entities—referred to collectively as "Retail"—to handle the retail functions in ESAT and in ERCOT. Through this project code process (which I discuss in more detail below), the costs for the distribution-related TTC costs that I sponsor were captured from the single competitively bid RFP.

Thus, the RFP process resulted in a "base" product to implement the market mechanics necessary for the bundled EGSI to meet its statutory and regulatory requirements in preparation for both the pilot and ROA, and the anticipated corporate unbundling. My testimony sponsors only those costs incurred by the project established for the bundled Texas distribution-related activities and the future unbundled ETD. Certain market mechanics costs that are on EGSI's books related to efforts to provide the Retail "Default Service Providers" (or the "ESAT REPs") with the needed functionality are discussed by Company witnesses May and Quick.

In addition, project management for the Market Mechanics project was provided by ESI's Systems Solutions Services department. That department had overall project management responsibility of distribution-related IT projects for EGSI, as well as the other jurisdictions. Since the number and size of IT projects changed over time, as opposed to hiring employees, the Systems Solutions Services group used a pool of qualified external contractors to manage and support the projects. These external contractors were selected and assigned to projects based on experience and rates in order to acquire the best value for EGSI.

Q. WERE ANY OTHER EFFORTS TAKEN TO CONTROL OR MITIGATE COSTS?

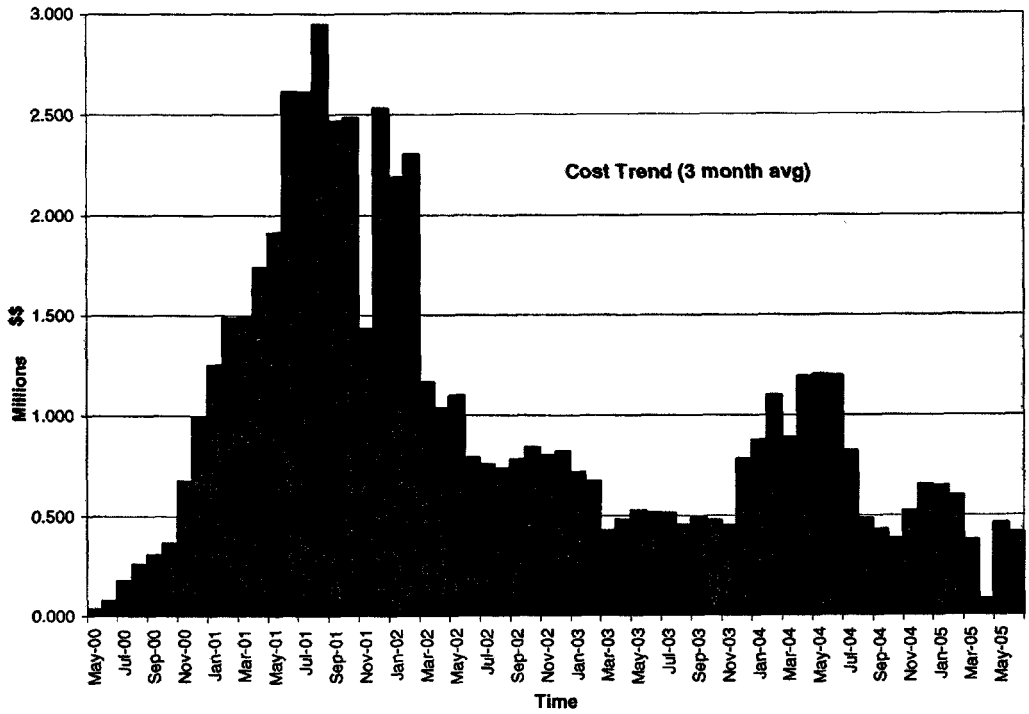
A. Yes. During the course of the project, other efforts were taken to ensure cost control.

In mid-2001, Entergy evaluated unsolicited and solicited proposals from Accenture, SAIC, and IBM in an attempt to mitigate the internal IT systems integration costs being driven by the continuing changes to the SET Transactions. These proposals were formally evaluated using four key criteria. These criteria included; (1) the ability to satisfy requirements, (2) the capability to perform the work, (3) the ability to meet budget requirements, and (4) the ability to successfully address transition issues. Since at that point in 2001, EGSI was just entering the pilot and was just six months away from ROA, a key component of the evaluation was the risk involved in changing IT vendors just six months from the start of ROA. A risk analysis was performed to determine a risk-weighted score for each vendor based on the four criteria. Even though SAIC provided the second lowest bid, overall scores were very similar and SAIC had significantly higher scores in the "ability to address transition issues" than the lowest bidder. Using that information, a decision was made to retain SAIC rather than take the increased risk of not being ready for ROA in January of 2002. A copy of the evaluation summary is included in Exhibit TRM-16.

Toward the end of 2001, when extensive on-going market testing would be required as new participants entered the market, or when changes were made to the SET Transactions, EGSI, through its participation in the ERCOT Retail Market Subcommittee and Retail Market Testing group, promoted and supported the use of the ERCOT Testing on Demand ("ETOD") system that helped reduce testing costs for market participants. This system was used during 2002 and part of 2003. The Testing on Demand system enabled REPs to certify the majority of their transactions against an internet-driven, ERCOT-managed, interactive website, rather than requiring TDSPs to provide more costly testing transactions custom-built for each REP.

At the end of 2001, the Commission ordered in Docket No. 24469 that EGSI would remain in an extended pilot mode pending the outcome of the ESAT Protocols (ultimately in Docket No. 25089) and certification for an Independent Organization ultimately addressed in Docket No. 28818. The extended pilot would be followed by a "reinvigorated pilot" that would operate with the ESAT Protocols and an Independent Transmission Organization in place. ROA would follow from a successful "reinvigorated" pilot. Both the start date for the reinvigorated pilot and ROA were unknown and dependent on outcomes of the ESAT Protocols and the Independence issues, but were initially pegged to the "2002 time frame" as I understand it. Based on these future proceedings, in the spring of 2002, efforts were taken to ramp down the project and minimize

costs until such time as these reinvigorated pilot and ROA dates became more definitive. The ramp down effort reduced the number of ESI employees involved on the project by transferring overall responsibility of the project and business participation in the ERCOT market activities to EGSI employees, terminating external project management and support contractors, and limiting the IT vendors work to the minimum amount necessary only to maintain pilot status. I have included as Exhibit TRM- 17 a document describing the transition of responsibilities and work functions from ESI employees to EGSI employees as well as the overall effort to minimize cost until a more definite ROA date became known. Work performed after that time was the minimum work necessary to maintain the ongoing pilot, and changes were accommodated through interim work-arounds (for example, manual processes instead of significant IT programming) that would support the expected minimum pilot participation until the reinvigorated pilot began. The cost trend chart on the following page shows the results of effort as costs declined significantly in the 2nd quarter of 2002.



Twice during the period of early 2002 to March 2004, as the Commission set tentative dates for the reinvigorated pilot in the "Interim Solution" (Docket No. 24469) and Independence dockets, RFPs were issued to secure new bids to complete the remaining work necessary to be able to support ROA.

One RFP was issued in February/March of 2003. Vendor proposals were being evaluated when the process was discontinued because the target dates of the reinvigorated pilot and subsequent ROA were again becoming more uncertain. A copy of this RFP is included in Exhibit TRM-18.

In December of 2003, a revised RFP was issued for the same purpose. At that time Entergy began the SET 2.0 development process by issuing a RFP to competitive firms experienced with Entergy and the ERCOT market. The comprehensive RFP included the enhancements to Entergy's market mechanics, CIS, and CCS systems, as well as the middleware between SAP and the Clearinghouse for SET 2.0 implementation, and market testing and certification. Bidders were required to submit fixed-price bids in order that Entergy could properly plan and control costs. A copy of this RFP is included in Exhibit TRM-19.

The challenge included developing the middleware interfaces for 43 transactions including a new functional methodology call Stacking (Move-Ins and Move-Outs). Stacking was a very complex method for determining which retailer would ultimately service a customer in the event that the customer engaged with several retailers. This demanded that the successful vendor work with other existing vendors, including IBM's VeriTRAN clearing house, and the CCS vendor, in order to ensure proper design and implementation transaction formats and Stacking processing. Joint Application Development (JAD) meetings were held to gain a common understanding and a universal approach to meeting what was an ill-defined and untested Stacking protocol. The RFP also required that the successful vendor be prepared to support an automated market test. The SET 2.0 Flight test (0504) was planned by the market to be held in May of

2004. All participants were required to participate with their internal systems functional to support test scenarios.

The bids were received and evaluated with respect to experience, process, and price. Evaluation criteria included knowledge and capabilities with respect to Entergy's market mechanics, CIS, and CCS systems, knowledge and experience. After negotiations and several iterations to clarify details, Entergy opted to partition the work, and award the market mechanics component to SAIC. In addition to providing the lowest bid, SAIC had proven to be most knowledgeable of the internal work and systems necessary to support SET Transactions. A copy of the vendor selection recommendation is included in Exhibit TRM-20.

