

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

January 5, 2010

IN RE:)	
)	
ENTERGY ARKANSAS, INC. APPLICATION FOR)	DOCKET NO.
APPROVAL OF SYNTHETIC RAILCAR LEASE)	09-00188

ORDER APPROVING LEASE

This matter came before Director Mary W. Freeman, Director Eddie Roberson and Director Kenneth C. Hill of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at the regularly scheduled Authority Conference held on December 14, 2009 for consideration of the *Application* filed on November 24, 2009 by Entergy Arkansas, Inc. (“EAI” or “Entergy”) for an order, pursuant to Tenn. Code Ann. § 65-4-109 (2004), to enter into a proposed lease transaction.

The Application

EAI is an electric utility primarily serving customers in Arkansas, with only twenty-two customers in the State of Tennessee. EAI is requesting Authority approval to enter into 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 *Application* notes that the proposed New Synthetic Lease is substantially similar to the existing synthetic lease.¹ According to the *Application*, the lessor under the New Synthetic Lease is

¹ The Authority approved the existing lease in Docket No. 02-01216. *See In re: Application of Entergy Arkansas, Inc. for Approval of Synthetic Railcar Lease*, Docket No. 02-01216.

anticipated to be RBS Asset Finance. The equipment leased will be approximately 2,137 aluminum rotary dump high side gondola railcars and 267 similar specification railcars. The proposed New Synthetic Lease will commence on or before January 2, 2010 and will have a term of five years. According to the *Application*, the New Synthetic Lease would allow EAI to purchase the existing railcars at a price specified in the terms of the lease and is projected to produce net present value savings to ratepayers of approximately \$16 million as compared to the purchase option.

Rental payments under the proposed 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. The Rental Amount will be subject to change until the lease commencement date and will be indexed to the three-year interest rate swap. The New Synthetic Lease will be amortized over the maximum lease term, five years, to a final lease balance that is a percentage of the original value.

FINDINGS AND CONCLUSIONS

Tenn. Code Ann. § 65-4-109 provides:

No public utility shall issue any stocks, stock certificates, bonds debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the authority for such proposed issue. It shall be the duty of the authority after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the authority.

The panel voted unanimously to approve the *Application* and made the following findings:

1. The proposed financing transaction is subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109 (2004).
2. The proposed financing transaction is being made in accordance with laws enforceable by this agency.
3. The proposed financing transaction is in the public interest because it will provide Entergy with cost savings.

4. Entergy shall be bound by the same filing requirements imposed by the Arkansas Public Service Commission.

IT IS THEREFORE ORDERED THAT:

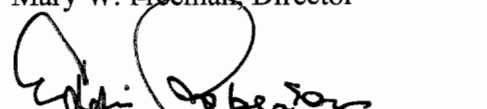
1. Entergy Arkansas, Inc. is authorized to enter into the proposed leased transaction as described in the *Application* and discussed herein contingent upon approval of the Arkansas Public Service Commission.

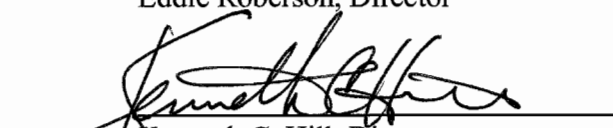
2. Entergy Arkansas, Inc. shall file copies of any reports that it is required to provide to the Arkansas Public Service Commission related to this Docket.

3. The authorization and approval given hereby shall not be used by any party, including but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risks involved.

4. This decision is not intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee or any political subdivision thereof.


Mary W. Freeman, Director


Eddie Roberson, Director


Kenneth C. Hill, Director