How are electrical rates set for Entergy Louisiana’s Algiers operations?
Entergy Louisiana, LLC provides electric service to approximately 22,000 residential, commercial, governmental and industrial customers in Algiers. While Entergy Louisiana operations and rates for customers outside of Orleans Parish are regulated by the Louisiana Public Service Commission, electric operations and rates for customers within Orleans Parish – including those in Algiers – are regulated by the New Orleans City Council. Whether before the LPSC or the city council, Entergy Louisiana goes through a detailed public process when requesting a change in the cost we charge for electric service to our consumers.

As a regulated utility, we must go through a formal process with the New Orleans City Council any time we propose a change in our rates for Entergy Louisiana’s Algiers customers. We are required to demonstrate that our expenses are reasonable and necessary to ensure safe and reliable electric service to our customers, and we also must establish that we are planning appropriately for the future and that the rate request otherwise is in the public interest. The New Orleans City Council’s role is to ensure fair and reasonable rates for customers as well as fair and reasonable rates of return for the investment made by utilities in the infrastructure needed to provide electric service. The New Orleans City Council reviews all information and takes comments from the public before making a decision regarding rate changes.

In general, when the companies file to set new rates, such as with the current rate case, the following steps are followed:
- Calculate revenues collected from current rates
- Calculate the additional revenues that are needed
- Calculate the difference of what is in current rates and what is needed to be collected in rates to determine rate increase
- Allocate, or distribute, the needed increase among the different customer classes (e.g., residential, commercial, governmental, industrial) based on the costs used to serve those different rate classes

Who does this Entergy Louisiana - Algiers rate case and proposed rate increase affect?
This proposed rate change only affects Entergy Louisiana customers who are residents, businesses or government entities receiving Entergy electric service in Algiers, on the west bank of Orleans Parish. Customers outside of Orleans Parish who are served by Entergy Louisiana, and customers who live on the east bank of Orleans Parish and are served by Entergy New Orleans, are not affected by this rate case or proposed rate increase. Also, this is an electric service rate case, so it does not address or affect gas service rates for customers in any Entergy gas service areas, including Algiers, where Entergy New Orleans provides natural gas.

Why is Algiers served by Entergy Louisiana when the rest of Orleans Parish is served by Entergy New Orleans?
Because the Mississippi River separates Algiers from the remainder of Orleans Parish, residents on the west bank benefitted from the delivery of electricity beginning in the mid-1920s from Louisiana Power & Light, which at the time was the utility provider for bordering Jefferson Parish residents. Over the near century that has followed, though the name has changed from LP&L to Entergy Louisiana, LLC, the same company has continued to provide electric service to customers in Algiers.

Why are we filing a rate case and seeking a rate increase now?
Twelve years have passed since Entergy Louisiana requested a rate change for Algiers customers: a $913,000 rate decrease authorized by the New Orleans City Council. Since then, Entergy Louisiana has undertaken important initiatives and made significant investments in the electrical system to improve
customer satisfaction, enhance reliability, reduce production costs and make massive storm system restoration efforts after catastrophic hurricanes – all initiatives that have benefited Algiers customers, but costs of which have not been reflected in their rates.

The City Code of New Orleans requires utilities to file a fully allocated cost-of-service study in any rate change request. If a rate case with a class cost-of-service study had previously been filed for Entergy Louisiana Algiers operations alone, the 22,000 Algiers customers served by Entergy Louisiana would have had to bear all of the substantial preparation costs associated with that study and rate case. When Entergy Louisiana’s Formula Rate Plan that had been in effect in prior years expired with the company’s 2012 filings, the Louisiana Public Service Commission – which regulates the company’s utility operations outside of Orleans Parish – required Entergy Louisiana to file a rate case that included a class cost-of-service study. Entergy Louisiana made that rate case filing with the LPSC in February 2013; making a rate case application with a class cost-of-service study for Entergy Louisiana - Algiers to the New Orleans City Council in conjunction with the February rate case filing with the LPSC takes advantage of efficiencies and substantial cost savings for Algiers customers.

