

Rate Stabilization Plan Rider

I. GENERAL

Rate Stabilization Plan Rider Schedule RSP ("Rider RSP") defines the procedure by which the applicable retail rates contained in the Entergy Gulf States, Inc. ("EGS" or "Company") rate schedules may be periodically adjusted on a prospective basis. Rider RSP shall apply in accordance with the provisions of Section II.A to all applicable gas service billed under the rate schedules and subject to the jurisdiction of the Louisiana Public Service Commission ("LPSC or Commission").

II. APPLICATION AND REDETERMINATION PROCEDURE

A. RATE ADJUSTMENT

All applicable retail rate and rider schedules "Revised Rate Schedules" shall be adjusted and filed with the Commission in accordance with the provisions of Sections II.B and II.C.

B. ANNUAL FILING AND REVIEW

1. FILING DATE

No later than January 31, 2006, and no later than each subsequent January 31, following the date rates are implemented from the results of this Docket No. U-28035, EGS shall file a report ("Evaluation Report") with the Commission containing an evaluation of the Company's earnings for the immediately preceding twelve months ending September 30 prepared in accordance with the provisions of Section II.C. Revised Rate Schedules shall be included in each such filing in accordance with the provisions of Section II.C.

2. REVIEW PERIOD

The Commission, which together with EGS shall be referred to hereinafter, collectively, as the "Parties," shall receive a copy of each Evaluation Report with all subsequent filings in the related proceeding. An Intervenor in prior Evaluation Report reviews shall not be precluded from participating in future reviews. However, Intervenors will be required to file a new intervention in the proceeding associated with each annual Evaluation Report filing. At the time each such Evaluation Report is filed, EGS shall provide the Parties with workpapers supporting the data and calculations reflected in the Evaluation Report. The Parties may request clarification and additional supporting data.

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The Parties shall have until 60 days after filing to review the Evaluation Report to ensure that it complies with the requirements of Section II.C. If any errors should be detected in the application of the principles and procedures contained in Section II.C, such error(s) shall be formally communicated in writing to the Parties by the end of the 60 days. Each such indicated error shall include documentation of the proposed correction. The Company shall then have no more than twenty-five (25) days to review any proposed corrections, to resolve any differences and to file a revised Evaluation Report and Revised Rate Schedules containing the rate adjustment reflecting all corrections upon which there is agreement. The Company shall provide the Commission with appropriate workpapers supporting any revisions made to the Revised Rate Schedules initially filed.

Except where there is an unresolved dispute, which shall be addressed in accordance with the provisions of Section II.B.3, the Revised Rate Schedules initially filed under the provisions of Section II.B.1, or such corrected rate adjustment as may be determined pursuant to the terms of this Section II.B.2, shall become effective for bills no earlier than those rendered on and after the first billing cycle for the month of April. These Revised Rate Schedules shall then remain in effect until changed pursuant to the provisions of this Rider RSP or pursuant to a Commission Order in a general rate proceeding.

3. RESOLUTION OF DISPUTED ISSUES

In the event there is a dispute regarding any Evaluation Report, the Company shall work together with the Commission in good faith to resolve such dispute. If the dispute is not resolved by the end of the twenty-five (25) day period provided for in Section II.B.2, Interim Revised Rate Schedules reflecting all revisions to the initially filed Revised Rate Schedules on which the Parties agree shall become effective as provided for in Section II.B.2. Any disputed issues shall be submitted to the Commission for resolution.

If the Commission's final ruling on any disputed issues requires changes in the Interim Revised Rate Schedules initially implemented pursuant to the provisions of this Rider RSP, the Company shall file Revised Rate Schedules and Attachment E containing such further modified rate adjustment within fifteen (15) days after receiving the Commission's resolution of the dispute. The Company shall provide a copy of the filing to the Commission together with appropriate supporting documentation. Such modified Revised Rate Schedules shall then be implemented with the first billing cycle of the month after the date of the ruling and the new Revised Rate Schedules are accepted and shall remain in effect until superseded by new Revised Rate Schedules established in accordance with the provisions of this Rider RSP or pursuant to a Commission Order in a general rate proceeding.

