BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

DELTA STATES UTILITIES LA, LLC AND ENTERGY LOUISIANA, LLC, EX PARTE. **IN RE: APPLICATION FOR AUTHORITY TO OPERATE AS LOCAL DISTRIBUTION COMPANY AND INCUR INDEBTEDNESS AND JOINT APPLICATION FOR APPROVAL OF TRANSFER AND ACQUISITION OF LOCAL DISTRIBUTION COMPANY ASSETS AND RELATED RELIEF.**	))))))))))))	**DOCKET NO.** S ~~**U**~~**-**37079

Direct Testimony of

BRIAN K. LITTLE

On Behalf of

DELTA STATES UTILITIES LA, LLC

JOINT APPLICATION EXHIBIT 2

December 11, 2023

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

DELTA STATES UTILITIES LA, LLC AND ENTERGY LOUISIANA, LLC, EX PARTE. **IN RE: APPLICATION FOR AUTHORITY TO OPERATE AS LOCAL DISTRIBUTION COMPANY AND INCUR INDEBTEDNESS AND JOINT APPLICATION FOR APPROVAL OF TRANSFER AND ACQUISITION OF LOCAL DISTRIBUTION COMPANY ASSETS AND RELATED RELIEF.**	**DOCKET NO. U-______**

AFFIDAVIT OF BRIAN K. LITTLE

STATE OF FLORIDA

COUNTY OF WALTON

Brian Little, being first duly sworn, on his oath states:

1. My name is Brian Little. I am a self-employed, independent contractor, and affiliated with (but not directly employed by) the consulting firm Anticipate Energy Advisors LLC. My principal place of business is located at 150 Cabana Trail, Santa Rosa Beach, FL 32459.

2. Attached hereto and made a part hereof for all purposes is my direct testimony which was prepared in written form for introduction into evidence in this proceeding before the Louisiana Public Service Commission.

3. I hereby swear and affirm that my testimony is true and correct and that it shows the matters and things that it purports to show.

B. K. Little
____
Brian K. Little

Subscribed and sworn to before me this 8 day of December, 2023.

Zachary Ferrulli
____
Notary Public

ZACHARY FERRULLI
Commission # HH 161126
Expires August 4, 2025
Bonded Thru Budget Notary Services

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

DELTA STATES UTILITIES LA, LLC AND ENTERGY LOUISIANA, LLC, EX PARTE. **IN RE: APPLICATION FOR AUTHORITY TO OPERATE AS LOCAL DISTRIBUTION COMPANY AND INCUR INDEBTEDNESS AND JOINT APPLICATION FOR APPROVAL OF TRANSFER AND ACQUISITION OF LOCAL DISTRIBUTION COMPANY ASSETS AND RELATED RELIEF.**	**DOCKET NO. U-______**

TABLE OF CONTENTS

APPENDICES

EXHIBITS

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

DELTA STATES UTILITIES LA, LLC AND ENTERGY LOUISIANA, LLC, EX PARTE. **IN RE: APPLICATION FOR AUTHORITY TO OPERATE AS LOCAL DISTRIBUTION COMPANY AND INCUR INDEBTEDNESS AND JOINT APPLICATION FOR APPROVAL OF TRANSFER AND ACQUISITION OF LOCAL DISTRIBUTION COMPANY ASSETS AND RELATED RELIEF.**	)	**DOCKET NO. U-______**

DIRECT TESTIMONY OF BRIAN LITTLE

I. INTRODUCTION AND QUALIFICATIONS

Q: PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A: My name is Brian K. Little. My business address is 150 Cabana Trail, Santa Rosa Beach, Florida, 32459.

Q: BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?

A: I am a self-employed, independent contractor, and affiliated with (but not directly employed by) the consulting firm Anticipate Energy Advisors, LLC ("AEA").

Q: PLEASE SUMMARIZE YOUR BACKGROUND AND EXPERIENCE.

A: I have more than 30 years of experience in finance and accounting, primarily with medium-sized to large public companies. The majority of my career has been spent in the energy and natural gas industries with the company that is currently Southern Company Gas, the natural gas division of Southern Company ("Southern Company"), and its predecessor company AGL Resources Inc. ("AGL Resources"), a Fortune 500 and S&P 500 corporation that was the largest natural gas distribution company in the U.S., serving 4.5 million customers in seven states. I served as the Chief Financial Officer of the Southern Company's Commercial Businesses for nearly eight years prior to my retirement in 2018. Prior to that, over a 12-year period I served in a number of finance and accounting leadership roles at AGL Resources, including Vice President and Assistant Controller, Director of Investor Relations and Director of Corporate Accounting. In addition to my leadership roles in finance and accounting, I also led and/or supported a number of merger/acquisition and divestiture transactions, the associated integration processes (as applicable), as well as the formation and establishment of a services company and the associated cost allocation methodologies and processes in accordance with the Public Utility Holding Company Act of 1935, for AGL Resources/Southern Company. During my career, I was a Certified Public Accountant (now inactive) and had experience in public accounting. I hold a Bachelor of Business Administration in Accounting and Finance from The University of Texas at Austin. A copy of my resume is provided in Appendix A to my testimony.

Q: CAN YOU PLEASE IDENTIFY THE OTHER MEMBERS OF THE AEA TEAM AND DESCRIBE THEIR EDUCTION AND RELEVANT EXPERIENCE?

A: Yes. AEA is a consulting firm founded and led by Peter Tumminello, who serves as its President. Peter Tumminello, Brian MacLean, Stephen Cave and I are self-employed, independent consultants providing advisory services to Bernhard Capital Partners Management, L.P. and related entities ("BCP") and Delta States Utilities LA, LLC ("DSU LA"), and our work on the acquisition of Entergy Louisiana, LLC's ("ELL") local distribution company gas assets and the assumption of liabilities related thereto by DSU LA (the "Transaction") was led and coordinated by AEA and Mr. Tumminello.

Mr. Tumminello is a utility and energy industry executive with approximately 40 years of experience in the natural gas and other energy sectors. Mr. MacLean is a natural gas industry executive with more than 30 years of experience in the energy industry. And Mr. Cave is an energy industry executive with more than 20 years of experience in both the natural gas and electric utility sectors. All of us spent significant portions of our careers with Southern Company and AGL Resources. The biographical summaries of Mr. Tumminello, Mr. MacLean and Mr. Cave include more detailed information regarding their relevant industry experience and education, and are provided as Appendices B, C and D to my testimony.

