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BEFORE THE ARKANSAS PUBLIC SERVICE COMMISSION

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IN THE MATTER OF THE APPLICATION
 OF ENTERGY ARKANSAS, INC. FOR
 APPROVAL OF CHANGES IN RATES
 FOR RETAIL ELECTRIC SERVICE

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DOCKET NO. 09-084-U

JOINT MOTION TO APPROVE SETTLEMENT AGREEMENT

Come now the General Staff of the Arkansas Public Service Commission (Staff), Entergy Arkansas, Inc. (EAI), the Consumer Utilities Rate Advocacy Division of the Arkansas Attorney General's Office (AG), Arkansas Electric Energy Consumers, Inc. (AEEC), Federal Executive Agencies (FEA), National Audubon Society, Inc. and Audubon Arkansas (Audubon), and University Of Arkansas System (UA) (hereinafter collectively the Settling Parties) and for their Joint Motion (Joint Motion) to Approve Settlement Agreement (Agreement) state as follows:

1. The Settling Parties have reached agreement on the issues outstanding in Docket No. 09-084-U. This Settlement Agreement is set forth in and attached hereto as a JOINT EXHIBIT. By this Joint Motion, the Settling Parties are requesting that the Commission approve the Agreement. The Agreement, *inter alia*, establishes EAI's non-fuel revenue requirement in total, the cost allocation for each rate class, and provides for the subsequent filing of compliance tariffs to effectuate this Agreement by no later than 10 days after the Commission's decision in Docket No. 10-008-U .

2. As support for the Agreement and concurrent with the filing of this Joint Motion the following witnesses are sponsoring Agreement Testimonies:

Hugh T. McDonald and Myra L. Talkington for EAI

Jeff Hilton, Donna Gray, and Robert Swaim for Staff

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Shawn McMurray and William Marcus for the AG

Brian C. Donahue and Billie Sue LaConte for AEEC

Mark Kenneday for UA

3. The Settling Parties recommend that the current procedural schedule should remain in effect so that the Agreement can be considered at the evidentiary hearing which is set to begin at 9:30 on Wednesday, May 19, 2010, in Hearing Room No. 1, Arkansas Public Service Commission Building, 1000 Center Street, Little Rock, Arkansas, for the purpose of considering the merits of the Agreement, taking opening statements, and receiving testimony and public comments. The Settling Parties request that on or before Friday, May 14, 2010, all witnesses be excused from appearing at the evidentiary hearing except those listed in Paragraph No. 2 above, who are supporting the Agreement.

4. The Settling Parties are authorized to state that The Kroger Company (Kroger) and Wal-Mart Stores Arkansas, LLC, and Sam's West, Inc. (Wal-Mart) do not oppose this Agreement.

Respectfully submitted,

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PUBLIC SERVICE COMMISSION**

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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing pleading has been delivered to all parties of record by electronic mail, hand-delivery, facsimile, or first-class mail, postage prepaid, this 10th day of May, 2010.



Valerie F. Boyce

BEFORE THE ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF ENTERGY ARKANSAS, INC. FOR)	
APPROVAL OF CHANGES IN RATES)	DOCKET NO. 09-084-U
FOR RETAIL ELECTRIC SERVICE)	

SETTLEMENT AGREEMENT

Come now the General Staff of the Arkansas Public Service Commission (Staff), Entergy Arkansas, Inc. (EAI), the Consumer Utilities Rate Advocacy Division of the Arkansas Attorney General's Office (AG), Arkansas Electric Energy Consumers, Inc. (AEEC), Federal Executive Agencies (FEA), National Audubon Society, Inc. and Audubon Arkansas (Audubon), and University Of Arkansas System (UA) (hereinafter collectively the Settling Parties) and agree to the following terms in settlement of all outstanding issues in the above-referenced Docket. The Settling Parties are authorized to state that The Kroger Company (Kroger) and Wal-Mart Stores Arkansas, LLC, and Sam's West, Inc. (Wal-Mart) do not oppose this Agreement.

1. PROCEDURAL SCHEDULE & RECORD DEVELOPMENT:

EAI proposed a level of revenue requirement, corresponding rates, and other items in its Application and Direct Testimonies and Exhibits filed September 4, 2009, and revised on September 28, 2009, and October 2, 2009. After conducting extensive discovery, Staff, the AG, AEEC, Audubon, FEA, Hino, Kroger, UA, and Wal-Mart filed Direct Testimony on February 26, 2010. EAI filed Rebuttal Testimony on March 24, 2010. Staff, the AG, AEEC, Audubon, FEA, Hino, Kroger, and UA filed Surrebuttal

Testimony on April 14, 2010, and EAI filed Sur-Surrebuttal Testimony on April 21, 2010. EAI also filed Supplemental Direct Testimony on March 3, 2010, on transmission rider issues as required by Order No. 10 in this Docket. Staff, the AG, AEEC, and FEA filed Reply Comments or Testimony on March 23, 2010. EAI filed Sur-Reply Testimony on April 2, 2010.

The Record has been developed fully as reflected in the filed testimonies and exhibits. In pursuit of settlement, a complete discussion of the issues outstanding was undertaken among the Settling Parties each being a strong advocate for its respective position. The result is that the Settling Parties to this Agreement accept Staff's case advanced in its Surrebuttal Testimonies & Exhibits, except as indicated below.

2. REVENUE REQUIREMENT:

A. The parties agree that EAI's non-fuel rate schedule revenue requirement, Arkansas jurisdiction, is \$967,361,325, with a resulting revenue deficiency of \$73,781,760 as shown in Attachment No. 1.

B. While the agreed-upon revenue requirement reflects a negotiated settlement of all revenue requirement issues, the Settling Parties agree that the revenue deficiency and revenue requirement were developed based on Staff's April 14, 2010 Surrebuttal recommendations adjusted only as listed below:

1. Increase rate base by \$18,838,802 to reflect removal of Staff Adjustment RB-10 which adjusted rate base adjustment for historical capitalized incentive compensation. Prospectively, beginning July 1, 2010, EAI will account for capitalized incentive compensation consistent with Staff's recommendation for retail ratemaking

- purposes. The increase in retail revenue requirement resulting from this change is \$1,114,792;
2. Update retirements to include actual amounts through March 2010 which results in an increase in total company depreciation expense of \$248,771. The increase in retail revenue requirement resulting from this change is \$196,537;
 3. An increase in rate case expense of \$363,608 on a total company basis to reflect updated amounts. The increase in retail revenue requirement resulting from this change is \$356,964;
 4. A reduction in the total company investment tax credit amortization of \$1,998,844. The increase in retail revenue requirement resulting from this change is \$2,879,878;
 5. An increase in total company pension and other post-employment benefits expense of \$6,744,745 to correct the capitalization rates and to reflect the 2010 level of expense provided by EAI's actuary. The increase in retail revenue requirement resulting from this change is \$5,855,155;
 6. A correction in total company payroll expense increasing the expense by \$173,551. The increase in retail revenue requirement resulting from this change is \$148,881;
 7. An increase in total company payroll expense to recognize security guard overtime of \$1,119,942. The increase in retail revenue requirement resulting from this change is \$971,383;
 8. a. A reduction in Accumulated Deferred Income Tax (ADIT)

related to uncertain tax positions accounted for in accordance with FIN 48, consistent with provisions noted in Section 5.A below;

b. A decrease in the cost of short-term debt to 2.75%;

c. An increase in the return on equity to 10.2%.

The resulting overall cost of capital reflecting these three changes is 5.04%, with a weighted cost of debt of 1.86% as set forth below.

