

LOUISIANA PUBLIC SERVICE COMMISSION

ORDER NO. U-20925-I

LOUISIANA PUBLIC SERVICE COMMISSION,
EX PARTE.

DOCKET NO. U-20925 - IN RE: INVESTIGATION OF LOUISIANA POWER & LIGHT COMPANY'S RATES, CHARGES, SERVICES RENDERED AND OPERATIONS — 1999 FORMULA RATE PLAN FILING

(Decided at Business and Executive Session held May 17, 2000)

I. INTRODUCTION

The rates of Entergy Louisiana, Inc. ("ELI" or "the Company") are currently set pursuant to a Formula Rate Plan ("FRP") first approved by the Commission in Order Nos. U-20925, U-20925-A and U-21483 (1995). The FRP requires ELI to make annual filings with this Commission (on April 15 of each year) setting forth its results of operations for the prior calendar year.

ELI made its fourth Formula Rate Plan filing on April 15, 1999, utilizing a calendar 1998 test year. According to the Company's unadjusted data, a rate *decrease* of \$20,770,000 was indicated. Pursuant to the provisions of the FRP, the Commission Staff and intervenors timely filed comments on or before June 30, 1999, identifying contested issues and unresolved matters in the Company's FRP (Rider Schedule FRP-2, § 2.B.2). On July 1, 1999 ELI filed comments on its own FRP submission.

In addition to the issues identified by the Staff and intervenors, ELI recommended that two adjustments be made to its April 15, 1999 filing. In its first proposed adjustment ELI requested permission to amortize test year expenses relating to Y2K compliance over a three year period. The second adjustment was a request to increase its annual storm damage reserve from \$2,930,000 to \$18,914,000 – an increase of \$15,984,000 per year. ELI claimed that this increase was necessary in order to amortize a debit balance in the reserve account and build up a positive balance in the account to cover future storm damage expenses.

II. PRIOR COMMISSION ACTION ON THE 1999 FRP FILING

A. July 28, 1999 FRP Rate Reduction

On July 28, 1999, pursuant to a Joint Motion filed by Entergy and the Commission Staff (with no opposition by any intervenor), we voted to immediately implement a \$15,000,000 rate decrease for ELI, commencing with the first billing cycle on or after August 1, 1999. ELI and the Staff further recommended that this \$15 million rate reduction be subject to further adjustment as a result of the continuing 1999 FRP proceeding. In the event the Commission ultimately concluded that the appropriate rate reduction should have been an amount in excess of \$15,000,000, the Company was required to refund, with interest, the difference that would have been realized by customers if the full rate reduction finally approved had become effective on August 1, 1999. The rate reduction was allocated in the manner in which we had allocated all previous FRP reductions -- on the basis of customer class contributions to base revenues. No portion of the rate decrease was applied to the interruptible or curtailable portion of any rate, nor to EECS customers. Finally, we directed that Staff, ELI and intervenors use their best efforts to agree on a joint recommendation to be made to this Commission regarding a proposed solution to the storm damage issue and that the Staff continue its investigation of ELI's 1999 FRP. (Order No. U-20925-G).

B. Commission Action Regarding Y2K Expenses

In Docket No. U-24309 (December 22, 1999), we considered the appropriate treatment of the Y2K expenses of the Louisiana jurisdictional Entergy operating companies already incurred and to be incurred in the year 2000. That Docket was initiated by a filing made by ELI and its sister company, Entergy Gulf States, Inc. ("EGSI") entitled *In re: Application for a letter of non-opposition to gain authorization of such deferral as may be necessary to provide for rate recovery of costs relating to Year 2000 Compliance*.

In Order No. U-24309, we adopted a stipulation and Agreement among the Commission Staff, ELI, EGSI, and the Louisiana Energy Users Group ("LEUG") for the appropriate treatment of Y2K expenses. As spelled out more completely in that Order, the Commission adopted the following treatment of Y2K expenses:

- (1) ELI and EGS shall amortize their respective Y2K expenses over a five year period (beginning in the 1998 test year and extending through the 2002 test year), but with no rate base treatment.
- (2) The Y2K expenses which have been incurred, and which will be incurred, shall be levelized, thereby providing for the same Y2K expense amount in each of the five years, subject to a true-up of estimated amounts to reflect the actual level of expenses incurred in 1999 and 2000. (Please refer to page 6 of the Stipulation Agreement for a schedule of ELI's levelized Y2K expenses and to page 8 of the Stipulation Agreement for a schedule of EGS' levelized Y2K expenses.)
- (3) Estimated expenses shall be trued up to reflect actual expense levels in the rates set based on the 1999 and 2000 test years.
- (4) The reasonableness and prudence of ELI and EGSI Y2K expenses will be subject to review in each company's base rate proceedings.

Order No. U-24309, p. 1.

III. PROCEDURAL HISTORY

In addition to the Company and the Commission Staff, the LEUG and Marathon Oil Company ("Marathon"), intervenors, were active participants in this proceeding. The Presiding Administrative Law Judge (sometimes the "ALJ"), the Honorable Carolyn DeVitis, set a procedural schedule and several rounds of testimony were filed by the Commission Staff and the Company. Extensive discovery, including depositions, was also undertaken. This proceeding was scheduled to go to hearing commencing on May 8, 2000.

