Control Number: 34800

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Docket No. 34800
SOAH Docket No. 473-08-0334

APPLICATION OF ENTERGY GULF STATES, INC. FOR AUTHORITY TO CHANGE RATES AND TO RECONCILE FUEL COSTS	§ § § §	**BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS**

Direct Testimony and Exhibits

of

Jeffry Pollock

Revenue Requirements Issues

On behalf of

Texas Industrial Energy Consumers

April 2008

J. POLLOCK
INCORPORATED

1320

PUC Docket No. 34800
SOAH Docket No. 473-08-0334

APPLICATION OF ENTERGY GULF STATES, INC. FOR AUTHORITY TO CHANGE RATES AND TO RECONCILE FUEL COSTS	§ § § §	**BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS**

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APPLICATION OF ENTERGY GULF STATES, INC. FOR AUTHORITY TO CHANGE RATES AND TO RECONCILE FUEL COSTS	§ § § §	**BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS**

AFFIDAVIT OF JEFFRY POLLOCK

State of Missouri)
) SS
County of St. Louis)

Jeffry Pollock, being first duly sworn, on his oath states:

1. My name is Jeffry Pollock. I am President of J.Pollock, Incorporated, 12655 Olive Blvd., Suite 335, St. Louis, Missouri 63141. We have been retained by the Texas Industrial Energy Consumers to testify in this proceeding on their behalf.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony and Exhibits on Revenue Requirements and Appendix A, which have been prepared in written form for introduction into evidence in SOAH Docket No. 473-08-0334 and Public Utility Commission of Texas Docket No.34800.

3. I hereby swear and affirm that my answers contained in the testimony are true and correct.

Jeffry Pollock

Jeffry Pollock

Subscribed and sworn to before me this 9th day of April, 2008

NANCY L. RADETIC
Notary Public - Notary Seal
Comm. Number 05499767
STATE OF MISSOURI
Jefferson County
My Commission Expires: Mar. 17, 2009

Nancy Radetic

Notary Public
Commission #05499767

My Commission expires on 3/19/2009

PUC Docket No. 34800
SOAH Docket No. 473-08-0334

APPLICATION OF ENTERGY GULF STATES, INC. FOR AUTHORITY TO CHANGE RATES AND TO RECONCILE FUEL COSTS	§ § § §	**BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS**

Direct Testimony of Jeffry Pollock on Revenue Requirements

1. INTRODUCTION, QUALIFICATIONS, AND SUMMARY

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Jeffry Pollock; 12655 Olive Blvd., Suite 335, St. Louis, MO 63141.

Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?

A I am an energy advisor and President of J.Pollock, Incorporated.

Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A I have a Bachelor of Science Degree in Electrical Engineering and a Masters in Business Administration from Washington University. Since graduation in 1975, I have been engaged in a variety of consulting assignments including energy procurement and regulatory matters in both the United States and several Canadian provinces. I have participated in regulatory matters before this Commission since 1977, including rulemaking projects and rate cases conducted before, during and after the implementation of Senate Bill 7 (S.B. 7). This includes participating in numerous regulatory proceedings involving Entergy Gulf States, Inc. (EGSI). More details are provided in Appendix A to this testimony.

Q ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A I am testifying on behalf of the Texas Industrial Energy Consumers (TIEC). The participating TIEC members are customers of Entergy Gulf States, Inc. (EGSI) and purchase electricity under various rate schedules.

Q ARE YOU PRESENTING TESTIMONY IN SEVERAL DIFFERENT PHASES OF THIS PROCEEDING?

A Yes. I am testifying on various revenue requirement issues; jurisdictional and class cost-of-services studies; revenue allocation; the design of Schedules LIPS, EAPS, SMS and AFC; the proposed elimination of the current interruptible tariffs; the proposed Market Value Energy Reduction (MVER) options; the proposed elimination of Schedule SSTS; the proposed piecemeal rate riders; customer funding of interconnection costs; and the proposed Competitive Generation Service (CGS) riders.