Q: HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY PROCEEDINGS IN OTHER STATES?

A: Yes. I provided testimony in Georgia in support of the Atlanta Gas Light Company in 2001 / 2002 for Docket No. 14311-U, *Earnings Review to Establish Just and Reasonable Rates for Atlanta Gas Light Company.*

Q: WHAT IS YOUR ROLE WITH THIS TRANSACTION AND JOINT APPLICATION FOR APPROVAL?

A: My role, along with my colleagues at AEA, with respect to the Transaction (which I will define further herein) has been to assist BCP in evaluating and performing due diligence on the operations and financial condition of the natural gas businesses of ELL ("ELL Gas Business") and Entergy New Orleans, LLC ("ENO Gas Business" and together with the ELL Gas Business, the "Entergy Gas Business"). As part of that process, I and my colleagues assisted BCP in evaluating the costs associated with transitioning the current ELL Gas Business and ENO Gas Business to BCP's newly created entities and subsidiaries of Delta States Utilities, LLC ("DSU"), DSU LA and Delta States Utilities NO, LLC ("DSU NO"), respectively (collectively, DSU LA and DSU NO referred to as the "DSU Utilities"), and with replacing certain shared assets and services, currently provided to the Entergy Gas Business by ELL, Entergy New Orleans, LLC ("ENO") and Entergy Services, LLC ("ESL" and together with ELL and ENO, "Entergy"), as applicable, with certain shared assets and services of a new DSU shared services entity, Delta States Utilities Services, LLC ("DSU Services"). My role in this Joint Application is to further describe the Transaction, the activities of replacing those certain shared assets and services for DSU LA and DSU NO, and how the standing up of these DSU Utilities will provide long-term benefits to the customers of the current ELL Gas

Business and ENO Gas Business and to the State of Louisiana. I also will explain how DSU LA and DSU NO are contemplating and requesting future regulatory treatment of costs associated with the implementation of the Transition Plan, as defined below, including facility-related and other capital costs as well as expenses associated with the build-up of the shared services functions and the implementation of supporting operations, financial and administrative systems.

II. PURPOSE OF TESTIMONY AND SUMMARY OF RECOMMENDATION

Q: WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING?

A: The purpose of my direct testimony is to address certain aspects of DSU LA's acquisition of ELL assets that are primarily or exclusively used for its ELL Gas Business. The assets (the "Purchased Assets") are defined in the Purchase and Sale Agreement dated October 28, 2023, between ELL and DSU LA (the "PSA"). I have and will continue to generally refer to the acquisition of the Purchased Assets pursuant to the PSA and other ancillary agreements as the "Transaction", and the closing of the Transaction as the "Closing."

Specifically in my testimony, I will: (1) introduce and describe the organizational structure of the ELL Gas Business pre-Closing and of DSU LA post-Closing of the Transaction; (2) provide an overview of the plan to create stand-alone and core focused local gas distribution companies - - DSU NO and DSU LA, respectively (the "Transition Plan"), such that upon the transfer of the Purchased Assets at Closing the DSU Utilities are fully and operationally independent of Entergy on day one post-Closing and a seamless transfer of operations is achieved ("Day One Readiness"), as well as discuss the costs and benefits of the Transition Plan; (3) describe the post-Closing operations, structure and systems of the DSU Utilities, including allocation of shared services costs to DSU NO and DSU LA; (4) discuss the benefits of the new services to be shared by DSU NO and DSU LA; and (5) outline accounting entries for Transition Plan costs. As part of this discussion, I will provide information that will enable the Louisiana Public Service Commission (the "LPSC" or "Commission") to make the findings required under its 1994 General Order.[1]

Q: WILL YOU PLEASE SUMMARIZE YOUR ASSESSMENT AND RECOMMENDATION?

A: Yes. I recommend the Commission issue an order approving the Transaction as in the public interest. I also recommend that as part of its order approving the Transaction, the Commission issue an accounting order establishing a regulatory asset for purposes of deferring for future prudency review and potential recovery of the capital costs and expenses of the assets, services, and employees needing to be acquired as part of the Transition Plan to achieve Day One Readiness, in recognition of the need for DSU LA to make certain expenditures to stand up the new local gas distribution business and replace certain shared services that will no longer be provided by ELL and ESL after the Closing.

III. OVERVIEW OF ELL GAS BUSINESS AND SERVICES

Q: PLEASE DESCRIBE THE ELL GAS BUSINESS ORGANIZATIONAL STRUCTURE, OPERATIONS, ASSETS AND THE WORKFORCE THAT SUPPORTS THESE OPERATIONS.

A: ELL provides both electric and natural gas local distribution services to customers in the City and Parish of East Baton Rouge. ELL is a direct subsidiary of Entergy Utility Holding Company, LLC, which is a subsidiary of Entergy Corporation, a publicly traded company (NYSE: ETR). The ELL Gas Business is operated as part of ELL and distributes natural gas to approximately 95,000 customers (average for calendar year 2022). The ELL Gas Business represented approximately 1.4% of ELL's revenues in 2022. The ELL Gas Business is managed by the Director of the Entergy

[1] Louisiana Public Service Commission, ex parte. *In Re: Commission Approval Required of Sales, Leases, Mergers, Consolidations, Stock Transfers, and All Other Changes of Ownership or Control of Public Utilities Subject to Commission Jurisdiction*, General Order dated March 18, 1994 ("**1994 General Order**").

Gas Business who reports directly to the President and CEO of ELL. The ELL Gas Business receives support services from ESL, a centralized service company which provides services to both the electric business and the ELL Gas Business. Due to the larger size of ELL's electric business as compared to the ELL Gas Business, the ELL Gas Business is sometimes served by technology and infrastructure that was primarily procured for the electric business. The Purchased Assets net of the Assumed Liabilities of the ELL Gas Business to be acquired with the Transaction as of its fiscal year-end 2022 (09/30/2022) were approximately $133 million.

