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

Q19. ARE THERE ANY PRO FORMA ADJUSTMENTS AFFECTING THE CUSTOMER SERVICE OPERATIONS CLASS OF SERVICES?

A. Yes. The pro forma adjustments for the Customer Service Operations class totaling $(37,656) are shown on my Exhibit PNS-D, which also indicates the Company witnesses who sponsor those adjustments.

Q20. WHAT IS THE BASIS FOR BILLING THE AFFILIATE COSTS FOR THE CUSTOMER SERVICE OPERATIONS CLASS?

A. This class is made up of services that are charged to one or more project codes. As Company witness Tumminello explains in her Direct Testimony, only one billing method is assigned to each project code. Any organization performing work associated with a project code will bill its work to that project code, but regardless of the organization that does the work, the billing method for all work done on that project code remains the same. The billing method for the project code is based on cost causation. This practice of assigning and using one billing method for each project code based upon cost causation assures that the unit price billed to ETI for the service provided under the project code is no higher than the unit

price charged to other affiliates for the same or similar services and represents the actual costs of the service.

Company witness Tumminello's Direct Testimony provides a complete listing of billing methods, method numbers, project titles, descriptions, families, and percentages by affiliate company. As charges are incurred in this affiliate class of service, they are billed to the appropriate project code, allocated based upon the applicable billing method, and then billed to the appropriate affiliates, including ETI.

Q21. WHAT WERE THE PREDOMINANT BILLING METHODS USED FOR THE CUSTOMER SERVICE OPERATIONS CLASS OF SERVICES?

A. For the Test Year, the following billing methods were used for 90% of the Total ETI Adjusted costs associated with the Customer Service Operations class requested by the Company:

- CUSTCALL – charges the costs based on 24-month average number of customer calls.
- CUSTEGOP – charges the costs based on a 12-month average number of electric and gas residential, commercial, industrial, government, and municipal general business customers.
- DIRECT – are costs directly assigned to ETI via loaned labor.
- DIRECTTX – are costs allocated 100% to ETI.

Q22. WHY IS BILLING METHOD "CUSTCALL" APPROPRIATE TO USE FOR THE PROJECTS TO WHICH IT IS ASSIGNED?

A. For the project codes assigned this billing method, the cost driver is customer calls. An example is project code F3PPR733BM, which captures costs in the Beaumont, Texas call center for providing call center services to EOC customers. For the project codes that use this billing method, the unit price charged to ETI as a result of the application of this billing method is no higher than the unit price charged to other affiliates for the same or similar service and represents the actual cost of the services. Because the Beaumont call center and all the other call centers are operated as one unit with six locations, a billing method that charges each EOC based on its allocated costs determined by its percent of total customer calls is appropriate.

Q23. WHY IS BILLING METHOD "CUSTEGOP" APPROPRIATE TO USE FOR THE PROJECTS TO WHICH IT IS ASSIGNED?

A. For the project codes assigned this billing method, the cost driver is the number of EOC electric and gas customers. An example is Project Code F3PCR73322, which captures costs for producing and mailing customer bills and disconnection notices and for Customer Billing Operations administration. The number of customers at each EOC drives the number of bills and notices and the supervision of those operations. Thus, it is appropriate to use this billing method for a function that benefits all

jurisdictions and has customer count as a primary cost driver. For the project codes that use this billing method, the unit price charged to ETI as a result of the application of this billing method is no higher than the unit price charged to other affiliates for the same or similar service and represents the actual cost of the services.

Q24. WHY IS BILLING METHOD "DIRECT" APPROPRIATE TO USE FOR THE TRANSACTIONS TO WHICH IT IS ASSIGNED?

A. This billing method is used for activities that are performed as "loaned" labor and/or resources from non-ESI employees and are directly billed to the receiving company. An example is a Customer Service Representative ("CSR") located in the Baton Rouge phone center who is an EGSL employee and takes a portion of calls from Texas customers. For the "loaned" labor activity performed by that employee using this billing method, the unit price charged to ETI as a result of the application of this billing method is no higher than the unit price charged to other affiliates for the same or similar service and represents the actual cost of the services. Loaned labor charges do not require a project code because the loaned laborers are not ESI employees.

Q25. WHY IS BILLING METHOD "DIRECTTX" APPROPRIATE TO USE FOR THE PROJECTS TO WHICH IT IS ASSIGNED?

A. All functions use this billing method, as needed, for activities that are performed specifically and solely for ETI. An example is Project Code F3PCR102GX, Billing of Texas Customers, which is focused on ETI billing of large industrial customers. For the project codes that use this billing method, the unit price charged to ETI as a result of the application of this billing method is no higher than the unit price charged to other affiliates for the same or similar services and represents the actual cost of the services.

Q26. YOU HAVE ADDRESSED 90% OF THE TOTAL ETI ADJUSTED COSTS ASSOCIATED WITH THIS CLASS. PLEASE ADDRESS THE REMAINING 10%.

A. A number of billing methods were used for the remaining 10% of Total ETI Adjusted costs associated with this class. The project codes and billing methods used for the remaining 10% of such costs are provided in my Exhibit PNS-C.

Q27. HAVE YOU DETERMINED THAT THE APPROPRIATE PROJECT CODES AND BILLING METHODS HAVE BEEN USED FOR THE REMAINING 10% OF TOTAL ETI ADJUSTED COSTS ASSOCIATED WITH THIS CLASS?

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

B. Budget Processes and Controls

Q28. PLEASE DESCRIBE THE BUDGETING PROCESS USED TO CONTROL COSTS FOR THE CUSTOMER SERVICE OPERATIONS CLASS.

A. Each department included within the Customer Service Operations class is assigned responsibility for specific work processes. Each year, the departments prepare a budget by reviewing historical activity levels for each work process, and by developing an estimate for activity levels projected for the budget period. In an effort to reduce budget requirements, work reduction enabled by automation and centralization efforts is considered when estimating future activity levels. Cost savings

and spending reduction goals are put into place during the budget process. Dollars are allocated for these activities based on the type of cost, such as employee salaries, outside services, and office expenses. To ensure that requested budgets are within reason, a management review is undertaken to compare totals with prior performance and benchmarking data of other utilities providing similar core services.

Q29. HOW IS THIS REVIEW USED TO ENSURE THAT THE COSTS ASSOCIATED WITH THESE SERVICES ARE REASONABLE?

A. Each business group included within the Customer Service Operations class is tracked by a group-specific budget, and budget reports are available at any time in the budget system. These budget reports reflect all expenses posted to those budget locations at the time the report is generated. These reports are used in the preparation of monthly variance reports where management addresses deviations from budget targets.

Q30. HOW DO THESE CONTROLS AND PROCESSES TIE TO UPPER LEVEL MANAGEMENT'S REVIEW AND MONITORING OF THE COSTS ASSOCIATED WITH CUSTOMER SERVICE OPERATIONS BUSINESS FUNCTIONS?

