

145 FERC ¶ 61,093  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;  
Philip D. Moeller, John R. Norris,  
Cheryl A. LaFleur, and Tony Clark.

Entergy Arkansas, Inc.	Docket Nos. ES13-44-000
Entergy Gulf States Louisiana, L.L.C.	ES13-45-000
Entergy Louisiana, LLC	ES13-46-000
Entergy Mississippi, Inc.	ES13-47-000
Entergy New Orleans, Inc.	ES13-48-000
Entergy Texas, Inc.	ES13-49-000
System Energy Resources, Inc.	ES13-50-000

ORDER AUTHORIZING ISSUANCE OF SECURITIES

(Issued October 31, 2013)

1. On July 31, 2013, Entergy Services, Inc. (Entergy Services), on behalf of its public utility affiliates Entergy Arkansas, Inc. (Entergy Arkansas), Entergy Gulf States Louisiana, L.L.C. (Entergy Gulf States Louisiana), Entergy Louisiana, LLC (Entergy Louisiana), Entergy Mississippi, Inc. (Entergy Mississippi), Entergy New Orleans, Inc. (Entergy New Orleans), Entergy Texas, Inc. (Entergy Texas), and System Energy Resources, Inc. (System Energy) (each an Applicant, and collectively, Applicants), and Applicants' successors,<sup>1</sup> filed an application pursuant to section 204 of the Federal Power Act (FPA)<sup>2</sup> requesting Commission authorizations for Applicants to issue and sell securities and assume short-term and long-term obligations and liabilities (Application).<sup>3</sup> We will grant the authorizations, as discussed below.

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<sup>1</sup> As explained below, several of the Applicants plan to undergo a change in their form of organization in late 2013 due to an expected internal reorganization.

<sup>2</sup> 16 U.S.C. § 824c (2012).

<sup>3</sup> Joint Application for Authorizations under Federal Power Act § 204, Docket Nos. ES13-44-000, ES13-45-000, ES13-46-000, ES13-47-000, ES13-48-000, ES13-49-000, and ES13-50-000 (July 31, 2013). On October 3, 2013, Applicants filed additional information in support of the Application. Supplemental Filing, Docket Nos. ES13-44-

(continued...)

**I. The Application****A. Background**

2. Applicants state that each Applicant is a public utility and a direct or indirect wholly-owned subsidiary of Entergy Corporation (Entergy). Other than System Energy, Applicants provide retail and wholesale electric service to customers in portions of Arkansas, Louisiana, Mississippi, and Texas, and retail natural gas service to customers in portions of Louisiana. System Energy owns and leases an aggregate 90 percent undivided interest in Unit No. 1 of the Grand Gulf Steam Electric Generating Station (Grand Gulf), and sells all of the capacity and energy associated with that interest to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans.<sup>4</sup>

3. Applicants state that they are currently authorized, under Commission orders in several different dockets, to: issue and sell preferred stock and membership interests (Preferred Securities); assume long-term obligations and liabilities (Long-Term Debt); issue notes and other securities, including common stock or membership interests, in connection with capital contributions and non-interest bearing open account advances; issue short-term debt securities having a maturity of not more than one year in the form of promissory notes, commercial paper, or other forms of short-term debt securities (Short-Term Debt); and consent to borrowings by special purpose entities in connection with nuclear fuel leases.<sup>5</sup> Applicants also note that, other than System Energy, they are currently authorized to provide credit support for a brief time in the form of guarantees of borrowings by newly-formed subsidiaries as part of a transaction with ITC Holdings

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000, ES13-45-000, ES13-46-000, ES13-47-000, ES13-48-000, ES13-49-000, ES13-50-000 (Oct. 3, 2013) (Supplemental Filing).

<sup>4</sup> Application at 4.

<sup>5</sup> *Id.* at 3, nn.9-12.

Corp. (ITC).<sup>6</sup> Applicants state that the current authorization period for each Applicant will expire on October 31, 2013.<sup>7</sup>

## **B. Applicants' Requests**

4. Applicants request FPA section 204 authority for the purposes described in further detail below (see Section I.C, *infra*), for a specified period to be established by the Commission (Authorization Period). In the Application, Applicants observe that the significantly changed circumstances caused by the ITC Transaction “give rise to uncertainty” in Applicants’ modeling of the *pro forma* effects of the securities issuances and assumptions of liabilities proposed in the Application.<sup>8</sup> As a result of the uncertainty surrounding the ITC Transaction, Applicants propose two different Authorization Periods, depending on whether the ITC Transaction is consummated during the Authorization Period. In the Supplemental Filing, however, Applicants provide updated information on the status of the ITC Transaction, and state that they expect “that the ITC Transaction will not be consummated prior to the end of 2013.”<sup>9</sup> To address “the

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<sup>6</sup> *Id.* at 8-9. Applicants expect to undertake a transaction authorized by the Commission in which subsidiaries of ITC will assume ownership of the transmission facilities and transmission businesses owned by Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas (each referred to as an Entergy Operating Company, and collectively as the Entergy Operating Companies) (the ITC Transaction). *Id.* at 1-2, n.3. The Commission approved the ITC Transaction in *ITC Holdings Corp.*, 143 FERC ¶ 61,256 (2013) (ITC Transaction Order). Applicants also note that the Entergy Operating Companies anticipate joining Midcontinent Independent System Operator, Inc. (MISO) in December 2013 and integrating their operations with those of MISO. *Id.* at 4.

