



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

RECEIVED

2013 JAN -8 PM 2:45

T.R.A. DOCKET ROOM

VIA OVERNIGHT MAIL

January 7, 2013

Mr. David Foster, Chief  
Utilities Division  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

Re: Tennessee Regulatory Authority Tariff Filing No. 2013- 00003  
Entergy Arkansas, Inc. Request for Approval of Arkansas Nuclear  
One, Unit 1 Interim Capacity Cost Recovery Rider

Dear Mr. Foster:

On June 13, 2012, Entergy Arkansas, Inc. (EAI) filed an Application with the Arkansas Public Service Commission (APSC) in Docket No. 12-038-U to request approval of the designation of a portion of certain wholesale baseload (WBL) generation to serve EAI's retail customers (the Available WBL Capacity), or, in the alternative, to approve the sale of all of the Available WBL Capacity to third parties on a life-of-unit basis.

The Available WBL Capacity represents a percentage portion of generating units already owned by EAI (White Bluff Unit 1 (8.45% of EAI's ownership share, approximately 39 MW) and White Bluff Unit 2 (8.45%, approximately 41 MW), Independence (ISES) Unit 1 (8.43%, approximately 22 MW), Arkansas Nuclear One (ANO) Unit 1 (8.43%, approximately 70 MW) and ANO Unit 2 (8.45%, approximately 84 MW)), and from EAI's purchase power obligation from the Grand Gulf Nuclear Station (Grand Gulf) (8.31%, approximately 30 MW). This capacity was previously sold to wholesale customers of EAI, and most recently, sold on a limited-term basis to other Entergy Operating Companies as part of EAI's plan to sell this capacity until it exits the Entergy System Agreement on December 18, 2013. The Entergy Operating Committee, which has authority to approve intra-company capacity transactions, did not allocate all of the Available WBL Capacity to other Operating Companies in 2013, and consequently, the ANO Unit 1 portion and non-retained share of Grand Gulf become available to EAI on January 1, 2013. The remaining portions become available on December 19, 2013.

In addition, EAI sought approval for a tariff designed to recover in 2013 only the non-fuel costs associated with ANO Unit 1 that is a part of the Available WBL Capacity, and, on an ongoing basis, the capacity costs associated with short- and limited-term power purchase agreements (PPAs) executed by EAI for its post-System Agreement operations, including two PPAs identified through a competitive solicitation.

Subsequent to multiple rounds of testimony and a public, evidentiary hearing on November 5, 2012, EAI amended its proposal to request only the assignment of the ANO Units 1 and 2 portions of the Available WBL Capacity to serve its retail customers. Under this proposal, the ANO Unit 1 costs that are incurred in 2013 would be recovered through a temporary rider recovery mechanism for one year only, and then all of the ANO Available WBL Capacity costs would be included in EAI's 2013 general rate case that is planned to be filed in the first quarter of 2013. The non-ANO portions of the Available WBL Capacity would be sold to third parties on a life-of-unit basis.

EAI also requested that the originally proposed tariff be reviewed as part of the 2013 general rate case. Cost Recovery of the two PPAs would be addressed in a second phase of Docket No. 12-038-U.

On November 7, 2012, the APSC issued the attached Order No. 7 in this docket, approving EAI's amended request as described above, including Rate Schedule No. 55, Arkansas Nuclear One, Unit 1 Interim Capacity Cost Recovery Rider (Rider ANOR). However, the parties could not agree on the exact method of implementing the true-up mechanism for Rider ANOR, and consequently, Order No. 7 directed the General Staff of the APSC to file a compliance Rider ANOR that states on Schedule Sheet 6 of 6 that this issue shall be determined by subsequent Commission order. The compliance filing was made on December 14, 2012.

Finally, on December 27, 2012, the APSC issued the attached Order No. 8 in this docket approving Rider ANOR to become effective with the first billing cycle of January 2013 (effective beginning December 31, 2012) for its Arkansas retail customers. EAI is working with the other parties to resolve the one remaining issue of how to implement to the true-up mechanism for this rider, and expects to resolve this issue in the first quarter of 2013.

The purpose of this letter is to file the attached proposed Rider ANOR with the Tennessee Regulatory Authority (TRA) for its acknowledgement and approval. Per the terms of the tariff, the proposed rates should be effective the first billing cycle of February 2013 which begins on January 30, 2013. Attached is an original and 4 copies of this proposed tariff and APSC Order Nos. 7 and 8 including electronic copies. All other existing Rate Schedules remain in effect without change. Attached is a check for \$25.00 for EAI's filing fee.

Mr. David Foster  
Page 3  
January 7, 2013

EAI is requesting the thirty-day notice required in TRA Rule 1220-4-1-.04 be waived to allow EAI to place these proposed rates in effect for Arkansas retail customers residing in Tennessee with the effective date of January 30, 2013.

If you have any questions or need additional information, please do not hesitate to call me at 501-377-5876.

Sincerely,

A handwritten signature in cursive script that reads "Laura Landreaux" followed by a small mark that appears to be "l+v".

Laura Landreaux  
Manager, Regulatory Affairs

Attachments

## ARKANSAS PUBLIC SERVICE COMMISSION

Original Sheet No. 55.1 Schedule Sheet 1 of 6  
Including Attachments

Replacing: Sheet No.

Entergy Arkansas, Inc.  
Name of Company

Kind of Service: Electric Class of Service: All

TRA Tariff Filing No.:

### Part III. Rate Schedule No. 55

Effective: 1/30/13

Title: **Arkansas Nuclear One, Unit 1 ("ANO 1")  
Interim Capacity Cost Recovery Rider (ANOR)**

PSC File Mark Only

#### 55.0 ANO 1 INTERIM CAPACITY COST RECOVERY RIDER

(NR)

#### 55.1 REGULATORY AUTHORITY

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

#### 55.2 PURPOSE

The purpose of this ANO 1 Interim Capacity Cost Recovery Rider ("Rider ANOR") is to recover, from EAI's retail customers, the acquisition of 70 MW of EAI's ANO 1 Wholesale Base Load ("WBL") capacity costs previously sold to the other Operating Companies under Service Schedule MSS-4 of the Entergy System Agreement, along with the reserve equalization effects, if any, associated with this reacquired capacity as approved by the APSC in Docket No. 12-038-U. Rider ANOR shall apply in accordance with the provisions of § 55.3 below to electric service billed under certain rate schedules, whether metered or unmetered. Rider ANOR shall be effective with the first billing cycle for the January 2013 billing month. EAI shall file to withdraw Rider ANOR at such time as the Capacity Rates set out in Attachment A, including any True-up pursuant to Paragraph 55.4 below, are recovered.

