

APSC AFFILIATE TRANSACTION RULES

**ENTERGY ARKANSAS, LLC (EAL)
2022 ANNUAL REPORT**

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ATTACHMENT E

**MANUAL FOR COMPLIANCE WITH THE ARKANSAS
AFFILIATE TRANSACTION RULES**

(RULE VI.A.6.)

ENTERGY ARKANSAS, LLC.
MANUAL FOR COMPLIANCE WITH THE
ARKANSAS AFFILIATE TRANSACTION RULES
APSC DOCKET NO. 07-114-U

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1 **I. INTRODUCTION AND OVERVIEW**

2 **A. ARKANSAS AFFILIATE TRANSACTION RULES**

3 On May 25, 2007, the Arkansas Public Service Commission (“APSC” or the
4 “Commission”), in Order No. 7 of Docket No. 06-112-R, adopted Affiliate Transaction
5 Rules, hereinafter referred to as the “Affiliate Rules” or the “Rules”. The Rules are
6 applicable to Entergy Arkansas, LLC. (“EAL” or the “Company”). Attachment 1 to this
7 document is a copy of the Affiliate Rules.

8

9 **B. APSC REQUIREMENT FOR COMPLIANCE MANUAL**

10 Rule VI.A. 6. states:

11 Each public utility shall maintain, update annually, train appropriate employees
12 in, and (within 120 days following the effectiveness of these rules, and
13 thereafter, to the extent of material changes, in each annual report required
14 under Rule IX) file with the Commission, written procedures which ensure
15 compliance with these rules; and, such written procedures shall include, at a
16 minimum:

- 17 a. all internal rules, practices, financial record keeping requirements, and
18 other policies governing affiliate transactions among or between the public
19 utility and its affiliates;
- 20 b. the names and addresses of all the public utility's affiliates that participate
21 in affiliate transactions with the public utility;
- 22 c. an organizational chart depicting the ownership relationships between the
23 public utility and those affiliates that participate in affiliate transactions with
24 the public utility;
- 25 d. a description of the types of assets, goods and services provided in any
26 existing affiliate transaction lasting more than one year; and,
- 27 e. a cost allocation manual or other description of the methods used to
28 determine allocations in affiliate transactions.

29 Accordingly, this document, entitled Entergy Arkansas, LLC. Manual for
30 Compliance with the Arkansas Affiliate Transaction Rules (“Compliance Manual”) has
31 been developed and filed with the Commission in APSC Docket No. 07-114-U. The
32 Compliance Manual is intended to document the processes and procedures that

1 provide reasonable assurance of compliance with the Affiliate Rules. It is a reference
2 source for employees, including personnel responsible for ensuring implementation of
3 the compliance processes and procedures.

4

5 **C. COMPLIANCE PROGRAM OVERVIEW**

6 Employees of Entergy Corporation or its subsidiaries are subject to the Entergy
7 "Code of Entegrity", which as part of the overall compliance program sets expectations
8 for ethical standards and compliance with laws and regulations for all employees of
9 an Entergy Corporation subsidiary. A goal of the Code of Entegrity is to promote a
10 culture of compliance.

11 Employees are expected to include regulatory compliance as an essential part
12 of business and a required aspect of their business activities. To support this
13 expectation, the compliance program strives to create an environment where
14 regulatory compliance is well understood and proactively addressed.

15 Each employee must act in a manner that complies with all applicable
16 regulatory requirements, including requirements specified in this Compliance Manual.
17 Failure to meet these obligations may result in disciplinary action.

18 The Ethics & Compliance ("E&C") Department within Entergy Services, LLC.
19 ("ESL"), an Entergy Corporation service company that provides technical and support
20 services to Entergy Corporation subsidiaries, is responsible for the corporate oversight
21 function for all Entergy Corporation subsidiaries' general compliance efforts and works
22 with appropriate business functions to facilitate compliance with the Affiliate Rules and
23 this Compliance Manual.

24

1 **D. COMPLIANCE TRAINING PROGRAM**

2 Annually, the E&C Department prepares a training plan that identifies employee
3 requirements for formal training, and the functions to be assigned the Arkansas
4 Affiliate Rules computer-based training and acknowledgement module (CBT).
5 Employees are assigned requirements automatically using My Learning and are sent
6 an annual reminder to review and acknowledge the training. Training materials are
7 prepared under the direction of the E&C Department. The E&C Department, at the
8 direction of EAL, facilitates the education of affected employees on the Affiliate Rules
9 and the contents of the Compliance Manual using the training materials and other
10 communications, as necessary.

11

12 **E. RESOURCES**

13 Questions or requests from employees seeking guidance regarding the
14 Compliance Manual or the Affiliate Rules can be directed to the electronic mail
15 address "HelpARC@entergy.com".

16

17 **F. COMPLIANCE ACTIVITIES FORMAT**

18 The next section of this Compliance Manual (Compliance Activities) is
19 structured to follow the sequence of the operational sections in the Affiliate Rules.
20 Each such section and subsection of the Affiliate Rules is repeated verbatim, and for
21 each, a compliance discussion follows. The compliance discussion provides the
22 specific activities the Company performs to comply with the given rule.

23

1 **II. COMPLIANCE ACTIVITIES**

2 **A. RULE IV. – AFFILIATE FINANCIAL TRANSACTIONS**

3 **1. Rule IV. Provision**

4 A. Except as otherwise provided in this Rule IV or in other applicable law,
5 a public utility shall not engage in any affiliate transaction in which the
6 public utility:

- 7 1. provides to or shares with any affiliate any financial resource or
8 financial benefit, including but not limited to any:
9 a. loan, extension of credit, guarantee or assumption of debt,
10 indemnification, pledge of collateral; or
11 b. encumbrance of or restriction on the disposition of any public
12 utility; or
13 2. incurs any debt for purposes of investing in, or otherwise
14 supporting, any business other than the provision of public utility
15 service in Arkansas.

16 B. A public utility may obtain financial resources from an affiliate for public
17 utility purposes, provided that the cost to the public utility of such
18 financial resource does not exceed the lower of market price or the
19 affiliate's fully allocated cost.

20 C. Rule IV shall not apply to or prohibit any of the following unless the
21 Commission finds, after notice and hearing, unless waived by the
22 parties, and consistent with applicable law, that such arrangement is
23 not consistent with the purposes of these rules as defined in Rule II:

- 24 1. An inter-affiliate financial transaction integral to an affiliate
25 transaction for goods or services subject to and consistent with
26 Rule V.
27 2. The payment of dividends by a public utility to affiliates that own
28 stock in such public utility (including adjustments to the capital
29 accounts of divisions within the public utility).
30 3. Transactions in connection with the factoring of accounts
31 receivable, the creation and use of special purpose financing
32 entities, and the creation and use of money pool or cash
33 management arrangements, subject to safeguards to prevent
34 cross-subsidization and unauthorized pledges or encumbrances
35 of public utility assets.
36 4. Any loan, extension of credit, guarantee, assumption of debt,
37 restriction on disposition of assets, indemnification, investment,
38 or pledge of assets by a public utility for the purpose of supporting
39 the utility related business activities of an affiliate.

- 1 5. Any debt incurred by a public utility, including debt that imposes
2 any encumbrance on, or any restriction placed on the disposition
3 of any assets of, the public utility for the purpose of supporting
4 the utility related business activities of an affiliate.
 - 5 6. Receipt by a public utility of capital contributions or proceeds from
6 the sale of common stock to its parent holding company.
 - 7 7. Receipt by a public utility of financial resources from an affiliate
8 for any non-public utility purpose, provided that the cost to the
9 public utility of such financial resource shall not be recovered from
10 the public utility's customers in Arkansas.
 - 11 8. Any financing arrangement involving a public utility and any
12 affiliate that was in existence as of the effective date of these
13 rules; provided the public utility files with the Commission a
14 description of each such arrangement involving a public utility
15 and any affiliate having an annual value or amount in excess of
16 \$350,000 and such filing is received within 120 days of the
17 effective date of these rules.
 - 18 9. Any other affiliate financial transaction proposed by a public
19 utility, provided that:
 - 20 a. the public utility first files with the Commission an
21 application for approval of such proposed affiliate financial
22 transaction including a detailed description thereof and
23 any relevant supporting documentation, and
 - 24 b. the Commission finds, after notice and hearing, unless
25 waived by the parties, on such application, that the
26 proposed affiliate financial transaction is consistent with
27 the purposes of these rules as defined in Rule II.
- 28 D. Nothing in this Rule IV shall alter or amend the Commission's authority
29 or the obligation of public utilities set out in Rule 5.01 of the
30 Commission's Rules of Practice and Procedure.

31

32 **2. EAL Compliance Discussion**

33 As discussed in Section I.D. of this Compliance Manual, the E&C Department,
34 at the direction of EAL, facilitates the education of affected employees on the above
35 Rule.

36 ESL's Treasury organization is assigned primary responsibility for meeting the

1 restrictions of Rule IV.A and Rule IV.B. This function oversees intra-Entergy System
2 credit facilities, manages the debt liability portfolio, and manages the issuance of
3 securities. Thus, the Treasury organization is in a position to know of any plans to
4 lend, borrow, or encumber EAL's financial resources and to make a determination as
5 to whether any such contemplated transaction with an affiliate:

- 6 • is prohibited under Rule IV.A.,
7 • is priced in accordance with Rule IV.B.,
8 • is permissible under Rule IV.C.(1)-(8), and/or
9 • requires pre-approval from the APSC under Rule IV.C.(9).

10 To enhance this determination, a checklist has been developed to compare
11 contemplated transactions with the different areas of Rule IV. Use of this checklist
12 must be documented by Treasury for each new financing arrangement involving EAL
13 and an affiliate.

14 Rule IV.C.8. requires that a Public Utility file with the Commission a description
15 of any financing arrangement involving the utility and any affiliate that was in existence
16 as of the effective date of the Rules having an annual value or amount in excess of
17 \$350,000. Such filing was due, and was made, within 120 days of the effective date
18 of the Rules. A description of such financing arrangements for EAL is included as
19 Attachment 2 to this Compliance Manual. Note that some of these financing
20 arrangements may have been terminated, or be less than the \$350,000 annual value
21 and are included for completeness.

22 EAL was a party to the Entergy System Agreement until December 19, 2013.
23 EAL is a party to the Unit Power Sales Agreement and Availability Agreement. EAL
24 does not consider either of the foregoing agreements to be financing agreements.

1 **B. RULE V. – AFFILIATE TRANSACTIONS OTHER THAN FINANCIAL
2 TRANSACTIONS**

3 **1. Rule V. Provision**

- 4 A. Except as otherwise provided in this Rule V, or in other applicable law,
5 with respect to an affiliate transaction involving assets, goods, services,
6 information having competitive value, or personnel, a public utility shall
7 not:
- 8 1. receive anything of value, unless the compensation paid by the
9 public utility does not exceed the lower of market price or fully
10 allocated cost of the item received; and,
- 11 2. provide anything of value, unless the compensation received by
12 the public utility is no less than the higher of market price or fully
13 allocated cost of the item provided.
- 14 B. Rule V shall not apply to or prohibit any of the following unless the
15 Commission finds, after notice and hearing, unless waived by the
16 parties, and consistent with applicable law, that such arrangement is not
17 consistent with the purposes of these rules as defined in Rule II:
- 18 1. Exchanges of information:
19 a. necessary to the reliable provision of public utility service
20 by a public utility, provided such exchange occurs
21 consistently with guidelines published by the utility and
22 applied equally to affiliates and non-affiliate entities;
23 b. required by or necessary to comply with federal statutes or
24 regulations; or,
25 c. between or among a public utility, its parent holding
26 company, a service company and any affiliated rate-
27 regulated utility in another State of the United States.
- 28 2. The provision of shared corporate support services, at fully
29 allocated cost, between or among a public utility and any affiliate,
30 including a service company.
- 31 3. The provision, at fully allocated cost, of assets, goods, services,
32 or personnel between or among a public utility and an affiliated
33 rate-regulated utility in another State of the United States.
- 34 4. The provision of assets, goods, services, information having
35 competitive value, or personnel, at a price determined by
36 competitive bidding or pursuant to a regulatory filed or approved
37 tariff or contract.
- 38 5. Any other affiliate transaction proposed by a public utility to be
39 exempted from Rule V.A, provided that

- 1
- 2 a. the public utility first files with the Commission an
3 application for an exemption of such proposed affiliate
4 transaction from the requirements of Rule V.A, including a
5 detailed description of the proposed transaction and any
6 relevant supporting documentation, and
7 b. the Commission finds, after notice and hearing, unless
8 waived by the parties, on such application and consistent
9 with applicable law, that the proposed exemption is
10 consistent with the Purposes of these rules as defined in
11 Rule II.

12 **2. EAL Compliance Discussion**

13 The following discussion recaps the transfer pricing rules for transfers of
14 assets, goods, services and personnel (loaned labor)¹ that EAL follows in accordance
15 with the Affiliate Rules. It is followed by a description of controls in place to facilitate
16 compliance with the pricing rules. This section concludes with a discussion of
17 protocols for information sharing.

18 **(a) Transfer Pricing Rules for Assets, Goods, Services and Personnel**

19 (i) Competitively Bid or Regulatory-Approved Affiliate Transactions.

20 The transfer of assets, goods, services and personnel at a price determined by
21 competitive bidding or pursuant to regulatory filed or approved tariffs or contracts, are
22 performed at the price so determined, pursuant to Rule V.B.4.

23 (ii) Shared Corporate Support Services.

24 In accordance with Rule V.B.2., the provision of shared corporate support
25 services to EAL by its service company affiliates² are priced at fully allocated cost
26 (except that any shared corporate support services to EAL by EEI and ENUC with a

¹ EAL interprets the Affiliate Rules reference to transfers of personnel to refer to temporary transfers such as loaned labor. It does not interpret the Rules to refer to changes of employment between affiliates (e.g., an employee of EAI decides to take a job with Entergy Mississippi, Inc.).

² The Entergy Service Companies are ESL, Entergy Operations, Inc. ("EOI"), Entergy Enterprises, Inc. ("EEI"), and Entergy Nuclear Operations, Inc. ("ENUC").

1 fair market value in excess of \$100,000 are subject to a competitive bidding
2 requirement (see section iv below)). Where EAL provides services to a centralized
3 service company affiliate, these services are priced at the higher of cost or market as
4 required under FERC Order No. 707³ (except that any services provided by EAL to
5 EEI and ENUC are priced at the higher of cost plus a 5% adder or market value (see
6 section v below)). This is more restrictive than the APSC rules.

7 (iii) EAL and Other Rate Regulated Utilities.

8 In accordance with Rule V.B.3., the provision of assets, goods, services, or
9 personnel between or among EAL and the Entergy Operating Companies (“OPCOs”),⁴
10 or between EAL and System Energy Resources, Inc., are priced at fully allocated cost.

11 (iv) EAL and Other Affiliates – EAL as Recipient.

12 In 1992 Entergy Corporation entered into a settlement agreement with the
13 APSC, the Mississippi Public Service Commission, and the Council for the City of New
14 Orleans (included within Attachment 3 to this Compliance Manual).⁵ The transfer
15 pricing rules within the settlement agreement include the requirement that no
16 procurement with a fair market value in excess of \$100,000 shall be made by a
17 regulated utility from a non-regulated business (as those terms are defined in the
18 settlement agreement) except through a competitive bidding process, or as otherwise
19 approved by the Commission. For procurements of assets, goods and services, and
20 personnel with a fair market value of \$100,000 or less, the transfer pricing is no higher
21 than the lower of market price or fully allocated costs of the items received, in

³ FERC Order 707 issued in Docket No. RM-07-15-000, with implementing regulations codified at 18 CFR § 35.44.

⁴ The Entergy Operating Companies are Entergy Arkansas, LLC. (“EAL”); Entergy Louisiana, LLC (“ELL”); Entergy Mississippi, LLC (“EML”); Entergy New Orleans, LLC (“ENO”); and Entergy Texas, Inc. (“ETI”).

⁵ To the extent there is a variance between the terms of the Settlement Agreement and the provisions in the Affiliate Rules, EAL considers itself bound to the terms of the APSC approved Settlement Agreement.

1 accordance with Rule V.A.1. This is also consistent with FERC Order No. 707
2 guidance that sales of non-power goods and services by non-utility affiliates to utilities
3 having captive ratepayers may not be priced above market.⁶

4 (v) EAL and Other Affiliates – EAL as Provider.

5 The provision of goods and services by EAL to non-regulated affiliates are
6 priced at the higher of fully allocated cost plus a 5% adder or market value. This is
7 more restrictive than Rule V.A.2. The 5% adder is a settlement agreement condition
8 which requires that a charge of 5% be applied to the cost of services provided to non-
9 regulated businesses by regulated utilities. Additionally, the settlement agreement
10 requires that the transfer of generating assets, fuel and fuel-related assets, or real
11 property and improvements from EAL to a non-regulated business or to Entergy
12 Corporation will be priced at the higher of book value or market value if the asset's
13 value exceeds \$100,000. For other transfers from EAL, to the extent there exists a
14 readily available comparative market price, the transfer price is the higher of market
15 price or fully allocated costs of the items provided, in accordance with Rule V.A.2.
16 Pursuant to Rule III.M., in the absence of a readily available competitive market price,
17 the price is the fully allocated cost of the party supplying the goods and services.

18 (b) **Processes/Controls to Help Ensure Pricing Rules are Followed**

19 As discussed in Section I.D. of this Compliance Manual, the E&C Department,
20 at the direction of EAL, facilitates the education of affected employees on the above
21 Rule and pricing requirements.

22 Entergy Corporation's Chief Accounting Officer ("CAO") and the E&C
23 Department are primarily responsible for addressing pricing requirements. The CAO
24 oversees the affiliate billing processes of the Entergy service companies and is

⁶ Codified at 18 CFR § 35.44(b)(2).

1 responsible for billings, allocations related to billings, and the accounting for
2 transactions with other affiliates. The CAO helps to ensure that such billing processes
3 and procedures are in compliance with state and federal regulatory transfer
4 requirements. The CAO administers Entergy's Accounting Policies & Procedures for
5 Affiliate Transactions, Loaning of Labor, Transportation, and/or Materials, and
6 Loaning of Assets – Capitalized Non-Power Goods. Entergy's nuclear organization
7 administers two policies which address the requirements imposed by federal, state
8 and local authorities regarding affiliate transactions and interfaces, EN-PL-113,
9 Nuclear Affiliate Rules Compliance, and EN-BU-111, Guidance on Charging Nuclear
10 Employee and Software Costs. Copies of these policies are included in Attachment
11 3 to this Compliance Manual. Entergy-affiliated companies use two mechanisms to
12 bill affiliates for services rendered: (1) project billings; and (2) loaned resource billings.

- 13 • Project billings are transactions billed to affiliates for services rendered
14 using project codes to determine how costs should be allocated to
15 affiliates.⁷ The billing method is selected based on the principle of cost
16 causation to ensure that every affiliate that causes the cost in the project
17 code is appropriately included in the allocation of costs. Descriptions of the
18 available methods used to determine allocations are in Attachment 7 to this
19 Compliance Manual. Project billings can be used to charge and allocate
20 costs of EAL's two primary Entergy service companies - ESL and EOI.
- 21 • Loaned resource billings include charges for loaned payroll, transportation,
22 and materials and supplies. Under the loaned resource billing mechanism,
23 transactions are directly billed to the department and/or business unit that
24 is the recipient of the resources provided. Loaned resources charges are
25 not distributed based on an allocation factor. Loaned resource billing is
26 used for transactions from EAL to its affiliates. Loaned resource billing is
27 also used for transactions from affiliates to EAL except in those cases where
28 project billings are used.

29 In connection with EAL's December 18, 2013 termination of its participation in
30 the Entergy System Agreement, ESL's service agreement with EAL was amended to

⁷ A project code is an alpha numeric code that is assigned to individual projects established within organizations, applicable to a specific assignment or activity. Each project code has an associated billing methodology.

1 include Rate Schedules 435-A, 435-C, and 435-D which were filed with the Federal
2 Energy Regulatory Commission. Under Rate Schedule 435-A, Amended and
3 Restated Service Agreement for Administrative and General Support Services, ESL
4 continues to provide a wide range of administrative and general support services to
5 EAL at cost. Services provided by ESL under this rate schedule are both direct billed
6 and allocated, as appropriate, following the principles of cost causation. Services
7 provided under Rate Schedule 435-C, Service Agreement for Generation Planning
8 and Operational Support Services, and Rate Schedule 435-D, Service Agreement for
9 Transmission Planning and Reliability Support Services, are direct billed at cost to
10 EAL.

11 The following controls are in place to ensure that the billing mechanisms
12 produce billings to affiliates that represent the actual costs of services provided such
13 affiliates:

- 14 • Multiple Reviews and Approval of Project Codes
- 15 • Approval of Loaned Resource Billings
- 16 • Approval of Source Documentation
- 17 • Budget Process Activities
- 18 • Monthly Allocation Results and Billing Analysis
- 19 • Authorization Required to Access Corporate Applications
- 20 • Billing Analysis Review Team Monthly Reviews of ESL Billings
- 21 • Employee Training
- 22 • Internal Reviews of Affiliate Transactions and Processes
- 23 • External Reviews and Audits of Affiliate Transactions and Processes
- 24 • Sarbanes-Oxley Controls and Testing
- 25 • Affiliate Transactions, Entergy's Accounting Policies & Procedures
- 26 • Loaning of Labor, Transportation, and/or Materials, Entergy's Accounting
27 Policies & Procedures
- 28 • Competitive Bidding Process

- 1 • Use of Loaned Employee Approval Form and Process by Nuclear
2 Operations

3 Further, ESL, at the direction of Entergy Corporation, maintains a corporate
4 compliance program that captures local, state and federal regulatory requirements,
5 including affiliate transaction pricing requirements, in a central database that tracks
6 the associated risks, controls and the test procedures and results of those tests to
7 ensure that controls in all jurisdictional areas are in compliance with such
8 requirements. Tests of controls related to affiliate transaction pricing requirements
9 include testing of certain billing mechanisms, referred to above, including a quarterly
10 review of affiliate transactions to identify transactions that require specific pricing rules,
11 testing of those transactions for compliance with such rules and documentation of
12 pricing support. In addition, ESL's Internal Audit function reviews the controls and
13 performs tests of transactions and balances related to affiliate billings. Specifically
14 related to the implementation of the Sarbanes-Oxley Act, Internal Audit reviews the
15 risks, control activities, and testing of those control activities associated with the
16 affiliate billing process. Internal Audit's review includes the related funding,
17 allocations, and intercompany account reconciliation processes associated with the
18 overall affiliate billing process.

19 In addition, external reviews and audits of affiliate transactions and processes
20 are conducted routinely. For instance, external auditors perform certain agreed upon
21 procedures annually to satisfy a requirement included in settlement agreements
22 between certain regulators and certain OPCOs, including the 1992 Settlement
23 Agreement discussed earlier in this Compliance Manual. External auditors also select
24 several intercompany transactions billed to EEI by Entergy Corporation affiliates to
25 ensure they are billed in accordance with the Public Utility Holding Company Act of
26 2005 affiliate billing requirements. The annual external audit of Entergy Corporation

1 and its subsidiaries' financial statements helps to detect whether the intercompany
2 accounts and billing processes are producing any material misstatements in the
3 financial statements. Finally, the Sarbanes-Oxley Act requires that an independent
4 auditor attest to the accuracy of disclosure regarding the effectiveness of its internal
5 controls.

6 **(c) Information Exchanges**

7 The general transfer pricing rules (Rule V.A.) apply to "information having
8 competitive value," an undefined term. EAL interprets the term such that if information
9 is, or has been made, publicly available then the information will not have competitive
10 value and thus Rule V.A. is not applicable.

11 Thus, in combination with the exceptions at Rule V.B.1., the Rules' general
12 pricing provisions for information having competitive value does not apply to:

- 13 • information that has been made public,
14 • information transfers required by, or necessary to comply with, federal
15 statutes or regulations (Rule V.B.1.b.), and
16 • information transfers between EAL, its service companies, the other
17 Energy Operating Companies, Entergy Corporation and any other affiliated
18 rate-regulated utility in another state (Rule V.B.1.c.).

19 Other applicable exchanges of information between EAL and an affiliate,
20 including those exchanges described in Rule V.B.1.a., are addressed in guidelines
21 developed by EAL and made available to the public at <http://www.enty->
22 [arkansas.com/content/affiliate/docs/2007-1204_info_Exchange_Guidelines.pdf](http://www.arkansas.com/content/affiliate/docs/2007-1204_info_Exchange_Guidelines.pdf)

23

1 **C. RULE VI. – BOOKS, RECORDS, AND PROCEDURES**

2 **1. Rule VI. Provision**

3 A. Recordkeeping

4 1. The public utility shall:

- 5 a. keep books and records separately from the books and
6 records of its affiliates; and,
7 b. maintain such books and records in accordance with the
8 applicable rules and orders of the Commission, and with
9 Generally Accepted Accounting Principles (GAAP) as
10 amended;

11 provided, that, any multi-jurisdictional public utility whose
12 Arkansas rates are set pursuant to jurisdictional allocations
13 among such public utility's various regulatory jurisdictions shall not
14 be required to keep books and records other than on a combined
15 basis including all its utility business.

16 2. Such books and records shall contain all information necessary
17 to:

- 18 a. identify all affiliate transactions in which the public utility
19 participated; and,
20 b. identify and allocate or impute all revenues and costs (both
21 direct and indirect) associated with all such affiliate
22 transactions.

23 3. Upon the creation of a new affiliate that will participate in affiliate
24 transactions with a public utility, the utility shall, no later than 60
25 days after the creation of such affiliate, notify the Commission by
26 letter to the Secretary of the Commission of the creation of such
27 new affiliate, which notice shall include an explanation of how the
28 public utility will implement these rules with respect to such new
29 affiliate.

30 4. Each public utility shall maintain, for at least five years, records
31 of each affiliate transaction in which it participated and the
32 records shall:

- 33 a. be made contemporaneously with each affiliate
34 transaction;
35 b. be in a readily retrievable format; and,
36 c. include, for each affiliate transaction:
37 (1) the identity of the affiliate involved in the affiliate
38 transaction;

effectiveness of these rules, and thereafter, to the extent of material changes, in each annual report required under Rule IX) file with the Commission, written procedures which ensure compliance with these rules; and, such written procedures shall include, at a minimum:

- a. all internal rules, practices, financial record keeping requirements, and other policies governing affiliate transactions among or between the public utility and its affiliates;
 - b. the names and addresses of all the public utility's affiliates that participate in affiliate transactions with the public utility;
 - c. an organizational chart depicting the ownership relationships between the public utility and those affiliates that participate in affiliate transactions with the public utility;
 - d. a description of the types of assets, goods and services provided in any existing affiliate transaction lasting more than one year; and,
 - e. a cost allocation manual or other description of the methods used to determine allocations in affiliate transactions.

2. EAL Compliance Discussion

(a) Training and Education

25 As discussed in Section I.D. of this Compliance Manual, the E&C Department,
26 at the direction of EAL, facilitates the education of affected employees on the above
27 Rules.

(b) Entergy's Accounting System (Rule VI.A.1. and A.2.)

