



Control Number: 34800



Item Number: 1632

Addendum StartPage: 0

SOAH DOCKET NO. 473-08-0334
PUC DOCKET NO. 34800

APPLICATION OF ENTERGY GULF	§	BEFORE THE
STATES, INC. FOR AUTHORITY	§	STATE OFFICE OF
TO CHANGE RATES AND TO	§	ADMINISTRATIVE HEARINGS
RECONCILE FUEL COSTS	§	

TESTIMONY

OF

BRUCE M. LOUISELLE

ON BEHALF OF

ENTERGY GULF STATES, INC.

IN SUPPORT OF

NON-UNANIMOUS STIPULATION

MAY 23, 2008

2008 MAY 23 PM 2:13
FILING CLERK

ENTERGY GULF STATES, INC.
TESTIMONY OF BRUCE M. LOUISELLE
IN SUPPORT OF NON-UNANIMOUS STIPULATION
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EXHIBITS

Exhibit BML-S-1	Non-Unanimous Stipulation
Exhibit BML-S-2	Rough Production Cost Equalization Rate Schedules

1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Bruce M. Louiselle. My business address is 1491 Chain
4 Bridge Road, Suite 300, McLean, Virginia 22101.

5

6 Q. ARE YOU THE BRUCE M. LOUISELLE WHO FILED DIRECT
7 TESTIMONY IN THIS CASE ON SEPTEMBER 26, 2007 AND REBUTTAL
8 TESTIMONY ON MAY 2, 2008?

9 A. Yes, I am.

10

11 II. PURPOSE OF TESTIMONY

12 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

13 A. My testimony describes and supports certain aspects of the Non-
14 Unanimous Stipulation ("NUS") that has been agreed to by certain parties
15 to this proceeding.¹ For ease of reference, I have attached the NUS as
16 Exhibit BML-S-1.

17 More specifically, I address the treatment of the payments to be
18 received by the Company pursuant to Federal Energy Regulatory

¹ Community Associations of the Woodlands, Texas ("CATW"), Entergy Texas, Inc. ("ETI" or the "Company"), the Entergy Texas, Inc. Service Area Cities' Steering Committee ("Cities"), the Kroger Co. ("Kroger"), Office of Public Utility Counsel ("OPC"), Texas Legal Service Center ("TLSC"), Texas Ratepayers Organization to Save Energy ("Texas ROSE"), and Wal-Mart Texas Stores, LP ("Wal-Mart"), together the "Signatories."

1 Commission ("FERC") Opinion Nos. 480 and 480-A. These are referred to
2 as the Rough Production Cost Equalization ("RPCE") payments. In
3 addition, I discuss the allocation of the proposed rate increase among rate
4 classes. I also discuss the means by which the Company will recover
5 certain purchased capacity costs. I discuss the deferral of the Competitive
6 Generation Service ("CGS") tariff, and finally I discuss the elimination of
7 certain tariffs that had been subsidized by other customers or the
8 Company.

9
10 Q. BEFORE DISCUSSING THESE ISSUES IN DETAIL, DO YOU HAVE AN
11 OPINION AS TO WHETHER THE NON-UNANIMOUS STIPULATION IS
12 REASONABLE AND IN THE PUBLIC INTEREST?

13 A. I do.

14

15 Q. WHAT IS THAT OPINION?

16 A. In my opinion, the NUS is reasonable and in the public interest.

17

18 Q. WHAT DO YOU MEAN BY "IN THE PUBLIC INTEREST"?

19 A. The public interest is that which is thought to best serve everyone; it is the
20 common good. If the net effect of a decision is believed to be positive or

1 beneficial to society as a whole, it can be said that the decision serves the
2 “public interest.”

3 Public utilities in general and electric utilities in particular, affect
4 nearly all elements of society. Public utilities have the ability to influence
5 the cost of production of the businesses that are served by them, to affect
6 the standard of living of their customers, to affect employment levels in the
7 areas they serve, and to affect the interests of the investors. In sum,
8 public utilities affect the general economic activity in the state.

9 In determining whether a particular decision or policy is in the public
10 interest, there is no immutable law or principle that can be applied. While
11 the public interest is often defined in terms of “net benefits,” such a test or
12 standard merely substitutes one expression for another. The difficulty is in
13 defining and, if possible, quantifying the “net benefits.”

14 It is recognized that “net benefits” cannot simply be defined as lower
15 prices. For example, if lower prices are achieved through a reduction in the
16 reliability or quality of service, it may very well be perceived that the lower
17 prices have not produced net benefits. Similarly, higher prices might not
18 produce negative net benefits or detriments. For example, if an existing
19 price is low due to a cross-subsidy, removing that subsidy would raise that
20 price, but doing so would not necessarily be detrimental. Under Texas law,

1 the protection of the public interest requires the determination of just and
2 reasonable rates from different perspectives:

3 [The Public Utility Regulatory Act was] enacted to protect the
4 public interest inherent in the rate and services of electric
5 utilities. The purpose of [PURA] is to establish a
6 *comprehensive and adequate regulatory system* for electric
7 utilities to assure rates, operations, and services that are just
8 and reasonable to the consumers **and to the electric**
9 **utilities.**²

10 Objective measurement of how a decision affects the public interest
11 is problematic at best. For the past sixty or more years, regulatory
12 decision-making has been tested in the courts by a balancing-of-interests
13 standard. In these cases, beginning with *Federal Power Commission v.*
14 *Hope Natural Gas Company*,³ the courts have found that if the regulatory
15 body's decision reflected a reasonable balancing of customer and investor
16 interests, the decision was to be affirmed as just and reasonable.

17 In sum, determining whether a decision is in the "public interest"
18 requires a balancing of the various effects of a particular course of action
19 measured subjectively over the longer run. Whether a course of action is in
20 the public interest will depend upon factors that are potentially quantifiable
21 on an estimated basis, such as likely changes in costs, as well as upon
22 other factors that are not quantifiable, such as the effect of that course of

² § 11.002(a) (emphasis added).

³ 320 U.S. 591, 660 (1944).

1 action on the robustness of a competitive market. Finally, while witnesses
2 can provide facts and opinions that bear on this issue, it is only the
3 decision-maker, the Commission (based on the recommendation of the
4 ALJs in this instance), which can reach a conclusion as to whether the NUS
5 is in the public interest.

6
7 Q. ON WHAT DO YOU BASE YOUR OPINION THAT THE NUS IS IN THE
8 PUBLIC INTEREST?

9 A. There are certain factors that should be considered in determining whether
10 the NUS is reasonable and in the public interest. First, the Company has
11 not had a general base rate increase since 1991, a period of 17 years.
12 Second, the increase is being phased-in over a two-year period with the
13 first step occurring in the first billing cycle of October 2008 and the second
14 step occurring in the first billing cycle of October 2009. Third, the rates
15 approved herein have a relatively short life because the Company is
16 required, pursuant to Paragraph II. 7 of the NUS, to file a base rate case
17 on or before December 31, 2009 resulting in a potential change in base
18 rates on or about July 1, 2010. Fourth, the increase pursuant to the NUS is
19 relatively modest. The total net change in base rate revenues will be
20 approximately 7.2%, and the total net change in total revenues will be
21 approximately 2.1%. Over the period since the last base rate increase

1 received by the Company, the cumulative inflation (as measured by the
2 CPI) has been 58% (June 1991-April 2008).

3 Finally, I note that this is a "black-box" settlement, in that the
4 Signatories have agreed to a final package of terms and conditions and not
5 to specific adjustments to the cost of service or revenue requirement, with
6 certain limited exceptions in this case.

7

8 A. Overview of Rate Changes

9 Q. WILL YOU BRIEFLY SUMMARIZE THE RATE CHANGES THAT WOULD
10 RESULT FROM THE APPROVAL OF THE NUS?

11 A. Yes. Commencing with bills rendered in the first billing cycle of October
12 2008, the Company will be authorized to increase base rates by \$42.5
13 million. Contemporaneous with that increase, customers will receive a
14 credit to base rates equal to \$25 million (on an annual basis), which credit
15 will come from a portion of the anticipated RPCE payments to be received
16 by the Company beginning in June 2008. In other words, the Company will
17 retain such payments and amortize the regulatory liability at a rate of \$25
18 million annually until the rates from the Paragraph II. 7 rate case filing go
19 into effect. Thus, the net increase in base rates experienced by customers
20 will be \$42.5 million less the \$25 million credit, or \$17.5 million. These
21 terms are set forth in Paragraph II. 1 of the NUS (Exhibit BML-S-1).

