



Entergy Arkansas, Inc.  
425 W. Capitol Avenue  
P.O. Box 551  
Little Rock, AR 72203-0551  
Tel 501 377 4457  
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Steven Strickland  
Vice President  
Regulatory Affairs

**VIA OVERNIGHT MAIL**

filed electronically in docket office on 09/14/12

September 13, 2012

Mr. Kenneth C. Hill, Chairman  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

Re: Tennessee Regulatory Authority Docket No. 2012- 00109  
Entergy Arkansas, Inc. Request for Authorization to Enter  
into Certain Financing Transactions During the Years 2013  
Through 2015

Dear Chairman Hill:

Attached for filing with the Tennessee Regulatory Authority (TRA) are the original and four hard copies along with a compact disc containing Entergy Arkansas, Inc.'s (EAI) Application and the supporting Direct Testimony of EAI witness Steven C. McNeal filed August 6, 2012, with the Arkansas Public Service Commission (APSC) in Docket No. 12-059-U requesting authorization to enter into certain financing transactions during the years 2013 through 2015. As of August 31, 2012, EAI presently serves 8 customers in Tennessee.

On August 30, 2012, APSC General Staff witness Robert Daniel filed his direct testimony in APSC Docket No. 12-059-U recommending approval of EAI's Financing Application, subject to certain reporting requirements. An original and four copies of Mr. Daniel's testimony are also attached and included on the above-mentioned compact disc.

On September 13, 2012, the APSC Administrative Law Judge issued Order No. 2 in APSC Docket No. 12-059-U approving EAI's Financing Application, subject to certain reporting requirements. An original and four copies of this order are also attached and an electronic copy is included on the above-mentioned compact disc.

EAI is requesting that the TRA issue an order approving or concurring with the APSC order as expeditiously as possible which will allow EAI the authority to enter into these proposed financial transactions pursuant to Tenn. Code Ann. § 65-4-109. The bond underwriters require individual orders issued by the APSC

and the TRA granting their approval for the proposed financing transactions described in EAI's Application. The bond underwriters also require that the 60-day period following the issuance of the TRA order be completed prior to EAI entering into these proposed financial transactions described in its Application. Therefore, EAI requests that the TRA act to consider this request and issue an order no later than October 30, 2012 to allow for the 60-day period to be completed by December 31, 2012.

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

If you have any questions or need additional information, please do not hesitate to call me at (501) 377-4457 or Ms. Laura Landreaux at (501) 377-5876.

Sincerely,

A handwritten signature in dark ink, appearing to read 'SKS/tv', written in a cursive style.

SKS/tv  
Attachments

**Arkansas Public Service Commission****Docket Summary Cover Sheet**

**(For all dockets other than Rate Cases, "TD", "C" and "TF" Dockets  
Must be filed with each new docket filed at the Commission**

STYLE OF DOCKET: (Style may be changed by Secretary of Commission) **Docket Number:**

IN THE MATTER OF THE APPLICATION OF ENTERGY  
ARKANSAS, INC. FOR AUTHORIZATION TO ENTER INTO  
CERTAIN FINANCING TRANSACTIONS BETWEEN JANUARY 1,  
2013, AND DECEMBER 31, 2015

12-059-U

DOCKET DESIGNATOR: ☒ U ☐ A ☐ R ☐ P  
☐ SD

RELATED DOCKETS:

Nature of Action: (See second sheet)

PETITIONER/INITIATING PARTY\*

Entergy Arkansas, Inc.

ATTORNEYS' NAME, ADDRESS, PHONE, FAX AND E-MAIL

Ms. Tucker Raney, Entergy Services, Inc. 425 W. Capitol Ave., P. O.  
Box 551, Little Rock, AR 72203, 501-377-3500, fax 501-377-5814,  
traney@entergy.com; Paul Benham, Friday, Eldredge & Clark, LLP,  
400 W. Capitol Ave., Suite 2000, Little Rock, AR 72201, 501-370-  
1517, fax 501-376-2147, benham@fec.net

\*If the initiating party is not a jurisdictional utility in Arkansas, please provide mailing address, phone, fax and e-mail for the company

**Pursuant to Rule 2.03(b) of the Commission's Rules of Practice and Procedure, please provide name, address, phone, fax, e-mail of at least one, but not more than two names to appear on the Service List for this docket**

Steve Strickland, Entergy Arkansas, Inc., 425 W. Capitol Ave., P. O. Box 551, Little Rock, AR 72203, 501-377-4457, fax 501-377-4415, sstrick@entergy.com; Paul Benham, Friday, Eldredge & Clark, LLP, 400 W. Capitol Ave., Suite 2000, Little Rock, AR 72201, 501-370-1517, fax 501-376-2147, benham@fec.net

Write a brief statement, limited to the space provided herein describing the case that you are filing.

Please provide enough information to assure that the nature of your docket is clear.

This Application and Direct Testimony of Steven C. McNeal support EAI's request for APSC authorization for EAI to issue certain securities up to specified maximum limits to address EAI's general financing needs for the next three years, beginning January 1, 2013, and ending December 31, 2015. EAI is requesting authorization to issue and sell first mortgage bonds, preferred stock, common stock, and tax-exempt bonds up to certain specified amounts. The proceeds from such transactions would, among other things, permit EAI to acquire, redeem, or refund outstanding securities.

Form completed by: Tucker Raney Date: 8/06/12

Representing: Entergy Arkansas, Inc.

**NATURE OF ACTION:** Please choose at least one, but no more than three docket types

<input type="checkbox"/> Accounting	<input type="checkbox"/> Lifeline/link up
<input type="checkbox"/> Acquisition/Sales	<input type="checkbox"/> Market Power
<input type="checkbox"/> Act 310 of 1981 (Surcharge)	<input type="checkbox"/> Merger/Transfer
<input type="checkbox"/> Act 821 of 1987 (Cooperatives Rate Change)	<input type="checkbox"/> Municipal Franchise Tax
<input type="checkbox"/> Administrative Procedures	<input type="checkbox"/> Net Metering
<input type="checkbox"/> Affiliate Rules	<input type="checkbox"/> Nuclear Decommissioning
<input type="checkbox"/> Annual Reports/Assessment	<input type="checkbox"/> One Call
<input type="checkbox"/> Ar Energy Conservation Act (Efficiency Programs)	<input type="checkbox"/> Pipeline Safety
<input type="checkbox"/> Arbitration	<input type="checkbox"/> Pole attachment issues
<input type="checkbox"/> Arkansas High Cost Fund	<input type="checkbox"/> Protective Order
<input type="checkbox"/> Arkansas Intralata Toll Pool	<input type="checkbox"/> Public Utility Holding Company Act
<input type="checkbox"/> Arkansas Universal Service Fund	<input type="checkbox"/> Public Utility Regulatory Policy Act
<input type="checkbox"/> ARSI Arkansas Relay Service, Inc.	<input type="checkbox"/> Purchase Power
<input type="checkbox"/> Auto Adjustment	<input type="checkbox"/> Railroad
<input type="checkbox"/> Avoided Cost	<input type="checkbox"/> Rates
<input type="checkbox"/> CCN Cancellation	<input type="checkbox"/> Refund
<input type="checkbox"/> CCN Facility	<input type="checkbox"/> Reports
<input type="checkbox"/> CCN License	<input type="checkbox"/> Resource Plan
<input type="checkbox"/> CECPN	<input type="checkbox"/> Restructuring
<input type="checkbox"/> Cost of Gas/Energy seasonal/unscheduled	<input type="checkbox"/> Retail
<input type="checkbox"/> Customer release/Abandonment	<input type="checkbox"/> River Crossing
<input type="checkbox"/> Declaratory Judgment	<input type="checkbox"/> Regional Transmission Organization
<input type="checkbox"/> Depreciation	<input type="checkbox"/> Rulemaking
<input type="checkbox"/> Dialing/Numbering	<input type="checkbox"/> Self-Direct Certification
<input type="checkbox"/> Disabilities Act of 1990	<input type="checkbox"/> Service Quality
<input type="checkbox"/> Earnings Review	<input type="checkbox"/> Shielded Outdoor Lighting
<input type="checkbox"/> Eligible Telecommunications Carrier Designation	<input type="checkbox"/> Show Cause
<input type="checkbox"/> Energy Policy Act	<input type="checkbox"/> Stranded Costs
<input type="checkbox"/> Energy/Fuel Purchasing Practices	<input type="checkbox"/> Sustainable Energy Resources
<input type="checkbox"/> EWG Exempt Wholesale Generator	<input type="checkbox"/> Terms and Conditions
<input type="checkbox"/> Extended Area Service	<input type="checkbox"/> Territory/release/unallocated territory
<input type="checkbox"/> Extension of Telecommunications Facilities Fund	<input type="checkbox"/> Transition costs
<input type="checkbox"/> Extraordinary Property Loss	<input type="checkbox"/> Unbundling
<input type="checkbox"/> FCC	<input type="checkbox"/> USOA (Uniform System of Accounts)
<input checked="" type="checkbox"/> Finance (Bonds/issue & sell; stock; prom note)	<input type="checkbox"/> Waiver/Exemption
<input type="checkbox"/> Grand Gulf	<input type="checkbox"/> Weather
<input type="checkbox"/> Integrated Resource Planning	<input type="checkbox"/> Wholesale
<input type="checkbox"/> Interconnection Agreements	<input type="checkbox"/> Wholesale Rate Adjustment
<input type="checkbox"/> Interest/Customer Deposit	
<input type="checkbox"/> Investigation/Inquiry	

BEFORE THE  
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION )  
OF ENTERGY ARKANSAS, INC. FOR )  
AUTHORIZATION TO ENTER INTO ) DOCKET NO. 12-059-U  
CERTAIN FINANCING TRANSACTIONS )  
BETWEEN JANUARY 1, 2013, AND )  
DECEMBER 31, 2015 )

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 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 the Metropolitan National Bank Tower, 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 generating facility located in the State of Louisiana.

3. EAI is currently authorized to enter into certain financing transactions pursuant to Order No. 1 entered in Docket No. 09-068-U on September 14, 2009 and pursuant to Order No. 1 entered in Docket No. 11-090-U on September 29, 2011. Such authorizations expire on December 31, 2012. In order to take advantage of favorable capital market conditions, it is essential that EAI be able to engage in the financing transactions described herein during the period January 1, 2013, through December 31, 2015. The financing transactions for which authorization is requested herein are comparable to the transactions authorized in Docket No. 09-068-U and Docket No. 11-090-U.

4. Accordingly, and pursuant to Ark. Code Ann. § 23-3-104, the Company hereby applies to the Commission for an order authorizing it, from time to time not earlier than January 1, 2013, and not later than December 31, 2015, to enter into one or more of the financing transactions hereinafter described. With respect to long-term debt in the form of one or more series of its first mortgage bonds ("Bonds" or "First Mortgage Bonds") as well as debentures ("Debentures"), loan agreements, credit facilities and other like instruments, both secured and unsecured (collectively, "New LT Debt"), each such transaction shall be in such principal amount as the Company may elect, which amounts, in the aggregate, shall not exceed the sum of \$700 million. With respect to Preferred Stock, any shares issued shall not have an aggregate par value or involuntary liquidation value, as the case may be, in excess of \$120 million. With respect to Common Stock, any shares issued shall not have an aggregate par value in excess of \$200 million. With respect to Tax-Exempt Bonds, the aggregate principal amount shall not exceed \$350 million and the aggregate principal amount of any Collateral First Mortgage Bonds which may be issued in conjunction with any Tax-Exempt Bonds shall not exceed \$400 million.

5. Should any of the proceeds of the New LT Debt be used to retire, redeem, or otherwise repay the principal amount of long-term debt outstanding at the time of such issuance ("Outstanding LT Debt"), the principal amount of such New LT Debt issued for such purpose shall be excluded from the calculation of

the aggregate amount of New LT Debt being incurred and therefore shall not be counted against the New LT Debt issuance authorized by the APSC. The Company anticipates that the maximum amount of New LT Debt to be used to retire Outstanding LT Debt is approximately \$975 million.

6. The net proceeds that EAI will receive from the issuance and sale of First Mortgage Bonds and other New LT Debt, Preferred Stock, and Common Stock will be used for general corporate purposes, including, but not limited to, providing funds to repay maturing debt, providing funds for the possible refunding, refinancing, acquisition, redemption, or retirement of certain of the Company's outstanding securities, providing funds for capital investments, managing the Company's liquidity and working capital requirements, and financing unanticipated events such as emergency restoration, in addition to other corporate purposes. The proceeds that EAI will receive from the issuance and sale of Tax-Exempt Bonds, net of any underwriters' discounts or other expenses payable from proceeds, will be applied to acquire and construct certain pollution control or sewage and solid waste disposal facilities at EAI's generating plants ("Facilities") or to refinance outstanding Tax-Exempt Bonds issued for that purpose.



**I. FIRST MORTGAGE BONDS**

7. EAI is requesting authorization to issue and sell one or more series of First Mortgage Bonds in such principal amounts as EAI may elect, subject, however, to the limitations on time and on aggregate amount as specified in paragraph 4, above. The Bonds of each series will be due not less than one year or more than 50 years after their respective dates of issuance.

8. Each series of Bonds will be sold at such price, will bear interest at such rate (which may be an adjustable rate), and will mature on such date as will be determined at the time of sale. EAI anticipates that the issuance and sale of each series of Bonds will be by means of competitive bidding, a negotiated public offering, or a private placement with one or more institutional investors such as corporations, statutory business trusts, partnerships, limited liability companies, or similar entities in order to secure the advantage of an advanced marketing effort and the best available terms. Because the markets for the Bonds are constantly fluctuating, it is not possible to forecast the precise interest rate for any series of the Bonds at this time.

9. Each series of Bonds is to be issued as a new series of First Mortgage Bonds under EAI's Mortgage and Deed of Trust, dated as of October 1, 1944, to Guaranty Trust Company of New York (Deutsche Bank Trust Company Americas, successor) and, as to certain Missouri property, Marvin A. Mueller (The Bank of New York Mellon Trust Company, National Association, successor),

Co-Trustee, as Trustees, as heretofore supplemented and as proposed to be further supplemented by additional supplemental indentures thereto (the "Mortgage"). A copy of the Mortgage, as supplemented, has previously been filed with the Commission. A copy of the proposed form of supplemental indenture relating to each series of the Bonds is attached hereto as EAI Exhibit A.

10. The Mortgage constitutes a first mortgage lien on substantially all of the properties presently owned by EAI (except as stated below), subject to (a) leases of minor portions of the Company's property to others for uses that do not interfere with the conduct of the Company's business, (b) leases of certain EAI property not used in its electric utility business, and (c) excepted encumbrances. There are excepted from the lien of the Mortgage all cash and securities, certain equipment, fuel, materials or supplies, automobiles and other vehicles and aircraft, timber, minerals, mineral rights, and royalties, receivables, contracts, leases and operating agreements, and certain unimproved lands sold or to be sold. The Mortgage contains provisions for encumbering after-acquired property by the lien thereof, subject to limitation in the case of consolidation, merger, or sale of substantially all of EAI's assets.

11. EAI's Mortgage provides that each new series of First Mortgage Bonds may be subject to annual sinking or improvement fund payments. EAI is not obligated to make annual payments into sinking or improvement funds with

respect to any of its outstanding First Mortgage Bonds and does not intend to issue any new series of First Mortgage Bonds which will be subject to such requirements.

12. The aggregate amount of First Mortgage Bonds which was issued and outstanding under the Mortgage as of June 30, 2012, was approximately \$1,325 million (excluding \$101 million of Collateral Bonds, as defined below), all of which is secured by the lien of the Mortgage.

## **II. OTHER LONG-TERM DEBT**

13. Debentures, if any, will be issued with like terms and conditions as those described for Bonds in paragraphs 6 and 7 above. Loan agreements, credit facilities and other like instruments, in each case, where the borrowings made thereunder may be outstanding for periods in excess of one year, will be entered into with various lenders, on both secured and unsecured bases. EAI may agree to pay to each lending bank (a) a commitment, facility, or similar fee that will be (i) a fixed dollar amount, and/or (ii) a percentage of the total commitment or unused commitment, and (b) one time closing fees consisting of up-front fees, arrangement fees, administrative agency fees, and/or similar closing fees. The fees will be negotiated at the time of the arrangements and will be comparable to fees in the applicable market for borrowing arrangements with similar features and terms and conditions to borrowers of comparable credit

quality. The terms and conditions of such arrangements will be consistent with those obtained by companies of comparable credit quality for like facilities.

### **III. PREFERRED STOCK**

14. EAI also is requesting authorization, subject to the limitations on time and amounts as specified in paragraph 4, above, to create, issue, and sell, one or more series of its \$100 Par Value, \$25 Par Value or Class A Preferred Stock (collectively, "Preferred Stock"), or any combination thereof, each such series consisting of such number of shares as EAI shall elect; provided, however, that the total number of such shares shall not exceed the number of shares authorized by the Company's Second Amended and Restated Articles of Incorporation ("Articles of Incorporation"), which is on file with the APSC and is hereby incorporated by reference. Each new series of the Preferred Stock shall have the same rank and relative rights as, and shall otherwise be identical to, each series of EAI's Preferred Stock presently issued and outstanding, except as follows: (i) the par value and/or involuntary liquidation value of each such new series may differ; (ii) the resolutions authorizing the creation of each such new series of the Preferred Stock may provide for different dividend rates, dates from which dividends shall commence to accumulate, redemption rates, and redemption restrictions, if any; and (iii) the holders of the \$25 Preferred Stock will not have the right to vote, consent to, or otherwise restrict EAI's ability to issue or assume unsecured indebtedness.

15. Each series of Preferred Stock will be sold at such price and have such dividend rate as will be determined at the time of sale. EAI anticipates that the issuance and sale of each series of Preferred Stock will be by means of competitive bidding, a negotiated public offering, or a private placement with one or more institutional investors such as corporations, statutory business trusts, partnerships, limited liability companies, or similar entities in order to secure the advantage of an advanced marketing effort and the best available terms. Because the market for the Preferred Stock is constantly fluctuating, it is not possible to forecast the precise dividend rate for any series of the Preferred Stock at this time.

16. The Preferred Stock will be issued in accordance with EAI's Articles of Incorporation, which currently authorize the issuance of 3,730,000 shares of its \$100 Par Value Preferred Stock, 9,000,000 shares of its \$25 Par Value Preferred Stock, and 15,000,000 shares of its Class A Preferred Stock, of which 413,500 shares of its \$100 Par Value Preferred Stock and 3,000,000 shares of its \$25 Par Value Preferred Stock were issued and outstanding as of March 31, 2012. There are no shares of the Class A Preferred Stock issued and outstanding.

#### **IV. COMMON STOCK**

17. EAI also is requesting authorization, subject to the limitations on time and on aggregate amount as specified in paragraph 4, above, to issue and sell to Entergy Corporation an aggregate amount of its common stock, \$0.01 par value per share ("Common Stock") not exceeding 16,000,000 shares, at a minimum price of \$12.50 per share, in one or more separate transactions occurring at such times as the Company deems appropriate. EAI will enter into such agreements with Entergy Corporation for the sale and purchase of the Common Stock, to occur in such installments and at such times before December 31, 2015, as EAI and Entergy Corporation shall determine.

18. The Common Stock will be issued in accordance with the Company's Articles of Incorporation, which currently authorize the issuance of 325,000,000 shares of its Common Stock, of which 46,980,196 shares were issued and outstanding as of March 31, 2012.

**V. TAX-EXEMPT BONDS, COLLATERAL BONDS AND RELATED TRANSACTIONS**

19. EAI also is requesting authorization, subject to the limitations on time and on aggregate amount as specified in paragraph 4, above, to enter into arrangements for the issuance and sale, by one or more governmental authorities (each an "Issuer"), of one or more series of tax-exempt bonds ("Tax-Exempt Bonds"). The Company would enter into one or more leases, installment sales, refunding, loan, or similar agreements and/or one or more supplements or amendments thereto (collectively, the "Facilities Agreements") contemplating the issuance and sale by the Issuer(s) of one or more series of Tax-Exempt Bonds pursuant to one or more trust indentures and/or one or more supplements thereto (collectively, the "Indentures") between the Issuer and one or more trustees (collectively, the "Trustee").

20. Payments made by EAI under the Facilities Agreements will be in amounts sufficient (together with any other moneys held by the Trustee under the Indentures and available for such purpose) to pay the principal of, and the premium, if any, thereon, together with interest accrued or to accrue on, the related series of Tax-Exempt Bonds as the same become due and payable, and such payments will be made directly to the Trustee pursuant to an assignment and pledge thereof by the Issuer to the Trustee as set forth in the Indentures. Under the Facilities Agreements, EAI also will be obligated to pay (a) the fees and charges of the Trustee and any registrar or paying agent under the

Indentures, (b) all expenses necessarily incurred by the Issuer in connection with its rights and obligations under the Facilities Agreements, (c) all expenses necessarily incurred by the Issuer or the Trustee under the Indentures in connection with the transfer or exchange of Tax-Exempt Bonds, and (d) all other payments that the Company agrees to pay under the Facilities Agreements.

