may include formula rates, rider and trackers, or the ability to periodically adjust rates for construction work in progress) as well as the process and timeframe of general tariff/base rate cases –those that are fully reviewed by the regulator, generally in a public format that includes testimony of the utility and other stakeholders and interest groups. We also look at the track record of the utility and regulator for timeliness. For instance, having a formula rate plan is positive, but if the actual process has included reviews that are delayed for long periods, it may dampen the benefit to the utility."[49]

S&P couches its criteria in similar terms, where it appears under two "pillars": "Tariff-setting procedures and design-Recoverability of all operating and capital costs in full" and "Financial stability-Timeliness of cost recovery to avoid cash flow volatility".[50] Similar to what Moody's alludes to at the end of the quote above, S&P also concentrates on the details in an FRP to determine whether it will improve the matching of costs and recovery or impede it. If an FRP has the flexibility and form that adjusts rates in a timely way to reflect the most current cost levels, it reduces regulatory lag. If it lacks those features, it is worse than standard ratemaking because it perpetuates the underearning situation by essentially "locking in" the lag.

Q46. DOES THE CURRENT ELL FRP FALL INTO THE CATEGORY OF A LAG-REDUCING RATE PLAN?

A. Not fully. In some respects, it does the opposite because of the rate change cap accompanying the current FRP. As discussed by Mr. O'Malley, the recent earnings track record by ELL shows that it has under-earned its authorized return significantly

[49] Moody's, *Rating Methodology*, *Id.* at p. 12.

[50] S&P, *Criteria | Corporates | Utilities: Key Credit Factors for the Regulated Utilities Industry* (July 7, 2021), *Id.* at p. 3.

in each of the past three years.[51] That's an indication that the locked-in regulatory lag phenomenon is in place and needs to be addressed. The FRP is still a valuable, lag-reducing approach to setting rates that can benefit ratepayers and support ELL's credit ratings, and both S&P and Moody's cite it as a key strength to the ELL credit profile.[52] But, improving the regulatory lag that is now embedded in the current FRP would protect ELL's credit ratings as ELL's capital requirements driven by its customers' diverse needs pressure ELL's cash flows.

Q47. MR. O'MALLEY AND MS. MAURICE-ANDERSON DISCUSS THE NEED FOR THE LAG-REDUCING FEATURES IN ELL'S FRP – THE ADDITIONAL CAPACITY MECHANISM, THE TRANSMISSION RECOVERY MECHANISM, AND THE DISTRIBUTION RECOVERY MECHANISM – TO CONTINUE AND IMPROVE. WOULD CONTINUING AND IMPROVING THESE FEATURES BE VIEWED POSITIVELY BY THE CREDIT RATING AGENCIES?

A. Yes. Moody's identifies the need for timely recovery of operating and capital costs to meet its expectations of financial performance.[53] As their utility methodology explains, timeliness of cost recovery includes "the lag between the time that a utility incurs major construction expenditures and the time that a utility will start to recover and/or earn a

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[51] *Application of Entergy Louisiana, LLC for Approval of Regulatory Blueprint Necessary for Company to Strengthen the Electric Grid for State of Louisiana,* Louisiana Public Service Commission (August 2023), (Direct Testimony of Mr. O'Malley), *Id.* at 27-28.

[52] S&P, *Entergy Louisiana, LLC* (August 25, 2022), *Id.* at p. 1. *See also,* Moody's, *Entergy Louisiana, LLC Credit Opinion* (July 19, 2023), *Id.* at p.1.

[53] *Id.* at 3.

return on that expenditure."[54] This language indicates the need to continue the FRP and its lag-reducing features.

Q48. DO YOU BELIEVE THAT ELL IS TAKING THE APPROPRIATE APPROACH TO SUPPORTING ITS CREDIT RATINGS IN ITS FINANCIAL PLANNING PROCESS?

A. Yes. I have reviewed Mr. O'Malley's discussion of ELL's financial planning process, how it incorporates the guidance of the credit rating agencies, and how it uses the FFO to Debt Ratio in that process. In my opinion, ELL has a prudent process for balancing its capital needs versus the need to preserve its financial condition.

Q49. DO YOU BELIEVE A SUPPORTIVE ROE DETERMINATION WOULD BE AN IMPORTANT FACTOR IN THE RATINGS AGENCIES' EVALUATION OF THE REGULATORY ENVIRONMENT?

A. Yes. As I stated above, the authorized ROE is the most prominent feature of a rate case decision after the amount of the rate increase or decrease. The authorized ROE reveals the regard that the regulator has toward the investors that are furnishing the capital needed to maintain safe and reliable utility service and achieve other public policy goals.

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54 Moody's, *Rating Methodology, Id.* at p. 12.

Q50. WOULD IGNORING THE COMPANY'S PROPOSAL REGARDING THE INFLATION REDUCTION ACT BE VIEWED NEGATIVELY BY THE RATINGS AGENCIES?

A. Yes, as Mr. O'Malley explains in his direct testimony,[55] the Inflation Reduction Act will have a negative effect on cash flow if the ratemaking treatment does not recognize and accommodate for it. In addition to the sound rationale of the proposal (i.e., matching the tax benefits with the generation of the electricity that ratepayers are consuming), it helps to preserve the cash flow metrics that the rating agencies focus on when determining financial risk. (*See* question 24 *supra.*) The long-term thinking that underlies the proposed treatment of the production tax credits would, if adopted, also make a favorable impression on the rating agencies as they assess the regulatory risk of ELL, and other Louisiana utilities for that matter. Conversely, an adverse treatment of the production tax benefits would create a drag on ELL's cash flow, stressing both its credit metrics and ability to earn its allowed ROE, both of which harm both ELL and its customers for the reasons I have explained.

[55] *Application of Entergy Louisiana, LLC for Approval of Regulatory Blueprint Necessary for Company to Strengthen the Electric Grid for State of Louisiana,* Louisiana Public Service Commission (August 2023), (Direct Testimony of Ryan O'Malley), *Id.* at 20-22.

Q51. WOULD THE COMPANY'S REQUEST TO UPDATE ITS DEPRECIATION RATES BE CONSIDERED BY THE RATINGS AGENCIES IN THEIR EVALUATION OF THE RATE CASE DECISION?

A. Yes, for the same reasons I cite in the previous answer. Depreciation is major driver of a utility's cash flow, and neglecting the deterioration in cash flow and prioritizing short-term considerations in ratemaking decisions would lead the rating agencies to assigning greater risk to ELL on both the business and financial sides of the rating equation. I also think the burden of ELL's large and growing capital program will bring greater scrutiny to the Commission's response to that burden and the regard it shows to the need for capital recovery to keep pace with the increased spending.

Q52. MS. INGRAM DISCUSSES A PENDING LPSC RULEMAKING DOCKET THAT CONSIDERS CHANGING THE REGULATORY FRAMEWORK FOR INDUSTRIAL CUSTOMERS, INCLUDING ALLOWING INDUSTRIAL CUSTOMERS A LIMITED FORM OF OPEN ACCESS. IS THIS A CREDIT SUPPORTIVE DEVELOPMENT?

A. No. Due to ELL's significant level of reliance on industrial sales and the robust capital expenditure program to meet the requirements of all customers, including this customer class, a move toward retail open access by the LPSC, which would be surprising at this point in time, would risk creating future stranded investment. The disruption and increased risk from allowing industrial customers to bypass ELL would introduce more stress to the rest of the Company's customers and its financial condition. The Commission's decision on this matter must consider ways to contain risk so that other ratepayers are not burdened with greater costs and investors are not exposed to more risk. Otherwise, credit quality will suffer, and the cost of capital will rise, placing more cost burdens on ratepayers amid a downward risk spiral.

Q53. DOES A REGULATORY SUPPORTIVE ENVIRONMENT EQUATE TO THE COMMISSION GRANTING EVERY UTILITY REQUEST FOR A NEW REGULATORY MECHANISM FOR A PROPOSED CAPITAL INITIATIVE?

A. Of course not. Regulators generally are obligated to determine whether a utility request is in the public interest. For example, a regulator may determine that customer affordability concerns outweigh facilitating certain infrastructure investments through a new regulatory mechanism. In that instance, the regulator should not approve the infrastructure improvements and provide transparent direction to the utility on how to prioritize the needs of customers. In this way, the regulator would demonstrate support for ELL's financial condition and protect customer interests. In contrast, a decision directing the utility to undertake the infrastructure improvements and manage its financial condition without the new regulatory mechanism, despite evidence indicating that the utility's financial condition would be adversely affected, would be the worst possible outcome from a credit ratings perspective and would expose customers to higher capital costs.

