

DOCKET NO. 41791

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

DIRECT TESTIMONY

OF

DAVID M. CAPLAN

ON BEHALF OF

ENTERGY TEXAS, INC.

SEPTEMBER 2013

ENTERGY TEXAS, INC.  
DIRECT TESTIMONY OF DAVID M. CAPLAN  
2013 RATE CASE

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1 I. INTRODUCTION

2 Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND TITLE.

3 A. I am David M. Caplan, Manager, Entergy Texas and Entergy Fossil  
4 Generation Communications. My business address is 10055 Grogan's  
5 Mill, The Woodlands, Texas 77380.

6

7 Q2. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL  
8 BACKGROUND.

9 A. I am a graduate of The American University, where I earned a Bachelor of  
10 Arts in Communications (1977). I also earned a Masters Degree in  
11 Business from The University of New Hampshire (1983).

12 I have 34 years of professional communications experience. I  
13 spent five years in Washington, D.C. working for two public relations firms  
14 before returning to graduate school. In 1983 I joined Ford Motor Company  
15 in Detroit, Michigan where I spent the next 14 years working in a wide  
16 variety of communication and public affairs assignments. From 1997 to  
17 2000, I served in a similar capacity for IBM. In 2000 I joined Corning, Inc.,  
18 as Director of Corporate Communications. From 2002-2003, I served as  
19 Director of Public Relations for General Motors R\*Works in Detroit. I  
20 joined Entergy Texas Gulf States Utility (now Entergy Texas, Inc.) in  
21 Beaumont in 2004 as Manager of Communications. In 2012 I moved to  
22 The Woodlands when Fossil Generation Communications was added to  
23 my responsibilities and scope of work. I have completed numerous

1 supervisory and management training courses during my nine years at the  
2 Entergy Companies.<sup>1</sup>

3  
4 Q3. PLEASE DESCRIBE THE DUTIES OF YOUR PRESENT POSITION.

5 A. As Manager of Entergy Texas and Fossil Generation Communications, I  
6 am responsible for directing external and internal communications for  
7 those two business units. My duties include managing the budget,  
8 supervising staff, and providing communications strategy and advice in  
9 areas including customer communications, media relations,  
10 employee communications and social media.

11

12 II. PURPOSE

13 Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

14 A. I am sponsoring the Internal and External Communications Class of  
15 services and its associated costs. I demonstrate that this class of affiliate  
16 services and its associated costs are necessary and reasonable and that  
17 the price charged for these services to ETI is no higher than the price  
18 charged to other affiliates for the same or similar service and represents  
19 the actual cost of the service. As shown in Exhibits DMC-1 and DMC-2

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<sup>1</sup> I use the term "Entergy Companies" to mean Entergy Corporation ("Entergy Corp.") and its subsidiaries, including Entergy Services, Inc. ("ESI"), Entergy Texas, Inc. ("ETI"), and the other Operating Companies (Entergy Arkansas, Inc., Entergy Gulf States Louisiana, L.L.C., Entergy Louisiana, LLC, Entergy Mississippi, Inc., and Entergy New Orleans, Inc.). Each of these subsidiaries is a separate legal entity.

1 attached hereto, this class falls within the Corporate function, and the  
2 Corporate function is included in the Corporate Support family.

3

4 Q5. WHAT EXHIBITS ARE YOU SPONSORING?

5 A. The exhibits I am sponsoring are shown in the Exhibit List following the  
6 Table of Contents.

7

8 III. INTERNAL AND EXTERNAL COMMUNICATIONS CLASS

9 Q6. PLEASE DESCRIBE THE ORGANIZATION THAT PROVIDES THE  
10 SERVICES WITHIN THE INTERNAL AND EXTERNAL  
11 COMMUNICATIONS CLASS OF SERVICE.

12 A. The Corporate Communications Organization at ESI is led by the Group  
13 Vice President of Corporate Communications, based in Entergy Corp.'s  
14 headquarters in New Orleans. The organization reports to the Chief  
15 Administrative Officer. It is responsible for external and internal  
16 communications for Entergy Corp.'s utility operating subsidiaries.

17

18 Q7. DOES THE CORPORATE COMMUNICATIONS ORGANIZATION HAVE  
19 OR OVERSEE EMPLOYEES THAT PROVIDE COMMUNICATIONS  
20 SERVICES IN TEXAS?

21 A. Yes. As of March 31, 2013, there were three ESI employees based in  
22 Texas who serve multiple operating companies. Two provide support

1 primarily to ETI and secondarily to System-wide fossil operations. The  
2 third provides System-wide customer service communications services.

3 I also oversee, and my group supports, one Texas-based ETI  
4 employee. This ETI employee provides communications services solely in  
5 support of ETI. For example, this employee supports customer service,  
6 outage communication, energy efficiency, and low-income-related  
7 communications.

8

9 Q8. WHAT WAS THE TOTAL AMOUNT OF ESI BILLINGS FOR THE  
10 INTERNAL AND EXTERNAL COMMUNICATIONS CLASS DURING THE  
11 TEST YEAR?

12 A. The billings for the Internal and External Communications Class amounted  
13 to \$9,638,152 as shown in Exhibit DMC -A.

14

15 Q9. WHAT IS THE TOTAL ETI ADJUSTED AMOUNT FOR THIS CLASS OF  
16 SERVICES?

17 A. The Total ETI Adjusted amount for this class of services is \$509,526. Of  
18 this amount, ESI directly billed 46% of the total adjusted amount and  
19 allocated 54% of the total adjusted amount to ETI. The following table  
20 summarizes this information for the Internal and External Communications  
21 Class. The table shows for each class 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 DMC-A, DMC-B, and DMC-C.
Total ETI Adjusted Amount	ETI's adjusted amount for electric cost of service after pro forma adjustments and exclusions.
% Direct Billed	The percentage of the ETI adjusted Test Year amount that was billed 100% to ETI.
% Allocated	The percentage of the ETI adjusted Test Year amount that was allocated to ETI.

**Table 1**

Class	Total Billings	Total ETI Adjusted		
		Amount	% Direct	% Allocated
Internal and External Communications	\$9,638,152	\$509,526	46%	54%

1 Q10. PLEASE DESCRIBE THE EXHIBITS THAT SUPPORT THE  
2 INFORMATION INCLUDED IN TABLE 1.

3 A. Attached to my testimony are exhibits showing the calculation of the ETI  
4 total adjusted amount for the Internal and External Communications Class.  
5 In my Exhibit DMC-A, the information is shown broken down by the  
6 departments comprising the class. My Exhibit DMC-B shows the same  
7 information broken down by project code and the billing method assigned  
8 to each project code. My Exhibit DMC-C shows the information by class,



1 department and project code. For each exhibit, the amounts in the  
2 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 Stephanie B. Tumminello.
--	--

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

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

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

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

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

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

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

4

5   Q11. WHAT ARE THE MAJOR COST COMPONENTS OF THE CHARGES  
6       FOR THE INTERNAL AND EXTERNAL COMMUNICATIONS CLASS?

7   A.   As shown on Exhibit DMC-A, the Total ETI Adjusted amount for the  
8       Internal and External Communication Class during the test year was  
9       \$509,526. The major cost components of those costs are as follows:

**Table 2**

<u>Cost Component</u>	<u>\$</u>	<u>% of Total</u>
Payroll and Employee Costs	\$312,970	61%
Service Company Recipient	\$41,385	8%
Office and Employee Expenses	\$145,583	29%
Outside Services	\$8,479	2%
Other	\$1,109	<1%
Total	\$509,526	100%

10   Q12. WHAT IS THE IMPORTANCE OF THESE COST CATEGORIES?

11   A.   As Table 2 shows, 61% of the costs are for compensation, benefits, and  
12       labor-related expenses. Company witness Jennifer A. Raeder provides  
13       additional support for the reasonableness and necessity of this category of  
14       costs. In addition, 8% of the costs are for Service Company Recipient,  
15       which are costs of ESI providing services to itself. Service Company

1 Recipient costs include information technology, services, rents, and  
2 human resources. These costs are allocated across all affiliate classes as  
3 explained by Company witness Tumminello. The Office and Employee  
4 Expense referenced above covers the cost of maintaining work spaces,  
5 office supplies, travel necessary for company business, and relocation  
6 expenses. Company witness Thomas C. Plauché addresses processes  
7 for controlling these types of costs in his testimony.

