

1 Q38. DO THE EMPLOYEES PROVIDING RETAIL OPERATIONS CLASS
2 SERVICES HAVE ANY INVOLVEMENT IN THE PROCESS OF SETTING
3 UP PROJECT CODES AND DETERMINING BILLING METHODS?

4 A. Yes. Employees providing Retail Operations Class services set up the project
5 codes for their area of responsibility and determine which billing methods are
6 appropriate to assign expenses to those project codes.

7

8 Q39. WHAT CONTROLS EXIST TO ENSURE THAT THE APPROPRIATE
9 PROJECT CODE IS USED?

10 A. A project code for affiliate billing purposes, including the billing method assigned
11 to that code, must be approved by several levels of authority before it is
12 implemented. In addition, all projects are subject to internal auditing.

13

14 Q40. WHAT WERE THE PREDOMINANT BILLING METHODS USED FOR THE
15 RETAIL OPERATIONS CLASS OF SERVICES?

16 A. For the Test Year, the following predominant billing methods were used for the
17 Retail Operations Class: CUSTCALL, CUSEOPCO and CUSTEGOP. These
18 three billing methods accounted for approximately 90% of the Total ETI Adjusted
19 costs for the Retail Operations Class.

20 These billing methods are appropriate because they are based on cost
21 causation principles. For a detailed explanation of these predominant billing
22 methods and why they are appropriate for the project codes to which they are
23 assigned, please refer to Exhibit PRW-2.

1 Q41. HAVE YOU DETERMINED THAT THE COSTS REFLECTED IN THE
2 THREE PREDOMINANT BILLING METHODS ASSOCIATED WITH THIS
3 CLASS WERE BILLED APPROPRIATELY?

4 A. Yes. I have reviewed each of the project codes and associated billing methods.
5 The costs reflected by the three billing methods are consistent with and reflect the
6 services captured in each respective project code. The unit price charged to ETI
7 as a result of the application of these billing methods is no higher than the unit
8 price charged to other affiliates for the same or similar service and represents the
9 actual cost of the services.

10

11 Q42. YOU HAVE ADDRESSED 90% OF THE TOTAL ETI ADJUSTED COSTS
12 ASSOCIATED WITH THIS CLASS. PLEASE ADDRESS THE REMAINING
13 10%.

14 A. A number of other project codes and billing methods were used for the remaining
15 10% of Total ETI Adjusted costs associated with this class. The project codes
16 and billing methods used for the remaining 10% of such costs are provided in
17 Exhibits PRW-B and PRW-C.

18

19 Q43. HAVE YOU DETERMINED THAT THE APPROPRIATE PROJECT CODES
20 AND BILLING METHODS HAVE BEEN USED FOR THE REMAINING 10%
21 OF TOTAL ETI ADJUSTED COSTS ASSOCIATED WITH THIS CLASS?

22 A. Yes. I have reviewed the project codes and associated billing methods used for
23 the remaining 10% of the Total ETI Adjusted costs associated with this class and

1 they are reasonable. The costs associated with the remaining billing methods are
2 consistent with and reflect the services captured in each respective project code.
3 The unit price charged to ETI as a result of the application of these billing
4 methods is no higher than the unit price charged to other affiliate for the same or
5 similar service and represents the actual cost of the services.

6

7 Q44. HAVE YOU REACHED A CONCLUSION ABOUT THE MANNER ESL
8 BILLS ETI FOR THE RETAIL OPERATIONS CLASS OF AFFILIATE
9 SERVICES?

10 A. Yes. As Mr. Dumas explains, each project code has only one billing method,
11 selected based on cost causation. While several organizations could bill to a
12 single project code, the billing method for that project code remains the same.
13 This ensures that the unit price charged to ETI for the services is no higher than
14 the unit price charged other affiliates for the same or similar services and
15 represents the actual cost of the services.

16

17 **D. Reasonableness and Necessity of Class Costs**

18 Q45. ARE THE COSTS OF THE RETAIL OPERATIONS CLASS REASONABLE
19 AND NECESSARY?

20 A. Yes. The costs related to Retail Operations Class are reasonable and necessary, as
21 demonstrated by the budgeting process, cost controls, and benchmarking
22 discussed below. Notably, by having a centralized customer organization, ETI is
23 able to benefit from economies of scale and lower costs for these reasonable and

necessary services. Specifically, if ETI had its own stand-alone group for these services, it would incur significant costs for a call center and full-time employees to handle the essential tasks provided by the other services comprising the Retail Operations Class.

Q46. HOW HAVE THE RETAIL OPERATIONS CLASS COSTS ASSIGNED TO ETI TRENDED OVER THE PERIOD OF 2018 TO THE TEST YEAR (2021)?

A. Table 7 shows the total affiliate O&M charges to ETI for the Retail Operations Class costs for 2018-2020 and the Test Year.

Table 7: Retail Operations Class Cost Trends

Retail Operations Class	2018	2019	2020	Test Year
Total ETI Charges	\$5,258,218	\$12,025,457	\$9,173,814	\$11,501,665

Q47. PLEASE EXPLAIN THIS TREND.

A. The increase from 2018 to 2019 was driven by two factors. First, the creation of KSL described in Q26 contributed to the increase from 2018 to 2019. Second, there was a modification to the way that ETI paid the CCC vendors' invoices. Prior to 2018, the invoices were allocated to each of the EOCs and paid directly by the EOCs. Beginning in late 2018, ESL paid the CCC vendors and allocated the charges via the billing methods for affiliate costs described later in my testimony and by ETI witness Mr. Ryan Dumas.

1 Q48. DOES THE RETAIL OPERATIONS CLASS EMPLOY A BUDGET PROCESS
2 TO CONTROL COSTS?

3 A. Yes. Each department included within the Retail Operations Class is assigned
4 responsibility for specific work processes. Each year, the departments prepare a
5 budget by reviewing historical activity levels for each work process, and by
6 developing an estimate for activity levels projected for the budget period. In an
7 effort to reduce budget requirements, work reduction enabled by continuous
8 improvement, automation, and centralization efforts is considered when
9 estimating future activity levels. Cost savings and spending reduction goals are
10 put into place during the budget process. Dollars are allocated for these projected
11 activity levels based on the type of cost, such as employee salaries, outside
12 services, and office expenses. To ensure that requested budgets are within reason,
13 a management review is undertaken to compare totals with prior performance and
14 benchmarking data of other utilities providing similar core services.

15

16 Q49. HOW IS THIS REVIEW USED TO ENSURE THAT THE COSTS
17 ASSOCIATED WITH THESE SERVICES ARE REASONABLE?

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

1 Q50. HOW DO THESE CONTROLS AND PROCESSES TIE TO UPPER LEVEL
2 MANAGEMENT'S REVIEW AND MONITORING OF THE COSTS
3 ASSOCIATED WITH RETAIL OPERATIONS CLASS?

4 A. The reports described above allow management to identify potential cost issues
5 and take necessary remedial action to avoid significant unfavorable budget
6 variances. Senior management depends on these direct reports to achieve overall
7 business objectives. Improved customer service, a safe work environment, and
8 efficiency are the cornerstones of success for the Retail Operations Class of
9 services.

10

11 Q51. ARE THE RETAIL OPERATIONS EMPLOYEES HELD ACCOUNTABLE
12 FOR DEVIATIONS FROM THE BUDGET?

13 A. Yes. Budget management is a key performance objective for the Vice Presidents,
14 Directors, and Managers of the functions within the Retail Operations Class.
15 Deviations are highlighted in monthly reviews and must be explained.

16

17 Q52. HOW DO THESE CONTROLS AND PROCESSES HELP TO ENSURE THAT
18 THE COST OF THE RETAIL OPERATIONS CLASS ARE REASONABLE?

19 A. Tracking costs and performance allows management to compare expenditures
20 with other electric utilities. For example, in the CCCs function, total contact
21 center cost per account is a common metric that facilitates comparison among
22 electric utilities. Any variance to peer utilities in any cost or quality metric is

1 reviewed closely to determine whether the difference is due to reporting
2 differences or other reasonable factors.
3

4 Q53. IN ADDITION TO THESE CONTROLS AND PROCESSES, WHAT OTHER
5 MECHANISMS HAS ENTERGY IMPLEMENTED TO ENSURE THAT THE
6 COSTS OF THE RETAIL OPERATIONS CLASS OF SERVICES PROVIDED
7 TO ETI ARE REASONABLE?

8 A. Employee cost is one category that can be controlled by any business. Currently,
9 the filling of any vacancy must be justified by a description of need and expected
10 benefit and must be approved by supervisory leadership. In addition, any new
11 position or changes in positions or organizational structure must be approved by
12 senior management. This “zero-based” hiring process helps to ensure that only
13 critical vacancies are filled and that the addition of personnel involves multiple
14 levels of management oversight.
15

16 Q54. HOW HAVE THE RETAIL OPERATIONS CLASS HEADCOUNT TRENDED
17 OVER THE PERIOD OF 2018 TO THE TEST YEAR (2021)?

18 A. Table 8 shows the headcount for the Retail Operations Class for 2018-2020 and
19 the Test Year. The increase in 2019 is due to the creation of the KSL department
20 discussed Q26.

Table 8: Retail Operations Class Headcount Trends

Retail Operations Class	2018	2019	2020	Test Year
Total	140	166	170	169

Q55. WHAT OBJECTIVE EVIDENCE DEMONSTRATES THE RETAIL OPERATIONS CLASS COSTS ARE REASONABLE?

A. Benchmarking data demonstrates that ETI's overall Retail Operations O&M costs are reasonable. Although the overall Retail Operations O&M costs reflected in the benchmarking below include both affiliate and non-affiliate costs, the benchmark demonstrates the reasonableness of the affiliate costs because those costs make up a significant portion of ETI's overall Retail Operations O&M expense. ETI uses benchmarking data to compare functional operations and the cost of similar services, as well as to search for best practices for improving the quality and efficiency of customer service. The benchmarking surveys that I discuss are standard types of analyses that a utility operations manager commonly uses to assess the economic and operational efficiency of various operations and activities. The number of participants in each benchmarking study, however, can vary based upon a number of factors such as the existing client list of the organization conducting the benchmarking.

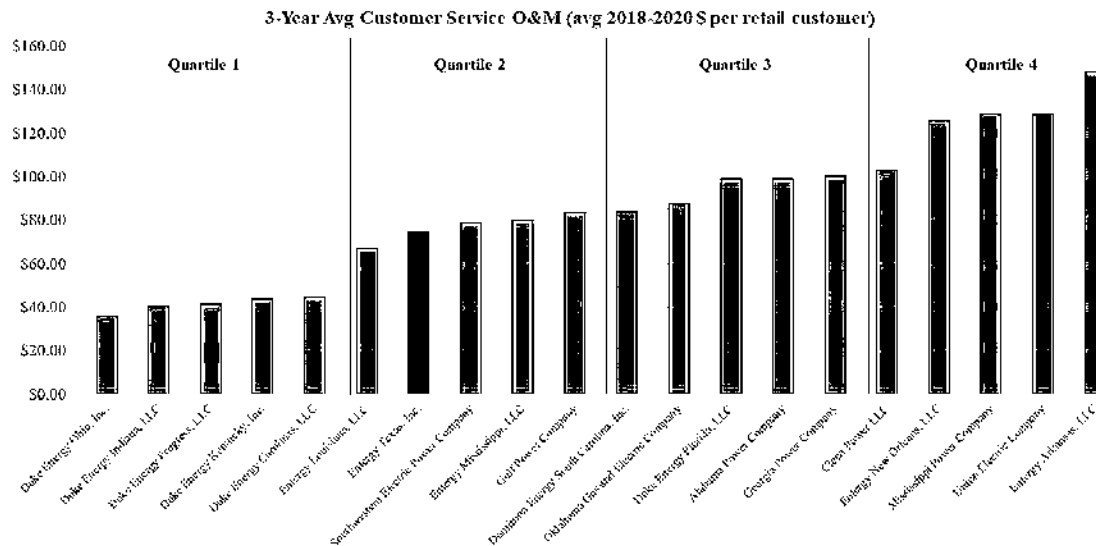
A primary source for benchmarking data for overall customer service costs reported by 20 southern U.S. electric operating companies for 2018 through 2020. ESL prepared this analysis based on publicly available Federal Energy Regulatory Commission ("FERC") Form 1 data. As mentioned, for ETI, the numbers include

both affiliate and non-affiliate expenses. The peer group is made up of investor-owned utility operating companies with similar geographical, economic, and customer demographics as ETI. ESL reviews and updates this list annually as conditions change (e.g., acquisitions or holding company reorganizations).

Q56. WHAT DOES THE RETAIL OPERATIONS CLASS BENCHMARKING SHOW?

A. Based on the FERC Form 1 data described above, Figure 1 shows that ETI is in the 2nd Quartile in cost per customer for customer service related-expenses relative to the 19 other companies in the survey.⁶

Figure 1: 2018-2020 Customer Service FERC Benchmarking with Peers
Cost (\$) per Customer



⁶ In benchmarking, a lower numbered quartile is generally considered better than a higher numbered quartile.

1 Q57. IN ADDITION TO THE FERC FORM 1 DATA, DID YOU USE OTHER
2 EXTERNAL COMPARISONS TO ASSESS THE RELATIVE COST AND
3 EFFECTIVENESS OF THE RETAIL OPERATIONS CLASS?

4 A. Yes, I also used the First Quartile benchmarking study discussed earlier to assess
5 the relative cost and effectiveness of CCCs.

6

7 Q58. BASED ON THE ABOVE, DO YOU CONCLUDE THAT THE COSTS OF
8 THE RETAIL OPERATIONS CLASS REASONABLE AND NECESSARY?

9 A. Yes. Costs for these necessary services were kept reasonable as evidenced by the
10 budgeting process, cost controls, and benchmarking via the FERC Form 1 data
11 and the data provided by First Quartile described in this section.

12

13 **E. Summary of Retail Operations Class**

14 Q59. PLEASE SUMMARIZE YOUR CONCLUSION WITH REGARD TO THE
15 RETAIL OPERATIONS CLASS.

16 A. In summary, I conclude that the services provided to ETI under Retail Operations
17 Class as well as the costs for those services are reasonable and necessary. In
18 addition, the application of the billing methodology ensures that the costs
19 allocated to ETI reflect the actual costs of providing the services and are no higher
20 than the prices charged to other affiliates for the same or similar services. As
21 such, ETI should be allowed to recover its affiliate expenses for this class.

III. CONCLUSION

Q60. WHAT IS YOUR CONCLUSION WITH RESPECT TO THE TOTAL COSTS ETI IS SEEKING TO RECOVER RELATED TO THE RETAIL OPERATIONS CLASS?

A. All of these expenses were reasonable and necessary because they included the costs to provide customers with a ready source of information regarding their service, complete transactions and obtain related goods and services that meet their needs. Additionally, costs were kept reasonable through budgeting and process controls, and benchmarking demonstrates these costs' reasonableness.

Q61. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?

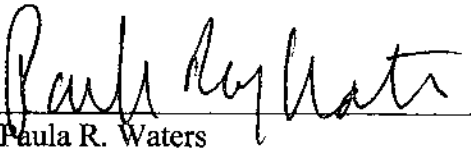
A. Yes. At this time.

AFFIDAVIT OF PAULA R. WATERS

THE STATE OF LOUISIANA)
)
ORLEANS PARISH)

This day, Paula R. Waters the affiant, appeared in person before me, a notary public, who knows the affiant to be the person whose signature appears below. The affiant stated under oath:

My name is Paula R. Waters. I am of legal age and a resident of the State of Louisiana. The foregoing testimony and exhibits offered by me are true and correct, and the opinions stated therein are, to the best of my knowledge and belief, accurate, true and correct.


Paula R. Waters

SUBSCRIBED AND SWORN TO BEFORE ME, notary public, on this the 13th day of June 2022.


Notary Public, State of Louisiana

My Commission expires:

upon my death

JENNIFER B. FAVALORA
Notary Public (ID# 57639)
Orleans Parish, Louisiana
Commission Issued For Life

First Quartile Consulting Group Benchmarking Report

Metric	Data Year	Entergy	Quartile	Mean	Min	1st	2nd	3rd	Max
Total Contact Center Cost Per Account * Commodity	2018	13.43	4th	9.75	*N/A	6.77	8.75	12.49	*N/A
	2019	12.11	3rd	9.99	2.53	6.67	7.48	12.42	21.05
	2020	12.29	4th	9.5	2.35	6.53	7.31	12.09	18.3
Average Speed of Answer (ASA) for Calls Answered by CSR (in seconds)	2018	69	2nd	74	*N/A	29	93	112	*N/A
	2019	43	2nd	77	8	27	92	100	287
	2020	169	4th	96	9	46	85	103	580
Percent (%) of Calls Answered within 30 Seconds (Service Level - SL) (excluding IVR)(including abandoned)	2018	74%	2nd	68%	*N/A	82%	62%	60%	*N/A
	2019	67%	2nd	72%	94%	84%	67%	65%	40%
	2020	58%	4th	93%	93%	79%	69%	64%	54%
Average Handle Time (AHT)(seconds) CSR on call with customer (message, wait, and talk time)	2018	480	2nd	454	*N/A	367	483	523	*N/A
	2019	368	1st	460	291	383	473	508	942
	2020	604	4th	491	296	457	500	525	689

*Vendor did not provide minimum or maximum values

Retail Operations Class Predominant Billing Methods

Billing Allocation Methodology	Basis for Selection of Billing Allocation Methodology
CUSTCALL	For the project codes assigned this billing method, the cost driver is customer calls. An example is project code F3PCR73326, which captures costs in the in-house and outsourced contact centers for providing contact center services to Entergy regulated customers. These contact centers benefit all EOCs. For the project codes that use this billing method, the unit price charged to ETI as a result of the application of this billing method is no higher than the unit price charged to other affiliates for the same or similar service and represents the actual cost of the services. Because the contact centers are operated as one unit with multiple locations, a billing method that charges each EOC based on its allocated costs determined by its percent of total customer calls is appropriate.
CUSEOPCO	For the project codes assigned this billing method, the cost driver is the number of electric customers. An example is project code F5PCLIHPPC. The overall purpose of this project is to capture and manage costs associated with Entergy's system-wide low income initiative, either directly or through advocacy organizations providing such assistance. The primary products or deliverables are communications activities and materials, research, program funding for weatherization, program funding for education, conservation activities, publicity and all other activities required to implement programs to support low-income customer assistance activities in federal and state governments, via credit and collections policies and through donation programs administered by Entergy. Because costs are driven by the number of electric customers, a billing method that allocates costs to each EOC based on the proportion of electric customers in each jurisdiction is appropriate.
CUSTEGOP	For the project codes assigned this billing method, the cost driver is the number of electric and gas customers. An example is project code F5PPICCKML. The overall purpose of this project is to capture and manage communication costs such as educational engagement, direct marketing, creative development, and production to inform regulated utility customers about expected services that provides convenience and ease of effort including online account management, service initiation, PaperFREE option, transaction texting, view outages, outage texting and different alert options that help customers stay informed. Each company benefits in proportion to the number of customers it serves. Because costs are driven by services performed for all regulated customers (electric and gas), a billing method that allocates costs based on the proportion of electric and gas customers in each jurisdiction is appropriate.

