

148 FERC 61,202  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Chairman;  
Philip D. Moeller, Tony Clark,  
and Norman C. Bay.

Entergy Services, Inc.

Docket No. ER13-1556-002

ORDER ON REHEARING

(Issued September 18, 2014)

1. On December 18, 2013, the Commission issued an order<sup>1</sup> accepting, subject to a compliance filing, four revised forms of service agreements submitted by Entergy Services, Inc. (Entergy Services) under which Entergy Services provides planning, operational support, administrative, and general support services to the Entergy Operating Companies (Operating Companies).<sup>2</sup> The Louisiana Public Service Commission (Louisiana Commission) and the Council of the City of New Orleans (New Orleans) filed rehearing requests. For the reasons discussed below, we deny rehearing.

**I. Background**

2. Prior to December 19, 2013, Entergy Services and the Operating Companies were all parties to the Entergy System Agreement (System Agreement) under which the Operating Companies planned, constructed, and operated their generation and bulk transmission systems as a single, integrated system. Entergy Arkansas withdrew from the System Agreement on December 18, 2013 and Entergy Mississippi will withdraw from the System Agreement on November 7, 2015, respectively, as accepted by the

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<sup>1</sup> *Entergy Servs., Inc.*, 145 FERC ¶ 61,241 (2013) (December 18 Order).

<sup>2</sup> The Operating Companies are: Entergy Arkansas, Inc. (Energy Arkansas); Entergy Gulf States Louisiana, L.L.C. (Entergy Gulf States Louisiana); Entergy Louisiana, LLC (Entergy Louisiana); Entergy Mississippi, Inc. (Entergy Mississippi); Entergy New Orleans, Inc. (Entergy New Orleans); and Entergy Texas, Inc. (Entergy Texas).

Commission.<sup>3</sup> In April 2011, Entergy announced its intention to join the Midwest Independent Transmission System Operator, Inc. (MISO) as a Transmission Owner effective December 19, 2013, subject to receiving the necessary regulatory approvals.<sup>4</sup>

3. On May 24, 2013, pursuant to section 205 of the Federal Power Act (FPA),<sup>5</sup> as supplemented on June 13, 2013 and amended on October 22, 2013, Entergy Services submitted four forms of service agreements to replace Rate Schedule No. 435, a form of service agreement on file with the Commission.<sup>6</sup> Entergy Services provided the following services to the Operating Companies under Rate Schedule No. 435:

(1) planning assistance and advice with respect to the sale and purchase of power; (2) the operation of a system operating center for the control of bulk power supplies and load dispatching; and (3) administrative and general support services in areas including management and strategy, finance and budgets, taxes, human resources, law and regulation, information technology, communications, and insurance. Rate Schedule No. 435 also provided the uniform methodologies through which Entergy Services allocates direct, indirect, and overhead costs for the services provided to the Operating Companies.<sup>7</sup>

4. Entergy Services proposed to replace the rate schedule with Rate Schedule Nos. 435-A, 435-B, 435-C, and 435-D in order to accommodate Entergy Arkansas' independence from the other Operating Companies after its exit from the System Agreement pursuant to terms and conditions that Entergy Services stated are consistent with Rate Schedule No. 435. Entergy Services explained that the Arkansas Public Service Commission (Arkansas Commission) required Entergy Arkansas to engage in its own generation planning, operations, dispatch, purchased power procurement,

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<sup>3</sup> See *Entergy Servs., Inc.*, 129 FERC ¶ 61,143 (2009) (System Agreement Withdrawal Order), *reh'g denied*, 134 FERC ¶ 61,075 (2011), *aff'd sub nom. Council of the City of New Orleans v. FERC*, 692 F.3d 172, 175 (D.C. Cir. 2012), *cert. denied sub nom. Louisiana Pub. Serv. Comm'n v. FERC* (U.S. May 13, 2013) (No. 12-852).

<sup>4</sup> Effective April 26, 2013 MISO changed its name from "Midwest Independent Transmission System Operator, Inc." to "Midcontinent Independent System Operator, Inc."

<sup>5</sup> 16 U.S.C. § 824d (2012).

<sup>6</sup> See *Entergy Servs., Inc.*, 117 FERC ¶ 61,288 (2006).

<sup>7</sup> December 18 Order, 145 FERC ¶ 61,241 at P 3.

transmission planning, reliability functions, and other operations independently of the other Operating Companies upon its exit from the System Agreement.

