This page has been intentionally left blank.

Summary of Monthly Adjustment Percentages by Rate Class
Entergy Texas Inc. Coincident Peak (CP) and Maximum Diversified Demand (MDD)

	Residential - CP	General Service - CP	Small General Service - CP	Large General Service - CP	Residential - MDD	General Service - MDD	Small General Service - MDD	General Service - MDD
Apr-12	0.2%	0.1%	0.1%	0.0%	-2.0%	-0.7%	0.1%	-2.0%
May-12	-3.6%	-1.4%	-2.4%	-0.8%	0.5%	-0.4%	-4.4%	-1.3%
Jun-12	-5.5%	-4.8%	-1.5%	-0.5%	-7.2%	-7.1%	-3.8%	-1.7%
Jul-12	0.3%	0.3%	0.1%	0.0%	4.0%	-0.1%	-2.0%	0.0%
Aug-12	0.8%	0.8%	0.1%	0.0%	2.9%	-0.6%	0.1%	0.0%
Sep-12	-4.4%	-1.8%	-3.0%	-1.1%	-5.5%	-1.7%	-3.8%	-1.0%
Oct-12	21.3%	6.5%	12.2%	3.7%	4.3%	6.1%	6.7%	1.9%
Nov-12	2.2%	-13.3%	-4.8%	-7.9%	15.1%	4.4%	-0.1%	1.3%
Dec-12	16.8%	6.0%	16.0%	0.0%	13.6%	-6.1%	4.9%	-5.9%
Jan-13	-2.2%	-0.9%	-2.2%	0.0%	-2.2%	1.5%	-3.6%	-8.7%
Feb-13	25.9%	8.9%	24.6%	0.0%	25.9%	-1.8%	15.7%	-4.8%
Mar-13	0.0%	3.8%	-0.6%	3.1%	-1.3%	-5.7%	3.7%	-2.4%

This page has been intentionally left blank.

DOCKET NO. 41791

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

DIRECT TESTIMONY

OF

MARGARET L. MCCLOSKEY

ON BEHALF OF

ENTERGY TEXAS, INC.

SEPTEMBER 2013

ENTERGY TEXAS, INC.
DIRECT TESTIMONY OF MARGARET L. MCCLOSKEY
2013 RATE CASE

TABLE OF CONTENTS

EXHIBITS

I. NAME AND QUALIFICATIONS

Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.

A. My name is Margaret L. McCloskey. My business address is 639 Loyola Avenue, New Orleans, Louisiana 70113. I am employed by Entergy Services, Inc. ("ESI"), the service company affiliate of Entergy Texas, Inc. ("ETI" or the "Company"), as Manager in the Fuel & Special Riders Department.

Q2. ON WHOSE BEHALF ARE YOU SUBMITTING THIS DIRECT TESTIMONY?

A. I am submitting this Direct Testimony on behalf of ETI.

Q3. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I received a Bachelor of Science Degree in Accounting from Louisiana State University and received my Certified Public Accountant ("CPA") certification that same year. I began my career with Ernst & Whinney in the audit department. I then accepted a senior staff position with a financial institution and subsequently began working at ESI as a contractor, ultimately taking a permanent position in the Fuel Accounting department. In that role, I was responsible for preparing and reviewing various fuel, purchased power and co-owner transactions, account

reconciliations and fuel analysis. After approximately five years, I accepted a position in the Utility Planning Department where I was responsible for the analysis of the five-year business plans for the Entergy Companies, as well as the preparation of all related board and rating agency presentations.[1] After approximately three years in my planning role, I accepted a position in June 2010 as Manager of Fuel & Special Riders, a newly formed department to centralize the preparation of all jurisdictional fuel filings and certain special riders.

Q4. PLEASE DESCRIBE YOUR JOB RESPONSIBILITIES.

A. I am responsible for the preparation and submission of the fuel recovery clause filings and certain special riders for the Entergy Operating Companies. This includes the preparation and filing of the Company's monthly Cost Reports with the Public Utility Commission of Texas (the "Commission"), including the calculation of the monthly over(under)-recovery of fuel expenses. In addition, I am responsible for gathering, preparing, and analyzing fuel accounting data for ETI for use in preparing rate filings. This includes the preparation and coordination of fuel accounting-related schedules and testimony filed with the Commission.

[1] The term "the Entergy Companies" is used to mean Entergy Corporation and its subsidiaries, including ETI, ESI, and the other Entergy Operating Companies.

Q5. WHAT IS THE PURPOSE OF THE TESTIMONY YOU ARE PRESENTING IN THIS PROCEEDING?

A. The purpose of my testimony and exhibits is to: (1) explain and summarize the Company's accounting procedures with respect to fuel and purchased power expense; (2) sponsor or co-sponsor the Company's fuel and purchased power expense schedules that were compiled using the accounting records of the Company including the identification as reflected in Exhibit MLM-1 of those costs eligible for recovery through the Company's fixed fuel factor in accordance with P.U.C. Subst. R. 25.236(a); (3) support the proposed inclusion of the Company's special circumstances request which is discussed further below; (4) support the Company's fuel factor over-recovery amount of $130,664,169 (including interest) for the months July 2011 through March 2013 (the "Reconciliation Period"); (5) sponsor the related Schedules I-22 and I-22A; (6) sponsor the rough production cost equalization adjustment ("RPCEA") rider; and (7) sponsor Adjustment 5, which removes reconcilable fuel expense from the test year costs.

Q6. WHAT IS YOUR ROLE WITH RESPECT TO THE COMPANY'S REQUEST FOR A CHANGE IN BASE RATES?

A. I present the ineligible fuel and purchased power expenses for the twelve-month period ending March 31, 2013 (the "Test Year") which are

included in ETI's operating expenses used to calculate base rates and certain riders.

Q7. ARE YOU THE SPONSOR OF ANY SCHEDULES IN THIS CASE?

A. Yes. I sponsor or co-sponsor the fuel amounts taken from the books and records of the Company set forth in various Company schedules.

Q8. ARE THERE ANY EXHIBITS TO YOUR TESTIMONY?

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

II. GENERAL OVERVIEW OF ACCOUNTING RECORDS

Q9. ON WHAT BASIS ARE THE ACCOUNTING RECORDS OF THE COMPANY MAINTAINED?

A. The accounting records of the Company are maintained in compliance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission ("FERC") for major electric utilities, which method has also been adopted by the Commission (P.U.C. Subst. R. 25.72(c)). These records are maintained primarily for financial management purposes, by state, on what is generally a situs basis (*i.e.*, where the transaction occurs). Within the parameters of the Uniform System of Accounts, transactions are recorded in accordance with Generally Accepted Accounting Principles ("GAAP") as applied to an operating public utility company.

Q10. ARE THE ACCOUNTING PRACTICES AND PROCEDURES OF THE COMPANY SUBJECTED TO PERIODIC REVIEW?

A. Yes. Deloitte & Touche, LPP, independent public accountants, performs regular, comprehensive annual audits. The Entergy System also employs its own internal audit staff to conduct audits and reviews of internal controls and operations management. Company records are also periodically reviewed by the staffs or consultants of the FERC, the Commission, the Internal Revenue Service, and state taxing authorities, as well as various other federal and state agencies.

Q11. WHAT DATA ARE YOU PROVIDING IN THIS FILING?

A. I have provided the required accounting information related to the Company's fuel and purchased power expenses and fuel-related revenues for the Reconciliation Period, including the Test Year. The data has been segregated to identify: (1) eligible fuel expenses, consisting of those fuel and purchased power costs (net of off-System sales revenues) that are recovered through the Company's fixed fuel factor as defined by P.U.C. Subst. R. 25.236(a); and (2) ineligible fuel expenses, consisting of those fuel and purchased power costs (net of off-System sales revenues) recovered through base rates.