Q ARE OTHER WITNESSES ADDRESSING REVENUE REQUIREMENT ISSUES ON BEHALF OF TIEC?

A Yes. Mr. Michael P. Gorman will testify on the appropriate cost of capital. Mr. James T. Selecky will address depreciation rates and the recovery of dismantlement costs at Plant Neches. Mr. Martin J. Marz will address the allocation of transmission investment and related expenses between jurisdictions.

Q HAVE YOU PREPARED ANY EXHIBITS IN CONNECTION WITH YOUR TESTIMONY?

A Yes. I am sponsoring **Exhibits JP-RR1** through **RR-3**. These exhibits were prepared by me or under my direction.

Summary

Q PLEASE SUMMARIZE YOUR REVENUE REQUIREMENTS TESTIMONY.

A My revenue requirements testimony addresses the proposed elasticity adjustment, the pro forma adjustment to purchased power capacity costs, public benefits costs, and the jurisdictional cost-of-service study. In addition, I support and incorporate the revenue requirement and fuel reconciliation recommendations of Mr. Marz, who is a senior consultant employed by J.Pollock, Inc.

Elasticity Adjustment

The proposed elasticity adjustment arises because of EGSI's proposal to eliminate Schedule SSTS (Supplemental and Short Term Service) and Schedule IS (Interruptible Service). As discussed in my Rate Design testimony, Schedule IS should be retained, and Schedule SSTS should be phased out over not less than three years. In proposing to eliminate these rates, EGSI also removed $10.3 million of revenues on the assumption that a portion of the SSTS/IS load would disappear when these lower priced rates are eliminated (*i.e.* price elasticity). EGSI has provided no support for the proposed elasticity adjustment, and there is no precedent or other evidence that usage would decrease in the absence of Schedules SSTS and IS. Further, EGSI did not adjust purchased power capacity costs to reflect the lower SSTS and IS sales and loads. Accordingly, the proposed elasticity adjustment should be rejected.

By rejecting the elasticity adjustment, it is also necessary to adjust the Texas Retail demand and energy allocation factors used to allocate EGSI's costs between the Louisiana, Texas, and FERC jurisdictions.

Purchased Power Capacity Costs

EGSI is also proposing to remove purchased power capacity costs and recover them through the proposed Rider PPR. As discussed in my Rate Design testimony, Rider PPR should be rejected and EGSI should include purchased capacity costs in base rates. It is also proposing a pro-forma adjustment to increase the reserve equalization payments under Schedule MSS-1 of the Entergy System Agreement (ESA). The pro-forma adjustment would increase these expenses by $10.46 million Total Company and $4.41 million Texas Retail. The proposed adjustment should be rejected because it is based on information for the months May through July 2007, which are beyond the test year. Further, PUC Substantive Rule 25.137(c)(2)(F)—the "Post-Test Year" rule—requires that a pro-forma adjustment based on costs incurred after the test year must include all attendant adjustments. In this case, higher MSS-1 payments would be caused by load growth, which would increase EGSI's load responsibility ratios. Load growth would result in higher sales and revenues. By failing to consider load growth beyond the test year, EGSI has violated the Post-Test Year rule, and for this reason, the pro-forma adjustment should be rejected.

Public Benefit Fund

EGSI is proposing to administer an internal public benefit fund to provide discounts to its low income customers in the form of credits, similar to the system benefit fund (SBF) in ERCOT. The cost of these credits would be paid by other ratepayers through a new rider, PBFR. As discussed in my Rate Design testimony, Rider PBFR should be rejected. However, the Company's proposal to require ratepayers to fund low income programs should also be rejected, because PURA §39.203 (which authorizes the SBF) does not apply to EGSI. Further, EGSI's proposal would violate PURA §36.007, which prohibits utilities from recovering the costs of discounted rates from other ratepayers. Accordingly, if EGSI establishes a fund for low income customers, it should be paid for by shareholders.