21. The Indentures may provide that, upon the occurrence of certain events relating to the operation of all or a portion of the Facilities financed, the Tax-Exempt Bonds will be redeemable by the Issuer, at the direction of EAI. Any series of Tax-Exempt Bonds may be made subject to a mandatory cash sinking fund under which stated portions of the Tax-Exempt Bonds may be subject to mandatory redemption in other cases. The payments by EAI under the Facilities Agreements in such circumstances shall be sufficient (together with any other moneys held by the Trustee under the Indentures and available therefor) to pay the principal of all the Tax-Exempt Bonds to be redeemed or retired and the premium, if any, thereon, together with interest accrued or to accrue to the redemption date on such Tax-Exempt Bonds.

22. The Tax-Exempt Bonds will mature not less than one year from the first day of the month of issuance nor later than 40 years from the date of issuance. Tax-Exempt Bonds will be subject to optional redemption, at the direction of EAI, in whole or in part, at the redemption prices (expressed as



percentages of principal amount) plus accrued interest to the redemption date, and at the times, set forth in the Indentures.

23. The Facilities Agreements and the Indentures may provide for a fixed interest rate or for an adjustable interest rate for each series of Tax-Exempt Bonds as hereinafter described. No series of Tax-Exempt Bonds will be sold if the fixed interest rate or initial adjustable rate thereon would exceed the maximum interest rate permitted by applicable law. If the series of Tax-Exempt Bonds has an adjustable interest rate, the interest rate during the initial Rate Period would be determined in discussions between EAI and the purchasers thereof from the Issuer and would be based on the current market rate for comparable Tax-Exempt Bonds having a maturity comparable to the length of the initial Rate Period. Thereafter, for each subsequent Rate Period, the interest rate on such Tax-Exempt Bonds would be that rate (subject to a specified maximum rate) which will be sufficient to permit the remarketing of Tax-Exempt Bonds of such series at their principal amount. Such interest rates would be determined based on the market rates for Tax-Exempt Bonds of comparable maturity and quality. The following subparagraphs (a) through (d) relate to Tax-Exempt Bonds having an adjustable interest rate:

- (a) The term "Rate Period," as used herein, means a period during which the interest rate on such Tax-Exempt Bonds bearing an adjustable rate (or method of determination of such interest rate) is fixed. The initial Rate Period would commence on the date as of which interest begins to

accrue on such Tax-Exempt Bonds. The length of each Rate Period would be not less than one day and not more than the remaining term to maturity of the Tax-Exempt Bonds.

(b) The Facilities Agreements and Indentures would provide that holders of Tax-Exempt Bonds would have the right to tender or would be required to tender their Tax-Exempt Bonds and have the bonds purchased at a price equal to the principal amount thereof, plus any accrued and unpaid interest thereon, on dates specified in, or established in accordance with, the Indentures. A Tender Agent may be appointed to facilitate the tender of any Tax-Exempt Bonds by holders. Any holders of Tax-Exempt Bonds wishing to have their Tax-Exempt Bonds purchased may be required to deliver their Tax-Exempt Bonds during a specified period of time preceding such purchase date to the Tender Agent, if one shall be appointed, or to the Remarketing Agent appointed to offer such tendered Tax-Exempt Bonds for sale.

(c) The Facilities Agreements would obligate EAI to pay amounts equal to the amounts to be paid by the Remarketing Agent or the Tender Agent pursuant to the Indentures for the purchase of Tax-Exempt Bonds as tendered by holders. Such amounts shall be paid by the Company on the dates payments by the Remarketing Agent or the Tender Agent are to be made. However, the obligation of EAI to make any such payment under the Facilities Agreements would be reduced by the amount of any other

moneys available therefor, including the proceeds of the sale of such tendered Tax-Exempt Bonds by the Remarketing Agent.

(d) Upon the delivery of such Tax-Exempt Bonds by holders to the Remarketing Agents or the Tender Agent for purchase, the Remarketing Agent would use its best efforts to sell such Tax-Exempt Bonds at a price equal to the stated principal amount of such Tax-Exempt Bonds.

24. In order to obtain a more favorable rating on one or more series of the Tax-Exempt Bonds, and, thereby improve the marketability thereof, EAI may arrange for an irrevocable letter of credit from a bank (the "Bank") in favor of the Trustee. In such event, payments with respect to principal, premium, if any, interest, and purchase obligations in connection with any such Tax-Exempt Bonds coming due during the term of such letter of credit would be secured by, and payable from funds drawn under, the letter of credit. In order to induce the Bank to issue such letter of credit, the Company would enter into a Letter of Credit and Reimbursement Agreement ("Reimbursement Agreement") with the Bank pursuant to which EAI would agree to reimburse the Bank for all amounts drawn under such letter of credit within a specified period after the date of the draw and with interest thereon. The terms of the Reimbursement Agreement would correspond to the terms of the Letter of Credit.

25. It is anticipated that the Reimbursement Agreement would require the payment by EAI to the Bank of annual letter-of-credit fees and perhaps an

up-front fee. Any such letter of credit may expire or be terminated prior to the maturity date of any such Tax-Exempt Bonds, and, in connection with such expiration or termination, such Tax-Exempt Bonds may be made subject to mandatory redemption or purchase on or prior to the date of expiration or termination of the Letter of Credit, possibly subject to the right of owners of such Tax-Exempt Bonds not to have their Tax-Exempt Bonds redeemed or purchased. Provision may be made for extension of the term of the Letter of Credit or for the replacement thereof, upon its expiration or termination, by another letter of credit from the Bank or a different bank.

26. In addition, or as an alternative, to the security provided by a letter of credit, in order to obtain a more favorable rating on one or more series of Tax-Exempt Bonds, and consequently improve the marketability thereof, EAI may determine (a) to provide an insurance policy for the payment of the principal of and/or premium and/or interest on such Tax-Exempt Bonds issued by an insurer ("Bond Insurer") pursuant to an insurance agreement ("Insurance Agreement"), and/or (b) to provide security for holders of such Tax-Exempt Bonds and/or the Bank and/or the Bond Insurer equivalent to the security afforded to holders of first mortgage bonds outstanding under the Company's Mortgage by obtaining the authentication of and pledging one or more new series of EAI's First Mortgage Bonds ("Collateral Bonds") under the Mortgage, as it may be supplemented.

27. Collateral Bonds would be issued on the basis of unfunded net property additions and/or previously-retired first mortgage bonds, and would be delivered to the Trustee under the Indentures and/or to the Bank and/or the Bond Insurer in order to evidence and secure EAI's obligation to pay the purchase price of the related Facilities or repay the loan made by the Issuer under the Facilities Agreements, and/or in order to evidence and secure the Company's obligation to reimburse the Bank under the Reimbursement Agreement or the Bond Insurer under the Insurance Agreement. Collateral Bonds could be issued in several ways. First, if the Tax-Exempt Bonds bear a fixed interest rate, Collateral Bonds could be issued in a principal amount equal to the principal amount of such Tax-Exempt Bonds and bear interest at a rate equal to the rate of interest on such Tax-Exempt Bonds. Second, they could be issued in a principal amount equivalent to the principal amount of such Tax-Exempt Bonds plus an amount equal to interest thereon for a specified period. In such a case, such Collateral Bonds would bear no interest. Third, Collateral Bonds could be issued in a principal amount equivalent to the principal amount of such Tax-Exempt Bonds or in such amount plus an amount equal to interest thereon for a specified period, but carry a fixed interest rate that would be lower than the fixed interest rate of such Tax-Exempt Bonds. Fourth, Collateral Bonds could be issued in a principal amount equivalent to the principal amount of such Tax-Exempt Bonds at an adjustable rate of interest, varying with the rate of such Tax-Exempt Bonds but having a "cap" above which the interest on Collateral Bonds could not rise. The terms of any Collateral Bonds relating to maturity, interest payment dates, if

any, redemption provisions, and acceleration will correspond to the terms of the related Tax-Exempt Bonds. Upon issuance, the terms of any Collateral Bonds will not vary during the life of such series, except for the interest rate in the event such Collateral Bonds bear interest at an adjustable rate. The maximum aggregate principal amount of Collateral Bonds shall be \$400 million (which \$400 million of Collateral Bonds is not included in the \$700 million of New LT Debt for which authorization is sought pursuant to Section I above).

28. In one or more Facilities Agreements, EAI may grant, or promise to grant in the future, a subordinated lien on some or all of its property, or some other form of collateral, to the Trustee under the Indenture for that series of Tax-Exempt Bonds to provide security for the Company's obligation under the Facilities Agreements.

29. It is contemplated that the Tax-Exempt Bonds will be sold by the Issuer pursuant to arrangements with an underwriter or a group of underwriters or by private placement in a negotiated sale or sales. EAI will not be a party to the underwriting or placement arrangements. However, the Facilities Agreements will provide that the terms of the Tax-Exempt Bonds, and their sale by the Issuer, shall be satisfactory to the Company. EAI expects that interest payable on the Tax-Exempt Bonds will not be includable in the gross income of the holders thereof for Federal income tax purposes under the provisions of Section 103 of the Internal Revenue Code of 1986, as amended to the date of

issuance of Tax-Exempt Bonds (except for interest on any Tax-Exempt Bond during a period in which it is held by a person who is a "substantial user" of the Facilities or a "related person" within the meaning of Section 147(a) of such Code). EAI also expects that interest payable on the Tax-Exempt Bonds will not be includable in the gross income of the holders thereof for Arkansas income tax purposes under Ark. Code Ann. § 14-267-112.

## **VI. GENERAL INFORMATION**

30. The Company's Application, together with the financing plan proposed herein, was approved by the Company's Board of Directors by unanimous written consent effective as of July 27, 2012. Excerpts from the consent setting forth the resolutions approving the Application and the financing plan are attached hereto as EAI Exhibit B.

31. EAI estimates its aggregate expenses in connection with the issuance and sale of the initial series and any subsequent series of the First Mortgage Bonds and other New LT Debt, and the Preferred Stock, the Common Stock, and the Tax-Exempt Bonds and Collateral Bonds will be as reflected in EAI Exhibit C attached hereto.

32. EAI states that after the issuance of the First Mortgage Bonds and the other New LT Debt, the Preferred Stock, the Common Stock, and the Tax-Exempt Bonds and Collateral Bonds, the aggregate amount of all of its

outstanding stock, bonds, notes and other evidences of indebtedness will not exceed the fair value of EAI's properties and the reasonable cost of the issuance and sale of the First Mortgage Bonds and other New LT Debt, the Preferred Stock, the Common Stock, and the Tax-Exempt Bonds and Collateral Bonds.

33. Attached hereto is EAI Exhibit D, consisting of the following:
- (1) Balance Sheet per books as of March 31, 2012, and Pro Forma after giving effect to the proposed transactions.
  - (2) Earnings Statement for the 12 months ended June 30, 2012, per books, and Pro Forma after giving effect to the proposed transactions.
  - (3) Detail of long-term debt as of June 30, 2012, and Pro Forma after giving effect to the proposed transactions.

34. In Order No. 1 Docket No. 09-068-U, the APSC provided EAI with a three-year authorization subject to the restrictions and limits in the Company's application in that docket. EAI requests in this Application the continuation of a three-year financing period to facilitate its long-range planning and to achieve the administrative efficiency of a three-year term.

35. In order to take advantage of favorable capital market conditions, it is essential that EAI be able to proceed with the authority requested herein when presented with opportunities to enhance its financial flexibility and/or reduce its



capital cost. EAI's financing transactions described herein must also be approved by the TRA which usually will not act on EAI's Application filed with the TRA until the APSC has approved this Application. A final order from the TRA approving EAI's Application would not become effective until 60 days after issuance. Therefore, EAI requests that the Commission consider and act on this Application expeditiously and enter an order on or before September 15, 2012.

36. EAI requests that the following individuals be shown on the service list of this docket:

Steve Strickland  
Vice President, Regulatory Affairs  
Entergy Arkansas, Inc.  
425 W. Capitol Avenue  
P. O. Box 551  
Little Rock, Arkansas 72203  
Telephone: (501) 377-4457  
sstrick@entergy.com

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

WHEREFORE, ENTERGY ARKANSAS, INC. respectfully requests that the Commission enter its order on or before September 15, 2012:

(a) authorizing the Company, from time to time not earlier than January 1, 2013, and not later December 31, 2015, to issue and sell in one or more series,

or to enter into transactions providing for, in each case in a manner described herein: (i) New LT Debt in an aggregate principal amount which shall not exceed the sum of \$700 million; provided, however, should any of the proceeds of New LT Debt be used to retire, redeem, or otherwise repay the principal amount of Outstanding LT Debt, the principal amount of the New LT Debt being issued for such purpose shall not be used in calculating the aggregate amount of New LT Debt being incurred and therefore shall not be counted against the New LT Debt issuance authorized by the APSC; (ii) Preferred Stock, in an aggregate par value or involuntary liquidation value, as the case may be, not to exceed \$120 million; (iii) Common Stock, not to exceed 16,000,000 shares, at a minimum price of \$12.50 per share, for an aggregate maximum consideration of \$200 million; and (iv) Tax-Exempt Bonds in an aggregate principal amount not to exceed \$350 million, and Collateral Bonds in an aggregate principal amount not to exceed \$400 million (separate and apart from the authorization requested herein relating to the issuance and sale of New LT Debt); and, in connection therewith, the Company requests authorization to enter into the Facilities Agreements, and the Reimbursement Agreement and the Insurance Agreement, if any, related thereto as contemplated hereby;

(b) authorizing the Company to apply the proceeds from the sale of the New LT Debt, the Preferred Stock, the Common Stock and the Tax-Exempt Bonds for the purposes set forth herein;

(c) authorizing the Company to take all other action and to enter into all other agreements necessary therefore, and

(d) granting all other proper relief.

Dated August 6, 2012.

Respectfully submitted,

ENTERGY ARKANSAS, INC.

By: /s/ Tucker Raney

Tucker Raney  
Assistant General Counsel  
Entergy Services, Inc.  
P. O. Box 551  
Little Rock, AR 72203  
Telephone: (501) 377-3500

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 by forwarding the same by electronic mail and/or first class mail, postage prepaid, this 6th day of August 2012.

/s/ Tucker Raney  
Tucker Raney

BEFORE THE  
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION	)	
OF ENTERGY ARKANSAS, INC. FOR	)	
AUTHORIZATION TO ENTER INTO	)	DOCKET NO. 12-059-U
CERTAIN FINANCING TRANSACTIONS	)	
BETWEEN JANUARY 1, 2013, AND	)	
DECEMBER 31, 2015	)	

EAI EXHIBIT A

FORM OF SUPPLEMENTAL INDENTURE

## EAI Exhibit A

ENTERGY ARKANSAS, INC.  
TO  
DEUTSCHE BANK TRUST COMPANY AMERICAS  
(successor to Guaranty Trust Company of New York)

AND

(as to property, real or personal, situated or being in Missouri)

THE BANK OF NEW YORK MELLON TRUST COMPANY,  
NATIONAL ASSOCIATION

(successor to Marvin A. Mueller)

As Trustees under Entergy Arkansas, Inc.'s Mortgage and Deed of Trust,  
Dated as of October 1, 1944

SUPPLEMENTAL INDENTURE

Providing among other things for  
First Mortgage Bonds, \_\_\_\_\_% Series due \_\_\_\_\_, 20\_\_\_\_ (\_\_\_\_\_ Series)

Dated as of \_\_\_\_\_, 20\_\_

\_\_\_\_SUPPLEMENTAL INDENTURE

INDENTURE, dated as of \_\_, 20\_\_, between ENTERGY ARKANSAS, INC., a corporation of the State of Arkansas, whose post office address is 425 West Capitol, Little Rock, Arkansas 72201 (hereinafter sometimes called the "Company"), and DEUTSCHE BANK TRUST COMPANY AMERICAS (successor to Guaranty Trust Company of New York), a New York banking corporation, whose post office address is 60 Wall Street, New York, New York 10005 (hereinafter sometimes called the "Corporate Trustee"), and (as to property, real or personal, situated or being in Missouri) THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION (successor to Marvin A. Mueller), whose mailing address is 10161 Centurion Parkway, Jacksonville, Florida 32256 (said The Bank of New York Mellon Trust Company, National Association being hereinafter sometimes called the "Missouri Co- Trustee" and the Corporate Trustee and the Missouri Co-Trustee being hereinafter together sometimes called the "Trustees"), as Trustees under the Mortgage and Deed of Trust, dated as of October 1, 1944 (hereinafter sometimes called the "Mortgage"), which Mortgage was executed and delivered by the Company to secure the payment of bonds issued or to be issued under and in accordance with the provisions of the Mortgage, reference to which Mortgage is hereby made, this indenture (hereinafter called the " Supplemental Indenture") being supplemental thereto.

WHEREAS, the Mortgage was appropriately filed or recorded in various official records in the States of Arkansas, Louisiana, Missouri, Tennessee and Wyoming; and

WHEREAS, an instrument, dated as of July 7, 1949, was executed by the Company appointing Herbert E. Twyeffort as Co-Trustee in succession to Henry A. Theis (resigned) under the Mortgage, and by Herbert E. Twyeffort accepting said appointment, and said instrument was appropriately filed or recorded in various official records in the States of Arkansas, Louisiana, Missouri, Tennessee and Wyoming; and

WHEREAS, an instrument, dated as of March 1, 1960, was executed by the Company appointing Grainger S. Greene as Co-Trustee in succession to Herbert E. Twyeffort (resigned) under the Mortgage, and by Grainger S. Greene accepting said appointment, and said instrument was appropriately filed or recorded in various official records in the States of Arkansas, Louisiana, Missouri, Tennessee and Wyoming; and

WHEREAS, by the Twenty-first Supplemental Indenture mentioned below, the Company, among other things, appointed John W. Flaherty as Co-Trustee in succession to Grainger S. Greene (resigned) under the Mortgage, and John W. Flaherty accepted said appointment; and

WHEREAS, by the Thirty-third Supplemental Indenture mentioned below, the Company, among other things, appointed Marvin A. Mueller as Missouri Co-Trustee under the Mortgage, and Marvin A. Mueller accepted said appointment; and

WHEREAS, by the Thirty-fifth Supplemental Indenture mentioned below, the Company, among other things, appointed The Boatmen's National Bank of St. Louis as Missouri Co-Trustee in succession to Marvin A. Mueller (resigned) under the Mortgage, and The Boatmen's National Bank of St. Louis accepted said appointment; and

WHEREAS, an instrument, dated as of September 1, 1994, was executed by the Company appointing Bankers Trust Company as Trustee, and Stanley Burg as Co-Trustee, in succession to Morgan Guaranty Trust Company of New York (resigned) and John W. Flaherty (resigned), respectively, under the Mortgage and Bankers Trust Company and Stanley Burg accepted said appointments, and said instrument was appropriately filed or recorded in various official records in the States of Arkansas, Missouri, Tennessee and Wyoming; and

WHEREAS, by the Fifty-fifth Supplemental Indenture mentioned below, the Company, among other things, appointed Peter D. Van Cleve as Missouri Co-Trustee in succession to The Boatmen's National Bank of St. Louis (resigned) under the Mortgage, and Peter D. Van Cleve accepted said appointment; and

WHEREAS, by an instrument, dated as of May 31, 2000, the Company appointed BNY Trust Company of Missouri as Missouri Co-Trustee in succession to Peter D. Van Cleve (resigned) under the Mortgage, and BNY Trust Company of Missouri accepted said appointment, and said instrument was appropriately filed or recorded in various official records in the State of Missouri; and

WHEREAS, by an instrument, dated as of April 15, 2002, filed with the Banking Department of the State of New York, Bankers Trust Company, Trustee, effected a corporate name change pursuant to which, effective such date, it is known as Deutsche Bank Trust Company Americas; and

WHEREAS, by an instrument dated November 1, 2004, filed with the Office of the Comptroller of the Currency in Colorado, BNY Trust Company of Missouri merged into BNY Missouri Interim Trust Company, National Association, and by an instrument dated November 1, 2004, filed with the Office of the Comptroller of the Currency in Colorado, BNY Missouri Interim Trust Company, National Association, merged into The Bank of New York Trust Company, National Association; and

WHEREAS, by the Sixty-third Supplemental Indenture mentioned below, the Company, the Corporate Trustee, Stanley Burg as Co-Trustee, and The Bank of New York Trust Company, National Association, as Missouri Co-Trustee, appointed Jeffrey Schroeder to serve as Missouri Co-Trustee under the Mortgage, and Jeffrey Schroeder accepted such appointment; and

WHEREAS, by an instrument effective as of February 28, 2005, Jeffrey Schroeder resigned as a Missouri Co-Trustee; and



