

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Entergy Services, Inc.,)	
)	
on behalf of the Entergy Operating)	Docket No. RT01-75
Companies: Entergy Arkansas, Inc., Entergy)	Docket No. ER01-_____
Gulf States, Inc., Entergy Louisiana, Inc.,)	Docket No. ER01-_____
Entergy Mississippi, Inc., and Entergy)	Docket No. ER01-_____
New Orleans, Inc.)	

DIRECT TESTIMONY

OF

LEE W. RANDALL

ON BEHALF OF

ENTERGY SERVICES, INC.

December 29, 2000

1 **I. BACKGROUND AND QUALIFICATIONS**

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Lee W. Randall. My business address is 639 Loyola Avenue,
4 New Orleans, Louisiana, 70113.

5

6 Q. BY WHOM ARE YOU EMPLOYEED AND IN WHAT CAPACITY?

7 A. I am Chief Financial Officer, Transmission for Entergy Services, Inc.
8 (“ESI”).

9

10 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
11 WORK EXPERIENCE.

12 A. I am a CPA and graduate of the University of Mississippi, having received
13 a BBA Degree from that University. In addition, I hold a Master of
14 Business Administration Degree from Loyola University of New Orleans,
15 Louisiana. I have held my present position since September 1, 2000.
16 From August 1997 through August 2000 I was Vice President and CFO of
17 Baumer Foods, Inc., a manufacturer of food condiments. Between
18 September 1995 and August 1997 I was an independent financial
19 consultant. From April 1991 to September 1995 I was Vice President and
20 Chief Accounting Officer of Entergy Corporation (“Entergy”), Entergy
21 Arkansas, Inc. (“EAI”), Entergy Louisiana, Inc. (“ELI”), Entergy Mississippi,
22 Inc. (“EMI”), Entergy New Orleans, Inc. (“ENOI”), Entergy Gulf States, Inc.

1 (“EGSI”), (collectively referred to as the Operating Companies) System
2 Energy Resources, Inc. (“System Energy”), Entergy Operations, Inc.
3 (“EOI”), and Entergy Services, Inc. (“ESI”). I was also Assistant Secretary
4 of EAI, ELI, EMI, ENOI, EGSI, EOI and ESI.

5 From March 1988 to April 1991, I served as Senior Vice President
6 of Finance and Administration, and Chief Financial Officer of Arkansas
7 Power & Light Company (now EAI). From August 1985 to March 1988, I
8 served as Vice President of Accounting and Treasury and Assistant
9 Treasurer of Louisiana Power and Light Company (now ELI) and New
10 Orleans Public Service Inc. (now ENOI). From June 1984 to July 1985, I
11 served as Director of System Accounting for Middle South Services, Inc.
12 (“MSS”) (now ESI) and from January 1979 through May 1984, I was
13 Manager of System Accounting. Prior to joining MSS, I served on the
14 audit staff of Deloitte Haskins & Sells for six years.

15

16 Q. PLEASE DESCRIBE YOUR CURRENT DUTIES.

17 A. Currently I am responsible for establishing the financial and accounting
18 systems that will be used by the Transco when it is formed. In the near
19 future, I will also begin hiring employees, procuring goods and services
20 and securing facilities for the Transco.

21

22

II. OVERVIEW OF TESTIMONY

1 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

2 A. I will support the projected costs associated with the formation and
3 operation of the Transco in 2002. For discussion purposes, I have
4 grouped these costs into two categories: (a) ongoing operational costs;
5 and (b) incremental costs associated with transition to Transco
6 membership in the Southwest Power Pool Partnership Regional
7 Transmission Organization (“SPP Partnership RTO”).

