

The following Summary Historical Financial Data presents summary financial and other data for the fiscal years ended December 31, 2000 through 2003.

Year Ended	12/31/2003	12/31/2002	12/31/2001	12/31/2000
<i>(Dollars in Thousands)</i>				
Statement of Financial Position Data				
Total assets	\$ 244,325	\$ 268,572	\$ 165,798	\$ 80,241
Capital lease obligations	-	-	741	-
Notes payable	150,000	150,000	95,000	40,000
Total debt	150,000	150,000	95,741	40,000
Unrestricted net assets	(5,095)	10,812	39,010	28,810
Total capitalization	144,905	160,812	134,751	68,810
Statement of Activity Data				
Operating revenue	\$ 97,243	\$ 65,086	\$ 65,465	\$ 43,848
Operating expense	105,050	89,165	54,164	18,441
Depreciation and amortization	38,081	31,480	11,242	289
Interest cost, gross	9,363	6,159	4,275	1,283
Lease and service contract costs	1,019	1,030	941	1,104
Change in unrestricted net assets	(15,907)	(28,198)	10,200	25,738
Other Data and Selected Financial Ratios				
EBITDA	\$ 30,284	\$ 7,401	\$ 22,543	\$ 25,696
EBITDA margin	31%	11%	34%	59%
Capital expenditures	57,148	44,833	76,881	67,586

Electricity Restructuring in Texas. A Status Report.

University of Houston Law Center

Institute for Energy, Law & Enterprise (2002?)

http://www.energy.uh.edu/documents/ELECTRICITY_RESTRUCTURING_IN_TEXAS_STATUS_REPORT.pdf

excerpts;

However, the market also experienced some problems. In particular, switching and billing problems associated with delays at ERCOT and among transmission and distribution service providers (TDSPs, which remain under cost of service regulation implemented by the PUCT) received the most publicity. In the main, it was the inability to manage an increased amount of information flow efficiently that resulted in most delays.

The pilot program in the summer of 2001 was delayed twice by almost two months mostly due to system problems at ERCOT. Once the pilot started, even with only five percent of customers allowed to switch, there were significant delays in registering the switches, and the lack of customer interest was probably a blessing.

As late as November 2002, five to ten percent of switches were still being delayed.

The main problems with billing include delays in receiving bills, multiple billing and missing bills.

In addition, as switching and registration of new move-ins are delayed, billing also delayed. Although the number of customers missing bills declined from over 250,000 in early 2002 to around 65,000 by the end of 2002 and the percentage of move-ins completed successfully has stabilized above 95 percent, a number of customers continue to have problems and file complaints with the PUCT.

Most also agree that ERCOT improved significantly. However, it took so long to fix problems in data transmission from the TDSPs to the retailers resulting in bad bills that some customers have been lost and others have decided to stay put with the Price to Beat. Some attributed most of the blame to TDSPs rather than ERCOT, however, as they were seen as delaying the information flow.

Texas News and Analysis. October 2002
National Energy Affordability and Accessibility Project.
US Department of Health and Human Services.
<http://neaap.ncat.org/news/txnews.htm>

excerpt:

As of October 2002, the following issues are of importance to Texas consumers:

The switching process

In most states, deregulated or not, traditional investor-owned utilities do the job of switching customers. In most deregulated states, an electric provider (or supplier) sends in the paperwork that authorizes the switch, and the utility makes the change. In Texas, the Electric Reliability Council of Texas (ERCOT), the power grid operator for most of the state, manages a database of all electric customers and processes all customer switch orders for all utilities. After being notified by a customer, an electric provider must contact ERCOT, which mails a verification notice to the customer and then notifies the current utility that its customer wants to switch service.

Under the traditional utility system, a new customer received service within 24 to 48 hours after requesting it. Under the new, more complicated system, the process can take up to between 30 and 45 days, including timing for a final meter read. Customers who are moving from one place to another must make sure that they have service well before they move.

The ERCOT system has also led to billing backlogs. ERCOT's chief executive admitted in June that as many as 300,000 bills had been lost or delivered late because of computer errors. Most of these were for people who had moved, rather than those who had changed electric providers. Part of the problem is the path that the billing process must follow before a statement reaches the customer: The transmission and distribution company reads the meter and sends the usage data to ERCOT, which sends it on to the electric provider, which then bills the customer.

ERCOT has announced that it will upgrade its computer systems by this fall to deal with the billing and switching logjams. Until those systems are bug-free, the agency continues to rely heavily on "manual workarounds" -- ERCOT staff send customer data, usually in the form of spreadsheets, to the distribution companies and ask them to verify it.

To meet its obligations, ERCOT has vastly increased its staffing levels. One hundred new employees have been recruited over the past 10 months, another 100 will be employed over the next year, and the agency expects to have a staff of around 400 by the end of 2003.

Not surprisingly, ERCOT has also requested a hefty increase in its funding. Currently funded by an average 22-cent monthly fee on residential electric bills, ERCOT has asked the PUC to allow it to increase the fee to 33 cents per residential customer, based on average usage.

The agency's enormously increased spending has not escaped the notice of consumer advocates. The Texas Legal Services Center (TLSC) and the Texas Office of Public Utility Counsel, an independent state agency that represents the interests of residential and small business customers, have both criticized ERCOT for what they say are excessive expenditures on advertising, promotional goods, printing, corporate events and sponsorships. In June, the agency agreed to a settlement that will redirect \$5.2 million into projects designed to correct technical defects. ERCOT also agreed to hire an internal auditor, answerable to its board of directors, and to limit spending on promotion, parties and marketing.

Electricity deregulation causes IT problems in Texas

News Story by Michael Meehan

<http://www.computerworld.com/printthis/2002/0,4814,71495,00.html>

MAY 27, 2002 (COMPUTERWORLD) - Energy deregulation in Texas has hit an IT snag, as the agency in charge of the state's electricity grid operation last week brought in a for-hire CIO company to fix problems that have caused persistent customer service delays.

The Electric Reliability Council of Texas Inc. (ERCOT) has hired The Feld Group Inc. in Irving, Texas, to troubleshoot system problems that have arisen around switching customers to new service providers and issuing bills in a timely manner.

Starting Jan. 1, Austin, Texas-based ERCOT became responsible for every service order in its region, which covers about 85% of the state. While other deregulated states have made individual power

companies responsible for the orders, Tom Noel, president and CEO of ERCOT, said his company is experiencing the growing pains of being the first major central authority to undertake this type of work.

"Things were supposed to come into our systems in a certain sequence," he said. "What we're finding is people can't respond in the sequence that was expected. We need to make it bulletproof."

According to Noel, ERCOT's problems center on the handling of aberrant data, out-of-sequence transactions and legacy systems that are dependent on transaction flows.

He said that out of ERCOT's 5.5 million customers, about 200,000 to 300,000 are experiencing problems.

The Feld Group, which has performed CIO duties for First Data Corp., Delta Air Lines Inc. and PepsiCo Inc., was hired in April to perform a 30-day examination of ERCOT's IT systems. The Feld Group's report called for better error detection, data validation as information travels across ERCOT's systems, and a simpler method for companies doing business with ERCOT to share their data.

Most important, the report suggested "ensuring the ability to reliably deliver, receive, trace and provide status of all transactions in and out of ERCOT."

The Feld Group has been signed to a six-month contract to oversee the company's systems upgrade.

"It may be that we can fix these problems ourselves, but it would take longer, and we want this done quick and done right," Noel said.

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Texas PUC report to Texas Legislature Jan 2003

http://www.puc.state.tx.us/electric/reports/scope/2003/2003scope_elec.pdf

Legislature doesn't meet again until 2005

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Standard Form Transmission and/or Distribution Service Provider Agreement
Between
Entergy Gulf States, Inc.
And
Electric Reliability Council of Texas, Inc.

This Transmission and/or Distribution Service Provider Agreement ("Agreement"), effective as of the twenty-fifth of January, 2001 ("Effective Date"), is entered into by and between Entergy Gulf States, Inc., a Texas corporation ("Participant") and Electric Reliability Council of Texas, Inc., a Texas non-profit corporation ("ERCOT").

Recitals

WHEREAS:

- A. Participant is a Transmission and/or Distribution System Provider ("TDSP") as defined in the ERCOT Protocols;
- B. ERCOT is the Independent Organization certified under PURA §39.151 for the ERCOT Region; and
- C. The Parties enter into this Agreement in order to establish the terms and conditions by which ERCOT and Participant will discharge their respective duties and responsibilities under the ERCOT Protocols.

Agreements

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, ERCOT and Participant (the "Parties") hereby agree as follows:

Section 1. Notice.

All notices required to be given under this Agreement shall be in writing, and shall be deemed delivered three days after being deposited in the U.S. mail, first class postage prepaid, registered (or certified) mail, return receipt requested, addressed to the other Party at the address specified in this Agreement or shall be deemed delivered on the day of receipt if sent in another manner requiring a signed receipt, such as courier delivery or Federal Express delivery. Either Party may change its address for such notices by delivering to the other Party a written notice referring specifically to this Agreement. Notices required under the ERCOT Protocols shall be in accordance with the applicable Section of the ERCOT Protocols.

If to ERCOT:

Electric Reliability Council of Texas, Inc.
7200 North MoPac Expressway, #260
Austin, Texas 78731-2563
Tel No. (512) 343-7215

If to Participant:
Entergy Gulf States, Inc.
919 Congress Av Suite 840
Austin, TX 78701

Section 2. Definitions.

- A. Unless herein defined, all definitions and acronyms found in the ERCOT Protocols shall be incorporated by reference into this Agreement.
- B. "ERCOT Protocols" shall mean the document adopted by ERCOT, including any attachments or exhibits referenced in that document, as amended from time to time that contains the scheduling, operating, planning, reliability, and settlement (including customer registration) policies, rules, guidelines, procedures, standards, and criteria of ERCOT. For the purposes of determining responsibilities and rights at a given point in time, the ERCOT Protocols, as amended in accordance with the change procedure(s) described in the ERCOT Protocols, in effect at the time of the performance or non-performance of an action, shall govern with respect to that action.

Section 3. Term and Termination.

