

1           III.     NECESSITY FOR SERVICES AND REASONABLENESS  
2                     OF COSTS OF THE ADMINISTRATION CLASS

3                     A.     General Discussion of Services

4     Q17. DID ETI NEED THE SERVICES PROVIDED BY THE ADMINISTRATION  
5           CLASS DURING THE TEST YEAR?

6     A.     Yes. All services provided to ETI for this class are necessary for the  
7           functioning of a utility company with a significant number of geographically  
8           dispersed employees. ETI and the other EOCs rely on the Administration  
9           Class to provide services that support their core business, such as rent for  
10          their offices, maintenance for their buildings, administrative support for  
11          their employees, and secure and safe work environments for their  
12          employees, contractors, customers, and visitors.

13  
14     Q18. DO ANY ACTIVITIES PERFORMED BY THE ADMINISTRATION CLASS  
15           AND ALLOCATED TO ETI DUPLICATE ETI'S INTERNAL ACTIVITIES?

16     A.     No. ESI has centralized the Administration Class activities so that these  
17           services are not duplicated at ETI.

18  
19     Q19. DOES ESI OUTSOURCE SERVICES PROVIDED BY THE  
20           ADMINISTRATION CLASS? IF SO, PLEASE IDENTIFY THE SERVICES  
21           THAT ARE OUTSOURCED.

22     A.     Yes, the majority of services provided by Facility Management and  
23           Administrative Support, including management of most of these services,

1        were outsourced to Cushman & Wakefield of Texas, Inc., effective  
2        January 1, 2000. Cushman & Wakefield has facilities/portfolio  
3        management as a core competency and manages approximately  
4        250 million square feet of office/facility space in the United States and  
5        750 million square feet world-wide. Additionally, the Entergy Companies'  
6        system-wide business travel is outsourced to Carlson Wagonlit Travel,  
7        and conference center management is outsourced to Aramark.

8  
9        Q20. DO THE ENTERGY COMPANIES MONITOR THE COST-  
10        EFFECTIVENESS OF SERVICES PROVIDED TO ETI AND OTHER  
11        OPERATING COMPANIES BY THE ADMINISTRATION CLASS?

12        A. Yes. Periodic reviews of expenditures, as well as metrics designed to  
13        improve processes and measure performance, ensure that costs are at  
14        reasonable levels for the scope of services. In many cases, services are  
15        supplied to ESI by outside vendors who are subject to a competitive  
16        bidding process that is required by the Entergy Companies' Corporate  
17        Policy. The Entergy Companies' Procurement Policy is described in the  
18        testimony of Company witness Jackson. The Administration Class  
19        adheres to this policy.

20        In addition, there is a Contract Manager, who is an employee of ESI  
21        and reports directly to me, whose primary responsibility is to oversee the  
22        Cushman & Wakefield contract and monitor performance and costs  
23        incurred under the contract.

1           As I describe in more detail below, the Administration Class also  
2           adheres to the company-wide annual budgeting process that includes  
3           management review and approval of proposed expenditure levels.  
4           Administration Class actual and budgeted spending on a monthly and  
5           year-to-date basis is reviewed monthly at staff meetings. Significant  
6           spending variances to budget are investigated and explained. Such  
7           routine monitoring of the Administration Class costs enables the  
8           identification of trends in spending and the timely implementation of  
9           corrective actions with respect to unfavorable trends.

10

11                                   B.     Corporate Real Estate

12   Q21. WHY ARE CORPORATE REAL ESTATE SERVICES NECESSARY?

13   A.    The Entergy Companies own and lease buildings and land required to  
14           support the operational needs of the EOCs. Corporate Real Estate is  
15           responsible for the management of such real property (except rights-of-  
16           way and substations), including but not limited to leased space, owned  
17           space, and land. Management of real property includes: oversight and  
18           execution of day-to-day activities and decisions required for proper  
19           functioning of the real estate asset; acquisition; disposition; administration  
20           of lease and contract compliance; lease rent payments; lease rent  
21           receivables and collection; operating expense compliance and audits; and  
22           strategic real estate inventory management. ETI and the other EOCs rely  
23           on ESI to provide these real estate services. Since the services are

1 provided through a centralized group, ETI and the other EOCs benefit  
2 from not being required to maintain separate internal staffs to provide  
3 these services.

4

5 Q22. IS THE COST OF THIS GROUP REASONABLE?

6 A. Yes, it is. Costs for real estate management services are allocated to the  
7 Entergy Companies that occupy space in the Entergy Companies' facilities  
8 based on square footage occupied. Costs that can be directly attributable  
9 to one legal entity are directly charged to that legal entity and are not  
10 allocated through the use of an allocation factor.

11 The reasonableness of the costs to ETI is supported by the  
12 comparative evaluations performed prior to obtaining a new lease.  
13 Acquiring leased space is a market competitive activity that includes:  
14 performing site searches, market research, due diligence, appraisals,  
15 surveys, negotiations, financial analysis, legal review, and risk  
16 management review. Alternatives for space are compared using the  
17 techniques described above to determine the best real estate solution at a  
18 reasonable cost.

1 Q23. DESCRIBE THE CONTROLS AND PROCESSES THAT ARE USED TO  
2 MONITOR AND REVIEW THE COSTS ASSOCIATED WITH THIS  
3 GROUP.

4 A. As part of its planning function, the Real Estate Group analyzes each  
5 facility to ensure that the space is used effectively and meets company  
6 strategy and operational objectives. Through its planning approaches, the  
7 Real Estate Group has identified and implemented plans for space  
8 consolidation and asset redeployment. This process has reduced the  
9 square footage leased and rent costs over the last several years with the  
10 benefits of these reductions being passed on to the EOCs, including ETI.

11 Further, the Real Estate Group performs periodic audits of leased  
12 buildings' operating expenses. These audits ensure that the expenses  
13 passed through to the Entergy Companies from the landlords are  
14 appropriate and calculated properly.

15 In addition, the Entergy Companies' office space utilization of  
16 headquarters and regional usable square feet per person compare  
17 favorably with other companies, as noted in the benchmarking report  
18 shown in Exhibit TCP-3. This benchmarking study included 37 utility  
19 participants. The Entergy Companies' regional office space utilization,  
20 usable square feet per person, is second quartile, and headquarters office  
21 space utilization, usable square feet per person, is also second quartile.

C. Facility Management

Q24. WHY ARE FACILITY MANAGEMENT SERVICES NECESSARY?

A. These services are necessary to maintain commercial-grade buildings in a condition that supports operational requirements and safely houses the occupants. Examples include the operations of building systems such as HVAC, lighting, utilities, elevators, life safety equipment, equipment yards, etc. Some of the services such as fire protection and environmental safety are required for compliance with governing law and regulations (e.g., OSHA, EPA, city building codes, etc.). Other services such as janitorial, waste pickup, pest control, and general maintenance are required to maintain building functionality and an adequate work environment.

Also, capital project management services are necessary because they are the foundation for design, construction and successful completion of any capital project. The services are those typically required for commercial-grade facilities to maintain and extend the useful life of the asset. Examples of projects that typically require capital project management oversight include building renovations, additions, remodeling, changes or modifications to comply with local or federal building codes, roof replacement, exterior painting and waterproofing, and HVAC additions. These services ensure that the building's physical environment supports the operational needs of the occupants, and that the

1 building is safe, functional and compliant with applicable OSHA, EPA,  
2 ADA and other regulatory requirements.

3 The services provided by this group are driven by the operational  
4 and business needs of the EOCs. The group's employees work directly  
5 with EOC management to ensure that these services are necessary and  
6 that these services support operational needs. Services provided are  
7 consistent with those provided in the industry for similar commercial-grade  
8 buildings.

9  
10 Q25. IS THE COST OF THIS GROUP REASONABLE?

11 A. Yes. The cost of the Facility Management services provided is consistent  
12 with those in the industry. The Entergy Companies' costs compare  
13 favorably with other companies both in the utility industry as well as those  
14 of other Fortune 500 Companies as noted by the benchmark report shown  
15 as Exhibit TCP-4. Two sets of metrics are used in the benchmark study:  
16 maintenance cost per gross square feet and custodial cost per area  
17 cleaned in square feet. The Entergy Companies are second quartile in  
18 headquarters maintenance cost per gross square feet; regional office  
19 maintenance cost per gross square feet is top decile; headquarters  
20 custodial cost per area cleaned in square feet is first quartile; and regional  
21 office custodial cost per area cleaned in square feet is first quartile. The  
22 Entergy Companies are second quartile in both service center

1 maintenance cost per gross square feet and service center custodial cost  
2 per area cleaned in square feet.

3

4 Q26. DESCRIBE THE CONTROLS AND PROCESSES THAT ARE USED TO  
5 MONITOR AND REVIEW THE COSTS ASSOCIATED WITH THE  
6 FACILITY MANAGEMENT GROUP.

7 A. ESI has a designated contract manager, whose primary responsibility is to  
8 oversee the Cushman & Wakefield contract and monitor the performance  
9 and costs incurred under the contract. The Approval Authority Policy, as  
10 noted in the testimony of Company witness Jackson, also dictates several  
11 layers of management review prior to approval of the Cushman &  
12 Wakefield invoices. The Entergy Companies develop an overall scorecard  
13 that tracks Cushman & Wakefield performance. Several of the individual  
14 goals are specifically designed to monitor and measure how well  
15 Cushman & Wakefield is performing relative to overall spending and  
16 managing cash flow. The Entergy Companies have monthly meetings to  
17 discuss actual costs and to develop action plans if targets are not being  
18 met.

1 D. Administrative Support

2 Q27. WHY ARE THE SERVICES OF ADMINISTRATIVE SUPPORT  
3 NECESSARY?

4 A. Administrative Support services are needed and are driven by good  
5 business practices to provide adequate support to employees to  
6 accomplish their duties effectively. Examples of these services include  
7 copier services, interoffice mail, travel, and conference room scheduling.  
8 These services are typically provided by an administrative service group,  
9 which supports departmental operations.

10 These services are provided to all of the Entergy Companies,  
11 including ETI. These services and their related costs are necessary for  
12 the function of a utility company with a significant number of  
13 geographically dispersed employees. These services support the entire  
14 organization in a manner from which all operating companies benefit  
15 without being required to maintain separate and redundant internal staffs  
16 to provide similar services.