WHEREAS, effective July 1, 2008, The Bank of New York Trust Company, National Association changed its name to The Bank of New York Mellon Trust Company, National Association; and

WHEREAS, by the Sixty-ninth Supplemental Indenture mentioned below, effective as of October 1, 2010, Stanley Burg resigned as Co-Trustee; and

WHEREAS, by the Mortgage the Company covenanted that it would execute and deliver such supplemental indenture or indentures and such further instruments and do such further acts as might be necessary or proper to carry out more effectually the purposes of the Mortgage and to make subject to the lien of the Mortgage any property thereafter acquired and intended to be subject to the lien thereof; and

WHEREAS, the Company executed and delivered to the Trustees the following supplemental indentures:

<u>Designation</u>	<u>Dated as of</u>
First Supplemental Indenture	July 1, 1947
Second Supplemental Indenture	August 1, 1948
Third Supplemental Indenture	October 1, 1949
Fourth Supplemental Indenture	June 1, 1950
Fifth Supplemental Indenture	October 1, 1951
Sixth Supplemental Indenture	September 1, 1952
Seventh Supplemental Indenture	June 1, 1953
Eighth Supplemental Indenture	August 1, 1954
Ninth Supplemental Indenture	April 1, 1955
Tenth Supplemental Indenture	December 1, 1959
Eleventh Supplemental Indenture	May 1, 1961
Twelfth Supplemental Indenture	February 1, 1963
Thirteenth Supplemental Indenture	April 1, 1965
Fourteenth Supplemental Indenture	March 1, 1966
Fifteenth Supplemental Indenture	March 1, 1967
Sixteenth Supplemental Indenture	April 1, 1968
Seventeenth Supplemental Indenture	June 1, 1968
Eighteenth Supplemental Indenture	December 1, 1969
Nineteenth Supplemental Indenture	August 1, 1970
Twentieth Supplemental Indenture	March 1, 1971
Twenty-first Supplemental Indenture	August 1, 1971
Twenty-second Supplemental Indenture	April 1, 1972
Twenty-third Supplemental Indenture	December 1, 1972
Twenty-fourth Supplemental Indenture	June 1, 1973
Twenty-fifth Supplemental Indenture	December 1, 1973
Twenty-sixth Supplemental Indenture	June 1, 1974
Twenty-seventh Supplemental Indenture	November 1, 1974

Twenty-eighth Supplemental Indenture	July 1, 1975
Twenty-ninth Supplemental Indenture	December 1, 1977
Thirtieth Supplemental Indenture	July 1, 1978
Thirty-first Supplemental Indenture	February 1, 1979
Thirty-second Supplemental Indenture	December 1, 1980
Thirty-third Supplemental Indenture	January 1, 1981
Thirty-fourth Supplemental Indenture	August 1, 1981
Thirty-fifth Supplemental Indenture	February 1, 1982
Thirty-sixth Supplemental Indenture	December 1, 1982
Thirty-seventh Supplemental Indenture	February 1, 1983
Thirty-eighth Supplemental Indenture	December 1, 1984
Thirty-ninth Supplemental Indenture	December 1, 1985
Fortieth Supplemental Indenture	July 1, 1986
Forty-first Supplemental Indenture	July 1, 1989
Forty-second Supplemental Indenture	February 1, 1990
Forty-third Supplemental Indenture	October 1, 1990
Forty-fourth Supplemental Indenture	November 1, 1990
Forty-fifth Supplemental Indenture	January 1, 1991
Forty-sixth Supplemental Indenture	August 1, 1992
Forty-seventh Supplemental Indenture	November 1, 1992
Forty-eighth Supplemental Indenture	June 15, 1993
Forty-ninth Supplemental Indenture	August 1, 1993
Fiftieth Supplemental Indenture	October 1, 1993
Fifty-first Supplemental Indenture	October 1, 1993
Fifty-second Supplemental Indenture	June 15, 1994
Fifty-third Supplemental Indenture	March 1, 1996
Fifty-fourth Supplemental Indenture	March 1, 1997
Fifty-fifth Supplemental Indenture	March 1, 2000
Fifty-sixth Supplemental Indenture	July 1, 2001
Fifty-seventh Supplemental Indenture	March 1, 2002
Fifty-eighth Supplemental Indenture	November 1, 2002
Fifty-ninth Supplemental Indenture	May 1, 2003
Sixtieth Supplemental Indenture	June 1, 2003
Sixty-first Supplemental Indenture	June 15, 2003
Sixty-second Supplemental Indenture	October 1, 2004
Sixty-third Supplemental Indenture	January 1, 2005
Sixty-fourth Supplemental Indenture	March 1, 2005
Sixty-fifth Supplemental Indenture	May 1, 2005
Sixty-sixth Supplemental Indenture	June 1, 2006
Sixty-seventh Supplemental Indenture	July 1, 2008
Sixty-eighth Supplemental Indenture	November 1, 2008
Sixty-ninth Supplemental Indenture	October 1, 2010
Seventieth Supplemental Indenture	November 1, 2010

which supplemental indentures were appropriately filed or recorded in various official records in the States of Arkansas, Louisiana, Missouri, Tennessee, and Wyoming, as applicable; and

WHEREAS, in addition to the property described in the Mortgage, as heretofore supplemented, the Company has acquired certain other property, rights and interests in property; and

WHEREAS, the Company has heretofore issued, in accordance with the provisions of the Mortgage, as supplemented, the following series of First Mortgage Bonds:

<u>Series</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding</u>
3 1/8% Series due 1974	\$30,000,000	None
2 7/8% Series due 1977	11,000,000	None
3 1/8% Series due 1978	7,500,000	None
2 7/8% Series due 1979	8,700,000	None
2 7/8% Series due 1980	6,000,000	None
3 5/8% Series due 1981	8,000,000	None
3 1/2% Series due 1982	15,000,000	None
4 1/4% Series due 1983	18,000,000	None
3 1/4% Series due 1984	7,500,000	None
3 3/8% Series due 1985	18,000,000	None
5 5/8% Series due 1989	15,000,000	None
4 7/8% Series due 1991	12,000,000	None
4 3/8% Series due 1993	15,000,000	None
4 5/8% Series due 1995	25,000,000	None
5 3/4% Series due 1996	25,000,000	None
5 7/8% Series due 1997	30,000,000	None
7 3/8% Series due 1998	15,000,000	None
9 1/4% Series due 1999	25,000,000	None
9 5/8% Series due 2000	25,000,000	None
7 5/8% Series due 2001	30,000,000	None
8% Series due August 1, 2001	30,000,000	None
7 3/4% Series due 2002	35,000,000	None
7 1/2% Series due December 1, 2002	15,000,000	None
8% Series due 2003	40,000,000	None
8 1/8% Series due December 1, 2003	40,000,000	None
10 1/2% Series due 2004	40,000,000	None
9 1/4% Series due November 1, 1981	60,000,000	None
10 1/8% Series due July 1, 2005	40,000,000	None
9 1/8% Series due December 1, 2007	75,000,000	None
9 7/8% Series due July 1, 2008	75,000,000	None

10 1/4% Series due February 1, 2009	60,000,000	None
16 1/8% Series due December 1, 1986	70,000,000	None
4 1/2% Series due September 1, 1983	1,202,000	None
5 1/2% Series due January 1, 1988	598,310	None
5 5/8% Series due May 1, 1990	1,400,000	None
6 1/4% Series due December 1, 1996	3,560,000	None
9 3/4% Series due September 1, 2000	4,600,000	None
8 3/4% Series due March 1, 1998	9,800,000	None
17 3/8% Series due August 1, 1988	75,000,000	None
16 1/2% Series due February 1, 1991	80,000,000	None
13 3/8% Series due December 1, 2012	75,000,000	None
13 1/4% Series due February 1, 2013	25,000,000	None
14 1/8% Series due December 1, 2014	100,000,000	None
Pollution Control Series A	128,800,000	None
10 1/4% Series due July 1, 2016	50,000,000	None
9 3/4% Series due July 1, 2019	75,000,000	None
10% Series due February 1, 2020	150,000,000	None
10 3/8% Series due October 1, 2020	175,000,000	None
Solid Waste Disposal Series A	21,066,667	None
Solid Waste Disposal Series B	28,440,000	None
7 1/2% Series due August 1, 2007	100,000,000	None
7.90% Series due November 1, 2002	25,000,000	None
8.70% Series due November 1, 2022	25,000,000	None
Pollution Control Series B	46,875,000	None
6.65% Series due August 1, 2005	115,000,000	None
6% Series due October 1, 2003	155,000,000	None
7% Series due October 1, 2023	175,000,000	None
Pollution Control Series C	20,319,000	\$20,319,000
Pollution Control Series D	9,586,400	None
8 3/4% Series due March 1, 2026	85,000,000	None
7% Series due March 1, 2002	85,000,000	None
7.72% Series due March 1, 2003	100,000,000	None
6 1/8% Series due July 1, 2005	100,000,000	None
6.70% Series due April 1, 2032	100,000,000	None
6.00% Series due November 1, 2032	100,000,000	None
5.40% Series due May 1, 2018	150,000,000	None
5.90% Series due June 1, 2033	100,000,000	100,000,000
5% Series due July 1, 2018	115,000,000	115,000,000
6.38% Series due November 1, 2034	60,000,000	60,000,000
5.66% Series due February 1, 2025	175,000,000	175,000,000
5% Pollution Control Series E	45,000,000	45,000,000
4.50% Series due June 1, 2010	100,000,000	None
Pollution Control Series F	56,378,000	56,378,000
5.4% Series due July 1, 2013	300,000,000	300,000,000
5.75% Series due November 1, 2040	225,000,000	225,000,000

3.75% Series due February 15, 2021	350,000,000	350,000,000
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which bonds are also hereinafter sometimes called bonds of the First through Seventy-sixth Series, respectively; and

WHEREAS, Section 8 of the Mortgage provides that the form of each series of bonds (other than the First Series) issued thereunder and of the coupons to be attached to coupon bonds of such series shall be established by Resolution of the Board of Directors of the Company and that the form of such series, as established by said Board of Directors, shall specify the descriptive title of the bonds and various other terms thereof, and may also contain such provisions not inconsistent with the provisions of the Mortgage as the Board of Directors may, in its discretion, cause to be inserted therein expressing or referring to the terms and conditions upon which such bonds are to be issued and/or secured under the Mortgage; and

WHEREAS, Section 120 of the Mortgage provides, among other things, that any power, privilege or right expressly or impliedly reserved to or in any way conferred upon the Company by any provision of the Mortgage, whether such power, privilege or right is in any way restricted or is unrestricted, may be in whole or in part waived or surrendered or subjected to any restriction if at the time unrestricted or to additional restriction if already restricted, and the Company may enter into any further covenants, limitations or restrictions for the benefit of any one or more series of bonds issued thereunder, or the Company may cure any ambiguity contained therein or in any supplemental indenture, or may establish the terms and provisions of any series of bonds other than said First Series, by an instrument in writing executed and acknowledged by the Company in such manner as would be necessary to entitle a conveyance of real estate to record in all of the states in which any property at the time subject to the lien of the Mortgage shall be situated; and

WHEREAS, the Company now desires to create a new series of bonds, hereinafter referred to as bonds of the \_\_\_\_\_ Series, unless the context otherwise requires, and (pursuant to the provisions of Section 120 of the Mortgage) to add to its covenants and agreements contained in the Mortgage, as heretofore supplemented, certain other covenants and agreements to be observed by it and to alter and amend in certain respects the covenants and provisions contained in the Mortgage, as heretofore supplemented; and

WHEREAS, the execution and delivery by the Company of this \_\_\_\_\_ Supplemental Indenture, and the terms of the bonds of the \_\_\_\_\_ Series, have been duly authorized by the Board of Directors of the Company by appropriate Resolutions of said Board of Directors.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That the Company, in consideration of the premises and of One Dollar to it duly paid by the Trustees at or before the enrolling and delivery of these presents, the receipt whereof is hereby acknowledged, and in further evidence of assurance of the estate, title and rights

of the Trustees and in order further to secure the payment of both the principal of and interest and premium, if any, on the bonds from time to time issued under the Mortgage, according to their tenor and effect and the performance of all the provisions of the Mortgage (including any instruments supplemental thereto and any modifications made as in the Mortgage provided) and of said bonds, hereby grants, bargains, sells, releases, conveys, assigns, transfers, mortgages, hypothecates, affects, pledges, sets over and confirms (subject, however, to Excepted Encumbrances as defined in Section 6 of the Mortgage) unto The Bank of New York Mellon Trust Company, National Association (as to property, real or personal, situated or being in Missouri) and (to the extent of its legal capacity to hold the same for the purposes hereof) to Deutsche Bank Trust Company Americas, as Trustees under the Mortgage, and to their successor or successors in said trust, and to them and their successors and assigns forever, all property, real, personal or mixed, of any kind or nature acquired by the Company after the date of the execution and delivery of the Mortgage (except any herein or in the Mortgage, as heretofore supplemented, expressly excepted), now owned or, subject to the provisions of Section 87 of the Mortgage, hereafter acquired by the Company (by purchase, consolidation, merger, donation, construction, erection or in any other way) and wheresoever situated, including (without in anywise limiting or impairing by the enumeration of the same the scope and intent of the foregoing or of any general description contained in this Supplemental Indenture) all lands, power sites, flowage rights, water rights, water locations, water appropriations, ditches, flumes, reservoirs, reservoir sites, canals, raceways, dams, dam sites, aqueducts, and all other rights or means for appropriating, conveying, storing and supplying water; all rights of way and roads; all plants for the generation of electricity by steam, water and/or other power; all power houses, gas plants, street lighting systems, standards and other equipment incidental thereto; all street and interurban railway and transportation lines and systems, terminal systems and facilities; all bridges, culverts, tracks, railways, sidings, spurs, wyes, roadbeds, trestles and viaducts; all overground and underground trolleys and feeder wires; all telephone, radio and television systems, air-conditioning systems and equipment incidental thereto, water works, water systems, steam heat and hot water plants, substations, lines, service and supply systems, ice or refrigeration plants and equipment, offices, buildings and other structures and the equipment thereof, all machinery, engines, boilers, dynamos, electric, gas and other machines, regulators, meters, transformers, generators, motors, electrical, gas and mechanical appliances, conduits, cables, water, steam heat, gas or other pipes, gas mains and pipes, service pipes, fittings, valves and connections, pole and transmission lines, wires, cables, tools, implements, apparatus, furniture and chattels; all municipal and other franchises, consents or permits; all lines for the transmission and distribution of electric current, gas, steam heat or water for any purpose including towers, poles, wires, cables, pipes, conduits, ducts and all apparatus for use in connection therewith; all real estate, lands, easements, servitudes, licenses, permits, franchises, privileges, rights of way and other rights in or relating to real estate or the occupancy of the same and (except as herein or in the Mortgage, as heretofore supplemented, expressly excepted) all the right, title and interest of the Company in and to all other property of any kind or nature appertaining to and/or used and/or occupied and/or enjoyed in



connection with any property hereinbefore or in the Mortgage, as heretofore supplemented, described.

TOGETHER WITH all and singular the tenements, hereditaments, prescriptions, servitudes and appurtenances belonging or in anywise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and (subject to the provisions of Section 57 of the Mortgage) the tolls, rents, revenues, issues, earnings, income, product and profits thereof and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property and franchises and every part and parcel thereof.

IT IS HEREBY AGREED by the Company that, subject to the provisions of Section 87 of the Mortgage, all the property, rights and franchises acquired by the Company (by purchase, consolidation, merger, donation, construction, erection or in any other way) after the date hereof, except any herein or in the Mortgage, as heretofore supplemented, expressly excepted, shall be and are as fully granted and conveyed hereby and by the Mortgage and as fully embraced within the lien hereof and the lien of the Mortgage, as heretofore supplemented, as if such property, rights and franchises were now owned by the Company and were specifically described herein or in the Mortgage and conveyed hereby or thereby.

PROVIDED THAT the following are not and are not intended to be now or hereafter granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, hypothecated, affected, pledged, set over or confirmed hereunder and are hereby expressly excepted from the lien and operation of this \_\_\_\_\_ Supplemental Indenture and from the lien and operation of the Mortgage, as heretofore supplemented, viz: (1) cash, shares of stock, bonds, notes and other obligations and other securities not hereafter specifically pledged, paid, deposited, delivered or held under the Mortgage or covenanted so to be; (2) merchandise, equipment, materials or supplies held for the purpose of sale in the usual course of business or for the purpose of repairing or replacing (in whole or in part) any street cars, rolling stock, trolley coaches, motor coaches, buses, automobiles or other vehicles or aircraft, and fuel, oil and similar materials and supplies consumable in the operation of any properties of the Company; street cars, rolling stock, trolley coaches, motor coaches, buses, automobiles and other vehicles and all aircraft; (3) bills, notes and accounts receivable, judgments, demands and choses in action, and all contracts, leases and operating agreements not specifically pledged under the Mortgage, as heretofore supplemented, or covenanted so to be; the Company's contractual rights or other interest in or with respect to tires not owned by the Company; (4) the last day of the term of any lease or leasehold which may hereafter become subject to the lien of the Mortgage; (5) electric energy, gas, ice, and other materials or products generated, manufactured, produced or purchased by the Company for sale, distribution or use in the ordinary course of its business; all timber, minerals, mineral rights and royalties; (6) the Company's franchise to be a corporation; (7) the properties heretofore sold or in the process of being sold by the Company and heretofore released from the Mortgage and Deed of Trust dated

as of October 1, 1926 from Arkansas Power & Light Company to Guaranty Trust Company of New York, trustee, and specifically described in a release instrument executed by Guaranty Trust Company of New York, as trustee, dated October 13, 1938, which release has heretofore been delivered by the said trustee to the Company and recorded by the Company in the office of the Recorder for Garland County, Arkansas, in Record Book 227, Page 1, all of said properties being located in Garland County, Arkansas; and (8) any property heretofore released pursuant to any provisions of the Mortgage and not heretofore disposed of by the Company; provided, however, that the property and rights expressly excepted from the lien and operation of the Mortgage, as heretofore supplemented, and this \_\_\_\_\_ Supplemental Indenture in the above subdivisions (2) and (3) shall (to the extent permitted by law) cease to be so excepted in the event and as of the date that any or all of the Trustees or a receiver or trustee shall enter upon and take possession of the Mortgaged and Pledged Property in the manner provided in Article XIII of the Mortgage by reason of the occurrence of a Default as defined in Section 65 thereof.

TO HAVE AND TO HOLD all such properties, real, personal and mixed, granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, hypothecated, affected, pledged, set over or confirmed by the Company as aforesaid, or intended so to be, unto The Bank of New York Mellon Trust Company, National Association (as to property, real or personal, situated or being in Missouri), and (to the extent of its legal capacity to hold the same for the purposes hereof) unto Deutsche Bank Trust Company Americas, as Trustees, and their successors and assigns forever.

IN TRUST NEVERTHELESS, for the same purposes and upon the same terms, trusts and conditions and subject to and with the same provisos and covenants as are set forth in the Mortgage, as heretofore supplemented, this \_\_\_\_\_ Supplemental Indenture being supplemental to the Mortgage.

AND IT IS HEREBY COVENANTED by the Company that all the terms, conditions, provisos, covenants and provisions contained in the Mortgage, as heretofore supplemented, shall affect and apply to the property hereinbefore described and conveyed and to the estate, rights, obligations and duties of the Company and Trustees and the beneficiaries of the trust with respect to said property, and to the Trustees and their successors in the trust in the same manner and with the same effect as if said property had been owned by the Company at the time of the execution of the Mortgage, and had been specifically and at length described in and conveyed to said Trustees, by the Mortgage as a part of the property therein stated to be conveyed.

The Company further covenants and agrees to and with the Trustees and their successors in said trust under the Mortgage, as follows:

I.

\_\_\_\_\_ SERIES OF BONDS



1. There shall be a series of bonds designated "\_\_\_\_\_% Series due \_\_\_\_\_, 20\_\_" (herein sometimes called the "\_\_\_\_ Series"), each of which shall also bear the descriptive title "First Mortgage Bond", and the form thereof, which shall be established by Resolution of the Board of Directors of the Company, shall contain suitable provisions with respect to the matters hereinafter in this Section specified. Bonds of the \_\_\_\_ Series (which shall be initially issued in the aggregate principal amount of \$\_\_\_\_\_) shall mature on \_\_\_\_\_, 20\_\_, shall be issued as fully registered bonds in the denomination of \_\_\_\_\_ Dollars and such other denominations as the officers of the Company shall determine to issue (such determination to be evidenced by the execution and delivery thereof), shall bear interest at the rate of \_% per annum, the first interest payment to be made on \_\_\_\_\_, 20\_\_, for the period from \_\_\_\_\_, 20\_ to \_\_\_\_\_, 20\_\_ with subsequent interest payments payable \_\_\_\_\_ on \_\_\_\_\_ and \_\_\_\_\_ of each year (each an "Interest Payment Date"), shall be dated as in Section 10 of the Mortgage provided, and the principal of, and to the extent permitted by the Mortgage, interest on any overdue principal of, each said bond shall be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts.

