

**ENTERGY GULF STATES, INC.**Electric Service  
Texas

SCHEDULE HRC

Sheet No.: 68

Effective Date: June 29, 2007

Revision: 0

Supersedes: New Schedule

Schedule Consists of: Six Sheets Plus  
Attachments A and B

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**HURRICANE RECONSTRUCTION COSTS**

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**I. GENERAL**

This Hurricane Reconstruction Costs Schedule HRC is applicable under the regular terms and conditions of Entergy Gulf States, Inc. ("Company") to all electric service billed under all of the Company's Rate Schedules and all associated Riders, whether for metered or un-metered service, and subject to the jurisdiction of the Public Service Commission of Texas ("PUCT" or the "Commission").

Schedule HRC is applicable to energy consumption and demands of the Company's customers who take bundled service from the Company and when, and if, the Company's Service Area becomes subject to retail competition, to Retail Electric Providers or other entities during the term that this schedule is in effect, and to the facilities, premises, and loads of all other customers obligated to pay Hurricane Reconstruction Costs Charges as provided in this schedule.

**II. DEFINITIONS**

For the purposes of this schedule, the following terms shall have the following meanings:

**Company** – Entergy Gulf States, Inc., and its successors and assigns that provide transmission or distribution service directly to customers taking service at facilities, premises, or loads located within the Service Area.

**Special Purpose Entity ("SPE")** – the owner of Transition Property, on behalf of whom the Hurricane Reconstruction Costs are collected.

**Financing Order** – the Financing Order issued by the PUCT in Docket No. 33586 under Subchapters G and J of Chapter 39 of the Texas Public Utility Regulatory Act ("PURA") providing for the issuance by the SPE of transition bonds (Transition Bonds) to securitize the amount of qualified costs ("Qualified Costs") determined by the Commission in such order.

**Non-Eligible Self-Generation ("NESG")** – new on-site generation as defined in PURA § 39.252(b) (except all dates referenced shall be replaced with the date of the Financing Order) which materially reduces or reduced customer loads on the Company's system, unless excluded under PURA § 39.262(k) and any rules adopted by the Commission pursuant thereto.

**Retail Electric Provider ("REP")** – when, and if, the Company's Service Area becomes subject to retail competition, the entity which serves the customer's energy needs, and will remit to the Servicer the Hurricane Reconstruction Costs ("HRC") billed in accordance with this schedule.

**Service Area** – the Company's certificated Texas service area as it existed on the date of the Financing Order.

**Servicer** – on the effective date of this tariff, the Company shall act as Servicer. However, the SPE may select another party to function as Servicer or the Company may resign as Servicer or be succeeded by a permitted successor in accordance with terms of the Servicing Agreement and Financing Order issued in Docket No.33586. A Servicer selected under these conditions shall assume the obligations of the Company as Servicer under this schedule. As used in this schedule, the term Servicer includes any successor Servicer.

**Hurricane Reconstruction Costs Charges (“HRC Charges”)** – a non-bypassable charge computed on the basis of individual end-use customer consumption, except for HRC Charges applicable to NESG for which charges are based on the output of the on-site generation.

- A. For customers whose facilities, premises, and loads are subject to HRC Charges billed and collected pursuant to the Initial or Adjusted Hurricane Reconstruction Costs Rates, Attachment A to this schedule, the HRC Charges shall constitute a separate charge.
- B. The assessment of HRC Charges may be separately identified on the bills sent to customers or when, and if, the Company’s Service Area becomes subject to retail competition, REPs or other entities. If such charges are not separately identified, customers will be notified at least annually that the Transition Property is owned by the BondCo and not EGSi.

### III. APPLICABILITY

This schedule, along with Attachment A, sets out the rates, terms and conditions under which HRC Charges shall be billed and collected by the Company, any successor Servicer(s), any REPs, and any other entity(ies) responsible for billing or collecting HRC Charges on behalf of the SPE pursuant to the terms of the Financing Order or this tariff. This schedule is applicable to energy consumption and demands of customers taking service from the Company and to facilities, premises and loads of such customers.