Most operational functions of the ELL Gas Business are performed by dedicated gas employees who report to the Director of the Entergy Gas Business. As of October 28, 2023 (the execution date of the PSA), the ENO Gas Business had 108 direct employees, the ELL Gas Business had 67 direct employees (including 59 full-time hourly employees that are bargaining employees represented by the International Brotherhood of Electrical Workers (IBEW), Local 2286), and there were 32 employees who are employed by ESL and primarily provide various operational services to the ENO Gas Business and the ELL Gas Business. All of these approximately 200 employees will be offered employment with and will have the opportunity to transfer to DSU NO, DSU LA and the new shared services company, Delta States Utilities Services, LLC ("DSU Services") at Closing, with generally the same level of pay and benefits that they are currently receiving from their current Entergy employer, as further discussed in the Direct Testimony of Mr. Yuknis.

Q: DOES THE ELL GAS BUSINESS CURRENTLY RECEIVE SHARED SERVICES?

A: Yes. Currently, corporate functions and shared services are performed by employees who cover both gas and electric operations and are employed by either ENO, ELL or ESL. As previously noted, 32 employees of ESL provide various operational-focused shared services primarily to the ELL Gas Business, as well as to the ENO Gas Business. These employees will be offered employment and will have the opportunity to transfer to DSU Services upon Closing. These employees currently provide services for both ENO and ELL, such as operations, gas control/scheduling, engineering and planning, work management and gas safety and compliance. However, the ENO Gas Business and the ELL Gas Business also receive certain shared services from ESL employees who are not primarily engaged in gas operations. These employees currently provide corporate and other non-gas specific functions and will not be offered employment as part of the Transaction. Therefore, DSU Services will be required to replace certain of these services to be available the day of Closing to meet the DSU Utilities' Day One Readiness standard and ensure a seamless transition. These non-transferring shared services include customer service, human resources, employee benefits, payroll, accounts payable, finance and accounting, information technology, senior executive, regulatory affairs, gas supply, government, legal, stores, supply chain, fleet services and environmental functions. These services are currently provided in accordance with separate services agreements between ELL and ESL. These services agreements, which provide the terms and conditions of the provision of these services, along with the allocation methodologies and formulae for billing all costs of doing business to provide such services by ESL. The allocation methodology in such service agreements between ESL and ELL are approved by the Federal Energy Regulatory Commission ("FERC").

Q: DOES THE ELL GAS BUSINESS SHARE ANY PHYSICAL LOCATIONS WITH ENTERGY'S ELECTRIC OPERATIONS?

A: Yes. The ELL Gas Business shares space with ELL's electric operations at the Choctaw service center for its employees and operations. The Choctaw service center is located in Baton Rouge.

Q: WILL DSU LA UTILIZE ANY OF THE SAME LOCATIONS AS THE ELL GAS BUSINESS?

A. Subject to the Form of Choctaw Lease included in the PSA, DSU LA may lease the Choctaw facility for two years, with the option to renew for one additional two-year term. The Form of Choctaw Lease Agreement also provides DSU LA with a purchase option for the Choctaw service facility. Part of the Transition Plan is determining the best location for DSU offices, including the new DSU headquarters, which is expected to be in New Orleans. DSU is in the process of analyzing potential office locations to minimize impacts to travel time to customer locations, call response times, and employee commute times.

Q: DOES THE ELL GAS BUSINESS UTILIZE ANY OTHER ASSETS SHARED WITH ENTERGY'S ELECTRIC OPERATIONS?

A: Yes. In addition to shared locations, a total of almost 70 information technology systems are used in the operations of the ELL Gas Business, of which almost 60 information technology systems are shared with the electric operations of ELL. These shared systems encompass information technology systems, such as a Customer Information System utilized for such activities related to customer data, billing, customer care, customer payments, credit and collections follow-up, Gas SCADA (Supervisory Control and Data Acquisition) system and an Enterprise Resource Planning system, these systems are considered critical and necessary for DSU LA to continue providing safe and reliable service to customers. However, given the shared nature of the information technology systems and continued use of these systems by ELL's electric operations, these shared systems will be retained by Entergy and will not be available for transition support services post-Closing. Consequently, DSU LA is fully committed to standing up new "fit-for-purpose" and modernized systems to replace these retained assets such that they are fully functional to continue to provide safe and reliable services to customers effective with the Closing of the Transaction.

IV. TRANSITION PLAN

Q: PLEASE DESCRIBE HOW DSU PLANS TO TRANSITION THE ELL GAS BUSINESS TO DSU LA.

A: DSU and Entergy have each established a "Transition Plan Team" organizational structure. DSU has established a Steering Committee, which will provide executive leadership and oversight of the entire Transition Plan process; a Regulatory Affairs team focused on providing project support to enable the Transaction Closing; and a Project / Transition Management Office ("PMO") for regular project support. A chart showing the makeup of DSU's Transition Plan Team is provided in **Exhibit BL-1** to my testimony.

Q: CAN YOU PLEASE DISCUSS HOW DSU LA AND THE ELL GAS BUSINESSES WILL WORK TOGETHER TO ENSURE DSU LA'S ABILITY TO FULLY OPERATE AND CONTINUE PROVIDING SAFE AND RELIABLE GAS SERVICE TO CUSTOMERS AT AND AFTER CLOSING?

A: Yes. DSU LA and the ELL Gas Business are fully committed to working collaboratively through the date of Closing to ensure Day One Readiness for providing safe and reliable gas services to customers, with a limited need for transition services post-Closing, and with the majority of such transition services to be provided on a consultative basis as needed under a Transition Services Agreement. As evidence of their respective commitment to the Transition, an Interim Cooperation Agreement ("ICA") was executed along with the PSA. The ICA describes the transition matters, consultation topics the initial transition plan along with the associated objectives, guiding principles, project approach, project roadmap and initial budget.

Q: PLEASE DESCRIBE IN FURTHER DETAIL THE TRANSITION MATTERS, CONSULTATION TOPICS, INITIAL TRANSITION PLAN, OBJECTIVES AND GUIDING PRINCIPLES, PROJECT APPROACH AND INITIAL BUDGET INCLUDED IN THE ICA.

A: Transition matters within the ICA outlines the tasks to be performed with respect to consultation meetings, information requests and governance along with associated responsibilities and timing / response. Consultation Topics includes matters related to Information Technology ("IT") and Functional Departments necessary for Day One Readiness as follows:

Consultation sessions to understand current state IT applications, infrastructure, interfaces, and resources related to the ELL Gas Business and limited to inventory of systems which either will be transitioned to DSU or from which data is expected to be extracted and transitioned to DSU.