5. Entergy Services described the four forms of service agreements as follows. Rate Schedule No. 435-A is the form rate schedule under which Entergy Services will provide administrative and general support services to all the Operating Companies and certain other associate companies. Rate Schedule No. 435-B is the form rate schedule under which Entergy Services will provide generation planning and operational support to the non-Entergy Arkansas Operating Companies. Rate Schedule No. 435-C is a unique agreement between Entergy Arkansas and Entergy Services, under which Entergy Services will provide services to Entergy Arkansas in support of its planning, operations and dispatch, purchased power procurement, and operational activities. Rate Schedule No. 435-D is the rate schedule under which Entergy Services may provide Entergy Arkansas with services in support of Entergy Arkansas' transmission planning and reliability obligations.

## **II. December 18 Order**

6. In the December 18 Order, the Commission rejected protests filed by New Orleans and the Louisiana Commission and accepted Rate Schedule Nos. 435-A, 435-B, 435-C, and 435-D subject to a compliance filing to clarify certain terms of Rate Schedule Nos. 435-A and 435-D.<sup>8</sup> In its protest, New Orleans had asserted that Rate Schedule Nos. 435-A through 435-D were unduly discriminatory because, without justification, the rate schedules gave Entergy Arkansas greater control over the services Entergy Arkansas would receive from Entergy Services than the other Operating Companies. New Orleans also argued that there is no basis for treating Entergy Arkansas any differently from the other Operating Companies. New Orleans asserted that Entergy Arkansas will continue to be similarly situated to the other Operating Companies because all the Operating Companies have joined MISO and will receive the same services from Entergy Services. In rejecting these arguments, the Commission held that because Entergy Arkansas would provide its own generation planning, operations and dispatch, purchased power procurement, operations activities, transmission planning, and reliability obligations after it exited the System Agreement, Entergy Arkansas was no longer similarly situated to the other Operating Companies.<sup>9</sup> The Commission also found that the different provisions of Rate Schedule Nos. 435-A through 435-D, including the review and revision provisions,

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<sup>8</sup> Entergy Services submitted a compliance filing on February 14, 2014, which was accepted by delegated authority on July 14, 2014. *Entergy Services, Inc.*, Docket No. ER13-1556-001 (July 14, 2014) (delegated letter order).

<sup>9</sup> December 18 Order, 145 FERC ¶ 61,241 at P 35.

accommodated the Arkansas Commission's mandate that Entergy Arkansas engage in independent transmission and generation planning upon its exit from the System Agreement.<sup>10</sup>

7. The Commission rejected New Orleans' contention that Rate Schedule No. 435-B required Entergy New Orleans to take unspecified services and that there was no equivalent provision for Entergy Arkansas in Rate Schedule No. 435-C. The Commission held that "[t]he Operating Companies receive the same treatment with respect to unspecified services" and found that, while not identical, the terms of Rate Schedule Nos. 435-B and 435-C were similar to each other and Rate Schedule No. 435.<sup>11</sup>

8. The Commission also rejected New Orleans' and the Louisiana Commission's arguments that the cost allocation methods of Rate Schedule Nos. 435-A through 435-D were unjust and unreasonable.<sup>12</sup> New Orleans had argued, among other things, that Entergy Services failed to submit and compare near-term cost projections to recent cost allocations, explain if costs would increase after Entergy Arkansas exited the System Agreement, and clarify ambiguous terms. Similarly, the Louisiana Commission had argued that Entergy Services did not provide adequate demarcation between the services that Entergy Arkansas will provide itself and those services Entergy Services will provide to Entergy Arkansas. The Louisiana Commission also argued that Entergy Services did not adequately explain the effects of the reorganization on costs, provide enough detail, or provide a before and after cost comparison. The Commission held that the cost allocation methods of Rate Schedule Nos. 435-A through 435-D were just and reasonable as costs incurred under "at cost" pricing for services provided by a centralized service company to regulated affiliates.<sup>13</sup> Additionally, the Commission found that New Orleans' and the Louisiana Commission's cost allocation concerns were unfounded

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<sup>10</sup> *Id.* P 36.

<sup>11</sup> *See id.* P 37.

<sup>12</sup> *Id.* PP 59-65.

