

1 increasingly complex regulatory and legislative requirements associated
2 with employment matters such as healthcare and pensions.

3

4 5. Cost Control and Process Improvement Initiatives

5 Q84. SEPARATE FROM THE BUDGETING PLANNING PROCESS, DOES
6 THE HR DEPARTMENT TAKE ANY STEPS TO CONTROL ITS COSTS
7 OR TO IMPROVE ITS SERVICES?

8 A. Yes. The HR department has outsourced many of the administrative
9 functions supporting the Entergy Companies' benefits programs. Some of
10 the functions outsourced include 401(k) and pension services, stock
11 option administration, and medical claims processing. The HR
12 department periodically re-bids various contracts for outsourced services
13 to ensure that the Entergy Companies are receiving competitive prices
14 from their suppliers.

15 In regard to the costs of the benefits programs themselves that the
16 HR department administers, the department continues to look for ways to
17 decrease benefits costs, such as promoting consumer-driven healthcare,
18 reviewing benefit levels, consolidating vendors, implementing the Entergy
19 Wellness Program, and the measures I described in Section IV.

1 D. The “Not Higher Than” and “At Cost” Standards

2 Q85. FOR THOSE COSTS THAT ESI BILLS (EITHER DIRECTLY OR
3 THROUGH USE OF AN ALLOCATION) TO ETI FOR THE HR CLASS OF
4 SERVICES, DOES ETI PAY ANY MORE FOR THE SAME OR SIMILAR
5 SERVICES THAN DOES ANY OTHER AFFILIATE?

6 A. No. The price charged to ETI is no higher than the price charged to the
7 other affiliates. The costs billed for particular services are the actual costs
8 that ESI incurred for providing those services to ETI. As detailed below,
9 allocation methods are uniformly applied to each project code and are
10 rationally selected to link to cost drivers.

11

12 E. Billing Allocation Methodology

13 Q86. PLEASE DISTINGUISH BETWEEN COSTS THAT ARE “DIRECT”
14 BILLED VERSUS COSTS THAT ARE “ALLOCATED.”

15 A. Whenever appropriate, costs are direct billed to ETI and other affiliates.
16 This means the services provided (and associated costs) are caused by,
17 and benefit, only ETI or whatever entity is the sole cause of the services
18 and associated costs. Only when costs are incurred that are caused by
19 ETI and one or more of the other Entergy Companies are such costs billed
20 by ESI to ETI using an allocation method.

1 Q87. WHAT WERE THE PREDOMINANT BILLING METHODS USED FOR
2 THE HR SERVICES BILLED TO ETI?

3 A. The predominant billings methods are listed below. For the test year,
4 these six billing methods were used for 92% of the costs related to the HR
5 services.¹⁵

6 **Table 12**

<u>Billing Method</u>	<u>% of Total ETI</u>	<u>\$ of Total ETI</u>
EMPLOYAL	66%	\$852,803
EMPLFRAN	8%	\$106,417
EMPLOREG	6%	\$72,358
ASSTSALL	4%	\$52,806
TRSBLLNOP	4%	\$47,243
DIRECTTX	4%	\$46,381

7 Q88. WHY IS BILLING METHOD EMPLOYAL APPROPRIATE TO USE FOR
8 THESE COSTS?

9 A. For the project codes assigned this billing method, the cost driver is the
10 number of full and part-time employees corporate-wide. For example,
11 project code F3PCHRSALL (HR Services – All Companies) assigns costs
12 using billing method EMPLOYAL – Number of Full and Part-Time

¹⁵ As explained previously, of the \$2,469,206 that is the Total ETI Adjusted Amount for the HR Class, \$1,284,529 is related to the HR services discussed above. The remainder includes costs related to pensions, OPEB, and benefits true-ups.

1 Employees. This project code captures and manages costs associated
2 with providing HR services to all Entergy Companies. The cost of the
3 services provided by project code F3PCHRSALL is driven by the number
4 of employees. The billing method that reflects this cost driver is
5 EMPLOYAL. For the project codes that assign costs based upon this
6 billing method, the unit amounts billed to ETI as a result of the application
7 of this billing method are no higher than the unit amounts billed to other
8 affiliates for the same or similar service and represent the actual costs of
9 the services.

10

11 Q89. WHY IS BILLING METHOD EMPLFRAN APPROPRIATE TO USE FOR
12 THESE COSTS?

13 A. For the project codes assigned this billing method, the cost driver is the
14 number of full and part-time employees in the franchise operation support
15 function. For example, project code F3PCHRD CSS (HR – Franchise
16 Opns (Dist) Supt – All) assigns costs using billing method EMPLFRAN –
17 Employees Franchise Operations. This project code is used to capture
18 costs for HR services provided for the benefit of the franchise function.
19 The cost of the services provided by project code F3PCHRD CSS is tied to
20 the number of employees in the franchise operation support function.
21 Thus, billing method EMPLFRAN is appropriate because it allocates costs
22 based upon the number of full and part-time employees in the franchise
23 support function. For the project codes that assign costs based upon this

1 billing method, the unit amounts billed to ETI as a result of the application
2 of this billing method are no higher than the unit amounts billed to other
3 affiliates for the same or similar service and represent the actual costs of
4 the services.

5

6 Q90. WHY IS BILLING METHOD DIRECTTX APPROPRIATE TO USE FOR
7 THESE COSTS?

8 A. Billing method DIRECTTX indicates that the work is being billed directly to
9 ETI (that is, 100 percent of the charges go to ETI). When ESI establishes
10 a project code to perform work being done only for ETI, the project code is
11 assigned billing method DIRECTTX. For the project codes assigned a
12 company specific billing method (such as billing method DIRECTTX), the
13 cost driver is the company that is billed. For example, project code
14 F3PCHRFEGT (HR Fossil Support - EGS (TX)) uses direct billing method
15 DIRECTTX. The costs of project code F3PCHRFEGT are driven by the
16 services specifically for ETI. The billing method that reflects this cost
17 driver is DIRECTTX – 100 percent billing to ETI.

18

19 Q91. WHY IS BILLING METHOD EMPLOREG APPROPRIATE TO USE FOR
20 THESE COSTS?

21 A. For the project codes assigned this billing method, the cost driver is based
22 on the number of full and part-time employees at period end for Entergy's
23 regulated companies (the regulated utilities such as the EOCs, as well as

1 the ESI and EOI service companies). For example, project code
2 F3PCHRSREG (HR Services – Regulated Companies) assigns costs
3 using billing method EMPLOREG – Full and Part-Time Employees –
4 Regulated Companies. This project code is used to capture costs
5 associated with providing HR services for Entergy's regulated companies.
6 Services provided under this project code are driven by the number of
7 employees at Entergy's regulated companies. Therefore, billing method
8 EMPLOREG, which allocates these costs based upon the number of full
9 and part-time employees of Entergy's regulated companies, is the most
10 appropriate. For the project codes that assign costs based upon this
11 billing method, the unit amounts billed to ETI as a result of the application
12 of this billing method are no higher than the unit amounts billed to other
13 affiliates for the same or similar service and represent the actual costs of
14 the services.

15
16 Q92. WHY IS BILLING METHOD ASSTSALL APPROPRIATE TO USE FOR
17 THESE COSTS?

18 A. For the project codes assigned allocation method ASSTSALL, the cost
19 driver is the value of each legal entity's assets. For example, Project
20 Code F3PCHRCCSM (HR Competitive Compensation), captures costs
21 associated with performing competitive compensation studies for senior
22 management positions. Senior management provides oversight of the
23 assets of all of the operating companies; therefore, given that these costs

1 are driven by the value of each legal entity's assets, the allocation method
2 ASSTSALL appropriately reflects the cost causative factor of providing
3 these services. For the project codes that assign costs based upon this
4 billing method, the unit amounts billed to ETI as a result of the application
5 of this billing method are no higher than the unit amounts billed to other
6 affiliates for the same or similar service and represent the actual costs of
7 the services.

