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**PUC DOCKET NO. 36931**

**APPLICATION OF ENTERGY § BEFORE THE PUBLIC**  
**TEXAS, INC., FOR § UTILITY COMMISSION OF**  
**DETERMINATION OF 2008 § TEXAS**  
**SYSTEM RESTORATION COSTS §**

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**STATE OF TEXAS' RESPONSES TO ENTERGY TEXAS INC.'S FOURTH RFIS**  
**TO THE STATE**

The State of Texas ("State"), by and through the Office of the Attorney General, Consumer Protection and Public Health Division, Public Agency Representation Section responds as follows to Entergy Texas Inc.'s ("ETI") Fourth Requests for Information ("RFIs") to the State of Texas.

The State believes that the responses herein are correct and complete but will supplement, correct, or complete the responses if it becomes aware that they are no longer true and complete, and the circumstances are such that failure to amend the answer is substantively misleading. The State was served with the RFI's after 3:00 pm on July 7, so the RFIs are deemed received on July 8 pursuant to PUC PROC. R. §22.144(b)(2). Therefore, in accordance with Order No. 6, this response is due July 15, 2009, and is therefore filed timely. All parties may treat these responses as if they were filed under oath.

**Date: July 15, 2009**

Respectfully submitted,

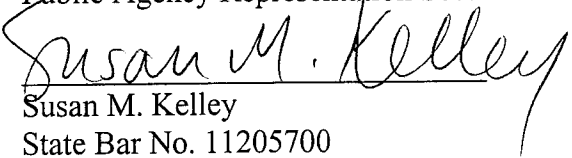
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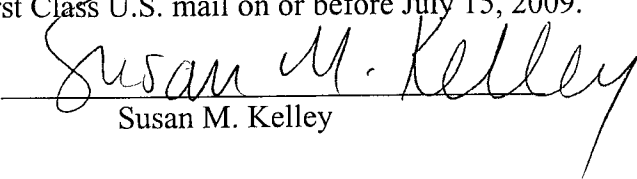
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### CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of **The State of Texas' Responses to Entergy Texas Inc.'s Fourth RFIs to the State of Texas** has been served upon all parties of record, by hand delivery, facsimile, e-mail or First Class U.S. mail on or before July 15, 2009.

  
Susan M. Kelley

Prepared by: Paul Delaney  
Sponsored by: Paul Delaney

### Question

**RFI 4-1:** Please refer to Exhibit PSD-7 and the invoice referenced on Page 9, line 6 of Mr. Delaney's Direct Testimony. For each of the "nine additional line items" on the invoice that are referenced on Page 9, lines 12-13, please respond to the following:

- a. Explain in detail why each line item is excessive, unreasonable and/or imprudent in Mr. Delaney's opinion (as stated at page 10, lines 10-11 of his testimony).
- b. Provide Mr. Delaney's understanding of what service was provided under each line item.
- c. Explain in detail and provide supporting documentation for the analysis that Mr. Delaney and/or the State conducted to determine that each line item is excessive, unreasonable and/or imprudent.
- d. If it is Mr. Delaney's opinion that the service listed under any of the nine line items was redundant or that the cost of the service is already included in another line item, explain why in detail and describe all analysis conducted by Mr. Delaney to arrive at that opinion.

### Response

- a. It is Mr. Delaney's position that payment of the identified line item management fees is not reasonable or prudent. Mr. Delaney takes this position for the following two reasons:
  - One purpose of an adder is to pay for management (see the State's response to ETI's RFI 2-5 for a more detailed explanation regarding the purpose of an adder). Paying the line item management fees (each titled "Response Management") in addition to paying an 18% adder (also titled "Response Management") equates to paying management fees twice.
  - When the 18% adders are combined with the additional line item management fees, the total adder percentages paid to Base Logistics range from 21.68% to 64.13% (see Exhibit PSD-8 of Mr. Delaney's direct testimony). These percentages are substantially greater than the percentages paid to other contractors that employ an adder (see the State's response to ETI's RFI 2-6 for a list of other contractors that employ an adder).

- b. The services provided by Base Logistics are listed under the "Item" column of each invoice. For the nine line item management fees referenced in this RFI, the service as stated on the invoice reads "Response Management."
- c. The analysis conducted by Mr. Delaney consisted of the following:

The purpose of an adder is to cover a business entity's administrative expenses (this includes the salaries of management) and to allow the business entity to earn a profit (see the State's response to ETI's RFI 2-5 for a more detailed description of how Mr. Delaney obtained this understanding).

Mr. Delaney reviewed contracts 10202717 and 10130303. Exhibit B of contract 10202717 is titled "Pricing." The top half of this exhibit lists the daily management fees charged by Base Logistics. Change order 002 of the same contract establishes an 18% adder. The descriptive heading that precedes the 18% adder calculation reads "To Provide Procurement/Management Fee Calculation." Thus, Exhibit B and change order 002 each contain a provision for the calculation of management fees. The only discernable difference between the two provisions is the manner in which the management fees are calculated. Exhibit B uses a daily dollar amount per individual and change order 002 uses a percentage of the cost of goods and materials.

Mr. Delaney also reviewed the Base Logistics invoices contained in Exhibit PSD-7. The 18% adder and the additional line item management fees shown on these invoices are labeled in the same manner. A heading in the "Description" column that reads "Professional Management Fees" precedes the 18% adder and the line item management fees. Also, a heading in the "Item" column that reads "Response Management" appears next to the 18% adder and next to each line item management fee. Mr. Delaney identified 10 invoices from Base Logistics where both management fee calculation methodologies (described in the previous paragraph) were employed. This resulted in invoice adders that ranged from 21.68% to 64.13% (see Exhibit PSD-8 of Mr. Delaney's direct testimony for a more detailed analysis of each invoice and the associated management fee adders).

These invoice adder percentages (21.68% to 64.13%) were then compared to the adders used by other contractors (see the State's response to ETI's RFI 2-6 for a list of other contractors that employ an adder). The adder percentages used by Base Logistics were substantially greater than the adder percentages utilized by the other contractors.

There is no additional supporting documentation other than what is discussed above or in the Direct testimony.

- d. The "service" provided for the nine line item management fees appears on the invoice as "Response Management." The same "Response Management" formulation was also used in the calculation of the 18% adder. As such, it is Mr. Delaney's position that the 18% adder and the nine additional line item management fees all pertain to "Response Management." Therefore, the nine line item management fees are redundant, in the sense

that they are paying management fees that were already included in the 18% adder. This position is consistent with Mr. Delaney's analysis of contract 10202717. Exhibit B and change order 002 to this contract each contain a separate provision for the payment of management fees (see the State's response to ETI's RFI 4-1c for a more detailed description of Mr. Delaney analysis of this contract).

Prepared By: Paul Delaney  
Sponsored By: Paul Delaney

### **Question**

**RFI 4-2:** Please explain in detail and provide supporting documentation for the experience, education, or expertise that Mr. Delaney possesses such that he is qualified to provide an expert opinion on the operations and fee structure of a major logistics provider during a major storm restoration.

### **Response**

Contrary to what this RFI suggests, Mr. Delaney has expressed no opinion regarding the operations conducted by Base Logistics or any other ETI contractor. Mr. Delaney has expressed his opinion as to the reasonableness of the contractor's charges. Mr. Delaney's qualifications as a certified public accountant and experienced auditor to provide an expert opinion as to the reasonableness of such charges are shown in Exhibit PSD-14 of his direct testimony.