

METHODS OF ALLOCATING COSTS AMONG CLIENT COMPANIES RECEIVING SERVICE UNDER THIS AND SIMILAR SERVICE AGREEMENTS WITH MIDDLE SOUTH 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) The 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 charged as such 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.

- (d) Services will establish annual budgets for controlling the expenses of each service department.
3. (a) Employees in each department will be divided into two classes:
- A. Those employees rendering service to Client Companies, 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) There will be attributed to a Class A employee's salary or wage, that percentage of all other expenses of his department (as defined in Section 2(b) above) that his salary or wage is to the total Class A salaries and wages of that department.
- (d) 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. An hourly rate for each Class A employee will be determined at the beginning of each year as follows: Each Class A employee's annual salary adjusted for any estimated salary change plus employee welfare expenses which shall include medical and hospital insurance premiums, life insurance premiums, social security taxes, retirement income benefits, employee disability expenses, and

any other similar welfare expenses, shall be divided by the total number of estimated productive hours which shall be determined as follows:

Total available working days (considering Saturdays, Sundays and recognized holidays)			x
Less allowable days for			
Estimated vacation		x	
Estimated sick leave		x	
Estimated non-productive time (conventions, con- ferences, unassigned)		x	
Estimated net available productive days for the year		$\frac{x}{x}$	$\frac{x}{x}$

Multiply estimated net available productive days by the number of working hours per day to determine estimated annual productive time in hours. Divide estimated annual productive time into the sum of employee's salary plus all other costs as stated above to determine employee's hourly rate.

For groups of employees performing the same type of service, where the salary spread within a group is not significant, an average hourly rate may be determined in accordance with the foregoing formula.

Such hourly rate as determined above will be employed throughout the year in billing Client Companies for services rendered and will be adjusted from time to time to reflect significant unforeseen developments such as disease epidemics.

4. The charge to 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. Other expenses of a department as defined in 2(a)(ii) will be allocated in proportion to the employee hourly rate charges. When services are rendered to a group of Client Companies, the cost of such services will be allocated among companies in the group in accordance with the allocation formulae in Section 7 of this Exhibit.

5. Those expenses of Services that are not included in the annual 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. Such costs incurred for a group of Client Companies will be allocated on the basis set forth in Section 7 of this Exhibit.
 - (b) The total annual expenses of Services referred to above in Section 2(c)(ii) will be allocated among the Client Companies in the same proportions as the charges to Client Companies under Section 4 are allocated.
6. On the basis of the foregoing, monthly bills will be rendered to Client Company, subject to adjustment after the year's end to ensure that all billings represent actual costs. 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.
7. (a) When services are rendered to a group of Client Companies, the following formulae will be used to allocate the charges therefor among Client Companies in such group:

<u>Department/Activity</u>	<u>Basis of Allocation</u>
(1) Executive and Advisory	Gross electric and gas revenues for the preceding calendar year. (Note 1)
(2) Finance and Accounting	Gross electric revenues or total capitalization for the preceding calendar year, depending upon the nature of the services rendered. (Note 2)

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<u>Department/Activity</u>	<u>Basis of Allocation</u>
(3) Engineering, System Planning and Fuel Supply	Capability responsibility ratio (Note 3) or total capitalization for the preceding calendar year, depending upon the nature of the services rendered.
(4) System Operations Center	Capability responsibility ratio. (Note 3)
(5) Advertising	Gross electric and gas revenues from ultimate customers for the preceding calendar year. (Note 1)
(6) Public Relations	Gross electric and gas revenues or electric and gas revenues from ultimate customers or total capitalization for the preceding calendar year, depending upon the nature of the services rendered. (Note 1)
(7) Tax	The sum of the total income and total deductions as reported for Federal Income Tax purposes on the return filed for the preceding calendar year.
(8) Insurance	Insurance premiums for the preceding calendar year.
(9) Computer Center	Various bases, depending upon the nature of the services rendered, as agreed upon by the Client Companies.
(10) Economic Research	Gross electric and gas revenues from ultimate customers or gross electric revenues for the preceding calendar year or capability responsibility, depending upon the nature of the services rendered. (Notes 1 & 3)
(11) Internal Auditing	Gross electric revenues for the preceding calendar year. (Note 2)

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- (b) If the use of a basis of allocation would result in an increase in the rates of the Client Companies, then Services may adjust the basis to effect an equitable distribution based upon a functional relationship between the services involved and the formula used.