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Within 60 days after receipt of the Commission's final ruling on disputed issues, the Company shall determine the amount to be refunded or surcharged to customers, if any, including interest at the legal rate of interest. Such refund/surcharge amount shall be based on customers' usage from the first billing cycle of the Revised Rate Schedules were effective for the filing year through the last revenue cycle of the billing month the Interim Revised Rate Schedules were billed. Such refund/surcharge amount shall be applied to customers' bills in the manner prescribed by the Commission.

C. ANNUAL REDETERMINATION OF RATE ADJUSTMENT

1. DEFINITION OF TERMS

a. EVALUATION PERIOD

The Evaluation Period shall be the twelve month period ended September 30 of the calendar year immediately preceding the filing of an Evaluation Report. All data utilized in each Evaluation Report shall be based on actual results for the Evaluation Period as recorded for gas operations on the Company's books in accordance with the Federal Energy Regulatory Commission Uniform System of Accounts or such other documentation as may be appropriate.

b. EARNED RATE OF RETURN ON COMMON EQUITY

The Earned Rate of Return on Common Equity ("EROE") for any Evaluation Period shall be determined in accordance with the Earned Rate of Return on Common Equity Formula set out in Attachment A. The EROE determination shall reflect the Evaluation Period Adjustments set out in Attachment B.

c. BENCHMARK RATE OF RETURN ON RATE BASE

The Benchmark Rate of Return on Rate Base ("BRORB") shall be determined in accordance with the Benchmark Rate of Return on Rate Base formula set out in Attachment C. The BRORB is the composite weighted embedded cost of capital reflecting the Company's annualized costs of Debt, Preferred Stock and Common Equity as of the end of the Evaluation Period. The capitalization ratios, as set out in Attachment C, will be the capitalization ratios for the period as approved by the Commission.

d. EVALUATION PERIOD COST RATE FOR COMMON EQUITY

The Evaluation Period Cost Rate for Common Equity ("EPCOE") is the Company's cost rate for common equity applicable to the Evaluation Period. The EPCOE value applicable for each Evaluation Period shall be determined in accordance with the Evaluation Period Cost Rate for Common Equity Procedure set out in Attachment D.

e. RATE OF RETURN ON COMMON EQUITY BANDWIDTH

The Rate of Return on Common Equity Bandwidth ("Bandwidth") shall be the range of values with an upper limit ("Upper Band") equal to the EPCOE plus 0.50% (50 basis points) and a lower limit ("Lower Band") equal to the EPCOE minus 0.50%.

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2. TOTAL RIDER RSP REVENUE LEVEL

In each Evaluation Report, the Total Rider RSP Revenue level shall be determined using the Rider RSP Revenue Redetermination Formula set out in Attachment E, which reflects the following rules:

- a. For purposes of determining whether a rate adjustment is necessary, a dead band equal to 50 basis points above and below the EPCOE will be established. To the extent the EROE falls within the dead band, no rate change shall be made.
- b. To the extent the EROE falls more than 50 basis points above or below the EPCOE rates will be adjusted. The amounts of the rate adjustment will be determined as follows:
 1. For differences between the EROE and the EPCOE of up to 200 basis points, rates will be increased or decreased by 50 percent of the difference necessary to bring the EPCOE to the end point of the dead band. For example, if EROE were 200 basis points above the EPCOE, rates would be reduced by the amount necessary to reduce the EROE by 75 basis points (or one half of the difference between 200 basis points and 50 basis points above the EPCOE).
 2. For differences of more than 200 basis points above or below the EPCOE, rates will be adjusted by 100 percent of the amount necessary to eliminate the return differential in excess of 200 basis points plus one half of the difference between 200 basis points and the end point of the dead band. For example, if the EROE was 250 basis point below the EPCOE, rates would be increased by an amount equal to that necessary to increase the return by the 50 basis points in excess of the EPCOE minus 200 basis points plus 75 basis points for one half of the difference between 200 basis points and 50 basis points below the EPCOE.
- c. A change in the Rider RSP Revenue level shall not be made unless it changes the EROE for the Evaluation Period by more than 0.05% (5 basis points).

