

ARKANSAS PUBLIC SERVICE COMMISSION

First Revised

Sheet No. 4-9.1/34

Replacing: Original

Sheet No.

CenterPoint Energy Resources Corp.

d/b/a CenterPoint Energy Arkansas Gas

(Name of Company)

Kind of Service: Natural Gas

Class of Service: All

PART IV – Rider Schedule No. 9

Title: FORMULA RATE PLAN RIDER (RIDER FRP)

PSC File Mark Only

9. FORMULA RATE PLAN RIDER (RIDER FRP)

9.1. REGULATORY AUTHORITY

9.1.1. The Arkansas General Assembly has delegated authority to the Arkansas Public Service Commission (APSC or the Commission) to regulate public utilities in the State of Arkansas, including CenterPoint Energy Arkansas Gas (CEA or the Company). The Arkansas General Assembly has enacted the Formula Rate Review Act, Ark. Code Ann. §§ 23-4-1201 *et seq.*, which authorizes use of this Formula Rate Plan Rider Tariff (Rider FRP).

9.2. PURPOSE

9.2.1. Rider FRP defines the procedure by which all rates and applicable riders on file with the APSC, except those excluded in Attachment A.1 to this Rider FRP (Rate Schedules) may be periodically adjusted. Rider FRP shall apply to all natural gas service billed under the Rate Schedules, whether metered or unmetered.

9.3. DEFINITIONS

9.3.1. EFFECTIVE DATE

Rates pursuant to the initial Rider FRP shall become effective with bills calculated on the first business day of October 2017 and subsequently adjusted Rider FRP rates shall be effective with bills calculated on the first business day of October each year.

9.3.2. FORMULA RATE REVIEW TEST PERIOD

The Formula Rate Review Test Period shall be a test period based upon a Projected Year. A Projected Year shall be the twelve (12) month period ending September 30 of the year immediately following the filing of an Evaluation Report.

9.3.3. HISTORICAL YEAR

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A Historical Year shall be the twelve (12) month period ending September 30 of the year immediately preceding the filing of an Evaluation Report.

9.3.4. FILING YEAR

The Filing Year shall be the twelve (12) months preceding the Formula Rate Review Test Period.

9.4. ANNUAL FILING AND REVIEW

9.4.1. ANNUAL FILING

Between April 4 and April 6 and not more than one hundred eighty days before the Effective Date, CEA shall file a report (Evaluation Report) with the Commission containing an evaluation of the Company's earnings pursuant to Rider FRP for the Formula Rate Review Test Period and the Historical Year when applicable. Attachment A.1 shall be included in each such filing and shall contain the Company's proposed Rate Adjustment. The Evaluation Report and the Rate Adjustment shall be filed pursuant to Rider FRP.

9.4.2. REVIEW PERIOD

The Parties shall file a statement of error(s) or objection(s) and supporting Testimony with or without Exhibits at least 90 days before the date on which the Rate Adjustment becomes effective. The Company shall have fifteen (15) days to review the statement of error(s) or objection(s), to work with the Parties to resolve any differences, and to address the error(s) and objection(s) raised by the Parties by filing either a corrected Attachment A.1 or Rebuttal Testimony with or without Exhibits.

9.4.3. HEARING AND APPROVAL OF RATE ADJUSTMENT

Following a hearing at least fifty (50) days before the date on which the Rate

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Adjustment shall become effective, unless waived by CEA and the Parties, the Commission shall issue a final order in which it resolves any issues in dispute and approves the Rate Adjustment at least twenty (20) days before the date on which the Rate Adjustment shall become effective. If a final order is not issued by such date, the initially filed or revised Rate Adjustment shall become effective for bills rendered on and after the first billing cycle of October, subject to refund, and shall remain in effect until changed by final order of the Commission or by operation of other provisions of Rider FRP.

If the Commission's final ruling on any disputed issues requires changes to the Rate Adjustment, the Company shall file a revised Attachment A.1 containing such further modified Rate Adjustment within five (5) days after receiving the Commission's order resolving the disputed issues. The Parties shall have three (3) days to review the revised Attachment A.1. The revised Attachment A.1 shall be implemented as ordered by the Commission.