For some time prior to the commencement of hearings, the parties engaged in extensive discussions with the goal of either settling all issues or narrowing the disputed matters in the proceeding. On May 3, 2000 ELI and the Commission Staff filed a "Joint Motion to Continue Proceeding." That Motion indicated that the parties had reached agreement on all but one issue (with a total revenue requirement value of the contested issue of approximately \$22,000), and that the parties believed that the remaining issue could be resolved without the necessity of hearings before the Presiding Administrative Law Judge. The LEUG and Marathon represented that they did not oppose the Motion to Continue. Judge DeVitis granted the Motion and required the parties to report to her, no later than May 22, 2000, as to whether an agreement had been reached on the one outstanding contested issue. If no agreement was reached, the ALJ indicated that she would schedule a status conference to set a hearing date at the earliest possible time.

Subsequently, pursuant to the directive of the Presiding Administrative Law Judge, the parties reported that they had reached a proposed settlement of all of the issues in this proceeding. The proposed settlement, entitled "Settlement Term Sheet – 1999 FRP Proceeding" is attached to this Order as Exhibit "A." For the reasons discussed in Section IV below, we find that the proposed settlement is in the public interest, is fair to ratepayers and the Company, results in just, reasonable and non-discriminatory rates and will be approved. Exhibit "A," attached hereto, is specifically incorporated into and made a part of this Order. We further reaffirm the Commission's policy to encourage settlement of potentially litigated proceedings if such settlements are in the public interest.

IV. DISCUSSION

A. The Total Rate Reduction

The rate reduction indicated by the Company's filing in this proceeding, coupled with the proposed settlement reached by the Staff, ELI and the intervenors, present a unique opportunity for the Commission. Not only can we retain the \$15 million rate decrease implemented in August, 1999, but an additional rate reduction of \$6.440 million will be put into place, making the total rate decrease resulting from this Docket, \$21,440,000. This additional rate decrease of \$6.440 million will appear on customer bills beginning with the first billing cycle in June, 2000, but will reflect this rate reduction retroactive to April, 2000. In addition, as discussed below, there are several other significant benefits to both ratepayers and ELI that will result from this settlement.

B. Waterford III Property Tax Reconciliation

As discussed more fully in our Order No. U-20925-H (April 28, 2000), ELI, in the past, had overcollected its property taxes associated with the Waterford 3 nuclear generating unit. The Commission required that these overcollections be refunded to ratepayers (with interest) via a credit on customer bills (Order No. U-20925-B). While that credit was supposed to be reflected on all bills rendered from July 1, 1997 through June 30, 1998, the credit in fact continued on customer bills for an additional 13 months, resulting in the return of excess credits by ELI to customers of \$4.32 million.

In Order No. U-20925-H we agreed with Staff's recommendations that these credits be returned to ELI (with interest). Our action in this case permits the company to recover all of the excess Waterford 3 property taxes and still permits the additional \$6.440 million rate decrease to be implemented beginning with the first billing cycle of April 2000. The Company is therefore made whole and ratepayers enjoy a total \$21,440,000 base rate reduction from this FRP Docket.

C. Storm Damage Reserve

As described in our Order No. U-20925-G, after making its FRP submission, ELI filed comments on its own filing, ELI sought an approximate \$16 million annual increase in its storm damage reserve. Entergy claimed that this increase was necessary to amortize a \$25 million plus debit balance in its storm damage reserve and to accumulate a positive balance in that reserve to cover future storm damage expenses. (Order No. U-20925-G, p. 1).¹ In Order No. U-20925-G we directed "that Staff, ELI and intervenors use their best efforts to agree on a joint recommendation to be made to this Commission regarding a solution to the storm damage issue" (Order No. U-20925-G, p. 2).

The settlement, among the parties in this proceeding provides for an increase in the storm damage reserve from the current annual level of \$2,930,000 to \$5,883,000. In addition, the Company will be permitted to recover \$5,173,000 annually for five years to recover the debit balance in the storm damage reserve. The increases in the storm damage reserve on a going forward basis as well as the \$5,173,000 annual recovery for five years to eliminate the debit balance is subsumed within the \$21,440,000 rate decrease; *i.e.*, the \$21,440,000 rate decrease fully accounts for the increase in storm damage reserve and the amortization of the debit balance.

¹ In its FRP filing, the Company asserted that these storm damage expenditures represent an "Extraordinary Cost Change" in accordance with Section 3.A of the FRP and therefore were recoverable outside of the FRP.

D. Capital Expenditures in Louisiana

This Commission, over the past several years, has become increasingly concerned not only with ensuring that electric service be delivered to Louisiana ratepayers at the lowest reasonable cost, but also that service be delivered at the highest quality and maximum reliability. In that connection, it is important to ensure that sufficient capital expenditures are made to prevent degradation of the utility plant and distribution services and upgrade facilities as needed.

In connection with the settlement of the issues in this Docket, ELI has committed that in calendar year 2000, it will make capital expenditures in Louisiana of no less than \$192,000,000. Additionally, senior management has committed to the Commission that it will request approval from the Board of Directors for capital expenditures in Louisiana, in 2001, of at least \$192,000,000. For 2000, and 2001 the Commission shall be kept apprised of the level and nature of those expenditures via quarterly reports supplied to our Executive Secretary. (The full reporting requirements are contained in paragraphs 4 and 5 of the Settlement Term Sheet attached hereto and made a part hereof.) We believe that these commitments will help ensure that service is provided with maximum reliability.

