



Entergy Arkansas, Inc.
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T.R.A. DOCKET ROOM

January 17, 2017

Chairman James M. Allison
Tennessee Regulatory Authority
502 Deaderick Street, 4th Floor
Nashville, TN 37243

Re: In the Matter of the Application of Entergy Arkansas, Inc. for
Approval of Changes in Rates for Retail Electric Service
Tennessee Regulatory Authority Docket No. 2017- 10008

Dear Chairman Allison:

On July 22, 2016, Entergy Arkansas, Inc. (EAI), filed with the Arkansas Public Service Commission (APSC), an Application for Approval of Changes in Rates for Retail Electric Service in APSC Docket No. 16-036-FR Formula Rate Plan (Rider FRP). The purpose of this letter is to file this same Application with the Tennessee Regulatory Authority (TRA) for its consideration and approval. Due to the volume of the documentation, we are enclosing one original hard copy and several compact discs containing this filing including the Application, APSC Minimum Filing Requirements, and the witness' testimony, the July 29, 2016 Errata Filing, and the December 12, 2016 Joint Compliance Filing. Please note that due to the voluminous content of the Excel spreadsheets (range from 9,300 to 16,500 pages if printed), they are on compact discs as well. Also included is APSC Order No. 7 issued December 6, 2016, approving EAI's change in rates for retail electric service, and APSC Order No. 8 issued December 16, 2016, approving EAI's revised compliance tariff sheets.

EAI will also file with the TRA a complete set of compliance tariff sheets reflecting the TRA's docket number and effective date.

Pursuant to Chapter 1220-4-1-.05 of the Tennessee Regulatory Authority General Public Utilities Rules, attached are copies of EAI's legal notice published on June 7 and June 23, 2016, in the *Arkansas Democrat-Gazette*, the newspaper of general circulation located in EAI's service area, as required notification to our Tennessee customers.

A check in the amount of \$25.00 is enclosed in payment of the filing fee with the TRA.

If you have any questions or need additional information, please do not hesitate to call me at 501-377-3571.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Palmer', with a long horizontal flourish extending to the right.

David Palmer, Manager
Arkansas Regulatory Affairs

DP/ss
Attachments

c: Mr. David Foster

Application for Approval of Changes in Rates

Filed July 22, 2016

**Arkansas Public Service Commission
Formula Rate Plan Docket Summary Cover Sheet
Must be filed with each Annual Evaluation Report filed at the Commission
pursuant to the Formula Rate Plan**

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

IN THE MATTER OF THE FORMULA RATE PLAN FILINGS OF ENTERGY ARKANSAS, INC. PURSUANT TO APSC DOCKET NO. 15-015-U	16-036-FR
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DOCKET DESIGNATOR: ☒ FR

LAST RATE CASE DOCKET: **15-015-U**

PETITIONER/INITIATING PARTY

Entergy Arkansas, Inc.

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

N. Wesley Hunt, Senior Counsel, Entergy Services, Inc., 425 W. Capitol Ave., 28th Floor, Little Rock, AR 72201, 501-377-4303, nhunt1@entergy.com; Tucker Raney, Assistant General Counsel, Entergy Services, Inc., 425 W. Capitol Ave., P. O. Box 551, Little Rock, AR 72203-0551, 501-377-3500, fax 501-377-5814, traney@entergy.com; Matthew R. Suffern, Asst. Gen. Counsel, Entergy Services, Inc., 425 W. Capitol Ave., P. O. Box 551, Little Rock, AR 72203-0551, 501-377-5855, fax 501-377-5426, msuffern@entergy.com; Kimberly Bennett, Senior Counsel, Entergy Services, Inc., 425 W. Capitol Ave., P. O. Box 551, Little Rock, AR 72203-0551, 501-377-5715, fax 501-377-5426, kbenn3@entergy.com; Scott Trotter, Trotter Law Firm, PLLC, 425 W. Capitol Ave., Ste. 216, Little Rock, AR 72201, 501-353-1069, fax 501-353-1715, strotter@trotterfirm.com; N. M. Norton, Wright, Lindsey & Jennings, 200 W. Capitol Ave., Suite 2200, Little Rock, AR 72201, 501-371-0808, fax 501-376-9442, mnorton@wlj.com;