Verification of systems transitioning to DSU and systems retained by Entergy.

Review plan for transferring applicable software applications, assets and contracts to DSU.

Provide data files based on DSU's written requirements to support user acceptance testing,

Execute required data migration, conversion, and clean-up activities to facilitate the DSU business post-Closing.

Meetings with transferring employees subject to terms of the PSA and the related Employee Matters Agreement.

Consultation sessions to discuss current procedures and work processes.

Consultation sessions to discuss current procedures and work processes for shared service organizations, including customer service, human resources, employee benefits, payroll, accounts payable, finance and accounting, information technology, senior executive, regulatory affairs, gas supply, government, legal, stores, supply chain, fleet services and environmental functions. These sessions will focus on core function requirements, roles and responsibilities, procedures, work processes, interfaces, controls, performance metrics, reporting requirements, job specific materials and documentation.

The ICA's Initial Transition Plan outlines the following objectives and guiding principles:

Roles and responsibilities whereby DSU will be solely responsible for all decisions or actions taken by DSU regarding the Transition and / or with respect to the business following the Closing.

DSU will adopt a Minimum Viable Product approach for execution, while using third party off-the-shelf software conforming functional best practices, to minimize timeline delay risks.

Detailed project plans will be defined and submitted by DSU to Entergy with any material changes to the project plans being communicated to Entergy in writing.

DSU will communicate completion of its operational readiness checkpoints (e.g. 90, 60 and 30 days before Closing) to Entergy in writing or promptly notify Entergy of any changes or delays.

DSU will focus on minimizing one-time and on-going project costs where feasible, in some cases, the least cost option may not be recommended if it materially impacts project timelines.

DSU will manage and communicate pre-approved project budgets.

DSU will manage and communicate the Transition Plan and take into consideration in good faith comments reasonably and promptly provided by Entergy.

The Project Approach contemplated under the ICA is as follows:

DSU will implement the Transition by utilizing internal workstreams, and Entergy will provide consultation support services on an as-requested basis. The internal workstreams will include a Steering Committee and Project / Transition Management Office as previously discussed in my direct testimony. Additionally, internal Delivery Teams will be established with respect to IT Transition, Shared Services and Operations Transition along with sub-team workstreams based on the Transition Plan needs.

The program will be managed using a two-month look-ahead approach where teams can build executable plans, reach more tactical and measurable results and progress the project at a faster pace.

DSU will run the Transition project such that it is sufficiently lean to focus on speed, efficiency and work product from the delivery teams. Further, the staffing of delivery teams will consist of experienced team members to support this approach and to bring business process solutions based on industry best practices where feasible.

DSU LA's investment in the Transition Plan is imperative to ensure Day One Readiness and DSU LA's continued provision of safe and reliable services to customers as of the date of Closing, including the replacement of assets being retained by Entergy. DSU LA expects Transition Plan costs will be inclusive of IT and other asset replacements and expenses (*e.g.*, additional labor, project and Transition management, lease payments, build-out of leased space, and rebranding that will need to be incurred).

Q: **CAN YOU PLEASE FURTHER ELABORATE ON THE CURRENT STATUS OF THE PROCESS, TRANSITION TEAM STRUCTURE AND TIMELINE TO STAND UP A NEW SHARED SERVICES ORGANIZATION, SYSTEMS AND FACILITIES PRIOR TO CLOSING?**

A: Yes. BCP and its advisors performed a significant amount of work during the due diligence period to evaluate the requirements, estimate costs and timelines associated with standing up of a new "fit-for-purpose" shared services organization, systems and facilities during the transition period leading up to and after the Closing of the Transaction. The PSA includes an inside date of 21 months from signing (though, Closing may happen as late as 24 months from execution of the PSA under certain circumstances) to fully stand-up the DSU Utilities and DSU Services, the new shared services organization, and reach final Closing. The process will occur in two primary phases. Phase One is focused on a number of priority workstreams, including (1) the establishment of the new entity, including foundational systems such as IT infrastructure, finance systems/processes and HR systems/processes; (2) build-out of the IT platform, including vendor selection, establishment of requirements to design and build critical path systems (e.g., Customer Information System, Finance, Supply Chain and HR Information System); (3) facilities planning, including site selection for any new facilities needed; and (4) build-out of the shared services organization, including validating current services provided to the gas utilities, finalizing staffing models and initiating onboarding of key staff hires. It is anticipated that this Phase One work and the associated activities will take place during the period between signing and regulatory approval of the Transaction.

Phase Two would occur from the time of regulatory approval to the final Closing and would be focused on (1) full transition of the IT systems, including testing and user acceptance activities for critical path systems and system interfaces; (2) completion of the full shared services organization build-out, including the onboarding and training of the shared services employees who accept the offer of employment; and (3) other planning activities focused on ensuring a smooth transition to the new DSU platform at Closing of the Transaction.

DSU and Entergy are working collaboratively to fully build out the Transition Plan and staff the various Transition Plan delivery teams. DSU has engaged and is planning to engage additional third-party transition partners to staff the Transition Plan Team. Key goals in engaging third party transition partners are to ensure an efficient Transition team structure comprising team members with deep experience in not only complex projects, but also specifically in the natural gas local distribution company space. This structure is critical to enable a project focused on speed, efficiency and a high-quality work product, to ensure Day One Readiness and a seamless transfer of service.

Q: PLEASE EXPLAIN HOW THE CURRENT ELL GAS BUSINESS REQUIREMENTS DIFFER FROM DSU LA'S BUSINESS REQUIREMENTS AND PLAN TO STAND UP A NEW SHARED SERVICES ORGANIZATION, SYSTEMS AND FACILITIES.

