LOUISIANA UTILITIES RESTORATION CORPORATION
A COMPONENT UNIT OF THE
STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2021
ISSUED MARCH 14, 2022

LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397

LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

FIRST ASSISTANT LEGISLATIVE AUDITOR
ERNEST F. SUMMERVILLE, JR., CPA

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TABLE OF CONTENTS

LOUISIANA LEGISLATIVE AUDITOR
MICHAEL J. "MIKE WAGUESPACK, CPA

March 3, 2022

Independent Auditor's Report

LOUISIANA UTILITIES RESTORATION CORPORATION
STATE OF LOUISIANA
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the major enterprise funds of the Louisiana Utilities Restoration Corporation (Corporation), a special-purpose government and discrete component unit of the state of Louisiana, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the major enterprise funds of the Corporation as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2022, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Respectfully submitted,

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

RJD:CRV:BQD:EFS:ch

LURC 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the financial report of the Louisiana Utilities Restoration Corporation (the Corporation) represents management's analysis of the Corporation's financial performance for the year ended June 30, 2021. This should be read in conjunction with the financial statements and the corresponding note disclosures of the Corporation, which follow this section.

The Management's Discussion and Analysis is an element of the reporting model established by Governmental Accounting Standards Board (GASB) Statement No. 34, issued in June 1999.

FINANCIAL HIGHLIGHTS

During the year ended June 30, 2021, the main financial activities of the Corporation were as follows:

- The Corporation collected $73,559,477 in system restoration charges for the Entergy Louisiana, LLC (ELL) Program and $33,192,125 in system restoration charges for the Entergy Gulf States Louisiana, L.L.C. (EGSL) Program.

- The Corporation paid $8,509,806 in interest and $63,902,945 in principal obligations on the Series 2010-ELL Program, and Series 2014-ELL Program System Restoration Bonds.

- The Corporation paid $3,261,606 in interest and $28,764,230 in principal obligations on the Series 2010-EGSL Program, and Series 2014-EGSL Program System Restoration Bonds.

- The Corporation paid $587,130 to ELL in servicing fees.

Overview of the Financial Statements

These financial statements consist of two basic sections – Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

Basic Financial Statements

The basic financial statements present information for the Corporation as a whole in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The *Statement of Net Position* (page 8) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of the financial position of the Corporation.

The *Statement of Revenues, Expenses, and Changes in Net Position* (page 9) presents information showing how the Corporation's assets changed as a result of operations during the year ended June 30, 2021. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal years.

The *Statement of Cash Flows* (pages 10-11) presents information showing how the Corporation's cash changed as a result of operations during the year ended June 30, 2021. The Statement of Cash Flows is prepared using the direct method and includes the reconciliation of operating income to net cash provided by operating activities (indirect method) as required by GASB Statement No. 34.

The condensed Statements of Net Position as of June 30, 2021, and 2020, are as follows:

Statements of Net Position
June 30, 2021, and 2020

	2021	2020	Increase (Decrease)	Percentage Change
Current Assets	$60,810,557	$58,187,744	$2,622,813	4.51%
Total Assets	60,810,557	58,187,744	2,622,813	4.51%
Current Liabilities	100,654,951	98,238,228	2,416,723	2.46%
Noncurrent Liabilities	165,410,023	261,893,884	(96,483,861)	(36.84)%
Total Liabilities	266,064,974	360,132,112	(94,067,138)	(26.12)%
Net Position - Unrestricted (Deficit)	($205,254,417)	($301,944,368)	$96,689,951	32.02%

The decrease in total liabilities resulted from making the required principal payments on the Series 2010 and Series 2014 System Restoration Bonds.

Since liabilities payable from restricted assets exceed restricted assets, the Corporation is reporting a deficit in net position, which is required to be presented as unrestricted. Restricted net position represents those assets that are not available for spending as a result of bond agreements.

The condensed Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2021, and 2020, are as follows:

Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	2021	2020	Increase (Decrease)	Percentage Change
Operating Revenues - System Restoration Changes (Net)	$108,315,258	$104,837,669	$3,477,589	3.32%
Nonoperating Revenues - Interest Income	18,202	615,230	(597,028)	(97.04)%
Total Revenues	108,333,460	105,452,899	2,880,561	2.73%
Operating Expenses	1,297,167	1,312,319	(15,152)	(1.15)%
Nonoperating Expenses - Interest Expense	10,346,342	13,710,131	(3,363,789)	(24.54)%
Total Expenses	11,643,509	15,022,450	(3,378,941)	(22.49)%
Change in Net Position	$96,689,951	$90,430,449	$6,259,502	6.92%

The operating revenues of the Corporation are derived from system restoration charges collected by ELL from its customers to satisfy the debt service requirements of the Corporation.

