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December 11, 2023

VIA ELECTRONIC MAIL
(lwjohnson@nola.gov)
Ms. Lora W. Johnson, CMC
Clerk of Council
City Hall, Room 1E09
1300 Perdido Street
New Orleans, LA 70112

Re: Delta States Utilities NO, LLC And Entergy New Orleans, LLC, ex parte. In Re: Application for Authority to Operate as Local Distribution Company And Incur Indebtedness And Joint Application For Approval of Transfer And Acquisition of Local Distribution Company Assets And Related Relief.

Dear Ms. Johnson:

Please find for electronic filing the Joint Application of Delta States Utilities NO, LLC ("DSU NO") and Entergy New Orleans, LLC ("ENO") requesting Authority for DSU NO to Operate as Local Distribution Company and Incur Indebtedness and Approval for ENO to Transfer and DSU NO to Acquire Local Distribution Company Assets and Related Relief ("Joint Application") and supporting testimonies. The supporting testimonies include the Direct Testimony of Jeffrey Yuknis (public-redacted version) and Direct Testimony of Brian K. Little on behalf of DSU NO and the Direct Testimony of Anthony P. Arnould, Jr. and Direct Testimony of Deanna Rodriguez on behalf of ENO. Please include notice of the Joint Application in the Agenda of the Council's Regular Meeting scheduled for December 14, 2023, for purposes of initiating a new utility docket.

DSU NO and ENO also respectfully request that the application be given expedited treatment, including a establishment of a fifteen (15) day intervention period. Further, given the confidential nature of materials included in the Direct Testimony of Jeffrey Yuknis, DSU NO and ENO request the Council adopt for application in this proceeding its Official Protective Order as set forth in Resolution R-07-432, or provide for such other appropriate protection for any confidential information to be produced in this proceeding.

Sincerely,

Edward H Bergin

Edward H. Bergin

EHB/cb
Enclosures

cc: Councilmembers:

Helena N. Moreno	Carrie Tournillon
Jean Paul "JP" Morrell	Erin Spears
Joseph I. Giarrusso, III	Gordon Polozola
Lesli Harris	Ryan King
Freddie King, III	
Eugene J. Green	
Oliver Thomas	

BEFORE THE

COUNCIL OF THE CITY OF NEW ORLEANS

DELTA STATES UTILITIES NO, LLC AND ENTERGY NEW ORLEANS, LLC, EX PARTE	**))))**	
IN RE: APPLICATION FOR AUTHORITY TO OPERATE AS LOCAL DISTRIBUTION COMPANY AND INCUR INDEBTEDNESS AND JOINT APPLICATION FOR APPROVAL OF TRANSFER AND ACQUISITION OF LOCAL DISTRIBUTION COMPANY ASSETS AND RELATED RELIEF	**)))))))))**	**DOCKET NO. UD-23-**

JOINT APPLICATION OF DELTA STATES UTILITIES NO, LLC
AND ENTERGY NEW ORLEANS, LLC

COMES NOW, Delta States Utilities NO, LLC ("**DSU NO**") and Entergy New Orleans LLC ("**ENO**") (collectively "**Joint Applicants**"), through undersigned counsel, which respectfully request that the Council of the City of New Orleans ("**Council**") issue an order: (i) authorizing DSU NO to operate as a jurisdictional natural gas Local Distribution Company ("**LDC**"); (ii) approving the transfer and sale of the ENO's jurisdictional gas distribution business ("**ENO Gas Business**") and acquisition by DSU NO of the ENO Gas Business, inclusive of (a) DSU NO's purchase of the Purchased Assets and assumption of the Assumed Liabilities, in each case as defined in the Purchase and Sale Agreement ("**PSA**"), between ENO, as "Seller", and DSU NO, as "Buyer", dates as of October 28, 2023, and in accordance with the Transaction Agreements, as defined below, and (b) the financing associated with the asset acquisition and associated encumbrance of the LDC assets (including the Purchased Assets) (together the "**Transaction**"), as in the public interest; (iii) approving DSU NO's assumption and adoption of the existing ENO Gas Business rates, rate schedules and riders ("**ENO Rates**") in effect at the closing of the Transaction (**"Closing**") and/or supported by the most recent evaluation period of the ENO Gas Business formula rate plan ("**GFRP**"), which includes the funding of the Gas Infrastructure Replacement Program ("**GIRP**" or "**GIRP Program**") and ENO's Integrity Management Program ("**IM Program**"), which assumption and adoption will continue until the Council's review and approval of DSU NO's proposed base rates and rate schedules as part of a subsequent rate application to be filed by DSU NO not sooner than fifteen (15) months after the Closing, using a prior consecutive twelve (12)-month test period; (iv) approval for DSU NO to create a regulatory asset(s) to defer for future recovery, subject to a prudency review in a future general rate proceeding and net of amounts recovered in ENO Rates adopted by DSU NO at Closing related to the Excluded Assets (as defined in the PSA), investments made by DSU NO (a) in the assets and services needed to replace Excluded Assets and services provided by ENO and its affiliate companies that will no longer be provided post-Closing, in order to stand up the new gas distribution business to ensure a seamless transition and independent operation of the Purchased Assets day one post-Closing ("**Day One Readiness**"), and (b) in recognition of the need for DSU NO to make such investments prior to establishment of new Council-approved rates in a subsequent rate proceeding at which time the DSU NO's expenditures incurred to stand up the new LDC and replace the Excluded Assets and certain services will be reviewed for prudency; (v) determination that the costs of Purchased Assets not yet in service but currently categorized by ENO as construction work in progress ("**CWIP**") do not constitute acquisition premium (or that the Council not specifically determine that such costs do constitute an acquisition premium), such that such costs may be eligible for recovery in rates once placed in service, subject to prudency considerations; (vi) approving ENO's transfer of certain customer data, including specifically data related to ENO's advanced metering infrastructure ("**AMI**") system; (vii) approving or stating non-opposition to the transfer to DSU NO of the ENO Gas Business indeterminate permit ("**Franchise**," as defined in the PSA); and (viii) finding that appropriate Council ratemaking resolutions, orders, and ordinances applicable to the ENO Gas Business continue to be applicable to DSU NO as of the Closing. In addition, the Joint Applicants request this Joint Application be placed on the Agenda of the Council's December 14, 2023, Regular Meeting, and a new docket initiated with a fifteen-day intervention period.

I. DESCRIPTION OF THE JOINT APPLICANTS

1.

ENO is a limited liability company duly authorized and qualified to do and doing business in the State of Louisiana, created and organized for the purposes, among others, of providing natural gas service to residential, commercial, industrial, and governmental customers located within the City of New Orleans, Louisiana. ENO's LDC is responsible for the safe and reliable operation, planning, engineering, construction, maintenance, and monitoring of the natural gas system used to serve its approximately 109,000 customers.

2.

DSU NO is a Delaware limited liability company and indirect subsidiary of BCP Infrastructure Fund, LP and its affiliated investment vehicles ("**BCP Infrastructure Fund**"),[1] managed by Bernhard Capital Partners Management, LP ("**Bernhard Capital**") and owned by experienced infrastructure investors who, through the BCP Infrastructure Fund, own and operate another utility in Louisiana that is subject to the jurisdiction of the Louisiana Public Service Commission ("**LPSC**"). Bernhard Capital is a Louisiana headquartered, independent private equity firm with over $3.4 billion in gross assets under management. Bernhard Capital focuses on investing in middle-market firms that provide critical services to government, infrastructure, industrial, utility, and energy sectors as well as investment in utility assets. The Bernhard Capital funds have collectively invested in over 65 services-focused companies across 19 platforms, including investments in several utility companies, and employ 19,000+ people globally, including more than 5,500 direct employees located in Louisiana. Bernhard Capital benefits from its investor-operator capabilities, while leveraging deep relationships and experience across the infrastructure landscape. Accordingly, DSU NO will have the benefit of prudent, financially sound, and experienced utility owners who have a demonstrated, long-term infrastructure

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[1] Bernhard Capital has acquired several businesses in carve-out transactions from publicly traded companies, similar to the transaction structure associated with the ENO Gas Business assets. Bernhard Capital approaches these transactions as a partner to the seller. Having run a large, publicly traded company, the Bernhard Capital team is sensitive to the issues inherent in carve-out sales of a business. Bernhard Capital has an experienced team in place to ensure the parties work jointly and in cooperation with the Council on a smooth and seamless acquisition and transition.

DSU NO was formed for the purposes of the Proposed Transaction and is a subsidiary of Delta State Utilities NO Holdings, LLC ("**DSU Holdings**"), which in turn is a subsidiary of Delta States Utilities, LLC ("**DSU LLC**").

investment record. DSU NO is committed to maintaining the local management of the acquired ENO Gas Business assets to ensure the continuation of important benefits to Louisiana and the New Orleans community that it serves in terms of safety, service reliability and rates, employment, economic development, and charitable contributions. DSU also commits to establish its headquarters in New Orleans, Louisiana and to offer employment to approximately 200 employees primarily engaged in the Entergy Louisiana, LLC ("**ELL**") and ENO gas businesses, as well as to hire approximately 100 new Louisiana based employees to provide shared services that will no longer be provided by ENO, ELL, and Entergy Services, LLC ("**ESL**") (collectively, "**Entergy**") post-Closing. In addition, as discussed in the Direct Testimony of DSU NO witness Mr. Jeffrey Yuknis, DSU NO commits to assume and adopt the rates and rate schedules of the ENO Gas Business, as well as to assume the commitments and obligations of the ENO Gas Business with respect to various plans for capital improvements, including specifically ENO's GIRP and ongoing Integrity Management Program IM Program. DSU NO is also committed to adopting ENO's Incident Command System ("**ICS**") structure until such time that DSU NO develops plans specific to DSU NO.

II. OVERVIEW OF THE PROPOSED TRANSACTION

3.

Pursuant to the terms of the PSA and the Ancillary Agreements thereto (as defined in the PSA) (collectively, "**Transaction Agreements**") between ENO and DSU NO, and contingent upon Council approval of the requested relief in this proceeding and certain other conditions set forth in the Transaction Agreements, DSU NO will acquire the Purchased Assets from ENO in exchange for payment of the "**Purchase Price**" (as defined in, and as adjusted pursuant to the PSA) and assumption of the Assumed Liabilities. The PSA is being provided to the Council under seal as highly sensitive protected material ("**HSPM**") as an exhibit to the testimony of DSU NO witness Mr. Jeffrey Yuknis. Upon closing of the Transaction between ENO and DSU NO (the "**Closing**"), the Purchased Assets will be transferred to and owned and operated by, and the Assumed Liabilities will be assumed by, DSU NO. At that point, the natural gas distribution service previously provided by ENO will be provided by DSU NO pursuant to the jurisdiction and regulation of the Council. The Transaction does not involve a transfer of any shares of stock of Entergy Corporation or its affiliates. After the Closing of the Transaction, ENO will no longer provide any gas LDC services subject to the Council's jurisdiction. DSU NO is requesting to assume and adopt the ENO rates and rate schedules in effect as of the Closing and/or supported by ENO's most recent GFRP evaluation period. The Transaction is discussed in more detail in the Direct Testimony of DSU NO witnesses Mr. Jeffrey Yuknis and Mr. Brian K. Little.

4.

As required in the PSA, ENO seeks permission from the Council to transfer its Gas Business assets and related indeterminate permit to operate in the City of New Orleans to DSU NO. The completion of the Proposed Transaction is contingent on the Council's approval of the transfer of the assets and approval or stated non-opposition to the transfer of the indeterminate permit.

5.

In its simplest terms, the Transaction maintains the local utility management, current employees and purchased assets of the current ENO Gas Business, while also creating a new stand-alone LDC to serve New Orleans, to which DSU NO will dedicate its sole attention, while also promoting local job growth and investment in new systems and technology to ensure the new LDC can continue to provide reliable and affordable natural gas service into the future. Further, with Bernhard Capital being Louisiana-based, the Transaction will also maintain ownership level management of the LDC assets in Louisiana.

Upon Closing of the Transaction, DSU NO would adopt ENO Rates, facilitating seamless services to existing customers and rates based upon existing and established procedures. Upon establishing a complete historical test year, DSU NO would then establish, subject to the Council's review and approval, its own base rates and formula rate plan pursuant to a subsequent filing, as further detailed below.

6.

The Transaction would have no effect on the Council's jurisdiction over the ENO Gas Business assets and service to current ENO gas customers. DSU NO, as a jurisdictional LDC, would continue to be subject to the Council's regulatory powers, and DSU NO will be subject to all the rules, regulations, and requirements of the Council.

7.

In conjunction with the filing of this Joint Application at the Council, affiliates of the Joint Applicants are also filing an application with the LPSC for, generally, (i) approval of the transfer of the natural gas system assets of ELL ("**ELL Gas Business**") to DSU NO's affiliate company, Delta States Utilities LA, LLC ("**DSU LA**"). Approval is also needed from the Metropolitan Council of the City of Baton Rouge and Parish of East Baton Rouge ("**Baton Rouge Council**") for ELL to sell its LDC and to transfer its franchises to DSU LA to operate in the City of Baton Rouge and in the Parish of East Baton Rouge. Completion of the Transactions is contingent on the requested relief being approved by the LPSC, Baton Rouge Council and New Orleans Council, among other required approvals, based on the terms and conditions contemplated by the Parties.

III. OVERVIEW OF THE BENEFITS OF THE TRANSACTION

8.

The Transaction structure is designed for Day One Readiness and the seamless continuation of safe, reliable and affordable gas service from the regulatory, operational, and customer perspectives on day one post-Closing. Additionally, the transfer of gas assets from an integrated electric and gas utility platform, where the gas assets comprise a small portion of the total Entergy Corporation business, to a DSU platform where the entire enterprise is core focused on the provision of gas service enhances the ability for decisions to be made to the benefit of the gas utility and its customers without consideration of the impact on other competing utility operations. From a regulatory perspective, the Transaction does not diminish the jurisdiction of the Council over the ENO Gas Business post-Closing. Rather, DSU NO will be regulated and subject to the Council's jurisdiction, just the same as the ENO Gas Business is today.

9.

From an operational perspective, DSU NO will continue to provide safe, reliable natural gas service to customers and will benefit from the "fit-for-purpose" systems infrastructure and shared services organization developed during the implementation of the Transition Plan, as further discussed in the Direct Testimony of DSU NO witness Mr. Brian K. Little. To further ensure the Day One Readiness standard is achieved, DSU has committed to offer employment to retain all employees who are primarily involved in the ENO and ELL gas LDCs business, and is committed to assuming commitments and obligations of the ENO Gas Business with respect to capital improvements and other storm and incident protocols. DSU NO and ENO are also requesting the Council authorize the transfer of customer-specific data (*e.g.*, advanced metering infrastructure or "**AMI**" data) from ENO to DSU NO to make the transition as seamless as possible for customers. Thus, the LDC will continue to be operated by the same employees responsible for providing the safe and reliable natural gas service being provided today, pursuant to the same rate schedules and commitments for capital improvements, incident report and storm damage protocols, allowing a seamless transition from ENO to DSU NO.

10.

From the customer perspective, DSU NO is committing to adopt the rate and rate schedules of the ENO Gas Business as described herein, and to file a full rate proceeding not sooner than 15 months post-Closing. DSU NO is also committing to assume ENO's commitment to capital improvements and other disaster plans and protocols. Additionally, although DSU will initially implement the disaster and storm protocols currently in effect for the ENO Gas Business, over time these plans and protocols will be reassessed based on the core-focus principle and adjusted to incorporate the benefits of the experience and resources available to the utility through the Bernhard Capital portfolio of companies, which has extensive critical infrastructure and utility disaster recovery resources available locally in Louisiana. Further, customers are expected to benefit from the modernization of the Information Technology ("**IT**") and customer interfaces including the development of a customer service center dedicated to gas customers instead of shared among multiple utilities, which will facilitate streamlined resolution of gas customer inquiries. DSU NO is also requesting the Council authorize or not oppose the transfer of certain customer deposits from ENO to DSU NO. Thus, the Transaction will maintain for gas customers rates and services currently provided pursuant to rate schedules previously approved by the Council.

11.

In addition, as discussed in the Direct Testimony of ENO witness Ms. Deanna Rodriguez, the proposed transaction offers benefits to ENO's electric customers and is fair and reasonable to the shareholders of Entergy Corporation because the transaction will free up available capital and generate a source of capital that otherwise would not be available to make beneficial and productive investments in the electric businesses. As Ms. Rodriguez testifies, to the extent that ENO can reduce its total debt using a portion of the proceeds, the Transaction would also serve to improve ENO's credit, which is a benefit to shareholders and customers.

12.

As previously mentioned, DSU will offer employment to retain approximately 200 employees that are primarily engaged in the ENO and ELL gas LDC businesses. As part of such offer of employment, DSU has committed to providing these employees pay and benefits substantially similar to and no less beneficial than what they currently receive from ENO, ELL and ESL ("**Entergy**"), ensuring that the Transaction is fair and reasonable to Entergy's employees. DSU also estimates the Transaction will result in an additional 100 new jobs in Louisiana to staff a new shared services organization to continue to provide safe, reliable and affordable LDC services, including, for example, additional customer service employees for staffing a new call center and personnel for shared services in the areas of human resources, information technology, finance and accounting, regulatory, gas supply, government, legal, stores, supply chain and environmental. DSU commits to being headquartered in New Orleans, Louisiana, with additional operational offices located in Baton Rouge. Further, DSU's parent company is committed to maintaining company level management as well as investment-level management in Louisiana, and has an experienced team in place to ensure the parties work jointly and in cooperation with the Council on a smooth and seamless acquisition and transition. Thus, the Transaction will increase jobs and support economies in the local communities in which the ENO and ELL gas businesses operate, to the betterment of those communities and the Louisiana economy.

13.

As explained in the direct testimonies of DSU NO witnesses Mr. Jeffrey Yuknis and Mr. Brian K. Little, the Transaction will result in a new New Orleans headquartered, core focused stand-alone LDC that possesses extensive financial, technical, and managerial expertise in the industry with a strong commitment to Louisiana, New Orleans itself, and local job creation. After the Transaction's Closing, DSU NO will continue to provide a high level of safe and reliable local gas distribution services to all of the current customers of the ENO Gas Business at just and reasonable rates utilizing employees of ENO who are primarily engaged in the current ENO Gas Business operations and accept DSU NO's offer of employment, which will be offered by DSU NO, or its affiliate companies, as part of the Transaction. Further, DSU NO is affiliated with BERNHARD CAPITAL, and thus will have the ability to obtain capital for improvements and replacements of assets and systems. The Transaction is intended to be seamless to, and should inure to the benefit of, customers. More specifically, a non-exhaustive list of benefits include:

a) DSU NO's commitment to stepping into the ENO Rates until a consecutive 12-month period is established to serve as a historical test year for a subsequent rate proceeding, which DSU NO commits to filing not sooner than fifteen (15) months after Closing;

b) DSU NO's commitment to also adhere to the terms of ENO's various programs, including the GIRP and IM Program that are funded through ENO's GFRP, which was established by Council Resolution R-19-457, and was most recently extended by Resolution R-23-491, until such time as revised by final order of the Council in a subsequent rate proceeding. This includes DSU NO's honoring commitments that ENO has made before the Council as to the material to be replaced through GIRP and the timeline for that replacement;

c) DSU NO's financial and technical ability to invest in and integrate additional assets and systems for the new LDC;

d) DSU NO's and its affiliate companies' commitment to offer employment to all of the active employees primarily engaged in the ENO Gas Business and those who return from leave with substantially similar or no less favorable compensation, benefits, and post-retirement benefits as they are currently receiving; and to honor the tenure of such employees as it relates to vacation time, retirement, pension, holidays, disability and leave policies;

e) DSU NO's and its affiliate companies' commitment to assuming the employee pension assets and liabilities associated with the ENO and ELL gas LDCs, including more than 160 retirees primarily involved in the ELL and ENO Gas Business;

f) DSU NO's and its affiliate companies' commitment to create approximately 100 additional local jobs in Louisiana to provide high-quality gas service to customers;

g) DSU NO's commitment to providing a local, proven, professional management team as the new owners and operators of the ENO Gas Business, combined with the support and experience of a qualified and local ownership management team in BERNHARD CAPITAL;

h) DSU NO's commitment not to seek recovery of Transaction costs or any acquisition premium associated with the Transaction;

i) DSU's commitment to maintain ownership level management of the gas business in Louisiana;

j) DSU NO's commitment to be headquartered in New Orleans;

k) DSU NO's ability to leverage the experience, management resources and support of BERNHARD CAPITAL, whose affiliate owns and manages an LPSC-regulated utility in Louisiana;

l) The opportunity for Entergy Corporation to free up available capital and generate a source of capital that otherwise may not be available to make beneficial and productive investments in its electric business, to the benefit of ENO's electric customers; and

m) The opportunity for ENO to reduce its total debt, which would also serve to improve ENO's credit, which is a benefit to shareholders and customers.

14.

Accordingly, at a minimum, the Transaction will not harm ENO Gas Business customers, employees, shareholders, or the Council's jurisdiction; and indeed, the Transaction is expected to result in job creation and benefits to local economies. The Transaction is therefore in the public interest.

IV. COUNCIL JURISDICTION AND STANDARD OF REVIEW

15.

The Council exercises jurisdiction over public utilities in the City of New Orleans, including ENO, pursuant to the Home Rule Charter, particularly Section 3-129, and Council ordinances, particularly Ordinances 6822 C.C.S., 7069 C.C.S., 8423 C.C.S., 10,612 C.C.S., 1443

M.C.S., 4272 M.C.S., 12,162 M.C.S. and 17,963 M.C.S. (each as amended), and those in Chapter 158 of the New Orleans Code of Ordinances, as well as Article IV, Section 21(C) of the Louisiana Constitution.

16.

The Council's Resolution R-06-88 sets forth eighteen (18) factors which the Council shall take into account in determining whether to approve a transaction involving the sale of an entity. As discussed further herein and in the Direct Testimonies of DSU NO and ENO witnesses, the Transaction and the authorization of DSU NO to operate as a natural gas LDC subject to the Council's jurisdiction are in the public interest pursuant to the 18 factor test of Resolution R-06-88. Likewise, as discussed below, authorization to issue debt and encumbering the gas assets for financing associated with the asset acquisition are in the public interest.

V. AUTHORITY TO OPERATE AS NATURAL GAS LDC

17.

DSU NO requests Council authorization to operate as a natural gas LDC in the City of New Orleans, subject to the jurisdiction and regulation of the Council. As previously discussed, DSU NO is a New Orleans headquartered company formed for the specific purpose of acquiring the assets and liabilities, as defined in the Transaction Agreements, of the ENO Gas Business in order to provide natural gas distribution service in New Orleans. DSU NO is a portfolio company of Bernhard Capital, which is a Louisiana based private equity company with a history of prudent and financially-sound investment in utility and infrastructure operators and service companies.

DSU NO's management team is comprised of members demonstrating extensive knowledge and experience in the provision of safe and reliable gas service, similar to that currently provided by ENO, and, as a Bernhard Capital portfolio company, DSU NO will benefit directly from its affiliation with an LPSC-jurisdictional portfolio company of Bernhard Capital, as well as the extensive knowledge, experience, and expertise in the utility and infrastructure sectors of the Bernhard Capital team, all as further detailed in the Direct Testimony of DSU Witness, Mr. Jeffrey Yuknis. DSU management and headquarters will be based in New Orleans, Louisiana.

18.

As discussed below and in more detail below and in direct testimonies of DSU NO witnesses, as a BERNHARD CAPITAL portfolio company, DSU NO is financially and operationally capable of providing reliable service at reasonable rates to natural gas customers in New Orleans:

> ***Utility Operation Experience*** –While DSU NO is a newly formed entity, the company is supported by management and employees with substantial depth and experience in operating local gas distribution public utilities, as well as the ENO Gas Business assets themselves. First and foremost, each of the approximately 200 employees primarily involved in the operation of the ENO Gas Business and ELL Gas Business will be offered employment by DSU with substantially similar compensation and benefits as provided by their current employer, as further addressed in the Transaction Agreements. The day-to-day institutional knowledge of these employees is imperative to the seamless transition of service, and will ensure the customers continue to receive the same level of service on day

one of DSU NO. These employees have the operations, maintenance, and safety expertise that will allow for the continuation of safe and reliable local gas distribution service to customers. Further, DSU estimates the Transaction will result in an additional 100 new jobs in Louisiana associated with DSU LA and DSU NO providing continued safe, reliable and affordable LDC services, including jobs to replace some service components that will not transfer with the ENO Gas Business assets. Finally, as discussed above, DSU NO's operations are supported by Bernhard Capital's extensive experience investing in critical services and infrastructure, including investment in another LPSC jurisdictional utility, and its management resources with decades of experience in utility operations and services, as further detailed in the Direct Testimony of Mr. Yuknis. DSU LA and DSU NO will be operated and managed by a single Board, which will be located in Louisiana and comprised of members with significant experience in utility and infrastructure operations.

***Rates and Capital Structure* –** DSU NO proposes to adopt the ENO Rates, as described herein, and preserve existing programs and capital structure that have been approved by the Council for the ENO Gas Business.

***Plan of Governance* –** Bernhard Capital has an established history of investing in sound companies and creating value and growth through the injection of strong management resources, experience, and knowledge. Bernhard Capital has acquired several businesses in carve-out transactions from publicly traded companies, similar to the Transaction structure associated with the ENO Gas Business assets. Bernhard Capital approaches these transactions as a partner to the seller. Having run a large, publicly traded company, the

Bernhard Capital team is sensitive to the issues inherent in carve-out sales of a business. With respect to DSU NO, Bernhard Capital is committed to maintaining company level management as well as investment-level management in Louisiana and has an experienced team in place to ensure the parties work jointly and in cooperation with the Council on a smooth and seamless acquisition and transition. DSU NO will be governed by a Board of Managers that is partially comprised of Mr. Jeffrey Yuknis (Bernhard Capital Managing Director, BCP Investment Committee member), Mr. Foster Duncan (Bernhard Capital Operating Partner), Mr. Julius Bedford (Bernhard Capital Principal), and Mr. Peter Tumminello (Southern Company Gas former Executive Vice President and Group President of Commercial Business). Further, there is a Transition Plan Team for the Transaction that is comprised of professionals with decades of experience in utility operations and services and navigating similar transactions.

Operational Structure – Upon Closing of the Transaction, the ENO Gas Business assets and the ELL Gas Business assets will be owned by subsidiaries of DSU, namely DSU NO and DSU LA. DSU will be a core-focused gas distribution company. The Transaction structure is designed for Day One Readiness and the seamless continuation of safe, reliable and affordable gas service from the regulatory, operational, and customer perspectives on day one post-Closing. Additionally, the transfer of gas assets from an integrated electric and gas utility platform, where the gas assets comprise a very small portion of the total business of Entergy Corporation, to a DSU platform where the entire enterprise is core focused on the provision of gas service enhances the ability for decisions to be made to the benefit of the gas utility and its customers without consideration of the impact on other competing utility operations. Similar to the current structure of Entergy Services, LLC ("**ESL**"), there will be a newly formed DSU services company, Delta States Utilities Services, LLC ("**DSU Services**"), that will provide shared services to support the most efficient and low-cost operation of each of the DSU LDC utilities. While day-to-day operations will be similarly managed by the same experienced employees as the ENO Gas Business, the "carve out" of the gas businesses will benefit customers by allowing employees, management, technology and investment to be core focused on gas operations whereas currently certain of these same resources may be allocated among gas and electric operations at ENO.

