

ENTERGY GULF STATES, INC.
PUBLIC UTILITY COMMISSION OF TEXAS
Docket No. 22356

Response of: Entergy Gulf States, Inc.

to the Twenty Eighth Set of Data Requests
of Requesting Party: Office of Public Utility Counsel

Prepared By: Sherrill
Santos/Barbara Casey
Sponsoring Witness: David Wright
Beginning Sequence No.
Ending Sequence No.

Question No.: OPC 28-MRG-10

Part No.:

Addendum:

Question:

Provide Tax Method 2 calculations for EGSI for the years 1995 to 1999. Include narratives explaining changes in the temporary and permanent tax/book differences. For 1999, functionalize the temporary and permanent differences into generation, transmission, distribution and REP categories.

Response:

See attached for Tax Method 2 calculations and explanations for EGSI Electric for years 1995 to 1999. Functionalized temporary and permanent differences are not available for the calendar years requested..

ENTERGY GULF STATES, INC.
 ADDITIONS/(DEDUCTIONS) NOT INCLUDED IN THE COST OF SERVICE-METHOD 2
 FOR TWELVE MONTHS ENDED DECEMBER 31

LINE NO. REF	ITEM/EXPLANATION
10	<u>STATE CURRENT INCOME TAXES:</u> This represents the elimination of the book provision for Louisiana State Current Income Taxes.
11	<u>NET STATE DEFERRED INCOME TAXES:</u> This represents the elimination of the book provision for Louisiana State Deferred Income Taxes which are not deductible for federal income tax purposes.
12	<u>ACCOUNTING ORDER DEFERRALS:</u> This represents the elimination of book amortization of allowed River Bend #1 post-in-service revenue and expenses that were deferred for book purposes in accordance with Texas and Louisiana commission rate orders. For tax purposes, the amortization is not deductible. In 6/99, a settlement agreement with the PUCT established an amortization schedule running through 12/31/2001.
13	<u>ACCRUED DUES & CONTRIBUTIONS:</u> This represents the elimination of book accruals and tax deductions for costs actually incurred.
14	<u>AMORTIZATION OF PROPERTY LOSS</u> This represents the elimination of book amortization of property loss.
15	<u>AMORTIZATION OF REGULATORY ASSET:</u> This represents the elimination of the book amortization of Riverbend AFUDC.
16	<u>AMORTIZATION BOND REACQUISITION LOSS:</u> This represents the elimination of the book amortization of a loss on the 1979 reacquisition of pollution control bonds. For tax purposes, a deduction for the loss was taken in the year of reacquisition. This also includes the excess of costs incurred to redeem certain series of bonds over the amount deductible for tax purposes. It also eliminates the book amortization of those same costs.
17	<u>AVOIDED COST-TAX INTEREST</u> This represents interest capitalized for tax purposes on non-transitional construction projects. Beginning with tax year 1987, interest incurred during the construction of an asset must be capitalized. For book purposes, interest is capitalized via the debt component of AFUDC.
18	<u>BOOK AMORT. RIVER BEND #2 ABANDONMENT:</u> This represents the elimination of book amortization for the abandonment loss on the cancellation of River Bend Nuclear Unit #2. For tax purposes, the loss was taken in the year of cancellation.
19	<u>BOOK DEPR. LESS DECOMMISSIONING COSTS:</u> This represents the elimination of the book provision for depreciation less decommissioning costs.
20	<u>BUSINESS MEALS REDUCTION</u> A percentage of business meals and entertainment expenses are not deductible for tax purposes.
21	<u>CAJUN LITIGATION SETTLEMENT:</u> This represents the elimination of book accruals and tax deductions for costs actually incurred.
23	<u>COAL CAR USE TAX:</u> This represents the elimination of the book amortization of use taxes that were deducted for tax purposes when incurred.

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 FOR TWELVE MONTHS ENDED DECEMBER 31

