Q31. ARE THERE OTHER INDICES OR MEASUREMENTS THAT YOU USE TO QUANTIFY RELIABILITY PERFORMANCE?

A. Yes. The Company also reviews SAIFI and SAIDI results for groupings of outage causes, such as vegetation or lightning, that contribute significantly to overall performance. In addition, the Company reviews data captured through its Customer Issue Resolution ("CIR") process, created to comply with Commission Substantive Rule 25.30. The Company uses the CIR process to track specific types of complaints. This information is used to improve business processes, increase efficiency, and improve customer satisfaction. Complaints are taken very seriously, and all complaints are reviewed to determine and implement actions to be taken to improve Company performance and/or customer satisfaction.

Q32. ARE THESE INTERNAL INDICATORS INDUSTRY-STANDARD INDICES?

A. SAIFI and SAIDI represent subsets of the industry standard indices. The CIR process serves as a problem solving tool to help understand customer impact and what the broader indices show.

Q33. HOW FREQUENTLY DOES THE COMPANY UPDATE, REVIEW, AND ACT UPON THESE INDICATORS?

A. The Company's Performance Metrics group reports reliability performance each month. In addition to this monthly reliability data, the Distribution

Operations Center produces daily outage reporting. This information is reviewed by a large cross-section of the Distribution organization to aid decision-making and to identify short-term issues and ensure data integrity in the recording process.

Q34. WHAT IS THE COMPANY'S LONG-TERM RELIABILITY PERFORMANCE TREND?

A. Reviewing the standard indices, ETI has generally improved SAIFI and SAIDI from 2002 to 2011. As I explained above, 2012 is considered an anomalous year because of the problems caused by the drought. Additionally, CIR cases related to service reliability have decreased from 1,391 in 2002 to 380 in 2012. Complaints to the Public Utility Commission of Texas ("Commission"), related to reliability, have remained steady, moving from 9 in 2002 to 10 in 2012. The eleven-year trend of the CIR cases related to outages and voltage is shown in Figure 8.

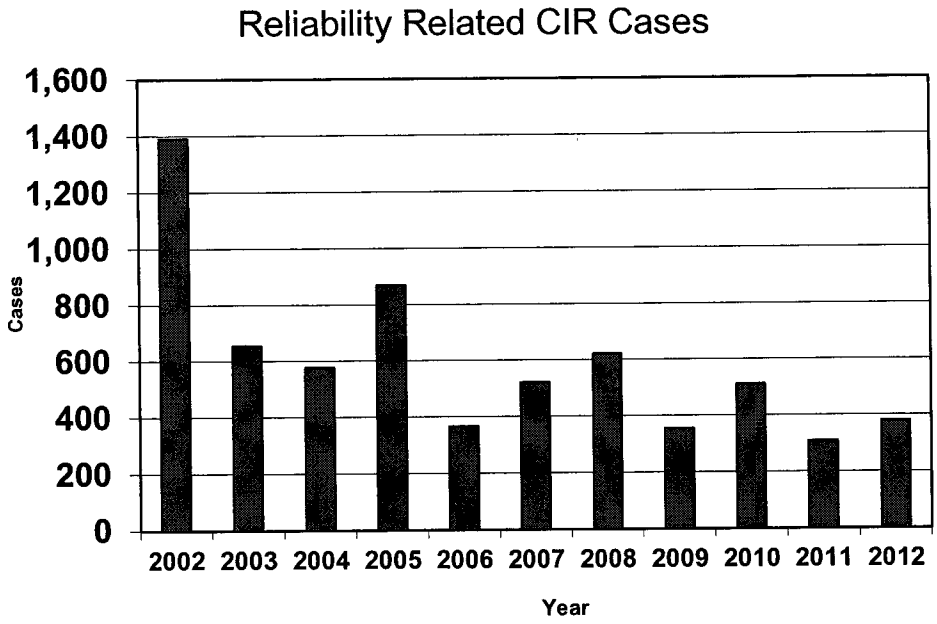

Figure 8 – Reliability Related CIR Cases 2002 – 2012

Q35. HOW DO YOU MONITOR FEEDER PERFORMANCE?

A. ETI tracks individual feeder reliability performance via SAIFI and SAIDI.

Q36. ARE THERE ANY OTHER FEEDER-SPECIFIC MEASURES UNDER THE COMMISSION'S RULES?

A. Yes. ETI also evaluates its performance under the Commission's 300% feeder measure in Substantive Rule 25.52(f)(2). This measure determines if a feeder exceeds four times the system standard of SAIDI and SAIFI for two consecutive years. In 2012, ETI had zero repeat feeders in the SAIFI category and zero repeat feeders in the SAIDI category.

Q37. HAS THE COMPANY'S RELIABILITY PERFORMANCE REACHED A DESIRED STATE?

A. While the Company has improved its performance, it is not perfect, and so the Company continues to strive for improvement in the delivery of outstanding service to customers.

Q38. PLEASE DESCRIBE EACH OF THE COMPANY'S RELIABILITY AND INFRASTRUCTURE IMPROVEMENT PROGRAMS.

A. The Company currently operates the following programs:

- **Vegetation Management Program:** ETI's distribution line vegetation management program consists primarily of a cycle-based proactive element, and it also includes a reactive, customer-driven component and a Tree Growth Regulator program. The proactive trim cycles are examined annually and are determined by a number of factors including growth rates, type and density of side and floor vegetation, vegetation-related outage information, time since last maintenance, and reliability. Identified circuits or areas are maintained using a combination of both conventional side trimming and herbicides depending on the specific application. The reactive program consists of investigating potential problem areas that are identified by Company personnel and/or the public and determining a course of action.

- **Planned Improvement:** The planned improvement programs address system capacity. Projects address situations where delivery voltage or loading levels are approaching ranges that require action.
- **Alternate Load Transfer Systems:** This program identifies new opportunities to utilize smart grid-type technology to create a system that automatically sectionalizes and self-restores in the event that an outage occurs. Proposals are planned, prioritized and implemented based on their projected impact to both SAIFI and SAIDI.
- **Sectionalizing:** This program identifies opportunities to reduce customer exposure and customer outage minutes through the addition of automatic isolating devices and upgrading existing sectionalizing locations. Proposals are planned, prioritized and implemented based on their projected impact to both SAIFI and SAIDI.
- **Targeted Circuits:** This program identifies circuit devices in need of reliability improvement. The Company conducts an annual analysis of its system to rank each feeder's reliability performance using (a) total individual feeder Customer Interruptions, and (b) the individual feeder's SAIFI. The feeder devices identified as the worst of the combined two components are marked for reliability inspection and improvement. Corrective actions are planned and

implemented in the form of prioritized engineering and maintenance solutions.