3. RIDER RSP REVENUE ALLOCATION

The Total Rider RSP Revenue, as determined under the provisions of Section II.C.2, will be allocated to each applicable retail rate and rider schedule based on an equal percentage of rate revenue. This percentage will be developed by dividing the Total Rider RSP Revenue by the total applicable base rate revenue.

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4. RATE REDETERMINATION

All rates in the applicable retail rate and rider schedules on file with the Commission will be changed to reflect the RSP Attachment E Revenue, except that the Small General Service Rate Schedule ("G-1") customer charge in any one year will be held to a maximum increase of \$0.50. Any additional revenue not collected due to the G-1 customer charge limit will be collected through an additional increase to all other net monthly rates and net minimum charges in all applicable rate schedules. A revenue reduction will not be recovered through the G-1 customer charge, but will be recovered through a reduction to all other net monthly rates and net minimum charges in all applicable rate schedules on an equal percentage basis.

Whenever a change in the RSP Revenue level requires a change in rates, new rate schedules will be filed.

III. PROVISIONS FOR OTHER RATE CHANGES

EXTRAORDINARY COST CHANGES

It is recognized that from time to time EGS may experience extraordinary increases or decreases in costs that occur as a result of actions, events or circumstances beyond the control of the Company. Such costs may significantly increase or decrease the Company's revenue requirements and, thereby, require rate changes that this Rider RSP is not designed to address. For example, should EGS be required to incur substantial costs due to mandatory changes in service standards, EGS may request a proceeding to consider an appropriate regulatory treatment of such extraordinary cost increase outside the provisions of this Rider RSP.

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Attachment A
 Page 1 of 4

ENTERGY GULF STATES, INC.- GAS LPSC JURISDICTION EARNED RATE OF RETURN ON COMMON EQUITY FORMULA		
Line No	Description	Adjusted Amount
1	RATE BASE (Attachment A, Page 2, Line 11)	
2	BENCHMARK RATE OF RETURN ON RATE BASE (Attachment C, Column D, Line 7)	
3	REQUIRED OPERATING INCOME (Line 1 * Line 2)	
4	NET UTILITY OPERATING INCOME (Attachment A, Page 3, Line 22)	
5	OPERATING INCOME DEFICIENCY (EXCESS) (Line 3 - Line 4)	
6	COMMON EQUITY DEFICIENCY (EXCESS) (%) (Line 5 / Line 1)	
7	WEIGHTED EVALUATION PERIOD COST RATE FOR COMMON EQUITY (%) (Attachment C, Column D, Line 6)	
8	WEIGHTED EARNED COMMON EQUITY RATE (%) (Line 7 – Line 6)	
9	COMMON EQUITY RATIO (Attachment C, Column B, Line 6)	
10	EARNED RATE OF RETURN ON COMMON EQUITY (%) (Line 8 / Line 9)	

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ENERGY GULF STATES, INC. – GAS LPSC JURISDICTION RATE BASE (A)		
Line No.	Description	Adjusted Amount
1	PLANT IN SERVICE (B)	
2	ACCUMULATED DEPRECIATION	
3	NET UTILITY PLANT (L1 + L2)	
4	MATERIALS & SUPPLIES (C)	
5	PREPAYMENTS (C)	
6	CUSTOMER ADVANCES	
7	CUSTOMER DEPOSITS	
8	ACCUMULATED DEFERRED INCOME TAXES	
9	OTHER (D)(E)	
10	RATE BASE (L3 + Sum of L4 – L9)	

NOTES:

- (A) Beginning and ending average balances are to be utilized except where otherwise noted.
- (B) Plant in Service shall include CWIP that is in service but not classified and that is not subject to AFUDC accrual.
- (C) 13 month average balances
- (D) Calculated consistent with the methodology approved in LPSC Docket No. U-28035.
- (E) Other items included pursuant to Section 7 of Attachment B to this Rider RSP

