

1 Q9. DO YOU SPONSOR OR CO-SPONSOR ANY SCHEDULES IN THE
2 RATE FILING PACKAGE ("RFP") WHICH HAVE BEEN FILED IN THIS
3 PROCEEDING?

4 A. Yes, I sponsor or co-sponsor several schedules filed in this proceeding.
5 Exhibit RLR-4 indicates the schedules that I am sponsoring or
6 co-sponsoring with other witnesses. The schedules were prepared by me
7 or under my direct supervision and control.

8

9 Q10. DOES YOUR TESTIMONY EXPLAIN ALL SCHEDULES THAT YOU
10 CO-SPONSOR?

11 A. No. The discussion below concerns only those schedules for which I am
12 the sole sponsor. To avoid duplication, the schedules I have
13 co-sponsored with other Company witnesses will be addressed in their
14 testimony as applicable.

15

16 Q11. ON WHAT BASIS WERE THE SCHEDULES THAT YOU JUST
17 MENTIONED PREPARED?

18 A. They were prepared using the books and records of the Company and are
19 accurate summaries of the business records upon which they are based.
20 The schedules have been examined by Deloitte & Touche LLP, our
21 independent auditors. The report of their examination is included in
22 Schedule S of the RFP.

1 Q12. ARE YOU SPONSORING ANY EXHIBITS?

2 A. Yes. I sponsor the exhibits listed in the Table of Contents to my
3 testimony.

4

5 III. INCOME TAX SCHEDULES

6 Q13. PLEASE PROVIDE A DESCRIPTION OF THE INFORMATION
7 PROVIDED ON SCHEDULE G-7.1a, RECONCILIATION-TIMING
8 DIFFERENCES.

9 A. This schedule provides a reconciliation of those timing differences and
10 other items that produce a federal income tax rate differing from the
11 statutory rate of 35%.

12

13 Q14. PLEASE EXPLAIN SCHEDULE G-7.3, CONSOLIDATED TAXES.

14 A. This schedule presents the federal taxable income for ETI had it filed a
15 separate 2011 federal income tax return, and shows the amount of tax
16 benefit ETI received as a result of its filing as a member of the Entergy
17 consolidated group for 2011. For 2011, ETI received an income benefit of
18 \$623,615 that reduced its net operating loss-related ADIT and ETI avoided
19 incurring \$10,076,772 of alternative minimum tax. As a result, rate base is
20 \$10.6 million lower than it otherwise would have been because ETI was a
21 member of the Entergy Corporation consolidated group for 2011. The
22 2011 consolidated income tax return was filed September 10, 2012. An
23 amended return was filed March 14, 2013.

1 Q15. PLEASE EXPLAIN THE CONSOLIDATION BENEFITS SCHEDULE,
2 SCHEDULE G-7.3a, TAX CONSOLIDATION BENEFITS.

3 A. This schedule explains the benefits to ETI of joining in the filing of the
4 consolidated Entergy FIT return for 2011, the most recent tax return.
5

6 Q16. PLEASE EXPLAIN SCHEDULE G-7.3b, CONSOLIDATION/INTER-
7 CORPORATE TAX ALLOCATION.

8 A. This schedule provides a detailed explanation of the accounting for
9 inter-corporate tax allocations. The Entergy Tax Allocation Agreement
10 (including amendments) is filed with the Securities and Exchange
11 Commission and is included in the workpapers for Schedule G-7.3b.
12

13 Q17. PLEASE DESCRIBE SCHEDULE G-7.4a, ADFIT - DESCRIPTION OF
14 TIMING DIFFERENCES.

15 A. Timing differences giving rise to deferrals shown in Schedule G-7.4 are
16 described in Schedule G-7.4a. The timing differences are detailed to
17 show the type of timing difference. A further description of these timing
18 differences is included in Schedule G-7.13a, History of Tax Normalization.
19 Where known, the anticipated remaining life for each timing difference
20 is shown.

1 Q18. PLEASE DESCRIBE SCHEDULE G-7.5, ANALYSIS OF INVESTMENT
2 TAX CREDIT ("ITC").

3 A. This schedule presents the analysis of the ITC adjustment. The "stripped"
4 book depreciation rate of 2.286% reflected in the schedule is derived from
5 the book depreciation calculation. This "stripped" rate represents the
6 service life portion of the book depreciation rate without regard to amounts
7 for cost of removal or salvage. As the schedule indicates, the ITC
8 amortization rate reflected in the Company's filing is 2.286%.

9
10 Q19. PLEASE DESCRIBE SCHEDULE G-7.5a, ITC UTILIZED.

11 A. This schedule is an analysis of the years ITC was utilized for tax return
12 purposes.

13
14 Q20. PLEASE DESCRIBE SCHEDULE G-7.5b, ITC GENERATED BUT NOT
15 UTILIZED.

16 A. This schedule indicates that the Company's ITCs were fully utilized by the
17 end of 1999.

18
19 Q21. PLEASE DESCRIBE SCHEDULE G-7.5d, ITC ELECTIONS.

20 A. Elections regarding ITC are shown on this schedule. There have not been
21 any new elections since the Company's last rate filing. One of the
22 elections made was to amortize ITC ratably to cost of service rather than
23 to reduce rate base.

1 Q22. PLEASE EXPLAIN WHAT IS SHOWN ON SCHEDULE G-7.9,
2 AMORTIZATION-PROTECTED/UNPROTECTED EXCESS DEFERRED
3 TAXES.

4 A. Schedule G-7.9 explains that the Company's unprotected excess deferred
5 income taxes are fully amortized and the Company is requesting \$229,548
6 of protected excess deferred income tax amortization during the test year.
7

8 Q23. PLEASE DESCRIBE SCHEDULE G-7.9a, ANALYSIS-EXCESS
9 DEFERRED TAXES BY TIMING DIFFERENCE.

10 A. This schedule shows that all the excess deferred income taxes are for
11 depreciation. The unamortized balance of excess deferred taxes on
12 depreciation at the end of the Test Year is \$3,569,950.
13

14 Q24. PLEASE EXPLAIN WHAT IS DEPICTED ON SCHEDULE G-7.9b,
15 RECONCILIATION OF EXCESS DEFERRED TAXES.

16 A. This schedule reconciles the balance of excess deferred taxes at the end
17 of the Test Year to the balance of excess deferred taxes in the Company's
18 last rate case filing, Docket No. 39896.
19

20 Q25. PLEASE DESCRIBE SCHEDULE G-7.9c, ANALYSIS-RESERVE
21 ACCOUNTING-EXCESS DEFERRED TAXES.

22 A. This schedule explains that the Company's excess deferred tax reserve
23 was fully amortized at the end of July 1991.