E. Extension and Revision of the Formula Rate Plan

The 2000 Formula Rate Plan filing to be made on May 31, 2000 was the last filing required by our Order No. U-20925-F (September 2, 1998). In the course of settlement discussions among the Staff, the Company and intervenors, the possibility was raised of recommending to the Commission that it extend the FRP for at least one additional year (*i.e.*, an additional FRP filing would be made in April, 2001). During the course of those discussions the parties discussed several potential modifications to the Formula Rate Plan Rider that might prove beneficial to all concerned stakeholders.

Since its inception, the FRP process has provided enormous benefits to ratepayers, while providing fair treatment to ELI. Because of the existence of the sharing mechanism ELI is provided the opportunity to benefit its shareholders and such benefits have, in fact, occurred. In addition, since ELI's first FRP filing (and not considering any rate reductions that might result from ELI's May 31, 2000 Year 2000 FRP filing) ELI's base rates have been reduced by \$111,755,000.00 as a result of these annual reviews. These base rate reductions have provided cumulative ratepayer savings to ELI customers of \$286,159,000.00 as of May, 2000.

For the reasons set forth above we will approve an extension of the FRP to provide for an additional filing to be made on or about April 15, 2001. That filing, as well as the May 31, 2000 filing shall be made pursuant to the revised Formula Rate Plan Rider Schedule FRP-3 which is attached hereto as Exhibit "B." Pursuant to that revised Rider, ELI's equity capitalization ratio shall be permitted, under certain circumstances, to rise to no higher than 45% (as provided in Attachments "A" and "B" hereto). In addition, all parties to this proceeding are directed to meet and attempt to reach agreement on a revised Customer Satisfaction Rating Plan. This extension, as well as the proposed modifications, should continue to provide significant benefits to ratepayers is fair to shareholders, and is therefore approved.

For all of the reasons set forth above, on motion of Commissioner Owen, seconded by Commissioner Blossman, and unanimously adopted,

IT IS ORDERED THAT:

- (1) The \$15,000,000 rate decrease implemented in Order No. U-20925-G, effective August 1, 1999 remain in effect;
- (2) An additional base rate decrease of \$6,440,000 will be put into effect and appear on customer bills beginning with the first billing cycle in June, 2000 but will reflect the rate reduction retroactively beginning with the first billing cycle of April, 2000;

- (3) The additional \$6,440,000 rate decrease shall be implemented and allocated on the basis of customer class contributions to base revenue in the same manner as the Commission allocated the original \$15,000,000 rate decrease and all of the rate decreases in the other Formula Rate Plan Dockets;
- (4) No portion of the \$15,000,000 rate decrease shall be applied to the interruptible or curtailable portion of any rate or to EECS customers;
- (5) The Commission adopts and makes a part hereof the "Settlement Term Sheet – 1999 FRP Proceeding" attached hereto as Exhibit "A";
- (6) The Company will make capital expenditures in Louisiana of at least \$192 million in 2000, and also will request approval from the Board of Directors for capital expenditures in Louisiana of at least \$192 million in 2001, in accordance with the commitment made by ELI President Jerry Jackson in his April 10, 2000 correspondence to the Commissioners. ELI shall promptly notify the Executive Secretary of the Commission of the action of the Board of Directors at its December 2000 meeting on ELI's request for a capital expenditure budget of \$192 million for 2001;
- (7) For the years 2000 and 2001, ELI shall submit to the Executive Secretary of the Commission, within one month following the end of each calendar year quarter (*i.e.*, by May 1, August 1, November 1, and February 1, 2002) a summary of the capital expenditures made during the preceding quarter by the following segments of ELI's operations: generation, transmission, distribution, and other. The Company will attempt to identify in such reports those individual capital expenditures that exceed \$5 million;
- (8) The Company will retain the right to apply for an increase in its authorized rate of return on common equity in the 2000 FRP proceeding pursuant to paragraph 2 (or paragraph 3) of Attachment E to the Formula Rate Plan Rider;
- (9) The Commission approves Formula Rate Plan Rider Schedule FRP-3 attached hereto as Exhibit "B";
- (10) The Formula Rate Plan established for Entergy Louisiana, Inc. in Order No. U-20925 is extended for one additional filing which will be made on or about April 15, 2001;
- (11) Both the 2000 and 2001 FRP filing shall be made pursuant to Formula Rate Plan Rider Schedule FRP-3;

- (12) No later than the second Commission Business & Executive Session after the April 2001 FRP filing, the Commission will consider whether any provisions of the FRP, including but not limited to rate reduction and refund provisions applicable to the 2000 and 2001 FRP filings, shall be modified or amended, or whether the FRP shall be terminated, consistent with any proposals or orders for implementation of retail customer choice in the Louisiana electric industry, provided however that any such modification or amendment or termination shall occur only with the consent of the Company and after consultation with and an opportunity for input from the LPSC Staff and all parties with intervenor status in the last completed or currently pending FRP docket;
- (13) No later than the second Commission Business & Executive Session after the April 2001 FRP filing, the Commission will consider whether to extend the FRP again or require a full rate examination of ELI in 2002, provided however that any extension shall occur only with the consent of the Company and after consultation with and an opportunity for input from all parties with intervenor status in the last completed or currently pending FRP docket;
- (14) In the event that the Commission requires a full rate examination of ELI to be conducted in 2002, the Company shall comply with the following conditions:
- a. In December, 2001, ELI shall supply to the LPSC Staff and all parties with intervenor status in the 2001 FRP proceeding the most recent FERC Form 1, Form 10K and each of the year 2001 Form 10Qs, as well as the most recent annual report for ELI and/or Entergy;
 - b. In December, 2001, the Company shall supply to the LPSC Staff and all parties with intervenor status in the 2001 FRP, data reflecting the most recent year-to-date results of operations for ELI, including sales, revenues, investment, depreciation, net plant-in-service, and any other data readily available;
 - c. As soon as practicable in the year 2002, the Company shall supply to the LPSC Staff and all parties with intervenor status in the 2001 FRP the same data required in “(b)” above for the entire calendar year 2001; and
 - d. The Company shall file with the Commission, no later than 6/30/2002, a revenue study utilizing a calendar year 2001 test year to commence the rate case examination.
- (15) Neither the Commission nor the parties waive any rights they otherwise have as a matter of law, except as otherwise provided herein;
- (16) All parties to the 2000 FRP Docket shall meet and attempt to agree upon a stipulated Customer Satisfaction Ratings Plan that should be presented to the Commission for approval within 180 days after the filing of the 2000 FRP. If the parties cannot agree on a Customer Satisfaction Rating Plan the issue shall be referred to the Administrative Law Judge presiding over the next FRP Docket for resolution in that Docket.