A: As a large publicly-traded utility holding company, Entergy Corporation has existing utility operations and facilities in several states, and a long-established services company that provides corporate shared services to support the operation of those utility businesses. In Louisiana, many of those shared services support the ELL electric business. By contrast, as a newly formed entity, DSU LA does not have this existing corporate infrastructure that is used to service electric operations in addition to gas operations. Instead, DSU is making significant investments to stand up new "fit-for-purpose" and core-focused natural gas utilities (DSU NO and DSU LA) and a new shared services organization, DSU Services through which it will build out the new systems and facilities, as well as onboard and train new employees solely to support natural gas operations and serve the different classes of customers of DSU NO and DSU LA post-Closing of the Transaction. The customer benefits associated with the "fit-for-purpose" and "core-focused" utilities are new, modernized gas-specific systems and a new DSU shared services company, DSU Services to provide gas-only services. These new systems and new shared services company will result in non-fuel operations and maintenance costs being specific only to providing safe and reliable gas service. The total Transition Plan implementation cost, including the creation of the new systems and DSU Services, is expected to be comparable to the original cost of the assets being retained by Entergy. The new and modernized systems will enable DSU to leverage newer technology to streamline existing business processes and create the foundation for enabling more efficient operations. For example, DSU expects to leverage new technology to implement a credit and collections program, based on industry best practices, with a goal of keeping customers in good standing. This new technology would enable a rigorous delinquent account review process to minimize instances where balances are beyond a customer's ability to pay, automated payment reminders, short-term payment arrangements and proactive communications and arrangements for high balance customers. Further, DSU LA expects to leverage new technology to route incoming calls to customer service representatives dedicated to gas customer service calls and trained and experienced in handling matters by class of customer. The new and modernized systems will further enable DSU LA to be more flexible and efficient in making necessary changes for updates in business processes as well as to address new regulatory requirements, such as changes from the Pipeline and Hazardous Materials Safety Administration or the Commission.

Q: OF THE ALMOST 60 IT SYSTEMS SHARED BETWEEN THE ELL GAS AND ELECTRIC OPERATIONS, WERE THE SYSTEMS DESIGNED PRIMARILY FOR GAS DISTRIBUTION?

A: The shared IT systems were designed and configured based on the business requirements of Entergy, a multi-state, multi-jurisdiction combined electric and gas utility with 12,000 employees and serving 3 million customers. These business requirements were largely focused on the electric business given the magnitude of electric operations relative to natural gas operations. For example, total natural gas operating revenues for ELL Gas Business per Entergy's Securities and Exchange Commission's Form 10-K for 2022 only represented 0.7% of total consolidated operating revenues of Entergy. The ELL Gas Business was apportioned a share of the total cost of these shared IT systems, subject to the approved method for apportionment. It is expected that DSU LA will be able to achieve Day One Readiness at a cost comparable to the original amount of costs that Entergy apportioned to the ELL Gas Business.

Q: PLEASE ELABORATE ON THE RELATIVE AGE OF THE ASSETS BEING RETAINED BY ENTERGY.

A: Entergy provided current version information of the IT systems during due diligence. BCP and its advisors reviewed the release dates and maintenance periods of some of the more critical systems to be retained by Entergy covering the functions of HR management, payroll, enterprise asset management, supply chain, billing, finance, accounting and field force scheduling. The release dates of these systems ranged from 2005 to 2020. Further, the end-of-life maintenance support periods for these systems range from the end of 2023 to 2034. These are large, complex systems and that may require an investment at some point in time to replace or upgrade. This Transaction enables DSU to implement new and modernized systems, benefiting customers as previously discussed in my testimony.

V. POST-CLOSING OPERATIONS, STRUCTURE AND SERVICES

Q: PLEASE EXPLAIN THE ORGANIZATIONAL TRANSITION FROM ELL TO DSU LA.

A. The post-Closing organizational structure is more fully described in the testimony of DSU LA witness Jeffrey Yuknis. However, upon Closing of the Transaction, the ELL Gas Business assets will be owned by a subsidiary of DSU, a BCP portfolio company, which will operate under the new name DSU LA. Under this new organizational structure, the DSU LA gas utility business will continue to operate and serve customers in a manner similar to the ELL Gas Business today. While day-to-day operations will be similarly managed by the same experienced employees, the "carve out" of the gas businesses will benefit customers by allowing employees, management, technology and investment to be solely focused on gas operations instead of borrowing infrastructure and technology that is electric focused or contending for capital relative to the electric operations. This will enable DSU LA to more quickly invest capital as opportunities benefiting customers are identified. Because the Transaction structure contemplates (i) post-Closing transition services to be provided by Entergy to only be consultive in nature and (ii) an extended transition period between signing of the PSA, requisite regulatory approvals and Transaction Closing, it is necessary for all shared services functions, supporting IT systems, and required facilities to be fully in place to achieve Day One Readiness post-Closing to support the operations of the business going forward. Similar to the current structure, DSU Services will be the newly formed DSU services company that will provide shared services to support the most efficient and low-cost operation of each of the DSU Utilities.

Q: **PLEASE IDENTIFY AND DESCRIBE THE SHARED SERVICES THAT DSU LA WILL RECEIVE THROUGH THE NEW SHARED SERVICES ORGANIZATION.**

A: The shared services DSU LA will receive from DSU Services will be consistent with the shared corporate services currently received by the ELL Gas Business from ESL. These services will encompass customer service, human resources, employee benefits, payroll, accounts payable, finance and accounting, information technology, senior executive, regulatory affairs, gas supply, government, legal, stores, supply chain, fleet services and environmental functions.

Q **WILL ANY REPAIRS AND/OR IMPROVEMENTS TO OPERATIONS AND/OR FACILITIES BE REQUIRED AFTER CLOSING OR IN CONJUNCTION WITH THE TRANSACTION? IF SO, PLEASE DESCRIBE THE ABILITY OF DSU LA TO MAKE THOSE REPAIRS AND/OR IMPROVEMENTS.**

A: Other than certain modifications to be made at the Choctaw service center facility to separate DSU LA's operations from Entergy's operations so as to support Day One Readiness, there are no other repairs or improvements necessary or required to be made in conjunction with the Transaction. However, the ELL Gas Business has historically performed repairs and maintenance within its operations on an ongoing basis, including pursuant to LPSC Order Nos. U-32682-A and U-36338, as funded by ELL's Gas Infrastructure Investment Recovery Rider Rate ("Rider IIRR-G"). DSU LA commits to continue these repairs and maintenance activities at the same spending level approved by the LPSC in Order Nos. U-32682-A and U-36338 following the Closing of the Transaction, pursuant to applicable Orders of the Commission and under the same form of Rider IIRR-G.