<sup>7</sup> *Id.* at 2. According to Applicants, the Commission’s authorization of the temporary guarantees of borrowings also expires on October 31, 2013. Applicants state that the relevant companies will submit a separate application for renewal of the temporary authorizations in anticipation that the ITC Transaction will occur after that date. *Id.* at 9.

<sup>8</sup> Specifically, Applicants note that the ITC Transaction will have an effect on the level of Long-Term Debt that Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, and Entergy Texas will be able to issue and service during the Authorization Period and identify the different levels of Long-Term Debt for which authorization is requested, depending on the outcome of the ITC Transaction. *Id.* at 2-4.

<sup>9</sup> Supplemental Filing at 5.

complications” stemming from the ITC Transaction, Applicants request that the Commission grant the authorizations requested in the Application as if the ITC Transaction will not be consummated during the Authorization Period. Applicants request that the Commission grant the requested authorizations for a two-year period commencing November 1, 2013 and expiring October 31, 2015.

5. Applicants also explain that as part of the ITC Transaction, their upstream ownership will be reorganized, and that Applicants currently organized as corporations will undergo a change in their form of corporate organization and become limited liability companies.<sup>10</sup> According to Applicants, the effect of the reorganization will not change their business and will not change their ability to satisfy their public utility obligations. Applicants conclude that because they will continue in existence without change, except as reorganized in the non-material internal restructuring, the authorizations granted to Applicants for the Authorization Period established in this order should “follow and remain in effect with Applicants after they are reorganized and named.”<sup>11</sup> Applicants request that the Commission confirm that the authorization granted to them will remain effective following the non-material internal restructuring.

### **C. Description of Securities to be Issued**

6. Applicants request authority under FPA section 204 to issue and sell securities and assume short-term and long-term obligations and liabilities during the Authorization Period in the forms listed below.

7. Pursuant to the Commission’s regulations, Applicants state that, under their respective Amended and Restated Articles of Incorporation, Entergy Arkansas and Entergy Mississippi are subject to certain limitations on their issuance of unsecured debt securities. The Application identifies the restrictions that are contained in each company’s Amended and Restated Articles of Incorporation, and Applicants state that they have taken steps to maintain compliance with the unsecured debt security issuance limitations, consistent with their respective Amended and Restated Articles of Incorporation.

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<sup>10</sup> Applicants refer to this reorganization as a “non-material internal restructuring.” Application at 5, n.7. This reorganization will affect Entergy Arkansas, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy.

<sup>11</sup> *Id.* at 5.

## 1. Preferred Securities

8. Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi and Entergy Texas each requests authorization to issue Preferred Securities in the form of shares of preferred stock, units of preferred membership interests, or units of preference membership interests as appropriate to the organizational structure of the respective Applicant, during the Authorization Period.<sup>12</sup> Applicants request authority for the aforementioned companies to issue Preferred Securities during the Authorization Period in an aggregate amount not to exceed the following:

Entergy Gulf States Louisiana	\$100 Million
Entergy Louisiana	\$100 Million
Entergy Mississippi	\$70 Million
Entergy Texas	\$100 Million

9. Applicants state that the Preferred Securities to be issued and sold by them will be issued from time to time during the Authorization Period in one or more series,<sup>13</sup> and that the interest or distribution rate or rates of the Preferred Securities to be issued and sold by Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, and Entergy Texas or on their behalf may be fixed or floating.<sup>14</sup>

10. Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, and Entergy Texas propose that Preferred Securities issued by them will have distribution rates as follows: (i) for Preferred Securities entitled to distributions at a fixed rate, not to exceed 10 percent per annum, and (ii) for Preferred Securities entitled to distributions at a variable rate, not to exceed 400 basis points above any of the following rates for loans, (x) the 1-month, 2-month, 3-month, 6-month, or 12-month London Interbank Offering Rate (LIBOR), or (y) the prime rate or the Federal Funds Rate, as identified in The Wall Street Journal, provided that if such Preferred Securities are entitled to distributions

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<sup>12</sup> Applicants note that Entergy Arkansas, Entergy New Orleans, and System Energy do not request, in the Application, authorization to issue Preferred Securities during the Authorization Period. The issuance of equity securities by Entergy Arkansas is regulated by the Arkansas Public Service Commission (Arkansas Commission); the issuance of equity securities by Entergy New Orleans is regulated by the City Council of New Orleans (Council of New Orleans). System Energy does not seek to issue Preferred Securities during the Authorization Period. *Id.* at 9-10.