8
9 Q93. WHY IS BILLING METHOD TRSBLNOP APPROPRIATE TO USE FOR
10 THESE COSTS?

11 A. For the project codes assigned this billing method, the costs are based on
12 two components: Transmission Line Miles (30% weighting) and the
13 Number of High Voltage Substations (70% weighting). For the project
14 codes assigned allocation method TRSBLNOP, the cost driver is overall
15 operations of the Transmission function. For example, Project Code
16 F5PPTRAPMO (Transco Implementation PMO), when charged by Human
17 Resources, captures costs of services associated with the
18 overall Transmission Business. Given that these costs are driven by
19 overall operations of the Transmission function, a reasonable basis for
20 allocating costs related to providing transmission services is a composite
21 of Transmission and Substation components. Therefore, billing method
22 TRSBLNOP is used to allocate these costs to the operating companies.
23 For the project codes that assign costs based upon this billing method, the

1 unit amounts billed to ETI as a result of the application of this billing
2 method are no higher than the unit amounts billed to other affiliates for the
3 same or similar service and represent the actual costs of the services.

4

5 Q94. YOU HAVE ADDRESSED THE BILLING METHODS USED TO BILL 92%
6 OF THE COSTS ASSOCIATED WITH THE SPECIFIC HR SERVICES.
7 WHY HAVE YOU NOT SPECIFICALLY ADDRESSED THE REMAINING
8 8% OF THE COSTS?

9 A. The remaining costs are billed through the use of other billing methods.
10 Given the number of billing methods, project codes, and relative dollar
11 amounts, I have not gone into detail in this discussion in an effort to keep
12 the discussion at a manageable level. The project codes and billing
13 methods used to bill the remaining 8% of the costs, however, are provided
14 in Exhibit JAR-B, discussed earlier. A reader may reference this exhibit
15 and then refer to the specific project code summary contained in Company
16 witness Tumminello's testimony for a discussion of the particular billing
17 method used and the cost drivers for the activities captured in the
18 particular project code.

1 Q95. HAVE YOU DETERMINED THAT THE COSTS REFLECTED IN THE
2 REMAINING 8% OF COSTS ASSOCIATED WITH THE SPECIFIC HR
3 SERVICES DESCRIBED ABOVE HAVE BEEN BILLED
4 APPROPRIATELY?

5 A. Yes. I have reviewed each of the project codes and the associated billing
6 methods used to bill the remaining 8% of the costs. The cost drivers
7 reflected in the billing method used to bill the costs of each project code is
8 consistent with and reflects the cost drivers of the services captured in
9 each respective project code. Therefore, the costs billed to ETI
10 reasonably reflect the actual costs of the services received by ETI and are
11 no higher than per unit costs charged to other affiliates for the same or
12 similar types of services.

13

14 Q96. HOW ARE THE COSTS OF PENSIONS, OPEB, AND BENEFITS TRUE-
15 UPS IN THE HR CLASS BILLED TO ETI?

16 A. The costs of pensions, OPEB, and benefits true-ups are loaded and
17 allocated like other benefit costs as described by Company witness
18 Tumminello. As noted above, Company witness Tumminello discusses
19 the Payroll Loader and Allocation processes in her testimony.

20

21 Q97. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

22 A. Yes.

Executive Annual Incentive Awards Compendium

2012 Program

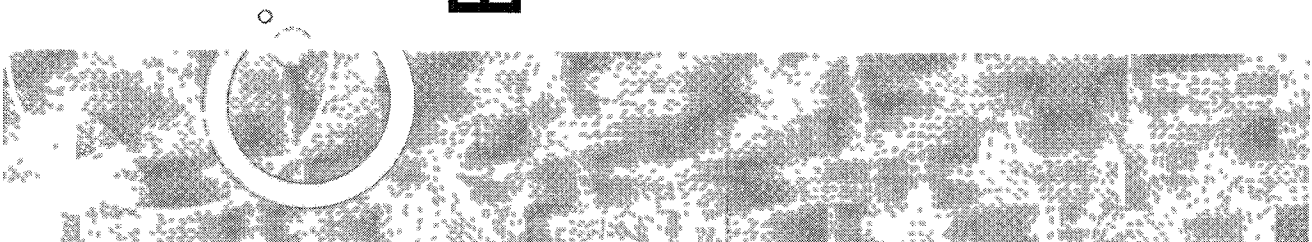


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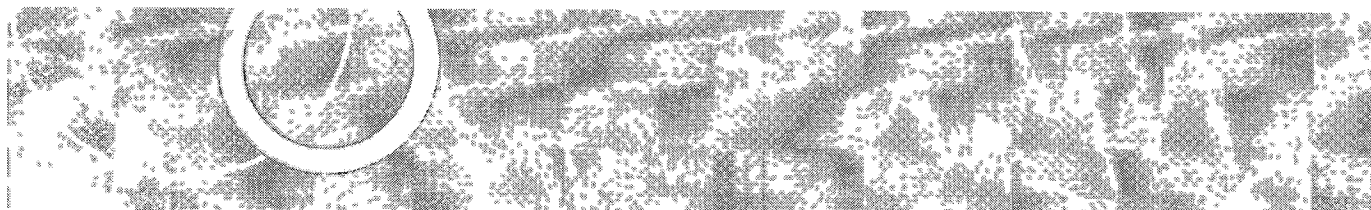
- Objectives of Entergy's Funded Incentive Plans
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- EAM & Total Incentive Pool
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Objectives of Entergy's Funded Incentive Plans

- Objectives
 - Link the interests of participants to those of shareholders and customers
 - Reward employees for achieving Entergy Line of Business goals and workgroup goals
 - Reinforce the company's strategy and key goals
 - Provide incentives to improve results
 - Provide a competitive total compensation program
 - Fund incentive payouts only when Entergy creates value for shareholders and customers
 - * Annual incentive payments are not guaranteed, they are dependent on the financial and operational success of the company each year and the achievement of business unit goals

Governance of Entergy's Funded Incentive Plans

- Governance
 - The Funded Incentive Plans are governed by Entergy's overall company performance and the annual Funding Level approved by the OCE
 - Annual incentive payments are not guaranteed. Awards are dependent on the financial successes of the Company each year and the achievement of executive goals that benefit customers
 - Awards are to be paid to employees no later than March 15th in the year following the Plan Year
 - Total sum of all funded plan incentive awards cannot exceed the Board approved Funding Level
 - All awards are based on award methodology approved by the OCE member of each business unit
 - The amount of individual incentive awards is based on 100% management discretion
 - Award methodology may be changed annually at the OCE member's discretion



Entergy's Funded Incentive Plans

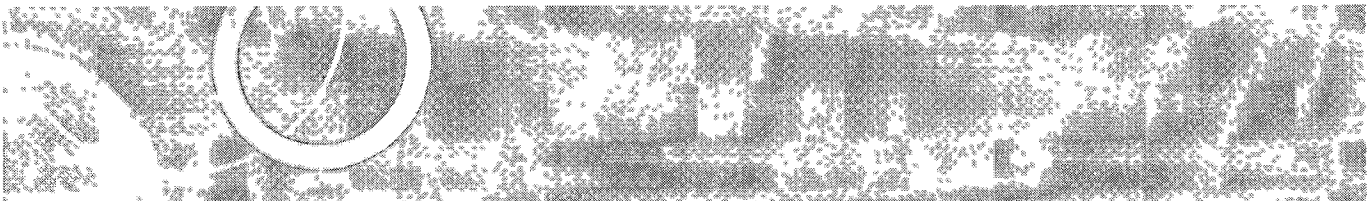
- Exempt Incentive Plan (EXIP)
 - Discussed in the separate SMIP/EXIP Compendium
- System Management Incentive Plan (SMIP)
 - Discussed in the separate SMIP/EXIP Compendium
- Executive Annual Incentive Plan (EAIP)
 - Also known as System Executive Incentive Plan (SEIP)
 - Eligible employees are System Officers (Management Level I – 4)