17

18 Q28. DESCRIBE THE CONTROLS AND PROCESSES THAT ARE USED TO  
19 MONITOR AND REVIEW THE COST ASSOCIATED WITH THIS  
20 GROUP.

21 A. Administrative Support relies on measures and process controls to  
22 monitor and evaluate the costs of service. The processes by which data is  
23 collected and measured include things such as PBX/Receptionist number

1 of calls handled, conference rooms scheduled with percent utilization, mail  
2 piece cost and mail service cost per employee, copy machine cost per  
3 copy with number of copies made at each location, and finally, travel  
4 industry costs for air, lodging, and car rental. These metrics are used to  
5 confirm that staffing and equipment/infrastructure are consistent with  
6 volumes driven by customer demands. The number of full-time  
7 Administrative Support personnel assigned to ESI through Cushman &  
8 Wakefield was 23 in 2011 and 23 in 2012.

9  
10 Q29. WHAT DOCUMENTS, REPORTS, OR OTHER DATA COMPILATIONS  
11 ARE GENERATED IN CONNECTION WITH THESE CONTROLS AND  
12 PROCESSES, AND HOW ARE THEY USED TO ENSURE THAT THE  
13 COSTS ASSOCIATED WITH THIS GROUP ARE REASONABLE?

14 A. On a monthly basis, data is collected on each of the key processes within  
15 the Administrative Support Group. Exhibit TCP-5 displays a sample  
16 Cushman & Wakefield Annual Report. This data includes the  
17 receptionist/PBX operators, conference room scheduling, mail services,  
18 copier management, copier paper, and copy centers. Examples of data  
19 collected include quantity and cost information. Data is gathered monthly,  
20 compared to budgeted costs, and significant variances are evaluated.  
21 In-house measurements are generated monthly, quarterly, or semi-  
22 annually depending on the nature of the process. Based on this data,  
23 metrics are developed and evaluated to determine the proper resources

1 required to deliver services. Invoices are reviewed by Cushman &  
2 Wakefield service coordinators against contracted pricing to confirm  
3 accuracy in addition to confirmation of delivery of the service in question.

4 In addition, Administrative Support meets periodically with key  
5 vendors such as Xerox (copier services), Eagle One and Quick (courier  
6 services), Aramark (conference center management), and Carlson  
7 Wagonlit Travel (travel) to discuss process improvements, performance,  
8 and areas for further cost reductions. The benchmark results for  
9 Administrative Support are in Exhibit TCP-6. Mail cost per piece for  
10 headquarters is top decile; mail services cost per occupant for  
11 headquarters is second quartile; copy services for headquarters multi-  
12 functional devices cost per copy is first quartile; average cost per airline  
13 ticket is below average; hotel average cost per night is above average;  
14 and car rental average cost per day is average.

15  
16 E. Corporate Security

17 Q30. WHY ARE CORPORATE SECURITY SERVICES NECESSARY?

18 A. Corporate Security services are necessary to maintain a secure and safe  
19 environment while conducting business for employees, contractors,  
20 customers, and visitors. Examples of services include facility security, site  
21 surveys, crime prevention, investigations, and homeland security.  
22 Corporate Security services are necessary to develop programs that are  
23 geared to crime prevention and protection of persons and assets.

1 Security investigations may include external crimes and/or internal fraud.  
2 Included are programs that protect against threats of terrorism and other  
3 forms of violence directed at our industry or facilities. The primary function  
4 of security programs is to prevent incidents from occurring through  
5 applications of physical security, education, and training.

6 ESI tracks every security-related incident reported in the system,  
7 and the tracking results support the need for Corporate Security services.  
8 A third-party vendor is employed to manage this process, 24 hours a day,  
9 7 days a week, and the resulting report of incidents is referred to as the  
10 ethics line incident tracking log. The ethics line incident tracking log (as  
11 detailed in Exhibit TCP-7) indicates that crime trends in areas where the  
12 Entergy Companies operate, including ETI, demonstrate a definite need  
13 for security services to safeguard the Entergy Companies' facilities and  
14 protect personnel and assets.

15 In addition, the threat of terrorism has had a significant impact on  
16 the electric utility industry. As a result, Corporate Security directs efforts  
17 and coordinates with state, local, and federal law enforcement agencies to  
18 develop programs that protect our facilities and personnel from such acts.

19

20 Q31. IS THE COST OF THIS GROUP REASONABLE?

21 A. Yes. Corporate Security compensation levels are established through  
22 comparison with compensation surveys that match similar job descriptions  
23 with salary ranges. The allocation of security services and personnel are

1 arranged by business jurisdiction, with security specialists assigned  
2 specific responsibility for their respective assigned business jurisdictions.  
3 Centralized security management and coordination allow this group to  
4 take advantage of economies of scale and provide consistent security  
5 processes and procedures that result in increased efficiency. Corporate  
6 Security costs compare favorably with other companies, as noted in the  
7 benchmarking report presented in Exhibit TCP-8. The Corporate Security  
8 Department's (non-nuclear) budget is below the average.

9

10 Q32. DESCRIBE THE CONTROLS AND PROCESSES THAT ARE USED TO  
11 MONITOR AND REVIEW THE COSTS ASSOCIATED WITH THE  
12 CORPORATE SECURITY GROUP.

13 A. Specific services associated with the delivery of Corporate Security  
14 services (such as contract guard services) are primarily outsourced.  
15 Market value for the services is established primarily through a  
16 competitive bidding process, or through baseline negotiation of  
17 competitive bids. In addition, review and analysis of monthly budget  
18 variance reports allow continuous monitoring of associated costs. As  
19 noted above, all security guard services in Texas are under a system-wide  
20 contract with Securitas Security Services USA, Inc., a Houston-based  
21 company. The contract was awarded to Securitas Security Services USA  
22 after a competitive bid process.

1           In May of 2013, the re-bid process was initiated due to the  
2           impending contract term ending March of 2014. The re-bid process is  
3           being conducted following established procurement process policies and  
4           procedures.

5           It should be noted that, in addition to negotiating for the best  
6           financial advantage to the Company for contract security services, the  
7           Company continually looks for ways to improve efficiencies and cost  
8           advantage in this area. For example, Corporate Security is now rolling out  
9           a program that will replace guards, which incur revolving costs, with  
10          technology such as remotely monitored cameras, sensors and alarms,  
11          where applicable, for reasonable one time capital investments.

12

13           F.     Reasonableness for Administration Class Costs

14                     1.     Budget Planning

15    Q33. DOES THE ADMINISTRATION CLASS HAVE IN PLACE A BUDGETING  
16    PROCESS TO CONTROL COSTS FOR THE ADMINISTRATION CLASS  
17    OF SERVICES?

18    A.   Yes. Cost reports are available electronically to department management  
19    through various cost reporting systems. Department management  
20    reviews actual charges and compares them to the budget. Cost reports  
21    compare a department's actual charges to budgeted charges on a monthly  
22    and year-to-date basis and provide several ways to review the data,  
23    e.g., by project, activity, and resource codes. Each department manager

1 is held accountable for his or her department's budget and must explain  
2 variances between actual charges and budgeted amounts. Executive  
3 management is also involved in ongoing review of cost reporting.  
4

5 Q34. IS COMPLIANCE WITH THE BUDGET MONITORED?

6 A. Yes. Cost reporting allows management at all levels to monitor actual  
7 costs in comparison with budget amounts. The controls resulting from  
8 detailed budget preparation and cost reporting, combined with ongoing  
9 management reviews, ensure that expenses and capital costs are  
10 controlled. This control provides assurance that ETI's costs, affiliate and  
11 non-affiliate, are reasonable.  
12

13 Q35. ARE EMPLOYEES WITHIN THE ADMINISTRATION CLASS HELD  
14 ACCOUNTABLE FOR DEVIATIONS FROM BUDGET FOR THESE  
15 COSTS?

16 A. Yes. Each department manager is held accountable for his or her  
17 department's budget and must explain variances between actual charges  
18 and budgeted amounts. Employees' performance objectives include goals  
19 for compliance with budgets and control of expenditures.

2. Cost Trends

Q36. WHAT WERE ETI COSTS FOR THE ADMINISTRATION CLASS FOR THE 2010-2012 TIME PERIOD AND FOR THE TEST YEAR?

A. Total affiliate 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 3 below. These charges have been adjusted to remove the MISO and ITC-related 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) and aircraft costs. Charges to ETI from these departments have also been removed from ETI's Test Year cost of service.

**Table 3**  
**(Excludes pro forma adjustments except as described above)**

<b>CLASS</b>	<b>2010 (\$000s)</b>	<b>2011 (\$000s)</b>	<b>2012 (\$000s)</b>	<b>Test Year (\$000s)</b>
<b>ADMINISTRATION</b>	\$456,505	\$847,714	\$1,255,804	\$1,322,076

As shown by the table above, the level of charges to ETI for services provided by the Administration Class has trended upward over the 2010-2012 period. The increase from 2010 to 2011 is due, primarily, to the costs of operating and maintaining the Entergy Companies' data centers in Little Rock, Arkansas and Jackson, Mississippi. Prior to 2011, this expense was included in the costs of the Information Technology Class. The increase from 2011 to 2012 and the Test Year is primarily due to

1 costs associated with the Jackson Data Center remediation project as well  
2 as organizational re-assignment of several Corporate Security employees  
3 from ETI and other EOCs to ESI.

4  
5 3. Staffing Trends

6 Q37. PLEASE DESCRIBE THE STAFFING LEVELS FOR THE  
7 ADMINISTRATION CLASS OVER THE PERIOD 2010 THROUGH 2012  
8 AND FOR THE TEST YEAR.

9 A. Staffing for the Administration Class was 21 in 2010, 17 in 2011, 23 in  
10 2012, and 23 for the Test Year.<sup>4</sup> The increase of ESI staffing for this class  
11 in 2012 resulted from the organizational re-assignment of several  
12 Corporate Security employees from ETI and other EOCs to ESI that I  
13 mentioned above. Otherwise, staffing has remained relatively stable over  
14 the past few years.

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<sup>4</sup> The 2010, 2011, and 2012 figures are year-end (December 31) headcount. The Test Year figure is the headcount as of March 31, 2013.

