

Entergy Texas, Inc.
Affiliate Billings - Proforma Summary - by Witness, Class and Proforma
For the Twelve Months Ended March 31, 2013
Amounts in Dollars

Exhibit JFB - D
 2013 TX Rate Case

Witness Name	Class	Billing Entry	Account	Account Desc	Proforma Number	Proforma Description	Supporting Witness	Proforma
Brown, Julie F	Information Technology	Total	907000	Supervision	A22C	Adjustment to reflect changes in O&M payroll	Considine, Michael P	0
			916000	Miscellaneous Sales Expenses				0
			920000	Adm & General Salaries				-40
			935000	Maintenance Of General Plant				-6
			500000	Oper Supervision & Engineerin				-77
			506000	Misc Steam Power Expenses				0
			514000	Maintenance Of Misc Steam Plt				-1
			560000	Oper Super & Engineering				0
			561000	Load Dispatching				-2
			561200	Load Dispatch- transm system				0
			566000	Misc. Transmission Expenses				-2
			568000	Maint. Supervision & Engineer				0
			569100	Maint Transm Computer&Telecom				0
			573000	Maint Misc. Transmission Plant				0
Brown, Julie F	Information Technology	Total	580000	Operation Supervision&Enginee	A22D	Adjustment to reflect changes in O&M payroll	Considine, Michael P	0
			588000	Misc Distribution Expense				0
			598000	Maint. Misc. Distribution Plt				0
			901000	Supervision				0
			903001	Customer Records				-1
			907000	Supervision				0
			916000	Miscellaneous Sales Expenses				0
			920000	Adm & General Salaries				-11
			935000	Maintenance Of General Plant				-1
			500000	Oper Supervision & Engineerin				-20
			506000	Misc Steam Power Expenses				0
			514000	Maintenance Of Misc Steam Plt				0
			560000	Oper Super & Engineering				-1
			561000	Load Dispatching				0
Brown, Julie F	Information Technology	Total	561200	Load Dispatch- transm system	A22D	Adjustment to reflect changes in O&M payroll	Considine, Michael P	0
			566000	Misc. Transmission Expenses				0
			568000	Maint. Supervision & Engineer				0
			569100	Maint Transm Computer&Telecom				0
			580000	Operation Supervision&Enginee				0
			588000	Misc Distribution Expense				0
			598000	Maint. Misc. Distribution Plt				0
			901000	Supervision				0
			903001	Customer Records				0
			907000	Supervision				0
			916000	Miscellaneous Sales Expenses				0
			920000	Adm & General Salaries				-3
			935000	Maintenance Of General Plant				0
			500000	Oper Supervision & Engineerin				0
			506000	Misc Steam Power Expenses				0

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Brown, Julie F	Information Technology	ESI	506000	Misc Steam Power Expenses	AJ22E	Adjustment to reflect changes in O&M payroll	Considine, Michael P	-4
		ESI	560000	Oper Super & Engineering				2
		ESI	561000	Load Dispatching				8
		ESI	561200	Load Dispatch- transim system				1
		ESI	566000	Misc. Transmission Expenses				0
		ESI	569100	Maint Transim Computer&Telecom				33
		ESI	573000	Maint Misc Transmission Plant				3
		ESI	580000	Operation Supervision&Enginee				0
		ESI	588000	Misc Distribution Expense				0
		ESI	598000	Maint. Misc. Distribution Plt				5
		ESI	901000	Supervision				1
		ESI	903001	Customer Records				0
		ESI	907000	Supervision				5
		ESI	916000	Miscellaneous Sales Expenses				0
		ESI	920000	Adm & General Salaries				0
		ESI	935000	Maintenance Of General Plant				41
		ESI						3
		ESI						104
Brown, Julie F	Information Technology	ESI	500000	Oper Supervision & Engineerin	AJ24	Remove financially based incentive compensation	Considine, Michael P	-27
		ESI	506000	Misc Steam Power Expenses				-688
		ESI	514000	Maintenance Of Misc Steam Plt				-523
		ESI	549000	Misc Oth Pwr Generation Exps				0
		ESI	560000	Oper Super & Engineering				-2,192
		ESI	561000	Load Dispatching				2
		ESI	561200	Load Dispatch- transim system				-151
		ESI	566000	Misc. Transmission Expenses				-7,678
		ESI	568000	Maint. Supervision & Engineer				-11
		ESI	569100	Maint Transim Computer&Telecom				-164
		ESI	573000	Maint Misc Transmission Plant				0
		ESI	580000	Operation Supervision&Enginee				-48
		ESI	588000	Misc Distribution Expense				-1,156
		ESI	598000	Maint. Misc. Distribution Plt				-259
		ESI	901000	Supervision				-1
		ESI	903001	Customer Records				-1,172
		ESI	907000	Supervision				-42
		ESI	916000	Miscellaneous Sales Expenses				-16
		ESI	920000	Adm & General Salaries				-764
		ESI						-14,755
		ESI						-8,978
		ESI						0
		ESI						-716
Brown, Julie F	Information Technology	ESI	920000	Adm & General Salaries	AJ24A	Remove financially based incentive compensation	Considine, Michael P	-14,755
		ESI	923000	Outside Services Employed				-8,978
		ESI	935000	Maintenance Of General Plant				0
		ESI						-716

Amounts may not add or tie to other schedules due to rounding.

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Witness Name	Class	Billing Entity	Account	Account Desc	Proforma Number	Proforma Description	Supporting Witness	Proforma	
Brown, Julie F	Information Technology	Total							
		ESI						-9,694	
		ESI	101000 Plant in Service			A124C	Remove financially based incentive compensation	Considine, Michael P	-12,070
		Total						-12,070	
Total For	Information Technology	ESI						-1,163,470	
		Total						-1,163,470	
Brown, Julie F	Information Technology	Total							
		ESI							
		ESI	101000 Plant in Service			A124C	Remove financially based incentive compensation	Considine, Michael P	-12,070
		Total						-12,070	
Total For	Information Technology	ESI						-1,163,470	
		Total						-1,163,470	

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DOCKET NO. 41791

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

DIRECT TESTIMONY

OF

MARCUS V. BROWN

ON BEHALF OF

ENTERGY TEXAS, INC.

SEPTEMBER 2013

ENTERGY TEXAS, INC.
DIRECT TESTIMONY OF MARCUS V. BROWN
2013 RATE CASE

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EXHIBITS

Exhibit MVB-1	Affiliate Families, Functions, and Classes
Exhibit MVB-2	Organization Chart-Legal
Exhibit MVB-3	Entergy Companies' Outside Counsel Policy
Exhibit MVB-4	Altman Weil Industry-Based Law Department Benchmark Survey of Utility Companies (January 2010)
Exhibit MVB-A	Affiliate Billings - by Witness, Class, and Department
Exhibit MVB-B	Affiliate Billings - by Witness, Class, and Project
Exhibit MVB-C	Affiliate Billings - by Witness, Class, Department, and Project
Exhibit MVB-D	Affiliate Billings - Pro Forma Summary, by Witness, Class and Pro Forma

1 I. INTRODUCTION AND QUALIFICATIONS

2 Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND TITLE.