Plan Eligibility (Generally)

- Funding for incentive awards is provided for eligible employees only; individual employees may receive awards above or below the level they are funded for based on their leadership's discretion
- To be eligible for an award, an employee must be
 - A regular (non-temporary) employee either full-time or part-time;
 - Temporary employees participating in the Phased Retirement program are also eligible for an incentive payment
 - Hired prior to October 1st of the Plan Year;
 - Employees rehired after October 1st of the Plan Year who worked as an otherwise eligible employee for a total of 3 months during the Plan Year are also eligible for an incentive payment
 - Physically at work at least one (1) business day during the Plan Year; and
 - Active on December 31st payroll of the Plan Year
 - Employees who retire, die or become Disabled during the Plan Year are eligible for a pro-rated incentive payment
- Employees who do not meet all of the above eligibility criteria are not funded and may not receive an incentive award

Active Employee Incentive Eligibility

- Generally, an eligible employee who was active the entire Plan Year is eligible to receive an incentive payment the amount of which is based on leadership's discretion
- An exempt employee who is employed on a part-time basis on December 31st will be funded based on the number of hours worked during the Plan Year. The actual amount of any incentive payment may be more or less than the Funding Level for the employee based on management's discretion.
 - If a part-time exempt employee's base salary has been adjusted to reflect the part-time salary then funding will not be based on hours worked, but rather will be calculated by multiplying the part-time employee's adjusted base salary by his/her incentive target
- An otherwise eligible employee who is on an approved paid leave of absence as of December 31st (including short term disability or family medical leave protected under the Family Medical Leave Act) is eligible to receive an incentive payment as if they were an active employee



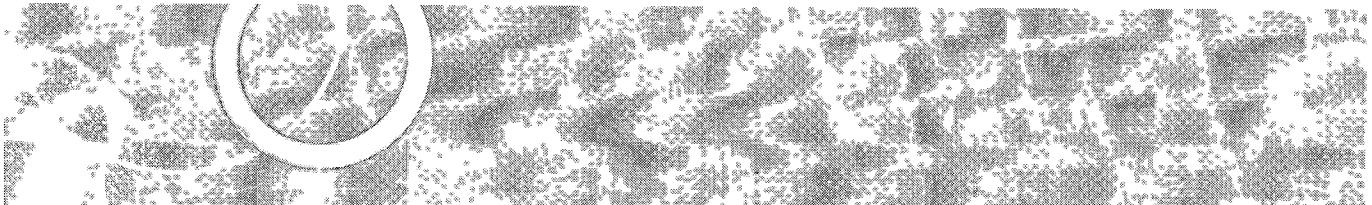
Inactive Employee Incentive Eligibility

- To be eligible for a pro-rated incentive payment through the last day an employee physically worked, an employee who is not actively at work (“inactive”) on December 31st of the Plan Year must:
 - Have otherwise met the general plan eligibility rules (see slide 6); and
 - Have retired during the Plan Year or
 - Have died during the Plan Year or
 - Have gone on Long Term Disability (LTD) during the Plan Year
- Inactive employees are not eligible for a pro-rated incentive if they:
 - Are participating in a Voluntary Severance Program (VSP) or bridging to retirement
 - Are on STD at the beginning of the Plan Year and are subsequently approved for long-term disability (LTD) or die without having returned to work for one (1) business day during the plan year
 - Are on unpaid leave as of December 31st of the Plan Year

See slide 11 for pro-rated award calculation for inactives

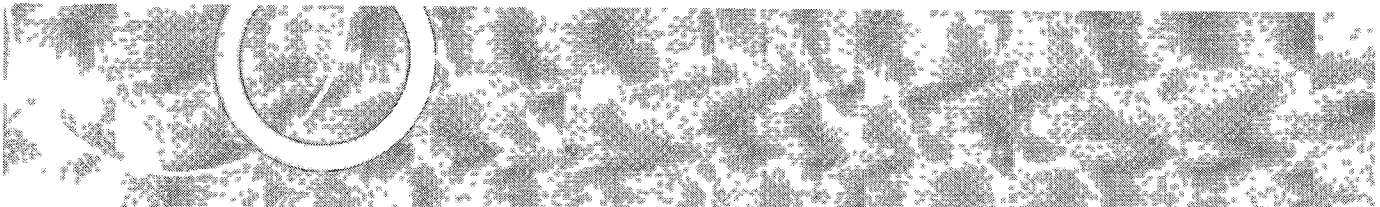
Incentive Goals for Executives

- Incentive goals for non-OCE executives may be specific to the individual and may include one or a combination of more than one of the following :
 - Cost-Control Measures (e.g., source view O&M, capital spending)
 - Maximum of 75% weighting for other measures (e.g., safety, operational, ECI and customer service)
 - Executives in the Finance organization continue to use the EAM as their incentive goal
- These workgroup or individual goals may be geared toward Entergy achieving top quartile status in customer service, financial achievement, plant production, etc.
- All goal results for non-OCE executives are approved by the Office of the Chief Executive (OCE)
- Incentive goals for OCE members:
 - Entergy Achievement Multiplier (EAM)
- Personnel Committee approves goals and results for the OCE



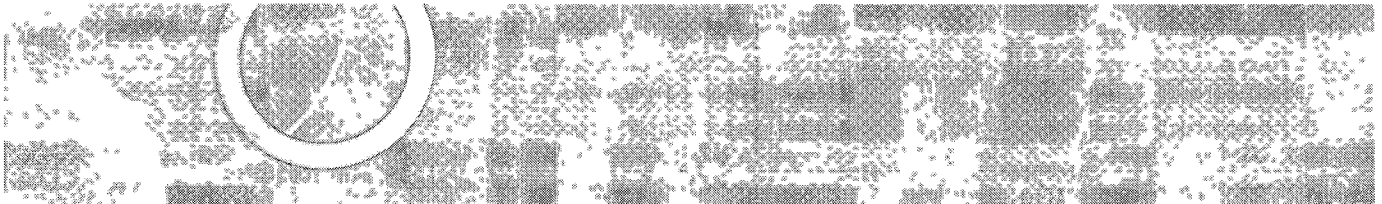
Incentive Awards

- EAIP Incentive Target range:
 - ML 4- 40%-50%
 - ML 3- 50%-60%
 - ML 2- 70%
 - ML 1- 120%
- All EAIP Awards are 100% discretionary
 - OCE members' awards are based on discretion of the Personnel Committee
 - Non-OCE executives' awards are based on their leadership's discretion
- Individuals generally receive an award within the range of 0%-200% of target
- While it is an unusual occurrence, a non-OCE executive may receive an award up to a maximum of 300% of target (funding limits apply)
- OCE incentive awards will be calculated in accordance with the Management Effectiveness Program and then adjusted at the discretion of Entergy's Board of Directors
- EAIP participants have the option to defer their incentive award



