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Entergy Arkansas, Inc.	
Regulatory Affairs	
Chk #	2659
610 West Capitol Avenue	
P. O. Box 551	
Amount	25.00
AR 7220-0065	
Tel 501 377 4000	
Rcvd By	TJ
Date	2/1/08

January 31, 2008

T.R.A. DOCKET ROOM

Ms. Pat Murphy, Manager
Energy and Water Utility Division
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Tennessee Regulatory Authority (TRA) Docket No. 08-00020
Entergy Arkansas, Inc. (EAI) Request for Approval of Capacity
Acquisition Rider (Rider CA)

Dear Ms. Murphy:

On November 17, 2006, EAI filed a request for approval of the acquisition of new capacity to serve its retail customers with the Arkansas Public Service Commission (APSC) in APSC Docket No. 06-152-U. EAI requested bifurcating the proceeding into two phases -- the first phase would focus on EAI's need for additional capacity, and the second phase would focus upon a specific transaction to acquire the additional capacity.

On August 24, 2007, the APSC issued the attached Order No. 6 in Docket No. 06-152-U granting EAI's request based on EAI demonstrating a shortage of capacity under its long-term control; demonstrating that this shortage of capacity occurs as load following and peaking capacity, and demonstrating that combined cycle gas turbine (CCGT) capacity appears to have the most appropriate operational characteristics for load-following resources.

On September 4, 2007, EAI filed its Phase II Application in APSC Docket No. 06-152-U requesting the APSC to approve the acquisition of the 789 MW Ouachita Power Facility near Sterlington, Louisiana from Quachita Power, LLC. EAI requested approval of an Interim Tolling Agreement (ITA) which would begin on January 1, 2008, and continue until the plant acquisition. Under the ITA, EAI will purchase the entire output of the Ouachita Plant beginning on January 1, 2008 and will continue to do so until the close of the acquisition or December 31, 2010, whichever occurs earlier. The ITA was a condition required by the seller, Quachita Power, in order to proceed with the transaction to provide the seller with a revenue stream while EAI pursues the necessary regulatory approvals.

EAI also requested approval of a new rate recovery mechanism, the Capacity Acquisition Rider (Rider CA) to recover the additional retail revenue requirements associated with the transaction. The APSC bifurcated Phase II into two sub-

phases. Sub-Phase II(A) would address the ITA and its cost recovery, and Sub-Phase II(B) would address the actual acquisition by EAI for the Ouachita Plant and associated issues. The procedural schedule established for Sub-Phase II(A) ended with the public hearings held on December 7, 2007.

The APSC issued the attached consolidated order on December 21, 2007 (Order No. 11 in Docket No. 06-152-U) which addressed EAI's acquisition request on pages 5 through 11, and granted EAI approval of its request for the proposed ITA effective January 1, 2008 (on page 9). In this Order, the APSC also stated it was persuaded that the EAI's proposed Rider CA is a reasonable mechanism to provide the interim recovery of the costs associated with the ITA and directed EAI to amend and file for approval its revised Rider CA to be applicable specifically to the Ouachita Plant ITA and to provide for concurrent recovery solely of the specific capacity costs associated with the Ouachita Plant ITA (on page 11).

On January 11 and 16, 2008, EAI filed its amended Rider CA to recover the capacity costs associated with the ITA along with Table of Contents Sheet No. TC-5 and Rate Schedule 17, Table of Riders Applicable to Rate Schedules, Sheet 17.1. The fuel costs will be recovered through EAI's existing Energy Cost Recovery Rider (Rider ECR). Following discussions with APSC Staff, on January 30, EAI filed a revision to page 4 of Schedule B to Rider CA to correct a minor typographical revision. Copies of these filings are attached.

On January 17, 2008, APSC Staff witness Regina L. Butler filed the attached Phase II(A) Compliance Testimony recommending approval of EAI's revised Rider CA, Sheet No. TC-5 and revised Rate Schedule 17. Following EAI's January 30 filing, Ms. Butler also filed that date the attached Phase II(A) Supplemental Compliance Testimony recommending approval.

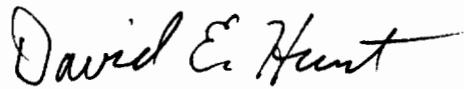
On January 30, 2008, the APSC issued the attached Order No. 12 approving EAI's amended Rider CA, Table of Contents Sheet TC-5, and Rate Schedule 17 Sheet 17.1 and made it effective with the first billing cycle in February, 2008, for its Arkansas retail customers.

The purpose of this letter is to file Rider CA with the TRA for its acknowledgement and approval. Also attached for approval are the associated changes to the revised Table of Contents, Sheet No. TC-5 and the revised Rate Schedule No. 17, Table of Riders Applicable to Rate Schedules, Sheet No. 17.1. All other existing Rate Schedules remain in effect without change. Attached is a check for \$25.00 for EAI's filing fee.

Ms. Pat Murphy
Page 3
January 31, 2008

If you have any questions or need additional information, please do not hesitate to call me at 501-377-4338.

Sincerely,

A handwritten signature in black ink that reads "David E. Hunt". The signature is written in a cursive style with a long horizontal flourish extending from the end of the name.

David E. Hunt
Manager, Regulatory Affairs

Attachments

ARKANSAS PUBLIC SERVICE COMMISSION

Original

Sheet No. 49.1

Schedule Sheet 1 of 5
Including Attachments

Replacing

Sheet No.

Entergy Arkansas, Inc.

Name of Company

Kind of Service: Electric

Class of Service: All

TRA Docket No.:

Order No.:

Effective:

Part III. Rate Schedule No. 49

Title: **Capacity Acquisition Rider (CA)**

PSC File Mark Only

49.0 CAPACITY ACQUISITION RIDER

49.1 REGULATORY AUTHORITY

The Arkansas Legislature has delegated authority to the Arkansas Public Service Commission ("APSC" or the "Commission") to regulate public utilities in the State of Arkansas, including Entergy Arkansas, Inc. ("EAI" or the "Company"). The APSC's regulatory authority over the provision of electric service applies not only in the Distribution Service area allocated to EAI by the APSC but also extends to service to customers who have been released to EAI by other electric distribution utilities, when such release for service has been approved by the Commission pursuant to Rule 7.04.(b) of the Commission's Rules of Practice and Procedure. Similarly, the Tennessee Regulatory Authority exercises such authority delegated to it by the Tennessee Legislature in areas of the State of Tennessee served by EAI.

49.2 PURPOSE

The purpose of this Capacity Acquisition Rider ("Rider CA") is to recover, from EAI's retail customers, changes in costs associated with the Ouachita Plant Interim Tolling Agreement ("ITA"), along with the reserve equalization effects, if any, associated with the acquired capability and purchased capacity as approved by the APSC in Docket No. 06-152-U. Rider CA shall apply in accordance with the provisions of § 49.3 below to electric service billed under certain rate schedules, whether metered or unmetered. Rider CA is effective with the first billing cycle for the February 2008 billing month and is applicable solely during the ITA Period as defined in this rider.

49.3 CAPACITY RATES

The capacity acquisition rates ("Capacity Rates") shall be set forth in Attachment A to this Rider CA.

49.4 ANNUAL DETERMINATION

The "Interim Tolling Agreement (ITA) Period" shall be the period from the first billing cycle for the February 2008 billing month until one month after the termination of the ITA. During the ITA Period the Capacity Rates, as set out in Attachment A, shall be based on the annualized non-fuel cost of the ITA approved by the APSC in Docket No. 06-152-U and determined by application of the formula ("Capacity Rate Formula") set out in Attachment B to this Rider CA. If the ITA does not terminate during 2008 the Company shall file on or around each December 1st, until the termination of the ITA, an updated calculation of the Capacity Rates, as set out in Attachment A recognizing the then current annualized non-fuel cost of the ITA approved by the APSC in Docket No. 06-152-U and determined by application of the Capacity Rate Formula set out in Attachment B to this Rider CA.

(NR)

ARKANSAS PUBLIC SERVICE COMMISSION

Original

Sheet No. 49.2

Schedule Sheet 2 of 5
Including Attachments

Replacing

Sheet No.

Entergy Arkansas, Inc.

Name of Company

Kind of Service: Electric

Class of Service: All

TRA Docket No.:
Order No.:
Effective:

Part III. Rate Schedule No. 49

Title: Capacity Acquisition Rider (CA)

PSC File Mark Only

Capacity Rates for the ITA Period shall be filed by the Company in Docket No. 06-152-U.

(NR)

49.5 STAFF AND COMMISSION REVIEW

Staff shall review the filed Capacity Rates to verify that the formula in Attachment B has been correctly applied and shall notify the Company of any necessary corrections. After the Staff completes its review of the rate calculation, the Company shall make appropriate changes to correct undisputed errors identified by the Staff in its review. Any disputed issues arising out of the Staff review are to be resolved by the Commission after notice and hearing. The Capacity Rates shall go into effect, upon Commission approval, with the first billing cycle of the following February.

49.6 TERM

This Rider CA shall remain in effect until one month after termination of the ITA.

TRA Docket No.:

Order No.:

Effective:

Attachment A to

Rate Schedule No. 49

Attachment Page 1 of 1

Schedule Sheet 3 of 5

Including Attachments

Rider CA Rates

(NR)

All retail rates and applicable riders on file with the APSC will be increased or decreased by the percentage listed below, except those specifically excluded below:

Rate Class	Rate Schedules	Applicable Percentage
Residential	RS, RT	0.6724%
Small General Service	SGS, GFS, L2, MP, AP, CGS, CTV, SMWHR	0.8056%
Large General Service	LGS, LPS, GST, PST, SSR	1.0846%
Lighting	L1, L1SH, L4	0.2391%

Excluded Schedules:

- Additional Facilities Charge Rider ("AFCR")
- Charges Related to Customer Activity ("CAC")
- Small Cogeneration Rider ("SCR")
- Large Cogeneration Rider ("LCR")
- ANO Decommissioning Cost Rider ("NDCR")
- Energy Cost Recovery Rider ("ECR")
- Municipal Franchise Tax Adjustment Rider ("MFA")
- Grand Gulf Rider ("GGR")
- Experimental Market Valued Energy Reduction Service Rider ("MVER")
- Experimental Energy Reduction Service Rider ("EER")
- Production Cost Allocation Rider ("PCA")
- Energy Efficiency Cost Recovery Rider ("EECR")
- Federal Litigation Consulting Fee Rider ("FLCF")

TRA Docket No.:
Order No.:
Effective:

Attachment B to
Rate Schedule No. 49
Attachment Page 1 of 2
Schedule Sheet 4 of 5
Including Attachments

**Entergy Arkansas, Inc.
Capacity Rate Formula
Test Year Ending December 31, 2008**

(NR)

Class Allocation & Rate Development					
Line No.	Class	Class Allocator (1)	Capacity Revenue Reqmt (\$) (2)	Base Rate Revenue (\$) (3)	Applicable Percentage (4)
	EAI Retail				
1	Residential	40.1903%	2,968,405	441,486,716	0.6724%
2	Small General Service	22.9617%	1,695,922	210,515,098	0.8056%
3	Large General Service	36.1949%	2,673,310	246,487,541	1.0846%
4	Lighting	0.6531%	48,237	20,173,305	0.2391%
5	Total EAI Retail	100.000%	7,385,874	918,662,660	

Notes:

- (1) Most recently approved Rate Class Production Demand Allocation Factor
- (2) Attachment B, Page 2, Line 6 * Class Allocator
- (3) The Base Rate Revenue for the Test Year
- (4) Class Capacity Revenue Requirement / Class Base Rate Revenue

TRA Docket No.:
Order No.:
Effective:

Attachment B to
Rate Schedule No. 49
Attachment Page 2 of 2
Schedule Sheet 5 of 5
Including Attachments

**Entergy Arkansas, Inc.
Capacity Revenue Requirement
Arkansas Retail Jurisdiction (A)
Test Year Ending December 31, 2008**

(NR)

Line No.	Description	Amount (\$)
1	I. Purchased Power Capacity Costs Interim Tolling Agreement (B)	(C)
2	II. Reserve Equalization Effect Reserve Equalization (Expense/Revenue) (D)	(C)
3	Total Capacity Costs (Line 1 - Line 2)	7,393,060
4	Bad Debt Rate (E)	0.3707%
5	Forfeited Discount Rate (F)	0.4679%
6	Total Capacity Revenue Requirement (Line 3 * (1 + Line 4 – Line 5))	7,385,874

Notes:

- (A) All costs reflect Retail portion only.
- (B) Contract capacity costs associated with Interim Tolling Agreement for that test year
- (C) Value set forth in confidential work papers supporting the calculation.
- (D) Estimated Reserve Equalization (MSS-1) impact on retail associated with the acquired capacity
[(MW * retail split) – (MW * EAI responsibility ratio)] * cost rate \$/MW * 12
(MW is total capability recognizing seasonal ratings per MSS-1)
(Cost rate reflects the relative long or short position of EAI under MSS-1)
(EAI responsibility ratio and cost rate per most recent MSS-1 calculation)
- (E) The Retail Bad Debt Rate from Docket No. 06-101-U
- (F) The Retail Forfeited Discount Rate from Docket No. 06-101-U

ARKANSAS PUBLIC SERVICE COMMISSION

6th Revised

Sheet No. TC-5

Schedule Sheet 5 of 6

Replacing: 5th Revised

Sheet No. TC-5

Entergy Arkansas, Inc.

Name of Company

Kind of Service: Electric

Class of Service: All

TRA Docket No.:

Order No.:

Effective:

TABLE OF CONTENTS

PSC File Mark Only

<u>Class of Service</u>	<u>Rate Schedule No. and Title</u>	<u>Sheet Number</u>	
All	42. Grand Gulf Rider (GGR)	42.1	
All	43. Federal Litigation Consulting Fee Rider (FLCF)	43.1	
All	44. RESERVED FOR FUTURE USE	44.1	
Commercial/Industrial	45. Experimental Market Valued Energy Reduction Service (MVER)	45.1	
Commercial/Industrial	46. Experimental Energy Reduction Service Rider (EER)	46.1	
All	47. RESERVED FOR FUTURE USE	47.1	
All	48. Production Cost Allocation Rider (PCA)	48.1	
All	49. Capacity Acquisition Rider (CA)	49.1	(CT)
All	50. RESERVED FOR FUTURE USE	50.1	
All	51. RESERVED FOR FUTURE USE	51.1	
All	52. RESERVED FOR FUTURE USE	52.1	
All	53. RESERVED FOR FUTURE USE	53.1	
As Applicable	60. Extension Of Facilities (EOFP)	60.1	
As Applicable	61. Tariff Governing the Installation of Electric Underground Residential Distribution Systems and Underground Service Connections (UGP)	61.1	

ARKANSAS PUBLIC SERVICE COMMISSION

5th Revised

Sheet No. 17.1

Schedule Sheet 1 of 2

Replacing: 4th Revised

Sheet No. 17.1

Entergy Arkansas, Inc.

Name of Company

Kind of Service: Electric

Class of Service: As Applicable

TRA Docket No.:

Order No.:

Effective:

Part III. Rate Schedule No. 17

Title: Table of Riders Applicable to Rate Schedules

PSC File Mark Only

17.0. TABLE OF RIDERS APPLICABLE TO RATE SCHEDULES

17.1. MANDATORY APPLICATION

The Rate Schedules listed in Group 1 below are mandatory pursuant to the Adjustment provision of each Rate Schedule and shall be applied, as applicable, to each Rate Schedule listed in Group 2 below.