- **Pole Inspection and Replacement Program:** The annual pole inspection program at ETI is a preventative program designed to identify weakened wood poles prior to failure. The program consists of both a visual and physical inspection of the structure, which includes the pole, cross-arms, and insulators. The resulting actions depend on the results of the inspection. Poles judged to be sound are tagged and receive no further action. Those that have been identified as needing additional attention are either reinforced or replaced depending on the condition of the pole.
- **TACTICS Program:** Targeted Approach Centered Toward Improving Customer Service ("TACTICS") is a program designed to address specific protective devices exceeding the TACTICS threshold of momentary and sustained outages count. This program examines the outage history at the level of individual devices on a circuit, such as a line fuse. The lines served from these devices are physically inspected to identify weaknesses and potential future outage causes. Corrective actions are then planned, prioritized, and implemented.
- **Equipment Maintenance Program:** This program includes recloser, capacitor bank and voltage regulator inspections. Issues

are either immediately resolved in the field or reported for planning and implementation of repair or replacement.

- **Underground Cable Program:** Under this program, the Company identifies sections of cable that meet the segment outage failure rate criteria and establishes a repair or replacement plan.
- **Backbone Feeder Program:** This program targets feeder backbones (typically the section of the feeder from the substation breaker to the first protective devices) with inspection and prioritized mitigation. Inspections consist of both visual and infrared portions.
- **Internal Request Program:** This program allows employees, customers, and other stakeholders to note deficiencies on the distribution system and submit them into the design/repair processes for attention. The projects are reviewed, prioritized, and addressed on an individual basis.

Q39. PLEASE SUMMARIZE THE EFFECTIVENESS OF THE COMPANY'S VEGETATION PROGRAM.

A. The effectiveness of the Company's vegetation program is most clearly demonstrated using the industry-standard reliability indices SAIFI and SAIDI, calculated for customer interruptions caused by vegetation contact from overhanging limbs, tree failure from outside the right-of-way, and tree growth into conductors. The Company's vegetation-caused SAIFI

average over the calendar years December 2002 to December 2012 is .352 outages, and the vegetation-related SAIDI average is 38.97 minutes over the same time frame. These numbers include the effects of the drought I described earlier.

Q40. YOU MENTION ABOVE THAT THE COMPANY EMPLOYS A CYCLE-BASED TRIMMING PROGRAM. PLEASE DESCRIBE THAT PROGRAM.

A. Cycle-based trimming refers to the approach the Company uses to determine how it schedules or "cycles" through its circuits for planned trimming. Different feeders have different trimming requirements because certain species of vegetation grow more quickly than others, soil types and rain patterns differ from one area to another, tree densities along a feeder vary, and other variations exist from feeder to feeder. Because of these differences, each feeder is reviewed, and a cycle time between trimmings is determined based on the needs of the individual circuit. Because orderly plans can be laid and bid to contract trimmers, the trimming can be done in a manner that is both efficient and effective at preventing vegetation-related outages. From 2002 through 2012, the Company trimmed 21,836 line miles in Texas, an average of 1,985 line miles per year.

Q41. UP TO THIS POINT, YOU HAVE DISCUSSED RELIABILITY UNDER NORMAL OPERATING CONDITIONS. PLEASE ADDRESS THE COMPANY'S PREPARATION AND PLANS FOR A CATASTROPHIC EVENT SUCH AS A HURRICANE, ICE STORM, OR TERRORIST ATTACK.

A. The Company first prepares for major threats by designing and maintaining its system to reduce the impact of severe weather events. Additionally, the company takes proactive measures to ensure timely and efficient restoration following an event.

The Entergy Operating Companies[1] ("EOCs"), including ETI, have developed industry-recognized response plans that are implemented when a catastrophic event occurs. These comprehensive plans include detailed personnel assignments, organizational structures, communication plans, logistics plans, time lines, checklists, evacuation plans, damage-assessment protocols, and mutual-assistance considerations. These plans have been implemented on a number of occasions both within the Entergy System and on the systems of other companies that Entergy assists. To ensure that the Company is prepared to effectively implement the plan when required, it conducts storm drills to test the plans and prepare personnel for a response. Our ability to restore power, in our

[1] The other EOCs are: Entergy Arkansas, Inc.; Entergy Gulf States Louisiana, L.L.C.; Entergy Louisiana, LLC; Entergy Mississippi, Inc.; and Entergy New Orleans, Inc.

Texas service territory, after a major catastrophe was most recently tested in September 2008 with Hurricane Ike. Our professional storm team brought in over 13,000 utility workers from across the nation and restored service to all customers that could accept service in an unprecedented 12-day time period. We received numerous accolades from our customers, the media, and city and other governmental officials.

The Entergy Operating Companies have won either Edison Electric Institute's Emergency Assistance Award or Emergency Response Award every year since the awards' inception in 1998. The awards honor companies for exemplary efforts to restore electric power interrupted by extreme weather conditions or other natural events.

V. TEST YEAR COSTS

A. ETI Distribution Organization

1. Test Year Costs for the ETI Distribution Organization

Q42. PLEASE DESCRIBE, IN GENERAL TERMS, THE TYPES OF DISTRIBUTION-RELATED SERVICES THAT ETI PROVIDES FOR ITSELF AND THE TYPES OF SERVICES IT RECEIVES FROM AFFILIATES.

A. As I mentioned earlier, both ETI employees and ESI employees provide services necessary to operate and maintain the ETI distribution system. Typically, ETI directly incurs costs in maintaining and operating the distribution system at the field level. In contrast, management and any

other services that can be shared by more than one EOC, such as ETI, are generally provided by an affiliate, such as ESI, and then costs are allocated to ETI based upon its share of the service provided. For example, field personnel, who are responsible for line maintenance, are ETI employees and, thus, the costs for the services provided by these personnel are not affiliate costs. In contrast, Human Resources and other ESI corporate support services, such as Legal, support ETI's employees and services and, thus, the costs for these ESI services are affiliate costs.

In addition to ESI, the other EOCs may also provide services to ETI, particularly in response to area-wide emergencies and outages in ETI's service territory.

Q43. ARE THE COSTS FOR ETI'S DISTRIBUTION OPERATIONS (AFFILIATE AND NON-AFFILIATE OPERATIONS AND MAINTENANCE COSTS AND CAPITAL COSTS) THAT YOU SUPPORT IN YOUR TESTIMONY REASONABLE AND NECESSARY?

A. Yes. The total operations and maintenance ("O&M") costs and capital costs for the ETI distribution system incurred during the test year were both reasonable and necessary. The costs were necessary to operate and maintain ETI's distribution system in a continuous, reliable, safe, adequate, efficient, and reasonable manner. The distribution management team and the support organizations control these costs and provide these services in an effective and economical manner. In

general, the non-affiliate, non-fuel O&M costs were incurred by the ETI field O&M groups for salaries, materials and supplies, contractor services and the O&M component of capital improvements.

Q44. PLEASE LIST AND BRIEFLY DESCRIBE THE TYPES OF COSTS THAT MAKE UP THE BULK OF ETI'S DISTRIBUTION-RELATED COSTS.