8  
9 Q13. ARE THERE ANY PRO FORMA ADJUSTMENTS TO THIS CLASS?

10 A. Yes. The pro forma adjustment for the Internal and External  
11 Communications class are shown on Exhibit DMC-D, which also indicates  
12 the Company witnesses who sponsor those pro forma adjustments.

13  
14 A. Necessity

15 Q14. IS THIS CLASS OF SERVICE NECESSARY?

16 A. Yes. In order to explain the necessity of this class of service, I have  
17 divided the Internal and External Communications Class services into  
18 three general categories for discussion purposes: shareholder  
19 communications, customer communications, and employee  
20 communications.

21 I will not discuss in detail shareholder communications in my  
22 testimony because the costs for those communications are billed to  
23 Entergy Corp. and not to ETI customers. The purpose of those

1           communications is to inform the financial community about the activities of  
2           Entergy Corp. and its subsidiaries. ETI is not seeking recovery for any  
3           amounts associated with such communications. The customer  
4           communications and employee communications services for which  
5           recovery is sought are discussed below.

6  
7                           1.     Customer Communications

8   Q15. PLEASE DESCRIBE THE SERVICES INCLUDED IN THE CUSTOMER  
9       COMMUNICATIONS CATEGORY.

10  A.   Customer communications include external communications directed to  
11       members of the public within the Entergy Operating Companies' electric  
12       service area, including the ETI service area. The communications include  
13       direct communications with customers, through means such as letters,  
14       calls, personal visits, or public speeches, as well as indirect  
15       communications through the media. The communications also include  
16       information that assists customers in doing business with the Company  
17       and using electricity safely and efficiently. For example, Texas  
18       communicators produced more than 50 news releases and performed  
19       numerous media interviews during the test year, providing energy saving  
20       advice, safety tips, storm recovery help, and information on payment  
21       alternatives.

22           Customer communications also include support for ETI's  
23       community development efforts, which are dedicated to attracting new

1 jobs to our southeast Texas service area. Supporting ETI's community  
2 development communications is an important part of the overall customer  
3 communications program. These communications help reinforce the  
4 message that ETI has programs in place to support job growth and  
5 support the economic well-being of the communities it serves. The  
6 products for this effort included press releases, media interviews, and  
7 extensive support of ETI's community development efforts. Customer  
8 communications also include community relations activities designed to  
9 assist customers in our service territory.

10

11 Q16. WHAT ARE SOME EXAMPLES OF THE COMMUNICATIONS  
12 MATERIALS INTENDED FOR CUSTOMERS?

13 A. Customer communication materials include:

- 14 • fliers, brochures, pamphlets;
- 15 • news releases;
- 16 • speeches to customer groups;
- 17 • safety, storm, and customer service advertising;
- 18 • web site customer information; and
- 19 • social media.

20

21 Q17. WHY ARE CUSTOMER COMMUNICATIONS NECESSARY?

22 A. Customer communications are necessary to provide the public information  
23 that is critical to their safe and efficient use of electricity. These

1        communications provide important and needed information to customers  
2        about electric safety, electric rates, power emergencies or outages,  
3        energy conservation, community needs, the Company's generating  
4        facilities, and other topics. Methods of disseminating this information  
5        include news releases and news media interviews, material provided to  
6        Customer Service Center representatives, pamphlets and brochures, bill  
7        inserts, advertising, social media, and the external utility Web sites. This  
8        includes regulatory mandated customer communications.

9  
10    Q18. PLEASE EXPLAIN WHY CUSTOMER COMMUNICATIONS ARE  
11        NECESSARY WITH RESPECT TO ELECTRIC SAFETY.

12    A.    Safety communications are necessary to educate customers about the  
13        dangers of electricity and to prevent injury to customers and their families.  
14        These communications include advertising on television and radio, and bill  
15        inserts. News releases and news media interviews are conducted to  
16        promote safety, such as providing safety tips for holiday lighting. The  
17        Corporate Communications Organization produced and maintains a  
18        comprehensive internet web site communicating safety education to all  
19        customer classes. The site includes safety information for adults and work  
20        contractors, quizzes, and interactive games for children. Examples of  
21        safety advertising are included in Exhibit DMC-3.

1 Q19. PLEASE EXPLAIN WHY COMMUNICATIONS ARE NECESSARY  
2 DURING MAJOR STORMS.

3 A. In emergencies such as major storms, communications employees are a  
4 primary source of information to customers about the status of efforts to  
5 restore service and other related information, such as the safety of electric  
6 facilities. Communicators work directly with operations storm centers to  
7 gather and disseminate outage information to customers as quickly as  
8 possible through the news media and the Customer Service Centers.  
9 Dissemination of outage information is necessary to assist customers in  
10 deciding how best to ensure protection of their property and maximize  
11 their comfort.

12 A major outage communications plan has been developed and is  
13 drilled annually. This plan ensures that communications employees are  
14 prepared to respond to major outage events in order to provide critical  
15 information to the news media and customers in a timely manner. In  
16 addition, a communications plan was implemented to provide customers  
17 with information to educate them on hurricane preparedness and how they  
18 can reach ETI during major outage events. An example is included in  
19 Exhibit DMC-4.

1 Q20. ARE CUSTOMER COMMUNICATIONS ABOUT MAINTENANCE AND  
2 SERVICE IMPROVEMENT NECESSARY?

3 A. Yes. It is important that customers are informed about maintenance and  
4 service improvement projects that may affect service near their homes or  
5 neighborhoods. Customers are notified about these projects through  
6 press releases, media interviews, and internet web site postings. An  
7 example is included in Exhibit DMC-5.

8

9 Q21. EXPLAIN WHY COMMUNICATIONS TO CUSTOMERS ABOUT HOW TO  
10 CONSERVE ENERGY ARE NECESSARY.

11 A. Communications to customers about how to conserve energy are  
12 necessary to help customers reduce their electric bills. This is particularly  
13 critical for low-income customers. Energy saving tips are disseminated  
14 through press releases, media interviews, brochures, bill inserts, social  
15 media, and the internet web site. An example is included in  
16 Exhibit DMC-6.

17

18 Q22. WHY ARE COMMUNICATIONS TO ASSIST LOW-INCOME  
19 CUSTOMERS NECESSARY?

20 A. The Entergy Companies have undertaken efforts to provide low-income  
21 customers and low-income service providers with information needed to  
22 conduct business with our Operating Companies. ETI supports low-  
23 income projects and Low-Income Summit meetings for service providers,



1       The Power To Care fund drives, and other related programs and events.  
2       The Corporate Communications Organization produces materials that  
3       support these activities and strives to enhance relationships between ETI  
4       and low-income advocates, service providers, and our customers. An  
5       example is included in Exhibit DMC-7.

