



Entergy Arkansas, Inc.
425 West Capitol Avenue
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Little Rock, AR 72203-0551
Tel 501 377 4457
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Steven K. Strickland
Vice President
Regulatory Affairs

VIA OVERNIGHT MAIL

November 23, 2009

Ms. Sara Kyle, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

RECEIVED
2009 NOV 24 PM 3:55
T.R.A. DOCKET ROOM

Re: Tennessee Regulatory Authority (TRA) Docket No. 09-00188
Entergy Arkansas, Inc. Application for Approval of Synthetic
Railcar Lease

Dear Chairman Kyle:

Attached are the original and thirteen copies of Entergy Arkansas, Inc.'s (EAI) Application and supporting Direct Testimonies of EAI witnesses Steven C. McNeal and Ryan S. Trushenski filed November 19, 2009, in Docket No. 09-120-U before the Arkansas Public Service Commission (APSC) for APSC approval to enter into the proposed lease transaction.

The equity investors and the lenders participating in the transaction require APSC and TRA approval of the proposed lease transaction described in the Application. EAI will provide to the TRA a copy of the APSC Staff testimony and the final order issued by the APSC in this Docket via facsimile and over-night mail. EAI has requested that a final order be issued by the APSC no later than December 3, 2009. At the latest, EAI expects to receive an order prior to placing this item on the TRA's conference agenda scheduled December 14, 2009. EAI is requesting that the TRA also issue its final order approving or concurring with the APSC Order immediately following the action of the APSC to authorize EAI to enter into the proposed lease transaction. If it is the TRA's position that it does not have approving authority over such financing, a declarative statement of such a position would also be appreciated to clarify the TRA's interpretation of Tennessee statutes.

Attached is a check in the amount of \$25.00 for EAI's filing fee.

Ms. Sara Kyle
Page 2
November 23, 2009

If you have any questions or need additional information, please do not hesitate to call me at (501) 377-4457 or Mr. Wesley Hunt at (501) 377-4303.

Sincerely,

A handwritten signature in black ink, appearing to be 'SKS/tj', written in a cursive style.

SKS/tj
Attachments

c: Mr. Jerry Kettles w/attachments
Mr. Carlos Black w/attachments

Nov 19 3 07 PM '09

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

FILED

IN THE MATTER OF THE APPLICATION)
OF ENTERGY ARKANSAS, INC. FOR)
APPROVAL OF SYNTHETIC RAILCAR)
LEASE)

DOCKET NO. 09-120-U

APPLICATION

COMES NOW Entergy Arkansas, Inc. ("EAI" or the "Company"), and for its
Application states:

1. This Application is filed pursuant to Ark. Code Ann. § 23-3-103, *et seq.* and Rules 4 and 5 of the Rules of Practice and Procedure of the Arkansas Public Service Commission ("APSC" or the "Commission"). EAI is subject to the jurisdiction of the Commission and is also subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") as an electric utility subsidiary of Entergy Corporation. The Tennessee Regulatory Authority ("TRA") also regulates the issuances of securities by EAI. EAI must, therefore, comply with applicable rules and regulations promulgated by the FERC and the TRA and, as hereinafter described in greater detail, secure certain approvals of the TRA in connection with the proposed transactions described herein, in addition to those approvals it must obtain from this Commission.

2. EAI is a corporation organized under the laws of the State of Arkansas and is a public utility as defined by Ark. Code Ann. § 23-1-101, *et. seq.* The Company's principal office is located at 425 West Capitol Avenue, Little Rock, Arkansas 72201. The Company's property consists of facilities for the generation, transmission, and distribution of electric power and energy to the public and of other property necessary to repair, maintain, and operate those facilities. These properties and facilities are located principally in the State of Arkansas. Certain distribution and transmission facilities for wholesale customers are located in the State of Missouri, and distribution lines for retail customers situated wholly on the west side of the main channel of the Mississippi River are located in a small portion of the State of Tennessee. The Company also owns a generation facility located in the State of Louisiana.

3. The subject matter of this Application is an anticipated new synthetic lease ("New Synthetic Lease") to replace EAI's existing synthetic lease for aluminum railcars that are used to transport coal for use as fuel at the White Bluff Steam Electric Station and the Independence Steam Electric Station which are co-owned by EAI and other providers of electric service. The proposed New Synthetic Lease is substantially similar to the existing synthetic lease previously approved by the Commission. A finalized, executed copy of the existing synthetic lease was filed by EAI in Docket No. 86-033-A on January 10, 2003 (the "Existing Synthetic Lease"). A copy of the Existing Synthetic Lease was also

provided in EAI's Response to APSC Data Request 19-2 in Docket No. 09-084-U.