A. Payroll, Vegetation Contract, Construction Contract, and Materials and Supplies are the types of costs that make up the bulk of the distribution-related costs, as described below:

- Payroll – Costs pertaining to the compensation of Entergy employees, both affiliate and non-affiliate. Payroll costs include base pay, overtime pay, incentive compensation, employee benefits, and associated payroll taxes.
- Vegetation Contract – Costs associated with the contracted services of companies specializing in vegetation management. Vegetation contract costs include contract costs for cycle trimming, as well as specific trimming, herbicide treatments, tree growth regulator applications, and clearing inside the rights-of-way.
- Construction Contract – Costs associated with the contracted services of companies specializing in the construction of both overhead and underground electric distribution facilities. Construction contract costs include contract costs for installing new facilities, maintenance of existing facilities, and upgrades to

facilities to serve additional load, as well as the repair and removal of damaged facilities.

- Materials and Supplies – Costs associated with the procurement and inventory of materials necessary for the construction and maintenance of both overhead and underground electric distribution facilities. Materials and supplies costs include costs for poles, wire, transformers and other large distribution facilities, as well as minor materials, safety-related equipment and consumable supplies.

Q45. ARE ETI'S DISTRIBUTION-RELATED O&M EXPENSES ONE-TIME EXPENSES OR RECURRING ITEMS?

A. The distribution-related expenses requested for recovery are recurring items throughout the test year and subsequent years. The historic test year data, as adjusted, is representative of the costs ETI will continue to incur in the future to serve its customers.

Q46. ARE ETI'S DISTRIBUTION-RELATED O&M EXPENSES NECESSARY TO PROVIDE CONTINUOUS, RELIABLE SERVICE TO ITS CUSTOMERS?

A. Yes. These O&M expenses, as described in my testimony, are representative of the costs to be incurred for personnel and programs that are necessary to provide safe and reliable service to ETI's customers.

ETI could not provide electric service to its customers without incurring these types of costs to operate and maintain its distribution system.

Q47. WHAT DO YOU DO TO ENSURE THAT THESE O&M COSTS ARE REASONABLE?

A. In order to ensure that ETI is keeping costs reasonable, we have a staff of highly qualified engineers, accountants and management that oversee projects and budgets through their life-cycles. As explained in my testimony, cost controls are in place to help our staff of experienced, highly trained and competent managers oversee and seek out opportunities for cost reductions or reallocations.

Q48. IS THERE ANY OBJECTIVE EVIDENCE TO SUPPORT YOUR OPINION THAT, OVERALL, THE COSTS FOR ETI'S DISTRIBUTION FUNCTION ARE REASONABLE?

A. Yes. The costs are reasonable based upon a review of recent distribution non-fuel O&M expense benchmarking metrics for 21 similarly situated utilities. The figures were obtained from Federal Energy Regulatory Commission ("FERC") Form 1 data for the five years 2008-2012 and are presented in my Exhibits SBC-2A and SBC-2B.

Q49. HOW DID YOU SELECT THE 21 UTILITIES FOR THIS COMPARISON?

A. The 21 utilities selected for this comparison are similar investor-owned utilities in the Central and Southeastern United States. These 21 utilities are the same utilities that the Company has consistently used in the past for benchmarking and comparison with the exception of Duke and Progress Energy. Those utilities merged and are now shown as one combined utility. The 21 utilities serve similar geographic areas.

Q50. HOW DOES THIS DATA SHOW THAT ETI'S NON-AFFILIATE AND AFFILIATE DISTRIBUTION COSTS ARE REASONABLE AND NECESSARY?

A. These metrics are the type of metrics that a utility manager uses to assess the economic and operational efficiency of various activities. These comparisons, assembled from standard utility reporting by the 21 electric utilities, compare costs at the FERC Form 1 level for five years of data ending in 2012. The costs cover total distribution O&M expenses excluding fuel. For ETI, the numbers include both non-affiliate and affiliate costs. The analyses compared these costs on the basis of customers served and total kWh for each utility and then ranked the companies. This comparison shows ETI's costs to be reasonable because ETI is below the mean in O&M costs. These cost statistics show that ETI is effectively managing its O&M costs on both a per-customer and per-kWh basis.

Q51. WHAT DO THE RANKINGS SHOW?

A. Figure 9 below shows the FERC Form 1 data and charts the 21 utilities in Exhibit SBC-2A, including ETI, on the variable of dollars per kWh of O&M distribution expenses from 2008 to 2012. I provide comparable charts for capital additions costs later in my testimony when I discuss distribution capital additions. This comparison demonstrates that ETI's Distribution O&M costs for the five-year period averaged 0.001881/kWh and are reasonable. This cost comparison is 33.9% below the mean of $0.002846/kWh and ranks ETI third lowest among the 21 utilities.

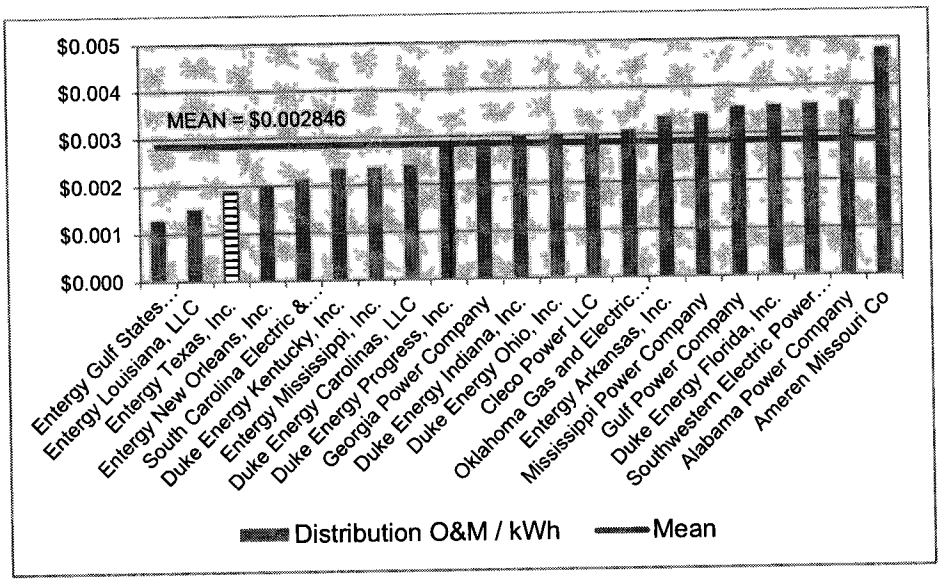

Figure 9 – 2008-2012 Distribution O&M Expenses (per kWh)

Q52. HOW DID ETI COMPARE ON A COST-PER-CUSTOMER BASIS OVER THE 2008-2012 PERIOD?

A. Figure 10 below shows the FERC Form 1 data from Exhibit SBC-2B for the 21 utilities on the variable of dollars of O&M distribution expenses per customer per year during 2008 to 2012. This comparison shows that ETI's average distribution O&M cost was $74.31/customer, which is 22.4% below the mean of $95.73/customer. Because ETI was below the mean of these 21 utilities, this metric supports the conclusion that ETI's distribution O&M costs are reasonable.