A. The reports described above allow management to identify potential cost issues and take necessary remedial action to avoid significant unfavorable budget variances. Senior management depends on these direct reports to

achieve the overall business objective. Improved customer service, a safe work environment, and reduced costs are the cornerstones of success for the Utility Operations Group and the Customer Service Operations class of services.

Q31. ARE THE CUSTOMER SERVICE OPERATIONS EMPLOYEES HELD ACCOUNTABLE FOR DEVIATIONS FROM THE BUDGET?

A. Yes. Budget management is a key performance objective for the Directors and Managers of the functions within the Customer Service Operations class. Deviations are highlighted in monthly reviews and must be explained.

Q32. HOW DO THESE CONTROLS AND PROCESSES HELP TO ENSURE THAT THE COST OF CUSTOMER SERVICE OPERATIONS BUSINESS FUNCTIONS IS REASONABLE?

A. Tracking costs and performance allows management to compare expenditures with other electric utilities. For example, in the CC function, performance results, such as gross write-offs as a percentage of revenue and net write-offs as a percentage of revenue, are common metrics that facilitate comparison among electric utilities. Any variance to peer utilities in any cost or quality metric is reviewed closely to determine whether the difference is due to reporting differences or other reasonable factors.

Q33. IN ADDITION TO THESE CONTROLS AND PROCESSES, WHAT OTHER MECHANISMS HAVE THE ENTERGY COMPANIES IMPLEMENTED TO ENSURE THAT THE COSTS OF THE CUSTOMER SERVICE OPERATIONS CLASS OF SERVICES ARE REASONABLE?

A. Employee cost is one category that can be controlled by any business. Currently, the filling of any vacancy must be justified by a description of need and expected benefit, and must be approved by senior management. This "zero-based" hiring process helps to ensure that only critical vacancies are filled and that the addition of personnel involves multiple levels of management oversight.

Q34. WHAT ARE THE TEST YEAR COSTS FOR EACH OF THE BUSINESS FUNCTIONS WITHIN CUSTOMER SERVICE OPERATIONS?

A. The ESI Test Year costs are broken down by major business functions in Table 3. These costs represent ESI charges and not the total affiliate charges that are represented in Exhibits PNS-A through PNS-D.

Table 3 – Major Business Functions within the Customer Service Operations Class of Service

Business Function	Total Billings (ESI Only)	Total ETI Adjusted (ESI Only)
Customer Service Centers	$28,857,513	$3,012,555
Billing	$11,138,467	$1,044,223
Credit & Collections	$5,149,185	$660,567
Revenue Assurance	$1,761,872	$119,456
Meter Reading	$2,148,228	$410,469
Total for Customer Service Operations	$49,055,266	$5,247,270

C. The Services and Charges Are Reasonable and Necessary

Q35. PLEASE STATE THE DOLLAR AMOUNTS OF THE ETI PORTION OF THE AFFILIATE CHARGES FOR THE CUSTOMER SERVICE OPERATIONS CLASS FOR EACH OF THE PAST THREE YEARS AND THE TEST YEAR.

A. Table 4 shows the total affiliate O&M charges to ETI for Customer Service Operations costs for 2010-2012 and the Test Year. These charges have been adjusted to remove the MISO and ITC-related affiliate costs that the

Company is removing from the requested cost of service (as explained by Company witness Michael P. Considine), as well as the nuclear and gas department codes (as explained by Company witness Tumminello).

Table 4 –
Trend of ETI Customer Service Operations Class Charges
(excludes pro forma adjustments except as described above)

Customer Service Operations	2010	2011	2012	Test Year
Total ETI Charges	$6,184,532	$5,943,314	$6,149,173	$5,967,943

Q36. PLEASE EXPLAIN THIS TREND.

A. The slight overall decrease from 2010 through the Test Year reflects stable operations with continued focus on cost reduction while allowing for minor increases in payroll and postage and other operating expenses through the Test Year. The decrease from 2010 through the Test Year reflects a shift in focus to allow customers more options in contacting the Company. More web self-service options were offered to EOC customers, including ETI. This shift offers more contact options at lower cost than the traditional means of contacting the Company via the telephone and talking to a CSR. Also, text messaging, another low cost contact option, allows customers to access account balances and report outages.

Lower Test Year costs reflect continued focus on multi-channel access to enhance the customers' experience with the Company by giving

them choice in their preferred means to contact the Company. This also serves to lower cost because other access channels are less costly than a CSR handled call. Process improvements in the other Customer Service Operations functions also contribute to the general decline in costs through efficiency gains and reduction in needed resources.

Q37. PLEASE PROVIDE THE STAFFING LEVELS FOR THE CUSTOMER SERVICE OPERATIONS CLASS FOR EACH OF THE PAST THREE YEARS AND THE TEST YEAR.

A. Table 5 shows the Customer Service Operations headcount levels for 2010-2012 and the Test Year.[7]

Table 5 – Trend of Customer Service Operations Headcount

	2010	2011	2012	Test Year
Customer Service Operations Employees	511	471	441	433

Q38. WHAT ARE THE REASONS FOR THIS TREND?

A. The decrease reflects the impact of process improvements that allow customer access to the Company using technologically less labor intensive methods such as the Interactive Voice Response ("IVR") system and web self-service options. In addition, the EOCs also offer customers

[7] The 2010, 2011, and 2012 figures are year-end (December 31) headcounts. The Test Year figure is the headcount as of March 31, 2013.

the option to pay their bills by phone through a third-party vendor. This option decreases the need for customers to call for additional time to pay their bill through the mail, thus decreasing the need to talk to a CSR. The downward trend reflects lower staffing in the call center function due to process improvements and improved CSC workforce management. The other functions within Customer Service Operations were generally flat.

Q39. ARE THE CUSTOMER SERVICE OPERATIONS COSTS (AFFILIATE, NON-AFFILIATE, AND CAPITAL EXPENSE) THAT YOU SUPPORT IN YOUR TESTIMONY REASONABLE AND NECESSARY?

A. Yes. The total operation and maintenance ("O&M") expenses incurred during the Test Year and the capital expenses incurred during the period starting July 2011 through March 2013 for the ETI Customer Service Operations functions were both reasonable and necessary. The expenses were necessary because they included the costs to provide customers with a ready source of information regarding their service, access to Company personnel, accurate and timely meter readings, accurate and timely bills for power usage, and the flexibility of obtaining extensions to payment due dates when needed (with consideration given for risk of write-off).

In general, the non-affiliate, non-fuel, O&M expenses were costs incurred by the ETI field operations and maintenance organizations. They included such costs as salaries for ETI employees and supplies for those

employees to enable them to provide customer service to ETI's customers.

Q40. WHAT OBJECTIVE EVIDENCE EXISTS THAT OVERALL COSTS FOR THE CUSTOMER SERVICE OPERATIONS BUSINESS FUNCTIONS ARE REASONABLE?