1 Q26. PLEASE DESCRIBE SCHEDULE G-7.13a, HISTORY OF TAX
2 NORMALIZATION.

3 A. This schedule details the history of tax normalization for the Company and
4 also details items for which deferred taxes were not provided.
5

6 Q27. PLEASE DESCRIBE SCHEDULE G-7.13b, TAX ELECTIONS.

7 A. Tax elections made by the Company are detailed in this schedule. Certain
8 provisions in the Internal Revenue Code require taxpayers to include
9 elections in returns specifying the tax treatment selected by the taxpayer
10 which may be binding on future treatment of like transactions.
11

12 Q28. SCHEDULE G-7.13c REFERS TO CHANGES IN ACCOUNTING FOR
13 DEFERRED TAXES. HAS THE COMPANY MADE ANY SUCH
14 CHANGES?

15 A. No, it has not.
16

17 Q29. PLEASE DESCRIBE SCHEDULE G-7.13d, IRS AUDIT STATUS.

18 A. This schedule explains the Company's current FIT audit status. The
19 Company is currently under audit for the years 2006 through 2009.

1 Q30. SCHEDULE G-7.13e RELATES TO PRIVATE LETTER RULINGS SINCE
2 THE LAST RATE FILING. HAVE THERE BEEN ANY PRIVATE LETTER
3 RULINGS RECEIVED THAT AFFECT THE FIT OF THE COMPANY OR
4 ITS PARENT?

5 A. Entergy Corporation received a private letter ruling advising of the tax
6 consequences of a proposed reorganization. There have been no private
7 letter rulings received by ETI since the last rate filing.
8

9 Q31. PLEASE DESCRIBE SCHEDULE G-7.13f, METHOD OF ACCOUNTING
10 FOR ADFIT RELATED TO NET OPERATING LOSS ("NOL")
11 CARRYFORWARD.

12 A. This schedule describes the accounting for NOLs and the amount of
13 carryforwards available at the end of the test year. ETI's NOL
14 carryforward as of March 31, 2013 is \$44,203,247.
15

16 IV. FIN 48

17 Q32. DOES ETI HAVE ANY TAX POSITIONS THAT ARE REQUIRED TO BE
18 ACCOUNTED FOR IN ACCORDANCE WITH THE FINANCIAL
19 ACCOUNTING STANDARDS BOARD'S INTERPRETATION NO. 48
20 (FIN 48)?

21 A. ETI does have tax positions that must be accounted for in accordance with
22 FIN 48.

1 Q33. WERE THESE AMOUNTS INCLUDED IN THE ADIT ACCOUNTS?

2 A. Yes. These FIN 48 amounts were included in the ADIT accounts. They
3 were treated in the manner described in the PUC Order on Rehearing in
4 the Company's last rate case, Docket No. 39896, dated
5 November 1, 2012. This order stated "... ETI's full FIN 48 liability ... less
6 the ... cash deposit ETI has made with the IRS for the FIN 48 liability ...
7 should be added to ETI's ADFIT and thus be used to reduce ETI's rate
8 base."¹

9
10 Q34. DID THAT SAME ORDER ALSO RECOMMEND THAT ETI CREATE A
11 DEFERRED-TAX-ACCOUNT TRACKER IN THE FORM OF A RIDER?

12 A. Yes. This order authorizes ETI to "create a deferred-tax-account tracker
13 in the form of a rider to recover on a prospective basis an after-tax return
14 of 8.27% on the amounts paid to the IRS that result from an unfavorable
15 FIN 48 audit."²

16
17 Q35. IS ETI PROPOSING A DEFERRED TAX ACCOUNT TRACKER IN THIS
18 CASE?

19 A. Yes. The Company is proposing a deferred tax account tracker in the
20 form of a rider that is consistent with the Commission's Decision in Docket

¹ *Application of Entergy Texas for Authority to Change Rates, Reconcile Fuel Costs, and Obtain Deferred Accounting Treatment*, Docket No. 39896, Order on Rehearing, FOF 39 (Nov. 1, 2012).

² *Id.*, FOF 40A.

1 No. 39896 (Schedule DTA sponsored by Company witness
2 Myra Talkington) and will continue to track amounts paid to the IRS that
3 result from any unfavorable FIN 48 audits.

4
5 Q36. HAVE ANY OF ETI'S FIN 48 ISSUES ASSOCIATED WITH DEFERRED
6 TAXES INCLUDED IN THIS CASE BEEN RESOLVED?

7 A. No. None of the issues associated with deferred taxes included in this
8 case, or in the Docket No. 39896 tracker, have been resolved.

9
10 V. INCOME TAX EXPENSE CLASS OF AFFILIATE COSTS

11 Q37. PLEASE DESCRIBE THE INCOME TAX EXPENSE CLASS OF COSTS
12 THAT YOU ARE SPONSORING.

13 A. This class of affiliate costs consists of the federal income tax expense that
14 ESI incurred in the test year. The ESI income tax expense is billed to the
15 other Entergy companies, including ETI, just as any other costs incurred
16 by ESI. My testimony and the testimony of Company witness
17 Stephanie B. Tumminello will explain in more detail how the ESI costs are
18 allocated to ETI and the other companies.

1 Q38. WHAT IS THE TOTAL AMOUNT OF ESI INCOME TAX EXPENSE FOR
2 WHICH ETI REQUESTS RECOVERY IN THIS PROCEEDING?

3 A. The Total ETI Adjusted amount of expense for this class of services is
4 \$116,027. The following table summarizes this information for the Income
5 Tax Expense Class. The table shows the following information:

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

Table 1

Class	Total Billings	Total ETI Adjusted		
		Amount	% Direct	% Allocated
INCOME TAX EXPENSE	\$1,188,822	\$116,027	0%	100%

1 Q39. PLEASE DESCRIBE THE EXHIBITS THAT SUPPORT THE
2 INFORMATION INCLUDED IN TABLE 1.
3 A. Attached to my testimony are exhibits showing the calculation of the Total
4 ETI Adjusted amount for the Income Tax Expense Class. In my
5 Exhibit RLR-A, the information is shown broken down by the departments
6 comprising the class (where applicable). My Exhibit RLR-B shows the
7 same information broken down by project code and the billing method
8 assigned to each project code. My Exhibit RLR-C shows the information
9 by class, department (where applicable), and project code. For each
10 exhibit, the amounts in the columns represent the following information:

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

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

Column (C) – Total	Represents the sum of Columns (A) and (B).
-----------------------	--

Column (D) – All Other Business Units	That portion of Column (C) that was billed and charged to Business Units other than ETI.
---	--

Column (E) – ETI Per Books	Represents the difference between Columns (C) and (D).
-------------------------------	--

Column (F) – Exclusions Represents amounts that are excluded from ETI electric cost of service. The exclusions are described in the testimony of Company witness Tumminello.