<sup>13</sup> *Id.* P 59 (citing *Repeal of the Public Utility Holding Company Act of 1935 and Enactment of the Public Utility Holding Company Act of 2005*, Order No. 667, FERC Stats. & Regs. ¶ 31,197, at P 169 (2005), *order on reh'g*, Order No. 667-A, FERC Stats. & Regs. ¶ 31,213, *order on reh'g*, Order No. 667-B, FERC Stats. & Regs. ¶ 31,224 (2006), *order on reh'g*, Order No. 667-C, 118 FERC ¶ 61,133 (2007); *Entergy Servs., Inc.*, 117 FERC ¶ 61,288, at P 24 (2006)).

because Rate Schedule Nos. 435-A through 435-D represented a continuation of the *status quo* under Rate Schedule No. 435.<sup>14</sup>

9. The Commission also rejected New Orleans' request that Entergy Services include in Rate Schedule Nos. 435-A through 435-D a local regulatory approval clause that was contained in Rate Schedule No. 435. New Orleans had asserted that Entergy Services did not justify removing the clause and, therefore, the Commission should require its restoration. The Commission held that the review provision did not determine whether a retail regulator must approve Rate Schedule Nos. 435-A through 435-D, nor did the absence of the clause preclude review.<sup>15</sup>

### **III. Requests for Rehearing or Clarification**

#### **A. Louisiana Commission**

10. The Louisiana Commission alleges that the Commission erred in the December 18 Order by failing to protect customers of Entergy Gulf States Louisiana and Entergy Louisiana from unduly discriminatory increased costs caused by Entergy Arkansas' withdrawal from the System Agreement.<sup>16</sup> It asserts that Entergy Services will allocate higher fixed costs to these Operating Companies because there will be fewer parties to the System Agreement and that Entergy Services will incur increased costs as a result of coordinating the separate operations of Entergy Arkansas and Entergy Mississippi.<sup>17</sup> The Louisiana Commission asserts that direct assignment of all costs is the only way to repair the unduly discriminatory treatment.<sup>18</sup>

11. The Louisiana Commission states that it is not just and reasonable to permit Entergy Services to directly assign service company costs to Entergy Arkansas but not to the other Operating Companies.<sup>19</sup> It asserts that Entergy Services' application and the Commission's approval of the direct assignment methodology to Entergy Arkansas in the

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<sup>14</sup> *Id.* P 60.

<sup>15</sup> *Id.* P 69.

<sup>16</sup> Louisiana Commission Request for Rehearing at 1.

<sup>17</sup> *Id.* at 1, 4.

<sup>18</sup> *Id.* at 5.

<sup>19</sup> *Id.* at 2.

December 18 Order show that direct assignment of these costs is feasible. Further, it asserts that the Commission has a policy preferring direct assignment when that is feasible.<sup>20</sup> Therefore, the Louisiana Commission states that Rate Schedule Nos. 435-A, 435-B, 435-C, and 435-D are unduly discriminatory because they directly assign costs to Entergy Arkansas while dividing up any remaining costs among the remaining Operating Companies.<sup>21</sup> The Louisiana Commission asserts that this structure allows Entergy Services to assign any directly associated costs to Entergy Arkansas now, while retaining the ability to recover any remaining costs from the non-Entergy Arkansas Operating Companies, based on pre-determined assignment ratios, in order to make certain that no costs are stranded.<sup>22</sup> It alleges that the structure is unduly discriminatory because it allows Entergy Arkansas to avoid paying for any residual costs from exiting the System Agreement while Entergy Services is able to recover those costs from the remaining Operating Companies.<sup>23</sup>

12. The Louisiana Commission further asserts that it is inappropriate to allocate costs, such as the planning of a transmission project for a single Operating Company, to all the Operating Companies.<sup>24</sup> It asserts that any project planning or similar costs incurred for electrical service that will occur after withdrawal from the System Agreement should not be assigned to all the Operating Companies, especially considering that Entergy Mississippi and Entergy Texas also intend to withdraw from the System Agreement.<sup>25</sup> It states that the Commission should therefore approve tariffs that can operate either within the System Agreement framework or outside of it.<sup>26</sup>

13. The Louisiana Commission also alleges that the Commission erred when it rejected arguments that Rate Schedule Nos. 435-A, 435-B, 435-C, and 435-D give

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<sup>20</sup> *Id.* at 3 (citing *Kern River Gas Trans. Co.*, 117 FERC ¶ 61,077, at P 290 (2006); *Pacific Power & Light Co.*, 28 FERC ¶ 61,143, at 61,258 (1984)).

