NO. R-06-459

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

IN THE MATTER OF APPLICATION OF ENTERGY NEW ORLEANS, INC. FOR APPROVAL OF

IMPLEMENTATION OF POST-KATRINA GAS AND ELECTRIC FORMULA RATE PLANS, DOCKET NOS. UD-01-

04 AND UD-03-01 And 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) AND TO ADEQUATELY FUND A STORM RESERVE (DOCKET NO. UD-06-02)

RESOLUTION AND ORDER APPROVING AGREEMENT IN PRINCIPLE

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

of New Orleans ("Charter"), 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, pursuant to its powers of supervision, regulation and control over public utilities, the Council

is responsible for fixing and changing rates and charges of public utilities and making all necessary rules

and regulations to govern applications for the fixing and changing of rates and charges of public utilities;

and

WHEREAS, Entergy New Orleans (“ENO” or “Company”) is a public utility providing electric service to

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

WHEREAS, in Resolution R-03-272, adopted by the Council on May 15, 2003, the Council approved an

electric formula rate plan (“EFRP”) and a gas formula rate plan (“GFRP”) (collectively, “FRPs”) for

ENO; and

WHEREAS, in Resolution R-05-512 (authorized by letter of the Chairman of the Council Utility, Cable

and Telecommunications Committee, dated August 31, 2005, and deemed by Resolution R-05-U4 to be

effective as of September 1, 2006), the Council extended ENO’s FRPs for the years 2006 and 2007 and

approved certain modifications to the FRPs; and

WHEREAS, the FRPs are now embodied in ENO’s Electric Formula Rate Plan Rider Schedule (“Rider

Schedule EFRP-2”) and Gas Formula Rate Plan Rider Schedule (“Rider Schedule GFRP-2”),

respectively, filed with the Council; and

WHEREAS, pursuant to Section II.B.1 of Rider Schedules EFRP-2 and GFRP-2, ENO is required to file

reports with the Council on or before May 1 of each year containing evaluations of ENO’s earnings for

the immediately preceding calendar year for its electric and gas operations, respectively, in accordance

with the provisions of Section II.C of such rider schedules; and

WHEREAS, such evaluations are to be conducted with respect to a midpoint return on equity (“ROE”)

of 10.75%, a targeted equity ratio of 45 percent and a “dead band” range, or “bandwidth,” around such

midpoint ROE for each of the EFRP and the GFRP; the ROE bandwidth for the EFRP is +/- 100 basis

points from the midpoint ROE and the ROE bandwidth for the GFRP is zero (0) basis points from the

midpoint ROE for the 2005 Evaluation Period and +/- 50 basis points for the 2006 Evaluation Period;

actual rates of return earned during the Evaluation Period falling within the bandwidth would result in

no change to ENO’s base rates; actual rates of return falling above or below the bandwidth would result

in prospective adjustments to ENO’s base rates downward or upward, respectively; and

WHEREAS, as we noted in Resolution R-03-272, designating a midpoint ROE for ENO’s electric and gas

FRPs is consistent with the Council’s obligation to authorize rates for ENO that are just and reasonable.

The United States Supreme Court cases Bluefield Water Works & Improvement Co. v. Public Service

Commission of West Virginia, 262 U.S. 679 (1923) and Federal Power Commission v. Hope Natural Gas

Co., 320 U.S. 591 (1944) require utility regulators to authorize a rate of return on common equity that

will (1) fairly compensate capital invested in the utility; (2) enable the utility to offer a return adequate

to attract new capital on reasonable terms; and (3) maintain the utility’s financial health; and

WHEREAS, on August 29, 2005, Hurricane Katrina struck the City of New Orleans. The hurricane and

ensuing multiple levee failures caused widespread flooding throughout the City, endangering the lives

and health of thousands of News Orleanians and causing catastrophic damage to homes, businesses and

infrastructure. New Orleans was subject to mandatory evacuation, and the flooding and pervasive

damage rendered the City uninhabitable and prohibited residents from returning to their homes for

months afterwards. The devastation caused by Hurricane Katrina is considered to be the worst natural

disaster in U.S. history; and

WHEREAS, as a result of Hurricane Katrina and the levee failures, ENO suffered severe damage to its

electric and gas utility systems and, with the exodus of residents from the City, experienced dramatic

reductions in its customer base and, accordingly, its base rate revenues; and

WHEREAS, on September 23, 2005, largely as a result of the extensive damage to its utility infrastructure

and loss of customers and revenues, ENO filed a voluntary petition in the United States Bankruptcy