The increase in retail revenue requirement resulting from these changes is \$13,169,822:

Weighted Cost of Capital				
Component	Amount	Proportion	Rate	Cost
Long-term Debt	1,342,830,430	28.82%	6.16%	1.78%
DOE Obligation	180,682,899	3.88%	0.20%	0.01%
Short-term Debt	33,836,534	0.73%	2.75%	0.02%
Preferred Stock	110,865,923	2.38%	5.99%	0.14%
Common Equity	1,366,200,943	29.32%	10.20%	2.99%
Customer Deposits	67,479,669	1.45%	1.60%	0.02%
ADIT	1,308,006,983	28.07%	0.00%	0.00%
Post-1970 ADITC - LT	22,543,578	0.48%	6.16%	0.03%
Post-1970 ADITC - ST	568,051	0.01%	2.75%	0.00%
Post-1970 ADITC - Pref	1,861,229	0.04%	5.99%	0.00%
Post-1970 ADITC - Common	22,935,924	0.49%	10.20%	0.05%
CAOL	202,267,811	4.34%	0.00%	0.00%
Totals	4,660,079,975	100.00%		5.04%

9. The revenue requirement in this case will be adjusted to reflect the removal of the plant, expense amortization, and any other balances related to any amounts authorized for securitization as ordered in Docket No. 10-008-U.

C. The Settling Parties agree the Commission should approve depreciation rates set forth in Attachment No. 2 hereto, which reflect the rates proposed in Staff Surrebuttal Exhibit GF-1 and the parameters from Staff Surrebuttal Exhibit GF-2 sponsored by Staff witness Gayle Freier.

3. COST ALLOCATION & BASE RATES:

A. The results of the agreed upon Customer Class Cost of Service Study (Settlement Customer Class COS Study) are set forth in Attachment No. 1 to the Agreement. The resulting non-fuel rate schedule revenue requirement for each customer class is as follows:

<u>RATE CLASS</u>	<u>REVENUE REQUIREMENT</u>	<u>INCREASE</u>
Residential	\$467,230,207	\$27,512,588
SGS	235,440,601	27,284,143
LGS	243,476,368	18,985,029
Lighting	<u>21,214,149</u>	<u>0</u>
TOTAL ARKANSAS RETAIL	<u>\$967,361,325</u>	<u>\$73,781,760</u>

B. The Residential Customer Charge will reflect an increase of approximately one-half of the Residential percentage increase.

C. Because of the magnitude of the Residential rate increase, the discounted water heating block will be phased out in two equal annual adjustments.

D. The rate design of all customer classes will generally follow the principles set forth in the Direct and Surrebuttal testimonies of Staff witness Tom D. Stevens.

E. The rate increase applicable to the SGS and LGS customer classes shall be accomplished by increasing the customer charge, demand, and energy components of each of the classes' base rates by each class' percentage increase as reflected on line

35 of Attachment 1 as adjusted for contract minimum bills that cannot be increased.

F. New base rates reflecting this Agreement will be developed using the Staff's recommended billing determinants, as recommended by Staff witness Robert H. Swaim in his Surrebuttal testimony.

G. The Settling Parties are working on developing the compliance tariffs for new base rates and other tariffs to effectuate this Agreement and will file these tariffs as soon as possible, but no later than 10 days after the Commission's decision in Docket No. 10-008-U. EAI requests and the other Settling Parties do not object to the new base rates and other tariffs becoming effective for all bills rendered on or after June 30, 2010, so that rates can be effective in the first billing cycle of July 2010.

4. OTHER TARIFF ISSUES:

A. The Settling Parties agree that all other tariffs will be developed based on Staff's April 14, 2010 Surrebuttal recommendations adjusted only as listed below:

1. The recovery of lost contributions to fixed costs caused by implementing energy efficiency and conservation programs and the provision of utility incentives for implementing energy efficiency and conservation programs will be addressed in Docket No. 08-137-U.
2. Issues related to contract indemnification provisions for State agencies will be addressed in Docket No. 09-089-C.
3. The commercial electric space heating rider (Rate Schedule 31) shall be closed to new premises except for any premises where the electric space heating system has a heating coefficient of performance of greater than 1.5.

5. OTHER ISSUES:

A. In the event EAI is successful with the Internal Revenue Service (IRS) in maintaining any of the income tax positions comprehended in the December 31, 2009 FIN 48 ADIT balances, EAI agrees to timely and fully credit to its ratepayers the difference between the level of revenue requirement approved in this proceeding, which provides for the exclusion of the FIN 48 ADIT balances in the cost of capital and therefore resulted in a higher revenue requirement, and the level of revenue requirement that would result from including the FIN 48 ADIT balances. The revenue requirement impact of excluding the FIN 48 ADIT balances from the capital structure is \$11,659,847 annually. Upon resolution of any underlying tax issue, EAI shall credit ratepayers' bills at a rate of \$0.053029 for every \$1.00 change in the December 31, 2009 FIN 48 ADIT balances associated with successful maintenance of those deductions. The accumulated amount of revenue requirement charged ratepayers since the implementation of rates from this proceeding, as well as going forward until new base rates are established in the next proceeding, attributable to these tax positions shall be credited. Any accumulated amount should be credited over no more than one year. EAI shall provide Staff within 30 days of the final order in this Docket a detailed listing of these tax positions and the related amount of ADIT at December 31, 2009 and will provide supporting calculations of the amount to be refunded upon the change in status of any of these tax items. In addition, annually, upon completion of its audited financial statements, EAI will provide a status report of these items.

B. EAI agrees to comply with each of the Allowance for Funds Used During Construction (AFUDC) recommendations reflected in the Direct Testimony of Staff witness Donna Gray at page 31, lines 19-22 and at page 32, lines 18-19, and the Direct

Testimony of Staff witness William L. Matthews page 12, lines 1-7. The overall rate of return of 5.04% is set forth in Section 2.B.8.

C. EAI agrees to comply with each of the record keeping and reporting recommendations reflected in Staff witness Gayle Freier's Surrebuttal Testimony at page 13, line 16 through page 14, line 14.

D. The Settlement Agreement does not provide for the adoption of either a transmission rider or a formula rate plan. The Settling Parties agree that a transmission rider or a formula rate plan may be considered in Docket No. 08-137-U or another docket either at the direction of the Commission or upon the request of a party.

6. RIGHTS OF THE PARTIES:

A. This Stipulation is designed to complete and resolve all the issues in this docket. This Agreement is made upon the explicit understanding that it constitutes a negotiated settlement which is in the public interest. Nothing herein shall constitute an admission of any claim, defense, rule or interpretation of law, allegation of fact, principle, or method of ratemaking or cost-of-service determination or rate design, or terms or conditions of service, or the application of any rule or interpretation of law, that may underlie, or be perceived to underlie, this Agreement.

B. This Agreement is expressly contingent upon its approval by the Commission without any modification. The various provisions of the Agreement are interdependent and unseverable. All parties shall cooperate fully in seeking the Commission's approval of the Agreement. The Parties shall not support any alternative proposal or settlement agreement while this Agreement is pending before the Commission.

C. Except as to matters specifically agreed to be done or occur in the

future, no party shall be precluded from taking any position on the merits of any issue in any subsequent proceeding in any forum. This Agreement shall not be used or argued as establishing precedent for any methodology or rate treatment in any future proceeding.

D. In the event the Commission does not accept, adopt, and approve this Agreement in its entirety and without modification, the Settling Parties agree that this Agreement may be declared void and of no effect by any Settling Party. In that event, however, the parties agree that: (a) no party shall be bound by any of the provisions or agreements hereby contained; (b) all parties shall be deemed to have reserved all their respective rights and remedies in this proceeding; and (c) no party shall introduce this Agreement or any related writings, discussions, negotiations, or other communications of any type in any proceeding.

