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Arkansas Public Service Commission Approves Settlement Agreement in SWEPCO Rate Case.

Settlement excludes Costs Associated with John W. Turk, Jr. Coal-Fired Plant in Southwest Arkansas.

Little Rock - The Arkansas Public Service Commission (Commission) has approved a Settlement Agreement in Southwestern Electric Power Company (SWEPCO) rate case. The new rates will be effective for all customer bills rendered on or after November 25, 2009.

On February 19, 2009, SWEPCO filed with the Commission an application, as later revised on March 2 and 3, 2009, seeking an increase in its non-fuel revenue rates in the amount of \$25,259,453 representing an increase of approximately 17.7%. SWEPCO's last approved rate increase was in 1985. Subsequent to the 1985 rate increase, SWEPCO rates were reduced by the Commission in 1987 and again in 1999.

Since 1999 SWEPCO has made significant investment in its electric generation, transmission, distribution and customer service facilities, and has experienced substantial increases in load growth and in its operations and maintenance costs. In its original filing, SWEPCO also sought approval of a Generation Recovery Rider (Rider GR) to concurrently recover the construction financing related to its J. Lamar Stall (Stall plant) and John W. Turk, Jr. (Turk plant) generation plants which are currently under construction.

After months of discovery and litigation parties to SWEPCO's rate case (Docket No. 09-008-U) reached a Settlement Agreement which was filed for consideration by the Commission. The parties to SWEPCO's rate case – in addition to SWEPCO – are the General Staff (Staff) of the Commission, the Attorney General of Arkansas (AG), Wal-Mart and Sam's West, the Arkansas Electric Energy Consumers (AEEC), the Sierra Club, the National Audubon Society and Audubon Arkansas (collectively Sierra and Audubon).

The Settlement Agreement was filed on September 17, 2009, by SWEPCO, the Staff and the AG, called for an increase in non-fuel base rates of only \$17,802,740, or \$7,456,713 less than the increase sought by SWEPCO. The Settlement Agreement also called for

approval of Rider GR for the Stall plant but not for the Turk plant.¹ Wal-Mart, Sam's West, Sierra and Audubon officially stated that they did not oppose the Settlement Agreement. AEEC took no position on the Settlement Agreement.

The Commission conducted public hearings on SWEPCO's requested rate increase and the proposed Settlement Agreement on October 13, 2009 in Fayetteville, Arkansas; on October 15 in Hope, Arkansas; and on November 2, 2009 in Little Rock, Arkansas.

In approving the Settlement Agreement the Commission found that the agreement "is supported by substantial evidence of record and is just and reasonable and in the public interest." The Commission also approved new rates in compliance with Order No. 12 to be effective for all customer bills rendered on or after November 25, 2009. Under the new rates an average residential SWEPCO customer will experience an average monthly bill increase of approximately \$3.84 or an increase of approximately 5.17% over previous rates. Similarly, an average SWEPCO residential customer who uses electricity for home heat will experience an average monthly bill increase of approximately \$4.92 or an increase of approximately 7.08% over previous rates.

SWEPCO serves about 473,500 customers in Louisiana, Arkansas, East Texas and the Panhandle area of North Texas. Approximately 113,000 of SWEPCO's customers are located in the western Arkansas. SWEPCO is headquartered in Shreveport, Louisiana.

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¹ The Arkansas Court of Appeals reversed the Commission's grant of a Certificate of Compatibility and Public Need ("CECPN") for the Turk Plant on June 24, 2009. Subsequently, SWEPCO withdrew its request for the Turk plant to be covered under its Rider GR, noting that it withdrew its request "until the Arkansas Supreme Court has the opportunity to consider and rule upon SWEPCO's pending petition for review." The Arkansas Supreme Court has granted the requests of SWEPCO and the Commission for review of the Court of Appeal's decision in Arkansas Supreme Court Docket SC 09-718.