#### 55.3 CAPACITY RATES

The capacity cost recovery rates ("Capacity Rates") shall be set forth in Attachment A to this Rider ANOR.

#### 55.4 RATE DETERMINATION

The rate determination shall be in Compliance with the APSC's Order in Docket No. 12-038-U and shall include recovery of the 70 MW of ANO 1 capacity, as approved by the APSC, to be incurred over the 12-month period beginning on January 1, 2013. The Initial Capacity Rates, as set out in Attachment A, shall be based on the annual revenue requirement associated with ANO 1 as included in the Joint Submission of Revised Cost of Service approved by the APSC in Order No. 20 in Docket No. 09-084-U and determined by application of the Capacity Rate Formula set out in Attachment B to this Rider ANOR.

## ARKANSAS PUBLIC SERVICE COMMISSION

Original Sheet No. 55.2 Schedule Sheet 2 of 6  
Including Attachments

Replacing: Sheet No.

Entergy Arkansas, Inc.  
Name of Company

Kind of Service: Electric Class of Service: All

TRA Tariff Filing No.:

### Part III. Rate Schedule No. 55

Effective: 1/30/13

Title: **Arkansas Nuclear One, Unit 1 ("ANO 1")  
Interim Capacity Cost Recovery Rider (ANOR)**

PSC File Mark Only

A True-up Adjustment shall be calculated for the ANO 1 WBL for calendar year 2013. This True-up Adjustment shall be reflected in the following year's Rider ANOR calculation. The True-up Adjustment shall be defined as the difference between revenues collected via Rider ANOR for the 12 months ending December 31, 2013 and actual booked costs of the ANO 1 WBL for the 12 months ending December 31, 2013 as described in Attachment B to this Rider ANOR. EAI shall file the True-up Adjustment by April 1, 2014. Any over- or under-collection shall be refunded or recovered beginning with the first billing cycle in May 2014 through the last billing cycle in December of 2014. The True-Up Adjustment shall become effective on the first billing cycle of May 2014 unless suspended by the Commission.

Capacity Rates shall be filed by the Company in Docket No. 12-038-U and shall be accompanied by a set of workpapers sufficient to document fully the calculations of the Capacity Rates.

(NR)

### 55.5 STAFF AND COMMISSION REVIEW

Staff shall review the filed Capacity Rates to verify that the formula in Attachment B has been correctly applied and shall notify the Company of any necessary corrections. After the Staff completes its review of the rate calculation, the Company shall make appropriate changes to correct undisputed errors identified by the Staff in its review. Any disputed issues arising out of the Staff review are to be resolved by the Commission after notice and hearing. The initial Capacity Rates shall go into effect, upon Commission approval, with the first billing cycle of January 2013.

### 55.6 TERM

This Rider ANOR shall remain in effect until terminated in accordance with applicable regulations or laws.

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

TRA Tariff Filing No.:

Effective: 1/30/13

Attachment A to  
Rate Schedule No. 55  
Attachment Page 1 of 1  
Schedule Sheet 3 of 6  
Including Attachments

### Rider ANOR Rates

(NR)

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

Rate Class	Rate Schedules	Applicable Rate
Residential	RS, RT, REMT	\$0.000761/kWh
Small General Service	SGS, GFS, TSS, MP, AP, CGS, CTV, SMWHR	\$0.000759/kWh
Large General Service	LGS, LPS, GST, PST, SSR	\$0.299716/kW
Lighting	L1, L1SH, L4	\$0.000390/kWh

Excluded Schedules:

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

TRA Tariff Filing No.:

Effective: 1/30/13

Attachment B to  
Rate Schedule No. 55  
Attachment Page 1 of 3  
Schedule Sheet 4 of 6  
Including Attachments

**Entergy Arkansas, Inc.  
Capacity Rate Formula**

(NR)

Class Allocation & Rate Development					
Line No.	Class	Class Allocator (1)	Capacity Revenue Reqmt (\$) (2)	Projected Billing Units (3)	Applicable Rate (\$kWh or kW) (4)
	<b>EAI Retail</b>				
1	Residential	41.0882%	6,019	7,913,304,097 kWh	\$0.000761
2	Small General Service	23.7697%	3,482	4,590,130,206 kWh	\$0.000759
3	Large General Service	34.4526%	5,047	16,837,970 kW	\$0.299716
4	Lighting	0.6895%	101	258,703,124 kWh	\$0.000390
5	<b>Total EAI Retail</b>	100.000%	14,648		

Notes:

- (1) The capacity costs shall be 100% retail and the Rate Class Allocator shall be each class' prorata share of the Production Demand Allocation Factor as included in the Joint Submission of Revised Cost of Service approved by the APSC in Order No. 20 in Docket No. 09-084-U.
- (2) Attachment B, Page 2, Line 24 \* Class Allocator
- (3) Projected Billing Units
- (4) Class Capacity Revenue Requirement / Projected Billing Units

TRA Tariff Filing No.:

Effective: 1/30/13

Attachment B to  
Rate Schedule No. 55  
Attachment Page 2 of 3  
Schedule Sheet 5 of 6  
Including Attachments

**Entergy Arkansas, Inc.  
Capacity Revenue Requirement  
Arkansas Retail Jurisdiction (A)**

(NR)

