

**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

J. DAVID WRIGHT

ON BEHALF OF

ENTERGY SERVICES, INC.

December 29, 2000

1

I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is J. David Wright. My business address is 2300 TCBY
4 Building, 425 West Capital, Little Rock, Arkansas 72201.

5

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

7 A. I am employed by Entergy Services, Inc. as Director of Regulatory
8 Accounting.

9

10 Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL
11 BACKGROUND.

12 A. My education and work experience are set out in Exhibit JDW-1.

13

14 **II. OVERVIEW OF TESTIMONY**

15 Q. WHAT IS THE PURPOSE OF THE YOUR DIRECT TESTIMONY?

16 A. The purpose of my direct testimony is to sponsor and discuss the various
17 filing statements which reflect the accounting data used in the calculation
18 of Transco's initial rates.

19

20 Q. WHAT IS THE BASIS FOR AMOUNTS CONTAINED IN THE FILING
21 STATEMENTS THAT YOU SPONSOR?

1 A. As described in the testimony of ESI witness Rodney K. Gilbreath,
2 Transco's initial revenue requirement is based on projected 2002 values.
3 The estimated 2002 amounts are described in the testimony of ESI
4 witness Lee W. Randall. The schedules I sponsor reflect the estimated
5 2002 costs discussed by Mr. Randall which are used in the calculation of
6 Transco's initial revenue requirement.

7

8 Q. HOW WERE THE EXISTING ONGOING TRANSMISSION COSTS USED
9 TO DEVELOP THE ESTIMATED 2002 TRANSCO COSTS?

10 A. The 2001 budget for the transmission organization was the starting point
11 for existing and ongoing transmission operation and maintenance
12 expenses, payroll taxes and benefits.

13 Plant balances for 2002 were estimated by starting with actual
14 transmission plant and construction work in progress (CWIP) balances on
15 the books of the Entergy Operating Companies as of December 31, 1999,
16 then factoring in the transmission construction budgets for 2000, 2001,
17 and 2002 using estimated completion dates for the beginning CWIP and
18 budgeted expenditures.

19

20 Q. WILL THERE BE A TRUE-UP FOR THE REVENUE REQUIREMENT
21 CALCULATED USING THESE ESTIMATED 2002 AMOUNTS?

1 A. Yes. As Mr. Randall discusses more fully, the Company proposes an
2 exact recovery of Transco's revenue requirement for the first three years
3 of Transco's operation.

4

5

III. FILING STATEMENTS

6 Q. WHICH FILING STATEMENTS ARE YOU SPONSORING?

7 A. I am sponsoring the following filing statements: AA, AB, AC, AD, AE, AF,
8 AG, AH, AI, AJ, AK, AL, AM, AN, AO, AP, AQ, AR, AS, AT, AU, AV, AW,
9 and AY.

10

11 Q. PLEASE DESCRIBE STATEMENT AA.

12 A. Statement AA is an abbreviated pro forma balance sheet for Transco as
13 of December 31, 2002. This balance sheet reflects the estimated rate
14 base and capital structure that is used in the development of the 2002
15 Transco revenue requirement.

16

17 Q. PLEASE DESCRIBE STATEMENT AB.

18 A. Statement AB is an abbreviated pro forma income statement for Transco
19 for the year 2002. This income statement reflects the estimated 2002
20 expenses and the 2002 revenues as produced by the proposed Transco
21 formula rate.

22

1 Q. PLEASE DESCRIBE STATEMENT AC.

2 A. Statement AC is a retained earnings statement. This statement is not
3 applicable to Transco.

4

5 Q. PLEASE DESCRIBE STATEMENT AD.

6 A. Statement AD reflects Transco's cost of plant. Transco estimated plant
7 balances are presented for the thirteen months ending December 31,
8 2002. Organizational costs described in the testimony of Mr. Randall are
9 mostly included in account 301, Organization, and account 303,
10 Miscellaneous Intangible Plant. These organizational costs in accounts
11 301 and 303 are being amortized over ten years and the unamortized
12 balance is included in rate base.

