ENTERGY TEXAS, INC.
TEXAS PUBLIC UTILITY COMMISSION TAX
FOR THE TEST YEAR ENDED MARCH 31, 2013

Line No.	Amount	From	To	Total Days	Mid-Point	Check Clear Date	Payment (Lead)/Lag	Weighted Dollar Days
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	$ 2,040,497.33	7/1/2011	6/30/2012	366.0	12/31/2011	8/15/2012	(228.000)	$ (465,233,391.24)
2								
3	$ 2,040,497.33						(228.00)	$ (465,233,391.24)
4								
5	Source:	Taxes - PUCT.xlsx						

See Schedule E-4 Workpapers and Supporting Documents

ENTERGY TEXAS, INC.
TEXAS STATE FRANCHISE TAX
FOR THE TEST YEAR ENDED MARCH 31, 2013

Line No.	Month/ Year	Accrual Date	Mid Month	Due Date	(Lead)/Lag Days
	(a)	(b)	(c)	(d)	(e)
1	Apr-12	30-Apr-12	15-Apr-12	15-May-12	(30.00)
2	May-12	31-May-12	15-May-12	15-May-12	0.00
3	Jun-12	30-Jun-12	15-Jun-12	15-May-12	31.00
4	Jul-12	31-Jul-12	15-Jul-12	15-May-12	61.00
5	Aug-12	31-Aug-12	15-Aug-12	15-May-12	92.00
6	Sep-12	30-Sep-12	15-Sep-12	15-May-12	123.00
7	Oct-12	31-Oct-12	15-Oct-12	15-May-12	153.00
8	Nov-12	30-Nov-12	15-Nov-12	15-May-12	184.00
9	Dec-12	31-Dec-12	15-Dec-12	15-May-12	214.00
10	Jan-13	31-Jan-13	15-Jan-13	15-May-13	(120.00)
11	Feb-13	28-Feb-13	14-Feb-13	15-May-13	(90.00)
12	Mar-13	31-Mar-13	15-Mar-13	15-May-13	(61.00)
13					
14	Average				46.42
15					
16	Source:	Taxes - TX State Franchise Tax.docx			

See Schedule E-4 Workpapers and Supporting Documents

ENTERGY TEXAS, INC.
FEDERAL INCOME TAX
FOR THE TEST YEAR ENDED MARCH 31, 2013

Line No.	Payment Date	Mid-Year	(Lead)/Lag	Percent of Total Taxes for Year	Weighted Days
	(a)	(b)	(c)	(d)	(e)
1	6/15/2012	9/30/2012	107.000	25.00%	26.75
2					
3	9/17/2012	9/30/2012	13.000	25.00%	3.25
4					
5	12/17/2012	9/30/2012	(78.000)	25.00%	(19.50)
6					
7	4/15/2013	9/30/2012	(197.000)	25.00%	(49.25)
8					
9	**Total**				(38.75)

See Schedule E-4 Workpapers and Supporting Documents

ENTERGY TEXAS, INC.
WORKING FUNDS
FOR THE TEST YEAR ENDED MARCH 31, 2013

Line No.	Description	Amount	Reference
	(a)	(b)	(c)
1	Sales/Use Tax	$ (56,826)	Schedule 15-1
2			
3	Cash In Banks	341,281	Schedule 15-2
4			
5			
6			
7	Total Working Funds and Other	$ 284,455	

See Schedule E-4 Workpapers and Supporting Documents

DOCKET NO. 41791

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

DIRECT TESTIMONY

OF

HEATHER G. LEBLANC

ON BEHALF OF

ENTERGY TEXAS, INC.

SEPTEMBER 2013

ENTERGY TEXAS, INC.
DIRECT TESTIMONY OF HEATHER G. LEBLANC
2013 RATE CASE

TABLE OF CONTENTS

EXHIBITS

I. NAME AND QUALIFICATIONS

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Heather G. LeBlanc. My business address is 5564 Essen Lane, Baton Rouge, Louisiana 70809.

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

A. I am a Regulatory Project Coordinator in the Revenue Requirements and Analyses Department of Entergy Services, Inc.

Q3. ON WHOSE BEHALF ARE YOU SUBMITTING THIS DIRECT TESTIMONY?

A. I am submitting this Direct Testimony to the Public Utility Commission of Texas ("PUCT" or "Commission") on behalf of Entergy Texas, Inc. ("Company" or "ETI").

Q4. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. A summary of my education and work experience is included as Exhibit HGL-1.

II. PURPOSE OF TESTIMONY

Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my Direct Testimony in this proceeding is to:

- address the Company's River Bend decommissioning revenue requirement that is requested in this docket;
- discuss the methodology employed in preparing the Company's cost of service study presented in Schedule P of the Rate Filing Package ("RFP") filed in this docket;
- sponsor certain pro forma adjustments to present test year revenues and expenses;
- present the jurisdictional and class results of the Company's cost of service study for the test year ending March 31, 2013 that supports the determination of new rates;
- present the level of adjusted affiliate expenses reflected in the Company's cost of service study.

Q6. WHAT EXHIBITS ARE YOU SPONSORING?

A. The exhibits that I sponsor in this proceeding are listed in the Table of Contents.

Q7. DO YOU SPONSOR OR CO-SPONSOR ANY SCHEDULES IN THE COMPANY'S RATE FILING PACKAGE ("RFP")?

A. Yes. Exhibit HGL-2 lists the schedules that I sponsor or co-sponsor.

III. RIVER BEND DECOMMISSIONING REVENUE REQUIREMENT

Q8. WHAT IS ETI'S DECOMMISSIONING REVENUE REQUIREMENT FOR RIVER BEND?

A. The River Bend decommissioning revenue requirement requested by the Company in this proceeding is $3.4 million. The calculation of this amount is set out in Exhibit HGL-3, which supports Schedule M-2 of the RFP. This represents an increase of $2.3 million over the amount of $1.1 million that is currently recovered through ETI's base rates.

Q9. WHAT ASSUMPTIONS WERE USED TO DETERMINE THIS ANNUAL DECOMMISSIONING REVENUE REQUIREMENT?

A. The revenue requirement amount reflects the current projections of trust fund earning rates and other parameters that affect the revenue requirement. Company witnesses Monique C. Hoffmeister and Kenneth F. Gallagher discuss these parameters in their Direct Testimonies.

Q10. WHAT METHODOLOGY DID THE COMPANY USE TO DETERMINE THE ANNUAL REVENUE REQUIREMENT?

A. The Company determined the annual revenue requirement utilizing the straight-line ("Levelized-Nominal") funding method, which was approved for Entergy Gulf States, Inc. in PUCT Docket Nos. 12852 and 16705.

Q11. DOES THE LEVEL OF DECOMMISSIONING REVENUE REQUIREMENT REFLECTED IN RATES AFFECT THE COMPANY'S EARNINGS?

A. No. The decommissioning expense recorded on the Company's books each year is equal to that reflected in its rates. Therefore, because decommissioning revenues equal decommissioning expenses, the level of the annual revenue requirement for River Bend decommissioning, and therefore the approach utilized to determine it, does not impact earnings. The Company's only concern is that adequate funding will exist at the time of decommissioning.