Court for the Eastern District of Louisiana seeking reorganization relief under the provisions of the

Chapter 11 of the United States Bankruptcy Code; and

WHEREAS, ENO, to this day, operates as a debtor-in-possession subject to the jurisdiction of the

Bankruptcy Court; and

WHEREAS, on April 20, 2006, the Council in Resolution R-06-167, extended ENO’s deadline to file its

2006 FRP reports to July 1, 2006 and similarly extended all related procedural deadlines set forth in

Rider Schedules EFRP-2 and GFRP-2 by 61 days; and

WHEREAS,, on June 30, 2006, ENO filed with the Council its Application of Entergy New Orleans, Inc.

for Approval of Implementation of Post-Katrina Gas and Electric Formula Rate Plans (“FRP

Application”) in Docket Nos. UD-01-04 and UD-03-01; and

WHEREAS, in its FRP Application, ENO seeks authorization from the Council to increase its electric and

gas base rates based upon the Electric and Gas FRPs approved by the Council on September 2, 2005, “as

adjusted for the significant loss of ENO’s customers following the August 29, 2005 landfall of Hurricane

Katrina and recovery of [the costs of ENO’s share of the] Grand Gulf [nuclear plant] in ENO’s Fuel

Adjustment Clause”; and

WHEREAS, ENO’s Electric FRP filing consists of three Evaluation Reports, each under a separate

volume, as follows: 1) a “Business as Usual” report filed under the FRP formula; 2) a report containing a

“post-Katrina revenue adjustment for loss of customers” and the removal of the nonfuel costs of Grand

Gulf from base rates for recovery in ENO’s monthly Fuel Adjustment Clause (“FAC”); and 3) a report

containing the post-Katrina revenue adjustment for loss of customers and Grand Gulf non-fuel costs

recovered in base rates; and

WHEREAS, ENO specifically requests that the Council approve its second Electric Evaluation Report

containing the revenue adjustment for loss of customers and removal of Grand Gulf costs from base

rates for recovery in the FAC. The second Evaluation Report results in a base rate revenue increase of

$6.381 million, as well as recovery of Grand Gulf non-fuel costs (approximately $90.625 million per year)

in the FAC. ENO’s filing indicates that such a base rate increase resulting from the second Electric

Evaluation Report would increase typical summer electric residential bills (1000 kWh), based on the June

2006 FAC, from $115.18 to $118.09, a net increase of $2.91, and provide increases to the other electric

Customer classes; and

WHEREAS, ENO’s Gas FRP filing consists of two Evaluation Reports, each under a separate volume, as

follows: 1) Business as Usual; and 2) Post-Katrina revenue adjustment for loss of customers; and

WHEREAS, ENO similarly requests that the Council approve its second Gas Evaluation Report

containing the revenue adjustment for loss of customers. The second Evaluation Report results in a gas

base rate revenue increase of $22.844 million. ENO’s filing indicates that such a base rate increase

resulting from the second Gas Evaluation Report would increase typical gas residential bills (50 ccf),

based on the June 2006 PGA, from $62.40 to $89.03, a net increase of $26.63, and provide increases to

the other gas customer classes; and

WHEREAS, on June 30, 2006, ENO also filed with the Council its Application of Entergy New Orleans

for Authorization to Implement Riders to Recover Costs Related to Hurricanes Katrina and Rita and to

Adequately Fund a Storm Reserve (“Rider Application”); and.

WHEREAS, in its Rider Application, ENO requests authorization to implement two riders to electric and

gas bills that would become effective on or after the first billing cycle of November 2006. In connection

with the first rider, the Storm Cost Recovery Rider, ENO seeks authorization to recover over a ten-year

period $124.829 million of costs of gas and electric restoration work performed and recorded on the

Company’s books through March 31, 2006 associated with Hurricane Katrina (and the subsequent

Hurricane Rita), as well as the write-off for uncollectible expenses of $14.627 million, for a total recovery

of $139.456 million. In connection with the second rider, the Storm Reserve Rider, ENO seeks

authorization to fund over a ten-year period a pre-tax amount of $150 million for a dedicated storm

reserve that will be available and adequate to pay for resources required for ENO to recover from future

storms; and

WHEREAS, the Advisors and all Intervenors in Docket UD-01-04 received a copy of each of ENO’s FRP

