BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

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

DIRECT TESTIMONY

OF

GORDON D. MEYER

SENIOR STAFF RATE ANALYST

RATE DESIGN AND ANALYSIS

ENTERGY SERVICES, INC.

ON BEHALF OF

ENTERGY ARKANSAS, INC.

AUGUST 15, 2006

I. INTRODUCTION AND BACKGROUND

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, EMPLOYER AND JOB TITLE.

A. My name is Gordon D. Meyer. My business address is 425 West Capitol Avenue, Little Rock, Arkansas 72201. I am employed by Entergy Services, Inc. ("ESI"), an affiliate of Entergy Arkansas, Inc. ("EAI" or the "Company") as a Senior Staff Rate Analyst in Rate Design and Analysis.

Q. ON WHOSE BEHALF ARE YOU SUBMITTING THIS DIRECT TESTIMONY?

A. I am submitting this Direct Testimony on behalf of EAI.

Q. PLEASE STATE YOUR EDUCATION, PROFESSIONAL AND WORK EXPERIENCES.

A. I have a Bachelor of Science degree in Statistics, with distinction, from Iowa State University in Ames, Iowa. I was a Mathematical Statistician for the United States Department of Agriculture from 1975 to 1978.

In 1978 I joined Entergy Mississippi, Inc. as a Rate Analyst II. I was responsible for developing and implementing the load research program to support cost-of-service filings. In 1983 I was promoted to Rate Analyst III and in 1985 was promoted to Senior Rate Analyst, assuming more responsibilities for the load research program.

In 1993 I joined ESI as a Senior Lead Analyst in the Load Research Department. My responsibilities included developing and implementing load research programs for ESI to support various regulatory filings. I joined the Business Accounts Market Department in 1996 and developed load profiles for business segments and end-use equipment. I was promoted to Senior Staff Analyst in 1998. I accepted my current position as a Senior Staff Rate Analyst in Rate Design and Analysis in 1999. My current responsibilities include general regulatory support, the development of adjusted revenues, the development of allocation factors and rate design.

Q. HAVE YOU PROVIDED TESTIMONY PREVIOUSLY?

A. Yes. I have provided testimony before the Arkansas Public Service Commission ("APSC" or the "Commission") in Docket No. 01-041-U, Docket No. 01-084-U and Docket No. 05-139-TF, before the Louisiana Public Service Commission in Docket No. U-27167, and before the City Council of New Orleans in Docket No. UD-01-4.

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

A. The purpose of my testimony is to address the following topics:

- The development of certain class allocation factors that were utilized in the Company's cost-of-service studies;
- The development of adjusted present test year sales revenue;
- The development of the proposed rate design; and
- The tariff sheets reflecting the proposed rate design.

The following is an outline of the remaining sections of my testimony:

II. Allocation Factors Summary
III. Allocation Factors Development
IV. Present Test Year Sales Revenue
V. Proposed Rate Design
VI. Rate Schedules

II. ALLOCATION FACTORS SUMMARY

Q. PLEASE SUMMARIZE THE ALLOCATION METHODS THE COMPANY USED IN ITS COST-OF-SERVICE STUDY.

A. The following table lists the allocation methods the Company has used for each of the major function/classification cost categories in the cost-of-service study:

Function	Classification	Allocation Method
1) Production		
A) Capacity-related	Demand	Energy and Peak

	B) Energy-related	Energy	Energy
2)	Transmission	Demand	Average 12 Coincident Peaks
3)	Distribution/Customer Service		
	A) Substations	Demand	Maximum Diversified Demand
	B) Primary Voltage System	Demand	Maximum Diversified Demand
	C) Line Transformers	Demand	50/50 weighting of Maximum Diversified Demand and Non-Coincident Maximum Demand
	D) Secondary Voltage System	Demand	50/50 weighting of Maximum Diversified Demand and Non-Coincident Maximum Demand
	E) Service Drops	Customer	Weighted Customers
	F) Meter Investment	Customer	Weighted Customers
	G) Lighting	NA	Assigned to Lighting Class
	H) Customer Related Services	Customer	Weighted Customers

Q. PLEASE DISCUSS THE METHOD THE COMPANY UTILIZED FOR THE ALLOCATION OF CAPACITY RELATED GENERATION COSTS TO THE RETAIL RATE CLASSES.