See Native Excel file Waters Direct_ Exhibits PRW-A through D.

DOCKET NO. 53719

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

DIRECT TESTIMONY

OF

LESLIE DENNIS

ON BEHALF OF

ENTERGY TEXAS, INC.

JULY 2022

ENTERGY TEXAS, INC.
DIRECT TESTIMONY OF LESLIE DENNIS
2022 RATE CASE

TABLE OF CONTENTS

	<u>Page</u>
I. Introduction	1
A. Qualifications	1
B. Purpose of Testimony	2
II. Customer Service Operations Class of Affiliate Services	4
A. Description of Class	4
B. Overview of Class Costs and Billing Methods	20
C. Reasonableness and Necessity of Class Costs	27
D. Summary of Customer Service Operations Class	38
III. Conclusion	38

EXHIBITS

Exhibit LD-1	Summary of First Quartile Consulting Benchmarking Report
Exhibit LD-2	Customer Service Operations Class Predominant Billing Methods
Exhibit LD-A	Affiliate Billings by Class and Department
Exhibit LD-B	Affiliate Billings by Class and Project
Exhibit LD-C	Affiliate Billings by Class, Department, and Project
Exhibit LD-D	Pro Forma Adjustments to Affiliate Billings

I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Leslie Dennis. My business address is 639 Loyola Avenue,
New Orleans, Louisiana 70113.

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

A. I am employed by Entergy Services, LLC. (“ESL”)¹ as the Director of Meter to
Cash.

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

A. I am testifying on behalf of Entergy Texas, Inc. (“ETT” or the “Company”).

A. Qualifications

Q4. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL AND
PROFESSIONAL QUALIFICATIONS.

A. I hold a Master’s Degree in Business Administration from Lawrence
Technological University and a Bachelor’s Degree in Business Administration –
Management from the University of Michigan. I joined ESL in 2019 and I have a
total of 15 years of experience in the utility industry. I have held several positions
over the course of my career with increasing responsibility ranging from finance
to business operations.

¹ ESL is the services company for the five Entergy Operating Companies (the “EOCs”). The five EOCs are Entergy Arkansas, LLC (“EAL”); Entergy Louisiana, LLC (“ELL”); Entergy Mississippi, LLC (“EML”); Entergy New Orleans, LLC (“ENO”); and ETI.

B. Purpose of Testimony

Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony generally addresses ETT's Customer Service Operations function, also known as the Meter to Cash function, which is responsible for all steps related to billing and payments as well as managing the collection process for nonpayment for electricity delivered to customers' homes and businesses. In Section II, I support ETT's recovery of \$2,470,381 in affiliate charges for the Customer Service Operations class of affiliate services. For purposes of this testimony, I categorize ETT's Customer Service Operations Function operations and maintenance ("O&M") Test Year² affiliate expenses into the following categories: (1) Billing, (2) Credit & Collections ("C&C"), (3) Revenue Assurance ("RA"), and (4) Payment Processing ("PP").

Q6. PLEASE DESCRIBE YOUR RESPONSIBILITIES DURING THE 12 MONTHS ENDING DECEMBER 31, 2021 (THE "TEST YEAR").

A. While serving as the Director of Meter to Cash, I was responsible for the end-to-end processes of customer billing, credit & collections, and payment processing.

Q7. WHY ARE YOU QUALIFIED TO PROVIDE THIS TESTIMONY?

A. I have been responsible for the Meter to Cash group since 2020. I also have 15 years of cross-functional utility experience in utility finance, continuous improvement, and operations.

² The 12 months ending December 31, 2021 is the historical test year for this proceeding (the "Test Year").

1 Q8. FOR THE CLASS OF AFFILIATE CHARGES YOU SUPPORT, PLEASE
2 SUMMARIZE YOUR TESTIMONY.

3 A. I demonstrate that:

- 4 • The services provided by the Customer Service Operations Class are integral
5 to ETI's ability to provide continuous, reliable, safe, adequate, and reasonable
6 electric service; and to ensure operational efficiency;
- 7 • These services are necessary and reasonable as are their associated costs; and
- 8 • The prices charged for ETI for these services are no higher than the prices
9 charged to other affiliates for the same or similar services and represent the
10 actual cost of the services provided.

11

12 Q9. PLEASE SUMMARIZE YOUR TESTIMONY FOR ETI'S OWN O&M TEST
13 YEAR EXPENSES RELATED TO THE CUSTOMER SERVICE FUNCTION.

14 A. I demonstrate that the Customer Service Operations Function O&M costs
15 performed by ETI are reasonable and necessary.

16

17 Q10. WHAT EXHIBITS DO YOU SPONSOR IN YOUR DIRECT TESTIMONY?

18 A. I sponsor the exhibits listed after the Table of Contents at the beginning of my
19 direct testimony.

20

21 Q11. DO YOU SPONSOR OR COSPONSOR ANY SCHEDULES IN ETI'S RATE
22 FILING PACKAGE?

23 A. No.

1 I discuss each of these major business functions in more detail next.

2

3 **1. Billing**

4 Q13. PLEASE BRIEFLY DESCRIBE THE BILLING BUSINESS FUNCTION.

5 A. The Billing business function includes the calculation of customer bills and
6 subsequent presentment of those bills to ETI's customers for payment. Three
7 primary groups are involved in the Billing function: the Mass Customer
8 Accounting Services ("MCAS") group, the Large Customer Accounting Services
9 ("LCAS") group, and the Business Services Operational Support ("BSOS")
10 group.

11

12 Q14. PLEASE DESCRIBE THE MCAS AND LCAS GROUPS.

13 A. The MCAS group provides billing and billing-related services to ETI's and the
14 other Entergy Operating Companies' ("EOCs") customers. This group supports
15 approximately three million residential, governmental, and small
16 commercial/industrial customers.

17 The LCAS group provides this same type of billing services for large
18 commercial/industrial and wholesale/co-owner customers. Approximately 363
19 ETI accounts are billed by the LCAS Department.

20 The billing activities include completion of account set-up and
21 maintenance functions; resolution of billing edits; billing analysis to address
22 customer inquiries and account corrections; contract interpretation,
23 administration, and compliance from a billing perspective; implementation of rate

1 and regulatory changes; performance reporting; analytical review for purposes of
2 determining demand and energy usage trends; and recommendations for billing
3 system improvements.

4

5 Q15. ARE THESE MCAS AND LCAS SERVICES NECESSARY FOR ETI'S
6 OPERATIONS?

7 A. Yes. These services are necessary to prepare timely and accurate monthly bills
8 for ETI customers.

9

10 Q16. WHAT OBJECTIVE EVIDENCE SUPPORTS YOUR OPINION THAT THESE
11 MCAS AND LCAS SERVICES ARE EFFECTIVE?

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

15 Billing accuracy is a measure that encompasses both MCAS and LCAS
16 customers. A billing error is counted if a customer receives an invoice with
17 “Corrected Bill” in the “Important Messages” section of the invoice for residential
18 customers. The trend of billing accuracy for ETI and the Entergy system over the
19 past four years is shown in Table 1. The EOCs’ billing accuracy was impacted in
20 2020 by system constraints and rate changes in other EOCs. In 2021, the billing
21 accuracy for ETI was impacted by a temporary software issue that has been
22 resolved. Billing accuracy was also affected by some challenges during various
23 system upgrades that began in 2019. In 2021, ESL launched an effort to optimize

the network and to implement process improvements, which have begun to improve ETI's billing accuracy rate and cost performance.

The EOCs' billing accuracy was in the 3rd quartile for the 2021 benchmark year, as shown in Summary of First Quartile Consulting Benchmarking Report (Exhibit LD-1). Although ETI billing accuracy is not reported separately in the benchmark data, it would have also been in the 3rd quartile for the Test Year.

Table 1: Billing Accuracy

	2018	2019	2020	Test Year
EOCs	99.88%	99.81%	98.99%	99.24%
ETI	99.88%	99.82%	99.74%	99.33%

Q17. PLEASE DESCRIBE THE BSOS GROUP.

A. The BSOS group is responsible for the production and mailing of the EOCs' customer bills and disconnect notices. Specifically, it manages the bill production program, which provides the printing and mailing of all customer bills. It also manages the internet billing presentment and payment program. These programs allow residential customers the capability to receive and pay their electric bills online. BSOS also manages the electronic data interchange program, which provides the capability for large industrial and retail chain customers to receive and pay bills electronically via ESL's Electronic Data Interchange program.

Q18. ARE THE BSOS SERVICES NECESSARY FOR ETI'S OPERATIONS?

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

1 functions, and the online/electronic billing functions.

2

3 Q19. WHAT OBJECTIVE EVIDENCE SUPPORTS YOUR OPINION THAT THESE
4 BSOS SERVICES ARE EFFECTIVE?

5 A. The effectiveness of the BSOS group is reflected in the “same day mail”
6 performance metric, which measures the percentage of bills that are mailed on the
7 same day they are printed. ETI’s “same day mail” performance metric has been
8 at 100% since 2016.

9

10 Q20. DID THE SERVICES PROVIDED BY THE BILLING BUSINESS FUNCTION
11 DUPLICATE SERVICES PROVIDED BY OTHER CLASSES OF AFFILIATE
12 SERVICES OR BY DEPARTMENTS WITHIN ETI?

13 A. No. Although both ESL and ETI employees were involved in billing activities,
14 the employees did not perform the same activities. The cost for these ESL
15 activities was captured in various project codes that were available only to ESL
16 employees. ETI employees did not charge to these project codes and did not
17 duplicate any of the activities performed by ESL employees.

18

19 **2. Credit and Collections (“C&C”)**

20 Q21. PLEASE BRIEFLY DESCRIBE THE CREDIT AND COLLECTIONS
21 BUSINESS FUNCTION.

22 A. The C&C business function includes the work processes related to the extension
23 of credit to customers, the management of active accounts-receivable, and the

1 collection of delinquent or written-off accounts.

2 All requests by new or existing residential customers to turn on electric
3 and gas service, turn off service, or transfer service from one location to another
4 are handled by Call Center Representatives (“CCRs”) trained to take service
5 initiation calls. CCRs also respond to customers who request to have their service
6 reconnected after disconnection for non-payment or customers who wish to
7 receive an extension of their next bill’s due date. CCRs use C&C-administered
8 policies and procedures as a guide for these activities.

9

10 Q22. WHAT ACTIVITIES ARE PERFORMED BY C&C?

11 A. C&C is responsible for maintaining ETI and the other EOCs’ customer service
12 application process, tools for positive identification of applicants, system settings
13 for the non-pay disconnect process, and the administration and maintenance of
14 protected accounts. In addition, C&C is responsible for bankruptcy
15 administration, surety administration, security deposits, credit analysis, and
16 collections activities for final and written-off accounts.

17

18 Q23. PLEASE PROVIDE FURTHER DETAIL REGARDING BANKRUPTCIES,
19 SURETIES, AND SECURITY DEPOSITS.

20 A. C&C responds to customer bankruptcy filings by preparing account information
21 to defend ETI’s claims for payment. This group also takes any account action
22 necessary to comply with bankruptcy court orders. The group manages non-
23 monetary deposits, such as surety bonds and letters of credit, making certain that

1 they are available for payment of final bills as necessary and that the instruments
2 are current as renewal dates approach. Credit analysis work is performed with
3 large non-residential customers to ensure that proper security deposits are
4 maintained.

5
6 Q24. WHAT COLLECTIONS ACTIVITIES ARE PERFORMED BY C&C?

7 A. C&C employees oversee collections activities that focus on debtor location and
8 take collection action to recover written-off monies. Outside collection agents
9 also pursue delinquent accounts. As a part of recovering written-off debts, C&C
10 employees place derogatories on credit files with credit reporting bureaus. Credit
11 files are updated when collection efforts succeed.

12
13 Q25. PLEASE DESCRIBE THE ACTIVITIES REGARDING THE CUSTOMER
14 APPLICATION PROCESS.

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

19
20 Q26. WHAT ACTIVITY DOES C&C PERFORM IN THE DISCONNECT PROCESS
21 FOR CUSTOMERS WHO HAVE NOT PAID THEIR BILLS?

22 A. C&C personnel oversee the disconnect for non-payment process by managing
23 system settings that determine eligibility for such collection action. Customers

1 are notified of the disconnect for non-payment process within the regulatory
2 guidelines. The group then monitors disconnection to ensure customers'
3 disconnect orders for non-payment are processed.

4 An analysis is performed multiple times a week to ensure that accounts
5 needing to be disconnected are done so within a timely manner. This is intended
6 to ensure that disconnect orders are processed within three days unless there are
7 moratorium events, including heat/cold advisories and severe weather events such
8 as hurricanes. Compliance with these measures is an important part of managing
9 write-off of losses, as prompt disconnect order completion reduces the balance
10 due on such accounts. The C&C group works closely with the Advanced Meter
11 Operations Center group and ETI employees who perform the Meter Services
12 function within the Distribution Operations organization to monitor the
13 disconnection process.

14
15 Q27. WHAT ACTIVITIES DOES C&C PERFORM RELATED TO PROTECTED
16 ACCOUNTS?

17 A. Protected accounts are excluded from the normal collection process to avoid
18 interruptions of service. They include locations where customers have stated that
19 medical conditions exist, as well as other special accounts such as traffic signals
20 and water wells. Employees process customer and/or physician correspondence
21 related to the presence of medical conditions to qualify the customer for protected
22 status. Databases are updated to ensure that records are available to support ETI's
23 service restoration efforts during outages. Protected accounts are still subject to

1 disconnect for non-payment. However, special care is taken before the accounts
2 are disconnected. Given that protected accounts are exempt from automated
3 collection processes, the C&C group reviews account status reports to ensure that
4 these delinquent protected accounts receive appropriate collections treatment.

5
6 Q28. ARE THESE TYPES OF C&C SERVICES REASONABLE AND NECESSARY
7 FOR ETI'S OPERATIONS?

8 A. Yes. ETI needs these services to control costs from losses due to uncollectible
9 accounts. Because electric utility service is provided in advance of billing, ETI
10 must undertake prudent credit and collections practices to control losses, without
11 placing an undue burden on customers. Table 2 shows the write-off results during
12 2018 through 2020 and the Test Year. During 2020 and the Test Year, there were
13 substantial changes in ETI's collection process due to the moratorium on
14 disconnections due to the COVID-19 pandemic. To effectuate the moratorium,
15 ETI offered deferred payment arrangements that extended up to 12 months. In
16 2021, ETI returned to normal credit practices and experienced higher write-offs
17 than has been experienced historically. To date in 2022, ETI's deferred plans and
18 arrears amount have started to normalize.

19 **Table 2: Net Write-Off as a Percentage of Revenue**

	2018	2019	2020	Test Year
EOCs	0.23%	0.20%	0%	0.89%
ETI	0.22%	0.16%	0%	0.68%

1 Q29. DO YOU HAVE ANY OBJECTIVE EVIDENCE THAT SUPPORTS YOUR
2 OPINION THAT THE C&C SERVICES ARE EFFECTIVELY PERFORMED?

3 A. Yes. In the Summary First Quartile Consulting Benchmarking Report
4 (Exhibit LD-1) results show that the combined EOCs rank in the 1st quartile of
5 participating utilities with respect to Credit Office expense per customer, and in
6 the 1st quartile for bad debt expense as a percentage of total revenue. These
7 measures are strong indicators of the effectiveness of the EOCs' C&C function.
8

9 Q30. PLEASE EXPLAIN WHY UNCOLLECTIBLES AS A PERCENTAGE OF
10 REVENUE ARE RELATIVELY LOW?

11 A. Customers who have a prior debt to an EOC are evident to CCRs as they use the
12 service application process. ETI's customer information system performs
13 searches and identifies matches of applicant and spouse information to that of
14 individuals with uncollected prior debts. Additionally, the EOCs' service order
15 flow provides a positive identification system that utilizes the Experian consumer
16 credit database to establish the identity of the applicant and ensure that
17 appropriate deposits are obtained. An automated deposit increase process is in
18 place for existing customers who require repeated collection treatment, thus
19 improving the ratio of deposit coverage to written-off debts.

