



Entergy Operations, Inc.
Entergy Nuclear Operations, Inc.
440 Hamilton Avenue
White Plains, New York 10601
Tel 914 272 3370

John F. McCann
Vice President - Nuclear Safety,
Emergency Planning and Licensing

CNRO-2009-00013

November 12, 2009

U.S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, DC 20555-0001

SUBJECT: Response to Request for Additional Information
Regarding Decommissioning Funding Assurance
River Bend Station
Docket No. 50-458
License No. NPF-47

References:

1. Entergy letter CNRO-2009-00005, "Status of Decommissioning Funding for Plants Operated by Entergy Operations, Inc. for the Year Ending December 31, 2008," dated March 30, 2009 (ML090920218).
2. NRC letter dated June 18, 2009 regarding Status of Decommissioning Funding Assurance for River Bend Station, Unit 1(70% Regulated) (ML091540293).
3. Entergy letter CNRO-2009-00010, "Decommissioning Funding Assurance Plan" dated August 13, 2009 (ML092260590).
4. NRC letter dated October 14, 29, 2009, regarding Decommissioning Funding Assurance for River Bend Station - Request for Additional Information (TAC No. ME0562) (ML092680611).

Dear Sir or Madam:

Entergy Operations, Inc. (Entergy) submitted the biennial report of decommissioning funding status in Reference 1. NRC requested follow up telephone conference calls in Reference 2 regarding the decommissioning funding status for the subject plants. Entergy provided further information in Reference 3 and NRC requested additional information in Reference 4.

The Entergy response for River Bend Station to Reference 4 is provided in the attachment to this letter. The enclosures include a revised Decommissioning Funding Assurance Plan for River Bend Station that incorporates the RAI responses (Enclosure 1) and replaces in its entirety the Decommissioning Funding Assurance Plan submitted via Reference 3. Enclosures 2 and 3 provide copies of information referenced in the attached RAI responses.

A001
NRR

This letter contains no new commitments.

If you have any questions, please contact Mr. Les England at 601-368-5766.

Sincerely,



JFM / LAE

Attachments:

1. Entergy Gulf States Louisiana, L.L.C. River Bend Station Response to Request for Additional Information

Enclosures:

1. Entergy Gulf States Louisiana, L.L.C. River Bend Station Unit 1 (70% Regulated Share) Plan for Decommissioning Funding Adjustment
2. Copy of the EGSL-ETI PPA
3. Copy of Service Schedule MSS-4

cc: next page

c: Regional Administrator
U. S. Nuclear Regulatory Commission
Region IV
612 E. Lamar Blvd., Suite 400
Arlington, TX 76011-4125

NRC Senior Resident Inspector
P. O. Box 1050
St. Francisville, LA 70775

U. S. Nuclear Regulatory Commission
Attn: Mr. Alan B. Wang
MS O-7 D1
Washington, DC 20555-0001

Mr. Jeffrey P. Meyers
Louisiana Department of Environmental Quality
Office of Environmental Compliance
Attn. OEC - ERSD
P. O. Box 4312
Baton Rouge, LA 70821-4312

Mr. L. Jager Smith, P.E.

ENTERGY GULF STATES LOUISIANA

RIVER BEND STATION

RESPONSE TO REQUEST FOR ADDITIONAL INFORMATION

BY THE OFFICE OF NUCLEAR REACTOR REGULATION

DECOMMISSIONING FINANCIAL ASSURANCE PLANS

2009 BIENNIAL DECOMMISSIONING REVIEW

RIVER BEND STATION (70 PERCENT REGULATED), UNIT 1, DOCKET 50-458

RAI No. 1

EGSL stated that that ETI retains the obligation for the former Texas-jurisdictional share of River Bend's decommissioning obligation.

However, ETI is not an NRC licensee. 10 CFR 50.80(a) states:

No license for a production or utilization facility ... shall be transferred, assigned, or in any manner disposed of, either directly or indirectly, through transfer of control of the license to any person, unless the Commission gives its consent in writing.

Under the provisions of § 50.80, it is not possible for EGSL to assign its decommissioning obligation under NRC regulations to ETI, since no license transfer took place. EGSL, as the licensee, retains the obligation to decommission its share of the River Bend site, regardless of its contractual arrangement with an unlicensed third party to make payments that may be used for decommissioning costs.

In view of the above, revise your August 13 plan to state that EGSL retains the obligation to decommission its share of the River Bend site.

Response:

Entergy Gulf States Louisiana, L.L.C. ("EGSL" or "EGS-LA") affirms that it retains the obligation to decommission its share of the River Bend site. As stated by the Staff in the Safety Evaluation of the license transfer to Entergy Gulf States Louisiana, L.L.C. ("EGSL" or "EGS-LA"), "EGS-LA will provide decommissioning funding assurance through an external sinking fund as EGS is doing now." Safety Evaluation for Transfer of License, dated October 26, 2007, at page 4 (Accession No. ML072710588).

The August 13, 2009 plan is revised to include the requested statement, as shown in Enclosure 1. Enclosure 1 replaces the plan submitted on August 13, 2009.