Revised Jurisdictional Cost-of-Service Study

A jurisdictional cost-of-service study allocates EGSI's test year costs to Texas Retail customers using appropriate demand and energy allocation factors. EGSI's study should be modified in two ways. First, the Texas Retail demand and energy allocation factors should not reflect elasticity (lost sales) due to the elimination of Schedules SSTS and IS. Second, as Mr. Marz discusses, transmission investment and related expenses should be allocated using appropriate transmission demand allocation factors, rather than directly assigned based on situs, as EGSI is proposing. Allocating transmission costs based on demand properly reflects cost-causation, and it is consistent with how other Texas integrated electric utilities that serve multiple regulatory jurisdictions determine the appropriate retail transmission costs.

2. ELASTICITY ADJUSTMENT

Q WHAT IS AN ELASTICITY ADJUSTMENT?

A Price elasticity refers to the effect that changes in prices will have on sales. Utilities requesting a rate increase sometimes assert that the higher rates will result in lower sales, and therefore the rates must be raised even more to achieve the desired revenue level. This is known as an elasticity adjustment.

Q IS EGSI PROPOSING AN ELASTICITY ADJUSTMENT IN THIS CASE?

A Yes. As discussed in more detail in my Rate Design testimony, EGSI is proposing to eliminate schedules SSTS (Supplemental Short Term Service) and IS (Interruptible Service), which would result in customers on those rates taking service under Rate LIPS. As a consequence, EGSI's test year revenues are based on the assumption that all current SSTS and IS customers take service on Schedule LIPS (Large Industrial Power Service). Because Schedule LIPS is more expensive than either Schedules SSTS or IS, the Company further assumed that it would sell less electricity to these customers than it did in the test year. Thus, EGSI's adjusted test year sales are below its actual test year sales.

Q DID EGSI FILE ANY WORKPAPERS SHOWING HOW THE ELASTICITY ADJUSTMENT WAS MADE?

A No. The elasticity adjustment was already reflected in the "per books" test year data. Consequently, it was necessary to obtain all of the necessary data in discovery to determine the full impact. As discussed later, the elasticity adjustment affects not only the pro-forma revenues at present rates but also the jurisdictional and Texas Retail class demand and energy allocation factors. These factors are used to allocate costs to and within EGSI's Texas Retail jurisdiction.

Q WHAT IS THE IMPACT OF EGSI'S PROPOSED ELASTICITY ADJUSTMENT ON CURRENT RETAIL REVENUES?

A The elasticity adjustment reduced Texas Retail revenues by approximately $10.3 million. As a result, EGSI is seeking $10.3 million more in base rates in this case than if it had used actual kWh sales.

Q HOW DID YOU QUANTIFY THE AMOUNT OF THE PROPOSED ELASTICITY ADJUSTMENT?

A This is shown in **Exhibit JP-RR1**. I re-billed each of the Schedule SSTS and IS customers on the current Schedule LIPS rates by applying the actual test year kilowatt-hour (kWh) sales and metered demands. This is the same as EGSI's analysis but without the arbitrary assumption that some of the actual test year SSTS/IS sales (for certain accounts) would not be retained.

Q WHAT SUPPORT HAS EGSI PROVIDED FOR THE PROPOSED ELASTICITY ADJUSTMENT?

A Initially, EGSI asserted that account personnel working directly with the affected customers provided an estimate based on informed estimates.[1] However, EGSI could not produce any documents from any discussions between EGSI account personnel and

[1] EGSI Response to TIEC 4-37

the customers documenting any change in the level of service resulting from the elimination of these rates.[2] Thus, the elasticity adjustment is totally arbitrary.

Q WERE ADJUSTMENTS MADE TO TEST YEAR OPERATING EXPENSES TO REFLECT THE LOWER SALES UNDER EGSI'S PROPOSED ELASTICITY ADJUSTMENT?

