

**ENTERGY MISSISSIPPI, INC**

Date Filed: December 16, 2002  
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Docket No. 02-UN-526

**MISSISSIPPI PUBLIC SERVICE COMMISSION**

P.S.C. Schedule No. I-27.8  
Revised Schedule No. 27.8, Date: December 31, 2002  
Superseded Schedule No.27.8, Date: December 10, 1995  
Schedule Consists of: 5 pages and Attachments A-G

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**FORMULA RATE PLAN  
RIDER SCHEDULE FRP-4 (Revised)**

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**I. AVAILABILITY**

At any point on the Company's system.

**II. APPLICATION**

Formula Rate Plan Rider Schedule FRP-4 (Revised) ("Rider" or "Rider FRP") defines the procedure by which the rates of Entergy Mississippi, Inc. ("EMI" or "Company") set out in Attachment A to this Rider shall be periodically reviewed and adjusted. Rider FRP is applicable to all electric service billed under the Company's rate schedules designated in Attachment A to the Rider, whether metered or unmetered, and subject to the jurisdiction of the Mississippi Public Service Commission ("Commission").

**III. BILLING PROVISIONS****A. RATE ADJUSTMENTS**

The adjustments to the Company's rates as set forth in Attachment A to this Rider ("Rate Adjustments") shall be added to the Net Monthly Rates or Net Seasonal Rates in the Company's currently effective rate schedules as set out in Attachment A. The Rate Adjustments shall be determined in accordance with the provisions of Sections B and C below.

**B. ANNUAL FILING AND REVIEW****1. FILING DATE**

On or before March 15 of each year, beginning in 2004, EMI shall file a report with the Commission containing an evaluation of the Rate Adjustments set forth in Attachment A to this Rider prepared in accordance with the provisions of Section C below ("Evaluation Report"). A revised Attachment A shall be included in each such filing and shall reflect such modified Rate Adjustments as may be required under the provisions of Section C below.

**2. REVIEW PERIOD**

The Mississippi Public Utilities Staff ("Public Staff") shall then have until April 15 of the filing year to review the Evaluation Report to ensure that it complies with the requirements of Section C below. At the time each such Evaluation Report is filed, EMI shall provide the Public Staff with workpapers supporting the data and calculations reflected in the Evaluation Report. The Public Staff may request clarification and additional data.

If the Public Staff should detect an error(s) in the application of the principles contained in Section C below, such error(s) shall be formally communicated in writing to the Commission and EMI on or before April 15 of the filing year. Similarly, if EMI should detect such an error subsequent to the submission of any annual filing, the Company shall formally notify the Commission and Public Staff in writing of such error(s). All such indicated errors shall include documentation of the proposed correction. EMI shall then have until April 25 of the filing year to file a corrected Attachment A containing corrected Rate Adjustments. The Company shall provide Public Staff with workpapers supporting any corrections made to the Rate Adjustments initially filed on March 15 of that year.

Except where there is an unresolved dispute, which shall be addressed in accordance with the provisions of Section B.3 below, the Rate Adjustments filed under the provisions of Section B.1 above, or such corrected Rate Adjustments as may be determined pursuant to the terms of this Section B.2, shall, after verification by the Commission, become effective for bills rendered on and after the first billing cycle of May of the filing year. Those Rate Adjustments shall then remain in effect until changed pursuant to the provisions of this Rider or as provided by law.

### 3. RESOLUTION OF DISPUTES

In the event there is an unresolved dispute regarding any Evaluation Report, EMI and the Public Staff shall work together in good faith to resolve such dispute. If EMI and the Public Staff are unable to resolve the dispute prior to the first billing cycle of May of the filing year, the undisputed portion of the revised Rate Adjustments, as filed by the Company, shall become effective as provided in Section B.2 above. Disputed issues shall be submitted to the Commission, which shall render a ruling on such disputed issues on or before June 30 of the submission year.

If a dispute is resolved such that there are changes in the Rate Adjustments initially implemented that year pursuant to the above provisions, a revised Attachment A containing such further modified Rate Adjustments shall be submitted to the Commission within five days of the Commission's order resolving the dispute. In addition to reflecting the Commission's ruling on the disputed issues, the final Rate Adjustments shall also reflect the adjustments necessary to recover or credit the estimated revenue increase or decrease, respectively, that would have resulted had the final Rate Adjustments been implemented initially. Such modified Rate Adjustments shall then become effective at the end of five days, unless approved earlier by order of the Commission, and shall remain in effect until superseded by Rate Adjustments established in the subsequent Evaluation Report filing.

### 4. GENERAL RATE PROCEEDINGS

In the event either the Company or the Commission initiates a general rate proceeding while this Rider FRP is in effect, the Rate Adjustments in the then currently effective Attachment A shall be revised to be zero. Such revised Rate Adjustments shall become effective on the effective date of the revised rates resulting from such a general rate proceeding. The Annual Filing and Review provisions in Sections B.1 – B.3 of this Rider FRP shall be followed without interruption unless any such annual Evaluation Report would be filed less than 120 days after the date revised rates become effective pursuant to the general rate proceeding. In that event, the annual Evaluation Report filing otherwise required in that year shall not be made, but all subsequent annual Evaluation Report filings shall then be made in accordance with the provisions of this Rider FRP.

