UNITED STATES OF AMERICA

BEFORE THE

FEDERAL ENERGY REGULATORY COMMISSION

ENTERGY SERVICES, INC., et al.) **DOCKET NO. ER07-956-000**

SUMMARY OF THE CROSS-ANSWERING TESTIMONY OF LANE KOLLEN

Mr. Kollen agrees with Mr. Sammon that both the data sources and formulas comprise the methodology reflected in Exhibits ETR-26 and ETR-28 for the computation of production costs used for rough equalization and to quantify the bandwidth remedy payments and that neither can be changed without the authorization of the Commission. But, he does not agree with Mr. Sammon that the Commission somehow is bound to accept changes to the data and methodology reflected in Exhibits ETR-26 and ETR-28 made by ESI in its compliance filing, but that were not identified by ESI as changes to the approved data and methodology when it made that filing.

He disagrees with Ms. Nicholas that the Operating Companies incorrectly reported the tax NOL carrybacks related to Hurricanes Katrina and Rita in account 165 for Form 1 reporting purposes and her recommendation instead for the Operating Companies to report the amounts in account 143 and to refile their Form 1s for 2006. He agrees with Mr. Tibbetts that the Operating Companies correctly reported these amounts in account 165.

Mr. Kollen disagrees with Mr. Tibbetts that the tax NOL amounts reported in account 165, although correctly reported in the Form 1s, should be proformed out from the account 165 amounts for purposes of computing production costs used for rough equalization. There is no provision in the data or methodology underlying Exhibits ETR-26 and ETR-28 that allows ESI to review the components of account 165 and unilaterally determine which amounts to include and which amounts to exclude in its annual compliance filings.

He disagrees with Mr. Tibbetts that the Louisiana Companies (EGS Louisiana retail and ELL) correctly accounted for the expense associated with recoveries of debit (asset) balances in account 228.1 by using account 407.3 regulatory debits for this purpose instead of account 924 as prescribed by the FERC USOA. It is undisputed that the Louisiana Companies changed their "normal" accounting in 2006 for the recoveries of storm damage costs deferred in account 228.1, and this change in accounting represents a violation of the FERC USOA.

He agrees with Ms. Nicholas that the Operating Companies improperly have included costs that could have and should have been recorded in various functional O&M expense accounts instead of in account 923 outside services. Such costs should be directly assigned to the various functional O&M expense accounts where it is practical to do so and can be done within the Operating Companies' accounting systems

Exhibit LC-37

UNITED STATES OF AMERICA

BEFORE THE

FEDERAL ENERGY REGULATORY COMMISSION

ENTERGY SERVICES, INC., et al.) DOCKET NO. ER07-956-000

CROSS-ANSWERING TESTIMONY AND EXHIBITS OF LANE KOLLEN

ON BEHALF OF THE

LOUISIANA PUBLIC SERVICE COMMISSION

J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA

March 2008

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UNITED STATES OF AMERICA

BEFORE THE

FEDERAL ENERGY REGULATORY COMMISSION

ENTERGY SERVICES, INC., et al.) DOCKET NO. ER07-956-000

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UNITED STATES OF AMERICA

BEFORE THE

FEDERAL ENERGY REGULATORY COMMISSION

ENTERGY SERVICES, INC., et al.) DOCKET NO. ER07-956-000

CROSS-ANSWERING TESTIMONY OF LANE KOLLEN

I. SUMMARY

Q. Please state your name and business address.

A. My name is Lane Kollen. My business address is J. Kennedy and Associates, Inc. ("Kennedy and Associates"), 570 Colonial Park Drive, Suite 305, Roswell, Georgia 30075.

Q. Did you previously submit testimony in this proceeding?

A. Yes. I previously submitted Direct Testimony addressing various unauthorized changes incorporated by Entergy Services, Inc. ("ESI") in its May 29, 2007 compliance filing compared to the methodologies reflected in Exhibit No. ETR-26 and ETR-28 developed and presented in Docket No. EL01-88, other ESI errors in the data and methodologies incorporated in the May 29, 2007 compliance filing and the failure of ESI to use appropriate service lives for the nuclear units to quantify depreciation and decommissioning expenses in the production costs used for rough equalization purposes.

Q. **Please state the purpose of your Cross-Answering Testimony.**

A. The purpose of my Cross-Answering Testimony is to respond to the Direct Testimonies of Ms. Janice Nicholas and Mr. John Sammon on behalf of the FERC Office of Administrative Litigation and Mr. Tyler Tibbetts on behalf of the Arkansas Public Service Commission and to update the quantifications reflected in the table in the Summary section of my Direct Testimony.

Q. **Please summarize your Cross-Answering Testimony.**

A. I agree with Mr. Sammon that both the data sources and formulas comprise the methodology reflected in Exhibits ETR-26 and ETR-28 for the computation of production costs used for rough equalization and to quantify the bandwidth remedy payments and that neither can be changed without the authorization of the Commission. However, I do not agree with Mr. Sammon that the Commission somehow is bound to accept changes to the data and methodology reflected in Exhibits ETR-26 and ETR-28 made by ESI in its compliance filing, but that were not identified by ESI as changes to the approved data and methodology when it made that filing. If the Commission concurs with Mr. Sammon, then it will encourage ESI to make other changes in the future without making the requisite notice and filing pursuant to Section 205 to allow the parties to protest and thereby protect their respective interests, particularly in the selection or sourcing of data used in the formulas.

I disagree with Ms. Nicholas that the Operating Companies incorrectly reported the tax NOL carrybacks related to Hurricanes Katrina and Rita in account 165 for Form 1 reporting purposes and her recommendation instead for the Operating Companies to report the amounts in account 143 and to refile their Form 1s for 2006. I agree with Mr. Tibbetts that the Operating Companies correctly reported these amounts in account 165. There is agreement among ESI, the Operating Companies, the outside auditor for the Operating Companies, the Arkansas Commission and the Louisiana Commission that the Operating Companies correctly reported the tax NOL carryback in account 165 for Form 1 reporting purposes.

I disagree with Mr. Tibbetts that the tax NOL amounts reported in account 165, although correctly reported in the Form 1s, should be proformed out from the account 165 amounts for purposes of computing production costs used for rough equalization. There is no provision in the data or methodology underlying Exhibits ETR-26 and ETR-28 that allows, let alone entitles, ESI to review the components of account 165 and unilaterally determine which amounts to include and which amounts to exclude in its annual compliance filings. ESI must make a Section 205 filing to seek and obtain file approval for such changes.

I disagree with Mr. Tibbetts that the Louisiana Companies (EGS Louisiana retail and ELL) correctly accounted for the expense associated with recoveries of debit (asset) balances in account 228.1 by using account 407.3 regulatory debits for this purpose instead of account 924 as prescribed by the FERC USOA. It is undisputed that the Louisiana Companies changed their "normal" accounting in 2006 for the recoveries of storm damage costs deferred in account 228.1. This change in accounting for storm damage represents a change in data compared to the data used in the formulas in Exhibits ETR-26 and ETR-28. In addition, this change in accounting represents a violation of the FERC USOA. Further, the rationale cited by Mr. Tibbetts is factually incorrect and does not apply to the Louisiana Companies' interim storm damage recoveries that were in effect during the 2006 test year.

I agree with Ms. Nicholas that the Operating Companies improperly have included costs that could have and should have been recorded in various functional O&M expense accounts instead of in account 923 outside services. Such costs should be directly assigned to the various functional O&M expense accounts where it is practical to do so and can be done within the Operating Companies' accounting systems. Correctly accounting for such expenses in the various functional O&M expense accounts will reduce the A&G expense amounts in account 923 subject to functionalization allocations.