Achievement Levels

- Performance is measured relative to individual achievement levels (goal results)
- Achievement can be attained at minimum, target, maximum or anywhere in between
- Goal results achieved below the minimum level receive 0% and goal results achieved beyond the maximum level receive that particular plan's maximum
- Total achievement level is relative to minimum, target and maximum and will vary by plan



Funded Incentive Plans Funding Level

• Total Funding Level

- The total funding level is based on the EAM and approval of Entergy's Board of Directors
 - The EAM is calculated by assessing actual earnings per share (EPS) and operating cash flow (OCF) results for the year relative to minimum, target and maximum goals set by Entergy leadership. Achievement for EPS and OCF are equally weighted in the EAM calculation.
- Total funding is calculated by multiplying the EAM by the sum of each eligible employee's base salary times their incentive target
 - $[EAM \times \Sigma(\text{all individual base salaries} \times \text{individual incentive targets})]$
- The total funding level is approved by the Finance and Personnel Committees of the Entergy Board of Directors
 - The OCE has the authority to adjust the total funding level downward; however, the total funding level may not exceed that approved by the Board

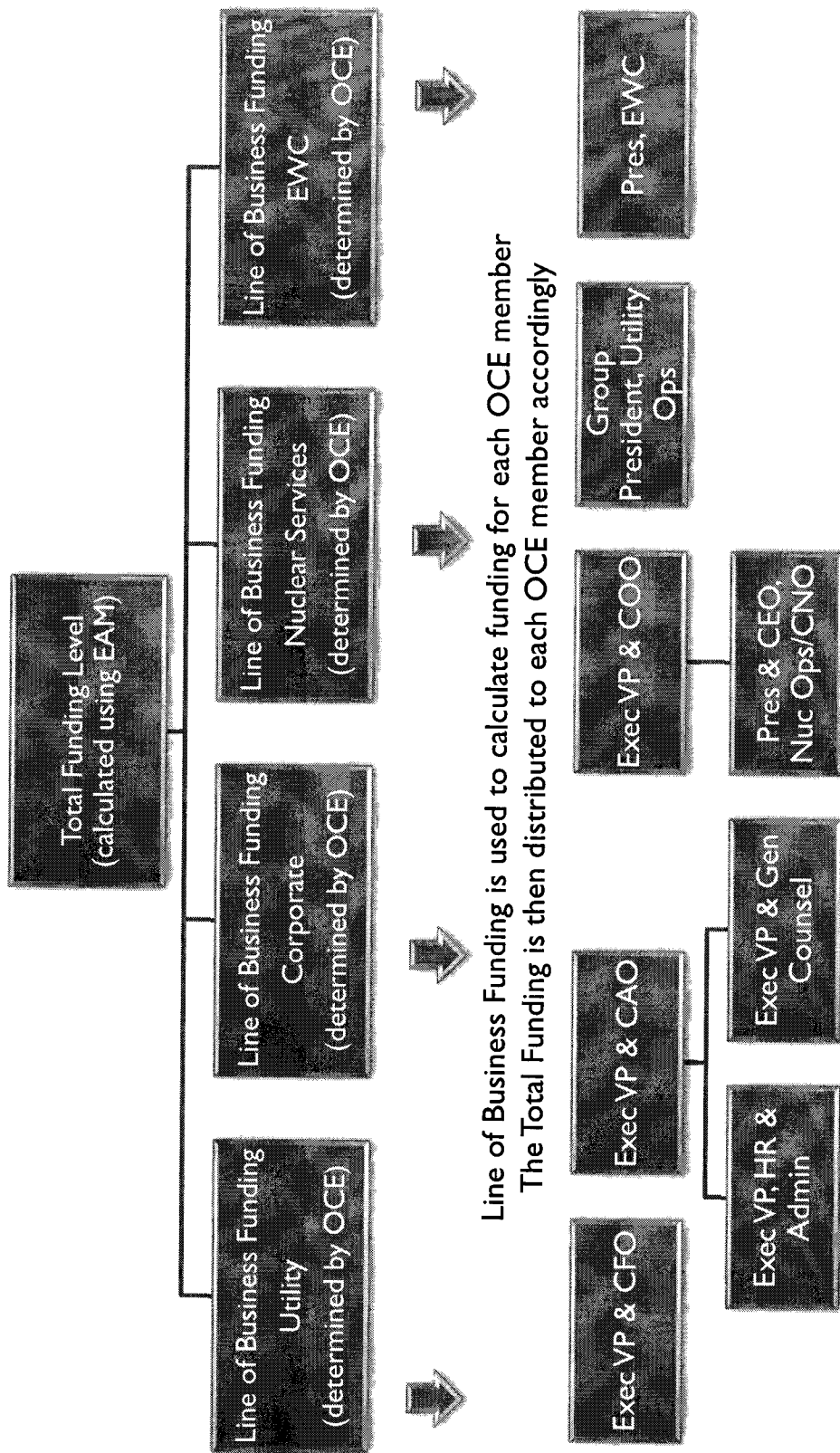
• Line of Business Funding Level

- The total funding level is broken down further into Line of Business Funding Levels
 - Line of Business (LOB) performance is assessed by reviewing each LOB's EPS and OCF relative to minimum, target and maximum goals and actual achievement (This is similar to the EAM calculation)
 - OCE discretion and Line of Business performance factor into the Line of Business Funding Levels

• OCE Funding Level

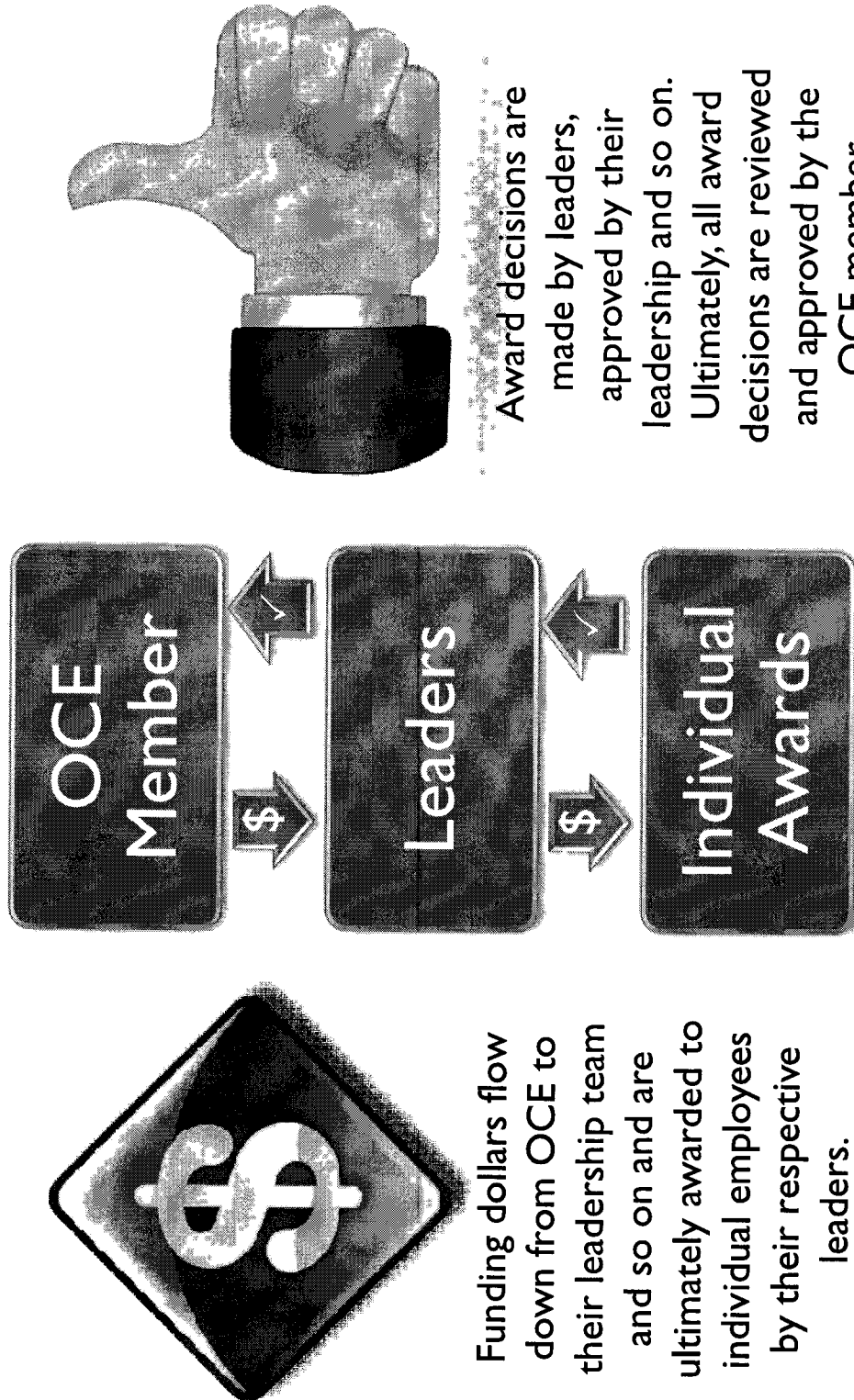
The LOB Funding Level is used to calculate the funding that each OCE member receives to allocate to their organization