Q54. PLEASE SUMMARIZE YOUR RECOMMENDATIONS TO THE COMMISSION.

A. ELL is now faced with increasing capital costs just as investments in resilience and clean energy are needed by ELL's customers and poised to grow. Accordingly, customers are likely to experience benefits if the Commission uses its authority constructively in this proceeding and others to reduce risks on which it has significant influence and thereby put downward pressure on capital costs. Ultimately, this downward pressure on capital costs would translate into downward pressure on the rates that customers will pay for electric service in the coming years.

Q55. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, at this time.

AFFIDAVIT

STATE OF MASSACHUSETTS

COUNTY OF BARNSTABLE

NOW BEFORE ME, the undersigned authority, personally came and appeared, **TODD A. SHIPMAN**, who after being duly sworn by me, did depose and say:

That the above and foregoing is his sworn testimony in this proceeding and that he knows the contents thereof, that the same are true as stated, except as to matters and things, if any, stated on information and belief, and that as to those matters and things, he verily believes them to be true.

Todd A. Shipman

SWORN TO AND SUBSCRIBED BEFORE ME
THIS 16th DAY OF AUGUST 2023

Robert M. Feeley Jr.
NOTARY PUBLIC

My commission expires: 7-7-2028.

ROBERT M. FEELEY, JR.
Notary Public
Massachusetts
My Commission Expires
Jul 7, 2028

TODD A. SHIPMAN, CFA

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857.260.0656

Experience

Utility Credit Consultancy LLC **Orleans, MA**

Principal May 2018 - Present

Founded a consulting firm to provide utilities with expert witness services and advice on capital market strategies. Specialize in capital markets issues, credit rating advisory, and hybrid securities.

Boston University **Boston, MA**

Lecturer January 2017 – June 2020

Adjunct faculty member in the Questrom School of Business, Department of Finance. Taught advanced undergraduate finance courses covering capital markets, monetary and economic policy, and corporate finance.

S&P Global Ratings **New York, NY and Boston, MA**

Senior Director	April 2014 - May 2018
Director	April 2000 - April 2014
Associate Director	March 1997 - April 2000

Sector Specialist on the Global Infrastructure Ratings North American Utilities team. Performed credit surveillance of utilities, pipelines, midstream energy, and diversified energy companies. Chaired most team rating committees. Wrote credit reports and commentaries and led outreach efforts to investors and the regulatory community, including speeches and training seminars. Lead analytical role developing global rating criteria for utilities, master limited partnerships, and hybrid capital securities.

Electric Utility Research Inc (defunct), San Francisco, CA

Senior Vice President May 1996 - March 1997

Edited and contributed to an investor newsletter covering the electric utility industry

Sithe Energies Inc. **New York, NY**

Manager, Regulatory Affairs November 1993 - May 1996

Managed state regulatory matters for a major independent power company. Coordinated interventions in regulatory proceedings. Assisted in identifying development opportunities. Participated in investor relations activities.

Regulatory Research Associates **Jersey City, NJ**

Vice President	October 1993 - November 1993
Senior Analyst	August 1989 - October 1993
Analyst	August 1985 - August 1989

Analyzed and reported on actions by state regulators affecting the financial status of electric, gas, and telephone utilities for a firm that provided research to the Wall St. community. Contributed to the firm's sell-side research.

Education

J.D., Texas Tech University School of Law, Lubbock, TX	May 1984
B.B.A., Texas Christian University, Fort Worth, TX	May 1981

Professional Affiliations & Other Activities

Executive Advisor, Concentric Energy Advisors, Marlborough MA

Chartered Financial Analyst

Wall Street Utility Group

Fixed Income Analysts Society Inc

Society of Utility and Regulatory Financial Analysts

Utility
Credit
Consultancy LLC

FILINGS

Unless otherwise noted, the proceeding was a rate case.

Client: Hawaiian Electric Companies
State: Hawaii
Docket/Proceeding: # 2018-0088, *Instituting a Proceeding to Investigate Performance-Based Regulation*
Date: October 25, 2018
Submittal: Regulatory Assessment Brief (Appendix: Effect of Major Regulatory Reform on Credit Quality)

Client: Avista / Hydro One
State: Washington
Docket/Proceeding: #UM 1897, *In the matter of HYDRO ONE LIMITED, Application for Authority to Exercise Substantial Influence over the Policies and Actions of AVISTA CORPORATION*
Date: October 4, 2018
Submittal: Rebuttal Testimony of John R. Reed (Exhibit 2601: Independent Report of Todd A. Shipman)

Client: Wisconsin Electric Power Co. / Wisconsin Gas LLC
State: Wisconsin
Docket/Proceeding: #05-UR-109
Date: March 28, 2019 / September 17, 2019
Submittal: Direct and Rebuttal Testimony

Utility
Credit
Consultancy LLC

FILINGS

Client Wisconsin Public Service Corp.
State: Wisconsin
Docket/Proceeding: #6690-UR-126
Date: March 28, 2019
Submittal: Direct Testimony

Client: San Diego Gas & Electric Co.
State: California
Docket/Proceeding: #A.19-04-017 (Cost of Capital)
Date: April 2019 / August 1, 2019 / August 21, 2019
Submittal: Direct, Supplemental, and Rebuttal Testimony

Client: Consolidated Edison of New York Co.
State: New York
Docket/Proceeding: #19-E-0065 & 19-G-0066
Date: June 14, 2019
Submittal: Rebuttal Testimony

Client : Roanoke Gas Co.
State: Virginia
Docket/Proceeding: #PUR-2018-00013
Date: July 30, 2019
Submittal: Rebuttal Testimony

Utility
Credit
Consultancy LLC

FILINGS

Client: Hawaii Electric Light Co.
State: Hawaii
Docket/Proceeding: #2018-0368
Date: October 9, 2019
Submittal: Rebuttal Testimony

Client: Mississippi Power Co.
State: Mississippi
Docket/Proceeding: #2019-UN-219
Date: November 26, 2019
Submittal: Direct Testimony

Client: Southwestern Public Service Co.
State: New Mexico
Docket/Proceeding: #19-00170-UT
Date: December 20, 2019
Submittal: _Rebuttal Testimony_

Client: Southwestern Public Service Co.
State: Texas
Docket/Proceeding: #49831
Date: March 11, 2020
Submittal: Rebuttal Testimony

Utility
Credit
Consultancy LLC

FILINGS

Client: Southwest Gas Corp
State: Arizona
Docket/Proceeding: #G-01551A-19-0055
Date: March 11, 2020
Submittal: Rebuttal Testimony

Client: Hawaiian Electric Companies
State: Hawaii
Docket/Proceeding: # 2018-0088, *Instituting a Proceeding to Investigate Performance-Based Regulation*
Date: June 18, 2020
Submittal: Phase 2 Statement of Position (Exhibit C2: Financial Integrity and Credit Ratings)

Client : Arizona Public Service Co.
State: Arizona
Docket/Proceeding: #E-01345A-19-0236
Date: November 6, 2020
Submittal: Rebuttal and Rejoinder Testimony

Utility
Credit
Consultancy LLC

FILINGS

Client: Southwestern Public Service Co.
State: New Mexico
Docket/Proceeding: #20-00238-UT
Date: December 18, 2020
Submittal: Direct Testimony; Rebuttal Testimony

Client: Southwestern Public Service Co.
State: Texas
Docket/Proceeding: #51802
Date: February 8, 2021
Submittal: Direct Testimony, Rebuttal Testimony

Client: Orange and Rockland Utilities Co.
State: New York
Docket/Proceeding: #21-E-0074 & 21-G-0073
Date: January 29, 2021
Submittal: Direct Testimony, Rebuttal Testimony

Client: Puget Sound Energy, Inc.
State: Washington
Docket/Proceeding: #UE-220066 & UG-220067
Date: January 31, 2022
Submittal: Direct Testimony, Testimony In Support of Settlement

Utility
Credit
Consultancy LLC

FILINGS

Client: Wisconsin Electric Power Co. / Wisconsin Gas LLC
State: Wisconsin
Docket/Proceeding: #5-UR-110
Date: April 28, 2022
Submittal: Direct Testimony

Client Wisconsin Public Service Corp.
State: Wisconsin
Docket/Proceeding: #6690-UR-127
Date: April 28, 2022
Submittal: Direct Testimony