Q12. PLEASE DISCUSS IN DETAIL HOW YOU DETERMINED THE ANNUAL REVENUE REQUIREMENT SET OUT ON PAGE 1 OF EXHIBIT HGL-3.

A. This calculation is based on the $459.8 million (2012 dollars) estimate of the minimum funding amount to decommission River Bend as determined by the Company according to Nuclear Regulatory Commission regulations, which is discussed by Company witness Gallagher in his Direct Testimony. The decommissioning cost was allocated to reflect only the Company's 42.73% funding responsibility for River Bend per the Service Schedule MSS-4 transaction with Entergy Gulf States Louisiana, L.L.C. ("EGSL"), whereby ETI acquires its share of River Bend output. In addition, the revenue requirement calculation reflects the use of the following parameters, which are supported in the Direct Testimonies of Company witnesses Gallagher and Hoffmeister:

1) projected after-tax December 31, 2013 liquidation values for the River Bend decommissioning Tax-Qualified Fund ("TQ Fund") and Non Tax-Qualified Fund ("NTQ Fund") (collectively referred to as "Funds") for ETI;

2) projected weighted average after-tax earning rates for the TQ Fund;

3) estimated administrative fees related to the Funds; and

4) annual decommissioning cost escalation rate.

The revenue requirement model utilizes the estimated liquidation values of the Funds as of December 31, 2013, and calculates the decommissioning revenue requirement for each remaining year of the operating life of River Bend (2014 through August 29, 2025).

The annual revenue requirement calculations are made through an iterative process that determines the level, or fixed, annual revenue amount necessary to provide sufficient balances, including both Company contributions and earnings on the balances in the Funds, to pay the Company's portion of the estimated annual costs of decommissioning River Bend once that process begins in 2025, while reducing the balances in the Funds to zero at the end of the last year of the decommissioning process in 2034.

In prior decommissioning revenue requirement redeterminations, the decommissioning revenue requirement model addressed the TQ Fund and NTQ Fund separately. However, as of December 31, 2012, the NTQ Fund had been liquidated into the TQ Fund. As more fully described in

the Direct Testimony of Company witness Hoffmeister, on July 21, 2011, the Internal Revenue Service issued a Revised Schedule of Ruling Amounts ("SRA") for the River Bend Nuclear Power Plant pursuant to Code §468A(f) of the Internal Revenue Code and Section 1.468A-2 of the Income Tax Regulations that raised the maximum allowed contribution amount to the TQ Fund. The SRA enabled all River Bend NTQ funds to be contributed into the TQ Fund effectively reducing the income tax rate applicable to earnings on NTQ Fund from 35% to 20%. The liquidation of the River Bend NTQ jurisdictional investments began in August 2012, through which the cash proceeds were deposited into the existing TQ Fund. The liquidation was complete by December 31, 2012.

The model utilizes ETI's beginning TQ Trust Fund balance and ETI's portion of the decommissioning cost estimate. Thus, the $3.4 million annual revenue requirement set out in Exhibit HGL-3 is that of ETI on a Texas Retail basis.

IV. COST OF SERVICE STUDY

A. Process

Q13. WHAT IS THE OBJECTIVE OF PREPARING A COST OF SERVICE STUDY?

A. The objective of preparing a cost of service study is to determine the portion of a utility's costs, as measured by its revenue requirement, for which each of the various customer groups is responsible. This then

becomes one of the factors to be considered in determining the revenue level appropriate for each rate class. In addition, a cost of service study provides revenue requirement information by function that is useful in the rate design process.

Q14. PLEASE BRIEFLY OUTLINE THE GENERAL METHODS EMPLOYED IN THE COST OF SERVICE STUDY THAT YOU ARE SPONSORING TO APPORTION RATE BASE, REVENUE, AND OPERATING EXPENSES.

A. I have used the industry-accepted approach that utilizes the successive application of the processes of functionalization, classification, and allocation with respect to all components of rate base, revenue, and operating expenses.

Q15. PLEASE DISCUSS THE FUNCTIONALIZATION PROCESS.

A. Functionalization is the separation of costs by the major functions of generation (or production), transmission, and distribution/customer service in order to facilitate the determination of how to allocate the Company's costs to the various customer groups.

Q16. ARE ALL COSTS ASSIGNABLE TO ONE OF THESE THREE FUNCTIONS?

A. No. There are many items that represent a combination of more than one of these functions and must be addressed as an aggregated amount. For

example, although certain parts of general plant may be assigned to one or more of these three functions, the majority of general plant supports all three functions and, thus, must be addressed on a composite basis.

Q17. PLEASE DESCRIBE THE CLASSIFICATION PROCESS.

A. Classification is the separation of functionalized costs into demand-related, energy-related, or customer-related categories. An example of a demand-related cost is the cost associated with distribution substations. Energy-related costs, while not the same as variable costs, are costs considered to be associated with sales rather than demand. The cost of fuel consumed by production facilities is the best example of an energy-related cost, and it also tends to be a variable cost. Certain production maintenance expenses, although not variable in an economic sense, are generally treated as energy-related for cost of service purposes. Expense charged to Account 512 (Maintenance of boiler plant) is an example of such a cost. Customer-related costs are costs that are incurred even if a customer does not impose demand on the system or consume energy. The costs of reading meters and preparing bills are examples of customer-related costs. Finally, there are typically a few costs that are revenue-related. Expense charged to Account 904 (Uncollectible accounts) is an example of a revenue-related cost.

Q18. PLEASE DESCRIBE IN GENERAL TERMS HOW THE COST OF SERVICE STUDY PRESENTED IN SCHEDULE P IS STRUCTURED.

A. The starting point for the study's preparation was the unadjusted, or "per book," rate base, revenues and operating expenses for the 12-month period ending March 31, 2013. The per book data was loaded into the cost of service ledger where the data was aggregated by the Federal Energy Regulatory Commission ("FERC") account level to the extent possible to ensure consistency in treatment of similar costs. Next, the data was loaded into the cost of service model where it was functionalized, classified, and allocated to the rate classes. The rate base, revenue, and expense components in the cost of service study reflected in Schedule P are presented on a total adjusted level (per book plus or minus adjustments if applicable). Summaries of the adjusted values are also presented for the major rate base, revenue, and expense components, *e.g.*, plant-in-service.

Q19. WHICH COMPANY WITNESSES SUPPORT THE PER BOOK TEST YEAR DATA AND THE ADJUSTMENTS REFLECTED IN SCHEDULE P?

A. Company witness Michael P. Considine supports the per book test year data utilized in Schedule P. Exhibit HGL-4 lists the adjustments made to the per book data and indicates the Company witnesses sponsoring each adjustment.

B. Pro Forma Adjustments

Q20. PLEASE DISCUSS THE PORTION OF ADJUSTMENT 1 (RATE SCHEDULE REVENUE) THAT YOU SPONSOR.