Application and Rider Application together with workpapers supporting the data and calculations

reflected in these filings; and

WHEREAS, on August 3, 2006, the Council adopted Resolution R-06-329 establishing procedures for the

consideration of ENO’s FRP Application and Rider Application; and

WHEREAS, the Council found in Resolution R-06-329 that the ENO’s FRP applications are annual

filings required of ENO in accordance with settlement agreements arrived at among the Council, ENO

and the parties to Dockets UD-01-04 and UD-03-01, and that ENO’s rider requests are separate requests

for enhanced rates by ENO based on costs and projections that are being presented to the Council for

the first time. Accordingly, the Council established separate dockets for its consideration of ENO’s FRP

Application and rider requests with consideration of the FRP Application to occur in Docket Nos.

UD-01-04 and UD-03-01, consideration of the Storm Cost Recovery Riders to occur in Docket No.

UD-06-01 and consideration of ENO’s Storm Reserve Riders to occur in Docket No. UD-06-02; and

WHEREAS, Resolution R-06-329 also (1) addressed the continued designation and appointment of the

Honorable Jeffrey Gulin as Hearing Officer; (2) established an intervention period of ten (10) days from

the date of the adoption of Resolution R-06-329 for potential intervenors, noting that the original

Intervenors in Docket Nos. UD-01-04 and UD-03-01 were deemed Intervenors and Parties for the

purpose of reviewing ENO’s FRP Filings; (3) confirmed that the procedural schedule for consideration of

the FRP Filings would be consistent with the 61-day extension granted in Resolution R-06-167; (4)

established separate procedural schedules for ENO’s Storm Cost Recovery Riders and Storm Reserve

Riders; and (5) established rules governing the discovery process and the filing of pleadings, testimony,

comments and briefs for each of ENO’s filings; and

WHEREAS, pursuant to Resolution R-06-329 and the FRP Rider Schedules, several of the parties in this

proceeding served numerous discovery requests on ENO including the Advisors, which alone,

propounded more than 200 discovery requests on the Company; and

WHEREAS, on September 21, 2006, as provided for in Rider Schedule EFRP-2 and Rider Schedule

GFRP-2 and Resolution R-06-329, the Advisors, the New Orleans Sewerage and Water Board

(“S&WB”), the New Orleans Business Energy Council (“NOBEC”), Air Products and Chemicals, Inc.

(Air Products”) and the Alliance for Affordable Energy (“Alliance”) submitted reports, identifying

asserted errors in the application of the principles and procedures contained in Rider Schedule EFRP-2

and Rider Schedule GFRP-2 to ENO’s FRP Application and proposed regulatory adjustments required to

develop just and reasonable rates; and WHEREAS, in March 2006, ENO filed with the Louisiana Recovery

Authority (“LRA”) a draft application wherein ENO requested from the LRA an allocation of $718 million

to pay for costs ENO incurred in connection with Hurricane Katrina including the costs of repair and

replacement of facilities damaged during the storm and certain unrecovered fixed costs and, on

September 6, 2006, ENO revised its request to seek an allocation of $592 million; and

WHEREAS, on September 13, 2006, a letter, executed by all seven members of this Council, was sent to

the LRA strongly urging the LRA to act favorably on ENO’s request for CDBG funds and indicating that

the LRA’s decision was crucial to the Council’s decision on ENO’s pending FRP Application; and

WHEREAS, in its letter, the Council also specified seven conditions which it indicated should be agreed

to by ENO in connection with any CDBG funds ENO may receive, indicating that “[w]ith these

conditions in place, the interests of the citizens and ratepayers of New Orleans will be protected and

their financial burdens reduced;” and

WHEREAS, on October 12, 2006, the LRA adopted a resolution granting to ENO $200 million of CDBG

funds, wherein the LRA expressly adopted six of the Council’s conditions and required ENO to comply

with them; and

WHEREAS, ENO agreed to these conditions during the course of the LRA’s proceedings; and

WHEREAS, the LRA, in its resolution, also pledged to “work with the Governor, the Louisiana

Congressional Delegation, the City of New Orleans, and ENO, to petition the President of the United

States and the United States Congress for additional federal funds to cover future gas system repair