As important, the demands being placed on the electric system – both generation resources and the grid – today are vastly different and greater than those for which it was designed and built. The next two decades will require extraordinary investments in the electric infrastructure across the nation, as well as here in Louisiana and, specifically, in the Amite South planning region of the Entergy electric system. Ensuring that Entergy Louisiana can provide safe, clean, reliable and economic power to customers into the future requires changes to the base rate structure today. That’s why Entergy is pursuing smart solutions now: joining the Midwest Independent Transmission System Operator, Inc. (MISO), and the proposed spin-off and merger of Entergy’s transmission business with ITC Holdings Corp. Making these critical changes will require some adjustments to the way Entergy Louisiana recovers costs through rates.

What is a rate case?
A rate case is one of the formal processes a utility engages in with regulators – in this case, the New Orleans City Council – to evaluate and make a change in electric rates. The role of the regulator is to ensure fair and reasonable rates for customers as well as to establish a reasonable rate of return for utilities to compensate them for the investment in electric infrastructure needed to serve customers. During the rate case, we are required to demonstrate that our expenses are reasonable and necessary to ensure reliable electric service for our customers, and we must also demonstrate that we are planning appropriately for the future. The New Orleans City Council thoroughly reviews our request and holds hearings to allow customer groups and other stakeholders to comment, then makes a decision. This is quite different from most other companies that are not regulated – such as local grocery stores or gas stations – and can change prices any time they determine to be appropriate.

Why is Entergy Louisiana proposing such a large increase to Algiers customers’ base rates?
Since the last rate change – a decrease approved by the New Orleans City Council in December 2000 – Entergy Louisiana Algiers customers have benefited from significant investments to improve customer service, enhance reliability, lower fuel and production costs, restore the electrical system after historically catastrophic storms and more. But these critical investments and improvements have not been reflected in Algiers customers’ rates in more than 12 years. While the current rate case application does not seek to recover from Algiers customers these unrecovered costs retroactively, the rate increase proposed in the application is prudent but necessary to align – now and going forward as investments are made for the future – Entergy Louisiana - Algiers rates with current costs, as well as to appropriately bring them in line with other Entergy Louisiana and Entergy New Orleans customer rates.
Entergy Louisiana recognizes that its rate request translates into significant, but necessary and reasonable, increases in electric bills to our Algiers customers. To help mitigate the burden of a one-time increase to customers, Entergy is proposing to implement a three-year phase-in plan or “step approach” for rate changes. Under each scenario, the first step would be implemented at the conclusion of the rate case proceeding, which is currently scheduled for April 1, 2014. The second step of the increase would be effective October 14, 2014, and the third step would be effective October 1, 2015.

Why are there two “scenarios” proposed in the rate case?
The Entergy Louisiana - Algiers rate case application filed with the New Orleans City Council proposes two possible scenarios for rate increases. The first scenario plans for Entergy to join MISO and spin off then merge its transmission business with ITC Holdings. The second scenario assumes Entergy only joins MISO. The impact to base rates and customer bills are different depending on the scenario. The two scenarios are needed because the New Orleans City Council has not yet determined whether to approve Entergy’s proposed membership in MISO and transaction with ITC Holdings, and it is uncertain whether this approval will be received before rates change through the rate cases. These two scenarios also are included in the base rate case filings for Entergy Louisiana’s electric operations outside of Algiers and Entergy Gulf States with the Louisiana Public Service Commission.

Is the fuel adjustment charge part of the rate cases?
No. The rate case affects base rates only. A customer’s electric bill is made of two primary components: the base rate and the fuel-adjustment charge. The base rate covers the company’s cost to operate and maintain the electric system and includes customer service functions, distribution of electricity and reliability improvements by way of capital investments. It also includes the opportunity for the company to earn a fair rate of return for investors. The fuel component, which increases or decreases monthly, covers the company’s costs for fuel – such as natural gas, coal or uranium – used to generate electricity at our power plants, as well as the cost of any power we purchase from third-party power producers used to serve our customers. The fuel adjustment charge is passed on directly to customers dollar-for-dollar without any profit to Entergy. The fuel-adjustment charge is not part of the rate case.