- A. Term. The initial term ("Initial Term") of this Agreement shall commence on the Effective Date and continue until the next March 31, or until March 31, 2002, whichever is later. After the Initial Term, this Agreement shall automatically renew for one-year terms (a "Renewal Term") unless the standard form of this Agreement contained in the ERCOT Protocols has been modified by a change to the ERCOT Protocols. If the standard form of this Agreement has been so modified, then this Agreement will terminate at the end of the Initial Term or Renewal Term in which such modification occurred. This Agreement may also be terminated during the Initial Term or the then-current Renewal Term in accordance with this Agreement.
- B. Termination by Participant. Participant may, at its option, terminate this Agreement: (a) immediately upon the failure of ERCOT to continue to be certified by the PUCT as the Independent Organization under PURA §39.151 without the immediate certification of another Independent Organization under PURA §39.151, or (b) for any other reason at any time upon thirty days written notice to ERCOT.

- C. Effect of Termination and Survival of Terms. If this Agreement is terminated by a Party pursuant to the terms hereof, the rights and obligations of the Parties hereunder shall terminate, except that the rights and obligations of the Parties that have accrued under this Agreement prior to the date of termination shall survive.

Section 4. Representations, Warranties, and Covenants.

A. Participant represents, warrants, and covenants that:

- (1) Participant is duly organized, validly existing and in good standing under the laws of the jurisdiction under which it is organized and is authorized to do business in Texas;
- (2) Participant has full power and authority to enter into this Agreement and perform all of Participant's obligations, representations, warranties, and covenants under this Agreement;
- (3) Participant's past, present and future agreements or Participant's organizational charter or bylaws, if any, or any provision of any indenture, mortgage, lien, lease, agreement, order, judgment, or decree to which Participant is a party or by which its assets or properties are bound do not materially affect performance of Participant's obligations under this Agreement;
- (4) The execution, delivery and performance of this Agreement by Participant have been duly authorized by all requisite action of its governing body;
- (5) Participant has obtained, or will obtain prior to beginning performance under this Agreement, all licenses, registrations, certifications, permits and other authorizations and has taken, or will take prior to beginning performance under this Agreement, all actions required by applicable laws or governmental regulations except licenses, registrations, certifications, permits or other authorizations that do not materially affect performance under this Agreement;
- (6) Participant is not in violation of any laws, ordinances, or governmental rules, regulations or order of any Governmental Authority or arbitration board materially affecting performance of this Agreement and to which it is subject;
- (7) Participant acknowledges that it has received and is familiar with the ERCOT Protocols; and
- (8) Participant acknowledges and affirms that the foregoing representations, warranties, and covenants are continuing in nature throughout the term of this Agreement. For purposes of this Section, "materially affecting performance" means resulting in a materially adverse effect on Participant's performance of its obligations under this Agreement.

B. ERCOT represents, warrants, and covenants that:

- (1) ERCOT is the Independent Organization certified under PURA §39.151 for the ERCOT Region;
- (2) ERCOT is duly organized, validly existing and in good standing under the laws of Texas, and is authorized to do business in Texas;
- (3) ERCOT has full power and authority to enter into this Agreement and perform all of ERCOT's obligations, representations, warranties, and covenants under this Agreement;
- (4) ERCOT's past, present and future agreements or ERCOT's organizational charter or bylaws, if any, or any provision of any indenture, mortgage, lien, lease, agreement, order, judgment, or decree to which ERCOT is a party or by which its assets or properties are bound do not materially affect performance of ERCOT's obligations under this Agreement;
- (5) The execution, delivery and performance of this Agreement by ERCOT have been duly authorized by all requisite action of its governing body;
- (6) ERCOT has obtained, or will obtain prior to beginning performance under this Agreement, all licenses, registrations, certifications, permits and other authorizations and has taken, or will take prior to beginning performance under this Agreement, all actions required by applicable laws or governmental regulations except licenses, registrations, certifications, permits or other authorizations that do not materially affect performance under this Agreement;
- (7) ERCOT is not in violation of any laws, ordinances, or governmental rules, regulations or order of any Governmental Authority or arbitration board materially affecting performance of this Agreement and to which it is subject; and
- (8) ERCOT acknowledges and affirms that the foregoing representations, warranties, and covenants are continuing in nature throughout the term of this Agreement. For purposes of this Section, "materially affecting performance" means resulting in a materially adverse effect on ERCOT's performance of its obligations under this Agreement.

Section 5. Participant Obligations.

- A. Participant shall comply with, and be bound by, all ERCOT Protocols as they pertain to operation as a Transmission and/or Distribution Service Provider.

- B. Participant shall not take any action, without first providing written notice to ERCOT and reasonable time for ERCOT and Market Participants to respond, that would cause a Market Participant within the ERCOT Region that is not a "public utility" under the Federal Power Act or ERCOT itself to become a "public utility" under the Federal Power Act or become subject to the plenary jurisdiction of the Federal Energy Regulatory Commission.

Section 6. ERCOT Obligations.

- A. ERCOT shall comply with, and be bound by, all ERCOT Protocols.
- B. ERCOT shall not take any action, without first providing written notice to Participant and reasonable time for Participant and other Market Participants to respond, that would cause Participant, if Participant is not a "public utility" under the Federal Power Act, or ERCOT itself to become a "public utility" under the Federal Power Act or become subject to the plenary jurisdiction of the Federal Energy Regulatory Commission. If ERCOT receives any notice similar to that described in Section 5.B. from any Market Participant, ERCOT shall provide notice of same to Participant.

Section 7. Default.

A. Event of Default.

- (1) Except as excused under subsection (4) below, the occurrence and continuation of a material breach of this Agreement by Participant, including any material failure by Participant to comply with the ERCOT Protocols, if such material breach is not corrected within 14 calendar days (or as extended under subsection (3) below) after delivery by ERCOT to Participant of written notice of such material breach by Participant or if such material breach, regardless of whether such material breach is corrected within the allotted time after notice of the material breach, occurs more than three (3) times for the same type of material breach within a rolling 12-month period, shall constitute a Default by Participant.
- (2) Except as excused under subsection (4) below, the occurrence and continuation of a material breach of this Agreement by ERCOT, including any material failure by ERCOT to comply with the ERCOT Protocols, if such material breach is not corrected within 14 calendar days (or as extended under subsection (3) below) after delivery by Participant to ERCOT of written notice of such material breach by ERCOT or if such material breach, regardless of whether such breach is corrected within the allotted time after notice of the material breach, occurs more than three (3) times for the same type of breach within a rolling 12-month period, shall constitute a Default by ERCOT.

- (3) For any material breach other than the payment of money, the breach shall not result in a Default if the breach cannot reasonably be cured within 14 calendar days, and if the breaching Party begins work or other efforts to cure the breach within 14 calendar days after delivery of the notice to the breaching Party and then prosecutes the curative work or efforts with reasonable diligence until the curative work or efforts are completed.
- (4) If, due to a Force Majeure Event, a Party is in breach with respect to any obligation hereunder, such breach shall not result in a Default by that Party.

B. Remedies for Default.

- (1) In the event of a Default by either Party, the non-defaulting Party has whatever remedies the non-Defaulting Party has under this Agreement, at law, or in equity, subject to the provisions of Section 9: Dispute Resolution of this Agreement.
- (2) A Default or breach of this Agreement by a Party shall not relieve either Party of the obligation to comply with the ERCOT Protocols.

C. Force Majeure.

- (1) If, due to a Force Majeure Event, either Party is in breach of this Agreement with respect to any obligation hereunder, such Party shall take reasonable steps, consistent with Good Utility Practice, to remedy such breach. If either Party is unable to fulfill any obligation by reason of a Force Majeure Event, it shall give notice and the full particulars of the obligations affected by such Force Majeure Event to the other Party in writing or by telephone (if followed by written notice) as soon as reasonably practicable, but not later than fourteen (14) calendar days, after such Party becomes aware of the event. A failure to give timely notice of the Force Majeure event shall constitute a waiver of the claim of Force Majeure Event. The Party experiencing the Force Majeure Event shall also provide notice, as soon as reasonably practicable, when the Force Majeure Event ends.
- (2) Notwithstanding the foregoing, a Force Majeure Event does not relieve a Party of those obligations under the ERCOT Protocols that the Party can reasonably perform during the Force Majeure Event, except that the excuse from Default provided by subsection 7.A(4) above is still effective.

- D. Duty to Mitigate.** Except as expressly provided otherwise herein, each Party shall use commercially reasonable efforts to mitigate any damages it may incur as a result of the other Party's performance or non-performance of this Agreement.

Section 8. Limitation of Damages and Liability and Indemnification.

- A. EXCEPT AS EXPRESSLY LIMITED IN THIS AGREEMENT OR THE ERCOT PROTOCOLS, ERCOT OR PARTICIPANT MAY SEEK FROM THE OTHER, THROUGH APPLICABLE DISPUTE RESOLUTION PROCEDURES SET FORTH IN THE ERCOT PROTOCOLS, ANY MONETARY DAMAGES OR OTHER REMEDY OTHERWISE ALLOWABLE UNDER TEXAS LAW, AS DAMAGES FOR DEFAULT OR BREACH OF THE OBLIGATIONS UNDER THIS AGREEMENT; PROVIDED, HOWEVER, THAT NEITHER PARTY IS LIABLE TO THE OTHER FOR ANY SPECIAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES OR INJURY THAT MAY OCCUR, IN WHOLE OR IN PART, AS A RESULT OF A DEFAULT UNDER THIS AGREEMENT, A TORT, OR ANY OTHER CAUSE, WHETHER OR NOT A PARTY HAD KNOWLEDGE OF THE CIRCUMSTANCES THAT RESULTED IN THE SPECIAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES OR INJURY, OR COULD HAVE FORESEEN THAT SUCH DAMAGES OR INJURY WOULD OCCUR.
- B. With respect to any dispute regarding a Default or breach by ERCOT of its obligations under this Agreement, ERCOT expressly waives any Limitation of Liability to which it may be entitled under the Charitable Immunity and Liability Act of 1987, Tex. Civ. Prac. & Rem. Code §84.006, or successor statute.
- C. The Parties have expressly agreed that, other than subsections A and B of this Section, this Agreement shall not include any other limitations of liability or indemnification provisions, and that such issues shall be governed solely by applicable law, in a manner consistent with the Choice of Law and Venue subsection of this Agreement, regardless of any contrary provisions that may be included in or subsequently added to the ERCOT Protocols (outside of this Agreement).

Section 9. Dispute Resolution.

