SOAH DOCKET NO. 473-12-2979
PUCT DOCKET NO. 39896

APPLICATION OF ENTERGY	**§**	**BEFORE THE STATE OFFICE**
TEXAS, INC. FOR AUTHORITY TO	**§**	
CHANGE RATES, RECONCILE FUEL	**§**	**OF**
COSTS, AND OBTAIN DEFERRED	**§**	
ACCOUNTING TREATMENT	**§**	**ADMINISTRATIVE HEARINGS**

AFFIDAVIT OF GERALD W. TUCKER

STATE OF TEXAS	§	
	§	
COLLIN COUNTY	§	

Gerald W. Tucker, first being sworn on his oath, states:

1. My name is Gerald W. Tucker. I am over eighteen years of age. If called as a witness, I am competent to testify to the statements in this affidavit, all of which are within my personal knowledge.

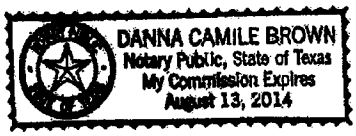
2. I am an outside consultant retained by Duggins, Wren, Mann & Romero, LLP on behalf of Entergy Texas, Inc. in connection with Public Utility Commission of Texas Docket No. 39896, State Office of Administrative Hearings Docket No. 473-10-1962 ("Docket No. 39896"). I am self-employed. My business address is 401 Oak Ridge Dr., Fairview, Texas.

3. I make this affidavit to respond to Staff Request for Information No. 9-3 in Docket No. 39896.

4. For work I have and will perform in Docket No. 39896, the rate that I charge is at or below my normal hourly billing rate and is charged to all clients, be they rate regulated or competitive entities, for the types of services I provide in Docket No. 39896. To the best of my knowledge, my hourly rate for Docket No. 39896 is comparable to the hourly billing rates currently charged by other consultants of similar experience and expertise to other Texas utilities for similar services.

Gerald W. Tucker

Subscribed to and sworn before me by the previously identified Gerald W. Tucker, which I know personally, today, February 10, 2012.



Notary Public, State of Texas

Notary's Printed Name

My Commission expires: 08/13/2014

SOAH DOCKET NO. 473-12-2979
PUCT DOCKET NO. 39896

APPLICATION OF ENTERGY TEXAS, INC. FOR AUTHORITY TO CHANGE RATES, RECONCILE FUEL COSTS, AND OBTAIN DEFERRED ACCOUNTING TREATMENT	§ § § § §	**BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS**

AFFIDAVIT OF DANE A. WATSON

STATE OF TEXAS §
§
COLLIN COUNTY §

Dane A. Watson, first being sworn on his oath, states:

1. My name is Dane A. Watson. I am over eighteen years of age. If called as a witness, I am competent to testify to the statements in this affidavit, all of which are within my personal knowledge.

2. I am an outside consultant retained by Duggins, Wren, Mann & Romero, LLP on behalf of Entergy Texas, Inc. in connection with Public Utility Commission of Texas Docket No. 39896, State Office of Administrative Hearings Docket No. 473-10-1962 ("Docket No. 39896"). My firm's name is Alliance Consulting Group. My business address is 1410 Avenue K, Suite 1105B, Plano, TX 75074.

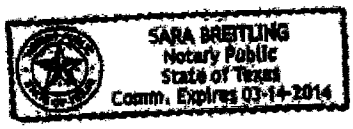
3. I make this affidavit to respond to Staff Request for Information No. 9-3 in Docket No. 39896.

4. For work I have and will perform in Docket No. 39896, the rates that I and other persons in my firm charge are at or below the normal hourly billing rate for the firm and are charged to all clients, be they rate regulated or competitive entities, for the types of services I provide in Docket No. 39896. To the best of my knowledge, my hourly rate for Docket No. 39896 is comparable to the hourly billing rates currently charged by other consultants of similar experience and expertise to other Texas utilities for similar services.

Dane A. Watson

Subscribed to and sworn before me by the previously identified Dane A. Watson, which I know personally, today, February 13, 2012.

Sara Breitling
Notary Public, State of Texas



Sara Breitling
Notary's Printed Name

My Commission expires: 3/14/14

SOAH DOCKET NO. 473-12-2979
PUCT DOCKET NO. 39896

APPLICATION OF ENTERGY TEXAS, INC. FOR AUTHORITY TO CHANGE RATES, RECONCILE FUEL COSTS, AND OBTAIN DEFERRED ACCOUNTING TREATMENT	§ § § § §	BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS

AFFIDAVIT OF GREGORY S. WILSON

STATE OF TEXAS §
§
COLLIN COUNTY §

Gregory S. Wilson, first being sworn on his oath, states:

1. My name is Gregory S. Wilson. I am over eighteen years of age. If called as a witness, I am competent to testify to the statements in this affidavit, all of which are within my personal knowledge.

2. I am an outside consultant retained by Duggins, Wren, Mann & Romero, LLP on behalf of Entergy Texas, Inc. in connection with Public Utility Commission of Texas Docket No. 39896, State Office of Administrative Hearings Docket No. 473-10-1962 ("Docket No. 39896"). My firm's name is Lewis & Ellis, Inc.. My business address is 2929 N Central Expressway, Richardson TX, 75080.

3. I make this affidavit to respond to Staff Request for Information No. 9-3 in Docket No. 39896.

4. For work I have and will perform in Docket No. 39896, the rates that I and other persons in my firm charge are at or below the normal hourly billing rate for the firm and are charged to all clients, be they rate regulated or competitive entities, for the types of services I provide in Docket No. 39896. To the best of my knowledge, my hourly rate for Docket No. 39896 is comparable to the hourly billing rates currently charged by other consultants of similar experience and expertise to other Texas utilities for similar services.

Gregory S. Wilson

Subscribed to and sworn before me by the previously identified Gregory S. Wilson, which I know personally, today, February 16, 2012.

