Entergy New Orleans, Inc.

Electric & Gas
Formula Rate Plans
2011

Council Docket No. UD-08-03
Council Utility Committee Meeting
June 23, 2011
Background
ENO Formula Rate Plans

- Council Resolution R-09-136 Approved Entergy New Orleans, Inc. (“ENO”) to Implement Formula Rate Plans (“FRPs”) for Both Electric and Gas Rates for Three Years Beginning 2010

- Electric and Gas Rates Are Adjusted Annually to Provide ENO the Approved Return on Equity (ROE) of:
  - 11.10% Within ± 0.40% for Electric Operations
  - 10.75% Within ± 0.50% for Gas Operations

- The FRPs Are to be Filed Annually With the Council by May 31st

- The FRPs’ Rate Development is Based on ENO’s Prior Calendar Year Operations Ending December 31st
ENO’s 2011 Formula Rate Plan Filings

- ENO Submitted Its Second Annual Electric and Gas FRPs May 26, 2011 for Council Review

- ENO’s 2010 Financial Results Showed
  - Electric Return on Equity of 13.90%
    - 2.8% Above Established 11.1% Mid-Point
  - Gas Return on Equity of 13.70%
    - 2.95% Above Established 10.75% Mid-Point

- ENO Filed a Request for a $7,058,000 Reduction to Electric Base Rate

- ENO Filed a Request for a $1,113,000 Reduction to Gas Base Rate
Factors ENO Attributed to 2010 Base Rate Over-Collection

- An Increase from 2009 in Customers for Both Electric and Gas
  - Electric: 7,400 Customer Increase
  - Gas: 3,000 Customer Increase

- An Increase in Customer Load Attributable to Customer Growth and Weather Conditions
  - 2010 Hotter Summer and Colder Winter Conditions Relative to 2009
  - Resulted in a:
    - 7% Increase in Electric Sales
    - 18% Increase in Gas Sales
Review
ENO Formula Rate Plan Filings

- ENO Proposed a $13,400,000 Regulatory Asset to Recover Maintenance Costs on the Michoud Unit 3 Turbine Over 5 Years
  - Requiring Increased Revenue of $3.7 Million Per Year

- Pursuant to Council Resolution R-11-175, ENO Removed All 2010 Expenses Associated With the Environmental Adjustment Clause (“EAC”) Rider

- ENO Seeks Recovery of Lost Contribution to Fixed Costs from the Energy Smart Plan for 2011 of $583,000
Storm Reserve Rider Increase Request

- ENO Proposes a Storm Reserve Rider Increase to Account for Withdrawal of $20,000,000 for Storms Since 2006

- ENO Provided for the Collection of:
  - $3.3 Million Increase to Customers for the Electric Storm Reserve Rider
  - $0.4 Million Increase to Customers for the Gas Storm Reserve Rider

- ENO’s Storm Reserve Rider-Approved in Resolution R-06-459 $75,000,000 Over Ten Years (2017)
  - Damage Due to Catastrophic Storms
  - Storm Restoration and Repair Costs
# Impact on Electric Customers

## Total Estimated Monthly Bill

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<thead>
<tr>
<th>Rate Class</th>
<th>Residential 1,000 kWh</th>
<th>Commercial 10 kW &amp; 1,825 kWh</th>
<th>Industrial 250 kW &amp; 91,250 kWh</th>
</tr>
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<td>Rate</td>
<td>% Change</td>
<td>Rate</td>
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<td><strong>Existing Bill</strong></td>
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<td>$193.85</td>
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<td><strong>ENO Proposed Adjusted Bill</strong></td>
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<td>$190.43 (1.76%)</td>
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<td><strong>Total Bill Reduction</strong></td>
<td>($1.60) (1.68%)</td>
<td>($3.42) (1.76%)</td>
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<td>$94.37</td>
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<td><strong>Total Bill Reduction</strong></td>
<td>($0.72)</td>
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Process and Procedural Schedule
ENO Formula Rate Plans

- The Council Advisors and All Intervenors Have a 75 Day Period for Review of the FRP Filings

- The Advisors and Intervenors Are to Submit Their Respective Evaluation Reports by August 15th
  - Following Evaluation Report Submittals ENO, Advisors and Intervenors Have a 25 Day Period to Resolve Disputes

- Agreed Upon Rate Changes Approved by Council Will be Effective October 1, 2011

- Any Remaining Disputed Items Will be Submitted to the Council Administrative Hearing Process
Further Action Being Taken by Advisors

- The Advisors Are Examining Any Anomalies in ENO’s FRPs Including:
  - Significant Cost Account Increases in 12 Months
  - Proper Regulatory Accounting and Measurement of Costs
  - Costs Not Appropriately Included in Rates

- The Advisors Are Reviewing the 2006 Agreement in Principle for the Regulatory Precedence and Feasibility of ENO’s Proposed Storm Recovery Rider Increase

- The Advisors Will Submit Their Findings in an Evaluation Report of the FRP Filings by August 15th to the Council