The decrease in interest expense over the same period in the prior year was caused by the decline in outstanding principal obligations on the Series 2010 and Series 2014 System Restoration Bonds.

Contacting the Management of the Louisiana Utilities Restoration Corporation

This financial report is designed to provide a general overview of the Corporation's finances and to demonstrate the Corporation's accountability for the funds it receives. If you have any questions about this report or need additional information, please contact the Registered Agent for the Corporation as follows:

Ms. Jamie Hurst Watts
Long Law Firm, L.L.P.
1800 City Farm Drive
Building 6
Baton Rouge, LA 70806

LOUISIANA UTILITIES RESTORATION CORPORATION
STATE OF LOUISIANA

Statement of Net Position
June 30, 2021

	Enterprise Funds		
	ELL Program	EGSL Program	Total
Assets			
Current Assets - Restricted			
Cash Equivalents (Note 2)	$36,658,582	$15,420,716	$52,079,298
Receivables, Net (Note 3)	6,058,557	2,672,702	8,731,259
Total Current Assets	42,717,139	18,093,418	60,810,557
Total Assets	42,717,139	18,093,418	60,810,557
Liabilities			
Current Liabilities - Restricted			
Accounts Payable	201,671	179,887	381,558
Accrued Interest Payable	2,777,752	1,011,784	3,789,536
Current Portion of Bonds Payable, Net (Note 4)	66,659,072	29,824,785	96,483,857
Total Current Liabilities	69,638,495	31,016,456	100,654,951
Noncurrent Liabilities - Restricted			
Bonds Payable, Net (Note 4)	124,140,726	41,269,297	165,410,023
Total Liabilities	193,779,221	72,285,753	266,064,974
Net Position - Unrestricted (Deficit)	($151,062,082)	($54,192,335)	($205,254,417)

The accompanying notes are an integral part of this statement.

LOUISIANA UTILITIES RESTORATION CORPORATION
STATE OF LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2021

	Enterprise Funds		
	ELL Program	EGSL Program	Total
Operating Revenues			
System Restoration Charges	$74,654,977	$33,670,304	$108,325,281
(Increase)/decrease in Allowance for Uncollectible Accounts	(7,011)	(3,012)	(10,023)
Total Operating Revenues (Note 5)	74,647,966	33,667,292	108,315,258
Operating Expenses			
Servicing Fees	290,670	296,460	587,130
Professional Services	292,617	285,920	578,537
Ongoing Financing Costs	65,750	65,750	131,500
Total Operating Expenses	649,037	648,130	1,297,167
Operating Income	73,998,929	33,019,162	107,018,091
Nonoperating Revenues (Expenses)			
Interest and Dividend Income	12,903	5,299	18,202
Interest Expense	(7,524,401)	(2,821,941)	(10,346,342)
Total Nonoperating Revenues (Expenses), Net	(7,511,498)	(2,816,642)	(10,328,140)
Change in Net Position	66,487,431	30,202,520	96,689,951
Net Position, Beginning of Year	(217,549,513)	(84,394,855)	(301,944,368)
Net Position, End of Year	($151,062,082)	($54,192,335)	($205,254,417)

The accompanying notes are an integral part of this statement.

