

1 outsourcing relationships and to provide strategic information systems
2 direction for the entire corporation.

3 SAIC directly bills ESI and the EOCs (including ETI) for the
4 services it provides to each individual entity. This reduces the IT services
5 provided through ESI and thereby reduces the affiliate charges for such
6 services.

7

8 C. Employee Description

9 Q13. WHAT TYPES OF INDIVIDUALS PERFORM THE SERVICES OUTLINED
10 ABOVE?

11 A. ESI IT and the outsourced providers such as SAIC employ a diverse
12 group of individuals. The vast majority of individuals have college degrees
13 in disciplines such as computer science, management information
14 systems, or engineering. Many have extensive experience in developing
15 computer software specifically designed for electric utility operations. IT
16 also employs a wide range of technical experts, such as programmers,
17 telecommunication specialists, database administrators, technical
18 architects, systems engineers, and computer hardware technicians. In the
19 support area, the staff includes accountants, MBAs, engineers, and
20 personnel professionals.

1 III. NECESSITY OF INFORMATION TECHNOLOGY CLASS

2 Q14. DOES ETI NEED THE IT SERVICES THAT YOU HAVE PREVIOUSLY
3 DESCRIBED IN YOUR TESTIMONY?

4 A. Yes. The EOCs, including ETI, require computer technology to make their
5 operations more efficient and effective, which enables them to provide
6 more cost-effective and reliable services to their electric customers. As
7 with most businesses, the majority of the Entergy Companies' business
8 functions has been automated and requires the use of some type of
9 computer system. The computer systems facilitate customer service
10 initiation, meter reading, billing and billing account inquiries, rate and
11 refund processing, payment processing, customer contact management,
12 and call center support. These systems are also essential to the prompt,
13 accurate dispatch of appropriate personnel to respond to power outages
14 and restore electric service, and the management of transmission and
15 fossil system operations. In addition, the computer systems are used by
16 the Entergy Companies to manage financial accounting, regulatory
17 reporting, and human resource functions as well as for basic business
18 functions such as electronic mail and management reporting.

19 In short, the services in this class are necessary to support the
20 basic day-to-day utility operations.

1 Q15. IS IT REASONABLE FOR THESE SERVICES TO BE PROVIDED
2 CENTRALLY, BY AN AFFILIATE FOR EXAMPLE, AS OPPOSED TO ETI
3 PROVIDING THESE SERVICES DIRECTLY TO ITSELF?

4 A. Yes. IT services are centralized within ESI in order to gain efficiencies of
5 scale, enhance buying leverage, and maintain corporate standards. By
6 consolidating the above described services, redundant computer software
7 systems have largely been eliminated and overhead costs associated with
8 similar capabilities within each EOC, or contracting separately for such
9 services, have been reduced. In addition to the economies of scale that
10 are achieved from a consolidation of services, volume discounts have
11 been obtained on computer hardware and software by ESI purchasing for
12 all the EOCs, as opposed to each Operating Company purchasing this
13 equipment individually. Also, systems can be developed and maintained
14 consistently for all EOCs, thus avoiding inefficiencies and unnecessary
15 duplication. For example, developing a single Accounting or Payroll
16 system for use by all companies requires considerably less time and cost
17 than developing six separate systems, one for each Operating Company.
18 By centralizing functions and realizing economies of scale, ETI has paid
19 for only a portion of the cost of development and maintenance rather than
20 100% of such costs.

1 IV. IT AFFILIATE COSTS

2 Q16. WHAT IS THE TOTAL ETI ADJUSTED AMOUNT FOR THIS CLASS OF
3 SERVICES?

4 A. The Total ETI Adjusted amount for this class of services is \$6,066,324. Of
5 this amount, ESI directly billed 3% of the Total ETI Adjusted amount to
6 ETI, and allocated 97% of the Total ETI Adjusted amount. The following
7 table summarizes this information for the IT class. The table shows for
8 each class the following information:

9	Total Billings	Dollar amount of total test year billings from
10		ESI to all Entergy companies, plus the
11		dollar amount of all other affiliate charges
12		that originated from any Entergy company.
13		This is the amount from Column (C) of the
14		cost exhibits JFB-A, JFB-B, and JFB-C.
15	Total ETI Adjusted Amount	ETI's adjusted amount for electric cost of
16		service after pro forma adjustments and
17		exclusions.
18	% Direct Billed	The percentage of the ETI adjusted test
19		year amount that was billed 100% to ETI.
20	% Allocated	The percentage of the ETI adjusted test
21		year amount that was allocated to ETI.

Table 1

Class	Total Billings	Total ETI Adjusted		
		Amount	% Direct	% Allocated
Information Technology	\$108,011,738	\$6,066,324	3%	97%

1 Q17. PLEASE DESCRIBE THE EXHIBITS THAT SUPPORT THE
2 INFORMATION INCLUDED IN TABLE 1.

3 A. Attached to my testimony are exhibits showing the calculation of the Total
4 ETI Adjusted amount for the IT class. In my Exhibit JFB-A, the information
5 is shown broken down by the departments comprising the class. My
6 Exhibit JFB-B shows the same information broken down by project code
7 and the billing method assigned to each project code. My Exhibit JFB-C
8 shows the information by class, departments and project code. For each
9 exhibit, the amounts in the columns represent the following information:

Column (A) –
Support

Dollar amount of total Test Year billings and charges from ESI to all Entergy Business Units, plus the dollar amount of all other affiliate charges to ETI that originated from any Entergy Business Unit.

Column (B) –
Service Company
Recipient

Dollar amount that was included in the service company recipient allocation. Service company recipient charges are the cost of services that ESI provides to itself, which in turn are charged to affiliates that receive those services. The service company recipient allocation process is described in the testimony of Company witness Stephanie B. Tumminello.

Column (C) – Total	Represents the sum of Columns (A) and (B).
Column (D) – All Other Business Units	That portion of Column (C) that was billed and charged to Business Units other than ETI.
Column (E) – ETI Per Books	Represents the difference between Columns (C) and (D).
Column (F) – Exclusions	Represents amounts that are excluded from ETI electric cost of service. The exclusions are described in the testimony of Company witness Tumminello.
Column (G) – Pro Forma Amount	Pro Forma Amounts include adjustments for known and measurable changes, and corrections.
Column (H) – Total ETI Adjusted	ETI adjusted amount requested for recovery in this case for this class (Column (E) plus Columns (F) and (G)).

1 The testimony of Company witness Tumminello describes the
2 calculations that take the dollars of support services in Column A to the
3 Total ETI Adjusted numbers shown on Column H.

4

5 Q18. ARE THERE ANY PRO FORMA ADJUSTMENTS TO THIS CLASS?

6 A. Yes. The pro forma adjustments for the IT class are shown on
7 Exhibit JFB-D, which also indicates the Company witnesses who sponsor
8 those pro forma adjustments.