Interest on the bonds of the \_\_\_\_\_ Series will be computed on the basis of a 360-day year of twelve 30-day months. In any case where any Interest Payment Date, redemption date or maturity of any bond of the \_\_\_\_\_ Series shall not be a Business Day, then payment of interest or principal need not be made on such date, but may be made on the next succeeding Business Day, with the same force and effect, and in the same amount, as if made on the corresponding Interest Payment Date or redemption date, or at maturity, as the case may be, and, if such payment is made or duly provided for on such Business Day, no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, redemption date or maturity, as the case may be, to such Business Day. "Business Day" means any day, other than a Saturday or a Sunday, or a day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed or a day on which the corporate trust office of the Corporate Trustee (hereinafter defined) is closed for business.

So long as all of the bonds of the \_\_\_\_\_ Series are held by The Depository Trust Company or its nominee, or a successor thereof, the record date for the payment of interest on the bonds of the \_\_\_\_\_ Series shall be the Business Day immediately preceding the corresponding Interest Payment Date; provided, however, that the record date for the payment of interest which is paid after such Interest Payment Date, shall be the Business Day immediately preceding the date on which such interest is paid. Interest on the bonds of the \_\_\_\_\_ Series shall be paid to the Person in whose name such bonds of the \_\_\_\_\_ Series are registered at the close of business on the record date for the corresponding Interest Payment Date.

(I) Form of Bonds of the \_\_\_\_\_ Series.

The Bonds of the \_\_\_\_\_ Series, and the Corporate Trustee's authentication certificate to be executed on the Bonds of the \_\_\_\_\_ Series, shall be in substantially the following forms, respectively:

[FORM OF FACE OF BOND OF THE \_\_\_\_\_ SERIES]

[depository legend]

Unless this Certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Company or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

(TEMPORARY REGISTERED BOND)

No.TR-\_\_\_\_\_  
\$\_\_\_\_\_

CUSIP \_\_\_\_\_

ENTERGY ARKANSAS, INC.  
FIRST MORTGAGE BOND, \_\_\_\_ % SERIES  
DUE \_\_\_\_\_, 20\_\_\_\_

ENTERGY ARKANSAS, INC., a corporation of the State of Arkansas (hereinafter called the Company), for value received, hereby promises to pay to or registered assigns, on \_\_\_\_\_, 20\_\_\_\_ at the office or agency of the Company in the Borough of Manhattan, The City of New York,

\_\_\_\_\_ DOLLARS

in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts, and to pay to the registered owner hereof interest thereon from \_\_\_\_\_, 20\_\_, if the date of this bond is prior to \_\_\_\_\_, 20\_\_ or if the date of this bond is on or after \_\_\_\_\_, 20\_\_, from the \_\_\_\_\_ or \_\_\_\_\_ next preceding the date of this bond to which interest has been paid (unless the date hereof is an interest payment date to which interest has been paid, in which case from the date hereof), at the rate of \_\_\_\_% per annum in like coin or currency at said office or agency on \_\_\_\_\_ and \_\_\_\_\_ of each year, commencing \_\_\_\_\_, 20\_\_,

until the principal of this bond shall have become due and payable, and to pay interest on any overdue principal and (to the extent that payment of such interest is enforceable under the applicable law) on any overdue installment of interest at the rate of 6% per annum. So long as this bond is held by The Depository Trust Company or its nominee, or a successor thereof, the record date for the payment of interest hereon shall be the Business Day (as defined in the \_\_\_\_\_ Supplemental Indenture referred to below) immediately preceding the date on which interest is due; provided, however, that the record date for the payment of interest which is paid after the date on which such interest is due, shall be the Business Day immediately preceding the date on which such interest is paid. Interest hereon shall be paid to the Person in whose name this bond is registered at the close of business on the record date for the payment of such interest. If any interest payment date for this bond falls on a day that is not a Business Day, the payment of interest will be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after such interest payment date. If the maturity date or any redemption date of this bond falls on a day that is not a Business Day, the payment of principal and interest (to the extent payable with respect to the principal being redeemed if on a redemption date) will be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after the maturity date or such redemption date.

This bond is a temporary bond and is one of an issue of bonds of the Company issuable in series and is one of a series known as its First Mortgage Bonds, \_\_\_\_\_% Series due \_\_\_\_\_, 20\_\_, all bonds of all series issued and to be issued under and equally secured (except insofar as any sinking or other fund, established in accordance with the provisions of the Mortgage hereinafter mentioned, may afford additional security for the bonds of any particular series) by a Mortgage and Deed of Trust (herein, together with any indenture supplemental thereto, including the \_\_\_\_\_ Supplemental Indenture dated as of \_\_\_\_\_, 20\_\_, called the Mortgage), dated as of October 1, 1944, executed by the Company to Guaranty Trust Company of New York (Deutsche Bank Trust Company Americas, successor) (herein sometimes called the "Corporate Trustee") and, as to property, real or personal, situated or being in Missouri, Marvin A. Mueller (The Bank of New York Mellon Trust Company, National Association, successor), as Trustees. Reference is made to the Mortgage for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders of the bonds and of the Trustees in respect thereof, the duties and immunities of the Trustees and the terms and conditions upon which the bonds are and are to be secured and the circumstances under which additional bonds may be issued. With the consent of the Company and to the extent permitted by and as provided in the Mortgage, the rights and obligations of the Company and/or the rights of the holders of the bonds and/or coupons and/or the terms and provisions of the Mortgage may be modified or altered by such affirmative vote or votes of the holders of bonds then outstanding as are specified in the Mortgage.

The principal hereof may be declared or may become due prior to the maturity date hereinbefore named on the conditions, in the manner and at the time set forth in the Mortgage, upon the occurrence of a default as in the Mortgage provided.

In the manner prescribed in the Mortgage, this bond is transferable by the registered owner hereof in person, or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York, upon surrender and cancellation of this bond, together with a written instrument of transfer duly executed by the registered owner or by his duly authorized attorney, and thereupon a new fully registered temporary or definitive bond of the same series for a like principal amount will be issued to the transferee in exchange herefor as provided in the Mortgage. The Company and the Trustees may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment and for all other purposes and neither the Company nor the Trustees shall be affected by any notice to the contrary.

In the manner prescribed in the Mortgage, any bonds of this series, upon surrender thereof for cancellation at the office or agency of the Company in the Borough of Manhattan, The City of New York, are exchangeable for a like aggregate principal amount of bonds of the same series of other authorized denominations.

In the manner prescribed in the Mortgage, this temporary bond is exchangeable at the office or agency of the Company in the Borough of Manhattan, The City of New York, without charge, for a definitive bond or bonds of the same series of a like aggregate principal amount when such definitive bonds are prepared and ready for delivery.

As provided in the Mortgage, the Company shall not be required to make transfers or exchanges of bonds of any series for a period of ten days next preceding any interest payment date for bonds of said series, or next preceding any designation of bonds of said series to be redeemed, and the Company shall not be required to make transfers or exchanges of any bonds designated in whole or in part for redemption.

The bonds of this series are subject to redemption as provided in the \_\_\_\_\_ Supplemental Indenture.

No recourse shall be had for the payment of the principal of or interest on this bond against any incorporator or any past, present or future subscriber to the capital stock, stockholder, officer or director of the Company or of any predecessor or successor corporation, as such, either directly or through the Company or any predecessor or successor corporation, under any rule of law, statute or constitution or by the enforcement of any assessment or otherwise, all such liability of incorporators, subscribers, stockholders, officers and directors being released by the holder or owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Mortgage.

This bond shall be construed in accordance with and governed by the laws of the State of New York.

This bond shall not become obligatory until Deutsche Bank Trust Company Americas, the Corporate Trustee under the Mortgage, or its successor thereunder, shall have signed the form of authentication certificate endorsed hereon.

IN WITNESS WHEREOF, ENTERGY ARKANSAS, INC. has caused this bond to be signed in its corporate name by its President or one of its Vice Presidents by his/her signature or a facsimile thereof, and its corporate seal to be impressed or imprinted hereon and attested by its Secretary or one of its Assistant Secretaries, by his/her signature or a facsimile thereof, on \_\_\_\_\_, 20\_\_

ENTERGY ARKANSAS, INC.

By: \_\_\_\_\_

Attest: \_\_\_\_\_

#### CORPORATE TRUSTEE'S AUTHENTICATION CERTIFICATE

This bond is one of the bonds, of the series herein designated, described or provided for in the within-mentioned Mortgage.

DEUTSCHE BANK TRUST COMPANY  
AMERICAS,  
as Corporate Trustee

By: \_\_\_\_\_  
Authorized Officer

(II) The bonds of the Series shall [not] be redeemable at the option of the Company, in whole or in part, on not less than 30 days nor more than 60 days notice prior to the date fixed for redemption, at any time prior to maturity of the bonds of the \_\_\_\_\_ Series, at a redemption price equal to [insert prices or mechanism for determining prices at which redeemable, and related dates]].

(III) At the option of the registered owner, any bonds of the \_\_\_\_\_ Series, upon surrender thereof for cancellation at the office or agency of the Company in the Borough of Manhattan, The City of New York, shall be exchangeable for a like aggregate principal amount of bonds of the same series of other authorized denominations.

Bonds of the \_\_\_\_\_ Series shall be transferable, upon the surrender thereof for cancellation, together with a written instrument of transfer in form approved by the registrar duly executed by the registered owner or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York.

Upon any exchange or transfer of bonds of the \_\_\_\_\_ Series, the Company may make a charge therefor sufficient to reimburse it for any tax or taxes or other governmental charge, as provided in Section 12 of the Mortgage, but the Company hereby waives any right to make a charge in addition thereto for any exchange or transfer of bonds of said Series.

Upon the delivery of this \_\_\_\_\_ Supplemental Indenture and upon compliance with the applicable provisions of the Mortgage, as heretofore supplemented, there shall be an initial issue of bonds of the \_\_\_\_\_ Series for the aggregate principal amount of \$\_\_\_\_\_.

## II.

### MISCELLANEOUS PROVISIONS

1. The holders of the bonds of the \_\_\_\_\_ Series shall be deemed to have consented and agreed that the Company may, but shall not be obligated to, fix a record date for the purpose of determining the holders of the bonds of the \_\_\_\_\_ Series entitled to consent to any amendment or supplement to the Mortgage or the waiver of any provision thereof or any act to be performed thereunder. If a record date is fixed, those persons who were holders at such record date (or their duly designated proxies), and only those persons, shall be entitled to consent to such amendment, supplement or waiver or to revoke any consent previously given, whether or not such persons continue to be holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date.
2. Subject to the amendments provided for in this \_\_\_\_\_ Supplemental Indenture, the terms defined in the Mortgage and the First through \_\_\_\_\_ Supplemental Indentures shall, for all purposes of this \_\_\_\_\_ Supplemental Indenture, have the meanings specified in the Mortgage and the First through \_\_\_\_\_ Supplemental Indentures.
3. The Trustees hereby accept the trusts herein declared, provided, created or supplemented and agree to perform the same upon the terms and conditions herein and in the Mortgage and in the First through \_\_\_\_\_ Supplemental Indentures set forth and upon the following terms and conditions:

The Trustees shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this \_\_\_\_\_ Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. In general each and every term and condition contained in Article XVII of the Mortgage, as heretofore amended, shall apply to and form part of this \_\_\_\_\_ Supplemental Indenture with the same force and effect as if the same were herein set forth in full with such omissions, variations and

insertions, if any, as may be appropriate to make the same conform to the provisions of this \_\_\_\_\_ Supplemental Indenture.

4. Whenever in this \_\_\_\_\_ Supplemental Indenture any of the parties hereto is named or referred to, this shall, subject to the provisions of Articles XVI and XVII of the Mortgage, as heretofore amended, be deemed to include the successors and assigns of such party, and all the covenants and agreements in this \_\_\_\_\_ Supplemental Indenture contained by or on behalf of the Company, or by or on behalf of the Trustees, or any of them, shall, subject as aforesaid, bind and inure to the respective benefits of the respective successors and assigns of such parties, whether so expressed or not.
5. Nothing in this \_\_\_\_\_ Supplemental Indenture, expressed or implied, is intended, or shall be construed, to confer upon, or give to, any person, firm or corporation, other than the parties hereto and the holders of the bonds and coupons Outstanding under the Mortgage, any right, remedy or claim under or by reason of this \_\_\_\_\_ Supplemental Indenture or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises or agreements in this \_\_\_\_\_ Supplemental Indenture contained by or on behalf of the Company shall be for the sole and exclusive benefit of the parties hereto, and of the holders of the bonds and of the coupons Outstanding under the Mortgage.
6. This \_\_\_\_\_ Supplemental Indenture shall be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.
7. This \_\_\_\_\_ Supplemental Indenture shall be construed in accordance with and governed by the laws of the State of New York.

IN WITNESS WHEREOF, ENTERGY ARKANSAS, INC. has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by its President or one of its Vice Presidents, and its corporate seal to be attested by its Secretary or one of its Assistant Secretaries for and in its behalf, and DEUTSCHE BANK TRUST COMPANY AMERICAS has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by, one of its Vice Presidents or one of its Assistant Vice Presidents, and its corporate seal to be attested by one of its Associates for and in its behalf, and THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION has caused its name to be hereunto affixed, and this instrument to be signed and sealed by one of its Vice Presidents or one of its Assistant Vice Presidents, and its seal to be attested by one of its Assistant Secretaries or one of its Assistant Treasurers or one of its Assistant Vice Presidents for and in its behalf, as of the day and year first above written.

ENTERGY ARKANSAS, INC.

By: \_\_\_\_\_

Name:

Title:

Attest:

By: \_\_\_\_\_

Name:

Title:

Executed, sealed and delivered by  
ENTERGY ARKANSAS, INC.  
in the presence of:

\_\_\_\_\_  
Name:

\_\_\_\_\_  
Name:



DEUTSCHE BANK TRUST COMPANY  
AMERICAS,  
As Corporate Trustee

By: \_\_\_\_\_  
Name:  
Title:

Attest:

\_\_\_\_\_  
Name:

Executed, sealed and delivered by  
DEUTSCHE BANK TRUST COMPANY AMERICAS  
in the presence of:

\_\_\_\_\_  
Name:

\_\_\_\_\_  
Name:

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, NATIONAL  
ASSOCIATION,

As Co-Trustee as to property, real or  
personal, situated  
or being in Missouri

By: \_\_\_\_\_

Name:

Title:

Attest:

By: \_\_\_\_\_

Name:

Title:

Executed, sealed and delivered by  
THE BANK OF NEW YORK MELLON TRUST COMPANY,  
NATIONAL ASSOCIATION  
in the presence of:

By: \_\_\_\_\_

Name:

By: \_\_\_\_\_

Name:

[illegible]

On this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me, \_\_\_\_\_, a Notary Public duly commissioned, qualified and acting within and for said Parish and State, appeared in person the within named \_\_\_\_\_ and \_\_\_\_\_, to me personally well known, who stated that they were the \_\_\_\_\_ and \_\_\_\_\_, respectively, of ENTERGY ARKANSAS, INC., a corporation, and were duly authorized in their respective capacities to execute the foregoing instrument for and in the name and behalf of said corporation, and further stated and acknowledged that they had so signed, executed and delivered said foregoing instrument for the consideration, uses and purposes therein mentioned and set forth.

On the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me personally came \_\_\_\_\_, to me known, who, being by me duly sworn, did depose and say that he/she is the of ENTERGY ARKANSAS, INC., one of the corporations described in and which executed the above instrument; that he/she knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he/she signed his/her name thereto by like order.

On the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn, did say that he/she is the \_\_\_\_\_ of ENTERGY ARKANSAS, INC., and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and he/she acknowledged said instrument to be the free act and deed of said corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at my office in said Parish and State the day and year last above written.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Notary Public No. \_\_\_\_\_  
Parish of Orleans, State of Louisiana  
My Commission is issued for Life.

[illegible]

On this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me, \_\_\_\_\_, a Notary Public duly commissioned, qualified and acting within and for said County and State, appeared \_\_\_\_\_ and \_\_\_\_\_, to me personally well known, who stated that they were a \_\_\_\_\_ and \_\_\_\_\_, respectively, of DEUTSCHE BANK TRUST COMPANY AMERICAS, a corporation, and were duly authorized in their respective capacities to execute the foregoing instrument for and in the name and behalf of said corporation; and further stated and acknowledged that they had so signed, executed and delivered said foregoing instrument for the consideration, uses and purposes therein mentioned and set forth.

On the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me personally came \_\_\_\_\_ and \_\_\_\_\_, to me known, who, being by me duly sworn, did depose and say that he/she resides in \_\_\_\_\_ and \_\_\_\_\_ respectively; that they are a \_\_\_\_\_ and a \_\_\_\_\_ of DEUTSCHE BANK TRUST COMPANY AMERICAS, one of the corporations described in and which executed the above instrument; that they know the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that they signed their names thereto by like authority.

On the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me appeared , to me personally known, who, being by me duly sworn, did say that he/she is a \_\_\_\_\_ of DEUTSCHE BANK TRUST COMPANY AMERICAS, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and he/she acknowledged said instrument to be the free act and deed of said corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at my office in said County and State the day and year last above written.

Name: \_\_\_\_\_  
 Notary Public, State of New York  
 No. \_\_\_\_\_  
 Qualified in \_\_\_\_\_ County  
 Commission Expires \_\_\_\_\_, 20\_\_\_\_

STATE OF FLORIDA )  
 ) SS.:  
COUNTY OF DUVAL )

On this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me, \_\_\_\_\_, a Notary Public duly commissioned, qualified and acting within and for said county and state, appeared \_\_\_\_\_ and \_\_\_\_\_, to me personally known, who stated that they were a \_\_\_\_\_ and \_\_\_\_\_, respectively, of THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION, a National Association, and were duly authorized in their respective capacities to execute the foregoing instrument for and in the name and on behalf of said Company; and further stated that they had so signed, executed and delivered the same for the consideration, uses and purposes therein mentioned and set forth.

On this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me personally appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn, did depose and say that he/she is a \_\_\_\_\_ of THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION, one of the entities described in and which executed the above instrument; that he/she knows the seal of said National Association; that the seal affixed to said instrument is such seal; that it was so affixed by authority of its Board of Directors, and that he/she signed his/her name thereto by like authority.

On this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn, did say that he/she resides in \_\_\_\_\_; that he/she is a \_\_\_\_\_ of THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION, and that the seal affixed to the foregoing instrument is the seal of said National Association, and that said instrument was signed and sealed on behalf of said National Association by authority of its Board of Directors, and he/she acknowledged said instrument to be the free act and deed of said entity.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at my office in said City and State the day and year last above written.