<sup>21</sup> *Id.*

<sup>22</sup> *Id.*

<sup>23</sup> *Id.* at 4.

<sup>24</sup> *Id.* at 3.

<sup>25</sup> *Id.* at 4.

<sup>26</sup> *Id.*

Entergy Services too much discretion.<sup>27</sup> It asserts that any tariff must contain enough specificity to allow ratepayers to determine the actual rate charged and to insure the detection of unduly discriminatory treatment.<sup>28</sup> The Louisiana Commission states that the rate schedules and filings lack sufficient detail about the organizational changes that are needed to accommodate the exit of Entergy Arkansas and Entergy Mississippi, including how Entergy Services will operate its operations center in order to allow for the separate dispatch, acquisition and sale of power for Entergy Arkansas and Entergy Mississippi.<sup>29</sup> Finally, the Louisiana Commission asserts that allowing Entergy Services to determine an “appropriate” portion of cost overheads to allocate to Entergy Arkansas inappropriately gives Entergy Services “unlimited discretion” and violates Commission precedent.<sup>30</sup>

14. The Louisiana Commission alleges that the Commission erred when it determined that Entergy Services’ cost allocation methods are just and reasonable. It states that the December 18 Order allows Entergy Services to allocate Entergy Arkansas’ and Entergy Mississippi’s previously incurred fixed operating costs to the other Operating Companies, which is unjust and unreasonable.<sup>31</sup> Furthermore, the Louisiana Commission states that Entergy Services only provides general descriptions of its allocation methods and that instead Entergy Services must provide the formulas it will use to compute cost allocation factors under the rate schedules to show that the rate schedules are just and reasonable.<sup>32</sup>

15. Finally, the Louisiana Commission states that the Commission erred when it did not require demarcation between the services provided by Entergy Services to Entergy Arkansas and Entergy Mississippi and the remaining Operating Companies in order to properly assign and allocate costs to the Operating Companies.<sup>33</sup> It asserts that without demonstrated demarcation, before or after cost analyses, or requirements that Entergy

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<sup>27</sup> *Id.* at 5.

<sup>28</sup> *Id.* (citing *Iberdrola Renewables, Inc. v. FERC*, 597 F.3d 1299, 1305 (D.C. Cir. 2010)).

<sup>29</sup> *Id.*

<sup>30</sup> *Id.* at 6.

<sup>31</sup> *Id.*

<sup>32</sup> *Id.* at 6-7.

<sup>33</sup> *Id.* at 5-7.

Services minimize costs, there is no demonstration in the December 18 Order that costs are just and reasonable.<sup>34</sup>

16. The Louisiana Commission asks, for the errors detailed above, that the Commission grant its request for rehearing and allow for discovery by ordering a full hearing on Rate Schedule Nos. 435-A, 435-B, 435-C, and 435-D.<sup>35</sup>

**B. New Orleans**

17. New Orleans alleges that the Commission erred in approving Rate Schedule Nos. 435-A, 435-B, 435-C, and 435-D without sufficient safeguards to protect the non-Entergy Arkansas Operating Companies from unjust and unreasonable and unduly preferential and discriminatory costs. It asserts that the non-Entergy Arkansas Operating Companies will bear higher costs as a result of the rate schedules, which is not justified by the differences between the Operating Companies.<sup>36</sup>

18. New Orleans alleges that the Commission erred in its determination that the proposed rate schedules are not unduly discriminatory and preferential and it disputes that the different provisions of Rate Schedule Nos. 435-A, 435-B, 435-C, and 435-D are justified by the differences between Entergy Arkansas and the other Operating Companies. It states that Entergy Arkansas remains similarly situated to the other Operating Companies because “all have joined MISO and will receive the same services from Entergy [Services].”<sup>37</sup>

19. New Orleans asserts that the rate schedules differ in material ways. It states that Rate Schedule No. 435-B section II requires Entergy New Orleans to take and pay for unspecified services, unlike Rate Schedule No. 435-C. New Orleans also states that the Commission erred when it found the language of Rate Schedule No. 435-B requiring Entergy New Orleans to take unspecified services was comparable to the language of Rate Schedule No. 435-C.<sup>38</sup> Finally, it asserts that Rate Schedule No. 435-C differs because it contains no section comparable to Rate Schedule No. 435-B section V, which

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<sup>34</sup> *Id.* at 7.