Entergy Line of Business Funding

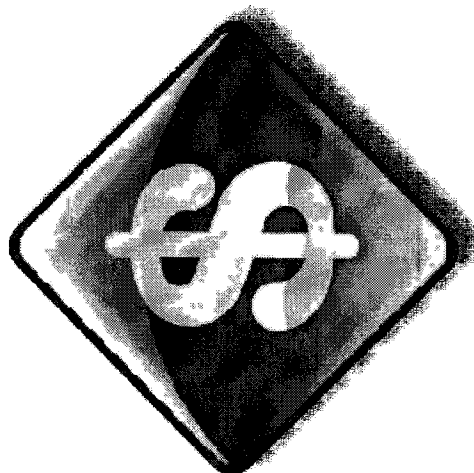


Line of Business Funding is used to calculate funding for each OCE member
The Total Funding is then distributed to each OCE member accordingly

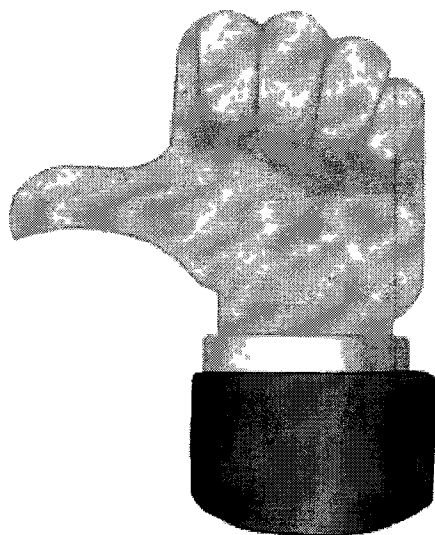
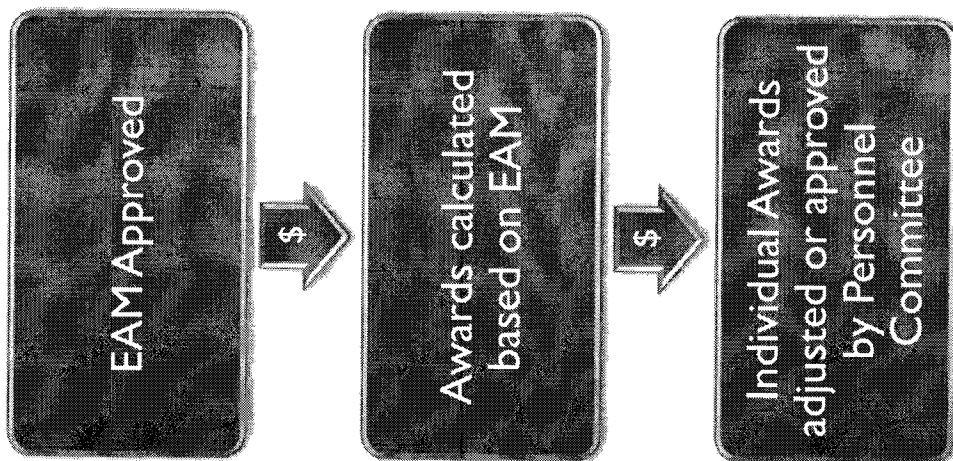
Funding Allocation to Management & Approval Chain for Non-OCE Executives



Funding Allocation & Approval Chain for OCE Members



Personnel Committee approves the EAM.
OCE awards are calculated by multiplying the EAM Percentage to the OCE member's target incentive percentage



Ultimately, awards calculated based on EAM are subject to the discretion of the Personnel Committee. The Committee may adjust the award or approve the award in their discretion.

EAM Achievement & Funding

Goal	Min	Target	Max	Actual	Weight	Achievement as % of Base Pay	Achievement as % of Target
Earnings Per Share (EPS)	\$6.30	\$7.00	\$7.70	\$6.91	50%	4.5%	45.2%
Operating Cash Flow (OCF)	\$2.52	\$2.88	\$3.24	\$3.02	50%	7.0%	69.5%
Total EAM Achievement							114.7%

EAM & Total Incentive Pool

- The total pool available for EALP incentive awards will range from 0% to 200% of target
 - Minimum achievement will result in funding at 25% of target
 - Maximum achievement will result in funding at 200% of target

	Min	Target	Max
Achievement Level (% of Base Pay)	10%	40%	80%
Assumes incentive target is 40%			
Funding Level (% of Target)	25%	100%	200%

Glossary of Terms

- **Bargaining Unit**- a group of employees represented by a union who collectively negotiates the terms of their employment.
- **Cost-Control Measures**- Include measures such as source view O&M, capital/kilowatt hour, capital spending, expense spending, etc.
- **Disabled**- Approved for benefits under the Entergy Long Term Disability Plan.
- **Earnings Per Share (EPS)**- A company's net profit divided by the number of shares of stock outstanding
- **Funding Level**- The amount of funds available for EXIP and SMIP awards expressed as a percent of target
- **Incentive Pool**- The dollar amount of funds available for EXIP and SMIP awards expressed
- **Incentive Target**- An employee's annual incentive opportunity expressed as a percentage of base pay
- **Line of Business (LOB)**- Specific lines of business throughout the Entergy organization
- **Management Discretion**- Management's ability to exercise its own judgment as to the level of incentive awards allocated. Management uses discretion to distribute incentive funding and awards to EXIP and SMIP participants.
- **OCE (Office of the Chief Executive)**- Consists of Entergy's CEO, his direct reports, and other Management Level 2 employees.
- **Operating Cash Flow (OCF)**- The amount of cash produced by day-to-day operations
- **Plan Year**- The period during which performance related to Workgroup Goals is measured. Generally, January 1st to December 31st of the year preceding the payout.
- **Total Workgroup Achievement** -Workgroup payout percentage calculated based on actual goal result relative to minimum, target and maximum goal targets. (See Slides 20 & 21)
- **Workgroup**- A team of employees in the same incentive plan with the same incentive goals.
- **Workgroup Goals**- A performance measure with minimum, target and maximum achievement expectations established by management.