1           4.     Cost Control, Improvement Initiatives, and Other Benchmarking

2     Q38. SEPARATE FROM THE BUDGETING PROCESS, DOES THE  
3           ADMINISTRATION CLASS UNDERTAKE OTHER MEASURES OR  
4           INITIATIVES TO CONTROL COSTS OR IMPROVE SERVICES FOR THE  
5           ADMINISTRATION CLASS?

6     A.    Yes. For example, we have aggressively pursued outsourcing to help  
7           reduce costs. The CAS&REO Department has outsourced the following  
8           functions: business travel; copy center services; mail delivery and courier  
9           services; and facilities maintenance. The Administration Class also  
10          performs yearly benchmarking of its major functions. In addition, to  
11          improve its services, the department also conducts periodic internal  
12          customer satisfaction surveys.

13

14    Q39. CAN YOU PROVIDE OTHER EXAMPLES OF RECENT INITIATIVES TO  
15          CONTROL OR REDUCE COSTS FOR THE ADMINISTRATION CLASS  
16          OF SERVICES?

17    A.    The CAS&REO Department also participates in Entergy Continuous  
18          Improvement teams. Recent examples include a team that replaced the  
19          mailroom's manual package log books with electronic scanners to save  
20          time and improve efficiency; a team that initiated energy efficiency  
21          measures at facilities owned by the Entergy Companies to help reduce  
22          energy usage and carbon emissions; a team that utilized online services  
23          to obtain aerials, photos and topographical maps for properties owned by

1       the Entergy Companies at no or little cost; and a team that created a new  
2       process that significantly reduced the number of guest rooms that were  
3       reserved and not used by the guest at ESI's conference center.

4

5   Q40. IS THERE ANY MORE GENERAL BENCHMARKING SUPPORT IN THE  
6       COMPANY'S FILING?

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

12

13                   IV.   BILLING ALLOCATION METHODOLOGY

14   Q41. HOW DOES THE ADMINISTRATION CLASS RECORD AND BILL  
15      APPROPRIATE COSTS FOR THE SERVICES PROVIDED TO ETI?

16   A.   The Administration Class uses project codes to capture the cost of specific  
17      groups under this class of service. For each project code, a billing method  
18      is selected that corresponds to the driver of that cost of service. Primary  
19      cost drivers for the services provided are 1) space (square footage)  
20      occupied, 2) server and mainframe usage, 3) employee headcount, and  
21      4) direct charges to ETI.

22               These four cost drivers constitute the basis for the four billing  
23      methods that account for the vast majority of the Administration Class of

1        affiliate costs charged to ETI for which recovery is sought. These are  
2        appropriate cost drivers for these services because they reflect the basis  
3        that gives rise to the costs.

4

5    Q42. ON WHAT BASIS ARE COSTS IN THIS CLASS CHARGED TO ETI?

6    A.    The billing method for each project is selected based on cost causation.

7        The use of one billing method for each project code ensures that the  
8        prices charged to ETI for services are no higher than the prices charged to  
9        other affiliates for the same or similar services and represents the actual  
10       cost of the services.

11

12    Q43. WITH REGARD TO THE PRIMARY COST DRIVERS USED TO CHARGE  
13        COSTS TO OPERATING COMPANIES INCLUDING ETI, HOW OFTEN  
14        DO YOU UPDATE THE SPACE OCCUPIED, SERVER AND  
15        MAINFRAME USAGE OR NUMBER OF EMPLOYEES SERVED?

16    A.    The Administration Class gathers information annually to determine how  
17        much space each business unit occupies. The information is gathered  
18        through discussions with department management and through field  
19        measurement. The proportion of space assigned to each of the Entergy  
20        Companies is adjusted as appropriate and the square foot billing  
21        allocation is recalculated.

22        Statistics underlying the server and mainframe usage cost driver,  
23        which applies to the operating and maintenance expense of the data

1        centers are updated quarterly by Information Technology and the CAO  
2        Organization. The employee headcount cost driver statistics are updated  
3        annually by Human Resources and the CAO Organization.

4

5    Q44. WHAT WERE THE PREDOMINANT BILLING METHODS USED FOR  
6        THE ADMINISTRATION CLASS OF SERVICES?

7    A.    The predominant billing methods are listed below. For the test year, these  
8        four billing methods were used for 92% of the Total ETI Adjusted costs  
9        associated with the Administration Class:

- 10        •    SPACE OCCUPANCY — The “square footage all companies”  
11            billing method (“Billing Method SQFTALLC”) is used to bill payroll  
12            and employee costs for the groups who provide service to the  
13            majority of companies in the system. This allocation method is  
14            typically used for the services, as described in Section III above  
15            provided by Facility Management, Corporate Real Estate, and  
16            Administrative Support. This is an appropriate billing method since  
17            space occupied is the primary driver of cost for these services. The  
18            more space that is occupied, the more costs an operating company  
19            incurs for rent, maintenance, and operations, etc.

20            The “square footage all companies” billing method is based  
21            on space occupied by employees at each of the Entergy  
22            Companies housed in facilities that fall within the responsibility of  
23            the Administration Class. Exhibit TCP-9 identifies the System, the

1 business unit, the amount of office space occupied, and the  
2 associated percentage of the total. Billing method SQFTALLC  
3 accounts for 23% of the Administration Class affiliate expenses  
4 charged to ETI for which recovery is being sought.

- 5 • SERVER AND MAINFRAME USAGE — The “server and  
6 mainframe usage composite” billing method (“Billing Method  
7 APPSUPAL”) is primarily used to allocate the operating and  
8 maintenance expenses of the data centers located in Little Rock,  
9 AR and Jackson, MS. The “server and mainframe usage  
10 composite” billing method is based on the composite usage of  
11 UNIX servers, NT servers and the mainframe. The relative  
12 amounts of server and mainframe usage required to process  
13 various applications is an appropriate basis by which to allocate  
14 these costs. Billing method APPSUPAL accounts for 47% of the  
15 Administration Class affiliate expenses charged to ETI for which  
16 recovery is sought.

- 17 • EMPLOYEE HEADCOUNT — The “full and part-time employees  
18 headcount” billing method (“Billing Method EMPLOYAL”) has as its  
19 basis the number of employees in each system company.  
20 Typically, this is used as an allocation method for the management  
21 of the corporate conference center and setting and reviewing  
22 company policies and guidelines for services provided by Facility  
23 Management and Administrative Support. This is an appropriate

1            billing method since employee headcount is the primary cost driver  
2            in conducting these activities. Billing method EMPLOYAL accounts  
3            for 10% of the Administration Class affiliate expenses charged to  
4            ETI for which recovery is sought.

- 5            •    DIRECTTX —The DIRECTTX billing method indicates that the work  
6            is being billed directly to ETI (that is, 100 percent of the charges go  
7            to ETI). This billing method is used by the Corporate Security  
8            group to capture costs driven by the services specifically for ETI.  
9            This method represents the costs directly charged to ETI and  
10           accounts for 12% of the Administration Class affiliate expenses  
11           charged to ETI for which recovery is sought.

12

13    Q45. YOU HAVE ADDRESSED 92% OF THE TOTAL ETI ADJUSTED COSTS  
14       ASSOCIATED WITH THIS CLASS. PLEASE ADDRESS THE  
15       REMAINING 8%.

16    A.    The remaining costs are billed through the use of other billing methods.  
17       Given the number of billing methods, project codes and relative dollar  
18       amounts, I have not gone into detail in this discussion. However, the  
19       project codes and billing methods used to bill the remaining costs in this  
20       class are provided in my Exhibit TCP-B. The reader may reference this  
21       exhibit and then refer to the specific project code summary contained in  
22       Company witness Tumminello's testimony for a discussion of the

1 particular billing method used and the cost drivers for the activities  
2 captured in the particular project code.

3

4 Q46. HAVE YOU DETERMINED THAT THE APPROPRIATE PROJECT  
5 CODES AND BILLING METHODS HAVE BEEN USED FOR THE  
6 REMAINING 8% OF THE TOTAL ADJUSTED COSTS ASSOCIATED  
7 WITH THIS CLASS?

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

16

17 V. ETI CAPITAL ADDITIONS

18 Q47. DO YOU SPONSOR ANY CAPITAL ADDITIONS TO ETI'S PLANT IN  
19 SERVICE?

20 A. Yes, there were a number of plant additions that resulted from activities  
21 undertaken by the Administration Class. The capital additions were  
22 closed to plant from July 1, 2011 through March 31, 2013, and are now  
23 used and useful in providing service to ETI customers. The capital

1 additions that I sponsor are detailed in Exhibit TCP-10. The total amount  
2 of Administration Class capital additions is \$2,538,013.

3

4 Q48. PLEASE DESCRIBE THE TYPES OF PROJECTS THAT YOU ARE  
5 SPONSORING, AS SHOWN ON EXHIBIT TCP-10.

6 A. The CAS&REO Department is responsible for employee facilities and  
7 office buildings across the system (excluding generation plant facilities  
8 within the power generation structure). The capital additions under my  
9 responsibility are directed at preserving and extending the useful life of the  
10 facilities and upgrading facilities to meet operational needs. Typical  
11 projects include capital additions for roofs, building exteriors, building  
12 systems (HVAC, mechanical, electrical, life safety, etc.) interior  
13 renovations, and upgrades to site infrastructure (roadways, parking,  
14 drainage, etc.).

15

16 Q49. PLEASE DESCRIBE THE INFORMATION IN EXHIBIT TCP-10, WHICH  
17 PROVIDES THE DETAILS ABOUT THE DOLLARS CLOSED TO PLANT  
18 IN SERVICE FOR CAS&REO FACILITIES AND THE ASSOCIATED  
19 AFFILIATE COMPONENT.

20 A. Exhibit TCP-10 provides the following information:

21 Column A Project Code Number.

22 Column B Project Code Description.

23 Column C Asset class.

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

1 Q50. PLEASE DESCRIBE SOME OF THE MORE COMMON TYPES OF  
2 PROJECTS INCLUDED IN EXHIBIT TCP-10.

3 A. The following are the more common types of projects included in  
4 Exhibit TCP-10:

- 5 • HVAC replacements;
- 6 • Roofing projects;
- 7 • Interior renovations;
- 8 • Installation and replacement of emergency generators;
- 9 • Installation of life/safety systems;
- 10 • Installation of security systems; and
- 11 • Replacing ice machines for crew areas.