Q: HOW AND WHEN WILL DSU LA BEGIN RECEIVING SHARED SERVICES AFTER THE TRANSACTION?

A: DSU LA will begin receiving shared services from DSU Services concurrent with the Closing of the Transaction. The services to be provided by DSU Services to DSU LA will largely be the same as those currently provided by ESL to the ELL Gas Business, which was previously discussed in my testimony. Further, the services agreement executed with DSU Services will largely have the same terms and conditions of providing and receiving these services as under the existing services agreements executed by ELL with ESL, including the allocation methodologies and formulae for billing all costs of doing business to provide such services. However, the allocation methodologies and formulae to be used by DSU Services will be specific to gas-only operations; whereas the cost allocation methodologies and formulae utilized by ESL are impacted by electric operations. Consequently, the "fit-for-purpose" nature of DSU Services will enable DSU LA to forecast their total costs of providing services to customers on a short-term and long-term basis for ratemaking purposes at the outset. Further, this will enable DSU LA management to quickly understand and assess the prudency of and control the total cost of services being received from DSU Services.

Q: WILL THE DSU COMPANIES' ALLOCATION METHODOLOGY AND FORMULAE BE SUBSTANTIALLY SIMILAR TO THOSE CURRENTLY IN PLACE?

A: Yes. The allocation methodologies being implemented by DSU Services, and the DSU Utilities will be substantially similar to those FERC-approved methodologies currently in place for Entergy. Any subsequent modifications to these methodologies would be to incorporate more efficient allocations based on cost allocation data attributed to gas-only operations along with the "fit -for - purpose" technology and infrastructure associated with the Transition Plan. The allocated costs that result from these changes would be subject to a subsequent rate filing of DSU LA.

Q: HOW WERE THE COSTS PROJECTED FOR THE NEW SHARED SERVICES ORGANIZATION, SYSTEMS AND FACILITIES?

A: I, along with my colleagues at AEA and other advisors engaged by BCP, performed a bottoms-up projection of costs based on our executive leadership experience in the natural gas industry and with similar precedent transactions where gas utility assets were carved out of a larger utility. Operational and financial information and data provided by Entergy during due diligence coupled with our experience, as well as benchmark and market-based data, were utilized to determine the information technology systems, staffing levels and facilities necessary, as well as the associated costs for standing up a "fit-for-purpose" shared services organization specific to gas-only operations. For example, the number of customer service representatives ("CSR") in the call center was projected based on the types of activities a CSR performs, assumptions related to the expected average call volume per customer and average call handle times. Further, market-based salary information was utilized to project and forecast salaries and benefits for the CSRs. The timing of the Transition Plan over the two-phased process as previously discussed in my testimony was also taken into consideration. For example, the use of contractors and onboarding of new employees was forecasted to enable the new employees to be trained in advance of the implementation of new key business processes and information technology systems. This process was not only performed to project the costs of the new shared services organization but also to ensure Day One Readiness with the new shared services organization being fully staffed and trained, all systems operational and able to provide services to DSU LA immediately upon Closing of the Transaction so that DSU LA can continue to provide the safe and reliable service to customers that ELL currently provides.

Q: WHEN WILL THE TRANSITION PLAN COSTS BE INCURRED?

A: A significant majority of the Transition Plan costs, more than 90%, will be incurred prior to Closing, with a much smaller portion incurred shortly after Closing.

Q: HOW WILL NON-FUEL OPERATIONS AND MAINTENANCE COSTS OF DSU LA, INCLUSIVE OF THE NEW SHARED SERVICES ORGANIZATION, SYSTEMS AND FACILITIES, IMPACT RATES?

A: In the Joint Application, DSU LA is seeking to adopt the rates, rate schedules, and riders of the ELL Gas Business in effect at Closing or supported by the most recent evaluation period. Only after DSU establishes its own historical test year would it be in a position to file a general rate case (which will not be filed earlier than 15 months post-Closing). The completion of the first full year of operations under DSU LA ownership is expected to be mid-2026, which I will refer to as the 2026 Test Year.

Q: HOW WILL THE COST OF ACQUIRING NATURAL GAS FOR RESALE CHANGE AS A RESULT OF THE TRANSACTION?

A: DSU LA will be assuming ELL's existing contracts for natural gas supply and transportation for its ELL Gas Business. Thus, there will not be any impact to fuel expense for the remainder of those contract terms. Thereafter, DSU management experienced in gas supply and transportation contracts will pursue and enter into market-based gas supply contracts to meet the demand needs of customers and mitigate the price risk of natural gas.

Q: HOW WILL ACTUAL COSTS TO IMPLEMENT THE NEW SHARED SERVICES ORGANIZATION, SYSTEMS AND FACILITIES BE APPROVED, TRACKED AND MONITORED AGAINST THE PROJECTED COSTS?

A. The Steering Committee and members of other teams comprising DSU's Transition Plan Team will review or approve actual Transition Plan costs incurred and track and monitor actual Transition Plan costs against the projected Transition Plan costs. Actual Transition Plan costs will be tracked and monitored at the Transition Plan activity, functional, information technology system and facility improvement level.

Q: YOU HAVE DISCUSSED COSTS TO TRANSITION THE ELL GAS BUSINESS TO DSU LA. IS DSU LA SEEKING TRANSACTION COSTS IN ADDITION TO TRANSITION COSTS AND, IF NOT, HOW WILL DSU LA SEGREGATE TRANSACTION COSTS FROM TRANSITION COSTS?

A. DSU LA is not seeking and will not seek in the future to recover any Transaction costs. The Steering Committee of the Transition Plan Team will request all individuals and third-party contractors and firms to submit invoices in sufficient detail to differentiate between Transaction costs and Transition Plan costs further specified by Transition Plan activity, functional, information technology system and facility improvement levels. This level of tracking will enable the Transition Plan Team to monitor the appropriateness of such costs and to support DSU LA's recording of a regulatory asset in FERC account number 182.3, Other Regulatory Assets.

Q: IS DSU LA REQUESTING ANY MODIFICATIONS TO THE EXISTING TARIFFS, RIDERS, BASE RATES, CAPITAL STRUCTURE, OR RETURN AT THIS TIME?