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FOR RETAIL ELECTRIC SERVICE)	

**SETTLEMENT AGREEMENT
ATTACHMENT NO. 1**

Line No	Description	Total Company Pro Forma 1	Total Wholesale 2	Total Retail 3	Residential 4	SGS 5	LGS 6	Lighting 7
<u>RATE BASE</u>								
1	Gross Plant in Service	\$ 7,627,275,004	\$ 822,914,375	\$ 6,804,360,629	\$ 3,080,783,030	\$ 1,686,811,264	\$ 1,902,937,356	\$ 153,828,980
2	Accumulated Depreciation	\$ 3,574,581,960	\$ 404,914,667	\$ 3,169,667,293	\$ 1,394,921,931	\$ 761,968,175	\$ 918,337,874	\$ 94,439,313
3	Total Net Plant	\$ 4,052,693,044	\$ 417,999,708	\$ 3,634,693,337	\$ 1,685,861,098	\$ 904,843,089	\$ 984,599,482	\$ 59,389,667
4	Working Capital Assets	\$ 455,199,012	\$ 49,003,741	\$ 406,195,271	\$ 183,127,756	\$ 99,397,331	\$ 116,423,718	\$ 7,246,465
5	TOTAL RATE BASE	\$ 4,507,892,056	\$ 467,003,449	\$ 4,040,888,608	\$ 1,868,988,855	\$ 1,004,240,421	\$ 1,101,023,200	\$ 66,636,133
<u>NON-FUEL OPERATING REVENUES</u>								
6	Present Rate Schedule Revenues	\$ 997,052,882	\$ 103,473,317	\$ 893,579,565	\$ 439,717,619	\$ 208,156,458	\$ 224,491,339	\$ 21,214,149
7	System Sales and Other Revenues	\$ 62,429,095	\$ 9,620,259	\$ 52,808,836	\$ 28,146,649	\$ 10,867,470	\$ 12,982,081	\$ 802,637
8	TOTAL OPERATING REVENUES	\$ 1,059,481,977	\$ 113,093,576	\$ 946,388,401	\$ 467,864,268	\$ 219,023,928	\$ 237,473,420	\$ 22,016,786
<u>EXPENSES</u>								
9	Operations and Maintenance	\$ 533,009,405	\$ 54,616,908	\$ 478,392,496	\$ 221,759,530	\$ 111,021,265	\$ 136,534,905	\$ 9,076,796
10	Depreciation and Amortization	\$ 211,428,209	\$ 21,217,732	\$ 190,210,477	\$ 89,271,010	\$ 46,534,471	\$ 50,503,864	\$ 3,901,132
11	Regulatory Debts	\$ 526,655	\$ (0)	\$ 526,655	\$ 238,452	\$ 129,011	\$ 147,287	\$ 11,906
12	Loss (Gains) from Disposition of Allowances	\$ (33,340)	\$ (3,594)	\$ (29,746)	\$ (13,328)	\$ (7,339)	\$ (8,391)	\$ (688)
13	Taxes Other Than Income Taxes	\$ 44,773,701	\$ 4,633,917	\$ 40,139,785	\$ 18,262,046	\$ 9,636,327	\$ 11,351,037	\$ 890,374
14	Federal & State Income Taxes	\$ 90,102,522	\$ 10,931,602	\$ 79,135,919	\$ 47,908,714	\$ 17,966,953	\$ 12,024,396	\$ 1,235,855
15	TOTAL EXPENSES	\$ 879,807,152	\$ 91,396,565	\$ 788,375,586	\$ 377,426,424	\$ 185,280,688	\$ 210,553,099	\$ 15,115,376
16	OPERATING INCOME	\$ 179,674,825	\$ 21,697,011	\$ 158,012,815	\$ 90,437,844	\$ 33,743,240	\$ 26,930,321	\$ 6,901,410
17	EARNED RETURN ON RATE BASE	3.98%	4.65%	3.91%	4.84%	3.36%	2.45%	10.36%
<u>COST OF SERVICE REVENUE REQUIREMENT</u>								
18	REQUIRED RETURN ON RATE BASE GIVEN EQUAL RATES OF RETURN			5.04%	5.04%	5.04%	5.04%	5.04%
19	REQUIRED OPERATING INCOME (L5*L18)			\$ 203,660,786	\$ 94,197,038	\$ 50,613,717	\$ 55,491,569	\$ 3,358,461
20	OPERATING INCOME DEFICIENCY / (SURPLUS) (L19-L16)			\$ 45,647,971	\$ 3,759,195	\$ 16,870,477	\$ 28,561,248	\$ (3,542,949)
21	REVENUE CONVERSION FACTOR			1.61632	1.61406	1.61727	1.61601	1.61597
22	REVENUE DEFICIENCY / (SURPLUS) (L20*L21)			\$ 73,781,760	\$ 6,067,563	\$ 27,284,143	\$ 46,155,355	\$ (5,725,301)
23	RATE SCHEDULE REVENUE REQUIREMENT (L22*L6)			\$ 967,361,325	\$ 445,785,182	\$ 235,440,600	\$ 270,646,694	\$ 15,488,848
24	TOTAL SYSTEM SALES AND OTHER REVENUES (L7)			\$ 52,808,836	\$ 28,146,649	\$ 10,867,470	\$ 12,982,081	\$ 802,637
25	TOTAL NON-FUEL REVENUE REQUIREMENT (L23+L24)			\$ 1,020,170,161	\$ 473,931,831	\$ 246,308,070	\$ 283,638,775	\$ 16,291,484
26	FUEL RIDER REVENUES			\$ 181,290,199	\$ 67,109,634	\$ 38,166,605	\$ 73,738,478	\$ 2,275,481
27	GRAND GULF RIDER REVENUES			\$ 120,935,470	\$ 58,739,952	\$ 27,218,588	\$ 32,203,526	\$ 2,773,404
28	PRODUCTION COST ALLOCATION RIDER REVENUES			\$ 381,378,934	\$ 138,480,197	\$ 79,578,670	\$ 158,596,250	\$ 4,723,817
29	ENERGY EFFICIENCY COST RECOVERY RIDER REVENUES			\$ 6,435,515	\$ 2,663,081	\$ 1,471,275	\$ 2,257,300	\$ 43,858
30	OTHER RIDER REVENUES			\$ 1,564,940	\$ 585,878	\$ 333,201	\$ 627,028	\$ 18,833
31	TOTAL REVENUE REQUIREMENT (L25+L26+L27+L28+L29+L30)			\$ 1,711,775,218	\$ 741,510,572	\$ 393,076,410	\$ 551,061,358	\$ 26,126,878
<u>TOTAL BILL IMPACT</u>								
32	COST OF SERVICE REVENUE DEFICIENCY / (SURPLUS) (L22)			\$ 73,781,760	\$ 6,067,563	\$ 27,284,143	\$ 46,155,355	\$ (5,725,301)
33	% INCREASE/ (DECREASE) ON BASE REVENUE (L32/L6)			8.26%	1.38%	13.11%	20.56%	-26.99%
34	PROPOSED REVENUE DEFICIENCY / (SURPLUS)			\$ 73,781,760	\$ 27,512,588	\$ 27,284,143	\$ 18,985,029	\$ -
35	PROPOSED % INCREASE/ (DECREASE) ON BASE REVENUE (L34/L6)			8.26%	6.26%	13.11%	8.46%	0.00%
36	LESS RIDER CA REVENUES*			\$ 17,295,728	\$ 7,129,168	\$ 4,006,387	\$ 6,045,552	\$ 114,620
37	INCREASE (DECREASE) TO REV. REQ. (W/ RIDER CA ELIMINATION) (L34-L36)			\$ 56,486,032	\$ 20,383,419	\$ 23,277,755	\$ 12,939,478	\$ (114,620)
38	% INCREASE/ (DECREASE) ON TOTAL REVENUE REQUIREMENT (L37/(L31-L37))			3.41%	2.83%	6.29%	2.40%	-0.44%

* In accordance with the recovery of the investments and costs related to the Ouachita Plant through base rates rather than Rider CA.