Costs which are largely due to salt water intrusion that resulted from the failure of the federal

government’s levee system;” and

WHEREAS, in the rate proceeding before the Council, ENO, the Advisors and the Intervenors, following

submission of the various parties’ reports concerning ENO’s FRP requests, commenced a series of

confidential settlement negotiations intended to resolve discrepancies or disputes arising from ENO’s

FRP Application, as well as issues related to ENO’s Rider Application; and

WHEREAS, these negotiations have lead to the development of an Agreement in Principle which is

supported or not opposed by ENO, the Council’s Advisors, S&WB, NOBEC, Air Products and the

Alliance; and

WHEREAS, ENO filed the Agreement in Principle with the Council on October 27, 2006; and

WHEREAS, a copy of the Agreement in Principle is appended hereto as \*Attachment A; and

WHEREAS, a brief overview of the principal terms and conditions of Agreement in Principle are

provided in this paragraph. The Agreement in Principle itself should be consulted for a full and complete

understanding of the rights and obligations contained therein.

Electric Rates and Charges

1. Electric base rates will remain unchanged through December 2007.

2. Electric base rates will be increased by $3.9 million effective with the first billing cycle of January

2008.

3. Grand Gulf non-fuel costs will be removed from electric base rates and collected in the FAC.

4. Rates for the LIS class will be treated separately as provided in the Agreement in Principle.

Gas Rates and Charges

5. Gas base rates will be increased by $4.75 million effective with the first billing cycle of November

2006.

6. Gas base rates will be increased by an additional $4.75 million effective with the first billing cycle of

November 2007.

7. ENO will increase the monthly customer charge for residential gas service from $6.20 to $8.00 and

increase the customer charge for small general gas service and small municipal gas service from $4.08

to $8.00 per month, effective with the first billing cycle of March 2007.

Future Rate Procedures

8. On or before July 31, 2008, ENO will file a base rate case using the 12 months ended December

2007 as the Period I test year and the 12 months ended December 2008 as the Period II test year.

9. In connection with the ENO base rate case, ENO will conduct studies pertaining to appropriate

post-Katrina service levels and costs, cost allocation and rate design, accounting treatments, customer

service charges and depreciation.

10. Under very limited circumstances, such as another natural disaster, ENO will have the right to file

for emergency rate relief prior to the aforementioned base rate case.

11. ENO may seek Council approval of appropriate electric and gas formula rate plan mechanisms after

six months from the effective date of the implementation of the base rates resulting from the base rate

case.

Generation Resource

12. ENO will seek to obtain an energy-only, “load shaped” generation resource of approximately 50

MW for service to ENO consumers.

Storm Cost Recovery Rider

13. Subject to the results of the audit of ENO’s storm costs being conducted by the Council’s Advisors

and assuming ENO’s timely receipt of CDBG funds, ENO will apply the CDBG funds to

its uncollectible amounts, deferred O&M amounts and/or capital rate base items. Any CDBG funds

remaining after application of such funds to offset ENO’s deferred storm costs incurred through March

31, 2006, shall be applied to offset additional certified costs as audited by the Council’s Auditors.

14. Procedures for the accounting for storm costs and addressing storm costs incurred in excess of

CDBG funding are established.

15. If by September 1, 2007, CDBG funding has not materialized in an amount that significantly

mitigates ENO’s storm cost recovery request for costs incurred through March 31, 2006, ENO may file

for emergency rate relief.

16. Insurance proceeds received by ENO also shall be used to offset its storm related costs.

17. ENO will file with the Council by July 1, 2007, a plan of reconstruction for its damaged gas system

that includes identification of relevant priorities and contingencies.

Storm Reserve Rider

18. ENO will be permitted to implement a Storm Reserve Rider to fund a storm reserve principal

amount of $75 million over ten years.

19. ENO commits to work jointly with the Council in seeking an exception to the Stafford Act in

Congress that will afford ENO Stafford Act protections in the event of another catastrophic event that

adversely affects its gas and electric systems during the next ten years. To the extent that the

Stafford Act effort is successful, the Storm Reserve Rider may be reduced or eliminated after holding a

full and fair hearing.

20. The storm reserve fund is to be accorded “lock box” treatment and will be held in a escrow account

as dedicated ratepayer funds and may be used only for restoration of utility service following a storm

causing a minimum of $500,000 damage and may not be used for any other corporate purpose.

