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## Entergy CEO pins service to rate raise

BY BILL W. HORNADAY ARKANSAS DEMOCRAT-GAZETTE

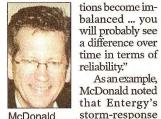
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Safe and reliable service will remain Entergy Arkansas Inc.'s top priority regardless of how its \$106.5 million-a-year rate increase request turns out, its top officer said as public hearings on the case opened Wednesday.

But President and Chief Executive Officer Hugh McDonald warned state regulators that En- "But we also have an obligation to has won Edison Electric Institute tergy may be forced to reassess our shareholders, and if our opera-awards for nine consecutive years, reasonable.

its business strategy - including storm-damage response - if Arkansas' largest electricity provider fails to get enough revenue to operate viably and reward its investors.

"Our company has a balance in the way it operates. And in terms of providing reliable electric service, we've made tremendous improvements since 1998," McDonald said.



McDonald

strategy, which

As an example,

McDonald noted

tions become im- involves staging crews ahead of balanced ... you storms and boosting manpower by how a business operates, whether will probably see 10 percent to 15 percent in affected it's customer service or employee a difference over areas, often through contracts with compensation," he said. "If revetime in terms of other utilities. reliability."

Commission denies a sizable porthing has to suffer." tion of Entergy's request, McDonald said, it sends a signal "from a request — its first involving base public policy standpoint" that rates in more than a decade what it spends on storm response would increase residential rates and other programs may not be by \$4.26 a month to \$90.21 for the

"Revenue ultimately dictates nue cannot supply enough capital If the Arkansas Public Service to meet your needs, then some-

If approved in full, Entergy's See ENTERGY, Page 2D

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Base rates pay for maintenance, operations and profits for the utility and its investors. Fuelrate charges are passed through to customers.

Additional charges related to federally mandated "system agreement" payments would further raise bills by an estimated \$12.62 per month to \$102.83 - about 5 cents higher than rates in July 2006.

A 16 percent decrease in fuel rates in April lowered overall bills to \$85.95 per 1,000 kilowatt hours

/ Entergy's latest rate request commission chairman from 1979 has drawn substantial criticism from the state attorney general's office for the amount of stock options and incentive pay that it the commission's advisory staff seeks for top executives.

Nearly 30 percent of the entire \structure could have dire conserequest — about \$30 million — is tagged for such rewards, mostly for out-of-state executives such as | cal formula" in which debt carried J. Wayne Leonard, president and by Entergy Arkansas outweighs CEO of New Orleans-based par-/ equity by 52 percent to 48 percent ent company Entergy Corp.

In addition, Entergy initially asked ratepayers to pay for hundreds of thousands of dollars worth of fringe benefits such as percent to 44 percent — a level club dues, personal financial advice, corporate aircraft use and potential credit downgrade that certain tax costs.

Other items ranged from below investment grade. \$840,000 in dues for the Edison Electric Institute and Nuclear En- Entergy Arkansas would have the ergy Institute to \$934 for a phone lowest rate of return — less than 9 bill that ran six months overdue.

rooms for Arkansas Razorbacks of comparable size in the nation, games, football and basketball Norton said. tickets, golf and country club dues, more than \$7,000 worth of it to make it more like other utili-Christmas cookies — even golf | ties," he said. "So how can our balls that carry Entergy's logo. I capital system be in the main-

club dues and charitable dona- up in the swamp?" tions should be excluded, but maintains that chamber and civic club costs are proper because of tions or incentive pay was made. Entergy's involvement in the communities it serves.

senior assistant Attorney General Shawn McMurray said the cost of Entergy's role in that area and stock options granted by Entergy urged the commission not to let in 2006 alone added up to about such resources be diminished. \$23 for each of Entergy Arkansas' 680,000 customers.

through little, if any, criteria and to grow at a rate not seen in many, have little to do with providing many years," said Jay Chesshir, energy service," he said.

Mac Norton said that since Enthe company's overall payroll by continue to invest in our state." \$38 million.

Additional costs included hotel rooms for Arkansas Razorbacks games, football and basketball tickets. golf and country club dues, more than \$7,000 worth of Christmas cookies - even golf balls that carry Entergy's logo.

83. "And you shouldn't try to fix

Norton added that efforts by to change the utility's capital quences.

The staff calls for a "hypotheti-- a move that it contends would lower consumer costs.

Entergy favors a formula in which equity exceeds debt by 56 that would allow it to avoid a could send it into "junk" status, or

If the staff's formula is adopted percent if applied to its real capital Additional costs included hotel \structure - of any electric utility

"They say they want to alter Entergy agrees that country stream, yet our rate of return end

During time allotted for public comment, no mention of stock op-

Instead about a half-dozen speakers - each with ties to During opening statements, various economic development initiatives statewide - praised

"Their focus on community development and economic de-"These bonuses are arrived at velopment has allowed us to begin president of the Little Rock Re-Entergy Arkansas attorney gional Chamber of Commerce.

"As you listen to the testimony tergy's last base rate case in 1996, both pro and con, we ask that you an increased reliance on incen- allow Entergy a fair and reasontive compensation has reduced able rate of return so they can

Hearings resume today at 9:30 "Incentive compensation a.m. at the commission office at works," said Norton, who was 1000 Center St. in Little Rock.