Q. DOES THE EXPERIENCE IN ERCOT SUPPORT THE REASONABLENESS OF THE TEXAS SET CLASS OF COSTS?

A. Yes. While ERCOT, as an independent organization, does much more than overseeing and implementing market mechanics (that is, for example, Texas SET and load profiling and data aggregation), ERCOT's costs and employee counts increased substantially in every year from 2000 through 2004, while EGSI's TTC Costs (and the number of employees working on TTC) declined substantially during and after 2002. Company witness Cuddy discusses the ERCOT cost trends in more detail in her direct testimony.

My Exhibit TRM-21 shows the increase in ERCOT's IT budget for the years 2000 through 2004. The conclusion to be drawn is that it took ERCOT significant expenditures to develop and modify its systems and, due to the bi-lateral nature of the market, each participant needed to have systems that received and fed data from/to ERCOT.

My point is that the increasing costs in ERCOT show that the costs to implement a pilot and ROA market are significant. The costs in ERCOT increased significantly over time, and are indicative of cost increases experienced by other market participants, including EGSI.

Q. IN GENERAL, HAS THE COST TO OPERATE THE MARKET INCREASED OVER THE LAST FEW YEARS?

A. Yes. While looking at any one specific budget area may not be conclusive, the overall ERCOT costs passed along to market participants in its Administrative Fee more than doubled from 2000 to 2003 (from $0.15/MWh in 2000 to $0.33/MWh in 2003); I understand that it is now in the range of $0.42/MWh. In addition, ERCOT staffing also increased almost ten-fold from 50 employees in 2000 to over 470 by the end of 2004.

Q. WHAT DO YOU CONCLUDE FROM THE PRECEDING DISCUSSION?

A. The conclusion to be drawn is that the startup of a new competitive retail market is a significant effort and, although there was a centralized entity

(ERCOT) for state-wide customer registration functions, there was not a decisive design, or clear and consistent set of initial rules through which the SET Transactions were developed. The collaborative process resulted in a great deal of changes and, given the very tight implementation timeframes, the rules could never be locked down, which caused design and construction to happen simultaneously. This overlap of design and "build," along with the continuous modifications of requirements and changes, as well as significant schedule compression, led to an increase in costs for all market participants, including EGSI.

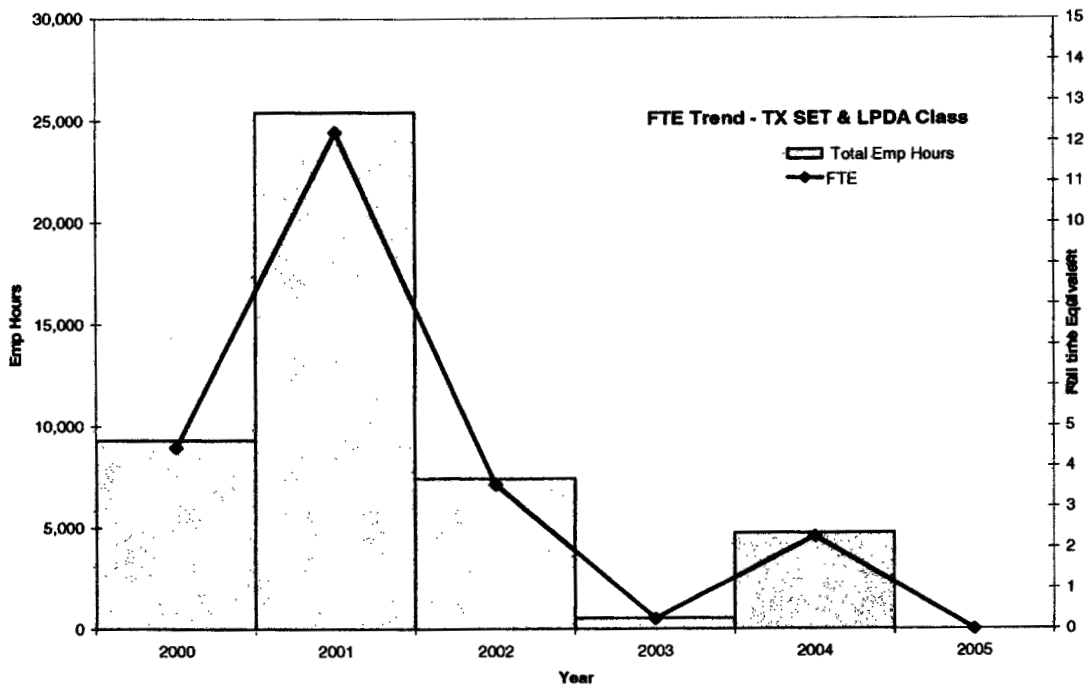
In EGSI's experience, the costs that it incurred to implement and then operate under the pilot and prepare for ROA through its market mechanics functionality also increased, especially in the first two years. EGSI's expenditures of TTC-related costs, however, began to decrease after 2002 once much of the base systems were in place. Of course, the costs of implementing the updated Texas SET Versions continued to be incurred as the new versions were developed and implemented. The cost trends experienced by EGSI, when compared to ERCOT, demonstrate further that EGSI's TTC Costs are reasonable.

Q. DO YOU HAVE OTHER EVIDENCE OF THE REASONABLENESS OF THIS TEXAS SET AND LOAD PROFILING AND DATA AGGREGATION CLASS OF COSTS?

A. Yes. As noted above, EGSI (and ESI on its behalf) outsourced substantial Texas SET (and overall market mechanics costs) through the competitive RFP process. In addition, Company witnesses May and Cuddy discuss the reasonableness of the overall TTC costs.

My Exhibit TRM-C shows the declining cost trend of this Texas SET and Load Profiling and Data Aggregation class (and each of my other classes) over time—even in light of the continuing work to keep current with the new versions of Texas SET.

The cost, represented by the number of hours of work by Entergy employees, also shows a declining trend. Other Company witnesses are making similar comparisons for their classes. First, I note that Company witness Richard Ferguson testifies that the salaries and benefits paid to Entergy personnel (that is, "internal" personnel) are reasonable. So I start from the premise that the salaries and benefits paid to Entergy personnel are reasonable. Additionally, the chart on the next page which shows the number of Entergy employees hours charged to the project, points out that after the initial efforts in 2001 to prepare for ROA, and in light of increasing uncertainty of ROA in EGSI's service area, costs of Entergy employees declined significantly.



Q. BY PROJECT CODE, WHAT ARE THE TOTAL NON-AFFILIATE AND AFFILIATE CHARGES FOR THE TEXAS SET AND LOAD PROFILING AND DATA AGGREGATION CLASS, AND HOW MUCH OF THOSE COSTS WERE BILLED TO EGSI?

A. All of the costs in my classes, including the Texas SET and LPDA class, incurred by or billed to EGSI, are shown in detail on my Exhibits TRM-A through D. Exhibit TRM-B in particular shows the costs, by project code and associated billing method.

Q. PLEASE DESCRIBE THE PROJECT CODES AND BILLING METHODS INCLUDED WITHIN THIS TEXAS SET AND LPDA CLASS.

A. Referring to Exhibit TRM-B, the Texas SET and LPDA class includes the following project codes and billing methods

Project Code TTTCAT ($37,256,045.46) includes the costs associated with the design and implementation of the processes and systems required for Retail Open Access in Texas, and includes primarily the "market mechanics" functions, including Load Profiling and Data Aggregation. These costs were billed directly to EGSI under billing method "EGSI" which billed 100% of the cost to EGSI and ultimately to Texas because only Texas, not the Louisiana portion of EGSI, was moving toward ROA.

Project Code ITTCAT ($815,173.64) includes the initial overall process design work in early 2000 through September of 2000 as Entergy prepared for ROA in both EGSI and Arkansas. These costs were allocated to Texas under billing method "TTC," which allocated costs between EGSI and EAI based on the number of electric customers. "Number of electric customers" is a reasonable billing method for this project because it focused on activities in two different jurisdictions—EGSI (actually EGSI-Texas) and EAI. The work was intended to benefit customers by implementing retail choice for them, so it is appropriate to allocate the costs in this project based on the number of customers who would benefit. The percent of costs allocated/assigned to Texas was 34.6%.

Project Code FTTCAX ($2,065,922.98) includes the costs associated with the business simulation project to ensure that the new IT applications and IT Infrastructure changes being made to meet the Commission's requirements for the Texas pilot and ROA were properly completed and implemented. This simulation effort was required because of the magnitude of the changes to Business Processes, Organizational Structures, Computer Systems, and IT Infrastructure. These costs were billed directly to EGSI under billing method "EGSI." This is the appropriate billing method because this project was focused on the Texas pilot, and not activities in other jurisdictions.

Project Code FTTCAA ($236,134.42) includes the costs associated with simulation and testing of IT applications and IT Infrastructure for changes being made to the Distribution Application systems to ensure that changes were properly completed and implemented. This system-wide simulation and testing included Market Mechanics, Customer Care System, Distribution Work Management System, Large Power Billing System, Customer Outage Reporting System ("SAISO") as well as other legacy systems. These costs were allocated to EGSI under billing method "35," which allocates costs to each of the Entergy Operating Companies proportionate to the number of electric customers. This was the proper billing method because it billed cost related to Entergy-wide (not Texas-only, or Texas and Arkansas only) IT systems and infrastructure that were

designed and operated in order to support service to end use customers throughout the Entergy system.