Column (G) – Pro Forma Amount Pro Forma Amounts include adjustments for known and measurable changes, and corrections.

Column (H) – Total ETI Adjusted ETI adjusted amount requested for recovery in this case for this class (Column (E) plus Columns (F) and (G)).

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

4

5 Q40. ARE THERE ANY PRO FORMA ADJUSTMENTS TO THIS CLASS?

6 A. Yes. As shown on Exhibit RLR-D, \$17 was removed from the ETI per
7 books amount. The purpose of the proforma is to remove franchise tax
8 penalty costs that were inadvertently charged to the wrong resource code
9 during the Test Year.

10

11 Q41. ON WHAT BASIS ARE THE AFFILIATE COSTS OF THIS CLASS OF
12 SERVICE ALLOCATED?

13 A. Each class is made up of services that are charged to one or more project
14 codes. As Company witness Tumminello explains, only one billing
15 method is assigned to each project code. Any organization performing

1 work relating to a project code will bill to that project code, but the billing
2 method for that project code remains the same. A billing method is
3 selected based on cost causation. This assures that the price billed to ETI
4 for the services is no higher than the price charged to other affiliates for
5 the same or similar services and represents the actual costs of the
6 service. Company witness Tumminello's Direct Testimony provides a
7 complete listing of billing methods, billing method numbers, project titles,
8 descriptions, families, and percentages by affiliate company. As charges
9 are incurred in this class, they are billed to the appropriate project code,
10 allocated based on the applicable billing method, and then billed to each
11 affiliate, including ETI.

12

13 A. Necessity

14 Q42. IS THE INCOME TAX EXPENSE CLASS NECESSARY?

15 A. Yes, it is. Income tax expense for ESI is a necessary expense. These
16 taxes are imposed by law. If ESI did not satisfy its tax obligations, ESI
17 would not be able to operate and provide all of the other classes of
18 services to ETI that ETI requires in order to provide electric service to its
19 customers.

1 B. Reasonableness

2 Q43. IS THE AMOUNT OF THE INCOME TAX EXPENSE CLASS OF
3 SERVICES REASONABLE?

4 A. Yes. The Total ETI Adjusted amount of the ESI Income Tax Expense
5 Class is reasonable. The amount is based on the calculations and
6 payments dictated by applicable tax statutes.

7

8 Q44. PLEASE DESCRIBE HOW THE INCOME TAXES THAT ARE INCLUDED
9 IN THIS CLASS ARE CALCULATED.

10 A. The Tax Services Department prepares and files the appropriate income
11 tax returns in accordance with the laws of the jurisdictions in which ESI
12 operates. This expense is then accrued over a twelve-month period in
13 accordance with standard accounting practices.

14

15 Q45. UPON WHAT EVIDENCE DO YOU BASE YOUR OPINION THAT THE
16 AMOUNT INCLUDED IN THE INCOME TAX EXPENSE CLASS OF
17 SERVICE IS REASONABLE?

18 A. The amount included in the Income Tax Expense Class is reasonable
19 because this amount represents the tax liabilities imposed by law.

1 C. Price Charged to ETI

2 Q46. HOW ARE THE COSTS OF ESI'S INCOME TAX EXPENSE CLASS
3 BILLED TO ETI?

4 A. Exhibit RLR-B shows the costs included in this class by project code. The
5 current portion of income tax expense costs associated with this class is
6 captured and billed using Project Code F5PCZUITFS (Current Federal
7 and State Income Tax). The deferred portion of income tax expense costs
8 associated with this class are captured and billed using Project Code
9 F5PCZUITNC (Deferred Federal and State Income Tax).

10

11 Q47. DOES ESI ALLOCATE THE COSTS OF THIS CLASS TO ETI?

12 A. Yes. While ESI attempts to direct bill costs to ETI and other affiliates
13 whenever appropriate, instances exist when costs are incurred that benefit
14 more than one Entergy affiliate. Such costs are therefore billed through
15 an allocation. This is the case with the Income Tax Expense Class and,
16 accordingly, ESI costs associated with this class are allocated to Entergy
17 affiliates, including ETI, rather than being direct billed.

18

19 Q48. WHAT BILLING METHOD IS USED TO ALLOCATE THE ESI INCOME
20 TAX EXPENSE TO THE VARIOUS ENTITIES THAT RECEIVE
21 SERVICES FROM ESI?

22 A. Billing method LVLSVCAL (ESI Level of Service) is used to allocate this
23 expense item to the various entities that receive services from ESI. This

1 method is based on the level of ESI service (measured by total ESI
2 billings) that an individual entity receives.

3

4 Q49. WHY IS ALLOCATION METHOD LVLSVCAL APPROPRIATE TO USE
5 FOR THE TWO PROJECT CODES IN THIS CLASS OF SERVICE?

6 A. Income Tax Expense is an expense of ESI. This expense is incurred by
7 ESI in order that it may provide services to Entergy Corp. and its affiliates.
8 The driver of this cost is the services from ESI required by the legal
9 entities, and allocation method LVLSVCAL reasonably reflects this cost
10 driver. Thus, the price charged for this item is no higher than the price
11 charged to other affiliates for this item and represents the item's actual
12 cost.

13

14 VI. CONCLUSION

15 Q50. PLEASE STATE YOUR CONCLUSIONS.

16 A. The Company's per books test year Federal Income Tax amounts found in
17 the G-7 schedules and included in ETI's requested cost of service are
18 calculated and presented in accordance with PURA and the PUC's
19 Substantive Rules. Additionally, I have discussed the Income Tax
20 Expense Class of affiliate services. I have demonstrated that this class of
21 service is necessary and that its associated costs are reasonable. In
22 addition, I have demonstrated that the price charged to ETI for ESI Income

1 Tax Expense is no higher than the price charged to other affiliates for the
2 same or similar items and represents the actual cost of these items.

3

4 Q51. DOES THIS CONCLUDE YOUR TESTIMONY?

5 A. Yes, it does.

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Rory L. Roberts
Educational Background and Professional Experience

Education

Southwest Baptist University
Bolivar, Mo. 65613

September, 1979 to May, 1983

BS, Majors in Accounting and Business Administration

Summa Cum Laude

3rd in class of 194

Certified Public Accountant

Awarded Gold Medal for achieving the highest score of Missouri candidates on the November 1983 Uniform CPA Examination.