C. ANNUAL EVALUATION OF RATE ADJUSTMENTS

1. EVALUATION PERIOD

Each annual evaluation of the Rate Adjustments shall be based on data for the twelve-month period ended December 31 of the prior calendar year ("Evaluation Period"). All data utilized in each evaluation shall be based on actual results for the Evaluation Period as recorded on the books of EMI in accordance with the Uniform System of Accounts and such other documentation as may be appropriate.

2. RATE ADJUSTMENT METHODOLOGY

a. DEFINITION OF TERMS

(1) EARNED RATE OF RETURN ON RATE BASE

The Earned Rate of Return on Rate Base ("ERORB") for any Evaluation Period shall be the Company's net utility operating income divided by its rate base and shall be determined in accordance with the formula set out in Attachment B. The ERORB determination shall reflect the Evaluation Period Adjustments set out and described in Attachment C.

(2) BENCHMARK RATE OF RETURN ON RATE BASE

The Benchmark Rate of Return on Rate Base ("BRORB") is the composite weighted embedded cost of capital reflecting the Company's annualized costs of Long-Term Debt, Quarterly Income Preferred Securities ("QUIPS") and Preferred Equity at the end of the Evaluation Period together with the Evaluation Period Cost Rate of Common Equity, as adjusted and as defined in Section C.2.a.(3) below. The BRORB shall be determined in accordance with the formula set out in Attachment D.

(3) EVALUATION PERIOD COST RATE OF COMMON EQUITY

The Evaluation Period Cost Rate of Common Equity ("EPCOE") is the Company's cost rate of common equity at the end of the Evaluation Period and shall be determined for each Evaluation Period in accordance with the formula set out in Attachment E.

(4) RATE OF RETURN ON RATE BASE RANGE

There shall be a Rate of Return on Rate Base Range ("ROR Range") around the BRORB within which no change in the Rate Adjustments will be made. The upper limit of the ROR Range ("Upper Point") shall be the BRORB plus 0.50%. The lower limit of the ROR Range ("Lower Point") shall be the BRORB minus 0.50%.

b. RULES FOR CHANGING RATE ADJUSTMENTS

In each annual Evaluation Report, the determination of the change in the currently effective Rate Adjustments shall be made based on the following rules:

- (1) If the ERORB is less than the Lower Point, the then currently effective Rate Adjustments shall be increased in accordance with the provisions of Section C.3 below so that, when the Rate Adjustments so revised are applied to the Evaluation Period billing units ("kW" or "kWh"), the resulting increase in revenue would increase the ERORB for the Evaluation Period by 50% of the difference between the Lower Point and the initially determined ERORB. However, the amount of such revenue increase shall not exceed 2% of the Company's unadjusted Evaluation Period revenue or \$14.5 million, whichever is less.
- (2) No change shall be made to the Rate Adjustments if the ERORB is less than or equal to the Upper Point and greater than or equal to the Lower Point.
- (3) If the ERORB exceeds the Upper Point, the then currently effective Rate Adjustments shall be reduced in accordance with the provisions of Section C.3 below so that, when the Rate Adjustments so revised are applied to the Evaluation Period billing units ("kW" or "kWh"), the resulting reduction in revenue would reduce the ERORB for the Evaluation Period by 50% of the difference between the Upper Point and the initially determined ERORB. However, the amount of such revenue reduction shall not exceed 2% of the Company's unadjusted Evaluation Period revenue or \$14.5 million, whichever is less.
- (4) A change in the Rate Adjustments shall not be made unless it changes the rate of return on rate base for the Evaluation Period by more than 0.05% (5 basis points).

3. CHANGE IN RATE ADJUSTMENTS

In each annual Evaluation Report, the change in the currently effective Rate Adjustments, if any, shall be determined using the Rate Adjustment Redetermination Formula set out in Attachment G.

**IV. EFFECTIVE DATE AND TERM**

Rider FRP-4 (Revised) shall be effective December 31, 2002, and shall continue in effect until modified or terminated in accordance with the provisions of this Rider FRP or applicable regulations or laws. Nothing herein shall prevent the Commission or EMI from proposing elimination of this Rider FRP at any time in the manner provided by law.

If Rider FRP is terminated in the future by order of the Commission, then the Rate Adjustments then in effect shall continue to be added to the Net Monthly Rates or Net Seasonal Rates in EMI's currently effective rate schedules until such time as new general rates become effective pursuant to a final Commission order in a general rate proceeding, which may be concurrent with such termination of this Rider FRP.

## **V. PROVISIONS FOR OTHER FILINGS**

### **A. MAJOR COST ADDITIONS**

It is recognized that EMI may from time to time have to construct or acquire major plant additions; make major modifications to existing plant; or incur significant new costs to comply with environmental or other laws and regulations. Such costs may significantly increase EMI's revenue requirements and thereby require rate changes that this Rider FRP is not designed to address. Should EMI construct, have constructed, or purchase major plant, make major modifications to existing plant, or be required to incur substantial costs to comply with new laws or regulations, then EMI may file, as provided by law, for rate or other relief outside the provisions of this Rider FRP. Such a request will be considered by the Commission in accordance with its rules and regulations and applicable law governing such filings.