Project Code FB6037 ($1,031,699.35) includes the costs incurred for developing the processes to coordinate, track, prioritize, and resolve technical issues after the Texas pilot and ROA. In addition, it included the cost of resources to support these processes after the release and implementation phase, and focused on resolution of any errors. These costs were billed directly to EGSI under billing method "EGSI."

Project Code TS4651 ($1,917,332.24) includes the costs associated with facilitating Distribution's transition to competition. This project included identifying, prioritizing, and developing the new business process reengineering and information technology projects required to accomplish the transition. This project also included identifying and communicating the anticipated impacts that the changes undertaken to make the transition would have on the IT Infrastructure and other long lead-time capital assets. These costs were allocated to Texas under billing method TTC, which allocated costs between EGSI and Arkansas based on the number of electric customers. This billing method was appropriate for the reasons discussed above regarding Project Code ITTCAT. The percent of costs allocated to Texas was 34.6%. Later when it was determined that Arkansas was not going to ROA, the costs were billed solely to EGSI through billing method "EGSI."

Project Code TS4656 ($273,936.90) includes the costs associated with facilitating Distribution's transition to competition. This project included identifying, prioritizing, and developing the new business process reengineering and information technology projects required to accomplish the transition. This project also included identifying and communicating the anticipated impacts that the changes undertaken to make the transition would have on the IT infrastructure and other long lead time capital assets. These costs were allocated to Texas under billing method "TTC," which allocated costs between EGSI and Arkansas based on the number of electric customers. Again, billing method TTC is appropriate for the reasons discussed above. The percent of costs allocated to Texas was 34.6%. Later when it was determined that Arkansas was not going to ROA, the costs incurred after Arkansas ceased to pursue ROA were billed solely and directly to EGSI.

Project Code TS465G ($36,179.02) includes the costs incurred to post secured customer IDR ("Interval Data Recorder" meter) load information on EGSI's website for real-time access by the customers of their historical IDR usage. These costs were incurred solely for Texas ROA and, accordingly, were billed directly to EGSI under billing method "EGSI."

Project Code TS465H ($109,005.97) includes the costs for designing Distribution work management system changes needed for

Texas ROA. These costs were billed directly to EGSI under billing method "EGSI."

Project Code TS465J ($1,339,591.32) includes the costs associated with facilitating Distribution's transition to competition. It includes costs associated with designing and modeling system and processes changes needed for Texas ROA. These costs were billed directly to EGSI under billing method "EGSI."

Project Code TS465T ($215,160.32) includes the development costs for an outage solution for the Texas pilot and associated project management activities. These costs were billed directly to EGSI under billing method "EGSI."

Project Code FI7027 ($1,237,954.08) includes the costs for implementing Texas SET 2.0. These costs were billed directly to EGSI under billing method "EGSI."

4. Affiliate Costs in the Texas SET and Load Profiling and Data Aggregation Class

Q. HOW WERE AFFILIATE COSTS INCLUDED WITHIN THIS TEXAS SET AND LPDA CLASS PRICED?

A. All services rendered by ESI are billed at cost, just as such services are billed by ESI to all Entergy Operating Companies—EGSI; EAI; Entergy Mississippi, Inc.; Entergy Louisiana, Inc.; and Entergy New Orleans, Inc. As a result, if these types of services had been provided to another

Entergy Operating Company, that other Operating Company would pay for the SET services based on the same "price," *i.e.*, the cost of such service provided by ESI to EGSI. This is the case, for example, with billing method "TTC," which allocated costs to both EGSI and EAI. Direct billed costs are directly billed to the particular Operating Company and, as such, are not "allocated" among two or more Operating Companies. Billing method "EGSI" is an example of a direct-billing method for affiliate costs. Consequently, the prices charged by ESI to EGSI for the services provided by this class of services are no higher than the prices charged to the other affiliates for the same or similar services and represent the actual costs of the services. Company witness Barrilleaux explains this billing (and pricing) process in more detail in his direct testimony in this docket.

With regard to the TTC costs, except for a small amount of dollars that were initially incurred in anticipation of ROA in both Texas and Arkansas and the system-wide IT costs captured in Project FTTCAA, as I explain above, all of the TTC costs were either incurred directly by EGSI or incurred by ESI for EGSI, and thus were charged solely to EGSI (and then assigned solely to Texas because these costs were incurred for Texas ROA (and thus EGSI-Texas), as distinct from EGSI-Louisiana, which did not pursue ROA.). The few costs that were related to EAI's efforts have been removed from the TTC costs that I sponsor.

Q. WHAT SAFEGUARDS ARE IN PLACE TO ENSURE THAT EGSI'S CUSTOMERS ARE NOT SUBSIDIZING EGSI REGULATED AND UNREGULATED AFFILIATES THROUGH SERVICES PROVIDED THROUGH THE TEXAS SET AND LPDA CLASS?

A. Direct billing of affiliate TTC costs to EGSI eliminates this concern. My Exhibit TRM-A includes columns that show the amount in a class that was direct billed to EGSI, as distinct from being allocated to various entities, including EGSI. In addition, EGSI and ESI employees have been trained on the proper procedures for implementing their time and expenses (and the time and expenses billed to them by outside contractors) in the accounting systems. Moreover, written materials including accounting code information are distributed periodically to the employees. Management within the EGSI and ESI organizations review and approve time and expense reports, as well as other transactions processed in Entergy's financial systems. These processes and review procedures are in place to ensure that costs attributable to EGSI are billed to EGSI, and that EGSI is not subsidizing its affiliates.

B. <u>The Pilot Project Class</u>

Q. PLEASE DESCRIBE AND EXPLAIN IN MORE DETAIL COSTS OF THE PILOT PROJECT CLASS.

A. The costs in the Pilot Project class are comprised predominately of expenses, and include the costs incurred by EGSI to comply with the

requirements prescribed by Section 39.104 of PURA and P.U.C. SUBST. R. 25.431. This class includes the costs incurred from January 2001 through March 2002 primarily to capture the pre-pilot implementation activity, and implementation through the initial pilot. The costs in this class include costs that were incurred slightly beyond the end of the "initial" pilot on December 31, 2001 because of the continuing review and reporting regarding that initial pilot (as distinct from the "extended" pilot that extended beyond December 31, 2001).[18] This class of costs is unique in that these functions would only have a useful life specific for the pilot project. Therefore, these costs were expensed noting a life expectancy of six months (July – December 2001).

Q. WHAT ARE THE COSTS INCLUDED IN THE PILOT PROJECT CLASS?

A. As indicated earlier and in Table 5 on the following page, the costs included in the Pilot Project Class are $780,934.66.

[18] In late 2001, the Commission extended EGSI's pilot indefinitely in the market readiness proceeding (Docket No. 24469). I refer to the post 2001 pilot as the "extended pilot"; the "initial pilot" was the pilot in place from the summer of 2001 to December 31, 2001. To maintain pilot readiness, EGSI had to maintain its systems processes in a readiness state to be able to support pilot participation by the REPs at their choice.

Table 5

Pilot Project

Group Description	Affiliate Costs Direct	Affiliate Costs Allocated	Affiliate Costs Total	Non-Affiliate Costs	Total Net Requested
Internal - Payroll / Benefits	192,206.34	-	192,206.34	-	192,206.34
Internal - All Other Internal Support Costs	-	-	-	807.02	807.02
External - Legal Contractor Costs	-	-	-	-	-
External – All Other Support Costs	378,709.89	-	378,709.89	209,211.41	587,921.30
AFUDC & Capital Overhead	-	-	-	-	-
Grand Total	570,916.23	-	570,916.23	210,018.43	780,934.66

Q. ARE THE COSTS IN THE PILOT PROJECT CLASS NECESSARY?

A. Yes. The costs in the Pilot Project class are necessary because they were incurred to comply with Senate Bill 7 ROA requirements, Commission rules and orders, and market structure requirements maintained by ERCOT. The Company incurred these costs to prepare for and support the pilot project in ESAT, which effectively began in July 2001 (simultaneously with the pilot within ERCOT). The major expenditures in this class include costs for employee expenses to develop, implement and test pilot systems, and for services that were outsourced. The outsourced costs are comprised of IBM system development costs, SAIC system development costs, and costs of lottery development and implementation provided by a Lamar University professor. The pilot activities included the development, implementation, operation, and testing of needed systems

and databases to create, monitor, and report the Customer Class Allocation, Available Load Calculation by customer class, Mass Customer List, "Do Not Call List," Lottery process, Eligible Participant List, an enrollment tracking system (Aggregator and Non-Aggregator), and required regulatory reports and filings to report pilot activities and participation levels. The processes and methods to comply with these requirements are described in "EGSI's Texas Pilot Project Implementation Plan."[19] Additionally, a Texas Pilot website was developed for the public posting of required pilot information in four general categories: General Information, Customer Information, REP Information, and Aggregator Information. Two SET transactions (814-PA, 814-PB) were also developed for specific use in pilot enrollment and participation tracking process.