29 Entergy Corporation's CAO is primarily responsible for meeting the
30 requirements of Rules VI.A.1. and A.2. The accounting system for Entergy
31 Corporation entities is comprised of a number of integrated systems that track, record,
32 and report all required financial information for all of Entergy Corporation's various
33 entities. The accounting system executes standard accounting procedures and

1 functions such as accounts payable, journal entries, customer billings, and payroll,
2 allowing ESL accountants to perform all of the required accounting functions, including
3 project costing and fixed asset accounting and reporting. The accounting system also
4 performs validations of source data and transactions. For example, the procedure
5 known as a compatibility edit will test for compatibility among accounting code block
6 elements. All of these systems are electronically linked to and summarized in Entergy
7 Corporation's general ledger accounts so that financial statements for each entity,
8 including EAL, may be produced. As a result, Entergy Corporation's accounting
9 system maintains separate books and records for all affiliates in accordance with the
10 above Rule.

11 The books and records of utility subsidiaries are kept in accordance with the
12 FERC Uniform System of Accounts and Generally Accepted Accounting Principles.
13 The books and accounting records of Entergy Corporation and its subsidiaries are the
14 focus of periodic internal and external audits to ensure accounting policies and
15 procedures are in place, and being followed, to provide reasonable assurances as to
16 their accuracy and adherence to rules and regulations.

17 **(c) Creation of New Affiliates (Rule VI.A.3.)**

18 ESL's Legal Services Department and the E&C Department are primarily
19 responsible for meeting the requirements of Rule VI.A.3. Requests for the formation
20 of a new Entergy Corporation legal entity are required to be submitted to the Legal
21 Services Department pursuant to the Legal Entity Management & Compliance system
22 policy ("LEM Policy"). Entergy personnel who wish to form a new legal entity must
23 submit for approval a Request to Create a New Legal Entity in accordance with the
24 LEM Policy, which states the business need for the proposed entity. The form asks
25 whether the new affiliate is expected to engage in transactions with regulated public

1 utilities. If an affirmative response is given, the E&C Department and Legal Services-
2 Regulatory will validate as to whether the proposed new entity is reasonably expected
3 to be involved in affiliate transactions, as defined by Rule III.G., with EAL. Within 60
4 days of the creation of a new affiliate that is reasonably expected to participate in
5 affiliate transactions with EAL, the Company will notify the Commission by letter of the
6 new affiliate's creation. This notice also will include an explanation of how EAL will
7 implement the Affiliate Rules with respect to the new affiliate.

8 **(d) Maintenance and Reporting (Rule VI.A.4. and A.5.)**

9 Entergy Corporation's CAO is primarily responsible for meeting the
10 requirements of Rule VI.4. and Rule VI.5. All applicable affiliate transactions are
11 contemporaneously recorded by ESL's accounting function in a readily retrievable
12 electronic format accessed through Entergy's general ledger system. The record of
13 these transactions includes the information outlined in Rule VI.A.4.c.

14 In accordance with Entergy System policies, the records of the affiliate
15 transactions have a retention period in excess of five years.

16 The CAO is assigned responsibility to address the reporting requirements in
17 Rule VI.A.4.d. as part of the annual report required by Rule IX. The reporting
18 obligation is satisfied by filing with the Commission a copy of FERC Form 60, as
19 permitted under the Rule. The CAO is also responsible for the reporting requirement
20 mandated by Rule VI.A.5.

21 **(e) Compliance Procedures (Rule VI.A.6.)**

22 EAL, with the filing of its first Compliance Manual, provided initial compliance
23 with Rule VI.A.6. The E&C Department is primarily responsible for the maintenance
24 of the manual narrative. EAL files a Compliance Manual with the Commission as part

1 of the annual report required in Rule IX revised as necessary to reflect any material
2 changes in the procedures for complying with the Affiliate Rules.

3 The Compliance Manual is a primary source for addressing affiliate
4 transactions among or between EAL and its affiliates. In initial compliance with Rule
5 VI.A.6.a., other internal policies that address affiliate transactions among or between
6 EAL and its affiliates are included as Attachment 3 to this Compliance Manual. To the
7 extent Entergy System policies need to be further revised to reflect the Affiliate Rules,
8 revisions are included at the next annual update. Attachment 3 also includes a copy
9 of the 1992 Settlement Agreement among Entergy Corporation, the APSC, the
10 Mississippi Public Service Commission, and the Council for the City of New Orleans.

11 In compliance with Rule VI.A.6.b., Attachment 4 to the Compliance Manual
12 included as part of each annual report required in Rule IX includes names and
13 addresses of affiliates of EAL who participated in affiliate transactions with the
14 Company during the applicable reporting period.

15 In compliance with Rule VI.A.6.c., organizational charts depicting the
16 ownership relationships between EAL and its affiliates are in Attachment 5 to this
17 Compliance Manual. The organization charts in Attachment 5 depict all of Entergy
18 Corporation's legal entities, including those identified in Attachment 4 which depicts
19 the legal entities involved in affiliate transactions with EAL. Though not required to do
20 so by the above Rule, EAL has provided the complete Entergy Corporation
21 organizational charts to fully disclose ownership relationships between and among its
22 affiliates.

23 In compliance with Rule VI.A.6.d., a description of the types of assets, goods,
24 and services provided in existing affiliate transactions which are anticipated to be of
25 an ongoing nature is in Attachment 6 to this Compliance Manual.

1 In compliance with Rule VI.A.6.e., descriptions of the methods used to
2 determine allocations in affiliate transactions are found in Attachment 7 to this
3 Compliance Manual. Refer to the discussion in Section II.B.2.(b) of this Compliance
4 Manual on the allocation of costs as well as the direct billing of costs associated with
5 loaned resources.

6

1 **D. RULE VII. – BOND RATING DOWNGRADES**

2 **1. Rule VII. Provision**

- 3 A. This Rule VII applies only to a public utility that has a separate, stand-
4 alone bond rating by Standard and Poor's or Moody's, and that has
5 affiliates, other than utility related businesses, with assets whose total
6 book value exceeds ten (10) percent of the book value of the public
7 utility's assets.
- 8 B. If a public utility's bond ratings are downgraded to a Standard and Poor's
9 rating of BB+ or lower, or to a Moody's rating of Bal or lower, such utility
10 shall notify the Commission within thirty (30) days of such downgrading.
11 The public utility will provide the Commission a copy of publicly released
12 information about such rating downgrade and such other information as
13 the Commission requests.
- 14 C. If the Commission finds, after notice and opportunity for hearing, unless
15 waived by the parties, that the public utility's bond ratings downgrade
16 would not have occurred but for one or more relationships between such
17 public utility and one or more affiliates, then the Commission may
18 impose remedies designed to insulate the public utility and its customers
19 from any diminution in the public utility's ability to carry out its obligation
20 to serve at reasonable rates.

21

22 **2. EAL Compliance Discussion**

23 As discussed in Section I.D. of this Compliance Manual, the E&C Department,
24 at the direction of EAL, facilitates the education of affected employees on the above
25 Rule.

26 Entergy Corporation's Treasury organization is primarily responsible for
27 complying with the above requirements. EAL has a separate, stand-alone senior
28 secured bond rating by Standard and Poor's and Moody's. In the event EAL's senior
29 secured bond rating with Standard and Poor's or Moody's is downgraded per the
30 provisions of Rule VII.B., assuming EAL satisfies the precondition in Rule VII.A, EAL
31 will notify the Commission within 30 days of the downgrade. Further EAL will provide
32 the Commission with any publicly released information regarding any such downgrade
33 and respond to other requests for information regarding the downgrade that might be

1 made by the Commission.

2

1 **E. RULE VIII. – UTILITY OWNERSHIP OF NON-UTILITY BUSINESS**

2 **1. Rule VIII. Provision**

- 3 A. A public utility shall not directly engage in a non-utility business other than a
4 utility related business if the total book value of such non-utility business's
5 non-utility assets owned by the utility exceeds 10 percent of the book value
6 of the total assets of the public utility and all its affiliates.
- 7 B. This Rule VIII does not apply to or prohibit a public utility or any affiliate
8 thereof from continuing to engage in any non-utility business existing as of
9 the effective date of these rules; provided the public utility files with the
10 Commission a description of such non-utility business existing as of the
11 effective date of these rules and such filing is received within 120 days of
12 the effective date of these rules.
- 13 C. Each public utility or its public utility holding company shall file an annual
14 report with the Commission in accordance with Rule IX that includes:
- 15 1. a certification by the president of the public utility that the public utility
16 is in compliance with this section; and,
- 17 2. all financial information necessary for the Commission to determine
18 the utility is complying with the requirements in Rule VIII.A.

19 **2. EAL Compliance Discussion**

20 As discussed in Section I.D. of this Compliance Manual, the E&C Department, at
21 the direction of EAL, facilitates the education of affected employees on the above Rule.

22 EAL's Regulatory Affairs group is primarily responsible for complying with the
23 above requirements. EAL participates in one business, Arklahoma Corporation
24 ("Arklahoma"), which may qualify as a non-utility business pursuant to one interpretation
25 of Rule III.I., but EAL's participation in Arklahoma does not meet the threshold contained
26 in Rule VIII.A. Arklahoma is a transmission facility in which EAL owns 34 percent along
27 with two non-affiliated power companies.

1 **F. RULE IX. – COMPLIANCE**

2 **1. Rule IX. Provision**

3 A. No later than the June 1 following the first full calendar year after the
4 effective date of these rules, and no later than June 1 of every year
5 thereafter, each public utility shall file with the Commission:

- 6 1. a notice, signed by both the public utility's president or chief
7 executive officer and its chief financial officer, certifying the public
8 utility's compliance with these rules in the prior year; and,
9 2. the other annual information and reports required under these rules.

10 **2. EAL Compliance Discussion**

11 As discussed in Section I.D. of this Compliance Manual, the E&C Department, at
12 the direction of EAL, facilitates the education of affected employees on the above Rule.

13 EAL's Regulatory Affairs group is primarily responsible for complying with the
14 above requirements. EAL interprets the above requirement to mean the first annual
15 notice, signed by its president and chief executive officer and its chief financial officer, as
16 well as other information and reports required by the Rules, initially were due no later than
17 June 1, 2009, and by June 1 in subsequent years.

ENTERGY ARKANSAS, LLC

MANUAL FOR COMPLIANCE WITH THE
ARKANSAS AFFILIATE TRANSACTION RULES

ATTACHMENT 1

APSC AFFILIATE TRANSACTION RULES

ARKANSAS PUBLIC SERVICE COMMISSION

AFFILIATE TRANSACTION RULES

Rule I - Authority

These rules are promulgated pursuant to the Commission's authority under Ark. Code Ann. §§ 23-2-301, 23-2-304(a)(3), 23-2-305, 23-3-102(e), 23-3-103 and 23-18-103.

Rule II - Purpose

The purpose of these rules is to ensure that all transactions among or between a public utility and any affiliates or divisions do not result in rates which are unreasonable and in violation of Ark. Code Ann. §§ 23-4-103 and 23-4-104; to ensure that the rates charged by public utilities do not provide any subsidy to affiliates or divisions of the public utility which are involved in non-utility activities or which provide services to the public utility; to prevent anti-competitive behavior, and market manipulation or market power; and to prevent financial risk to rate-regulated public utility operations which may arise from business endeavors of an unregulated affiliate.

Rule III - Definitions

- A. "Affiliate" means:
 1. any person covered by the definition of:
 - a. "affiliated interest with a public utility" under Ark. Code Ann. § 23-1-101(1)(A), (B) and (C);
 - b. "affiliate" under Ark. Code Ann. §23-3-302(2); or
 - c. "Affiliate company" under Ark. Code Ann. §23-18-103 (a) (1); and,
 2. any unit, division, separate business activity or operating part (a "division"),
 - a. which is within a public utility, and
 - b. which provides assets, goods, services, information having competitive value, personnel, or financial resources other than, or in addition to, public utility service provided directly to Arkansas retail customers.

- B. "Public utility goods or services" mean goods or services which the public utility is required, by Arkansas statute or Commission rules, to provide to Arkansas retail customers.
- C. "Public utility" means all jurisdictional rate-regulated public utilities.
- D. "Direct cost" of a product or service means a cost solely attributable, on a cost-causative basis, to the production or provision of such individual product or service where the attribution does not require the use of allocations to separate the costs incurred in the production of other services or products.
- E. "Indirect cost" of a product or service means a cost, other than a direct cost, properly attributable to the production or provision of an individual product or service.
- F. "Fully allocated cost," with respect to a particular product or service, is the sum of the direct cost and indirect cost of that product or service.
- G. "Affiliate transaction" means a purchase, sale, trade, lease, transfer, sharing or joint use, between a public utility and any affiliate thereof, of assets (whether tangible or intangible), goods, services, information having competitive value, personnel, or financial resources but not including (1) electricity or gas, (2) electric transmission, (3) any purchase, sale, trade, lease, transfer, sharing or joint use, between a public utility and any affiliate thereof, of (i) capacity and energy, (ii) gas, coal, uranium or other fuel and (iii) related gathering, storage, transportation or assets, services and consumables, in each case the costs of which are recovered by the public utility through Commission-approved base rates or a purchased gas adjustment, purchased power adjustment, fuel adjustment or similar mechanism or (4) transactions described at Ark. Code Ann. §23-3-102 (e)(2).
- H. "Non-utility asset" is an asset used for one or more non-utility businesses; where an asset is used for both utility and non-utility businesses, a "non-utility asset" is an appropriate allocated portion of the shared asset, as determined by the Commission.
- I. "Non-utility business" means a business other than the provision of public utility goods or services as defined at III.B.
- J. "Utility related business" means a business which is, or which engages in:
 - 1. a rate-regulated utility in another state of the United States;
 - 2. independent power generation;
 - 3. energy marketing and trading;
 - 4. gas gathering, production, storage, distribution and transportation;

5. providing fuel to generating plants;
6. a nuclear decommissioning trust;
7. an entity created to facilitate tax advantages for the holding company system;
8. an entity created to facilitate financing transactions;
9. a captive insurance and other risk management entity;
10. an entity that holds or manages emission allowances or other environmental allowances or credits;
11. an entity created to facilitate risk management with respect to the ownership of real property and improvements thereon;
12. an entity that engages in producing, generating, transmitting, delivering, distributing, storing, selling, marketing, and/or furnishing gas, oil, electricity, thermal energy, and/or steam energy, to wholesale and/or retail customers;
13. an entity that provides or is engaged in:
 - a. energy management services and demand side management activities;
 - b. development and commercialization of electrotechnologies related to energy conservation, storage and conversion;
 - c. ownership, operation, sale, installation and servicing of refueling, recharging and conversion equipment and facilities relating to electric and compressed natural gas powered vehicles;
 - d. sale of electric and gas appliances or equipment to promote energy efficiency or new technologies, or new applications for existing technologies or for energy efficiency, that use gas or electricity and equipment that enables the use of gas or electricity as an alternate fuel and the installation and servicing thereof;
 - e. production, conversion, sale and distribution of thermal energy products, such as process steam, heat, hot water, chilled water, air conditioning, compressed air and similar products, alternative fuels, and renewable energy resources, and the servicing of thermal resources;
 - f. sale of technical, operational, management and other similar kinds of services and expertise relating to distribution, transmission, generation engineering, development, design and rehabilitation, construction,

- maintenance and operation, fuel procurement, delivery and management and environmental licensing, testing and remediation;
- g. ownership, operation and servicing of fuel procurement, transportation, handling and storage facilities, scrubbers, and resource recovery and waste water treatment facilities, including activities related to nuclear fuels;
 - h. development and commercialization of technologies or processes that utilize coal waste or by-products as an integral component of such technology or process;
 - i. securitization activities;
 - j. development activities relating to other authorized electric or gas related activities;
 - k. local community development investments relating to other authorized electric or gas related activities; or,
 - l. sales of assets related to other authorized electric or gas related activities; or,
14. other utility related activities as determined on a case-by-case basis by the Commission.
- K. "Service company" means a person or division that is organized principally for the purpose of providing shared corporate support services to a public utility or its affiliates or divisions.
- L. "Shared corporate support services" means services shared between or among a public utility, its parent holding company or an affiliate or division, such as human resources, procurement, information technology, regulatory services, administrative services, real estate services, legal, services, accounting services, environmental services, research and development, internal audit, community relations, corporate communications, financial services, financial planning and management support, and corporate services.
- M. "Market price" means a price determined by a public utility as the amount it would pay or receive for receiving or providing a good or service in an affiliate transaction based on comparisons of similar transactions with, or the price of similar goods and services available from, unrelated third parties. A public utility may make such determination based on surveys, specific price inquiries, benchmarking, competitive bids or any other reasonable method. For goods or services for which there is no readily available comparative market price, the price shall be the fully allocated cost of the person supplying the goods or services.

- N. "Agreed Upon Procedures" means the activities performed by an independent accountant conforming with Interim Attestation Standard AT 201 of the Public Company Accounting Oversight Board (or successor provision) as in force at the time such procedures are required under these rules.
- O. "Commission" means the Arkansas Public Service Commission.

Rule IV - Affiliate Financial Transactions

- A. Except as otherwise provided in this Rule IV or in other applicable law, a public utility shall not engage in any affiliate transaction in which the public utility:
 - 1. provides to or shares with any affiliate any financial resource or financial benefit, including but not limited to any:
 - a. loan, extension of credit, guarantee or assumption of debt, indemnification, pledge of collateral; or
 - b. encumbrance of or restriction on the disposition of any public utility; or
 - 2. incurs any debt for purposes of investing in, or otherwise supporting, any business other than the provision of public utility service in Arkansas.
- B. A public utility may obtain financial resources from an affiliate for public utility purposes, provided that the cost to the public utility of such financial resource does not exceed the lower of market price or the affiliate's fully allocated cost.
- C. Rule IV shall not apply to or prohibit any of the following unless the Commission finds, after notice and hearing, unless waived by the parties, and consistent with applicable law, that such arrangement is not consistent with the purposes of these rules as defined in Rule II:
 - 1. An inter-affiliate financial transaction integral to an affiliate transaction for goods or services subject to and consistent with Rule V.
 - 2. The payment of dividends by a public utility to affiliates that own stock in such public utility (including adjustments to the capital accounts of divisions within the public utility).
 - 3. Transactions in connection with the factoring of accounts receivable, the creation and use of special Purpose financing entities, and the creation and use of money pool or cash management arrangements, subject to safeguards to prevent cross-subsidization and unauthorized pledges or encumbrances of public utility assets.
 - 4. Any loan, extension of credit, guarantee, assumption of debt, restriction on disposition of assets, indemnification, investment, or pledge of assets by a

public utility for the purpose of supporting the utility related business activities of an affiliate.

5. Any debt incurred by a public utility, including debt that imposes any encumbrance on, or any restriction placed on the disposition of any assets of, the public utility for the purpose of supporting the utility related business activities of an affiliate.
 6. Receipt by a public utility of capital contributions or proceeds from the sale of common stock to its parent holding company.
 7. Receipt by a public utility of financial resources from an affiliate for any non-public utility Purpose, provided that the cost to the public utility of such financial resource shall not be recovered from the public utility's customers in Arkansas.
 8. Any financing arrangement involving a public utility and any affiliate that was in existence as of the effective date of these rules; provided the public utility files with the Commission a description of each such arrangement involving a public utility and any affiliate having an annual value or amount in excess of \$350,000 and such filing is received within 120 days of the effective date of these rules.
 9. Any other affiliate financial transaction proposed by a public utility, provided that:
 - a. the public utility first files with the Commission an application for approval of such proposed affiliate financial transaction including a detailed description thereof and any relevant supporting documentation, and
 - b. the Commission finds, after notice and hearing, unless waived by the parties, on such application, that the proposed affiliate financial transaction is consistent with the purposes of these rules as defined in Rule II.
- D. Nothing in this Rule IV shall alter or amend the Commission's authority or the obligation of public utilities set out in Rule 5.01 of the Commission's Rules of Practice and Procedure.

Rule V - Affiliate Transactions Other Than Financial Transactions

- A. Except as otherwise provided in this Rule V, or in other applicable law, with respect to an affiliate transaction involving assets, goods, services, information having competitive value, or personnel, a public utility shall not:

1. receive anything of value, unless the compensation paid by the public utility does not exceed the lower of market price or fully allocated cost of the item received; and,
 2. provide anything of value, unless the compensation received by the public utility is no less than the higher of market price or fully allocated cost of the item provided.
- B. Rule V shall not apply to or prohibit any of the following unless the Commission finds, after notice and hearing, unless waived by the parties, and consistent with applicable law, that such arrangement is not consistent with the Purposes of these rules as defined in Rule II:
1. Exchanges of information:
 - a. necessary to the reliable provision of public utility service by a public utility, provided such exchange occurs consistently with guidelines published by the utility and applied equally to affiliates and non-affiliate entities;
 - b. required by or necessary to comply with federal statutes or regulations; or,
 - c. between or among a public utility, its parent holding company, a service company and any affiliated rate-regulated utility in another State of the United States.
 2. The provision of shared corporate support services, at fully allocated cost, between or among a public utility and any affiliate, including a service company.
 3. The provision, at fully allocated cost, of assets, goods, services, or personnel between or among a public utility and a affiliated rate-regulated utility in another State of the United States.
 4. The provision of assets, goods, services, information having competitive value, or personnel, at a price determined by competitive bidding or pursuant to a regulatory filed or approved tariff or contract.
 5. Any other affiliate transaction proposed by a public utility to be exempted from Rule V.A, provided that
 - a. the public utility first files with the Commission an application for an exemption of such proposed affiliate transaction from the requirements of Rule V.A, including a detailed description of the proposed transaction and any relevant supporting documentation, and
 - b. the Commission finds, after notice and hearing, unless waived by the parties, on such application and consistent with applicable law, that the

proposed exemption is consistent with the Purposes of these rules as defined in Rule II.

Rule VI - Books, Records and Procedures

A. Recordkeeping

1. The public utility shall:
 - a. keep books and records separately from the books and records of its affiliates; and,
 - b. maintain such books and records in accordance with the applicable rules and orders of the Commission, and with Generally Accepted Accounting Principles (GAAP) as amended;

provided, that, any multi-jurisdictional public utility whose Arkansas rates are set pursuant to jurisdictional allocations among such public utility's various regulatory jurisdictions shall not be required to keep books and records other than on a combined basis including all its utility business.

2. Such books and records shall contain all information necessary to:
 - a. identify all affiliate transactions in which the public utility participated; and,
 - b. identify and allocate or impute all revenues and costs (both direct and indirect) associated with all such affiliate transactions.
3. Upon the creation of a new affiliate that will participate in affiliate transactions with a public utility, the utility shall, no later than 60 days after the creation of such affiliate, notify the Commission by letter to the Secretary of the Commission of the creation of such new affiliate, which notice shall include an explanation of how the public utility will implement these rules with respect to such new affiliate.
4. Each public utility shall maintain, for at least five years, records of each affiliate transaction in which it participated and the records shall:
 - a. be made contemporaneously with each affiliate transaction;
 - b. be in a readily retrievable format; and,
 - c. include, for each affiliate transaction:
 - (1) the identity of the affiliate involved in the affiliate transaction;
 - (2) the commencement and termination dates of the affiliate transaction;

- (3) a description of the affiliate transaction, including the nature and quantity of value provided and received;
 - (4) the dollar amount of the affiliate transaction and the manner in which such dollar amount was calculated;
 - (5) all other terms of the affiliate transaction;
 - (6) the direct and indirect costs associated with the affiliate transaction, including any allocation formula used to attribute indirect costs; and,
 - (7) all information necessary to verify compliance with these rules and the accuracy of amounts stated on the public utility's books and records, such information to include, but not be limited to:
 - (a) invoices, vouchers, communications, journal entries, workpapers; and,
 - (b) information supporting the price of each affiliate transaction, including but not limited to the cost and allocation method of the affiliate transaction and, when the cost was the result of a competitive bidding process, the market price and basis for the market price of the affiliate transaction; and,
- d. be summarized and said summary for the prior calendar year shall be filed annually with the Commission as part of the annual report required by Rule IX. Unless otherwise ordered by the Commission, a public utility may satisfy the requirement of this Rule VI.A.4.d by filing with the Commission a copy of Federal Energy Regulatory Commission Form 60, Annual Report of Centralized Service Companies.
5. Each public utility shall file contemporaneously with its annual report under Rule VI.A.4.d the following information: a summary report indicating the aggregate dollar amount of all transactions described in Rule III.G.(1), (2), (3), and (4) which the utility has conducted with each affiliate, as defined under Rule III.A., including the name of each such affiliate.
6. Each public utility shall maintain, update annually, train appropriate employees in, and (within 120 days following the effectiveness of these rules, and thereafter, to the extent of material changes, in each annual report required under Rule IX) file with the Commission, written procedures which ensure compliance with these rules; and, such written procedures shall include, at a minimum:

- a. all internal rules, practices, financial record keeping requirements, and other policies governing affiliate transactions among or between the public utility and its affiliates;
- b. the names and addresses of all the public utility's affiliates that participate in affiliate transactions with the public utility;
- c. an organizational chart depicting the ownership relationships between the public utility and those affiliates that participate in affiliate transactions with the public utility;
- d. a description of the types of assets, goods and services provided in any existing affiliate transaction lasting more than one year; and,
- e. a cost allocation manual or other description of the methods used to determine allocations in affiliate transactions.

B. Commission Access

The Commission shall have access to all books and records, of a public utility and its affiliates that participate in transactions with the public utility, to the extent such access is relevant to determining compliance with all applicable Arkansas statutes and rules or establishing rates subject to the Commission's jurisdiction.

Rule VII- Bond Rating Downgrades

- A. This Rule VII applies only to a public utility that has a separate, stand-alone bond rating by Standard and Poor's or Moody's, and that has affiliates, other than utility related businesses, with assets whose total book value exceeds ten (10) percent of the book value of the public utility's assets.
- B. If a public utility's bond ratings are downgraded to a Standard and Poor's rating of BB+ or lower, or to a Moody's rating of Bal or lower, such utility shall notify the Commission within thirty (30) days of such downgrading. The public utility will provide the Commission a copy of publicly released information about such rating downgrade and such other information as the Commission requests.
- C. If the Commission finds, after notice and opportunity for hearing, unless waived by the parties, that the public utility's bond ratings downgrade would not have occurred but for one or more relationships between such public utility and one or more affiliates, then the Commission may impose remedies designed to insulate the public utility and its customers from any diminution in the public utility's ability to carry out its obligation to serve at reasonable rates.

Rule VIII - Utility Ownership of Non-utility Business

- A. A public utility shall not directly engage in a non-utility business other than a utility related business if the total book value of such non-utility business's non-

utility assets owned by the utility exceeds 10 percent of the book value of the total assets of the public utility and all its affiliates.

- B. This Rule VIII does not apply to or prohibit a public utility or any affiliate thereof from continuing to engage in any non-utility business existing as of the effective date of these rules; provided the public utility files with the Commission a description of such non-utility business existing as of the effective date of these rules and such filing is received within 120 days of the effective date of these rules.
- C. Each public utility or its public utility holding company shall file an annual report with the Commission in accordance with Rule IX that includes:
 - 1. a certification by the president of the public utility that the public utility is in compliance with this section; and,
 - 2. all financial information necessary for the Commission to determine the utility is complying with the requirements in Rule VIII.A.