- (17) The parties shall take all other actions required by this Order and the "Settlement Term Sheet – 1999 FRP Proceeding" attached hereto.

This Order will be effective upon its issuance.

**BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA
September 7, 2000**

/S/ IRMA MUSE DIXON
IRMA MUSE DIXON, CHAIRMAN
DISTRICT III

/S/ JAMES M. FIELD
JAMES M. FIELD, VICE-CHAIRMAN
DISTRICT II

/S/ DON OWEN
DON OWEN, COMMISSIONER
DISTRICT V

/S/ C. DALE SITTIG
C. DALE SITTIG, COMMISSIONER
DISTRICT IV

LAWRENCE C. ST. BLANC
SECRETARY

/S/ JACK "JAY" A BLOSSMAN
JACK "JAY" A. BLOSSMAN, JR., COMMISSIONER
DISTRICT I

**ENTERGY LOUISIANA, INC.
FORMULA RATE PLAN RIDER SCHEDULE FRP-3
RATE ADJUSTMENTS**

The following Rate Adjustments will be added to the rates set out in the Net Monthly Bill section of Entergy Louisiana, Inc.'s ("ELI") Rate Schedules identified below, or such additional rate schedules of ELI subject to Formula Rate Plan Rider Schedule FRP-3 that may become effective, but not including special contracts that do not specifically provide for the application of this Rider FRP-3. The Rate Adjustments shall be effective for bills rendered on and after the first billing cycle for August 1, 2000:

<u>Rate Schedules</u>	<u>Rate Adjustments</u>
Residential and Farm Service	RS-1S
Master-Metered Residential Apartment Service	MMRA-12
Small General Service	GS-1S
Water Heating and Space Heating Commercial and General Service	WHS-12
Water Heating and Space Heating Commercial and General Service Rider Schedule M-1 & M-2 to Rate Schedule GS-1S	M-1 & M-2
Master-Metered General Service	MMGS-11
Large General Service	LGS-17
Large Industrial Service	LIS-17
Interruptible Power Service Rider Schedule 2 to Rate Schedule LIS-17	LIS-17 R2
Large Industrial Power Service	LIPS-16
Interruptible Power Service Rider Schedule 2 to Rate Schedule LIPS-16	LIPS-16 R2
Large Annual Industrial Power Service	LAIPS-12
Large Load, High Load Factor Power Service	LLHLFPS-1
Curtailement Service	CS-3
Curtailement Service Rider Schedule 1 to Rate Schedule CS-3	CS-3 R1
Experimental Curtailement Service (Firm Load Portion Only)	ECS-8
Experimental Electrochemical Curtailement Service	EECS-3
Qualified Facility Standby Service	QFSS-9
Municipal and Parish Pumping Service	MP-17
Street and Outdoor Lighting	Various
Experimental Direct Iron Production Service	DRI-1
Experimental Off-Peak Foundry Service	EOPF-1
Natural Gas Pipeline Compression Service	NGPCS-1

ENTERGY LOUISIANA, INC. EARNED RATE OF RETURN ON COMMON EQUITY FORMULA		
LINE NO	DESCRIPTION	ADJUSTED AMOUNT
TOTAL COMPANY		
1	RATE BASE (Attachment B, Page 2, L25)	
2	BENCHMARK RATE OF RETURN ON RATE BASE (Attachment D, L7, Column D)	
3	REQUIRED OPERATING INCOME (L1 * L2)	
4	NET UTILITY OPERATING INCOME (Attachment B, Page 3, L28)	
5	OPERATING INCOME DEFICIENCY/(EXCESS) (L3 - L4)	
6	REVENUE CONVERSION FACTOR (A)	
7	REVENUE DEFICIENCY/(EXCESS) (L5 * L6)	
	PRESENT RATE REVENUES	
8	ULTIMATE CUSTOMERS (Attachment B, Page 3, L3)	
9	SALES FOR RESALE (Attachment B, Page 3, L4)	
10	TOTAL (L8 + L9)	
11	REVENUE REQUIREMENT (L7 + L10)	
LPSC RETAIL		
12	REVENUE REQUIREMENT ALLOCATION FACTOR (%) (B)	
13	REVENUE REQUIREMENT (L11 * L12)	
14	PRESENT RATE REVENUES (Attachment B, Page 3, L1)	
15	REVENUE DEFICIENCY/(EXCESS) (L13 - L14)	
16	REVENUE CONVERSION FACTOR (A)	
17	OPERATING INCOME DEFICIENCY/(EXCESS) (L15 / L16)	
18	RATE BASE ALLOCATION FACTOR (%) (B)	
19	RATE BASE (L1 * L18)	
20	COMMON EQUITY DEFICIENCY/(EXCESS) (%) (L17 / L19)	
21	WEIGHTED EVALUATION PERIOD COST RATE FOR COMMON EQUITY (%) (Attachment D, L6, Column D)	
22	WEIGHTED EARNED COMMON EQUITY RATE (%) (L21 - L20)	
23	COMMON EQUITY RATIO (%) (Attachment D, L6, Column B)	
24	EARNED RATE OF RETURN ON COMMON EQUITY (%) (L22 / L23)	