Pursuant to Rule 3.04 of the Commission's Rules of Practice and Procedure, please provide name, address, phone, fax, e-mail of at least one person, but not more than two, to appear on the Service List for this docket

N. Wesley Hunt, Entergy Services, Inc., 425 W. Capitol Ave., 28th Floor, Little Rock, AR 72201, 501-377-4303, fax 501-377-5426, nhunt1@entergy.com; Laura R. Landreaux, Entergy Arkansas, Inc., 425 W. Capitol Ave., P.O. Box 551, Little Rock, AR 72203-0551, 501-377-5876, 501-377-4415, lraffae@entergy.com

1. Retail Revenue requirement authorized in Company's last general rate case: 1,277,230,243
2. Company's current cumulative total Formula Rate Recovery Rider revenue (both in dollars and percentage): \$67,672,958 – 5.3% of #1.
3. Incremental Formula Rate Recovery Rider revenue change requested (both in dollars and percentage): \$67,672,958 – 5.3% of #1.
4. Total cumulative Formula Rate Recovery revenue requested, by rate class (both in dollars and percentage): \$67,672,958 – 5.3% of #1.
5. Estimated monthly impact on the incremental Formula Rate Recovery Rider revenue change on an average residential customer (both in dollars and percentage): \$2.24 or 2.19%

6. Identify the major Formula Rate Recovery Rider change drivers, e.g. weather, plant additions/retirements, operating expenses, netting, etc. Please continue on second page if more space is needed.

See EAI Witness Myra L. Talkington's EAI Direct Exhibit MLT-2, which demonstrates the specific cost increases and decreases and illustrates additional savings in transmission O&M expenses, customer accounting expenses, sales expenses, and administrative and general expenses.

Form completed by: N. Wesley Hunt Date: 07/22/16

Representing: Entergy Arkansas, Inc.

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE FORMULA RATE)
PLAN FILINGS OF ENTERGY ARKANSAS,) DOCKET NO. 16-036-FR
INC. PURSUANT TO APSC DOCKET NO.)
15-015-U)

APPLICATION

COMES ENTERGY ARKANSAS, INC. ("EAI" or the "Company"), and for its
Application in this matter, respectfully states:

1. This Application is filed pursuant to and in compliance with the provisions of EAI's Rate Schedule No. 44, Formula Rate Plan Rider ("Rider FRP"), including Attachment F, the Formula Rate Protocols ("Protocols"), Ark. Code Ann. § 23-4-1201 *et seq.*, and the applicable Arkansas Public Service Commission ("APSC" or the "Commission") Rules of Practice and Procedure.¹ Attached as EAI Application Exhibit A is the EAI Rider FRP Evaluation Report ("Evaluation Report"), which contains an evaluation of the Company's earnings pursuant to Rider FRP for the Formula Rate Review Test Period.²

¹ Docket No. 15-015-U Order No. 18 at 22-23 (February 23, 2016).

² The Evaluation Report includes an Overview with background related to the development of Rider FRP, a discussion of some of the key provisions and the operation of the tariff, and additional details regarding the results of the 2016 Evaluation Report.

2. The Company is a corporation organized and operating 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 Simmons First National Bank Building, 425 West Capitol Avenue, Little Rock, Arkansas 72201. A copy of the Company's Agreement of Consolidation of Merger (Articles of Incorporation) is on file with the APSC and is incorporated by reference herein.

3. As described in the direct testimony of EAI President and Chief Executive Officer, Richard C. Riley, filed concurrently herewith, Act 725 of 2015 authorizes utilities to elect to implement a formula rate review mechanism using a projected year test period.³ EAI provided such notice as part of its general rate case filed in April 2015, and in its final order issued in February 2016, the Commission approved EAI's Rider FRP.⁴ In his direct testimony in this docket, Mr. Riley provides an overview of Rider FRP, describes the significant drivers of the proposed Rider FRP Revenue Change used to calculate the Rider FRP Rate Adjustment and introduces the Company witnesses who explain that the Rate Adjustment complies with the requirements of Rider FRP and that it should be implemented effective December 30, 2016, for the first billing cycle of January 2017.

