

# Entergy Texas, Inc.

*The Power of People*

## Rate Case Proposal

### Rate Case Looks Forward; Calls for Reliable Service for Customers

Every day, Entergy Texas, Inc. makes sure Southeast Texans have the power they need to light up their homes and run their businesses.

Providing reliable power to the 400,000 metering points serving 1.3 million people also means making significant investments in the company's power grid. And that is a key reason Entergy Texas filed a rate case request in

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**Improvements totaling \$620 million are planned for Texas in the next three years.**

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December 2009 to increase the company's revenue by \$198.7 million a year.

In the two years between April 2007 and June 2009, Entergy Texas completed \$376.5 million in capital projects to improve its transmission and systems. Another \$620 million are planned for the next three years. This would bring investments to \$1.6 billion since 1999.

"We are a part of positioning Southeast Texas for the future," said Joe Domino, president and chief executive officer, Entergy Texas, Inc. "We cannot drop the ball now."

#### The Electric Grid Entergy Texas Must Maintain and Improve Includes:

- Two power plants, Sabine Station and Lewis Creek.
- 2,500 miles of high-voltage transmission lines.
- 12,700 miles of distribution lines that provide power to homes and businesses.
- 338 substations.

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**Utility workers restore power after Hurricane Ike.**

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### Storm Hardening a Part of Entergy Texas' Future Plans

Hurricanes Rita, Humberto and Ike, as well as Tropical Storm Edouard, proved that Entergy Texas, Inc. is able to marshal the resources and apply the right kind of expertise to effect a quick recovery after a disaster.

After Hurricane Ike devastated the Bolivar Peninsula, Entergy Texas replaced the high-voltage transmission line that had been destroyed with a new, storm-hardened concrete version designed to stand up to hurricane force winds.

But with devastating storms able to take their high winds far inland, improvements are planned to take place further inland, too.

Some of those projects are designed to storm-harden the system in coastal areas and other areas susceptible to flooding or high winds during severe weather events.



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### Key Components

#### Customer Dollars and Cents

From 1999 to 2012, Entergy Texas spent or is committed to spending more than \$1.6 billion on infrastructure improvements. That's more than \$100 million a year for a key basic need: maintaining a safe and reliable electric grid. If Entergy Texas' base rate request is granted, customer bills will only have increased by about \$35 per month during that same 14-year period. This works out to annual increases of \$2.50 for 14 years, lower than past inflation rates.

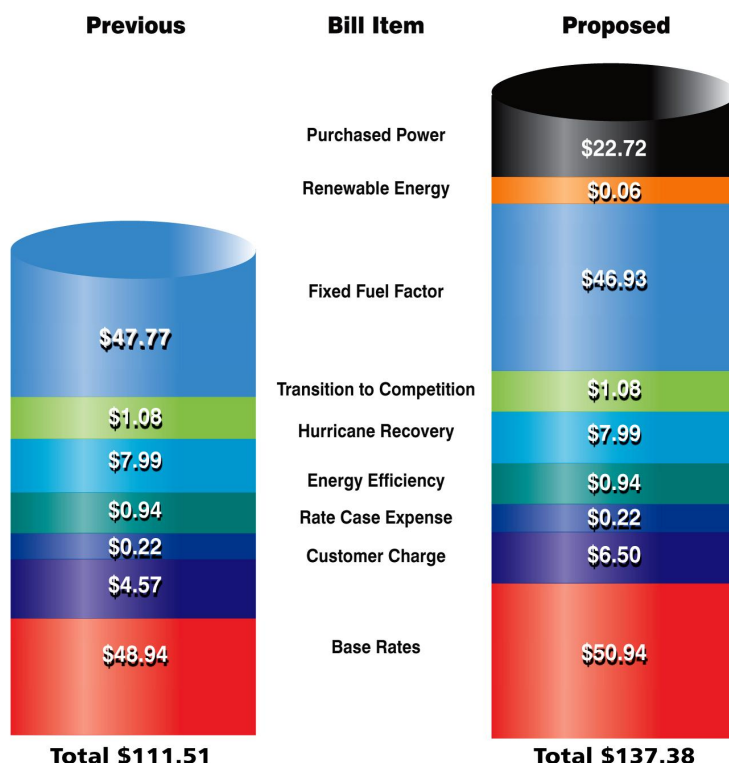
#### Purchased Power

A large portion of the rate case is dedicated to increased and more timely recovery of purchased power. Purchased power is electricity Entergy Texas buys for its customers. Entergy Texas does not make a profit on power it buys then provides to you. Buying electricity produced by others is currently a good, long-term option because building new power plants and maintaining them costs hundreds of millions of dollars. Entergy Texas is allowed to recover its purchased fuel costs. But the company has not been recovering some of the nonfuel costs associated with long-term purchased power contracts. The rate case asks to correct that.

#### Streamlined Ratemaking

Simplifying the way rates are set would save money for customers while still giving the PUCT full oversight of company activities and expenses. Many rate case requests involve issues that can be addressed quickly, such as increases in capital spending. Regularly updating expected company expenses through a cost of service adjustment rider would mean

#### Entergy Texas Previous vs. Proposed Bill Comparisons 1,000 kilowatt-hour residential



##### Explanation of Items:

- **Base Rates** – Basic charge to provide electricity to customers.
- **Customer Charge** – Covers metering costs.
- **Rate Case Expense** – Recovers costs of filing and completing the 2007 rate case.
- **Energy Efficiency** – Provides funds to assist weatherization projects for low-income customers.
- **Hurricane Recovery** – Recovers costs of reconstruction following hurricanes Rita, Ike and Gustav.
- **Transition to Competition** – Interim charge to recover money spent to prepare for deregulation.
- **Fixed Fuel Factor** – Reflects cost of fuel purchased to make electricity.
- **Renewable Energy** – Reflects credits purchased at the direction of the Public Utility Commission of Texas to assist Texas in developing a renewable energy portfolio.
- **Purchased Power** – Reflects recovery of purchased power costs.

smaller rate changes for customers.

#### Updated Depreciation Expenses

Just like other companies, Entergy Texas must depreciate its assets as their value is reduced from age, wear and tear or obsolescence. The proposed \$57.6 million increase in depreciation expense results from a study the company was required to make by the PUCT and file with this rate case.