RESOLUTION

NO. R-26-

CITY HALL: <u>August 6, 2026</u>

BY: COUNCILMEMBERS MORRELL, WILLARD, MCCARRON, HARRIS, KING, GREEN, AND HUGHES

RESOLUTION AND ORDER REGARDING ELECTRIC SERVICE DISRUPTIONS AND COMPLAINTS

DOCKET NO. UD-17-04

WHEREAS, pursuant to the Home Rule Charter of the City of New Orleans, the Council of the City of New Orleans ("Council") is the governmental body with the power of supervision, regulation and control over public utilities providing service within New Orleans; and

WHEREAS, Entergy New Orleans, LLC ("ENO") is a public utility providing electric service to all of New Orleans; and

WHEREAS, ENO is a wholly owned operating company subsidiary of Entergy Corporation ("Entergy"); and

WHEREAS, in Resolution No. R-17-427 the Council established Docket No. UD-17-04, for the Council's investigation into an increase in electric outages, electric reliability issues in general, ENO's level of distribution operation and maintenance ("O&M") staffing and scheduling, and to consider the establishment of minimum distribution reliability performance standards ("Standards") for all of the utilities under the Council's jurisdiction, including the establishment of financial penalty mechanisms for failure to meet such minimum reliability performance standards as established by the Council; and

WHEREAS, that investigation disclosed that ENO's system reliability had declined significantly between 2013 and 2017, frequently due to equipment failures unrelated to adverse weather conditions; and

WHEREAS, as a result of the investigation the Council required ENO to maintain and periodically report on certain system reliability performance data and on ENO's progress in implementing its previously approved reliability performance improvement plans; and

WHEREAS, subsequently, without notable improvement in distribution reliability performance, the Council, in Resolution No. R-18-475, expressed its extreme concern about ENO's continuing pattern of frequent large-scale outages and customer interruptions, which led the Council to order a prudence investigation into ENO's reliability related conduct; and

WHEREAS, pursuant to that resolution the Council's utility advisors ("Advisors") conducted a thorough investigation, developed an extensive record, and provided comments to the Council recommending a finding that ENO had acted imprudently regarding ENO's reliability investments and procedures; and

WHEREAS, after receiving the Advisors' report the Council adopted Resolution No. R-19-442 finding ENO had acted imprudently and, based upon the record of the investigation, the Council imposed on ENO a one-time $1 million penalty, which order was appealed by ENO to the Civil District Court, Parish of Orleans where the court did not overturn the Council's finding of imprudence, but ruled that the matter of the penalty should be remanded to the Council for further consideration consistent with the court's ruling; and

WHEREAS, subsequently, the Council approved a settlement agreement with respect to the prudence penalty litigation, that provided, among other things, that ENO would spend $500,000 on "reliability-related matters" subject to consultation with the Advisors and approval of the Council ("Reliability Settlement"); and

WHEREAS, subsequent Council-mandated reliability reporting confirmed notable progress in the implementation of ENO's reliability improvement projects and in distribution reliability performance overall with reductions in most outage categories; and

WHEREAS, the Council adopted Resolution No. R-22-372 (Electric System Distribution Reliability Standards ("ESDRS")), which included a set of minimum standards and penalties for future poor reliability performance based on an extensive review of the Institute of Electrical and Electronics Engineers ("IEEE") Standards, the performance of other utilities, and ENO's past performance; and

WHEREAS, after receiving comments on the proposed ESDRS, the Council adopted resolution R-23-73 approving the standards and requiring ENO to provide planned capital and O&M expenditures associated with distribution system reliability annually for the 2023 through 2027 period: and

WHEREAS, during the 2023 through 2025 period, ENO expended less than 50% of its projected total capital and O&M expenditures that it provided to the Council in compliance with resolution R-23-73; and

WHEREAS, in 2024, a troubling decline in reliability performance began with spiking increases in unplanned, fair-weather outages, most frequently resulting from equipment failures or vegetation-related failures, and often affecting discreet areas of the city, at times repeatedly; and

WHEREAS, the Council directly, and through the Council Utilities Regulatory Office ("CURO") and the Advisors, sought answers to the troubling trends with little success, with ENO often providing opaque reporting content or insufficient responses to inquiries; and

WHEREAS, in letters to ENO, utility committee chair J.P. Morell expressed the Council's extreme concern with these recent reliability failures and emphasized the Council's commitment to resolving them in the most expeditious and effective manner possible; and

WHEREAS, in Resolution No. R-25-626, the Council determined that the matter of system reliability should be revisited comprehensively and evaluated with the best interest of customers to receive consistently reliable electric service as the primary goal; and