6

7   Q23. PLEASE EXPLAIN WHY CUSTOMER COMMUNICATIONS WITH  
8       RESPECT TO RATES ARE NECESSARY.

9   A.   Communications to customers about the Company's rates are required by  
10       the Public Utility Commission of Texas to make customers aware of what  
11       they can legally be charged for electric service. In addition to bill inserts,  
12       communications employees write press releases, research and write  
13       speeches for senior management, and give media interviews to help  
14       spread the word about rate changes and matters related to customers'  
15       rates. They also post tariff information on the ETI web site. An example is  
16       included in Exhibit DMC-8.

17

18   Q24. WHY ARE COMMUNICATIONS ABOUT THE COMPANY'S ELECTRIC  
19       GENERATING FACILITIES NECESSARY?

20   A.   Customer communications are necessary to keep the public informed  
21       about safety and environmental issues related to the Company's  
22       generating facilities. It is necessary to inform customers about available  
23       generation and peak demand periods so they may adjust usage

accordingly, particularly over the warmer summer months. The information is communicated through news releases, media interviews, social media, and the internet web site.

## 2. Employee Communications

Q25. PLEASE DESCRIBE THE SERVICES FALLING IN THE EMPLOYEE COMMUNICATIONS CATEGORY.

A. Employee communications includes information and training to Entergy employees. Corporate Communications maintains MyEntergy, which is an intranet site that is used to disseminate information to employees. Corporate Communications also produces a weekly e-newsletter summarizing MyEntergy company news articles and announcements from the past week. Corporate Communications also produces audio-visual communications that are used to inform employees about overall goals and initiatives.

For communicating time-critical information, the Entergy Companies use electronic messages sent to supervisors for distribution to all their employees. The frequency of those communications averages about three per week. Corporate Communications also produces and distributes a monthly issue of electronic news headlines targeted to supervisors. Increasing use of electronic communications is helping reduce paper costs and increase the speed of employee communications.

1 Q26. WHAT ARE SOME EXAMPLES OF THE MATERIALS USED TO  
2 COMMUNICATE WITH EMPLOYEES?

3 A. The following are examples of such materials:

- 4 • MyEntergy company news weekly e-newsletter;
- 5 • MyEntergy home page (Internal website);
- 6 • employee and supervisor electronic messages;
- 7 • brochures and posters;
- 8 • recorded video messages, audio slideshows and other multimedia;
- 9 • supervisor messages;
- 10 • EnShape (Health and Wellness program);
- 11 • senior management speeches and presentations; and
- 12 • employee information meetings.

13

14 Q27. ARE EMPLOYEE COMMUNICATIONS NECESSARY?

15 A. Yes. The purpose of employee communications is to provide employees  
16 with information necessary for them to perform their jobs safely and  
17 efficiently, and to engage them to support the Entergy Companies' efforts  
18 to achieve higher levels of performance, particularly in the area of  
19 customer service. It also includes information about corporate policies  
20 and benefits that is necessary for employees and their families.

21 Basic information about the Entergy Companies' activities, goals,  
22 and values is necessary to keep employees engaged and enthusiastic

1       about their work and committed to providing quality service to their  
2       customers, both internal and external. Employees need to be informed  
3       and educated on the changing electric utility business. An engaged and  
4       mobilized work force can result in substantial productivity savings and the  
5       achievement of company goals, according to studies by management  
6       experts, including a 2009 research report produced by the  
7       Communications Executive Council of the Corporate Executive Board.  
8       This report is included as Confidential Exhibit DMC-9.

9               Employee communications emphasize to employees the goal of  
10       providing quality service at a reasonable cost. Efforts to drive peak  
11       performance among power plant and distribution employees require the  
12       Corporate Communications Organization to disseminate information  
13       throughout the organization so those employees can be more effective in  
14       reaching goals and accomplishing work.

15              The Corporate Communications Organization also analyzes  
16       periodic surveys designed to gather feedback and measure employee  
17       engagement with the company. This survey information is used by the  
18       Corporate Communications Organization to assist other business  
19       organizations in developing communication plans to foster  
20       employee engagement.

1 Q28. WHY ARE POLICIES AND BENEFITS COMMUNICATIONS  
2 NECESSARY?

3 A. Employees need access to timely and comprehensive information about  
4 their salary, benefits, savings and pension plans, work hours, work rules,  
5 corporate policies, and various local, state and federal compliance issues.  
6 While much of this communication is mandated by labor, employment,  
7 pensions and benefits, and securities laws, these also serve to ensure that  
8 employees:

- 9 • understand corporate values and ethics in order to provide  
10 exemplary customer service;
- 11 • adhere to local, state and federal regulations; and
- 12 • understand and use benefit offerings to the maximum extent for  
13 them personally and their covered dependents while supporting  
14 business goals regarding employee safety, wellness and managing  
15 health care spending.

16 An example is included in Exhibit DMC-10.

17

18 Q29. WHY IS SAFETY INFORMATION FOR EMPLOYEES NECESSARY?

19 A. Employees must be provided with safety information in order to keep  
20 employees attune to work practices that protect their health on the job.  
21 The Corporate Communications Organization supports other business  
22 functions with their employee communications needs by providing expert  
23 communications counsel and by producing communications materials to

1 keep employees informed about safe work practices. The Occupational  
2 Safety and Health Administration, the Department of Transportation, the  
3 Environmental Protection Agency, Department of Homeland Security and  
4 other federal, state, and local agencies or regulatory bodies mandate  
5 communication of many of these safety programs. An example is included  
6 in Exhibit DMC-11.

7  
8 B. Reasonableness

9 Q30. IS THE COST OF THE CLASS THAT YOU SPONSOR IN YOUR  
10 TESTIMONY REASONABLE?

11 A. Yes. My organization participates in benchmarking and best practices  
12 sharing efforts to compare cost and communications processes of the  
13 Corporate Communications Organization with other utility companies.  
14 This benchmarking has validated that the Entergy Companies' costs are  
15 generally at the same level when compared to a peer group of utilities,  
16 and that the Entergy Companies perform such activities using industry-  
17 standard communications processes and vehicles.

18  
19 Q31. HAVE YOU INCLUDED WITH YOUR TESTIMONY ANY  
20 BENCHMARKING STUDIES THAT INDICATE THAT THE COSTS OF  
21 THIS CLASS ARE REASONABLE?

22 A. Yes. In 2012 the Corporate Communications Organization shared  
23 Corporate Communications cost data with 13 other electric utilities. The

1 budget data compared was for the calendar year 2012. The comparison  
2 analysis indicates that the Corporate Communication Organization's  
3 budgeted costs were below average on a percentage of revenue basis. A  
4 summary of this analysis is included in Confidential Exhibit DMC-12. The  
5 results demonstrate that, overall, the Corporate Communications  
6 Organization provides its services at below average costs compared to the  
7 peer group. In addition, the analysis also indicates that the staffing level  
8 ratio of the Corporate Communications Organization is tied for the lowest  
9 of the companies surveyed when the number of states in which the  
10 company has operations is used as the measure.

11  
12 Q32. HAS THE CORPORATE COMMUNICATIONS ORGANIZATION BEEN  
13 ABLE TO COMPARE ITS PRACTICES TO THOSE OF OTHER  
14 UTILITIES' COMMUNICATIONS DEPARTMENTS?