A: No. DSU LA is proposing to adopt and utilize the rates, terms and conditions of the RSP, Rider IIRR-G and any other applicable tariffs, rate schedules and riders of ELL Gas Business in effect at the Closing or supported by the most recent evaluation period so that current customers will receive service under the same rates as they would have for gas services provide by ELL at Closing. Modifications to any of these items would only occur pursuant to a final order of the Commission in a subsequent general rate proceeding, which proceeding will not be filed sooner than fifteen (15) months post-Closing.

VI. BENEFITS OF NEW SHARED SERVICES STRUCTURE

Q: HOW WILL CUSTOMERS BENEFIT FROM THE NEW SHARED SERVICES ORGANIZATION, SYSTEMS AND FACILITIES?

A: DSU LA intends for the transition to a new shared services organization, with new systems and facilities, to be seamless to the current customers of the ELL Gas Business. The ELL Gas Business has been a very small component of much larger electric company, representing 0.7% of total consolidated 2022 operating revenues of Entergy. They have operated well and safely for many years, but also use technology and infrastructure primarily developed for electric service, receive support from a shared services organization more largely trained and versed in matters related to electric service, and contend internally for investment capital and other resources with the much larger electric business within consolidated Entergy Corporation. As more fully discussed in the Direct Testimony of DSU LA witness Mr. Jeffrey Yuknis, BCP has significant experience in the efficient allocation of capital to its portfolio businesses and will bring that same strategy to DSU LA's utility assets. The core focused structure of DSU will result in long-term customer benefits in terms of continued safety and reliability through significant investments in infrastructure replacement and modernization, as well as an improved customer experience, including an improved credit and collections process based on industry best practices through the deployment and leveraging of new and modern technology, gas-specific customer care and other systems and processes. Specifically, the customer call center of DSU will be core focused and dedicated to gas customers. The new and modernized systems also form the foundation for enabling more efficient operations and the ability to more quickly make necessary changes for updates in business processes as well as to address new regulatory requirements, such as changes from the Pipeline and Hazardous Materials Safety Administration or the Commission. As more fully discussed in the Direct Testimony of DSU LA witness Mr. Jeffrey Yuknis, BCP is further committed to investing in the growth of the DSU Utilities and DSU Services to achieve enhanced economies of scale, buying power, and operational efficiencies that benefit all customers of the system.

Q: WHAT WILL BE THE BENEFITS TO THE STATE OF LOUISIANA FOR THE NEW SHARED SERVICES ORGANIZATION, SYSTEMS AND FACILITIES?

A: First and foremost, this transaction involves a Louisiana-based company, BCP, establishing a new Louisiana-based subsidiary company for the specific purpose of acquiring the Louisiana-based assets of the ELL Gas Business. The Transaction ensures the ELL Gas Business will be owned and operated by a Louisiana-based company for many years to come. BCP has long-standing relationships and a track record of successfully creating jobs and supporting economic development throughout Louisiana and is committed to continuing those efforts in this Transaction, as further discussed in the Direct Testimony of Mr. Yuknis. As part of the Transaction, DSU has committed to maintaining employment and compensation (e.g. salaries/hourly wages and annual incentive compensation opportunities) for ELL Gas Business employees at current levels, and has committed to providing employee benefits post-Closing that are no less favorable than those the employees currently receive. DSU also has committed to honoring the bargaining-unit agreement in place at the ELL Gas Business, and to assuming the employee pension assets and liabilities associated with the gas utilities. In addition, to support the businesses post-Closing, DSU has identified approximately 100 positions that will be created in order to staff the new shared-services organization and efficiently operate the business going forward. This will result in approximately 100 new Louisiana-based jobs, resulting either from direct new hires to operate DSU Services, as well as to support and provide services to DSU LA, the addition of full-time permanent positions in Louisiana from firms hired to support the business, or some combination thereof. In addition, DSU, as well as BCP, is committed to supporting the communities in which it does business in Louisiana, and as part of this Transaction, is committed to maintaining the strong community and economic development support in the DSU Utilities' service area.

Further, DSU's investment in new assets and systems to replace the Entergy retained assets and systems, as well as to stand-up a new shared services organization for Day One Readiness at a total Transition cost comparable to the original cost of the retained assets and systems are expected to provide benefits that form the foundation for enabling more efficient operations and the ability to more quickly make necessary changes for updates in business processes as well as to address new regulatory requirements. As discussed earlier in my direct testimony, some of these investments may be needed in the near term irrespective of the Transaction. However, because of the Transaction, DSU LA will make these investments sooner than may otherwise be necessary and for the specific purpose of operating a stand-alone, "fit-for-purpose" and core focused gas business.

Q: HOW WILL THE NEW SHARED SERVICES ORGANIZATION, SYSTEMS AND FACILITIES IMPACT DSU LA CUSTOMER RATES?

A: The Transition and the creation of DSU Services will not impact customer rates for DSU LA at Closing as DSU LA is requesting that the Commission approve of DSU LA's use of the rates, terms and conditions of the RSP, Rider IIRR-G and any other applicable tariffs, rate schedules and riders of ELL Gas Business so that current customers will receive service under the same rates as they would have for gas services provided by ELL. Only after establishing its own 2026 Test Year, will DSU LA file a general rate case, no sooner than 15 months following the Closing of the Transaction, at which time DSU LA's rate schedules and riders will be subject to review and approval by the Commission. This timeframe allows DSU LA to have the benefit of operating the stand-alone gas business for a reasonable period of time following Closing of the Transaction, and to establish a historical test year appropriately reflective of operations and capital investments under DSU LA's ownership, further resulting in the ability to better forecast the short- and long-term benefits to customers.

VII. REQUEST FOR ESTABLISHMENT OF A REGULATORY ASSET

Q: WHY IS DSU LA REQUESTING COMMISSION APPROVAL TO ESTABLISH A REGULATORY ASSET FOR TRANSITION COSTS INCURRED AHEAD OF CLOSING?