LINE NO. REF	ITEM/EXPLANATION
24	<u>CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC):</u> This represents taxable CIAC received during the period. For tax purposes, CIAC is treated as income in the year of receipt and subsequently depreciated over the appropriate tax recovery period. For book purposes, CIAC is credited to Construction Work in Progress.
25	<u>DAILY LEASE CHARGES</u> This represents a tax deduction for interest which is incurred on out-of-core nuclear fuel and capitalized for book purposes.
26	<u>DECONTAMINATION & DECOMMISSIONING ASSESSMENT-DOE</u> This represents the elimination of the book accrual for expenses incurred by the DOE and charged to the Company. For tax purposes, the deduction is taken when the cash is actually paid.
27	<u>DEFERRED COMPENSATION:</u> This represents the net of: i) compensation accrued in the current tax year but not paid to employees; ii) compensation paid to employees in the current year which was deferred in a prior year, and iii) interest accrued on the unpaid balance of deferred compensation.
28	<u>DEFERRED FINANCING COST-CONTRA AFUDC</u> This represents the elimination of book amortization of contra AFUDC. In 6/99, a settlement agreement with the PUCT established an amortization schedule running through 12/31/2001.
29	<u>DEFERRED FUEL EXPENSE:</u> This represents the elimination of net book expense related to over/under recoveries of fuel expense and deductions for tax purposes for past over recoveries refunded.
30	<u>DEFERRED INTERCOMPANY GAIN-LEWIS CREEK</u> This represents the tax amortization of a deferred intercompany transaction between EGS and GSG&T, Inc..
31	<u>DEFERRED MISCELLANEOUS SERVICES</u> This represents the elimination of book accruals and tax deductions for costs actually incurred.
32	<u>DEFERRED REVENUE REQUIREMENT:</u> This represents the elimination of book amortization of allowed River Bend #1 post-in-service revenue that was deferred for book purposes in accordance with a Louisiana commission rate order. For tax purposes, the amortization is not deductible. The amortization period ended in 2/98.
33	<u>DEPRECIATION RECAPTURE:</u> This represents a change in accounting method for spare parts at power plants. Previously the spare parts were either expensed or capitalized and then depreciated. The spare parts are now inventoried for both book and tax purposes.
34	<u>DISMANTLING COSTS INCURRED:</u> For tax purposes, removal costs are deducted when incurred.
35	<u>ENVIRONMENTAL TAX</u> This represents environmental tax not deductible on the return.

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 FOR TWELVE MONTHS ENDED DECEMBER 31

LINE NO. REF	ITEM/EXPLANATION
36	<u>EOI/ESI TAXES</u> This represents the deductible portion of federal and state taxes charged by Entergy Operations, Inc. and Entergy Services, Inc..
37	<u>ENTERGY STOCK INVESTMENT PLAN</u> This represents the elimination of book accruals and tax deductions for costs actually incurred.
38	<u>FRANCHISE TAX REFUND:</u> This represents the elimination of book accruals not incurred for tax purposes.
39	<u>INCENTIVE COMPENSATION</u> This represents the elimination of book accruals and tax deductions for costs actually incurred.
41	<u>INTEREST CAPITALIZED-AFUDC</u> This represents the elimination of account 432-AFUDC-Borrowed Funds which is not taxable.
42	<u>LEAST COST PLANNING:</u> This represents the deduction of expenditures related to programs designed to provide services at the lowest cost to customers.
43	<u>LONG-TERM INCENTIVE PLAN</u> This represents the elimination of book accruals and tax deductions for costs actually incurred.
44	<u>LOW LEVEL RAD WASTE</u> This represents the deduction of research and experimental expenditures as incurred.
45	<u>NET CHANGE IN OPERATING RESERVES - PROPERTY INSURANCE:</u> This represents the elimination of book accruals consisting of estimates to recover current and future losses and tax deductions for costs actually incurred.
46	<u>NET CHANGE IN OPERATING RESERVES - INJURIES AND DAMAGES:</u> This represents the elimination of the book accrual for these costs which are deductible for tax when actually incurred.
47	<u>OTHER POST EMPLOYMENT BENEFITS:</u> This represents the elimination of the book accrual for these costs which are deductible for tax when actually incurred.
48	<u>WASTE DISPOSAL CLOSURE COSTS:</u> This represents the elimination of book expenses for the future clean up of hazardous waste at various locations. These costs are not deductible for tax purposes until actually incurred.
49	<u>BAD DEBT:</u> This represents the difference between the bad debts written off (determined to be uncollectible) and the provision booked as a reasonable addition to the reserve for bad debts. Only those bad debts written off are deductible for tax.