A This is unclear. For example, as discussed later, EGSI is proposing to adjust purchased power capacity costs based on actual sales and loads in the months May through July 2007. Since both Schedules IS and SSTS were in effect during this period, an offsetting adjustment should have been made to recognize the lower sales and load loss to reflect the elasticity adjustment.

Q HAVE ELASTICITY ADJUSTMENTS BEEN REJECTED IN PRIOR RATE CASES BEFORE THIS COMMISSION?

A Yes. This Commission has rejected prior proposals to implement elasticity adjustments in designing rates.[3] In the early 1980s, utilities, including EGSI's predecessor Gulf States Utilities, often recommended such adjustments, and the Commission rejected them.

Q WHAT IS YOUR RECOMMENDATION?

A The proposed elasticity adjustment should be rejected. Pro-forma Texas Retail revenues should reflect actual test year sales and should be increased by $10.3 million.

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[2] EGSI Response to TIEC 8-6b.
[3] Docket Nos. 2676, 3901, and 3716.

Q **DOES THE ELASTICITY ADJUSTMENT AFFECT OTHER DETERMINATIONS IN THIS PROCEEDING?**

A Yes. The elasticity adjustment is also reflected in developing the Texas Retail demand and energy allocation factors, which are used to separate costs between jurisdictions (jurisdictional cost-of-service study) and within the Texas Retail jurisdiction (class cost-of-service study). Thus, eliminating the elasticity adjustment would also require revising both sets of allocation factors. The revised Texas Retail allocation factors are shown in **Exhibit JP-RR2**. In calculating the revised allocators, I increased the monthly coincident peak demands of the Schedule LIPS class in proportion to the corresponding increase in monthly kWh sales. This, in turn, increased the monthly Texas Retail demands used to allocate production and transmission capacity-related costs between regulatory jurisdictions.

3. PURCHASED POWER CAPACITY COSTS

Q HOW IS EGSI PROPOSING TO RECOVER PURCHASED POWER CAPACITY COSTS?

A EGSI is proposing to remove all purchased power capacity costs from base rates and to recover them through the proposed Rider PPR (Purchased Power Recovery Rider).

Q DO YOU AGREE WITH EGSI'S PROPOSAL TO RECOVER ALL PURCHASED POWER CAPACITY COSTS THROUGH RIDER PPR?

A No. As discussed in my Rate Design testimony, Rider PPR should be rejected. All purchased power capacity costs should be recovered in base rates.

Q WHAT PURCHASED POWER CAPACITY COSTS IS THE COMPANY PROPOSING TO INCLUDE IN BASE RATES IF THE COMMISSION DOES NOT APPROVE RIDER PPR?

A EGSI is proposing to include $73.8 million of purchased capacity costs in base rates. This includes actual test year costs of $63.4 million and $10.4 million for estimated additional reserve equalization payments. Both amounts are stated on a Total Company basis. The corresponding Texas Retail amounts are $26.7 million and $4.41 million, respectively.

Q WHAT IS THE ORIGIN OF THE $10.4 MILLION PRO-FORMA ADJUSTMENT?

A The $10.4 million adjustment reflects additional reserve equalization payments for the months May through July 2007. Specifically, EGSI incurred $7.2 million of payments from May through July 2007. It then multiplied these payments by four to arrive at an annualized reserve equalization expense of $28.9 million. The $28.9 million is $10.4 million above actual test year reserve equalization payments.

Q WHAT ARE RESERVE EQUALIZATION PAYMENTS?

A Reserve equalization payments are expenses incurred by EGSI under Schedule MSS-1 of the Entergy System Agreement (ESA) to purchase capacity from the Entergy Operating Companies (EOC). The ESA requires that EOCs with a capacity deficit must purchase power from those EOCs that have surplus capacity. EGSI has always been a deficit company and has consistently purchased reserve capacity under Schedule MSS-1.

Q HOW IS THE AMOUNT OF THE CAPACITY SURPLUS (OR DEFICIT) DETERMINED?