15 A. Yes. The Corporate Communications Organization routinely compares its  
16 communications practices with other electric utilities. The Entergy  
17 Companies use the same media, advertising, and employee  
18 communications processes as their peers. For example, in advertising  
19 communications, all surveyed utilities use advertising agencies for  
20 production and placement of advertising. In employee communications,  
21 all surveyed utilities use electronic communications to increase the speed  
22 of delivery and reduce printing costs.

1           The Corporate Communications Organization also subscribes to  
2           services by Chartwell, which is an information services company providing  
3           best practices research and analysis specific to the utility and energy  
4           industry. Chartwell's services include sharing industry internal and  
5           external communications best practices through electronic publications  
6           and training opportunities.

7           Using these comparisons of best practices, the Corporate  
8           Communications Organization continues to improve the Entergy  
9           Companies' electronic communications, strives to decrease the cost of  
10          information distribution while increasing its effectiveness, compares the  
11          crisis communications plan with those of other organizations to strengthen  
12          the Entergy Companies' ability to respond to emergency events, and  
13          improves internal measurement tools.

14  
15       Q33. WHAT OTHER EVIDENCE SUPPORTS YOUR OPINION THAT THE  
16       COSTS OF THIS CLASS ARE REASONABLE?

17       A.   First, the Corporate Communications Organization's budget process helps  
18       ensure that the costs associated with this class are reasonable. Second,  
19       trends in costs and charges show that the Corporate Communications  
20       Organization has historically operated under budget. Third, the Corporate  
21       Communications Organization is constantly evaluating opportunities to  
22       reduce or hold costs steady. Fourth, the Corporate Communications



1           Organization routinely looks for ways to improve the delivery of its  
2           services.

3  
4   Q34. DESCRIBE THE CORPORATE COMMUNICATIONS ORGANIZATION'S  
5           BUDGET PROCESS FOR ESI COSTS.

6   A.   During the first phase of the budget process, the budget development  
7           phase, a budget target is assigned to the Corporate Communication  
8           Organization by the Finance department. The Group Vice President,  
9           Corporate Communications works with our budget coordinator to allocate  
10          this budget among the different work groups, for both affiliate and certain  
11          ETI direct costs. Budget estimates are then developed for the Corporate  
12          Communications Organization based largely on past experience.  
13          Managers in the various jurisdictions have the opportunity to provide input  
14          on the budget if they expect any new initiatives for the upcoming year.  
15          Once compiled, the total budget is reviewed by the Chief Administrative  
16          Officer, and adjustments are made as necessary to meet company  
17          budget targets.

18

19   Q35. DOES MONITORING OF COMPLIANCE WITH THE BUDGET OCCUR?

20   A.   Yes. Performance reports are generated and reviewed monthly by each  
21          level of management. These reports include year-to-date spending versus  
22          budget, broken down by type of spending, e.g., payroll, outside services,  
23          long distance telephone costs. These reports are monitored at several

1 levels to ensure that costs do not exceed budgeted levels and to make  
2 certain that charges are accurately and appropriately recorded.  
3 Adjustments are made when necessary.  
4

5 Q36. ARE EMPLOYEES HELD ACCOUNTABLE FOR DEVIATIONS FROM  
6 BUDGET?

7 A. Yes. The reports mentioned above roll up into higher level reports that are  
8 reviewed by the Chief Administrative Officer. Corporate Communications'  
9 group vice president reviews monthly spending and must submit  
10 explanations of significant budget variances to the Finance department.

11 The directors and managers of each group within my department —  
12 and all employees, for that matter — are responsible for ensuring that we  
13 obtain and provide quality communications services at the lowest  
14 reasonable cost. Cost is a major factor as each group prepares and  
15 monitors its budget, processes invoices, and determines whether needed  
16 services can be obtained internally or if outside assistance is required.  
17 Departmental staffing levels also are reviewed on a continuing basis.  
18

19 Q37. WHAT WERE THE TOTAL AFFILIATE CHARGES FOR CORPORATE  
20 COMMUNICATIONS SERVICES FOR THE LAST THREE YEARS AND  
21 THE TEST YEAR?

22 A. The following table shows total affiliate O&M charges to ETI for each of  
23 the past three calendar years and the test year for this class of service.

1        These charges have been adjusted to remove the MISO and ITC-related  
2        affiliate costs that the Company is removing from the requested cost of  
3        service (as explained by Company witness Considine), as well as the  
4        nuclear and gas department codes (as explained by Company witness  
5        Tumminello).

Corp. Comm. Org.	2010	2011	2012	Test Year
	\$303,637	\$321,655	\$421,503	\$523,883

6        The upward trend in these costs is primarily attributable to the addition of  
7        a new department (Texas Fossil Communications), which is comprised of  
8        ETI employees who became ESI employees and were relocated from  
9        Beaumont to The Woodlands. Excluding the test year costs of the Texas  
10       Fossil Communications department, there would be a slight decrease in  
11       costs from 2011 to the Test Year.

12

13    Q38. HAVE STAFFING LEVELS CHANGED SIGNIFICANTLY WITHIN THE  
14       CORPORATE COMMUNICATIONS ORGANIZATION IN THE LAST  
15       SEVERAL YEARS?

16    A.    No. There were 32 employees in 2010 and 34 employees each of the last  
17       two years and the test year.

1 Q39. PLEASE DESCRIBE RECENT COST REDUCTION EFFORTS IN YOUR  
2 ORGANIZATION.

3 A. Cost reductions and efficiencies of scale are accelerating by increasing  
4 the use of electronic communications in both internal and external  
5 communications. For example, we are increasingly relying on the external  
6 web site and social media tools such as Twitter and Facebook to provide  
7 electricity, safety, energy efficiency and other customer educational  
8 materials rather than incur printing and distribution costs. Furthermore,  
9 this organization uses the intranet almost exclusively to communicate  
10 information to employees in a targeted and timely manner. This has  
11 greatly reduced paper consumption and lowered printing costs.

12 We also continue to look for cost-effective ways to provide  
13 communication services through selective use of outsourcing where it  
14 makes the most sense. For example, much of our graphic design work is  
15 outsourced to freelance designers who can provide these services at a  
16 lower cost than internal resources. We have also aligned our processes  
17 to create cost efficiencies in planning, development and production of  
18 materials for all operating companies. In addition, much of our video  
19 production work has been outsourced, and distribution of those materials  
20 to various stakeholders is accomplished largely through electronic  
21 channels such as email, FTP sites, and web-based file sharing programs.

1 Q40. PLEASE DESCRIBE RECENT EFFORTS TO IMPROVE THE DELIVERY  
2 OF SERVICES PROVIDED BY THE CORPORATE COMMUNICATIONS  
3 ORGANIZATION.

4 A. One example is the continuing enhancement of a web site that allows  
5 employees, customers and the media to see outage information and  
6 restoration updates during power outages, including those caused by  
7 major storm events. Each of these electronic tools has provided the  
8 opportunity to increase the speed of communication and increase the  
9 amount of information shared with our employees, customers and media.

10 Another example is the continuing enhancement of the text-based  
11 messaging service for cellular phones that was added in 2010. This  
12 service enables customers who do not have internet service to get  
13 account-specific information from ETI quickly and electronically. Texting  
14 customers can report and receive updates on the status of an outage,  
15 work order, or permit; check the balance on their account; get a payment  
16 extension if they are eligible; as well as get an alert if they have been sent  
17 a disconnection notice. Customers with mobile smart phones can access  
18 95% of ETI's online services through a mobile site, including the "View  
19 Outages" web site. Corporate Communications also released a  
20 smartphone app that allows customers to access outage maps, receive  
21 outage alerts, pay bills, and manage their account.