The following table summarizes the effect on the bandwidth payments and receipts among the Operating Companies for each of the issues addressed by the Louisiana Commission, except for the net energy load issue addressed by Mr. Baron, the ISES 2 prudence issue addressed by Mr. Baron and Mr. Hayet, and the computational error addressed by Mr. Futral. It also updates the quantifications for the nuclear depreciation and decommissioning issue.

Entergy Compliance Filing
FERC Docket No ER07-956-001
Summary of LPSC Adjustments Sponsored by Kollen
(000's)

	EAI	EGS	ELL	EMI	ENOI
(Payments)/Receipts Filed by ESI on May 29, 2007	(251,731)	120,103	91,051	40,577	-
Restate Account 165 (Prepayments) on ETR-26, 28 Basis	(1,644)	(1,992)	3,874	(238)	-
Restate Account 190, 281, 282 (ADIT) on ETR-26, 28 Basis	4,031	7,974	(1,619)	(10,386)	-
Restate Account 924 (Prop Insur) on ETR-26, 28 Basis	(924)	(314)	1,951	(713)	-
Include Spindletop Gas Storage Facility	(908)	2,761	(1,193)	(660)	-
Remove River Bend 30% ADIT	(1,320)	4,156	(1,839)	(997)	-
Remove W3 Capital Lease from Plant Ratios Used to Funct ADIT	(216)	(447)	839	(176)	-
Recognize Extended Service Lives for Nuclear Units	(28,141)	15,764	19,910	(7,533)	-
Cumulative Effect of LPSC Adjustments	(29,122)	27,902	21,923	(20,703)	-
(Payments)/Receipts after LPSC Adjustments	(280,853)	148,005	112,974	19,874	-

II. TAX NOL CARRYBACKS ARE PROPERLY REPORTED IN ACCOUNT 165

Q. Please summarize Ms. Nicholas' position on accounting and reporting the tax NOL carryback amounts related to Hurricanes Katrina and Rita.

A. Ms. Nicholas contends that the Operating Companies incorrectly reported the tax NOL carryback amounts related to Hurricanes Katrina and Rita in account 165 Prepayments. She asserts that these amounts should have been recorded and reported in account 143 Other Accounts Receivable. She bases her position on the argument that the tax NOL carryback amounts do not represent prepayments, but rather represent accounts receivable based on her interpretation of the account descriptions for these two accounts in the Commission's USOA

Q. Do you agree with Ms. Nicholas?

A. No. The Companies correctly reported the tax NOL carryback amounts in account 165 as required by the FERC USOA. The Companies recorded these amounts on their actual accounting books as debit (asset) amounts in account 236 Taxes Accrued, according to Mr. Bunting in his deposition in this proceeding. I have attached a copy of the relevant pages from Mr. Bunting's deposition transcript as Exhibit LC-38.

Account 236 Taxes Accrued is normally a liability account that is reported in the liability section of the balance sheet so long as it has a liability balance. However, if the amount in account 236 is an asset amount, then the USOA specifically requires that the asset amounts be reclassified and reflected in account 165 Prepayments, which the Operating Companies did for Form 1 reporting purposes. The USOA description of account 236 Taxes Accrued is as follows:

> **This account shall be credited with the amount of taxes accrued during the accounting period, corresponding debits made to the appropriate accounts for tax charges. Such credits may be based upon estimates, but from time to time during the year as the facts become known, the amounts of the periodic credits shall be adjusted so as to include as nearly as can be determined in each year the taxes applicable thereto. Any amount representing a prepayment of taxes applicable to the period subsequent to the date of the balance sheet shall be shown under account 165, Prepayments.**

Thus, the Operating Companies complied with the specific directions found in the FERC USOA for reporting debit amounts such as the tax NOL carryback amounts in account 165 Prepayments.

In addition, Mr. Bunting testified in his deposition that it was the outside auditors who suggested that the Companies report the tax NOL carryback amounts in account 165 for Form 1 purposes, a suggestion with which ESI agreed. I have attached a copy of the relevant pages from Mr. Bunting's deposition transcript in Exhibit LC-38.

Further, Mr. Tibbetts, on behalf of the Arkansas Commission, which is adverse to the Louisiana Commission as to whether it is appropriate to adjust the account 165 amounts, nevertheless concludes that the Companies correctly reported the tax NOL carryback amounts in account 165 for Form 1 reporting purposes. (Tibbetts Direct at 7).

Thus, all parties other than Ms. Nicholas, some of which have disparate interests on this issue, agree that the Operating Companies correctly reported the tax NOL carryback amounts in account 165 for Form 1 reporting purposes.

Q. Is Ms. Nicholas correct that the Operating Companies should have reported the tax NOL carryback amounts in account 143 Other Accounts Receivable?

A. No. Ms. Nicholas is incorrect because account 165 is the only proper account for these amounts, as I previously described. Furthermore, account 143 Other Accounts Receivable is not an appropriate, let alone the required, account for recording or reporting the tax NOL carryback amounts. Account 143 is reserved for accounts receivable due to the utility upon "open accounts" and specifically identifies only two examples of such other accounts receivables, according to the Commission's USOA. The USOA description of account 143 Other Accounts Receivable is as follows:

> **A. This account shall include amounts due the utility upon open accounts, other than amounts due from associated companies and from customers for utility services and merchandising, jobbing and contract work.**

> **B. This account shall be maintained so as to show separately amounts due on subscriptions to capital stock and from officers and employees, but the account shall not include amounts advanced to officers or others as working funds. (See account 135, Working Funds).**

In this case, the Operating Companies do not have an "open account" with the IRS. Neither does the account 143 description address refunds of previously paid taxes or reductions in future taxes that will be paid. Instead, the USOA mandates the use of separate accounts for such tax amounts (accounts 165 and 236 as previously discussed). Also in this case, the tax NOL carryback amounts are not "due on subscriptions to capital stock" or "from officers and employees."

Thus, it would be inconsistent with the specific requirements of the FERC USOA to report the tax NOL carryback amounts in account 143 as proposed by Ms. Nicholas. The Operating Companies correctly reported these amounts in account 165 as required by the USOA.

Q. Despite his agreement with the Operating Companies and the Louisiana Commission, Mr. Tibbetts asserts that ESI properly removed the tax NOL carryback amounts from the account 165 balances used in the production costs for rough equalization purposes. Please respond.

A. Mr. Tibbetts cites no reason for this opinion. He offers only the conclusory statement that "I see no basis for reflecting the prepayment amount (that was for NOL carrybacks prior to December 31, 2005) in the bandwidth calculation for 2006." With all due respect, that is not the issue. The issue is whether there is any authorized basis for removing these tax NOL amounts from the bandwidth computations for 2006 given the use of unadjusted account 165 amounts obtained from the Operating Companies' Form 1s in Exhibits ETR-26 and ETR-28.

The removal of selected components and amounts from the account 165 amounts has not been authorized by the Commission. The Commission specifically stated in the November 17, 2006 compliance order that ESI could not change the methodology reflected in Exhibits ETR-26 and ETR-28 unless it made a Section 205 filing. ESI did not make a Section 205 filing to propose the exclusion of these amounts from account 165, nor did it obtain Commission approval for these changes. Contrary to the specific direction in the Commission's November 17, 2006 compliance order, ESI unilaterally removed the tax NOL carryback amounts from the account 165 data properly reported in Account 165 despite the fact that it was required to use the entire amounts in this account in its compliance filing computations. Further, ESI did not notify the parties of the change in its cover letter for the compliance filing; the only indication of this change was a footnote included by ESI in the compliance filing workpapers.[1]

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[1] The footnote in the workpapers was to the account 165 beginning year amounts and stated: "Excludes amounts associated with Hurricanes as follows: EGS - $20,096,000 ELL - 167,384,000; EMI - $53,850,000; ENO - $59,063,000." There was no other indication of what was represented by these amounts or why they were excluded.

