

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

June 24, 2014

IN RE:

APPLICATION OF ENTERGY ARKANSAS, INC. FOR
EXTENSION AND AMENDMENT OF SYNTHETIC
RAILCAR LEASE

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DOCKET NO.
14-00050

ORDER APPROVING APPLICATION

This matter came before Vice Chairman Herbert H. Hilliard, Director Robin Bennett and Director David F. Jones of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at the regularly scheduled Authority Conference held on June 16, 2014 for consideration of the *Application* filed on April 21, 2014 by Entergy Arkansas, Inc. (“EAI” or “Entergy”) seeking approval, pursuant to Tenn. Code Ann. § 65-4-109 (2004), to extend and amend a previously approved synthetic railcar lease.

THE APPLICATION

Entergy is an electric utility primarily serving customers in Arkansas, with approximately seven customers in the State of Tennessee.¹ EAI has property that consists of facilities for the generation, transmission, and distribution of electric power and energy to the public and other property necessary to repair, maintain, and operate those facilities. The TRA has previously approved synthetic railcar leases for Entergy in Docket No. 02-01216 in an Order dated January 10, 2003, and more recently in Docket No. 09-00188 in an Order dated January 5, 2010 (“Current Synthetic Lease”).² The term of the Current Synthetic Lease expires on January 4, 2015.

¹ Transcript of Proceedings, p. 68 (April 14, 2014).

² See *In re: Entergy Arkansas, Inc. Application for Approval of Synthetic Railcar Lease*, Docket No. 09-00188, *Order Approving Lease* (January 5, 2010).

In this *Application*, Entergy is requesting approval to extend and amend the Current Synthetic Lease (as amended, the “Amended Synthetic Lease”) for aluminum railcars that are used to transport coal for use as fuel at the White Bluff Stream Electric Station and the Independence Stream Electric Station, which is co-owned by EAI and other providers of electric service. The equipment leased will be approximately 2,071 aluminum rotary dump high side gondola railcars and 256 similar specification railcars.

The *Application* notes that the proposed Amended Synthetic Lease is substantially similar to the existing synthetic lease. The expiration date and rental rate have been renegotiated but the remaining material terms of the Amended Synthetic Lease are the same as the Current Synthetic Lease. The lessor under the Amended Synthetic Lease will continue to be RBS Asset Finance. The proposed Amended Synthetic Lease will commence after the issuance of an Order approving the Amended Synthetic Lease and will have a term of five years.

Rental payments under the proposed Amended Synthetic Lease will be made quarterly and will be based on a Lease Amortization component, which is a fixed amount and corresponds to an amortization amount, and a Lease Rate component, which corresponds to interest on the unamortized amount. The Rental Amount will be subject to change until the lease commencement date. Entergy asserts that the projected economic value of the Amended Synthetic Lease to EAI and its customers is greater than that of the potential alternative of purchasing the railcars. The Arkansas Public Service Commission issued an order approving this transaction on April 2, 2014, in Docket No. 13-124-U.

FINDINGS AND CONCLUSIONS

Tenn. Code Ann. § 65-4-109 provides:

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

At a regularly scheduled Authority Conference held on June 16, 2014, the panel voted unanimously to approve the *Application* and made the following findings:

1. The proposed financing transaction is subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109 (2004).

2. The proposed financing transaction is being made in accordance with laws enforceable by this agency.

3. The proposed financing transaction is in the public interest because it will provide Entergy and its customers with cost savings.

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

IT IS THEREFORE ORDERED THAT:

1. Entergy Arkansas, Inc. is authorized to enter into the proposed transaction as described in the *Application* and discussed herein.

2. Entergy Arkansas, Inc. shall be bound by the same filing requirements imposed by the Arkansas Public Service Commission.

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

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

Vice Chairman Herbert H. Hilliard, Director Robin Bennett and Director David F. Jones concur.

ATTEST:



Earl R. Taylor, Executive Director