SMIP & EXIP (Funded Incentive Plans) Annual Incentive Awards Compendium 2012 Program

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Objectives of Entergy's Funded Incentive Plans

- Objectives
 - Develop workgroup goals that focus on providing safe, cost effective, and reliable service to customers
 - Reward employees for achieving Entergy Line of Business goals and workgroup goals
 - Link the interests of participants to those of shareholders and customers
 - Reinforce the company's strategy and key goals
 - Provide incentives to improve results
 - Provide a competitive total compensation program
 - Fund incentive payouts only when Entergy creates value for shareholders and customers.
 - Annual incentive payments are not guaranteed, they are dependent on the financial and operational success of the company each year and the achievement of business unit goals

Governance of Entergy's Funded Incentive Plans

- Governance

- The Funded Incentive Plans are governed by Entergy's overall company performance and the annual Funding Level approved by the OCE
- Awards are to be paid to employees no later than March 15th in the year following the Plan Year
- Total sum of all funded plan incentive awards cannot exceed the Board approved Funding Level
- All awards are based on award methodology approved by the OCE member of each business unit
 - The amount of individual incentive awards is based on 100% management discretion
- Award methodology may be changed annually at the OCE member's discretion

Entergy's Funded Incentive Plans

- **Exempt Incentive Plan (EXIP)**
 - Generally, eligible employees are non-bargaining, exempt employees.
 - Participants can be individual contributors or supervisory employees who are not eligible to participate in SMIP
 - Some professional Bargaining Unit employees may also participate in EXIP (refer to your Bargaining Unit contract for information on which incentive plan you are eligible for)
- **System Management Incentive Plan (SMIP)**
 - Eligible employees are non-bargaining, exempt employees in leadership roles
 - Employees in certain senior-level individual contributor roles may also participate in SMIP
 - Eligibility of management personnel and key exempt employees is based on guidelines approved by the OCE
 - Employees in SMIP are not eligible for overtime compensation. Any overtime payments made to an employee while participating in SMIP must be returned by the employee or the SMIP payment will be reduced
- **Executive Annual Incentive Plan (EAIP)**
 - Also known as System Executive Incentive Plan (SEIP)
 - Eligible employees are System Officers (Management Level 1 – 4)
 - Information about the EAIP is presented in a separate compendium

Plan Eligibility (Generally)

- Funding for incentive awards is provided for eligible employees only; individual employees may receive awards above or below the level they are funded for based on their leadership's discretion
- To be eligible for an award, an employee must be
 - A regular (non-temporary) employee either full-time or part-time and phased retirees;
 - Employees participating in the Phased Retirement program are also eligible for an incentive payment
 - Hired prior to October 1st of the Plan Year;
 - Employees rehired after October 1st of the Plan Year who worked as an otherwise eligible employee for a total of 3 months during the Plan Year are also eligible for an incentive payment
 - Physically at work at least one (1) business day during the Plan Year; and
 - Active on December 31st payroll of the Plan Year
 - Employees who retire, die or become Disabled during the Plan Year are eligible for a pro-rated incentive payment
- Employees who do not meet all of the above eligibility criteria are not funded and may not receive an incentive award

Active Employee Incentive Eligibility

- Generally, an eligible employee who was active the entire Plan Year is eligible to receive an incentive payment the amount of which is based on leadership's discretion
- An exempt employee who is employed on a part-time basis on December 31st will be funded based on the number of hours worked during the Plan Year. The actual amount of any incentive payment may be more or less than the Funding Level for the employee based on management's discretion.
 - If a part-time exempt employee's base salary has been adjusted to reflect the part-time salary then funding will not be based on hours worked, but rather will be calculated by multiplying the part-time employee's adjusted base salary by his/her incentive target
- An otherwise eligible employee who is on an approved paid leave of absence as of December 31st (including short term disability or family medical leave protected under the Family Medical Leave Act) is eligible to receive an incentive payment as if they were an active employee

Inactive Employee Incentive Eligibility

- To be eligible for a pro-rated incentive payment through the last day an employee physically worked, an employee who is not actively at work (“inactive”) on December 31st of the Plan Year must:
 - Have otherwise met the general plan eligibility rules (see slide 6); and
 - Have retired during the Plan Year or
 - Have died during the Plan Year or
 - Have gone on Long Term Disability (LTD) during the Plan Year
- Inactive employees are not eligible for a pro-rated incentive if they:
 - Are participating in a Voluntary Severance Program (VSP) or bridging to retirement
 - Are on STD at the beginning of the Plan Year and are subsequently approved for long-term disability (LTD) or die without having returned to work for one (1) business day during the plan year
 - Are on unpaid leave as of December 31st of the Plan Year (Military Employees refer to slide 9 for additional eligibility information)

See slide 11 for pro-rated award calculation for inactives

Military Leave Employee Eligibility

- Employees who are active on December 31st but went out on an unpaid military leave during the Plan Year will be included in plan funding and eligible for an incentive payment
- Employees on unpaid military leave as of December 31st will be considered inactive and will not be included in plan funding or eligible for an incentive payment
 - Employees may be eligible for an incentive payment from a prior Plan Year when they return to work if they worked at least one day in that Plan Year
 - The suggested pro-rated payments amounts based on line of business performance are calculated during the incentive cycle and provided to field HR incentive coordinators; however the actual amount of the incentive payment is determined by management discretion.
 - These payments must be requested via Personnel Change Authorization by the returning employee's management
 - These payments are made from the business unit's budget
- Employees on military leave are subject to the general plan eligibility rules (see slide 6).
 - Accordingly, they are not eligible for a payout in a Plan Year in which they were not physically present and working at least one day

Transfers/Promotions & Incentive Plans

- Funding for an employee is based on the Incentive Plan in which the employee participates on December 31st
 - Example: Transfer in August that causes an employee previously in TSIP to become a participant in EXIP. The participant is funded and is eligible to receive an award from the EXIP and will not be eligible to receive a payment from TSIP.

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Pro-rated Incentive Award Calculations for Inactive Employees

- Pro-rated funded incentive plan awards are based on the percent of the Plan Year worked and the Entergy Achievement Multiplier (EAM)
- They are calculated as follows:
 - $\text{Salary} * \text{Percent of Year Worked} * (\text{Incentive Target} * \text{EAM})$
 - For example, an employee in EXIP making \$50,000 per year who worked 60% of the year would have the following pro-rated incentive payment calculation if the EAM was 110%
 - $\$50,000 * 60\% * (7\% * 110\%) = \$2,310$
- For Phased Retirees, the calculation is as follows:
 - $\text{Salary} * \text{Number of hours worked} * (\text{Incentive Target} * \text{EAM})$

See slide 18 for EAM Achievement Example

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Funded Incentive Plan Award Targets

- Exempt Incentive Plan (EXIP)
 - Target 7% of base salary
 - Minimum funding is 43% of Target (or 3% of base salary). Maximum funding is 157% of Target (or 11% of base salary) *
- System Management Incentive Plan (SMIP)
 - Target - 10% to 40% of base salary depending on Responsibility Level and Market Data
 - Minimum funding is 25% of Target, Maximum funding is 200% of Target*
- Eligible participants may receive an award within 0% to 200% of their Incentive Plan Target
 - Although it is unusual for an individual's award to exceed 200% of their Incentive Plan Target, an individual may receive an award up to a maximum of 300% of their Incentive Plan Target
- Awards are based on an employee's incentive plan, incentive target, and base pay on December 31st of the Plan Year