Note 1: It is not anticipated that any significant services will relate to transit. If they should, appropriate adjustment will be made.

Note 2: It is not anticipated that any significant services will relate to gas or transit. If they should, appropriate adjustment will be made.

Note 3: The capability responsibility 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 four highest clock hour demands in kilowatts of the company's inter-connected system, each on a different day, occurring during the twelve month period ending with the current month.

Amendment No. 2

To

Service Agreement

The parties hereto do hereby stipulate and agree that the SERVICE agreement entered into by and between them under date of April 1, 1963, be and the same hereby is amended by substituting for the form of Exhibit I and Exhibit II to the Service Agreement, the attached revised form of Exhibit I and Exhibit II.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 2 to be executed this 27th day of April, 1984.

MIDDLE SOUTH SERVICES, INC.

By W. H. Smith

Title President

NEW ORLEANS PUBLIC SERVICE INC.

By James M. Cain

Title President

DESCRIPTION OF SERVICES WHICH WILL BE PROVIDED BY MIDDLE SOUTH SERVICES, INC.
UNDER THIS AND SIMILAR SERVICE AGREEMENTS

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- (1) Consultation and advice on financial planning, sale of securities and temporary cash investments, including assistance in connection with the preparation, printing and filing of appropriate documents with regulatory authorities, and provision of liaison with financial community;
- (2) Consultation and advice on budgeting and preparation of long-range forecasts;
- (3) Consultation and advice on employee benefit plans;
- (4) Consultation and advice with respect to regulatory matters, particularly those involving the Securities and Exchange Commission or the Federal Energy Regulatory Commission, and provision of liaison and assistance in processing matters with the staffs of such commissions;
- (5) Planning assistance and advice in the field of nuclear activities including coordination or research programs and other activities in such field;
- (6) Liaison with special counsel representing operating companies in proceedings involving the Middle South System and with consultants retained to prepare testimony and other data for use in such proceedings;
- (7) Operation of a communications and public relations department and placing of Middle South System national advertising;
- (8) Tax services relating to preparation and filing of returns for federal and state income taxes and declaration of estimated income taxes; studies of adequacy of tax accruals; and assistance in connection with audit of returns by Internal Revenue Service and State Tax Agencies;
- (9) Insurance consulting and advisory services relating to fire and allied lines of insurance, casualty and surety insurance, and employee benefit insurance;
- (10) General consultation on management, business problems and strategic planning;
- (11) Consultation on special accounting problems;
- (12) Statistical services, such as study of comparative operating results, and up-dating annually System statistical data;
- (13) Preparation of maps;

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(14) General advisory engineering services including system planning,
operation, fuel supply and construction management;

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(15) Operation of a System Operations Center for the control of bulk power supply and load dispatching within the System and with interconnected systems;

(16) 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;

(17) Operation of a data processing Computer Center to serve the Middle South System;

(18) 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; and

(19) Consultation, advice and services with respect to internal auditing.

8321-0001-0005

1. The costs of rendering service by Services will include all costs of the 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) The 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 charged as such 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.

- (d) Services will establish annual budgets for controlling the expenses of each service department.

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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. The charge to 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 and allocated expenses. Other expenses of a department as defined in 2(a) (ii) will be allocated in proportion to the salaries and wages charges. When services are rendered to a group of Client Companies, the cost of such services will be allocated among companies in the group in accordance with the allocation formulae in Section 7 of this Exhibit.

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5. Those expenses of Services that are not included in the expense of a department under Section 2 above will be charged to Client Company receiving service as follows:

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- (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. Such costs incurred for a group of Client Companies will be allocated on the basis set forth in Section 7 of this Exhibit.
- (b) The total expenses of Services referred to above in Section 2(c)(ii) will be allocated among the Client Companies in the same proportions as the charges to Client Companies under Section 4 are allocated.
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.
7. (a) When services are rendered to a group of Client Companies, the following formulae will be used to allocate the charges therefor among Client Companies in such group:

