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WHEREAS, Service Company is authorized under the Act by order of the Commission dated March 23, 1965 (File No. 37-63) to render services to Client Companies; and

WHEREAS, economies and increased efficiencies benefiting the Entergy System will result from the performance by Service Company of services for Gulf States; and

WHEREAS, subject to the terms and conditions herein described, Service Company is willing, upon request by Gulf States, to render such services and provide such property and resources to Gulf States at cost, determined in accordance with applicable rules, regulations and orders of the Commission under the Act;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein, the parties hereto hereby agree as follows:

1. Definitions.

As used hereinafter, the following terms, in addition to those elsewhere defined in this Agreement, shall have the following meanings unless the context otherwise requires:

A. "Services" shall mean the services described in Article 3 hereof.

B. "Non-Affiliate" means any corporation, company, agency, government, business, entity or person other than (i) Entergy Corporation, (ii) a direct or indirect subsidiary of Entergy Corporation, or (iii) a person

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employed by Entergy Corporation, or any of such subsidiaries.

2. Agreement to Furnish Services.

A. Upon its receipt of Gulf States' written service request, Service Company agrees to furnish to Gulf States upon the terms and conditions hereinafter set forth such of the Services requested by Gulf States, at such times, for such periods and in such manner as Gulf States shall have requested. Service Company will keep itself and its personnel available and competent to render to Gulf States the Services on the same basis as such Services are provided to the other Client Companies.

B. Upon its receipt of Gulf States' written service request, Service Company will, if it has or can have available the personnel and resources needed to fill the service request, furnish to Gulf States upon the terms and conditions hereinafter set forth such of the Services, at such times, for such periods and in such manner as Gulf States may from time to time request; provided, however, that the determination of whether Service Company has the available personnel and resources to perform in accordance with the service request will be entirely within the discretion of Service Company, and Service Company may at its sole option elect not to perform any requested Services, except that, once having agreed to perform pursuant to a

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service request, Service Company will not withdraw or depart from such performance without the consent of Gulf States.

C. The providing of Services by Service Company pursuant to this Agreement shall in all cases and notwithstanding anything herein contained to the contrary be subject to any limitations contained in authorizations, rules or regulations of those governmental agencies, if any, having jurisdiction over Service Company, Gulf States, or such providing of Services.

3. Description of Services.

The Services to be provided by Service Company hereunder may, upon request, include the following:

A. General Executive and Advisory Services. Advise and assist the officers and employees of Gulf States in connection with various phases of its business and operations, including particularly (but not exclusively) those phases which involve coordination of planning or operations between Gulf States and other entities.

B. General Engineering. Perform general engineering work, including preparation and analyzing of apparatus specifications, civil engineering and hydraulic studies and problems, and fuel supply studies; and advising and assisting in connection with analyses of operations and operating and construction budgets.

C. Design Engineering. Perform detailed design work as requested by Gulf States.

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D. Research. Consultation and advisory services with respect to rate studies, rate design, cost studies, load research, weather analysis, economic studies, forecasts of intra-system transactions, and computer rate analysis programs.

E. Purchasing. Render purchasing and group purchasing services to Gulf States, coordinate group purchasing, and supply expediting services. All requests for bids shall be made by and purchases confirmed in the name of Gulf States (or its customer, if requested by Gulf States).

F. Sales of Power. Planning assistance and advice with respect to System sales of power under the interconnection agreements among the operating companies and acting on behalf of the operating companies in dealings with other electric utilities with relation to the sale, purchase or exchange of bulk electric power and energy.

G. Accounting and Statistical. Perform for Gulf States all such business, accounting, and auditing services and install such internal accounting and auditing procedures as are requested by Gulf States to maintain its books and records properly and account for and safeguard its operations and properties; advise and assist Gulf States in connection with the installation of accounting systems and similar efforts, requirements of regulatory bodies with respect to accounting, studies of accounting entries

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resulting from financial transactions, internal audits, employment of independent auditors, preparation and analyses of financial and operating reports and other statistical matters relating to Gulf States or its customers, preparation of reports to regulatory commissions, insurance companies and others, standardization of accounting and statistical forms in the interest of economy, and other accounting and statistical matters.

H. Finance and Treasury. Advise and assist Gulf States on financing matters, including short and long range financial planning, determination of types and times of sales of securities, the preparation of petitions and applications for the issuance of securities and the preparation of various documents required in connection therewith, negotiation and structuring of financing arrangements, and all treasury matters, including banking and investment of surplus funds.

I. Taxes. Advise and assist Gulf States in connection with tax matters, including preparation of Federal, State or foreign income and other tax returns and of protests, claims and briefs where necessary, tax accruals, and other matters in connection with any applicable taxes, governmental fees or assessments, and assistance in connection with audit of returns by the Internal Revenue Service and State Tax Agencies.

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J. Risk Management. Advise and assist Gulf States in connection with risk management matters including but not limited to insurance and bonding, including contracts with insurers, trustees and actuaries and the placing of individual or blanket/group policies covering Gulf States and/or other Client Companies, and other insurance and bonding problems as required.

K. Employee Benefits. Advise and assist Gulf States in connection with employee benefit matters including but not limited to welfare and pension matters.

L. Corporate. Advise and assist Gulf States in connection with corporate affairs, including assistance and suggestions in connection with the preparation of petitions and applications for the issuance of securities, contracts for the sale or underwriting of securities, maintenance of minutes of directors' and stockholders' meetings and other proceedings and of other related corporate records; and also arrangements for stockholders' meetings, including notices, proxies and records thereof, and for other types of meetings.

M. Budgeting. Advise and assist Gulf States in matters involving the preparation and development of capital and operating budgets, cash and cost forecasts, and budgetary controls and preparation of long-range forecasts.

N. Business Promotion and Public Relations. Advise and assist Gulf States in the development of marketing and

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sales programs, in the preparation and use of advertising and sales materials, and in the determination and carrying out of promotional practices.

O. Employee Services. Furnish Gulf States with advisory and administrative services and programs in connection with employee and employee relations matters, payroll, recruitment, employee placement, training, compensation, safety, labor relations and health, welfare and employee benefits.