<sup>35</sup> *Id.*

<sup>36</sup> New Orleans Request for Rehearing at 1.

<sup>37</sup> *Id.* at 3.

<sup>38</sup> *Id.* at 3-4.

allows Entergy Services to unilaterally modify the services it provides, which it states is a contractual right given to no other Operating Company.<sup>39</sup>

20. New Orleans also argues that it is unduly preferential to grant Entergy Arkansas and the Arkansas Commission a contractual annual right to review the services Entergy Services has provided and require Entergy Services to comply, under section III of Rate Schedule No. 435-C, without affording the same contractual rights to the other Operating Companies and their regulators. New Orleans states that the differing treatment is not justified by the conditions that the Arkansas Commission imposed on Entergy Arkansas, which resulted in the contractual right.<sup>40</sup>

21. New Orleans also alleges that the Commission erred when it determined that the cost allocation methods of Rate Schedule Nos. 435-A, 435-B, 435-C, and 435-D are just and reasonable. It states that the Commission did not have sufficient information to support this finding because Entergy Services did not explain if costs would increase after Entergy Arkansas left the System Agreement or submit any cost projections comparing expected costs to past costs.<sup>41</sup> Therefore, New Orleans alleges that the Commission erred in not conditioning its acceptance of the rate schedules on “(a) a showing by Entergy [Services] that (i) the overall costs for Entergy services allocated to the [non-Entergy Arkansas Operating Companies] for the provision of the same services will not be greater under the proposed new schedules than under existing Rate Schedule [No.] 435; (ii) the [non-Entergy Arkansas Operating Companies] will not be allocated a larger percentage of costs associated with Entergy [Services’] personnel and resource base; and (iii) clarification from Entergy [Services] that Entergy Arkansas will continue to share the costs related to legal and consulting services for any proceedings related to the [System Agreement] that arise out of currently ongoing proceedings or that include Entergy Arkansas, the [Arkansas Commission], or any other Arkansas-affiliated entity as an active participant; and (b) modifications to eliminate ambiguity and undue discrimination.”<sup>42</sup>

22. Finally, New Orleans requests that the Commission clarify that allowing Entergy Services to remove a provision providing for state and local approval from the rate schedules does not diminish the authority of New Orleans and that the December 18

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<sup>39</sup> *Id.* at 3.

<sup>40</sup> *Id.* at 4.

<sup>41</sup> *See id.*

<sup>42</sup> *Id.* at 5.

Order does not create a jurisdictional shift.<sup>43</sup> Furthermore, it asserts that if the Commission does not provide this clarification, the Commission erred in not requiring Entergy Services to add the local regulatory approval clause contained in Rate Schedule No. 435 to Rate Schedule Nos. 435-A, 435-B, 435-C, and 435-D.<sup>44</sup>

#### IV. Discussion

23. We deny rehearing on New Orleans' claim that Entergy Arkansas is similarly situated to the other Operating Companies. New Orleans' assertion that Entergy Arkansas remains similarly situated to the other Operating Companies because all the Operating Companies have joined MISO and purchase the same services from Entergy Services is incorrect. As the Commission stated in the December 18 Order, Entergy Arkansas is not similarly situated to the other Operating Companies with respect to the services provided by the rate schedules because of its exit from the System Agreement.<sup>45</sup> Because Entergy Arkansas has exited from the System Agreement, Entergy Arkansas no longer centrally plans, constructs and operates its generation and bulk transmission system with the other Operating Companies, which continue to operate as a single, integrated system. The ability to purchase similar services from a centralized service company under the rate schedules and joining MISO does not eliminate the difference between Entergy Arkansas and the other Operating Companies: the non-Entergy Arkansas Operating Companies plan as an integrated system under the System Agreement while Entergy Arkansas determines its own generation and transmission planning outside of the System Agreement.

24. Both the Louisiana Commission and New Orleans assert that various terms of Rate Schedule Nos. 435-A, 435-B, 435-C, and 435-D are unduly discriminatory. We deny rehearing on these issues, as explained below. New Orleans asserts that material differences in the rate schedules are not justified by Entergy Arkansas' independence and make them unduly discriminatory or unduly preferential. As the Commission stated in the December 18 Order, the Commission has determined that discrimination is undue when there is a difference in rates or services among similarly-situated customers that is not justified by some legitimate factor.<sup>46</sup> Entergy Arkansas and the other Operating Companies are not similarly situated with respect to the services provided under the rate

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<sup>43</sup> *Id.*

<sup>44</sup> *Id.*

<sup>45</sup> *See* December 18 Order, 145 FERC ¶ 61,241 at P 35.