8 Ongoing operational costs reflect the costs of Entergy’s existing
9 transmission service function, which currently supports the provision of
10 transmission service in the Entergy system. This total includes normal
11 growth in those costs through 2002. These ongoing operational costs
12 must then be adjusted to reflect the incremental costs of establishing the
13 Transco as part of the SPP Partnership RTO. Incremental costs include
14 those that will be incurred as a result of the transition to the SPP
15 Partnership RTO organization and those incurred to establish the Transco.
16 The incremental costs include both capital and operations and
17 maintenance (“O&M”) costs that are one-time organizational expenditures
18 as well as permanent increases in costs related to operation of the
19 transmission system as part of the SPP Partnership RTO.

20 An additional purpose of my testimony is to describe the manner in
21 which the Transco will secure administrative and support services. I will
22 also support the selection of certain parameters related to the

1 performance based ratemaking features for proposed Appendix TR.
2 Finally, I will support the following filing statements that accompany this
3 filing: AX, BA, BF, BI, BJ and BM.

4
5 Q. PLEASE DESCRIBE HOW THE TRANSCO IS GOING TO BE
6 ESTABLISHED.

7 A. Under the structure proposed by the Operating Companies, each of the
8 Operating Companies will, in a series of steps, transfer its transmission
9 facilities to an independent transmission company (the "Transco"). As
10 explained in the testimony of ESI witness Mr. Frank F. Gallaher in the
11 Section 203 filing in FERC Docket No. RT01-75 filed October 16, 2000, in
12 exchange for such a transfer, the Operating Companies will receive a
13 passive ownership interest in the Transco. It is anticipated that employees
14 of the Operating Companies and ESI that are engaged in the operation,
15 maintenance, restoration and construction of the transferred transmission
16 facilities will become Transco employees. The Transco will operate within
17 the umbrella of the Southwest Power Pool ("SPP") as outlined in the
18 Memorandum of Understanding ("MOU") discussed in the testimony of
19 ESI witness Mr. Steve Owens previously filed in the Section 203 portion of
20 this docket.

21

1 **III. COST ESTIMATES**

2 Q. WHAT ARE THE PROJECTED O & M COSTS for 2002?

3 A. The amounts are as follows (\$000):

	<u>O&M Expenses</u>
4 (a) Operational costs	
5	
6	
7 Transmission Organization	\$ 87,075
8 Support Services	<u>21,036</u>
9 Total operational costs	108,111
10 (b) Incremental costs	<u>19,428</u>
11 Total	\$127,539

12

13 Mr. J. David Wright will present schedules which detail the amounts
14 shown above by FERC account. The amounts included above are for
15 operations and maintenance, administrative and general and payroll tax
16 expenses. He will also describe the ongoing transmission organization
17 costs and the adjustments to those costs for ratemaking purposes
18 necessary to reflect the year 2002 level of operations for Transco.

19 It should be noted that during the 2000-2002 period, additional
20 costs will be incurred to establish the market structure as part of the SPP
21 Partnership RTO and to form the Transco. The Company is requesting
22 that these amounts, which are expected to total approximately \$93 million,
23 be deferred for recovery over a ten-year period following the formation of

1 Transco. The ten-year period was selected to spread these costs over a
2 reasonable period and avoid the sharp increase in revenue requirements
3 immediate recovery would have required. ESI witness Mr. J. David Wright
4 testifies to the treatment of the deferred amount pending recovery and the
5 amortization of the deferred amount.

6

7 Q. WHAT IS THE SOURCE OF THE OPERATIONAL COSTS
8 REFERENCED ABOVE?

9 A. There are two types of operational costs included in this filing. First is the
10 cost of operation of the transmission organization. This total includes the
11 management of the transmission organization as well as the cost incurred
12 for field personnel in the operation and maintenance of the current
13 transmission system. These costs were developed based on currently
14 budgeted amounts for the existing transmission functions. Second is the
15 cost of providing support services (i.e., accounting, human resources,
16 legal services, etc.) for the current transmission organization. These
17 costs, which were developed based on an analysis of the historical cost of
18 obtaining such services, are set forth in Exhibit LWR-1 and total
19 approximately \$21 million.