3 A. My name is Marcus V. Brown. My business address is 639 Loyola
4 Avenue, New Orleans, Louisiana 70113. I am employed by Entergy
5 Services, Inc. ("ESI"), Entergy Corporation's centralized service company,
6 as Senior Vice President, General Counsel and Secretary. Company
7 witness Stephanie B. Tumminello describes ESI and its services in greater
8 detail.

9
10 Q2. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
11 PROFESSIONAL EXPERIENCE.

12 A. I graduated from Southern University, Baton Rouge, Louisiana with a BA
13 degree in English in 1985. In 1988, I earned a Juris Doctor degree from
14 Southern University Law Center, where I was also a member of the Law
15 Review. From 1988 to 1995, I was an attorney with the Stone Pigman
16 Law Firm in New Orleans, Louisiana, focusing primarily in the areas of
17 Commercial Litigation, Copyright and Trademark Protection, and
18 Constitutional Law.

19 I joined Entergy in 1995 as Senior Counsel. I received an MBA
20 from Tulane University in 2002. In 2010, I was promoted to Vice President
21 and Deputy General Counsel responsible for Commercial and General
22 Litigation, Affiliate Rules Compliance, Bankruptcy, Casualty Litigation,
23 Consumer Law, Right of Way and Record Management.

1 I was elected to my current position as Senior Vice President and
2 General Counsel of Entergy Corporation in January 2012.

3

4 Q3. PLEASE DESCRIBE YOUR RESPONSIBILITIES WITH ESI.

5 A. I am in charge of the ESI Legal Services Department, which employed 80
6 attorneys during the Test Year (April 2012 through March 2013). The
7 Legal Services Department is organized into practice areas. These
8 practice areas range from commercial and business litigation to
9 commercial law, labor and employment law, environmental law, securities
10 law, and the like. The structure and organization of the Legal Services
11 Department is explained in more detail below in my testimony. I am
12 responsible for all legal, ethics and compliance matters affecting Entergy
13 Corporation and its subsidiaries, including providing counsel to the
14 chairman and chief executive officer, Board of Directors and senior
15 management.

16

17 Q4. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

18 A. I am presenting testimony on behalf of Entergy Texas, Inc. ("ETI" or "the
19 Company").

1 II. PURPOSE

2 Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
3 PROCEEDING?

4 A. I am sponsoring the Legal Services class of affiliate services provided to
5 ETI and its associated costs. '

6 I will demonstrate the following:

- 7 • this class of services and its associated costs are
8 reasonable and necessary; and
- 9 • the prices charged to ETI for these services are no
10 higher than the prices charged to other affiliates for
11 the same or similar services and reflect the actual
12 cost of the service.

13 As shown by Exhibit MVB-1, this class falls within the Corporate
14 Support Family, and is included in the Corporate Function. In addition to
15 the affiliate legal costs, my testimony also supports non-affiliate legal
16 expenses incurred by ETI during the Test Year.

1 Q6. WHAT KNOWLEDGE AND EXPERIENCE ENABLE YOU TO TESTIFY IN
2 THIS PROCEEDING CONCERNING THE TEST YEAR LEGAL
3 SERVICES EXPENSES INCURRED BY OR ON BEHALF OF ETI?

4 A. As General Counsel, I am responsible for and familiar with the legal
5 services rendered to ETI and the other Entergy Companies,¹ both by our
6 internal lawyers and by outside counsel. I have retained and worked with
7 outside law firms all over the United States. As a result, I am also familiar
8 with the rates charged by law firms for various tasks and the rates charged
9 for subject matter experts within a legal specialty. I am familiar with the
10 various cost controls, billing and allocation methodologies and methods for
11 assignment of responsibility for legal services employed by the Legal
12 Services Department. I am also familiar with the scope of the legal
13 services provided to ETI and the reasonableness of the costs of those
14 services.

15

16 Q7. PLEASE DESCRIBE HOW THE REMAINDER OF YOUR TESTIMONY IS
17 ORGANIZED.

18 A. Section III of my testimony describes the Legal Services Department, the
19 types of services we perform, the amount of Test Year legal services
20 expense billed to ETI, the necessity of the legal services, the

¹ In general, I use the term the Entergy Companies to mean Entergy Corporation and all of its subsidiaries including ESI, ETI, and the other Entergy Operating Companies. Each of these subsidiaries is a separate legal entity. The Entergy Operating Companies include Entergy Arkansas, Inc.; Entergy Gulf States Louisiana, L.L.C.; Entergy Louisiana, LLC; Entergy Mississippi, Inc.; Entergy New Orleans, Inc.; and ETI.

1 reasonableness of the costs associated with those legal services, and the
2 billing methods employed by the Legal Services Department to ensure
3 that those expenses were reasonable and necessary, that the prices
4 charged to ETI were no higher than the prices charged to the other
5 Entergy Companies affiliates, and that the allocated amounts reflect the
6 actual cost of the services provided.

7

8 Q8. DO YOU SPONSOR ANY EXHIBITS THAT SUPPORT YOUR
9 TESTIMONY?

10 A. Yes. I sponsor the exhibits listed in the Table of Contents to my
11 testimony.

12

13 III. AFFILIATE LEGAL SERVICES

14 A. Overview of Costs

15 Q9. WHAT IS THE TOTAL AMOUNT OF AFFILIATE LEGAL COSTS THAT
16 YOU SUPPORT?

17 A. The total amount for affiliate legal service to ETI is \$5,456,903. This
18 amount, referred to as the "Total ETI Adjusted" amount in corresponding
19 exhibits, consists of the total ESI affiliate charges directly billed or
20 allocated to ETI during the Test Year subject to certain exclusions or
21 adjustments explained below or in the testimony of other witnesses
22 identified below.

1 The direct and allocated portions of the Total ETI Adjusted amount
2 for the Legal Services Class that I sponsor are shown in Table 1 below.
3 The table reflects the following information:

Total Billings	Dollar amount of total Test Year billings from ESI to all of the Entergy Companies, plus the dollar amount of all other affiliate charges that originated from any of the other Entergy Companies. This is the amount from Column (C) of the cost exhibits MVB-A, MVB-B, and MVB-C.
Total ETI Adjusted Amount	ETI's adjusted amount for electric cost of service after pro forma adjustments and exclusions.
% Direct Billed	The percentage of the ETI adjusted Test Year amount that was billed 100% to ETI.
% Allocated	The percentage of the ETI adjusted Test Year amount that was allocated to ETI.

Table 1

Class	Total Billings	Total ETI Adjusted		
		Amount	% Direct Billed	% Allocated
Legal Services	\$59,690,480	\$5,456,903	41%	59%

4 I provide a further explanation of the concept of direct versus allocated
5 affiliate charges in my discussion below.

1 Q10. PLEASE DESCRIBE THE EXHIBITS THAT SUPPORT THE AFFILIATE
2 COST 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 Legal Services Class. In my Exhibit MVB-A,
5 the information is shown broken down by the departments comprising the
6 class. My Exhibit MVB-B shows the same information broken down by
7 Project Code and the billing method assigned to each Project Code. My
8 Exhibit MVB-C shows the information by class, department and Project
9 Code. For each exhibit, the amounts in the columns represent the
10 following information:

Column (A) – Support	Dollar amount of total Test Year billings and charges from ESI to all of the Entergy Companies Business Units, plus the dollar amount of all other affiliate charges to ETI that originated from any of the Entergy Companies Business Units
-------------------------	--

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 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 In her testimony, 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 Q11. WHAT ARE THE MAJOR COST COMPONENTS OF THE CHARGES
6 FOR THE LEGAL SERVICES CLASS?