<sup>46</sup> *Id.* (citing *Southwest Power Pool, Inc.*, 137 FERC ¶ 61,075, at P 52 (2011)).

schedules, which justifies the differing terms of Rate Schedule Nos. 435-A, 435-B, 435-C, and 435-D. Accordingly, New Orleans' contention that the differing provisions are unjustified is incorrect.

25. New Orleans asserts that the Commission erred in its finding that the language of Rate Schedule No. 435-B, which New Orleans asserts requires Entergy New Orleans to take unspecified services, is comparable to Rate Schedule No. 435-C. New Orleans presents no new evidence or arguments in support of these assertions. Accordingly, we deny rehearing. Both rate schedules allow for an applicable Operating Company to request additional services from Entergy Services.<sup>47</sup>

26. Similarly, New Orleans provides no new evidence or arguments in support of its assertion that the Operating Companies other than Entergy Arkansas should be given an annual right to review the rate schedule, as is contained in Rate Schedule No. 435-C. Accordingly, we deny rehearing on this issue. As the Commission stated in the December 18 Order, the differing review and revision provisions in the rate schedules accommodate Entergy Arkansas' exit from the System Agreement.<sup>48</sup> These provisions allow Entergy Arkansas to demonstrate its compliance with the Arkansas Commission's independence mandate and, therefore, accommodate Entergy Arkansas' exit from the System Agreement.

27. New Orleans and the Louisiana Commission both allege that the revised rate schedules will result in improper cost allocation among the Operating Companies. New Orleans alleges that Entergy Services must show that costs will not increase for the non-Entergy Arkansas Operating Companies. The Louisiana Commission alleges that the non-Entergy Arkansas Operating Companies will face increased costs resulting from Entergy Arkansas' exit from the System Agreement due to allocation of fixed costs. The Louisiana Commission asserts that Entergy Arkansas must provide demarcation between the services offered to the Operating Companies and provide cost projections. We deny rehearing on these issues, including New Orleans' requested conditions.<sup>49</sup> In the December 18 Order, the Commission addressed these arguments and neither New Orleans nor the Louisiana Commission provides any new evidence or arguments that support reconsideration of our findings. In their protests, New Orleans and the Louisiana Commission asserted that Entergy Services must make several showings to demonstrate that future costs to the Operating Companies will not exceed the historical costs under

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<sup>47</sup> *See id.* P 37.

<sup>48</sup> *Id.* P 36.

<sup>49</sup> *See supra* P 19.

Rate Schedule No. 435. As the Commission stated in the December 18 Order, because of the nature of “at cost” rates, which will vary from year to year, Entergy Services does not need to show that “at cost” rates will remain the same or decrease.<sup>50</sup> Similarly, we reiterate that an Operating Company’s exit from the System Agreement was foreseeable under the terms of the System Agreement and that cost reallocations that occur by operation of the System Agreement’s terms, and resulting from the withdrawal of an Operating Company, are a foreseeable consequence of such withdrawals.<sup>51</sup>

28. The Louisiana Commission also argues that Commission policy requires the direct assignment of costs where possible and that direct assignment of costs to Entergy Arkansas shows that direct assignment is possible. We deny rehearing on this issue. The cost allocation methodologies of Rate Schedule Nos. 435-A, 435-B, 435-C, and 435-D already directly assign all costs that are directly attributable to any Operating Company, not only Entergy Arkansas.<sup>52</sup> The allocation among the Operating Companies under these rate schedules reflects a continuation of the allocation methods previously accepted under Rate Schedule No. 435. Under Rate Schedule Nos. 435-A and 435-B, Entergy Services directly allocates costs for any services provided to an individual Operating Company and allocates the costs of any shared service in a manner consistent with Rate Schedule No. 435. Entergy Arkansas is the only customer taking service under Rate Schedule Nos. 435-C and 435-D and, therefore, should be the only party responsible for those costs, consistent with Rate Schedule No. 435. Any remaining costs incurred under the rate schedules are a result of shared costs incurred by the Operating Companies operating as an integrated, single system under the System Agreement. Contrary to the Louisiana Commission’s assertion, these shared costs cannot be directly assigned using the same methodology as direct assignment of costs to the independently planned and operated Entergy Arkansas.