Notary Public, State of Texas

WANDA HORTON
Notary Public, State of Texas
My Commission Expires
January 14, 2016

WANDA HORTON
Notary's Printed Name

My Commission expires: JANUARY 14, 2016

Docket No. 41791 Affidavits

SOAH DOCKET NO. 473-14-0366
PUCT DOCKET NO. 41791

APPLICATION OF ENTERGY TEXAS, INC. FOR AUTHORITY TO CHANGE RATES AND RECONCILE FUEL COSTS	§	**BEFORE THE STATE OFFICE**
	§	
	§	**OF**
	§	
	§	**ADMINISTRATIVE HEARINGS**

AFFIDAVIT OF LISA BLANKENSHIP

STATE OF VIRGINIA §
§
FAIRFAX COUNTY §

Lisa Blankenship, first being sworn on his oath, states:

1. My name is Lisa Blankenship. I am over eighteen years of age. If called as a witness, I am competent to testify to the statements in this affidavit, all of which are within my personal knowledge.

2. I am an outside consultant retained by or on behalf of Entergy Texas, Inc. in connection with Public Utility Commission of Texas Docket No. 41791, State Office of Administrative Hearings Docket No. 473-14-0366 ("Docket No. 41791"). My firm's name is Commonwealth Consulting Group of VA, Inc. My business address is 1491 Chain Bridge Road, Suite 300, McLean, Virginia 22101.

3. For work I have and will perform in Docket No. 41791, the rates that I and other persons in my firm charge are at or below the normal hourly billing rate for the firm and are charged to all clients, be they rate regulated or competitive entities, for the types of services I provide in Docket No. 41791. To the best of my knowledge, my hourly rate for Docket No. 41791 is comparable to the hourly billing rates currently charged by other consultants of similar experience and expertise to other Texas utilities for similar services.

Lisa Blankenship

Subscribed to and sworn before me by the previously identified Lisa Blankenship, which I know personally, today, October 30, 2013

KELLY MARIE LANGGUTH NOTARY PUBLIC COMMONWEALTH OF VIRGINIA MY COMMISSION NUMBER 7176888

Kelly L. Vogel
Notary Public, State of Virginia

Kelly L. Vogel
Notary's Printed Name

My Commission expires: 7/31/2016

SOAH DOCKET NO. 473-14-0366
PUCT DOCKET NO. 41791

APPLICATION OF ENTERGY TEXAS, INC. FOR AUTHORITY TO CHANGE RATES AND RECONCILE FUEL COSTS	§	**BEFORE THE STATE OFFICE**
	§	**OF**
	§	**ADMINISTRATIVE HEARINGS**

AFFIDAVIT OF EVERETT BRITT

STATE OF TEXAS §
§
TRAVIS COUNTY §

Everett Britt, first being sworn on his oath, states:

1. My name is Everett Britt. I am over eighteen years of age. If called as a witness, I am competent to testify to the statements in this affidavit, all of which are within my personal knowledge.

2. I am an outside lawyer retained by or on behalf of Entergy Texas, Inc. in connection with Public Utility Commission of Texas Docket No. 41791, State Office of Administrative Hearings Docket No. 473-14-0366 ("Docket No. 41791"). My firm's name is Duggins Wren Mann & Romero, LLP. My business address is 600 Congress Avenue, Suite 1900, Austin, TX 78701.

3. For work performed for Docket No. 41791, except for differences that result from the timing of the matters in which we are engaged, and the timing of changes in the firm's hourly rates to particular clients, the rates that I and other persons in my firm charge are the normal hourly billing rates for services of this nature. Based on my experience, DWMR's hourly billing rates for services provided in connection with Docket No. 41791 are comparable to the hourly billing rates currently charged by other attorneys of similar experience and expertise to other Texas utilities for similar services.

Everett Britt

Subscribed to and sworn before me by the previously identified Everett Britt, which I know personally, today, November 5, 2013.

Notary Public, State of Texas

MICHELE BARKER
NOTARY PUBLIC
State of Texas
Comm. Exp. 09-15-2016

Michele Barker
Notary's Printed Name

My Commission expires: 9-15-2016

SOAH DOCKET NO. 473-14-0366
PUCT DOCKET NO. 41791

APPLICATION OF ENTERGY TEXAS, INC. FOR AUTHORITY TO CHANGE RATES AND RECONCILE FUEL COSTS	§	**BEFORE THE STATE OFFICE**
	§	**OF**
	§	**ADMINISTRATIVE HEARINGS**

AFFIDAVIT OF KENNETH F. GALLAGHER

STATE OF LOUISIANA §
§
ORLEANS PARISH §

Kenneth F. Gallagher, first being sworn on his oath, states:

1. My name is Kenneth F. Gallagher. I am over eighteen years of age. If called as a witness, I am competent to testify to the statements in this affidavit, all of which are within my personal knowledge.

2. I am an outside consultant retained by or on behalf of Entergy Texas, Inc. in connection with Public Utility Commission of Texas Docket No. 41791, State Office of Administrative Hearings Docket No. 473-14-0366 ("Docket No. 41791"). My firm's name is KFG Inc. My business address is 1491 Chain Bridge Road, Suite 300, McLean, VA 22101

3. For work I have and will perform in Docket No. 41791, the rates that I and other persons in my firm charge are at or below the normal hourly billing rate for the firm and are charged to all clients, be they rate regulated or competitive entities, for the types of services I provide in Docket No. 41791. To the best of my knowledge, my hourly rate for Docket No. 41791 is comparable to the hourly billing rates currently charged by other consultants of similar experience and expertise to other Texas utilities for similar services.

K A F Gallagher

KENNETH F. GALLAGHER

Subscribed to and sworn before me by the previously identified Kenneth F. Gallagher which I know personally, today, October 31, 2013.