One of the requirements prescribed in the P.U.C. SUBST. R 25.431 is that each electric utility must allow an "Open Interest Period" to allow interested customers to request an opportunity to participate in the pilot project. The pilot project was open for each of the five customer classes as defined in the pilot project rule. If a non-residential customer class is oversubscribed, the utility is required to use a lottery to develop a participant list. During the open interest period, EGSI experienced interest from three customer classes (the "Industrial-Demand-Metered" class, the

[19] A copy of EGSI's Pilot Project Implementation Plan, Available Load Calculation and Eligible Participant List can be found in Commission Project Number 23069, and is also included in my workpapers.

"Commercial" class, and the "All Other Demand-Metered class") that were oversubscribed. To ensure the lottery process and sessions would be conducted fairly and objectively, EGSI engaged a professor from Lamar University in Beaumont, Texas, who has expertise in statistical research, to develop the lottery process and administer lottery sessions for each customer class that was oversubscribed. EGSI also used SAIC to develop the programming of pilot customer classes, available load calculation, and pilot database by ESI-ID to track customer participation in the pilot by customer class.

The Mass Customer List, which is required by P.U.C. SUBST. R 25.472(a)(1)-(4), "Privacy of Customer Information, Mass Customer Lists," is a listing of customers eligible for the Price to Beat ("PTB") who are required to be included on the Mass Customer List, except for customers who opt not to be included on the list. Therefore, EGSI prepared a bill insert for the residential and non-residential PTB customer classes to educate the customers on the Mass Customer List of their ability to opt off the list if they desired to do so. Costs included the development, printing, and postage for the bill insert and pre-paid postage for customer reply cards.

Q. WHY ARE THE COSTS IN THE PILOT PROJECT CLASS REASONABLE?

A. As previously explained with regard to the Texas SET and LPDA class, the initial RFP process resulted in the acquisition of functionality from experienced vendors, who provided these services at the least cost. That RFP process also applied to this Pilot Project class of costs. SAIC was used as described above, because it was the outsourced vendor for IT-related functionality of existing internal systems. The Lamar University professor was selected for the lottery process due to his special expertise and location, and as necessary to have an independent unaffiliated person manage the lottery. His contract was negotiated to a very reasonable cost of $2500.

Accordingly, the costs included within this Pilot Project class that are related to services provided by the outsourced vendors are reasonable because these vendors were selected through competitive RFP processes or negotiation. In addition, Company witnesses May and Cuddy discuss the reasonableness of the overall TTC costs.

Q. BY PROJECT, WHAT ARE THE TOTAL NON-AFFILIATE AND AFFILIATE CHARGES FOR THE PILOT PROJECT CLASS, AND HOW MUCH OF THOSE COSTS WERE BILLED TO EGSI?

A. Please refer to Exhibits TRM-A and TRM-B for this information. Also, Exhibit TRM-D segregates the costs in this class between capital and expense.

Q. PLEASE DESCRIBE THE PROJECT CODES AND BILLING METHODS INCLUDED WITHIN THIS PILOT PROJECT CLASS.

A. Project Code TRGTPP captures all of the costs ($780,934.66) for this class. These affiliate costs in this class (see Exhibit TRM-A) were billed directly by ESI to EGSI under billing method "EGSI" which, as noted previously, billed 100% of the costs to EGSI, which were all then assigned to EGSI-Texas, which is appropriate because EGSI-Texas was the sole beneficiary of the costs. The non-affiliate costs were all incurred directly by EGSI, rather than through an affiliate.

I have previously described (with regard to the Texas SET and LPDA class) the processes through which ESI costs are either direct billed or allocated, why the prices charged by the affiliate are "no higher than" the costs charged by ESI to other affiliates, why the costs represent the actual costs, and the safeguards in place to ensure that EGSI is not subsidizing its affiliates. That description applies equally to this Pilot Project class.

C. The Pilot Operations Class

Q. PLEASE DESCRIBE AND EXPLAIN COSTS OF THE PILOT OPERATIONS CLASS.

A. The costs in the Pilot Operations class include both capital and expense items, and represent the on-going monthly pilot operational costs incurred by EGSI (or ESI on behalf of EGSI) from June 2001 to July 2004 and

costs incurred after July 2004 to close down the pilot, including termination of payments to ERCOT for the LSE ESI-ID fees (and subsequent carrying charges on the principal amount). Normally, operational costs are expensed, and not capitalized. However, to remain in the pilot, EGSI maintained and operated the IT systems for the duration of the initial and extended pilot periods. Because the maintenance and operation was performed on a portfolio of IT systems used during the ESAT pilot, and because the pilot was to be the final testing stage of the systems before the systems were put in service, these expenditures qualified as a capital investment. This class also includes the monthly fees paid to ERCOT for the non-ERCOT LSE fees that EGSI is required to pay to ERCOT.[20] The total fees paid to ERCOT, (both affiliate and non-affiliate) are the expense items in this class. A copy of the agreement between EGSI and ERCOT regarding the non-ERCOT LSE fees is attached as my Exhibit TRM-22. In addition to the maintenance and operation of the applications owned by EGSI, services were obtained from IBM for a "Clearinghouse" service through the previously discussed RFP process. These services include EDI conversion and transaction management

[20] *See* ERCOT Protocols Section 9.7.3 and ERCOT Protocol 22(B).

Q. WHAT ARE THE COSTS INCLUDED IN THIS CLASS?

A. Table 6 below details the costs in the Pilot Operation Class which is $11,100,245.78 million.

Table 6

Pilot Operations

Group Description	Affiliate Costs Direct	Affiliate Costs Allocated	Affiliate Costs Total	Non-Affiliate Costs	Total Net Requested
Internal - Payroll / Benefits	811,257.36	-	811,257.36	172,314.63	983,571.99
Internal - All Other Internal Support Costs	121,498.63	-	121,498.63	121.60	121,620.23
External - Legal Contractor Costs	-	-	-	-	-
External – All Other Support Costs	862,651.46	-	862,651.46	6,854,146.05	7,716,797.51
AFU-DC & Capital Overhead	-	-	-	2,278,256.05	2,278,256.05
Grand Total	1,795,407.45	-	1,795,407.45	9,304,838.33	11,100,245.78

Q. ARE THE TOTAL NON-AFFILIATE AND AFFILIATE COSTS SOUGHT FOR RECOVERY IN THE PILOT OPERATION CLASS NECESSARY?

A. Yes. The costs in this class, whether affiliate or non-affiliate, are necessary because they were incurred to comply with Senate Bill 7, Commission ROA requirements, orders, and rules, and market structure requirements prescribed by ERCOT. This class is distinct from the Pilot Project class described previously because it captures the on-going costs of operating the pilot (both initial and extended) once the pilot was in

place. The costs in this class include the on-going costs of operating the pilot divided into three primary groups:

- The monthly payments to ERCOT for the LSE fees ($1,905,128.61);
- The monthly costs for the VeriTRAN Clearinghouse service provided by IBM ($4,752,251.27); and
- The monthly maintenance, operations, and services costs provided by SAIC to maintain the IT systems, as also applies to the IT functionality related to my other cost classes as discussed previously ($10,431,259.94).

To maintain pilot readiness, EGSI had to maintain its systems, processes, and vendor services in a readiness state to be able to support pilot participation by the REPs at their choice beginning with the pilot opening in July 2001, and continuing through the extended pilot period that lasted until the summer of 2004.[21] This included the approximately 393,000 ESI-IDs maintained in the ERCOT registration database.

Q. WHAT ARE THE ERCOT LSE FEES?

A. The Load Serving Entity fee is a charge by ERCOT to non-ERCOT LSEs to proportionately fund ERCOT's costs to serve as the state-wide customer registration agent. The ERCOT LSE fee is based on an annual cost per ESI-ID for EGSI's approximate 393,000 ESI-IDs in the ERCOT's

[21] In late 2001, the Commission extended EGSI's pilot indefinitely in the market readiness proceeding (Docket No. 24469). I refer to the post 2001 pilot as the "extended pilot"; the "initial pilot" was the pilot in place from the summer of 2001 to December 31, 2001. To maintain pilot readiness, EGSI had to maintain its systems processes in a readiness state to be able to support pilot participation by the REPs at their choice.

customer registration database.[22] The details of the ERCOT LSE fees are included in Exhibits TRM-22 and TRM-23.