WHEREAS, in that resolution the Council ordered that several issues be addressed, including the resurgence of outages, especially those caused by equipment failures and vegetation management, the geographical imbalance of recurrent outages among neighborhoods, reporting formats, reliability budgets and spending, and outage-related communications; and

WHEREAS, the Council also found that the ESDRS minimum standards should be revisited and, if necessary, adjusted, to assure that the standards and penalties are an effective method of encouraging improved reliability overall and addressing the geographical imbalance of outages noted in recent years; and

WHEREAS, the Council directed that ENO, CURO and the Advisors work to develop a format, scope, and accelerated timeline to update the 2018 Quanta Report on ENO distribution reliability to determine if ENO has implemented the recommendations, and if not, why not, and if so, how has implementation affected reliability; and

WHEREAS, pursuant to the Council's directions, CURO and the Advisors held meetings and discussions with ENO personnel, conducted discovery, and evaluated ongoing reliability reporting to address the Council's concerns; and

WHEREAS, CURO and the Advisors have determined that with respect to outages caused by equipment failures, the largest category, ENO has increasingly relied on lightning and "the latent effect of lightning strikes," as the amorphous catch-all explanation, even for fair weather outages, a claim ENO has failed to support; and

WHEREAS, in ENO's 2025 Fourth Quarter Customer Interruption Report ("CI Report") it is stated that "…. from January through September 2025, lightning was particularly impactful. During this period, New Orleans experienced over 79,000 lightning strikes, which is an increase of approximately 62% as compared to the same period in 2024." In response to a discovery request ENO was unable to provide supporting documentation for these claims; and

WHEREAS, in a related discovery request ENO was asked to explain and support its CI Report statement that "… some portion of these equipment-related CIs were likely due to the latent effects of lightning strikes near our facilities…." ENO conceded that there are no analyses or data that support the concept of "latent damage," which is, at best, anecdotal; and

WHEREAS, it is a well-known and historical fact that Louisiana and New Orleans are high lightning areas; and yet, lightning has become an excuse for ENO, rather than a predictable circumstance that should be designed and planned for; and

WHEREAS, recent transformer failures in the North Kenilworth subdivision and in the French Quarter have highlighted the need for more aggressive regulatory actions to stem the tide of disruptive equipment failures; and

WHEREAS, the Council finds that while ENO has established an asset management system that gives ENO the ability to track all classes of assets, including nameplate information, maintenance history, and outage and failure records, ENO has not adequately explained how or if that system is used to develop failure analytics, predictive analytics, condition-based maintenance scheduling, or other asset analysis and management to improve distribution reliability and avoid equipment failures before they happen; and

WHEREAS, the Council finds that it is in the best interest of customers that deadlines be established to review ENO's declining reliability performance especially with respect to equipment failures and vegetation management and the apparent lack of predictive analytical capabilities of ENO's asset management and general reliability systems; and

WHEREAS, the Council finds that it is in the best interests of ENO customers that the ESDRS be revisited and revised through a schedule that would clarify the Council's reliability performance expectations more specifically and provide revised minimum standards that would assure a more effective level of accountability from ENO; and

WHEREAS, the Council also finds that consideration should be given to the possible implementation of a system for automatic bill credits to be applied when customers experience a predetermined number of unplanned outages within a defined period of time and/or beyond a defined duration period, as exists in several other utility regulatory jurisdictions; and

WHEREAS, the Council also finds that the reevaluation of ENO's compliance with the 2018 Quanta study and the commissioning of a new study should be expedited; and

WHEREAS, the Council finds that ENO's communications with the Council must be improved, especially during outages that occur outside of normal business hours and/or impact critical customers; **NOW THEREFORE**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF NEW ORLEANS, That

A. ENO is directed as follows:
   1. By August 14, 2026, ENO shall submit a report to CURO detailing whether and how ENO's distribution system is designed for a designated high-lightning area, such as New Orleans. The report shall include a description of the devices and components in ENO's system that are designed and recommended for high-lightning areas. The report shall also include documentation of all claims made in the CI Report regarding lightning, specifically as to New Orleans. The report shall also include ENO's evidence that supports the "latent effects of lightning," or acknowledge that such effects are not a recognized or acceptable explanation for equipment failures.
   2. By August 21, 2026, ENO shall submit a report to CURO and the Advisors that explains how or if ENO's current asset management system and the data it produces are or can be used to develop failure analytics, predictive analytics, condition-based maintenance scheduling, and/or other asset analysis and management to improve distribution reliability and avoid equipment failures before they happen. If such analytic systems are in place the report shall describe in detail how they function and whether they have been effective in predicting and avoiding outages using specific examples. If they have not been effective the report shall explain why and detail how ENO will remediate the deficiencies no later than November 20, 2026. If they are not in place the report shall explain why and detail how ENO will implement them by November 20, 2026.