A. Evidence that the overall costs for Customer Service Operations' business functions for the EOCs including ETI are reasonable is demonstrated by benchmarking data. ESI uses benchmarking data to compare functional operations and the cost of similar services, as well as to search for best practices for improving the quality and efficiency of customer service. The benchmarking surveys that I discuss are standard types of analyses that a utility operations manager commonly uses to assess the economic and operational efficiency of various operations and activities. The number of participants in each benchmarking study, however, can vary based upon a number of factors such as the existing client list of the organization conducting the benchmarking.

A primary source for benchmarking data of overall customer service is the costs reported by 21 southern U.S. electric operating companies for 2010 through 2012. ESI prepared this analysis based on publicly available Federal Energy Regulatory Commission ("FERC") Form 1 data. For ETI, the numbers include both affiliate and non-affiliate expenses. The peer group is made up of investor-owned utility operating companies

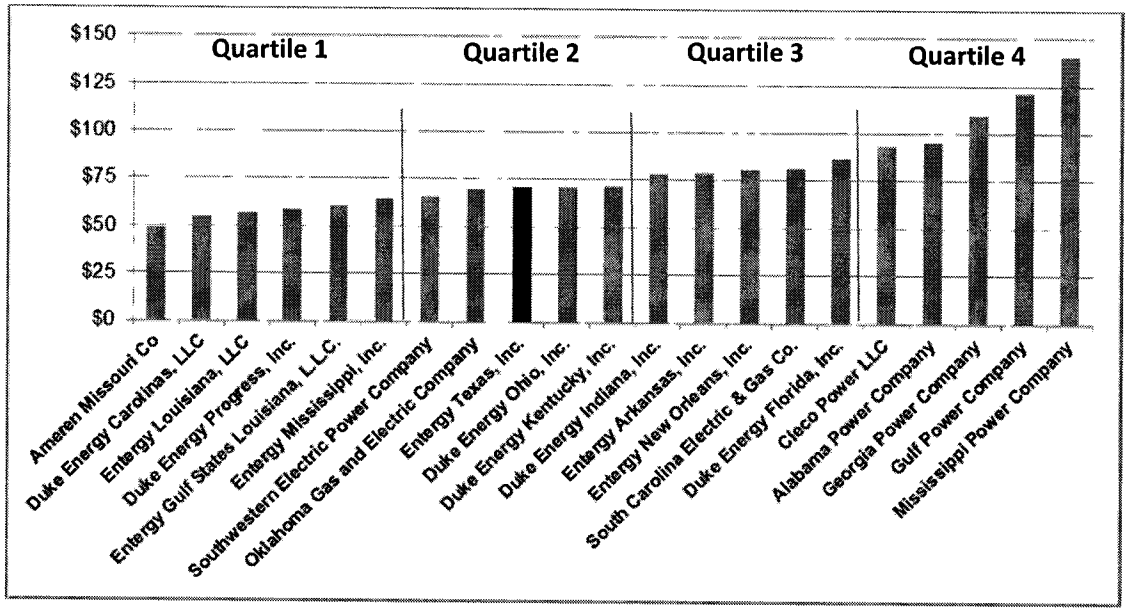
with similar geographical, economic, and customer demographics as the EOCs. ESI reviews and updates this list annually as conditions change (*e.g.*, acquisitions or holding company reorganizations).

Q41. WHAT DOES THE CUSTOMER SERVICE BENCHMARKING SHOW?

A. Table 6 shows that ETI is in the 2nd Quartile in cost per customer for customer service expenses relative to the 20 other companies in the survey.[8] The Customer Service Operations class comprises approximately 70 percent of these ETI costs. The remaining costs are incurred by the EOCs' customer service groups in responding to customer inquiries and providing information to customers as well as a small portion from other work groups including corporate communications and distribution operations.

[8] In benchmarking, a lower numbered quartile is generally considered better than a higher numbered quartile.

Table 6 – 2010-2012 Customer Service FERC Benchmarking with Peers Cost ($) per Customer



Q42. IN ADDITION TO THE FERC FORM 1 DATA, DID YOU USE OTHER EXTERNAL COMPARISONS TO ASSESS THE RELATIVE COST AND EFFECTIVENESS OF THE CUSTOMER SERVICE OPERATIONS FUNCTIONS?

A. Yes. The additional benchmarking information, however, was prepared at the individual business function level because that is how benchmarking of customer service functions is traditionally performed. I will discuss those benchmarking results later in my testimony, as they apply to the business functions in Customer Service Operations.

Q43. WHAT ARE THE SOURCES OF THE ADDITIONAL BENCHMARKING DATA USED FOR THE INDIVIDUAL FUNCTIONS THAT COMPRISE THE CUSTOMER SERVICE OPERATIONS CLASS?

A. In addition to the FERC Form 1-based analysis above, there is another source of benchmarking used in this testimony for individual functions: First Quartile Consulting Group ("First Quartile"), an internationally recognized consulting and benchmarking firm with U.S. corporate offices in California and Maryland.

First Quartile has expertise in benchmarking the utility industry. The 2013 (based on 2012 results) First Quartile Electric and Gas Customer Service survey consisted of 13 electric and gas utility participants throughout the United States and Canada involved in benchmarking customer service activities, including contact centers, billing, credit and collections, and meter reading functions. A summary of this First Quartile Consulting report is provided as my Exhibit PNS-4. It shows the combined EOCs' performance for the survey year, the industry average (mean), and quartile ranges for various performance measures. Although it does not show ETI numbers, per se, the industry average and quartile ranges remain the same for ETI comparisons. The details of the report are discussed later in my testimony.

Q44. OTHER THAN THROUGH BENCHMARKING OF FINANCIAL AND OPERATIONAL METRICS, HOW DOES ETI GAUGE THE EFFECTIVENESS OF ITS CUSTOMER SERVICE OPERATIONS?

A. The EOCs, including ETI, are included in the national benchmark of energy utilities conducted by J.D. Power and Associates ("J.D. Power"). J.D. Power is a global marketing information services company operating in key business sectors across a variety of industries, providing customer satisfaction research, market research, automotive forecasting, social media research, and performance improvement programs. J.D. Power's quality and satisfaction measurements are based on responses from millions of consumers annually. J.D. Power is a business unit of the McGraw-Hill Companies. Company witness H. Vernon Pierce discusses the J.D. Power customer satisfaction results for ETI.

D. Customer Service Operations Functions

Q45. DESCRIBE THE SPECIFIC SERVICES PROVIDED BY EACH OF THE FIVE BUSINESS FUNCTIONS THAT COMPRISE THE CUSTOMER SERVICE OPERATIONS CLASS OF SERVICES.

A. I will discuss each of Customer Service Operations functions beginning with the CSC business function.

1. Customer Service Centers

Q46. BRIEFLY DESCRIBE THE CSC BUSINESS FUNCTION.