20 The EOCs have also improved their completion rate and timeliness when
21 performing non-pay disconnections. Prompt completion of disconnect orders
22 serves to minimize receivable balances and thus keep write-off losses low. The
23 group continues to monitor the nature and volume of extended payment

1 agreements entered into by CCRs.

2 As noted above, during 2020, a moratorium on disconnections was
3 instituted due to the COVID-19 pandemic. While the moratorium was in place,
4 ETI did not discharge any customer's past due balances. After the moratorium
5 was lifted in 2021, ETI returned to normal credit practices. The net write-off as a
6 percentage of revenue increased to a level higher than historically experienced.

7

8 Q31. PLEASE DESCRIBE HOW ETI'S CUSTOMERS BENEFIT FROM THE C&C
9 FUNCTION.

10 A. The cost of uncollectible expense that occurs when customers do not pay their
11 bills is reflected in ETI's base rates. Therefore, ETI customers benefit from
12 driving down the level of uncollectible debt expense. ETI continuously looks for
13 ways to automate manual processes to reduce costs. In addition, ETI proactively
14 looks for ways to engage customers, so they are aware of payment assistance
15 programs. Finally, since C&C is a part of the shared services model the benefits
16 of economies of scale have reduced ETI's costs through better outcomes for
17 contract negotiations for services with outside collection agencies and credit
18 bureaus. In essence, the benefits to ETI's customers are reduced collection
19 expenses, combined with process improvements that continue to reduce losses in
20 written-off accounts.

1 Q32. DID THE SERVICES PROVIDED BY C&C BUSINESS FUNCTION
2 DUPLICATE SERVICES PROVIDED BY OTHER CLASSES OF SERVICES
3 OR BY DEPARTMENTS WITHIN ETI?

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

9

10 **3. Revenue Assurance ("RA")**

11 Q33. PLEASE DESCRIBE THE REVENUE ASSURANCE BUSINESS FUNCTION.

12 A. This group is tasked with identifying sources of lost revenue, including theft of
13 service, billing problems, and equipment failure. RA analyzes accounts and
14 works with other departments in coordinated efforts to identify and correct
15 problems that may lead to lost revenue and ensure that accurate rebilling is carried
16 out. RA is responsible for analyzing actual versus expected usage, determining if
17 a field investigation is required, and facilitating any rebilling or crediting to the
18 customer if necessary.

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

1 data.

2 RA is an ESL-centralized group performing supervisory, work
3 management, and administrative functions in support of the department's
4 operations. The responsibilities include departmental direction, knowledge
5 transfer regarding meters and account analysis, and developing and maintaining
6 reporting systems.

7 RA personnel are responsible for analyzing their assigned accounts,
8 determining if a field investigation is necessary, discussing identified problems
9 with field personnel, following up with the case to ensure the issue has been
10 resolved, and calculating any rebilling or crediting of the customer's account. RA
11 personnel are also responsible for determining the amounts legally collectable;
12 coordinating with appropriate field representatives to correct discrepancies;
13 providing account representatives with detailed information related to the amount
14 of revenue lost and eligible for recovery; and working with investigators and legal
15 on complex theft of service issues.

16

17 Q34. WHY ARE THE RA SERVICES REASONABLE AND NECESSARY?

18 A. RA services are reasonable and necessary for several reasons. First, RA services
19 reduce losses by identifying and correcting problems due to theft, faulty meter
20 equipment, and incorrect billings. Second, RA determines appropriate billings for
21 recovery of legally collectable amounts. Third, RA provides performance
22 tracking and reporting of this information. Fourth, skilled RA employees analyze
23 accounts to ensure metering integrity and correct registration of consumption.

1 Lastly, RA management provides centralized leadership and supervision for the
2 RA organization.

3
4 Q35. WHAT HAVE BEEN THE RESULTS OF THE RA GROUP?

5 A. As seen in Table 3 below, the RA group's efforts continue to result in revenue
6 billed that exceeds the cost of the group. The group has also been successful in
7 proactively identifying tampering and defective meters through various data
8 reports. Table 3 shows the revenue billed per the percentage of department
9 expense for the combined EOCs and ETI. For example, during the Test Year,
10 ETI billed \$1.34 million with a department expense of 9% against the invoiced
11 amount. There was a significant increase in the amount of revenue billed in 2021
12 at ETI and the combined EOCs due to business process improvements along with
13 the use of the advanced metering technology to increase monitoring of
14 unaccounted-for usage.

15 **Table 3: Revenue Assurance Effectiveness**

	2018	2019	2020	Test Year
EOC billed	\$5.90M	\$4.32M	\$4.91	\$6.71M
EOC dept % of cost against billed	14.0%	17.0%	16.4%	12.4%
ETI billed	\$0.49M	\$0.55M	\$0.46M	\$1.34M
ETI dept % of cost against billed	24.4%	19.5%	25.3%	9.0%

16 Q36. WHAT ADDITIONAL EVIDENCE SUPPORTS YOUR OPINION THAT RA
17 SERVICES ARE EFFECTIVE?

18 A. During the Test Year, RA identified 5,928 accounts and billed \$6.71 million for
19 the EOCs, which included 895 accounts identified and \$1.34 million billed for
20 ETI.

1 Q37. DID THE SERVICES PROVIDED BY THE RA BUSINESS FUNCTION
2 DUPLICATE SERVICES PROVIDED BY OTHER CLASSES OF SERVICES
3 OR BY DEPARTMENTS WITHIN ETI?

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

9

10 **4. Payment Processing ("PP")**

11 Q38. PLEASE DESCRIBE THE PAYMENT PROCESSING BUSINESS FUNCTION.

12 A. This group is responsible for managing all utility-related payments on the
13 customers' utility accounts. The Payment Processing core functions include
14 posting and overseeing all digital and mail-in payments that are made by, or on
15 behalf of, the customers. PP activities include updating customers' utility
16 accounts to reflect all applicable payment-related returns and adjustments, which
17 are manual in nature. Additionally, PP manages all payment-related research,
18 customer correspondence, AutoPay enrollment requests, and various reporting
19 activities, including identification of all collected utility funds by Operating
20 Company for proper funds transfer.

21 PP is also responsible for maintaining and improving payment channel
22 options for customers, which includes working directly with third-party payment
23 processors on contract terms and maintaining agreed-upon service levels.

1 Finally, when necessary, the Payment Processing team provides oversight and
2 conducts testing on all payment systems and applications to ensure proper
3 functionality so all payment credits are successfully reflected on ETI customers'
4 utility accounts.

5 These Payment Processing functions are necessary to ensure customers'
6 utility payments are posted accurately and are applied timely to customers' utility
7 accounts to avoid late fees, service disruption, or disconnection.

8
9 Q39. ARE THE PAYMENT PROCESSING SERVICES NECESSARY FOR ETI'S
10 OPERATIONS?

11 A. Yes. These services are necessary to post timely and accurate payments to ETI
12 customer's accounts.

13
14 Q40. WHAT OBJECTIVE EVIDENCE SUPPORTS YOUR OPINION THAT THESE
15 PAYMENT PROCESSING SERVICES ARE EFFECTIVE?

16 A. As set out in Table 4 below, the effectiveness of the PP group is reflected in their
17 performance metric, which measures the percentage of payments processed
18 accurately and on time, along with the minimum cost it takes to process each
19 payment. For example, during the Test Year, the performance metrics were
20 99.9% for payments processed accurately, 100% of all digital payment posted
21 same-day, and 98.3% of all mailed-in payments posted same-day of receipt, with
22 a cost of \$0.05 per payment processed. During 2020 and the Test Year, there was
23 a derogation in the percentage of mailed-in payments posted same day, due to two

contributing factors: the staffing shortage during the COVID-19 pandemic and a delay in processing mailed-in payments after major flooding in the areas during hurricane season.

Table 4: Payment Processing Performance Metrics

	2018	2019	2020	Test Year
% payment processed accurately	99.9%	99.9%	99.9%	99.9%
% digital payments posted same day	100%	100%	100%	100%
% mailed-in payments posted same day	100%	100%	98.3%	98.3%
\$ per payment processed	\$0.07	\$0.07	\$0.07	\$0.05

Q41. DID THE SERVICES PROVIDED BY THE PAYMENT PROCESSING BUSINESS FUNCTION DUPLICATE SERVICES PROVIDED BY OTHER CLASSES OF SERVICES OR BY DEPARTMENTS WITHIN ETI?

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

B. Overview of Class Costs and Billing Methods

Q42. WHAT IS THE TOTAL ETI ADJUSTED AMOUNT FOR THE CUSTOMER SERVICE OPERATIONS CLASS OF SERVICES?

A. The requested amount of affiliate charges under the Customer Service Operations Class that I support recovery of is \$2,470,381. This amount, referred to as the “Total ETI Adjusted” amount in corresponding exhibits, consists of the total affiliate charges to ETI associated with the Customer Service Operations Class

during the Test Year subject to certain exclusions and adjustments explained below or in the testimony of other witnesses identified below. ESL bills ETI directly for some of these charges and allocates others, which I explain in more detail below as well. My alpha exhibits (LD-A, LD-B, LD-C, and LD-D) present this information and Table 5 summarizes it.

Table 5: Customer Service Operations Class Total ETI Adjusted Amount

		Total ETI Adjusted		
	Total Billings	Amount	% Direct	% Allocated
Customer Service Operations	\$19,453,846	\$2,470,381	2%	98%

Q43. PLEASE DESCRIBE THE EXHIBITS THAT SUPPORT THE INFORMATION INCLUDED IN TABLE 5.

A. Attached to my testimony are three exhibits showing the Customer Service Operations Class affiliate costs and the calculation of the total adjusted amount for which ETI seeks recovery. In Exhibit LD-A, the information shows the Customer Service Operations Class broken down by the departments providing services in this class. Exhibit LD-B shows the class costs broken down by project code and shows the billing method assigned to each project code. Exhibit LD-C shows the class costs broken down by department, billing method, and by project code.

For an explanation of Columns A through H on these exhibits, please refer to Ryan Dumas's direct testimony. Mr. Dumas also describes the calculations that take the dollars of support services in Column A to the Total ETI Adjusted figures shown in Column H.

Exhibit LD-D is a summary of the proforma adjustments broken down by

1 billing method and project code. For an explanation of the proforma amounts in
2 exhibit LD-D, please refer to the direct testimony of the sponsoring witnesses
3 listed in that exhibit, Mr. Bobby Sperandeo and Ms. Allison Lofton.

4
5 Q44. WHO ADDRESSES THE EXCLUSIONS REFLECTED IN EXHIBITS LD-A,
6 LD-B, AND LD-C?

7 A. Mr. Dumas discusses these exclusions in his direct testimony.

8
9 Q45. WHAT ARE THE MAJOR COST COMPONENTS OF THE CHARGES TO ETI
10 FOR THE CUSTOMER SERVICE OPERATIONS CLASS?

11 A. The major cost components of the charges to ETI for the Customer Service
12 Operations Class are as follows:

13 **Table 6: Customer Service Operations Class – Major Cost Components**

Cost Component	Cost (\$)	% of Total
Outside Services	1,352,593	55%
Payroll and Employee Costs	919,755	37%
Service Company Recipient	146,677	6%
Office and Employee Expenses	32,330	1%
Other	19,026	1%
Total	\$2,470,381	100%

14 Q46. WHAT IS THE SIGNIFICANCE OF THESE COST CATEGORIES?

15 A. These major cost components reflect an alternative view of the costs in the
16 Customer Service Operations Class. Other ETI witnesses support the necessity
17 and reasonableness of the types of costs in these components, thus providing
18 additional support for the costs in the Customer Service Operations Class. For
19 instance, the largest cost component of the Customer Service Operations Class of

1 services is Outside Services Cost (55%). Outside Services Costs pertain to
2 services provided by non-Entergy employees and firms, such as outside
3 consultants and vendors. For the Payroll and Employee Costs, Jennifer Raeder
4 supports the reasonableness of employee compensation-related costs, which
5 supports this category of costs in the Customer Service Operations Class.

6 The Service Company Recipient component (6%) includes information
7 technology services, which are services that ESL provides to itself, are in turn
8 allocated to ETI and the other EOCs that receive ESL services. Mr. Dumas, who
9 explains the shared services loading process, and the witnesses who support the
10 types of costs reflected in the shared services loader, bolsters this category of
11 costs in the Customer Service Operations Class.

12 Office and Employee Expenses (1%) covers costs of maintaining
13 workspaces, office supplies, business travel, etc. Workspaces and office supplies
14 are primarily addressed by Ms. Renton, and Mr. Sperandeo supports the employee
15 business travel and expense processes and, thus, they provide secondary support
16 for this category of costs in this class. The remaining costs consist of other
17 expenses.

18

19 Q47. HOW ARE THE COSTS OF THIS CLASS OF SERVICES BILLED TO ETI?

20 A. As with all classes of ESL charges, the Customer Service Operations Class costs
21 are both direct billed and allocated to affiliates. Of the \$2,470,381 Total ETI
22 Adjusted amount for this class, \$37,208 (2%) was directly billed to ETI and
23 \$2,433,174 (98%) was allocated to ETI.

1 Direct-billed costs are fully assigned to a single affiliate, such as ETI.
2 Allocated costs are billed to two or more affiliates based on the cost-causative
3 driver of the services provided by ESL. As Mr. Dumas explains, project codes
4 are utilized to capture ESL costs. All ESL costs are billed to one or more project
5 codes. Each project code is assigned a billing method, which is the mechanism
6 for ensuring that the costs captured are billed to the correct entity and that the
7 amount billed—either directly or by way of an allocation—is accurate.
8 Exhibits LD-B and LD-C show all of the costs included in the Customer Service
9 Operations Class of affiliate services, broken down by project code and the billing
10 method associated with each project code.

11 Only one billing method is assigned to each project code. All
12 organizations performing work directly associated with a project bill to a single
13 project code. The billing method is selected based on the cost causative driver.
14 Because only one billing method is assigned to a project code, the process ensures
15 that the amount billed to ETI is at a rate no higher than the rate charged to other
16 affiliates for the same or similar services and represents the actual cost of the
17 services.

18

19 Q48. DO THE EMPLOYEES PROVIDING CUSTOMER SERVICE OPERATIONS
20 CLASS SERVICES HAVE ANY INVOLVEMENT IN THE PROCESS OF
21 SETTING UP PROJECT CODES AND DETERMINING BILLING
22 METHODS?

23 A. Yes. Employees providing Customer Service Operations Class services set up the

1 project codes for their area of responsibility and make the initial determination
2 which billing methods are appropriate to assign expenses to those project codes.
3

4 Q49. WHAT CONTROLS EXIST TO ENSURE THAT THE APPROPRIATE
5 PROJECT CODE IS USED?

6 A. A project code for affiliate billing purposes, including the billing method assigned
7 to that code, must be approved by several levels of authority before it is
8 implemented. In addition, all projects are subject to internal auditing.
9

10 Q50. WHAT WERE THE PREDOMINANT BILLING METHODS USED FOR THE
11 CUSTOMER SERVICE OPERATIONS CLASS OF SERVICES?

12 A. For the Test Year, the predominant billing methods used for the Customer Service
13 Operations Class were CUSTEGOP and CUSEOPCO. These two billing
14 methods accounted for 92% of the Total ETI Adjusted costs for the Customer
15 Service Operations Class.

16 These billing methods are appropriate because they are based on cost
17 causation principles. For a detailed explanation of these predominant billing
18 methods and why they are appropriate for the project codes to which they are
19 assigned, please refer to Exhibit LD-2.

1 Q51. YOU HAVE ADDRESSED THE 92% OF THE TOTAL ETI ADJUSTED
2 COSTS ASSOCIATED WITH THIS CLASS. PLEASE ADDRESS THE
3 REMAINING 8%.

4 A. A number of billing methods were used for the remaining 8% of Total ETI
5 Adjusted costs associated with this class. The project codes and billing methods
6 used for the remaining 8% of such costs are provided in Exhibits LD-B and
7 LD-C.

8

9 Q52. HAVE YOU DETERMINED THAT THE APPROPRIATE PROJECT CODES
10 AND BILLING METHODS HAVE BEEN USED FOR THE REMAINING 8%
11 OF TOTAL ETI ADJUSTED COSTS ASSOCIATED WITH THIS CLASS?

12 A. Yes. I have reviewed the project codes and associated billing methods used for
13 the remaining 8% of the Total ETI Adjusted costs associated with this class and
14 they are reasonable. The costs associated with the remaining billing methods are
15 consistent with and reflect the services captured in each respective project code.
16 The unit price charged to ETI as a result of the application of these billing
17 methods is no higher than the unit price charged to other affiliates for the same or
18 similar service and represents that actual cost of the services.

19

20 Q53. HAVE YOU REACHED A CONCLUSION ABOUT THE MANNER ESL
21 BILLS ETI FOR THE CUSTOMER SERVICE OPERATIONS CLASS OF
22 AFFILIATE SERVICES?

23 A. Yes. As Mr. Dumas explains, each project code has only one billing method,

1 selected based on cost causation. While several organizations could bill to a
2 single project code, the billing method for that project code remains the same.
3 This ensures that the unit price charged to ETI for the services is no higher than
4 the unit price charged other affiliates for the same or similar services and
5 represents the actual cost of the services.