ENTERGY GULF STATES, INC.
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 FOR TWELVE MONTHS ENDED DECEMBER 31

LINE NO. REF	ITEM/EXPLANATION
50	<u>ENVIRONMENTAL RESERVE</u> This represents the elimination of the book accrual for these costs which are deductible for tax when actually incurred.
51	<u>NET CHANGE IN OPERATING RESERVES - OTHER OPERATING RESERVES:</u> This represents the elimination of the book accrual for these costs which are deductible for tax when actually incurred.
52	<u>NET DECOMMISSIONING COSTS:</u> This represents the elimination of the book provision of nuclear decommissioning costs which exceed the amount deductible for tax purposes.
53	<u>NET RB1 OUTAGE ACCRUAL:</u> For book purposes, nuclear outage expenses are accrued prior to the actual outage. For tax purposes, these expenses are not deductible until services are actually performed.
54	<u>TAX GAINS/LOSSES :</u> This represents net tax gain or loss derived from sales of property-EGS.
55	<u>NET UNBILLED REVENUES:</u> For tax purposes, included in taxable income, is revenue from electricity used in the taxable period but not included in book income until a subsequent period. This timing difference includes both the unbilled revenue for the current year and the reversal of current year's book income previously recognized for tax purposes. Also included is the elimination of the book entry for unbilled revenue.
56	<u>NUCLEAR FUEL -BURN</u> This represents elimination of book amortization of nuclear fuel.
58	<u>NUCLEAR FUEL - TAX DEPRECIATION</u> This represents tax depreciation of nuclear fuel costs.
59	<u>O&M RECAPTURE:</u> This represents a change in accounting method for spare parts at power plants. Previously the spare parts were either expensed or capitalized and then depreciated. The spare parts are now inventoried for both book and tax purposes.
61	<u>PENSION & HOSPITAL RESERVE:</u> This represents the elimination of the book accrual for these costs which are deductible for tax when actually incurred.
62	<u>RIVERBEND LITIGATION SETTLEMENT:</u> For book purposes, income was recorded from the settlement of the Riverbend litigation for the receipt of plant and nuclear fuel. For tax purposes, this income is not recognized.
63	<u>RESTRUCTURING COSTS:</u> This represents the elimination of book accruals not incurred for tax purposes.
65	<u>RETROACTIVE RATE REFUND:</u> This represents the elimination of book accruals and tax deductions for costs actually incurred.

ENTERGY GULF STATES, INC.
 ADDITIONS/(DEDUCTIONS) NOT INCLUDED IN THE COST OF SERVICE-METHOD 2
 FOR TWELVE MONTHS ENDED DECEMBER 31

LINE NO. REF	ITEM/EXPLANATION
66	<u>REV PROC 69-21 SOFTWARE COSTS:</u> Entergy Gulf States elected to deduct the costs of developing computer software as incurred.
67	<u>SECTION 481(a) ADJUSTMENT-INTEREST:</u> This represents a negative Sec 481 adjustment taken into income resulting from the filing of Form 3115. The adjustment corrects the error of continuing capitalization of interest expense on self constructed property after the end of the production period.
68	<u>SOUTHERN GULF RAILWAY SPUR CAPITAL COST:</u> This represents the elimination of the amortization of the capital costs related to the SGR rail spur.
69	<u>SPINDLETOP CAPITAL COSTS:</u> This represents the elimination of the book amortization of fuel transportation costs that were deducted for tax purposes when incurred.
70	<u>STRATEGIC PERFORMANCE PLAN:</u> This represents the elimination of book accruals and tax deductions for costs actually incurred.
71	<u>TAX DEPRECIATION:</u> This represents the deduction of tax depreciation expense.
72	<u>UNFUNDED PENSION EXPENSE:</u> This represents the elimination of the amount accrued for book purposes which exceeds the amount actually funded or paid to the retirement trust.
74	<u>Y2K COSTS:</u> This represents the elimination of the amount accrued and amortized for book purposes per a Louisiana Commission rate order.

ENTERGY GULF STATES, INC..
TOTAL ELECTRIC TAX METHOD 2
FOR TWELVE MONTHS ENDED DECEMBER 31

Description	1995	1996	1997	1998	1999
1 Revenues:	1,810,656,861	1,956,854,462	2,067,072,779	1,787,965,458	2,084,359,364
Less Cost of Service Items:					
2 O&M Expenses	1,097,211,397	1,183,455,196	1,161,402,217	1,234,879,180	1,402,299,026
3 Depreciation Expenses	191,497,282	195,237,905	203,506,155	190,063,646	185,944,136
4 Taxes Other Than Income	99,379,644	99,344,256	106,736,695	117,260,951	109,605,468
5 Current state income taxes	0	201,401	5,647,038	16,065,661	10,937,578
6 Net State Deferred Income Taxes	9,121,849	15,242,728	12,569,634	(9,462,149)	6,368,981
7 Gain From Disposition of Util Property	(34,770)	(23,200)	(39,935)	(9,492)	(83,335)
8 Regulatory Debits & Credits	71,801,088	77,414,329	84,051,248	18,808,811	68,595,854
TOTAL COST OF SERVICE ITEMS	1,468,976,490	1,570,872,615	1,573,873,052	1,567,606,608	1,783,667,708
SUBTOTAL	341,680,371	385,981,847	493,199,727	220,358,850	300,691,656