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Attachment A
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ENERGY GULF STATES, INC. – GAS LPSC JURISDICTION OPERATING INCOME		
Line No.	Description	Adjusted Amount
	REVENUES	
1	RATE SCHEDULE REVENUE	
2	OTHER GAS REVENUE	
3	TOTAL OPERATING REVENUES (Sum of L1 + L2)	
	EXPENSES	
	GAS OPERATION & MAINTENANCE	
4	GAS COST	
5	DISTRIBUTION	
6	CUSTOMER ACCOUNTING	
7	CUSTOMER SERVICE & INFORMATION	
8	SALES	
9	ADMINISTRATIVE & GENERAL	
10	TOTAL GAS O&M EXPENSE (Sum of L4 - L9)	
11	DEPRECIATION & AMORTIZATION EXP	
12	INTEREST ON CUSTOMER DEPOSITS	
13	GAIN FROM DISPOSITION OF ALLOWANCES	
14	TAXES OTHER THAN INCOME	
15	STATE INCOME TAX (Page 4, Line 16)	
16	FEDERAL INCOME TAX (Page 4, Line 23)	
17	PROV DEF INC TAX - STATE – NET	
18	PROV DEF INC TAX - FEDERAL – NET	
19	INVESTMENT TAX CREDIT – NET	
20	OTHER (A)	
21	TOTAL UTILITY OPERATING EXP (L10 + Sum of L11 - L20)	
22	NET UTILITY OPERATING INCOME (L3 - L21)	

NOTES:

(A) Other items included pursuant to Section 7 of Attachment B

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ENERGY GULF STATES, INC. – GAS LPSC JURISDICTION INCOME TAX		
Line No.	Description	Adjusted Amount
1	NET INCOME BEFORE INCOME TAXES (Page 3 Line 1 – Lines (10 to 14) – Line 20	
2	ADJUSTMENTS TO NET INCOME BEFORE TAXES	
3	TAXABLE INCOME (L1 + L2)	
COMPUTATION OF STATE INCOME TAX		
4	STATE TAXABLE INCOME (L3)	
5	STATE ADJUSTMENTS	
6	TOTAL STATE TAXABLE INCOME (L4 + L5)	
7	STATE INCOME TAX BEFORE ADJUSTMENTS [L6 * Effective State Tax Rate (see Note A)]	
8	ADJUSTMENTS TO STATE TAX	
9	STATE INCOME TAX (L7 + L8)	
COMPUTATION OF FEDERAL INCOME TAX		
10	TAXABLE INCOME (L10)	
11	STATE INCOME TAX [L7 (shown as deduction)]	
12	FEDERAL ADJUSTMENTS	
13	TOTAL FEDERAL TAXABLE INCOME (L10 + L11 + L12)	
14	FEDERAL INCOME TAX BEFORE ADJUSTMENTS [L13 * Federal Tax Rate (see Note A)]	
15	ADJUSTMENTS TO FEDERAL TAX	
16	FEDERAL INCOME TAX (L14 + L15)	

NOTES:

(A) The tax rate in effect at the time the Evaluation Report is filed shall be utilized.

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Attachment B
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**ENTERGY GULF STATES, INC.- GAS
EVALUATION PERIOD ADJUSTMENTS**

The actual (per book) data for each Evaluation Period, as reflected in Attachment A, shall be adjusted to reflect the following:

1. Rate Annualization Adjustment

- A) Present rate revenue shall be adjusted to reflect jurisdictional revenues, on an annualized basis, the Rate Adjustment in effect at the end of the Evaluation Period under this Rider RSP.
- B) Present rate jurisdictional revenue shall be adjusted for weather using the company's methodology.
- C) The rate base, revenue and expense effects associated with any riders, or other rate mechanisms that EGS may have in effect during the Evaluation Period which recover specific costs are to be eliminated.

2. Interest Synchronization

All Evaluation Period interest expenses are to be eliminated and replaced with an imputed interest expense amount equal to the Evaluation Period rate base multiplied by the weighted embedded cost of debt for the Evaluation Period determined in accordance with Attachment C.