***Shared Services* –** DSU NO and DSU LA will begin receiving shared services from newly formed DSU Services concurrent with the Closing of the Transaction under separate services agreements executed with DSU NO and DSU LA, respectively. The services to be provided by DSU Services to DSU NO and DSU LA will largely be the same as those currently provided by ESL to ENO Gas Business and ELL Gas Business under similar terms and conditions executed by ENO and ELL with ESL, respectively, including the allocation methodologies and formulae for billing all costs of doing business to provide such shared services. However, the allocation methodologies and formulae to be used by DSU Services will be specific to and "fit-to-purpose" for gas-only operations; whereas the cost allocation methodologies and formulae utilized by ESL, and approved by the Federal Energy Regulatory Commission ("**FERC**"), can be impacted by electric operations across consolidated Entergy Corporation. Additional discussion on the organizational structure, shared services and service agreements and allocation methodologies is provided in the Direct Testimony of DSU NO witness Mr. Brian K. Little.

VI. STAND-ALONE LDC

19.

Currently, ENO operates as an electric public utility and natural gas LDC, each subject to the jurisdiction and regulation of the Council. While ENO is able to share some of its operation services between its electric and natural gas utilities, it allocates capital between the two utilities. As a result of the Proposed Transaction, DSU will own and operate a stand-alone natural gas LDC that will not have the same internal division of capital as currently exists between ENO's natural gas operations and significantly larger electric operations.

20.

Standing up the new LDC will require DSU NO to replace certain ENO assets shared between ENO's electric and gas utilities and certain shared services currently provided by ENO that are not transferring to DSU NO at Closing. Over the long-term, however, DSU NO's replacing these Excluded Assets and shared services is expected to provide benefits to customers. As discussed in the direct testimony of DSU NO witness Mr. Brian K. Little, some of the Excluded Assets being replaced have release dates ranging from 2005 to 2020, and the end-of-life maintenance support periods for these systems range from the end of 2023 to 2034. Additionally, certain efficiencies are expected to be achievable by replacing certain of the Excluded Assets and shared services with assets and services focused solely on the LDC. Customers are also expected to benefit from the modernization of the IT and customer interfaces, including the development of a customer service center dedicated to gas customers instead of shared among multiple utilities, which will facilitate streamlined resolution of customer inquiries. Further, DSU NO will still be able to share the cost of certain assets and services with its affiliate LDC, DSU LA, in standing up the LDC businesses in New Orleans and Louisiana, respectively. Thus, DSU NO requests the Council to approve the Transaction, inclusive of the need to standup the new LDC and replace the Excluded Assets and shared services that will no longer be available after the Transaction's Closing.

VII. RATEMAKING TREATMENTS

21.

DSU NO commits to adopting the ENO Rates in effect at Closing or supported by the most-recent evaluation period of ENO's GFRP. Thus, ratepayers will continue to pay the rates that otherwise would have been in place absent the Proposed Transaction, which rates will stay in place until DSU NO establishes a 12-month historical test year for a subsequent rate case, which will be filed no sooner than 15 months post-Closing. Further, DSU NO agrees to continue the improvements approved by the Council for ENO pursuant to the GIRP Program and IM Program.

22.

As part of this Joint Application, and as supported in the direct testimony of Mr. Brian K. Little, DSU NO is requesting Council authority to establish a regulatory asset for purposes of deferring costs for future recovery, net of amounts recovered in ENO Rates that it adopts at Closing relating to the Excluded Assets, to standup the new LDC and replace certain assets and shared service that will not be transferred to DSU NO or provided by ENO or its affiliates after the Transaction Closing. While DSU NO requests that the need to stand up the new LDC be included in its public interest finding with respect to the Transaction, DSU NO is only requesting an accounting order in this proceeding to establish the regulatory asset for purpose of future recovery of related costs and expenses as may be authorized by the Council in a future proceeding and subject to a prudency review, as discussed below. Details on the DSU NO's proposal for establishing a regulatory asset(s) are provided in Mr. Little's Direct Testimony.

23.

In addition, DSU NO agrees to submit to a full rate review following Closing of the Transaction, no sooner than fifteen (15) months post-Closing. Following Closing, DSU NO would begin a 12-month period that will serve as an historical test year for the DSU Rate Case. In the rate proceeding, the Council will have the opportunity to review DSU NO's test year revenues and expenses, capital structure and proposed return on equity, revenue requirement and rates, based on the historical test year and specific to DSU NO, and a prudency of the regulatory asset items associated with the implementation of the Transition Plan. DSU NO is committing to maintain the ENO Rates and to continue to operate under ENO Rates in effect as of the Closing and/or supported by ENO's most recent GFRP test year, until any necessary rate adjustments are approved by the Council in the DSU NO rate proceeding, which rate adjustments would be expected to occur approximately 23-25 months post-Closing, which Closing is anticipated to occur approximately 21 months after the date of execution of the PSA. This proposed structure provides the customers of the utility with the benefit of rate consistency during this extended period. Further, this structure provides the Council with the opportunity of a full rate review and potential establishment of a formula rate plan once sufficient historical test year information becomes available.

VIII. TRANSFER OF INDETERMINATE PERMIT

24.

In order to operate its gas distribution system to serve customers in New Orleans, the Council granted predecessors of ENO an indeterminate permit, which has been transferred over the last 100 years among the entities that have owned and operated what has become the ENO Gas Business. In the PSA, this indeterminate permit is referred to as the "Franchise," which is defined as Ordinance Nos. 6822 C.C.S., 7069 C.C.S., 8423 C.C.S., 10,612 C.C.S., 1443 M.C.S., 4272 M.C.S., 12,162 M.C.S. and 17,963 M.C.S. (each as amended) of the City of New Orleans. The Franchise allows the ENO Gas Business to install and maintain facilities within public rights-of-way within the City of New Orleans. The gas distribution system cannot operate without the ability to use the City's rights-of-way.

25.

Section 3-129 of the New Orleans Home Rule Charter provides: "(4) No assignment of any franchise, privilege or permit shall be valid without the approval of the Council." Consistent with this, Section 146-280 of the New Orleans Code of Ordinances, governing the use of streets, provides that "a grantee of rights from the City may only exercise those rights in its own name and may not grant the right to other persons." Thus, in order to operate ENO's gas distribution system, DSU NO will need the Council's permission to use the public rights of way within the City. Accordingly, DSU NO requests that the Council approve the transfer of ENO's Gas Business Franchise to DSU NO.

IX. OTHER APPROVALS

26.

In connection with the Transaction, the Joint Applicants seek approval or non-opposition from the Council of the transfer by ENO of business customer deposits specific to the Gas Business to DSU NO, and the approval of the transfer of certain customer data, including AMI data, by ENO to DSU NO. ENO and DSU NO believe the transfer of such customer deposits and customer data is in the public interest and is consistent with facilitating a seamless transition for customers. In addition, DSU NO is requesting that the ratemaking orders and resolutions applicable to the ENO Gas Business be made applicable to DSU NO, which include but may not be limited to: Resolution Nos. R-03-272, UD-16-04, R-18-38, UD-18-07, R-18-227, R-19-457, R-20-67, R-20-133, R-23-157, R-23-423, and R-23-491; Ordinance Nos. 6822 C.C.S., 7069 C.C.S., 8423 C.C.S., 10,612 C.C.S., 1443 M.C.S., 4272 M.C.S., 12,162 M.C.S. and 17,963 M.C.S. (each as amended) of the City of New Orleans; and any Council ordinances and resolutions of general application to a Council-jurisdictional natural gas LDC.

27.

Further, as part of the Purchased Assets, DSU NO will acquire from ENO the existing CWIP relating to assets that will be placed in service by DSU NO in the future. Accordingly, DSU

NO is requesting that such CWIP accounts be determined not to be (or not determined to be) an acquisition premium (or alternatively, not specifically determined to be an acquisition premium) so that DSU NO has the opportunity for future recovery of the investments once such assets are placed into service post-Closing.

X. 18-FACTOR TEST

28.

DSU NO seeks a finding from the Council that the Transaction is in the public interest in accordance with Resolution R-06-88. DSU NO's witness Mr. Jeffrey Yuknis addresses each of the 18 public interest factors set forth in Resolution R-06-88 in Appendix B to his Direct Testimony. Further, these factors are also addressed in the Direct Testimonies of the other DSU NO and ENO witnesses. Considering the responses provided to 18 public interest factors and the commitments made herein and in the direct testimony of DSU NO witnesses, the Transaction should be found in the public interest.

XI. SUMMARY OF WITNESSES SUPPORTING THE JOINT APPLICATION

29.

In support of the Joint Application, DSU NO and ENO are submitting the pre-filed Direct Testimonies of the following witnesses:

A. DSU NO Witnesses

Mr. Jeffrey Yuknis: Mr. Yuknis is Managing Director at Bernhard Capital and a member of the BCP Investment Committee. He will also serve on the Board of Managers for DSU, which is the parent company of DSU NO and member of the Board's Steering Committee. Mr. Yuknis' testimony provides an overview of the Transaction, Transaction Benefits, DSU NO and Bernhard Capital. His testimony supports approval of the Transaction and demonstrates how the Transaction and associated financing of the asset acquisition and associated encumbrance of the ENO Gas Business assets are in the public interest pursuant to Resolution R-06-88. His testimony also supports of DSU NO's request to be authorized to operate as a LDC subject to the jurisdiction of the Council. An 18-factor public interest analysis is provided in Appendix B to Mr. Yuknis' testimony.

Mr. Brian K. Little: Mr. Little is an independent contractor who is affiliated with the consulting firm Anticipate Energy Advisors LLC ("**AEA**"). Mr. Little's testimony introduces and describes the organizational structure of the ENO Gas Business pre-Closing and of DSU NO post-Closing of the Transaction; (2) provides an overview of the plan to transition the ENO Gas Business into stand-alone natural gas utility prior to the Closing of the Transaction ("**Transition Plan**"), such that the DSU utilities are fully and operationally independent on day one post-Closing, as well as discusses the anticipated benefits of the Transition Plan; (3) describes the post-Closing operations, structure and systems of the DSU utilities, including the methodology to be used for allocating shared services costs to DSU NO; (4) discusses the benefits of the new shared services to DSU NO; and (5) discusses the need for a regulatory asset to account for Transition Plan costs. Mr. Little's testimony provides information to enable the Council to make the public interest findings required under Resolution R-06-88.

B. ENO Witnesses

Deanna Rodriguez: Deanna Rodriguez is President and Chief Executive Officer ("CEO") of ENO. As President and CEO of ENO, Ms. Rodriguez has executive responsibility for ENO, including financial responsibility for the business and assets that are used to serve customers, which include generation, transmission, and distribution assets. In addition, Ms. Rodriguez's responsibilities include oversight of the field management of ENO's gas distribution system, electric distribution and transmission systems, customer service, economic development, public affairs, regulatory affairs, and governmental affairs. In this proceeding, Ms. Rodriguez provides direct testimony in support of the Transaction being in the public interest.

Anthony P. Arnould, Jr.: Mr. Arnould is the Director of the ENO and ELL LDC gas distribution businesses. Mr. Arnould leads all aspects of delivering safe, reliable and affordable natural gas to Entergy's more than 200,000 natural gas customers in the New Orleans and Baton Rouge areas. He also oversees employees responsible for the construction, engineering, operation and maintenance of the gas system in

Louisiana. Mr. Arnould's career at Entergy spans more than two decades. Mr. Arnould provides direct testimony in support of the Transaction being in the public interest, including the transition from ENO to DSU NO operations and the fairness and reasonableness of the Transaction to current Entergy employees primarily engaged in gas operations.

XII. TIMING

30.

DSU NO and ENO respectfully request expedited treatment of this Joint Application, including establishing a fifteen (15) day intervention period. Prior to Transaction Closing, DSU NO must replace the ENO Excluded Assets, as defined in the Transaction Agreements, and stand up a new, stand-alone LDC that is fully operational on day one post-Closing. A decision by the Council by June 2024 is important for purposes of DSU NO's Transition Plan and capital investments.

XIII. SERVICE OF NOTICES AND PLEADINGS

31.

DSU NO and ENO request that notices, correspondence, and other communications concerning this Joint Application be directed to the following persons:

For ENO:

Deanna Rodriguez
President and Chief Executive Officer
Entergy New Orleans, LLC
Mail Unit L-MAG-505B
1600 Perdido Street
New Orleans, LA 70112

Courtney Nicholson
VP – Regulatory and Public Affairs
Entergy New Orleans, LLC
Mail Unit L-MAG-505B
1600 Perdido Street
New Orleans, LA 70112

Anthony Arnould, Jr.
5755 Choctaw Drive
Baton Rouge, LA 70805

Kevin T. Boleware
Entergy New Orleans, LLC
Mail Unit L-MAG-505B
1600 Perdido Street
New Orleans, LA 70112

Brian L. Guillot
Edward R. Wicker, Jr.
Leslie LaCoste
Entergy Services, LLC
Mail Unit L-ENT-26E
639 Loyola Avenue
New Orleans, LA 70113

For DSU NO:

Ryan King
President
Delta States Utilities NO, LLC
400 Convention Street, 10th Fl
Baton Rouge, Louisiana 70802
Telephone: (225) 228-2500
Email:

Lucie R. Kantrow
General Counsel
Bernhard Capital Partners
400 Convention Street, 10th Fl
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Carrie R. Tournillon
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Edward H. Bergin
nbergin@joneswalker.com
Jones Walker LLP
201 St. Charles Ave
New Orleans, LA 70170-5100
Telephone: (504)582.8222

32.

DSU NO and ENO request that the foregoing persons be placed on the Official Service List for this proceeding and respectfully request that the Council permit the designation of more than one person to be placed on the Official Service List for service in this proceeding.

XIV. CONFIDENTIAL TREATMENT

33.

Certain of the information that Joint Applicants wish to submit is confidential and proprietary in nature. The disclosure of confidential and proprietary information does not serve the public interest. Therefore, in the light of the commercially sensitive nature of such information, DSU NO is submitting only the Public Redacted version of the Direct Testimony of Mr. Jeffrey Yuknis. The Confidential Version bears the designation “Highly Sensitive Protected Materials,” “HSPM,” or “Protected Materials”. Accordingly, DSU NO and ENO request the Council adopt for this proceeding its Official Protective Order as set forth in Resolution R-07-432, or provide for such other appropriate protection for any confidential information to be produced in this proceeding.

XV. PRAYER FOR RELIEF

34.

WHEREFORE, DSU NO and ENO respectfully request:

1. Council approval of DSU NO to operate as a natural gas distribution utility within the City of New Orleans and subject to the jurisdiction of the Council;

2. Council approval of the transfer and sale of the Purchased Assets and assumption of the Assumed Liabilities, in each case defined in the PSA and in accordance with the Transaction Agreements, of the ENO Gas Business and acquisition by DSU NO of the same as in the public interest;

3. Council approval of or stated non-opposition to the transfer of ENO's Gas Business Franchise to DSU NO to allow it to operate the ENO Gas Business within public rights of way within the City of New Orleans;

4. Council approval of DSU ENO's assumption and adoption of the ENO Gas Business rates, rate schedules and riders in effect at the Closing or supported by the most recent evaluation period of ENO Gas Business GFRP, which assumption and adoption will continue until the Council's review and approval of DSU NO's proposed base rates and rate schedules as part of a subsequent rate application to be filed by DSU NO not sooner than fifteen (15) months after the Closing, using a prior consecutive twelve (12)-month test period;

5. Council approval for DSU NO to create a regulatory asset(s) to defer for future recovery, subject to a prudency review in a future general rate proceeding and with such recovery to be net of amounts recovered in ENO's rates adopted by DSU NO at Closing related to the Excluded Assets, investments made by DSU NO (a) in the assets and services needed to replace Excluded Assets and services provided by ENO and its

affiliate companies, and (b) in recognition of the need for DSU NO to make certain expenditures prior to the Closing of the Transaction and prior to establishment of new Council-approved rates in a subsequent rate proceeding for recovery of DSU NO's investments to stand up the new gas distribution business and replace certain assets that will not transfer and certain services that will no longer be provided by ENO after Closing;

6. Council determination that the costs of Purchased Assets not yet in service but currently categorized by ENO as CWIP do not constitute acquisition premium (or Council not specifically determining that such costs constitute an acquisition premium), such that these costs and are eligible for recovery in rates once placed in service, subject to prudency considerations;

7. Council's approval or stated non-opposition to DSU NO's incurring indebtedness and/or issuing securities to finance the Transaction and costs to stand-up the new LDC and for DSU NO's encumbering of the Purchased Assets with a mortgage and/or security interest to secure the indebtedness;

8. Council approving or stated non-opposition to the transfer of certain customer deposits from ENO to DSU NO, subject to the terms of the PSA;

9. Council approval of ENO's transfer of certain customer data, including specifically data related to ENO's AMI system;

10. Council determination that appropriate ratemaking orders and /or resolutions that are applicable to ENO continue to be applicable to DSU NO as of the Closing, which

include but may not be limited to: Resolution Nos. R-03-272, UD-16-04, R-18-38, UD-18-07, R-18-227, R-19-457, R-20-67, R-20-133, R-23-157, R-23-423, and R-23-491; Ordinance Nos. 6822 C.C.S., 7069 C.C.S., 8423 C.C.S., 10,612 C.C.S., 1443 M.C.S., 4272 M.C.S., 12,162 M.C.S. and 17,963 M.C.S. (each as amended) of the City of New Orleans; and any Council ordinances and resolutions of general application to a Council-jurisdictional natural gas LDC;

11. Council adoption for application in this proceeding its Official Protective Order as set forth in Resolution R-07-432, or provide for such other appropriate protection for any confidential information to be produced in this proceeding;

12. Council grant of expedited treatment of the Joint Application for consideration by the Council by June 2024, including establishing a fifteen (15) day intervention period; and

13. Council grant of all other Orders and decrees as may be necessary, and for all general and equitable relief that the law and the nature of the case may permit.

Respectfully submitted, this 11th day of December, 2023.

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Attorneys for Entergy New Orleans, LLC

BEFORE THE

COUNCIL OF THE CITY OF NEW ORLEANS

DELTA STATES UTILITIES NO, LLC AND ENTERGY NEW ORLEANS, LLC, EX PARTE. **IN RE: APPLICATION FOR AUTHORITY TO OPERATE AS LOCAL DISTRIBUTION COMPANY AND INCUR INDEBTEDNESS AND JOINT APPLICATION FOR APPROVAL OF TRANSFER AND ACQUISITION OF LOCAL DISTRIBUTION COMPANY ASSETS AND RELATED RELIEF.**	**)** **)** **)** **)** **)** **)** **)** **)** **)** **)** **)** **)** **)** **)**	**DOCKET NO. UD-23-___**

Direct Testimony of

Jeffrey Yuknis

On behalf of

Delta States Utilities NO, LLC

APPLICATION EXHIBIT 1 – PUBLIC REDACTED

December 11, 2023

BEFORE THE

COUNCIL OF THE CITY OF NEW ORLEANS

DELTA STATES UTILITIES NO, LLC, AND ENTERGY NEW ORLEANS, LLC, EX PARTE. **IN RE: APPLICATION FOR AUTHORITY TO OPERATE AS LOCAL DISTRIBUTION COMPANY AND INCUR INDEBTEDNESS AND JOINT APPLICATION FOR APPROVAL OF TRANSFER AND ACQUISITION OF LOCAL DISTRIBUTION COMPANY ASSETS AND RELATED RELIEF.**	**DOCKET NO. UD-23-___**

STATE OF ILLINOIS)
) **SS**
COUNTY OF COOK)

Affidavit of Jeffrey Yuknis

Jeffrey Yuknis, being first duly sworn, on his oath states:

1. My name is Jeffrey Yuknis. I am Managing Director of Bernhard Capital Partners. My principal place of business is located at 400 Convention St., Suite 1010, Baton Rouge, LA 70802.

2. Attached hereto and made a part hereof for all purposes is my direct testimony which were prepared in written form for introduction into evidence in this proceeding before the Council of the City of New Orleans.

3. I hereby swear and affirm that my testimony is true and correct and that they show the matters and things that it purports to show.

Jeffrey N Yuknis

Jeffrey Yuknis

Subscribed and sworn to before me this 9th day of December, 2023.

ESAI NUNEZ
Official Seal
Notary Public - State of Illinois
My Commission Expires Aug 27, 2024

Notary Public

BEFORE THE

COUNCIL OF THE CITY OF NEW ORLEANS

DELTA STATES UTILITIES NO, LLC AND ENTERGY NEW ORLEANS, LLC, EX PARTE.	)	**DOCKET NO. UD-23-___**
IN RE: APPLICATION FOR AUTHORITY TO OPERATE AS LOCAL DISTRIBUTION COMPANY AND INCUR INDEBTEDNESS AND JOINT APPLICATION FOR APPROVAL OF TRANSFER AND ACQUISITION OF LOCAL DISTRIBUTION COMPANY ASSETS AND RELATED RELIEF.	)	

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<u>Direct Testimony of Jeffrey Yuknis</u>

I. <u>INTRODUCTION</u>

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Jeffrey Yuknis. My business address for Bernhard Capital Partners ("**Bernhard Capital**") is 400 Convention St., Suite 1010, Baton Rouge, LA 70802.

Q BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A I am Managing Director at Bernhard Capital, which is a Baton Rouge, Louisiana headquartered private equity management firm formed in 2013, which manages the investments of large institutional investors, public and private pension funds, college endowments, insurance companies, labor union funds and other investment groups, who invest in Bernhard Capital's affiliated investment funds. Bernhard Capital is a services and infrastructure-focused private equity management firm established in 2013. Bernhard Capital has deployed capital in four funds across several strategies and has approximately $3.4 billion of gross assets under management. Bernhard Capital seeks to create sustainable value by leveraging its experience in acquiring, operating and growing services and infrastructure businesses. I am a member of the Investment Committee for the Bernhard Capital infrastructure funds and investment vehicles (collectively, the "**BCP Infrastructure Fund**") managed by Bernhard Capital, which also includes Delta States Utilities NO, LLC ("**DSU NO**"). I have been intimately involved in the matter at hand on behalf of Bernhard Capital, the BCP Infrastructure Fund, DSU NO, and the parent company of DSU NO, Delta States Utilities, LLC ("**DSU**"). I am a member of the DSU Steering Committee and will also serve on the Board of Managers (the "**Board**") of DSU.

Q PLEASE DESCRIBE YOUR JOB RESPONSIBILITIES IN THOSE ROLES.

A I am responsible for sourcing and negotiating investments in utilities for Bernhard Capital. In addition, I ensure that the Utility companies are well managed, for example, by placing experienced management professionals in key positions and providing appropriate capital structuring. I am also responsible for the performance of the Utility companies Bernhard Capital owns in my role as a Board member. As an active member of Bernhard Capital Infrastructure's Investment Committee, I review and approve all of our investment decisions. The growth of our utility companies, either organically through new customers or inorganically through new acquisitions of utilities is also my responsibility.

Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A I have a B.S. Degree from the University of Illinois and an M.B.A from the University of Chicago. My entire career since obtaining my M.B.A. in 2002 has been involved in the Utility industry including at a very large Investor-Owned Utility Company, Exelon, for 16 years. At Exelon I held a variety of leadership roles through the electric value chain including in wholesale generation and trading, corporate development (Mergers and Acquisitions), electric transmission and electric microgrids. In 2018 I joined Bernhard Capital as a Managing Director in the BCP Infrastructure Fund. I was responsible for successfully raising equity capital commitments from a variety of limited partners whom place the responsibility on me to invest their capital and manage the companies and projects we invest in. My resume is provided in Appendix A to my testimony.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A I am testifying on behalf of DSU NO.

Q WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A On October 28, 2023, DSU NO and Entergy New Orleans, LLC ("**ENO**") entered into a Purchase and Sale Agreement ("**PSA**") and other ancillary agreements (collectively the "**Transaction Agreements"**) under which DSU NO will acquire certain assets of ENO that are primarily used for its natural gas distribution company ("**ENO Gas Business**") operations and will assume certain liabilities relating to such operations.[1, 2] The assets (the "**Purchased Assets**") and the liabilities ("**Assumed Liabilities**") are defined in the PSA, and they are also described later in my testimony. I will generally refer to the acquisition of the Purchased Assets and the assumption of the Assumed Liabilities in accordance with the Transaction Agreements as the "**Transaction**" and the final closing of the Transaction pursuant to the Transaction Agreements as the "**Closing**."

The purpose of my testimony is to support approval of the Transaction, its associated financing and the encumbrance of the ENO Gas Business assets, including the Purchased Assets, as being in the public interest pursuant to Resolution R-06-88 of the Council of the City of New Orleans ("**NOCC**" or "**Council**"). I am also testifying in support of DSU NO's request to be authorized to operate as a natural gas local distribution company ("**LDC**") subject to the jurisdiction of the NOCC.

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[1] A map of the ENO Gas Business is provided in HSPM Exhibit JY-2 to my direct testimony.

[2] A copy of the ENO Transaction Agreements is provided in HSPM Exhibit JY-3 to my direct testimony.

Further, my testimony supports DSU NO's commitment to assume and adopt the rates and rate schedules of the ENO Gas Business, as well as to assume the commitments and obligations of the ENO Gas Business with respect to various plans for capital improvements, including specifically ENO's Gas Infrastructure Replacement Program ("**GIRP**") and ongoing Integrity Management Program ("**IM Program**"), which are discussed in detail in the Direct Testimony ENO witness Mr. Anthony P. Arnould, Jr. DSU NO is also committed to adopting ENO's Incident Command System ("**ICS**") structure until such time that DSU NO develops plans specific to DSU NO. The ICS structure allows ENO to continue to ensure the safety and reliability of the gas distribution system, even during natural disasters.

My testimony also supports DSU NO's request for an accounting order to establish a regulatory asset for future recovery of investments associated with its standing up a stand-alone LDC and transitioning natural gas services from ENO to DSU NO. As contemplated in the Transaction Agreements, DSU NO needs to replace certain non-transferring assets and services of ENO and its shared services organization. Replacement of these assets and services to standup the new LDC will need to occur prior the Closing, as Entergy Corporation will not be providing support services post-Closing. DSU NO is fully committed to standing up new "fit-for-purpose" systems to replace retained assets such that they are fully functional to provide a seamless transition and safe and reliable services independent of ENO, Entergy Louisiana, LLC ("**ELL**) and Entergy Services, LLC ("**ESL**") (collectively "**Entergy**") on day one post-Closing ("**Day One Readiness**"). Thus, a regulatory asset is necessary to record for future prudency review and recovery of the investment that DSU NO is making in the stand-alone LDC. DSU NO is not seeking a prudency determination or recovery of the proposed regulatory asset in this Joint Application.