1 Commencing with bills rendered in the first billing cycle of October
2 2009, the Company will be allowed to increase base rates by an additional
3 \$17 million, resulting in a total increase in base rates of \$59.5 million. The
4 RPCE credit, in the annual amount of \$25 million, will continue until base
5 rates are next changed. Consequently, the net effect is a \$34.5 million
6 increase in customers' base rates. These terms are set forth in Paragraph
7 II. 4 of the NUS.

8 In addition to the net base rate increases just discussed, the
9 Company will be allowed to retain an additional \$17.0 million of RPCE
10 payments on an annual basis over the period January 2009 through
11 September 2009. Consequently, it is expected that the Company would
12 retain approximately \$12.75 million of the \$17.0 million annual amount.

13

14 Q. IS IT APPROPRIATE TO CHARACTERIZE THE NUS AS REFLECTING
15 ONLY A \$34.5 MILLION RATE INCREASE?

16 A. No, that is only the net effect on base rates. It is important to consider the
17 total revenue effects of the NUS. The Company will experience increased
18 revenues through a combination of base rates, riders and retention of the
19 designated RPCE payments. There will be an equivalent effect on
20 customers' bills with increased base rates, revised riders, and foregone
21 pass through of designated RPCE payments. The NUS simply uses the

1 designated RPCE payments that otherwise would be returned to
2 customers via a credit to reconcilable fuel expense to instead allow the
3 Company to retain those sums to offset a portion of the needed base rate
4 increase that otherwise would have to be obtained directly from customers.

5

6 Q. HOW DOES THE TOTAL RATE INCREASE REFLECTED IN THE NUS
7 COMPARE TO THE COMPANY'S AS-FILED REQUEST IN THIS
8 PROCEEDING?

9 A. The Company requested a base rate increase of \$64.3 million plus
10 implementation of various riders and other charges of an additional \$48.2
11 million, for a total rate increase of \$112.5 million. The NUS provides for a
12 base rate increase of \$59.5 million, plus \$3 million for an energy efficiency
13 rider, plus a rate case expense rider for three years of \$1.7 million, plus an
14 approximate \$8.2 million increase in fuel expense for purchased power cost
15 recovery (based on the test year level), less the existing Incremental
16 Purchased Capacity Rider, which recovered \$18.2 million during the test
17 year, for a total increase of \$54.2 million. Thus, the NUS is more than a 50
18 percent reduction from the Company's as-filed case.

19

20 B. RPCE Credits

21 Q. WILL YOU NOW DISCUSS THE RPCE CREDITS?

1 A. Yes. In Opinion Nos. 480 and 480-A, the FERC amended the Entergy
2 System Agreement to provide that no Operating Company's bus bar
3 production costs could be more than 11% above the System average bus
4 bar production cost, or more than 11% below that average. In the event
5 that either or both of those conditions obtained, payments would be
6 required from the low cost Company(ies) to the high cost Company(ies).
7 Not all Companies would necessarily make or receive payments. Whether
8 Companies pay or receive is a function of a FERC-approved formula
9 contained in System Agreement Service Schedule MSS-3.

10 In compliance with those Opinions, Entergy Services, Inc. (on behalf
11 of the Operating Companies) made the first of a series of annual filings
12 with the FERC on May 29, 2007. That filing resulted in a payment of
13 \$120.103 million to EGSI by Entergy Arkansas, Inc. ("EAI") (the only low
14 cost Company). Of that \$120.103 million, \$30.399 million was allocated to
15 the Texas retail operations of EGSI. The entirety of that amount has been
16 credited to the Company's fuel balance.

17

18 Q. DO THE RPCE PAYMENTS CONSTITUTE A REFUND OF FUEL
19 EXPENSES?

20 A. No. The RPCE payments are the result of all production costs, fixed and
21 variable, of the Operating Companies when measured on a relative basis.

1 They reflect an allocation of costs due to participation in the Entergy
2 System Agreement based on an Operating Company's actual production
3 costs incurred relative to System average production costs. The RPCE
4 payments are not refunds, and the allocation of costs producing such
5 payments to the recipient Operating Companies in no way implies that the
6 actual costs should not have been incurred.

7

8 Q. HOW ARE RPCE PAYMENTS RECORDED ON THE COMPANY'S
9 BOOKS AND TREATED FOR RATEMAKING PURPOSES?

10 A. The FERC-formula rate used to calculate RPCE payments requires that
11 payments made be recorded in Account 555 and payments received be
12 recorded in Account 447. The FERC has left it to the discretion of the
13 states to determine how to reflect in retail rates any payments made or
14 received.

15 The Texas-jurisdictional portion of the first RPCE payments received
16 by the Company were credited to its fuel balance in recognition of the fact
17 that the disparities in total production costs among the Operating
18 Companies that resulted in those RPCE payments primarily are affected by
19 relative fuel and purchased power expenses. In contrast, in Louisiana, the
20 jurisdictional portion of the RPCE payments received by EGSI (Louisiana)

1 and Entergy Louisiana, LLC were credited back to Louisiana retail
2 customers split on energy and demand bases.

3

4 Q. HOW ARE THE RPCE PAYMENTS DETERMINED PURSUANT TO FERC
5 OPINION NOS. 480 AND 480-A?

6 A. Pursuant to those Opinions, the payments are based on data for the prior
7 calendar year, and paid ratably over the seven-month period June-
8 December of the year subsequent to the calendar year on which the
9 payments are based. For example, the RPCE payments to EGS in 2007
10 were based on data for the calendar year 2006, and paid in seven equal
11 installments over the period June 2007 through December 2007.

12

13 Q. DOES THE CALCULATION OF RPCE PAYMENTS DUE TO THE
14 COMPANY REQUIRE ANY ACTION AT THE STATE LEVEL?

15 A. No. The formula-rate already has been approved by the FERC. The
16 specific application of that formula produces payments and receipts
17 approved by the FERC, subject to refund. The RPCE payments due to the
18 Company are a function of performing the calculations in the formula after
19 the filing of the FERC Form 1 for the prior calendar year.

20 The formula-rate is not subject to change absent a filing with the
21 FERC. Further, there will be no jurisdictional allocation of future RPCE

1 payments due to the Company subsequent to 2008 because it now
2 operates as a Texas-only company.

3

4 Q. HAS INFORMATION BEEN AVAILABLE TO THE PARTIES TO THIS
5 PROCEEDING WITH RESPECT TO THE DERIVATION OF THE RPCE
6 PAYMENTS RECEIVED BY THE COMPANY?

7 A. Yes. As I noted above, the derivation of the first series of annual RPCE
8 filings was made with the FERC on May 29, 2007 in Docket No. ER07-956-
9 000, (pending). That FERC proceeding details the first application of the
10 FERC-approved formula rate, which has been the subject of extensive
11 discovery. The Commission and TIEC are both participants in that FERC
12 proceeding.

13 The first RPCE payments made to the Company have also been the
14 subject of two Texas proceedings in which discovery has been allowed
15 since October 2007.⁴ Staff, Cities, the State and TIEC are all parties to
16 those proceedings.

17

⁴ Docket No. 35269, *Compliance Filing of Entergy Texas, Inc. Regarding Jurisdictional Allocation of 2007 System Agreement Payments* (pending); Docket No. 34953, *Application of Entergy Gulf States, Inc. to Implement an Interim Fuel Refund* (Feb. 28, 2008).

1 Q. HOW WILL THE COMPANY BOOK ON A MONTHLY BASIS THE
2 PORTION OF THE RPCE PAYMENTS THAT ARE SUBSUMED IN THE
3 NUS?

4 A. Consider first the RPCE credit to be provided to customers beginning in the
5 first billing cycle of October 2008. This credit will be provided to each
6 customer on the basis of each customer's base rate revenues. For
7 example the \$25 million RPCE credit equates to 4.7951% of adjusted test
8 year base rate revenues. Consequently, each customer's bill will be
9 credited by an amount equal to 4.7951% of that customer's base rate
10 revenue. The amount credited to customers each month, in total, will be
11 the amount of the RPCE payments that will be retained by the Company in
12 that month.

13 Consider next, the additional RPCE payment to be retained by the
14 Company over the period January 2009 to September 2009. The \$17
15 million of RPCE payments equates to 3.2606% of adjusted test year base
16 rate revenues. Consequently, for each of those months the Company will
17 retain an amount equal to 3.2606% of the base rate revenue billed to
18 customers in those months.