### **B. SPECIAL RATE FILINGS**

The Company is experiencing a changing business environment and increasing competition. Experimental, developmental, and alternative rate schedules may be appropriate tools for the Company to use to address these conditions. Therefore, nothing in this Rider shall be interpreted as preventing the Company from proposing to revise existing rate schedules or implement new rate schedules as may be appropriate. Any such rate changes shall be filed with the Commission and evaluated in accordance with the rules and procedures then in effect.

### **C. FORCE MAJEURE**

In addition to the rights of EMI under this Rider, or as provided by law, to make a filing for a change in rates outside the terms of this Rider, if any event or events beyond the reasonable control of EMI, including natural disaster, damage or loss of generating capacity, and orders or acts of civil or military authority, cause increased costs to EMI and result in a deficiency in revenues which is not readily capable of being redressed in a timely manner under this Rider FRP, EMI may file for rate or other relief outside the provisions of this Rider FRP. Such request shall be considered by the Commission in accordance with its regulations and applicable law governing such filings.

**RATE ADJUSTMENTS**

The following Rate Adjustments will be added to the Net Monthly Rates or Net Seasonal Rates set forth in Entergy Mississippi, Inc. ("EMI") currently effective rate schedules identified below, or such superseding rate schedules as may be ordered by the Commission, or such other rate schedules of EMI subject to the Rider FRP that may become effective, whether or not such schedules supersede any of the rate schedules below, but not including special contracts entered into pursuant to Miss. Code Ann. Sec. 77-3-35(1) that do not specifically and explicitly incorporate this Rider into the contract. The Rate Adjustments shall be effective for bills rendered on and after the first billing cycle of July 2009:

<u>Rate Class</u>	<u>Rate Schedules</u>	<u>Rate Adjustment</u>
Residential	RS-33C, RS-33W, Other Residential Rates	\$0.00255/kWh
General Service	GS-295, SWH-17, IPS-23, IP-30, MP-19, Other General Service Rates	\$0.00283/kWh
Intermediate Gen. Svc.	B-31, CG-26	\$0.00235/kWh
High Load Factor Svc.	HLF-4	\$0.00194/kWh
Large General Service	C-26, OM-28, SE-26	\$0.00207/kWh
Alt. Large General Svc.	ALGS-7	\$0.82/kW
Lighting	PAL-12, DSL-11, SL-32, HL-16, TF-20, UFL-12, RFL-12, Other Lighting Rates	\$0.00512/kWh

**ENTERGY MISSISSIPPI, INC.**  
**EARNED RATE OF RETURN ON RATE BASE FORMULA**  
**TWELVE MONTHS ENDED DECEMBER 31, \_\_\_\_\_**  
**(\$000'S OMITTED)**

(1) LINE NO	(2) DESCRIPTION	(3) ADJUSTED AMOUNT	(4) REFERENCE
1	TOTAL RATE BASE		Page 2, Line 17
2	NET UTILITY OPERATING INCOME		Page 3, Line 31
3	EARNED RATE OF RETURN ON RATE BASE		Line 2 / Line 1

<b>ENTERGY MISSISSIPPI, INC.</b> <b>RATE BASE</b> <b>TWELVE MONTHS ENDED DECEMBER 31, _____</b> <b>(\$000'S OMITTED)</b>					
(1) LINE NO	(2) DESCRIPTION	(3) PER BOOKS	(4) ADJUSTMENTS (A)	(5) ADJUSTED AMOUNT	(6) REFERENCE
1	PLANT IN SERVICE (101)				Line 1 + Line 2
2	DEPRECIATION RESERVES (108)				
3	NET UTILITY PLANT				
4	CONSTRUCTION WORK IN PROGRESS (107) (B)				
5	FUEL INVENTORY (151 & 152) (C)				
6	MATERIALS & SUPPLIES (154 & 163) (C)				
7	PREPAYMENTS (165) (C)				
8	OVER/UNDER REC. OF FUEL ADJ. (182 & 254) (C)				
9	ACCUM. DEF. INCOME TAXES (190, 282 & 283)				
10	PRE-71 ITC (255)				
11	CUSTOMER DEPOSITS (235)				
12	CUSTOMER ADVANCES (252)				
13	ACCUM. PROV FOR PROPERTY INS. (228) (C)				
14	ACCUM. PROV FOR INJURIES & DAMAGES (228) (C)				
15	PENSIONS (253) (C)				
16	OTHER (D)				
17	<b>TOTAL RATE BASE</b>				Sum of Lines 3 - 16

NOTES:

- (A) ADJUSTMENTS DEFINED IN ATTACHMENT C
- (B) CWIP PROJECTED TO BE TRANSFERRED TO PLANT WITHIN 12 MONTHS
- (C) 13 MONTH AVERAGE BALANCES
- (D) OTHER ITEMS INCLUDED PURSUANT TO SECTION 6 OF ATTACHMENT C