12

13 Q51. WHY ARE THESE CAPITAL ADDITIONS NECESSARY?

14 A. Capital projects are necessary to: 1) preserve ETI's investment in the  
15 facility asset; 2) extend the useful life of the asset; 3) upgrade facilities to  
16 meet changing operational needs of the occupants; and 4) meet  
17 applicable federal, state and local code requirements. For example, the  
18 two largest capital projects were for the replacement of cooling towers and  
19 chillers at the Liberty Pearl building in Beaumont, Texas. Both of these  
20 pieces of equipment had exceeded their useful lives. These systems are  
21 needed to supply air conditioning for the entire Liberty Pearl building.

1 Q52. HOW ARE COSTS FOR THESE CAPITAL ADDITIONS CONTROLLED?

2 A. Costs are controlled by several means, including competitive bidding,  
3 adherence to the Entergy Companies' Procurement Policy (as discussed  
4 by Company witness Jackson), and review and verification of contractor  
5 invoices and account coding.

6 The primary mechanism for validating the cost of service is  
7 competitive bidding of products and/or services, including capital costs.  
8 The Entergy Companies' Procurement Policy requires competitive bidding  
9 for services greater than \$50,000. Examples of capital projects that have  
10 been competitively bid include facility construction projects, building  
11 renovations, HVAC system upgrades, fire protection system upgrades,  
12 and roof system upgrades.

13 When projects are competitively bid, the qualified bidder with the  
14 lowest cost is awarded the work per the terms of the Entergy Companies'  
15 Procurement Policy. The policy also mandates specific levels of  
16 management authorization before contracts are executed. Contracts have  
17 specific rates and ceilings that cannot be exceeded without management  
18 approval. Contract managers are required to review invoices for  
19 accuracy, completeness of work and accurate coding of account  
20 distribution.

1 Q53. ARE THE COSTS OF THESE CAPITAL ADDITIONS REASONABLE?

2 A. Yes. The costs for these capital additions are reasonable based on the  
3 fact that they are in large part competitively bid and, thus, market  
4 conditions drive the cost.

5 For the few projects that are not competitively bid, work is typically  
6 awarded to contractors who: 1) are already under contract with the  
7 company for a related product or service and 2) have performed quality  
8 work for the Administration Department in the past. Contractors that are  
9 already under contract have demonstrated the ability to provide low-cost,  
10 quality products and services through compliance with the Entergy  
11 Companies' Procurement Policy.

12

13 Q54. HOW ARE THE COSTS OF CAPITAL ADDITIONS CAPTURED?

14 A. Costs are captured in project codes, which are established for each capital  
15 addition. The project code is identified for the specific operating company  
16 that it benefits, in this case ETI. As invoices are processed for the project  
17 and charged to the specific project code, costs are incurred for ETI. Each  
18 project code is assigned a cost-causative billing method in the same  
19 manner I describe above for ESI billings to ETI and as further explained by  
20 Company witness Tumminello.

1 Q55. IS ETI CHARGED ANY MORE FOR THESE CAPITAL ADDITIONS THAN  
2 WHAT IS CHARGED TO OTHER ENTERGY COMPANIES?

3 A. No. ETI is charged only for capital additions that benefit ETI, and those  
4 additions are charged at competitively bid prices, just as for other  
5 Entergy Companies.

6

7 Q56. EXHIBIT TCP-10 INCLUDES AFFILIATE COSTS. ARE THOSE  
8 AFFILIATE COSTS NECESSARY TO IMPLEMENT CAPITAL PROJECTS  
9 IN SUPPORT OF THE ADMINISTRATIVE CLASS?

10 A. Yes. The affiliate costs are a necessary part of the capital costs. These  
11 affiliate charges include oversight and support costs that are necessary to  
12 acquire, design, construct, and/or install these projects.

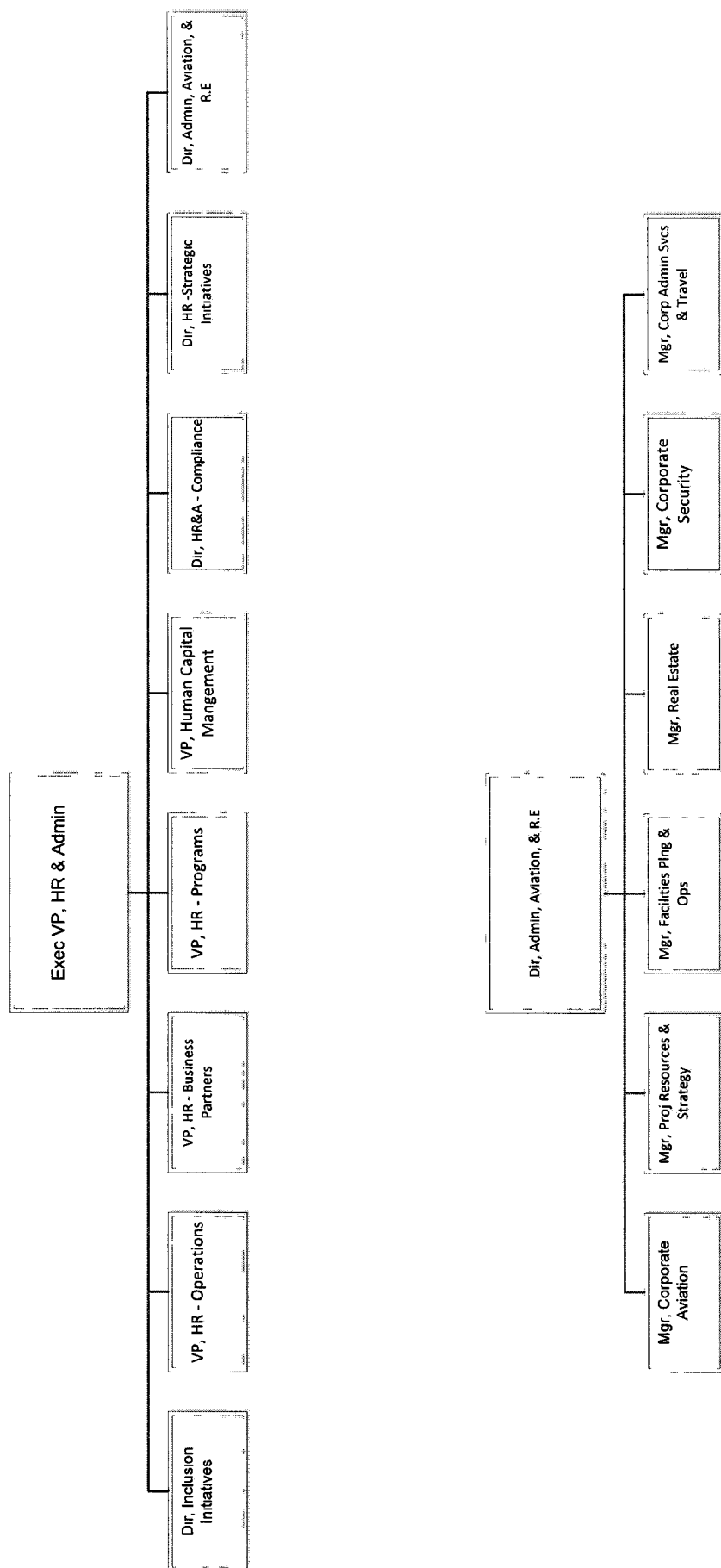
13

14 Q57. EARLIER IN YOUR TESTIMONY, YOU DISCUSSED THE  
15 REASONABLENESS AND NECESSITY OF AFFILIATE COSTS  
16 CHARGED TO ETI DURING THE TEST YEAR. DOES THAT  
17 DISCUSSION APPLY TO THE AFFILIATE COSTS IN THE CAPITAL  
18 ADDITIONS THAT YOU SPONSOR?

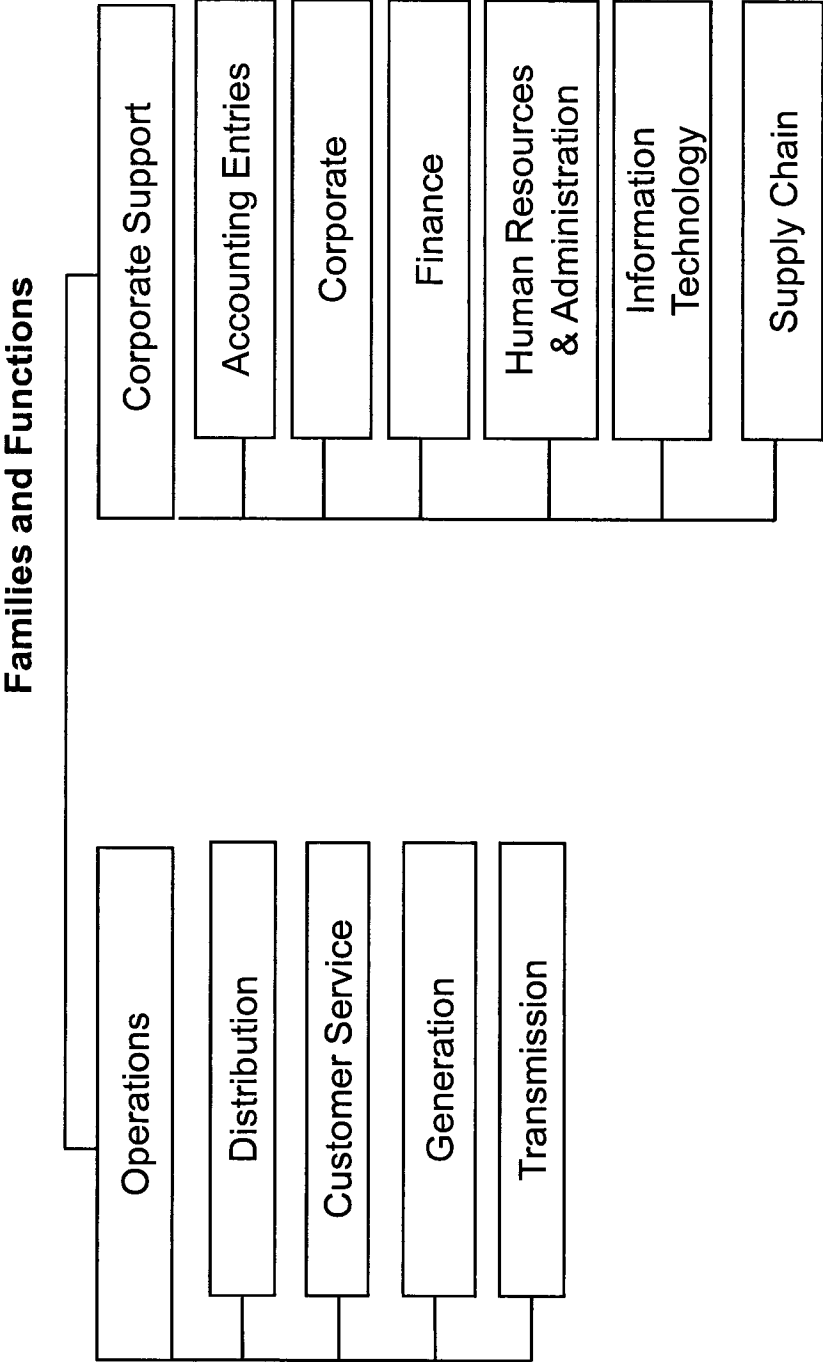
19 A. Yes. In Section III above, I discussed the reasonableness and necessity  
20 of Test Year charges by ESI to ETI. The affiliate costs charged to the  
21 capital projects I sponsor are similarly reasonable and necessary for the  
22 type of reasons I explain with regard to the affiliate costs during the Test  
23 Year. For example, the budgeting and cost controls that were in place for