What is Entergy Louisiana asking for in this rate case?
We are asking the New Orleans City Council to implement certain rate mechanisms necessary to accommodate the restructuring of Entergy’s transmission function, the final form of which has not been determined. There are two different restructuring scenarios the council will consider: one assumes Entergy will join the Midwest Independent Transmission System Operator, Inc. (MISO) and that Entergy will spin off then merge its transmission business with ITC Holdings Corp.; the second assumes Entergy only will join MISO.

The rate case also asks the Council to establish a fair return on equity, otherwise known as ROE, which will affect the level of revenue that is allowed to be collected from customers through rates set in this proceeding. The ROE is the return that utilities are permitted to earn on the investment they make in electric infrastructure needed to serve customers. Entergy Louisiana is requesting an ROE of 10.40 percent (with a bandwidth range of +/- 75 basis points), a decrease from the current Entergy Louisiana - Algiers allowed ROE of 10.50 percent and consistent with the ROE requested in the Entergy Louisiana base rate case filed in February 2013 with the Louisiana Public Service Commission for electric service operations outside of Algiers.
The Entergy Louisiana - Algiers rate case also asks that the Council establish the rates necessary to permit the companies to recover costs incurred for operation, maintenance and service delivery items such as:

- Power purchase agreements, the acquisition of modern and efficient generation resources and – when it is the lowest-cost alternative – the construction of such resources to meet energy demand with clean, affordable power
- Recovery of costs to repair and restore the electrical infrastructure following the catastrophic damage of Hurricanes Katrina, Rita, Gustav and Ike
- Repairs, maintenance and improvements that ensure and enhance electric service reliability; for example, proactive, "cycle-based" tree-trimming processes to keep well-maintained and clear distribution lines and to clear areas for new lines and construction.
- Customer service improvements, including investments in tools to help keep customers better informed about power and account status, share ways to save energy and money, and provide more – and more mobile, user-friendly – account management options that customers can take advantage of at home or on the go.

Finally, the rate case asks that the Council establish a future Formula Rate Plan with an initial three-year term. FRPs are ratemaking methods that allow utilities to adjust base rates annually outside a general rate case. This provides an opportunity for the timely recovery of costs, as well as timely decreases in rates when costs decline.

**How will the rate case impact my bill?**

Entergy Louisiana has made an application with the New Orleans City Council that proposes two possible scenarios for Algiers customer rate increases. The first scenario plans for Entergy to join MISO and spin off then merge its transmission business with ITC Holdings. The second scenario assumes Entergy only joins MISO. The impact to base rates and customer bills are different depending on the scenario.

Entergy Louisiana recognizes that its rate requests translate into significant, but necessary and reasonable, increases in electric bills to our Algiers customers. To help mitigate the burden of a one-time increase to customers, Entergy is proposing to implement a three-year phase-in plan or “step approach” for rate changes. Under each scenario, the first step would be implemented at the conclusion of the rate case proceeding, which is currently scheduled for April 1, 2014. The second step of the increase would be effective October 14, 2014, and the third step would be effective October 1, 2015.

For an Algiers residential customer using 1,000 kWh/month, the monthly typical bill is projected to increase as follows:

<table>
<thead>
<tr>
<th>Entergy Louisiana, LLC-Algiers</th>
<th>Step 1</th>
<th>Step 2</th>
<th>Step 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under Scenario 1: MISO and ITC</td>
<td>$17.79</td>
<td>Additional $6.58</td>
<td>Additional $6.59</td>
</tr>
<tr>
<td>Under Scenario 2: MISO Only</td>
<td>$12.31</td>
<td>Additional $8.53</td>
<td>Additional $8.53</td>
</tr>
</tbody>
</table>

This table shows the average impact proposed for the Algiers residential class customer using 1,000 kWh/month. The specific increase or decrease to individual customers will vary depending on the customer class, the rates they pay, monthly power usage and other factors.