This schedule also applies to:

- A. Customers taking service at facilities, premises, or loads located within the Service Area who are not presently receiving service from the Company, but whose present facilities, premises, or loads received service from the Company at any time on or after the date of the Financing Order when a request to change service to another utility was not pending as of that date.
- B. Customers located within the Service Area and prior customers of the Company who are served by NESG.
- C. Public customers located within the Service Area who purchase power from the General Land Office under PURA § 35.102.

Individual end-use customers are responsible for paying HRC Charges billed to them in accordance with the terms of this schedule. Payment is to be made to the entity that bills the customer in accordance with the terms of the Servicing Agreement and the Financing Order, which entity may be the Company, a successor Servicer, a REP, an entity designated to collect HRC Charges in place of the REP, or other entity which may be required to bill or collect the HRC Charges. The REP, an entity designated to collect HRC Charges in place of the REP, or another entity which is required to bill or collect the HRC Charges will pay the HRC Charges to the Servicer, whether or not they collect the HRC Charges from their customers. The Servicer will remit collections to the SPE in accordance with the terms of the Servicing Agreement.

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**IV. TERM**

This schedule shall remain in effect until the HRC Charges have been collected and remitted to the SPE in an amount sufficient to satisfy all obligations of the SPE in regard to paying principal and interest on the Transition Bonds together with all other qualified costs as provided in PURA §§ 39.302(4) and 39.460(d). However, in no event shall the HRC Charges provided for in this schedule be collected for service rendered after 15 years from issuance of the Transition Bonds. HRC Charges for service rendered during the 15-year period following issuance of the Transition Bonds pursuant to the Financing Order, but not collected during that 15-year period, may be collected after the 15-year period. This schedule is irrevocable and non-bypassable for the full term during which it applies.

**V. HRC RATE CLASSES**

The HRC Rates will be payable by all existing customers of the Company and all existing and future customers located within the Company's Service Area. The defined HRC Rate Classes to whom HRC Rates will apply are as follows:

- Residential — this service is applicable for all domestic purposes in single family residences or individual apartments.
- Small General Service — this service is applicable to non-residential customers using 20 kW or less of demand. The Small General Service class also includes Municipal Traffic Signal Service and Unmetered Services.
- General Service — this service is applicable to non-residential customers who contract for not less than 5 kW but not more than 2,500 kW of electric service.
- Large General Service — this service is applicable to non-residential customers who contract for not less than 300 kW but not more than 2,500 kW of electric service. The Large General Service class also includes customers taking service under the Experimental Rider for Water Heating Service.
- Large Industrial Power Service — this service is applicable to non-residential customers who contract for not less than 2,500 kW of electric service. The Large Industrial Power Service class also includes customers taking service under Pipeline Pumping Service and Supplemental Short Term Service.
- Interruptible Service — this service is applicable to non-residential customers who contract for not less than 2,500 kW of firm contract power under Large Power Service (Schedule LPS) or High Load Factor Service (Schedule HLFS) and who contract for not less than 2,000 kW of interruptible contract power.
- Standby and Maintenance Service — this service is applicable to non-residential customers who have their own generation equipment and who contract for Standby and Maintenance Service from the Company.

- Experimental Economic As-Available Power Service — this service is applicable to all Customers having self-generation capability greater than 5,000 kW which was both permanently existing on site and in operating condition as of March 8, 1993. The power taken under Schedule EAPS can only be used for the displacement, in total or in part of the Customer's self-generating capability. A Customer may not contract for Schedule EAPS power in excess of the design capacity of the Customer's power production facilities and shall not displace load historically served by the Company.
- Street and Outdoor Lighting — this class includes Area Lighting Service which provides security or flood lighting services provided on end-use customers' premises and Street and Highway Lighting Service.