Client: Consolidated Edison of New York Co.
State: New York
Docket/Proceeding: #22-E-0064 & 21-G-0065
Date: June 17, 2022
Submittal: Rebuttal Testimony

Client: Entergy Louisiana LLC
State: Louisiana
Docket/Proceeding: #U-36625, *Application for approval of the Entergy Future Ready Resilience Plan (Phase I)*
Date: December 21, 2022
Submittal: Direct Testimony

Utility
Credit
Consultancy LLC

FILINGS

Client: Southwestern Public Service Co.
State: Texas
Docket/Proceeding: Docket #54634
Date: February 8, 2023
Submittal: Direct Testimony, Rebuttal Testimony

RATINGS SCALES

MOODY'S INVESTOR SERVICE	S&P GLOBAL RATINGS
Aaa	AAA
Aa1	AA+
Aa2	AA
Aa3	AA-
A1	A+
A2	A
A3	A-
Baa1	BBB+
Baa2	BBB
Baa3	BBB-
Ba1	*BB+*
Ba2	*BB*
Ba3	*BB-*
B1	*B+*
B2	*B*
B3	*B-*
Caa1	*CCC+*
Caa2	*CCC*
Caa3	*CCC-*
Ca	*CC*
C	*C*
D	*D*

Note: The line demarcates the investment-grade/speculative-grade divide

MOODY'S

Rating Action: Moody's affirms Entergy's Baa2 rating and maintains negative outlook; affirms Entergy Louisiana's Baa1 rating and changes outlook to stable

12 Jun 2023

Approximately $16 billion of debt securities affirmed

New York, June 12, 2023 – Moody's Investors Service (Moody's) today affirmed the ratings of Entergy Corporation (Entergy, including its Baa2 senior unsecured rating) and its largest subsidiary, Entergy Louisiana, LLC (ELL, including its Baa1 Long-term Issuer Rating).

Entergy's outlook remains negative due partly to the risks associated with its System Energy Resources, Inc. (SERI, Ba1 negative) subsidiary, including the potential for material customer refunds, and management's current evaluation of SERI's financial viability.

The change in the outlook of ELL to stable from negative is prompted by the full storm cost recovery provided by state regulators for the most recent storms, which helps to mitigate risks associated with the company's very high physical climate risks (E-4 issuer profile score) and potential asset damage from future storm events. We expect this cost recovery to help ELL's financial metrics improve, including a cash flow to debt ratio of at least 18% by year-end.

A full list of affected ratings is provided towards the end of this press release.

RATINGS RATIONALE

"The negative outlook on Entergy considers the potential for a material amount of customer refunds at a time when its financial ratios are weak for the rating and a new hurricane season in the Gulf of Mexico has begun" said Ryan Wobbrock – Vice President and Senior Credit Officer. "The company continues to lag the financial metric thresholds that we have indicated would be necessary for it to maintain a Baa2 rating, including 14% cash flow to debt by year-end, and faces several headwinds in achieving these metrics, most notably risks associated with subsidiary SERI's ongoing financial viability" added Wobbrock.

Although Entergy continues to make progress toward improving its financial position after enduring over $5.0 billion of storm damages in 2020 and 2021, the company's ratio of cash flow from operations before changes in working capital (CFO pre-WC) to debt was only 12% through LTM Q1 2023, well below the 14% level we have indicated could result in a downgrade. Moreover, the potential for material customer refunds at SERI and management's current review of SERI's financial viability remain significant credit risks for the Entergy organization, precluding a stable outlook at the holding company.

Entergy's largest subsidiary, ELL, also faces very high risks associated with its storm-prone service territory and the potential for physical asset damage amid severe weather events. However, these risks are partly mitigated by ongoin cost recovery allowed by the Louisiana Public Service Commission (LPSC). Despite a more highly politicized regulatory process in 2022/23, the LPSC ultimately granted ELL around $5.0 billion in storm cost securitization bonds for storms that occurred in 2020 and 2021. Louisiana has a long track record of providing full storm cost recovery - a trend that is expected to continue for future storms.

Furthermore, ELL's financial ratios are improving, with a ratio of cash flow from operations before changes in working capital (CFO pre-WC) to debt of about 16% through LTM 1Q 2023, up significantly from under 8% in 2021. We expec this ratio to trend even higher in the coming months and remain in the 18-20% range over the next two years.

Outlooks

Entergy's negative outlook reflects the sizeable contingent liabilities facing the parent company if SERI litigation outcomes result in substantial customer refunds; the result of which could either require significant incremental funding needs or cause management to explore other protections to restructure SERI's obligations – both credit negatives. The negative outlook also reflects Entergy's weak financial metrics, which may not recover sufficiently to support the current Baa2 rating with sufficient cushion to withstand unexpected events.

ELL's stable outlook reflects the company's improving metrics, supported by a formulaic rate structure that underpins its rate making and regulatory environment. Its current formulaic rate plan (FRP) allows the company to adjust costs on an annual basis and lends itself to a generally stable and predictable financial profile, absent storm events. An upcoming general rate proceeding is expected to yield results consistent with the current FRP parameters and support an ongoing CFO pre-WC to debt ratio of at least 18%.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Factors that could lead to an upgrade

Given the negative outlook at Entergy, it is unlikely that the holding company will be upgraded over the next 12-18 months. Entergy's outlook could return to stable with the successful resolution of the pending SERI litigation claims, such that material customer refunds are not required or that any mandated refunds are financed in a conservative manner. Absent any incremental SERI refund requirements or storm events, assuming the maintenance of a balanced capital structure, and Entergy produces a ratio of CFO pre-WC to debt between 14-15% on a run-rate basis, a revision of the outlook to stable could be considered.

ELL could be upgraded if CFO pre-WC to debt levels were to be at least 21% on a sustainable basis and if the LPSC grants more forward-looking cost recovery mechanisms, including more ample storm cost recovery assurances (e.g., higher storm reserves).

Factors that could lead to a downgrade

Entergy could be downgraded if a sustainable ratio of CFO pre-WC to debt of 14% is not achieved by year-end 2023. This could occur if SERI litigation orders yield sizeable customer refunds or in the event of another costly storm in its service territory. Entergy could also be downgraded if there were a material decline in support for its subsidiaries, either by regulator or management actions.

ELL could be downgraded if the regulatory relationship deteriorates, if its ratio of CFO pre-WC to debt were to be at or below 18% on a sustained basis or if the company is no longer able to fully recover storm costs on a reasonably timel basis.

LIST OF AFFECTED RATINGS

Issuer: Entergy Corporation

Affirmations:

....LT Issuer Rating, Affirmed Baa2

....Senior Unsecured Shelf, Affirmed (P)Baa2

....Commercial Paper, Affirmed P-2

....Senior Unsecured Regular Bond/Debenture, Affirmed Baa2

Outlook Actions:

....Outlook, Remains Negative

Issuer: Entergy Louisiana, LLC

Affirmations:

....LT Issuer Rating, Affirmed Baa1

....Senior Secured First Mortgage Bonds, Affirmed A2

....Senior Secured Shelf, Affirmed (P)A2

Outlook Actions:

....Outlook, Changed To Stable From Negative

Issuer: EL Investment Company, LLC

Affirmations:

....Senior Secured First Mortgage Bonds, Affirmed A2 (Assumed by Entergy Louisiana, LLC)

Issuer: Entergy Gulf States Louisiana, LLC

Affirmations:

....Senior Secured First Mortgage Bonds, Affirmed A2 (Assumed by Entergy Louisiana, LLC)

Issuer: Louisiana Loc. Govt. Env. Fac.& Comm.Dev.Auth

Affirmations:

....Backed Senior Secured Revenue Bonds, Affirmed A2

Issuer: Louisiana Public Facilities Authority

Affirmations:

....Senior Secured Revenue Bonds, Affirmed A2

The principal methodology used in these ratings was Regulated Electric and Gas Utilities published in June 2017 and available at https://ratings.moodys.com/rmc-documents/68547. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the issuer/deal page for the respective issuer on https://ratings.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website https://ratings.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1288235.

At least one ESG consideration was material to the credit rating action(s) announced and described above.

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the EU and is endorsed by Moody's Deutschland GmbH, An der Welle 5, Frankfurt am Main 60322, Germany, in accordance with Art.4 paragraph 3 of the Regulation (EC) No 1060/2009 on Credit Rating Agencies. Further information on the EU endorsement status and on the Moody's office that issued the credit rating is available on https://ratings.moodys.com.

