

Entergy Arkansas, Inc.

A Critical Turning Point

Spring 2010

Entergy Arkansas is at a Critical Juncture in its History to Provide Long Term Benefits to Arkansas Customers

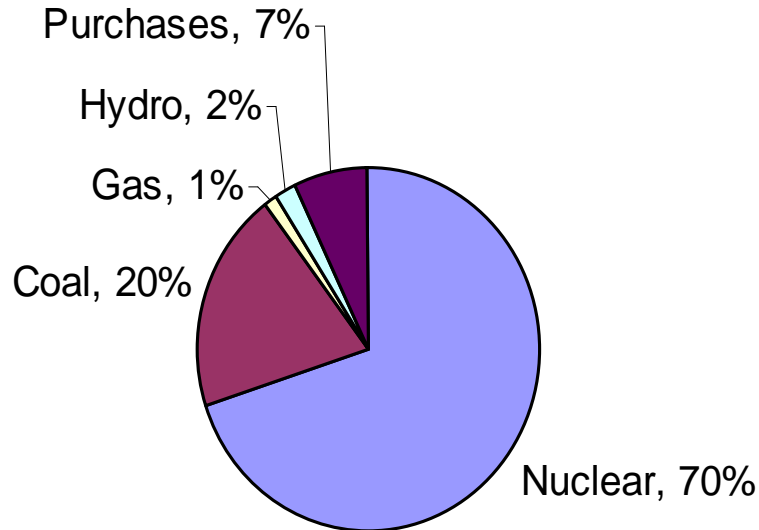
- Low cost, clean and stable priced energy sources.
- Terminating participation in the Entergy System Agreement to eliminate out-of-state subsidy payments by Arkansas customers.
- Continuing as an active partner in economic and community development to create jobs and investment in Arkansas.

...the future has great potential, however it is dependent on constructive state regulatory environment and Entergy Arkansas' ability to earn its cost of capital