\_\_\_\_\_  
Name:  
Notary Public, State of Florida  
No. \_\_\_\_\_  
Qualified in \_\_\_\_\_ County  
Commission Expires \_\_\_\_\_, 20\_\_\_\_

BEFORE THE  
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION	)	
OF ENTERGY ARKANSAS, INC. FOR	)	
AUTHORIZATION TO ENTER INTO	)	DOCKET NO. 12-059-U
CERTAIN FINANCING TRANSACTIONS	)	
BETWEEN JANUARY 1, 2013, AND	)	
DECEMBER 31, 2015	)	

EAI EXHIBIT B

EXCERPT FROM UNANIMOUS CONSENT OF BOARD OF DIRECTORS

**UNANIMOUS WRITTEN CONSENT  
OF THE BOARD OF DIRECTORS OF  
ENTERGY ARKANSAS, INC.**

**Dated Effective as of July 27, 2012**

The undersigned, being all the directors of Entergy Arkansas, Inc., an Arkansas corporation (the “Company”), do hereby waive all notice and the holding of a meeting and, pursuant to the provisions of Ark. Code Ann. § 4-27-821, do hereby take the following action without a meeting and consent to such action by our execution of this consent, intending it to have the same force and effect as a unanimous vote at a meeting:

RESOLVED, That, subject to obtaining all requisite approvals, authorizations and consents, the Board of Directors hereby approves a new financing plan for the Company for the period January 1, 2013 through December 31, 2015, providing for (1) the issuance and sale by the Company, from time to time, of (a) long-term debt in the form of one or more series of its first mortgage bonds as well as debentures, loan agreements, credit facilities and other like instruments, both secured and unsecured, having a maturity greater than one year but no greater than sixty years (collectively, “New LT Debt”), each such transaction shall be in such principal amount as the Company may elect, which amounts, in the aggregate, shall not exceed the sum of \$700,000,000, exclusive of any long-term debt that the Company may issue to refinance then outstanding debt, which long-term debt the Company is hereby authorized to issue in an unlimited amount; (b) one or more new series of the Company’s \$100 Preferred Stock, \$25 Preferred Stock or Class A Preferred Stock or any combination thereof (collectively, the “Preferred Stock”) having an aggregate par and/or liquidation value not to exceed \$120,000,000; and (c) not in excess of 16,000,000 authorized but unissued additional shares of the Company’s Common Stock, \$0.01 par value per share at a minimum per share price of \$12.50, which consideration the Board of Directors has determined is adequate, for an aggregate cash consideration not to exceed \$200,000,000, at such times and on such terms and conditions as the officers of the Company deem appropriate, subject to such further approvals of the Board of Directors and/or the Executive Committee as may be necessary or desirable; (2) the financing or refinancing, from time to time, of certain facilities, including but not limited to sewage and/or solid waste disposal or pollution control facilities regardless of whether such facilities have heretofore been the subject of such financing, to the greatest extent practicable, with the net proceeds of the issuance and sale of up to \$350,000,000 aggregate principal amount of tax-exempt bonds or notes (the “Tax-Exempt Bonds”), which may be secured by \$400,000,000 aggregate principal amount of the Company’s first mortgage bonds

(which first mortgage bonds shall be in addition to any New LT Debt authorized in (1)(a) above), provided that the actual amount of such financing and structure of such arrangements shall be determined at a later date; (3) the renewal, extension or obtaining of new or replacement letters of credit or other credit facilities to support outstanding Tax-Exempt Bonds, and the purchase, redemption and/or remarketing of any such bonds, as provided for under existing arrangements and the fixing of interest rates or changing of interest rate determinations for any such bonds; (4) the negotiation and execution of any loan, reimbursement, pledge, guaranty or indemnity agreements to support the financings contemplated in (1) through (3) above (such financings being herein collectively referred to as the "New Financing Plan"); and (5) the acquisition (and retirement and cancellation), from time to time, by redemption (subject to any applicable mandatory or optional sinking fund provisions or not), tender offer, open market or negotiated purchases or otherwise, or refunding of all or a portion of one or more series of (a) the Company's outstanding long term debt, (b) the Company's outstanding Preferred Stock, (c) outstanding Tax-Exempt Bonds issued for the benefit of the Company, and/or (d) any other security heretofore or hereafter issued by the Company (the same being herein referred to collectively, as the "New Acquisition Program"), each and all with funds that are lawfully available for such purpose; and further

RESOLVED, That the officers of the Company, be, and each of them hereby is, subject to receipt of any necessary Board, Executive Committee or regulatory approvals and any contractual or legal restrictions, authorized and directed to implement the New Acquisition Program by effecting the retirement (by any methods or combination of methods specified in these resolutions) of any such outstanding long term debt, Tax-Exempt Bonds and any other security heretofore or hereafter issued by the Company as they, in their judgment, deem appropriate or desirable in the interests of the Company; and further

RESOLVED, That the officers of the Company be, and each of them hereby is, authorized to prepare, execute and file with the Arkansas Public Service Commission (the "APSC") and the Tennessee Regulatory Authority (the "TRA") applications and any and all amendments thereto together with any and all exhibits and other documents related thereto, as such officers may deem necessary or desirable for the purpose of obtaining the requisite authorizations of the APSC and the TRA for the New Financing Plan; and further

RESOLVED, That, if any series of New LT Debt and/or the Preferred Stock is to be sold publicly and is not otherwise the subject of a registration statement filed with the Securities and Exchange Commission (the "SEC"), the officers of the Company, be, and each of them hereby is, authorized to prepare, execute and file with the SEC one or more registration statements with respect thereto, each including a prospectus, on such form or forms as the officers of the Company determine to be advisable, and any and all amendments and supplements thereto, as such officers may deem necessary or desirable, together with any and all



exhibits and documents related thereto, pursuant to the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder; and further

RESOLVED, That the Company, for the purposes of complying with the requirements of the blue sky laws of various states and/or other jurisdictions in connection with applications to register one or more new series or sub-series of the New LT Debt or Preferred Stock, does hereby irrevocably authorize the President or any Vice President, the Treasurer or any Assistant Treasurer and/or the Secretary or any Assistant Secretary, or any of them, to execute for and on behalf of the Company, any necessary forms and/or other papers designated by the respective securities regulatory authorities of such states and/or jurisdictions, including consents to service of process, needed for the registration of such New LT Debt or Preferred Stock, and such officers of the Company, or any of them, are authorized to do everything necessary and proper to facilitate any public offering thereof in the various states and/or jurisdictions; and further

RESOLVED, That all acts heretofore done and all documents heretofore executed, filed or delivered by the officers of the Company in connection with the purposes of the foregoing resolutions and the transactions contemplated thereby are hereby approved, ratified and confirmed and that the officers of the Company be, and each of them hereby is, authorized and empowered, for and on behalf of the Company, to take or cause to be taken all steps and proceedings, and to do all such acts and things and to execute all such documents and instruments, as in their judgment may be necessary or appropriate to carry out and effectuate the purposes of the foregoing resolutions and the transactions contemplated thereby.

The undersigned, constituting all the members of the Board of Directors of the Company, do hereby consent to and approve the adoption of the foregoing resolutions as of the effective date first written above. This consent may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

**UNANIMOUS WRITTEN CONSENT  
OF THE BOARD OF DIRECTORS OF  
ENTERGY ARKANSAS, INC.**

**Dated Effective as of July 27, 2012**

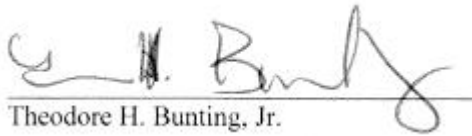
Directors:

Hugh T. McDonald

Theodore H. Bunting, Jr.

Leo P. Denault

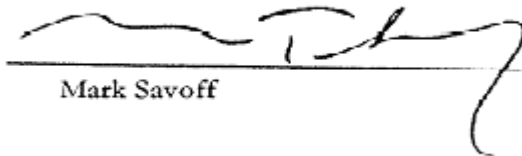
Mark T. Savoff



Theodore H. Bunting, Jr.



Leo P. Denault



Mark Savoff



Hugh T. McDonald

BEFORE THE  
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION	)	
OF ENTERGY ARKANSAS, INC. FOR	)	
AUTHORIZATION TO ENTER INTO	)	DOCKET NO. 12-059-U
CERTAIN FINANCING TRANSACTIONS	)	
BETWEEN JANUARY 1, 2013, AND	)	
DECEMBER 31, 2015	)	

EAI EXHIBIT C

ESTIMATED OFFERING EXPENSES

**ESTIMATE OF ISSUANCE EXPENSES\***

	<u>INITIAL SERIES</u>	<u>EACH SUBSEQUENT SERIES</u>
FIRST MORTGAGE BONDS	\$449,650	\$379,650
PREFERRED STOCK	\$356,376	\$341,376
COMMON STOCK	\$35,000	\$25,000
TAX-EXEMPT BONDS, COLLATERAL BONDS	\$346,000	\$331,000

\* The estimates of expenses in this exhibit were developed by category and reflect assumptions specific to each category. EAI Exhibit D-1 and EAI Exhibit D-2 reflect total expenses of issuance for all of the securities in the proposed plan. Total expenses were derived from these estimates. Total expenses are the sum of the Initial Series expenses listed above, plus an estimated number of subsequent issuances multiplied by the amount indicated in Each Subsequent Series above, plus an estimate of underwriting expenses.

BEFORE THE  
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION	)	
OF ENTERGY ARKANSAS, INC. FOR	)	
AUTHORIZATION TO ENTER INTO	)	DOCKET NO. 12-059-U
CERTAIN FINANCING TRANSACTIONS	)	
BETWEEN JANUARY 1, 2013, AND	)	
DECEMBER 31, 2015	)	

EAI EXHIBIT D

- (1) Balance Sheet as of March 31, 2012, and Pro Forma
- (2) Income Statement for the Twelve Months Ending March 31, 2012,  
and Pro Forma
- (3) Detail of Long-Term Debt as of March 31, 2012, and Pro Forma

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## ENTERGY ARKANSAS, INC. AND SUBSIDIARIES

**BALANCE SHEET**  
**AS OF MARCH 31, 2012**  
**(\$ IN THOUSANDS)**

ASSETS	PER BOOKS	ADJUSTMENTS TO REFLECT PROPOSED TRANSACTIONS	PRO FORMA
<b>CURRENT ASSETS</b>			
Cash and cash equivalents:			
Cash	5,683		5,683
Temporary cash investments	-	1,255,705	1,255,705
Total cash and cash equivalents	5,683	1,255,705	1,261,388
Securitization recovery trust account	7,857		7,857
Accounts receivable:			
Customer	86,118		86,118
Allowance for doubtful accounts	(26,381)		(26,381)
Associated companies	44,155		44,155
Other	60,755		60,755
Accrued unbilled revenues	60,401		60,401
Total accounts receivable	225,048	-	225,048
Deferred fuel costs	69,924		69,924
Fuel inventory - at average cost	51,344		51,344
Materials and supplies - at average cost	145,263		145,263
Deferred nuclear refueling outage costs	37,451		37,451
System agreement cost equalization	36,800		36,800
Prepayments and other	7,851		7,851
<b>TOTAL</b>	<b>587,221</b>	<b>1,255,705</b>	<b>1,842,926</b>
<b>OTHER PROPERTY AND INVESTMENTS</b>			
Decommissioning trust funds	584,460		584,460
Non-utility property - at cost (less accumulated depreciation)	1,676		1,676
Other	3,182		3,182
<b>TOTAL</b>	<b>589,318</b>	<b>-</b>	<b>589,318</b>
<b>UTILITY PLANT (AT ORIGINAL COST)</b>			
Electric	8,126,584		8,126,584
Construction work in progress	150,733		150,733
Nuclear fuel	217,216		217,216
<b>TOTAL UTILITY PLANT - EXCLUDING CAPITAL LEASES</b>	<b>8,494,533</b>	<b>-</b>	<b>8,494,533</b>
Less - accumulated depreciation and amortization	3,880,320		3,880,320
<b>NET UTILITY PLANT - EXCLUDING CAPITAL LEASES</b>	<b>4,614,213</b>		<b>4,614,213</b>
Property under capital lease	1,215		1,215
<b>UTILITY PLANT - NET</b>	<b>4,615,428</b>	<b>-</b>	<b>4,615,428</b>
<b>DEFERRED DEBITS AND OTHER ASSETS</b>			
Regulatory assets:			
Deferred fuel costs	86,331		86,331
Regulatory asset for income taxes - net	85,063		85,063
Other regulatory assets	1,106,597		1,106,597
Other	32,598	10,601	43,199
<b>TOTAL</b>	<b>1,310,589</b>	<b>10,601</b>	<b>1,321,190</b>
<b>TOTAL ASSETS</b>	<b>7,102,556</b>	<b>1,266,306</b>	<b>8,368,862</b>

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**ENTERGY ARKANSAS, INC. AND SUBSIDIARIES**

**BALANCE SHEET**  
**AS OF MARCH 31, 2012**  
**(\$ IN THOUSANDS)**

	PER BOOKS	ADJUSTMENTS TO REFLECT PROPOSED TRANSACTIONS	PRO FORMA
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Short-term borrowings	12,538		12,538
Accounts payable:			
Associated companies	101,196		101,196
Other	107,945		107,945
Customer deposits	83,352		83,352
Taxes accrued	27,154		27,154
Accumulated deferred income taxes	61,432		61,432
Interest accrued	18,907		18,907
Other	25,315		25,315
<b>TOTAL</b>	<b>437,839</b>	<b>-</b>	<b>437,839</b>
<b>NON-CURRENT LIABILITIES</b>			
Accumulated deferred income taxes and taxes accrued	1,805,626		1,805,626
Accumulated deferred investment tax credits	42,441		42,441
Other regulatory liabilities	172,489		172,489
Decommissioning	650,116		650,116
Accumulated provisions	5,528		5,528
Pension and other postretirement liabilities	529,255		529,255
Long-term debt (schedule attached)	1,875,944	950,300	2,826,244
Other	10,688		10,688
<b>TOTAL</b>	<b>5,092,087</b>	<b>950,300</b>	<b>6,042,387</b>
Commitments and contingencies			
<b>SHAREHOLDERS' EQUITY</b>			
Preferred stock without sinking fund	116,350	120,000	236,350
Common stock, \$0.01 par value, authorized 325,000,000 shares; issued and outstanding 46,980,196 shares in 2012	470	160	630
Paid-in capital	588,444	195,846	784,290
Retained earnings	867,366		867,366
<b>TOTAL</b>	<b>1,572,630</b>	<b>316,006</b>	<b>1,888,636</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>7,102,556</b>	<b>1,266,306</b>	<b>8,368,862</b>

**Entergy Arkansas, Inc. and Subsidiaries**  
**Pro Forma Accounting Entries to Reflect the Proposed Transactions**  
**As of March 31, 2012 (\$ in thousands)**

<b>For Proposed Financing - Balance Sheet</b>		
<b>Accounts</b>	<b>Debit</b>	<b>Credit</b>
First Mortgage Bonds	300,000	
Loss on First Mortgage Bonds	-	
Discount on First Mortgage Bonds		-
Cash		300,000
<i>To record retirement of \$300MM First Mortgage Bonds. Loss and premium/discount not included because of immaterial effect.</i>		
Cash	992,499	
Underwriting Fees (other assets)	7,501	
First Mortgage Bonds		1,000,000
<i>To record issuance of \$1,000MM First Mortgage Bonds.</i>		
Bonds-Pollution Control Revenue Bonds	99,700	
Loss on Pollution Control Revenue Bonds	-	
Discount on Pollution Control Revenue Bonds		-
Cash		99,700
<i>To record retirement of \$99.7MM of Tax Exempt Bonds. Loss and premium/discount not included because of immaterial effect.</i>		
Cash	346,900	
Underwriting fees	3,100	
Bonds - Collateral Bonds		350,000
<i>To record issuance of \$350MM of Tax Exempt Bonds. Loss and premium/discount not included because of immaterial effect.</i>		
Cash	116,041	
Capital Stock Expense (PIC)	3,959	
Underwriter Fees	-	
Capital Stock-Preferred		120,000
<i>To record issuance of \$120MM of Preferred Stock.</i>		
Cash	199,965	
Common Stock		160
Paid in capital		199,805
<i>To record issuance of \$200MM of Common Stock, net of fees. \$12.50/shr Common Stock; 16,000,000 shares.</i>		



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**ENERGY ARKANSAS, INC. AND SUBSIDIARIES**  
**INCOME STATEMENT**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2012**  
**(IN THOUSANDS)**

STATEMENT OF INCOME	PER BOOKS	ADJUSTMENTS TO REFLECT PROPOSED TRANSACTIONS	PRO FORMA
OPERATING REVENUES			
Domestic Electric	\$2,115,990	\$ -	\$2,115,990
OPERATING EXPENSES			
Operation and Maintenance:			
Fuel and fuel-related expenses	238,607		238,607
Purchased power	645,406		645,406
Nuclear refueling outage expenses	44,383		44,383
Other operation and maintenance	519,981		519,981
Decommissioning	38,655		38,655
Taxes other than income taxes	83,952		83,952
Depreciation and amortization	218,885		218,885
Other regulatory credits	(11,144)		(11,144)
TOTAL	1,778,725	-	1,778,725
OPERATING INCOME	337,265	-	337,265
OTHER INCOME			
Allowance for equity funds used during construction	8,320		8,320
Interest and dividend income	18,610	66,552	85,162
Miscellaneous - net	(4,876)		(4,876)
TOTAL	22,054	66,552	88,606
INTEREST EXPENSE			
Interest expense	83,232	44,784	128,016
Allowance for borrowed funds used during construction	(2,789)		(2,789)
TOTAL	80,443	44,784	125,227
INCOME BEFORE INCOME TAXES	278,876	21,769	300,645
Income taxes	125,719	8,566	134,285
NET INCOME	153,157	13,203	166,360
Preferred dividend requirements	6,873	12,000	18,873
EARNINGS APPLICABLE TO COMMON STOCK	\$146,284	\$ 1,203	\$147,487

**Entergy Arkansas, Inc. and Subsidiaries**  
**Pro Forma Accounting Entries to Reflect the Proposed Transactions**  
**As of March 31, 2012 (\$ in thousands)**  
**For Proposed Financing - Income Statement**

Accounts	Debit	Credit
Accrued interest	16,200	
Interest Expense-First Mortgage Bonds		16,200
<i>To remove interest expense on retired First Mortgage Bonds as follows: \$300MM at 5.4%.</i>		
Interest Expense-First Mortgage Bonds	50,000	
Accrued interest		50,000
<i>To record interest expense on \$1,000MM First Mortgage Bonds issued at 5%.</i>		
Accrued taxes	13,300	
Income Taxes		13,300
<i>To record change in income taxes at 39.35% related to the change in interest expense due to First Mortgage Bond activity.</i>		
Accrued interest	4,766	
Interest Expense		4,766
<i>To remove interest expense on retired Tax Exempt Bonds of \$54.7MM at 4.6% and \$45MM at 5%.</i>		
Interest Expense	15,750	
Accrued Interest		15,750
<i>To record interest expense on \$350MM Tax Exempt Bonds at 4.5%.</i>		
Accrued taxes	4,322	
Income Taxes		4,322
<i>To record change in income taxes at 39.35% related to the change in interest expense due to Tax Exempt Bond activity.</i>		
Dividends-Preferred Stock	12,000	
Accrued dividends		12,000
<i>To record dividend expense on \$120MM Preferred Stock at 10%.</i>		
Accrued interest income	66,552	
Interest and Dividend Income		66,552
<i>To record interest income on the investment of the net proceeds of the proposed transactions at the historic 5-year ROIC of 5.3%.</i>		
Income Taxes	26,188	
Accrued taxes		26,188
<i>To record change in income taxes at 39.35% related to the change in interest and dividend income due to the investment of the net proceeds of proposed transactions.</i>		

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## ENERGY ARKANSAS, INC. AND SUBSIDIARIES

## DETAIL OF LONG-TERM DEBT

AS OF MARCH 31, 2012

(\$ IN THOUSANDS)

LONG-TERM DEBT	PER BOOKS	ADJUSTMENTS TO REFLECT PROPOSED TRANSACTIONS	PRO FORMA
First Mortgage Bonds			
5.40% Series due 2013	300,000	(300,000)	-
5.00% Series due 2018	115,000	-	115,000
3.75% Series due 2021	350,000	-	350,000
5.66% Series due 2025	175,000	-	175,000
5.9% Series due 2033	100,000	-	100,000
6.38% Series due 2034	60,000	-	60,000
5.75% Series due 2040	225,000	-	225,000
Various series due at various dates (assumed 5% rate)	-	1,000,000	1,000,000
<b>TOTAL FIRST MORTGAGE BONDS</b>	<b>1,325,000</b>	<b>700,000</b>	<b>2,025,000</b>
Governmental Bonds			
Jefferson County, Arkansas 4.60% Series due 2017	54,700	(54,700)	-
Independence County, Arkansas 5.0% Series due 2021	45,000	(45,000)	-
Various series due at various dates (assumed 4.5% rate)	-	350,000	350,000
<b>TOTAL GOVERNMENTAL BONDS</b>	<b>99,700</b>	<b>250,300</b>	<b>350,000</b>
Nuclear Fuel Disposal Costs - DOE	181,038	-	181,038
4.2% Little Rock Air Force Base due 2061	2,125		2,125
2.3% Senior Secured Recovery Bonds due 2021	113,792		113,792
9% Series H due June 2013	30,000		30,000
5.69% Series I due July 2014	70,000		70,000
3.23 % Series J due July 2016	55,000		55,000
Amount due within one year	-	-	-
Unamortized premium and discount on debt - net	(711)	-	(711)
<b>TOTAL LONG-TERM DEBT</b>	<b>\$1,875,944</b>	<b>\$950,300</b>	<b>\$2,826,244</b>

PREFERRED STOCK WITHOUT SINKING FUND	PER BOOKS	ADJUSTMENTS TO REFLECT PROPOSED TRANSACTIONS	PRO FORMA
Cumulative, \$100 Par			
4.32% Series	7,000	-	7,000
4.72% Series	9,350	-	9,350
4.56% Series	7,500	-	7,500
4.56% 1965 Series	7,500	-	7,500
6.08% Series	10,000	-	10,000
Various series (assumed 10% dividend rate)	-	120,000	120,000
Cumulative, \$25 Par			
6.45% Series	75,000		75,000
<b>TOTAL PREFERRED STOCK WITH SINKING FUND</b>	<b>116,350</b>	<b>120,000</b>	<b>236,350</b>

BEFORE THE  
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION     )  
OF ENTERGY ARKANSAS, INC. FOR     )  
AUTHORIZATION TO ENTER INTO     )     DOCKET NO. 12-059-U  
CERTAIN FINANCING TRANSACTIONS     )  
BETWEEN JANUARY 1, 2013 AND     )  
DECEMBER 31, 2015     )

DIRECT TESTIMONY

OF

STEVEN C. MCNEAL

VICE PRESIDENT AND TREASURER

ENTERGY CORPORATION

ON BEHALF OF

ENTERGY ARKANSAS, INC.