A. In Adjustment 1, I sponsor the reclassification of special rate revenues from rate schedule revenue to other operating revenue (Rate Schedule Revenue). Company witness Myra L. Talkington sponsors the base rate revenues included in Adjustment 1 as the adjusted present rate revenues. The adjusted present rate revenues in the cost of service study include base rate, but not fuel, revenues. Therefore, as a result of Adjustments 1 and 5,[1] the Company's eligible fuel and purchased energy expenses and fuel revenues are synchronized at a value of zero for each of its rate classes. This fuel synchronization approach is the easiest and least confusing approach for the cost of service study to focus on determining base rate revenue requirements for its various rate classes.

Special Rate Revenues

As Company witness Talkington states in her Direct Testimony, the allocation factors that she provided for the cost of service study do not include the associated load, energy, and customer data for the following rate schedules:

- Experimental Economic As-available Power Service (Rate Schedule EAPS); and

[1] Adjustment 5 is sponsored by Company witness Margaret P. McCloskey.

- Standby and Maintenance Service (Rate Schedule SMS).

Company witness Talkington provided the base revenues for the preceding rate schedules as well as for Rate Schedule LQF (Non-firm Energy Purchased from Large Qualifying Facilities). Ms. Talkington also provided revenues for Datalink, Drawdraft, and the renewable portfolio standard calculation opt-out credit rider separate from the adjusted rate schedule revenues. These base revenues were reclassified in Adjustment 1 from rate schedule revenue to other operating revenue and allocated to all rate classes in the same general manner as their costs. The effect of this treatment is that it reduces the revenue requirement for each rate class by an allocated amount of the revenues from the above rate schedules, thus netting against the costs allocated to the rate classes due to the exclusion of data associated with customers served on these rate schedules from the allocation factors.

Q21. PLEASE DISCUSS HOW THE COMPANY MADE ADJUSTMENTS TO REVENUE-RELATED EXPENSES FOR CHANGES IN REVENUES (ADJUSTMENT 3).

A. Adjustment 3 adjusts revenue-related expenses to reflect the prospective level of total rate schedule revenue. The expenses adjusted were uncollectible accounts expense, state and local gross receipts taxes, street rental taxes, and PUCT regulatory fees, all of which vary directly with the level of Texas rate schedule revenue.

The uncollectible accounts expense was adjusted at the rate class level using historical bad debt rates. The adjustment to revenue-related taxes was determined utilizing a rate based on the proformed Texas revenue, the riders are at the proformed level using test year billing determinants, and the per book amounts for Texas revenue-related taxes.

Q22. PLEASE DISCUSS HOW THE COMPANY MADE ADJUSTMENTS TO DECOMMISSIONING. (ADJUSTMENT 16M).

A. Adjustment 16M adjusts the annual decommissioning revenue requirement to $3.4 million, which I have discussed earlier in my testimony. Please reference Exhibit HGL-3.

C. Results on a Total Electric Basis

Q23. PLEASE DESCRIBE THE RESULTS OF THE COMPANY'S COST OF SERVICE STUDY ON A TOTAL ELECTRIC BASIS AS REFLECTED ON SCHEDULE A IN THE RFP.

A. Schedule A (Overall Cost of Service) summarizes the Company's cost of service study at the total electric level. Individual columns in the schedule contain per book, adjustments, and adjusted amounts. All adjustments are referenced to the supporting data included in Schedule A-3.

Q24. PLEASE DESCRIBE SCHEDULE A-2 IN THE RFP.

A. Schedule A-2 (Cost of Service Detail by Account) lists detailed data that support the cost of service study results on Schedules A and B-1 of the Rate Filing Package ("RFP"). Fuel, purchased power, and payroll costs are separated from the other operation and maintenance ("O&M") expenses and listed on individual lines of the schedule. All other O&M items are shown exclusive of any fuel, purchased power, or payroll requested or booked during the test year. In order to identify the affiliate costs in the cost of service study, the expenses reported on Schedule A-2 are categorized as affiliate or non-affiliate costs.

Q25. WHAT INFORMATION IS REFLECTED ON SCHEDULE A-3?

A. Schedule A-3 (Adjustments to Test Year) details the support for each adjustment that appears on Schedule A. References to (1) the appropriate testimony; and (2) a brief justification and the detailed workpapers for the supporting pro forma adjustments in the cost of service study are also reflected.

Q26. WHAT IS THE PURPOSE OF SCHEDULE A-5?

A. Schedule A-5 (Unadjusted O&M) provides a detailed listing by FERC account of the affiliate and non-affiliate O&M costs that are not adjusted in the cost of service study. The totals on Schedule A-5 tie to lines 3 and 4

on Schedule A-2. Therefore, the information on Schedule A-5 excludes fuel, purchased power, and payroll expenses.

To prepare Schedule A-5, the Company considered whether any portion of a FERC account balance was adjusted. If so, then the FERC account was not included on either Schedule A-5 or on lines 3 and 4 of Schedule A-2. Therefore, if there were no adjustments in the cost of service study to a particular FERC account, then the account is reflected on Schedule A-5 and included in the total unadjusted O&M amount on lines 3 and 4 of Schedule A-2.

Q27. PLEASE DESCRIBE SCHEDULE B-1, WHICH YOU CO-SPONSOR WITH COMPANY WITNESS CONSIDINE.

A. Schedule B-1 (Rate Base and Return) summarizes the Company's original cost of rate base, the requested adjustments to rate base, and the requested rate of return. The workpapers for Schedule B-1 detail the support for each adjustment which appears on that schedule. The workpapers also provide: (1) a reference to the appropriate testimony; and (2) a short justification and the detailed workpapers for the supporting pro forma adjustments in the cost of service study.

Q28. PLEASE DESCRIBE SCHEDULES M-1 AND M-2.

A. Schedule M-1 (Decommissioning Information) provides information concerning each decommissioning fund that the Company has

established. Schedule M-2 (Decommissioning Funding Plan) provides the accumulated fund balance on a year-by-year basis for each fund. The projected data for Schedule M-2 is taken from Exhibit HGL-3, which I discussed earlier in this testimony.

Q29. PLEASE DESCRIBE SCHEDULE P IN THE RFP.

A. Schedule P (Class Cost of Service Analysis) is an embedded cost of service study at an equal rate of return for each of the Company's rate classes. The study also includes the adjustments from the present adjusted to the proposed level of revenue requirement. The information in Schedule P at the total electric level is summarized on Schedule A and Schedule B-1.

Q30. WHAT INFORMATION ARE YOU SPONSORING IN SCHEDULE P-11?

A. I sponsor the distribution plant study by FERC account in section 1 of Schedule P-11 (P-11.1 - Distribution Plant Study), *i.e.*, the percentage split of distribution line investment between primary and secondary cost components. Company witness Talkington sponsors the remaining sections of Schedule P-11.

D. Allocation Process

Q31. PLEASE DESCRIBE THE ALLOCATION PROCESS THAT YOU USED TO DEVELOP THE COST OF SERVICE STUDY REFLECTED IN SCHEDULE P.

