.0%	A
Rating:				
Scorecard-Indicated Outcome Before Notching Adjustment		A2		Baa1
HoldCo Structural Subordination Notching		0		0
a) Scorecard-Indicated Outcome		A2		Baa1
b) Actual Rating Assigned				Ba1

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
LTM = Last 12 months.
Moody's forecasts are Moody's opinion and do not represent the views of the issuer
Source: Moody's Financial Metrics™ and Moody's Ratings forecasts

Appendix

Exhibit 7

Peer comparison

Entergy New Orleans, LLC

	Entergy New Orleans, LLC			Duke Energy Kentucky, Inc.			Alaska Electric Light and Power Company(AELP)			Kentucky Power Company		
	Ba1 Stable			Baa1 Stable			Baa3 Stable			Baa3 Stable		
(in $ millions)	FY Dec-22	FY Dec-23	LTM Mar-24	FY Dec-22	FY Dec-23	LTM Mar-24	FY Dec-21	FY Dec-22	LTM Mar-23	FY Dec-22	FY Dec-23	LTM Mar-24
Revenue	997	844	828	668	586	603	45	46	47	773	615	628
CFO Pre-W/C	375	201	257	149	194	203	17	17	18	137	79	73
Total Debt	808	727	755	942	877	767	123	120	119	1,278	1,399	1,409
CFO Pre-W/C + Interest / Interest	11.4x	6.1x	7.6x	5.6x	5.6x	5.9x	5.9x	5.7x	6.0x	4.0x	2.1x	2.0x
CFO Pre-W/C / Debt	46.4%	27.6%	34.1%	15.8%	22.1%	26.5%	14.0%	13.8%	14.7%	10.7%	5.7%	5.2%
CFO Pre-W/C – Dividends / Debt	46.4%	10.4%	17.5%	15.8%	22.1%	26.5%	9.5%	9.2%	10.0%	10.7%	5.7%	5.2%
Debt / Capitalization	42.6%	42.0%	44.9%	44.9%	37.9%	34.4%	50.1%	49.2%	46.6%	48.1%	49.6%	49.6%

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 8

Moody's-adjusted cash flow metrics

Entergy New Orleans, LLC

(in $ millions)	2019	2020	2021	2022	2023	LTM Mar-24
FFO	**127.0**	**115.5**	**119.4**	**161.3**	**120.6**	**32.1**
+/- Other	(6.3)	(26.2)	(21.6)	213.4	80.1	225.2
CFO Pre-WC	**120.8**	**89.3**	**97.8**	**374.6**	**200.6**	**257.3**
+/- ΔWC	(5.9)	(25.1)	(15.0)	(9.3)	4.0	(115.1)
CFO	**114.9**	**64.2**	**82.7**	**365.3**	**204.6**	**142.2**
- Div	0.0	0.0	0.0	0.0	125.0	125.0
- Capex	217.7	223.2	220.2	219.5	165.5	151.9
FCF	**(102.8)**	**(159.0)**	**(137.5)**	**145.8**	**(85.9)**	**(134.7)**
(CFO Pre-W/C) / Debt	19.4%	12.8%	11.9%	46.4%	27.6%	34.1%
(CFO Pre-W/C - Dividends) / Debt	19.4%	12.8%	11.9%	46.4%	10.4%	17.5%
FFO / Debt	20.4%	16.5%	14.5%	20.0%	16.6%	4.3%
RCF / Debt	20.4%	16.5%	14.5%	20.0%	-0.6%	-12.3%
Revenue	686.2	633.8	768.9	997.3	843.9	828.1
Interest Expense	25.1	31.4	29.8	35.9	39.0	38.8
Net Income	68.2	47.9	47.4	82.5	284.0	287.9
Total Assets	1,731.0	1,935.9	2,150.3	2,212.4	2,098.0	2,224.2
Total Liabilities	1,244.7	1,331.3	1,511.6	1,509.6	1,291.2	1,466.4
Total Equity	486.3	604.5	638.7	702.8	806.8	757.8

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations
Periods are fiscal year-end unless indicated. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Ratings

Exhibit 9

Category	Moody's Rating
ENTERGY NEW ORLEANS, LLC	
Outlook	Stable
Issuer Rating	Ba1
First Mortgage Bonds	Baa2
PARENT: ENTERGY CORPORATION	
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured	Baa2
Jr Subordinate	Baa3
Commercial Paper	P-2

Source: Moody's Ratings

REPORT NUMBER 1411272

CLIENT SERVICES

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

Exhibit A

Entergy New Orleans, LLC Request for Disbursement for Storm Costs

This is a request for disbursement from the Escrow Account established by Entergy New Orleans, LLC ("ENO") pursuant to that certain Storm Recovery Reserve Escrow Agreement dated December 16, 2022 ("Escrow Agreement") by and between ENO and JPMorgan Chase Bank, N.A. This request is made pursuant to Section 4(b) of the Escrow Agreement. Capitalized terms used and not defined herein shall have the meanings set forth in the Escrow Agreement.