Elijah Watt Sells Award from the American Institute of CPAs in "recognition of performance with high distinction in submitting papers of outstanding merit for the Uniform CPA examination November 1983". The award was given to 117 candidates out of the 72,695 taking this exam.

Professional Affiliations

American Institute of Certified Public Accountants

Arkansas Society of Certified Public Accountants

Professional Experience

Entergy Services, Inc.

February, 1993 to Present

New Orleans, LA

Director, Income Tax

September 2008 – Present

Director, Income Tax Accounting and Compliance

March 2003 – August 2008

Manager, Domestic Income Tax

2000 to 2003

Tax Advisor

1998 to 2000

Senior Staff Tax Analyst

1997 to 1998

Senior Lead Tax Accountant

1993 to 1997

Arkansas Power & Light Company

October, 1987 to January, 1993

Little Rock, AR

Progressed from Staff Accountant II to Senior Accountant while working in Taxes & Special Studies and in Regulatory Accounting & Taxes.

Charles Cole Co., CPAs

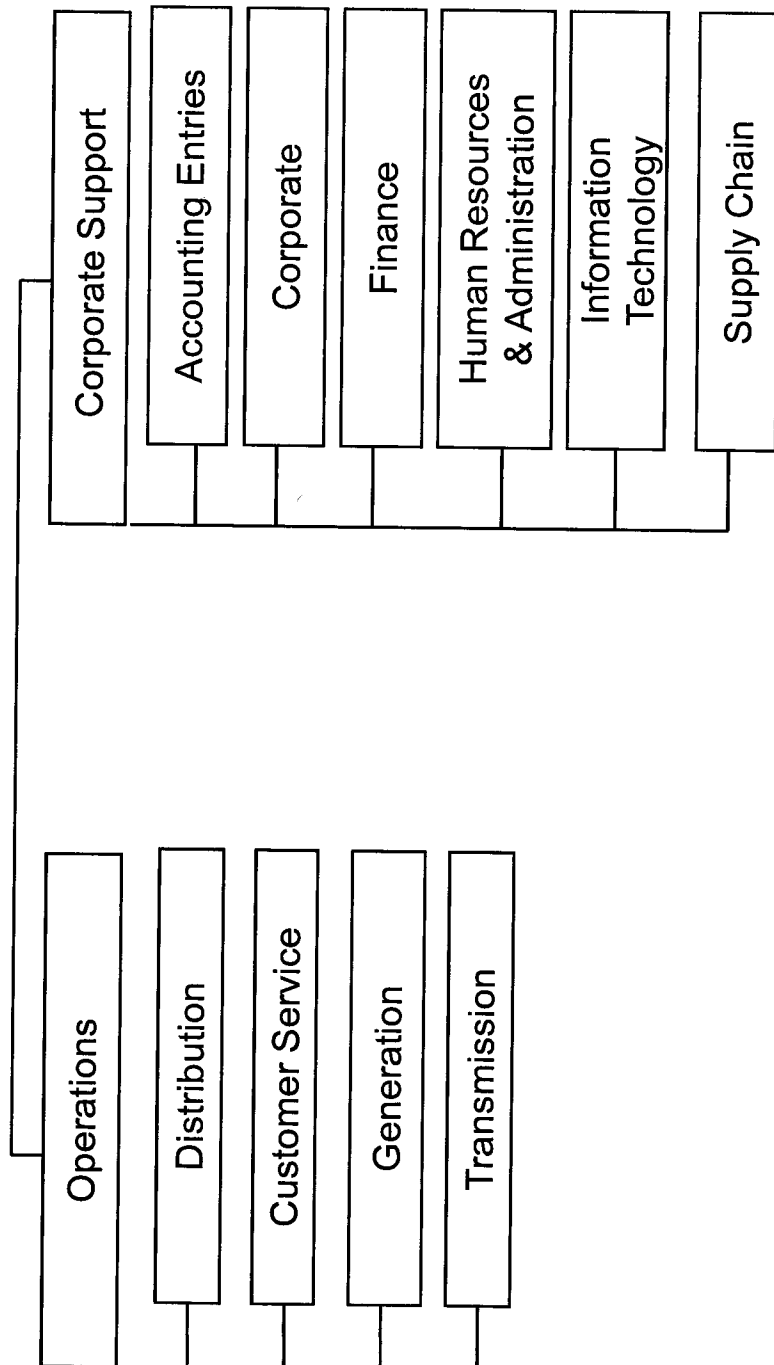
March, 1984 to October, 1987

North Little Rock, AR

Progressed from staff to supervisory level while performing duties in audit, tax and management advisory services.

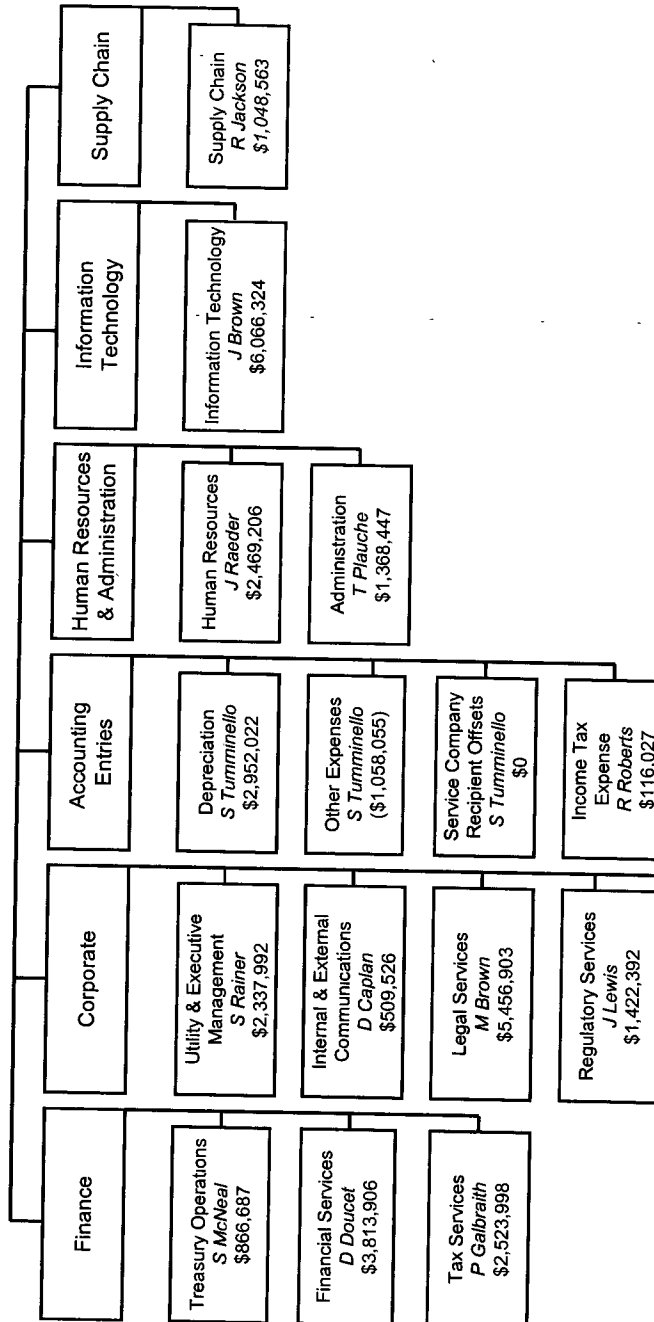
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Families and Functions