9

10 Q19. WHAT ARE THE MAJOR COST COMPONENTS OF THE CHARGES
11 FOR THE IT CLASS?

12 A. The major cost components of the charges for the IT class are as follows:

Table 2

<u>Cost Component</u>	<u>Cost</u>	<u>% of Total</u>
Payroll & Employee Costs	\$2,198,324	36%
Outside Services	\$426,976	7%
Office and Employee Expenses	\$3,024,163	50%
Service Company Recipient	\$411,161	7%
Other	\$5,701	0%
Total	\$6,066,324	100%

1 Q20. WHAT IS THE IMPORTANCE OF THESE COST CATEGORIES?

2 A. These cost categories present an additional way of viewing the costs in
3 the IT class. Other witnesses provide support for these cost categories
4 and, thus, indirectly support the costs in the IT class. As Table 2 shows,
5 36% of the costs are payroll and employee costs (*i.e.*, labor) costs.
6 Company witness Jennifer A. Raeder discusses the reasonableness and
7 necessity of compensation and benefits programs. In addition, 50% of the
8 costs are labeled as office and employee expenses. While this
9 component includes typical office supplies, most of these expenses for the
10 IT class are for software licenses and hardware maintenance costs.
11 These are acquired in accordance with the Entergy Companies' overall
12 procurement policies, as addressed by Company witness
13 Reginald T. Jackson. The remaining office and employee expenses

1 include the costs of maintaining work spaces, office supplies, and rent,
2 which are items addressed primarily in the testimony of Company witness
3 Thomas C. Plauché. Outside services, which consist of contract services
4 such as consulting and charges from the secondary IT service providers
5 (that is, providers other than SAIC), represent 7% of the costs. Finally, the
6 Service Company Recipient category consists of services that ESI
7 provides to itself, which in turn are billed to the affiliates that receive ESI
8 services, as explained by Company witness Tumminello. This component
9 represents 7% of the Total ETI Adjusted amount for my class.
10

11 Q21. HOW ARE THE COSTS OF THIS CLASS OF SERVICES BILLED TO
12 ETI?

13 A. Exhibit JFB-B shows all of the costs included in this class broken down by
14 project code and shows the billing method associated with each project
15 code. As shown earlier on Table 1, some of those charges have been
16 directly billed to ETI and other charges are the results of allocations that
17 bill a portion of the costs to ETI.
18

19 Q22. WHY WERE SOME AMOUNTS DIRECTLY BILLED TO ETI?

20 A. Directly billing for services was appropriate when services were performed
21 exclusively for a single ESI affiliate. In the test year, ESI directly billed
22 \$152,264 (Total ETI Adjusted) or 3% of the services associated with this
23 class. For example, Project Codes F3PPD10131 includes direct costs

1 associated with support for the Customer Information System ("CIS") and
2 Agent Information System ("AIS") and related components. It is
3 appropriate that this project code is billed directly to ETI because only ETI
4 utilizes these applications.

5

6 Q23. WHY DOES ESI ALLOCATE A PORTION OF THE COSTS OF THIS
7 CLASS TO ETI INSTEAD OF DIRECTLY BILLING ALL CHARGES?

8 A. Whenever appropriate, costs are direct billed to ETI and other affiliates,
9 and, as noted above, SAIC directly bills ESI for the services that it
10 provides to ETI. However, when ESI costs are incurred that benefit more
11 than one of the Entergy Companies, such costs are billed through an
12 allocation. In the test year, ESI allocated \$5,914,060 (or 97%) of the Total
13 ETI Adjusted amount.

14

15 Q24. ON WHAT BASIS ARE COSTS IN THIS CLASS ALLOCATED?

16 A. Each class is made up of one or more project codes. As Company
17 witness Tumminello explains, only one billing method is assigned to each
18 project code. A billing method is selected based on cost causation. While
19 several organizations could bill to a single project code, the billing method
20 for that project code remains the same. This ensures that the unit price
21 charged to ETI for the services is no higher than the unit price charged
22 other affiliates for the same or similar services and represents the actual
23 cost of the services.

1 Q25. WHAT ARE THE PREDOMINANT BILLING METHODS USED FOR THE
2 IT CLASS OF SERVICES?

3 A. The predominant billing methods were "APPSMVSX," "APPSUNIX,"
4 "APPSUPAL," "APPSWINT," "CAPAOPCO," "CUSEOPCO,"
5 "CUSTEGOP," "DIRECTTX," "ITSPENDA," "LOADOPCO," "PCNUMALL,"
6 "PCNUMXNR," and "TRSBLNOP." For the Test Year, these 13 billing
7 methods were used for 91% of the Total ETI Adjusted costs associated
8 with the IT class. As I explain above, direct billing to ETI, which is
9 achieved through the DIRECTTX billing method, is appropriate when
10 services were performed exclusively for ETI.

11

12 Q26. WHY IS BILLING METHOD "APPSMVSX" APPROPRIATE TO USE FOR
13 THE PROJECT TO WHICH IT IS ASSIGNED?

14 A. For the project code assigned this billing method, the cost driver is based
15 on the amount of mainframe usage. In particular, Project Code
16 F3PCFCQMVS captures costs associated with the operation and support
17 of the mainframe environment. The primary activities associated with this
18 project code include production control, computer processing, capacity
19 planning, output distribution, storage management, and disaster recovery
20 of the applications running on the mainframe. Therefore, the billing
21 method "APPSMVSX," which is based on the mainframe usage, is an
22 appropriate method by which to allocate these costs. For this project
23 code, the unit price charged to ETI as a result of the application of this

1 billing method is no higher than the unit price charged to other affiliates for
2 the same or similar service and represents the actual cost of the services.

3

4 Q27. WHY IS BILLING METHOD "APPSUNIX" APPROPRIATE TO USE FOR
5 THE PROJECT TO WHICH IT IS ASSIGNED?

6 A. For the project code assigned this billing method, the cost driver is based
7 on the usage amount of UNIX servers. In particular, Project Code
8 F3PCFCQUNIX captures costs associated with the operation and support
9 of the UNIX server environment. The primary activities associated with
10 this project code include production control, computer processing,
11 capacity planning, output distribution, storage management, and disaster
12 recovery of the business applications running on UNIX servers. Therefore,
13 the billing method "APPSUNIX," which is based on the composite of UNIX
14 server usage, is an appropriate method by which to allocate these costs.
15 For this project code, the unit price charged to ETI as a result of the
16 application of this billing method is no higher than the unit price charged to
17 other affiliates for the same or similar service and represents the actual
18 cost of the services.

19

20 Q28. WHY IS BILLING METHOD "APPSUPAL" APPROPRIATE TO USE FOR
21 THE PROJECTS TO WHICH IT IS ASSIGNED?

22 A. For the project codes assigned this billing method, the cost driver is the
23 composite of computer usage. For example, Project Code F3PCFX3701

1 captures costs associated with the Entergy Companies' responsibility in
2 the management of the Entergy Companies' IT infrastructure and shared
3 services. What drives the cost of this project code is the size and
4 complexity of the servers, databases, and systems used to perform the
5 Entergy Companies' business operations which are supported by this
6 project. Therefore, the billing method "APPSUPAL," which is based on the
7 composite of UNIX and NT servers and mainframe usage, is an
8 appropriate method by which to allocate these costs. For this project
9 code, the unit price charged to ETI as a result of the application of this
10 billing method is no higher than the unit price charged to other affiliates for
11 the same or similar service and represents the actual cost of the services.

12

13 Q29. WHY IS BILLING METHOD "APPSWINT" APPROPRIATE TO USE FOR
14 THE PROJECTS TO WHICH IT IS ASSIGNED?

15 A. For the project codes assigned this billing method, the cost driver is the
16 composite of computer usage. For example, Project Code
17 F3PCFCQNTS, NT Servers, captures costs associated with the operation
18 and support of business applications in the network and
19 telecommunication services ("NTS") WINTEL environment. The primary
20 activities associated with this project code include production control,
21 computer processing, capacity planning, output distribution, storage
22 management, and disaster recovery of the business applications running
23 on WINTEL servers. Therefore, the billing method "APPSWINT," which is

1 based on the composite of WINTEL server usage, is an appropriate
2 method by which to allocate these costs. For this project code, the unit
3 price charged to ETI as a result of the application of this billing method is
4 no higher than the unit price charged to other affiliates for the same or
5 similar service and represents the actual cost of the services.