P. Systems and Procedures. Advise and assist Gulf States in the formation of sound operating practices and methods of procedure, the standardization of forms, the purchase, rental and use of mechanical and electronic data processing computing and communications equipment, in conducting economic research and planning and in the development of special economic studies.

Q. Regulatory Matters. Consultation and advice with respect to regulatory matters, particularly those involving the Securities and Exchange Commission or the Federal Energy Regulatory Commission, and the provision of liaison and assistance in processing matters with the staff of such commissions.

R. System Operations Center. Operation of a System Operations Center for the control of bulk power supply and load dispatching within the Entergy System with Gulf States and with interconnected systems.

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S. Data Processing Services. Operation of a data processing Computer Center to serve the Entergy System. This operation may include: applications software development, maintenance and enhancements; data communications network design, operation and management; Computer Center production operations; and information systems consulting.

T. Access to and Use of Resources. Make available to Gulf States in the conduct of its business and/or, to the extent necessary or appropriate as required in the performance of its services to its customers, access to, use of, or rights in all Service Company's resources, including facilities, products, processes, techniques, computer hardware and software, technical information, training aids and properties, vehicles, equipment, machines and other property, whether owned, leased or licensed by or otherwise to Service Company.

U. Training. Assist Gulf States in providing training to personnel of Gulf States develop and make available training procedures, materials and facilities and provide instructors.

V. Legal Services. Provide services and advice relating to litigations, contracts, leases, real estate, property rights and other legal matters.

W. General. Make available services in the areas of construction, planning and supervision, design, management

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programs, quality assurance, licensing matters, research and development, and communications systems and procedures.

X. Other Services. Render advice and assistance in connection with such other matters as Gulf States may request and Service Company may be able to perform with respect to Gulf States' business and operations.

4. Compensation of Service Company.

As compensation for Services actually requested by Gulf States and rendered to it by Service Company, Gulf States hereby agrees to pay to Service Company the cost of such Services, computed in accordance with applicable rules and regulations (including, but not limited to, Rules 90 and 91) under the Act and appropriate accounting standards. Bills will be rendered for the amount of such cost on or before the 15th day of the succeeding month and will be payable on or before the 25th day of such month. Cost of Services to be paid by Gulf States shall include direct charges and Gulf States' pro rata share of certain of Service Company's costs and shall be determined as outlined in Exhibits I and II attached hereto and incorporated herein by reference.

5. Service Request.

The Services will be performed in accordance with service requests issued or made by or on behalf of Gulf States and accepted by Service Company, and all Services will be assigned an applicable service request number to enable specific work to be properly allocated by project or

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other appropriate basis. Service requests shall be as specific as practicable in defining the Services requested to be performed and shall set forth the scope and duration of the Services to be performed pursuant to the service request. Gulf States shall have the right from time to time to amend, alter or rescind any service request, provided that (i) any such amendment, alteration or rescission shall be in writing, (ii) any such amendment or alteration which results in a material change in the scope of the work to be performed or equipment to be provided is agreed to by Service Company, (iii) the costs for the Services covered by the service request will include any expense incurred by Service Company as a direct result of such amendment, alteration or rescission of the service request, and (iv) no amendment, alteration or rescission of a service request will release Gulf States from liability for all such costs already incurred or contracted for by Service Company pursuant to the service request, regardless of whether the work associated with such costs has been completed.

6. Miscellaneous.

This Agreement shall be binding upon the successors and assigns of the parties hereto, provided that Service Company shall not be entitled to assign or subcontract out any of its obligations under this Agreement or under any purchase order or service request issued hereunder without the prior written approval of Gulf States. This Agreement shall be

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construed and enforced under and in accordance with the laws of the State of Louisiana. This Agreement may be executed in counterparts, each one of which when fully executed shall be deemed to have the same dignity, force and effect as an original. No provision of this Agreement shall be deemed waived nor breach of this Agreement consented to unless such waiver or consent is set forth in writing and executed by the party hereto making such waiver or consent.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their respective corporate names by their respective Presidents or one of their respective Vice-Presidents and their respective seals to be hereunto affixed and attested by their respective Secretaries or one of their respective Assistant Secretaries as of the day and year first above written.

ENTERGY SERVICES, INC.

ATTEST:

Christopher T. Screen
Name:
Title: [Assistant] Secretary

BY: [Signature]
Name:
Title: [Vice] President

GULF STATES UTILITIES COMPANY

ATTEST:

[Signature]
Name:
Title: [Assistant] Secretary

BY: [Signature]
Name:
Title: [Vice] President

Exhibit I

GULF STATES UTILITIES COMPANY

Billing Procedures by
Entergy Services, Inc.

I. Introduction.

This procedure establishes the guidelines for billings by Entergy Services, Inc. (Service Company) to Gulf States Utilities Company (Gulf States). Service Company employs a computer based service request system for the accumulation of costs and the allocation and billing of those costs to its client companies. These client companies are primarily the affiliated Entergy System companies. The current Service Company accounting system has been designed to facilitate compliance with the Commission's Uniform System of Accounts for Subsidiary Service Companies and generally accepted accounting principles. All bills by the Service Company are at cost.

The accounting procedures to be employed in billing costs of work performed for Gulf States will follow the procedures now in effect for billing to other System Companies (Exhibit II).

II. Method of Billing Gulf States.

All services performed by Entergy Services, Inc. for Gulf States will be accounted for using the service request system. Sources of this system are:

- Payroll (time reports)
- Accounts Payable (expense accounts and vendor invoices)
- System Management Facility (computer usage)
- General Accounting Journal Entries

Charges for services rendered will be billed at cost on or before the 15th day of the succeeding month. All amounts billed will be payable by Gulf States on or before the 25th day of such month.

III. Billings.

Billings of service request orders to Gulf States will be made on a predetermined basis. It is expected that the billings will be 100 percent to Gulf States. Should there be instances where services are jointly provided to other System Companies, billings will be allocated on an equitable basis.