<b>ENTERGY MISSISSIPPI, INC.</b> <b>OPERATING INCOME STATEMENT</b> <b>TWELVE MONTHS ENDED DECEMBER 31, _____</b> <b>(\$000'S OMITTED)</b>					
(1)	(2)	(3)	(4)	(5)	(6)
LINE NO	DESCRIPTION	PER BOOKS	ADJUSTMENTS (A)	ADJUSTED AMOUNT	REFERENCE
	<b>REVENUES</b>				
1	RATE SCHEDULE REVENUE (440, 442, 444, & 445)				
2	EPP & SYSTEM SALES (447)				
3	OTHER OPERATING REV. (411, 450, 451, 454 & 456)				
4	TOTAL OPERATING REVENUE				Sum of Lines 1 - 3
	<b>EXPENSES</b>				
	OPERATION & MAINTENANCE				
	PRODUCTION				
5	OPERATION(500, 502, 505, 506, 507, 546 & 548-550)				
6	MAINTENANCE (510, 511, 512,513, 514, 551-554)				
7	FUEL (501 & 509)				
8	PURCHASED POWER (555)				
9	SYSTEM CONTROL (556)				
10	OTHER PROD EXP & CREDITS (557)				
11	TOTAL PRODUCTION O&M				Sum of Lines 5 - 10
12	TRANSMISSION (560-573)				
13	DISTRIBUTION (580-589)				
14	CUSTOMER ACCOUNTING (901-905)				
15	CUSTOMER SERVICES (907-910)				
16	SALES (911-916)				
17	ADMINISTRATIVE & GENERAL (920-931 & 935)				
18	TOTAL O & M EXPENSE				Sum of Lines 11 - 17
19	GAIN ON DISPOSITION OF ALLOWANCES (411.8)				
20	REGULATORY DEBITS AND CREDITS (407)				
21	INTEREST ON CUSTOMER DEPOSITS (431.001)				
22	DEPRECIATION & AMORTIZATION EXP. (403 & 404)				
23	TAXES OTHER THAN INCOME (408)				
24	STATE INCOME TAX (409)				Page 4, Line 15
25	FEDERAL INCOME TAX (409)				Page 4, Line 23
26	DEFERRED FEDERAL INCOME TAX (410 & 411)				
27	DEFERRED STATE INCOME TAX (410 & 411)				
28	INVESTMENT TAX CREDIT (411.43)				
29	OTHER (B)				
30	TOTAL UTILITY OPERATING EXPENSES				Sum of Lines 18 - 29
31	NET UTILITY OPERATING INCOME				Line 4 - Line 30

NOTE:

(A) ADJUSTMENTS DEFINED IN ATTACHMENT C

(B) OTHER ITEMS INCLUDED PURSUANT TO SECTION 6 OF ATTACHMENT C

**ENTERGY MISSISSIPPI, INC.**  
**INCOME TAX CALCULATION**  
**TWELVE MONTHS ENDED DECEMBER 31, \_\_\_\_\_**  
**(\$000'S OMITTED)**

(1) LINE NO	(2) DESCRIPTION	(3) PER BOOKS	(4) ADJUSTMENTS (A)	(5) ADJUSTED AMOUNT	(6) REFERENCE
1	TOTAL OPERATING REVENUES				Page 3, Line 4
2	TOTAL O&M EXPENSE				Page 3, Line 18
3	GAIN ON DISPOSITION OF ALLOWANCES				Page 3, Line 19
4	REGULATORY DEBITS AND CREDITS				Page 3, Line 20
5	INTEREST ON CUSTOMER DEPOSITS				Page 3, Line 21
6	DEPRECIATION & AMORTIZATION EXPENSE				Page 3, Line 22
7	TAXES OTHER THAN INCOME				Page 3, Line 23
8	OTHER				Page 3, Line 29
9	NET INCOME BEFORE INCOME TAXES				Line 1 - Sum of Lines 2 - 8
10	ADJUSTMENTS TO NET INCOME BEFORE TAXES				
11	TAXABLE INCOME				Line 9 + Line 10
	COMPUTATION OF STATE INCOME TAX				
12	STATE TAXABLE INCOME				Line 11
13	STATE INCOME TAX BEFORE ADJUSTMENTS				Line 12 * State Tax Rate
14	ADJUSTMENTS TO STATE TAX				
15	STATE INCOME TAX				Line 13 + Line 14
	COMPUTATION OF FEDERAL INCOME TAX				
16	TAXABLE INCOME				Line 11
17	STATE INCOME TAX				Line 13 (shown as deduction)
18	70% DIVIDEND REC. DEDUCTION				
19	DIVIDENDS PAID DEDUCTION				
20	TOTAL FEDERAL TAXABLE INCOME				Sum of Lines 16 - 19
21	FEDERAL INCOME TAX BEFORE ADJUSTMENTS				Line 20 * Federal Tax Rate
22	ADJUSTMENTS TO FEDERAL TAX				
23	FEDERAL INCOME TAX				Line 21 + Line 22
24	TOTAL INCOME TAX				Line 15 + Line 23

NOTE:

(A) ADJUSTMENTS DEFINED IN ATTACHMENT C

**ENTERGY MISSISSIPPI, INC.  
EVALUATION PERIOD ADJUSTMENTS**

Actual data for each Evaluation Period shall be adjusted to reflect the following:

**1. Special Rates**

- a) Present rate revenue shall be adjusted to reflect, on an annualized basis, the Rate Adjustments in effect at the end of the Evaluation Period under this Rider FRP.
- b) The rate base, revenue and expense effects associated with any riders that EMI may have in effect during the Evaluation Period which recover specific costs (e.g., the Grand Gulf riders) are to be eliminated. The only exception shall be effects associated with the Energy Cost Recovery Rider Schedule ECR-2 or its successor.