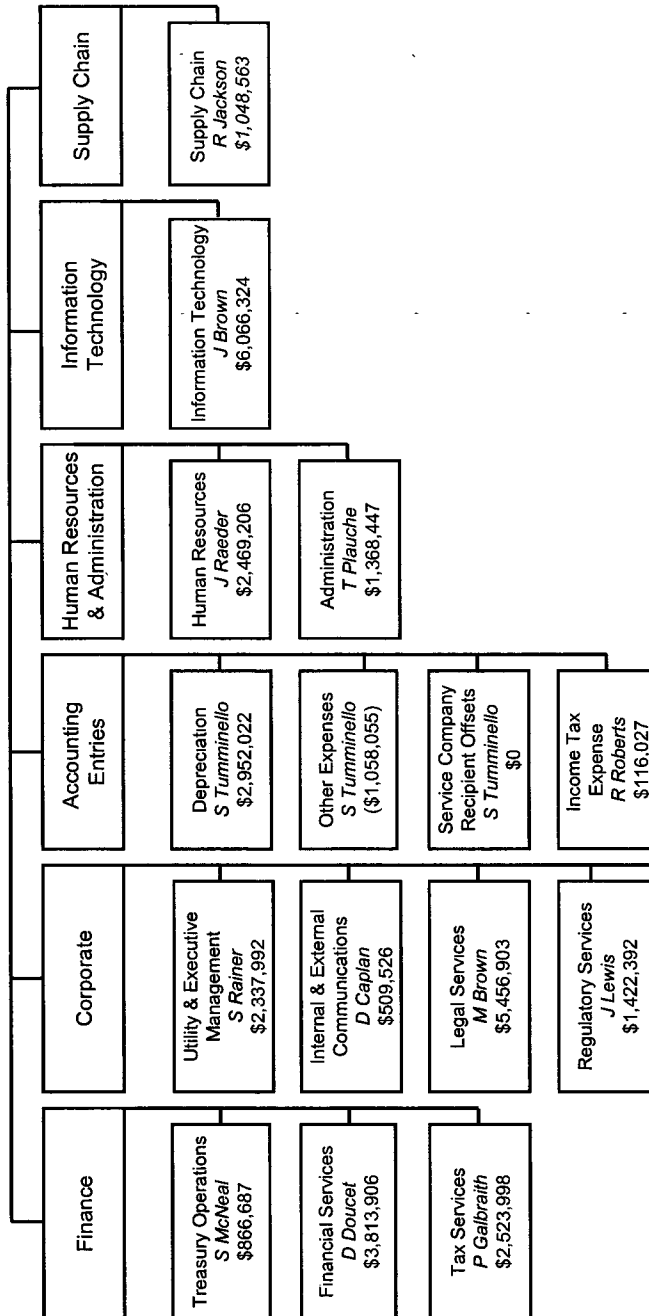
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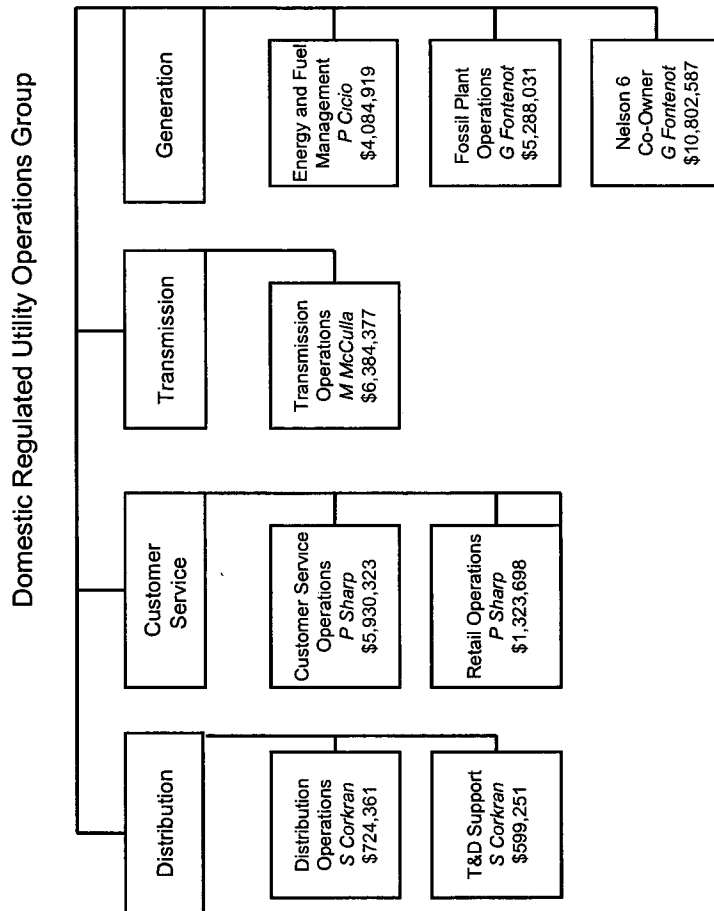
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# Corporate Support Functions & Classes (\$ Total ETI Adjusted)



# Operations Functions & Classes (\$ Total ETI Adjusted)



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# Administration Key Findings

## Corporate Real Estate

Most recent benchmark year	2011
Benchmark name	International Facilities Management Association Utility Council
Peer group size	37
Utility only (Yes/No)	Yes
Example of companies	<ol style="list-style-type: none"> <li>1. DTE</li> <li>2. Exelon</li> <li>3. PGE</li> <li>4. Southern California Edison</li> <li>5. Xcel Energy</li> </ol>
Major Process Benchmark (Rank)	<ol style="list-style-type: none"> <li>1. Headquarters Building Office Space Utilization Usable Square Feet Per Person (Second Quartile)</li> <li>2. Regional Offices Office Space Utilization Usable Square Feet Per Person (Second Quartile)</li> </ol>

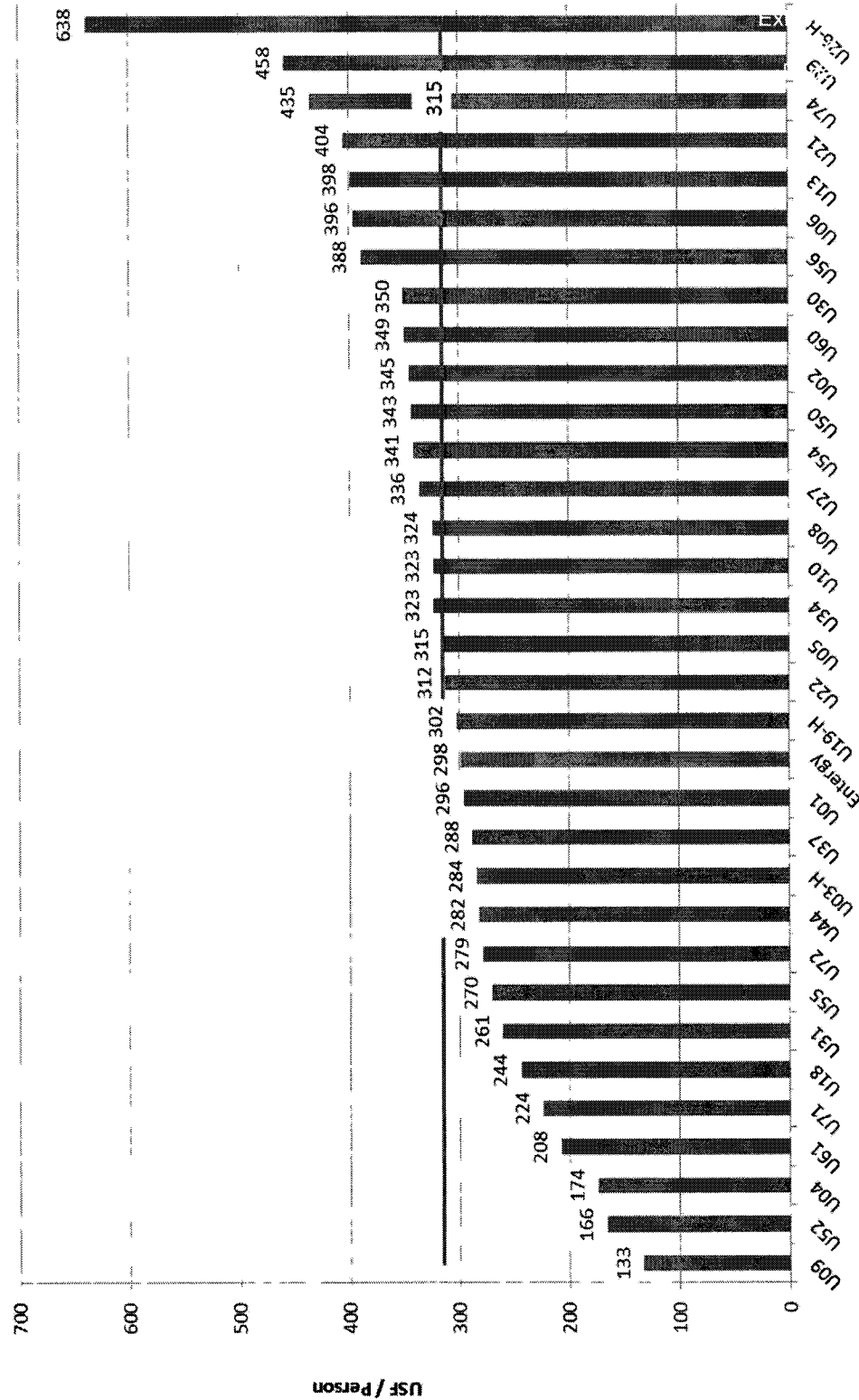
### Next Steps

- Maintain Operational Efficiency
- Continue To Manage Space Utilization In 2013
- Conduct Office Space Utilization Benchmark In Q3/2013