A. The functionalization and classification processes that I discussed earlier provide an understanding of the nature of the costs and, thereby, make it possible to select the most appropriate basis on which to allocate individual costs. The allocation process apportions or distributes costs to the various customer groups through the use of an allocation factor. Generally, costs are allocated on a demand, energy, or customer basis. In a limited number of instances, a revenue relationship may be used to allocate costs.

Many cost items cannot be functionalized and classified to the point that a specific demand, energy, or customer allocation factor can be determined as being the appropriate allocator. In such cases, related cost items, as they have been allocated to the customer groups, are commonly used as allocators. For example, synchronized interest expense in the income tax calculation, which is related to the total rate base, is typically allocated using a factor consisting of the rate base allocation to the customer groups.

Q32. WHAT METHODS WERE USED TO ALLOCATE THE COMPANY'S TEST YEAR COSTS?

A. Company witness Talkington discusses the methods that were utilized to allocate each of the major function/classification cost categories. She also discusses the development of the corresponding allocation factors that I utilized in preparing the Company's cost of service study. Costs not directly associated with one of the major function/classification cost categories were allocated using factors developed in the cost of service study that the Company deemed most appropriate for each such cost.

Q33. HOW WERE THE ALLOCATION FACTORS APPLIED IN THE COMPANY'S COST OF SERVICE STUDY?

A. The Company's cost of service study was prepared through a "bottom-up" approach. Line items were first allocated to the rate class level. The results for the PUCT rate classes were then summed to determine the revenue requirement. This approach recognizes that the overall revenue requirement is the aggregation of the rate classes.

Q34. DID ETI SERVE BOTH WHOLESALE AND RETAIL CUSTOMERS DURING THE TEST YEAR?

A. Yes. However, as discussed in the Direct Testimony of Company witness Michael J. Goin, the Company's single remaining wholesale customer contract with East Texas Electric Cooperative is terminating upon ETI's

move to MISO and thus would not be in effect during the rate year applicable to this docket. For this reason, the Company's filing is based on a retail-only cost of service.

Q35. PLEASE DISCUSS THE ALLOCATION OF MUNICIPAL FRANCHISE FEES AND GROSS RECEIPT TAXES?

A. The Company allocated municipal franchise fees and gross receipt taxes on MWh Sales within the City Limits as ordered in Docket 39896.

E. Results

Q36. PLEASE DESCRIBE THE RESULTS FROM THE COST OF SERVICE STUDY PRESENTED IN SCHEDULE P.

A. The cost of service study presented in Schedule P indicates that the annual retail base rate schedule revenue requirement, excluding eligible fuel and purchased power expenses is $709 million. This represents a $38.6 million revenue deficiency under the Company's currently effective rates, as shown on Schedule P, line 20, page 1. But this revenue requirement does not include the rate case expenses that ETI proposes to collect through the Rate Case Expense Rider-3, and the Rough Production Cost Equalization payments that ETI will make through its proposed RPCEA rider filed in this docket. Including those expenses causes an overall revenue deficiency of $53.1 million.

Q37. PLEASE DISCUSS THE SCHEDULES IN THE RFP THAT REPORT THE RESULTS FROM THE COST OF SERVICE STUDY PRESENTED IN SCHEDULE P.

A. The following RFP schedules are based on the results from the cost of service study:

- Schedule A-1 (Cost of Service) summarizes the Company's cost of service study on a Texas retail basis.
- Schedule B-1 (Rate Base and Return) summarizes the Company's original cost of rate base, the requested adjustments to rate base, and the requested rate of return.
- The following schedules, which are described by their names in parentheses, simply refer to certain pages of Schedule P
  - Schedule P-1 (Rate of Return);
  - Schedule P-1.1 (Proposed Rate Schedules/Proposed Rate Classes);
  - Schedule P-1.2 (Existing Rate Schedules/Proposed Rate Classes);
  - Schedule P-1.3 (Existing Rate Schedules/Existing Rate Classes);
  - Schedule P-1.4 (Proposed Rate Schedules/Existing Rate Classes);
  - Schedule P-2 (Allocation of Revenue Deductions to Proposed Rate Classes); and
  - Schedule P-3 (Allocation of Rate Base to Proposed Rate Classes).
  - Schedule P-4 (Separation of Expenses) provides a separation of the expenses on Schedule P by the following classifications:
    - Demand;
    - Energy;

- Customer;
- Directly assigned; and
- Revenue-related.

- Schedule P-5 (Separation of Rate Base) provides a separation of each functional component of the rate base by the same classifications as reflected in Schedule P-4.
- Schedule P-6-1.1 (Unit Cost Analysis/Existing Rate Schedules)
- Schedule P-6-1.2 (Unit Cost Analysis/Proposed Rate Schedules)

Q38. PLEASE DESCRIBE THE RFP SCHEDULES THAT YOU SPONSOR THAT PRESENT THE ALLOCATION FACTORS UTILIZED IN DEVELOPING SCHEDULE P.

A. Company witness Talkington and I co-sponsor Schedule P-7.1 and I sponsor Schedule P-7.3 (Allocation Factors), which lists the allocation factors and associated data along with specifically identifying any direct assignment of costs.

Schedule P-8 (Classification Factors) subdivides each allocation factor in the cost of service study by the classification categories reflected in Schedule P-4 and described above.

Schedule P-13 (Summary of Changes in Allocation Factors) identifies the line items in the cost of service study for which the allocation factor differs in the current filing from that approved in the Company's last rate case.

Q39. WHAT OTHER SCHEDULES IN THE RFP DO YOU SPONSOR THAT CONTAIN RESULTS FROM THE COST OF SERVICE STUDY IN SCHEDULE P?

A. Schedules G-7.6 (Analysis of Test Year FIT and Requested FIT – Tax Method 2) and G-7.8 (Analysis of Test Year FIT and Requested FIT – Tax Method 1) provide the test year federal income tax expense ("FIT") and the requested FIT expense utilizing Tax Methods 2 and 1, respectively. Schedule G-7.6a (Analysis of Deferred FIT) provides the support for the Total Deferred Federal Income Taxes found on Schedule G-7.6. The Texas retail data reflected on these schedules were based on the results in Schedule P. Company witnesses Rory L. Roberts, Considine, and I co-sponsor these schedules.

Q40. WAS THE STUDY IN SCHEDULE P REFLECTED IN ALL OF THE COST OF SERVICE-RELATED RFP SCHEDULES THAT YOU SPONSOR OR CO-SPONSOR?

A. No. The cost of service study in Schedule P (referred to as "Study A") was reflected in all but a few of the cost of service-related filing schedules in the RFP that I either sponsor or co-sponsor. To complete the cost of service-related filing schedules that were based on proposed rates, it was necessary to prepare a second cost of service study ("Study B"). The following items listed below were the only changes made to the input data for Study A to develop Study B (reference WP P-1.1 for details).

- Rate Schedule Revenue;
- Bad debt expenses;
- Revenue-related taxes;
- Current federal income taxes;
- Interest Synchronization; and
- Working Cash

Q41. FOR WHAT REQUIRED SCHEDULES IN THIS FILING WERE THE REVENUES BY RATE CLASS PROPOSED BY THE COMPANY UTILIZED?