Timothy S. Cragin

Notary Public, State of Louisiana

TIMOTHY S. CRAGIN

Notary's Printed Name

My Commission expires: at death

TIMOTHY S. CRAGIN
NOTARY PUBLIC (La. Bar No. 22313)
Parish of Orleans, State of Louisiana
My Commission is issued for Life

SOAH DOCKET NO. 473-14-0366
PUCT DOCKET NO. 41791

APPLICATION OF ENTERGY TEXAS, INC. FOR AUTHORITY TO CHANGE RATES AND RECONCILE FUEL COSTS	§	**BEFORE THE STATE OFFICE**
	§	**OF**
	§	**ADMINISTRATIVE HEARINGS**

AFFIDAVIT OF SAMUEL C. HADAWAY

STATE OF TEXAS §
§
TRAVIS COUNTY §

Samuel C. Hadaway, first being sworn on his oath, states:

1. My name is Samuel C. Hadaway. I am over eighteen years of age. If called as a witness, I am competent to testify to the statements in this affidavit, all of which are within my personal knowledge.

2. I am an outside consultant retained by or on behalf of Entergy Texas, Inc. in connection with Public Utility Commission of Texas Docket No. 41791, State Office of Administrative Hearings Docket No. 473-14-0366 ("Docket No. 41791"). My firm's name is FINANCO, Inc. My business address is 3520 Executive Center Drive, Austin, TX 78731.

3. For work I have and will perform in Docket No. 41791, the rates that I and other persons in my firm charge are at or below the normal hourly billing rate for the firm and are charged to all clients, be they rate regulated or competitive entities, for the types of services I provide in Docket No. 41791. To the best of my knowledge, my hourly rate for Docket No. 41791 is comparable to the hourly billing rates currently charged by other consultants of similar experience and expertise to other Texas utilities for similar services.

Samuel C. Hadaway

Subscribed to and sworn before me by the previously identified Samuel C. Hadaway, whom I know personally, today, November 4, 2013.

Notary Public, State of Texas

My Commission expires: RACHEL L DARK NOTARY PUBLIC State of Texas Comm. Exp. 04/22/2017

SOAH DOCKET NO. 473-14-0366
PUCT DOCKET NO. 41791

APPLICATION OF ENTERGY TEXAS, INC. FOR AUTHORITY TO CHANGE RATES AND RECONCILE FUEL COSTS	§	**BEFORE THE STATE OFFICE**
	§	**OF**
	§	**ADMINISTRATIVE HEARINGS**

AFFIDAVIT OF JAY JOYCE

STATE OF TEXAS §
§
DALLAS COUNTY §

Jay Joyce, first being sworn on his oath, states:

1. My name is Jay Joyce. I am over eighteen years of age. If called as a witness, I am competent to testify to the statements in this affidavit, all of which are within my personal knowledge.

2. I am an outside consultant retained by or on behalf of Entergy Texas, Inc. in connection with Public Utility Commission of Texas Docket No. 41791, State Office of Administrative Hearings Docket No. 473-14-0366 ("Docket No. 41791"). My firm's name is Expergy. My business address is 325 N. Saint Paul St., Suite 2100, Dallas, Texas 75201.

3. For work I have and will perform in Docket No. 41791, the rates that I and other persons in my firm charge are at or below the normal hourly billing rate for the firm and are charged to all clients, be they rate regulated or competitive entities, for the types of services I provide in Docket No. 41791. To the best of my knowledge, my hourly rates for Docket No. 41791 are comparable to the hourly billing rates currently charged by other consultants of similar experience and expertise to other Texas utilities for similar services.

Jay Joyce

Subscribed to and sworn before me by the previously identified Jay Joyce, which I know personally, today, October 31, 2013.

Michele Cox
Notary Public, State of Texas

MICHELE COX
Notary Public, State of Texas
My Commission Expires
June 22, 2017

Michele Cox
Notary's Printed Name

My Commission expires: 6/22/2017

SOAH DOCKET NO. 473-14-0366
PUCT DOCKET NO. 41791

APPLICATION OF ENTERGY TEXAS, INC. FOR AUTHORITY TO CHANGE RATES AND RECONCILE FUEL COSTS	§ § § § §	**BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS**

AFFIDAVIT OF STEPHEN F. MORRIS

STATE OF TEXAS §
§
TRAVIS COUNTY §

Stephen F. Morris, first being sworn on his oath, states:

1. My name is Stephen F. Morris. I am over eighteen years of age. If called as a witness, I am competent to testify to the statements in this affidavit, all of which are within my personal knowledge.

2. I am an outside lawyer retained by or on behalf of Entergy Texas, Inc. in connection with Public Utility Commission of Texas Docket No. 41791, State Office of Administrative Hearings Docket No. 473-14-0366 ("Docket No. 41791"). My firm's name is Naman, Howell, Smith & Lee, PLLC. My business address is 8310 N. Capital of Texas Highway, Suite 490, Austin, Texas 78731.

3. For work I have and will perform in Docket No. 41791, the rates that I and other persons in my firm charge are at or below the normal hourly billing rate for the firm and are charged to all clients, be they rate regulated or competitive entities, for the types of services I provide in Docket No. 41791. To the best of my knowledge, my hourly rate for Docket No. 41791 is comparable to the hourly billing rates currently charged by other lawyers of similar experience and expertise to other Texas utilities for similar services.

STEPHEN F. MORRIS

Subscribed to and sworn before me by the previously identified Stephen F. Morris, which I know personally, today, October 29, 2013.

Carrie Lynne Marchese
Notary Public, State of Texas

CARRIE LYNNE MARCHESE
Notary Public
STATE OF TEXAS
My Comm. Exp. June 5, 2017

Carrie Lynne Marchese
Notary's Printed Name

My Commission expires: June 5, 2017

SOAH DOCKET NO. 473-14-0366
PUCT DOCKET NO. 41791

APPLICATION OF ENTERGY TEXAS, INC. FOR AUTHORITY TO CHANGE RATES AND RECONCILE FUEL COSTS	§	**BEFORE THE STATE OFFICE**
	§	**OF**
	§	**ADMINISTRATIVE HEARINGS**

AFFIDAVIT OF MARK W. NIEHAUS

STATE OF PENNSYLVANIA §
§
PHILADELPHIA COUNTY §

Mark W. Niehaus, first being sworn on his oath, states:

1. My name is Mark W. Niehaus. I am over eighteen years of age. If called as a witness, I am competent to testify to the statements in this affidavit, all of which are within my personal knowledge.