In addition, my testimony supports certain housekeeping matters intended to provide for the seamless transfer of the ENO Gas Business, including the transfer of certain customer data and customer deposits from ENO to DSU NO, and the opportunity for future recovery of construction work in progress ("**CWIP**") once certain Purchased Assets that are currently classified by ENO as CWIP are placed into service in the future.

Further, my testimony supports DSU's commitment to offer employment to all Entergy employees primarily engaged in the ENO Gas Business operations, currently numbering approximately 200 in total across the DSU Gas Utilities (defined below), in order to ensure Day One Readiness, a seamless transition, and the long-term provision of safe, reliable and affordable natural gas service through the LDC. I also address DSU's commitment to be headquartered in New Orleans, Louisiana, with continued significant operations office in Baton Rouge.

Finally, I introduce other witnesses testifying on behalf of DSU NO and in support of its requested relief in this proceeding.

Q WILL YOU BRIEFLY SUMMARIZE YOUR TESTIMONY?

A Yes:

- Currently, ENO operates its electric public utility and the ENO Gas Business in a manner that results in the sharing of certain resources between the two. As a result, the ENO Gas Business is contending with the demands of the electric utility for capital investment and is utilizing some systems that were primarily designed for ENO's electric utility operations.

- In contrast, while the proposed operating structure preserves the efficiencies and economies of scale attributed to maintaining a shared services organization providing services not only to DSU NO, but also to its affiliate company seeking authority of the Louisiana Public Service Commission to acquire the assets of ELL that are primarily used for its natural gas LDC ("**ELL Gas Business**"), the employees, management, Steering Committee, and technology and services investments will be solely focused on the provision of safe, reliable, and affordable natural gas service. The LDC of DSU NO will not contend with an electric utility for capital and new systems will be created specific to gas distribution operations, rather than utilizing some of the same customer care systems, technology and other systems as an affiliated electric utility.

- DSU NO's request to step into the shoes of the ENO Gas Business and adopt its rates, rate schedules and capital structure for ratemaking purposes, as well as its commitments and obligations for various capital improvements and incident response plans, include (i) continuing the GIRP pursuant to Council Resolution R-19-457 and continuing the IM Program – both of which are funded through the ENO Gas Business formula rate plan ("**GFRP**"), as further discussed in the Direct Testimony of ENO witness Mr. Arnould, (ii) continuing incident response for storm damage under the ICS, also as discussed in the Direct Testimony of ENO witness Mr. Arnould, (iii) maintaining the current rate structure for ENO's Gas Business customers, including use of an FRP mechanism for funding the GIRP and IM Program, and (iv) committing to actions intended to result in a seamless transition for customers.

- DSU NO's request for establishment of a regulatory asset to record for future recovery of costs to transition and stand up the new "fit-for-purposes" LDC with Day One Readiness is reasonable and a necessary component of the Transaction that will result in a LDC with a core focus on providing reliable and cost-effective natural gas service.

- DSU NO's committing to file a full rate case not earlier than 15 months post-Closing guarantees that the NOCC will have full review of DSU NO's revenues and expenses with at least 12 months of stand-alone operation, providing the NOCC with the ability to establish a revenue requirement, capital structure and return on equity specific to DSU NO.

- DSU NO's and ENO's requested processes for transferring certain customer data and transferring certain gas business customer deposits is intended to ensure transparency to customers and a smooth transition of natural gas service from ENO to DSU NO without inconveniencing customers.

- DSU NO requests that the NOCC recognize that Purchased Assets currently recorded by ENO as CWIP not be considered an acquisition premium, or not specifically determine that CWIP included as a Purchased Asset is an acquisition premium, and that DSU NO be allowed the opportunity to include the assets in rate base once they are placed in service, with recovery subject to any prudence review.

- DSU's commitment to offer employment to and retain approximately 200 employees of Entergy who are primarily involved in the Entergy's gas businesses with a substantially similar level of, but no less beneficial than, their current pay and benefits is fair and reasonable to Entergy's employees.

- DSU's commitment to establish its corporate headquarters in New Orleans, with other offices to be located in Baton Rouge, is beneficial to the local communities and the Louisiana economy.

- DSU NO's request for non-opposition to its proposed financing is in the public interest and best interest of ratepayers.

II. OVERVIEW OF TRANSACTION

Q. PLEASE PROVIDE AN OVERVIEW OF THE TRANSACTION.

A. Pursuant to the terms of the Transaction Agreements between ENO and DSU NO and contingent upon NOCC approval of the requested relief in this proceeding and certain other conditions set forth in the Transaction Agreements, DSU NO will acquire the Purchased Assets from ENO in exchange for payment of the purchase price (the “**Purchase Price**,” as more fully defined in the PSA) and assume certain Assumed Liabilities. The Transaction does not involve a transfer of any shares of stock of ENO or any of its affiliates. Simply stated, the Purchased Assets of the ENO Gas Business, which are ultimately assets owned indirectly by the public shareholders of Entergy Corporation, will be transferred to a Louisiana-based infrastructure investment fund comprising investors seeking long-term, prudent, and financially sound investments in natural gas infrastructure assets.

Prior to Closing, and as contemplated by the Transaction Agreements, DSU NO will purchase new assets and enter into new service agreements to supplement or replace certain assets that are not transferring and certain services that will no longer be provided post-Closing by Entergy, and to stand-up a new “fit for purpose” LDC to achieve Day One Readiness at Closing. A detailed description of DSU NO’s plan for transition to a stand-alone LDC (“**Transition Plan**”) and request to establish a regulatory asset to record investments associated with the Transition Plan is provided in the Direct Testimony of DSU NO witness Mr. Brian Little.

Upon Closing, the Purchased Assets and Assumed Liabilities will be transferred to and owned and operated by DSU NO, with operations and maintenance performed by DSU NO and the DSU shared services entity. At that point, the natural gas distribution service previously provided by ENO will be provided by DSU NO pursuant to the jurisdiction and regulation of the NOCC.

The Transaction will in no way impair the jurisdiction of the NOCC over the LDC. Further, the Transaction will not affect competition; rather, DSU NO will replace ENO as the sole provider of LDC services in the service area under the franchises to be transferred as part of the Purchased Assets.

After the Closing, ENO will no longer provide any LDC services subject to the Council's jurisdiction. As part of this Joint Application, DSU NO is requesting to assume and adopt the ENO LDC's rates and rate schedules in effect as of the Closing and/or supported by the ENO LDC's most recent GFRP test year. DSU NO is not requesting any modifications to the existing ENO LDC rates and rate schedules with this Joint Application, and any future changes to DSU NO's rate structure will result from a future rate application filed with the NOCC, not less than 15 months post-Closing.

Q. PLEASE PROVIDE AN OVERVIEW OF THE BENEFITS OF THE TRANSACTION.

A The Transaction structure is designed for Day One Readiness and the seamless continuation of safe, reliable and affordable gas service from the regulatory, operational, and customer perspectives on day one post-Closing. Additionally, the transfer of gas assets from an integrated electric and gas utility platform, where the gas assets comprise a very small portion of the total Entergy business, to a DSU platform where the entire enterprise is core focused on the provision of gas service enhances the ability for decisions to be made to the benefit of the gas utility and its customers without consideration of the impact on other utility operations. From a regulatory perspective, the Transaction does not diminish the jurisdiction of the Council over the ENO Gas Business post-Closing. Rather, DSU NO will be regulated and subject to the Council's jurisdiction, just the same as the ENO Gas Business is today. From an operational perspective, DSU NO will continue to provide safe, reliable natural gas service to customers and will benefit from the "fit-for-purpose" systems infrastructure and shared services organization developed during the implementation of the Transition Plan, as further discussed in the Direct Testimony of Mr. Little. To further ensure the Day One Readiness standard is achieved, DSU has committed to offer employment to retain all employees of Entergy who are primarily involved in the ENO Gas Business, is committed to assuming commitments and obligations of the ENO Gas Business with respect to capital improvements and other storm and incident protocols, as further discussed in my testimony, and is requesting the Council authorize the transfer of customer-specific data (*e.g*., advanced metering infrastructure or "AMI" data) from ENO to DSU NO. Thus, the LDC will continue to be operated by the same employees responsible for providing the safe and reliable natural gas service being provided today, pursuant to the same rate schedules and commitments for capital improvements and the same incident reporting and storm damage protocols, allowing a seamless transition from ENO to DSU NO. And from the customer perspective, customers are expected to benefit from the modernization of the IT and customer interfaces, including the development of a customer service center dedicated solely to gas customers instead of shared among gas and electric customers, resulting in streamlined resolution of customer inquiries. DSU NO is also committing to adopt the rates and rate schedules of the ENO Gas Business in effect at the time of Closing and/or supported by ENO's most recent FRP filing, and to file a full rate proceeding not sooner than 15 months post-Closing. DSU NO is also committing to assume ENO's commitment to capital improvements and other disaster plans and protocols. Additionally, although DSU will initially implement the disaster and storm protocols currently in effect for the ENO Gas Business, over time these plans and protocols will be reassessed based on the core-focus principle and adjusted to incorporate the benefits of the experience and resources available to DSU NO through the Bernhard Capital portfolio of companies, which has extensive critical infrastructure and utility disaster recovery resources available locally in Louisiana. Further, DSU NO is requesting that the NOCC authorize or not oppose the transfer of certain customer deposits from ENO to DSU NO. Thus, the Transaction will maintain for gas customers rates and services currently provided pursuant to rate schedules previously approved by the Council.

In addition, as discussed in the Direct Testimony of ENO witness Ms. Deanna Rodriguez, the Transaction offers benefits to ENO's electric customers and is fair and reasonable to the shareholders of Entergy Corporation because the transaction will free up available capital and generate a source of capital that otherwise would not be available to make beneficial and productive investments in the electric businesses. As Ms. Rodriguez testifies, to the extent that ENO can reduce its total debt, the transaction would also serve to improve ENO's credit, which is a benefit to shareholders and customers.

Q WILL THE TRANSACTION PROVIDE ANY OTHER BENEFITS TO THE GAS LDC EMPLOYEES, LOCAL COMMUNITIES, OR THE LOUISIANA ECONOMY?

A Yes, as previously mentioned, DSU will offer employment to retain approximately 200 employees of Entergy that are primarily engaged in the gas LDC businesses. As part of such offer of employment, DSU has committed to providing these employees pay and benefits substantially similar to and no less beneficial than what they currently receive from Entergy, ensuring that the Transaction is fair and reasonable to Entergy's employees. In addition, DSU estimates the Transaction will result in an additional 100 new jobs in Louisiana to staff a new shared services organization to continue to provide safe, reliable and affordable LDC services, including, for example, additional customer service employees for staffing a new call center and personnel for shared services in the areas of customer service, human resources, information technology, senior executive, finance and accounting, regulatory, gas supply, government, legal, stores, supply chain, fleet and environmental functions. DSU also commits to being headquartered in New Orleans, Louisiana, with additional operational offices located in Baton Rouge. Further, as discussed later in my testimony, DSU's parent company is committed to maintaining company level management as well as investment-level management in Louisiana, and has an experienced team in place to ensure the parties work jointly and in cooperation with the Council on a smooth and seamless acquisition and transition. Thus, the Transaction will increase Louisiana jobs and support economies in the local communities in which the Entergy gas businesses operate, to the betterment of those communities and the Louisiana economy.

Q HAVE ENTERGY CORP AND DSU ENTERED INTO AN AGREEMENT REGARDING EMPLOYEE-RELATED ISSUES?

A Yes. On October 28, 2023, in connection with the PSA, DSU NO and ENO entered into an Employee Matters Agreement (the "**EMA**"). The EMA allocates to the DSU NO and ENO (and/or their respective affiliates) certain assets, liabilities and responsibilities with respect to employee matters, employee compensation and benefit plans and programs. The EMA contains a number of terms that protect the affected employees. A copy of the EMA is included in the Transaction Agreements provided as HSPM Exhibit JY-3 to my testimony.

Q BEFORE ADDRESSING THE EMA'S TERMS, PLEASE DESCRIBE IN MORE DETAIL THE AFFECTED EMPLOYEE POPULATION.

A Approximately 200 active bargaining and non-bargaining employees of Entergy will have the opportunity to become DSU employees at Closing, approximately 60 of whom are bargaining employees. The EMA identifies those individuals as "**Transferred Employees**", and those individuals fall into one of two categories:

(i) employees of Entergy and its affiliates who immediately prior to Closing primarily provided services to the Entergy gas businesses and whom were included in the PSA disclosure schedules, who accept offers and commence work with DSU or its affiliates as of the Closing; and (ii) employees who are on leave as of the Closing and primarily provide services to the gas businesses, who accept an offer of employment pursuant to the EMAs and who commence work with DSU or any of its affiliates no later than the Leave Termination Date (defined as the later of (a) the date of expiration of any statutory, plan or agreement-based return right or (b) the date which is 12 months following the Closing).

Q HAVE THE TRANSFERRED EMPLOYEES BEEN IDENTIFIED BY NAME?

A Yes. The Transferred Employees have been identified and scheduled pursuant to the EMA and can be found in the Section 2.1(a) of the HSPM PSA disclosure schedules.

Q DOES THE EMA PROVIDE ANY PROTECTIONS REGARDING COMPENSATION AND BENEFITS?

A Yes. For bargaining and non-bargaining unit Transferred Employees, during the Continuation Period, as defined in the EMA, the applicable DSU entity will provide those individuals with (i) annual base salary or hourly wage rate and annual cash target incentive compensation opportunities no less than those provided to Transferred Employees immediately prior to the Closing, (ii) equity incentive and long-term incentive opportunities no less favorable in the aggregate to those provided to Transferred Employees immediately prior to the Closing (provided that any equity incentive and long-term incentive opportunities may be in the form of cash or private company incentive awards), and (iii) employee benefits that are no less favorable in the aggregate to those provided to Transferred Employees immediately prior to the Closing.

The applicable DSU legal entity will use commercially reasonable efforts to give Transferred Employees full credit under DSU employee benefits arrangements for all pre-Closing service with Entergy and its affiliates, for purposes of eligibility, vesting (other than vesting of future equity or equity-based awards), entitlements to vacation and other leave and paid time off, educational reimbursement, severance benefits, and level of benefits, under any DSU benefit arrangement to the same extent that such service was recognized by the corresponding benefit arrangement in which the affected employee participated immediately prior to the Closing. The applicable DSU legal entity will or will cause each Transferred Employee to receive service credit for benefit accruals purposes with respect to defined benefit pension, defined contribution, post-retirement welfare, bonus, and time off obligations. Moreover, the applicable DSU entity will use commercially reasonable efforts to (a) waive all pre-existing condition exclusions and actively-at-work requirements of new DSU medical, dental, pharmaceutical, and vision benefit arrangements, unless those conditions would not have been waived under the corresponding benefit arrangement in which the affected employee participated immediately prior to the Closing, and (b) take into account any eligible expenses paid by Transferred Employees under Entergy benefit plans for the portion of the plan year prior to such Transferred Employee participating in DSU benefit plans, for purposes of satisfying all deductible, coinsurance and maximum out-of-pocket requirements applicable to such Transferred Employee under the DSU benefit plans.

Q PLEASE EXPLAIN THE PROTECTIONS FOR TRANSFERRED EMPLOYEES' PENSIONS AND 401(K) ACCOUNTS.

A With respect to the pensions, the applicable DSU entity will establish and maintain defined benefit plans with substantially similar terms to the corresponding Entergy defined benefit plans that bargaining unit and non-bargaining Transferred Employees participate in as of the Closing. The DSU defined benefit plans will assume all liabilities for Transferred Employees and Former Business Employees (*i.e.*, retirees). Within 30 days after the Closing, Entergy will transfer 75% of the assets attributable to the accrued benefits of the Transferred Employes and former business employees in the Entergy defined benefit plans to the DSU defined benefit plans, and as soon as reasonably practicable after the Closing, the rest of the assets will be transferred.

With respect to the 401(k) plan accounts, DSU will establish or maintain a defined contribution plan in which Transferred Employees can participate in as soon as reasonably practicable after the Closing. The DSU 401(k) plan will accept direct rollovers of the Transferred Employee's pre-Closing account balances. During the Continuation Period, DSU will provide for matching contributions and other employer contributions that are comparable to those provided to Transferred Employes under the Entergy 401(k) plans immediately prior to the Closing.

Q PLEASE EXPLAIN THE PROTECTIONS FOR THE TRANSFERRED EMPLOYEE'S POST-EMPLOYMENT WELFARE BENEFITS.

A After the Closing, DSU will provide post-employment welfare benefits that are no less favorable in the aggregate to those post-employment welfare benefits provided (i) immediately prior to the Closing, to Former Business Employees who are participating in an Entergy post-employment welfare plan or are eligible for or may become eligible for such plan, and (ii) to Transferred Employees who as of the date immediately prior to such employee's transfer date are eligible for, or may have become eligible for post-employment welfare benefits if such employee had not become a Transferred Employee and continued service with a member of Entergy. DSU will count service with DSU on or after the Closing toward any applicable service requirement that has not been satisfied as of the Closing.

DSU NO will also establish a Voluntary Employees' Beneficiary Association ("**VEBA**") that has substantially similar terms and conditions as the corresponding Entergy VEBAs. As soon as administratively practicable following the closing, Entergy will transfer to the corresponding DSU VEBAs the portion of Entergy VEBA assets equal to the proportionate amount of accumulated post-retirement benefit obligations attributable to the Transferred Employees whose post-employment welfare benefits are funded through an Entergy VEBA.

Q IN SUMMARY, DOES THE EMA PROVIDE ADEQUATE PROTECTIONS TO THE AFFECTED EMPLOYEES?

A Yes. The EMA is intended to ensure that affected employees are similarly situated as they would be in the absence of the Transaction. It does this in several ways. For instance, the EMA maintains the existing collective bargaining agreements for bargaining unit employees. The EMA also requires that DSU honor all obligations in respect of accrued but unused paid time off to Transferred Employees. With respect to pensions, as of the Closing, DSU defined benefit pension plans will assume liabilities of Entergy defined benefit pension plan with respect to all Transferred Employees and former business employees, and Entergy defined benefit pension plans will not retain any such liabilities.

Q WHAT HAS BEEN DONE TO ENSURE THAT STAKEHOLDERS ARE INFORMED ABOUT THE TRANSACTION?

A ENO has issued communications regarding the Transaction with its customers, employees, and communities to inform them of the Transaction. A press release was issued on the morning of October 30, 2023, to announce the Transaction. An email was sent to the ENO employees to address some of the Transaction details and potential impact on the employees. Also on October 30, 2023, DSU and ENO personnel jointly held open meetings with the employees of ENO to discuss the Transaction and introduce the members to the Bernhard Capital and DSU teams. A second employee town hall meeting between the ENO employees, ENO representatives and DSU representatives occurred on December 6, 2023. Since the initial town hall meeting, DSU and ENO have worked collaboratively to respond to employee questions regarding the Transaction and their employment. During the course of the Transaction, DSU and DSU NO are committed to maintaining communications with, and providing updates to, the stakeholders of the utility.

Q IN ADDITION TO APPROVAL PURSAUNT TO RESOLUTION R-06-88, DOES THE TRANSACTION REQUIRE ANY OTHER APPROVAL FOR DSU NO TO OPERATE THE LDC IN THE CITY OF NEW ORLEANS?

A Yes. The ENO Gas Business currently operates as a regulated natural gas LDC within the City of New Orleans pursuant to an indeterminate permit issued by the Council in Ordinance Nos. 6822 C.C.S., 7069 C.C.S., 8423 C.C.S., 10,612 C.C.S., 1443 M.C.S., 4272 M.C.S., 12,162 M.C.S. and 17,963 M.C.S. (each as amended) of the City of New Orleans (the "**Franchise**"). Thus, the Transaction also requires the NOCC to authorize DSU NO to operate as a natural gas LDC and approve or state its non-opposition to the transfer of the Franchise to DSU NO in order for DSU NO to operate the LDC within the City of New Orleans.

q IN ADDITION TO APPROVALS OF THE COUNCIL, DOES THE TRANSACTION REQUIRE OTHER REGULATORY APPROVALS?

A Yes. In conjunction with the filing of this Joint Application at the NOCC, affiliates of the Joint Applicants are also filing an application with the Louisiana Public Service Commission ("**LPSC**") for approval of the transfer of the ELL Gas Business to DSU NO's affiliate company, Delta States Utilities LA, LLC ("**DSU LA**"), in accordance with the transaction agreements, including the financing associated with the transaction, entered into between ELL and DSU LA ("**LA Transaction Agreements**"). Further, the LPSC must grant authority for DSU LA to operate as a natural gas LDC in the state of Louisiana subject of the jurisdiction and regulation of the LPSC, and approve related relief ("**LA Transaction**" and collectively with the Transaction, the "**Combined Transactions**").

In addition, approval is also needed from the Metropolitan Council of the City of Baton Rouge and Parish of East Baton Rouge ("**Baton Rouge Council**") for ELL to sell its LDC and to transfer its franchise to DSU LA to operate in the City of Baton Rouge.

Finally, while the Federal Energy Regulatory Commission ("**FERC**") does not need to approve the Combined Transactions, the Joint Applicants are seeking a waiver of certain gas pipeline capacity release rules in connection with the Combined Transactions.[3]

Completion of the Combined Transactions is contingent on the requested relief or waivers being approved, as applicable, by the LPSC, Baton Rouge Council, New Orleans Council and FERC, based on the terms and conditions contemplated in the Transaction Agreements and NO Transaction Agreements.

III. OVERVIEW OF DSU NO AND BERNHARD CAPITAL

Q PLEASE DESCRIBE DSU NO.

A DSU NO is a Delaware limited liability company that was created for the sole purpose of acquiring the Purchased Assets and Assumed Liabilities and operating the LDC in the City of New Orleans. DSU NO is committed to maintaining the local management of the LDC assets to ensure the continuation of important benefits to Louisiana and the local New Orleans community that it serves in terms of service reliability and cost-effective rates, employment, economic development, and charitable contributions. DSU NO also commits to

[3] In addition, a filing will need to be made with the Federal Trade Commission pursuant to the Hart-Scott-Rodino ("**HSR**") Act.

maintain its headquarters in Louisiana, which is to be established in New Orleans, and will further maintain significant operations offices in Baton Rouge.

DSU NO is an indirect subsidiary of DSU, which is indirectly owned by the BCP Infrastructure Fund and managed by Bernhard Capital. The BCP Infrastructure Fund owns, and Bernhard Capital manages, a LPSC-jurisdictional utility in Louisiana, which speaks to the familiarity of the BCP Infrastructure Fund with regulated utilities and Bernhard Capital's experience in managing investments in the regulated utility sector.

Q PLEASE DESCRIBE BERNHARD CAPITAL.

A Bernhard Capital is a Baton Rouge, Louisiana headquartered, independent private equity management firm with over $3.4 billion in gross assets under management. Bernhard Capital focuses on investing in middle-market firms that provide critical services to government, infrastructure, industrial, utility, and energy sectors as well as investment in infrastructure and utility assets. The Bernhard Capital funds have collectively invested in over 67 services-focused companies across 19 platforms, including investments in several utility companies, and employ 19,000+ people globally, including more than 5,500 direct Louisiana-based employees across Bernhard Capital's portfolio company network, which support considerably more jobs throughout the state. Bernhard Capital benefits from its investor-operator capabilities, while leveraging deep relationships and experience across the infrastructure landscape. Accordingly, DSU NO will enjoy the benefit of prudent, financially-sound, and experienced infrastructure and utility owners who have a demonstrated, long-term infrastructure and critical services investment record.

Q WHAT TYPE OF INVESTORS PARTICIPATE IN THE BCP INFRASTRUCTURE FUND INVESTMENT POOL?

A The BCP Infrastructure Fund investment pool is comprised of large institutional investors, public and private pension funds, college endowments, insurance companies, labor union funds and other investment groups with extensive experience investing in infrastructure and utility investment vehicles such as the BCP Infrastructure Fund. These investors understand this sector to require a patient investment strategy that results in stable and uniform asset growth over the long-term and are seeking long-term, prudent, and financially sound investments in natural gas infrastructure assets. These entities understand this approach and have confidence in BCP's ability to allocate these funds and manage the utility assets in a manner that benefits all parties and results in a growing utility that continues to provide safe, reliable, and affordable gas service in Louisiana.

Q HOW DO THESE INVESTORS DIFFER FROM THE EXISTING INVESTORS OF THESE ASSETS?

A The ENO LDC assets are currently indirectly held by Entergy Corporation, which is a publicly traded organization with shareholders of different classifications located across the globe. The DSU NO LDC will differ in that it will be privately owned and managed by the BCP Infrastructure Fund. The BCP Infrastructure Fund is comprised of the type of investors discussed above and managed by Bernhard Capital.

Q WHAT EXPERIENCE DOES BERNHARD CAPITAL HAVE OPERATING COMPANIES IN AREAS SUSCEPTIBLE TO NATURAL DISASTERS AND HURRICANES?

A Prior to establishing Bernhard Capital, the founding members developed and managed a global firm, the Shaw Group, which provided comprehensive solutions to the energy, chemicals, environmental, infrastructure and emergency response industries including executing engineering, procurement and construction (EPC) and design-build projects around the world with headquarters in Baton Rouge, LA and a significant number of projects in the Gulf South. Since the development of Bernhard Capital, the team has continued to leverage its knowledge and experience operating in this area and has strategically invested in critical services companies across several platforms in this area. Specifically, the Louisiana based Bernhard Capital entities directly employee more than 5,500 Louisiana-based employees in the engineering, architecture, construction, disaster management, disaster services, utility infrastructure contractors, and utility service providers, among other sectors. Therefore, Bernhard Capital companies can provide a full suite of disaster management resources. In addition to these disaster specific resources, United Utility Services, a portfolio company of Bernhard Capital, is a fully integrated utility services company focused on building a platform of providers with specialized, industry-leading expertise in utility services and operations. Demonstrating the Bernhard Capital commitment to New Orleans, United Utility Services moved its headquarters to New Orleans in 2023, which is expected to result in the creation of 141 new direct jobs over the next five years with an average annual salary of more than $95,000.

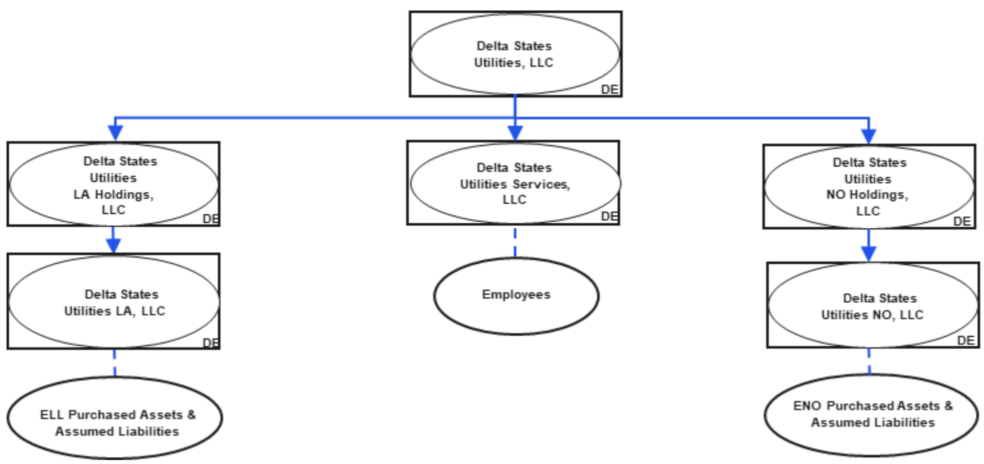
Q WHAT IS BERNHARD CAPITAL'S PHILOSOPHY REGARDING SAFETY AT ITS PORTFOLIO COMPANIES?