- A. In the event of a dispute, including a dispute regarding a Default, under this Agreement, Parties to this Agreement shall first attempt resolution of the dispute using the applicable dispute resolution procedures set forth in the ERCOT Protocols.
- B. In the event of a dispute, including a dispute regarding a Default, under this Agreement, each Party shall bear its own costs and fees, including, but not limited to attorneys' fees, court costs, and its share of any mediation or arbitration fees.

Section 10. Miscellaneous.

- A. Choice of Law and Venue. Notwithstanding anything to the contrary in this Agreement, this Agreement shall be deemed entered into and performable solely in Texas and, with the exception of matters governed exclusively by federal law, shall be governed by and construed and interpreted in accordance with the laws of the State of Texas that apply to contracts executed in and performed entirely within the State of Texas, without reference to any rules of conflict of laws. Neither Party waives primary jurisdiction as a defense; provided that any court suits regarding this Agreement shall be brought in a state or federal court located within Travis County, Texas, and the Parties hereby waive any defense of *forum non-conveniens*, except defenses under Tex. Civ. Prac. & Rem. Code §15.002(b).
- B. Assignment.
- (1) Notwithstanding anything herein to the contrary, a Party shall not assign or otherwise transfer all or any of its rights or obligations under this Agreement without the prior written consent of the other Party, which shall not be unreasonably withheld or delayed, except that a Party may assign or transfer its rights and obligations under this Agreement without the prior written consent of the other Party (if neither the assigning Party or the assignee is then in Default of any Agreement with ERCOT):
- (a) where any such assignment or transfer is to an Affiliate of the Party; or
 - (b) where any such assignment or transfer is to a successor to or transferee of the direct or indirect ownership or operation of all or part of the Party, or its facilities; or
 - (c) for collateral security purposes to aid in providing financing for itself, provided that the assigning Party will require any secured party, trustee or mortgagee to notify the other Party of any such assignment. Any financing arrangement entered into by either Party pursuant to this Section will provide that prior to or upon the exercise of the secured party's, trustee's or mortgagee's assignment rights pursuant to said arrangement, the secured creditor, the trustee or mortgagee will notify the other Party of the date and particulars of any such exercise of assignment right(s). If requested by the Party making any such collateral assignment to a Financing Person, the other Party shall execute and deliver a consent to such assignment containing customary provisions, including representations as to corporate authorization, enforceability of this Agreement and absence of known Defaults; notices of Default; and an opportunity for the Financing Person to cure Defaults.

- (2) An assigning Party shall provide prompt written notice of the assignment to the other Party. Any attempted assignment that violates this Section is void and ineffective. Any assignment under this Agreement shall not relieve either Party of its obligations under this Agreement, nor shall either Party's obligations be enlarged, in whole or in part, by reason thereof.
- C. No Third Party Beneficiary. Nothing in this Agreement nor any action taken hereunder shall be construed to create any duty, liability or standard of care to any third party, and no third party shall have any rights or interest, direct or indirect, in this Agreement or the services to be provided hereunder. This Agreement is intended solely for the benefit of the Parties, and the Parties expressly disclaim any intent to create any rights in any third party as a third-party beneficiary to this Agreement or the services to be provided hereunder. Nothing in this Agreement shall create a contractual relationship between one Party and the customers of the other Party, nor shall it create a duty of any kind to such customers.
- D. No Waiver. Parties shall not be required to give notice to enforce strict adherence to all provisions of this Agreement. No breach or provision of this Agreement shall be deemed waived, modified or excused by a Party unless such waiver, modification or excuse is in writing and signed by an authorized officer of such Party. The failure by or delay of either Party in enforcing or exercising any of its rights under this Agreement shall (1) not be deemed a waiver, modification or excuse of such right or of any breach of the same or different provision of this Agreement, and (2) not prevent a subsequent enforcement or exercise of such right. Each Party shall be entitled to enforce the other Party's covenants and promises contained herein, notwithstanding the existence of any claim or cause of action against the enforcing Party under this Agreement or otherwise.
- E. Headings. Titles and headings of paragraphs and sections within this Agreement are provided merely for convenience and shall not be used or relied upon in construing this Agreement or the Parties' intentions with respect thereto.
- F. Severability. In the event that any of the provisions, or portions or applications thereof, of this Agreement is finally held to be unenforceable or invalid by any court of competent jurisdiction, that determination shall not affect the enforceability or validity of the remaining portions of this Agreement, and this Agreement shall continue in full force and effect as if it had been executed without the invalid provision; provided, however, if either Party determines, in its sole discretion, that there is a material change in this Agreement by reason thereof, the Parties shall promptly enter into negotiations to replace the unenforceable or invalid provision with a valid and enforceable provision. If the Parties are not able to reach an agreement as the result of such negotiations within fourteen (14) days, either Party shall have the right to terminate this Agreement on three (3) days written notice.

- G. Entire Agreement. Any Exhibits attached to this Agreement are incorporated into this Agreement by reference and made a part of this Agreement as if repeated verbatim in this Agreement. This Agreement represents the Parties' final and mutual understanding with respect to its subject matter. It replaces and supersedes any prior agreements or understandings, whether written or oral. No representations, inducements, promises, or agreements, oral or otherwise, have been relied upon or made by any Party, or anyone on behalf of a Party, that are not fully expressed in this Agreement. An agreement, statement, or promise not contained in this Agreement is not valid or binding.
- H. Amendment. The standard form of this Agreement may only be modified through the procedure for modifying Protocols described in the ERCOT Protocols. Any changes to the terms of the standard form of this Agreement shall not take effect until a new Agreement is executed between the Parties.
- I. ERCOT's Right to Audit Participant. Participant shall keep detailed records for a period of three years of all activities under this Agreement giving rise to any information delivered to ERCOT under the ERCOT Protocols. Such records shall be retained and shall be available for audit or examination by ERCOT as hereinafter provided. ERCOT has the right during Business Hours and upon reasonable written notice and for reasonable cause to examine the records of Participant as necessary to verify the accuracy of any such information delivered under this Agreement. If any such examination reveals any inaccuracy in any such information, the necessary adjustments in such information or procedures used in supporting its ongoing accuracy will be promptly made.
- J. Participant's Right to Audit ERCOT. Participant's right to data and audit of ERCOT shall be as described in the ERCOT Protocols and shall not exceed the rights described in the ERCOT Protocols.
- K. Further Assurances. Each Party agrees that during the term of this Agreement it will take such actions, provide such documents, do such things and provide such further assurances as may reasonably be requested by the other Party to permit performance of this Agreement.
- L. Conflicts. This Agreement is subject to applicable federal, state, and local laws, ordinances, rules, regulations, orders of any Governmental Authority and tariffs. Nothing in this Agreement may be construed as a waiver of any right to question or contest any federal, state and local law, ordinance, rule, regulation, order of any Governmental Authority, or tariff. In the event of a conflict between this Agreement and an applicable federal, state, and local law, ordinance, rule, regulation, order of any Governmental Authority or tariff, the applicable federal, state, and local law, ordinance, rule, regulation, order of any Governmental Authority or tariff shall prevail, provided that Participant shall give notice to ERCOT of any such conflict affecting Participant. In the event of a conflict between the ERCOT Protocols and this Agreement, the provisions expressly set forth in this Agreement shall control.

- M. No Partnership. This Agreement may not be interpreted or construed to create an association, joint venture, or partnership between the Parties or to impose any partnership obligation or liability upon either Party. Neither Party has any right, power, or authority to enter any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other Party.
- N. Construction. In this Agreement, the following rules of construction apply, unless expressly provided otherwise or unless the context clearly requires otherwise:
- (1) The singular includes the plural, and the plural includes the singular.
 - (2) The present tense includes the future tense, and the future tense includes the present tense.
 - (3) Words importing any gender include the other gender.
 - (4) The word "shall" denotes a duty.
 - (5) The word "must" denotes a condition precedent or subsequent.
 - (6) The word "may" denotes a privilege or discretionary power.
 - (7) The phrase "may not" denotes a prohibition.
 - (8) References to statutes, tariffs, regulations or ERCOT Protocols include all provisions consolidating, amending, or replacing the statutes, tariffs, regulations or ERCOT Protocols referred to.
 - (9) References to "writing" include printing, typing, lithography, and other means of reproducing words in a tangible visible form.
 - (10) The words "including," "includes," and "include" are deemed to be followed by the words "without limitation."
 - (11) Any reference to a day, week, month or year is to a calendar day, week, month or year unless otherwise indicated.
 - (12) References to Articles, Sections (or subdivisions of Sections), Exhibits, annexes or schedules are to this Agreement, unless expressly stated otherwise.
 - (13) Unless expressly stated otherwise, references to agreements, ERCOT Protocols and other contractual instruments include all subsequent amendments and other modifications to the instruments, but only to the extent the amendments and other modifications are not prohibited by this Agreement.

- (14) References to persons or entities include their respective successors and permitted assigns and, for governmental entities, entities succeeding to their respective functions and capacities.
- (15) References to time are to Central Prevailing Time.
- O. Multiple Counterparts. This Agreement may be executed in two or more counterparts, each of which is deemed an original but all constitute one and the same instrument.

SIGNED, ACCEPTED AND AGREED TO by each undersigned signatory who, by signature hereto, represents and warrants that he or she has full power and authority to execute this Agreement.