2. I am an outside consultant retained by or on behalf of Entergy Texas, Inc. in connection with Public Utility Commission of Texas Docket No. 41791, State Office of Administrative Hearings Docket No. 473-14-0366 ("Docket No. 41791"). My firm's name is PricewaterhouseCoopers LLP. My business address is Two Commerce Square, Suite 1700, 2001 Market Street, Philadelphia, PA 19103.

3. For work I have and will perform in Docket No. 41791, the rates that I and other persons in my firm charge are at or below the normal hourly billing rate for the firm and are charged to all clients, be they rate regulated or competitive entities, for the types of services I provide in Docket No. 41791. To the best of my knowledge, my hourly rate for Docket No. 41791 is comparable to the hourly billing rates currently charged by other consultants of similar experience and expertise to other Texas utilities for similar services.

Mark W. Niehaus

Subscribed to and sworn before me by the previously identified Mark W. Niehaus, which I know personally, today, November 5, 2013

Notary Public, State of ~~Pennsylvania~~ Delaware

EILEEN M. FERRY
NOTARY PUBLIC
STATE OF DELAWARE
MY COMMISSION EXPIRES ON
September 24, 2016

Eileen M. Ferry
Notary's Printed Name

My Commission expires: Sept. 24, 2016

SOAH DOCKET NO. 473-14-0366
PUCT DOCKET NO. 41791

APPLICATION OF ENTERGY TEXAS, INC. FOR AUTHORITY TO CHANGE RATES AND RECONCILE FUEL COSTS	§	**BEFORE THE STATE OFFICE**
	§	**OF**
	§	**ADMINISTRATIVE HEARINGS**

AFFIDAVIT OF L. JAGER SMITH, JR.

STATE OF MISSISSIPPI §
§
COUNTY OF HINDS §

L. Jager Smith, Jr., first being sworn on his oath, states:

1. My name is L. Jager Smith, Jr. I am over eighteen years of age. If called as a witness, I am competent to testify to the statements in this affidavit, all of which are within my personal knowledge.

2. I am an outside lawyer retained by or on behalf of Entergy Texas, Inc. in connection with Public Utility Commission of Texas Docket No. 41791, State Office of Administrative Hearings Docket No. 473-14-0366 ("Docket No. 41791"). My firm's name is JAGER SMITH LLC. My business address is 1340 Echelon Parkway, Jackson, MS 39213.

3. For work I have and will perform in Docket No. 41791, the rates that I and other persons in my firm charge are at or below the normal hourly billing rate for the firm and are charged to all clients, be they rate regulated or competitive entities, for the types of services I provide in Docket No. 41791. To the best of my knowledge, my hourly rate for Docket No. 41791 is comparable to the hourly billing rates currently charged by other lawyers of similar experience and expertise to other Texas utilities for similar services.

L. Jager Smith, Jr.

Subscribed to and sworn before me by the previously identified L. Jager Smith, Jr., which I know personally, today, November 11, 2013.

Amy A. Blaylock
Notary Public, State of Mississippi

STATE OF MISSISSIPPI NOTARY PUBLIC ID # 49487 AMY A. BLAYLOCK Commission Expires June 17, 2017 RANKIN COUNTY

Amy A. Blaylock
Notary's Printed Name

My Commission expires: June 17, 2017

SOAH DOCKET NO. 473-14-0366
PUCT DOCKET NO. 41791

APPLICATION OF ENTERGY TEXAS, INC. FOR AUTHORITY TO CHANGE RATES AND RECONCILE FUEL COSTS	§	**BEFORE THE STATE OFFICE**
	§	**OF**
	§	**ADMINISTRATIVE HEARINGS**

AFFIDAVIT OF GREGORY S. WILSON

STATE OF TEXAS §
§
COLLIN COUNTY §

Gregory S. Wilson, first being sworn on his oath, states:

1. My name is Gregory S. Wilson. I am over eighteen years of age. If called as a witness, I am competent to testify to the statements in this affidavit, all of which are within my personal knowledge.

2. I am an outside consultant retained by or on behalf of Entergy Texas, Inc. in connection with Public Utility Commission of Texas Docket No. 41791, State Office of Administrative Hearings Docket No. 473-14-0366 ("Docket No. 41791"). My firm's name is Lewis & Ellis, Inc. My business address is 2929 N Central Expressway, Suite 200, Richardson, TX 75080.

3. For work I have and will perform in Docket No. 41791, the rates that I and other persons in my firm charge are at or below the normal hourly billing rate for the firm and are charged to all clients, be they rate regulated or competitive entities, for the types of services I provide in Docket No. 41791. To the best of my knowledge, my hourly rate for Docket No. 41791 is comparable to the hourly billing rates currently charged by other consultants of similar experience and expertise to other Texas utilities for similar services.

Gregory S. Wilson

Subscribed to and sworn before me by the previously identified Gregory S. Wilson, which I know personally, today, October 29, 2013.

Notary Public, State of TEXAS

WANDA HORTON
Notary Public, State of Texas
My Commission Expires
January 14, 2016

WANDA HORTON
Notary's Printed Name

My Commission expires: 1/14/2016

SOAH Docket No. 473-12-2979
PUC Docket No. 40295

ETI Exhibit No. 8

DOCKET NO. 39896

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

DIRECT TESTIMONY

OF

STEPHEN F. MORRIS

ON BEHALF OF

ENTERGY TEXAS, INC.

NOVEMBER 2011

ENTERGY TEXAS, INC.
DIRECT TESTIMONY OF STEPHEN F. MORRIS
2011 RATE CASE

TABLE OF CONTENTS

EXHIBITS

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Stephen F. Morris. My business address is 8310 N. Capital of Texas Highway, Suite 490, Austin, Texas 78731.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am a member in the law firm of Naman, Howell, Smith & Lee, PLLC in Austin, Texas.