3. By October 9, 2026, ENO shall file a report explaining why vegetation-related outages have increased significantly without referring to the New Orleans Parks and Parkways Commission trimming guidelines given that those guidelines have been in place for decades and have not been altered in a manner that would explain the increase. The report shall also explain the process for spot trimming and why that process could not be used more generally to reduce all vegetation-related outages.
4. By September 4, 2026, ENO shall file a report that identifies the capital and O&M amounts expended on distribution system reliability, annually, by Council District for the 2023 through 2025 period. In the report ENO shall explain its rationale and specific decisions that led to significantly lower distribution system reliability expenditures when compared to the projected amounts included in ENO's April 14, 2023, filing in this docket for each of the years 2023 through 2025.

B. Regarding the 2018 Quanta Report:

1. By August 14, 2026, ENO shall file a report with CURO and the Advisors which includes the name of the company selected to perform the 2018 Quanta update and reevaluation including a proposed format, scope, and accelerated timeline to complete the report. At a minimum, the scope shall require a comprehensive review of ENO's distribution reliability and reliability programs including all activities that were performed by Quanta in the development of the 2018 Quanta Report. Additionally, the scope shall include: a) whether ENO has implemented some or all the 2018 Quanta recommendations; b) a list of which recommendations, if any, were not implemented; c) an explanation of why any recommendation was not implemented; d) a list of recommendations implemented and an analysis of any reliability benefits resulting from implementation; e) an analysis of ENO's current distribution system evaluating all deficiencies noted in comparison to industry standards and comparable utilities, and considering local weather conditions that

affect or could affect reliability; and f) an evaluation of ENO's asset management technology to provide predictive capabilities to avoid equipment failures before they happen. The scope shall also include comprehensive recommendations to remediate deficiencies and improve reliability. The report shall include a budget detailing and explaining any amount over the $500,000 previously committed and not recoverable from customers as agreed in the Reliability Settlement..

2. By August 21, 2026, ENO shall file with CURO and the Advisors a proposed new and revised distribution reliability plan based on reliable and demonstrable data that is crafted to improve ENO's overall distribution reliability with particular emphasis on equipment failures irrespective of the underlying cause(s), and on vegetation-management. One of the goals of the distribution reliability plan should be for ENO to attain reliability performance in the first or second quartile in comparison with other utilities of similar size.[The plan shall include an overall budget and individual budgets for spending in each Council district, each budget shall be compared to historical spending. The report shall also propose new reporting requirements that are crafted to provide comprehensive reliability performance information in sufficient detail to allow the Council to readily determine outage causes and trends. The proposed reporting requirements may not include any references to lightning or latent effects of lightning unless actual physical damage from lightning has been observed and documented by ENO. All proposed reliability reports must be supported with appropriate technical data but must be written in clear and understandable language sufficient for the general public to understand. The reporting format shall also provide detailed actions that ENO will take to correct all outages covered in the report and a timeline for those actions. Each subsequent report shall update the progress on each action.
3. The Advisors are directed to review and evaluate each ENO filing required by this resolution or filed as a result of compliance with this resolution and consult with CURO with respect to recommendations regarding technical and legal considerations.

BE IT FURTHER RESOLVED BY THE COUNCIL OF THE CITY OF NEW ORLEANS, That the Advisors are directed to file with the Council a report reviewing the ESDRS and proposing revisions consistent with this resolution for Council consideration by November 6, 2026. Parties in Docket No. UD-17-04 shall, if they choose, submit comments on the proposed revisions by December 4, 2026.

BE IT FURTHER RESOLVED BY THE COUNCIL OF THE CITY OF NEW ORLEANS, That the Advisors are directed to file with the Council a report and recommendations for Council consideration on an automatic bill credit program for a system for automatic bill credits to be applied when customers experience a predetermined number of unplanned outages within a defined period of time and/or beyond a defined duration period, as exists in several other utility regulatory jurisdictions by December 11, 2026.

THE FOREGOING WAS READ IN FULL, THE ROLL WAS CALLED ON THE ADOPTION THEREOF, AND RESULTED AS FOLLOWS:

YEAS:

NAYS:

ABSENT:

AND THE RESOLUTION WAS ADOPTED.