21. After five years, the Council may reconsider the level of the storm reserve and adjust the level of

future funding prospectively.

Energy Conservation and Energy Efficiency Programs

22. ENO is committed to working actively with the Council's Advisors, the City Council, and the

community to develop effective and appropriate energy conservation and energy efficiency programs in

the New Orleans community reflective of the community's post-Katrina needs.

23. To the extent ENO's storm-related uncollectible expenses have been offset as previously authorized

by the Council, are deemed eligible for CDBG funds and are certified and reimbursed with CDBG

funds, ENO shall make available up to $6.9 million of such funds for post-Katrina energy conservation

and energy efficiency programs in the New Orleans community as authorized by the City Council.

Plan of Reorganization

24. To the extent that ENO issues notes in connection with affiliate pre-petition obligations, such notes

shall not be reflected in ENO’s retail rates, as provided for in the Agreement in Principle.

WHEREAS, the Agreement in Principle is expressly contingent on, among other things, ENO obtaining

approval of its Board of Directors and the Council adopting a resolution approving the Agreement in

Principle; and

WHEREAS, on October 27, 2006, the Council received from ENO written approval of its Board of

Directors of the Agreement in Principle; and

WHEREAS, the Council wishes to commend ENO, SW&B, NOBEC, Air Products, the Alliance and the

Council’s Advisors for their efforts to devise this settlement of these important rate proceedings; and

WHEREAS, on the basis of the record before the Council and the support or non-opposition of all the

active Intervenors in the FRP process for acceptance of the Agreement In Principle and for the reasons

set forth below, the Council wishes to approve this Agreement in Principle; now, therefore:

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF NEW ORLEANS THAT:

The Agreement In Principle submitted by ENO on October 27, 2006 in Docket Nos. UD-01-04,

UD-03-01, UD-06-01 and UD-06-02 and supported or not opposed by the Council’s Advisors, NOBEC,

S&WB, Air Products and the Alliance, is determined on the basis of the record before us to be just,

reasonable, and in the public interest. Accordingly, the Agreement In Principle is approved without

modification. The Agreement In Principle is determined to be reasonable and in the public interest for

the following reasons.

Rate Benefits

The Agreement in Principle will provide significant rate benefits to New Orleans ratepayers. These

benefits will take several forms.

First, electric and gas base rates will not be increased as much as sought by the Company in its FRP

Application. In its application, ENO proposed to recover Grand Gulf non-fuel costs in the FAC and to

increase electric base rates by an amount equal to $6.8 million, or 4.4% (when adjusted to apply over

the rate effective period of November 2006 to October 2007). The Agreement in Principle, while

allowing ENO to collect Grand Gulf non-fuel costs in the FAC, eliminates any base rate increase for over

one year and provides for a base rate increase of only $3.9 million, or 2.5%, beginning with the first

billing cycle in January 2008. Similarly, with respect to gas base rates, ENO’s request, when applied over

the same period, would have resulted in an increase in gas base rates of $29.1 million, or 160.9%. The

Agreement in Principle reduces this increase significantly to $4.75 million, or 26.3%, beginning in

November 2006, followed by an increase in ENO’s customer charges in March 2007 that is equivalent to

$1.5 million, or 8.3%, and a second base rate increase beginning in November 2007 of $4.75 million, or

26.3%. These reductions in the requested base rate increases represent substantial savings to New

Orleans ratepayers.

Second, the Agreement in Principle eliminates ENO’s proposed Storm Cost Recovery Rider. In its Rider

Application, ENO proposed to add to ratepayers bills a rider to collect the costs it incurred as a result of

Hurricanes Katrina and Rita. Those costs amounted to $139.5 million as of March 31, 2006. ENO

proposed to amortize these costs over ten years. Such amortization would produce a revenue

requirement of $14.7 million per year for electric operations and $3.7 million for gas operations, for a

total of $18.4 million. In response to the grant of CDBG funds to ENO by the Louisiana Recovery

Authority on October 12, 2006, the Agreement in Principle directs that such CDBG funds will be used to

offset ENO’s storm costs on a dollar-for-dollar basis. This offset enables ENO to recover its storm costs

without imposing the Storm Cost Recovery Rider. The elimination of this rider inures directly to the

benefit of ratepayers.