Q. ARE YOU A LICENSED ATTORNEY?

A. Yes. I was licensed as an attorney in Texas in 1983 and in the Federal District Court for the Western District of Texas in 1985.

Q. DO YOU HAVE ANY OTHER CERTIFICATIONS?

A. Yes. I am Board Certified in Administrative Law by the Texas Board of Legal Specialization. I am also a member of the American Institute of Certified Public Accountants and the Nebraska Society of Certified Public Accountants.

Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL QUALIFICATIONS.

A. I graduated from New York University School of Law with an LL.M in Taxation, from St. Mary's University School of Law with a J.D., and from

The University of Texas at Austin with a B.B.A. in Accounting. A copy of my resume is attached as Exhibit SFM-1.

Q. ON WHOSE BEHALF ARE YOU FILING THIS DIRECT TESTIMONY?

A. I am testifying on behalf of Entergy Texas, Inc. ("ETI" or the "Company").

II. PURPOSE

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I have been retained by Duggins Wren Mann & Romero, LLP ("DWMR") to review the reasonableness of certain rate case expenses incurred by ETI in preparing and presenting this rate case before the Public Utility Commission of Texas (the "PUCT" or "Commission"). The scope of my testimony on rate case expenses is limited to reviewing the reasonableness of expenses related to outside lawyers and outside consultants.

Q. WILL YOU FILE SUPPLEMENTAL TESTIMONY IN THIS DOCKET?

A. Yes, I believe so. ETI has been billed for only some of the expenses it will no doubt incur in this case. Furthermore, I needed to complete my direct testimony before all aspects of ETI's direct case were completed. As a result of this timing, my work has been limited to reviewing the reasonableness of the rates and tasks performed to date. I will continue to review and analyze invoices submitted by outside counsel and

consultants during this proceeding, including consultants currently engaged by ETI as well as consultants that may be engaged after the rate case is filed. My supplemental testimony will address the reasonableness of the expenses for outside attorneys and consultants that ETI ultimately incurs in preparing and prosecuting this case. I expect that my subsequent testimony in this regard will be in the nature of supplemental direct.

III. QUALIFICATIONS

Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AS AN ATTORNEY IN THE FIELD OF UTILITY REGULATION.

A. I have practiced utility law or administrative law since 1987, when I was an Assistant General Counsel with the Commission. From 1991-92, I was the Executive Assistant to PUCT Chairman Paul Meek. From 1993-96, I was an Assistant Attorney General in the Office of the Attorney General, Financial Litigation Division. During this time, I represented the Department of Insurance, Office of Consumer Credit Commissioner, Department of Banking and other boards and agencies with jurisdiction in finance-related areas, focusing mostly on administrative law matters.

I was in-house counsel from 1996-2006 representing MCI in utility regulatory matters before the Arkansas Public Service Commission, Kansas Corporation Commission, Missouri Public Service Commission, Oklahoma Corporation Commission, and the PUCT. Since 2006, I have

been with Naman, Howell, Smith & Lee, PLLC, where I routinely represent electric and telephone utilities before the Commission.

Q. HAVE YOU PREVIOUSLY TESTIFIED ON THE SUBJECT OF RATE CASE EXPENSES?

A. No, I have not. I have, however, reviewed rate case expenses for reasonableness in various Commission rate proceedings.

Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY OR OTHER PROCEEDINGS?

A. Yes. I have testified before the Missouri Public Service Commission and the Federal Communications Commission regarding a failure to act complaint under Section 252 of the Federal Telecommunications Act and before the Arkansas Public Service Commission regarding Southwestern Bell Telephone Company's application under Section 271 of the Federal Telecommunications Act to provide in-region long distance service. I presented live direct testimony in the state cases and submitted an affidavit in the FCC case. Finally, I have also testified before the Missouri and Texas legislatures regarding utility matters and other pending legislation.

Q. DO YOU SPONSOR ANY SPECIFIC RATE FILING PACKAGE ("RFP") SCHEDULES?

A. No, I do not.

Q. DO YOU SPONSOR ANY EXHIBITS?

A. Yes. My exhibits are listed in the Table of Contents to this testimony.

IV. STANDARD OF REVIEW FOR RATE CASE EXPENSES

Q. WHAT IS THE STANDARD FOR REVIEWING RATE CASE EXPENSES AT THE PUCT?

A. The Commission does not have a particular rule that specifically sets forth the process for determining the reasonableness of rate case expenses. Such expenses have been examined by the PUCT on a case-by-case basis. In this regard, the Court of Appeals and the Texas Disciplinary Rules of Professional Conduct provide guidance in determining whether rate case expenses are reasonable.

Q. WHAT DID YOU DO IN ORDER TO DETERMINE THE REASONABLENESS OF THE FEES CHARGED BY OUTSIDE COUNSEL AND CONSULTANTS IN THIS CASE?

A. I reviewed the consulting services agreements of the various experts as well as the fee schedule of the outside counsel hired by ETI in this case. I also reviewed cases involving other electric utilities filed with the PUCT for

fees and tasks of outside counsel and consultants, including Docket No. 37744, which was ETI's prior rate case.

Q. WITH RESPECT TO OUTSIDE COUNSEL FEES, WHAT ELSE DID YOU DO TO DETERMINE WHETHER THE FEES CHARGED WERE REASONABLE?

A. I reviewed the Texas Disciplinary Rules of Professional Conduct ("TDRPC"), which are applicable to attorneys engaged in the practice of law and set forth minimum standards of ethical conduct. Specifically, I examined Section 1.04(b) of the TDRPC, which sets forth a list of non-exclusive standards for reasonableness of fees. Exhibit SFM-2 contains a copy of Rule 1.04(b) of the TDRPC. The Texas Supreme Court adopted the use of Rule 1.04(b) for determining the reasonableness of attorney fees in *Arthur Andersen v. Perry Equipment Corporation*, 945 S.W.2d 812, 818 (Tex. 1997).