4. Like the Existing Synthetic Lease, the New Synthetic Lease has characteristics associated with operating and capital leases that will permit EAI to realize substantial cost savings. For financial accounting and reporting purposes, the New Synthetic Lease will be structured so as to constitute an operating lease under current financial accounting standards. However, for all other purposes, including tax purposes, EAI will be considered to be the owner of the railcars. Certain of the terms of the New Synthetic Lease may be amended or modified, from time to time, in order to comply with future accounting standards which may be applicable to it.

5. The essential economic and financial terms of the New Synthetic Lease have been agreed to by the parties involved in the anticipated transaction. Other terms and provisions of the New Synthetic Lease are currently being negotiated, but can be fairly summarized as described in the following paragraphs.

6. The lessor under the New Synthetic Lease is anticipated to be RBS Asset Finance. The equipment leased will be approximately 2,137 aluminum rotary dump high side gondola railcars with a 4,480 cubic foot capacity (level), manufactured and delivered by Johnstown America Corporation in 1995, and 267

similar specification railcars delivered in 2002. The New Synthetic Lease will commence on or before January 2, 2010, and will have a term of five years. EAI will also have an early purchase option after three years at a premium.

7. Rental payments under the New Synthetic Lease will be made quarterly and will be based on a Lease Amortization component, which is a fixed amount and corresponds to an amortization amount, and a Lease Rate component, which corresponds to interest on the unamortized amount. During the initial lease term, the Lease Rental Amount is expected to be comprised of level rental payments at an estimated fixed rental factor that equates to an estimated fixed annual interest cost. This Rental Amount will be subject to change until the lease commencement date and will be indexed to the 3-year interest rate swap (yielding 1.99 percent as of October 26, 2009.) The New Synthetic Lease will be amortized over the maximum lease term (5 years) to a final lease balance that is a percentage of the original value. The anticipated terms of the New Synthetic Lease are explained in more detail in the Direct Testimony of Mr. Steven C. McNeal.

8. As described in the Direct Testimony of Mr. Ryan S. Trushenski, the projected economic value of the New Synthetic Lease to EAI and its customers is greater than that of the potential alternative of purchasing the railcars. Mr. Trushenski compared the costs, beginning in 2009 and extending for the remaining 25-year useful life of the railcars, associated with purchasing

the railcars or entering into the New Synthetic Lease. In all scenarios the railcar costs are reflected in EAI's rates. This treatment of railcar costs was authorized for related railcar lease transactions by Order No. 2 and Order No. 4 in Docket No. 94-439-U and by Order No. 1 in Docket No. 02-244-U. The New Synthetic Lease is projected to produce net present value savings to ratepayers of approximately \$16 million as compared to the purchase option.

9. Due to the similarities to the lease transactions to which the orders referred to in the preceding paragraph relate, EAI intends to account for the rental payments under the New Synthetic Lease as fuel expense as was authorized by those Orders. Accordingly, the proposed transaction has no impact on EAI's balance sheet and, therefore, no financial statements are being filed herewith pursuant to Rule 5.03(b).

10. Closing of the proposed transaction is scheduled to occur prior to January 2, 2010. As a result, EAI requests the Commission to expedite action on this Application and enter a final order thereon on or before December 3, 2009, in order for EAI's customers and its co-owners in the coal plants to continue realizing the fuel cost efficiencies associated with the use of the New Synthetic Lease. Because EAI serves customers in the State of Tennessee, a similar request is being made to the Tennessee Regulatory Authority.

11. EAI requests that the following individuals be shown on the service list of this Docket:

Steven K. Strickland
Vice President, Regulatory Affairs
Entergy Arkansas, Inc.
P. O. Box 551
Little Rock, Arkansas 72203
Telephone: (501) 377-4457

Paul Benham
Friday, Eldredge & Clark, LLP
400 West Capitol Avenue, Suite 2000
Little Rock, Arkansas 72201
Telephone: (501) 370-1517

WHEREFORE, EAI prays that the Commission issue an order approving the proposed New Synthetic Lease described herein on or before December 3, 2009; authorizing EAI to account for the associated costs as allowed by Order No. 2 and Order No. 4 in Docket No. 94-439-U and by Order No. 1 in Docket No. 02-244-U; and granting EAI all other necessary and appropriate relief.

