



Entergy

External Talk Points

Subject: Gustav/Ike Storm Cost Recovery

Date: May 11, 2009

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Background:

In a May 11 filing with the Louisiana Public Service Commission, Entergy Louisiana, LLC and Entergy Gulf States Louisiana, L.L.C. summarized the costs they incurred and their efforts to restore the electrical system after hurricanes Gustav and Ike swept through their service territories last September. The two destructive storms plowed across Entergy's 35,000-mile service territory in Louisiana, combining to cause outages for 970,000 customers in the state.

Hurricane Gustav affected approximately 829,000 customers in Louisiana (ELL, EGSL and ENO customers). Entergy Louisiana had a peak outage of approximately 442,000 customers, while Entergy Gulf States Louisiana had a peak outage of approximately 279,000 customers. Gustav, ranked by hurricane experts as the most intense hurricane to strike the state in 50 years, resulted in 38,000 more outages than 2005's Hurricane Katrina.

At its peak, **Hurricane Ike** caused approximately 141,378 outages to Entergy customers in Louisiana (ELL, EGSL and ENO customers). Entergy Gulf States Louisiana peaked at 57,000 customers while Entergy Louisiana peaked at 59,000 customers.

In Louisiana, the two storms required the repair or replacement of:

- 312 substations
- 245 transmission lines
- 11,654 distribution poles
- 3,139,240 feet (or 595 miles) of wire
- 5,207 transformers

A restoration force of some 15,000 workers returned power to 90 percent of the customers affected by Gustav within 11 days, and 90 percent of the customers affected by Ike within five days.

Key Messages:

- In this first phase, Entergy Louisiana, LLC and Entergy Gulf States Louisiana, L.L.C. are asking the Louisiana Public Service Commission to determine the amount of storm-related costs that the companies can recover. The companies will also ask the commission to establish a storm reserve.
- In addition, Entergy Louisiana and Entergy Gulf States Louisiana will evaluate the various methods through which commission-approved storm costs can be recovered. The companies currently are evaluating three potential methods of recovery for storm-restoration costs and future storm reserves:
 1. Traditional base-rate recovery of capital expenditures and 10-year levelized recovery of operations and maintenance costs.
 2. Securitization through Act 64 of the 2006 Louisiana Legislature.
 3. Securitization through Act 55 of the 2007 Louisiana Legislature.
- Securitization is a relatively low-cost means for utility customers to pay for storm-recovery costs because it permits those costs to be financed with generally lower-cost capital. The actual benefits of

Gustav/Ike Storm Cost Recovery

May 8, 2009

Page 2 of 5

securitization depend on certain unknown variables such as market conditions and the amount of storm-restoration costs.

- Entergy Louisiana and Entergy Gulf States Louisiana are asking the LPSC to approve the recovery of \$412.6 million in restoration costs.
- The total is comprised of \$261.9 million for Entergy Louisiana and \$150.7 million for Entergy Gulf States Louisiana.
- Additionally, Entergy Louisiana is requesting approval to re-establish a storm reserve of \$200 million while Entergy Gulf States Louisiana is requesting approval to re-establish a storm reserve of \$90 million.
- If the storm costs that Entergy Louisiana and Entergy Gulf States Louisiana have submitted are approved by the LPSC, costs for restoration and a storm reserve would be collected on customer bills through a line item appearing each month.
- If storm costs are approved, Entergy Gulf States Louisiana customers would see an increase of between \$1.10 to \$1.23 per month based on 1,000 kWh of usage, depending on the manner in which the LPSC allocates the costs among customers. Entergy Louisiana customers would see between \$1.51 to \$1.67 per 1,000 kWh of usage, depending on that same allocation of costs.
- If approved, the storm reserve would add about \$1.00 per 1,000 kWh per month to customer bills.