Rule IX -Compliance

- A. No later than the June 1 following the first full calendar year after the effective date of these rules, and no later than June 1 of every year thereafter, each public utility shall file with the Commission:
 - 1. a notice, signed by both the public utility's president or chief executive officer and its chief financial officer, certifying the public utility's compliance with these rules in the prior year; and,
 - 2. the other annual information and reports required under these rules.
- B. The Commission may at any time initiate a proceeding against a public utility to determine whether a reasonable basis exists that the public utility is out of compliance with these Rules. If the Commission, after notice and hearing, unless waived by the parties, makes such determination and specifically identifies the rule or rules or procedures which may be in non-compliance, then the Commission may require the public utility to engage an independent accountant (which, at the public utility's election, may be the accountant that regularly audits the public utility's financial statements) to conduct Agreed Upon Procedures to review identified accounting entries, methods or procedures used by the public utility in connection with these rules. A work plan outlining such Agreed Upon Procedures, together with such letters or acknowledgements as shall be reasonably required by the accountant in connection with such engagement, shall be developed by the public utility and filed with the Commission for approval. Upon review of the information provided by such independent accountant after undertaking such Agreed Upon Procedures, which information shall be filed by the public utility with the Commission, the Commission may, after notice and hearing, unless waived by the parties, order the public utility to make changes in its accounting

methods or procedures found by the Commission to be reasonably necessary to ensure future compliance with these Rules.

Rule X - Miscellaneous

The costs of any affiliate transaction found to be inconsistent with these rules shall be adjusted in a ratemaking proceeding to be consistent with these rules.

Rule XI - Exemptions

- A. Any utility may petition for exemption from any of these rules, on the basis that application of the rule would not be in the public interest, in accordance with Rule 1.03 of the Commission's Rules of Practice and Procedure.
- B. Any existing financing arrangements, provision of corporate services or other affiliate relationship which could be deemed to be in violation of these rules will be allowed to continue for a period of one year from adoption of these rules in order to allow the utilities involved to seek an exemption from the application of these rules for those existing circumstances.

ENTERGY ARKANSAS, LLC

MANUAL FOR COMPLIANCE WITH THE
ARKANSAS AFFILIATE TRANSACTION RULES

ATTACHMENT 2

FINANCIAL ARRANGEMENTS IN EXISTENCE AS OF 5/25/2007

In accordance with Rule IV.C.8. of the Arkansas Public Service Commission Affiliate Transaction Rules, and to the extent they qualify as financing arrangements, the following were in existence as of the effective date of the rules. Note that some of these financing arrangements may be less than the \$350,000 annual value noted in Rule IV.C.8.

- 1) Money Pool. Entergy Arkansas, LLC ("EAL")¹, from time-to-time, extends credit to, and receives credit from, the other participants in the Entergy System Money Pool through unsecured short-term loans from available cash. The other participants in the Money Pool are: Entergy Louisiana, LLC ("ELL"); Entergy Mississippi, LLC ("EMI")²; Entergy New Orleans, LLC ("ENOL"); System Energy Resources, Inc. ("SERI"); Entergy Services, LLC ("ESL")³; Entergy Operations, Inc. ("EOI"); Entergy Texas, Inc.; Entergy Utility Holding Company, LLC; and Entergy Corporation.
- 2) Joint Operating Agreement for Independence Station. Pursuant to the Independence Steam Electric Station Operating Agreement, EAL in its capacity as the operator of the Independence Steam Electric Station, incurs costs (including fuel related costs) associated with the operation of the plant for which it is reimbursed by the other co-owners of the plant (including Entergy Power, LLC and EML).⁴
- 3) EAL extends credit (to include the provision of guarantees) to affiliates, and receives credit from affiliates, in connection with routine business transactions, service or sale contracts (including sales of materials and supplies), sales of electric energy or fuel, or other obligations accruing in the ordinary course of business.
- 4) Services and other resources are provided, and costs incurred are later reimbursed, under ESL's Service Agreement with EAL under which ESL provides such services as financial planning, budgeting and forecasting,

¹ EAI converted to a Texas corporation (named Entergy Arkansas, Inc.) ("EAI-TX") on November 19, 2018. On November 30, 2018, under the Texas Business Organizations Code ("TXBOC"), EAI-TX allocated substantially all of its assets to a new subsidiary, Entergy Arkansas Power, LLC, a Texas limited liability company ("EAP"), and EAP assumed substantially all of the liabilities of EAI-TX, in a transaction regarded as a merger under the TXBOC. Under the TXBOC, both EAI-TX and EAP survived the merger and remained in existence. On December 1, 2018, EAI-TX changed its name from "Entergy Arkansas, Inc." to "Entergy Utility Property, Inc." On December 1, 2018, EAP changed its name from "Entergy Arkansas Power, LLC" to "Entergy Arkansas, LLC".

² EMI converted to a Texas corporation (named Entergy Mississippi, Inc.) ("EMI-TX") on November 19, 2018. On November 30, 2018, under the TXBOC, EMI-TX allocated substantially all of its assets to a new subsidiary, Entergy Mississippi Power and Light Company, LLC, a Texas limited liability company ("EMP"), and EMP assumed substantially all of the liabilities of EMI-TX, in a transaction regarded as a merger under the TXBOC. Under the TXBOC, both EMI-TX and EMP survived the merger and remained in existence. On December 1, 2018, EMI-TX changed its name from "Entergy Mississippi, Inc." to "Entergy Utility Enterprises, Inc." On December 1, 2018, EMP changed its name from "Entergy Mississippi Power and Light Company, LLC" to "Entergy Mississippi, LLC".

³ Entergy Services, Inc., converted to a Delaware limited liability company called Entergy Services, LLC (ESL) on September 30, 2018. ESL became a Louisiana limited liability company on November 30, 2018.

⁴ Entergy Power, Inc. was replaced with Entergy Power, LLC effective September 29, 2009.

employee benefits counseling, regulatory services, legal services, tax services, insurance consulting, and system planning.⁵

- 5) Services and other resources are provided, and costs incurred are later reimbursed, under EOI's Operating Agreement for Arkansas Nuclear One under which EOI assumed the responsibility for operating the nuclear unit.
- 6) Shared Resources. The Entergy Operating Companies may upon request, subject to availability, provide services, resources or construction for, or sell goods to one another, and costs incurred are later reimbursed. Such shared resources may include those products and services described in Attachment 6, as well as for example: (1) emergency services; (2) generation, transmission and distribution operation and maintenance services; (3) facilities; (4) products; (5) processes; (6) techniques; (7) computer hardware and software; (8) technical information; (9) training aids and properties; (10) vehicles; (11) transmission and distribution equipment, materials and supplies; and (12) generation equipment materials and supplies.
- 7) Resources are provided, and costs incurred are later reimbursed, under the fiber optics agreement with Entergy Technology Company ("ETC") whereby ETC markets fiber optic capacity on cable owned by EAL.⁶

⁵ In connection with EAL's December 18, 2013 termination of its participation in the Entergy System Agreement, ESL's (at the time, ESI) service agreement with EAL (at the time, EAI) was amended to include Rate Schedules 435-A, 435-C, and 435-D which were filed with the Federal Energy Regulatory Commission.

⁶ The assets of ETC were transferred to ESL (at the time, ESI) effective December 28, 2015.

ENTERGY ARKANSAS, LLC

MANUAL FOR COMPLIANCE WITH THE
ARKANSAS AFFILIATE TRANSACTION RULES

ATTACHMENT 3

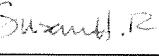
ADDITIONAL INTERNAL RULES, PRACTICES AND POLICIES

 entergy	NUCLEAR MANAGEMENT MANUAL	POLICY	EN-PL-113	REV. 2
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Title: **Nuclear Affiliate Rules Compliance**

Effective Date: 07/30/22

Policy Owner:

Print Name:	Susan Raimo		
Title:	Associate General Counsel, Entergy Nuclear		
Signature:		Date:	7/10/2022

Chief Nuclear Officer Approval

Signature:		Date:	7-15-22
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Basis Statement:

This revision cancels this policy which is no longer needed because this policy is duplicative of the system-wide Affiliate Interactions Policy, which is applicable to the Nuclear organization.



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1.0 PURPOSE

- [1] This policy addresses the requirements imposed by federal, state and local authorities to Entergy Nuclear regarding affiliate transactions and interfaces.

2.0 POLICY

2.1 OVERVIEW

- [1] Under FERC's orders,¹ the Arkansas Affiliate Transaction Rules², and a number of settlement agreements with state public service commissions and the New Orleans City Council, Entergy must comply with "Affiliate Rules" that are designed to ensure that any control that utilities may have over critical functions is not used to unfairly benefit affiliated companies/functions or to unfairly disadvantage competitive market participants or electric customers.

2.2 AFFILIATE RULE REQUIREMENTS AND EMPLOYEE CLASSIFICATIONS.

2.2.1 Affiliate Rules and Initial Employee Designations.

- [1] The Affiliate Rules prohibit: (a) a utility's transmission function from discriminating in a manner that conveys preferences and market advantages to affiliated (both regulated and unregulated) wholesale power marketing functions;³ and (b) any Franchised Public Utility ("FPU") from harming captive customers by transferring benefits from these captive customers to unregulated or Market-Regulated Power Sales Affiliates ("MRPSA"); and (c) inter-affiliate transactions granting undue preferences to affiliates or otherwise resulting in wholesale customers' rates reflecting imprudent or unreasonable costs.⁴
- [2] The Affiliate Rules are implemented in the following ways:

¹ FERC Standards of Conduct (FERC Order 717); FERC Market-Based Rate Affiliate Restrictions (FERC Order 697); FERC Cross-Subsidization Restrictions on Affiliate Transactions (FERC Order 707).

² See "Entergy Arkansas, Inc. Manual for Compliance with the Arkansas Affiliate Transaction Rules", APSC DOCKET NO. 07-114-U, accessible via the following link on the EntergyNet, https://portal.entropy.com/EntropyNET>ShowDoc/ETRECM%20Repository/Portal/ethics_compliance/Affiliate%20Rules%20Compliance/Arkansas/2007%20Compliance%20Plan%20&%20Attachments/Arkansas%20Compliance%20Manual, which describes requirements related to the Arkansas Affiliate Transaction Rules.

³ See "Written Procedures for Implementation (\$358.7(d))" on the Entergy's OASIS external public website at the following link, http://www.oatioasis.com/EES/EEdocs/Standards_of_Conduct.htm, which describes and references detailed procedures related to the FERC Standards.

⁴ See Entergy's "Affiliate Transactions Accounting Policy," accessible via links on the following EntergyNet webpage <http://thefoc.entropy.com/Isabill.htm#AffiliateTransPol>, which provides detailed pricing rules for transactions between regulated and market-regulated affiliates.

- (a) Functional employee separation: Transmission Function Employees may not work on behalf of any FPU or MRPSA marketing function. Marketing Function Employees may not work on behalf of the transmission function. FPUs and competitive affiliates may not share employees who direct, organize or execute (“D-O-E”) generation or market functions.
- (b) No-conduit rule.
- (1) Marketing Function Employees (“MFEs”) may not have access to Non-Public Transmission Function Information (“NPTFI”), and employees with access to NPTFI may not act as “conduits” for the disclosure of such information to MFEs. For example, nuclear employees, such as control room operators, must not improperly disclose NPTFI to MFEs, such as dispatchers in System Planning and Operations.

Examples of Transmission Function Information include any transmission-related reason behind corrective actions to transmission problems, any expected results from carrying out transmission corrective actions, the likelihood of transmission events, power flows and available transmission capability, granting and denying of transmission service requests, price, curtailments, storage, load or interchange information about third-party transmission customers, other transmission customer data, and studies prepared for transmission customers, and planned transmission outages, no matter how far in the future the planned outage may occur. FERC has declined to create a general rule regarding the staleness of Transmission Function Information. In general, Non-Public Transmission Function Information (“NPTFI”) is any such information that has not been posted on the Entergy OASIS.

- (2) Competitive Affiliate Employees may not have access to non-public FPU Market Information, unless FERC Compliance or Legal Services determines that (a) such employees have a legitimate business need to know such non-public information in advance of receiving access, and (b) such information sharing would not potentially harm any FPU captive customers. Employees with access to non-public FPU information may not act as “conduits” for the disclosure of such information to Competitive Affiliate Employees.

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Examples of Market Information include: past sales and purchase activities; load forecasts; availability or price of inputs to generation (e.g., fuel management and procurement; plant operations and maintenance costs); price and quantity the entity intends to offer to a third-party; business opportunities being considered or undertaken; information concerning sales or purchases that will not be made; commodity-market forecasts; generation outage schedules; and generation or fuel supply strategies.

- (c) **Asymmetrical Pricing and Affiliate Transaction Documentation.** Transactions among Entergy affiliates may be subject to various asymmetrical pricing rules that may require pricing at “lower of cost or market price,” “not above market price,” and “higher of cost or market price.” For affiliate transactions that require asymmetrical pricing, Cost and Market Reference Value documentation is required. Nuclear employees involved with a transaction among Entergy affiliates should seek guidance from the FERC Compliance Section, or the Affiliate Accounting and Allocations Section of Entergy Services Inc. (“ESI”) Financial Processes.

- [3] **Determination of Restricted Employee Classifications.** Certain Nuclear employees who are engaged in directing, organizing or executing (D-O-E) generation or market functions will be designated as Competitive Affiliate Employees. This designation will be made by the FERC Compliance Section.

- 2.2.2 **Training Plan.** Nuclear employees will be required to learn and apply the restrictions necessary to comply with the Affiliate Rules requirements if they (a) engage in any D-O-E activities, or (b) have access to non-public FPU information, and (c) have potential interactions with MFEs, TFEs, Competitive Affiliate Employees or personnel involved in generation or market functions. Provisions for training of these designated types of Nuclear employees and determining the access restrictions for Nuclear Competitive Affiliate Employees will be the responsibility of the FERC Compliance Section.

2.2.3 **Maintaining Designations.**

- [1] **Monitoring Events that Could Change Employee Classifications.** The Nuclear Coordinator-SVP shall monitor Nuclear organizational duties and responsibilities in order to determine if changes in personnel or changes in assignments create the need to revise the Competitive Affiliate Employee List or to file updates of organizational charts submitted to FERC. Not by way of limitation, the following events involving current or future Nuclear personnel will give need for a review of the list or potentially to update Nuclear organizational information filed with FERC.

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- (a) Organizational changes wherein a function (whether new or existing) assumes responsibility for directing, organizing or executing any wholesale generation or market function activities.
- (b) Personnel transfers into or out of a group that contains individuals on the Competitive Affiliate Employee List or the MFE List.
- (c) Management changes impacting a group that contains individuals on the Competitive Affiliate Employee List or in any generation or market function.

[2] Communicating Potential Changes in Employee Classifications. If any needed changes in the Competitive Affiliate Employee List or the MFE List are identified involving current or future Nuclear personnel, or if Nuclear organizational information filed with FERC potentially should be updated, the Nuclear Coordinator-SVP shall communicate such information to the FERC Compliance Section.

2.3 SHARED SUPPORT SERVICE EMPLOYEES (PROVIDING SERVICES TO FPU OPERATIONS AND MARKET-REGULATED OPERATIONS).

2.3.1 Shared Support Employees and Service Companies.

- [1] The Affiliate Rules recognize the importance of shared support services, wherein services are provided to groups that otherwise are required to function independently. However, these shared support employees are under obligations imposed by the Affiliate Rules, as discussed below. **Certain nuclear employees are not allowed to perform shared support services, including Competitive Affiliate Employees and anyone else who performs D-O-E activities for Nuclear generation or market functions .**
- [2] All Nuclear ESI employees, with the exception of specific Nuclear Business Development personnel, are considered shared support employees.
- [3] All employees of Entergy Nuclear Operations, Inc. ("ENOI"), Entergy Nebraska, Inc. ("ENE") and Entergy Operations, Inc. ("EOI") are considered field and maintenance employees who are capable of being shared under the Affiliate Restrictions.

2.3.2 Affiliate Rules Guidance for Shared Support Employees.

- [1] General Guidance. Unless otherwise approved by FERC Compliance or Legal Services, shared support service employees shall **not** do the following:
 - (a) Perform any D-O-E activities on behalf of either an FPU or an MRPSA.
 - (b) Provide preferential treatment to any Competitive Affiliate Employee or to an MFE that you would not provide to a non-affiliated (third-party) entity.

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- (c) Fail to report any potential violation to the Entergy Ethics Telephone Reporting Line: 1-888-257-3844 or website: <https://www.compliance-helpline.com/entergyethicsline.jsp>.

[2] **Information Sharing Guidance.** In the course of performing assigned work tasks, shared support services employees may come to possess non-public, restricted information that is subject to the No Conduit rule described in Section 3.2.1[2](b) above. Shared support services personnel in the possession of such restricted information shall be responsible for controlling access to it, including without limitation in the following circumstances:

- (a) Electronic data transfer technologies including email, text messaging, and instant messaging.
- (b) Electronic data storage technologies including applications, servers/directories, websites (including InsideEntergy articles), eRooms, and SharePoint communities.
- (c) Personnel interactions including conference calls, meetings, and other discussions.
- (d) Physical viewing of hard copy documents and computer files/screens, particularly through unescorted access, within Nuclear office locations.

2.3.3 **Other Restrictions on Shared Support Employees.** Shared support employees may not provide support in such a manner that an FPU's business activities are "shaped" to benefit MRPSA operations to the detriment of the captive customers of the FPU. Additionally, should a situation arise in which a wholesale energy transaction is contemplated between regulated and competitive (market-regulated) operations, shared support employees should not support both sides of the same transaction. Due to the geographic distance between Nuclear regulated and MRPSA operations, these situations are unlikely to arise at this time. The Nuclear Coordinator-SVP and the FERC Compliance Section, however, should be contacted for guidance in the event that any of these situations arise. Further, regulatory approval will be required in advance of any such wholesale energy transaction.

2.3.4 **Cost Allocation.** Shared support services employees must account for their time (labor) and expenses (travel) so that each supported affiliates and functions are billed their appropriate share of support services costs. This is discussed in more detail below in Section 2.5.1.

2.4 OTHER NUCLEAR EMPLOYEES.

While other Nuclear employees will generally not have the same possibilities to violate the Affiliate Rules discussed above for shared support services, in that other employees will generally be exclusively assigned to support either regulated or market-regulated

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operations, they are still subject to the same restrictions. In particular, the “No-Conduit Rule” applies to all nuclear employees, not just those identified as likely to possess such information. To facilitate the awareness of the rules, and the knowledge of who are nuclear restricted employees, a notice will be given through WebTap to all nuclear employees who are assigned to take FERC Affiliate Rules training, on an annual basis, as a reminder of this restriction, and to check the following link to the “Check the Lists” section of the FERC Compliance EntergyNet homepage.⁵

2.5 AFFILIATE TRANSACTIONS – NON POWER GOODS AND SERVICES.

Specific requirements must be followed for transactions between the regulated and market-regulated affiliates. These requirements stem from several sources including FERC Order 707, Settlement Agreements with the retail regulators (i.e., state Public Service Commissions and New Orleans City Council), the Arkansas Affiliate Transaction Rules and other jurisdictional requirements governing affiliate transactions involving Entergy FPUs.

2.5.1 Shared Support Services (See Procedure EN-BU-111 for details).

- [1] ESI employees are required to charge their time and expenses to the nuclear entity that receives the benefit. The costs charged to the market-regulated business are fully loaded with an additional 5% upcharge applied.
- [2] EOI employees typically work to benefit a particular regulated site. EOI employees are allowed to work to the benefit of market-regulated sites and to other regulated sites. Fleet procedure EN-BU-111 provides the provisions for this work. The costs charged to the market-regulated business are fully loaded with an additional 5% upcharge applied.
- [3] ENOI and ENE employees typically work to benefit a particular market-regulated site. ENOI and ENE employees are allowed to work to the benefit of other market-regulated and regulated sites. ENOI or ENE fully loaded costs charged to any regulated business per project per year must not exceed a fair market value of \$100,000, which is the materiality threshold at which regulated businesses are required to (a) procure services or goods through a competitive bidding process or (b) obtain prior approval of the transaction by applicable retail regulators. Fleet procedure EN-BU-111 provides the provisions for this work.

2.5.2 Inventory Transactions (See Procedure EN-MP-110 and the Entergy System Affiliate Transactions Accounting Policy for Details). Inventory Transfers within the regions (i.e., regulated to regulated or market-regulated to market-regulated) and across the regions, will be implemented in accordance with Fleet procedure EN-MP-110.

⁵

https://portal.entropy.com/EntropyNET/appmanager/EntropyNET/desktop?_nfpb=true&_pageLabel=P2540011831285823853031

2.5.3 Software Transactions (See Procedure EN-BU-111 and the Entergy System Affiliate Transactions Accounting Policy for Details). Software developed by one region may be sold to the other region and priced asymmetrically in accordance with Fleet Procedure EN-BU-111.

3.0 DEFINITIONS AND ACRONYMS

[1] Acronyms

Acronym	Meaning
D-O-E	Directing, Organizing or Executing the Generation or Market Function
FERC	Federal Energy Regulatory Commission
FPU	Franchised Public Utility with Captive Customers
MFE	Marketing Function Employee
MRPSA	Market-Regulated Power Sales Affiliate
MRV	Market Reference Value
NPTFI	Non-Public Transmission Function Information
TFE	Transmission Function Employee

- [2] Competitive Affiliate Employee – Those personnel shown on the Competitive Affiliate Employee List.⁶ In general, the list consists of personnel, including Marketing Function Employees, doing work for competitive operations (exclusive of shared support personnel and certain other service company personnel).
- [3] Cost – means fully allocated cost. The sum of the costs which can be directly identified with a particular service or product plus an appropriate allocation of indirect costs that cannot be directly identified with a particular service or product including, but not limited to, overhead costs, administrative and general costs, and taxes
- [4] Entergy or Entergy System Company or Company – Entergy Corporation, all of its subsidiaries and affiliates, and other entities in which Entergy Corporation has a direct or indirect majority ownership interest.
- [5] FERC Compliance Section – the Legal Department group in the office of the Vice President, Ethics and Compliance and the Legal Department which is responsible for FERC and Affiliate Rule compliance.
- [6] Franchised Public Utility with Captive Customers (FPU) – “a public utility with a franchised service obligation under state law that provides electric energy under cost-based regulation to wholesale or retail ratepayers.” (18 C.F.R. § 35.36(a)(5)). Under the Affiliate Restrictions, service company generation and market function employees that act on behalf of the Entergy FPUs are considered to be FPU employees.

⁶

http://transarc.entropy.com/public/ViewList.asp?ListType=Competitive_Restricted

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- [7] **Generation or Market Functions** – includes the following functions: (a) buying and selling wholesale power, (b) making economic dispatch decisions, (c) determining the timing of outage schedules, (d) engaging in fuel procurement, and (e) engaging in strategic resource planning.
- [8] **Marketing Function Employee (MFE)** – An employee, contractor, consultant or agent of Entergy companies (either FPIs or MRPSAs, defined below) who actively and personally engages on a day-to-day basis in the sale for resale, or offers for sale, in interstate commerce of electric energy or capacity, demand response, virtual transactions, or financial or physical transmission rights; excludes bundled retail sales. MFEs are included on the Marketing Function Employee List at <http://transarc.entropy.com/public/ViewList.asp?ListType=Restricted>.
- [9] **Market Information** – Includes, but is not limited to, any non-public information regarding wholesale power sales, cost of production, economic dispatch, generator outages, generator heat rates, unconsummated transactions, historical generator volumes, or wholesale power or generation facility purchases. Market Information includes non-public wholesale power transactional information about either the Entergy affiliate (FPU or MRPSA) or the counterparty to the transactional activity.
- [10] **Market Reference Value (MRV)** – One or more independent, credible and comparable market prices or values used to calculate the fair market value for determining the transfer price of an affiliate transaction involving any non-power good or asset.
- [11] **Market-Regulated Power Sales Affiliate (MRPSA)** – “any power seller affiliate other than a Franchised Public Utility, including a power marketer, exempt wholesale generator, qualifying facility or other power seller affiliate, whose power sales are regulated in whole or in part on a market-rate basis.” (18 C.F.R. § 35.36(a)(7)). Under the Affiliate Restrictions, service company generation and market function employees that act on behalf of the Entergy MRPSAs are considered to be MRPSA employees. MRPSA employees are included on the Competitive Affiliate Employee List.
- [12] **Shared Support Services** – The classification of employees who may permissibly perform functions on behalf of both the FPIs and the MRPSAs. Subject Matter Experts (“SMEs”) in the following functions may be shared: legal, accounting, human resources, travel, information technology, risk management, and “field and maintenance” employees. Field and maintenance includes craft, technical and engineering personnel engaged in generation-related activities. Further, to enable informed corporate oversight, senior officers and members of boards of directors may be shared.

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- [13] Transmission Function Employee (TFE) – An employee, contractor, consultant and agent who actively and personally engage on a day-to-day basis in transmission functions. For a list of such employees, please see the latest Transmission Function Employee List at [http://transarc.entropy.com/public/ViewList.asp?listType=Transmission].
- [14] Transmission Function Information (TFI) – Information relating to the planning, directing, organizing or carrying out of day-to-day transmission operations, including the granting and denying of transmission service requests and transmission customer information.

4.0 INDUSTRY BEST PRACTICES (See Procedure EN-BU-111 for Details).

- [1] The nuclear power industry is driven by the actions stemming from the Kemeny Commission⁷ and the Nuclear Regulatory Commission⁸ that require sharing of best practices and emulation of good performance. The Institute of Nuclear Operations⁹ and the World Association of Nuclear Operatorsⁱ (“WANO”) promulgate such activities through efficient industry self-regulation.
- [2] To this end, the Entergy nuclear plants must foster an open environment for performance sharing, best practice sharing, emulation of good performance, and specialty equipment sharing. Accordingly, provisions exist inside the regulated region and inside the market-regulated region to allow provision of services by site personnel to other sites within the same region. The sharing will be provided with no transfer price or cost allocation (i.e., the home site is charged) for work expected to be less than 40-hours in duration. This engenders an environment of cooperation and support. This does not apply to services provided between regions.
- [3] Additionally, when working on fleet wide peer groups and formal assessments, the individuals are allowed to charge to their home sites. Procedure EN-OM-116 (Peer Groups) and EN-LI-128 (Mid-Cycle Assessment Process) define the types of transactions allowed for this provision.
- [4] These practices are easily linked to the significant improvement in the nuclear industry’s performance and safety record since the adoption of sharing by the industry. Capability factors are much higher than before the implementation of this principle, and the safety performance has been significantly improved. The result is a safer and more efficient fleet of plants in the Entergy Nuclear system.

⁷ *Report of the President's Commission on the Accident at Three Mile Island*, John G. Kemeny, Chairman, p. 68 (October 1979).

⁸ *Convention on Nuclear Safety Report: The Role of the Institute of Nuclear Power Operations in supporting the United States commercial nuclear electric utility industry's focus on nuclear safety*, INPO, p. 23 (Sept. 2007).

⁹ *2010 Year-End Highlights Report*, World Association of Nuclear Operators, p. 2 (2011).

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5.0 COMPLIANCE.