Line No.	Description	Amount (\$000)
	<b>I. Acquired ANO 1 WBL Capacity Costs (B)</b>	
	Rate Base (C)	
1	Plant in Service	1,137,846
2	Accumulated Depreciation & Amortization	(564,887)
3	Working Capital Assets	20,892
4	Total Rate Base (Line 1 + Line 2 + Line 3)	593,851
5	Before-Tax Rate of Return on Rate Base (D)	7.00%
6	Return on Rate Base (Line 4 * Line 5)	41,570
	Expenses/(Revenues) (E)	
7	Operation & Maintenance Expense (F)	114,756
8	Depreciation & Amortization Expense	35,236
9	Taxes Other than Income Tax	10,002
10	Total Expenses (Line 7 + Line 8 + Line 9)	159,994
11	<b>Total ANO 1 Plant Capacity Costs (Line 6 + Line 10)</b>	201,564
12	Total ANO 1 Capability @ 6/30/09 (MW)	834
13	ANO 1 Capacity Cost per MW (\$MW)	241.68
14	ANO 1 WBL Acquired Capacity (MW)	70
15	<b>ANO 1 WBL Plant Capacity Costs (Line 13 * Line 14)</b>	16,918
16	Reserve Equalization (Expense)/Revenue (F)	2247
17	<b>Total ANO 1 WBL Acquired Capacity Costs (Line 15- Line 16)</b>	14,671
	<b>II. True-up Adjustment</b>	
18	Revenues received from Rider ANOR for 12 months ending 12/31/13	0
19	<b>Actual ANO 1 WBL revenue requirement for 12 months ending 12/31/13 (G)</b>	0
20	<b>True-up Adjustment (Line 19-Line 18)</b>	0
21	<b>Total Recoverable ANO 1 WBL Revenue Requirement (Line 17+ Line 20)</b>	14,671
22	<b>Bad Debt Rate (H)</b>	0.4451%
23	<b>Forfeited Discount Rate (I)</b>	0.6017%
24	<b>Total Rider ANOR Capacity Revenue Requirement (Line 21*(1+Line 22-Line 23))</b>	14,648



TRA Tariff Filing No.:

Effective: 1/30/13

Attachment B to  
Rate Schedule No. 55  
Attachment Page 3 of 3  
Schedule Sheet 6 of 6  
Including Attachments

Notes:

(NR)

- (A) Costs reflect Total Company or Retail portion as required
- (B) Initial Capacity costs associated with 70 MW of the ANO1 portion of the WBL capacity determined based on the revenue requirement per MW of ANO 1 capacity from the Joint Submission of Revised Cost of Service as approved by APSC in Order No. 20 in Docket No. 09-084-U.
- (C) Initial Rate Base values based on the balances included in the Joint Submission of Revised Cost of Service approved by the APSC in Order No. 20 in Docket No. 09-084-U.
- (D) Before-Tax RORB from the Joint Submission of Revised Cost of Service approved by the APSC in Order No. 20 in Docket No. 09-084-U.
- (E) Initial Expense values based on the balances included in the Joint Submission of Revised Cost of Service approved by the APSC in Order No. 20 in Docket No. 09-084-U.
- (F) Estimated Reserve Equalization (MSS-1) impact on retail associated with the 70 MW of the ANO 1 portion of the WBL capacity

Where:

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

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

(Retail split is defined as 100% for the ANO 1 WBL)

(EAI MW is 70 MW of ANO 1 capability)

(System MW is 0 MW - ANO 1 capability already on System)

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

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

- (G) For the True-up Adjustment the ANO 1 WBL revenue requirement for 2013 shall be based on Company's actual 2013 booked costs, excluding effects of Rider GMES applicable to calendar year 2013, calculated consistent with the Attachment B formula, herein, for the initial Capacity Costs. As set forth in Order No. 7 of Docket No. 12-038-U, the appropriate net plant balances used in the True-Up Adjustment shall be determined by subsequent Commission order before the True-Up adjustment is calculated.
- (H) The Retail Bad Debt Rate from Docket No. 09-084-U
- (I) The Retail Forfeited Discount Rate from Docket No. 09-084-U

Nov 30 4 14 PM '12

## ARKANSAS PUBLIC SERVICE COMMISSION

FILED

IN THE MATTER OF ENTERGY ARKANSAS, )  
 INC.'S REQUEST FOR APPROVAL OF CERTAIN )  
 WHOLESALE BASE LOAD CAPACITY TO SERVE )  
 EAI CUSTOMERS AND A PROPOSED RIDER )  
 RECOVERY MECHANISM FOR THESE AND )  
 OTHER CAPACITY COSTS )

DOCKET NO. 12-038-U  
 ORDER NO. 7

**ORDER****Introduction**

On June 12, 2012, Entergy Arkansas, Inc. (EAI) filed in this Docket its Application requesting Arkansas Public Service Commission (Commission) approval to designate a portion of EAI's available Wholesale Baseload (WBL) Capacity (the Available WBL Capacity) to serve EAI's Arkansas retail customers. In addition, EAI seeks approval of a proposed Capacity Cost Recovery Rider (Rider CCR) which is intended to recover only for the year 2013 the non-fuel costs associated with Arkansas Nuclear One (ANO 1) that is a part of the Available WBL Capacity, and, on an ongoing basis, the capacity costs associated with short- and limited-term capacity agreements executed by EAI for its post Entergy System Agreement operations. Application at ¶ 5. In support of its Application, EAI filed the Direct Testimonies of EAI witnesses Hugh McDonald, Kurtis Castleberry and Phillip Gillam.

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

By Order No. 3, issued on August 8, 2012, the Commission established a procedural schedule for consideration of EAI's Application. On September 26, 2012,

pursuant to Order No. 3, Staff filed the Direct Testimonies of Staff witnesses John Athas and Diana Brenske; the AG filed the Direct Testimonies of AG witnesses William Marcus and Kevin Woodruff; and AEEC filed the Direct Testimony of AEEC witness Randal Falkenberg. On October 10, 2012, EAI filed the Rebuttal Testimonies of EAI witnesses McDonald, Castleberry, Gillam, Charles DeGeorge, and Karen Radosevich. On October 24, 2012, Staff filed the Surrebuttal Testimonies of Staff witnesses Athas and Brenske; the AG filed the Surrebuttal Testimonies of AG witnesses Marcus and Woodruff; and AEEC filed the Surrebuttal Testimony of AEEC witness Falkenberg. On October 31, 2012, EAI filed the Sur-Surrebuttal Testimonies of EAI witnesses McDonald, Castleberry and Gillam. As scheduled by Order No. 3, the Commission conducted a public evidentiary hearing on EAI's Application on November 5, 2012.