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the UK and is endorsed by Moody's Investors Service Limited, One Canada Square, Canary Wharf, London E14 5FA under the law applicable to credit rating agencies in the UK. Further information on the UK endorsement status and on the Moody's office that issued the credit rating is available on https://ratings.moodys.com.

Please see https://ratings.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the issuer/deal page on https://ratings.moodys.com for additional regulatory disclosures for each credit rating.

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CREDIT OPINION
19 July 2023

Update

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RATINGS

Entergy Louisiana, LLC

Domicile	New Orleans, Louisiana, United States
Long Term Rating	Baa1
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Entergy Louisiana, LLC

Update following outlook change to stable

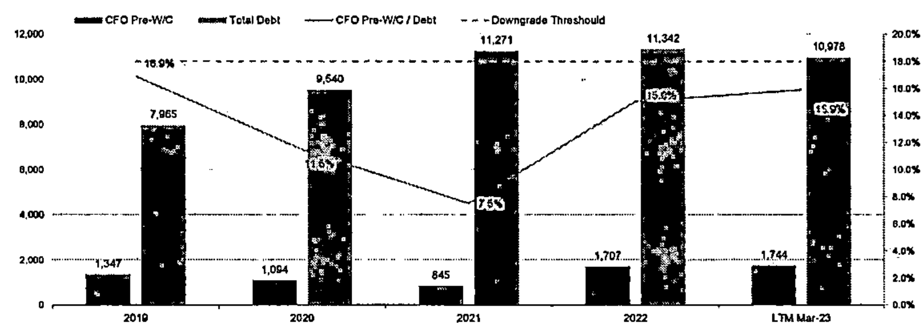
Summary

Entergy Louisiana, LLC's (ELL, Baa1 stable) credit profile is supported by 1) a constructive formula rate plan regulatory framework in Louisiana, where utilities typically generate predictable earnings near the level of their authorized ROEs, 2) a run-rate financial profile expected to generate cash flow to debt ratios in the high teens range and 3) the state's track record of providing storm cost recovery via securitization.

ELL's credit profile is constrained by 1) environmental risks associated with its concentration in a storm prone service territory, where hurricanes caused nearly $5.0 billion of damage at the utility in 2020 and 2021, 2) social risks around customer, political and regulatory relationships amid inflationary pressures and annual rate increases to recover capital investments, 3) weak financial metrics due to outstanding storm cost recovery proceedings.

Exhibit 1

Historical CFO pre-WC, Total Debt and CFO pre-WC to debt



The downgrade threshold indicated above is one of several factors that could lead to a downgrade if the metric is below this level for an extended period of time.
Source: Moody's Investors Service

Credit strengths

» Supportive and consistent regulatory framework oversees over $15 billion of rate base

» Formula rate plan enhances earnings predictability, with financial improvement expected in 2023

» Growing demand due to customer electrification efforts

Credit challenges

» Storm-prone service territory

» Potential for customer, political or regulatory pushback in its next general rate case filing

» High exposure (i.e., around two-thirds of historical demand) to commercial and industrial customers

Rating outlook

ELL's stable outlook reflects the company's improving financial metrics, supported by a formulaic rate structure that underpins its rate making and regulatory environment. Its current formulaic rate plan (FRP) allows the company to adjust costs on an annual basis and lends itself to a generally stable and predictable financial profile, absent storm events. An upcoming general rate proceeding is expected to yield results consistent with the current FRP parameters and support an ongoing CFO pre-WC to debt ratio of at least 18%.

Factors that could lead to an upgrade

ELL could be upgraded if CFO pre-WC to debt levels were to be at least 21% on a sustainable basis and if the LPSC grants more forward-looking cost recovery mechanisms, including more ample storm cost recovery assurances (e.g., higher storm reserves).

Factors that could lead to a downgrade

ELL could be downgraded if the regulatory relationship deteriorates, if its ratio of CFO pre-WC to debt were to be at or below 18% on a sustained basis or if the company is no longer able to fully recover storm costs on a reasonably timely basis.

Key indicators

Exhibit 2
Entergy Louisiana, LLC

	Dec-19	Dec-20	Dec-21	Dec-22	LTM Mar-23
CFO Pre-W/C + Interest / Interest	5.2x	4.2x	3.4x	5.5x	5.6x
CFO Pre-W/C / Debt	16.9%	11.5%	7.5%	15.0%	15.9%
CFO Pre-W/C – Dividends / Debt	14.3%	11.2%	7.0%	9.5%	9.9%
Debt / Capitalization	47.6%	49.9%	51.5%	48.9%	45.1%

All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations
Source: Moody's Financial Metrics

Profile

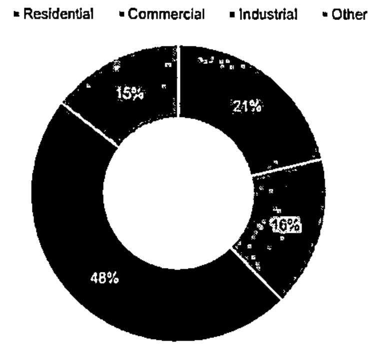
Entergy Louisiana, LLC (ELL, Baa1 stable) is a vertically integrated utility regulated by the Louisiana Public Service Commission (LPSC), serving around 1.1 million electric and gas customers in Louisiana. ELL is comprised of two legacy Entergy utilities: the former Entergy Louisiana and Entergy Gulf States Louisiana (EGSL).

ELL, Entergy Corporation's (Entergy, Baa2 negative) largest utility subsidiary, is expected to contribute roughly 40-45% of the parent company's EBITDA over the next few years. ELL's revenue is typically more weighted toward industrial customers, as seen in Exhibit 3.

Exhibit 3

ELL's energy sales are heavily weighted toward industrial customers

Electric energy sales for ELL in 2022



Source: Entergy Corp. 2022 10K

Detailed credit considerations

Louisiana's formulaic rate framework is credit supportive

ELL's fundamental rate construct consists of formula rate plans (FRPs), which generally include well defined parameters for how a utility's revenue requirement is determined and instituted on an annual basis. This provides a good degree of clarity for how future rates will be set and utility operating and capital costs are recovered. FRPs helps to reduce regulatory lag and increase the predictability of future cash flow and financial metrics by incorporating these costs into rates without the need for lengthy or contentious periodic general rate case proceedings. These features allow for higher predictability and consistency of the rate making process, as well as contributing to the stability of earnings and cash flow.

ELL's current FRP is expiring in August of 2024 and, in order to extend the FRP framework, will first have to file a more traditional general rate case. We incorporate an expectation that ELL will file a general rate case for new rates to go into effect toward the end of 2024 and that the company will also request an FRP extension for future rate making. We will view the general rate proceeding to be a test of the strength of ELL's regulatory relationships in the state, following a contentious storm cost securitization process in December 2022 and January 2023.

Despite negative rhetoric from the LPSC, full storm cost securitization was finally approved

ELL experienced severe hurricanes in 2020 and 2021, which totaled nearly $5.0 billion of collective storm costs and created the potential for political intervention into rate making, in order to shield customers from higher utility bills. After Hurricane Ida in 2021, we cited the risk that customer relations and regulatory relationships could be pressured given the high cost of repairs, difficult economic circumstances and utility bill affordability concerns facing the company's customers.

These risks seemed to come to a head in December 2022, when the LPSC declined to vote for financing authority regarding the final $1.6 billion of storm costs that ELL was seeking to securitize. That same month, an LPSC commissioner posited that some of Entergy's restoration costs for Hurricane Ida were imprudent and should not be recovered through storm cost securitization (see our 10 January Issuer Comment Entergy's regulatory and financial risks increase with Louisiana regulator's motion to clarify subsidiary's refunds for more details).

Strained relationships were also apparent in the ultimate January 2023 storm cost securitization proceeding. During the January 2023 hearing, multiple state commissioners expressed their displeasure with the company's approach to recovery and implemented roughly $100 million of customer savings (i.e., up-front monetization of tax benefits that ELL expects to accrue over the life of the bond issuance) before approving the last $1.5 billion of storm cost recovery. While this is not a material amount compared to the all-in securitization, it does highlight potential future challenges to storm cost securitization in the state.

However, the LPSC's ultimate decision was also in accordance with historical precedent, where ELL is able to recover the full costs of severe storms. The willingness of politicians and regulators in Louisiana to balance stakeholder interests and support the utility in times of duress is an important risk mitigant. This basic recovery premise underpins the credit quality of the company.

We recognize that storm events create arduous circumstances for customers and state politicians, which have to be navigated by utilities and regulators. We also believe that storm cost securitization remains one of the best tools available to address abrupt, high-cost events for utilities and their stakeholders, since it balances the need for low cost funding and minimal customer bill impact, while also maintaining the utility's financial integrity and the regulatory compact.