## **VI. PERIODIC BILLING REQUIREMENT ALLOCATION FACTORS**

The Periodic Billing Requirement shall be functionalized and allocated to each HRC Rate Class using the methods approved by the Commission in Docket No. 32907 as outlined in Attachment B to this schedule.

## **VII. DETERMINATION OF HRC RATES**

HRC Rates will be adjusted no less frequently than annually in order to ensure that the expected collection of the HRC Charges is adequate to pay when due, pursuant to the expected amortization schedule, principal and interest on the Transition Bonds and pay on a timely basis other qualified costs. The HRC Rates shall be computed by multiplying the Periodic Billing Requirement Allocation Factor ("PBRAF<sub>c</sub>") times the Periodic Billing Requirement ("PBR") for the projected HRC period, and dividing such amount by the billing units of the HRC Rate Class, as shown in the following formula:

$$\text{HRC}_c = [(\text{PBR} * \text{PBRAF}_c) + P_c] / \text{FBU}_c$$

Where,

$\text{HRC}_c$  = HRC Rate applicable to an HRC Rate Class during the HRC Period;

PBR = Periodic Billing Requirement for the HRC Period;

$\text{PBRAF}_c$  = the Periodic Billing Requirement Allocation Factor for such class in effect at such time;

$P_c$  = Prior period over-/under-recovery for such class; and

$\text{FBU}_c$  = Forecasted Billing Units (i.e., class-specific energy or demand billing units) currently forecast for a class for the HRC period.

## **VIII. STANDARD AND INTERIM TRUE-UP PROCEDURE**

Not less than 15 days prior to the first billing cycle for the Company's July 2008 billing month, and no less frequently than annually, the Servicer shall file a revised Attachment A setting forth the upcoming HRC period's HRC Rates (Adjusted HRC Rates), complete with all supporting materials. The Adjusted HRC Rates will become effective on the first billing cycle of the Company's July billing month. The Commission will have 15 days after the date of the true-up filing in which to confirm the accuracy of the Servicer's adjustment. Any necessary corrections to the Adjusted HRC Rates, due to mathematical errors in the calculation of such rates or otherwise, will be made in a future true-up adjustment filing.

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The Servicer is also required to make mandatory interim true-up adjustments semi-annually (or quarterly during the period between the expected final maturity and the legal final maturity of the last bond tranche or class), using the methodology applicable to the standard true-up, (i) if the Servicer forecasts that HRC Charge collections will be insufficient to make all scheduled payments of principal, interest and other amounts in respect of the transition bonds during the current or next succeeding payment period and/or (ii) to replenish any draws upon the capital subaccount. In the event an interim true-up is necessary, the interim true-up adjustment should be filed not less than 15 days prior to the first billing cycle of the month in which the revised transition charges will be in effect. In no event would such interim true-up adjustments occur more frequently than every three months if quarterly transition bond payments are required or every six months if semi-annual transition bond payments are required; provided, however, that interim true-up adjustments for any transition bonds remaining outstanding after the expected final maturity date of the last tranche or class shall occur quarterly.

**IX. NON-STANDARD TRUE-UP PROCEDURE**

In the event that the forecasted billing units for one or more of the HRC Rate Classes for an upcoming period decreases by more than 10% of the threshold billing units set forth in the Financing Order, the Servicer shall make a non-standard true-up filing at least 90 days before the effective date of the next standard true-up adjustment. The true-up shall be conducted in the following manner. The Servicer shall:

- A. allocate the upcoming period's Periodic Billing Requirement based on the PBRAFs as outlined in Attachment B;
- B. calculate undercollections or overcollections from the preceding period in each HRC Rate Class by subtracting the previous period's HRC Charge revenues collected from each class from the Periodic Billing Requirement determined for that class for the same period;
- C. sum the amounts allocated to each HRC Rate Class in steps A and B above to determine an adjusted Periodic Billing Requirement for each HRC Rate Class;
- D. divide the Periodic Billing Requirement for each HRC Rate Class by the maximum of the forecasted billing units or the threshold billing units for that Class, to determine the threshold rate;
- E. multiply the threshold rate by the forecasted billing units for each HRC Rate Class to determine the expected collections under the threshold rate;
- F. allocate the difference in the adjusted Periodic Billing Requirement and the expected collections calculated in step E among the HRC Rate Classes using the PBRAFs as outlined in Attachment B;

- G. add the amount allocated to each HRC Rate Class in step F above to the expected collection amount by class calculated in step E above to determine the final Periodic Billing Requirement for each class; and
- H. divide the final Periodic Billing Requirement for each HRC Rate Class by the forecasted billing units to determine the HRC Rate by Class for the upcoming period.

