

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 housekeeping 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 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 those 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).
- (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) Class A employees 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 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 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 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 Operation 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)
- (12) Indirect Corporate Costs 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
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 June 6, 1990, 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 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 

Executive Vice President-

Title Finance and External Affairs

ENTERGY OPERATIONS, INC.

By 

Title President and Chief Executive Officer

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 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 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. 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 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 & 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 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 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 June 6, 1990, and as heretofore amended on 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

Entergy Operations, Inc.

By D. H. H.

Title EXEC VP + COO

Exhibit CEB-4G
METHODS OF ALLOCATING COSTS AMONG CLIENT COMPANIES RECEIVING
SERVICE UNDER THIS AND SIMILAR SERVICE AGREEMENTS WITH
ENTERGY SERVICES, INC. (SERVICES) page 33 of 120
(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).

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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

**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 June 6, 1990, and as heretofore amended on 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 OPERATIONS, INC.

By

D.H.G.

Title

President & 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 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, EPI, 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

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ENTERGY SERVICES, INC.

By Nathan E. Langston
Vice President and Chief Accounting Officer

ENTERGY OPERATIONS, INC.

By J. Hunt
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.

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 June 6, 1990, and as heretofore amended on 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 S. Langston
Vice President and Chief Accounting Officer

ENTERGY OPERATIONS, INC.

By Jerry W. Yelverton
President and CEO

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/Capitalisation 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.

**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.

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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.

**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 June 6, 1990, and as heretofore amended on January 28, 1991, January 1, 1992, January 1, 1996, January 1, 1998 and January 1, 1999 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 July 1, 1999.

ENTERGY SERVICES, INC.

By *William E. Langston*
Vice President and Chief Accounting Officer

ENTERGY OPERATIONS, INC.

By *Jerry W. Yelverton*
President and CEO

JW

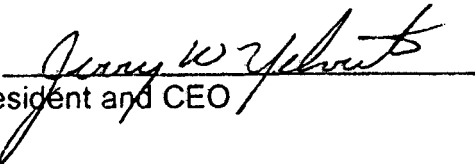

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ENTERGY SERVICES, INC.

By 
Vice President and Chief Accounting Officer

ENTERGY OPERATIONS, INC.

By  
President and CEO

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GROUPS OF CLIENT COMPANIES**

Exhibit II, Supplement

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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.

COMPOSITE - TRANSMISSION, DISTRIBUTION/CUSTOMER SERVICE

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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.

NUCLEAR UNITS

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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.

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 other 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