1 Q41. ARE THE SERVICES PROVIDED IN THIS CLASS DUPLICATED BY  
2 OTHER ESI ORGANIZATIONS?

3 A. No. There is no duplication of the services I describe from any other ESI  
4 organization. These services are provided exclusively by the Corporate  
5 Communications Organization.  
6

7 C. Price Charged to ETI

8 Q42. HOW ARE COSTS OF THIS CLASS OF SERVICES BILLED TO ETI?

9 A. As described by Company witness Tumminello, costs are captured in  
10 project codes. Each project code contains one billing method which is  
11 used to bill costs to the appropriate legal entity.  
12

13 Q43. DO THE ENTERGY COMPANIES ALLOCATE A PORTION OF THE  
14 COSTS OF THIS CLASS TO ETI?

15 A. Yes. Whenever appropriate, costs are direct billed to ETI and other  
16 affiliates. When costs are incurred that benefit more than one of the  
17 Entergy Companies, however, such costs are billed through an allocation.  
18

19 Q44. WERE ANY AMOUNTS BILLED DIRECTLY TO ETI, AND IF SO, WHY?

20 A. Yes. In the test year, ESI directly billed ETI an adjusted amount of  
21 \$236,052 for a portion of the services associated with this class of  
22 services. Direct billing ETI for these services was appropriate because

1 the services were performed specifically for ETI customers or employees.

2 No other affiliate benefited from these activities.

3

4 Q45. ON WHAT BASIS ARE COSTS IN THIS CLASS ALLOCATED?

5 A. Each class is made up of services that are charged to one or more project  
6 codes. As Company witness Tumminello explains, only one billing  
7 method is assigned to each project code. Any organization performing  
8 work relating to a project code will bill to that project code, but the billing  
9 method for that project code remains the same. A billing method is  
10 selected based on cost causation. This assures that the price billed to ETI  
11 for the services is no higher than the price charged to other affiliates for  
12 the same or similar services and represents the actual costs of the  
13 service. A complete listing of the billing methods, method number, project  
14 title, description, family and percentage by affiliate company is provided in  
15 Company witness Tumminello's testimony. As charges are incurred in this  
16 class, they are billed to the appropriate project code, allocated based on  
17 the applicable billing methodology, and then billed to each affiliate,  
18 including ETI.

1 Q46. WHAT ARE THE PREDOMINANT BILLING METHODS USED FOR THIS  
2 CLASS OF SERVICE?

3 A. For this class of service, the following billing methods were used for  
4 approximately 90% of the Total ETI Adjusted costs:

- 5 • "DIRECTTX" – 100% to ETI (46%);
- 6 • "CUSTEGOP" – Electric and Gas Customers (23%);
- 7 • "LBREXAFF" – ESI Labor Billed – External Affairs (8%);
- 8 • "TRSBLNOP" – Transmission Line Miles/Substation (6%); and
- 9 • "EMPLOYAL" – Full and Part Time Employees (6%).

10

11 Q47. WHY IS BILLING METHOD "DIRECTTX" APPROPRIATE TO USE FOR  
12 THE PROJECTS TO WHICH IT IS ASSIGNED?

13 A. This billing method directs that 100% of the charges be allocated to ETI.  
14 For instance, project codes assigned to this billing method include Project  
15 Code F3PPR41133 – Texas Communications, which captures costs  
16 associated with providing information to ETI employees (e.g., Company  
17 procedure and policies and HR benefits information). In such instances it  
18 is appropriate that ESI's charges are allocated (i.e., billed directly) 100%  
19 to ETI.



1 Q48. WHY IS BILLING METHOD "CUSTEGOP" APPROPRIATE TO USE FOR  
2 THE PROJECTS TO WHICH IT IS ASSIGNED?

3 A. For the project codes assigned this billing method, costs are allocated  
4 based on the average number of electric and gas customers in the  
5 Operating Companies' service areas. For example, Project Code  
6 F3PCR40118 – UTILITY COMMUNICATIONS captures costs associated  
7 with producing communications plans, writing news releases, talking  
8 points, position papers and speeches, handling media inquiries and  
9 coordinating media interviews with company personnel, emergency and  
10 outage communications, and coordination of the external utility web sites.  
11 What drives the cost of this activity is the number of customers. For these  
12 project codes, the price charged to ETI as a result of the application of this  
13 billing method is no higher than the price charged to other affiliates for the  
14 same or similar service and represents the actual cost of the services.

15

16 Q49. WHY IS BILLING METHOD "LBREXAFF" APPROPRIATE TO USE FOR  
17 THE PROJECTS TO WHICH IT IS ASSIGNED?

18 A. For the project codes assigned this billing method, costs are allocated  
19 based on total dollars billed to each company by the ESI departments that  
20 perform external affairs functions. For example, project code  
21 F5PCZPDEPT captures certain external affairs-related overhead costs.  
22 This includes secretarial and clerical labor not specific to particular  
23 projects, general administrative time for activities like staff meetings and

1 time sheet preparation, attending non-project code specific training, and  
2 general office supplies and non-capital equipment. The driver of these  
3 costs is the need to allocate indirect overhead costs to the companies  
4 receiving services from ESI departments that perform external affairs  
5 functions. For these project codes, the price charged to ETI as a result of  
6 the application of this billing method is no higher than the price charged to  
7 other affiliates for the same or similar service and represents the actual  
8 cost of the services.

9  
10 Q50. WHY IS BILLING METHOD "TRSBLNOP" APPROPRIATE TO USE FOR  
11 THE PROJECTS TO WHICH IT IS ASSIGNED?

12 A. The project codes assigned this billing method relate to providing support  
13 for the transmission business. For example, Project Code F3PCTTDS38  
14 captures costs for transmission maintenance coordination, maintenance  
15 management planning, and overall management of the maintenance  
16 function within the Transmission function. During the test year, Corporate  
17 Communications provided support for Energy Delivery (a Transmission  
18 organization) communications. These costs are allocated based on a  
19 composite of transmission and substation components, which is  
20 appropriate because the costs are driven by overall operations of the  
21 Transmission function. For this project code, the price charged to ETI as  
22 a result of the application of this billing method is no higher than the price

1 charged to other affiliates for the same or similar service and represents  
2 the actual cost of the services.

3

4 Q51. WHY IS BILLING METHOD "EMPLOYAL" APPROPRIATE TO USE FOR  
5 THE PROJECTS TO WHICH IT IS ASSIGNED?

6 A. For the project codes assigned this billing method, the costs are allocated  
7 based on the number of full-time and part-time employees in all the  
8 Entergy Companies. For example, Project Code F3PCR40500 -  
9 EMPLOYEE COMMUNICATIONS corresponds to communication  
10 activities directed to all employees of all the Entergy Companies. Those  
11 activities include maintenance of the MyEntergy intranet site, production of  
12 employee benefits and compensation materials, and other  
13 communications needed to benefit employees in their day-to-day  
14 activities. What drives the cost of this activity is the number of employees.  
15 For these project codes, the price charged to ETI as a result of the  
16 application of this billing method is no higher than the price charged to  
17 other affiliates for the same or similar service and represents the actual  
18 cost of the services.

