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

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2012
ISSUED JUNE 12, 2013

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

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DARYL G. PURPERA, CPA, CFE

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

May 31, 2013

Independent Auditor's Report

LOUISIANA UTILITIES RESTORATION CORPORATION
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the major enterprise funds of the Louisiana Utilities Restoration Corporation (the Corporation), a special purpose government and discrete component unit of the State of Louisiana, as of and for the year ended June 30, 2012, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2013, 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, contracts, and other matters. The purpose of that report is 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

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an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis beginning on page 4 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.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DG:BDC:THC:ch

LURC 2012

Management's Discussion and Analysis
For the Year Ended June 30, 2012

This section of the financial report of the Louisiana Utilities Restoration Corporation (the Corporation) for the year from July 1, 2011 through June 30, 2012, represents management's analysis of the Corporation's financial performance during the year then ended. 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 adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 issued in June 1999.

Financial Highlights

During the year ended June 30, 2012, the main financial activities of the Corporation were as follows:

- The Corporation collected $141,508,266 in system restoration charges from Entergy Louisiana, LLC (ELL) and $63,340,432 in system restoration charges from Entergy Gulf States Louisiana, L.L.C. (EGSL) (collectively, the Companies).
- The Corporation paid $51,629,829 in interest and $111,492,162 in principal obligations on the Series 2008-ELL Program and Series 2010-ELL Program System Restoration Bonds.
- The Corporation paid $23,483,740 in interest and $52,613,535 in principal obligations on the Series 2008-EGSL Program and Series 2010-EGSL Program System Restoration Bonds.
- The Corporation paid $811,223 to ELL and EGSL 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 Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The *Statement of Net Assets* (page 7) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of the financial position of the Corporation.

The *Statement of Revenues, Expenses, and Changes in Net Assets* (page 8) presents information showing how the Corporation's assets changed as a result of operations from July 1, 2011 through June 30, 2012. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The *Statement of Cash Flows* (pages 9 and 10) presents information showing how the Corporation's cash changed as a result of operations from July 1, 2011 through June 30, 2012. The cash flow statement 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 34.

The condensed Statements of Net Assets as of June 30, 2012 and 2011, are as follows:

Statements of Net Assets
June 30, 2012 and 2011

	2012	2011	Increase (Decrease)	Percentage Change
Current Assets	$ 123,788,540	$ 156,947,094	$ (33,158,554)	(21.13%)
Noncurrent Assets	7,209,170	8,978,917	(1,769,747)	(19.71%)
Total Assets	130,997,710	165,926,011	(34,928,301)	(21.05%)
Current Liabilities	171,090,672	202,399,828	(31,309,156)	(15.47%)
Noncurrent Liabilities	1,185,869,858	1,331,450,453	(145,580,595)	(10.93%)
Total Liabilities	1,356,960,530	1,533,850,281	(176,889,751)	(11.53%)
Net Assets (Deficit) - Unrestricted	$ (1,225,962,820)	$ (1,367,924,270)	$ 141,961,450	(10.38%)

The decrease in current assets reflects the required principal payments on the Series 2008 and Series 2010 System Restoration Bonds made during the current year. In June 2011, the current assets contained the accumulated collections of system restoration charges to fund the required principal obligations on August 2011 and February 2012 of this fiscal year. The decrease in noncurrent assets resulted from the portion of the deferred bond issuance and underwriter costs corresponding to the Series 2008 and Series 2010 System Restoration Bonds expensed during the period.

The decrease in current liabilities represents the change in the current portion of the principal obligations on the Series 2008 and Series 2010 System Restoration Bonds and the related accrued interest. In June 2011, the current liabilities included accrued interest from the date of issuance to the period ending June 30, 2011, on the Series 2010 System Restoration Bonds. The first interest payment was made in August 2011.

The decrease in noncurrent liabilities resulted from the required principal payments on the Series 2008 and Series 2010 System Restoration Bonds.

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

The Corporation could potentially be a participant in financing a capital contribution to an eligible utility through the issuance of system restoration bonds under the Restoration Law in fiscal year 2013 or 2014. Participation in the financing would increase the deficit in net assets and pledge future system restoration charge collections.