LOUISIANA UTILITIES RESTORATION CORPORATION
STATE OF LOUISIANA

Statement of Cash Flows
For the Year Ended June 30, 2021

	Enterprise Funds		
	ELL Program	**EGSL Program**	**Total**
Cash Flows from Operating Activities			
System Restoration Charges Received	$73,559,477	$33,192,125	$106,751,602
Servicing Fees Paid	(290,670)	(296,460)	(587,130)
Professional Services Paid	(287,965)	(285,465)	(573,430)
Ongoing Financing Costs Paid	(45,750)	(65,750)	(111,500)
Net Cash Provided by Operating Activities	72,935,092	32,544,450	105,479,542
Cash Flows from Non-Capital Financing Activities			
Bond Principal Obligations Paid	(63,902,945)	(28,764,230)	(92,667,175)
Interest Paid on Bonds	(8,509,806)	(3,261,606)	(11,771,412)
Net Cash Used in Non-Capital Financing Activities	(72,412,751)	(32,025,836)	(104,438,587)
Cash Flows from Investing Activities			
Interest and Dividends Received	12,903	5,299	18,202
Net Cash Provided by Investing Activities	12,903	5,299	18,202
Net Increase in Cash Equivalents	535,244	523,913	1,059,157
Cash Equivalents, Beginning of Year	36,123,338	14,896,803	51,020,141
Cash Equivalents, End of Year	$36,658,582	$15,420,716	$52,079,298

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA UTILITIES RESTORATION CORPORATION
STATE OF LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2021

	Enterprise Funds		
	ELL Program	**EGSL Program**	**Total**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	$73,998,929	$33,019,162	$107,018,091
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Increase in Allowance for Uncollectible Accounts	7,011	3,012	10,023
Changes in Assets and Liabilities			
Increase in Receivables	(1,095,500)	(478,179)	(1,573,679)
Increase in Accounts Payable	24,652	455	25,107
Net Cash Provided by Operating Activities	$72,935,092	$32,544,450	$105,479,542

(Concluded)

The accompanying notes are an integral part of this statement.

INTRODUCTION

The Louisiana Utilities Restoration Corporation (the Corporation) was created by Act 55 of the 2007 Regular Session of the Louisiana Legislature codified under the provisions of Louisiana Revised Statutes (LRS) 45:1311 through 1328 (the Restoration Law). The Corporation is a nonprofit, special-purpose public entity that is an instrumentality of the state of Louisiana.

In 2005, Louisiana was struck by hurricanes Katrina and Rita, causing unprecedented damages to the infrastructure of Entergy Louisiana, Inc. As of October 1, 2015, Entergy Gulf States Louisiana, L.L.C. (EGSL) and Entergy Louisiana, LLC (ELL) were combined into a single operating company ultimately referred to as Entergy Louisiana, LLC. As a result of that transaction, and pursuant to Assignment and Assumption Agreements executed in connection therewith, the combined Entergy Louisiana, LLC succeeded both EGSL and ELL as the servicer for the existing programs. ELL and EGSL previously funded and paid for the majority of the system restoration costs using internally generated funds, borrowings from the Entergy Money Pool, and proceeds of debt issuances. The severity of the resulting damage to utilities and the importance of maintaining a reliable and reasonably priced source of electricity to the state's economic recovery prompted the Louisiana Legislature to assist electric utilities by authorizing a new financing structure to provide utilities with low-cost capital. As a result, the Louisiana Legislature passed the Restoration Law, which authorized the creation of the Corporation for the purpose of making the capital contribution and financing that contribution through the issuance of system restoration bonds.

A utility subject to the jurisdiction of the Louisiana Public Service Commission (LPSC) must apply to the LPSC for a Financing Order under the Restoration Law to authorize the issuance of system restoration bonds. If the LPSC determines, in its discretion, that certain criteria in the Restoration Law are met, the LPSC may issue a Financing Order that, among other things, authorizes the Corporation to impose system restoration charges on the customers of a utility; authorizes the Corporation to pledge the system restoration property to an authorized issuer under the Restoration Law as security for a loan of the proceeds of the system restoration bonds issued by the issuer; authorizes the petitioning utility to serve as collection agent for the system restoration charges; and requires the Corporation to transfer the net proceeds from the issuance of such bonds to the utility for the public good as a non-shareholder contribution to capital. The proceeds of the bonds would serve as the mechanism by which non-shareholder capital contributions are paid by the Corporation to a utility company in an amount that would adequately satisfy the following expenditures: (1) system restoration costs previously incurred for damages; (2) the establishment of a storm damage reserve account for each entity that would be used to fund system restoration costs in the event of future damages due to hurricanes and other storms; and (3) bond issuance costs.

The Financing Order is adopted for the following purposes: (1) to approve and authorize the financing and capital contribution; (2) to authorize the issuance of system restoration bonds in one or more series; (3) to approve the structure of the proposed financing and capital contribution; (4)

to create system restoration property solely in favor of the Corporation, including the right to impose and collect system restoration charges in an amount to be calculated as provided in a Financing Order; and (5) to approve the form of tariff to impose the system restoration charges on behalf of the Corporation.