Q. Is it appropriate to remove the tax NOL carryback amounts from the account 165 amounts used in the production cost computations for rough equalization purposes?

A. No. The methodology used in Exhibits ETR-26 and ETR-28 used the average of the unadjusted beginning year and ending year balances in account 165 Prepayments from the Operating Companies' Form 1 filings. The account 165 amounts used in these exhibits were taken directly from the account 165 amounts reported in the Form 1s by the Operating Companies. There was no attempt by ESI to remove selected components of these amounts for any reason. It would be inappropriate now to allow ESI the unfettered discretion to review the costs reported in each account and then selectively exclude certain amounts based on some unknown criteria. Such "pick and choose" changes to data and methodology would subject the computations approved by the Commission to unilateral modification by ESI in direct opposition to the Commission's rulings on this issue in Opinion Nos. 480 and 480-A as well as the related compliance filings.

III. LOUISIANA COMPANIES INCORRECTLY ACCOUNTED FOR STORM DAMAGE COST RECOVERIES

Q. Mr. Tibbetts argues that the Louisiana Companies correctly accounted for storm damage cost recoveries in account 407.3 rather than in account 924 during 2006. Please respond.

A. Mr. Tibbetts is incorrect for several reasons. First, the factual basis cited by Mr. Tibbetts for his opinion is both incorrect and irrelevant. Mr. Tibbetts asserts that "the reason that Entergy did not record those costs in account 924" is "that these storm damage costs were sufficiently large for several EOCs that their retail regulators approved storm damage cost deferral with recovery in future years." Mr. Tibbetts then cites orders received by EGS from the Texas Commission issued in 2006 and by EGS and ELL from the Louisiana Commission issued in 2007. (Tibbetts Direct at 8). However, none of these orders is relevant to the issue of accounting for storm damage cost recoveries in 2006, the year under review in this proceeding. EGS received no storm damage recoveries in Texas during 2006 related to Hurricanes Katrina and Rita. Further, none of the orders specifically provide for the deferral of storm damage costs in account 182.3, contrary to Mr. Tibbetts assertion. In fact, Mr. Tibbetts did not even have a copy of the Texas order he allegedly relied on and could not cite any provision of the Louisiana Commission orders for his proposition that "their retail regulators approved storm damage cost deferral," according to the Arkansas Commission response to LPSC 1-8. I have attached a copy of the Arkansas Commission's response to LPSC 1-8 as Exhibit LC-39.

Second, Mr. Tibbetts states that as a result of these regulatory orders for EGS and ELL "The appropriate accounting for the storm deferral approved by retail regulators was to transfer deferred costs from account 228.1 (Accumulated Provision for Property Insurance) to Account 182.3 (Other Regulatory Assets). As I previously discussed, there were in fact no such deferrals "approved by retail regulators," nor were there any accounting "transfers" from account 228.1 to 182.3 for the Louisiana Companies in 2006, according to the accounting entries provided by ESI in response to Louisiana Commission 6-3(b). There was such a transfer in December 2006 for the EGS Texas retail jurisdiction due to the Texas Commission's approval of securitization financing and recovery in its order dated December 1, 2006. However, the Texas costs are not at issue in this proceeding because they did not affect the amounts in account 924 for 2006. I have attached a copy of the ESI response to LPSC 6-3(b) as Exhibit LC-40.

Third, Mr. Tibbetts relies upon an incorrect understanding of the Louisiana Commission's orders authorizing interim storm damage recoveries by the Louisiana Companies and in doing so, reaches another incorrect conclusion. Mr. Tibbetts argues that the "interim LPSC order in 2006 did not provide sufficient evidentiary basis to record a regulatory asset for the deferred Katrina and Rita storm damage costs." Quite frankly, that is an irrelevant issue because there was no regulatory asset and no need for a regulatory asset. The storm damage amounts already were deferred in account 228.1 and there was no issue in 2006 regarding the transfer of costs from account 228.1 to account 182.3 for the Louisiana Companies. The Louisiana Commission authorized interim recoveries of the amounts deferred in account 228.1 during 2006, as I described in my Direct Testimony. Louisiana ratepayers paid in rates amounts to amortize the deferred storm damage costs.

Fourth, Mr. Tibbetts fails to address the Louisiana Companies' accounting that resulted in regulatory liabilities (account 254 Other Regulatory Liabilities) to ratepayers rather than amortizing deferred storm damage amounts through account 924 expense, as required by the FERC USOA. Instead of using account 924 to amortize the costs that were deferred and recorded in account 228.1 as the amounts were recovered in rates, the Louisiana Companies used account 407.3 Regulatory Debits. The Companies included offsetting credits in account 254 Other Regulatory Liabilities rather than reducing the deferrals in account 228.1. Contrary to Mr. Tibbetts' understanding, the Louisiana Companies did not use account 407.3 to amortize any amounts in account 182.3 Other Regulatory Assets because there were no storm damage costs deferred in that account. As I noted in my Direct Testimony, the use of account 407.3 to create a regulatory liability was improper and violates the requirements of the Commission's USOA.

Effectively, as the Louisiana Companies received money from the ratepayers to retire their deferred storm damage expenses, they booked the receipts as a "liability" to the ratepayers in order to avoid amortizing the deferred expenses through account 924. This highly unusual accounting treatment was not justified by any serious issue regarding the legitimacy of the collections. The proper amounts should have been included in account 924.

Q. **Mr. Tibbetts asserts that "By its nature, the storm cost recovery revenue granted by the LPSC in 2006 was on an interim, as opposed to final, basis. Thus, it remained uncertain until a final order was issued." Is this a correct interpretation of the Louisiana Commission's Order authorizing interim storm damage cost recoveries for EGS and ELL?**

A. No. Mr. Tibbetts appears to interpret the "interim" storm damage recoveries authorized by the Louisiana Commission as subject to uncertainty "until a final order was issued." The "interim" order in Louisiana Commission Docket No. U-29203 addressed "interim rate adjustments, subject to subsequent true-up and refund," and was not itself an "interim" order, subject to the issuance of a "final order" as implied or apparently understood by Mr. Tibbetts. This "interim" order was in fact a final order on "interim" rate recovery and it was not appealed by EGS, ELL or any other party. Thus, there was no uncertainty as to the amounts that were authorized for recovery. I have attached a copy of the Louisiana Commission's order authorizing interim storm damage cost recoveries for EGS and ELL as Exhibit LC-41. That order was dated March 3, 2006.

Q. In the Louisiana Commission's storm damage order dated March 3, 2006, did it reserve the right to reconsider the storm damage costs in the FRPs or in the permanent phase of this proceeding?

A. Yes. However, this does not require the circumvention of the normal accounting for storm damage costs and the use of account 924 for the amortization of such costs concurrent with the recoveries provided. Further, the Louisiana Companies both included the recoveries of the storm damage costs in their FRP (formula rate plan) filings in May and June of 2006. No party disputed the recoveries of those costs through the Louisiana Companies' FRPs in 2006 as separate extraordinary costs. Thus, there were no ratemaking contingencies or uncertainties associated with the storm damage recoveries through the FRPs. In short, there is no valid argument in support of the Louisiana Companies' accounting and the creation of regulatory liabilities, because there was no need to provide for refunds to ratepayers.

Q. Mr. Tibbetts cites Mr. Bunting's deposition testimony as the basis for his opinion that storm damage cost recovery was "uncertain" and that this required EGS and ELL to circumvent the normal storm damage accounting through account 924. Please respond.

A. First, there was no uncertainty as to the amounts; they were subject only to true-up and adjustment under certain identified conditions. The Louisiana Commission specified the dollar amount of the recoveries for each Company and the means of recovery: initially through their respective fuel adjustment clauses, subject to a dollar cap and earnings test, and thereafter through their respective formula rate plans.