Group 1

Rate Schedule No. / Name

- 29. Charges Related To Customer Activity (CAC)
- 37. ANO Decommissioning Cost Rider (NDCR)
- 38. Energy Cost Recovery Rider (ECR)
- 39. Municipal Franchise Adjustment Rider (MFA)
- 40. Energy Efficiency Cost Rate Rider (EECR)
- 42. Grand Gulf Rider (GGR)
- 43. Federal Litigation Consulting Fee Rider (FLCF)
- 48. Production Cost Allocation Rider (PCA)
- 49. Capacity Acquisition Rider (CA)

(AT)

Group 2

Rate Schedule No. / Name

- 1. General Purpose Residential Service (RS)
- 2. Optional Residential Time-Of-Use (RT)
- 4. Small General Service (SGS)
- 5. Nonresidential General Farm Service (GFS)
- 6. Large General Service (LGS)
- 7. Large General Service Time-Of-Use (GST)
- 8. Large Power Service (LPS)
- 9. Large Power Service Time-Of-Use (PST)
- 10. Municipal Street Lighting Service (L1)
- 11. Traffic Signal Service (L2)
- 12. All Night Outdoor Lighting Service (L4)
- 13. Municipal Pumping Service (MP)
- 14. Agricultural Water Pumping Service (AP)
- 15. Cotton Ginning Service (CGS)
- 16. Community Antenna TV Amplifier Service (CTV)
- 20. Standby Service Rider (SSR)
- 21. Municipal Shielded Street Lighting Service (L1SH)
- 28. Separately Metered Commercial Space & Water Heating Rider (SMWHR)

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ARKANSAS PUBLIC SERVICE COMMISSION

FILED

IN THE MATTER OF ENTERGY
ARKANSAS, INC.'S REQUEST FOR
APPROVAL OF THE ACQUISITION
OF NEW CAPACITY TO SERVE ITS
RETAIL CUSTOMERS

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)

DOCKET NO. 06-152-U
ORDER NO. 6

ORDER

On November 17, 2006, Entergy Arkansas, Inc. ("EAI" or the "Company") filed a *Request for a Declaration of Need to Acquire New Capacity to Serve Its Retail Customers* ("*Request*") requesting "that the Commission find that the acquisition by EAI of an additional load-following resource is in the public interest and approve the acquisition of the generation resource on behalf of EAI's retail customers and to maintain its capacity reserve margin." In its *Request* "EAI proposes that the proceeding be bifurcated into two phases. The first phase (Phase I) would focus on the issue of EAI's need for capacity and that this need will best be met through the acquisition of a combined cycle gas turbine ("CCGT") or entry into a long-term purchase agreement for the capacity and associated output from a CCGT. The second phase (Phase II) would focus upon a specific transaction for which EAI will request approval." In support of its *Request* EAI filed the Direct Testimonies and Exhibits of its witnesses, Robert R. Cooper and Kurtis W. Castleberry on November 17, 2006.

Mr. Castleberry, Director, Operating Committee Support, for EAI, states that "[t]he Company is seeking the Commission's approval in a proposed two-phase process. In this first phase, the Company is seeking a finding from the Commission that there is a need for new capacity, and that this need will best be met through the acquisition of

load-following capacity using a combined cycle gas turbine ("CCGT") technology. The Company will follow this phase with a phase in which the Commission's approval for a specific transaction will be sought. At this time, we expect that the resource procurement process, which I will discuss later in my testimony, will result by early 2007 in an agreement to acquire a specific resource either through a long-term power purchase agreement ("PPA") or as the purchase of a power plant. At that time, the Company will request approval of that transaction." Castleberry at 5-6.

Mr. Cooper, Manager, Generation Planning and Models for Entergy Services, Inc., testified that "[t]he Company currently does not own or control enough generation to meet a planning criterion that requires it to control an amount of generating resources (either through owned capacity or through power purchase agreements) that is at least equal to its projected peak load plus reserves. EAI's deficiency with respect to this criterion is expected to increase throughout the planning horizon. EAI specifically needs load-following generation in order to be able to match its generation to customers needs as those needs vary throughout the day. EAI's long-term retail resource deficit is expected to be approximately 1,462 MW in 2007 and is projected to increase to 1,818 MW by 2012. Of the total resource deficit, the level of load-following deficit is about 670 MW in 2007. Thus, EAI will need to acquire additional generating resources, either through limited-term power purchase agreements or, if there is adequate certainty regarding future demand, long-term power purchase agreements or the construction or acquisition of new capacity." Cooper Direct at 15-16.

On December 8, 2006, the Commission issued Order No. 2, establishing a procedural schedule for the purpose of filing direct, rebuttal and surrebuttal testimony by the parties on the first phase of the Company's *Request*, the determination of need.

Order No. 2 also set a public hearing on EAI's *Request* to begin on March 6, 2007. On January 24, 2007, the General Staff of the Commission ("Staff") filed the Direct Testimony and Exhibits of its witness, J. Richard Hornby, Senior Consultant at Synapse Energy Economics, Inc.¹

Staff witness Hornby testified that (1) EAI has demonstrated a need for acquiring load-following capacity resources; (2) EAI "bears the burden of demonstrating that the specific quantity and type of capacity that it acquires for load-following will enable it to provide reliable service at reasonable rates"; (3) the Company must request Commission approval before entering into new long-term Purchased Power Agreements ("PPAs") for wholesale base load ("WBL") capacity; and (4) EAI must evaluate the cost effectiveness of the WBL capacity as part of its next acquisition. Hornby at 5.

Mr. Hornby further testified that EAI has a shortage of capacity under its control for the long term. He states that EAI's forecast of peak demand and a planning reserve of 15.25% are reasonable. Mr. Hornby states that this shortage cannot be met in the short term by utilizing energy efficiency and demand response measures. Hornby at 5-6.

Mr. Hornby also states that, although EAI is currently meeting a substantive portion of its load following requirements through PPAs and purchases under the Entergy System agreement, he agrees with EAI's approach to rely more on capacity that is under the Company's control and reduce the amount that would be acquired through PPAs and testifies that "EAI wishes to reduce its dependence on the other Operating Companies, which makes sense given its (EAI's) plan to exit the System Agreement as of

¹ The Commission granted intervenor status to the Arkansas Electric Energy Consumers, Inc. on December 21, 2006. On January 3, 2007 the Commission was notified that the Attorney General's Office intended to be a party to this docket.

2013.” Hornby at 11. Mr. Hornby concludes that:

The Company’s proposal to increase the quantity of load-following capacity under its long-term control by acquiring a CCGT resource is consistent with good resource planning principles. However, EAI will need to demonstrate that the specific quantity and type of capacity it actually acquires will enable it to provide reliable service at reasonable rates.

Hornby at 12.

While Mr. Hornby performed an initial analysis of replacing load following from PPAs with load following from long term capacity under EAI’s control, he recommends that the Company submit an analysis of the rate impact of this type of displacement when EAI files for approval of an actual acquisition. Hornby at 12.

Mr. Hornby also reviewed and evaluated the alternatives EAI presented for meeting the Company’s capacity needs. He notes that EAI witness Cooper evaluated three alternatives for load following capacity – a new coal unit, a new gas-fired CCGT unit, and major investments in the existing Lake Catherine Unit 4. Mr. Hornby concludes that his analysis is consistent with EAI’s and that the proposed CCGT capacity is preferable to the other options evaluated. Hornby at 15. In addition, Mr. Hornby states:

I have two main conclusions. First, CCGT capacity is preferable to the other candidate resources, i.e., a new coal plant, future investment in the Lake Catherine unit, and use of WBL (wholesale baseload) capacity. However, EAI will need to demonstrate that the specific quantity and type of capacity it actually acquires will enable it to provide reliable service at reasonable rates over the long-term, considering the operational characteristics and economics of its entire portfolio of existing resources. Second, it is possible that a portion of that WBL capacity may be the most economic resource for the Company’s next long-term acquisition of capacity to meet firm retail requirements.

Hornby at 17.

On February 7, 2007, EAI filed the Rebuttal Testimony of Kurtis W. Castleberry. Mr. Castleberry states that he agrees with Mr. Hornby that using WBL capacity to serve retail load does not provide the net savings a CCGT would provide. However, Mr. Castleberry states that the WBL capacity has been allocated to serving wholesale load and would not be available in the future to serve EAI's retail load. Castleberry Rebuttal at 5. Mr. Castleberry testifies that "[t]he Company's current plan is to sell, until December 18, 2013 (when EAI's participation in the current Entergy System Agreement terminates), the remaining WBL capacity to other [Entergy] Operating Companies as contracts with existing wholesale customers expire." Castleberry Rebuttal at 5. Mr. Castleberry agrees with the recommendations of Mr. Hornby. Castleberry Rebuttal at 6-8.

On February 21, 2007, Staff filed its *Motion to Cancel Hearing and Request for Expedited Responses* filed on February 21, 2007. On February 22, 2007, EAI filed its response and supported Staff's request that the Commission cancel the public hearing scheduled for March 6, 2007 and enter an order based on the evidence in the record. On February 27, 2007, in Order No. 5, the Commission granted the Staff's unopposed motion and cancelled the remainder of the procedural schedule and the hearing scheduled for March 6, 2007.

Findings

Based on the testimonies of EAI witnesses Cooper and Castleberry and Staff witness Hornby, the Commission finds and declares that EAI (1) has demonstrated a shortage of capacity under its long term control; (2) has demonstrated that this shortage of capacity occurs as load following and peaking capacity; and (3) has demonstrated that CCGT capacity appears to have the most appropriate operational characteristics for

load-following resources. Accordingly, based on the evidence of record, EAI's *Request* is granted.

Furthermore, as noted by both Staff and EAI, at the time the *Request* was filed the Commission was in the process of developing rules and guidelines for both resource planning and energy efficiency and conservation (Docket Nos. 06-028-R and 06-004-R, respectively). EAI witness Cooper states that the demand-side programs currently under discussion "cannot displace EAI's current need for a load-following resource because operation of the electric system requires that actual generation match load at all times to ensure stability of the electric system." Cooper at 10. Staff witness Hornby goes further and testifies that

EAI should certainly be working with retail customers to identify programs that would lead to cost-effective reductions in peak load, and hence reductions in the shortfall. The Commission recognized the need to implement conservation, energy efficiency and demand response programs in its recent ruling adopting *Rules for Conservation and Energy Efficiency Programs*. However, it takes time for such programs to be designed and implemented. Thus it is not realistic to expect them to produce a material reduction in EAI's load in the short-term.

Hornby at 5.

The Commission has now finalized its rulemaking on energy efficiency and conservation², and EAI has filed proposed "quick start" programs for Commission consideration.³ The Commission has also issued Guidelines on Resource Planning for Electric Utilities in Docket No. 06-028-R, wherein the utilities were directed to give "comparable consideration" to demand and supply resources and to assess "all reasonably useful and economic supply and demand resources that may be available to a

² The final Rules were adopted on May 25, 2007, in Order No. 18 of Docket No. 06-004-R

³ EAI's company-specific "quick start" energy efficiency and conservation programs were filed on July 2, 2007, in Docket No. 07-085-TF.

utility or its customers", and to identify and investigate resources including "energy efficiency, conservation, demand-side management, interruptible load, and price responsive demand."

While the Commission recognizes that it will take "time for programs to be designed and implemented", the Commission also recognizes that until recently, there has been little emphasis placed on greater utilization of either energy efficiency programs or demand response programs due to the adequate supply of generating capacity to meet ratepayer needs. This situation has changed and the investor-owned electric utilities in Arkansas are now beginning to build or acquire additional supply resources to meet existing and anticipated demand. In the instant Docket, EAI has clearly indicated that its generation needs in 2007 are largely for load following and peaking capacity.

It is well established that well designed and well functioning company-specific demand response programs can assist in meeting system peak demand. The Commission noted this in Order No. 10 of Entergy's recent retail rate case (Docket No. 06-101-U), wherein we observed that the electric cooperatives in Arkansas have long operated highly successful demand response programs to the benefit of customers. We also note that EAI (then Arkansas Power & Light Company) was once a national leader in the development and implementation of residential and agricultural (irrigation pump) load-management programs during the last period of capacity shortages on the Entergy System during the late 1970s and early 80s. In the rate case order the Commission directed EAI to investigate reinstatement of its now defunct irrigation control program in the context of its ongoing Broadband Over Powerlines program. Docket No. 06-101-U, Order No. 10 at 124. The Commission is aware of no legal or

regulatory constraints that would stand in the way of an electric utility's aggressive pursuit of demand response resources, either through direct contract negotiation or competitive bidding procedures analogous to those it might use to purchase power or acquire an existing power plant. In light of this situation, the Commission directs the Company to take steps necessary to aggressively pursue cost-effective demand response and energy efficiency resources to meet anticipated loads.

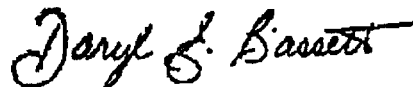
Further, nothing in this order represents a Commission finding (1) regarding any specific proposal(s) EAI may proffer to address its need for additional power supply resources; or (2) any value for ratemaking purposes or cost recovery purposes.

BY ORDER OF THE COMMISSION.

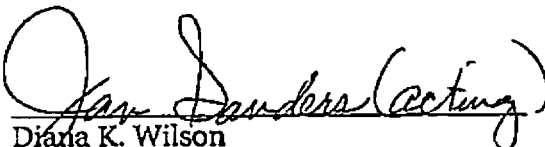
This 24th day of August, 2007.



Paul Suskie, Chairman

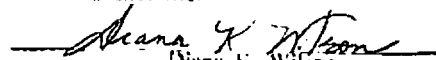


Daryl E. Bassett, Commissioner



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 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 8-24-07 JS

ARKANSAS PUBLIC SERVICE COMMISSION

2007 DEC 21 P 4: 37

IN THE MATTER OF THE)
CONSIDERATION OF ENTERGY)
ARKANSAS, INC.'S ANNUAL EARNINGS)
REVIEW TARIFF)

FILED
DOCKET NO. 07-129-U
ORDER NO. 4

IN THE MATTER OF ENTERGY)
ARKANSAS, INC.'S REQUEST FOR)
APPROVAL OF THE ACQUISITION OF)
NEW CAPACITY TO SERVE ITS RETAIL)
CUSTOMERS)

DOCKET NO. 06-152-U
ORDER NO. 11

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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
ORDER NO. 17

IN THE MATTER OF AN INVESTIGATION)
REGARDING ENTERGY ARKANSAS,)
INC.'S CONTINUED PARTICIPATION IN)
THE ENTERGY SYSTEM AGREEMENT,)
AND THE FUTURE PROTECTION OF ITS)
RATEPAYERS)

DOCKET NO. 04-023-U
ORDER NO. 13

ORDER

Annual Earnings Review

By Orders No. 10 and 16 of Docket No. 06-101-U, issued respectively on June 15, 2007, and August 13, 2007, the Commission directed the parties to develop an Annual Earnings Review ("AER") process for Entergy Arkansas, Inc. ("EAI" or the "Company") to be effective for calendar year 2008 and thereafter. Order No. 10 provided as follows:

Under applicable Arkansas law the Company is entitled in this case to a timely final order establishing a prospective retail revenue requirement and appropriate retail rates and tariffs to be effective as of June 15, 2007. Such prospective revenue requirement, rates and tariffs must satisfy the requirements of Arkansas law and fall within the regulatory ratemaking parameters established by the United States Supreme Court in the Hope and Bluefield cases. The Commission's

findings in this order regarding the Company's prospective revenue requirement, rates and tariffs are based upon substantial evidence of record and are just and reasonable. Therefore, such findings are in compliance with both Arkansas and federal law.