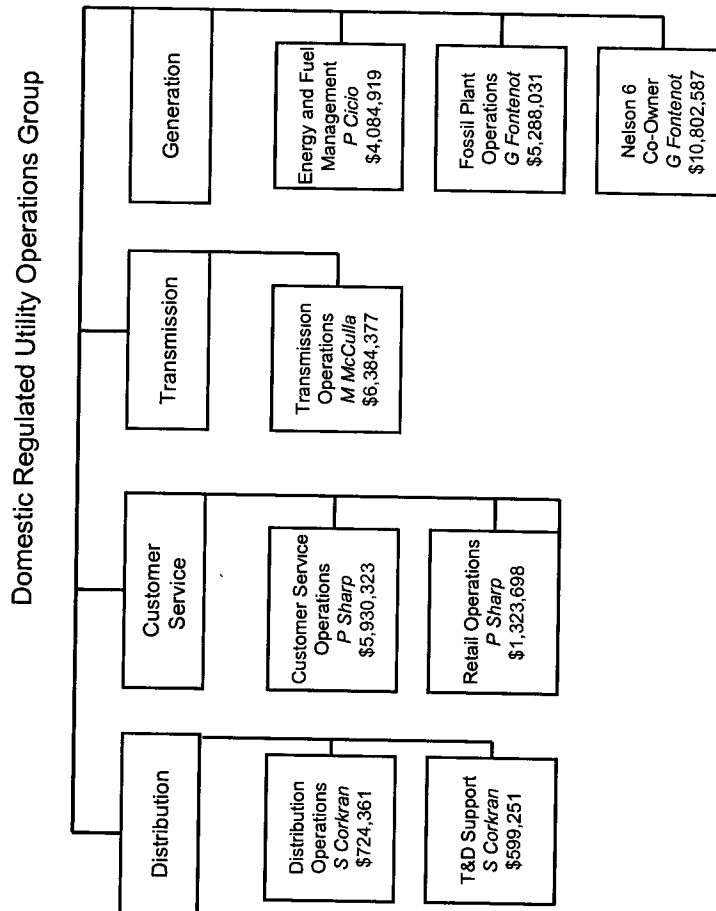


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Corporate Support Functions & Classes (\$ Total ETI Adjusted)



Operations Functions & Classes (\$ Total ETI Adjusted)



Entergy Texas, Inc.
Listing of Rate Filing Package Schedules Sponsored
or Co-Sponsored By Rory L. Roberts

Line No.	Schedule Description	Sponsor	Co-Sponsor
1	G-7.1 Recon-Test Yr Bk Net Inc & Tax Net Inc		X
2	G-7.1a Reconciliation-Timing Diffncs	X	
3	G-7.3 Consolidated Taxes	X	
4	G-7.3a Tax Consolidation Benefits	X	
5	G-7.3b Consolidation/Inter-Corp Tax Allocation	X	
6	G-7.4 ADFIT		X
7	G-7.4a ADFIT-Descriptn Of Timing Diffncs	X	
8	G-7.4b Adjustments to ADFIT		X
9	G-7.4c ADFIT & ITC-Plt Adjustments & Alloc		X
10	G-7.4d ADFIT-Rate Case Expense		X
11	G-7.5 Analysis Of ITC's	X	
12	G-7.5a ITC Utilized	X	
13	G-7.5b ITC Generated But Not Utilized	X	
14	G-7.5c ITC Utilized-Stand Alone Basis		X
15	G-7.5d ITC Election	X	
16	G-7.5e FERC A/C 255 Balance		X
17	G-7.6 Analys-TY & Rqstd FIT-Tx Meth 2		X
18	G-7.6a Analysis Of Deferred FIT		X
19	G-7.8 Analys-TY & Rqstd FIT-Tx Meth 1		X
20	G-7.9 Amort-Protctd/Unprot Exc Def Txs	X	
21	G-7.9a Analys-Exc Def Txs By Timing Diff	X	
22	G-7.9b Reconcltn Of Excess Def Txs	X	
23	G-7.9c Analys-Resv Acctng-Exc Def Txs	X	
24	G-7.10 Effects of Accounting Order Deferrals		X
25	G-7.13 List of FIT/ADFIT Testimony		X
26	G-7.13a History of Tax Normalization	X	
27	G-7.13b Tax Elections	X	
28	G-7.13c Changes in Accounting for Def FIT	X	
29	G-7.13d IRS Audit Status	X	
30	G-7.13e Private Letter Rulings	X	
31	G-7.13f A/C Meth-ADFIT Rel to NOL Cfwd	X	

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

	(A)	(B) Total Billings		(C)	(D)	(E)	(F)	(G)	(H)
		Support	Service Company Recipient						
Class	Billing Entity	Dept			All Other BU's	ETI Per Books	Plus	Proforma Amount	Total ETI Adjusted
Income Tax Expense	ESI								
				1,189,002	1,189,002	116,044	0	-17	116,027
Total	ESI			1,189,002	1,072,958	116,044	0	-17	116,027
Income Tax Expense									
				1,189,002	1,072,958	116,044	0	-17	116,027
Total				1,189,002	1,072,958	116,044	0	-17	116,027
Total For Witness									
Roberts, Rory L				1,189,002	1,072,958	116,044	0	-17	116,027