Second, the Commission did not authorize or require the Companies to create regulatory liabilities for the cumulative amount of the recoveries in account 254. Such a requirement, or even such an "after-the-fact" interpretation, is nonsensical because by definition a regulatory liability is something owed by the utility to its ratepayers. No one could seriously argue that the amounts the LPSC authorized for recovery were anything other than recoveries of their storm damage costs deferred in account 228.1 (expense portion) and capitalized in accounts 101 and 107 (plant portion) or argue that these recoveries were amounts the Companies were required to repay to ratepayers. Potential contingencies certainly were eliminated when the Companies included the storm damage accruals in their base rates pursuant to Formula Rate Plans, since no party questioned the legitimacy of the included amounts under the procedure for raising issues related to the Companies' filings.

Third, there was no ambiguity or uncertainty as to the purpose of the interim recoveries. These revenues were authorized to provide recovery of the storm damage costs related to Hurricanes Katrina and Rita. As such, the expense portion of the recoveries was required to be recorded in account 924, not in account 407.3 so that the amounts deferred in account 228.1 would in fact be amortized in the same amounts as the revenues from the recoveries provided for this component of the storm damage costs.

IV. AMOUNTS IN ACCOUNT 923 SHOULD BE DIRECTLY ASSIGNED WHERE POSSIBLE

Q. Ms. Nicholas, on behalf of the FERC Trial Staff, recommends that the Commission require the Companies to review the costs recorded in account 923 Outside Services, reclassify them to the appropriate functional operation and maintenance expense account or other accounts in accordance with the requirements of the USOA, refile their Form 1s for 2006 and recompute the bandwidth payments and receipts. Do you agree?

A. Yes. The USOA generally requires, with certain exceptions, that expenses incurred through vendor charges be recorded in functional O&M expense accounts rather than in account 923 Outside Services, an A&G expense account. This requirement is found in the USOA account description for account 923 as follows:

> **A. This account shall include the fees and expenses of professional consultants and others for general services which are not applicable to a particular operating function or to other accounts. It shall include also the pay and expenses of persons engaged for a temporary administrative or general purpose in circumstances where the person so engaged is not considered as an employee of the utility.**
>
> **B. This account shall be so maintained as to permit ready summarization according to the nature of service and the person furnishing the same.**
>
> **Items**
>
> **1. Fees, pay and expenses of accountants and auditors, actuaries, appraisers, attorneys, engineering consultants, management consultants, negotiators, public relations counsel, tax consultants, etc.**

2. Supervision feed and expense paid under contracts for general management services.

Q. Can you cite any examples of costs recorded by the Companies in account 923 that could be directly assigned to functional O&M expense accounts?

A. Yes. The costs included by the Operating Companies in account 923 for 2006 were summarized by project code in the ESI response to Staff 3-3, which was replicated as Exhibit S-7 attached to Ms. Nicholas' Direct Testimony. In that response, Project Code F3PCN20701 is described as "ESI Nuclear Employees" and Project Code F3PCN20780 is described as "ESI Nuclear Employees – ANO;" both clearly are related to the nuclear production function. Project Code F3PCE01601 is described as "FERC – Open Access Transmissio Total" and clearly is related to the transmission function. Project Code F3PPD10135 is described as "Remittance Processing Center Suppor" and clearly is related to the customer service function. Project Code F5PCFACDIS is described as "Facilities Svcs – Distribution" and clearly related to the distribution function. A significant portion of the account 923 expenses summarized by project code in Exhibit S-7 can be readily directly assigned to function based solely on the descriptions of the project codes provided in that response.

Q. Would such a review by ESI require a review of millions of individual transactions to determine the appropriate function?

A. No. This review could be performed rather quickly by reviewing the project code descriptions and assessing whether the charges were functional in nature or general (common) in nature.

V. NUCLEAR UNIT DEPRECIATION AND DECOMMISSIONING EXPENSE SHOULD REFLECT EXPECTED SERVICE LIVES

Q. Have you updated your quantifications of the effects on production costs and the bandwidth payments and receipts since you filed your Direct Testimony?

A. Yes. Since I prepared my Direct Testimony, ESI has filed addendum responses to LPSC 5-5 through LPSC 5-9. Consequently, I have updated the quantifications for this issue. I used the ESI quantifications of the depreciation expense for ANO 1 and 2, River Bend and Grand Gulf, based on these responses. In addition, using the information provided by ESI in the responses, I recomputed the decommissioning expense for River Bend (Texas retail) and Grand Gulf at $0 for 2006 based on the assumption that the service lives for these units were extended by 20 years as of the beginning of the year.

Q. Does this complete your testimony?

A. Yes.

AFFIDAVIT

STATE OF GEORGIA)

COUNTY OF FULTON)

LANE KOLLEN, being duly sworn, deposes and states: that the attached is his sworn testimony and that the statements contained are true and correct to the best of his knowledge, information and belief.

Lane Kollen

Lane Kollen

Sworn to and subscribed before me on this
26th day of March 2008.

Jessica K. I

Notary Public

JESSICA K. INMAN
MY COMMISSION EXPIRES
NOTARY PUBLIC
JULY 31ST, 2011
CHEROKEE COUNTY, GA

UNITED STATES OF AMERICA

BEFORE THE

FEDERAL ENERGY REGULATORY COMMISSION

ENTERGY SERVICES, INC., et al.) DOCKET NO. ER07-956-000

EXHIBITS

OF

LANE KOLLEN

ON BEHALF OF THE

LOUISIANA PUBLIC SERVICE COMMISSION

J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA

March 2008

917910v.1

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

ENTERGY SERVICES, INC. et al.) DOCKET NO. ER07-956-000

EXHIBIT LC-38

OF

LANE KOLLEN

ON BEHALF OF THE

LOUISIANA PUBLIC SERVICE COMMISSION

J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA

March 2008

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it considered errors in the ETR-28/26 methodology?
A No, I couldn't tell you whether we considered it fair play.
Q Can you tell me whether Entergy corrected errors in ETR-26 and 28 for the purpose of the implementation filing without making a Section 205 filing at the FERC?
A Say that again.
Q Do you know whether Entergy corrected errors in the implementation filing, errors in the ETR-26 and 28 methodology and simply made them in the implementation filing without filing a separate 205 case, that's a Section 205 of the Federal Power Act case, to get approval from the FERC to correct the error?
A I'm not aware of any -- I'm not aware of any events that you described.
Q Have you interacted with Mr. Louiselle with regard to the 2007 costs and how they should be accounted for? In other words, has he had discussions with you as to how various costs should be booked and how that would affect the bandwidth?

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A Mr. Louiselle -- and I hope he won't take this the wrong way, but he's not in my accounting department so a decision as to how costs get recorded, I would not expect to include him in that discussion.
Q So the answer is no?
A No.
Q Do you know of any accounting changes that have occurred since 2006 that will affect the bandwidth calculation, in other words, a determination to book costs to some different account than they were booked to in '06?
A As I said earlier, not having intimate knowledge of the bandwidth calculation would not allow me to tell you whether we had made -- if something got booked differently than a prior period, how it might affect the bandwidth calculation.
Q Is that a no, you don't know of any?
A It's a no, I don't know the intimate details of the bandwidth calculation so I can't answer your question as to whether or not anything

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that might have changed, any accounting records, would have impacted the calculations.
Q Do you know anything that's changed in the accounting records with regard to how you book production-related costs?
A As you alluded to earlier, FERC ordered us to change the way we record gas hedges, and those are production-related accounts.
Q So that's one. Any others?
A I can't think of any others sitting here today.
Q Are you familiar with how the booking -- we've touched on this, but let me ask the question again, if I'm repeating myself -- of the net operating loss carryback tax benefit in 2005.
A Am I familiar with how it was recorded?
Q Yeah.
A Yes, somewhat familiar.
Q How was it recorded?
A On our general ledger system, the net operating loss carryback was recorded as a debit to 236, taxes payable.