20

21 Q. WHY DID YOU USE THE LEVEL OF COSTS THAT HISTORICALLY
22 HAVE BEEN INCURRED TO OBTAIN SUCH SERVICES AS THE BASIS

1 FOR YOUR ESTIMATE OF ADMINISTRATIVE AND SUPPORT
2 SERVICE COSTS FOR THE TRANSCO?

3 A. We do not have operating data for the Transco as a stand-alone entity.
4 However, even though the Transco will not continue to obtain the
5 administrative and support services from ESI as they have historically, I
6 believe that the historic level of costs to provide such services are a
7 reasonable proxy for the cost of support services on an ongoing basis for
8 the Transco. As will be discussed later, ESI is proposing an exact
9 recovery procedure for the first three years of operation of Transco. Thus,
10 only the actual cost of providing support services will be reflected in rates.

11

12 Q. HOW WILL TRANSCO PROVIDE PENSION BENEFITS TO ITS
13 EMPLOYEES?

14 A. Transco employees that were former employees of the Operating
15 Companies or ESI will continue to be included in the Entergy pension plan
16 with payments made by Transco to Entergy for the pension expense.
17 Continuation of the coverage of these employees in the current Entergy
18 pension plan is expected to be more cost-effective than setting up and
19 administering a separate defined-benefit plan for the transferring
20 employees. Employees transferring to Transco from a future partner will
21 be handled in a like manner. New employees hired after Transco is
22 established will be included in either a member's plan or a new plan set up

1 by Transco. Transco is requesting that the costs of its pension, post-
2 retirement life, and post-retirement health plans be included in its cost of
3 service for rate making purposes.

4

5 Q. SHOULD CONTINUATION OF PARTICIPATION BY EMPLOYEES IN
6 THE RETIREMENT PROGRAMS OF ENTERGY RAISE CONCERNS
7 OVER THE INDEPENDENCE OF THE TRANSCO?

8 A. No. The benefits paid by the Entergy pension plan are independent of
9 Entergy's financial performance. The active investment managers for the
10 plan assets are not allowed to invest funds in Entergy common stock or
11 securities of its Operating Companies.

12

13 Q. HOW WERE THE ONGOING INCREMENTAL COST ASSOCIATED
14 WITH RTO MEMBERSHIP DEVELOPED?

15 A. Each function of the transmission organization was reviewed to determine
16 the types of activities currently performed and the associated cost. Where
17 the existence of the new RTO structure and the establishment of the
18 Transco organization impacted the level of cost, the associated cost
19 change was included in the incremental cost calculation. In addition,
20 activities that have not traditionally been performed by the Operating
21 Companies (such as the cost to operate the transmission system under a

1 market model as required by FERC Order No. 2000) were priced and
2 included in the incremental cost calculation.

3

4 Q. WHAT FACTORS DID YOU CONSIDER IN PREPARING THIS
5 ESTIMATE?

6 A. There were two types of factors considered in developing the estimate.
7 First, the business perspective of the Transco was important in
8 determining the costs. The second major group of factors involves the
9 method of staffing the Transco, facilities to be used and the systems that
10 will be necessary to operate within the regional market structure in the
11 SPP RTO. To the extent possible, existing facilities, structures and
12 systems are used to form Transco, minimizing the incremental
13 organizational costs.

14

15 Q. WITH REGARD TO THE BUSINESS PERSPECTIVE OF THE
16 TRANSCO, WHAT ISSUES DID YOU CONSIDER?

17 A. The corporate structure of the Transco is described in the testimony of ESI
18 witness Mr. Frank Gallaher in the Section 203 portion of this Docket.
19 When evaluating the establishment of the corporate entity that will be
20 Transco, it was determined that initially we would limit, to the extent
21 practicable, the number of employees that would be relocated as a result
22 of the establishment of the Transco and to not duplicate unnecessarily

1 those facilities that the Operating Companies currently use to provide
2 transmission service (e.g., the System Operations Center). Limiting these
3 types of disruptions will allow the transmission employees to focus on
4 maintaining a reliable and secure transmission system without any
5 unnecessary distractions. Moreover, many of these decisions will be
6 subject to ratification by the independent Board of Directors. Because that
7 board will not be seated until the middle of 2001, it is appropriate to defer
8 these types of decisions until the board has been selected. Also, the
9 addition of partners might influence the decision regarding the location
10 and size of the office space and other facilities.