- [1] Associate General Counsel, Nuclear will coordinate with the Nuclear Coordinator-SVP and the FERC Compliance Section to implement compliance with this Policy.

6.0 ATTACHMENTS.

None.



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**NUCLEAR
MANAGEMENT
MANUAL**

NON-QUALITY RELATED

EN-BU-111

REV. 4

INFORMATIONAL USE

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Guidance on Charging Nuclear Employee and Software Costs

Procedure Contains NMM ECH eB REFLIB Forms: YES NO

Procedure Revision Type: New NON-Editorial Editorial TC Cancellation

HQN Effective Date	Procedure Owner: Title: Site:	John Jacobs, Sr. Manager, Nuclear Financial Business Partners (FBP)	Governance Owner: Title: Site:	Bryon Morgan, Director, Nuclear FBP
10/15/2020				

Site	Site Procedure Champion	Title
ANO	Sarah Bauer	Mgr., FBP
CNS	N/A	
GGNS	Alice Byrnes	Mgr., FBP
BRP	Pete Sabo	Mgr., FBP
IPEC	Kerri Woznick	Mgr., FBP
PLP	Pete Sabo	Mgr., FBP
RBS	Bradley Porter	Mgr., FBP
W3	Craig Zeringue	Mgr., FBP
HQN	John Jacobs	Sr. Mgr., FBP

For site implementation dates see ECH eB REFLIB using site tree view (Navigation panel).

Site and NMM Procedures Canceled or Superseded By This Revision

Process Applicability Exclusion: All Sites:

Specific Sites: ANO GGNS IPEC PAL RBS W3

Change Statement

Editorial change to update site champions, governance owner, job titles, and employee ID to attachment 9.3.

Associated PRHQN #: 2020-00384

Procedure Writer: JoAnne Ivy

Contains Proprietary Information: YES NO



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Guidance on Charging Nuclear Employee and Software Costs

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Guidance on Charging Nuclear Employee and Software Costs

1.0 PURPOSE

- [1] The purpose of this procedure is to provide guidance to Entergy Nuclear (EN) management and employees in the use of shared labor resources and software between EN sites and subsidiaries including the charging of payroll and expenses in accordance with regulatory and legal requirements governing the Company's affiliate transactions.

2.0 REFERENCES

- [1] Entergy System Accounting Policy, "Affiliate Transactions"
- [2] Entergy System Policy, "Affiliate Interactions"
- [3] Entergy System Accounting Policy, "Loaning of Labor, Transportation, and/or Materials"
- [4] FERC Order Conditionally Granting Request for Waiver of Affiliate Restrictions, "FERC Conditional Waiver Order", Docket No. ER11-3175-000, September 29, 2011
- [5] NCIS Administrative Manual, NCIS-AD-G-002, "Process for Valuing EN-S Applications for Buy-in by EN-NE"
- [6] Nuclear Management Manual Procedure, ENS-HR-130, "Shared Resource Assignment"

3.0 DEFINITIONS

- [1] The Company – Entergy Corporation and its subsidiaries.
- [2] Entergy Nuclear (EN) – Comprises both the regulated and unregulated nuclear operations.
- [3] Entergy Services, Inc. (ESI) Nuclear Employee – An employee of ESI.
- [4] Entergy Nuclear Operations, Inc. (ENOI) Employee and Entergy Nebraska, Inc. (ENE) Employee – An employee of either ENOI or ENE. ENOI and ENE primarily provide services to Entergy's unregulated nuclear business.



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Guidance on Charging Nuclear Employee and Software Costs

- [5] Entergy Operations, Inc. (EOI) Employee – An employee of EOI. EOI has service agreements to provide services to Entergy's regulated nuclear sites that are owned by the Regulated Subsidiaries.
- [6] Entergy Information Technology function – Entergy's Information Technology business function and Nuclear's Information Technology contractors.
- [7] FERC Conditional Waiver Order – ENOI personnel who schedule the dates of outages for Entergy's unregulated nuclear business must not be shared with Entergy's regulated nuclear business. EOI personnel who schedule the dates of outages for Entergy's regulated nuclear business must not be shared with Entergy's unregulated nuclear business. ENOI and EOI outage scheduling personnel direct, organize and execute (DOE) the generation function under the FERC Affiliate Restrictions.
- [8] Forty (40) Hour Rule – Employees providing services within their region (i.e., EOI Employees providing services to Regulated Subsidiaries or ENOI/ENE Employees providing services to Unregulated Subsidiaries) that are planned for forty hours or less shall continue to charge time and expenses to their home site for each such temporary job assignment. The benefiting site, at its discretion, may choose to pay expenses if the assignment is less than 40 hours. If the services are expected to exceed 40 hours, the “host” site/department that benefits from the temporary services pays all labor costs and expenses.
- [9] Industry Best Practice Sharing Rule – The nuclear industry's practice is to share best practices and emulate successes which benefit each nuclear station. Employees participating in the industry's best practices through involvement in Peer Groups will continue to charge time and expenses to their home site. (LEAF is not required.) Providing assessments for a particular site is not covered by The Industry Best Practice Sharing Rule. The site(s) receiving the benefits of such activities should be charged, using the LEAF form if parties are working to the benefit of the other region.
- [10] LEAF – Loaned Employee Approval Form (LEAF) to be completed for all EOI and ENOI/ENE employees on loan between the regulated and unregulated regions. In the LEAF, the Work Description shall be a clear and succinct summary. This form is not required for Industry Best Practices Sharing Rule Peer Groups and ESI personnel. The LEAF Corporate Coordinator is responsible for maintaining the LEAF. See Attachment 9.3



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Guidance on Charging Nuclear Employee and Software Costs

- [11] Loaned Labor Approved Project – A project that can be charged by loaned resources from another subsidiary that otherwise cannot bill the recipient business unit or site. A Loaned Labor Approved Project has all of the following:
- (a) A clear scope of work to support a temporary business need such as an outage, ice storm, or specialized expertise.
 - (b) Project code to charge the benefiting (host) site/department with the fully-loaded loaned labor costs and expenses.
 - (c) Recipient business unit or recipient site management approval of an employee's eligibility to be loaned to the project for a defined time period.
- [12] \$100,000 Limit Rule – If the cost of the resources procured by a Regulated Subsidiary from an Unregulated Subsidiary exceeds \$100,000 for any specific project code or scope of work, the transfer may not occur unless (a) the procurement was competitively bid under a bidding process approved by retail regulators, (b) prior retail regulatory approval was obtained, or (c) it was an emergency situation verified by the Director, Nuclear FBP.
- (a) In the case of an emergency situation, notify Regulatory Affairs in the jurisdiction(s) involved.
 - (b) The \$100,000 limit threshold has no time limit (i.e., all cumulative Unregulated Subsidiary charges to the Regulated Subsidiary project code or scope of work apply). The cumulative charges include fully-loaded loaned labor and expenses by employees and contractors, related employee and contractor expenses, and transfers of equipment or materials through purchase or lease and related transportation and overhead costs.
- [13] Regulated Subsidiary – Regulated Subsidiaries include EOI, Entergy Services, Inc. (ESI), Entergy Louisiana, LLC. (ELA), Entergy Arkansas, Inc. (EAI), Entergy Mississippi (EMI), System Energy Resources, Inc. (SERI), and any other such similar subsidiaries as Entergy may create. Entergy Nuclear South plants are owned by Regulated Subsidiaries. Contact the Sr. Manager, Nuclear Financial Business Partners (or delegated representative) to resolve any question as to whether an entity is a Regulated Subsidiary.



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Guidance on Charging Nuclear Employee and Software Costs

- [14] **Unregulated Subsidiary** – An Entergy Corporation subsidiary that Entergy has created or shall create that is not a domestic regulated electric utility or is not primarily engaged in the business of providing services or goods to domestic regulated electric utilities. Unregulated Subsidiaries include ENOI, Entergy legal entities that own Entergy Nuclear Northeast plants, and ENE. Contact the Sr. Manager, Nuclear FBP (or delegated representative) to resolve any question as to whether an entity is an Unregulated Subsidiary.

4.0 RESPONSIBILITIES

- [1] **Site Vice Presidents** – are responsible for reviewing and approving completed LEAF forms when their site is requesting or loaning employees. See Attachment 9.3 Loaned Employee Approval Form Section I. Initial Request.
- [2] **Director, Nuclear Financial Business Partners (FBP)** – is responsible for the maintenance and interpretation and audits of compliance of this procedure as well as the determination of emergency situations within the context of the \$100,000 Limit Rule.
- [3] **Sr. Manager, Nuclear FBP** – reports to the Director, Nuclear FBP and is responsible for verifying the effectiveness of this procedure, informing EN personnel of the content of this procedure, appointing a LEAF Corporate Coordinator, approving the LEAF, and periodically reporting to the Director, Nuclear FBP on the loaned labor activity between the regulated and unregulated regions.
- [4] **Requesting Manager** – responsible for completing the Initial Request (Section I) and coordinating completion of Sections II and III of the LEAF.
- [5] **Loaning Employee's Supervisor/Manager** – responsible for ensuring their employee correctly charges expenses and payroll to the projects on which they work.
- [6] **LEAF Corporate Coordinator** – appointed by the Sr. Manager, Nuclear FBP and is responsible for maintaining the LEAF for EOI or ENOI/ENE employees loaned between the regulated and unregulated regions, designating the accounting treatment on the LEAF, ensuring proper documentation, and tracking and periodically reporting to the Sr. Manager, Nuclear FBP on the loaned labor activity between the regulated and unregulated regions.



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- [7] **Human Resources Management Support Representative** – shall be contacted to coordinate review of the site collective bargaining agreement and compliance with all provisions therein, in the event that a union member employee will provide any service requiring a LEAF.
- [8] **EN Employees** – are responsible for correctly charging expenses and payroll for work to the subsidiary of the Company where they are authorized to work.

5.0 DETAILS

5.1 PRECAUTIONS AND LIMITATIONS

None

5.2 GUIDANCE ON THE USE OF AND CHARGES OF EOI, ENOI, AND ENE NUCLEAR PERSONNEL

- [1] EOI does not have service agreements to provide labor to Unregulated Subsidiaries. EOI only has service agreements to support Regulated Subsidiaries. However, EOI personnel may support Unregulated Subsidiaries under certain conditions and pricing rules. ENOI and ENE only have service agreements to support Unregulated Subsidiaries. However, ENOI/ENE personnel may support the Regulated Subsidiaries under certain conditions, limitations and pricing rules. Settlement agreements with retail regulators and affiliate rules issued by regulatory agencies such as the Federal Energy Regulatory Commission (FERC) have placed specific requirements on activities between the regulated and unregulated nuclear businesses as included in this procedure.
- [2] EOI and ENOI/ENE Employees must charge payroll and expenses to the Regulated or Unregulated Subsidiary that is receiving the benefit of their efforts except in cases where the Industry Best Practice Sharing Rule or the 40 Hour Rule applies.
 - (a) EOI and ENOI/ENE Employees participating in the industry's best practices through involvement in Peer Groups are subject to the Industry Best Practice Sharing Rule and will charge their home site for time and expenses. Peer Groups do not perform assessments for a particular site, exclusively. Peer Groups are limited to assessments of the industry's best practices for the Nuclear fleet.



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Guidance on Charging Nuclear Employee and Software Costs

- (b) When loaning labor from one site to another site within the same region (e.g. EOI site to another EOI site, or ENOI/ENE site to another ENOI/ENE site), the host site/department will pay for the payroll and employee expenses associated in accordance with the 40 Hour Rule.
- [3] Employees must record the correct code block elements as required by the appropriate accounting entry system (Business Unit, Department, Resource, Project, Activity and Physical Location) when charging payroll and expenses for work performed at their home site or for another site.
 - (c) Contact the budget coordinator, Nuclear FBP section, or the LEAF Corporate Coordinator with any questions on code block elements.
- [4] Employees providing services to the Cooper Nuclear Station should contact the Cooper Contract Liaison for Entergy Nebraska in addition to following this process.

5.2.1 Additional Guidance On The Use Of And Charges For EOI Personnel To Unregulated Subsidiaries

- [1] If the EOI Employee who will provide any service to an Unregulated Subsidiary is a union member, the Human Resources Management Support Representative should be contacted, the site collective bargaining agreement should be reviewed, and all provisions therein should be complied with.
- [2] Transactions that require completion of a LEAF:
 - (a) When loaning labor from EOI to an unregulated site, or
 - (b) When loaning labor from EOI to the unregulated nuclear fleet.
- [3] When loaning labor from EOI to the entire nuclear fleet (i.e., both regulated and unregulated fleets), so long as the Industry Best Practice Sharing Rule applies. See Attachment 9.3.
- [4] In cases where a LEAF is required, it is imperative that the loaned employee charge all payroll hours and employee expenses to the host site's code block elements (Business Unit, Department, Resource, Project, Activity and Physical Location) as required by the appropriate accounting entry system.



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- (a) The host site/department manager should be informed prior to the temporary direct charges occurring.
 - (b) Contact the LEAF Corporate Coordinator with any questions concerning loaned labor.
- [5] Any payment to a Regulated Subsidiary for the services rendered to an Unregulated Subsidiary will be priced at the higher of fully-loaded cost or fair market value, and an additional 5% surcharge will be applied to the cost of services including labor, overhead and expenses.

In general, the fully-loaded cost of labor will be treated as equivalent to the fair market value of labor.

5.2.2 Additional Guidance On The Use Of And Charges For ENOI/ENE Personnel To Regulated Subsidiaries

- [1] If the ENOI/ENE Employee who will provide any service to a Regulated Subsidiary is a union member, the Human Resources Management Support Representative should be contacted, the site collective bargaining agreement should be reviewed, and all provisions therein should be complied with.
- [2] In general, services provided by an ENOI/ENE Employee to a Regulated Subsidiary (including ESI) will be charged at the lesser of fully-loaded cost or market value.
- [3] The fully-loaded cost of labor will be treated as equivalent to the fair market value of labor.
- [4] Charges from any Unregulated Subsidiary to a Regulated Subsidiary shall be applied to the \$100,000 Limit Rule.
- [5] Transactions that require completion of a LEAF:
 - (a) When loaning labor from ENOI/ENE to a regulated site, or
 - (b) When loaning labor from ENOI/ENE to the regulated nuclear fleet (including EOI or any strictly regulated ESI project).



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Guidance on Charging Nuclear Employee and Software Costs

- [6] When loaning labor ENOI/ENE to the entire nuclear fleet (i.e. regulated and unregulated), the LEAF is not required so long as the Industry Best Practice Sharing Rule applies. See Attachment 9.3.
- [7] In cases where a LEAF is required, it is imperative that the loaned employee charge all payroll hours and employee expenses to the host site's/department's code block elements (Business Unit, Department, Resource, Project, Activity and Physical Location) as required by the appropriate accounting entry system.
 - (a) The host site/department manager should be informed prior to the temporary direct charges occurring.
 - (b) Contact the LEAF Corporate Coordinator for assistance with the LEAF and with any questions concerning loaned labor.

5.3 GUIDANCE ON CHARGES OF ESI NUCLEAR PERSONNEL

- [1] In accordance with service agreements, ESI may provide services to the Regulated and Unregulated Subsidiaries.
- [2] ESI Nuclear employees must charge payroll and expenses to the Regulated or Unregulated Subsidiary that is receiving the benefit of their efforts.
 - (a) For services rendered to a Regulated Subsidiary, ESI will charge the fully loaded labor and expenses.
 - (b) The services rendered to an Unregulated Subsidiary will incur an additional 5% surcharge to the cost of service.
- [2] ESI Nuclear payroll and expenses incurred in support of the Unregulated Subsidiaries must never be charged to the Regulated Subsidiaries.
- [3] ESI Nuclear employees must use the specific code block elements (Business Unit, Department, Project, and Physical Location) that are established for ESI Nuclear in performing services for the Unregulated and Regulated Subsidiaries.
 - (a) Contact the budget coordinator, Nuclear FBP section, or the LEAF Corporate Coordinator for guidance on ESI code block elements for Regulated Subsidiaries.



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- (b) If work is to be performed for Unregulated Subsidiaries, guidance on code block elements will be provided by the Sr. Manager, Nuclear FBP (or delegated representative) under the Director, Nuclear FBP.

5.4 CHARGING FOR SOFTWARE COSTS

- [1] Software developed by a Regulated Subsidiary and transferred for use by an Unregulated Subsidiary must be priced at the higher of fully loaded cost or market value, and an additional 5% surcharge will be applied to the price.
- [2] If a market value or cost is not available, the transaction is charged at the Entergy Information Technology function replacement cost, including the additional 5% surcharge, in accordance with the procedure in Reference 2.0 [3].
- [3] Software developed by an Unregulated Subsidiary and transferred for use by a Regulated Subsidiary must be priced at lesser of cost or market, and is subject to the \$100,000 Limit Rule.
- [4] If a market value is not available, the transaction is charged at the Entergy Information Technology function replacement cost, subject to the \$100,000 Limit Rule, in accordance with the procedure in Reference 2.0 [3].

5.5 ASSESSMENT OF CHARGES OF NUCLEAR PERSONNEL

- [1] On at least an annual basis, Director, Nuclear FBP will conduct an assessment of whether payroll and expenses are being charged to the correct project or organizational codes.
 - (a) Assessment techniques may encompass reviews of LEAFs and billing charges and interviews with EN personnel and/or their supervisors to ascertain whether the personnel have been charging to the correct work projects.
 - (b) Entergy Nuclear senior management will be apprised of the results of the annual assessment so that they may take actions, if necessary, to ensure payroll and expenses are charged to the correct legal entities.

6.0 INTERFACES

None



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7.0 RECORDS

- 7.1 The LEAF will be maintained by the LEAF Corporate Coordinator. See Attachment 9.3

8.0 SITE SPECIFIC COMMITMENTS

None

9.0 ATTACHMENTS

- 9.1 NUCLEAR AFFILIATE RULES FLOWCHART – SHARED SERVICES

- 9.2 EMPLOYEE EXAMPLES OF CHARGING COSTS

- 9.3 LOANED EMPLOYEE APPROVAL FORM (LEAF)



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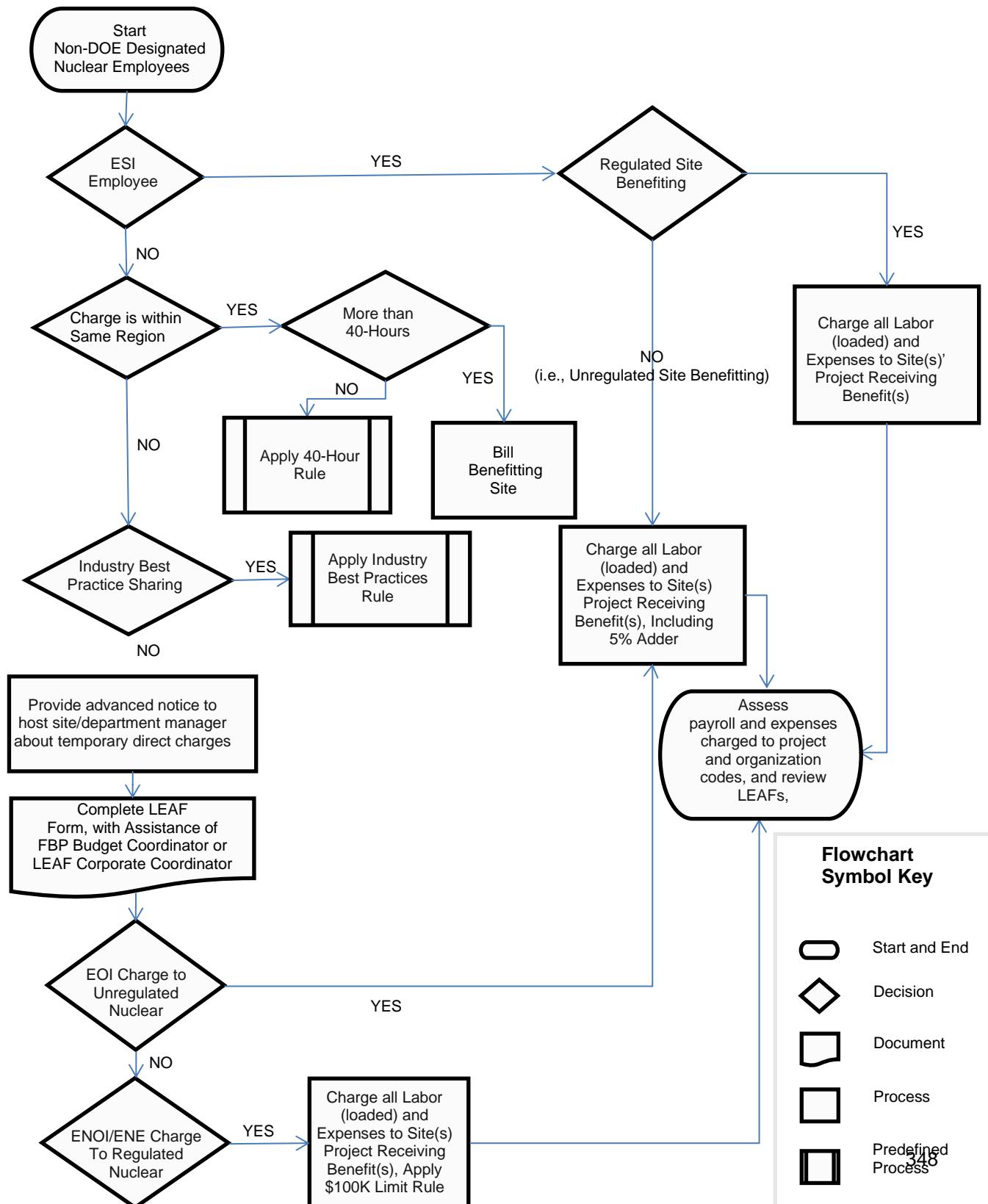
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ATTACHMENT 9.1

NUCLEAR AFFILIATE RULES FLOWCHART – SHARED SERVICES





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Guidance on Charging Nuclear Employee and Software Costs**ATTACHMENT 9.2****EMPLOYEE EXAMPLES OF CHARGING COSTS**

1. **Peer Groups and Assessments** – These activities have long been a practice in the nuclear industry. These activities serve to benefit the fleet plant operations by determining best practices, and driving performance to emulate that of the best nuclear sites. So long as the Peer Group is focused on benefits to the entire nuclear fleet, and not just one region or a few sites, the LEAF is not required; and the employee charges their home site.
2. **Providing Assessment for Particular Site(s)** – Providing assessments for a particular site is not covered by The Industry Best Practice Sharing Rule. The site(s) receiving the benefits of such activities should be charged, using the LEAF form if parties are working to the benefit of the other region.
3. **Formal Teams** – Formal teams established outside the Peer Group membership may be needed for fleet improvement activities, but also may be utilized to benefit a single plant or multiple ones. Costs of these teams must be charged to the site(s) receiving the benefits. LEAF is required if parties are working to benefit the other region.
4. **Loaned Labor Approved Project** – See Section 3.0, Definition # 11.
5. **Special Studies** – Activities like due diligence and special assessments. Parties must charge their costs to the site(s) receiving the benefits. LEAF is required if parties are working to benefit the other region.
6. **Regional Lab Services** – If centralized services are established, such as a common instrument calibration facility, the accounting for centralized services must be approved by the Chief Finance Officer's organization.
7. **Refueling Outage Support or Support Critical to Plant Operations** – Payroll hours and expenses provided by EOI or ENOI/ENE personnel in a loaned capacity across regions should be charged to the Regulated or Unregulated Subsidiary that benefited from the services. LEAF is required.
8. **Work Assistance** (such as subject matter expertise and training) – Payroll hours and expenses provided by EOI or ENOI/ENE personnel in a loaned capacity across regions should be charged to the Regulated or Unregulated Subsidiary that benefited from the services. LEAF is required.
9. **Other** – Consult with the LEAF Corporate Coordinator for any other work situation not defined in this procedure.



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ATTACHMENT 9.3**LOANED EMPLOYEE APPROVAL FORM (LEAF)**

NOTE: This form applies to EOI and ENOI/ENE employees. This form is NOT required for Industry Best Practices Peer Groups and ESI personnel. ESI employees who work for regulated and unregulated regions must bill hours appropriately.

I. Initial Request – To Be Completed by Requesting Manager:

Date of Request: _____

Employee Name: _____ Employee ID: _____

Home Site: _____ Temporary "Host" Site: _____

Estimated Duration of temporary assignment: _____

Transaction Type:

- Regulated Employee working to benefit unregulated site.
 Unregulated Employee working to benefit regulated site.

Required Approval:

Requesting Benefitting (Host) Site Vice President Signature

Loaning Site Vice President Signature

Work Description (include Emergency Basis when applicable):

Requesting Benefitting (Host) Site/Department Manager Signature

Loaning Manager Signature

II. Accounting Treatment and LEAF Control Number (see appropriate FBP personnel):**Accounting Codes for Labor:**

Business Unit: _____

Accounting Codes for Expenses:

Business Unit: _____

Department: _____

Department: _____

Activity: _____

Activity: _____

Project: _____

Project: _____

Physical Location: _____

Physical Location: _____

LEAF Control Number: _____

Signature of LEAF Corporate Coordinator

Director, Financial Business Processes (if Emergency Basis applies)

III. Final Review:

- For ENOI/ENE charging regulated project code, cumulative total charges from Unregulated Subsidiaries will not exceed \$100,000.00 (no time limit for total)

Sr. Manager, Nuclear FBP

ENTERGY ACCOUNTING POLICIES & PROCEDURES

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Title: AFFILIATE TRANSACTIONS	Last Revision: December 1, 2022	Rev. 7
Subject Matter Expert: Ryan Dumas	Responsible Officer: Reginald Jackson	Approved By: Kimberly Fontan

I. POLICY SUMMARY

- This Policy sets forth the billing and payment requirements for transactions between Entergy affiliated companies.
- This Policy provides basic guidance on the billing methodologies based on compliance requirements set forth by federal, state, and local rules and regulations.
- Affiliate rules issued by regulatory agencies, including the Federal Energy Regulatory Commission (FERC) and Settlement Agreements with retail regulators, govern interactions between Entergy Corporation affiliates.
- Entergy Accounting Policies & Procedures apply to all Entergy employees, agents, and contractors.
- All employees, agents, and contractors of Entergy shall record accounting transactions accurately and completely in accordance with established Entergy Accounting Policies & Procedures.
- All employees, agents, and contractors of Entergy shall immediately report known, suspected, or potential violations of this Policy by following the procedures described in the Entergy System Policies & Procedures – Reporting Violations.
- Inquiries regarding affiliate transaction billing questions should be directed to Affiliate Accounting and Allocations. Inquiries regarding capital spares transfers, transfer of assets, and asset loaning will be addressed by Property Accounting, with inquiries regarding inventory transfers to be addressed by Accounting Processes and Controls. This Policy and additional allocation and pricing resources may be found on the [Affiliate Transactions SharePoint Page](#).¹
- For questions regarding affiliate rules compliance, please contact the Ethics & Compliance department.
- **Please refer to the following detailed Policy for further information.**

¹ <https://entergy.sharepoint.com/sites/Accounting/Pages/Affiliate-Transactions.aspx>

ENTERGY ACCOUNTING POLICIES & PROCEDURES

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II. DETAILED POLICY

1.0 PURPOSE AND APPLICABILITY

The purpose of this Policy is to set forth the billing and payment requirements for transactions between Entergy affiliated companies.