A. The method used for the allocation of capacity related generation costs is based on the relationship of each rate class's contribution to the Company's annual energy requirements weighted by the Company's annual load factor and each rate class's contribution to the Company's highest monthly peak load weighted by one minus the Company's annual load factor. This method is commonly referred to as the energy and peak ("Energy & Peak") methodology.

Q. WHY DID THE COMPANY USE THE ENERGY & PEAK METHOD TO ALLOCATE GENERATION COSTS?

A. The Company used the Energy & Peak allocation method for generation costs because it is a method that reasonably reflects the mix of its customers' respective electrical load characteristics and the relative costs incurred to serve such loads. This method is consistent with the APSC General Staff recommendation in testimony in Docket No. 96-360-U.

The Energy & Peak method used by the Company provides a reasonable balance between the Company's cost to serve the annual peak load and the Company's cost to serve annual energy requirements.

Q. HOW DID THE COMPANY ALLOCATE ENERGY RELATED PRODUCTION COSTS TO THE RETAIL RATE CLASSES?

A. The Company allocated these costs based on the total sales during the test year by rate class. These costs are a function of energy consumption.

Q. PLEASE DISCUSS THE METHOD THE COMPANY UTILIZED FOR THE ALLOCATION OF TRANSMISSION COSTS.

A. The method used for the allocation of transmission costs is based on the average relationship of each rate class's contribution to the Company's 12 highest monthly peak loads. This method is commonly referred to as the average 12 coincident peak ("Average 12CP") methodology.

Q. WHY DID THE COMPANY USE THE AVERAGE 12CP METHOD TO ALLOCATE TRANSMISSION COSTS?

A. The Company used the Average 12CP allocation method for transmission costs because it is a method that reasonably reflects the mix of its customers' respective electrical load characteristics and the relative costs incurred to serve such loads throughout the year.

Q. PLEASE DESCRIBE THE DISTRIBUTION AND CUSTOMER SERVICE-RELATED ALLOCATION METHODOLOGIES THE COMPANY HAS UTILIZED.

A. For distribution substations and primary line costs, the Company has used the simultaneous peak load of each rate class, which is known as the Maximum Diversified Demand ("MDD"), as the basis for the allocation of these costs. These costs are localized in nature, as those facilities are designed and constructed to serve loads close to the point of ultimate use.

For line transformers and secondary line costs, the Company has used an allocation factor that consists of a 50/50 weighting of the MDD and the Non-Coincident Peak ("NCP") demand of each customer class. These costs are more localized than distribution substations and primary lines. Line transformers and secondary lines are installed, in some cases, to supply power to a single customer. At most, they serve a very limited number of customers. The customer class NCP demand represents the summation of the maximum individual demand of all customers in each customer class. Deriving the allocation factor in this manner reflects the fact that there is some diversity among customers, but not as much as with substations and primary lines.

The customer service-related allocation factors were based on the number of customers served under each rate class, weighted by the applicable estimated typical meter investment.

III. ALLOCATION FACTORS DEVELOPMENT

Q. FOR WHAT TEST YEAR HAVE YOU DEVELOPED ALLOCATION FACTORS?

A. I have developed allocation factors for the test year ending June 30, 2006. This test year includes the historical period of July through December 2005 and the projected period of January through June 2006. As explained in detail below, the development of allocation factors for the projected period is based upon information from the corresponding months of 2005.

Q. WHAT WAS THE BASIS FOR DETERMINING THE RESPECTIVE CUSTOMER LOAD DEMANDS CONTRIBUTED BY EACH RATE CLASS IN YOUR DEVELOPMENT OF THE ALLOCATION FACTORS?

A. Customer load demands were established based on the Company's load research data for the 12 months ending December 31, 2005. Actual customer load research demands were compiled for customers with loads that are metered with recording devices that provide hourly demand data. Customer load research sample data was the basis for developing hourly demand data for each rate class without 100 percent saturation of interval recording devices for billing purposes.

Q. WHAT WAS THE BASIS FOR THE ENERGY AND NUMBER OF CUSTOMERS USED IN THE DEVELOPMENT OF THE ALLOCATION FACTORS?

A. The energy and number of customers are based on the sales (kWh) and customer count from the Company's billing system for the 12 months ending December 31, 2005.

Q. WHAT METHODOLOGY WAS USED IN DEVELOPING THE CUSTOMER LOAD DEMANDS, ENERGY AND NUMBER OF CUSTOMERS FOR THE PROJECTED PERIOD OF JANUARY THROUGH JUNE 2006?