Third, the Agreement in Principle greatly reduces the Storm Reserve Rider charges ENO sought in its

Rider Application. ENO had proposed ratepayer funding of a reserve of $150 million over ten years,

which would have resulted in charges of $11.3 million per year to electric customers and $1.7 million per

year to gas customers, for a total of $13.0 million per year. The Agreement in Principle reduces the

reserve to $75 million and, thus, reduces the rider charges to $5.8 million per year for electric customers

and $650 thousand per year for gas customers.

Fourth, as a result of these reductions, ratepayers will avoid a significant portion of the increases in their

total bills that would have resulted from the Company’s original requests. In its filings, ENO proposed

FRP and rider increases which together would increase typical residential electric bills by $11.90, or 9.6

%, and typical residential gas bills by $32.96, or 57.0%. In contrast, the Agreement in Principle results in

initial increases to typical residential electric bills of $0.00, or 0.0%, and typical residential gas bills of

$4.35, or 7.5%. When all the stepped increases in the Agreement in Principle are implemented (January

2008 for electric operations and November 2007 for gas operations), typical residential electric bills will

be increased by $3.36, or 2.7%, and typical residential gas bills will be increased by $9.79, or 16.9%.

These bill increases are far below those that were forecast in the media to occur following Katrina.

Projections of ratepayers seeing increases in their utility bills of 100% or more were made. In fact, there

will be rate stability and no catastrophic increases in bills, in part, because ENO did not seek base rate

and rider increases that would have resulted in such high bills and, in part, because the Agreement in

Principle further reduces the impacts on customer bills.

Fifth, bills for electric service in New Orleans, while somewhat higher than average bills in the South,

remain below those of several major southeastern cities. According to the Jacksonville Electric Survey of

typical 1000 kWh bills in July 2006, the typical residential bill in New Orleans during that month was

$117.92. Adding the change in bills brought about by ENO’s Storm Reserve Rider ($2.04), and factoring

out changes in the FAC that may have occurred between July and November, would produce a typical

residential bill in New Orleans of $119.96. This compares favorably to bills in several other regional

metropolitan areas, including Houston ($163.20), Dallas ($153.73) and Tallahassee ($134.00).

ENO Financial Condition

A fundamental premise of our analysis is that the New Orleans community needs a financially sound

utility, one that is capable of providing reliable electric and gas service at reasonable prices to New

Orleans ratepayers over the long term. New Orleans does not have that today. Rather, ENO has been

since September 2005, and continues to be, in bankruptcy as a debtor-in-possession subject to the

jurisdiction of the United States Bankruptcy Court.

As a result of ENO’s bankruptcy, ENO, for instance, is unable to access the capital markets at reasonable

rates to obtain needed financing for its restoration efforts and ongoing capital programs. Similarly,

ENO’s access to the competitive wholesale power markets has been severely curtailed. ENO has

Represented that a significant number of power suppliers have refused to deal with ENO, and ENO has

been limited in its participation in the Entergy System’s joint account purchases. These handicaps can

serve to increaseENO’s costs of providing service and hinder its efforts to restore its damaged utility

systems to their former levels of service and reliability.

The Council believes that the Agreement in Principle represents a critical step toward returning ENO to

financial health and permitting it to emerge from bankruptcy. The Agreement in Principle will provide

ENO with rate relief for both its electric and gas operations. That relief will be known and fixed from

November 2006 through the first quarter of 2009 and, thus, will provide ENO, its creditors and the

Bankruptcy Court with a high degree of certainty as to the level of revenues ENO can be expected to

receive over this roughly two and one-half year period. Moreover, the Agreement in Principle sets forth

a rational method and known time frame for setting ENO’s rates after that three year period on the

basis of sound regulatory principles.

The Agreement in Principle also provides ENO with a Storm Reserve. Although the Storm Reserve is not

as large as ENO originally sought ($150 million), it is nevertheless very substantial ($75 million). The

Council believes that, in time, as the Storm Reserve balance accumulates, it will provide assurance to

ENO, its creditors and the community that ENO will be better able to survive natural disasters of the

Kind brought about by Hurricane Katrina, should such disasters occur in the future.

The Agreement in Principle is but one step in the path toward returning ENO to financial health. A major

step was taken earlier this month with the award to ENO by the LRA of $200 million of CDBG funds.

Now that the LRA award has been made, all parties must work hard to ensure that those funds are

actually paid to ENO in a timely manner.