A. The CSC business function includes the EOCs' CSC that handle all incoming customer calls, almost all e-mail inquiries, and most of the CSC-generated correspondence such as requests for hard-copy billing histories. Under the Human Capital Management initiative discussed by Company witness Sallie T. Rainer, the call centers would be consolidated into one customer contact center in Jackson, Mississippi by the end of 2015. However, because that consolidation has not yet occurred, my descriptions here apply to the call centers as they existed at the time this testimony was filed and during the Test Year.

The EOCs' call centers are located within each EOC's service territory (Beaumont, Texas; Baton Rouge, Louisiana; New Orleans, Louisiana; Little Rock, Arkansas; and Jackson, Mississippi) and interface with each EOC's local customer service management to assure customers' needs are met. Another call center located in West Monroe, Louisiana handles technical call types, including the permitting function, the builder desk, apartment owners and managers, and other specialized services for all jurisdictions. Finally, the EOCs outsource most of their credit and consumer-related calls to a third-party vendor located in Atlanta, Georgia.

The call centers operate as one "virtual" call center to serve the needs of all customers in the EOCs. The call centers operate as a virtual

center because of the economies of scale derived from pooling skilled CSRs throughout the EOCs using Skills Based Call Routing to direct calls to CSRs regardless of their geographic location. Each CSR is trained and able to effectively handle one or more specific call types.

Q47. WHAT IS THE ADVANTAGE OF THE VIRTUAL CALL CENTER CAPABILITY FOR ETI?

A. The virtual call center capability supports all EOCs, including ETI, during business hours and 24-hours per day for outage and emergency calls. This capability is particularly useful during major weather events or if call volume is much larger for some unusual reason. The virtual call center model maximizes service to ETI customers by assuring that ETI's customers can talk to a knowledgeable CSR during business hours of 7:00 a.m. through 7:00 p.m. Monday through Friday, and any hour of the day, seven days a week, for outages and emergencies even if the Beaumont CSC is closed or unable to take calls. To maximize call center efficiency, the virtual call center design provides skill-based routing of calls to a large pool of trained CSRs.

Q48. WHAT CALL TYPES ARE ANSWERED BY THE CSCS?

A. Entergy Corporation's call center operation is designed for CSRs to take calls depending on their skill level. The skills are segmented into

Consumer, Small Business, Service Initiation, Technical, After Hours, and EBC. These skills are defined as follows:

- Consumer – residential calls related to service requests, billing inquiries, credit issues, outage reporting, and miscellaneous information requests.
- Small Business – business customer calls related to service requests, billing inquiries, credit services, outage reporting, service turn on, turn off, and transfer of service.
- Service Initiation – residential calls related to service turn on, turn off, transfer of service, pole installations, and meter changes for existing service locations where no design change is required.
- Technical – residential and business calls requiring design related to new construction and modifications of existing facilities. These calls require an in-depth knowledge of design and construction standards in order to give the customers the information they need and to ensure that appropriate information is gathered from the customers in order to provide the service requested.
- After-Hours – outage and emergency calls during the time period when other call centers are closed (after normal business hours Monday through Friday and on weekends).

- EBC – large commercial and industrial calls related to service requests, bill reconciliations, credit services, outage reporting, service turn on or turn off, and account manager contact.

Customers generally call one toll-free number for most services and another toll-free number for outage and hazard reporting. The calls are answered by the IVR system and, depending on the options selected by the customer, the transaction is either handled by the IVR or the call is routed to an appropriately-skilled CSR.

Q49. WHAT OTHER SERVICES ARE PROVIDED TO ETI BY THE CSC FUNCTION?

A. Two distinct groups provide specialized services to all CSCs, including the Beaumont call center. The Customer Contact Operations ("CCO") group manages the critical functions of designing and maintaining call center system architecture, maintaining phone center network connectivity, call routing, call forecasting, call recording, CSR scheduling, CSR schedule adherence, call center-generated correspondence fulfillment, the IVR functionality and menus, as well as call center performance management reporting and telephony system database management.

The Training and Process Improvement group ("T&PI") also provides critical functions needed in each CSC. T&PI provides training and support services from a centralized structure to ensure consistency in

training and process by every CSR regardless of the center in which they are geographically located. The T&PI group develops and delivers training and quality monitoring services for each center. This group also analyzes and identifies process improvements for all call types and call segments across the centers. Finally, T&PI is the group that manages communication to CSRs and to all other workgroups, including Corporate Communications, during outages to ensure the customer receives the most up-to-date information.

Q50. WHY ARE THE SERVICES PROVIDED BY THIS BUSINESS FUNCTION NECESSARY FOR ETI'S OPERATIONS?

A. The CSC business function is necessary for ETI's operations because it provides the means for the Company's customers to easily and efficiently contact ETI for information and services. In many cases, the information sought or transaction needed by the customer can be handled over the phone by the IVR or a skilled CSR immediately through access to customer accounting and other systems. In other cases, the outcome of the phone call will be a service order to appropriate departments to provide services required by the customer. In this case, the skilled representative is responsible for obtaining information from the customer that is essential to perform the work by the responsible department.

The CSR handled call volume trend for the past three years and the Test Year for the Entergy System and calls from ETI customers is shown

in Table 7. System and ETI CSR handled call volume has been generally downward.

Table 7 – Customer Service Center CSR Handled Calls

	2010	2011	2012	Test Year
EOCs	7,159,502	7,129,872	7,035,817	7,029,090
ETI	915,178	947,920	920,367	903,900

Q51. WHICH CSC TYPICALLY HANDLES CALLS FROM ETI CUSTOMERS?

A. Calls from ETI customers are typically handled by CSRs located in Beaumont. However, the Jackson, West Monroe, New Orleans, Little Rock, and Baton Rouge CSCs also handle residential, outage, and service initiation calls from Texas customers. For example, the Beaumont CSC operates Monday through Friday from 8 a.m. to 5 p.m., while Consumer calls are answered Monday through Friday from 7 a.m. to 7 p.m. Customer Outage and Emergency calls are answered 24 hours a day, 7 days a week ("24/7"). Calls beyond the working day of the Beaumont CSC are routed to other CSCs. In addition, during business day periods of higher call volume, calls can be routed to other centers with available representatives skilled in use of the legacy system. For example, other call centers such as Little Rock will also receive ETI customer calls if a Little Rock CSR is available, has the skills needed, and

the Beaumont CSRs are busy with other Texas customers or the Beaumont CSC is closed.

The integrated virtual call center system enables the flexibility to provide better service to ETI's customers even when the demand exceeds what the Beaumont representatives could do alone. For example, when Beaumont representatives are evacuated due to impending hurricanes, skilled representatives in other call centers are able to continue to provide service to ETI customers.