A. The January through June 2006 energy and adjusted number of customers developed from the Company's forecast prepared in the regular course of business were proportioned to the various Company rate schedules based upon historical relationships from the corresponding months of January through June 2005. Customer load demands were proportioned based on energy, thus maintaining a consistent load factor. Energy and number of customers were balanced to the forecast for January through June 2006 by revenue class and month. Slight adjustments were made to the industrial revenue class customer counts to maintain consistency with historical customer counts and to smooth monthly variations in those counts caused by forecasting seasonal agricultural customers.

Q. HAVE YOU MADE ANY PRO FORMA ADJUSTMENTS TO THE LOAD RESEARCH INFORMATION, BILLING SYSTEM INFORMATION OR FORECAST?

A. Yes. I have made pro forma adjustments for significant changes to certain individual customers and for certain rate schedules.

Q. PLEASE DESCRIBE THESE PRO FORMA ADJUSTMENTS.

A. Adjustments were made for significant known and reasonable changes to certain individual customers to better represent the demand and energy requirements of those customers in the near future. Adjustments were made to annualize changes in the rate class the customer is being served under and/or to annualize the customer's demand and energy consumption.

I have excluded the billing and load research data related to existing customer load that is being served under standby power. The actual usage of standby power is intermittent and difficult to predict. There may be a significant amount of standby usage in one year, while another year may have an insignificant amount. In fact, this same fluctuation often occurs from month to month. Accordingly, standby service does not lend itself to the traditional costing logic employed by the Company with regard to standard rate schedules and was excluded for purposes of allocation factor development.

Q. HAVE YOU MADE ANY ADDITIONAL ADJUSTMENTS TO THE LOAD RESEARCH INFORMATION, BILLING SYSTEM INFORMATION OR FORECAST?

A. Yes. The test year demands and energy were adjusted to reflect normal weather conditions for the historical period of July through December 2005. Demands and energy for January through June 2006 were based on the forecast which assumes normal weather conditions. Test year demands and energy were also adjusted to reflect the year-end level of customers. All customer-related allocation factors were adjusted to reflect the year-end level of customers.

Q. PLEASE EXPLAIN HOW YOU DEVELOPED THE ADJUSTMENTS TO THE LOAD RESEARCH AND BILLING SYSTEM INFORMATION FOR JULY THROUGH DECEMBER FOR NORMAL WEATHER AND FOR THE YEAR-END CUSTOMER LEVELS.

A. The monthly class Coincident Peak (“CP”), MDD and NCP demands and the monthly energy for each weather sensitive rate class were adjusted by weather adjustment factors developed for each month for July through December 2005.

The applicable class monthly CP, MDD, and NCP demands, as well as the energy and the number of customers, were adjusted to reflect the number of customers at the end of the year.

Q. HAVE YOU ADJUSTED DEMANDS AND ENERGY FOR LINE AND TRANSFORMATION LOSSES?

A. Yes. The demands and energy have been adjusted for losses to the generation level.

Q. ARE THERE ANY OTHER TOPICS YOU WOULD LIKE TO DISCUSS CONCERNING ALLOCATION FACTOR DEVELOPMENT?

A. Yes. I have set the retail production demand allocation factor ("PDAF") to 0.8613 and the retail production energy allocation factor ("PEAF") to 0.8623 as supported by and consistent with the testimony of Company witness Andrew P. Frits in Docket No. 03-028-U. The jurisdictional numbers for PDAF and PEAF are derived from the Stipulation and Settlement Agreement in Docket No. 96-360-U ("Settlement Agreement") utilizing the wholesale numbers at the Settlement Agreement level of 644,128 kW and 2,866,212 kWh. In the Settlement Agreement, these values were set to protect retail customers from a reallocation of existing production demand costs in the event that EAI lost wholesale customers in such a manner that wholesale load would fall below the Settlement

Agreement minimums. As discussed in Docket No. 03-028-U, the permanent assignment of EAI's current capacity based on the PDAF established in Docket No. 96-360-U will accomplish this purpose. Although the Settlement Agreement values only pertained to demand related production costs, Mr. Frits discussed that the non-fuel related energy cost should also be fixed in the same manner as the demand related cost. Therefore, it is appropriate to utilize the jurisdictional splits derived from the PEAF in Docket No. 96-360-U.