Q. PLEASE DESCRIBE THE IBM "VeriTRAN" SERVICE FEES THAT YOU REFERENCED ABOVE.

A. Entergy contracted with IBM "VeriTRAN" to provide what are referred to as "Clearinghouse" services for EGSI. The contract with IBM was competitively bid as part of the 2000 RFP discussed above in the Texas SET and LPDA class discussion, and was awarded to IBM for its ability to deliver the product and services in a timely and cost effective manner. These services included maintaining up-to-date customer information for immediate response to possible market switches. IBM "VeriTRAN" manages the receipt of transactions from the market participants in the EDI formats defined by Texas SET rules. This information is translated for use internally by EGSI in preparation for responses to SET transactions. IBM "VeriTRAN" receives EGSI data needed for SET transactions by the market participants and translates the data to SET transactions to send to market participants. IBM "VeriTRAN" also manages EGSI's website, required by the ESAT Protocols, which provides general information about EGSI and ESAT to all market participants. This website is referred to in

[22] The ERCOT LSE monthly bill was calculated on the number of ESI IDs per day.

the Protocols as the "Competitive Retailer Information System" ("CRIS").[23] The details of the IBM "VeriTRAN" Service fees are included in Exhibit TRM- 24. A copy of the confidential VeriTRAN Services Agreement is included in Exhibit TRM-25.

Q. WERE EFFORTS TAKEN TO CONTROL OR MITIGATE COSTS OF THE PILOT OPERATIONS CLASS?

A. Yes. Even though EGSI had no participation in the pilot until the fall of 2003, it was necessary that EGSI maintain its systems and information in a "readiness" mode such that customers and REPs could participate in the pilot if and when they chose to do so. Thus EGSI had to maintain a delicate balance between minimizing costs, maintaining pilot "readiness", and being prepared to support pilot participation if it occurred. This was made even more complex since during the period of time the pilot was open (July, 2001 through September, 2004), there were changing target dates established as to when a "re-invigorated" pilot could be begin.

Even though some costs, such as the ERCOT LSE fees and the VeriTRAN clearinghouse services fees, which were based on the management of the ESI-IDs (which had to be available for pilot participation) could not be reduced, efforts were taken to reduce internal systems IT cost as well as employee costs associated with pilot

[23] ESAT Protocols; Part IV - Retail Protocols; Section 11- Competitive Retailer Information System.

operations once it became apparent that there would be minimum, if any, active participation in the pilot.

Scheduled enhancements and upgrades to the Load Profiling and Data Aggregation system, EV2K, were postponed indefinitely. Internal systems, including EV2K, and interfaces were "shut down" in order to minimize internal IT and employee costs. Doing this reduced the need for internal IT costs during the shut down period to only essential minimum costs. As a part of that effort however, there was also a need to be able to bring the internal systems and interfaces back to normal in a short period of time if pilot participation were to begin. Exhibit TRM-26 includes example of the shut down and start up efforts required. The results of these efforts were to achieve a reduction of monthly costs for pilot operations of approximately $50,000 during ramp down period. A summary of the overall ramp down is included the March, 2003 Market Mechanics Steering Committee Report included in Exhibit TRM-27.

Throughout the ramp down period when no customers were participating in the pilot, and specifically in 2003 in anticipation of a small group of customers in the pilot, an employee team was formed to evaluate various scenarios of pilot participation volume and determine the most cost-efficient means of supporting limited participation without having to incur the costs to restart and operate all the internal systems. An example of the continuous and exhaustive work done to try to achieve that delicate "balance" between minimum cost and pilot readiness is included in Exhibit

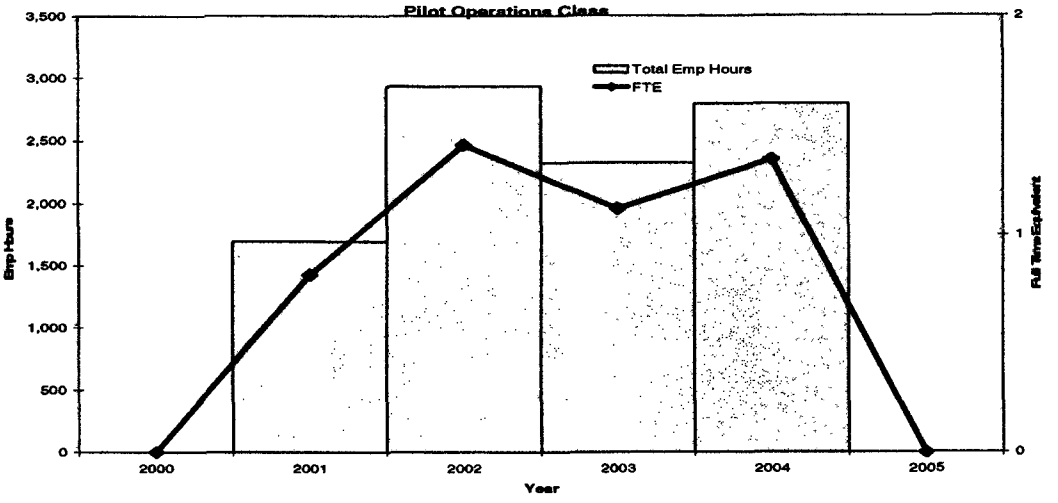
TRM-28, in which the team examined five different ways of supporting limited pilot participation at minimum costs.

In the fall of 2003, a small group of customers (less than 20) began participation in the pilot and continued participation through May of 2004. During that period of participation, these customers' participation was supported through a combination of system and manual work arounds that both properly supported the customer participation and minimized the cost of doing so.

Q. ARE THE COSTS IN THE PILOT OPERATIONS CLASS REASONABLE?

A. Yes. As previously explained with regard to the Texas SET and LPDA class, the initial RFP process resulted in the acquisition of functionality from experienced vendors, who provided these services at the least cost. That RFP process also applied to this class of costs. Additionally, as I've shown above, every reasonable effort was taken to minimize the costs of pilot operations while simultaneously maintaining the ability to support pilot participation if and when customers chose to do so.

Also, I have performed an FTE trend for this class as I did for the Texas SET and LPDA class discussed above. The results of that FTE trend are, by year:



Accordingly, the costs included within this Pilot Project class that are related to services provided by the outsourced vendors are reasonable because these vendors were selected through a competitive RFP, and the internal employee costs are reasonable based on testimony provided by Company witness Ferguson and the FTE count analysis that I provide above. In addition, again, Company witnesses May and Cuddy discuss the reasonableness of the overall TTC costs.

Q. PLEASE DESCRIBE THE PROJECT CODES AND BILLING METHODS INCLUDED WITHIN THIS PILOT OPERATIONS CLASS.

A. As shown on Exhibit TRM-B, the project codes (and billing methods) applicable to this class are as follows:

Project Code D10023 ($1,905,128.60) is for the costs paid to ERCOT for the non-ERCOT LSE fees for the period June 2001 through

February 2004. These costs were billed directly to EGSI under billing method "EGSI."

Project Code DMMTEX ($8,097,520.24) is comprised of the costs incurred by the ESI Systems Solutions Organization for on-going IT support and maintenance of the market mechanics system, and management of vendor contracts to support the pilot operations. These costs were billed directly to EGSI under billing method "EGSI."

Project Code DTXPIL ($933,783.34) is comprised of the costs incurred by ESI employees for the business operation of the market mechanics systems for the pilots. These costs were billed directly to EGSI under billing method "EGSI."

Project Code TS465K ($163,813.60) includes costs for designing and modeling manual work-arounds needed for ROA when system changes could not be made. These costs were billed directly to Texas under billing method "EGSI."

All of the affiliate costs in this class were assigned to EGSI Texas after being billed to EGSI under billing method "EGSI." ("Non-affiliate" costs are already "in" EGSI.) I have previously described (with regard to the Texas SET Class) the processes through which ESI costs are either direct billed or allocated, why the prices charged by the affiliate are "no higher than" the costs charged by ESI to other affiliates, why the costs represent the actual costs, and the safeguards in place to ensure that

EGSI is not subsidizing its affiliates. That description applies equally to this Pilot Operations class.

VI. CONCLUSION

Q. PLEASE SUMMARIZE YOUR DIRECT TESTIMONY.

A. I sponsor, explain, and support $58,415,316.15 in distribution-related TTC costs. I have explained the underlying bases, both affiliate and non-affiliate, for these costs. In addition, I have shown why the costs were necessary and reasonable and, for the affiliate charges, shown that the prices charged for these services from ESI (or through ESI from outsourced vendors) were charged at prices that were no higher than the prices that ESI would or did charge to other affiliates, and that these affiliate charges represent the actual cost of the services provided.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, at this time.