<u>Department/Activity</u>	<u>Basis of Allocation</u>
(1) Executive and Advisory	Composite factor (Note 1)
(2) Finance and Accounting	Composite factor (Note 1)
(3) Nuclear	Number of nuclear units.
(4) Engineering, System Planning and Fuel Supply	Capability responsibility ratio (Note 2)
(5) System Operations Center	Capability responsibility ratio (Note 2)
(6) Communications	Composite factor (Note 1)
(7) Public Relations	Composite factor (Note 1)

<u>Department/Activity</u>	<u>Basis of Allocation</u>
(8) Tax	The sum of the total income and total deductions as reported for Federal Income Tax purposes on the return filed for the preceding calendar year.
(9) Insurance	Insurance premiums for the preceding calendar year.
(10) Computer Center	Various bases, depending upon the nature of the services rendered, as agreed upon by the Client Companies.
(11) Internal Auditing	Composite factor (Note 1)
(b) If the use of a basis of allocation 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 based upon a functional relationship between the services involved and the formula used. Any such change in allocation bases shall be made only after first giving to the Commission written notice of such proposed change not less than 60 days prior to the proposed effectiveness of any such change.	
Note 1: The composite factor is composed of four factors with equal weighting to each. Those factors are kilowatt-hour sales, average customers, number of employees and capability responsibility ratio.	
Note 2: The capability responsibility 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.	

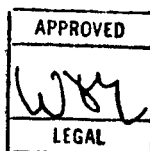
Amendment No. 3

To

Service Agreement

The parties hereto do hereby stipulate and agree that the SERVICE AGREEMENT entered into by and between them under date of April 1, 1963, be and the same hereby is amended by substituting for the form of Exhibit II to the Service Agreement, the attached revised form of Exhibit II. The effective date of this Amendment No. 3 is January 1, 1989.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 3 to be executed this 1st day of August, 1988.



MSU SYSTEM SERVICES, INC.

By

Title President/CEO

NEW ORLEANS PUBLIC SERVICE INC.

By

Title President/CEO

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 expenses 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 will be classified as fixed (Indirect Departmental Fixed Costs) or variable (Indirect Departmental Variable Costs). Departmental Indirect Costs include all costs incurred by a department which are necessary to operate the department but do not vary with the level of services provided to other System Companies during a fiscal year.

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Departmental Indirect Fixed 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) Other fixed costs attributable to a department.

Departmental Indirect Variable Costs are those costs incurred by a department which are necessary to support services to other System Companies and cannot be practically assigned to individual services provided to other System Companies but vary with the level of these services during a fiscal year. This would include materials and supplies, telephone usage, postage, etc.

- (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).

(a) 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.

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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. The charge to 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. Indirect Departmental Variable Costs as defined in 2(c)(ii) will be allocated in proportion to the direct salaries and wages charged. When services are rendered to a group of Client Companies the cost of such services will be allocated among companies in the group in accordance with the allocation formulae in Section 7 of this Exhibit.

Indirect Departmental Fixed Costs will be allocated to client companies on the basis set forth in Section 7 of this Exhibit.

X

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:

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- (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. Such costs incurred for a group of Client Companies will be allocated on the basis set forth in Section 7 of this Exhibit.
- (b) The Indirect Corporate Costs of Services referred to above in Section 2(d)(11) will be allocated among the Client Companies on the basis set forth in Section 7 of this Exhibit.
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.
7. (a) When services are rendered to a group of Client Companies, the following formulae will be used to allocate the charges therefor among Client Companies in such group:

<u>Department/Activity</u>	<u>Basis of Allocation</u>
(1) Executive and Advisory	Composite factor (Note 1)
(2) Finance and System Accounting	Composite factor (Note 1)
(3) Nuclear	Number of participating nuclear companies
(4) Engineering, System Planning and Fuel Supply	Capability responsibility ratio (Note 2)
(5) System Operations Center	Capability responsibility ratio (Note 2)
(6) Communications	Composite factor (Note 1)
(7) Public Relations	Composite factor (Note 1)

X

<u>Department/Activity</u>	<u>Basis of Allocation</u>	Exhibit CEB-4E 2005 TTC Cost Case Page 52 of 124
(8) Tax	The sum of the total income and deductions as reported for Federal Income Tax purposes on the return filed for the preceding calendar year.	