A As an investor in businesses that provide services in the infrastructure, utility, and industrial sectors, Bernhard Capital prioritizes the implementation of a robust safety program. Bernhard Capital monitors the adequacy of these programs by tracking safety metrics from each of the portfolio companies, including reportable incident rate, lost time incident rate, and product safety metrics. The founders and many partners of Bernhard Capital have substantial experience and extensive careers working in companies that provide services in these industries where safety is critical. This background has led to a top-down culture of focusing on safety as the first priority, including the historical practice of starting company board meetings with a safety moment.

Q PLEASE PROVIDE A DESCRIPTION OF THE ORGANIZATIONAL STRUCTURE OF DSU.

A Upon Closing of the Transaction, the ENO Gas Business assets and the ELL Gas Business assets will be owned by subsidiaries of DSU, a Bernhard Capital portfolio company, which will operate under their new names DSU NO and DSU LA, respectively. Similar to the current Entergy structure, there will be a newly formed DSU services company, Delta States Utilities Services, LLC ("**DSU Services**"), that provides shared services to support the most efficient and low-cost operation of each of the DSU LDC utilities. While day-to-day operations will be similarly managed by the same experienced employees, the "carve out" of the gas businesses will benefit customers by allowing all DSU employees, management, technology and investment to be solely focused on gas operations instead of using some infrastructure and technology that is primarily electric focused or contending for capital with and among significantly larger electric utilities.

DSU NO will begin receiving shared services from DSU Services concurrent with the Closing of the Transaction under a services agreement executed by DSU NO, and the newly formed DSU Services. The services to be provided by DSU Services to DSU NO will largely be the same as those currently provided by ESL to the ENO Gas Business, which were previously discussed in my testimony. Further, the services agreements executed with DSU Services will largely have the same terms and conditions of providing and receiving these services under the services agreement executed by ENO with ESL, including the allocation methodologies and formulae for billing all costs of doing business to provide such services. However, the allocation methodologies and formulae to be used by DSU Services will be specific to and "fit-to-purpose" for gas-only operations; whereas the cost allocation methodologies and formulae utilized by ESL are impacted by electric operations. Additional discussion on the organizational structure, shared services and service agreements and allocation methodologies is provided in the Direct Testimony of DSU NO witness Mr. Little. The proposed operation structure is shown below for reference:



Q CAN YOU PLEASE ELABORATE ON THE MANAGEMENT AND GOVERNANCE OF DSU NO BY BERNHARD CAPITAL?

A Yes. Bernhard Capital has an established history of investing in sound companies and creating value and growth through the injection of strong management resources, experience, and knowledge. Bernhard Capital has acquired several businesses in carve-out transactions from publicly traded companies, similar to the Transaction structure associated with the ENO Gas

Business assets. Having run a large, publicly traded company, the Bernhard Capital team is sensitive to the issues inherent in carve-out sales of a business and the necessity of achieving Day One Readiness.

With respect to DSU NO, Bernhard Capital is committed to maintaining company level management as well as investment-level management in Louisiana, and has an experienced team in place to ensure the parties work jointly and in cooperation with the Council on a smooth and seamless acquisition and transition. DSU NO will be governed by a Board that is partially comprised of myself, Mr. Foster Duncan, an Operating Partner of Bernhard Capital, Mr. Julius Bedford, a Principal at Bernhard Capital, and Mr. Peter Tumminello, the former Group President, Commercial Businesses of Southern Company Gas. The resumes of Mr. Duncan and Mr. Bedford are provided in Exhibits JY-4 and JY-5, respectively, to my direct testimony, and the resume of Mr. Tuminello is provided in Appendix C to the Direct Testimony of Mr. Little. Further, there is a Transition Plan Team for the Transaction that is comprised of professionals with decades of experience in utility operations and services, and navigating similar transactions. A chart showing the makeup of DSU's Transition Plan Team is provided in Exhibit BL-1 to The Direct Testimony of Brian Little. This Transition Plan Team includes:

- A utility and industry executive with more than 20 years of experience in the natural gas and electric utility sectors, including at a Fortune

500 and S&P 500 corporation that was the largest natural gas distribution company in the U.S.

- A Vice President of a Fortune 100 energy business.
- A Partner with more than 30 years of senior corporate, private equity and investment banking experience, including a role as the CFO of a Fortune 250 energy and utility company.
- A natural gas industry executive with 30 years of experience in the energy industry.
- A 14-year CEO of a utility service company with more than 8,000 employees.

Bernhard Capital understands the complex nature of owning and operating utilities and has experience in working with the governmental authorities having jurisdiction over utilities and it appreciates the need to provide consistently safe, reliable, and affordable utility services.

While Bernhard Capital provides extensive resources to each of its managed companies and is also geographically near to the DSU operations, it believes that strong and experienced local management at the company level is imperative to making the correct operational and management decisions day in and day out. This strong local management is beneficial for a number of reasons: (i) it furthers the core-focus concept as the local teams are solely focused on the management of the LDC and the success of the business for the benefit of the customers and employees thereof, (ii) the local management teams live and work in Baton Rouge and New Orleans and interact with the employees and customers on a day to day basis and are therefore better able to make the correct decision in a timely manner, and to understand the direct impact of those decisions on these parties, and (iii) this structure establishes a sense of accountability between the local management and the local employees that establishes a chain of command as well as upward mobility and growth opportunities for all employees. The Transition Plan of DSU is further discussed in the Direct Testimony of Mr. Little.

Q WHAT EXPERIENCE DOES DSU NO HAVE IN OPERATING A PUBLIC UTILITY?

A DSU NO is a special purpose entity, newly formed for the sole purpose of acquiring and operating the ENO Gas Business assets. While DSU NO is a newly formed entity, the company is supported by management and employees with substantial depth and experience in operating local gas distribution public utilities, as well as the ENO Gas Business assets themselves. First and foremost, each of the approximately 200 employees primarily engaged in Entergy's gas distribution businesses will be offered employment by DSU at Closing. The day-to-day institutional knowledge of these employees is imperative to the seamless transition of service, and will ensure the customers continue to receive the same level of service on day one of DSU NO LDC operations. Further, DSU estimates the Transaction will result in an additional 100 new jobs in Louisiana associated with DSU LA and DSU NO providing continued safe, reliable and affordable LDC services, including jobs to replace some service components that will not transfer with the ENO Gas Business assets. Finally, as discussed above, DSU NO's operations are supported by Bernhard Capital's extensive experience investing in critical services and infrastructure, including investment in a LPSC jurisdictional utility, and its management resources with decades of experience in utility operations and services, as further detailed above.

Q WHAT MAKES THE DSU STRUCTURE DISTINCT FROM THE ORGANIZATIONAL STRUCTURE CURRENTLY IN EFFECT?

A DSU will be an operating platform that has a sole focus on the operation, maintenance, investment and growth of a gas distribution utility and the safe and reliable provision of gas service to the DSU LA and DSU NO customers. This core focus is fundamentally different than Entergy's business model, which is comprised of an integrated electric and gas utility service provider. Our core focus allows the management, Board, and employees, to concentrate attention, capital investment and resources exclusively on the gas distribution business without having to divide attention and resources between other utility functions. As further discussed in the Direct Testimony of Mr. Little, the ENO Gas Business makes up a small percentage of revenue in comparison to the electric business of ENO. The core focus on DSU NO's gas distribution operations will eliminate capital pressure or resource competition experienced by the smaller Gas Business being integrated with the much larger electric utility. This core focused structure allows DSU to dedicate its efforts and resources exclusively to the benefit of the gas distribution operations particularly with respect to customer service, reliability, safety, growth and affordability.

Q HOW DOES THE CORE FOCUS CONCEPT IMPACT THE OPERATIONS AND INVESTMENTS OF THE COMPANY?

A As discussed further in the Direct Testimony of Mr. Little, the core focus concept will be immediately beneficial to all aspects of the utility through the implementation of systems and operations infrastructure that is also core focused on the provision of gas service, instead of sometimes borrowed from the electric business. As the Transition Plan is carried out and Closing is achieved, the core focus benefit will compound as the utility begins to be operated by management and a Board that share in the core focus concept and there will no longer be contention for resources with a related electric utility.

Q HOW WILL DSU OPERATIONS AND STORM RESPONSE BENEFIT FROM BERNHARD CAPITAL RESOURCES AND OPERATING HISTORY IN LOUISIANA?

A The DSU storm response plan will initially adopt the existing ICS structure discussed in the Direct Testimony of Mr. Arnould, as Entergy has extensive history in storm response and has used its historical experience and available resources to develop the existing plan. However, as discussed above, Bernhard Capital also has extensive experience and resources in the disaster response and recovery space. The core focused utility will analyze and modify the existing plan to accommodate the additional resources available to DSU NO through the Bernhard Capital portfolio of companies. This allows DSU NO to leverage the experience and expertise of Entergy while accommodating the additional experience and resources provided through Bernhard Capital. The result of any modification to the plan would be to expedite the core purpose of reestablishing safe and reliable gas service.

Q WHAT OTHER BENEFITS CAN CUSTOMERS EXPECT TO RECEIVE UNDER BERNHARD CAPITAL'S OWNERSHIP?

A Bernhard Capital has an extensive track record of successfully implementing a purchase and grow investment strategy. The strategy has resulted in the creation of 19 platform companies across the funds that have benefitted from approximately 67 total acquisitions. Bernhard Capital is committed to investing in the growth of the DSU LDCs through expansion of systems and the acquisition of additional systems. This growth strategy will provide customer and resource growth that will enhance economies of scale, buying power, and operational efficiencies benefitting all customers of the systems.

IV. DSU NO'S REQUEST TO OPERATE AS LOCAL DISTRIBUTION COMPANY AND TRANSITION TO A STAND-ALONE LDC

Q IS DSU NO REQUESTING AUTHORITY TO OPERATE AS A NATURAL GAS PUBLIC UTILITY SUBJECT TO THE JURISDICTION OF THE NOCC?

A Yes, DSU NO is seeking to operate as a Council-jurisdictional LDC. Thus, as a result of the Transaction, there will be no impact on the NOCC's jurisdiction over the LDC assets and the NOCC will continue to regulate the rates and services of the LDC within the City of New Orleans. In addition, and as previously mentioned, because DSU NO will continue to be a NOCC-regulated LDC operating in the New Orleans service area of ENO, there will also not be any impact on competition for retail gas service.

V. DSU NO'S REQUEST TO ACQUIRE ENO'S LDC ASSETS

Q. PLEASE IDENTIFY THE ASSETS OF ENO THAT DSU NO IS REQUESTING APPROVALTO ACQUIRE.

A. DSU NO is seeking Council authority to acquire the Purchased Assets, as defined in the Transaction Agreements, which are generally comprised of the assets primarily used in ENO's Gas Business operations. The Transaction also includes the assumption of the Assumed Liabilities, as defined in the Transaction Agreements. The Purchased Assets do not include assets that are jointly used for ENO's electric and LDC operations. Such shared assets are not transferring to DSU NO. Further, certain shared services that are currently provided by ESL will no longer be provided to DSU NO after Closing. Thus, DSU NO will need to replace these non-transferring assets and services. A description of the to be acquired assets and the assets and services needing to be replaced is provided in the Direct Testimony of DSU NO witness Mr. Little.

Q. HOW WILL DSU NO'S ACQUISITION OF THE ENO GAS BUSINESS ASSETS BENEFIT CUSTOMERS IN THE SHORT-TERM AND LONG-TERM?

A. In the short term, certain aging infrastructure will continue to be timely replaced and modernized technology will be implemented during the Transition Plan. More importantly, in the long term, the LDC will not be contending with the capital needs of ENO's electric operations – meaning DSU NO can direct capital to beneficial investment opportunities for the benefit of the LDC customers. Further, such future investment will be specific to the needs of the natural gas operations and not electric utility operations. These short-term and long-term benefits are addressed more specifically in the Direct Testimony of Mr. Little.

VI. DSU NO'S REQUEST TO ADOPT ENO'S LDC RATE SCHEDULES

Q. PLEASE PROVIDE AN OVERVIEW OF DSU NO'S REQUESTED RATE RELIEF?

A. DSU NO is not seeking to change rates in place for ENO's LDC customers at Closing in connection with the Transaction. Rather, DSU NO is seeking to maintain the status quo by adopting the rates and rate schedules of ENO for its

LDC operations. This includes the base rate schedules and rider rate schedules, including the current GFRP that has a final rate change in September 2025.

Further, DSU NO commits to filing a full rate proceeding not sooner than 15 months post-Closing, which will allow for the NOCC to evaluate and determine a just and reasonable return on equity, capital structure, rate base, annual revenues and expenses and retail rate schedules specific to DSU NO with at least 12 months of stand-alone operating expenses and revenue. In that rate proceeding, DSU NO will also seek the approval of the NOCC to begin to recover deferred costs to standup the LDC, net of any revenues recovered in rates adopted by DSU NO at Closing that relate to non-transferred assets. However, by deferring recovery of costs for standing up the standalone LDC until a final order in the subsequent rate proceeding, the LDC ratepayers will enjoy the benefits of the standalone LDC for a period of approximately two years post-Closing prior to the investments for standing up the LDC being reflected in rates.

VII. DSU NO'S REQUEST FOR IMPLEMENTATION OF REGULATORY ASSET FOR FUTURE RECOVERY.

Q PLEASE EXPLAIN WHY DSU NO NEEDS TO CREATE A REGULATORY ASSET FOR FUTURE RECOVERY IN ORDER TO ACCOMPLISH THE TRANSACTION.

A The Transaction is dependent upon DSU NO replacing certain assets and services owned and/or provided by ENO or its shared service organization that are not transferring. These assets and services must largely be replaced prior to the Closing of the Transaction to ensure Day One Readiness and that the transfer is as seamless as reasonably possible and service to customers is not impacted in any way. Thus, DSU NO must begin to implement its Transition Plan immediately, prior to Closing and the receipt of required regulatory approvals. Creation of a regulatory asset is a critical component of the Transaction to ensure that DSU NO has the opportunity in the future to recover its investment in standing up a stand-alone LDC.

Q WHY IS STANDING UP A NEW, "FIT-FOR-PURPOSE" LDC IN THE PUBLIC INTEREST?

A The Transaction requires standing up a new, "fit-for-purpose" LDC, which will provide both short-term and long-term benefits to affected customers, the local communities, and Louisiana's economy. The Transaction maintains the local utility management, current employees and Purchased Assets currently used to provide natural gas service to ENO's LDC customers, while also creating a new stand-alone LDC to serve the City of New Orleans. DSU NO will dedicate its sole attention to the LDC operations while also promoting local job growth and investment in new systems and technology to ensure the new DSU NO LDC can provide safe, reliable, and affordable natural gas service into the future. Further, with Bernhard Capital management being Louisiana based, the

Transaction will result in a new core focused utility with company level management and ownership level management of the LDC assets in Louisiana. Additional details on the assets and service being replaced and benefits of such investment by DSU NO in the LDC is provided in the Direct Testimony of Mr. Little on behalf of DSU NO.

Q IS DSU NO ASKING FOR NOCC APPROVAL FOR DSU NO RECOVERY OF THE REGULATORY ASSET(S) IN THIS PROCEEDING?

A No. While standing up a new LDC should be recognized as an integral component of the Transaction, DSU NO is not seeking prior approval of recovery of costs to accomplish such transition to a stand-alone LDC. Rather, DSU NO intends to request that in its initial rate proceeding the Council review the costs deferred for standing up the new LDC and that prudently incurred costs be authorized at that time for recovery, net of any revenues recovered in rates for non-transferred assets.

VIII. DSU NO'S REQUEST FOR NON-OPPOSITION TO FINANCING

Q. PLEASE PROVIDE A DESCRIPTION OF YOUR SOURCES OF FUNDING FOR THE TRANSACTION.

A. DSU NO has committed financing approved by sophisticated lenders and based on market terms that similarly encumber the assets of the LDC. Further, in this proceeding, DSU NO is not requesting to change the cost of debt or capital structure approved by the NOCC for the ENO Gas Business for ratemaking purposes. The Financing is further comprised of the below:

- New Debt: DSU has binding debt financing commitments from a consortium of lenders from some of the largest and most sophisticated asset managers in the world (collectively, the "**Lenders**"). These institutions have long-term track records of successfully investing in critical infrastructure projects around the globe. Using this experience as a foundation, the Lenders have now made a commitment to partnering with Bernhard Capital in a long-term investment in Louisiana's infrastructure.
- The Lenders will also provide DSU NO with a medium-term note facility that will allow DSU NO to obtain additional debt capital on pre-established terms and issuance parameters for continued investment into the assets. DSU will further establish a revolving credit facility to increase liquidity as necessary for working capital and capital expenditure requirements.
- Owner Capital: The remainder of the Purchase Price would be funded with owner capital committed through the BCP Infrastructure Fund.

Q. HOW WOULD DSU NO OBTAIN CAPITAL NECESSARY TO FUND CAPITAL PROJECTS UNDER THE NEW OWNERSHIP STRUCTURE?

A. DSU NO will fund capital projects (i) by raising additional debt from medium-term note facilities, such as the facility being provided by the Lenders, (ii) by drawing additional debt from revolving credit facilities, (iii) by utilizing unrestricted cash reserves at DSU NO, and (iv) through the contributions of owner capital from the BCP Infrastructure Fund.

IX. OTHER REQUESTED RELIEF

Q PLEASE EXPLAIN OTHER RELIEF NECESSARY FOR A SMOOTH TRANSITION FOLLOWING CLOSING OF THE TRANSACTION.

A First, it is important that the transition is transparent to ENO Gas Business customers. Thus, DSU NO and ENO will ensure customers are aware of the Transaction and the new owner and operator of the LDC.

Second, to ensure a smooth transition, ENO and DSU NO are proposing that ENO be allowed to transfer LDC customer information to DSU NO, including information necessary for continued use of advanced metering infrastructure among other customer-specific data.

Third, to avoid confusion and to simplify the transfer for the convenience of customers, ENO and DSU NO are proposing that certain customer deposits held by ENO for its LDC business customers transfer to DSU NO upon Closing. The methodology for determining the portion of the business customer deposit to transfer to DSU NO is set forth in Exhibit N to the PSA.

Q IS DSU NO REQUESTING ANY OTHER RELIEF?

A Yes, out of an abundance of caution, DSU NO is requesting the NOCC recognize that Purchased Assets currently recorded by ENO as CWIP not be considered an acquisition premium, or not specifically determine that CWIP included as a Purchased Asset is an acquisition premium. While the assets currently designated as CWIP are not yet in use, DSU NO should be allowed the opportunity to include the assets in rate base once they are placed in service, with recovery subject to any prudence review.

In addition, to maintain the status quo with respect to customer rates, DSU NO is requesting that the NOCC find that appropriate Council resolutions, orders and ordinances applicable to the ENO LDC are applicable to DSU NO at Closing of the Transaction, which at the time of filing of my direct testimony include, but may not be limited to, LDC provisions in Resolution Nos. R-03-272, UD-16-04, R-18-38, UD-18-07, R-18-227, R-19-457, R-20-67, R-20-133, R-23-157, R-23-423, and R-23-491; Ordinance Nos. 6822 C.C.S., 7069 C.C.S., 8423 C.C.S., 10,612 C.C.S., 1443 M.C.S., 4272 M.C.S., 12,162 M.C.S. and 17,963 M.C.S. (each as amended) of the City of New Orleans; and any Council ordinances and resolutions of general applicability to a Council-jurisdictional natural gas LDC.

X. STANDARD OF REVIEW

Q. WHAT STANDARD OF REVIEW APPLIES TO THIS APPLICATION AND THE TRANSACTION?

A. While I am not an attorney, I understand that the NOCC issued Resolution R-06-88 requires the NOCC to approve or not to oppose the Transaction and associated financing and asset encumbering as in the public interest based on a no harm standard of review. This Resolution sets forth 18 public interest factors ("**18-Factor Analysis**") for the Council to consider in determining if the Transaction and associated financing, asset encumbrance, as contemplated in the Transaction Agreements, is in the public interest.

Q. DOES THE TRANSACTION SATISFY THE 18-FACTOR ANALYSIS?

A Yes. Please see Appendix B to my testimony for discussion of each of the 18 public interest factors in Resolution R-06-88. Certain of these public interest factors are also discussed in the Direct Testimony of DSU NO witness Mr. Little and ENO witnesses Mr. Arnould and Ms. Rodriguez. Further, the financing of the Transaction and encumbering of the LDC assets is for a lawful purpose - - acquisition of the ENO LDC - - and as discussed above, will not impair DSU NO's ability to operate as a LDC. Thus, a finding that the Transaction is in the public interest should likewise result in the Council's finding that the proposed financing and encumbering of assets necessary to achieve the Transaction is also consistent with the public interest and the best interest of ratepayers.

XI. INTRODUCTION OF OTHER DSU NO WITNESSES

Q WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A DSU NO's and ENO's Joint Application is accompanied by the direct testimony of four witnesses, including myself. Below I provide a short summary of the other witnesses' testimony to aid in review of the same.

> **<u>Brian Little</u>:** Brian Little is a finance and accounting executive with more than thirty years of diverse and progressive business leadership experience mainly in medium to large public companies. Mr. Little spent the majority of his career in the energy and natural gas industry with various subsidiaries of AGL Resources Inc. and Southern Company Gas including serving as Chief Financial Officer, Commercial Businesses before retiring in July of 2018. Mr. Little is currently serving as an Accounting/Financing Executive on the DSU NO Transition Team and is providing direct testimony on behalf of DSU NO in support of the Transaction. Mr. Little's direct testimony provides details on DSU NO's Transition Plan, including the operational structure and management, replacement assets and services and estimated cost of such assets and services and timeline for transitioning. Mr. Little also discusses the short and long-term benefits of replacing certain assets and services and benefits of created a new shared services organization for the stand-alone DSU NO LDC and its affiliate LDC seeking to acquire ELL Gas Business assets.

> **<u>Deanna Rodriguez:</u>** Deanna Rodriguez is President and Chief Executive Officer ("**CEO**") of ENO. As President and CEO of ENO, Ms. Rodriguez has executive responsibility for ENO, including financial responsibility for the business and assets that are used to serve customers, which include generation, transmission, and distribution assets. In addition, Ms. Rodriguez's responsibilities include oversight of the field management of ENO's gas distribution system, electric distribution and transmission systems, customer service, economic development, public affairs, regulatory affairs, and governmental affairs. In this proceeding, Ms. Rodriguez provides direct testimony in support of the Transaction being in the public interest and satisfying certain other of the eighteen factors of Resolution R-06-88.

<u>Anthony P. Arnould, Jr.</u>: Anthony P. Arnould, Jr., is the Director of the ELL and ENO LDC gas distribution businesses. Mr. Arnould leads all aspects of delivering safe, reliable and affordable natural gas to Entergy's more than 200,000 natural gas customers in the New Orleans and Baton Rouge areas. He also oversees employees responsible for the construction, engineering, operation and maintenance of gas system in Louisiana. Mr. Arnould's career at Entergy spans more than two decades. Mr. Arnould provides direct testimony in support of the Transaction being in the public interest, including the transition from ENO to DSU NO operations and the fairness and reasonableness of the Transaction to current Entergy employees primarily engaged in gas operations.

XII. <u>SUMMARY OF RECOMMENDATIONS</u>

Q CAN YOU PLEASE SUMMARIZE YOUR RECOMMENDATIONS TO THE COUNCIL?

A For the reasons discussed in my testimony, I recommend that the Council find as follows:

1. That DSU NO be authorized to operate as a natural gas LDC within the City of New Orleans, subject to the jurisdiction and regulation of the NOCC;
2. That the Transaction, in accordance with the terms of the Transaction Agreements, be approved as in the public interest;
3. That the NOCC approve DSU NO's assumption and adoption of the ENO Gas Business rates and rate schedules in effect at Closing of the Transaction and/or supported by the most recent evaluation period, including ENO's GFRP, which assumption and adoption will continue until the NOCC's review and approval of DSU NO's own base rates and FRP

mechanism based upon a DSU NO rate application to be filed not sooner than 15 months after Closing, using a prior consecutive 12-month historical test year period;

4. That the NOCC authorize DSU NO to establish a regulatory asset(s) for purposes of deferring costs for recovery in a future proceeding, net of any amounts recovered in the rates adopted by DSU NO at Closing as discussed in the Direct Testimony of Mr. Little, to standup the new LDC and replace certain assets that are not being transferred as part of the Transaction and certain shared services that will no longer be provided by ENO after the Transaction's Closing;

5. That the NOCC find that CWIP purchased from ENO by DSU NO as part of the Purchased Assets shall not be treated as acquisition premium, or not specifically determine that CWIP included as a Purchased Asset is an acquisition premium, such that DSU NO has the opportunity for recovery of such assets in a future proceeding once the assets are placed in service;

6. That the NOCC issue its approval or non-opposition to DSU NO incurring indebtedness to finance the asset acquisition and stand-up costs of DSU NO, inclusive of encumbering LDC assets as part of the financing;

7. That the NOCC approve or not oppose the transfer of deposits of the ENO Gas Business customers by ENO to DSU NO, as proposed in the PSA;

8. That the NOCC approve the transfer of certain customer data, including AMI data, by ENO to DSU NO; and

9. That the NOCC find that those appropriate Council resolutions, orders and ordinances applicable to the ENO LDC are applicable to DSU NO at Closing of the Transaction, which at the time of filing of my direct testimony include, but may not be limited to, LDC provisions in Resolution Nos. R-03-272, UD-16-04, R-18-38, UD-18-07, R-18-227, R-19-457, R-20-67, R-20-133, R-23-157, R-23-423, and R-23-491; Ordinance Nos. 6822 C.C.S., 7069 C.C.S., 8423 C.C.S., 10,612 C.C.S., 1443 M.C.S., 4272 M.C.S., 12,162 M.C.S. and 17,963 M.C.S. (each as amended) of the City of New Orleans; and any Council ordinances and resolutions that may be applicable to a Council-jurisdictional natural gas LDCs.

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A Yes, it does.

APPENDIX A

Jeff Yuknis

Career Summary

Jeff Yuknis is Managing Director at Bernhard Capital Partners and a member of the Investment Committee for BCP Infrastructure Fund I, LLC. He is also a member of the Board of Directors for Delta States Utilities, LLC, which is the parent company of Delta State Utilities LA, LLC and member of the Board's Transition Committee.

At BCP he is responsible for sourcing and negotiating investments in utilities. Jeff also ensures that the utility companies are well managed by placing experienced management professionals in key positions and providing appropriate capital structuring. Jeff also sits on the boards of BCP's utility investments, helping to ensure the utilities are performing well. As an active member of the BCP Infrastructure Fund's Investment Committee, Jeff reviews and approves all investment decisions. He also drives growth at the utility companies, either organically, through new customer growth, or inorganically, through acquisitions of new utilities.