**2. Interest Synchronization**

All Evaluation Period interest expenses are to be eliminated and replaced with an imputed interest expense amount equal to the Evaluation Period rate base multiplied by the weighted embedded cost rate of total debt for the Evaluation Period determined in accordance with Attachment D.

**3. Income Taxes**

All state and federal income tax effects including 1) adjustments to taxable income, 2) adjustments to current taxes, 3) provisions for deferred income tax (debit and credit), and 4) accumulated provision for deferred income tax (debit and credit) shall be adjusted or eliminated, as appropriate, to comport with the following principles:

- a) Effects associated with other adjustments set out in this Attachment C shall similarly and consistently be adjusted.
- b) All effects associated with the difference in the timing of transactions, where the underlying timing difference is eliminated, shall also be eliminated.
- c) The corporate state and federal income tax laws legally in effect on the date an Evaluation Report is filed under this Rider FRP shall be reflected in the calculation of all income tax amounts.
- d) Tax effects normally excluded for ratemaking purposes shall be eliminated.

#### **4. Reclassification of Certain Costs**

Costs not allowable for ratemaking purposes shall be removed by adjustment from the Evaluation Period cost data. Likewise, costs that are allowed, but recorded below the utility operating income line, shall be included in the Evaluation Period cost data through appropriate reclassification adjustments. These adjustments shall include but are not limited to: 1) the elimination of unallowable advertising expenses, 2) the reclassification of donations charged below-the-line as an operating and maintenance expense above the line, 3) the reclassification of below-the-line interest expense associated with customer deposits as administrative and general O&M expense and 4) inclusion as other electric revenue of the portion of below-the-line allowance for use of funds during construction that is associated with the CWIP included in rate base.

#### **5. Eliminations**

Expenses recorded in any Evaluation Period that are related to transactions occurring prior to the 1994 test year or during 2002 test year shall be eliminated by adjustment from the Evaluation Period cost data. This shall include any associated tax adjustments and other adjustments as necessary to properly reflect items not allowed in Evaluation Period costs.

#### **6. Other**

In addition to Adjustments 1-5 above, there may from time to time be special cost or rate effects that occur during an Evaluation Period that require adjustment of the Evaluation Period cost data. Nothing in the Rider shall preclude the Company from proposing additional adjustment(s) beyond those described in Adjustments 1-5. However, if the Company proposes such adjustment(s) it shall be required to establish that such adjustment(s) are consistent with the general philosophy and structure of this Rider FRP.

**ENTERGY MISSISSIPPI, INC.**  
**BENCHMARK RATE OF RETURN ON RATE BASE FORMULA**  
**TWELVE MONTHS ENDED DECEMBER 31, \_\_\_\_\_**

LINE NO	DESCRIPTION	CAPITAL AMOUNT (1) (\$)	CAPITAL RATIO (2)	COST RATE (3)	BENCHMARK RATE OF RETURN ON RATE BASE (4)
	<b>DEBT</b>				
1	LONG-TERM BOND DEBT				
2	QUARTERLY INCOME PREFERRED SECURITIES (QUIPS)				
3	<b>TOTAL DEBT</b>				
4	PREFERRED EQUITY				
5	COMMON EQUITY			PCOE	
6	TOTAL		100.00%		BRORB

**NOTES:**

- 1) Amounts at the end of the Evaluation Period. All Long-Term Bond Debt and QUIPS issues shall reflect the balance net of a) unamortized debt discount, premium, and expense and b) gain or loss on reacquired debt. All Preferred Equity issues shall reflect the balance net of discount, premium and capital stock expense.
- 2) Capital Amounts of Total Debt, Preferred Equity and Common Equity each divided by the Total Capital Amount
- 3) Annualized cost of Long-Term Bond Debt, QUIPS and Preferred Equity at the end of the Evaluation Period divided by the corresponding Capital Amount. The calculation of the Long-Term Bond Debt and QUIPS Cost Rate shall include a) annualized amortization of debt discount, premium, and expense and b) annualized amortization of gain or loss on reacquired debt. The Common Equity Cost Rate shall be the "Performance-Adjusted Evaluation Period Cost Rate for Common Equity" (PCOE), which shall be the sum of EPCOE and PADJ.
- 4) The components of the Benchmark Rate of Return on Rate Base (BRORB) column are the corresponding Cost Rates multiplied by the associated Capital Ratio.

**ENTERGY MISSISSIPPI, INC.**  
**EVALUATION PERIOD COST RATE OF COMMON EQUITY (EPCOE)**  
**FORMULA**  
**TWELVE MONTHS ENDED DECEMBER 31, \_\_\_\_\_**

To calculate the Evaluation Period Cost Rate for Common Equity (“EPCOE”) each year, the results from the following two methodologies shall be averaged:

1. Discounted Cash Flow
2. Regression Analysis

To this average shall be added an issuance cost adjustment of 12.5 basis points.

1. Discounted Cash Flow (“DCF”)

A. The following annual version of the DCF Model shall be used:

$$k = D_1/P_0 + g$$

Where:

k = Cost of common equity for each utility.

