BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF ENTERGY ARKANSAS, INC. FOR APPROVAL OF CHANGES IN RATES FOR RETAIL ELECTRIC SERVICE	))))	DOCKET NO. 06-101-U

DIRECT TESTIMONY

OF

MICHAEL J. GOIN

MANAGER, FINANCIAL ANALYSIS

ENTERGY SERVICES, INC.

ON BEHALF OF

ENTERGY ARKANSAS, INC.

AUGUST 15, 2006

I. BACKGROUND AND INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Michael J. Goin. My business address is Parkwood II Building, Suite 300, 10055 Grogan's Mill Road, The Woodlands, Texas, 77380.

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

A. I am employed by Entergy Services, Inc. ("ESI") as Manager, Financial Planning, which is part of the System Planning and Operations Department ("SPO").[1]

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND AND WORK EXPERIENCE.

A. I earned a Bachelor of Electrical Engineering Degree from The Georgia Institute of Technology. I also earned a Master of Science in Management (MBA) degree from The Georgia Institute of Technology.

I have been employed by ESI since 1996. During my career I have held numerous positions in financial planning and analysis, forecasting, accounting and strategic planning. From 1996 to 1997, I worked in ESI's accounting organization where my main responsibilities were to produce

[1] SPO is a department within ESI tasked to act as an agent on behalf of the Entergy Operating Companies with respect to: (1) the procurement of fossil fuel and purchased power, (2) the dispatch of the generation resources in the Entergy Control Area, and (3) the planning and procuring of additional resources required to provide reliable and economic electric service to the Entergy Operating Companies' customers. The SPO also is responsible for carrying out the directives of the Operating Committee and the daily administration of the Entergy System Agreement not related to transmission.

financial analyses for the fossil and nuclear functions. From 1997 to 1999, I worked in the financial group responsible for utility planning and produced pro-forma financial statements. From 1999 to 2002, I worked in Strategic Planning on a variety of projects relating to transition to competition and various ad hoc projects to support senior management. During that time period, I was promoted to Project Manager. In early 2002, I moved to the SPO, and I was promoted to Manager in early 2003.

Q. PLEASE DESCRIBE YOUR CURRENT JOB RESPONSIBILITIES.

A. As the Manager, Financial Analysis – System Planning for ESI, my responsibilities include coordinating analyses regarding the financial implications of generation supply alternatives for the Entergy Operating Companies.[2] Examples of this include financial forecasts and cost-benefit studies. My role also includes developing financial models and analyses that support decision-making and providing a System Planning interface for other groups, including the financial utility planning organization and the utility support regulatory group.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am submitting this Direct Testimony to the Arkansas Public Service Commission ("APSC" or the "Commission") on behalf of Entergy Arkansas, Inc. ("EAI" or the "Company").

[2] The Entergy Operating Companies include EAI; Entergy Gulf States, Inc.; Entergy Louisiana, LLC (formerly Entergy Louisiana, Inc.); Entergy Mississippi, Inc.; and Entergy New Orleans, Inc.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I describe the analysis I performed to support the pro forma adjustment described in the Direct Testimony of EAI witness Phillip B. Gillam related to the anticipated payments to other Operating Companies that EAI will initiate in 2007 in compliance with Federal Energy Regulatory Commission ("FERC") Opinion Nos. 480 and 480-A in Docket No. EL01-88-004 (the "FERC Decision").[3] My 2006 production cost analysis, which is based on the Compliance Tariff filed by ESI on behalf of the Operating Companies with the FERC on April 10, 2006 in Docket No. EL01-88-004 (the "Compliance Filing"), produces an EAI payment of $284 million for the total Company.

[3] Opinion No. 480, 111 FERC ¶ 61,311, *aff'd* Opinion No. 480-A, 113 FERC ¶ 61,282 (2005).

II. ANALYSIS

Q. WHAT DATA ARE USED TO CALCULATE THESE PAYMENTS?

A. The data used to calculate production costs were obtained from the books and records of the Operating Companies, combined with forecast data. Historical data were drawn directly from accounting records, and projected data were taken from the Operating Companies' budget systems and internal forecasts.

Q. WHAT ARE THE MAJOR COMPONENTS OF TOTAL PRODUCTION COSTS?

A. Total production costs consist of fuel, purchased power, operation and maintenance expenses, administrative and general expenses, depreciation, decommissioning, taxes (other than income taxes), and return on rate base (including associated income taxes). Thus, total production costs are the sum of all fixed and variable costs relating to the production function.