By Order No. 6, issued on November 6, 2012, the Commission directed each party to file on November 9, 2012, a Post-Hearing Final Statement of Position. On November 9, 2012, a Joint Final Statement of Position was filed by EAI, the AG and AEEC. A separate Statement of Position was filed by the Staff.

#### EAI's Application

The Available WBL Capacity represents 286 MW of the total 572 MW of WBL capacity that EAI has sold on a short- or limited-term basis to other Entergy Operating Companies (Entergy Op Cos). This total WBL Capacity is a portion of generating units already owned by EAI (White Bluff Units 1 and 2, Independence Steam Electric Station (ISES) Unit 1, and ANO Units 1 and 2) and from which EAI purchases power (Grand Gulf) that EAI formerly used to serve wholesale customers until those wholesale contracts expired. Of the 572 MW of WBL Capacity, EAI sold 227 MW to other Entergy

Op Cos on a life-of-unit basis in a sale approved by the Commission. Another 59 MW associated with the retained share portion of the WBL Capacity is not eligible for recovery in EAI's rates. The remaining 286 MW makes up the Available WBL Capacity, which will be available to serve EAI's customers beginning with a total of 100 MW from ANO 1 and Grand Gulf in 2013 and with all the Available WBL Capacity in 2014. Application at ¶ 6.

In the event that the Commission does not accept EAI's proposal to devote all of the Available WBL Capacity to EAI's retail customers, EAI requests, in the alternative, that the Commission approve EAI's sale of all of those resources to another party, to the extent such approval is required under Ark. Code Ann. 23-3-102 (a). *Id.* at ¶ 7.

Rider CCR is proposed by EAI as a mechanism through which EAI could recover on a "more timely and accurate basis" the costs of various types of capacity that may become available to EAI in the wholesale market or otherwise and to flow back any revenues EAI may receive from sales of capacity into the wholesale market. EAI states that approval of Rider CCR "could have a positive effect on EAI's ability to capitalize on market opportunities that may become available." EAI anticipates that these types of transactions would include short- and limited-term bilateral contracts for capacity supply that EAI may execute in connection with its post-System Agreement operation, such as the two Purchased Power Agreements (PPAs) resulting from EAI's 2011 Request for Proposals (RFP) for which EAI seeks Rider CCR recovery in this Application. *Id.* at ¶ 11. The two limited-term PPAs are for a total of 795 MW of capacity, that are scheduled to commence on December 19, 2013, corresponding with EAI's transition to post-System Agreement operations. *Id.* at ¶ 13.

In addition, EAI proposes to devote the 286 MW of Available WBL Capacity to serve EAI's retail customers. EAI states that it offered the total WBL Capacity to the other Entergy Op Cos for the year 2013, but the Entergy Operating Committee allocated only a portion of that capacity. The unallocated portion includes the WBL Capacity portions of ANO 1 (70 MW) and Grand Gulf (89 MW), including the 59 MW EAI retained share of Grand Gulf. *Id.* at ¶ 15. EAI states that it had planned to offer the Available WBL Capacity to serve retail customers in connection with its next base rate proceeding in 2013; however, the Entergy Operating Committee decision accelerated the timing of a portion of EAI's proposal related to the 100 MW of capacity from ANO 1 and the Grand Gulf non-retained share, which can be used to serve EAI's customers in 2013. The total 286 MW of Available WBL Capacity can be used to serve EAI's customers in 2014. Therefore, EAI requests at this time to devote all of the Available WBL Capacity to serve EAI's retail load. *Id.*

EAI states that its load forecast for the years 2013 - 2023 reflects a need for additional baseload capacity to serve its retail customers. This need exists even with the addition of the Available WBL Capacity to EAI's generating portfolio. Therefore, EAI states that the Available WBL Capacity "presents a unique opportunity" to increase the capacity from nuclear and coal resources that EAI currently owns and maintains to serve its customers. *Id.* at ¶ 17.

In the event the Commission does not approve EAI's proposal to devote all of the Available WBL Capacity to its retail customers, EAI requests, in the alternative, that the Commission authorize EAI to sell that capacity to another party to the extent such an approval is required under Ark. Code Ann. § 23-3-102(a). EAI states that such

authorization “would be in the public interest considering the financial harm that would result in the event that EAI is unable to obtain cost support for the Available WBL Capacity from another source.” *Id.* at ¶ 18.

Regarding rate recovery, EAI states that the costs associated with the Available WBL Capacity and the short- and limited-term capacity purchases would be recovered over time through a combination of the proposed Rider CCR, new base rates from a general rate case proceeding to be initiated in 2013, the existing Grand Gulf Rider (Rider GG), and the existing Energy Cost Recovery Rider (Rider ECR). *Id.* at ¶ 19. As proposed, Rider CCR would recover: (1) for 2013 only, the non-fuel costs of the ANO 1 WBL capacity; and (2) on an ongoing basis, short- to limited-term bilateral contracts as currently anticipated and as may occur or terminate in the future. *Id.* at ¶ 20. EAI also states that, if the Commission approves EAI’s Application, EAI will include in the test year for its 2013 rate case the revenue requirement associated with non-fuel costs for all the Available WBL Capacity. *Id.* at ¶ 21. EAI states that its 2013 rate case will be timed so that new base rates would be effective on or about the time EAI would exit the System Agreement in December 2013. At that time, the non-fuel costs associated with ANO 1 would be removed from Rider CCR and be recovered in EAI’s base rates along with the non-fuel costs associated with the rest of the Available WBL Capacity. *Id.*

If the Commission grants EAI’s Application, EAI states that the allocation between retail and wholesale customers in Rider GG would be updated to recover the non-fuel purchased power costs associated with the non-retained share of the Grand Gulf WBL Capacity beginning January 2013. *Id.* at ¶ 22. Fuel costs for all the Available

WBL Capacity and short- and limited-term capacity purchases would be recovered through Rider ECR. *Id.* at ¶ 23.