3. Income Taxes

All state and federal income tax effects including 1) adjustments to taxable income, 2) adjustments to current taxes, 3) provisions for deferred income tax (debit and credit), and 4) accumulated provision for deferred income tax (debit and credit) shall be adjusted or eliminated, as appropriate, to comport with the following principles:

- A) Effects associated with other adjustments set out in this Attachment B shall similarly and consistently be adjusted;
- B) All effects associated with the difference in the timing of transactions, where the underlying timing difference is eliminated, shall also be eliminated;

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Attachment B
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- C) The corporate state and federal income tax laws legally in effect on the date an Evaluation Report is filed under this Rider RSP shall be reflected in the calculation of all income tax amounts; and
 - D) Tax effects normally excluded for rate making purposes shall be eliminated.
4. Wage and Salary
- A) An adjustment shall be made to reflect annualized wage, salary and benefit levels in effect at the end of the twelve-month period ending September 30.
 - B) Benefit expense shall be adjusted to eliminate Long-Term Incentive Plan ("LTIP"), Equity Awards Program and Restricted Share Awards. The Wage and Salary adjustment shall reflect the amortization over four years of VSP costs beginning in 2004.
5. Reclassifications
- A) Revenues associated with EGS's Gas Retail rates in the Commission's jurisdiction, but included in Other Gas Revenue on a per book basis (Attachment A, Page 3, Line 2), shall be reclassified as rate schedule revenue.
 - B) Costs not allowable for ratemaking purposes shall be removed by adjustment from the Evaluation Period cost data. Likewise, costs that are allowed, but recorded below the utility operating income line, shall be included in the Evaluation Period cost data through appropriate reclassification adjustments. These adjustments shall include, but are not limited to, the reclassification of below-the-line interest expense associated with customer deposits as interest on customer deposits expense.
6. Out-of-Period Items
- Expenses and revenues recorded in any Evaluation Period that are related to transactions occurring prior to the Evaluation Period used in the first Evaluation Report shall be eliminated by adjustment from the Evaluation Period cost data. This shall include any associated tax adjustments.
7. Normalization
- Injuries and Damages expense and Uncollectibles expense will be normalized consistent with the methodology in this case.
8. Other
- In addition to Adjustments 1-7 above, there may, from time-to-time, be special costs or rate effects that occur during an Evaluation Period that require adjustments of the Evaluation Period cost data.

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Attachment C
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**ENTERGY GULF STATES, INC.
BENCHMARK RATE OF RETURN ON RATE BASE**

Description	(A) Capital Amount (\$) (1)	(B) Capital Ratio(1)	(C) Cost Rate (2)	(D) Benchmark Rate of Return on Rate Base (3)
1 Long-Term Debt				
2 Short-Term Debt				
3 QUIPS				
4 Total Debt				
5 Preferred Equity				
6 Common Equity			EPCOE	
7 Total		100%		BRORB

NOTES:

- (1) The Capital Amount will be the amount at the end of the Evaluation Period except Short-Term Debt shall be the thirteen-month average. The Company or Staff may propose adjustments to capital amounts and cost rates for refinancing activities that occur after the end of the evaluation period. All Long-Term Debt issues shall reflect the balance net of a) unamortized debt discount, premium and expense; b) gain or loss on reacquired debt; and c) any adjustments required per Attachment B. All Preferred Stock issues shall reflect the balance net of discount, premium and capital stock expense. The actual capital structure shall continue to be utilized. However, if the Common Equity Ratio exceeds the weighted average common equity ratio of all five Entergy Operating Companies plus 2 percent, the Common Equity Capital Amount shall be reduced so that the Common Equity Ratio is equal the weighted average common equity ratio of all five Entergy Operating Companies plus 2 percent. Any resulting reduction in the Common Equity Capital Ratio (%) shall then be allocated to Short-Term Debt, Long-Term Debt, QUIPS and Preferred Equity on a pro rata based on the corresponding Capital Amounts.
- (2) Annualized cost of Long-Term Debt and Preferred Equity at the end of the Evaluation Period divided by the corresponding Capital Amount. The Short-Term Debt Cost Rate is the thirteen-month average of the Short-Term Debt interest rates on the last day of each month of the Evaluation Period and the month immediately preceeding the Evaluation Period. The Long-Term Debt and QUIPS Cost Rates shall include a) annualized amortization of debt discount, premium and expense; b) annualized gain or loss on reacquired debt; and c) any adjustments required per Attachment B. The Common Equity Cost Rate shall be the Evaluation Period Cost Rate for Common Equity (EPCOE) determined in accordance with Attachment D.
- (3) The components of the Benchmark Rate of Return on Rate Base (BRORB) column are the corresponding Cost Rates multiplied by the associated Capital Ratio. The BRORB is the sum of the components so determined and expressed as a percent to two decimal places (XX.XX%).