Exhibit II

METHODS OF ALLOCATING COSTS AMONG CLIENT COMPANIES
RECEIVING SERVICE UNDER THIS AND SIMILAR SERVICE AGREEMENTS
WITH ENTERGY SERVICES, INC. (SERVICES)

1. The costs of rendering service by Services will include all costs of doing business including interest on debt but excluding a return for the use of Services' initial equity capital amounting to \$20,000.
2. (a) Services will maintain a separate record of the expenses of each department. The expenses of each department will include:
 - (i) those expenses that are directly attributable to such department, and
 - (ii) an appropriate portion of those office and house-keeping expenses that are not directly attributable to a department but which are necessary to the operation of such department.
- (b) Expenses of the department will include salaries and wages of employees, including social security taxes, vacations, paid absences, sickness, employee disability expenses, and other employee welfare expenses, rent and utilities, materials and supplies, depreciation, and all other expenses attributable to the department.
- (c) Departmental expense will be categorized into one of two classes:
 - (i) those expenses which are directly attributable to specific services rendered to a Client Company or

group of Client Companies (Departmental Direct Costs), and

- (ii) those expenses which are attributable to the overall operation of the department and not to a specific service provided to Client Companies (Departmental Indirect Costs).

Departmental Indirect Costs include:

- (1) Administrative labor costs associated with office and general service employees described in Section 3(a). This would include not only the salaries and wages of these employees but also other related employment costs described in Section 2(b) above.
 - (2) Occupancy costs including rent and utilities.
 - (3) Depreciation.
 - (4) Materials and supplies, telephone use, postage, etc.
 - (5) Other costs attributable to a department.
- (d) The indirect expenses of the department will not include:
- (i) those incremental out-of-pocket expenses that are incurred for the direct benefit and convenience of a Client Company or a group of Client Companies and are to be directly charged to such Client Company or group of Client Companies; and

- (ii) Services' overhead expenses that are attributable to maintaining the corporate existence of Services, franchise and other general taxes, and all other incidental overhead expenses including those auditing fees and accounting department expenses attributable to Services (Indirect Corporate Costs).
 - (e) Services will establish annual budgets for controlling the expenses of each service department and those expenses outlined above in Section 2(d) which are not department specific.
3. (a) Employees in each department will be divided into two classes:
- A. Those employees rendering service to Client Companies (Class A), and
 - B. Those office and general service employees, such as secretaries, stenographers, telephone operators and file clerks, who generally assist employees in Class A or render other house-keeping services and who are not engaged directly in rendering service to a Client Company or a group of Client Companies. In the event that any such office or general service employees are assigned to functions that are attributable to services being performed for Client Companies, such employees shall be reclassified as Class A employees.

- (b) Expenses set forth in Section 2 above will be separated to show:
 - (i) salaries and wages of Class A employees, and
 - (ii) all other expenses of the department.
 - (c) Class A employees in each department will maintain a record of the time they are employed in rendering service to each Client Company or group of Client Companies. The hourly rate for each Class A employee will be determined each month.
4. (a) The charge to a Client Company or a group of Client Companies for a particular service will be the sum of the figures derived by multiplying the hours reported by each Class A employee in rendering such service by the hourly rate applicable to such employee and other direct allocated expenses.
- (b) Departmental Indirect Costs as defined in 2(c)(ii) will be allocated in proportion to the direct salaries and wages charged.
5. Those expenses of Services that are not included in the expense of a department under Section 2 above will be charged to Client Companies receiving service as follows:
- (a) Incremental out-of-pocket costs incurred for the direct benefit and convenience of a Client Company or a group of Client Companies will be charged directly to such company or group of companies.

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Exhibit II, Supplement

**ALLOCATION FORMULAE FOR
GROUPS OF CLIENT COMPANIES**

Note: Each allocation formula is based on data relevant to the participating Client Companies.

Energy Sales

Based on total kilowatt-hours of energy sold to Residential, Commercial, Industrial, Government and Municipal consumers.

Customers

Based on a twelve month average of Residential, Commercial, Industrial, Government and Municipal general business customers.

Employees

Based on the number of full time employees at year-end.

Capability/Responsibility Ratio

The Capability/Responsibility Ratio of a company is the System capability multiplied by the ratio obtained by dividing a company's peak load by the System peak load. The company's peak load is the average of the twelve monthly highest clock hour demands in kilowatts of the Company's interconnected system, occurring each month coincident with the System peak load, during the twelve month period ending with the current month.

**Composite - Energy Sales, Customers, Employees and
Capability/Responsibility Ratio**

Based on four components with equal weighting to each: kilowatt-hour energy sales, average customers, number of employees and capability responsibility ratio.

Composite - Energy Sales, Customers and DCS Employees

Based on three components of equal weighting: kilowatt-hour energy sales, average customers and number of Distribution and Customer Service employees.

Exhibit II, Supplement

Transmission Line Miles

Based on the number of miles of transmission lines, weighted for design voltage.

(Voltage < 500kv = 1, Voltage >= 500kv = 2)

Substations

Distribution Substations is based on the number of high voltage substations weighted for voltage.

(Voltage < 500kv = 1, Voltage >= 500kv = 2)

Composite - Transmission Line Miles/Substations

Based on two components: transmission line miles with a 30% weighting and the number of high voltage substations with a 70% weighting.

Aircraft Ridership

Based on employee use of company aircraft.

Disaster Recovery Applications

Based on the number of software applications that require alternate mainframe processing support for business continuity during a computer center disaster.

Equity/Capitalization Ratio

This ratio is computed for Entergy Corporation and the Client Companies as follows:

- Entergy Corporation's allocation is the ratio of common shareholders equity to total capitalization;
- the Client Companies allocation is the ratio of preferred stock plus long term debt to total capitalization.

Exhibit II, Supplement

- Personal Effects Floater Plan
- Personal Property and Casualty Benefits

Preferred Stockholders

Based on total number of preferred stockholders at year-end.

Revenues

Based on total general business revenues from energy sales to Residential, Commercial, Industrial, Government and Municipal consumers.

System Capacity

Based on the power level, rated in kilowatts, that could be achieved if all generating units were operating at maximum capability simultaneously.