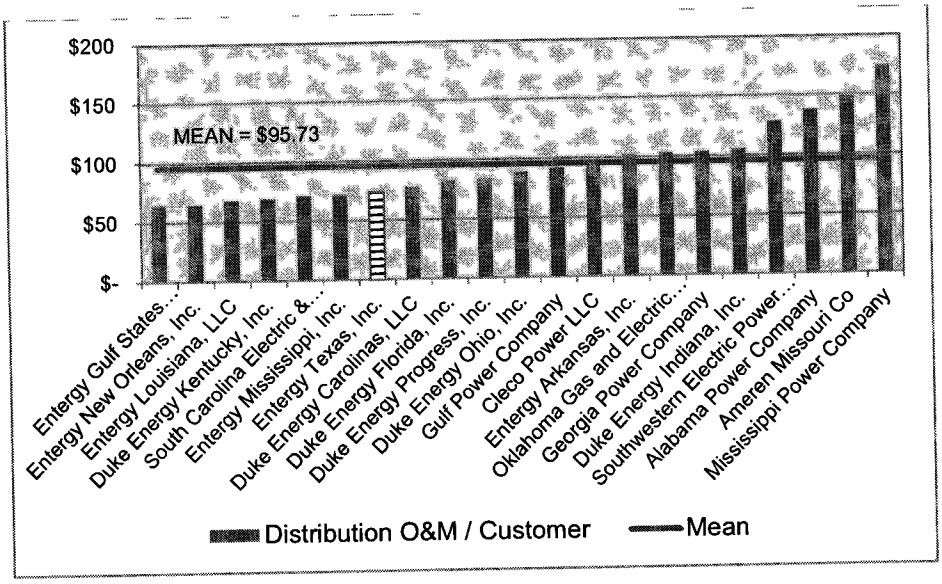

Figure 10 – 2008 – 2012 Distribution O&M Expense (per Customer)

2. Budget Processes and Controls

Q53. PLEASE DESCRIBE THE BUDGETING PROCESS FOR ETI.

A. Each functional area within ETI is assigned responsibility to budget and control costs for a specific set of work processes. In preparation for the

budgeting process, each department reviews the historic activity levels for its work processes. The operating budget and the non-reliability capital budget for each department are then developed based on expected spending levels, changing customer requirements, projected economic growth factors, on-going efficiency improvements, and the current work load for these processes. The maintenance budget and the reliability capital budget are developed in conjunction with the Load and Contingency Planning functions performed by the T&D Planning group and the Reliability and Infrastructure functions performed by the T&D Asset Management group using five-year reliability modeling strategies in place for ETI.

Both capital and O&M budgets for ETI are developed using a combination of six dimensions to categorize costs: Business Unit, Department, Resource, Project, Activity and Physical Location. Budgets, within each Business Unit or legal entity (such as ETI), are initially developed for each organizational department, using the "Department" dimension. Costs are budgeted based on the type of cost, such as employee salaries, materials and supplies, and office expenses, using the "Resource" dimension. Depending on the type of work the "Project" dimension will identify specific work, such as projects to serve new customers, projects to improve reliability, and projects to repair damaged facilities. "Activity" is a dimension that can be used to identify specific activities, such as acquiring rights-of-way, designing facilities, and

performing electric meter services. Finally, the "Physical Location" dimension allows budgeting based on the functional area.

The Vice President and CFO of Operations, Jurisdictional Finance Director, Director of Corporate Planning, Director of Transmission & Distribution Operations Texas, Vice President of Transmission & Distribution Asset Management, Director of Business Plan Management, Manager of Utility Operations Cost Analysis, and the Transmission & Distribution Budget Coordinator conduct various management reviews to reach concurrence on the O&M and capital spending plans. Changes are made as needed to ensure the appropriateness of the approach and the reasonableness of the proposed budgets. The President and CEO of ETI, Sallie T. Rainer, conducts the final review and approves O&M and capital spending plans. The capital budget is submitted to the Entergy Board of Directors for final approval.

Q54. PLEASE DESCRIBE HOW DISTRIBUTION COSTS ARE MONITORED.

A. ETI has a staff of qualified, experienced professionals who are involved in the initial budgeting process and are responsible for adherence and/or variances throughout the budget life cycle. ETI uses a number of controls to monitor and review the costs associated with distribution activities. Each organizational department monitors the variance between actual spending and budgeted amounts on a monthly basis. Each business area is required to explain spending variances and to provide estimates of

year-end spending levels. A financial analyst assigned to ETI assists the departments by providing reports, research, analysis and training in the use of reporting systems. Management teams hold regular meetings to review the spending levels of each business area, as well to review aggregate spending at the regional, operational and jurisdictional levels. Budget variance explanations and estimates of year-end spending levels are provided to the Vice President and CFO of Utility Operations.

Q55. PLEASE DISCUSS HOW BUDGET REPORTS ARE USED TO MONITOR SPENDING.

A. The Cost Reporting and Analysis financial reporting system allows for a variety of periodic and ad hoc budget variance reports. These reports are available to ETI's management team to assure that costs for ETI are reasonable and follow the budget plan. Budget variance reports are available at any time to each department within ETI, using one or more of the cost dimensions discussed above. Budget variance and cost reports reflect all expenditures posted to each dimension at the time the report is generated. These reports are used to prepare the monthly variance explanations, as well as to analyze cost trends and projections. Because these reports are readily available, managers can frequently review spending and make timely decisions to keep costs reasonable.

Q56. HOW IS COMPLIANCE WITH THE SPENDING PLANS MEASURED?

A. Each year, financial and performance targets for ETI are developed using a five-year planning horizon. These financial and performance targets are then translated into current year spending targets for both O&M and capital expenditures across the functional groups, such as Transmission, Fossil, and Distribution. Key financial and performance targets for ETI include O&M and capital spending plans. However, the focus is not only on cost-control targets. Cost control and financial responsibility must be viewed in conjunction with the desire for outstanding reliability and customer service. It is important for ETI to maintain and improve the reliability of its electric service and to strive for outstanding customer service. Therefore, financial and performance results are monitored and reviewed together to ensure that each department uses available financial resources to improve reliability and customer service. The result is a sustainable, high level of reliability, consistently excellent customer service, below-average costs to the customer and award-winning response to catastrophic weather events.

Q57. SEPARATE FROM THE BUDGETING PROCESS, DOES ETI UNDERTAKE OTHER MEASURES OR INITIATIVES TO CONTROL ITS COSTS OR IMPROVE ITS SERVICES?

A. Yes. We have multiple levels of competent management and their staffs that continuously search for and implement day-to-day improvements in

both controlling costs and improving the quality of service. The EOCs utilize a comprehensive structure of authorization limits for its various levels of management to ensure that controls for spending are in place. In addition, the EOCs have developed the Entergy Continuous Improvement ("ECI") program. The goal of ECI is to identify projects that improve current processes. Every employee in the EOCs has been trained on ECI principles and is encouraged to identify projects that will improve the operation of their department. Efficiencies that are identified are shared across the Entergy System through Entergy's Operating Company Review Meeting process.

An example of an ECI project that benefited ETI in the test year was implementation of a more efficient business continuity program that resulted in staff reductions. Customer Operations Support Partnered with Economic Development to share administrative staff, which increased financial efficiencies and workable staffing solutions for both groups.

Q58. PLEASE PROVIDE EXAMPLES OF RECENT INITIATIVES TO CONTROL OR REDUCE COSTS FOR THE DISTRIBUTION OPERATIONS CLASS OF SERVICES.