6

7 Q30. WHY IS BILLING METHOD "CAPAOPCO" APPROPRIATE TO USE FOR
8 THE PROJECTS TO WHICH IT IS ASSIGNED?

9 A. For the project codes assigned this billing method, the cost driver is the
10 fossil capacity of each operating company relative to the fossil system
11 capacity. For example, Project Code F3PCWE0073, Fossil Information
12 Technology, captures and manages costs associated with providing
13 dedicated systems consultation, application support, business needs
14 analysis, small application programming, and project management
15 services related to the automation needs in the Entergy Companies' Fossil
16 Production business unit. Costs are driven by the need to provide support
17 related to automation needs in the Entergy Companies' Fossil Production
18 business unit. Therefore, the billing method "CAPAOPCO," which is
19 based on the power level that could be achieved if all non-nuclear
20 generating units were operating at maximum capability simultaneously, is
21 an appropriate method by which to allocate these costs. For these project
22 codes, the unit price charged to ETI as a result of the application of this

1 billing method is no higher than the unit price charged to other affiliates for
2 the same or similar service and represents the actual cost of the services.

3

4 Q31. WHY IS BILLING METHOD "CUSEOPCO" APPROPRIATE TO USE FOR
5 THE PROJECTS TO WHICH IT IS ASSIGNED?

6 A. For the project codes assigned this billing method, the cost driver is the
7 twelve month average number of electric customers. For example, Project
8 Code F3PPD10140 captures activities performed to support the Large
9 Power Billing System ("LPBS") application for Customer Service.
10 Activities include fixing or correcting problems with existing software code,
11 software release upgrades, and critical performance issues that prohibit
12 billing. Activities also include supporting business requests for software
13 modifications resulting from regulatory, legal, or contractual issues. This
14 system supports the billing of electric customers. Therefore, the billing
15 method "CUSEOPCO," which is based on a twelve month average
16 number of all EOC electric customers, is an appropriate method by which
17 to allocate these costs. For these project codes, the unit price charged to
18 ETI as a result of the application of this billing method is no higher than
19 the unit price charged to other affiliates for the same or similar service and
20 represents the actual cost of the services.

1 Q32. WHY IS BILLING METHOD "CUSTEGOP" APPROPRIATE TO USE FOR
2 THE PROJECTS TO WHICH IT IS ASSIGNED?

3 A. For the project codes assigned this billing method, the cost driver is the
4 number of electric and gas customers. For example, Project Code
5 F5PPD10154 captures activities to support costs associated with
6 supporting the purchase, installation and usage of broadband air cards
7 which are used by the Mobile Data Terminal ("MDT") application. MDT
8 provides crews access to the Distribution Work Management system from
9 their company vehicles. These systems are used to handle customer
10 service functions such as service initiation, service restoration, and
11 cutoffs. Therefore, the billing method "CUSTEGOP," which is based on
12 the number of electric and gas customers, is an appropriate method by
13 which to allocate these costs. For these project codes, the unit price
14 charged to ETI as a result of the application of this billing method is no
15 higher than the unit price charged to other affiliates for the same or similar
16 service and represents the actual cost of the services.

17

18 Q33. WHY IS BILLING METHOD "ITSPENDA" APPROPRIATE TO USE FOR
19 THE PROJECTS TO WHICH IT IS ASSIGNED?

20 A. For project codes assigned this billing method, the cost driver is based on
21 the amount spent on IT for each business unit, which in turn, is directly
22 related to the level of IT activity on behalf of each business unit. For
23 example, Project Codes F3PCFX3290 and F3PCFX3700 capture activities

1 performed in managing the IT outsourcing relationship and the evaluation
2 of various sourcing strategies for the Information Technology function.
3 Activities include developing sourcing strategies, analyzing the impacts to
4 the business, evaluating risks vs. costs of alternative strategies, facilitating
5 sourcing decisions, and managing implementations. The services
6 provided through the IT outsourcing are IT activities on behalf of all the
7 Entergy Companies' business units. Therefore, the billing method
8 "ITSPENDA," which is based on IT twelve-month total spending, is an
9 appropriate method by which to allocate these costs. For these project
10 codes, the unit price charged to ETI as a result of the application of this
11 billing method is no higher than the unit price charged to other affiliates for
12 the same or similar service and represents the actual cost of the services.

13

14 Q34. WHY IS BILLING METHOD "LOADOPCO" APPROPRIATE TO USE FOR
15 THE PROJECTS TO WHICH IT IS ASSIGNED?

16 A. For the project codes that use this billing method, the cost driver is based
17 on the load responsibility of the regulated operating companies. For
18 example, Project Code F3PCW29608, Transmission Power System
19 Operations, captures costs associated with the Transmission System
20 Operations charges necessary to meet FERC requirements. The activities
21 associated with this Project Code are necessary for efficient dispatching,
22 planning and operation of the Entergy Companies' transmission system to
23 meet company goals and performance requirements. Costs are driven by

1 system dispatching and planning activities. Therefore, the billing method
2 "LOADOPCO," which allocates based on the ratio of each company's load
3 at the time of system peak load, is an appropriate method by which to
4 allocate these costs. For these project codes, the unit price charged to
5 ETI as a result of the application of this billing method is no higher than
6 the unit price charged to other affiliates for the same or similar service and
7 represents the actual cost of the services.

8

9 Q35. WHY IS BILLING METHOD "PCNUMALL" APPROPRIATE TO USE FOR
10 THE PROJECTS TO WHICH IT IS ASSIGNED?

11 A. For the project codes assigned this billing method, the cost driver is the
12 number of PCs. For example, Project Codes F5PPZFMSEA and
13 F5PCZFCWAN includes the cost for the Microsoft software products
14 required by the Entergy Companies including the Windows Operating
15 Systems and the Microsoft Office suite and captures activities performed
16 to support the wide area data network at the Entergy Companies. This
17 network and the Microsoft products are used by all employees at the
18 Entergy Companies with a personal computer to access information
19 systems. What drives the costs of the wide area network is the usage by
20 those employees. Therefore, the billing method "PCNUMALL," which
21 allocates based on the number of PCs within each business unit, is an
22 appropriate method by which to allocate these costs. For these project
23 codes, the unit price charged to ETI as a result of the application of this

1 billing method is no higher than the unit price charged to other affiliates for
2 the same or similar service and represents the actual cost of the services.

3

4 Q36. WHY IS BILLING METHOD "PCNUMXNR" APPROPRIATE TO USE FOR
5 THE PROJECTS TO WHICH IT IS ASSIGNED?

6 A. For the project codes assigned this billing method, the cost driver is the
7 number of PCs within the EOCs and ESI. For example, Project
8 Code F5PCZFCTRN captures activities to maintain the regulated
9 non-backbone fiber optic and microwave radio technologies used to
10 provide the Entergy Companies' corporate-owned data, voice and SCADA
11 network. The non-backbone network serves specific facilities throughout
12 the EOCs' service areas. Costs for the non-backbone network are
13 primarily driven by network demand which is best represented by the
14 number of PCs attached to the network. Therefore, the billing method
15 "PCNUMXNR," which allocates based on the number of PCs within each
16 of the EOCs and ESI, is an appropriate method by which to allocate these
17 costs. For these project codes, the unit price charged to ETI as a result of
18 the application of this billing method is no higher than the unit price
19 charged to other affiliates for the same or similar service and represents
20 the actual cost of the services.