<sup>13</sup> *Id.* at 22.

<sup>14</sup> *Id.* at 20.

derived from a prime rate or Federal Funds Rate other than the average prime rate or Federal Funds Rate identified in The Wall Street Journal for an Applicant, such Applicant will make available upon request to its treasurer a copy of the note or instrument that identifies such distribution rate.<sup>15</sup>

## 2. Long-Term Debt

11. Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy Texas, and System Energy each requests authorization to issue Long-Term Debt that may take the form of one or more series of mortgage bonds, notes, debentures, intercompany credit agreements, arrangements to make payments sufficient to pay governmental bonds issued on behalf of the Applicant, and other forms of long-term debt instruments.<sup>16</sup>

12. Applicants explain that revolving credit arrangements with terms in excess of one year are included within the definition of Long-Term Debt for purposes of the Application. Applicants state that even though amounts may be borrowed and repaid through the term of the arrangement, which is typically three to five years from the date the arrangement is entered into, the borrowings are treated as Long-Term Debt since each borrowing does not mature to come due and payable until the expiration of the term of the arrangement. Applicants propose to treat the full amount of the debt that may be borrowed under such an arrangement as having been issued when such an agreement is entered, so as to enable each Applicant and its lenders under such arrangements to determine that borrowings under such arrangements will have been duly authorized when made. Applicants therefore request that the Commission authorize treating the full amount of the debt that is borrowed under such an arrangement as having been issued when such arrangement is entered into, and to incur such borrowings under such revolving credit arrangements after the end of the Authorization Period so long as the Applicant would have been authorized to borrow the full amount of such debt when the arrangement was entered into.

13. Applicants request authority for the aforementioned companies to issue Long-Term Debt in any combination of the instruments identified, such that the aggregate principal amount of Long-Term Debt (including current maturities thereof) of the

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<sup>15</sup> *Id.* at 20-21.

<sup>16</sup> Applicants note that Entergy Arkansas and Entergy New Orleans do not, in this Application, request authorization to issue Long-Term Debt during the Authorization Period. The issuance of Long-Term Debt by Entergy Arkansas is regulated by the Arkansas Commission; the issuance of Long-Term Debt by Entergy New Orleans is regulated by the Council of New Orleans. *Id.* at 11.

respective applicant outstanding upon such issuance shall not exceed the following amounts:

Entergy Gulf States Louisiana	\$2.755 Billion
Entergy Louisiana	\$3.390 Billion
Entergy Mississippi	\$1.939 Billion
Entergy Texas	\$1.128 Billion
System Energy	\$2.532 Billion

14. Applicants state that the Long-Term Debt that Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy Texas, and System Energy propose to issue may be either secured or unsecured, may have maturities in excess of one year but not more than 60 years from the time of issuance, and may be issued in public or privately negotiated transactions.<sup>17</sup> The Long-Term Debt to be issued and sold by the Applicants will be issued from time to time during the Authorization Period in one or more series.<sup>18</sup> Applicants also agree that any Long-Term Debt issued pursuant to the authorization requested in the Application will be subject to the four restrictions on such securities specified in *Westar Energy, Inc. (Westar)*.<sup>19</sup>

15. Applicants state that the interest or distribution rate or rates of the Long-Term Debt to be issued and sold by Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy Texas, and System Energy or on their behalf may be fixed or floating. Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy Texas, and System Energy propose that Long-Term Debt issued by them will bear interest rates as follows: (i) for Long-Term Debt that bears interest at a fixed rate, not to exceed 6 percent per annum, and (ii) for Long-Term Debt that bears interest at a variable rate, at a rate not to exceed 400 basis points above any of the following rates for loans, (x) the 1-month, 2-month, 3-month, 6-month or 12-month LIBOR, or (y) the prime rate or the Federal Funds Rate, as identified in The Wall Street Journal, provided that if a lender arranges such Long-Term Debt financing at a prime rate or Federal Funds Rate other than the average prime rate or Federal Funds Rate identified in the Wall Street Journal for an Applicant, such Applicant will make available upon request to its treasurer a copy of the note or instrument that identifies such rate.<sup>20</sup>

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<sup>17</sup> *Id.* at 10.

<sup>18</sup> *Id.* at 22.

<sup>19</sup> 102 FERC ¶ 61,186 (2003).

<sup>20</sup> Application at 20.