However, there are no state or federal legal requirements that require this Commission to approve the Company's proposed Production Costs Adjustment rider ("PCA") or its proposed Capacity Management rider ("CM"). Nor are there any state or federal legal requirements that require this Commission to approve the continuance of the Company's Energy Cost Recovery rider ("ECR"). Clearly the Company is legally entitled to a just and reasonable retail revenue requirement and rates and tariffs that allow the Company the opportunity to recover its prudently incurred public utility operating expenses and to earn a fair return on its capital investment dedicated to the public use. Such revenue requirement must fairly comprehend, among other elements, the Company's prudently incurred costs for energy and fuel expenses as well as for historic and/or new electric generation capacity and associated plant prudently acquired, installed and operated for the public use in furtherance of the Company's public utility obligations. However, the Company is not legally entitled to recover such costs through automatic riders, such as the PCA, the CM, and the ECR. Under Arkansas law the Commission could require that costs associated with the Company's PCA, the CM, and the ECR be recovered through the normal rate case processes available to the Company.

Though not legally obligated to do so, the Commission has determined herein that conditional approval of the PCA and conditional continuance of the ECR are in the public interest. However, the Commission has determined that approval of the CM is premature and not in the public interest and, therefore, has rejected the CM for the reasons cited elsewhere.

The PCA and the ECR, as modified hereinabove, are approved for a limited-time trial period to end on December 31, 2008, unless expressly authorized by the Commission to be continued beyond December 31, 2008, and subject to the development and implementation of an annual earnings review process ("AER") for the Company. The Commission directs the parties to expeditiously develop and file a proposed AER process for the Commission's consideration. The AER should be designed to be fair and reasonable for both ratepayers and the Company and should comprehend prudently incurred substantial changes to the Company's financial circumstances occurring during the course of the review year, including but not limited to the acquisition by the Company of additional electric generation resources and associated plant as pre-authorized by the Commission. Another objective of the AER shall be to capture any excess

earnings above the revenue requirement authorized herein and to credit such excess earnings to the benefit of ratepayers through the PCR. The Commission envisions an AER process similar to the Regulatory Earnings Review Tariff ("RERT") approved for the Company in Commission Docket No. 98-114-U. However, in the development of the proposed AER, the parties are not obligated to strictly duplicate the RERT process.

The Commission is of the opinion that the proposed AER process can be developed by the parties and submitted for the Commission's consideration and approval within a relatively short period of time, especially if the RERT process is used as the model for the AER. Accordingly, the parties are directed to file the proposed AER process within sixty days of the date of this Order. Allowing for an appropriate procedural schedule for consideration of the proposed AER process, the Commission would hope to approve an acceptable AER to be effective as of July 1, 2007, within 60 to 90 days of the date of filing the AER process.

Assuming an acceptable AER process can be implemented effective July 1, 2007; the Commission will allow the PCA and the ECR to remain in effect until December 31, 2008. Prior to the sunset of the PCA and the ECR on December 31, 2008, the Commission will consider whether such riders should be allowed to continue for calendar year 2009. The Commission's decision to allow the riders to continue for calendar year 2009 will be substantially influenced by the Company's progress towards the development and approval of an amended Entergy System Agreement acceptable to this Commission and the continued effectiveness of the Company's December 19, 2005, Notice to Withdraw from the Entergy System Agreement.

(Order No. 10 at 126-129. Emphasis added, footnotes omitted).

On rehearing of Order No. 10 the Commission, in its Rehearing Order No. 16, further addressed and clarified its intent regarding the Annual Earnings Review Process.

To further clarify the Commission's intent with regard to the AER, the AER shall be designed to comprehend prudently incurred or experienced substantive changes to substantive inputs to the revenue requirement calculation regardless of whether the net affect is to decrease or increase retail rates. Such substantive changes may include, but are not limited to, the acquisition by the Company of additional electric generation resources and associated plant as pre-approved by the Commission and extraordinary storm damage repair and restoration costs in any given year.

(Order No. 16 at 18. Emphasis added). Later in Order No. 16 the Commission again referenced its “inclusion [within the Annual Earnings Review process] of extraordinary storm damage repair and restoration costs in any given year.” (*Id* at 32).

As suggested by the Commission’s language in Order No. 10 at 129, “The Commission is of the opinion that the proposed AER process can be developed by the parties and submitted for the Commission’s consideration and approval within a relatively short period of time ...” The Commission anticipated that the parties would be able to propose a mutually agreeable AER process. The Commission, perhaps optimistically, assumed that the parties would be able to work together to develop a process that would be “fair and reasonable for both ratepayers and the Company” and relatively simple to administer. From the evidence presented and the arguments of counsel in Docket No. 07-129-U, it unfortunately appears that neither result has been achieved. Perhaps a longer developmental period and more opportunity for collaboration could lead to an Annual Earnings Review process that would satisfy the Commission’s desired result. However, based upon the current developmental impasse, the Commission’s comfort level is not sufficiently high enough to go forward with the implementation of the Annual Earnings Review process for the Company effective January 1, 2008. To go forward with the process at this time would likely lead to significant complications unintended and unanticipated by the Commission and, therefore, could be detrimental to the public interest. Accordingly, the Commission rejects, at this time, the various Annual Earnings Review process proposals of the parties.

Having anticipated that the Annual Earnings Review process could and would comprehend “the acquisition by the Company of additional electric generation resources and associated plant as pre-approved by the Commission and extraordinary storm damage repair and restoration costs in any given year” the Commission, in light of its rejection of the Annual Earnings Review process proposals of the parties, must now otherwise address the Company’s proposed acquisition of the Ouachita electric generation facility (Docket No. 06-152-U) and “extraordinary” storm damage repair and restoration costs which it may experience in any given year. These issues will be addressed hereinafter.

Ouachita Plant Interim Tolling Agreement Sub-Phase II(A) Issues

On September 4, 2007, EAI filed its Phase II Application (“Application”) in Docket No. 06-152-U. Therein, EAI asks the Commission to approve the acquisition by EAI of the 789 MW Ouachita Power Facility (“Ouachita” or the “Ouachita Plant”) near Sterlington, Louisiana from Ouachita Power, LLC (“Ouachita Power”). EAI also asks for approval of an Interim Tolling Agreement (“ITA”) which would begin on January 1, 2008, and continue until the plant acquisition. EAI further requests approval of a new rate recovery mechanism, the proposed Capacity Acquisition Rider (“Rider CA”), to recover the additional retail revenue requirements associated with the transaction. Finally, EAI requests approval of the sale of one-third of the output on a long-term, life-of-unit basis to Entergy Gulf States, Inc. or, if the Louisiana Public Service Commission rejects that sale, approval of dedication of that one-third output share to EAI’s retail customers.

By Order No. 8, issued on October 18, 2007, the Commission granted the General Staff of the Commission's ("Staff") September 18, 2007, *Motion to Bifurcate and Set Procedural Schedule*. As requested by the Staff, Order No. 8 bifurcated Phase II of this Docket into two sub-phases, with the current sub-phase, Sub-Phase II(A), to include consideration of the ITA and its cost recovery and Sub-Phase II(B) to include consideration of the actual acquisition by EAI of the Ouachita Plant and associated issues. Order No. 8 also established the procedural schedule for Sub-Phase II(A). The procedural schedule for Sub-Phase II(B) was established by Order No. 9.

In support of its Application, EAI filed the Phase II Direct Testimony and Exhibits of Mr. Hugh T. McDonald, Mr. Kurtis W. Castleberry, Ms. Barbara A. Heavener, Mr. Dennis R. Roach, and Mr. William M. Mohl.

On October 18, 2007, the Staff responded to EAI's Application by filing the Direct Testimony and Exhibits of its witnesses Mr. Ralph C. Smith, Senior Regulatory Consultant at Larkin & Associates, PLLC, and Mr. J. Richard Hornby, Senior Consultant at Synapse Energy Economics, Inc. Also on October 18, 2007, the Attorney General of Arkansas ("AG") filed the Direct Testimony and Exhibits of Mr. William B. Marcus and the Arkansas Electric Energy Consumers ("AEEC") filed the Direct Testimony and Exhibits of Mr. Randall J. Falkenberg. On November 7, 2007, EAI filed the Rebuttal Testimony and Exhibits of its witnesses Mr. McDonald, Mr. Roach, and Mr. Steven K. Strickland. On November 16, 2007, the Staff filed the Surrebuttal Testimony and Exhibits of Mr. Smith and Mr. Hornby. On the same date, the AG filed the Surrebuttal Testimony of Mr. Marcus. On November 21, 2007, the Company filed the Sur-

Surrebuttal Testimony of Mr. McDonald and Mr. Roach as well as the Supplemental Testimony of Mr. Mohl and Mr. Castleberry.

On December 6 and 7, 2007, public hearings on the issues before the Commission in Docket Nos. 04-023-U, 06-152-U, and 07-129-U were conducted in Commission Hearing Room No. 1, Arkansas Public Service Commission Building, 1000 Center Street, Little Rock, Arkansas.

There are two primary issues before the Commission at this time pursuant to Order No. 8 of Docket No. 06-152-U, i.e., whether concurrent recovery of the Ouachita Interim Tolling Agreement ("ITA") costs is appropriate and, if so, how such recovery should be accomplished. All other issues related to the proposed actual acquisition by EAI of the Ouachita Plant will be addressed by subsequent order of the Commission in Sub-Phase II(B) of this proceeding.

EAI states that it plans to begin purchasing power from Ouachita Power under the ITA on January 1, 2008. Therefore, the Company has requested an order from this Commission by December 21, 2007.

The ITA will remain in effect until EAI legally acquires ownership of the Ouachita Plant, currently expected to occur during 2008, assuming all necessary regulatory approvals are acquired by EAI, pursuant to the terms of the Purchase and Sale Agreement ("PSA") between EAI and Ouachita Power. (Application at 4). EAI has also proposed a new rate recovery mechanism, the proposed Capacity Acquisition Rider ("Rider CA"), which is described in EAI Exhibit DRR-1. During the period the ITA is in

effect, Rider CA would recover the capacity costs associated with the ITA and the fuel costs would be recovered via the Energy Cost Recovery Rider ("Rider ECR").

[T]he Company proposes to use Rider CA and the existing Energy Cost Recovery Rider ("Rider ECR") to recover the Ouachita Plant's costs during the term of the ITA. For the energy portion of the ITA, the Company proposes to treat the recovery of energy costs under the agreement in the same fashion as any other short-term power purchase agreement and include those costs in Account 555 of the FERC Uniform System of Accounts to be recovered through Rider ECR. For the capacity component of the ITA, the Company proposes to recover those costs through Rider CA. Specifically, the ITA capacity costs will be included in the Purchased Power Capacity Cost line item of Rider CA. (Application at 18).

The Purchased Power Capacity Costs are EAI's retail share of the capacity costs that EAI will bear under the ITA. These costs would be incurred beginning January 1, 2008 until the closing of the acquisition of the Ouachita Plant, which is anticipated sometime later in 2008. EAI witness McDonald testifies that the purchase of power from Ouachita Power during the term of the ITA is a short-term capacity purchase, similar to other capacity purchases made to meet the short-term load requirements of EAI's retail customers. He states "[f]or purposes of this phase of the Docket, the only action the Company is requesting from the [Commission] is approval of a rate mechanism that would allow concurrent cost recovery of the portion of the ITA capacity costs at the time EAI's retail customers receive the benefits of the transaction." (McDonald Sur-Surrebuttal at 5).

Under the proposed ITA, EAI will purchase the entire output of the Ouachita Plant beginning on January 1, 2008 and will continue to do so until the close of the acquisition or December 31, 2010, whichever occurs earlier. The ITA was a condition required by the seller, Ouachita Power, in order to proceed with the transaction. The

ITA provides the seller with a revenue stream while EAI pursues the necessary regulatory approvals. The ITA will provide EAI with a source of efficient load-following capacity. (Mohl Direct at 40). In Phase I of this Docket the Commission determined that the Company needed additional load-following capacity requires to meet its resource needs.

Under the terms of the proposed ITA, EAI will have the right, but not the obligation, to schedule and dispatch power from the Ouachita Plant. Ouachita Power will receive a capacity payment that changes during the term of the ITA. The monthly capacity payments will be shaped over the year to reflect demand requirements and market pricing. Entergy Services, Inc. ("ESI"), as agent for EAI, will be responsible for providing the natural gas required to fuel the facility and will be responsible for dispatching the Ouachita Plant, as it does with any other generating unit owned and operated by an Entergy Operating Company. The ITA also requires ESI as agent for EAI to pay a variable O&M payment and a start-up payment per generation start. In addition, the ITA provides for discounts of the monthly capacity payments. (Mohl Direct at 40-41). Furthermore, based upon the results of ESI's Fall 2006 Limited-Term RFP, the ITA will result in cost savings relative to comparable market proposals available during the term of the ITA. (Mohl Direct at 42).

Staff and AEEC also support implementation of the ITA. The Commission finds that the record in this case contains substantial evidence to support approval of the ITA has proposed. Therefore, the Commission finds that the proposed ITA is in the public interest and hereby grants its approval for implementation of the ITA effective January 1, 2008.

The AG opposes concurrent cost recovery, arguing that it would constitute single-issue ratemaking. However, the Commission finds that the proposed ITA is a unique transaction. In Phase I of this proceeding the Commission determined that EAI had demonstrated by substantial evidence (1) that there was a shortage of available electric capacity subject to its long term control; (2) that this shortage of capacity occurs as load following and peaking capacity; and (3) that combined cycle gas turbine electric capacity appears to have the most appropriate operational characteristics for load-following resources. The ITA provides both the Company and its ratepayers with a cost savings opportunity that may otherwise not be achievable. The evidence indicates that the ITA will immediately provide EAI with needed load-following resources at a significant cost savings for ratepayers compared to other alternatives available during the period of the ITA. EAI's experience with the ITA also will provide the Commission and the parties with additional economic and operational information which can be helpful in the Sub-Phase II(B) consideration of EAI's Application to acquire ownership of the Ouachita Plant.

In addition, EAI's revenue requirement was recently established by the Commission in Docket No. 06-101-U but that revenue requirement did not comprehend the specific acquisition of the Ouachita Plant or the acquisition of any other generation resource. While the Commission in Docket No. 06-101-U rejected the generic CM Rider proposed by EAI, the Commission did state its intent that the acquisition of additional generation facilities by the Company could be included or comprehended within the proposed AER process. Given that the Commission herein has rejected the proposed

AER process, the Commission finds that an interim plant-specific rider to address timely recovery of the Ouachita ITA-related costs is in the public interest.

EAI witness Strickland testifies correctly that "the Commission explained in its order [in Docket No. 06-101-U] it was rejecting Rider CM 'at this time', indicating that at some future time another rate mechanism addressing capacity acquisitions may be appropriate." (Strickland Rebuttal at 10-11). Staff also seems to recognize the unique circumstances provided by the Ouachita ITA. Staff witness Smith testified that "providing for reasonably concurrent cost recovery of Ouachita-specific capacity costs may be a reasonable thing to do under the unique circumstances of this case." (Smith Surrebuttal at 11). The Commission agrees with EAI and Staff witness Smith and finds that the Company should be provided with the opportunity to recover its costs associated with the ITA on a timely basis. However, this finding should not be construed as a precedent for any other proposed generation facility acquisitions or for recovery of costs of any other tolling or bridge agreements similar to the ITA. This finding stands upon the unique circumstances of this specific case.