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ENTERGY GULF STATES, INC.
TTC Costs - By Witness, Class, and Group Description
For the Transition Period June 1999 through June 17, 2005
Amounts in Dollars

			(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
			Affiliate Billings					Non-Affiliate Charges			
Witness	Class	Group Description	Total	Billed to Others	Billed to EGSI - TX	Pro Forma Adjustments	Net Requested	Total Requested Charges	Pro Forma Adjustments	Net Requested	Total Net Requested
Manasco, Tom	Pilot Operations	Internal - Payroll / Benefits	791,036	29,363	761,673	49,584	811,257	48,288	124,026	172,315	983,572
		Internal - All Other Internal Support Costs	130,685	6,739	123,945	(2,447)	121,499	101	21	122	121,620
		External - Legal Contractor Costs	-	-	-	-	-	-	-	-	-
		External – All Other Support Costs	422,248	(4,443)	426,691	435,960	862,651	6,773,615	80,531	6,854,146	7,716,798
		AFUDC & Capital Overhead	-	-	-	-	-	2,092,945	185,311	2,278,256	2,278,256
	Total Pilot Operations		1,343,969	31,659	1,312,309	483,098	1,795,407	8,914,950	389,889	9,304,838	11,100,246
Manasco, Tom	Pilot Project	Internal - Payroll / Benefits	198,995	27,479	171,516	20,691	192,206	-	-	-	192,206
		Internal - All Other Internal Support Costs	-	-	-	-	-	807	-	807	807
		External - Legal Contractor Costs	-	-	-	-	-	-	-	-	-
		External – All Other Support Costs	803,631	914	802,717	(424,007)	378,710	209,211	-	209,211	587,921
		AFUDC & Capital Overhead	-	-	-	-	-	-	-	-	-
	Total Pilot Project		1,002,625	28,393	974,232	(403,316)	570,916	210,018	-	210,018	780,935
Manasco, Tom	Texas SET & LPDA	Internal - Payroll / Benefits	4,404,032	727,232	3,676,800	93,265	3,770,065	268,231	(103,287)	164,944	3,935,009
		Internal - All Other Internal Support Costs	58,265	2,214	56,051	11,560	67,611	1,207	(21)	1,187	68,797
		External - Legal Contractor Costs	25,725	-	25,725	-	25,725	21,810	-	21,810	47,534
		External – All Other Support Costs	16,575,641	2,015,549	14,560,093	1,326,261	15,886,354	10,383,111	996,322	11,379,433	27,265,787
		AFUDC & Capital Overhead	-	-	-	-	-	12,005,354	3,211,653	15,217,007	15,217,007
	Total Texas SET & LPDA		21,063,663	2,744,995	18,318,669	1,431,086	19,749,755	22,679,713	4,104,668	26,784,381	46,534,136
Manasco, Tom	Total Witness Classes	Internal - Payroll / Benefits	5,394,063	784,074	4,609,989	163,540	4,773,529	316,520	20,739	337,259	5,110,788
		Internal - All Other Internal Support Costs	188,950	8,953	179,996	9,113	189,109	2,115	-	2,115	191,225
		External - Legal Contractor Costs	25,725	-	25,725	-	25,725	21,810	-	21,810	47,534
		External – All Other Support Costs	17,801,520	2,012,020	15,789,501	1,338,215	17,127,715	17,365,937	1,076,853	18,442,791	35,570,506
		AFUDC & Capital Overhead	-	-	-	-	-	14,098,299	3,396,964	17,495,263	17,495,263
	Total Tom Manasco Classes		23,410,258	2,805,047	20,605,211	1,510,868	22,116,078	31,804,681	4,494,556	36,299,238	58,415,316

Amounts may not add or tie to other schedules due to rounding.

MANASCO, TOM

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ENTERGY GULF STATES, INC.
TTC Costs - By Witness, Class and Project Code
For the Transition Period June 1999 through June 17, 2005
Amounts in Dollars

Witness	Class	Project Code	Project Description	Billing Method	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
					Affiliate Billings					Non-Affiliate Charges			
					Total	Billed to Others	Billed to EGSI - TX	Pro Forma Adjustments	Net Requested	Total Requested Charges	Pro Forma Adjustments	Net Requested	Total Net Requested
Manasco, Tom	Pilot Operations	D10023	MARKET MECHANICS MAINTENANCE	EGSI	19,059	19,059	-	427,338	427,338	1,477,791	-	1,477,791	1,905,129
		DMMTEX	MARKET MECHANICS IT MAINTENANCE & O	EGSI	680,157	10,877	669,279	(1,274)	668,005	7,204,489	225,027	7,429,515	8,097,520
		DTXPIL	TEXAS PILOT - DISTRIBUTION	EGSI	480,776	1,560	479,217	57,035	536,251	232,670	164,862	397,532	933,783
		TS465K	TTC- WORKAROUNDS FOR ENHANCEMENTS	EGSI	163,977	163	163,814	-	163,814	-	-	-	163,814
	Total Pilot Operations				1,343,969	31,659	1,312,309	483,098	1,795,407	8,914,950	389,889	9,304,838	11,100,246
Manasco, Tom	Pilot Project	TRGTPP	TTC TEXAS RETAIL COMP PILOT PROJECT	EGSI	1,002,625	28,393	974,232	(403,316)	570,916	210,018	-	210,018	780,935
	Total Pilot Project				1,002,625	28,393	974,232	(403,316)	570,916	210,018	-	210,018	780,935
Manasco, Tom	Texas SET & LPDA	FB8037	TTC INTEGRATION ACTIVITIES - EGSI-T	EGSI	(418)	0	(418)	351,070	350,651	(9,906)	690,954	681,048	1,031,699
		FI7027	Mkt Mech 2.0 Certification & Pilot	EGSI	13,910	760	13,150	(64)	13,087	1,203,782	21,086	1,224,867	1,237,954
		FTTCAA	DISTRIBUTION BUSINESS SIM CHNGS TO	35	1,159,474	1,037,653	121,821	-	121,821	52,515	61,799	114,314	236,134
		FTTCAX	TTC-BUSINESS SIMULATION CHANGES TO	EGSI	(10,900)	-	(10,900)	1,264,913	1,254,013	(75,240)	887,150	811,910	2,065,923
		ITTCAT	MARKET MECH DISTRIBUTION-AR TX	TTC	1,811,186	1,185,258	625,928	(97,522)	528,406	420	286,347	286,767	815,174
		R73468	MARKET MECHANICS - TX	EGSI	33,683	4,556	29,104	(29,104)	-	343	(343)	-	-
		TS4651	TTC - DIST BPITS IN PREP FOR COMP -		-	-	-	-	-	(16,577)	1,933,909	1,917,332	1,917,332
		TS4656	TTC- DIST BPITS PREP FOR COMP ESI (	TTC	792,331	518,394	273,937	-	273,937	-	-	-	273,937
		TS465G	TTC- POST METER FOR IDR CUSTOMERS E	EGSI	36,179	-	36,179	-	36,179	-	-	-	36,179
		TS465H	TTC- DIS/DSS/MDSI ENHANCEMENTS EGSI	EGSI	109,006	-	109,006	-	109,006	-	-	-	109,006
		TS465J	TTC- PHASE 2 OF SYSTEM ENHANCEMENTS	EGSI	1,345,514	5,923	1,339,591	-	1,339,591	-	-	-	1,339,591
		TS465T	TTC- DIST BPITS PREP FOR COMP ESI (	EGSI	215,160	5,029	210,131	-	210,131	5,029	-	5,029	215,160
		TTTCAT	MARKET MECH SYS-DISTR TX	EGSI	15,556,556	(12,581)	15,571,140	(58,207)	15,512,933	21,519,347	223,766	21,743,113	37,256,045
	Total Texas SET & LPDA				21,063,663	2,744,995	18,318,669	1,431,066	19,749,755	22,679,713	4,104,668	26,784,381	46,534,136
Manasco, Tom	Total Tom Manasco Classes				23,410,258	2,805,047	20,605,211	1,510,866	22,116,078	31,804,681	4,494,556	36,299,238	58,415,316

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MANASCO, TOM

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ENTERGY GULF STATES, INC.
TTC Costs - By Witness, Class and Year
For the Transition Period June 1999 through June 17, 2005
Amounts in Dollars

			(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
			Affiliate Billings					Non-Affiliate Charges			
Witness	Class	Year	Total	Billed to Others	Billed to EGSI - TX	Pro Forma Adjustments	Net Requested	Total Requested Charges	Pro Forma Adjustments	Net Recoverable	Total Net Requested
Manasco, Tom	Pilot Operations	1999	-	-	-	-	-	-	-	-	-
		2000	-	-	-	-	-	-	-	-	-
		2001	154,476	163	154,313	427,338	581,650	-	-	-	581,650
		2002	485,453	19,397	466,056	-	466,056	2,848,691	9,367	2,858,058	3,324,114
		2003	264,153	3,154	260,998	-	260,998	2,594,256	12,704	2,606,960	2,867,958
		2004	416,205	5,784	410,421	49,444	459,865	3,286,117	219,910	3,506,027	3,965,892
		2005	23,683	3,162	20,521	6,316	26,837	185,886	147,908	333,793	360,630
	Total Pilot Operations		1,343,969	31,659	1,312,309	483,098	1,795,407	8,914,950	389,889	9,304,838	11,100,246
Manasco, Tom	Pilot Project	1999	-	-	-	-	-	-	-	-	-
		2000	-	-	-	-	-	-	-	-	-
		2001	990,825	26,969	963,856	(403,316)	560,540	209,615	-	209,615	770,154
		2002	11,801	1,424	10,377	-	10,377	404	-	404	10,780
		2003	-	-	-	-	-	-	-	-	-
		2004	-	-	-	-	-	-	-	-	-
		2005	-	-	-	-	-	-	-	-	-
	Total Pilot Project		1,002,625	28,393	974,232	(403,316)	570,916	210,018	-	210,018	780,935

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MANASCO, TOM

ENTERGY GULF STATES, INC.
TTC Costs - By Witness, Class and Year
For the Transition Period June 1999 through June 17, 2005
Amounts in Dollars