16. Finally, Applicants request waiver of the Commission's competitive bidding or negotiated placement requirements, as applicable to the issuance of securities and Long-Term Debt.

**3. Capital Contributions and Non-Interest Bearing Open Account Advances**

17. Each Applicant requests authorization to issue notes or other securities, including units of common stock or common membership interests, as appropriate to the organizational structure of the respective Applicant, in connection with capital contributions and non-interest bearing open account advances received from parents that directly or indirectly own Applicants or other affiliates, without limitation.<sup>21</sup> Applicants also explain that this request for authority to issue notes or other securities in connection with capital contributions and non-interest bearing open account advances does not constitute a request for authority to participate in a money pool or cash management arrangement.<sup>22</sup>

**4. Short-Term Debt**

18. Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy Texas, and System Energy each requests authorization to issue Short-Term Debt that may consist of any type of debt securities having maturities of not more than one year. Applicants state that they expect the Short-Term Debt will primarily be in the form of the following:

- (1) **Money Pool Borrowings.** Applicants state that Entergy Services and its affiliates maintain a cash management arrangement (Money Pool) as the primary mechanism for funding the working capital needs of the Applicants and certain non-utility affiliates of Applicants (Money Pool Participants). Applicants state that each Applicant may make unsecured short-term borrowings from other Money Pool Participants pursuant to a money pool agreement.<sup>23</sup>

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<sup>21</sup> *Id.* at 12 (citing *National Grid USA*, 115 FERC ¶ 61,241 (2006)), 18.

<sup>22</sup> *Id.*

<sup>23</sup> FERC-regulated entities are required to file their cash management agreements with the Commission. *See* 18 C.F.R. § 141.500 (2013). The information provided is used to aid the Commission in monitoring cash management programs. The rule is not in the nature of a regulation governing participation in cash management programs. Therefore, this order does not address any request for authorization to participate in a cash management program. *See Regulation of Cash Management Practices*, Order

(continued...)

- (2) **External Borrowings.** Each Applicant may establish secured or unsecured lines of credit with various commercial banks either individually or on a consolidated basis with one or more of the other Applicants. Applicants may also issue, reissue, and sell commercial paper. Applicants state that, for purposes of the Application, revolving credit arrangements with terms of less than one year are included within the definition of Short-Term Debt.<sup>24</sup>
- (3) **Other Intrasystem Short-term Borrowing Arrangements.** Applicants may enter into direct unilateral short-term borrowing arrangements, whereby an Applicant borrows from its direct or indirect parent on a secured or unsecured basis.

19. Applicants request Short-Term Debt issuance authority in amounts such that the aggregate principal amount of Short-Term Debt of the respective Applicant outstanding at the time of the Applicant's borrowings shall not exceed the following amounts:

Entergy Arkansas	\$250 Million
Entergy Gulf States Louisiana	\$200 Million
Entergy Louisiana	\$250 Million
Entergy Mississippi	\$175 Million
Entergy New Orleans	\$100 Million
Entergy Texas	\$200 Million
System Energy	\$200 Million

20. Applicants agree that any Short-Term Debt issued pursuant to the authorization requested in the Application will be subject to the four restrictions on such securities specified in *Westar*.

21. Applicants state that Short-Term Debt will bear interest at rates as follows: (i) for Short-Term Debt that bears interest at a fixed rate, the rate will not exceed 5 percent per annum, and (ii) for Short-Term Debt that bears interest at a variable rate, at a rate not to exceed 400 basis points above any of the following rates for loans, (x) the 1-month, 2-month, 3-month, 6-month or 12-month LIBOR or (y) the prime rate of Federal Funds Rate, as identified in The Wall Street Journal, provided that if a lender arranges such short-term debt financing at a prime rate or Federal Funds Rate other than the average prime rate or Federal Funds Rate identified in The Wall Street Journal for an Applicant,

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No. 634-A, FERC Stats. & Regs. ¶ 31,152 (2003) (Cross-Referenced at 105 FERC ¶ 61,098 (2003)).

<sup>24</sup> Application at 13.

such Applicant will make available upon request to its treasurer a copy of the note or instrument that identifies such interest rate.