1 Q52. HAVE YOU DETERMINED THAT THE REMAINING 10% OF THE TOTAL  
2 ETI ADJUSTED COSTS ASSOCIATED WITH THIS CLASS, THOSE NOT  
3 COVERED BY THE BILLING METHODS THAT YOU JUST  
4 ADDRESSED, HAVE BEEN APPROPRIATELY BILLED?

5 A. Yes. I have reviewed each of the project codes and billing methods used  
6 to bill the remaining 10% of the Total ETI Adjusted costs of this class. The  
7 cost drivers reflected in the billing methods are consistent with and reflect  
8 the cost drivers of the services captured in each respective project code.  
9 Therefore, the price charged to ETI reflects the actual cost of the service  
10 received by ETI and is no higher than the price charged to other affiliates  
11 for the same or similar types of service. The project codes and billing  
12 methods used to bill the remaining 10% of the Total ETI Adjusted costs  
13 are shown in Exhibit DMC-B. The specific project code summaries are  
14 contained in Company witness Tumminello's testimony.

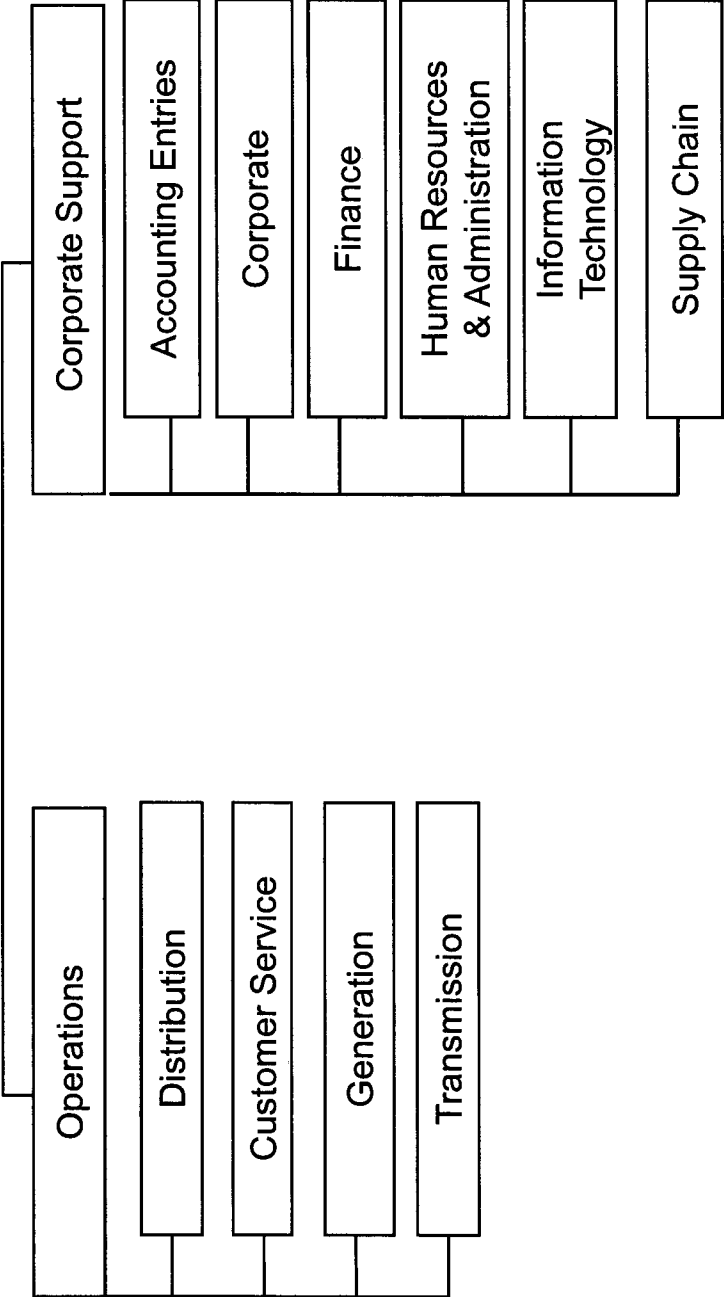
15

16 IV. CONCLUSION

17 Q53. DOES THIS CONCLUDE YOUR TESTIMONY?

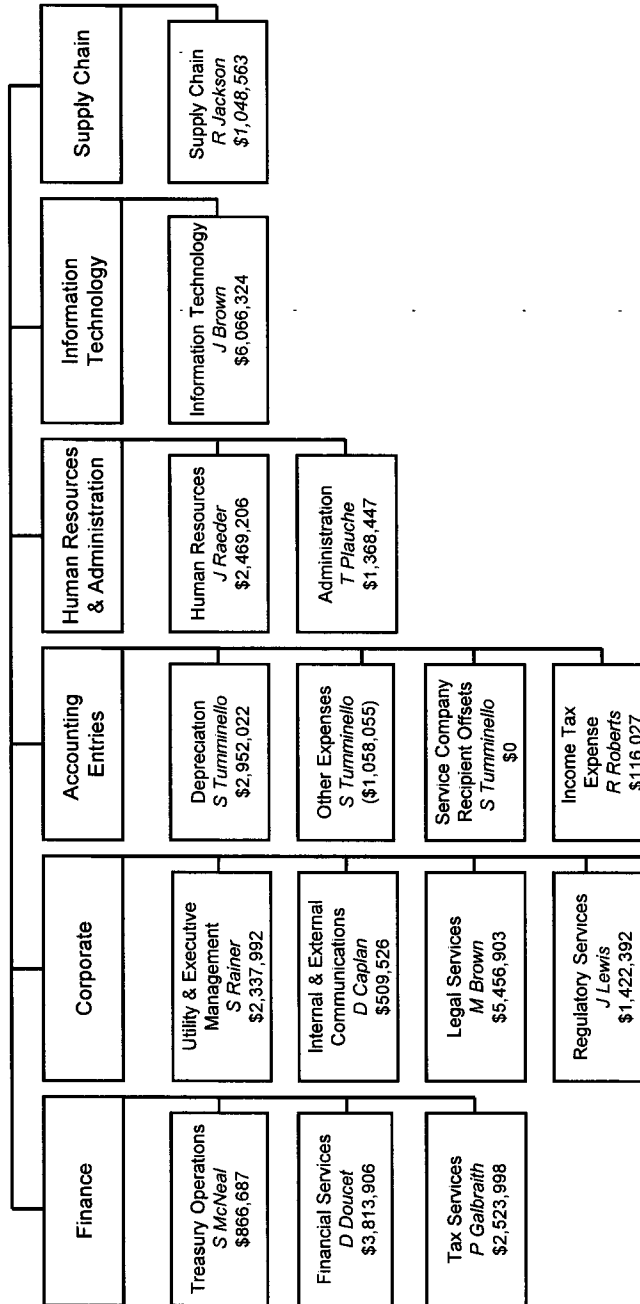
18 A. Yes.