AUGUST 6, 2012

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"),<sup>1</sup> 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 Bachelors of Science degree in Business and History from  
16 Trinity University in San Antonio in 1979. I received a Masters of  
17 Business Administration from Tulane University in 1981.

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

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<sup>1</sup> ESI is a subsidiary of Entergy Corporation that provides technical and administrative services to all the Operating Companies. The Entergy Operating Companies include EAI; EGSL; Entergy Louisiana, LLC; Entergy Mississippi, Inc.; Entergy New Orleans, Inc.; and ETI.

1           In my present position, I am responsible for treasury functions,  
2           including managing corporate finance, cash management, credit rating  
3           agency relations, investment activities, commodity and credit risk, and  
4           insurance and loss control activities.

5           I have oversight responsibilities for the execution of financings for  
6           Entergy Corporation's domestic utilities and have executed certain  
7           financings for other subsidiaries. As a part of this activity, I have regular  
8           dialogue with capital market participants, including lenders, investment  
9           bankers and bond rating agencies.

10

11   Q.    ON WHOSE BEHALF ARE YOU TESTIFYING?

12   A.    I am testifying on behalf of EAI.

13

14   Q.    HAVE YOU PREVIOUSLY TESTIFIED IN A REGULATORY  
15           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. 94-439-U, 95-594-U, 99-234-U, 01-  
20           221-U, 03-093-U, 03-139-U, 06-096-U, 09-068-U, 10-008-U, and 11-090-  
21           U. I have filed testimony with the APSC in connection with the proposal  
22           for an independent electric transmission company (APSC Docket No. 00-  
23           383-U) and with EAI's Applications for Approval of Synthetic Railcar Lease

1 (APSC Docket Nos. 02-224-U and 09-120-U). I have also filed testimony  
2 before the retail regulators of EAI's affiliates on a variety of financial  
3 issues. For example, I have filed testimony with the Louisiana Public  
4 Service Commission ("LPSC"), the Mississippi Public Service  
5 Commission, and the Council of the City of New Orleans in connection  
6 with the Entergy Operating Companies' proposal for an independent  
7 coordinator of transmission for the Entergy Transmission System,<sup>2</sup> with  
8 the Public Utility Commission of Texas ("PUCT") and the LPSC supporting  
9 the jurisdictional separation plans of an affiliate, Entergy Gulf States, Inc.  
10 ("EGSI"); with the PUCT relating to EGSI's unbundled cost of service  
11 filing, 2004 and 2007 rate cases, and 2006 and 2009 Texas securitization  
12 filing; and with the LPSC with respect to the ninth earnings review of the  
13 merger with EGSI and a storm cost recovery filing in 2001, 2008, and  
14 2009, and an investment recovery filing in 2011.

15  
16 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS DOCKET?

17 A. The purpose of my direct testimony is to support EAI's Application in this  
18 docket requesting APSC authorization for EAI to issue certain securities  
19 up to specified maximum limits. Specifically, I will describe the Company's  
20 reasons for requesting the authorization and the securities that EAI  
21 proposes to issue and sell.

---

<sup>2</sup> The Entergy Transmission System is comprised of the bulk transmission facilities of the Entergy Operating Companies.

1

2 **II. GENERAL INFORMATION REGARDING THE PROPOSED**  
3 **TRANSACTIONS**

4 Q. WHY HAS EAI FILED AN APPLICATION SEEKING AUTHORIZATION  
5 TO ISSUE THE PROPOSED SECURITIES IN THE AMOUNTS  
6 REQUESTED?

7 A. This Application is intended to address EAI's general financing needs for  
8 the next three years, beginning January 1, 2013, and ending  
9 December 31, 2015. EAI is requesting authorization to issue and sell long  
10 term debt ("New LT Debt"), preferred stock ("Preferred Stock"), common  
11 stock ("Common Stock"), tax-exempt bonds ("Tax-exempt Bonds"), and  
12 collateral bonds ("Collateral Bonds") up to certain specified amounts. The  
13 proceeds from such transactions would, among other things, permit EAI to  
14 acquire, redeem, or refund outstanding securities and to provide adequate  
15 capital for funding of capital projects and to provide working capital. EAI's  
16 current financing authorization expires December 31, 2012.

17

18 Q. WHY IS THE COMPANY SEEKING TO CONTINUE WITH A 3-YEAR  
19 AUTHORIZATION PERIOD?

20 A. The APSC's 2009 Order No. 1 in Docket No. 09-098-U provided a three-  
21 year financing authorization period. A three-year term permits the  
22 Company to maintain financial flexibility in managing its debt structure. As  
23 such, a three-year authorization period assists in planning the Company's



1 debt structure to take advantage of markets or issue new debt as  
2 appropriate.

3  
4 Q. WHAT IS MEANT BY THE TERM "FINANCIAL FLEXIBILITY"?

5 A. This term refers to the Company's ability to manage the timing, terms and  
6 conditions, and amounts of offerings of any of several types of securities.  
7 Apart from the breadth and term of its regulatory authorization, the  
8 Company's financial flexibility can be affected by several factors, including  
9 the credit ratings of the Company, the amount of debt outstanding or  
10 available for issuance by the Company at any given point in time, the  
11 coverage ratios associated with the sale of first mortgage bonds or  
12 preferred stock, the capital structure of the Company, specifically the ratio  
13 of debt to equity, the length of time required to obtain funds through a  
14 particular financial market, and, of course, overall market conditions.

15 With adequate financial flexibility, EAI can take advantage of  
16 favorable interest rate fluctuations to refund its higher cost debt. EAI has  
17 filed an unlimited automatic shelf registration statement with the Securities  
18 and Exchange Commission ("SEC") allowing it to sell particular series of  
19 bonds with a shorter lead-time than if case-by-case registration of each  
20 series were required. This procedure affords EAI financial flexibility that  
21 makes it possible to take advantage of desirable interest rates, and to  
22 finance optimal amounts each time securities are sold. For the reasons

1           discussed above, EAI is seeking financing authority for the next three  
2           years.

3

4   Q.    ARE THERE SPECIFIC EXAMPLES OF BENEFITS THAT EAI HAS  
5           RECEIVED AS A RESULT OF THE FINANCIAL FLEXIBILITY OF A  
6           MULTI-YEAR AUTHORIZATION?

7   A.    Yes. Due to the financial flexibility that the previously authorized finance  
8           plan provided, EAI was able to access the capital markets in July 2008 to  
9           fund the acquisition of and improvements to the Ouachita Generating  
10          Facility. The capital markets were extremely volatile in 2008. Because  
11          EAI had authorization to finance in place, the Company was able to find a  
12          window of opportunity to issue bonds prior to the closing of the acquisition.  
13          Additionally, due to the financial flexibility that the previously authorized  
14          finance plan provided, EAI was able to access the capital markets multiple  
15          times in 2010 to refinance over \$450 million of higher cost debt at lower  
16          interest rates, thereby reducing its interest expense.

17

18   Q.    WHAT TYPES OF SECURITIES HAVE TRADITIONALLY BEEN USED  
19           BY UTILITIES TO ADDRESS THEIR EXTERNAL FINANCING NEEDS?

20   A.    Utilities have traditionally used four forms of long-term financing to fund  
21           their cash requirements: common stock, preferred stock, first mortgage  
22           bonds, and tax-exempt bonds, all of which will be discussed later in my  
23           testimony.

1

2 Q. HOW WILL THE COMPANY USE THE CAPITAL RAISED BY THE  
3 ISSUANCE OF THE SECURITIES DESCRIBED ABOVE?

4 A. The Company proposes to use the proceeds derived from the issuance  
5 and sale of the securities, as proposed in the Application, for general  
6 corporate purposes, including, but not limited to, the possible acquisition,  
7 redemption, and refunding of certain outstanding securities, for both  
8 economic refundings and reissuances of debt maturities; for restructuring  
9 debt to provide more flexibility; to fund capital expenditures and working  
10 capital needs; and to finance unanticipated events, such as emergency  
11 service restoration. The Company is requesting authorization for such  
12 securities sales primarily to achieve the flexibility that will permit a timely  
13 response to changing market conditions when it becomes beneficial for  
14 the Company to refinance, refund, or otherwise acquire outstanding higher  
15 cost securities or necessary for the Company to raise external funds to  
16 meet capital and/or working capital needs.

17

18 Q. WHAT IS THE AUTHORIZATION LIMIT FOR EACH TYPE OF  
19 SECURITY SOUGHT BY THE COMPANY?

20 A. The Company seeks authorization to issue up to \$700 million aggregate  
21 principal amount of New LT Debt, provided, however, that should any of  
22 the proceeds of the New LT Debt issued be used to retire, redeem, or  
23 otherwise repay the principal amount of long-term debt outstanding at the

1           time of such issuance ("Outstanding LT Debt"), the amount of such debt  
2           shall not be used in calculating the amount issued against the \$700 million  
3           limit. The Company also seeks authorization to issue \$350 million of Tax-  
4           Exempt Bonds, \$400 million of Collateral Bonds, \$120 million of Preferred  
5           Stock, and \$200 million of Common Stock.

6

7    Q.    ARE THESE AUTHORIZATION LIMITS CONSISTENT WITH PREVIOUS  
8           FINANCING AUTHORIZATIONS GRANTED EAI BY THE APSC?

9    A.    The authorization requested for Tax-Exempt Bonds, Collateral Bonds,  
10          Preferred Stock and Common Stock are consistent with previous financing  
11          authorization limits. However, the method for which the Company is  
12          seeking authorization for New LT Debt has changed. Under the current  
13          request for authorization, the Company is requesting that the principal  
14          amount of the New LT Debt issued pursuant to the Order that is used to  
15          retire, redeem, or otherwise repay the principal amount of Outstanding LT  
16          Debt at the time of such issuance, not be included in calculating the  
17          amount issued against the issuance authority. Previously, all issuances,  
18          including those for the refinancing of outstanding debt, would have  
19          counted against the authorized limit.

20

1     **III.     LONG-TERM DEBT**

2     Q.     WHY HAS EAI REQUESTED THIS CHANGE IN METHODOLOGY FOR  
3           THE AUTHORIZATION RELATED TO NEW LT DEBT?

4     A.     The proposed methodology would allows EAI to have greater financial  
5           flexibility in order to take advantage of favorable market conditions more  
6           readily. By having the APSC authorize issuances of New LT Debt under  
7           the proposed methodology, EAI would have the ability to refinance  
8           maturing debt to extend its maturities or to refinance higher cost debt at  
9           lower rates without exceeding its issuance limitation.

10  
11    Q.     HOW DID THE PREVIOUS AUTHORIZATION IMPACT FINANCINGS  
12           BETWEEN 2010 AND 2012?

13    A.     Under its previous financing order, EAI was granted authorization to issue  
14           up to \$800 million in new first mortgage bonds between January 2010 and  
15           December 2012, including \$400 million for refunding and \$400 million to  
16           “provide for flexibility under special circumstances.” By September 2011,  
17           EAI had already issued \$575 million of first mortgage bonds pursuant to  
18           the order, much of which was issued to refinance higher cost debt at lower  
19           rates. In light of the limited remaining capacity, in order to assure on-  
20           going financing flexibility, EAI went back to the APSC to request  
21           authorization to issue more long-term debt in September 2011 and a  
22           revised order was issued later the same month.

1 Q. HOW WOULD THE PROPOSED FINANCING METHODOLOGY HAVE  
2 ALLEVIATED THIS PREDICAMENT?

3 A. Had the previous order used the currently proposed methodology, the  
4 economic refunding of debt at lower rates would not have counted against  
5 the total authorized first mortgage bonds issuance authority, and EAI  
6 would not have had to request additional authority from the APSC. The  
7 remaining authority would have given EAI the flexibility to meet EAI's  
8 financing plans for the remainder of the authorization period.

9

10 Q. WHAT IS THE BASIS FOR THE AMOUNT OF NEW LT DEBT  
11 REQUESTED?

12 A. EAI intends to issue approximately \$200 million of New LT Debt related to  
13 the acquisition of the Hot Spring Plant, which was approved by the  
14 Commission in Order No. 8 in Docket No. 11-069-U. As discussed on  
15 page 265 of Entergy Corporation's 2011 10-K, EAI is also expected to  
16 spend \$740 million on capital expenditures and construction during the  
17 authorization period. Assuming EAI finances approximately 50 percent of  
18 such capital expenditures and construction with debt, EAI may have to  
19 raise approximately \$370 million in new money during 2013 through 2015.  
20 EAI added an additional \$130 million to the request for unforeseen  
21 financing needs and to provide flexibility under special circumstances.  
22 Although EAI may also need to issue other New LT Debt securities during  
23 the authorization period, the proceeds would be used to meet maturities or

1 refund higher cost debt and would not increase the total Outstanding LT  
2 Debt.

3  
4 Q. IS ANY OF EAI'S PROPERTY SUBJECT TO A MORTGAGE?

5 A. Yes. The sale by EAI of first mortgage bonds is governed by the  
6 Company's Mortgage and Deed of Trust dated October 1, 1944, to  
7 Guaranty Trust Company of New York (Deutsche Bank Trust Company  
8 Americas, successor), as Trustee and Marvin A. Mueller (The Bank of  
9 New York Trust Company, National Association, successor), Co-Trustee,  
10 as to certain Missouri property, as Trustees, as heretofore supplemented  
11 and as proposed to be further supplemented by appropriate supplemental  
12 indentures thereto (the "Mortgage").

13 The Mortgage constitutes a first mortgage lien on all of the  
14 properties presently owned by EAI (except as stated below), subject to  
15 (a) leases of minor portions of the Company's property to others for uses  
16 which do not interfere with the conduct of the Company's business,  
17 (b) leases of certain EAI property not used in its electric utility business,  
18 and (c) excepted encumbrances. There are excepted from the lien of the  
19 Mortgage all cash and securities; certain equipment, fuel, materials, or  
20 supplies; timber, minerals, mineral rights, and royalties; receivables,  
21 contracts, leases and operating agreements; and certain unimproved  
22 lands sold or to be sold. The Mortgage contains provisions for  
23 encumbering after-acquired property by the lien thereof, subject to

1 limitation in the case of consolidation, merger, or sale of substantially all of  
2 EAI's assets. The aggregate amount of first mortgage bonds issued and  
3 outstanding under the Mortgage as of June 30, 2012, was \$1,325 million  
4 (excluding \$101 million of Collateral Bonds), all of which is secured by the  
5 lien of the Mortgage.

6

7 Q. DOES EAI'S MORTGAGE IMPOSE ANY RESTRICTIONS ON THE  
8 AMOUNT OF FIRST MORTGAGE BONDS THAT MAY BE ISSUED?

9 A. Yes. There are two principal restrictions, one of which relates to  
10 maintaining adequate interest coverage and the other of which relates to  
11 fundable property requirements. Pursuant to the Mortgage, additional first  
12 mortgage bonds may not be issued unless EAI's adjusted net earnings for  
13 any 12 consecutive months within a specified period immediately  
14 preceding the issuance of the additional first mortgage bonds have been  
15 at least twice the amount of the annual interest requirements on all  
16 outstanding first mortgage bonds, plus the annual interest on the  
17 additional first mortgage bonds being issued and any indebtedness of  
18 prior rank. Under the Mortgage, EAI's adjusted net earnings are  
19 accounted for as "Net Utility Operating Income," excluding the effects of  
20 income taxes while including a minor portion of "Other Income" that  
21 normally consists primarily of Allowance for Funds Used During  
22 Construction.

23



1 Q. PLEASE EXPLAIN THE SECOND PRINCIPAL RESTRICTION OF THE  
2 MORTGAGE TO WHICH YOU REFERRED EARLIER.

3 A. The Mortgage currently prohibits the issuance of first mortgage bonds in  
4 an amount in excess of 60 percent of the value of specifically identified  
5 fundable property, as determined in accordance with the Mortgage.  
6 Fundable property is, essentially, real or personal property of the  
7 Company subject to the lien of the Mortgage. EAI currently has the right  
8 under the Mortgage to amend the Mortgage to provide for an 80 percent  
9 bonding ratio; however, an 80 percent ratio could be high enough to cause  
10 the credit rating agencies to have concern. If such concerns arise, EAI  
11 may effect the increase in the bonding ratio and immediately thereafter  
12 effect a reduction in the ratio to a lower level (above 60 percent) so as to  
13 effect a smaller increase and not trigger any adverse credit rating agency  
14 actions.

15

16 Q. ARE THERE OTHER RESTRICTIONS ON THE ISSUANCE OF FIRST  
17 MORTGAGE BONDS BY THE COMPANY?

18 A. Yes. This Commission and the Tennessee Regulatory Authority ("TRA"),<sup>3</sup>  
19 regulate the issuance of all securities by the Company with maturities of  
20 one year or longer.

21

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<sup>3</sup> EAI provides retail electric services to customers who reside on the west side of the Mississippi River but are citizens of Tennessee. As a result, EAI is subject to the jurisdiction of the TRA.

1 Q. WHAT OTHER NEW LT DEBT IS EAI REQUESTING AUTHORITY TO  
2 ISSUE?

3 A. In addition to first mortgage bonds, EAI is requesting authority to issue  
4 debentures and to enter into loan agreements, credit facilities, and other  
5 like instruments, in each case, where the borrowings issued thereunder  
6 may be outstanding for periods in excess of one year, with various  
7 lenders, on both secured and unsecured bases.

8

9 **IV. PREFERRED STOCK**

10 Q. PLEASE DESCRIBE EAI'S PREFERRED STOCK AND THE NATURE  
11 AND EXTENT OF ITS PREFERENCE OVER COMMON STOCK.

12 A. EAI's Amended and Restated Articles of Incorporation, (the "Charter")  
13 provides for the issuance of three classes of Preferred Stock: Class A  
14 Preferred Stock, \$100 Preferred Stock, and \$25 Preferred Stock. No  
15 dividends are paid on EAI's common stock until dividends have been paid  
16 to the preferred shareholders. Dividends on the Preferred Stock are  
17 cumulative. Preferred Stock also has a preference over common stock  
18 until an amount equal to the then current redemption price shall have been  
19 paid in the event of voluntary liquidation, dissolution, or winding up of the  
20 Company. In the event of an involuntary liquidation, dissolution, or  
21 winding up of the Company, Preferred Stock has a preference over  
22 common stock until payment of the full par value in the case of \$100  
23 Preferred Stock and \$25 Preferred Stock, and the full liquidation value in

1           the case of Class A Preferred Stock, plus an amount equal to all  
2           accumulated and unpaid dividends.

3

4    Q.    WHAT LIMITATIONS EXIST ON THE COMPANY'S ABILITY TO SELL  
5           ADDITIONAL PREFERRED STOCK?

6    A.    The Charter provides, among other things, that additional Preferred Stock  
7           may not be issued unless the gross income of the Company for a period of  
8           12 consecutive months within a specified period immediately preceding  
9           the issuance of the additional Preferred Stock is equal to at least one and  
10          one-half times the aggregate of the Company's annual interest charges on  
11          all bonds, debentures, notes, and other securities and annual preferred  
12          dividend requirements for the outstanding shares of Preferred Stock,  
13          including the dividends on the new Preferred Stock to be issued. Gross  
14          income is approximately the net income of the Company plus interest  
15          expense on any debt that the sale of the Preferred Stock is to displace.

16

1 **V. COMMON STOCK**

2 Q. PLEASE DESCRIBE THE PROCEDURES UTILIZED BY EAI TO SELL  
3 ITS COMMON STOCK.

4 A. EAI is a wholly owned subsidiary of Entergy Corporation. As such,  
5 Entergy Corporation owns all of the Common Stock of EAI. Sales of  
6 Common Stock are made pursuant to a letter agreement between the two  
7 companies.

8  
9 **VI. TAX-EXEMPT BONDS**

10 Q. WHAT ARE TAX-EXEMPT BONDS?

11 A. Tax-Exempt Bonds are bonds sold by governmental entities to finance the  
12 construction of certain facilities that qualify for tax-exempt financing, as  
13 determined by Internal Revenue Service ("IRS") rules and regulations.  
14 Under normal circumstances, these Tax-Exempt Bonds generally bear a  
15 lower interest rate than first mortgage bonds because the interest paid on  
16 these securities is exempt from Federal income taxes. Under the Federal  
17 tax laws, the amount of tax-exempt financing available to EAI is limited by  
18 the amount of EAI's property that qualifies under the IRS rules.

19  
20 Q. HOW ARE TAX-EXEMPT BONDS TYPICALLY ISSUED?