			(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
			Affiliate Billings					Non-Affiliate Charges			
Witness	Class	Year	Total	Billed to Others	Billed to EGSI - TX	Pro Forma Adjustments	Net Requested	Total Requested Charges	Pro Forma Adjustments	Net Recoverable	Total Net Requested
Manasco, Tom	Texas SET & LPDA	1999	-	-	-	-	-	-	-	-	-
		2000	5,192,536	1,674,973	3,517,563	(97,522)	3,420,042	443,839	(3,788)	440,052	3,860,094
		2001	15,851,140	1,073,402	14,777,738	(30,711)	14,747,027	10,778,590	(11,494)	10,767,095	25,514,123
		2002	1,208,670	15,319	1,193,351	(4,730)	1,188,620	5,491,230	231,733	5,722,963	6,911,584
		2003	138,667	(5)	138,672	(287)	138,385	2,709,750	507,561	3,217,311	3,355,696
		2004	288,286	(19,410)	307,696	(52,015)	255,681	4,433,761	405,948	4,839,710	5,095,390
		2005	(1,615,636)	715	(1,616,351)	1,616,351	-	(1,177,457)	2,974,707	1,797,250	1,797,250
	Total Texas SET & LPDA		21,063,663	2,744,995	18,318,669	1,431,086	19,749,755	22,679,713	4,104,668	26,784,381	46,534,136
Manasco, Tom	Total Witness Classes	1999	-	-	-	-	-	-	-	-	-
		2000	5,192,536	1,674,973	3,517,563	(97,522)	3,420,042	443,839	(3,788)	440,052	3,860,094
		2001	16,996,441	1,100,534	15,895,906	(6,689)	15,889,217	10,988,204	(11,494)	10,976,710	26,865,927
		2002	1,705,924	36,140	1,669,784	(4,730)	1,665,053	8,340,325	241,100	8,581,425	10,246,479
		2003	402,819	3,149	399,670	(287)	399,383	5,304,006	520,265	5,824,271	6,223,654
		2004	704,491	(13,626)	718,117	(2,571)	715,546	7,719,879	625,858	8,345,737	9,061,283
		2005	(1,591,953)	3,877	(1,595,830)	1,622,667	26,837	(991,572)	3,122,615	2,131,044	2,157,880
	Total Tom Manasco Classes		23,410,258	2,805,047	20,605,211	1,510,868	22,116,078	31,804,681	4,494,556	36,299,238	58,415,316

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MANASCO, TOM

ENTERGY GULF STATES, INC.
TTC Costs - By Witness, Class, and Cost Type
For the Transition Period June 1999 through June 17, 2005
Amounts in Dollars

			(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
			Affiliate Billings					Non-Affiliate Charges			
Witness	Class	Cost Type	Total	Billed to Others	Billed to EGSI - TX	Pro Forma Adjustments	Net Requested	Total Requested Charges	Pro Forma Adjustments	Net Requested	Total Net Requested
Manasco, Tom	Pilot Operations	Expense	96,475	25,728	70,746	427,338	498,084	1,546,729	-	1,546,729	2,044,813
		Capital	1,247,494	5,931	1,241,563	55,760	1,297,323	7,368,221	389,889	7,758,109	9,055,433
	Total Pilot Operations		1,343,969	31,659	1,312,309	483,098	1,795,407	8,914,950	389,889	9,304,838	11,100,246
Manasco, Tom	Pilot Project	Expense	1,002,625	28,393	974,232	(403,316)	570,916	210,018	-	210,018	780,935
		Capital	-	-	-	-	-	-	-	-	-
	Total Pilot Project		1,002,625	28,393	974,232	(403,316)	570,916	210,018	-	210,018	780,935
Manasco, Tom	Texas SET & LPDA	Expense	50,616	6,593	44,022	(29,104)	14,918	6,047	(343)	5,704	20,622
		Capital	21,013,048	2,738,401	18,274,646	1,460,190	19,734,837	22,673,666	4,105,011	26,778,677	46,513,514
	Total Pilot Project		21,063,663	2,744,995	18,318,669	1,431,086	19,749,755	22,679,713	4,104,668	26,784,381	46,534,136
Manasco, Tom	Total Tom Manasco Classes	Expense	1,149,716	60,714	1,089,001	(5,083)	1,083,918	1,762,794	(343)	1,762,451	2,846,370
		Capital	22,260,542	2,744,333	19,516,209	1,515,951	21,032,160	30,041,887	4,494,899	34,536,786	55,568,946
	Total		23,410,258	2,805,047	20,605,211	1,510,868	22,116,078	31,804,681	4,494,556	36,299,238	58,415,316

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MANASCO, TOM

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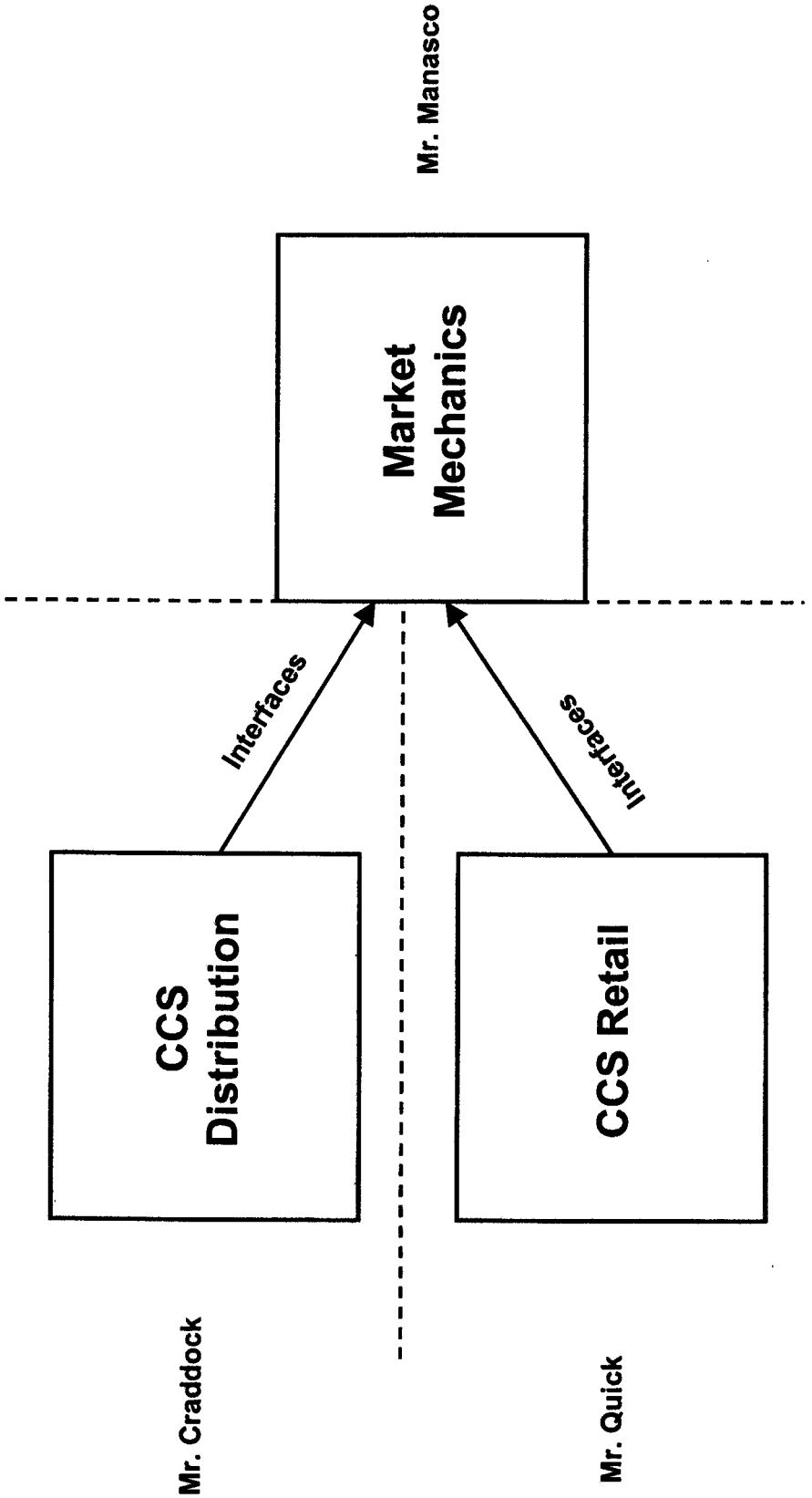
Logical Relationships Among Witnesses



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Entergy Texas Distribution
Market Mechanics