The undersigned Authorized Representatives of ENO hereby certify that a Triggering Weather Event has occurred that has caused the incurrence of costs or estimated costs to repair damage and/or otherwise to restore electric service and/or replace and/or remove tangible assets in the aftermath of such event or that supports a disbursement from the Escrow Account to purchase or secure inventory that will be needed to carry out storm recovery activity.

The undersigned Authorized Representatives of ENO further hereby certify that (a) ENO has given a written notice to the Council Designee of ENO's intent to withdraw funds from the Escrow Account in the amount specified below and the description of this Triggering Weather Event (including the amount of costs or estimated costs that permit this intended withdrawal), and (b) either (1) the Council Designee issued an approval letter or failed to timely respond, or (2) the Council Designee issued a deficiency letter, and this withdrawal matter has been resolved either by ENO and the Council Designee or by the Council.

Therefore, the undersigned authorize and direct the Escrow Agent to make a disbursement to ENO from the Escrow Account (Account No. _______________) in the amount of $____________________, not exceeding the amount of such costs, such transfer to be made via wire transfer from the Escrow Account to:

Bank: ______________________________

Account: ____________________________

ABA #: _______________________

Dated the _______ day of ___________, 20___.

By:___________________________ By:___________________________

Name:_________________________ Name:_________________________

Title:__________________________ Title:__________________________

Copy to: Council of the City of New Orleans
Council Designee

(b) (1) ENO may effect a disbursement of Escrowed Property by delivering a certificate to the Escrow Agent, via electronic mail or facsimile, signed by two Authorized Representatives of ENO in the form of Exhibit A attached hereto, (i) certifying that a Triggering Weather Event (as defined below) has occurred; (ii) specifying the amount of the requested disbursement; (iii) certifying that ENO has given a written notice to the Council Designee (as defined below) of ENO's intent to withdraw such funds that describes the Triggering Weather Event (including the amount of costs or estimated costs that permit the intended withdrawal); and (iv) certifying that either (1) the Council Designee issued an approval letter or failed to timely respond, or (2) the Council Designee issued a deficiency letter, and this withdrawal matter has been resolved either by ENO and the Council Designee or by the Council. For the avoidance of doubt, disbursements may be made for interim or permanent recovery of storm recovery costs for Hurricane Ida (subject to Council certification of those costs).

(2) A Triggering Weather Event is defined as:

(i) Hurricane Ida in 2021 or a "named" hurricane or tropical storm named by the National Weather Service (or successor agency); or

(ii) A storm or weather event in any portion of ENO's service territory for which either (1) the President of the United States issues an emergency or major disaster declaration, declares a "Federal Disaster Area," or makes a similar declaration or (2) the Mayor of New Orleans or the Governor of Louisiana issues a disaster or emergency declaration, declares a "State of Emergency," or makes a similar declaration; and (*i.e.*, in addition to either condition (i) or condition (ii))

(iii) The storm or weather/weather-related events cause or are projected to cause ENO to incur at least $3 million of costs to repair damage caused by that event or events and/or otherwise to restore electric service and/or replace and/or remove tangible assets in ENO's service territory in the aftermath of such event or events.

(iv) A Triggering Weather Event also shall be established if a series of storms or weather events that each satisfies either condition (i) or condition (ii) above occur within a single calendar year and together cause or are projected to cause ENO to incur at least $3 million of costs. Further, if either condition (i) or condition (ii) is satisfied, but the $3 million threshold is not, a Triggering Weather Event shall be established upon written agreement by ENO and the Council Designee. Finally, a Triggering Weather Event shall be established upon written agreement by ENO and the Council Designee that funds not exceeding twenty percent (20%) of the then-current balance of the Escrow Account should be used to purchase or secure inventory that will be needed to carry out storm recovery activity.

(3) The Council Designee for purposes of this Escrow Agreement shall be the Chair of the Council Utility, Cable, Telecommunications and Technology Committee, or in her/his unavailability the Chief of Staff of the Council Utilities Regulatory Office. Within five Business Days of a written notice of ENO's intent to withdraw funds from the Escrow Account, the Council Designee shall determine whether a Triggering Weather Event has occurred that permits the intended withdrawal and, based on that determination, shall issue either an approval letter or a deficiency letter. If a deficiency letter is issued, ENO and the Council Designee will work to