Entergy

Entergy Arkansas, Inc.
Regulatory Affairs
425 West Capitol Avenue
P. O. Box 551
Little Rock, AR 72203-0551
Tel 501 377 4000

VIA OVERNIGHT MAIL

RECEIVED
2008 DEC 30 AM 9:27
T.R.A. DOCKET ROOM

December 29, 2008

Ms. Darlene Standley
Chief, Utility Division
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Tennessee Regulatory Authority (TRA) Docket No. 2008-00201
Entergy Arkansas, Inc.'s (EAI) Proposed Storm Damage Rider (Rider SDR)

Dear Ms. Standley:

In followup to our letter dated December 3, attached are an original and 13 copies of the following documents filed in Docket No. 08-149-U before the Arkansas Public Service Commission (APSC):

- APSC Order No. 4 issued December 19, 2008 rejecting the proposed Settlement Agreement and directing EAI to modify Rider SDR to reflect the changes proposed by APSC Staff witness Alice Wright.
- EAI's compliance tariff filed December 23, 2008, in response to Order No. 4.
- APSC Staff witness Tom D. Stevens' testimony filed December 23, 2008 recommending approval of EAI's compliance tariff filed December 23.
- APSC Order No. 5 issued December 29, 2008, approving EAI's compliance tariff filed on December 23 to be effective on and after the first billing cycle of January 2009.

Also attached for approval by the TRA are the original and 13 copies of Rider SDR bearing an effective date of January 30, 2009, the beginning date of the first billing cycle in February, 2009. An original and 13 copies of revised Table of Contents Sheet No. TC-5 and Rate Schedule No. 17, Table of Riders Applicable to Rate Schedules, Sheet No. 17.1 reflecting the additional of Rider SDR are also being furnished with the January 30, 2009 effective date.

Should you have any questions concerning this filing, please call me at (501) 377-4338.

Sincerely,

David E. Hunt /hj

David E. Hunt
Manager, Regulatory Affairs

Attachments

ARK [illegible]
DI[illegible]
[illegible]

DEC 19 2 40 PM '08

ARKANSAS PUBLIC SERVICE COMMISSION

FILED

IN THE MATTER OF THE PETITION OF ENTERGY ARKANSAS, INC. FOR AN ACCOUNTING ORDER AUTHORIZING ESTABLISHMENT OF A REGULATORY ASSET AND STORM DAMAGE RIDER	)))))	DOCKET NO. 08-149-U ORDER NO. 4

ORDER

On October 15, 2008, Entergy Arkansas, Inc. ("EAI") filed in the above-styled Docket its *Petition for an Accounting Order Authorizing a Regulatory Asset and Storm Damage Rider* ("Petition") and the supporting Direct Testimonies of S. Brady Aldy, Oscar D. Washington and J. David Wright. EAI's Petition was filed pursuant to Ark. Code Ann. § 23-2-306 and § 23-2-304(a)(7)(A) and Section 4 of the Arkansas Public Service Commission's (the "Commission") *Rules of Practice and Procedure* (the "Rules").

By its Petition EAI seeks an order from the Commission authorizing the establishment of a regulatory asset to defer costs associated with incremental storm restoration costs incurred in 2008 that exceed the level of storm restoration costs provided by EAI's base rates and to recover such costs through a proposed Storm Damage Rider (Rider SDR"). EAI proposes that the recovery of such costs through Rider SDR would occur during the twelve months of 2009. EAI also proposes that recovery of such costs would be subject to an audit and an earnings review similar to the procedure approved by the Commission in EAI Docket No. 96-360-U with any over-earnings to be applied to the deferred balance.

In Order No. 10 of Docket No. 06-101-U, $14.449 million of operation and maintenance ("O&M") storm costs were included in base rates to compensate EAI for a

30

normalized level of annual storm costs. The costs EAI seeks to defer and recover through Rider SDR include incremental O&M storm costs that EAI incurred as a result of 2008 storms in excess of the $14.449 currently allowed in base rates. As of September 30, 2008, EAI states that it has incurred $40.744 million of storm restoration costs. This amount is $26.295 million above the amount included in base rates. EAI states that capital costs incurred for the replacement of facilities damaged by the storms are not included as part of the incremental $26.295 million storm costs.

Because EAI's Petition only includes storm restoration costs incurred through September 30, 2008, EAI plans to file an update of the deferred storm restoration costs incurred through December 31, 2008 and true up any accrued expenses following the year-end closing.

Based upon September 30, 2008 accumulated storm restoration expenses, EAI estimates that the initial Rider SDR rate would result in an increase in EAI's base rate revenues of approximately 2.9%. The bill for an average residential customer using 1,000 kWh/month of $111.21 would increase by $1.85 per month or an increase of 1.7%.

The Parties to this Proceeding and the Procedural Schedule

The parties to this proceeding are EAI, the General Staff of the Commission ("Staff"), the Attorney General of the State of Arkansas ("AG") and the Arkansas Electric Energy Consumers, Inc. ("AEEC").

By Order No. 1 of this Docket, issued on November 5, 2008, the Commission established the procedural schedule for consideration of EAI's Petition. Order No. 1 directed that Staff and Intervenors file Initial Testimony on November 12, 2008; directed that EAI file Rebuttal Testimony on November 26, 2008; and set a public hearing on EAI's Petition for December 5, 2008. Order No. 1 also posed certain Data Requests to be answered by EAI, Staff and Intervenors by November 26, 2008.

As directed, on November 12, 2008, the Staff filed the Direct Testimony and Exhibits of Staff Witness Alice D. Wright and the AG filed the Direct Testimony of William B. Marcus. AEEC filed no Direct Testimony. Also, as directed, EAI filed the Rebuttal Testimony of EAI Witness Steven K. Strickland on November 26, 2008. Finally, as directed, the Staff filed its Responses to the Commission's Data Requests on November 25, 2008, and EAI, the AG and AEEC filed their separate Responses to the Data Requests on November 26, 2008. On December 5, 2008, the AG filed his Revised Responses to the Data Requests.

<u>Stipulation and Settlement Agreement</u>

On December 3, 2008, EAI, the Staff, and the AG filed their *Joint Motion to Approve Stipulation and Settlement Agreement* ("Joint Motion") attaching thereto the proposed *Stipulation and Settlement Agreement* ("Settlement Agreement") offered in full resolution of all outstanding issues in this proceeding. Although AEEC was not a signatory party to the Joint Motion or to the Settlement Agreement, the Joint Motion states that AEEC "has authorized the Parties to state that it does not oppose the [Settlement] Agreement." Counsel for AEEC, during his Opening Statement for the December 5, 2008, hearing affirmed that AEEC does not oppose the settlement Agreement. Filed in support of the Settlement Agreement, also on December 3, 2008, were the supporting testimonies of EAI Witnesses Strickland and Washington, Staff Witness Wright and AG Witness Marcus.

By email sent to counsel for the parties on December 4, 2008, the Commission advised the parties that the Commission will hear EAI's Petition and the proposed Settlement Agreement on December 5, 2008, "essentially on a conjoined path," i.e., the Commission "will hear both pre-Settlement testimony as well as Settlement testimony during the hearing. After the hearing has concluded the Commission will issue its final ruling based upon all evidence of record, including both pre-Settlement as well as Settlement testimony."

As scheduled by Order No. 1 a public hearing to consider EAI's petition and the Settlement Agreement was conducted by the Commission on December 5, 2008.

Testimony of the Parties

In his Direct Testimony EAI Witness Aldy testifies that the frequency and magnitude of weather and storm restoration in EAI's service territory has been "extraordinary" in 2008. Regarding the "extraordinary" nature of weather and storm events in 2008, Aldy further testifies as follows:

> ... The Company's electric facilities received significant damage from snowstorms, windstorms, thunderstorms, tornados, and tropical storms due to a much higher frequency and magnitude of weather events in 2008 than in recent years. From a customer outage count perspective, this is shown graphically in EAI Exhibit SBA-1 which includes tables depicting outages due to weather categorized as extraordinary storms over the years 2001 through 2008. These charts show the number and magnitude of outages EAI's customers experienced in 2008 is significantly more than in the other years.
>
> More definitively, through September of this year, there have been nine Weather events that have caused significant damage to EAI's electrical facilities and that have typically correlated to high customer outages. These events, described in Table 1 below, have caused outages to more than 540,208 combined customers.

Table 1
2008 Significant Weather Events

Date	Peak Outages	Type
01/29/08	77,545	Windstorm
02/05/08	43,525	Thunderstorms and Tornados
03/07/08	30,185	Snowstorm
04/04/08	45,182	Thunderstorms and Tornados
05/02/08	6,800	Tornados
05/11/08	14,344	Tornados
06/01/08	57,627	Thunderstorms
09/03/08	96,000	Hurricane Gustav
09/14/08	179,000	Hurricane Ike
Totals	**540,208**	

(Aldy Direct at 4-5).

Witness Aldy, through a series of Significant Weather Events charts comprising his EAI Exhibit SBA-1, compares the number of customer outages due to significant weather events for the years 2001 through 2008 to demonstrate that "the number and magnitude of outages EAI's customers experienced in 2008 is significantly more than in the other years." EAI Exhibit SBA-1 reflects the following number of significant weather event customer outages for each of the years 2001 through 2008.

Year	Outages
2001	71,791
2002	40,375
2003	95,103
2004	87,984
2005	59,272
2006	35,750
2007	16,100
2008	540,208

(Aldy Direct at 4, Aldy EAI Exhibit SBA-1).

EAI Witness Wright testifies regarding the calculation of the 2008 O&M storm restoration costs in excess of the amount of storm damage expense embedded in EAI's base rates that EAI is requesting to defer in a regulatory asset and recover through proposed Rider SDR. Wright testifies that EAI has incurred a total of $40.744 million in O&M storm restoration expenses through September 30, 2008. (Wright Direct at 4, EAI Exhibit JDW-2). Wright further testifies that, as Witness Aldy explains, "the frequency and magnitude of storm activity in 2008 in Arkansas was extraordinary" and "also resulted in an extraordinary level of costs." Wright testifies that the total O&M costs incurred through September 2008 (nine months) "is almost three times the annual amount of storm costs allowed in rates" and that "[t]here times the normal storm costs is extraordinary." (Wright Direct at 4-5).

Wright testifies that EAI is requesting to defer and recover through Rider SDR "the Arkansas retail portion of the total 2008 O&M storm restoration expenses through September [2008] in excess of the annual storm costs embedded in base rates [i.e. $14.449 million]. This amount is $26.295 million on a total Company basis." (*Id.* at 7). Also, Wright testifies that although "EAI estimates it lost $1.6 million of base rate revenues during the time service was out due to Hurricanes Gustav and Ike, ... [EAI] is not requesting recovery of these lost revenues in this filing." (*Id.* at 6).

Finally, regarding EAI's ability to achieve its allowed Return on Equity ("ROE") for 2008, Wright testifies that "[b]ased on actual total company results to date, EAI does not anticipate any over earnings for 2008. Rates established in [Commission] Docket No. 06-101-U utilized a test year ended June 30, 2006 and expenses incurred in 2008 will likely be higher than that level. Additionally, the level of sales growth assumed in establishing rates has not happened and the weather for 2008 has been milder than normal resulting in reduced sales." (*Id.* at 8-9).

EAI Witness Washington in his Direct Testimony describes the proposed Rider SDR. Washington testifies that the purpose of Rider SDR "is to recover the retail portion of ... [O&M] storm restoration expenses associated with weather-related events that occurred during the calendar year 2008 that exceeded EAI's annual normalized level of storm costs included in base rates." Wright testifies that the initial Rider SDR rate would be calculated to recover over the twelve (12) months of 2009 approximately "$26,295,085 of which $25,833,636 is the retail portion before the calculation of carrying charges." (Washington Direct at 6-7).

Finally, Washington testifies regarding the mechanics of Rider SDR, the procedures for an audit by the Staff, and the earnings analysis to be performed to determine whether any excess earnings achieved in 2008 are available to reduce the deferred storm balance. (*Id.* at 9-12).

In her Direct Testimony Staff Witness Wright responds to EAI's Petition, its proposed Rider SDR and the testimonies of EAI Witnesses Aldy, Wright and Washington. Staff Witness Wright testifies that "[g]iven the clearly unique circumstances of the Company during 2008, including: 1) the frequency and unusual nature of the storms experienced in the Company's service territory during the first nine months of 2008; 2) the magnitude of the storm expenses incurred by the Company during the first nine months of 2008, approximately $40.7 million; 3) the magnitude of the incremental storm expenses incurred by the Company during the first nine months of 2008, approximately $26.3 million which is significantly greater than the normal, ongoing level included in EAI's rates; 4) the proximity of the Company's last rate case and the implementation of the resulting rates coupled with the earnings test proposed by the Company; and 5) the absence of a pending rate case for the Company in which the incremental storm expenses could be addressed, Staff does not object to EAI's request, subject to [certain] modifications." (Wright Direct at 3-4, footnotes omitted).