Additional Points:

Hurricane Gustav

- Hurricane Gustav made landfall near Cocodrie, La. at 10 a.m. on Sept. 1, 2008. It was rated as a Category 2 hurricane with 110-mile-per-hour winds. Gustav moved across virtually the entire state of Louisiana, traveling from the southeast corner to the northwest corner.
- As it made landfall, Gustav's tropical storm-force winds extended nearly 200 nautical miles while hurricane-force winds extended nearly 70 nautical miles.
- Hurricane Gustav is known to have produced 41 tornadoes, 11 of which were in Louisiana.
- According to Professor S.A. Hsu of the Louisiana State University Coastal Studies Institute and Department of Oceanography and Coastal Sciences, Hurricane Gustav was the most intense storm to affect Louisiana since 1950.
- Dr. Hsu found that near-surface wind gusts reached Category 2 and 3 strengths while maximum instantaneous gusts approached Category 5 status. Since large trees can be blown down in Category 3 winds, Dr. Hsu found that the winds from Hurricane Gustav were well above the intensity needed to produce widespread damage and destruction to trees, vegetation and utility infrastructure.
- Dr. Hsu also found that storm-force winds from Hurricane Gustav lasted about twice as long as those generated by Hurricane Katrina.
- Gustav caused widespread damage to the electrical infrastructure in Louisiana, including:
 - 259 substations
 - 206 transmission lines
 - 11,294 distribution poles
 - 3,045,468 feet (or 575 miles) of wire

Gustav/Ike Storm Cost Recovery

May 8, 2009

Page 3 of 5

- 4,825 transformers
- The storm affected approximately 829,000 customers in Louisiana (ELL, EGSL and ENO customers). Entergy Louisiana had a peak outage of approximately 442,000 customers, while Entergy Gulf States Louisiana had a peak outage of approximately 279,000 customers.
- Hurricane Gustav caused the second most number of outages across Entergy's system, behind only Hurricane Katrina. Gustav actually caused 38,000 more Louisiana-specific peak outages than did Katrina (including ENO outages).

Hurricane Ike

- Hurricane Ike made landfall along the north end of Galveston Island, Texas at 2 a.m. on September 13 as a Category 2 hurricane. Hurricane Ike spawned at least 27 tornadoes, 17 of which were in Louisiana.
- Ike also caused significant damage to the electrical infrastructure in Louisiana, including:
 - 53 substations
 - 39 transmission lines
 - 360 distribution poles
 - 93,772 feet (or 17 miles) of wire
 - 382 transformers
- At the time that Hurricane Ike made landfall, 61,000 Louisiana customers were still without power due to Hurricane Gustav.
- At its peak, Hurricane Ike caused approximately 141,378 outages to Entergy customers in Louisiana. Entergy Gulf States Louisiana peaked at 57,000 customers while Entergy Louisiana peaked at 59,000 customers.

Preparation

- The Entergy operating companies maintain a thorough and comprehensive storm plan. The companies conduct annual drills and training sessions to review roles and responsibilities for storm-restoration activities.
- In preparation for Gustav, the companies set up staging areas, obtained necessary fuel and supplies, ramped up logistics support, made arrangements to receive assistance from non-Entergy work crews and evacuated necessary equipment and employees. The staging sites were set up near expected damage areas in order to expedite post-storm restoration work.
- The mass evacuation from New Orleans prior to Gustav, Hurricane Ike, the federal response to the disaster and the initial loss of power to 71 percent of the state created severe accommodation shortages close to the damaged areas.
 - Entergy set up 64 self-contained sites around the state to house, feed and provide other services to workers. This accelerated the pace of restoration by allowing line and vegetation workers to spend more time in restoration activities.
 - Flooding and winds from Hurricane Ike caused Gustav restoration crews working in South Louisiana to be temporarily evacuated as the storm approached.
 - The area impacted by the storms included large sections of marsh and protected wetlands, which require special equipment such as airboats and restoration processes that protect the environment.
- The widespread and severe impacts of Gustav and Ike, as well as their close proximity to each other, caused a scarcity of logistical resources such as housing, food and other essential services needed to support restoration workers

