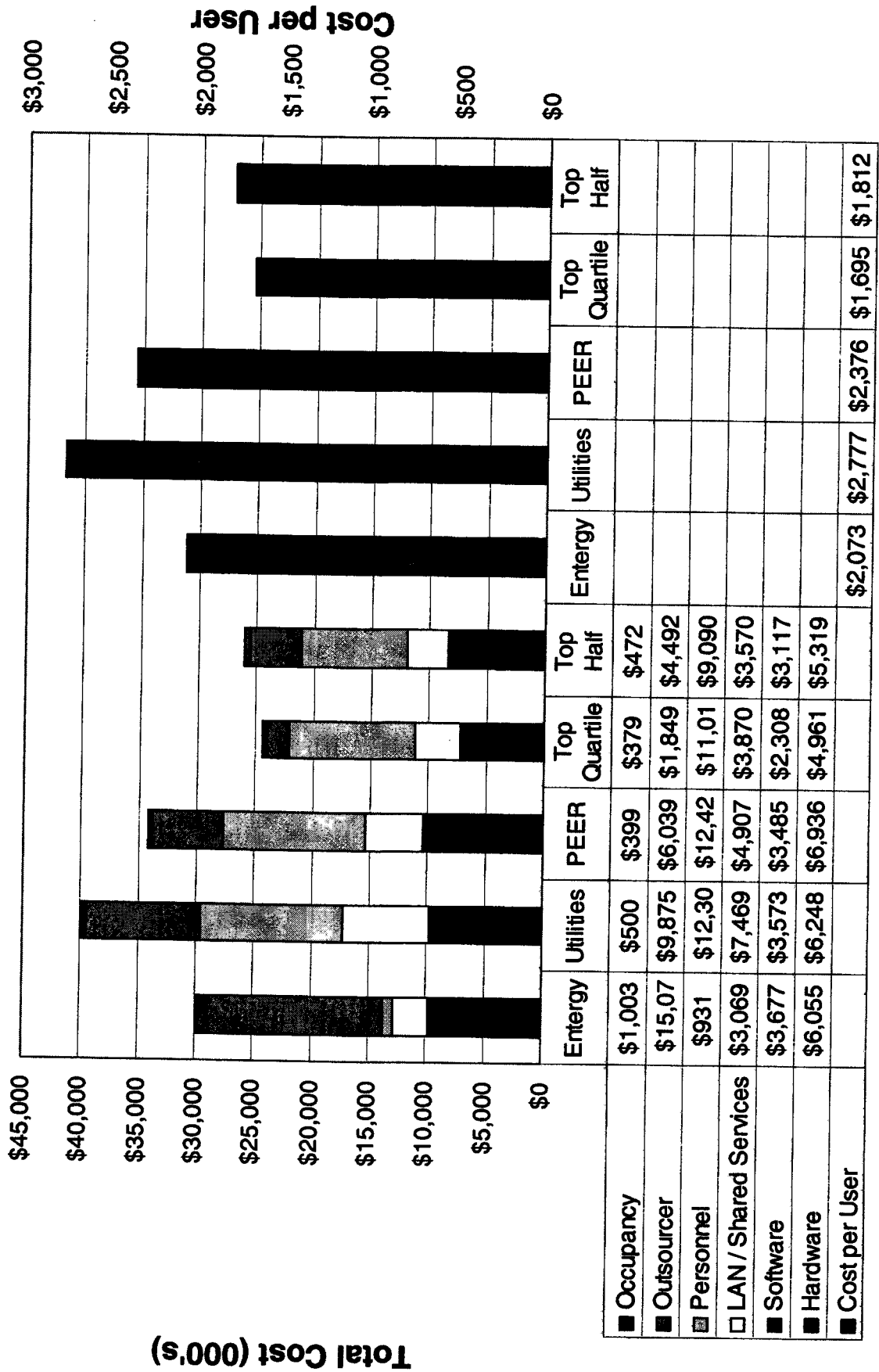


Distributed Computing



◆ Observations/Recommendations - Distributed Computing

- In distributed computing, Entergy's costs are 13% lower than peers.
- Desktop hardware is lower than utility and peer groups while higher than the top quartile and top half groups.
- As its desktop hardware cost is lower than average (peer group), Entergy should determine if its customers (based on internal customer satisfaction surveys) appear satisfied in the levels of support and equipment that are being provisioned to them; lower cost may not be a good thing for Entergy's enterprise if it leads to less productive employees overall.
- Given this, Gartner suggests that Entergy should (if not already) have asked itself questions or thought about issues such as the following:
 - » Evaluated, and responded to the true technical requirements of all end users (on a business unit by business unit basis).
 - » Determined, as an example, if desktop devices should be over 2.0GHZ or better? Determine if all its laptops should be 1.5.GHZ or better? Does Entergy have criteria put in place and has it abided by that criteria?
 - » Has Entergy invested appropriately in equipment such as non Lan-attached printers or mobile units that may add to cost, but that better meets its users strategic needs.

◆ Observations/Recommendations - Distributed Computing

- As Entergy's desktop software cost is higher than peers, it should:
 - » Identify and remove licenses being paid for multiple versions of the same software products, if they exist.
 - » Determine the necessity and cost impact of software procured outside a standard operating environment; i.e. limit ad hoc software purchases. Formalize an approval process for all software purchased beyond a COE (if one exists) within an eye towards curtailing these types of expenditures.
 - » Determine the necessity of components within its common operating environment as is relates to all end users within Entergy's enterprise; confine what is in the standard image to what is truly required of the vast majority of end users.
 - » Entergy needs to cost justify its IT investments relative to the strategic needs of its business.
- Entergy should recognize that there may be workgroup specific applications that need to execute at the desktop for select lines of business, but it should aim to do away with those that are not strategic, costly and inevitably impacting support requirements as well.
 - » This issue is not unlike that faced by aerospace companies who need to run specialized software at the desktop given that many of its end users are engineers - do these end users need specialized software to run their business? Absolutely! Would their admin support people need this same software? Absolutely not!

◆ Observations/Recommendations - Distributed Computing

- Entergy's LAN infrastructure costs are significantly lower than peers.
- For an enterprise of its size (rather large), Entergy appears to have limited its cost as a result of:
 - » Limiting its use of multiple (maybe just two) e-mail systems.
 - » Limited its use of multiple sets of firewalls. There are a fair number of organizations that have multiple sets of firewalls needed to provide multi-tiered eBusiness infrastructures in order to adequately protect their data.
 - » Not invested in a SAN. While its more atypical than typical, there are organizations that have invested in SANs in support of their distributed computing environment; while a SAN can sometimes be seen in support of application hosting environments they are not typically seen in support of desktop/LAN environments.
- If Entergy's lower cost is not the result of having a more robust infrastructure to support, then its low cost is attributable to excellent procurement practices and/or equipment that is fully depreciated, at which point technology replacement should be a future area of focus.
- Entergy's combined cost on personnel and outsource functions is average.

◆ Observations/Recommendations - Distributed Computing

- If Entergy's goal is to maintain its current service levels while becoming as efficient as top performers, it needs to invest (if it has not already) in remote screen sharing capability and make use of that investment.
- Entergy should contain end users expectations when they request "personalized" attention, but may not really require it; e.g. a desktop support person coming to an end user's location for a simple problem (typically software related) that can be resolved remotely.
- Entergy should also consider the geographical diversity of its end user population and its potential impact on shadow support (end users supporting themselves) on its total cost of ownership.
- Entergy's environment, which "currently" consists of 14,384 end users at 249 sites may be contending with some shadow support issues.
 - » The IT environment supported by Entergy is very dispersed and centrally supported; these two facts are typically precursors to heavy shadow support.

Executive Summary

- ◆ **Observations/Recommendations -> Distributed Computing**
 - Shadow support adversely impacts end user productivity as it takes time away from the jobs those end users were hired for.
 - Entergy needs to determine the degree to which shadow support is significant in its enterprise and, as a result, should deploy a survey aimed specifically at determining “where” and “for what reasons” end users go to who they go to for support.
 - It is only in so doing that Entergy can get its hands around its true total cost of ownership; when done, this may not depict its support levels to be what they seem to be, but would provide a view into its environment that could prove to be a strategic investment for Entergy overall.