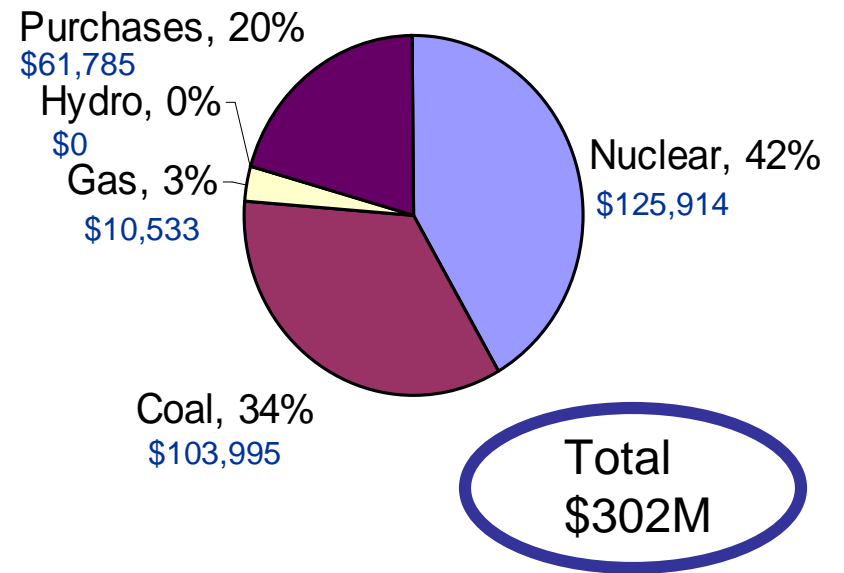
Generation

Entergy Arkansas' Low-Cost, Clean and Stable Generation Portfolio

**Entergy Arkansas
Supply by Fuel Type**



**Entergy Arkansas
Fuel Cost by Fuel Type (\$000)**

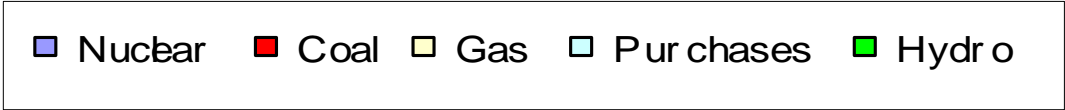
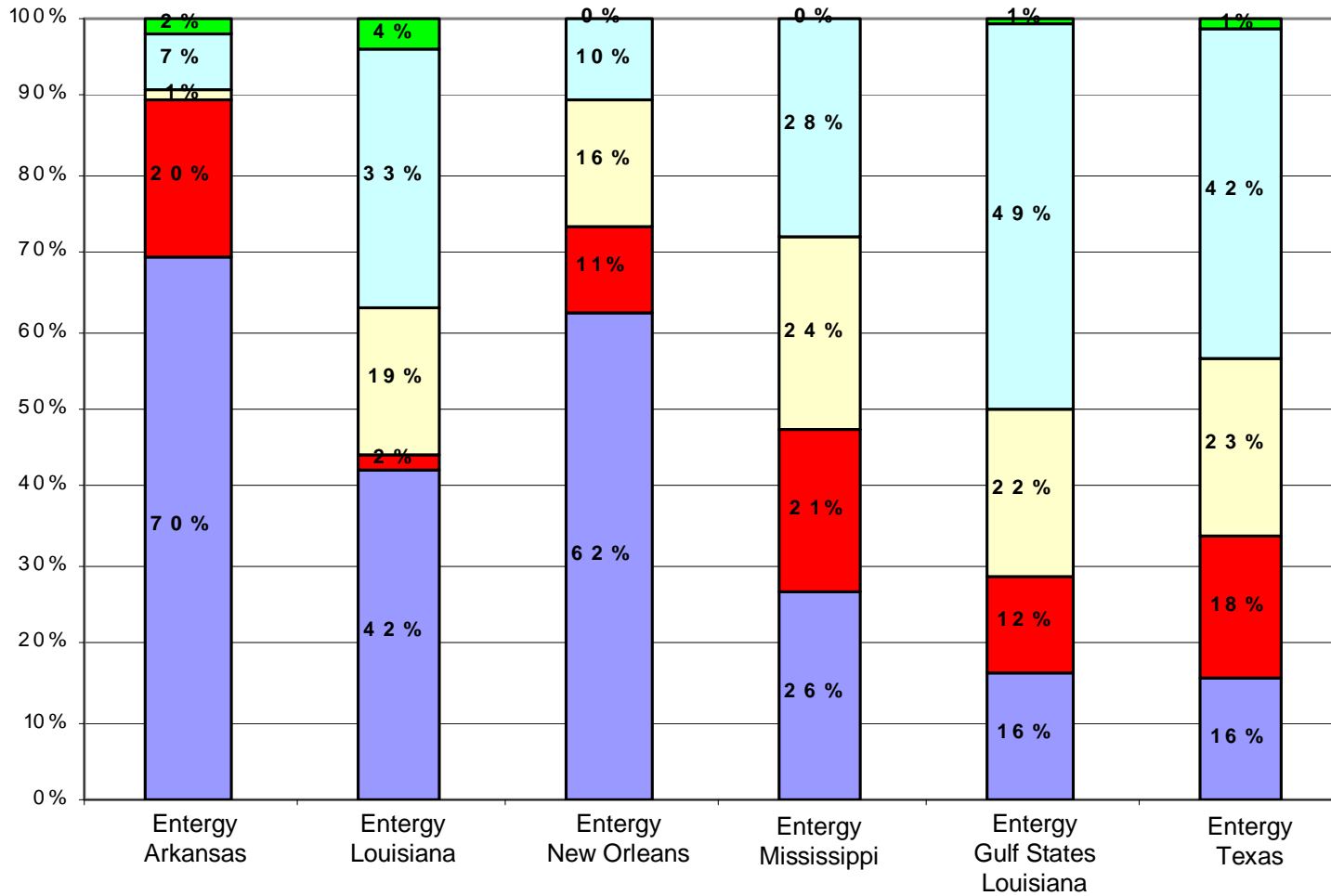