This Policy provides basic guidance on the billing methodologies based on compliance requirements set forth by federal, state, and local rules and regulations.

Affiliate rules issued by regulatory agencies, including the Federal Energy Regulatory Commission (FERC) and Settlement Agreements with retail regulators, govern interactions between Entergy Corporation affiliates.

THIS POLICY APPLIES TO ANY AND ALL EMPLOYEES OF ANY ENERGY SYSTEM COMPANY, UNLESS OTHERWISE EXPRESSLY EXCLUDED, AS WELL AS AGENTS AND CONTRACTORS OF ANY ENERGY SYSTEM COMPANY.

THIS POLICY COVERS EMPLOYEES WHO ARE REPRESENTED BY A UNION, EXCEPT THAT ANY CONFLICTING TERMS OF EMPLOYMENT IN A COLLECTIVE BARGAINING AGREEMENT OR OTHER AGREEMENT REACHED WITH THE UNION(S) SHALL CONTROL.

NOTHING CONTAINED IN THIS POLICY SHOULD BE CONSTRUED TO SUGGEST THAT EMPLOYEES OF A PARTICULAR SUBSIDIARY OR AFFILIATE OF ENTERGY CORPORATION ARE ALSO EMPLOYEES OF ENTERGY CORPORATION OR ANY OTHER AFFILIATE OR SUBSIDIARY OF ENTERGY CORPORATION. MOREOVER, THIS POLICY DOES NOT CREATE ANY EMPLOYMENT RELATIONSHIP BETWEEN ANY PERSON AND ANY ENERGY SYSTEM COMPANY, NOR DOES THIS POLICY CONFER ANY CONTRACTUAL RIGHT TO ANY PERSON TO BECOME OR REMAIN AN EMPLOYEE OF ANY ENERGY SYSTEM COMPANY.

ENERGY ACCOUNTING POLICIES & PROCEDURES

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2.0 REFERENCES AND CROSS REFERENCES

2.1 Energy System Policies & Procedures

- Accounting
- Affiliate Interactions
- Approval Authority
- Reporting Violations

2.2 Energy Accounting Policies & Procedures

- Inventory, Materials & Stores Accounting
- Loaning of Labor, Transportation, and/or Materials
- Loaning of Assets – Capitalized Non-Power Goods

3.0 DEFINITIONS

- 3.1 **Captive Customers** – any wholesale or retail electric energy customers served by a franchised public utility under cost-based regulation.
- 3.2 **Cost** – means fully allocated cost. The sum of the costs which can be directly identified with a particular service or product plus an appropriate allocation of indirect costs that cannot be directly identified with a particular service or product including, but not limited to, overhead costs, administrative and general costs, and taxes.
- 3.3 **Energy Enterprises, Inc. (EEI)** – a wholly owned subsidiary of Entergy Corporation that provides services to Entergy's non-regulated affiliates.
- 3.4 **Energy Nuclear Operations, Inc. (ENO)** – a wholly owned subsidiary of Entergy Corporation that provides services to Entergy's non-utility nuclear facilities.
- 3.5 **Energy Operations, Inc. (EOI)** – a wholly owned subsidiary of Entergy Corporation that provides services to Entergy's regulated nuclear facilities.
- 3.6 **Energy Services, LLC (ESL)** – a wholly owned subsidiary of Entergy Corporation that provides management, administrative, accounting, legal, engineering, and other services to the regulated and non-regulated subsidiaries of Entergy Corporation.
- 3.7 **Franchised Public Utility** – a public utility with a franchised service obligation under state or local law. A Franchised Public Utility may have captive customers and/or may own or provide transmission service over jurisdictional transmission facilities.

ENERGY ACCOUNTING POLICIES & PROCEDURES

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- 3.8 Non-Power Goods and Services** – not a FERC-defined term. See Section A of Attachment 1 to this policy for guidance on what may be included in Non-Power Goods and Services.
- 3.9 Non-Regulated Service Company** – any Service Company whose costs are not recovered directly or indirectly in retail rates. Entergy Enterprises, Inc. (EEI) and Entergy Nuclear Operations, Inc. (ENO) are Non-Regulated Service Companies.
- 3.10 Non-Utility Affiliate** – any other affiliate not organized as a Service Company or a Franchised Public Utility. Examples of Non-Utility Affiliates include:
- Market-regulated power sales affiliates (e.g., EWO Marketing, LLC, Entergy Power, LLC and RS Cogen, LLC).
 - The non-utility nuclear plants (Indian Point 2, Indian Point 3, and Palisades).
 - Other Non-Utility Affiliates include Entergy Asset Management, Inc. (EAM) and Entergy Nuclear, Inc. (ENI).
 - System Fuels, Inc. (SFI) is regarded under FERC Order No. 707 as a Non-Utility Affiliate, otherwise, in the Settlement Agreements SFI is defined as a Regulated Utility. SFI is excluded from the Arkansas Affiliate Transaction Rules.
- 3.11 Operating Companies (OPCOs)** – Franchised Public Utilities – Entergy Arkansas, LLC (EAL), Entergy Louisiana, LLC (ELL), Entergy Texas, Inc. (ETI), Entergy Mississippi, LLC (EML), Entergy New Orleans, LLC (ENOL), and System Energy Resources, Inc. (SERI). Under FERC Order No. 707, SERI is treated as a Franchised Public Utility; otherwise, SERI is not normally considered an OPCO.
- 3.12 Policy** – This Affiliate Transactions policy.
- 3.13 Regulated Service Company** – any Service Company whose costs are recoverable directly or indirectly in retail rates. Entergy Regulated Service Companies include ESL and EOI.
- 3.14 Service Company (as defined by FERC)** – The term “service company” means any associate company within a holding company system organized specifically for the purpose of providing non-power goods or services or the sale of goods or construction work to any public utility in the same holding company system.
- 3.15 System Energy Resources, Inc. (SERI)** – a wholly owned subsidiary of Entergy Corporation that owns and leases an aggregate 90% undivided interest in Grand Gulf 1 and bills capacity and other costs pursuant to a Unit Power Sales Agreement regulated by FERC.

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- 3.16 System Fuels, Inc. (SFI)** – a jointly owned subsidiary of EAL (35%), ELL through Entergy Louisiana Properties, LLC (33%), EML (19%), and ENOL (13%), that implements and manages certain programs to procure, deliver, and store fuel supplies for those companies.

4.0 RESPONSIBILITY

- 4.1** The **Chief Accounting Officer** has responsibility for approving all financial interactions between Entergy affiliate companies.
- 4.2** **Affiliate Accounting and Allocations, Accounting Processes and Controls, and Property Accounting** have responsibility for the application of approved intra-company policies, including maintenance of appropriate documentation and systems.

5.0 DETAILS

Affiliate transactions that affect the jurisdictional rates of a public utility or a natural gas company are under the jurisdiction of federal and jurisdictional regulations. Further, Settlement Agreements that contain pricing provisions have been entered into and filed with various federal and state and local regulatory agencies. Notably, the FERC, under the provisions of the Public Utility Holding Company Act of 2005 (PUHCA 2005), has authority over affiliate transactions that affect the jurisdictional rates of a public utility or a natural gas company. FERC also has the authority to review and authorize cost allocations as requested by centralized service companies such as ESL and EOI.

- 5.1** All rates and charges made, demanded, or received by any Franchised Public Utility for or in connection with the transmission or sale of electric energy, are subject to the jurisdiction of the FERC and all rules and regulations affecting or pertaining to such rates or charges, will be just and reasonable.
- 5.2** Asymmetrical pricing rules among affiliates are mandated by federal and jurisdictional regulations and various agreements among Entergy affiliates that have been filed with regulatory agencies.
- 5.3** FERC Order No. 707, issued in 2008, mandates asymmetrical pricing rules among affiliates of a Franchised Public Utility. FERC Order No. 707 pricing requirements as they relate to contracts entered into on or after March 31, 2008, by Entergy affiliates are listed below in section 3.
- 5.4** FERC Order No. 707 requires that where a conflict arises between state and federal regulations, regarding the pricing of affiliate transactions, the utility shall apply the stricter rule.

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- 5.5 Specific price regulation: sales or transfers of products or services in instances where a state or federal regulatory agency regulates the price will be priced at the price established by the regulator, and that price will be used for ratemaking purposes and will be considered the Fair Market Value (FMV).
- 5.6 No procurement with FMV in excess of \$100,000 will be made by a regulated utility from a non-regulated business except through competitive bidding processes or as otherwise authorized by an appropriate state regulatory commission. Please refer to the Entergy System Policies & Procedures – Procurement as well as the Nuclear Management Manual procedures EN-MP-110 and EN-BU-111.
- 5.7 Further guidance on determination of cost and market reference values may be found in Attachment 1 to this policy entitled, “Affiliate Transactions Guidance, Cost and Market Reference Values.”

6.0 PROCEDURES

6.1 Pricing Requirements

- 6.1.1 **Provider – OPCOs** – Pricing for transactions involving the provision of non-power goods or services by an OPCO shall be determined as follows:

Transaction	Pricing
OpCo to OpCo or to Regulated Non-Utility Affiliate (e.g., SFI)	At cost
Opco to Regulated Service Company	Higher of cost or market
Opco to Non-Regulated Service Company or to Non-Regulated Non-Utility Affiliate*	Higher of Cost + 5% or Market

***Exception:** Transactions in which ENOL provides non-power goods or services with a FMV exceeding \$100,000 to a Non-Regulated Service Company or a Non-Regulated Non-Utility Affiliate shall be priced using terms of approved tariff or competitive bidding process.

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- 6.1.2 Provider – Regulated Service Companies (ESL and EOI)** – Pricing for transactions involving the provision of non-power goods or services by a Regulated Service Company shall be determined as follows:

Transaction	Pricing
Regulated Service Company to OPCO* or to Regulated Non-Utility Affiliate (e.g., SFI)	At cost
Regulated Service Company to Regulated Service Company	At cost
Regulated Service Company to Non-Regulated Service Company or to Non-Regulated Non-Utility Affiliate	Cost + 5%

***Exception:** Transactions in which a Regulated Service Company provides non-power **goods** to EAL shall be priced at lower of cost or market.

- 6.1.3 Provider – Non-Regulated Service Companies (ENOI & EEI)** – Pricing for transactions involving the provision of non-power goods or services by a Non-Regulated Service Company shall be determined as follows:

Transaction	Pricing
Non-Regulated Service Company to OPCO, Regulated Non-Utility Affiliate, or Regulated Service Company with FMV in excess of \$100,000	Competitively bid unless otherwise approved by a regulatory authority
Non-Regulated Service Company to OPCO* or Regulated Non-Utility Affiliate with a FMI less than or equal to \$100,000	At cost
Non-Regulated Service Company to Regulated Service Company	At cost
Non-Regulated Service Company to Non-Regulated Service Company or to Non-Utility Affiliate	At cost

***Exception:** Transactions in which a Non-Regulated Service Company provides non-power **goods** with FMV less than or equal to \$100,000 to EAL shall be priced at the lower of cost or market.

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- 6.1.4 Provider – Non-Utility Affiliates** – Pricing for transactions involving the provision of non-power goods or services by a Non-Utility Affiliate shall be determined as follows:

Transaction	Pricing
Non-Utility Affiliate to OPCO, Regulated Non-Utility Affiliate, or Regulated Service Company with FMV in excess of \$100,000	Competitively bid unless otherwise approved by a regulatory authority
Regulated Non-Utility Affiliate (e.g., SFI) to OPCO*, Regulated Non-Utility Affiliate, or Regulated Service Company with FMV less than or equal to \$100,000	Not above market
Non-Utility Affiliate to Regulated Service Company with FMV less than or equal to \$100,000	Not above market
Non-Utility Affiliate is the provider to a Non-Regulated Service Company or to a Non-Utility Affiliate	At Cost

***Exception:** Transactions in which a Non-Utility Affiliate provides non-power goods or services with a FMV less than or equal to \$100,000 to EAL shall be priced at the lower of cost or market.

6.2 Other Transactions and Restrictions:

- 6.2.1** Transactions involving the provision of product rights, patents, or copyrights between any affiliates, costs are included in product development costs and treated as non-power goods and services.
- 6.2.2** Transactions that involve the transfer of (a) generating assets, fuel and fuel-related assets and real property and improvements, or (b) market, technological or similar data must receive prior approval by the Chief Accounting Officer, with pricing in accordance with applicable regulations and contracts.
- 6.2.3** Any other transactions not addressed elsewhere in this Accounting Policy must receive prior approval by the Chief Accounting Officer so that the transactions can be properly billed.
- 6.3 Billing Methodologies** for ESL and EOI are authorized by the FERC and are designed to allow ESL and EOI to directly bill one affiliate or to allocate to more than one affiliate costs that cannot be directly assigned to a particular affiliate

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company. A billing allocation method may be comprised of one or more components, or cost drivers. The selection of an appropriate method is critical since such billings are subject to regulatory and auditor review.

- 6.4 Project codes are used to accumulate costs on a specific job, project, or functional basis for purposes of billing such costs to the appropriate affiliate company. Expenditures that do not pertain to performance of services by ESL or EOI should not be charged to an ESL or EOI project code. Instead, these expenditures should be charged directly by the vendor or supplier to the respective affiliate company.
- 6.5 **Payment of Inter-Company Service Billings** - The service agreements between Entergy service companies and their affiliates establish the guidelines for payment of inter-company billings as well as guidance by FERC under the PUHCA of 2005. It is important that these bills be paid on time to maintain regulatory compliance for payments between regulated and non-regulated Entergy affiliates.
 - 6.5.1 This policy applies to all Entergy affiliates when billed by an Entergy Service Company through the inter-company billing process.
 - 6.5.2 Inter-company service bills, resulting from the billing of non-power goods and services provided by Entergy Service Companies such as ESL, EOI, EEI, and ENO to Entergy affiliates, will be paid in full by each affiliate no later than 25 days after the close of the month in which the service billings took place. For example, services provided during the month of July, and posted to the general ledger system in that month, will be payable by the 25th day of August.
 - 6.5.3 Inter-company service bills are identifiable in the form of journal entries posted in the general ledger system. A paper invoice is not required to be, nor will one be, submitted to the payee of an inter-company service bill, but instead billings for services rendered will be posted to the general ledger system and can be viewed by the payee.
 - 6.5.4 Any disputed charges will be investigated, and when appropriate, credited back to the client company as quickly as possible, ideally in the month following the billing.

7.0 **ATTACHMENTS**

Attachment I – Affiliate Transactions Guidance, Cost and Market Reference Values

ATTACHMENT 1**AFFILIATE TRANSACTIONS GUIDANCE
COST AND MARKET REFERENCE VALUES****A. Background – Affiliate Transaction Rules**

Affiliate¹ transactions are under the jurisdiction of federal and retail regulations. Notably, the Federal Energy Regulatory Commission (“FERC”) has authority over affiliate transactions that affect the rates of a public utility or a natural gas company. The FERC may also review and authorize cost allocations as requested by centralized service companies. Further, state and local regulatory agencies have retail affiliate rules in place and Entergy has entered into Settlement Agreements with retail regulators that contain affiliate transaction pricing provisions. FERC and retail affiliate transaction requirements are included in the Entergy Accounting Policies & Procedures – Affiliate Transactions².

Affiliate transaction rules include provisions related to the transfer price of non-power goods (including non-power capital assets) or non-power services (“non-power goods or services” which is an undefined term) that are transferred between certain affiliates. By considering FERC Order Nos. 684 and 715 definitions of goods and services, non-power goods and services may include the following.

- 1. Goods** - “...any goods, equipment (including machinery), materials, supplies, appliances, or similar property (including coal, oil, or steam, but not including electric energy, natural or manufactured gas, or utility assets³) which is sold, leased, or furnished for a charge.”
- 2. Services** - “...any managerial, financial, legal, engineering, purchasing, marketing, auditing, statistical, advertising, publicity, tax, research, or any other service (including supervision or negotiation of construction or of sales), information or data, which is sold or furnished for a charge.”

For affiliate transactions, the required transfer pricing method may depend on each affiliate’s role, i.e., which affiliate is the provider and which affiliate is the recipient of the non-power goods or services. Generally, for transfers of non-power goods or services between Entergy affiliates, the affiliate transaction rules mandate the determination and documentation of the fair market value and cost of the non-power goods or services. The following information is provided for guidance on the determination and documentation of **cost** (see Section B) and of **fair market value** (see Section C).

¹ An affiliate includes any company that Entergy directly or indirectly owns, controls, or holds with power to vote, 10 percent or more of the outstanding voting securities.

² The Entergy Accounting Policies & Procedures – Affiliate Transactions provides requirements on the affiliate transaction pricing rules and is accessible under the Affiliate Transactions heading at the following link: <https://myenergy.entropy.com/sites/Accounting/Pages/Accounting-Policies.aspx>.

³ While utility assets are excluded from the definition of “goods” in FERC Order Nos. 684 and 715, the asymmetrical pricing requirements in FERC Order No. 707 do not specifically exclude utility assets. Entergy Legal Counsel has interpreted the transfer pricing requirements under FERC Order No. 707 to include utility assets.

ATTACHMENT 1**AFFILIATE TRANSACTIONS GUIDANCE
COST AND MARKET REFERENCE VALUES**

B. Cost

Cost is defined as “fully allocated cost.”

1. The “fully allocated cost” of a good or service that is not treated as a capital asset is determined by adding all direct costs (as defined below) and indirect costs (as defined below) specifically attributable to the good or service.
2. The “fully allocated cost” of a good or service that is treated as a capital asset is the net book value of that asset, which should be calculated by adding both direct costs (as defined below) and indirect costs (as defined below) and reducing that total by the accumulated depreciation (as defined below) at the time of transfer. Documentation shall be established by reference to the appropriate affiliate’s accounting records.
3. Other definitions:
 - 3.1 Direct costs are the costs and expenses for goods and services, which can be identified through a work order system as being applicable to the goods or services provided for a single or group of associate and non-associate companies. Original historical costs incidental to or related to a directly charged item must be classified as a direct cost.
 - 3.2 Indirect costs include the costs of a general overhead nature properly attributable to the production or provision of a good or service, such as general services, housekeeping costs, and other support costs, which cannot be separately identified to a single or group of associate and non-associate companies and, therefore, must be allocated.
 - 3.3 Depreciation is the reduction in the value of a capital asset used for business purposes, since the time the asset was placed into service, due to usage, passage of time, wear and tear, technological outdated or obsolescence, inadequacy, rot, rust, decay or other such factor.

C. Fair Market Value

Fair market value is defined as the amount a party would pay or receive in an arm's length transaction with unaffiliated parties, each party acting in its own best interest to carry out a particular transaction. Applied to affiliated parties, a transaction is at arm's length if the transaction would have been made on the same terms with a disinterested third party in a bargained transaction.

1. **Determination of Fair Market Value** – Fair market value may be determined by **competitive bid** (see Section D) or by reference to one or more independent, credible and comparable **market reference values** (“MRVs”) (see Sections E and F). Documentation must be produced and retained in accordance with Section G; oral MRV sources must be voice-recorded.

ATTACHMENT 1**AFFILIATE TRANSACTIONS GUIDANCE
COST AND MARKET REFERENCE VALUES**

- 2. No Available Fair Market Value** – When the fair market value cannot be determined, the transaction recipient's business unit must provide a written explanation about the absence of fair market value to Accounting Processes and Controls. This written explanation may be documented using the form entitled "Explanation for No Credible MRV or Special Circumstances" that can be found in the Forms section of the Accounting/Affiliate Transactions SharePoint site. Alternatively, the transaction recipient's business unit may request guidance from Ethics & Compliance and the appropriate legal department personnel to prepare written documentation about the absence of fair market value. See also Section F.5.2. Such written explanation shall be retained by the business unit for at least five years (the Record Series 1611 "Legal/Affiliate Rules/Regulatory Issues Files" may be used by the business unit to classify the records). The regulatory guidance may cover similar instances when fair market value is not available.

D. Competitive Bid

If competitive bid is used to set the fair market value for a transaction covered by the affiliate rules, first contact Ethics & Compliance because the bidding process may have to follow procedures specified by the applicable regulatory agency.

E. Market Reference Values ("MRVs") – Non-Power Services

Entergy, through a process of compensation benchmarking and surveys that is considered to be independent, credible and comparable, strives to price all of its personnel compensation at market rates. While some individual pay decisions may cause a lower or higher individual pay, in aggregate, pay per employee is priced at market. Accordingly, for any non-power service performed by an Entergy employee, the fully allocated cost of any such non-power service is regarded as the fair market value.

F. Market Reference Values ("MRVs") – Non-Power Goods (including Non-Power Capital Assets)

- 1. Overview** – MRVs for non-power goods must be:
- independent (see Section F.2),
 - of the number required in Section F.3,
 - in the form described in Section F.4,
 - credible (see Section F.5) and
 - comparable (see Sections F.6 and F.7)

2. Independence

- 2.1** If an actual transaction is used as the source of a MRV, at least one party must be unaffiliated. For example:

ATTACHMENT 1**AFFILIATE TRANSACTIONS GUIDANCE
COST AND MARKET REFERENCE VALUES**

- 2.1.1** If an affiliated party is a provider in a historical transaction that is used as a MRV source, the recipient must be an unaffiliated party.
- 2.1.2** If an affiliated party is a recipient in a historical transaction that is used as a MRV source, the provider must be an unaffiliated party.
- 2.2** If an affiliated party is a proposed provider in an offered transaction that is used as a source of a MRV, the proposed recipient must be an unaffiliated party and the offer must be binding.
- 2.3** Otherwise, MRVs must be determined from unaffiliated parties.

3. Number of MRVs

- 3.1** If a single MRV source is documented to be independent, highly credible and comparable, then the use of such single MRV source is acceptable.
- 3.2** At least two separate MRV sources are required if both MRV sources are contractors/vendors that provide the non-power goods at issue and have an existing contract or purchase order with Entergy. See Section F.5.2.

4. Form of MRVs – MRVs for non-power goods shall be in the form of:

- 4.1** The price of actual transactions for non-power goods (e.g., historical price paid by Entergy to a vendor within the previous year);
- 4.2** The price of offered non-power goods (e.g., price estimate or quote from vendor); or
- 4.3** Other reference sources for non-power goods, which may include:
 - Industry average price or value, such as from a benchmarking study survey,
 - Industry catalog price,
 - Advertised price,
 - Published benchmarking industry average value,
 - Auction website transaction price, or
 - Appraisals, such as auction house appraiser value estimate or insurance appraisal valuation.
 - **Other reference source (Recipient must describe).**

5. Credibility – In determining the credibility of a MRV, consider the reliability, industry reputation, expertise (knowledge and skills) and disinterest of the source.**5.1** For benchmarking or survey sources, consider the following.

- 5.1.1** Whether the source includes adequate data collection, definitions, methods, sample size, original data sources and other survey information.

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COST AND MARKET REFERENCE VALUES**

- 5.1.2** If a survey or benchmarking report provides data trended over multiple survey periods, the user may need to extrapolate to estimate the industry average value for the appropriate period of time.
- 5.1.3** Reports from reputable survey or benchmarking consulting firms⁴ are preferred over reports available from public Internet web sites.
- 5.2** Contractors/vendors that provide the non-power goods at issue and that have an existing contract or purchase order with Entergy may be used as sources of MRVs only if alternative MRV sources are not reasonably available. The transaction recipient's business unit must provide a written explanation about the absence of fair market value to Accounting Processes and Controls. This written explanation may be documented using the form entitled "Explanation for No Credible MRV or Special Circumstances" that can be found in the Forms section of the Accounting/Affiliate Transactions SharePoint site. Alternatively, the transaction recipient's business unit may request guidance from Ethics & Compliance and the appropriate legal department personnel to prepare written documentation about the absence of fair market value. Items with written explanations as required by Section C.2 may use this type of MRV source as a single source rather than the two separate MRV sources required by Section F.3.2.
- 6. Comparability** – Comparable goods are similar equivalents in form, function and features; but may not have the same exact product specifications. In determining comparability, take into consideration the similarity of the following attributes, as appropriate, for the MRV and the non-power goods being valued.
- Percentage of ownership,
 - The nature of the ownership interest,
 - Restrictions on use,
 - Market area,
 - Time-frame of usage,
 - Location,
 - Age, wear, quality, quantity, size, color, and weight,
 - Potential obsolescence, and
 - Other physical, legal, and economic characteristics.
- 7. Comparability – Fluctuating Market Prices** – If a MRV is obtained in times of rapidly rising or falling market prices, the value analyzed from these time-frames shall be adjusted accordingly to the effective date of the affiliate transaction.

⁴ Reputable survey or benchmarking consulting practices include Hay Group, Willis Towers Watson, Aon Hewitt, Mercer, PricewaterhouseCoopers, and Buck Consultants.

ATTACHMENT 1**AFFILIATE TRANSACTIONS GUIDANCE
COST AND MARKET REFERENCE VALUES**

G. Fair Market Value Documentation and Periodic Reviews

1. **Non-Power Services** – For non-power services, compensation MRV methodology and studies are held and documented within the Human Resources – Compensation department.
2. **Non-Power Goods** – If fair market value is required to determine the price of a transaction for non-power goods, the transaction recipient's business unit must (a) provide the fair market value amount as of the effective date of the affiliate transaction to the group described below (Section G.2.1) no later than two months after the transaction date, unless the MRV is based on a historical transaction, (b) provide to that same group upon request the supporting documentation described below (Section G.2.2) within one week of any such request, and (c) retain such fair market valuation documentation for at least five years (the Record Series 1611 "Legal/Affiliate Rules/Regulatory Issues Files" may be used by the business unit to classify the records).
 - 2.1 **Market Value Information** – The fair market value amount must be provided to the groups described below. Contact information is provided in Section H.
 - 2.1.1 For material or non-capital equipment transfers, provide fair market value amount to Accounting Processes and Controls.
 - 2.1.2 For non-power capital asset transfers, provide fair market value amount to Property Accounting.
 - 2.1.3 For all other applicable affiliate transactions, provide fair market value amount to Affiliate Accounting and Allocations.
 - 2.2 **Supporting Information to Retain** – For competitive bid determinations of fair market value for non-power goods, the supporting documentation to retain shall include the transaction details of the competitive bid. For MRV determinations of fair market value for non-power goods, supporting documentation to retain shall include the following information:
 - 2.2.1 Fair market value,
 - 2.2.2 Date of the MRV,
 - 2.2.3 Calculations, if applicable, to extrapolate the fair market value estimate to the effective date of the affiliate transaction,
 - 2.2.4 Description of the independence, credibility and comparability of the MRV,
 - 2.2.5 Written explanations/documentation required in Sections F.3.2 and F.5.2,
 - 2.2.6 Voice Recordings of oral quotes or estimates, and
 - 2.2.7 Data items required by Accounting.⁵

⁵ For market values using transactions by Entergy and an outside vendor within the previous year, Accounting may require Recipient Business Unit Name, Project Code, and other data items.