Staff Witness Wright testifies to and recommends that the Commission order and direct EAI to make the following modifications to its deferral proposal and Rider SDR:

- The incremental storm expenses should be recorded in Federal Energy Regulatory Commission (FERC) account 186, Miscellaneous Deferred Debits rather than FERC account 182.3, Other Regulatory Assets;

- Rider SDR should be revised to reflect the removal of the provisions which provide for the application of carrying charges to the balance of the deferred storm expenses;

- Rider SDR should be revised to extend the deadline for the completion of Staffs and Intervenors' review of the storm costs to June 30, 2009;

- Rider SDR should be revised to reflect these deadlines for the earnings review: the filing should be made by EAI on or before April 1, 2009; Staffs and Intervenors' review of the filing should be completed by June 30, 2009; the parties should attempt to reach a resolution on any disputed issues by July 15, 2009; if necessary, testimony of Company, Staff, and Intervenors should be filed by July 31, 2009; and, a Commission order should be issued by August 15, 2009;

- The proposed RERT procedures should be further modified to reflect the use of average rate base rather than year-end rate base, and the development of the Arkansas jurisdictional revenue requirement based on the functional allocation cost allocation factors, as opposed to the rate base allocation factor; and

- The proposed RERT procedures should be further modified to reflect the addition of specific filing requirements [as later specified in her Direct Testimony].

(*Id.* at 4-5).

Further, Wright, observing that the Commission has initiated Docket No. 08-137-U to consider alternative ratemaking mechanisms, testifies that in that proceeding, "the Commission can consider whether an ongoing mechanism to address incremental storm costs is warranted and the specific components of such a mechanism." Wright testifies that Staff's recommendation in this proceeding is "based upon the specific circumstances faced by EAI during 2008, [and] does not necessarily reflect how Staff would address incremental storm expenses for EAI or another utility under different circumstances." (*Id.* at 5).

At pages 10-16 of her Direct Testimony, Wright provides detailed analytical evidence in support of Staff's recommendations. Then, at page 17 of her Direct Testimony, Wright concludes with her recommendation that the Commission "approve the Company's request subject to the modifications discussed above[,] ... and "further recommend[s] that the Commission direct EAI to make a good faith effort to eliminate all capital costs, non-incremental expenses that would have otherwise been incurred (such as straight-time payroll and the normal on-going level of overtime payroll costs), and expenses incurred for items that were not necessary to restore electric service, commonly referred to as standard disallowance items which should not be included in the determination of the amount of incremental storm expenses."

AG Witness Marcus takes a different approach to EAI's proposal than did the Staff. Marcus, on behalf of the AG, acknowledges that "EAI did experience an unusually large number of major storm events in 2008. Because of this, the AG "believes that due to this unique circumstance, it is reasonable this one time to provide a regulatory asset and allow recovery of storm damage costs amount over 12 months." However, Marcus testifies that the AG recommends the following modifications to EAI's proposal:

- Reduce the amount recovered by approximately $4 million to take into account normal variation in the storm damage expenses around the average;
- Deny recovery of carrying charges on the unrecovered balance; and
- Allow more time for the audit of storm damage expenses and analysis of the earnings review.

(Marcus Direct at 3).

Marcus testifies that the test year storm damage estimate included in EAI's current authorized rates is an average of $14,449,000 for the years 2001 – 2005. The individual years used to calculate the average, excluding the 2000-2001 ice storm costs, as presented at page 4 of Marcus's Direct Testimony, are as follows: 2001 - $10.926 million; 2002 - $18.451 million; 2003 - $16.304 million; 2004 - $8.555 million; and 2005 - $18.009 million with an average of $14.449 million. Marcus calculates the standard deviation to be $4.452 million. In other words, "while the average was $14,449,000, the costs ranged from $8.5 million to $18.5 million in the five years used to develop the average." In the years after the average was developed in Docket No. 06-101-U, Marcus testifies that EAI's storm restoration costs were $14.925 million in 2006 and $4.319 million in 2007. (*Id.* at 4).

In light of these expense levels, Marcus evaluates EAI's request to recover all 2008 costs above the average of $14.449 million as follows:

> EAI's request is unbalanced as an isolated request, because it requests the full amount of storm recovery above the average, without recognizing normal variation around the average. It is clear that 2008 was an abnormal year, but EAI should only be allowed to recover the amount in excess of normal variation above the average. We would suggest,

> theoretically, that the amount that EAI should be allowed to defer for future recovery should be limited to an amount in excess of the average plus one standard deviation (a measure of the normal variation).
>
> We recommend that the reserve accounting requested by EAI be limited to the amount in excess of $18,451,000. This is the largest figure in the five-year period used to establish the average, but it is less than one standard deviation above the average. This would reduce EAI's funding request by $4,002,000.

(*Id.* at 4-5).

Regarding EAI's proposal to recover carrying costs, Marcus testifies again that "this is an unbalanced request." Marcus elaborates testifying that "[w]hile the Attorney general might consider carrying cost recovery by both ratepayers and the company as part of a general storm damage reserve accounting method (depending on its design), this is an isolated and extraordinary request for funding. Moreover, because the funds are to be recovered in a twelve-month period, any amount of lost carrying charges would be limited. The denial of carrying charges in this specific case also is a means of reflecting the variability of the amounts of storm damage costs in past years, as well as acknowledgment that this treatment reduces EAI's risk." (*Id.* at 5).

Finally, Marcus testifies that the relatively rapid timelines for the proposed audits "appear rigid." In the AG's view, Marcus testifies that "there is no need to hurry. The storm audit and earnings review can only reduce the amount to be paid by ratepayers, so there would be no rate shock (which could occur if an additional amount of money were found to be owed and had to be paid over a short period of time such as three months)." (*Id.* at 5).

In his Rebuttal Testimony, EAI Witness Strickland responds to the Direct Testimony of AG Witness Marcus. Strickland testifies that "because EAI has proposed an earnings review on all of its 2008 costs and revenues, then an adjustment to account for the variance in storm expense that went into establishing the average amount allowed in base rates is not necessary or appropriate." Further, addressing the inappropriateness of Marcus's recommendation, Strickland testifies that:

> Mr. Marcus would have the Commission focus on the variance of an isolated expense in the Company's base rates that is based upon an average. EAI has proposed an earnings review that would examine all of its revenues and costs for the year 2008, in which it also incurred an extraordinary level of storm expenses. Under the Company's proposal, it would only be allowed to recover the extraordinary level of storm expenses up to the earnings level allowed by the Commission in EAI's last general rate case, Docket No. 06-101-U. Said another way, any excess earnings that the Company experienced in 2008 would be used to offset the requested level of storm restoration expense.
>
> Therefore, because the earnings review ensures that any overearnings would be used for the benefit of customers to offset the storm expenses, there is no reason to require what would essentially be a disallowance of prudently incurred expenses. Customers are protected from paying for the storm restoration expense in the event the Company experienced any overearnings in 2008, and the Company can recover the prudently incurred storm expense only to the level of its allowed return.

(*Id.* at 4-5).

However, in his answer to a question asked by Commission Chairman Suskie during the hearing, Mr. Strickland stated his personal belief that there would be no overearnings in 2008.

> Q. The earnings review that's part of the settlement ..., do you expect there to be overearnings in 2008?
>
> A. Personally, I do not.
>
> Q. Is there anybody out there that thinks there's even a chance that there will be overearnings to offset the 26 million?
>
> A. I don't know about everyone, but ---
>
> Q. Are you aware of anyone?

> A. No, I'm not. This was, you know – has not been a good year economically. Utilities typically follow the economic cycle directly and the economy is not in good shape nationally or in Arkansas. Our sales are down certainly compared to what we projected and certainly compared to the level of sales that were allowed in setting the company's base rates.

(Tr. 44-45).

Further, in his answer to a subsequent related question asked by Commission Chairman Suskie during the hearing, EAI Witness Wright answered as follows:

> A. Well, that's why ... in this docket we're doing an earnings review to prove that the company is not over-earning ....

(Tr. 122, emphasis added).

Finally, the Commission notes that neither EAI Witness Strickland nor any other EAI witness filed rebuttal testimony in opposition to the Direct Testimony of Staff Witness Wright. Therefore, the recommendations made by Staff Witness Wright in her Direct Testimony as set out hereinabove are uncontested.

The Proposed Settlement Agreement

The proposed Settlement Agreement filed by EAI, the Staff and the AG on December 3, 2008 was offered in resolution of all outstanding issues in this Docket and provides as follows: "The [Settlement] Agreement allows EAI to (1) defer the incremental storm damage restoration expenses incurred by the Company during the calendar year 2008, which represents the amount that is in excess of the $14,449,000 normalized storm damage restoration expenses used in the development of the Company's currently approved base rates ("Excess Storm Costs") and (2) implement a new rate mechanism, ... Rider SDR, ... to recover from its customers over a twelve month period such Excess Storm Costs beginning with the first billing cycle in January

2009. The recovery of such Excess Storm Costs would be subject to audit and earnings review similar to the Regulatory Earnings Review Tariff procedure approved by the Commission in Docket No. 96-360-U with any over-earnings to be applied to the deferral balance and returned to customers through Rider SDR. As of September 30, 2008, the Company has incurred $40,744 million of operation and maintenance storm restoration costs. This amount is approximately $26,295 million above the $14,449 million allowed in EAI's current base rates of which approximately $25,834 million is the retail portion. The Parties' Agreement is based upon the unique circumstances in this case as described in the pre-filed testimony." (Settlement Agreement at 1-2).

<u>Standard Deviation Recommendation</u>

In his Direct Testimony AG Witness Marcus recommends that the amount of excess storm damage costs to be recovered by EAI should be reduced by approximately $4.4 million to take into account the standard deviation around the five-year average used to calculate the level of storm expenses built into EAI's current rates. (Marcus Direct at 3).

During the hearing conducted on December 5, 2008, Commissioner Honorable questioned AG Witness Marcus regarding his standard deviation recommendation. Mr. Marcus answered as follows:

> A. .... So what I said was you would take the $14.4 million and add – you know, theoretically, I would have added one standard deviation as a means of reflecting variance, but since the largest single number was $18,451, which is a little less than one standard deviation above that, I used that number instead.
>
> Q. The 18,451?
>
> A. Yes. So I was basically saying that would be the bottom line rather than 14,459 – 14,449 to reflect just the fact that there's variation in

the data from normalized accounting that is essentially normal variation, and then we have a situation here that's unusual.

Q. Correct. I understand that .... And so I want to make sure that I understand. You still stand by that position?

A. I think that, you know, we support the settlement, but I also think <u>I can't say the position in my testimony is not reasonable because I wrote it and I believe it's a reasonable position. I think the settlement is a reasonable resolution of the case, but I think my [Direct] testimony is reasonable.</u>

(Tr. 149-150, emphasis added).

Commissioner Honorable also questioned Staff Witness Wright regarding the reasonableness of AG Witness Marcus' Direct Testimony standard deviation recommendation.

Q. And his original thinking that the application of that standard deviation amount would be reasonable. Now, he said that the settlement is reasonable, as well. Do you take exception to his original theory at all?

A. No, I think what Mr. Marcus did in his prepared [Direct] testimony was different than the approach that we took.

Q. Uh-huh.

A. <u>I think both approaches are reasonable</u>.

(Tr. 186, emphasis added).

<u>Storm Insurance Proceeds</u>

During the hearing Commission Chairman Suskie asked questions of EAI Witnesses Strickland and Wright regarding storm insurance proceeds. The first question was posed to Mr. Strickland.

Q. Did EAI have any insurance proceeds or any insurance policies to offset unexpected storm costs?

A. Not that I'm aware of.

(Tr. 45-46).

Chairman Suskie then posed a similar question to EAI Witness Wright.

Q. Does Entergy have any insurance to offset some of these costs?

A. Normally, we are self-insured .... The experience we had in hurricanes Katrina and Rita is we did get some insurance recovery for damages to facilities on the ground such as substations, but a very small amount compared to the total cost of doing this.

Q. How much is that amount?

A. I don't think it's been determined for the latest – for [hurricanes] Ike and Gustav.

Q. So there is insurance out there?

A. There could be. There could be because even though we do have insurance, it's subject to – now, again, I'm going back to my experience with Rita and Katrina – it was subject to some overall loss – loss ceilings that the insurers themselves had for the whole group of claims that they may have in the absence of one event. So I don't anticipate that being significant dollars, if any.

Q. If there are any dollars, do you – and ratepayers have paid for this insurance, if it's applicable to O&M, shouldn't ratepayers receive that benefit?

A. I think yes, I think they should. And that's what happened in the cases with the Hurricanes Katrina and Rita, that that insurance we did receive – the insurance proceeds we did receive is used to offset the costs.

(Tr. 129-130).

Commissioner Honorable then asked a follow-up question of EAI Witness Wright regarding insurance proceeds.

Q. Mr. Wright, I want to touch on the insurance issue again. How is this Commission going to be advised of whether there was any insurance that would apply and in what amounts so that could --- the ratepayers could see the benefit of that?

> A. The company will make its filing on storm cost by February 15th. We can and will, I assume, will reflect in that filing any insurance recovery that we know we will receive or have received ... up to that point in time.

(Tr. 132).

Discussion and Findings of the Commission

Did EAI experience "extraordinary" weather-related customer service outages in 2008? The non-controverted evidence of record is persuasive that EAI did, in fact, experience an "extraordinary" number of severe weather events, an "extraordinary" number of weather-related customer service outages, and an "extraordinary" level of storm restoration O&M expense in 2008. No party disputes these conclusions, nor does this Commission.

Must this Commission allow EAI to recover from its ratepayers on a dollar for dollar basis its 2008 storm restoration O&M expenses above the $14.449 million in storm expense built into its current rates? Neither EAI nor any other party cite to any law, rule or regulation requiring this Commission to allow EAI such recovery. Accordingly, this Commission concludes that it is not required to allow EAI such recovery.