A. There have been many ECI projects in the Distribution Operations Class of Services in the test year. For example, the following two projects have resulted in significant benefits:

- Unconventional animal mitigation methods were designed and developed to prevent substation outages. By installing additional tubing, rubber end caps, and rubber covers, animal access to equipment was prevented and, therefore, damage to insulators and substation equipment could be significantly reduced. Additional savings were realized in employee overtime expenses and exposure to equipment flash due to failure. It is estimated that customer outages were reduced by approximately 2,400 hours annually as a result of this project.
- Implementation of the use of trip saver re-closers eliminated a permanent outage for temporary fault conditions. It is ideally suited for the protection of customers on laterals in rural areas. Additionally, the program reduced the high cost of service calls to areas that can take up to an hour to reach by reducing callout volume, miles driven, outages, and costs.

3. Affiliate Costs for ETI

Q59. WHAT ARE THE TWO CLASSES OF AFFILIATE COSTS THAT YOU SPONSOR?

A. I sponsor affiliate costs for the Distribution Operations Class and the T&D Support Class.

Q60. WHY ARE YOU THE SPONSOR FOR THESE TWO CLASSES?

A. I sponsor these two classes of affiliate costs because they support the daily operations for which I am directly responsible.

a. Allocations and Billing Methods

Q61. WHAT IS THE TOTAL ETI ADJUSTED AMOUNT FOR THE DISTRIBUTION OPERATIONS AND T&D SUPPORT CLASSES?

A. The Total ETI Adjusted amount for the Distribution Operations Class is $724,361. The Total ETI Adjusted amount for the T&D Support Class is $599,251. The direct and allocated portions of the Total ETI Adjusted amounts for the Distribution Operations Class and the T&D Support Class are shown in the table below. The table reflects the following information:

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

Table 1 – Total ETI Adjusted Amount For The Distribution Operations and T&D Support Classes

Class	Total Billings	Total ETI Adjusted		
		Amount	% Direct Billed	% Allocated
Distribution Operations	$20,174,134	$724,361	44%	56%
T&D Support	$9,309,016	$599,251	43%	57%

Q62. PLEASE EXPLAIN THE DIFFERENCE BETWEEN COSTS THAT ARE DIRECTLY BILLED TO ETI AND COSTS THAT ARE ALLOCATED TO ETI.

A. Costs that originate in an affiliate company, but are applicable solely to ETI, are considered to be "directly billed" to ETI. Costs that originate with an affiliate company and are applicable to ETI and one or more other EOCs are shared across the EOCs based on the billing method used to allocate the costs. Such costs are considered to be "allocated" to ETI.

Q63. PLEASE DESCRIBE THE EXHIBITS THAT SUPPORT THE INFORMATION INCLUDED IN THE TWO CLASSES OF AFFILIATE COSTS FOR ETI.

A. In Exhibit SBC-A, the information is shown broken down by the departments comprising the two affiliate classes. Exhibit SBC-B shows the same information broken down by project code and the billing method

assigned to each project code. Exhibit SBC-C shows the information by class, department and project code. For each exhibit, the amounts in the columns represent the following information:

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

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

Q64. PLEASE DESCRIBE THE EXCLUSIONS COLUMN SHOWN IN YOUR EXHIBITS SBC-A, SBC-B, AND SBC-C.

A. Column F shows items such as capital expenditures, below-the-line amounts, and amounts charged to other balance sheet accounts. These excluded amounts are discussed in Company witness Tumminello's direct testimony.

Q65. WHAT IS THE BASIS FOR ALLOCATING THE AFFILIATE COSTS TO ETI?

A. The ESI affiliate costs consist of services charged to one or more project codes that are created for the purpose of allocating, or billing, the costs to Entergy affiliated companies. 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 charge its work to that project code. The billing method for that project code remains the same, regardless of the organization that does the work or the type of work performed.

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 price billed to ETI for the service provided under the project code is no higher than the price charged to other affiliates for the same or similar services and represents the actual cost of the service.

Company witness Tumminello's direct testimony provides, among other things, a listing of Entergy billing methods, project titles, and descriptions. As charges are incurred in the two affiliate classes I sponsor, they are charged to the appropriate project code, allocated based upon the applicable billing method, and then billed to each affiliate, including ETI.

Q66. WHAT WERE THE PREDOMINANT BILLING METHODS USED FOR THE TWO AFFILIATE CLASSES YOU SPONSOR?

A. The predominant billing methods used for the Distribution Operations Class were "DIRECTTX," "CUSTEGOP," "CUSEOPCO," and "EMPLFRAN." In addition, 15% of the costs were directly charged from affiliate Operating Companies as loaned labor. These five billing methods account for 91% of the affiliate charges to ETI for the Distribution Operations Class. The predominant billing methods used for the T&D Support Class were "DIRECTTX," "CUSTEGOP," "CUSEOPCO," and "COMCLAIM." These four billing methods account for 95% of the affiliate charges to ETI for the T&D Support Class.

Q67. PLEASE DESCRIBE BILLING METHOD "DIRECTTX."

A. Billing Method "DIRECTTX" represents ESI costs that are directly applicable to ETI only. The billing method directly bills ETI 100% of the charges.

Q68. WHY IS BILLING METHOD "DIRECTTX" APPROPRIATE TO USE FOR THOSE COSTS TO WHICH IT APPLIES?

A. Projects using this billing method represent costs appropriately charged solely to ETI. For example, Project F3PCTDTR06 uses billing method DIRECTTX to capture the costs of the centralized Skills Training group, which are incurred in the direct support of skills training for ETI employees.

Q69. PLEASE DESCRIBE BILLING METHOD "CUSTEGOP."

A. Billing method "CUSTEGOP" represents costs that are allocable to the EOCs based on the number of electric and gas customers in each EOC. This billing method allocates costs based on the twelve-month average number of electric and gas residential, commercial, and industrial, government, and municipal general business customers.

Q70. WHY IS BILLING METHOD "CUSTEGOP" APPROPRIATE TO USE FOR COSTS YOU SPONSOR?

A. ETI is one of the EOCs that receive an allocation of costs based on this billing method. For example, Project F3PCTDDS26 captures costs related to the centralized Customer Service Support group. The driver of these costs is the number of electric and gas customers in each EOC. Therefore, billing method CUSTEGOP is the appropriate billing method for these costs.

Q71. PLEASE DESCRIBE BILLING METHOD "CUSEOPCO."

A. Billing method "CUSEOPCO" represents costs that are allocable to the EOCs based on the number of electric customers in each EOC. This billing method allocates costs based on the twelve-month average number of electric residential, commercial, industrial, government, and municipal customers.

Q72. WHY IS BILLING METHOD "CUSEOPCO" APPROPRIATE TO USE FOR COSTS YOU SPONSOR?

A. ETI is one of the EOCs that receive an allocation of costs based on this billing method. For example, Project F3PCTDPQ01 captures costs of the centralized Distribution Standards and Engineering Services group related to distribution power quality. The driver of these costs is the number of

electric customers in each EOC. Therefore, billing method CUSEOPCO is the appropriate billing method for these costs.

