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July 22, 2026

BY E-MAIL

Ms. Aisha Collier
Clerk of Council
City Hall – Room 1E09
1300 Perdido Street
New Orleans, LA 70112

Re: Hurricane Francine Certification of Costs; NOCC Docket UD-25-02

Dear Ms. Collier:

Attached please find the Advisors to the City Council of New Orleans' *Investigation and Review of Entergy New Orleans, LLC's Application for Certification of Costs Related to Hurricane Francine* for filing in the above-referenced matter. Thank you.

Sincerely,

Jay Beatmann

/jb
Attachment
cc: Official Service List for UD-25-02

INVESTIGATION AND REVIEW
OF
ENTERGY NEW ORLEANS, LLC'S
APPLICATION FOR CERTIFICATION OF COSTS
RELATED TO HURRICANE FRANCINE

COUNCIL RESOLUTION NO. R-25-627

DOCKET NO. UD-25-02

July 22, 2026

Legend Consulting Group Limited

SUMMARY

On May October 29, 2025, Entergy New Orleans, LLC ("ENO") filed its *Application of Entergy New Orleans, LLC for Certification of Costs Related to Hurricane Francine* ("Application"), totaling 89 pages and which involved the testimony of two ENO witnesses. The Application requested in part that the Council, find the costs incurred by ENO in restoring service and repairing its facilities in the wake of Hurricane Francine ("Storm Costs"), totaling $13.1 million, to be reasonable, necessary, and prudently incurred, and adopt certain procedural and administrative requests.

On December 18, 2025, the Council adopted Council Resolution No. R-25-627 ("Resolution") establishing the instant docket (UD-25-02) and proceeding to review the Application. Among the procedural deadlines in the instant proceeding: Intervenor testimony or comments were due April 8, 2026, and the Advisors' Report (this report) is due July 22, 2026. The Council directed the Advisors in their report to address:

a. whether the Storm Costs presented in ENO's Application are accurate, reasonable, and necessary to rebuild ENO's electric infrastructure and to restore power to its customers,
b. the Advisors' recommendation as to what restoration costs, if any, are appropriately eligible for recovery from the ENO customers,
c. the Advisors' recommendation as to what restoration costs, if any, were already recovered or are being recovered in retail rates, other rate mechanisms, or sources of funding, and therefore not properly recoverable from an Escrow Account withdrawal,
d. the Advisors' recommendation as to the disposition of any funds withdrawn from the Escrow Account in excess of costs properly recoverable through such withdrawals,
e. ENO's methods for estimating Storm Costs prior to any Escrow Account withdrawal, and
f. any additional issues that the Advisors may find germane to the issues raised by ENO's Application.

The Alliance for Affordable Energy and Air Products and Chemicals, Inc. each intervened in this proceeding. Neither of these intervenors filed testimony or comments.

Based on our review of available information, including that obtained through discovery, we have reached certain conclusions and offer certain recommendations to the Council whose key aspects we summarize here.

We conclude that ENO has prudently incurred $13,114,553 in Storm Costs, all of which has been recovered through withdrawals from the storm reserve escrow account (the "Storm Reserve"). Consistent with this conclusion, we recommend that the Council certify this amount as prudently incurred and therefore recoverable.

Storm Damage and Restoration

Hurricane Francine ("Francine") became a named system (Tropical Storm Francine) on September 9, 2024, and was upgraded to a hurricane at 7 PM CDT on September 10. At its peak, Francine was a category 2 hurricane.

Francine made landfall near the mouth of the Atchafalaya River near the St. Mary & Terrebonne Parish line about 30 miles south-southwest of Morgan City, Louisiana at 5 PM CDT September 11th with maximum sustained winds of 105 mph. Francine tracked over the New Orleans area at approximately 10 PM CDT and weakened to a tropical storm over Lake Maurepas. Francine further weakened to a tropical depression by 7 AM CDT September 12th.

ENO reports that a peak number of approximately 53,330 ENO customers (approximately 26% of ENO's 208,895 customers) lost electric power during the Francine event. Substantially all of ENO's restoration effort involved distribution-related costs,[1] with no reported transmission-related costs. ENO further reports that power was restored to 99% of effected customers after two days.

ENO summarized the damage to its electric distribution system resulting from Francine:

- 53 distribution poles;
- 18 transformers;
- 129 spans of distribution wire; and
- 114 cross-arms.

ENO's Response to Francine

Based on ENO's experience with prior major storm events, ENO's performance in restoring electric service following Francine, substantially within two days, is reasonable. ENO summarizes the personnel and their functions that were mobilized in response to Francine in the below table.[2]

Table 1 Hurricane Francine Personnel Numbers	
Entergy Distribution Line Workers	137
Entergy Scouts	68
Off-System and Base-load Distribution Line Contractors	577
Off-System and Base-load Scouts	59
Mutual-Assistance Personnel	124
Vegetation Workers	223
Other Support	105
Total	**1,293**

1 $0.1 million out of $13.1 million was categorized by ENO as "Facilities" or "General Plant", while the remainder was categorized as "Distribution Lines".