**Families and Functions**

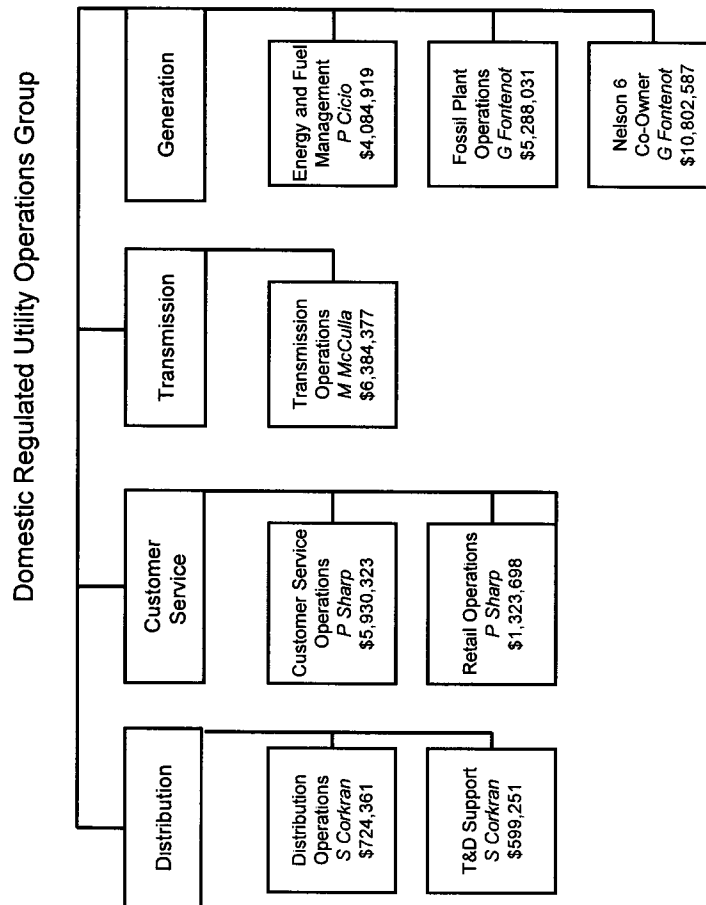


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# Corporate Support Functions & Classes (\$ Total ETI Adjusted)




# Operations Functions & Classes (\$ Total ETI Adjusted)







# How close is too close to that power line?



*Crystal Clark,  
Senior Customer  
Service Specialist*

Don't go anywhere near power lines. Those lines will send all that electricity directly into anything – or anyone. You'd be dead in an instant. So keep your distance, and keep your life. Get the facts about power line safety at [entergy.com](http://entergy.com).



**¿Qué tan cerca es  
demasiado cerca de  
esta línea eléctrica?**



*Crystal Clark,  
especialista senior en  
atención al cliente*

No se acerque a las líneas eléctricas.  
Esas líneas enviarán toda esa  
electricidad directamente a  
cualquier cosa o a cualquier  
persona. Usted podría morir en  
un instante. Así que conserve la  
distancia, y conserve su vida.  
Infórmese sobre la seguridad de las  
líneas eléctricas en [entergy.com](http://entergy.com).




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# What's the best way to work around those power lines?




Just keep your distance, and call us at **1-800-ENTERGY (368-3749)**. There are no small mistakes around power lines. And you won't live to regret it, but your family will. Get the facts about power line safety at [entergy.com](http://entergy.com).




*Dan Dinkelacker,  
Lineman First Class*




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**¿Cuál es la mejor  
manera de trabajar  
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Simplemente mantenga la distancia y  
llámenos al **1-800-ENTERGY (368-3749)**.  
No existen equivocaciones menores  
alrededor de las líneas eléctricas.  
Y usted no vivirá para arrepentirse,  
pero su familia sí. Infórmese sobre  
la seguridad de las líneas eléctricas  
en **entergy.com**.

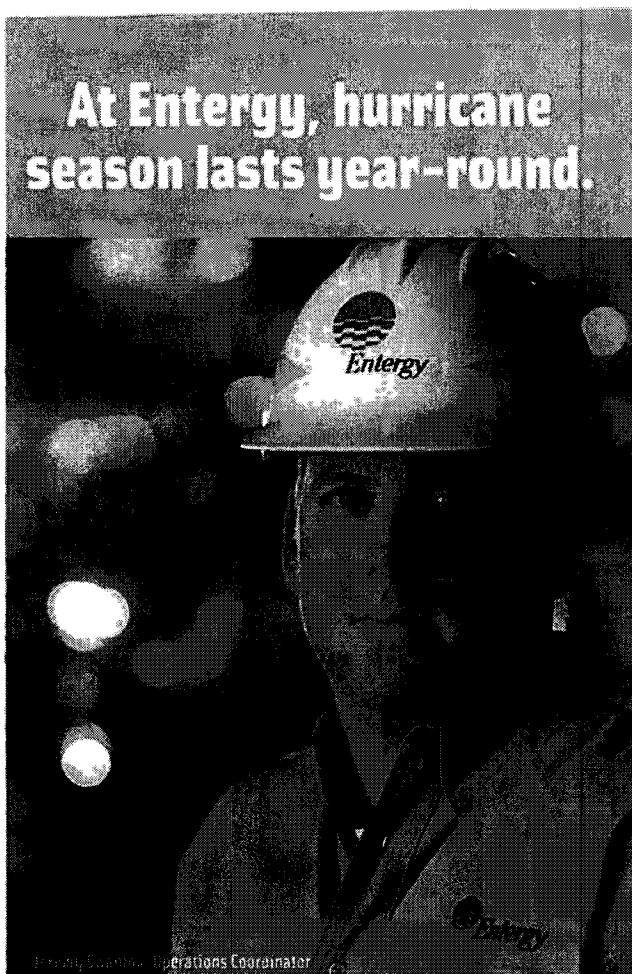


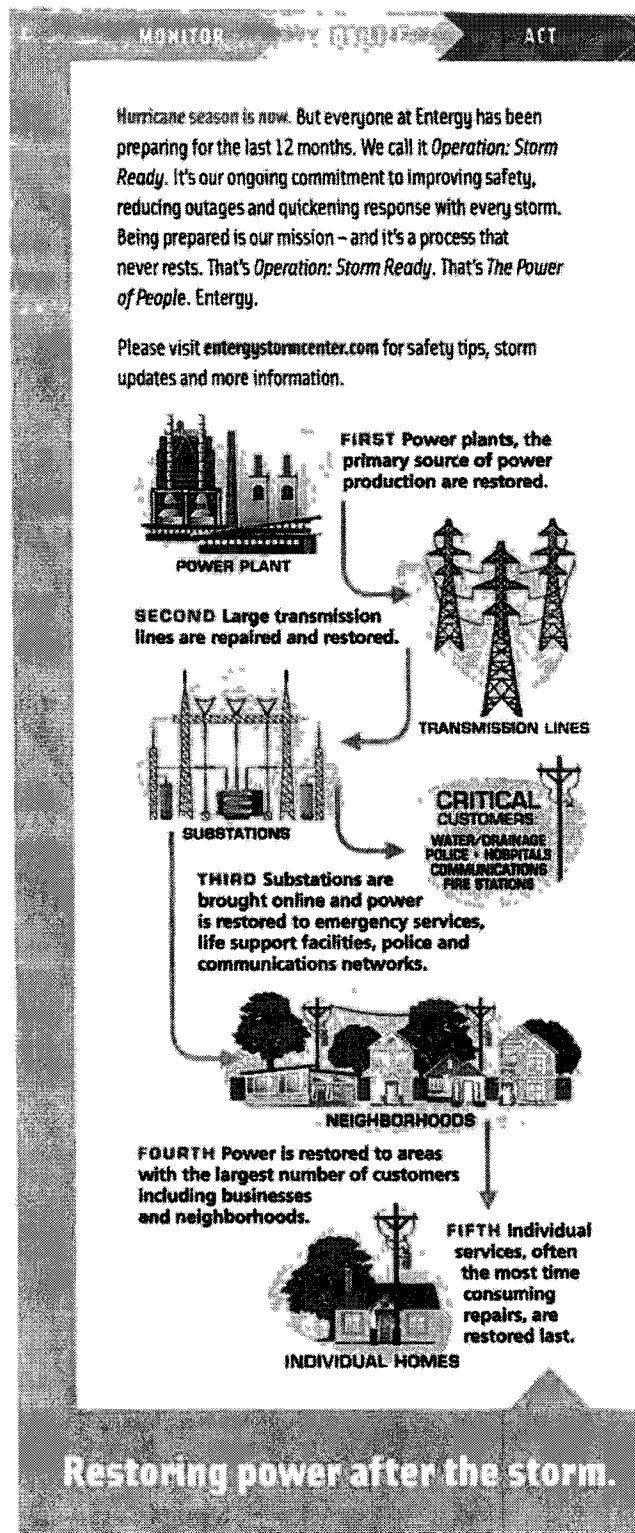
*Dan Dinkelacker, experto  
en líneas eléctricas*