In 2008, Louisiana was struck by hurricanes Gustav and Ike, which caused extensive damage to infrastructure and caused power outages throughout ELL's and EGSL's systems. In response, ELL and EGSL, in conjunction with the Corporation, filed separate applications for Financing Orders under the Restoration Law, which were approved by the LPSC on April 21, 2010, and were issued by the LPSC on April 30, 2010. The funds for the non-shareholder capital contributions to ELL were obtained through the issuance of $468,900,000 of Series 2010 System Restoration Bonds, dated July 22, 2010 (the 2010-ELL Program), in four tranches. The funds for the non-shareholder capital contributions to EGSL were obtained through the issuance of $244,100,000 of Series 2010 System Restoration Bonds, dated July 22, 2010 (the 2010-EGSL Program), in three tranches.

In 2012, Louisiana was struck by hurricane Isaac which caused extensive damage to infrastructure and caused power outages throughout ELL's and EGSL's systems. In response, ELL and EGSL, in conjunction with the Corporation, filed a Joint Application for Financing, Quantification, and Ancillary Orders under the Restoration Law, which were approved by the LPSC on June 18, 2014, and were issued by the LPSC on August 6, 2014. The funds for the non-shareholder capital contributions to ELL were obtained through the issuance of $243,850,000 of Series 2014 System Restoration Bonds, dated August 6, 2014 (the 2014-ELL Program), in two tranches. The funds for the non-shareholder capital contributions to EGSL were obtained through the issuance of $71,000,000 of Series 2014 System Restoration Bonds, dated August 6, 2014 (the 2014-EGSL Program), in one tranche.

To generate funds to meet the principal and interest obligations on the System Restoration Bonds, the customers of ELL are assessed a system restoration charge. ELL, in its capacity as servicer, collects the charges from each customer, which are billed to each customer as part of their standard monthly invoices, on behalf of the Corporation. ELL then remits the collected system restoration charges into accounts maintained by the trustee for the benefit of the Corporation. These fees, and the corresponding rights to these fees, are considered system restoration property and serve as collateral for the bonds. In the event that system restoration charges remitted by ELL are not sufficient to meet principal and interest obligations, the Corporation can withdraw funds from Debt Service Reserve Subaccounts (DSRSs) established for each utility company, which were created by a portion of the monies from the corresponding bond issuances. The DSRSs will be replenished to the required balances as established in the corresponding Financing Order with system restoration charges collected subsequent to the withdrawal of funds. On a semiannual basis, system restoration charges are reviewed by the Corporation to determine if the charges are at a sufficient level to meet bond principal and interest obligations along with other necessary expenses of the Corporation. Any adjustments to the charges to customers are made as a result of each review.

Pursuant to Act 55, the Corporation has the following powers and may be involved in the following activities: (1) enter into the bond issuance agreement and corresponding transactions involving the collection of and the remittance of system restoration charges as prescribed in the LPSC-approved Financing Order; (2) employ individuals as deemed necessary to perform the duties of the Corporation; (3) acquire, sell, pledge, or transfer system restoration property; (4) borrow monies from an issuer of system restoration bonds as needed to meet the requirements of the Financing Order; (5) sue or be sued in the name of the Corporation; (6) negotiate and enter into contracts as deemed necessary; (7) engage in activities that are permitted of nonprofit organizations in the State of Louisiana as long as those activities are not prohibited by the Financing Order; (8) maintain separate accounts and records corresponding to each utility company for which the Corporation receives system restoration charges; (9) prepare an annual operating budget and submit to the LPSC for approval; and (10) perform any other acts as deemed necessary to carry out the requirements of the Financing Order.