6
7 **C. Reasonableness and Necessity of Class Costs**

8 Q54. ARE THE COSTS OF THE CUSTOMER SERVICE OPERATIONS CLASS
9 REASONABLE AND NECESSARY?

10 A. Yes. The costs related to the Customer Service Operations Class are reasonable
11 and necessary, as demonstrated by the budgeting process, cost controls, and
12 benchmarking discussed below. Notably, by having Customer Service Operations
13 centralized, ETI is able to benefit from economies of scale and lower costs for
14 these reasonable and necessary services. Specifically, if ETI had its own stand-
15 alone Customer Service Operations group, it would incur significant costs for the
16 full-time employees to handle the essential tasks provided by the four business
17 functions comprising the Customer Service Operations Class.

18
19 Q55. HOW HAVE THE CUSTOMER SERVICE OPERATIONS CLASS COSTS
20 ASSIGNED TO ETI TRENDED OVER THE PERIOD OF 2018 TO THE TEST
21 YEAR (2021)?

22 A. Table 7 shows the total affiliate O&M charges to ETI for Customer Service
23 Operations costs for 2018-2020 and the Test Year.

Table 7: Customer Service Operations Class Cost Trends

Customer Service Operations	2018	2019	2020	Test Year
Total ETI Charges	\$1,715,144	\$1,704,124	\$1,614,334	\$2,470,381

*Note: Cost Trends were adjusted to remove Corporate Aviation costs, Nuclear department costs, Gas department costs, and other non-ratemaking items.

Q56. PLEASE EXPLAIN THIS TREND.

A. From 2018 to 2020, ETI continued to leverage economies of scale using a shared services model, which enabled incremental cost reductions year over year. In the Test Year, there were two significant changes that increased costs: 1) the PP group was incorporated, which accounts for \$314,189; and 2) increased costs in the amount of \$880,882 were incurred to conduct a deep dive into the end-to-end processes to reduce billing delays that occurred due to system constraints. The costs were partially offset by reduced credit and collection contracting costs, which were driven by the moratorium on disconnections.

Q57. DOES THE CUSTOMER SERVICE OPERATIONS CLASS EMPLOY A BUDGET PROCESS TO CONTROL COSTS?

A. Yes. Each department included within the Customer Service Operations Class is assigned responsibility for specific work processes. Each year, the departments prepare a budget by reviewing historical activity levels for each work process and by developing an estimate for activity levels projected for the budget period. In an effort to reduce budget requirements, work reduction enabled by automation and centralization efforts is considered when estimating future activity levels. Cost savings and spending reduction goals are put into place during the budget process. Dollars are allocated for these activities based on the type of cost, such

1 as employee salaries, outside services, and office expenses. To ensure that
2 requested budgets are within reason, a management review is undertaken to
3 compare totals with prior performance and benchmarking data of other utilities
4 providing similar core services.

5
6 Q58. HOW IS THIS REVIEW USED TO ENSURE THAT THE COSTS
7 ASSOCIATED WITH THESE SERVICES ARE REASONABLE?

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

14
15 Q59. HOW DO THESE CONTROLS AND PROCESSES TIE TO UPPER LEVEL
16 MANAGEMENT'S REVIEW AND MONITORING OF THE COSTS
17 ASSOCIATED WITH CUSTOMER SERVICE OPERATIONS BUSINESS
18 FUNCTIONS?

19 A. The reports described above allow management to identify potential cost issues
20 and take necessary remedial action to avoid significant unfavorable budget
21 variances. Senior management depends on these direct reports to achieve overall
22 business objectives. Improved customer service, a safe work environment,
23 compliance with regulatory requirements, and reduced costs are the cornerstones

1 of success for the Customer Service Operations Class of services.

2

3 Q60. ARE THE CUSTOMER SERVICE OPERATIONS CLASS EMPLOYEES
4 HELD ACCOUNTABLE FOR DEVIATIONS FROM THE BUDGET?

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

8

9 Q61. HOW DO THESE COST CONTROLS AND PROCESSES HELP TO ENSURE
10 THAT THE COST OF CUSTOMER SERVICE OPERATIONS BUSINESS
11 FUNCTIONS IS REASONABLE?

12 A. In addition to managing actual costs against budgeted amounts, tracking costs and
13 performance allows management to compare expenditures with other electric
14 utilities. For example, in the C&C function, performance results such as gross
15 write-offs as a percentage of revenue and net write-offs as a percentage of
16 revenue, are common metrics that facilitate comparison among electric utilities.
17 Any variance to peer utilities in any cost or quality metric is reviewed closely to
18 determine whether the difference is due to reporting differences or other
19 reasonable factors.

1 Q62. IN ADDITION TO THESE CONTROLS AND PROCESSES, WHAT OTHER
2 MECHANISMS HAS ENTERGY IMPLEMENTED TO ENSURE THAT THE
3 COSTS OF THE CUSTOMER SERVICE OPERATIONS CLASS OF
4 SERVICES PROVIDED TO ETI ARE REASONABLE?

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

10
11 Q63. WHAT OBJECTIVE EVIDENCE DEMONSTRATES THE CUSTOMER
12 SERVICE OPERATIONS CLASS COSTS ARE REASONABLE?

13 A. Benchmarking data demonstrates that ETI's overall Customer Service Operations
14 Function O&M costs are reasonable. Although the overall Customer Service
15 Operations Function O&M costs reflected in the benchmarking below include
16 both affiliate and non-affiliate costs, the benchmark demonstrates the
17 reasonableness of the affiliate costs because those costs make up a significant
18 portion of the ETI's overall Customer Service Operations O&M expense. ETI
19 uses benchmarking data to compare functional operations and the cost of similar
20 services, as well as to search for best practices for improving the quality and
21 efficiency of customer service. The benchmarking surveys that I discuss are
22 standard types of analyses that a utility operations manager commonly uses to
23 assess the economic and operational efficiency of various operations and

1 activities. The number of participants in each benchmarking study, however, can
2 vary based upon a number of factors such as the existing client list of the
3 organization conducting the benchmarking.

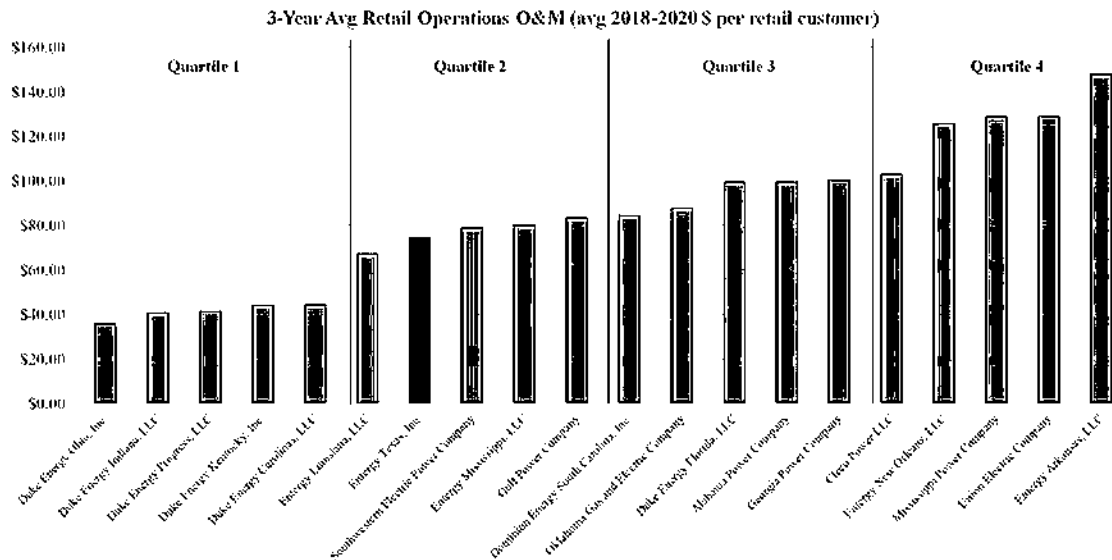
4 A primary source for benchmarking data for overall Customer Service
5 Operations Function is the costs reported by 19 southern U.S. electric operating
6 companies for 2018 through 2020. ESL prepared this analysis based on publicly
7 available Federal Energy Regulatory Commission (“FERC”) Form 1 data. As
8 mentioned, for ETI, the numbers include both affiliate and non-affiliate expenses.
9 The peer group is made up of investor-owned utility operating companies with
10 similar geographical, economic, and customer demographics as ETI. ESL
11 reviews and updates this list annually as conditions change (e.g., acquisitions or
12 holding company reorganizations).

13
14 Q64. WHAT DOES THE CUSTOMER SERVICE FUNCTION BENCHMARKING
15 SHOW?

16 A. Based on the FERC Form 1 data described above, Table 8 shows that ETI is in the
17 2nd Quartile in cost per customer for customer service-related expenses relative to
18 the 19 other companies in the survey.³

³ In benchmarking, a lower quartile is generally considered better than a higher numbered quartile.

**Table 8: Customer Service FERC Benchmarking with Peers
Cost (\$) per Customer**



Q65. IN ADDITION TO THE FERC FORM 1 DATA, DID YOU USE OTHER EXTERNAL COMPARISONS TO ASSESS THE RELATIVE COST AND EFFECTIVENESS OF THE CUSTOMER SERVICE OPERATIONS CLASS?

A. Yes, I also used the Summary of First Quartile Consulting Benchmarking Report (Exhibit LD-1) study discussed earlier to assess the relative cost and effectiveness of four major business functions reflected in the Customer Service Operations Class, which I discuss in turn below.

Q66. WHAT ARE THE TEST YEAR COSTS FOR EACH OF THE BUSINESS FUNCTIONS WITHIN THE CUSTOMER SERVICE OPERATIONS CLASS?

A. The Test Year costs are broken down by major business functions in Table 9.

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

3 A. ETI outsources its bill printing and mailing function to an outsource partner that
4 specializes in printing/mailing, which allows ETI to leverage the vendor's
5 technology and scale. The vendor has provided quality service, and maintains
6 compliance with a variety of postal regulations, which helps mitigate postal
7 increases by staying in the most favorable postal discount bracket.

8 In addition, a centralized billing function is in a better position to negotiate
9 with vendors for discount rates. For example, as the result of a bill delivery
10 contract amendment to implement a residential bill in color, ESL was given no-
11 cost annual programming and project management charges for bill delivery
12 changes and enhancements. This resulted in approximately \$350,000 in contract
13 savings at ESL in 2021.

14 ETI has also benefited from ESL's four separate paper-free initiatives
15 since the last rate case. ETI has saved approximately \$88,000 annually from
16 these paper-free initiatives, including the Test Year.

17

18 **6. Credit and Collections ("C&C")**

19 Q69. DO YOU HAVE ANY OBJECTIVE EVIDENCE THAT SUPPORTS YOUR
20 OPINION THAT THE COSTS FOR THE C&C SERVICES ARE
21 REASONABLE?

22 A. Yes. As shown in Exhibit LD-1, the Summary of First Quartile Consulting
23 Benchmarking Report results show that the combined EOCs rank in the 1st

1 quartile of participating utilities with respect to Credit Office expense per
2 customer and in the 1st quartile for bad debt expense as a percentage of total
3 revenue. These measures are strong indicators of the effectiveness of the EOCs'
4 C&C function.

5
6 Q70. WHAT OTHER EVIDENCE SUPPORTS THE REASONABLENESS OF
7 THESE COSTS?

8 A. As with Billing, a centralized C&C function benefits ETI because it provides the
9 opportunity to leverage resources to capture economies of scale, such as central
10 management of protected accounts, handling payment assistance agencies, and the
11 arrears and non-payment disconnect process. ETI also benefits from the
12 personnel with specialized skill sets in dealing with bankruptcies, surety
13 administration, and final bill collections. In addition, a centralized function
14 reveals opportunities to automate and streamline processes, such as the final bill
15 and collection process.

16
17 **7. Revenue Assurance ("RA")**

18 Q71. WHAT EVIDENCE SUPPORTS YOUR OPINION THAT THE COST OF THE
19 RA FUNCTION IS REASONABLE?

20 A. First Quartile benchmarking results for 2018 show the combined EOCs have a
21 Billed Lost Revenue Collected Percent of Revenue Assurance Expense of nearly
22 137%. This means that for every dollar spent on RA, approximately \$37.84 is
23 recovered. As shown in Exhibit LD-1, this places the combined EOCs in the 1st

quartile among the companies surveyed. Further, because these expenses are allocated among the EOCs, the cost of the group is less per EOC than if each EOC maintained its own group with its own support personnel. The Summary of First Quartile Consulting Benchmarking Report (Exhibit LD-1) did not provide more recent benchmarking results for this metric. This was likely driven by the moratorium that was in place in 2020 and 2021 where most utility companies were not performing disconnections.

8. Payment Processing (“PP”)

Q72. WHAT EVIDENCE SUPPORTS YOUR OPINION THAT THE PAYMENT PROCESSING FUNCTION IS REASONABLE?

A. The Summary of First Quartile Consulting Benchmarking Report (Exhibit LD-1) results for 2020 show that the companies surveyed have a mean O&M cost per payment processed of \$0.16, with a top quartile cost of \$0.09 for each payment processing. In 2020, the combined EOCs have a cost per payment processed of \$0.07. Therefore, this places the combined EOCs in the top quartile among companies surveyed. Further, because these O&M payment processing expenses are allocated among the EOCs, the cost of the Payment Processing function is lower than it would be if each EOC maintained its own group with its own support personnel.

1 **D. Summary of Customer Service Operations Class**

2 Q73. PLEASE SUMMARIZE YOUR CONCLUSION WITH REGARD TO THE
3 CUSTOMER SERVICE OPERATIONS CLASS.

4 A. In summary, I conclude that the services provided to ETI under the Customer
5 Service Operations class as well as the cost for those services are reasonable and
6 necessary. In addition, the application of the billing methodology ensures that the
7 costs allocated to ETI reflect the actual costs of providing the services and are no
8 higher than the prices charged to other affiliates for the same or similar services.
9 As such, ETI should be allowed to recover its affiliate expenses class.

10
11 **III. CONCLUSION**

12 Q74. WHAT IS YOUR CONCLUSION WITH RESPECT TO THE TOTAL COSTS
13 ETI IS SEEKING TO RECOVER RELATED TO THE CUSTOMER SERVICE
14 OPERATIONS FUNCTION?


15 A. All of these expenses were reasonable and necessary because they included the
16 costs to provide customers with accurate and timely bills for electrical usage and
17 the flexibility of obtaining extensions to payment due dates when needed (with
18 consideration given for risk of write-off). Additionally, costs were kept
19 reasonable through budgeting and process controls, and benchmarking
20 demonstrates these costs' reasonableness.

21
22 Q75. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?

23 A. Yes, at this time.

THE STATE OF LOUISIANA
ORLEANS PARISH

My name is Leslie Dennis. I am of legal age and a resident of the State of Louisiana. The foregoing testimony and exhibits offered by me are true and correct, and the opinions stated therein are, to the best of my knowledge and belief, accurate, true and correct.


Leslie Dennis

SUBSCRIBED AND SWORN TO BEFORE ME, notary public, on this the 17th
day of June 2022.

Shirley Davalora
Notary Public, State of Louisiana

upon my death

JENNIFER B. FAVALORA
Notary Public (ID# 57639)
Orleans Parish, Louisiana
Commission Issued For Life

First Quartile Consulting 2020 Benchmarking Results

Function	Metric	Data Year	Energy	Quartile	Mean	Min	1st	2nd	3rd	Max
Billing	Total Billing Cost Per Account * Commodity	2018	\$6.04	3rd	\$6.62	*N/A	\$5.04	\$5.74	\$7.67	*N/A
		2019	\$6.09	3rd	\$6.02	\$2.43	\$4.96	\$5.30	\$6.33	\$10.46
		2020	\$5.79	3rd	\$6.70	\$2.28	\$4.97	\$5.34	\$7.62	\$20.20
	Total Billing Cost Per Bill	2018	\$0.45	2nd	\$0.62	*N/A	\$0.43	\$0.56	\$0.81	*N/A
		2019	\$0.47	2nd	\$0.56	\$0.37	\$0.43	\$0.48	\$0.70	\$0.87
		2020	\$0.46	2nd	\$0.66	\$0.35	\$0.43	\$0.49	\$0.80	\$2.68
	Bill Accuracy - Percent of Bills Adjusted After Sent To Customer	2018	0.102%	1st	0.329%	*N/A	0.126%	0.208%	0.461%	*N/A
		2019	0.168%	2nd	0.251%	0.006%	0.103%	0.187%	0.294%	0.971%
		2020	0.828%	4th	0.309%	0.006%	0.033%	0.180%	0.495%	1.321%
Credit & Collections	Total Credit & Collections Cost (Office, Field, Outbound Calls, Ex Write-Offs) Per Account * Commodity	2018	\$1.56	1st	\$3.31	*N/A	\$2.13	\$3.17	\$4.11	*N/A
		2019	\$1.78	1st	\$3.71	\$1.22	\$2.43	\$3.65	\$5.01	\$7.53
		2020	\$1.50	1st	\$3.58	\$0.86	\$2.32	\$3.65	\$4.80	\$6.39
	Write-Offs as a Percent of Revenue	2018	0.270%	1st	0.800%	*N/A	0.540%	0.780%	1.140%	*N/A
		2019	0.250%	1st	0.760%	0.070%	0.320%	0.760%	1.100%	2.420%
		2020	0.080%	1st	0.610%	0.080%	0.280%	0.410%	0.830%	1.980%
Revenue Assurance	Revenue Collected Per Revenue Collection Expense	2018	\$37.84	1st	\$5.96	*N/A	\$1.37	\$0.75	\$0.17	*N/A
		2019	Vendor did not provide results to this specific question.							
		2020	Vendor did not provide results to this specific question.							
Payment Processing	Payment Processing Cost per Payment	2018	\$ 0.06	1st	\$0.11	*N/A	\$0.08	\$0.11	\$0.14	*N/A
		2019	\$ 0.04	1st	\$0.12	\$0.04	\$0.07	\$0.10	\$0.17	\$0.25
		2020	\$ 0.07	1st	\$0.16	\$0.02	\$0.09	\$0.13	\$0.18	\$0.48

Billing Allocation Methodology	Basis for Selection of Billing Allocation Methodology
CUSTEGOP	<p>For the project codes assigned this billing method, the cost driver is the number of electric and gas customers. An example is project code F3PCR10360. The overall purpose of this project is to capture and manage costs associated with providing administrative, supervisory, and analytical support to the Customer Accounting Services employees for ETI. Costs are driven by the support provided to the Customer Accounting Services employees at each operating company, which is directly related to the number of electric and gas customers served by each operating company. Each company benefits in proportion to the number of customers it serves. Billing Method CUSTEGOP allocates these costs to the operating companies based on the proportional average number of electric and gas customers served.</p>
CUSEOPCO	<p>For the project codes assigned this billing method, the cost driver is the number of customer payments. An example is project code F3PCR53291. The overall purpose of this project is to capture and manage costs associated with mailed payments and electronic payments for ETI. Costs are driven by the number of electric customer payments in the service areas of all of the Entergy Operating Companies. Therefore, these costs have been allocated under billing method CUSEOPCO, which reasonably reflects the cause of the cost incurred for this service and allocates costs based on the number of Electric Customers only.</p>

See Native Excel file Dennis Direct_Exhibits LD-A through D.