19 Finally, consider the period beginning October 2009 through the date
20 base rates are charged pursuant to Paragraph II. 7. During that period,
21 each customer's bill will be credited by an amount equal to 4.6437% of that

1 customer's base rate revenue. The percentage declines slightly due to the
2 higher base rate revenues resulting from the first step of the base rate
3 increase. I have attached as Exhibit BML-S-2 the three Rate Schedules
4 needed to implement the RPCE provisions of Paragraphs II. 1 and 4.

5

6 Q. WHY IS THE COMPANY BEING ALLOWED TO RETAIN \$17 MILLION
7 OF RPCE PAYMENTS DURING THE PERIOD JANUARY 2009 TO
8 SEPTEMBER 2009?

9 A. As part of the NUS, the Company has agreed to delay the recovery of a
10 portion of the needed increase in rates for twelve months, from October
11 2008 to October 2009, that portion being the \$17 million increase to be
12 effective in October 2009. In return, the Company will be authorized to
13 retain a portion of the RPCE payments to be received by the Company,
14 which portion will be retained by the Company via an amortization to
15 income on a monthly basis during the first nine months of 2009.

16

17 Q. UNDER THE NUS, WHO WOULD BEAR THE RISK THAT FUTURE RPCE
18 PAYMENTS RECEIVED BY THE COMPANY ARE SUFFICIENT TO
19 IMPLEMENT PARAGRAPHS 1 AND 2 OF THE NUS?

20 A. The Company will bear that risk. The RPCE payments available to
21 implement Paragraphs II. 1 and 2 of the NUS are the RPCE payments

1 received while the NUS rates pursuant to Paragraphs II. 1 and 4 are in
2 effect. If those RPCE payments were to be less than reflected in the NUS,
3 the Company would absorb that short-fall.

4 The relationship of natural gas prices relative to the cost of coal and
5 nuclear fuel will affect the magnitude of the RPCE payments. Provided the
6 relationship of those fuel costs does not change dramatically in the near-
7 term, future RPCE payments to the Company should be sufficient to
8 implement the terms of the NUS. Also, to the extent the RPCE payments
9 to the Company are more than \$25 million, the Company will reserve
10 amounts to assure that Paragraphs II. 1 and 2 of the NUS will be fully
11 implemented while the NUS rates are in effect.

12

13 Q. IF THE RPCE PAYMENTS RECEIVED BY THE COMPANY EXCEED THE
14 AMOUNTS CREDITED TO CUSTOMERS TO OFFSET THE BASE RATE
15 INCREASES OR OTHERWISE RETAINED BY THE COMPANY, WHO
16 WILL RECEIVE THE BENEFIT OF THE EXCESS AMOUNT?

17 A. Customers will receive the benefit of all RPCE amounts as credits resulting
18 in base rates lower than they otherwise would have been, or, if not needed
19 to satisfy the NUS, in the form of reduced costs via the fuel reconciliation
20 process.

21

1 Q. IN YOUR OPINION, IS IT REASONABLE TO USE A PORTION OF THE
2 RPCE PAYMENTS TO OFFSET THE EFFECT OF NECESSARY BASE
3 RATE INCREASES?

4 A. In my opinion, it is. The use of a portion of the RPCE payments to mitigate
5 a necessary rate increase is a reasonable and efficient use of those
6 amounts. The NUS actually allows customers to see the benefit of the
7 RPCE payments much sooner than otherwise would be the case.
8 Customers will see the immediate effect of the offset to the base rate
9 increase as soon as those rates are effective. In contrast, using the RPCE
10 payments to only offset fuel costs does not change the fuel rate charged to
11 customers, save and except for a periodic interim fuel refund or surcharge.

12 The timing of the RPCE payments also works to the advantage of
13 the Company's customers. The FERC's recent decision requiring RPCE
14 payments provides a new source of funds contemporaneous with the
15 Company's demonstrated need for a rate increase. Using the RPCE
16 payments as a way to offset a portion of the rate increase is an efficient
17 and reasonable way to mitigate the out-of-pocket effect on retail
18 customers.

19

1 C. Allocation of Rate Changes

2 Q. HOW DOES THE NUS ALLOCATE THE BASE RATE INCREASES AND
3 ASSOCIATED RPCE CREDITS?

4 A. The NUS allocates both items on an equal percentage of base rate
5 revenue. Each class receives an increase of approximately 7.2% of base
6 rate revenue.

7

8 Q. WHAT IS THE RELATIVE EFFECT OF THIS ALLOCATION FOR EACH
9 OF THE CLASSES ON A TOTAL REVENUE BASIS?

10 A. As I stated above, the total net change in total revenues will be
11 approximately 2.1%. On a class basis, the increase ranges from the low
12 end of 1.44% for Large Industrial Power Service to the high end of 3.97%
13 for Lighting Service.

14

15 Q. IS THIS PERCENTAGE CHANGE BASED ON ACTUAL TEST YEAR
16 REVENUES?

17 A. No. The Company's as-filed base rate revenues were adjusted, consistent
18 with past practice and as described in the direct and rebuttal testimony of
19 Mr. Corey Pettett. These adjustments do not constitute a change in base
20 rates; but, rather, the restatement of revenues and billing determinants to
21 the level of what current rates will produce when certain customers' usage

1 is modified and to begin the analysis of what the revenue deficiency or
2 surplus is when compared to the revenue requirement of the Company.

3

4 Q. IN YOUR OPINION, IS THIS A REASONABLE ALLOCATION OF THE
5 RATE INCREASE AND ASSOCIATED RPCE CREDITS?

6 A. In my opinion, it is. In a perfect world, where one could unambiguously
7 determine the cost of service for each customer class, one could argue
8 that such a cost-based allocation is the preferred alternative. Under that
9 approach, it is contended that there is a matching of benefits and burdens.
10 However, we do not live in a perfect world and, in my opinion, it is
11 impossible to calculate a class cost of service and assert that the result is
12 the only correct answer. Cost allocation requires a myriad of judgments; it
13 is not a simple task for the slide rule or computer, but rather is both an art
14 and a science. Indeed, this is made manifestly clear by the many and
15 varied methodologies advocated by various witnesses.

16 There are other factors that may be taken into account in selecting a
17 particular design of rates. These include stability of rate structure, and
18 other public policy goals. Recognizing that parties have disparate interests
19 in terms of the design of rates and the allocation of a rate increase, it is not
20 unreasonable for a settlement to resolve those disparate interests with an
21 equal percentage of base rate revenue allocation. The existing base rates

1 were determined by the Commission to be appropriate and reasonable.

2 The use of an equal percentage of base rate revenue to allocate the
3 increase will maintain those relationships for a short period of time until
4 rates are implemented following the next full rate case required by
5 Paragraph II. 7 of the NUS.

6

7 Q. IS AN EQUAL PERCENTAGE RATE INCREASE WITHIN THE LIGHTING
8 CLASS REASONABLE?

9 A. Yes, for the same reasons discussed above.

10

11 Q. IN YOUR EXPERIENCE, DO UTILITY REGULATORS DEVIATE FROM
12 COST OF SERVICE ALLOCATION WHEN CONSIDERING
13 COMPROMISE POSITIONS SUCH AS THE NUS?

14 A. Yes. In my experience, regulatory approval of particular retail rates based
15 solely on one party's cost of service study would be the exception and not
16 the rule. In other words, deviations from the results of a cost of service
17 study are typical in my experience. Yet, in each case, the regulator finds
18 that the resulting rates are just and reasonable.

19

1 D. Recovery of Purchased Capacity Costs

2 Q. WILL YOU NOW DISCUSS THE TERMS OF THE NUS AS THEY RELATE
3 TO THE RECOVERY OF THE CAPACITY COST PORTION OF POWER
4 PURCHASE AGREEMENTS?

5 A. Yes. The terms of the NUS applicable to the recovery of the capacity cost
6 of purchased power are set forth in Paragraph II. 5. It provides that the
7 capacity costs of the power purchased from third parties will be treated as
8 eligible fuel expense or Power Cost Recovery Factor ("PCRF") expense to
9 be reconciled pursuant to P.U.C. SUBST. R. § 25.236 or § 25.238, as
10 applicable. This method of recovery will continue until new base rates are
11 established in the Company's base rate proceeding filed pursuant to
12 Paragraph II. 7. Consequently, the Company would not recover these
13 costs on an as-incurred basis. Rather, the Company would be allowed to
14 defer these costs, and these costs would be reviewed and recovered
15 subject to the standards of P.U.C. SUBST. R. § 25.236 or § 25.238.