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AFFILIATE TRANSACTIONS GUIDANCE
COST AND MARKET REFERENCE VALUES

- 2.3** Review of Supporting Information – Each calendar quarter, Affiliate Accounting and Allocations shall review supporting documentation for a sample of affiliate transactions for non-power goods to verify that the attributes have been satisfied and to test compliance with this guidance.
- H. Contact Information.** If you have any questions about these affiliate transaction guidelines, please contact the Affiliate Rules Compliance Helpdesk (HelpARC@entergy.com).

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Subject Matter Expert: Ryan Dumas	Responsible Officer: Reginald Jackson	Approved By: Kimberly Fontan

I. POLICY SUMMARY

- This Policy sets forth the guiding principles and procedures regarding the loaning of labor, transportation, and/or materials and supplies between Entergy affiliated companies.
- This Policy applies to all Entergy employees, including full time, regular part-time and temporary employees.
- Affiliate transactions are governed by multiple regulatory bodies. If contemplating a loaning transaction, an employee should refer to this policy as well as the Entergy Accounting Policies & Procedures – Affiliate Transactions.
- Department managers are responsible for ensuring that appropriate project, department, and business unit codes are used for loaning transactions of all types.
- Requests for procurement of materials, goods and services must be approved in accordance with the Entergy System Policies & Procedures – Approval Authority.
- Questions about loaned transactions should be referred to Affiliate Accounting and Allocations. Inquiries regarding Materials and Supplies will be addressed by Accounting Processes and Controls.

Please refer to the following detailed Policy for further information.

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II. Policy Details

1.0 PURPOSE AND APPLICABILITY

The purpose of this Policy is to provide a framework for loaning transactions to properly account for the movement of costs from one department and/or business unit (BU) to another. Labor, transportation, and/or material costs can be loaned, as described in this Policy. This Policy seeks to ensure Entergy's financial statements and records conform in all respects to Generally Accepted Accounting Principles (GAAP) in the United States, Securities & Exchange Commission (SEC) regulations, Federal Energy Regulatory Commission (FERC) regulations, state and local regulatory guidelines, as well as the Sarbanes-Oxley Act of 2002.

THIS POLICY APPLIES TO ANY AND ALL EMPLOYEES OF ANY ENERGY SYSTEM COMPANY, UNLESS OTHERWISE EXPRESSLY EXCLUDED, AS WELL AS AGENTS AND CONTRACTORS OF ANY ENERGY SYSTEM COMPANY.

THIS POLICY COVERS EMPLOYEES WHO ARE REPRESENTED BY A UNION, EXCEPT THAT ANY CONFLICTING TERMS OF EMPLOYMENT IN A COLLECTIVE BARGAINING AGREEMENT OR OTHER AGREEMENT REACHED WITH THE UNION(S) SHALL CONTROL.

NOTHING CONTAINED IN THIS POLICY SHOULD BE CONSTRUED TO SUGGEST THAT EMPLOYEES OF A PARTICULAR SUBSIDIARY OR AFFILIATE OF ENTERGY CORPORATION ARE ALSO EMPLOYEES OF ENTERGY CORPORATION OR ANY OTHER AFFILIATE OR SUBSIDIARY OF ENTERGY CORPORATION. MOREOVER, THIS POLICY DOES NOT CREATE ANY EMPLOYMENT RELATIONSHIP BETWEEN ANY PERSON AND ANY ENERGY SYSTEM COMPANY, NOR DOES THIS POLICY CONFER ANY CONTRACTUAL RIGHT TO ANY PERSON TO BECOME OR REMAIN AN EMPLOYEE OF ANY ENERGY SYSTEM COMPANY.

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2.0 REFERENCES AND CROSS REFERENCES

2.1. Entergy System Policies & Procedures

- Accounting
- Affiliate Interactions
- Approval Authority
- Discipline
- Procurement
- Reporting Violations

2.2. Entergy Accounting Policies & Procedures

- Affiliate Transactions
- Inventory, Materials & Stores Accounting
- Loaning of Assets – Capitalized Non-Power Goods

3.0 DEFINITIONS

3.1. Borrowing business unit – the BU that is the user and, therefore, the recipient of the costs for the loaned labor, transportation, and/or materials provided by the home BU.

3.2. Borrowing department – the department that is the user and, therefore, the recipient of the costs for the loaned labor, transportation, and/or materials provided by the home department. Please note: this department can be within the same home BU or outside of the home BU.

3.3. Business unit (BU) – an Entergy company (legal entity).

3.4. Enterprise Asset Management (EAM) Application - The software product or program used by the Entergy fleet for Work Management, Document Management, Engineering Change, Tracking Actions, and Supply Chain (includes Material Control, Inventory Control, Contract Management, Accounts Payable, Procurement Engineering and Purchasing).

3.5. Home business unit – the BU in which an employee is assigned to perform his/her duties on a regular basis.

3.6. Home department – the department in which an employee is assigned to perform his/her duties on a regular basis.

3.7. Loaned labor – the cost of an employee working for a department and/or affiliate company other than his/her home department and/or BU.

3.8. Loaned materials – the cost of materials and supplies that originate with one BU and are transferred to another BU via request.

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- 3.9. **Loaned transportation** - the process by which the costs associated with the physical use of a vehicle are recorded to the department and business unit that was the recipient of the service provided.
- 3.10. **Loaned resources** – the general term applied to the loaning of labor, transportation, and/or materials.
- 3.11. **Policy** – This Loaning of Labor, Transportation, and/or Materials policy.

4.0 **RESPONSIBILITIES**

- 4.1. **The Chief Accounting Officer** has the responsibility for developing policies which govern financial transactions between Entergy's affiliated companies.
- 4.2. **Accounting and Reporting organization**
 - 4.2.1. **Affiliate Accounting and Allocations** - maintains billing processes and compliance with billing policies and regulatory guidelines as they relate to such policies, e.g., maintaining allocations associated with payroll and transportation and funding the resulting payables and receivables for loaning transactions. Additionally, Affiliate Accounting and Allocations reviews loaned transactions to ensure that they are in compliance with special regulatory pricing requirements.
 - 4.2.2. **Accounting Processes and Controls** - records the cross jurisdictional loader entries (materials loaders) which move the overhead dollars from the issuing BU to the receiving BU and establishes the payables and receivables. Accounting Processes and Controls maintains the material and supplies overhead rate forecast model which is used to establish the M&S rates. Additionally, Accounting Processes and Controls monitors and adjusts, where necessary, loaned material prices when special pricing tests are met.
- 4.3. **Department managers** are responsible for ensuring that appropriate project, department, and BU codes are used for loaning of labor, transportation, and/or materials and supplies.

5.0 **DETAILS**

6.0 **PROCEDURES**

- 6.1. **Labor** - Loaned labor is the process by which payroll costs are charged from one department and/or BU (home department and/or home BU) to another (borrowing department and/or borrowing BU) when an employee is loaned to support a temporary business need such as an outage, ice storm, or specialized expertise.

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- 6.1.1.** Management approval is required for an employee's eligibility to loan.
- 6.1.2.** The loaned employee will record his/her time in his/her time reporting system using the department and/or BU charge fields to specify the borrowing department and/or borrowing BU.
- 6.1.3.** Additionally, the loaned employee must charge the appropriate project code on his/her timesheet. If unsure of the project code, the loaned employee should ask his/her supervisor or Finance Business Partners representative for the proper project code to charge.
- 6.1.4.** The borrowing department and/or BU will incur the payroll and related payroll allocated costs (benefits, payroll taxes, non-productive loading, and certain incentive compensation) associated with the loaned labor. The home department and/or BU will not incur any labor related costs resulting from the loaned labor costs billed to the borrowing department and/or BU.
- 6.1.5.** Special pricing considerations are necessary when an employee of one of Entergy's Franchised Public Utilities or Regulated Service Companies provides loaned labor to one of Entergy's Non-Utility Affiliates or Non-Regulated Service Companies and vice versa. Refer to the pricing guidance in the Entergy Accounting Policies & Procedures – Affiliate Transactions for detailed pricing requirements.
- 6.2.** **Transportation** - Loaned transportation is the process by which the costs associated with the physical use of a vehicle are recorded to the department (borrowing department) and/or BU (borrowing BU) that used the vehicle. Transportation costs include direct lease costs, fuel, other contract work, and transportation shop overhead costs.
 - 6.2.1.** Loaning of transportation occurs when a vehicle, assigned to a home BU and home department, is utilized to provide services to a borrowing department and/or borrowing BU.
 - 6.2.2.** The employee responsible for recording usage data must enter the appropriate code block necessary for the loaned transaction into their time reporting system. Project codes may be utilized in the transportation process but are not always required.
 - 6.2.3.** Power Generation and Nuclear vehicle loaning is recorded in Cyndrus Fleet. The appropriate code block necessary for the loaned transaction must be entered into Cyndrus Fleet. Project codes may be utilized in the transportation process but are not always required.

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6.3. Materials and Supplies - Loaned materials and supplies is the process by which physical control over materials by one BU (home BU) is transferred to another BU (borrowing BU) via a request process. This may occur via an inventory transfer or a direct purchase transaction. Materials issued between departments of the same BU are not considered loaned. Employees should refer to the Entergy System Policies & Procedures – Procurement for materials and supplies approval policies as well as the Entergy Accounting Policies & Procedures – Inventory, Materials & Stores Accounting.

- 6.3.1.** For loaned inventory items, the loaned transaction is processed through Enterprise Asset Management (EAM) Application. A request is made to transfer or issue an item from the home (owning) BU into the control of the borrowing (receiving) BU via EAM Application. When the loaned materials are removed from the borrowing BU's inventory, an M&S loader will be applied through a journal entry using the borrowing BU's M&S rate. This journal entry will record the loader as well as the intercompany payables and receivables created by the loader. The home BU's M&S cost pool will be reduced at an amount based on its M&S rate via a journal entry which moves these costs to the borrowing BU's overhead pool.
- 6.3.2.** Loaning of direct purchase items can occur via a direct purchase in which the home BU purchases an item on behalf of the borrowing BU. The home BU, utilizing EAM Application, sets up a purchase order, records the liability to the vendor, records a receivable from the borrowing BU, and pays the invoice. The borrowing BU, through the EAM Application, records the expense and records a payable to the home BU and takes physical control over the materials and supplies. Loaders will be applied in the same manner as cross company issue of inventory noted in 6.3.1.
- 6.3.3.** Project codes are required on capital purchases but are not required on all material and supplies purchases.
- 6.3.4.** Special pricing considerations are necessary when a transfer of materials is made by one of Entergy's Franchised Public Utilities or Regulated Service Companies to an Entergy Non-Utility Affiliate or Non-Regulated Service Company or vice versa. Refer to the pricing guidance in the Entergy System Accounting Policies & Procedures – Affiliate Transactions for detailed pricing requirements.

7.0 ATTACHMENTS

None

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Subject Matter Expert: George Adams Matthew Biri	Responsible Officer: Reginald Jackson	Approved By: Kimberly Fontan	

I. POLICY SUMMARY

- This Loaning of Assets – Capitalized Non-Power Goods Policy (Policy) sets forth the principles and procedures for any Entergy Franchised Public Utility to loan its Capitalized Non-Power Goods to any Entergy Non-Utility Affiliate. This Policy does not address the loaning of Capitalized Non-Power Goods from Entergy's Non-Utility Affiliates to Entergy's Franchised Public Utilities.
- This Policy outlines a process by which there may be loans consistent with the pricing requirements between each Entergy Franchised Public Utility and each Entergy Non-Utility Affiliate for the loaning of Capitalized Non-Power Goods, specifically property, plant, and equipment.
- Capitalized Non-Power Goods may be loaned temporarily. The temporary loaning period is typically not expected to exceed 90 days.
- Affiliate transactions are governed by multiple regulatory bodies. If contemplating a loaning transaction, an employee shall refer to this Policy as well as the following: Entergy Accounting Policies and Procedures -- Affiliate Transactions.
- Department managers are responsible for ensuring that appropriate project, department and business unit codes are used for loaning transactions of all types.
- Questions about loaned Capitalized Non-Power Goods transactions shall be referred to Nuclear Site Finance Business Partners or Property Accounting.
- **Please refer to the following detailed Policy for further information.**

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II. DETAILED POLICY

1.0 PURPOSE AND APPLICABILITY

The purpose of accounting for Capitalized Non-Power Goods loaning transactions is to properly account for the value of the service of loaning capitalized non-power goods from a Franchised Public Utility (FPU) to a Non-Utility Affiliate (NUA). This Policy applies to transactions in which Entergy's Regulated FPUs loan capitalized non-power goods to Entergy's Non-Regulated NUAs.

As required by the Federal Energy Regulatory Commission (FERC), and other state and local affiliate transactions regulations, non-power goods and services transactions, when provided by a FPU to a NUA, shall be priced at the higher of cost or market.

This Policy outlines a process for pricing loan transactions to provide terms and conditions among Entergy's FPUs and Entergy's NUAs for the purpose of loaning Capitalized Non-Power Goods by a FPU to a NUA.

Capitalized Non-Power Goods may be loaned temporarily. The temporary loaning period is typically not expected to exceed 90 days. A NUA shall return any loaned goods within 15 days of request by the FPU that owns the loaned non-power good(s).

This Policy does not address the loaning of Capitalized Non-Power Goods from Entergy's NUAs to Entergy's FPUs. With respect to loaning transactions from a NUA to a FPU, the direct costs associated with the service of loaning of assets shall comply with the Entergy System Accounting Policy - Loaning of Labor, Transportation, and/or Materials.

THIS POLICY APPLIES TO ANY AND ALL EMPLOYEES OF ANY ENERGY SYSTEM COMPANY, UNLESS OTHERWISE EXPRESSLY EXCLUDED, AS WELL AS AGENTS AND CONTRACTORS OF ANY ENERGY SYSTEM COMPANY.

THIS POLICY COVERS EMPLOYEES WHO ARE REPRESENTED BY A UNION, EXCEPT THAT ANY CONFLICTING TERMS OF EMPLOYMENT IN A COLLECTIVE BARGAINING AGREEMENT OR OTHER AGREEMENT REACHED WITH THE UNION(S) SHALL CONTROL.

NOTHING CONTAINED IN THIS POLICY SHOULD BE CONSTRUED TO SUGGEST THAT EMPLOYEES OF A PARTICULAR SUBSIDIARY OR AFFILIATE OF ENTERGY CORPORATION ARE ALSO EMPLOYEES OF ENTERGY CORPORATION OR ANY OTHER AFFILIATE OR SUBSIDIARY OF ENTERGY CORPORATION. MOREOVER, THIS POLICY DOES NOT CREATE ANY EMPLOYMENT RELATIONSHIP BETWEEN ANY PERSON AND ANY ENERGY SYSTEM COMPANY, NOR DOES THIS POLICY CONFER ANY CONTRACTUAL RIGHT TO ANY PERSON TO BECOME OR REMAIN AN EMPLOYEE OF ANY ENERGY SYSTEM COMPANY.

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2.0 REFERENCES AND CROSS REFERENCES

- 2.1 FERC Order No. 707 and 707A**, 18 CFR Part 35, Docket No. RM07-15-000
- 2.2 Entergy System Policies & Procedures**
 - Accounting
 - Affiliate Interactions
 - Approval Authority
 - Discipline
 - Procurement
 - Reporting Violations
- 2.3 Entergy System Accounting Policies and Procedures**
 - Affiliate Transactions
 - Loaning of Labor, Transportation, and/or Materials

3.0 DEFINITIONS

- 3.1 Capitalized Non-Power Goods** – Property, plant, and equipment accounted for as an asset, whether installed or held as a capital spare, excluding those used in the direct production of electricity.
 - 3.1.1** As defined in FERC Order No. 684, “Goods means any goods, equipment (including machinery), materials, supplies, appliances, or similar property (including coal, oil, or steam, but not including electric energy, natural or manufactured gas, or utility assets) which is sold, leased, or furnished, for a charge.”
- 3.2 Franchised Public Utility (FPU)** – Regulated utilities that have captive customers (retail or wholesale ratepayers). Entergy's affiliates classified as FPUs under this Policy include: Entergy Arkansas, LLC, Entergy New Orleans, LLC, Entergy Louisiana, LLC, Entergy Texas, Inc., Entergy Mississippi, LLC, and System Energy Resources, Inc.
- 3.3 Non-Utility Affiliate (NUA)** – Non-regulated business units that do not have captive customers, including market-regulated power sales affiliates (does not include service companies, such as Entergy Enterprises, Inc. or Entergy Nuclear Operations, Inc.)
 - 3.3.1** As defined in FERC Order 707, “Market-regulated power sales affiliate means any power seller affiliate other than a franchised public utility, including a power marketer, exempt wholesale generator, qualifying facility or other power seller affiliate, whose power sales are regulated in whole or in part on a market-rate basis.”

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4.0 RESPONSIBILITY

- 4.1** The **Chief Accounting Officer** has the responsibility for developing policies which govern financial transactions between Entergy's affiliated companies.
- 4.2** **Nuclear Site Finance Business Partners** – Maintain records related to asset loaning between Nuclear units/sites; calculate and record the transactions as described herein. Establish internal policies, controls and procedures related to loaned Capitalized Non-Power Goods.
- 4.3** **Property Accounting** – Maintain list of depreciation rates for each FPU, as needed for the calculation of expense. Provide support for determination of original cost of Capitalized Non-Power Goods used in the calculation of rental expense described in Section 4.2. Provide support for the accounting entries associated with non-nuclear capital asset loaning transactions

5.0 DETAILS

See Section 6.0

6.0 PROCEDURES

- 6.1** Prior to the loan of Capitalized Non-Power Goods from a FPU to a NUA, the owning department and/or the corporate staff shall document the following:
 - the description, quantity, serial numbers, and state of operability of the major component assemblies of the loaned goods;
 - the monthly depreciation expense associated with the loaned goods;
 - the condition of loaned goods; and
 - the current ROE allowed by regulators to be earned on rate base by the owning FPU.
- 6.2** As prescribed by FERC Order No. 707 and 707-A, the affiliate transfer price of services provided by an FPU to a NUA shall be priced at the higher of cost or fair market value. Based on past experience, there is no accessible market rate for the service of loaned utility assets. However, to ensure that the FPUs earn a market level of return on the service, since the underlying asset is a part of the utility's rate base which has a calculated cost of capital, this Policy shall require the following return on equity calculation to increase the total charges for the service by the amount of the allowed market rate of return.
- 6.3** In order to comply with Entergy's FPUs' regulated pricing requirements for loaned capitalized non-power goods, a **monthly loaning rate** calculation has been established and shall be calculated as follows:
 - 6.3.1** **Step 1** – Determine the monthly depreciation expense of the loaned asset. Calculated by multiplying the original cost of asset by the current FPU's depreciation rate. See Section 4.3.

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- *If the asset's original cost is valued at zero, use a comparable asset's original cost as the basis for determination of monthly depreciation expense.*

6.3.2 Step 2 – Apply the 5% surcharge required by the Settlement Agreements between Entergy FPUs and retail regulators. Calculated by multiplying monthly depreciation expense by 5%.

6.3.3 Step 3 – Apply the FPU's allowed rate of return on equity (ROE) to the sum of the monthly depreciation expense and the 5% surcharge from Steps 1 and 2 above.

- *The ROE percentage used shall be based on each FPU's latest ROE, as disclosed in the most recent 10-K filing.*

6.3.4 The **monthly loaning rate** is calculated as follows: Monthly depreciation expense (Step 1) plus 5% surcharge (Step 2) plus the results of the ROE calculation (Step 3).

6.4 The monthly loaning rate for the service of loaning the Capitalized Non-Power Goods from the FPU to the NUA shall be calculated as described in Sections 6.2 and 6.3. above, and recorded via journal entries to the general ledger as Miscellaneous Revenue for the FPU and Rental Expense for the NUA.

6.4.1 The journal entries to record the monthly loaning rate by the FPU and the nuclear NUA or non-nuclear NUA are outlined below:

- FPU shall record a credit to revenue at Account 456: Other Electric Revenues and a debit to Account 146: Inter-Company Receivable.
- Entergy's nuclear NUAs shall record a debit to Rent Expense at Account 524: Miscellaneous Nuclear Power Expenses, and a credit to Account 234000: Inter-Company Payable. If the expense is incurred as part of an outage, the expense may be recorded to specific outage project and the account shall be derived based on the outage project criteria.
- Entergy's non-nuclear NUAs shall contact this Policy's subject matter expert, as loaning by FPUs to non-nuclear NUAs shall be accounted for under the terms of this Policy on a case by case basis.

6.4.2 The monthly loaning rate shall be recorded for each month of the loaning period.

6.4.2.1. The loaning period begins on the date of the physical removal of the loaned goods from the FPU's site and ends on the date of the physical return of the loaned goods to the FPU's site.

6.4.2.2. For partial months, a daily rate shall be calculated and applied. [Daily rate calculated as total monthly loaning rate / # of days in month.]

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- 6.4.3.** See Attachment 1: Example of Journal Support to be included in journal to record revenues and expenses associated with the loaning of Capitalized Non-Power Goods.
- 6.5.** Out-of-pocket expenses including, but not limited to, contracting, packaging, loading, shipping, receiving, unloading, unpackaging, insurance, maintenance, transportation, invoicing, etc., are to be paid directly by the borrower or are to be reimbursed to the owner by way of the current affiliate loaning process (see reference at Section 2.3 of this Policy).
- 6.6.** The expense of any additional repairs or maintenance on the goods while in the possession of the borrower, or necessitated as the result of the borrower's use, shall be borne by the borrower. Any irreparable damages to the goods while in possession of the borrower or in transport to or from the loaning department location shall be replaced 'like-for-like' at the expense of the borrower.
- 6.7.** FPU and NUA representatives shall inspect all goods and document their condition at the time of shipment and delivery. Documentation of any damages shall be noted and forwarded to the loaning department location prior to the use of the goods. Goods shall be returned in the same quantity and in the same or better working/operating condition as when they were received.
- 6.8.** Capitalized Non-Power Goods shall be returned within 15 days upon notification from the owner or after use. The temporary loaning period is typically not expected to exceed 90 days. The costs of transporting the goods to and from the borrower's location shall be borne by the borrower.
- 6.9.** Selling, leasing, renting, loaning or otherwise conveying ownership or use of any goods to a third party is prohibited.

7.0 ATTACHMENTS

Attachment I: Example of Journal Support

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Attachment I: Example of Journal Support

CAPITALIZED NON-POWER GOODS LOAN AGREEMENT

This loan agreement is established to provide terms and conditions between an Entergy Franchised Public Utility and a Non-Utility Affiliate for the purpose of loaning Capitalized Non-Power Goods, as described herein, by a Franchised Public Utility to a Non-Utility Affiliate.

Description of Capitalized Non-Power Good Loaned	Project E1PPVALVE2 - 2C Valve		
Loaning Business Unit:	A0000	Original Cost of Asset:	\$60,000.00
Borrowing Business Unit:	7R000	Depreciation Rate:	5.00%
Duration of Loan (Days):	49	ROE:	9.75%
Market Rate as calculated for duration of loan:			\$470.55

Prior to such loan, the owning station and/or the corporate staff shall document the following:

- (1) the quantity, serial numbers, and state of operability of the major component assemblies of the capitalized non-power goods;
- (2) the monthly depreciation expense associated with the loaned goods;
- (3) the current ROE allowed by regulators to be earned on rate base by the owning Utility.

The value of the service of the loaning shall consist of:

- (1) The higher of cost + 5% or fair market value, as calculated for the duration of the loan period.
- (2) Out-of-pocket expenses such as, but not limited to, contracting, packaging, loading, shipping, receiving, unloading, unpackaging, insurance, maintenance, transportation, invoicing, etc., are to be paid directly by the borrower or are to be reimbursed to the owner by way of the affiliate loaning process.

The expense of any additional repairs or maintenance on the equipment while in the possession of the borrower, or necessitated as the result of the borrower's use, shall be borne by the borrower. Any irreparable damages to the equipment while in possession of the borrowing station or in transport to or from the loaning station shall be replaced 'like-for-like' at the expense of the borrower.

Representatives of each business unit shall inspect all items and document their condition at the time of shipment and delivery. Documentation of any damages shall be noted and forwarded to the loaning station prior to the use of the equipment. Goods shall be returned in the same quantity and in the same or better working/operating condition as when it was received.

Goods shall be returned within 15 days upon notification from the owner or after use. The temporary loaning period is typically not expected to exceed 90 days. The costs of transporting the equipment to and from the borrower's station shall be incurred by the borrower.

Selling, leasing, renting, loaning or otherwise conveying ownership or use of any equipment to a third party is prohibited.

SETTLEMENT AGREEMENT

This Settlement Agreement, by and between Entergy Corporation ("Entergy"),¹ the Arkansas Public Service Commission ("APSC"), the Mississippi Public Service Commission ("MPSC"), and the Council for

¹ For purposes of this Agreement, except as the context otherwise dictates, the term "Entergy" shall mean the entire Entergy holding company system, including but not limited to the registered holding company, the nonregulated businesses (as defined herein), and the regulated utilities (as defined herein).

the City of New Orleans ("Council"), provides as follows:

Whereas, Entergy has proposed several investments in foreign utility operations and in demand-side management products and services before the Securities and Exchange Commission ("SEC");³

Whereas, the APSC, MPSC, and Council have filed pleadings in opposition to Entergy's proposed investments cited above;

Whereas, Entergy and the APSC, MPSC, and Council have agreed to a set of conditions appropriate for the SEC's incorporation in its orders approving Entergy's proposed investments cited above;

Whereas, the APSC, MPSC and Council have agreed to withdraw their respective oppositions, based upon the SEC's incorporation of the agreed-upon conditions in its orders approving Entergy's proposed investments cited above;

Whereas, the Louisiana Public Service Commission ("LPSC") has

³ Entergy Corporation, et al. Docket No. 70-7947 (filed March 31, 1992, proposing the formation of a new subsidiary to engage in the energy management service business and to conduct related transactions with Systems and Service International, Inc.); Entergy Corporation, et al., Docket No. 70-8003 (filed May 1, 1992) (proposing to acquire an interest in the Costanera electric generating facility in Argentina and related transactions); and Entergy Corporation, et al., Docket No. 70-8010 (filed June 16, 1992) (proposing to acquire an interest in the Edesur electric distribution facilities in Argentina and related transactions).

filed a withdrawal of the LPSC's earlier request for intervention with respect to SEC Docket No. 70-8002;

Therefore, in light of the foregoing, it is agreed by and between Entergy, the APSC, MPSC, and Council that the following conditions will be incorporated into the SEC's orders approving Entergy's proposed investments as outlined herein:

1. Entergy shall ensure that the state regulatory commissions³ have access to books and records of Entergy and each of its affiliates and subsidiaries including the Entergy participant in joint ventures⁴, with respect to matters and activities that relate to retail electric rates. Administratively, requests for such books and records made by the state regulatory commissions, their staff or their authorized agents shall be presumed to be valid, material and relevant, subject

³ For purposes of this Agreement, the term "state regulatory commission" shall mean any unit of state government with final administrative authority over the rates for retail sale of electricity charged by an operating public utility subsidiary of Entergy, which unit through an authorized representative has either executed this Agreement or filed a written statement with the SEC setting forth such unit's acquiescence to the terms of this Agreement.

