

ENO Offer of Settlement Term Sheet: CNO docket nos. UD-98-2 and UD-97-2B

1. In exchange for final settlement and resolution of docket nos. UD-98-2 and UD-97-2B on the terms and conditions set forth below, ENO would agree to pay, in the manner described below, to its resale gas customers whose charges for gas service are subject to the City Gate Adjustment clause ("CGA") the sum of three million dollars (\$3,000,000), which would be inclusive of all amounts due by ENO in connection with this settlement.
2. The settlement payment to resale gas customers whose charges for gas service are subject to the CGA would be made in the following manner: ENO would credit to the "over/under" account of the CGA the amount of three million dollars (\$3,000,000), such credit to be effective as of the month following the date on which the Council adopts a Resolution in a form acceptable to ENO in which Resolution the Council signifies its acceptance and approval of this Offer of Settlement.
3. The Council would adopt a resolution in which it concludes that this settlement constitutes a full and complete resolution of all issues arising in or related to the Council's docket no. UD 98-2 with respect to the issue of ENO's Maximum Daily Quantity of gas for resale and the manner of cost recovery therefor ("MDQ" or "design-day peak demand"). Further, the Council would provide in said Resolution that in order to permit the Council the opportunity to adequately and timely to review the MDQ issue in the future and to propose changes to the Company's MDQ, such changes to be made on a prospective basis only, the Company would be required to employ generally accepted industry practices, similar to those recommended by the American Gas Association Statistics and Load Forecasting Methods Committee (the "Practices"), by which ENO will develop and initiate a load forecasting process that uses a model for forecasting the Company's design-day peak demand. The Company will submit to the Council for review, not later than March 1, 2002, based upon then currently available data and every twenty-four (24) months thereafter, the Company's model(s) and the output of all model(s) used for this purpose, as well as all workpapers used in the determination of the design-day peak demand. The Council will, based upon the Practices, then review the Company's forecast and thereafter will notify the Company as to whether the Company's forecast is consistent with the Practices and therefore acceptable. If the Council does not issue such a notification within one-hundred eighty (180) days of the Company's submission of the model, output, and workpapers, then the Company's determination of the design-day peak demand shall be deemed appropriate.
4. The Council would issue an order by Resolution adopting Option 4 of the February 3, 2000 "Advisors Report To The Council Of The City Of New Orleans With Respect To Whether Natural Gas Retail Competition Is In The Public Interest"

and thereby find that there is insufficient evidence to support a favorable public interest determination in UD-97-2B, and would terminate the Council's inquiry into retail gas competition and close the docket, except to the extent that the Council would adopt the NJ Transportation Service Pilot Program ("Pilot Program") described in Item 5 below.

5. a. A two year Pilot Program will be undertaken to allow existing NJ customers, whose average annual usage is a minimum of 150 mcf/day, the opportunity to transport their own gas through the Company's gas distribution system. Participation in this pilot would be conditioned upon said NJ customers having, or acquiring at their expense, interval billing metering, necessary telemetering, measuring devices, and all other equipment required for this purpose. Those NJ customers participating in this Pilot Program, that is, those NJ customers acting as a shipper of their owned gas, would be required to pay a transportation fee, the amount of which would be the NJ margin that each such NJ customer currently pays and the structure of which would be the current NJ declining block pricing structure, plus all applicable taxes. All issues related to nominations, scheduling, receipt, redelivery, and balancing of gas would be as per the Company's filed position in CNO docket no. UD-97-2B. The balancing charges in the Company's filed position shall be modified to conform with the Koch Gas Pipeline Company tariff sheets in effect at the time of the billing for such balancing charges. Not later than sixty (60) days following Council approval of this settlement, the Company will file tariffs describing the NJ transportation service. Not later than one week thereafter, the Company will provide to all eligible customers a copy of its filed NJ transportation tariff. Commencing with delivery of the tariff filing to eligible customers a thirty (30) day open season will begin. During this open season each eligible customer will advise the Company if it intends to become a NJ transportation customer. The decision to participate in the Pilot Program by the eligible customer shall, upon termination of the open season, be binding upon the customer for the two-year period of the Pilot Program. An NJ customer which does not choose to participate in the Pilot Program shall remain a traditional NJ sales customer of the Company for the two-year period of the Pilot Program. The Council retains the right to review the justness and reasonableness of the tariffs in the Company's next general rate application.
5. b. ENO would initiate the Pilot Program eight months after initial Council action accepting this settlement proposal. The Pilot Program would be in effect for two years following the eight month period referenced above.
5. c. ENO will be entitled to recover 100% of its transition costs from eligible customers choosing to participate in the Pilot Program. All eligible NJ customers who participate in the Pilot Program will be billed for the Company's transition costs via a transition cost recovery rider ("TCR"). The TCR will divide the

transition cost among the participating NJ customers equally. The Council retains the right to initiate a hearing on costs that were recovered via the TCR.

5. d. The Company will collect on behalf of the City of New Orleans an additional charge for each mcf delivered to a participating NJ customer. This additional per mcf charge will be an amount determined each month for each participating NJ customer in accordance with the following formula:

$$\underline{NGWP \times HC \times [(1/D) - 1] \times Q}$$

Where: NGWP is the average of the weekly posting of "Natural Gas Louisiana Onshore Delivered to Utilities" indices as published each week during the month in Natural Gas Week under the title "Comparative Fuel Prices (Cash Market)."  
HC is the heating value, stated in mmBtu per mcf, of the gas delivered to the customer.  
D is an amount equal to the factor shown in the Retail Rate Adder Rider Schedule GR-1, as it may be revised from time to time, under the heading BILLING.  
Q is the amount of gas delivered to the customer during the month for which the value of NGWP is determined.

No amount collected by the Company and remitted by it to the City pursuant to this Paragraph 5.d. shall be deemed to be gross receipts of the Company from the sale of artificial and/or natural gas in the City pursuant to the Company's franchise. Therefore, no amount collected by the Company and remitted by it to the City pursuant to this Paragraph 5.d. shall be subject to the franchise fee or any other fee or tax imposed upon the Company's gross receipts or income from the sale or provision of utility services.

5. e. The Council will adopt the Code of Conduct For Gas Sales attached to this settlement, which Code of Conduct will apply to the Company if and only if an affiliate of the Company chooses to offer competitive gas sales service within the City. Sales of gas by the Company to NJ customers not participating in this Pilot Program are not cause for implementation of this Code of Conduct to the Company or any of its affiliates. Neither the acceptance of this settlement, or the attached Code of Conduct, nor any other act, action, or statement, either written or oral, in any way preclude the Council from adopting a Code of Conduct for other purposes not related to the resolution of these proceeding.
6. No further action in gas unbundling, including pilot programs, will be undertaken until such time as the NJ Pilot Program has been completed and the results have been evaluated.