Help Desk

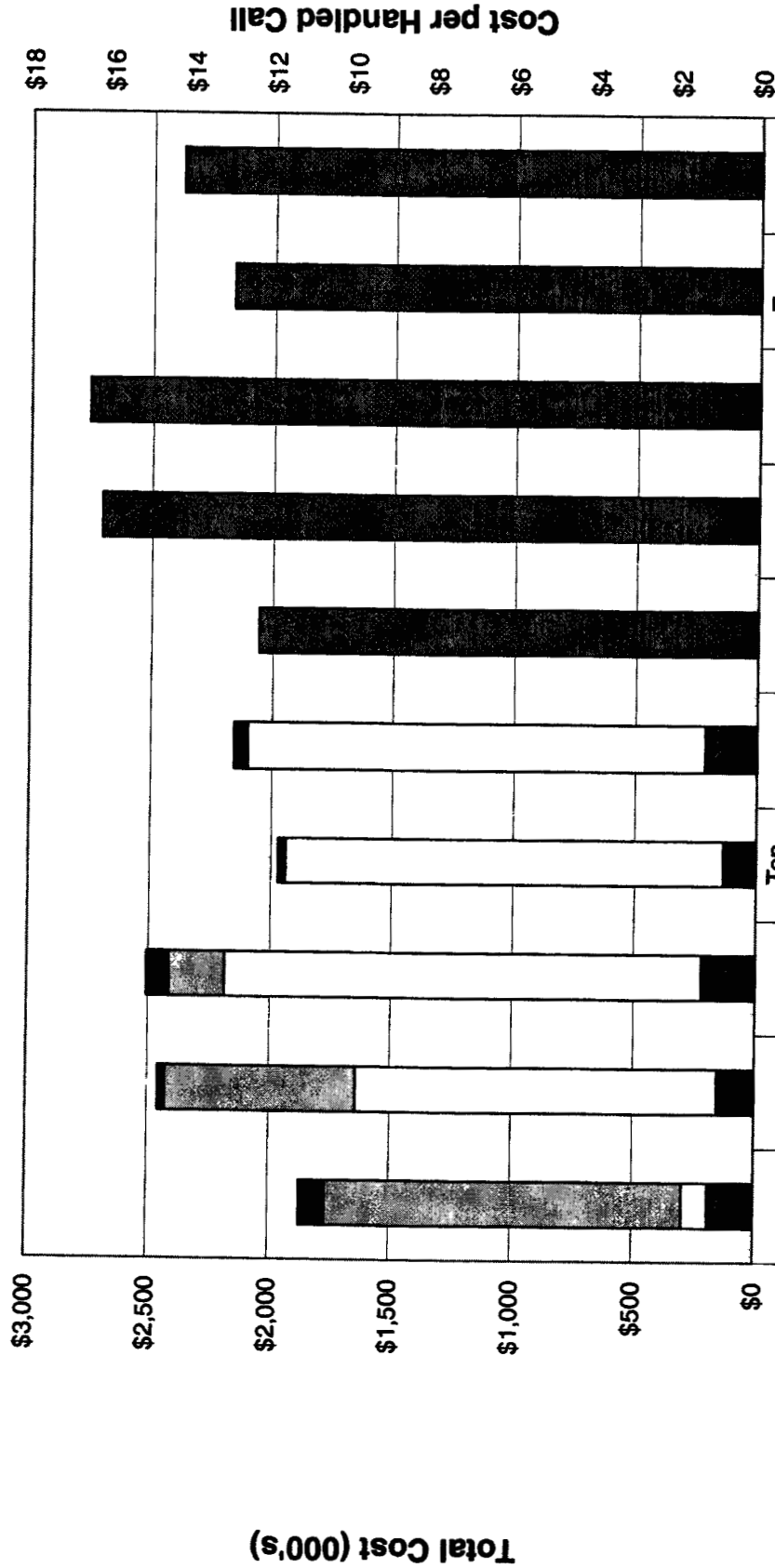
- Scope of Help Desk
 - 151,461 handled contacts per year
 - Call complexity is 4.9, the Gartner database average is 5.4 (database range 3.1 - 7.6)
- Peer Profile
 - Organizations with similar call complexity and inbound call volume
 - Peer group consists of 5 utilities, 4 manufacturing, 3 healthcare, 3 insurance, 1 banking, 1 chemical, 1 consumer goods, 1 financial and 1 telecommunications
 - Top quartile group consists of 1 consumer goods, 1 healthcare, 1 insurance, 1 telecommunications and 1 utility

Help Desk

- Observations

- At \$12 per call, Entergy's cost per call is lower than all comparison groups.
- Versus the top quartile, Entergy's total cost is \$100K (5%) lower and its combined cost in personnel and outsource functions specifically is \$231K lower.
- At \$182K annually, its cost for help desk specific equipment (ACD, call tracking software, desktop HW & SW) ranges from \$2K to \$106K higher relative to all comparison groups; its cost averages being \$40K higher.
- Entergy's cost associated with inward dialing to and outward dialing from the help desk is \$3K higher than the utility group and averages being \$42K lower than other comparison groups.
- At \$106K annually, Entergy's occupancy cost ranges from \$17K to \$78K higher.

Help Desk



Executive Summary

◆ Observations/Recommendations - Help Desk

- The help desk function at Entergy is lower than peers.
 - » It should be noted that any changes to call volumes (as a result of growth or application rollouts) keeping staffing levels consistent can have an immediate impact on its efficiency rating and even more importantly its service levels.
- All high level data captured suggests a help desk environment with no major opportunities for improvement.
 - » Its agents average talk time is between 4 and 5 minutes; not particularly high or low.
 - » It average post call handling time is under 5 minutes; not particularly high or low.
 - » Its queue time is 27 seconds; not particularly high or low.
 - » Its first contact resolution (the ability of the first person who handles the call to either resolve it or correctly diagnose it as a break/fix and escalate it to a technician), at 73%, is well within a normal range.
- In absolute \$ terms, the help desk is a relatively low cost area and any cost saving opportunity (if the help desk is perceived as providing good service) is probably immaterial and should be forgone in favor of identifying more significant cost saving initiatives.

◆ Observations/Recommendations - Help Desk

- Entergy has made an effort to encourage its end users to utilize its help desk and consider it as the primary, "go to", source of support; this has had the positive result of minimizing help desk "bypassing".
 - » Entergy has managed to accomplish this feat by marketing its favorable performance; if an end user expects to receive favorable service from a help desk, he or she will be more apt to call it.
- Continual help desk bypassing typically has a detrimental effect on an IT environment.
 - » Bypassing the help desk in favor of calling subject matter experts directly saddles subject matter experts with responding to end user inquiries and problems directly; this can become particularly expensive for its enterprise if those subject matter experts are handling and resolving calls not worthy of their level of technical expertise.
 - » Subject matter experts roles are typically to tactically and strategically manage their environments - not put out small fires.
- In addition, the help desk is planning to to market self service and self help options which should have the impact of reducing of its overall total cost of ownership by limiting the number of overall calls need to be handled by agents.
 - » While this is a noteworthy goal if accomplished successfully, Entergy needs to ensure that saving help desk \$ will not result in driving users away from the help desk; this as a result of personalized attention becomes more scarce.
- The help desk appears to be a well managed environment both from an efficiency and effectiveness perspective.