Q52. FOR CSC OPERATIONS, WHAT PERFORMANCE MEASURES ARE MONITORED AND REPORTED?

A. CCO routinely monitors and reports CSC operations performance measures. Three common metrics are Service Level, Average Speed of Answer, and Average Handle Time. These measures are defined as follows:

- Service Level ("SL") – the percentage of the total calls received that are answered within 30 seconds.
- Average Speed of Answer ("ASA") – the average number of seconds that elapse until a customer call is answered by a CSR.
- Average Handle Time ("AHT") – the average number of seconds that elapse while a CSR handles a customer call.

Q53. WHAT ARE THE RESULTS FOR THESE PERFORMANCE MEASURES?

A. Table 8 shows CSC performance for the combined EOCs' call centers and ETI.

Table 8 – CSC Performance Measures

EOCs	2010	2011	2012	Test Year
CSC Service Level (SL) (% answered in 30 seconds)	80%	80%	80%	79%
Average Speed of Answer (ASA) (seconds)	23	21	27	30
Average Handle Time (AHT) (seconds)	314	332	366	332
ETI				
CSC Service Level (SL)	80%	81%	82%	83%
Average Speed of Answer (ASA) (seconds)	22	20	21	21
Average Handle Time (AHT) (seconds)	267	281	307	306

Q54. PLEASE DISCUSS THE TREND OF THE PERFORMANCE MEASURES SHOWN IN TABLE 8.

A. The overall three-year performance trend indicates steady performance in the key call center metrics at a combined EOC level and for ETI. Increases in AHT are attributable to added effort by CSRs to make each call a positive customer experience and to reduce the need for repeat calls.

Q55. WHAT OBJECTIVE EVIDENCE SUPPORTS YOUR OPINION THAT THE CSC ACTIVITIES ARE EFFECTIVE IN MEETING CUSTOMER NEEDS?

A. As I previously stated, customer satisfaction measures and benchmarking evidence show that the combined EOCs' CSC activities are effectively performed. Based on the survey of study participants across the United States and Canada, First Quartile displayed the combined EOCs within its quartile rankings. As shown in Exhibit PNS-4, the combined EOC-reported SL was in the top (1st) quartile. As shown above, the ETI SL performance is also in the top quartile. The SL measure is a common industry metric of the percentage of calls answered within a certain time period (30 seconds for benchmarking and reporting purposes).

For 2012, the ASA combined EOC measure was 1st quartile and ETI was 1st quartile. The AHT combined EOC measure was also in the 1st quartile, as was ETI.

Q56. WHAT ACTIONS DO THE CSC'S TAKE TO ENSURE GOOD SERVICE?

A. T&PI monitors the performance of all CSRs to determine where specific coaching and corrective actions are needed. The CSCs also have an extensive quality assurance process in place. Each CSR has at least three calls monitored and scored each month. Results of the monitoring are used to coach CSRs to improve customer service. When customers are not satisfied that the problem has been resolved, CSRs escalate the call to a supervisory level to address their concern.

Q57. HOW DO THE ENTERGY COMPANIES OBTAIN DIRECT FEEDBACK FROM CUSTOMERS ABOUT THE QUALITY OF SERVICE THEY HAVE RECEIVED?

A. The CSCs use an End-of-Call Survey to allow customers to provide immediate feedback at the end of their call on how well we listened and addressed their needs. Also, CCO monitors and reports to the CSCs the productivity of call center representatives. CSC supervision and CCO closely watch the availability of CSRs to ensure that they spend the appropriate amount of time addressing customers' needs as well as being available to receive the next call.

CCO, CSC management and supervision, and T&PI use the full call recording and monitoring capability installed in 2008 to provide better CSR coaching, improved call quality and more accurate customer issue resolution. This capability provides the CSC organization with a valuable

customer service tool to assist ETI and the other EOCs in maintaining and improving service to their customers.

Q58. IS THE COST OF THE CSC FUNCTION REASONABLE?

A. Yes. As shown in Exhibit PNS-4, for 2012, the First Quartile report ranks the combined EOCs in the 3rd quartile at a cost of $10.09 per account. These expenditures are up due in large part to new proactive outbound communications provided for improved customer awareness. For example, ETI makes proactive phone calls or texts to inform customers about the status and resolution of outage conditions. The costs for providing more and better information contribute to the cost increase.

Q59. DID THE SERVICES PROVIDED BY THIS BUSINESS FUNCTION DUPLICATE SERVICES PROVIDED BY OTHER ESI CLASSES OF SERVICES OR BY DEPARTMENTS WITHIN ETI?

A. No. Although both ESI and ETI employees participated in many of the CSC business function programs, the employees did not perform the same activities. The cost for these ESI activities was captured in various project codes that were available only to ESI employees. ETI employees did not charge to these projects and did not duplicate any of the activities performed by ESI employees.

2. Billing

Q60. PLEASE BRIEFLY DESCRIBE THE BILLING BUSINESS FUNCTION.

A. The Billing business function includes the calculation of customer bills, and subsequent presentment of those bills to EOC customers for payment. Three primary groups are involved in the Billing function, as described below.

The bills for EOC customers are calculated in either the Mass Customer Accounting Services ("MCAS") or Large Customer Accounting Services ("LCAS") groups. The MCAS group provides billing and billing-related services to the EOCs' approximately 2.8 million residential, commercial, governmental, and small industrial customers. An MCAS Center is located in Beaumont, Texas along with two other MCAS Centers located in Hammond, Louisiana and Little Rock, Arkansas. Each MCAS Center is staffed with a supervisor and a representative number of billing clerks relative to the customer base served.

The LCAS group provides this same type of billing services for large commercial, industrial, and wholesale/co-owner customers. Approximately 350 ETI accounts are billed by the LCAS Department. LCAS also manages the Electronic Data Interchange program, which provides the capability for large industrial and retail chain customers to receive and pay bills electronically.

The billing activities include completion of account set-up and maintenance functions; resolution of billing edits; billing analysis to

address customer inquiries and account corrections; contract interpretation, administration, and compliance from a billing perspective; implementation of rate and regulatory changes; performance reporting; analytical review for purposes of determining demand and energy usage trends; and recommendations for billing system improvements.

Q61. ARE THESE MCAS AND LCAS SERVICES NECESSARY FOR ETI'S OPERATIONS?

A. Yes. These services are necessary to prepare timely and accurate bills to ETI customers on a monthly basis.

Q62. WHAT OBJECTIVE EVIDENCE SUPPORTS YOUR OPINION THAT THESE MCAS AND LCAS SERVICES ARE EFFECTIVE?

A. The effectiveness of these billing groups is reflected in the accuracy with which bills are calculated and corrected (if necessary), both before and after being mailed to customers.

