

**BEFORE THE TENNESSEE REGULATORY AUTHORITY AT
NASHVILLE, TENNESSEE**

October 31, 2003

IN RE:

**ENTERGY ARKANSAS, INC. REQUEST FOR APPROVAL
TO ENTER INTO CERTAIN FINANCING TRANSACTIONS
BETWEEN JANUARY 1, 2004 AND DECEMBER 31, 2006**

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**DOCKET NO.
03-00486**

ORDER APPROVING FINANCING TRANSACTIONS

This matter came before Chairman Deborah Taylor Tate, Director Pat Miller, and Director Ron Jones of the Tennessee Regulatory Authority (the "TRA" or "Authority"), the voting panel assigned to this docket, at a Special Authority Conference held on October 31, 2003 to consider the Application of Entergy Arkansas, Inc. ("EAI") requesting authority to enter into certain financing transactions between January 1, 2004 and December 31, 2006.¹

Statutory Framework

Pursuant to Tenn. Code Ann. § 65-4-109,

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the [TRA] for such proposed issue. It shall be the duty of the [TRA] after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the [TRA].

¹ EAI submitted as its Application a copy of its application for similar approval filed with the Arkansas Public Service Commission.

Pursuant to this statutory authority, the TRA must determine whether the proposed transactions are in accordance with law and that the stated purpose meets with the TRA's approval.

Background

EAI is an Arkansas corporation with its principal place of business in Little Rock, Arkansas. EAI owns distribution lines that are located in a small portion of the State of Tennessee serving thirty-eight retail customers situated wholly on the west side of the main channel of the Mississippi River.

The Application

EAI filed this Application with the TRA on August 26, 2003² seeking authorization, pursuant to Tenn. Code Ann. § 65-4-109, to issue and sell, in one or more series from time to time between January 1, 2004 and December 31, 2006, the following bonds, preferred securities and stock, and common stocks: (1) first mortgage bonds in an aggregate principal amount not to exceed \$1.15 billion; (2) preferred securities issued through a special purpose subsidiary in an aggregate principal amount not to exceed \$190 million (including the issuance of subordinated debentures to a special purpose subsidiary); (3) preferred stock in an aggregate par value or involuntary liquidation value, as the case may be, in an amount not to exceed \$190 million when combined with the authority requested pertaining to preferred securities and related notes; (4) common stock, not to exceed 8,000,000 shares, at a minimum price of \$12.50 per share, in one or more separate transactions occurring at such times as EAI deems appropriate during the requested time period, for an aggregate maximum consideration of \$200 million; and (5) tax-exempt bonds in an aggregate principal amount not to exceed \$300 million, and collateral bonds

² This Application has been held pending an Order from the Arkansas Public Service Commission, which was issued on September 30, 2003. A copy is attached as Exhibit A.

in a maximum aggregate principal amount not to exceed \$336 million (separate and apart from the first mortgage bonds referenced above). EAI is unable to predict at this time the interest rate these bonds and debentures will carry as these markets are in a state of constant fluctuation.

EAI proposes to apply the net proceeds of these transactions to pay all or a portion of its short-term indebtedness, to provide funds for retirement of a portion of its outstanding securities at or prior to maturity through redemptions, tender offers, open market or negotiated purchases, or otherwise. In addition, EAI states that the net proceeds will also be used for general corporate purposes such as funding capital expenditures and working capital needs and the financing of unanticipated events such as emergency restoration.

The October 31, 2003 Special Authority Conference

At the October 31, 2003 Special Authority Conference, Will Morgan, Stacy Lousteau, and Tucker Rainey, Esq. participated telephonically on behalf of EAI. Aster Adams, Chief of the TRA's Economic Analysis Division, summarized EAI's Application for the record. Following this recitation and some discussion with the Company representatives, the Directors found that these transactions do not violate Tennessee laws over which the TRA has authority and are to be used for a proper purpose and voted unanimously to approve EAI's Application.