III. DESCRIPTION OF FUEL AND PURCHASED POWER COSTS

Q12. WHAT FUEL COSTS ARE TREATED AS ELIGIBLE AND INELIGIBLE IN THIS FILING?

A. With respect to coal, gas and oil, all costs other than those classified as handling costs (costs incurred for handling fuel after it is delivered to the generating plant) and brokerage fees have been treated as eligible. Eligible costs include the invoiced cost of coal, gas and oil, transportation, and boiler fuel taxes.

For purchased power costs, the cost of energy and the cost of purchased power made for economic reasons have been treated as eligible fuel expense. All other non-energy charges, except for the items included in the Company's special circumstances request, have been treated as ineligible expense.

Finally, emissions allowance costs and related gains from disposition of allowances are treated as eligible fuel costs consistent with the Commission's Order in Docket No. 34800.

Cost data for the Company's coal, gas and oil fuels as well as emissions allowances and related gains can be found on the "I" Schedules. In particular, Schedule I-1.1 – Fuel Expense by Account Number further classifies this fuel cost data into fixed, semi-variable, and variable cost data as defined on this schedule. Cost data for the Company's purchased power can be found on Schedule H-12.4a-g. Additional detail on coal inventory costs is provided below.

Q13. ARE THE FUEL AND PURCHASED POWER COSTS IDENTIFIED IN YOUR TESTIMONY AND IN THE SCHEDULES AND EXHIBITS SPONSORED BY YOU PROPERLY RECORDED PURSUANT TO COMMISSION SUBSTANTIVE RULES?

A. Yes. As stated earlier in my testimony, the accounting records of the Company are maintained in compliance with the Uniform System of Accounts as prescribed by the FERC and P.U.C. Subst. R. 25.72(c). P.U.C. Subst. R. 25.236(a) states, in part, that "[e]ligible fuel expenses include expenses properly recorded in the Federal Energy Regulatory Commission Uniform System of Accounts, numbers 501, 503, 518, 536, 547, 555, and 565. ..." The eligible fuel costs identified in my testimony and included in the schedules and exhibits that I sponsor include only those costs recorded in the above-referenced accounts as well as accounts 509 and 4118 which the Commission has further determined should be treated as eligible. All other fuel-related costs are treated as ineligible, which means they are included in the Company's Test Year cost of service to set base rates or riders.

Q14. HAS THE COMPANY CREDITED OFF-SYSTEM SALES REVENUES AND MARGINS FROM THESE SALES TO ELIGIBLE FUEL EXPENSE?

A. Yes. Those amounts have been credited to eligible fuel expense. The Company records Off-System sales in FERC Account 447 (Sales for Resale) and has credited eligible revenues, including margins, from these

Off-System sales to eligible fuel expense. Information concerning Off-System sales can be found on Schedule H-12.5 b-e.

Q15. PLEASE DISCUSS THE COMPANY'S ACCOUNTING POLICIES FOR FOSSIL FUEL INVENTORIES AND INDICATE WHERE IN THIS APPLICATION THESE ACCOUNTING POLICIES AND THE RELATED FOSSIL FUEL COSTS CAN BE FOUND.

A. The Company uses the average cost method to value its coal and fuel oil inventory, and a modified average cost method to account for the gas inventory at the Spindletop gas storage facility. The Company's accounting policies for fossil fuel inventories are discussed in Schedule E-2.5 - Inventory Values. As these fossil fuel costs are charged to expense, they are properly recorded in FERC Account 501 - Fuel.

Schedule I-16 – Eligible Fuel Costs reflects fossil fuel costs recorded to FERC Account 501 as well as emissions allowance costs and related gains recorded to FERC Account 509 and 4118. Schedule I-16 also reflects ineligible costs recorded to FERC Account 501 determined in accordance with the requirements of P.U.C. Subst. R. 25.236(a). Schedule I-16.1 – Fossil Fuel Mix (Burned) reflects fuel burned by plant and by fuel type. Schedule I-16.2 – Fossil Fuel Mix (Purchased) reflects fuel purchased by plant and by fuel type. Costs associated with coal are described further below.

Q16. WHAT TYPES OF COSTS ARE INCLUDED IN THE COMPANY'S COAL INVENTORY?

A. With respect to Unit 6 at Nelson Station, the Company maintains a coal inventory that includes the following costs:

(1) commodity cost of coal and applicable taxes;

(2) freight cost to transport coal;

(3) rail car lease expenses;

(4) accrued maintenance costs on the leased unit trains; and

(5) ad valorem taxes on the leased unit trains.

Items (1) and (2) are treated as eligible fuel costs. Items (3), (4), and (5) are treated as ineligible fuel costs.

With respect to Big Cajun II, Unit 3, the Company includes the following costs in coal inventory:

(1) commodity cost of coal and applicable taxes;

(2) freight cost to transport coal (rail/barge); and

(3) rail car lease expenses.

Items (1) and (2) are treated as eligible fuel costs. Item (3) is treated as ineligible fuel expense. During the Reconciliation Period, Louisiana Generating, L.L.C. billed Items (1), (2) and (3) to the Company as one aggregated amount. The Company, in turn, removed Item (3) from this aggregated amount and excluded it from eligible fuel costs because the cost of service that forms the basis of ETI's current base rates included

expense for Item (3). This adjustment is made to avoid double recovery of the same cost in base rates and in fixed fuel factors.

Certain coal costs such as those related to fuel handling and ash proceeds are recorded to FERC Account 501 when incurred.

Q17. DID THE COMPANY MAKE PAYMENTS FOR FUEL COSTS TO ANY OF ITS AFFILIATES DURING THE RECONCILIATION PERIOD?

A. Yes. The Company made payments to and received payments from its affiliated Operating Companies during the Reconciliation Period. These transactions were conducted pursuant to the Entergy System Agreement, which is a FERC-approved rate schedule that is discussed further in the Direct Testimony of Company witness Michael J. Goin. Entergy System transactions are recorded in the accounting records monthly based on the Intra-System Bills ("ISBs"), as discussed by Company witness Goin.

Company witness Andrew J. O'Brien explains in his Direct Testimony that ETI was allocated its responsibility ratio share of a limited amount of purchases from affiliates through the Generation Imbalance Agreement.

IV. OVER(UNDER)-RECOVERED BALANCES

Q18. WHAT IS THE COMPANY'S METHOD OF ACCOUNTING FOR OVER(UNDER)-RECOVERIES OF FUEL AND PURCHASED POWER EXPENSE?

A. The Company practices deferred accounting. Using deferred accounting, any under-recovery of fuel and purchased power expense is deferred and any over-recovery is accrued on the Company's books, pending future surcharges or refunds as approved by the Commission. Net under-recoveries are recorded in FERC Account 182.3 - Other Regulatory Assets, while net over-recoveries are recorded in FERC Account 254 – Other Regulatory Liabilities. This treatment is consistent with the provisions of the Commission's fuel cost recovery procedures that provide for periodic fuel cost reconciliations and also with the Accounting Standards codification No. 980 ("ASC 980"), "Accounting for the Effects of Certain Types of Regulation." ASC 980 is the current definitive pronouncement with respect to the application of GAAP to public utilities. The Company's fuel factor over(under)-recovery balance for the Reconciliation Period is reflected in Schedules I-22 and I-22A.

V. SPECIAL CIRCUMSTANCES

Q19. PLEASE DESCRIBE THE COMPANY'S SPECIAL CIRCUMSTANCES REQUEST.

