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

**APPLICATION OF ENTERGY GULF §
STATES, INC. FOR AUTHORITY TO §
CHANGE RATES AND TO §
RECONCILE FUEL COSTS ISSUANCE §
OF INTERIM ORDER §**

**BEFORE THE
STATE OFFICE OF
ADMINISTRATIVE HEARINGS**

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**STATE OF TEXAS' RESPONSE
TO ORDER NO. 4**

The State of Texas (the "State"), by and through the Office of the Attorney General, Consumer Protection and Public Health Division, Public Agency Representation Section, files this brief as requested by the ALJs in Order No.4.

The State cannot agree with the proposal of EGSI to bond in its rates. Buried within the voluminous testimony and schedules is EGSI's proposal to eliminate the 20% reduction of its base rate to institutions of higher learning that is required under PURA §36.351. This provision has not been repealed. As its testimony states, EGSI acknowledged in Docket No. 31544 that PURA §36.351 authorized its agreement to apply the 20% discount to the Transition To Competition Rider.

The universities within EGSI's service areas have formulated budgets based upon electricity rates at the 20% discounted level intended by the Legislature, and present education expenditures must be made. Bonding in the rates in effect bonds away the §36.351 discount and could well result in inability to spend for another program. The State's institutions of higher learning cannot be made whole by receiving money back at

a later date. The State also agrees with other intervenors that the proposed bonding-in on June 30, 2008, violates PURA and is not analogous to what occurred in the AEP-TCC Docket.

Dated: November 1, 2007

Respectfully submitted,

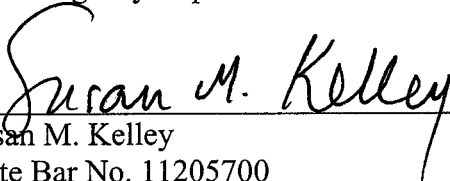
GREG ABBOTT
Attorney General of Texas

KENT C. SULLIVAN
First Assistant Attorney General

DAVID S. MORALES
Deputy Attorney General for Civil Litigation

PAUL D. CARMONA
Chief, Consumer Protection and Public Health
Division

MARION TAYLOR DREW
Public Agency Representation Section Chief

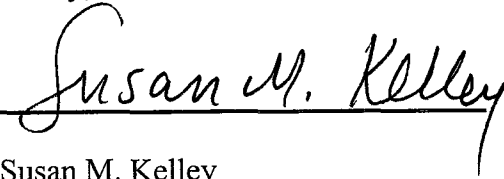


Susan M. Kelley
State Bar No. 11205700
Bryan L. Baker
State Bar No. 00790256

Assistant Attorneys General
Office of the Attorney General
P.O. Box 12548
Austin, Texas 78711
Voice: (512) 475-4173
Fax: (512) 322-9114
E-mail: susan.kelley@oag.state.tx.us
bryan.baker@oag.state.tx.us

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of **State of Texas' Response to Order No. 4** has been served upon all parties of record by hand delivery, facsimile, or email, and First Class U.S. Mail on or before November 1, 2007.

A handwritten signature in dark ink, reading "Susan M. Kelley", is written over a horizontal line.

Susan M. Kelley