Dated this 19th day of November, 2009.

Respectfully submitted,

ENTERGY ARKANSAS, INC.

By: 
Tucker Raney
Assistant General Counsel
Entergy Services, Inc.
P. O. Box 551
Little Rock, AR 72203
Telephone: (501) 377-4372

Paul Benham
Friday, Eldredge & Clark, LLP
400 West Capitol Avenue, Suite 2000
Little Rock, Arkansas 72201
Telephone: (501) 370-1517

ATTORNEYS FOR ENTERGY
ARKANSAS, INC.

CERTIFICATE OF SERVICE

I, Tucker Raney, do hereby certify that a copy of the foregoing has been served upon all parties of record this 19th day of November, 2009.


Tucker Raney

Nov 19 3 07 PM '09

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

FILED

IN THE MATTER OF THE APPLICATION)
OF ENTERGY ARKANSAS, INC. FOR)
APPROVAL OF SYNTHETIC RAILCAR)
LEASE)

DOCKET NO. 09-120-U

DIRECT TESTIMONY

OF

STEVEN C. MCNEAL

VICE PRESIDENT AND TREASURER, ENTERGY ARKANSAS, INC.

ENTERGY SERVICES, INC.

ON BEHALF OF

ENTERGY ARKANSAS, INC.

NOVEMBER 19, 2009

1 **I. INTRODUCTION AND BACKGROUND**

2 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND
3 OCCUPATION.

4 A. My name is Steven C. McNeal. My business address is 639 Loyola
5 Avenue, New Orleans, Louisiana, 70113. I am Vice President and
6 Treasurer of Entergy Corporation, Entergy Arkansas, Inc. ("EAI" or the
7 "Company"), Entergy Gulf States Louisiana, L.L.C. ("EGSL"), Entergy
8 Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc.,
9 Entergy Texas, Inc. ("ETI"), System Energy Resources, Inc., Entergy
10 Services, Inc. ("ESI"),¹ and various other Entergy affiliates.

11
12 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND,
13 PROFESSIONAL QUALIFICATIONS, AND PROFESSIONAL
14 EXPERIENCE.

15 A. I received a Bachelor's of Science degree in Business and History from
16 Trinity University in San Antonio in 1979. I received an M.B.A. from
17 Tulane University in 1981.

18 I began my employment with the Entergy System in January 1982.
19 Since that date, I have held positions in Financial Planning, Risk
20 Management, Corporate Finance and Treasury. I was named Vice
21 President and Treasurer in late 1998.

22 In my present position, I am responsible for executing financial
23 strategies, arranging financings, performing financial analysis, managing
24 rating agency relations, managing investment activities, overseeing bank

¹ ESI is an affiliate of EAI that provides technical and administrative service to all the Entergy Operating Companies.

1 relations, managing financial liabilities and overseeing risk management
2 including insurable risks, commodities, and counterparty risks. My
3 organization also actively supports rate filings.

4 I have oversight responsibility for the execution of financings for
5 Entergy Corporation's domestic utilities and have executed certain
6 financings for other subsidiaries. As a part of this activity, I have regular
7 dialogue with capital market participants, including lenders, investment
8 bankers and institutional investors. I also maintain an active dialogue with
9 the bond rating agencies on behalf of Entergy Corporation and its
10 subsidiaries.

11
12 Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

13 A. I am testifying on behalf of EAI.

14
15 Q. HAVE YOU EVER TESTIFIED IN A REGULATORY PROCEEDING?

16 A. Yes. I have submitted testimony to the Arkansas Public Service
17 Commission ("APSC" or the "Commission") in connection with the
18 application of EAI for authorization to enter into certain financing
19 transactions in APSC Docket Nos. 95-594-U, 99-234-U, 01-221-U, 03-
20 093-U, 03-139-U, and 06-096-U. I have filed testimony with the APSC in
21 connection with the proposal for an independent electric transmission
22 company (APSC Docket No. 00-383-U) and with EAI's Application for
23 Approval of Synthetic Railcar Lease (APSC Docket No. 02-224-U). I have
24 also filed testimony before the retail regulators of EAI's affiliates on a
25 variety of financial issues. For example, I have filed testimony (i) with the
26 APSC, Louisiana Public Service Commission ("LPSC"), Mississippi Public