1 Q37. WHY IS BILLING METHOD "TRSBLNOP" APPROPRIATE TO USE FOR
2 THE PROJECTS TO WHICH IT IS ASSIGNED?

3 A. For the project codes assigned this billing method, the cost driver is the
4 number of transmission line miles and the number of transmission
5 substations for each regulated operating company. For example, Project
6 Code F3PCF74195, Transmission Application Support, captures costs
7 associated with maintenance, enhancements, and support of systems
8 supporting various design and maintenance activities within the
9 Transmission business unit. Costs are driven by overall operations of the
10 transmission function. A reasonable basis for allocating costs for
11 these services is a composite of the transmission operations components.
12 Therefore, the billing method "TRSBLNOP," which allocates based on the
13 number of transmission miles and high voltage substations, is an
14 appropriate method by which to allocate these costs. For these project
15 codes, the unit price charged to ETI as a result of the application of this
16 billing method is no higher than the unit price charged to other affiliates for
17 the same or similar service and represents the actual cost of the services.

1 Q38. YOU HAVE ADDRESSED 91% OF THE TOTAL ETI ADJUSTED COSTS
2 ASSOCIATED WITH THIS CLASS. PLEASE ADDRESS THE
3 REMAINING 9%.

4 A. A number of other project codes and different billing methods were used
5 for the remaining 9% of such costs. The remaining billing methods are set
6 forth in my Exhibit JFB-B.

7

8 Q39. HAVE YOU DETERMINED THAT THE APPROPRIATE PROJECT
9 CODES AND BILLING METHODS HAVE BEEN USED FOR THE
10 REMAINING 9% OF TOTAL ETI ADJUSTED COSTS ASSOCIATED
11 WITH THIS CLASS?

12 A. Yes. I have reviewed each of the project codes and associated billing
13 methods used to bill the remaining 9% of Total ETI Adjusted costs
14 associated with this class and they are reasonable. The costs associated
15 with the remaining billing methods are consistent with and reflect the
16 services captured in each respective project code. The unit cost to ETI as
17 a result of the application of these billing methods is no higher than the
18 unit cost to other affiliates for the same or similar service and represents
19 the actual cost of the services.

1 V. IT-RELATED CAPITAL ADDITIONS

2 Q40. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

3 A. In this section of my testimony, I describe the IT-related capital additions
4 to rate base for the period July 1, 2011 through March 31, 2013.

5

6 Q41. WHAT IS THE TOTAL AMOUNT OF IT-RELATED CAPITAL ADDITIONS
7 THAT WERE CLOSED TO PLANT-IN-SERVICE ON ETI'S BOOKS
8 DURING THE PERIOD JULY 1, 2011 THROUGH MARCH 31, 2013?

9 A. The total amount of IT-related capital additions that closed to
10 plant-in-service on ETI's books is \$3,203,673. This amount represents
11 25 projects, which are detailed on my Exhibit JFB-3 attached to
12 this testimony.

13

14 Q42. PLEASE DESCRIBE THE INFORMATION PROVIDED ON
15 EXHIBIT JFB-3.

16 A. This exhibit includes the following information:

17	Column A	Project Code
18	Column B	Project Code Description
19	Column C	Asset Class
20	Column D	In-service Date
21	Column E	Asset Location Description
22	Column F	State Location
23	Column G	Business Unit ("BU")

1	Column H	Non-Affiliate Charges Excluding Capital Suspense
2		and Reimbursements
3	Column I	Reimbursements
4	Column J	Represents capital suspense overhead costs
5		associated with administrators, engineers and
6		supervisors to the capital projects for which they
7		provide services. Each function charges their capital
8		suspense to a "Capital Suspense" project, which is
9		then allocated out to the appropriate capital projects.
10		Capital Suspense costs and the subsequent
11		allocation is separated by BU and function
12		combination to more accurately match such costs on
13		the actual projects worked on for each function within
14		a BU.
15	Column K	Represents the portion of capital suspense overhead
16		costs (in Column J) from an affiliate.
17	Column L	Represents the portion of capital suspense overhead
18		costs (in Column J) that are charged to the project by
19		ETI employees.
20	Column M	Represents charges incurred by the ESI service
21		company and allocated out to the appropriate BUs
22		based on the ESI billing method assigned to the
23		project plus loaned resource charges incurred at one
24		BU and charged to another BU for services rendered
25		on behalf of that BU.
26	Column N	Represents the total affiliate portion of the charges
27		included in Column O, and is the total of Columns K,
28		and M.
29	Column O	Represents the total amount of capital additions
30		closed to plant in service.

1 Q43. PLEASE DESCRIBE THE MAJOR PROJECTS INCLUDED IN THE
2 ADDITIONS TO RATE BASE.

3 A. The following are the major projects from the period between July 1, 2011
4 and March 31, 2013.

- 5 • Telecom Projects – Project Codes C6PPFI233A, C6PPFI276E,
6 C6PPFIB14T, C6PPFIB21L, C6PPFIB26T, C6PPFIB281,
7 C6PPFTWT11, and C6PPFTWT12 represent capital improvements
8 and replacements to the telecommunications infrastructure in the ETI
9 system. These improvements and replacements address FCC tower
10 lighting, generators, batteries, HVAC, test equipment, and similar
11 supporting infrastructure. These projects benefit all areas of
12 telecommunications including fiber, microwave and voice. IT
13 personnel design the improvements, acquire the materials, and install
14 the equipment. The total cost for these projects was \$1,845,211.
- 15 • PC Purchases & Installs – Project Codes C6PPFP12AT,
16 C6PPFP12BT, C6PPFP12CT, C6PPFP12DT, and C6PPFPCT11
17 represent capital costs to acquire, configure and install end-user
18 computers for ETI that were replaced in order to maintain already
19 existing services. The total cost for these projects was \$937,311.

20

21 Q44. PLEASE DESCRIBE THE REST OF THE PROJECTS INCLUDED IN
22 THE ADDITIONS TO RATE BASE.

23 A. The remaining projects can be grouped into two types of projects:

- 24 • Computing Infrastructure and Software; and
- 25 • Application Systems Projects.

26 I note that the projects were initiated in large part at the request of
27 individual Entergy Companies business units. The remainder were either
28 prerequisites to those projects or were initiated in order to maintain service
29 levels for already existing services in response to increased usage by the
30 business units or the need to upgrade aging software.

1 Q45. PLEASE DESCRIBE THE COMPUTING INFRASTRUCTURE AND
2 SOFTWARE TECHNOLOGY SERVICES PROJECTS.

3 A. The computing infrastructure and software projects include the costs for
4 the purchase, configuration, and installation of software enterprise
5 infrastructure systems. The software related to these projects includes
6 SharePoint, Windows 7, and tools to manage the Entergy Companies'
7 desktops and laptops which support ETI business activities.

8

9 Q46. PLEASE DESCRIBE THE APPLICATION SYSTEMS PROJECTS
10 INCLUDED IN THE ADDITIONS TO RATE BASE.

11 A. The Application Systems projects represent the upgrade, development or
12 purchase and installation of computer application software systems which
13 support ETI business functions. Some examples include application
14 projects in support of customer mobile applications, customer service data
15 warehouse, and Entergy's Enterprise Portal and safety business
16 processes.

17

18 Q47. WHY IS IT REASONABLE TO INCLUDE THE COSTS IDENTIFIED ON
19 EXHIBIT JFB-3 IN RATE BASE IN THIS PROCEEDING?

20 A. It is reasonable to include these capital costs in rate base in this case
21 because these investments are necessary in order for ETI to provide
22 service to its customers. These investments are for the network,
23 telecommunications, computers, and application software required to

1 serve ETI customers. Moreover, these projects are used and useful in
2 providing service to ETI customers.