Additions (Deductions) Not Included in Cost of Service:

9 Interest Expense on Debt	198,986,210	187,975,750	171,078,132	172,998,437	142,214,091
10 State Current Income Taxes	0	201,401	5,647,038	16,065,661	10,937,578
11 Net State Deferred Income Taxes	9,121,849	15,242,728	12,569,634	(9,462,149)	6,368,981
12 Accounting Order Deferrals	47,767,740	44,044,140	44,044,140	13,833,733	85,966,042
13 Accrued Dues & Contributions	(766,104)	(766,104)	(474,722)	90,000	309,636
14 Amortization of Property Loss	0		(1,812,459)	4,149,350	(622,890)
15 Amortization of Regulatory Asset	2,748,189	6,630,701	6,278,665	644,923	1,894,800
16 Amortization/loss bond refunding	0		7,905,862	5,476,625	2,247,405
17 Avoided Costs (Tax Interest)	0		9,690,132	3,033,730	4,982,196
18 Book Amort. River Bend #2 Abandonment	9,690,132	9,857,838	9,690,132	3,420,284	2,054,892
19 Book Depreciation Less Decommissioning Cost	178,253,548	183,333,804	190,591,244	179,839,872	173,896,756
20 Business Meals Reduction	176,157	166,648	606,711	144,142	347,596
21 Cajun Litigation Settlement	19,952,175	6,099,990	(54,494,710)		
22 Coal Car Maintenance Reserve		(3,816,551)			
23 Coal car use tax	51,007	51,004	51,036	51,036	51,036
24 Contributions in Aid of Construction	1,409,229	1,358,263	1,836,855	4,746,519	3,749,882
25 Daily Lease Charges			(3,615)	(81,127)	(316,227)
26 Decontamination & Decommissioning Assessment - DOE	186,136	(18,710)	(13,987)	(10,325)	(299,254)
27 Deferred Compensation	(1,983,827)	(2,431,136)	1,295,449	(1,795,290)	(2,153,371)
28 Deferred Financing Cost - Contra AFUDC	(24,358,752)	(24,358,752)	(24,358,752)	(339,228)	(8,298,756)
29 Deferred Fuel Expense	(15,337,635)	(58,365,541)	(47,019,463)	7,451,372	(344,368)
30 Deferred Intercompany Gains	1,007,835	1,007,832	984,061	1,069,572	1,078,416
31 Deferred miscellaneous services	73,416	36,871	(34,094)	80,531	43,032
32 Deferred Revenue Requirement	42,537,000	52,833,000	61,331,682	7,882,000	