Does this Commission have the authority to allow EAI to recover some or all of its 2008 storm restoration O&M expenses above the $14.449 million in storm expense built into its current rates? Ark. Code Ann. § 23-2-301 provides as follows:

23-2-301. Powers and jurisdiction of commission generally.

> The commission is vested with the power and jurisdiction. And it is made its duty, to supervise and regulate every public utility defined in § 23-1-101 and to do all things, whether specifically designated in this act, that may be necessary or expedient in the exercise of such power and jurisdiction, or in the discharge of its duty.

Further, Ark. Code Ann. § 23-4-101 provides in part as follows:

23-4-101. Authority of commissions to establish rates – Exceptions.

> (a) With respect to ... public utilities ... the Arkansas Public Service Commission ... shall have the power, after reasonable notice and after full and complete hearing, to enforce, originate, establish, modify, change, adjust, and promulgate ... rates ... under the terms of this act.
>
> (b) Whenever the commission ..., after notice and hearing, finds any existing rates ... insufficient ..., the commission shall, by an order, fix reasonable rates ... to be followed in the future in lieu of those found to be ... insufficient ....

Further, Ark. Code Ann. § 23-4-103 provides in part as follows:

23-4-103. Rates, rules and regulations to be reasonable.

> All rates ... by any public utility ... shall be just and reasonable ....

Finally, the Commission is free, within the ambit of its statutory authority, to make the pragmatic adjustments which may be called for by particular circumstances. The Commission has wide discretion in choosing its approach to rate regulation. On appeal the court is generally not concerned with the methodology used by the Commission in arriving at a result as long as its findings are based on substantial evidence and are not unjust, unreasonable, unlawful or discriminatory. *Southwestern Bell Telephone Company v. Arkansas Public Service Commission,* 18 Ark. App. 260, 715 S. W. 2d 451 (1986). *Consumer Utilities Rate Advocacy Division v. Arkansas Public Service Commission*, 99 Ark. App. 228, 258 S.W. 3d 758 (2007).

Therefore, this Commission finds as a matter of law that it has the authority to allow EAI to recover some or all of its 2008 storm restoration O&M expenses above the $14.449 million in storm expense built into its current rates, if such recovery is determined to be in the public interest and is supported by substantial evidence.

The Commission has previously stated that as a matter of public policy it is in the best interest of EAI, its ratepayers and the public at large that electric power be restored safely and quickly after storm outages. (Order 4 of Docket No. 07-129-U at 13). To that end, the Commission's *Special Rules – Electric* require expeditious storm restoration efforts by EAI and other electric utilities. (See *Special Rules – Electric* Rule 4.01(A)(1) and 4.01(B)). To EAI's credit, it recognizes the importance of prompt restoration of service to its customers. During the evidentiary hearing in EAI's last rate case in Docket No. 06-101-U, in response to questioning from Commissioner Bassett regarding EAI's commitment to storm restoration and its concerns about cost recovery, EAI President Hugh 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, Tr. Vol. I at 208).

And in the instant Docket in response to a question from Chairman Suskie during the hearing, EAI Witness Strickland reiterated EAI's philosophy regarding service restoration as previously expressed by Mr. McDonald.

> Q. ... To your knowledge, has that philosophy of Entergy changed?
>
> A. No, I don't believe it has changed. We as a company are very proud of the way we provide electric service. We are especially proud of the way we respond in emergency situations. We have a long history of that, and that pride is recognized in the performance that we make in those tough situations. And it's been recognized by our peers and by the Edison Electric Institute, but I think we also have to recognize that a utility can only perform within its capabilities. ....

> And the point that I'm trying to make ... is we will do the best job we can within the resources we have. And what we're asking the Commission to do in the long term is to put in place some procedures, some mechanisms so that we can be assured of having those proper resources so that we can do the job at hand. ....
>
> Q. But the number one priority is restoring reliable electricity?
>
> A. It always is, but again, you have to quickly say we will do that within the resources that we have.

(Tr. 42-43).

This Commission agrees with Mr. McDonald's stated number one priority being to "get the lights on as quickly as possible" after a weather-related service outage. Doing so is clearly in the best interest of EAI, its ratepayers, and the public at large. The public health and safety demand nothing less. The local and state economy demands nothing less. With this Order the Commission reaffirms its commitment to take all appropriate and reasonable actions to ensure that EAI and all other state electric utilities are able "to get the lights on as quickly as possible" after weather-related outages. However, such actions must be fair and balanced for both ratepayers and the electric utilities.

The Commission recognizes that the restoration of electric service after a serious weather-related outage can require the expenditure of "extraordinary" funds by the electric utilities – sometimes significantly in excess of the storm expense funds built into rates. In recognition of this reality, the Commission in EAI Docket No. 07-129-U stated as follows:

> Therefore, if ... 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 storms which struck the Company's Arkansas service area in December of 2000. ... The Commission is also open to the consideration of alternative 'extraordinary' storm restoration

> cost [recovery] methodologies that are both fair and reasonable to ratepayers and in the public interest as determined by the Commission.

(Order 4 of Docket No. 07-129-U at 14).

Then in Order No. 1 of Docket No. 08-137-U, a currently active proceeding initiated by the Commission to consider innovative approaches to ratebase rate of return ratemaking, the Commission once again reiterated its commitment to "get the lights on as quickly as possible" after weather-related service outages. At page 7 of Order No. 1 the Commission stated as follows:

> Clearly it is in the best interest of electric ... customers and the public utilities that serve them for the Commission to ensure that the public utilities are positioned to continue to provide safe, reliable, adequate and reasonably priced electric ... services to their customers ... while ensur[ing] that ... utilities are not allowed to over-charge ratepayers. Therefore, this Docket is established for the purpose of exploring and considering possible innovative approaches to traditional ratebase rate of return regulation including, but not limited to, ... methods for the recovery of extraordinary storm damage restoration expenses ....

The Commission understands and believes that EAI is just as committed as the Commission is "to get the lights on as quickly as possible" after weather-related service outages. EAI's service restoration efforts in the aftermath of the enormous 2000-2001 ice storms and the many severe weather-related service outages in 2008 clearly support EAI President Hugh McDonald's commitment that EAI's number one priority is to restore electric service as quickly as possible after severe weather-related service outages. The Commission commends EAI for its efforts in this regard.

Given the unique circumstances of the present case, the Commission finds that it is in the public interest to allow EAI to recover the majority of the "extraordinary" storm restoration O&M expenses it has incurred in 2008. In 2008, EAI experienced an "extraordinary" number of severe weather events, an "extraordinary" number of weather-related customer service outages, and an "extraordinary" level of storm restoration O&M expense in 2008. Storm restoration O&M expenses incurred by EAI through September 30, 2008, total $40.744 million - $26.295 million above the normalized level of $14.449 million in storm expense included in EAI's current rates. Further, it appears that EAI will not have any excess earnings in 2008 and likely will not achieve its authorized retail revenue requirement in 2008 as established in Docket No. 06-101-U. Accordingly, EAI should be allowed to recover the majority of its storm expense incurred in 2008 above the normalized $14.449. But not every dollar above the $14.449 million as recommended by EAI and the Staff in their Direct Testimony cases and as recommended by EAI, the Staff and the AG in the Settlement Agreement. Therefore, the Commission rejects the Settlement Agreement – at least in part.

The Commission finds that the position stated by AG Witness Marcus in his Direct Testimony is the more reasonable and balanced approach to determining what level of additional storm expense recovery EAI should be allowed. To reiterate, Mr. Marcus testifies in his Direct Testimony as follows:

> EAI's request is unbalanced as an isolated request, because it requests the full amount of storm recovery above the average, without recognizing normal variation around the average. It is clear that 2008 was an abnormal year, but EAI should only be allowed to recover the amount in excess of normal variation above the average. We would suggest, theoretically, that the amount that EAI should be allowed to defer for future recovery should be limited to an amount in excess of the average plus one standard deviation (a measure of the normal variation).
>
> We recommend that the reserve accounting requested by EAI be limited to the amount in excess of $18,451,000. This is the largest figure in the five-year period used to establish the average, but it is less than one standard deviation above the average. This would reduce EAI's funding request by $4,002,000.

(Marcus Direct Testimony at 4-5).

Mr. Marcus's recommendation is fair and balanced – in that it properly balances the interest of EAI with the interest of its ratepayers by recognizing that actual storm expense in any given year will deviate from the normalized or five-year average storm expense level built into rates. In some years actual storm expense incurred is greater than the storm expense level built into rates. But in some years actual storm expense incurred is less than the storm expense level built into rates. This certainly was the case for EAI in 2007. For calendar year 2007 EAI had approximately $10.031 million built into its rates for storm expense.[1] However, in 2007 EAI incurred only approximately $3.426 million in storm expense. Yet, EAI did not offer to return to ratepayers every 2007 unspent storm expense dollar (approximately $6.605 million). To now allow EAI to recover from ratepayers every storm expense dollar incurred in 2008 above the storm expense level built into its rates would be unfair, unbalanced, unreasonable and contrary to the public interest. On the other hand, AG Witness Marcus's recommendation to take into account the standard deviation and reduce the amount to be recovered by EAI from its ratepayers is fair, balanced, reasonable and in the public interest. Therefore, EAI will be allowed to recover 2008 excess storm expenses consistent with Mr. Marcus's Direct Testimony recommendation.

Further, regarding the inclusion of carrying costs in the amounts to be recovered from ratepayers, AG Witness Marcus testifies again that "this is an unbalanced request." He elaborates testifying that "[w]hile the Attorney General might consider carrying cost

[1] For the first five and one-half months of 2007 (before implementation of new rates approved in Docket No. 06-101-U) approximately $4.810 million in annualized storm expense was built into EAI's rates. For the last six and one-half months of 2007 (after implementation of new rates) approximately $14.449 million in annualized storm expense was built into EAI's rates. (Tr. Ex. 29-30, 48). Assuming that the previously authorized storm expense level was collected from ratepayers in the first five and one-half months of 2007 and that the currently authorized storm expense level was collected from ratepayers in the last six and one-half months of 2007, EAI would have collected approximately $10.031 million in storm expense from ratepayers.

recovery by both ratepayers and the company as part of a general storm damage reserve accounting method (depending upon its design), this is an isolated and extraordinary request for funding. Moreover, because the funds are to be recovered in a twelve-month period, any amount of lost carrying charges would be limited. The denial of carrying charges in this specific case also is a means of reflecting the variability of the amounts of storm damage costs in past years, as well as acknowledgment that this treatment reduces EAI's risk." (*Id.* at 5).

Staff Witness Wright also opposes the recovery by EAI through Rider SDR of carrying charges. Ms. Wright testifies that "EAI's proposal effectively provides for a guaranteed recovery of its 2008 excess storm costs, instead of just the opportunity to recover the costs. Given the certainty of the recovery of the Company's 2008 incremental storm expenses and the short time period over which those expenses are expected to be recovered, the application of carrying charges on the balance of the incremental storm expenses compounded monthly at the Company's overall pre-tax rate of return is neither necessary not warranted, and is thereby neither fair nor reasonable to ratepayers." (Tr. 171-172).

Finally, it is important to recognize that EAI is not legally entitled to recover from ratepayers any additional amounts above the normalized level of storm expense built into its rates. Such recovery lies within the exclusive discretion of this Commission. Therefore, the Commission finds that EAI should not be allowed to recover carrying costs through proposed Rider SDR.

Regarding the modifications to Rider SDR as recommended by Staff Witness Wright in her Direct Testimony at pages 4-5 and as set out hereinabove, the

Commission finds that Ms. Wright's proposed Rider SDR modifications are in the public interest and should be adopted by the Commission. The proposed modifications were not opposed by EAI Witness Strickland in his Rebuttal Testimony or by any other EAI witness during the hearing. Accordingly, the proposed modifications are uncontested. Therefore Ms. Wright's proposed modifications to Rider SDR are hereby adopted.

Regarding any storm insurance proceeds that may be received by EAI for 2008 weather-related claims, such proceeds should and shall be credited as an offset to the excess storm expense costs to be recovered through Rider SDR.

Finally, although the Commission is not adopting the proposed Settlement Agreement, the Commission commends the parties for their cooperative efforts to resolve their differences through settlement negotiations.

Therefore, the Commission orders and directs as follows:

1. The proposed Settlement Agreement is rejected.
2. EAI's deferral proposal and proposed Rider SDR is adopted with the following required modifications:
   a) The excess storm expense amount to be deferred and recovered through Rider SDR shall be calculated consistent with AG Witness Marcus' standard deviation recommendation as set forth in his Direct Testimony;
   b) Any weather-related insurance proceeds for 2008 storm damage received by EAI shall be credited as an offset to the excess storm expense costs to be recovered through Rider SDR.

c) The incremental storm expenses shall be recorded in Federal Energy Regulatory Commission (FERC) account 186, Miscellaneous Deferred Debits rather than FERC account 182.3, Other Regulatory Assets;

d) Rider SDR shall be revised to reflect the removal of the provisions which provide for the application of carrying charges to the balance of the deferred storm expenses;

e) Rider SDR shall be revised to extend the deadline for the completion of Staff's and Intervenors' review of the storm costs to June 30, 2009;

f) Rider SDR shall be revised to reflect these deadlines for the earnings review: the filing shall be made by EAI on or before April 1, 2009; Staff's and Intervenors' audit and review of the filing shall be completed by June 30, 2009; the parties shall attempt to reach a resolution on any disputed issues by July 15, 2009; if necessary, testimony of EAI, Staff, and Intervenors shall be filed by July 31, 2009; and, a Commission order shall be issued by August 15, 2009.