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Q What's 236?
A Taxes payable.
Q What is that account supposed to be?
A It's a liability account. It represents your expected tax payments.
Q Is that the only place it was recorded? I thought it was recorded in the prepayments account.
A It was recorded in the prepayments account.
Q What's the different?
A Recorded, that was the transaction that we recorded on our general ledger. As I discussed earlier, when I talked about we were having a discussion around when the books close and so on and so forth, and I mentioned the fact that from time to time, if our auditors were to discover something that they viewed that needed to be recorded differently, we would, for reporting purposes, we would make adjustments to our general ledger accounts, and that was the case in this particular situation.
Q There was an adjustment to the general

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ledger that changed the reporting from the original account?
A That's correct.
Q Where did it get reported?
A It got reported for 10-K purposes, it got reported in a line item called prepayments and other. As we disclosed in our footnote in that 10-K, we described it as a receivable being recorded in prepayments and other.
Q What account number is prepayments and other?
A In a 10-K, that's not a specific account number. It's a categorization. You don't have account numbers in the 10-K.
Q Did it find an account for any report that you made?
A Yes, it did.
Q When did it find an account?
A In the Form 1s that were reported for 2005, it's my understanding these amounts were reported in the prepayment account.
Q What account is that?

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A It's 165.
Q Has there ever been a change of the year-end balance of account 165 as reported in the Form 1 that you know of?
A Once you got into the next year, that account balance will change. It's a balance as of a point in time.
Q And the balance is -- as of that December 31st is the point in time?
A Correct.
Q The balance as of December 31st that was reported in account 165 prepayments, have you all retroactively adjusted that amount?
A No, not retroactively adjusted.
Q Have you ever adjusted it -- adjusted the amount as stated for that day?
A The prepayment balance has changed as we've gone forward, yes.
Q Which always happens; right?
A Yes.
Q Prepayments -- isn't it always stuff you're going to get paid back?

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A Prepayments represent an advance payment of an expense generally.
Q When you -- tell me, how does a prepayment balance get extinguished going forward?
A It could get amortized to an expense. It could get corrected. In this particular case, I believe in terms of Form 1 reporting, when the cash flow is received in March, April 2006, the balance was reduced.
Q And that was the balance in account 1 of 65?
A Relative to the specific amount in question, yes.
Q How was that recorded, the reduction?
A Recorded --
Q As an amortization or what?
A I need to ask you to make a distinction when you say specifically recorded.
Q You're asking a second grader to tell you about nuclear physics. So I need your help.
A Our discussions around being reported or information as recorded in the general ledger as it

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relates to this transaction, it's different.
Q Tell me what happened with the general ledger, when the tax proceeds came in.
A Account 236 was credited.
Q What's account 236?
A Taxes payable.
Q When you say credited, what do you mean by that?
A When the cash came in, we debited cash, we credited account 236.
Q For Form 1 reporting, what happened?
A When the cash came in, the 165 amount was reduced, was credited.
Q Was it correct, in your opinion, to put the prepayment in account 165?
A That amount was a fairly significant amount and an extraordinary item. As you look at the circumstances around it, there were -- again, accounting is not always black and white. People have to make interpretations, and that amount, being interpreted as being in a 165 account is an interpretation that I can understand.

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Q Does that mean you think it's not necessarily willing to agree that it's right, but you don't think it's wrong, or what?
A I think with it being a 165 account is an acceptable accounting result.
Q Where else could it have been accounted for for reporting on the Form 1?
A As I said earlier, from a general ledger perspective, we had it in 236. After discussions with our auditors, the decision was made to move it to a 165. So obviously at least initially we had a thought that 236 was an account that would be appropriate to reflect that amount. It really is a function of the transaction at the time and the interpretation the individual is making.
I can't sit here today, that amount being in 165 is an incorrect amount, but I can also say that as we booked it on our general ledger, we believe with it being in 236 was acceptable as well.
Q What's account 190?
A Do you mind if I -- to get you the account title -- accumulated deferred income tax.

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Q The decision to book the tax payment as a prepayment in account 165, did the chief accountant of Entergy agree to that?
A You mean a decision to report it?
Q To report it on the Form 1, yes.
A Yes, he did.
Q Did the outside auditors agree with that?
A The outside auditors discussion was around 10-K reporting. I believe a decision was made, in order to remain consistency between the 10-K and Form 1 reporting, to report it as such in the Form 1.
Q In other words, the outside auditors were involved in the decision to call it a prepayment on the 10-K?
A Again, line item is prepayment and other.
Q Prepayment and other. Was it not called a prepayment and was it called an other?
A It was generic.
Q For consistency, it went into prepayments on the Form 1; right?
A That's correct.

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Q Do you know whether or not the outside auditors thought -- recommended that it be classified as a prepayment?
A I'm not aware of them opining as to any perspective on that as it relates to the Form 1. Obviously, I think if you look at our Form 1s, you'll see, they have an opinion in the Form 1s.
Q They have an opinion that it's what, correct?
A Have an audit opinion in the Form 1.
Q That the accounting as reported in the Form 1 is correct?
A It's a similar opinion to what you would say in Ks.
Q And the answer is they are saying it's correct in their opinion letter?
A It doesn't state that specifically. It's an opinion letter that basically folks would classify as a clean opinion.
Q That's a good thing, to have a clean opinion; right?
A Yes, it is.

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Q It basically says this stuff is right?
A It says it's acceptable accounting, yes.
Q Do you know whether or not the auditors would have agreed to the clean audit if you all hadn't classified those costs as a prepayment?
A Didn't have that discussion with them, so I don't know if they would have or would not have.
Q They were resisting Entergy's reclassification on the general ledger?
A They were resisting it in terms of 10-K reporting.
Q Do you know whether or not there was ever a discussion as to whether the amount that was designated as a prepayment should have been booked to account 190?
A I never had that discussion with anyone, no.
Q And you never understood -- do you have any basis to believe there was such a discussion before you got there?
A Had no basis to believe there was or was not.

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

ENTERGY SERVICES, INC. et al.) **DOCKET NO. ER07-956-000**

EXHIBIT LC-39

OF

LANE KOLLEN

ON BEHALF OF THE

LOUISIANA PUBLIC SERVICE COMMISSION

J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA

March 2008

1-8. Refer to page 8 line 7 through page 9 line 6 of Mr. Tibbetts' Direct and Answering Testimony.

a. Please provide the accounting entries for accounts 228.1, 182.3, 924 and 407.3 from the Operating Companies' general ledger systems reviewed by Mr. Tibbetts for the 2006 calendar year prior to filing his testimony.

b. Please describe why the referenced LPSC decisions in 2007 have any relevance for the 2006 calendar year.

c. Please identify where in the referenced LPSC decisions in 2007 the Louisiana Commission "approved storm damage cost deferral[s]" in the form of regulatory assets in account 182.3.

d. Please identify where in the referenced PUCT decision in 2006 the Texas Commission "approved storm damage cost deferral[s]" in the form of regulatory assets in account 182.3.

e. Please provide the accounting entries from the Operating Companies' general ledger systems by month and year and account and amount for each Operating Company and jurisdiction "to transfer deferred costs from Account 228.1 (Accumulated Provision for Property Insurance) to Account 182.3 (Other Regulatory Assets). If Mr. Tibbetts does not have those accounting entries, then please so state and cite all sources for the statement he makes on page 8 lines 12-15.

RESPONSE:

(a) Mr. Tibbetts did not review accounting entries.