7 A. The major cost components are reflected in Table 2.

Table 2 – Legal Services Class Cost Components

Legal Services Affiliate Cost Component	Cost (\$)	% of Total
Payroll and Employee Costs	\$3,407,205	62
Outside Services	\$1,289,986	24
Office and Employee Expenses	\$259,489	5
Service Company Recipient	\$439,384	8
Other	\$60,839	1
Total	\$5,456,903	<u>100%</u>

1 Q12. WHAT IS THE SIGNIFICANCE OF THESE COST CATEGORIES?

2 A. The costs shown in this table comprise the Total ETI Adjusted amount for
3 the Legal Services Class. Other Company witnesses provide additional
4 support for the reasonableness of the costs because they address the
5 corporate structures and practices that underlie these costs. For instance,
6 as Table 2 shows, 62% of the costs are for compensation, benefits, and
7 labor-related expenses. Company witness Jennifer A. Raeder addresses
8 the employee compensation and benefit programs associated with this
9 category of costs in more detail in his testimony.

10 Next, 24% of the costs are associated with outside services, (*i.e.*,
11 contract legal and consulting work), hired by the Legal Services
12 Department for ESI as contrasted to contract legal and consulting work
13 hired directly by an Operating Company, such as ETI, which I further
14 address in my testimony below. These costs reflect professional fees
15 charged by outside counsel and consultants necessary to provide effective
16 legal services.

17 Table 2 also shows that 8% of the costs are for "Service Company
18 Recipient," which are the costs of services performed or contracted by ESI
19 for itself, such as information technology, human resources, etc. These
20 costs are allocated across all affiliate classes as explained by Company
21 witness Tumminello.

22 Finally, additional costs are comprised of: office and employee
23 expenses (*e.g.*, paper, postage, and other general office expenses);

1 employee expenses (e.g., car mileage, local travel expenses, and
2 business travel airfare); moving and relocation expenses (e.g., costs to
3 relocate new and/or existing employees to new job locations);
4 telecommunications expenses (e.g., long distance telephone charges,
5 conference calls, cellular phone expenses); and rent expenses for ETI.
6 The goods and services reflected in these categories of costs are
7 discussed in more detail primarily in the Direct Testimony of Company
8 witness Thomas C. Plauché.

9
10 Q13. IS CONTRACT WORK ALWAYS BILLED TO ETI AS AN ESI AFFILIATE
11 EXPENSE?

12 A. No. In addition to being allocated or assigned affiliate costs associated
13 with service performed by or for ESI's Legal Services department, ETI can
14 also directly incur non-affiliate legal expenses. This occurs when ETI
15 contracts directly with outside counsel, under the direction and
16 management of the Legal Services Department, because: (1) the legal or
17 regulatory workload is so substantial that it cannot be adequately handled
18 by the ESI attorney, and/or (2) the matter at issue is of local or regional
19 interest and benefits only a single operating company. ETI can also
20 contract directly for legal services in circumstances where the case or
21 proceeding involves a particular legal specialty. Typically, these directly
22 incurred costs involve local litigation matters in ETI's service territory or
23 large regulatory filings and proceedings and may include consultants and

1 experts. In these instances, ESI's inside team is supplemented by outside
2 counsel retained not by ESI but by ETI. When ETI directly retains outside
3 counsel, consultants or experts, the resulting expense is non-affiliate O&M
4 expense incurred by ETI.

5 Contract work is billed to ETI as affiliate expense whenever ESI
6 (not ETI) retains outside counsel, consultants and experts to assist ESI
7 inside counsel with legal proceedings that affect more than one operating
8 company or the Entergy System as a whole (e.g., Entergy System
9 Agreement proceedings before the Federal Energy Regulatory
10 Commission ("FERC")). In those cases, ESI pays the associated
11 professional fees and, as indicated, appropriately allocates the costs
12 among those affiliates that cause the cost and benefit from those services,
13 as explained in greater detail later in my testimony.

14 As I discuss below, all outside legal services are arranged and
15 managed through the Legal Services Department. The cost budgeting
16 and controls I describe below with respect to contract work are equally
17 applicable irrespective of whether the associated fees are billed to ETI as
18 affiliate or non-affiliate costs. My testimony below demonstrates that the
19 measures employed in the use of outside professional services ensure
20 that the resulting costs are reasonable and necessary.

1 Q14. ARE THERE ANY PRO FORMA ADJUSTMENTS TO THE LEGAL
2 SERVICES CLASS?

3 A. Yes. The pro forma adjustments for the Legal Services Class are shown
4 on Exhibit MVB-D, which also indicates the Company witnesses who
5 sponsor those pro forma adjustments.

6

7 B. Description of Legal Services Class and Legal Services Department

8 Q15. PLEASE DESCRIBE THE LEGAL SERVICES CLASS OF AFFILIATE
9 SERVICES.

10 A. Legal services are provided to ETI and other Entergy Companies by the
11 internal staff of the Legal Services Department, an organization within ESI,
12 supplemented, as necessary, by the use of external counsel. The
13 services rendered cover a wide range of legal matters typically
14 encountered by large corporate organizations, and, in particular, those
15 associated with regulated utilities.

16 The services provided include regulatory assistance and advice
17 related to the regulation of ETI and the other Entergy Companies by the
18 Commission, FERC, the Securities and Exchange Commission, the
19 Nuclear Regulatory Commission, state and federal environmental
20 protection agencies, and a range of other state and local regulatory
21 agencies. In addition, ETI, like other large corporations, requires
22 representation in legal proceedings initiated by or against the Company,
23 which may include commercial disputes, matters involving casualty losses,

1 and a wide range of other legal issues such as those generally
2 encountered by large corporate organizations. ETI also receives legal
3 services related to all manner of transactional and commercial matters,
4 financial topics, employment issues and pension and employee benefits
5 questions.

6 The attorneys and support staff employed in the Legal Services
7 Department have practice specialties ranging from regulatory and general
8 litigation to legislative and governmental affairs; workers compensation
9 and labor law; corporate, finance and securities; real estate;
10 environmental; federal, state and local taxation; intellectual property;
11 antitrust; creditors' rights; mergers and acquisitions; insurance and
12 casualty issues and litigation; and project finance and construction. As
13 previously indicated, these skills are supplemented by external counsel,
14 as needed.

15
16 Q16. PLEASE DESCRIBE THE ORGANIZATIONAL STRUCTURE OF THE
17 LEGAL SERVICES DEPARTMENT.

18 A. During the Test Year, the department was staffed by 80 attorneys
19 supported by a staff of 69 legal assistants, paralegals, law clerks, analysts
20 and specialists. The department is organized into eight major practice
21 areas: regulatory, corporate transactions/securities, employment/benefits,
22 litigation, FERC, environmental, labor, and corporate compliance.
23 Practice section leaders all report directly to me. See Exhibit MVB-2. In

1 addition, Corporate Compliance reports through the Legal Services
2 Department and is directed by the Vice President of Corporate
3 Compliance.