Q. WHAT FACTORS HAVE THE COMMISSION OR THE COURTS RELIED ON IN DETERMINING THE REASONABLENESS OF RATE CASE EXPENSES?

A. The Court of Appeals in *City of El Paso v. Public Utility Comm'n of Texas*, 916 S.W.2d 515, 522 (Tex. App. – Austin 1995, dism'd by agr.) delineated the following factors when considering the reasonableness of rate case expenses:

(1) time and labor required;

(2) nature and complexities of the case;

(3) amount of money or value of property or interest at stake;

(4) extent of responsibilities the attorney assumes;

(5) whether the attorney loses other employment because of the undertaking; and

(6) benefits to the client from the services.

These factors are similar to those found in TDRPC Rule 1.04(b).

Q. WOULD YOU PLEASE ADDRESS THESE FACTORS AS TO THEIR APPLICABILITY TO LEGAL FEES IN THIS PROCEEDING?

A. Certainly. Part (1) of Rule 1.04(b) states that the time and labor required, the novelty and difficulty of the questions involved, and the skill requisite to perform the legal services properly may be considered in determining whether attorney fees are reasonable. An electric rate case at the PUCT requires a considerable amount of time to prepare and present. The lead time to prepare a rate case is significant. Once the case is filed, the time demands on the attorneys are great. Some of the factors contributing to these demands are the statutory timeframe to complete a rate case, the number of parties that usually intervene in a rate case, and the amount of discovery that a rate filing typically generates. DWMR has the scope, scale, experience, and depth to adequately staff this rate case.

Part (2) of Rule 1.04(b) covers whether accepting an engagement to prepare and present a rate case at the Commission will preclude an attorney from accepting new business. The time demands of a rate case substantially inhibit an individual attorney from accepting new engagements or clients during the pendency of the proceeding.

Part (3) of Rule 1.04(b) addresses the fee customarily charged in the locality for similar legal services. Attorneys practicing before the PUCT in rate cases customarily charge for their services on an hourly basis. I have examined the hourly rates of the attorneys for DWMR for this engagement, as well as rates charged by other firms that handle rate cases before the PUCT. The rates charged by DWMR are reasonable for a firm of its experience handling a Commission rate case.

Part (4) of Rule 1.04(b) covers the amount involved and the results obtained. The amount involved is typically the increase in base rates sought by the utility, although arguably the utility's entire revenue requirement is at risk and subject to change. Given the enormity of this responsibility, it is critical that the utility engage attorneys and consultants who have the experience and capacity to handle a rate case. ETI has engaged the attorneys comprising DWMR for many years to handle rate cases before the Commission.

Part (5) of Rule 1.04(b) addresses time limits imposed by the client or by the circumstances in determining the reasonableness of fees. PURA imposes a statutory deadline for the Commission to issue an order

in a rate case. There are also procedural deadlines, such as responding to discovery and motions that must be met. Prosecuting a rate case application is very time demanding for attorneys as well as for consultants and witnesses.

Part (6) of Rule 1.04(b) covers the nature and length of the professional relationship with the client. DWMR brings value to this case owing to the fact that the attorneys in the firm have represented ETI in various rate cases numerous times before the PUCT. These attorneys' long-term relationship and knowledge of the Company's business and regulatory requirements will enable DWMR to capably represent ETI in this matter.

Part (7) of Rule 1.04(b) addresses the experience, reputation, and ability of the lawyers performing the services. DWMR has extensive experience representing utilities before the PUCT. The firm enjoys an excellent reputation in the area of utility regulation. Its lawyers have represented numerous utilities before the Commission for decades. I am personally familiar with the work and reputation of DWMR and the particular attorneys assigned to this case based on my utility practice at the Commission. I am also personally familiar with the work and reputation of DWMR regarding its trial and appellate court practice involving appeals of administrative agency orders. DWMR has an excellent reputation in this area of administrative and utility practice as well. DWMR has a reasonable mix of attorneys with varying experience

assigned to this case that will enable it to professionally and responsibly handle this matter.

Part (8) of Rule 1.04(b) covers fixed and contingent fee arrangements. Neither of these arrangements applies in this case.

Q. WHAT DO YOU CONCLUDE BASED ON YOUR ANALYSIS OF RULE 1.04(b)?

A. The tests in subsections (1) – (7) of TDRPC Rule 1.04(b) weigh in favor of the fee arrangement between ETI and DWMR.

Q. ARE THE FEE ARRANGEMENTS AND FEES YOU HAVE REVIEWED REASONABLE BASED ON THE FACTORS SET FORTH IN THE *CITY OF EL PASO* CASE YOU PREVIOUSLY CITED?

A. Yes, they are. The factors identified by the Court of Appeals in the *City of El Paso* case are similar to those in TDRPC Rule 1.04(b).

Q. WHAT IS YOUR RATE IN THIS CASE?

A. My rate is $325 per hour. That is my usual fee for public utility work.

Q. DO YOU BELIEVE THE NUMBER OF ATTORNEYS AND PROFESSIONALS WITH DWMR ASSIGNED TO THIS CASE IS REASONABLE?

A. Yes, I do. ETI is filing a rate application that constitutes a "major change" as defined in Section 36.101 of PURA and that also includes a fuel reconciliation filing. I understand that there will be over 30 witnesses filing testimony in this case in support of ETI's application. The subject areas will include highly technical or data intensive areas such as cost of capital/capital structure, affiliate transactions, cost allocation and rate design, fuel and purchased power costs, and operations & maintenance expenses, just to name a few. Affiliate transactions, for example, are closely examined by the Commission as required by PURA. Accordingly, this particular area will require significant time and attention of outside counsel. Given the breadth of subject areas and the number of witnesses, it is reasonable for ETI to employ DWMR as outside counsel in support of preparing and presenting this case.