11

12 Q. WHAT OTHER FACTORS WERE IMPORTANT IN MAKING THE
13 ESTIMATE OF THE INCREMENTAL COSTS?

14 A As described above, other major factors included the staffing, facilities and
15 systems to be used by Transco. Listed below are the considerations that
16 factored into the development of the estimate in each of these categories:

17

18 Staffing –

- 19 • Control center operations will be located at the Pine Bluff
20 System Operations Center (SOC) and will be staffed by the
21 existing employees.

- 1 • Current transmission personnel will be transferred to Transco to
- 2 provide the initial staffing.
- 3 • Transco will limit, to the extent practicable, the personnel
- 4 necessary to staff the administrative functions in order for the
- 5 Transco to operate as a stand-alone entity.
- 6 • Relocation costs incurred will be limited.

7

8 Facilities –

- 9 • Transco’s management, engineering personnel and support
- 10 staff will be located in office space separate from Entergy.
- 11 • The current facilities of the operating companies that are used
- 12 to provide field transmission services will be transferred to
- 13 Transco.

14

15 Systems -

- 16 • A new Energy Management System (EMS) will be developed to
- 17 provide control services.
- 18 • The congestion management and billing and settlement
- 19 systems will be developed in conjunction with SPP in order to
- 20 comply with the RTO requirements.
- 21 • Other business systems will be required by Transco to operate
- 22 as a standalone entity.

1

2 Q. HOW WILL TRANSCO SECURE ADMINISTRATIVE SERVICES?

3 A. The Transco will secure its administrative services just as any other
4 business would. It will either provide those services through its employees
5 or outsource the services to third party providers. One of my duties over
6 the next several months will be the investigation of the most appropriate
7 methods to obtain these services. One significant component of these
8 services will be the development of the necessary business systems.

9

10 Q. WILL ANY CURRENT NON-TRANSMISSION EMPLOYEES OF ESI BE
11 ASKED TO JOIN THE ADMINISTRATIVE STAFF OF THE TRANSCO?

12 A. At this time, I don't know how many, if any, current ESI non-transmission
13 employees will be asked to join the Transco administrative staff. I expect
14 that there will be some ESI non-transmission employees on the Transco
15 staff based on their knowledge of the operations of the transmission
16 system today.

17

18 Q. WILL TRANSCO RECEIVE ANY SERVICES FROM ESI AFTER
19 DECEMBER 15, 2001?

20 A. The long-term intent of the Transco is to secure administrative services
21 (accounting, financial planning, materials management, human resources,
22 legal, tax, etc.) from third parties or provide them through Transco

1 employees. Depending on the timing of receipt of all regulatory approvals
2 and the lead time necessary for system development, there may be an
3 interim period of time where ESI will provide certain services to the
4 Transco. Entergy would be required to secure SEC approval to provide
5 services to Transco, and a service agreement between ESI and Transco
6 would be required. Nonetheless, after that limited interim period, Transco
7 will procure goods and services through a competitive process.

8

9 Q. WHAT TYPES OF COSTS ARE INCLUDED IN THE ESTIMATE OF
10 ORGANIZATIONAL COSTS?

11 A. There are six basic categories of organizational costs for the Transco.
12 (See Exhibit LWR-2 for the amount of costs.) These are:

- 13 • Costs to set up the LLC and regulatory filing costs;
- 14 • Costs to transfer the assets to Transco;
- 15 • Costs to establish Transco's administrative offices;
 - 16 • Facilities (headquarters and operations center).
 - 17 • Board selection costs
 - 18 • Transition staffing costs
 - 19 • Business systems.
 - 20 • Administrative costs including employee relocation costs.
- 21 • Costs to implement the new market structure and operations
22 infrastructure through 2002;

- 1 • Project management and technical support costs; and
- 2 • RTO systems costs.