NOTE:

(A) REVENUE CONVERSION FACTOR = $1 / [(1 - \text{COMPOSITE TAX RATE}) * (1 - \text{BAD DEBT}) * (1 - \text{REGULATORY COMMISSION EXPENSE RATE}) * (1 - \text{FRANCHISE TAX RATE})]$

(B) THE LPSC RETAIL RATIO UTILIZED BY THE LPSC IN ESTABLISHING THE RATES IN ELI'S RATE SCHEDULES

ENTERGY LOUISIANA, INC. RATE BASE (A)				
LINE NO	DESCRIPTION	PER BOOKS	ADJUST- MENTS (B)	ADJUSTED AMOUNT
1	GROSS PLANT IN SERVICE (C)			
2	DEPRECIATION RESERVES			
3	NET UTILITY PLANT (L1 + L2)			
4	PROPERTY UNDER FINANCIAL LEASE - NET			
5	PLANT HELD FOR FUTURE USE			
6	CONSTRUCTION WORK IN PROGRESS (D)			
7	MATERIALS & SUPPLIES (E)			
8	PREPAYMENTS (E)			
9	CASH WORKING CAPITAL (F)			
10	OTHER WORKING CAPITAL (E)(G)			
11	INVESTMENT IN SFI (E)			
12	ACCUM DEF W-3 MAINT/REFUEL (H)			
13	ACCUM DEF W-3 EXP (E)			
14	NUCLEAR FUEL IN REACTOR (E)			
15	W-3 DESIGN BASIS/REGULATORY STUDY COST			
16	AMORT GAIN-BLDG SALE			
17	CUSTOMER ADVANCES			
18	CUSTOMER DEPOSITS			
19	UNFUNDED PENSION EXPENSE			
20	DEFERRED ITC PRE-1971 (E)			
21	ACCUM DEFERRED INCOME TAXES			
22	SEVERANCE DEFERRAL			
23	LEGAL EXPENSE REIMBURSEMENT			
24	OTHER (I)(J)			
25	RATE BASE (L3 + Sum of L4 - L24)			

NOTES:

- (A) BEGINNING/ENDING AVERAGE BALANCES ARE TO BE UTILIZED EXCEPT WHERE OTHERWISE NOTED.
- (B) ADJUSTMENTS AS SET OUT IN ATTACHMENT C TO THIS RIDER FRP
- (C) PLANT IN SERVICE EXCLUDING DISALLOWED PLANT INVESTMENT AND PLANT HELD UNDER FINANCING - SALE/LEASEBACK
- (D) AMOUNT NOT SUBJECT TO AFUDC ACCRUAL
- (E) 13 MONTH AVERAGE BALANCES
- (F) BASED ON LEAD/LAG STUDY
- (G) INCLUDES RESERVE FOR UNCOLLECTIBLES, COLLECTION BANK MINIMUM BALANCES, WORKING FUNDS AND PROPERTY AND INJURIES & DAMAGES RESERVE
- (H) 50% REFUELING OUTAGE EXPENSE FOR THE EVALUATION PERIOD
- (I) OTHER ITEMS INCLUDED PURSUANT TO SECTION 7 OF ATTACHMENT C TO THIS RIDER FRP
- (J) BEGINNING & ENDING OR 13 MONTH AVERAGE AS MORE APPROPRIATE

ENTERGY LOUISIANA, INC. OPERATING INCOME				
LINE NO	DESCRIPTION	PER BOOKS	ADJUST- MENTS (A)	ADJUSTED AMOUNT
	REVENUES			
	SALES TO ULTIMATE CUSTOMERS			
1	LPSC RETAIL			
2	CNO RETAIL			
3	TOTAL (L1 + L2)			
4	SALES FOR RESALE			
5	EPP & SYSTEM SALES			
6	OTHER ELECTRIC REVENUE			
7	TOTAL OPERATING REVENUES (Sum of L3 - L6)			
	EXPENSES			
	OPERATION & MAINTENANCE			
8	PRODUCTION			
9	TRANSMISSION			
10	DISTRIBUTION			
11	CUSTOMER ACCOUNTING			
12	CUSTOMER SERVICE & INFORMATION			
13	SALES			
14	ADMINISTRATIVE & GENERAL			
15	TOTAL O & M EXPENSE (Sum of L8 - L14)			
16	GAIN FROM DISPOSITION OF ALLOWANCES			
17	REGULATORY DEBITS AND CREDITS			
18	DEPRECIATION & AMORTIZATION EXP			
19	INTEREST ON CUSTOMER DEPOSITS			
20	TAXES OTHER THAN INCOME			
21	STATE INCOME TAX			
22	FEDERAL INCOME TAX			
23	PROV DEF INC TAX - STATE - NET			
24	PROV DEF INC TAX - FED - NET			
25	INVESTMENT TAX CREDIT - NET			
26	OTHER (B)			
27	TOTAL UTILITY OPERATING EXP (L15 + Sum of L16 - L26)			
28	NET UTILITY OPERATING INCOME (L7 - L27)			