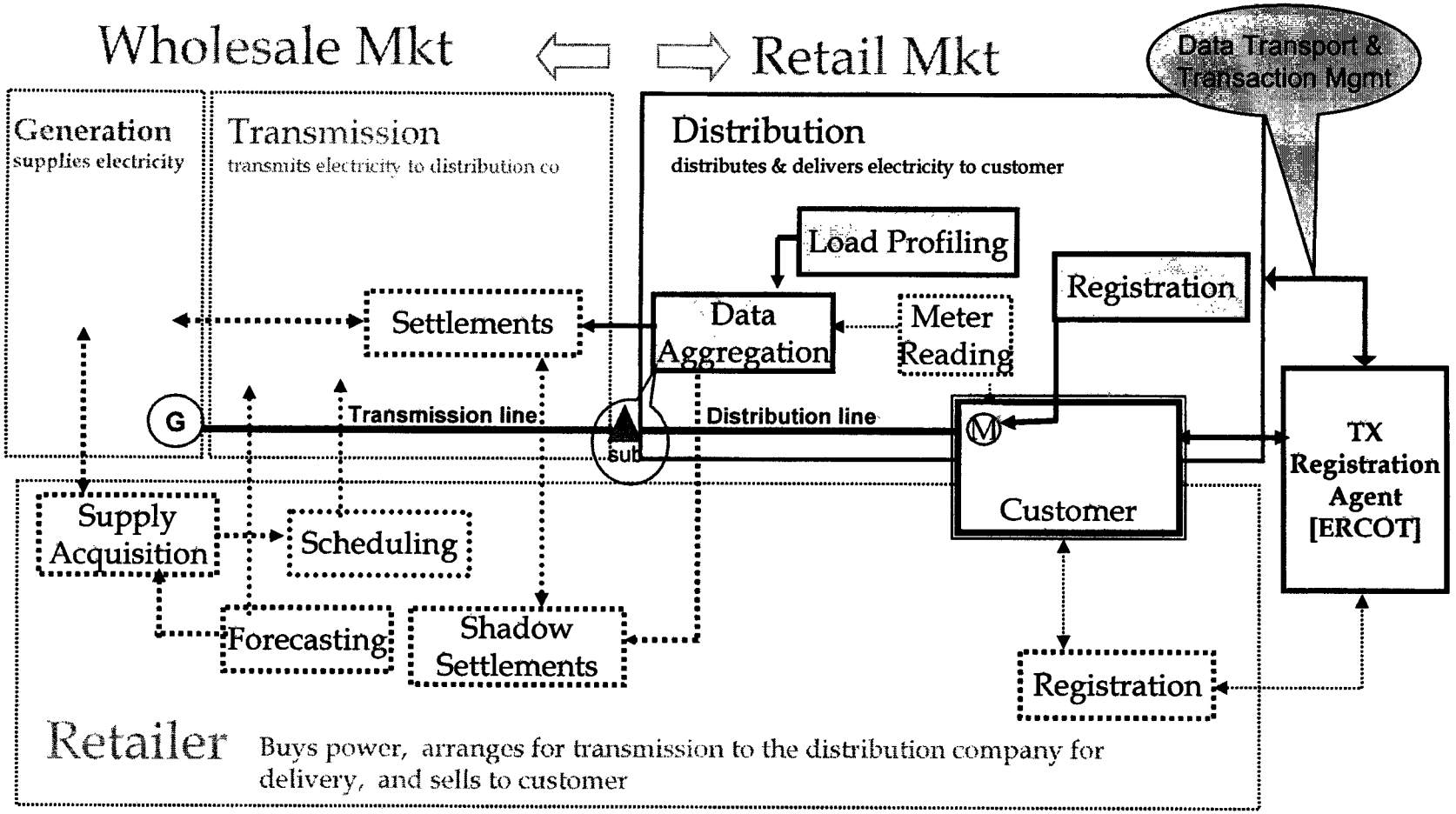
PUCT Staff Discussion

September 21, 2000

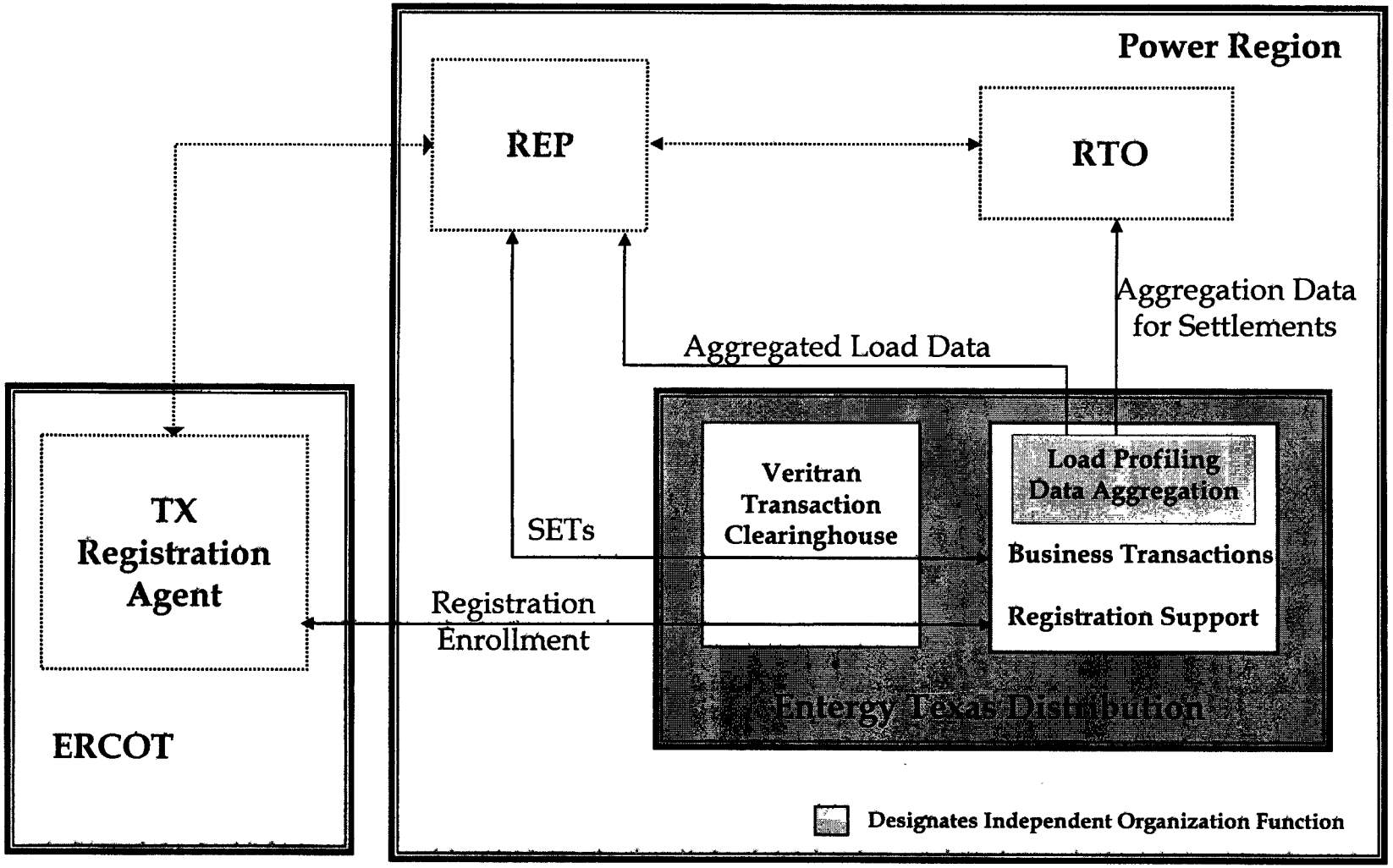
Entergy

Market Mechanics

- **the processes and systems [mechanisms] required for market participants to interact in a competitive environment.**



Entergy Texas Distribution - Market Mechanics



Entergy

TX PUCT Staff discussion 09.21.00

Exhibit TRM-02 – Market Mechanics Overview
2005 Transition to Competition Cost Case
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Entergy Texas Distribution - Load Profiling

- Analyses are being performed to determine the number and classes of profiles to be developed:
  - Anticipated number/classes of profiles:
    - 2 to 3 Residential
    - 1 Small General Service (customers with less than 5-10 kW)
    - 4 to 6 Large General/Large Power Service (may be segmented into classes by load factor, revenue classes, existing rate classes, other).
    - 2 Unmetered Services – Night-time loads (i.e. lighting) and 100% load factor loads
- Entergy will use ICF's Energy Vision 2000 (EV2K) software for profiling.
- Each customer in Entergy's GSU-TX territory will be assigned to a profile class. This assignment will be maintained in the Customer Registration Database.
- Target for developing & publishing profile information is 1/01.
- Profile information expected to be provided to REPS include:
  - Static profiles (i.e. load shapes) for each designated customer class.
  - Profile model for each profile class. This model (equation) will allow retailer to forecast loads by inserting forecasted weather into model.

Entergy Texas Distribution - Data Aggregation

- Load data will be aggregated by:
  - REP
  - Settlement Area/Node
- Customers with Interval Data Recorders (IDR) will use measured data in aggregation process.
- Line losses will be added to the customers' load during aggregation process.
- Aggregation results provided to REP and to RTO for market settlement purposes.
- Aggregation Routine:
  - Initial Settlement - TBD by RTO
  - Final Settlement - 45 days after date of energy flow.
- Entergy will use ICF's Energy Vision 2000 (EV2K) software for data aggregation