16

17 Q. WILL YOU DESCRIBE WHAT IS MEANT BY A THIRD-PARTY CAPACITY
18 PURCHASE?

19 A. Yes. Third parties are power suppliers that are unaffiliated with the
20 Company or Entergy Corporation. A third-party capacity purchase is any

1 power purchased from such a vendor that includes a stated capacity or
2 demand component or one that might be imputed.

3

4 Q. WHY DOES THE COMPANY ENGAGE IN TRANSACTIONS WITH THIRD-
5 PARTY VENDORS?

6 A. These power purchase agreements provide the Company a means of
7 meeting the reliability requirements of its customers and in many, if not
8 most, cases allow the Company to displace higher cost generation. I have
9 been personally involved in many aspects of the purchase of power by ESI
10 on behalf of the Operating Companies, including the Company, for many
11 years and consequently am familiar with how and why such purchase
12 decisions are made. Given the nature and purpose of these transactions, it
13 would be neither appropriate nor reasonable to provide customers the
14 energy and reliability benefits without providing the Company the
15 opportunity and means of recovering the costs of achieving those benefits.

16

17 Q. IN YOUR OPINION, IS THE RECOVERY OF THE CAPACITY COSTS
18 ASSOCIATED WITH POWER PURCHASED FROM THIRD PARTIES AS
19 PROVIDED FOR IN THE NUS REASONABLE?

20 A. Yes, it is. There are two separate and distinct issues. The first is whether
21 it is reasonable for the Company to have in place a mechanism to recover

1 the cost of capacity purchased from third parties. The second issue
2 concerns how that cost is to be recovered.

3 As concerns the first issue, it is my opinion that the Company has
4 the right to the recovery of its prudently-incurred costs. The NUS proposes
5 that such recovery occur through a reconciliation process, but preserves
6 the right of each Signatory to assert all factual and legal arguments they
7 asserted in this docket as any party to review and challenge basis for
8 purchase power adjustments in these reconciliation cases.

9 The cost of service or revenue requirement inherent in the NUS does
10 not include any amount related to the recovery of third-party capacity costs
11 of purchased power. The Company's as-filed case requested that all
12 purchased capacity costs, both affiliate and third-party, be removed from
13 base rates and recovered exclusively through a separate rider subject to
14 reconciliation. Parties opposed this request and asserted that all such
15 costs should be recovered through base rates.

16 The NUS is a reasonable compromise that allows for the cost
17 recovery of a smaller, but the most volatile, portion of the Company's
18 purchased capacity costs – third-party purchases. Only the capacity costs
19 of third-party purchases are excluded from base rates and recovered
20 exclusively through the reconciliation process.

1 Purchased capacity costs from affiliate power purchases (*i.e.*,
2 Service Schedule MSS-1 and MSS-4 costs) will continue to be recovered
3 through base rates until the implementation date of the rates resulting from
4 the rate case described in Paragraph II. 7.

5

6 Q. PLEASE ADDRESS THE SECOND ISSUE OF HOW THE COST IS TO BE
7 RECOVERED.

8 A. As I indicated previously, these transactions most often have favorable
9 energy cost terms. These energy benefits are realized by customers on an
10 energy usage basis. It is reasonable to recover the cost of acquiring that
11 benefit on the same basis.

12 An additional benefit of making the recovery of such costs subject to
13 reconciliation is that it ensures that the amount recovered is the prudent
14 amount that is incurred. Base rate recovery does not provide that
15 protection. For example, during the test year, the Company incurred \$8.2
16 million of such costs on a Texas retail basis. Whether the actual costs
17 during the future reconciliation period are more or less than that amount on
18 an annual basis will be a function of changes in load, changes in the market
19 for such products, and the ability to take advantage of energy savings
20 opportunities, none of which is in the direct control of the Company.

21

1 Q. IS THERE RISK OF DOUBLE RECOVERY OF COSTS IF THIRD-PARTY
2 CAPACITY PURCHASES ARE RECOVERED EXCLUSIVELY THROUGH
3 A RECONCILIATION PROCESS?

4 A. No. Double recovery would occur only if a certain amount of expense (*i.e.*,
5 a sum certain for third-party capacity costs) was included in base rates and
6 that same expense was recovered via a reconciliation process such that
7 two separate rates recovered the same exact costs. That is not the case
8 here. The third-party capacity costs are expressly excluded from base
9 rates and recovered exclusively through the reconciliation process.

10

11 Q. ARE THERE POLICY REASONS SUPPORTING THIRD-PARTY
12 PURCHASED CAPACITY COST RECOVERY AS SET FORTH IN THE
13 NUS?

14 A. Yes. The Company continues to operate in a delayed transition to
15 competition paradigm. However, the delayed transition does not obviate
16 the Company's obligation to plan to meet its expected load requirements.
17 The uncertainty over how long the Company must plan to meet its load
18 requirements necessarily affects the decision-making process for resource
19 planning. Reliance on use of third-party resources in order to maintain the
20 flexibility necessary to respond to the Commission's policy objectives for
21 retail open access is a part of the Company's resource procurement

1 strategy. Messrs. May and Cooper discussed this in greater detail in their
2 direct and rebuttal testimony. Given the Company's willingness to settle on
3 lower revenues as part of the NUS, the current cost recovery for third-party
4 purchases is both reasonable and critical to the Company's financial
5 stability.

6

7 Q. DOES THE COMMISSION POSSESS THE ABILITY TO AUTHORIZE
8 PURCHASED CAPACITY COST RECOVERY THROUGH A
9 RECONCILIATION PROCESS?

10 A. Yes. I have been advised that the Commission is authorized by law to
11 allow for the recovery of purchased power costs through a reconciliation
12 process.⁵ Such cost recovery is not unprecedented. The Commission
13 authorized cost recovery for purchased capacity costs in the Company's
14 last two reconciliation cases,⁶ and the Texas Legislature expressly
15 authorized an incremental purchased power rider for the Company.⁷

16

⁵ PURA §§ 36.203 – 36.206.

⁶ Docket No. 32710, *Application of Entergy Gulf States, Inc. for Authority to Reconcile Fuel and Purchased Power Costs*, Order on Rehearing at FoF 110-113 and CoL 18 (Oct. 19, 2007); Docket No. 29408, *Application of Entergy Gulf States, Inc. for the Authority to Reconcile Fuel Costs*, Order at 2-4 (Apr. 5, 2005).

⁷ PURA § 39.455.

1 Q. ASSUMING THAT THE NUS IS APPROVED, AT WHAT POINT IN TIME
2 SHOULD THE COMMISSION DECIDE WHETHER THIRD-PARTY
3 CAPACITY COSTS SHOULD BE RECOVERED AS RECONCILABLE
4 FUEL EXPENSE OR THROUGH A PCRF?

5 A. The Commission should make that decision in this case so that the
6 Company can, if necessary, submit a new PCRF rate to start recovering
7 those costs concurrent with the new rates resulting from this case. If the
8 Commission elects to allow cost recovery as fuel expense, then no further
9 action is required. A fuel factor rate is already in place. In that case, the
10 costs can be addressed through the Company's fuel balance.

11

12 Q. WILL YOU NOW DISCUSS YOUR UNDERSTANDING OF PARAGRAPH
13 II. 7 OF THE NUS?

14 A. Yes. Paragraph II. 7 requires the Company to file a rate case on or before
15 December 31, 2009 based on a test year ending June 30, 2009. This
16 Paragraph specifies that the MSS-4 transactions resulting from the
17 Jurisdictional Separation will be recovered via a contemporaneous
18 surcharge and that the amount recovered will be subject to reconciliation or
19 true-up under P.U.C. SUBST. R. § 25.236. Such recovery will continue at
20 least until the Company's next base rate proceeding when the issue can be
21 revisited.

1

2 Q. WHY DOES THE NUS CALL FOR A RECONCILIATION OF THE AMOUNT
3 OF SUCH MSS-4 COSTS RECOVERED TO THE AMOUNT OF SUCH
4 COSTS INCURRED?

5 A. Due to the Jurisdictional Separation and the new nature of certain MSS-4
6 costs that replace amounts in base rates,⁸ the NUS proposes that these
7 amounts be separately identified for cost recovery in the next rate case
8 after the separation has occurred. This allows for reconciliation and exact
9 recovery of such amounts.

10 In order to perform such reconciliation, it is necessary to have an
11 unambiguous method to determine the amount recovered; hence, it is
12 necessary to have a separately-stated surcharge.