Q. HOW DO THE RATES OF DWMR COMPARE TO RATES CHARGED BY OTHER FIRMS?

A. The rates of DWMR range from $195 – 385 per hour for partners and $170 – 215 per hour for associates. I compared these rates against the average hourly rates of firms of the size that typically represent utilities in rate applications before the Commission. The average rates were taken

from the Texas Lawyer 2011 Hourly Billing Rate Survey. That survey indicates that the average partner rate of a firm with over 100 lawyers ranges from $447 to $570 per hour. That survey also indicates that the average associate rate of a firm with over 100 lawyers ranges from $273 to $393 per hour. The firms that typically represent investor-owned utilities before the PUCT in rate applications often have more than 100 lawyers. Based on this metric, I believe the rates of DWMR are reasonable for representing ETI in this matter.

V. REVIEW OF CONSULTANT EXPENSES

Q. HAVE YOU REVIEWED THE RATES AND SCOPE OF WORK OF CONSULTANTS ENGAGED BY ETI IN THIS CASE?

A. Yes, I have. I understand that ETI has employed at least seven outside consultants or consulting firms for the preparation and presentation of its rate case. About six of these consultants will provide testimony in this case.

Q. PLEASE IDENTIFY AND ADDRESS THE SCOPE AND THE HOURLY RATES OF THE OUTSIDE CONSULTANTS IN THIS CASE.

A. Certainly. I will address them by subject area below.

A. Depreciation

ETI retained Alliance Consulting Group to prepare and sponsor a depreciation study, which will be filed with the direct testimony of Mr. Dane Watson, who will also provide discovery support and file rebuttal testimony. Mr. Watson is the principal of Alliance Consulting Group, which he formed after working with TXU for about 20 years. He has over 25 years of experience in the area of depreciation and valuation. He is also certified as a Certified Depreciation Professional by the Society of Depreciation Professionals. Mr. Watson is active in industry organizations, having served as Chairman of the Edison Electric Institute ("EEI") Property Accounting and Valuation Committee. He is also a Registered Professional Engineer ("PE") in the State of Texas. Mr. Watson's hourly rate is $250 per hour, which is reasonable given his experience and training in this area.

B. Benchmarking & Trending Analysis

ETI retained Commonwealth Consulting Group, Inc. to perform benchmarking and trending analysis. Ms. Lisa L. Blankenship will conduct these analyses to assist ETI in preparing and presenting its case. Ms. Blankenship has prior experience with this type of research and analysis on behalf of ETI in prior rate cases. She has performed benchmarking and trending analysis for ETI since 1998 and has consulted or worked in

the utility industry for over 23 years. Her hourly rate is $100, which is reasonable given her experience and expertise in this area.

C. Financial Issues – FINANCO, Inc.

ETI has engaged FINANCO, Inc. to prepare testimony addressing the return on equity component of ETI's rate filing. Dr. Samuel C. Hadaway will prepare the analysis and testify on the issue of the return on equity issue on behalf of ETI. Dr. Hadaway has testified extensively on the issue of return on equity before the Commission and other regulatory bodies for many years. His rate of $425 per hour is reasonable given his training and experience in these matters. Mr. Brent Heidebrecht will also participate in this assignment. His rate of $250 per hour is reasonable in my opinion given his experience.

D. Cash Working Capital

ETI has engaged Expert Powerhouse LLC, d/b/a Expergy to prepare a cash working capital "lead/lag" study and supporting testimony of Mr. Jay Joyce. Mr. Joyce has extensive experience conducting lead/lag studies and testifying before the Commission and other regulatory agencies throughout the United States. His hourly rate of $260 per hour is reasonable. Ms. Billy Ann Litteken is assisting Mr. Joyce on this assignment. Her rate is $125 per hour, which in my opinion is reasonable.

E. Compensation Practices and Policies

ETI has engaged Dr. Jay Hartzell to testify regarding the structure of incentive compensation plans. Dr. Hartzell is a Professor of Finance and Chairman of the Department of Finance at the McCombs School of Business at The University of Texas at Austin. His research interests include corporate governance and executive compensation and he has written extensively in these subject areas. Prior to joining the faculty at the McCombs School, Dr. Hartzell was a compensation benefits consultant with Hewitt Associates. Dr. Hartzell has consulted for and submitted written testimony regarding incentive compensation issues on behalf of ETI before the Commission on several occasions. He has also consulted for and submitted testimony on behalf of Entergy Louisiana, LLC before the Louisiana Public Service Commission and on behalf of Entergy Arkansas, Inc. before the Arkansas Public Service Commission regarding incentive compensation issues. His hourly rate of $450 per hour is reasonable given his training and experience in the area of compensation.

F. Self-Insurance Reserve

ETI has engaged Lewis & Ellis to provide testimony on the issue of insurance reserve. Mr. Gregory S. Wilson is a consulting actuary and Vice President of Lewis & Ellis, which specializes in property & casualty actuarial matters. He has over 35 years experience in this area and has

been active in professional actuarial organizations, including serving as President of the Southwest Actuarial Forum. Mr. Wilson has consulted with ETI on this issue in previous rate cases before the Commission. He has also testified on this issue on behalf of AEP Texas Central Company, AEP Texas North Company, and Southwestern Electric Power Company in rate cases and other proceedings before the Commission. He has also testified on self-insurance issues before the Missouri Public Service Commission in conjunction with a utility rate filing.

P.U.C. SUBST. R. 25.231(b)(1)(G) requires that ETI present the evaluation and testimony of an independent actuary such as Mr. Wilson to perform a cost/benefit analysis of self-insurance versus obtaining commercial insurance. Mr. Wilson's hourly rate of $410 per hour is reasonable given his expertise and experience in this area. Mr. Wilson may be assisted by an Associate Actuary or an Actuarial Student in preparing his analysis and testimony. The hourly rates of $225 per hour for an Associate Actuary and $125 per hour for an Actuarial Student are reasonable for these services, which will be provided under Mr. Wilson's direction and control.