2 *See* Application, Direct Testimony of Shelton Hudson at 30.

The below table summarizes the costs incurred by ENO.[3]

Table 2
Entergy New Orleans, LLC
Summary of Cost for Hurricane Francine

	Distribution	Other	Grand Total
Contract Work	7,687,706	48,269	7,735,976
Employee Expenses	1,123,463	79	1,123,543
Labor	613,905	-	613,905
Materials	315,928	1,166	317,094
Other	432,989	-	432,989
ENOL Direct Costs	**10,173,992**	**49,514**	**10,223,506**
ESL Billings	2,317,607	46,250	2,363,857
Loaned Resources	486,395	40,795	527,190
ENOL Costs from Affiliates	**2,804,002**	**87,045**	**2,891,047**
Total as of Sept 30, 2025	**12,977,994**	**136,559**	**13,114,553**
ENOL Costs Capitalized or Expensed			
Capital	10,509,393	-	10,509,393
Non Capital	2,468,601	136,559	2,605,160
Total as of Sept 30, 2025	**12,977,994**	**136,559**	**13,114,553**

The Application incudes the testimony of Mr. Shelton Hudson that is focused on ENO's operational response to Hurricane Francine and the accounting for related costs. Mr. Hudson, whose title is Vice President of Reliability, Louisiana, is, among other duties, the Louisiana State Incident Commander. In this capacity, and relevant to Francine, Mr. Hudson testifies that his duties encompass pre-storm planning and post-storm system restoration activities performed by and on behalf of ENO.

Mr. Hudson testifies that ENO followed procedures employed relative to other recent major storm events, such as Hurricane Ida. He discusses the pre-staging of materials, the assessment of damage following the storm, and the mobilization of restoration resources and personnel. Nothing in his testimony indicates a response substantially different from past such efforts, all of which the Council has found to be reasonable and involving prudently-incurred costs.

Scope of Advisor Review

ENO presented a detailed accounting of the transactions constituting its Storm Costs in the form of HSPM Exhibit GG-2. In response to discovery, ENO states that this reflects the final accounting of the Storm Costs. Through discovery, we examined concerns such as,

- the completeness of data presented in each transaction record;
- the reasonableness of identified categories of Storm Costs;

[3] Application at 4. We note that some values do not sum to the dollar, most likely due to rounding.

- ensuring that all transactions reflect dates reasonably associated with Francine;
- ensuring that all transaction geographic data properly reflect costs attributable to ENO's Storm Costs; and
- evaluating Storm Costs for which ENO has already been allowed recovery through its regular base rates.

We believe that the discovery propounded to ENO and ENO's responses thereto, along with data from the Application, were sufficient to allow our review of the topics requested in the Resolution and to support our conclusions and recommendations to the Council in this Report.

STORM COST REASONABLENESS, AND NECESSITY

Were Storm Costs Reasonable and Necessary?

As has been ENO's practice following prior major storm events, after Francine subsided, ENO assessed the damage to its system, substantially its distribution system. ENO also states that it uses a damage prediction model to estimate required system restoration resources.[4] ENO further states that it employed 127 damage assessors to determine the resources required to restore service.[5] While every major storm involves different amounts of damage to ENO's electric system, our observation of ENO's restoration efforts relative to the severity of Francine in the New Orleans service area, and in relation to past ENO storm restoration efforts, indicates that ENO's restoration efforts were reasonable. Based on our evaluation of ENO's data and on ENO's representations and history of system restoration following hurricanes, it is reasonable to conclude that the resources applied to rebuild ENO's electric infrastructure and to restore power to its customers were reasonable and necessary.

ENO's Storm Cost Estimate

ENO's December 20, 2024 *Notice of Intent to Withdraw Funds from the Storm Recovery Reserve Escrow Account of Entergy New Orleans, LLC* ("Notice") states, "ENO hereby gives notice to the Council Designee of its intent to withdraw up to $20 million from the Storm Recovery Reserve Escrow Account. The withdrawn funds will be utilized by ENO for interim recovery of costs resulting from Francine."[6] ENO's ultimate, supported, Storm Costs totaled substantially less ($13.1 million).