# Administration Key Findings

Corporate Real Estate 2011 Office Space Utilization for Headquarters (639 Loyola Avenue)  
Usable Square Feet Per Person (USF / Person)

Q1, 279  
Median 315

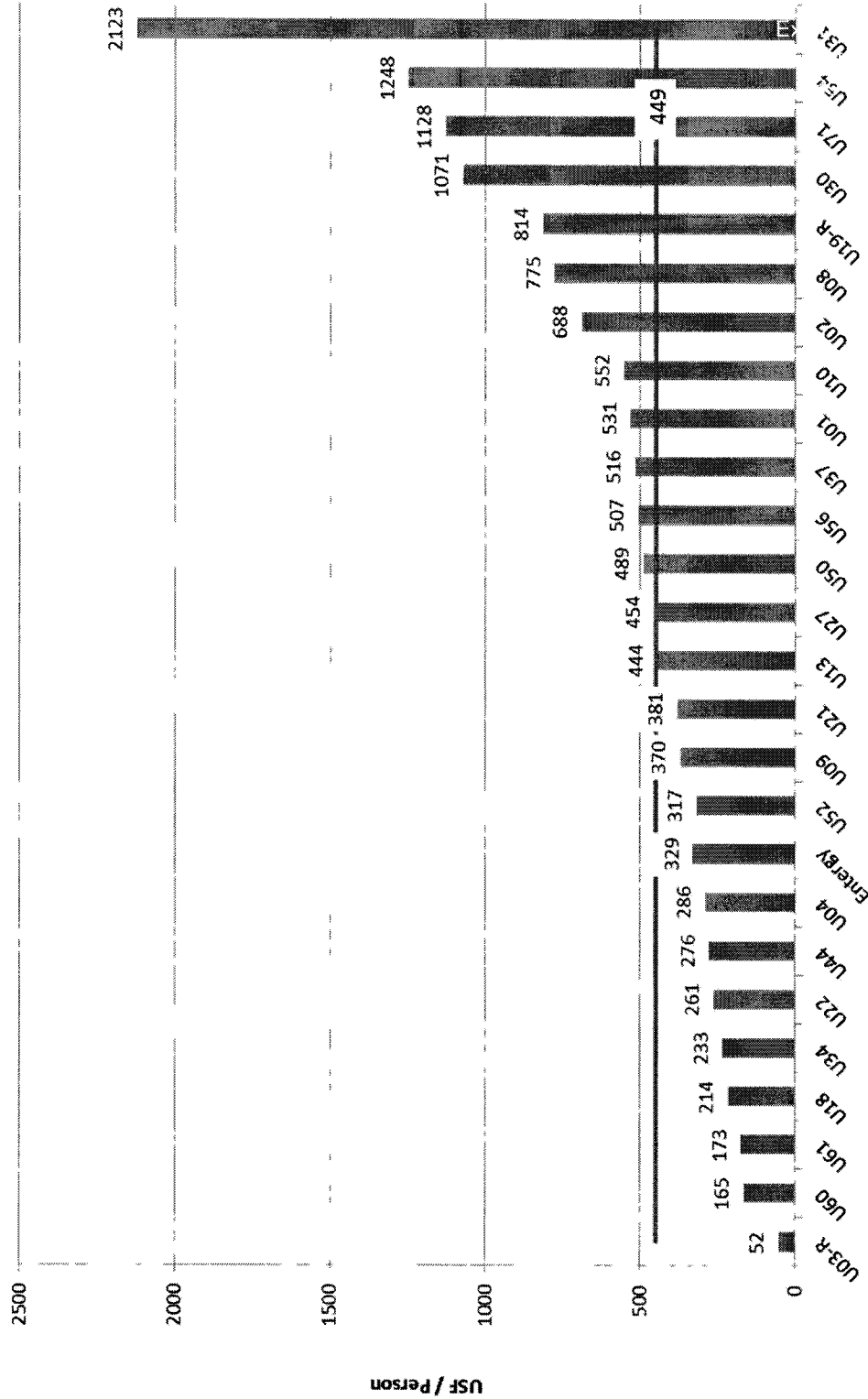


33 Companies - 2012 IFMA Utility Council Benchmarking Study

# Administration Key Findings

Corporate Real Estate 2011 Office Space Utilization for Regional Offices  
Usable Square Feet Per Person (USF / Person)

Q1, 278  
Median 449



26 Companies - 2012 IFMA Utility Council Benchmarking Study

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# Administration Key Findings

## Facilities Planning & Operations

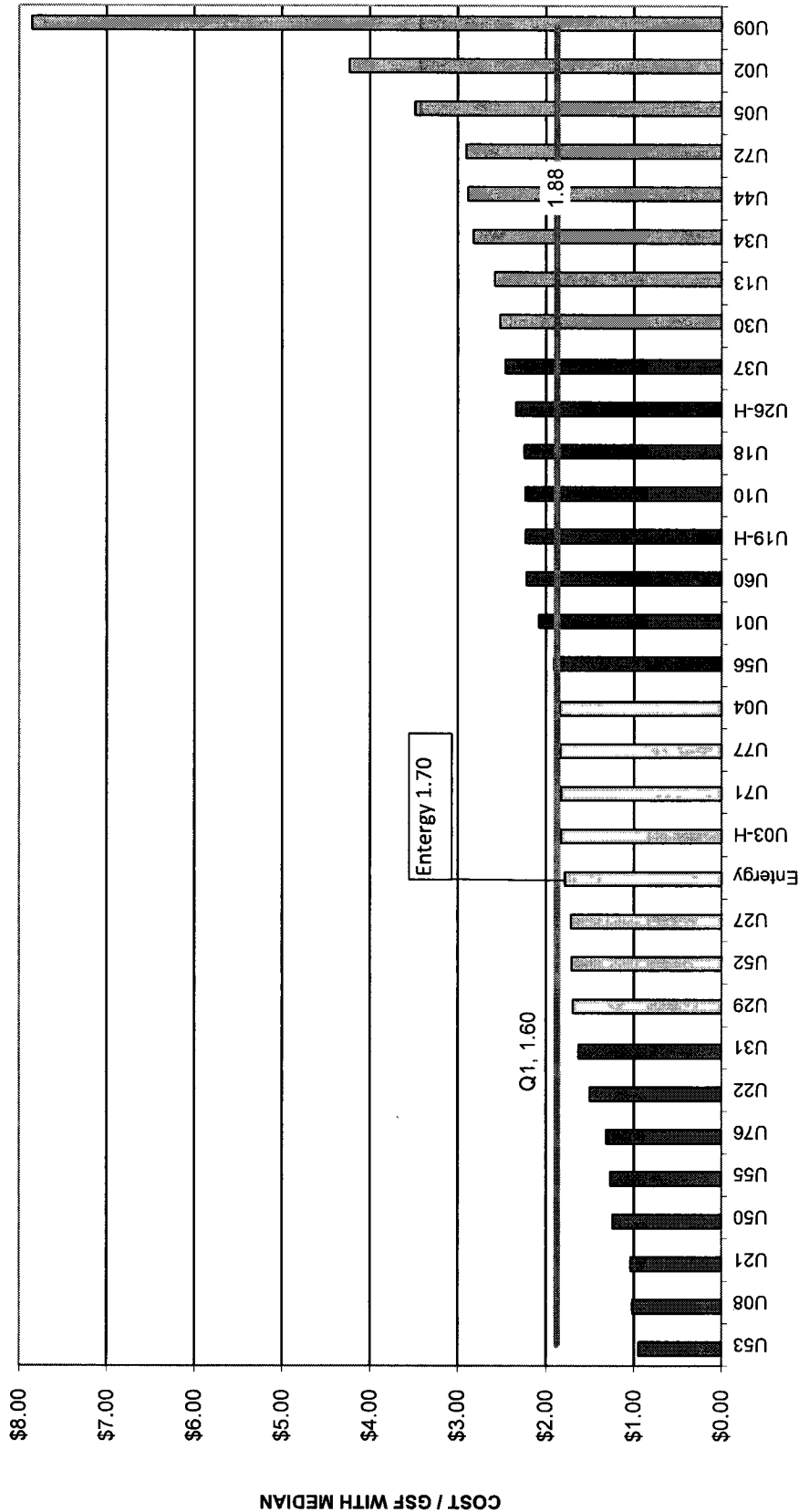
Most recent benchmark year	2011
Benchmark name	International Facilities Management Association Utility Council
Peer group size	37
Utility only (Yes/No)	Yes
Example of companies	<ol style="list-style-type: none"> <li>1. DTE</li> <li>2. Exelon</li> <li>3. PGE</li> <li>4. Southern California Edison</li> <li>5. Xcel Energy</li> </ol>
Major Process Benchmark (Rank)	<ol style="list-style-type: none"> <li>1. Headquarters Maintenance Cost Per Gross Square Feet (Second Quartile)</li> <li>2. Regional Offices Maintenance Cost Per Gross Square Feet (Top Decile)</li> <li>3. Service Centers Maintenance Cost Per Gross Square Feet (Second Quartile)</li> <li>4. Headquarters Custodial Cost Per Area Cleaned In Square Feet (First Quartile)</li> <li>5. Regional Offices Custodial Cost Per Area Cleaned In Square Feet (First Quartile)</li> <li>6. Service Centers Custodial Cost Per Area Cleaned In Square Feet (Second Quartile)</li> </ol>