1 Service Commission, and the Council of the City of New Orleans in
2 connection with the proposal for an independent coordinator of
3 transmission for the Entergy Operating Companies² transmission
4 facilities, (ii) with the Public Utility Commission of Texas ("PUCT") and the
5 LPSC supporting the jurisdictional separation plans of an affiliate, Entergy
6 Gulf States, Inc. ("EGSI"), (iii) with the PUCT relating to EGSI's unbundled
7 cost of service filing, 2004 and 2007 rate cases, and Texas securitization
8 filing, and (iv) with the LPSC with respect to the ninth earnings review of
9 the merger with EGSI and a storm cost recovery filing.

10
11 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS DOCKET?

12 A. I will support EAI's Application in this Docket for approval of EAI's lease of
13 aluminum railcars that are used to transport coal to the Company's White
14 Bluff and Independence Steam Electric Stations. The anticipated form of
15 the lease is similar to the one approved by the Commission in Order No. 2
16 in Docket No. 02-224-U.

17
18 Q. IS THE COMPANY SPONSORING OTHER WITNESSES IN SUPPORT
19 OF ITS APPLICATION?

20 A. Yes. Mr. Ryan S. Trushenski, Project Manager of Solid Fuel Operations
21 for ESI, is providing direct testimony in which he presents the results of
22 his economic evaluation of the various lease proposals and the option to
23 purchase the railcars under the existing lease.

24

² The Entergy Operating Companies include EAI; Entergy Gulf States Louisiana, L.L.C.; Entergy Louisiana, LLC; Entergy Mississippi, Inc.; Entergy New Orleans, Inc.; and Entergy Texas, Inc.

1 **II. PROPOSED LEASE TRANSACTION**

2 **Q. PLEASE DESCRIBE THE ANTICIPATED TRANSACTION.**

3 **A. The anticipated transaction is a lease structure referred to as a “synthetic**
4 **lease”, which the APSC previously approved in Docket Nos. 02-224-U and**
5 **94-439-U. It is so named because of its accounting treatment. For book**
6 **accounting purposes, it is an operating lease. However, for tax purposes,**
7 **the lessee (EAI) is treated as the owner of the equipment. The significant**
8 **terms and conditions of the “New Synthetic Lease” are described in**
9 **Confidential EAI Exhibit SCM-1, “EAI Railcar Financing - Summary of**
10 **Proposed Terms and Conditions.” This exhibit shows that this lease**
11 **provides a structure that has the effect of financing the railcars at a fixed**
12 **estimated annual interest cost.**

13 In the New Synthetic Lease, rent expense is composed of a
14 quarterly fixed rental factor, which includes principal and interest. This
15 Rental Amount is subject to change until the lease commencement date,
16 when it will be fixed based on the then-current 3-year interest rate swap
17 (which is yielding 1.99% as of October 26, 2009.) The exhibit also shows
18 that the Company has an early purchase option after 3 years at a
19 premium on the remaining lease balance, and options at lease termination
20 to purchase the equipment for the remaining lease balance, or return or
21 remarket the equipment.

22
23 **Q. DID YOU CONSIDER A TRUE LEASE FOR TAX PURPOSES AS A**
24 **FINANCING ALTERNATIVE?**

25 **A. No. Changing from the existing synthetic lease structure to a true lease**
26 **for tax purposes would have negative tax implications for EAI that would**

1 ultimately be borne by ratepayers. The existing synthetic lease structure
2 has allowed EAI to fully depreciate the railcars for tax purposes under
3 accelerated tax depreciation provisions. At the date the Company would
4 convert from a synthetic lease to a true lease for tax purposes it would
5 have to repay a portion of the accelerated tax depreciation already taken
6 on the railcars. The depreciation recapture would result in an \$18 million
7 payment of income taxes by EAI and an associated reduction in
8 accumulated deferred income taxes of \$18 million.

9
10 Q. HOW DID YOU IDENTIFY THE PROPOSED LESSOR?

11 A. My department conducted a competitive solicitation for proposals among
12 a group of financial entities that typically participate in leasing
13 arrangements. A copy of the request for proposal is attached to my
14 testimony as EAI Exhibit SCM-2. We analyzed the proposals we received
15 and ranked them based on the net present value of the total proposed
16 lease payments. The proposed New Synthetic Lease results in the lowest
17 net present value revenue requirement, as described more fully by
18 Mr. Trushenski.