3

4 Q48. ON EXHIBIT JFB-3 YOU HAVE INCLUDED AFFILIATE COSTS. ARE
5 THOSE COSTS NECESSARY IN CONSTRUCTING THE FACILITIES?

6 A. Yes. The affiliate costs total \$1,149,336 of the requested capital additions
7 of \$3,203,673 for IT on Exhibit JFB-3. These costs are made up of
8 \$1,128,232 allocated to ETI based on the ESI billing method assigned to
9 the projects and \$21,104 of allocated supervision and overhead charges.
10 Each project code used for the capital projects was assigned a
11 cost-causative billing method in the same manner I described above for
12 ESI billings to ETI and as further explained by Company witness
13 Tumminello. The majority of the allocated project costs for the capital
14 additions in the IT class are for hardware and software and for employees
15 of ESI providing assistance on the projects. The supervision and
16 accounting allocated charges are costs which cannot be readily attributed
17 to specific capital projects. These charges are overhead-related costs that
18 are necessary to design and build the IT capabilities for ETI.

19

20 Q49. ARE THE COSTS OF THE AFFILIATE CHARGES IN THE CAPITAL
21 ADDITIONS REASONABLE?

22 A. Yes. Company witness Raeder discusses the reasonableness and
23 necessity of compensation and benefits costs for ESI employees. The

1 reasonableness of IT costs, both expense and capital is also described
2 immediately below in Section VI. That discussion is applicable to the
3 types of costs that are represented in the IT affiliate costs discussed in
4 Section IV above, as well as the affiliate costs included in the capital
5 additions represented in Exhibit JFB-3 and discussed in this section of
6 my testimony.

8 VI. REASONABLENESS OF IT COSTS

9 Q50. HOW DOES ESI ENSURE THAT THE COSTS FOR IT SERVICES ARE
10 REASONABLE?

11 A. The IT organization has a continuing focus on maintaining a high level of
12 service to ETI while managing staffing levels and keeping costs down
13 wherever possible.

15 Q51. WHAT HAS BEEN THE IT STAFFING HISTORY OVER THE PAST
16 THREE YEARS?

17 A. The following table shows the staffing levels for the IT Department at the
18 end of the past three calendar years and at the end of the test year:

Table 3³

IT Class	2010	2011	2012	Test Year
	185	186	178	172

³ The 2010, 2011, and 2012 figures are year-end (December 31) headcounts. The test year figure is the headcount as of March 31, 2013.

1 The stable staffing level shown above in Table 3 is one factor that has
2 helped the IT Department control its costs over the past few years even in
3 the face of increasing demand and activity for IT services. The IT
4 Department continues to seek opportunities for centralization and
5 implement efficiencies whenever possible.

6

7 Q52. WHAT IS THE OPERATING COST TREND FOR THE IT CLASS OF
8 SERVICES OVER THE PAST FEW YEARS?

9 A. ETI's operating costs for this class of services over the past few years is
10 shown in Table 4 below. These charges have been adjusted to remove
11 the MISO and ITC-related costs that the Company is removing from the
12 requested cost of service (as explained by Company witness Considine)
13 as well as the nuclear and gas department codes (as explained by
14 Company witness Tumminello).

Table 4
(Excludes pro-forma adjustments except as noted above)

IT Class	2010 (000s)	2011 (000s)	2012 (000s)	Test Year (000s)
	\$6,427	\$6,482	\$6,035	\$6,113

15 As can be seen above, the IT department has maintained relatively stable
16 cost levels over the past several years.

1 Q53. DOES THE IT DEPARTMENT HAVE A BUDGETING PROCESS TO
2 CONTROL COSTS?

3 A. Yes. The budgeting process, for both operating and maintenance
4 expenses and for capital additions, begins with a target for total IT
5 spending for the corporation. This target is established in the course of
6 the overall corporate budget process, with input from the ITAC. The
7 projects proposed by corporate IT and each business unit are reviewed
8 and prioritized based on their business cases and other mandatory
9 considerations, such as legal and regulatory compliance requirements,
10 first by the CIO Lead Team and then by the ITAC.

11

12 Q54. DURING A FISCAL YEAR, DOES THE IT DEPARTMENT MONITOR ITS
13 ACTUAL EXPENDITURES VERSUS ITS BUDGET?

14 A. Yes. The IT Department manages its budget on a daily basis. The IT
15 Department managers and directors review and approve all expense
16 reports and invoices submitted for payment by their employees in their
17 respective organizations. In accordance with the Entergy Companies'
18 approval policy, higher levels of authorization are required if the amounts
19 are sufficiently large. Variance reports are produced and reviewed
20 monthly both within the IT Department and at each higher level in the
21 organization hierarchy and appropriate actions are taken if errors are
22 discovered or actual expenses are greater than budgeted amounts. The
23 total IT spending for both corporate and the business units is also

1 reviewed quarterly with both the CIO Lead Team and the ITAC and
2 appropriate actions are taken if performance is not meeting the expected
3 targets both for specific projects and for the total overall.
4

5 Q55. ARE IT DEPARTMENT EMPLOYEES HELD ACCOUNTABLE FOR
6 DEVIATIONS FROM THE BUDGET?

7 A. Yes. As noted above, variance reports are produced and reviewed
8 monthly both within the IT Department and at each higher level in the
9 organization hierarchy for the IT Department's budget and quarterly with
10 the ITAC and the CIO Lead Team for the corporate total IT spending.
11 Appropriate actions are taken if errors are discovered or actual expenses
12 are greater than budgeted amounts. The ability to manage to budget is a
13 consideration in evaluating the performance of IT management, including
14 merit compensation and promotions.
15

16 Q56. SEPARATE FROM THE BUDGETING PLANNING PROCESS, DOES
17 THE IT DEPARTMENT TAKE ANY STEPS TO CONTROL ITS COSTS
18 OR TO IMPROVE ITS SERVICES?

19 A. Yes. The cost of this class is made up of hardware, software license
20 costs, outsourcing contract costs, and employee labor. Exhibit JFB-4
21 shows that the majority of all IT expenses for the Entergy Companies are
22 for hardware, software, or outsourced services that are competitively
23 procured at market based prices. In those instances where ESI

1 employees were involved, ESI's labor rates for IT professionals during the
2 test year were competitive in the marketplace for similar employee skills,
3 experience, geographic location, and industries. Company witness
4 Raeder sponsors the reasonableness of the compensation and benefits
5 programs of all ETI and ESI personnel.
6

7 Q57. DOES ESI CONTINUE TO SEEK WAYS TO IMPROVE SERVICES AND
8 REDUCE COSTS FOR IT-RELATED SERVICES?

9 A. Yes. ESI continually examines ways to reduce costs. As discussed
10 below, the Gartner benchmark demonstrated the effectiveness of the
11 overall IT cost performance, which was better than that of its peer group,
12 including the other utilities in the benchmark.
13

14 Q58. WHAT IS THE MOST RECENTLY COMPLETED BENCHMARK STUDY
15 AVAILABLE?

16 A. The most recently completed benchmark study was completed in August
17 2010. It is included as Exhibit JFB-5. As seen in Table 4 above, the IT
18 department's costs have remained relatively stable over the past several
19 years, and cost benchmarking of broader ESI cost categories is discussed
20 below.

1 Q59. PLEASE DESCRIBE THE SCOPE OF THE 2010 BENCHMARK STUDY.

2 A. This benchmark study covers IT operating and capital spending
3 throughout the Entergy Companies for the IT functions indicated in the
4 study. As such, it includes non-affiliate IT costs that were billed directly to
5 ETI by the outsourcers as well as affiliate IT costs that are the
6 responsibility of the business units and are included in various business
7 function classes covered in the testimony of other witnesses in this case.
8 From a functional perspective, it includes all IT functions except
9 application development.