Electric Reliability Council of Texas, Inc.:

By: Sam R. Jones

Sam R. Jones

Executive Vice President and Chief Operating Officer

Date: 1/25/01

Participant:

By: L. Barry Howell

Lewis Barry Howell

Project Manager, Regulatory Affairs-Texas

Date: 5/17/01

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Invoice Month	Year	Vendor name	Purpose	Amount Billed	Month Paid	Year Paid	Amount
June - September	2001	ERCOT	LSE Fees	\$ 340,752.93	December	2001	
October	2001	ERCOT	LSE Fees	\$ 86,584.76	December	2001	\$ 427,337.69
November	2001	ERCOT	LSE Fees	\$ 83,791.70	September	2002	
December	2001	ERCOT	LSE Fees	\$ 86,584.75	September	2002	
January	2002	ERCOT	LSE Fees	\$ 41,446.76	September	2002	
February	2002	ERCOT	LSE Fees	\$ 37,435.78	September	2002	
March	2002	ERCOT	LSE Fees	\$ 41,446.76	September	2002	
April	2002	ERCOT	LSE Fees	\$ 40,109.77	September	2002	
May	2002	ERCOT	LSE Fees	\$ 41,446.76	September	2002	
June	2002	ERCOT	LSE Fees	\$ 40,109.77	September	2002	
July	2002	ERCOT	LSE Fees	\$ 41,446.76	September	2002	
August	2002	ERCOT	LSE Fees	\$ 41,446.76	September	2002	\$ 495,265.57
September	2002	ERCOT	LSE Fees	\$ 40,109.77	October	2002	\$ 40,109.77
October	2002	ERCOT	LSE Fees	\$ 42,783.75	November	2002	\$ 42,783.75
November	2002	ERCOT	LSE Fees	\$ 40,109.77	December	2002	\$ 40,109.77
December	2002	ERCOT	LSE Fees	\$ 42,783.75	January	2003	\$ 42,783.75
January	2003	ERCOT	LSE Fees	\$ 37,789.69	February	2003	\$ 37,789.69
February	2003	ERCOT	LSE Fees	\$ 34,132.62	March	2003	\$ 34,132.62
March	2003	ERCOT	LSE Fees	\$ 37,789.69	April	2003	\$ 37,789.69
April	2003	ERCOT	LSE Fees	\$ 36,570.67	May	2003	\$ 36,570.67
May	2003	ERCOT	LSE Fees	\$ 37,789.69	June	2003	\$ 37,789.69
June	2003	ERCOT	LSE Fees	\$ 36,570.67	July	2003	\$ 36,570.67
July	2003	ERCOT	LSE Fees	\$ 37,789.69	August	2003	\$ 37,789.69
August	2003	ERCOT	LSE Fees	\$ 37,789.69	September	2003	\$ 37,789.69
September	2003	ERCOT	LSE Fees	\$ 36,570.67	October	2003	\$ 36,570.67
October	2003	ERCOT	LSE Fees	\$ 37,789.69	November	2003	\$ 37,789.69
November	2003	ERCOT	LSE Fees	\$ 36,570.67	December	2003	\$ 36,570.67
December	2003	ERCOT	LSE Fees	\$ 37,789.69	January	2004	\$ 37,789.69
January	2004	ERCOT	LSE Fees	\$ 37,789.69	February	2004	\$ 37,789.69
February	2004	ERCOT	LSE Fees	\$ 35,351.65	March	2004	\$ 35,351.65
March	2004	ERCOT	LSE Fees	\$ 37,789.69	April	2004	\$ 37,789.69
April	2004	ERCOT	LSE Fees	\$ 36,570.67	May	2004	\$ 36,570.67
May	2004	ERCOT	LSE Fees	\$ 37,789.69	June	2004	\$ 37,789.69
June	2004	ERCOT	LSE Fees	\$ 36,569.37	July	2004	\$ 36,569.37
July	2004	ERCOT	LSE Fees	\$ 37,788.35	August	2004	\$ 37,788.35
August	2004	ERCOT	LSE Fees	\$ 36,569.37	October	2004	
September	2004	ERCOT	LSE Fees	\$ 37,788.35	October	2004	\$ 74,357.72
October	2004	ERCOT	LSE Fees	\$ 37,788.35	November	2004	\$ 37,788.35
					Total		\$ 1,905,128.61

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Invoice Month	Year	Vendor Name	Purpose	Amount Paid
June	2001	IBM	Monthly Transaction Fees	\$ 113,832.00
July	2001	IBM	Monthly Transaction Fees	\$ 137,921.19
August	2001	IBM	Monthly Transaction Fees	\$ 137,211.41
September	2001	IBM	Monthly Transaction Fees	\$ 120,502.95
October	2001	IBM	Monthly Transaction Fees	\$ 153,743.72
November	2001	IBM	Monthly Transaction Fees	\$ 151,099.38
December	2001	IBM	Monthly Transaction Fees	\$ 149,466.35
January	2002	IBM	Monthly Transaction Fees	\$ 153,550.38
February	2002	IBM	Monthly Transaction Fees	\$ 139,090.07
March	2002	IBM	Monthly Transaction Fees	\$ 79,497.86
April	2002	IBM	Monthly Transaction Fees	\$ 121,696.62
May	2002	IBM	Monthly Transaction Fees	\$ 126,910.57
June	2002	IBM	Monthly Transaction Fees	\$ 118,080.50
July	2002	IBM	Monthly Transaction Fees	\$ 117,895.71
August	2002	IBM	Monthly Transaction Fees	\$ 117,865.17
September	2002	IBM	Monthly Transaction Fees	\$ 119,296.20
October	2002	IBM	Monthly Transaction Fees	\$ 118,068.31
November	2002	IBM	Monthly Transaction Fees	\$ 117,849.90
December	2002	IBM	Monthly Transaction Fees	\$ 117,254.37
January	2003	IBM	Monthly Transaction Fees	\$ 116,592.14
February	2003	IBM	Monthly Transaction Fees	\$ 115,965.04
March	2003	IBM	Monthly Transaction Fees	\$ 115,357.94
April	2003	IBM	Monthly Transaction Fees	\$ 114,884.95
May	2003	IBM	Monthly Transaction Fees	\$ 116,487.34
June	2003	IBM	Monthly Transaction Fees	\$ 115,176.57
July	2003	IBM	Monthly Transaction Fees	\$ 114,671.81
August	2003	IBM	Monthly Transaction Fees	\$ 116,990.72
September	2003	IBM	Monthly Transaction Fees	\$ 114,747.60
October	2003	IBM	Monthly Transaction Fees	\$ 113,234.39
November	2003	IBM	Monthly Transaction Fees	\$ 113,075.41
December	2003	IBM	Monthly Transaction Fees	\$ 112,900.17
Tax True up adj	2003	IBM	Monthly Transaction Fees	\$ 6,531.00
January	2004	IBM	Monthly Transaction Fees	\$ 112,691.03
February	2004	IBM	Monthly Transaction Fees	\$ 112,487.18
March	2004	IBM	Monthly Transaction Fees	\$ 112,111.14
April	2004	IBM	Monthly Transaction Fees	\$ 111,755.86
May	2004	IBM	Monthly Transaction Fees	\$ 112,348.90
June	2004	IBM	Monthly Transaction Fees	\$ 113,060.68
July	2004	IBM	Monthly Transaction Fees	\$ 112,481.45
August	2004	IBM	Monthly Transaction Fees	\$ 111,911.36
September	2004	IBM	Monthly Transaction Fees	\$ 55,955.93
Total				\$ 4,752,251.27

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Public

This exhibit contains information that is confidential and will be provided under the terms of the Protective Order (Confidentiality Disclosure Agreement) entered in this case.

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Market Mechanics Quiescence Document Master

June 6, 2002

In Folder (see footer): \MMDA RAMP DOWN UP

1. **Last Days before Ramp Down**
2. **MM EAI Components For ShutDown-StartUp**
3. **MMDist_AutoSysJobNames**
4. **mmdist_autosys_jobs**
5. **IntegrationsComponents**
6. **Shutdown**
 - **Market Mechanics Shutdown AIS-CIS Impacts-06-06**
 - **Discontinue MV90 gsumast Daily File**
 - **RE Discontinue MV90 gsumast Daily File**
 - **Shutdown Procedure for MM AutoSys Jobs**
 - **Shutdown Procedure for MM EAI Components**
 - **CompleteList1**
 - **DisableAdapters11**
 - **Clear MMDA Error Log Tables (DeleteErrorLoggerData.sql) in SQL+**
 - **VeriTRAN – (Entergy Gulf States shut down PCR Draft)**
7. **Startup**
 - **First 30 - 60 - 90 Days of Ramp Up**
 - **Reverse of Market Mechanics Shutdown AIS-CIS Impacts-06-06**
 - **Startup Procedure for MM AutoSys Jobs**
 - **Startup Procedure for MM EAI Components**
 - **Enable (DisableAdapters11)**
 - **VeriTRAN – (Entergy Gulf States shut down PCR Draft)**
8. **Account Maintenance Layout**
9. **CIS_Extract_Access_Structure**
10. **VeriTRAN Sync Reports – Fields**
11. **Ramp Up - Create Fresh Data in the VeriTRAN**
12. **Ramp Up - Create Fresh Data in the MMDA Tables**
13. **Other**
 - **Market Mechanics Distribution Ramp-Up Process to VeriTRAN-ERCOT Bring Forward**
 - **Items with Potential Impact**
 - **Archiving MeterRead Invoice**
 - **MM Data Transport and Transaction Management System Review (Transaction Flows)**
 - **MMDA - Market Mechanics Data Architecture – DASD Requirements in full ROA**

Additional documents:

In Folder (see footer): \MM-Other

Restart Activities for Load Profiling & Data Aggregation System

- Notify ICF new version of EV2K is required
- Receive/Install new version of EV2K
- Verify new version EV2K works properly
- Change security access to EV2K to reflect proper persons
- Synchronize ESI-IDs with master file to ensure current set of customers are in EV2K
- Review/update relationship-mapping tables in EV2K
 - ESI-ID mapped to CR, profile class, voltage code, weather zone, settlement node
 - Loss factors mapped to voltage codes
 - Zip codes mapped to weather zones
 - Profile class mapped to profiling methodology
 - ETR rate codes mapped to profile classes
 - Calendar dates mapped to season and day-types
- Reconnect/check data feeds to EV2K
 - Load meter consumption data from 6/1/02 to current date (option to not load interim data may be viable). Source CIS/CCS via EAI.
 - Load IDR data from 6/1/02 to current date. Source MV90/LodeStar via EAI.
 - Load WSI weather data from 6/1/02 to current date.
 - Load ETR system load data. Source ETR Transmission via EAI. (do not have to load since this data is not correct; we have been manually loading this data to EV2K.)
- Validate existing profile assignments and make assignments for new ESI-IDs; create file to pass profile assignments to ERCOT registration system.
- Validate IDRs as being NSIDR or WSIDR and update the proxy day model as appropriate
- Validate T & D line loss factors are still valid.
- Run test aggregation process.
- Validate the secure website is accessible by CR's.
- Validate the output aggregated files are being received by Transmission.
- Validate the output aggregated CR files are being placed on the secure website.
- IT create and provide control documents for details about quantity of data sent to EV2K each day.

