

**RESOLUTION**

**NO. R-23-555**

**CITY HALL: December 14, 2023**

**BY: COUNCILMEMBERS MORRELL, MORENO, GIARRUSSO, HARRIS, KING,  
GREEN AND THOMAS**

**RESOLUTION AND ORDER APPROVING THE APPLICATION OF  
ENERGY NEW ORLEANS, LLC FOR CERTIFICATION OF COSTS  
RELATED TO HURRICANE IDA**

**DOCKET UD-22-05**

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

**WHEREAS**, Entergy New Orleans, LLC ("ENO" or "the Company") is a public utility providing electric and natural gas service to the City of New Orleans; and

**WHEREAS**, ENO is a wholly owned subsidiary of Entergy Utility Holding Company, LLC. ENO, and four other Entergy subsidiaries, Entergy Arkansas, LLC, Entergy Louisiana, LLC, Entergy Mississippi, LLC, and Entergy Texas, Inc. are the Entergy Operating Companies ("EOCs"); and

**WHEREAS**, on the morning of August 29, 2021, Hurricane Ida made landfall near Port Fourchon, Louisiana as a Category 4 hurricane and moved into the New Orleans area with high sustained winds that caused significant power outages; and

**WHEREAS**, by 7:00 pm the same evening, all power in Orleans Parish was lost and all eight transmission paths that deliver power into the New Orleans area were out of service due to storm damage and the loss of those transmission facilities resulted in a load imbalance causing local generation to trip offline; and

**WHEREAS**, of the eight transmission paths into New Orleans, seven are interconnections with Entergy Louisiana LLC (“ELL”) and one interconnection is with Cleco Power, LLC (“Cleco”); and

**WHEREAS**, the transmission lines and substations on these paths into New Orleans, prior to reaching an ENO substation, are not owned, operated, nor maintained by ENO; and

**WHEREAS**, the damage to ENO’s electric system was significant and ENO’s data showed that 97 percent of system restoration costs were related to the Company’s distribution plant; and

**WHEREAS**, on June 24, 2022, ENO filed its Application for Certification of Costs Related to Hurricane Ida (“ENO Application”); and

**WHEREAS**, the ENO Application stated the Company incurred approximately \$169.6 million of Hurricane Ida-related system restoration costs through May 31, 2022 (“Total Storm Costs”); and

**WHEREAS**, the ENO Application also stated that ENO withdrew the remaining balance of approximately \$38.8 million from its securitized storm reserve escrow account on September 17, 2021, to assist in funding Hurricane Ida storm restoration; additionally, the Company’s storm reserve withdrawals in March of 2021 exceeded actual costs of Hurricane Zeta and aggregated previously-unrecovered costs of miscellaneous smaller storms by a net of \$7.5 million; and

**WHEREAS**, ENO requested entry of a Council order determining that the total amount of Hurricane Ida storm costs of \$169.6 million (or any updated total of such costs) was reasonable, necessary and prudently incurred; and

**WHEREAS**, ENO also requests the Council find that the approximately \$38.8 million in Hurricane Ida securitized storm reserve escrow withdrawals and \$7.5 million excess storm reserve escrow withdrawals related to Hurricane Zeta and prior miscellaneous storms are properly applied

against Hurricane Ida storm restoration costs, thereby reducing the amount needed to be recovered from ENO customers prospectively by \$46.3 million; and

**WHEREAS**, in the ENO Application, the Company stated that of ENO’s Storm Costs of approximately \$169.6 million, \$130.1 million were capital expenditures (*e.g. replacement of poles and wires*), and \$39.5 million were non-capital costs; and

**WHEREAS**, in the ENO Application, the Company provided a breakdown of its storm costs by class and category including certain estimated costs related to mutual-aid utilities that assisted ENO in the restoration of its distribution system following Hurricane Ida; and

**WHEREAS**, in the ENO Application, ENO requested a Council order determining that the total amount of Hurricane Ida storm costs of \$169.6 million (or any updated total of such costs submitted in this proceeding) was reasonable, necessary, and prudently incurred; and

**WHEREAS**, ENO also requested the Council find that storm reserve withdrawals of \$46.3 million were properly applied against total storm restoration costs to reduce the amount of costs needed to be recovered from customers; and

**WHEREAS**, on November 3, 2022, the Council adopted Resolution R-22-482 establishing Docket UD-22-05 and instituting a procedural schedule to review the ENO Application; and

**WHEREAS**, two parties intervened in the Docket: the Alliance for Affordable Energy (“the Alliance”) and Air Products and Chemicals, Inc (“Air Products”); and

**WHEREAS**, Air Products filed testimony and exhibits asserting that ENO customers that take service at the transmission voltage level, such as Air Products, do not need and do not make use of ENO’s distribution system and therefore, should not be required to pay for damage to ENO’s distribution system; and

**WHEREAS**, the Council finds that Air Products' concerns and recommendations are outside the scope of this proceeding, which is to consider whether the Storm Costs presented in the Application are accurate, reasonable, and necessary to rebuild ENO's electric infrastructure and to restore power to its customers; this proceeding does not involve consideration of cost recovery mechanisms or cost functionalization; and

**WHEREAS**, on August 15, 2023, the Council's utility Advisors filed their *Investigation and Review of Entergy New Orleans, LLC's Application for Certification of Costs Related to Hurricane Ida* ("Report"); and