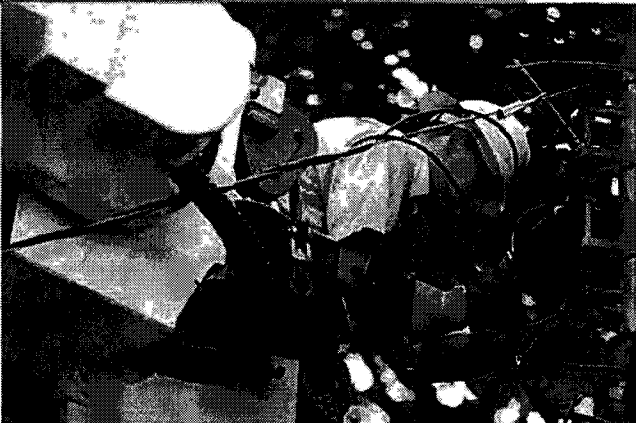
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**LEARN** **COLLABORATE** **TRAIN**



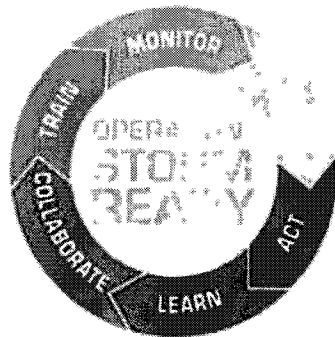
**Your safety is our first priority.**

**BEFORE THE STORM:**  
Make all preparations to weather the storm safely. If evacuation is necessary, follow procedure and direction from your emergency officials.

**DURING OUTAGES:**  
Major storms can cause widespread outages. Call 1-800-9OUTAGE (800-968-8243), and please select option "1" for the automatic reporting system. Once you report an outage, there is no need to report it again. Your patience is greatly appreciated.

**AFTER THE STORM:**  
Use caution, and remember electricity and water don't mix. Downed power lines can be energized and deadly. Be especially careful when clearing debris. It may hide downed lines – and wet tree limbs and wood can conduct electricity. Keep your distance from power lines and report any hazards to Entergy immediately at 1-800-ENTERGY (368-3749).

When using generators, make sure to follow all manufacturers' instructions. Never operate generators indoors—the exhaust is deadly. Have a licensed electrician connect your generator to your house. An improperly installed generator can send electricity back into the service wires – endangering your family, neighbors and Entergy workers. Have a licensed electrician inspect all water-soaked wiring and electrical appliances before use.



**MONITOR.** We continually monitor threatening weather that could possibly affect our customers. We utilize the latest high-tech tools and services to track these weather systems around the clock.

**BEFORE.** Before a storm hits, Entergy workers, contractors and personnel from neighboring utilities mobilize on the ground to respond to the weather emergency. Safety and your power are always our first priorities.

**ACT.** We monitor our response and mobilize our resources to restore outage sources wherever they may occur. Sometimes that means repairing a power line right outside your door. And sometimes that means an overhaul of a power substation several miles away. All the while, we communicate with our customers, the media and government officials until power is restored.

**LEARN.** We review our performance following each and every storm, learning valuable lessons for ways to restore power safer, quicker and more efficiently.

**COLLABORATE.** We never stop seeking new ideas, resources and processes to improve our storm response. So each year we collaborate with government officials, contractors and neighboring utilities to develop new best practices.

**TRAIN.** Each year, the people of Entergy assemble for storm response training. We also conduct detailed storm simulations to stay storm ready year-round.

Please visit [entergystormcenter.com](http://entergystormcenter.com) for safety tips, storm updates and more information.



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Entergy Texas, Inc.  
2802 N. Frazier St.  
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Date: March 1, 2013

For Release: Immediately

Contact: Renee Powers  
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## News Release

### **Work Under Way on Service Reliability Project in Conroe *Drivers Caution Urged; Vegetation Management Project to Last into April***

Conroe, Texas – Weather patterns in recent years have made Entergy Texas, Inc.'s vegetation management program more important than ever to ensuring reliable service for Southeast Texans. That's because drought, storms and other events have led to, among other things, an unusually large number of "danger" trees in need of removal from areas close to power lines.

Identifying and removing danger trees, along with other vegetation that could interfere with electricity delivery to your home is one part of the job Entergy Texas representatives have in front of them over the next month or so as they continue a major vegetation management project that began in the Conroe area in early February.

"The number one cause of power outages is some sort of vegetation getting tangled up in a power line," said Renee Powers, customer service manager for Entergy Texas in the Conroe area. "So it's easy to see why we place such a high priority on keeping the lines clear."

The work in Conroe will take place on a 33-mile-long power line served by the Oak Ridge Substation located off Main St. in the Tamina Community. The line to be trimmed serves 1,154 customers and runs from Main Street down Sleepy Hollow Dr. to a dead end.

-more-

Drivers in the area are urged to be alert for the workers and use caution when nearing work areas.

In 2011, the company spent nearly \$200 million on operations, maintenance and capital projects. These efforts included a host of reliability projects and vegetation management efforts designed to improve the system and help ensure reliable service for customers.

“Our goal is to keep the lights on for our customers. To do that, we have to have an aggressive vegetation management program,” Powers said. “We keep a schedule for all of our power lines to ensure that limbs and other vegetation are kept away from the lines. When we conduct this cycle trimming, we also remove danger trees that may be outside our right of way, but that are in poor condition and close enough to fall into the lines.”

Last year, Entergy Texas workers trimmed more than 2,100 line miles of trees and removed 25,870 danger trees from throughout Southeast Texas. A danger tree is any tree with a structural defect, such as being dead or dying, decayed or leaning. Any of these circumstances could cause the tree to fall into overhead power lines.

Customers are also reminded to think ahead when planting trees on their property. Trees planted in the vicinity of power lines should not grow to heights that could threaten lines. The Arbor Day Foundation provides a guide to help determine the right tree for the right place at <http://www.arborday.org/trees/rightTreeAndPlace/>.

Entergy Texas, Inc. provides electricity to more than 400,000 customers in 27 counties. It is a subsidiary of Entergy Corporation. Entergy, which celebrates its 100<sup>th</sup> birthday this year, is an integrated energy company engaged primarily in electric power production and retail distribution operations. Entergy owns and operates power plants with approximately 30,000 megawatts of electric generating capacity, including more than 10,000 megawatts of nuclear

*-more-*