D<sub>1</sub> = Dividend for the next annual period calculated as:  
Utility’s current dividend as stated in the December issue of C.A. Turner Utility Reports x (1 + g).

P<sub>0</sub> = Stock price for the utility. The stock price utilized in the formula shall be the average of the daily closing stock prices of the utility for the month of December.

g = Growth rate for the utility. The average of the projected earnings growth rates for the utility reported by First Call (I/B/E/S 5-year median), Zacks (120-day mean/consensus estimate), and Multex Investor (long-term growth mean estimate).

B. The sample of comparable utilities shall consist of the parent companies of the operating electric utilities labeled “vertically integrated electric utilities” listed in Moody’s Power and Energy Company Sourcebook. The following criteria shall be used to determine the group:

Bond Rating – The utility must have a Standard & Poor’s corporate credit rating within one rating class of Entergy Mississippi’s S&P corporate credit rating (e.g., if Entergy Mississippi’s rating is BBB, then the applicable ratings for the sample utilities are BBB-, BBB, and BBB+). This information is in S&P’s Utilities and Perspectives.

Predominantly Regulated Utility– Must have at least 50% of its operating revenues from electric revenues. This information is obtained from C.A. Turner Utility Reports.

Other – Utilities involved in a merger, utilities that do not pay dividends or are not listed on U.S. stock exchanges, and utilities with projected growth rates equal to or less than zero or where projected growth rates are not available shall be excluded from the sample as well.

- C. The DCF Model described above shall be performed for each comparable utility and the truncated mean, derived by discarding the highest and lowest results of the DCF calculations, for the group shall be used as the cost of equity.

## 2. Regression Analysis

The following linear equation with constant term is estimated via the ordinary least squares regression technique:

$$RP = a + b (BY) + c (D)$$

The model shall utilize available data from 1974 to present. The dependent variable (RP) represents the risk premium calculated as the difference between the average rate of return on common equity allowed in all electric rate cases by state regulatory commissions as reported by Regulatory Research Associates or, prior to 1986, Argus UtilityScope Regulatory Service, for a given calendar year and Moody’s average public utility bond yield for the same calendar year. The independent variable (BY) represents Moody’s average public utility bond yield for the calendar year. The independent variable (D) represents a “dummy” variable equal to 1 in the years 1974-1986, and equal to 0 in all other years. If the regression results in a Durbin-Watson statistic indicating significant serial correlation, then it shall be re-estimated using the Cochrane-Orcutt technique. Significant serial correlation is present when rho from the Cochrane-Orcutt re-estimation is statistically significant at the .05 level.

The regression analysis shall be solved using the estimated parameters “a”, “b”, and “c” from the equation and the yield on Moody’s average public utility bonds for the month of December. The risk premium produced by the regression analysis shall be added to the average Moody’s yield for the month of December for public utility bonds with the same letter ranking (i.e., Aaa, Aa, A, or Baa) as EMI’s current Moody’s bond rating to calculate the cost of equity.

**ENTERGY MISSISSIPPI, INC.  
PERFORMANCE RATING ADJUSTMENT (PADJ) FORMULA**

PADJ = Performance Rating Adjustment for the Evaluation Period (1)

$$\text{PADJ} = 2 * (\text{CSADJ} + 2 * (\text{PRCADJ} + \text{RELADJ}))$$

Where:

PRCADJ = Customer Price Rating Adjustment for the Evaluation Period (2)

CSADJ = Customer Satisfaction Rating Adjustment for the Evaluation Period (3)

RELADJ = Customer Reliability Rating Adjustment for the Evaluation Period (4)

NOTE:

- (1) The value of PADJ as calculated under the above formula is a percentage.
- (2) The Customer Price Rating Adjustment for any Evaluation Period shall be calculated in accordance with the Customer Price Rating Adjustment Formula set out on Page 2 of this Attachment F.
- (3) The Customer Satisfaction Rating Adjustment for any Evaluation Period shall be calculated in accordance with the Customer Satisfaction Rating Adjustment Formula set out on Pages 3-4 of this Attachment F.
- (4) The Customer Reliability Rating Adjustment for any Evaluation Period shall be calculated in accordance with the Customer Reliability Rating Adjustment Formula set out on Page 5 of this Attachment F.

**ENTERGY MISSISSIPPI, INC.**  
**CUSTOMER PRICE RATING ADJUSTMENT (PRCADJ) FORMULA**

PRCADJ = Customer Price Rating Adjustment for the current Evaluation Period

$$\text{PRCADJ} = 100 * \frac{\text{PI}_{01} - \text{PI}}{\text{PI}_{01}}$$

Where:

PI = Price Index (1)

PI = PMPL / SEEA for the current Evaluation Period

PI<sub>01</sub> = PMPL<sub>01</sub> / SEEA<sub>01</sub> for the initial Evaluation Period of 2001

Where:

PMPL = EMI's average retail revenue per kWh, calculated by dividing total retail revenues by total retail kWh sales for the applicable Evaluation Period

SEEA = Average retail electric revenue per kWh for the utilities or their successor listed below (2) for which data is available, calculated by dividing total retail electric revenues for those utilities by the total associated kWh sales for the most recent 12 months reasonably available.