DOCKET NO. 53719

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

DIRECT TESTIMONY

OF

DANIEL T. FALSTAD

ON BEHALF OF

ENTERGY TEXAS, INC.

JULY 2022

ENTERGY TEXAS, INC.
DIRECT TESTIMONY OF DANIEL T. FALSTAD
2022 RATE CASE

TABLE OF CONTENTS

	<u>Page</u>
I. Introduction	1
A. Qualifications	1
B. Purpose of Testimony	2
II. Legal Services Class	4
A. Description of the Legal Services Class	4
B. Reasonableness and Necessity of the Legal Services Class	6
C. Overview of Legal Services Class Costs and Billing Methods	8
D. Reasonableness and Necessity of Legal Services Class Costs	15
E. Summary of Legal Services Class	21
III. Conclusion	22

EXHIBITS

Exhibit DTF-1	Legal Services Department Organization Chart
Exhibit DTF-2	Legal Services Class Predominant Billing Methods
Exhibit DTF-3	Entergy Outside Counsel Policy
Exhibit DTF-A	Affiliate Billings by Class and Department
Exhibit DTF-B	Affiliate Billings by Class and Project Code
Exhibit DTF-C	Affiliate Billings by Class, Department, and Project Code
Exhibit DTF-D	Pro Forma Adjustments to Affiliate Billings

I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Daniel T. Falstad. My business address is 639 Loyola Avenue,
New Orleans, Louisiana 70113.

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

A. I am employed by Entergy Services, LLC (“ESL”), Entergy Corporation’s
centralized service company, as Vice President, Deputy General Counsel, and
Secretary. I am also the Secretary of Entergy Texas, Inc. (“ETI” or the
“Company”).

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

A. I am filing this direct testimony on behalf of ETI.

A. Qualifications

Q4. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
PROFESSIONAL EXPERIENCE.

A. I graduated from Duke University and received a law degree from Yale Law
School in 1985. Following a judicial clerkship, I began practicing corporate and
securities law with a private law firm in Atlanta, Georgia. I then practiced law
with Troutman Sanders LLP, Kilpatrick Stockton LLP, and DLA Piper LLP in

1 Atlanta before joining Entergy¹ in 2009.

2

3 Q5. PLEASE DESCRIBE YOUR RESPONSIBILITIES WITH ESL.

4 A. As Deputy General Counsel, I am responsible for the legal operations and the
5 budget of the ESL Legal Services Department.

6

7 **B. Purpose of Testimony**

8 Q6. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS
9 PROCEEDING?

10 A. I am sponsoring ETI's Legal Services Class² and the associated costs of this class.
11 I will demonstrate that (1) this class of services and its associated costs are
12 reasonable and necessary, and (2) the prices charged to ETI for these services are
13 no higher than the prices charged to other affiliates for the same or similar
14 services and reflect the actual cost of the service.

15 In addition to the above affiliate costs, my testimony also supports non-
16 affiliate legal expenses incurred by ETI during the 12 months ending
17 December 31, 2021 (the "Test Year").

¹ For convenience, I use the term "Entergy" to refer individually and collectively to Entergy Corporation and its affiliates, including but not limited to ESL and the Entergy Operating Companies ("EOCs"). The five EOCs are Entergy Arkansas, LLC; Entergy Louisiana, LLC; Entergy Mississippi, LLC; Entergy New Orleans, LLC; and ETI.

² For administrative efficiency, this class also includes miscellaneous activities to support the Legal Services Department that are not included in other witnesses' testimonies.

1 Q7. WHAT KNOWLEDGE AND EXPERIENCE ENABLE YOU TO TESTIFY IN
2 THIS PROCEEDING CONCERNING THE TEST YEAR LEGAL SERVICES
3 EXPENSES INCURRED BY OR ON BEHALF OF ETI?

4 A. I am responsible for the Legal Services Department budget and, based on that, am
5 familiar with the legal services purchased by ETI, both from internal ESL lawyers
6 and from outside counsel, across practice areas. I have retained and worked with
7 outside law firms all over the United States. As a result, I am also familiar with
8 the rates charged by law firms for various tasks and the rates charged for subject
9 matter experts within a legal specialty. I have knowledge of the various cost
10 controls, billing and allocation methodologies used for the Legal Services
11 Department, and the reasonableness of the costs of our services.

12
13 Q8. PLEASE DESCRIBE HOW THE REMAINDER OF YOUR TESTIMONY IS
14 ORGANIZED.

15 A. Section II of my testimony describes the Legal Services Class of affiliate costs,
16 including the following information: the types of services performed; the
17 reasonableness and necessity of our services; the amount of Test Year expenses
18 billed to ETI; the billing methods employed to ensure that Test Year expenses
19 were reasonable and necessary; how the prices charged to ETI were no higher
20 than the prices charged to the other Entergy affiliates; how the amounts charged
21 reflect the actual cost of the services provided; and the reasonableness of the costs
22 associated with our services. Section II of my testimony also addresses the
23 reasonableness of the non-affiliate legal costs incurred by ETI.

1 Q9. DO YOU SPONSOR ANY EXHIBITS THAT SUPPORT YOUR TESTIMONY?

2 A. Yes. I sponsor or cosponsor the exhibits listed in the Table of Contents to my
3 testimony.
4

5 **II. LEGAL SERVICES CLASS**

6 **A. Description of the Legal Services Class**

7 Q10. PLEASE DESCRIBE THE LEGAL SERVICES CLASS AND THE
8 TESTIMONY SUPPORTING THIS CLASS.

9 A. ETI's Legal Services Class is primarily composed of the Legal Services
10 Department. I provide detailed testimony on the services provided by the Legal
11 Services Department and support the costs of the Legal Services Class detailed in
12 my Exhibits DTF-A through DTF-D as well as ETI's non-affiliate legal expenses.
13

14 Q11. PLEASE DESCRIBE THE SERVICES ETI OBTAINS FROM THE LEGAL
15 SERVICES DEPARTMENT.

16 A. ETI delegates to and directs the services provided to the Company by the Legal
17 Services Department, supplemented, as necessary, by the use of external counsel
18 and consultants. The services cover a wide range of legal matters typically
19 encountered by corporate organizations, and, in particular, those associated with
20 regulated utilities.

21 For example, ETI requests assistance and advice related to regulation by
22 the Public Utility Commission of Texas (the "Commission"), the Federal Energy
23 Regulatory Commission ("FERC"), the Securities and Exchange Commission, the

1 Nuclear Regulatory Commission, state and federal environmental protection
2 agencies, and a range of other state and local regulatory agencies. In addition,
3 ETI requires representation in legal proceedings initiated by or against the
4 Company, which may include commercial disputes, matters involving casualty
5 losses, and a wide range of other legal issues such as those generally encountered
6 by corporations. ETI also requests legal services related to all manner of
7 transactional and commercial matters, financial topics, employment issues, and
8 pension and employee benefits questions.

9
10 Q12. HOW DOES ETI BENEFIT FROM USING THE LEGAL SERVICES
11 DEPARTMENT?

12 A. This approach enables ETI to enjoy the benefits of maintaining in-house legal
13 specialties that, as a smaller corporate entity, the Company would not be able to
14 cost-justify and would therefore have to regularly outsource. Outside attorneys
15 are only used when matters require additional capacity or specialized expertise
16 that is not available in-house. Even in those instances, as further explained below,
17 ETI's in-house lawyers through ESL actively manage the Company's legal needs
18 and the resolution of its legal issues.

19
20 Q13. PLEASE EXPLAIN HOW THE LEGAL SERVICES DEPARTMENT IS
21 ORGANIZED TO MEET ETI'S NEEDS.

22 A. During the Test Year, the department was staffed by approximately 75 attorneys
23 supported by a staff of approximately 80 legal assistants, paralegals, law clerks,

1 analysts, specialists and other support personnel. The department is organized
2 into seven major practice areas: regulatory, corporate transactions/securities,
3 employment/benefits/labor, litigation, FERC, environmental, and nuclear, as
4 shown in Exhibit DTF-1.

5 Currently, two full-time ESL attorneys in Austin devote most of their time
6 to ETI's regulatory and litigation matters, while three attorneys in Beaumont
7 provide legal services for ETI's local operations. This arrangement efficiently
8 addresses the need for ETI's counsel to frequently interact with various staff
9 members of the Commission or local courts, and other parties involved in various
10 regulatory and legal proceedings in Austin and Beaumont.

11 Despite receiving the full benefits of a diverse internal legal group, ETI
12 does not bear the fully loaded costs of the department. The Legal Services
13 Department functions much like a traditional law firm with electronic research
14 capability and access to other support necessities such as data processing, off-site
15 storage, and copying services. In all instances, the cost of attorneys' time and
16 related support and overhead services is directly billed or allocated to ETI based
17 on the nature and scope of the work performed.

18
19 **B. Reasonableness and Necessity of the Legal Services Class**

20 Q14. ARE THE SERVICES YOU SUPPORT NECESSARY AND REASONABLE
21 FOR ETI TO OPERATE AND PROVIDE ELECTRIC SERVICE?

22 A. Yes. These services are necessary because it would be imprudent for a corporate
23 entity as complex as ETI to function without appropriate legal support, advice,

1 and counsel. The protection of the Company's assets and the assertion of its legal
2 rights benefit both customer and shareholder interests in minimizing costs and
3 liabilities while facilitating the efficiency of the Company's operations.

4 For example, in order to provide safe and reliable utility service, the
5 Company must prepare and prosecute regulatory actions on a regular basis. It
6 must also access the capital markets, borrow capital, and issue equity and debt
7 securities in compliance with applicable securities laws and regulations. ETI
8 must defend lawsuits and prosecute claims that arise in the course of business,
9 interpret laws governing the business and its activities, and protect its assets,
10 including intellectual property. It must also acquire rights-of-way and defend and
11 resolve conflicting ownership claims.

12 Similarly, to minimize exposure and risk of loss, ETI must properly
13 handle labor union and overall employee issues, such as benefits coverage,
14 workers' compensation claims, insurance issues, pension matters, and a myriad of
15 other human resources questions. The Company must address environmental
16 questions and applicable laws in the field on a regular basis, and negotiate
17 commercial contracts and other legally sophisticated transactions.

18
19 Q15. ARE THE SERVICES PROVIDED IN THIS CLASS DUPLICATED BY
20 OTHER ENTERGY ORGANIZATIONS SERVING ETI?

21 A. No. For efficiency, ETI delegates to ESL the services provided by the Legal
22 Services Class and does not duplicate these services internally or through another
23 affiliate. Therefore, the services I support are reasonable and necessary to operate

and maintain a viable utility business.

C. Overview of Legal Services Class Costs and Billing Methods

Q16. WHAT IS THE TOTAL AMOUNT OF AFFILIATE LEGAL SERVICES CLASS COSTS THAT YOU SUPPORT?

A. I sponsor the direct and allocated portions of the \$5,084,472 of Legal Services Class affiliate costs shown in Table 1 below. This amount, referred to as the “Total ETI Adjusted” amount in Exhibits DTF-A through DTF-C, consists of the total ESL affiliate charges directly billed or allocated by this class to ETI during the Test Year, subject to certain exclusions or adjustments explained in the testimony of other witnesses identified in Exhibit DTF-D.

Table 1: Legal Services Class – Total ETI Adjusted Amount³

Class	Total Billings	Total ETI Adjusted		
		Amount	% Direct Billed	% Allocated
Legal Services	\$61,830,771	\$5,084,472	54%	46%

Q17. PLEASE DISTINGUISH BETWEEN COSTS THAT ARE “DIRECT BILLED” VERSUS COSTS THAT ARE “ALLOCATED” TO ETI.

A. Whenever appropriate, costs are direct billed to ETI. This means the services performed (and the associated costs incurred) are specific to ETI customers or employees and no other affiliate benefits from these activities. By contrast, costs

³ **Total Billings** is ESL’s total billings to all Entergy companies for the Test Year, plus all other affiliate charges that originated from any Entergy company. This is the amount from Column C of Exhibits DTF-A, DTF-B, and DTF-C. **Total ETI Adjusted** amount is ETI’s cost of service amount after pro forma adjustments and exclusions. **% Direct Billed** is the percentage of the Total ETI Adjusted amount that was billed directly to ETI for the Test Year. **% Allocated** is the percentage of the Total ETI Adjusted amount that was allocated to ETI for the Test Year.

1 are allocated to ETI only when ETI and one or more of the other Entergy affiliates
2 causes such costs.

3

4 Q18. PLEASE DESCRIBE THE EXHIBITS THAT SUPPORT THE LEGAL
5 SERVICES AFFILIATE COST INFORMATION INCLUDED IN TABLE 1.

6 A. Exhibits DTF-A through DTF-C illustrate the calculation of the Total ETI
7 Adjusted amount for the Legal Services Class. Exhibit DTF-A breaks down the
8 amount by the departments comprising the class. Exhibit DTF-B breaks down the
9 same information by project code and the billing method assigned to each project
10 code. Exhibit DTF-C breaks down the information by class, department, billing
11 method, and project code.

12 For a description of Columns A through H in those exhibits and what they
13 represent, please refer to the direct testimony of Ryan Dumas. Mr. Dumas also
14 describes the calculations that take the dollars of support services in Column A to
15 the Total ETI Adjusted numbers shown in Column H.

16

17 Q19. DOES ETI PROPOSE ANY KNOWN AND MEASURABLE ADJUSTMENTS
18 TO THE LEGAL SERVICES CLASS?

19 A. Yes. Exhibit DTF-D lists the known and measurable changes to the Legal
20 Services Class and indicates the witnesses who sponsor these changes.

1 Q20. WHAT ARE THE MAJOR COST COMPONENTS OF THE CHARGES FOR
2 THE AFFILIATE LEGAL SERVICES CLASS?

3 A. Table 2 reflects the major cost components for the affiliate charges in this class:

4 **Table 2: Legal Services Class – Major Cost Components**

Cost Component	Cost (\$)	% of Total*
Payroll and Employee Costs	\$3,707,846	73%
Service Company Recipient	\$543,808	11%
Outside Services	\$489,068	10%
Other	\$253,654	5%
Office and Employee Expenses	\$90,096	2%
Total	\$5,084,472	100%

*Amounts may not sum due to rounding.

5 Q21. WHAT IS THE SIGNIFICANCE OF THESE COST CATEGORIES?

6 A. These cost categories organize the Total ETI Adjusted amount for the Legal
7 Services Class according to the corporate structures and practices that underlie
8 them. Other witnesses address the reasonableness of these costs pursuant to this
9 paradigm. For instance, as Table 2 shows, 73% of the costs are for payroll, and
10 labor-related expenses. Jennifer A. Raeder addresses the employee compensation
11 programs associated with this category of costs in more detail in her testimony.

12 Next, 11% of the costs are associated with “Service Company Recipient,”
13 which are the costs of services performed or contracted by ESL for itself, such as
14 information technology, human resources, and so on. These costs are allocated
15 across all affiliate classes, as explained by Mr. Dumas.

16 Table 2 also shows that 10% of the costs are for “Outside Services”
17 (i.e., contract and consulting work) hired by the Legal Services Class for ESL as

1 contrasted to contract and consulting work secured directly by ETI, which I
2 further address below. These costs reflect professional fees charged by outside
3 counsel and consultants necessary to provide effective legal services.

4 Finally, additional costs consist of: Office and Employee expenses
5 (e.g., paper, postage, other general office expenses, car mileage, local travel
6 expenses, business travel airfare); moving and relocation expenses (e.g., costs to
7 relocate new and/or existing employees to new job locations);
8 telecommunications expenses (e.g., long distance telephone charges, conference
9 calls, cellular phone expenses); and rent expenses for ESL. Costs associated with
10 workspaces and office supplies are primarily addressed by Company witness
11 Dawn Renton, and Mr. Sperandeo supports the employee business travel and
12 expense processes; thus, they provide secondary support for this category of costs
13 in this class.