Billing accuracy is a measure that encompasses both MCAS and LCAS customers. A billing error is counted if a customer receives an invoice with "Corrected Bill mmddyy" in the "Charges" section of the invoice. The trend of billing accuracy for ETI and the Entergy System over the past three years is shown in Table 9. Although billing accuracy rates have varied from year to year, ETI billing accuracy is consistent with the Entergy System average. The EOCs' billing accuracy was in the 1st

quartile for the 2012 benchmark year. Although ETI billing accuracy is not reported separately in the benchmark data, it would have also been 1st quartile for the benchmark year.

Table 9 – Trend of Billing Accuracy

	2010	2011	2012	Test Year
EOCs	99.856%	99.914%	99.905%	99.911%
ETI	99.899%	99.911%	99.904%	99.903%

Q63. WHAT IS THE THIRD PRIMARY GROUP OF THE BILLING FUNCTION, AND WHAT IS ITS RESPONSIBILITY?

A. The Customer Information Delivery ("CID") group is responsible for the production and mailing of the EOCs' regulated customer bills and disconnect notices.

Q64. WHAT SERVICES DOES CID PROVIDE IN THE PRODUCTION AND MAILING OF ETI'S BILLS AND NOTICES?

A. The CID group manages the Bill Production Program, which provides the printing and mailing of all regulated customer bills. Another program managed by CID is Internet Billing Presentment and Payment program, which was implemented in Texas at the end of 2003. This provides residential customers the capability to receive and pay their electric bills online.

Q65. ARE THE CID SERVICES NECESSARY FOR ETI'S OPERATIONS?

A. Yes. The CID services are necessary to manage ETI's ongoing efforts to provide critical customer billing services, such as the bill printing and mailing function, and the online electronic billing functions.

Q66. WHAT OBJECTIVE EVIDENCE SUPPORTS YOUR OPINION THAT THESE CID SERVICES ARE EFFECTIVE?

A. The effectiveness of the CID group is reflected in the "same day mail" performance metric, which measures the percentage of bills that are mailed on the same day they are printed. ETI's "same day mail" performance metric has remained at 100% for the last three years.

Q67. WHAT EVIDENCE SUPPORTS YOUR OPINION THAT THE COST OF THE BILLING FUNCTION IS REASONABLE?

A. As shown in Exhibit PNS-4, based on the benchmarking study prepared by First Quartile, the combined EOCs' billing expense per bill is in the 2nd quartile of benchmarked utilities for the 2012 study year.

The EOCs have invested extra time to minimize the billing impacts seen by customers, and ensure that bills sent to customers are accurate. The additional labor cost to catch errors before the bills are mailed has resulted in above average billing accuracy but negatively impacts cost performance when compared to other utilities. During the benchmark year, the combined EOCs' and ETI's billing accuracy performance was in

the 1st quartile, according to the First Quartile benchmark data. ESI also spends considerably more than its benchmarking peers to bill large industrial customers due to the high number of very large industrial customers along the Gulf Coast portion of the EOCs' service territory. These customer bills require more complex billing and verification procedures. Despite these additional cost factors, the combined EOC's billing cost per bill achieved 2nd quartile results, which indicates that the cost of the billing function is reasonable.

Q68. WHAT OTHER EVIDENCE SUPPORTS YOUR OPINION THAT THE COST OF THE BILLING FUNCTION IS REASONABLE?

A. The EOCs have outsourced their bill printing and mailing function since 1995. In April 2005, a new contract was renegotiated with the vendor that lowered the processing costs by an additional 20%. In 2008, ESI competitively re-bid the contract with nine bidders participating in the process. The incumbent offered the lowest bid, which reduced processing costs 4% below the 2005 renegotiated contract. The vendor has provided quality service, which helps ESI mitigate postal increases by staying in the most favorable postal discount bracket.

In addition, ESI conducted a reverse auction in 2003 for the supply of envelopes used in the billing process. ESI was able to secure a 16.6% reduction in the cost of envelopes through this reverse auction process. A request for quotes was subsequently distributed to prospective envelope

vendors in March 2007. A new contract was signed with the incumbent vendor in April 2007 at an additional savings of 3%. In December 2010, ESI renegotiated the contract with the envelope vendor. The new contract yielded a savings of 5%.

Q69. DID THE SERVICES PROVIDED BY THIS BUSINESS FUNCTION DUPLICATE SERVICES PROVIDED BY OTHER CLASSES OF AFFILIATE SERVICES OR BY DEPARTMENTS WITHIN ETI?

A. No. Although both ESI and ETI employees were involved in Billing activities, the employees did not perform the same activities. The cost for these ESI activities was captured in various project codes that were available only to ESI employees. ETI employees did not charge to these projects and did not duplicate any of the activities performed by ESI employees.

3. Credit & Collections

Q70. PLEASE BRIEFLY DESCRIBE THE CREDIT & COLLECTIONS BUSINESS FUNCTION.

A. The Credit & Collections ("C&C") business functions include the work processes related to the extension of credit to regulated customers, the management of active accounts receivable, and the collection of delinquent or written-off accounts. The CSC and C&C organizations establish and manage a limited line of credit for the EOCs' customers.

All requests by new or existing residential customers to turn on electric and gas service, turn off service, or transfer service from one location to another are handled by CSRs trained to take Service Initiation calls. During the phone call, the CSR verifies the identity of the applicant and establishes the appropriate deposit amount based on the policies established by the C&C function.

CSRs respond to customers who want to have their service reconnected after they have been disconnected for non-payment or who wish to receive an extension of their next bill's due date.

Q71. PLEASE EXPLAIN HOW THE CREDIT & COLLECTIONS FUNCTION IS ORGANIZED.

A. The Collections group is located primarily in New Orleans with responsibility for the collection of delinquent or written-off accounts for all EOCs. The Credit group has employees located primarily in New Orleans and Jackson, Mississippi and includes the work processes related to the extension of credit to our customers, and management of active accounts receivable. Combined, they are the C&C function.

Q72. WHAT FUNCTIONS ARE PERFORMED BY CREDIT & COLLECTIONS?

A. C&C is responsible for maintaining the EOCs' customer (service) application process, tools for positive identification of applicants, the management of an outsourced call center, system settings for the non-pay

disconnect process, and the administration and maintenance of protected accounts. In addition, it is responsible for bankruptcy administration, surety administration, security deposits, credit analysis, and collections activities for final and written-off accounts.

Q73. WHAT ACTIVITIES ARE CONDUCTED BY CREDIT & COLLECTIONS RELATED TO BANKRUPTCIES, SURETIES, AND SECURITY DEPOSITS?

A. C&C responds to customer bankruptcy filings by preparing account information to defend an EOC's claim for payment. This group also takes any account action necessary to comply with bankruptcy court orders. The group manages non-monetary deposits, such as surety bonds and letters of credit, making certain that they are available for payment of final bills as necessary and that the instruments are current as renewal dates approach. Credit analysis work is performed with large non-residential customers to ensure that proper security deposits are maintained.