³ See Ark. Code Ann. § 23-4-1201 *et. seq.*, which is known and may be cited as the "Formula Rate Review Act."

⁴ Docket No. 15-015-U, Order No. 18 at 22-23 (February 23, 2016).

4. The Company's Application and Evaluation Report comply with Rider FRP, including its Protocols in Attachment F. The Evaluation Report includes a revised Rider FRP Attachment A.1 that contains EAI's proposed Rate Adjustment and a completed Attachment B, prepared consistent with the description of Rider FRP Adjustments in Attachment C and with each of the applicable 26 Rider FRP Filing Requirements included in Rider FRP Attachment E.

5. The Company's Earned Rate of Return on Common Equity ("ERR")⁵ reflected in the 2016 Evaluation Report on Attachment B.6 is 7.73 percent. Therefore, subject to the Rider FRP Revenue Redetermination Formula in Attachment B.6, and specifically the ROE Bandwidth Rate Adjustment in Section 2 of Attachment B.6, EAI proposes a Rider FRP Revenue Change of \$67.7 million in order to produce a Target Return Rate ("TRR")⁶ of 9.75 percent. On Attachment A.2, the proposed Rider FRP Revenue Change has been allocated to each applicable rate class based on an equal percentage of the base rate revenue used in the development of rates approved by the APSC in Docket No. 15-015-U. All retail base rates and applicable riders, as described in Attachment A.1, would be increased by the applicable percentage of base

⁵ Rider FRP Attachment B.6 Note 1 defines "ERR" as the "Earned Rate of Return on Common Equity." Rider FRP Section 44.5.1 also defines "ERR" as "Earned Return Rate."

⁶ Rider FRP Attachment B.6 Note 2 defines "TRR" as the Company's cost rate for common equity established by the Commission in Docket No. 15-015-U.

revenues as listed below and also in Table 1 to the direct testimony of Company witness Myra L. Talkington:

Table 1
Formula Rate Plan Rate Adjustment

Rate Class	FRP Rate (%)⁷
Residential	5.3984%
Small General Service	5.5274%
Large General Service	4.3540%
Lighting	4.0320%

In her direct testimony, Ms. Talkington also describes the Constraint Calculation included in Attachment A.2 that is performed to ensure that the Rider FRP revenue increase/decrease does not exceed four percent of Total Unadjusted Annualized Filing Year revenues. Ms. Talkington confirms that the total amount of proposed revenue increase for each rate class does not exceed four percent of each rate class' revenue.

6. The proposed Rider FRP Revenue Change and Rate Adjustment will be offset by the expiration of the Interim Base Rate Adjustment surcharge ("IBRA"), as described in the direct testimonies of Mr. Riley and Ms. Talkington. The IBRA surcharge currently being collected in rates will terminate with the last billing cycle of December 2016. As a result, concurrent with the effective date of the Rider FRP Rate Adjustment, customers will experience a \$22.5 million rate

⁷ The Rider FRP Rates are billing percentages applied to customers' bills. All retail base rates and applicable riders (excluding those in the list of "Excluded Schedules" in Attachment A.1) will be increased by these percentages of base revenues. The four percent cap for Rider FRP is a separate and distinct calculation used to determine the limit of the Rider FRP revenue increase/decrease per rate class. The limit shall not exceed four percent of the total unadjusted annualized filing year revenues for the Company.

decrease that will offset the proposed Rider FRP Revenue Change of \$67.7 million for a net impact to customers of \$45.1 million. In her direct testimony, Ms. Talkington describes the results of the 2016 Evaluation Report and the bill impacts of EAI's proposed Rate Adjustment on the Company's customers, including the net effects of the proposed Rider FRP Rate Adjustment and the expiration of the IBRA surcharge.

7. Starting with EAI's third Rider FRP filing in 2018, the Netting of Historical Year Differences Adjustment will be made to net any differences between the Historical Year change in Rider FRP revenue and the Formula Rate Review Test Period change in Rider FRP revenue for that same year.⁸

8. The Company requests an order approving its proposed Rider FRP Rate Adjustment by December 9, 2016. If the Commission does not issue a final order by such date, the proposed Rate Adjustment shall become effective on December 30, 2016, by operation of law, for the first billing cycle of January 2017, subject to refund.⁹

⁸ Rider FRP Section 44.5.3. and Attachment D.6. See Ark. Code Ann. § 23-4-1206(e)(1)-(3). Thus, in the 2018 Rider FRP filing, EAI will reflect in its proposed Rate Adjustment the differences between the 2017 Historical Year data and the Projected Year data that was included in this filing.