ENTERGY GULF STATES, INC.
TOTAL ELECTRIC TAX METHOD 2
FOR TWELVE MONTHS ENDED DECEMBER 31

	Description	1995	1996	1997	1998	1999
33	Depreciation Recapture	2,924,100	2,924,100	(114,616)		(2,128,936)
34	Dismantling Costs Incurred	(804,280)	(1,978,235)	(6,374,417)	(6,829,738)	(7,207,326)
35	Environmental tax	281,324		(367,854)		
36	ESI/EOL Taxes				(898,357)	445,103
37	Employee Stock Investment Plan	177,421	(255,785)	201,624	208,080	205,932
38	Franchise Tax Refund	(3,016,956)	(3,016,956)	(3,016,956)	(3,016,956)	(754,233)
39	Incentive Compensation	1,266,204	(1,232,664)	168,873	45,266	(84,493)
40	Interest Capitalized	(3,956)				
41	Interest Capitalized - AFUDC			(1,759,590)	(1,814,239)	(5,681,604)
42	Lease Cost Planning				(204,001)	204,001
43	Long Term Incentive comp			81,448	(91,361)	25,920
44	Low Level Rad Waste - R&E Expense			10,637,865		
	Net Change in Operating Reserves					
45	Property Insurance	3,768,464	6,975,284	(12,362,991)	(8,198,396)	994,871
46	Injuries and Damages	(1,646,918)	4,201,218	(4,372,224)	(484,187)	4,053,221
47	Other Post Employment Benefits	6,008,246	(8,784,409)	5,376,446	806,682	2,492,942
48	Waste Disposal Reserve	222,768	930,269	211,679	195,581	195,580
49	Bad debt	849,090	370,364	(190,081)	(52,217)	87,044
50	Environmental			2,942,788	3,315,280	4,014,385
51	Other operating reserves	(1,053)	552,675	(447,518)		
52	Net Decommissioning Costs	531,497	(442,910)	1,300,804	(1,010,287)	1,270,541
53	Net RB1 Outage Accrual	8,597,483	(7,059,717)	(6,345,099)	13,531,469	(5,721,099)
54	Net Tax Gains/Losses (Ordinary)			(3,429,273)	(4,971,405)	(294,358)
55	Net Unbilled Revenues	19,981,502	(11,731,215)	13,634,000	(7,080,000)	2,570,000
56	Nuclear Fuel Book Burn	35,154,443	22,783,493	22,330,724	32,456,233	29,145,643
57	Nuclear Fuel Interest - Out of Core	(1,265,410)	(454,590)	(506,875)		
58	Nuclear Fuel Tax Depreciation	(15,613,488)	(15,378,408)	(17,889,368)	(21,473,065)	(23,388,493)
59	O&M Recapture	2,331,480	2,331,480	(3,033,908)	(114,484)	(4,369,251)
60	Obsolete Inventory	892,947				
61	Pension & Hospital Reserve	(289,526)			1,029,798	(435,585)
62	RB Litigation Settlement			(138,627,221)		
63	Restructuring Costs			(1,541,321)		
64	Retirement	(20,441,324)	(2,545,891)			
65	Retroactive Rate Refund	(6,334,065)	(1,289,274)			
66	Rev Proc 69-21 Software Costs	(60,528,513)	(265,515)	73,821,883	133,738,516	(95,155,840)
67	Section 481A Adjustment - Interest				1,269,270	627,296
68	Southern Gulf Railway Spur Cap Cost					(1,455,925)
69	Spindletop Capital Costs			(720,821)	(823,189)	(987,268)
70	Strategic Performance Plan			(565,271)	(1,578,931)	(2,160,172)
71	Tax Depreciation	372,971	(122,507)	(101,313,596)	(88,982,172)	(79,357,799)
72	Unfunded Pension	(137,319,755)	(112,420,730)	(988,948)	(5,945,693)	(7,687,094)

ENTERGY GULF STATES, INC..
TOTAL ELECTRIC TAX METHOD 2
FOR TWELVE MONTHS ENDED DECEMBER 31

Description	1995	1996	1997	1998	1999
73 Waste Site Clean Up	1,654,893	(586,739)			(3,000,000)
74 Y2K Cost					
Subtotal	108,277,684	104,610,764	41,360,893	269,318,728	88,356,385
75 Regular Taxable Income Before State Income Tax Deduction	250,971,845	302,616,861	363,482,488	316,679,141	246,833,950
76 State Income Tax Deduction					
77 Regular NOL Carryforward Usage	(200,623,189)	(236,377,480)	(71,118,729)		
Regular Taxable Income After Regular NOL					
78 Carryforward Usage and State Deduction	50,348,656	66,239,381	292,363,759	316,679,141	246,833,950
79 Tax Rate	35%	35%	35%	35%	35%
80 Regular Federal Income Taxes Before Credits	17,622,030	23,183,783	102,327,316	110,837,699	86,391,883
Plus/(Less):					
81 Investment Tax Credit Utilized			(54,978,176)	(65,868,023)	(8,384,007)
82 Miscellaneous	2,875,522	1,093,978	1,561,455	(528,671)	237,975
83 Prior Year Adjustments	1,837,155	775,755		(2,911,743)	(16,298,656)
84 ESI/Nuclear Taxes	1,723	509,523	2,960,844	1,482,468	1,025,472
Current Federal Income Tax	22,336,430	25,563,039	51,871,439	43,011,730	62,972,667
Deferred Federal Income Taxes					
86 ESI/Nuclear Taxes	64,238	(13,824)	(1,173,857)	(555,787)	(1,470,576)
87 Net Debit/Credits	31,245,181	55,222,058	10,932,144	(80,858,748)	(5,769,858)
Total Deferred Federal Income Taxes	31,309,419	55,208,234	9,758,287	(81,414,535)	(7,240,434)
89 Total Investment Tax Credit Adjustments - ESI/Nuclear		(232,462)		(947)	
90 Total Investment Tax Credit Provision			54,978,180	65,868,023	8,384,007
91 Total Investment Tax Credit Amortization	(4,315,836)	(4,232,988)	(3,711,518)	(4,978,739)	(6,740,110)
92 Net Investment Tax Credit	(4,315,836)	(4,465,450)	51,266,662	60,888,337	1,643,897
Total Federal Income Taxes	49,330,013	76,305,823	112,896,388	22,485,532	57,376,130