## 5. MISO Letters of Credit

22. Applicants explain that, pursuant to MISO's credit rules, entities that participate in MISO's markets and settlement processes (MISO Market Participants) are obligated to post collateral security to secure their payment obligations to MISO through the MISO settlement process for market transactions. All Applicants except System Energy will be MISO Market Participants and will be obligated to post collateral to secure their obligations to MISO.<sup>25</sup>

23. Applicants that provide Letters of Credit (LOCs) to MISO will arrange for the LOCs through banks and other lenders and will pay fees to those providers. Applicants state that they will pay their obligations to MISO on a timely basis, but that if MISO has a need to draw on the LOCs to pay an amount owed by the Applicants, the Applicant will be obligated to reimburse the issuer of the LOC for the amount of the drawing and interest, if applicable. In such event, Applicants state that they will be able to recover such amount from their customers through their retail rates on a pass-through basis because any such amounts will represent payment for services that Applicants will procure from MISO to serve their customers. Applicants state that they will also be able to recover through rates the fees they will pay their LOC providers.<sup>26</sup>

24. Applicants other than System Energy request authorization to enter arrangements with banks or other lenders to provide LOCs to MISO in the following amounts:

Entergy Arkansas	\$65 Million
Entergy Gulf States	\$80 Million
Entergy Louisiana	\$90 Million
Entergy Mississippi	\$65 Million
Entergy New Orleans	\$20 Million
Entergy Texas	\$80 Million

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<sup>25</sup> Applicants state that System Energy will not be registered as a MISO Participant. System Energy sells the capacity and energy output of Grand Gulf directly to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans, and does not participate in the MISO markets. *Id.* at n.22.

<sup>26</sup> Applicants propose to charge Account 557, Other Expenses, for LOC fees. *Id.* at n.23. This order does not approve any specific or proposed accounting or any rate treatment proposed by Applicants.

## 6. Consent to Borrowings by Nuclear Fuel Special Purpose Entities

25. Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, and System Energy each requests authorization to consent to borrowings by their respective affiliated nuclear fuel special purpose entity organized for the purpose of acquiring nuclear fuel and leasing such nuclear fuel to the Applicant for use in the Applicant's nuclear power plants (Nuclear Fuel Special Purpose Entity).<sup>27</sup>

26. Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, and System Energy state that each nuclear fuel lease under which an Applicant leases nuclear fuel from its associated Nuclear Fuel Special Purpose Entity unconditionally obligates the Applicant to make rental payments in amounts sufficient to cover the Nuclear Fuel Special Purpose Entity's debt service, fees, and other amounts required to reimburse the Nuclear Fuel Special Purpose Entity for its obligations, costs, or expenses incurred in connection with the lease.<sup>28</sup>

27. Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, and System Energy each requests authorization to consent to borrowings by their respective Nuclear Fuel Special Purpose Entity in amounts such that the aggregate principal amount of borrowings by each Nuclear Fuel Special Purpose Entities outstanding upon the issuance of the debt consented to shall not exceed the following amounts:

	<u>Special Purpose Entity</u>	<u>Guarantee</u>
Entergy Arkansas	River Fuel #1	\$375 Million
Entergy Gulf States Louisiana	River Bend Fuel	\$350 Million
Entergy Louisiana	River Fuel #2	\$250 Million
System Energy	River Fuel #3	\$350 Million

28. Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, and System Energy propose that the debt issued by the Nuclear Fuel Special Purpose Entities will bear interest at rates as follows: (i) for borrowings that bear interest at a fixed rate, not to

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<sup>27</sup> *Id.* at 15. Applicants state that, while they do not formally guarantee borrowings by their special purpose leasing entities, Applicants' obligations under the fuel leases "may be considered in the nature of a guarantee." Accordingly, out of an abundance of caution, they are requesting approval under section 204(a) of such obligations. *Id.* at 16. *See Ocean State Power*, 47 FERC ¶ 61,321 (1989) (*Ocean State Power*).

<sup>28</sup> *Id.* at 15.

exceed 8 percent per annum, and (ii) for borrowings that bear interest at a variable rate, at a rate not to exceed 400 basis points above any of the following rates for loans, (x) the 1-month, 2-month, 3-month, 6-month or 12-month LIBOR, or (y) the prime rate or the Federal Funds Rate, as identified in The Wall Street Journal, provided that if a lender arranges such borrowings at a prime rate or Federal Funds Rate other than the average prime rate or Federal Funds Rate identified in The Wall Street journal for an Applicant, such Applicant will make available upon request to its treasurer a copy of the note or instrument that identifies such interest rate.

#### **D. Support for Requested Authorizations**

29. Applicants state that the Application demonstrates that their proposed issuances of Preferred Securities, Long-Term Debt, Short-Term Debt, MISO LOCs, and consents to the Nuclear Fuel Special Purpose Entities' borrowings to acquire nuclear fuel are for lawful purposes to fund Applicants' day-to-day operations as public utilities, which are within Applicants' organizational purposes as set forth in each Applicant's articles of incorporation or organization and are properly authorized, or will be properly authorized, by their boards of directors, are compatible with the public interest, are necessary, appropriate, and consistent with each Applicant's proper performance as a public utility, and will not effect any change in the quality of service provided to any of Applicant's rate-paying customers. Applicants further state that such issuances and assumptions will not impair Applicants' ability to perform that service and are reasonably necessary and appropriate for the purposes discussed in the Application.<sup>29</sup>

30. According to Applicants, the Commission recognizes a 2.0 interest coverage ratio as a guideline to determine that an "applicant's proposed undertakings 'will not impair [a public utility's] ability to perform' service as a public utility."<sup>30</sup> Applicants observe, however, that the Commission has stated that satisfying the 2.0 guideline does not, by itself, determine whether the Commission will authorize an applicant to issue securities and assume obligations or liabilities.<sup>31</sup> Applicants state that the Commission has granted authorizations under FPA section 204 in circumstances where the applicant has not

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<sup>29</sup> *Id.* at 24-25.