Under EAI's proposal, Rider CCR would be re-determined annually due to the potential variability associated with the short-term and limited-term bilateral contracts that would be recovered through the rider. Rider CCR, as proposed, would allow EAI to recover: (1) the non-fuel cost of the ANO 1 WBL in 2013 until this cost is reflected in base rates, as a result of the planned 2013 rate proceeding; and (2) the short to limited-term bilateral contracts, and reflect changes to EAI's reserve equalization under Entergy System Agreement Service Schedule MSS-1 until EAI no longer participates in the Entergy System Agreement. *Id.* at ¶ 24.

Proposed Rider CCR also includes a true-up mechanism "consistent with the true-up mechanism approved by the Commission for EAI's Capacity Acquisition Rider (Rider CA)" which "accounts for the differences between actual and estimated costs for the bilateral contracts only." However, EAI points out that proposed Rider CCR is not an "exact recovery" rider because there is no true-up mechanism associated with sales. Rather, EAI would true up the cost estimates, but EAI's recovery of this cost "is not guaranteed because it will still be subject to risk associated with the level of sales." *Id.* at ¶ 27.

#### Summary of the Pre-Hearing Positions of Staff, the AG and AEEC

The Staff recommended that the Commission deny EAI's request to transfer all of the Available WBL Capacity from wholesale to retail to serve its Arkansas retail customers on a life-of-unit basis. However, Staff did recommend that the Commission approve the transfer of the ANO WBL Capacity to serve EAI's retail load. Staff witness

Athas Surrebuttal Testimony at 11. Staff also recommended that concurrent cost recovery of the non-fuel costs associated with the ANO Unit 1 WBL Capacity be denied and deferred for consideration in EAI's 2013 general rate case. Staff witness Brenske Surrebuttal Testimony at 11.

Like the Staff, the AG also recommended that the Commission deny EAI's request to transfer all of the Available WBL Capacity to serve EAI's retail ratepayers. However, subject to the receipt of additional information and analysis from EAI, the AG urged the Commission to "remain open to allowing the assignment of all [or a subset] of [the] Available WBL Capacity to EAI's customers." AG witness Woodruff Surrebuttal Testimony at 16. The AG also opposed EAI's proposed Rider CCR as being "[un]necessary at this time ...." AG witness Marcus Surrebuttal Testimony at 4.

AEEC recommended that a decision on the WBL Capacity available on December 19, 2013, be delayed until EAI's 2013 general rate case proceeding because there is insufficient information to make a decision at this time. Falkenberg Surrebuttal Testimony at 2. AEEC also opposed EAI's proposed Rider CCR arguing that "[p]rudence, earnings adequacy, cost allocation and rate design are the province of a ... [general rate case] not a rider." *Id.* at 16.

#### EAI's Sur-Surrebuttal Testimony

In response to the concerns and objections of the other Parties, as reflected in their Direct and Surrebuttal Testimonies, EAI modified its initial position by offering an alternative Available WBL Capacity proposal. EAI witness McDonald testified that EAI can sell portions of the Available WBL Capacity to certain third parties if the Commission rejects such portions to serve retail load. Therefore, EAI is now in a



position to offer only the 154 MW portion of ANO Unit 1 (70 MW) and Unit 2 (84 MW) to serve its Arkansas retail customers when those WBL Capacity portions become available January 1, 2013 and December 19, 2013, respectively. Under this alternative proposal, EAI proposes to sell to third parties the remaining 132 MW of the Available WBL Capacity made up of portions of White Bluff Units 1 and 2, ISES Unit 1, and the non-retained share of EAI's allocation of Grand Gulf purchased power. McDonald Sur-Surrebuttal Testimony at 6.

If the Commission adopts EAI's alternative proposal, EAI proposes to recover through a new tariff the non-fuel costs of ANO Unit 1 beginning January 1, 2013, until such costs are reflected in its base rates pursuant to EAI's planned 2013 rate case proceeding; and the non-fuel costs of ANO Unit 2 beginning December 19, 2013, pursuant to the same rate case to be filed in 2013. *Id.* at 16.

Regarding the issue of whether Rider CCR should be approved as a mechanism to recover short- and intermediate-term capacity purchases when EAI is operating in the MISO Day 2 Market, Mr. McDonald testified that EAI has agreed to address this issue in its 2013 rate case proceeding. However, Mr. McDonald also testified that EAI needs a finding by the Commission by May 31, 2013, that the two PPAs resulting from EAI's RFP are a "reasonable part of the Company's resource plan for post-System Agreement operation so that EAI can finalize these agreements to be certain this capacity will be available." *Id.* at 20-21.

EAI witness Gillam, in his Sur-Surrebuttal Testimony, provided the estimated retail rate impacts of the alternative proposal and, if approved by the Commission, the associated modifications to proposed Rider CCR. Mr. Gillam testified that a separate

new tariff mechanism would be needed to recover the non-fuel costs associated with the ANO Unit 1 WBL Capacity which becomes available on January 1, 2013, until those costs can be reflected in the new base rates resulting from EAI's planned 2013 rate case. The non-fuel costs for the ANO Unit 2 portion of the Available WBL Capacity, which becomes available December 19, 2013, also would be reflected in the Company's updated 2013 base rates. Gillam Sur-Surrebuttal Testimony at 2-3.

Mr. Gillam recommends modifying Rider CCR by removing all tariff language from Rider CCR regarding the recovery of bilateral contracts and modifying the rate calculation to use projected energy (kWh) and demand (kW) sales for 2013, depending on the rate class. *Id.* at 3. Mr. Gillam testified that the modified Rider CCR rate calculation, redesigned to comport with the recommendations of Staff witness Brenske, is reasonable. *Id.* at 4.