* See slide 20 for a detailed explanation of minimum & maximum funding

Incentive Goals & Weighting

- Incentive workgroups are comprised of teams of employees that share the same incentive goals
- Workgroups should generally have four to six incentive goals established by their functional leadership at the beginning of the Plan Year
- Incentive goal weights must include:
 - Minimum of 25% weighting for Cost-Control Measures (e.g., source view O&M, capital spending)
 - Maximum of 75% weighting for other measures (e.g., safety, operational, ECI and customer service)
- Workgroup or individual goals
 - Department or workgroup specific
 - May be geared toward Entergy achieving top quartile status in customer service, financial achievement, plant production, etc.
- Goals are approved by the Line of Business leader
- All goal results are approved by the Office of the Chief Executive (OCE)

Workgroup Achievement Levels

- The Total Workgroup Achievement level is calculated by multiplying the individual goal results by their respective weights and totaling the sum of the results
 - See Slides 15 & 16 for examples
- Regardless of an employee's Total Workgroup Achievement level, an employee's incentive payment will depend on their OCE method of allocating incentive dollars and their leadership's discretion

Workgroup Achievement Example

EXIP Example

Workgroup Goal	Weight	Min	Target	Max	Actual Result	Achievement Level	Calculation (Weight * Achievement)
Cost Control	25%	25	100	200	113.1	7.5%	1.88%
Safety	15%	2	1	0	1	7.0%	1.05%
Operational	45%	3	5	7	7	11.0%	4.95%
Customer Satisfaction	15%	2	4	6	4	7.0%	1.05%
Total Workgroup Achievement as a percent of Base Pay							8.93%

- This workgroup achieved 8.93% of base salary based on the workgroup goal achievement
- The entire incentive pool is subject to management's discretion and therefore an employee in this workgroup could receive an actual award less than 8.93% or more than 8.93% of their base salary
- Although the maximum funding level for EXIP is 11%, an EXIP participant may receive an award up to 200% of target (or 14% of base salary). Although rare, the participant may receive an award payout up to 300% of target (or 21% of base salary).

Workgroup Achievement Example

SMIP Example

Workgroup Goal	Weight	Min	Target	Max	Actual Result	Achievement Level	Calculation (Weight * Achievement)
Cost Control	25%	25	100	200	123.5	12.4%	3.1%
Safety	15%	2	1	0	3	0.0%	0.0%
Operational	45%	3	5	7	7	20.0%	9.0%
Customer Satisfaction	15%	2	4	6	4	10.0%	1.5%
Total Workgroup Achievement as a percent of Base Pay							13.6%

- This workgroup achieved 13.6% of base salary based on the workgroup goal achievement
- The entire incentive pool is subject to management's discretion and therefore an employee in this workgroup could receive an actual award less than 13.6% or more than 13.6% of their base salary
- An SMIP participant may receive an award up to 200% of target. Although rare, the participant may receive an award payout up to 300% of target.

Funded Incentive Plans Funding Level

• Total Funding Level

- The total funding level is based on the EAM as approved by the Board of Directors
 - The EAM is calculated by assessing actual earnings per share (EPS) and operating cash flow (OCF) results for the year relative to minimum, target and maximum goals set by Entergy leadership. Achievement for EPS and OCF are equally weighted in the EAM calculation.
 - EAM is calculated independently for both the SMIP/EAIP plans and the EXIP plans.
 - Straight line interpolation is used to calculate EXIP EAM funding.
- Total funding is calculated by multiplying the EAM by the sum of each eligible employee's base salary times their incentive target
 - $[EAM \times \sum(\text{all individual base salaries} \times \text{individual incentive targets})]$
- The total funding level is approved by the Finance and Personnel Committees of the Entergy Board of Directors
 - The OCE has the authority to adjust the total funding level downward; however, the total funding level may not exceed that approved by the Board

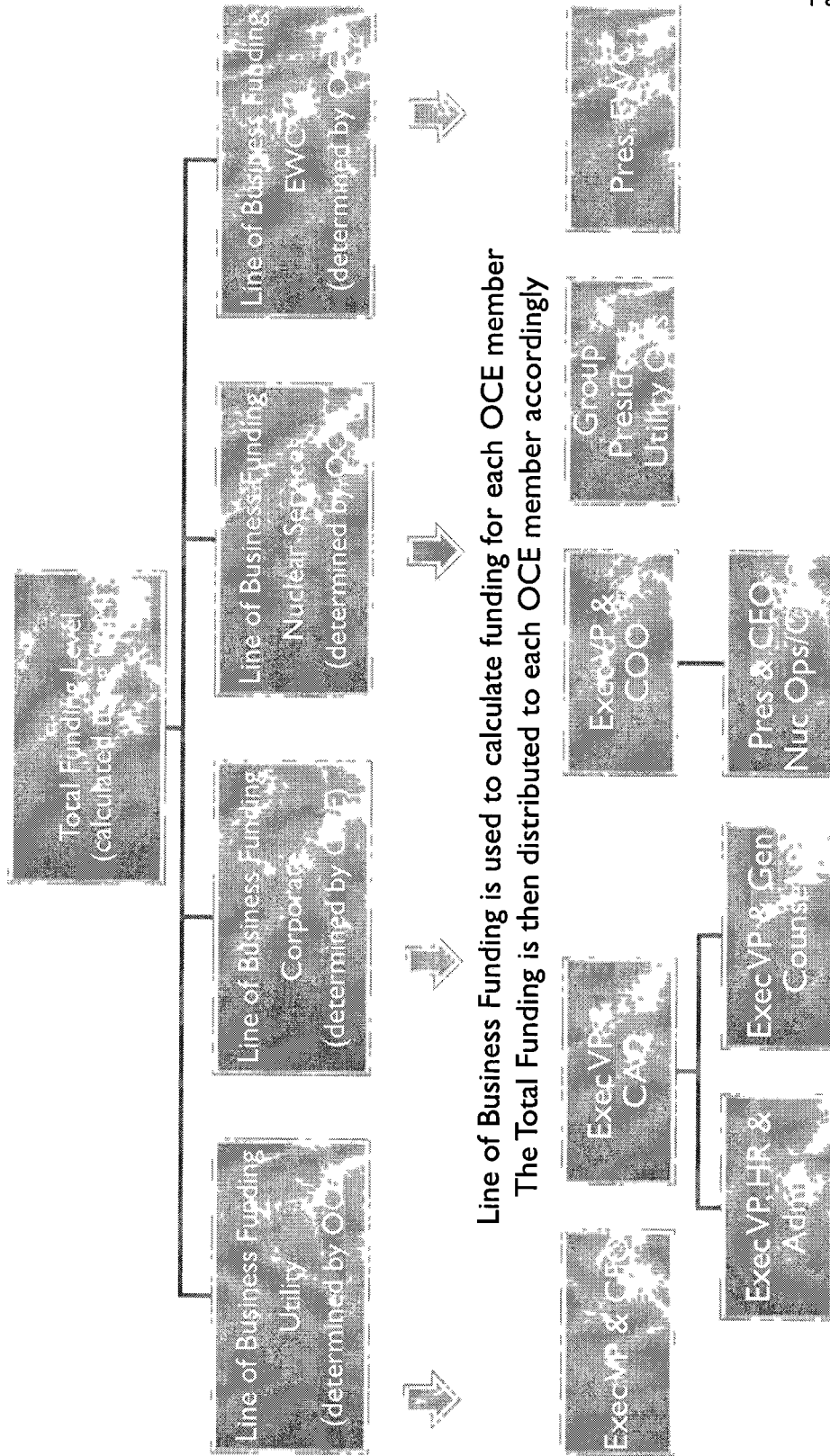
• Line of Business Funding Level

- The total funding level is broken down further into Line of Business Funding Levels
 - Line of Business (LOB) performance is assessed by reviewing each LOB's EPS and OCF relative to minimum, target and maximum goals and actual achievement. (This is similar to the EAM calculation)
 - OCE discretion and Line of Business performance factor into the Line of Business Funding Levels