Prior to his current role, Jeff served as VP for Exelon, a Fortune 100 company involved in every stage of the energy business: power generation, competitive energy sales, transmission and delivery. Jeff 's 16-year career at Exelon spanned leadership positions in all aspects of the electric value chain.

His experience includes responsibility as COO, Exelon Transmission Company and COO of Exelon Microgrid Company. In addition to power and utility marketing, power purchase restructuring and M&A, Jeff has led engineering focused functions with the responsibility of identifying and pursuing grid upgrade projects designed to deliver system efficiencies and lower costs to customers. Jeff has been a leader in deal origination, mergers and acquisitions analysis and modeling, due diligence processes, business case development, new business establishment and business operations.

Career History

Managing Director, Bernhard Capital Partners
Vice President, Exelon
Director, Exelon
Manager, Corporate Development, Exelon
Regional Marketing Manager, Exelon
Contract Manager, Exelon

Education/Professional Certifications

Bachelor of Science, Finance, University of Illinois
MBA, University of Chicago

BEFORE THE

COUNCIL OF THE CITY OF NEW ORLEANS

DELTA STATES UTILITIES NO, LLC ENTERGY NEW ORLEANS, LLC AND, EX PARTE.	)	**DOCKET NO. UD-________**
IN RE: APPLICATION FOR AUTHORITY TO OPERATE AS LOCAL DISTRIBUTION COMPANY AND INCUR INDEBTEDNESS AND JOINT APPLICATION FOR APPROVAL OF TRANSFER AND ACQUISITION OF LOCAL DISTRIBUTION COMPANY ASSETS AND RELATED RELIEF.	)	

18 FACTOR PUBLIC INTEREST ANALYSIS

Delta States Utilities NO, LLC ("**DSU NO**") seeks a public interest finding from the Council of the City of New Orleans ("**NOCC**" or "**Council**") in accordance with Council Resolution R-06-88. As demonstrated below in response to the 18 factors of Resolution R-06-88, authorization of DSU NO as a Council-jurisdictional natural gas LDC, the sale and transfer by Entergy New Orleans, LLC ("**ENO**") to DSU NO of its assets primarily used to provide regulated natural gas local distribution company ("**LDC**") services ("**Purchased Assets**") and the assumption by DSU NO of certain ENO liabilities ("**Assumed Liabilities**"), in accordance with the Purchase and Sale Agreement ("**PSA**") and ancillary agreements ("**Transaction Agreements**") (collectively the "**Transaction**"), and DSU NO's incurring debt and encumbering the Purchased Assets for financing of the Transaction and standing up of the new LDC, each satisfies all of the relevant public interest factors, will not result in harm and/or will provided net benefits to the affected stakeholders and is in the public interest.

1) Whether the transfer is in the public interest.

As described herein, the Transaction will result in a new, stand-alone "fit-for-purpose" natural gas LDC that possesses the financial, technical, and managerial expertise in the industry with a strong commitment to Louisiana and local job creation. After the Transaction Close, DSU NO will continue to provide a high level of safe, reliable and affordable local gas distribution services to all of ENO's existing LDC customers at just and reasonable rates utilizing the same experienced employees of ENO, who will be offered employment by DSU NO as part of the Transaction. Further, DSU NO is a portfolio company of the BCP Infrastructure Fund ("**BCP Infrastructure Fund**") and affiliated with Bernhard Capital Partners ("**Bernhard Capital**"), and thus will have the ability to obtain capital for any improvements and replacement assets and systems. The Transaction will result in the LDC assets being operated and managed by DSU NO locally, and will also maintain ownership level management of these assets in Louisiana. The Transaction will not result in harm to the ENO LDC customers. Rather, the Transaction is intended to be seamless to, and will inure to the benefit of, current LDC customers of ENO. More specifically, a non-exhaustive list of benefits include:

a) Standing up a new, stand-alone "fit-for-purpose" LDC with a singular focus on providing safe, reliable and cost-effective natural gas service to customers, without contending for electric utility capital investment;

b) DSU NO's financial and technical ability to invest in and integrate additional assets and systems specific to the new LDC, with economies of scale still available through a shared services organization that will provide services not only to DSU NO but to its affiliate company seeking authority of the Louisiana Public Service Commission ("**LPSC**" or "**Commission**") to acquire the assets of Entergy Louisiana, LLC ("**ELL**") that are primarily used for its regulated natural gas local distribution company business ("**ELL Gas Business**").

c) The ability for ENO to use the net proceeds from the Transaction to support capital needs in its growing electric utility business for the benefit of its electric customers;

d) DSU NO's commitment to adhere to the currently approved rates in the gas base rate schedules of ENO at the time of Closing or supported by the most recent evaluation period of the ENO LDC's current GFRP, and, thereafter, DSU NO will continue service under consistent rates until a subsequent rate application is submitted not less than 15 months after Closing. This will benefit customers by providing rate consistency for an extended period.

e) DSU NO's commitment to also adhere to the terms of the ENO Gas Business rate schedules and riders, including for example ENO's GFRP and the until such time as revised by final order of the Council in a subsequent DSU NO rate proceeding;

f) DSU NO and its parent company Delta States Utilities, LLC ("**DSU**") and affiliate Delta States Utilities LA, LLC ("**DSU LA**") (collectively "**DSU Utilities**") commitment to offer employment to employees of ENO, Entergy Services, LLC ("**ESL**"), and ELL (collectively "**Entergy**") who are primarily engaged in it's the ELL and ENO gas operations, totaling approximately 200, with substantially the same level of compensation and benefits as currently provided by Entergy;

g) DSU's commitment to assuming the employee pension assets and liabilities associated with the gas utilities, including more than 160 Entergy retirees;

h) The Transaction resulting in the creation of approximately 100 new local jobs in Louisiana to facilitate DSU NO's providing of high-quality gas service to customers;

i) DSU NO's ability to leverage the experience, management resources and support of Bernhard Capital, who owns and manages a LPSC-regulated utility in Louisiana;

j) Maintenance of ownership level management of the LDC assets to Louisiana;

k) DSU NO commitment not to seek the recovery of transaction costs associated with the Transaction; and

l) DSU NO's commitment to be headquartered in New Orleans, Louisiana;

Accordingly, the Transaction is consistent with the public convenience and necessity and is therefore in the public interest.

2) Whether the purchaser is ready, willing, and able to continue providing safe, reliable, and adequate service to the utility's ratepayers.

DSU NO is committed to continue to provide high quality safe, reliable, and affordable local gas distribution services to its New Orleans customers. As a stand-alone "fit-for-purpose" LDC, DSU NO will benefit from the institutional knowledge and reliability provided by the continuation of employment of the existing ENO Gas Business employees, which benefit will be magnified as DSU NO will be in a position to concentrate management focus on investments that enhance safety, performance and customer service of the gas operations. DSU NO will also endeavor to utilize Louisiana-based labor and contractors in making the investments and performing associated work. DSU NO will not only be headquartered locally, but also will have private equity management with extensive public utility experience and resources located locally as well. DSU LA is also committed to adopting ELL's Incident Command System ("**ICS**") structure to ensure the safety and reliability of the gas distribution system, even during natural disasters, and to use Bernhard Capital's extensive experience and resources in the disaster response and recovery space and to analyze and modify the existing ICS to accommodate the resources available to DSU LA through the Bernhard Capital portfolio of companies.

3) Whether the transfer will maintain or improve the financial condition of the resulting public utility.

The Transaction will maintain or improve the financial condition of the ENO Gas Business. After the Transaction is completed, DSU NO will have access to local equity capital through its relationship to Bernhard Capital, and additional capital required to maintain or improve the financial condition of the LDC and sustain its operations. Moreover, DSU NO has committed financing arranged solely for a natural gas LDC business approved by sophisticated lenders have long-term track records of successfully investing in critical infrastructure projects around the globe.

4) Whether the proposed transfer will maintain or improve the quality of service to public utility ratepayers.

The Transaction will maintain or improve on the quality of service received by ENO's LDC customers. DSU NO will offer employment to ENO's current employees primarily responsible for ENO's gas operations so they can continue to provide the same safe, reliable, and high-quality level of service to customers. DSU will be an operating platform that has a sole focus on the operation, maintenance, investment and growth of a gas distribution utility and the safe and reliable provision of gas service to DSU NO customers. This core focus allows the management, Board, and employees of DSU NO to concentrate attention, capital investment and resources exclusively on the gas distribution business without having to divide resources between other utility functions. Customers are expected to benefit from the modernization of the IT and customer interfaces, including the development of a customer service center dedicated solely to gas customers instead of shared among gas and electric customers, which will facilitate streamlined resolution of gas customer inquiries.

5) Whether the transfer will provide net benefits to ratepayers in both the short term and the long term and provide a ratemaking method that will ensure, to the fullest extent possible, that ratepayers will receive the forecasted short- and long-term benefit.

DSU NO will initially adopt the rates and rate schedules of the ENO Gas Business in effect at the time of Closing or supported by the most recent evaluation period of the ENO LDC's current GFRP, and DSU NO will file tariffs with the Council reflecting these rates. Further, DSU NO is committed to maintaining such rates in place until a final order in a full rate proceeding to be initiated not less than 15 months post-Closing, following a 12-month historical test year. To the extent the Transaction has any impact on customers, that impact will be a net positive as net benefits accrue over time. In the short term, as part of transitioning the existing ENO LDC assets into a new stand-alone LDC, DSU NO will invest in new assets and systems to replace those ENO's assets excluded from the Purchased Assets, and DSU NO will hire additional employees as required to run the LDC. Further, DSU NO will continue to make investments in gas infrastructure through the GIRP, pursuant to Resolution R-19-457, and through the IM Program, both with funding provided through the FRP. In addition, DSU NO has incurred and will incur transaction costs to accomplish the Transaction; however, DSU NO will not seek to recover these costs from customers.

In the long term, DSU NO's operation as a stand-alone system will allow greater focus on gas operations and customer service. DSU NO will also be focused on hiring or utilizing Louisiana labor and equipment providers where it is prudent.

In addition, the Transaction offers benefits to ENO's electric customers. To the extent that ENO can reduce its total debt or increase equity through reinvestment, the Transaction would also serve to improve ENO's credit by reducing debt capitalization. The strengthening of ENO's credit is a benefit to shareholders and customers because credit risk is a key consideration by rating agencies evaluating the Company's risk profile, where lower perceived risk would provide the Company access to debt and equity markets on more favorable terms including access to lower cost capital, which ultimately affects customer rates.

6) Whether the transfer will adversely affect competition.

DSU NO will step into ENO's place as the sole operator of LDC services in the New Orleans service area, so the Transaction will in no way adversely affect competition.

7) Whether the transfer will maintain or improve the quality of management of the resulting public utility or common carrier doing business in the City.

The Transaction will satisfy the requirement to maintain or improve the quality of management of the LDC. DSU NO's management have the financial, technical, and managerial expertise to own and operate the gas system. Further, the DSU Board will be partially comprised of Jeff Yuknis, Managing Director at Bernhard Capital, Foster Duncan, an Operating Partner of Bernhard Capital, Julius Bedford, a Principal at Bernhard Capital, and Peter Tumminello, the former President of Southern Company Gas. All levels of management of DSU NO will be provided in Louisiana. DSU NO's operations are further supported by Bernhard Capital's extensive experience investing in critical services and infrastructure, including investment in a LPSC jurisdictional utility, and its management resources with decades of experience in utility operations and services. Thus, the Transaction will satisfy the requirement to either maintain or improve the quality of management of the ENO Gas Business.

8) Whether the transfer will be fair and reasonable to the affected public utility or common carrier employees.

The Transaction will be fair and reasonable to Entergy employees. At a minimum, DSU will offer employment to all of Entergy's employees primarily engaged in the gas business, a number currently totaling approximately 200. Further, DSU will provide a combination of compensation and benefits intended to be substantially similar to and no less favorable than the employees' existing compensation and benefits provided by Entergy. DSU has also committed to honoring the bargaining-unit agreement in place at ENO Gas Business, and to assuming the employee pension assets and liabilities associated with the gas utilities, including more than 160 Entergy retirees.

9) Whether the transfer would be fair and reasonable to the majority of all affected public utility or common carrier shareholders.

The Transaction involves the sale of assets and does not involve the transfer of any shares of stock of ENO or its affiliates. As confirmed in the Direct Testimony of ENO witness Ms. Deanna Rodriguez, the fairness of this transaction to ENO's shareholders is evidenced by the availability of new capital to fund beneficial investments in the electric utility that would not otherwise be available. By freeing up capital that otherwise would be invested in the ENO Gas Business and utilizing for future electric investment the net proceeds created by the Transaction, ENO may be able to reduce its dependency on new financings and maintain its ability to access capital markets for other beneficial investments. In addition, the Transaction should enable ENO to pay off some of its debt, which improves its credit. Finally, the Transaction was the result of a sales process conducted by ENO and the agreed-upon price is the result of good-faith, arms-length negotiations between ENO and DSU NO's parent entities.

10) Whether the transfer will be beneficial on an overall basis to City and local economies and to the communities in the area served by the public utility or common carrier.

The Transaction will be beneficial on an overall basis to City of New Orleans and local economies and to the communities in the area served by the ENO. DSU NO is a portfolio company of the BCP Infrastructure Fund and affiliated with Bernhard Capital, a Louisiana-based private equity company that includes Louisiana based limited partners. Bernhard Capital has a long history of investing in Louisiana with a total direct employment of over 5,500 Louisiana jobs between the BCP portfolio companies. DSU NO will be a new LDC company headquartered in New Orleans and entirely focused on the gas business. DSU NO executives will be located in Louisiana and have utility experience, and DSU NO will continue to maintain a strong local presence in New Orleans and in the State of Louisiana. As a result of the Transaction and standing up a new standalone LDC, DSU estimates the creation of approximately 100 new local jobs in Louisiana to facilitate DSU NO's providing of high-quality gas service to customers, with a large portion of jobs to be located at the New Orleans headquarters. The Transaction will also result in the continued management of the assets in Louisiana, and investment level management being located in Louisiana.

11) Whether the transfer will preserve the jurisdiction of the Council and the ability of the Council to effectively regulate and audit public utility's or common carrier's operations in the City.

DSU NO is requesting to operate as a Council-jurisdictional local gas distribution company within the City of New Orleans. Thus, the Transaction will preserve the jurisdiction of the Council and the ability of the Council to effectively regulate and audit the new LDC's operations within the City. The Transaction will replace one investor-owned utility with another, with the LDC remaining subject to the Council's jurisdiction.

12) Whether conditions are necessary to prevent adverse consequences which may result from the transfer.

There are no regulatory conditions necessary to prevent adverse consequences that may result from the Transaction. Rather, the Transaction is expected to allow greater focus on gas operations and investment in new assets and systems to ensure high-quality local gas distribution services for customers.

13) The history of compliance or noncompliance of the proposed acquiring entity or principals or affiliates have had with regulatory authorities in this City or other jurisdictions.

DSU NO is a newly formed entity, created for the sole purpose of acquiring the local gas distribution assets of ENO and providing LDC services to within the City of New Orleans. However, DSU NO's affiliated LPSC-jurisdictional wastewater and water utility, National Water Infrastructure, LLC, has a history of compliance with regulatory authorities in Louisiana. Further, Bernhard Capital and the management of DSU NO have a long history of proactively working with regulatory agencies to ensure compliance.

14) Whether the acquiring entity, persons, or corporations have the financial ability to operate the public utility or common carrier system and maintain or upgrade the quality of the physical system.

After the Transaction is completed, DSU NO will have access to equity capital through its relationships to Bernhard Capital, and additional required capital and financial ability to operate, maintain and, to the extent necessary, facilitate upgrades to the local gas distribution company.

15) Whether any repairs and/or improvements are required and the ability of the acquiring entity to make those repairs and/or improvements.

While DSU NO will need to make investment to replace certain assets and services of ENO that are not transferring, no major repairs or upgrades to the ENO local gas distribution system are needed to consummate the Transaction. Moreover, DSU NO is able to make the necessary investments to stand-up the new, "fit-for-purpose" LDC and make all repairs and/or improvements should any ultimately be necessitated by the Transaction to ensure best-in-class service and high-quality gas service that is safe, reliable and affordable. However, given that certain assets of ENO are excluded from the Transaction, it will be necessary for DSU NO to invest in certain replacement assets and systems (*e.g*., accounting and IT system) for the new stand-alone local gas distribution company to operate. DSU NO is requesting the Council authorize the use of a regulatory asset to record the costs of these stand-up investments for future recovery to be determined in a future rate case before the Council.

16) The ability of the acquiring entity to obtain all necessary health, safety and other permits.

Relying on the experienced management of DSU NO and the ENO Gas Business employees that will be offered continued employment as part of the Transaction, and with the support of BCP Infrastructure Fund and Bernhard Capital, DSU NO will be able to maintain all necessary health, safety, and other permits for the local gas distribution system.

17) The manner of financing the transfer and any impact that may have on encumbering the assets of the entity and the potential impact on rates.

As a general matter and as stated above, DSU NO has incurred and will continue to incur Transaction costs; however, DSU NO will not seek to recover these Transaction costs from customers. Further, the proposed financing of the Transaction by DSU NO is reasonable and prudent. DSU NO has <u>committed</u> financing approved by sophisticated Lenders and based on market terms that similarly encumber the assets of the LDC. Further, in this proceeding, DSU NO is not requesting to change the cost of debt or capital structure approved by the Council for the ENO Gas Business for ratemaking purposes. DSU NO will initially adopt the ENO rates and rate schedules in effect at the time of Closing or that are supported by the most recent evaluation period under ENO's GFRP, and DSU NO will file tariffs with the Council reflecting these rates. Any future changes to rates, including an analysis of DSU NO's revenue requirement, capital structure and return on equity specific to DSU NO, will be subject to Council review and approval in a new rate application filed with the Council.

18) Whether there are any conditions which should be attached to the proposed acquisition.

Considering the foregoing responses to 18-Factor Analysis of Resolution R-06-88 and the commitments made herein, DSU NO and ENO do not believe any conditions should be attached to the Transaction.

HSPM Exhibit JY-1 (Under Seal)

DSU Organization Chart

[REDACTED]

HSPM Exhibit JY-2 (Under Seal)

<u>ELL Pipeline System Map</u>

[REDACTED]

CONTAINS HIGHLY SENSITIVE PROTECTED MATERIAL PURSUANT TO

OFFICIAL PROTECTIVE ORDER OF NEW ORLEANS CITY COUNCIL

HSPM Exhibit JY-3 (Under Seal)

<u>Transaction Agreements</u>

[REDACTED]

CONTAINS HIGHLY SENSITIVE PROTECTED MATERIAL PURSUANT TO OFFICIAL PROTECTIVE ORDER OF NEW ORLEANS CITY COUNCIL

EXHIBIT JY-4

R. Foster Duncan

Mr. Duncan is a native New Orleans resident with more than 35 years of senior corporate, private equity, and investment banking experience. Mr. Duncan is an Operating Partner of Bernhard Capital Partners, a $3.4 billion private equity fund and infrastructure fund based in Louisiana. Previously, Mr. Duncan worked at Kohlberg Kravis Roberts & Co. (NYSE: KKR) in KKR's New York office. He worked with KKR and its portfolio companies in connection with creating value and identifying and investing in the energy, utility, and infrastructure sectors. Mr. Duncan was also previously a Senior Advisor to Industry Funds Management (US), a global infrastructure investment company.

Earlier, Foster was Executive Vice President and CFO of Cinergy Corporation (NYSE:CIN), a Fortune 250 Company. He also served as Chairman of Cinergy's Investment Committee and CEO and President of Cinergy's Commercial Business Unit where he was responsible for Cinergy's worldwide energy merchant operations, regulated generation, and commodity trading. Foster has also held senior management positions with Louisville Gas & Electric Energy Corp. (NYSE: LGE) as a member of the Office of the Chairman and Executive Vice President and CFO, Freeport-McMoRan Copper & Gold (NYSE: FCX) where he was Corporate Treasurer and Head of Corporate Development, Howard Weil, a bulge bracket energy investment banking firm based in New Orleans, where he was Head of Corporate Finance and served on the Board of Directors and the Executive Committee. He is a past Chairman of the Financial Executive Committee as well as the Wall Street Advisory Committee of the Edison Electric Institute.

He graduated with Distinction from the University of Virginia with a B.A. in Government and Economics and later received his MBA in Finance from the A. B. Freeman Graduate School of Business at Tulane University. Foster has served on a number of corporate boards, including the Board of Directors and Chairman of the Audit Committee of Atlas Technical Consultants, Inc. in Austin, Tx (NASDAQ: ATCX), the Board of Directors and Chairman of the Compensation Committee of Atlantic Power Corporation (NYSE:AT) in Boston, Massachusetts, Chairman of the Board of Directors of Charah, Inc. in Louisville, Kentucky, the Board of Directors of Greentech Capital Advisors in New York, and the Board of Directors of Essential Power in Princeton, NJ.

Mr. Duncan is active in a number of civic organizations including in New Orleans the Board of Directors of the Greater New Orleans Foundation (Chairman of the Investment Committee), the Board of Directors of the Eye, Ear, Nose and Throat Hospital Foundation (Secretary and Treasurer), The Board of Directors of The Nature Conservancy of Louisiana (Chairman of the Effectiveness Committee), the Board of Directors of the New Orleans Museum of Art, and the Bureau of Governmental Research.

EXHIBIT JY-5

Julius Bedford

Career Summary

Julius Bedford is a Principal at Bernhard Capital Partners. He is involved in all areas of the firm's investment activities. Julius' responsibilities include sourcing and negotiating opportunities investment for the firm. In addition, Julius works with the management of Bernhard Capital Partners' infrastructure portfolio companies to enhance operational performance, advise on capital structuring, and support organic and inorganic growth initiatives.

Prior to joining Bernhard Capital Partners, Julius served as an Associate at Rockland Capital, LLC in Houston, TX. While at Rockland, Julius's responsibilities included the evaluation and analysis of investment transactions in the power sector. In addition, Julius worked as an Analyst with Barclays in their Power and Utilities investment banking group.

Career History

Principal, Bernhard Capital Partners
Vice President, Bernhard Capital Partners
Associate, Rockland Capital, LLC
Analyst, Barclays Investment Bank

Education/Professional Certifications

Bachelor of Science, Economics, Dartmouth College

BEFORE THE

COUNCIL OF THE CITY OF NEW ORLEANS

DELTA STATES UTILITIES NO, LLC AND ENTERGY NEW ORLEANS, LLC, EX PARTE. **IN RE: APPLICATION FOR AUTHORITY TO OPERATE AS LOCAL DISTRIBUTION COMPANY AND INCUR INDEBTEDNESS AND JOINT APPLICATION FOR APPROVAL OF TRANSFER AND ACQUISITION OF LOCAL DISTRIBUTION COMPANY ASSETS AND RELATED RELIEF.**	**)))))))))))))**	**DOCKET NO. UD-______**

Direct Testimony of

BRIAN K. LITTLE

On Behalf of

DELTA STATES UTILITIES NO, LLC

<u>JOINT APPLICATION EXHIBIT 2</u>

December 11, 2023

BEFORE THE

COUNCIL OF THE CITY OF NEW ORLEANS

DELTA STATES UTILITIES NO, LLC AND ENTERGY NEW ORLEANS, LLC, EX PARTE. **IN RE: APPLICATION FOR AUTHORITY TO OPERATE AS LOCAL DISTRIBUTION COMPANY AND INCUR INDEBTEDNESS AND JOINT APPLICATION FOR APPROVAL OF TRANSFER AND ACQUISITION OF LOCAL DISTRIBUTION COMPANY ASSETS AND RELATED RELIEF.**	))))))))))))	**DOCKET NO. UD-_______**

AFFIDAVIT OF BRIAN K. LITTLE

STATE OF FLORIDA

COUNTY OF WALTON

Brian Little, being first duly sworn, on his oath states:

1. My name is Brian Little. I am a self-employed, independent contractor, and affiliated with (but not directly employed by) the consulting firm Anticipate Energy Advisors LLC. My principal place of business is located at 150 Cabana Trail, Santa Rosa Beach, FL 32459.

2. Attached hereto and made a part hereof for all purposes is my direct testimony which was prepared in written form for introduction into evidence in this proceeding before the Council of the City of New Orleans.

3. I hereby swear and affirm that my testimony is true and correct and that it shows the matters and things that it purports to show.

Br K. Little

____

Brian K. Little

Subscribed and sworn to before me this 8 day of December, 2023.

Zachary Ferrulli

____

NOTARY PUBLIC STATE OF FLORIDA

ZACHARY FERRULLI
Commission # HH 161126
Expires August 4, 2025
Bonded Thru Budget Notary Services

Notary Public

BEFORE THE

COUNCIL OF THE CITY OF NEW ORLEANS

DELTA STATES UTILITIES NO, LLC AND ENTERGY NEW ORLEANS, LLC, EX PARTE. **IN RE: APPLICATION FOR AUTHORITY TO OPERATE AS LOCAL DISTRIBUTION COMPANY AND INCUR INDEBTEDNESS AND JOINT APPLICATION FOR APPROVAL OF TRANSFER AND ACQUISITION OF LOCAL DISTRIBUTION COMPANY ASSETS AND RELATED RELIEF.**	)))))))))))))	**DOCKET NO. UD-______**

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DELTA STATES UTILITIES NO, LLC AND ENTERGY NEW ORLEANS, LLC, EX PARTE. **IN RE: APPLICATION FOR AUTHORITY TO OPERATE AS LOCAL DISTRIBUTION COMPANY AND INCUR INDEBTEDNESS AND JOINT APPLICATION FOR APPROVAL OF TRANSFER AND ACQUISITION OF LOCAL DISTRIBUTION COMPANY ASSETS AND RELATED RELIEF.**	**DOCKET NO. UD-______**

<u>DIRECT TESTIMONY OF BRIAN LITTLE</u>

I. INTRODUCTION AND QUALIFICATIONS

Q: PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A: My name is Brian K. Little. My business address is 150 Cabana Trail, Santa Rosa Beach, Florida, 32459.

Q: BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?

A: I am a self-employed, independent contractor, and affiliated with (but not directly employed by) the consulting firm Anticipate Energy Advisors, LLC ("AEA").

Q: PLEASE SUMMARIZE YOUR BACKGROUND AND EXPERIENCE.

A: I have more than 30 years of experience in finance and accounting, primarily with medium-sized to large public companies. The majority of my career has been spent in the energy and natural gas industries with the company that is currently Southern Company Gas, the natural gas division of Southern Company ("Southern Company"), and its predecessor company AGL Resources Inc.

("AGL Resources"), a Fortune 500 and S&P 500 corporation that was the largest natural gas distribution company in the U.S., serving 4.5 million customers in seven states. I served as the Chief Financial Officer of the Southern Company's Commercial Businesses for nearly eight years prior to my retirement in 2018. Prior to that, over a 12-year period I served in a number of finance and accounting leadership roles at AGL Resources, including Vice President and Assistant Controller, Director of Investor Relations and Director of Corporate Accounting. In addition to my leadership roles in finance and accounting, I also led and/or supported a number of merger/acquisition and divestiture transactions, the associated integration processes (as applicable), as well as the formation and establishment of a services company and the associated cost allocation methodologies and processes in accordance with the Public Utility Holding Company Act of 1935, for AGL Resources/Southern Company. During my career, I was a Certified Public Accountant (now inactive) and had experience in public accounting. I hold a Bachelor of Business Administration in Accounting and Finance from The University of Texas at Austin. A copy of my resume is provided in Appendix A to my testimony.