4 The Legal Services Department provides centralized legal services
5 on behalf of the Entergy Companies. The centralization of legal services
6 for all of the Entergy Companies has allowed the Entergy Companies to
7 maintain in-house legal specialties that could not be cost-justified serving
8 a smaller corporate entity (such as a single Operating Company) and
9 would therefore have to be outsourced in the absence of such
10 centralization. Outside attorneys are only used when matters require
11 additional capacity or specialized expertise is not available in-house.
12 Even in those instances, as further explained below, the Entergy
13 Companies' in-house lawyers actively participate in the handling of the
14 Company's legal needs and take leadership roles in managing the
15 resolution of legal issues.

16 The Legal Services Department functions much like a traditional
17 law firm with a library, electronic research capability, and access to other
18 support necessities such as data processing, off-site storage, and copying
19 services. In all instances, the cost of attorneys' time and related support
20 and overhead services is directly billed or allocated among ETI and other
21 Entergy Companies based on the nature and scope of the work
22 performed.

1 Q17. WHERE ARE THE LEGAL SERVICES DEPARTMENT'S PERSONNEL
2 LOCATED?

3 A. Most of the department's attorneys are located in the corporate
4 headquarters in New Orleans, Louisiana. Locating the majority of the
5 attorneys in the corporate headquarters allows for these attorneys to have
6 ready access to the numerous other corporate departments that are not
7 only the "clients" of the department's attorneys, but also serve, in some
8 cases, as support for the attorneys' services. Additionally, through the use
9 of a centralized office, each practice area may draw support from other
10 practice areas as required.

11 While there are benefits to locating most of the attorneys in one
12 centralized office, some of the department's attorneys are located in
13 regional or local offices where localized expertise and presence is
14 required. The Legal Department's offices in Austin and Beaumont are a
15 good example of the necessity of regional or local offices. ESI has two full
16 time attorneys and one contract attorney in Austin, where they devote
17 most of their time to ETI's regulatory and governmental affairs and
18 litigation matters. ESI also has three attorneys located in Beaumont,
19 where they provide legal services for ETI's local operations. Legal and
20 regulatory matters in Austin and Beaumont require frequent interaction
21 between the Company's counsel, various staff members of the
22 Commission or local courts, and other parties involved in various
23 regulatory and legal proceedings. Other regional and local offices are

1 located in The Woodlands, Texas; Jackson, Mississippi; Baton Rouge,
2 Louisiana; Little Rock, Arkansas; Washington, D.C. and White Plains,
3 New York.

4

5 Q18. ARE THE SERVICES PROVIDED IN THE LEGAL SERVICES CLASS
6 DUPLICATED BY THE OTHER ENTERGY COMPANIES'
7 ORGANIZATIONS?

8 A. No. The provision of legal services for the Entergy Companies is
9 centralized in and managed by the Legal Services Department. These
10 services are provided exclusively by the Legal Services Department.

11

12 C. Necessity of Legal Services

13 Q19. WHY ARE THE LEGAL SERVICES ASSOCIATED WITH THE COSTS
14 THAT YOU SPONSOR NECESSARY FOR THE OPERATION AND
15 PROVISION OF ELECTRIC SERVICE BY ETI?

16 A. Any large corporation or business, especially a highly regulated company
17 such as ETI, has extensive legal needs. It is the function of the Legal
18 Services Department to help Entergy Corporation and its subsidiaries
19 manage legal affairs. It is necessary to defend lawsuits and prosecute
20 claims that arise in the course of business. Laws governing the business
21 and its activities must be interpreted, properly implemented and publicized
22 to the employees and managers of the Company. Labor union and overall
23 employee issues, which require appropriate legal advice and counsel,

1 such as benefits coverage, workers' compensation claims, insurance
2 issues, pension matters, and a myriad of other human resources
3 questions, must be properly handled to minimize the Company's exposure
4 and risk of loss. The Company's property, including intellectual assets,
5 must be protected. Rights-of-way must be acquired and conflicting
6 ownership claims must be defended and resolved. Employment and
7 benefits issues must be addressed and state and federal securities laws
8 and regulations must be adhered to. Regulatory actions must be staffed
9 and prosecuted in order for the Company to earn a reasonable return and
10 indeed continue as a viable entity. The Company, as a capital-intensive
11 business, must access the capital markets, and borrow capital and issue
12 equity and debt securities, in compliance with applicable law and
13 regulations. Environmental questions and applicable laws in the field must
14 be addressed on a regular basis. Commercial contracts and other
15 commercial transactions must often be analyzed by Legal Department
16 personnel. All of these and numerous other areas require appropriate
17 legal support, advice, and counsel.

18 It would be imprudent for a corporate entity as large and as
19 complex as ETI to function without the requisite legal services. The
20 protection of the Company's assets and the assertion of its legal rights
21 benefit both customer and shareholder interests in minimizing costs and
22 liabilities while facilitating the efficiency of the Company's operations. For
23 all of these reasons, the legal services provided by ESI to ETI during the

1 Test Year were necessary in order to operate and maintain a viable utility
2 business and mitigate the Company's legal risks.

3

4 Q20. PLEASE EXPLAIN HOW THE LEGAL SERVICES PROVIDED BY ESI
5 HELP ETI REDUCE COSTS OR INCREASE SERVICE LEVELS.

6 A. The value of providing legal services to ETI falls into three main
7 categories. First, if legal services were not provided and ETI were to
8 suffer financial losses as a result of not having obtained proper legal
9 support, the overall cost of service would almost certainly be increased,
10 resulting in higher rates for ETI's customers. For example, if a major
11 lawsuit or obligation of security law or environmental law challenge went
12 undefended or under defended or an important regulatory filing was not
13 made due to lack of proper legal support, ETI could face substantial
14 losses or penalties. Accordingly, providing legal services and incurring the
15 associated costs often minimizes overall costs to ETI and its customers.

16 Second, ETI is a claimant in some instances. In other words, it
17 prosecutes claims against others to recover monetary damages that will
18 generally inure to the benefit of customers by decreasing the Company's
19 overall cost of service. However, in order to achieve these benefits,
20 lawyers must be hired to prosecute the claims.

21 Finally, the use of internal lawyers enhances service levels
22 because the internal lawyers' familiarity with the Company's business and
23 operations enhances their efficiency in resolving legal issues.

1 D. Reasonableness of Legal Expenses

2 Q21. ARE THE COSTS FOR THE LEGAL SERVICES CLASS YOU SPONSOR
3 REASONABLE?

4 A. Yes. Based upon my knowledge and experience with the legal services
5 provided by the Legal Services Department to ETI, and based on the
6 evidence presented in this section, I conclude that the costs of those
7 services are reasonable.

