

Scott C. Trotter serves as outside counsel to Entergy Arkansas, Inc. in its acquisition of the Ouachita Power Facility and other proceedings before the Arkansas Public Service Commission.

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## **Entergy Arkansas, Inc. Files Phase II Application for Ouachita Plant Acquisition, Seeks Public Service Commission's Approval by End of Year**

**October 2007**

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On September 4, 2007, Entergy Arkansas, Inc. ("EAI") filed its "Phase II Application" with the Arkansas Public Service Commission ("PSC"), the second step in seeking the PSC's approval to acquire new retail capacity – the 789 megawatt Ouachita Power Facility ("Ouachita Plant"). The facility is located approximately 20 miles south of the Arkansas state line near Sterlington, Louisiana. This second phase of the regulatory process will ultimately lead to a determination by the PSC as to whether the additional capacity is in line with public interest.

According to the PSC's November 17, 2006 "Order No. 2" in Docket 06-152-U, EAI's initial Application sought PSC "approval for the acquisition of a generating resource to be used in a load-following role to meet the resource needs of its retail customers and to maintain its capacity reserve margin." The Application contained a request which resulted in the bifurcation of the regulatory proceedings into two phases.

The first of these two phases ("Phase I") focused on the issue of EAI's "need for capacity and whether this need will best be met through the acquisition of a combined cycle gas turbine ("CCGT") or entry into a long-term purchase agreement for the capacity and associated output from a CCGT."

Through testimony presented during Phase I, Robert R. Cooper, a witness for EAI, established the need for 1,462 MW of additional capacity in 2007 and EAI's need for an additional 670 MW of high capacity factor load-following CCGT generation capacity in order to match the generation output with its customers' load.

In its August 24, 2007 "Order No. 6", the PSC approved EAI's Phase I request, finding "a shortage of capacity under [EAI's] long-term control; this shortage of capacity occurs as load-following and peaking capacity; and CCGT capacity appears to have the most appropriate operational characteristics for load-

following resources." The PSC directed EAI to aggressively "pursue cost-effective demand response and energy efficiency resources to meet anticipated loads."

During the second phase ("Phase II") the PSC's focus will be placed upon the specific transaction for which EAI is seeking approval. In its Phase II Application, EAI is seeking a finding by the PSC that EAI's purchase of Ouachita Plant is consistent with the public interest. If approved, the transaction will occur in two parts: First, EAI will purchase power from Ouachita Power beginning January 1, 2008 under an Interim Tolling Agreement ("ITA"). The ITA would remain in effect until the second part, EAI's acquisition of the Ouachita Plant which is expected to occur in 2008, pending regulatory approvals.

EAI further requests that two-thirds of the Ouachita Plant's output be designated for serving retail customers, with the remaining one-third of output for non-retail use. In its Application, EAI states, "In order to recover the additional retail revenue requirements associated with the transaction, the Company also requests that the Commission approve a new rate recovery mechanism, the proposed Capacity Acquisition Rider ("Rider CA")." Such a rider would "recover the capacity costs associated with the ITA, and, ultimately, the non-fuel costs associated with the ownership of the plant when the transaction closes," according to EAI's Application.

Finally, EAI's application seeks approval of the ITA and the associated cost recovery rider prior to taking deliveries under the transaction outlined above. For that reason, EAI has requested that the PSC expedite its review of the Application and issue a final order no later than December 31, 2007.

To date, EAI has filed the testimony of three witnesses in support of its Phase II Application.