### Next Steps

- Maintain Operational Efficiency
- Conduct Benchmark In Q3/2013
- Identify Areas For Further Investigation And Potential Improvements

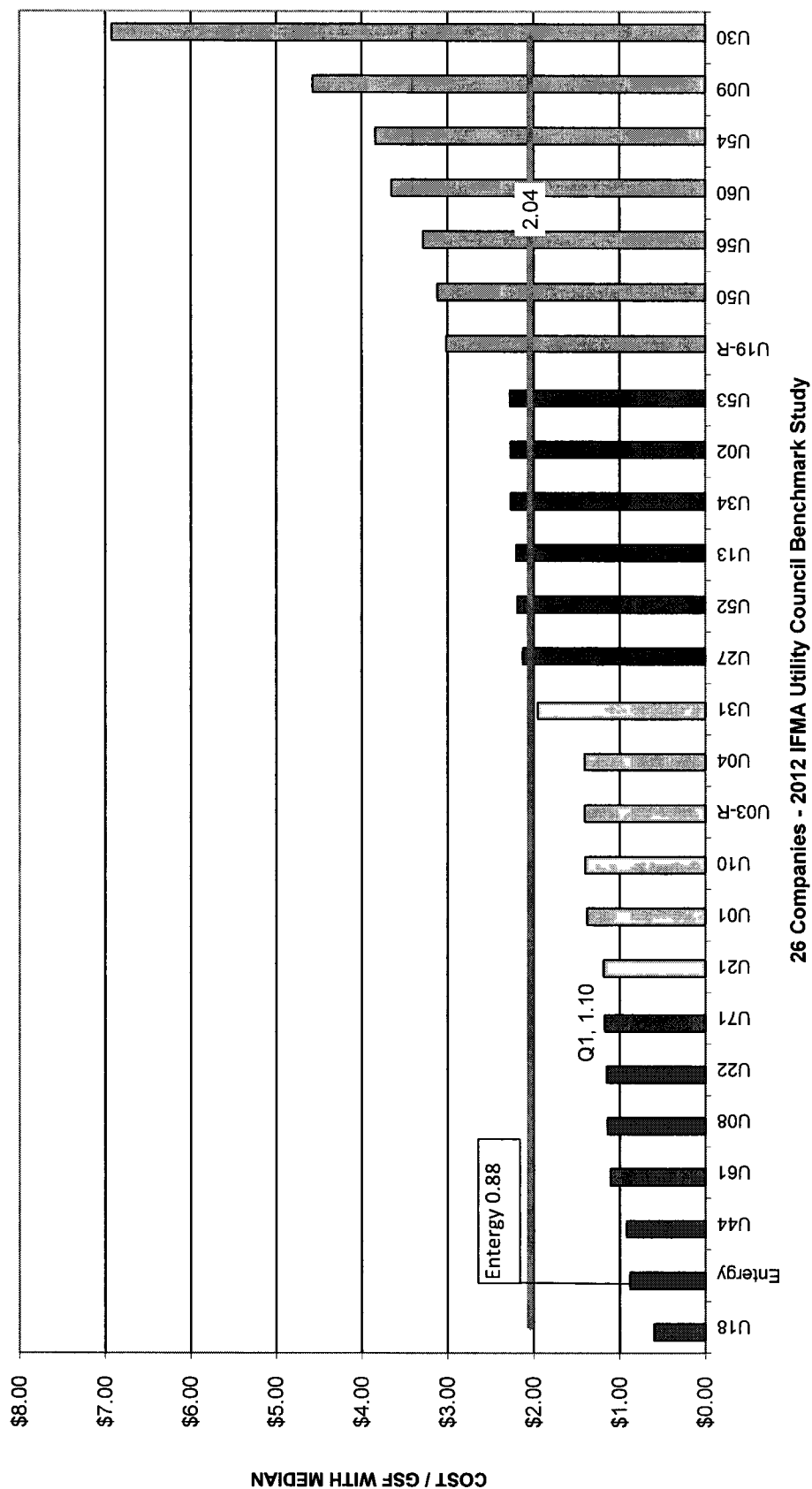
# Administration Key Findings

Facilities Planning & Operations 2011 Headquarters (639 Loyola Avenue)  
Maintenance Cost Per Gross Square Feet (Cost / GSF)

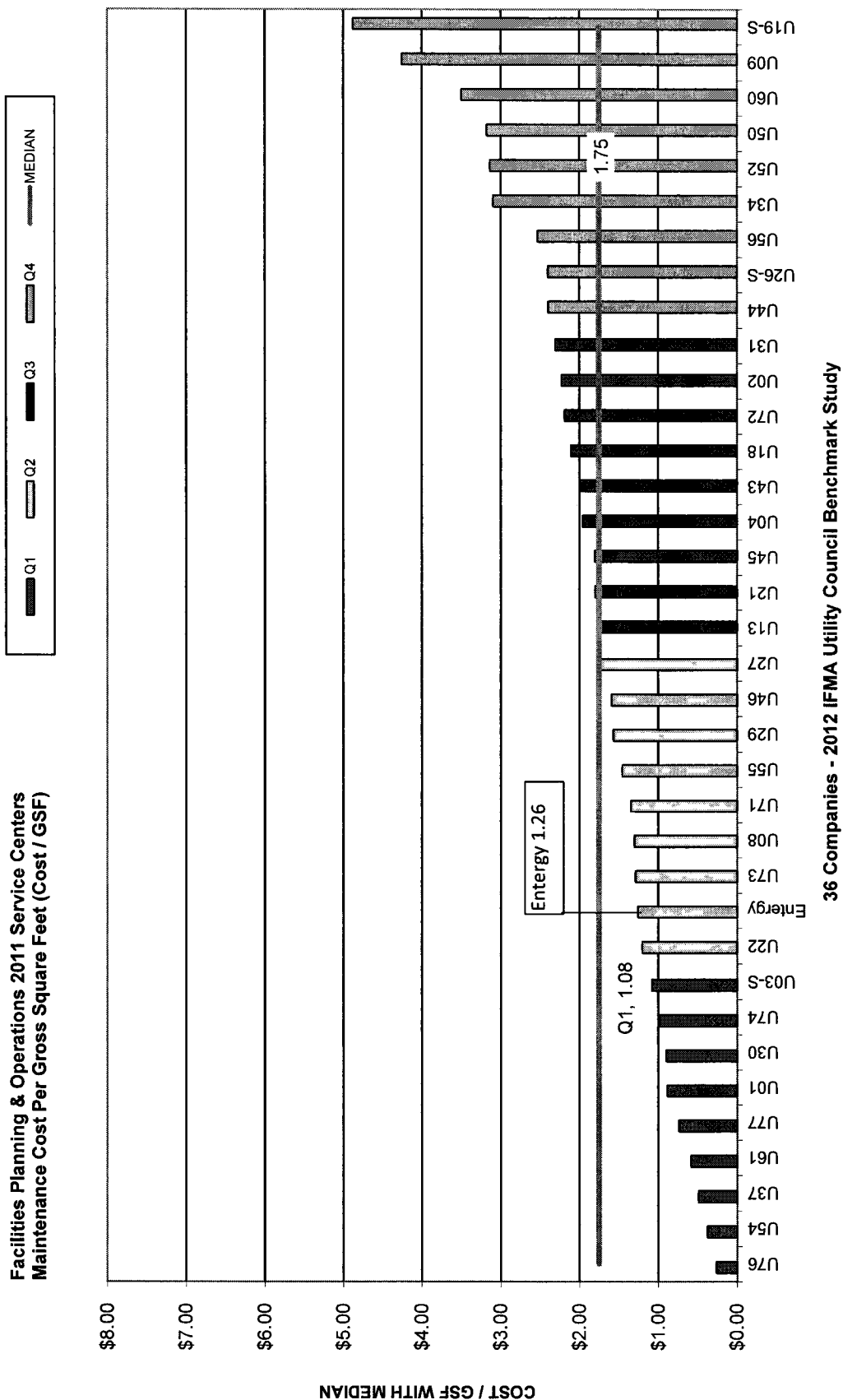


# Administration Key Findings

Facilities Planning & Operations 2011 Regional Offices  
Maintenance Cost Per Gross Square Feet (Cost / GSF)