⁴ For purposes of this Agreement, the term "joint venture" shall mean any participation through investment, ownership, or control, by Entergy in any nonregulated business (as defined herein), either within the United States or outside the United States, irrespective of the ownership structure of, or form of participation in, such business.

to a showing by Entergy to the contrary. Any objections to such requests shall be timely raised before the administrative law judge or assigned commissioner in the proceeding in which such objections arise. In order to sustain an objection to such a request, respondents shall have the burden of showing that the request is not reasonably related to any issue properly before the state regulatory commission and, further, it is not reasonably calculated to result in the discovery of admissible evidence in the proceeding. The state regulatory commissions agree to grant, subject to applicable provisions of state law, any protective order requested by Entergy and necessary to protect the confidentiality of commercially sensitive or competitive information produced in accordance with this paragraph. Nothing in this paragraph shall limit the existing authority of state regulatory commissions with respect to the performance of audits.

2. Entergy and each of its subsidiaries and affiliates, including the Entergy participant in joint ventures, shall employ accounting and other procedures and controls related to cost allocations and transfer pricing to ensure and facilitate full review by the state regulatory commissions, and to protect against cross-subsidization of nonregulated businesses¹ by

¹ For purposes of this Agreement, the term "nonregulated business" shall include Entergy Power, Inc., Entergy Enterprises, Inc., and such other subsidiaries and affiliates as Entergy shall create which are not domestic regulated electric utilities primarily engaged in the

Entergy's retail utility customers. A charge of five-percent⁶ will be applied to the cost of services provided to nonregulated businesses by regulated utilities.⁷ Notwithstanding the foregoing, the transfer from a regulated utility to a nonregulated business or to Entergy of generating assets, fuel and fuel-related assets, and real property and improvements exceeding a fair market value of \$100,000 will be priced at market value, unless such pricing method is detrimental to ratepayers. Entergy shall use its best efforts to support the pricing methods established in this paragraph before the SEC. However, in the event the SEC declines to approve such pricing, the SEC pricing method shall be applicable, and the state regulatory commissions shall retain whatever authority they may have to regulate the transfer of

business of selling electric energy at retail or at wholesale to affiliates or are not primarily engaged in the business of providing services or goods to regulated electric utility affiliates.

- ⁶ For purposes of this Agreement the five percent charge is intended to recover unquantifiable costs with respect to the provision of services to nonregulated businesses so as to ensure that all costs related to provision of such services are charged to such businesses.
- ⁷ For purposes of this Agreement, the term "regulated utility" shall include New Orleans Public Service Inc., Louisiana Power & Light Company, Arkansas Power & Light Company, Mississippi Power & Light Company, Entergy Operations, Inc., System Fuels, Inc., System Energy Resources, Inc., and Entergy Services, Inc., and such other similar subsidiaries as Entergy shall create whose activities and operations are primarily related to the domestic sale of electric energy at retail or at wholesale to affiliates, or the provision of services or goods thereto.

services and jurisdictional utility assets, including the authority to establish the reasonable value of such services and assets for ratemaking purposes, based upon substantial evidence. Nothing in this paragraph shall affect or govern the transfer or transfer price of utility assets which are not included or not to be included in retail rates.

3. Entergy and each of its subsidiaries and affiliates including the Entergy participant in joint ventures shall keep their books in a manner consistent with generally accepted accounting principles and, where appropriate, consistent with the Uniform System of Accounts of the Federal Energy Regulatory Commission.
4. Upon request by a state regulatory commission, subject to appropriate rules of procedure and notice for such appearances, the nonregulated businesses and/or Entergy Services, Inc. shall make available to appear and testify in state regulatory and administrative or judicial proceedings, an officer or employee who has actual knowledge and/or decisionmaking authority with respect to nonregulated business transactions asserted to have an effect upon retail electric rates when such testimony and appearance is reasonably related to the exercise by the relevant administrative or judicial body of its jurisdiction with respect to matters and activities that relate to retail electric rates. Nothing in

this paragraph shall limit the existing authority of state regulatory commissions to compel the testimony and appearance of officers and employees of the utility operating companies and their affiliates and subsidiaries.

5. Entergy shall furnish the state regulatory commissions with:

- a. The quarterly and annual consolidated financial statements including, but not limited to, Balance Sheet, Income Statement, Statement of Cash Flow and related notes to the financial statements of Entergy, including consolidating subsidiary schedules of Entergy and its subsidiaries and affiliates;
- b. Annual statements concerning the nature of intercompany transactions concerning Entergy and a description of the basis upon which cost allocations and transfer pricing have been established in these transactions, including the report of independent accountants thereon;
- c. The balance sheets and income statements of the nonconsolidated subsidiaries, affiliates and Entergy participants in joint ventures;
- d. All required reports filed by Entergy with the SEC; and

- e. Entergy shall submit by June 30, 1994, if requested by the state regulatory commissions, an audit of all affiliated transactions among Entergy, its regulated utilities and its nonregulated businesses for the calendar years 1992 and 1993, to be performed by an outside auditing firm which shall be selected and supervised by state regulatory commissions, and to be paid for by Entergy. Thereafter, periodic reviews of such affiliated transactions will be performed at the direction of the participating regulators. Entergy shall furnish all books and records as described in paragraph 1. The selection of an audit firm and scope and funding of reviews is to be agreed to by Entergy and the state regulatory commissions, and the audit will be based upon audit workpapers of Entergy's auditors. Entergy shall make available company officials at the respective official's usual place of business, as necessary, to discuss the audit.
- f. Entergy and its regulated utilities shall avoid a diversion of management talent that would adversely affect its regulated utilities. Entergy shall also provide to state regulatory commissions an annual report identifying nonclerical personnel transferred from a regulated utility to any of Entergy's nonregulated businesses. Entergy Services, Inc. shall designate an employee who shall be responsible for coordination of all requests for affiliate

services and transactions.

7. Entergy shall notify the state regulatory commissions in writing thirty (30) days prior to any transfer to Entergy or its nonregulated businesses by any regulated utility of any generating assets, fuel or fuel-related assets, or real property and improvements exceeding a fair market value of \$100,000, whether or not considered by the regulated utility to be necessary or useful in the performance of its public utility obligations.
8. Market, technological, or similar data transferred, directly or indirectly, from a regulated utility to a nonregulated business for use by such nonregulated business shall be transferred at market value, subject to SEC approval, unless such pricing method is detrimental to ratepayers. This condition will ensure that the regulated utility is compensated and that ratepayers are indifferent to the transaction. Entergy shall use its best efforts to support the pricing methods established in this paragraph before the SEC. However, in the event the SEC declines to approve such pricing, the SEC pricing method shall be applicable, and the state regulatory commissions shall retain whatever authority they may have to regulate the transfer of jurisdictional utility assets, including the authority to establish the reasonable value of such assets

for ratemaking purposes, based upon substantial evidence.

9. Entergy shall give first priority in the allocation of resources to the capital requirements of the regulated utilities, as determined to be necessary to meet their obligations to serve.

10. On a quarterly basis, Entergy shall provide the state regulatory commissions with a report detailing the regulated utilities' proportionate share of Entergy's i) total consolidated assets; ii) total consolidated operating revenues; iii) total operating and maintenance expense; and iv) total consolidated number of employees. The state regulatory commissions agree to grant, subject to applicable provisions of state law, any protective order requested by Entergy and necessary to protect the confidentiality of commercially sensitive or competitive information produced in accordance with this paragraph.

11. Where product rights, patents, copyrights, or similar legal rights are transferred from a regulated utility to Entergy or any of its nonregulated businesses a royalty payment may be required to ensure that ratepayers receive appropriate compensation. Such royalty payments shall be developed on a case-by-case basis. If a regulated utility develops a product which is subsequently marketed by a

nonregulated business, all profits on the sale of the product shall be split 50-50 between the regulated utility which is responsible for developing the product and the nonregulated business, after deducting all costs, including the costs for marketing such product. Entergy shall use its best efforts to support the pricing methods established in this paragraph before the SPC. However, in the event the SPC declines to approve such pricing, the SPC pricing method shall be applicable, and the state regulatory commissions shall retain whatever authority they may have to regulate the transfer of jurisdictional utility assets, including the authority to establish the reasonable value of such assets for ratemaking purposes, based upon substantial evidence. Service to support the product, if required, shall be billed as a service to the nonregulated business.

12. No procurement with a fair market value in excess of \$100,000 shall be made by a regulated utility from a nonregulated business except through competitive bidding processes or as otherwise authorized by an appropriate state regulatory commission.

**ENTERGY SYSTEM
POLICIES & PROCEDURES**

Page 1 of 5

Title: AFFILIATE INTERACTIONS		Last Revision: 9/23/2021	Rev. 9.2
Subject Matter Expert: Kathryn Ann Washington		Responsible Officer: Marcus V. Brown	Approved By: Corporate Compliance Committee

I. POLICY SUMMARY

- Federal, state, and local laws and regulations govern interactions between an Entergy System Company engaged in utility operations and an Entergy System Company engaged in competitive operations.
- Federal rules address interactions between regulated Transmission Function Employees and Marketing Function Employees.
- Federal rules also address interactions between an Entergy System Company engaged in utility operations and a Market-Regulated Power Sales Affiliate.
- This Policy provides general guidance on how to comply with such federal, state, and local laws, rules and regulations.
- Employees contemplating an affiliate interaction should contact Legal or Ethics & Compliance and ensure the interaction is reviewed for potential financial, legal, and regulatory issues before it is consummated. In some cases, regulatory agencies may require reporting of information relating to, or advance approval of, interactions.
- All employees, agents and contractors of Entergy shall immediately report known, suspected or potential violations of this Policy by following the procedures described in the Reporting Violations Policy.
- **Please refer to the following detailed Policy for further information.**

Title: AFFILIATE INTERACTIONS

Last Revision: 9/23/2021

Rev. 9.2

II. DETAILED POLICY

1.0 PURPOSE AND APPLICABILITY

This Policy generally addresses legal requirements pertaining to (a) interactions involving Regulated Utility operations and competitive operations; (b) interactions involving Transmission Function Employees and Marketing Function Employees; and (c) interactions involving Regulated Utility operations and a Market-Regulated Power Sales Affiliate. This Policy provides general guidance on how best to ensure compliance with the legal requirements.

THIS POLICY APPLIES TO ANY AND ALL EMPLOYEES OF ANY ENERGY SYSTEM COMPANY, UNLESS OTHERWISE EXPRESSLY EXCLUDED, AS WELL AS AGENTS AND CONTRACTORS OF ANY ENERGY SYSTEM COMPANY.

NOTHING CONTAINED IN THIS POLICY SHOULD BE CONSTRUED TO SUGGEST THAT EMPLOYEES OF A PARTICULAR SUBSIDIARY OR AFFILIATE OF ENTERGY CORPORATION ARE ALSO EMPLOYEES OF ENTERGY CORPORATION OR ANY OTHER AFFILIATE OR SUBSIDIARY OF ENTERGY CORPORATION. MOREOVER, THIS POLICY DOES NOT CREATE ANY EMPLOYMENT RELATIONSHIP BETWEEN ANY PERSON AND ANY ENERGY SYSTEM COMPANY, NOR DOES THIS POLICY CONFER ANY CONTRACTUAL RIGHT TO ANY PERSON TO BECOME OR REMAIN AN EMPLOYEE OF AN ENERGY SYSTEM COMPANY.

2.0 REFERENCES & CROSS REFERENCES

- 2.1** Various statutes, rules, regulations, restrictions, orders, settlement agreements, and internal codes and standards of conduct located, along with further information and compliance plans, at the FERC Compliance website at:

<https://entergy.sharepoint.com/sites/EthicsandCompliance/FERCCompliance/Pages/Home.aspx>

For greater detail, contact the Company's Legal Services Department or contact the Ethics & Compliance Department at HelpARC@entergy.com.

- 2.2 Entergy System Policies & Procedures - Reporting Violations**

- 2.3 Entergy System Policies & Procedures – Anticompetitive Behavior**

- 2.4 Entergy Accounting Policies**

2.4.1 Affiliate Transactions

2.4.2 Loaning of Labor, Transportation and/or Materials

2.4.3 Loaning of Assets – Capitalized Non-Power Goods

**ENTERGY SYSTEM
POLICIES & PROCEDURES**

Page 3 of 6

Title: AFFILIATE INTERACTIONS

Last Revision: 9/23/2021

Rev. 9.2

Title: AFFILIATE INTERACTIONS

Last Revision: 9/23/2021

Rev. 9.2

3.0 DEFINITIONS

- 3.1 Broker Power** – To negotiate or arrange, for compensation, the sale or purchase of wholesale electric energy between two or more parties. The brokering entity does not take title to the electric energy for which the subject transaction is arranged.
- 3.3 Business Event** – An interaction involving (a) an Entergy Regulated Utility and a competitive affiliate; (b) regulated Transmission Function Employees and Marketing Function Employees; or (c) an Entergy Regulated Utility and a Market-Regulated Power Sales Affiliate. Such interactions may include, but are not limited to: business transactions; a significant change of an existing business transaction; a transfer of personnel, information, or other assets; joint advertising/marketing; sharing of resources; and changes in legal structure.
- 3.3 Entergy, Entergy System Company, or Company** - Entergy Corporation, all of its subsidiaries and affiliates, and other entities in which Entergy Corporation has a direct or indirect majority ownership interest.
- 3.4 FERC** – Federal Energy Regulatory Commission.
- 3.5 Marketing Function Employee** – Any Entergy personnel who actively and personally engages on a day-to-day basis in the sale for resale, or offers for sale, in interstate commerce of electric energy or capacity, demand response, virtual transactions, or financial or physical transmission rights.
- 3.6 Market-Regulated Power Sales Affiliate** – Any Entergy affiliate or function engaged in the sale of power, other than a franchised public utility, including a power marketer, exempt wholesale generator, qualifying facility or other power sales affiliate, whose power sales are regulated in whole or part on a market-rate basis by the FERC.
- 3.7 Policy** - This Affiliate Interactions Policy.
- 3.8 Regulated Utility** – An Entergy public utility with a franchised service obligation under state or local law that provides electric energy under cost-based regulation to retail ratepayers, and System Energy Resources, Inc.
- 3.9 Transmission Function Employee** – Any Entergy personnel who actively and personally engages on a day-to-day basis in the planning, directing, organizing or carrying out of day-to-day transmission operations.
- 3.10 Transmission Function Information** – Any information relating to the planning, directing, organizing or carrying out of day-to-day transmission operations, including the granting and denying of transmission service requests.

Title: AFFILIATE INTERACTIONS	Last Revision: 9/23/2021	Rev. 9.2
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3.11 Transmission System Operations – The operation of facilities used for the provision of transmission service in interstate commerce.

4.0 RESPONSIBILITY

- 4.1 All officers, employees, agents and contractors** shall comply with this Policy and shall immediately report known, suspected or potential violations of this Policy by following the procedures described in the Reporting Violations Policy.
- 4.2 The Vice President, Ethics & Compliance** shall facilitate compliance with this Policy and shall interpret it with the assistance of the General Counsel.

5.0 DETAILS

- 5.1 Business Events between Regulated Utility Operations and Competitive Operations.** Various federal, state and local laws, regulations, and rules address Business Events between an Entergy System Company engaged in utility operations and an Entergy System Company engaged in competitive operations. In general, any such Business Events should be conducted in such a manner that it does not result in:
 - 5.1.1** The Regulated Utility's providing an unfair competitive advantage or undue preferential treatment to the competitive affiliate(s).
 - 5.1.2** The inappropriate transfer of regulated information from the utility to the competitive affiliate(s).
 - 5.1.3** Customers' being confused as to which entity is the utility and which is the competitive affiliate.
 - 5.1.4** A Regulated Utility's subsidizing its affiliates, whether a utility or a competitive affiliate.

- 5.2 Business Events between Transmission Function Employees and Marketing Function Employees.** FERC rules address Business Events involving Transmission Function Employees and Marketing Function Employees. The FERC rules:

- 5.2.1** Require Transmission Function Employees to function independently from Marketing Function Employees.
- 5.2.2** Require Transmission System Operations to treat all transmission customers, affiliated and nonaffiliated, on a not unduly discriminatory basis.

**ENERGY SYSTEM
POLICIES & PROCEDURES**

Page 6 of 6

Title: AFFILIATE INTERACTIONS	Last Revision: 9/23/2021	Rev. 9.2
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5.2.3 Restrict transfers of Transmission Function Information from any Entergy employee to Marketing Function Employees.

5.3 **Business Events between Regulated Utility and Market-Regulated Power Sales Affiliate.** FERC rules, and Entergy policy, address Business Events involving Entergy Regulated Utility operations and a Market-Regulated Power Sales Affiliate, as follows:

- 5.3.1** To the maximum extent practicable, Market-Regulated Power Sales Affiliate employees must operate separately from Regulated Utility employees.
- 5.3.2** Transfers of market information from a Regulated Utility to a Market-Regulated Power Sales Affiliate are restricted.
- 5.3.3** A Market-Regulated Power Sales Affiliate shall not Broker Power for a Regulated Utility.
- 5.3.4** A Regulated Utility shall not Broker Power for a Market-Regulated Power Sales Affiliate.

5.4 **Need for Reporting/Pre-approval.** Federal, state, or local regulatory agencies may require reporting of information relating to Business Events and pricing of transactions involved in a Business Event. In some cases, agencies may require advance approval of such Business Events and transaction pricing. Employees must follow the procedure specified in Section 6.1 below for contemplated Business Events that have not been previously reviewed.

6.0 PROCEDURES

6.1 **Contemplated Business Events.** Contemplated Business Events that may involve multiple companies within the Entergy corporate family, or that involve an Entergy System Company and any company in which an Entergy System Company has any ownership interest, even if less than majority interest must be reviewed for financial, legal, and regulatory effects before they are consummated. Employees shall contact a member of the FERC, Regulatory, or Corporate Sections of the Company's Legal Services Department or the Ethics and Compliance Department before decisions are made to enter such Business Events.

7.0 ATTACHMENTS

None.

ENTERGY ARKANSAS, LLC

MANUAL FOR COMPLIANCE WITH THE
ARKANSAS AFFILIATE TRANSACTION RULES

ATTACHMENT 4

NAMES AND ADDRESSES OF AFFILIATES

Entergy Arkansas, LLC
Names and Addresses of
Affiliates¹2022

Entergy Louisiana, LLC 4809 Jefferson Highway Jefferson, Louisiana 70121	Entergy Mississippi, LLC 308 East Pearl Street Jackson, Mississippi 39201
Entergy New Orleans, LLC 1600 Perdido Street New Orleans, Louisiana 70112	Entergy Nuclear Palisades, LLC 639 Loyola Avenue New Orleans, Louisiana 70113
Entergy Nuclear Operations, Inc. 1340 Echelon Parkway Jackson, Mississippi 39213	Entergy Services, LLC 639 Loyola Avenue New Orleans, Louisiana 70113
Entergy Operations, Inc. 1340 Echelon Parkway Jackson, Mississippi 39213	System Energy Resources, Inc. 1340 Echelon Parkway Jackson, Mississippi 39213
Entergy Texas, Inc. 350 Pine Street Beaumont, Texas 77701	Entergy Power Operations US, Inc. 2107 Research Forest Drive, The Woodlands, TX 77380

NOTE 1: In addition, EAL owns The Arkansas Power & Light Company, LLC, EAL had no transactions with this affiliate in 2022.

¹ List of affiliates with whom EAL had transactions during the 12 months ended 12/31/2022.

ENTERGY ARKANSAS, LLC

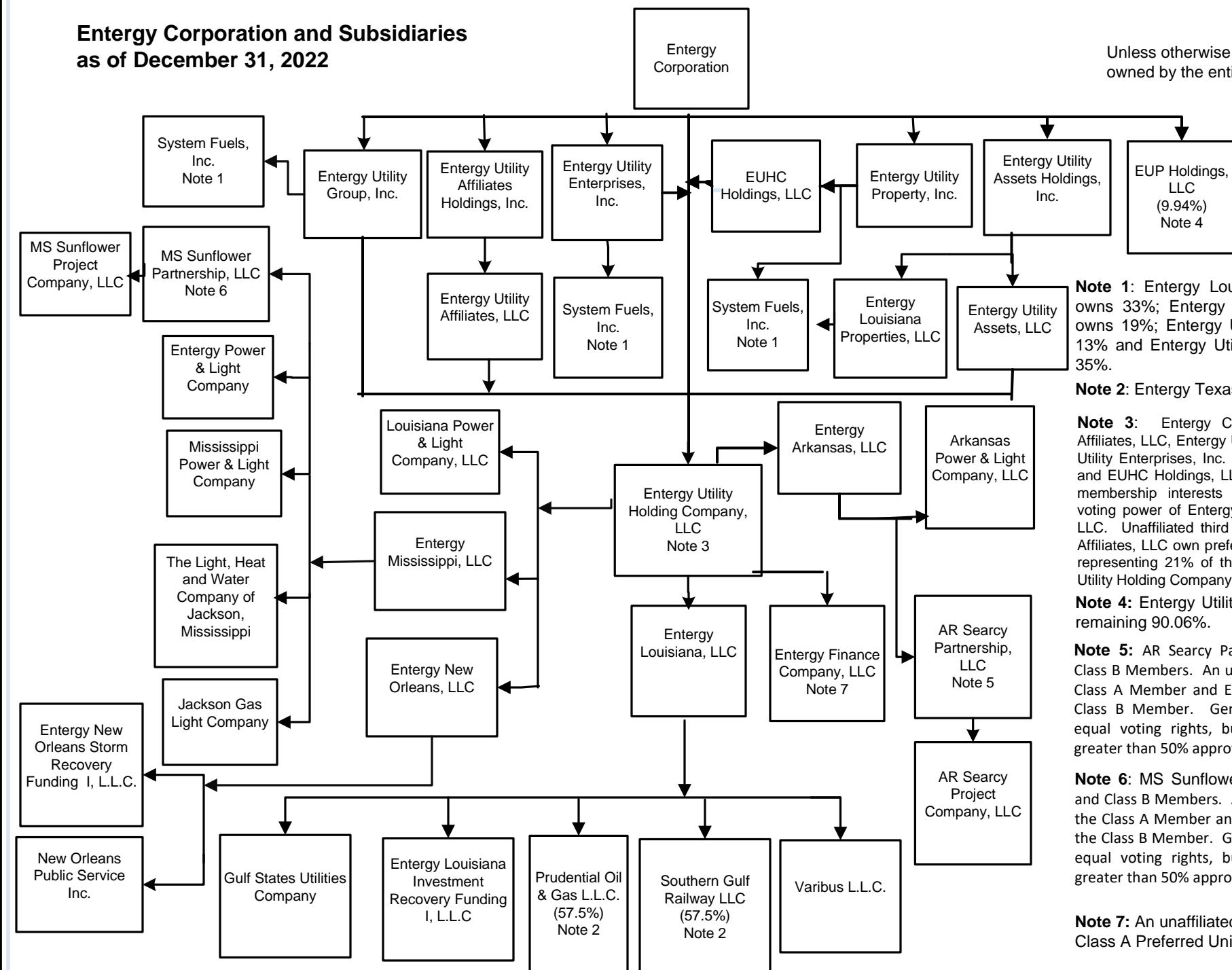
MANUAL FOR COMPLIANCE WITH THE
ARKANSAS AFFILIATE TRANSACTION RULES

ATTACHMENT 5

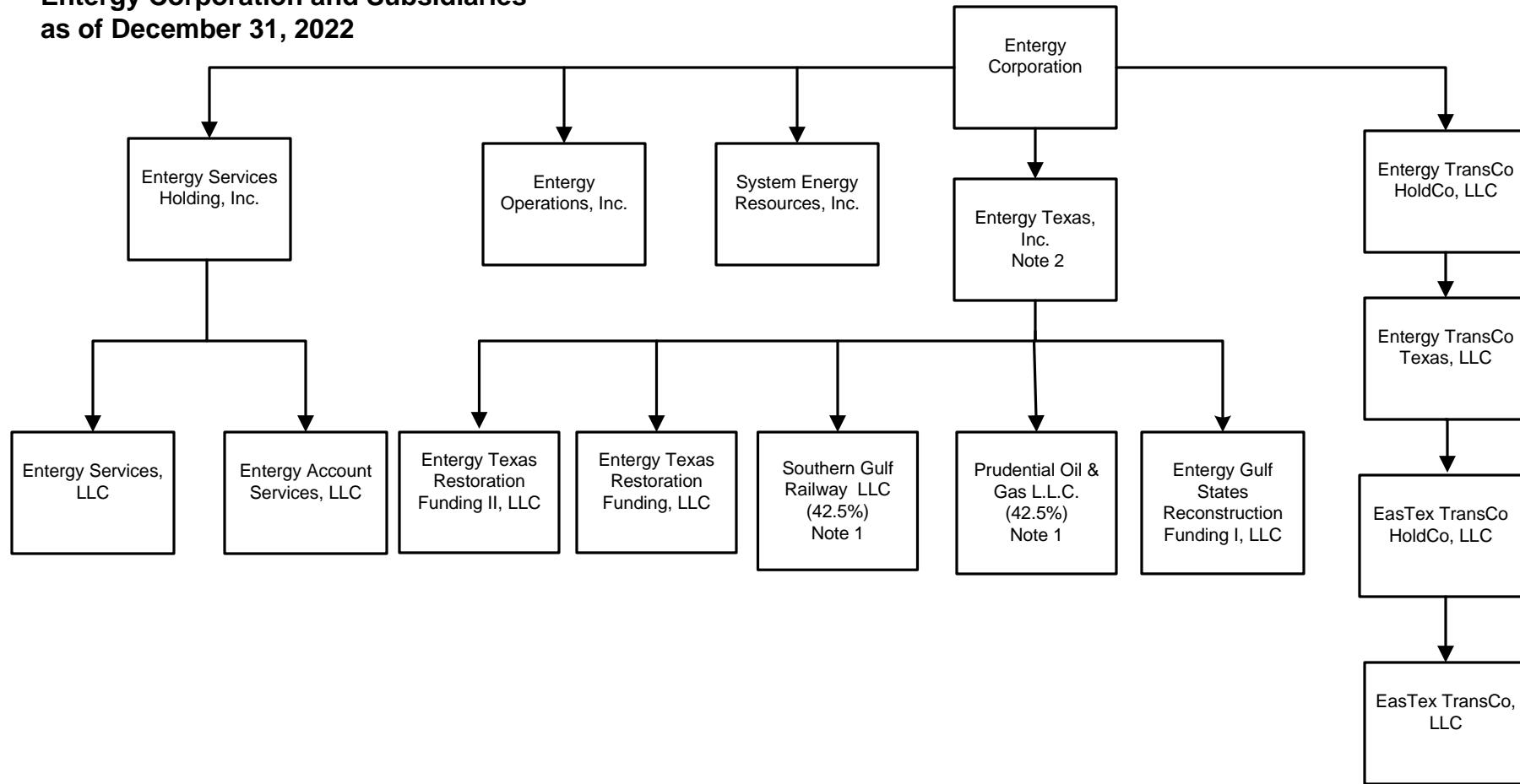
ORGANIZATIONAL CHARTS

Entergy Corporation and Subsidiaries as of December 31, 2022

Unless otherwise noted, an entity is 100% owned by the entity immediately above it.