Q. HOW DID YOU DEVELOP THE VALUE FOR THE FERC COMPLIANCE PAYMENT BY EAI?

A. I used the "Unit Model" to calculate each Operating Company's total production cost consistent with the data and methodology prescribed in the Compliance Filing. As a result of that calculation, I determined that EAI fell below the +/- 11 percent bandwidth imposed by the FERC

Decision; based on my analysis of 2006 total production costs, EAI's total Company payment is $284 million. A summary of EAI's 2006 average total production cost resulting in the estimated payment of $284 million, on a total Company basis, is shown in Table 1 below:

Table 1

	EAI	System
Average Production Cost ($/MWh)	$44.93	$64.01
Percentage of System Average	70.3%	100.0%

Q. PLEASE PROVIDE AN OVERVIEW OF HOW THE OPERATING COMPANIES' PRODUCTION COSTS WERE DETERMINED USING THE UNIT MODEL.

A. The Unit Model contains sufficient data to compute production costs for each of the various Operating Companies' generating units. It allows the user to combine various units and cost components. I used this model to develop an estimate of each Operating Company's non-fuel production costs for 2006.

Q. IS THE UNIT MODEL AN EXACT REPLICATION OF THE FORMULA RATE PROPOSED IN THE COMPLIANCE FILING?

A. No, it is not. Although the Unit Model replicates the intent and general structure of the Compliance Filing, the Unit Model focuses solely on production-related costs. In most instances, this means that the Unit

Model uses the same form of data as used in the Compliance Filing. For example, consider nuclear non-fuel Operation and Maintenance ("O&M") expense. In the FERC Form 1, nuclear non-fuel O&M expense can be found on page 320, Accounts 517 – 532 excluding fuel (Account 518). These costs, which are exclusively production related, are also directly obtainable from the ESI budget system. However, some of the cost categories are not exclusively production-related. Unlike the Compliance Filing, which in some instances starts with total costs and uses an allocation factor to separate production costs from the costs of other functions, such as distribution or customer service, the Unit Model directly addresses production costs. One example of this is taxes other than income taxes. Pursuant to the formula contained in the Compliance Filing, taxes other than income taxes are calculated by first going to "Taxes Other Than Income Taxes" found at Page 115, Line 14, column G of the FERC Form 1, which are then multiplied by the production plant ratio (ratio of total gross production plant to total gross electric plant in service excluding intangible plant) to get the taxes other than income taxes amount related to production costs. In the Unit Model, only the production related portion of taxes other than income taxes is reflected. This produces a result that is consistent with the Compliance Filing, although calculated differently.

Q. WHAT ASSUMPTIONS WERE USED TO DETERMINE THE INITIAL PAYMENT THAT WOULD RESULT FROM THE IMPLEMENTATION OF THE FERC DECISION?

A. A detailed listing of the assumptions used to determine the production costs that form the basis for this amount pursuant to the FERC Decision is included in EAI Exhibit MJG-1.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

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EAI EXHIBIT MJG-1

DATA INPUTS FOR CALCULATING THE FORECASTED

SYSTEM AGREEMENT PAYMENTS

Data Inputs for Calculating the Forecasted System Agreement Payments
Data Based on Test Year 2006