**Amendment to
Service Agreement**

The parties hereto do hereby stipulate and agree to that the SERVICE AGREEMENT entered into by and between them under date of December 31, 1993, be and the same hereby is amended by substituting for the Supplement to Exhibit II to the SERVICE AGREEMENT, the attached revised Supplement to Exhibit II. This amendment is made and entered into as of January 1, 1996.

ENTERGY SERVICES, INC.

By Louis E. Buck

Title Vice President - M&A

ENTERGY GULF STATES, INC.
(formerly Gulf States Utilities, Inc.)

By Frank J. [Signature]

Title President

**ALLOCATION FORMULAE FOR
GROUPS OF CLIENT COMPANIES**

Exhibit II. Supplement

Note: Each allocation formula will be based on data relevant to participating Client Companies to whom the services are provided and the department providing the service.

ENERGY SALES

Based on total kilowatt-hours of energy sold to consumers.

Used primarily for the allocation of costs associated with the support of marketing programs.

CUSTOMERS

Based on a twelve-month average of residential, commercial, industrial, government, and municipal general business electric and gas customers.

Used primarily for the allocation of costs associated with the support of customer based services. Would include customer service and support, marketing, economic forecast, environmental services and customer information systems.

EMPLOYEES

Based on the number of full-time employees at year-end.

Used primarily for the allocation of costs associated with the support of employee-based services. Would include administration of employee benefits programs, employee communications and employee training.

RESPONSIBILITY RATIO

Based on the ratio of the company's load at time of system peak load. The peak load is the average of the twelve monthly highest clock-hour demands in kilowatts of the interconnected system, occurring each month coincident with the system peak load.

Used primarily for the allocation of costs incurred in least cost planning, fossil plant support, and integrated planning.

**COMPOSITE - ELECTRIC/GAS: AP&L, GSU, LP&L, MP&L, NOPSI, EOI, EEI,
EPI, WITH 10% TO ETR AND 1% TO SFI**

Based on four components with equal weighting to each: kilowatt-hour energy sales; average customers; number of employees; and responsibility ratio, with 10% to ETR and 1% to SFI

Used primarily for the allocation of costs incurred for the System for Finance and Human Resources & Administration activities. This method should also be used when the services provided are driven by the relative size and complexity of the companies and there is no functional relationship between the services and any other available allocation formulae.

COMPOSITE - TRANSMISSION, DISTRIBUTION/CUSTOMER SERVICE

Based on four components of equal weighting: kilowatt-hour energy sales; average customers; number of distribution and customer service/support employees; and the Transmission/Substation Composite Allocation Method.

Used primarily for the allocation of costs incurred in the support of the overall transmission and distribution system of Entergy's Operating Companies. These costs are related to sales, transmission lines or substations, customers or customer service/support employees.

TRANSMISSION LINE MILES

Based on the number of miles of transmission lines, weighted for design voltage (Voltage < 400kv = 1; Voltage >=400kv =2).

Used primarily for the allocation of costs associated with project design, maintenance, acquisition, and installation of Entergy transmission lines.

SUBSTATIONS

Based on the number of high voltage substations weighted for Voltage (Voltage < 500kv = 1; Voltage >= 500kv = 2).

Used primarily for the allocation of related engineering and technical support for transmission and distribution substation operations and maintenance as well as for engineering and project management associated with substation construction.

COMPOSITE - TRANSMISSION LINES/SUBSTATIONS

Based on two components: Transmission Line Miles (30% weighting) and the Number of High Voltage Substations (70% weighting).

Used primarily for the allocation of the costs associated with the support of the transmission and distribution function that have both a transmission line component as well as a substation or load component.

GAS CONSUMPTION

Based on the volume of natural gas consumed annually by all gas fired generating units within the Entergy System.

Used for the allocation of costs associated with services in support of gas purchased for gas fired generation units.

TAX INCOME AND DEDUCTION RATIO

Based on the prior years' Federal Income Tax return, total Income and Deductions.

Used for the allocation of costs associated with the preparation of consolidated Federal income tax returns and research of Federal tax issues.

LEVEL OF ESI SERVICE

Based on ESI total billings to each System company, excluding corporate overhead.

Used for the allocation of costs associated with support of ESI as a legal entity.

SYSTEM CAPACITY - NON-NUCLEAR

Based on the power level, in kilowatts, that could be achieved if all non-nuclear generating units were operating at maximum capability simultaneously.

Used primarily for the allocation of costs associated with the support of the fossil operations of the System. This would include services provided by plant support, environmental, and purchasing.

COMPUTER USAGE FOR EACH SYSTEM COMPANY

Based on the mainframe computer usage as measured in Computer Resource Units

Used for the allocation of costs associated with the services provided by the processing mainframe computer applications.

LABOR DOLLARS BILLED

Based on total labor dollars billed to each company.

Used primarily to allocate the costs associated with employee benefits plans, payroll taxes, departmental indirect costs and performance based compensation plans for ESI employees.

DISTRIBUTION LINE MILES

Based on the number of miles of distribution lines of 34.5kv or less.

Used primarily for the allocation of costs associated with project design, maintenance, acquisition, and installation of Entergy distribution lines.

COAL CONSUMPTION

Based on the quantity of tons of coal delivered annually to each coal plant within the Entergy System

Used for the allocation of costs associated with services in support of coal purchased for coal generating units

ACCOUNTS PAYABLE TRANSACTIONS

Based on the number of accounts payable transactions processed annually for each Entergy System Company.

Used for the allocation of costs associated with the support of the accounts payable function.

**Amendment To
Service Agreement**

The parties hereto do hereby stipulate and agree to that the SERVICE AGREEMENT entered into by and between them under date of December 31, 1993, and as heretofore amended on January 1, 1996, be and the same hereby is further amended by substituting for the Supplement to Exhibit II to the SERVICE AGREEMENT, the attached revised Supplement to Exhibit II. This Amendment is made and entered into as of January 1, 1998.

ENTERGY SERVICES, INC.

By Nathan E. Langston
Vice President and Chief Accounting Officer

ENTERGY GULF STATES, INC.

By [Signature]
President

**ALLOCATION FORMULAE FOR
GROUPS OF CLIENT COMPANIES**

Exhibit II, Supplement

Note: Each allocation formula will be based on data relevant to participating Client Companies to whom the services are provided and the department providing the service.