A The capacity surplus (or deficit) is the difference between an EOC's capacity obligation and its capacity resources. EGSI has a capacity deficit, which means that its assigned capacity obligation exceeds its available capacity resources. Capacity obligation is based on an EOC's load responsibility, which reflects the EOC's share of the Entergy System firm peak demands (measured on a rolling twelve month average). Capacity resources include both generation and purchased capacity.

Thus, the key inputs in determining the payments under Schedule MSS-1 are EGSI's monthly firm coincident peak demand and capacity resources.

Q SHOULD EGSI'S PRO-FORMA ADJUSTMENT BE ADOPTED?

A No. The adjustment was based on actual Schedule MSS-1 payments for the period May through July 2007. Thus, these payments occurred after the test year, which is the twelve months ended March 31, 2007.

Q ARE POST-TEST YEAR ADJUSTMENTS PERMISSIBLE?

A Under certain circumstances, yes. The Commission's Rules generally require that post-test year adjustments must reflect all attendant impacts. These impacts must be identified, quantified and matched in a way that reasonably reflects the consequence of the post-test year adjustment being proposed.[4] This is not the case for the proposed adjustment to purchased power capacity costs.

As previously stated, Schedule MSS-1 payments are directly related to EGSI's capacity obligation, which is based on its monthly system loads and available capacity. However, both monthly system loads and available capacity are also a function of electricity sales. The higher the sales, the more capacity EGSI needs to purchase either through MSS-1 or in the market. EGSI has assumed the former. However, in assuming higher MSS-1 purchases, EGSI has not adjusted test year revenues to reflect increased sales during the months May through July 2007. Thus, the proposal to increase Schedule MSS-1 payments is not matched with a corresponding increase in electricity sales.

Q IS THE COMMISSION'S POST-TEST YEAR ADJUSTMENT RULE APPLICABLE ONLY TO RATE BASE ADDITIONS?

A Yes. The Rule was intended to address post-test year adjustments for rate-based generation. However, Schedule MSS-1 payments are the functional equivalent of purchasing rate-based generation capacity from the other EOCs, and capacity is a rate

[4] PUC Substantive Rules §25.231(c)(2)(F).

base item. Thus, I believe the Rule conceptually should apply here, consistent with the matching principle.

Q SHOULD THE COMPANY'S PROPOSED PRO-FORMA ADJUSTMENT TO PURCHASED POWER CAPACITY COSTS BE ADOPTED?

A No. This adjustment is an inappropriate post-test year adjustment and the Company has failed to match the increase in reserve equalization payments with the corresponding increase in sales and revenues. Consequently, the Company's proposed pro-forma adjustment should be rejected.

Q IS THERE ANY OTHER REASON TO REJECT RIDER PPR?

A Yes. EGSI's Rider PPR is inconsistent with the legislative directive in PURA § 39.455. Historically, capacity costs are not recoverable through the fuel factor.[5] In PURA § 39.455, EGSI received special legislation to recover capacity costs through a rider. EGSI called this rider The Incremental Purchase Capacity Rider (Rider IPCR), but it is essentially the same as Rider PPR proposed in this proceeding. However, the legislature made clear that the rider was to cease upon the implementation of rates in this proceeding. EGSI's proposal of Rider PPR ignores that directive. PURA § 39.455(a) specifically states "The rider shall expire on the introduction of customer choice or on the implementation of rates resulting from the filing of a Subchapter C, Chapter 36, rate proceeding." This is the rate proceeding described in PURA § 39.455, but EGSI proposes to continue the same rider with a different name.

[5] P.U.C. Subst. R § 25.236(a)(1)(4).

4. PUBLIC BENEFITS COSTS

Q WHAT IS EGSI'S PROPOSAL REGARDING THE RECOVERY OF PUBLIC BENEFITS COSTS?