(b) Mr. Tibbetts found it useful to distinguish between what Mr. Bunting described as the LPSC interim order and the subsequent order in 2007.

(c) Mr. Tibbetts did not identify any discussion regarding the intended accounting for storm costs or creation of a regulatory asset in the series of LPSC Orders Nos. U-29203. Mr. Tibbetts did identify numerous references to "storm recovery charges" that the LPSC has authorized the Operating Companies to collect to service the storm recovery bonds. In Mr. Tibbetts' opinion, the LPSC orders in August, 2007 provided sufficient regulatory assurance of storm cost recovery to create a regulatory asset.

(d) Mr. Tibbetts has requested a copy of the referenced PUCT decision.

(e) Mr. Tibbetts does not have the accounting entries but relied upon Mr. Bunting's statement as to the entries recorded.

Prepared by or under direct supervision of Tyler Tibbetts
Dated: February 29, 2008

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

ENTERGY SERVICES, INC. et al.) DOCKET NO. ER07-956-000

EXHIBIT LC-40

OF

LANE KOLLEN

ON BEHALF OF THE

LOUISIANA PUBLIC SERVICE COMMISSION

J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA

March 2008

ENTERGY SERVICES, INC.
FEDERAL ENERGY REGULATORY COMMISSION
Docket No. ER07-956-001

Response of: Entergy Services, Inc.
to the Sixth Set of Data Requests

Prepared at the Direction of: Theodore Bunting

of Requesting Party: Louisiana Public Service Commission

Question No.: LPSC 6-3 Part No.: Addendum:

Question:

a. Please provide a schedule showing the amounts in account 182.3 other regulatory assets for each month from December 2004 through December 2006, the debits by FERC account, the credits by FERC account, including, but not limited to, transfers to other balance sheet accounts, and any other changes to the account obtained from the general ledger accounting records for each of the Operating Companies. For any transfers to or from other balance sheet accounts and any other changes to the account, please provide a detailed description and identify the accounts and amounts which were transferred or adjusted in or out. Further, provide a copy of all ratemaking orders relied on for the monthly expense amounts and any transfers or other changes to the account, if any.

b. Please reconcile the amounts in account 182.3 at December 31, 2006, December 31, 2005, and December 31, 2004 provided in response to part (a) of this question obtained from the Companies' general ledger accounting records to the amounts reported by each of the Companies in account 182.3 on pages 232 and 232.1 of the Form 1 for each of those years. Provide a detailed explanation of any differences, including the accounts and amounts comprising those differences.

Response:

a. Please see the attached. To the extent the ratemaking orders were available, the reference has been included in the attached. The Company will continue to locate additional ratemaking orders relevant to the request.

b. Please see the attached.

Acct	Account Description	Fiscal Year	Period	GL Business Unit	Balance	Monthly activity	Journal ID	Regulatory reference
Response to LPSC 6-3b.								
Entergy Arkansas								
		182.3	12/31/2006	General Ledger	530,699,292.14			
			12/31/2006	Form 1 p. 232	584,205,721.00			
				difference	(53,506,428.86)			
					(53,506,428.34)	This difference is due to account 228.1, which had a debit balance for accumulated provisions for property insurance. The debit balance was reclassed for FERC Form 1		
					(0.52)			
		182.3	12/31/2005	General Ledger	584,754,150.38			
			12/31/2005	Form 1 p. 232	631,204,519.00			
				difference	(46,450,368.62)			
					(46,450,368.18)	This difference is due to account 228.1, which had a debit balance for accumulated provisions for property insurance. The debit balance was reclassed for FERC Form 1		
					(0.44)			
		182.3	12/31/2004	General Ledger	413,916,459.64			
			12/31/2004	Form 1 p. 232	472,135,269.00			
				difference	(58,218,809.36)			
					(29,191,452.00)	This difference is due to the additional minimum pension asset - 182361. The actuarial information to record the asset as of 12.31.04 was not available prior to closing the general ledger for 2004. $29,191,452 was booked in 2005		
					(29,027,357.45)	This difference is due to account 228.1, which had a debit balance for accumulated provisions for property insurance. The debit balance was reclassed for FERC Form 1		
					0.09			

Account	Account Desc	Fiscal Year	Period	GL Business Unit	Balance	Monthly activity	Journal ID	Regulatory reference

Response to LPSC 6-3b.
Entergy Gulf States

182.3	12/31/2006	General Ledger	1,463,842,127.77	
	12/31/2006	Form 1 p. 232	1,636,617,202.00	
		difference	(172,775,074.23)	
			172,775,074.00	This difference is due to account 228.1, which had a debit balance for accumulated provisions for property insurance. The debit balance was reclassed for FERC Form 1 reporting into account 182.3.
			(0.23)	
182.3	12/31/2005	General Ledger	1,064,197,104.91	
	12/31/2005	Form 1 p. 232	1,406,389,793.00	
		difference	(342,192,688.09)	
			342,192,688.00	This difference is due to account 228.1, which had a debit balance for accumulated provisions for property insurance. The debit balance was reclassed for FERC Form 1 reporting into account 182.3.
			(0.09)	
182.3	12/31/2004	General Ledger	809,778,194.77	
	12/31/2004	Form 1 p. 232	866,911,682.00	
		difference	(57,133,487.23)	
			57,133,487.00	This difference is due to account 228.1, which had a debit balance for accumulated provisions for property insurance. The debit balance was reclassed for FERC Form 1 reporting into account 182.3.
			(0.23)	

ER07-956-001

Account	Account Desc	Fiscal Year	Period	GL Business Unit	Balance	Monthly activity	Journal ID	Regulatory reference

Response to LPSC 6-3b.
Entergy Louisiana

182.3	12/31/2006	General Ledger	629,757,227.53	
	12/31/2006	Form 1 p. 232	835,700,650.00	
		difference	(205,943,422.48)	
			205,943,422.00	The difference is due to account 228.1, which had a debit balance for accumulated provisions for property insurance. The debit balance was reclassed for FERC Form 1 reporting into account 182.3.
			(0.48)	
182.3	12/31/2005	General Ledger	415,820,672.18	
	12/31/2005	Form 1 p. 232	648,385,177.00	
		difference	(232,564,504.83)	
			232,564,503.00	The difference is due to account 228.1, which had a debit balance for accumulated provisions for property insurance. The debit balance was reclassed for FERC
			(1.83)	
182.3	12/31/2004	General Ledger	394,136,123.78	
	12/31/2004	Form 1 p. 232	469,953,216.00	
		difference	(75,817,092.22)	
			41,705,487.00	The difference is due to account 228.1, which had a debit balance for accumulated provisions for property insurance. The debit balance was reclassed for FERC
			34,111,603.00	The difference is due to the additional minimum pension asset - 182361. The actuarial information to record the asset as of 12.31.04 was not available prior to closing the general ledger for 2004. $34,111,603 was booked in 2005 and the general ledger was manually adjusted for 2004 prior to filing the Form 10K and FERC Form 1.
			(2.22)	

LPSC 6-3 SS1234

Account	Account Desc	Fiscal Year	Period	GL Business Unit	Balance	Monthly activity	Journal ID	Regulatory reference

Response to LPSC 6-3b.
Entergy Mississippi

182.3	12/31/2006	General Ledger	170,133,736.17	
	12/31/2006	Form 1 p. 232	170,133,735.00	
		difference	1.17	
182.3	12/31/2005	General Ledger	196,761,297.56	
	12/31/2005	Form 1 p. 232	275,433,588.00	The difference is due to account 228.1, which had a debit balance for accumulated provisions for property insurance. The debit balance was reclassed for FERC Form 1 reporting into account 182.3.
		difference	(78,672,290.44)	
182.3	12/31/2004	General Ledger	58,284,908.98	
	12/31/2004	Form 1 p. 232	72,105,260.00	
		difference	(13,820,351.02)	The difference is due to the additional minimum pension asset - 182361. The actuarial information to record the asset as of 12.31.04 was not available prior to closing the general ledger for 2004. $13,829,351 was booked in 2005 and the general ledger was manually adjusted for 2004 prior to filing the Form 10K and FERC Form 1.

Account	Account Desc	Fiscal Year	Accounting Period	GL Business Unit	Balance	Monthly activity	Journal ID	Regulatory reference

Response to LPSC 6-3b.
Entergy New Orleans

182.3	12/31/2006	General Ledger	10,083,855.80	
	12/31/2006	Form 1 p. 232	217,790,361.00	
		difference	(207,706,505.20)	
			137,804,623.00	The difference is due to account 228.1, which had a debit balance for accumulated provisions for property insurance. The debit balance was reclassed for FERC Form 1 reporting into account 182.3.
			69,901,882.00	A credit balance for the FAS 109 asset was reclassed to account 254.
			(0.20)	
182.3	12/31/2005	General Ledger	21,363,017.94	
	12/31/2005	Form 1 p. 232	188,304,211.00	
		difference	(166,941,193.06)	
			116,938,281.00	The difference is due to account 228.1, which had a debit balance for accumulated provisions for property insurance. The debit balance was reclassed for FERC Form 1 reporting into account 182.3.
			50,002,912.00	A credit balance for the FAS 109 asset was reclassed to account 254.
			(0.06)	
182.3	12/31/2004	General Ledger	(5,570,341.02)	
	12/31/2004	Form 1 p. 232	42,240,811.00	
		difference	(47,811,152.02)	
			42,946,490.00	A credit balance for the FAS 109 asset was reclassed to account 254.
			4,864,662.00	The difference is due to the additional minimum pension asset - 182361. The actuarial information to record the asset as of 12.31.04 was not available prior to closing the general ledger for 2004. $4,864,662 was booked in 2005 and the general ledger was manually adjusted for 2004 prior to filing the Form 10K and FERC Form 1.
			(0.02)	

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

ENTERGY SERVICES, INC. et al.) DOCKET NO. ER07-956-000

EXHIBIT LC-41

OF

LANE KOLLEN

ON BEHALF OF THE

LOUISIANA PUBLIC SERVICE COMMISSION

J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA

March 2008

LOUISIANA PUBLIC SERVICE COMMISISON

ORDER NO. U-29203

ENTERGY GULF STATES, INC. AND ENTERGY LOUISIANA, INC.[1]
EX PARTE

Docket No. U-29203 In re: Joint Application of Entergy Gulf States, Inc. and Entergy Louisiana, Inc. for Interim and Permanent Recovery in Rates of Costs Related to Hurricanes Katrina and Rita. The Companies have requested expedited review of this matter such that the Commission may act on this matter at its January 2006 Open Session.

(Decided at the Commission's Business and Executive Session held February 22, 2006)

Background

This proceeding was instituted upon the filing of a Joint Application for emergency interim and permanent relief by Entergy Gulf States, Inc. ("EGSI") and Entergy Louisiana, LLC ("ELL") (collectively "the Companies") on December 2, 2005. In the application, the Companies request authorization from the Louisiana Public Service Commission (the "Commission") for adjustments to the Companies' Louisiana-jurisdictional rates and charges, beginning with the first billing cycle of February 2006, to permit the Companies to recover their costs incurred as a result of Hurricanes Katrina and Rita. The Companies seek interim recovery of $141 million for the Louisiana-based operations of EGSI (which serves customers in Louisiana and Texas) and $355 million for ELL, based on the low end of the range of estimated restoration costs. The Companies estimate that the total storm cost for EGSI in Louisiana is $195 million and for ELL is $510 million.

The Companies urged that the proceeding progress in two phases: Phase One, in which the Companies seek Commission authorization of interim rate adjustments, subject to subsequent true-up and refund; and Phase Two, in which the Companies seek permanent rate adjustments. The proceeding is currently in Phase One of the review. The Companies anticipate filing its final storm cost figures in the second or third quarter of this year, at which point the proposed Phase Two review will begin.

Notice of this proceeding was published in the Commission's Official Bulletin dated December 2, 2005. In response to that publication, several parties intervened: Occidental Chemical Corporation ("Occidental"); Tembec USA, LLC ("Tembec"); Marathon Oil Company

[1] Subsequent to the filing of the Joint Application in this docket, Entergy Louisiana, Inc. changed its form of business from a corporation to a limited liability company, which bears the name Entergy Louisiana, LLC. This restructuring was approved by the Louisiana Public Service Commission in Order No. U-28919 dated October 3, 2005.

("Marathon"); Valero Refining-New Orleans, LLC ("Valero"); and Louisiana Energy Users Group ("LEUG").[2]

At a status conference convened on January 5, 2006, the parties expressed a willingness to cooperate with the Companies' proposed two-phase process, as well as the Companies' request that Phase One, review of the interim rate request, be handled on an expedited basis. Accordingly, the parties agreed to an ambitious Phase One procedural schedule, which included written and deposition discovery, the filing of testimony by all parties, and hearing dates of February 16 and 17, 2006. It was also agreed that, due to the expedited procedural schedule for this phase of the proceeding, that the Administrative Law Judge would serve as a Hearing Examiner in this matter, but would not issue a recommendation to the Commissioners.

At the hearing on Phase One of this proceeding, the Companies presented four witnesses:

- William M. Mohl, Vice President of Commercial Operations for Entergy Services, Inc. In conjunction with his testimony at the hearing, Mr. Mohl's pre-filed direct testimony, dated December 2, 2005, and pre-filed rebuttal testimony and exhibits, dated February 13, 2006, were submitted into the record.

- J. David Wright, Director of Regulatory Accounting for Entergy Services, Inc. In conjunction with his testimony at the hearing, Mr. Wright's pre-filed direct testimony with attachments, dated December 2, 2005, and pre-filed rebuttal testimony with attachments, dated February 13, 2006, were submitted into the record.

- E. Renae Conley, President and Chief Executive Officer of Entergy Louisiana, Inc. and the Louisiana operations of Entergy Gulf States, Inc. In conjunction with her testimony at the hearing, Ms. Conley's pre-filed direct testimony with attachments, dated December 2, 2005, and pre-filed rebuttal testimony and exhibits, dated February 13, 2006, were submitted into the record.

- Bruce M. Louiselle, President of ECONAT, Inc. and a consultant in the areas of public utility economics, finance and accounting. In conjunction with his testimony at the hearing, Mr. Louiselle's rebuttal testimony and exhibits, dated February 13, 2006, were submitted into the record.

The Commission Staff presented one witness:

- William J. Barta, founder of Henderson Ridge Consulting, Inc. Mr. Barta was retained by the Commission as a consultant in this proceeding. In conjunction with his testimony at the hearing, Mr. Barta's pre-filed testimony and exhibits, dated February 6, 2006, were submitted into the record.

LEUG and Valero jointly presented two witnesses:

- Michael Gorman, who is a consultant in the area of public utility regulation and a principal in the firm of Brubaker & Associations. In conjunction with his testimony at the hearing, Mr. Gorman's pre-filed testimony, dated February 7, 2006, were submitted into the record.

[2] Hunt Technologies, Inc. initially intervened but subsequently requested a change of status to Interested Party.

- Maurice Brubaker, who is a consultant in the field of public utility regulation and president of Brubaker & Associations. In conjunction with his testimony at the hearing, Mr. Brubaker's pre-filed testimony and exhibits, dated February 7, 2006, were submitted into the record.

Marathon presented one witness:

- John H. Chavanne, of Chavanne Enterprises. Mr. Chavanne is a consultant on subjects including revenue requirement, cost of service, rate design, and rate of return. In conjunction with his testimony at the hearing, Mr. Chavanne's pre-filed testimony and exhibits, dated February 3, 2006, were submitted into the record.