10

11 Q60. WHY WAS APPLICATION DEVELOPMENT EXCLUDED?

12 A. Effective and objective application development benchmarking has always
13 been a challenge because of the inherent difficulty in measuring the
14 functional complexity of an application program. Without an objective
15 basis for comparison of product delivered, comparisons of cost to produce
16 are meaningless. The problem has only been further exacerbated by the
17 increasingly prevalent use of off the shelf applications, reusable code, and
18 web-based services. As a result, the Entergy Companies depends on
19 competitive bidding between its outsourcing providers to ensure market
20 based prices for application development.

1 Q61. WHAT OTHER COMPANIES WERE USED FOR COMPARISON
2 PURPOSES IN THE BENCHMARK?

3 A. The composition of the benchmark comparison groups is described on
4 pages 5 through 7 of the study. In order to preserve confidentiality of cost
5 data and encourage participation in the study, Gartner does not identify
6 the names of the individual companies that make up the
7 comparison groupings.

8

9 Q62. PLEASE DESCRIBE THE BENCHMARK RESULTS.

10 A. As shown on page 13 of the study, the Entergy Companies' overall IT cost
11 performance is better than that of its peer group and other utilities in the
12 benchmark. The Entergy Companies' IT spending is just short of the
13 threshold for Gartner's "Top Half" (which in actuality is how Gartner labels
14 the top quartile) of its peer group. See Exhibit JFB-6, which visually
15 depicts the Entergy Companies overall performance.

16

17 Q63. IS THERE ANY MORE GENERAL BENCHMARKING SUPPORT IN THE
18 COMPANY'S FILING?

19 A. Yes. Although it does not apply explicitly to my class, Company witnesses
20 Michelle P. Bourg and Tumminello address benchmarking studies that
21 apply to ETI's costs. Ms. Bourg addresses benchmarking applicable to
22 ETI total company non-production O&M costs, and Ms. Tumminello
23 addresses benchmarking that applies at the service company (ESI) level.

1 Q64. WHAT IS YOUR CONCLUSION WITH REGARD TO THE
2 REASONABLENESS OF THE OVERALL IT COSTS FOR BOTH
3 OPERATING AND MAINTENANCE COSTS AND FOR CAPITAL
4 COSTS?

5 A. The overall IT costs incurred by ETI directly and through charges from its
6 affiliates are clearly reasonable as evidenced by the fact that over 78%
7 are obtained at competitive market rates while the remaining portion,
8 internal Entergy Companies' labor, has been demonstrated to be
9 reasonable with respect to the level of compensation and benefits in the
10 testimony of Company witness Raeder. This conclusion is further
11 corroborated by benchmarking results and historical staffing and spending
12 trends as well as the budget and cost control processes described above.

13

14 VII. CONCLUSION

15 Q65. PLEASE SUMMARIZE YOUR TESTIMONY.

16 A. The overview of the IT organization and the description of the IT class of
17 service indicate that the services provided and their associated costs are
18 necessary for the ETI business operations. The reasonableness of the
19 costs is described above in the previous response. Billing methods used
20 ensure that the allocation of costs to ETI reflect the actual cost of
21 providing the services and that the unit prices charged to ETI are no
22 higher than the unit prices charged to other affiliates for the same or
23 similar services. The functions provided by this class of service provide

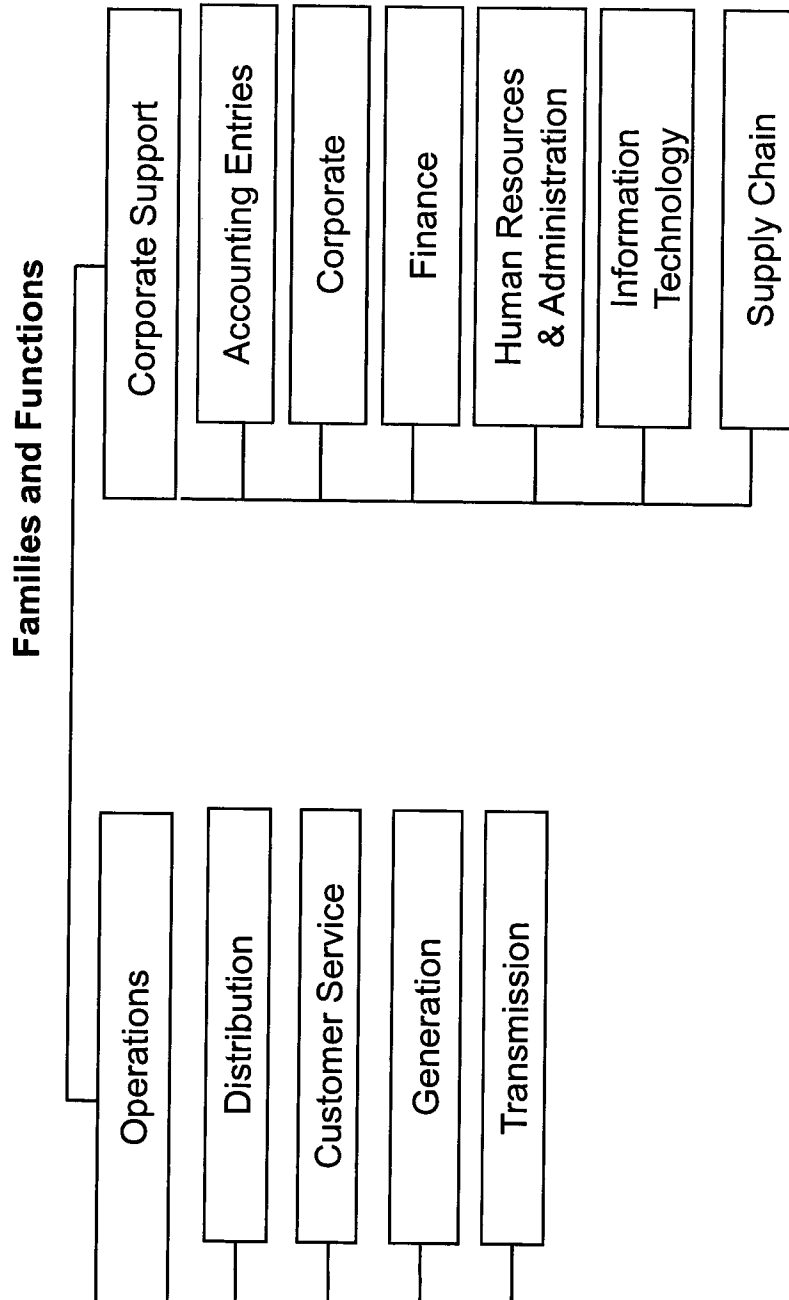
1 cost-effective centralized services that ensure no duplication of services
2 and directly benefit ETI's electric customers.