Regarding capacity costs related to the ITA, the Commission is persuaded that the Rider CA proposed by EAI in Exhibit DRR-1 and filed on November 7, 2007, is a reasonable mechanism to provide the interim recovery of the costs associated with the ITA that is the subject of this Sub-Phase of this docket. EAI is directed to amend and file for approval its proposed Rider CA - amended to be applicable specifically to the Ouachita Plant ITA and to provide for concurrent recovery solely of the specific capacity costs associated with the Ouachita Plant ITA. In addition, the amended rider will be effective with the first billing cycle in February 2008, subject to prior Commission

approval. The post-acquisition aspects of Rider CA will be addressed in Sub-Phase II(B) of this docket. The energy costs related to the ITA will be treated and recovered as any other short-term power purchase agreement to be included in FERC Account 555 and recovered through Rider ECR.

The final issue before the Commission in Sub-Phase II(A) is the issue of cost allocation. EAI proposed that the retail capacity revenue requirement would be allocated to each rate class using the most recently approved Rate Class Production Demand Allocation Factor as utilized in its recent rate case. The Capacity Revenue Requirement calculated for each rate class would then be divided by the Class Base Rate Revenue to determine the rate as a monthly percentage for each rate class. (Roach Direct at 8-9). EAI points out that during the period that the ITA is in effect, the impact on the residential customer charge is only five cents per month. (Roach Rebuttal at 4). Given the minimal impact on residential customer bills, the allocation methodology proposed by EAI cannot be said to be unreasonable. Accordingly, for purposes of the ITA the allocation methodology proposed by EAI is approved.

Extraordinary Storm Damage Cost Recovery

As stated earlier, the Commission anticipated that “extraordinary” storm damage restoration costs could and would be comprehended within the Annual Earnings Review process. The Commission notes that “normal” or historical five-year average storm restoration costs of \$14.5 million¹ are included within the Company’s existing rates

¹ This “normal” amount of \$14.5 million, undisputed by the Company or by any other party, is based upon a five-year average (2000-2006) of “normal” storm restoration costs experienced by the Company and represents an increase of approximately \$9 million over the level of “normal” storm restoration costs previously included in the Company’s retail rates.

recently established in Docket No. 06-101-U. Assuming “normal” winter weather, the \$14.5 million should be adequate to compensate the Company for any “normal” storm restoration costs it may incur. At the same time, the Commission also recognizes that “extraordinary” storm restoration costs are not comprehended within the Company’s existing rates. Nor will such “extraordinary” costs be comprehended within an AER process, given the Commission’s rejection herein of the AER process proposals. However, if the Company experiences a severe storm-related outage in its service area as it did in the winter of 2000-2001 with the crippling ice storms, the Commission recognizes that the Company may experience “extraordinary” storm restoration costs.

Although it goes without saying, certainly it is in the best interest of the Company, its ratepayers and the public at-large that electric power be restored safely and quickly after storm outages. To that end, the Commission’s rules require expeditious storm restoration efforts by all jurisdictional electric public utilities – including the Company. *Special Rules – Electric* Rule 4.01(A)(1) requires that “[i]f a customer experiences a service outage that does not result in an emergency, the electric utility shall make every reasonable effort to restore service not later than 24 hours after the outage is reported.” *Special Rules – Electric* Rule 4.01(B) further provides that “[w]hen the electric utility becomes aware of an outage that results in an emergency, the electric utility shall begin immediate restoration of service and shall continue restoration until service is restored ...” (See Arkansas Public Service Commission *Special Rules – Electric*). To the Company’s credit, it recognizes the importance of prompt restoration of service to its customers. During the evidentiary hearing in Docket No. 06-101-U, in response to a questioning from Commissioner Bassett regarding the Company’s

commitment to storm restoration and its concerns about cost recovery, Mr. McDonald testified as follows:

Our number one priority is to get out, get the lights on as quickly as we can. We believe that's the right public policy thing to do, the right thing for the economy, the right thing for the customers to get things moving in a hurry. And after the fact, you know, cost is really secondary from that perspective, but getting the lights on as quickly as possible is primary or should be.

(Docket No. 06-101-U, Transcript Vol. XX, page 208).

Therefore, if in the performance of its public utility duties and responsibilities under said Rules 4.01(A)(1) and 4.01(B), the Company does experience "extraordinary" storm restoration costs in any given year, it may petition the Commission for "extraordinary" financial relief as it did in 2001 in the aftermath of the two back-to-back one hundred year ice storms² which struck the Company's Arkansas service area in December of 2000. In that case the Commission approved a settlement agreement proposed by the parties which, in part, agreed that approximately \$153 million in incremental or "extraordinary" retail storm restoration costs was recoverable from Arkansas retail ratepayers. The approved settlement agreement also provided a method for recovery of the "extraordinary" retail costs by the Company. The Commission is also open to the consideration of alternative "extraordinary" storm restoration cost methodologies that are both fair and reasonable to ratepayers and in the public interest as determined by the Commission.

² See consolidated Commission Dockets No. 98-114-U, 01-084-U and 01-296-U.

Sunset of Riders ECR and PCA - Dockets No. 06-101-U and 04-023-U

In Orders No. 10 and 16 of Docket No. 06-101-U the Commission approved, subject to certain conditions, the continuation of the Company's Energy Cost Recovery rider and the Company's Production Costs Adjustment rider. One condition was that the riders would sunset on December 31, 2008, if the Company had not made adequate progress towards the development of a replacement Entergy System Agreement. Order No. 10 provided as follows:

Assuming an acceptable AER process can be implemented effective July 1, 2007; the Commission will allow the PCA and the ECR to remain in effect until December 31, 2008. Prior to the sunset of the PCA and the ECR on December 31, 2008, the Commission will consider whether such riders should be allowed to continue for calendar year 2009. The Commission's decision to allow the riders to continue for calendar year 2009 will be substantially influenced by the Company's progress towards the development and approval of an amended Entergy System Agreement acceptable to this Commission and the continued effectiveness of the Company's December 19, 2005, Notice to Withdraw from the Entergy System Agreement.

(Order No. 10 at 129).

On rehearing the Commission, in Order No. 16, reiterated the conditional nature of its approval of the riders stating again that, "... the Commission adopted those riders on a limited-time trial basis ending December 31, 2008, ..." The Commission also reiterated "that its continued approval of the riders would be 'substantially influenced' by EAI's progress toward the development of a new Entergy System Agreement acceptable to the Commission and the continued effectiveness of EAI's December 19, 2005, Notice to Withdraw from the Entergy System Agreement." (Order 16 at 10-11).

By Order No. 12 of Docket No. 04-023-U, the Commission directed EAI President and CEO, Mr. Hugh McDonald, to file supplemental testimony in Docket No. 04-023-U no later than December 5, 2007, addressing “(1) the progress EAI and its sister operating companies have made toward the development of a new System Agreement; (2) EAI’s commitment to this Commission that it will not withdraw its December 19, 2005, notice to terminate its participation in the current Entergy System Agreement; and (3) EAI’s position regarding whether its continued participation in centralized system wide resource planning within the Entergy system is in the public interest.” (Order No. 12 at 5-6). Also, Mr. McDonald was directed to address in his supplemental testimony “the procedures and timetable to be used by the Commission in reaching its determination whether EAI’s PCA, ECR and AER should be allowed to sunset effective December 31, 2008, as provided for in Orders No. 10 and 16 of Docket No. 06-101-U.” (*Id* at 6, footnote omitted).

As directed, Mr. McDonald filed his *Fourth Supplemental Testimony* on December 5, 2007. In addition EAI filed on December 5, 2007, *Entergy Arkansas, Inc.’s Continuing Objection to Order No. 12* (EAI’s “Continuing Objection”). Therein at pages 1-2, EAI stated its objection to Order No. 12 as follows:

The Company asserts that the Commission lacks jurisdiction to pursue the stated purpose of Order No. 12 of determining whether EAI’s Rider PCA, Rider ECR, and AER tariff should be allowed to sunset effective December 31, 2008 as provided for in Orders No. 10 and 16 of Docket No. 06-101-U. The Commission’s orders in Docket No. 06-101-U conditioned the continuance of the riders beyond December 31, 2008 upon EAI’s progress toward the development and approval of an amended System Agreement acceptable to the Commission and the continued effectiveness of EAI’s December 19, 2005 Notice to Withdraw from the Entergy System Agreement. Moreover, EAI objects to any investigation to determine whether EAI should be required to withdraw from centralized Systemwide

planning pursuant to Ark. Code Ann. §23-18-106(e). The continuing objection is based upon the proposition that the APSC is wholly without jurisdiction in these areas because the Federal Energy Regulatory Commission ("FERC") is the only entity with jurisdiction or authority over the System Agreement. In light of this objection, the Company gives notice that it does not waive its appeal to the Arkansas Court of Appeals of those portions of Orders No. 10 and 16 in Docket No. 06-101-U that prescribe a sunset deadline of December 31, 2008 for the riders and AER, and that condition the riders' and AER tariffs continued operation after December 31, 2008 on the Company's progress toward the development and approval of a System Agreement among the Operating Companies that is acceptable to the Commission and the continued effectiveness of the Company's December 19, 2005 Notice to Withdraw from the Entergy System Agreement. Moreover, by appearing in this Docket, EAI does not concede that the APSC has the authority to prescribe such sunset deadlines tied to the enumerated conditions. The Company reserves all rights it may have to contest any imposition of the sunset deadlines and conditions described above and the enforcement of Ark. Code Ann. §23-18-106(e).

In his Fourth Supplemental Testimony, Mr. McDonald testified regarding the December 31, 2008, sunset provision for the PCA and ECR riders. "If the sunset and conditions remain in effect, then the Company will have no alternative but to provide public notice before the end of this year of its intent to file a new general rate case in early 2008 so that new base rates can become effective in time to replace the riders, which would cease operation after December 31, 2008 without Commission action. Indeed, the Company would have to initiate the same filing in advance of any date on which the riders were scheduled to sunset. It is not in the public interest to force the Company to file a new general rate case driven only by the contingency that these riders may be allowed to sunset – particularly when the Commission has previously determined in Docket No. 06-101-U that Riders ECR and PCA are the preferred method of cost recovery rather than base rates for their respective costs." (McDonald Fourth Supplemental at 14-15).

In his pre-filed Rebuttal Testimony in Docket No. 07-129-U, albeit related to the impact of the sunset provision on the Annual Earnings Review proposal but equally applicable to the sunset provision as applied to Riders ECR and PCA, Mr. Steven Strickland, EAI Vice President for Regulatory Affairs, testified that the Company “should have a [termination] notice period that is sufficient to allow EAI to develop, to file, and to complete a general rate proceeding so that the new rates from that case would be effective with the termination of the AER Rider rate and no gap between final AER Rider rates and new rates would result from the general rate proceeding. The Company believes that 18 months would be an appropriate notice period ... to allow sufficient time to develop, to file, and to complete a base rate case.” (Strickland Rebuttal at 7).

Mr. Strickland further testified in his pre-filed Sur-Surrebuttal Testimony in Docket No. 07-129-U regarding the need for a sufficient notice period prior to the termination of the Annual Earnings Review, again equally applicable to termination of Riders ECR and PCA. Therein Mr. Strickland testified that “[t]he Company and its customers are not well served by a rate making process that has a potential gap that could threaten the utility’s financial integrity. The Company needs to be able to plan its business so that it can maintain an adequate revenue stream to meet its ongoing cost obligations. To do that, it needs to be able to adequately develop, to file, and to complete a base rate case so that new base rates could be in effect when the last [AER rate] expires. That will take about 18 months, eight months for preparation of the Company’s [rate] case and ten months after filing before a final [rate case] order of the Commission issued....” (Strickland Sur-Surrebuttal at 6). During the public hearing in Docket No. 07-129-U Mr. Strickland, on cross-examination by counsel for the Staff,

clarified that the required eighteen months included six months for preparing a rate case, ten months for the rate case process to proceed to a final Commission rate order, and an additional two months to secure approval of rate case compliance tariffs.

As stated earlier, the concerns expressed by EAI witnesses McDonald and Strickland related to the detrimental impact of the sunset provision on the Annual Earnings Review are equally applicable to the impact of the sunset provision on Riders ECR and PCA. The Commission has acknowledged that Riders ECR and PCA currently recover approximately \$489 million annually from EAI's ratepayers. (Order No. 12 of Docket No. 04-023-U at 3). Therefore, if by operation of the sunset provision, Riders ECR and PCA are allowed to terminate on December 31, 2008, without adequate advance notice to the Company, the Company would immediately experience a loss of approximately \$489 million assuming all other rate revenue cost components and billing determinants remained essentially at the levels adopted in the Company's recent rate case proceeding in Docket No. 06-101-U. Absent ongoing recovery of these costs through Riders ECR and PCA or alternative riders, the Company's only option would be to file a new rate case, a process that could take up to eighteen months and could expose the Company to a substantial revenue shortfall until new base rates could be implemented. Such exposure could be detrimental to the best interests of the Company and its ratepayers.

Accordingly, the currently effective December 31, 2008, sunset provision is hereby replaced with the following advance notice termination provision for Riders ECR and PCA: Riders ECR and PCA shall remain in effect subject to eighteen months

advance notice of termination of said riders by the Commission following notice and hearing.

As stated in Order No. 10 of Docket No. 06-101-U at 129, "The Commission's decision to allow the riders to continue ... will be substantially influenced by the Company's progress towards the development and approval of an amended Entergy System Agreement acceptable to this Commission and the continued effectiveness of the Company's December 19, 2005, Notice to Withdraw from the Entergy System Agreement."

Docket No. 04-023-U Entergy System Agreement Issues

In his Fourth Supplemental Testimony, filed on December 5, 2007, EAI President McDonald testified regarding the Company's commitment to withdraw from the Entergy System Agreement; the progress the Company and its sister operating companies have made toward the development of a new Entergy System Agreement; and whether the Company's continued participation in centralized system-wide resource planning within the Entergy System is in the public interest.

Therein Mr. McDonald reiterated the Company's intent to withdraw from the Entergy System Agreement. "EAI gave notice of its termination to the other participants on December 19, 2005, and EAI's participation will end after the required eight-year notice period or at some earlier time as permitted by the FERC. No further action by EAI is needed. Accordingly, EAI's participation in the current System Agreement will end per the terms of the contract at midnight December 18, 2013." Further, Mr. McDonald testified that Entergy Mississippi, Inc. ("EMI"), another Entergy System Operating Company, "gave notice to the other Operating Companies on November 8,

2007 that it was terminating its participation in the agreement following the required eight-year notice period, or such earlier period as permitted by the FERC.” (McDonald Fourth Supplemental at 10).

Mr. McDonald also testified regarding his belief that EAI could not withdraw its December 2005 System Agreement termination notice. “Upon advice of counsel, it is my understanding that once an Operating Company has provided a written notice of termination, the System Agreement does not give that Operating Company the unilateral right to revoke its written notice and continue its participation in the contract without the consent of the other parties to that agreement. The same view was expressed in the transmittal letter from EMI President and CEO Carolyn Shanks to the Mississippi Commissioners notifying them of EMI’s action [to withdraw from the System Agreement].” (*Id* at 10-11).