A. In accordance with P.U.C. Subst. R. 25.236(a), the Company seeks to recover as eligible fuel expense the lower of the monthly fuel savings or capacity costs related to certain purchased power capacity contracts during the Reconciliation Period.

Q20. WHAT IS THE DOLLAR AMOUNT OF THE COMPANY'S SPECIAL CIRCUMSTANCES REQUEST?

A. The total amount of the special circumstances request for the Reconciliation Period is $22,942,706 which is discussed in the Direct Testimony of Company witness Robert R. Cooper and is presented in Exhibit RRC-1. I support the calculation of the retail portion of the special circumstances request. The retail amount was calculated using the monthly combined result as per Exhibit RRC-1 times the applicable monthly fixed fuel factor allocator for each of the months in the Reconciliation Period. The resultant retail portion of the special circumstances request of $21,492,468 has been included in the Company's calculation of its cumulative fuel factor over(under) recovery balance as reflected in Schedules I-22 and I-22A.

VI. FUEL FACTOR RECONCILIATION

A. Calculation of Fuel Factor Over-Recovery Balance

Q21. HOW WAS THE CUMULATIVE AMOUNT OF THE COMPANY'S FUEL FACTOR RECONCILIATION PERIOD OVER-RECOVERY CALCULATED?

A. The Company calculated the fuel factor over-recovery balance by comparing its eligible fuel and net purchased power costs allocated to the fixed fuel factor customers to the respective month's actual fuel factor revenues for each month during the Reconciliation Period. Any resulting differences were recorded in the Company's cumulative fuel factor over(under)-recovery balance. Each month's over(under)-recovery was added to the cumulative balance from the previous month resulting in a cumulative over-recovery balance, including interest, for the Reconciliation Period of $130,664,169.

Q22. DO THE MONTHLY OVER(UNDER)-RECOVERY BALANCES FOR THE FUEL FACTOR RECONCILIATION PERIOD SHOWN ON SCHEDULE I-22 MATCH THE MONTHLY OVER(UNDER)-RECOVERY BALANCES SHOWN ON THE MONTHLY COST REPORTS THAT ETI HAS FILED WITH THE COMMISSION?

A. No, they do not, for the following reasons:

(1) During certain months of the Reconciliation Period, the Texas fuel factor allocator changed based on a detailed examination of actual

bills of certain customers. Because of historical rebilling of a number of these customers, the monthly kWh totals have been adjusted to correctly reflect the final kWh sales billed to customers which resulted in adjustments to the monthly Texas fuel factor allocator.

(2) Due to the kWh changes described in (1) above, fuel revenue was also adjusted to correctly match the final fuel revenue received from those customers.

(3) The total eligible fuel and purchased power costs reported in the Commission Cost Reports for the first month of the Reconciliation Period, included certain costs identified as railcar lease costs. Schedule I-16 classifies these costs as ineligible expenses, and such costs have therefore been excluded in the calculation of the over(under)-recovery balance in Schedule I-22. In all other months thereafter, the railcar lease costs were properly reflected as ineligible in the Commission Cost Reports.

(4) The total eligible fuel and purchased power costs reported in the Commission Cost Reports for one month during the Reconciliation Period included certain miscellaneous oil costs that were inadvertently treated as eligible. Schedule I-16 classifies these costs as ineligible expenses, and such costs have therefore been excluded in the calculation of the over(under)-recovery balance in Schedule I-22.

Upon the receipt of the Commission's order dated September 14, 2012, pertaining to the line loss factors approved in Docket No. 39896, the Company incorporated the approved line loss factors beginning with the submission of the September 2012 Cost Reports. For the portion of the Reconciliation Period preceding the receipt of the order (July 2011 through August 2012), the Texas fuel factor allocators changed due to the inclusion of the line loss factors approved in Docket No. 39896. As a result of this change, the entire Reconciliation Period reflects the inclusion of the loss factors approved in Docket No. 39896.

Finally, the over(under)-recovery balance has been adjusted to reflect the Company's special circumstances request, which is discussed in Section V, above.

Q23. HAVE YOU PREPARED AN EXHIBIT DETAILING THE DIFFERENCES IN THE MONTHLY OVER(UNDER)-RECOVERY BALANCES AS SHOWN ON THE COMPANY'S COST REPORTS FILED WITH THE COMMISSION COMPARED TO SCHEDULE I-22?

A. Yes. Exhibit MLM-2 provides the adjustments necessary to reconcile the monthly over(under)-recovery balances reported in the Cost Reports and Schedule I-22 for the months July 2011 through March 2013.

Q24. HOW WAS INTEREST CALCULATED FOR THE OVER-RECOVERY BALANCE?

A. The Commission's methodology for calculating interest is delineated in P.U.C. Subst. R. 25.236(e)(1) and states in part, "[i]nterest shall be calculated on the cumulative monthly ending under- or over-recovery balance at the rate established annually by the Commission for overbilling and underbilling in §25.28(c) and (d) of this title ...." The Company has, therefore, calculated interest for the over(under)-recovery balances based on the rates established by the Commission under P.U.C. Subst. R. 25.28(c) and (d).

In particular, the Company's method of calculating interest includes: (1) the use of the annual interest rate of 0.28 percent for the period July 2011 through December 2011; (2) the use of the annual interest rate of 0.22 percent for the period January 2012 through December 2012; (3) the use of the annual interest rate of 0.21 percent for the period January 2013 through March 2013; and (4) the calculation of interest on the cumulative monthly ending balance. These interest rates were established by Commission order. Pursuant to P.U.C. Subst. R. 25.236(e)(1), interest has been accrued monthly and has been compounded annually using an effective monthly interest factor based upon the Commission-ordered interest rates noted above. The monthly interest amount has been added to the cumulative over(under)-recovery balance. The monthly over(under)-recovery balances plus the respective interest calculations

used to determine the cumulative over-recovery balance for the Reconciliation Period are reflected on Schedule I-22.

Q25. HAS THE METHOD OF CALCULATING THE OVER-RECOVERY BALANCE FOR THE FUEL FACTOR RECONCILIATION PERIOD BEEN PERFORMED IN COMPLIANCE WITH THE COMMISSION'S RULES?

A. Yes. The Company has accurately accounted for all eligible fuel and net purchased power expenses and fuel factor revenues and has adhered to the Commission's rules in calculating its over-recovery balance.

B. Interim Refunds

Q26. HAS THE COMPANY BEEN AUTHORIZED TO SURCHARGE OR REFUND THE FUEL FACTOR OVER(UNDER)-RECOVERY BALANCE?

A. Yes. The Company was authorized to refund $67,293,841 (principal and interest) for the period of December 2010 through December 2011 pursuant to the final order in Docket No. 40004. ETI implemented that refund during the billing months of March 2012 through May 2012 and, as a result of that order, refunded $67,189,581 (principal and interest). The Company was authorized to refund $84,272,000 (principal and interest) for the period of January 2012 through October 2012 pursuant to the final order in Docket No. 40866. ETI implemented that refund during the billing months of January 2013 through March 2013 and, as a result of that order, refunded $86,066,314 (principal and interest).

Q27. HOW DOES THE COMPANY PROPOSE TO HANDLE ANY OVER- OR UNDER-RECOVERY AMOUNT FROM THIS PROCEEDING?

A. ETI proposes to roll the cumulative fuel factor over-recovery amount from this proceeding, after taking into consideration the portion of the refunds from Docket Nos. 40004 and 40866 applicable to the Reconciliation Period, into the Company's cumulative fuel factor over(under)-recovery balance to be addressed in the next appropriate fuel proceeding.