3

4 Q. PLEASE DESCRIBE EACH OF THESE CATEGORIES STARTING WITH
5 THE COSTS TO SET UP THE LLC AND REGULATORY FILING COSTS.

6 A. The approval of the Transco and the transfer of assets to the Transco will
7 require certain regulatory approvals for the Entergy operating companies,
8 including: the FERC; Securities and Exchange Commission; Louisiana
9 Public Service Commission; Mississippi Public Service Commission;
10 Arkansas Public Service Commission; and, the Council of the City of New
11 Orleans. In addition, although there are no additional filings that are
12 required with the Public Utility Commission of Texas, no decisions have
13 been made in the pending Unbundled Cost of Service which includes the
14 issue of the effect on retail rates of the formation of an independent
15 transmission company. The costs in this category include consulting and
16 legal services and company costs incurred in the proceedings required to
17 achieve the necessary approvals.

18

19 Q. WHAT ARE THE COSTS TO TRANSFER ASSETS THAT ARE
20 INCLUDED IN THE INCREMENTAL COST ESTIMATE?

21 A. As a part of the process of setting up the Transco it is necessary to
22 transfer title of the transmission assets of the Entergy operating

1 companies to the Transco. This step will involve the transfer of
2 transmission related facilities, including certain general plant assets. This
3 transfer will also include transfer of assets in fee, assignment of right-of-
4 way easements, and assignment of contracts. The assets include the
5 structures, rights-of-way, and railroad, street, river, wetlands and other
6 crossings. The Transco may also need to assume certain franchise
7 agreements and contracts. The property transfers are required by parcel
8 in Louisiana and by description in the other states. Due to the large
9 number of transmission facilities to be transferred and the complexity of
10 the asset record reviews required, the complete asset transfer may not be
11 completed until after Transco begins operation.

12

13 Q. PLEASE DESCRIBE THE TYPES OF COSTS THAT WILL BE
14 INCURRED TO ESTABLISH THE TRANSCO OFFICE.

15 A. The category of costs for the establishment of new office space for the
16 Transco includes lease costs for the new location, officer and staff
17 salaries, central office functions such as legal, accounting, finance,
18 information technology, human resources, etc. The initial headquarters
19 staffing will be limited until additional partners are identified and the
20 resulting needs of the combined organization are known.

21

1 Q WHAT COSTS WILL BE NECESSARY TO IMPLEMENT THE NEW
2 MARKET STRUCTURE?

3 A. The costs that will be incurred to implement the market structure for the
4 regional transmission organization include: the ESCA software and
5 hardware for the required databases and the billing and settlement
6 system; additional load metering capability; training for market participants
7 and employees; and, payroll and other costs for the employees
8 participating in the development and implementation of the regional
9 market model.

10

11 Q. WHAT IS INCLUDED IN THE PROJECT MANAGEMENT AND
12 TECHNICAL SUPPORT COSTS CATEGORY?

13 A. These costs include consulting services to provide business system
14 development project management and to assist with transition
15 management including development of employee compensation and
16 benefit plans and development of human resources policies and
17 procedures.

18

19 Q. WHAT IS INCLUDED IN THE RTO SYSTEMS COSTS AND WHY IS IT
20 NECESSARY?

1 A. As a member of the SPP, the costs of developing systems for that
2 organization will be part of the cost of operating Transco. The systems
3 are necessary for SPP to operate the RTO of which Transco is part.

4
5 Q. ARE THERE ANY ORGANIZATIONAL COSTS ASSOCIATED WITH THE
6 FORMATION OF TRANSCO THAT ARE NOT REFLECTED IN THE
7 ORGANIZATIONAL COST ESTIMATE IN EXHIBIT LWR-2?