A. Study B was developed for the purpose of preparing Schedule P-1.1, which provides summaries of the rate of return and relative rate of return under proposed rate schedules using proposed rate classes, and for Schedule P-6-1.2, which is the Unit Cost Analysis at proposed rates. Schedule P-1.4 (Proposed Rate Schedules/Existing Rate Classes) refers to Schedule P-1.1 because the filing does not propose to change the existing rate classes.

V. AFFILIATE EXPENSES

Q42. HAS THE COMPANY DETERMINED THE TOTAL AMOUNT OF AFFILIATE EXPENSES INCLUDED IN ETI'S REVENUE REQUIREMENT?

A. Yes. Schedule G-6 shows the amount of affiliate expense reflected in Schedule P. An additional study is not needed because there is not a Wholesale class, and therefore Total Company equals Total Retail.

VI. CONCLUSION

Q43. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?

A. Yes.

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EDUCATIONAL AND PROFESSIONAL BACKGROUND OF HEATHER G. LEBLANC

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A. I hold a Bachelor of Science degree in Business Administration with a concentration in Accounting from Spring Hill College of Mobile, AL and a Master of Professional Accountancy from the University of Southern Mississippi in Hattiesburg, MS.

Q. PLEASE DESCRIBE YOUR BUSINESS EXPERIENCE.

A. I began working for Entergy Services, Inc. ("ESI" or "Entergy") in December 1997 as an Accountant I. My position was in the ESI Billings Department (this department is currently known as ISABILL). In this role I prepared inter-company billings associated with Bulk Power transactions. I also served as the monthly closing coordinator ESI's books and additionally provided support for various regulatory filings. In March of 2000, I left Entergy and became the Controller for Baton Rouge Title Company. In this role I was responsible for finances for three local offices which included reconciling multiple escrow accounts, preparing monthly bank reconciliations, and month end journal entries.

In October 2000, I returned to Entergy as an Analyst I for the Louisiana Customer Service Center in Baton Rouge, LA. In this role I was responsible for the department's budget, calculating various Customer Service Representatives' statistics, as well as performing various storm related duties. In this role I was also responsible for providing management detailed analyses for the entire Customer Service

Organization; this included staffing, agent availability, and center productivity.

In March 2004, I accepted an analyst position within Revenue Requirements and Analyses ("RRA"). In this position I was responsible for the preparation and maintenance of the workpapers for various filings. I also began to learn how to build and analyze the Cost-of-Service model. In 2011, I was promoted to Regulatory Project Coordinator and in this role I am currently responsible for the preparation of cost-of-service studies for Entergy's operating companies, formula rate plan updates, and development of our regulatory software program (TM1).

ENTERGY TEXAS, INC.
RATE FILING PACKAGE SCHEDULES SPONSORED BY HEATHER G. LEBLANC
TEST YEAR ENDED MARCH 31, 2013

		Co-Sponsor
A - COST OF SERVICE SCHEDULES		
A	Overall Cost of Service	
A-1	Cost of Service - Texas Retail	
A-2	Cost of Service Detail By Account	
A-3	Adjustments to Test Year	
A-5	Unadjusted O&M Expense	
B - RATE BASE & RETURN SCHEDULES		
B-1	Rate Base & Return - Total Company	Considine
B-1.1	Rate Base & Return - Texas Retail	
G - ACCOUNTING INFORMATION		
G-7.6	Analysis of Test Year and Requested FIT Method 2	Roberts, Considine
G-7.6a	Analysis of Deferred FIT	Roberts, Considine
G-7.8	Analysis of Test Year and Requested FIT Method 1	Roberts, Considine
M - NUCLEAR PLANT DECOMMISSIONING		
M-1	Decommissioning Information	Considine, Hoffmeister
M-2	Decommissioning Funding Plan	Considine, Hoffmeister
P - CLASS COST OF SERVICE ANALYSIS		
P	COS Study/Supporting Workpapers	
P-1	Rate of Return	
P-1.1	Proposed Rate Schedules/Proposed Rate Classes	
P-1.2	Existing Rate Schedule / Proposed Rate Classes	
P-1.3	Existing Rate Schedule / Existing Rate Classes	
P-1.4	Proposed Rate Schedules /Existing Rate Classes	
P-1.5	Finance Data - Non-Investor Owned Utility	
P-2	Allocations of Revenue Deductions to Proposed Rate Classes	
P-3	Allocation of Rate Base to Proposed Rate Classes	
P-4	Separation of Expenses	
P-5	Separation of Rate Base	
P-6	Unit Cost Analysis	
P-6-1.1	Unit Cost Analysis - Present Rates	Talkington
P-6-1.2	Unit Cost Analysis - Proposed Rates	Talkington
P-7.1	Allocation Factors - Listing	Talkington
P-7.3	Allocation Factors - Direct	Talkington
P-8	Classification Factors	
P-8.1	Summary for Total	
P-8.2	Summary for Demand	
P-8.3	Summary for Energy	
P-8.4	Summary for Customer	
P-8.5	Summary for Direct	
P-8.6	Summary for Revenue	
P-11.1	Distribution Plant Study - Primary/Secondary	
P-13	Summary of Changes In Allocation Factors	

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Entergy Texas, Inc.
River Bend Decommissioning Model — Texas Retail
Revenue Requirement, Fund Balance and Expenditure Summary
($000)

Line No	Year	Revenue Rqmt. [1]	Decommissioning Fund Balances: Non-Tax Qualified [2]	Tax Qualified [3]	Total [4]	Decomm. Expend. [5]
1	Beginning Balance		0	142,505	142,505	
2	2014	3,408	0	153,917	153,917	0
3	2015	3,408	0	166,425	166,425	0
4	2016	3,408	0	180,234	180,234	0
5	2017	3,408	0	195,320	195,320	0
6	2018	3,408	0	211,519	211,519	0
7	2019	3,408	0	228,826	228,826	0
8	2020	3,408	0	247,321	247,321	0
9	2021	3,408	0	267,090	267,090	0
10	2022	3,408	0	287,609	287,609	0
11	2023	3,408	0	307,525	307,525	0
12	2024	3,408	0	325,781	325,781	0
13	2025	2,272	0	331,684	331,684	9,842
14	2026	0	0	305,715	305,715	38,898
15	2027	0	0	235,375	235,375	82,267
16	2028	0	0	167,007	167,007	77,548
17	2029	0	0	119,968	119,968	53,542
18	2030	0	0	68,819	68,819	55,817
19	2031	0	0	31,748	31,748	39,741
20	2032	0	0	13,332	13,332	19,637
21	2033	0	0	1,217	1,217	12,624
22	2034	0	0	0	0	1,256

Notes:
[1] The annual Revenue Requirement (3,408) is chosen so that the Decommissioning Fund Bal. is zero in the last year of decommissioning. The 2025 amount is through August.
[2] See Exhibit HGL-3 Page 2.
[3] See Exhibit HGL-3 Page 3.
[4] Non-Tax Qualified Trust Balance + Tax Qualified Trust Balance.
[5] See Exhibit HGL-3 Page 4.