Another major step in this path to ENO’s financial health is the approval of a Plan of Reorganization for

ENO by the Bankruptcy Court. Earlier this week, ENO filed such a plan with the court. As the plan is

only recently filed, it is premature for the Council to comment on it here. Nevertheless, the Council

believes that with the rate relief that will be made available to ENO by virtue of the Agreement in

Principle, and the resulting rate and revenue certainty ENO will be afforded for the next three years,

ENO’s emergence from bankruptcy will be facilitated as this critical element of ENO’s financial picture

will be known.

Generation Resource

As indicated, the Agreement in Principle provides that ENO shall seek to obtain an incremental

generation resource for service to its consumers for the summer of 2007 and continuing for at least

three annual periods. The resource is to be with a low heat rate and be structured to follow ENO’s load

shape.

We believe this resource will provide further benefits to New Orleans ratepayers in that it will provide

energy cost savings and serve to stabilize ENO’s highly volatile fuel adjustment clause during the

summer months. In the landmark 2003 settlement with ENO, ENO provided the City several alternative

 power supply resources that, through June 2006, produced savings to ratepayers of $175 million.

Although this resource is smaller than the combined resources provided n 2003, the Council expects it to

provide significant energy cost savings.

Energy Conservation and Energy Efficiency

An important policy objective of this Council is to dramatically improve energy conservation and energy

efficiency in our City. The Agreement in Principle helps further that objective.

In it, ENO commits to working actively with the Council, its Advisors and the community to develop

effective and appropriate energy conservation and energy efficiency programs. In addition, ENO will

make available up to $6.9 million of funds for such programs, subject to certain conditions.

Avoidance of Litigation

The Agreement in Principle is a negotiated resolution of three major proceedings before the Council,

Each involving large sums of money and important policy issues. Those proceedings presented the very

Real prospect of extensive litigation before the Council which likely would have been expensive and

time-consuming. The Agreement in Principle avoids such litigation and permits the Council, its Advisors

and the parties to focus their efforts on other pressing matters concerning the provision of reliable and

affordable utility service in New Orleans.

Unanimous Agreement

The Agreement in Principle is supported or not opposed by all the active parties to these proceedings. It

reflects the parties’ combined wisdom and sense of compromise. The Council wishes to acknowledge

and express its gratitude to ENO, SW&B, NOBEC, Air Products, the Alliance and our Advisors for their

hard work and good faith efforts which will facilitate long-term reliable electric and gas service at

affordable rates for the people of New Orleans.

BE IT FURTHER RESOLVED that Docket Nos. UD-01-04 and UD-03-01 are hereby terminated.

BE IT FURTHER RESOLVED that Docket No. UD-06-02 is hereby terminated.

BE IT FURTHER RESOLVED that ENO is directed to make compliance filings as specified in the

Agreement in Principle, and to work with the Council’s Advisors to further refine the FAC rate schedule

consistent with the objectives of this Agreement in Principle and sound regulatory principles.

BE IT FURTHER RESOLVED that ENO and the Council’s Advisors are directed to work together to

review the FAC and recommend appropriate changes thereto.

BE IT FURTHER RESOLVED that the Council has exclusive regulatory jurisdiction and authority over

ENO, which is a regulated public utility. The Council reserves all of its regulatory authority associated

with the full array of its police and regulatory powers provided by federal, state and local law. The

regulatory powers include, but are not limited to, setting rates, adjusting rates, authorizing and directing

the reimbursement of monies to ratepayers, directing the terms of disposition of assets and the

allocation of proceeds, enforcing the rights and interests of the City Council, the City of New Orleans and

its citizens, whether for events, occurrences or matters of any type or nature, occurring prior or

subsequent to the Chapter 11 filing ENO. Nothing in this Resolution shall limit in any respect the

Council's authority with regard to or participation in ENO's Chapter 11 proceeding.

BE IT FURTHER RESOLVED that the Council directs its bankruptcy counsel to continue to participate

actively in ENO’s bankruptcy proceeding to protect the rights and interests of the City Council, the City

of New Orleans and its citizens.

For the foregoing reasons, the Agreement in Principle is APPROVED.

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,

Willard-Lewis - 7

NAYS: 0

ABSENT: 0

AND THE RESOLUTION WAS ADOPTED.

\* Copies of the attachment may be seen in full in the Clerk of Council Office, 1300 Perdido Street, Room

1E09, City Hall.