Q74. WHAT COLLECTIONS ACTIVITIES ARE PERFORMED BY CREDIT & COLLECTIONS?

A. Employees oversee collections activities that focus on debtor location and take collection action to recover written-off monies. Outside collection agents also pursue accounts. As a part of recovering written-off debts,

they place derogatories on credit files with credit reporting bureaus. Credit files are updated when collection efforts succeed.

Q75. PLEASE DESCRIBE THE ACTIVITIES REGARDING THE CUSTOMER APPLICATION PROCESS.

A. The C&C personnel oversee the EOCs' application processes to monitor compliance with application information and security deposit requirements. They also oversee and maintain the tools used to identify applicants for service and assess the risk of loss for deposit acquisition purposes.

Q76. WHAT ACTIVITY DOES CREDIT & COLLECTIONS PERFORM IN THE DISCONNECT PROCESS FOR CUSTOMERS WHO HAVE NOT PAID THEIR BILLS?

A. C&C personnel oversee the disconnect for non-payment process by managing system settings that determine eligibility for such collection action. The group then monitors performance of field meter services personnel in working orders to disconnect customers for non-payment.

An analysis is performed each day to determine the age of non-pay disconnect orders for each local area. This is intended to support a goal of maintaining a three-day average age of disconnect tickets, with no single ticket exceeding an age of nine days. Compliance with these measures is an important part of managing write-off of losses, as prompt disconnect order completion reduces the balance due on such accounts.

The C&C group reports daily to Meter Services the locations where disconnect action is overdue. ETI employees, as described by Company witness Shawn B. Corkran, perform the Meter Services function within the Distribution Operations organization.

Q77. WHAT ACTIVITIES DOES CREDIT & COLLECTIONS PERFORM RELATED TO PROTECTED ACCOUNTS?

A. Protected accounts are excluded from the normal collection process to avoid an unnecessary interruption of service. They include locations where customers have stated that medical conditions exist, as well as other special accounts such as traffic signals and water wells. Employees process customer correspondence related to the presence of medical conditions in order to qualify the customer for protected status. Databases are updated to ensure that records are available to support our service restoration efforts during outages. Also, given that protected accounts are exempt from automated collection processes, the C&C group reviews account status reports to ensure that delinquent accounts receive appropriate collections treatment. Protected accounts are still subject to disconnect for non-payment. However, special care is taken before the accounts are disconnected.

Q78. ARE THESE TYPES OF CREDIT & COLLECTIONS SERVICES NECESSARY FOR ETI'S OPERATIONS?

A. Yes. ETI needs these services to control costs from losses due to uncollectible accounts. Because electric utility service is provided in advance of billing, the EOCs must undertake prudent credit and collections practices to control losses and hold down rates, without placing an undue burden on customers. Table 10 shows the write-off results during 2010 through 2012 and the Test Year.

Table 10 – Net Write-Off as a Percentage of Revenue

Period	2010	2011	2012	Test Year
EOCs	0.246%	0.282%	0.279%	0.216%
ETI	0.154%	0.215%	0.249%	0.156%

Q79. DO YOU HAVE ANY OBJECTIVE EVIDENCE THAT SUPPORTS YOUR OPINION THAT THE CREDIT & COLLECTIONS SERVICES ARE EFFECTIVELY PERFORMED?

A. Yes. First Quartile benchmarking results show that the combined EOCs rank in the 2nd quartile of participating utilities with respect to Credit Office expense per customer, and in the 1st quartile for bad debt expense as a percentage of total revenue. These measures are strong indicators of the

effectiveness of the EOCs Credit & Collections function. This is shown in Exhibit PNS-4.

Q80. PLEASE EXPLAIN WHY UNCOLLECTIBLES AS A PERCENTAGE OF REVENUE ARE RELATIVELY LOW.

A. Customers who have a prior debt to an EOC are now more evident to CSRs as they use the service application process. ETI's Agent Information System performs searches and identifies matches of applicant and spouse information to that of individuals with uncollected prior debts. Additionally, the EOCs have integrated into the service order flow a positive identification system that utilizes the Experian consumer credit database to establish the identity of the applicant and ensure that appropriate deposits are obtained. An automated deposit increase process is in place for existing customers who require repeated collection treatment, thus improving the ratio of deposit coverage on written-off debts.

The EOCs have also improved their completion rate and timeliness when performing non-pay disconnections. C&C effectively tracks performance at the local level, and provides feedback to supervision when disconnect orders are not being processed in a timely manner. Prompt completion of disconnect orders serves to minimize receivable balances and thus keep write-off losses low. The group continues to monitor the

nature and volume of extended payment agreements entered into by CSRs.

Q81. WHAT STEPS HAVE BEEN TAKEN TO KEEP THE COST OF THE CREDIT & COLLECTIONS FUNCTION REASONABLE?

A. Centralization of the EOCs Credit & Collections processes has allowed reduction of costs by:

- eliminating duplication of effort;
- creating specialized skill sets dealing with bankruptcies, surety administration, and final bill collections;
- revealing opportunities to automate processes, such as the final bill collection process; and
- helping leverage resources to capture economies of scale that were previously untapped, such as central management of protected accounts, handling payment assistance agencies, and the arrears and non-payment disconnect process.

Q82. PLEASE DESCRIBE HOW ETI'S CUSTOMERS BENEFIT FROM THE CREDIT & COLLECTIONS FUNCTION.

A. The cost of uncollectible expense that occurs when customers do not pay their bills is reflected in the Company's base rates. Therefore, ETI customers benefit from driving down the level of uncollectible debt

expense. With the consolidation of some C&C activities at the System level, the EOCs have benefited from automation of manual processes, which reduces clerical staff requirements. The consolidation also facilitates specialization of work, such as bankruptcy administration and final bill collection efforts. The combining of the EOCs' volume has enabled ESI to negotiate better contracts for services with both credit bureaus and outside collection agencies. In essence, the benefits to ETI's customers are reduced collection expenses, combined with process improvements that continue to reduce losses in written-off accounts.

Q83. DID THE SERVICES PROVIDED BY THIS BUSINESS FUNCTION DUPLICATE SERVICES PROVIDED BY OTHER CLASSES OF SERVICES OR BY DEPARTMENTS WITHIN ETI?

A. No. Although both ESI and ETI employees participated in many of the C&C programs, the employees did not perform the same activities. The cost for these ESI activities was captured in various project codes that were available only to ESI employees. ETI employees did not charge to these projects and did not duplicate any of the activities performed by ESI employees.

4. Revenue Assurance

Q84. PLEASE DESCRIBE THE REVENUE ASSURANCE BUSINESS FUNCTION.

A. This group is tasked with identifying sources of lost revenue, including theft of service, billing problems, and equipment failure. Revenue Assurance ("RA") analyzes accounts and works with other departments in coordinated efforts to identify the problems, correct the situations, and ensure that accurate rebilling is carried out. RA's focus in this process is analyzing actual versus expected usage and performing inspections of the customer's metering equipment to resolve apparent usage discrepancies.