Mr. Gillam provided, as reflected in Attachment B, page 1 of 3, of his Sur-Surrebuttal Exhibit PBG-4, the calculation of the modified Rider CCR rates that would be effective with the first billing cycle of January 2013 to recover the non-fuel costs of the Available WBL Capacity using the modified billing methodology. Mr. Gillam also testified that the incremental increase in a typical monthly residential bill would be \$0.79 or 0.83 percent, assuming 1,000 kWh/monthly usage, as shown in his Sur-Surrebuttal Exhibit PBG-5. *Id.* at 5.

#### Post-Hearing Final Statements of Position

By Order No. 6, issued on November 6, 2012, the Commission directed each party to file on November 9, 2012, a Post-Hearing Final Statement of Position. On November 9, 2012, a Joint Final Statement of Position was filed by EAI, the AG and

AEEC. A separate Statement of Position was filed by the Staff. The Statements of Position reflect significant changes of position and significant areas of agreement among the Parties which resulted from the Parties' post-hearing discussions. The Statements of Position reflect that the Parties are in agreement on all issues with the sole exception of the proper ANO Unit 1 WBL Capacity cost recovery tariff true-up calculation methodology. EAI and Staff disagree on the true-up calculation. The AG and AEEC are indifferent on this remaining contested issue.

Joint Final Statement of Position of the AG, AEEC and EAI

The AG, AEEC, and EAI agree that the ANO Units 1 and 2 portion of the Available WBL Capacity should be reassigned to retail customers under the terms identified below.

- a. ANO Unit 1 shall be assigned to serve retail customers beginning January 1, 2013, and ANO Unit 2 shall be assigned to retail customers beginning December 19, 2013. Both units shall be assigned and approved by the Commission on a life-of-unit basis;
- b. EAI will recover the non-fuel costs for ANO Unit 1, from January 1, 2013 until the completion of EAI's 2013 rate case, through a temporary Arkansas Nuclear One Capacity Cost Recovery Rider (Rider ANOR) attached as Exhibit A to the Joint Statement. The ANO Unit 1 non-fuel costs will be based on the revenue requirement as established in Commission Docket No. 09-084-U. Rider ANOR will include a true-up provision for revenues and costs for ANO Unit 1 in calendar year 2013. The AG and AEEC support the Joint Statement proposed

Rider ANOR with the exception of Footnote G, which is understood to be the only difference between the Joint Statement version of Rider ANOR and the Rider ANOR version supported by Staff as attached to Staff's Statement of Position. The AG and AEEC take no position on Footnote G and do not object to either version;

- c. EAI will include a provision reflecting \$12.5 million in estimated fuel savings in its Energy Cost Recovery Rider (ECR) during 2013. Inclusion of this provision in the ECR will occur in the annual ECR update anticipated to be effective with the first billing cycle of April 2013, but will not alter any other portion of the ECR, including the true-up. This amount reflects the estimated fuel savings for the ANO Unit 1 portion of the Available WBL Capacity to be used to serve retail customers. This provision is shown in Exhibit B to the Joint Statement;
- d. EAI will recover the non-fuel costs for ANO Units 1 and 2 in base rates following the completion of its 2013 general rate case, consistent with traditional ratemaking principles;
- e. The Commission should grant approval for EAI to sell, on a life-of-unit basis or less, the portions of the Available WBL Capacity for the non-retained share of Grand Gulf, White Bluff Units 1 and 2, and Independence Unit 1 to third parties;
- f. The issue of whether the two PPAs are a reasonable part of EAI's resource plan for post-System Agreement operation should be

addressed in a second phase of this proceeding and timed to result in a Commission order by May 31, 2013, to support development of EAI's resource plan; and

- g. The issue of whether it is reasonable for EAI to use a separate tariff to recover the capacity costs of short- and limited-term capacity purchases will be addressed in EAI's 2013 general rate proceeding.

EAI's methodology for its true-up provision compares revenues collected in Rider ANOR during calendar year 2013 to the end-of-year book value for the 70 MW portion of ANO Unit 1 that results from the cost-of-service study in EAI's planned 2013 general rate case. EAI believes that the use of end-of-period values for the proposed Rider ANOR is the most appropriate methodology, resulting in a more accurate true-up of the costs in the rider because it compares values that emanate from similar sources - compliance cost-of-service filings that have been, or will be, completed with the same underlying data assumptions. In short, EAI states that it compares "apples to apples." In contrast, EAI notes that EAI's Capacity Acquisition Rider did not have the benefit of this type of comparative data, in that estimates were used to develop the proposed costs of the Ouachita Plant. When the Ouachita Plant was subsequently included in the next filed cost-of-service study, the pro-forma end-of-period balances were used. Joint Statement Footnote 1.

In summary, the AG, AEEC, and EAI request that the Commission issue an order by November 30, 2012, finding that the provisions included in their Joint Statement are just and reasonable based on the record in this docket, approving Rider ANOR, issuing

all approvals addressed in their Joint Statement, and directing the Parties to develop a procedural schedule for the second phase of this proceeding.

Staff's Final Statement of Position

Based upon further consideration of EAI's alternative request, including discussions with EAI, the AG and AEEC since the hearing, Staff modified its position in this matter. Staff's final position is summarized as follows:

- a. ANO Unit 1 should be assigned to serve retail customers beginning January 1, 2013, and ANO Unit 2 should be assigned to retail customers beginning December 19, 2013. Both units should be assigned and approved by the Commission on a life-of-unit basis;
- b. EAI should be allowed to recover the non-fuel costs for ANO Unit 1 through the proposed Rider ANOR, as revised by Staff and included as Attachment 1 to Staff's Statement of Position. The initial estimated ANO Unit 1 non-fuel costs will be based on the Docket No. 09-084-U revenue requirement, as set out in Attachment B of Rider ANOR, and will become effective, upon Commission approval, with the first billing cycle of January 2013. EAI will true-up the 2013 revenues to actual 2013 booked costs in accordance with the provisions of Rider ANOR as modified by Staff;
- c. EAI should include a provision reflecting \$12.5 million in estimated fuel savings in its 2013 Energy Cost Recovery Rider (ECR Rider). Inclusion of this provision in the ECR Rider should occur in the annual update anticipated to be effective with the first billing cycle of April