NOTE:

- (1) The value of PI for any Evaluation Period subsequent to 2001 shall be restricted to a range from 0.9 PI<sub>01</sub> to 1.1 PI<sub>01</sub>. Should the calculated value of PI for any such Evaluation Period be less than 0.9 PI<sub>01</sub>, then the value of PI for that Evaluation Period shall be set at 0.9 PI<sub>01</sub>. Similarly, should the value of PI for any Evaluation Period exceed 1.1 PI<sub>01</sub>, then the value of PI for that Evaluation Period shall be set at 1.1 PI<sub>01</sub>.
- (2) Alabama Power Company, Appalachian Power Company, Atlantic City Electric Company, Baltimore Gas & Electric Company, Carolina Power & Light Company, CLECO Corporation, Delmarva Power & Light Company, Duke Power Company, Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy Louisiana, Inc., Entergy New Orleans, Inc., Florida Power & Light Company, Florida Power Corporation, Florida Public Utilities, Georgia Power Company, Gulf Power Company, Kentucky Power Company, Kentucky Utilities Company, Kingsport Power Company, Louisville Gas & Electric Company, Mississippi Power Company, Monongahela Power Company, Oklahoma Gas & Electric Company, Potomac Electric Power Company, Savannah Electric & Power Company, South Carolina Electric & Gas Company, Tampa Electric Company, The Potomac Edison Company and Dominion Virginia Power Company.

**ENTERGY MISSISSIPPI, INC.**  
**CUSTOMER SATISFACTION RATING ADJUSTMENT (CSADJ) FORMULA**

CSADJ = Customer Satisfaction Rating Adjustment for the current Evaluation Period

If  $CSI \leq 60.79$  , then **CSADJ** = -10

If  $60.79 < CSI < 74.31$  , then **CSADJ** =  $1.4793 * (CSI - 67.55)$

If  $CSI \geq 74.31$  , then **CSADJ** = 10

Where:

CSI = Customer Satisfaction Index for the current Evaluation Period

Where:

$$CSI = \sum_{j=1}^n CW_j * AR_j \text{ for the current Evaluation Period}$$

Where:

$n$  = The number of customer classes surveyed

$CW_j$  = Class weighting factor for customer class  $j$  determined as the ratio of the number of customers in class  $j$  to the total number of customers in all  $n$  classes surveyed during the current Evaluation Period

$AR_j$  = Percentage of responses to the Customer Satisfaction Survey described herein for customer class  $j$  that indicated 10, 9, or 8 in the survey conducted during the current Evaluation Period

**ENTERGY MISSISSIPPI, INC.  
CUSTOMER SATISFACTION RATING ADJUSTMENT (CSADJ) FORMULA  
(continued)**

**CUSTOMER SATISFACTION SURVEY**

A survey firm will conduct a customer opinion survey each year. The survey questionnaire will obtain information from a sample of the Company's residential, small business and large commercial and industrial customers regarding the customers' level of satisfaction with the Company's service in the following categories:

1. Overall quality of EMI's services
2. Being a company that is easy to do business with
3. Overall quality of the electric power
4. Overall quality of billing service
5. Overall quality of customer service
6. Overall quality of preventive maintenance
7. Overall quality of meter reading
8. Overall quality of emergency service
9. Ability to solve problems
10. Being courteous/helpful

Survey respondents shall score question(s) in each category on the following rating scale:

10	9	8	7	6	5	4	3	2	1	0
Excellent										Poor

The survey firm shall be selected by the Company and shall be competent, professional, and nationally recognized. The Company may change such survey company from time-to-time as may be appropriate for economic or accuracy purposes. EMI shall notify the Commission of the survey firm initially selected and any subsequent replacements.

The Company may modify the Customer Satisfaction Survey by notifying the Commission of its intent to make such modifications by November 1 of the calendar year preceding the Evaluation Period in which the modified survey will first be utilized.

**ENTERGY MISSISSIPPI, INC.  
CUSTOMER RELIABILITY RATING ADJUSTMENT (*RELADJ*) FORMULA**

RELADJ = Customer Reliability Rating Adjustment for the current Evaluation Period

If  $SII \geq 260$  , then **RELADJ** = -10

If  $260 > SII > 130$  , then **RELADJ** =  $( 195 - SII ) / 6.5$

If  $SII \leq 130$  , then **RELADJ** = 10

Where:

SII = Service Interruption Index for the current Evaluation Period

Where:

$$SII = \frac{\sum_{i=1}^n C_i T_i}{NC}$$

Where:

n = The total number of Includable Service Interruptions during the current Evaluation Period as defined below

$C_i$  = The number of retail customers affected by Includable Service Interruption i

$T_i$  = The total time retail customers were without power during Includable Service Interruption i expressed to the nearest whole minute

NC = The total number of retail customers at the end of the Evaluation Period, which shall be determined by the number of meters in active use at the end of the current Evaluation Period

**INCLUDABLE SERVICE INTERRUPTIONS:**

All interruptions of service to EMI's retail customers shall be Includable Service Interruptions except :

1. Interruptions not reasonably within the Company's control including, but not limited to: tornadoes, hurricanes, ice storms, manufacturers' defects, vandalism/sabotage, and customer equipment.
2. Interruptions that are scheduled by the Company.
3. Interruptions related to the repair or replacement of secondary or metering facilities.
4. Momentary interruptions caused by a protective device's operation which do not culminate in a sustained interruption exceeding 3 minutes.
5. Interruptions of service to outdoor lighting and street lighting.