VII. ROUGH PRODUCTION COST EQUALIZATION ADJUSTMENT RIDER

Q28. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In this section, I present the Rough Production Cost Equalization Adjustment Rider ("Rider RPCEA") that the Company proposes for collection of RPCE costs that were billed to the Company pursuant to a FERC-approved tariff for calendar year 2012. The Company's proposed Rider RPCEA is attached as Exhibit MLM-3.

As Company witness Goin testifies, the RPCE payments are determined through a formula contained in Schedule MSS-3 of the Entergy System Agreement. As the result of application of the FERC-approved formula in Schedule MSS-3, the FERC determined that ETI is required to make payments to another Entergy Operating Company for calendar year 2012 in order to roughly equalize the relative rough production costs of the Operating Companies.

Q29. IS RIDER RPCEA DESIGNED TO COLLECT ALL OF THE COSTS THAT THE FERC DETERMINED WERE OWED BY THE COMPANY FOR 2012?

A. No. A portion of the payments are allocated to the Company's wholesale jurisdiction. Company witness Myra L. Talkington provides the jurisdictional allocation of the 2012 RPCE payments. Rider RPCEA is designed to recover only that portion of the RPCE payments to be collected from the Company's retail customers.

Q30. HOW WILL THE RPCE PAYMENTS BE ALLOCATED AMONG THE COMPANY'S RETAIL CUSTOMER CLASSES?

A. Under Rider RPCEA, payments will be allocated to rate classes based on loss adjusted kWh at plant for the calendar year 2012. This allocation method is consistent with the methodology used by the Company in prior RPCEA riders previously approved by the Commission.[2] The Company proposes that the RPCE payments be collected over twelve monthly billing cycles to coincide with the rate year in this proceeding, and that any over- or under-recovery of the RPCE payments be included in the Company's cumulative fuel factor over(under)-recovery balance.

---

[2] *See Application of Entergy Texas, Inc. to Implement New Rough Production Cost Equalization Adjustment (RPCEA) Rate*, Docket No. 40542; *Application of Entergy Texas, Inc. to Implement New RPCEA Rate*, Docket No. 38098; *Application of Entergy Texas, Inc. to Implement New Rough Production Cost Equalization Adjustment (RPCEA) Rate,* Docket No. 37036; *Compliance Filing of Entergy Texas, Inc. regarding Jurisdictional Allocation of 2007 System Agreement Payment*, Docket No. 35269.

VIII. PRO FORMA ADJUSTMENT 5

Q31. PLEASE DESCRIBE THE PURPOSE OF FUEL EXPENSE ADJUSTMENT 5.

A. The purpose of Adjustment 5 is to remove the Company's eligible fuel and net purchased power expenses from the Company's Test Year operating expenses used to calculate base rates. In Adjustment 5, the Company per book amounts were removed for the following items:

- Eligible fuel expense;
- Eligible purchased power expense;
- Eligible other sales for resale revenue; and.
- Revenues associated with the System Agreement Receipts.

Company witness Heather G. LeBlanc supports Adjustment 1 (Rate Schedule Revenues), and explains that the adjusted present rate revenues in the cost of service study include base rate, but not fuel, revenues. Therefore, as a result of Adjustments 1 and 5, the Company's eligible fuel and net purchased power expenses and fuel factor revenues are synchronized at a value of zero for each of its rate classes.

Synchronizing fuel factor revenues and eligible fuel and net purchased power expenses, by definition, synchronizes sales and generation for the test year. Accordingly, per book unbilled revenues and deferred fuel expenses were also adjusted to zero in Adjustment 5.

IX. CONCLUSION

Q32. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

This page has been intentionally left blank.

Entergy Texas, Inc.
Eligible Fuel and Purchased Power Data
July 2011 through March 2013

Line	(1) Month	(2) Eligible Coal Production Cost *	(3) Eligible Gas & Oil Production Cost	(4) Eligible Allowance Production Cost	(5) Eligible Purchased Power Cost	(6) Eligible Off-System Sales	(7) Total Eligible Cost **
1	Jul-11	$ 5,563,260	$ 35,389,943	$ 3,422	$ 57,223,912	$ 22,037,836	$ 76,142,701
2	Aug-11	5,379,091	35,942,549	10,534	58,365,156	20,098,301	79,599,029
3	Sep-11	5,022,086	28,957,768	3,265	39,340,199	18,940,173	54,383,145
4	Oct-11	4,279,510	19,178,253	1,584	33,165,696	13,299,658	43,325,385
5	Nov-11	4,867,425	15,481,290	4,200	26,990,946	12,163,887	35,179,974
6	Dec-11	3,712,838	17,156,491	1,727	36,582,320	16,918,436	40,534,940
7	Jan-12	4,382,309	11,064,985	2,044	30,722,727	12,739,897	33,432,168
8	Feb-12	1,404,544	8,204,114	(730)	28,733,351	4,916,037	33,425,242
9	Mar-12	1,327,770	7,965,837	206	29,435,826	10,960,275	27,769,364
10	Apr-12	926,125	14,607,795	671	25,162,614	10,622,656	30,074,549
11	May-12	2,821,703	12,089,742	472	37,026,884	9,729,840	42,208,961
12	Jun-12	3,179,064	18,979,293	634	39,377,243	18,434,711	43,101,523
13	Jul-12	4,534,741	21,791,301	728	47,220,051	29,393,736	44,153,085
14	Aug-12	4,279,691	23,398,618	965	44,712,897	20,131,718	52,260,453
15	Sep-12	4,547,235	17,411,115	668	36,796,761	20,045,333	38,710,446
16	Oct-12	4,619,411	11,198,063	395	44,144,780	17,818,395	42,144,254
17	Nov-12	3,452,619	11,468,823	4,034	41,607,793	20,645,870	35,887,399
18	Dec-12	4,663,059	12,010,766	(3,040)	44,133,178	23,906,225	36,897,738
19	Jan-13	2,214,032	16,581,823	262	42,216,140	23,223,426	37,788,831
20	Feb-13	1,019,551	14,537,915	63	36,226,526	15,851,032	35,933,023
21	Mar-13	1,275,868	14,294,857	83	47,988,192	17,106,937	46,452,063
28	Totals TY	$ 37,533,099	$ 188,370,111	$ 5,935	$ 486,613,059	$ 226,909,879	$ 485,612,325
29	Totals RP	$ 73,471,932	$ 367,711,341	$ 32,187	$ 827,173,192	$ 358,984,379	$ 909,404,273

Amounts per Schedules - I-16; H-12.4a-g; H-12.5b-e.
* Eligible coal production cost includes oil expenses burned at Nelson and Big Cajun II Unit 3.
** Amount equals the sum of columns 2 through 5, minus column 6.