Q73. PLEASE DESCRIBE BILLING METHOD "EMPLFRAN."

A. Billing method "EMPLFRAN" represents costs that are allocable to the EOCs based on the number of full and part-time employees within distribution operations.

Q74. WHY IS BILLING METHOD "EMPLFRAN" APPROPRIATE TO USE FOR THE COSTS THAT YOU SPONSOR IN THE DISTRIBUTION OPERATIONS CLASS?

A. ETI is one of the EOCs that receive an allocation of costs based on this billing method. For example, Project F3PCTDS010 captures costs associated with Process and Skills Training for operational employees. Costs are directed towards ensuring consistent well-developed training programs that equip employees with the process and skills training necessary to do their jobs. The driver of these costs is the number of employees within jurisdictional operations. Therefore, billing method EMPLFRAN is the appropriate billing method for these costs.

Q75. PLEASE DESCRIBE BILLING METHOD "COMCLAIM."

A. Billing method "COMCLAIM" represents costs that are based on the number of open workers' compensation claims for each Legal Entity.

Q76. WHY IS BILLING METHOD "COMCLAIM" APPROPRIATE TO USE FOR THE COSTS THAT YOU SPONSOR IN THE T&D SUPPORT CLASS?

A. ETI is one of the Legal Entities that receives an allocation of costs based on this billing method. For example, Project F3PCTWCOMP captures costs associated with Entergy's Workers' Compensation claims. The driver of these costs is the number of open worker's' compensation claims. Therefore, billing method COMCLAIM is the appropriate billing method for these costs.

Q77. ABOVE YOU HAVE ADDRESSED 91% AND 95% OF THE TOTAL ETI ADJUSTED COSTS ASSOCIATED WITH THE DISTRIBUTION OPERATIONS AND THE T&D SUPPORT CLASSES, RESPECTIVELY. HAVE YOU REVIEWED THE REMAINING 9% AND 5% OF TOTAL ETI ADJUSTED COSTS ASSOCIATED WITH THESE TWO CLASSES, RESPECTIVELY?

A. Yes. I have reviewed the other projects codes and different billing methods that were used for the remaining 9% and 5% of such costs. The remaining billing methods are set forth in my Exhibit SBC-B.

Q78. HAVE YOU DETERMINED THAT THE APPROPRIATE PROJECT CODES AND BILLING METHODS HAVE BEEN USED FOR THE REMAINING 9% AND 5% OF TOTAL ETI ADJUSTED COSTS ASSOCIATED WITH DISTRIBUTION OPERATIONS AND T&D SUPPORT CLASSES RESPECTIVELY?

A. Yes. I have reviewed the other project codes and associated billing methods used for the remaining 9% and 5% of the Total ETI Adjusted costs associated with the Distribution Operations and T&D Support Classes, 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 cost to ETI as a result of the application of these billing methods is no higher than the unit cost to other affiliates for the same or similar services and represents the actual cost of the services.

Q79. WHAT IS THE PURPOSE OF THE SERVICES PERFORMED WITHIN THE TWO AFFILIATE CLASSES THAT YOU SPONSOR?

A. The purpose of these services is to leverage the economies of scale by utilizing centralized organizations that provide similar services to the affiliates. These centralized organizations support ETI's field operations in its efforts to provide safe, reliable, economic distribution service to all of its customers.

Q80. ARE THESE SERVICES NECESSARY?

A. Yes. The Distribution Operations Class services and the T&D Support Class services are critical to enabling ETI to provide the overall electric service requirements to meet its customers' needs. If these services were not provided by the centralized organizations, they would have to be provided by duplicate organizations in each of the EOCs.

b. Affiliate Services for the Distribution Operations and T&D Support Classes

i. Description of Distribution Operations Class

Q81. WHAT ARE THE MAJOR COST COMPONENTS OF THE CHARGES FOR THE DISTRIBUTION OPERATIONS CLASS?

A. As shown on Exhibit SBC-A, the Total ETI Adjusted billings for the Distribution Operations Class during the test year was $724,361. The major components of those costs are as follows:

Table 2 – Distribution Operations Class Cost Components

Cost Component	Cost	% of Total
Payroll and Employee Costs	$488,157	67%
Other	$105,030	14%
Office and Employee Expenses	$61,480	8%
Service Company Recipient	$59,711	8%
Outside Services	$9,983	1%
TOTAL	$724,361	100%

Amounts may not add up or tie due to rounding.

Q82. WHAT IS THE SIGNIFICANCE OF THESE COST CATEGORIES?

A. The costs shown in Table 2 comprise the Total ETI Adjusted amount for the Distribution Operations Class. This breakout of costs provides an additional "view" of the components of the costs in this class. Other witnesses in this case may also provide indirect support for these costs because they address the corporate structures and practices that underlie these costs. For example, the table demonstrates that 67% of the costs in the Distribution Operations Class are labor-related costs (Payroll and Employee Benefits). Company witness Jennifer A. Raeder discusses ESI's overall payroll and benefits-related structure and practices. The "Service Company Recipient" row of the table pertains to costs common throughout ESI, such as information technology, rents, and human resources. These costs are spread to all affiliate classes, as is explained by Company witness Tumminello. The "Office and Employee Expenses" category covers the costs of maintaining work spaces and office supplies. Company witness Thomas C. Plauché also addresses these types of costs in his testimony. "Outside Services" pertains to services provided by non-Entergy employees and firms, such as outside consultants and vendors.

Q83. PLEASE LIST THE MAJOR SERVICES WITHIN THE DISTRIBUTION OPERATIONS CLASS.

A. The major services are:

- Load and Contingency Planning;
- Reliability and Infrastructure Management;
- System Outage Response Management;
- Vegetation Management;
- Standards;
- Engineering Services; and
- Contractor Management.

Q84. PLEASE DESCRIBE EACH OF THESE SERVICES.

A. The Distribution Operations Class includes the following services:

- **Load and Contingency Planning** analyzes ETI's distribution system to determine the system's capability to operate reliably and makes plans to ensure reliable operations. It provides infrastructure planning (which includes conceptual engineering and economic analysis for reliability projects), capital project analysis, project approval, and budgeting to enhance the reliability of the distribution system. To maintain and enhance system reliability for ETI's customers, Load and Contingency Planning carries out the following types of activities:

- load forecasting;
- five-year distribution planning;
- contingency restoration projects;
- load-related projects;
- system integrity planning and preparedness; and
- capital expenditure planning.

- **Reliability and Infrastructure Management** is necessary to maximize distribution circuit availability, minimize the number of interruptions, reduce the number of circuit segments experiencing multiple outages, and ensure the integrity of the infrastructure. More specifically, Reliability and Infrastructure Management is responsible for designing, coordinating, and overseeing the following types of activities:
  - distribution guidelines and reliability standards;
  - reliability program strategies;
  - reliability performance planning;
  - pole inspection program;
  - targeted circuits inspection;
  - underground cable program;
  - equipment inspection;
  - equipment maintenance program;
  - lightning mitigation;
  - animal mitigation; and

- the TACTICS program.