RAI No. 2

On August 13, 2009 Entergy submitted a plan on behalf of Entergy Gulf States Louisiana, L.L.C. as the 100 percent licensed owner (of the 70 percent regulated segment), as part of the concurrent 2009 Biennial Decommissioning Review process, which describes how and when it intends to make adjustments to financial assurance mechanisms such that any shortfalls in decommissioning funding assurance for River Bend are covered.

On page 3 of the decommissioning funding plan submitted by Entergy, the licensee stated:

It is ETI's plan to request an amount of additional annual funding from the PUCT that will eliminate the funding shortfall in the aforementioned [end of December 2009] rate filing.

10 CFR 50.75(b)(3) states:

The amount [of decommissioning financial assurance] must be covered by one or more of the methods described in paragraph (e) of this section as acceptable to the NRC.

10 CFR 50.75(e) lists 6 acceptable methods of providing financial assurance. A plan by a licensee's customer to request additional funding from a State Public Utilities Commission is not listed. Although your plan does not explicitly state the relationship, ETI appears to be EGSL's customer. If that is the case, it follows that EGSL's plan to eliminate the shortfall does not conform to § 50.75(b)(3).

The staff recognizes that the power purchase agreement between ETI and EGSL, combined with the existing trust fund, may qualify as acceptable under § 50.75(e)(1)(v) or (vi). However, EGSL would have to provide information sufficient for the NRC to evaluate the acceptability of the proposed method(s).

In view of the above, revise your plan to

- (a) clarify the relationship between EGSL and ETI, and
- (b) provide a financial assurance method from EGSL that uses one or more of the methods listed in § 50.75(e).

Response:

Entergy Texas, Inc. ("ETI") is a power purchase customer of EGSL. As was indicated in the application for license transfer associated with the creation of EGSL, "ETI will purchase its 'responsibility ratio'¹ portion of the capacity and energy of the regulated portion of River Bend via a life-of-unit PPA [power purchase agreement] priced pursuant to the System

¹ The ETI responsibility ratio will be based on the twelve-month coincident peak demands of the ETI retail load and the EGS-LA responsibility ratio will reflect the Louisiana retail and all of EGS's wholesale loads. These responsibility ratios will be calculated consistent with the definition contained in Section 2.16(a) of the Entergy System Agreement.

Agreement Service Schedule MSS-4 ("MSS-4").² Proposed License Transfer and Conforming License Amendment In the Matter of Entergy Gulf States, Inc., dated May 29, 2007, at pages 6-7 (Accession No. ML071560529) (footnotes in original). The aforementioned PPA provides in Section 3: "The pricing of the capacity and energy to be sold and purchased pursuant to paragraph 2 above shall be as specified in Service Schedule MSS-4 of the System Agreement." A copy of the EGSL-ETI PPA is enclosed as Enclosure 2.

As indicated in the license transfer application, Service Schedule MSS-4 provides for pricing to ETI of the capacity and energy from River Bend based on cost. Included in section 40.05 of that Service Schedule is a recovery element for "Decommissioning Expense, as approved by Retail Regulators," denominated as variable "DGUIDE" in the operating expense recovery formula. Service Schedule MSS-4, at sheet number 54-55, provided as Exhibit 2 to EGSL's Response to Request for Additional Information in the license transfer matter, dated August 30, 2007 (Accession No. ML072470715). A copy of MSS-4 is attached as Enclosure 3.

Additionally, Section 3 of the EGSL-ETI PPA provides: "Should the trust funds set aside for Buyer's share of the responsibility for River Bend Station decommissioning be found to be insufficient to cover the aforesaid Buyer's share of the cost for such decommissioning, Buyer will promptly pay to Seller such deficit.

EGSL believes that the recovery from ETI's ratepayers of decommissioning costs for River Bend, through the PPA mentioned above, qualifies as "Contractual obligation(s) on the part of the licensee's customer(s), the total amount of which over the duration of the contract(s) will provide the licensee's total share of uncollected funds estimated to be needed for decommissioning pursuant to §§50.75(c), 50.75(f), or §50.82," in accordance with 10 CFR §50.75(e)(1)(v). The funds collected through the contractual obligation are deposited into the external sinking fund decommissioning trust for River Bend. The River Bend decommissioning plan in Enclosure 1 is revised to clarify that §50.75(e)(1)(v) is being referred to by the licensee. Enclosure 1 replaces the plan submitted on August 13, 2009.

² MSS-4 is a FERC approved tariff that provides the basis for making a unit power purchase between Operating Companies. The pricing pursuant to MSS-4 is based on cost.

ENTERGY GULF STATES LOUISIANA, L.L.C.
RIVER BEND STATION UNIT 1 (70% REGULATED SHARE)
PLAN FOR DECOMMISSIONING FUNDING ADJUSTMENT
AMENDED AS OF NOVEMBER 12, 2009

ENTERGY GULF STATES LOUISIANA, L.L.C.
RIVER BEND STATION UNIT 1 (70% REGULATED SHARE)
PLAN FOR DECOMMISSIONING FUNDING ADJUSTMENT
AMENDED AS OF NOVEMBER 12, 2009

Background

On March 30, 2009, Entergy Gulf States Louisiana, L.L.C. (EGSL) submitted its biennial filing for River Bend Station's 70% regulated share (River Bend), pursuant to 10 CFR 50.75(f) (Accession No. ML090920218). On June 18, 2009, the Nuclear Regulatory Commission (NRC) staff sent EGSL a letter advising EGSL of a telephone conference to discuss the NRC staff's calculations regarding River Bend's decommissioning funding assurance (Accession No. ML091540293). The telephone conference was held on June 29, 2009. On July 22, 2009, another call was held with the NRC staff that resulted in some of the funding requirement figures being changed, and those changes are reflected in this communication. Also in the staff's letter of June 18, 2009, the staff indicated that if EGSL is determined to have a projected decommissioning funding shortfall, it will need to submit a plan to describe how and when the licensee intends to make adjustments to financial assurance mechanisms. This communication includes the licensee's plan to address any shortfall.

According to the NRC staff's calculations, the staff has concluded that the NRC minimum amount for the 2009 report period for the 70% regulated share of River Bend is \$378,716,370. The staff likewise concluded that the available escalated funding to meet that obligation is \$214,527,204, based on the December 31, 2008 River Bend 70% share decommissioning trust fund balances. The difference in these figures is \$164,189,166.

Costs for the operation of the 70% share of River Bend are primarily recovered through rates established at the Louisiana Public Service Commission (LPSC) (approximately 55% of the 70% share), the Public Utility Commission of Texas (PUCT) (approximately 45% of the 70% share)¹, and the Federal Energy Regulatory Commission (FERC) (a minimal fraction). Both the LPSC and the PUCT have made assumptions, for decommissioning collection purposes, that River Bend will operate through a renewed license term.² River Bend's current license expires on August 29, 2025. While EGSL plans to seek a renewed license from the NRC for River Bend, such renewed license has not yet been issued. The assumption by the LPSC and the PUCT of a renewed license term for decommissioning collections has resulted in the current cessation of continuing collections from ratepayers for River Bend decommissioning in both the Louisiana and Texas jurisdictions.

The LPSC order that resulted in cessation of decommissioning collections adopted a settlement agreement, which settlement agreement includes a provision for reinstating decommissioning collections in the event the NRC finds decommissioning funding for River Bend inadequate. Specifically, the settlement agreement adopted by the order states as follows at paragraph 8:

¹ Entergy Texas, Inc. has a purchased power obligation from River Bend, regulated by the PUCT, that includes a responsibility for the indicated share of the decommissioning obligation for the plant.

² The FERC has not made such an assumption, and the FERC-jurisdictional share of River Bend decommissioning is collected based on the current licensed life of the plant.

8. Although by this settlement EGS is agreeing to reduce the depreciation rate and the decommissioning accrual for River Bend based upon the assumption that the operating license for the plant and the useful life will be extended, EGS will be permitted to recover over the useful life of the plant the reasonable depreciation and decommissioning expenses relating to the River Bend generating station. In the event that the Nuclear Regulatory Commission ("NRC") formally notifies EGS or the River Bend licensee that the decommissioning funding for River Bend is or would become inadequate, the Company would be permitted recognition in rates of decommissioning expense at a level sufficient to address reasonably the NRC's concern as expressed in the notification. Nothing in this settlement shall be construed to require the Company to represent or report to the NRC that its level of decommissioning funding is sufficient or to preclude EGS or the River Bend licensee from requesting from the Commission an increase in decommissioning funding at a later date.³

Similarly, in Texas, the PUCT ordered a "20-year life extension adjustment to EGSI's calculation of nuclear depreciation and decommissioning costs effective January 1, 2009."⁴ Subsequent to the filing of the case that resulted in the aforementioned order, the former Entergy Gulf States, Inc. implemented a merger by division that resulted in the current owner of River Bend, EGSL, and a new Texas-jurisdictional entity, Entergy Texas, Inc. (ETI). ETI receives the former Texas-jurisdictional share of River Bend output through a power purchase agreement with EGSL, and ETI retains the obligation to EGSL for the former Texas-jurisdictional share of River Bend's decommissioning obligation. Accordingly, ETI is a power purchase customer of EGSL. EGSL retains the decommissioning obligation for its share of the River Bend site.

Plan to Adjust Financial Assurance Mechanisms

As a (primarily) rate regulated entity,⁵ EGSL expects the retail costs of the River Bend 70% share to be included in the rates to be paid by its retail customers. As mentioned above, when the LPSC ordered reduction in the decommissioning funding for River Bend, it included an express provision in the order allowing for reinstatement of decommissioning collections should the NRC find the funding inadequate. EGSL believes the NRC has now made that finding. Accordingly, for the Louisiana-jurisdictional share of River Bend, EGSL plans to seek relief from the LPSC under the aforementioned order provision in paragraph 8, specifically seeking reinstatement of collections for the decommissioning of the Louisiana-jurisdictional share of the River Bend 70% share. Using the rates of decommissioning cost escalation (2.5%) and decommissioning fund growth (5.7%) previously approved by the LPSC, and the existing Louisiana-jurisdictional share of the River Bend decommissioning trust funds (approximately \$41.5 million as of December 31, 2008), the licensee calculates that an annual decommissioning collection amount of approximately \$7.1 million would be required to meet the Louisiana ratepayers' share of the aforementioned decommissioning

³ Settlement Term Sheet dated December 17, 2002, adopted in LPSC Consolidated Order No. U-22491, U-23358, U-24182, U-24993, U-25687, dated December 18, 2002.

⁴ Order in PUCT Docket No. 34800, dated March 16, 2009, at Finding of Fact 34.

⁵ The 30% share of River Bend formerly owned by Cajun Electric Power Cooperative is held by EGSL as a non-rate-regulated asset. Its decommissioning funding is addressed by a prefunded trust received by EGSL following the bankruptcy of Cajun Electric Power Cooperative.

fund shortfall. It is the licensee's plan to request an amount of additional annual funding from the LPSC that will eliminate the funding shortfall in a filing with the LPSC by the end of calendar year 2009.

Likewise, as a rate-regulated entity, ETI, as the responsible entity to EGSL for the Texas utility's share of River Bend decommissioning, expects its costs to be covered by its regulated ratepayers, and EGSL expects ETI's share of River Bend decommissioning costs to be paid in accordance with its power purchase contract. ETI currently has plans to make a rate filing by the end of December 2009. Accordingly, ETI plans on seeking from the PUCT reinstatement of collections for the decommissioning of the Texas utility's share of the River Bend 70% share. Using the rates of decommissioning cost escalation (4.8%) and decommissioning fund growth (6.6%) previously approved by the PUCT, and the existing Texas utility's share of the River Bend decommissioning trust funds (approximately \$90.8 million as of December 31, 2008), the licensee calculates that an annual decommissioning collection amount of approximately \$1.7 million would be required to meet the Texas ratepayers' share of the aforementioned decommissioning fund shortfall. It is ETI's plan to request an amount of additional annual funding from the PUCT that will eliminate the funding shortfall in the aforementioned scheduled rate filing.

The method of financial assurance to be used, therefore, for the regulated 70% share of River Bend is a combination of the external sinking fund and customer contractual obligation methods (that are subsequently deposited into the external sinking fund), allowable under 10 CFR §§50.75(e)(1)(ii), (v), and (vi).

The licensee cannot predict whether the LPSC and PUCT will use the rate assumptions mentioned above, such that the final annual collection figures allowed by those regulators will match the amounts that are planned to be collected through rates. Further, the licensee may find that changed conditions will require the presentation of different rates to the regulators, such that the annual collections figures would be different than indicated above. However, it is the licensee's and ETI's plan to make requests to the rate regulators seeking to include in retail rates the revenue requirement that is necessary to collect the shortfall quantified by the NRC.

CNRO 2009-00013
Enclosure 2

COPY OF THE EGSL-ET PPA

AGREEMENT

This Agreement is dated as of January 1, 2008, between Entergy Texas, Inc. ("ETI" or "Buyer"), and Entergy Gulf States Louisiana, L.L.C. ("EGS-LA" or "Seller"), as successor to Entergy Gulf States, Inc. ("EGS").

WHEREAS, Seller has agreed to make a unit power sale from the designated units set forth on Attachment A (individually a "Designated Unit" and collectively "Designated Units") to Buyer; and

WHEREAS, the agreement among Entergy Gulf States, Inc., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., and Entergy Arkansas, Inc., (collectively the "Companies"), and Entergy Services, Inc. ("ESI") was filed with the FERC on April 30, 1982, and became effective on January 1, 1983, amended to incorporate EGS in 1993; and

WHEREAS, the System Agreement contains a Service Schedule MSS-4 providing the basis for making a unit power purchase and sale between the Companies that are participants in that Agreement; and

WHEREAS, the parties herein wish to execute this Agreement to provide for a unit power purchase by Buyer under Service Schedule MSS-4 from the Designated Units.

THEREFORE, the parties agree as follows:

1. **Designated Units.** The designated generating units for purposes of this unit power sale under Service Schedule MSS-4 of the System Agreement shall be those units set forth on Attachment A.

2. **Unit Power Purchase.** Seller agrees to sell and Buyer agrees to purchase that quantity of generating capacity and associated energy from the Designated Units

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equivalent to the percentage (the "Allocated Percentage") of Seller's capacity in each such Designated Unit set forth on Attachment A.

3. Pricing. The pricing of the capacity and energy to be sold and purchased pursuant to paragraph 2 above shall be as specified in Service Schedule MSS-4 of the System Agreement. Should the trust funds set aside for Buyer's share of the responsibility for River Bend Station decommissioning be found to be insufficient to cover the aforesaid Buyer's share of the cost for such decommissioning, Buyer will promptly pay to Seller such deficit.

4. Energy Entitlement. Buyer is entitled to receive on an hourly basis the Allocated Percentage of the energy generated by each of the Designated Units.

5. Term. The term of this Agreement shall be the operating life of the Designated Units, plus any time required to decommission the Designated Units.

6. Termination. Neither party shall have the right to terminate the unit power purchase and sale required by this Agreement without the express written consent of the other party.

7. Assignment. This Agreement is not assignable by Buyer without the consent of Seller, and Seller must consent to any transfer or assignment to any new or restructured entity resulting from any restructuring or business combination of Buyer, the effect of which would cause a successor to become a party hereto. Any assignment approved by Seller shall be on terms as then agreed.

8. Condition Precedent. This contract shall be conditioned upon Buyer receiving all regulatory approvals required for this Agreement.

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9. Notices. Unless specifically stated otherwise herein, any notice to be given hereunder shall be sent by Registered Mail, postage prepaid, to the party to be notified at the address set forth below, and shall be deemed given when so mailed.

To EGS-TX: Entergy Texas, Inc.
350 Pine Street
Beaumont, TX 77701
ATTN: Chief Executive Officer

To EGS-LA: Entergy Gulf States Louisiana, L.L.C.
4809 Jefferson Hwy
Jefferson, LA 70121
ATTN: Chief Executive Officer

10. Nonwaiver: The failure of either party to insist upon or enforce, in any instance, strict performance by the other of any of the terms of this Agreement or to exercise any rights herein conferred shall not be considered as a waiver or relinquishment to any extent of its rights to assert or rely upon any such terms or rights on any future occasion.

11. Amendments. No waiver, alteration, amendment or modification of any of the provisions of this Agreement shall be binding unless in writing and signed by a duly authorized representation of both parties.

12. Entire Agreement. This Agreement, which is entered into in accordance with the authority of Service Schedule MSS-4 of the System Agreement, constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all previous and collateral agreements of understandings with respect to the subject matter hereof.

13. Severability. It is agreed that if any clause or provision of this Agreement is held by the courts to be illegal or void, the validity of the remaining portions and

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provisions of the Agreement shall not be affected, and the rights and obligations of the parties shall be enforced as if the Agreement did not contain such illegal or void clauses or provisions.

WITNESS OUR SIGNATURES as of January __, 2008.

ENTERGY TEXAS, INC.

BY: 

AGP
for ETC

TITLE: President and CEO

ENTERGY GULF STATES LOUISIANA, L.L.C.

BY: _____

TITLE: _____

- 4 -

provisions of the Agreement shall not be affected, and the rights and obligations of the parties shall be enforced as if the Agreement did not contain such illegal or void clauses or provisions.

WITNESS OUR SIGNATURES as of January __, 2008.

ENTERGY TEXAS, INC.

BY: _____

TITLE: _____

ENTERGY GULF STATES LOUISIANA, L.L.C.

BY: *E. J. [Signature]*

TITLE: *President & CEO*

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ATTACHMENT A

SALE OF CAPACITY AND ENERGY

BY ENTERGY GULF STATES LOUISIANA, L.L.C. TO ENTERGY TEXAS, INC.

This Attachment A is attached to and forms a part of the Agreement dated on January 1, 2008, between Entergy Gulf States Louisiana, L.L.C. ("Seller") and Entergy Texas, Inc. ("Buyer") pursuant to the Service Schedule MSS-4 of the System Agreement.

	SELLER'S CAPACITY*	BUYER'S ALLOCATED CAPACITY*	BUYER'S ALLOCATED PERCENTAGE
DESIGNATED UNITS			
River Bend Station	689	292.83	42.5%
TOTAL	689	292.83	

- * Expressed in megawatts. To the extent Seller's Capacity increases or decreases as determined by the Entergy Operating Committee from time to time, Buyer's Allocated Capacity shall adjust correspondingly based on Buyer's Allocated Percentage of Seller's Capacity.

CNRO 2009-00013
Enclosure 3

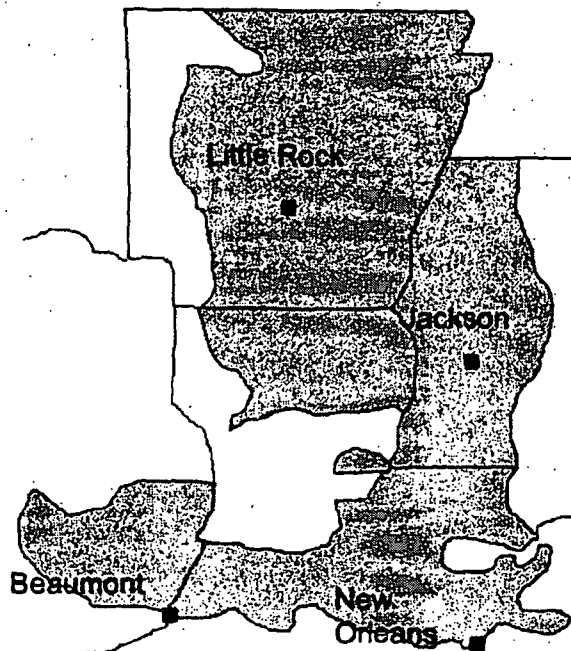
COPY OF SERVICE SCHEDULE MSS-4

ENTERGY

System Agreement

Agreement Among:

Entergy Arkansas, Inc.
Entergy Gulf States, Inc.
Entergy Louisiana, LLC
Entergy Mississippi, Inc.
Entergy New Orleans, Inc.
Entergy Services, Inc.



Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 21, 2006

Issued on: September 22, 2006

Filed to comply with orders of the Federal Energy Regulatory Commission, Docket No. EC05-112-000, issued September 13, 2005, 112 FERC ¶ 62,209 and Docket No. ER06-559-000, issued March 9, 2006 (unpublished letter order).

AGREEMENT

Among

ENTERGY ARKANSAS, INC.
ENTERGY GULF STATES, INC.
ENTERGY LOUISIANA, LLC
ENTERGY MISSISSIPPI, INC.
ENTERGY NEW ORLEANS, INC.
ENTERGY SERVICES, INC.

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 21, 2006

Issued on: September 22, 2006

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SERVICE SCHEDULE MSS-4

UNIT POWER PURCHASE

40.01 Purpose

The purpose of this Service Schedule is to provide the basis for making a unit power purchase between Companies and/or the sale of power purchased by another Company, unless an alternative basis is agreed to by the parties subject to the approval of the Commission and the regulatory agencies of the purchasing and selling Companies under otherwise applicable law and which provides a lower monthly capacity charge than the charge determined pursuant to Section 40.06 or Section 40.09 of this Service Schedule MSS-4.

40.02 Designated Generating Unit

- (a) A Designated Generating Unit shall be any generating unit from which the unit power purchase is made under Section 40.01 that is mutually agreed upon by the purchaser and the seller.
- (b) Any Company that makes a Unit Power Purchase of a portion of capability shall be entitled to receive each hour, the same portion of the total energy generated by the Designated Generating Unit. Such energy shall be purchased at the cost of fuel consumed per kWh in accordance with Section 30.08(a) and will be treated in the same manner as any other energy available to the purchasing Company.

40.03 Capability Payment

For the capability purchased in accordance with Section 40.02, the Company making the sale shall receive, from the Company making the purchase, a monthly payment determined in accordance with the method described in Section 40.06 hereinafter.

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 21, 2006

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The monthly capability payment to be received by a Company shall be determined by multiplying the kW of capability sold from its Designated Generating Unit by a charge per kW-month as defined below.

40.04 Investment in Designated Generating Unit (DGURB)

For the purpose of calculating the Monthly Charge under Section 40.06, the investment in the Designated Generating Unit (based on the Federal Energy Regulatory Commission's Uniform System of Accounts prescribed for the Public Utilities and Licensees) shall be:

DGURB Designated Generating Unit Rate Base

$$\begin{aligned} &= \\ &\text{DGURB DGUPTPLT} + \text{DGUCME} - \text{DGUDR} + \text{DGUFINV} - \text{DGUADIT} + \\ &= [(\text{GPLT} - \text{GDR} + \text{IPLT} - \text{IAA}) * (\text{DGUL} / \text{LXAG})] + [(\text{MS} + \text{PP}) * \\ &\quad (\text{DGUPLT} / \text{PLT})] \end{aligned}$$

- (a) The cost of the Designated Generating Unit included in FERC Plant Accounts 310 through 346; the cost for step-up transformers, circuit breakers, switching equipment, etc. included in FERC Plant Account 353 which are required to connect the Designated Generating Unit to the transmission system (DGUPTPLT),
- (b) Plus Coal Mining Equipment in FERC Plant Account 399 directly associated with the Designated Generating Unit (DGUCME),
- (c) Less the Accumulated Provision for Depreciation (consistent with the accounting relating to Statement of Financial Accounting Standards (SFAS) 143 approved by the retail regulator having jurisdiction over the Designated Generating Unit, unless the FERC determines otherwise) associated with items (a) and (b) above, as recorded in FERC Account

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 21, 2006

Issued on: September 22, 2006

Filed to comply with orders of the Federal Energy Regulatory Commission, Docket No. EC05-112-000, issued September 13, 2005, 112 FERC ¶ 62,209 and Docket No. ER06-559-000, issued March 9, 2006 (unpublished letter order).

- 108, excluding Nuclear Decommissioning Trust Fund Balances, if applicable (DGUDR),
- (d) Plus Fuel Inventory for the Designated Generating Unit, if applicable, in FERC Accounts 151 and 152 (DGUFINV),
 - (e) Less net Accumulated Deferred Income Taxes recorded in FERC Accounts 190, 281, 282 and 283 and Accumulated Deferred Investment Tax Credit – 3% portion only recorded in FERC Account 255 (DGUADIT) directly associated with the Designated Generating Unit if known; otherwise, an allocation of the plant-related balances in FERC Accounts 190, 281, 282 and 283, as reduced by amounts not generally and properly includable for FERC cost of service purposes, including, but not limited to, SFAS 109 ADIT amounts and ADIT amounts arising from retail ratemaking decisions, and Accumulated Deferred Investment Tax Credit – 3% portion only recorded in FERC Account 255 based on the proportion of gross Plant in Service for the Designated Generating Unit (DGUPLT), where DGUPLT is the sum of the investment pursuant to Section 40.04 (a) above plus the calculated General and Intangible plant pursuant to Sections 40.04 (f) and (h) below, to the Company's total gross Plant in Service (PLT), where PLT is the sum of Production, Transmission, Distribution, General and Intangible Plant in Service,
 - (f) Plus an allocation of General Plant recorded in FERC Plant Accounts 389 through 398 (GPLT) based on the proportion of labor for the Designated Generating Unit (DGUL) to the Company's total Labor charged to O&M Expense excluding Administrative and General ("A&G") Labor (LXAG),
 - (g) Less an allocation of Accumulated Provision for Depreciation (consistent with the accounting relating to SFAS 143 approved by the retail regulator having jurisdiction over the Designated Generating Unit, unless the FERC determines otherwise) associated with item (f) above as recorded in FERC

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 21, 2006

Issued on: September 22, 2006

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- Account 108 (GDR) based on the proportion of labor for the Designated Generating Unit (DGUL) to the Company's total Labor charged to O&M Expense excluding A&G Labor (LXAG),
- (h) Plus an allocation of Miscellaneous Intangible Plant recorded in FERC Plant Account 303 (IPLT) based on the proportion of labor for the Designated Generating Unit (DGUL) to the Company's total Labor charged to O&M Expense excluding A&G Labor (LXAG),
 - (i) Less an allocation of Accumulated Provision for Amortization associated with item (h) above recorded in FERC Account 111 (IAA) based on the proportion of labor for the Designated Generating Unit (DGUL) to the Company's total Labor charged to O&M Expense excluding A&G Labor (LXAG),
 - (j) Plus an allocation of Materials & Supplies and Stores Expense Undistributed recorded in FERC Accounts 154 and 163, respectively, (MS) based on the proportion of Plant in Service for the Designated Generating Unit (DGUPLT) to the Company's total Plant in Service (PLT), and
 - (k) Plus an allocation of Prepayments recorded in FERC Account 165 (PP) based on the proportion of Plant in Service for the Designated Generating Unit (DGUPLT) to the Company's total Plant in Service (PLT).

The Investment in the Designated Generating Unit (Designated Generating Unit Rate Base) shall be based on the actual balances on the seller's books as of the end of the month immediately preceding the service month.

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If the Designated Generating Unit is one of a multi-unit station, its costs shall include an allocation of the amounts in the above plant accounts, which are allocable to all the generating units in the station, such allocation to be in the ratio of the capability of the Designated Generating Unit to the total capability of all generating units installed in the station for the service month.

40.05 Expenses associated with Designated Generating Unit (OXF)

For the purpose of calculating the Monthly Charge under Section 40.06, expenses associated with Designated Generating Unit shall be the following:

OXF = Operating Expense

$$\text{OXF} = \text{DGUPOM} + [\text{SEOM} * (\text{DGUSEPLT} / \text{SEPLT})] + \text{DGUIDE} + \text{DGUI} + \text{DGUPT} + \text{DGUAG} + [(\text{GDX} + \text{OT} + \text{INDX}) * (\text{DGUL} / \text{LXAG})] + [\text{FT} * (\text{DGUPLT} / \text{PLT})]$$

- (a) The Designated Generating Unit Production Operation and Maintenance Expense ("O&M") Expense, included in FERC Accounts 500 through 554 excluding fuel in Accounts 501, 518 and 547 (DGUPOM),
- (b) Plus an allocation of O&M associated with Designated Generating Unit step-up transformers and related transmission investment recorded in FERC Accounts 562 and 570 (SEOM) based on the proportion of the Designated Generating Unit Step-up Transformer Plant recorded in Plant Account 353 (DGUSEPLT) to the Company's total Transformer Station Equipment Plant recorded in Plant Account 353 (SEPLT),
- (c) Plus any Depreciation Expense associated with the plant investment in Designated Generating Unit referred to in Section 40.04 items (a) and (b) (as recorded in Account 403) and Decommissioning Expense, as approved

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by Retail Regulators, directly assigned to the Designated Generating Unit, if applicable (DGUIDE) unless the jurisdiction for determining the depreciation and/or decommissioning rate is vested in the FERC under otherwise applicable law,

- (d) Plus Property Insurance Expense recorded in FERC Account 924 directly assigned to the Designated Generating Unit (DGUI),
- (e) Plus Ad Valorem Taxes recorded in FERC Account 408 directly assigned to the Designated Generating Unit (DGUPT),
- (f) Plus A&G Expense (DGUAG) directly associated with a nuclear-fueled Designated Generating Unit recorded in FERC Accounts 920 through 935, excluding property insurance in Account 924; otherwise, an allocation of A&G Expense recorded in FERC Accounts 920 through 935 excluding property insurance in Account 924 based on the proportion of labor for the Designated Generating Unit (DGUL) to the Company's total labor charged to O&M Expense excluding EOI and A&G labor,
- (g) Plus an allocation of General Plant Depreciation Expense recorded in FERC Account 403 (GDX) based on the proportion of labor for the Designated Generating Unit (DGUL) to the Company's total Labor charged to O&M Expense excluding A&G Labor (LXAG),
- (h) Plus an allocation of Payroll Taxes recorded in FERC Account 408 (OT) based on the proportion of labor for the Designated Generating Unit (DGUL) to the Company's total Labor charged to O&M Expense excluding A&G Labor (LXAG),
- (i) Plus an allocation of Miscellaneous Intangible Plant Amortization Expense recorded in FERC Account 404 (INDX) based on the proportion of labor for the Designated Generating Unit (DGUL) to the Company's total Labor charged to O&M Expense excluding A&G Labor (LXAG), and

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- (j) Plus an allocation of Corporate Franchise Taxes recorded in FERC Account 408 (FT) based on the proportion of Plant in Service for the Designated Generating Unit (DGUPLT) to the Company's total Plant in Service (PLT).