3

4 Q66. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

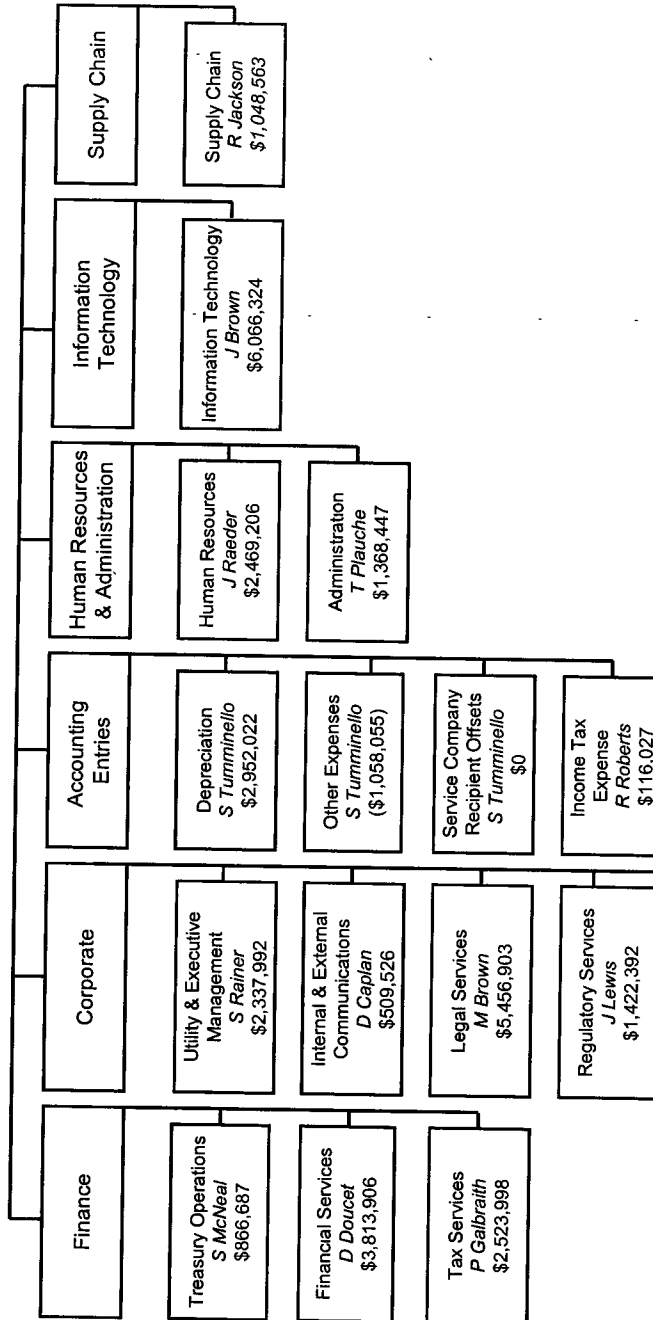
5 A. Yes.

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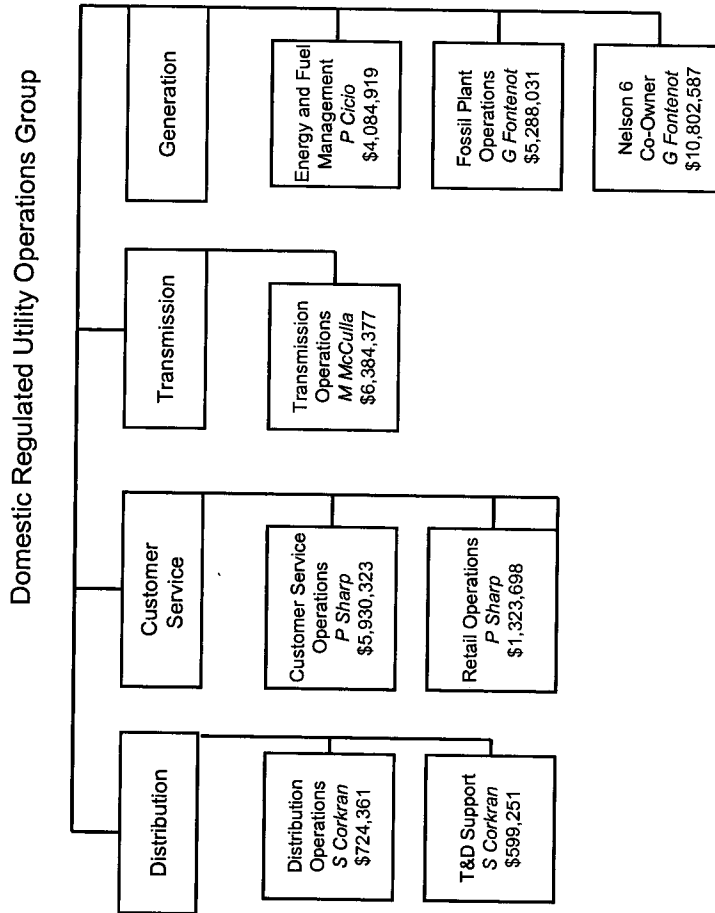


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Corporate Support Functions & Classes (\$ Total ETI Adjusted)



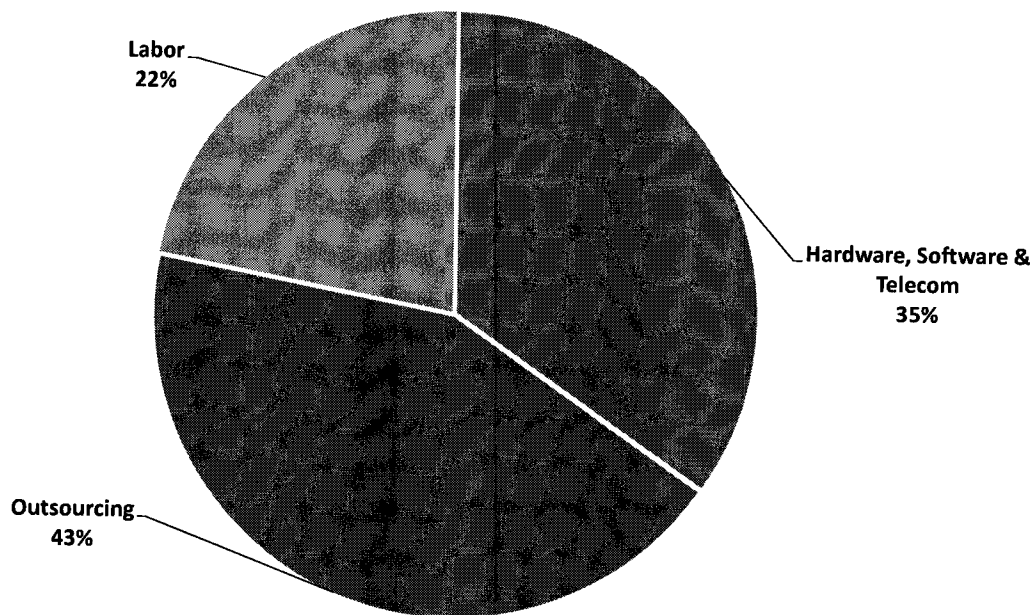
Operations Functions & Classes (\$ Total ETI Adjusted)