Credit positioning reflects storm exposure

The combination of Hurricanes Laura, Delta, Zeta and Ida over a two-year period was unprecedented in Louisiana and the nearly $5.0 billion of storm damage they caused to ELL's asset base, represented over 35% of ELL's approximately $14 billion in total rate base at the time. While we have long cited the company's geographic footprint as a risk for ongoing storm activity, the frequency and severity of these storms was the most on record, and reflects a higher risk operating environment for ELL, compared to most utilities in the US. Due to the physical effects of climate change and the capital required to bolster infrastructure and recover from damaging events, we require ELL's financial profile to be more robust than the average utility, in order to maintain a given rating. In the exhibit below, we show a group of utilities that face very high exposure to environmental risks and compare their size, as measured by net PP&E, debt burden, expected CFO pre-WC to debt over the near-term (per each company's latest credit opinion) and financial thresholds.
ELL is rated lower than most of the cohort and has an upgrade threshold that is comparable to some of the higher rated peers, which reflects not only storm risks, but also that the company is more leveraged than most peers (i.e., Reported Debt / Net PP&E is 61%, which trails only Pacific Gas & Electric at 62% and is much higher than the cohort average of 47%), is smaller than most and is toward the lower half in terms of expected metric performance.

Exhibit 4
ELL's financial requirements are more stringent than many comparable companies that also face high exposure to environmental risks.

Company Name	Rating	Outlook	Net PP&E	Reported Debt	12-Month Projected CFO pre-WC to Debt	Upgrade Threshold	Downgrade Threshold
Florida Power & Light Company	A1	Stable	65,646,000	23,657,000	29%-32%	N/A	25%
San Diego Gas & Electric Company	A3	Stable	22,445,000	9,763,000	19%-22%	20%	24%
Public Service Company of Colorado	A3	Stable	20,328,000	6,970,000	19%-22%	23%	19%
Duke Energy Florida, LLC.	A3	Stable	20,154,000	10,569,000	19%-22%	22%	19%
Cleco Power LLC	A3	Stable	3,805,226	1,893,884	16%-19%	mid 20%	20%
Tampa Electric Company	A3	Negative	9,545,000	4,917,000	21%-23%	22%	19%
PacifiCorp	A3	Negative	24,684,000	9,658,000	18%-22%	mid 20%	19%
Entergy Louisiana, LLC	**Baa1**	**Stable**	**17,975,780**	**10,690,832**	**17%-19%**	**21%**	**18%**
Southern California Edison Company	Baa1	Stable	55,544,000	28,805,000	17%-20%	High Teens	15%
CenterPoint Energy Houston Electric, LLC	Baa1	Stable	13,852,000	7,245,000	15%-17%	17%	14%
Pacific Gas & Electric Company	Baa3	Positive	78,768,000	48,915,000	15%-18%	N/A	13%

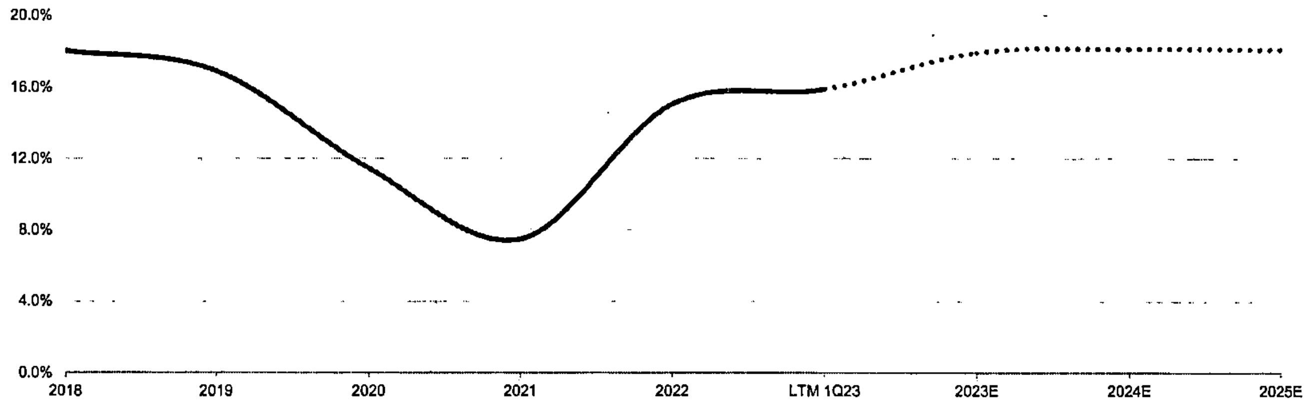
[1] As of LTM March 2023
Source: Moody's Financial Metrics

Besides storm cost securitization, ELL is looking to accelerate storm hardening efforts of its transmission and distribution assets, as a primary way to mitigate the physical asset risks associated with climate change. While higher capital costs add to other categories of rate pressure (e.g., inflation, high interest rates) and customer affordability risks, they will also make ELL's network more modern, durable and resilient to storm events.

Financial metrics will rebound after securitization, but could remain weakly positioned

ELL's financial metrics have mostly rebounded following the completion of storm cost securitization. On a run-rate basis, we estimate that the company's FRP construct, rate base and authorized capitalization and earnings will result in CFO pre-WC to debt metrics consistently at or above its 18% downgrade threshold, as seen in the exhibit below. The company could outperform these expectations by generating more deferred tax benefits or improving earned returns. By way of sensitivity, if we incorporate a $750 million storm event into our projections (excluding the cash flow decline from nonpaying customers) every three years, ELL's CFO pre-WC to debt would be around 17% on a rolling three year average, assuming its average adjusted debt capitalization (i.e., debt / (debt + equity)) remains around 48%.

Exhibit 5
ELL's ratio of CFO pre-WC to debt is expected to be at or slightly above its 18% downgrade threshold in the coming years



*The financial metric shown is one of several factors that could cause a downgrade if the metric is below that level on a sustained basis.
Source: Moody's Financial Metrics and Moody's projections

ESG considerations

ELL's ESG Credit Impact Score is CIS-3 (Moderately Negative)

Exhibit 6
ESG Credit Impact Score

CIS-3
Moderately Negative

For an issuer scored CIS-3 (Moderately Negative), its ESG attributes are overall considered as having a limited impact on the current rating, with greater potential for future negative impact over time. The negative influence of the overall ESG attributes on the rating is more pronounced compared to an issuer scored CIS-2.

Source: Moody's Investors Service

ELL's **CIS-3** indicates that ESG considerations have a limited impact on the current credit rating with greater potential for future negative impact over time. Physical climate risks such as storms and increased exposure demographic and social trends, including a less supportive regulatory environment and customer affordability concerns, could weaken credit quality over the long-term.

Exhibit 7
ESG Issuer Profile Scores

ENVIRONMENTAL	SOCIAL	GOVERNANCE
E-4	S-3	G-3
Highly Negative	Moderately Negative	Moderately Negative

Source: Moody's Investors Service

Environmental

ELL's **E-4** issuer profile score reflects the company's service territory, which is concentrated on the Gulf of Mexico and exposes ELL to material and extreme weather events that can cause customer outages and costly repairs. The company also operates nuclear-fueled generation, which includes operational risks around spent fuel waste and pollution management of radioactive uranium.

Social

The company's **S-3** issuer profile score is driven by the fundamental utility risk that demographics and societal trends could include social pressures or public concern around affordability, utility reputational or environmental issues. In turn, these pressures could result in adverse political intervention into utility operations or regulatory changes. ELL's nuclear generation also carries unique public safety risks that other forms of generation do not.

Governance

ELL's **G-3** issuer profile score is driven by that of its parent. Entergy's G-3 issuer profile score reflects heightened risk around the company's financial strategy and risk management, given risk factors contained in SEC filings that suggest that management, in the event of an adverse legal decision for affiliate subsidiary System Energy Resources, Inc. (SERI, Ba1 negative), could explore other financing options or protections for SERI, including extending, restructuring, or retiring its indebtedness and prioritizing its obligations. This has negative implications for management's views with regard to subsidiaries meeting their financial obligations.

ESG Issuer Profile Scores and Credit Impact Scores for ELL are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for ELL on MDC and view the ESG Scores section.

Liquidity analysis

ELL's internal liquidity is adequate when considering its access to Entergy's $3.5 billion master credit facility and strong capital market access.