3. The Docket No. 96-360-U RERT procedures shall be modified, for purposes of this Docket, to reflect the following adjustments:

a) Reflect the rate of return on rate base approved by the Commission in Docket No. 06-101-U in order to fix the rate of return used to determine EAI's allowed earnings at the overall rate of return established in Docket No. 06-101-U as recommended by EAI Witness Wright and Staff Witness Wright (Tr. 118, 170); and to

b) Reflect the accounting adjustments and other factors consistent with Docket No. 06-101-U as recommended by EAI Witness Wright and Staff Witness Wright (*Id.*); and to

c) Reflect the addition of adjustments to reflect the jurisdictional revenue requirements not in base rates, i.e. the revenue requirements associated with the Ouachita Electric Generator as recommended by EAI Witness Wright and Staff Witness Wright (*Id.*); and to

d) Reflect the use of average rate base rather than year-end rate base, in the determination of EAI's earnings as recommended by Staff Witness Wright (Tr. 170); and to

e) Reflect the development of the Arkansas jurisdictional revenue requirement based on the functional allocation cost allocation factors, as opposed to the rate base allocation factor as recommended by Staff Witness Wright (Tr. 171); and to

f) Reflect the addition of the specific filing requirements recommended by Staff Witness Wright (*Id.*).

g) Finally, EAI is directed to make a good faith effort to eliminate all capital costs, non-incremental expenses that otherwise would have been incurred (such as straight-line payroll and the normal on-going level of overtime payroll costs) and expenses incurred for items that were not necessary to restore electric services commonly referred to as standard disallowance items which should not be included in the determination of the amount of incremental storm expenses.

BY ORDER OF THE COMMISSION.

This 19 day of December, 2008.

Paul Suskie, Chairman

Daryl E. Bassett, Commissioner

Colette D. Honorable, Commissioner

Karen Shook (acting)
Diana K. Wilson
Secretary of the Commission

[illegible] certify [illegible]
[illegible] Arkansas Public Service [illegible]
[illegible] served on all [illegible] record [illegible]
[illegible] by U.S. mail [illegible] prepaid, us[illegible]
[illegible] address of [illegible] in the
official docket file.

Diana K. Wilson
Diana K. Wilson
[illegible] of the Commission

Entergy

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

ARK P.S.C. ... DEC 23 8 01 AM '08 FILED

Steven K. Strickland
Vice President
Regulatory Affairs

December ~~22~~ 23, 2008

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

Re: Docket No. 08-149-U
In the Matter of the Petition of Entergy Arkansas, Inc. for an Accounting Order Authorizing Establishment of a Regulatory Asset and Storm Damage Rider

Dear Ms. Wilson:

Please find attached for filing with the Arkansas Public Service Commission ("APSC" or the "Commission"), the original and 13 copies of Rate Schedule No. 50, Storm Damage Rider ("Rider SDR") and Rider SDR Attachments A through E, which reflect the Rider SDR Rates for the Initial Rider SDR. The revised Rider SDR is filed to comply with the Commission's Order No. 4, issued on December 19, 2008 in the above-captioned Docket.

The Company requests that the Commission issue an order approving the attached revised Rider SDR and the Rider SDR Rates in Attachment A by December 29, 2008 so that the Rider and rates can become effective for bills rendered on and after the first billing cycle of January 2009. In addition, EAI requests APSC approval of the associated revisions to the 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, to reflect the addition of Rider SDR.

If you have any questions, please call me at 501-377-4457 or Susan Davidson at 501-377-5720.

Sincerely,

Steven K. Strickland
SBD

SKS/sd
Attachments

c: All Parties of Record

ARKANSAS PUBLIC SERVICE COMMISSION

Original	Sheet No. 50.1	Schedule Sheet 1 of 13 Including Attachments
Replacing:	Sheet No.	

Name of Company

Kind of Service: Electric Class of Service: All

Docket No.: 08-149-U
Order No.:
Effective:

Part III. Rate Schedule No. 50

Title: Storm Damage Rider (SDR)

PSC File Mark Only

50.0 STORM DAMAGE RIDER

(NR)

50.1 PURPOSE

The Storm Damage Rider, ("Rider SDR"), defines the procedure to recover from EAI's retail customers, the retail allocation of the incremental operation and maintenance ("O&M") storm damage restoration expenses attributable to weather-related events that occurred during calendar year 2008 and approved by the Arkansas Public Service Commission ("APSC" or the "Commission") per Order No. 4 in Docket No. 08-149-U ("Excess Storm Costs"). Such amount may be adjusted after audit and earnings review as discussed in § 50.4 and § 50.5 below.

50.2 APPLICATION

Rider SDR is applicable to all electric service billed under EAI's rate schedules whether metered or unmetered, and subject to the jurisdiction of the Commission. Rider SDR costs will be accumulated by function and then allocated based on the functional revenue requirement derived from EAI's compliance cost of service filed in Docket No. 06-101-U.

50.3 STORM DAMAGE RIDER RATES

Rider SDR will consist of cents per kWh rate adjustments applied monthly to each account by rate class ("SDR Rates"). The amount of Excess Storm Costs will be accumulated by function and allocated based on the method described above in § 50.2. SDR Rates will be calculated for each rate class by using the projected energy sales (kWh) for the 12 month period of January 2009 through December 2009. The SDR Rates will remain in effect until all Excess Storm Costs are collected. EAI shall monitor the amounts collected pursuant to this Rider to ensure that the total revenue collected from ratepayers does not exceed the total sum of actual approved Excess Storm Costs. If the approved Excess Storm Cost amount for any rate class is recovered prior to the end of the recovery period, EAI shall cease collection from such class. Any over recovery at the end of the recovery period shall be refunded through Rate Schedule No. 38, Energy Cost Recovery Rider, as a credit to overall fuel expense.

A. **INITIAL RATES** (NR)

The SDR Rates will initially be determined based on the Excess Storm Costs as of September 30, 2008. The Excess Storm Costs will be allocated by function to determine the amount to be recovered from each rate class. The projected energy sales (kWh) for the 12-month period of January 2009 through December 2009 will be used to calculate the SDR Rates for each rate class. The initial SDR Rates will be implemented with the first billing cycle of January of 2009.

B. **REVISED RATES**

The initial SDR Rates will be redetermined based on the combined findings of 1) EAI's year-end update of actual storm costs for the last three months of 2008, 2) the APSC Staff's audit of 2008 storm costs, and 3) EAI's 2008 earnings analysis. A final order will be issued by the APSC no later than August 15, 2009 identifying any changes that need to be made to the initial SDR Rates. EAI will file for approval of a revised surcharge, designed to complete collection of the remaining uncollected balance of Excess Storm Costs over the final four months of 2009 using the projected energy sales (kWh) for that four-month period. Should the Commission's final order result in an over-collection of Excess Storm Cost, the redetermined SDR Rates shall be credit amounts over the final three months of 2009. The Commission will approve the revised surcharge in sufficient time to implement the revised surcharge by the first billing cycle of September 2009, but no later than August 26, 2009.

50.4 APSC AUDIT OF DEFERRED STORM DAMAGE COSTS

The APSC General Staff ("Staff") will conduct an audit of EAI's 2008 actual total storm damage restoration expenses and Excess Storm Costs to determine the amount of storm damage restoration expenses eligible for recovery. EAI will make its best efforts to submit costs subject to audit to eliminate all capital costs and to ensure that costs requested for recovery are consistent with the types of costs described in the Direct Testimony of Alice D. Wright and adopted by the Commission in Order No. 4 filed in Docket No. 08-149-U.

EAI shall comply with the storm cost audit filing requirements contained in Attachment E. EAI will submit storm cost filing information requested by the APSC Staff for audit purposes no later than February 15, 2009, except for invoices related to any major December weather events that could require additional time to process. These documents can be requested and submitted in phases in order to expedite the audit process. The Staff shall endeavor to complete its review of the storm damage restoration expenses by June 30, 2009. EAI, Staff, and Intervenors shall attempt to reach a resolution on any disputed issues by July 15, 2009. The audit dispute resolution procedure will follow the procedural schedule discussed below in § 50.6.

ARKANSAS PUBLIC SERVICE COMMISSION

Original	Sheet No. 50.3	Schedule Sheet 3 of 13 Including Attachments
Replacing:	Sheet No.	

Name of Company

Kind of Service: Electric   Class of Service: All

Docket No.: 08-149-U
Order No.:
Effective:

Part III. Rate Schedule No. 50

Title: Storm Damage Rider (SDR)

PSC File Mark Only

50.5 EARNINGS ANALYSIS OF TEST YEAR 2008 (NR)

On or before April 1, 2009, EAI shall file an earnings analysis for test year 2008 in accordance with Attachments B through D of this Rider. The Staff and any intervenors will have until June 30, 2009 to complete their review of the filing and notify EAI of any necessary corrections to the filing. The parties will attempt to reach resolution on disputed issues by July 15, 2009. Excess earnings, up to the amount of approved Excess Storm Costs, identified by the earnings test shall be used to reduce the remaining Excess Storm Costs balance. If the earnings test reveals no excess earnings, the SDR Rates will not be adjusted as a result of the 2008 earnings analysis.

50.6 FINAL APPROVAL PROCEDURES

If resolution of all issues in both the earnings analysis and the audit is not reached by July 15, 2009, EAI, Staff, and Intervenors shall file initial testimony by July 31, 2009 concerning the amounts that remain in dispute. The disputed issues arising out of the audit and earnings analysis are to be resolved by the Commission. A Commission order addressing the earnings review results and the final amount of Excess Storm Costs shall be entered no later than August 15, 2009.

Following the Commission's order, EAI shall adjust the Excess Storm Costs accordingly and file for approval of a revised SDR Rate as described in § 50.3.B.

50.7 TERM

The SDR Rate for individual rate classes shall become effective with the first billing cycle of January of 2009 and shall remain in effect until all deferred O&M storm costs have been billed to that rate class.

THIS SPACE FOR PSC USE ONLY

ATTACHMENT A

(NR)

RIDER SDR RATES

The Net Monthly Rates set forth in EAI's schedules identified below will be adjusted by the following Rate Adjustment amounts:

Rate Class	Rate Schedules	Rate Adjustment
Residential	RS, RT	$0.00150 per kWh
Small General Service	SGS,GFS, L2, MP, AP, CGS CTV, SMWHR	$0.00131 per kWh
Large General Service	LGS, LPS, GST PST, SSR	$0.00045 per kWh
Lighting	L1, L1SH, L4	$0.00086 per kWh

Note: Refer to workpapers for functional allocation of costs by each rate class.

ENTERGY ARKANSAS, INC.
EARNINGS ANALYSIS
FOR YEAR ENDING DECEMBER 31, 2008
($000'S OMITTED)

LINE NO	DESCRIPTION	ARKANSAS RETAIL	SOURCE
1	RATE BASE		Page 2, Line 24
2	RATE OF RETURN ON RATE BASE	5.58%	See Note A
3	REQUIRED OPERATING INCOME		Line 1 * Line 2
4	NET UTILITY OPERATING INCOME		Page 3, Line 30
5	OPERATING INCOME DEFICIENCY/(EXCESS)		Line 3 minus Line 4
6	REVENUE CONVERSION FACTOR	1.60785	See Note B
7	REVENUE DEFICIENCY/(EXCESS)		Line 5 * Line 6
8	JURISDICTIONAL SPECIFIC REV REQUIREMENT		See Note C
9	TOTAL REVENUE DEFICIENCY/(EXCESS)		Line 7 plus Line 8

NOTES:
(A) RATE OF RETURN ON RATE BASE IS THE RETURN FROM DOCKET NO. 06-101-U
(B) REVENUE CONVERSION FACTOR IS THE REVENUE CONVERSION FACTOR FROM DOCKET NO. 06-101-U
(C) REVENUE REQUIREMENT FOR JURISDICTIONAL SPECIFIC ITEMS NOT INCLUDED IN BASE RATES (i.e., OUACHITA PLANT ACQUISITION REVENUE REQUIREMENT AS CALCULATED IN RIDER CA).