The Advisors, through discovery, asked ENO about its storm cost estimation process.[7] ENO stated that it arrived at an initial estimated Storm Cost range of $18-$20 million based on its standard post-storm cost estimation process.[8] ENO provided a worksheet showing this estimation process.[9] Our review indicates that ENO employed a series of assumptions reflective of reasonable

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4 Direct Testimony of Shelton Hudson, Q 58 at 33.
5 *Id.* Q 59 at 25.
6 *Notice of Intent to Withdraw Funds from the Storm Recovery Reserve Escrow Account of Entergy New Orleans*, December 20, 2024.
7 DR CNO 2-2 and ENO's response thereto.
8 *Id.*
9 *Id.,* Excel file *TC-UD2502-00ADV002-N002 Francine_CET_New Orleans.*

expectations and that the estimated Storm Cost range was based on the information reasonably available to ENO at the time, even though actual costs were less.

Difference Between Estimated and Actual Storm Costs

The Notice stated simply, "ENO hereby gives notice to the Council Designee of its intent to withdraw up to $20 million from the Storm Recovery Reserve Escrow."[10] While textually accurate, we now understand that this statement was not intended to be notice of a roughly $20 million withdrawal, which was our initial interpretation of the Notice. The Council would have been better served had ENO further explained how it intended to determine the amounts of its withdrawal and that a withdrawal of up to $20 million was not imminent. However, there is no indication that ENO was seeking to provide incorrect information to the Council.

ENO made two withdrawals from the storm reserve escrow: $10,333,308 on February 5, 2025, and $2,781,245 on October 14, 2025, for a total of $13,114,553, which is ENO's requested Storm Cost certification amount. ENO believes these are the final withdrawals related to Francine.[11]

ENO's first $10.3 million withdrawal was made after system restoration was substantially complete and ENO's Audit of Contractor Expenses for Storm ("ACES") review processes had been performed for invoices then received.[12] The substantial majority of Storm Costs had been verified by ENO, and ENO chose to recover these costs through an escrow withdrawal. ENO's second $2.8 million withdrawal was performed after all of ENO's Storm costs had been validated through ENO's ACES review process.

The difference between ENO's initial estimate of an up-to $20 million withdrawal and its ultimate withdrawals total $13.1 million is explainable by the former representing an initial estimate and the latter being the result of ENO's cost accounting and controls (as further discussed later in this Report) measurement of actual Storm Costs.

STORM COST ACCURACY

Were Storm Costs Accurate?

The Application includes the testimony of Mr. Generoso Garza, whose title is Director of Finance. He discusses how Entergy accounted for the Storm Costs and how they were segregated from costs that normally constitute ENO's regulatory cost of service and therefore allowed recovery through base rates. Mr. Garza describes accounting procedures and controls that are substantially the same as have been used relative to past ENO storm restoration efforts, which have been found by the Council to be appropriate.

As ENO has done relative to past major storm events, ENO employs an internal audit and control system for Storm Costs that it calls ACES. ACES is a heightened set of internal reviews of contractor invoices (*e.g.*, increased sampling of invoices for scrutiny) compared to its normal

10 Notice at 1.
11 ENO's response to DR CNO 2-1.
12 *Id.*

accounting controls. Given the necessary urgency in approving contractor work following a major storm event, it is reasonable to employ greater accounting controls.

Of note, ENO does not report that it contracted for a third-party audit of its Storm Costs. Relative to the most recent hurricane to strike New Orleans, Hurricane Ida, ENO engaged Deloitte & Touché ("Deloitte"), Entergy's public auditor, to review $159 million out of $164 million of that hurricane's related storm costs. Instead, storm-related costs for Francine were reviewed as part of ENO's overall financial records in the same manner as comparable O&M and capital costs as part of Deloitte's annual independent audit performed for FERC Form 1 purposes.[13] For ratemaking purposes, the Advisors act in general reliance on data from ENO's FERC Form 1, (*i.e.*, we do not particularly scrutinize the accuracy of From 1 data, but rather seek to understand such data's impact on ENO's revenue requirement) in part due to such data having been audited by Deloitte.

ENO engaged a company, Revenew International, LLC ("Revenew"), to conduct an independent review of the Storm Costs. ENO states that "Revenew acted as an independent consultant, helping the ACES team to validate supplier billing, ensure contract compliance, and maintain financial controls. Revenew collaborated with the ACES team to review contractor invoices and ensure that contractors were billing appropriately for the services rendered."[14] ENO's representation indicates that, while Revenew's services did not constitute a CPA-level audit, as was performed by Deloitte relative to Hurricane Ida, Revenew did contribute to the accuracy of ENO's reported Storm Costs.

ENO also notes that, for Francine, ENO is not seeking to issue a securitization bond which would have required an independent CPA-level audit.[15]

Recognizing that Francine's Storm Costs are substantially less than those of Hurricane Ida (less than 10% thereof), in the interest of administrative efficiency and cost savings, in our opinion it is reasonable for ENO to not have performed a third-party CPA-level audit of the Storm Costs and instead rely on its internal ACES process, Revenew's third-party review services, and ENO's overall accounting and auditing procedures when representing the accuracy of the Storm Cost amount. As such, ENO's reported Storm Costs are demonstrated to be reasonably accurate.