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SETTLEMENT AGREEMENT
ATTACHMENT NO. 2

STAFF RECOMMENDED DEPRECIATION RATES

Account	Description / Location	Depreciation Rate
	Steam Production Plant	
311	Structures and Improvements	
311	White Bluff Common	2.39%
311	White Bluff Unit 1	1.19%
311	White Bluff Unit 2	1.17%
311	Couch Common	11.45%
311	Couch Unit 1	4.92%
311	Couch Unit 2	5.11%
311	White Bluff Skills Center	1.26%
311	Independence Common	1.29%
311	Independence Unit 1	1.24%
311	Lake Catherine Common	4.41%
311	Lake Catherine Unit 1	0.61%
311	Lake Catherine Unit 2	0.61%
311	Lake Catherine Unit 3	2.27%
311	Lake Catherine Unit 4	1.50%
311	Lynch Common	17.31%
311	Lynch Unit 1	1.82%
311	Lynch Unit 2	1.99%
311	Lynch Unit 3	1.79%
311	Moses Common	12.55%
311	Moses Unit 1	1.57%
311	Moses Unit 2	1.57%
311	Ritchie Common	1.34%
311	Ritchie Unit 1	3.03%
	Total Account 311	1.97%
312	Boiler Plant Equipment	
312	White Bluff Common	3.36%
312	White Bluff Unit 1	1.70%
312	White Bluff Unit 2	1.67%
312	Couch Common	9.88%
312	Couch Unit 1	5.43%
312	Couch Unit 2	5.46%
312	Independence Common	1.39%
312	Independence Unit 1	1.42%
312	Lake Catherine Common	2.96%
312	Lake Catherine Unit 1	4.77%
312	Lake Catherine Unit 2	3.83%
312	Lake Catherine Unit 3	6.00%
312	Lake Catherine Unit 4	1.87%
312	Lynch Unit 1	5.00%
312	Lynch Unit 2	9.58%
312	Lynch Unit 3	5.23%
312	Moses Common	15.37%
312	Moses Unit 1	1.32%
312	Moses Unit 2	1.32%
312	Ritchie Common	5.32%
312	Ritchie Unit 1	1.92%
	Total Account 312	2.14%

(1) Fully-reserved. Depreciation rate shown to be used if new plant is added and/or reserve ratio falls below allowed level as shown in (a), (b), and (c):

- (a) 105%
- (b) 100%
- (c) 110%

(2) Do not apply to non-depreciable balance.

STAFF RECOMMENDED DEPRECIATION RATES

Account	Description / Location	Depreciation Rate
314	Turbogenerator Units	
314	White Bluff Common	2.39%
314	White Bluff Unit 1	1.33%
314	White Bluff Unit 2	1.33%
314	Couch Common	18.10%
314	Couch Unit 1	4.63%
314	Couch Unit 2	6.84%
314	Independence Common	1.23%
314	Independence Unit 1	1.22%
314	Lake Catherine Common	4.88%
314	Lake Catherine Unit 1	1.35%
314	Lake Catherine Unit 2	1.35%
314	Lake Catherine Unit 3	4.71%
314	Lake Catherine Unit 4	1.38%
314	Lynch Common	20.62%
314	Lynch Unit 2	8.42%
314	Lynch Unit 3	5.82%
314	Moses Unit 1	4.20%
314	Moses Unit 2	3.91%
314	Ritchie Common	1.11%
314	Ritchie Unit 1	1.38%
	Total Account 314	2.04%
315	Accessory Electric Equipment	
315	White Bluff Common	2.02%
315	White Bluff Unit 1	1.29%
315	White Bluff Unit 2	1.68%
315	Couch Common	9.74%
315	Couch Unit 1	5.99%
315	Couch Unit 2	2.23%
315	White Bluff Skills Center	1.20%
315	Independence Common	2.08%
315	Independence Unit 1	1.11%
315	Lake Catherine Common	2.77%
315	Lake Catherine Unit 1	4.92%
315	Lake Catherine Unit 2	4.33%
315	Lake Catherine Unit 3	7.79%
315	Lake Catherine Unit 4	1.90%
315	Lynch Common	19.29%
315	Lynch Unit 1	1.41%
315	Lynch Unit 2	11.04%
315	Lynch Unit 3	6.90%
315	Moses Unit 1	8.09%
315	Moses Unit 2	7.92%
315	Ritchie Common	3.76%
315	Ritchie Unit 1	1.58%
	Total Account 315	2.39%
316	Misc Power Plant Equipment	
316	White Bluff Common	2.44%
316	White Bluff Unit 1	1.37%
316	White Bluff Unit 2	1.34%
316	Couch Common	13.48%
316	Couch Unit 1	5.66%
316	Couch Unit 2	4.39%

- (1) Fully-reserved. Depreciation rate shown to be used if new plant is added and/or reserve ratio falls below allowed level as shown in (a), (b), and (c):
 (a) 105%
 (b) 100%
 (c) 110%

- (2) Do not apply to non-depreciable balance.

STAFF RECOMMENDED DEPRECIATION RATES

Account	Description / Location	Depreciation Rate
316	White Bluff Skills Center	1.05%
316	Independence Common	1.64%
316	Independence Unit 1	1.39%
316	Lake Catherine Common	3.56%
316	Lake Catherine Unit 1	1.97%
316	Lake Catherine Unit 2	1.97%
316	Lake Catherine Unit 3	6.27%
316	Lake Catherine Unit 4	3.66%
316	Lynch Common	10.36%
316	Lynch Unit 1	1.59%
316	Lynch Unit 2	14.12%
316	Lynch Unit 3	9.62%
316	Moses Common	14.32%
316	Moses Unit 1	1.37%
316	Moses Unit 2	1.37%
316	Ritchie Common	2.23%
316	Ritchie Unit 1	2.40%
	Total Account 316	3.06%
	Total Steam Production Plant	2.14%
	Nuclear Production Plant	
320.2	Land Rights	2.51%
321	Structures and Improvements	
321	Arkansas Nuclear One Common	1.73%
321	Arkansas Nuclear One Unit 1	1.24%
321	Arkansas Nuclear One Unit 2	1.25%
	Total Account 321	1.32%
322	Reactor Plant Equipment	
322	Arkansas Nuclear One Common	2.79%
322	Arkansas Nuclear One Unit 1	3.71%
322	Arkansas Nuclear One Unit 2	2.91%
	Total Account 322	3.25%
323	Turbogenerator Units	
323	Arkansas Nuclear One Common	2.53%
323	Arkansas Nuclear One Unit 1	1.63%
323	Arkansas Nuclear One Unit 2	2.03%
	Total Account 323	1.87%
324	Accessory Electric Equipment	
324	Arkansas Nuclear One Common	1.86%
324	Arkansas Nuclear One Unit 1	1.27%
324	Arkansas Nuclear One Unit 2	1.24%
	Total Account 324	1.32%
325	Misc Power Plant Equipment	
325	Arkansas Nuclear One Common	1.61%
325	Arkansas Nuclear One Unit 1	1.41%
325	Arkansas Nuclear One Unit 2	1.00%
	Total Account 325	1.43%
	Total Nuclear Production Plant	2.35%

- (1) Fully-reserved. Depreciation rate shown to be used if new plant is added and/or reserve ratio falls below allowed level as shown in (a), (b), and (c):
 (a) 105%
 (b) 100%
 (c) 110%

- (2) Do not apply to non-depreciable balance.