29. The Louisiana Commission further asserts that the rate schedules lack specificity and provide too much discretion to Entergy Services and are therefore unjust and unreasonable. We deny the Louisiana Commission’s request for rehearing on this issue.

30. With regard to the allocation of overhead costs, the Louisiana Commission alleges that the rate schedules provide too much discretion to Entergy Services in that Entergy Services will “account for and bill to [Entergy Arkansas] an *appropriate* portion of the

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<sup>50</sup> See December 18 Order, 145 FERC ¶ 61,241 at P 61.

<sup>51</sup> See *id.* P 62. See also *Entergy Servs., Inc.*, 145 FERC ¶ 61,247, at P 109 (2013); System Agreement Withdrawal Order, 129 FERC ¶ 61,143 at PP 61, 64.

<sup>52</sup> See December 18 Order, 145 FERC ¶ 61,241 at P 60.

cost of overheads incurred in providing service.”<sup>53</sup> We disagree that Rate Schedule Nos. 435-C and 435-D provide too much discretion to Entergy Services regarding the allocation of overhead costs. While the language cited by the Louisiana Commission read in isolation does not provide specificity as to how overhead costs will be allocated, that language appears among general recitations in the beginning of Exhibit II of Rate Schedule Nos. 435-C and 435-D,<sup>54</sup> and must be read in conjunction with the provisions that follow in each of those exhibits, which specify in detail how costs will be allocated to Entergy Arkansas for services rendered under the rate schedules. With respect to allocation of overhead costs, Exhibit II, Sections 6(b), 6(c), 7(a) and 7(b), of both Rate Schedule Nos. 435-C and 435-D,<sup>55</sup> explain in detail how overhead costs will be either

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<sup>53</sup> Louisiana Commission Rehearing Request at 6 (quoting Rate Schedule No. 435-C, Exhibit II, Section 2) (emphasis added).

<sup>54</sup> Rate Schedule Nos. 435-A and 435-B, Exhibit II, section 1 provide the general recitation that “[t]he costs of rendering service by Entergy Services will include all costs of doing business including departmental overheads and interest on debt.” Rate Schedule Nos. 435-C and 435-D, Exhibit II, sections 1-3 provide the general recitations that:

1. Entergy Services will account for and bill to [Entergy Arkansas] its expenses that are directly attributable to the services Entergy Services renders to [Entergy Arkansas].
2. Entergy Services will account for and bill to [Entergy Arkansas] an appropriate portion of the cost of overheads incurred in providing services to [Entergy Arkansas].
3. The costs of rendering service by Entergy Service will include all costs of doing business including interest on debt.

<sup>55</sup> Rate Schedule Nos. 435-C and 435-D, Exhibit II, sections 6(b) and 6(c) provide:

- b. Departmental Indirect Costs as defined in 4(c)(ii) will be loaded onto project codes in proportion to the direct salaries and wages charged to all project codes.
- c. Departmental Support Service Costs as defined in 4(c)(iii) will be allocated to [Entergy Arkansas] using consumption-based billing methods, with these costs then distributed by function. Any costs that remain at Entergy Services after this initial billing will be loaded onto project codes in proportion to the direct salaries and wages charged to all project codes.

(continued...)

directly assigned or allocated in proportion to directly assigned costs, and these provisions are substantially the same as the provisions for allocation of overhead costs in Rate Schedule Nos. 435-A and 435-B.<sup>56</sup> This is consistent with Entergy Services' statement, as noted in the December 18 Order, that "overhead costs will follow the

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Rate Schedule Nos. 435-C and 435-D, Exhibit II, sections 7(a) and 7(b) provide:

- a. Incremental out-of-pocket costs incurred for the direct benefit and convenience of [Entergy Arkansas] will be charged directly to [Entergy Arkansas].
- b. The Indirect Corporate Costs of Entergy Services referred to above in Section 4(d)(ii) will be allocated to [Entergy Arkansas] in the same proportion as all charges billed by Entergy Services to [Entergy Arkansas], excluding Indirect Corporate Costs.