Docket No.: 08-149-U
Order No.:
Effective:

Attachment B
Rate Schedule No. 50
Page 2 of 4: Schedule Sheet 6 of 13

ENTERGY ARKANSAS, INC.
RATE BASE
FOR YEAR ENDING DECEMBER 31, 2008
($000'S OMITTED)

LINE NO	DESCRIPTION	PER BOOKS	ADJUST-MENTS(A)	ADJUSTED AMOUNT	ALLOCATION FACTOR (B)	AR RETAIL	SOURCE FOR PER BOOKS DATA
	NET UTILITY PLANT						
1	GROSS PLANT IN SERVICE						
2	PRODUCTION						Accts. 310 - 347 (See Note C)
3	TRANSMISSION						Accts. 350 - 359 (See Note C)
4	DISTRIBUTION						Accts. 360 - 374 (See Note C)
5	GENERAL PLANT						Accts. 389 - 399 (See Note C)
6	INTANGIBLE PLANT						Accts. 301 - 303 (See Note C)
7	TOT GROSS PLANT IN SERVICE						Sum of Lines 2 - 6 (See Note D)
8	ACCUMULATED DEPRECIATION						
9	PRODUCTION						Accts. 310 - 347 (See Note C)
10	TRANSMISSION						Accts. 350 - 359 (See Note C)
11	DISTRIBUTION						Accts. 360 - 374 (See Note C)
12	GENERAL PLANT						Accts. 389 - 399 (See Note C)
13	INTANGIBLE PLANT						Accts. 301 - 303 (See Note C)
14	TOTAL ACCUM DEPRECIATION						Sum of Lines 9 - 13
15	NET UTILITY PLANT						Line 7 + Line 14
16	WORKING CAPITAL ASSETS						
17	FUEL INVENTORY						Accts 120, 151 & 152 (See Note E)
18	MATERIALS & SUPPLIES						Accts 154 & 163 (See Note E)
19	PREPAYMENTS						Acct 165 (See Note E)
20	INVESTMENT IN SFI						N/A (See Note E)
21	WORKING CASH						N/A (See Note E)
22	TOT WORKING CAPITAL ASSETS						Sum of Lines 17 - 21
23	OTHER (F)						
24	RATE BASE						Sum of Lines 15, 22, and 23

NOTES:

(A) ADJUSTMENTS DEFINED IN ATTACHMENT C

(B) RETAIL ALLOCATION FACTORS FROM DOCKET NO. 06-101-U

(C) AVERAGE USING BEGINNING AND ENDING YEAR BALANCES

(D) INCLUDES ACCOUNTS 101, 102, AND 106 EXCEPT FOR ACCOUNT 101.1

(E) 13 MONTH AVERAGE BALANCES. SUPPORT FOR WORKING CAPITAL ASSETS SHALL BE PROVIDED IN THE SAME FORMAT AND LEVEL OF DETAIL REQUIRED BY MINIMUM FILING REQUIREMENT SCHEDULES B-4 AND B-5.

(F) INCLUDED PURSUANT TO SECTION 6 OF ATTACHMENT C

ENTERGY ARKANSAS, INC.
OPERATING INCOME STATEMENT
FOR YEAR ENDING DECEMBER 31, 2008
($000'S OMITTED)

LINE NO	DESCRIPTION	PER BOOKS	ADJUST-MENTS(A)	ADJUSTED AMOUNT	DIRECT ASSIGNMENT AND/ OR ALLOCATION FACTOR (B)	AR RETAIL	SOURCE FOR PER BOOKS DATA
	REVENUES						
	RATE SCHEDULE REVENUES						
1	RETAIL SALES						Accts. 440, 442.1, 442.2, 444, 445
2	WHOLESALE SALES						Acct. 447 excl 447.001, 447.002, 447.005, 447.115, & 447.116
3	TOTAL RATE SCHEDULE REVENUES						Sum of Lines 1 - 2
	SYSTEM SALES						
4	ENTERGY POWER POOL SALES						Accts. 447.001, 447.116
5	SYSTEM SALES TO OTHERS						Acct. 447.002
6	IMPUTED TRANS REVENUES						Acct. 447.005
7	RESOURCE PLAN REVENUE						Acct. 447.115
8	TOTAL SYSTEM SALES						Sum of Lines 4 - 7
9	OTHER OPERATING REVENUES						Accts 450, 451, 454, 456, 459
10	TOTAL OPERATING REVENUES						Sum of Lines 3, 8, and 9
	EXPENSES						
	OPERATION & MAINTENANCE						
11	PRODUCTION						Accts. 500 - 557
12	TRANSMISSION						Accts. 560 - 573
13	DISTRIBUTION						Accts. 580 - 598
14	CUSTOMER ACCOUNTS						Accts. 901 - 905
15	CUSTOMER SERVICE & INFO						Accts. 906 - 910
16	SALES						Accts. 911 - 917
17	ADMINISTRATIVE & GENERAL						Accts. 920 - 935
18	TOTAL O&M EXPENSE						Sum of Lines 11 - 17
19	GAIN FROM DISP OF ALLOWANCES						Acct. 411.8
20	REGULATORY DEBITS/ CREDITS						Acct. 407
21	DEPR, AMORT, DECOM & ACCR EXP						Acct 403, 404, 411.1
22	TAXES OTHER THAN INCOME						Acct. 408
23	STATE INCOME TAX						Page 4, Line 15
24	FEDERAL INCOME TAX						Page 4, Line 23
25	PROV DEF INC TAX - STATE - NET						Accts. 410.1, 411.1
26	PROV DEF INC TAX - FED - NET						Accts. 410.1, 411.1
27	INVESTMENT TAX CREDIT - NET						Acct. 411.4
28	OTHER						See Note C
29	TOT UTILITY OPERATING EXP						Sum of Lines 18 – 28
30	NET UTILITY OPERATING INCOME						Line 10 minus Line 29

NOTES:
(A) ADJUSTMENTS DEFINED IN ATTACHMENT C
(B) RETAIL ALLOCATION FACTORS FROM DOCKET NO. 06-101-U
(C) INCLUDED PURSUANT TO SECTION 6 OF ATTACHMENT C

ENTERGY ARKANSAS, INC.
INCOME TAX CALCULATION
FOR YEAR ENDING DECEMBER 31, 2008
($000'S OMITTED)

LINE NO	DESCRIPTION	PER BOOKS	ADJUST-MENTS(A)	ADJUSTED AMOUNT	DIRECT ASSIGNMENT AND/ OR ALLOCATION FACTOR (B)	AR RETAIL	SOURCE FOR PER BOOKS DATA
1	TOTAL OPERATING REVENUES						Page 3, Line 10
2	TOTAL O&M EXPENSE						Page 3, Line 18
3	GAIN FROM DISP OF ALLOWANCES						Page 3, Line 19
4	REGULATORY DEBITS AND CREDITS						Page 3, Line 20
5	DEPREC, AMORT, DECOM & ACCR EXP						Page 3, Line 21
6	TAXES OTHER THAN INCOME						Page 3, Line 22
7	NET INCOME BEFORE INCOME TAXES						Line 1 minus sum of Lines 2 - 6
8	ADJUST TO NET INC BEFORE TAX						Tax Department
9	TAXABLE INCOME						Line 7 + Line 8
	COMPUTATION OF STATE INC TAX						
10	STATE TAXABLE INCOME						Line 9
11	STATE ADJUSTMENTS TO NET INCOME						Tax Department
12	TOTAL STATE TAXABLE INCOME						Sum of Lines 10 – 11
13	STATE INCOME TAX BEFORE ADJUST						Line 12 * Eff State Tax Rate (Note C)
14	ADJUSTMENTS TO STATE TAX						Tax Department
15	STATE INCOME TAX						Line 13 + Line 14
	COMPUTATION OF FED INC TAX						
16	TAXABLE INCOME						Line 9
17	STATE INCOME TAX						Line 15 (shown as deduction)
18	MANUFACTURING DEDUCTION						See Note D
19	FEDERAL ADJUSTMENTS						Tax Department
20	TOTAL FEDERAL TAXABLE INCOME						Sum of Lines 16 - 19
21	FEDERAL INC TAX BEFORE ADJUST						Line 20 * Federal Tax Rate (Note C)
22	ADJUSTMENTS TO FEDERAL TAX						Tax Department
23	FEDERAL INCOME TAX						Line 21 + Line 22

NOTES:

(A) Adjustments defined in Attachment C

(B) Retail Allocation Factors from Docket No.06 -101-U

(C) The tax rate in effect during the Earnings Analysis Period shall be utilized.

(D) Defined in Attachment C, Section 3.E

(E) The following information should be included in Annual filing workpapers:
(1) A complete "separate return" basis calculation of current federal and state income taxes for the Earnings Analysis period, starting with book recorded net income and showing all book-tax timing differences (both temporary and permanent differences), taxable income, income tax, and all credits.
(2) A complete calculation of all state and federal deferred income tax expense for the Earnings Analysis period showing all book-tax timing differences (both temporary and permanent differences) necessary to reconcile book net income and taxable income for the Earnings Analysis period. Provide an explanation for each such temporary and permanent difference. Specifically identify and explain in detail all new differences which have arisen for the first time in the Earnings Analysis period. Identify which differences have been used in the calculation of deferred income tax expense for the Earnings Analysis period. For each book-tax difference that was <u>not</u> used in the calculation of deferred income tax expense for Earnings Analysis period revenue requirement determination purposes (i.e., for ratemaking purposes), explain why that book-tax difference was not included in that calculation.

ENTERGY ARKANSAS, INC.
EARNINGS ANALYSIS ADJUSTMENTS

Actual (per book) data for each Earnings Analysis Period, as reflected in Attachment B, shall be adjusted to reflect various ratemaking adjustments. These adjustments are to be prepared in a manner consistent with those in the Docket No. 06-101-U[1] compliance cost-of-service study. Due to the annual nature of the Earnings Analysis, forward-looking adjustments shall not be made. Similarly, adjustments for weather and customer growth shall not be made. The adjustments to be made are more specifically set out below:

1. **Special Riders**
   a. **Exact Recovery Riders**
   The rate base, revenue and expense effects associated with exact recovery riders that Entergy Arkansas, Inc. may have in effect during the Earnings Analysis Period shall be eliminated. Exact recovery riders include riders such as Grand Gulf (Rider GGR), ANO Nuclear Decommissioning Cost (Rider NDCR), Energy Cost Recovery Rider (Rider ECR), Energy Efficiency Cost Recovery Rider (EECR), and any other exact recovery riders that are approved by the Commission.

   b. **Arkansas Jurisdictional Specific Revenue Requirement**
   The rate base and expense effects associated with Arkansas Jurisdictional Specific Revenue Requirement (i.e., the revenue requirement associated with EAI's Rider CA) shall be separately identified and reported on Attachment B, page 1, line 8. The rate revenues associated with the Arkansas Jurisdictional Specific Revenue Requirement shall be reported on Attachment B, page 3, line 1.

2. **Interest Synchronization**

   All Earnings Analysis Period interest expenses are to be eliminated and replaced with an imputed interest expense amount equal to the Earnings Analysis Period rate base multiplied by the weighted cost of debt rate from Docket No. 06-101-U.

3. **Income Taxes**

   All state and federal income tax effects including 1) adjustments to taxable income, 2) adjustments to current taxes, 3) provisions for deferred income tax (debit and credit), and 4) accumulated provision for deferred income tax (debit and credit) shall be adjusted or eliminated, as appropriate, to comport with the following principles:

   A) Effects associated with other adjustments set out in this Attachment C shall similarly and consistently be adjusted.

   B) All effects associated with the difference in the timing of transactions, where the underlying timing difference is eliminated, shall also be eliminated.

[1] All references to Docket No. 06-101-U included herein shall be subject to any subsequent final ruling of the Arkansas Court of Appeals or any other court of competent jurisdiction.

C) The corporate state and federal income tax laws legally in effect during the Earnings Analysis Period shall be reflected in the calculation of all income tax amounts.

D) Items normally treated on a "flow-through" basis shall be similarly treated in each Earnings Analysis in accordance with prior Commission directives. Conversely, items that are normally reflected on a "normalized" basis shall be similarly treated in each Earnings Analysis.

E) Manufacturing Deduction is a deduction to income attributable to domestic production activities created by the American Jobs Creation Act of 2004 as discussed in Section 199, Income Attributable to Domestic Production, of the Internal Revenue Code. It allows up to a 9% deduction of taxable income or income from qualifying production activities. The deduction is phased in through 2010 and is 6% for 2007 through 2009 and will be 9% for 2010 and after.

4. Ratemaking Adjustments

A. Items not allowable for ratemaking purposes in Docket No. 06-101-U shall be removed from the Earnings Analysis Period data by appropriate adjustments.

B. Items that were allowed in Docket No. 06-101-U, but recorded below the utility operating income line, shall be included in the Earnings Analysis Period cost data through appropriate reclassification adjustments.

C. Revenue and costs effects that were imputed in Docket No. 06-101-U shall be similarly imputed for each Earnings Analysis through appropriate adjustments.

D. All other ratemaking adjustments adopted by the Commission in its final order in Docket No. 06-101-U and not addressed in 4.A-C above shall be made, except weather and growth adjustments shall not be included.

5. Out-of-Period Items

Expenses and revenues recorded in any Earnings Analysis Period that are related to transactions occurring prior to the initial Earnings Analysis Period (January 1, 2008) shall be eliminated by adjustment from the Earnings Analysis Period cost data. This shall include any associated tax adjustments.

6. Other

Nothing in the Storm Damage Rider or Earnings Analysis shall preclude the Company or the Staff from proposing additional adjustment(s) beyond those described in Adjustments 1-5. However, if such adjustments are proposed, they shall be consistent with the general philosophy and structure of this Earnings Analysis.

EARNINGS ANALYSIS PERIOD FINANCIAL AND STATISTICAL FILING REQUIREMENTS

The financial and statistical data set out below shall be provided for the Earnings Analysis Period:

A. Historical Accounting Data

1. Identify and explain any significant changes in policies during the Earnings Analysis Period.

2. Provide 13 months of trial balances including the beginning Earnings Analysis Period and each month in the Earnings Analysis Period for all general ledger sub-accounts (101.xxx – 935.xxx). If not already submitted FERC Form 1 for 2008 should be submitted. The general ledger subaccounts should be subtotaled by FERC account and the beginning of the year and end of the year amounts should be reconciled to FERC Form 1.