21 A. Typically, EAI sells the qualifying facilities to the county in which the  
22 facilities are located. The county then issues the Tax-Exempt Bonds to  
23 finance its purchase of the facilities from the Company. The county then

1 sells the facilities back to the Company by means of an installment sale  
2 agreement or loan agreement that requires the Company to pay the  
3 county an amount equal to the accruing interest and principal installments  
4 on the bonds sold by the county.

5  
6 **VII. COLLATERAL BONDS**

7 Q. IS EAI CONSIDERING ANY CREDIT ENHANCEMENTS IN  
8 CONNECTION WITH TAX-EXEMPT BONDS?

9 A. Yes. There are several alternatives available whereby a more favorable  
10 rating might be obtained for one or more series of the Tax-Exempt Bonds.  
11 One alternative is to arrange for an irrevocable letter of credit to be issued  
12 to the trustee for the Tax-Exempt Bonds. Other alternatives would include  
13 the purchase of an insurance policy for the payment of the amounts due to  
14 holders of the bonds; the issuance of one or more new series of first  
15 mortgage bonds pledged to the trustee to provide the holders with security  
16 equivalent to the security afforded holders of first mortgage bonds; or the  
17 granting of a subordinated lien on some or all of EAI's property, or some  
18 other form of collateral. First mortgage bonds pledged as a credit  
19 enhancement for Tax-Exempt Bonds are referred to as Collateral Bonds.

1 **VIII. SUMMARY AND CONCLUSION**

2 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

3 A. EAI's overall financing goal is to meet its liquidity and working capital  
4 requirements and to achieve a cost of capital as low as reasonably  
5 possible. EAI believes that it can best accomplish that goal by enhancing  
6 its financial flexibility. Capital markets are constantly changing and  
7 economic conditions sometimes offer opportunities to decrease costs  
8 and/or to issue securities with terms more flexible to the issuer than at  
9 other times.

10 The Company's financial plan is designed to allow the Company to  
11 issue securities primarily for the purpose of refunding outstanding  
12 securities and for other corporate purposes as mentioned previously in  
13 this testimony with the most cost effective and financially flexible structure  
14 available at the time. Approval of this plan would provide the Company  
15 with the continued financial flexibility to take advantage of opportunities to  
16 reduce financing costs to the benefit of EAI and its customers. For these  
17 reasons, the Company believes it to be in the public interest for this  
18 Application to be approved by the Commission. I would ask that the  
19 APSC issue an order by September 15, 2012, so that EAI can proceed to  
20 secure approval by the Tennessee Regulatory Authority ("TRA") through a  
21 similar application. The TRA usually does not act on an application by EAI  
22 until it has been approved by the APSC. This timing should allow for EAI

1           to have financing authorization in place by the end of this year, when its  
2           current authorization expires.

3

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

5    A.     Yes.

CERTIFICATE OF SERVICE

I, Steven K. Strickland, do hereby certify that a copy of the foregoing has been served upon all parties of record by forwarding the same by electronic mail and/or first class mail, postage prepaid, this 6th day of August 2012.

/s/ Steven K. Strickland  
Steven K. Strickland



BEFORE THE  
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION	)	
OF ENTERGY ARKANSAS, INC. FOR	)	
AUTHORIZATION TO ENTER INTO	)	DOCKET NO. 12-059-U
CERTAIN FINANCING TRANSACTIONS	)	
BETWEEN JANUARY 1, 2013 AND	)	
DECEMBER 31, 2015	)	

DIRECT TESTIMONY

OF

ROBERT DANIEL  
SENIOR FINANCIAL ANALYST  
FINANCIAL ANALYSIS SECTION

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

AUGUST 30, 2012

**INTRODUCTION**

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

A. My name is Robert Daniel. My business address is Arkansas Public Service Commission (Commission or APSC), 1000 Center Street, Little Rock, Arkansas, 72201.

**Q. Please describe your current position with the Arkansas Public Service Commission General Staff (Staff).**

A. I am employed as Senior Financial Analyst in the Financial Analysis Section. In that capacity, I perform economic and financial analyses, including determining the appropriate relative relationship between debt and equity capital and calculating the cost of debt, preferred stock, and common equity as components for determining the overall required rate of return for jurisdictional utilities. Additionally, I evaluate proposed debt and equity issuances, mergers, and acquisitions pertaining to Arkansas and monitor current economic and market trends and their effect on utility cost of capital.

**Q. Please describe your education and qualifications.**

A. My education includes a Master of Business Administration degree with a concentration in Finance from the University of Arkansas at Little Rock. I also hold a Bachelor of Science degree in Business Administration with a major in Finance from the University of Central Arkansas.

Since joining Staff, I have attended several regulatory training seminars, including the Annual Regulatory Studies Program at Michigan State University

1 sponsored by the National Association of Regulatory Utility Commissioners, "The  
2 Basics – Practical Regulatory Training" which is jointly sponsored by the New  
3 Mexico State University Center for Public Utilities and the National Association of  
4 Regulatory Utility Commissioners, and the Utility Symposium held by the  
5 Financial Research Institute at the University of Missouri – Columbia. I am also a  
6 member of the Society of Utility and Regulatory Financial Analysts (SURFA) and  
7 have attended the Society's Annual Financial Forum in Washington, D.C.  
8 Additionally, I have been awarded the professional designation of Certified Rate  
9 of Return Analyst (CRRRA) by SURFA, a designation awarded on the basis of  
10 experience and successful completion of a written examination.

11 **Q. Have you previously testified before this Commission?**

12 A. Yes, I have testified before this Commission on electric, natural gas, and water  
13 cost of capital issues, including the required rate of return, company-proposed  
14 securities issuances, mergers/acquisitions, and the annual customer deposit  
15 interest rate for Arkansas jurisdictional utilities. I have also testified on Entergy  
16 Arkansas Inc.'s annual filing regarding the nuclear decommissioning cost rider.

17 **PURPOSE**

18 **Q. What is the purpose of your testimony in this proceeding?**

19 A. The purpose of my testimony is to address the Application of Entergy Arkansas,  
20 Inc. (EAI or Company) and the Direct Testimony of Steven C. McNeal filed on  
21 August 6, 2012.

**SUMMARY OF REQUEST**

**Q. Please summarize EAI's requested financing authorization.**

A. The Application sets forth the Company's request for authorization to issue and sell in one or more series: (1) new long-term debt in the form of first mortgage bonds, as well as debentures, loan agreements, credit facilities and other like instruments, both secured and unsecured (collectively, New LT Debt), in an aggregate principal amount not to exceed the sum of \$700 million; (2) \$100 par value, \$25 par value, or Class A preferred stock (collectively, preferred stock), in any combination not to exceed \$120 million; (3) common stock with shares having an aggregate par value not to exceed \$200 million; (4) tax-exempt bonds in an aggregate principal amount not to exceed \$350 million; and (5) collateral bonds in an aggregate amount not to exceed \$400 million, separate and apart from the request for issuance and sale of New LT Debt.

Additionally, the Company requests that should any of the proceeds of the New LT Debt be used to retire, redeem, or otherwise repay the principal amount of long-term debt outstanding (Outstanding LT Debt) at the time of such issuance, the amount used would be excluded from the calculation of the \$700 million in New LT Debt being incurred and therefore would not count against the \$700 million authorization limit for New LT Debt. The maximum amount of New LT Debt proceeds the Company anticipates to use to retire Outstanding LT Debt is approximately \$975 million.

The Company's requested period of authorization is January 1, 2013,

1 through December 31, 2015. The Company is requesting an order be issued no  
2 later than September 15, 2012.

3 **Q. How will EAI use the proceeds from the issuance of securities?**

4 A. The Company states in paragraph 6 of its Application:

5 The net proceeds that EAI will receive from the issuance and sale  
6 of First Mortgage Bonds and other New LT Debt, Preferred Stock,  
7 and Common Stock will be used for general corporate purposes,  
8 including, but not limited to, providing funds to repay maturing debt,  
9 providing funds for the possible refunding, refinancing, acquisition,  
10 redemption, or retirement of certain of the Company's outstanding  
11 securities, providing funds for capital investments, managing the  
12 Company's liquidity and working capital requirements, and  
13 financing unanticipated events such as emergency restoration, in  
14 addition to other corporate purposes. The Proceeds that EAI will  
15 receive from the issuance and sale of Tax-Exempt Bonds, net of  
16 any underwriters' discounts or other expenses payable from  
17 proceeds, will be applied to acquire and construct certain pollution  
18 control or sewage and solid waste disposal facilities at EAI's  
19 generating plants ("Facilities") or to refinance outstanding Tax-  
20 Exempt Bonds issued for that purpose.

21 Mr. McNeal indicates that EAI plans to issue approximately \$200 million  
22 related to the acquisition of the Hot Spring Plant which was approved by Order  
23 No. 8 in Docket 11-069-U. Further, according to Entergy Corporation's 2011 10-  
24 K and referenced by Mr. McNeal, EAI is expected to spend \$740 million on  
25 capital expenditures and construction over the authorization period, with  
26 approximately \$370 million, or 50%, expected to be financed with New LT debt.  
27 EAI added an additional \$130 million to the request for unforeseen financing  
28 needs and to provide flexibility under special circumstances.<sup>1</sup>

---

<sup>1</sup> McNeal Direct Testimony, page 11, lines 12 – 21.

**ANALYSIS**

**Q. What is the primary basis for EAI's request for authorization to issue various types and amounts of securities?**

A. EAI's last authorization to issue securities was granted by Order No. 1 in Docket No. 09-068-U and will expire on December 31, 2012. Additionally, in Docket No. 11-090-U, EAI requested, and was granted by Order No. 1, the authority to issue more long-term debt, which also expires on December 31, 2012. The Company's Application is intended to address financing needs beginning January 1, 2013 and ending December 31, 2015. On page 8 of his Direct Testimony, Mr. McNeal states:

The Company is requesting authorization for such securities sales primarily to achieve the flexibility that will permit a timely response to changing market conditions when it becomes beneficial for the Company to refinance, refund, or otherwise acquire outstanding higher cost securities or necessary for the Company to raise external funds to meet capital and/or working capital needs.

By having this variety of issuance authorizations, the Company's intent is to have the ability to select the timing, terms, conditions, and amounts of offerings of several types of securities. The financial statements submitted with the application reflect the acquisition, redemption, and refunding of outstanding first mortgage bonds and tax-exempt bonds.

**Q. Did the Company issue the maximum amount of long-term debt it was authorized in Docket Nos. 09-068-U or 11-090-U?**

A. No. EAI had \$225 million of total authorization remaining to issue first mortgage bonds pursuant to Order No. 1 in Docket No. 09-068-U and was subsequently

1 authorized an additional \$600 million in long-term debt in Docket No. 11-090-U.

2 **Q. What securities did the Company issue pursuant to the additional**  
3 **authorization it was granted by Order No. 1 in Docket No. 11-090-U?**

4 A. To date, the Company has entered into a five-year, \$150 million revolving credit  
5 agreement beginning March 9, 2012, leaving \$450 million of long-term debt  
6 authorization remaining until December 31, 2012.

7 **Q. Is the Company's request generally consistent with its prior financing**  
8 **applications?**

9 A. Yes, with one exception. In its previous application requesting a three-year  
10 authorization, Docket No. 09-068-U, EAI requested authorization to issue up to  
11 \$800 million in First Mortgage Bonds: \$400 million identified as being used for  
12 refinancing purposes and \$400 million to provide financial flexibility.<sup>2</sup>

13 The Company's Application states that, in addition to the request for  
14 authorization of \$700 million in New LT Debt, it has also requested that any  
15 proceeds of New LT Debt used to retire, redeem, or repay Outstanding LT Debt  
16 should not be counted against the New LT Debt authorization of \$700 million.

17 **Q. What reasons did EAI cite for amending its request from prior**  
18 **applications?**

19 A. Mr. McNeal's Direct Testimony provides that the new methodology proposed  
20 would allow "EAI to have greater financial flexibility in order to take advantage of

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<sup>2</sup> Application, Docket No. 09-068-U, page 3, ¶¶ 3 - 4.

1 favorable market conditions more readily.”<sup>3</sup> Further he states that “EAI would  
2 have the ability to refinance maturing debt to extend its maturities or to refinance  
3 higher cost debt at lower rates without exceeding its issuance limitation.”<sup>4</sup>

4 Mr. McNeal indicates that the proposed methodology would have allowed  
5 EAI to forego requesting additional authority from the Commission, as it did in  
6 Docket No. 11-090-U.

7 **Q. Has the Company identified an amount of Outstanding LT Debt it plans to**  
8 **redeem, retire, or repay in accordance with its request?**

9 A. As stated in its Application and mentioned previously, EAI anticipates the  
10 maximum amount of New LT Debt to be used to retire Outstanding LT Debt is  
11 approximately \$975 million. Currently, as reflected on EAI Exhibit D-3, the total  
12 amount of First Mortgage Bonds outstanding is \$1.325 billion. Excluding EAI’s  
13 most recent issuance, a 3.75% Series \$350 million First Mortgage Bond due in  
14 2021, the amount of Outstanding LT Debt remaining in the form of First Mortgage  
15 Bonds is \$975 million.

16 **Q. What is the interest rate of EAI’s remaining First Mortgage Bonds?**

17 A. Excluding EAI’s most recent issuance as identified previously, the current  
18 weighted average interest rate of its remaining First Mortgage Bonds is 5.60%.

19 **Q. Do current market conditions support EAI’s request?**

20 A. Yes. Under current market conditions, with rates at historic lows, allowing EAI

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<sup>3</sup> McNeal Direct Testimony, page 10, lines 4 – 6.

<sup>4</sup> McNeal Direct Testimony, page 10, lines 7 – 9.



1 the flexibility to enter into more suitable financing positions could lower its cost of  
2 capital and benefit ratepayers in the future.

3 As shown on Direct Exhibit RD-1, a review of the most recently available  
4 Mergent Bond Record provides that the average yield for a “Baa” rated public  
5 utility bond in the month of July was 4.85%. A review of the average monthly  
6 public utility bond yields spanning back to January 2001 revealed that the July  
7 2012 average of 4.85% is the lowest average monthly yield for a “Baa” rated  
8 public utility bond over that time.<sup>5</sup> EAI currently has an issuer credit rating of  
9 “Baa2” by Moody’s<sup>6</sup> and “BBB” by Standard & Poor’s.<sup>7</sup>

10 **Q. Does EAI’s request comply with Ark. Code Ann. § 23-3-104(a)(2)?**

11 A. No. Ark. Code Ann. § 23-3-104(a)(2), states “[t]he order of the commission shall  
12 fix the maximum amount of any such issue and the purposes to which it or any  
13 proceeds up to the stated maximum amount are to be applied”. In order to  
14 comply with the statute, the maximum amount of New LT Debt that EAI can issue  
15 under this specific authorization for refinancing purposes should be no more than  
16 \$975 million, the maximum amount stated in its Application.

17 **Q. Based on your analysis, what is the total amount of New LT Debt the**  
18 **Company should be authorized to issue?**

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<sup>5</sup> Moody’s Long-Term Corporate Bond Yield Averages have been published daily since 1929. They are derived from pricing data on a regularly-replenished population of nearly 75 seasoned corporate bonds in the US market, each with current outstandings over \$100 million. The bonds have maturities as close as possible to 30 years; they are dropped from the list if their remaining life falls below 20 years, if their ratings change.

<sup>6</sup> Moody’s Investors Service, Announcement: Moody’s Affirms Entergy Corp. Ratings, December 23, 2011.

<sup>7</sup> Standard & Poor’s Ratings Direct, Summary: Entergy Arkansas Inc., July 26, 2012.

1 A. Based on my analysis, the total amount of New LT Debt the Company should be  
2 authorized to issue is \$1.675 billion: \$700 million to be used for the purposes  
3 identified in the Application and Mr. McNeal's Testimony<sup>8</sup>, and \$975 million to be  
4 used for refinancing purposes.

5 EAI should be authorized to issue up to \$700 million in New LT Debt with  
6 the proceeds used for purposes identified in the Application and Mr. McNeal's  
7 testimony. In addition, the Company may issue up to \$975 million in New LT  
8 Debt with the proceeds used to retire, redeem, or repay the principal amount of  
9 any Outstanding LT Debt at the time of such issuance.<sup>9</sup> EAI's total level of  
10 indebtedness will not increase as a result of the issuances for refinancing  
11 purposes.

12 **Q. Is it reasonable to provide a three-year authorization for issuing up to**  
13 **specified maximum amounts of securities?**

14 A. Yes. In terms of refinancing, the primary objective is to afford full flexibility for the  
15 Company to timely move in the financial markets to reduce its cost of capital as  
16 opportunities present themselves. EAI also states that a three-year term permits  
17 the Company to maintain financial flexibility in managing and planning its debt  
18 structure to take advantage of markets or issue new debt as appropriate.<sup>10</sup>  
19 Approval of the Application should facilitate these objectives. Mr. McNeal states  
20 on page 6 of his testimony:

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<sup>8</sup> Supra at 4.

<sup>9</sup> For purposes of this docket, Outstanding LT Debt includes debt issued under the \$700 million authorized in this docket.

<sup>10</sup> Order No. 1 in Docket No. 09-068-U provided a three-year authorization period.

1 EAI has filed an unlimited automatic shelf registration statement  
2 with the Securities and Exchange Commission allowing it to sell  
3 particular series of bonds with a shorter lead-time than if case-by-  
4 case registration of each series were required. This procedure  
5 affords EAI the financial flexibility that makes it possible to take  
6 advantage of desirable interest rates, and to finance optimal  
7 amounts each time securities are sold.

## 8 RECOMMENDATIONS

9 **Q. What is your recommendation regarding EAI's request that it be allowed to**  
10 **issue New LT Debt to retire, redeem, or repay Outstanding LT Debt without**  
11 **it counting against the \$700 million aggregate amount of New LT Debt**  
12 **authorized?**

13 A. Consistent with Ark. Code Ann. § 23-3-104(a)(2), I specifically recommend EAI  
14 be allowed to issue New LT Debt to retire, redeem, or repay amounts of  
15 Outstanding LT Debt in amounts not to exceed \$975 million over the three-year  
16 authorization period, which is identified as the anticipated maximum amount in  
17 the Company's Application. This recommendation is separate and apart from my  
18 recommendation regarding EAI's request for authorization to issue up to \$700  
19 million in New LT Debt as described previously, as well as any other securities  
20 issuances identified in the Application.

21 **Q. What specific reporting requirements do you recommend?**

22 A. I recommend the Company be required to file a report providing the purpose and  
23 identifying the specific terms of each issuance of securities, including the actual  
24 interest rate and maturity date, all fees and other relevant facts, and the detailed  
25 accounting entries to record the transactions. The reports should be filed in this

1 docket within thirty (30) days of the issuance or effective date, as applicable.  
2 Each report should also provide a status of remaining authorization, including the  
3 amount authorized for the period, the amount issued to date, and the remaining  
4 authorization after the instant issuance. To the extent the report contains  
5 estimates, a follow up report should be filed reflecting actual amounts.

6 With regard to New LT Debt issued to retire, redeem, or repay  
7 Outstanding LT Debt, I recommend the Company be required to provide the  
8 specific types and amounts of Outstanding LT Debt being retired, redeemed, or  
9 repaid in accordance with the issuance of the New LT Debt and the remaining  
10 authorization after the instant issuance.

11 **Q. What is your final recommendation?**

12 A. Based on the specific representations made by the Company in the Application  
13 and in Mr. McNeal's testimony, I recommend the Application be approved,  
14 subject to my recommendations set forth above regarding reporting requirements  
15 and the Company's request for refinancing purposes. It should be noted that  
16 nothing in my testimony constitutes a recommendation of value for ratemaking  
17 purposes. The appropriate ratemaking treatment of any of the security issuances  
18 which are the subject of this docket should be expressly reserved for future  
19 consideration.

20 Commission authorization of security issuances does not guarantee rate  
21 recovery. A review of the need for capital issuance(s) and any resultant rate  
22 recovery implications can be made in the context of subsequent proceedings. To

1           that end, I recommend the Commission expressly reserve for future  
2           consideration the ratemaking treatment of any security issuances.

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

4   A.   Yes, it does.

**CERTIFICATE OF SERVICE**

I certify that a copy of the foregoing has been served on all parties of record by forwarding the same by postage prepaid first class mail, hand delivery, or electronic mail, this 30<sup>th</sup> day of August, 2012.