19
20 Q. WHY DID YOU ISSUE THE REQUEST FOR LEASING PROPOSALS IN
21 SEPTEMBER 2009?

22 A. We issued the request for proposals on a schedule to refinance the lease
23 by the January 2, 2010 maturity of the existing lease.

24
25 Q. WHAT OTHER OPTION FOR PROVIDING RAILCARS TO TRANSPORT
26 COAL ARE AVAILABLE TO THE COMPANY?

1 A. The existing synthetic lease has a provision that would allow EAI to
2 purchase the existing railcars at a price specified in the terms of the lease.
3 My department provided this information to Mr. Trushenski for his
4 economic evaluation of the alternatives.

5

6 Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?

7 A. Yes.

CERTIFICATE OF SERVICE

I, Tucker Raney, do hereby certify that a copy of the foregoing has been served upon all parties of record this 19th day of November, 2009.


Tucker Raney

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF ENTERGY ARKANSAS, INC. FOR)	DOCKET NO. 09-120-U
APPROVAL OF SYNTHETIC RAILCAR)	
LEASE)	

CONFIDENTIAL EAI EXHIBIT SCM-1

EAI RAILCAR FINANCING
SUMMARY OF PROPOSED TERMS AND CONDITIONS

**THIS EXHIBIT CONSISTS OF PROTECTED MATERIAL WHICH IS THE
SUBJECT OF THE COMPANY'S MOTION FOR PROTECTIVE ORDER FILED
ON NOVEMBER 16, 2009. THIS EXHIBIT WILL BE PROVIDED UNDER SEAL
PURSUANT TO THE COMMISSION'S ORDER ON THE MOTION.**

EAI RAILCAR FINANCING
SUMMARY OF PROPOSED TERMS AND CONDITIONS

Equipment: 2,463 Aluminum gondola railcars.

Basic Structure: Synthetic lease. Lease is an off-balance sheet operating lease for book purposes. It is a capital lease for tax purposes.

Lessee: Entergy Arkansas, Inc.

Lessor: RBS Asset Finance, Inc. (RBSAF), or its assignees or nominees.

Cost: Approximately [REDACTED] plus transaction costs.

Lease Commencement: January 2, 2010

Lease Term: 5 years, 20 quarters.

Rental Amount: Level rental payments will be due quarterly in arrears at a fixed rental factor estimated at [REDACTED] of Equipment Cost.

The Rental Amount quoted in the Proposal is subject to change until the Base Term Lease Commencement Date and will be indexed to the 3-year interest rate swap yielding 1.99% as of October 26, 2009. Upon Base Term Lease Commencement, for each basis point of change in the index above, the Rental Amount shall change accordingly.

Amortization: Fixed-rate amortization over the 5-year term to a residual value of approximately [REDACTED] of cost.

End-of-Term Options: EAI's option to purchase or return and remarket the equipment. Purchase or return options require payment of the unamortized acquisition cost. If the cars are sold for more than unamortized acquisition cost, EAI receives that benefit.

Operating Lease Calculation: The sum of rental obligations plus the Lessee Obligation, discounted to present value at [REDACTED] will be calculated to be less than [REDACTED] of the Lease Amount.

**Early Purchase
Option:**

Lessee shall have the option, at any time after 3 years, to purchase the railcars for the remaining Lease Balance plus an acquisition fee equal to ■ of the remaining Lease Balance

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION)
OF ENTERGY ARKANSAS, INC. FOR)
APPROVAL OF SYNTHETIC RAILCAR)
LEASE)

DOCKET NO. 09-120-U

EAI EXHIBIT SCM-2

EAI REQUEST FOR SYNTHETIC LEASE PROPOSAL (RFP)

SEPTEMBER 14, 2009



Entergy Services, Inc.
639 Loyola Ave
New Orleans, LA 70113

September 14, 2009

Entergy Arkansas, Inc. (the "Lessee") is pleased to submit the following request for a synthetic lease proposal (also known as an off-balance sheet loan or a tax retention operating lease), or an alternative structure that preserves the Lessee as owner for tax purposes, for approximately 2,463 aluminum rotary dump high side gondola railcars. Below you will find the general bidding terms and conditions:

- Lessee:** Entergy Arkansas, Inc.
- Equipment:** Approximately 2,137 aluminum rotary dump high side gondola railcars with a 4,480 cubic foot capacity (level) manufactured and delivered by Johnstown America Corporation in 1995 and 326 similar specification railcars delivered in 2002.
- Equipment Cost:** Approximately \$42 million (\$36 million of 1995 railcars and \$6 million of 2002 railcars) currently under a synthetic lease.
- Funding and Commencement Date:** January 2, 2010.
- Initial Amortization Period:** The lease will be amortized over a period of 5 or 7 years, to a final residual value that satisfies all accounting and tax tests. An amortization schedule that minimizes residual value is desirable.
- Renewal Period:** Specify each party that may renew the lease, when and how many times it may be renewed, the duration of each renewal period, and whether or not the applicable rent for each renewal period is the same as the basic rent.
- Basic Rent:** Please provide rent factors payable quarterly in arrears for either a fixed or a floating rate, or both. Indicate floating rate basis including spread, underlying index, and reset mechanism.

Non-Cancelable Term:	After a mutually agreeable non-cancelable term, the Lessee will have certain termination rights (see Termination Rights below). Please specify the non-cancelable term.
Termination Rights:	After a mutually agreeable non-cancelable term, the Lessee will have the option, for any reason whatsoever, to purchase the railcars or to terminate the lease for the unamortized balance of the equipment during the remaining Initial Amortization Period and any Renewal Period.
Representations and Warranties:	The lease will contain the customary representations and warranties for a similar transaction.
Operation and Maintenance:	For the Lessee's account.
Insurance:	The Lessee will provide insurance of the kind and in the amount customary for a similar transaction of a similarly situated utility company.
Assignment and Sublease:	At any time the Lessee may assign or otherwise transfer its rights and obligations in connection with the lease agreement to an affiliated company without the prior written consent of the lessor and to an unaffiliated company with the prior written consent of the lessor, not to be withheld unreasonably. At any time the Lessee may sublease the equipment without prior written consent of the Lessor but will remain liable for its obligations as the Lessee. These options will be given considerable weight in the bid analysis.
Partitioning:	With regard to termination, purchase, subleasing and assignment rights, the Lessee desires those rights for any portion of the equipment under the lease. If these rights are not to be available for fewer than all the railcars, please indicate an alternative structure (such as multiple identical leases with the same participants).

Expenses: The Lessee will pay all out-of-pocket expenses of the lessor in connection with this transaction. Please indicate your estimated total expenses by category. Special consideration will be given to legal fees with a flat maximum amount. If you contemplate not being a single investor, please indicate your syndication fees, if any.

Defaults: The lease will contain the customary defaults for a similar transaction.

Reporting Requirements: Ongoing financial reporting requirements during the term of the lease will be limited to published financial statements.

Legal Representation: Please specify the law firm that you would propose to engage as your legal representative.

Acceptance of any Proposal: Acceptance will be subject to requisite regulatory approval and mutually acceptable documentation.

The Lessee will be analyzing bids based on cost (of money), terms, conditions and flexibility. The Lessee may, in its sole judgment, reject any and all proposals for any reason.

The Lessee requires that your bid be underwritten; thus, if you do not intend to retain all \$42 million for your account, any syndication of the excess must essentially be transparent to the Lessee. If you are not selected as agent, however, please indicate your interest in being a participant with another agent.

Please provide your proposals in writing by September 23, 2009.

If you have any questions, please call me at 504-576-4361.

Very truly yours,

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

Thomas E. Littlejohn
Senior Lead Financial Analyst
tlittle@entergy.com

Nov 19 3 07 PM '09

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

FILED

IN THE MATTER OF THE APPLICATION)
OF ENTERGY ARKANSAS, INC. FOR)
APPROVAL OF SYNTHETIC RAILCAR)
LEASE)

DOCKET NO. 09-120-U

DIRECT TESTIMONY
OF
RYAN S. TRUSHENSKI
PROJECT MANAGER, SOLID FUEL OPERATIONS
ENTERGY SERVICES, INC.

ON BEHALF OF
ENTERGY ARKANSAS, INC

NOVEMBER 19, 2009

1 **I. INTRODUCTION AND BACKGROUND**

2 Q. PLEASE STATE YOUR NAME, BUSINESS AFFILIATION, TITLE AND
3 ADDRESS.

4 A. My name is Ryan Trushenski. I am employed by Entergy Services, Inc.
5 ("ESI")¹ as Project Manager, Solid Fuel Operations in ESI's Solid Fuels
6 Department which reports to the Vice President, System Planning and
7 Operations ("SPO"). My business address is Entergy Services, Inc.,
8 10055 Grogans Mill Road, Suite 300, The Woodlands, TX 77380.