13

14 Q. DOES THE NUS ADDRESS THE COST ALLOCATION ASSOCIATED
15 WITH CURRENT COST RECOVERY OF JURISDICTIONAL SEPARATION
16 MSS-4 TRANSACTIONS PROVIDED FOR IN THE NUS?

17 A. No. That issue is left open to be resolved in the next full rate case.

18

⁸ Louiselle Direct at 3-228 – 3-232.

1 E. Competitive Generation Service ("CGS")

2 Q. HOW DOES THE NUS DEAL WITH THE COMPANY'S PROPOSED CGS
3 SERVICE?

4 A. The NUS defers consideration of CGS service until the future rate case,
5 and the Company will work with the parties before then in a collaborative
6 effort.

7

8 Q. IS THIS PROPOSAL REASONABLE AS PART OF THE OVERALL NUS?

9 A. Yes. The Company had a statutory obligation to propose a CGS program
10 in this rate case, which has been satisfied.⁹ But, as part of the NUS,
11 further consideration of the program is warranted before the Commission
12 takes action.

13 The statute authorizing CGS service does not set out in any detail
14 the terms or structure of a CGS program. The Company worked to
15 develop a proposal that it believed was fair and balanced and in
16 compliance with governing law. Parties raised a number of concerns over
17 the Company's proposal to use Entergy's Open Access Transmission Tariff
18 for transmission service for CGS customers, the supply of ancillary
19 services, and cost recovery. In my opinion, these issues raise serious
20 jurisdictional and policy questions. Interested parties will benefit from a

⁹ PURA § 39.452(b).

1 collaborative effort designed to foster open discussion of CGS program
2 design options outside of a contested case setting. The collaborative effort
3 should help define and narrow any remaining issues for more efficient
4 consideration of a CGS program in the next full rate case.

5

6 F. Elimination of Rate Schedules IS and SSTS

7 Q. WHAT IS THE STATUS OF THE INTERRUPTIBLE SERVICE ("IS")
8 RATES AND SUPPLEMENTAL SHORT-TERM SERVICE ("SSTS") RATES
9 UNDER THE NUS?

10 A. Both of these rate schedules are terminated as a result of the rates
11 proposed under the NUS. The absence of economic justification for these
12 rates and their elimination is addressed in the direct and rebuttal testimony
13 of Company witness Corey Pettett and the rebuttal testimony of Company
14 witness John Hurstell.

15 In short, the Commission's order in Docket No. 16705 found that the
16 SSTS rate is a discount rate under PURA and precluded the subsidy from
17 being allocated to other customers.¹⁰ As a result, that discount rate has
18 been subsidized by the Company for nine years. To put that in perspective,

¹⁰ Docket No. 16705, *Application of Entergy Texas for Approval of its Transition to Competition Plan*, Second Order on Rehearing at 37-38 (Oct. 14, 1998).

1 the initial imputation of \$7.3 million has increased over those years to a test
2 year level of approximately \$12 million.

3 In Docket No. 16705, the Commission found that the credits
4 provided pursuant to the IS rate schedule were excessive.¹¹ This has had
5 the effect of having other customers subsidizing service under that rate
6 schedule. The test year level of total IS credits was over \$6.7 million.

7 IS rate was grand-fathered as a result of the Commission's decision
8 in Docket No. 16705, and the rate schedule was ordered to be terminated
9 within 3 years¹² Subsequent legislation imposed a freeze on all base rates
10 which delayed the scheduled termination of the IS rate ultimately until this
11 proceeding.¹³

12 The effect of the NUS is to terminate these rates effective with the
13 first billing cycle of the October 2008 billing month. This is reasonable
14 given that the affected customers have been on notice of termination of the
15 IS rate and potential "sunset" of the SSTS rate since the Commission
16 issued its final order in Docket No. 16705 more than nine years ago.¹⁴

¹¹ *Id.* at 34-35.

¹² Docket No. 16705, Second Order on Rehearing at 36.

¹³ PURA § 39.052.

¹⁴ Docket No. 16705, Second Order on Rehearing at 34-37 and FoF 300A.

**SOAH DOCKET NO. 473-08-0334
P.U.C. DOCKET NO. 34800**

APPLICATION OF ENTERGY GULF	§	BEFORE THE
STATES, INC. FOR AUTHORITY TO	§	STATE OFFICE OF
CHANGE RATES AND TO RECONCILE	§	ADMINISTRATIVE HEARINGS
FUEL COSTS	§	

NON-UNANIMOUS STIPULATION

This Stipulation is entered into between and among the Community Associations of the Woodlands, Texas ("CATW"), Entergy Texas, Inc. ("ETI" or "the Company"), as successor in interest to Entergy Gulf States, Inc.,¹ the Entergy Texas, Inc. Service Area Cities' Steering Committee ("Cities"), the Kroger Co. ("Kroger"), Office of Public Utility Counsel ("OPC"), Texas Legal Service Center ("TLSC"), Texas Ratepayers Organization to Save Energy ("Texas ROSE"), and Wal-Mart Texas Stores, LP ("Wal-Mart") (collectively, "Signatories"), and any other party that chooses to sign the Stipulation. The Signatories stipulate and agree as follows:

I. BACKGROUND

1. On September 26, 2007, ETI filed an application with the Public Utility Commission of Texas ("Commission") requesting that the Commission approve: (1) base rate tariffs and riders designed to collect a total non-fuel revenue requirement, for the Texas retail jurisdiction, of \$605 million; (2) a set of proposed tariff schedules presented in the Company's Electric Utility Rate Filing Package for Generating Utilities ("Rate Filing Package" or "RFP") accompanying ETI's Application; (3) pursuant to P.U.C. SUBST. R. 25.236 and the Public Utility Regulatory Act² ("PURA") Section 39.455, a request for final reconciliation of ETI's fuel and purchased power costs and fuel factor revenues for the Reconciliation Period from January 1,

¹ Effective December 31, 2007, Entergy Texas, Inc. succeeded to EGSI's rights and responsibilities pursuant to Section 39.452(e) of the Public Utility Regulatory Act. For continuity and ease of reference, the Company has continued to make reference to EGSI for purposes of pleadings in this case.

² TEX. UTIL. CODE ANN. Title 2.

2006 to March 31, 2007, as well as fuel costs deferred from prior proceedings; and (4) certain waivers to the Rate Filing Package instructions presented in RFP Schedule V accompanying ETI's Application.

2. In addition to the Direct Testimony filed with its Application, ETI filed Rebuttal Testimony on May 2, 2008. Cities, OPC, CATW, TLSC and Texas ROSE, Kroger, and Wal-Mart filed Direct Testimony on April 11, 2008. OPC also filed Cross-Rebuttal Testimony on April 18, 2008.

3. The Signatories believe that a resolution of this proceeding pursuant to the terms set out below is desirable and in the public interest because the result is reasonable under the circumstances and is based on evidence in the record. Settlement will also conserve the resources of the public and the Signatories and will eliminate controversy.

II. AGREEMENT

1. **Overall Base Rate Increase for ETI.** The Signatories agree to an overall base rate increase for ETI of \$42.5 million over the present base rate revenues stated in Attachment A commencing with bills rendered for the first billing cycle of October 2008 and a base rate increase of \$17 million commencing with bills rendered for the first billing cycle of October 2009. Coincident with the \$42.5 million base rate increase, the Signatories agree ETI shall implement tariffs designed to retain, on a usage basis, amounts of Rough Production Cost Equalization ("RPCE") payments to be made to ETI by Entergy Arkansas, Inc., so that the Company retains such payments and amortizes the regulatory liability, at a rate of \$25 million annually until the rates from the rate case identified in Paragraph 7 of this Section are implemented. The Signatories further agree that this \$25 million amount will serve as a credit

(or offset) to the \$42.5 million base rate increase. Attachment A to this Stipulation provides the method of implementation for the RPCE credit.

2. **Rough Production Cost Equalization Payments.** In addition to the provisions of Paragraph 1 of this Section, ETI will retain RPCE Payments in the following manner: beginning with the first billing cycle of January 2009, ETI will implement a tariff designed, on a usage basis, for the Company to retain an additional \$17 million annually until the October 2009 rate increase goes into effect. This \$42 million retention will revert back to the \$25 million retention upon the implementation of rates in October 2009.

3. **2008 RPCE Payments.** The 2008 RPCE payments will be used, if and as necessary, to amortize future retentions described in Paragraphs 1 and 2. Any 2008 RPCE payments not needed to ensure the proper level of RPCE-related offsets will be credited in the manner in which they would have been credited absent this Stipulation.