G. Affiliate Transactions

ETI has engaged Gerald Tucker as a consulting expert to assist in the preparation of affiliate testimony, affiliate costs and rate schedules. Mr. Tucker is a Certified Public Accountant and has extensive experience

regarding affiliate costs in Commission rate cases. Mr. Tucker has previously consulted with ETI regarding affiliate issues on numerous rate cases. Furthermore, given the importance of affiliate charges and the focus by the Commission on affiliate charges, it is reasonable for ETI to engage outside consultants to produce the schedules, testimony, and other supporting information needed to address this issue. Based on my experience, most utilities have engaged outside consultants to address affiliate transactions. Mr. Tucker's hourly rate of $250 per hour is reasonable.

VI. CONCLUSION

Q. YOU STATED PREVIOUSLY THAT YOU EXAMINED THE USE AND EXPENSES OF OUTSIDE COUNSEL AND OUTSIDE CONSULTANTS. WHY WOULD A UTILITY USE OUTSIDE COUNSEL AND CONSULTANTS IN A RATE CASE?

A. A rate case requires personnel and areas of expertise that do not lend themselves to normal or "base level" staffing requirements. While most large, integrated utilities such as ETI will file a rate case with some frequency, a utility will not usually find itself before the PUCT year after year in a base rate-setting proceeding. Accordingly, it is prudent for ETI to hire outside consultants and counsel on an as-needed basis, which is what ETI has done in this case. Additionally, the areas of expertise of the outside counsel and consultants engaged in this case are very specific

and do not typically lend themselves to base staffing requirements. Those skill sets are certainly necessary for rate proceedings before the Commission, but they are generally not needed on a daily basis in order for ETI to provide electric service to its customers.

Q. DO YOU BELIEVE IT IS REASONABLE FOR ETI TO ENGAGE THE OUTSIDE COUNSEL AND CONSULTANTS IN THIS CASE?

A. Yes, I do.

Q. WITH THAT FINAL THOUGHT, WOULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?

A. In my opinion, it is reasonable for ETI to engage the outside counsel and consultants described above to assist in the preparation and presentation of this rate case. In my opinion, the rates of DWMR are very reasonable given the work performed, and the rates of the outside consultants and witnesses are reasonable based on their training, education, and experience in rate case matters.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does. However, I will supplement this testimony later in this proceeding, as I previously stated.

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EDUCATION

New York University School of Law
LL.M. (Taxation) 1985

St. Mary's University School of Law
J.D. 1983

The University of Texas at Austin
B.B.A. in Accounting 1977

AWARDS

- Editor, St. Mary's Law Journal 1982-83
- Committee on Court Administration, Western District of Texas 1985-88
- Briefing Attorney – Third Court of Appeals 1983-84

TEACHING EXPERIENCE

Legal Research and Writing – Teaching Assistant 1982-83

RELATED EXPERIENCE

MCI – Senior Attorney 1996-2006. Responsible for regulatory matters in Arkansas, Kansas, Missouri, and Oklahoma for MCI long distance and local operations. Managed local counsel and budgets.

Office of the Attorney General, Financial Litigation Division – Assistant Attorney General 1993-96. Advised and represented agencies with jurisdiction over finance-related matters.

Public Utility Commission of Texas – Executive Assistant to Chairman Paul D. Meek and Assistant General Counsel 1987-93

Bankston, Wright & Greenhill – Associate 1985-87

Third Court of Appeals – Briefing Attorney 1983-84

PUBLICATIONS AND PAPERS

- 9th Annual Telecom, Cable and Wireless Conference – Rural Telecom Exemption Issues 2007
- Miller, Franchising in Texas, 14 St. Mary's L.J. 301 (1983) (research)
- Dittfurth, A Theory of Equal Protection, 14 St. Mary's L.J. 829 (1983) (research)
- Recent Development – Water Law, 13 St. Mary's L.J. 1029 (1981)

MEMBERSHIPS

- State Bar of Texas
- Texas Board of Legal Specialization – Board Certified in Administrative Law
- United States District Court – Western District of Texas
- American Institute of Certified Public Accountants
- Nebraska Society of Certified Public Accountants
- Federal Communications Bar Association

REPORTED CASES

Consolidated Communications of Fort Bend Company and Consolidated Communications of Texas Company v. Public Utility Commission of Texas, 497 F. Supp. 836 (W.D. Tex. 2007)

National Association of Independent Insurers v. Texas Department of Insurance, 888 S.W.2d 198 (Tex. App.--Austin, 1994), *rev'd*, 925 S.W.2d 667 (Tex. 1996)

PRIOR TESTIMONY

Missouri Public Service Commission:

Case No. TO-98-200, *In the Matter of the Mediation and Arbitration of Remaining Interconnection Issues Between MCI Telecommunications Corporation and its Affiliates and Southwestern Bell Telephone Company*

Federal Communications Commission:

Docket No. 97-166, *In the Matter of Petition of MCI for Preemption Pursuant to Section 252(e)(5) of the Telecommunications Act of 1996*

Arkansas Public Service Commission:

Docket No. 00-211-U, *In the Matter of the Application of Southwestern Bell Telephone Company for Authorization to Provide In-Region InterLATA Services Pursuant to Section 271 of the Telecommunications Act of 1996 and for Approval of the Arkansas Interconnection Agreement*

Texas Disciplinary Rules of Professional Conduct

1.04 Fees (Effective March 1, 2005)

(b) Factors that may be considered in determining the reasonableness of a fee include, but not to the exclusion of other relevant factors, the following:

(1) the time and labor required, the novelty and difficulty of the questions involved, and the skill requisite to perform the legal service properly;

(2) the likelihood, if apparent to the client, that the acceptance of the particular employment will preclude other employment by the lawyer;

(3) the fee customarily charged in the locality for similar legal services;

(4) the amount involved and the results obtained;

(5) the time limitations imposed by the client or by the circumstances;

(6) the nature and length of the professional relationship with the client;

(7) the experience, reputation, and ability of the lawyer or lawyers performing the services; and

(8) whether the fee is fixed or contingent on results obtained or uncertainty of collection before the legal services have been rendered.

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