The Corporation is governed by a seven-member board of directors comprised of the following: (1) two representatives appointed by the Governor who have a background and expertise in financial affairs (these individuals will serve at the pleasure of the Governor); (2) the Treasurer of the State of Louisiana, or an employee of the Department of the Treasury of Louisiana, as his designee; (3) the chairperson of the House Committee on Commerce, or a member of that committee, as designated by the chairperson; (4) the chairperson of the Senate Committee on Commerce, or a member of that committee, as designated by the chairperson; (5) the executive secretary of the LPSC, or an employee of the LPSC, as his designee; and (6) the president of the City Council of the City of New Orleans, or a designee of the president who shall have a background and expertise in financial affairs. With the exception of elected officials, members of the board shall be confirmed by the Senate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Corporation's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

B. REPORTING ENTITY

Using the criteria in GASB Codification Section 2100, the Division of Administration, Office of Statewide Reporting and Accounting Policy, has defined the governmental reporting entity to be the state of Louisiana. The Corporation is considered a discretely presented component unit of the state of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) the Corporation is created as a public corporation and instrumentality of the state of Louisiana and has corporate powers; (2) a majority of the members of the board of directors are either appointed by the governor or are primary government officials; (3) the annual operating budget must be approved by the LPSC, which is part of the primary government; and (4) the primary government has the ability to impose its will on the Corporation, as defined in GASB Statement 14 and amended by GASB Statement 61.

The state of Louisiana issues an annual comprehensive financial report, which includes the activity contained in the accompanying basic financial statements. Those basic financial statements are audited by the Louisiana Legislative Auditor.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the Corporation is considered a special-purpose government entity engaged only in business-type activities (enterprise funds). Accordingly, the financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized when they are earned, and expenses are recognized when a liability has been incurred, regardless of the timing of the related cash flows.

The Corporation reports the following major proprietary funds:

- ELL Program - accounts for all activities related to the system restoration property and system restoration charges of Entergy Louisiana, LLC.

- EGSL Program - accounts for all activities related to the system restoration property and system restoration charges of Entergy Gulf States Louisiana, L.L.C., who combined with Entergy Louisiana, LLC in October 2015.

D. CASH EQUIVALENTS

Cash equivalents consist of money market funds held by a trustee bank. For the purpose of the Statement of Cash Flows and Statement of Net Position presentation, all highly-liquid investments (including restricted cash equivalents) with a maturity of three months or less when purchased are considered to be cash equivalents.

E. INVESTMENTS

In accordance with the Corporation's investment policy, funds held by the Corporation or the indentured trustee on behalf of the Corporation may be invested and reinvested in investments and securities that are legal investments under the laws of the state of Louisiana in accordance with LRS 33:2955 and secured, as applicable, in accordance with LRS 49:321.

The official bond documents authorize the trustee to invest in direct obligations of the United States of America, time deposits or certificates of deposit of an eligible banking institution, commercial paper with the highest available credit rating, investments in money market mutual funds with the highest available credit ratings, and any other investment permitted by each of the rating agencies. The funds held by the Corporation or the indentured trustee on behalf of the Corporation related to the Series 2014 System Restoration Bonds are also authorized to be invested in demand deposits, bankers' acceptances of an eligible banking institution, and certain repurchase obligations.

F. REVENUES AND EXPENSES

The Corporation has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

- *Operating Revenues* include system restoration charges which are billed to utility customers.
- *Nonoperating Revenues* include interest and dividend income.
- *Operating Expenses* generally include costs associated with the collection of system restoration charges, costs of administering the Corporation, and non-shareholder capital contributions, if applicable.
- *Nonoperating Expenses* include interest paid on debt, amortization of bond discounts, and bond issuance costs, if applicable.

G. RESTRICTED ASSETS AND LIABILITIES

Restricted assets represent resources set aside for the purpose of funding debt service payments in accordance with the Financing Orders approved by the LPSC. Restricted liabilities are those liabilities payable from restricted assets. All of the assets and liabilities of the Corporation are restricted either by state law or bond indenture.

H. RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Receivables represent the balance of system restoration charges that have been invoiced by each utility company to its respective customers but that have not been received by the Corporation from each utility company. The Corporation carries this receivable balance at cost less an allowance for uncollectible accounts. The allowance for uncollectible accounts is based on historical trends of collections of each utility company.

I. LONG-TERM OBLIGATIONS

Bonds payable are reported net of the unamortized portion of the bond discount. Bond discounts are deferred and expensed over the life of the bonds using the straight-line method. Accounting principles generally accepted in the United States of America require that the interest rate method of deferral should be used to expense bond discounts over the life of the bonds. However, the effect of using the straight-line method is not materially different from the results that would have been obtained had the interest rate method been followed.