8 A. Yes. The expense of debt issuance is not reflected in the organizational
9 costs. Transco does not know at this time the amount of this expense.
10 The amount of debt issued and the commercial terms Transco negotiates
11 related to the debt issuance will determine the expense. Transco does
12 intend to recover the debt issuance expense as an organizational cost,
13 therefore, Transco will provide the Commission with a cost estimate
14 related to this expense at a later date.

15
16 Q. HAVE YOU PROVIDED THE CAPITALIZED COSTS TO ANOTHER
17 WITNESS FOR INCLUSION IN RATES?

18 A. Yes, I have provided these costs to ESI witness Mr. J David Wright so that
19 he can include the amortization of these costs in revenue requirements in
20 this proceeding.

21 B.

22 **IV. RATE RECOVERY PLAN**

1 Q. HOW DOES TRANSCO PROPOSE TO RECOVER ITS COSTS
2 THROUGH RATES?

3 A. Transco is proposing to use a formula based rate structure to develop
4 charges for transmission services. The formula rates are described in the
5 testimony of ESI witness Rodney K. Gilbreath. Due to the lack of
6 operating experience as a stand-alone entity by Transco, the formula rates
7 are designed to provide for exact recovery of incurred costs during the first
8 three years of operation of Transco through use of a true-up procedure.
9 After the initial three-year period, the formula rates would be redetermined
10 annually without the true up to actual costs.

11

12 Q. WHY DO YOU BELIEVE IT IS APPROPRIATE TO SEEK EXACT
13 RECOVERY FOR THE INITIAL OPERATION PERIOD OF TRANSCO?

14 A. The costs of Transco during the initial period of operation will include the
15 establishment of a completely new organization operating in a new market
16 structure. This new operating environment makes the estimation of costs
17 difficult. To avoid the potential for overcharging or undercharging for
18 services in the first three years, we are requesting the exact recovery
19 procedure. In addition, the addition of partners during the period would
20 impact Transco's total cost and rates. After three years, Transco would
21 convert to Entergy's current formula rate model whereby Transco would
22 conduct prospective annual rate determinations based on prior year actual

1 costs. Transco is proposing the true-up procedure described by Mr.
2 Gilbreath.

3

4 Q. ARE YOU PROPOSING ANY INCENTIVE RATE STRUCTURES IN THIS
5 FILING?

6 A. Yes, ESI is proposing a Performance Based Rate (“PBR”) plan for the
7 Transco. The operation of the PBR is discussed in the testimony of ESI
8 witness Mr. Rodney K. Gilbreath. The performance factors that form a
9 part of the PBR structure are discussed in the testimony of ESI witness
10 George R. Bartlett. ESI believes that the proposed PBR will provide
11 benefits to both customers and Transco’s stockholders over time.

12 The PBR plan provides for a potential 25 basis point increase in
13 return on rate base incentive when Transco performs well or a potential 25
14 basis point reduction in return on rate base when it does not perform well
15 as measured against a benchmark. This plan will provide incentives for
16 the Transco to provide excellent service in the changing market while also
17 controlling costs and will assist in providing a robust energy market in the
18 Transco area.

19 Another feature of the PBR is a bandwidth feature coupled with an
20 earnings sharing provision when earnings are outside the bandwidth. The
21 bandwidth that is proposed is 50 basis points on either side of the
22 midpoint of the return on rate base. When earnings are outside the

1 bandwidth, after the PBR adjustment to the return on rate base target, the
2 Transco and the customers would share equally. The proposed sharing
3 feature provides a substantial incentive for Transco to minimize its costs of
4 operation. This provision will begin after the exact recovery period ends.