Q: CAN YOU PLEASE IDENTIFY THE OTHER MEMBERS OF THE AEA TEAM AND DESCRIBE THEIR EDUCTION AND RELEVANT EXPERIENCE?

A: Yes. AEA is a consulting firm founded and led by Peter Tumminello, who serves as its President. Peter Tumminello, Brian MacLean, Stephen Cave and I are self-employed, independent consultants providing advisory services to Bernhard Capital Partners Management, L.P. and related entities ("BCP") and Delta States Utilities NO, LLC ("DSU NO"), and our work on the acquisition of Entergy New Orleans, LLC's ("ENO") local distribution company gas assets and the assumption of liabilities relating thereto by DSU NO (the "Transaction") was led and coordinated by AEA and Mr. Tumminello.

Mr. Tumminello is a utility and energy industry executive with approximately 40 years of experience in the natural gas and other energy sectors. Mr. MacLean is a natural gas industry executive with more than 30 years of experience in the energy industry. And Mr. Cave is an energy industry executive with more than 20 years of experience in both the natural gas and electric utility sectors. All of us spent significant portions of our careers with Southern Company and AGL Resources. The biographical summaries of Mr. Tumminello, Mr. MacLean and Mr. Cave include more detailed information regarding their relevant industry experience and education, and are provided as Appendices B, C and D to my testimony.

Q: HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY PROCEEDINGS IN OTHER STATES?

A: Yes. I provided testimony in Georgia in support of the Atlanta Gas Light Company in 2001 / 2002 for Docket No. 14311-U, *Earnings Review to Establish Just and Reasonable Rates for Atlanta Gas Light Company*.

Q: WHAT IS YOUR ROLE WITH THIS TRANSACTION AND JOINT APPLICATION FOR APPROVAL?

A: My role, along with my colleagues at AEA, with respect to the Transaction (which I will define further herein) has been to assist BCP in evaluating and performing due diligence on the operations and financial condition of the natural gas businesses of ENO ("ENO Gas Business") and Entergy Louisiana, LLC ("ELL Gas Business" and together with the ENO Gas Business, the "Entergy Gas Business"). As part of that process, I and my colleagues assisted BCP in evaluating the costs associated with transitioning the current ENO Gas Business and ELL Gas Business to BCP's newly created entities and subsidiaries of Delta States Utilities, LLC ("DSU"), DSU NO and Delta States Utilities LA, LLC ("DSU LA"), respectively (collectively, DSU NO and DSU LA referred to as the "DSU Utilities"), and with replacing certain shared assets and services, currently provided to the Entergy Gas Business by ENO, Entergy Louisiana, LLC ("ELL") and Entergy Services, LLC ("ESL," and together with ELL and ENO, "Entergy"), as applicable, with certain shared assets and services of a new DSU shared services entity, Delta States Utilities Services, LLC ("DSU Services"). My role in this Joint Application is to further describe the Transaction, the activities of replacing those certain shared assets and services for DSU NO and DSU LA, and how the standing up of these DSU Utilities will provide long-term benefits to the customers of the current ENO Gas Business and ELL Gas Business and to the State of Louisiana. I also will explain how DSU NO and DSU LA are contemplating and requesting future regulatory treatment of costs associated with the implementation of the Transition Plan, as defined below, including facility-related and other capital costs as well as expenses associated with the build-up of the shared services functions and the implementation of supporting operations, financial and administrative systems.

II. PURPOSE OF TESTIMONY AND SUMMARY OF RECOMMENDATION

Q: WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING?

A: The purpose of my direct testimony is to address certain aspects of DSU NO's acquisition of ENO assets that are primarily or exclusively used for its ENO Gas Business. The assets (the "Purchased Assets") are defined in the Purchase and Sale Agreement dated October 28, 2023, between ENO and DSU NO (the "PSA"). I have and will continue to generally refer to the acquisition of the Purchased Assets pursuant to the PSA and other ancillary agreements as the "Transaction", and the closing of the Transaction as the "Closing."

Specifically in my testimony, I will: (1) introduce and describe the organizational structure of the ENO Gas Business pre-Closing and of DSU NO post-Closing of the Transaction; (2) provide an overview of the plan to create stand-alone and core focused local gas distribution companies - - DSU LA and DSU NO, respectively (the "Transition Plan"), such that upon the transfer of the Purchased Assets at Closing the DSU Utilities are fully and operationally independent of Entergy on day one post-Closing and a seamless transfer of operations is achieved ("Day One Readiness"), as well as discuss the costs and benefits of the Transition Plan; (3) describe the post-Closing operations, structure and systems of the DSU Utilities, including allocation of shared services costs to DSU NO and DSU LA; (4) discuss the benefits of the new services to be shared by DSU NO and DSU LA; and (5) outline accounting entries for Transition Plan costs. As part of this discussion, I will provide information that will enable the Council of the City of New Orleans (the "Council") to make the findings required under its Resolution R-06-88.

Q: WILL YOU PLEASE SUMMARIZE YOUR ASSESSMENT AND RECOMMENDATION?

A: Yes. I recommend the Council issue an order approving the Transaction as in the public interest. I also recommend that as part of its order approving the Transaction, the Council issue an accounting order establishing a regulatory asset for purposes of deferring for future prudency review and potential recovery of the capital costs and expenses of the assets and services needing to be acquired as part of the Transition Plan to achieve Day One Readiness, in recognition of the need for DSU NO to make certain expenditures to stand up the new local gas distribution business and replace certain shared services that will no longer be provided by ELL and ENO after the Closing.

III. OVERVIEW OF ENO GAS BUSINESS AND SERVICES

Q: PLEASE DESCRIBE THE ENO GAS BUSINESS ORGANIZATIONAL STRUCTURE, OPERATIONS, ASSETS AND THE WORKFORCE THAT SUPPORTS THESE OPERATIONS.

A: ENO provides both electric and natural gas local distribution services to customers in the City of New Orleans. ENO is a direct subsidiary of Entergy Utility Holding Company, LLC, which is a subsidiary of Entergy Corporation, a publicly traded company (NYSE: ETR). The ENO Gas Business is operated as part of ENO and distributes natural gas to approximately 109,000 customers (average for calendar year 2022). The ENO Gas Business represented approximately 14.2% of ENO's revenues in 2022. The ENO Gas Business is managed by the Director of the Entergy Gas Business who reports directly to the President and CEO of ENO. The ENO Gas Business receives support services from ESL, a centralized service company which provides services to both the electric business and the ENO Gas Business. Due to the larger size of ENO's electric business as compared to the ENO Gas Business, the ENO Gas Business is sometimes served by technology and infrastructure that was primarily procured for the electric business. The Purchased Assets net of the Assumed Liabilities of the ENO Gas Business to be acquired with the Transaction as of its fiscal year-end 2022 (12/31/2022) were approximately $200 million.

Most operational functions of the ENO Gas Business are performed by dedicated gas employees who report to the Director of the Entergy Gas Business. As of October 28, 2023 (the execution date of the PSA), the ENO Gas Business had 108 direct employees, the ELL Gas Business had 67 direct employees (including 59 full-time hourly employees that are bargaining employees represented by the International Brotherhood of Electrical Workers (IBEW), Local 2286), and there were 32 employees who are employed by ESL and primarily provide various operational services to the ENO Gas Business and the ELL Gas Business. All of these approximately 200 employees will be offered employment with and will have the opportunity to transfer to DSU NO, DSU LA and the new shared services company, Delta States Utilities Services, LLC ("DSU Services") at Closing, with generally the same level of pay and benefits that they are currently receiving from their current Entergy employer, as further discussed in the Direct Testimony of Mr. Yuknis.

Q: DOES THE ENO GAS BUSINESS CURRENTLY RECEIVE SHARED SERVICES?

A: Yes. Currently, corporate functions and shared services are performed by employees who cover both gas and electric operations and are employed by either ENO, ELL or ESL. As previously noted, 32 employees of ESL provide various operational-focused shared services primarily to the ENO Gas Business, as well as to the ELL Gas Business. These employees will be offered employment and will have the opportunity to transfer to DSU Services upon Closing. These employees currently provide services for both ENO and ELL, such as operations, gas control/scheduling, engineering and planning, work management and gas safety and compliance. However, the ENO Gas Business and the ELL Gas Business also receive certain shared services from ESL employees who are not primarily engaged in gas operations. These employees currently provide corporate and other non-gas specific functions and will not be offered employment as part of the Transaction. Therefore, DSU Services will be required to replace certain of these services to be available the day of Closing to meet the DSU Utilities' Day One Readiness standard and ensure a seamless transition. These non-transferring shared services include customer service, human resources, employee benefits, payroll, accounts payable, finance and accounting, information technology, senior executive, regulatory affairs, gas supply, government, legal, stores, supply chain, fleet services and environmental functions. These services are currently provided in accordance with separate services agreements between ENO and ESL. These services agreements, which provide the terms and conditions of the provision of these services, along with the allocation methodologies and formulae for billing all costs of doing business to provide such services by ESL. The allocation methodology in such service agreements between ESL and ENO is approved by the Federal Energy Regulatory Commission ("FERC").

Q: DOES THE ENO GAS BUSINESS SHARE ANY PHYSICAL LOCATIONS WITH ENTERGY'S ELECTRIC OPERATIONS?

A: Yes. The ENO Gas Business shares space with ENO's electric operations at the Magnolia and Tulane service centers located in the City of New Orleans for its employees and operations.

Q: WILL DSU NO UTILIZE ANY OF THE SAME LOCATIONS AS THE ENO GAS BUSINESS?

A. The Tulane facility will be retained by ENO, requiring DSU NO to replace the Tulane facility with a new facility to accommodate the approximate 80 construction, maintenance, restoration, field operations, damage prevention and office employees located at the Tulane facility. Further, subject to the Form of Magnolia Lease included in the PSA, DSU NO may lease the Magnolia facility for 2 years with the option to renew for one additional 2-year term. Because the Form of Magnolia Lease does not contain a purchase option, DSU NO will also replace the Magnolia facility with a new facility to accommodate the almost 50 field service, work scheduling, meter shop, measurement and gas distribution control employees located at the Magnolia facility. Part of the

Transition Plan is determining the best location for DSU offices, including the new DSU headquarters, which is expected to be in New Orleans. DSU is in the process of analyzing potential office locations to minimize impacts to travel time to customer locations, call response times, and employee commute times.

Q: **DOES THE ENO GAS BUSINESS UTILIZE ANY OTHER ASSETS SHARED WITH ENTERGY'S ELECTRIC OPERATIONS?**

A: Yes. In addition to shared locations, a total of almost 70 information technology systems are used in the operations of the ENO Gas Business, of which almost 60 information technology systems are shared with the electric operations of ENO. These shared systems encompass information technology systems, such as a Customer Information System utilized for such activities related to customer data, billing, customer care, customer payments, credit and collections follow-up, Gas SCADA (Supervisory Control and Data Acquisition) system and an Enterprise Resource Planning system, these systems are considered critical and necessary for DSU NO to continue providing safe and reliable service to customers. However, given the shared nature of the information technology systems and continued use of these systems by ENO's electric operations, these shared systems will be retained by Entergy and will not be available for transition support services post-Closing. Consequently, DSU NO is fully committed to standing up new "fit-for-purpose" and modernized systems to replace these retained assets such that they are fully functional to continue to provide safe and reliable services to customers effective with the Closing of the Transaction.

IV. TRANSITION PLAN

Q: PLEASE DESCRIBE HOW DSU PLANS TO TRANSITION THE ENO GAS BUSINESS TO DSU NO.

A: DSU and Entergy have each established a "Transition Plan Team" organizational structure. DSU has established a Steering Committee, which will provide executive leadership and oversight of the entire Transition Plan process; a Regulatory Affairs Team focused on providing project support to enable the Transaction Closing; and a Project / Transition Management Office ("PMO") for regular project support. A chart showing the makeup of DSU's Transition Plan Team is provided in **Exhibit BL-1** to my testimony.

Q: CAN YOU PLEASE DISCUSS HOW DSU NO AND THE ENO GAS BUSINESSES WILL WORK TOGETHER TO ENSURE DSU NO'S ABILITY TO FULLY OPERATE AND CONTINUE PROVIDING SAFE AND RELIABLE GAS SERVICE TO CUSTOMERS AT AND AFTER CLOSING?

A: Yes. DSU NO and the ENO Gas Business are fully committed to working collaboratively through the date of Closing to ensure Day One Readiness for providing safe and reliable gas services to customers, with a limited need for transition services post-Closing, and with the majority of such transition services to be provided on a consultative basis as needed under a Transition Services Agreement. As evidence of their respective commitment to the Transition, an Interim Cooperation Agreement ("ICA") was executed along with the PSA. The ICA describes the transition matters, consultation topics the initial transition plan along with the associated objectives, guiding principles, project approach, project roadmap and initial budget.

Q: PLEASE DESCRIBE IN FURTHER DETAIL THE TRANSITION MATTERS, CONSULTATION TOPICS, INITIAL TRANSITION PLAN, OBJECTIVES AND GUIDING PRINCIPLES, PROJECT APPROACH AND INITIAL BUDGET INCLUDED IN THE ICA.

A: Transition matters within the ICA outlines the tasks to be performed with respect to consultation meetings, information requests and governance along with associated responsibilities and timing / response. Consultation Topics includes matters related to Information Technology ("IT") and Functional Departments necessary for Day One Readiness as follows:

- Consultation sessions to understand current state IT applications, infrastructure, interfaces, and resources related to the ENO Gas Business and limited to inventory of systems which either will be transitioned to DSU or from which data is expected to be extracted and transitioned to DSU.

- Verification of systems transitioning to DSU and systems retained by Entergy.
- Review plan for transferring applicable software applications, assets and contracts to DSU.
- Provide data files based on DSU's written requirements to support user acceptance testing,
- Execute required data migration, conversion, and clean-up activities to facilitate the DSU business post-Closing.
- Meetings with transferring employees subject to terms of the PSA and the related Employee Matters Agreement.
- Consultation sessions to discuss current procedures and work processes.
- Consultation sessions to discuss current procedures and work processes for shared service organizations, including customer service, human resources, employee benefits, payroll, accounts payable, finance and accounting, information technology, senior executive, regulatory affairs, gas supply, government, legal, stores, supply chain, fleet services and environmental functions. These sessions will focus on core function requirements, roles and responsibilities, procedures, work processes, interfaces, controls, performance metrics, reporting requirements, job specific materials and documentation.

The ICA's Initial Transition Plan outlines the following objectives and guiding principles:

- Roles and responsibilities whereby DSU will be solely responsible for all decisions or actions taken by DSU regarding the Transition and / or with respect to the business following the Closing.
- DSU will adopt a Minimum Viable Product approach for execution, while using third party off-the-shelf software conforming functional best practices, to minimize timeline delay risks.

- Detailed project plans will be defined and submitted by DSU to Entergy with any material changes to the project plans being communicated to Entergy in writing.
- DSU will communicate completion of its operational readiness checkpoints (e.g. 90, 60 and 30 days before Closing) to Entergy in writing or promptly notify Entergy of any changes or delays.
- DSU will focus on minimizing one-time and on-going project costs where feasible, in some cases, the least cost option may not be recommended if it materially impacts project timelines.
- DSU will manage and communicate pre-approved project budgets.
- DSU will manage and communicate the Transition Plan and take into consideration in good faith comments reasonably and promptly provided by Entergy.

The Project Approach contemplated under the ICA is as follows:

- DSU will implement the Transition by utilizing internal workstreams, and Entergy will provide consultation support services on an as-requested basis. The internal workstreams will include a Steering Committee and Project / Transition Management Office as previously discussed in my direct testimony. Additionally, internal Delivery Teams will be established with respect to IT Transition, Shared Services and Operations Transition along with sub-team workstreams based on the Transition Plan needs.
- The program will be managed using a two-month look-ahead approach where teams can build executable plans, reach more tactical and measurable results and progress the project at a faster pace.
- DSU will run the Transition project such that it is sufficiently lean to focus on speed, efficiency and work product from the delivery teams. Further, the staffing of delivery teams will consist of experienced team members to support this approach and to bring business process solutions based on industry best practices where feasible.

DSU NO's investment in the Transition Plan is imperative to ensure Day One Readiness and DSU NO's continued provision of safe and reliable services to customers as of the date of Closing, including the replacement of assets being retained by Entergy. DSU NO expects Transition Plan costs to be inclusive of IT and other asset replacements and expenses (*e.g.*, additional labor, project and Transition management, lease payments, build-out of leased space, and rebranding that will need to be incurred).

Q: CAN YOU PLEASE FURTHER ELABORATE ON THE CURRENT STATUS OF THE PROCESS, TRANSITION TEAM STRUCTURE AND TIMELINE TO STAND UP A NEW SHARED SERVICES ORGANIZATION, SYSTEMS AND FACILITIES PRIOR TO CLOSING?

A: Yes. BCP and its advisors performed a significant amount of work during the due diligence period to evaluate the requirements, estimate costs and timelines associated with standing up of a new "fit-for-purpose" shared services organization, systems and facilities during the transition period leading up to and after the Closing of the Transaction. The PSA includes an inside date of 21 months from signing (though, Closing may happen as late as 24 months from execution of the PSA under certain circumstances) to fully stand-up the DSU Utilities and DSU Services, the new shared services organization, and reach final Closing. The process will occur in two primary phases. Phase One is focused on a number of priority workstreams, including (1) the establishment of the new entity, including foundational systems such as IT infrastructure, finance systems/processes and HR systems/processes; (2) build-out of the IT platform, including vendor selection, establishment of requirements to design and build critical path systems (e.g., Customer Information System, Finance, Supply Chain and HR Information System); (3) facilities planning, including site selection for any new facilities needed; and (4) build-out of the shared services organization, including validating current services provided to the gas utilities, finalizing staffing models and initiating onboarding of key staff hires. It is anticipated that this Phase One work and the associated activities will take place during the period between signing and regulatory approval of the Transaction.

Phase Two would occur from the time of regulatory approval to the final Closing and would be focused on (1) full transition of the IT systems, including testing and user acceptance activities for critical path systems and system interfaces; (2) completion of the full shared services organization build-out, including the onboarding and training of the shared services employees who accept the offer of employment; and (3) other planning activities focused on ensuring a smooth transition to the new DSU platform at Closing of the Transaction.

DSU and Entergy are working collaboratively to fully build out the Transition Plan and staff the various Transition Plan delivery teams. DSU has engaged and is planning to engage additional third-party transition partners to staff the Transition Plan Team. Key goals in engaging third party transition partners are to ensure an efficient Transition team structure comprising team members with deep experience in not only complex projects, but also specifically in the natural gas local distribution company space. This structure is critical to enable a project focused on speed, efficiency and a high-quality work product, to ensure Day One Readiness and seamless transfer of service.

Q: PLEASE EXPLAIN HOW THE CURRENT ENO GAS BUSINESS REQUIREMENTS DIFFER FROM DSU NO'S BUSINESS REQUIREMENTS AND PLAN TO STAND UP A NEW SHARED SERVICES ORGANIZATION, SYSTEMS AND FACILITIES.

A: As a large publicly-traded utility holding company, Entergy Corporation has existing utility operations and facilities in several states, and a long-established services company that provides corporate shared services to support the operation of those utility businesses. In Louisiana, many of those shared services support the ENO electric business. By contrast, as a newly formed entity, DSU NO does not have this existing corporate infrastructure that is used to service electric operations in addition to gas operations. Instead, DSU is making significant investments to stand up new "fit-for-purpose" and core-focused natural gas utilities (DSU NO and DSU LA) and a new shared services organization, DSU Services through which it will build out the new systems and facilities, as well as onboard and train new employees solely to support natural gas operations and serve the different classes of customers of DSU NO and DSU LA post-Closing of the Transaction. The customer benefits associated with the “fit-for-purpose” and “core-focused” utilities are new, modernized gas-specific systems and a new DSU shared services company, DSU Services to provide gas-only services. These new systems and new shared services company will result in non-fuel operations and maintenance costs being specific only to providing safe and reliable gas service. The total Transition Plan implementation cost, including the creation of the new systems and DSU Services, is expected to be largely comparable to the original cost of the assets being retained by Entergy. The new and modernized systems will enable DSU to leverage newer technology to streamline existing business processes and create the foundation for enabling more efficient operations. For example, DSU expects to leverage new technology to implement a credit and collections program, based on industry best practices, with a goal of keeping customers in good standing. This new technology would enable a rigorous delinquent account review process to minimize instances where balances are beyond a customer’s ability to pay, automated payment reminders, short-term payment arrangements and proactive communications and arrangements for high balance customers. Further, DSU NO expects to leverage new technology to route incoming calls to customer service representatives dedicated to gas customer service calls and trained and experienced in handling matters by class of customer. The new and modernized systems will further enable DSU NO to be more flexible and efficient in making necessary changes for updates in business processes as well as to address new regulatory requirements, such as changes from the Pipeline and Hazardous Materials Safety Administration or the Council.

Q: OF THE ALMOST 60 IT SYSTEMS SHARED BETWEEN THE ENO GAS AND ELECTRIC OPERATIONS, WERE THE SYSTEMS DESIGNED PRIMARILY FOR GAS DISTRIBUTION?

A: The shared IT systems were designed and configured based on the business requirements of Entergy, a multi-state, multi-jurisdiction combined electric and gas utility with 12,000 employees and serving 3 million customers. These business requirements were largely focused on the electric business given the magnitude of electric operations relative to natural gas operations. For example, total natural gas operating revenues for ENO Gas Business per Entergy's Securities and Exchange Commission's Form 10-K for 2022 only represented 1.0% of total consolidated operating revenues of Entergy. The ENO Gas Business was apportioned a share of the total cost of these shared IT systems, subject to the approved method for apportionment. It is expected that DSU NO will be able to achieve Day One Readiness at a cost largely comparable to the original amount of costs that Entergy apportioned to the ENO Gas Business.

Q: PLEASE ELABORATE ON THE RELATIVE AGE OF THE ASSETS BEING RETAINED BY ENTERGY.

A: Entergy provided current version information of the IT systems during due diligence. BCP and its advisors reviewed the release dates and maintenance periods of some of the more critical systems to be retained by Entergy covering the functions of HR management, payroll, enterprise asset management, supply chain, billing, finance, accounting and field force scheduling. The release dates of these systems ranged from 2005 to 2020. Further, the end-of-life maintenance support periods for these systems range from the end of 2023 to 2034. These are large, complex systems and that may require an investment at some point in time to replace or upgrade. This Transaction enables DSU to implement new and modernized systems, benefiting customers as previously discussed in my testimony.

V. POST-CLOSING OPERATIONS, STRUCTURE AND SERVICES

Q: PLEASE EXPLAIN THE ORGANIZATIONAL TRANSITION FROM ENO TO DSU NO.

A. The post-Closing organizational structure is more fully described in the testimony of DSU NO witness Jeffrey Yuknis. However, upon Closing of the Transaction, the ENO Gas Business assets will be owned by a subsidiary of DSU, a BCP portfolio company, which will operate under the new name DSU NO. Under this new organizational structure, the DSU NO gas utility business will continue to operate and serve customers in a manner similar to the ENO Gas Business today. While day-to-day operations will be similarly managed by the same experienced employees, the "carve out" of the gas businesses will benefit customers by allowing employees, management, technology and investment to be solely focused on gas operations instead of borrowing infrastructure and technology that is electric focused or contending for capital relative to the electric operations. This will enable DSU NO to more quickly invest capital as opportunities benefiting customers are identified. Because the Transaction structure contemplates (i) post-Closing transition services to be provided by Entergy to only be consultive in nature and (ii) an extended transition period between signing of the PSA, requisite regulatory approvals and Transaction Closing, it is necessary for all shared services functions, supporting IT systems, and required facilities to be fully in place to achieve Day One Readiness post-Closing to support the operations of the business going forward. Similar to the current structure, DSU Services will be the newly formed DSU services company that will provide shared services to support the most efficient and low-cost operation of each of the DSU Utilities.

Q: PLEASE IDENTIFY AND DESCRIBE THE SHARED SERVICES THAT DSU NO WILL RECEIVE THROUGH THE NEW SHARED SERVICES ORGANIZATION.

A: The shared services DSU NO will receive from DSU Services will be consistent with the shared corporate services currently received by the ENO Gas Business from ESL. These services will encompass customer service, human resources, employee benefits, payroll, accounts payable, finance and accounting, information technology, senior executive, regulatory affairs, gas supply, government, legal, stores, supply chain, fleet services and environmental functions.

Q WILL ANY REPAIRS AND/OR IMPROVEMENTS TO OPERATIONS AND/OR FACILITIES BE REQUIRED AFTER CLOSING OR IN CONJUNCTION WITH THE TRANSACTION? IF SO, PLEASE DESCRIBE THE ABILITY OF DSU NO TO MAKE THOSE REPAIRS AND/OR IMPROVEMENTS.

A: Other than certain modifications to be made at the Magnolia service center facility to separate DSU NO's operations from Entergy's operations so as to support Day One Readiness, there are no other repairs or improvements necessary or required to be made in conjunction with the Transaction. However, the ENO Gas Business has historically performed repairs and maintenance within its operations on an ongoing basis, including pursuant to Council Resolution R-19-457 and ENO's Gas Infrastructure Replacement Program ("GIRP"). ENO also has an ongoing Integrity Management Program ("IM Program") which, as discussed in the Direct Testimony ENO witness Mr. Anthony Paul Arnould, is intended to enhance safety and promote continuous improvement. The GIRP and IM Program are funded through ENO's formula rate plan for its Gas Business ("GFRP"), which was established by Council Resolution R-19-547, and was most recently extended by Resolution R-23-491. DSU NO commits to continue these repairs and maintenance activities using the same form of GIRP and IM Program and with the same or similar formula rate plan funding mechanism following the Closing of the Transaction.

Q: HOW AND WHEN WILL DSU NO BEGIN RECEIVING SHARED SERVICES AFTER THE TRANSACTION?

A: DSU NO will begin receiving shared services from DSU Services concurrent with the Closing of the Transaction. The services to be provided by DSU Services to DSU NO will largely be the same as those currently provided by ESL to the ENO Gas Business, which was previously discussed in my testimony. Further, the services agreement executed with DSU Services will largely have the same terms and conditions of providing and receiving these services as under the existing services agreements executed by ENO with ESL, including the allocation methodologies and formulae for billing all costs of doing business to provide such services. However, the allocation methodologies and formulae to be used by DSU Services will be specific to gas-only operations; whereas the cost allocation methodologies and formulae utilized by ESL are impacted by electric operations. Consequently, the "fit-for-purpose" nature of DSU Services will enable DSU NO to forecast their total costs of providing services to customers on a short-term and long-term basis for ratemaking purposes at the outset. Further, this will enable DSU NO management to quickly understand and assess the prudency of and control the total cost of services being received from DSU Services.

