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ENTERGY ARKANSAS, INC.
ARKANSAS

Entergy Arkansas, Inc. is the co-owner/operator of a coal-fired power plant located in northeastern Arkansas near Newark. This facility has two units each rated at approximately 840 MW and consumes approximately 6,400,000 tons of Powder River Basin Coal from Wyoming a year. Other co-owners of the facility include Arkansas Electric Cooperative, Inc. and various municipalities in Arkansas.

Two railroads, the Union Pacific and the Burlington Northern, originate coal out of the Powder River Basin. Our Arkansas facility is located on both the Union Pacific Railroad and a short line railroad that has the ability to interchange with the Burlington Northern. Our facility should have access to competitive coal movement. However, due to a "paper barrier" that exists between the Union Pacific and the shortline, we are captive to the Union Pacific and pay monopoly rates from the Powder River Basin to our facility.

A number of years ago, Union Pacific Railroad leased one set of tracks that serve the facility to a short line railroad called the Missouri and Northern Arkansas Railroad Company, Inc. (MN&A). Currently, loaded trains arrive at the plant by way of Little Rock and Newport, Arkansas and the empty trains are returned across the MN&A to Kansas City, Missouri where the MN&A interchanges with the Union Pacific railroad for return delivery to the mines in Wyoming. MN&A interchanges with both the BNSF Railway and Union Pacific Railroad at Kansas City, Missouri. Thus, we should have the option of moving our coal to our facility via either the UP or the joint operations of the BN and the MN&A short line railroad.

However, the track lease agreement between the Union Pacific Railroad and MN&A stipulates that a sliding scale lease payment between \$0 and \$90 million will be paid by MN&A based on the percentage of interchange business that MN&A does with Union Pacific as compared to other railroads. Specifically, if 95% or more of M&NA business is interchanged with the Union Pacific Railroad, no annual lease payment is required. On the other hand, if only 95% or less of the business is interchanged with the Union Pacific Railroad, then an annual lease payment is due that begins at \$10 million and escalates to \$90 million as the percentage of interchange business drops. This lease payment sliding scale represents a "paper barrier" that prevents Entergy Arkansas and the other co-owners of the plant from achieving competitive rail service from the BN and MN&A. This issue will be of enormous consequence to the customers of the owners of this facility when the current transportation contract with the Union Pacific Railroad expires in 2011.