8

9 Q22. HOW DO YOU DEMONSTRATE THE REASONABLENESS OF COSTS
10 ASSOCIATED WITH THE LEGAL SERVICES PROVIDED BY ESI?

11 A: I discuss the following evidence of the reasonableness of these costs:

- 12 • Internal measures employed by the Legal Services
13 Department to control costs;
- 14 • A review of staffing levels;
- 15 • A review and explanation of the trends in costs;
- 16 • Benchmarking surveys; and
- 17 • Review of outside counsel fees and comparison of internal
18 costs to outside fees.

19 I address each of these in this section.

1 E. Cost Control Measures

2 Q23. WHAT PROCESSES DO THE LEGAL SERVICES DEPARTMENT
3 EMPLOY TO ENSURE THAT LEGAL EXPENSES INCURRED BY OR
4 ON BEHALF OF ETI ARE REASONABLE?

5 A. The Legal Services Department employs a number of practices,
6 processes, and policies to ensure the reasonableness of ESI's charges to
7 all of the Entergy Companies' affiliates, including ETI. As a matter of
8 practice, assigned members of the Legal Services Department closely
9 supervise the services provided for ETI both within the Legal Services
10 Department and through outside legal services hired by ESI to ensure that
11 those costs are necessary to the operation of ETI. With respect to hiring
12 outside counsel, a number of internal review mechanisms, discussed
13 below, exist to ensure that unnecessary services are not incurred.

14 First, before internal legal resources are committed to a specific
15 project, the appropriate member of the Legal Services Department must
16 ascertain whether the work is really necessary. In many cases, the
17 provision of legal services to protect the Company's interests is not
18 discretionary. For example, when the Company is sued, it often has no
19 choice but to expend legal resources to defend the litigation. In such
20 cases, the determination to be made focuses on the type and level of
21 services required. Accordingly, once it has been determined that the
22 provision of legal services is required in the best interests of the Company,
23 depending on the legal matter, the appropriate member of the Legal

1 Services Department, in consultation with other attorneys in that section of
2 the Legal Services Department, decides upon a course of conduct
3 designed to furnish the required legal support in an efficient and economic
4 manner. Usually, if we have the internal capacity and expertise, the
5 project is assigned to a member of the Legal Services Department.
6 Otherwise, outside counsel is selected who is best equipped to handle the
7 project. Once outside counsel is selected, in-house attorneys work closely
8 with outside counsel and coordinate resources to handle the matter in an
9 efficient manner.

10 Reasonable efforts are made to bring legal projects to an early
11 conclusion through early case assessment and other means in order to
12 end the ongoing expense associated with those projects. The projects are
13 periodically reviewed to determine whether opportunities to decrease
14 expenses are present, such as an amicable settlement of the issues in
15 dispute.

16 Additionally, the Entergy Companies' policy regulating the provision
17 of legal services provides that none of the Entergy Companies' employees
18 may engage outside legal services without requesting such services
19 through the Legal Services Department. The existence of this policy helps
20 to ensure that unnecessary expenses are avoided and that all such
21 services are reviewed and approved by a knowledgeable, centralized
22 organization. For reference, the Entergy Companies' Outside Counsel
23 Policy is attached as Exhibit MVB-3.

1 The Legal Service Department also employs these processes to
2 review outside legal costs incurred directly by ETI.

3

4 Q24. DOES THE LEGAL SERVICES DEPARTMENT EMPLOY A BUDGETING
5 AND MONITORING PROCESS THAT FACILITATES THE CONTROL OF
6 COSTS?

7 A. Yes. As with the rest of the Entergy Companies, the Legal Services
8 Department's budgeting process, including budgeting for some capital
9 costs, commences in May of the calendar year. The Legal Services
10 Department has a designated Budget Coordinator who works with the
11 legal management of each previously described practice area to prepare a
12 budget that is "hard-nosed" but attainable under the projected
13 circumstances and legal conditions we expect to face for the upcoming
14 year. More specifically, the legal managers will assess what outside
15 counsel fees will be necessary, depending on their projected caseload and
16 what can be handled in-house. A budget is prepared based on these
17 assessments.

18 Once the budget is final and approved by the Entergy Companies
19 upper management, then a monthly review process takes place by the
20 Budget Coordinator to analyze actual costs against the original budget.
21 By communicating thorough cost information to Legal Department
22 management, costs can be carefully monitored, overruns checked, and
23 savings opportunities identified and captured.

1 1. Staffing Levels

2 Q25. PLEASE ADDRESS THE STAFFING LEVEL TRENDS SINCE 2008.

3 A. Staffing levels since 2010 are reflected in Table 3 below:

Table 3

	2010	2011	2012	Test Year
ESI Legal Services	149	151	145	149

4 Staffing levels have varied for the following reasons:

5 In 2010-2011, there was an increased number of staff due to the
6 addition of two regulatory paralegals, one in the New Orleans Office and
7 one in the Arkansas Office.

8 For 2011-2012, the headcount was reduced due to six employees
9 leaving and the positions were not re-filled during that time. Four of these
10 positions were re-filled during the Test Year.

11 The Test Year figure also reflects that one additional lawyer and
12 four managers in the environmental department have been added to the
13 Legal Class. These are not new positions; they were in place in the last
14 rate case, and have now been moved to my Legal Class due to the legal
15 nature of their work. Despite these additions, Table 3 above shows that
16 the overall headcount in the Legal Class has remained relatively stable
17 from 2010 through the end of the Test Year.

2. Trends in Costs

Q26. WHAT WERE THE TOTAL AFFILIATE CHARGES TO ETI FOR SERVICES PROVIDED BY THE LEGAL SERVICES CLASS FOR THE LAST THREE YEARS?

A. ESI's total O&M charges to ETI for each of the past three calendar years and the test year for this class of services are shown in Table 4 below. These charges have been adjusted to remove the MISO and ITC-related affiliate costs that the Company is removing from the requested cost of service (as explained by Company witness Considine), as well as the nuclear and gas department codes (as explained by Company witness Tumminello).

Table 4
Affiliate Legal Services Provided to ETI
(Excludes pro forma adjustments except as noted above.)

In \$	2010	2011	2012	Test Year
Total	5,909,851	7,453,248	6,046,684	5,698,487

Q27. PLEASE EXPLAIN THE VARIATION IN COSTS.

A. The increase from 2010 to 2011 reflects primarily the increased costs resulting from allocated costs from legal fees resulting from a Department of Justice investigation of Entergy regulated companies' 2010 business practices. As can be seen in Table 4, however, ESI's Legal Department charges to ETI have dropped significantly since 2011, and the current Test Year costs are less than the Legal Department Test Year cost trend costs included in ETI's Docket No. 39896 base rate case (\$6,836,267).

3. Benchmarking

Q28. ARE YOU AWARE OF ANY BENCHMARKING STUDIES APPLICABLE TO THE LEGAL SERVICES DEPARTMENT?