(9) Insurance	Insurance premiums for the preceding calendar year.
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(10) Computer Center	Various bases, depending upon the nature of the services rendered, as agreed upon by the Client Companies.
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(11) Internal Auditing	Composite factor (Note 1)
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(12) Indirect Corporate Costs	Composite factor (Note 1)
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(b) If the use of a basis of allocation 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 based upon a functional relationship between the services involved and the formula used. Any such change in allocation bases shall be made only after first giving to the Commission written notice of such proposed change not less than 60 days prior to the proposed effectiveness of any such change.

Note 1: The composite factor is composed of four factors with equal weighting to each. Those factors are kilowatt-hour sales, average customers, number of employees and capability responsibility ratio.

Note 2: The capability responsibility 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.

Amendment
Dated January 1, 1991
To

Service Agreement

The parties hereto do hereby stipulate and agree that the SERVICE AGREEMENT entered into by and between them under date of April 1, 1963, as amended, be and the same hereby is further amended by substituting for the form of Exhibit II to the Service Agreement, the attached revised form of Exhibit II. The effective date of this Amendment is January 1, 1991.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed this 28th day of January, 1991.

ENTERGY SERVICES, INC.

By [Signature]
Title Executive Vice President-
Finance and External Affairs

NEW ORLEANS PUBLIC SERVICE INC.

By [Signature]
Title SR VICE PRES.

METHODS OF ALLOCATING COSTS AMONG CLIENT COMPANIES RECEIVING
SERVICE UNDER THIS AND SIMILAR SERVICE AGREEMENTS WITH
ENTEPON 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 will be classified as fixed (Indirect Departmental Fixed Costs) or variable (Indirect Departmental Variable Costs). Departmental Indirect Fixed Costs include all costs incurred by a department which are necessary to operate the department but do not vary with the level of services provided to other System Companies during a fiscal year.

Departmental Indirect Fixed 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) Other fixed costs attributable to a department.

Departmental Indirect Variable costs are those costs incurred by a department which are necessary to support services to other System companies and cannot be practically assigned to individual services provided to other System companies but vary with the level of these services during a fiscal year. This would include materials and supplies, telephone usage, postage, etc.

- (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, or arising in any manner from specific services rendered to 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

(iii) 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 3(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. The charge to 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. Indirect Departmental Variable Costs as defined in 2(c)(ii) will be allocated in proportion to the direct salaries and wages charged. When services are rendered to a group of Client Companies the cost of such services will be allocated among companies in the group in accordance with the allocation formulae in Section 7 of this Exhibit.

Indirect Departmental Fixed Costs will be allocated to Client Companies on the basis set forth in Section 7 of this Exhibit.

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, or arising in any manner from specific services rendered to a Client Company or a group of Client Companies, will be charged directly to such company or group of companies. Such costs incurred for a group of Client Companies will be allocated on the basis set forth in Section 7 of this Exhibit.
 - (b) The Indirect Corporate Costs of Services referred to above in Section 2(d)(ii) will be allocated among the Client Companies on the basis set forth in Section 7 of this Exhibit.
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 re Client Company.

7. (a) When services are rendered to a group of Client Companies, the following formulae will be used to allocate the charges therefor among Client Companies in such group:

Department/Activity	Basis of Allocation
1) Executive and Advisory	Composite factor (Note 1)
2) Finance & System Accounting	Composite factor (Note 1)
3) Nuclear	Number of participating nuclear companies
4) Engineering, System Planning and Fuel Supply	Capability responsibility ratio (Note 2)
5) System Operations Center	Capability responsibility ratio (Note 2)
6) Communications	Composite factor (Note 1)
7) Public Relations	Composite factor (Note 1)
8) Tax	The sum of the total income and total deductions as reported for Federal Income Tax purposes on the return filed for the preceding calendar year.
9) Insurance	Insurance premiums for the preceding calendar year.
10) Computer Center	Various bases, depending upon the nature of the services rendered, as agreed upon by the Client Companies.
11) Internal Auditing	Composite factor (Note 1)
12) Indirect Departmental Fixed Costs and Indirect Corporate Costs	Allocated among Client Companies in the same proportion as the charges to the Client Companies excluding Indirect Departmental Fixed Costs and Indirect Corporate Costs.

(b) If the use of a basis of allocation would inequity because of a change in operations or organization of the Client Companies, then Services may adjust the basis to effect an equitable distribution based upon a functional relationship between the services involved and the formula used. Any such change in allocation bases shall be made only after first giving to the Commission written notice of such proposed change not less than 60 days prior to the proposed effectiveness of any such change.