A proceeding for the purpose of approving a non-standard true-up should be conducted in the following manner:

- A. The Servicer will make a “non-standard true-up filing” with the Commission at least 90 days before the effective date of the proposed true-up adjustment. The filing will contain the proposed changes to the HRC Rates, justification for such changes as necessary to specifically address the cause(s) of the proposed non-standard true-up, and a statement of the proposed effective date.
- B. Concurrently with the filing of the non-standard true-up with the Commission, the Servicer will notify all parties in Docket No. 33586 of the filing of the proposal for a non-standard true-up.
- C. The Servicer will issue appropriate notice and the Commission will conduct a contested case proceeding on the non-standard true-up proposal pursuant to PURA § 39.003.

The scope of the proceeding will be limited to determining whether the proposed adjustment complies with the Financing Order. The Commission will issue a final order by the proposed effective date stated in the non-standard true-up filing. In the event that the Commission cannot issue an order by that date, the Servicer will be permitted to implement its proposed changes. Any modifications subsequently ordered by the Commission will be made by the Servicer in the next true-up filing.

#### **X. ALTERNATIVE BILLING AND COLLECTION TERMS AND CONDITIONS**

The billing and collection of HRC Charges may differ as set forth in this schedule. The alternative terms and conditions for each party are set forth below:

##### A. Billings by Servicer to other electric utilities, municipally owned utilities, and cooperatives:

- 1. Applicable to former customers of the Company in multiply certificated service areas now taking service from other electric utilities, municipally owned utilities, or cooperatives or through REPs served from other electric utilities, municipally owned utilities, or cooperatives.
- 2. Charges subject to this tariff must be paid in full by the other electric utility, municipally owned utility, or cooperative to the Servicer pursuant to the terms of the Transition Property Servicing Agreement.

##### B. Billings by Servicer to NESG:

- 1. Applicable to end-use consumption served by on-site non-eligible self generation. The HRC Charges applicable to NESG are in addition to the applicable HRC Charges under A above or C below.
- 2. Payment terms pursuant to the Commission's rules.

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3. HRC Rate Class determined by summing loads on the transmission and distribution system with loads served by non-eligible generation.
4. Servicer has the right to terminate for non-payment pursuant to the Commission's rules.

**C. Billings by the REP or its Replacement to End-Use Customers:**

1. Applicable to consumption of all end-use customers served by the REP for which HRC Charges apply, including applicable former customers and NESG, under the following conditions:
2. REPs shall provide the Servicer with full and timely information necessary to provide proper reporting and for billing and true-up adjustments.
3. Each REP must (1) have a long-term, unsecured credit rating of not less than "BBB-" and "Baa3" (or the equivalent) from Standard & Poor's and Moody's Investors Service, respectively, or (2) provide (A) a deposit of two months' maximum expected HRC Charges collections in the form of cash, (B) an affiliate guarantee, surety bond, or letter of credit providing for payment of such amount of HRC Charges collections in the event that the REP defaults in its payment obligations, or (C) a combination of any of the foregoing. A REP that does not have or maintain the requisite long-term, unsecured credit rating may select which alternate form of deposit, credit support, or combination thereof it will utilize, in its sole discretion. The Indenture Trustee shall be the beneficiary of any affiliate guarantee, surety bond or letter of credit. The provider of any affiliate guarantee, surety bond, or letter of credit must have and maintain long-term, unsecured credit ratings of not less than "BBB-" and "Baa3" (or the equivalent) from Standard & Poor's and Moody's Investors Service, respectively.
4. If the long-term, unsecured credit rating from either Standard & Poor's or Moody's Investors Service of a REP that did not previously provide the alternate form of deposit, credit support, or combination thereof or of any provider of an affiliate guarantee, surety bond, or letter of credit is suspended, withdrawn, or downgraded below "BBB-" or "Baa3" (or the equivalent), the REP must provide the alternate form of deposit, credit support, or combination thereof, or new forms thereof, in each case from providers with the requisite ratings, within 10 business days following such suspension, withdrawal, or downgrade. A REP failing to make such provision must comply with the provisions set forth in Paragraph 3 of the next section, Billings by the Servicer to the REP or its Replacement (when applicable).