IT IS THEREFORE ORDERED THAT:

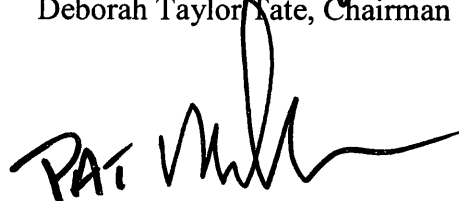
1. Entergy Arkansas, Inc. is authorized to enter into financing transactions between January 1, 2004 and December 31, 2006 as described in the Application and herein.
2. The terms of said financing transactions shall be as described in the Application on file with the TRA.
3. Entergy Arkansas, Inc. shall file in this Docket copies of any reports that it is required to provide to the Arkansas Public Service Commission as well as copies of any petitions

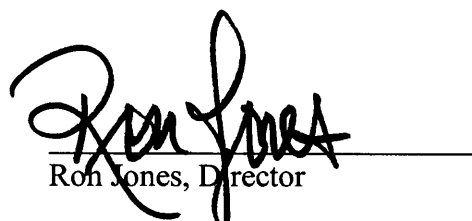
filed with the Securities and Exchange Commission ("SEC") and any subsequent order issued by the SEC related to this Docket.

4. The authorization and approval given hereby should not be used by any party, including, but not limited to, any lending party, for the purpose of inferring that an analysis or assessment of the risk involved to a purchaser of any EAI securities has been performed. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transaction approved herein.

5. The authorization and approval given hereby do not represent any finding regarding the appropriate ratemaking treatment of these proposed transactions.


Deborah Taylor Tate, Chairman


Pat Miller, Director


Ron Jones, Director

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ARKANSAS PUBLIC SERVICE COMMISSION

FILED

IN THE MATTER OF THE APPLICATION)
OF ENTERGY ARKANSAS, INC. FOR)
AUTHORIZATION TO ENTER INTO)
CERTAIN FINANCING TRANSACTIONS)
BETWEEN JANUARY 1, 2004, AND)
DECEMBER 31, 2006)

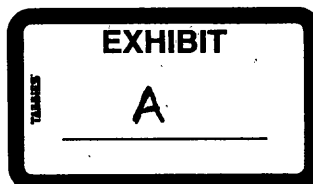
DOCKET NO. 03-139-U
ORDER NO. 2

ORDER

On August 20, 2003, pursuant to Ark. Code Ann. § 23-3-103, *et seq.* and Rules 4 and 5 of the *Rules of Practice and Procedure* ("RPP") of the Arkansas Public Service Commission ("APSC" or the "Commission"), Entergy Arkansas, Inc. ("EAI" or the "Company") filed an application for authorization to enter into certain financial transactions between January 1, 2004, and December 31, 2006. With its application, EAI also filed the direct testimony of Steven C. McNeal. On September 5, 2003, the Commission, by Order No. 1, designated the undersigned Administrative Law Judge as the presiding officer in this docket. On September 25, 2003, Mr. Johnny Brown, Financial Analyst for the General Staff of the Commission (Staff), filed prepared testimony in response to EAI's application.

Based upon the Application and exhibits thereto and testimony received, I make the following findings of fact and conclusions of law:

1. The Arkansas Public Service Commission has jurisdiction of this matter pursuant to Arkansas Code Annotated § 23-3-103 *et seq.*



2. EAI is a corporation organized and existing under the laws of the State of Arkansas and is a public utility as defined by Arkansas Code Annotated § 23-1-101 *et seq.*

3. EAI requests authorization from the Commission to issue and sell, in one or more series, from time to time but not earlier than January 1, 2004, and not later than December 31, 2006: (i) first mortgage bonds in an aggregate principal amount not to exceed \$1,150 million; (ii) preferred securities in an aggregate principal amount not to exceed \$190 million (including the issuance through a special purpose subsidiary of the Company's subordinated debentures in an aggregate principal amount not to exceed \$190 million) when combined with the authority requested for the issuance of the preferred stock; (iii) preferred stock in an aggregate par value or involuntary liquidation value, as the case may be, not to exceed \$190 million when combined with the authority requested for the issuance of preferred securities and related notes; (iv) common stock, not to exceed 8,000,000 shares, at a minimum price of \$12.50 per share, for an aggregate maximum consideration of \$200 million; and (v) tax exempt bonds in an aggregate principal amount not to exceed \$300 million, and collateral bonds in an aggregate amount not to exceed \$336 million (separate and apart from the authorization requested herein for the issuance and sale of first mortgage bonds).