Q. DO YOU HAVE A SCHEDULE THAT CONTAINS THE DEVELOPMENT OF THE ALLOCATION FACTORS FOR ALL FUNCTIONS?

A. Yes. The detail of the development of the allocation factors is contained in Schedule G-4a.

IV. PRESENT TEST YEAR SALES REVENUE

Q. FOR WHAT TEST YEAR HAVE YOU DEVELOPED SALES REVENUE?

A. I have developed sales revenue for the test year ending June 30, 2006. This test year includes the historical period of July through December 2005 and the projected period of January through June 2006.

Q. WHAT METHODOLOGY WAS USED IN DEVELOPING THE BILLING DETERMINANTS FOR THE PROJECTED PERIOD OF JANUARY

THROUGH JUNE 2006?

A. Billing determinants for the projected period were developed in the same manner as the customer, demand, and energy values utilized in the development of the allocation factors.

Q. WHAT IS THE BASIS FOR THE PRESENT TEST YEAR SALES REVENUE?

A. The present test year revenue is based on the application of currently effective rates to test year billing determinants.

Q. HAVE YOU MADE ADJUSTMENTS TO THE PRESENT TEST YEAR SALES REVENUES YOU DEVELOPED FOR USE IN THE COMPANY'S RATE FILING?

A. Yes. Adjustments were made to the test year billing determinants that were consistent with the adjustments made to the load research and billing system information for the development of allocation factors. Adjustments were made for significant changes to certain individual customers. Additionally, adjustments were made to the test year billing determinants to reflect normal weather conditions for the historical period of July through December 2005 and to reflect year-end customer levels. The adjusted test year revenue is calculated utilizing the adjusted billing determinants. The resulting pro formed revenue is summarized in

Schedule H-1. The detail of the development is contained in Schedule H-2.

Q. PLEASE EXPLAIN THE REVENUE ADJUSTMENTS FOR INDIVIDUAL CUSTOMERS.

A. Certain individual customer revenue was adjusted to annualize changes in the rate class the customer is being served under and/or to annualize the customer's demand and energy consumption.

Q. PLEASE PROVIDE MORE DETAIL REGARDING HOW ADJUSTMENTS WERE MADE TO THE TEST YEAR REVENUES TO REFLECT THE WEATHER NORMALIZATION?

A. The monthly kWh sales of residential, commercial and governmental customers were adjusted to reflect normal weather for July through December 2005 of the test year. The industrial customers' usage was not considered to be weather sensitive. I have applied monthly weather normalization factors to the applicable monthly test year sales to calculate each respective rate schedule's normalized usage. Because electrical usage for January through June 2006 was based on the forecast, which assumes normal weather conditions, no adjustments were made.

Q. WHAT ADJUSTMENTS WERE MADE TO THE TEST YEAR REVENUES TO REFLECT THE YEAR-END NUMBER OF CUSTOMERS?

A. The number of customers served under each rate schedule and the related electrical usage for such customers were annualized to reflect the number of customers who were served under each of these rate schedules during the last month of the test year.

V. PROPOSED RATE DESIGN

Q. WHAT WAS THE STARTING POINT FOR YOUR RATE DESIGN?

A. I received the base rate sales revenue requirement from Company witness Phillip B. Gillam. Mr. Gillam explains the development of the revenue requirement in his Direct Testimony.

Q. DID YOU MAKE ANY ADJUSTMENTS TO THE BASE RATE SALES REVENUE REQUIREMENT?

A. Yes. I adjusted the base rate sales revenue requirement to reflect changes in the rate charged for additional facilities and for standby service. I have calculated an adjustment to the amount of revenue collected from additional facilities charges and standby service in Schedule H-5.

Q. HOW DID YOU DEVELOP RATES TO RECOVER THE COMPANY'S TOTAL ADJUSTED BASE RATE SALES REVENUE REQUIREMENT?

A. All rate schedules within a rate class were assigned an equal percent increase based on the rate class's total base rate revenue percent increase above current rates. With the exception of the Large General Service Time of Use ("LGSTOU") and the Large Power Service Time of Use ("LPSTOU") rate schedules discussed below, all rate schedules' rate structures were maintained by increasing each respective pricing component with the same percent increase. However, the Company removed the functional structure from each rate schedule because the APSC removed its previous requirement for functional rate schedules in its Order No. 2A in Docket No. 03-054-R. The rate design is shown in Schedule H-5. A summary of the class revenue effect of the proposed rate design is also contained in Schedule H-1.