9
10 Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

11 A. I am testifying on behalf of Entergy Arkansas, Inc. ("EAI" or the
12 "Company").

13
14 Q. WHAT ARE THE RESPONSIBILITIES OF THE SOLID FUELS
15 DEPARTMENT?

16 A. The Solid Fuels Department is the organization within SPO that is
17 responsible for purchasing coal, securing the transportation of coal,
18 managing coal inventory, and maintaining the railcar fleets for EAI and
19 Entergy Gulf States, Inc. ("EGSI"), which are the Entergy Operating
20 Companies that own and operate coal-fired generating units.

21
22 Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
23 PROFESSIONAL EXPERIENCE.

¹ ESI is a subsidiary of Entergy Corporation that provides technical and administrative services to the Entergy Operating Companies.

1 A. I hold a Masters of Business Administration degree from Carnegie Mellon
2 University and a Bachelor of Business Administration degree from the
3 University of Houston. From 2001 through July 2006, I was employed as
4 a financial analyst and capital budget advisor for ExxonMobil. In August
5 2006, I joined the Solid Fuels Department as an associate responsible for
6 special projects and analysis. In January 2008, I became Project
7 Manager, Solid Fuel Operations responsible for coal transportation.

8
9 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE A REGULATORY
10 COMMISSION?

11 A. No.

12
13 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

14 A. First, I will describe the status of the current aluminum railcar leases and
15 the need for a leasing structure similar to the current leasing structure.
16 Next, I will describe the results of the economic evaluation included as
17 Confidential EAI Exhibit RST-1 that demonstrates the economic benefit
18 associated with the proposed railcar lease, both to the co-owners of the
19 coal fired generation facilities operated by EAI, as well as EAI's
20 customers. This analysis compared a purchase option and synthetic
21 lease options. The five-year synthetic lease option with RBS Asset
22 Finance ("New Synthetic Lease") was determined to be the least cost
23 option for EAI's customers.

1 **II. STATUS OF CURRENT RAILCAR LEASES**

2 Q. PLEASE DESCRIBE EAI'S RAILCAR REQUIREMENTS.

3 A. EAI is the principal owner and operator of two coal-fired generating
4 facilities: the White Bluff Steam Electric Station ("White Bluff") and the
5 Independence Steam Electric Station ("ISES"). These two facilities
6 require a total of approximately 13 million tons of coal per year. This coal
7 is transported by railcar from mines in the Powder River Basin in Wyoming
8 to the plants, a distance of approximately 1,350 miles. A total of
9 approximately 2,410 railcars are required to transport EAI's total coal
10 requirement at railroad performance standards specified in EAI's coal
11 transportation contracts.

12
13 Q. DESCRIBE THE CURRENT STATUS OF THE ALUMINUM RAILCAR
14 LEASES.

15 A. EAI currently has one lease for aluminum railcars that will expire on
16 January 2, 2010. The lease, entered into with General Electric Capital
17 Corporation ("GECC") in 2002, was authorized by the Commission in
18 Order No. 2 in Docket No. 02-224-U ("Existing Synthetic Lease"). A copy
19 of the draft of the Existing Synthetic Lease was included as EAI Exhibit A
20 in the Application in that docket. A finalized, executed copy of the Existing
21 Synthetic Lease was filed by EAI in Docket No. 86-033-A on January 10,
22 2003, and a copy was also provided in EAI's Response to APSC Data
23 Request 19-2 in Docket No. 09-084-U. This lease originally included
24 2,480 railcars, but the number has been reduced to 2,404 railcars due to
25 railcar destruction from derailments. In addition, EAI currently owns 59

1 railcars that were not included as collateral in the Existing Synthetic
2 Lease.

3
4 **III. ECONOMIC EVALUATION OF PROPOSED ALTERNATIVES**

5 Q. WHAT ALTERNATIVES DID YOU CONSIDER TO REPLACE THE
6 CURRENT LEASE?

7 A. My economic evaluation considered six proposed synthetic leases and a
8 purchase option available under the Existing Synthetic Lease. As
9 described more fully in the Direct Testimony of Mr. Steven C. McNeal, EAI
10 conducted a competitive solicitation for a successor lease. The Company
11 received six synthetic lease proposals that varied somewhat in the term of
12 the lease, the residual value of the rail cars, and fees. The total revenue
13 requirement of these lease options was compared to the option of
14 purchasing the rail cars pursuant to the Existing Synthetic Lease.