5. The computation of the size of a required deposit shall be agreed upon by the Servicer and the REP, and reviewed no more frequently than quarterly to ensure that the deposit accurately reflects two months' maximum collections. Within 10 business days following such review, (1) the REP shall remit to the Indenture Trustee the amount of any shortfall in such required deposit or (2) the Servicer shall instruct the Indenture Trustee to remit to the REP any amount in excess of such required deposit. A REP failing to so remit any such shortfall must comply with the provisions set forth in Paragraph 3 of the next section, Billings by the Servicer to the REP or its Replacement (when applicable). REP cash deposits shall be held by the Indenture Trustee, maintained in a segregated account, and invested in short-term high quality investments, as permitted by the rating agencies rating the Transition Bonds. Investment earnings on REP cash deposits shall be considered part of such cash deposits so long as they remain on deposit with the Indenture Trustee. At the instruction of the Servicer, cash deposits will be remitted with investment earnings to the REP at the end of the term of the Transition Bonds unless otherwise utilized for the payment of the REP's obligations for HRC Charges payments. Once the deposit is no longer required, the Servicer shall promptly (but not later than 30 calendar days) instruct the Indenture Trustee to remit the amounts in the segregated accounts to the REP.
6. In the event that a REP or the Provider of Last Resort ("POLR") is billing customers for HRC Charges, the REP shall have the right to transfer the customer to the POLR (or to another certified REP) or to direct the Servicer to terminate transmission and distribution service to the end-use customer for non-payment by the end-use customer pursuant to applicable Commission rules.

D. Billings by the Servicer to the REP or its Replacement (when applicable):

1. Applicable to all consumption subject to REP billing of HRC Charges.
2. Payments of HRC Charges are due 35 calendar days following each billing by the Servicer to the REP, without regard to whether or not, or when, the REP receives payment from its retail customers. The Servicer shall accept payment by electronic funds transfer ("EFT"), wire transfer ("WT") and/or check. Payment will be considered received the date the EFT or WT is received by the Servicer, or the date the check clears. A 5% penalty is to be charged on amounts received after 35 calendar days; however, a 10-calendar-day grace period will be allowed before the REP is considered to be in default. A REP in default must comply with the provisions set forth in Paragraph 3 below. The 5% penalty will be a one-time assessment measured against the current amount overdue from the REP to the Servicer. The current amount consists of the total unpaid HRC Charges existing on the 36<sup>th</sup> calendar day after billing by the Servicer. Any and all such penalty payments will be made to the Indenture Trustee to be applied against HRC Charges obligations. A REP shall not be obligated to pay the overdue HRC Charges of another REP. If a REP agrees to assume the responsibility for the payment of overdue HRC Charges as a condition of receiving the customers of another REP who has decided to terminate service to those customers for any reason, the new REP shall not be assessed the 5% penalty upon such HRC Charges; however, the prior REP shall not be relieved of the previously assessed penalties.
3. After the 10 calendar-day grace period (the 45<sup>th</sup> calendar day after the billing date) referred to in Paragraph 2 above, the Servicer shall have the option to seek recourse against any cash deposit, affiliate guarantee, surety bond, letter of credit, or combination thereof made by the REP, and avail itself of such legal remedies as may be appropriate to collect any remaining unpaid HRC Charges and associated penalties due the Servicer after the application of the REP's deposit or alternate form of credit support. In addition, a REP that is in default with respect to the requirements set forth in Paragraphs 4 and 5 of the previous section, Billings by the REP or its Replacement to End-Use Customers, and Paragraph 2 of this section shall select and implement one of the following options:

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- (a) Allow the POLR or a qualified REP of the customer's choosing to immediately assume the responsibility for the billing and collection of HRC Charges.
- (b) Immediately implement other mutually suitable and agreeable arrangements with the Servicer. It is expressly understood that the Servicer's ability to agree to any other arrangements will be limited by the terms of the servicing agreement and requirements of each of the rating agencies that have rated the Transition Bonds necessary to avoid a suspension, withdrawal, or downgrade of the ratings on the Transition Bonds.
- (c) Arrange that all amounts owed by retail customers for services rendered be timely billed and immediately paid directly into a lock-box controlled by the Servicer with such amounts to be applied first to pay HRC Charges before the remaining amounts are released to the REP. All costs associated with this mechanism will be borne solely by the REP.

If a REP that is in default fails to immediately select and implement one of the foregoing options in (a), (b), or (c) or, after so selecting one of the foregoing options, fails to adequately meet its responsibilities thereunder, then the Servicer shall immediately implement option (a). Upon re-establishment of the requirements set forth in Paragraphs 4 and 5 of the previous section, Billings by the REP or its Replacement to End-Use Customers, and Paragraph 2 of this section and the payment of all past-due amounts and associated penalties, the REP will no longer be required to comply with this subsection.

4. The POLR will be required to meet the minimum credit rating and/or deposit/credit support requirements described in Paragraph 3 of the preceding section, Billings by the REP or its Replacement to End-Use Customers, in addition to any other standards that may be adopted by the Commission. If the POLR defaults or is not eligible to provide such services, responsibility for billing and collection of HRC Charges will immediately be transferred to and assumed by the Servicer until a new POLR can be named by the Commission or the customer requests the services of a certified REP. Retail customers may never be re-billed by the successor REP, the POLR, or Servicer for any amount of HRC Charges they have paid their REP (although future HRC Charges shall reflect REP and other system-wide charge-offs). Additionally, if the amount of the penalty detailed in Paragraph 2 of this section is the sole remaining past-due amount after the 45<sup>th</sup> day, the REP shall not be required to comply with § X.D.3.(a), (b), or (c) above, unless the penalty is not paid within an additional 30 calendar days
5. In the event the Servicer is billing customers for HRC Charges, the Servicer shall have the right to terminate transmission and distribution service for non-payment by end-use customers pursuant to the Commission's rules.

6. Notwithstanding Paragraph 2 of this section, the REPs will be allowed to hold back an allowance for charge-offs in their payments to the Servicer. Such charge-off rate will be recalculated each year in connection with the standard true-up procedure. In the initial year, the REPs will be allowed to remit payments based on the same system-wide charge off percentage then being used for the transition bonds issued by ENTERGY GULF STATES RECONSTRUCTION FUNDING I, LLC pursuant to the financing order issued in Docket No.33586. On an annual basis in connection with the standard true-up adjustment process, the REP and the Servicer will be responsible for reconciling the amounts held back with amounts actually written off as uncollectible in accordance with the terms agreed to by the REP and the Servicer, provided that:
  - (a) The REP's right to reconciliation for write-offs will be limited to customers whose service has been permanently terminated and whose entire accounts (i.e., all amounts due the REP for its own account as well as the portion representing HRC Charges) have been written off.
  - (b) The REP's recourse will be limited to a credit against future HRC Charges payments unless the REP and the Servicer agree to alternative arrangements, but in no event will the REP have recourse to the SPE or its funds for such payments.
  - (c) The REP shall provide information on a timely basis to the Servicer so that the Servicer can include the REP's default experience and any subsequent credits in its calculation of the HRC Rates for the next HRC billing period, and the REP's rights to credits will not take effect until after such adjusted HRC Rates have been implemented.
7. In the event that a REP disputes any amount of billed HRC Charges, the REP shall pay the disputed amount under protest according to the timelines detailed in Paragraph 2 of this section. The REP and Servicer shall first attempt to informally resolve the dispute, but if failing to do so within 30 calendar days, either party may file a complaint with the Commission. If the REP is successful in the dispute process (informal or formal), the REP shall be entitled to interest on the disputed amount paid to the Servicer at the Commission-approved interest rate. Disputes about the date of receipt of HRC Charges payments (and penalties arising therefrom) will be handled in a like manner.