The condensed Statements of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2012 and 2011, are as follows:

Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

	2012	2011	Increase (Decrease)	Percentage Change
Operating Revenues - System Restoration Charges (Net)	**$ 207,463,214**	$ 201,139,531	$ 6,323,683	3.14%
Nonoperating Revenues - Interest Income	**25**	982	(957)	(97.45%)
Total Revenues	**207,463,239**	201,140,513	6,322,726	3.14%
Operating Expenses	**1,202,157**	703,842,116	(702,639,959)	(99.83%)
Nonoperating Expenses - Interest Expense	**64,299,632**	67,977,670	(3,678,038)	(5.41%)
Total Expenses	**65,501,789**	771,819,786	(706,317,997)	(91.51%)
Change in Net Assets	**$ 141,961,450**	$ (570,679,273)	$ 712,640,723	(124.88%)

The operating revenues of the Corporation are derived from system restoration charges collected by the utility companies from their customers to satisfy the debt service requirements of the Corporation. The increase of the current period operating revenues over the same period in the prior year resulted from system restoration charges assessed to meet the new obligations of additional bonds issued during the first quarter of the prior year.

The significant decline in operating expenses was caused by the absence of non-shareholder contributions to ELL and EGSL during the current period. The total non-shareholder contributions for the period ended June 30, 2011, amounted to $702,694,015.

Contacting the Management of 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:

Mr. David Guerry
Long Law Firm
One United Plaza, Suite 500
4041 Essen Lane
Baton Rouge, LA 70809

LOUISIANA UTILITIES RESTORATION CORPORATION
Statement of Net Assets
June 30, 2012

	Enterprise Funds		
	ELL Program	**EGSL Program**	**Total**
Assets			
Current Assets - Restricted			
Cash Equivalents (Note 2)	$ 65,539,274	$ 31,363,650	$ 96,902,924
Receivables, Net (Note 3)	19,315,328	7,570,288	26,885,616
Total Current Assets	84,854,602	38,933,938	123,788,540
Noncurrent Assets - Restricted			
Bond Issuance Costs, Net	4,575,582	2,633,588	7,209,170
Total Assets	89,430,184	41,567,526	130,997,710
Liabilities			
Current Liabilities - Restricted			
Accounts Payable	155,966	142,016	297,982
Accrued Interest Payable	17,455,002	7,757,097	25,212,099
Current Portion of Bonds Payable, Net (Note 4)	101,284,321	44,296,270	145,580,591
Total Current Liabilities	118,895,289	52,195,383	171,090,672
Noncurrent Liabilities - Restricted			
Bonds Payable, Net (Note 4)	812,844,397	373,025,461	1,185,869,858
Total Liabilities	931,739,686	425,220,844	1,356,960,530
Net Assets (Deficit) - Unrestricted	$ (842,309,502)	$ (383,653,318)	$ (1,225,962,820)

See accompanying notes.

LOUISIANA UTILITIES RESTORATION CORPORATION
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2012

	Enterprise Funds		
	ELL Program	**EGSL Program**	**Total**
Operating Revenues			
System Restoration Charges	$ 143,641,352	$ 63,840,056	$ 207,481,408
Increase in Allowance for Uncollectible Accounts	(15,145)	(3,049)	(18,194)
Total Operating Revenues (Note 5)	143,626,207	63,837,007	207,463,214
Operating Expenses			
Servicing Fees	347,099	313,622	660,721
Professional Services	230,718	230,718	461,436
Ongoing Financing Costs	40,000	40,000	80,000
Total Operating Expenses	617,817	584,340	1,202,157
Operating Income	143,008,390	63,252,667	206,261,057
Nonoperating Revenues (Expenses)			
Interest and Dividend Income	17	8	25
Interest Expense	(44,457,779)	(19,841,853)	(64,299,632)
Total Nonoperating Expenses, Net	(44,457,762)	(19,841,845)	(64,299,607)
Change in Net Assets	98,550,628	43,410,822	141,961,450
Net Assets (Deficit) - Beginning of Year	(940,860,130)	(427,064,140)	(1,367,924,270)
Net Assets (Deficit) - End of Year	$ (842,309,502)	$ (383,653,318)	$ (1,225,962,820)

See accompanying notes.

LOUISIANA UTILITIES RESTORATION CORPORATION
Statement of Cash Flows
For the Year Ended June 30, 2012

	Enterprise Funds		
	ELL Program	**EGSL Program**	**Total**
Cash Flows From Operating Activities			
System Restoration Charges Received	$ 141,508,266	$ 63,340,432	$ 204,848,698
Servicing Fees Paid	(420,832)	(390,391)	(811,223)
Professional Services Paid	(255,652)	(255,652)	(511,304)
Ongoing Financing Costs Paid	(40,000)	(40,000)	(80,000)
Net Cash Provided by Operating Activities	140,791,782	62,654,389	203,446,171
Cash Flows From Non-Capital Financing Activities			
Bond Principal Obligations Paid	(111,492,162)	(52,613,535)	(164,105,697)
Interest Paid on Bonds	(51,629,829)	(23,483,740)	(75,113,569)
Net Cash Used in Non-Capital Financing Activities	(163,121,991)	(76,097,275)	(239,219,266)
Cash Flows From Investing Activities			
Interest and Dividends Received	17	8	25
Net Cash Provided by Investing Activities	17	8	25
Net Decrease in Cash Equivalents	(22,330,192)	(13,442,878)	(35,773,070)
Cash Equivalents, Beginning of Year	87,869,466	44,806,528	132,675,994
Cash Equivalents, End of Year	$ 65,539,274	$ 31,363,650	$ 96,902,924

See accompanying notes.

LOUISIANA UTILITIES RESTORATION CORPORATION
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2012

	Enterprise Funds		
	ELL Program	EGSL Program	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	$ 143,008,390	$ 63,252,667	$ 206,261,057
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Increase in Allowance for Uncollectible Accounts	15,145	3,049	18,194
Changes in Assets and Liabilities			
Increase in Receivables	(2,133,086)	(499,624)	(2,632,710)
Decrease in Accounts Payable	(98,667)	(101,703)	(200,370)
Net Cash Provided by Operating Activities	$ 140,791,782	$ 62,654,389	$ 203,446,171

See accompanying notes.

Introduction

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. (ELI, also referred to as ELL, as the Successor to ELI) and of Entergy Gulf States, Inc. (EGSI, also referred to as EGSL, as the Successor to EGSI). 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.

Introduction (Continued)

Subsequent to the formation of the Corporation, ELL and EGSL submitted separate applications for Financing Orders to the LPSC for approval, which were granted on April 16, 2008. The funds for the non-shareholder capital contributions to ELL were obtained through the issuance of $687,700,000 of Series 2008 System Restoration Bonds, dated July 29, 2008, (the 2008-ELL Program) in three tranches. The funds for the non-shareholder capital contributions to EGSL were obtained through the issuance of $278,400,000 of Series 2008 System Restoration Bonds, dated August 26, 2008, (the 2008-EGSL Program) in three tranches. See Note 4 for more information on these obligations and others.

In 2008, Louisiana was struck by hurricanes Gustav and Ike which, like hurricanes Katrina and Rita, 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.

To generate funds to meet the principal and interest obligations on the System Restoration Bonds, the customers of ELL and EGSL are assessed a system restoration charge. ELL and EGSL, as contracted servicers, collect the charges from each customer, which are billed to each customer as part of their standard monthly invoices, on behalf of the Corporation. ELL and EGSL then remit 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 and EGSL 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.

Introduction (Continued)

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 her 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.

Note 1. Summary of Significant Accounting Policies

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 GASB promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. The Corporation applies the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) unless those pronouncements conflict with or contradict GASB pronouncements. The Corporation has elected to not apply FASB pronouncements issued after that date.

Note 1. Summary of Significant Accounting Policies (Continued)

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

Basis of Accounting

For financial reporting purposes, the Corporation is considered a special-purpose government entity engaged only in business-type activities (enterprise fund). 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.

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 Assets 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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 2008 System Restoration Bonds are also authorized to be invested in demand deposits, bankers' acceptances of an eligible banking institution, and certain repurchase obligations.

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 and amortization of bond issuance costs and discounts.

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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

Long-Term Obligations

Bonds payable are reported net of the unamortized portion of the bond discount. Bond discounts and issuance costs 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.

Income Taxes

Act 55 stipulates that the activities of the Corporation are not subject to Louisiana income tax and to 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.

Net Assets

Net assets comprise the various net earnings from revenues and expenses. Net assets generally are classified in the following components:

- *Restricted net assets* consist of net assets subject to external constraints placed on the use of net assets by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted net assets* consist of all other net assets that are not included in restricted net assets.

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.

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 expenditures during the reporting period. Actual results could differ from those estimates.

Note 2. Investments

At June 30, 2012, the Corporation's investments totaling $96,902,924 consisted of sixteen 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 Assets. Each of the accounts held by the trustee invests in the Dreyfus Government Prime Cash Management Fund, which is a money market mutual fund rated "AAAm" by the Standard & Poor's Investor Services.

The total debt reserve balance of $8,466,775 is held in separate accounts to satisfy the Debt Service Reserve Requirements provided for by the bond indentures. The 2008-ELL Program and 2008-EGSL Program bond series reserve requirements are $3,438,500 and $1,392,000, respectively. The 2010-ELL Program and 2010-EGSL Program bond series reserve requirements are $2,344,500 and $1,220,500, respectively. The Corporation met all reserve balance requirements at June 30, 2012.

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.

Note 3. System Restoration Charges Receivable and Revenue

The Companies, in their capacity as servicers, collect funds from their respective customers through system restoration charges, and then remit those funds to the Corporation, which uses those funds to meet principal and interest obligations on bonds payable, bond issuance costs, and ongoing financing costs. During the year ended June 30, 2012, the Corporation received a total of $141,508,266 and $63,340,431 from ELL and EGSL, respectively, which are included with system restoration charges reported on the Statement of Revenues, Expenses, and Changes in Net Assets. As reflected on the Statement of Net Assets, the system restoration charges receivable of the Corporation as of June 30, 2012, are as follows:

	ELL Program	EGSL Program	Total
System Restoration Charges Receivable	$ 19,453,447	$ 7,616,751	$ 27,070,198
Less: Allowance for Uncollectible Accounts	(138,119)	(46,463)	(184,582)
Total	$ 19,315,328	$ 7,570,288	$ 26,885,616

Note 4. Long-Term Obligations

The Series 2008 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 Katrina and Rita, as outlined in the Introduction to the Notes. 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 to 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 and EGSL invoice to their customers; they then remit all charges collected to the Corporation.

Long-term obligations as of June 30, 2012, consisted of the following:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Bonds Payable					
Series 2008-ELL Program	$ 557,016,362	$ -	$ (58,781,561)	$ 498,234,801	$ 67,682,848
Series 2008-EGSL Program	225,997,571	-	(24,933,301)	201,064,270	26,635,474
Series 2010-ELL Program	468,900,000	-	(52,710,601)	416,189,399	33,654,753
Series 2010-EGSL Program	244,100,000	-	(27,680,234)	216,419,766	17,692,072
Total Bonds Payable	1,496,013,933	-	(164,105,697)	1,331,908,236	145,665,147
Less: Discount on Bonds					
Series 2008-ELL Program	(217,599)	-	42,094	(175,505)	(33,617)
Series 2008-EGSL Program	(72,391)	-	21,511	(50,880)	(17,380)
Series 2010-ELL Program	(139,642)	-	19,665	(119,977)	(19,663)
Series 2010-EGSL Program	(125,321)	-	13,896	(111,425)	(13,896)
Total Discount on Bonds	(554,953)	-	97,166	(457,787)	(84,556)
Total Bonds Payable, Net	$ 1,495,458,980	$ -	$ (164,008,531)	$ 1,331,450,449	$ 145,580,591

Note 4. Long-Term Obligations (Continued)

Detailed summaries, by projects and tranches, of all bonded debt outstanding at June 30, 2012, are as follows:

	Date of Issue	Original Issue	Outstanding June 30, 2011	Issued (Redeemed)	Outstanding June 30, 2012	Final Payment Dates	Final Maturity Dates	Interest Rates
Entergy Louisiana, LLC								
Series 2008:								
Tranche A-1	July 29, 2008	$ 160,000,000	$ 29,316,362	$ (29,316,362)	$ -	Feb. 1, 2012	Feb. 1, 2014	4.50%
Tranche A-2	July 29, 2008	367,000,000	367,000,000	(29,465,199)	337,534,801	Feb. 1, 2017	Feb. 1, 2019	5.75%
Tranche A-3	July 29, 2008	160,700,000	160,700,000	-	160,700,000	Aug. 1, 2018	Aug. 1, 2020	6.20%
Series 2010:								
Tranche A-1	July 22, 2010	112,000,000	112,000,000	(52,710,601)	59,289,399	Feb. 1, 2014	Feb. 1, 2016	1.11%
Tranche A-2	July 22, 2010	111,000,000	111,000,000	-	111,000,000	Feb. 1, 2017	Feb. 1, 2019	2.47%
Tranche A-3	July 22, 2010	121,000,000	121,000,000	-	121,000,000	Feb. 1, 2020	Feb. 1, 2022	3.45%
Tranche A-4	July 22, 2010	124,900,000	124,900,000	-	124,900,000	Aug. 1, 2022	Aug. 1, 2024	3.96%
Entergy Gulf States Louisiana, L.L.C.								
Series 2008:								
Tranche A-1	Aug. 26, 2008	103,000,000	50,597,571	(24,933,301)	25,664,270	Feb. 1, 2013	Feb. 1, 2015	4.95%
Tranche A-2	Aug. 26, 2008	90,000,000	90,000,000	-	90,000,000	Aug. 1, 2016	Aug. 1, 2018	5.88%
Tranche A-3	Aug. 26, 2008	85,400,000	85,400,000	-	85,400,000	Aug. 1, 2018	Aug. 1, 2020	6.55%
Series 2010:								
Tranche A-1	July 22, 2010	97,000,000	97,000,000	(27,680,234)	69,319,766	Feb. 1, 2016	Feb. 1, 2018	1.52%
Tranche A-2	July 22, 2010	60,000,000	60,000,000	-	60,000,000	Feb. 1, 2019	Feb. 1, 2021	3.22%
Tranche A-3	July 22, 2010	87,100,000	87,100,000	-	87,100,000	Aug. 1, 2022	Aug. 1, 2024	3.99%
		$1,679,100,000	1,496,013,933	(164,105,697)	1,331,908,236			
Net Original Discounts			(781,817)	-	(781,817)			
Net Accumulated Amortization of Discounts			226,864	97,166	324,030			
Bonds Payable, Net			$1,495,458,980	$(164,008,531)	$1,331,450,449			

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
2013	$ 101,337,601	$ 40,951,747	$ 44,327,546	$ 18,264,490	$ 145,665,147	$ 59,216,237
2014	104,905,583	36,683,652	47,106,845	16,591,168	152,012,428	53,274,820
2015	110,156,408	32,015,370	48,364,879	14,641,127	158,521,287	46,656,497
2016	114,869,212	26,807,090	50,900,037	12,588,532	165,769,249	39,395,622
2017	120,637,120	21,365,483	52,945,010	10,195,752	173,582,130	31,561,235
2018-2022	340,881,312	35,318,046	162,562,871	17,905,757	503,444,183	53,223,803
2023	21,636,964	428,412	11,276,848	224,973	32,913,812	653,385
Total	$ 914,424,200	$ 193,569,800	$ 417,484,036	$ 90,411,799	$1,331,908,236	$ 283,981,599

Note 4. Long-Term Obligations (Continued)

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.

Note 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 both ELL and EGSL 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-29203 and U-30981. 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 10-year repayment period of all Series 2008 System Restoration Bonds is $1,296,084,783, and over the 12-year repayment period of all Series 2010 System Restoration Bonds is $870,349,869, which represents all principal and interest obligations on the bonds totaling $2,166,434,652. For the year ended June 30, 2012, the pledged revenues recognized were $207,463,214 and the principal and interest requirements for the debt collateralized by those revenues were $228,405,329.

Note 6. Subsequent Events

On April 9, 2013, ELL and EGSL filed a Joint Application with the LPSC for Recovery in Rates of Costs Related to Hurricane Isaac, Determination of Appropriate Storm Reserve Escrow Amounts and Related Relief. This application sought the LPSC's determination of the Hurricane Isaac restoration costs that would be eligible for recovery from their respective customers. ELL and EGSL combined are requesting approval to recover approximately $321.5 million of costs incurred to rebuild their electric infrastructure and to restore power to Louisiana customers after Hurricane Isaac impacted the areas served by the utilities, including carrying costs and escrow funding. The LPSC, under Docket No. U-32764, published the matter in the Commission's Official Bulletin No. 1034 dated April 12, 2013.

Note 6. Subsequent Events (Continued)

On April 16, 2013, the Corporation filed a Notice of Intervention in support of the joint application with the LPSC. The Corporation's board ratified this intervention at its special meeting on April 29, 2013 and approved the Corporation's participation in the ongoing proceedings, discussions, and potential settlement related to the anticipated request by ELL and EGSL to utilize Act 55 securitization of Hurricane Isaac cost recovery. At this time the LPSC has not ruled on the matter, but if approved by all required parties, the Corporation could be executing documents related to a bond issuance in the short-term.

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 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
DARYL G. PURPERA, CPA, CFE

May 31, 2013

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*

LOUISIANA UTILITIES RESTORATION CORPORATION
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the financial statements of the major enterprise funds for the Louisiana Utilities Restoration Corporation (the Corporation), a special purpose government and discrete component unit of the State of Louisiana, as of and for the year ended June 30, 2012, and have issued our report thereon dated May 31, 2013. 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.

Internal Control Over Financial Reporting

Management of the Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of 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*.

This report is intended solely for the information and use of the Corporation, its board of directors, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DG:BDC:THC:ch

LURC 2012