4. **2009 Increase.** The base rate increase of \$17 million commencing with bills rendered for the first billing cycle of October 2009 will be implemented using an abbreviated filing method on July 1, 2009. The Stipulating Parties agree to work in good faith with each other and with other interested parties, including any non-settling parties, to develop the form of an abbreviated filing to be made by the Company with all regulatory authorities with jurisdiction over retail rates in Texas, that is reasonable and that effectuates the purposes of the settlement to implement the second step base rate increase commencing with bills rendered for the first billing cycle of October 2009. Those Signatories that can waive rights to challenge the October 2009 increase do so, except as to accuracy of calculations and conformance of tariffs with this Stipulation. OPC and Cities agree to be bound by the Stipulation, and therefore the 2009 base rate increase, to the extent allowed by law. Regardless of the foregoing, the expectation of the

Signatories is that OPC and Cities will not challenge the amount of the 2009 increase and that any oversight by those entities is limited to the accuracy of calculations and conformance of tariffs with this Stipulation.

5. **Purchased Power.** Capacity costs associated with power purchased from third parties will be treated as eligible fuel expense or PCRFF expense and such purchased power, whether treated as eligible fuel or PCRFF, will be subject to the standards set out in P.U.C. SUBST. R. § 25.236 or § 25.238, as applicable, in future fuel reconciliation cases, until the implementation date of rates contemplated in Paragraph 7 of this Section. Each Signatory shall have the right to contest, in such future reconciliation cases, the reasonableness of such purchase power expenses. The Signatories further reserve the right to assert all factual and legal arguments they asserted in this docket as the basis for purchase power adjustments in these reconciliation cases.

6. **Transmission and Distribution Operation and Maintenance Project Expense.** An annual amount of \$5 million of transmission and distribution operation and maintenance expense will be deferred by project to a regulatory asset account beginning with the implementation date of the rates described in Paragraph 1 of this Section and ending with the implementation date of rates described in Paragraph 7. Recovery of the regulatory asset will be included specifically in the rates described in Paragraph 7 immediately upon implementation of those rates.

7. **Future Rate Case.** The Company will file a rate case by December 31, 2009 based upon a test year ending June 30, 2009. Beginning with the date of implementation of rates resulting from the 2009 rate case provided for in this paragraph, all jurisdictional separation related MSS-4 purchases will be recovered through a contemporaneous surcharge and will

become reconcilable purchased power expenses under P.U.C. SUBST. R. § 25.236. The Signatories, however, make no commitment concerning the treatment of jurisdictional separation related MSS-4 purchases in any subsequent rate cases. The Signatories agree to: (a) further address a Competitive Generation Services tariff in the 2009 rate case; (b) to work, in a collaborative manner, toward a mutually acceptable solution prior to the 2009 rate case; and (c) that ETI will be made whole for any costs unrecovered due directly to implementation of the Competitive Generation tariff.

8. **Depreciation.** A River Bend life extension adjustment is adopted consistent with the regulatory treatment of the Louisiana Public Service Commission, subject to FERC approval. Should such approval not be obtained by February 1, 2009, a regulatory asset will be created that represents a 20-year extension of the life of River Bend. The creation of the regulatory asset, if required, is intended to maintain the economic impact to all Signatories. The regulatory asset will be included specifically in the rates described in Paragraph 7 immediately upon implementation of those rates. Additionally, the Signatories agree that the depreciation adjustment of \$2.7 million will be allowed, as identified in the rebuttal testimony of Company Witness Brian Caldwell at Exhibit BWC-R-3 on Page 27 of 28.

9. **Riders.** The Signatories support the following Riders:

a. Both the incremental city franchise fees currently being recovered through a Rider and any prospective incremental city franchise fees will be recovered through a Rider. Existing non-incremental city franchise fees will be rolled into base rates and will not be stated separately on a bill or charged separately to customers;

b. An Energy Efficiency Rider, as proposed in the Company's Rebuttal Testimony;

c. A Rate Case Expense Rider of \$5 million will be amortized over three (3) years (i.e. \$1.67 million per year); and

d. All revenue from Riders is in addition to (i) the base rate increases provided for in Paragraph 1 of this Section and (ii) the amount retained by the Company pursuant to Paragraphs 1, 2 and 3 of this Section.

10. Low-Income Programs.

a. The Miscellaneous Electric Service Charge for reconnection will remain at \$12.00 for low-income customers;

b. ETI's Public Benefit Fund will be funded at an amount not to exceed \$2 million annually and such amount will be rolled into base rates. In order to include a greater portion of the eligible population in the program, the Company will use its best efforts to contract for and implement an automatic enrollment program. The Company's automatic enrollment program will be modeled upon the matching procedures used by other Texas utilities to identify eligible customers and will be implemented within 30 days of the Commission's issuance of the final order in this case. ETI will provide quarterly reports to interested parties; and

c. With regard to the Company's Energy Efficiency Rider, the Company's low-income energy efficiency programs will be amended so as to ensure that funding is maintained for the targeted energy efficiency program initiated in 2001 in Docket No. 24469. The Company will reinstate the Entergy Assist Program at a funding level of \$1.9 million, based upon 0.12% of Texas gross revenues. The Company will use its best efforts to contract with the Texas Association of Community Action Agencies by October 1, 2008 for the administration of

the Energy Assist Program with an annual funding level of \$1.9 million effective January 1, 2009.

11. **Storm Cost Accruals.** Storm Cost Accruals will be increased by \$2 million annually (to a total annual accrual of \$3.65 million) beginning January 1, 2009. This amount will be subsumed in revenues recovered through base rates.

12. **Class Allocation.** The rate increase described in Paragraph 1 of this Section will be allocated to all classes on an equal percentage basis. Each lamp type and wattage identified in the lighting class will receive the same equal percentage increase. Attachment A to this Stipulation shows the manner in which the rate increase will be allocated to all classes.

13. **No Fuel or IPCR Disallowances.** The approximately \$858 million in fuel and \$25 million in IPCR requested by the Company, exclusive of interest on any over or under recovery balance, is reconciled through March 31, 2007 and there will be no fuel or IPCR disallowances. The over/under recovery balances at the end of the reconciliation period will be the beginning balances for the next reconciliation period for both fuel and IPCR.

14. **Texas Jurisdictional Numbers.** The Signatories agree that all numbers referenced in this Stipulation are Texas jurisdictional.

III. IMPLEMENTATION OF AGREEMENT

1. **Obligation to Support this Stipulation.** The Signatories will support this Stipulation before the Commission and will take reasonable steps to support Commission entry of an order consistent with this Stipulation. The Signatories contemplate submission of an agreed proposed order for the Commission's consideration.

2. Effect of Stipulation.

a. Agreement as to the resolution of any specific issue in this Stipulation does not mean that any Signatory or the Commission approves of any particular treatment of costs or the underlying assumptions associated with such costs. The failure to litigate any specific issue in this docket does not waive any Signatory's rights to contest that issue in any other current or future docket or project. The failure to litigate an issue cannot be asserted as a defense or estoppel, or any similar argument, by or against any Signatory in any other proceeding. The Signatories arrived at this Stipulation through extensive and heated negotiation and compromise.

b. The Signatories urge the Commission to adopt an appropriate order consistent with the terms of this Stipulation. Other than with regard to provisions pertaining to future required actions or future rate treatment, the terms of this Stipulation may not be used either as an admission or concession of any sort or as evidence in any proceeding. Oral or written statements made during the course of the settlement negotiations may not be used for any purposes other than as necessary to support the entry by the Commission of an order implementing this Stipulation and other than to support the entry of such an order, all oral or written statements made during the course of the settlement negotiations are governed by TEX. R. EVID. 408 and are inadmissible in this or any other administrative agency or judicial proceeding. The obligations set forth in this subsection 2.b. shall continue and be enforceable, even if this Stipulation is terminated as provided below.

c. This Stipulation reflects a compromise, settlement and accommodation among the Signatories, and the Signatories agree that the terms and conditions herein are interdependent. All actions by the Signatories contemplated or required by this Stipulation are

conditioned upon entry by the Commission of a final and appealable order fully consistent with this Stipulation. If the Commission does not accept this Stipulation as presented or enters an order inconsistent with any term of this Stipulation, any Signatory shall be released from all commitments and obligations, and shall have the right to seek hearing on all issues, present evidence, and advance any positions it desires, as if it had not been a Signatory.