Gartner

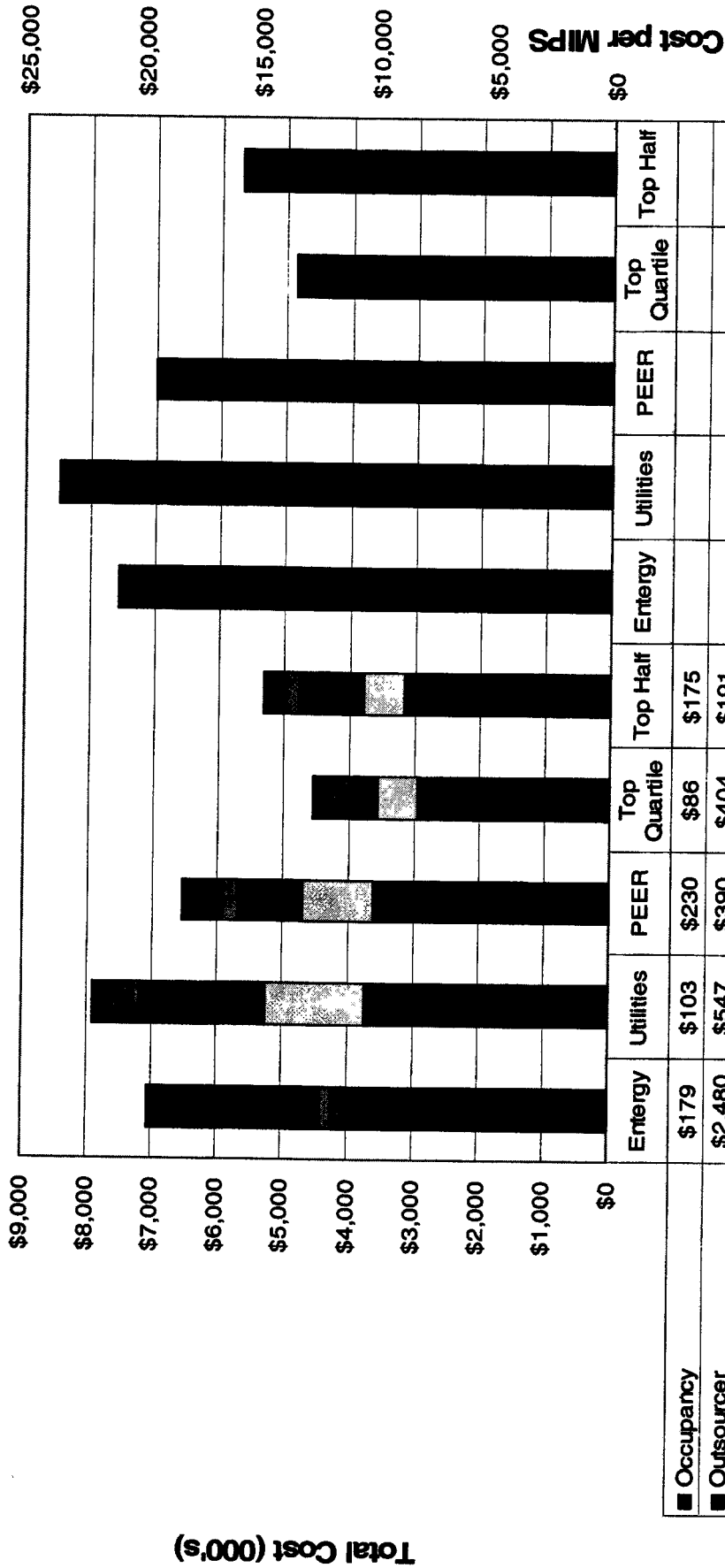
Mainframe

- Scope of Mainframe
 - IBM plug compatible environment
 - Weighted CPU capacity and disk storage capacities respectively of 337 MIPS and 3,327 gigabytes
 - CPU workload profile is 69% batch, 29% on-line and 2% interactive
- Peer Profile
 - Companies with similar overall computing capacity and similar CPU workload profile
 - Peer group consists of 4 financial, 4 manufacturing, 4 utilities, 3 consumer goods, 1 banking, 1 chemical, 1 healthcare, 1 insurance and 1 public administration
 - Top quartile consists of 2 financial, 1 chemical, 1 manufacturing and 1 utility

Mainframe

- Observations
 - Entergy is 11% more efficient than the utility group, but less efficient than all other comparison groups.
 - Entergy's hardware cost averages being \$1.3M higher than all comparison groups including being \$1.8M higher than the top quartile.
 - Entergy's software cost averages being \$806K lower than all comparison groups including being \$400K lower than the top quartile.
 - Versus the peer and top quartile, Entergy's combined outsource and personnel cost is \$70K and \$1.2M higher respectively.
 - Disaster recovery cost is \$38K, on average, higher annually than that of all comparison groups.
 - At \$179K annually, Entergy's occupancy cost is \$49K higher annually than the average of all comparison groups.

Mainframe



Midrange - NT

- Scope of NT
 - 541 application and database servers running NT
 - Ranging in memory, but averaging close to 1.2 gigabytes of memory each
 - Housing a mix of applications with varying degrees of mission criticality
- Peer Profile
 - Peers include those with:
 - » a similar number of installed NT servers
 - » similar types of servers
 - » environments of similar complexity
 - Peer group consists of 4 utilities, 2 banking, 2 chemical, 2 consumer goods, 2 financial, 2 healthcare, 2 telecommunications, 1 oil and gas, 1 public administration, 1 transportation and 1 miscellaneous
 - Top quartile group consists of 1 consumer goods, 1 financial, 1 oil and gas, 1 utility and 1 miscellaneous

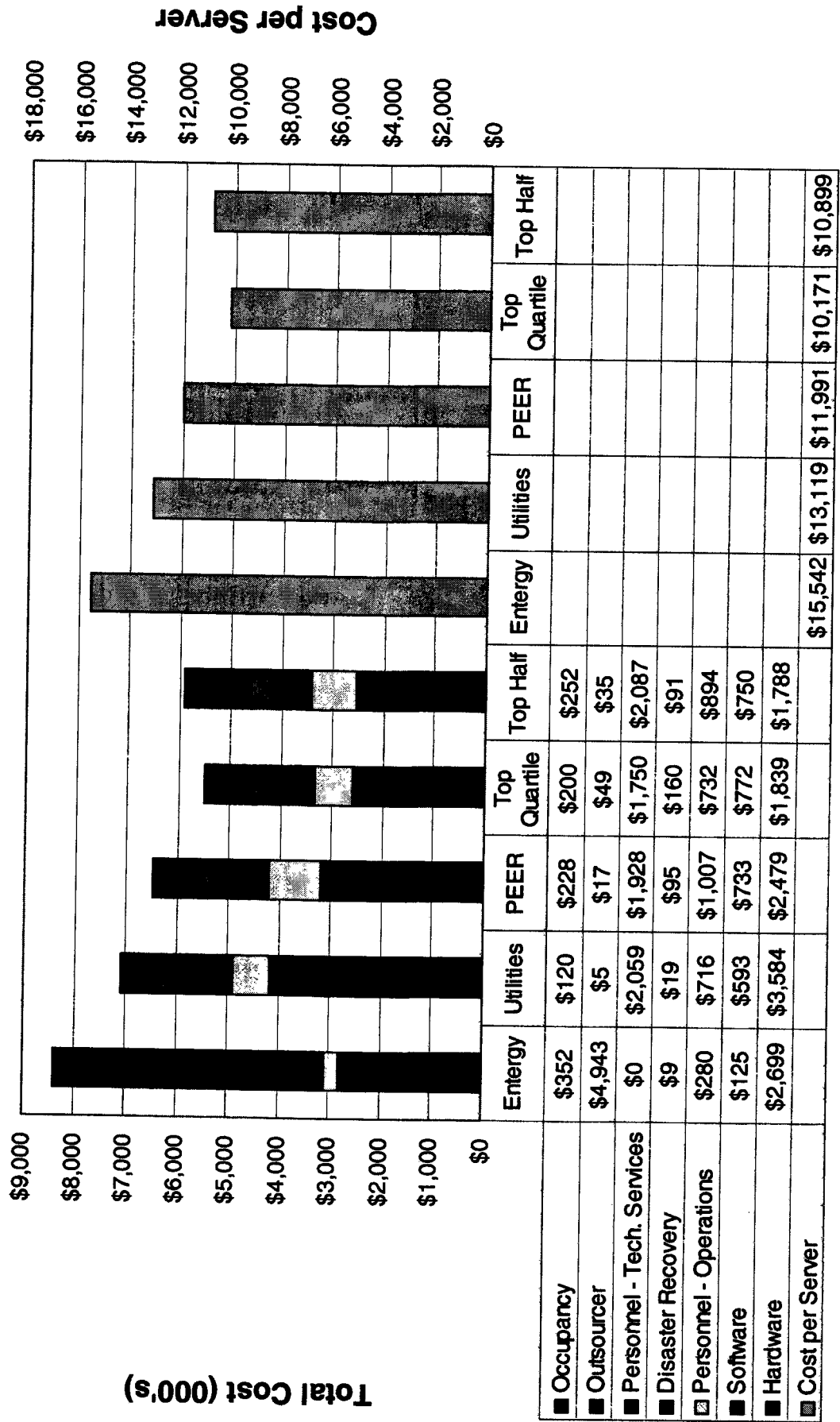
Gartner

Midrange - NT

- Observations
 - At \$15,542, Entergy's cost per server is higher than all comparison groups; the top quartile's unit cost is 35% lower than Entergy's.
 - Entergy's hardware cost is \$220K (9%) higher than the peer group while being lower than the utility group and higher than the others.
 - Entergy's software cost, at \$125K annually, is about 5 to 6 times lower than that of all comparison groups.
 - Entergy's combined outsource and personnel cost is higher than all comparison groups; versus the peer and top quartile, its costs are \$2.3M and \$2.7M higher respectively.
 - For Entergy, only \$9K in DR cost was allocated in support of its NT environment; comparison groups spend anywhere from \$19K to \$160K annually, on average.
 - At \$352K, Entergy's occupancy cost ranges from \$100K to \$232K more than comparison groups.