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

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

Class	Billing Entity	Activity/Project Code	Activity/Project Description	ESI Billing Method	(A)		(B)		(C)		(D)	(E)	(F)	(G)	(H)
					Support	Total Billings	Service Company	Recipient	Total	All Other BU's					
Income Tax Expense	ESI	FSPCZUITPS	OUR FED/STATE INC TAX	LVLVSICAL	24,933,361	0	0	24,933,361	22,563,674	2,369,686	0	0	0	0	2,369,686
Income Tax Expense	ESI	FSPCZUITNC	DEF FED/STATE INC TAX	LVLVSICAL	-23,744,538	0	0	-23,744,538	-21,490,879	-2,253,659	0	0	0	0	-2,253,659
Income Tax Expense	ESI	F5PPZERTX1	Franchise Taxes	LVLVSICAL	180	0	0	180	163	17	0	0	0	-17	0
Total	ESI				1,189,002	0	0	1,189,002	1,072,958	116,044	0	-17	0	-17	116,027
Income Tax Expense					1,189,002	0	0	1,189,002	1,072,958	116,044	0	-17	0	-17	116,027
Total															
For															
Witness															
Roberts, Rory L					1,189,002	0	0	1,189,002	1,072,958	116,044	0	-17	0	-17	116,027

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

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Entergy Texas, Inc.

Affiliate Billings - by Witness, Class, Department and Project
For the Twelve Months Ended March 31, 2013

Amounts in Dollars

Exhibit RLR- C
2013 TX Rate Case

						(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Class	Billing Entity	Dept	Activity/ Project Code	Activity/ Project Description	ESI Billing Method	Total Billings			All Other BU's	ETI Per Books	Exclusions	Proforma Amount	Total ETI Adjusted
						Support	Service Company Recipient	Total					
Income Tax Expense	ESI		FSPCZUTIFS	CUR FED/STATE INC TAX	LVLSCAL	24,933,361	0	24,933,361	22,563,674	2,369,686	0	0	2,369,686
Income Tax Expense	ESI		FSPCZUTINC	DEF FED/STATE INC TAX	LVLSCAL	-23,744,538	0	-23,744,538	-21,490,879	-2,253,659	0	0	-2,253,659
Income Tax Expense	ESI		FSPZFRTX1	Franchise Taxes	LVLSCAL	180	0	180	163	17	0	-17	0
Total						1,189,002	0	1,189,002	1,072,958	116,044	0	-17	116,027
Total						1,189,002	0	1,189,002	1,072,958	116,044	0	-17	116,027
Income Tax Expense						1,189,002	0	1,189,002	1,072,958	116,044	0	-17	116,027
Total						1,189,002	0	1,189,002	1,072,958	116,044	0	-17	116,027
For													
Witness													
Roberts, Rory L						1,189,002	0	1,189,002	1,072,958	116,044	0	-17	116,027

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

Exhibit RLR - D
2013 TX Rate Case

Witness Name	Class	Billing Entity	Account	Account Desc	Proforma Number	Proforma Description	Supporting Witness	Proforma
Roberts, Rory L	Income Tax Expense	ESI	408152	Franchise Tax - State	AJ21K	To remove franchise tax costs from the Income Tax Expense class.	Roberts, Rory L	-17
	Total	ESI						-17
	Income Tax Expense	ESI						-17
Total								-17
For								
Witness								
Roberts, Rory L								-17

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

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DOCKET NO. 41791

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

DIRECT TESTIMONY

OF

PHILLIP N. SHARP

ON BEHALF OF

ENTERGY TEXAS, INC.

SEPTEMBER 2013

ENTERGY TEXAS, INC.
DIRECT TESTIMONY OF PHILLIP N. SHARP
2013 RATE CASE

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EXHIBITS

Exhibit PNS-1	Organization Chart of Affiliate Families and Functions
Exhibit PNS-2	Organization Chart of Affiliate Functions and Classes
Exhibit PNS-3	Utility Operations Group and Customer Experience Department
Exhibit PNS-4	Summary of First Quartile Consulting Benchmarking Report
Exhibit PNS-5	Analysis of Dollars Closed to Plant in Service – Customer Service Operations – July 1, 2011 through March 31, 2013
Exhibit PNS-A	Affiliate Billings by Class and by Department
Exhibit PNS-B	Affiliate Billings by Class and by Project
Exhibit PNS-C	Affiliate Billings by Class, by Department and by Project
Exhibit PNS-D	Pro Forma Adjustments to Affiliate Billings

1 I. WITNESS INTRODUCTION AND QUALIFICATIONS

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

4 A. My name is Phillip N. Sharp. I am employed by Entergy Services, Inc.
5 ("ESI")¹ as the Director, Customer Service Centers and Credit &
6 Collections. My business address is 639 Loyola Ave., New Orleans,
7 Louisiana 70113.

8

9 Q2. ON BEHALF OF WHOM ARE YOU TESTIFYING?

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

11

12 Q3. WHAT ARE YOUR CURRENT RESPONSIBILITIES AS DIRECTOR OF
13 CUSTOMER SERVICE CENTERS AND CREDIT & COLLECTIONS?

14 A. I am responsible for the direct operation of six Customer Service Centers
15 (*i.e.*, call centers) plus an outsourced call center in Atlanta, Georgia. I am
16 also responsible for necessary support functions, and training and process
17 improvement associated with the call centers. The Customer Service
18 Centers ("CSCs") support the call center operations of the EOCs.² I also
19 direct the operation of the Entergy Business Center ("EBC"), which
20 provides account management services to the EOCs' large industrial and

¹ ESI is a subsidiary of Entergy Corporation that provides administrative and technical services to the Entergy Operating Companies ("EOCs").

² The six EOCs are: ETI, Entergy Arkansas, Inc. ("EAI"); Entergy Gulf States Louisiana, L.L.C. ("EGSL"); Entergy Louisiana, LLC ("ELL"); Entergy Mississippi, Inc. ("EMI"); and Entergy New Orleans, Inc. ("ENO").

1 commercial customers and the Credit & Collections ("C&C") functions for
2 the EOCs.

3

4 Q4. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND
5 EDUCATIONAL BACKGROUND.

6 A. I have served as Director, Customer Service Centers and Credit &
7 Collections ("CSC and C&C") for ESI since May 2012. My responsibilities
8 in this position are described above. Prior to my current assignment, I
9 was the Director of Marketing for ESI for about five years and was
10 headquartered in New Orleans. Before that, I served as the Manager of
11 Entergy Call Center Operations for about eight years and was
12 headquartered in Little Rock, Arkansas. I was responsible for call center
13 operations; including call routing plans, workforce management, quality
14 assurance, technology deployment, and operational reporting.