- **System Outage Response Management** provides central oversight for system emergencies. Services include monitoring the distribution system for operational status, coordinating emergency preparedness drills, performing weather monitoring and alert notification, serving as the liaison to mutual-assistance utility groups, coordinating with federal and state emergency agencies, and developing and maintaining the emergency restoration/storm recovery plan. During a major event, when resources are needed from outside ETI, the services include central coordination and the provision of resources both from within and outside the Company, overseeing and coordinating the system's restoration efforts, serving as the coordinator of assistance from other utilities, and preparing post-storm evaluations.

Among other activities, System Outage Response Management is responsible for the following work:

- oversight and coordination of the response to major outage events;
- coordinate damage assessment;
- weather monitoring and alerts;
- outage information, including restoration estimates;
- coordinating work with federal, state, and local emergency agencies;
- emergency restoration plans and readiness;

- proactive storm planning;
- procurement and deployment of system and work crews;
- coordinating all internal and external communications;
- notification of all major events to key operating personnel;
- post-storm evaluations; and
- training to increase the effectiveness of outage restoration.

- **Vegetation Management** provides central management, program development, and the administration of the EOCs' (including ETI's) Vegetation Management programs and associated contracts for vegetation management and tree trimming services. Among other activities, Vegetation Management is responsible for vegetation management, strategies, planning, and program development, including:
  - proactive cycle-based vegetation clearance;
  - utilization of mechanical and chemical treatment methods;
  - achieving system-wide economy scale pricing;
  - well-maintained and clear distribution lines;
  - line clearing for new lines and construction;
  - reactive line clearing for reliability events such as storms; and
  - administration of the vegetation management contracts.
- **Distribution Standards** develops and manages distribution standards, including specifications for line design and construction, materials, tools and equipment, and service policies.

- **Engineering Services** provides support for the systems and processes involved in engineering and design of the distribution system.
- **Contractor Management** provides support for locating and qualifying new contractors, as well as bidding, securing, renewing and administering contracts.

Q85. PLEASE DESCRIBE THE EMERGENCY DRILLS YOU MENTIONED EARLIER IN YOUR TESTIMONY.

A. The EOCs, as a group, conduct annual drills to test its emergency procedures and responses. System Outage Response Management develops and then conducts drills that are tailored specifically to the characteristics of the Entergy System and the EOCs' service territories. From these drills, along with real events, Entergy assesses its performance and adjusts its outage response plans accordingly.

The purpose of these drills is to test each EOC's ability to:

- provide effective advance warning of a pending natural disaster;
- act quickly and decisively to safely restore power under different scenarios in the most effective manner;
- act decisively to establish control of vital communications systems;
- present credible and timely communications to all customers; federal, state, and local officials, public safety agencies, and emergency and disaster preparedness

agencies; hospitals; private relief organizations; and print, radio, and TV news outlets;

- be responsive to customer and public expectations;
- continually improve the integration of all parts of the emergency response plan; and
- ensure that restoration plans and equipment are in good working order and are up to date.

Q86. YOU HAVE DISCUSSED THE SUPPORT PROVIDED BY THE DISTRIBUTION OPERATIONS CLASS. ARE THE COSTS OF THIS CLASS REASONABLE?

A. Yes. The Distribution Operations Class of services is managed effectively and performed efficiently through the use of experienced, well-trained professionals. These services have contributed to improving system operations and reliability in a cost-effective manner by taking advantage of economies of scale, as I described earlier in my testimony.

ii. Description of T&D Support Class

Q87. WHAT ARE THE MAJOR COST COMPONENTS OF THE CHARGES FOR THE T&D SUPPORT CLASS?

A. As shown on Exhibit SBC-A, the Total ETI Adjusted amount for the T&D Support Class during the test year was $599,251. The major components of those costs are as follows:

Table 3 – T&D Support Class Cost Components

Cost Component	Cost ($)	% of Total*
Payroll and Employee Costs	$445,665	74%
Office and Employee Expenses	$83,527	14%
Service Company Recipient	$55,609	9%
Outside Services	$12,260	2%
Other	$2,191	<1%
TOTAL	$599,251	100%

*Amounts may not add up or tie due to rounding.

Q88. WHAT IS THE SIGNIFICANCE OF THESE COST CATEGORIES?

A. The costs shown in this table comprise the Total ETI Adjusted amount for the T&D Support Class. As noted above regarding the Distribution Operations Class, other witnesses in this case may also provide indirect support for these costs because they address the corporate structures and practices that underlie these costs. For example, the table demonstrates that 74% of the costs in the T&D Support Class are labor-related costs (Payroll and Employee Costs). Company witness Raeder discusses ESI's overall payroll and benefits-related structure and practices. The "Service Company Recipient" row of the table pertains to costs common throughout ESI, such as general information technology, rents, and human resources, as explained by Company witness Tumminello. The "Office and Employee Expenses" component covers the costs of maintaining work spaces and office supplies, which are supported, in part, by Company witness Plauché.

Q89. PLEASE LIST THE MAJOR SERVICES WITHIN THE T&D SUPPORT CLASS.

A. The major services are:

- Performance Measurements;
- System Development;
- Budget Development and Support;
- Safety and Skills Training;
- Claims Management;
- Environmental Management; and
- Fleet Management.

Q90. PLEASE DESCRIBE EACH OF THESE SERVICES.

A. The T&D Support Class includes the following services:

- **Performance Measurements** provides the following support: (1) advice to enable the Distribution Organization to measure its performance; (2) coordination of benchmarking services for the T&D operations; and (3) regulatory and litigation support.
- **System Development** provides a variety of services related to developing, testing, and applying information systems relating to the transmission and distribution systems of the EOCs, including ETI. System Development provides the interface between Information Technology ("IT") and ETI personnel. The IT piece of

these systems is technical and involved. System Development bridges the gap between the technical systems and the field personnel. The main products and services this organization supports for the T&D operations units are:

- *AM/FM and Outage Management* - These systems provide vital information on predicted outage location, probable distribution circuit device impacted, and an estimate of how long it will take to repair and restore service to call center agents, the Distribution Operations Center, and field personnel.
- *Graphical Design Tool ("GDT")* - The GDT is new software that Entergy purchased from GE and has implemented throughout the Distribution Design organization during the first half of 2013. The Distribution Designers use GDT to create construction work orders for new electric distribution installations as well as designed modifications to the existing distribution system. GDT has analytical tools which aid the designers by determining if the current design complies with Entergy's Engineering Guidelines for structural integrity, proper clearances, and various electrical parameters.
- *Mobile Data Terminals* - This system is a communications infrastructure using mobile technology to route work directly to vehicles and workers in the field. This technology is

critical in increasing efficiency and decreasing response times in routine field operations.