Asked whether EAI would have any reason to withdraw its December 2005 withdrawal notice, Mr. McDonald testified as follows:

Not that I am aware of. For the same reasons that I described in my direct testimony in this Docket following the initial decision of the FERC Administrative Law Judge, I continue to believe it is appropriate for EAI to terminate its participation in the current System Agreement. The FERC decision in Docket ELO1-88 in response to a complaint by the Louisiana Public Service Commission found the agreement was no longer just and reasonable and imposed as a remedy a mechanism that requires low-cost companies to make payments to high-cost companies whenever a company is outside the +/- 11 percent bandwidth around the average System production cost. Because of the increased cost of natural gas and the greater reliance on natural gas by the other Operating Companies, this mechanism has had and will continue to have a significant and negative effect on EAI and its retail customers if natural gas prices continue to be high relative to solid fuel generation resources. During 2007, EAI has been required to pay an initial remedy payment of \$252 million based on production costs for 2006, and its obligation to make remedy payments is likely to continue, unless overturned on appeal, until the Company’s

participation in the agreement terminates.

Additionally, the annual re-balancing of total production costs of the Operating Companies further encourages increased levels of litigation and uncertainty rather than reducing the litigation that has surrounded this agreement for the last 20 years or more.

(*Id* at 11-12, footnote omitted).

Regarding the status of development of a new System Agreement among the Entergy Operating Companies³, Mr. McDonald testified that “the Operating Committee has established a team to develop potential successor arrangements, including the principles that would govern such arrangements. This team has been working under the direction of legal counsel to develop the framework for a set of successor pooling arrangements among the Operating Companies.” (*Id* at 5).

Mr. McDonald testified further that, “[a]lthough there have been no final decisions, I anticipate that the successor arrangements will be designed to allow for the benefits of joint operations and coordination that would result from participation in an electric system larger than any one single Operating Company, as well as long-term generation planning decisions made at the Operating Company level. ... I anticipate the key concepts to be incorporated in the successor arrangements will include the following:

- A structure that allows the Operating Companies to obtain the benefits of joint commitment and dispatch and the benefits of lower capacity

³ The Operating Companies include EAI, Entergy Gulf States, Inc. (“EGSI”); Entergy Louisiana, LLC.; Entergy Mississippi, Inc.; and Entergy New Orleans, Inc. In Orders issued on July 20, 2007 and November 5, 2007, EGSI obtained FERC authorization to separate its assets and liabilities into two, vertically-integrated utilities; one subject to the retail jurisdiction of the Louisiana Public Service Commission and the other subject to the retail jurisdiction of the Public Utility Commission of Texas, and expects to complete such division on or before December 31, 2007. See, 120 FERC ¶ 61,079 (2007) and 121 FERC ¶ 62,088 (2007).

reserve requirements than would be possible through stand-alone operation.

- A structure that allows each Operating Company to be responsible for its own long-term generation resource planning and to retain the associated benefits and costs. This would include establishing incentives to encourage appropriate resource planning decisions.
- Clarity that there is to be no requirement or standard for rough production cost equalization.
- A structure that will not allow the transfer of benefits and costs from one Operating Company to another without proper compensation.
- Enhancing the ability of each Operating Company to respond more effectively to changes in the operating environment, such as changes in market structure, in regulatory models, or in demand patterns through shorter contract termination provisions.”

(Id at 5-6).

Regarding the next steps and schedule for the development of a new System Agreement, Mr. McDonald testified that “[t]he team is continuing its efforts to identify and conduct analyses to evaluate appropriate successor arrangements, including consideration of the key provisions that might be contained in the new agreements. ... It is currently anticipated that the general framework and the key provisions to be included in the potential successor arrangements would be developed in time to be presented to the Operating Committee by the end of the second quarter of 2008. At that time, I anticipate the Operating Committee would consider the proposed framework and key provisions of any successor arrangements and reach a preliminary conclusion as to whether such arrangements are appropriate. I would anticipate discussing these proposed arrangements with this Commission and answering any questions that the Commission might have in an effort to obtain the Commission’s reaction and,

ultimately, its support for the identified successor arrangements.” (*Id* at 7).

Thereafter, Mr. McDonald testified that the Entergy Operating Committee would further consider the proposed framework and the key provisions of the successor arrangements as well as any modifications that may be required in response to regulator feedback. “This further consideration could require an additional six to nine months, but could require more or less time depending on the nature of any issues that may have been identified.” (*Id* at 7).

Regarding the estimated time when a new System Agreement could be finalized, Mr. McDonald testified that, assuming that the Operating Companies can achieve agreement as to the terms and conditions of the successor agreement, then “it is possible that agreements reflecting the framework and the key provisions of the successor arrangements could be finalized in the first or second quarter of 2009 and that certainly would be the Company’s goal and objective. However, any successor arrangements would have to be filed with and approved by the FERC before they could become effective. The FERC recently indicated that it would consider such new arrangements 18 months prior to their proposed effective date, which would be approximately mid-2012.⁴ It should also be recognized that even in the event there is unanimous agreement as to

⁴ “A more sound approach to addressing these issues would be to address them at the time that Entergy makes a section 205 filing to reflect Entergy Arkansas’ withdrawal from the System Agreement. At that time, the parties will have the opportunity to address the issues discussed above and the Commission will have the current information necessary to make appropriate findings. Because of the circumstances concerning Entergy Arkansas’ withdrawal from the System Agreement, and given that the resolution of these issues may take considerable time, we advise Entergy that it should submit its section 205 filing as early as 18 months prior to the date that Entergy Arkansas’ withdrawal becomes effective. This would allow the Commission and all parties the opportunity to try to address issues without the potential for suspension, refunds and trial-type hearing.” 119 FERC ¶ 61,224 at 50 (2007).

the new successor arrangements to replace the current System Agreement, achieving an effective date for the successor agreements earlier than December 19, 2013 may not be achievable. Parties would likely view the pros/cons of an earlier effective date based upon their view of the relative costs/benefits of the successor arrangements compared to the current System Agreement.” (*Id* at 8-9).

As the Commission observed in its Order No. 1 of Docket No. 04-023-U, issued on February 10, 2004, which initiated its investigation into the Company’s continued participation in the Entergy System Agreement, “It is now apparent, because of EAI’s participation in the ... System Agreement, and the [FERC’s] application of an over/under production cost bandwidth remedy, that Arkansas ratepayers may be exposed to unknown future costs over which this Commission has no control.” (Order No. 1 at 11, Docket No. 04-023-U). Today, the Company, its ratepayers and this Commission are now almost four years downrange of Order No. 1 and two years downrange of the Company’s formal notice of withdrawal from the System Agreement; and the exposure is no longer an unknown threat to the Company’s ratepayers and the economy of the State of Arkansas. The exposure is now a painful reality. In 2007 alone the Company’s participation in the System Agreement has cost its ratepayers approximately \$ 235 million in FERC directed production cost subsidy payments to the Company’s Louisiana Operating Companies. Between now and 2013 the Company’s ratepayers will likely be required to pay hundreds of millions of additional dollars – perhaps in excess of a billion dollars – in production cost subsidies to Louisiana, dollars that would otherwise remain in the Arkansas economy and inure to the benefit of all Arkansans. This result is unconscionable. For the Company to remain in the current System Agreement beyond

December, 2013 and, therefore, continue to expose Arkansas ratepayers to indefinite and perhaps even larger subsidy payments to Louisiana would be even more unconscionable.

Accordingly, the Company should understand this Commission's determination to see the Company withdraw from the current System Agreement as soon as possible but certainly no later than December, 2013. It is absolutely imperative that the Company exit the current System Agreement and operate as a stand-alone Arkansas electric utility or become a participating member in a new and radically different System Agreement – an agreement that protects Arkansas ratepayers from any future requirement by the FERC or by operation of the new agreement to pay for costs incurred by or on behalf of any other Entergy Operating Company. From the testimony given by Mr. McDonald, it appears that the Company intends to get out of the current agreement and is moving toward a new agreement that would appear to protect its ratepayers from further economic harm associated with the current System Agreement. It is certainly the intent of this Commission that the Company expeditiously proceed with the development of a new system agreement acceptable to this Commission or, if such effort is unsuccessful, be prepared to exit the current System Agreement in December, 2013 at the latest, regardless of whether or when EMI or any other Entergy Operating Company exits the System Agreement.

For the purpose of continuing to monitor the Company's progress toward the development and finalization of a new system agreement, the Commission directs EAI President McDonald to file in Docket No. 04-023-U supplemental testimony detailing such progress on the first business day of each month beginning in March, 2008, and

continuing thereafter until further order of the Commission. The Commission will also schedule future public hearings as necessary to consider the supplemental testimonies to be filed by Mr. McDonald pursuant to this Order.

BY ORDER OF THE COMMISSION.

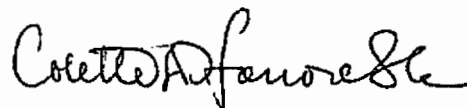
This 21st day of December, 2007.



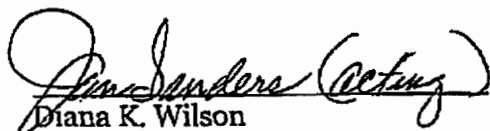
Paul Suskie, Chairman



Daryl E. Bassett, Commissioner

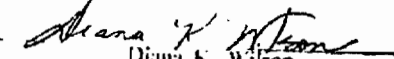
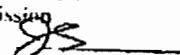


Colette D. Honorable, Commissioner



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 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 12-21-07 



ARTICLE 10
JAN 11 3 43 PM '08

Entergy Arkansas, Inc.
1000 Center Street
Little Rock, AR 72203
501.223.7100

FILED

Steven K. Strickland

January 11, 2008

Ms. Diana Wilson, Secretary
Arkansas Public Service Commission
P. O. Box 400
1000 Center Street
Little Rock, AR 72203

Re: Docket No. 06-152-U
In the Matter of Entergy Arkansas, Inc.'s Request For
Approval of the Acquisition of New Capacity to Serve Its
Retail Customers

Dear Ms. Wilson:

Please find attached for filing with the Arkansas Public Service Commission (APSC or the Commission), the original and 13 copies of a red-lined and clean version of Entergy Arkansas, Inc.'s (EAI or the Company) Rate Schedule No. 49, Capacity Acquisition Rider (Rider CA) amended to be applicable specifically to the Ouachita Plant Interim Tolling Agreement (ITA) and to provide for recovery solely of the non-fuel Ouachita Plant ITA costs in compliance with the Commission's Order No. 11, issued on December 21, 2007 in the above-captioned Docket. Concurrent with this filing, EAI is providing the APSC General Staff and other intervening parties to this proceeding with supporting workpapers.

The Commission's Order No 11 states that the Rider CA filed by EAI on November 7, 2007 as EAI Exhibit DRR-1 is a reasonable mechanism to provide the interim recovery of the costs associated with the ITA. Consistent with Order No. 11, EAI has amended the original Rider CA to remove language regarding those aspects of Rider CA that involved the recovery of post-acquisition costs associated with the Ouachita Plant, such that the Rider is now applicable specifically to the Ouachita Plant ITA. The recovery of those post-acquisition costs will be addressed in sub-Phase II(B) of this docket.

In addition, in this compliance filing, EAI has included revisions to adjust specific components of the rate calculation included on Attachment B, page 2 of 2 that should have been included in the original Rider CA, the exclusion of which was an oversight that was identified by the APSC General Staff. EAI has incorporated a calculation for forfeited discounts consistent with the methodology approved in Docket No. 06-101-U and added Note F regarding the forfeited

discount rate. This change results in a slight reduction to the Rider CA Rate percentages calculated on Attachment B, page 1 of 2. Also, the Company revised the language in Note E to indicate that the Retail Bad Debt Rate will be set at the Bad Debt Rate approved in Docket No. 06-101-U. EAI's language describing the calculation of the Bad Debt Rate was inconsistent with the Docket No. 06-101-U methodology, also as noted by Staff. EAI agreed that the Bad Debt Rate calculation be set at the rate approved in Docket 06-101-U because the Bad Debt Rate is based on a five-year average and would not change significantly from year to year, and this Rider CA is expected to be in effect only until the closing of the transaction.

EAI requests APSC approval of Rider CA by January 25 so that the rider and rates can become effective for bills rendered on and after the first billing cycle of February 2008 in accordance with Order No. 11.

Thank you for your assistance in this matter. If you have any questions or need anything additional concerning this filing, please call me at (501) 377-4457 or Mr. David Hunt at (501) 377-4338.

Sincerely,

A handwritten signature in black ink, appearing to read "David Hunt", written in a cursive style.

c: All parties of record w/ Attachments

ARKANSAS PUBLIC SERVICE COMMISSION

Original Sheet No. 49.1 Schedule Sheet 1 of 5
Including Attachments

Replacing Sheet No.

Entergy Arkansas, Inc.
Name of Company

Kind of Service: Electric Class of Service: All

Part III. Rate Schedule No. 49

Title: Capacity Acquisition Rider (CA)

Docket No.: 06-152-U
Order No.:
Effective:

PSC File Mark Only

49.0 CAPACITY ACQUISITION RIDER

49.1 REGULATORY AUTHORITY

The Arkansas Legislature has delegated authority to the Arkansas Public Service Commission ("APSC" or the "Commission") to regulate public utilities in the State of Arkansas, including Entergy Arkansas, Inc. ("EAI" or the "Company"). The APSC's regulatory authority over the provision of electric service applies not only in the Distribution Service area allocated to EAI by the APSC but also extends to service to customers who have been released to EAI by other electric distribution utilities, when such release for service has been approved by the Commission pursuant to Rule 7.04.(b) of the Commission's Rules of Practice and Procedure. Similarly, the Tennessee Regulatory Authority exercises such authority delegated to it by the Tennessee Legislature in areas of the State of Tennessee served by EAI.

49.2 PURPOSE

The purpose of this Capacity Acquisition Rider ("Rider CA") is to recover, from EAI's retail customers, changes in costs associated with the Ouachita Plant Interim Tolling Agreement ("ITA"), along with the reserve equalization effects, if any, associated with the acquired capability and purchased capacity as approved by the APSC in Docket No. 06-152-U. Rider CA shall apply in accordance with the provisions of § 49.3 below to electric service billed under certain rate schedules, whether metered or unmetered. Rider CA is effective with the first billing cycle for the February 2008 billing month and is applicable solely during the ITA Period as defined in this rider.

49.3 CAPACITY RATES

The capacity acquisition rates ("Capacity Rates") shall be set forth in Attachment A to this Rider CA.

49.4 ANNUAL DETERMINATION

The "Interim Tolling Agreement (ITA) Period" shall be the period from the first billing cycle for the February 2008 billing month until one month after the termination of the ITA. During the ITA Period the Capacity Rates, as set out in Attachment A, shall be based on the annualized non-fuel cost of the ITA approved by the APSC in Docket No. 06-152-U and determined by application of the formula ("Capacity Rate Formula") set out in Attachment B to this Rider CA. If the ITA does not terminate during 2008 the Company shall file on or around each December 1st, until the termination of the ITA, an updated calculation of the Capacity Rates, as set out in Attachment A recognizing the then current annualized non-fuel cost of the ITA approved by the APSC in Docket No. 06-152-U and determined by application of the Capacity Rate Formula set out in Attachment B to this Rider CA.

(NR)

ARKANSAS PUBLIC SERVICE COMMISSION

Original

Sheet No. 49.2

Schedule Sheet 2 of 5
Including Attachments

Replacing

Sheet No.

Entergy Arkansas, Inc.

Name of Company

Kind of Service: Electric

Class of Service: All

Docket No.: 06-152-U

Order No.:

Effective:

Part III. Rate Schedule No. 49

Title: Capacity Acquisition Rider (CA)

PSC File Mark Only

Capacity Rates for the ITA Period shall be filed by the Company in Docket No. 06-152-U.