<sup>56</sup> Rate Schedule Nos. 435-A and 435-B, Exhibit II, sections 4(b) and 4(c) provide:

- b. Departmental Indirect Costs as defined in 2(c)(ii) will be loaded onto project codes in proportion to the direct salaries and wages charged to all project codes.
- c. Departmental Support Service Costs as defined in 2(c)(iii) will be allocated to other internal Entergy Services departments and the [Operating Companies] using consumption-based billing methods, with these costs then distributed by function. Any costs that remain at Entergy Services after this initial billing will be loaded onto project codes in proportion to the direct salaries and wages charged to all project codes.

Rate Schedule Nos. 435-A and 435-B, Exhibit II, sections 5(a) and 5(b) provide:

- a. Incremental out-of-pocket costs incurred for the direct benefit and convenience of [an Operating Company] or a group of [Operating Companies] will be charged directly to such company or group of companies.
- b. The Indirect Corporate Costs of Entergy Services referred to above in Section 2(d)(ii) will be allocated among the [Operating Companies] in the same proportion as all charges billed by Entergy Services to the [Operating Companies], excluding Indirect Corporate Costs.

charging of all costs, both allocated costs under [Rate Schedule Nos.] 435-A and 435-B and directly assigned costs under [Rate Schedule Nos.] 435-A, 435-B, 435-C, and 435-D.”<sup>57</sup> Accordingly, we deny rehearing on this issue.

31. The Louisiana Commission further alleges that Rate Schedule Nos. 435-A through 435-D do not contain enough specificity for ratepayers to determine the actual rate charged and do not contain enough detail as to the operation of the Operating Companies after individual Operating Companies exit the System Agreement. We disagree. First, the Rate Schedules are “at cost” rates and, as such, vary from year to year. Second, Entergy Services has explained the changes it has made to accommodate individual Operating Company’s exits from the System Agreement.<sup>58</sup> As the Commission noted in the December 18 Order, Entergy Services has made no changes to its staffing and Entergy Arkansas has undergone changes in order to accommodate its exit from the System Agreement.<sup>59</sup> Therefore, we deny rehearing on this issue.

32. Finally, we address New Orleans’ requests that we clarify that the removal of the provision requiring state and local approval of the rate schedules, which was included in Rate Schedule No. 435 section V, does not in any way diminish the existing authority of New Orleans and that the December 18 Order does not create a jurisdictional shift. We will grant New Orleans’ request in part and deny it in part. As the Commission stated in the December 18 Order, the inclusion of the review provision does not determine whether New Orleans or any other retail regulator must approve the rate schedules, and the absence of such a clause does not preclude review by retail regulators.<sup>60</sup> Accordingly, we clarify that the absence of the local regulatory approval language in Rate Schedule

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<sup>57</sup> December 18 Order, 145 FERC ¶ 61,241 at P 57 (citing Entergy Services’ November 27 Answer at 8).

<sup>58</sup> Rate Schedule No. 435-B allows Entergy Services to provide generation and operational planning to the non-Entergy Arkansas Operating Companies in a centralized manner, while Rate Schedule Nos. 435-C and 435-D allow Entergy Services to provide services in support of Entergy Arkansas’ independent generation and transmission planning. Accordingly, Entergy Services will directly bill Entergy Arkansas for all services under Rate Schedule Nos. 435-C and 435-D, while costs will be allocated to the non-Entergy Operating Companies consistent with Rate Schedule No. 435. *See id.* PP 10-16.

<sup>59</sup> *See id.* P 63.

<sup>60</sup> *See id.* P 69.

Nos. 435-A, 435-B, 435-C and 435-D does not change the existing authority of any retail regulators under state law.

33. Nevertheless, while we note that nothing in the December 18 Order diminishes New Orleans' authority, we deny New Orleans' request that we clarify that the December 18 Order does not create a jurisdictional shift. First, New Orleans did not explain how the December 18 Order could create a jurisdictional shift or between what parties jurisdiction may shift. As was the case in the December 18 Order, we do not find it appropriate to opine on possible preemptive issues between state and federal law as there are currently no conflicts between the requirements of a state or local regulatory body.<sup>61</sup> Furthermore, we find that issues related to possible shifts in state regulatory authority over individual Operating Companies are outside the scope of this proceeding. Therefore, we also deny New Orleans request for rehearing on these issues for the reasons stated above.

The Commission orders:

The requests for rehearing of the December 18 Order are denied, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

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<sup>61</sup> See *id.* P 70.