A. Yes. The Legal Services Department periodically measures the success of its operation through a review of industry and legal publications as well as relevant benchmarking surveys such as Altman Weil's most recent Industry-Based Law Department Benchmark Survey of Utility Companies (January 2010), which showed that the Legal Services Department compared favorably to the Entergy Companies' peers. Such surveys offer a point of comparison between the Entergy Companies and other comparable corporations, including utilities. The Altman Weil survey is attached to my testimony as Exhibit MVB-4. This survey reflects that Legal's costs compared favorably with the average costs of utilities in the following categories:

- Compensation and Benefits Expenses per Lawyer;
- Total Inside Expenses Per Legal Service Provider;
- Outside Counsel Fees per Legal Service Provider;
- Total Outside Expenses per Legal Service Provider;
- Total Law Department Expenses per Legal Service Provider;
and
- Total Legal Expense as a Percent of Total Expenses

1 Q29. IS THERE ANY MORE GENERAL BENCHMARKING SUPPORT IN THE
2 COMPANY'S FILING?

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

8

9 4. Reasonableness of Contract Work

10 Q30. PLEASE ADDRESS THE PROCESSES FOR ENSURING THE FEES
11 FOR CONTRACT WORK ARE REASONABLE.

12 A. The Legal Services Department negotiates to obtain the most reasonable
13 hourly rates possible with our external legal services providers.
14 Sometimes, these negotiations lead to agreements ranging from the
15 provision of services at reduced hourly rates to flat fee agreements.

16 The Entergy Companies' Outside Counsel Policy governs the
17 engagement of outside counsel such that decisions to incur costs require
18 input and authorization from in-house counsel. For example, when an
19 engagement is likely to exceed \$20,000 in fees, lead in-house and outside
20 counsel develop a budget and agree on staffing levels for outside counsel.
21 Any changes in staffing or the retention of local counsel, consultants or
22 experts requires the authorization of in-house counsel. The Outside
23 Counsel Policy also includes restrictions on staffing and billing such as:

- 1 • attendance of no more than one attorney at certain events
- 2 (e.g., depositions) absent the approval of inside counsel;
- 3 • clerical work is not billable;
- 4 • time on "stand-by" is not billable;
- 5 • travel time cannot exceed half-rate; and
- 6 • limitations on copying charges.

7 The Legal Services Department also requires the electronic
8 submission of outside counsel billings using the Uniform Task Based
9 Management System ("UTBMS"). UTBMS is a standardized billing
10 method that assigns codes to various tasks. The use of standard billing
11 codes facilitates the review of bills by providing cost information about
12 specific tasks at various stages of a project or litigation. Having this
13 information in electronic format assists in-house counsel's review and
14 analysis of costs and time associated with particular tasks performed by
15 outside counsel.

16 All invoices received from outside counsel are reviewed by the
17 internal attorney or attorneys working on the specific project to which the
18 bill relates in order to ensure that the work was performed as requested
19 and that no unnecessary or unreasonable charges were submitted. The
20 invoices are also reviewed by our Budget Coordinator to verify the
21 reasonableness of the charges, to ensure that the bills are submitted in
22 accordance with the fee arrangement entered into with the law firm or an
23 individual lawyer involved, and to ensure the application of the correct

1 accounting and billing data. Subsequently, any bills greater than the
2 approving attorney's authority are submitted to me for final approval. If, at
3 any point in the review chain, errors, overcharges or unreasonable billings
4 are discovered, appropriate adjustments to the bills are made prior to
5 payment.

6

7 Q31. ARE THE SAME COST CONTROL AND MONITORING PROCEDURES
8 IN PLACE WITH RESPECT TO OUTSIDE COUNSEL RETAINED
9 DIRECTLY BY ETI?

10 A. Yes. As I noted earlier, outside counsel may be retained directly by ETI if
11 a legal matter is specific to ETI. But the oversight and management of
12 outside counsel is still the responsibility of the Legal Services Department,
13 which is carried out in the same manner I discussed above.

14

15 Q32. DOES ESI CONDUCT ANY INTERNAL COMPARISON OF OUTSIDE TO
16 IN-HOUSE LEGAL COSTS?

17 A. Yes. The Legal Services Department performs an annual analysis
18 calculating the fully loaded internal hourly rate of its attorneys. The
19 average hourly rate per attorney is also calculated, excluding expenses,
20 for each of the Entergy Companies' outside counsel. The analysis
21 provides a point of comparison to evaluate the reasonableness of internal
22 legal expenses and the value of the in-house legal department of the
23 Entergy Companies.

1 Q33. WHAT WERE THE RESULTS OF THE 2012 ANALYSIS?

2 A. During 2012, the Legal Services Department's fully loaded cost per hour
3 for its attorneys was approximately \$235 per hour. For this same time
4 period, the Entergy Companies' blended outside hourly cost for legal
5 services was approximately \$339 per hour, exclusive of costs that law
6 firms typically bill to their clients in addition to the fees charged.

7 The data demonstrates that the hours worked by in-house lawyers
8 cost the Company less than if those same hours of legal work had been
9 performed by outside counsel. In my opinion, it is, therefore, reasonable
10 to use internal lawyers to perform ETI's legal work whenever possible,
11 depending upon the capacity of the Legal Services Department and the
12 expertise of its lawyers. The legal costs incurred by ETI using ESI's
13 internal attorneys are reasonable because such use provides ETI with
14 savings over costs that would have been incurred had outside lawyers
15 been used to perform the same legal services. Moreover, the fee
16 comparison indicates that the Company's practice of using outside
17 counsel on an "as-needed" basis is also prudent.

18

19 Q34. WHAT CONCLUSIONS DO YOU DRAW FROM THE EVIDENCE
20 PRESENTED ABOVE REGARDING THE REASONABLENESS OF
21 LEGAL COSTS INCURRED DURING THE TEST YEAR?

22 A. The affiliate costs I sponsor are reasonable. This conclusion is borne out
23 by the budgeting and cost control measures in place, trends in staffing

1 levels, and actual costs and data gleaned from relevant benchmarking.
2 This evidence speaks to the reasonableness of both the outside and in-
3 house fees incurred and billed to ETI by ESI during the Test Year. I arrive
4 at the same conclusion with respect to non-affiliate legal services costs
5 incurred by ETI.
6

7 F. The No-Higher Than and Actual Cost Standards

8 Q35. HOW ARE ESI'S AFFILIATE LEGAL SERVICES COSTS BILLED TO
9 ETI?

10 A. As further explained by Company witness Tumminello, ESI utilizes Project
11 Codes to capture costs associated with all services performed by ESI
12 personnel and billing methods associated with each of the Project Codes
13 to assign or allocate the costs to the Entergy Companies' affiliates,
14 including ETI.

15 All Project Codes used to record legal service costs are identified in
16 Exhibit MVB-B. Legal Services Department Project Codes are established
17 solely for the purpose of recording costs associated with legal matters and
18 are typically used only by the Legal Services Department. Project Codes
19 used by other organizations are similar in that they are established by
20 those departments for their purposes but may also be used to record legal
21 costs associated with projects in those departments. As a result, some
22 legal costs are reflected in Project Codes unique to the Legal Services

1 Department, while others are combined with other, non-legal costs, in
2 Project Codes established by other departments.