13

14 Q. PLEASE DESCRIBE STATEMENT AE.

15 A. Statement AE reflects Transco's accumulated depreciation. Transco's
16 estimated accumulated depreciation balances are presented for the
17 thirteen months ending December 31, 2002.

18

19 Q. PLEASE DESCRIBE STATEMENT AF.

20 A. Statement AF reflects Transco's estimated accumulated deferred income
21 taxes for the thirteen months ending December 31, 2002.

22

1 Q. PLEASE DESCRIBE STATEMENT AG.

2 A. Statement AG reflects Transco's plant held for future use balances for the
3 thirteen months ending December 31, 2002.

4

5 Q. PLEASE DESCRIBE STATEMENT AH.

6 A. Statement AH reflects Transco's estimated operation and maintenance
7 expenses for 2002.

8

9 Q. PLEASE DESCRIBE STATEMENT AI.

10 A. Statement AI details Transco's estimated 2002 salaries and wages.

11

12 Q. PLEASE DESCRIBE STATEMENT AJ.

13 A. Statement AJ reflects the estimated 2002 depreciation and amortization
14 expense for Transco. The depreciation expense was calculated by
15 applying composite depreciation rates to the estimated monthly
16 depreciable plant in service.

17

18 Q. HOW WERE THOSE COMPOSITE DEPRECIATION RATES
19 DETERMINED?

20 A. The composite depreciation rates were determined by weighting the
21 depreciation rates of each Operating Company by its plant investment
22 relative to the total plant investment being transferred to Transco by the

1 Entergy Operating Companies. A detailed calculation is included in the
2 workpapers of this filing.

3

4 Q. PLEASE DESCRIBE STATEMENT AK.

5 A. Statement AK reflects the estimated 2002 taxes other than income taxes
6 for Transco by major category. Transco's property taxes were estimated
7 based on the estimated Transco plant balances being subject to taxation
8 in each state in which Transco owns property.

9

10 Q. PLEASE DESCRIBE STATEMENT AL.

11 A. Statement AL reflects the estimated thirteen-month balances for materials
12 and supplies and prepayments. These balances are based on December
13 31, 1999 transmission related amounts on the books of the Entergy
14 Operating Companies and are assumed not to change during 2002.

15

16 Q. PLEASE DESCRIBE STATEMENT AM.

17 A. Statement AM reflects the estimated CWIP balances for Transco. Note,
18 however, that CWIP is not included in rate base in the Transmission
19 System Revenue Requirement Formula presented in Mr. Gilbreath's
20 direct testimony.

21

22 Q. PLEASE DESCRIBE STATEMENT AN.

1 A. Statement AN is not applicable for Transco.

2

3 Q. PLEASE DESCRIBE STATEMENT AO.

4 A. Statement AO reflects the rate for the allowance for funds used during
5 construction. This rate is identical to the rate of return described in
6 Statement AV.

7

8 Q. PLEASE DESCRIBE STATEMENT AP.

9 A. Statement AP reflects Transco's interest synchronization deduction which
10 is the weighted cost of debt in statement AV multiplied by Transco's rate
11 base.

12

13 Q. PLEASE DESCRIBE STATEMENT AQ.

14 A. Statement AQ details other federal income tax deductions such as the
15 difference between book and tax depreciation.

16

17 Q. PLEASE DESCRIBE STATEMENT AR.

18 A. Statement AR reflects federal provisions for deferred income tax and the
19 amortization of investment tax credits for 2002.

20

21 Q. PLEASE DESCRIBE STATEMENT AS.

1 A. Statement AS is inapplicable for Transco as there are no additional state
2 income tax deductions.

3

4 Q. PLEASE DESCRIBE STATEMENT AT.

5 A. Statement AT reflects state provisions for deferred income tax for 2002.

6

7 Q. PLEASE DESCRIBE STATEMENT AU.

8 A. Statement AU reflects the 2002 estimated revenue credits booked as
9 Other Operating Revenue.

10

11 Q. PLEASE DESCRIBE STATEMENT AV,

12 A. Statement AV reflects the rate of return calculation for Transco. The
13 capital structure is based on actual December 31, 1999 Entergy
14 Operating Company capital structures. The cost of debt is based on the
15 midpoint of the cost of debt analysis described in the Section 203
16 testimony of ESI witness Mr. Frank Williford, plus an amortization of
17 Transco's prorata share of debt premiums/discounts, debt expenses, and
18 net gains and losses on the sale of debt on the books of the operating
19 companies. The 13% return on common equity is sponsored by ESI
20 witness Mr. Bruce Fairchild in his direct testimony.