NOTES:

(A) ADJUSTMENTS DEFINED IN ATTACHMENT C

(B) OTHER ITEMS INCLUDED PURSUANT TO SECTION 7 OF ATTACHMENT C

ENTERGY LOUISIANA, INC. INCOME TAX				
LINE NO	DESCRIPTION	PER BOOKS	ADJUST- MENTS (A)	ADJUSTED AMOUNT
1	TOTAL OPERATING REVENUES (Page 3, L7)			
2	TOTAL O&M EXPENSE (Page 3, L15)			
3	GAIN FROM DISPOSITION OF ALLOWANCES (Page 3, L16)			
4	REGULATORY DEBITS AND CREDITS (Page 3, L17)			
5	DEPRECIATION & AMORTIZATION EXPENSE (Page 3, L18)			
6	INTEREST ON CUSTOMER DEPOSITS (Page 3, L19)			
7	TAXES OTHER THAN INCOME (Page 3, L20)			
8	NET INCOME BEFORE INCOME TAXES (L1 - Sum of L2 - L7)			
9	ADJUSTMENTS TO NET INCOME BEFORE TAXES			
10	TAXABLE INCOME (L8 + L9)			
	COMPUTATION OF STATE INCOME TAX			
11	STATE TAXABLE INCOME (L10)			
12	STATE INCOME TAX BEFORE ADJUSTMENTS [L11 * Effective State Tax Rate (see Note B)]			
13	ADJUSTMENTS TO STATE TAX			
14	STATE INCOME TAX (L12 + L13)			
	COMPUTATION OF FEDERAL INCOME TAX			
15	TAXABLE INCOME (L10)			
16	STATE INCOME TAX [L14 (shown as deduction)]			
17	FEDERAL ADJUSTMENTS			
18	TOTAL FEDERAL TAXABLE INCOME (Sum of L15 - L17)			
19	FEDERAL INCOME TAX BEFORE ADJUSTMENTS [L18 * Federal Tax Rate (see Note B)]			
20	ADJUSTMENTS TO FEDERAL TAX			
21	FEDERAL INCOME TAX (L19 + L20)			

NOTE:

(A) ADJUSTMENTS DEFINED IN ATTACHMENT C

(B) THE TAX RATE IN EFFECT AT THE TIME THE EVALUATION REPORT IS FILED SHALL BE UTILIZED.

EVALUATION PERIOD ADJUSTMENTS

The actual (per book) data for each Evaluation Period, as reflected in Attachment B, shall be adjusted to reflect the following:

1. Special Rates

- A) Present rate revenue shall be adjusted to reflect, on an annualized basis, the Rate Adjustments in effect at the end of the Evaluation Period under this Rider FRP.
- B) The rate base, revenue and expense effects associated with any riders, or other rate mechanisms, that ELI may have in effect during the Evaluation Period which recover specific costs are to be eliminated.

2. Interest Synchronization

All Evaluation Period interest expenses are to be eliminated and replaced with an imputed interest expense amount equal to the Evaluation Period rate base multiplied by the weighted embedded cost of debt for the Evaluation Period determined in accordance with Attachment D.

3. Income Taxes

All state and federal income tax effects including 1) adjustments to taxable income, 2) adjustments to current taxes, 3) provisions for deferred income tax (debit and credit), and 4) accumulated provision for deferred income tax (debit and credit) shall be adjusted or eliminated, as appropriate, to comport with the following principles:

- A) Effects associated with other adjustments set out in this Attachment C shall similarly and consistently be adjusted;
- B) All effects associated with the difference in the timing of transactions, where the underlying timing difference is eliminated, shall also be eliminated;
- C) The corporate state and federal income tax laws legally in effect on the date an Evaluation Report is filed under this Rider FRP shall be reflected in the calculation of all income tax amounts; and
- D) Tax effects normally excluded for ratemaking purposes shall be eliminated.

4. Specific Ratemaking Adjustments

The following adjustments shall be made for each Evaluation Period to the extent they remain applicable:

- A) All capital, rate base and expense effects associated with the sale/leaseback of a portion of Waterford 3 shall be reversed in accordance with the LPSC's decision issued at its August 29, 1989 Business and Executive Session, including treating pro forma call premiums as a component of the capital structure.
- B) Fuel Adjustment revenues and purchased power expense shall be adjusted in accordance with LPSC Order No. U-16945 related to ELI's Grand Gulf allocation.

5. Reclassifications

- A) Revenues associated with ELI's rates in the LPSC Retail, CNO Retail, or FERC (Sales for Resale) jurisdictions, but included in Other Electric Revenue on a per book basis (Attachment B, Page 3, Line 6), shall be reclassified to the appropriate jurisdictional rate schedule revenue category.
- B) Costs not allowable for ratemaking purposes shall be removed by adjustment from the Evaluation Period cost data. Likewise, costs that are allowed, but recorded below the utility operating income line, shall be included in the Evaluation Period cost data through appropriate reclassification adjustments. These adjustments shall include, but are not limited to: 1) the reclassification of below-the-line interest expense associated with customer deposits as administrative and general O&M expense and 2) interest income related to System Fuels, Inc.

6. Out-of-Period Items

Expenses and revenues recorded in any Evaluation Period that are related to transactions occurring prior to 1995 shall be eliminated by adjustment from the Evaluation Period cost data. This shall include any associated tax adjustments.