<sup>30</sup> *Id.* at 50 (quoting *Entergy Arkansas, Inc.*, 143 FERC ¶ 61,124, at P 21 (2013) (*Entergy Arkansas*)).

<sup>31</sup> *Id.* at 50-51 (citing *Startrans IO, LLC*, 122 FERC ¶ 61,253, at P 18, n.7 (2008) (*Startrans*)).

satisfied the 2.0 interest coverage ratio guideline, but where other factors indicate that the applicant's proposed undertakings will not impair its ability to provide service.<sup>32</sup>

31. As required, Applicants have filed (as Exhibit E to the Application), *pro forma* cash flow statements showing that, except Entergy Texas, all of the Applicants meet the Commission's 2.0 interest coverage ratio guideline. Applicants argue, however, that even though Entergy Texas will have an interest coverage ratio of 1.9 after undertaking the proposed issuances and assumptions of obligations and liabilities, other factors indicate that Entergy Texas' ability to provide service will not be impaired by undertaking the issuances and assumptions of obligations and liabilities proposed in the Application.

32. First, Applicants explain that Entergy Texas and the rest of Applicants are part of the multi-company Entergy utility system and have access to resources through those corporate relationships. While each Applicant operates its business in a manner in which its financial obligations are independent of its affiliates, Applicants note that they can enter into intercompany arrangements that provide financial flexibility and support as a means of satisfying their financial and public utility service obligations.<sup>33</sup>

33. Second, Applicants note that they have prepared their *pro forma* financial statements using conservative assumptions and without making *pro forma* adjustments for known and measurable events during the Authorization Period that would have the effect of increasing their interest coverage. They note that Applicants, other than System Energy, currently provide transmission service under the Entergy Open Access Transmission Tariff, but that the companies will begin earning transmission service revenue under the MISO Open Access, Transmission, Energy and Operating Reserve Markets Tariff, which is expected to generate higher revenues. Applicants state that they have not modeled these higher revenues in their *pro forma* financial statements, but that the revenues will provide Applicants, other than System Energy, with financial benefits after they integrate into MISO.

34. Third, Applicants explain that Entergy Texas prepared its *pro forma* financial statements without taking into consideration the effects of a rate case settlement that is relevant to its financial situation. Applicants explain that the company entered into a rate settlement that was approved by the Public Utility Commission of Texas in September 2012 (Texas Rate Settlement). The Texas Rate Settlement resulted in a rate increase of

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<sup>32</sup> *Id.* at 51 (citing *Entergy Arkansas*, 143 FERC ¶ 61,124 at P 21; *Montana Alberta Tie Ltd. and MATL LLP*, 128 FERC ¶ 61,217, at n.17 (2009)).

<sup>33</sup> *Id.* at 51.

\$28 million, effective July 2012, but also led to Entergy Texas recording a significant one-time charge of \$24 million to reflect its inability to recover other costs and revenue items in the future. Applicants explain that the one-time recording of the \$24 million charge in 2012 is reflected in Entergy Texas's financial statements reflecting operations for the year 2012 provided in the Application and has a negative effect on Entergy Texas' interest coverage ratio calculation. In 2013 and future years, however, Applicants state that Entergy Texas will have the benefit of the \$28 million increase without the burden of the one-time \$24 million charge record in 2012. Applicants explain that if Entergy Texas were permitted to eliminate the effect of the one-time charge from its *pro forma* financial statements, Entergy Texas' interest coverage ratio would be 2.2 under the ITC Transaction not closing scenario.

35. Applicants conclude that the financial information included and the additional factors identified in the Application establish that their request to undertake the issuances and assumptions identified in the Application are compatible with the public interest, and that their ability to provide service as public utilities will not be impaired by undertaking the issuances and assumptions of obligations and liabilities they propose.

## **II. Notices of Filing, Interventions, and Protests**

36. Notice of the Application was published in the *Federal Register*, 78 Fed. Reg. 49,504, with interventions and comments due on or before August 21, 2013. None were filed.

37. On October 3, 2013, Applicants filed the Supplemental Filing. Notice of the Supplemental Filing was published in the *Federal Register*, 78 Fed. Reg. 62,297, with comments due on or before October 15, 2013. None were filed.