14
15 **Q22. HOW ARE THE COSTS OF THE AFFILIATE LEGAL SERVICES CLASS**
16 **BILLED TO ETI?**

17 **A.** As further explained by Mr. Dumas, ESL utilizes project codes to capture costs
18 associated with all services performed by ESL personnel and a single billing
19 method associated with each of the project codes to assign or allocate the costs to
20 ETI as an affiliate.

21 Exhibit DTF-B identifies all project codes used to record costs from this
22 class. Legal Services Department project codes are established solely for the
23 purpose of recording costs associated with legal matters and are typically used

1 only by the Legal Services Department.

2

3 Q23. DOES THIS BILLING SYSTEM ENSURE THAT THE PRICE CHARGED TO
4 ETI IS NO HIGHER THAN THE PRICE CHARGED TO OTHER AFFILIATES
5 FOR THE SAME OR SIMILAR SERVICES?

6 A. Yes. As Mr. Dumas explains, only one billing method is assigned to each project
7 code. Several organizations may bill to a single project code, but the billing
8 method for that project code remains the same. A billing method is selected
9 based on cost causation to distribute a discrete percentage of the costs collected
10 under the project code (or the entire amount in the event of direct billing) to the
11 entity or entities receiving service under the code. Further, the project code
12 distributes all costs collected under the project code, meaning the percentages
13 reflected in the billing method sum to 100%. This ensures that no entity is
14 double-billed or over-billed for any amount, and the amount billed to ETI for the
15 services is no higher than the amount charged to other affiliates for the same or
16 similar services and represents the actual cost of the services.

17

18 Q24. HOW DO YOU ENSURE THAT THE PRICE BILLED TO ETI BY THIS
19 CLASS REPRESENTS THE ACTUAL COST OF THE SERVICES
20 PROVIDED?

21 A. As an initial matter, all affiliate services rendered by the Legal Services Class on
22 behalf of ETI and all outside services billed by this class to ETI are billed at cost,
23 just as such services are billed to all other regulated companies. As a result, ETI

1 pays the same “price,” as the other regulated companies, i.e., the cost of such
2 service to ESL. For example, when an in-house attorney’s time is allocated to
3 regulated companies based on the extent to which his or her effort was expended
4 on behalf of those companies, each company pays the same effective hourly rate
5 for that attorney’s time and also pays the same proportionate rate for associated
6 support and overhead services. The same is true of outside services that are
7 allocated to several different companies on behalf of which those services were
8 performed.

9
10 Q25. IS CONTRACT WORK ALWAYS BILLED TO ETI AS AN ESL AFFILIATE
11 EXPENSE?

12 A. No. In addition to being allocated or assigned affiliate costs associated with
13 services performed by or for departments within ESL’s Legal Services Class, ETI
14 can also directly incur non-affiliate expenses. This occurs when ETI contracts
15 directly with outside counsel, under the direction and management of the Legal
16 Services Department, because: (1) the legal or regulatory workload is so
17 substantial that it cannot be adequately handled by the ESL attorneys, and/or
18 (2) the matter at issue is of local or regional interest and benefits only a single
19 operating company. ETI can also contract directly for legal services in
20 circumstances where the case or proceeding involves a particular legal specialty.
21 Typically, these directly incurred costs involve local litigation matters in ETI’s
22 service territory or large regulatory filings and proceedings and may include
23 consultants and experts. In these instances, ETI retains outside counsel to

1 supplement ESL's inside team. When ETI directly retains outside counsel,
2 consultants, or experts, the resulting expense is non-affiliate operation and
3 maintenance ("O&M") expense incurred by ETI.

4 By contrast, ETI incurs affiliate expenses for contract work whenever ESL
5 (not ETI) retains outside counsel, consultants, and experts to assist ESL's in-
6 house counsel with legal proceedings that affect more than one operating
7 company. In those cases, ESL pays the associated professional fees and, as
8 indicated, appropriately allocates the costs among those affiliates that cause the
9 cost and benefit from those services, as explained above.

10

11 Q26. WHAT ARE THE PREDOMINANT TEST-YEAR BILLING METHODS USED
12 FOR THE LEGAL SERVICES CLASS AND WHY ARE THEY
13 APPROPRIATE?

14 A. The following five billing methods account for 89% of the Total ETI Adjusted
15 amount associated with the Legal Services Class in the Test Year: DIRECTTX,
16 PKLOADAL, LVLSVCAL, LBRLEGAL, and CAPAOPCO. As I explain above,
17 direct billing to ETI, which is achieved through the DIRECTTX method, is
18 appropriate when services are performed exclusively for ETI. The remaining
19 methods are appropriate because they are based on cost causation principles. For
20 a detailed explanation of the remaining predominant billing methods and why
21 they are appropriate to the project codes to which they are assigned, please refer
22 to Exhibit DTF-2.

1 Q27. HAVE YOU DETERMINED THAT THE APPROPRIATE PROJECT CODES
2 AND BILLING METHODS HAVE BEEN USED FOR THE REMAINING 11%
3 OF TOTAL ETI ADJUSTED COSTS ASSOCIATED WITH THIS CLASS?

4 A. Yes. I have reviewed each of the project codes and associated billing methods
5 used for the remaining 11% of Total ETI Adjusted costs associated with this class,
6 set forth in my Exhibits DTF-B and DTF-C, and conclude that they are
7 reasonable. The costs associated with the remaining billing methods are
8 consistent with and reflect the services captured in each respective project code.
9

10 Q28. HAVE YOU REACHED A CONCLUSION ABOUT THE MANNER IN
11 WHICH ESL BILLS ETI FOR THE LEGAL SERVICES CLASS OF
12 AFFILIATE SERVICES?

13 A. Yes. The unit cost to ETI as a result of the application of these billing methods is
14 no higher than the unit cost to other affiliates for the same or similar service and
15 represents the actual cost of services.
16

17 **D. Reasonableness and Necessity of Legal Services Class Costs**

18 Q29. ARE THE COSTS FOR THE LEGAL SERVICES CLASS YOU SUPPORT
19 REASONABLE?

20 A. Yes. Based upon my knowledge and experience with the services provided by the
21 Legal Services Department to ETI, and based on the evidence presented in this
22 section, I conclude that the costs of the Legal Services Class are reasonable and
23 necessary. In fact, the services provided can minimize or avoid costs that would

1 otherwise be incurred if ETI did not obtain proper legal support or relied on non-
2 affiliate service providers.

3
4 Q30. PLEASE EXPLAIN HOW THE LEGAL SERVICES CLASS CAN HELP ETI
5 REDUCE OR AVOID COSTS.

6 A. These services can reduce or avoid costs in three main ways. First, if the services
7 were not provided and ETI were to suffer financial losses as a result of not having
8 obtained proper legal support, the overall cost of service would almost certainly
9 be increased, resulting in higher rates for ETI's customers. For example, if a
10 major lawsuit or environmental law challenge went undefended or under-
11 defended, or an important regulatory filing was not made due to lack of proper
12 legal support, ETI could face substantial losses or penalties. Accordingly, the
13 Legal Services Class and its associated costs can minimize overall costs to ETI
14 and its customers.

15 Second, ETI is a claimant in some instances. In other words, it prosecutes
16 claims against others to recover monetary damages that will generally inure to the
17 benefit of customers by decreasing the Company's overall cost of service.
18 However, in order to achieve these benefits, lawyers must be hired to prosecute
19 the claims.

20 Finally, our familiarity with the Company's business and operations
21 increases the efficiency of our resolution of ETI's legal issues. These services, in
22 addition to measures to ensure the reasonableness of their costs, benefit ETI's
23 customers.

Q31. HOW DO YOU DEMONSTRATE THE REASONABLENESS OF ETI'S COSTS ASSOCIATED WITH THE LEGAL SERVICES CLASS?

A. I discuss the following evidence of the reasonableness of ETI's costs for this class:

- trends in costs;
- internal measures employed by the Legal Services Department to control costs;
- benchmarking results; and
- processes to ensure outside counsel fees are reasonably incurred.

Q32. PLEASE DESCRIBE RECENT COST TRENDS FOR THIS CLASS.

A. ESL's total O&M charges to ETI for each of the past three calendar years and the Test Year for this class of services are shown in Table 3 below. These charges have been adjusted to remove Corporate Aviation costs, Nuclear department codes, Gas department codes, and other non-ratemaking items.

Table 3: Legal Services Class Cost Trends

	2018	2019	2020	Test Year
Legal Services	\$4,271,495	\$4,616,168	\$5,768,591	\$5,084,472

Q33. PLEASE EXPLAIN THE VARIATION IN COSTS.

A. As Table 3 illustrates, there was an increase in Legal Services Class costs in 2020, the year prior to the 2021 test year. This increase was related primarily to the unopposed settlement terms of Docket No. 50790, pursuant to which ETI agreed not to seek the recovery of certain legal expenses associated with the transactions at issue in that proceeding. As a result of the unopposed settlement, associated transaction costs (e.g., legal and commercial costs) were reclassified from capital

1 to expense.

2

3 Q34. PLEASE DESCRIBE THE PROCESSES THE LEGAL SERVICES CLASS
4 EMPLOYS TO ENSURE THE REASONABLENESS OF THESE COSTS.

5 A. The Legal Services Department employs a number of practices, processes, and
6 policies to ensure the reasonableness of ESL's charges to ETI. As a matter of
7 practice, assigned members of the Legal Services Department closely supervise
8 the services provided for ETI both within the Legal Services Department and
9 through outside legal services hired by ESL to ensure that those services (and
10 accompanying costs) are necessary to ETI's operations. We make reasonable
11 efforts to control case costs through early assessment and periodic review of
12 opportunities for amicable settlement.

13 With respect to hiring outside counsel, we employ a number of internal
14 review mechanisms to ensure that ETI does not incur unnecessary services. For
15 example, we negotiate to obtain the most reasonable hourly rate possible,
16 including reduced rate and flat fee arrangements. Additionally, our Outside
17 Counsel Policy, attached as Exhibit DTF-3, requires work plans, staffing plans,
18 and budgets based on the anticipated outside counsel expense. Any changes in
19 staffing or the retention of local counsel, consultants, or experts requires the
20 authorization of in-house counsel.⁴

⁴ The Outside Counsel Policy includes restrictions on staffing and billing such as: attendance of no more than one attorney at certain events (e.g., depositions) absent the approval of inside counsel; clerical work is not billable; time on "stand-by" is not billable; travel time cannot exceed half-rate; and limitations on copying charges.

1 We also require the electronic submission of outside counsel billings using
2 the Uniform Task Based Management System (“UTBMS”). UTBMS is a
3 standardized billing method that assigns codes to various tasks. The use of
4 standard billing codes facilitates the review of bills by providing cost information
5 about specific tasks at various stages of a project or litigation. Having this
6 information in electronic format assists our review and analysis of costs and time
7 associated with particular tasks performed by outside counsel.

8
9 Q35. WHAT BUDGETING AND MONITORING PROCESSES CONTROL LEGAL
10 SERVICES CLASS COSTS?

11 A. The Legal Services Department budget is based on ESL practice group managers’
12 “hard-nosed” but attainable proposals and the circumstances and legal conditions
13 we expect to face in the upcoming year. More specifically, the managers assess
14 what outside counsel fees will be necessary, depending on their projected
15 caseload and what can be handled in-house. Once this budget is approved, our
16 Budget Coordinator compares actual costs against the original budget on a
17 monthly basis to monitor costs, check overruns, and identify and capture savings
18 opportunities. Bobby R. Sperandeo describes in his direct testimony the overall
19 Entergy budgeting process.

20
21 Q36. WHAT TYPE OF BUDGETING AND MONITORING PROCESS CONTROLS
22 OUTSIDE COUNSEL COSTS?

23 A. In the case of outside counsel expenses, lead inside counsel for a project or a

1 member of his or her team reviews all invoices from outside counsel to ensure
2 that the work was performed as requested and that no unnecessary or
3 unreasonable charges were submitted. A financial analyst also reviews the
4 invoices to verify the reasonableness of the charges, ensure that the bills are
5 submitted in accordance with the fee arrangement entered into with the law firm
6 or an individual lawyer involved, and ensure the application of the correct
7 accounting and billing data. Subsequently, any bills greater than the approving
8 attorney's authority are submitted to his or her manager, bills exceeding the
9 manager's authority are submitted to me, and bills exceeding my approval
10 authority are submitted to the General Counsel for final approval. If, at any point
11 in the review chain, errors, overcharges, or unreasonable billings are discovered,
12 appropriate adjustments to the bills are made prior to payment. These cost
13 budgeting requirements and controls apply irrespective of whether the outside
14 counsel fees are billed to ETI as affiliate or non-affiliate costs.

15
16 Q37. IS THERE ANY GENERAL BENCHMARKING SUPPORT FOR THIS CLASS
17 IN THE COMPANY'S FILING?

18 A. Yes. Although it does not apply explicitly to my class, Mr. Sperandeo and
19 Mr. Dumas address benchmarking studies that apply to ETT's costs.
20 Mr. Sperandeo addresses benchmarking applicable to ETI's total company non-
21 production O&M costs, and Mr. Dumas addresses benchmarking that applies at
22 the service company (ESL) level.

1 Q38. WHAT CONCLUSIONS DO YOU DRAW FROM THE EVIDENCE
2 PRESENTED ABOVE REGARDING THE REASONABLENESS OF THE
3 TEST YEAR LEGAL SERVICES CLASS COSTS YOU SUPPORT?

4 A. The affiliate costs I sponsor are reasonable. This conclusion is borne out by the
5 budgeting and cost control measures in place, actual costs, and the benchmarking
6 addressed in Mr. Sperandio's and Mr. Dumas's testimony. This evidence speaks
7 to the reasonableness of both the in-house and outside counsel fees incurred and
8 billed to ETI by ESL during the Test Year. I arrive at the same conclusion with
9 respect to non-affiliate legal services costs incurred by ETI.

10

11 **E. Summary of Legal Services Class**

12 Q39. PLEASE SUMMARIZE YOUR CONCLUSION WITH REGARD TO THE
13 LEGAL SERVICES CLASS.

14 A. In summary, I conclude that the services provided to ETI under the Legal Services
15 Class as well as the costs for those services are reasonable and necessary. The
16 budgeting process, cost control measures, and best practices I described ensure
17 that the costs are reasonable. The application of the described billing
18 methodology ensures that the costs allocated to ETI reflect the actual costs of
19 providing the services and are no higher than the prices charged to other affiliates
20 for the same or similar services. As such, ETI should be allowed to recover its
21 expenses for this class.

1

III. CONCLUSION

2

Q40. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

3

A. Yes, it does.

THE STATE OF LOUISIANA)
)
ORLEANS PARISH)

My name is Daniel T. Falstad. I am of legal age and a resident of the State of Louisiana. The foregoing testimony and exhibits offered by me are true and correct, and the opinions stated therein are, to the best of my knowledge and belief, accurate, true and correct.

Daniel T. Falstad
Daniel T. Falstad

SUBSCRIBED AND SWORN TO BEFORE ME, notary public, on this the 6th day of June 2022.

Janifer Morales
Notary Public, State of Louisiana

upon my death.

JENNIFER B. FAVALORA
Notary Public (ID# 57639)
Orleans Parish, Louisiana
Commission Issued For Life



See Native Excel file Falstad Direct_Exhibit DTF-1.

Billing Allocation Methodology	Basis for Selection of Billing Allocation Methodology
PKLOADAL	Billing Method PKLOADAL (Peak Load) is appropriate to use for the project codes to which it applies because it allocates costs based on the ratio of each EOC's load to the peak load at the time of all of the EOCs' peak load. For example, Project Code F3PPLEGUTL (Legal Services – Regulated Utility) captures costs associated with performing general legal services for each regulated utility. The primary activities associated with this project code include recording internal attorney time, travel and employee expense, costs of outside legal firms, and costs of consultants and related vendors. Costs of these activities are driven by the utility's need for legal services. By legally defending the utility, electric service is maintained and uninterrupted. Therefore, Billing Method PKLOADAL is appropriate.
LVLSVCAL	Billing Method LVLSVCAL (ESL Service Level) is appropriate to use for the project codes to which it applies because it allocates costs based on ESL total billings to each Client Company. For example, Project Code F3PCE13321 (Legal Services ESL) captures and manages costs associated with performing general legal services for ESL. The primary activities associated with this project code include negotiating contract terms and conditions for Purchasing and Contracts, copyright and patent issues, determining regulatory strategies, and defense of the entity in various litigation brought by employees and other parties. Other related costs may include research, communication, transportation, and data processing expenses. Costs of these activities are driven by any ESL function having need for legal services. Since all ESL functions are in service to ETI and various other affiliates and arise as a consequence of providing such services, it is appropriate to relate these legal costs to the total ESL billings to the affiliates.
LBRLEGAL	Billing Method LBRLEGAL (ESL Labor Billed – Legal) is appropriate to use for the project codes to which it applies because it allocates costs based on total labor dollars billed to each company by ESL for the legal function. For example, Project Code F5PCZLDEPT (Supervision & Support – Legal Services) captures certain overhead costs of the Legal Services Department not related to specific cases but that are necessary for any business to function and be productive. Examples of these types of costs include departmental staff meetings, employee evaluations, time entry activities, attending company-wide functions, general training and CLE costs, non-capital furniture purchases and departmental maintenance. These costs are driven by the need for supervision and support for legal services. Because each Entergy company benefits from the functioning of the Legal Services Department, allocating costs based on labor billings from this department appropriately distributes these overhead costs to the business units receiving services from the department.