3. Provide a Microsoft Access database of all general ledger accounting activity for each month in the Earnings Analysis Period.

4. Provide an Accounts Payable ledger for the Earnings Analysis Period sorted by vendor name, FERC expense account(s), and sub-account (if applicable).

5. Provide balances for the "300" series plant accounts for the beginning of the Earnings Analysis Period and each month in the Earnings Analysis Period and, in additional columns, the accumulated depreciation balances by each "300" series plant account for the beginning of the Earnings Analysis Period and each month in the Earnings Analysis Period. Reconcile to the utility plant accounts.

6. Provide O&M expense totals for the Earnings Analysis Period by activity code, resource code, account, project code (if applicable), and bill resource code (if applicable).

B. Trend Analysis

1. Present a five-year trend analysis calculating the average balance by FERC Account for expenses for the five-year period ending with the Earnings Analysis Period. Identify and explain all significant changes in accounting procedures during the Earnings Analysis Period. For any accounting reclassifications identified in the accounting changes, align and reconcile accounts that reflect accounting changes in order to consistently track the accounting change through the five-year trend.

2. Identify and explain changes between the Earnings Analysis Period costs and the five-year average by FERC Account for all variances greater than 30% and $500,000, excluding Fuel and Purchased Power costs that are recovered through separate recovery riders. Provide separate variance explanations for affiliate charges and EAI direct costs. The explanation must include the specific underlying reason for the variance. Simply noting a change in charges is an insufficient explanation. For the variances for which an explanation is provided, present a five-year trend analysis calculating the average balance by FERC Account for expenses, excluding payroll and benefits expenses, for the five-year period ending with the Earnings Analysis Period.

C. Affiliate Charges

1. Provide an analysis by EAI expense account (separate line for each account) showing separate columns for:

(a) Amounts billed, segregated between direct and allocated, from each affiliated company with a separate column for each affiliate.
(b) Amounts directly incurred by EAI for its own operations.
(c) All other amounts in the account not corresponding to (a) or (b). Provide an explanation of all items in this "all other amounts" column that are for anything other than rounding differences.
(d) The sum of columns (a) through (c) which would equal the account's general ledger balance at the end of the Earnings Analysis Period.

2. Provide a list of all direct project charges from the affiliated service company to EAI that exceeded $700,000 during the Earnings Analysis Period. List by project code, project description, the affiliated service company's billing method, and amount.

3. Provide a list of all allocated project charges from the affiliated service company to EAI that exceeded $700,000 during the Earnings Analysis Period. List by project code, project description, the affiliated service company's billing method, and amount.

D. Out-of-Period Items

1. Provide a description of the item and dollar amount, directly or indirectly charged or credited by or to EAI, by account, activity, and/or project of any transaction greater than $500,000, prior period adjustment including refunds, event, program, or initiative charged to the general ledger for the Earnings Analysis Period that was not usual or is not expected to recur. In addition, provide the costs or savings on any significant transaction, event, program or initiative which occurred in the Earnings Analysis Period that did not occur or was not significant or fully implemented in the prior year. Include the description and financial impact or accounting amount of changes in taxation rates or status, restructuring, downsizing, outsourcing, mergers, consolidations, etc.

2008 STORM COST AUDIT
FILING REQUIREMENTS

1. Provide 2008 Storm expense totals for each month by account, activity code, and resource code. Any affiliate charges should be identified separately. Payroll information, including salaried and non-salaried base pay, overtime and related taxes and benefits should be clearly identified—if not, those amounts should be reported separately—broken out by company (eg: EAI and ESI).

2. Provide the amount of incremental 2008 Storm expense for each month by account, activity code, and resource code. Separately identify any base pay, overtime at the percentage included in base rates, routine vegetation management, capitalized amounts and other cost items, identified in the testimony of Alice D. Wright and adopted by the Commission in Order No. 4 filed in Docket No. 08-149-U.

3. The detailed amounts in paragraph 2 above should be totaled and then show the reduction for the amount currently included in base rates to arrive at the total recovery requested. EAI will make its best efforts to review the costs subject to audit to eliminate all capital costs and to ensure that the costs requested are consistent with the types of costs described in the Direct Testimony of Alice D. Wright and adopted by the Commission in Order No. 4 filed in Docket No. 08-149-U.

4. Provide a Microsoft Excel spreadsheet of all general ledger accounting activity for each month for the information requested in item 2.

5. Provide 2008 Storm amounts that were capitalized by FERC plant account (300 series).

6. Provide all 2008 expenditures for vegetation management by account, activity code, and resource code, identifying vendor amounts and salary and non-salaried payroll and overtime amounts by company if applicable. Amounts should be classified as storm-related or routine vegetation management.

7. Provide all 2008 revenues received or reductions in EAI expense due to providing mutual assistance to affiliates or other companies.

TABLE OF CONTENTS

ARKANSAS PUBLIC SERVICE COMMISSION

6th Revised Sheet No. 17.1 Schedule Sheet 1 of 2

Replacing: 5th 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.:
Order No.:
Effective:

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 Grou| 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)
50. Storm Damage Rider (SDR) (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)

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE PETITION OF	)	
ENTERGY ARKANSAS, INC. FOR AN	)	DOCKET NO. 08-149-U
ACCOUNTING ORDER AUTHORIZING	)	
ASSET AND STORM DAMAGE RIDER	)	

COMPLIANCE TESTIMONY
REGARDING EAI'S DECEMBER 23, 2008 FILING OF REVISED TARIFFS

OF

TOM D. STEVENS
RATE ANALYST
COST ALLOCATION AND RATE DESIGN

ON BEHALF OF THE STAFF OF THE
ARKANSAS PUBLIC SERVICE COMMISSION

DECEMBER 23, 2008

Q. Will you please state your name and business address?

A. My name is Tom D. Stevens. My business address is P.O. Box 400, Little Rock, Arkansas 72203-0400.

Q. What is your present position with the Arkansas Public Service Commission Staff?

A. I am currently employed by the Arkansas Public Service Commission (APSC or Commission) General Staff (Staff) as a Rate Analyst in the Cost Allocation and Rate Design Section.

Q. Please state your qualifications and background.

A. My educational qualifications include a Bachelor of Science in Business Administration with a concentration in Economics and Finance from Southwest Baptist University and a Master of Business Administration from Southern Methodist University. Since joining the Staff in July 2008, I have received specialized training by attending the Electric Industry Regulation Course at the Center for Public Utilities at New Mexico State University. Prior to joining the Staff I served as an instructor of economics and finance at Southwest Baptist University in Missouri and LCC International University in Lithuania. My course load included microeconomics, macroeconomics, intermediate microeconomics, business finance, financial accounting, money and banking, game theory, risk management, and strategic management.

Q. Have you previously filed testimony before this Commission?

A. Yes, I have previously filed testimony before this Commission regarding rate related matters.

Q. What is the purpose of your Compliance Testimony in this docket?

A. The purpose of my Compliance Testimony is to address the revised Storm Damage Rider (Rider SDR) filed by Entergy Arkansas, Inc. (EAI) on December 23, 2008 to comply with the Commission's Order No. 4, issued on December 19, 2008 in Docket No. 08-149-U.

Q. Please describe EAI's December 23, 2008, filing.

A. On December 23, 2008, EAI filed revisions to the Rider SDR and Rider Attachments A through E, which reflect the Rider SDR Rates and Rate Calculation for the Initial Rider SDR, to comply with the requirements of Commission Order No. 4. EAI has requested that the Commission issue an order approving the revised Rider SDR and the Rider SDR Rates in Attachment A by December 26, 2008 so that the Rider and rates can become effective for bills rendered on and after the first billing cycle of January 2009. Additionally, EAI requested the Commission approve associated revisions to the Table of Contents, Sheet No. TC-5 and the Table of Riders Applicable to Rate Schedules, Sheet No. 17.1, to reflect the addition of Rider SDR.

Q. Are the tariffs filed on December 23, 2008, in compliance with the Commission's Order No. 4 in regards to EAI's Rider SDR?

A. Yes, the tariffs are consistent with the requirements of Commission Order No. 4. Specifically, Commission Order No. 4 requires that the amount of excess storm expense to be deferred and recovered through Rider SDR be calculated consistent with AG Witness Marcus' standard deviation recommendation set forth in his Direct

Testimony. This requirement reduces EAI's requested recovery by $4.002 million, resulting in deferral and recovery of $22.293 million as opposed to $26.295 million. EAI's revised Rider SDR Rates in Attachment A are calculated using AG Witness Marcus' recommended $22.293 million and therefore comply with Commission Order No. 4. Additionally, EAI's revised Rider SDR incorporates the modified deadlines for the completion of Staff's and Intervenors' review of the storm costs and the earnings review specified in Order No. 4. Based on the Commission's directive in Order No. 4, EAI also modified Rider SDR Schedule E to ensure EAI's good faith efforts to eliminate all capital costs, non-incremental expenses that otherwise would have been incurred, and standard disallowance items which should not be included in the determination of the amount of incremental storm expenses. The other Rider SDR modifications required by Order No. 4, including the handling of weather-related insurance proceeds, the removal of provisions which provide for the application of carrying charges, and the booking of incremental storm expenses in Federal Energy Regulatory Commission (FERC) account 186 as opposed to 182.3, are all properly incorporated into EAI's revised Rider SDR.

Q. Are the tariffs filed on December 23, 2008, in compliance with the modifications to the Regulatory Earnings Review Tariff (RERT) procedures required by the Commission's Order No. 4?

A. Yes, EAI's revised tariffs include the modifications required by Commission Order No. 4 concerning the RERT procedures. Specifically, EAI modified the RERT procedures for this docket to reflect the rate of return on base rate of 5.85% and the accounting adjustments and other factors consistent with and approved by the Commission in Docket No. 06-101-U. Additionally, EAI revised the RERT procedures in compliance with Order No. 4 to reflect the use of average rate base rather than year-end rate base and to reflect the development of Arkansas jurisdictional revenue requirement based on functional cost allocation factors. Finally, EAI's RERT revisions incorporate both the addition of adjustments for jurisdictional specific revenue requirements not in base rates and the addition of specific filing requirements.

Q. What are your recommendations regarding EAI's December 23, 2008 filing?

A. Based upon my review, EAI's December 23, 2008 Rider SDR filing complies with Commission Order No. 4. Therefore, I recommend that the revised tariffs filed on December 23, 2008, including the revised Rider SDR and the Rider SDR Rates in Attachment A as well as the associated revisions to Sheet No. TC-5 and Sheet No. 17.1 to reflect the addition of Rider SDR, be approved.

Q. Does this conclude your Direct Testimony?

A. Yes, it does.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served on all parties of record by forwarding the same by fax, hand-delivery, or first class mail, postage prepaid, this 23rd day of December, 2008.

Paul J Ward

Paul Ward

ARK P.S.C. ...
Dec 29 3 33 PM '08

ARKANSAS PUBLIC SERVICE COMMISSION

FILED

IN THE MATTER OF THE PETITION OF)
ENTERGY ARKANSAS, INC. FOR AN)
ACCOUNTING ORDER AUTHORIZING)
ASSET AND STORM DAMAGE RIDER)

DOCKET NO. 08-149-U
ORDER NO. 5

<u>ORDER</u>

Order No. 4 of this Docket, issued on December 19, 2008, granted Entergy Arkansas, Inc.'s ("EAI") *Petition for an Accounting Order Authorizing a Regulatory Asset and Storm Damage Rider* ("Petition") subject to certain conditions prescribed by Order 4. On December 23, 2008, EAI filed compliance tariffs in response to Order No. 4. EAI requests that the Commission approve the compliance tariffs no later than December 29, 2008, so that the revised Rider SDR rates can become effective for customer bills rendered on and after the first billing cycle of January 2009.

On December 23, 2008, the General Staff of the Commission ("Staff") filed the *Compliance Testimony* of Staff Witness Tom D. Stevens in response to EAI's December 23, 2008, compliance tariffs. Witness Stevens testifies that the compliance tariffs are consistent with Order No. 4 and the standard deviation adjustment ordered by the Commission as well as all of the additional terms and conditions of Order No. 4. Therefore, Witness Stevens recommends that the Commission approve the revised tariffs filed by EAI on December 23, 2008, including the revised Rider SDR and the revised Rider SDR Rates in Attachment A as well as the associated revisions to Tariff Sheet No. TC-5 and Sheet No. 17.1 to reflect the addition of Rider SDR.

3

3

Accordingly, based upon the *Compliance Testimony* of Staff Witness Stevens, the Commission hereby approves the revised tariffs filed by EAI on December 23, 2008, including the revised Rider SDR and the revised Rider SDR Rates in Attachment A as well as the associated revisions to Tariff Sheet No. TC-5 and Sheet No. 17.1 to reflect the addition of Rider SDR. Revised Rider SDR and the revised Rider SDR rates shall be effective for all customer bills rendered on and after the first billing cycle of January 2009.

By Order of the Commission.

This 29th day of December, 2008.

Paul Suskie, Chairman

Daryl E. Bassett, Commissioner

Colette D. Honorable, Commissioner

Jan Sanders (acting)
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 12-29-08 JS

50.0 STORM DAMAGE RIDER

(NR)

50.1 PURPOSE

The Storm Damage Rider, ("Rider SDR"), defines the procedure to recover from EAI's retail customers, the retail allocation of the incremental operation and maintenance ("O&M") storm damage restoration expenses attributable to weather-related events that occurred during calendar year 2008 and approved by the Arkansas Public Service Commission ("APSC" or the "Commission") per Order No. 4 in Docket No. 08-149-U ("Excess Storm Costs"). Such amount may be adjusted after audit and earnings review as discussed in § 50.4 and § 50.5 below.