Note 1: The composite factor is composed of four factors with equal weighting to each. Those factors are kilowatt-hour sales, average customers, number of employees and capability responsibility ratio.

Note 2: The capability responsibility 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 current month.

(b) If the use of a basis of allocation would result in inequity because of a change in operations or organization of the Client Companies, then Services may adjust the basis to effect an equitable distribution based upon a functional relationship between the services involved and the formula used. Any such change in allocation bases shall be made only after first giving to the Commission written notice of such proposed change not less than 60 days prior to the proposed effectiveness of any such change.

Note 1: The composite factor is composed of four factors with equal weighting to each. Those factors are kilowatt-hour sales, average customers, number of employees and capability responsibility ratio.

Note 2: The capability responsibility 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 current month.

EXHIBIT A

Amendment
To
Service Agreement

The parties hereto do hereby stipulate and agree that the SERVICE AGREEMENT entered into by and between them under date of April 1, 1963, and as heretofore amended on January 1, 1972, April 27, 1984, August 1, 1988, and January 28, 1991, be and the same hereby is further amended by substituting for Exhibit II to the SERVICE AGREEMENT, the attached revised Exhibit II. The effective date of this amendment is January 1, 1992.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed this 23rd day of April, 1992.

ENTERGY SERVICES, INC.

By *L. W. Randall*
Title V.P.

CLIENT COMPANY

New Orleans Public Service, Inc.

By *M. J. B. Ben*
Title Pres

**METHODS OF ALLOCATING COSTS AMONG CLIENT COMPANIES RECEIVING
SERVICE UNDER THIS AND SIMILAR SERVICE AGREEMENTS WITH
ENTERGY SERVICES, INC. (SERVICES)
(January 1, 1992)**

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 expenses 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).

1:

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.
 - (5) 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 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 Section 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.
 - (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)), 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 to 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 Companies. 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.
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.

December 19, 1991

Exhibit II, Supplement

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.

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.

Final Bill Processing

Based on the total number of final bills processed for collection.

Gas Consumption

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

Income and Deduction Ratio

Based on the previous years federal income tax return, total income plus total deductions.

Level of Service

Based on Entergy Services' total billings to each Client Company excluding corporate overhead.

Money Pool Transactions

Based on each company's use of the money pool, weighted 75% on frequency of transactions, and 25% on dollar amount of the transaction.

Nuclear and Casualty/Property Insurance Premiums

Based on total Client Company costs for the previous year's insurance premium.

Participants in Plans

Several formulae are based on the number of participants in various Client Company plans and programs, such as:

- . Savings Plan
- . Flexible Benefits Programs
- . Master Trust Plan
- . ESOP
- . Student/Parent Loan Program
- . Systemwide Welfare Plans
- . Benefits Plus Flexible Spending Account
- . Non-Qualified Defined Contribution Restoration Plan
- . 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 April 1, 1963, and as heretofore amended on January 1, 1972, April 27, 1984, August 1, 1988, January 28, 1991, and January 1, 1992, 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 January 1, 1996.

ENTERGY SERVICES, INC.

By Louis E. Luck
Title Vice President

ENTERGY NEW ORLEANS, INC.

(formerly New Orleans Public Service Inc.)

By [Signature]
Title President

**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 April 1, 1963, and as heretofore amended on January 1, 1972, April 27, 1984, August 1, 1988, January 28, 1991, and January 1, 1992, 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 January 1, 1996.

ENTERGY SERVICES, INC.

By Louis E. Buck
Title Vice President

ENTERGY NEW ORLEANS, INC.

(formerly New Orleans Public Service Inc.)

By [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, EEL,
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 April 1, 1963, and as heretofore amended on January 1, 1972, April 27, 1984, August 1, 1988, January 28, 1991, January 1, 1992, and 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 NEW ORLEANS, INC.

By D. Root
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 April 1, 1963, and as heretofore amended on January 1, 1972, April 27, 1984, August 1, 1988, January 28, 1991, January 1, 1992, 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 E. Langston*
Vice President and Chief Accounting Officer

ENTERGY NEW ORLEANS, INC.

By *D. P. Act*
President and CEO

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.