15
16 Q. PLEASE DESCRIBE THE ECONOMIC EVALUATION THAT WAS
17 PREPARED TO EVALUATE THE ALTERNATIVES FOR FINANCING
18 THE RAILCARS.

19 A. The economic evaluation, which is attached to my testimony as
20 Confidential EAI Exhibit RST-1, was prepared to calculate the costs from a
21 customer's perspective. I used as a basis for my evaluation the lease
22 proposals provided to me by Mr. McNeal. This evaluation was based on
23 the refinancing cost of 2,404 railcars under each of the six synthetic lease
24 proposals received and the purchase option under the Existing Synthetic
25 Lease, based on the remaining lease balance required upon expiration of
26 the existing lease. My analysis includes the payment requirements and

1 revenue requirements for each of the six lease options and the purchase
2 option over the remaining 25-year useful life of the railcars, as defined by
3 the Association of American Railroads.

4
5 Q. IN EVALUATING A PURCHASE VERSUS A LEASE, WHICH FACTORS
6 WERE IDENTIFIED AS CRITICAL?

7 A. The most critical factor was deemed to be the net present value of the
8 revenue requirements over the remaining life of the railcars because this
9 is what ultimately affects the customers' rates.

10
11 Q. WHAT DID THE ECONOMIC EVALUATION INDICATE?

12 A. The economic evaluation indicated that the five-year synthetic lease
13 proposal from RBS Asset Finance offered the lowest revenue requirement
14 on a net present value basis, and therefore the most favorable customer
15 impact, of the lease proposals. In addition, the New Synthetic Lease
16 would produce \$16 million in savings to ratepayers over a 25-year time
17 horizon as compared to the purchase option.

18 The synthetic lease option assumes the annual cash flow
19 requirement for the lease payments for the first five years of the lease and
20 an annual revenue requirement for the next 20 years to accommodate for
21 the remaining lease balance required for EAI to purchase the railcars upon
22 expiration of the synthetic lease. The purchase option assumes EAI
23 would purchase the railcars at the remaining lease balance and calculates
24 the annual revenue requirement over the entire 25-year remaining useful
25 life of the railcars.

1 Q. WERE ANY VARIABLES CHANGED IN EVALUATING THE LEASE
2 VERSUS PURCHASE OPTIONS OTHER THAN THE STRUCTURE OF
3 THE DEAL?

4 A. No.

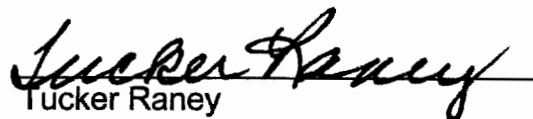
5

6 Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?

7 A. Yes.

CERTIFICATE OF SERVICE

I, Tucker Raney, do hereby certify that a copy of the foregoing has been served upon all parties of record this 19th day of November, 2009.


Tucker Raney

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION)
OF ENTERGY ARKANSAS, INC. FOR)
APPROVAL OF SYNTHETIC RAILCAR)
LEASE)

DOCKET NO. 09-120-U

CONFIDENTIAL EAI EXHIBIT RST-1

ECONOMIC ANALYSIS OF ALUMINUM RAILCAR FLEET LEASE

**THIS EXHIBIT CONSISTS OF PROTECTED MATERIAL WHICH IS THE
SUBJECT OF THE COMPANY'S MOTION FOR PROTECTIVE ORDER FILED
ON NOVEMBER 16, 2009. THIS EXHIBIT WILL BE PROVIDED UNDER SEAL
PURSUANT TO THE COMMISSION'S ORDER ON THE MOTION.**

Entergy Arkansas Synthetic Lease Refinancing

Bid Summary

Rata Payer
POV

Bidder	Term	Residual	Swapped/ Fixed Rate	Upfront Fees	Comments	Total Payments	NPV of Payments	NPV of Rev Req
Bidder 1								
Bidder 2								
Bidder 3								
Bidder 4								
Bidder 5								
Bidder 6								
PURCHASE OPTION								

Purch vs. Bidder 1: \$