STAFF RECOMMENDED DEPRECIATION RATES

Account	Description / Location	Depreciation Rate
Hydro Production Plant		
330.2	Land Rights	1.22%
331	Structures and Improvements	
331	Carpenter Common	1.83%
331	Carpenter Unit 1	0.40% (1) (a)
331	Carpenter Unit 2	0.40% (1) (a)
331	Rommel Common	1.55%
331	Rommel Unit 1	1.19% (1) (a)
331	Rommel Unit 2	0.09%
331	Rommel Unit 3	1.19% (1) (a)
	Total Account 331	0.86%
332	Reservoirs, Dams & Waterways	
332	Carpenter Common	1.70%
332	Carpenter Unit 1	0.74%
332	Carpenter Unit 2	0.70%
332	Rommel Common	1.94%
332	Rommel Unit 1	0.85%
332	Rommel Unit 2	0.84%
332	Rommel Unit 3	0.84%
	Total Account 332	1.56%
333	Water Wheels, Turb & Gen	
333	Carpenter Common	2.38%
333	Carpenter Unit 1	1.64%
333	Carpenter Unit 2	1.51%
333	Rommel Common	2.26%
333	Rommel Unit 1	1.51%
333	Rommel Unit 2	2.70%
333	Rommel Unit 3	0.51%
	Total Account 333	1.90%
334	Accessory Electric Equipment	
334	Carpenter Common	2.76%
334	Carpenter Unit 1	0.93% (1) (a)
334	Carpenter Unit 2	0.97%
334	Rommel Common	2.62%
334	Rommel Unit 1	0.59%
334	Rommel Unit 2	0.77% (1) (a)
334	Rommel Unit 3	0.77% (1) (a)
	Total Account 334	1.16%
335.1	Misc Power Plant Equipment	
335.1	Carpenter Common	1.93%
335.1	Carpenter Unit 1	0.16% (1) (b)
335.1	Carpenter Unit 2	0.16% (1) (b)
335.1	Rommel Common	2.70%
335.1	Rommel Unit 1	0.17%
335.1	Rommel Unit 2	0.17%
335.1	Rommel Unit 3	0.17%
	Total Account 335.1	1.81%
	Total Hydro Production Plant	1.59%

(1) Fully-reserved. Depreciation rate shown to be used if new plant is added and/or reserve ratio falls below allowed level as shown in (a), (b), and (c):
 (a) 105%
 (b) 100%
 (c) 110%

(2) Do not apply to non-depreciable balance.

STAFF RECOMMENDED DEPRECIATION RATES

Account	Description / Location	Depreciation Rate
Other Production Plant		
341	Structures and Improvements	
341	Ouachita Plant Common	3.97% (2)
341	Ouachita Plant Unit 1	3.97%
341	Ouachita Plant Unit 2	3.97%
341	Ouachita Plant Unit 3	3.97%
341	Ritchie Gas Turbine Unit 3	6.46%
341	Mabelvale Gas Turbine Unit 1	7.58%
341	Mabelvale Gas Turbine Unit 2	0.87% (1) (b)
341	Mabelvale Gas Turbine Unit 3	0.87% (1) (b)
341	Mabelvale Gas Turbine Unit 4	0.87% (1) (b)
	Total Account 341	3.99%
342	Fuel Holders, Products & Accessories	
342	Ritchie Gas Turbine Unit 3	0.20%
342	Mabelvale Gas Turbine Unit 1	0.35%
342	Mabelvale Gas Turbine Unit 2	0.09% (1) (c)
342	Mabelvale Gas Turbine Unit 3	0.04%
342	Mabelvale Gas Turbine Unit 4	0.09% (1) (c)
	Total Account 342	0.14%
343	Prime Movers	
343	Ouachita Plant Common	4.24%
343	Ouachita Plant Unit 1	4.24%
343	Ouachita Plant Unit 2	4.24%
343	Ouachita Plant Unit 3	4.24%
343	Ritchie Gas Turbine Unit 3	0.15% (1) (a)
343	Mabelvale Gas Turbine Unit 1	2.62%
343	Mabelvale Gas Turbine Unit 2	3.08%
343	Mabelvale Gas Turbine Unit 3	1.18%
343	Mabelvale Gas Turbine Unit 4	2.73%
343	Lynch-Diesel Unit 1	3.95%
	Total Account 343	2.21%
344	Generators	
344	Ouachita Plant Common	4.27%
344	Ouachita Plant Unit 1	4.27%
344	Ouachita Plant Unit 2	4.27%
344	Ouachita Plant Unit 3	4.27%
344	Ritchie Gas Turbine Unit 3	0.20% (1) (a)
344	Mabelvale Gas Turbine Unit 1	0.47%
344	Mabelvale Gas Turbine Unit 2	0.82%
344	Mabelvale Gas Turbine Unit 3	0.20% (1) (a)
344	Mabelvale Gas Turbine Unit 4	0.93%
	Total Account 344	4.22%
345	Accessory Electric Equipment	
345	Ouachita Plant Common	4.24%
345	Ouachita Plant Unit 1	4.24%
345	Ouachita Plant Unit 2	4.24%
345	Ouachita Plant Unit 3	4.24%
345	Ritchie Gas Turbine Unit 3	0.16% (1) (a)
345	Mabelvale Gas Turbine Unit 1	6.22%
345	Mabelvale Gas Turbine Unit 2	7.94%

(1) Fully-reserved. Depreciation rate shown to be used if new plant is added and/or reserve ratio falls below allowed level as shown in (a), (b), and (c):

- (a) 105%
- (b) 100%
- (c) 110%

(2) Do not apply to non-depreciable balance.

STAFF RECOMMENDED DEPRECIATION RATES

Account	Description / Location	Depreciation Rate
345	Mabelvale Gas Turbine Unit 3	2.78%
345	Mabelvale Gas Turbine Unit 4	7.85%
	Total Account 345	7.57%
346	Misc Power Plant Equipment	
346	Ouachita Plant Common	3.96%
346	Ouachita Plant Unit 1	4.24%
346	Ouachita Plant Unit 2	4.24%
346	Ritchie Gas Turbine Unit 3	1.18% (1) (b)
346	Mabelvale Gas Turbine Unit 1	1.25%
346	Mabelvale Gas Turbine Unit 2	1.18% (1) (b)
346	Mabelvale Gas Turbine Unit 3	0.07% (1) (b)
346	Mabelvale Gas Turbine Unit 4	0.16% (1) (b)
	Total Account 346	3.72%
	Total Other Production Plant	4.17%
	Total Production Plant	2.40%
	Transmission Plant	
350.2	Land Rights	1.04%
352	Structures and Improvements	1.84%
353	Station Equipment	2.00%
354	Towers and Fixtures	1.85%
355	Poles and Fixtures	2.41%
356	Overhead Conductors & Devices	2.10%
357	Underground Conduit	1.92%
358	Underground Conductors & Devices	2.39%
359	Roads & Trails	1.37%
	Total Transmission Plant	2.04%
	Distribution Plant	
360.2	Land Rights	0.75%
361	Structures and Improvements	1.77%
362	Station Equipment	1.68%
364	Poles, Towers and Fixtures	3.84%
365	Overhead Conductors & Devices	4.03%
366	Underground Conduit	2.06%
367	Underground Conductors & Devices	2.00%
368	Line Transformers	3.76%
3691	Overhead Services	2.18%
3692	Underground Services	3.18%
370	Meters	3.20%
371	Install On Cust Prem-Non Road Lghtg	7.20%
3730	Street Lghtg & Signal Systems-Other	2.70%
	Total Distribution Plant	2.89%
	RTO & Market Op Plant	
382	Computer Hardware	20.00%
383	Computer Software	20.00%
	Total RTO & Market Op Plant	20.00%

- (1) Fully-reserved. Depreciation rate shown to be used if new plant is added and/or reserve ratio falls below allowed level as shown in (a), (b), and (c):
 (a) 105%
 (b) 100%
 (c) 110%

- (2) Do not apply to non-depreciable balance.