STORM COST RECOVERY

ENO made two Storm Reserve withdrawals following Francine: $10,333,308 on February 5, 2025, and $2,781,245 on October 14, 2025, when ENO's accounting for Storm Costs was complete. ENO is not requesting any further cost recovery relative to Francine. As of the Application, $73.1 million remained in the Storm Reserve, and $73.8 million remains as of December 31, 2025, the most recently reported value.

Costs Already Allowed Recovery

ENO's base rates are calculated to allow ENO the reasonable opportunity to recover its operating costs, plus a reasonable return on its net investments in its utility (*i.e.*, ENO's rate base). The

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13 ENO's response to DR CNO 2-4.
14 *Id.*
15 *Id.*

amount of revenues ENO requires to recover these costs plus a reasonable return on its rate base is called ENO's revenue requirement. ENO's rates are reset to reflect its cost of operations with each Council rate action, which includes complete rate cases and FRP evaluations. A FRP evaluation was performed in 2025 relative to test year 2024, and an FRP evaluation is underway as of the preparation of this report relative to test year 2025. The Storm Costs were incurred in 2024 and 2025, which is relevant to the question of Storm Costs recoverable in base rates. ENO must not recover costs twice – once through base rates, and again through a storm reserve escrow withdrawal.

ENO excluded certain amounts recoverable through base rates from its Storm Cost tally, specifically straight-time labor costs. Our review indicates that ENO's exclusion of these costs is reasonable, and further due to the operation of ENO's FRP, there is no material risk of double recovery of costs in the instant proceeding.

Because all of the Storm Costs were incurred during test years for ENO's FRP evaluations, any cost recovered through a storm reserve escrow withdrawal is, through ENO's accounting system, excluded from that test year's FRP cost of service. As such, because the Storm Costs fell within one of two test years, there is no material opportunity for double recovery of Storm Costs. Should a triggering weather event occur outside of a base rate action's test year, additional Council scrutiny is warranted.

OTHER MATTERS

Carrying Charges

The proper calculation of recoverable carrying charges can be a complex consideration of appropriate accrual timeframes and the reasonable promptness of ENO's calculation of such costs. Further, we note that other Entergy affiliates have employed interim financing of their storm costs to reduce the carrying charge amount they requested of their retail regulators. However, because ENO was afforded full and timely recovery of its Storm Costs through Storm Reserve withdrawals that were made at the time of ENO's request, ENO is not requesting recovery of any carrying charges in the Application. As such, these considerations do not apply to the instant proceeding.

Excess Withdrawals

As we conclude that ENO is properly entitled to recovery of Storm Costs equaling the full amount of the $13.1 million that it withdrew from the storm reserve escrow, there is no need to consider the disposition of excess withdrawal amounts. We note, however, that the Escrow Agreement to the Financing Order[16] provides that if the Council's review of an escrow withdrawal finds that ENO is required to repay an amount to the escrow, that amount shall be re-deposited into the account. As such, an available option is returning excess withdrawals to the escrow account.

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[16] Council Resolution No. R-15-193, Financing Order Appendix E Section 5 (Review of Disbursements).

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Based on our review of available information, including the Application and information we obtained through discovery, we report the following conclusions to the Council.

1. Nothing we reviewed indicates other than that ENO was well prepared for Francine in terms of training, procedures, materials supply chain arrangements, and mutual-assistance personnel and resources.
2. ENO's response to Francine in terms of structure and resources, is consistent with past such responses involving ENO, and nothing from our review identified anything that suggested that ENO's actions were not in accordance with prudent utility practices.
3. We conclude that the Storm Costs presented in the Application were accurate, reasonable, and necessary relative to Francine.
4. We conclude that all of the $13.1 million in reported Storm Costs are appropriately eligible for recovery from ENO's customers, specifically though ENO's storm reserve escrow withdrawals.
5. We conclude that ENO made reasonable exclusions from this total to reflect costs already allowed recovery through base rates. Further, due to the operation of ENO's FRP, there is no material risk of double recovery of costs.
6. We conclude that ENO's as filed Storm Costs totaling $13,114,553 were prudently incurred, and their recovery through Storm Reserve withdrawals was appropriate.

Recommendations

Based on our review, we recommend that the Council find that ENO prudently incurred necessary costs in restoring electric utility service following Francine, and we find that ENO's Storm Costs totaling $13,144,553 were prudently incurred and therefore recoverable. We further recommend that the Council find that ENO's Storm Reserve withdrawals totaling this amount were appropriate.