Q: WILL THE DSU COMPANIES' ALLOCATION METHODOLOGY AND FORMULAE BE SUBSTANTIALLY SIMILAR TO THOSE CURRENTLY IN PLACE?

A: Yes. The allocation methodologies being implemented by DSU Services, and the DSU Utilities will be substantially similar to those FERC-approved methodologies currently in place for Entergy. Any subsequent modifications to these methodologies would be to incorporate more efficient allocations based on cost allocation data attributed to gas-only operations along with the "fit -for - purpose" technology and infrastructure associated with the Transition Plan. The allocated costs that result from these changes would be subject to a subsequent rate filing of DSU NO.

Q: HOW WERE THE COSTS PROJECTED FOR THE NEW SHARED SERVICES ORGANIZATION, SYSTEMS AND FACILITIES?

A: I, along with my colleagues at AEA and other advisors engaged by BCP, performed a bottoms-up projection of costs based on our executive leadership experience in the natural gas industry and with similar precedent transactions where gas utility assets were carved out of a larger utility. Operational and financial information and data provided by Entergy during due diligence coupled with our experience, as well as benchmark and market-based data, were utilized to determine the information technology systems, staffing levels and facilities necessary, as well as the associated costs for standing up a "fit-for-purpose" shared services organization specific to gas-only operations. For example, the number of customer service representatives ("CSR") in the call center was projected based on the types of activities a CSR performs, assumptions related to the expected average call volume per customer and average call handle times. Further, market-based salary information was utilized to project and forecast salaries and benefits for the CSRs. The timing of the Transition Plan over the two-phased process as previously discussed in my testimony was also taken into consideration. For example, the use of contractors and onboarding of new employees was forecasted to enable the new employees to be trained in advance of the implementation of new key business processes and information technology systems. This process was not only performed to project the costs of the new shared services organization but also to ensure Day One Readiness with the new shared services organization being fully staffed and trained, all systems operational and able to provide services to DSU NO immediately upon Closing of the Transaction so that DSU NO can continue to provide the safe and reliable service to customers that ENO currently provides.

Q: WHEN WILL THE TRANSITION PLAN COSTS BE INCURRED?

A: A significant majority of the Transition Plan costs, more than 90%, will be incurred prior to Closing, with a much smaller portion incurred shortly after Closing.

Q: HOW WILL NON-FUEL OPERATIONS AND MAINTENANCE COSTS OF DSU NO, INCLUSIVE OF THE NEW SHARED SERVICES ORGANIZATION, SYSTEMS AND FACILITIES, IMPACT RATES?

A: In the Joint Application, DSU NO is seeking to adopt the rates and rate schedules of the ENO Gas Business in effect at Closing or supported by the most recent GFRP evaluation period. Only after DSU NO establishes its own historical test year would it be in a position to file a general rate case (which will not be filed earlier than 15 months post-Closing). The completion of the first full year of operations under DSU NO ownership is expected to be mid-2026, which I will refer to as the 2026 Test Year.

Q: HOW WILL THE COST OF ACQUIRING NATURAL GAS FOR RESALE CHANGE AS A RESULT OF THE TRANSACTION?

A: DSU NO will be assuming ENO's existing contracts for natural gas supply and transportation for its ENO Gas Business. Thus, there will not be any impact to fuel expense for the remainder of those contract terms. Thereafter, DSU management experienced in gas supply and transportation contracts will pursue and enter into market-based gas supply contracts to meet the demand needs of customers and mitigate the price risk of natural gas.

Q: HOW WILL ACTUAL COSTS TO IMPLEMENT THE NEW SHARED SERVICES ORGANIZATION, SYSTEMS AND FACILITIES BE APPROVED, TRACKED AND MONITORED AGAINST THE PROJECTED COSTS?

A. The Steering Committee and members of other teams comprising DSU's Transition Plan Team members will review or approve actual Transition Plan costs incurred and track and monitor actual Transition Plan costs against the projected Transition Plan costs. Actual Transition Plan costs will be tracked and monitored at the Transition Plan activity, functional, information technology system and facility improvement level.

Q: YOU HAVE DISCUSSED COSTS TO TRANSITION THE ENO GAS BUSINESS TO DSU NO. IS DSU NO SEEKING TRANSACTION COSTS IN ADDITION TO TRANSITION COSTS AND, IF NOT, HOW WILL DSU NO SEGREGATE TRANSACTION COSTS FROM TRANSITION COSTS?

A. DSU NO is not seeking and will not seek in the future to recover any Transaction costs. The Steering Committee of the Transition Plan Team will request all individuals and third-party contractors and firms to submit invoices in sufficient detail to differentiate between Transaction costs and Transition Plan costs further specified by Transition Plan activity, functional, information technology system and facility improvement levels. This level of tracking will enable the Transition Plan Team to monitor the appropriateness of such costs and to support DSU NO's recording of a regulatory asset in FERC account number 182.3, Other Regulatory Assets.

Q: IS DSU NO REQUESTING ANY MODIFICATIONS TO THE EXISTING TARIFFS, RIDERS, BASE RATES, CAPITAL STRUCTURE, OR RETURN AT THIS TIME?

A: No. DSU NO is proposing to adopt and utilize the rates, terms and conditions of the GFRP, GIRP, IM Program and any other applicable tariffs, rate schedules and riders of ENO Gas Business in effect at Closing or supported by the most recent evaluation period so that current customers will receive service under the same rates as they would have for gas services provide by ENO at Closing. Modifications to any of these items would only occur pursuant to a final order of the Council in a subsequent general rate proceeding, which proceeding will not be filed sooner than fifteen (15) months post-Closing.

VI. BENEFITS OF NEW SHARED SERVICES STRUCTURE

Q: HOW WILL CUSTOMERS BENEFIT FROM THE NEW SHARED SERVICES ORGANIZATION, SYSTEMS AND FACILITIES?

A: DSU NO intends for the transition to a new shared services organization, with new systems and facilities, to be seamless to the current customers of the ENO Gas Business. The ENO Gas Business has been a very small component of much larger electric company, representing 1.0% of total consolidated 2022 operating revenues of Entergy. They have operated well and safely for many years, but also use technology and infrastructure primarily developed for electric service, receive support from a shared services organization more largely trained and versed in matters related to electric service, and contend internally for investment capital and other resources with the much larger electric business within consolidated Entergy Corporation. As more fully discussed in the Direct Testimony of DSU NO witness Mr. Jeffrey Yuknis, BCP has significant experience in the efficient allocation of capital to its portfolio businesses and will bring that same strategy to DSU NO's utility assets. The core focused structure of DSU will result in long-term customer benefits in terms of continued safety and reliability through significant investments in infrastructure replacement and modernization, as well as an improved customer experience, including an improved credit and collections process based on industry best practices through the deployment and leveraging of new and modern technology, gas-specific customer care and other systems and processes. Specifically, the customer call center of DSU will be core focused and dedicated to gas customers. The new and modernized systems also form the foundation for enabling more efficient operations and the ability to more quickly make necessary changes for updates in business processes as well as to address new regulatory requirements, such as changes from the Pipeline and Hazardous Materials Safety Administration or the Council. As more fully discussed in the Direct Testimony of DSU NO witness Mr. Jeffrey Yuknis, BCP is further committed to investing in the growth of the DSU Utilities and DSU Services to achieve enhanced economies of scale, buying power, and operational efficiencies that benefit all customers of the system.

Q: WHAT WILL BE THE BENEFITS TO THE STATE OF LOUISIANA FOR THE NEW SHARED SERVICES ORGANIZATION, SYSTEMS AND FACILITIES?

A: First and foremost, this transaction involves a Louisiana-based company, BCP, establishing a new Louisiana-based subsidiary company for the specific purpose of acquiring the Louisiana-based assets of the ENO Gas Business. The Transaction ensures the ENO Gas Business will be owned and operated by a Louisiana-based company for many years to come. BCP has long-standing relationships and a track record of successfully creating jobs and supporting economic development throughout Louisiana and is committed to continuing those efforts in this Transaction, as further discussed in the Direct Testimony of Mr. Yuknis. As part of the Transaction, DSU has committed to maintaining employment and compensation (*e.g.* salaries/hourly wages and annual incentive compensation opportunities) for ENO Gas Business employees at current levels, and has committed to providing employee benefits post-Closing that are no less favorable than those the employees currently receive. DSU also has committed to assuming the employee pension assets and liabilities associated with the gas utilities. In addition, to support the businesses post-Closing, DSU has identified approximately 100 positions that will be created in order to staff the new shared-services organization and efficiently operate the business going forward. This will result in approximately 100 new Louisiana-based jobs, resulting either from direct new hires to operate DSU Services, as well as to support and provide services to DSU NO, the addition of full-time permanent positions in Louisiana from firms hired to support the business, or some combination thereof. In addition, DSU, as well as, BCP is committed to supporting the communities in which it does business in Louisiana, and as part of this Transaction, is committed to maintaining the strong community and economic development support in the DSU Utilities' service area.

Further, DSU's investment in new assets and systems to replace the Entergy retained assets and systems, as well as to stand-up a new shared services organization for Day One Readiness at a total Transition cost largely comparable to the original cost of the retained assets and systems are expected to provide benefits that form the foundation for enabling more efficient operations and the ability to more quickly make necessary changes for updates in business processes as well as to address new regulatory requirements. As discussed earlier in my direct testimony, some of these investments may be needed in the near term irrespective of the Transaction. However, because of the Transaction, DSU NO will make these investments sooner than may otherwise be necessary and for the specific purpose of operating a stand-alone, "fit-for-purpose" and core focused gas business.

Q: HOW WILL THE NEW SHARED SERVICES ORGANIZATION, SYSTEMS AND FACILITIES IMPACT DSU NO CUSTOMER RATES?

A: The Transition and the creation of DSU Services will not impact customer rates for DSU NO at Closing as DSU NO is requesting that the Council approve of DSU NO's use of the rates, terms and conditions of the GFRP, GIRP and any other applicable tariffs, rate schedules and riders of ENO Gas Business so that current customers will receive service under the same rates as they would have for gas services provided by ENO. Only after establishing its own 2026 Test Year, will DSU NO file a general rate case, no sooner than 15 months following the Closing of the Transaction, at which time DSU NO's rate schedules and riders will be subject to review and approval by the Council. This timeframe allows DSU NO to have the benefit of operating the stand-alone gas business for a reasonable period of time following Closing of the Transaction, and to establish a historical test year appropriately reflective of operations and capital investments under DSU NO's ownership, further resulting in the ability to better forecast the short- and long-term benefits to customers.

VII. REQUEST FOR ESTABLISHMENT OF A REGULATORY ASSET

Q: WHY IS DSU NO REQUESTING COUNCIL APPROVAL TO ESTABLISH A REGULATORY ASSET FOR TRANSITION COSTS INCURRED AHEAD OF CLOSING?

A: The Transaction represents the "carve out" of a smaller natural gas utility business from a significantly larger, publicly traded combination electric and natural gas company. As a result, the Purchased Assets do not encompass all the assets that will be needed for DSU NO operations, and certain shared services provided by Entergy will have to be replaced by DSU Services. Said another way, in addition to replacing certain Entergy retained assets currently accounted for in the rate base of the ENO Gas Business, the Transition Plan requires additional investments in new services, systems and facilities to replace those services, systems and facilities being retained by Entergy, with a core focus on providing safe, reliable gas service to customers for many years to come. DSU NO will also have to begin incurring costs to stand up its new local gas distribution company prior to Closing and prior to any future general rate case to be filed by DSU NO. To ensure proper accounting of the Transition costs, DSU NO is requesting the Council approve the use of a regulatory asset, a common tool used in utility ratemaking to accomplish such purpose.

Q: PLEASE EXPLAIN THE NECESSITY FOR CREATING A REGULATORY ASSET.

A: 18 CFR Part 201 PART 201, *Uniform System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of The Natural Gas Act* defines regulatory assets and liabilities as those that result from rate actions of regulatory agencies. Regulatory assets and liabilities arise from specific revenues, expenses, gains, or losses that would have been included in net income determinations in one period under the general requirements of the Uniform System of Accounts but for it being probable: 1) that such items will be included in a different period(s) for purposes of developing the rates the utility is authorized to charge for its utility services, or 2) in the case of regulatory liabilities, that refunds to customers, not provided for in other accounts, will be required. Further, the term "probable," as used in the definition, refers to that which can reasonably be expected or believed on the basis of available evidence or logic but is neither certain nor proved.

As previously discussed in my direct testimony, the Transition Plan includes forecasted costs to be incurred by DSU NO and DSU Services combined to continue providing safe and reliable services to customers as of the date of Closing, including the replacement of assets being retained by Entergy. The Transition Plan strategy will also continue to seek out opportunities to reduce the forecasted costs and use incentives with implementation partners to stay within or lower than the projected, budgeted costs. DSU NO is requesting to create a regulatory asset(s) to record its share of these costs so that it can seek to recover such costs, net of any amounts it recovers in ENO rates it adopts at Closing related to the Entergy retained assets, pursuant to its future general rate case filing, inclusive of a prudency review. DSU NO considers recording these costs in a regulatory asset for future recovery as appropriate given the necessity of these Transition Plan costs to provide safe and reliable service to customers and prevent adverse consequences following Closing of the Transaction.

Q: HOW WILL THE REGULATORY ASSET BE CREATED AND TRACKED?

A: The actual Transition Plan costs would be recorded as a regulatory asset in FERC account number 182.3, Other Regulatory Assets, and would be tracked at the Transition Plan activity, functional, information technology system and facility improvement levels. Further, any Transition Plan Costs specifically identifiable as allocable to DSU NO will be tracked and recorded as a regulatory asset in FERC account number 182.3. For example, facilities improvements related to separating DSU NO's operations from Entergy's operations at the Magnolia and Tulane service centers will be specifically tracked relative to, and recorded as a regulatory asset in, FERC account number 182.3 of DSU NO until evaluated in the next general rate case and may be reclassified to DSU NO's plant asset accounts. Further, any Transition Plan Costs specifically identifiable for DSU NO will be tracked and recorded as a regulatory asset in FERC account number 182.3 until evaluated for prudency in a future general rate case and may be reclassified to DSU NO's plant asset accounts.

The costs that are not directly assignable or specifically identifiable to DSU NO will be allocated utilizing cost the Company's cost allocation formulae and factors included in the services agreement executed by DSU NO with the newly created DSU services company, DSU Services. Examples of these types of costs would include executive management and customer service representative costs which will benefit multiple entities and will be allocated to DSU NO as well as the other affiliates. The overall Transition Plan costs as well as the tracking allocation methods used by DSU NO will be subject to review by the Council during the next general rate case filing of DSU NO.

Q: WHAT ARE THE PLANS AND PROCESS FOR RECOVERING THE REGULATORY ASSET COSTS IN DSU NO'S RATES?

A: DSU NO will request recovery of the regulatory asset costs pursuant to the filing in its future general rate case. In the interim, DSU NO proposes to adopt and utilize the rates, terms and conditions of the GFRP, GIRP, IM Program and any other applicable tariffs, rate schedules and riders of ENO Gas Business in effect at the Closing or supported by the most recent evaluation period so that current customers will receive service under the same rates as they would have for gas services provide by ENO at Closing. DSU NO recognizes that this approach will provide revenues which are based, at least in part, designed to include a recovery of Entergy's retained asset costs. DSU NO proposes to amortize its regulatory asset cost balance during this interim period in an amount equivalent to the Entergy retained asset recovery inherent in the ENO Gas Business customer rates. This process will allow DSU NO to maintain constant customer rates while also reducing the regulatory asset balance to prevent customers from being charged twice – once for the rates continuing during the interim period which provide a recovery for depreciation of the assets that are being retained by Entergy (which will be part of the rates charged by DSU NO until Closing) and again for the cost of the regulatory assets of DSU NO to replace the Entergy retained assets (which will serve as the future basis for DSU NO's rates after the Council considers its future general rate application).

The remaining unamortized regulatory asset balance would be subject to review as a part of DSU NO's future general rate case, expected to occur not less than 15 months post-Closing, which will provide the Council the opportunity to evaluate the prudency of expenses and nature of regulatory asset balance. A large portion of such balance will consist of capital assets such as the new customer service system and other support systems which are expected to be recategorized to the appropriate plant asset accounts and depreciated using typical depreciation practices for used and useful assets. The period over which to amortize the other remaining regulatory asset balances and impacts on rate setting would also be established as a part of the general rate case using a full historical test year as previously described.

Q: WILL THE REGULATORY ASSET(S) MAINTAIN OR IMPROVE THE QUALITY OF SERVICE TO CURRENT CUSTOMERS?

A: Yes. The regulatory asset(s) will maintain or improve the quality of service to DSU NO customers. BCP and DSU NO are committed to making significant investments in improving the business – both in the short-term as part of the Transition Plan process and build-out of the shared services functions and standalone systems prior to Transaction Closing, and in long-term improvements in the facilities and infrastructure of the business post-Closing. Many of these investments and improvements will directly enhance the customer experience and the overall reliability of the service provided. For example, the build-out of a new customer care platform (to include, e.g. customer information system, call center operations, billing platform, etc.) dedicated solely to natural gas customers should improve the quality of services and the overall experience for those customers. Further, DSU NO will be better able to quickly and efficiently make changes to systems and business processes due to changing business requirements in order to streamline operations, as well as respond to external requirements and requests such as from the Council, the Department of Transportation and the Pipeline Hazardous Materials Safety Administration.

Q: DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A: Yes, it does.

APPENDIX A

Brian Little

Bio Summary

Brian Little is a finance and accounting executive with more than thirty years of diverse and progressive business leadership experience mainly in medium to large public companies. Brian spent the majority of his career in the energy and natural gas industry with various subsidiaries of AGL Resources Inc. (AGL) and Southern Company Gas (GAS) including serving as Chief Financial Officer, Commercial Businesses before retiring in July of 2018.

Educational Background and Relevant Professional Experience

- University of Texas, Austin with a Bachelor of Business Administration in Accounting and Finance
- Certified Public Accountant (inactive)
- Month, Quarter and Year-end Close in accordance with US GAAP
- Financial Reporting Internal Controls (Sarbanes-Oxley Compliance)
- Design and Implementation of Financial and Operational Business Processes
- Financial and Strategic Planning & Analysis, Annual Budgeting, Periodic Re-forecasting, Cash Management and Capital Allocation
- Risk Management and Compliance
- Financial / SEC Reporting
- Investor Relations
- Leading and Supporting Mergers and Acquisitions / Divestitures / Integrations – nine different completed transactions at AGL and GAS
- Forming AGL Services Company in accordance with the SEC's Public Utility Holding Company Act of 1935
- Compensation and Benefits Design & Administration

Career History

- Vice President, Finance, NorTex Midstream Partners, LLC
- Senior Vice President and Chief Financial Officer, Commercial Businesses, GAS
- Vice President and Assistant Controller, AGL
- Director, Investor Relations, AGL
- Director, Corporate Accounting, AGL
- Manager, Internal Reporting, Curtis 1000, Inc. (subsidiary of American Business Products)
- Progressive Internal Audit Roles, American Business Products, Inc. and CITGO Petroleum Corporation
- Auditor (Public Accounting), Stanfield & O'Dell, P.C.

APPENDIX B

Brian MacLean

Bio Summary
Brian MacLean is a natural gas industry executive with more than thirty years of experience in the energy industry with various subsidiaries of AGL Resources and Southern Company Gas including serving as the President of both Elizabethtown Gas and Elkton Gas before retiring in January of 2019. Brian graduated from the NASA Cooperative Education Electrical Engineering Technology program and completed a Political Science degree at the University of Prince Edward Island, he holds multiple industry certifications and is a graduate of Leadership New Jersey.

Educational Background
University of Prince Edward Island (Charlottetown, PEI Canada) – Political Science

NASA Langley Research Center (Hampton VA) – Electrical Engineering Co-Op Program, AASEET

MCP – Microsoft Certified Professional

NACE Certification – National Association of Corrosion Engineers

ISA Certification – Instrument Society of America, Process Control / SCADA

Six Sigma Black Belt Certification

Career History
President, Elizabethtown Gas & Elkton Gas
Vice President of Operations & General Manager, Elizabethtown Gas
Regional Director, Elizabethtown Gas
Consultant, MacLean Contracting Services
Managing Director, Gas Operations & Business Process Improvement, Atlanta Gas Light
Managing Director, Operations Services, Atlanta Gas Light
Regional Operations Manager & IT Director, Virginia Natural Gas
IT Director, Virginia Natural Gas
Research & Development Division, NASA Langley Research Center, Hampton VA

Relevant Work Experience
Due diligence on sixteen target acquisitions
Integration Team on five acquisitions
Executive lead on two Southern Company Gas divestitures – sell side.
Executive lead on two South Jersey Industries acquisitions – buy side.

APPENDIX C

Steve Cave

Career Summary

Steve Cave is a utility and energy industry executive with more than 20 years of experience in the natural gas and electric utility sectors. He served as Senior Vice President and Corporate Treasurer for AGL Resources Inc. (now Southern Company Gas), a Fortune 500 and S&P 500 corporation that was the largest natural gas distribution company in the U.S., operating utilities in seven states and serving 4.5 million customers. In that capacity, he led the corporate treasury, financial planning & analysis, investor relations, strategic planning and corporate M&A functions.

Prior to his 16-year career at AGL Resources, he was head of investor relations for LG&E Energy Corp., a Fortune 500 electric and natural gas utility, which was subsequently sold to a U.K.-based utility.

He also has experience in the manufacturing sector, having recently served as Senior Vice President and Global Treasurer for Exide Technologies, the world's second-largest manufacturer of batteries and energy storage solutions for the automotive, marine, telecommunications and other industries. In this role, he led the corporate treasury and risk management/insurance functions covering operations in 80 countries throughout North America, Europe, Middle East, Africa and Asia. He was instrumental in the restructuring of the company's private debt and the negotiation of a sale of the company to its current private equity owner.

Career History

Senior Vice President-Finance and Global Treasurer, Exide Technologies
Senior Vice President-Finance and Corporate Treasurer, AGL Resources
Vice President-Finance and Treasurer, AGL Resources
Managing Director, Finance and Investor Relations, AGL Resources
Director, Investor Relations, AGL Resources
Director, SEC and Financial Reporting, AGL Resources
Board Member (8 years), Georgia Natural Gas (largest gas marketer in Georgia)-Chairman 2 years
Manager, Investor Relations and Shareholder Services, LG&E Energy Corp.

Relevant Experience

Led due diligence and financing activity for AGL corporate target acquisitions
Led due diligence and financing for AGL's $3 billion acquisition of Illinois-based utility, Nicor Inc.
Testified before Illinois Commerce Commission on acquisition approval and capital structure issues
Testified before Georgia Public Service Commission on acquisition synergy savings and capital structure
Negotiated the sale of $350 million of AGL-owned non-core assets
Led the issuance of more than $3 billion in public and private debt financings
Chaired investment committees (at AGL and Exide) for pension fund investment and 401(k) administration

Education/Professional Certifications

Bachelor of Arts, University of Louisville
Certified Treasury Professional (CTP)

APPENDIX D

Peter Tumminello

Career Summary

Peter Tumminello is a utility and energy industry executive with approximately 40 years of experience in the natural gas and other energy sectors. He served as Executive Vice President and Group President of Commercial Businesses at Southern Company Gas and its predecessor company AGL Resources, a Fortune 500 and S&P 500 corporation that was the largest natural gas distribution company in the U.S., serving 4.5 million customers in seven states. He was on the executive Policy Committee and was a Top 5 officer overseeing all aspects of the company's business and operations.

Prior to his 18-year career at Southern Company Gas and AGL Resources, he worked in various technical, operations, financial, marketing and leadership capacities at Green Mountain Energy, TPC Corporation, and ARCO Oil & Gas Company.

His background in leading large complex energy companies and focusing and delivering results for customers and shareholders spans all aspects of the natural gas energy chain, including upstream drilling and production, midstream pipeline and natural gas storage operations, and downstream wholesale, retail and utility businesses.

Career History

President, Anticipate Energy Advisors, LLC
Executive Vice President and Group President - Commercial Businesses, Southern Company Gas and AGL Resources
Vice President, Corporate Development, AGL Resources
President, Wholesale Business, AGL Resources
Vice President, Wholesale Energy, Green Mountain Energy
Vice President, Marketing, TPC Corporation
Petroleum Engineer & Strategic Planning, ARCO Oil and Gas Company

Relevant Experience

Member of Senior-most executive and policy committee – Southern Company Gas and AGL Resources
Led 700-person Commercial Businesses - wholesale, retail, LNG, energy service businesses
Led Corporate Development and M&A team
Led team focused on optimizing natural gas assets for gas utilities
Led team responsible for delivering safe, reliable and profitable business results in the natural gas pipeline and storage business

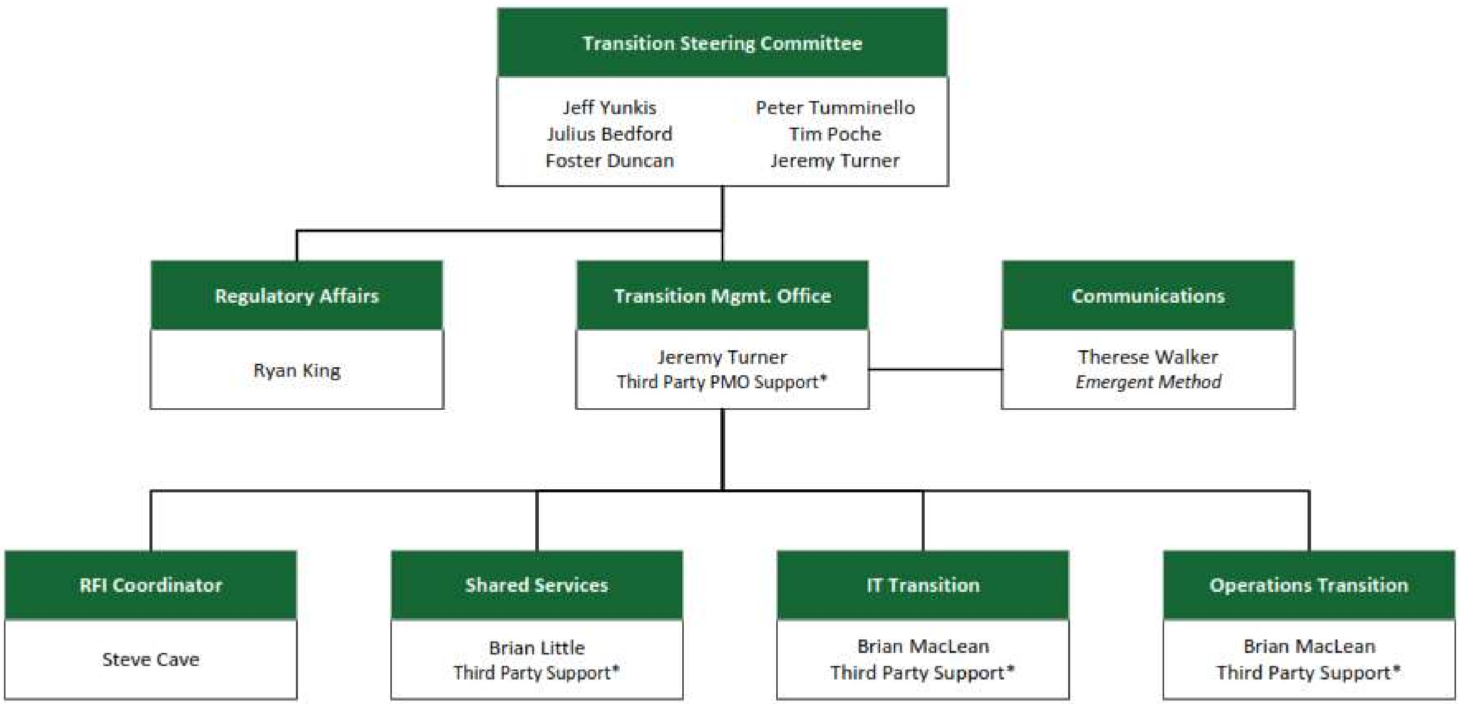
Education/Professional Certifications

Bachelor of Science, Petroleum Engineering, Louisiana Tech University
MBA, University of Southwestern Louisiana (now University of Louisiana Lafayette)

EXHIBIT BL-1

Delta States Utilities

Delta States Utilities Transition Team



BEFORE THE

COUNCIL OF THE CITY OF NEW ORLEANS

DELTA STATES UTILITIES LA, LLC AND ENTERGY LOUISIANA, LLC, EX PARTE.	))))	
IN RE: APPLICATION FOR AUTHORITY TO OPERATE AS LOCAL DISTRIBUTION COMPANY AND INCUR INDEBTEDNESS AND JOINT APPLICATION FOR APPROVAL OF TRANSFER AND ACQUISITION OF LOCAL DISTRIBUTION COMPANY ASSETS AND RELATED RELIEF.	)))))))))	**DOCKET NO. UD-23-___**

DIRECT TESTIMONY

OF

ANTHONY P. ARNOULD, JR.