Restoration

- As Gustav moved past an area, damage assessments were organized, helping the companies adjust where resources were most needed. Additionally, daily resource conference calls were held at the system level to ensure adequate assignment of manpower and equipment.
- Assessment activities were hampered by the fact that vegetation damage, storm-surge flooding and debris severely restricted access to many of the companies' facilities.
- Despite the challenges, a benchmark comparison of Entergy's performance during the storms to data compiled from 24 utilities on their responses to 32 different major storms showed that Entergy's response to hurricanes Gustav and Ike resulted in significantly higher productive work time for the restoration army and a restoration cost per pole of 13 percent less than the average costs for power restoration after similar-strength storms.
- After Hurricane Gustav, Entergy Louisiana and Entergy Gulf States Louisiana restored power to every customer who could safely receive power within 20 days. Gustav restoration work was prolonged by Hurricane Ike's arrival.
- After Hurricane Ike, the companies restored power to every customer who could safely power within nine days.

Timing of restoration

	50% complete	75%	90%	100%
Gustav	6 th day	8 th day	11 th day	19 th day
Ike	2 nd day	3 rd day	5 th day	11 th day

Frequently Asked Questions:

How much will my bill increase if the costs are approved?

If the storm costs that Entergy Louisiana and Entergy Gulf States Louisiana have submitted are approved by the LPSC, costs for restoration and a storm reserve would be collected on customer bills through a line item appearing each month. If storm costs are approved, Entergy Gulf States Louisiana customers would see an increase of between \$1.10 to \$1.23 per month based on 1,000 kWh of usage, depending on the manner in which the LPSC allocate the costs among to customers. Entergy Louisiana customers would see between \$1.51 to \$1.67 per 1,000 kWh of usage, depending on that same allocation of costs. If approved, the storm reserve would add about \$1.00 per 1,000 kWh per month to customer bills.

Why do I have to pay for these costs?

Under the Louisiana Public Service Commission's ("LPSC") rules, utilities have an obligation to serve their customers reliably at the lowest reasonable cost. In return, utilities are allowed to recovery their prudently-incurred costs associated with providing service. These costs include prudently-incurred restoration costs from major hurricanes. The LPSC will ultimately determine the level of expenditures it deems to be prudently incurred and recoverable from customers.

Why can't insurance pay for these costs?

Insurance companies stopped providing cost-effective coverage insuring transmission and distribution wires, poles and other outdoor structures for utilities after Hurricane Andrew in 1992, which at \$26 billion was the costliest storm in history.

Do you expect to get other sources of revenue to offset these costs?

Gustav/Ike Storm Cost Recovery

May 8, 2009

Page 5 of 5

While insurance does not provide coverage for much of the utility infrastructure, Entergy's Louisiana utilities will pursue existing insurance coverage for damages to power plants and buildings to reduce overall storm costs from the two hurricanes as much as possible.

How long will the line-item appear on customers' bills?

If approved, recovery for Gustav and Ike will appear on customer bills until all costs are collected. The Companies' filing presents several options for cost recovery including a scenario for traditional recovery of capital costs and the 10-year levelized recovery of noncapital costs to minimize the impact on customers.

Why am I paying for this in Monroe (or any unaffected area in north Louisiana) when the majority of storm damage was in south Louisiana?

In Louisiana, all LPSC-approved costs including costs to restore electricity to storm-stricken areas are generally absorbed by all customers who are served by the utilities. Because all customers are vulnerable to weather events such as tornadoes, hurricanes, ice storms, severe thunderstorms and major hurricanes, it is in the best interest of customers that the costs to repair and replace the electricity system after disasters be shared among all customers who receive power from it. This keeps storm recovery costs low for all customers.

Why can't Entergy harden the system to prevent outages after a hurricane?

Entergy is not opposed to all projects that would put transmission or distribution power lines underground. In fact, in some downtown areas or in new housing developments, lines are already underground.

However, several studies over the last several years, have determined that putting power lines underground can be as much as 10 times more expensive than putting those same lines overhead and that the costs far exceed any benefits. Research also indicates that reliability does not necessarily improve when lines are buried – the frequency of outages goes down but the duration of those outages goes up.

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