Amounts may not add or agree with other schedules due to rounding.

Entergy Texas, Inc.
River Bend Decommissioning Model — Texas Retail
Non-Tax Qualified Trust Detail [1]
($000)

Line No	Year	Revenue Rqmt.	Non-Tax Qualified Trust: Earning Rate	Transfer To Trust	Earnings	Mgmt. Fee	Net Additions	Decomm. Expend.	Balance
1	Beginning Balance								0
2	2014	0		0	0	0	0	0	0
3	2015	0		0	0	0	0	0	0
4	2016	0		0	0	0	0	0	0
5	2017	0		0	0	0	0	0	0
6	2018	0		0	0	0	0	0	0
7	2019	0		0	0	0	0	0	0
8	2020	0		0	0	0	0	0	0
9	2021	0		0	0	0	0	0	0
10	2022	0		0	0	0	0	0	0
11	2023	0		0	0	0	0	0	0
12	2024	0		0	0	0	0	0	0
13	2025	0		0	0	0	0	0	0
14	2026	0		0	0	0	0	0	0
15	2027	0		0	0	0	0	0	0
16	2028	0		0	0	0	0	0	0
17	2029	0		0	0	0	0	0	0
18	2030	0		0	0	0	0	0	0
19	2031	0		0	0	0	0	0	0
20	2032	0		0	0	0	0	0	0
21	2033	0		0	0	0	0	0	0
22	2034	0		0	0	0	0	0	0

Notes:

[1] As more fully described in the Direct Testimony of Company Witness Monique C. Hoffmeister, the NTQ Trust Fund liquidation value at December 31, 2013, is zero. On July 21, 2011, the Internal Revenue Service issued a Revised Schedule of Ruling Amounts ("SRA") for the River Bend Nuclear Power Plant pursuant to Code §468A(f) of the Internal Revenue Code and Section 1.468A-2 of the Income Tax Regulations that raised the maximum allowed contribution amount to the TQ Fund. The SRA enabled all River Bend NTQ funds to be contributed into the TQ Fund and effectively reduce the tax rate applicable to the earnings on these funds from 35% to 20%. The liquidation of the River Bend NTQ jurisdictional investments began in August 2012 and the cash proceeds were deposited into the existing TQ Fund. The liquidation of all NTQ assets was complete by December 31, 2012.

Amounts may not add or agree with other schedules due to rounding.

Entergy Texas, Inc.
River Bend Decommissioning Model — Texas Retail
Tax Qualified Trust Detail
($000)

Line No	Year	Revenue Rqmt. [1]	Tax Qualified Trust: Earning Rate [2]	Trans To Trust [3]	Earnings [4]	Mgmt. Fee [5]	Net Additions [6]	Decomm. Expend. [7]	Bal [8]	Qualifying Percent
1	Beginning Balance								142,505	
2	2014	3,408	5.55%	3,408	8,119	115	11,413	0	153,917	100%
3	2015	3,408	5.84%	3,408	9,221	122	12,508	0	166,425	100%
4	2016	3,408	6.17%	3,408	10,529	129	13,808	0	180,234	100%
5	2017	3,408	6.39%	3,408	11,815	137	15,086	0	195,320	100%
6	2018	3,408	6.46%	3,408	12,937	146	16,199	0	211,519	100%
7	2019	3,408	6.49%	3,408	14,054	155	17,307	0	228,826	100%
8	2020	3,408	6.51%	3,408	15,252	165	18,495	0	247,321	100%
9	2021	3,408	6.53%	3,408	16,537	176	19,769	0	267,090	100%
10	2022	3,408	6.34%	3,408	17,298	187	20,519	0	287,609	100%
11	2023	3,408	5.69%	3,408	16,706	199	19,915	0	307,525	100%
12	2024	3,408	4.81%	3,408	15,057	209	18,256	0	325,781	100%
13	2025	2,272	4.14%	2,272	13,688	216	15,744	9,842	331,684	100%
14	2026	0	3.92%	0	13,140	211	12,929	38,898	305,715	100%
15	2027	0	3.92%	0	12,111	184	11,927	82,267	235,375	100%
16	2028	0	3.92%	0	9,324	145	9,180	77,548	167,007	100%
17	2029	0	3.92%	0	6,616	112	6,503	53,542	119,968	100%
18	2030	0	3.92%	0	4,753	85	4,668	55,817	68,819	100%
19	2031	0	3.92%	0	2,726	57	2,669	39,741	31,748	100%
20	2032	0	3.92%	0	1,258	36	1,222	19,637	13,332	100%
21	2033	0	3.92%	0	528	20	509	12,624	1,217	100%
22	2034	0	3.92%	0	48	10	39	1,256	(0)	100%

Notes:
[1] See Exhibit HGL-3 Page 1.
[2] Projected after-tax earning rate per Attachment 6 to MFR Schedule M-1 Page 1 filed in the 2013 TX Rate Case proceeding.
[3] Revenue Requirement * Qualifying Percentage.
[4] Pr Yr Bal Compounded Semiannually at Curr Yr Earnings Rate + ½ Curr Yr Transfer * Curr Yr Earnings Rate.
[5] Calculated in accordance with fee schedules for manager and trustee fees & applicable tax rates. See Exhibit HGL-3 Page 5.
[6] Transfer + Earnings - Management Fee.
[7] Assumes that decommissioning expenditures are made at year end. See Exhibit HGL-3 Page 4.
[8] Prior Year Balance + Net Additions - Decommissioning Expenditures. Beginning balance includes contributions of the balance of the NTQ Trust Fund in 2012. See Note 1 on Exhibit HGL-3 Page 2.

Amounts may not add or agree with other schedules due to rounding.

Entergy Texas, Inc.
River Bend Decommissioning Model — Texas Retail
Decommissioning Expenditures
($000)

Line No	Year	Cum. Nuclear Cost Esc. [1]	Decommissioning Expenditures Estimate [2]	Texas Retail [3]	TX Retail Esc. [4]
1	2012	1.0000	0	0	0
2	2013	1.0425	0	0	0
3	2014	1.0868	0	0	0
4	2015	1.1330	0	0	0
5	2016	1.1812	0	0	0
6	2017	1.2314	0	0	0
7	2018	1.2837	0	0	0
8	2019	1.3383	0	0	0
9	2020	1.3952	0	0	0
10	2021	1.4545	0	0	0
11	2022	1.5163	0	0	0
12	2023	1.5807	0	0	0
13	2024	1.6479	0	0	0
14	2025	1.7179	13,407	5,729	9,842
15	2026	1.7909	50,830	21,720	38,898
16	2027	1.8670	103,121	44,064	82,267
17	2028	1.9463	93,246	39,844	77,548
18	2029	2.0290	61,756	26,388	53,542
19	2030	2.1152	61,756	26,388	55,817
20	2031	2.2051	42,177	18,022	39,741
21	2032	2.2988	19,992	8,542	19,637
22	2033	2.3965	12,328	5,268	12,624
23	2034	2.4984	1,176	503	1,256
	Total		459,788	196,468	391,170

Notes:
[1] Nuclear Cost Escalation Rate at 4.250% per year. See Exhibit HGL-3 Page 5.
[2] Decommissioning Cost Estimate per the NRC Minimum (2012 dollars). See Exhibit KFG-2 in the 2013 Rate Case.
[3] Decommissioning Cost Estimate * TX Retail Prod Demand Alloc (42.730%)
[4] Texas Retail Decommissioning Cost Est * Cumulative Nuclear Cost Escalator.