**WHEREAS**, in the Report, the Advisors found that: i) ENO was well prepared for the storm in terms of training, procedures, materials supply chain arrangements, and mutual assistance personnel and resources; ii) ENO reasonably demonstrated that the accounting for its costs incurred to restore electric utility service following Hurricane Ida was accurate in all material respects and based on appropriate accounting practices and controls; iii) no evidence to suggest ENO's Storm Costs were other than prudently incurred; and

**WHEREAS**, in the Report, the Advisors concluded that: i) ENO's as filed Storm Costs totaling \$169,570,192 included estimates that turned out to be overstated. ENO's actual final Storm Costs totaled \$164,113,764 as of June 30, 2023; ii) ENO has incurred \$164,113,764 in Storm Costs that are reasonable and necessary, and therefore, are presumed to be prudently incurred and recoverable; iii) presently estimated \$346,643 in remaining Storm Costs may not be a reliable estimate for Council certification of costs. However, as these costs will consist of invoices from other, presumably reliable, utilities, we conclude that ENO's final accounting for these costs is likely to be reliable; iv) ENO has already been allowed the reasonable opportunity to recover \$1,187,906 in Storm Costs through its base rates; v) ENO is entitled to recovery of

\$7,511,654 in carrying charges related to Hurricane Ida based on its Before Tax Weighted Average Cost of Capital as the carrying charge rate; vi) the application of \$7,799,265 in unapplied credits following the events of Hurricane Zeta, plus \$38,835,183 in storm reserve escrow withdrawals in September 2021 that depleted the then-available storm reserves, plus a \$125,000,000 storm reserve escrow withdrawal following the December 2022 securitization bond issuance provide full recovery of ENO's Storm Costs, including appropriate carrying charges on such costs. At least \$850,292 in unused credits remain after the certification of all costs related to Hurricane Ida including estimated remaining costs; vi) ENO's unused credits may be used to recover future system restoration costs following a weather event. In the event these credits remain upon ENO's next base rate action before the Council, the Council may use them to recover costs related to plant removal recorded in ENO's rate base; vii) ENO should have given more consideration to interim financing in the aftermath of Hurricane Ida which could have provided additional savings in carrying charges. We conclude that ENO should consider pursuing this economy following future hurricane events to identify and maximize all potential savings for its customers; and

**WHEREAS**, subsequent to the Report, ENO was able to substantiate Storm Costs totaling \$164,460,407. This \$164,460,407 amount includes then-estimated costs associated with a mutual assistance utility group that provided resources to help restore service in New Orleans after Hurricane Ida that were initially estimated by ENO at \$346,643; and

**WHEREAS**, taking into account all final Storm Costs, carrying charges, costs deemed recovered through base rates, and escrow withdrawals, an unused credit amount equaling \$850,292 remains; and

**WHEREAS**, the Council has reviewed the ENO Application, the comments, and the Report and deems it in the public interest to approve the ENO Application and certify the costs

incurred by the Company as recommended in the Report; **NOW THEREFORE**

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

1. ENO's Hurricane Ida system restoration activities were reasonable and necessary to rebuild ENO's electric infrastructure and to restore power to its customers.
2. ENO acted prudently in restoring electric utility service following Ida.
3. ENO's Storm Costs totaling \$164,460,407 are presumed prudently incurred and therefore recoverable.
4. Carrying charges incurred by ENO related to Hurricane Ida in the amount of \$7,511,654 are reasonable, prudent, and eligible for recovery from ENO's customers.
5. Accepting the recommendation of the Advisors concerning \$1,187,906 in storm costs related to specific items identified by the Advisors, we find that ENO already has had the reasonable opportunity to recover those costs through its base rates, but this finding shall not be precedential or with prejudice to the positions that ENO, the Advisors, or any other party may wish to take in future proceedings before the Council concerning similar cost items.
6. ENO's application of \$7,799,265 in unapplied credits following the events of Hurricane Zeta, plus \$38,835,183 in storm reserve escrow withdrawals in September 2021 against total storm restoration costs was reasonable and appropriate to reduce the amount of costs needed to be recovered from customers.
7. With respect to the Unused Credits in the amount of \$850,292, ENO is authorized and directed to deposit that amount into its Securitized Storm Recovery Reserve to be used to fund storm recovery activity after future storms in accordance with the terms of the Storm Recovery Reserve Escrow Agreement.

8. Consistent with Council Resolution Nos. R-22-437 and R-22-438, ENO is authorized to reflect in Rider SSCOII the accumulated deferred income tax (“ADIT”) effects (including any future adjustments to the ADIT balances for the effect of a change in income tax rate) from the incurrence of ENO’s Hurricane Ida-related storm restoration costs as certified herein.
9. ENO’s request in the instant docket to waive the Minimum Filing Requirements set forth in Chapter 158, Division 1, Section 158-48, et seq., of the New Orleans City Code is GRANTED.

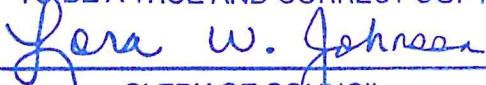
**THE FOREGOING RESOLUTION WAS READ IN FULL, THE ROLL WAS CALLED ON THE ADOPTION THEREOF, AND RESULTED AS FOLLOWS:**

**YEAS: : Giarrusso, Harris, King, Moreno, Morrell, Thomas – 6**

**NAYS: 0**

**ABSENT: Green - 1**

**AND THE RESOLUTION WAS ADOPTED.**

THE FOREGOING IS CERTIFIED  
TO BE A TRUE AND CORRECT COPY  
  
CLERK OF COUNCIL

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