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Attachment D
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ENTERGY GULF STATES, INC.

EVALUATION PERIOD COST RATE FOR COMMON EQUITY PROCEDURE

A. EVALUATION PERIOD COST RATE FOR COMMON EQUITY

The EPCOE applicable for any Evaluation Report shall be the EPCOE most recently approved by the Commission as of the date that Evaluation Report is filed. That EPCOE shall remain in effect until the EPCOE is reset by formal finding of the Commission in accordance with the provisions of Section B.

B. REVISION OF THE EPCOE

1. General

Either EGS or the Staff may propose to revise the EPCOE by filing a proposal with the Commission. Such filing shall include expert testimony providing sufficient information and analysis to support the proposed revision to the EPCOE. The Commission shall then conduct a hearing to consider the proposal. The EPCOE applicable for the 2006, 2007 and 2008 Evaluation Report Filings shall be 10.50%.

2. Revisions in Context of Annual Review

In the event the Commission revises the EPCOE in the context of the review of an Evaluation Report filed in any year, the revised EPCOE shall be reflected prospectively. Within fifteen (15) days after the issuance of the Commission's order revising the EPCOE, the Company shall file a revised Rate Adjustment, which shall be based on the then currently effective Rate Adjustment as modified only to reflect the revised EPCOE. The revised Rate Adjustment shall then become effective beginning with the next monthly billing cycle, provided the Commission's order is received by the 5th day of the month. Otherwise the revised Rate Adjustment shall be implemented with the first billing cycle of the subsequent second month.

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Attachment E
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ENERGY GULF STATES, INC. – GAS
RIDER RSP REVENUE REDETERMINATION FORMULA

<u>SECTION 1</u>			
BANDWIDTH DEVELOPMENT			
Line No	DESCRIPTION	REFERENCE	
1	Earned Rate of Return on Common Equity (EROE)	Attachment A, Page 1, L 22	%
2	Evaluation Period Cost Rate for Common Equity	Developed per Attachment D	%
3	Upper Band ROE	L2 + 50 Basis Points	%
4	Lower Band ROE	L2 - 50 Basis Points	%
<u>SECTION 2</u>			
ROE BAND RATE ADJUSTMENT			
Line No	DESCRIPTION	REFERENCE	
5	EROE within the Bandwidth	If $L1 \leq L3$ and $L1 \geq L4$ then No Rate Change	
6	Sharing Band	If $L1 > L3$ and $L1 < L2 + 2.0\%$ then $(L3 - L1) * 0.5$ or If $L1 < L4$ and $L1 > L2 - 2.0\%$ then $(L1 - L4) * 0.5$ else 0%	%
7	100% plus Sharing Band	If $L1 > (L2 + 2.0\%)$ then $((L2 + 2\% - L1) - 0.75\%)$ or If $L1 < (L2 - 2.0\%)$ then $(L2 - 2.0\% - L1 + 0.75\%)$ else 0%	%
8	Common Equity Capital Ratio	Attachment C, L6, Column B	%
9	Rate Base	Attachment A, Page 1, Line 17	\$
10	Revenue Conversion Factor	$1 / ((1 - \text{Composite Tax Rate}) * (1 - \text{Bad Debt} - \text{Revenue Related Tax}))$	
11	Total Change in Rider RSP Revenue	$L6$ or $L7 * L8 * L9 * L10$	(1 \$)

Note:

(1) Assumes L6 or L7 is $> 0.05\%$ or $< -0.05\%$, otherwise zero.