Market Mechanics Steering Committee

03/14/02



Market Activities

- SET 1.4 (delayed implementation)
 - CCS version 3A operational
 - Target implementation date for CCS version 3B - end of April
 - Deferred 1.4 functionality (SO)
 - Planned workarounds for deferred functionality
- New Functions/Market Changes
 - SET 1.4 Emergency Changes - 5 items
 - SET 1.5 - 33 items including 2 new transactions
 - Market Testing : Sept - Oct
 - Market Implementation - 11/1/02
 - Retail will implement
 - Distribution will handle with work-arounds pending ROA ramp up
- Current thinking is that ETR ROA will not occur before June, 03.
- Minimum, if any, pilot participation until RTO Day 1, May 03.



Market Activities

■ Retail Market Protocols Project

- "Retail Protocols at stopping point until work is done on "wholesale protocols
 - Most of the retail sections reviewed by market participants
- Key Open Issues for retail market protocols (wholesale area)
 - Metering
 - UFE (component of Data Aggregation)
 - Dispute Resolution/Protocols Revision process
 - ERCOT performing Load Profiling functions statewide

■ Wholesale Market Protocols- next session

- Ancillary Services Subteam
- Resource (generation) metering protocols
- UFE Calculation, Allocation, Analyses
- T&D Losses
- Metering (especially generation metering - revenue quality)



Entergy

Market Mechanics Steering Committee- March 2002

Key Issues/Tasks

- 1.4 (Release 3A and 3B) Implementation Completion
 - Retail 1.4 is complete and will be in production next week
 - Distribution Testing underway - scheduled completion end of Apr
- SET 1.4 Emergency Changes & SET 1.5 requirements
 - deferral mode
- Retail Operations
 - eMB access/use
 - Market transactions
- CPS
 - Approval ?
 - Decision on Capitalizing Retail pilot operations

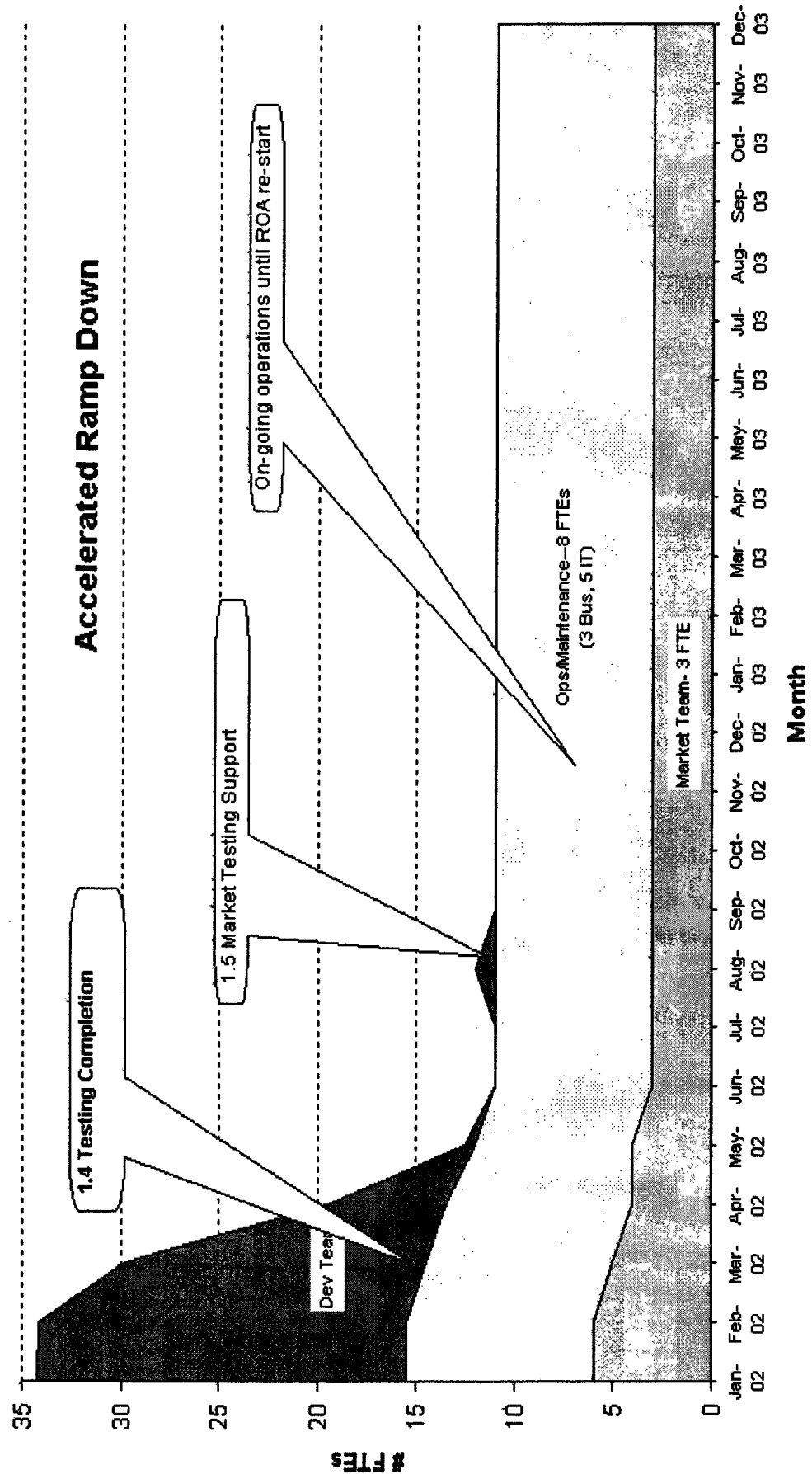


Current Planning

- 2002 MM Budget
 - Distribution Capitalized - \$10.1M
 - Distribution Development - \$7.3M
 - Distribution Maintenance - \$2.8M
 - Distribution Expensed - \$580M (ERCOT ESI-ID fees)
 - LSE (Retail) Capitalized - \$5.3M
 - Retail Development - \$5.3M
 - Retail Maintenance ~ \$0 (\$11K)
 - LSE Expensed - \$0
- Retail Target - \$ 5.3 M
 - No change: Retail ramping up for summer campaign in ERCOT Region
- Distribution Accelerated Ramp Down Pending ROA - \$6.4 M
 - Capital - \$5.8 M
 - Capitalized Operations & Maintenance ~ \$ 3.3 M
 - Development ~ \$2.5 M
 - Expense \$0.6 M (ERCOT Fees)
 - Total ~ \$6.4 M



Current Planning- Accelerated Ramp down - Distribution



Market Mechanics Steering Committee- March 2002



Distribution Accelerated Ramp down - Current Estimate

2002 Estimated Costs

Assumptions: Completion of 1.4 Testing/Implementation 5/1
All 1.5 work postponed until ROA
No ROA Ramp Up costs in 2002
Minimum Ops/Maintenance pilot support in 2002
Minimum Market Involvement for remainder of 2002

	2002 Total	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Development Capital	\$2,530,340	\$ 683,040	\$ 495,650	\$ 431,120	\$ 414,220	\$ 103,300	\$ 40,000	\$ 40,000	\$ 81,000	\$ 81,000	\$ 81,000	\$ 40,000	\$ 40,000
SAC Dev	\$ 959,340	\$ 328,040	\$ 279,650	\$ 217,120	\$ 93,220	\$ 41,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IBM Back Office ¹	\$ 479,000	\$ 212,000	\$ 73,000	\$ 86,000	\$ 108,000								
PMO (project mgmt)	\$ 140,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000								
VenTRAN 1.4 Implementation ²	\$ 230,000	\$ -	\$ -	\$ -	\$ 95,000	\$ 12,000			\$ 41,000	\$ 41,000	\$ 41,000		
Other Contract Employees	\$ 152,000	\$ 48,000	\$ 48,000	\$ 33,000	\$ 23,000								
ETR MM Team (3 FTEs after May)	\$ 570,000	\$ 80,000	\$ 80,000	\$ 60,000	\$ 60,000	\$ 50,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
Ops Capital	\$3,292,590	\$ 319,700	\$ 320,420	\$ 295,640	\$ 273,220	\$ 256,700	\$ 256,700	\$ 256,700	\$ 256,700	\$ 256,700	\$ 256,700	\$ 256,700	\$ 256,700
SAC Maintenance (4 FTEs after May)	\$ 1,098,580	\$ 135,700	\$ 140,420	\$ 115,640	\$ 93,220	\$ 76,700	\$ 76,700	\$ 76,700	\$ 76,700	\$ 76,700	\$ 76,700	\$ 76,700	\$ 76,700
BU Ops (3 FTEs after May)	\$ 360,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
VenTRAN Ops	\$ 1,804,000	\$ 154,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Expense	\$ 593,000	\$ 87,000	\$ 86,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000
ERCOT ESI_ID Fees ³	\$ 593,000	\$ 87,000	\$ 86,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000
Total Capital	\$5,792,920	\$ 1,002,740	\$ 816,080	\$ 726,760	\$ 687,440	\$ 360,000	\$ 296,700	\$ 296,700	\$ 337,700	\$ 337,700	\$ 337,700	\$ 296,700	\$ 296,700
Total Expense	\$ 693,000	\$ 87,000	\$ 86,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000
Total Dollars (Responsibility)	\$6,385,920	\$ 1,089,740	\$ 902,080	\$ 768,760	\$ 729,440	\$ 402,000	\$ 338,700	\$ 338,700	\$ 379,700	\$ 379,700	\$ 379,700	\$ 338,700	\$ 338,700
YTD-Capital		\$ 1,002,740	\$ 1,818,820										
YTD-Expense		\$ 87,000	\$ 173,000										

Footnotes: ¹ January amount includes Dec and Jan

² Includes credits from Dec PCR payments: (\$215K); Aug-Oct = Support of Market 1.5 Implementation 11/1

³ ERCOT fees - 2 month lag; rate change from 2001 to 2002



Market Mechanics Steering Committee- March 2002

Key Issues/Risks

Under current analysis/decision

- Completion of 1.4 Implementation or immediate shut-down?
- Continuation of Ops/Maintenance Team after April?
- Level of Market Involvement after April?
- minimum cost until known ROA vs jeopardizing Settlement Agreement (pilot) ?
- Analysis and Resolution to completed over the next few weeks.



**Market Mechanics Project Capital Spending Report
Actuals Ending February, 2002**

Project	Budget	Actual (Feb '02)	Actual YTD	Proj Spending (till EOY)	Current PE/Actual
FY 2000 - CPS AI6026	6,500,000				4,813,294
Wires Delivery Implementation (TTTCAT)	5,400,000				4,323,676
LSE Functions Implementation (RMMTEX)	1,100,000				489,618
FY 2001 - CPS AI6026	8,070,000				27,396,490
Wires Delivery Implementation (TTTCAT)	5,570,000				18,752,287
LSE Functions Implementation (RMMTEX)	2,500,000				8,644,203
FY 2002 - CPS AI6026	15,377,443	161,568	922,664	14,454,729	15,377,443
Wires Delivery Implementation	7,321,757	42,659	542,160	6,779,597	7,321,757
SET 1.4 Implementation/CCS Delay (CEA xxxxxx)	450,000	513,450	421,410	28,600	450,000
SET 1.4 Fixes/Market Participation (CEA xxxxxx)	1,818,391		0	1,818,391	1,818,391
SET 1.5 Implementation (CEA xxxxxx)	2,191,969		0	2,191,969	2,191,969
ROA Transition/Storm Period Support (CEA xxxxxx)	895,481		0	895,481	895,481
Other Items (Outage, Infrastructure, MP testing, protocols, etc)	1,965,916	29,209	120,850	1,845,066	1,965,916
LSE Functions Implementation	5,270,102	398,851	340,388	4,929,714	5,270,102
SET 1.4 Implementation/CCS Delay (CEA xxxxxx)	400,000	2,389,206	289,774	110,221	400,000
SET 1.4 Fixes/Market Participation (CEA xxxxxx)	1,272,874		0	1,272,874	1,272,874
SET 1.5 Implementation (CEA xxxxxx)	1,534,379		0	1,534,379	1,534,379
Forecasting (CEA xxxxxx)	600,000	13,629	13,829	586,171	600,000
ROA Transition/Storm Period Support (CEA xxxxxx)	626,837		0	626,837	626,837
Other Items (Infrastructure, etc)	836,013	15,816	36,780	799,233	836,013
Pilot Operations	2,785,584	20,058	40,116	2,745,468	2,785,584
Wires Delivery (CEA xxxxxx)	2,773,725	20,058	40,116	2,733,609	2,773,725
LSE Functions (CEA xxxxxx)	11,859	0	0	11,859	11,859
Total - CPS AI6026	29,947,443				47,587,226
Wires Delivery Implementation	18,291,757				30,397,720
Wires Delivery Pilot Operations	2,785,584				2,785,584
LSE Functions Implementation	8,870,102				14,403,923

Market Mechanics Steering Committee- March 2002



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R7 -1

Page 1 of 1

MANASCO, THOMAS R

From: MANASCO, THOMAS R

Sent: Thursday, April 17, 2003 3:57 PM

To: ROBERTS, TERRY A; RIVIN, JOHNNY C

Cc: ALPHONSO, WAYNE M; DUNKLEBERGER, TOMM A; MAILLARD, PAMELLAH; SNYDER, BRENDA K

Subject: Small pilot costs estimates for Phase I. Update

Privileged and Confidential

Terry/Johney,

Attached are updated cost estimate ranges re the incremental cost to complete Phase II. (Now) 5 different options have been considered, ranging from using the WAS and spreadsheets, MM and spreadsheets, and MM and CCS for supporting only ~ 100 ESI-IDs for minimum basic functionality, including continued use of CCS for non-billing related work processes such as service orders, under new options 4A and 4B. Secondly, additional costs related to VENTRAN have been, if not eliminated, at least deferred to some future date.

After extensive work, the reasonable cost of Phase II at this point now appears to be approximately \$75K - \$125K. The team has reached a point of diminishing returns in trying to further reduce costs, and no further work is planned by the team.

Even though option 4B is the now the least costly implementation, the cost savings are quickly "lost" due to the additional business FTEs needed to effect the manual workarounds. The overwhelming concurrence of the affected business groups, as well as Distribution's System Service Solutions, is that Option 3 (use of existing MM/CCS) should be implemented to support the pilot involvement with fallback to Options 4B or 4A if significant time issues or costs emerge with the implementation of Option 3. This will be the plan of action IF there is a need to implement.

Implementation will NOT begin until switch requests have been received by ETR distribution, and approval to execute the solution is obtained. Considering the current protocol issues and impending PUCT hearing, as well as the fact that the potential CTS accounts (schools) are close to their summer recess, it is highly unlikely that we will see any switching activity in the near future.

Tom

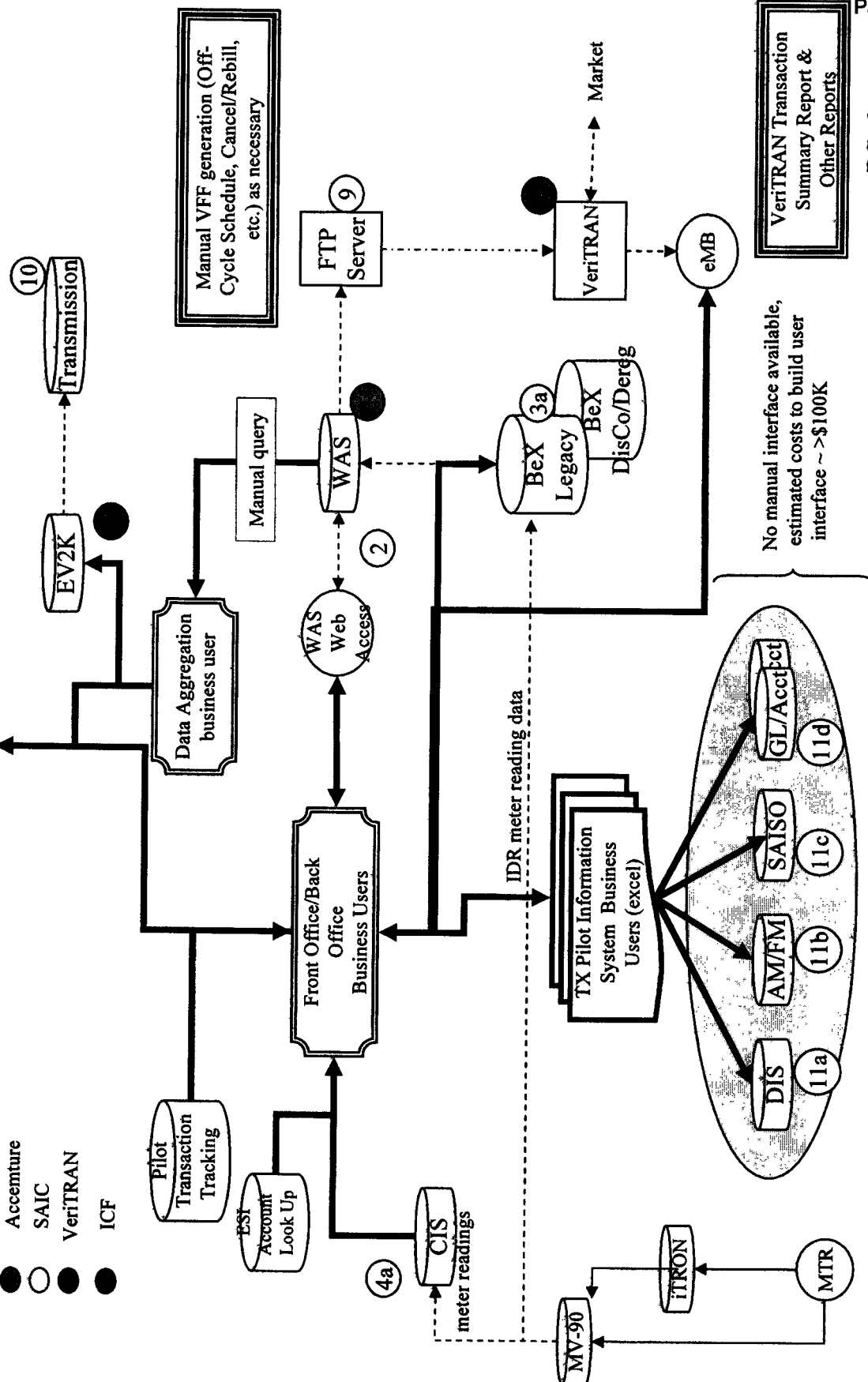
7/29/2005

R7 -2

Solutions for small pilot operations - R7

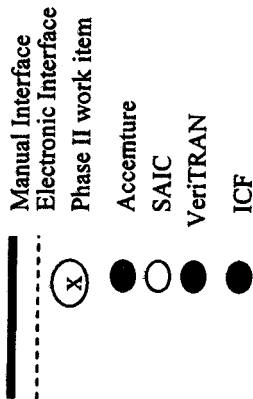
- **Small pilot:**
 - ~ 100 Commercial ESI-IDs, including ~ 6 IDR accounts
 - basic business processes (switch, meter reading, invoice, payment, account maintenance, data aggregation)
- **Five Options examined for continuation**
 - Option 1: Using WAS & Excel spreadsheets for pilot customer “information system”
 - Option 2: Using MM & Excel spreadsheets for pilot customer “information system”
 - Option 3: Using MM and CCS
 - Option 4A: Using CIS, WAS, and Excel Spreadsheets
 - Option 4B: Using CIS, MM systems, Excel Spreadsheets
- **Phase I Cost: (Vendor incremental costs only)**
 - WAS update - \$25K
- **Phase II Estimate Cost Range: (Vendor/business incremental costs only)**
 - Option 1: \$ 181K - \$ 303K (midpoint: \$ 242K) (monthly : \$73K)
 - Option 2: \$ 149K - \$ 248K (midpoint: \$ 196K) (monthly: \$75K)
 - Option 3: \$ 90K - \$ 150K (midpoint: \$ 120K) (monthly: \$24K)
 - Option 4A: \$ 72K - \$ 120K (midpoint: \$ 96K) (monthly: \$71K)
 - Option 4B: \$ 46K- \$ 76K (midpoint: \$ 61K) (monthly: \$73K)
- **Summary**
 - Analyses suggest reasonable estimate to complete Phase II is ~ \$100K for “out-of-pocket” costs.
 - Recommended solution is Option 3; builds on existing systems, and leverages into Phase III, and reduces incremental business costs (expanded use of MM and CCS), with a fall-back to Option 4B/4A if problems/increasing costs develop with CCS and/or MM systems under Option 3.
 - Each Option has inherent, but relatively comparable risks and will have unknown “break/fix” costs.

Option 1: Small Pilot using WAS & excel

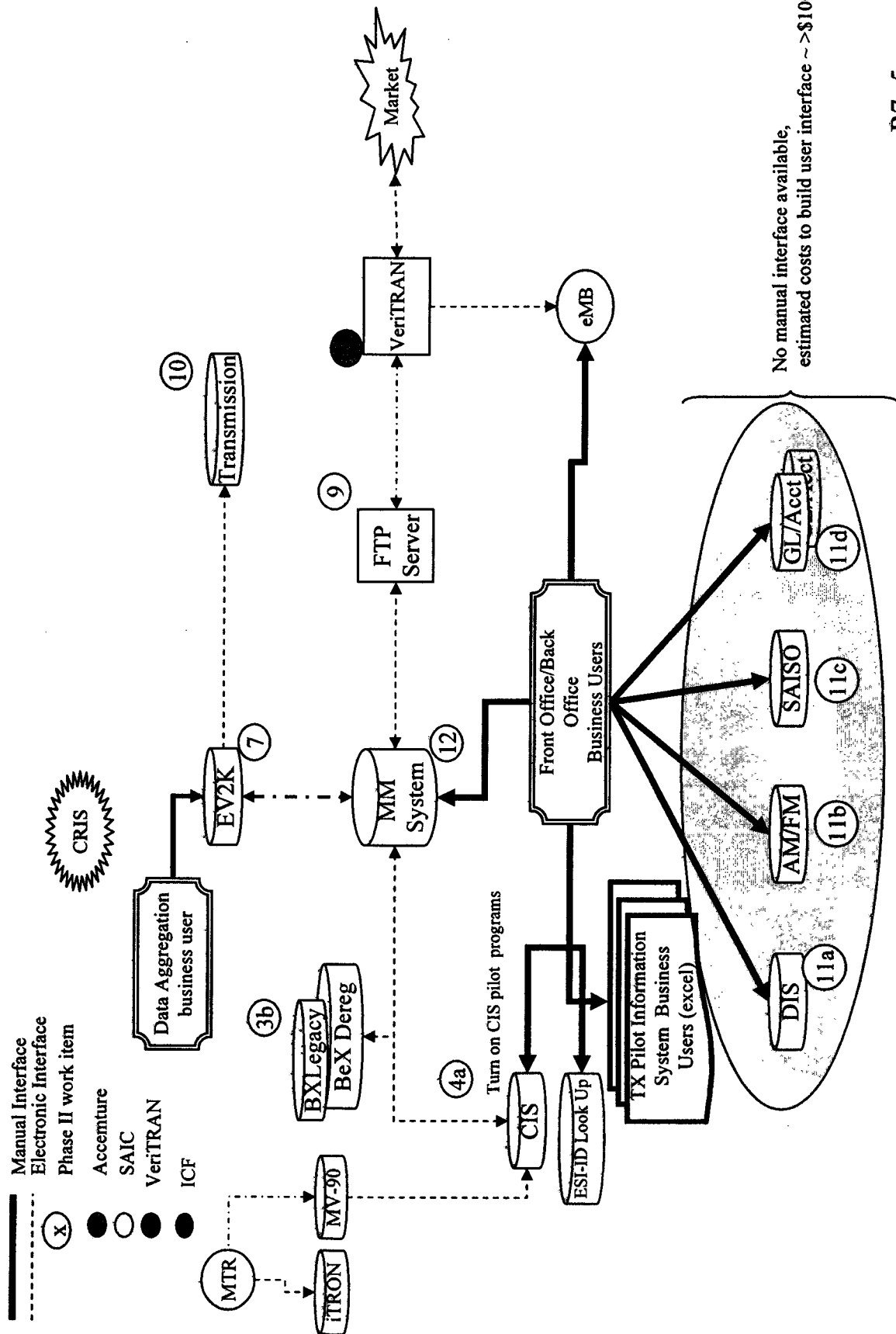


R7 -3

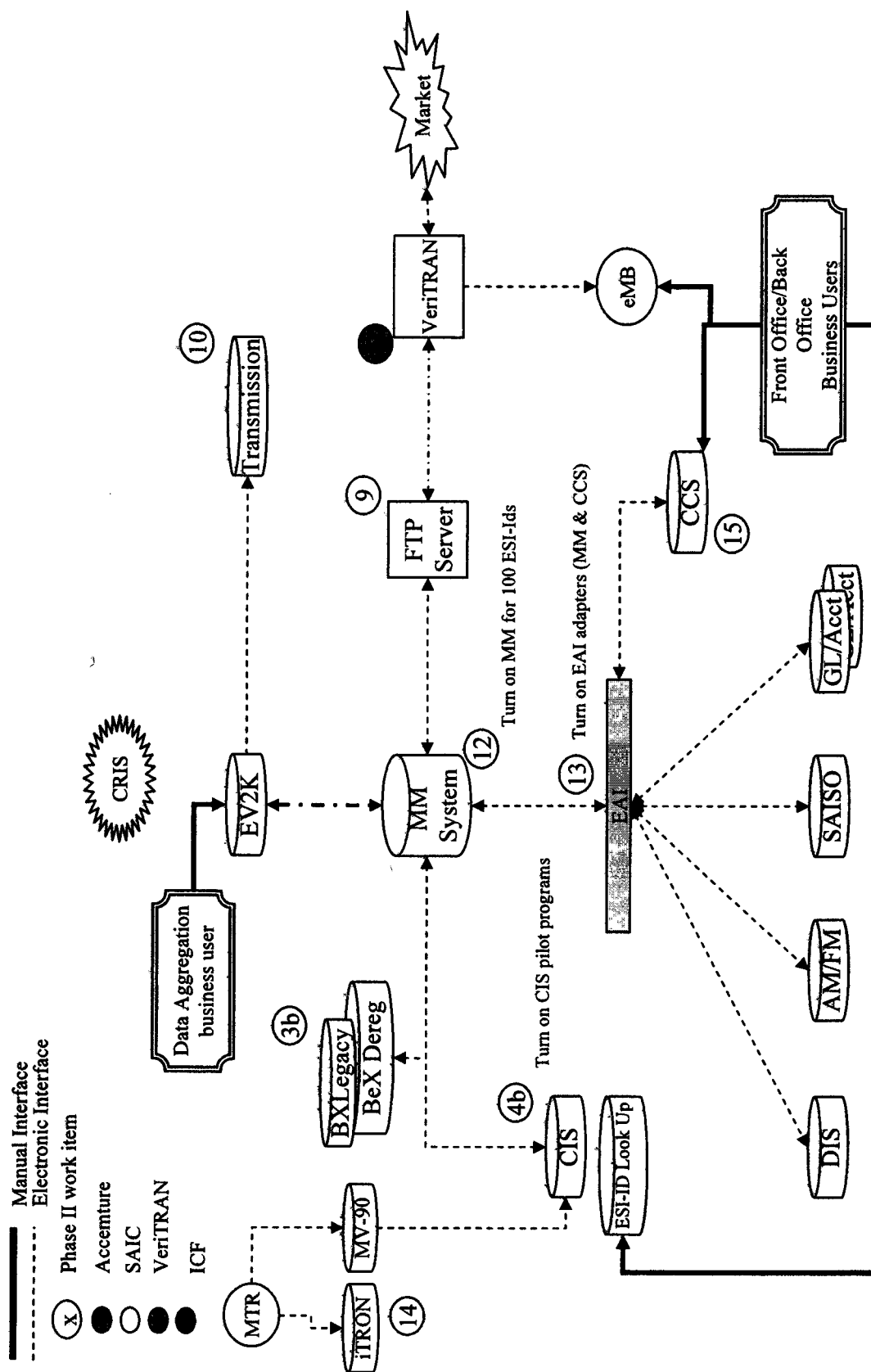
AIS-OM supports outages with CIS in pending final



Option 2: Small Pilot using MM systems & Excel

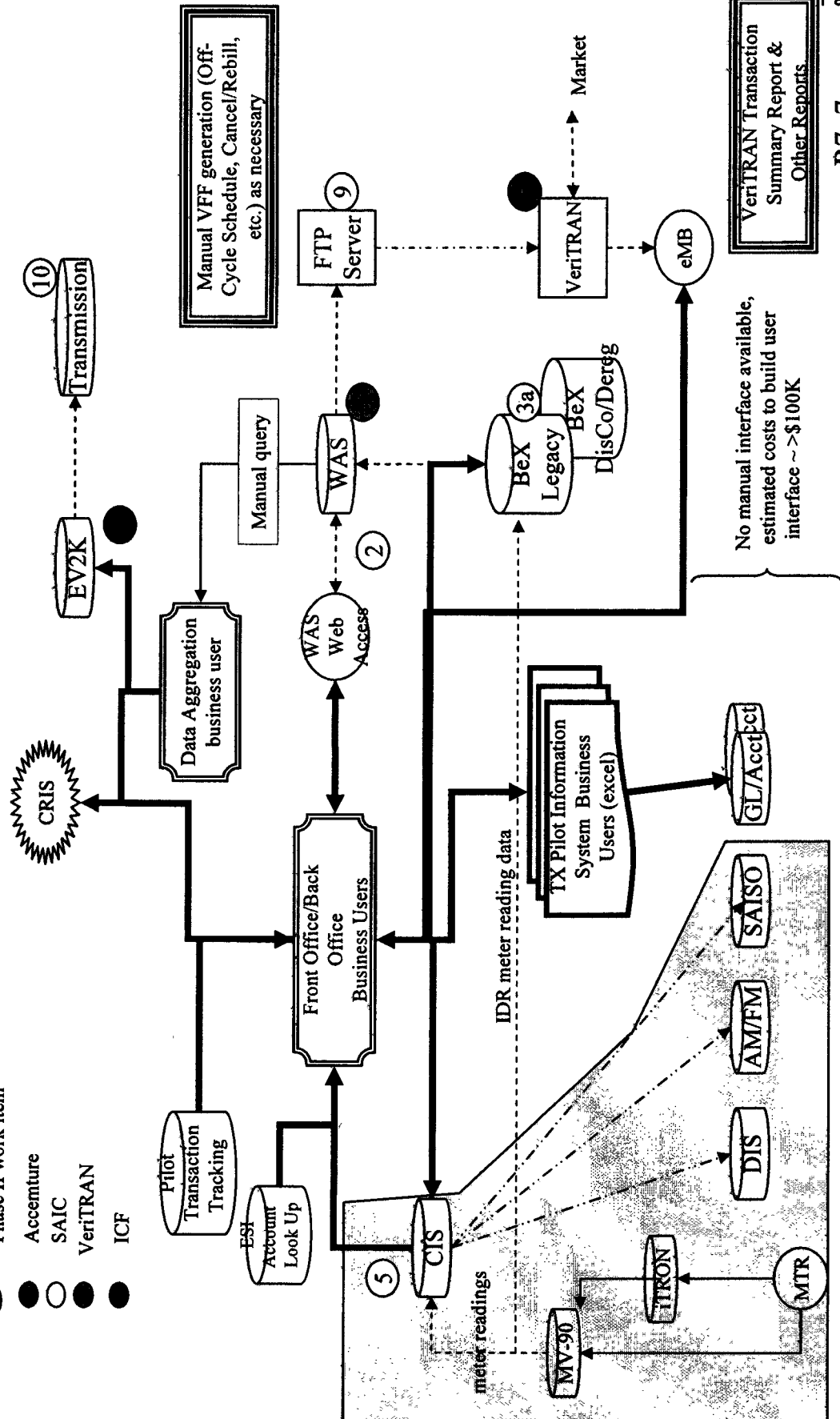
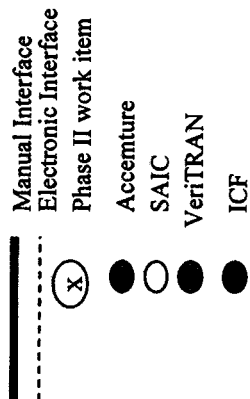


Option 3: Small Pilot using MM systems & CCS



R7 -6

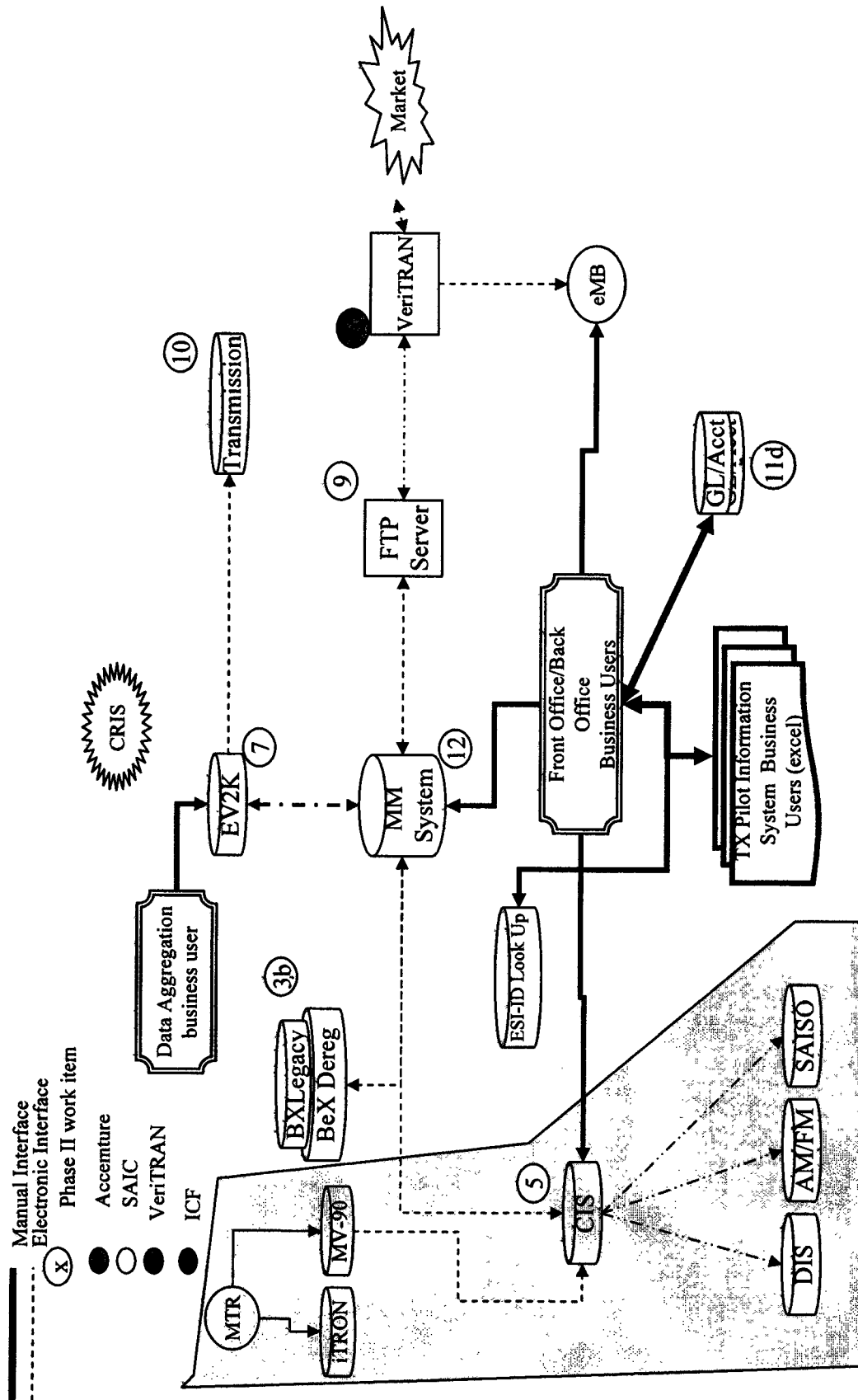
Option 4A: Small Pilot using "Tyson Solution", WAS & excel



R7 -7

R7 -8

Option 4B: Small Pilot using "Tyson Solution", MM systems & Excel



Cost Estimates (incremental) small pilot

Phase II Incremental cost estimate

Item #	Task Description	Vendor	Option 1	Option 2	Option 3	Option 4A	Option 4B
1	upgrade WAS to SET 1.5	Acc	\$ 38,000			\$ 38,000	
2	install WAS on ETR site	SAIC	\$ 3,640			\$ 3,640	
3a	BeX spreadsheet interface	SAIC	\$ 2,704			\$ 2,704	
3b	Bex- modify config file	SAIC		\$ 728	\$ 728		\$ 728
4a	set up acct disposition in CJS	SAIC					
4b	turn on CJS pilot programs	SAIC	\$ 67,488	\$ 67,488	\$ 67,488		
5	Consumption use history	SAIC					\$ 8,230
6	upgrade client rules	VeriTRAN	\$ 42,230	\$ 42,230	\$ 42,230	\$ 42,230	\$ 42,230
7	manual interface to EV2K	ICF	\$ 6,000			\$ 6,000	
8	not used						
9	turn on FTP server	SAIC	\$ 3,706	\$ 3,706	\$ 3,706	\$ 3,706	\$ 3,706
10	check transmission server	SAIC					
11a	DIS interface	SAIC	\$ 21,200	\$ 21,200			
11b	AM/FM interface	SAIC	\$ 25,440	\$ 25,440			
11c	SAISO interface	SAIC	\$ 31,800	\$ 31,800			
11d	GL interface	SAIC					
12	turn on MM systems for 100 ESI-IDs	SAIC		\$ 6,006	\$ 6,006		\$ 6,006
13	turn on MM and CCS adapters(included in 12)	SAIC			\$ 6,674		
14	turn on iTRON for CCS metering info	SAIC			\$ 3,750		
15	set up acct/device info in CCS						
16	not used	ETR					
Total Estimate			\$ 242,208	\$ 198,598	\$ 120,158	\$ 96,280	\$ 60,900
low range			\$ 181,656	\$ 148,949	\$ 90,119	\$ 72,210	\$ 45,675
high range			\$ 302,760	\$ 248,248	\$ 150,198	\$ 120,350	\$ 76,125
vendor VeriTRAN			\$ 42,230	\$ 42,230	\$ 42,230	\$ 42,230	\$ 42,230
SAIC			\$ 155,978	\$ 156,368	\$ 77,928	\$ 10,050	\$ 10,440
ACC			\$ 38,000			\$ 38,000	
ICF			\$ 6,000			\$ 6,000	
less legacy interfaces 11a-11d IF manual workarounds are found			\$ 242,208	\$ 198,598	\$ 120,158	\$ 96,280	\$ 52,670
			\$ 78,440	\$ 78,440			
			\$ 163,768	\$ 120,158	\$ 120,158	\$ 96,280	\$ 52,670
On-going monthly costs							
SAIC			\$ 4,921	\$ 23,674	\$ 23,674	\$ 2,945	\$ 21,698
ACC			\$ 16,800			\$ 16,800	
CCS Maintenance							
incremental business (4 ftes)			\$ 51,000	\$ 51,000	\$ -	\$ 51,000	\$ 51,000
			\$ 72,721	\$ 74,674	\$ 23,674	\$ 70,745	\$ 72,698

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DOCKET NO. _____

APPLICATION OF ENTERGY	§	PUBLIC UTILITY COMMISSION
GULF STATES, INC. FOR	§	
RECOVERY OF TRANSITION TO	§	
COMPETITION COSTS	§	OF TEXAS

DIRECT TESTIMONY

OF

KAREN M. RADOSEVICH

ON BEHALF OF

ENTERGY GULF STATES, INC.

AUGUST 2005

SUMMARY OF DIRECT TESTIMONY OF KAREN M. RADOSEVICH

Karen M. Radosevich is a Supervisor for Entergy Gulf States, Inc. in the Customer Relations group. She is the lead for implementing energy efficiency programs in Entergy Gulf States' Texas service area.

Senate Bill 7 (1999) and the Commission Substantive Rules required Entergy Gulf States to develop and then implement programs so that customers would have options to make their homes and businesses more energy efficient. These requirements, and the associated costs, arose after the Commission established Entergy Gulf States' current base rates. During the six-year Transition to Competition cost period, Entergy Gulf States spent \$6.2 million on these energy efficiency programs. Of this amount, \$5.4 million was for Entergy Gulf States' incentive payments to energy efficiency vendors who qualified for payments under the Commission's Energy Efficiency Rule. In her testimony, Ms. Radosevich describes these programs, provides details about the expenditures, and explains Entergy Gulf States' success in making substantial progress towards meeting its energy efficiency goal.

DOCKET NO. _____

APPLICATION OF
ENTERGY GULF STATES, INC.
FOR RECOVERY OF
TRANSITION TO COMPETITION COSTS

DIRECT TESTIMONY OF KAREN M. RADOSEVICH

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