(NR)

49.5 STAFF AND COMMISSION REVIEW

Staff shall review the filed Capacity Rates to verify that the formula in Attachment B has been correctly applied and shall notify the Company of any necessary corrections. After the Staff completes its review of the rate calculation, the Company shall make appropriate changes to correct undisputed errors identified by the Staff in its review. Any disputed issues arising out of the Staff review are to be resolved by the Commission after notice and hearing. The Capacity Rates shall go into effect, upon Commission approval, with the first billing cycle of the following February.

49.6 TERM

This Rider CA shall remain in effect until one month after termination of the ITA.

Docket No.: 06-152-U

Order No.:

Effective:

Attachment A to

Rate Schedule No. 49

Attachment Page 1 of 1

Schedule Sheet 3 of 5

Including Attachments

Rider CA Rates

(NR)

All retail rates and applicable riders on file with the APSC will be increased or decreased by the percentage listed below, except those specifically excluded below:

Rate Class	Rate Schedules	Applicable Percentage
Residential	RS, RT	0.6724%
Small General Service	SGS, GFS, L2, MP, AP, CGS, CTV, SMWHR	0.8056%
Large General Service	LGS, LPS, GST, PST, SSR	1.0846%
Lighting	L1, L1SH, L4	0.2391%

Excluded Schedules: Additional Facilities Charge Rider ("AFCR")
Charges Related to Customer Activity ("CAC")
Small Cogeneration Rider ("SCR")
Large Cogeneration Rider ("LCR")
ANO Decommissioning Cost Rider ("NDCR")
Energy Cost Recovery Rider ("ECR")
Municipal Franchise Tax Adjustment Rider ("MFA")
Grand Gulf Rider ("GGR")
Experimental Market Valued Energy Reduction Service Rider ("MVER")
Experimental Energy Reduction Service Rider ("EER")
Production Cost Allocation Rider ("PCA")
Energy Efficiency Cost Recovery Rider ("EECR")

Docket No.: 06-152-U

Order No.:

Effective:

Attachment B to
Rate Schedule No. 49
Attachment Page 1 of 2
Schedule Sheet 4 of 5
Including Attachments

Entergy Arkansas, Inc.
Capacity Rate Formula
Test Year Ending December 31, 2008
(\$000's omitted)

(NR)

Class Allocation & Rate Development					
Line No.	Class	Class Allocator (1)	Capacity Revenue Reqmt (\$) (2)	Base Rate Revenue (\$) (3)	Applicable Percentage (4)
	EAI Retail				
1	Residential	40.1903%	2,968,405	441,486,716	0.6724%
2	Small General Service	22.9617%	1,695,922	210,515,098	0.8056%
3	Large General Service	36.1949%	2,673,310	246,487,541	1.0846%
4	Lighting	0.6531%	48,237	20,173,305	0.2391%
5	Total EAI Retail	100.000%	7,385,874	918,662,660	

Notes:

- (1) Most recently approved Rate Class Production Demand Allocation Factor
- (2) Attachment B, Page 2, Line 6 * Class Allocator
- (3) The Base Rate Revenue for the Test Year
- (4) Class Capacity Revenue Requirement / Class Base Rate Revenue

Docket No.: 06-152-U

Order No.:

Effective:

Attachment B to

Rate Schedule No. 49

Attachment Page 2 of 2

Schedule Sheet 5 of 5

Including Attachments

**Entergy Arkansas, Inc.
Capacity Revenue Requirement
Arkansas Retail Jurisdiction (A)
Test Year Ending December 31, 2008**

(NR)

Line No.	Description	Amount (\$)
1	I. Purchased Power Capacity Costs Interim Tolling Agreement (B)	(C)
2	II. Reserve Equalization Effect Reserve Equalization (Expense/Revenue) (D)	(C)
3	Total Capacity Costs (Line 1 - Line 2)	7,393,060
4	Bad Debt Rate (E)	0.3707%
5	Forfeited Discount Rate (F)	0.4679%
6	Total Capacity Revenue Requirement (Line 3 * (1 + Line 4 - Line 5))	7,385,874

Notes:

(A) All costs reflect Retail portion only.

(B) Contract capacity costs associated with Interim Tolling Agreement for that test year

(C) Value set forth in confidential work papers supporting the calculation.

(D) Estimated Reserve Equalization (MSS-1) impact on retail associated with the acquired capacity

$[(MW * \text{retail split}) - (MW * \text{EAI responsibility ratio})] * \text{cost rate } \$/\text{MW} * 12$

(MW is total capability recognizing seasonal ratings per MSS-1)

(Cost rate reflects the relative long or short position of EAI under MSS-1)

(EAI responsibility ratio and cost rate per most recent MSS-1 calculation)

(E) The Retail Bad Debt Rate from Docket No. 06-101-U

(F) The Retail Forfeited Discount Rate from Docket No. 06-101-U

ARKANSAS PUBLIC SERVICE COMMISSION

Original

Sheet No. 49.1

Schedule Sheet 1 of 65
Including Attachments

Replacing

Sheet No.

Entergy Arkansas, Inc.

Name of Company

Kind of Service: Electric

Class of Service: All

Docket No.: 06-152-U

Order No.:

Effective:

Part III. Rate Schedule No. 49

Title: Capacity Acquisition Rider (CA)

PSC File Mark Only

49.0 CAPACITY ACQUISITION RIDER

49.1 REGULATORY AUTHORITY

The Arkansas Legislature has delegated authority to the Arkansas Public Service Commission ("APSC" or the "Commission") to regulate public utilities in the State of Arkansas, including Entergy Arkansas, Inc. ("EAI" or the "Company"). The APSC's regulatory authority over the provision of electric service applies not only in the Distribution Service area allocated to EAI by the APSC but also extends to service to customers who have been released to EAI by other electric distribution utilities, when such release for service has been approved by the Commission pursuant to Rule 7.04.(b) of the Commission's Rules of Practice and Procedure. Similarly, the Tennessee Regulatory Authority exercises such authority delegated to it by the Tennessee Legislature in areas of the State of Tennessee served by EAI.

49.2 PURPOSE

The purpose of this Capacity Acquisition Rider ("Rider CA") is to recover, from EAI's retail customers, changes in costs associated with the ~~EAI-acquired capacity and purchased capacity~~ Ouachita Plant Interim Tolling Agreement ("ITA"), along with the reserve equalization effects, if any, associated with the acquired capability and purchased capacity as approved by the APSC in Docket No. 06-152-U. Rider CA shall apply in accordance with the provisions of § 49.3 below to electric service billed under certain rate schedules, whether metered or unmetered. Rider CA is effective with the first billing cycle for the February 2008 billing month and is applicable solely during the ITA Period as defined in this rider.

49.3 CAPACITY RATES

The capacity acquisition rates ("Capacity Rates") shall be set forth in Attachment A to this Rider CA.

49.4 ANNUAL DETERMINATION

The "Interim Tolling Agreement (ITA) Period" shall be the period from ~~January 1, 2008~~ the first billing cycle for the February 2008 billing month until ~~closing on the purchase of the EAI-acquired capacity ("Closing Date")~~ one month after the termination of the ITA. During the ITA Period the Capacity Rates, as set out in Attachment A, shall be based on the annualized non-fuel cost of the ~~Interim Tolling Agreement~~ ITA approved by the APSC in Docket No. 06-152-U and determined by application of the formula ("Capacity Rate Formula") set out in Attachment B to this Rider CA. If the ITA does not terminate during 2008 the Company shall file on or around each December 1st, until the termination of the ITA, an updated calculation of the Capacity Rates, as set out in Attachment A recognizing the then current annualized non-fuel cost of the ITA approved by the APSC in Docket No. 06-152-U and determined by application of the Capacity Rate Formula set out in Attachment B to this Rider CA.

ARKANSAS PUBLIC SERVICE COMMISSION

Original

Sheet No. 49.2

Schedule Sheet 2 of 65
Including Attachments

Replacing

Sheet No.

Entergy Arkansas, Inc.

Name of Company

Kind of Service: Electric

Class of Service: All

Docket No.: 06-152-U

Order No.:

Effective:

Part III. Rate Schedule No. 49

Title: Capacity Acquisition Rider (CA)

PSC File Mark Only

~~The "Initial Post Acquisition Period" shall be the period from the Closing Date until July 31 following the Closing Date. During the Initial Post Acquisition Period the Capacity Rates, as set out in Attachment A, shall be based on the estimated annual non-fuel revenue requirement of the EAI-acquired capacity approved by the APSC in Docket No. 06-152-U and determined by application of the Capacity Rate Formula set out in Attachment B to this Rider CA.~~

~~Capacity Rates for the ITA Period and the Initial Post Acquisition Period shall be filed by the Company in Docket No. 06-152-U.~~

~~The "Post Acquisition Period" shall be the period beginning with the August billing month following the Initial Post Acquisition Period and extend as long as the Company maintains ownership in the EAI-acquired capacity. During the Post Acquisition Period, on or about May 1 of each year following the Initial Post Acquisition Period, the Company shall file re-determined Capacity Rates with the Commission. The Capacity Rates, as set out in Attachment A, shall be determined by application of the Capacity Rate Formula set out in Attachment B to this Rider CA. The rate base and expenses shall be based on the calendar year immediately preceding the filing ("Test Year"), and reflecting an annual level of cost, and shall be calculated in accordance with the formula set out in Attachment B to this Rider CA. The Capacity Rates so determined shall be effective for bills rendered on and after the first billing cycle for August of that year and shall remain in effect until updated. Each such set of Capacity Rates shall be filed in the proper underlying docket and shall be accompanied by a set of workpapers sufficient to fully document the calculations of the redetermined Capacity Rates.~~

49.5 STAFF AND COMMISSION REVIEW

~~Capacity Rates for the ITA Period and the Initial Post Acquisition Period shall be reviewed by the staff in Docket No. 06-152-U. The Commission shall approve the ITA Period Capacity Rates of the ITA Period and the Initial Post Acquisition Period Capacity Rates prior to December 21, 2007.~~

~~During the Post Acquisition Period, prior to June 15, Staff shall review the filed Capacity Rates to verify that the formula in Attachment B has been correctly applied and shall notify the Company of any necessary corrections. After the Staff completes its review of the rate calculation, the Company would shall make appropriate changes to correct undisputed errors identified by the Staff in its review. Any disputed issues arising out of the Staff review are to be resolved by the Commission after notice and hearing. The Capacity Rates shall go into effect, upon Commission approval, with the first billing cycle for August of the filing year of the following February.~~

49.6 TERM

ARKANSAS PUBLIC SERVICE COMMISSION

| Original Sheet No. 49.3 Schedule Sheet 3 of 65
Including Attachments

Replacing Sheet No.

Entergy Arkansas, Inc.
Name of Company

| Kind of Service: Electric Class of Service: All

Docket No.: 06-152-U
Order No.:
Effective:

Part III. Rate Schedule No. 49

Title: Capacity Acquisition Rider (CA)

PSC File Mark Only

This Rider CA shall remain in effect until ~~terminated in accordance with applicable regulations or laws~~ one month after termination of the ITA.

~~If this Rider CA is terminated by a future order of the Commission, the Capacity Rates shall continue to be in effect until such costs are recovered through another mechanism or until the implementation of new base rates reflecting such costs.~~

Docket No.: 06-152-U

Order No.:

Effective:

Attachment A to

Rate Schedule No. 49

Attachment Page 1 of 1

Schedule Sheet 3 of 56

Including Attachments

Rider CA Rates

(NR)

All retail rates and applicable riders on file with the APSC will be increased or decreased by the percentage listed below, except those specifically excluded below:

Rate Class	Rate Schedules	Applicable Percentage
Residential	RS, RT	xx.xxx <u>0.6724</u> %
Small General Service	SGS, GFS, L2, MP, AP, CGS, CTV, SMWHR	xx.xxx <u>0.8056</u> %
Large General Service	LGS, LPS, GST, PST, SSR	xx.xxx <u>1.0846</u> %
Lighting	L1, L1SH, L4	xx.xxx <u>0.2391</u> %

Excluded Schedules: Additional Facilities Charge Rider ("AFCR")
Charges Related to Customer Activity ("CAC")
Small Cogeneration Rider ("SCR")
Large Cogeneration Rider ("LCR")
ANO Decommissioning Cost Rider ("NDCR")
Energy Cost Recovery Rider ("ECR")
Municipal Franchise Tax Adjustment Rider ("MFA")
Grand Gulf Rider ("GGR")
Experimental Market Valued Energy Reduction Service Rider ("MVER")
Experimental Energy Reduction Service Rider ("EER")
Production Cost Allocation Rider ("PCA")
Energy Efficiency Cost Recovery Rider ("EECR")
~~Federal Litigation Consulting Fee Rider ("FLCF")~~

Docket No.: 06-152-U

Order No.:

Effective:

Attachment B to

Rate Schedule No. 49

Attachment Page 1 of 23Schedule Sheet 4 of 56

Including Attachments

Entergy Arkansas, Inc.
Capacity Rate Formula
Test Year Ending December 31, 2008
(\$000's omitted)

(NR)

Class Allocation & Rate Development					
Line No.	Class	Class Allocator (1)	Capacity Revenue Reqmt (\$) (2)	Base Rate Revenue (\$) (3)	Applicable Percentage (4)
	EAI Retail				
1	Residential	<u>40.1903%</u>	<u>2,968,405</u>	<u>441,486,716</u>	xx.xxx <u>0.67</u> 24%
2	Small General Service	<u>22.9617%</u>	<u>1,695,922</u>	<u>210,515,098</u>	xx.xxx <u>0.80</u> 56%
3	Large General Service	<u>36.1949%</u>	<u>2,673,310</u>	<u>246,487,541</u>	xx.xxx <u>1.08</u> 46%
4	Lighting	<u>0.6531%</u>	<u>48,237</u>	<u>20,173,305</u>	xx.xxx <u>0.23</u> 91%
5	Total EAI Retail	<u>100.000%</u>	<u>7,385,874</u>	<u>918,662,660</u>	

Notes:

(1) Most recently approved Rate Class Production Demand Allocation Factor

(2) Attachment B, Page 2, Line 45-6 * Class Allocator

(3) The Base Rate Revenue for the Test Year

(4) Class Capacity Revenue Requirement / Class Base Rate Revenue

Docket No.: 06-152-U

Order No.:

Effective:

Attachment B to

Rate Schedule No. 49

Attachment Page 2 of 23

Schedule Sheet 5 of 56

Including Attachments

Entergy Arkansas, Inc.
Capacity Revenue Requirement
Arkansas Retail Jurisdiction (A)
Test Year Ending December 31, 2008

(NR)

Line No.	Description	Amount (000's\$)
1	I. Purchased Power Capacity Costs	
	Interim Tolling Agreement (B)	(C)
	II. Acquired Capacity Costs (C)	
	Rate Base	
2	Inventory	
3	Plant in Service	
4	Accumulated Depreciation & Amortization	
5	Accumulated Deferred Income Taxes	
6	Total Rate Base (Line 2 + Line 3 + Line 4 + Line 5)	
7	Before Tax Rate of Return on Rate Base (D)	xx.xx%
8	Return on Rate Base (Line 6 * Line 7)	
	Expenses/(Revenues)	
9	Operation & Maintenance Expense (E)	
10	Depreciation & Amortization Expense	
11	Total Expenses (Line 9 + Line 10)	
12	Total Acquired Capacity Costs (Line 8 + Line 11)	
	III. Reserve Equalization Effect	
132	Reserve Equalization (Expense/Revenue) (DF)	(C)
143	Total Capacity Costs (Line 1 + Line 12 - Line 132)	7,393,060
154	Bad Debt Rate (EG)	0.3707%
5	Forfeited Discount Rate (F)	0.4679%
166	Total Capacity Revenue Requirement (Line 143 * (1 + Line 154 - Line 5))	7,385,874

Notes:

(A) All costs reflect Retail portion only.