15 I have held management positions in marketing, account
16 management, customer service, and gas operations in Arkansas and
17 Louisiana. I joined the Entergy Companies³ in January 1986.

18 I have a Bachelor of Science degree in Marketing from Arkansas
19 State University and a Master of Science degree in Operations
20 Management (School of Engineering) from the University of Arkansas. In

³ I use the term "Entergy Companies" or Entergy to mean Entergy Corporation and all of its subsidiaries, including ESI, ETI, and the other EOCs. Each of these subsidiaries is a separate legal entity.

1 addition, I successfully completed the University of Maryland's Robert H.
2 Smith Executive Education program in 2003.

3

4 II. PURPOSE AND ORGANIZATION OF TESTIMONY

5 Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

6 A. My testimony covers two main topics.

7 First, I support the affiliate charges for the Customer Service
8 Operations and Retail Operations classes of services for the Test Year.⁴
9 There are five primary business functions within the Customer Service
10 Operations class: Customer Service Centers; Billing; Credit & Collections;
11 Revenue Assurance; and Meter Reading. I support \$5,930,323 Total ETI
12 Adjusted costs for this class. The Retail Operations class covers the sales
13 and marketing function and other associated functions. I support
14 \$1,323,698 Total ETI Adjusted costs for this class. These business
15 functions are described in later sections of this testimony.

16 Second, I support \$105,699 of capital additions for General and
17 Intangible Plant associated with ETI's Customer Service Operations.

18

19 Q6. WHERE DO THE AFFILIATE CLASSES YOU SUPPORT FIT INTO THE
20 OVERALL ESI STRUCTURE?

21 A. My Exhibit PNS-1 presents a chart of ESI Families and Functions. I
22 sponsor testimony in support of the Customer Service function within the

⁴ The Test Year for this base rate case is the 12 months ending March 31, 2013.

1 Operations family. My Exhibit PNS-2 includes charts that display the two
2 affiliate classes of service providing support to ETI within the Customer
3 Service function.⁵ The Customer Service Operations class is
4 organizationally managed within ESI by the Customer Experience and
5 Utility Operations Departments. The Retail Operations class is
6 organizationally managed within ESI by the sales and marketing groups
7 within the Customer Experience Department.

8 Company witness Stephanie B. Tumminello describes the families
9 and functions in more detail in her testimony.

10

11 Q7. WHAT IS THE CUSTOMER EXPERIENCE DEPARTMENT?

12 A. In March 2011, the Utility Support Department within ESI was reorganized
13 into the Customer Experience Department and the Utility Operations
14 Department.⁶ The Customer Experience Department operates as a part of
15 the Entergy Utility Operations organization. The Customer Experience
16 Department combined the Sales and Marketing groups, CSC and C&C,
17 and the Business Services Department, and added the departments of
18 Customer Experience Strategy and Lighting. As shown in Exhibit PNS-3,
19 page 2, the Customer Experience Department provides support for both
20 the Customer Service Operations and Retail Operations classes. The
21 Customer Service Operations class of services is represented by the

⁵ See Exhibit PNS-2, page 2.

⁶ See Exhibit PNS-3, which shows the overall Utility Operations Group and the Customer Experience Department functional organization charts as of March 31, 2013.

1 customer service portion of the Customer Experience Department and the
2 Retail Operations class of services is represented by the sales and
3 marketing function portion. The sales and marketing groups within the
4 Customer Experience Department provide account management on
5 business matters for very large industrial customers and multi-site national
6 chain accounts as well as for some wholesale customers. The sales and
7 marketing function is also responsible for new product and service
8 development and program management for lighting, billing, usage
9 information and other products and services offered to all retail customers.
10 In addition, the department produces the annual sales forecast and
11 conducts customer satisfaction research.

12

13 Q8. FOR THE CLASSES OF AFFILIATE CHARGES YOU SUPPORT, WHAT
14 FINDINGS AND CONCLUSIONS WILL YOU PROVE?

15 A. I will demonstrate that:

16 1) the services provided by the Customer Service Operations
17 and Retail Operations classes are essential (necessary) components of
18 ETI's ability to serve customers, to respond to their questions, and to
19 operate its business;

20 2) these necessary services are provided in an effective way,
21 and their associated costs are reasonable; and

22 3) as also demonstrated in Company witness Tumminello's
23 Direct Testimony, the unit prices charged to ETI for these services are no

1 higher than the unit prices charged to other affiliates for the same or
2 similar services and reasonably approximate the actual cost of the service.
3

4 Q9. HOW IS THE REMAINDER OF YOUR TESTIMONY ORGANIZED?

5 A. In Section III.A, I discuss affiliate charges for the Customer Service
6 Operations class. In Section III.B, I discuss budget process and controls.
7 In subsection III.C(1), I explain the necessity of the CSCs' business
8 function, the reasonableness of the costs for the CSCs, and I demonstrate
9 that the unit prices charged to ETI for this business function are no higher
10 than the unit prices charged to other affiliates for the same or similar
11 services and reasonably approximate the actual cost of the service. In
12 subsections III.C(2) through III.C(6), I do the same for the following
13 Customer Service Operations business functions: Billing; Credit &
14 Collections; Revenue Assurance; and Meter Reading.

15 In Section IV.A, I discuss affiliate charges for the Retail Operations
16 class. In Section IV.B, I discuss budget process and controls. In
17 subsection IV.C, I explain the necessity of the Sales & Marketing business
18 function and the reasonableness of the costs for the function, and I
19 demonstrate that the unit prices charged to ETI for this business function
20 are no higher than the unit prices charged to other affiliates for the same
21 or similar services and reasonably approximate the actual cost of the
22 service.

1 In Section V, I discuss capital additions for General and Intangible
2 Plant associated with ETI's Customer Service Operations.

3

4 Q10. WHY ARE YOU QUALIFIED TO ADDRESS THESE ISSUES AND TO
5 PROVIDE THIS TESTIMONY?

6 A. I have a broad range of experience in Customer Service and Marketing,
7 including management positions in CSC and C&C, CSC operations
8 support and Marketing that relate to the classes of service I sponsor in this
9 testimony. I currently have direct operational responsibilities for the
10 Entergy Companies' CSC and C&C functions. As an executive
11 management member of the Customer Experience department, I have
12 direct contact with the other Customer Service Operations functions,
13 Retail Operations functions, as well as customer satisfaction surveys
14 within customer service process improvement and benchmarking.