Entergy Texas, Inc.
Eligible Fuel and Purchased Power Data
July 2011 through March 2013

Line	(1) Month	(2) Coal Production MWH	(3) Gas & Oil Production MWH	(4) Purchased Power MWH	(5) Off-System Sales MWH	(6) Net MWH ***
1	Jul-11	189,708	700,827	1,449,130	414,420	1,925,245
2	Aug-11	195,854	744,023	1,548,563	448,817	2,039,623
3	Sep-11	176,280	615,475	1,212,408	386,889	1,617,274
4	Oct-11	148,610	420,604	1,107,308	285,501	1,391,021
5	Nov-11	179,281	393,347	986,938	296,757	1,262,809
6	Dec-11	141,788	433,513	1,235,887	416,556	1,394,632
7	Jan-12	167,099	269,614	1,219,483	306,894	1,349,302
8	Feb-12	67,384	219,163	1,183,317	151,993	1,317,871
9	Mar-12	52,302	269,511	1,317,881	304,979	1,334,715
10	Apr-12	49,779	621,529	1,135,716	427,231	1,379,793
11	May-12	110,477	512,881	1,373,788	366,357	1,630,789
12	Jun-12	120,063	631,517	1,631,598	652,102	1,731,076
13	Jul-12	180,705	637,614	1,751,043	820,873	1,748,489
14	Aug-12	166,876	639,729	1,655,740	588,013	1,874,332
15	Sep-12	170,321	514,912	1,445,383	599,412	1,531,204
16	Oct-12	182,154	342,981	1,531,342	532,806	1,523,671
17	Nov-12	124,266	277,051	1,390,848	480,497	1,311,668
18	Dec-12	177,936	230,516	1,541,197	590,121	1,359,528
19	Jan-13	69,526	373,286	1,489,767	502,342	1,430,237
20	Feb-13	59,797	369,386	1,223,265	465,250	1,187,198
21	Mar-13	61,509	283,563	1,412,499	379,044	1,378,527
28	Totals TY	1,473,409	5,434,965	17,582,186	6,404,048	18,086,512
29	Totals RP	2,791,715	9,501,042	28,843,101	9,416,854	31,719,004

Amounts per Schedules - H-12.1; H-12.4a-g; H-12.5b-e.
*** Amount equals the sum of columns 2 through 4 minus column 5.

ENTERGY TEXAS, INC.
MONTHLY OVER/(UNDER) FUEL RECOVERY
JULY 2011 THROUGH MARCH 2013

COST REPORT FILED WITH THE COMMISSION VS. SCHEDULE I-22

MONTH (a)	OVER/(UNDER) RECOVERY PER PUCT COST REPORT (b)	OVER/(UNDER) RECOVERY PER PAGE 2, COLUMN 9 - SCHEDULE I-22 (c)	FILING ADJUSTMENTS (d)	INCLUSION OF LINE LOSS FACTORS APPROVED IN DOCKET NO. 39896 (e)	SPECIAL CIRCUMSTANCES (f)	TOTAL DIFFERENCE (g) = (d)+(e)+(f)	EXPLANATION CODES (h)
Jul-11	$ (2,609,337)	$ (3,431,154)	$ 74,956	$ 228,632	$ (1,125,406)	$ (821,818)	1, 2, 3, 5, 6
Aug-11	(4,228,588)	(5,107,949)	15,325	241,185	(1,135,872)	(879,362)	1, 2, 5, 6
Sep-11	17,453,269	17,059,865	(25,298)	165,325	(533,431)	(393,404)	1, 2, 5, 6
Oct-11	15,220,271	15,365,985	12,271	133,442	-	145,713	1, 2, 6
Nov-11	14,600,022	14,181,204	6,418	108,002	(533,238)	(418,818)	1, 2, 5, 6
Dec-11	9,373,981	8,843,232	-	126,874	(657,623)	(530,749)	5, 6
Jan-12	19,815,307	18,930,407	(20,870)	103,307	(967,337)	(884,900)	1, 2, 5, 6
Feb-12	15,918,643	15,585,446	20,869	103,619	(457,685)	(333,197)	1, 2, 5, 6
Mar-12	8,788,517	7,831,107	(6,889)	83,031	(1,033,553)	(957,411)	1, 2, 5, 6
Apr-12	7,115,797	6,370,317	59,752	92,329	(897,561)	(745,480)	1, 2, 5, 6
May-12	(2,426,929)	(3,356,617)	6,338	130,848	(1,066,874)	(929,688)	1, 2, 5, 6
Jun-12	4,142,287	1,988,761	61,104	131,459	(2,346,089)	(2,153,526)	1, 2, 5, 6
Jul-12	4,658,267	2,711,311	32,466	137,317	(2,116,739)	(1,946,956)	1, 2, 5, 6
Aug-12	(2,306,108)	(4,448,115)	(111,252)	163,053	(2,193,808)	(2,142,007)	1, 2, 5, 6
Sep-12	17,787,761	16,374,568	(5,189)	-	(1,408,004)	(1,413,193)	1, 2, 5
Oct-12	5,477,650	4,807,145	1,547	-	(672,050)	(670,503)	2, 5
Nov-12	7,416,022	7,010,036	(773)	-	(405,213)	(405,986)	2, 5
Dec-12	4,530,969	3,303,811	(93,138)	-	(1,134,021)	(1,227,159)	1, 2, 5
Jan-13	7,586,390	6,539,062	95,190	-	(1,142,517)	(1,047,327)	1, 2, 4, 5
Feb-13	6,415,096	5,396,403	(36,798)	-	(981,895)	(1,018,693)	1, 2, 5
Mar-13	(4,893,103)	(5,574,070)	2,585	-	(683,552)	(680,967)	2, 5
Total	$ 149,836,184	$ 130,380,753	$ 88,614	$ 1,948,423	$ (21,492,468)	$ (19,455,431)	

Key to Explanation Codes:

1 Historical rebilling of certain customers
2 Fuel revenue tied to historical rebilling noted in (1)
3 Railcar lease costs inadvertently treated as eligible
4 Fuel costs inadvertently treated as eligible
5 Combined Result of ETI Net Fixed Cost vs. Variable Cost Savings per Exhibit RRC-1 times the applicable Texas Fixed Fuel Factor Allocator
6 Inclusion of line loss factors approved in Docket No. 39896

ENTERGY TEXAS, INC.
MONTHLY OVER/(UNDER) FUEL RECOVERY
JULY 2011 THROUGH MARCH 2013

DETAIL OF FILING ADJUSTMENTS

Month	Adj. 1	Adj. 2	Adj. 3	Adj. 4	Total
Jul-11	$ (1,525)	$ 14,951	$ 61,530	$ -	$ 74,956
Aug-11	(1,592)	16,917	-	-	15,325
Sep-11	2,175	(27,473)	-	-	(25,298)
Oct-11	(433)	12,704	-	-	12,271
Nov-11	(351)	6,769	-	-	6,418
Dec-11	-	-	-	-	-
Jan-12	1,003	(21,873)	-	-	(20,870)
Feb-12	(1,003)	21,872	-	-	20,869
Mar-12	833	(7,722)	-	-	(6,889)
Apr-12	(3,910)	63,662	-	-	59,752
May-12	(844)	7,182	-	-	6,338
Jun-12	(4,741)	65,845	-	-	61,104
Jul-12	(2,208)	34,674	-	-	32,466
Aug-12	7,839	(119,091)	-	-	(111,252)
Sep-12	387	(5,576)	-	-	(5,189)
Oct-12	-	1,547	-	-	1,547
Nov-12	-	(773)	-	-	(773)
Dec-12	4,796	(97,934)	-	-	(93,138)
Jan-13	(3,779)	98,121	-	848	95,190
Feb-13	2,516	(39,314)	-	-	(36,798)
Mar-13	-	2,585	-	-	2,585
Total	**$ (837)**	**$ 27,073**	**$ 61,530**	**$ 848**	**$ 88,614**

Note: Total filing adjustments reflects an increase to the over-recovery balance which would result in a refund adjustment to ETI's customers

REASON FOR ADJUSTMENT:

Adjustment 1	Historical rebilling of certain customers
Adjustment 2	Fuel revenue tied to historical rebilling noted in (1)
Adjustment 3	Railcar lease costs inadvertently treated as eligible
Adjustment 4	Fuel costs inadvertently treated as eligible

SECTION III RATE SCHEDULE

ENTERGY TEXAS, INC. Electric Service SCHEDULE RPCEA	Sheet No.: 96 Effective Date: 04-01-2014 Revision: 4 Supersedes: RPCEA Effective 9-28-12 Schedule Consists of: One Sheet Plus Attachment A