Amounts may not add or agree with other schedules due to rounding.

Entergy Texas, Inc.
River Bend Decommissioning Model — Texas Retail
Fees and Other Data ($ in Thousands)

Tax Qualified Trustee and Investment Manager Fee Schedules

TQ Annual Fees 11.000

	Breakpoints ($000)	Basis Points	Adder ($ 000) Fixed [1]	Adder ($ 000) Cumulative
TQ Trustee Fees	0	1.00		
	0	1.00	0.000	0.000
	0	1.00	0.000	0.000
	0	1.00	0.000	0.000
TQ Manager Fee	0	17.50		
	8,000	16.50	14.000	14.000
	8,300	14.00	0.495	14.495
	16,000	12.50	10.780	25.275
	16,700	10.00	0.875	26.150
	20,000	8.50	3.300	29.450
	66,700	6.00	39.695	69.145

Miscellaneous Input Data

Bad Debt Rate [2]	0.00%	Nuclear Cost Escalator [7]	4.250%
Revision Year [3]	2014	Jurisdictional Allocation Factor [8]	42.730%
Cost Estimate Year [4]	2012	TQ Fund Federal Tax Rate [5]	20.00%
Composite Tax Rate [5]	20.00%	End of Op. License	8/29/2025
Regulated Interest [6]	70.00%		

Notes:

[1] Calculated as in the following example:
For balance of $25M: TQ Management Fee = 44.125 = 69.145 + (6.00 * (25,000 - 66,700)) / 10,000.

[2] Bad Debts are assumed to be zero.

[3] First year showing impact of revised decommissioning revenue requirement.

[4] Year upon which the decommissioning cost estimate is based.

[5] State Income Tax Rate in Texas is zero. Federal Rates are reflected. The composite tax rate now equals the TQ Fund Federal Tax Rate because only the TQ fund remains.

[6] Regulated interest in River Bend is 70%.

[7] Nuclear Cost Escalator is 4.25% as proposed by Company Witness Ken Gallagher in the 2013 ETI Rate Case.

[8] Production demand allocator for TX Retail is based on the Production Demand Allocation Factor per the Jurisdictional Separation Plan Order in Docket U-21453 (9/30/07 test year).

Amounts may not add or agree with other schedules due to rounding.

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ENTERGY TEXAS, INC.
PRO FORMA ADJUSTMENTS TO TEST YEAR
TWELVE MONTHS ENDED MARCH 31, 2013

	ADJUSTMENTS	Sponsoring Witness
AJ 1	Rate Schedule Revenue	Heather G. LeBlanc & Myra L. Talkington
AJ 2	ITC External Costs	Michael P. Considine
AJ 3	Revenue-Related Expenses	Heather G. LeBlanc
AJ 4	Miscellaneous Electric Service Revenue	Shawn Corkran
AJ 5	Fuel Recovery Revenue & Purch. Power Expense	Margaret L. McCloskey
AJ 6	Working Cash	Michael P. Considine
AJ 7	Local Franchise Fees	Michael P. Considine
AJ 8	Non-qualified Supplemental Pension	Michael P. Considine
AJ 9	Margins Tax	Michael P. Considine
AJ 10	Income Tax	Michael P. Considine
AJ 11	Rate Case Expense	Michael P. Considine
AJ 12	Trade Assn. Dues/Legislative Advocacy	Michael P. Considine
AJ13A	Annualize Depreciation Expense	Michael P. Considine
AJ13B	T & D Reclass	Michael P. Considine
AJ 14	Credit Facility Fees	Michael P. Considine
AJ 15	TX Storm Securitization	Michael P. Considine
AJ 16A	ARO & Accretion Elimination	Michael P. Considine
AJ 16B	Out of Period	Michael P. Considine
AJ 16C	Regulatory Debits & Credits	Michael P. Considine
AJ 16D	Provision for Rate Refund	Michael P. Considine
AJ 16E	ETI Direct Expenses	Michael P. Considine
AJ 16F	FAS 158	Michael P. Considine
AJ 16G	Facilities Charges	Michael P. Considine
AJ 16H	Prior Period Rate Case Expense	Michael P. Considine
AJ 16I	Energy Efficiency	Michael P. Considine
AJ 16J	Plant Held for Future Use	Michael P. Considine
AJ 16K	Prepaid Eliminations	Michael P. Considine
AJ 16L	MISO Transition Expense	Michael P. Considine
AJ 16M	Decommissioning	Ken Gallagher, Monique Hoffmeister, & Heather G. LeBlanc
AJ 17	Interest Synchronization	Michael P. Considine
AJ 18	Customer Deposits & ESI Interest	Michael P. Considine
AJ 19	FAS 106	Michael P. Considine
AJ 20	Pension Expense	Michael P. Considine
AJ 21A	Affiliate - Corporate Aircraft	Chris E. Barrilleaux
AJ 21B	Affiliate - Ticket Costs	Chris E. Barrilleaux
AJ 21C	Affiliate - Rate Case Expense	Michael P. Considine
AJ 21D	Affiliate - Integrated Energy Costs	Jay A. Lewis
AJ 21E	Affiliate - Katrina Relocation Costs	Chris E. Barrilleaux
AJ 21F	Affiliate - Energy Efficiency	Jay A. Lewis
AJ 21G	Affiliate - Capital Projects	Stephanie B. Tumminello
AJ 21H	Affiliate - Gas, Nuclear, and EWC Departments	Chris E. Barrilleaux
AJ 21I	Affiliate - Non-Recoverable Items	Chris E. Barrilleaux
AJ 21J	Affiliate - Billing Method Change	Stephanie B. Tumminello
AJ 21K	Affiliate - Franchise Fees	Rory L. Roberts
AJ 21L	Affiliate - Supply Chain Class	Reginald Jackson
AJ 21M	Affiliate - Financial Services Class	Donna Doucet
AJ 22	Payroll	Michael P. Considine
AJ 23	Renewable Energy Credit	Michael P. Considine
AJ 24	Incentive Compensation	Michael P. Considine
AJ 25	Blank	N/A
AJ 26	Wholesale	Michael P. Considine
AJ 27	Interruptible Credit	Myra L. Talkington
AJ 28	MISO	Michael P. Considine
AJ 29	Property Insurance	Michael P. Considine
AJ 30	Sec. 39.4525 Costs	Michael P. Considine
AJ 31	Prepaid Pension	Michael P. Considine

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DOCKET NO. 41791

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

DIRECT TESTIMONY

OF

H. VERNON PIERCE

ON BEHALF OF

ENTERGY TEXAS, INC.