J. INCOME TAXES

Act 55 stipulates that the activities of the Corporation are not subject to Louisiana income tax and Louisiana franchise tax. Because its income is derived from the exercise of an essential governmental function and will accrue to a state or political subdivision thereof, such income is excludable from federal income tax under Section 115(1) of the Internal Revenue Code.

K. NET POSITION

Net position comprises the various net earnings from revenues and expenses. Net position generally is classified in the following components:

- *Restricted Net Position* consists of restricted assets reduced by liabilities related to those assets. Restricted assets are subject to external constraints required by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted Net Position* is the net amount of the assets and liabilities that are not included in the determination of restricted net position.

When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

L. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the required amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. INVESTMENTS

At June 30, 2021, the Corporation's investments totaling $52,079,298 consisted of 16 separate accounts held by the trustee, Bank of New York Mellon. All of the Corporation's investments are reported as cash equivalents on the Statement of Net Position. Each of the accounts held by the trustee invests in the Dreyfus Government Cash Management Fund, which is a money market mutual fund rated "AAAm" by the Standard & Poor's Investor Services.

The total debt reserve balance in the 2010-ELL Program and 2010-EGSL Program and in the 2014-ELL Program and 2014-EGSL Program of $5,299,531 is held in separate accounts to satisfy the Debt Service Reserve Requirements provided for by the bond indentures. The 2010-ELL Program and 2010-EGSL Program bond series reserve requirements are $2,344,500 and $1,220,500, respectively. The 2014-ELL Program and 2014-EGSL Program bond series reserve requirements are $1,219,250 and $355,000, respectively. The Corporation met all reserve balance requirements at June 30, 2021, except for the 2014-EGSL Program, wherein the debt reserve balance was below the reserve requirement. On August 1, 2021, the debt reserve balance was replenished.

Credit risk is defined as the risk that an issuer or other counter-party to an investment transaction will not fulfill its obligations. The Corporation does not have a formal credit risk policy. However, in practice, credit risk is minimized by investing in money market funds containing underlying securities which are issued or guaranteed as to principal and interest by the U.S. government or its agencies and instrumentalities.

3. SYSTEM RESTORATION CHARGES RECEIVABLE AND REVENUE

ELL, in its capacity as servicer, collects funds from its customers through system restoration charges, and then remits those funds to the Corporation, which uses those funds to meet principal and interest obligations on bonds payable, bond issuance costs, if applicable, and ongoing financing costs. During the year ended June 30, 2021, the Corporation received a total of $73,559,477 and $33,192,125 from ELL and EGSL, respectively, which are included with system restoration charges reported on the Statement of Revenues, Expenses, and Changes in Net Position. As reflected on the Statement of Net Position, the system restoration charges receivable of the Corporation as of June 30, 2021, are as follows:

	ELL Program	EGSL Program	Total
System Restoration Charges Receivable	$6,097,581	$2,689,646	$8,787,227
Less: Allowance for Uncollectible Accounts	(39,024)	(16,944)	(55,968)
Total	$6,058,557	$2,672,702	$8,731,259

4. LONG-TERM OBLIGATIONS

The Series 2010 System Restoration Bonds were issued to finance the non-shareholder capital contributions to ELL and EGSL in consideration of expenditures made by the two entities to repair the damages sustained as a result of hurricanes Gustav and Ike, as outlined in the Introduction section in the Notes. The Series 2014 System Restoration Bonds were issued to finance the non-shareholder capital contributions to ELL and EGSL in consideration of expenditures made by the two entities to repair the damages sustained as a result of hurricane Isaac, as outlined in the Introduction section in the Notes.

The bonds are secured by system restoration property as disclosed in the Financing Orders, which consists of the rights to system restoration charges that ELL invoices to its customers; ELL then remits all charges collected to the Corporation.