A EGSI witness, Mr. Henry A. Gernhauser, discusses the proposal to administer an internal public benefit fund to provide relief in the form of credits to its low income customers.[5] The fund would initially collect $5 million, which Mr. Gernhauser asserts is comparable to the discount factor applied by ERCOT utilities in the Low-Income Electric Discount Program (LITE-UP Texas). Mr. Gernhauser states that EGSI's public benefit fund would be similar, although not exactly, like the System Benefit Fund (SBF) that applies in areas within ERCOT

Q HOW WOULD THESE COSTS BE RECOVERED?

A EGSI is proposing to recover public benefits costs through a new Rider PBFR (Public Benefits Funds Recovery Rider).

Q SHOULD RIDER PBFR BE ADOPTED?

A No. As discussed in my Rate Design testimony, Rider PBFR should be rejected because it would allow EGSI dollar-for-dollar recovery, plus interest on over- and under-collections of *projected* costs. There is no authority for allowing a utility to recover projected base rate costs through a rider.

[5] *Direct Testimony of Henry A. Gernhauser* at 7.

Q SHOULD PUBLIC BENEFITS COSTS BE RECOVERED IN BASE RATES?

A No. There is no authority authorizing EGSI to recover public benefits costs in base rates. The SBF fee is authorized under PURA §39.203. However, this section of PURA does not apply to EGSI.

Further, EGSI's proposal would, in effect, give certain eligible customers discounted rates for electricity that would be subsidized by other EGSI customers. Forcing regulated customers to subsidize discounted retail rates is prohibited under PURA §36.007. Specifically:

> (d) notwithstanding any other provision of this title, the Commission shall ensure that the electric utility's allocable costs of serving customers paying discounted rates under this Section are not borne by the utility's other customers.[6]

Q ARE YOU TAKING THE POSITION THAT EGSI SHOULD NOT ESTABLISH A PUBLIC BENEFITS FUND?

A No. If EGSI wants to establish a Public Benefits Fund, it must be funded by its shareholders, and not Texas Retail customers.

[6] PURA §36.007.

5. REVISED JURISDICTIONAL COST-OF-SERVICE STUDY

Q WHAT IS A JURISDICTIONAL COST-OF-SERVICE STUDY?

A A jurisdictional cost-of-service study allocates a utility's total costs among the different regulatory jurisdictions served by that utility. During the test year, EGSI served three regulatory jurisdictions: Louisiana, Texas Retail and Wholesale. The Louisiana jurisdiction is regulated by the Louisiana Public Service Commission (LPSC), while Wholesale sales are regulated by the Federal Energy Regulatory Commission (FERC). The PUCT regulates EGSI's Texas Retail operations.

Q SHOULD ANY REVISIONS BE MADE TO THE JURISDICTIONAL COST-OF-SERVICE STUDY?

A Yes. As previously discussed, it is appropriate to adjust the Texas Retail demand and energy allocation factors to remove the proposed elasticity adjustment. Further, as discussed in Mr. Marz's testimony, transmission costs should be allocated between the jurisdictions and not directly assigned, as EGSI is proposing. This direct assignment, or "situs" methodology, is an attempt to reflect one aspect of the Jurisdictional Separation Plan that was completed on December 31, 2007.

Q ARE YOU FAMILIAR WITH THIS COMMISSION'S PRACTICES REGARDING THE ALLOCATION OF TRANSMISSION COSTS FOR UTILITIES THAT SERVE MULTIPLE JURISDICTIONS?

A Yes. The universal practice has been for utilities to allocate transmission investment and related expenses to each regulatory jurisdiction using appropriate demand allocation methods. This accepted practice is in stark contrast to EGSI's situs methodology, which directly assigns the costs of those transmission facilities that are located in Texas. Besides being unprecedented, a direct assignment would fail to recognize the integrated nature of the EGSI and Entergy transmission system and cost-causation principles. Power flows through the entire transmission system to serve all customers regardless of political boundaries. Transmission investment is caused by the peak demands imposed by all retail and wholesale customers that use the transmission system. The fact that some transmission investments may cost more than others in a specific area does not mean that the customers in that area caused the higher costs to be incurred. In summary I agree and support Mr. Marz's recommendation that EGSI's proposed situs methodology be rejected.