Gartner

Midrange - NT



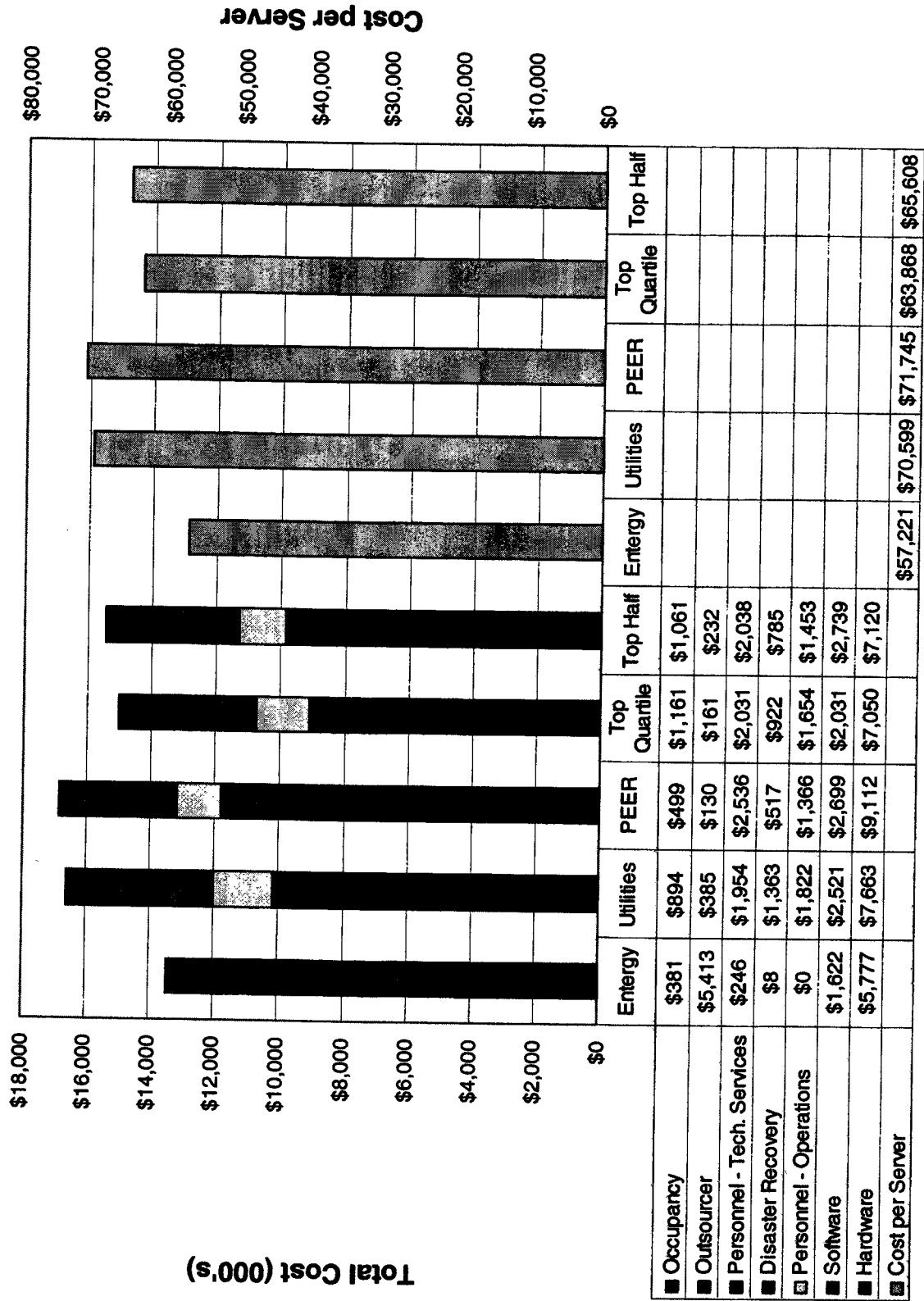
Midrange - UNIX

- Scope of UNIX
 - 235 application and database servers running UNIX
 - Ranging widely in memory, but averaging close to 3.8 gigabytes of memory each
 - Housing a mix of applications with higher and lower levels of criticality
- Peer Profile
 - Peers include those with:
 - » a similar number of installed UNIX servers
 - » similar types of servers
 - » environments of similar complexity
 - Peer group consists of 4 financial, 4 utilities, 3 insurance, 2 healthcare, 2 manufacturing, 2 telecommunications, 1 banking, 1 oil and gas and 1 transportation
 - Top quartile group consists of 2 financial, 1 insurance, 1 telecommunications and 1 utility

Midrange - UNIX

- Observations
 - At a cost of \$57,221, Entergy's cost per server is 20% and 10% lower respectively versus the peer and top quartile group averages.
 - Entergy's hardware and software cost is lower than all comparison groups; on a combined basis, Entergy's hardware and software cost is \$2.4M and \$484K less than the peer group and top quartile groups respectively.
 - Entergy's combined outsource and personnel cost is high versus all comparison groups; Entergy's cost is \$1.8M and \$1.6M higher respectively versus the peer and top quartile groups.
 - For Entergy, a mere \$8K was specifically allocated to disaster recovery in support of its UNIX environment; peers spend anywhere from \$517K to \$1.4M annually for DR, on average.
 - Occupancy cost ranges from \$118K to \$780K lower than comparison groups.

Midrange - UNIX



◆ **Observations/Recommendations - Mainframe/Midrange**

- From a cost efficiency standpoint, Entergy is more efficient in its UNIX environment, but less efficient in its mainframe and NT environments.
- The primary drivers behind its favorable efficiency performance in its UNIX environment is its lesser combined hardware and software cost; note that its software cost is also lower than all comparison groups for both mainframe and NT and its hardware cost is only high in the mainframe environment.
- Entergy's combined personnel and outsource cost, however, is higher than all comparison groups in UNIX and NT and about average in the mainframe environment.
- In interpreting its cost profile across its hosting environments, Entergy should consider that there is typically a trade-off between level of investment in automation and number of personnel.
- Given its cost profile, Entergy should ensure that it has exploited all potential cost saving opportunities resulting from automation.
 - » Personnel functions surrounding job scheduling/submittal/monitoring are largely automated in most commercial hosting environments; where they are not, the personnel cost associated with manual activity can be quite high. Is this the case at Entergy?

Executive Summary

◆ Observations/Recommendations - Mainframe/Midrange

- If Entergy's environment is fairly automated, then it should be cognizant of the fact that a common driver for higher personnel requirements in its hosting environments is the dynamic "nature" of the applications environments they are there to serve. Could this be a contributor at Entergy? For which hosting environments would this be more significant?
 - » The degree to which changes to existing applications or new development activity will impact personnel requirements in its hosting environments should be carefully evaluated, now and in the future.
 - » Functions relating to capacity planning and production control will be increased the more dynamic the environment.
- Is Entergy over delivering or adequately delivering batch turnaround and on-line transaction response times? How is this impacting the resources expended on operating and subsystem programming related tasks? These are the questions it needs to ask itself.
- While there do seem to be personnel related cost savings opportunities in its hosting environments, any potential changes need to be closely scrutinized without compromising the needs of the business.

Executive Summary

● Observations/Recommendations - Mainframe/Midrange

- Conversely, possessing “lower” equipment related costs is not always the desired state unless those lower costs are purely attributable to favorable procurement practices.
- Entergy should be cognizant of how its applications’ strategy impacts its host platforms’ configurations, now and in the future; purchased functionality, in particular, is typically not being built to run on aging platforms and this needs to be considered in conjunction with its technology replacement strategy.
- Unless it already exists, Entergy should look to foster the type of synergistic relationship that “should” exist between applications personnel and those responsible for supporting the environments upon which applications reside.
 - » Better communication will hopefully enable for more strategic longer-term capacity planning (of benefit to its applications customers) and asset and personnel management (of benefit to the infrastructure’s management team).

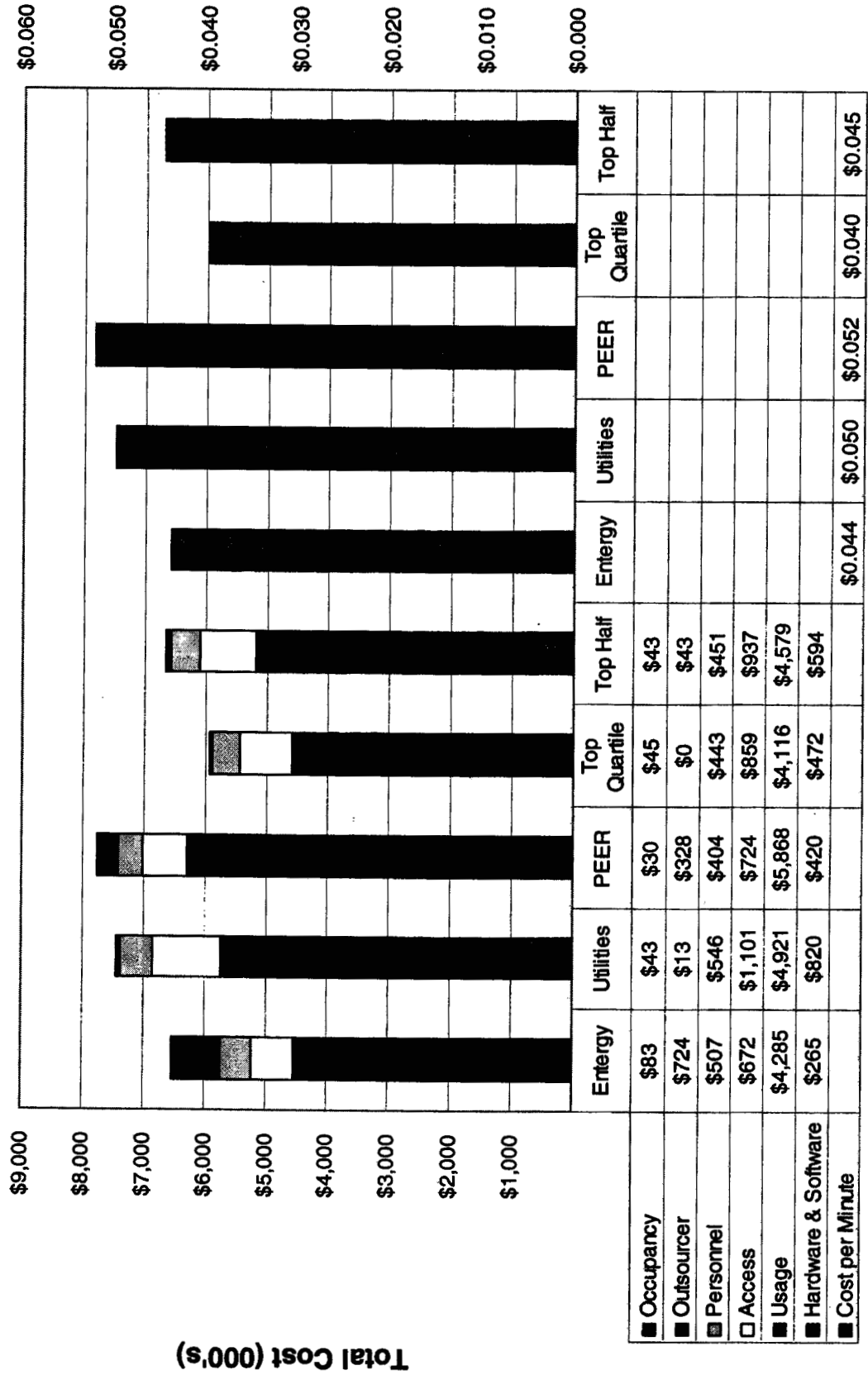
Voice Network

- Scope
 - 83.8 million annual inbound minutes on virtual network
 - 11.7 million annual outbound minutes on virtual network
 - 53.5 annual minutes on private network
 - Calling card, cellular and international calling has been excluded
- Peer Profile
 - Organizations on virtual voice and private networks characterized by similar overall call volume and a similar percentage of outbound versus inbound minutes
 - Peer group consists of 5 utilities, 3 insurance, 2 financial, 2 healthcare, 2 manufacturing, 2 public administration, 2 telecommunications, 1 banking and 1 consumer goods
 - Top quartile group consists of 1 banking, 1 financial, 1 healthcare, 1 telecommunications and 1 utility

Voice Network

- Observations
 - At \$.044, Entergy's cost per minute is lower than the peer and utility group averages, and places it between the performance of the top quartile and half groups.
 - Entergy's combined hardware and software cost, at \$265K annually, is lower than all comparison groups; its cost ranges anywhere from \$155K to \$555K lower.
 - Entergy's usage based charges are lower than all comparison groups except for the top quartile, whose cost is \$169K (4%) lower annually.
 - Entergy's access costs range from \$52K - \$429K lower than all groups.
 - Entergy's combined outsource and personnel cost ranges from \$499K - \$788K higher than all comparison groups.
 - » A higher investment in personnel related functions in this category, typically related to vendor negotiation and checking for vendor billing errors, will usually result in cost savings overall.
 - Occupancy cost ranges from \$38K to \$53K above that of comparison groups.

Voice Network



◆ Observations/Recommendations - Voice (Network)

- Entergy's cost for domestic long distance service (and private network minutes) inclusive of access, usage based charges and personnel and outsource functions in support of the environment is less expensive than its peer group.
- Usage related charges, by far the largest component of cost in this area is more competitive than all groups with the exception of the top quartile.
 - » Its average long distance usage based rate per minute of about 4 and half cents per minute is competitive and its makes significant use of its private voice network.
 - » Typically, an organization's cost per minute may be symptomatic of where, in the negotiation cycle with its long distance carrier, it happens to be; an organization's rate may be more competitive purely as the result of being on the front, rather than back end of a multi-year contract; Entergy seems to fall somewhere in between.
- Entergy's access charges are lower than that of all comparison groups (a big improvement over prior year where its cost was actually high).
- Entergy's combined cost on personnel and outsource functions is higher than all comparison groups. As a result, it should:
 - » Determine what makes up bulk of the cost and justify all personnel related functions. In this, Entergy should be aware of the fact that what typically makes up the bulk of personnel related cost in voice network (as opposed to voice "technology") are functions related to checking for vendor billing errors and, to a lesser extent, vendor negotiation.