## **III. Analysis Under Section FPA Section 204**

38. FPA section 204(a) provides that requests for authorization to issue securities or to assume any obligation or liability as guarantor, indorser, surety, or otherwise in respect of any security of another person shall be granted if the Commission finds that the issuance or assumption: (1) is for some lawful object, within the corporate purposes of the applicant and compatible with the public interest, which is necessary or appropriate for or consistent with the proper performance by the applicant of service as a public utility and which will not impair its ability to perform that service; and (2) is reasonably necessary or appropriate for such purposes.<sup>34</sup>

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<sup>34</sup> 16 U.S.C. § 824c(a) (2012).

39. In *Westar*, the Commission explained that in reviewing filings under FPA section 204, “the Commission evaluates a utility’s financial viability based on a review of the financial statements submitted in the application and the utility’s interest coverage ratio. An interest coverage ratio is a measure of the utility’s ability to meet future debt and interest payments.”<sup>35</sup> The interest coverage ratio is the sum of income before interest and income taxes divided by total interest expense.<sup>36</sup> The Commission generally requires that FPA section 204 applicants demonstrate, on a *pro forma* basis in accordance with its regulations, that net income will equal or exceed twice total interest expense. This is a screen test used primarily to provide the Commission with some level of comfort that the financing authorized will not impair an applicant’s ability to perform public utility service.<sup>37</sup>

40. We find that the facts set forth in the Application demonstrate that the assumption of the obligations or liabilities described in the Application: (1) will be for lawful objects within the corporate purposes of each of the Applicants, and compatible with the public interest, necessary or appropriate for or consistent with the proper performance by each of the Applicants of service as public utilities, and will not impair their ability to perform that service; and (2) is reasonably necessary or appropriate for such purposes.<sup>38</sup> Accordingly, we authorize the following for the Authorization Period beginning November 1, 2013 and ending October 31, 2015:

(a) The following companies are authorized to issue Preferred Securities in an aggregate amount not to exceed the following amounts

(i)	Entergy Gulf States Louisiana	\$100 Million
(ii)	Entergy Louisiana	\$100 Million
(iii)	Entergy Mississippi	\$70 Million
(iv)	Entergy Texas	\$100 Million

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<sup>35</sup> *Westar*, 102 FERC 61,186 at P 15.

<sup>36</sup> *Id.* at n.15.

<sup>37</sup> *Montana Alberta Tie Ltd.*, 128 FERC ¶ 61,217, at P 16 (2009) (citing *Startrans IO, L.L.C.*, 122 FERC ¶ 61,253, at P 18 (2008)).

<sup>38</sup> This order authorizes the consent to borrowings by Nuclear Fuel Special Purpose Entities without making any determination of jurisdiction. *See generally, Ocean State Power*, 47 FERC ¶ 61,321.

(b) The following companies are authorized to issue Long-Term Debt in an aggregate amount not to exceed the following amounts:

(i)	Entergy Gulf States Louisiana	\$2.755 Billion
(ii)	Entergy Louisiana	\$3.390 Billion
(iii)	Entergy Mississippi	\$1.939 Billion
(iv)	Entergy Texas	\$1.128 Billion
(v)	System Energy	\$2.532 Billion

(c) Applicants are authorized to issue notes or other securities in connection with capital contributions and non-interest bearing open account advances received from parents that directly or indirectly own Applicants or other affiliates, without limitation.

(d) Applicants are authorized to issue Short-Term Debt in aggregate amount not to exceed the following amounts:

(i)	Entergy Arkansas	\$250 Million
(ii)	Entergy Gulf States Louisiana	\$200 Million
(iii)	Entergy Louisiana	\$250 Million
(iv)	Entergy Mississippi	\$175 Million
(v)	Entergy New Orleans	\$100 Million
(vi)	Entergy Texas	\$200 Million
(vii)	System Energy	\$200 Million

(e) The following companies are authorized to enter into arrangements with banks or other lenders to provide LOCs to MISO in the following amounts:

(i)	Entergy Arkansas	\$65 Million
(ii)	Entergy Gulf States Louisiana	\$80 Million
(iii)	Entergy Louisiana	\$90 Million
(iv)	Entergy Mississippi	\$65 Million
(v)	Entergy New Orleans	\$20 Million
(vi)	Entergy Texas	\$80 Million

(f) The following companies are authorized to consent to borrowings by their respective Nuclear Fuel Special Purpose Entities in an aggregate amount not to exceed the following amounts:

(i)	Entergy Arkansas (River Fuel #1)	\$375 Million
(ii)	Entergy Gulf States Louisiana (River Bend Fuel)	\$350 Million
(iii)	Entergy Louisiana (River Fuel #2)	\$250 Million
(iv)	System Energy (River Fuel #3)	\$350 Million