Subsequent to the hearing, the Administrative Law Judge issued a Report of Phase One Proceedings, which provided a brief summary of the background of this proceeding and a list of the witnesses that presented testimony at the hearing.

Jurisdiction

The Commission exercises jurisdiction in this proceeding pursuant to Article IV, Sec. 21 of the Louisiana Constitution, and La. R.S. 45:1163(A)(1) and La. R.S. 45:1176.

La. Const. Art. IV, Sec. 21 provides in pertinent part:

> The Commission shall regulate all common carriers and public utilities and have such other regulatory authority as provided by law. It shall adopt and enforce reasonable rules, regulations, and procedures necessary for the discharge of its duties, and perform other duties as provided by law.

La. R.S. 45:1163 provides in pertinent part:

> A. (1) The Commission shall exercise all necessary power and authority over any street, railway, gas, electric light, heat, power, waterworks, or other local public utility for the purpose of fixing and regulation the rates charged or to be charged by and service furnished by such public utilities.

La. R.S. 45:1176 provides in pertinent part:

> The Commission...shall investigate the reasonableness and justness of all contracts, agreements and charges entered into or paid by such public utilities with or to other persons, whether affiliated with such public utility or not.

Conclusion

This matter was considered at the Commission's Business and Executive Session held February 22, 2006. At the open meeting, William J. Barta, Outside Consultant to the Commission, presented a proposal that was reviewed by the Commissioners, Intervenors, and the

Commission's Special Counsel at the meeting. The proposal addressed a means for the Commission to balance ensuring that ratepayers are not exposed to the payment of excess costs before a full investigation can be completed in Phase Two of this proceeding with providing assurance to creditors, rating agencies, and the Companies that prudently incurred costs will be recoverable by using a methodology that allows the Companies to begin recouping storm restoration costs and provides the necessary ratepayer safeguards. Under this methodology, ratepayers will receive 85% of all Fuel Adjustment Clause ("FAC") reductions that the Companies may realize during a seven-month period from March 2006 through September 2006. The balance of the reductions in the FAC, the remaining 15%, will go towards the recovery of the Companies' storm restoration costs up to a Company-specific cap approved by the Commission. In addition, all excess earnings that the Companies may earn under their 2005 Formula Rate Plans ("FRPs"), and any ensuing period in which interim relief is being collected, will be used as an offset to any prospective storm restoration recovery. That is, under this plan, the Companies' shareholders will contribute to the storm restoration recovery to the extent that the Companies realize any earnings above the bandwidths contemplated in the Companies' FRPs.

In deciding to grant interim storm recovery, the Commission found that it was important to take appropriate steps to (1) protect ratepayers from the credit risks that could be presented if another major storm hits Louisiana in the Summer of 2006, (2) send a strong signal to the Companies' creditors, rating agencies, and others that the Companies will be permitted to recover their prudently incurred storm restoration costs in a timely manner, and (3) allow the Companies to begin recovering the costs associated with Hurricanes Katrina and Rita.

Therefore, on motion of Commissioner Blossman, seconded by Commissioner Sittig, with Commissioner Boissiere concurring, and Commissioners Field and Campbell voting no, the Commission voted as follows:

1. The Staff-recommended levelized monthly revenue requirement of approximately $2.0 million for Entergy Louisiana, LLC and $850 thousand for Entergy Gulf States, Inc. - Louisiana is approved as an interim recovery amount.

2. Entergy Louisiana, LLC and Entergy Gulf States, Inc. - Louisiana shall recover the Commission-approved interim recovery amount during the period of March 2006 through September 2006 through their respective Fuel Adjustment Clauses under the following conditions:

(a) If the FACs of the Companies, as calculated under the terms of the Commission's General Order of November 1997 and as adjusted by subsequent Commission Orders, produce a rate per kWh that is less than the rate per kWh billed through the FACs to LPSC-jurisdictional customers in February 2006, as corrected, then Entergy Louisiana, LLC and Entergy Gulf States, Inc.- Louisiana are ordered to bill the FAC at a rate that includes 15% of the difference between the rate originally calculated for that month and the February 2006 rate. The incremental amount of 15% shall be retained by the Companies and applied to each Company's interim recovery of storm restoration costs for Hurricanes Katrina and Rita. The remaining 85% of the difference shall be flowed through to each Company's customers as a reduced FAC charge for the month.

(b) Entergy Louisiana, LLC shall recover no more than $14.0 million on a cumulative basis during the period of March 2006 through September 2006 as interim storm restoration recovery through the FAC. Entergy Gulf States, Inc.- Louisiana shall recover no more than $6.0 million on a cumulative basis during the period of March 2006 through September 2006 as interim storm restoration recovery through the FAC. The Companies shall file a monthly report with the Commission Staff for each Company, in addition to the Companies' monthly Fuel Adjustment filing, for each Company during the period of March 2006 through September 2006 that provides the calculation and the support for the amount of interim storm restoration recovery received during that month. This interim storm restoration recovery report shall be included with the Companies' monthly Fuel Adjustment filing.

3. Entergy Louisiana, LLC and Entergy Gulf States, Inc. - Louisiana shall include the Staff-recommended and Commission-approved levelized interim storm restoration revenue requirements in the next filing of their respective FRPs due in May 2006. The levelized revenue requirements for each Company shall be treated as an Extraordinary Cost Change in each Company's FRP pursuant to paragraph 2.C.3.c. of the Entergy Gulf States, Inc.- Louisiana FRP and pursuant to paragraph 2.C.2.c. of the Entergy Louisiana, LLC FRP. The Companies shall cease collecting any interim storm restoration recovery amounts through their respective FACs upon the date that the FRP rate changes become effective or when the Companies have reached the maximum amount of interim recovery through the FAC as stated in paragraph 2, if realized prior to the FRP changes. All earnings above the bandwidths provided for in the Companies' FRPs that the Companies may earn under their 2005 FRPs and any ensuing period in which interim relief is being collected, will be used as an offset to any prospective storm restoration recovery.

4. Once the Commission Staff has completed the detailed investigation of the Companies' storm-related costs incurred for Hurricanes Katrina and Rita, a revenue requirement will be developed for permanent recovery purposes. The permanent recovery amount shall be net of the amounts collected from customers as interim recovery through the FAC and the FRP as well as insurance proceeds, federal and state tax relief, other federal and state assistance, and any other storm relief that the Companies shall obtain.

5. Once the Commission has approved the finalized storm restoration revenue requirement for Entergy Louisiana, LLC and Entergy Gulf States, Inc. - Louisiana, each Company should begin to pursue securitization of the approved amount. The Companies should submit a securitization plan for the Commission's approval as soon as possible but no more than three months from the date that the Commission approves the permanent storm restoration revenue requirement. The Companies shall continue to collect the interim storm restoration recovery amount through their FRPs

as stated in Paragraph 3 until the date that the securitization of their respective storm restoration revenue requirements has been finalized.

6. The Commission reserves the right to reconsider all provisions of this Order including the treatment of storm damage costs in the FRPs or in the permanent phase of this proceeding, at any time.

IT IS SO ORDERED.

BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA

March 3', 2006

James M. Field

DISTRICT II
CHAIRMAN JAMES M. FIELD

DISTRICT I
VICE CHAIRMAN JACK "JAY" A. BLOSSMAN

Dale Sittig

DISTRICT IV
COMMISSIONER C. DALE SITTIG

Foster Campbell

DISTRICT V
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Lawrence C. St Blanc / EAl

LAWRENCE C. ST. BLANC
SECRETARY

DISTRICT III
COMMISSIONER LAMBERT C. BOISSIERE, III

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