**Why does Entergy need to make these business model changes, and how will they benefit customers?**

Louisiana’s population and economic opportunities are growing year by year and are driven by dependable, affordable electric power. Electricity powers the necessities and conveniences of our customers’ lives – everything from televisions to smart phones, air conditioners to cooktops, and grocery
stores to manufacturing plants. But as demand for power grows, weather, maintenance schedules, generating costs and other factors create a complex daily interplay between electricity supply and demand. To best manage that supply and demand, Entergy Louisiana and Entergy Gulf States Louisiana have received approval from the LPSC to join the Midwest Independent Transmission System Operator, Inc. Better known as MISO, the regional transmission organization has a footprint from Canada to the Gulf of Mexico, and will drive efficiency and reliability and provide a projected $430 million to $575 million in savings for Louisiana customers.

To build on MISO membership and provide the benefits of expertise, financial strength and enhanced reliability, Entergy Louisiana and Entergy Gulf States Louisiana also are seeking to spin off then merge their transmission business with ITC Holdings Corp., a leading independent, transmission-only company. Upgrading and modernizing the U.S. electric grid will require significant capital expenditures – industry infrastructure investment, driven by replacement of existing assets, environmental regulations and other compliance requirements, that could range from $1.5 trillion to $2.0 trillion between 2012 and 2030. The capital investments required over the next decade will drive costs higher for customers, but Entergy is pursuing the ITC transaction to create a separate, independent transmission company that will deliver focused expertise, enhance reliability and enable greater financial strength and flexibility to make the necessary investments into the future as affordably as possible.

I thought joining MISO and spinning off then merging Entergy’s transmission business with ITC Holdings Corp. would save me money. Why is Entergy asking to increase the cost of my electricity?

While joining MISO and spinning off the transmission assets will save customers money and help realize efficiencies, there are also costs associated with pursuing these activities. While these costs are part of the rate cases, they are expected to be offset, primarily in the form of reduced energy costs, which customers will see through lower fuel-adjustment charges – a change that occurs outside of the rate cases.

It also is important to understand that other rate-change drivers – including depreciation, plant transfers, catastrophic hurricane restoration cost recovery and other costs – make up a large majority of the requested rate increases. Restructuring of the transmission business is only a portion.

Further, a significant portion of these increases represents a shift to what is known as a “forward test year.” A forward test year allows the utilities to set rates based upon their expected costs. In the companies’ case, these amounts would be trued up to actual costs such that customers over time pay only for the actual investments the companies have made.

For transmission investments, the forward test year is very important. A forward test year provides the companies with more timely recovery of the costs of their investments, and this reduces the financial strain that significant transmission investments place on the companies – ultimately benefitting customers too.

How do our rates compare with other states?
During 2012, average electricity costs for Louisiana residential customers were 8.35 cents per kilowatt-hour, well below the national average of 11.91 cents. As a result, our customers averaged about $3.50 a day to power their homes.

Even with the proposed base rate increase, an Entergy Louisiana - Algiers residential customer’s typical bill ($88.39 for a customer using 1,000 kWh/month) is comparatively among the lowest in the state and the southern region and well below the U.S. national average ($118.80 for a residential customer using 1,000 kWh/month).
What is the timing of the rate case, and when would proposed rates go into effect?
Entergy Louisiana filed its Algiers rate case application with the New Orleans Clerk of Council’s Office on March 28, 2013. The Council Utility Committee, with the approval of the Council, establishes a procedural schedule for the official review of the rate case application. During this schedule, the New Orleans City Council thoroughly reviews our request and holds hearings to allow customers and stakeholders to comment and provide different points of view on the application. By Ordinance, unless extended, the New Orleans City Council must render a full decision on the rate case application and proposed rate schedule within 12 months after the effective filing date. Upon approval by the Council, the rate increase will be effective April 1, 2013.

Does the current rate case include Hurricane Isaac-related costs?
No. Entergy Louisiana will file separately for recovery of Isaac-related costs. That filing is expected to be made in the near future, and it is possible that it will be consolidated into the rate case.