Long-term obligations as of June 30, 2021, consisted of the following:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
Bonds Payable					
Series 2010-ELL Program	$110,853,615		($43,633,028)	$67,220,587	$45,583,623
Series 2010-EGSL Program	57,594,736		(22,683,771)	34,910,965	23,634,117
Series 2014-ELL Program	143,870,782		(20,269,917)	123,600,865	21,083,636
Series 2014-EGSL Program	42,280,934		(6,080,459)	36,200,475	6,200,580
Total Bonds Payable	354,600,067		(92,667,175)	261,932,892	96,501,956
Less: Discount on Bonds					
Series 2010-ELL Program	(11,033)		5,096	(5,937)	(5,097)
Series 2010-EGSL Program	(18,270)		8,432	(9,838)	(8,432)
Series 2014-ELL Program	(18,805)		3,088	(15,717)	(3,090)
Series 2014-EGSL Program	(9,000)		1,480	(7,520)	(1,480)
Total Discount on Bonds	(57,108)		18,096	(39,012)	(18,099)
Total Bonds Payable, Net	$354,542,959		($92,649,079)	$261,893,880	$96,483,857

Detailed summaries, by projects and tranches, of all bonded debt outstanding at June 30, 2021, are as follows:

	Date of Issue	Original Issue	Outstanding June 30, 2020	Issued (Redeemed)	Outstanding June 30, 2021	Final Payment Dates	Final Maturity Dates	Interest Rates
ELL Program								
Series 2010:								
Tranche A-1	July 22, 2010	$112,000,000				Feb. 1, 2014	Feb. 1, 2016	1.11%
Tranche A-2	July 22, 2010	111,000,000				Feb. 1, 2017	Feb. 1, 2019	2.47%
Tranche A-3	July 22, 2010	121,000,000				Feb. 1, 2020	Feb. 1, 2022	3.45%
Tranche A-4	July 22, 2010	124,900,000	$110,853,615	($43,633,028)	$67,220,587	Aug. 1, 2022	Aug. 1, 2024	3.96%
Series 2014:								
Tranche A-1	August 6, 2014	91,700,000				Feb. 1, 2020	Feb. 1, 2022	1.66%
Tranche A-2	August 6, 2014	152,150,000	143,870,782	(20,269,917)	123,600,865	Aug. 1, 2026	Aug. 1, 2028	3.24%
EGSL Program								
Series 2010:								
Tranche A-1	July 22, 2010	97,000,000				Feb. 1, 2016	Feb. 1, 2018	1.52%
Tranche A-2	July 22, 2010	60,000,000				Feb. 1, 2019	Feb. 1, 2021	3.22%
Tranche A-3	July 22, 2010	87,100,000	57,594,736	(22,683,771)	34,910,965	Aug. 1, 2022	Aug. 1, 2024	3.99%
Series 2014:								
Tranche A-1	August 6, 2014	71,000,000	42,280,934	(6,080,459)	36,200,475	Aug. 1, 2026	Aug. 1, 2028	2.86%
		$1,027,850,000	354,600,067	(92,667,175)	261,932,892			
Net Original Discounts			(855,901)		(855,901)			
Net Accumulated Amortization of Discounts			798,793	18,096	816,889			
Bonds Payable, Net			$354,542,959	($92,649,079)	$261,893,880			

Debt service requirements, including interest to maturity, are as follows:

Obligations Due June 30,	ELL Program Principal	ELL Program Interest	EGSL Program Principal	EGSL Program Interest	Total Principal	Total Interest
2022	$66,667,259	$6,098,759	$29,834,697	$2,172,233	$96,501,956	$8,270,992
2023	43,300,577	3,590,474	17,690,911	1,041,826	60,991,488	4,632,300
2024	22,452,911	2,453,691	6,578,380	632,257	29,031,291	3,085,948
2025	23,130,374	1,720,851	6,781,780	442,639	29,912,154	2,163,490
2026	23,927,169	964,986	6,969,117	247,359	30,896,286	1,212,345
2027-2031	11,343,162	183,759	3,256,555	46,569	14,599,717	230,328
Total	$190,821,452	$15,012,520	$71,111,440	$4,582,883	$261,932,892	$19,595,403

Principal and interest payments are due semi-annually on August 1st and February 1st. On each payment date, principal will be paid in accordance with the above expected payment schedule, but only to the extent that funds are available. The schedule sets forth the expected payments from the issuance date to the scheduled final payment date. However, the bonds will not be in default if principal is not paid as specified in the schedule unless the principal of any tranche is not paid in full on or before the final maturity date of that tranche.