2013, but should not alter any other portion of the ECR Rider, including the true-up. This amount reflects the estimated fuel savings for the ANO Unit 1 portion of the Available WBL Capacity to be used to serve retail customers;

- d. EAI should recover the non-fuel costs for ANO Units 1 and 2 in base rates following the completion of its 2013 general rate case, consistent with traditional ratemaking principles;
- e. The Commission should approve EAI's sale on a life-of-unit basis of the portions of the Available WBL Capacity for the non-retained share of Grand Gulf, White Bluff Units 1 and 2, and Independence Unit 1 to third parties;
- f. Whether the two PPAs are a reasonable part of EAI's resource plan for post-System Agreement operation should be addressed in a second phase of this proceeding timed to result in a Commission order by May 31, 2013. To enable a Commission order by May 31, 2013, Staff recommends that the Commission direct EAI to file testimony as soon as possible fully addressing its resource procurement process for the two PPAs as well as its planned future process, including but not limited to: development, design, and conduct of the RFP; process and criteria for evaluation of the bids; and the process that would be undertaken in the case of affiliate participation. EAI should also provide the estimated rates and proposed form agreements for the two PPAs it plans to acquire as well as its economic evaluation that resulted

in selecting these PPAs as the lowest reasonable cost resources that could meet the supply needs of EAI;

- g. Whether it is reasonable for EAI to use a rider to recover the capacity costs of short- and limited-term capacity purchases should be addressed in EAI's 2013 general rate case proceeding; and
- h. Staff recommends that EAI be directed to seek Commission approval prior to making any wholesale capacity sales from retail resources so that the Commission can evaluate whether such transactions are in the public interest.

As proposed by Staff, Rider ANOR will use as a proxy for the ANO 1 WBL Capacity revenue requirement the ANO 1 costs from EAI's last general rate case proceeding in 2009 (Docket No. 09-084-U) and will include a true-up to actual booked 2013 costs in order to ensure that the correct amount of costs is collected from ratepayers. The true-up adjustment would be filed by April 1, 2014, in order to allow sufficient time to have final actual booked 2013 costs. The true-up adjustment is defined by Staff as the difference between revenues collected via Rider ANOR in 2013 and the revenue requirement determined using actual booked costs of the ANO 1 WBL Capacity in 2013, net of collections via EAI's Government Mandated Expenditure Surcharge Rider (Rider GMES). Staff states that any over- or under-collection will be refunded to or recovered from ratepayers beginning with the first billing cycle in May 2014 through the last billing cycle in December 2014. *Id.* at 6-7.

Staff proposes that the actual ANO 1 WBL Capacity revenue requirement for 2013 be calculated based on the formula included in Staff's proposed Rider ANOR



Attachment B and the provisions of Note G which provides that for the true-up Adjustment the ANO 1 WBL Capacity revenue requirement for 2013 shall be based on the company's actual 2013 booked costs, excluding effects of Rider GMES applicable to calendar year 2013, calculated consistent with Staff's Attachment B formula, for the initial Capacity Costs. Net Plant shall be determined using the average account balance for 2013. Staff states that its true-up calculation included in Note G is "consistent with the calculation of the revenue requirement for the capacity riders in previous EAI cases including Docket Nos. 06-152-U (Ouachita) and 11-069-U (Hot Spring)." *Id.* at 7.

Although Rider ANOR will recover the cost of ANO 1 from ratepayers on a concurrent basis, Staff explains that the commensurate fuel savings would not be realized until the following year through the normal operation of the ECR Rider because the rate for the ECR Rider is set using historical fuel costs for the previous year. In this case, Staff states that recognizing the fuel savings concurrent with the costs incurred is a more equitable method of cost recovery. Staff notes that AG witness Mr. Marcus also recommended a fuel savings offset and that the fuel costs savings offset proposed by Staff is consistent with the offset offered by EAI witness McDonald during the November 6, 2012, hearing. *Id.*

#### Findings and Ruling of the Commission

Having carefully considered EAI's initial Application as modified by EAI's Sur-Surrebuttal Testimony; the filed testimonies of all witnesses for EAI, Staff, the AG and AEEC, and the final Statements of Position of all Parties; the Commission finds that the transfer of the ANO Units 1 and 2 Available WBL Capacity from wholesale to retail to serve EAI's retail customers is supported by substantial evidence and is in the public

interest. The Commission also finds that the transfer of the remaining Available WBL Capacity to retail is not in the public interest at this time.

The Commission also finds that concurrent cost recovery by EAI of the non-fuel costs associated with ANO Unit 1 through a separate tariff rider is supported by substantial evidence and is in the public interest. The Commission further finds that Staff's proposed ANOR (included as Attachment 1 to Staff's Statement of Position), with the exception of the last sentence of Note G to Attachment B - Schedule Sheet 6 of 6, is in the public interest and should be approved. Given that such excepted sentence is disputed by EAI and that no testimony has been filed on this contested issue, the Commission finds that it is necessary to defer a final decision on this limited issue until the Parties have had an opportunity to file supplemental testimony addressing this matter.

Regarding the term of the ANOR the Commission notes that the ANOR states that "[t]his Rider ... shall remain in effect until terminated in accordance with applicable regulations or laws" and that "[i]f this Rider ... is terminated by a future order of the Commission, the Capacity Rates shall continue to be in effect until such costs, including the True-up Adjustment, are recovered through another mechanism or until the implementation of new base rates reflecting such costs. ANOR ¶ 55.6. For the purpose of clarification, it is the Commission's expectation and intent that the ANO Unit 1 Available WBL Capacity will be included in EAI's new base rates resulting from its 2013 general rate case and that the purpose of the ANOR thereafter will be limited solely and exclusively to the necessary true-up which will occur during 2014 and that the ANOR will thereafter be terminated.