4. EAI states that its proposal would allow it the flexibility necessary to respond to changes in the market and reduce its financing costs through the refinancing of higher cost securities. The proceeds of the proposed financing

devices will be used for ". . . general corporate purposes, including, but not limited to, the possible acquisition, redemption, and refunding of certain outstanding securities, for both economic refundings and reissuances of debt maturities; for restructuring debt to provide more flexibility; to fund capital expenditures and working capital needs; and to finance unanticipated events, such as emergency restoration".¹ Additionally, EAI states that after the issuance of the First Mortgage Bonds, the Preferred Securities and related Notes and the Preferred Stock, the Common Stock and Tax-Exempt Bonds contemplated in this filing, the aggregate amount of all of its outstanding stock, bonds, notes and other evidences of indebtedness will not exceed the fair value of EAI's properties and the reasonable cost of the issuance and sale of the issues.

5. EAI has requested a three-year authorization period, "in order to assist in planning the Company's debt structure to take advantage of markets or issue new debt as appropriate".²

6. In responding to EAI's application, Staff notes that "[t]he long-standing practice of the Commission has been to authorize security issuances for a period of two years".³ However, Mr. Brown states further that: "Based on the particular circumstances at this time, I do not necessarily take exception with a three-year authorization period."⁴ However, Mr. Brown goes on to note that his "recommendation is not intended to reflect a change in practice".⁵ Mr. Brown

¹ McNeal Direct Testimony, page 9, lines 10-16

² McNeal Direct Testimony, page 6, lines 21-23

³ Brown Prepared Testimony, page 5, lines 18-19

⁴ Brown Prepared Testimony, page 5, line 20 -page 6, lines 1-2

⁵ Brown Prepared Testimony, page 6, lines 2-3

recommends that the Commission evaluate other "requested change[s] in authorization period on a case by case basis".⁶

7. From its review of EAI's application, while reserving any finding for purposes of ratemaking, Staff recommends that the Commission approve EAI's application, based on specific representations made by EAI in Mr. McNeal's testimony and subject to certain specific, detailed reporting requirements.

8. For purposes of all issuances, Staff proposes that EAI provide traditional reporting information, including the specific terms, actual interest rate and maturity date of the issuance, all fees and other relevant facts, and the detailed accounting entries for the transactions. Staff proposes that EAI also be required to include detailed discussion of EAI's reasoning in selecting the financing method. This information should be filed in Docket No. 86-033-A, with reference to this docket, within thirty (30) days of the issuance or effective date, as applicable.

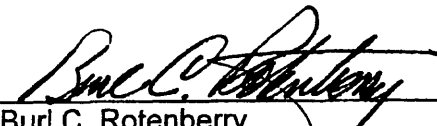
IT IS, THEREFORE, ORDERED that while expressly reserving for future consideration any finding regarding the appropriate ratemaking treatment of any of the issues for which approval has been requested, EAI's application is hereby approved and the financing authority requested therein is granted, subject to the specific representations made by EAI in the testimony of Mr. McNeal, and the reporting requirements recommended by Staff. It should be noted that the long-standing practice of authorizing security issuances for a period of two years is not being amended by this order, but instead, will be reviewed on a case-by-case


⁶ Brown Prepared Testimony, page 6, lines 3-4

basis as it has been in the past. Nothing herein shall be construed as obliging the State of Arkansas to pay, guaranty in any manner whatsoever, the bonds authorized or issued in connection with this Order. The Arkansas Public Service Commission retains jurisdiction of this matter for the purpose of issuing further orders as it may deem necessary or appropriate.

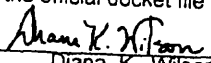
BY ORDER OF THE ADMINISTRATIVE LAW JUDGE PURSUANT TO DELEGATION.

This 30th day of September, 2003.


Burl C. Rotenberry
Administrative Law Judge


Diana K. Wilson
Secretary of the Commission

I hereby certify that the following order issued by the Arkansas Public Service Commission has been served on all parties of record this date by the U.S. mail with postage prepaid, using the address of each party as indicated in the official docket file


Diana K. Wilson

Secretary of the Commission
Date

9/30/03