⁹ Rider FRP Section 44.4.3. See Ark. Code Ann. § 23-4-1205(g)(3)(A).

SERVICE LIST

9. EAI requests that the following individuals be included on the service list in this docket:

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N. Wesley Hunt
Senior Counsel
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425 W. Capitol Ave.
28th Floor
Little Rock, AR 72201
Tel: (501) 377-4303
nhunt1@entergy.com

10. The Rider FRP Protocols require that EAI shall give public notice of its intent to file a Rider FRP annual Evaluation Report at least thirty days prior to filing. In accordance with this provision, EAI provided public notice of its intent to file this Application, including the Evaluation Report, on June 7, 2016. The full public notice was published in the *Arkansas Democrat-Gazette* on June 7 and June 23 and is available on the Entergy Website at the following link:

<http://www.energynewsroom.com/latest-news/entergy-arkansas-filed-notice-today-apsc-that-it-will-file-its-frp-application-evaluation-report-by-july-22-2016/>

11. In addition to the direct testimony of Ms. Talkington, also submitted for filing in support of this Application are the direct testimonies of the following Company witnesses: Mr. Richard C. Riley, Ms. Barbara L. Casey, Mr. Michael P. Considine, Mr. Kurtis W. Castleberry, Ms. Melinda K. Montgomery, Ms. Donna Jacobs, and Mr. Oscar D. Washington.

WHEREFORE, for the reasons set forth in this Application and in the testimony submitted in support thereof, and pursuant to the provisions of Rider FRP, EAI respectfully requests that the Commission approve the proposed Rider FRP Rate Adjustment, effective December 30, 2016, for the first billing cycle of January 2017.

Respectfully submitted,

ENTERGY ARKANSAS, INC.

By /s/ N. Wesley Hunt
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ATTORNEYS FOR
ENTERGY ARKANSAS, INC.

CERTIFICATE OF SERVICE

I, N. Wesley Hunt, 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 22nd day of July 2016.

/s/ N. Wesley Hunt
N. Wesley Hunt

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE FORMULA RATE)
PLAN FILINGS OF ENTERGY ARKANSAS,) DOCKET NO. 16-036-FR
INC. PURSUANT TO APSC DOCKET NO.)
15-015-U)

EAI APPLICATION EXHIBIT A

EAI'S 2016 RIDER FRP EVALUATION REPORT



ENTERGY ARKANSAS, INC.

FORMULA RATE PLAN

2016 EVALUATION REPORT FOR THE PROJECTED YEAR ENDING DECEMBER 31, 2017

JULY 22, 2017

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2016 EVALUATION REPORT

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ATTACHMENT A	Volume 1
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ATTACHMENT F	Volume 1

SUPPORTING DOCUMENTS

RATING AGENCY REPORT	Volume 1
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ATTACHMENT E

Attachment E contains Filing Requirements 1 through 26. Certain Filing Requirements are voluminous and are being filed in native format to facilitate transmittal and review. Filing Requirements are contained in Volumes 2 through 8 of the Evaluation Report.

FILING REQUIREMENTS 1 - 7.....	Volume 2
FILING REQUIREMENT 8.....	Volume 3
FILING REQUIREMENTS 9 – 14.....	Volume 4
FILING REQUIREMENTS 15 - 20.....	Volume 5
FILING REQUIREMENT 21.....	Volume 6
FILING REQUIREMENTS 22 - 25.....	Volume 7
FILING REQUIREMENT 26.....	Volume 8

WORKPAPERS.....provided electronically

Workpapers have been provided via cd and/or electronic format. Folders include each portion of the Evaluation Report and the workpapers supporting that portion of the Evaluation Report.