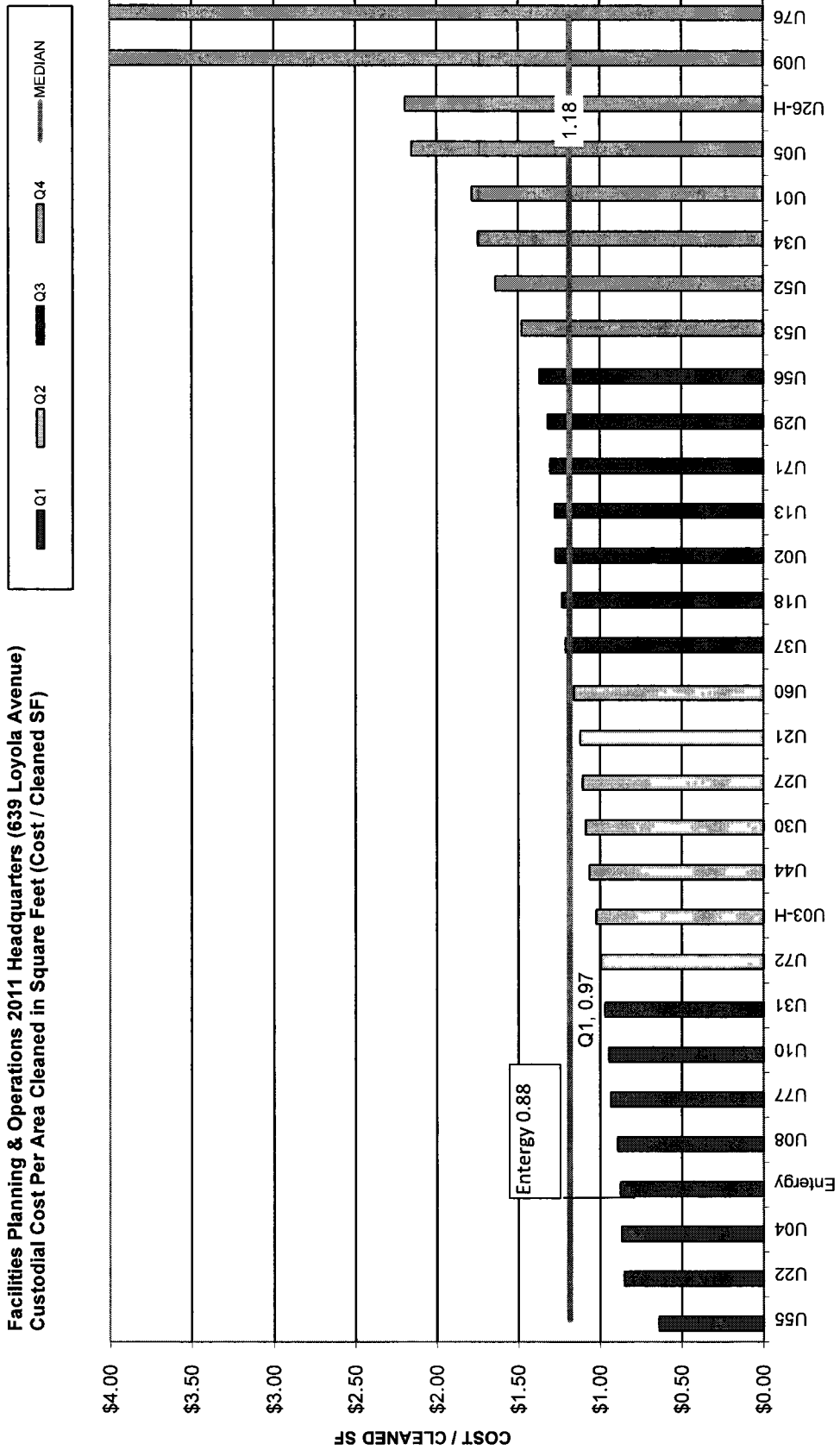


# Administration Key Findings



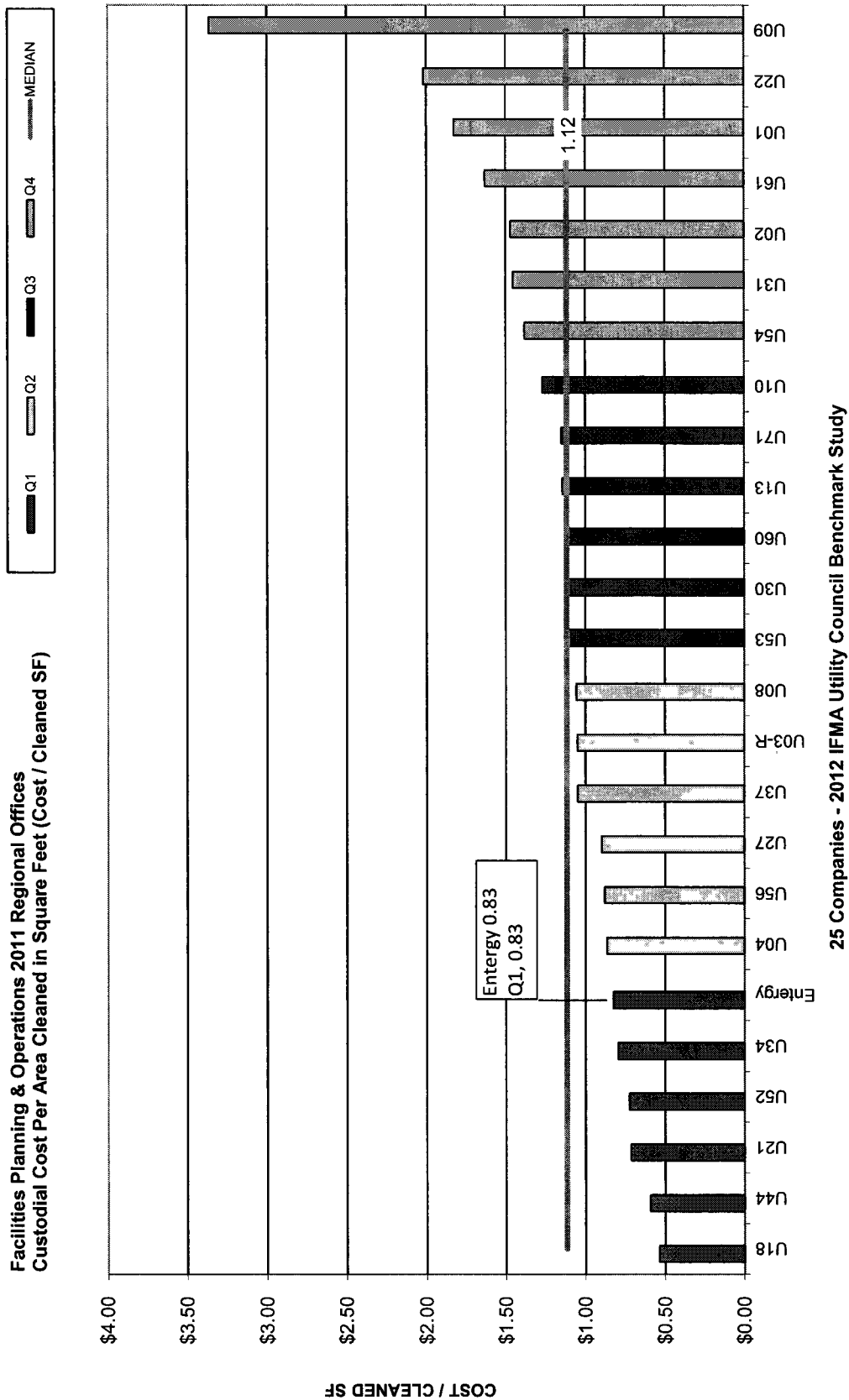
# Administration Key Findings

Facilities Planning & Operations 2011 Headquarters (639 Loyola Avenue)  
Custodial Cost Per Area Cleaned in Square Feet (Cost / Cleaned SF)

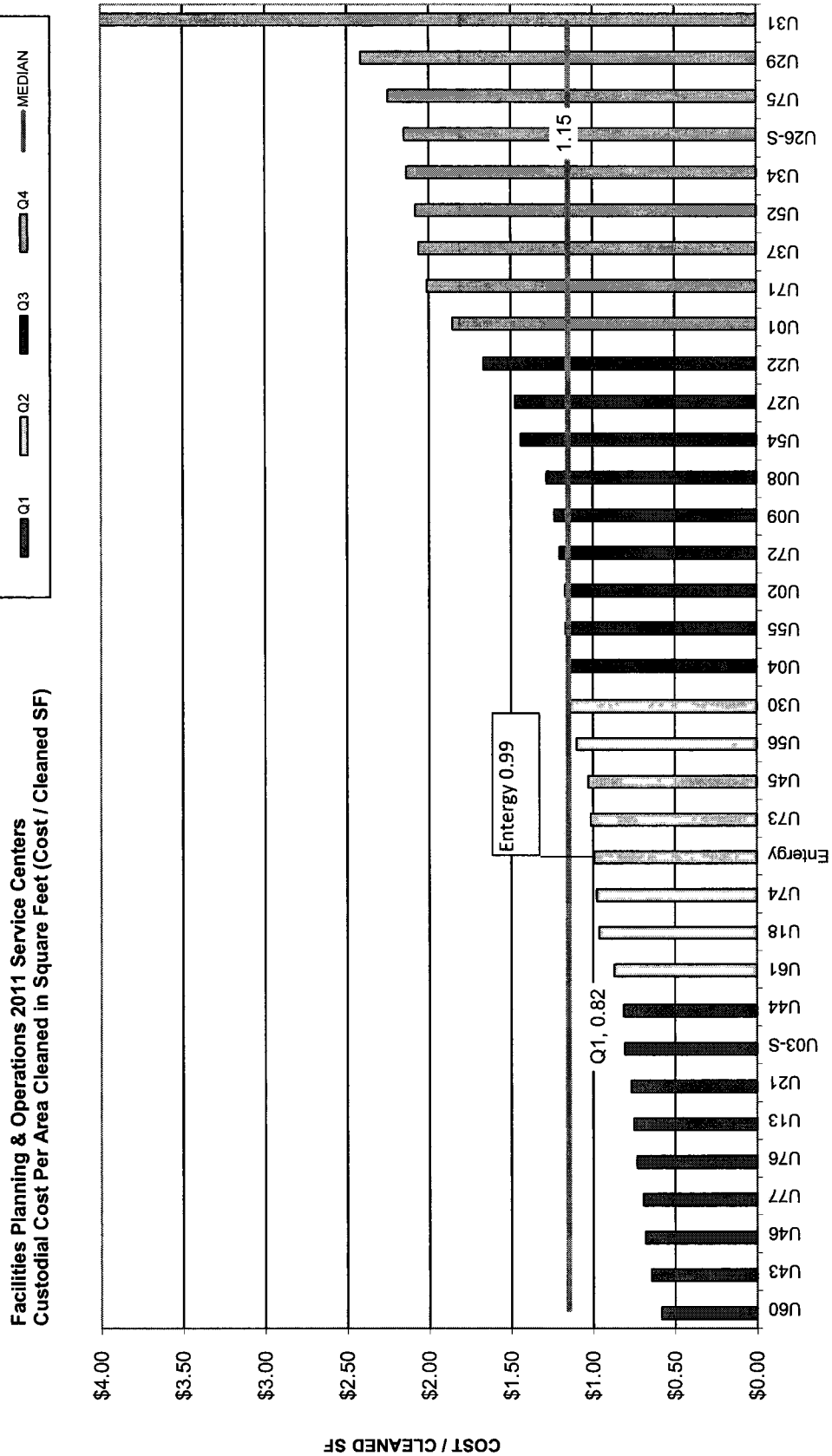


30 Companies - 2012 IFMA Utility Council Benchmark Study

# Administration Key Findings



# Administration Key Findings



35 Companies - 2012 IFMA Utility Council Benchmark Study