41. As noted above, in section 204 filings, the Commission utilizes an interest coverage ratio calculation in its evaluation of a public utility's financial viability, and generally requires a section 204 applicant to demonstrate, on a *pro forma* basis, that net income will equal or exceed twice total interest expense.<sup>39</sup> In this case, the *pro forma* interest coverage ratio of all of the Applicants, except Entergy Texas, is 2.0 or higher. At 1.9, Entergy Texas' interest coverage ratio is below the 2.0 interest coverage guideline, but other factors indicate that the proposed issuances and assumptions of obligations and liabilities by Entergy Texas will not impair its ability to provide service. First, pursuant to the Texas Rate Settlement, Entergy Texas will have the benefit of a \$28 million rate increase to its revenue stream. This rate increase will support Entergy Texas' ability to offset Entergy Texas' 1.9 interest coverage ratio. Second, almost all of Entergy Texas' mortgage bonds and unsecured debt have been rated as investment grade by credit rating institutions.<sup>40</sup> Applicants state that the rating agencies have not updated or revised Applicants' institutional ratings since February 14, 2013. These ratings support the conclusion that the proposed issuances and assumptions of obligations and liabilities by Entergy Texas will not impair its ability to provide service.

42. In *Westar*, the Commission announced four restrictions on all future public utility issuances of secured and unsecured debt.<sup>41</sup> First, public utilities seeking authorization to issue debt backed by a utility asset must use the proceeds of the debt for utility purposes. Second, if any utility assets that secure debt issuances are divested or "spun off," the debt must follow the asset and also be divested or spun off. Third, if any of the proceeds from unsecured debt are used for non-utility purposes, the debt must follow the non-utility assets. Specifically, if the non-utility assets are divested or spun off, then a proportionate share of the debt must follow the divested or spun off non-utility asset. Finally, if utility assets financed by unsecured debt are divested or spun off to another entity, then a proportionate share of the debt must also be divested or spun off. In the Application, Applicants acknowledge that any Long-Term Debt and Short-Term Debt issued pursuant

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<sup>39</sup> *Startrans*, 122 FERC ¶ 61,253 at P 18.

<sup>40</sup> Standard & Poor's rates Entergy Texas' mortgage bonds and unsecured debt as investment grade (A- and BBB, respectively); Moody's rates Entergy Texas' mortgage bonds as investment grade (Baa2) and its unsecured debt only one notch below investment grade (Baa1). Supplemental Filing at 3.

<sup>41</sup> *Westar*, 102 FERC ¶ 61,186 at PP 20-21.

to the authorization requested in the Application will be subject to the four restrictions on such securities specified in *Westar*, and which we impose here.<sup>42</sup>

43. When Applicants receive a non-interest bearing open account advance from a direct or indirect parent, an authorized representative from that company will, within 30 days of the date of the advance (1) certify that, at the time of the advance, repayment of the funds advanced will not impair Applicant(s) ability to perform as a public utility, and (2) certify the intended use or uses of the funds advanced. These certifications are to be retained in company files, and provided to the Commission or its staff upon request, for five years from the date the transaction is completed.

44. Finally, the Commission confirms that the authorizations granted in this order will follow Applicants' successors and will remain in effect with Applicants after they are reorganized and renamed following the non-material internal restructuring.

The Commission orders:

(A) Applicants are hereby authorized to issue Preferred Securities, Long-Term Debt, Short-Term Debt, Capital Contributions and Non-Interest Bearing Open Account Advances, Issue Letters of Credit to MISO and Guarantee Nuclear Fuel Leases in the amounts stated above in the body of this order. This authorization is approved based upon the terms and conditions and for the purposes specified in the Application subject to the following terms and conditions:

(B) This authorization is effective November 1, 2013, and terminates on October 31, 2015.

(C) This authorization is subject to the restrictions specified in the body of this order and the restrictions on secured and unsecured debt as outlined in *Westar*.

(D) Applicants are each granted waiver from compliance with the Commission's competitive bidding and negotiated placement requirements at 18 C.F.R. §§ 34.2(a) and 34.2(c)(1) (2013).

(E) Each Applicant must file a Report of Securities Issued, under 18 C.F.R. §§ 34.10 and 131.43 and 131.50 (2013), no later than 30 days after the sale or placement of long-term debt or equity securities or the entry into guarantees or assumptions of liabilities.

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<sup>42</sup> Application at 25.

(F) The authorizations granted in this order are without prejudice to the authority of the Commission or any other regulatory body with respect to rates, service, accounts, valuation, estimates or determination of cost or any other matter whatsoever now pending or which may come before this Commission.

(G) Nothing in this order shall be construed to imply any guarantee or obligation on the part of the United States with respect to any security to which this order relates.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.