CAPAOPCO	<p>Billing Method CAPAOPCO (System Capacity) is appropriate to use for the project codes to which it applies because it allocates costs based on the power level, in kilowatts, that could be achieved if all non-nuclear generating units were operating at maximum capability simultaneously. For example, Project Code F3PCCEP001 (Corporate Environmental Policy) captures costs associated with the development and implementation of Entergy's environmental policies, procedures, and programs. The primary activities associated with this project code are the performance of systematic reviews of existing, pending, and proposed environmental regulations impacting Entergy operations, as well as the development and implementation of environmental policies, standards, and programs, among others. The costs associated with this project are for services that benefit all of the EOCs. Because capacity varies based on the relative size and complexity of each entity, this is a valid basis to allocate the costs for these types of projects.</p>
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Entergy Corporation's Outside Counsel Policy

Entergy Corporation and its affiliates (collectively referred to as "Entergy") highly value the contributions of both inside and outside counsel. Entergy strives for a collaborative relationship between the two and believes that this relationship depends upon establishing clear understandings and expectations governing the relationship.

Entergy expects all law firms and attorneys providing legal services to Entergy to provide the highest quality legal services in the most cost-effective manner possible. This Outside Counsel Policy ("Policy") sets forth Entergy's specific expectations for outside counsel and defines outside counsel's working relationship with Entergy.

I. Scope and Applicability

This Policy governs the relationship between Entergy and its outside counsel. All attorneys and other professionals who work on legal matters for Entergy's Legal Department must comply with this Policy. Questions concerning this Policy should be directed to the Responsible Entergy Attorney (defined below). Entergy will not be bound by any departure from the Policy's requirements unless outside counsel has obtained the prior written approval of the Responsible Entergy Attorney for the applicable matter.

This Policy supersedes any previously issued outside counsel policies and guidelines, and engagement and retention agreements, and constitutes the terms and conditions under which outside counsel are engaged for current and future matters. This Policy is effective immediately for all existing and future legal engagements and matters unless otherwise agreed to by the Responsible Entergy Attorney for the applicable matter or superseded by a subsequently issued outside counsel policy.

Entergy reserves the right to audit outside counsel's compliance with this Policy.

Nothing in this Policy is intended to limit or modify the professional obligations of outside counsel with respect to services provided to Entergy in connection with any matter.

II. Responsible Entergy Attorney

Entergy will designate for each engagement a lead attorney within Entergy's Legal Department ("Responsible Entergy Attorney") to manage the engagement. The Responsible Entergy Attorney is responsible for ensuring that Entergy receives appropriate legal advice and representation by involving the necessary Entergy personnel, coordinating communications between outside counsel and all other Entergy personnel, and overseeing the exchange of information necessary for outside counsel and Entergy to make proper decisions concerning the matter. Outside counsel must keep the Responsible Entergy Attorney continually apprised of all significant developments in the matter and consult the

Responsible Entergy Attorney sufficiently in advance of the date by which any significant decision must be made. The Responsible Entergy Attorney should also be given the opportunity and sufficient time to review drafts of all significant documents, including contracts, substantive pleadings, briefs, correspondence, and any other documents that will be provided to third parties on Entergy's behalf.

III. Outside Counsel Engagement and Staffing

A. Retention Decisions for Entergy Legal Department Matters

Entergy attorneys within the Legal Department are responsible for the selection and supervision of outside counsel. Outside counsel may not accept an engagement or work request directly from any other Entergy employee unless Entergy inside counsel has authorized that engagement or work request.

B. Engagement Letter

Every engagement (or series of engagements) of outside counsel shall be authorized by an engagement letter setting forth the terms and conditions of the engagement ("Engagement Letter"). The Engagement Letter shall be signed by both the Responsible Entergy Attorney and outside counsel and will affirm outside counsel's familiarity and agreement with the provisions of this Policy, subject to any modifications agreed to by the Responsible Entergy Attorney. Entergy shall not be obligated to pay bills submitted by outside counsel that has not signed an Engagement Letter. A sample Engagement Letter is attached to this Policy as Appendix A.

The Engagement Letter at a minimum will include the following:

- A description of the matter and outside counsel's scope of engagement;
- The specific lawyer within the law firm ("Lead Outside Counsel") who will be chiefly accountable for the conduct of the engagement;
- The staffing for the engagement ("Staffing Plan") with the identity and role of each person assigned to the matter (attorneys and non-attorneys who will perform billable services in connection with the matter);
- The professional level and billing rate of each person assigned to the matter; and
- Outside counsel's agreement that its engagement will be governed by and comply with this Policy.

By executing the Engagement Letter, outside counsel represents that all attorneys and other professionals assigned to perform services are bound by this Policy and have been required to read the Policy before they begin work on the matter. Outside counsel's execution of the Engagement Letter also confirms that it has undertaken a thorough check for actual or potential conflicts of interest that may arise from outside counsel's representation of Entergy in the matter and that all such conflicts have been disclosed to the Responsible Entergy Attorney. If outside counsel is required to withdraw from representing Entergy due to a conflict of interest which it did not disclose or for which it did not obtain a waiver, Entergy shall not be obligated to pay outside counsel for the fees and expenses incurred by outside counsel in connection with the matter.

The Engagement Letter shall be executed by outside counsel within 5 business days of the engagement.

C. Staffing.

Lead Outside Counsel will be personally and directly involved in the representation and will be responsible for ensuring that Entergy's objectives are met with respect to the engagement.

The Staffing Plan should comprise attorneys and other professionals whose number, seniority and experience will provide high quality legal services in the most cost-effective manner given the needs of the engagement. Entergy expects the staffing of each matter to be efficient and expects outside counsel to avoid overstaffing the matter.¹ Entergy expects that its legal matters will be staffed with lawyers who have the appropriate subject matter expertise and, where appropriate and practicable, who have knowledge of Entergy and its operations.

Once the Staffing Plan is established, Entergy expects continuity of staffing by outside counsel for the duration of the engagement. Any changes or additions to the Staffing Plan must be discussed and approved in advance by the Responsible Entergy Attorney. Entergy will not be obligated to pay for downtime or "learning time" required by outside counsel's substitution of attorneys or other billing professionals working on the engagement.

Outside counsel that is engaged for multiple Entergy matters shall designate an Entergy relationship partner who will manage the firm's overall relationship with Entergy and who shall ensure the law firm's consistent adherence to this Policy. The relationship partner shall arrange to meet with the Responsible Entergy Attorney and/or Entergy's General Counsel at least once annually to discuss the relationship between Entergy and the firm, the quality of the firm's work, staffing of matters, efficiency and cost of services, and suggestions for improving outside counsel's performance, efficiency and cost effectiveness.

D. Diversity

Entergy's selection of outside counsel, as with its own employment decisions, reflects its commitment to equal opportunity and fair treatment without regard to race, color, religion, national origin, sex, age, disability, veteran status, or other characteristic protected by law. Entergy selects outside counsel based solely on merit, qualifications, and other job-related criteria. Entergy also believes that its legal needs are best met when a diverse mix of individuals and firms apply for and are considered for Entergy engagements. Entergy expects the law firms that represent Entergy to work actively to promote diversity within their workplace.

E. Retention of Local Counsel, Consultants, Experts and Vendors

Outside counsel are not authorized to retain any local counsel, consultant, expert or vendor without the advance approval of the Responsible Entergy Attorney. Unless the Responsible Entergy Attorney approves other arrangements, Lead Outside Counsel will be responsible, in consultation with the Responsible Entergy Attorney, for the budgeting and billing arrangements governing the work to be

¹ For example, senior attorneys should not perform tasks that can be performed more cost efficiently by junior attorneys. Attorneys should not perform work that can be performed by paralegals, and paralegals should not perform work that should be performed by secretarial or clerical staff. In addition, Entergy will not pay for time spent by outside counsel learning the area of substantive law involved in the matter for which they have been retained based on their represented expertise. Entergy will also not reimburse outside counsel for routine training time and will not pay for summer associate/law clerk time unless identified as part of the approved Staffing Plan or approved in advance by the Responsible Entergy Attorney. Lead Outside Counsel is required to consult with and obtain the prior approval of the Responsible Entergy Attorney before using law firm personnel for such activities as file review, compiling and indexing documents and transcripts, due diligence, and similar functions.

performed by such local counsel, consultants, experts, or vendors that are engaged by Lead Outside Counsel and for ensuring their compliance with this Policy.

Outside counsel must obtain approval of the Responsible Entergy Attorney before incurring any other significant fees or expenses on a matter. Outside counsel will be responsible for any expenses incurred not in conformance with this Policy.

IV. Planning and Evaluation

Lead Outside Counsel shall work with the Responsible Entergy Attorney to define the legal needs of the matter and the specific objectives Entergy seeks to achieve as soon as practicable after outside counsel is engaged and before any significant services are performed or any significant fees are incurred.

For matters where outside counsel's fees are expected to exceed \$100,000 (either at the outset, or during the course, of the engagement), or whenever requested by the Responsible Entergy Attorney, Lead Outside Counsel, in consultation with the Responsible Entergy Attorney, shall prepare a written work plan for the conduct of the representation ("Work Plan"). The Work Plan shall be prepared by outside counsel and submitted to the Responsible Entergy Attorney within 30 days of outside counsel's engagement for the matter. The Work Plan should be reviewed in draft form with the Responsible Entergy Attorney prior to being finalized and formally submitted.

The Work Plan at a minimum should include the following:

- A concise statement of the matter and outside counsel's understanding of Entergy's expectations;
- The recommended or planned strategy to achieve Entergy's objectives;
- A list of the major phases and tasks likely to be required to achieve Entergy's objectives;
- A schedule with the projected timing, duration and sequence of these phases and tasks; and
- A detailed budget ("Budget") with the planned staffing and cost for each phase and task as well as any major assumptions underlying the budget.

For litigation matters (including administrative litigation), the Work Plan may also include any of the following considerations ("Additional Considerations") that the Responsible Entergy Attorney determines are appropriate:

- Analysis and evaluation of available claims or defenses;
- An evaluation of jurisdiction, venue and potential for objection, removal or transfer;
- Analysis of relative strengths and weaknesses of the parties' cases and reasonably likely outcomes in terms of damages, potential for punitive damages, injunctive relief, etc.;
- Preliminary assessment of Entergy's worst-case damages exposure and risk-weighted damages exposure (e.g., 50% chance of favorable outcome, 25% chance of judgment in excess of \$1 million);
- Potential class action allegations;
- Preliminary assessment of potential for settlement, settlement strategy and possible settlement ranges;
- Key discovery dates and significant litigation events;
- Recommended discovery;

- Witnesses to examine or depose;
- Expert witnesses to retain and their expected cost;
- Legal research recommended;
- Potential insurance coverage;
- Arbitration provisions;
- Potential for alternative dispute resolution;
- Possible third party indemnification/liability;
- Potential regulatory and/or public relations concerns;
- Evaluation of opposing counsel and opposing party or parties;
- Evaluation of the forum, judge and/or jury pool;
- A listing of expected pleadings and anticipated pretrial motions; and
- Anticipated length of the time to trial, and of the trial itself, if determinable.

In preparing the Work Plan, outside counsel should discuss with the Responsible Entergy Attorney the division of work between outside counsel and Entergy in-house attorneys. The Work Plan should recognize that certain projects and tasks may be more efficiently handled by Entergy in-house attorneys, paralegals and administrative staff. One of Entergy's expectations is to use Entergy in-house attorneys and internal resources to perform tasks whenever appropriate and feasible.

As the engagement progresses, outside counsel shall track its actual time and expenses against the Budget in the Work Plan and promptly notify the Responsible Entergy Attorney if any material variance (higher or lower than the Budget) is expected. Outside counsel shall update the Work Plan and Budget on a quarterly calendar basis (*i.e.*, March, June, September and December) unless the Responsible Entergy Attorney determines in writing that the Work Plan will be updated on a different schedule. When the Work Plan is updated, the Responsible Entergy Attorney may require that some or all of the Additional Considerations should be added to the updated Work Plan. Whenever the Work Plan and Budget are changed, outside counsel shall meet with the Responsible Entergy Attorney to discuss the reason(s) for any changes.

For litigation (including administrative litigation) matters, the Responsible Energy Attorney may direct outside counsel submit a Work Plan followed by a more extensive early case assessment report ("Case Assessment Report") that includes some or all of the Additional Considerations within 90 days of the engagement based on outside counsel's investigation and evaluation of the claim up to the reporting date. Like the Work Plan, the Case Assessment Report should be reviewed in draft form with the Responsible Entergy Attorney prior to being finalized and formally submitted. The objective of the Case Assessment Report is to evaluate the claim sufficiently in the first 90 days to determine whether settlement is efficient and prudent before Entergy engages in protracted and costly discovery, motion practice and other pretrial procedures.

When a Case Assessment Report has been prepared, it should be updated on a schedule to be determined by the Responsible Entergy Attorney.

The following is the normal timeline from the time of engagement for outside counsel's key deliverables:

- 5 business days: Execution of Engagement Letter
- 45 days: Submission of Work Plan and Budget
- 90 days: Submission of Case Assessment Report when requested
- Quarterly: Updates to Work Plan and Budget

- As directed Updates to Case Assessment Report
- Continuously: Reports on material expected budget variances

V. Legal Research

Lead Outside Counsel shall monitor and be responsible for all research conducted on Entergy matters to ensure that the research is performed in the most cost-efficient and productive manner.² Lead Outside Counsel shall ask the Responsible Entergy Attorney at the outset of an engagement and at appropriate times during the matter if there are standard Entergy documents or research that may be used for the matter. Outside Counsel shall check with, and obtain approval from, the Responsible Entergy Attorney before undertaking significant research projects to determine whether any prior legal research has been conducted by or for Entergy on the topic or issue and to avoid inconsistent legal positions by Entergy.

All outside counsel representing Entergy are required to make their research materials that were generated through work billed to Entergy available to Entergy for its research files and to submit their substantive work product, such as legal opinions, memoranda and briefs, to Entergy on an ongoing basis. Outside counsel acknowledges that these items represent work that was paid for by Entergy and that these items accordingly belong to Entergy.

VI. Fee Arrangements/Compensation

A. *Preferred Provider Status*

Certain law firms may be designated by Entergy as an Entergy "Preferred Provider" as the result of being selected to participate in a formal program in the following substantive areas: Antitrust, Environmental, Finance, Regulatory (including the Nuclear Regulatory Commission, Securities and Exchange Commission and Federal Energy Regulatory Commission), Labor, Employment, Benefits, Litigation, Commercial, Mergers & Acquisitions and Tax. In the event of a conflict between the terms of a Preferred Provider agreement and this Policy, the Preferred Provider agreement takes precedence for the term of the agreement.

B. *Types of Fee Arrangements.*

Entergy encourages and expects outside counsel to consider and propose, in appropriate cases, alternatives to conventional hourly-rate fee arrangements, including fixed or flat fees, capped fees, blended rates, volume discounts, productivity incentives, risk-sharing and contingent fees. The Responsible Entergy Attorney and outside counsel should discuss possible alternative billing arrangements before the Engagement Letter is finalized.

Any proposal to use a different basis for billing such as "value based" or transactional billing, or to charge a premium, bonus or success fee based on the outcome of the matter, must be raised at the outset of the engagement and approved in writing by the Responsible Entergy Attorney before the Engagement Letter is finalized. In all cases, the terms on which Entergy will be charged for the representation must be set forth in writing both at the outset of the engagement and at any point in the engagement at which those terms are modified.

² For example, outside counsel shall not bill Entergy for drafting documents or conducting research previously generated for Entergy or other clients.

C. Billing Rates.

Unless otherwise agreed in advance, all charges by outside counsel for services rendered on behalf of Entergy shall be solely on the basis of hourly rates that Entergy has previously approved. All pricing arrangements, including any agreed-upon discount to hourly rates, must be reflected on outside counsel's invoice. Outside counsel must advise Entergy at the outset of the engagement of any rate discounts or preferential billing arrangements it has in place with Entergy on any other matters. In addition, Entergy expects that outside counsel will charge for services at net billing rates that are no higher than the lowest rate offered by the firm to any other client with a comparable amount of business, except for not-for-profit or pro bono clients

Entergy shall only be charged the hourly billing rates in the Engagement Letter (or schedule referenced therein).³ Once agreed upon at the commencement of a matter, the scheduled billing rates shall remain in effect for the duration of the engagement unless the Responsible Entergy Attorney, with the approval of Entergy's General Counsel, agrees to a change in writing. Entergy does not expect that billing rates will routinely increase from year-to-year and reserves the right to deny any requests for rate increases in whole or in part. **Because of Entergy's financial planning needs, any billing rate change(s) must be requested and approved in writing at least ninety (90) days before the rate change(s) take effect (e.g., by September 30th for a rate change to take effect on January 1st).**

D. Task-Based Budgeting and Billing

As discussed above, outside counsel shall prepare and submit a Work Plan and Budget if outside counsel's fees for a matter are expected to exceed \$100,000. Entergy expects that outside counsel will submit its bills in a form corresponding to that Budget. The budget and bill formats should also, to the extent practicable, employ the Uniform Task-Based Management System billing codes promulgated by the American Bar Association and the American Corporate Counsel Association, as modified from time to time.

As also discussed above, as work on a matter progresses, outside counsel shall track its actual time and expenses against the Budget in the Work Plan and promptly notify the Responsible Entergy Attorney if any material variance (higher or lower than the Budget) is expected. **Again, because of Entergy's financial planning needs, it is critically important for outside counsel to provide prompt notice of any variances from the Budget. Failure to provide such notice may result in Entergy's refusal to pay bills that exceed the Budget.**

At the request of the Responsible Entergy Attorney, Lead Outside Counsel will be expected to provide estimates of fees incurred and expected to be incurred prior to submission of the monthly invoice.