SEPTEMBER 2013

ENTERGY TEXAS, INC.
DIRECT TESTIMONY OF H. VERNON PIERCE
2013 RATE CASE

TABLE OF CONTENTS

EXHIBITS

I. INTRODUCTION AND QUALIFICATIONS

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is H. Vernon Pierce. My business address is 350 Pine Street, Beaumont, Texas.

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

A. I am the Director, Customer Service Texas and employed by Entergy Texas, Inc. ("ETI," also referred to as "the Company").

Q3. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I earned a Bachelor of Science Degree in Marketing at Mississippi State University in 1979. I joined the Mississippi Power & Light Company as a Residential and Commercial Sales Representative in 1979. I moved to the position of Credit Manager responsible for credit and collection in Central Mississippi in 1982. I became a Local Office Manager in 1983 where I was responsible for all line construction, service, accounting, meter reading and customer relations for Attala County, Mississippi. I held various Marketing Manager positions from 1986 to 1996 where I was responsible for sales and service activity in Central Mississippi. In 1996, I moved to Arkansas Power & Light and held the positions of Major Accounts Manager, Area Line Manager and Network Manager in Conway, Arkansas where I was responsible for distribution operations. In 1998, I

moved to Entergy Gulf States, Inc. in Texas as the Resource Manager responsible for storm outage restoration, meter services, electronic mapping and distribution dispatch center operations. I was promoted to Director of Customer Service Texas in December 2003. As part of my duties, I am responsible for all aspects of customer service activities in Texas.

II. PURPOSE OF TESTIMONY

Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My Direct Testimony addresses four major topics. First, I address ETI's customer satisfaction performance. Second, I explain the administration of ETI's low-income programs and ETI's request to recover its costs associated with the public benefit fund. Third, I support revisions to a number of ETI's tariffs. And fourth, I provide the results of the feasibility study of the use of LED technology for street and highway lighting.

Q5. DO YOU SPONSOR ANY SCHEDULES?

A. Yes. I sponsor Schedule H-13.1c to ETI's Rate Filing Package in this case. I also co-sponsor certain changes to Rate Schedule MES, as well as the portions of certain tariff schedules, and Terms and Conditions, as discussed in Section V of my testimony. The Company's tariff is included in Schedule Q-8.8.

III. CUSTOMER SATISFACTION

Q6. PLEASE ADDRESS ETI'S CUSTOMER SATISFACTION PERFORMANCE.

A. ETI continues to make concerted efforts to improve customer service, and its customer satisfaction survey scores indicate strong performance ratings. ETI supports ongoing customer satisfaction performance studies of our residential customers, business customers, and large commercial and industrial ("C&I") customers. Currently, ETI benchmarks residential and business customer satisfaction ratings through surveys conducted by J.D. Power and Associates. The C&I customers are benchmarked by Total Quality Services ("TQS Research, Inc.").

Q7. PLEASE DESCRIBE THE METHOD J.D. POWER AND ASSOCIATES USED TO CONDUCT ITS SURVEY.

A. J.D. Power and Associates conducts surveys for other major utilities in the U.S. and provides a benchmark score for comparison. Every quarter, residential and business ETI customers are surveyed to create an overall customer satisfaction index rating. J.D. Power and Associates then compiles each quarter's survey results and establishes a year-end study comparison. The year-end study comparison covers a fiscal year from July through June (for example, the 2013 Study covers the months July 2012-June 2013). Each utility survey rating is then benchmarked among similar electric utilities in the nation for comparative purposes. The survey

rating is calculated on a scale of 1 to 1000 with 1 being the lowest and 1000 being the highest. J.D. Power and Associates' survey evaluations consist of customer perceptions in the areas of power quality and reliability, price, billing and payment, corporate citizenship, communications, and customer service.

Q8. WHAT ARE THE RESULTS OF THE RESIDENTIAL CUSTOMER BENCHMARK STUDIES?

A. ETI's residential customer surveys, conducted by J.D. Power and Associates, show that in 2013 ETI has improved its overall customer satisfaction index ("CSI") by 67 index points, or an 11.2% increase, when comparing ETI's Overall CSI from June 2009 through March 2013. For the 2013 Residential Customer Study YTD, ETI ranks 30 of 126 within the electric utility industry, and it improved its ranking from the 4th quartile of electric utilities benchmarked in the 2009 study to the 1st quartile in the 2013 YTD study. J.D. Power and Associates mentioned ETI as one the most improved utilities in the U.S. for improvement in its CSI. Table 1 below illustrates ETI's overall Residential CSI for the past five years:

Table No. 1
Residential Customer Satisfaction Study
Comparison 2009 - 2013

Year	2009	2010	2011	2012	2013
Residential	597	635	649	635	664

Source: J.D. Power & Associates

Q9. HAS ETI SEEN ANY IMPROVEMENTS IN THE SUB-CATEGORIES EVALUATED BY J.D. POWER AND ASSOCIATES?

A. Yes. ETI has improved in customer perception for all six sub-categories when comparing the 2009 study through the 2013 YTD study. ETI showed an improvement of 64 index points, or 9.8% increase, for power quality and reliability; 96 index points, or 19.2% increase, for price; 67 index points, or 10% increase, for billing and payment; 48 index points, or 8.8% increase, for corporate citizenship; 76 index points, or 14.1% increase, for communications; and 40 index points, or 5.8% increase, for customer service. Table 2 below illustrates the improvement in each sub-category when comparing ETI from June 2009 through March 2013:

Table No. 2
Sub-Category Residential Customer Satisfaction Study
Comparison 2009 - 2013

Year	2009	2010	2011	2012	2013
Power Quality & Reliability	650	701	711	697	714
Price	500	554	563	554	596
Billing & Payment	667	710	723	699	734
Corp. Citizenship	543	547	576	566	591
Communications	538	558	589	585	614
Customer Service	695	710	718	707	735

Source: J.D. Power & Associates

Q10. HOW WOULD YOU DESCRIBE ETI'S RESIDENTIAL OVERALL CUSTOMER SATISFACTION INDEX COMPARISON FROM THE 2009 STUDY THROUGH THE 2013 YTD STUDY?

A. As noted in the previous explanations, ETI has made significant progress in customer perception and improvement in its overall customer satisfaction and price reasonableness. ETI was noted for its improved performance related to overall satisfaction, and rated as a top performer most improved utility for: 1) increase in customer satisfaction rating (+29 points) among all utilities benchmarked, 2) proactive outage information (25% and ranked #4), 3) outage restoration re-contacts (54% and ranked #2) and 4) electronic communication channel recall (45% and ranked #2).

Q11. WHAT ARE THE RESULTS OF THE BUSINESS CUSTOMER BENCHMARK STUDIES?

A. ETI was ranked first in the south midsize utility segment for the 2013 business customer study conducted by J.D. Power and Associates. ETI's business customer surveys (which are calculated based on a calendar year analysis) show that ETI has improved its overall CSI by 103 index points, or a 17.6% increase, when comparing ETI's Overall CSI from 2009 through 2013. For the 2013 Business Customer Study, ETI ranked 5 of 95 within the utility industry, which is in the 1st quartile. J.D. Power and Associates rated ETI as one the most improved utilities in the U.S. for