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9.5. ANNUAL DETERMINATION OF RATE ADJUSTMENT

9.5.1. INDEX OF ATTACHMENTS

Description	Projected Year	Historical Year
ATTACHMENT A.1 is the Formula Rate Plan Rate Adjustment (Rate Adjustment).	A.1	
ATTACHMENT A.2 is the Rider FRP Revenue Change and includes the calculation of the total Rider FRP Revenue to be collected in the Projected Year.	A.2	
ATTACHMENTS B.1 and D.1 calculate the Earned Rate of Return on Common Equity. The Earned Return Rate (ERR) is the Company's return on common equity calculated by dividing the weighted earned common equity rate by the common equity ratio percentage.	B.1	D.1
ATTACHMENTS B.2 and D.2 calculate Rate Base.	B.2	D.2
ATTACHMENTS B.3 and D.3 calculate Operating Income.	B.3	D.3
ATTACHMENTS B.4 and D.4 calculate Income Tax.	B.4	D.4
ATTACHMENTS B.5 and D.5 calculate the Benchmark Rate of Return on Rate Base (BRORB). The BRORB is the composite weighted, embedded cost of capital reflecting Arkla's annual costs of long-term debt, preferred stock, common equity, and other capital components.	B.5	D.5
ATTACHMENTS B.6 and D.6 calculate the Revenue Redetermination Formula using the Rate of Return on Common Equity Bandwidth which is an Upper Bandwidth limit equal to the Target Return Rate (TRR) plus 0.5% (50 basis points) and a Lower Bandwidth limit equal to the TRR minus 0.5% (50 basis points). The TRR is the Company's cost rate for common equity as established by the Commission in Docket No. 15-098-U.	B.6	D.6
ATTACHMENT C lists Rider FRP adjustments.	C	C
ATTACHMENT E defines the Rider FRP Filing Requirements and describes the supporting documents to be included with the annual Evaluation Report.	E	E
ATTACHMENT F defines the Formula Rate Protocols which include the Rider FRP general provisions and filing requirements for the annual Evaluation Report.	F	F

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9.5.2. RIDER FRP BANDWIDTH CALCULATION

The Total Rider FRP Revenue level shall be adjusted in the Rider FRP review mechanism based on a comparison of the ERR to the TRR calculated using the following formula:

- A. If the ERR is less than the TRR minus five-tenths percent (0.50%), the Total Rider FRP Revenue level shall be increased by the amount necessary to increase the ERR to the TRR.
- B. If the ERR is greater than the TRR plus five-tenths percent (0.50%), the Total Rider FRP Revenue level shall be decreased by the amount necessary to decrease the ERR to the TRR.
- C. There shall be no change to the Rider FRP Revenue level if the ERR is less than or equal to the TRR plus five-tenths percent (0.50%), and greater than or equal to the TRR minus five-tenths percent (0.50%).

9.5.3. NETTING OF HISTORICAL YEAR DIFFERENCES ADJUSTMENT

The Netting of Historical Year Differences Adjustment shall be the adjustment to net any differences between the Historical Year change in Rider FRP Revenue and the Formula Rate Review Test Period change in Rider FRP revenue for that same year. The Netting of Historical Year Differences Adjustment shall be determined in accordance with Attachment D.6. The Netting of Historical Year Differences Adjustment shall then be applied to the Formula Rate Review Test Period Rider FRP Revenue to derive the Total Rider FRP Revenue as set out in Attachment A.2. Netting shall not begin until there is an actual twelve (12) months of Historical Year to report.

9.5.4. RIDER FRP REVENUE ALLOCATION

The total change in the formula rate revenue level shall be allocated to each applicable rate class based on an equal percentage of the base rate revenue used in the development of rates approved by the Commission in Docket No. 15-098-U. The total amount of such revenue increase or decrease for each rate class shall not exceed four percent (4%) of each rate class's revenue for the Filing Year.

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9.6. TERM

9.6.1. The initial term of Rider FRP shall not exceed five (5) years from the date of the Commission's final order in Docket No. 15-098-U. The initial term of Rider FRP will terminate on September 10, 2021 unless CEA requests to extend the term by a period of no more than five years beyond the initial term. If CEA requests an extension of Rider FRP, CEA shall make such request in accordance with the Extension of Term provisions of the Formula Rate Protocols.

If Rider FRP is not extended, the then-existing Total Rider FRP rates shall continue to be in effect until new base rates reflecting the then-existing Total Rider FRP Revenue are duly approved and implemented and until the Company recovers or returns the remaining Netting of Historical Year Differences Adjustments.