Any interest paid by the Servicer on disputed amounts shall not be recovered through HRC Charges if it is determined that the Servicer's claim to the funds is clearly unfounded. No interest shall be paid by the Servicer if it is determined that the Servicer has received inaccurate metering data from another entity providing competitive metering services pursuant to PURA § 39.107.

8. If the Servicer is providing the metering, the metering data will be provided to the REP at the same time as the billing. If the Servicer is not providing the metering, the entity providing metering service(s) will be responsible for complying with Commission rules and ensuring that the Servicer and the REP receive timely and accurate metering data in order for the Servicer to meet its obligations under the Servicing Agreement and the Financing Order with respect to billing and true-ups.

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**XI. OTHER TERMS AND CONDITIONS**

Prior to the date when retail competition is introduced into the Service Area, if any retail customer does not pay the full amount of any bill to EGSI the amount paid by the customer will be applied in the following order of priority: first, to any amounts due with respect to customer deposits, second, to all electric service charges of EGSI and to all transition charges on the bill, pari passu based upon the total amount billed, and third to tax and charges billed to the Customers. If there is more than one owner of transition property, or if the sole or any owner of transition property (or pledge or pledgee) has issued multiple series of bonds, such partial collections representing transition charges shall be allocated among such owners (or pledgee or pledgees), and among such series of transition bonds, pro-rata based upon the amounts billed with respect to each series of transition bonds, provided that late fees and charges may be allocated to the Servicer as provided in the Tariff. When and if the Service Area becomes subject to retail competition and a REP or other entity does not pay the full amount it has been billed, the amount paid by the REP or such other entity will first be apportioned between the transition charges and other fees and charges (including amounts billed and due in respect of transition charges associated with transition bonds issued under other financing orders), other than late fees, and second, any remaining portion of the payment will be allocated to late fees. The amount allocated to transition charges shall be further allocated in the same manner as the second preceding sentence. The foregoing allocations will facilitate a proper balance between the competing claims to this source of revenue in an equitable manner.

At least once each year, following the introduction of retail open competition in the Service Area, (i) the Company shall cause to be prepared and delivered to REPs, if appropriate, and such customers a notice stating, in effect, that the Transition Property and the HRC Charges are owned by the SPE and not the Company; and (ii) each REP which bills HRC Charges shall cause to be prepared and delivered to such customers a notice stating, in effect, that the Transition Property and the HRC Charges are owned by the SPE and not the REP or the Company. Such notice shall be included either as an insert to or in the text of the bills delivered to such REPs or customers, as applicable, or shall be delivered to customers by electronic means or such other means as the Servicer or the REP may from time to time use to communicate with their respective customers.

SCHEDULE HRC - ATTACHMENT A

INITIAL OR ADJUSTED HURRICANE RECONSTRUCTION COSTS RATES

**I. RATE CLASSES**

For purposes of determining and billing Initial or Adjusted Hurricane Reconstruction Costs Rates, each end-use customer will be designated as a customer belonging to one of nine classes as identified and defined in § V of Rate Schedule HRC.