7. Other

In addition to Adjustments 1-6 above, there may from time to time be special cost or rate effects that occur during an Evaluation Period that require adjustment of the Evaluation Period cost data. Nothing in this Rider FRP shall preclude any Party from proposing such adjustments.

<u>DESCRIPTION</u>	<u>(A)</u> CAPITAL AMOUNT (1) *(\$)	<u>(B)</u> CAPITAL RATIO (2)	<u>(C)</u> COST RATE (3)	<u>(D)</u> BENCHMARK RATE OF RETURN ON RATE BASE (4)
SHORT-TERM DEBT				
LONG-TERM DEBT				
QUIPS				
TOTAL DEBT				
PREFERRED EQUITY				
COMMON EQUITY			<u>EPCOE</u>	
TOTAL		100.00%		BRORB

NOTES:

- (1) Amounts at the end of the Evaluation Period, except Short-Term Debt which is 13-month average. All Long-Term Debt and QUIPS issues shall reflect the balance net of a) unamortized debt discount, premium, and expense; b) gain or loss on reacquired debt; and c) any adjustments required per Attachment C. All Preferred Stock issues shall reflect the balance net of discount, premium and capital stock expense.
- (2) Each Capital Amount divided by the Total Capital Amount. However, if the Common Equity Ratio exceeds 43%, and exceeds one or both of the ratios described below, the Common Equity Capital Amount shall be reduced so that the Common Equity Ratio is the lesser of: (1) 45%; or 2) the weighted average common equity ratio of the four other Entergy utility operating companies plus 2%. Any resulting reduction in the Common Equity Capital Ratio (%) shall then be allocated to Short-Term Debt, Long-Term Debt, QUIPS and Preferred Equity on a pro rata basis based on the corresponding Capital Amounts.
- (3) Annualized cost of Long-Term Debt, QUIPS and Preferred Equity at the end of the Evaluation Period divided by the corresponding Capital Amount. The Short-Term Debt Cost Rate is the 13-month average of the Short-Term Debt interest rates on the last day of each month of the Evaluation Period and the immediately preceding December 31. The Long-Term Debt and QUIPS Cost Rates shall include a) annualized amortization of debt discount premium, and expense; b) annualized gain or loss on reacquired debt; and c) any adjustments required per Attachment C. The Common Equity Cost Rate shall be the Evaluation Period Cost Rate for Common Equity (EPCOE) determined in accordance with Attachment E.
- (4) The components of the Benchmark Rate of Return on Rate Base (BRORB) column are the corresponding Cost Rates multiplied by the associated Capital Ratio. The BRORB is the sum of the components so determined and expressed as a percent to two decimal places (XX.XX%).

ENTERGY LOUISIANA, INC.
EVALUATION PERIOD COST RATE FOR COMMON EQUITY PROCEDURE

A. EVALUATION PERIOD COST RATE FOR COMMON EQUITY

The EPCOE applicable for any Evaluation Report shall be the EPCOE most recently approved by the Commission as of the date that Evaluation Report is filed. That EPCOE shall remain in effect until the EPCOE is reset by formal finding of the Commission in accordance with the provisions of Section B below.

B. REVISION OF THE EPCOE

1. General

Any Party may propose to revise the EPCOE by filing a proposal with the Commission. Such filing shall include expert testimony providing sufficient information and analysis to support the proposed revision to the EPCOE. The Commission shall then conduct a hearing to consider the proposal.

2. Revision in Context of Annual Review

In the event the Commission revises the EPCOE in the context of the review of an Evaluation Report filed in any year, the revised EPCOE shall be reflected in the final Rate Adjustments resulting from that review, which shall become effective in accordance with the requirements of Section 2.B of this Rider FRP.

3. Other Revision

In the event the Commission orders a revision of the EPCOE other than in the context of an annual review, as provided for in Section B.2 above, the revised EPCOE shall be reflected prospectively. Within ten (10) days after the issuance of the Commission's order revising the EPCOE, the Company shall file revised Rate Adjustments, which shall be based on the then currently effective Rate Adjustments as modified only to reflect the revised EPCOE. The revised Rate Adjustments shall then become effective at the end of five (5) days.

**ENTERGY LOUISIANA, INC.
CUSTOMER SATISFACTION RATING ADJUSTMENT FORMULA**

CSRA = Customer Satisfaction Rating Adjustment for the current Evaluation Period

$$CSRA = 0.0001 * CSR^3 \quad (1)$$

Where,

CSR = Customer Satisfaction Rating for the current Evaluation Period

$$CSR = 100 * \frac{CSI - CSI_{95}}{CSI_{95}}$$

Where:

CSI = Customer Satisfaction Index for the current Evaluation Period (2)

CSI₉₅ = Customer Satisfaction Index for the initial Evaluation Period of 1995

Where:

$$CSI = \sum_{j=1}^n CW_j * AR_j \quad \text{for the current Evaluation Period}$$

Where:

n = The number of customer classes surveyed

CW_j = Class weighting factor for customer class j determined as the ratio of the number of customers in class j to the total number of customers in all n classes during the current Evaluation Period

AR_j = Percentage of responses to the Customer Satisfaction Survey described herein for customer class j that indicated Excellent (5) or Very Good (4) in the survey conducted during the current Evaluation Period

NOTE:

- 1) The value of CSRA as calculated under the above formula is a percentage.
- 2) The value of CSI for any Evaluation Period subsequent to 1995 shall be restricted to a range from 0.9 CSI₉₅ to 1.1 CSI₉₅. Should the calculated value of CSI for any such Evaluation Period be less than 0.9 CSI₉₅, then the value of CSI for that Evaluation Period shall be set at 0.9 CSI₉₅. Similarly, should the value of CSI for any Evaluation Period exceed 1.1 CSI₉₅, then the value of CSI for that Evaluation Period shall be set at 1.1 CSI₉₅.

