

OFFICE OF INSPECTOR GENERAL
CITY OF NEW ORLEANS



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OIG RECOMMENDS SIGNIFICANT OVERHAUL OF UTILITIES REGULATION IN NEW ORLEANS

A New Orleans Office of Inspector General (OIG) report released today titled "[New Orleans Utilities Regulation](#)" recommended that the City Council should retain its unique regulatory authority until there is further clarity on the impact of ongoing changes to the Entergy companies. However, there are several deficiencies in the local regulatory process that need to be remedied. The report made 20 recommendations to increase the likelihood that regulatory decisions made by the Council promote the public interest.

The Council's longstanding practice of outsourcing nearly all regulatory activities to a group of consultants resulted in higher than necessary costs. For example, four attorneys retained by the Council billed approximately \$2.4 million per year between 2011 and 2013 and four technical consultants billed approximately \$1.4 million per year during the same period. However, many of the activities performed by these individuals could have been performed by a well-trained in-house staff at a lower cost.

Overreliance on outside consultants (96% of the Council's \$7.2 million budget for utilities regulation in 2013) prevented the ability to build in-house expertise and retain institutional knowledge regarding critical regulatory matters. The report recommended the Council build its internal staff to carry out routine regulatory functions and use outside consultants as needed for specialized activities such as contested matters before the Federal Energy Regulatory Commission.

The regulatory process lacked basic safeguards in place at many state-level commissions to promote transparency and fair and impartial regulatory decisions. The absence of in-house staff, lack of a publicly-funded public advocate who represents the interests of residential and small business customers, and failure of the City's Executive Branch to fulfill its regulatory responsibilities resulted in an insular regulatory process where the findings and recommendations of the Council's outside consultants went largely unchecked.

Most regulatory commissions ensure separation of duties by dividing personnel into different roles; the Council's outside consultants fulfilled both trial and advisory roles. It further recommended implementing controls designed to prevent off-the-record conversations that take place out of the public's view, increasing opportunities for impropriety or bias to factor into regulatory decisions.

"If New Orleans is going to regulate its energy utilities, the Council must do it right," stated Inspector General Ed Quatrevaux. "Appropriate safeguards must be in place and local regulatory authority should not be an excuse for outsourcing all the work to contractors."

The OIG retained a utilities expert, TBG Consulting (TBG), to perform this assessment. TBG's President has over four decades of experience helping regulatory agencies improve their effectiveness.

For a summary of the OIG's reasons for this evaluation and our recommendations read our publication "[OIG in Brief.](#)"

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