3

4 Q36. PLEASE PROVIDE ADDITIONAL EXPLANATION OF THE
5 IMPORTANCE OF BILLING METHODS.

6 A. As Company witness Tumminello explains, only one billing method is
7 assigned to each Project Code. Several organizations may bill to a single
8 Project Code, but the billing method for that Project Code remains the
9 same. A billing method is selected based on cost causation, as discussed
10 below. The billing method associated with the Project Code distributes a
11 discrete percentage of the costs collected under the Project Code (or the
12 entire amount in the event of direct billing) to the entity or entities receiving
13 service under the code. Further, the Project Code distributes all costs
14 collected under the Project Code, meaning the percentages reflected in
15 the billing method sums to 100%. This ensures that no entity is
16 double-billed or over-billed for any amount, and the amount billed to ETI
17 for the services is no higher than the amount charged other affiliates for
18 the same or similar services and represents the actual cost of the
19 services.

1 Q37. HOW DO YOU ENSURE THAT THE PRICE FOR LEGAL SERVICES
2 BILLED TO ETI REPRESENTS THE ACTUAL COST OF SUCH
3 SERVICES?

4 A. As an initial matter, all legal services rendered by the Legal Services
5 Department on behalf of ETI and all outside services billed by the Legal
6 Services Department to ETI are billed at cost, just as such services are
7 billed to all other regulated companies. As a result, all regulated
8 companies are paying ESI for legal services based on the same "price,"
9 *i.e.*, the cost of such service to ESI. In other words, when an in-house
10 attorney's time is allocated to regulated companies based on the extent to
11 which his or her effort was expended on behalf of those companies, each
12 company pays the same effective hourly rate for that attorney's time and
13 also pays the same proportionate rate for associated support and
14 overhead services. The same is true of outside legal services that are
15 allocated to several different companies on behalf of which those services
16 were performed.

17

18 G. Billing Allocation Methodology

19 Q38. PLEASE DISTINGUISH BETWEEN COSTS THAT ARE "DIRECT"
20 BILLED VERSUS COSTS THAT ARE "ALLOCATED" TO THE ENTERGY
21 COMPANIES.

22 A. Whenever appropriate, costs are direct billed to ETI and other affiliates.
23 This means the services provided (and associated costs) are caused by,

1 and benefit, only ETI or whatever entity is the sole cause of the services
2 and associated costs. Only when costs are incurred that are caused by
3 ETI and one or more of the other Entergy Companies are such costs billed
4 by ESI to ETI using an allocation method.

5 In the Test Year, the Legal Services Class used a direct billing
6 method — "DIRECTTX" — for 41% of the Total ETI Adjusted amount. For
7 example, Project Code F5PCE13756 captured and managed costs for
8 preparation and participation in the resolution of various disputes and
9 litigation on behalf of ETI. Because services under the project were driven
10 solely by ETI, it was appropriate to use billing method DIRECTTX, which
11 bills 100% of the associated costs for the services to ETI.

12
13 Q39. WHAT ARE THE PREDOMINANT BILLING METHODS USED FOR THE
14 LEGAL SERVICES CLASS?

15 A. For the Test Year, the following six billing methods were used for 90% of
16 the Total ETI Adjusted costs associated with the Legal Services class:

- 17 • DIRECTTX – 41%
- 18 • CUSEOPCO – 17%
- 19 • LOADOPCO – 13%
- 20 • LBRLEGAL – 8%
- 21 • LVLSVCAL – 6%
- 22 • TRSBLNOP – 5%

1 As I explain above, direct billing to ETI, which is achieved through
2 the DIRECTTX method, is appropriate when services are performed
3 exclusively for ETI.

4

5 Q40. OTHER THAN BILLING METHOD DIRECTTX, WHY ARE THESE
6 BILLING METHODS APPROPRIATE TO USE FOR THE PROJECTS TO
7 WHICH THEY ARE ASSIGNED?

8 A. In each case, the allocation method used is based on the cost driver
9 determined to apply to the project. For example, billing method
10 CUSEOPCO is a billing method allocation based on a twelve month
11 average number of electric residential, commercial, industrial,
12 governmental, and municipal customers. Legal work that will benefit utility
13 electric customers and support customer-based services is charged to
14 Project Codes using this billing method. An example of this is the legal
15 work performed in connection with The Department of Justice
16 Investigation and System Agreement annual filings and appeals, along
17 with cases for Bandwidth Complaints. The Project Codes used for these
18 activities are F3PPINVDOJ and F3PCSYSAGR.

19 Billing method LOADOPCO is used when it is determined that legal
20 entities cause legal services to be performed in relation to their load
21 responsibility ratio, which is the ratio of the Company's load to the Entergy
22 System load, at the time of the Entergy System's peak load. An example
23 of work performed that is billed to this code is FERC-related legal work,

1 such as the Entergy System Open Access Transmission proceeding. The
2 Operating Companies operate their individual transmission systems and
3 generation resources as a single integrated transmission system and a
4 single pool of generation resources under the System Agreement to serve
5 the load of their respective electric customers. The FERC's activities in
6 the referenced proceeding affect the operations of the integrated
7 transmission system and operations of the pooled generation resources.
8 Thus, the costs are driven by the load served by the Operating
9 Companies. The Project Code used for this is F3PCE01601.

10 Billing method LBRLEGAL is the method used for the Legal
11 Department's general service Project Code, F5PCZLDEPT, used by
12 employees in the corporate offices that support all jurisdictions. The
13 allocation for this billing method is based on total labor dollars billed to
14 each company by ESI for the Legal Function. Corporate Legal employees
15 use this project code when performing necessary work that does not
16 directly benefit one or more Business Units. An example of these
17 activities would be staff meetings, seminars, online training and general
18 administrative tasks.

19 Billing Method LVLSVCAL is used to allocate costs based on ESI
20 level of service. This is calculated based on the total ESI billings to each
21 of the Entergy Companies, excluding corporate overhead. Examples of
22 Project Codes using this allocation method would be general legal
23 services for ESI (e.g., contract work to support Information Technology

1 and Supply Chain) that ultimately benefit all of the Entergy Companies.
2 This billing method is appropriate for those types of projects because the
3 ESI functions requiring the legal services are functions (or departments)
4 that provide services to the various affiliates and the costs arise as a
5 consequence of providing the service. The Project Code generally used
6 for this is F3PCE13321.

7 TRSBLNOP is a billing method allocation based on two
8 components: transmission line miles (30% weighting) and the number of
9 high voltage substations (70% weighting). Legal costs resulting from a
10 FERC audit or investigation of our transmission network are charged to a
11 project code using this billing method. Project Code F3PPTDHY11 is a
12 code that uses this billing method.

13

14 Q41. YOU HAVE ADDRESSED 90% OF THE TOTAL ETI ADJUSTED COSTS
15 ASSOCIATED WITH THIS CLASS. PLEASE ADDRESS THE
16 REMAINING 10%.

17 A. A number of project codes and different billing methods were used for the
18 remaining 10% of such costs. The remaining billing methods are set forth
19 in my Exhibit MVB-B.

1 Q42. HAVE YOU DETERMINED THAT THE APPROPRIATE PROJECT
2 CODES AND BILLING METHODS HAVE BEEN USED FOR THE
3 REMAINING 10% OF TOTAL ETI ADJUSTED COSTS ASSOCIATED
4 WITH THIS CLASS?