/s/ Ronna Abshure  
Ronna Abshure

BEFORE THE  
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION	)	
OF ENTERGY ARKANSAS, INC. FOR	)	
AUTHORIZATION TO ENTER INTO	)	DOCKET NO. 12-059-U
CERTAIN FINANCING TRANSACTIONS	)	
BETWEEN JANUARY 1, 2013 AND	)	
DECEMBER 31, 2015	)	

DIRECT EXHIBIT

OF

ROBERT DANIEL  
SENIOR FINANCIAL ANALYST  
FINANCIAL ANALYSIS SECTION

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

AUGUST 30, 2012

**Mergent Bond Record**  
**Public Utility Bonds**  
**2001 - Current**

	<b>Baa</b>	<b>A</b>
2001		
Jan	7.99%	7.80%
Feb	7.94%	7.74%
Mar	7.85%	7.68%
Apr	8.06%	7.94%
May	8.11%	7.99%
June	8.02%	7.85%
July	8.05%	7.78%
Aug	7.95%	7.59%
Sept	8.12%	7.75%
Oct	8.02%	7.63%
Nov	7.96%	7.57%
Dec	8.27%	7.83%
2002		
Jan	8.13%	7.66%
Feb	8.18%	7.54%
Mar	8.32%	7.76%
Apr	8.26%	7.57%
May	8.33%	7.52%
June	8.26%	7.42%
July	8.07%	7.31%
Aug	7.74%	7.17%
Sept	7.62%	7.08%
Oct	8.00%	7.23%
Nov	7.76%	7.14%
Dec	7.61%	7.07%
2003		
Jan	7.47%	7.06%
Feb	7.17%	6.93%
Mar	7.05%	6.79%
Apr	6.94%	6.64%
May	6.47%	6.36%
June	6.30%	6.21%
July	6.67%	6.57%
Aug	7.08%	6.78%
Sept	6.87%	6.56%
Oct	6.79%	6.43%
Nov	6.69%	6.37%
Dec	6.61%	6.27%
2004		
Jan	6.47%	6.15%
Feb	6.28%	6.15%
Mar	6.12%	5.97%
Apr	6.46%	6.35%
May	6.75%	6.62%
June	6.84%	6.46%
July	6.67%	6.27%
Aug	6.45%	6.14%
Sept	6.27%	5.98%
Oct	6.17%	5.94%
Nov	6.16%	5.97%
Dec	6.10%	5.92%



**Mergent Bond Record**  
**Public Utility Bonds**  
**2001 - Current**

	<b>Baa</b>	<b>A</b>
2005		
Jan	5.95%	5.78%
Feb	5.76%	5.61%
Mar	6.01%	5.83%
Apr	5.95%	5.64%
May	5.88%	5.53%
June	5.70%	5.40%
July	5.81%	5.51%
Aug	5.80%	5.50%
Sept	5.83%	5.52%
Oct	6.08%	5.79%
Nov	6.19%	5.88%
Dec	6.14%	5.80%
2006		
Jan	6.06%	5.75%
Feb	6.11%	5.82%
Mar	6.26%	5.98%
Apr	6.54%	6.29%
May	6.59%	6.42%
June	6.61%	6.40%
July	6.61%	6.37%
Aug	6.43%	6.20%
Sept	6.26%	6.00%
Oct	6.24%	5.98%
Nov	6.04%	5.80%
Dec	6.05%	5.81%
2007		
Jan	6.16%	5.96%
Feb	6.10%	5.90%
Mar	6.10%	5.85%
Apr	6.24%	5.97%
May	6.23%	5.99%
Jun	6.54%	6.30%
Jul	6.49%	6.25%
Aug	6.51%	6.24%
Sep	6.45%	6.18%
Oct	6.36%	6.11%
Nov	6.27%	5.97%
Dec	6.51%	6.16%
2008		
Jan	6.35%	6.02%
Feb	6.60%	6.21%
Mar	6.68%	6.21%
Apr	6.81%	6.29%
May	6.79%	6.27%
Jun	6.93%	6.38%
Jul	6.97%	6.40%
Aug	6.98%	6.37%
Sep	7.15%	6.49%
Oct	8.58%	7.56%
Nov	8.98%	7.60%
Dec	8.13%	6.54%

**Mergent Bond Record**  
**Public Utility Bonds**  
**2001 - Current**

	<b>Baa</b>	<b>A</b>
2009		
Jan	7.90%	6.39%
Feb	7.74%	6.30%
Mar	8.00%	6.42%
Apr	8.03%	6.48%
May	7.76%	6.49%
Jun	7.30%	6.20%
Jul	6.87%	5.97%
Aug	6.36%	5.71%
Sep	6.12%	5.53%
Oct	6.14%	5.55%
Nov	6.18%	5.64%
Dec	6.26%	5.79%
2010		
Jan	6.16%	5.77%
Feb	6.25%	5.87%
Mar	6.22%	5.84%
Apr	6.19%	5.81%
May	5.97%	5.50%
Jun	6.18%	5.46%
Jul	5.98%	5.26%
Aug	5.55%	5.01%
Sep	5.53%	5.01%
Oct	5.62%	5.10%
Nov	5.85%	5.37%
Dec	6.04%	5.56%
2011		
Jan	6.06%	5.57%
Feb	6.10%	5.68%
Mar	5.97%	5.56%
Apr	5.98%	5.55%
May	5.74%	5.32%
Jun	5.67%	5.26%
Jul	5.70%	5.27%
Aug	5.22%	4.69%
Sep	5.11%	4.48%
Oct	5.24%	4.52%
Nov	4.93%	4.25%
Dec	5.07%	4.33%
2012		
Jan	5.06%	4.34%
Feb	5.02%	4.36%
Mar	5.13%	4.48%
Apr	5.11%	4.40%
May	4.97%	4.20%
Jun	4.91%	4.08%
Jul	4.85%	3.93%

Source: Mergent Bond Record.

**CERTIFICATE OF SERVICE**

I certify that a copy of the foregoing has been served on all parties of record by forwarding the same by postage prepaid first class mail, hand delivery, or electronic mail, this 30<sup>th</sup> day of August, 2012.

/s/ Ronna Abshure  
Ronna Abshure

SEP 13 9 28 AM '12

## ARKANSAS PUBLIC SERVICE COMMISSION

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FILED

IN THE MATTER OF THE APPLICATION )  
 OF ENTERGY ARKANSAS, INC. )  
 FOR AUTHORIZATION TO ENTER )  
 INTO CERTAIN FINANCING TRANSACTIONS) )  
 BETWEEN JANUARY 1, 2013, AND )  
 DECEMBER 31, 2015 )

DOCKET NO. 12-059-U  
 ORDER NO. 2

ORDER

On August 6, 2012, Entergy Arkansas, Inc. ("EAI or the "Company") filed, with the Arkansas Public Service Commission ("APSC" or "Commission") an application ("Application") with exhibits ("Application Exhibits"), requesting authority to enter into certain financing transactions between January 1, 2013 and December 31, 2015, pursuant to Ark. Code Ann. §§ 23-3-103 *et seq.*, and Sections 4 and 5 of the Commission's *Rules of Practice and Procedure* ("RPPs"). On that same date, EAI filed the Direct Testimony of its witness Steven C. McNeal, its Vice President and Treasurer. Mr. McNeal has filed testimony in numerous EAI financing transaction dockets before this Commission.

The Application detailed the Company's request for authorization to issue and sell in one or more series: (1) new long-term debt in the form of first mortgage bonds, as well as debentures, loan agreements, credit facilities and other like instruments, both secured and unsecured (collectively referred to in this Order as "New LT Debt"), in an aggregate principal amount not to exceed the sum of \$700 million; (2) \$100 par value, \$25 par value, or Class A preferred stock (collectively referred to in this Order as "Preferred Stock"), in any combination not to exceed \$120 million; (3) common stock

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with shares having an aggregate par value not to exceed \$200 million; (4) tax-exempt bonds in an aggregate principal amount not to exceed \$350 million; and, (5) collateral bonds in an aggregate amount not to exceed \$400 million, separate and apart from the request for issuance and sale of New LT Debt.

Additionally, the Company requested that should any of the proceeds of the New LT Debt be used to retire, redeem, or otherwise repay the principal amount of long-term debt outstanding ("Outstanding LT Debt") at the time of such issuance, the amount used would be excluded from the calculation of the \$700 million in New LT Debt being incurred, and therefore would not count against the \$700 million authorization limit for New LT Debt. The maximum amount of New LT Debt proceeds the Company anticipates to use to retire Outstanding LT Debt is approximately \$975 million.

The Company's requested period of authorization is January 1, 2013 through December 31, 2015. The Company has requested that an order be issued by this Commission no later than September 15, 2012. The Company stated in Paragraph 6 of its Application:

The net proceeds that EAI will receive from the issuance and sale of First Mortgage Bonds and other New LT Debt, Preferred Stock, and Common Stock will be used for general corporate purposes, including, but not limited to, providing funds to repay maturing debt, providing funds for the possible refunding, refinancing, acquisition, redemption, or retirement of certain of the Company's outstanding securities, providing funds for capital investments, managing the Company's liquidity and working capital requirements, and financing unanticipated events such as emergency restoration, in addition to other corporate purposes. The proceeds that EAI will receive from the issuance and sale of Tax-Exempt Bonds, net of any underwriters' discounts or other expenses payable from proceeds, will be applied to acquire and construct certain pollution control or sewage and solid waste disposal facilities at EAI's generating plants

("Facilities") or to refinance outstanding Tax-Exempt Bonds issued for that purpose.

EAI witness McNeal stated that EAI plans to issue approximately \$200 million related to the acquisition of the Hot Spring Plant, which was approved by Order No. 8 in APSC Docket No. 11-069-U. Further, according to Entergy Corporation's 2011 10-K and as referenced by Mr. McNeal, EAI is expected to spend \$740 million on capital expenditures and construction over the authorization period, with approximately \$370 million, or 50%, expected to be financed with New LT Debt. EAI witness McNeal stated that EAI added an additional \$130 million to the request for unforeseen financing needs and to provide flexibility under special circumstances.<sup>1</sup> On page 8 of his Direct Testimony, EAI witness McNeal stated:

The Company is requesting authorization for such securities sales primarily to achieve the flexibility that will permit a timely response to changing market conditions when it becomes beneficial for the Company to refinance, refund, or otherwise acquire outstanding higher cost securities or necessary for the Company to raise external funds to meet capital and/or working capital needs.

By having this variety of issuance authorizations, the Company stated that its intent is to have the ability to select the timing, terms, conditions, and amounts of offerings of several types of securities. The financial statements submitted as a part of EAI's Application Exhibits reflect the acquisition, redemption, and refunding of outstanding first mortgage bonds and tax-exempt bonds.

EAI witness McNeal in his Direct Testimony stated that the new methodology, proposed in this Docket, would allow "EAI to have greater financial flexibility in order to

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<sup>1</sup>EAI witness McNeal's Direct Testimony, Page 11, Lines 12 – 21.

take advantage of favorable market conditions more readily.”<sup>2</sup> Further, he stated that “EAI would have the ability to refinance maturing debt to extend its maturities or to refinance higher cost debt at lower rates without exceeding its issuance limitation.”<sup>3</sup>

Additionally, Mr. McNeal testified that the proposed methodology in this Application would have allowed EAI to forego requesting additional authority from the Commission, as it did in APSC Docket No. 11-090-U. As stated in its Application and mentioned previously in this Order, EAI stated that it anticipates the maximum amount of New LT Debt to be used to retire Outstanding LT Debt is approximately \$975 million. Currently, as reflected on EAI’s Application Exhibit D-3, the total amount of First Mortgage Bonds outstanding is \$1.325 billion. Excluding EAI’s most recent issuance, a 3.75% Series \$350 million First Mortgage Bond due in 2021, the amount of Outstanding LT Debt remaining in the form of First Mortgage Bonds is \$975 million.

In EAI’s previous application requesting a three-year authorization in APSC Docket No. 09-068-U, EAI requested authorization to issue up to \$800 million in First Mortgage Bonds: \$400 million identified as being used for refinancing purposes and \$400 million to provide financial flexibility.<sup>4</sup>

On August 30, 2012, the General Staff of the APSC (“Staff”) filed the Direct Testimony and Exhibit of its witness Robert Daniel, a Senior Rate Analyst in the Staff’s Financial Analysis Section. Staff witness Daniel stated that EAI’s last authorization to issue securities was granted by Order No. 1 in APSC Docket No. 09-068-U and will expire on December 31, 2012. Additionally, in APSC Docket No. 11-090-U, EAI

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<sup>2</sup> McNeal Direct Testimony, Page 10, Lines 4 – 6.

<sup>3</sup> McNeal Direct Testimony, Page 10, Lines 7 – 9.

<sup>4</sup>EAI’s Application, Docket No. 09-068-U, Page 3.

requested, and was granted by Order No. 1, the authority to issue more long-term debt, which also expires on December 31, 2012. Staff witness Daniel stated that EAI had \$225 million of total authorization remaining to issue first mortgage bonds pursuant to Order No. 1 in Docket No. 09-068-U, and was subsequently authorized an additional \$600 million in long-term debt in Docket No. 11-090-U. Staff witness Daniel testified that to date, the Company has entered into a five-year, \$150 million revolving credit agreement beginning March 9, 2012, leaving \$450 million of long-term debt authorization remaining until December 31, 2012.

Based upon the specific representations made by the Company in its Application and Exhibits, and in EAI witness McNeal's Direct Testimony, Staff witness Daniel recommended that EAI's Application be approved, subject to all his recommendations set forth in his Direct Testimony filed in this Docket.

Staff witness Daniel further discussed EAI's Application. He testified that the Company's Application stated that, in addition to the request for authorization of \$700 million in New LT Debt, it has also requested that any proceeds of New LT Debt used to retire, redeem, or repay Outstanding LT Debt should not be counted against the New LT Debt authorization of \$700 million. Staff witness Daniel recommended that with regard to New LT Debt issued to retire, redeem, or repay Outstanding LT Debt that the Company should be required to provide the specific types and amounts of Outstanding LT Debt being retired, redeemed, or repaid in accordance with the issuance of the New LT Debt and the remaining authorization after the instant issuance.

Excluding EAI's most recent issuance as identified previously, the current weighted average interest rate of its remaining First Mortgage Bonds is 5.60%. Under



current market conditions, with rates at historic lows, allowing EAI the flexibility to enter into more suitable financing positions could lower its cost of capital and benefit ratepayers in the future. As shown on Staff witness Daniel's Direct Exhibit RD-1, a review of the most recently available Mergent Bond Record provides that the average yield for a "Baa" rated public utility bond in the month of July, 2012 was 4.85%. A review of the average monthly public utility bond yields spanning back to January 2001 revealed that the July 2012 average of 4.85% is the lowest average monthly yield for a "Baa" rated public utility bond over that time.<sup>5</sup> EAI currently has an issuer credit rating of "Baa2" by Moody's<sup>6</sup> and "BBB" by Standard & Poor's.<sup>7</sup>

Ark. Code Ann. § 23-3-104(a)(2), states "[t]he order of the commission shall fix the maximum amount of any such issue and the purposes to which it or any proceeds up to the stated maximum amount are to be applied". Staff witness Daniel testified that in order to comply with the statute, the maximum amount of New LT Debt that EAI can issue under this specific authorization for refinancing purposes should be no more than \$975 million, the maximum amount stated in its Application.

Staff witness Daniel stated that based upon his analysis, the total amount of New LT Debt that the Company should be authorized to issue is \$1.675 billion: \$700 million to be used for the purposes identified in EAI's Application and its witness McNeal's Direct Testimony<sup>8</sup>, and \$975 million to be used for refinancing purposes.

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<sup>5</sup> Moody's Long-Term Corporate Bond Yield Averages have been published daily since 1929. They are derived from pricing data on a regularly-replenished population of nearly 75 seasoned corporate bonds in the US market, each with current outstandings over \$100 million. The bonds have maturities as close as possible to 30 years; they are dropped from the list if their remaining life falls below 20 years, if their ratings change.

<sup>6</sup> Moody's Investors Service, Announcement: Moody's Affirms Entergy Corp. Ratings, December 23, 2011.

<sup>7</sup> Standard & Poor's Ratings Direct, Summary: Entergy Arkansas Inc., July 26, 2012.

<sup>8</sup> *Supra* at 4.

Staff witness Daniel recommended that EAI should be authorized to issue up to \$700 million in New LT Debt, with the proceeds used for purposes identified in the Application and Mr. McNeal's Direct Testimony, and in addition, the Company may issue up to \$975 million in New LT Debt with the proceeds used to retire, redeem, or repay the principal amount of any Outstanding LT Debt at the time of such issuance.<sup>9</sup> Staff witness Daniel stated that EAI's total level of indebtedness will not increase as a result of the issuances for refinancing purposes. In terms of refinancing, the primary objective is to afford full flexibility for the Company to timely move in the financial markets to reduce its cost of capital, as opportunities present themselves. Staff witness Daniel testified that EAI also stated that a three-year term permits the Company to maintain financial flexibility in managing and planning its debt structure to take advantage of markets or issue new debt as appropriate.<sup>10</sup> Mr. Daniel stated that approval of EAI's Application should facilitate these objectives, quoting EAI witness McNeal on Page 6 of McNeal's Direct Testimony:

EAI has filed an unlimited automatic shelf registration statement with the Securities and Exchange Commission ("SEC") allowing it to sell particular series of bonds with a shorter lead-time than if case-by-case registration of each series were required. This procedure affords EAI financial flexibility that makes it possible to take advantage of desirable interest rates, and to finance optimal amounts each time securities are sold.

Staff witness Daniel emphasized that this Commissions' authorization of security issuances does not guarantee rate recovery and that a review of the need for capital issuance(s) and any resultant rate recovery implications should be made in the context

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<sup>9</sup> For purposes of this Docket, Outstanding LT Debt includes debt issued under the \$700 million authorized in this Docket.

<sup>10</sup> Order No. 1 in APSC Docket No. 09-068-U provided a three-year authorization period.

of subsequent proceedings. To that end, Staff witness Daniel recommended that the Commission expressly reserve for future consideration the ratemaking treatment of any security issuances.

Concerning EAI's request that it be allowed to issue New LT Debt to retire, redeem, or repay Outstanding LT Debt without it counting against the \$700 million aggregate amount of New LT Debt authorized, Staff witness Daniel testified that consistent with Ark. Code Ann. § 23-3-104(a)(2), he specifically recommends that EAI be allowed to issue New LT Debt to retire, redeem, or repay amounts of Outstanding LT Debt in amounts not to exceed \$975 million over the three-year authorization period, which is identified as the anticipated maximum amount in the Company's Application.

Staff witness Daniel testified that this recommendation is separate and apart from his recommendation regarding EAI's request for authorization to issue up to \$700 million in New LT Debt as described previously, as well as any other securities issuances, identified in EAI's Application. He recommended that the Company be required to file a report in this Docket, providing the purpose and identifying the specific terms of each issuance of securities, including the actual interest rate and maturity date, all fees and other relevant facts, and the detailed accounting entries to record the transactions. Further, Staff witness Daniel recommended that the reports should be filed in this Docket within thirty (30) days of the issuance or effective date, as applicable, that each report should also provide a status of remaining authorization, including the amount authorized for the period, the amount issued to date, and the remaining authorization after the instant issuance, and to the extent the report contains estimates, a follow-up report should be filed reflecting actual amounts.

IT IS THEREFORE ORDERED, that based upon the assertions set forth in EAI's August 6, 2012 Application and Exhibits thereto and the Direct Testimony of EAI's witness McNeal, and the Direct Testimony and Exhibit of Staff witness Daniel, approval of EAI's Application is hereby found to be in the public interest and is, therefore, approved, as is recommended by Staff witness Daniel in his Direct Testimony, and only as is allowed by Arkansas law. The continuation of the three-year financing period requested in EAI's Application is also granted.

Further, the reporting requirements recommended by Staff witness Daniel in his Direct Testimony are approved, and such reporting filings shall be made by EAI in this Docket.

This Commission expressly reserves for future consideration the ratemaking treatment of any security issuances. Nothing herein shall be considered a finding of value or ratemaking treatment of any costs associated with issues that may result from this Docket.

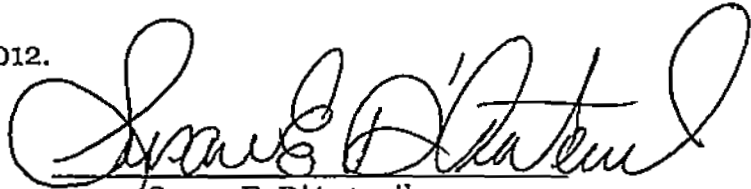
Nothing herein shall be construed as obligating the State of Arkansas to pay or guarantee, in any manner whatsoever, any securities authorized or issued under this Order.

The Commission retains the jurisdiction of this matter for the purpose of issuing further orders as it may deem necessary or appropriate.

The Secretary of the Commission is directed forthwith to serve by electronic mail a copy of this Order on the official parties to this Docket.

BY ORDER OF THE ADMINISTRATIVE LAW JUDGE PURSUANT TO  
DELEGATION.

This 13<sup>th</sup> day of September, 2012.



Susan E. D'Auteuil  
Administrative Law Judge

Cynthia Mayweather (Acting)  
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 electronic  
mail, using the email address of each  
party as indicated in the official docket file.

CM  
Secretary of the Commission  
Date 9/13/2012