Voice Technology

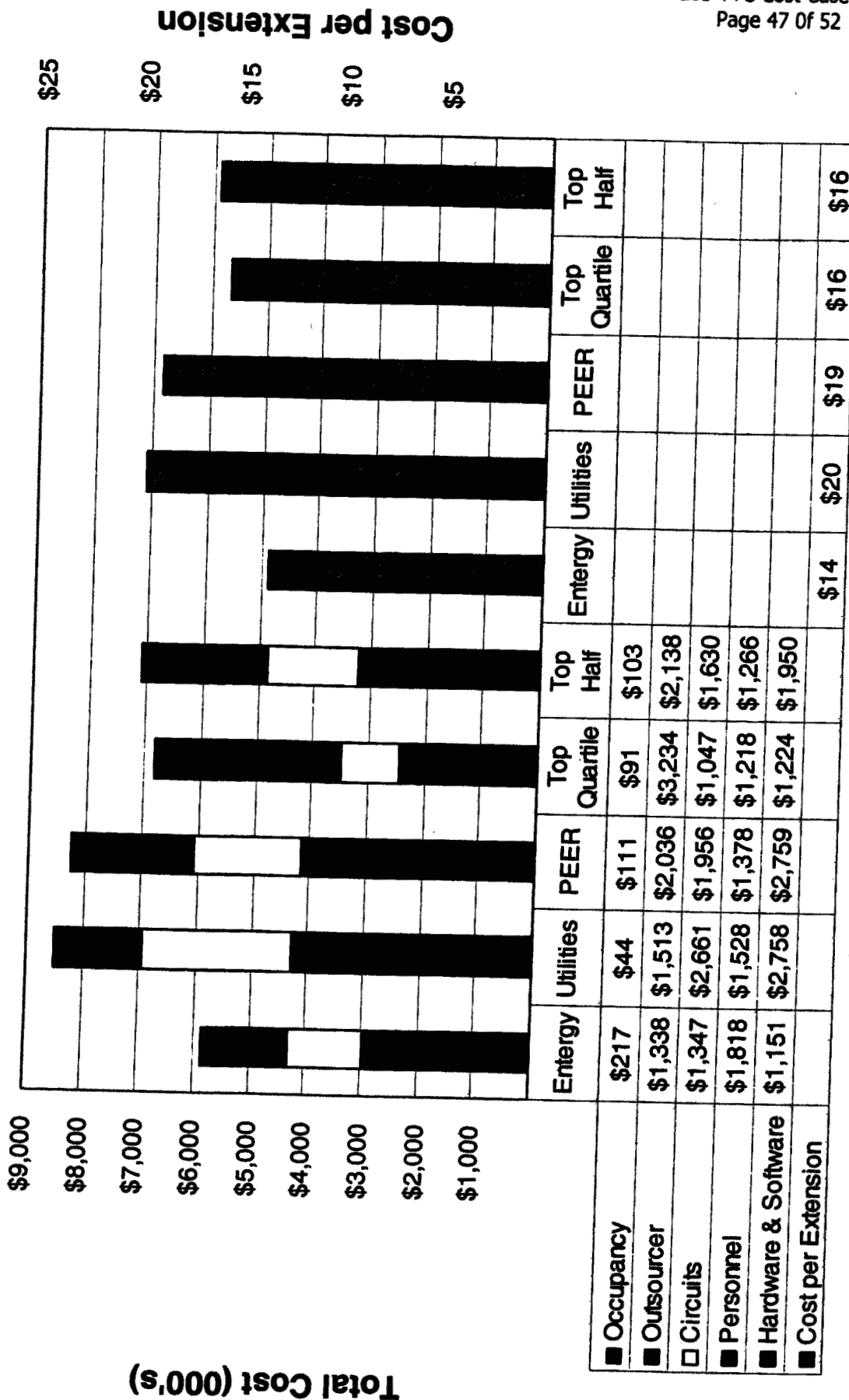
- Scope
 - 33,354 PBX extensions at 110 sites; 2,664 key system extensions at 84 sites
 - Monthly MAC activity rate of 5.3%
- Peer Profile
 - Organizations that include a mix of those that best reflect Entergy's environment based on number and type (PBX, Centrex and/or Key System) of extensions supported
 - Peer group consists of 5 utilities, 4 insurance, 3 healthcare, 3 manufacturing, 2 banking, 1 chemical, 1 public administration and 1 miscellaneous
 - Top quartile group consists of 2 manufacturing, 2 utilities and 1 insurance

Gartner

Voice Technology

- Observations
 - At \$14, Entergy's monthly cost per extension supported is lower than the peer group average of \$19 and lower than all other comparison groups including the top quartile.
 - Entergy's combined PBX and key system hardware and software cost is lower than all comparison groups including being \$1.6M and \$73K lower respectively versus the peer and top quartile groups.
 - Entergy's circuit costs (line charges - DID, DOD, etc), at \$1.3M annually, falls between the top half's \$1.6M and the top quartile's \$1.0M.
 - At \$3.2M Entergy's combined outsourcer and personnel cost is on the low side of the peer groups' range of \$3.0M to \$4.3M.
 - Occupancy cost ranges from \$106K to \$173K above that of comparison groups.

Voice Technology



◆ Observations/Recommendations - Voice (Technology)

- Entergy's cost per extension is amply lower than all comparison groups.
- Entergy's combined cost for PBX and Key System hardware/software is lower than all comparison groups.
 - » It is not uncommon for there to be significant variability in PBX related costs as there are many organizations that have newer equipment while others may have systems 10+ years old that are still in existence (Gartner suspects the latter is the case at Entergy).
- While location certainly has an impact on line charges, Entergy seems to have limited its use of a significant number of special features or grades of service on top of dial tone that would not be critical to the needs of its business.
 - » Typical features found in PBX environments are 3 or 4 digit dialing, intercom, distinctive line ringing for inside and outside lines and voice mail indicators.
- Entergy's combined personnel and outsource cost is also relatively low making local voice an IT area overall that represents little to no cost saving opportunity.

Wide Area Data Network

- Scope
 - 252 sites
 - 18,740 devices with WAN connectivity
 - 148,000 gigabytes of monthly traffic volume
- Peer Profile
 - Companies possessing a similar distribution of number of sites, devices and traffic supported
 - Peer group consists of 6 utilities, 4 manufacturing, 2 public administration, 2 oil and gas, 1 consumer goods, 1 financial, 1 healthcare, 1 insurance, 1 telecommunications and 1 miscellaneous
 - Top quartile consists of 2 utilities, 1 oil and gas, 1 public administration and 1 telecommunications