STAFF RECOMMENDED DEPRECIATION RATES

Account	Description / Location	Depreciation Rate
General Plant		
390	Structures and Improvements	1.78%
3911	Office Furniture and Equipment	5.00%
3912	Computer Equipment	20.00%
3913	Data Handling Equipment	6.67%
392	Transportation Equipment	6.67%
393	Stores Equipment	6.67%
394	Tools, Shop and Garage Equipment	6.67%
395	Laboratory Equipment	10.00%
396	Power Operated Equipment	6.67%
3971	Communication Equipment	10.00%
3972	Microwave and Fiber Optic	6.67%
398	Miscellaneous Equipment	10.00%
399	Other Tangible Property	2.50%
	Total General Plant	6.42%

(1) Fully-reserved. Depreciation rate shown to be used if new plant is added and/or reserve ratio falls below allowed level as shown in (a), (b), and (c):
(a) 105%
(b) 100%
(c) 110%

(2) Do not apply to non-depreciable balance.

STAFF RECOMMENDED DEPRECIATION PARAMETERS

Account	Description / Location	Curve Shape	Average Service Life	Retirement Year	Remaining Life	Net Salvage Percent	Reserve Ratio at 12/31/2008
Steam Production Plant							
311	Structures and Improvements						
311	White Bluff Common	R3	108	2041	32.2	-18%	41%
311	White Bluff Unit 1	R3	108	2040	30.7	-18%	81%
311	White Bluff Unit 2	R3	108	2041	31.7	-18%	81%
311	Couch Common	R3	108	2015	6.5	-32%	58%
311	Couch Unit 1	R3	108	2015	6.4	-32%	100%
311	Couch Unit 2	R3	108	2015	6.4	-32%	99%
311	White Bluff Skills Center	R3	108	2041	32.0	-18%	78%
311	Independence Common	R3	108	2044	34.6	-17%	73%
311	Independence Unit 1	R3	108	2043	33.8	-17%	75%
311	Lake Catherine Common	R3	108	2027	18.4	-40%	59%
311	Lake Catherine Unit 1	R3	108	2017	8.4	-40%	135%
311	Lake Catherine Unit 2	R3	108	2017	8.4	-40%	135%
311	Lake Catherine Unit 3	R3	108	2017	8.4	-40%	121%
311	Lake Catherine Unit 4	R3	108	2027	18.2	-40%	113%
311	Lynch Common	R3	108	2015	6.5	-34%	21%
311	Lynch Unit 1	R3	108	2015	6.4	-34%	122%
311	Lynch Unit 2	R3	108	2015	6.4	-34%	121%
311	Lynch Unit 3	R3	108	2015	6.5	-34%	122%
311	Moses Common	R3	108	2016	7.5	-34%	40%
311	Moses Unit 1	R3	108	2016	7.4	-34%	122%
311	Moses Unit 2	R3	108	2016	7.4	-34%	122%
311	Ritchie Common	R3	108	2020	11.4	-25%	110%
311	Ritchie Unit 1	R3	108	2020	11.4	-25%	90%
Boiler Plant Equipment							
312	White Bluff Common	R3	75	2041	32.0	-18%	10%
312	White Bluff Unit 1	R3	75	2040	29.6	-18%	68%
312	White Bluff Unit 2	R3	75	2041	30.6	-18%	67%
312	Couch Common	R3	75	2015	6.5	-32%	68%
312	Couch Unit 1	R3	75	2015	6.3	-32%	98%
312	Couch Unit 2	R3	75	2015	6.4	-32%	87%
312	Independence Common	R3	75	2044	33.1	-17%	71%
312	Independence Unit 1	R3	75	2043	32.2	-17%	71%
312	Lake Catherine Common	R3	75	2027	18.3	-40%	86%
312	Lake Catherine Unit 1	R3	75	2017	8.3	-40%	100%
312	Lake Catherine Unit 2	R3	75	2017	8.3	-40%	108%
312	Lake Catherine Unit 3	R3	75	2017	8.3	-40%	90%
312	Lake Catherine Unit 4	R3	75	2027	17.8	-40%	107%
312	Lynch Unit 1	R3	75	2015	6.4	-34%	102%
312	Lynch Unit 2	R3	75	2015	6.4	-34%	73%
312	Lynch Unit 3	R3	75	2015	6.4	-34%	101%
312	Moses Common	R3	75	2016	7.5	-34%	19%
312	Moses Unit 1	R3	75	2016	7.2	-34%	124%
312	Moses Unit 2	R3	75	2016	7.2	-34%	125%
312	Ritchie Common	R3	75	2020	11.4	-25%	64%
312	Ritchie Unit 1	R3	75	2020	11.0	-25%	104%

STAFF RECOMMENDED DEPRECIATION PARAMETERS

Account	Description / Location	Curve Shape	Average Service Life	Retirement Year	Remaining Life	Net Salvage Percent	Reserve Ratio at 12/31/2008
314	Turbogenerator Units						
314	White Bluff Common	R4	75	2041	32.3	-18%	41%
314	White Bluff Unit 1	R4	75	2040	30.1	-18%	78%
314	White Bluff Unit 2	R4	75	2041	31.0	-18%	77%
314	Couch Common	R4	75	2015	6.5	-32%	14%
314	Couch Unit 1	R4	75	2015	6.1	-32%	104%
314	Couch Unit 2	R4	75	2015	6.4	-32%	88%
314	Independence Common	R4	75	2044	33.7	-17%	76%
314	Independence Unit 1	R4	75	2043	33.0	-17%	77%
314	Lake Catherine Common	R4	75	2027	18.5	-40%	50%
314	Lake Catherine Unit 1	R4	75	2017	8.1	-40%	129%
314	Lake Catherine Unit 2	R4	75	2017	8.1	-40%	129%
314	Lake Catherine Unit 3	R4	75	2017	8.1	-40%	102%
314	Lake Catherine Unit 4	R4	75	2027	17.9	-40%	115%
314	Lynch Common	R4	75	2015	6.5	-34%	0%
314	Lynch Unit 2	R4	75	2015	6.4	-34%	80%
314	Lynch Unit 3	R4	75	2015	6.5	-34%	96%
314	Moses Unit 1	R4	75	2016	7.4	-34%	103%
314	Moses Unit 2	R4	75	2016	7.4	-34%	105%
314	Ritchie Common	R4	75	2020	11.2	-25%	113%
314	Ritchie Unit 1	R4	75	2020	11.2	-25%	110%
315	Accessory Electric Equipment						
315	White Bluff Common	R4	74	2041	32.0	-18%	53%
315	White Bluff Unit 1	R4	74	2040	30.1	-18%	79%
315	White Bluff Unit 2	R4	74	2041	31.4	-18%	65%
315	Couch Common	R4	74	2015	6.5	-32%	69%
315	Couch Unit 1	R4	74	2015	6.4	-32%	94%
315	Couch Unit 2	R4	74	2015	6.5	-32%	118%
315	White Bluff Skills Center	R4	74	2041	31.5	-18%	80%
315	Independence Common	R4	74	2044	34.5	-17%	45%
315	Independence Unit 1	R4	74	2043	32.9	-17%	80%
315	Lake Catherine Common	R4	74	2027	18.5	-40%	89%
315	Lake Catherine Unit 1	R4	74	2017	8.4	-40%	99%
315	Lake Catherine Unit 2	R4	74	2017	8.4	-40%	104%
315	Lake Catherine Unit 3	R4	74	2017	8.4	-40%	75%
315	Lake Catherine Unit 4	R4	74	2027	18.3	-40%	105%
315	Lynch Common	R4	74	2015	6.5	-34%	9%
315	Lynch Unit 1	R4	74	2015	6.2	-34%	125%
315	Lynch Unit 2	R4	74	2015	6.5	-34%	62%
315	Lynch Unit 3	R4	74	2015	6.5	-34%	89%
315	Moses Unit 1	R4	74	2016	7.5	-34%	73%
315	Moses Unit 2	R4	74	2016	7.5	-34%	75%
315	Ritchie Common	R4	74	2020	11.4	-25%	82%
315	Ritchie Unit 1	R4	74	2020	11.3	-25%	107%
316	Misc Power Plant Equipment						
316	White Bluff Common	R3	73	2041	31.2	-18%	42%
316	White Bluff Unit 1	R3	73	2040	29.3	-18%	78%
316	White Bluff Unit 2	R3	73	2041	30.1	-18%	78%
316	Couch Common	R3	73	2015	6.5	-32%	44%
316	Couch Unit 1	R3	73	2015	6.3	-32%	96%
316	Couch Unit 2	R3	73	2015	6.3	-32%	104%