ROUGH PRODUCTION COST EQUALIZATION ADJUSTMENT RIDER

I. GENERAL

This Rough Production Cost Equalization Adjustment Rider ("Rider RPCEA") defines the procedure by which Entergy Texas, Inc. ("Company") shall collect from Customers the Company's Rough Production Cost Equalization Remedy Payments related to FERC Docket No. ER13-1595 for the twelve month period ending December 2012. T T T

II. APPLICABILITY

This Rider is applicable under the regular terms and conditions of the Company to all Customers served under an applicable retail electric rate schedule that also requires the Customer to pay rates established under rate schedule FF, whether metered or unmetered, and rider schedules subject to the jurisdiction of the Public Utility Commission of Texas. T

III. TERM

Rider RPCEA shall be effective starting with the first billing cycle for April 2014 and continuing through the final billing cycle for March 2015. T T

IV. ADJUSTMENT FACTORS

The Adjustment Factors billed in accordance with Rider RPCEA shall be set forth in Attachment A to this Rider RPCEA.

V. TRUE UP

Any over or under distribution of the Rough Production Cost Equalization Remedy Payments related to the twelve month period ending December 2012 through Rider RPCEA including carrying costs will be added to the Company's fuel (under)/over-recovery balance in May 2015. T T T T

VI. CHANGE IN AMOUNT

The Adjustment Factors in Attachment A to this Rider RPCEA are based on the amount of the Company's Rough Production Cost Equalization Remedy adjustment obtained pursuant to wholesale rates calculated by Entergy Services, Inc. under Entergy System Agreement Service Schedule MSS-3 for the twelve month period ending December 31, 2012. In the event a Federal Energy Regulatory Commission order changes the amount of any Rough Production Cost Equalization Remedy adjustment obtained by the Company, the amount of such change shall be reflected in the Company's fuel (under)/over-recovery balance. T T T T T

Attachment A
Effective 04-01-14

ENTERGY TEXAS, INC.
ROUGH PRODUCTION COST EQUALIZATION ADJUSTMENT RIDER
RIDER SCHEDULE RPCEA

ADJUSTMENT FACTORS

The following adjustment will be applied as a kWh charge for all bills, for electric service billed under applicable retail rate and rider schedules* on file with the Public Utility Commission of Texas. The Adjustment shall be effective starting with the first billing cycle for April 2014 and continuing through the final billing cycle for March 2015. Amounts billed pursuant to this Rider RPCEA are not subject to Rider IHE but are subject to State and Local sales tax. T T

Rate Class	RPCEA Factor per kWh	T T
Residential Service (per kWh)	$0.00071	I
Small General Service (per kWh)	$0.00072	I
General Service (per kWh)	$0.00073	I
Large General Service (per kWh)	$0.00073	I
Lighting Service (per kWh)	$0.00072	I
Large Industrial Power Service	**	

*Excluding Schedules EAPS, SMS, LQF, SQF, MVLMR and MVDRR. T

**For customers in the Large Industrial Power Service rate class (Rate Schedules LIPS, LIPS-TOD, SSTS and IS), the Rider RPCEA amount will be based on the customer's actual kWh usage during the billing months of January 2012 through December 2012 and implemented in equal amounts, charged to the customers starting with the first billing cycle for April 2014 and continuing through the final billing cycle for March 2015. T T T

Entergy Texas, Inc.

Development of Rough Production Cost Equalization Adjustment Rider by Rate Class

APRIL 2014 THROUGH MARCH 2015

	Total
RPCE Payments (7)	$ 11,402,888

Line No.	Rate Class	Applicable kWh to Allocate Payment (1) (2) (3)	Allocator	Allocated Remedy Payment with Interest	kWh (1) (4)	Rate (8)
(a)	(b)	(c)	(d)	(e)	(f)	(g) = (e) / (f)
1	Residential	6,082,270,278	35.757085%	$ 4,077,341	5,737,663,000	$ 0.00071
2	Small General Service	322,033,414	1.893204%	$ 215,881	300,450,000	$ 0.00072
3	General Service	3,594,491,689	21.131672%	$ 2,409,622	3,312,414,000	$ 0.00073
4	Large General Service	1,684,884,269	9.905273%	$ 1,129,486	1,548,748,000	$ 0.00073
5	Large Industrial Power Service	5,238,566,922	30.797033%	$ 3,511,751	(5)	(6)
6	Lighting	87,726,010	0.515733%	$ 58,807	81,194,000	$ 0.00072
7	Total Texas Retail	17,009,972,582	100.000000%	$ 11,402,888	10,980,469,000	

(1) Excludes EAPS and SMS
(2) January through December 2012 kWh @ generation level
(3) There were no customers in the SSTS and IS rate classes.
(4) Test year billing determinants for the twelve months ending March 31, 2013 as presented in Schedule P-2
(5) Historical sales @ meter (January 2012 through December 2012)
(6) Charge based on customer specific historical sales @ meter
(7) RPCE payments with interest to be charged to ETI's customers per FERC Docket No. ER13-1595 for the year ended December 31, 2012
(8) Charge to be applied effective with the first billing cycle of April 2014 through March 2015

Entergy Texas, Inc.
Development of Rough Production Cost Equalization Adjustment Rider by Rate Class

TOTAL COMPANY

Line No.	Month	Year	Texas Retail Monthly RPCEA Payment	Principal RPCEA	Texas Cumulative Balance	Prior Month Balance	Monthly Interest Rate (1)	Current Month Interest	Interest RPCEA	Cumulative Interest Balance	Grand Total Balance
1	Beginning Balance									-	-
2	Jun	2013	(1,625,429)		(1,625,429)	-	0.0174832%	-		-	(1,625,429)
3	Jul	2013	(1,625,429)		(3,250,857)	(1,625,429)	0.0174832%	(284)		(284)	(3,251,141)
4	Aug	2013	(1,625,429)		(4,876,286)	(3,251,141)	0.0174832%	(568)		(852)	(4,877,138)
5	Sep	2013	(1,625,429)		(6,501,714)	(4,877,138)	0.0174832%	(853)		(1,705)	(6,503,419)
6	Oct	2013	(1,625,429)		(8,127,143)	(6,503,419)	0.0174832%	(1,137)		(2,842)	(8,129,985)
7	Nov	2013	(1,625,429)		(9,752,571)	(8,129,985)	0.0174832%	(1,421)		(4,263)	(9,756,834)
8	Dec	2013	(1,625,429)		(11,378,000)	(9,756,834)	0.0174832%	(1,706)		(5,969)	(11,383,969)
9	Jan	2014			(11,378,000)	(11,383,969)	0.0174832%	(1,990)		(7,959)	(11,385,959)
10	Feb	2014			(11,378,000)	(11,385,959)	0.0174832%	(1,991)		(9,950)	(11,387,950)
11	Mar	2014			(11,378,000)	(11,387,950)	0.0174832%	(1,991)		(11,941)	(11,389,941)
12	Apr	2014		948,166	(10,429,834)	(11,389,941)	0.0174832%	(1,991)	2,074	(11,858)	(10,441,692)
13	May	2014		948,166	(9,481,668)	(10,441,692)	0.0174832%	(1,826)	2,074	(11,610)	(9,493,278)
14	Jun	2014		948,166	(8,533,502)	(9,493,278)	0.0174832%	(1,660)	2,074	(11,196)	(8,544,698)
15	Jul	2014		948,166	(7,585,336)	(8,544,698)	0.0174832%	(1,494)	2,074	(10,616)	(7,595,952)
16	Aug	2014		948,166	(6,637,170)	(7,595,952)	0.0174832%	(1,328)	2,074	(9,870)	(6,647,040)
17	Sep	2014		948,166	(5,689,004)	(6,647,040)	0.0174832%	(1,162)	2,074	(8,958)	(5,697,962)
18	Oct	2014		948,166	(4,740,838)	(5,697,962)	0.0174832%	(996)	2,074	(7,880)	(4,748,718)
19	Nov	2014		948,166	(3,792,672)	(4,748,718)	0.0174832%	(830)	2,074	(6,636)	(3,799,308)
20	Dec	2014		948,166	(2,844,506)	(3,799,308)	0.0174832%	(664)	2,074	(5,226)	(2,849,732)
21	Jan	2015		948,166	(1,896,340)	(2,849,732)	0.0174832%	(498)	2,074	(3,650)	(1,899,990)
22	Feb	2015		948,166	(948,174)	(1,899,990)	0.0174832%	(332)	2,074	(1,908)	(950,082)
23	Mar	2015		948,174	0	(950,082)	0.0174832%	(166)	2,074	-	0
			(11,378,000)	11,378,000				(24,888)	24,888		
									11,402,888	Total	