50.2 APPLICATION

Rider SDR is applicable to all electric service billed under EAI's rate schedules whether metered or unmetered, and subject to the jurisdiction of the Commission. Rider SDR costs will be accumulated by function and then allocated based on the functional revenue requirement derived from EAI's compliance cost of service filed in Docket No. 06-101-U.

50.3 STORM DAMAGE RIDER RATES

Rider SDR will consist of cents per kWh rate adjustments applied monthly to each account by rate class ("SDR Rates"). The amount of Excess Storm Costs will be accumulated by function and allocated based on the method described above in § 50.2. SDR Rates will be calculated for each rate class by using the projected energy sales (kWh) for the 12 month period of January 2009 through December 2009. The SDR Rates will remain in effect until all Excess Storm Costs are collected. EAI shall monitor the amounts collected pursuant to this Rider to ensure that the total revenue collected from ratepayers does not exceed the total sum of actual approved Excess Storm Costs. If the approved Excess Storm Cost amount for any rate class is recovered prior to the end of the recovery period, EAI shall cease collection from such class. Any over recovery at the end of the recovery period shall be refunded through Rate Schedule No. 38, Energy Cost Recovery Rider, as a credit to overall fuel expense.

A. **INITIAL RATES** (NR)

The SDR Rates will initially be determined based on the Excess Storm Costs as of September 30, 2008. The Excess Storm Costs will be allocated by function to determine the amount to be recovered from each rate class. The projected energy sales (kWh) for the 12-month period of January 2009 through December 2009 will be used to calculate the SDR Rates for each rate class. The initial SDR Rates will be implemented with the first billing cycle of January of 2009.

B. **REVISED RATES**

The initial SDR Rates will be redetermined based on the combined findings of 1) EAI's year-end update of actual storm costs for the last three months of 2008, 2) the APSC Staff's audit of 2008 storm costs, and 3) EAI's 2008 earnings analysis. A final order will be issued by the APSC no later than August 15, 2009 identifying any changes that need to be made to the initial SDR Rates. EAI will file for approval of a revised surcharge, designed to complete collection of the remaining uncollected balance of Excess Storm Costs over the final four months of 2009 using the projected energy sales (kWh) for that four-month period. Should the Commission's final order result in an over-collection of Excess Storm Cost, the redetermined SDR Rates shall be credit amounts over the final three months of 2009. The Commission will approve the revised surcharge in sufficient time to implement the revised surcharge by the first billing cycle of September 2009, but no later than August 26, 2009.

50.4 APSC AUDIT OF DEFERRED STORM DAMAGE COSTS

The APSC General Staff ("Staff") will conduct an audit of EAI's 2008 actual total storm damage restoration expenses and Excess Storm Costs to determine the amount of storm damage restoration expenses eligible for recovery. EAI will make its best efforts to submit costs subject to audit to eliminate all capital costs and to ensure that costs requested for recovery are consistent with the types of costs described in the Direct Testimony of Alice D. Wright and adopted by the Commission in Order No. 4 filed in Docket No. 08-149-U.

EAI shall comply with the storm cost audit filing requirements contained in Attachment E. EAI will submit storm cost filing information requested by the APSC Staff for audit purposes no later than February 15, 2009, except for invoices related to any major December weather events that could require additional time to process. These documents can be requested and submitted in phases in order to expedite the audit process. The Staff shall endeavor to complete its review of the storm damage restoration expenses by June 30, 2009. EAI, Staff, and Intervenors shall attempt to reach a resolution on any disputed issues by July 15, 2009. The audit dispute resolution procedure will follow the procedural schedule discussed below in § 50.6.

50.5 EARNINGS ANALYSIS OF TEST YEAR 2008 (NR)

On or before April 1, 2009, EAI shall file an earnings analysis for test year 2008 in accordance with Attachments B through D of this Rider. The Staff and any intervenors will have until June 30, 2009 to complete their review of the filing and notify EAI of any necessary corrections to the filing. The parties will attempt to reach resolution on disputed issues by July 15, 2009. Excess earnings, up to the amount of approved Excess Storm Costs, identified by the earnings test shall be used to reduce the remaining Excess Storm Costs balance. If the earnings test reveals no excess earnings, the SDR Rates will not be adjusted as a result of the 2008 earnings analysis.

50.6 FINAL APPROVAL PROCEDURES

If resolution of all issues in both the earnings analysis and the audit is not reached by July 15, 2009, EAI, Staff, and Intervenors shall file initial testimony by July 31, 2009 concerning the amounts that remain in dispute. The disputed issues arising out of the audit and earnings analysis are to be resolved by the Commission. A Commission order addressing the earnings review results and the final amount of Excess Storm Costs shall be entered no later than August 15, 2009.

Following the Commission's order, EAI shall adjust the Excess Storm Costs accordingly and file for approval of a revised SDR Rate as described in § 50.3.B.

50.7 TERM

The SDR Rate for individual rate classes shall become effective with the first billing cycle of January of 2009 and shall remain in effect until all deferred O&M storm costs have been billed to that rate class.

(NR)

ATTACHMENT A

RIDER SDR RATES

The Net Monthly Rates set forth in EAI's schedules identified below will be adjusted by the following Rate Adjustment amounts:

Rate Class	**Rate Schedules**	**Rate Adjustment**
Residential	RS, RT	$0.00150 per kWh
Small General Service	SGS,GFS, L2, MP, AP, CGS CTV, SMWHR	$0.00131 per kWh
Large General Service	LGS, LPS, GST PST, SSR	$0.00045 per kWh
Lighting	L1, L1SH, L4	$0.00086 per kWh

Note: Refer to workpapers for functional allocation of costs by each rate class.

ENTERGY ARKANSAS, INC.
EARNINGS ANALYSIS
FOR YEAR ENDING DECEMBER 31, 2008
($000'S OMITTED)

LINE NO	DESCRIPTION	ARKANSAS RETAIL	SOURCE
1	RATE BASE		Page 2, Line 24
2	RATE OF RETURN ON RATE BASE	5.58%	See Note A
3	REQUIRED OPERATING INCOME		Line 1 * Line 2
4	NET UTILITY OPERATING INCOME		Page 3, Line 30
5	OPERATING INCOME DEFICIENCY/(EXCESS)		Line 3 minus Line 4
6	REVENUE CONVERSION FACTOR	1.60785	See Note B
7	REVENUE DEFICIENCY/(EXCESS)		Line 5 * Line 6
8	JURISDICTIONAL SPECIFIC REV REQUIREMENT		See Note C
9	TOTAL REVENUE DEFICIENCY/(EXCESS)		Line 7 plus Line 8

NOTES:
(A) RATE OF RETURN ON RATE BASE IS THE RETURN FROM DOCKET NO. 06-101-U
(B) REVENUE CONVERSION FACTOR IS THE REVENUE CONVERSION FACTOR FROM DOCKET NO. 06-101-U
(C) REVENUE REQUIREMENT FOR JURISDICTIONAL SPECIFIC ITEMS NOT INCLUDED IN BASE RATES (i.e., OUACHITA PLANT ACQUISITION REVENUE REQUIREMENT AS CALCULATED IN RIDER CA).

ENTERGY ARKANSAS, INC.

RATE BASE

FOR YEAR ENDING DECEMBER 31, 2008

($000'S OMITTED)

LINE NO	DESCRIPTION	PER BOOKS	ADJUST-MENTS(A)	ADJUSTED AMOUNT	ALLOCATION FACTOR (B)	AR RETAIL	SOURCE FOR PER BOOKS DATA
	NET UTILITY PLANT						
1	GROSS PLANT IN SERVICE						
2	PRODUCTION						Accts. 310 - 347 (See Note C)
3	TRANSMISSION						Accts. 350 - 359 (See Note C)
4	DISTRIBUTION						Accts. 360 - 374 (See Note C)
5	GENERAL PLANT						Accts. 389 - 399 (See Note C)
6	INTANGIBLE PLANT						Accts. 301 - 303 (See Note C)
7	TOT GROSS PLANT IN SERVICE						Sum of Lines 2 - 6 (See Note D)
8	ACCUMULATED DEPRECIATION						
9	PRODUCTION						Accts. 310 - 347 (See Note C)
10	TRANSMISSION						Accts. 350 - 359 (See Note C)
11	DISTRIBUTION						Accts. 360 - 374 (See Note C)
12	GENERAL PLANT						Accts. 389 - 399 (See Note C)
13	INTANGIBLE PLANT						Accts. 301 - 303 (See Note C)
14	TOTAL ACCUM DEPRECIATION						Sum of Lines 9 - 13
15	NET UTILITY PLANT						Line 7 + Line 14
16	WORKING CAPITAL ASSETS						
17	FUEL INVENTORY						Accts 120, 151 & 152 (See Note E)
18	MATERIALS & SUPPLIES						Accts 154 & 163 (See Note E)
19	PREPAYMENTS						Acct 165 (See Note E)
20	INVESTMENT IN SFI						N/A (See Note E)
21	WORKING CASH						N/A (See Note E)
22	TOT WORKING CAPITAL ASSETS						Sum of Lines 17 - 21
23	OTHER (F)						
24	RATE BASE						Sum of Lines 15, 22, and 23

NOTES:

(A) ADJUSTMENTS DEFINED IN ATTACHMENT C

(B) RETAIL ALLOCATION FACTORS FROM DOCKET NO. 06-101-U

(C) AVERAGE USING BEGINNING AND ENDING YEAR BALANCES

(D) INCLUDES ACCOUNTS 101, 102, AND 106 EXCEPT FOR ACCOUNT 101.1

(E) 13 MONTH AVERAGE BALANCES. SUPPORT FOR WORKING CAPITAL ASSETS SHALL BE PROVIDED IN THE SAME FORMAT AND LEVEL OF DETAIL REQUIRED BY MINIMUM FILING REQUIREMENT SCHEDULES B-4 AND B-5.

(F) INCLUDED PURSUANT TO SECTION 6 OF ATTACHMENT C

ENTERGY ARKANSAS, INC.
OPERATING INCOME STATEMENT
FOR YEAR ENDING DECEMBER 31, 2008
($000'S OMITTED)

LINE NO	DESCRIPTION	PER BOOKS	ADJUST-MENTS(A)	ADJUSTED AMOUNT	DIRECT ASSIGNMENT AND/ OR ALLOCATION FACTOR (B)	AR RETAIL	SOURCE FOR PER BOOKS DATA
	REVENUES						
	RATE SCHEDULE REVENUES						
1	RETAIL SALES						Accts. 440, 442.1, 442.2, 444, 445
2	WHOLESALE SALES						Acct. 447 excl 447.001, 447.002, 447.005, 447.115, & 447.116
3	TOTAL RATE SCHEDULE REVENUES						Sum of Lines 1 - 2
	SYSTEM SALES						
4	ENTERGY POWER POOL SALES						Accts. 447.001, 447.116
5	SYSTEM SALES TO OTHERS						Acct. 447.002
6	IMPUTED TRANS REVENUES						Acct. 447.005
7	RESOURCE PLAN REVENUE						Acct. 447.115
8	TOTAL SYSTEM SALES						Sum of Lines 4 - 7
9	OTHER OPERATING REVENUES						Accts 450, 451, 454, 456, 459
10	TOTAL OPERATING REVENUES						Sum of Lines 3, 8, and 9
	EXPENSES						
	OPERATION & MAINTENANCE						
11	PRODUCTION						Accts. 500 - 557
12	TRANSMISSION						Accts. 560 - 573
13	DISTRIBUTION						Accts. 580 - 598
14	CUSTOMER ACCOUNTS						Accts. 901 - 905
15	CUSTOMER SERVICE & INFO						Accts. 906 - 910
16	SALES						Accts. 911 - 917
17	ADMINISTRATIVE & GENERAL						Accts. 920 - 935
18	TOTAL O&M EXPENSE						Sum of Lines 11 - 17
19	GAIN FROM DISP OF ALLOWANCES						Acct. 411.8
20	REGULATORY DEBITS/ CREDITS						Acct. 407
21	DEPR, AMORT, DECOM & ACCR EXP						Acct 403, 404, 411.1
22	TAXES OTHER THAN INCOME						Acct. 408
23	STATE INCOME TAX						Page 4, Line 15
24	FEDERAL INCOME TAX						Page 4, Line 23
25	PROV DEF INC TAX - STATE - NET						Accts. 410.1, 411.1
26	PROV DEF INC TAX - FED - NET						Accts. 410.1, 411.1
27	INVESTMENT TAX CREDIT - NET						Acct. 411.4
28	OTHER						See Note C
29	TOT UTILITY OPERATING EXP						Sum of Lines 18 – 28
30	NET UTILITY OPERATING INCOME						Line 10 minus Line 29

NOTES: (A) ADJUSTMENTS DEFINED IN ATTACHMENT C
(B) RETAIL ALLOCATION FACTORS FROM DOCKET NO. 06-101-U
(C) INCLUDED PURSUANT TO SECTION 6 OF ATTACHMENT C

ENTERGY ARKANSAS, INC.
INCOME TAX CALCULATION
FOR YEAR ENDING DECEMBER 31, 2008
($000'S OMITTED)