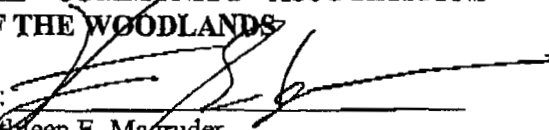
d. This Stipulation is binding on each of the Signatories only for the purpose of settling the issues as set forth herein and for no other purposes.

3. **Execution.** The Signatories agree that this document may be executed in multiple counterparts and filed with facsimile signatures.

Executed as shown below:

Dated this _____ day of May, 2008.

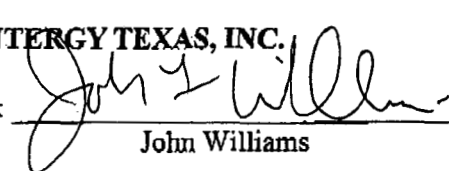
**THE COMMUNITY ASSOCIATIONS
OF THE WOODLANDS**

By: 
Kathleen E. Magruder
Brown McCarroll, LLP
1111 Bagby, Suite 4700
Houston, TX 77002

Title: Its Counsel

Date: May __, 2008

ENTERGY TEXAS, INC.

By: 
John Williams

Title: Its Attorney

Date: May ²⁰__, 2008

**ENTERGY TEXAS, INC. SERVICE
AREA CITIES' STEERING
COMMITTEE**

By: _____
Daniel J. Lawton

Title: Its Attorney

Date: May __, 2008

THE KROGER CO.

By: _____
Michael L. Kurtz

Title: Its Attorney

Date: May __, 2008

**OFFICE OF PUBLIC UTILITY
COUNSEL**

By: _____
Sara J. Ferris

Title: Assistant Public Counsel

Date: May __, 2008

TEXAS LEGAL SERVICES CENTER

By: _____
Randall Chapman

Title: Executive Director

Date: May __, 2008

**TEXAS RATEPAYERS'
ORGANIZATION TO SAVE ENERGY**

By: _____
Carol Biedrzycki

Title: Executive Director

Date: May __, 2008

WAL-MART TEXAS STORES, LP

By: _____
Eric J. Krathwohl
Rich May, a Professional Corporation
176 Federal Street, 6th Floor
Boston, MA 02110-2223

Title: Its Counsel

Date: May __, 2008

Executed as shown below:

Dated this _____ day of May, 2008.

**THE COMMUNITY ASSOCIATIONS
OF THE WOODLANDS**

By: _____
Kathleen E. Magruder
Brown McCarroll, LLP
1111 Bagby, Suite 4700
Houston, TX 77002

Title: Its Counsel

Date: May __, 2008

ENTERGY TEXAS, INC.

By: _____
John Williams

Title: Its Attorney

Date: May __, 2008

**ENTERGY TEXAS, INC. SERVICE
AREA CITIES' STEERING
COMMITTEE**

By: *Stephen Mark For*
Daniel J. Lawton

Title: Its Attorney

Date: May 20, 2008

THE KROGER CO.

By: _____
Michael L. Kurtz

Title: Its Attorney

Date: May __, 2008

**OFFICE OF PUBLIC UTILITY
COUNSEL**

By: _____
Sara J Ferris

Title: Assistant Public Counsel

Date: May __, 2008

TEXAS LEGAL SERVICES CENTER

By: _____
Randall Chapman

Title: Executive Director

Date: May __, 2008

**TEXAS RATEPAYERS'
ORGANIZATION TO SAVE ENERGY**

By: _____
Carol Biedrzycki

Title: Executive Director

Date: May __, 2008

WAL-MART TEXAS STORES, LP

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Rich May, a Professional Corporation
176 Federal Street, 6th Floor
Boston, MA 02110-2223

Title: Its Counsel

Date: May __, 2008

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**THE COMMUNITY ASSOCIATIONS
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By: _____
Kathleen E. Magruder
Brown McCarroll, LLP
1111 Bagby, Suite 4700
Houston, TX 77002

Title: Its Counsel

Date: May __, 2008

ENTERGY TEXAS, INC.

By: _____
John Williams

Title: Its Attorney

Date: May __, 2008

**ENTERGY TEXAS, INC. SERVICE
AREA CITIES' STEERING
COMMITTEE**

By: _____
Daniel J. Lawton

Title: Its Attorney

Date: May __, 2008

THE KROGER CO.

By: _____
Michael L. Kurtz

Title: Its Attorney

Date: May __, 2008

**OFFICE OF PUBLIC UTILITY
COUNSEL**

By: _____
Sara J. Ferris

Title: Assistant Public Counsel

Date: May 19, 2008

TEXAS LEGAL SERVICES CENTER

By: _____
Randall Chapman

Title: Executive Director

Date: May __, 2008

**TEXAS RATEPAYERS'
ORGANIZATION TO SAVE ENERGY**

By: _____
Carol Biedrzycki

Title: Executive Director

Date: May __, 2008

WAL-MART TEXAS STORES, LP

By: _____
Eric J. Krathwohl
Rich May, a Professional Corporation
176 Federal Street, 6th Floor
Boston, MA 02110-2223

Title: Its Counsel

Date: May __, 2008

Executed as shown below:

Dated this _____ day of May, 2008.

**THE COMMUNITY ASSOCIATIONS
OF THE WOODLANDS**

By: _____
Kathleen E. Magruder
Brown McCarroll, LLP
1111 Bagby, Suite 4700
Houston, TX 77002

Title: Its Counsel

Date: May __, 2008

ENTERGY TEXAS, INC.

By: _____
John Williams

Title: Its Attorney

Date: May __, 2008

**ENTERGY TEXAS, INC. SERVICE
AREA CITIES' STEERING
COMMITTEE**

By: _____
Daniel J. Lawton

Title: Its Attorney

Date: May __, 2008

THE KROGER CO.

By: _____
Michael L. Kurtz

Title: Its Attorney

Date: May __, 2008

**OFFICE OF PUBLIC UTILITY
COUNSEL**

By: _____
Sara J. Ferris

Title: Assistant Public Counsel

Date: May __, 2008

TEXAS LEGAL SERVICES CENTER

By: _____
Randall Chapman

Title: Executive Director

Date: May __, 2008

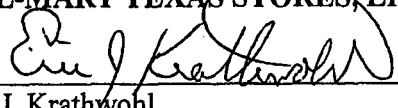
**TEXAS RATEPAYERS'
ORGANIZATION TO SAVE ENERGY**

By: _____
Carol Biedrzycki

Title: Executive Director

Date: May __, 2008

WAL-MART TEXAS STORES, LP

By:  _____
Eric J. Krathwohl
Rich May, a Professional Corporation
176 Federal Street, 6th Floor
Boston, MA 02110-2223

Title: Its Counsel

Date: May 20, 2008

ENTERGY GULF STATES, INC.
PUC DOCKET NO. 34800
REVENUE SUMMARY - SETTLEMENT STEP 1
RATES BEGINNING OCTOBER 2008
FOR THE TWELVE MONTHS ENDING MARCH 31, 2007

Line No.	Rate Class	(a)	Present Base Rate Revenue (b)	Present IPCR Revenue (c)	Present Fuel Revenue (1) (d)	Total Present Revenue (e)	Proposed Base Rate Revenue (f)	Proposed EECRF Revenue (g)	Proposed RCE Revenue (h)	Proposed Fuel Revenue (2) (i)	Total Proposed Revenue (j)	Change To Base Revenue (k)	Base Percent Change (l)	Change To Total Revenue (m)	Total Percent Change (n)
1	Residential Service		\$ 236,119,749	\$ 8,590,329	\$ 329,221,970	\$ 573,931,948	\$ 244,749,531	\$ 2,032,462	\$ 592,802	\$ 332,159,412	\$ 579,534,207	\$ 8,629,782	3.65%	\$ 5,602,259	0.98%
2	Small General Service		\$ 17,540,828	\$ 433,409	\$ 17,302,691	\$ 35,276,928	\$ 18,182,483	\$ 78,397	\$ 31,136	\$ 17,456,983	\$ 35,748,008	\$ 641,665	3.66%	\$ 472,081	1.34%
3	General Service		\$ 104,594,651	\$ 3,920,335	\$ 191,538,481	\$ 300,053,467	\$ 108,417,494	\$ 724,845	\$ 345,459	\$ 193,250,350	\$ 302,738,148	\$ 3,822,843	3.65%	\$ 2,684,681	0.89%
4	Large General Service		\$ 31,277,244	\$ 1,285,030	\$ 81,443,412	\$ 114,005,686	\$ 32,419,972	\$ 109,730	\$ 148,069	\$ 82,177,148	\$ 114,854,919	\$ 1,142,728	3.65%	\$ 849,233	0.74%
5	Large Industrial Power Service		\$ 83,100,357	\$ 3,919,641	\$ 277,489,736	\$ 364,509,734	\$ 86,136,925	\$ 4,800	\$ 537,594	\$ 280,153,706	\$ 365,833,025	\$ 3,036,568	3.65%	\$ 2,323,291	0.64%
6	Interruptible Service		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	0.00%
7	Lighting Service		\$ 6,235,988	\$ 59,349	\$ 4,765,757	\$ 11,061,094	\$ 6,463,682	\$ -	\$ 8,577	\$ 4,809,268	\$ 11,280,517	\$ 227,694	3.65%	\$ 219,423	1.98%
8	Total Retail		\$ 478,868,817	\$ 18,208,093	\$ 901,761,947	\$ 1,398,838,857	\$ 496,370,097	\$ 2,950,234	\$ 1,663,637	\$ 910,005,857	\$ 1,410,989,825	\$ 17,501,280	3.65%	\$ 12,150,968	0.87%
9	Increase Base		\$ 42,500,000												
10	RPCE Payments (3)		\$ 25,000,000												
11	Net Increase		\$ 17,500,000												
12	Percentage Base Change		3.6544%												