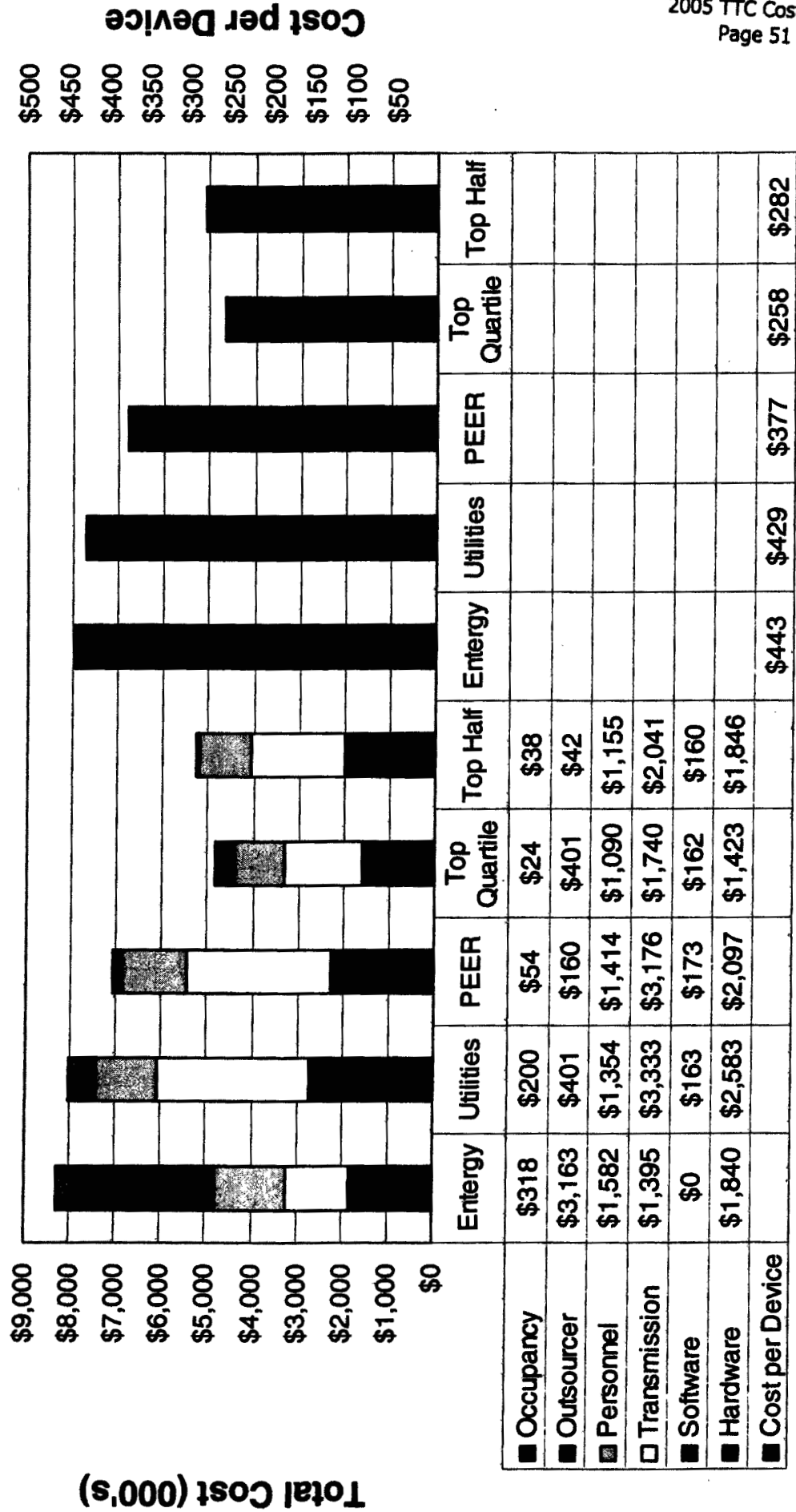
Wide Area Data Network

• Observations

- At \$443 per device, Entergy's cost to support a device is 18% higher than its peer group and higher than all other comparison groups.
- Entergy's combined cost in hardware and software is \$401K higher than the top quartile group, but ranges from \$166K to \$906K lower when compared to all other comparison groups.
- Entergy's costs for transmission (leased lines) is lower than that of all comparison groups including the top quartile group whose cost is \$345K higher than Entergy's.
- Entergy's combined outsourcer and personnel cost is \$4.7M versus a range of \$1.2M to \$1.8M for all comparison groups.
 - » Although this particular cost category appears particularly high versus peers, it should be looked at in conjunction with its low cost in transmission; there can be a direct correlation between more personnel resources devoted to efficiently managing bandwidth requirements and effective carrier negotiation and a low cost in transmission.
 - » Even more significant in its interpretation of its large variances in cost on a per cost category basis is the fact that Entergy/SAIC perform a lot of functions that are typically performed by carriers and embedded in the comparison groups' cost of leased line charges.
- At \$318K, occupancy cost ranges from \$118K to \$294K more than comparison groups.

Gartner

Wide Area Data Network



◆ Observations/Recommendations - WAN

- Entergy's unit cost is 13% higher than the peer group average.
- Per cost category comparisons are not as meaningful as Entergy bears the cost of many personnel related functions that are typically borne by carriers and embedded in comparison groups transmission costs.
- From the perspective of more efficiently managing bandwidth requirements, Entergy should, for those circuits it leases, look to move to shorter term contracts (1-2 years) to take advantage of technology changes and decreasing carrier rates.
- Where business functionality is not compromised, Entergy should also limit its investment in the amount of redundant links on its network - this in the case of disaster or failed circuits.
- Entergy should also make it a point of evaluating, on a site by site basis, those that truly need dedicated connections versus not and those that need high speed lines versus not.
 - » Cost saving opportunities will usually present themselves when evaluating what is being paid to provide dedicated connectivity to remote rural locations where such connectivity is typically expensive.
 - » Many organizations have also benefited by bringing smaller sites to VPN technology.
 - » Entergy should also be cognizant of the fact that it has particularly high traffic volume relative to organizations with similar topology; could this be lessened to allow for lower speed, lesser bandwidth lines?

Gartner Assessment Groupings

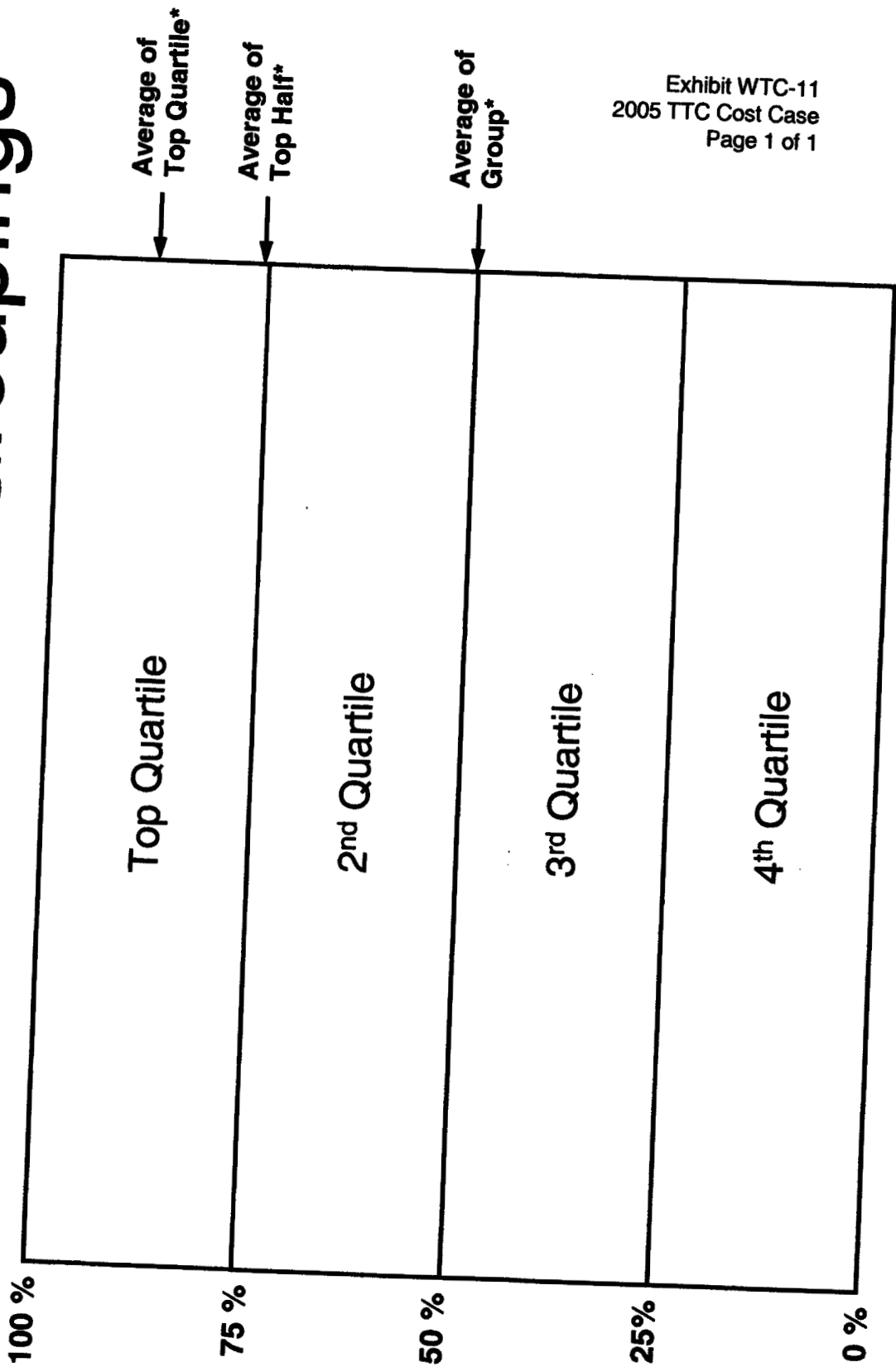


Exhibit WTC-11
2005 TTC Cost Case
Page 1 of 1

* Assuming uniform distribution

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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

Amounts in Dollars											
Witness	Class	Group Description	(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	
Craddock, Bill	Texas Distribution CCS	Internal - Payroll / Benefits	35,092,812	35,092,812	-	1,689,732	1,689,732	-	-	-	1,689,732
		Internal - All Other Internal Support Costs	553,558.07	553,558.07	-	-	-	-	-	-	-
		External - Legal Contractor Costs	56,820.32	56,820.32	-	-	-	-	-	-	-
		External - All Other Support Costs	110,546,743	110,546,743	-	5,218,798	5,218,798	-	2,767,847	2,767,847	7,986,646
		AFUDC & Capital Overhead	15	15	-	6,908,530	6,908,530	-	3,283,250	3,283,250	12,959,628
Total Texas Distribution CCS			146,249,949	146,249,949	-	-	-	-	6,051,098	-	-
Craddock, Bill	Total Witness Classes	Internal - Payroll / Benefits	35,092,812	35,092,812	-	1,689,732	1,689,732	-	-	-	1,689,732
		Internal - All Other Internal Support Costs	553,558.07	553,558.07	-	-	-	-	-	-	-
		External - Legal Contractor Costs	56,820.32	56,820.32	-	-	-	-	-	-	-
		External - All Other Support Costs	110,546,743	110,546,743	-	5,218,798	5,218,798	-	2,767,847	2,767,847	7,986,646
		AFUDC & Capital Overhead	15	15	-	6,908,530	6,908,530	-	3,283,250	3,283,250	12,959,628
Total Bill Craddock Classes			146,249,949	146,249,949	-	-	-	-	6,051,098	-	-