ENTERGY LOUISIANA, INC.
CUSTOMER SATISFACTION RATING ADJUSTMENT FORMULA (Continued)

CUSTOMER SATISFACTION SURVEY

A survey firm will conduct a customer opinion survey each year. The survey questionnaire will obtain information from a sample of the Company's residential, commercial and industrial customers regarding the customers' level of satisfaction with the Company's service in the following categories:

1. Overall quality of ELI's services
2. Being a company that is easy to do business with
3. Overall quality of the electric power
4. Overall quality of billing service
5. Overall quality of customer service
6. Overall quality of preventive maintenance
7. Overall quality of meter reading
8. Overall quality of emergency service
9. Ability to solve problems
10. Being courteous/helpful

Survey respondents shall score question(s) in each category on the following rating scale:

<u>5</u>	<u>4</u>	<u>3</u>	<u>2</u>	<u>1</u>
Excellent	Very Good	Good	Fair	Poor

The survey firm shall be selected by the Company and shall be competent, professional, and nationally recognized. The Company may change such survey company from time-to-time as may be appropriate for economic or accuracy purposes. ELI shall notify the Commission of the survey firm initially selected and any subsequent replacements.

The Company may modify the Customer Satisfaction Survey by notifying the Commission of its intent to make such modifications by November 1 of the calendar year preceding the Evaluation Period in which the modified survey will first be utilized.

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=PRINT(1,,,1,FALSE,FALSE,1,,,4
=FORMULA.GOTO("ratedev")
=SET.PRINT.AREA()
=PRINT(1,,,1,FALSE,FALSE,1,,,4
=SELECT("R86C9")
=HLINE(-7)
=FORMULA.GOTO("redeter")
=SET.PRINT.AREA()
=RETURN()

**ENERGY LOUISIANA, INC.
RIDER FRP REVENUE REDETERMINATION FORMULA**

SECTION 1			
BANDWIDTH CHECK			
LINE NO	DESCRIPTION	REFERENCE	
1	Earned Rate of Return on Common Equity	Attachment B, Page 1, L 24	_____ %
2	Evaluation Period Cost Rate for Common Equity	Developed per Attachment E	_____ %
3	Customer Satisfaction Rating Adjustment	Developed per Attachment F	_____ %
4	Performance Adjusted Cost for Common Equity	L 2 + L 3	_____ %
5	If L 4 + 0.80% < L 1		GO TO Section 2
6	If L 4 - 0.80% > L 1		GO TO Section 3
7	Otherwise		No Rate Change
SECTION 2			
UPPER BAND RATE ADJUSTMENT			
	DESCRIPTION	REFERENCE	
8	Earned Rate of Return on Common Equity	L 1	_____ %
9	Upper Band	L 4 + .80%	_____ %
10	Reduction to Upper Band	L 8 - L 9	_____ %
11	Reduction in Earned Rate of Return on Common Equity	60% of L 10	_____ %
12	If L 11 < 0.05%		No Rate Change
13	If L 11 > 0.05%		
14	Reduction in Earned Rate of Return on Common Equity	L 11	_____ %
15	Common Equity Capital Ratio	Attachment D, L 6, Column B	_____ %
16	LPSC Retail Rate Base	Attachment B, Page 1, L 19	\$ _____
17	Revenue Conversion Factor	Attachment B, Page 1, L 16	_____
18	Reduction in Rider FRP Revenue	L 14 * L 15 * L 16 * L 17	\$ _____
SECTION 3			
LOWER BAND RATE ADJUSTMENT			
	DESCRIPTION	REFERENCE	
19	Lower Band	L 4 - .80%	_____ %
20	Earned Rate of Return on Common Equity	L 1	_____ %
21	Increase to Lower Band	L 19 - L 20	_____ %
22	Increase in Earned Rate of Return on Common Equity	60% of L 21	_____ %
23	If L 22 ≤ 0.05%		No Rate Change
24	If L 22 > 0.05%		
25	Increase in Earned Rate of Return on Common Equity	L 22	_____ %
26	Common Equity Capital Ratio	Attachment D, L 6, Column B	_____ %
27	LPSC Retail Rate Base	Attachment B, Page 1, L 19	\$ _____
28	Revenue Conversion Factor	Attachment B, Page 1, L 16	_____
29	Increase in Rider FRP Revenue (1)	L 25 * L 26 * L 27 * L 28	\$ _____
SECTION 4			
TOTAL RIDER FRP REVENUE			
	DESCRIPTION	REFERENCE	
30	Annualized Evaluation Period FRP Revenue (2)		\$ _____
31	Reduction/Increase in Rider FRP Revenue	L 18 or L 29	\$ _____
32	Total Rider FRP Revenue	L 30 + L 31	\$ _____

Note:

- (1) In no event shall an increase in rates under this Rider FRP-3 cause ELI's annualized revenues to exceed those that would be produced ELI's rates that were in effect on December 31, 1994.
- (2) Rider FRP-3 Rate Adjustments in effect at end of the applicable Evaluation Period multiplied by the applicable Evaluation Period billing determinants.