21

22 Q. PLEASE DESCRIBE STATEMENT AW.

1 A. Statement AW is not applicable to Transco.

2

3 Q. PLEASE DESCRIBE STATEMENT AY.

4 A. Statement AY contains income and revenue tax data used in the filing.

5

6 Q. WHAT CURRENT TAX RATE IS THE COMPANY USING TO
7 DETERMINE ITS INCOME TAX EXPENSE?

8 A. Each of the operating companies has a different effective income tax rate.

9 The new Transco will have a composite state income tax rate which will

10 be determined by the application of an apportionment factor to various tax

11 items, including plant. Because some components of that apportionment

12 factor are indeterminate at this time, the Company developed a composite

13 state income tax rate weighted by relative plant in service balances

14 contributed by each Operating Company. The calculated state income

15 tax rate is 4.78%. This, combined with a federal tax rate of 35%,

16 produces a composite federal and state income tax rate of 38.11%.

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18 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

19 A. Yes, at this time.

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EDUCATIONAL AND PROFESSIONAL BACKGROUND OF

J. DAVID WRIGHT

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.

A. I graduated in 1976 from the University of Central Arkansas at Conway, Arkansas with a Bachelor of Business Administration degree in accounting. In May 1976 I began four years of employment with a local CPA firm in Little Rock. I performed audit and tax work at this firm and left in 1980 as a senior accountant. In 1978 I became a Certified Public Accountant. I began work in the Entergy System with Arkansas Power & Light Company in 1980 and have held various technical and supervisory positions including accountant, senior accountant, accounting supervisor, Manager, Taxes and Special Studies, and Manager, Regulatory Accounting and Tax. My job duties in all of these assignments included preparing accounting data for rate filings, reviewing testimony on accounting issues and drafting testimony on accounting issues in various rate proceedings. I was named Manager, Regulatory Accounting for Entergy Services, Inc. in January 1993, have been in my present position as Director, Regulatory Accounting, since October 1998. I am a member of the Arkansas Society of Certified Public Accountants and the American Institute of Certified Public Accountants.

I am responsible for preparing regulatory accounting data for the operating companies of Entergy Corporation. This includes the preparation of accounting and financial data used in making rate

1 filings and the preparation and filing of regulatory accounting
2 testimony.

3 I have provided testimony as an expert accounting witness in
4 the following dockets:

5

6 Arkansas Public Service Commission

7 Docket No. 92-160-U

8 Docket No. 94-439-U

9 Docket No. 96-360-U

10 Docket No. 99-249-U

11

12 Louisiana Public Service Commission

13 Docket No. U-19904-C

14 Docket No. U-20181

15 Docket No. U-20925

16 Docket No. U-21485

17 Docket No. U-22084

18 Docket No. U-22137

19 Docket No. U-22138

20 Docket No. U-22092

21 Docket No. U-22491

22 Docket No. U-23358

23 Docket No. U-24182

24 Consolidated Dockets No. U-21453, U-20925,

25 And U-22092 (Subpart B)

1 Council of the City of New Orleans

2 Docket No. UD-92-2A

3 Docket No. UD-92-2B

4 Docket No. UD-97-1

5

6 Mississippi Public Service Commission

7 Docket No. 93-UA-0301

8 Docket No. 94-UN-0228

9 Docket No. 96-UN-0351

10 Docket No. 96-UA-0389

11

12 Public Utility Commission of Texas

13 Docket No. U-12852

14 Docket No. 15102

15 Docket No. 15489

16 Docket No. 16705

17 Docket No. 20150

18 Docket No. 22344

19

20 Federal Energy Regulatory Commission

21 Docket No. ER-95-1042-000

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