

Entergy New Orleans Is Jazzed

UTILITY RECOVERS FROM KATRINA

BY PAM RADTKE RUSSELL

THIS YEAR, CUSTOMERS OF ENTERGY New Orleans began receiving a 6.15 percent credit on their bills. The \$3 a month credit, given by a utility decimated by Hurricane Katrina, is considered extraordinary by those who have watched, and helped, the utility rebuild.

"I wouldn't have said that was possible," said Clint Vince, managing partner of Washington D.C.-based Sullivan & Worcester, who advises the New Orleans City Council on utility matters. The city regulates Entergy New Orleans.

It was only through the combined efforts of the company, consumer advocates and city and state officials that the utility, which supplies electric and gas service to all but a sliver of the city, repaired the tremendous devastation while keeping rates affordable for the historically impoverished community, Vince and others have said.

"They handled themselves exceptionally well," said David Owens, executive vice president of the Edison Electric Institute. "They were facing significant challenges."

After Hurricane Katrina, Entergy New Orleans lost its 190,000 customers to a mandatory evacuation. The smallest subsidiary of Entergy Corp. had to repair 75 percent of its transmission lines and half of its substations. Sixty percent of the underground gas system was flooded with saltwater. Repairs were estimated at more than \$600 million, while the company's revenue in 2004 was just \$313 million. Three other Entergy subsidiaries also took hits from Katrina and Rita, but none as concentrated as the damage of Entergy New Orleans, said Rod West, president and CEO of the New Orleans utility.

As residents trickled back, Entergy New Orleans warned of rate hikes up to 140 percent. Just weeks after the storm, the company's cash flow was so anemic it couldn't pay for the equipment, materials and 1,800 workers needed to get the lights back on. Entergy New Orleans declared bank-

ruptcy. Its parent company, Entergy, headquartered in New Orleans, became the company's debtor in possession and gave its subsidiary a \$200-million line of credit.

The New Orleans City Council allowed the utility to sell off its excess power and use money that had been set aside for a customer benefit program to help pay for restoration.

"The more quickly we established restoration," Vince said, "the more quickly people came back."

Entergy, Vince and City Council members also unsuccessfully lobbied Congress



Workers repairing distribution lines in New Orleans after Hurricane Katrina
PHOTO COURTESY OF ENTERGY NEW ORLEANS

for emergency funding. But the White House opposed giving federal dollars to the company.

"I do fault Congress a lot for not helping bail out this utility," said Karen Wimpleberg, board president of the Alliance for Affordable Energy, a consumer group often at odds with the utility that nonetheless worked closely with the city and the utility to help mitigate Entergy New Orleans' financial damage. Wimpleberg also faults Entergy for not providing more assistance to its flailing subsidiary.

Over the next several months, the company, the community and city leadership evaluated options for the utility. Entergy New Orleans even successfully pushed state legislation that would make it easier for the city of New Orleans to take it over.

The company's financial future brightened in October 2006, when the Louisiana Recovery Authority agreed to give Entergy New Orleans \$200 million of federal money. Later that month, the New Orleans City Council approved an 8 percent gas and electric rate increase, and allowed the company to start collecting for a \$75-million storm-reserve fund.

With those agreements in place, a bankruptcy judge approved Entergy's plan of reorganization, and the utility emerged from bankruptcy in May.

Today, West says, the electric system is essentially restored. Because of population shifts, the utility chose not to duplicate the system it had before the storm. Work on the gas system is still ongoing. Because of the saltwater intrusion, more than 800 miles of cast-iron and steel pipes must be replaced over the next 10 years at a cost of \$350 million.

Vince says that electric and gas rates will continue to decrease as the city regains its population base. Entergy New Orleans had predicted that 110,000 customers would return by July 2007. The company was able to give the 6.15 percent rate credit because 125,000 customers had returned.

West believes the company, and the city, have a viable future. "Like the city, we are still rebuilding and assessing," he said. "We like what we see as we look into the future." ☺

NewsFlash

TAJIKISTAN TURMOIL

Electricity outages have hit many parts of Tajikistan and power is being rationed in the capital city of Dushanbe, according to a report in the *Associated Press*.