Q HAVE YOU PREPARED A REVISED JURISDICTIONAL COST-OF-SERVICE STUDY?

A Yes. A revised jurisdictional cost-of-service study is provided in **Exhibit JP-RR3**. This study allocates both high and low voltage transmission using the same method as EGSI has used in prior rate cases. The Texas Retail production and transmission demand and energy allocation factors and revenues have been adjusted to reverse EGSI's proposed elasticity adjustment.

APPENDIX A

Qualifications of Jeffry Pollock

Q **PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A Jeffry Pollock. My business mailing address is 12655 Olive Blvd, Suite 335, St. Louis, Missouri 63141.

Q **WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?**

A I am an energy advisor and President of J.Pollock Incorporated.

Q **PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

A I have a Bachelor of Science Degree in Electrical Engineering and a Masters in Business Administration from Washington University. At various times prior to graduation, I worked for the McDonnell Douglas Corporation in the Corporate Planning Department; Sachs Electric Company; and L. K. Comstock & Company. While at McDonnell Douglas, I analyzed the direct operating cost of commercial aircraft.
Upon graduation, in June 1975, I joined Drazen-Brubaker & Associates, Inc. (DBA). DBA was incorporated in 1972 assuming the utility rate and economic consulting activities of Drazen Associates, Inc., active since 1937. From April 1995 to November 2004, I was a managing principal at Brubaker & Associates (BAI).

During my tenure at both DBA and BAI, I have been engaged in a wide range of consulting assignments including energy and regulatory matters in both the United States and several Canadian provinces. This includes preparing financial and economic studies of investor-owned, cooperative and municipal utilities on revenue requirements, cost of service and rate design, and conducting site evaluation. Recent engagements have included advising clients on electric restructuring issues, assisting clients to procure and manage electricity in both competitive and regulated markets, developing and issuing request for proposals (RFPs), evaluating RFP responses and contract negotiation. I was also responsible for developing and presenting seminars on electricity issues.

I have worked on various projects in over 20 states and in two Canadian provinces, and have testified before the Federal Energy Regulatory Commission and the state regulatory commissions of Alabama, Arizona, Colorado, Delaware, Florida, Georgia, Illinois, Iowa, Louisiana, Minnesota, Mississippi, Missouri, Montana, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, Virginia and Washington. I have also appeared before the City of Austin Electric Utility Commission, the Board of Public Utilities of Kansas City, Kansas, the Bonneville Power Administration, Travis County (Texas) District Court, and the U.S. Federal District Court. A list of my appearances since 1994 is attached.

Q PLEASE DESCRIBE J.POLLOCK INCORPORATED.

A J.Pollock assists clients to procure and manage energy in both regulated and competitive markets. The J.Pollock team also advises clients on energy and regulatory issues. Our clients include commercial, industrial and institutional energy consumers. Currently, J.Pollock has offices in St. Louis, Missouri and Austin and Houston, Texas.

Exhibit JP-RR1

ENTERGY GULF STATES, INC. TEXAS
Impact of Proposed Elastcitiy Adjustment
Year Ended March 31, 2007

Line	Description	As Filed	Without Elasticity	Difference
		(1)	(2)	(3)
1	Schedule LIPS Energy Sales (MWh)	4,799,947	5,145,932	(345,985)
2	Schedule LIPS Billing Demand (kW)	8,882,033	10,303,877	(1,421,844)
3	Schedule LIPS Present Base Revenue	$83,100,357	$93,400,083	($10,299,726)

ENTERGY GULF STATES, INC.
Revised Jurisdictional Allocation Factors
Year Ended March 31, 2007