Accordingly, the Commission orders and directs as follows:

1. The ANO Unit 1 Available WBL Capacity (70 MW) shall be assigned to serve retail customers beginning January 1, 2013, and the ANO Unit 2 Available WBL Capacity (84 MW) shall be assigned to retail customers beginning December 19, 2013. Both units shall be assigned to retail on a life-of-unit basis;

2. EAI shall be allowed to recover the non-fuel costs for the ANO Unit 1 Available WBL Capacity (70 MW) through Staff's proposed ANOR (included as Attachment 1 to Staff's Statement of Position), with the exception of the last sentence of Note G to Attachment B - Schedule Sheet 6 of 6, effective with the first billing cycle of January 2013 subject to the following conditions ;

3. Staff is directed forthwith to file a compliance ANOR Schedule Sheet 6 of 6 deleting the last sentence of Note G, i.e., "Net Plant shall be determined using the average account balance for 2013" and inserting in its place the following sentence, "As set forth in Order No. 7 of Docket No. 12-038-U, the appropriate net plant balances used in the True-Up Adjustment shall be determined by subsequent Commission order before the True-Up Adjustment is calculated."

4. The Parties are directed to propose a procedural schedule for the expedited consideration and resolution of the contested ANOR Note G language;

5. EAI shall include \$12.5 million in estimated fuel savings for the ANO Unit 1 Available WBL Capacity in its 2013 annual ECR Rider update to be effective with the first billing cycle of April 2013, but shall not alter any other portion of the ECR Rider, including the true-up;

6. EAI shall recover the non-fuel costs for the ANO Units 1 and 2 Available WBL Capacity in its new base rates resulting from its 2013 general rate case, consistent with traditional ratemaking principles;

7. The Commission approves EAI's sale of the portions of the remaining Available WBL Capacity for the non-retained share of Grand Gulf, White Bluff Units 1 and 2, and Independence Unit 1 to third parties on a life-of-unit basis (or less);

8. The question of whether the two proposed PPAs are a reasonable part of EAI's resource plan for post-System Agreement operation shall be addressed in a second phase of this proceeding timed to result in a final Commission order on or about May 31, 2013;

9. The Parties are directed to jointly develop and expeditiously propose a procedural schedule for the second phase PPA proceeding leading to a final Commission order on or about May 31, 2013;

10. EAI's initial Direct Testimony in the second phase PPA proceeding shall fully address its resource procurement process for the two PPAs as well as its planned future process, including but not limited to: development, design, and conduct of the RFP; process and criteria for evaluation of the bids; and the process that would be undertaken in the case of affiliate participation. EAI shall also provide in its second phase Direct Testimony the estimated rates and proposed form agreements for the two PPAs it plans to acquire as well as its economic evaluation that resulted in selecting these PPAs as the lowest reasonable cost resources that could meet the supply needs of EAI;

11. The question of whether it is reasonable for EAI to use a rider to recover the capacity costs of short- and limited-term capacity purchases shall be addressed in EAI's 2013 general rate case proceeding; and

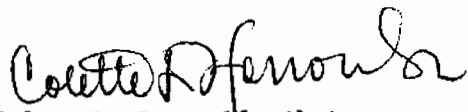
12. EAI is directed to seek Commission approval prior to making any wholesale capacity sales from generation resources allocated to retail so that the Commission can evaluate whether such transactions are in the public interest.

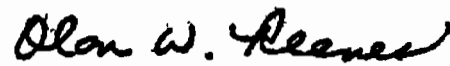
BY ORDER OF THE COMMISSION,


This 30<sup>th</sup> day of November, 2012.

I hereby certify that this order, issued by the Arkansas Public Service Commission, has been served on all parties of record on this date by the following method:

☐ U.S. mail with postage prepaid using the mailing address of each party as indicated in the official docket file, or  
☒ Electronic mail using the email address of each party as indicated in the official docket file.

  
Colette D. Honorable, Chairman

  
Olan W. Reeves, Commissioner

  
Elana C. Wills, Commissioner

  
Kristi Rhude, Secretary of the Commission

**ARKANSAS PUBLIC SERVICE COMMISSION**

IN THE MATTER OF ENTERGY ARKANSAS, )  
INC.'S REQUEST FOR APPROVAL OF )  
CERTAIN WHOLESAL BASELOAD )  
CAPACITY TO SERVE EAI'S RETAIL )  
CUSTOMERS AND A PROPOSED RIDER )  
RECOVERY MECHANISM FOR THESE AND )  
OTHER CAPACITY COSTS )

DOCKET NO. 12-038-U

ORDER NO. 8

**ORDER**

By Order No. 7 issued in this Docket on November 30, 2012, the Arkansas Public Service Commission (Commission) approved in part and denied in part Entergy Arkansas, Inc.'s (EAI) June 13, 2012 Application seeking the approval of the Commission to transfer certain EAI wholesale baseload generation capacity to serve its Arkansas retail customers. The Commission also directed the General Staff (Staff) of the Commission and EAI to file a revised Arkansas Nuclear One Recovery Rider (ANOR) Schedule Sheet 6 of 6 consistent with the Commission's ruling as set forth in Order No. 7.

On December 14, 2012, Staff and EAI filed their *Joint Compliance Filing* attaching thereto revised ANOR Schedule Sheet 6 of 6 in compliance with the Commission's ruling as set forth in Order No. 7. Accordingly, the Commission hereby approves revised ANOR Schedule Sheet 6 of 6 as filed by Staff and EAI on December 14, 2012, to be effective with the first billing cycle of 2013.

BY ORDER OF THE COMMISSION,

This 27<sup>th</sup> day of December, 2012.

Colette D. Honorable, Chairman

I hereby certify that this order, issued by the Arkansas Public Service Commission, has been served on all parties of record on this date by the following method:

☐ U.S. mail with postage prepaid using the mailing address of each party as indicated in the official docket file, or  
☒ Electronic mail using the email address of each party as indicated in the official docket file.

Olan W. Reeves, Commissioner

Elana C. Wills, Commissioner

Kristi Rhude, Secretary of the Commission