Last Update: August 10, 2006

Data Type	Data Item	FF1 Page, Account, or Other Source	Description
Balances			
Actual Balances (12/31/2005)	Gross Plant Balances	Property Accounting	
Actual Balances (12/31/2005)	Accumulated Depreciation	Property Accounting	
Actual Balances (12/31/2005)	Coal Mining Equipment	Regulatory Accounting	
Calculation	Capital Additions	General ledger queries from Financial Data Warehouse (FDW) on plant balances, construction work-in-progress (CWIP), and removal work-in-progress (RWIP)	Budgeted capital additions
Calculation Based on 12/31/2005 Balan	General Plant	Property Accounting	Multiplied by the Production labor Ratio and then allocated based on each unit's net plant balance
Calculation Based on 12/31/2005 Balan	General Plant Accumulated Depreciation	Property Accounting	Multiplied by the Production labor Ratio and then allocated based on each unit's net plant balance
Calculation Based on 12/31/2005 Balan	Gross Intangible Plant	Property Accounting	Multiplied by the Production labor Ratio and then allocated based on each unit's net plant balance
Calculation Based on 12/31/2005 Balan	Intangible Plant Accumulated Amortization	Property Accounting	Multiplied by the Production labor Ratio and then allocated based on each unit's net plant balance
Calculation Based on 12/31/2005 Balan	Materials and Supplies Inventory	Average 2005 balance (beginning and ending from FERC Form 1) multiplied by the Production Plant Ratio (above)	Multiplied by the Production labor Ratio and then allocated based on each unit's net plant balance
Calculation Based on 12/31/2005 Balan	Fuel Inventory	Average 2005 balance (beginning and ending from FERC Form 1) multiplied by the Fuel inventory ownership Share (above)	Multiplied by the Production labor Ratio and then allocated based on each unit's net plant balance
Calculation Based on 12/31/2005 Balan	Prepayments	Average 2005 balance (beginning and ending from FERC Form 1) multiplied by the Production Plant Ratio (above)	Multiplied by the Production labor Ratio and then allocated based on each unit's net plant balance
Calculation Based on 12/31/2005 Balan	ADIT	Regulatory Accounting	Allocated by net plant balance
Calculation Based on 12/31/2005 Balan	River Bend DAP Plant Balance	Regulatory Accounting	Deregulated Asset Plan (EGS Specific)
Expenses			
Actual Costs (1/1/2006 - 5/31/2006)	Fuel Costs	FERC 501, 518, 547	
Actual Costs (1/1/2006 - 5/31/2006)	Sales for Resale	FERC 447	Non-requirement sales for resale
Actual Costs (1/1/2006 - 5/31/2006)	Purchased Power	FERC 555	
Actual Costs (1/1/2006 - 5/31/2006)	MSS-1	FERC 447/555	Reserve Equalization included in FERC accounts 447 and 555.
Actual Load (1/1/2006 - 5/31/2006)	Load	Intra-System Bill (ISB)	Actual Monthly Load reduced by Line Loss Factors
Calculation (6/1/2006 - 12/31/2006)	Fuel & Purchased Power	PROMOD	Calculationed net fuel and purchased power costs
Calculation (6/1/2006 - 12/31/2006)	MSS-1	Internally Calculated	Reserve Equalization
Calculation (6/1/2006 - 12/31/2006)	Load	Internally Calculated	Estimate of net area load
Actual Expense (2005)	Depreciation Expense - Existing Plant	FERC Form 1	
Calculation Based on 12/31/2005 Balan	Other Taxes	FERC Form 1	Multiplied by the Production labor Ratio and then allocated based on each unit's net plant balance
Calculation Based on 12/31/2005 Activit	General Plant Depreciation Expense	Property Accounting	Multiplied by the Production labor Ratio and then allocated based on each unit's net plant balance
Calculation Based on 12/31/2005 Activit	Intangible Plant Amortization Expense	Property Accounting	Multiplied by the Production labor Ratio and then allocated based on each unit's net plant balance
Calculation	Capacity Costs	Internally Calculated	
Calculation	O&M	General ledger queries from Financial Data Warehouse (FDW) on non-fuel FERC accounts (Steam: 500-514; Nuclear: 517, 519-532; Hydro 353-545; Other 546-554; SCD 556)	Budgeted operations and maintenance costs
Calculation	A&G	General ledger queries from Financial Data Warehouse (FDW) on A&G accounts (920-935)	Budgeted administrative and general costs
Calculation	River Bend DAP Expense	Regulatory Accounting	Deregulated Asset Plan (EGS Specific)
Calculation	Decommissioning costs	Regulatory Accounting	Nuclear decommissioning
Calculation Based on 12/31/2005 Activit	Other Taxes	FERC Form 1	
Allocations			
Calculation	Production Labor Ratio	Regulatory Accounting	Percent of production labor costs to total labor costs, exclusive of A&G costs
Calculation	Production Plant Ratio	Regulatory Accounting	
Calculation	Fuel Inventory Ownership Share	Regulatory Accounting	
Calculation	Return on Rate Base	Regulatory Accounting	Debt, preferred, and equity costs; operating company tax rates
Calculation	Depreciation Rates for Capital Additions	Regulatory Accounting	Depreciation rates based on the type of production plant (steam, nuclear, hydro)
Calculation	Line Loss Factors	Internally Calculated	Factors to reduce the load from at-the-generator to at-the-meter levels
Input	Ownership % of Coal Mining Equipment	Regulatory Accounting	
Input	Unit Seasonal Capacity Rating	Operating Committee Approved Ratings	

CERTIFICATE OF SERVICE

I, Steven K. Strickland, do hereby certify that a copy of the foregoing has been served upon all parties of record this 15th day of August 2006.

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Steven K. Strickland