OVERVIEW

I. Background

In March 2015, the Arkansas General Assembly enacted Act 725, including the Formula Rate Review Act, Ark. Code Ann. §§ 23-4-1201 *et seq.*, which authorized use of a formula rate review mechanism including a projected year test period. Pursuant to Act 725, in Arkansas Public Service Commission (“APSC” or the “Commission”) Docket No. 15-015-U, Entergy Arkansas, Inc. (“EAI” or the “Company”) gave notice of its election to have its rates regulated under a formula rate review mechanism with a Projected Year test period defined by Act 725 as “the twelve (12) month period ended December 31 of the calendar year immediately following the filing of an Evaluation Report.” The APSC approved EAI’s Rate Schedule No. 44, Formula Rate Plan Rider Tariff (“Rider FRP”), as part of its final order issued in February 2016.¹

EAI Rider FRP Rate Adjustments shall be effective with the first billing cycle of January each year. The initial term of Rider FRP is five years and will terminate in February 2021 unless EAI requests to extend the term by a period of five additional years through 2026. In addition, EAI shall provide a class cost of service study for forecasted year-end 2021. If Rider FRP is not extended beyond the initial term, or following the extended 10-year period, then-existing Total Rider FRP rates shall continue in effect until new base rates reflecting the then-existing Total Rider FRP Revenue are approved and implemented and until the Company recovers or returns the remaining Netting of Historical Year Differences Adjustments.

Starting with EAI’s third Rider FRP filing in 2018, there also will be a Netting of Historical Year Differences Adjustment to net any differences between the Historical Year change in Rider FRP Revenue and the Formula Rate Review Test Period change in Rider FRP Revenue for that same year. For example, in its 2018 filing, EAI will reflect in its proposed Rate Adjustment the differences between the 2017 Historical Year data and the Projected Year data that was included in EAI’s 2016 filing.

II. Projected Year, Filing Year, and Historical Year

The 2016 EAI Rider FRP Evaluation Report (“Evaluation Report”) Projected Year is the twelve (12) month period ending December 31, 2017. The 2016 Evaluation Report Filing Year is the twelve (12) month period ending December 31, 2016. The 2016 Evaluation Report Historical Year is the twelve (12) month period ended December 31, 2015. The 2016 Evaluation Report contains an evaluation of the Company’s earnings pursuant to Rider FRP for the Formula Rate Review Test Period – the Projected Year – as well as a revised Rider FRP Attachment A.1 that contains EAI’s proposed Rate Adjustment.

¹ Order No. 18 at 22-23 (February 23, 2016).

On June 15, 2016, the Entergy Corporation Board of Directors delegated its approval authority of the 2017 Projected Year Data to the Group President, Utility Operations, Theodore Bunting, provided that the data and any changes thereto also would be approved by the Chairman of the Board, President and Chief Executive Officer of EAI, Rick Riley. At a meeting of EAI's Board of Director's on June 22, 2016, Company witness Michael P. Considine, Jurisdictional Finance for EAI, presented to the EAI Board the 2017 Projected Year Data, as well as proposed updates to those projections based on new information available at that time. The 2017 Projected Year Data, and proposed updates, were approved by Mr. Bunting and Mr. Riley, as well as the EAI Board of Directors itself. These approvals were recorded in the minutes of the meeting, attached to Mr. Considine's testimony as Highly Sensitive EAI Exhibit MPC-1.

III. 2016 Evaluation Report Results

The 2016 Evaluation Report reflects an Earned Return Rate ("ERR") of 7.73% that is below the Target Return Rate ("TRR") of 9.75% return on common equity as approved by the APSC in Docket No. 15-015-U. EAI's Rider FRP includes a 100 basis point Rate of Return on Common Equity Bandwidth from 9.25% to 10.25%. The ERR falls below the Lower Bandwidth limit of 9.25%. Therefore, the Total Rider FRP Revenue level shall be increased by the amount necessary to increase the ERR to the TRR. The proposed Rider FRP Revenue Change of \$67.7 million would be necessary to produce a TRR of 9.75%. On Attachment A.2, the proposed Rider FRP Revenue Change has been allocated to each applicable rate class based on an equal percentage of the base rate revenue used in the development of rates approved by the APSC in Docket No. 15-015-U.

All retail base rates and applicable riders, as described in Attachment A.1, would be increased by the applicable percentage of base revenues as listed below: