

ARKANSAS PUBLIC SERVICE COMMISSION

JUN 10 1 08 PM '96

FILED

IN THE MATTER OF THE AGREEMENT )  
FOR ELECTRIC SERVICE BETWEEN )  
ARKANSAS POWER & LIGHT COMPANY )  
AND POTLATCH CORPORATION )

DOCKET NO. 96-052-P  
ORDER NO. 4

O R D E R

Entergy Arkansas, Inc. ("Entergy"), then Arkansas Power & Light Company, filed an Application and supporting testimony on February 16, 1996, requesting approval of an Electric Service Agreement ("Agreement") between Entergy and Potlatch Corporation ("Potlatch"). Filing testimony on behalf of Entergy and Potlatch was Dale M. Crawford, Robert W. Edmonds, George Y. Vogt, and Harry D. Seamans.

The General Staff of the Commission ("Staff") filed the testimony of Patti J. Kelly on April 30, 1996. Ms. Kelly testified that the proposed Agreement is in the best interest of Entergy ratepayers and, therefore, should be approved.

A Joint Motion of Staff and Entergy to waive a hearing was filed on May 10, 1996. Staff and Entergy also requested that the Commission enter a final ruling based upon the pre-filed testimony. On May 13, 1996, Order No. 3 granted the Joint Motion. As requested by Entergy and Staff, Entergy's Application will be considered based upon the pre-filed testimony without the necessity of a hearing. No other parties have intervened in this Docket.

The five-year Agreement is designed to retain Potlatch's electric load currently being served by Entergy in lieu of

Potlatch's plan to go forward with an upgrade of its existing turbine generator operating at its "Cypress Bend" facility. The turbine upgrade would increase the cogeneration system's output to 24 MW thereby reducing the amount of electricity purchased from Entergy to slightly less than 5MW, significantly decreasing Potlatch's total expenditure for electricity. Electricity provided Potlatch under this Agreement will be charged to Potlatch at special negotiated rates.

The pre-filed testimony reflects that Potlatch has a viable economic incentive to upgrade its existing turbine cogeneration facility as compared to paying Entergy's standard rates for its existing electric load. The pre-filed testimony also reflects that Potlatch has significant experience with the installation and operation of cogeneration facilities and that Potlatch's turbine upgrade alternative is viable from a technical viewpoint. Further, Mr. Seamans, a Vice President of Potlatch, testified specifically that Potlatch would proceed with its plans to upgrade its turbine cogeneration facility if the proposed Agreement is not approved.

If Potlatch upgrades its turbine cogeneration facility, Entergy will lose a portion of the revenues currently paid by Potlatch. Revenues received from Potlatch include a contribution to Entergy's exact recovery riders, to average fuel costs and other variable costs, and to fixed costs. Although a significant portion of these contributions would be lost if Potlatch upgraded its turbine generator, there would be no significant reduction in

Entergy's fixed costs. In a general rate proceeding, the unavoidable fixed costs in the test year would be costs subject to allocation to all other Arkansas retail customers.

The proposed Agreement will require Potlatch to continue full contribution to the ANO Decommissioning Cost Rider M26, the Grand Gulf Riders M33 and M33-A, and the Excess Capacity Deferral Cost Recovery Rider M39 (collectively the "Exact Recovery Riders"). Entergy will record the Exact Recovery Riders revenue and fuel cost contributions as if Potlatch had paid standard rates.

Accordingly, based upon the pre-filed testimony identified hereinabove, the Commission finds that the proposed Agreement is in the public interest and should be approved.

It is, therefore, ordered that:

- 1. The Agreement for Electric Service between Entergy and Potlatch, filed in this docket on February 16, 1996, is hereby approved.

BY ORDER OF THE COMMISSION.

This 10<sup>th</sup> day of June, 1996.

*Sam I. Bratton, Jr.*  
Sam I. Bratton, Jr., Chairman  
*Patricia S. Qualls*  
Patricia S. Qualls, Commissioner

Julius D. I hereby certify that the foregoing was read and approved by the Arkansas Public Service Commission has been served on all parties of record this date by U. S. mail with postage prepaid, using the address of each party as indicated in the official docket file. Commissioner

*Glenna Hooks (acting)*  
Jan Sanders  
Secretary of the Commission

*Jan Sanders*  
Jan Sanders  
Secretary of the Commission  
Date 6/10/96