

Louisiana Public Service Commission



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PSC-Approved Bonds Totaling \$315 Million Sold

Baton Rouge - In two transactions designed by the Louisiana Public Service Commission (LPSC) to minimize the impact of Hurricane Isaac costs on Entergy ratepayers, the LPSC, the Louisiana Utilities Restoration Corporation (LURC), and the Louisiana Local Government Environmental and Community Development Authority (LCDA) authorized the sale of, subject to customary closing conditions, \$315 million of bonds to be issued by the LCDA. The net proceeds of the bonds will be used to finance non-shareholder capital contributions to Entergy Louisiana, LLC (ELL) and Entergy Gulf States Louisiana, L.L.C. (EGSL) related to ELL's and EGSL's system restoration costs in Louisiana from Hurricane Isaac and for the funding of reserves for future storms. The savings to LPSC-jurisdictional ratepayers from this financing structure, which will avoid or mitigate rate impacts as compared to conventional methods of financing the storm costs, is estimated to be over \$150 million in the aggregate on a net present value basis. ELL and EGSL are both utility subsidiaries of Entergy Corporation, which is headquartered in New Orleans, Louisiana.

On July 29, 2014, the LCDA sold \$243.85 million in bonds (related to the ELL capital contribution) and \$71.0 million in bonds (related to the EGSL capital contribution). The principal amount of each bond issue was based on the recoverable Hurricane Isaac-related restoration costs to the utilities plus the partial funding of storm reserves as determined by the LPSC. On June 18, 2014, the LPSC issued irrevocable Financing Orders to ELL, EGSL and LURC as co-applicants that set the stage for the bonds to be issued. The setting of recoverable costs and the issuance of the Financing Orders were the culmination of comprehensive examinations by the LPSC of the impact of Hurricane Isaac on ELL, EGSL and their customers. All of the bonds are expected to be rated AAA by S&P and Moody's rating agencies and the bond yields were set

by a group of underwriters led by Citigroup Global Markets, Inc. The co-managing underwriters were Raymond James, Jefferies and Stephens Inc. The effective weighted average interest rates with respect to the bonds issued to finance the capital contributions to ELL and EGSL were 2.97% and 2.86%, respectively. These rates are fixed for the duration of the bonds, are at levels far below the respective overall authorized returns for ELL and EGSL, and will provide significant savings for the ratepayers of those companies as a result.

“The Commission led an investigation into the preparation and response of ELL and EGSL in 2012 to Hurricane Isaac, which at its peak caused reported outages for more than 787,000 Entergy customers in Louisiana” said Commissioner Clyde Holloway of Forest Hill. “The Commission’s investigation and audit of the claimed costs incurred by ELL and EGSL resulted in over \$3.6 million in savings for customers while this financing transaction will save an additional \$150 million at a minimum. These actions help ensure that further storm recovery efforts will proceed safely and efficiently, electric service is restored quickly and that ratepayers are impacted at the lowest levels allowed by law.”

LURC is a non-profit public corporation regulated by the LPSC and created to provide an alternative financing mechanism to attract low-cost capital to financially strengthen and stabilize utilities affected by Hurricane Isaac as well as other past and future natural disasters such as tropical storms, hurricanes and floods.

Due to the severity of the damage to the electric generation, transmission and distribution systems of ELL, EGSL, and other utilities by tropical storms and hurricanes, and the importance of maintaining a reliable and reasonably priced source of electricity for the State's economic recovery, the Louisiana Legislature was prompted to assist electric utilities by creating a financing structure to provide utilities with low-cost capital. In 2007 the Louisiana Legislature passed Act 55, known as the Restoration Law which authorized the formation of LURC for the purpose of making the capital contribution and financing that contribution through the issuance of "system restoration bonds." The LPSC is responsible for determining the amount of the storm damage costs and the size of any incremental storm damage reserves which could be financed under the Restoration Law. “Issuing these bonds is smart financial management on behalf of the consumer” stated Commission Chairman Eric Skrmetta of Metairie. “This will result in ratepayer savings and the LPSC staff should be commended for putting the consumer first in these negotiations.”

The bond sales were authorized by the Louisiana State Bond Commission, the LPSC and the Board of the LCDA. The bonds are limited and special obligations of the LCDA, the principal and the interest on which are payable solely out of the revenues derived from or in connection with a loan agreement between the LCDA and LURC. The State of Louisiana has no repayment obligations or liability regarding the bonds.

“Similar as with Hurricanes Katrina/Rita in 2005 and Gustav/Ike in 2008, the Commission was able to save ratepayers millions of dollars through this alternative financing” added Commissioner Lambert Boissiere of New Orleans. “The Commission will continue to utilize every avenue to ensure the lowest possible impact on a customer’s bill when such a natural disaster occurs.”

The Louisiana Public Service Commission is an independent regulatory agency dedicated to serving the public interest by assuring safe, reliable, and reasonably-priced services from

public utilities and motor carriers. The LPSC, created by Article IV, Section 21 of the 1974 Constitution of the State of Louisiana, consists of five elected Commissioners who serve overlapping terms of six years. The Commission has jurisdiction over certain publicly-owned utilities providing electric, water, wastewater, natural gas, and telecommunication services, as well as all the electric cooperatives in Louisiana. It does not regulate Entergy New Orleans, Inc.

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