The expenses shall be based on transactions recorded on the seller's books for the service month.

If the Designated Generating Unit is one of a multi-unit station, expenses relating to the common plant shall be allocated to the Designated Generating Units in the station based on the ratio of the capability of the Designated Generating Unit to the total capability of all generating units installed in the station for the service month.

40.06 Determination of Monthly Capacity Charge

For the purpose of calculating the Monthly Capacity Charge (MC) per kW for billings under Capability Payment for each unit, the following formula shall be followed:

MONTHLY CAPACITY CHARGE

MC = Monthly Capacity Charge (\$/kW-Month)

MC = $[DGURB * ((CM + F)/12) + OXP - ITC/(1-T)] / CP$

Where:

DGURB = Designated Generating Unit Rate Base per Section 40.04

CM = The weighted average cost of capital consistent with the procedures used by each Operating Company to calculate its AFUDC rate, determined as follows:

$CM = (DR * i) + (PR * p) + (ER * c)$, where

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DR = Ratio of Debt Capital and Preferred Stock with tax deductible dividends (QUIPS) at the last day of the month immediately preceding the current service month
PR = Ratio of Preferred Stock without tax deductible dividends at the last day of the month immediately preceding the current service month
ER = Ratio of Common Stock at the last day of the month immediately preceding the current service month
i = Average embedded cost of debt capital outstanding at the last day of the month immediately preceding the current service month
p = Average embedded cost of preferred stock outstanding at the last day of the month immediately preceding the current service month
c = Return on common equity at 11.0%
F = Federal and State Income Tax as determined from the following:
$$F = T / (1 - T) * (CM - DR * i)$$

Where:

$T = f + s - fs$ when federal tax is not deductible in computing state tax, and
 $T = (f + s - 2fs) / (1 - fs)$ when federal tax is deductible in computing state tax, and
f = Federal Income Tax Rate
s = State Income Tax Rate

OXP = Operating Expense per Section 40.05

ITC = ITC Amortization recorded in FERC Account 411 directly associated with the Designated Generating Unit if known; otherwise, an allocation of ITC Amortization recorded in FERC Account 411 based on a gross plant-related balance ratio

CP = Capability for the Designated Generating Unit as defined in Section 2.14 of the Entergy System Agreement for the service month

General Notes:

- (a) Labor ratios shall be determined based on the sum of the payroll expenses for the owner of the DGU, including those payroll expenses billed to it by EOI and ESI, for the service month.
- (b) Plant ratios shall be determined based on plant in service balances as of the end of the month immediately preceding the service month.

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40.07 Adjustment for Tax Changes

The Capability Payment as determined above shall be adjusted to reflect the imposition of any applicable new taxes not included in the above formula or for any increase or decrease in taxes included as of the date of this Agreement.

40.08 Billings Procedure

Bills for services rendered under Section 40.06 shall be issued within 45 days following the end of the service month and shall be payable within 10 days of receipt. Five days after such bill is due, interest shall accrue on any balance due at the rate as determined in Section 35.19a(2)iii of the FERC Regulations. The billing provisions under Section 4.14 of the Entergy System Agreement shall not apply to billings under Section 40.06 of this Service Schedule MSS-4.

40.09 Designated Power Purchase

- (a) A Designated Power Purchase shall be any portion of a power purchase contract the sale and purchase of which is made pursuant to Section 40.01 hereof, which is mutually agreed upon by the purchaser and the seller. Any resale of a power purchase from the Grand Gulf nuclear unit pursuant to Section 40.09 shall be subject to the approval of the Commission and the regulatory agency of the purchasing company.
- (b) Any Company that makes a Designated Power Purchase of a portion of the capability of the power purchase contract from which the sale and purchase is made shall be entitled to receive each hour, the same portion of the total energy purchased pursuant to the Designated Power Purchase subject to review by the FERC.

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- (c) Sales to one Company of power purchased by another Company shall be priced at the delivered cost of said purchase incurred by the selling Company as recorded in FERC Accounts 555 and 565, excluding all timing effects on such costs due to retail ratemaking decisions on a monthly basis, and shall be billed pursuant to Section 4.14 of the Entergy System Agreement subject to review by the FERC.

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This Service Schedule MSS-4 shall be attached to and become a part of the Agreement dated the 23rd day of April, 1982 and shall be effective with said Agreement or at such later date as may be fixed by any requisite regulatory approval or acceptance for filing.

Attest

ARKANSAS POWER & LIGHT COMPANY

Original signed by
R. J. Estrada
Assistant Secretary

Original signed by
Jerry Maulden
President

Attest

LOUISIANA POWER & LIGHT COMPANY

Original signed by
W. H. Talbot
Secretary

Original signed by
J. M. Wyatt
President

Attest

MISSISSIPPI POWER & LIGHT COMPANY

Original signed by
R. J. Estrada
Assistant Secretary

Original signed by
D. C. Lutken
President

Attest

NEW ORLEANS PUBLIC SERVICE INC.

Original signed by
William C. Nelson
Secretary

Original signed by
James M. Cain
President

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Associate General Counsel

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