NO. R-07-88

BY: COUNCILMEMBERS THOMAS, HEDGE-MORRELL, MIDURA AND CARTER

IN THE MATTER OF APPLICATION OF ENTERGY NEW ORLEANS, INC. FOR AUTHORIZATION TO IMPLEMENT RIDERS TO RECOVER COSTS RELATED TO HURRICANES KATRINA AND RITA (DOCKET NO. UD-06-01)

RESOLUTION AND ORDER RELATIVE TO THIRD SUPPLEMENTAL AND AMENDING APPLICATION OF ENTERGY NEW ORLEANS, INC. FOR RECOVERY OF STORM RESTORATION COSTS

WHEREAS, pursuant to the Constitution of the State of Louisiana and the Home Rule Charter of the City

of New Orleans, the Council of the City of New Orleans (“Council”) is the governmental body authorized

to exercise regulatory control over rates, charges and the general conditions under which electric and

gas services are provided in New Orleans; and

WHEREAS, Entergy New Orleans (“ENO” or “Company”) provides electric service to all of New

Orleans except the Fifteenth Ward (“Algiers”) and gas service to all of New Orleans; and

WHEREAS, on June 30, 2006 ENO sought authorization to recover costs of gas and electric restoration

work performed and recorded on the Company’s books through March 31, 2006 associated with

Hurricanes Katrina and Rita, as well as the write-off for uncollectible expenses of $14.627 million for

total recovery of $150.829 million (“Initial Application”); and

WHEREAS, for administrative convenience, the Council determined it would consider ENO’s Initial

Application in Docket UD-06-01; and

WHEREAS, on October 26, 2006, an Agreement in Principle was entered between the Council’s Utility

Advisors (“Advisors”) and ENO, which agreement was adopted by the Council and embodied in

Resolution R-06-459 leaving open Docket UD-06-01 for the further consideration of ENO’s storm costs

application(s); and

WHEREAS, though the $150.829 million represented ENO’s storm costs on its books through March 31,

2006, ENO clearly indicated in its Initial Application, and the Agreement in Principle contemplated, it

would later seek recovery of its costs beyond March 31, 2006; and

WHEREAS, in Resolution R-06-329, the Council adopted a Procedural Schedule which established a

process for the consideration of the recovery by ENO of costs associated with Hurricanes Katrina and

Rita; and

WHEREAS, on December 18, 2006, ENO filed its Supplemental and Amending Application for recovery

of additional storm restoration costs of $51.914 million covering the period April 1, 2006 through

October 31, 2006; and

WHEREAS, in its Supplemental and Amending Application ENO represented that “On October 12, 2006,

in response to a request by ENO for Community Development Block Grant (“CDBG”) funding, the

Louisiana Recovery Authority Board for the State of Louisiana (the “LRA”), recommended that $200

million in CDBG funds be allocated to ENO to mitigate rate increases necessary to fund repair of electric

and gas infrastructures in the City of New Orleans, which rate increases otherwise would have been the

responsibility of ENO’s customers. In order for ENO to receive the funds recommended by the LRA the

following must occur (1) the recommendation must be approved by the Louisiana legislature, which

approval was granted on December 3, 2006; the recommendation must be approved by the U.S.

Department of Housing and Urban Development (“HUD”); and all restoration, reconstruction, and

rebuilding costs claimed for CDBG funding must be certified as reasonable and necessary through an

independent process approved by the LRA.” (Supplemental and Amending Application at 3); and

WHEREAS, on January 18, 2007 the Council issued Resolution R-07-41 amending its original procedural

resolution in the instant Docket in anticipation of ENO’s filing of its Second Supplemental and Amending

Application for recovery of additional storm restoration covering the period November 1, 2006 through

December 31, 2006; and

WHEREAS, on January 22, 2007, ENO filed its Second Supplemental and Amending Application for

recovery of additional storm restoration costs of $11.994 million covering the period November 1, 2006

through December 31, 2006; and

WHEREAS, Council Resolution R-07-41 provided a procedural schedule for the Council to consider