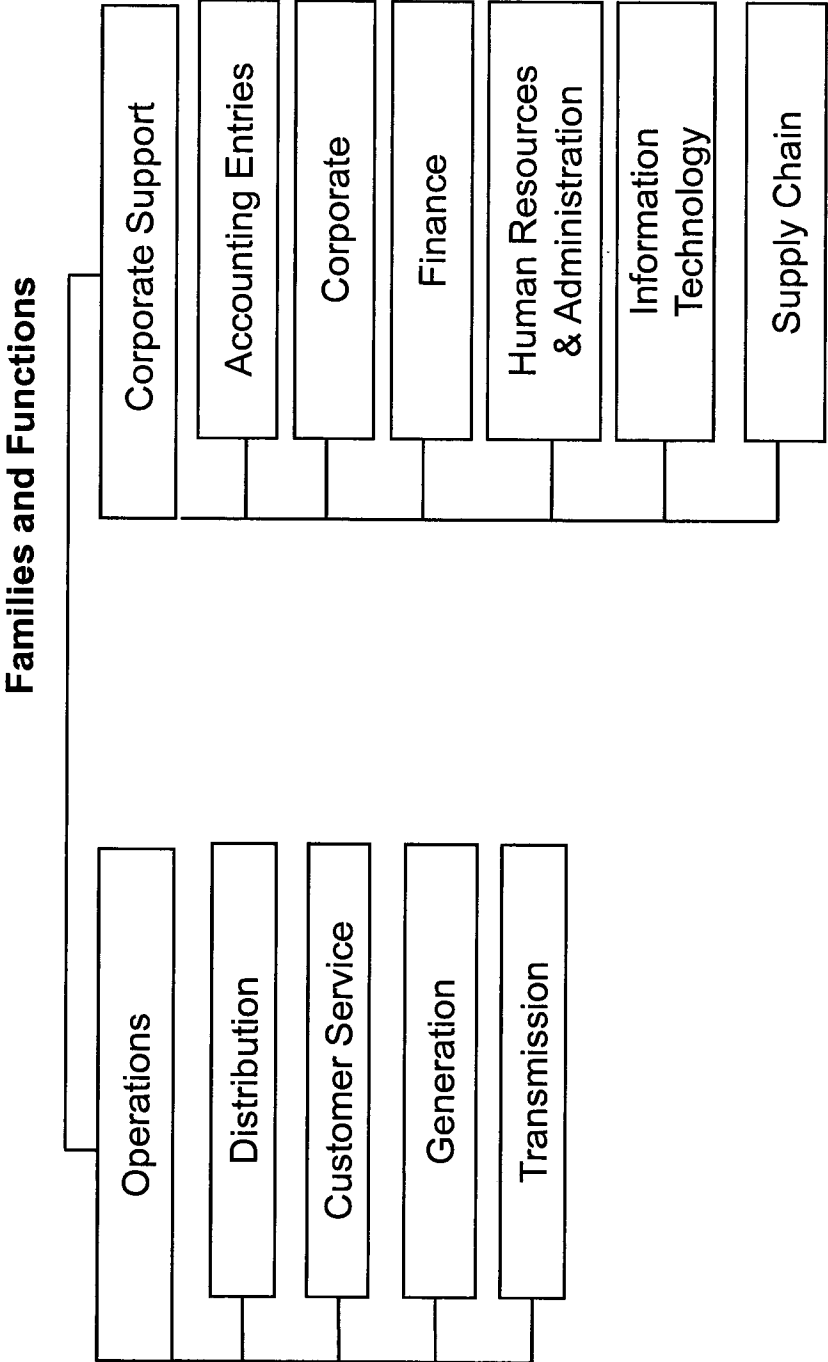
5 A. Yes. I have reviewed each of the project codes and associated billing
6 methods used for the remaining 10% of Total ETI Adjusted costs
7 associated with this class and they are reasonable. The costs associated
8 with the remaining billing methods are consistent with and reflect the
9 services captured in each respective project code. The unit cost to ETI as
10 a result of the application of these billing methods is no higher than the
11 unit cost to other affiliates for the same or similar service and represents
12 the actual cost of services.

13

14 IV. CONCLUSION

15 Q43. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

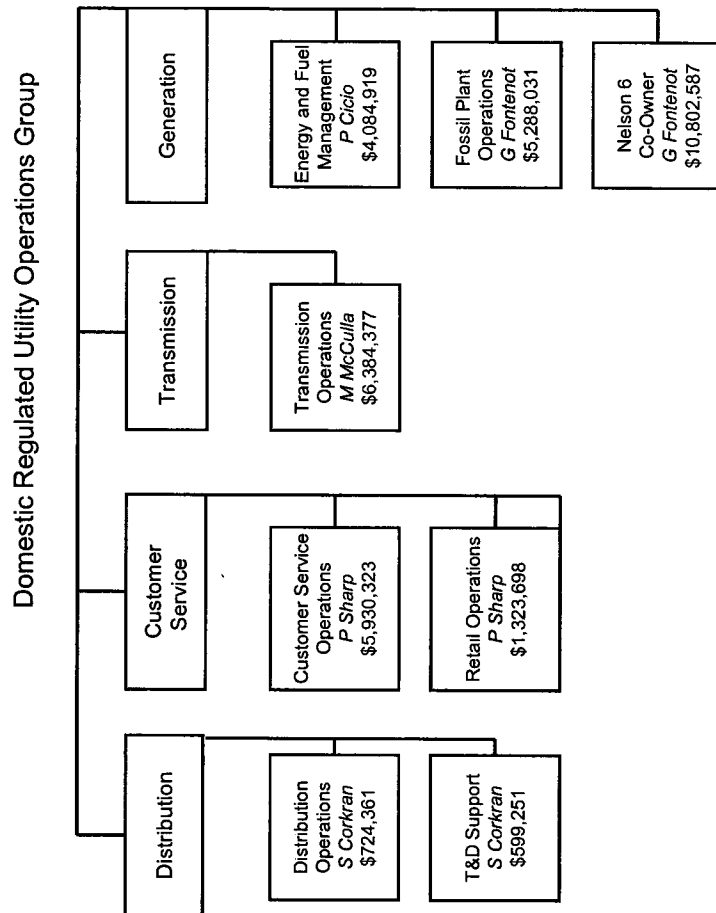
16 A. Yes.



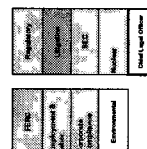
Corporate Support Functions & Classes (\$ Total ETI Adjusted)

Finance	Corporate	Accounting Entries	Human Resources & Administration	Information Technology	Supply Chain
Treasury Operations S McNeal \$866,687	Utility & Executive Management S Rainer \$2,337,992	Depreciation S Tumminello \$2,952,022	Human Resources J Raeder \$2,469,206	Information Technology J Brown \$6,066,324	Supply Chain R Jackson \$1,048,563
Financial Services D Doucet \$3,813,906	Internal & External Communications D Caplan \$509,526	Other Expenses S Tumminello (\$1,058,055)	Administration T Plauché \$1,368,447		
Tax Services P Galbraith \$2,523,998	Legal Services M Brown \$5,456,903	Service Company Recipient Offsets S Tumminello \$0			
	Regulatory Services J Lewis \$1,422,392	Income Tax Expense R Roberts \$116,027			

Operations Functions & Classes (\$ Total ETI Adjusted)



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