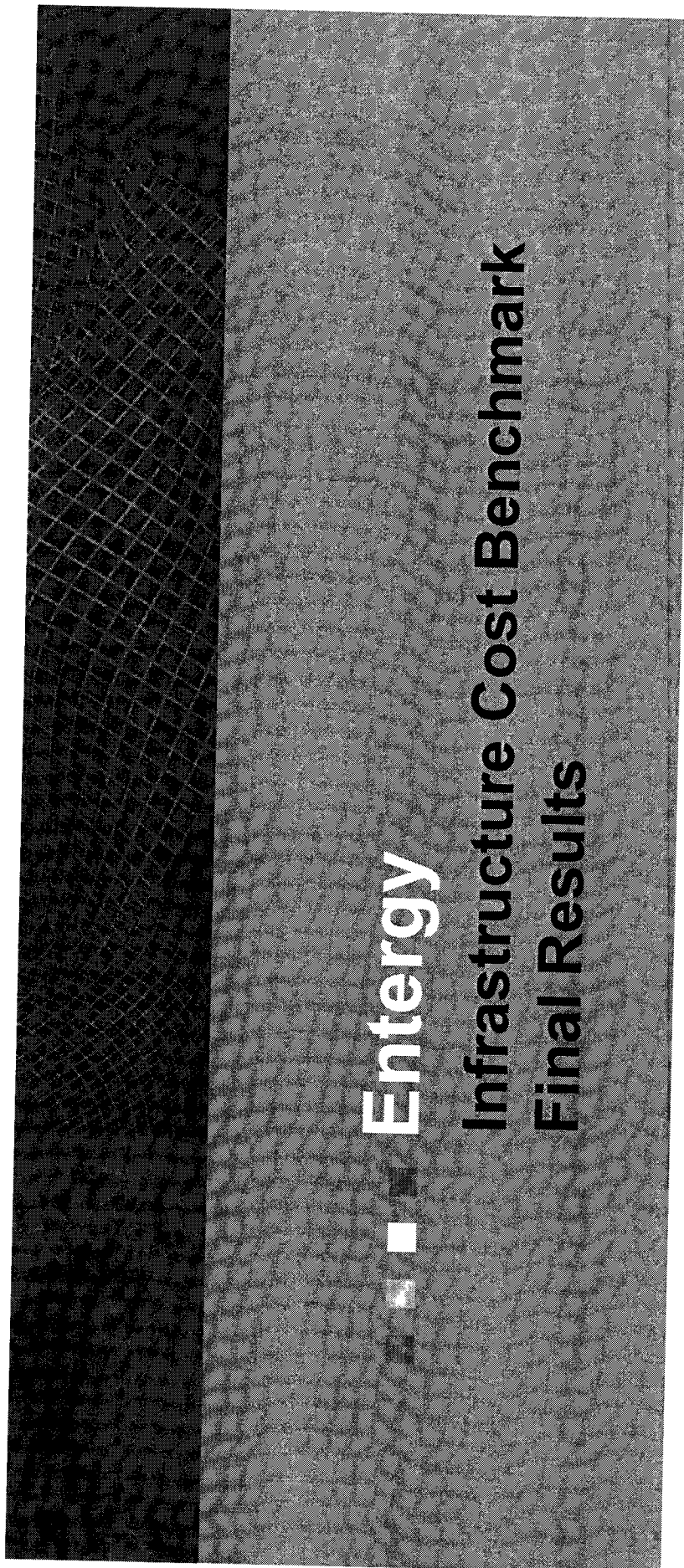
INFORMATION TECHNOLOGY

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IT Spend
April 1, 2012 - March 31, 2013



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20 August 2010
Engagement: 223287711

Table of Contents

- Objectives and Analysis Scope
- Gartner Benchmarking Approach and Methodology
- Summary Findings
- Year to Year Comparisons
- Detailed Benchmark Comparisons by IT Area

Objectives and Analysis Scope

- The objective of the analysis is to Benchmark Entergy's 2009 IT infrastructure costs, based on a total cost of ownership cost model, for the following technology areas:

Technology Area	Unit Cost Measure
Mainframe	Installed MIPS
Wintel	OS Instances
UNIX	OS Instances
Storage	GB of Storage
Client Desktop	Users
IT Help Desk	Handled Contacts
Local Area Network	Active ports
Wide Area Network	Devices with WAN connectivity
Long Distance Voice	Minutes
Local Voice	Active Extensions
Internet Access	GB of traffic
Remote Access	Remote Users

- Entergy's costs are allocations based on IT service contracts, cost codes and workload.
- Note that this study does not look analyze the impact of service levels on cost.

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20 August 2010

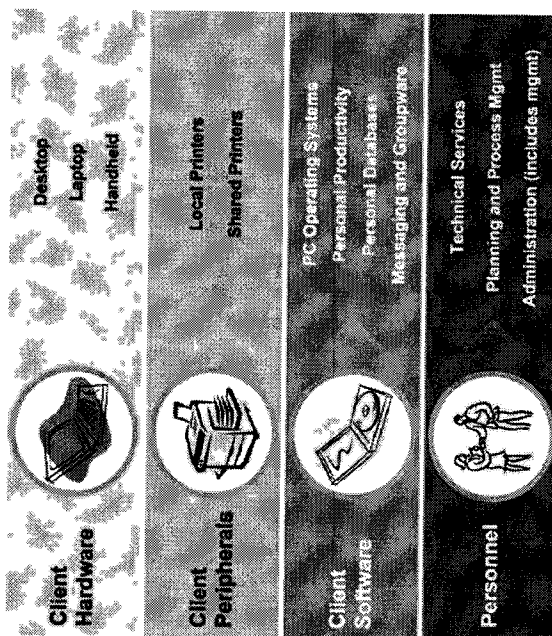
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Benchmark Analysis Methodology

Key Concepts

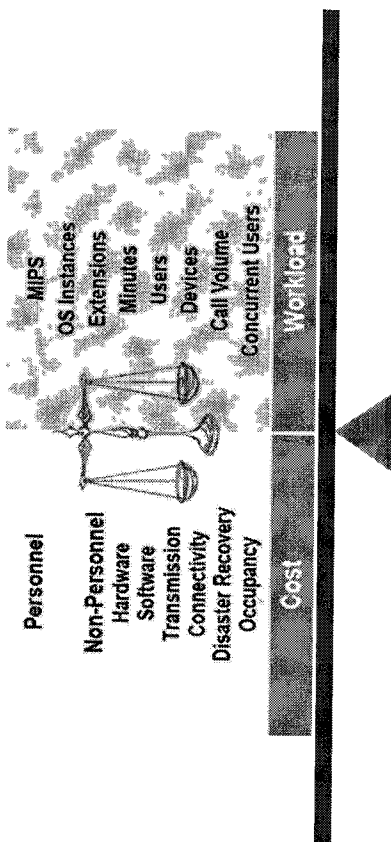
Adherence to "Consensus Models" ensures comparability



- Based on operational expense
- Labor is not depreciated

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"Workload" represents a provided service and is balanced with cost



To compare with actual spending, an organization's workload is multiplied by their peers' average unit cost

$$\begin{array}{r}
 \text{The organization's user Count} \rightarrow 5,000 \\
 \text{Peers' average cost per user} \rightarrow \$1,200 \\
 \hline
 \text{Peers' cost for supporting the organization's users} \rightarrow \$6,000,000
 \end{array}$$

20 August 2010

4

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Peer Selection Methodology

■ Peer Group Selection Criteria

- Peer groups are selected on an independent basis for each technology area evaluated
- Peer groups are selected based on the characteristics of Entergy's environment, including size, topology, configurations, complexity and other key drivers
- Peer group IT costs are then normalized to determine the peer group IT costs required to support Entergy's specific workload volumes
- Gartner finds that this environment driven and industry independent approach is the best indicator of IT efficiency and effectiveness

“Top Quartile” and “Top Half” Comparisons

- **The comparisons to “top quartile” averages reflects how Entergy compares from a cost efficiency standpoint relative to the average of the top quartile of cost efficient performers within each peer group.**
 - It should be noted that these comparisons are cost efficiency based only; typically organizations that are this cost efficient may not be as well aligned to the needs of their business as others.
 - In addition, the smaller sample size upon which these comparisons are based dictates that these comparisons be treated as reference points only.
- **The “top half” averages reflect the most efficient top half of each of the tower Workload peers.**
- **It should be noted that the overall comparison to the Workload peer average as well as to the top half of cost efficient performers may prove to be more valuable indicators of performance attributable to those groups having more observations versus the few organizations that make up the top quartile.**

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“Industry” Comparisons

■ **The comparisons to Industry averages reflect how Entergy compares from a cost efficiency standpoint relative to the subset of utility companies within each IT area. These are utility companies whose IT workload supported is similar to Entergy’s.**

- It should be noted that the smaller sample size upon which these comparisons are based dictates that these comparisons be treated as reference points only.
- It should also be noted that these utility companies are not purely utility companies that Entergy would consider to be competitors within the utility industry. They could be gas or electric and/or generation revenue on a scale different than that of Entergy.