ON BEHALF OF

ENTERGY NEW ORLEANS, LLC

<u>APPLICATION EXHIBIT 3</u>

DECEMBER 2023

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I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

A. My name is Anthony P. Arnould, Jr., and I am currently employed by Entergy Services, LLC ("ESL") as the Director of Gas Distribution. In this capacity, I oversee all aspects of the safe, reliable delivery of natural gas service to the natural gas customers of Entergy New Orleans, LLC ("ENO" or "the Company") and Entergy Louisiana, LLC ("ELL"). My specific responsibilities include, but are not limited to, safety, compliance with applicable pipeline safety regulations, operations, customer service, construction, maintenance, engineering, planning, and gas real-time system monitoring and dispatch for the gas distribution system. My business address is 5755 Choctaw Drive, Baton Rouge, Louisiana 70805.

Q2. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of ENO.

Q3. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I earned a Bachelor of Science degree in Electrical Engineering and Master of Business Administration degree from Louisiana State University in 1999 and 2013, respectively. I have held several engineering positions with the Entergy Operating Companies and ESL, including in the areas of Transmission, Distribution, Customer Service, Industrial Accounts, Substation, and Operations.

From 2000 to 2007, I supported Substation and Relay, Transmission Lines, and Distribution Design as a Field Engineer. In these roles, my responsibilities included providing technical support as well as analyzing results from maintenance tests, designing and supporting substation equipment and breaker replacements, relay replacements and the replacement of remote terminal units for data acquisition and control of devices. I also performed aerial inspection of transmission facilities and designed and supported the construction of projects for maintenance and system upgrades. While in the Distribution organization during this time, I was responsible for the design of customer-specific work including serving individual customers, new residential and commercial developments, and private area lighting, as well as outage mitigation plans. I also served on a variety of purchasing and design standard committees for the Entergy system.

In 2007, I was promoted to Area Design Manager, Distribution. In this role, I supervised a staff of engineers, engineering assistants, and support positions. My workgroup was responsible for the Distribution Design activities in the West Region of Louisiana. My responsibilities included management of the department spending and working with Customer Service and Business Development groups to provide costs and designs to commercial and residential customers and developers. I coordinated vendor training for design and operation workgroups. I also assessed and evaluated proposed projects, ensuring coordination with operations and regulatory workgroups to improve infrastructure and reliability throughout the region.

In 2011, I became the ELL Regional Customer Service Manager in the West Region.[1] In that role, my workgroup was responsible for investigating and resolving the concerns of residential and small business customers. Also, I served as a liaison to local government and elected officials and supported media relations and customer communication within the region. Additionally, during this time, I led a system effort to develop a messaging system to keep the public informed of restoration progress following major events.

In January 2014, I became Area Substation Supervisor for ELL. In this role, I supervised a group of employees as well as contractors that performed maintenance of ELL's Substation and Relay equipment in the West Region. I also served as the jurisdictional expert for the Project Management and Construction organization during the scoping, design, and execution of capital projects, including infrastructure upgrades and emergency failure replacements within the region.

In August of 2014, I became Sr. Manager of Industrial Accounts for ELL and became responsible for managing positive relationships with industrial customers, including, among other things, providing oversight for negotiating and managing the commercial terms of sales and service contracts.

In 2016, I began serving as the West Region Sr. Manager of Customer Service. My responsibilities included managing distribution operations and coordinating engineering and customer service efforts for the West Region. In October 2020, I was named Sr. Manager of Distribution Operations for Louisiana, and provided, among other things,

[1] The ELL-West Region is headquartered in Lake Charles and generally described as West of the Atchafalaya Basin to the Texas border and South of US-190 to the Gulf Coast.

oversight to various support functions across the regions until August 2022 when I assumed my current role as the Director of Gas Distribution Business.

Q4. HAVE YOU PREVIOUSLY TESTIFIED IN ANY REGULATORY PROCEEDING?

A. Yes. I have previously testified on behalf of ELL in LPSC Docket No. U-35565, *Entergy Louisiana, LLC, ex parte., In re: Application of Entergy Louisiana, LLC for Extension and Modification of Formula Rate Plan*.

Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to describe the current state of ENO's gas business and its gas distribution system, as well as discuss my understanding of the transaction proposed in this docket and the effects of that transaction on the gas business and gas distribution system.

II. CURRENT STATE OF GAS DISTRIBUTION SYSTEM AND THE COMPANY'S GAS BUSINESS

Q6. PLEASE PROVIDE A BRIEF DESCRIPTION OF ENO'S GAS BUSINESS.

A. ENO's local distribution company ("LDC") provides gas service for approximately 109,000 residential, commercial, industrial, and governmental customers located within New Orleans and is responsible for the safe and reliable operation, planning, engineering, construction, maintenance, and monitoring of the gas system. ELL, ENO, and ESL (together, "Entergy") collectively employ more than two hundred (200) people to conduct these activities.

Q7. PLEASE PROVIDE A BRIEF OVERVIEW OF ENO'S GAS DISTRIBUTION SYSTEM.

A. ENO's current gas system is comprised of approximately 1,766 miles of distribution mains, approximately 758 miles of distribution service lines, and approximately 36 miles of transmission mains, as of December 31, 2022. As discussed below, ENO regularly evaluates its gas system for safety and reliability per its integrity management programs, the results of which are audited and reviewed by the State of Louisiana's Department of Natural Resources, Office of Conservation, Pipeline Division. In addition to the regular capital improvements that occur, ENO also employs an accelerated pipe replacement program that addresses the more pressing safety and reliability concerns that are identified. Further, ENO plans appropriately to respond to natural disasters, like hurricanes or flooding, and remain in compliance with state and federal requirements. Entergy's gas operations were recognized by the American Gas Association ("AGA") in three out of the last five years as an industry leader in accident prevention, earning Accident Prevention Certificates in 2018, 2021, and 2022 by achieving DART (incident rate below the industry average). Entergy's gas operations were also chosen by the AGA as a benchmark Leading Practice Company with regards to leak response and Entergy presented to fellow utilities at the 2021 Gas Utility Operations Best Practices Program.

Q8. PLEASE IDENTIFY CERTAIN PROGRAMS THAT ENO EMPLOYS IN ITS GAS DISTRIBUTION SYSTEM.

A. In addition to regular capital improvements, ENO employs, among other things, a Gas Infrastructure Replacement Program ("GIRP" or "GIRP Program") that removes aging pipe materials from its gas system, and ENO has an ongoing Integrity Management

Program ("IM Program") which is intended to enhance safety and promote continuous improvement.

Q9. PLEASE PROVIDE A BRIEF DESCRIPTION OF ENO'S GIRP PROGRAM.

A. The Company employs GIRP to improve the safety and reliability of the Company's gas distribution system by removing aging pipe materials from its gas system. The Company has used GIRP since 2017 when it was authorized by the New Orleans City Council ("Council").[2] The GIRP employs a condition-based approach similar to that outlined in ENO's IM Program, which helps to prioritize the pipe to replace. Through GIRP, ENO has enhanced the safety and reliability of its pipeline system by replacing cast iron and earlier vintage plastic pipe with newer, more modern construction materials. Since GIRP started in 2017, the Company has replaced approximately 200 miles of vintage pipe material with either high-density distribution pressure polyethylene pipe or newer distribution grade steel. These newer materials are predominately installed through a directional drilling process, which is intended to minimize the effect on traffic in the area and on customers. As the new pipe is installed, an excess flow valve also has been installed, which helps to minimize the gas flow if the line is severed, and thus further improves the safety of the system. Replacing the materials identified by the IM program has allowed for the conversion from low pressure to high pressure, which also increases

[2] ENO originally requested GIRP in Docket UD-07-02 as part of ENO's Supplemental Report and Update on the Status of the Plan for Gas Infrastructure Rebuild Pursuant to Council Resolution R-07-377. In Resolution R-19-457, the Council authorized ENO "to make prudent investments in gas distribution plant and incur prudent utility conflict survey costs as required to ensure the safe of ENO's gas utility."

operational safety and reduces risk. For instance, this conversion allows for a hardening of the gas system that makes it less prone to flood damage.

Q10. PLEASE PROVIDE A BRIEF DESCRIPTION OF ENO'S ONGOING IM PROGRAM.

A. The Company's ongoing IM Program is intended to enhance safety by identifying and reducing natural gas pipeline integrity risks, and to promote continuous improvement in pipeline safety by requiring operators to identify and invest in risk control measures beyond previously established regulatory requirements. Data reported by the Pipeline and Hazardous Materials Safety Administration ("PHMSA") emphasizes the focus on replacing aging distribution pipelines that are susceptible to age-related failure, including those made of wrought iron and bare steel.

ENO's IM Program has been reviewed and accepted by state pipeline safety regulators within the Department of Natural Resources, Office of Conservation, Pipeline Division. The IM Program continues to be a tool used to guide the Company's overall planning processes and provides a framework for the Company's efforts to identify, evaluate, and mitigate threats and risks inherent in the operation of a gas system.

Q11. HOW ARE GIRP AND THE IM PROGRAM FUNDED?

A. GIRP and the IM Program are funded through the formula rate plan ("FRP"), which was established by Council Resolution R-19-247 and was most recently extended by Resolution R-23-491. For more information on the FRP, please see Docket UD-18-07.

Q12. PLEASE ELABORATE ON THE NATURAL DISASTER RESPONSE PLAN.

A. Pursuant to federal regulations promulgated by PHMSA and state regulations, enforced by LDNR, ENO has established procedures to minimize hazards resulting from a potential gas pipeline emergency, including providing for a prompt and effective response to natural disasters. The ENO service area is sometimes subject to severe storms, (e.g., hurricanes, tornados, etc.) that may result in hazards like flooding. ENO plans for these types of storm events in order to minimize the impacts and to lower and mitigate the risks that result from such events. For example, ENO's plans provide for different levels of staffing to address different levels of risk, the assignment of storm roles for employees, and the implementation of an Incident Command System ("ICS") that aligns with the National Incident Management System ("NIMS") created and designed by the Federal Emergency Management Agency. The goal of these plans is to allow ENO to continue to ensure the safety and reliability of the gas distribution system, even during natural disasters.

III. FUTURE OF GAS DISTRIBUTION SYSTEM AND THE COMPANY'S GAS BUSINESS

Q13. PLEASE EXPLAIN YOUR UNDERSTANDING OF THE TRANSACTION PROPOSED IN THIS DOCKET.

A. My understanding is that ENO has entered into a purchase and sale agreement ("PSA") with an affiliate of Bernhard Capital Partners ("BCP"), Delta States Utilities NO, LLC ("DSU NO"), pursuant to which DSU NO will purchase ENO's gas distribution business. Specifically, certain assets and liabilities identified in the PSA related to ENO's gas distribution business are being sold to, or assumed by (in the case of liabilities), DSU NO, as discussed further in the testimony of DSU NO witness Mr. Jeff Yuknis.

Q14. IS IT YOUR UNDERSTANDING THAT THE PROPOSED TRANSACTION WILL BE FAIR AND REASONABLE TO ELL'S GAS EMPLOYEES?

A. Yes. As noted above, the proposed transaction is not expected to close until approximately July 2025, and during that time period, ENO will continue to operate the gas LDC business in ordinary course. No reduction in the workforce is expected during this time. Further, it is my understanding that DSU NO and its parent and affiliate entities ("DSU Utilities") have made robust commitments regarding the employment, compensation, and employee benefits (including certain post-employment benefits) of ENO's gas employees, as discussed in the testimony of Mr. Yuknis.

Q15. IS IT YOUR UNDERSTANDING THAT DSU NO WILL CONTINUE TO PROVIDE AN EQUIVALENT LEVEL OF SERVICE AS ENO?

A. Yes. Mr. Yuknis details the plans for future service, and I understand that DSU NO intends to provide service of an equivalent quality as ENO is currently providing. As I detailed above, ENO's service to customers is safe and reliable, and ENO maintains various programs to ensure that it remains so. My understanding is that DSU NO plans to continue these programs, including the accelerated pipe replacement program. It is also my understanding that DSU NO plans to continue the current natural disaster response plan with only minor adjustments for the time being (e.g., the location of staging facilities). Notably, because the gas business has a stand-alone ICS structure from the electric business, the current ICS structure and natural disaster response plan can be maintained by the employees to whom DSU Utilities have, or will, offer employment. Additionally, the same personnel generally will continue to plan, operate, and manage the gas system, which should further their ability to provide a seamless transition and an equivalent level of service.

Q16. PLEASE EXPLAIN YOUR UNDERSTANDING OF HOW THE TRANSACTION WILL AFFECT THE FUTURE OF THE COMPANY'S GAS BUSINESS.

A. The proposed transaction is not expected to close until approximately July 2025. During this time, ENO will continue to operate its gas LDC business in a safe and reliable manner, just as it is currently doing. Also during this time, ENO and DSU NO will work collaboratively to ensure that the transition between ENO's and DSU NO's operations proceeds smoothly and on the timeline that is expected. For instance, ENO will have a Project / Transition Management Office ("PMO") for project support that will coordinate with the PMO of Delta States Utilities, LLC ("DSU"), of which DSU NO is a subsidiary. DSU's PMO is described further in the testimony of DSU NO Witness Brian Little. ENO's PMO will be led by the Office of the Chief Executive and an Executive Steering Committee, to whom Program Leadership will report. Various workstreams, including for coordination on information technology ("IT") and shared services matters, will report to the Program Leadership. The structures of ENO's PMO and DSU's PMO are intended to provide the support necessary for DSU NO to achieve operational independence from ENO on day one post-closing.

After the closing, DSU NO will use the assets and liabilities acquired through the transaction to run a stand-alone gas LDC business. The future operation of the gas LDC business is detailed by Mr. Yuknis. My understanding is that DSU NO intends to operate the gas LDC business with an equivalent level of service, facilitated by having a sole focus on the gas LDC business, including by maintaining affordable rates and working to make the transition between ENO's gas LDC business and DSU NO's gas LDC business as seamless as possible for customers.

Q17. PLEASE EXPLAIN YOUR UNDERSTANDING OF HOW THE PROPOSED TRANSACTION WILL AFFECT THE FUTURE OF THE GAS DISTRIBUTION SYSTEM.

A. The future of the system is discussed further by Mr. Yuknis, but my understanding is that DSU NO expects to continue the same safe and reliable operation, planning, engineering, construction, maintenance, and monitoring of the system that ENO currently performs. This includes the continuation of investments into and upgrades of the system, including GIRP and the IM Program. My understanding is that DSU NO expects to honor the commitments that ENO has made before the Council as to the material to be replaced through that program and the timeline for that replacement.

Q18. WILL DSU NO CONTINUE TO SUPPLY GAS TO THE NEW ORLEANS POWER STATION ("NOPS")?

A. Yes. Following approval of the transaction, DSU NO will continue to supply gas to NOPS via the gas distribution lines pursuant to a Natural Gas Distribution Services Agreement to be entered into at the closing of the transaction.

Q19. DO YOU BELIEVE THERE WILL BE OPERATIONAL BENEFITS THAT RESULT FROM THE PROPOSED TRANSACTION?

A. Yes. It is my understanding, as more thoroughly discussed in the testimony of DSU NO witnesses Mr. Jeffrey Yuknis and Mr. Brian Little, that DSU NO will be solely focused on gas operations in New Orleans. Thus, there will be no competition with electric operations for capital, and DSU should be able to solely focus on investments in gas operations. In addition, the same personnel generally will be planning, operating, and managing ENO's former gas assets, which should allow for a continuity of service and knowledge. Further, the proposed transaction is contingent on approval by the Louisiana Public Service Commission of the acquisition of ELL's gas business by DSU's affiliate company, Delta States Utilities LA, LLC ("DSU LA"), and I understand that certain services will be provided to DSU LA and DSU NO by an affiliate shared services organization, Delta States Utilities Services, LLC, such that there may be opportunities for economies of scale to provide efficiencies, cost savings, and coordination as appropriate.

Q20. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, at this time.

AFFIDAVIT

STATE OF LOUISIANA

PARISH OF EAST BATON ROUGE

NOW BEFORE ME, the undersigned authority, personally came and appeared, ANTHONY P. ARNOULD, JR., who after being duly sworn by me, did depose and say:

That the above and foregoing is his sworn testimony in this proceeding and that he knows the contents thereof, that the same are true as stated, except as to matters and things, if any, stated on information and belief, and that as to those matters and things, he verily believes them to be true.

ANTHONY P. ARNOULD, JR.

SWORN TO AND SUBSCRIBED BEFORE ME
THIS 05 **DAY OF** December **2023.**

NOTARY PUBLIC

My commission expires: Commissioned for life

BEFORE THE

COUNCIL OF THE CITY OF NEW ORLEANS

DELTA STATES UTILITIES LA, LLCC AND ENTERGY LOUISIANA, LLC, EX PARTE.	)	
IN RE: APPLICATION FOR AUTHORITY TO OPERATE AS LOCAL DISTRIBUTION COMPANY AND INCUR INDEBTEDNESS AND JOINT APPLICATION FOR APPROVAL OF TRANSFER AND ACQUISITION OF LOCAL DISTRIBUTION COMPANY ASSETS AND RELATED RELIEF.	)	**DOCKET NO UD-23-**

DIRECT TESTIMONY

OF

DEANNA RODRIGUEZ

ON BEHALF OF

ENTERGY NEW ORLEANS, LLC

APPLICATION EXHIBIT 4

DECEMBER 2023

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I. INTRODUCTION AND QUALIFICATIONS

PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

A. My name is Deanna Rodriguez, and I am President and Chief Executive Officer ("CEO") of Entergy New Orleans, LLC ("ENO" or the "Company"). My business address is 1600 Perdido Street, New Orleans, Louisiana 70112.

ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying before the Council of the City of New Orleans ("Council") on behalf of ENO.

PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I was promoted to my current position as President and CEO of ENO in May 2021 after serving for 27 years in various roles at Entergy. Before this position, I had served as the Vice President of Regulatory and Public Affairs for Entergy Texas, Inc., since 2012. From 2010-2012, I served as Vice President of Regulatory Affairs for ENO, where I worked closely with the Council and other key stakeholders to successfully launch several strategic initiatives, such as the Energy Smart program. Prior to these positions, I held several other strategic positions since I began in 1999, such as the Director of External Affairs for Entergy Corporation and Vice President of Corporate Contributions. I hold a master's degree in Public Affairs from the Lyndon B. Johnson School of Public Affairs at the University of Texas at Austin and a bachelor's degree in Government from the University of Texas at Austin.

WHAT ARE YOUR CURRENT DUTIES?

A. As President and CEO of ENO, I have executive responsibility for the Company, including financial responsibility for the business and assets that are used to serve customers, which include generation, transmission, and distribution assets. In addition, my responsibilities include oversight of the field management of the Company's gas distribution system, electric distribution and transmission systems, customer service, economic development, public affairs, regulatory affairs, and governmental affairs.

WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to provide my understanding of the proposed transaction involving ENO's sale of its gas distribution business, and my belief that the proposed transaction is in the public interest and should be approved by the Council.[1]

II. THE PROPOSED TRANSACTION AND ITS EFFECTS

Q6. PLEASE PROVIDE YOUR UNDERSTANDING OF THE PROPOSED TRANSACTION.

A. My understanding is that ENO has entered into a purchase and sale agreement ("PSA") with an affiliate of Bernhard Capital Partners ("BCP"), Delta States Utilities NO, LLC ("DSU NO"), pursuant to which DSU NO will purchase ENO's gas distribution business. Specifically, certain assets and liabilities identified in the PSA related to ENO's gas

[1] Resolution R-06-88 applies to the sale or transfer of the whole or any part of a utility's franchise, works, property, or system where the value exceeds 1% of the gross assets of the utility. It sets forth eighteen factors for the Council to consider when deciding whether to approve a transfer, as described therein. Mr. Jeffrey Yuknis goes into greater detail on how they satisfy the eighteen factors.

distribution business are being sold to DSU NO, as discussed further in the testimony of DSU NO witness Mr. Jeffrey Yuknis.

Q7. WHY IS ENO CHOOSING TO SELL THE GAS BUSINESS AT THIS TIME?

A. The gas distribution industry is going through a period of transformation and consolidation, where natural gas companies are either getting larger through acquisitions or getting purchased. It is in the interest of the Company's gas customers for ENO to sell its gas business to a company with the size, scale, and core focus of BCP. For the reasons discussed herein and in the testimonies of DSU NO witnesses Mr. Jeffrey Yuknis and Mr. Brian Little, the proposed transaction is in the interest of customers and shareholders.

Q8. DO YOU BELIEVE THAT THE PROPOSED TRANSACTION IS IN THE PUBLIC INTEREST?

A. Yes. As discussed by DSU NO's witnesses in this docket, I understand that DSU NO expects to (1) make the transition as seamless as possible for gas customers, including by adopting the rates and rate schedules in effect at the time of closing or that are supported by ENO's most recent Test Year;[2] (2) continue the safe and reliable operation of the gas system, including by moving forward with planned investments in the system; and (3) have a positive impact on the local economy by establishing its headquarters in New Orleans, Louisiana, and making investments in workforce training initiatives. The proposed transaction also offers benefits to ENO's electric customers. Further, as the Council knows,

[2] Information on ENO's current rates and rate structure can be found in Docket UD-18-07, with most recent FRP extension approval granted in Resolution R-23-491.

ENO has been downgraded by credit rating agencies based on, among other things, its financial performance and vulnerability to weather-related risks combined with its small service area. The Company expects the proposed transaction to strengthen ENO's credit by allowing ENO to use a portion of the proceeds to pay down its existing debt. In addition, simplifying the business (following the proposed sale of the gas business) could potentially allow ENO to access debt markets on more favorable terms including access to lower cost capital, which ultimately affects customer rates.

Q9. PLEASE ELABORATE ON THE BENEFITS OF THE PROPOSED TRANSACTION TO ENO'S ELECTRIC CUSTOMERS.

A. A portion of the proceeds from the proposed transaction will allow ENO to make additional investments in its electric business. As the Council knows, ENO has proposed investments in its electric grid that are expected to provide substantial long-term benefits to its customers, particularly in the areas of resilience and reliability. While these investments are necessary and beneficial to customers, capital is limited. By freeing up capital that otherwise would be invested in the gas business and utilizing for future electric investment the net proceeds created by the proposed transaction, ENO may be able to reduce its dependency on new financings and maintain its ability to access capital markets for other beneficial investments. In addition, this influx of capital should enable ENO to pay off some of its debt, which improves its credit, as mentioned above, to the benefit shareholders and customers.

Q10. HOW IS ENO LOOKING OUT FOR THE INTERESTS OF ITS CUSTOMERS IN RELATION TO THE PROPOSED TRANSACTION?

A. As mentioned above, the proposed transaction is expected to benefit electric customers. Moreover, ENO has and continues to work with DSU NO to plan for a streamlined transition to ensure that gas customers receive the benefits discussed by Mr. Little.

III. OTHER POLICY ISSUES

Q11. ARE THE APPLICANTS REQUESTING ANYTHING IN RELATION TO THE TRANSFER OF CUSTOMER DATA?

A. Yes. ENO and DSU NO are requesting that ENO be allowed to transfer gas customer data to DSU NO, including data from ENO's Advanced Metering Infrastructure ("AMI").

Q12. DO YOU BELIEVE THAT SUCH A TRANSFER OF CUSTOMER DATA WILL BENEFIT CUSTOMERS?

A. Yes. As described in the testimony of Mr. Yuknis, such a transfer will help the transition between ENO and DSU NO be as seamless as possible from the customers' perspectives.

Q13. ARE THE APPLICANTS REQUESTING ANYTHING IN RELATION TO THE TRANSFER OF CUSTOMER DEPOSITS?

A. Yes. ENO and DSU NO are requesting approval or non-opposition of the Council to transfer certain deposits of ENO's gas customers to DSU NO, as described in the transaction documents attached to Mr. Yuknis's testimony, in order to avoid or mitigate the need for DSU NO to collect deposits from customers following the completion of the proposed transaction. As with the transfer of customer data, this will help make the proposed transaction as seamless as possible for customers.

Q14. DO YOU BELIEVE THE COUNCIL SHOULD APPROVE THE PROPOSED TRANSACTION?

A. Yes. The Council should approve the proposed transaction as serving the public interest, for the reasons discussed herein and by Company witness Mr. Anthony P. Arnould, and also as discussed in the testimonies of Mr. Yuknis and Mr. Little.

IV. IV. CONCLUSION

Q15. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, at this time.

AFFIDAVIT

STATE OF LOUISIANA

PARISH OF ORLEANS

NOW BEFORE ME, the undersigned authority, personally came and appeared, DEANNA RODRIGUEZ, who after being duly sworn by me, did depose and say:

That the above and foregoing is her sworn testimony in this proceeding and that she knows the contents thereof, that the same are true as stated, except as to matters and things, if any, stated on information and belief, and that as to those matters and things, she verily believes them to be true.

Deanna Rodriguez

DEANNA RODRIGUEZ

SWORN TO AND SUBSCRIBED BEFORE ME THIS 6th DAY OF December 2023.

Leslie LaCoste
Notary Public
LA Bar No. 38307
State of Louisiana
My Commission is for Life.

NOTARY PUBLIC

My commission expires: at death