**ENTERGY MISSISSIPPI, INC.**  
**RATE ADJUSTMENT REDETERMINATION FORMULA**  
**TWELVE MONTHS ENDED DECEMBER 31, \_\_\_\_\_**  
**(\$000 OMITTED)**

**SECTION 1**

**RETURN RANGE CHECK FOR RATE SCHEDULE FRP**

LINE NO	DESCRIPTION	REFERENCE	
1	Earned Rate of Return on Rate Base	Attachment B, Page 1, Line 3	%
2	Benchmark Rate of Return on Rate Base	Attachment D	%
3			
4			
5	If Line 2 + 0.5% < Line 1		<b>GO TO Section 2</b>
6	If Line 2 - 0.5% > Line 1		<b>GO TO Section 3</b>
7	Otherwise		<b>No Rate Change</b>

**SECTION 2**

**UPPER POINT RATE ADJUSTMENT**

DESCRIPTION	REFERENCE	
8 Earned Rate of Return on Rate Base	Line 1	%
9 Upper Point	Line 2 + 0.5%	%
10 Reduction to Upper Point	Line 8 - Line 9	%
11 Reduction in Earned Rate of Return on Rate Base	50% of Line 10	%
12 If Line 11 ≤ 0.05%		<b>No Rate Change</b>
13 If Line 11 > 0.05%		
14 Reduction in Earned Rate of Return on Rate Base	Line 11	%
15 Adjusted Rate Base	Attachment B, Page 2	\$
16 Reduction in Return on Rate Base	Line 14 * Line 15	\$
17 Revenue Conversion Factor	[See Note Below]	
18 Reduction in Retail Revenues	Line 16 * Line 17	\$
19 Evaluation Period Retail Revenues	Attachment B, Pg. 3, Line 1 Col. 5	\$
20 Maximum Reduction in Retail Revenues	Lesser of 2.0% * Line 19 or \$14.5 million	\$
21 Reduction in Rider FRP Revenues	Lesser of Line 18 or Line 20	\$

**SECTION 3**

**LOWER POINT RATE ADJUSTMENT**

DESCRIPTION	REFERENCE	
22 Lower Point	Line 2 - 0.5%	%
23 Earned Rate of Return on Rate Base	Line 1	%
24 Increase to Lower Point	Line 22 - Line 23	%
25 Increase in Earned Rate of Return on Rate Base	50% of Line 24	%
26 If Line 25 ≤ 0.05%		<b>No Rate Change</b>
27 If Line 25 > 0.05%		
28 Increase in Earned Rate of Return on Rate Base	Line 25	%
29 Adjusted Rate Base	Attachment B, Page 2	\$
30 Increase in Return on Rate Base	Line 28 * Line 29	\$
31 Revenue Conversion Factor	[See Note Below]	
32 Increase in Retail Revenues	Line 30 * Line 31	\$
33 Evaluation Period Retail Revenues	Attachment B, Pg. 3, Line 1, Col. 5	\$
34 Maximum Increase in Retail Revenues	Lesser of 2.0% * Line 33 or \$14.5 million	\$
35 Increase in Rider FRP Revenues	Lesser of Line 32 or Line 34	\$

Note: The Revenue Conversion Factor = 1/[(1 - State Tax Rate)(1 - Federal Tax Rate)(1 - .0030 - .0112)], where "0030" is the bad debt expense, and ".0112" is the city tax rate.

**ENTERGY MISSISSIPPI, INC.**  
**RATE ADJUSTMENT REDETERMINATION FORMULA**  
**TWELVE MONTHS ENDED DECEMBER 31, \_\_\_\_\_**  
**(\$000'S OMITTED)**

Line No.	Rate Class	[A] Allocator [1]	[B] FRP Revenue Adjustment Incr/(Decr) [2]	[C] Evaluation Period Annualized FRP Revenue [3]	[D] Total FRP Revenue [4]	[E] Billing Units [5]	[F] Revised FRP Rate Adjustment [6]
1	Residential					kWh	\$____/kWh
2	General Service					kWh	\$____/kWh
3	Intermediate General Service					kWh	\$____/kWh
4	High Load Factor Service					kWh	\$____/kWh
5	Large General Service					kWh	\$____/kWh
6	Alternate Large Gen. Ser.					kW	\$____/kW
7	Lighting					kWh	\$____/kWh
8	Total					N/A	N/A

NOTES:

- [1] Evaluation Period Net Monthly Rate and Net Seasonal Rate Revenue before the Adjustments, as those terms are defined in the Company's currently effective rate schedules, or such other allocator as the Commission may have most recently ordered.
- [2] See Attachment G, Page 1, Line 21 for Decrease or Line 35 for Increase. Allocated to Rate Classes by Column A.
- [3] Rider FRP Rate Adjustments in effect at the end of the Evaluation Period multiplied by the Evaluation Period Billing Units in Column E.
- [4] Sum of Column B and Column C
- [5] Billing Units for the Evaluation Period
- [6] Column D / Column E