2009 Actuals

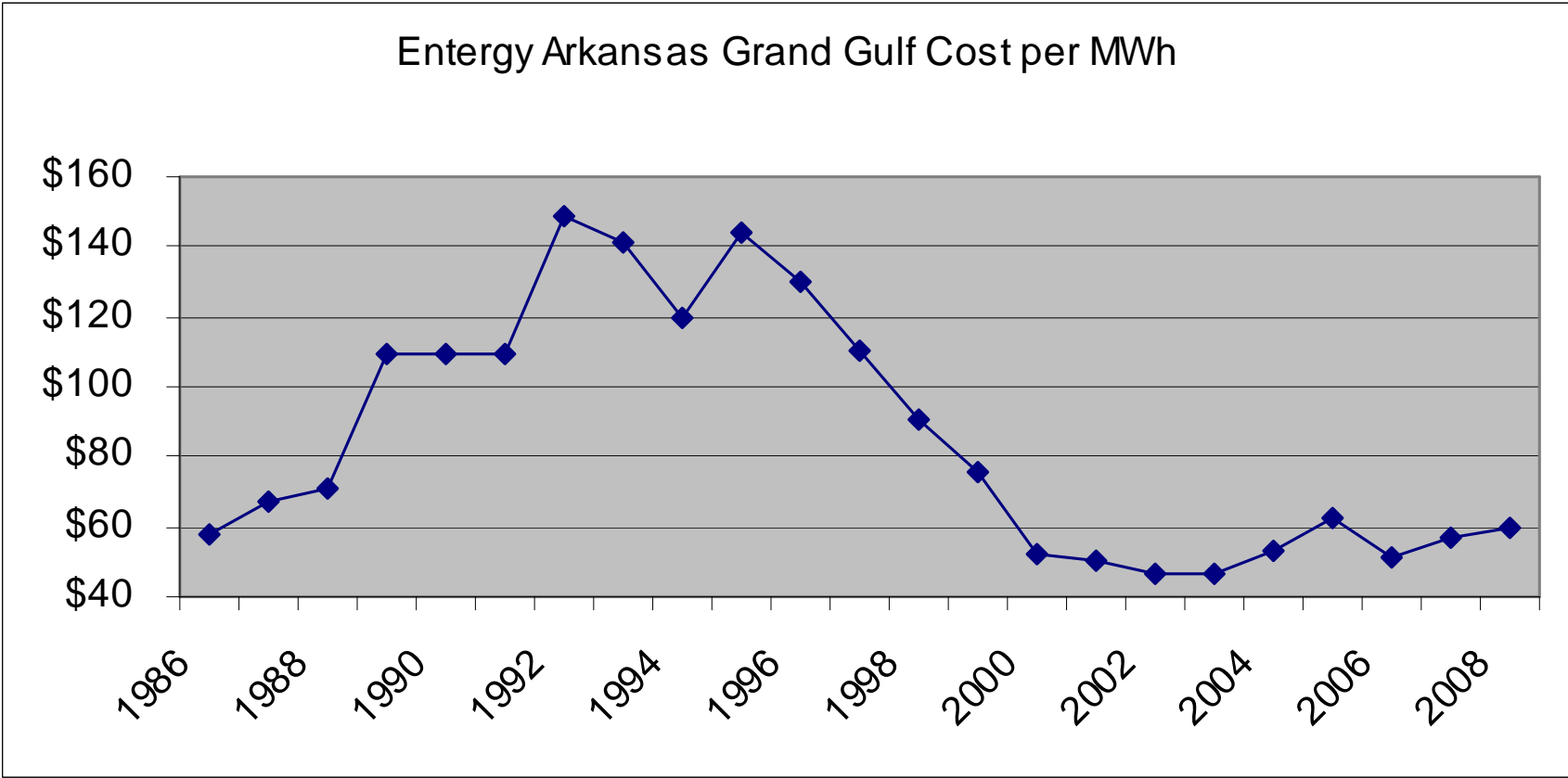
Large nuclear sources cause average energy cost for EAI from 1999 - 2010 ranges between \$12 - \$15/Mwhr.

Generation Fuel Mix Compared to Others

Supply by Fuel Type -- 2009



Arkansas' 36% Share of Grand Gulf Now Benefiting Arkansas Customers



System Agreement

Entergy's System Agreement

Entergy's Pooling Agreement

- In place since 1951.
- Terms and provisions for planning, building, operating and allocating certain costs for Entergy's bulk power transmission and generating systems.
- Real-time economic dispatch of owned and purchased generation.
- Exclusive jurisdiction of the Federal Energy Regulatory Commission (FERC)

Pooling Agreements

- Agreements between multiple power producers to share resources.
- Allows utilities to own less generation capacity to achieve same reliability
- Lowers reserve capacity
- Economies of scale, diversity of demand
- Common in the industry

The Agreement has Been the Subject of Significant Controversy

The FERC has interpreted the System Agreement in a way that was not intended.

Grand Gulf

- FERC ordered Grand Gulf in 1985 to “roughly equalize” production costs. Entergy Arkansas was allocated 36%.
- Grand Gulf now an economical, stable priced and reliable source of clean energy that will benefit Entergy Arkansas customers for decades.