5

6 Q. WHY DO YOU BELIEVE THE PROPOSED BANDWIDTH AND THE
7 ADJUSTMENT TO THE TARGET RETURN ON RATE BASE ARE
8 REASONABLE?

9 A. The establishment of PBR features is always subjective and a balance
10 must be maintained between the interests of the shareholders and
11 customers. The PBR features have been selected at the proposed levels
12 to provide incentive for the Transco to operate efficiently without
13 penalizing either party. If the bandwidth is too wide the Transco would be
14 protected from penalty but it would be very difficult to reach the upper
15 bandwidth and earn an incentive return. If it is too narrow, both penalties
16 and rewards would be easier to reach, but the administrative complexity to
17 monitor the PBR would be increased. ESI believes that the proposed
18 PBR features strike a reasonable balance of interests.

19

20 **V. DISCUSSION OF FILING STATEMENTS**

21 Q. PLEASE DESCRIBE THE FILING STATEMENTS THAT YOU ARE
22 SPONSORING.

1 A. Following are the filing statements that I sponsor. The filing statements
2 are contained in Volume 1 of the filing package.

3

4	<u>Statement</u>	<u>Description</u>
5	AX	Other Recent Pending Rate Changes
6	BA	Wholesale Customer Rate Groups
7	BF	Exclusive Use Commitment of Major Power Supply Facilities
8	BI	Fuel Cost Adjustment Factors
9	BJ	Summary Data
10	BM	Construction Program Statement

11 A brief discussion of each of these statements follows:

12 Statement AX - Transco had no pending rate changes as of the date
13 this application was filed.

14 Statement BA - Customers currently served under the Entergy OATT
15 are listed by type of service.

16 Statement BF - Not applicable to Transco

17 Statement BI - Not applicable to Transco

18 Statement BJ - Statement BJ, which summarizes data contained in
19 other filing statements, was not prepared in the
20 normal fashion. Due to the fact that Transco is a
21 single-function transmission company, the filing
22 statements included in ESI's filing package are much

1 simpler and shorter than is the case for most utilities.
2 Also, several statements are not applicable to
3 Transco. Consequently, it would have been difficult to
4 summarize these schedules and would have meant
5 that the entire statement would have been included in
6 Statement BJ. To avoid that needless duplication,
7 ESI is requesting that all applicable statements be
8 included in Statement BJ by reference.

9 Statement BM - This statement is not applicable because Transco is
10 not requesting that any construction work in progress
11 be included in rate base.

12

1 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

2 A. Yes, it does.

ADMINISTRATIVE SUPPORT SERVICES COSTS
PERIOD ENDED DECEMBER 31, 1999

<u>Description of Service</u>	<u>Amount</u>
Accounting and Financial Services	\$ 2,026,200
Risk Management Services	136,100
Internal Audit	155,900
Tax Services	959,400
Internal & External Communications	110,300
Management Services	1,761,700
Employee Related Expense	2,183,400
Human Resource and Administration Management	621,800
Materials, Purchasing & Contracts	163,500
Support Services	3,309,500
IT Applications	1,102,900
Desktop & Telecommunications Services	2,253,200
IT Planning & Architecture	280,200
IT Processing Services	1,931,400
Legal Services	2,360,000
R & D Costs	321,700
Claims Management	55,500
Environmental Management	73,700
Management Programs	158,900
Materials, Purchasing & Contracts	156,000
Regulatory Affairs	845,600
Commercial & Industrial, Customer Service	22,200
Commercial & Industrial, Gen. & Admin. Services	28,900
Miscellaneous	18,000
Total Support Services	\$ 21,036,000

TRANSCO ORGANIZATIONAL COSTS
2000 Through 2002

<u>Category of Costs</u>	<u>Amount</u>
LLC and Regulatory Filing Costs Necessary to Establish the RTO Market and to Form the Transco	\$ 8,580,000
Asset Transfer Costs	5,234,000
Transco Office and Business Systems Costs	33,649,100
Costs to Implement the New Market Structure, Systems, Training, etc.	35,290,800
Project Office - Project Management Costs for Management of the Transition and to Develop Management Systems	9,754,000
SPP RTO Systems Cost	<u>250,000</u>
Total	\$ 92,757,900