We expect ELL's internal liquidity to consist of around $1.8 billion of cash flow from operations, compared to about $1.6 billion of capital expenditures over the next 12 months. As a result, ELL's free cash flow position will largely depend on its dividend policy. Through LTM 31 March 2023, ELL had upstreamed $659 million dividends to Entergy, compared to an annual average of $208 million between 2018 and 2022.

ELL's external liquidity includes access to the Entergy System money pool along with its own $350 million revolving credit facility, which matures in June 2028. The stand-alone facility requires ELL to meet a 65% debt to capitalization covenant. At 31 March 2023, ELL was in compliance with its credit facility covenant and had no revolver borrowings and no letters of credit outstanding and was in a net receivables position under the money pool.

ELL also has two separate $105 million facilities under nuclear fuel company variable interest entities (i.e., for the River Bend and Waterford facilities), each set to expire in June 2025. At 31 March 2023, ELL had around $59 million and $52 million outstanding on the respective facilities. Additionally, ELL has access to an uncommitted standby letter of credit facility, in order to support its MISO obligations, for which there was $20 million in letters of credit outstanding at 31 March 2023.

ELL's next long-term debt maturities consist of $325 million of 4.05% mortgage bonds in September 2023 and $665 million of 0.62% mortgage bonds due in November 2023.

Rating methodology and scorecard factors

Exhibit 8
Entergy Louisiana, LLC

Regulated Electric and Gas Utilities Industry [1][2]	Current LTM 3/31/2023		Moody's 12-18 Month Forward View As of Date Published [3]	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	A	A	A	A
b) Sufficiency of Rates and Returns	A	A	A	A
Factor 3 : Diversification (10%)				
a) Market Position	Baa	Baa	Baa	Baa
b) Generation and Fuel Diversity	Baa	Baa	Baa	Baa
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	4.5x	Baa	6x - 6.5x	Aa
b) CFO pre-WC / Debt (3 Year Avg)	11.1%	Ba	17% - 19%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	8.6%	Ba	12% - 16%	Baa
d) Debt / Capitalization (3 Year Avg)	50.0%	Baa	46% - 50%	Baa
Rating:				
Scorecard-Indicated Outcome Before Notching Adjustment		Baa1		A3
HoldCo Structural Subordination Notching		0		0
a) Scorecard-Indicated Outcome		Baa1		A3
b) Actual Rating Assigned		Baa1		Baa1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 3/31/2023.
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Investors Service

Appendix

Exhibit 9
Credit metrics and financial statistics

CF Metrics	Dec-19	Dec-20	Dec-21	Dec-22	LTM Mar-23
As Adjusted					
FFO	1,548	1,503	1,660	1,650	1,574
+/- Other	-202	-409	-816	57	170
CFO Pre-WC	1,347	1,094	845	1,707	1,744
+/- ΔWC	-99	-7	242	-498	-178
CFO	1,247	1,087	1,086	1,209	1,566
- Div	208	22	60	624	659
- Capex	1,666	2,250	3,695	2,680	2,243
FCF	-627	-1,185	-2,668	-2,094	-1,336
(CFO Pre-W/C) / Debt	16.9%	11.5%	7.5%	15.0%	15.9%
(CFO Pre-W/C - Dividends) / Debt	14.3%	11.2%	7.0%	9.5%	9.9%
FFO / Debt	19.4%	15.8%	14.7%	14.5%	14.3%
RCF / Debt	16.8%	15.5%	14.2%	9.0%	8.3%
Revenue	4,285	4,070	5,068	6,339	6,418
Interest Expense	324	344	348	377	379
Net Income	578	1,086	713	1,015	1,193
Total Assets	21,429	24,686	27,676	28,145	29,449
Total Liabilities	15,137	17,244	19,495	18,683	18,447
Total Equity	6,292	7,443	8,181	9,462	11,002

All figures & ratios calculated using Moody's estimates & standard adjustments. Periods are Financial Year-End unless indicated. LTM=Last Twelve Months
Source: Moody's Financial Metrics

Exhibit 10

Peer comparison

	Entergy Louisiana, LLC Baa1 (Stable)			Cleco Power LLC A3 (Stable)			Duke Energy Florida, LLC. A3 (Stable)			Alabama Power Company A1 (Stable)		
(In US millions)	FYE Dec-21	FYE Dec-22	LTM Mar-23	FYE Dec-21	FYE Dec-22	LTM Mar-23	FYE Dec-21	FYE Dec-22	LTM Mar-23	FYE Dec-22	FYE Dec-22	LTM Mar-23
Revenue	5,068	6,339	6,418	1,242	1,621	1,629	5,259	6,353	6,508	6,413	7,817	7,815
CFO Pre-W/C	845	1,707	1,744	135	374	357	1,853	1,485	1,257	2,287	2,202	2,299
Total Debt	11,271	11,342	10,978	2,023	2,081	2,033	8,982	10,570	10,825	9,957	10,711	10,896
CFO Pre-W/C + Interest / Interest	3.4x	5.5x	5.6x	2.7x	4.9x	4.5x	6.6x	5.0x	4.1x	7.4x	6.7x	6.8x
CFO Pre-W/C / Debt	7.5%	15.0%	15.9%	6.7%	18.0%	17.5%	20.6%	14.1%	11.6%	23.0%	20.6%	21.1%
CFO Pre-W/C – Dividends / Debt	7.0%	9.5%	9.9%	6.7%	12.9%	12.3%	20.6%	12.4%	10.0%	13.2%	11.1%	11.5%
Debt / Capitalization	51.5%	48.9%	45.1%	43.2%	42.7%	41.9%	45.6%	47.2%	47.3%	40.8%	40.6%	40.5%

All figures & ratios calculated using Moody's estimates & standard adjustments. Periods are Financial Year-End unless indicated. LTM=Last Twelve Months
Source: Moody's Financial Metrics

Ratings

Exhibit 11

Category	Moody's Rating
ENTERGY LOUISIANA, LLC	
Outlook	Stable
Issuer Rating	Baa1
First Mortgage Bonds	A2
Senior Secured	A2
PARENT: ENTERGY CORPORATION	
Outlook	Negative
Issuer Rating	Baa2
Senior Unsecured	Baa2
Commercial Paper	P-2

Source: Moody's Investors Service

REPORT NUMBER 1370451

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

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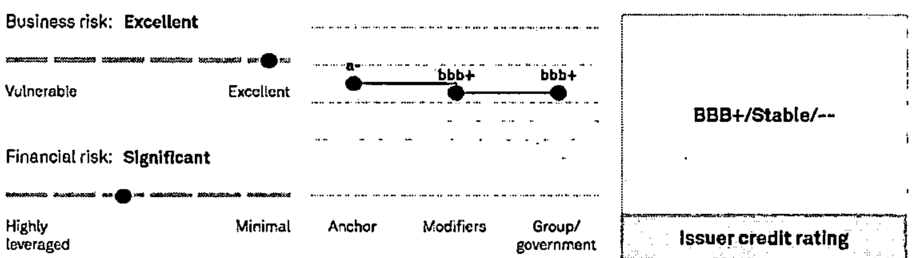
Entergy Louisiana LLC

August 25, 2022

Ratings Score Snapshot



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Pune

Credit Highlights

Overview

Key strengths	Key risks
Mid-sized rate-regulated vertically integrated electric utility operations.	Mid-sized rate-regulated vertically integrated electric utility operations.
Relatively supportive regulatory jurisdiction with formula rate plans (FRP), providing an element of cash flow stability and predictability. Additionally, Louisiana has a well-established procedure for allowing utilities to securitize their storm related costs, which we assess as credit supportive.	Exposure to severe hurricanes and storms within its service territory.
	Lack of sufficient system hardening limits the company's ability to protect against severe storms and increases its business risk relative to peers.
	High dependence on industrial customers that could increase cash flow volatility.

Exposure to hurricane activity. Entergy Louisiana (ELL) remains exposed to hurricanes as evidenced by the recent 2021 category 4 Hurricane Ida which was the most destructive hurricane in Louisiana since the 2005 Hurricane Katrina. Furthermore, the National Oceanic and Atmospheric Administration is predicting an above-average Atlantic hurricane season for 2022, potentially raising risk for the company. Although the state has a well-established law that enables utilities to seek securitization to recover such costs, increasing commodity prices, interest rates, inflationary pressures, and the company's robust capital spending could all pressure the customer bill, potentially weakening the company's consistent ability to effectively manage regulatory risk.