(B) Contract capacity costs associated with Interim Tolling Agreement for that test year

(C) Capacity costs associated with acquired capacity as approved by APSC.

(D) Before Tax RORB based on EAI's before tax weighted average cost of money based on ratios of first mortgage bonds, preferred stock and common equity reflected in the Company's last approved capitalization structure and using the cost rates for bonds and preferred stock issued during the twenty four month period prior to the test year or the most recent issue if there was no issue of bonds or preferred stock during such period. The cost of common equity will be the return on equity most recently approved by the APSC.

Docket No.:

Order No.:

Effective:

Attachment B to

Rate Schedule No. 49

Attachment Page 3 of 3

Schedule Sheet 6 of 6

Including Attachments

~~(E) Including, but not limited to, property tax and franchise tax~~

(NR)

(C) Value set forth in confidential work papers supporting the calculation.

(D) Estimated Reserve Equalization (MSS-1) impact on retail associated with the acquired capacity

$[(MW * \text{retail split}) - (MW * \text{EAI responsibility ratio})] * \text{cost rate } \$/\text{MW} * 12$

(MW is total capability recognizing seasonal ratings per MSS-1)

(Cost rate reflects the relative long or short position of EAI under MSS-1)

(EAI responsibility ratio and cost rate per most recent MSS-1 calculation)

~~(E) The Retail Bad Debt Rate is calculated by dividing the net retail bad debt expenses by total retail revenues for the Test Year from Docket No. 06-101-U~~

(F) The Retail Forfeited Discount Rate from Docket No. 06-101-U



ARK. P.S.C.
Docket No. 06-152-U
JAN 16 2 51 PM '08

Entergy Arkansas, Inc.
425 West Capitol Avenue
P.O. Box 551
Little Rock, AR 72203-0551
Tel 501 377 4457
Fax 501 377 4415

FILED

Steven K. Strickland
Vice President
Regulatory Affairs

January 16, 2008

Ms. Diana Wilson, Secretary
Arkansas Public Service Commission
P. O. Box 400
1000 Center Street
Little Rock, AR 72203

Re: Docket No. 06-152-U
In the Matter of Entergy Arkansas, Inc.'s Request For
Approval of the Acquisition of New Capacity to Serve Its
Retail Customers

Dear Ms. Wilson:

Please find attached for filing with the Arkansas Public Service Commission (APSC or the Commission), the original and 13 copies of Entergy Arkansas, Inc.'s (EAI or the Company) revised Rate Schedule No. 49, Capacity Acquisition Rider (Rider CA). Attachment A to Rider CA is revised to include EAI's Federal Litigation Consulting Fee Rider, which was approved by the Commission on January 14, 2008, in the list of Excluded Schedules. Please replace the Rider CA originally filed on January 11, 2008 with the revised Rider CA.

Also attached for approval are the revised Table of Contents, Sheet No. TC-5 and revised Rate Schedule No. 17, Table of Riders Applicable to Rate Schedules, Sheet No. 17.1, updated to reflect the addition of Rider CA.

As noted in its January 11 filing letter, EAI requests APSC approval by January 25 so that Rider CA and the related changes to the Table of Contents, Sheet No. TC-5 and the Table of Riders Applicable to Rate Schedules can become effective for bills rendered on and after the first billing cycle of February 2008 in accordance with Order No. 11.

1
5
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Ms. Diana Wilson
Page 2
January 16, 2008

Thank you for your assistance in this matter. If you have any questions or need anything additional concerning this filing, please call me at (501) 377-4457 or Mr. David Hunt at (501) 377-4338.

Sincerely,

A handwritten signature in black ink, appearing to read "St. R. Little". The signature is fluid and cursive, with the first part "St." and the last part "Little" being more legible than the middle initials "R.".

c: All parties of record w/ Attachments

ARKANSAS PUBLIC SERVICE COMMISSION

16 2 51 PM '08

Original Sheet No. 49.1 Schedule Sheet 1 of 5
Including Attachments

Replacing Sheet No.

Entergy Arkansas, Inc.
Name of Company

Kind of Service: Electric Class of Service: All

Part III. Rate Schedule No. 49

Title: Capacity Acquisition Rider (CA)

FILED

Docket No.: 06-152-U
Order No.:
Effective:

PSC File Mark Only

49.0 CAPACITY ACQUISITION RIDER

49.1 REGULATORY AUTHORITY

The Arkansas Legislature has delegated authority to the Arkansas Public Service Commission ("APSC" or the "Commission") to regulate public utilities in the State of Arkansas, including Entergy Arkansas, Inc. ("EAI" or the "Company"). The APSC's regulatory authority over the provision of electric service applies not only in the Distribution Service area allocated to EAI by the APSC but also extends to service to customers who have been released to EAI by other electric distribution utilities, when such release for service has been approved by the Commission pursuant to Rule 7.04.(b) of the Commission's Rules of Practice and Procedure. Similarly, the Tennessee Regulatory Authority exercises such authority delegated to it by the Tennessee Legislature in areas of the State of Tennessee served by EAI.

49.2 PURPOSE

The purpose of this Capacity Acquisition Rider ("Rider CA") is to recover, from EAI's retail customers, changes in costs associated with the Ouachita Plant Interim Tolling Agreement ("ITA"), along with the reserve equalization effects, if any, associated with the acquired capability and purchased capacity as approved by the APSC in Docket No. 06-152-U. Rider CA shall apply in accordance with the provisions of § 49.3 below to electric service billed under certain rate schedules, whether metered or unmetered. Rider CA is effective with the first billing cycle for the February 2008 billing month and is applicable solely during the ITA Period as defined in this rider.

49.3 CAPACITY RATES

The capacity acquisition rates ("Capacity Rates") shall be set forth in Attachment A to this Rider CA.

49.4 ANNUAL DETERMINATION

The "Interim Tolling Agreement (ITA) Period" shall be the period from the first billing cycle for the February 2008 billing month until one month after the termination of the ITA. During the ITA Period the Capacity Rates, as set out in Attachment A, shall be based on the annualized non-fuel cost of the ITA approved by the APSC in Docket No. 06-152-U and determined by application of the formula ("Capacity Rate Formula") set out in Attachment B to this Rider CA. If the ITA does not terminate during 2008 the Company shall file on or around each December 1st, until the termination of the ITA, an updated calculation of the Capacity Rates, as set out in Attachment A recognizing the then current annualized non-fuel cost of the ITA approved by the APSC in Docket No. 06-152-U and determined by application of the Capacity Rate Formula set out in Attachment B to this Rider CA.

(NR)

ARKANSAS PUBLIC SERVICE COMMISSION

JAN 16 2 51 PM '08

Original Sheet No. 49.2 Schedule Sheet 2 of 5
Replacing Sheet No. Including Attachments

FILED

Entergy Arkansas, Inc.
Name of Company

Kind of Service: Electric Class of Service: All

Docket No.: 06-152-U
Order No.:
Effective:

Part III. Rate Schedule No. 49

Title: Capacity Acquisition Rider (CA)

PSC File Mark Only

Capacity Rates for the ITA Period shall be filed by the Company in Docket No. 06-152-U.

(NR)

49.5 STAFF AND COMMISSION REVIEW

Staff shall review the filed Capacity Rates to verify that the formula in Attachment B has been correctly applied and shall notify the Company of any necessary corrections. After the Staff completes its review of the rate calculation, the Company shall make appropriate changes to correct undisputed errors identified by the Staff in its review. Any disputed issues arising out of the Staff review are to be resolved by the Commission after notice and hearing. The Capacity Rates shall go into effect, upon Commission approval, with the first billing cycle of the following February.

49.6 TERM

This Rider CA shall remain in effect until one month after termination of the ITA.

Docket No.: 06-152-U
Order No.:
Effective:

Attachment A to
Rate Schedule No. 49
Attachment Page 1 of 1
Schedule Sheet 3 of 5
Including Attachments

Rider CA Rates

(NR)

All retail rates and applicable riders on file with the APSC will be increased or decreased by the percentage listed below, except those specifically excluded below:

Rate Class	Rate Schedules	Applicable Percentage
Residential	RS, RT	0.6724%
Small General Service	SGS, GFS, L2, MP, AP, CGS, CTV, SMWHR	0.8056%
Large General Service	LGS, LPS, GST, PST, SSR	1.0846%
Lighting	L1, L1SH, L4	0.2391%

Excluded Schedules: Additional Facilities Charge Rider ("AFCR")
Charges Related to Customer Activity ("CAC")
Small Cogeneration Rider ("SCR")
Large Cogeneration Rider ("LCR")
ANO Decommissioning Cost Rider ("NDCR")
Energy Cost Recovery Rider ("ECR")
Municipal Franchise Tax Adjustment Rider ("MFA")
Grand Gulf Rider ("GGR")
Experimental Market Valued Energy Reduction Service Rider ("MVER")
Experimental Energy Reduction Service Rider ("EER")
Production Cost Allocation Rider ("PCA")
Energy Efficiency Cost Recovery Rider ("EECR")
Federal Litigation Consulting Fee Rider ("FLCF")

Docket No.: 06-152-U
 Order No.:
 Effective:

Attachment B to
 Rate Schedule No. 49
 Attachment Page 1 of 2
 Schedule Sheet 4 of 5
 Including Attachments

**Entergy Arkansas, Inc.
 Capacity Rate Formula
 Test Year Ending December 31, 2008
 (\$000's omitted)**

(NR)

Class Allocation & Rate Development					
Line No.	Class	Class Allocator (1)	Capacity Revenue Reqmt (\$) (2)	Base Rate Revenue (\$) (3)	Applicable Percentage (4)
	EAI Retail				
1	Residential	40.1903%	2,968,405	441,486,716	0.6724%
2	Small General Service	22.9617%	1,695,922	210,515,098	0.8056%
3	Large General Service	36.1949%	2,673,310	246,487,541	1.0846%
4	Lighting	0.6531%	48,237	20,173,305	0.2391%
5	Total EAI Retail	100.000%	7,385,874	918,662,660	

Notes:

- (1) Most recently approved Rate Class Production Demand Allocation Factor
- (2) Attachment B, Page 2, Line 6 * Class Allocator
- (3) The Base Rate Revenue for the Test Year
- (4) Class Capacity Revenue Requirement / Class Base Rate Revenue

JAN 16 2 51 PM '08

FILED

Docket No.: 06-152-U
Order No.:
Effective:

Attachment B to
Rate Schedule No. 49
Attachment Page 2 of 2
Schedule Sheet 5 of 5
Including Attachments

Entergy Arkansas, Inc.
Capacity Revenue Requirement
Arkansas Retail Jurisdiction (A)
Test Year Ending December 31, 2008

(NR)

Line No.	Description	Amount (\$)
1	I. Purchased Power Capacity Costs Interim Tolling Agreement (B)	(C)
2	II. Reserve Equalization Effect Reserve Equalization (Expense/Revenue) (D)	(C)
3	Total Capacity Costs (Line 1 - Line 2)	7,393,060
4	Bad Debt Rate (E)	0.3707%
5	Forfeited Discount Rate (F)	0.4679%
6	Total Capacity Revenue Requirement (Line 3 * (1 + Line 4 - Line 5))	7,385,874

Notes:

- (A) All costs reflect Retail portion only.
- (B) Contract capacity costs associated with Interim Tolling Agreement for that test year
- (C) Value set forth in confidential work papers supporting the calculation.
- (D) Estimated Reserve Equalization (MSS-1) impact on retail associated with the acquired capacity
[(MW * retail split) - (MW * EAI responsibility ratio)] * cost rate \$/MW * 12
(MW is total capability recognizing seasonal ratings per MSS-1)
(Cost rate reflects the relative long or short position of EAI under MSS-1)
(EAI responsibility ratio and cost rate per most recent MSS-1 calculation)
- (E) The Retail Bad Debt Rate from Docket No. 06-101-U
- (F) The Retail Forfeited Discount Rate from Docket No. 06-101-U

ARKANSAS PUBLIC SERVICE COMMISSION

JAN 16 2 51 PM '08

6th Revised Sheet No. TC-5 Schedule Sheet 5 of 6

Replacing: 5th Sheet No. TC-5
 Revised

Entergy Arkansas, Inc.
 Name of Company

Kind of Service: Electric Class of Service: All

FILED

Docket No.: 06-152-U
 Order No.:
 Effective:

TABLE OF CONTENTS

PSC File Mark Only

<u>Class of Service</u>	<u>Rate Schedule No. and Title</u>	<u>Sheet Number</u>	
All	42. Grand Gulf Rider (GGR)	42.1	
All	43. Federal Litigation Consulting Fee Rider (FLCF)	43.1	
All	44. RESERVED FOR FUTURE USE	44.1	
Commercial/Industrial	45. Experimental Market Valued Energy Reduction Service (MVER)	45.1	
Commercial/Industrial	46. Experimental Energy Reduction Service Rider (EER)	46.1	
All	47. RESERVED FOR FUTURE USE	47.1	
All	48. Production Cost Allocation Rider (PCA)	48.1	
All	49. Capacity Acquisition Rider (CA)	49.1	(CT)
All	50. RESERVED FOR FUTURE USE	50.1	
All	51. RESERVED FOR FUTURE USE	51.1	
All	52. RESERVED FOR FUTURE USE	52.1	
All	53. RESERVED FOR FUTURE USE	53.1	
As Applicable	60. Extension Of Facilities (EOFP)	60.1	
As Applicable	61. Tariff Governing the Installation of Electric Underground Residential Distribution Systems and Underground Service Connections (UGP)	61.1	

JAN 16 2 51 PM '08

ARKANSAS PUBLIC SERVICE COMMISSION

5th Revised Sheet No. 17.1 Schedule Sheet 1 of 2

Replacing: 4th Revised Sheet No. 17.1

Entergy Arkansas, Inc.
 Name of Company

Kind of Service: Electric Class of Service: As Applicable

Part III. Rate Schedule No. 17

Title: Table of Riders Applicable to Rate Schedules

Docket No.: 06-152-U
 Order No.:
 Effective:

PSC File Mark Only

FILED

17.0. TABLE OF RIDERS APPLICABLE TO RATE SCHEDULES

17.1. MANDATORY APPLICATION

The Rate Schedules listed in Group 1 below are mandatory pursuant to the Adjustment provision of each Rate Schedule and shall be applied, as applicable, to each Rate Schedule listed in Group 2 below.