ENERGY SALES

Based on total kilowatt-hours of energy sold to consumers.

Used primarily for the allocation of costs associated with the financial analyses of sales and related items.

CUSTOMERS

Based on a twelve-month average of residential, commercial, industrial, government, and municipal general business electric and gas customers.

Used primarily for the allocation of costs associated with the support of customer based services. Would include customer service and support, marketing, economic forecasts, environmental services, financial and regulatory analyses and customer information systems.

EMPLOYEES

Based on the number of full-time employees at period end.

Used primarily for the allocation of costs associated with the support of employee-based services. Would include administration of employee benefits programs, employee communications, employee training, various facilities-based benefits and information technology desktop support.

RESPONSIBILITY RATIO

Based on the ratio of the company's load at time of system peak load. The peak load is the average of the twelve monthly highest clock-hour demands in kilowatts of the interconnected system occurring each month coincident with the system peak load.

Used primarily for the allocation of costs incurred in fossil plant support and integrated planning.

COMPOSITE - TRANSMISSION, DISTRIBUTION/CUSTOMER SERVICE

Based on four components of equal weighting: kilowatt-hour energy sales; average customers; number of distribution and customer service/support employees; and the Transmission/Substation Composite Allocation Method.

Used primarily for the allocation of costs incurred in the support of the overall transmission and distribution system of Entergy's Operating Companies. These costs are related to sales, transmission lines or substations, customers or customer service/support employees.

TRANSMISSION LINE MILES

Based on the number of miles of transmission lines, weighted for design voltage (Voltage < 400kv = 1; Voltage >=400kv =2).

Used primarily for the allocation of costs associated with project design, maintenance and installation of Entergy transmission lines.

SUBSTATIONS

Based on the number of high voltage substations weighted for Voltage (Voltage < 500kv = 1; Voltage >= 500kv = 2).

Used primarily for the allocation of related engineering and technical support for transmission and distribution substation operations and maintenance as well as for engineering and project management associated with substation construction.

COMPOSITE - TRANSMISSION LINES/SUBSTATIONS

Based on two components: Transmission Line Miles (30% weighting) and the Number of High Voltage Substations (70% weighting).

Used primarily for the allocation of the costs associated with the support of the transmission and distribution function that have both a transmission line component as well as a substation or load component.

GAS CONSUMPTION

Based on the volume of natural gas consumed annually by all gas fired generating units within the Entergy System.

Used for the allocation of costs associated with services in support of gas purchased for gas fired generation units.

TAX INCOME AND DEDUCTION RATIO

Based on the prior years' Federal Income Tax return, total Income and Deductions.

Used for the allocation of costs associated with the preparation of consolidated Federal income tax returns and research of Federal tax issues.

LEVEL OF ESI SERVICE

Based on ESI total billings to each System company, excluding corporate overhead.

Used for the allocation of costs associated with support of ESI as a legal entity.

SYSTEM CAPACITY (NON-NUCLEAR)

Based on the power level, in kilowatts, that could be achieved if all non-nuclear generating units were operating at maximum capability simultaneously.

Used primarily for the allocation of costs associated with the support of the fossil operations of the System. This would include services provided by plant support, environmental and purchasing.

LABOR DOLLARS BILLED

Based on total labor dollars billed to each company.

Used primarily to allocate the costs associated with employee benefits plans, payroll taxes, departmental indirect costs and performance based compensation plans for ESI employees.

DISTRIBUTION LINE MILES

Based on the number of miles of distribution lines of 34.5kv or less.

Used primarily for the allocation of costs associated with project design, maintenance and installation of Entergy distribution lines.

COAL CONSUMPTION

Based on the quantity of tons of coal delivered for a twelve month period to each coal plant within the Entergy System.

Used for the allocation of costs associated with services in support of coal purchased for coal generating units

ACCOUNTS PAYABLE TRANSACTIONS

Based on the number of accounts payable transactions processed annually for each Entergy System Company.

Used for the allocation of costs associated with the support of the accounts payable function.

SQUARE FOOTAGE

Based on square footage occupied by ESI functional business units.

Used primarily to allocate the costs associated with facilities supervision and support.

INSURANCE PREMIUMS (NON-NUCLEAR)

Based on non-nuclear insurance premiums.

Used for the allocation of costs associated with risk management.

ASSET RECORDS

Based on the number of asset records at period end.

Used for the allocation of costs associated with the fixed asset accounting function.

AVERAGE OUTSTANDING CAPITAL EXPENDITURE AUTHORIZATIONS (CEA'S)

Based on a twelve-month average of outstanding CEA's.

Used for the allocation of costs associated with the capital project costing accounting function.

TOTAL ASSETS

Based on total assets at period end.

Used primarily to allocate costs associated with the oversight and safeguarding of corporate assets. This would include services provided by financial management and certain finance functions, among others. Also used when the

services provided are driven by the relative size and complexity of the System Companies and there is no functional relationship between the services and any other available allocation formula.

BANK ACCOUNTS

Based on the number of bank accounts at period end.

Used for the allocation of costs associated with daily cash management activities.

COMPUTER USAGE COMPOSITE

Based on three components: Customers (52% weighting), General Ledger Transactions (29% weighting) and Employees (19% weighting), with weighting based on historical usage.

Used primarily for the allocation of costs associated with the mainframe computer, unix servers and related database administration.

GENERAL LEDGER TRANSACTIONS

Based on the number of general ledger transactions for the period.

Used primarily for the allocation of costs associated with general ledger activities, including related information systems, and for general accounting activities.

CUSTOMERS AND EMPLOYEES COMBINATION

Based on the equal weighting of a twelve-month average of residential, commercial, industrial, government and municipal general business electric and gas customers and on the number of full-time employees at period end.

Used primarily for systems that support both customers and employees.

Amendment To
Service Agreement

The parties hereto do hereby stipulate and agree to that the SERVICE AGREEMENT entered into by and between them under date of December 31, 1993, and as heretofore amended on January 1, 1996 and January 1, 1998 be and the same hereby is further amended by substituting for the Supplement to Exhibit II to the SERVICE AGREEMENT, the attached revised Supplement to Exhibit II. This Amendment is made and entered into as of January 1, 1999.