STAFF RECOMMENDED DEPRECIATION PARAMETERS

Account	Description / Location	Curve Shape	Average Service Life	Retirement Year	Remaining Life	Net Salvage Percent	Reserve Ratio at 12/31/2008
316	White Bluff Skills Center	R3	73	2041	30.1	-18%	88%
316	Independence Common	R3	73	2044	33.4	-17%	62%
316	Independence Unit 1	R3	73	2043	32.1	-17%	73%
316	Lake Catherine Common	R3	73	2027	18.3	-40%	75%
316	Lake Catherine Unit 1	R3	73	2017	8.3	-40%	124%
316	Lake Catherine Unit 2	R3	73	2017	8.3	-40%	124%
316	Lake Catherine Unit 3	R3	73	2017	8.4	-40%	87%
316	Lake Catherine Unit 4	R3	73	2027	18.2	-40%	73%
316	Lynch Common	R3	73	2015	6.5	-34%	67%
316	Lynch Unit 1	R3	73	2015	6.3	-34%	124%
316	Lynch Unit 2	R3	73	2015	6.5	-34%	42%
316	Lynch Unit 3	R3	73	2015	6.5	-34%	71%
316	Moses Common	R3	73	2016	7.5	-34%	27%
316	Moses Unit 1	R3	73	2016	7.3	-34%	124%
316	Moses Unit 2	R3	73	2016	7.3	-34%	124%
316	Ritchie Common	R3	73	2020	11.3	-25%	100%
316	Ritchie Unit 1	R3	73	2020	11.1	-25%	98%
Nuclear Production Plant							
320.2	Land Rights	R3	70	2034	28.8	0%	28%
321	Structures and Improvements						
321	Arkansas Nuclear One Common	R2	87	2038	28.4	0%	51%
321	Arkansas Nuclear One Unit 1	R2	87	2034	24.4	0%	70%
321	Arkansas Nuclear One Unit 2	R2	87	2038	28.0	0%	65%
Total Account 321							
322	Reactor Plant Equipment						
322	Arkansas Nuclear One Common	R1.5	40	2038	24.7	-2%	33%
322	Arkansas Nuclear One Unit 1	R1.5	40	2034	21.4	-2%	23%
322	Arkansas Nuclear One Unit 2	R1.5	40	2038	22.2	-2%	37%
323	Turbogenerator Units						
323	Arkansas Nuclear One Common	R2	56	2038	27.3	-2%	33%
323	Arkansas Nuclear One Unit 1	R2	56	2034	22.9	-2%	65%
323	Arkansas Nuclear One Unit 2	R2	56	2038	25.9	-2%	49%
324	Accessory Electric Equipment						
324	Arkansas Nuclear One Common	R2	55	2038	28.7	-1%	51%
324	Arkansas Nuclear One Unit 1	R2	55	2034	22.5	-1%	72%
324	Arkansas Nuclear One Unit 2	R2	55	2038	24.8	-1%	70%
325	Misc Power Plant Equipment						
325	Arkansas Nuclear One Common	R2.5	57	2038	27.5	0%	56%
325	Arkansas Nuclear One Unit 1	R2.5	57	2034	23.7	0%	67%
325	Arkansas Nuclear One Unit 2	R2.5	57	2038	26.5	0%	73%

STAFF RECOMMENDED DEPRECIATION PARAMETERS

Account	Description / Location	Curve Shape	Average Service Life	Retirement Year	Remaining Life	Net Salvage Percent	Reserve Ratio at 12/31/2008
Hydro Production Plant							
330.2	Land Rights	R3	75	2052	67.7	0%	18%
331	Structures and Improvements						
331	Carpenter Common	S3	109	2052	43.4	-5%	26%
331	Carpenter Unit 1	S3	109	2052	34.4	-5%	107%
331	Carpenter Unit 2	S3	109	2052	34.4	-5%	107%
331	Rommel Common	S3	109	2052	43.3	-5%	38%
331	Rommel Unit 1	S3	109	2052	35.7	-5%	109%
331	Rommel Unit 2	S3	109	2052	36.2	-5%	102%
331	Rommel Unit 3	S3	109	2052	34.2	-5%	111%
332	Reservoirs, Dams & Waterways						
332	Carpenter Common	R5	105	2052	43.5	-10%	35%
332	Carpenter Unit 1	R5	105	2052	30.8	-10%	87%
332	Carpenter Unit 2	R5	105	2052	30.1	-10%	89%
332	Rommel Common	R5	105	2052	43.5	-10%	25%
332	Rommel Unit 1	R5	105	2052	30.6	-10%	84%
332	Rommel Unit 2	R5	105	2052	30.6	-10%	84%
332	Rommel Unit 3	R5	105	2052	30.6	-10%	84%
333	Water Wheels, Turb & Gen						
333	Carpenter Common	L2	77	2052	40.6	-15%	18%
333	Carpenter Unit 1	L2	77	2052	36.6	-15%	55%
333	Carpenter Unit 2	L2	77	2052	37.5	-15%	58%
333	Rommel Common	L2	77	2052	40.5	-15%	23%
333	Rommel Unit 1	L2	77	2052	35.8	-15%	60%
333	Rommel Unit 2	L2	77	2052	41.3	-15%	4%
333	Rommel Unit 3	L2	77	2052	31.4	-15%	99%
334	Accessory Electric Equipment						
334	Carpenter Common	R1.5	73	2052	39.3	-5%	-4%
334	Carpenter Unit 1	R1.5	73	2052	29.0	-5%	125%
334	Carpenter Unit 2	R1.5	73	2052	33.1	-5%	73%
334	Rommel Common	R1.5	73	2052	39.6	-5%	1%
334	Rommel Unit 1	R1.5	73	2052	34.4	-5%	85%
334	Rommel Unit 2	R1.5	73	2052	25.1	-5%	105%
334	Rommel Unit 3	R1.5	73	2052	25.1	-5%	105%
335.1	Misc Power Plant Equipment						
335.1	Carpenter Common	R1.5	77	2052	39.3	0%	24%
335.1	Carpenter Unit 1	R1.5	77	2052	28.1	0%	106%
335.1	Carpenter Unit 2	R1.5	77	2052	28.2	0%	121%
335.1	Rommel Common	R1.5	77	2052	39.4	0%	-6%
335.1	Rommel Unit 1	R1.5	77	2052	31.6	0%	95%
335.1	Rommel Unit 2	R1.5	77	2052	31.6	0%	95%
335.1	Rommel Unit 3	R1.5	77	2052	31.6	0%	95%