A: The Transaction represents the "carve out" of a smaller natural gas utility business from a significantly larger, publicly traded combination electric and natural gas company. As a result, the Purchased Assets do not encompass all the assets that will be needed for DSU LA operations, and certain shared services provided by Entergy will have to be replaced by DSU Services. Said another way, in addition to replacing certain Entergy retained assets currently accounted for in the rate base of the ELL Gas Business, the Transition Plan requires additional investments in new services, systems and facilities to replace those services, systems and facilities being retained by Entergy, with a core focus on providing safe, reliable gas service to customers for many years to come. DSU LA will also have to begin incurring costs to stand up its new local gas distribution company prior to Closing and prior to any future general rate case to be filed by DSU LA. To ensure proper accounting of the Transition costs, DSU LA is requesting the Commission approve the use of a regulatory asset, a common tool used in utility ratemaking to accomplish such purpose.

Q: PLEASE EXPLAIN THE NECESSITY FOR CREATING A REGULATORY ASSET.

A: 18 CFR Part 201 PART 201, *Uniform System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of The Natural Gas Act* defines regulatory assets and liabilities as those that result from rate actions of regulatory agencies. Regulatory assets and liabilities arise from specific revenues, expenses, gains, or losses that would have been included in net income determinations in one period under the general requirements of the Uniform System of Accounts but for it being probable: 1) that such items will be included in a different period(s) for purposes of developing the rates the utility is authorized to charge for its utility services, or 2) in the case of regulatory liabilities, that refunds to customers, not provided for in other accounts, will be required.

Further, the term "probable," as used in the definition, refers to that which can reasonably be expected or believed on the basis of available evidence or logic but is neither certain nor proved.

As previously discussed in my direct testimony, the Transition Plan includes forecasted costs to be incurred by DSU LA and DSU Services combined to continue providing safe and reliable services to customers as of the date of Closing, including the replacement of assets being retained by Entergy. The Transition Plan strategy will also continue to seek out opportunities to reduce the forecasted costs and use incentives with implementation partners to stay within or lower than the projected, budgeted costs. DSU LA is requesting to create a regulatory asset(s) to record its share of these costs so that it can seek to recover such costs, net of any amounts it recovers in ELL rates it adopts at Closing related to the Entergy retained assets, pursuant to its future general rate case filing, inclusive of a prudency review. DSU LA considers recording these costs in a regulatory asset for future recovery as appropriate given the necessity of these Transition Plan costs to provide safe and reliable service to customers and prevent adverse consequences following Closing of the Transaction.

Q: HOW WILL THE REGULATORY ASSET BE CREATED AND TRACKED?

A: The actual Transition Plan costs would be recorded as a regulatory asset in FERC account number 182.3, Other Regulatory Assets, and would be tracked at the Transition Plan activity, functional, information technology system and facility improvement levels. Further, any Transition Plan costs specifically identifiable as allocable to DSU LA will be tracked and recorded as a regulatory asset in FERC account number 182.3. For example, facilities improvements related to separating DSU LA's operations from Entergy's operations at the Choctaw service center will be specifically tracked relative to, and recorded as a regulatory asset in, FERC account number 182.3 of DSU LA until evaluated for pudency in a future general rate case and may be reclassified to DSU LA's plant asset accounts.

The costs that are not directly assignable or specifically identifiable to DSU LA will be allocated utilizing the Company's cost allocation formulae and factors included in the services agreement executed by DSU LA with the newly created DSU services company. Examples of these types of costs would include executive management and customer service representative costs which will benefit multiple entities and will be allocated to DSU LA as well as the other affiliates. The overall Transition Plan costs as well as the tracking allocation methods used by DSU LA will be subject to review by the Commission during the next general rate case filing of DSU LA.

Q: WHAT ARE THE PLANS AND PROCESS FOR RECOVERING THE REGULATORY ASSET COSTS IN DSU LA'S RATES?

A: DSU LA will request recovery of the regulatory asset costs pursuant to the filing in its future general rate case. In the interim, DSU LA proposes to adopt and utilize the rates, terms and conditions of the RSP, Rider IIRR-G and any other applicable tariffs, rate schedules and riders of ELL Gas Business in effect at the Closing or supported by the most recent evaluation period so that current customers will receive service under the same rates as they would have for gas services provide by ELL at Closing. DSU LA recognizes that this approach will provide revenues which are based, at least in part, designed to include a recovery of Entergy's retained asset costs. DSU LA proposes to amortize its regulatory asset cost balance during this interim period in an amount equivalent to the Entergy retained asset recovery inherent in the ELL Gas Business customer rates. This process will allow DSU LA to maintain constant customer rates while also reducing the regulatory asset balance to prevent customers from being charged twice – once for the rates continuing during the interim period which provide a recovery for depreciation of the assets that are being retained by Entergy (which will be part of the rates charged by DSU LA until Closing) and again for the cost of the regulatory assets of DSU LA to replace the Entergy retained assets (which will serve as the future basis for DSU LA's rates after the Commission considers its future general rate application).

The remaining unamortized regulatory asset balance would be subject to review as a part of DSU LA's future general rate case, expected to occur not less than 15 months post-Closing, which will provide the Commission the opportunity to evaluate the prudency of expenses and nature of regulatory asset balance. A large portion of such balance will consist of capital assets such as the new customer service system and other support systems which are expected to be recategorized to the appropriate plant asset accounts and depreciated using typical depreciation practices for used and useful assets. The period over which to amortize the other remaining regulatory asset balances and impacts on rate setting would also be established as a part of the general rate case using a full historical test year as previously described.

Q: WILL THE REGULATORY ASSETS MAINTAIN OR IMPROVE THE QUALITY OF SERVICE TO CURRENT CUSTOMERS?

A: Yes. The regulatory asset(s) will maintain or improve the quality of service to DSU LA customers. BCP and DSU LA are committed to making significant investments in improving the business – both in the short-term as part of the Transition Plan process and build-out of the shared services functions and standalone systems prior to Transaction Closing, and in long-term improvements in the facilities and infrastructure of the business post-Closing. Many of these investments and improvements will directly enhance the customer experience and the overall reliability of the service provided. For example, the build-out of a new customer care platform (to include, e.g. customer information system, call center operations, billing platform, etc.) dedicated solely to natural gas customers should improve the quality of services and the overall experience for those customers. Further, DSU LA will be better able to quickly and efficiently make changes to systems and business processes due to changing business requirements in order to streamline operations, as well as respond to external requirements and requests such as from the Commission, the Department of Transportation and the Pipeline Hazardous Materials Safety Administration.

Q: DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A: Yes, it does.