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

CRADDOCK, BILL

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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 Craddock, Bill	Class Texas Distribution CCS	Project Code FB3610	Project Description CUSTOMER CARE REPLACEMENT SYST	Billing Method	(A)		(B)		(C)		(D)		(E)		(F)		(G)		(H)		(I)
					Total	Billed to Others	Billed to EGS - TX	Pro Forma Adjustments	Net Requested	Total Requested Charges	Pro Forma Adjustments	Net Requested	Total Requested Charges	Pro Forma Adjustments	Net Requested						
		FB3713	CCS BILL DELIVERY - EGS TX-E		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		FB3610	CUSTOMER CARE REPLACEMENT SYST PR		140,541,860	140,541,860	-	6,695,443	-	-	-	6,695,443	-	6,695,443	-	-	-	-	-	-	
		FB3713	CCS BILL DELIVERY		5,707,508	5,707,508	-	212,504	-	-	-	212,504	-	212,504	-	-	-	-	-	-	
		FB3706	CCS TX ERCOT Pilot Development	EGSI	563	563	-	563	-	-	-	563	-	563	-	-	-	-	-	-	
					146,249,949	146,249,949	-	6,906,530	-	-	-	6,906,530	-	6,906,530	-	-	-	-	-	-	
					146,249,949	146,249,949	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

CRADDOCK, BILL

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

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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

Amounts in Dollars											
Witness	Class	Year	Affiliate Billings								
			(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
			Total	Billed to Others	Billed to EGSI - TX	Pro Forma Adjustments	Net Requested	Total Requested Charges	Pro Forma Adjustments	Net Recoverable	Total Net Requested
Craddock, Bill	Texas Distribution CCS	1999	-	-	-	-	-	-	-	-	-
		2000	21,515,350	21,515,350	-	1,553,660	1,553,660	-	133,047	133,047	1,686,707
		2001	38,811,696	38,811,696	-	3,118,338	3,118,338	-	1,062,155	1,062,155	4,180,493
		2002	32,757,334	32,757,334	-	2,235,949	2,235,949	-	1,285,927	1,285,927	3,521,875
		2003	51,524,566	51,524,566	-	-	-	-	821,590	821,590	821,590
		2004	1,527,605	1,527,605	-	583	583	-	2,297,613	2,297,613	2,298,196
		2005	113,397	113,397	-	-	-	-	450,767	450,767	450,767
	Total Texas Distribution CCS		146,249,949	146,249,949	-	6,908,530	6,908,530	-	6,051,098	6,051,098	12,959,628
Craddock, Bill	Total Witness Classes	1999	-	-	-	-	-	-	-	-	-
		2000	21,515,350	21,515,350	-	1,553,660	1,553,660	-	133,047	133,047	1,686,707
		2001	38,811,696	38,811,696	-	3,118,338	3,118,338	-	1,062,155	1,062,155	4,180,493
		2002	32,757,334	32,757,334	-	2,235,949	2,235,949	-	1,285,927	1,285,927	3,521,875
		2003	51,524,566	51,524,566	-	-	-	-	821,590	821,590	821,590
		2004	1,527,605	1,527,605	-	583	583	-	2,297,613	2,297,613	2,298,196
		2005	113,397	113,397	-	-	-	-	450,767	450,767	450,767
	Total Bill Craddock Classes		146,249,949	146,249,949	-	6,908,530	6,908,530	-	6,051,098	6,051,098	12,959,628

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

CRADDOCK, BILL

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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

	Witness	Class	Cost Type	Affiliate Billings				Non-Affiliate Charges			(I)
				(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
				Total	Billed to Others	Billed to EGSI TX	Pro Forma Adjustments	Net Requested	Total Requested Charges	Pro Forma Adjustments	Net Requested
Craddock, Bill		Texas Distribution CCS	Expense	672,206	672,206	-	-	-	-	-	-
			Capital	145,577,742	145,577,742	-	6,908,530	6,908,530	-	6,051,098	6,051,098
		Total Texas Distribution CCS		146,249,949	146,249,949	-	6,908,530	6,908,530	-	6,051,098	6,051,098
Craddock, Bill		Total Bill Craddock Classes	Expense	672,206	672,206	-	-	-	-	-	-
			Capital	145,577,742	145,577,742	-	6,908,530	6,908,530	-	6,051,098	6,051,098
		Total		146,249,949	146,249,949	-	6,908,530	6,908,530	-	6,051,098	6,051,098

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

CRADDOCK, BILL

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DOCKET NO. _____

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

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PUBLIC UTILITY COMMISSION

OF TEXAS

DIRECT TESTIMONY

OF

DENNIS L. THOMAS, Ph.D.

ON BEHALF OF

ENTERGY GULF STATES, INC.

August 2005

SUMMARY OF DIRECT TESTIMONY OF DENNIS L. THOMAS

Dennis Thomas is a former Commissioner and Chairman of the Texas Public Utility Commission. He has developed a specialty in the methods available to show necessity and reasonableness of affiliate costs. Mr. Thomas was also involved in the drafting and passage of House Bill 1567 that allows for recovery of Transition to Competition Costs, based upon a showing of reasonableness and necessity. Mr. Thomas was retained by Entergy Gulf States, Inc. to work with witnesses as they assembled their testimony and then to review the final submission.

In this testimony, Mr. Thomas first reviews the burden of proof for affiliate costs found in statute, Commission rules and Commission precedent, and the proof required in House Bill 1567. He then applies those requirements to the evidence presented in this case, and discusses the evidence offered by each of the witnesses. He reviews the vertical case presented by Entergy Gulf States where evidence is presented by class of cost. He then reviews the horizontal or matrix case where major cost categories (such as labor or information technology) are presented across all cost classes.

Mr. Thomas concludes that the evidence presented by each of the witnesses meets the requirements to prove reasonableness and necessity. He further concludes that, based on evidence, Entergy Gulf States meets the test to prove affiliate expenses were charged at actual cost and at the same prices charged to other affiliates. He reviews the request for carrying costs and concludes the request is appropriate under House Bill 1567.

DOCKET NO. _____

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

DIRECT TESTIMONY OF DENNIS L. THOMAS, Ph.D.

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1 I. INTRODUCTION AND QUALIFICATIONS

2 Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS
3 ADDRESS.

4 A. My name is Dennis L. Thomas. I am the owner of Dennis Thomas and
5 Associates, an independent consulting firm, whose business address is
6 1210 San Antonio, Suite 203, Austin, Texas 78701.

7

8 Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

9 A. I am testifying on behalf of Entergy Gulf States, Inc. ("EGSI" or the
10 "Company").

11

12 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
13 PROFESSIONAL EXPERIENCE.

14 A. For the last 15 years, I have provided management consulting services for
15 regulated companies or companies seeking to compete in regulated
16 markets. Prior to that, in the 1984-1988 timeframe, I was a Commissioner
17 and then Chairman of the Public Utility Commission of Texas ("PUC" or
18 "Commission"). Prior to my service on the PUC, I was the Director of the
19 Governor's Office of Management and Budget and then Deputy Executive
20 Assistant to the Governor for Programs. My educational background
21 includes a Ph.D. in Management and Energy Policy, an M.A. in Public
22 Administration, and a B.B.A. in Finance, all awarded by the University of
23 Texas at Austin.

1 Q. DURING YOUR TENURE AS A COMMISSIONER AND SINCE THAT
2 TIME AS A CONSULTANT ON PUBLIC UTILITY REGULATION AND
3 POLICY, HAVE YOU BECOME FAMILIAR WITH THE PUBLIC UTILITY
4 REGULATORY ACT AND THE RULES AND POLICY DECISIONS OF
5 THE TEXAS PUC?

6 A. Yes, it is essential that I maintain a working knowledge of the Public Utility
7 Regulatory Act ("PURA" or "the Act"), the Commission Rules, and the
8 agency's important decisions and policy determinations under both.

9
10 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC UTILITY
11 COMMISSION OF TEXAS?

12 A. Yes. My past testimony falls into four broad categories: testimony
13 concerning the burden of proof to recover affiliate costs, presentation of
14 the process and results from customer consultation, discussion of the
15 policy impacts surrounding acquisitions of regulated companies, and
16 review of avoided costs in relation to cogeneration purchased power
17 contracts. The central thread of the areas in which I testify is the
18 development and implementation of regulatory policy.