STAFF RECOMMENDED DEPRECIATION PARAMETERS

Account	Description / Location	Curve Shape	Average Service Life	Retirement Year	Remaining Life	Net Salvage Percent	Reserve Ratio at 12/31/2008
Other Production Plant							
341	Structures and Improvements						
341	Ouachita Plant Common	S1	64	2034	25.0	0%	1%
341	Ouachita Plant Unit 1	S1	64	2034	25.0	0%	1%
341	Ouachita Plant Unit 2	S1	64	2034	25.0	0%	1%
341	Ouachita Plant Unit 3	S1	64	2034	25.0	0%	1%
341	Ritchie Gas Turbine Unit 3	S1	64	2020	11.3	0%	27%
341	Mabelvale Gas Turbine Unit 1	S1	64	2020	11.4	0%	14%
341	Mabelvale Gas Turbine Unit 2	S1	64	2020	10.6	0%	125%
341	Mabelvale Gas Turbine Unit 3	S1	64	2020	10.6	0%	118%
341	Mabelvale Gas Turbine Unit 4	S1	64	2020	10.9	0%	105%
342	Fuel Holders, Products & Accessories						
342	Ritchie Gas Turbine Unit 3	S2	55	2020	10.3	-10%	108%
342	Mabelvale Gas Turbine Unit 1	S2	55	2020	10.3	-10%	106%
342	Mabelvale Gas Turbine Unit 2	S2	55	2020	10.2	-10%	116%
342	Mabelvale Gas Turbine Unit 3	S2	55	2020	10.2	-10%	110%
342	Mabelvale Gas Turbine Unit 4	S2	55	2020	10.2	-10%	115%
343	Prime Movers						
343	Ritchie Gas Turbine Unit 3	S6	44	2020	5.8	-5%	114%
343	Mabelvale Gas Turbine Unit 1	S6	44	2020	8.7	-5%	82%
343	Mabelvale Gas Turbine Unit 2	S6	44	2020	8.7	-5%	78%
343	Mabelvale Gas Turbine Unit 3	S6	44	2020	8.1	-5%	95%
343	Mabelvale Gas Turbine Unit 4	S6	44	2020	8.5	-5%	82%
343	Lynch-Diesel Unit 1	S6	44	2015	5.5	-5%	83%
344	Generators						
344	Ouachita Plant Common	S0.5	57	2034	24.4	-5%	1%
344	Ouachita Plant Unit 1	S0.5	57	2034	24.4	-5%	1%
344	Ouachita Plant Unit 2	S0.5	57	2034	24.4	-5%	1%
344	Ouachita Plant Unit 3	S0.5	57	2034	24.4	-5%	1%
344	Ritchie Gas Turbine Unit 3	S0.5	57	2020	10.4	-5%	113%
344	Mabelvale Gas Turbine Unit 1	S0.5	57	2020	10.6	-5%	100%
344	Mabelvale Gas Turbine Unit 2	S0.5	57	2020	10.7	-5%	96%
344	Mabelvale Gas Turbine Unit 3	S0.5	57	2020	10.4	-5%	114%
344	Mabelvale Gas Turbine Unit 4	S0.5	57	2020	10.7	-5%	95%
345	Accessory Electric Equipment						
345	Ritchie Gas Turbine Unit 3	S4	47	2020	8.8	-5%	109%
345	Mabelvale Gas Turbine Unit 1	S4	47	2020	11.4	-5%	11%
345	Mabelvale Gas Turbine Unit 2	S4	47	2020	11.4	-5%	14%
345	Mabelvale Gas Turbine Unit 3	S4	47	2020	10.5	-5%	76%
345	Mabelvale Gas Turbine Unit 4	S4	47	2020	11.4	-5%	16%
346	Misc Power Plant Equipment						
346	Ouachita Plant Common	R3	52	2034	25.1	0%	1%
346	Ritchie Gas Turbine Unit 3	R3	52	2020	10.2	0%	119%
346	Mabelvale Gas Turbine Unit 1	R3	52	2020	11.0	0%	86%

STAFF RECOMMENDED DEPRECIATION PARAMETERS

Account	Description / Location	Curve Shape	Average Service Life	Retirement Year	Remaining Life	Net Salvage Percent	Reserve Ratio at 12/31/2008
345	Mabelvale Gas Turbine Unit 2	R3	52	2020	10.3	0%	122%
346	Mabelvale Gas Turbine Unit 3	R3	52	2020	10.3	0%	116%
346	Mabelvale Gas Turbine Unit 4	R3	52	2020	10.5	0%	113%
Transmission Plant							
350.2	Land Rights	R3	75	N/A	49.7	0%	48%
352	Structures and Improvements	R3	55	N/A	38.3	-5%	34%
353	Station Equipment	R3	55	N/A	40.2	-10%	29%
354	Towers and Fixtures	R5	62	N/A	35.2	-20%	55%
355	Poles and Fixtures	R1	52	N/A	39.9	-20%	24%
356	Overhead Conductors & Devices	R3	61	N/A	41.0	-25%	39%
357	Underground Conduit	S2.5	50	N/A	40.9	0%	21%
358	Underground Conductors & Devices	R2.5	45	N/A	40.7	-5%	8%
359	Roads & Trails	R3	75	N/A	58.6	0%	20%
Distribution Plant							
360.2	Land Rights	R4	65	N/A	31.8	0%	76%
361	Structures and Improvements	R4	56	N/A	35.2	-5%	41%
362	Station Equipment	R1	55	N/A	44.7	-10%	35%
364	Poles, Towers and Fixtures	S0.5	37	N/A	25.7	-35%	36%
365	Overhead Conductors & Devices	R2	34	N/A	23.6	-25%	30%
366	Underground Conduit	R0.5	51	N/A	43.8	0%	10%
367	Underground Conductors & Devices	S0.5	39	N/A	28.3	-10%	53%
368	Line Transformers	R1.5	31	N/A	22.6	-10%	25%
3691	Overhead Services	S1	41	N/A	29.8	-10%	45%
3692	Underground Services	S2	35	N/A	22.6	-20%	48%
370	Meters	R2.5	30	N/A	16.5	0%	47%
371	Install On Cust Prem-Non Road Lghtg	L2	15	N/A	7.8	-5%	49%
3730	Street Lghtg & Signal Systems-Other	R0.5	20	N/A	13.5	-10%	73%
RTO & Market Op Plant							
382	Computer Hardware	SQ	5	N/A	n/a	0%	20%
383	Computer Software	SQ	5	N/A	n/a	0%	20%
General Plant							
390	Structures and Improvements	R1	49	N/A	40.8	-10%	37%
3911	Office Furniture and Equipment	SQ	20	N/A	20.0	0%	-136%
3912	Computer Equipment	SQ	5	N/A	5.0	0%	76%
3913	Data Handling Equipment	SQ	15	N/A	15.0	0%	109%
392	Transportation Equipment	SQ	15	N/A	15.0	0%	2530%
393	Stores Equipment	SQ	15	N/A	15.0	0%	94%
394	Tools, Shop and Garage Equipment	SQ	15	N/A	15.0	0%	12%

STAFF RECOMMENDED DEPRECIATION PARAMETERS

Account	Description / Location	Curve Shape	Average Service Life	Retirement Year	Remaining Life	Net Salvage Percent	Reserve Ratio at 12/31/2008
395	Laboratory Equipment	SQ	10	N/A	10.0	0%	-385%
396	Power Operated Equipment	SQ	15	N/A	15.0	0%	1%
3971	Communication Equipment	SQ	10	N/A	10.0	0%	-45%
3972	Microwave and Fiber Optic	SQ	15	N/A	15.0	0%	80%
398	Miscellaneous Equipment	SQ	10	N/A	10.0	0%	44%
399	Other Tangible Property	SQ	40	N/A	40.0	0%	109%

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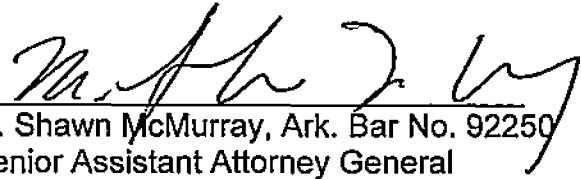
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