Q. WHAT DO YOU PROPOSE FOR THE CURRENT LGSTOU AND LPSTOU RATE SCHEDULES?

A. The Company is proposing to combine the existing LGSTOU rate schedule and the existing LPSTOU rate schedule into one new schedule called Large Customer Time of Use ("LCTOU"). The current relationship between the LGSTOU rate schedule and the LPSTOU rate schedule represents an anomaly from traditional rate design because the unit cost increases as load grows above 1,000 kW. This also differs from the relationship in the Company's corresponding non-time-of-use rate schedules. This anomaly was documented in Docket No. 82-314-U and led to establishing a 1,000 kW threshold to preserve revenue levels projected for a specific test year in Order No. 36 in that Docket. The current availability sections of the LGSTOU and LPSTOU rate schedules require that customers with a maximum demand greater than or equal to 1,000 kW be on the LPSTOU rate schedule. LPSTOU customers pay higher demand charges than LGSTOU while energy charges are the same. This inverted rate structure is contrary to customer perception of a lower unit cost with load growth and has caused confusion among customers as they have grown from LGSTOU to LPSTOU. The LCTOU proposal mitigates the current problem while minimizing rate impact among various LGSTOU and LPSTOU customers.

Q. WHAT RATE DESIGN IS THE COMPANY PROPOSING FOR THE LCTOU RATE SCHEDULE?

A. The energy charges were adjusted based on the rate class's total base rate revenue percent increase. The customer and demand charges are a blending of the current charges for LGSTOU and LPSTOU rate schedules. The rate design is developed in Schedule H-2.

Q. ARE THERE ANY OTHER RATE DESIGN ISSUES YOU WISH TO ADDRESS?

A. Yes. The Company is proposing an energy only rate for certain applications of the All Night Outdoor Lighting Service rate schedule. Company witness Greg J. Grillo discusses the reasons the Company is proposing this rate. The rate design is shown in Schedule H-5. Mr. Grillo also discusses the development of a new reconnect fee for a reconnect at a point other than the meter.

Q. HAVE YOU PROVIDED TYPICAL BILLS REFLECTING THE IMPACT OF YOUR PROPOSED RATE DESIGN?

A. Yes. The typical bills are contained in Schedule H-3.

VI. <u>RATE SCHEDULES</u>

Q. WHAT ADDITIONAL CHANGES TO THE RATE SCHEDULES IS THE COMPANY PROPOSING?

A. In addition to the changes mentioned above, the Company is proposing closing to new business certain lights and poles in rate schedules Municipal Street Lighting Service and All Night Outdoor Lighting Service. Mr. Grillo discusses the reasons for these changes. The Company is also recommending discontinuing the Optional Irrigation Control Service. Company witness Robert R. Cooper discusses the reasons for discontinuing this rate schedule. The Company is therefore canceling Rate Schedule No. 36, Optional Irrigation Control Service Rider.

Q. IS THE COMPANY CANCELING ANY ADDITIONAL RATE SCHEDULES?

A. Yes. The Company is canceling Rate Schedule No. 33, Special Rate Contract Service Rider because future rates will not be functionalized. The Company is also canceling the LPSTOU rate schedule, Rate Schedule No. 9, because it is being combined with the LGSTOU rate schedule as discussed above. The Company is also canceling Rate Schedule No. 44, Economic Development Rider and Rate Schedule No. 47, Transition Cost Rider as they are no longer applicable.

Q. PLEASE DISCUSS THE MISCELLANEOUS TARIFF SHEET TEXTUAL CHANGES YOU ARE PROPOSING.

A. There are several miscellaneous changes to the tariff sheets that were made to clarify the current practice in the application of the tariffs. These changes included re-ordering and re-wording existing language and adding additional language to the rate schedules. Textual changes were made to several rate schedule titles and designations. Other textual changes were made to implement the rate design changes discussed above and those changes discussed by Mr. Grillo.

Q. HAVE YOU PROVIDED TARIFF SHEETS THAT REFLECT THE PROPOSED RATE DESIGN, NEW RATE SCHEDULES AND WORDING CHANGES?

A. Yes. The proposed tariff sheets are contained in the Company's filing in Schedule I. The changes described above are indicated on the proposed tariff sheets by providing the applicable explanation symbol in the right hand margin opposite each proposed revision.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

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