E. Staffing/Billable Time

Entergy strongly encourages lean staffing on its matters. Consequently, Entergy will pay for no more than one attorney to attend events such as depositions, witness meetings, settlement conferences, court appearances, company internal meetings (whether in person or telephonically), negotiations and meetings with other parties' counsel without prior written approval of the Responsible Entergy Attorney. Duplicative document review, research and drafting tasks should be avoided and will be scrutinized carefully.

³ The Engagement Letter (or schedule) establishing billing rates should also show, as needed, each timekeeper's billing code (e.g., initials, billing number).

Entergy requires that outside counsel exercise good judgment with regard to the number of hours per day billed to Entergy matters by each attorney. Entergy expects that outside counsel will provide prior notice in writing to the Responsible Entergy Attorney when outside counsel expects work such as trials, hearings or labor negotiations that will exceed than 12 billable hours in a day by an attorney or other timekeeper. Failure to provide such notice may result in Entergy's refusal to pay bills that exceed the Budget.

Entergy will only pay for reasonable internal conferencing, and internal conferencing exceeding 10% of the total billings for the month will be questioned. Clerical work is not billable, irrespective of who performs it. Clerical tasks include, but are not limited to, such things as maintenance of files and internal databases, date stamping, filing, case administration, preparing and transmitting invoices, indexing pleadings, opening and closing files, scheduling meetings, making travel arrangements, participating in review or "feedback" sessions, billing audits, word processing, converting information to disks and other forms of storage, conflicts checks, photocopying documents, docketing or calendaring.

Likewise, time spent on "standby" when no actual work is being performed will not be chargeable without approval of the Responsible Entergy Attorney.

F. Billing Timing and Contents.

Outside counsel's invoices shall be submitted to Entergy electronically, using the electronic invoicing system designated by Entergy. If there is a fee for outside counsel's use of the electronic invoicing system, the fee shall be borne by outside counsel and shall not be billed to Entergy. Entergy will not accept paper invoices, except in unusual circumstances. Requests for non-electronic submission of invoices must be approved by the Responsible Entergy Attorney at the time the Engagement Letter is executed.

Because of Entergy's financial planning needs, it is imperative that outside counsel submit invoices to Entergy each month, within 30 days after the end of the month in which the services were rendered. Late invoicing interferes with Entergy's ability to plan and manage its finances properly. Entergy will not be obligated to pay, or may apply discounts to, invoices that are submitted late (more than 30 days after the end of the month in which the services were rendered).

Outside counsel's invoices shall include the number of hours spent by lawyer or other billing professional broken down by task with a description for each task in sufficient detail to permit meaningful evaluation by Entergy of the reasonableness of the time devoted to the task; a list of reimbursable expenses by category; and a statement by Lead Outside Counsel that charges for fees and expenses comply with this Policy.

Before outside counsel's invoice is submitted for payment, Entergy expects that Lead Outside Counsel has reviewed the invoice and detailed statement to ensure the fees and disbursements are reasonable and appropriate and consistent with this Policy, and that expenses are invoiced to the correct Entergy matter. Entergy expects bills for professional services to be based on the time reasonably devoted to the matter even if the time actually devoted to the matter may be greater. The number of hours for which Entergy is billed should be the subject of "billing judgment" exercised by the Lead Outside Counsel, so that the fees charged reflect only the time appropriately and productively devoted to the matter. Entergy considers each invoice as a certification by outside counsel that the legal services, fees and disbursements reflected on the invoice are reasonable and necessary for the matter. Legal services, fees and disbursements that are not necessary for the cost-effective handling of the matter should be deleted from the invoice before it is submitted to Entergy. Time spent preparing, discussing or supporting outside counsel's invoices will not be reimbursed. Entergy

reserves the right to request copies of the firm's billing records and supporting documentation with respect to Entergy charges and to conduct audits of the bills.

Entergy will not pay for time that is block-billed (assigning a block of time to multiple tasks). Entergy also will not pay for any services that lack specific descriptions, such as "attention to ...," "work on ...," discovery, motion, trial preparation, update case strategy, prepare for conference, review documents, review correspondence, planning regarding discovery, and similar vague descriptions. The purpose of each task or specific activity must be explained in sufficient detail and manner to enable Entergy to evaluate whether the time billed for the task or activity is reasonable.

Time will be charged in minimum units no larger than one tenth of an hour. All charges must reflect the work performed within the billing period or a reasonable time before the billing period. Entergy recognizes that outside counsel may be delayed in receiving, and then billing Entergy for, some third-party expenses; however, Entergy may refuse to pay for charges incurred more than 90 days prior to an invoice's listed billing period absent good cause for the delay.

Entries for telephone conversations, conferences, meetings, and court appearances must specifically describe the parties involved and the subject matter or purpose of the task. Charges for preparing or reviewing correspondence must identify the subject matter, the purpose of the communication, the author and the addressee.

The Responsible Entergy Attorney shall review all invoices and detailed statements to verify that the fees and disbursements are reasonable and appropriate and consistent with this Policy and are billed to the correct project code. Entergy may reduce or reject any invoice or invoice line item that fails to contain required information, that fails to adhere to the invoice policies described in this Policy, that is unclear or unreasonable, or for any other valid and reasonable purpose. Rejected invoices may delay payment by Entergy.

VII. Expenses/Disbursements.

A. Overhead/Administrative Costs:

Entergy will reimburse outside counsel for actually incurred out-of-pocket expenses with no mark-up, provided those expenses are reasonable and comply with the guidelines set forth below. Entergy expects outside counsel to use its reasonable best efforts to minimize reimbursable out-of-pocket costs both by avoiding unnecessary expenditures and by taking advantage of volume discounts and bulk arrangements that may be available either through Entergy or otherwise.

Entergy considers the following costs to be part of outside counsel's non-reimbursable overhead and will not accept charges from outside counsel for the following items: computer, word processing and e-mail charges, IT, data security, rent, conference room charges, office equipment, supplies, library staff, library use and materials, clerks, proofreaders, meals, taxis and limousines for employees to get to and from the office (including at night), support staff salaries and overtime, weekend or after hour air conditioning, local and long distance phone calls, conference calls, video conferences, and ordinary postage. Clerical tasks should also be included in the outside firm's unreimbursed overhead and will not be paid by Entergy as disbursements or expenses whether they are performed by administrative staff or by attorneys or paralegals. Entergy will not pay overtime for clerical staff. A summary of Entergy's policies with respect to billing requirements, expenses and disbursements is attached hereto as Appendix B.

Entergy may have a preferred vendor for certain ancillary services, such as court reporting, document production, data management, investigations, and delivery services. If Entergy has a preferred vendor for a particular service, outside counsel is expected to use such vendor for those services.

B. Travel:

Entergy expects outside counsel to avoid unnecessary travel through such alternatives as teleconferencing and video conferencing. Entergy will reimburse outside counsel for ordinary and necessary business expenses including economy fare and mid-size rental cars; however, business class or first class air fare or luxury hotels, suites, concierge, club level or other premium rooms or luxury rental cars will not be reimbursed. Limousines and hire cars will not be reimbursed unless the Responsible Entergy Attorney has approved the expense in advance. If outside counsel is traveling on business for more than one client, Entergy expects outside counsel to apportion the expenses appropriately. Outside counsel shall purchase travel services under Entergy contracts with travel service providers, such as car rental companies and hotels, whenever such rates are available to contractor personnel. It is expected that outside counsel will take advantage of any available travel discounts.

Entergy will only pay for 50% of travel time when outside counsel is traveling on Entergy business. Time away from the office or out of town that is not spent performing legal services for Entergy should not be billed to Entergy.

Travel expenses should be anticipated and included by outside counsel when preparing the Budget.

C. Meals and Accommodations:

Entergy expects its outside counsel to use good judgment in selecting hotels and restaurants while traveling on Entergy business. Personal incidental expenses incurred while working on Entergy matters will not be reimbursed and must be distinguished from those expenses that are appropriately charged to Entergy. Entergy will not pay for meals or other incidental expenses, including evening taxis or cars for attorneys or staff members when they are working in their normal office location.

Entergy will not reimburse outside counsel for personal expenses, such as in-room movies, laundry/dry cleaning (unless approved in advance by the Responsible Entergy Attorney as required as a result of extended travel for trial, hearings or other lengthy activities), salon services or health club fees. Entergy will not reimburse outside counsel for meals unless necessitated by travel and then only if reasonable in cost (generally limited to \$75 per person per meal).

D. Electronic Distribution of Documents:

Advances in technology, specifically transmission of information and documentation by e-mail, scanning, imaging, sharing of documents on secure web sites, etc., have made routine copying, faxing and delivery of hard copy documents less critical and, in many cases, unnecessary. Consistent with security concerns, Entergy expects outside counsel to maximize the use of state of the art technology to minimize the expenses listed below.

(i) *Photocopying:* Charges for photocopying will be strictly scrutinized for amount and necessity, considering the availability of electronic production, storage and delivery of documents. Entergy will reimburse outside counsel only for necessary photocopying at the firm's actual annualized per-copy expense or ten cents per page, whichever is lower. Entergy expects outside counsel to avoid and/or

minimize unnecessary copying and to take care to control costs, bulk copying costs consistent with speed, confidentiality and reliability requirements.

(ii) *Telephone and Facsimile*: Entergy will not pay outside counsel for charges billed to the firm for toll calls including those relating to outgoing fax transmissions, as those expenses are considered part of outside counsel's general overhead.

(iii) *Messenger Services*: Messenger and overnight mail services should be used only when absolutely necessary. Entergy will reimburse outside counsel only for actual charges billed to the firm for deliveries (including overnight express) that are necessary for speed and reliability.

E. Computerized Research:

Entergy considers computer-assisted research services to be part of the law firm's overhead, and Entergy will not pay outside counsel for the cost of computer-assisted research services, such as Lexis and Westlaw.

F. Secretarial Time, Word Processing:

Entergy will not pay fees, costs or charges for word or document processing or for secretarial time, including overtime.

VIII. Public Comment

Outside Counsel should be mindful that Entergy Corporation is a publicly traded company, that many of the Entergy affiliates are regulated at the federal, state, and local level, and that many of the Entergy companies provide public services and have a high public profile. Entergy has trained personnel to respond to requests for public comment, and assure that Entergy's public comments are consistent across all businesses. This is critical to Entergy's relations with its customers, its regulators, its investors, and other stakeholders. In the absence of specific prior authorization and approval of content, Entergy does not authorize outside counsel to (1) offer media or other public comment on Entergy or matters being handled by outside counsel for Entergy or (2) respond to requests for comment. Any inquiries or proposed public comment about Entergy or an Entergy matter must be referred to the Responsible Entergy Attorney or to Entergy public affairs specialists designated by the Responsible Entergy Attorney. That Entergy representative will be responsible for determining what comment is appropriate and who will be designated to comment on Entergy's behalf.

IX. Other Clients

Outside counsel is required to search for and disclose to Entergy any actual or potential conflicts of interest prior to accepting an engagement. Outside counsel should identify and disclose to Entergy any existing or prospective engagement by another client that could create an actual or potential conflict of interest with outside counsel's representation of Entergy (or the appearance thereof). For purposes of the rules of professional conduct barring or limiting an attorney's representation adverse to the interests of existing or former clients, Entergy Corporation and all of its subsidiaries and affiliates should be treated as the client of any outside counsel providing services to any one of such businesses, entities, or affiliates. See American Bar Association, Standing Committee on Ethics and Professional Responsibility, Formal Opinion 95-390 at 5 (January 25, 1995).

Requests by outside counsel for waivers by Entergy of potential or actual conflicts of interest will be considered on a case-by-case basis; Entergy will not provide blanket or prospective waivers. Waiver

requests should be directed to the Responsible Entergy Attorney for the matter affected and should include a complete list of the matters currently being handled by the requesting outside counsel for Entergy or its subsidiaries or affiliates, the identity of each Entergy affiliate involved in those matters and the identity of the Responsible Entergy Attorney for those matters. Any waiver granted by Entergy may be conditioned on outside counsel's other client providing a written agreement that it will not object to outside counsel's continued ability to represent Entergy on existing and future matters. An illustration of a letter confirming the waiver of a potential conflict of interest is attached as Appendix C.

Time spent investigating, reporting and resolving actual and potential conflicts of interest or preparing conflict waivers is not billable to Entergy. Further, Entergy will not pay outside counsel for fees and expenses incurred by outside counsel if outside counsel is required to withdraw from representing Entergy in a matter due to a conflict of interest that was not disclosed to the Responsible Entergy Attorney.

Entergy generally will not waive a conflict where outside counsel's representation of another client will involve the assertion against Entergy Corporation or any Entergy affiliate of a claim of alleged fraud, misrepresentation, or other dishonest or improper conduct. If Entergy grants a waiver subject to this limitation on the scope of the firm's proposed representation, the limitation must be clearly communicated in writing to the other client at the commencement of the adverse engagement, because the limitation could later require outside counsel to withdraw from that engagement. If Entergy consents to outside counsel's representation of another client adverse to Entergy in a transaction, it will not consent to the firm's representation of the other client in litigation involving Entergy arising out of the transaction, including where Entergy may be a party or may be subject to being subpoenaed or otherwise compelled to provide information or testimony. No conflict waiver ordinarily will be granted by Entergy if the subject of the proposed adverse representation involves or is closely related to a matter in which the firm has represented Entergy on a closely related matter. Nor will a waiver be granted if the firm's access to confidential information, including Entergy's business and litigation strategies, would be useful to the adverse client or potentially detrimental to Entergy.

If Entergy's outside counsel anticipates that representation of another client will involve outside counsel's advancing a position on a legal issue that may be materially opposed or detrimental to Entergy's interests, outside counsel should, to the extent reasonably practicable and consistent with that counsel's confidentiality obligations to its other clients, bring the matter to Entergy's attention in advance of doing so.

X. Ownership of Material

All materials in written, graphic, electronic or other form, generated or prepared by or for outside counsel in the course of representing Entergy and all copyrights therein shall belong to the appropriate Entergy affiliate, and to the extent applicable shall constitute a work made for hire. Outside counsel, by representing Entergy, agrees to assign all right, title, interest and copyrights in all such materials to Entergy and agrees to execute all documents necessary for Entergy to perfect its ownership and copyright interests. At the conclusion of the engagement, Lead Outside Counsel should obtain direction from the Responsible Entergy Attorney regarding disposition of all such materials, in addition to the requirement in Section XI.

XI. Technology

The effective use of technology in legal matters and with outside counsel is critical to generating superior work product efficiently and at a significantly lower cost. Entergy expects that unless another format is required or agreed to by Entergy, outside counsel will utilize software and technology compatible with

Entergy's technology. Entergy will not be responsible for any costs associated with the purchase or installation of hardware or software by outside counsel for Entergy matters.

XII. Confidentiality

Entergy may provide to outside counsel on a confidential basis copies of confidential and proprietary information, including intellectual property, trade secrets, internal policies, business plans, customer information, organizational charts, standard forms or other materials relevant to the work outside counsel is performing on Entergy's behalf, including information provided to Entergy by third parties. None of these documents or other materials may be used by outside counsel directly or indirectly for any purpose other than in connection with their representation of Entergy and, in the case of information provided by third parties, may be used only in accordance with the other terms of any Confidentiality Agreement that Entergy may provide to outside counsel.

XIII. Data Security

Outside counsel shall have, at its own expense, implemented and shall maintain appropriate operational, technical, and organizational measures to protect Entergy's confidential information, whether in paper, electronic, or other form, against accidental, unauthorized, or unlawful access, disclosure, alteration, or loss, during its collection, storage, access, transmission, transportation, and destruction. Such measures shall include, as appropriate for the size of the firm and the nature of the confidential information, encryption, secure user-authentication protocols, up-to-date firewall protection, physical safeguards, training, breach detection, employee background checks, data-security policies, a prohibition on saving confidential information on unencrypted removable media such as laptops, smart phones, or thumb drives, disaster recovery, and any other controls that outside counsel deems necessary. Outside counsel shall notify the Responsible Entergy Attorney immediately in the event of an unauthorized access to or alteration of confidential information, regardless of the form in which the data is kept or the nature of the unauthorized access. Outside counsel will provide Entergy with information on its measures described herein upon request.

XIX. Sarbanes-Oxley – Section 307

Certain outside counsel will be called on to transact business with the Securities and Exchange Commission ("SEC") on behalf of Entergy, represent Entergy in an SEC administrative proceeding or in connection with an SEC investigation, inquiry, information request or subpoena, provide advice in respect of U.S. securities laws or the rules and regulations of the SEC or advise Entergy whether information or a statement, opinion or other writing must be filed with or submitted to the SEC, or incorporated into any document so filed or submitted. Outside counsel representing Entergy in these matters will be subject to the requirements of section 307 of the Sarbanes-Oxley Act of 2002 and the related rules promulgated by the SEC (the "Section 307 Requirements"). If such outside counsel encounters evidence of a material violation of securities law, material breach of fiduciary duty or similar material violation of law (as those terms are defined in the Section 307 Requirements) during this representation, he or she must report it promptly to Marcus V. Brown, Executive Vice President and General Counsel, Entergy's chief legal officer, who will cause an investigation to be conducted and respond to outside counsel as described under the Section 307 Requirements.

Appendices

- A. Sample Engagement Letter*
- B. Entergy Billing Requirements, Disbursements and Expenses Summary*
- C. Sample Conflict Waiver*