15

16 Q11. DO YOU SPONSOR ANY EXHIBITS?

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

18

19 Q12. DO YOU SPONSOR OR CO-SPONSOR ANY SCHEDULE IN THE RATE
20 FILING PACKAGE THAT ETI HAS FILED IN THIS DOCKET?

21 A. Yes. I co-sponsor Schedule H-13.1e.

1 Q13. DO YOU SPONSOR ANY PRO FORMA ADJUSTMENTS?

2 A. Yes. I sponsor pro forma adjustments associated with the affiliate classes
3 of service described in the following sections.

4

5 III. TEST YEAR COSTS FOR THE CUSTOMER SERVICE
6 OPERATIONS CLASS

7 Q14. PLEASE BRIEFLY DESCRIBE THE MAJOR BUSINESS FUNCTIONS
8 THAT COMPRISE THE CUSTOMER SERVICE OPERATIONS CLASS
9 OF AFFILIATE SERVICES.

10 A. Following are the five major business functions that comprise the
11 Customer Service Operations Class and are described in greater detail
12 below.

13 1) The **Customer Service Centers** function includes the CSCs,
14 which handle all incoming customer calls. The CSCs (also referred to as
15 call centers or telephone centers) handle calls from residential and
16 business customers related to new service, changes to existing service,
17 billing questions, credit terms, outages, and general information needs.
18 Calls from large commercial and industrial customers are handled by the
19 EBC.

20 2) The **Billing** function includes the processes of taking customer
21 meter reading data and calculating the amount due for each customer's
22 usage. The billing function ends at the point that bills are sent to the
23 individual customers of the EOCs.

1 3) The **Credit & Collections** function includes the work processes
2 related to the extension of credit to our customers, management of active
3 accounts receivable, and the collection of delinquent or written-off
4 accounts.

5 4) The **Revenue Assurance** function includes the service
6 diversion, revenue protection, and data integrity work processes. The
7 primary objective is to reduce lost revenue that arises from theft and
8 equipment failures.

9 5) The **Meter Reading** function involves the collection of usage and
10 energy demand data from customer meters. This is primarily
11 accomplished via the physical reading of customer meters on a monthly
12 basis.

13

14 A. Test Year Affiliate Charges

15 Q15. WHAT IS THE TOTAL ETI ADJUSTED AMOUNT FOR THE CUSTOMER
16 SERVICE OPERATIONS CLASS OF SERVICES?

17 A. The Total ETI Adjusted amount for the Customer Service Operations class
18 of services is \$5,930,323. ESI directly billed 22% of this amount and
19 allocated the remaining 78%. Table 1 shows the following information for
20 the Customer Service Operations class:

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

1
2

**Table 1 – Total Affiliate Charges
for Customer Service Operations Class of Services**

Class	Total Billings	Total ETI Adjusted		
		Amount	% Direct	% Allocated
Customer Service Operations	\$49,738,417	\$5,930,323	22%	78%

3

4 Q16. WHAT ARE THE MAJOR COST COMPONENTS OF THESE CHARGES?

5 A. The major cost components of the charges to ETI for the Customer
6 Service Operations class are as follows:

1

Table 2 – Major Cost Components

Cost Component	Cost (\$)	% of Total
Payroll & Employee Costs	4,256,431	72%
Office and Employee Expenses	648,535	11%
Outside Services	518,723	9%
Service Company Recipient	463,712	8%
Other	42,923	1%
Total	5,930,323	100%

*Numbers may not sum due to rounding.

2

3 Q17. WHAT IS THE IMPORTANCE OF THESE COST CATEGORIES?

4 A. These major cost components reflect an additional view of the costs in the
5 Customer Service Operations class. Other Company witnesses support
6 the necessity and reasonableness of the types of costs in these
7 components, thus providing additional support for the costs in my class of
8 services. For instance, the largest cost component of the Customer
9 Services Operations class of service is Payroll and Employee Costs
10 (72%). Company witness Jennifer A. Raeder supports the
11 reasonableness of employee compensation and benefit rates, which
12 indirectly supports this category of costs in my class of services.

13 Office and Employee Expenses (11%) cover costs of maintaining
14 work spaces, office supplies, business travel, etc. These types of

1 expenses are primarily addressed by Company witness Thomas C.
2 Plauché and, thus, Mr. Plauché provides secondary support for this
3 category of costs in this class. Outside Services costs (9%) pertain to
4 services provided by non-Entergy employees and firms, such as outside
5 consultants and vendors. The component Service Company Recipient
6 (8%) includes information technology services, rents, human resources
7 services, etc. The costs for these shared services, which are services that
8 ESI provides to itself, are in turn spread to all affiliates that receive ESI
9 services. Company witness Tumminello, who explains the shared
10 services loading process, and the witnesses who support the types of
11 costs reflected in the shared services loader, bolster this category of costs
12 in my class.

13
14 Q18. RETURNING NOW TO TABLE 1, PLEASE DESCRIBE THE EXHIBITS
15 THAT SUPPORT THE INFORMATION INCLUDED IN TABLE 1.

16 A. Attached to my testimony are exhibits showing the calculation of the Total
17 ETI Adjusted amount for the Customer Service Operations class of
18 service. In my Exhibit PNS-A, the information is shown broken down by
19 the departments comprising the class. My Exhibit PNS-B shows the same
20 information broken down by project code and the billing method assigned
21 to each project code. My Exhibit PNS-C shows the information by class,
22 department, and project code. For each exhibit, the amounts in the
23 columns represent the following information:

Column (A) – Support	Dollar amount of total Test Year billings and charges from ESI to all Entergy Business Units, plus the dollar amount of all other affiliate charges to ETI that originated from any Entergy Business Unit.
Column (B) – Service Company Recipient	Dollar amount that was included in the service company recipient allocation. Service company recipient charges are the cost of services that ESI provides to itself, which in turn are charged to affiliates that receive those services. The service company recipient allocation process is described in the testimony of Company witness Tumminello.
Column (C) – Total	Represents the sum of Columns (A) and (B).
Column (D) – All Other Business Units	That portion of Column (C) that was billed and charged to Business Units other than ETI.
Column (E) – ETI Per Books	Represents the difference between Columns (C) and (D).
Column (F) – Exclusions	Represents amounts that are excluded from ETI electric cost of service. The exclusions are described in the testimony of Company witness Tumminello.
Column (G) – Pro Forma Amount	Pro Forma Amounts include adjustments for known and measurable changes, and corrections.
Column (H) – Total ETI Adjusted	ETI adjusted amount requested for recovery in this case for this class (Column (E) plus Columns (F) and (G)).