ENO’s: (1) Initial Application, (2) Supplemental and Amending Application, and (3) Second Supplemental

and Amending Application on a contemporary basis; and

WHEREAS, on January 31, 2007 ENO filed its “Third Supplemental and Amending Application of

Entergy New Orleans, Inc. for Recovery of Storm Restoration Costs Related to Hurricanes Katrina and

Rita in Accordance with Council Resolution R-06-459” (“Third Supplemental and Amending

Application”); and

WHEREAS, the LRA has developed and submitted to HUD a Proposed Action Plan Amendment Number

6 for Disaster Recovery Funds (“Proposed Action Plan”); and

WHEREAS, the Proposed Action Plan projects that ENO’s unmet need for restoration and rebuilding of

infrastructure net of insurance proceeds will be significantly in excess of $200 million and includes an

estimate of the costs to rebuild the natural gas system and an estimate of insurance proceeds expected

to be received by ENO; and

WHEREAS, ENO’s Third Supplemental and Amending Application, among other things, requests

certification by the Council of its net unmet need for restoration and rebuilding of infrastructure based

upon its current estimate of the cost to rebuild the natural gas system and projected receipt of

insurance proceeds; and

WHEREAS, timely Council action with respect to ENO’s Third Supplemental and Amending Application

is necessary for the receipt of $200 million in CDBG funding that will offset costs that otherwise will be

borne by ENO ratepayers; and

WHEREAS, in order for the Council to consider and evaluate ENO’s Third Supplemental and Amending

Application it will be necessary for the Council’s Engineering Utility Advisors to conduct an independent

engineering review, consistent with sound engineering and cost estimation practices and generally

accepted industry standards of ENO’s Third Supplemental and Amending Application, including a review

of all available documentation in ENO’s possession that is necessary to determine:

(1) whether ENO’s current estimates of costs to return the its gas system to the level of service and

reliability that existed prior to Hurricane Katrina are reasonable;

(2) whether the future costs that may be incurred consistent with ENO’s current cost estimates meet

the criteria of those eligible for recovery in accordance with LRA’s Proposed Action Plan; and

(3) ENO’s unmet need to return the its gas system to the level of service and reliability that

existed prior to Hurricane Katrina when taking into account ENO’s projected receipt of

insurance proceeds; and

WHEREAS, the Council’s present intention is to consider ENO’s Third Supplemental and Amending

Application in light of the previously adopted procedural schedule in Resolution R-07-41 in order for

ratepayers to derive the full benefit of all LRA available funds in as expeditious and timely manner as is

practicable; now therefore:

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF NEW ORLEANS THAT relative to ENO’s

Third Supplemental and Amending Application for storm costs recovery the following rules will govern:

1. Discovery to the Company to begin immediately.

2. ENO Discovery to Advisors/Intervenors shall commence immediately.

3. The Advisors shall file their written Comments and the Draft Independent Engineering Report on or

before February 26, 2007.

4. ENO and Intervenors shall file any written Comments in response to the Advisors’ Comments and

Independent Engineering Report on or before March 1, 2007.

5. The Final Independent Engineering Report and Comments and Recommendations of the Advisors

shall be filed on or before March 5, 2007.

BE IT FURTHER RESOLVED that in light of the accelerated schedule adopted by the Council herein,

and to assure the Advisors’ Independent Engineering Report is ready in time for the Council to act on

this matter as scheduled, ENO is directed to produce documents and information in the most

expeditious manner possible.

BE IT FURTHER RESOLVED that it is the Council’s present intention to set this matter for hearing at

the Council’s Utility Committee Meeting tentatively scheduled for March 8, 2007, and to render a

decision by March 15, 2007.

THE FOREGOING RESOLUTION WAS READ IN FULL, THE ROLL WAS CALLED ON THE

ADOPTION THEREOF AND RESULTED AS FOLLOWS:

YEAS: Carter, Fielkow, Head, Hedge-Morrell, Midura,

Thomas - 6

NAYS: 0

ABSENT: Willard-Lewis – 1

AND THE RESOLUTION WAS ADOPTED.