ELL raised its three-year capital spending program. ELL raised its three-year capital plan to about $4.7 billion from approximately $4.2 billion. The increase in capital spending is driven by the projected increase in industrial demand in the Gulf region and to address the resiliency of its transmission and distribution system due to the increased frequency and intensity of storms. Given the rising customer bill from rising commodity costs and other rising costs from inflation, ELL's ability to effectively manage regulatory risk could become increasingly challenging.

ELL filed a prudence review of Hurricane Ida restoration costs of $2.6 billion. In April 2022, ELL filed with the Louisiana Public Service Commission (LPSC) for determination on the prudence and to certify Hurricane Ida costs of about $2.6 billion, of which $1 billion of costs were already recovered through securitization in 2022. Following the LPSC's certification of Hurricane Ida costs, ELL will request the use of securitization for the unrecovered costs (about $1.6 billion), and we expect the securitization bonds to be issued in the first half of 2023.

Outlook

The stable outlook on ELL over the next 24 months reflects our stable outlook on parent Entergy and our expectations that ELL's standalone financial measures will consistently reflect the lower end of the range for its financial risk profile category. Specifically, we expect that ELL's standalone adjusted funds from operations (FFO) to debt will reflect the 14%-17% range through 2024.

Downside scenario

We could lower our ratings on ELL over the next 24 months if:

- We lower our ratings on its parent Entergy; and
- Stand-alone financial measures for the utility weaken such that its adjusted FFO to debt is consistently below 13%.

Upside scenario

We could raise our ratings on ELL over the next 24 months if:

- The utility's stand-alone adjusted FFO to debt is consistently above 18%; or
- We raise our rating on parent Energy.

Our Base-Case Scenario

Assumptions

- Gross profit increase averaging about 5% per year;
- Expected EBITDA margin averaging about 35% per year;
- Annual capital spending averaging about $1.6 billion through the forecast period;
- About $785 million in capital spending to restore hurricane damage from hurricane Ida in 2022;
- Negative discretionary cash flow indicating external funding needs;
- Securitization proceeds received in 2023; and
- All debt maturities are refinanced.

Key metrics

Entergy Louisiana, LLC--Key Metrics*

Mil. $	2021a	2022f	2023f	2024f
FFO to debt (%)	13.1	14-16	15-17	14-16
Debt to EBITDA (x)	6.2	5.0-6.0	5.0-6.0	5.0-6.0
FFO cash interest coverage (x)	5.2	5.0-6.0	9.0-10	8.0-9.0

*All figures adjusted by S&P Global Ratings. a--Actual. f--Forecast. FFO—Funds from operations.

Company Description

ELL is a mid-sized electric and gas utility in Louisiana and is a subsidiary of Entergy Corp. ELL serves about 1.2 million customers in Louisiana, consisting of about 1.1 million electric customers and about 100 thousand gas customers. The company has about 10,700 MW of operating capacity and its electric generation is highly dependent on natural gas-fired generation (about 75%) and nuclear power (about 20%), with only limited exposure to coal-fired generation (about 5%).

Peer Comparison

Entergy Louisiana, LLC--Peer Comparisons

	Entergy Louisiana LLC	Union Electric Co. d/b/a Ameren Missouri	Arizona Public Service Co.	Alabama Power Co.	MidAmerican Energy Co.
Foreign currency issuer credit rating	BBB+/Stable/--	BBB+/Stable/A-2	BBB+/Negative/A-2	A-/Stable/A-2	A/Stable/A-1
Local currency issuer credit rating	BBB+/Stable/--	BBB+/Stable/A-2	BBB+/Negative/A-2	A-/Stable/A-2	A/Stable/A-1
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2021-12-31	2021-12-31	2021-12-31	2021-12-31	2021-12-31
Mil.	$	$	$	$	$
Revenue	5,058	3,353	3,804	6,413	3,547
EBITDA	1,829	1,355	1,719	3,025	1,361
Funds from operations (FFO)	1,495	1,115	1,447	2,509	1,815
Interest	431	180	295	519	333
Cash interest paid	352	222	252	331	292
Operating cash flow (OCF)	982	900	951	2,088	1,604
Capital expenditure	3,666	2,049	1,472	1,738	1,899
Free operating cash flow (FOCF)	(2,683)	(1,150)	(521)	350	(295)

Entergy Louisiana, LLC--Peer Comparisons

Discretionary cash flow (DCF)	(2,743)	(1,175)	(919)	(626)	(295)
Cash and short-term investments	19	0	9	1,060	232
Gross available cash	19	248	9	1,060	232
Debt	11,390	5,723	6,787	9,190	7,547
Equity	8,181	5,871	6,750	10,859	8,960
EBITDA margin (%)	36.2	40.4	45.2	47.2	38.4
Return on capital (%)	7.1	5.9	7.2	10.2	3.2
EBITDA interest coverage (x)	4.2	7.5	5.8	5.8	4.1
FFO cash interest coverage (x)	5.2	6.0	6.7	8.6	7.2
Debt/EBITDA (x)	6.2	4.2	3.9	3.0	5.5
FFO/debt (%)	13.1	19.5	21.3	27.3	24.1
OCF/debt (%)	8.6	15.7	14.0	22.7	21.3
FOCF/debt (%)	(23.6)	(20.1)	(7.7)	3.8	(3.9)
DCF/debt (%)	(24.1)	(20.5)	(13.5)	(6.8)	(3.9)

Business Risk

Our assessment of ELL's business risk profile reflects its lower-risk, fully rate-regulated utility business that provides an essential service in its service territory. Given material barriers to entry, ELL and the regulated utility industry as a whole effectively operate insulated from competitive market challenges. This underlines our view of regulated utilities' very low industry risk compared to other industries.

ELL benefits from a constructive regulatory framework by the LPSC, where it operates under an FRP, providing stability to its cash flows and enabling it to generally earn close to its allowed return on equity. ELL's business risk profile also benefits from various riders, including capacity, transmission, fuel, and gas infrastructure. Overall, we expect the ELL will continue to effectively manage regulatory risk, focusing on further reducing its regulatory lag.

However, we view ELL at the lower end of the excellent business risk profile category compared with peers, given the propensity and severity of storm activity within ELL's service territory along the Gulf Coast and the limited ability of the utility to protect against severe storms. While we view securitization as a good backstop for storm restoration costs, securitization takes time to receive the ultimate funds and takes up headroom in the customer bill, potentially increasing the risk of the company consistently managing regulatory risk. We believe that for ELL to reduce its credit risk exposure to severe storms, it is important for the company to have a more resilient infrastructure that withstands severe storms, reducing the rate of recovery of pass-through costs to customers. Parent, Entergy Corp, intends to spend about $4 billion in accelerated resiliency spending within the next five years and about $15 billion over the next ten years, which we assess as supportive of the company's long-term credit quality.

ELL is a mid-sized utility serving roughly 1.2 million electric and gas customers in Louisiana, accounting for about 40% of parent Entergy's total adjusted operating income. Most of ELL's operations are the electric utility; its customer base comprises approximately 90% electric and 10% gas customers. About 50% of ELL's operating revenues are from residential and commercial customers, providing a measure of cash flow stability, this is partially offset by about 50% of operating revenues coming from industrial customers, which could expose the company to cash flow volatility, especially in an economic downturn.

The company owns around 10,700 megawatts (MW) of generating capacity, only about 30% of which is from nuclear and coal generation. We believe nuclear generation has a higher operating risk than other forms of power generation, and we believe coal generation potentially has greater environmental risk.

Financial Risk

Over the next three years, we expect ELL's elevated capital spending to average roughly $1.6 billion through 2024, driving its financial performance. We expect that the company's regulatory construct will provide periodic annual rate increases as its rate base grows, and we forecast operating cash flow will fund about 50%-70% of total funding needs. We anticipate the shortfall will be funded with a combination of debt and capital contributions from parent Entergy. Furthermore, we expect ELL's financial measures will remain at the lower end of the range for its financial risk profile category, primarily reflecting the company's robust capital spending. We anticipate securitization proceeds to provide relief starting in 2023.

Our base case includes adjusted FFO to debt in the 14%-17% range through 2024 and is predicated on the company's robust capital spending program, 2023 securitization proceeds of about $1.6 billion, annual dividends of about $200 million, and annual FRP increases. In addition, we forecast the company's ability to cover annual cash interest payments based on FFO, bolstering our assessment of ELL's financial risk, with coverage averaging 5x-6x per year through 2024. Finally, we forecast leverage, as indicated by adjusted debt to EBITDA, to be elevated in the 5.5x-6x range through 2024.