LINE NO	DESCRIPTION	PER BOOKS	ADJUST-MENTS(A)	ADJUSTED AMOUNT	DIRECT ASSIGNMENT AND/ OR ALLOCATION FACTOR (B)	AR RETAIL	SOURCE FOR PER BOOKS DATA
1	TOTAL OPERATING REVENUES						Page 3, Line 10
2	TOTAL O&M EXPENSE						Page 3, Line 18
3	GAIN FROM DISP OF ALLOWANCES						Page 3, Line 19
4	REGULATORY DEBITS AND CREDITS						Page 3, Line 20
5	DEPREC, AMORT, DECOM & ACCR EXP						Page 3, Line 21
6	TAXES OTHER THAN INCOME						Page 3, Line 22
7	NET INCOME BEFORE INCOME TAXES						Line 1 minus sum of Lines 2 - 6
8	ADJUST TO NET INC BEFORE TAX						Tax Department
9	TAXABLE INCOME						Line 7 + Line 8
	COMPUTATION OF STATE INC TAX						
10	STATE TAXABLE INCOME						Line 9
11	STATE ADJUSTMENTS TO NET INCOME						Tax Department
12	TOTAL STATE TAXABLE INCOME						Sum of Lines 10 – 11
13	STATE INCOME TAX BEFORE ADJUST						Line 12 * Eff State Tax Rate (Note C)
14	ADJUSTMENTS TO STATE TAX						Tax Department
15	STATE INCOME TAX						Line 13 + Line 14
	COMPUTATION OF FED INC TAX						
16	TAXABLE INCOME						Line 9
17	STATE INCOME TAX						Line 15 (shown as deduction)
18	MANUFACTURING DEDUCTION						See Note D
19	FEDERAL ADJUSTMENTS						Tax Department
20	TOTAL FEDERAL TAXABLE INCOME						Sum of Lines 16 - 19
21	FEDERAL INC TAX BEFORE ADJUST						Line 20 * Federal Tax Rate (Note C)
22	ADJUSTMENTS TO FEDERAL TAX						Tax Department
23	FEDERAL INCOME TAX						Line 21 + Line 22

NOTES:

(A) Adjustments defined in Attachment C

(B) Retail Allocation Factors from Docket No.06 -101-U

(C) The tax rate in effect during the Earnings Analysis Period shall be utilized.

(D) Defined in Attachment C, Section 3.E

(E) The following information should be included in Annual filing workpapers:
(1) A complete "separate return" basis calculation of current federal and state income taxes for the Earnings Analysis period, starting with book recorded net income and showing all book-tax timing differences (both temporary and permanent differences), taxable income, income tax, and all credits.
(2) A complete calculation of all state and federal deferred income tax expense for the Earnings Analysis period showing all book-tax timing differences (both temporary and permanent differences) necessary to reconcile book net income and taxable income for the Earnings Analysis period. Provide an explanation for each such temporary and permanent difference. Specifically identify and explain in detail all new differences which have arisen for the first time in the Earnings Analysis period. Identify which differences have been used in the calculation of deferred income tax expense for the Earnings Analysis period. For each book-tax difference that was **not** used in the calculation of deferred income tax expense for Earnings Analysis period revenue requirement determination purposes (i.e., for ratemaking purposes), explain why that book-tax difference was not included in that calculation.

ENTERGY ARKANSAS, INC.
EARNINGS ANALYSIS ADJUSTMENTS

Actual (per book) data for each Earnings Analysis Period, as reflected in Attachment B, shall be adjusted to reflect various ratemaking adjustments. These adjustments are to be prepared in a manner consistent with those in the Docket No. 06-101-U[1] compliance cost-of-service study. Due to the annual nature of the Earnings Analysis, forward-looking adjustments shall not be made. Similarly, adjustments for weather and customer growth shall not be made. The adjustments to be made are more specifically set out below:

1. **Special Riders**
   a. **Exact Recovery Riders**
   The rate base, revenue and expense effects associated with exact recovery riders that Entergy Arkansas, Inc. may have in effect during the Earnings Analysis Period shall be eliminated. Exact recovery riders include riders such as Grand Gulf (Rider GGR), ANO Nuclear Decommissioning Cost (Rider NDCR), Energy Cost Recovery Rider (Rider ECR), Energy Efficiency Cost Recovery Rider (EECR), and any other exact recovery riders that are approved by the Commission.

   b. **Arkansas Jurisdictional Specific Revenue Requirement**
   The rate base and expense effects associated with Arkansas Jurisdictional Specific Revenue Requirement (i.e., the revenue requirement associated with EAI's Rider CA) shall be separately identified and reported on Attachment B, page 1, line 8. The rate revenues associated with the Arkansas Jurisdictional Specific Revenue Requirement shall be reported on Attachment B, page 3, line 1.

2. **Interest Synchronization**

   All Earnings Analysis Period interest expenses are to be eliminated and replaced with an imputed interest expense amount equal to the Earnings Analysis Period rate base multiplied by the weighted cost of debt rate from Docket No. 06-101-U.

3. **Income Taxes**

   All state and federal income tax effects including 1) adjustments to taxable income, 2) adjustments to current taxes, 3) provisions for deferred income tax (debit and credit), and 4) accumulated provision for deferred income tax (debit and credit) shall be adjusted or eliminated, as appropriate, to comport with the following principles:

   A) Effects associated with other adjustments set out in this Attachment C shall similarly and consistently be adjusted.

   B) All effects associated with the difference in the timing of transactions, where the underlying timing difference is eliminated, shall also be eliminated.

---

[1] All references to Docket No. 06-101-U included herein shall be subject to any subsequent final ruling of the Arkansas Court of Appeals or any other court of competent jurisdiction.

C) The corporate state and federal income tax laws legally in effect during the Earnings Analysis Period shall be reflected in the calculation of all income tax amounts.

D) Items normally treated on a "flow-through" basis shall be similarly treated in each Earnings Analysis in accordance with prior Commission directives. Conversely, items that are normally reflected on a "normalized" basis shall be similarly treated in each Earnings Analysis.

E) Manufacturing Deduction is a deduction to income attributable to domestic production activities created by the American Jobs Creation Act of 2004 as discussed in Section 199, Income Attributable to Domestic Production, of the Internal Revenue Code. It allows up to a 9% deduction of taxable income or income from qualifying production activities. The deduction is phased in through 2010 and is 6% for 2007 through 2009 and will be 9% for 2010 and after.

4. Ratemaking Adjustments

A. Items not allowable for ratemaking purposes in Docket No. 06-101-U shall be removed from the Earnings Analysis Period data by appropriate adjustments.

B. Items that were allowed in Docket No. 06-101-U, but recorded below the utility operating income line, shall be included in the Earnings Analysis Period cost data through appropriate reclassification adjustments.

C. Revenue and costs effects that were imputed in Docket No. 06-101-U shall be similarly imputed for each Earnings Analysis through appropriate adjustments.

D. All other ratemaking adjustments adopted by the Commission in its final order in Docket No. 06-101-U and not addressed in 4.A-C above shall be made, except weather and growth adjustments shall not be included.

5. Out-of-Period Items

Expenses and revenues recorded in any Earnings Analysis Period that are related to transactions occurring prior to the initial Earnings Analysis Period (January 1, 2008) shall be eliminated by adjustment from the Earnings Analysis Period cost data. This shall include any associated tax adjustments.

6. Other

Nothing in the Storm Damage Rider or Earnings Analysis shall preclude the Company or the Staff from proposing additional adjustment(s) beyond those described in Adjustments 1-5. However, if such adjustments are proposed, they shall be consistent with the general philosophy and structure of this Earnings Analysis.

EARNINGS ANALYSIS PERIOD FINANCIAL AND STATISTICAL FILING REQUIREMENTS

The financial and statistical data set out below shall be provided for the Earnings Analysis Period:

A. Historical Accounting Data

1. Identify and explain any significant changes in policies during the Earnings Analysis Period.

2. Provide 13 months of trial balances including the beginning Earnings Analysis Period and each month in the Earnings Analysis Period for all general ledger sub-accounts (101.xxx – 935.xxx). If not already submitted FERC Form 1 for 2008 should be submitted. The general ledger subaccounts should be subtotaled by FERC account and the beginning of the year and end of the year amounts should be reconciled to FERC Form 1.

3. Provide a Microsoft Access database of all general ledger accounting activity for each month in the Earnings Analysis Period.

4. Provide an Accounts Payable ledger for the Earnings Analysis Period sorted by vendor name, FERC expense account(s), and sub-account (if applicable).

5. Provide balances for the "300" series plant accounts for the beginning of the Earnings Analysis Period and each month in the Earnings Analysis Period and, in additional columns, the accumulated depreciation balances by each "300" series plant account for the beginning of the Earnings Analysis Period and each month in the Earnings Analysis Period. Reconcile to the utility plant accounts.

6. Provide O&M expense totals for the Earnings Analysis Period by activity code, resource code, account, project code (if applicable), and bill resource code (if applicable).

B. Trend Analysis

1. Present a five-year trend analysis calculating the average balance by FERC Account for expenses for the five-year period ending with the Earnings Analysis Period. Identify and explain all significant changes in accounting procedures during the Earnings Analysis Period. For any accounting reclassifications identified in the accounting changes, align and reconcile accounts that reflect accounting changes in order to consistently track the accounting change through the five-year trend.

2. Identify and explain changes between the Earnings Analysis Period costs and the five-year average by FERC Account for all variances greater than 30% and $500,000, excluding Fuel and Purchased Power costs that are recovered through separate recovery riders. Provide separate variance explanations for affiliate charges and EAI direct costs. The explanation must include the specific underlying reason for the variance. Simply noting a change in charges is an insufficient explanation. For the variances for which an explanation is provided, present a five-year trend analysis calculating the average balance by FERC Account for expenses, excluding payroll and benefits expenses, for the five-year period ending with the Earnings Analysis Period.

C. Affiliate Charges

1. Provide an analysis by EAI expense account (separate line for each account) showing separate columns for:

(a) Amounts billed, segregated between direct and allocated, from each affiliated company with a separate column for each affiliate.
(b) Amounts directly incurred by EAI for its own operations.
(c) All other amounts in the account not corresponding to (a) or (b). Provide an explanation of all items in this "all other amounts" column that are for anything other than rounding differences.
(d) The sum of columns (a) through (c) which would equal the account's general ledger balance at the end of the Earnings Analysis Period.

2. Provide a list of all direct project charges from the affiliated service company to EAI that exceeded $700,000 during the Earnings Analysis Period. List by project code, project description, the affiliated service company's billing method, and amount.

3. Provide a list of all allocated project charges from the affiliated service company to EAI that exceeded $700,000 during the Earnings Analysis Period. List by project code, project description, the affiliated service company's billing method, and amount.

D. Out-of-Period Items

1. Provide a description of the item and dollar amount, directly or indirectly charged or credited by or to EAI, by account, activity, and/or project of any transaction greater than $500,000, prior period adjustment including refunds, event, program, or initiative charged to the general ledger for the Earnings Analysis Period that was not usual or is not expected to recur. In addition, provide the costs or savings on any significant transaction, event, program or initiative which occurred in the Earnings Analysis Period that did not occur or was not significant or fully implemented in the prior year. Include the description and financial impact or accounting amount of changes in taxation rates or status, restructuring, downsizing, outsourcing, mergers, consolidations, etc.

2008 STORM COST AUDIT FILING REQUIREMENTS

1. Provide 2008 Storm expense totals for each month by account, activity code, and resource code. Any affiliate charges should be identified separately. Payroll information, including salaried and non-salaried base pay, overtime and related taxes and benefits should be clearly identified—if not, those amounts should be reported separately—broken out by company (eg: EAI and ESI).

2. Provide the amount of incremental 2008 Storm expense for each month by account, activity code, and resource code. Separately identify any base pay, overtime at the percentage included in base rates, routine vegetation management, capitalized amounts and other cost items, identified in the testimony of Alice D. Wright and adopted by the Commission in Order No. 4 filed in Docket No. 08-149-U.

3. The detailed amounts in paragraph 2 above should be totaled and then show the reduction for the amount currently included in base rates to arrive at the total recovery requested. EAI will make its best efforts to review the costs subject to audit to eliminate all capital costs and to ensure that the costs requested are consistent with the types of costs described in the Direct Testimony of Alice D. Wright and adopted by the Commission in Order No. 4 filed in Docket No. 08-149-U.

4. Provide a Microsoft Excel spreadsheet of all general ledger accounting activity for each month for the information requested in item 2.

5. Provide 2008 Storm amounts that were capitalized by FERC plant account (300 series).

6. Provide all 2008 expenditures for vegetation management by account, activity code, and resource code, identifying vendor amounts and salary and non-salaried payroll and overtime amounts by company if applicable. Amounts should be classified as storm-related or routine vegetation management.

7. Provide all 2008 revenues received or reductions in EAI expense due to providing mutual assistance to affiliates or other companies.

ARKANSAS PUBLIC SERVICE COMMISSION

7th Revised	Sheet No. TC-5	Schedule Sheet 5 of 6	
Replacing: 6th Revised	Sheet No. TC-5		
Entergy Arkansas, Inc. Name of Company			
Kind of Service: Electric	Class of Service: All		TRA Docket No.: 2008-00201
			Effective: 01/30/09
	TABLE OF CONTENTS		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 Grou| 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)
50. Storm Damage Rider (SDR) (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)