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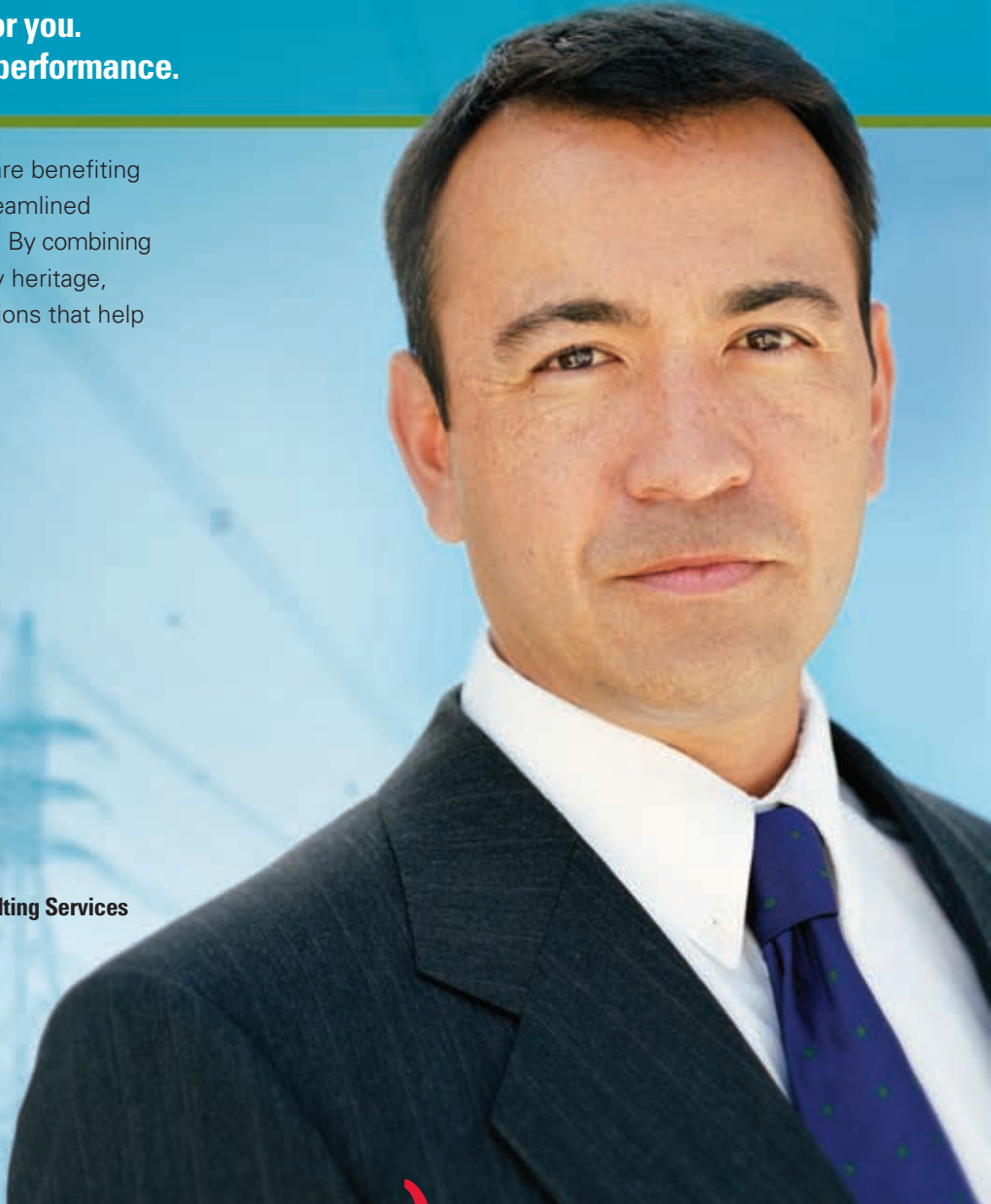
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