We assess ELL's financial risk profile using our medial volatility financial benchmarks, reflecting the company's steady cash flow and rate-regulated utility operations. These benchmarks are more relaxed than the benchmarks we use for typical corporate issuers.

Debt maturities

- 2022 - $200 million
- 2023 - $1.445 billion
- 2024 - $1.782 billion
- 2025 - $300 million
- 2026 - $775 million
- Thereafter - $6.412 billion

Entergy Louisiana, LLC--Financial Summary

Period ending	Dec-31-2016	Dec-31-2017	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021
Reporting period	2016a	2017a	2018a	2019a	2020a	2021a
Display currency (mil.)	$	$	$	$	$	$
Revenues	4,154	4,277	4,273	4,262	4,047	5,058
EBITDA	1,518	1,752	1,410	1,646	1,723	1,829
Funds from operations (FFO)	1,008	1,677	1,191	1,294	1,396	1,495
Interest expense	343	349	364	383	411	431
Cash interest paid	354	309	324	337	341	352
Operating cash flow (OCF)	987	1,278	1,311	1,161	1,023	982
Capital expenditure	1,069	1,842	1,799	1,652	2,001	3,666
Free operating cash flow (FOCF)	(83)	(563)	(488)	(491)	(978)	(2,683)
Discretionary cash flow (DCF)	(368)	(655)	(616)	(699)	(999)	(2,743)
Cash and short-term investments	214	36	43	2	728	19
Gross available cash	214	36	43	2	728	19
Debt	6,290	6,927	7,425	7,971	8,998	11,390
Common equity	5,082	5,309	5,903	6,397	7,458	8,181

Entergy Louisiana, LLC--Financial Summary

Adjusted ratios

EBITDA margin (%)	36.6	40.9	33.0	38.6	42.6	36.2
Return on capital (%)	9.9	11.3	9.0	8.5	7.3	7.1
EBITDA interest coverage (x)	4.4	5.0	3.9	4.3	4.2	4.2
FFO cash interest coverage (x)	3.8	6.4	4.7	4.8	5.1	5.2
Debt/EBITDA (x)	4.1	4.0	5.3	4.8	5.2	6.2
FFO/debt (%)	16.0	24.2	16.0	16.2	15.5	13.1
OCF/debt (%)	15.7	18.5	17.7	14.6	11.4	8.6
FOCF/debt (%)	(1.3)	(8.1)	(6.6)	(6.2)	(10.9)	(23.6)
DCF/debt (%)	(5.9)	(9.5)	(8.3)	(8.8)	(11.1)	(24.1)

Reconciliation Of Entergy Louisiana, LLC Reported Amounts With S&P Global Adjusted Amounts (Mil. $)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2021									
Company reported amounts	10,914	8,181	5,068	1,651	927	337	1,829	1,053	60	3,679
Cash taxes paid	-	-	-	-	-	-	18	-	-	-
Cash interest paid	-	-	-	-	-	-	(338)	-	-	-
Lease liabilities	65	-	-	-	-	-	-	-	-	-
Operating leases	-	-	-	14	1	1	(1)	13	-	-
Postretirement benefit obligations/ deferred compensation	429	-	-	-	-	-	-	-	-	-
Accessible cash and liquid investments	(19)	-	-	-	-	-	-	-	-	-
Capitalized interest	-	-	-	-	-	13	(13)	(13)	-	(13)
Securitized stranded costs	-	-	(10)	(10)	-	-	-	(10)	-	-
Asset-retirement obligations	-	-	-	80	80	80	-	-	-	-
Nonoperating income (expense)	-	-	-	-	263	-	-	-	-	-

Reconciliation Of Entergy Louisiana, LLC Reported Amounts With S&P Global Adjusted Amounts (Mil. $)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
U.S. decommissioning fund contributions	-	-	-	-	-	-	-	(60)	-	-
EBITDA: other income/ (expense)	-	-	-	94	94	-	-	-	-	-
D&A: other	-	-	-	-	(94)	-	-	-	-	-
Total adjustments	476	-	(10)	178	344	94	(334)	(70)	-	(13)
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	11,390	8,181	5,058	1,829	1,271	431	1,495	982	60	3,666

Liquidity

We assess the company's stand-alone liquidity as adequate because we believe its liquidity sources will likely cover uses by more than 1.1x over the next 12 months and meet cash outflows even if EBITDA declines 10%. The assessment also reflects the company's generally prudent risk management, sound relationship with banks, and a generally satisfactory standing in credit markets.

Principal liquidity sources

- Cash and liquid investments of about $150 million as of March 2022;
- Total availability under the revolving credit facility of $350 million as of March 2022;
- Estimated cash FFO of about $1.6 billion; and
- May 2022 securitization proceeds of about $3.1 billion.

Principal liquidity uses

- Debt maturities of about $200 million;
- Working capital outflows of about $200 million;
- Capital spending of about $2.25 billion; and
- Dividends of about $200 million.

Environmental, Social, And Governance

ESG Credit Indicators

E-1	E-2	E-3	**E-4**	E-5

S-1	S-2	**S-3**	S-4	S-5

G-1	**G-2**	G-3	G-4	G-5

Environmental	Social	Governance
- Physical risks - Waste and pollution	- Health and safety	- N/A

N/A—Not applicable. ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicator Definitions And Applications," published Oct. 13, 2021.

Environmental factors are a negative consideration in our credit rating analysis of ELL because the geographical position of the utility is exposed to extreme weather conditions. Consequently, hurricanes like Hurricane Ida negatively affect the company's transmission and distribution infrastructure and therefore impact the company's cash flow leverage via high restoration costs. Social factors are a moderately negative consideration in our credit rating analysis based on the nuclear generation's health and safety risks.

Group Influence

Under our group rating methodology, we assess ELL to be an insulated subsidiary of Entergy, reflecting our view that ELL is a stand-alone legal entity that functions independently, financially, and operationally, files its rate cases, and is independently regulated by its state commission. ELL has its own books and records, including financials. ELL also has its own funding arrangements, including issuing its own long-term debt and having separate committed credit facilities to cover short-term funding needs. The company does not commingle funds, assets, or cash flows, as demonstrated by parent Entergy's inability to borrow from the Entergy money pool; however, Entergy can lend to the pool. Based on the insulating measures in place, we could potentially rate ELL up to one notch higher than its group credit profile (GCP). Currently, we rate ELL's issuer credit rating the same as the 'bbb+' GCP because ELL's stand-alone credit profile is also at 'bbb+'.

We assess ELL as a core subsidiary of parent Entergy. This reflects our view that ELL represents a significant portion of Entergy's operating revenues, which are used to pay shareholder dividends, thus providing strong economic incentives to Entergy to preserve ELL's credit strength, and we do not expect a default by either Entergy or another entity within the group would lead to a default of the utility.

Issue Ratings--Recovery Analysis

Key analytical factors

ELL's first mortgage bonds benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of '1+' and an issue rating two notches above the issuer credit rating.

Rating Component Scores

Foreign currency issuer credit rating	**BBB+/Stable/--**
Local currency issuer credit rating	**BBB+/Stable/--**
Business risk	**Excellent**
Country risk	Very Low
Industry risk	Very Low
Competitive position	Strong
Financial risk	**Significant**
Cash flow/leverage	Significant
Anchor	**a-**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Satisfactory (no impact)
Comparable rating analysis	Negative (-1 notch)
Stand-alone credit profile	**bbb+**
Group Credit Profile	bbb+
Entity status within the group	Insulated (no impact)

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- Criteria | Corporates | Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

Ratings Detail (as of August 25, 2022)*

Entergy Louisiana LLC	
Issuer Credit Rating	BBB+/Stable/--
Senior Secured	A
Issuer Credit Ratings History	
02-Sep-2021	BBB+/Stable/--
14-Aug-2019	A-/Stable/--
03-May-2018	BBB+/Stable/--
Related Entities	
Entergy Arkansas LLC	
Issuer Credit Rating	A-/Stable/--
Senior Secured	A
Entergy Corp.	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured	BBB
Entergy Mississippi LLC	
Issuer Credit Rating	A-/Stable/--
Senior Secured	A
Entergy New Orleans LLC	
Issuer Credit Rating	BB/Developing/--
Senior Secured	BBB
Entergy Texas Inc.	
Issuer Credit Rating	BBB+/Stable/--
Preferred Stock	BBB-
Senior Secured	A
System Energy Resources Inc.	
Issuer Credit Rating	BBB+/Stable/--
Senior Secured	A

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.