(1) Because the Commission-approved interest rate for 2014 and 2015 is not known, the interest on the total amount is based on the Commission's approved 2013 interest rate.

DOCKET NO. 41791

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

DIRECT TESTIMONY

OF

MARK F. MCCULLA

ON BEHALF OF

ENTERGY TEXAS, INC.

SEPTEMBER 2013

ENTERGY TEXAS, INC.
DIRECT TESTIMONY OF MARK F. MCCULLA
2013 RATE CASE

TABLE OF CONTENTS

EXHIBITS

Exhibit MFM-11	List of Transmission Capital Projects Closed to Plant from July 1, 2011 to March 31, 2013
Exhibit MFM-12	Process Flow Diagram for Transmission & Distribution System Demand Loss Analysis
Exhibit MFM-13	Process Flow Diagram for Transmission & Distribution System Energy Loss Analysis
Exhibit MFM-A	Affiliate Billings - by Witness, Class, and Department For the Twelve Months Ending March 31, 2013
Exhibit MFM-B	Affiliate Billings - by Witness, Class, and Project For the Twelve Months Ending March 31, 2013
Exhibit MFM-C	Affiliate Billings - by Witness, Class, Department and Project For Twelve Months Ending March 31, 2013
Exhibit MFM-D	Affiliate Billings - Proforma Summary - by Witness, Class and Proforma For the Twelve Months Ending March 31, 2013

I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Mark F. McCulla. My business address is 639 Loyola Avenue, New Orleans, Louisiana 70113.

Q2. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am the Vice President of Transmission Regulatory Compliance for Entergy Services, Inc. ("ESI"), the service company for the six Operating Companies of the Entergy System.[1]

Q3. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL QUALIFICATIONS.

A. I graduated from Louisiana State University in 1982 with a Bachelor of Science in Electrical Engineering. In 2006, I received a Master of Business Administration from Tulane University.

I began my career in 1983 with Houston Lighting and Power ("HL&P"), now known as CenterPoint Energy, in the System Planning department. I left HL&P in 1989 to work for Cajun Electric Power Cooperative, Inc. ("Cajun"), now known as Louisiana Generating LLC, a subsidiary of NRG Energy. While with Cajun, I performed the duties of

[1] The six Entergy Operating Companies ("EOCs") are Entergy Arkansas, Inc. ("EAI"), Entergy Gulf States Louisiana, L.L.C. ("EGSL"), Entergy, Texas, Inc. ("ETI"), Entergy Louisiana, LLC ("ELL"), Entergy Mississippi, Inc. ("EMI"), and Entergy New Orleans, Inc. ("ENO"). Each EOC is a wholly-owned subsidiary of Entergy Corporation ("Entergy"). The generation and bulk transmission assets of these six EOCs are referred to collectively as the "Entergy System."

planning engineer and provided member services support. In 1997, I began working for the Southwest Power Pool ("SPP") as a senior engineer.

I began working for ESI in 1998 as a senior engineer in transmission operational planning and was subsequently promoted to manager within that department. While with ESI, I have also worked as Region Manager of Distribution Operations and Director of Support Services in Utility Operations. I have been in my present position, Vice President of Transmission Regulatory Compliance, since October 2008. In the course of my career, I have been involved in various aspects of engineering processes relating to transmission functions. I am a member of the Institute of Electrical and Electronics Engineers, Inc. ("IEEE") and a registered professional engineer in the State of Texas.

Q4. ARE YOU FAMILIAR WITH GENERALLY ACCEPTED TRANSMISSION PLANNING AND OPERATING STANDARDS USED BY THE ELECTRIC UTILITY INDUSTRY IN THE SOUTHEASTERN PORTION OF THE UNITED STATES?

A. Yes. I am familiar with the electric utility industry's standards and practices that address planning and operating transmission systems in that area.

Q5. WHAT ARE YOUR RESPONSIBILITIES AS VICE PRESIDENT OF TRANSMISSION REGULATORY COMPLIANCE?

A. I am responsible for implementing and monitoring programs, procedures, and controls that ensure Entergy's transmission business is in compliance with the Federal Energy Regulatory Commission's ("FERC") regulations governing the Entergy Open-Access Transmission Tariff ("OATT") and Entergy's Open-Access Same-Time Information System ("OASIS") posting requirements. In addition, I have responsibility for compliance with FERC's Standards of Conduct, Sarbanes-Oxley ("SOX") regulations, records retention requirements, Electric Reliability Organization ("ERO") requirements and standards, and other regulatory compliance programs within the transmission business. I also have responsibility for developing and administering transmission policy; coordinating wholesale customers, including the development of transmission projects; managing Entergy's contract with the Independent Coordinator of Transmission ("ICT"); managing Entergy's contract with Potomac Economics as the Transmission Service Monitor ("TSM"); and administering the Weekly Procurement Process ("WPP").

Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I am sponsoring the overall costs of ETI's Transmission Function. These costs include the non-affiliate and affiliate expenses incurred during the test year ending March 31, 2013. I sponsor ETI's costs under the

Transmission Operations Class of affiliate services. I am also sponsoring ETI's capital costs to plant during the period July 1, 2011 through March 31, 2013, which costs include affiliate and non-affiliate charges. I will demonstrate the reasonableness and necessity of the Transmission Function's non-affiliate and affiliate expenses and capital costs.

For purposes of my testimony, the Transmission Operations Class of affiliate services has been divided into four groups of services: (1) Transmission System Operations and Security; (2) Transmission Maintenance; (3) Transmission Construction; and (4) Transmission Services and Management. The Transmission Operations Class of affiliate services is provided by ESI's Energy Delivery Organization. I will demonstrate that these affiliate services and their associated costs are reasonable and necessary; that the per-unit prices billed to ETI for these services are no higher than the per-unit prices billed to other affiliates for the same or similar services and represent the actual costs of the services; and that the affiliate services provided in support of capital projects are reasonable and necessary.

As shown by Exhibits MFM-1 and MFM-2, attached hereto, the Transmission Operations Class of affiliate services falls within the Transmission Function, and this function is included in the Operations Family.

Finally, I am sponsoring the Company's demand and energy loss factors.

Q7. WHY ARE YOU THE APPROPRIATE PERSON TO SPONSOR THIS TESTIMONY?