			Transmission Demand (12CP)		As Percentage of Total Company	Transmission Demand (12CP)	
Line	Class of Service	Production Demand 12CP KW	230 KV and Above KW	Below 230 KV KW	Production Demand 12CP KW	230 KV and Above KW	Below 230 KV KW
		(1)	(2)	(3)	(4)	(5)	(6)
1	**Louisiana Retail**	2,892,145	2,892,145	2,513,223	48.6508%	50.3719%	47.3512%
2	**Texas Retail**	2,508,570	2,508,570	2,453,520	42.1983%	43.6913%	46.2265%
3	**Louisiana**						
4	Wholesale for Resale	115,823	115,823	115,823			
5	Wheeling	N/A	46,890	46,890			
6	Total LA Wholesale & Wweeling	115,823	162,713	162,713	1.9483%	2.8339%	3.0657%
7	**TEXAS**						
8	Wholesale for Resale	428,171	178,153	178,153			
9	Wheeling	N/A	-	-			
10	Total TX Wholesale & Wweeling	428,171	178,153	178,153	7.2026%	3.1029%	3.3566%
11	Total Company	5,944,709	5,741,581	5,307,609	100.0000%	100.0000%	100.0000%

ENTERGY GULF STATES, INC.
REVISED JURISDICTIONAL COST-OF-SERVICE STUDY
TEST YEAR ENDED
MARCH 31, 2007
($THOUSANDS)

		NAME	TOTAL ELEC	TX RETAIL
	SUMMARY OF RESULTS			
1	TOTAL ADJUSTED RATE BASE	RBTOA	3,607,566	1,676,981
	REVENUES			
2	TOTAL ADJUSTED RATE SCHEDULE REVENUES	RSRTOA	1,300,217	483,268
3	TOTAL ADJUSTED OTHER SALES FOR RESALE REVENUES	RSORTOA	0	0
4	TOTAL ADJUSTED SALES REVENUES (L2 + L3)	RSTOA	1,300,217	483,268
5	TOTAL ADJUSTED OTHER OPERATING REVENUES	ROTOA	81,774	43,748
6	TOTAL ADJUSTED REVENUES (L4 + L5)	RTOA	1,381,990	527,015
7	TOTAL ADJUSTED OPERATING EXPENSES	OETOA	1,022,919	410,525
8	TOTAL ADJUSTED OPERATING INCOME (L6 - L7)	OITOA	359,071	116,490
9	EARNED RATE OF RETURN ON RATE BASE (L8 / L1)	ERORB	9.95%	6.95%
10	RELATIVE RATE OF RETURN ON RATE BASE	RROR	N/A	100.00%
	REVENUE REQUIREMENT DETERMINATION			
11	REQUIRED RATE OF RETURN ON RATE BASE	ROR	8.67%	8.67%
12	REQUIRED OPERATING INCOME (L1 * L11)	ROI	0	145,475
	REVENUE CONVERSION FACTORS			
13	INCOME TAXES	REVCOFIT	53.85%	53.85%
14	REVENUE RELATED TAXES	REVCOFRT	0.86%	0.86%
15	BAD DEBT EXPENSE	REVCOFBD	N/A	0.28%
	REVENUE DEFICIENCY			
16	OPERATING INCOME DEFICIENCY (L12 - L8)	OIDEF	(46,122)	28,984
17	INCREMENTAL INCOME TAX (L16 * L13)	ITDEF	(24,835)	15,607
18	INCREMENTAL REVENUE RELATED TAX [(L16 + L17+ L19) * L14)]	RTDEF	(608)	386
19	INCREMENTAL BAD DEBT EXPENSE [(L16 + L17 + L18) * L15)]	BDDEF	301	295
20	TOTAL REVENUE DEFICIENCY/(EXCESS) (SUM OF L16 - L19)	REVDEF	(71,264)	45,273
21	% INCREASE/(DECREASE) (L20 / L2)	PERCHG	-5.481%	9.368%
22	RATE SCHEDULE REV REQUIREMENT (L2 + L20)	REVREQ	1,228,953	528,540
23	TOTAL OTHER REVENUES ADJUSTED (L3 + L5)		81,774	43,748
24	TOTAL REVENUE REQUIREMENT (L22 + L23)		1,310,727	572,288