(1) Composite fuel factor (Source: WP/Q-7/RD-1) applied to present fuel revenue
(2) Includes the impact of a Test Year third party purchase level of \$9.2 million, however the Rate Year third party purchase level is \$10.9 million
(3) Rough Production Cost Equalization Payments

19-May-08

ENTERGY GULF STATES, INC.
PUC DOCKET NO. 34800
REVENUE SUMMARY - SETTLEMENT STEP 2
RATES BEGINNING OCTOBER 2009
FOR THE TWELVE MONTHS ENDING MARCH 31, 2007

Line No.	Rate Class (a)	Present Base Rate Revenue (b)	Present IPCR Revenue (c)	Present Fuel Revenue (d)	Total Present Revenue (e)	Proposed Base Rate Revenue (f)	Proposed EECRF Revenue (g)	Proposed RCE Revenue (h)	Proposed Fuel Revenue (i)	Total Proposed Revenue (j)	Change To Base Revenue (k)	Base Percent Change (l)	Change To Total Revenue (m)	Total Percent Change (n)
1	Residential Service	\$ 236,119,749	\$ 8,590,329	\$ 329,221,870	\$ 573,931,948	\$ 253,127,017	\$ 2,032,462	\$ 592,802	\$ 332,159,412	\$ 587,911,693	\$ 17,007,268	7.20%	\$ 13,979,745	2.44%
2	Small General Service	\$ 17,540,828	\$ 433,409	\$ 17,302,681	\$ 35,276,928	\$ 18,803,512	\$ 78,397	\$ 31,136	\$ 17,456,983	\$ 36,370,028	\$ 1,262,684	7.20%	\$ 1,093,100	3.10%
3	General Service	\$ 104,594,651	\$ 3,920,335	\$ 101,538,481	\$ 300,053,467	\$ 112,141,636	\$ 724,845	\$ 345,459	\$ 183,250,350	\$ 306,462,290	\$ 7,546,965	7.22%	\$ 6,408,823	2.14%
4	Large General Service	\$ 31,277,244	\$ 1,285,030	\$ 81,443,412	\$ 114,005,686	\$ 33,532,467	\$ 109,730	\$ 148,069	\$ 82,177,148	\$ 115,967,414	\$ 2,255,223	7.21%	\$ 1,961,728	1.72%
5	Large Industrial Power Service	\$ 83,100,357	\$ 3,919,641	\$ 277,489,736	\$ 364,509,734	\$ 89,080,269	\$ 4,800	\$ 537,594	\$ 280,153,706	\$ 369,776,369	\$ 5,979,912	7.20%	\$ 5,266,635	1.44%
6	Interruptible Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	0.00%
7	Lighting Service	\$ 6,235,988	\$ 59,349	\$ 4,765,757	\$ 11,061,094	\$ 6,683,897	\$ -	\$ 8,577	\$ 4,808,258	\$ 11,500,732	\$ 447,909	7.18%	\$ 439,638	3.97%
8	Total Retail	\$ 478,868,817	\$ 18,208,093	\$ 901,761,947	\$ 1,398,838,857	\$ 513,368,798	\$ 2,950,234	\$ 1,663,637	\$ 910,005,857	\$ 1,427,988,526	\$ 34,499,981	7.20%	\$ 29,149,669	2.08%
9	Increase Base	\$ 59,500,000												
10	RPCE Payments (3)	\$ 25,000,000												
11	Net Increase	\$ 34,500,000												
12	Percentage Base Change	7.2045%												

(1) Composite fuel factor (Source: WPIQ-7/RD-1) applied to present fuel revenue.
(2) Includes the impact of a Test Year third party purchase level of \$10.9 million.
(3) Rough Production Cost Equalization Payments

19-May-08

SECTION III RATE SCHEDULES

ENTERGY TEXAS, INC.

Electric Service
Texas

SCHEDULE RPCECR

Sheet No.: X

Effective Date: Proposed 9-29-08

Revision: 0

Supersedes: New Schedule

Schedule Consists of: One Sheet

**ROUGH PRODUCTION COST EQUALIZATION
CREDIT-RETENTION RIDER**

I. PURPOSE

This Rough Production Cost Equalization Credit-Retention Rider ("Rider RPCECR") (1) defines the credit, and provides a mechanism for such credit, by which Entergy Texas, Inc. ("Company") shall implement and adjust rates to reflect monthly the Company's retention of a portion of rough production cost equalization payments received pursuant to Service Schedule MSS-3 of the Entergy System Agreement ("RPCE payments"), consistent with the Commission's Final Order in Docket No. 34800 and (2) authorizes the Company to retain monthly from its receipts of RPCE payments an amount equal to the credit provided for under this rider.

II. APPLICABILITY

This rider is applicable to electric service provided by the Company to all Customers served under applicable retail rate schedules, whether metered or unmetered, subject to the jurisdiction of the PUCT.

III. NET MONTHLY CREDIT

All retail rates* and applicable riders* on file with the Public Utility Commission of Texas ("PUCT") will be reduced by a monthly percentage of 4.7951% for all net monthly bills excluding fuel and rate schedules.

IV. AUTHORIZATION TO RETAIN RPCE PAYMENTS

The Company monthly shall retain from its receipts of RPCE payments an amount equal to the total of the amounts credited in the same month under Section III.

V. TERM

This rider RPCECR shall remain in effect until and terminate upon the implementation of rates resulting from a Chapter 36 Subchapter C rate proceeding based upon a test year ending June 30, 2009 pursuant to the Final Order in Docket No. 34800.

*Excluding Schedules EAPS, MES, AFC, FF, SQF, LQF, IPODG, FFBE, FFCO, FFPA, TTC, HRC, DTK, MVER, EECRF, RCE and SMS.

SECTION III RATE SCHEDULES

ENTERGY TEXAS, INC.

Electric Service
Texas

SCHEDULE RPCEIR

Sheet No.: X

Effective Date: Proposed 12-31-08

Revision: 0

Supersedes: New Schedule

Schedule Consists of: One Sheet

**ROUGH PRODUCTION COST EQUALIZATION
INCREMENTAL RETENTION RIDER**

I. AUTHORIZATION TO RETAIN MSS-3 AMOUNTS

Consistent with the Final Order in Docket No. 34800, Entergy Texas, Inc. ("Company") each month shall retain from its receipts of rough production cost equalization payments pursuant to Service Schedule MSS-3 of the Entergy System Agreement an amount equal to 3.2606% of the total for the same month of all net monthly amounts excluding fuel billed under all rate schedules* and applicable riders* on file with the Public Utility Commission of Texas ("PUCT"). The amounts retained under this Rate Schedule RPCEIR are over and above amounts retained under Rider RPCECR.

II. TERM

This Rate Schedule RPCEIR shall be effective with the first billing cycle of January 2009 and remain in effect until and terminate upon the later of the first billing cycle of October 2009 or the implementation of rates resulting from the Company's July 1, 2009 second step rate filing, pursuant to the Final Order in Docket No. 34800.

*Excluding Schedules EAPS, MES, AFC, FF, SQF, LQF, IPODG, FFBE, FFCO, FFPA, TTC, HRC, DTK, MVER, EECRF, RCE and SMS.