5. PLEDGED REVENUES

All bonds in Note 4 are secured by the pledge of system restoration property, which consists of: (1) all rights and interests to receive system restoration charges invoiced and collected by ELL as authorized in each respective Financing Order; and (2) all collections, claims, rights to payments, and payments arising from the rights and interests to receive system restoration charges, specifically limited to those charges prescribed in the Financing Orders adopted in LPSC Docket Nos. U-30981 and U-32764. This system restoration property represents the collateral for the System Restoration Bonds issued by the Corporation. The minimum estimated amount of the pledged revenues over the 12-year repayment period of all Series 2010 System Restoration Bonds is $870,349,869, and over the 12-year repayment period of all Series 2014 System Restoration Bonds is $376,953,675, which represents all principal and interest obligations on the bonds totaling $1,247,303,544. For the year ended June 30, 2021, the pledged revenues recognized were $108,315,258, and the principal and interest requirements for the debt collateralized by those revenues were $103,013,517.

6. RECENT ACCOUNTING PRONOUNCEMENTS - ADOPTED

The GASB issued Statement No. 87, *Leases,* in June 2017. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. In May 2020, GASB issued Statement No. 95, which defers the effective date of Statement No. 87 for one year, making it effective for the Corporation for the fiscal year ending June 30, 2022. Statement No. 87 is not anticipated to have a significant impact.

The GASB issued Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period,* in June 2018. This Statement establishes that in financial statements prepared using the economic resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. In May 2020, GASB issued Statement No. 95, which defers the effective date of Statement No. 89 for one year, making it effective for the Corporation for the fiscal year ending June 30, 2022. Statement No. 89 is not anticipated to have a significant impact.

The GASB issued Statement No. 91, *Conduit Debt Obligations,* in May 2019. This Statement's primary objective is to establish a single method of reporting conduit debt obligations by issuer by clarifying the existing definition of a conduit debt obligation, establishing additional standards, and improving required note disclosures. In May 2020, GASB issued Statement No. 95, which defers the effective date of Statement No. 91 for one year, making it effective for the Corporation for the fiscal year ending June 30, 2023. Statement No. 91 is not anticipated to have a significant impact.

7. SUBSEQUENT EVENTS

On July 30, 2021, ELL and the Corporation filed the first supplemental joint application with the LPSC seeking authority to cause the issuance of system restoration bonds in an aggregate principal amount equal to the sum of $1.86 billion of net system restoration costs, the costs of re-establishing storm damage reserves for ELL's operations that are subject to the jurisdiction of the Commission in the amount of $290 million in a restricted storm reserve escrow account, and issuance costs. On this date, ELL also filed the second supplemental joint application requesting an order, separate from the Financing Order, approving a tariff to implement ancillary adjustments relating to the system restoration process. On September 30, 2021, ELL and the Corporation filed the third supplemental joint application requesting the establishment of a $1 billion Hurricane Ida Escrow to be added to the aggregate principal amount. On February 23, 2022, the LPSC approved all applications and the issuance of the Financing Order, which was issued on March 3, 2022. The approvals contained in the Financing Order include authorization to issue system restoration bonds in one or more series in an aggregate principal amount equal to the sum of: (a) $2,056,849,979 of system restoration costs; (b) the costs of re-establishing regular storm damage reserves for ELL's operations that are subject to the jurisdiction of the Commission in the amount of $290,000,000 in a restricted storm damage reserve escrow account; (c) the costs of funding and financing a special Hurricane Ida Escrow storm damage reserve escrow fund in the amount of $1,000,000,000 in a separate restricted reserve escrow account; (d) issuance costs; and (e) certain carrying costs.

On February 4, 2022, Entergy New Orleans, LLC (ENO) and the Corporation filed an Application for Authority to Fund and Finance Storm Recovery Reserves and Related Relief requesting that the New Orleans City Council authorize securitization of storm recovery costs including storm recovery reserves, pursuant to the Louisiana Electric Utility Storm Recovery Securitization Act, La. R.S. §§ 45:1226-1240. Through issuance of a Council-approved Financing Order, ENO seeks to replenish and fund restricted storm recovery reserves in the amount of $150 million, to be held by a non-affiliated escrow agent.

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Exhibit A

The following pages contain a report on internal control over financial reporting, and on compliance with laws and regulations, and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

LOUISIANA LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

March 3, 2022

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

LOUISIANA UTILITIES RESTORATION CORPORATION
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the major enterprise funds of the Louisiana Utilities Restoration Corporation (Corporation), a special-purpose government and discrete component unit of the state of Louisiana, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 3, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control, and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

RJD:CRV:BQD:EFS:ch

LURC 2021