ENTERGY SERVICES, INC.

By Nathan S. Langston
Vice President and Chief Accounting Officer

ENTERGY GULF STATES, INC.

By [Signature]
President and CEO - Texas

**ALLOCATION FORMULAE FOR
GROUPS OF CLIENT COMPANIES**

Exhibit II, Supplement

Note: Each allocation formula will be based on data relevant to participating Client Companies to whom the services are provided and the department providing the service.

ENERGY SALES

Based on total kilowatt-hours of energy sold to consumers.

Used primarily for the allocation of costs associated with the financial analyses of sales and related items.

CUSTOMERS

Based on a twelve-month average of residential, commercial, industrial, government, and municipal general business electric and gas customers.

Used primarily for the allocation of costs associated with the support of customer based services. Would include customer service and support, marketing, economic forecasts, environmental services, financial and regulatory analyses and customer information systems.

EMPLOYEES

Based on the number of full-time employees at period end.

Used primarily for the allocation of costs associated with the support of employee-based services. Would include administration of employee benefits programs, employee communications, employee training, various facilities-based benefits and information technology desktop support.

RESPONSIBILITY RATIO

Based on the ratio of the company's load at time of system peak load. The peak load is the average of the twelve monthly highest clock-hour demands in kilowatts of the interconnected system occurring each month coincident with the system peak load.

Used primarily for the allocation of costs incurred in fossil plant support and integrated planning.

COMPOSITE - TRANSMISSION, DISTRIBUTION/CUSTOMER SERVICE

Based on four components of equal weighting: kilowatt-hour energy sales; average customers; number of distribution and customer service/support employees; and the Transmission/Substation Composite Allocation Method.

Used primarily for the allocation of costs incurred in the support of the overall transmission and distribution system of Entergy's Operating Companies. These costs are related to sales, transmission lines or substations, customers or customer service/support employees.

TRANSMISSION LINE MILES

Based on the number of miles of transmission lines, weighted for design voltage (Voltage < 400kv = 1; Voltage >=400kv =2).

Used primarily for the allocation of costs associated with project design, maintenance and installation of Entergy transmission lines.

SUBSTATIONS

Based on the number of high voltage substations weighted for Voltage (Voltage < 500kv = 1; Voltage >= 500kv = 2).

Used primarily for the allocation of related engineering and technical support for transmission and distribution substation operations and maintenance as well as for engineering and project management associated with substation construction.

COMPOSITE - TRANSMISSION LINES/SUBSTATIONS

Based on two components: Transmission Line Miles (30% weighting) and the Number of High Voltage Substations (70% weighting).

Used primarily for the allocation of the costs associated with the support of the transmission and distribution function that have both a transmission line component as well as a substation or load component.

GAS CONSUMPTION

Based on the volume of natural gas consumed annually by all gas fired generating units within the Entergy System.

Used for the allocation of costs associated with services in support of gas purchased for gas fired generation units.

TAX INCOME AND DEDUCTION RATIO

Based on the prior years' Federal Income Tax return, total Income and Deductions.

Used for the allocation of costs associated with the preparation of consolidated Federal income tax returns and research of Federal tax issues.

LEVEL OF ESI SERVICE

Based on ESI total billings to each System company, excluding corporate overhead.

Used for the allocation of costs associated with support of ESI as a legal entity.

SYSTEM CAPACITY (NON-NUCLEAR)

Based on the power level, in kilowatts, that could be achieved if all non-nuclear generating units were operating at maximum capability simultaneously.

Used primarily for the allocation of costs associated with the support of the fossil operations of the System. This would include services provided by plant support, environmental and purchasing.

LABOR DOLLARS BILLED

Based on total labor dollars billed to each company.

Used primarily to allocate the costs associated with employee benefits plans, payroll taxes, departmental indirect costs and performance based compensation plans for ESI employees.

DISTRIBUTION LINE MILES

Based on the number of miles of distribution lines of 34.5kv or less.

Used primarily for the allocation of costs associated with project design, maintenance and installation of Entergy distribution lines.

COAL CONSUMPTION

Based on the quantity of tons of coal delivered for a twelve month period to each coal plant within the Entergy System.

Used for the allocation of costs associated with services in support of coal purchased for coal generating units

ACCOUNTS PAYABLE TRANSACTIONS

Based on the number of accounts payable transactions processed annually for each Entergy System Company.

Used for the allocation of costs associated with the support of the accounts payable function.

SQUARE FOOTAGE

Based on square footage occupied by ESI functional business units.

Used primarily to allocate the costs associated with facilities supervision and support.

INSURANCE PREMIUMS (NON-NUCLEAR)

Based on non-nuclear insurance premiums.

Used for the allocation of costs associated with risk management.

ASSET RECORDS

Based on the number of asset records at period end.

Used for the allocation of costs associated with the fixed asset accounting function.

AVERAGE OUTSTANDING CAPITAL EXPENDITURE AUTHORIZATIONS (CEA'S)

Based on a twelve-month average of outstanding CEA's.

Used for the allocation of costs associated with the capital project costing accounting function.

TOTAL ASSETS

Based on total assets at period end.

Used primarily to allocate costs associated with the oversight and safeguarding of corporate assets. This would include services provided by financial management and certain finance functions, among others. Also used when the

services provided are driven by the relative size and complexity of the System Companies and there is no functional relationship between the services and any other available allocation formula.

BANK ACCOUNTS

Based on the number of bank accounts at period end.

Used for the allocation of costs associated with daily cash management activities.

COMPUTER USAGE COMPOSITE

Based on three components: Customers (52% weighting), General Ledger Transactions (29% weighting) and Employees (19% weighting), with weighting based on historical usage.

Used primarily for the allocation of costs associated with the mainframe computer, unix servers and related database administration.

GENERAL LEDGER TRANSACTIONS

Based on the number of general ledger transactions for the period.

Used primarily for the allocation of costs associated with general ledger activities, including related information systems, and for general accounting activities.

CUSTOMERS AND EMPLOYEES COMBINATION

Based on the equal weighting of a twelve-month average of residential, commercial, industrial, government and municipal general business electric and gas customers and on the number of full-time employees at period end.