The three key RA processes are Service Diversion, Revenue Protection, and Data Integrity. Service Diversion refers to those efforts aimed at preventing, detecting, and reducing theft of service. Revenue Protection refers to those efforts aimed at reducing losses due to billing problems and equipment failure. Data Integrity refers to process evaluation and review for completeness and accuracy of data.

The ESI centralized group performs supervisory, work management, account analysis, and administrative functions in support of the department's operations. The responsibilities include organizing customer account information to be analyzed by RA field personnel; developing and maintaining reporting systems; development of RA training classes; and evaluating and making decisions on products for meter security.

RA personnel are responsible for analyzing their assigned accounts, performing onsite investigations at customer locations, discussing identified problems with customers, and initiating actions to resolve identified revenue protection and service diversion problems. These actions include: determining the amounts legally collectable; coordinating with appropriate field representatives to correct discrepancies; providing account representatives with detailed information related to the amount of revenue lost and eligible for recovery; and working with investigators on complex theft of service issues.

Q85. WHY ARE THE RA SERVICES NECESSARY?

A. RA services are necessary for several reasons. RA management provides centralized leadership and supervision for the RA organization. RA reduces losses by identifying and correcting problems due to theft, faulty meter equipment, and incorrect billings, and determining appropriate billings for recovery of legally collectable amounts. RA provides performance tracking and reporting of this information. Skilled RA employees also analyze accounts to ensure metering integrity and correct registration of consumption. Further, they provide training to the organization to ensure that employees are technically knowledgeable and can perform their jobs safely, identify problem areas, and recommend solutions.

Q86. WHAT HAVE BEEN THE RESULTS OF THE REVENUE ASSURANCE GROUP?

A. As seen in Table 11 below, there continues to be consistent dollars billed. The group has also been successful in identifying tampering and defective meters proactively through various data reports or a combination of reports. The group was also successful in investigations where customers may have used more sophisticated methods of tampering that may not have been otherwise identified through routine work practices.

Table 11 – Trend of Revenue Assurance Effectiveness

EOCs	2010	2011	2012	Test Year
Revenue Collected per Revenue Collection Expense	$4.69	$3.26	$4.40	$4.14
ETI				
Revenue Collected per Revenue Collection Expense	$4.70	$4.23	$4.86	$4.56

The combined EOCs' recovery rate for the tampering cases from 2010-2012 is approximately 90% of the amount billed. For ETI, this recovery rate is approximately 95%.

Q87. WHAT ADDITIONAL EVIDENCE SUPPORTS YOUR OPINION THAT RA SERVICES ARE EFFECTIVE?

A. During the Test Year, RA identified $16 million and recovered $11 million of rebilling for the EOCs, which included $3 million identified and $1.5 million recovered for ETI.

Q88. WHAT EVIDENCE SUPPORTS YOUR OPINION THAT THE COST OF THE RA FUNCTION IS REASONABLE?

A. First Quartile benchmarking results for 2012 show the combined EOCs have a Billed Lost Revenue Collected Percent of Revenue Assurance Expense of 440%. This means that for every dollar spent on RA, $4.40 is recovered. As shown in Exhibit PNS-4, this places the combined EOCs in the 1st quartile among the companies surveyed. Further, because these expenses are allocated among the EOCs, the cost of the group is less per EOC than if each EOC maintained its own group. The centralized support allows the expertise of several analysts to be available to better utilize the specialists' time and talents in the field. The approach of utilizing an analyst to prioritize the work of the field specialist, rather than having the specialist merely investigate revenue protection reports, has worked effectively.

Q89. DID THE SERVICES PROVIDED BY THIS BUSINESS FUNCTION DUPLICATE SERVICES PROVIDED BY OTHER CLASSES OF SERVICES OR BY DEPARTMENTS WITHIN ETI?

A. No. Although both ESI and ETI employees participated in RA activities, the employees did not perform the same activities. The cost for these ESI activities was captured in various project codes that were available only to ESI employees. ETI employees did not charge to these projects and did not duplicate any of the activities performed by ESI employees.

5. Meter Reading

Q90. PLEASE DESCRIBE THE METER READING BUSINESS FUNCTION.

A. In ETI's service territory, a third-party supplier performs the monthly meter reading of each customer's meter. An ETI meter reading supervisor administers these contracted services on a daily basis. The costs for these services are incurred directly by ETI.

In addition, ESI's centralized meter reading services serve all EOCs and avoid duplication of services in each EOC. The services include: managing the meter reading system (residential, commercial, and industrial meter reading operation needs); managing the overall meter reading contract administration process (*i.e.*, establishing and monitoring contractual service levels and requirements, and the competitive bidding process); managing the processes associated with the validation of acquired meter reading data; and leading various process optimization

efforts to minimize reading errors, customer complaints, cycle time, and meter reading costs. This centralized function is headquartered in Little Rock, Arkansas.

Q91. ARE THE SERVICES PROVIDED FOR MANAGEMENT AND OVERSIGHT OF THE METER READING FUNCTION NECESSARY FOR ETI'S OPERATIONS?

A. Yes, for two primary reasons. First, the Meter Reading Operations ("MRO") function (*i.e.*, the acquisition and validation of meter data) requires management and supervision that can be most effectively managed by a centralized group of knowledgeable and experienced personnel. Second, the centralized approach achieves economies of scale and consistency in operational processes via software and hardware to effectively obtain and transfer meter reading data to and from the Customer Information System.

Q92. WHAT EVIDENCE SUPPORTS YOUR OPINION THAT THESE SERVICES ARE EFFECTIVE?

A. The meter reading accuracy metric gauges the ability of the MRO group to provide the correct input for a customer bill by successfully acquiring and validating meter reading data. Meter reading accuracy is paramount in providing accurate bills to customers. The combined EOCs and ETI meter

reading error rates for 2010-2012 and the Test Year are shown in Table 12.

Table 12 – Meter Reading Error Rates

	2010	2011	2012	Test Year
EOCs	0.097%	0.078%	0.133%	0.127%
ETI	0.079%	0.078%	0.086%	0.084%

The First Quartile Consulting benchmark data shows the combined EOCs Meter Reading Error rate is in the 4th quartile during the 2012 benchmark year and ETI's error rate was in the 3rd quartile.[9] There has been a slight increase in error rates over the past two years for both ETI and the combined operating companies as presented in Table 12. A contributing factor for the meter reading error ranking is that the First Quartile Survey does not distinguish between pre- and post-errors. Some of the participating companies do not count pre-errors, whereas Entergy does. Also, First Quartile does not distinguish error rates between manually-read and auto-read companies. These survey discrepancies tend to negatively reflect Entergy's meter reading error rates in comparison to the other participating companies.

[9] See Exhibit PNS-4.