- **Budget Development and Support** provides business and operational planning, budget preparation, and forecasting and trending analysis for ETI. The specific services include:
  - preparation of financial and accounting reports;
  - consolidation of financial accounting data for corporate and regulatory agencies (PUC, FERC, etc.);
  - preparation of budget guidelines and training;
  - fiscal analysis (trends, forecasts, deviation reports); and
  - financial system development.
- **Safety and Skills Training** creates a safe work environment, reduces the human suffering and expenses caused by accidents, and eliminates fines for non-compliance with safety regulations. Specifically, the organization provides the following services: (1) reviews OSHA and DOT-RSPA regulations to ensure all applicable regulations have been addressed; (2) provides public safety demonstrations; (3) provides support in emergency situations in accordance with established emergency restoration plans; (4) complies with all reporting requirements, as specified by law; (5) develops, implements, and conducts all safety training for

the Transmission and Distribution organizations; and (6) facilitates safety procedures within work groups.

- **Claims Management** is responsible for cost-effectively managing liability claims, educating the public on the safety risks of electricity, and recovering the cost of damages to the EOCs' facilities. Claims Management handles the following risks for Transmission, Distribution, Fossil, Nuclear South, and the EOCs: public and vehicle liability, employee injury and workers' compensation claims, and liability collections relating to damage to facilities caused by the public. With respect to damage collection claims, Entergy Claims Management (or ESI) supported ETI in collecting over 84% of the value of claims billed to responsible parties in 2012.
- **Environmental Management** provides the following services for ETI:
  - develops and maintains system-wide processes for monitoring and interpreting federal and environmental laws and regulations;
  - identifies new or modified regulatory requirements and develops cost-effective plans for achieving compliance while minimizing operational impacts and costs;
  - develops and maintains compliance strategies, programs, and guidance documents that can be used throughout the Transmission and Distribution organizations;

- standardizes, to the extent practical, the compliance plans and procedures to allow for the efficient utilization of staff on a system-wide basis when required;
- promotes operational compliance through formal and informal compliance assessment and training activities; and
- minimizes liabilities associated with operations by careful oversight of regulated activities, materials, and waste.

- **Fleet Management** provides the following services for ETI:
  - manages the acquisition, repair and maintenance of the fleet of hydraulic units, light-duty vehicles, and specialty equipment;
  - develops a standardized set of vehicles that are available to each EOC, thus reducing overall costs;
  - manages the fuel card program for all the vehicles in each EOC, and manages the acquisition of fuel for some EOC vehicles;
  - identifies new or modified Department of Transportation ("DOT") regulations, and develops cost-effective plans for achieving compliance while minimizing operational impacts and costs;
  - maintains records for all commercial drivers to ensure compliance with all DOT regulations; and

- manages vehicle licensing, inspections and titles for each EOC.

Q91. HOW IS THE COMPANY PERFORMING IN THE AREA OF SAFETY?

A. The Company continues to be a top performer in the area of safety. ETI's five-year (2008-2012) moving average Recordable Accident Index ("RAI") is at 2.56 and the Lost Work Day Incident Rate ("LWDIR") is at 1.49 as shown in Figure 11. Through June 2013, Safety performance shows ETI with a 0.98 RAI and a 0.98 LWDIR.

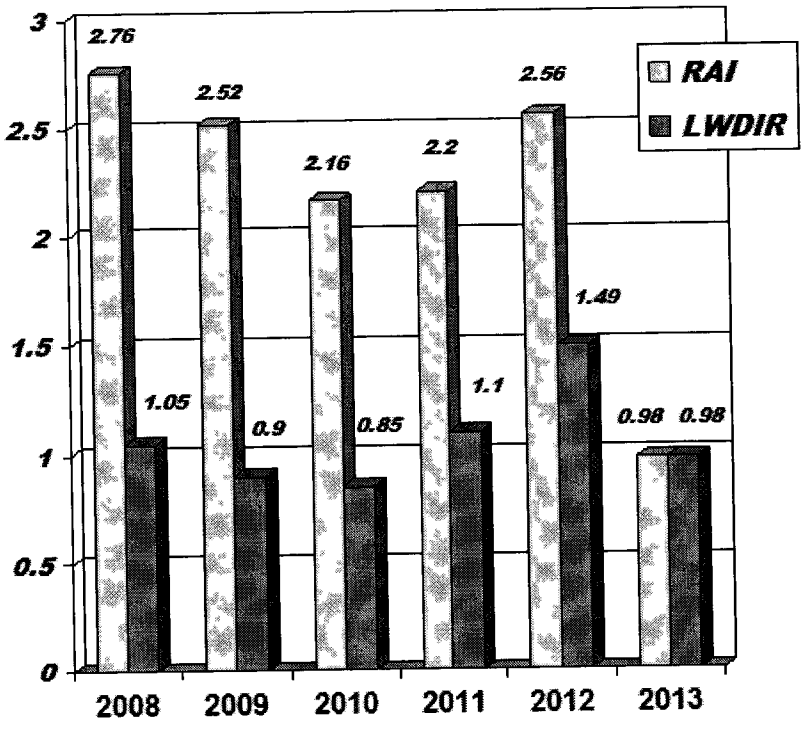

Figure 11 – 6 Year Moving Average RAI and LWDIR (through June 2013)

Q92. HOW DOES ENTERGY COMPARE IN THE AREA OF SAFETY TO OTHER ELECTRIC UTILITIES?

A. Entergy continues to be a leader in safety among other electric utilities. The Company is a member of an organization called the Southwest Electric Safety Exchange ("SWESE"). SWESE is made up of 15 electric utility companies in the southern and southwestern portions of the United States. On an annual basis, SWESE prepares a ranking of reporting companies based upon RAI. The following table reflects how Entergy compares with the other companies.

Table 4 – Entergy Ranking among SWESE Organization for RAI

YEAR	RANKING	NUMBER OF COMPANIES REPORTING
2012	2	15
2011	1	14
2010	1	10
2009	1	14
2008	1	16
2007	1	15

iii. Budget Planning

Q93. DOES THE TRANSMISSION AND DISTRIBUTION ORGANIZATION HAVE IN PLACE A BUDGETING PROCESS TO CONTROL COSTS FOR THE DISTRIBUTION OPERATIONS AND T&D SUPPORT CLASSES?

A. Yes. The budget process for controlling costs for the Distribution Operations and T&D Support Classes of affiliate costs is the same as the budget process described earlier in my testimony for ETI direct costs. The controls in place are competent managers and analysts who oversee

and monitor end-to-end budgeting and reporting processes throughout the year. Any major variance in cost requirements is immediately addressed through root cause analysis, project priority determination, evaluation of benefits, and availability of funding, possibly from other areas.

Q94. IS COMPLIANCE WITH THE BUDGET FOR THESE CLASSES OF SERVICE MONITORED?

A. Yes. Numerous reports describing budget variances and trends are available to the management team on a continuous basis. The Cost Reporting and Analysis financial reporting system allows for analysis by any combination of the cost dimensions previously discussed, as well as by FERC and regulatory views.

Q95. ARE TRANSMISSION AND DISTRIBUTION OPERATIONS EMPLOYEES HELD ACCOUNTABLE FOR DEVIATIONS FROM BUDGET FOR THIS CLASS OF SERVICES?

A. Yes. Transmission and Distribution Operations management is held responsible for controlling costs within their responsibility budget. Any significant variances are addressed by both affiliate department management and Transmission and Distribution Operations Management during monthly budget review sessions. The variances are analyzed, and strategies are developed to bring these variances in line immediately or within the budget year.