Used primarily for systems that support both customers and employees.

FIBER

Based on capacity and use of the Entergy System's fiber optic network.

Used primarily for the allocation of fiber optic operations and maintenance expenses.

Exhibit II

METHODS OF ALLOCATING COSTS AMONG CLIENT COMPANIES
RECEIVING SERVICE UNDER THIS AND SIMILAR SERVICE AGREEMENTS
WITH ENTERGY SERVICES, INC. (SERVICES)

1. The costs of rendering service by Services will include all costs of doing business including interest on debt but excluding a return for the use of Services' initial equity capital amounting to \$20,000.
2. (a) Services will maintain a separate record of the expenses of each department. The expenses of each department will include:
 - (i) those expenses that are directly attributable to such department,
 - (ii) an appropriate portion of those office and housekeeping expenses that are not directly attributable to a department but which are necessary to the operation of such department, and
 - (iii) an appropriate portion of those expenses of other Services' departments necessary to support the operation of the department.
- (b) Expenses of the department will include salaries and wages of employees, including social security taxes, vacations, paid absences, sickness, employee disability expenses, and other employee welfare expenses, rent and utilities, desktops,

telephones, materials and supplies, and all expenses attributable to the department.

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(c) Departmental expense will be categorized into one of three classes:

- (i) those expenses which are directly attributable to specific services rendered to a Client Company or group of Client Companies (Departmental Direct Costs),
- (ii) those expenses which are attributable to the overall operation of the department and not to a specific service provided to Client Companies (Departmental Indirect Costs) (these expenses include not only the salaries and wages of employees, but also other related employment costs described in Section 2 (b) above), and
- (iii) those expenses which are attributable to the operation of other departments of Services as well as to a specific service provided to the Client Companies (Departmental Support Service Costs).

(d) The indirect expenses of the department will not include:

- (i) those incremental out-of-pocket expenses that are incurred for the direct benefit and convenience of a Client Company or a group of Client Companies and are to be directly charged to such Client Company or group of Client Companies; and
- (ii) Services' overhead expenses that are attributable to maintaining the corporate existence of Services, franchise and other

general taxes, and all other incident^{Exhibit CEB-4A}
overhead expenses including those auditing^{2005 TTC Cost Case}
fees and accounting department expenses^{Page 42 of 102}
attributable to Services (Indirect
Corporate Costs).

- (e) Services will establish annual budgets for controlling the expenses of each service department and those expenses outlined above in Section 2 (d), which are not department specific.
- 3. Employees in each department will maintain a record of the time they are employed in rendering service to each Client Company or group of Client Companies. The hourly rate for each employee will be determined each pay period.
- 4. (a) The charge to a Client Company or a group of Client Companies for a particular service will be the sum of the figures derived by multiplying the hours reported by each employee in rendering such service by the hourly rate applicable to such employee and other direct allocated expenses.
- (b) Departmental Indirect Costs as defined in 2(c) (ii) will be loaded onto project codes in proportion to the direct salaries and wages charged to all project codes.
- (c) Departmental Support Service Costs as defined in 2(c) (iii) will be allocated to other internal Services departments and the Client Companies using consumption-based billing methods, with these costs then distributed by function. Any costs that remain at Services after this initial billing will be loaded onto project codes in

proportion to the direct salaries and wages charged to all project codes.

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5. Those expenses of Services that are not included in the expenses of a department under Section 2 above will be charged to Client Companies receiving service as follows:
 - (a) Incremental out-of-pocket costs incurred for the direct benefit and convenience of a Client Company or a group of Client Companies will be charged directly to such company or group of companies.
 - (b) The Indirect Corporate Costs of Services referred to above in Section 2(d)(ii) will be allocated among the Client Companies in the same proportion as the charges to the Client Companies, excluding Indirect Corporate Costs.
 - (c) If the method of allocation of Departmental Indirect Costs (Section 4(b)), Departmental Support Service Costs (Section 4(c)), or Indirect Corporate Costs (Section 5(b)), would result in an inequity because of a change in operations or organization of the Client Companies, then Services may adjust the basis to effect an equitable distribution. Any such change in allocation shall be made only after first giving the Commission written notice of such proposed change not less than 60 days prior to the proposed effectiveness of any such change.
6. On the basis of the foregoing, monthly bills will be rendered to Client Company. Billing procedures and amounts will be open to audit by Client Company and by

any regulatory authority having jurisdiction in respect of the Client Company.

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7. When services are rendered to a group of Client Companies, costs of such service shall be allocated equitably among the Companies based on the nature and scope of the service rendered according to the formulae outlined in Exhibit II, Supplement.

Exhibit C

**ALLOCATION FORMULAE FOR
GROUPS OF CLIENT COMPANIES**

Exhibit II, Supplement

Note: Each allocation formula will be based on data relevant to participating Client Companies to whom the services are provided and the department providing the service.

ENERGY SALES

Based on total kilowatt-hours of energy sold to consumers.

Used primarily for the allocation of costs associated with the financial analyses of sales and related items.

CUSTOMERS

Based on a twelve-month average of residential, commercial, industrial, government, and municipal general business electric and gas customers.

Used primarily for the allocation of costs associated with the support of customer based services. Would include customer service and support, marketing, economic forecasts, environmental services, financial and regulatory analyses and customer information systems.

EMPLOYEES

Based on the number of full and part time employees at period end.

Used primarily for the allocation of costs associated with the support of employee-based services. Would include administration of employee benefits programs, employee communications, employee training, and various facilities-based benefits.

RESPONSIBILITY RATIO

Based on the ratio of the company's load at time of system peak load. The peak load is the average of the twelve monthly highest clock-hour demands in kilowatts of the interconnected system occurring each month coincident with the system peak load.

Used primarily for the allocation of costs incurred in fossil plant support and integrated planning.

TRANSMISSION LINE MILES

Based on the number of miles of transmission lines, weighted for design voltage (Voltage < 400kv = 1; Voltage >=400kv =2).

Used primarily for the allocation of costs associated with project design, maintenance and installation of Entergy transmission lines.