Louisiana Public Service Commission (LPSC) Case

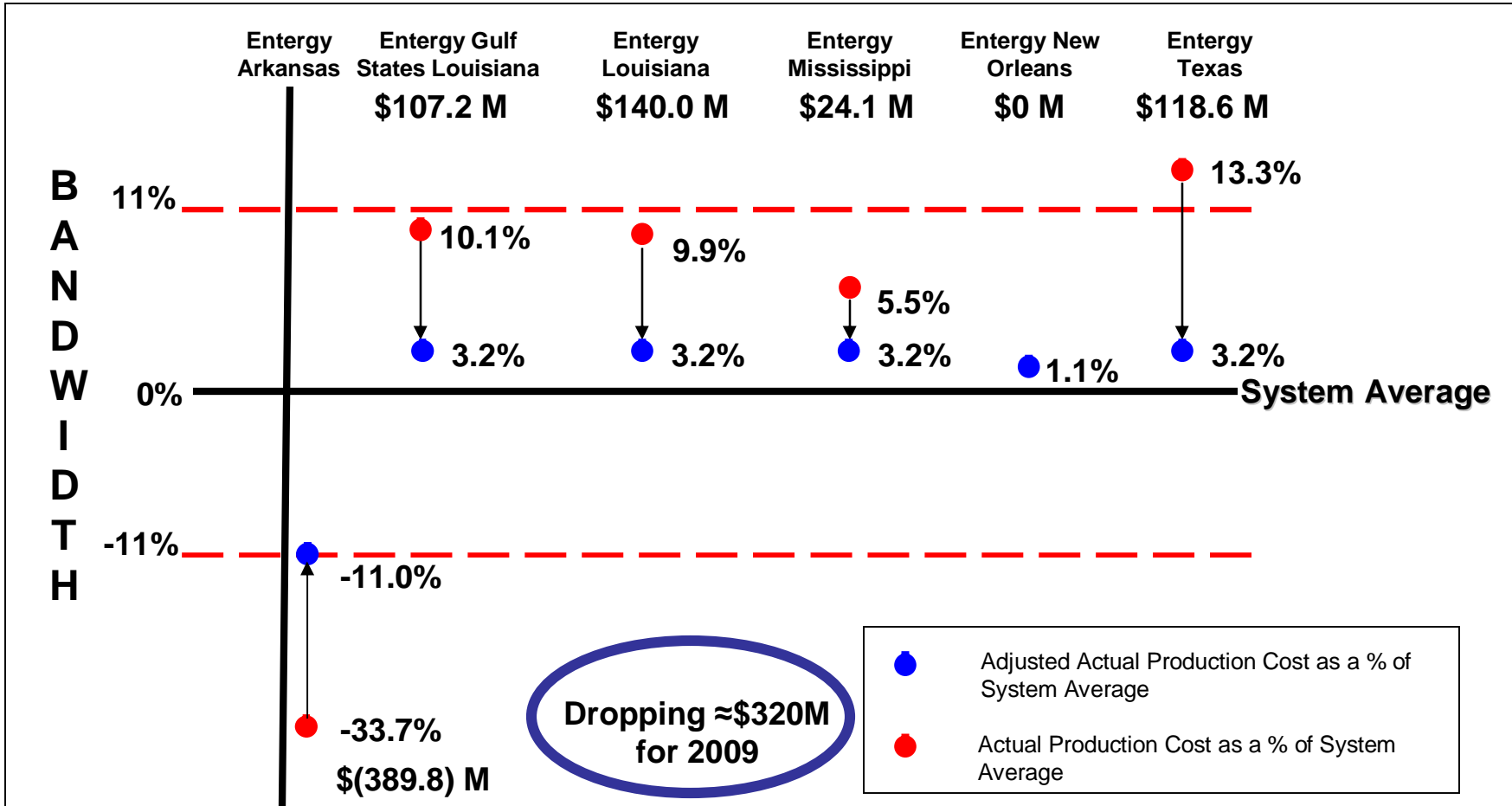
- In 2005, the FERC ruled that all Entergy operating companies’ production costs be “roughly equal” where each operating company's production costs were within 11% of system average costs in any year.

Entergy Arkansas to Terminate its Participation in the Agreement

- Entergy Arkansas exercised its right to terminate its participation in the System Agreement.
- Termination requires eight years notice period.
- Entergy Arkansas ' participation ends December 18, 2013.
- FERC ruled November 2009 that there are no continuing obligations required by any exiting company; i.e. subsidy payments end after termination. LPSC is appealing this decision.