Group 1

Rate Schedule No. / Name

- 29. Charges Related To Customer Activity (CAC)
- 37. ANO Decommissioning Cost Rider (NDCR)
- 38. Energy Cost Recovery Rider (ECR)
- 39. Municipal Franchise Adjustment Rider (MFA)
- 40. Energy Efficiency Cost Rate Rider (EECR)
- 42. Grand Gulf Rider (GGR)
- 43. Federal Litigation Consulting Fee Rider (FLCF)
- 48. Production Cost Allocation Rider (PCA)
- 49. Capacity Acquisition Rider (CA)

(AT)

Group 2

Rate Schedule No. / Name

- 1. General Purpose Residential Service (RS)
- 2. Optional Residential Time-Of-Use (RT)
- 4. Small General Service (SGS)
- 5. Nonresidential General Farm Service (GFS)
- 6. Large General Service (LGS)
- 7. Large General Service Time-Of-Use (GST)
- 8. Large Power Service (LPS)
- 9. Large Power Service Time-Of-Use (PST)
- 10. Municipal Street Lighting Service (L1)
- 11. Traffic Signal Service (L2)
- 12. All Night Outdoor Lighting Service (L4)
- 13. Municipal Pumping Service (MP)
- 14. Agricultural Water Pumping Service (AP)
- 15. Cotton Ginning Service (CGS)
- 16. Community Antenna TV Amplifier Service (CTV)
- 20. Standby Service Rider (SSR)
- 21. Municipal Shielded Street Lighting Service (L1SH)
- 28. Separately Metered Commercial Space & Water Heating Rider (SMWHR)

AR. P. S. C. COMM.
PUBLIC SERVICE COMMISSION
JAN 17 11 18 AM '08

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

FILED

IN THE MATTER OF ENTERGY ARKANSAS,)
INC'S REQUEST FOR APPROVAL OF THE)
ACQUISITION OF NEW CAPACITY TO SERVE ITS)
RETAIL CUSTOMERS)

DOCKET NO. 06-152-U

PHASE II(A) COMPLIANCE TESTIMONY

OF

REGINA L. BUTLER
AUDIT SUPERVISOR

ON BEHALF OF THE GENERAL STAFF OF THE
ARKANSAS PUBLIC SERVICE COMMISSION

JANUARY 17, 2008

ENTERGY ARKANSAS, INC.
DOCKET NO. 06-152-U
PHASE II(A) COMPLIANCE TESTIMONY OF REGINA L. BUTLER - 1-

1 **Q. Please state your name and business address.**

2 A. My name is Regina L. Butler and my business address is Arkansas Public Service
3 Commission (Commission or APSC), 1000 Center Street, Little Rock, Arkansas 72201.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am currently employed by the APSC's General Staff (Staff) as an Audit Supervisor in
6 the Electric Section. In that capacity, I analyze utility company filings, identify and
7 evaluate issues, develop positions on those issues and present those positions, when
8 necessary, in written and oral testimony before the Commission.

9 **Q. Please state your qualifications and background.**

10 A. I have more than fourteen years of utility experience—over five years with Entergy
11 Services, Inc. and nine years with Alltel Communications, Inc. I was employed in
12 various capacities with these companies including Accountant in Property Accounting,
13 Supervisor in General Accounting, and Revenue Analyst in Revenue Assurance. I joined
14 Staff in April 2004 as a Rate Analyst. In June 2006, I was promoted to my current
15 position. My educational qualifications include a Bachelor of Business Administration in
16 Accounting from the University of Central Arkansas and a Master of Business
17 Administration from the University of Arkansas at Little Rock. I am a Certified Public
18 Accountant licensed to practice in Arkansas. Since joining Staff, I have received
19 specialized training, including the National Association of Regulatory Utility
20 Commissioners Annual Regulatory Studies Program at Michigan State University. I have
21 previously presented testimony before this Commission.

1 **Q. What is the purpose of your Compliance Testimony?**

2 A. The purpose of my Compliance Testimony is to address the Capacity Acquisition Rider
3 (Rider CA) and attachments filed by Entergy Arkansas, Inc. (EAI or Company) on
4 January 11, 2008, and amended on January 16, 2008. I will also address the revised
5 Table of Contents Sheet No. TC-5 and revised Rate Schedule 17, Table of Riders
6 Applicable to Rate Schedules, filed by EAI on January 16, 2008. These filings were
7 made to provide for recovery of the capacity costs associated with the Ouachita Plant
8 Interim Tolling Agreement (ITA) in compliance with Commission Order No. 11, issued
9 on December 21, 2007. In its January 11, 2008, cover letter, EAI stated that, its
10 compliance filing also includes revisions to Attachment B, page 2 of 2, to adjust specific
11 components of the rate calculation that should have been included in the original Rider
12 CA. As stated in EAI's cover letter, these revisions were made to correct an oversight
13 identified by Staff prior to the Company's filing.

14 **Q. Have you reviewed EAI's proposed tariffs and Commission Order No. 11?**

15 A. Yes, I have. First, I reviewed Order No. 11 concerning the Commission's mandates
16 related to Rider CA. Second, I reviewed EAI's filings, including the tariff sheets, the
17 attachments, and accompanying workpapers.

18 **Q. What were your findings?**

19 A. Rider CA and Attachments A and B properly reflect the Commission's directive in Order
20 No. 11 in this docket to recover capacity costs associated with the Ouachita Plant ITA.

1 The revised Table of Contents and revised Rate Schedule 17 have also been properly
2 updated to include Rider CA.

3 **Q. What are your recommendations?**

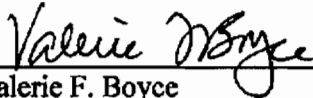
4 A. I recommend that the Rider CA tariff and Attachments A and B filed by EAI on January
5 16, 2008, be approved for implementation beginning with the first billing cycle of
6 February 2008. I also recommend that the revised Table of Contents Sheet No. TC-5 and
7 revised Rate Schedule 17 filed on January 16, 2008, be approved.

8 **Q. Does this conclude your testimony?**

9 A. Yes, it does.

CERTIFICATE OF SERVICE

I, Valerie F. Boyce, hereby certify that a copy of the foregoing has been served on all parties of record by electronic mail, hand-delivery, facsimile, or first-class mail, postage prepaid, this 17th day of January, 2008.



Valerie F. Boyce



ARK
D
TO
JAN
COMM.

JAN 30 2 12 PM '08

Entergy Arkansas, Inc.
425 West Capitol Avenue
P.O. Box 551
Little Rock, AR 72203-0551
Tel 501 377 4457
Fax 501 377 4415

FILED

Steven K. Strickland
Vice President
Regulatory Affairs

January 30, 2008

Ms. Diana Wilson, Secretary
Arkansas Public Service Commission
P. O. Box 400
1000 Center Street
Little Rock, AR 72203

Re: Docket No. 06-152-U
In the Matter of Entergy Arkansas, Inc.'s Request For
Approval of the Acquisition of New Capacity to Serve Its
Retail Customers

Dear Ms. Wilson:

Please find attached for filing with the Arkansas Public Service Commission (APSC or the Commission), the original and 13 copies of Entergy Arkansas, Inc.'s (EAI or the Company) revised Attachment B, Sheet 4 of 5, of Rate Schedule No. 49, Capacity Acquisition Rider (Rider CA). Attachment B, Sheet 4 of 5 is corrected to delete the line in the heading indicating (\$000's omitted). Sheet 4 of 5 includes amounts in whole dollars, therefore, this notation is incorrect. Please replace Sheet 4 of 5 included in the Rider CA filed on January 16, 2008 with the attached.

EAI requests APSC approval of Rider CA, with the inclusion of the corrected Attachment B, Sheet 4 of 5, and the Table of Contents, Sheet No. TC-5 and the Table of Riders Applicable to Rate Schedules, Sheet No. 17.1, included in EAI's January 16, 2008 filing. If you have any questions, please call me at (501) 377-4457 or Mr. David Hunt at (501) 377-4338.

Sincerely,

c: All parties of record w/ Attachments



ARK. P.S. 7-51 2004 A.
D- 111 111
FOR INRY 1-1-00MM.

JAN 30 2 12 PM '08

FILED

Docket No.: 06-152-U

Order No.:

Effective:

Attachment B to
Rate Schedule No. 49
Attachment Page 1 of 2
Schedule Sheet 4 of 5
Including Attachments

Entergy Arkansas, Inc.
Capacity Rate Formula
Test Year Ending December 31, 2008

(NR)

Class Allocation & Rate Development					
Line No.	Class	Class Allocator (1)	Capacity Revenue Reqmt (\$) (2)	Base Rate Revenue (\$) (3)	Applicable Percentage (4)
	EAI Retail				
1	Residential	40.1903%	2,968,405	441,486,716	0.6724%
2	Small General Service	22.9617%	1,695,922	210,515,098	0.8056%
3	Large General Service	36.1949%	2,673,310	246,487,541	1.0846%
4	Lighting	0.6531%	48,237	20,173,305	0.2391%
5	Total EAI Retail	100.000%	7,385,874	918,662,660	

Notes:

(1) Most recently approved Rate Class Production Demand Allocation Factor

(2) Attachment B, Page 2, Line 6 * Class Allocator

(3) The Base Rate Revenue for the Test Year

(4) Class Capacity Revenue Requirement / Class Base Rate Revenue

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

FILED

IN THE MATTER OF ENTERGY ARKANSAS,)
INC'S REQUEST FOR APPROVAL OF THE)
ACQUISITION OF NEW CAPACITY TO SERVE ITS)
RETAIL CUSTOMERS)

DOCKET NO. 06-152-U

PHASE II(A) SUPPLEMENTAL COMPLIANCE TESTIMONY

OF

REGINA L. BUTLER
AUDIT SUPERVISOR

ON BEHALF OF THE GENERAL STAFF OF THE
ARKANSAS PUBLIC SERVICE COMMISSION

JANUARY 30, 2008

1
6
4

1 **Q. Please state your name.**

2 **A. My name is Regina L. Butler.**

3 **Q. Are you the same Regina L. Butler who filed Phase II(A) Compliance Testimony in this**
4 **docket on January 17, 2008?**

5 **A. Yes.**

6 **Q. What is the purpose of your Supplemental Compliance Testimony?**

7 **A. The purpose of my Compliance Testimony is to address the revised Attachment B, Sheet 4 of**
8 **5, of the Capacity Acquisition Rider (Rider CA) filed by Entergy Arkansas, Inc. (EAI) on**
9 **January 30, 2008. Rider CA Attachment B, Sheet 4 of 5, has been revised to correct a**
10 **typographical error in the title on this sheet filed on January 16, 2008. The line which reads**
11 **(\$000's omitted) has been removed from the title because the amounts presented in the**
12 **Capacity Rate Formula are in whole dollars. There were no changes to the rates presented on**
13 **this schedule.**

14 **Q. What is your recommendation?**

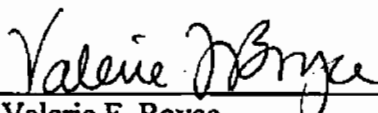
15 **A. I recommend approval of EAI's proposed Rider CA filed on January 16, 2008, with the**
16 **substitution of corrected Attachment B, Sheet 4 of 5, filed on January 30, 2008. I also**
17 **recommend approval of the revised Table of Contents Sheet No. TC-5 and revised Rate**
18 **Schedule 17 filed on January 16, 2008,**

19 **Q. Does this conclude your testimony?**

20 **A. Yes, it does.**

CERTIFICATE OF SERVICE

I, Valerie F. Boyce, hereby certify that a copy of the foregoing has been served on all parties of record by electronic mail, hand-delivery, facsimile, or first-class mail, postage prepaid, this 30th day of January, 2008.



Valerie F. Boyce

ARKANSAS PUBLIC SERVICE COMMISSION JAN 30 3 58 PM '08

FILED

IN THE MATTER OF ENTERGY)
ARKANSAS, INC.'S REQUEST FOR)
APPROVAL OF THE ACQUISITION OF)
NEW CAPACITY TO SERVE ITS RETAIL)
CUSTOMERS)

DOCKET NO. 06-152-U
ORDER NO. 12

ORDER

Pursuant to Order No. 11 of this Docket, on January 11, 2008, Entergy Arkansas, Inc. ("EAI") filed its amended Capacity Acquisition Rider ("Rider CA") with attachments. On January 16, 2008, EAI filed a corrected Rider CA and also filed its revised *Table of Contents* Sheet No. TC-5 and Rate Schedule 17, *Table of Riders Applicable to Rate Schedules*. EAI filed Rider CA, as provided by Order No. 11, to recover the capacity costs associated with the Ouachita Plant Interim Tolling Agreement ("ITA"). In addition, EAI also filed revisions to Attachment B, page 2 of 2, of Rider CA to correct an error in certain components used in the Rider CA calculation. EAI requests that the Commission approve the revised tariffs effective for bills rendered on and after the first billing cycle of February 2008.

On January 17, 2008, the General Staff of the Arkansas Public Service Commission ("Staff") filed the testimony of Regina L. Butler, Audit Supervisor in its Electric Section. Ms. Butler testifies that she has reviewed EAI's filing, as amended, and that the currently filed Rider CA complies with Order No. 11 and that the Table of Contents and Rate Schedule 17 have been properly updated to include Rider CA. Ms.

Butler, therefore, recommends that the Commission approve, as filed, the amended Rider CA, to be effective as requested by EAI. Ms. Butler also recommends approval of the revised Sheet TC-5 and Rate Schedule 17.

On January 30, 2008, EAI filed a revised Attachment B, Sheet 4 of 5, of Rate Schedule No. 49, Capacity Acquisition Rider corrected to delete the phrase "\$000's omitted" which was incorrectly inserted in the heading of initial Attachment B at page 1 of 2, Schedule Sheet 4 of 5. Also on January 30, 2008, the Staff filed the *Phase II(A) Supplemental Compliance Testimony* of Staff witness Butler recommending that the corrected Attachment B be approved.

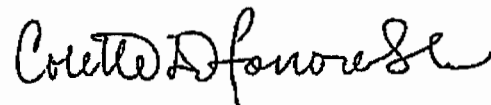
The Commission notes that Orders No. 10 and 16 of Docket No. 06-101-U have been appealed and the record lodged with the Arkansas Court of Appeals (Case No. 07-949), and that the Arkansas Electric Energy Consumers, Inc. ("AEEC") on January 18, 2008, filed in the above-styled Docket and in Docket No. 06-101-U the *Request of Arkansas Electric Energy Consumers, Inc., for Rehearing or Clarification* of Order No. 11 ("AEEC's Request"); and that the Consumer Utilities Rate Advocacy Division of the Arkansas Attorney General's Office ("AG") on January 22, 2008, filed in the above-styled Docket and in Docket No. 06-101-U *The Arkansas Attorney General's Application for Rehearing of Order No. 11* ("AG Application"). Further, the Commission notes that the Court of Appeals has not ruled on the matters before it in Case No. 07-949. Finally, although EAI on January 28, 2008, filed *Entergy Arkansas, Inc.'s Response to Request of Arkansas Electric Energy Consumers, Inc. for Rehearing or Clarification*, the Commission notes that EAI has not yet filed its response to the AG's Application nor have the other parties to this Docket filed responses to AEEC's Request

or to the AG's Application. Therefore, AEEC's Request and the AG's Application remain under advisement pending further consideration and final ruling by the Commission. As such this Order is merely a ministerial compliance order consistent with Order No. 11 and is not intended to dictate or suggest how the Commission may rule on AEEC's Request and the AG's Application.

Accordingly, amended Rider CA, as filed on January 16, 2008, and as further amended on January 30, 2008, and revised *Table of Contents* Sheet TC-5 and Rate Schedule 17, *Table of Riders Applicable to Rate Schedules* are hereby approved effective for all bills rendered on and after the first billing cycle of February, 2008.

BY ORDER OF THE COMMISSION.

This 30th day of January, 2008.



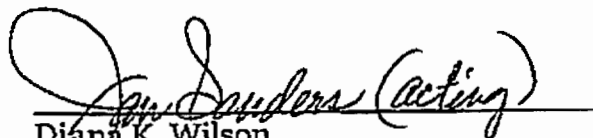
Colette D. Honorable, Chairman



Daryl E. Bassett, Commissioner

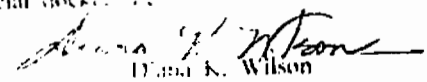


David Newbern, Commissioner



Diana K. Wilson
Secretary of the Commission

I hereby certify that the following is a true and correct copy of the original as filed with the Arkansas Public Service Commission. It has been served in triplicate series of record this date by U.S. mail, postage prepaid, using the address of the filing as indicated in the official docket file.



Diana K. Wilson
Secretary of the Commission
1-30-08 - JS