**Entergy Corporation and Subsidiaries
as of December 31, 2022**

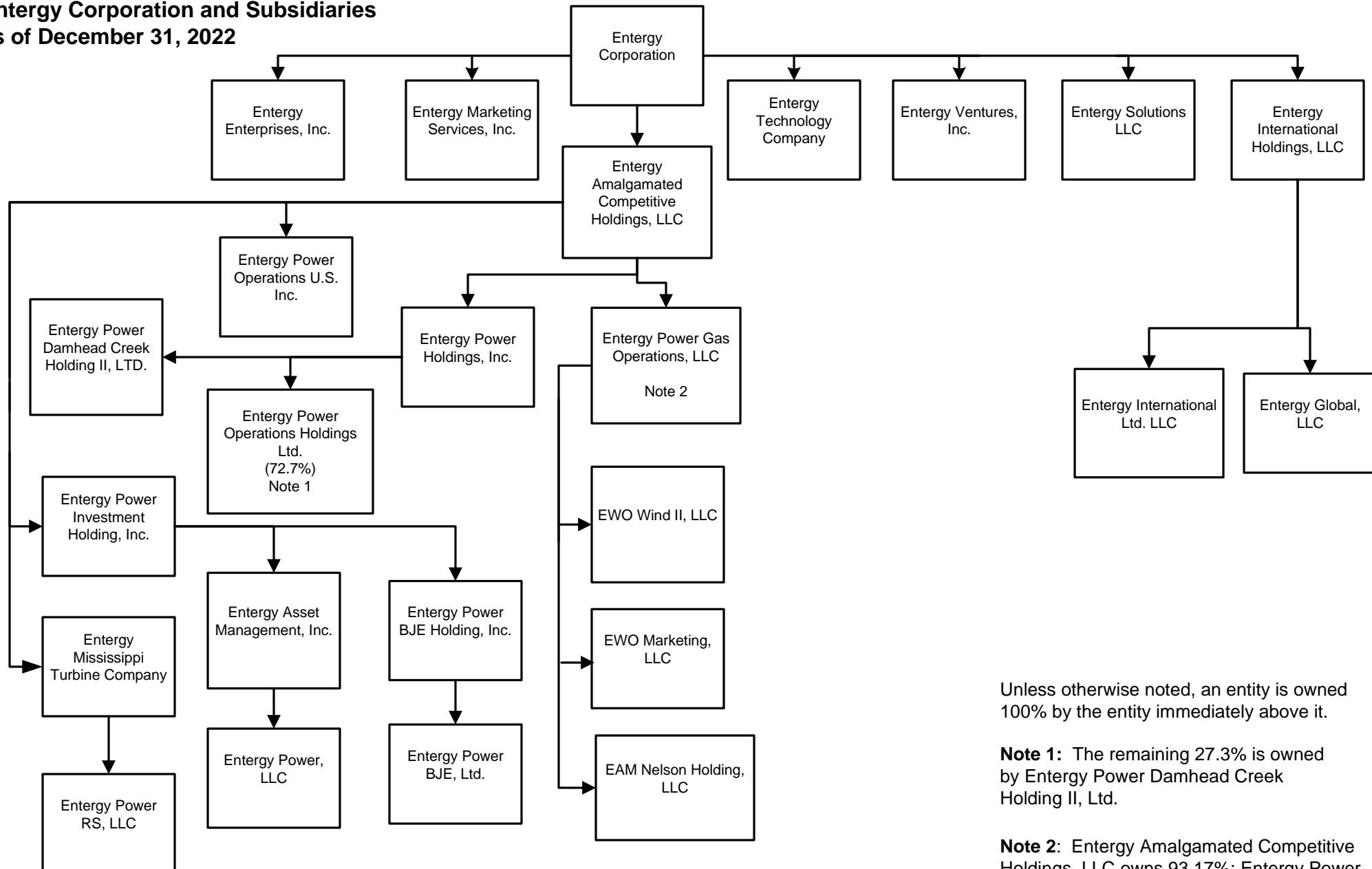


Unless otherwise noted, an entity is 100% owned by the entity immediately above it.

Note 1: Entergy Louisiana, LLC owns 57.5%.

Note 2: Unaffiliated third parties own Class A preferred stock, and Entergy Corporation owns Class B preferred stock, together representing 21% of the voting power of Entergy Texas, Inc.

**Entergy Corporation and Subsidiaries
as of December 31, 2022**



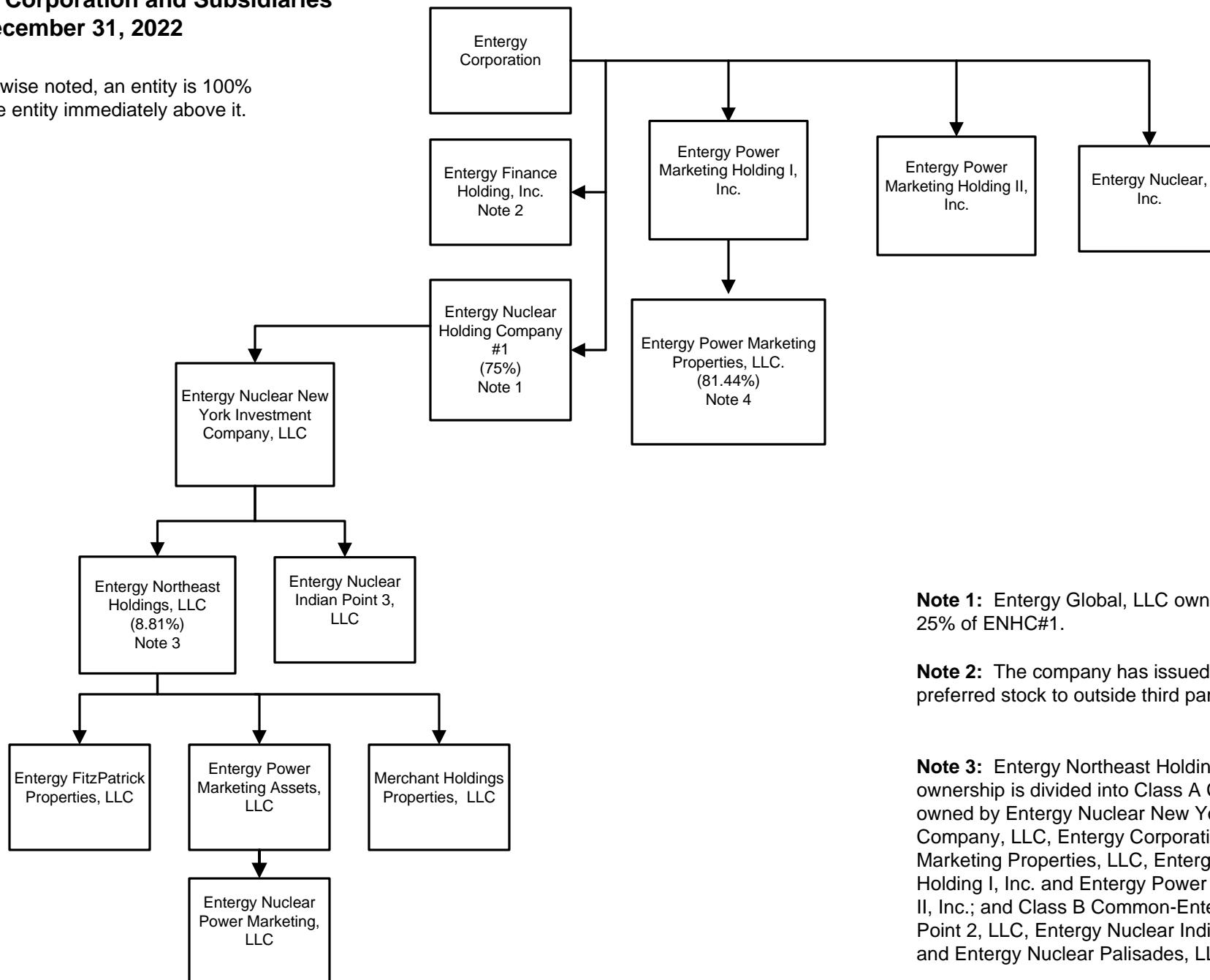
Unless otherwise noted, an entity is owned 100% by the entity immediately above it.

Note 1: The remaining 27.3% is owned by Entergy Power Damhead Creek Holding II, Ltd.

Note 2: Entergy Amalgamated Competitive Holdings, LLC owns 93.17%; Entergy Power BJE Holding, inc.. owns 5.02%; and Entergy Asset Management, Inc. owns 1.81%.

Entergy Corporation and Subsidiaries as of December 31, 2022

Unless otherwise noted, an entity is 100% owned by the entity immediately above it.



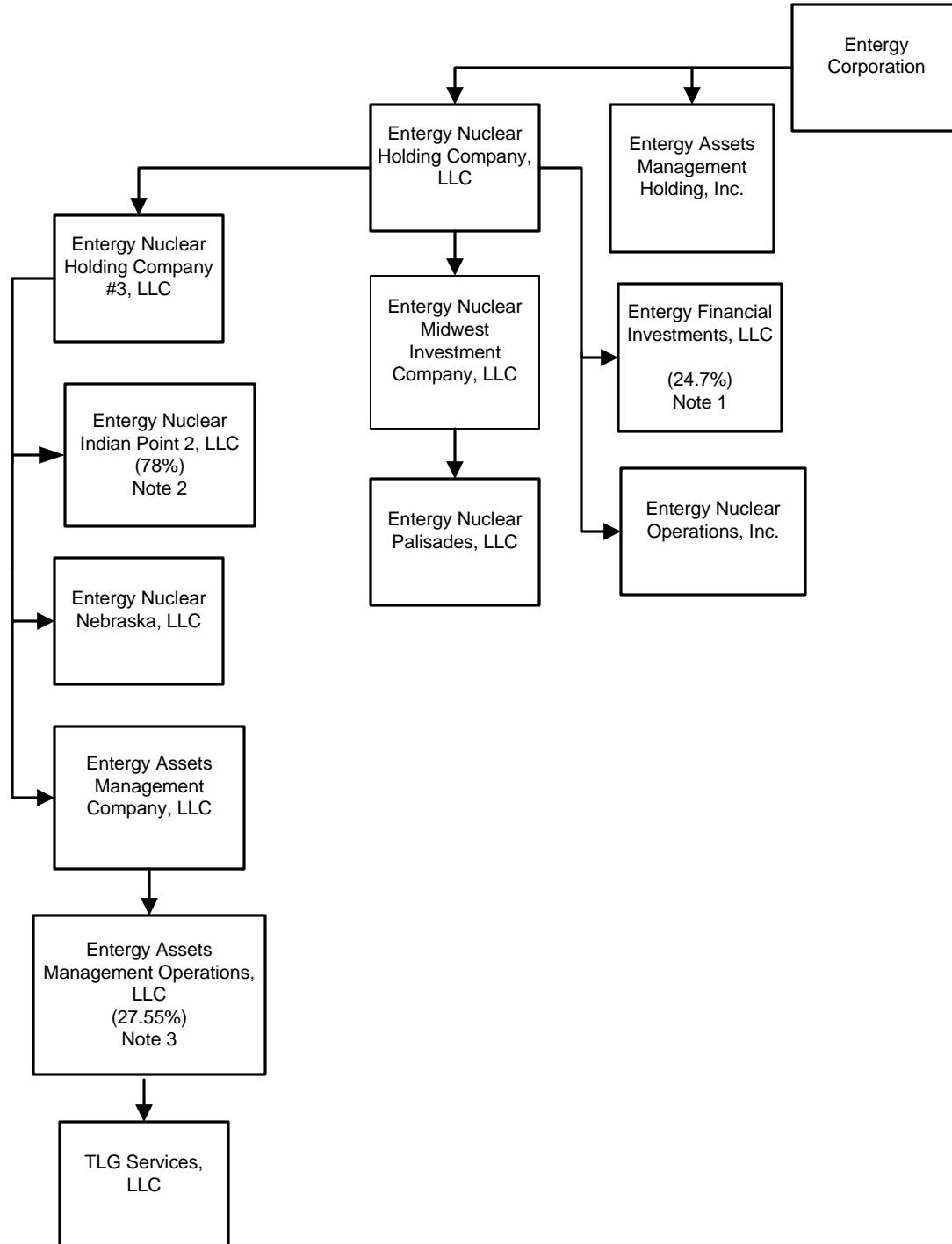
Note 1: Entergy Global, LLC owns the remaining 25% of ENHC#1.

Note 2: The company has issued shares of preferred stock to outside third parties.

Note 3: Entergy Northeast Holdings, LLC's ownership is divided into Class A Common, which is owned by Entergy Nuclear New York Investment Company, LLC, Entergy Corporation, Entergy Power Marketing Properties, LLC, Entergy Power Marketing Holding I, Inc. and Entergy Power Marketing Holding II, Inc.; and Class B Common-Entergy Nuclear Indian Point 2, LLC, Entergy Nuclear Indian Point 3, LLC and Entergy Nuclear Palisades, LLC.

Note 4: Entergy Power Marketing Holding II, LLC owns the remaining 18.56%.

Entergy Corporation and Subsidiaries
as of December 31, 2022



Unless otherwise noted, an entity is 100% owned by the entity immediately above it.

Note 1: Entergy Power Investment Holding, Inc. owns 75.3%.

Note 2: Entergy Power BJE Holding, Inc. owns the remaining 22% of ENIP2 and has no voting rights.

Note 3: Entergy Assets Management Company, LLC owns voting and non-voting rights. Entergy Assets Management Holding, Inc. (68.66%) and Entergy Nuclear, Inc. (3.79%) own the remaining non-voting rights.

ENTERGY ARKANSAS, LLC

MANUAL FOR COMPLIANCE WITH THE
ARKANSAS AFFILIATE TRANSACTION RULES

ATTACHMENT 6

TYPES OF ASSETS, GOODS, AND SERVICES
PROVIDED IN EXISTING AFFILIATE TRANSACTIONS

REPORT OF Entergy Arkansas, LLC. (EAL)
DESCRIPTION OF PRODUCTS PROVIDED BY EAL
TO AFFILIATES AND FROM AFFILIATES TO EAL
FOR THE YEAR ENDED DECEMBER 31, 2022

The products and services provided by and to EAL are described in the matrix below. The columns at the top represent the general categories of products and services provided. The business units down the left side represent the company providing the product or service. The business units listed in the matrix represent the companies receiving the products and services.

Products / Services Provided By:	Products / Services Provided To:												
	General Executive Services	Advisory Services	Administrative Services	Accounting Services	Legal Services	Information System & Technology Services	Finance & Tax & Regulatory Support Services	Engineering Services	Emergency and Storm Damage Support Services	Fuel Mgmt., Acquis., &/or Transportation Services	Infrastructure, Maintenance & Misc Services	Facilities - Installation / Construction Services	Materials and Supplies and Procurement
Entergy Arkansas, LLC.(EAL)								ELL, EML, ENOL, ESL	ELL, EML, ETI	ELL, ENPC, SERI, ESL	ELL, EML, ENOL, ESL, ETI	ELL, EML, ENOL, EOI, SERI, ESL, ETI	ELL, EML, ENOL, ENPC, SERI, ESL, ETI
Entergy Mississippi, LLC. (EML)								EAL	EAL	EAL	EAL	EAL	EAL
Entergy New Orleans, LLC. (ENOL)											EAL	EAL	
Entergy Texas, Inc. (ETI)									EAL		EAL	EAL	EAL
Entergy Services, LLC. (ESL)	EAL	EAL	EAL	EAL	EAL	EAL	EAL	EAL	EAL	EAL	EAL	EAL	EAL
Entergy Operations, Inc.(EOI)		EAL					EAL	EAL	EAL	EAL	EAL	EAL	EAL
Entergy Power Operations US, Inc (Non-Reg)											EAL		
Entergy Nuclear Operations, Inc. (ENUC/ENOI)								EAL		EAL	EAL		
System Energy Resources, Inc. (SERI)												EAL	EAL
Non-regulated nuclear plants (NRN) (1)											EAL	EAL	EAL
Entergy Louisiana, LLC (ELL)								EAL	EAL	EAL	EAL	EAL	EAL

(1) Services provided by/to all or some of Entergy's non-regulated nuclear plants including Entergy Nuclear Palisades, LLC (ENPC)

ENTERGY ARKANSAS, LLC

MANUAL FOR COMPLIANCE WITH THE
ARKANSAS AFFILIATE TRANSACTION RULES

ATTACHMENT 7

METHOD USED TO DETERMINE ALLOCATIONS IN
AFFILIATE TRANSACTIONS

**Entergy Services, LLC
2022
Cost Allocation Formulae**

Note: Each allocation formula will be based on data relevant to the individual Client Companies to whom the services are provided. These allocation formulae are the bases for all billing method calculations.

263 - SECTION 263A TAX BENEFITS

Based on Internal Revenue Code Section 263A tax benefits for each Legal Entity.

Used for the allocation of costs associated with tax administration, planning, and support related to Internal Revenue Code Section 263A tax benefits.

APT - ACCOUNTS PAYABLE TRANSACTIONS

Based on a twelve-month number of accounts payable transactions processed.

Used for the allocation of costs associated with the support of the accounts payable function.

ARI - ACCOUNTS RECEIVABLE INVOICES

Based on a twelve-month number of accounts receivable transactions processed.

Used for the allocation of costs associated with the support of the accounts receivable function.

AST - TOTAL ASSETS

Based on total assets at period end.

Used primarily to allocate costs associated with the oversight and safeguarding of corporate assets. This would include services provided by financial management and certain finance functions, among others. Also used when the services provided are driven by the relative size and complexity of the Client Companies and there is no functional relationship between the services and any other available allocation formula.

BNK - BANK ACCOUNTS

Based on the number of bank accounts at period end.

Used for the allocation of costs associated with daily cash management activities.

CAL - NUMBER OF CALLS – CUSTOMER SERVICE CENTERS

Based on a twenty-four-month average of customer calls for each Legal Entity.

Used for the allocation of costs associated with the administration and support of Entergy's Customer Service Centers.

CAP - SYSTEM CAPACITY (NON-NUCLEAR)

Based on the power level, in kilowatts, that could be achieved if all non-nuclear generating units were operating at maximum capability simultaneously.

Used primarily for the allocation of costs associated with the support of the fossil operations of the System. This would include services provided by plant support, environmental and purchasing.

CHK - PAYCHECKS

Based on the number of paychecks issued at each Legal Entity at period end.

Used for the allocation of costs associated with the processing of payroll.

CLM - OPEN WORKERS' COMPENSATION CLAIMS

Based on the number of open claims for each Legal Entity.

Used for the allocation of costs associated with managing workers' compensation claims processes and budgets.

COL - COAL CONSUMPTION

Based on the quantity of tons of coal delivered for a twelve-month period to each coal plant within the Entergy System.

Used for the allocation of costs associated with services in support of coal purchased for coal generating units.

CUS - CUSTOMERS

Based on a twelve-month average of residential, commercial, industrial, government, and municipal general business electric and gas customers.

Used primarily for the allocation of costs associated with the support of customer-based services. Would include customer service and support, marketing, economic forecasts, environmental services, financial and regulatory analyses, and customer information systems.

DLM - DISTRIBUTION LINE MILES

Based on the number of miles of distribution lines of 34.5kv or less.

Used primarily for the allocation of costs associated with project design, maintenance and installation of Entergy distribution lines.

EMP - EMPLOYEES

Based on the number of full-time employees at period end.

Used primarily for the allocation of costs associated with the support of employee-based services. Would include administration of employee benefits programs, employee communications, employee training, and various facilities-based benefits and information technology desktop support.

GCE - SERVER AND MAINFRAME USAGE COMPOSITE

Based on the use of historical expenditures.

Used primarily for the allocation of costs associated with mainframe, unix servers and related database administration.

GLT - GENERAL LEDGER TRANSACTIONS

Based on the number of general ledger transactions for the period.

Used primarily for the allocation of costs associated with general ledger activities, including related information systems, and for general accounting activities.

GWH - ENERGY SALES

Based on total kilowatt-hours of energy sold to consumers.

Used primarily for the allocation of costs associated with the financial analyses of sales and related items.

ITS - TOTAL IT SPEND

Based on the total dollars spent in the Information Technology plan.

Used for the allocation of costs associated with the administration and support of Entergy's IT business planning.

LVS - LEVEL OF ESI SERVICE

Based on ESI total billings to each Client Company, excluding corporate overhead. Used for the allocation of costs associated with support of ESI as a Legal Entity.

The variation of this cost driver Labor Dollars Billed, is based on ESI total labor dollars billed to each Client Company. Used primarily to allocate the costs associated with employee benefit plans, payroll taxes, department indirect costs, and performance-based compensation plans for ESI employees.

MAT - SUPPLY CHAIN – Inventory Management Fossil, Transmission & Distribution Issues, Transfers & Returns

Based on the number of issues, transfer & return transactions for each Legal Entity at period end.

Used for the allocation of costs associated with the management and operations of investment recovery, including Fossil, but excluding Nuclear.

MGA - MANAGED ACCOUNTS

Based on the number of industrial and commercial managed accounts.

Used for the allocation of costs associated with the maintenance of Entergy's industrial and commercial customer accounts.

NST - NUCLEAR SITES

Based on the number of nuclear sites managed and operated by each Entergy Client Company.

Used to allocate miscellaneous nuclear-related services.

NUT - NUCLEAR UNITS

Based on the number of nuclear units managed and operated by each Entergy Client Company.

Used primarily to allocate nuclear fuel-related services.

PC – PERSONAL COMPUTERS

Based on the number of PC's within each Legal Entity at period end.

Used for the allocation of costs associated with maintenance and support of PC's

PLL - PROPERTY AND LIABILITY PAID LOSSES

Based on a five-year annual average of the property and liability losses paid by the Client Companies.

Used for the allocation of costs associated with the operation and maintenance of the Risk Information System.

PRM - INSURANCE PREMIUMS (NON-NUCLEAR)

Based on non-nuclear insurance premiums.

Used for the allocation of costs associated with risk management.

RAD - RADIO USAGE

Based on usage of Entergy's 2-way radio system.

Used for the allocation of costs associated with the administration and support of Entergy's 2-way radio system.

RCM - RECORDS MANAGEMENT

Based on the number of employees at each Legal Entity using records management services.

Used to allocate costs associated with the management and supervision of non-nuclear business unit records management processes.

SCL - SUPPLY CHAIN – Labor Dollars

Based on the labor dollars for the Transformer, Meter, and Light Shops.

Used primarily for the allocation of costs associated with services provided by employees in the supply chain equipment refurbishment and repair department.

SCS - SUPPLY CHAIN – Procurement Total Spending

Based on the dollar amount of procurement spending within each Legal Entity at period end.

Used for the allocation of costs associated with procurement activities for the Entergy System.

SQF - SQUARE FOOTAGE

Based on occupied square footage administrated by ESI Administrated Services units.

Used primarily to allocate the costs associated with facilities supervision and support.

STR - DISTRIBUTION SUBSTATIONS TRANSFORMERS

Based on the number of transformers at the Distribution Substations at period end.

Used primarily for the allocation of costs associated with the maintenance, administrative activities, and technical analysis of all Distribution Substations.

SUB - SUBSTATIONS

Based on the number of high voltage substations weighted for Voltage (Voltage < 500kv = 1; Voltage >= 500kv = 2).

Used primarily for the allocation of related engineering and technical support for transmission and distribution substation operations and maintenance as well as for engineering and project management associated with substation construction.

TEL - TELEPHONES

Based on the number of telephones within each Legal Entity at period end.

Used for the allocation of costs associated with maintenance and support of telephones.

TLN - TRANSMISSION LINE MILES

Based on the number of miles of transmission lines, weighted for design voltage (Voltage < 400kv = 1; Voltage >=400kv =2).

Used primarily for the allocation of costs associated with project design, maintenance and installation of Entergy transmission lines.

TSL - COMPOSITE - TRANSMISSION LINES/SUBSTATIONS

Based on two components: Transmission Line Miles (30% weighting) and the Number of High Voltage Substations (70% weighting).

Used primarily for the allocation of the costs associated with the support of the transmission and distribution function that has both a transmission line component as well as a substation or load component.

UPS - UNIT POWER SALES AGREEMENT

Based on fixed allocation percentages under Entergy's Unit Power Sales Agreement.

Used primarily for the allocation of certain Tax Department services in connection with Entergy's Unit Power Sales Agreement.

VEH - VEHICLES

Based on the number of vehicles owned by each Legal Entity.

Used for the allocation of costs associated with the maintenance of company vehicles.

CCP - CAPITAL CONSTRUCTION PLAN

Based on the total dollars budgeted for each Legal Entity in the annual capital construction plans developed by the various functions.

Used for the allocation of costs associated with capital construction overheads.

PGR – PROCUREMENT OF LONG-TERM GENERATION RESOURCES

Based on the ownership/contractual interest of each Legal Entity in connection with the procurement of those long-term generation resources where more than one Entergy Operating Company is expected to hold an ownership/contractual interest.

Used for the allocation of costs associated with the procurement of long-term generation resources where more than one Entergy Operating Company is expected to hold an ownership/contractual interest.

SVR – SERVER & MAINFRAME USAGE

Based on the historical data usage of servers, platforms, & mainframe.

Used for the allocation of costs associated with the individual maintenance of the mainframe, UNIX servers, WINTEL servers, and related database administration.

PKL – PEAK LOAD RATIO

Based on the ratio of each Client Company's load to the peak load at time of all companies peak load. The calculation of Peak Load Ratio is performed using a twelve-month rolling average of the coincident peaks.

Used primarily for the allocation of costs incurred for operations support, software, and training.

PPE – PROPERTY, PLANT AND EQUIPMENT

Based on the net book value of property, plant and equipment, excluding natural gas and nuclear fuel.

Used for the allocation of costs associated with the operation of Entergy Services' Property Accounting department in monitoring, managing, and accounting for Entergy's property, plant and equipment, excluding natural gas and nuclear fuel.

GPA – GROSS UTILITY PLANT ASSETS

Based on the gross value of utility plant assets.

Used primarily for the allocation of costs associated with the management, maintenance, renewal, and replacement of utility plant assets.

**Entergy Operations, INC
2022
Cost Allocation Formulae**

Note: Each allocation formula will be based on data relevant to participating Client Companies to whom the services are provided.

BOILING WATER REACTOR SITES

Based on the number of Boiling Water Reactor Plant Sites

Used primarily for the allocation of costs associated with the maintenance of boiling water reactor systems.

NUCLEAR SOUTH SITE EMPLOYEES

Based on Nuclear South Site employees

Used primarily for the allocation of costs associated with the support of employee-based services. This would include administration of employee benefits programs, employee communications, employee training, and various facilities-based benefits and information technology desktop support.

PRESSURE WATER REACTOR SITES

Based on the number of Pressure Water Reactor Plant Sites

Used primarily for the allocation of costs associated with the maintenance of reactor coolant system attachments (e.g. control rod drive nozzles, pressurizer nozzles, and large bore nozzle safety ends) when these costs are driven by the number of reactor sites.

SPLIT METHODS

- NUCLEAR SOUTH PLANT SITES
- SPLIT AMONG ANC (33%), WF3 (33%), AND GG1 (33%)
- NUMBER OF NON-SERI GENERATION SITES
- NUCLEAR SOUTH UNITS

Based on the number of nuclear sites or units managed and operated by each Entergy Client Company

Used for the allocation of nuclear management, operation, and maintenance services associated with specific groups of nuclear sites and units.