• OCE Funding Level

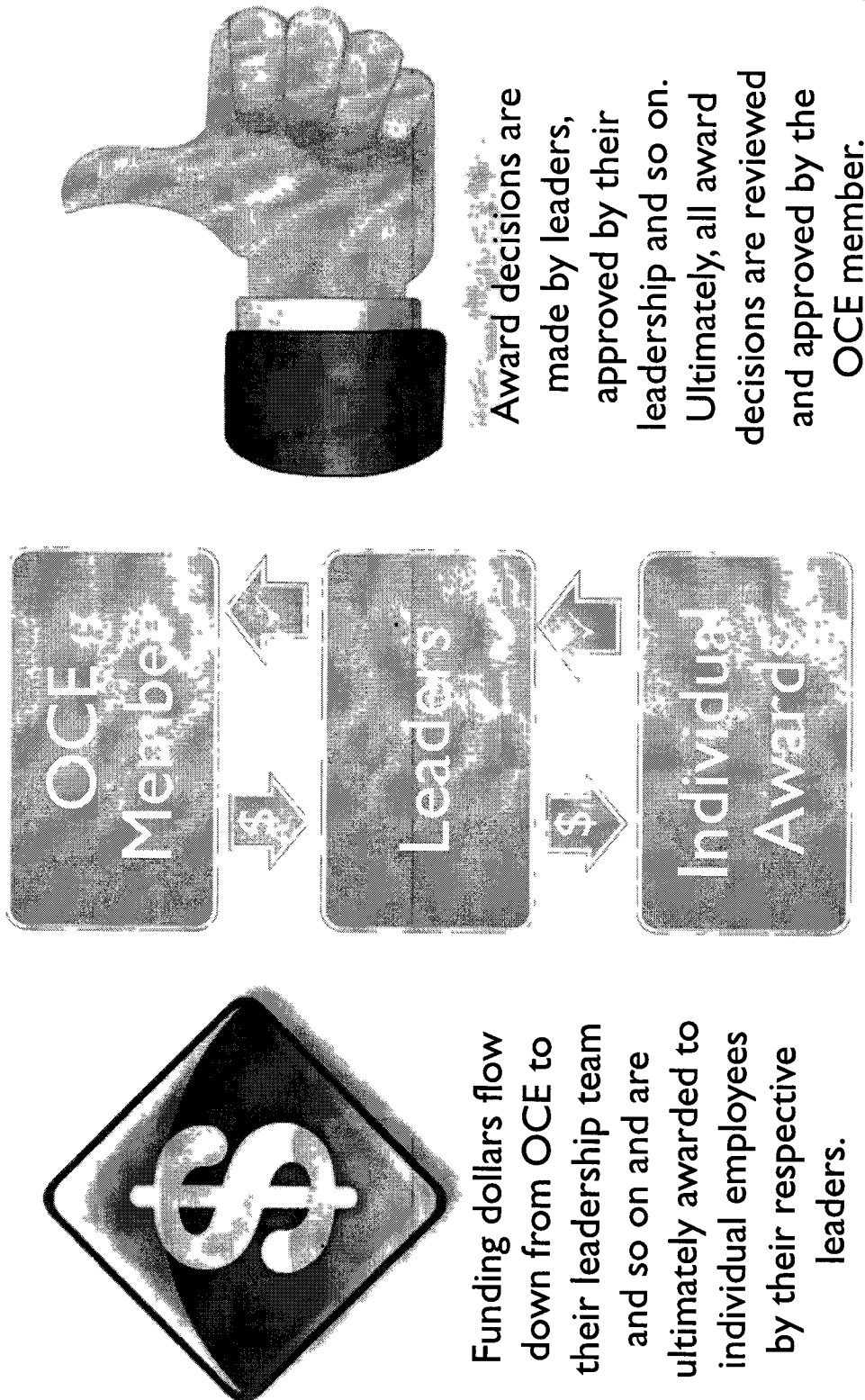
- The LOB Funding Level is used to calculate the funding that each OCE member receives to allocate to their organization

Entergy Line of Business Funding



Line of Business Funding is used to calculate funding for each OCE member
The Total Funding is then distributed to each OCE member accordingly

Funding Allocation to Management & Approval Chain



EAM Achievement & Funding

Goal	Min	Target	Max	Actual	Weight	Achievement as % of Base Pay	Achievement as % of Target
Earnings Per Share (EPS)	\$6.30	\$7.00	\$7.70	\$6.91	50%	4.5%	45.2%
Operating Cash Flow (OCF)	\$2.52	\$2.88	\$3.24	\$3.02	50%	7.0%	69.5%
Total EAM Achievement							114.7%

Funded Plan	Min	Target	Max	Actual
EAM	25%	100%	200%	114.7%
SMIP (% of Base)	2.5%	10%	20%	11.4%
SMIP (% of Target)	25%	100%	200%	114.7%
EXIP (% of Base)	3%	7%	11%	7.5%
EXIP (% of Target)	43%	100%	157%	107.4%

EAM & Total Incentive Pool

- Assume the sum of salaries for all employee in EXIP is \$500,000
 - Funding Level is calculated as
 - (Actual Achievement as a % of Target * Target) * Sum of salaries
 - $(108.4\% * 7\%) * \$500,000 = \$37,940$
- Assume the sum of salaries for all employee in SMIP is \$1,000,000 and, for simplicity, that all SMIP incumbents have targets of 10%
 - Funding Level is calculated as
 - (Actual Achievement as a % of Target * Target) * Sum of salaries
 - $(114.1\% * 10\%) * \$1,000,000 = \$114,100$
- The Total Incentive Pool for EXIP & SMIP is \$152,040
 - Awards to EXIP and SMIP participants may not exceed the funding level set by the Board

Glossary of Terms

- **Bargaining Unit**- a group of employees represented by a union who collectively negotiates the terms of their employment.
- **Cost-Control Measures**- Include measures such as source view O&M, capital/kilowatt hour, capital spending, expense spending, etc.
- **Disabled**- Approved for benefits under the Entergy Long Term Disability Plan.
- **Earnings Per Share (EPS)**- A company's net profit divided by the number of shares of stock outstanding
- **Funding Level**- The amount of funds available for EXIP and SMIP awards expressed as a percent of target
- **Incentive Pool**- The dollar amount of funds available for EXIP and SMIP awards expressed
- **Incentive Target**- An employees annual incentive opportunity expressed as a percentage of base pay
- **Line of Business (LOB)**- Specific lines of business throughout the Entergy organization
- **Management Discretion**- Management's ability to exercise its own judgment as to the level of incentive awards allocated. Management uses discretion to distribute incentive funding and awards to EXIP and SMIP participants.
- **OCE (Office of the Chief Executive)**- Consists of Entergy's CEO, his direct reports, and other Management Level 2 employees.
- **Operating Cash Flow (OCF)**- The amount of cash produced by day-to-day operations
- **Plan Year**- The period during which performance related to Workgroup Goals is measured. Generally, January 1st to December 31st of the year preceding the payout.
- **Total Workgroup Achievement** -Workgroup payout percentage calculated based on actual goal result relative to minimum, target and maximum goal targets. (See Slides 20 & 21)
- **Workgroup**- A team of employees in the same incentive plan with the same incentive goals.
- **Workgroup Goals**- A performance measure with minimum, target and maximum achievement expectations established by management.

Teamshare & Teamshare Bargaining Annual Incentive Awards Compendium

2012 Program