**II. NET MONTHLY RATE**

The Initial or Adjusted HRC Rates shall be determined in accordance with and are subject to the provisions set forth in Rate Schedule HRC. Not less than 15 days prior to the first billing cycle for the Company's July 2007 billing month and no less frequently than annually thereafter, the Company or successor Servicer will file a Revision to Schedule HRC, Attachment A setting forth the Adjusted HRC Rates to be effective for the upcoming period. If made as a result of the standard true-up adjustment in Rate Schedule HRC, the Adjusted HRC Rates will become effective on the first billing cycle of the Company's July billing month. If an interim true-up adjustment is made pursuant to Rate Schedule HRC, the Adjusted HRC Rates will be become effective on the first billing cycle of the Company's billing month that is not less than 15 days following the making of the interim true-up adjustment filing. If a Non-Standard True-Up filing pursuant to Rate Schedule HRC is made to revise the Initial or Adjusted HRC Rates, the filing will be made at least 90 days prior to the first billing cycle for the Company's July billing month. Amounts billed pursuant to this schedule are not subject to Rider IHE or State and local sales tax.

<b><u>HRC Rate Class</u></b>	<b><u>Initial or Adjusted HRC Rates</u></b>	
Residential	\$0.00385	per kWh
Small General Service	\$0.00565	per kWh
General Service	\$0.00256	per kWh
Large General Service	\$0.00153	per kWh
Large Industrial Power Service	\$0.11132	per kW
Interruptible Service	\$0.01950	per kW
Experimental Economic As-Available Power Service	\$0.00047	per kWh
Standby and Maintenance Service	\$0.01489	per kW
Street and Outdoor Lighting	\$0.01813	per kWh

The Initial or Adjusted HRC Rates are multiplied by the kWh or kW as applicable, read, estimated or determined during the billing month and will be applied to bills rendered on and after the effective date.

**ENERGY GULF STATES, INC**  
**Functionalization and Allocation of Annual Securitization Payments**  
**Texas Retail by Class**

	<u>Tx Retail</u>	<u>Texas Retail</u>								
		<u>RES</u>	<u>SGS</u>	<u>GS</u>	<u>LGS</u>	<u>LIPS</u>	<u>IS</u>	<u>LTG</u>	<u>EAPS</u>	<u>SMS</u>
<b>Production</b>										
Texas Retail Allocation Factors	100.0000%	42.1342%	2.2260%	19.4782%	7.0323%	24.2677%	1.4286%	0.3776%	1.6456%	1.4098%
Related Storm Costs	5,107,465									
Total Storm Costs	393,236,384									
Ratio of Related Storm Costs	1.2988%									
Annual Levelized Payment	0									
Payment Allocated to Prod	0	0	0	0	0	0	0	0	0	0
<b>Transmission</b>										
Texas Retail Allocation Factors	100.0000%	44.1551%	2.3289%	19.9375%	6.9826%	22.2575%	0.9543%	0.3620%	1.6104%	1.4118%
Related Storm Costs	36,695,042									
Total Storm Costs	393,236,384									
Ratio of Related Storm Costs	9.3315%									
Annual Levelized Payment	0									
Payment Allocated to Trans	0	0	0	0	0	0	0	0	0	0
<b>Distribution</b>										
Texas Retail Allocation Factors	100.0000%	58.5687%	4.8511%	25.0099%	6.1482%	1.2080%	0.0000%	4.0463%	0.0000%	0.1678%
Related Storm Costs	350,289,652									
Total Storm Costs	393,236,384									
Ratio of Related Storm Costs	89.0786%									
Annual Levelized Payment **	0									
Payment Allocated to Distrib	0	0	0	0	0	0	0	0	0	0
<b>Net General Plant</b>										
Texas Retail Allocation Factors	100.0000%	51.8429%	3.8699%	18.9575%	5.9117%	14.7757%	0.7624%	1.9911%	0.9533%	0.9355%
Related Storm Costs	1,144,225									
Total Storm Costs	393,236,384									
Ratio of Related Storm Costs	0.2910%									
Annual Levelized Payment	0									
Payment Allocated to Other	0	0	0	0	0	0	0	0	0	0
<b>Total Payments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>