A. As Vice President of Transmission Regulatory Compliance, I have management responsibility for transmission pricing issues and regulatory interfaces. I work very closely with the management of the remaining departments within the Transmission Function. In the course of my career, I have been involved in various aspects of the engineering processes related to the Transmission Function, and I am familiar with the standards and practices of the transmission operations of electric utilities.

Q8. PLEASE DESCRIBE HOW THE REMAINDER OF YOUR TESTIMONY IS ORGANIZED.

A. In Section II, I present an overview of the Company's Transmission Function and describe the organization and the services it provides. In Section III, I address ETI's test-year Operations and Maintenance ("O&M") costs and discuss the necessity of the services and the reasonableness of the total O&M charges. Also in Section III, I address the Transmission Operations Class of affiliate services provided to ETI by ESI. I demonstrate that the charges for these services are reasonable and necessary. I also provide proof that the prices charged within this class are billed to ETI at cost and are no higher than the per-unit prices charged to other affiliates for the same or similar services, and represent the actual cost of the services provided.

In Section IV, I address ETI's capital projects closed to plant between July 1, 2011 and March 31, 2013, and demonstrate that these capital costs are reasonable and necessary. In Section V, I discuss ETI's Demand and Energy Loss Factors and, in Section VI, I provide the conclusion to my testimony.

Q9. WHAT EXHIBITS ARE YOU SPONSORING IN YOUR DIRECT TESTIMONY?

A. I sponsor the exhibits listed after the Table of Contents at the beginning of my Direct Testimony.

Q10. WHAT SCHEDULES ARE YOU SPONSORING IN THE RATE FILING PACKAGE?

A. I am sponsoring the following schedules:

- H-12.5a – Line Losses & System's Own Use
- H-13.2 – IE-24 Reports (Form 417R) – DOE
- H-14.1a – Available Capacity Wheeling
- H-14.1b – Planned Capacity Wheeling
- H-14.2 – Wheeling Information for Test Year
- O-6.1 – Unadjusted kWh Sales by Month of Test Year
- O-6.2 – Adjusted kWh Sales Data
- O-6.3 – System Line Loss Calculations

Q11. WHAT INFORMATION HAVE YOU PROVIDED IN SCHEDULE H-14.1A AND SCHEDULE H-14.1B?

A. These schedules are required to include "summaries from Qualifying Facilities (QFs) under Substantive Rule 23.66 for transmission wheeling data from the utility's company-wide transmission system by month for the test year." Since Entergy's transmission wheeling tariffs provide for wheeling over the entire Entergy Transmission System, statistics for available capacity and planned capacity for wheeling for only ETI have no meaning. Therefore, I have stated in these schedules that there have been no actual or planned wheeling transactions for qualified facilities during the test year.

Q12. WHAT INFORMATION HAVE YOU PROVIDED IN SCHEDULE H-14.2?

A. In Schedule H-14.2, I have provided information regarding ETI's transmission lines, which is intended to be used to determine the MegaWatt-miles capability of the transmission network.

Q13. DOES ETI USE MEGAWATT-MILES CAPABILITY FOR WHEELING PURPOSES?

A. No. As required by FERC, Entergy has filed an OATT that offers wheeling service over the entire Entergy Transmission System. Entergy has used the "Postage Stamp" method to provide transmission wheeling service.

Therefore, ETI does not use the MegaWatt-miles method or capabilities for providing transmission wheeling service.

II. TRANSMISSION OVERVIEW

Q14. PLEASE PROVIDE AN OVERVIEW OF ENTERGY'S TRANSMISSION FUNCTION.

A. The transmission systems of all EOCs, including ETI, are planned and operated as a single integrated transmission system. ESI's Energy Delivery Organization, in coordination with the ICT in certain areas, is responsible for the planning, operation, maintenance management, and construction management of the electric transmission systems of the EOCs, including ETI. Exhibit MFM-1 is an organization chart that shows how and where the Energy Delivery Function fits into the Entergy Operations Family. I have also attached, as Exhibit MFM-2, a chart of Operations-related affiliate classes of services provided by ESI to ETI. The affiliate class of service that I sponsor is shown on Exhibit MFM-2 under Transmission. These affiliate services are provided to ETI by ESI's Energy Delivery Organization.

Q15. PLEASE DESCRIBE HOW ESI AND ETI PERSONNEL ARE ORGANIZED TO PERFORM THE TRANSMISSION FUNCTIONS FOR THE EOCS, INCLUDING ETI.

A. ETI personnel are responsible for local activities, which include various aspects of maintenance and construction. ESI employees within ESI's Energy Delivery Organization provide all other transmission activities except for those delegated to the ICT. Exhibit MFM-3 shows the delineation of responsibilities between ESI's Energy Delivery Organization and ETI during the test year.

Q16. WHAT SERVICES ARE PROVIDED TO ETI BY ESI'S ENERGY DELIVERY ORGANIZATION?

A. ESI's Energy Delivery Organization provides four groups of services related to the Transmission Function: (1) Transmission System Operations and Security; (2) Transmission Maintenance; (3) Transmission Construction; and (4) Transmission Services and Management. The services performed by these four groups are addressed in greater detail in Section III.B.2 of my testimony.

Q17. YOU MENTIONED THAT ESI'S ENERGY DELIVERY ORGANIZATION COORDINATES WITH THE ICT IN CERTAIN AREAS. CAN YOU FURTHER EXPLAIN THE ROLE OF THE ICT?

A. In 1997, in conjunction with the development of a competitive nation-wide wholesale power market, the North American Electric Reliability Council ("NERC")[2] developed the Reliability Coordinator role. The purpose of the Reliability Coordinator is to ensure that the operation of a transmission system does not negatively impact the operation of neighboring and connected transmission systems. Personnel at Entergy's System Operations Center ("SOC"), in Pine Bluff, Arkansas, initially performed the functions required of this role for the Entergy Transmission System, which included complying with FERC and NERC requirements.

On November 1, 2006, responsibility for reliability coordination for Entergy's Transmission System was transferred from the SOC to the SPP, acting as the ICT. On November 17, 2006, the SPP, as the ICT, took on the responsibility of administering the Entergy OATT and planning expansions of Entergy's transmission system. On December 1, 2012, the ICT functions previously performed by SPP, including reliability coordination, were transferred to the Midcontinent Independent System Operator, Inc. ("MISO").

[2] The North American Electric Reliability Council is now known as the North American Electric Reliability Corporation.

In its role of ICT, MISO provides oversight for the operations of the Entergy Transmission System, produces regional planning assessments, and oversees the operation of the WPP for obtaining competitive energy supply. More specifically, as the ICT, MISO currently performs each of the following:[3]

- acts as Reliability Coordinator for the Entergy Transmission System;
- calculates Available Flowgate Capacity ("AFC") and grants or denies requests for transmission service under the Entergy OATT;
- grants and denies requests for interconnection service under Entergy's Large Generator Interconnection Procedures and Large Generator Interconnection Agreement;
- operates Entergy's Open Access Same-Time Information System ("OASIS");
- performs a regional planning function;
- evaluates potential economic transmission projects;
- implements Entergy's transmission expansion pricing proposal, including preparation of the Base Plan;
- oversees the planning and operation of the Entergy Transmission System, and oversees the WPP;
- files reports as required by the ICT Agreement, Attachment S of the Entergy OATT, or as otherwise required by FERC or retail regulators; and
- conducts stakeholder meetings.

[3] Upon MISO integration, the ICT services provided by MISO will no longer be required; however, certain services will be provided by the MISO RTO to ETI as a member of the RTO, such as reliability coordination, AFC calculation, performing interconnection request studies, and planning functions. Services that will no longer be provided include WPP oversight and administration, preparation of the Base Plan, and administration of Entergy's OASIS.