SUBSTATIONS

Based on the number of high voltage substations weighted for Voltage (Voltage < 500kv = 1; Voltage >= 500kv = 2).

Used primarily for the allocation of related engineering and technical support for transmission and distribution substation operations and maintenance as well as for engineering and project management associated with substation construction.

COMPOSITE - TRANSMISSION LINES/SUBSTATIONS

Based on two components: Transmission Line Miles (30% weighting) and the Number of High Voltage Substations (70% weighting).

Used primarily for the allocation of the costs associated with the support of the transmission and distribution function that have both a transmission line component as well as a substation or load component.

GAS CONSUMPTION

Based on the volume of natural gas consumed annually by all gas fired generating units within the Entergy System.

Used for the allocation of costs associated with services in support of gas purchased for gas fired generation units.

TAX INCOME AND DEDUCTION RATIO

Based on the prior years' Federal Income Tax return, total Income and Deductions.

Used for the allocation of costs associated with the preparation of consolidated Federal income tax returns and research of Federal tax issues.

LEVEL OF ESI SERVICE

Based on ESI total billings to each System Company, excluding ESI corporate overhead.

Used for the allocation of costs associated with support of ESI as a legal entity.

SYSTEM CAPACITY (NON-NUCLEAR)

Based on the power level, in kilowatts, that could be achieved if all non-nuclear generating units were operating at maximum capability simultaneously.

Used primarily for the allocation of costs associated with the support of the fossil operations of the System. This would include services provided by plant support, environmental and purchasing.

LABOR DOLLARS BILLED

Based on total labor dollars billed to each System Company.

Used primarily to allocate certain employee-related costs and the costs associated with depreciation.

DISTRIBUTION LINE MILES

Based on the number of miles of distribution lines of 34.5kv or less.

Used primarily for the allocation of costs associated with project design, maintenance and installation of Entergy distribution lines.

COAL CONSUMPTION

Based on the quantity of tons of coal delivered for a twelve-month period to each coal plant within the Entergy System.

Used for the allocation of costs associated with services in support of coal purchased for coal generating units

ACCOUNTS PAYABLE TRANSACTIONS

Based on the number of accounts payable transactions processed annually for each Entergy System Company.

Used for the allocation of costs associated with the support of the accounts payable function.

INSURANCE PREMIUMS (NON-NUCLEAR)

Based on non-nuclear insurance premiums.

Used for the allocation of costs associated with risk management.

ASSET RECORDS

Based on the number of asset records at period end.

Used for the allocation of costs associated with the fixed asset accounting function.

AVERAGE OUTSTANDING CAPITAL EXPENDITURE AUTHORIZATIONS (CEA'S)

Based on a twelve-month average of outstanding CEA's.

Used for the allocation of costs associated with the capital project costing accounting function.

TOTAL ASSETS

Based on total assets at period end.

Used primarily to allocate costs associated with the oversight and safeguarding of corporate assets. This would include services provided by financial management and certain finance functions, among others. Also used when the services provided are driven by the relative size and complexity of the System Companies and there is no functional relationship between the services and any other available allocation formula.

BANK ACCOUNTS AND QPC'S

Based on the number of bank accounts and quick payment centers (QPC's) at period end.

Used for the allocation of costs associated with daily cash management activities.

COMPUTER USAGE COMPOSITE

Based on three components: Customers (52% weighting), General Ledger Transactions (29% weighting) and Employees (19% weighting), with weighting based on historical usage.

Used primarily for the allocation of costs associated with the mainframe and related database administration.

GENERAL LEDGER TRANSACTIONS

Based on the number of general ledger transactions for the period.

Used primarily for the allocation of costs associated with general ledger activities, including related information systems, and for general accounting activities.

FIBER

Based on capacity and use of the Entergy System's fiber optic network.

Used primarily for the allocation of fiber optic operation and maintenance expenses.

NUCLEAR UNITS

Based on the number of nuclear units managed and operated by each Entergy System Company.

Used primarily to allocate nuclear fuel-related services.

NUCLEAR SITES

Based on the number of nuclear sites managed and operated by each Entergy System Company.

Used to allocate miscellaneous nuclear-related services.

TWO-WAY RADIOS

Based on the number of two-way radios within each Legal Entity.

Used for the allocation of costs associated with the support and maintenance provided by the Information Technology department for the two way radio system.

NUMBER OF PC's

Based on the number of PC's within each Legal Entity at period end.

Used primarily for the allocation of costs associated with the maintenance and support of desktop PC's.

PAYCHECKS ISSUED

Based on the number of paychecks issued to each Legal Entity.

Used for the allocation of costs associated with the processing of payroll.

REMOTE ACCESS SERVICE (RAS) ID'S

Based on the number of RAS ID's within each Legal Entity at period end.

Used for the allocation of costs associated with providing Remote Access Service to Entergy employees and contractors.

SQUARE FOOTAGE

Based on square footage occupied by all Legal Entities (SALL) and the regulated companies (SREG).

Used primarily to allocate the costs associated with facilities supervision and support.

TRANSITION TO COMPETITION

Based on a twelve-month average of residential, commercial, industrial, government, and municipal general business of gas and/or electric customers.

Used primarily for the allocation of costs associated with the management support of the Entergy System's strategy for and transition to competition.

TELEPHONES

Based on the number of telephones within each Legal Entity at period end.

Used for the allocation of costs associated with maintenance and support of telephones.

CALL CENTERS

Based on the number of customer calls for each Legal Entity at period end.

Used for the allocation of costs associated with customer service support centers.

SUPPLY CHAIN – Inventory Management T & D Transfers

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Based on the number of transfer transactions for transmission and distribution (T & D) for each Legal Entity at period end.

Used for the allocation of costs associated with management and operation of inventories, excluding Fossil and Nuclear.

SUPPLY CHAIN – Investment Recovery Total Revenue

Based on the dollar amount of investment recovery revenue generated within each Legal Entity at period end.

Used for the allocation of costs associated with the management and operations of investment recovery.

SUPPLY CHAIN – Procurement Total Spending

Based on the dollar amount of procurement spending within each Legal Entity at period end.

Used for the allocation of costs associated with procurement activities for the Entergy System.