The 2005 FERC Order “Roughly Equalizes” Production Costs Among the Entergy Operating Companies’ Customers

FERC subsidy payments/receipts for the year ended December 31, 2008



Entergy Arkansas payments are very sensitive to natural gas prices. \$1 increase in gas prices = \$70-80 million increase in FERC-ordered payments.

Entergy Arkansas Developing Transition Plans for Post-System Agreement Operations

- Goal is to determine best long-term solution for Arkansas customers.
- Alternatives under evaluation include:
 - Stand-alone utility.
 - Third-party arrangements, i.e. Southwest Power Pool or others.
 - Successor Arrangement with the other Entergy operating companies.
- Successor Arrangement removed from consideration if APSC finds its not in the public interest
- No decision made on the preferred alternative.
- Entergy Arkansas will remain a wholly owned subsidiary of Entergy Corporation under all options.

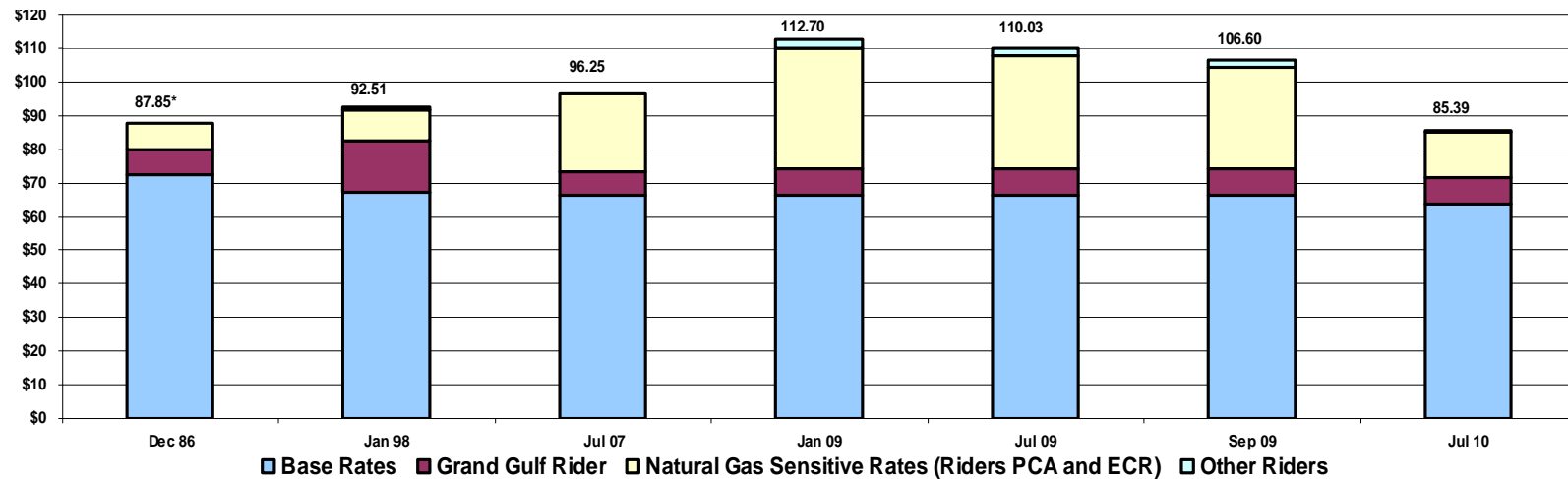
Financials and Rates

Entergy Arkansas Financials Have Underperformed Since 2007

	2009	2008	2007
Net income applicable to common stock (\$000)	\$60	\$40	\$132
Roe % (YE equity)	4.3%	2.9%	9.6%
Common equity as percentage of total operating company equity	20%	20%	20%
Earnings as percentage of total operating company earnings	9%	7%	18%
Common equity as percentage of Entergy Corp. earnings	16.4%	17.6%	17.6%
Earnings as percentage of Entergy Corp. earnings	4.9%	3.4%	11.9%

Fuel Costs and FERC Subsidy Payment Reductions Offset Base Rate Increase This Summer – 15% Total Reduction

Total bill for customer using 1,000 kWh excluding taxes



*For comparative purposes, Dec 86 rates reflect all fuel as part of Rider ECR

July 2010 rates approximate to 1998 rates