9.7. APPLICABLE RATE SCHEDULES

Residential Firm Sales Service (RS-1)

Small Commercial Firm Sales Service (SCS-1)

Small Commercial Firm Sales Service – Off-Peak (SCS-2)

Small Commercial Firm Sales Service – NGV (SCS-3)

Large Commercial Firm Service (LCS-1)

Unmetered Gas Light Firm Sales Service (GL-1)

Formula Rate Plan Rate Adjustment

All retail base rates and applicable riders on file with the APSC will be increased or decreased by a percentage of base revenues listed below, except those specifically excluded below:

Rate Class	FRP Rate (%)
Residential Firm Sales Service (RS-1) [1]	-1.5300%
Small Commercial Firm Sales Service (SCS-1) [1]	-1.8100%
Small Commercial Firm Sales Service - Off-Peak (SCS-2)	-1.7900%
Small Commercial Firm Sales Service - NGV (SCS-3)	7.9900%
Large Commercial Firm Service (LCS-1)	0.8700%

Excluded Schedules: Charges Related to Customer Activity (CAC)
Extension of Facilities (EFR)
Gas Supply Rate (GSR)
Municipal Tax Adjustment (TA)
Energy Efficiency Cost Recovery Rider (EECR)
Government Mandated Expenditure Surcharge Rider (GMES)

Special Rate Contracts: Special Contracted Rates shall be included or excluded pursuant to the terms of the Special Rate Contract.

Notes:

[1] Unmetered Gas Light Firm Sales Service (GL-1) Revenues are included in the RS-1 and SCS-1 Revenues

CenterPoint Energy Arkansas Gas
Formula Rate Plan
Rider FRP Revenue Change
For the Projected Year Ending 09/30/22

Line No.	Description	Total	Residential	SCS-1	SCS-2	SCS-3	LCS-1
A	B	C	D	E	F	G	H
1	Base Rate Revenues: Docket No. 15-098-U	175,438,012	130,220,213	34,460,562	845,237	102,853	9,809,147
2	Rate Class Allocation: (Percent of total calculated from L1)	100%	74.23%	19.64%	0.48%	0.06%	5.59%
3	Rider FRP Constraint Calculation [1] ✖						
4	Total Annualized Filing Year Revenues by Rate Class	344,359,947	238,337,182	91,381,367	1,917,714	84,928	12,638,756
5	Rider FRP Revenue Change = $\pm 4\%$ per Rate Class		4.00%	4.00%	4.00%	4.00%	4.00%
6	+Projected Year upper Rider FRP Revenue Constraint	13,774,398	9,533,487	3,655,255	76,709	3,397	505,550
7	-Projected Year lower Rider FRP Revenue Constraint	(13,774,398)	(9,533,487)	(3,655,255)	(76,709)	(3,397)	(505,550)
8	Net Change in Req. Rider FRP Revenue Calc [2]						
9	ROE Band Rate Adjustment (B.6 L10 * L2)	0	0	0	0	0	0
10	Netting Adjustment (D.6 L17 * L2)	(10,438,557)	(7,748,541)	(2,050,133)	(50,105)	(6,263)	(583,515)
11	Net Change in Required Rider FRP Revenue	(10,438,557)	(7,748,541)	(2,050,133)	(50,105)	(6,263)	(583,515)
12	Incremental Rider FRP Base Rate Change (L11 \div (L1 + L14))	-6.3233%	-6.3268%	-6.3255%	-6.3015%	-6.2974%	-6.2719%
13	Cumulative Rider FRP Revenue Calculation [3] ✖						
14	Maximum Inc/Dec in Rider FRP Revenue calculated on L11 bounded by the constraint defined on L6 and L7.	(10,357,725)	(7,748,541)	(2,050,133)	(50,105)	(3,397)	(505,550)
15	Prior Year Cumulative Rider FRP revenue [4]	7,969,151	5,860,931	1,473,476	36,011	8,034	590,699
16	Cumulative Total Rider FRP Revenue	(2,388,574)	(1,887,610)	(576,657)	(14,094)	4,637	85,149
17	Rider FRP Rate Development Calculation [5]						
18	Adjusted Projected Year Base Rate Revenue ①	165,614,669	123,094,660	31,885,717	787,995	58,007	9,788,290
19	Cumulative Rider FRP Rate Change (L16 \div L18)		-1.5300%	-1.8100%	-1.7900%	7.9900%	0.8700%

NOTES:

- [1] The Rider FRP Constraint Calculation determines the limit of the Rider FRP revenue increase/decrease per rate class, which shall not exceed four percent (4%) of Total Unadjusted Annualized Filing Year (the year in which the Evaluation Report is filed) revenues.
- [2] The Net Change in Required Rider FRP Revenue Calculation takes the Total Projected Year Rate Change in Rider FRP Revenue (B.6 Line 10) and the Historical Year Netting adjustment (D.6 Line 13) and allocates the amount required to each rate class based on the class allocation approved by the Commission in Docket No. 15-098-U listed on Line 2. The amounts required are added together by rate class to determine each rate class's net change in required Rider FRP revenue. The netting adjustment on line 10 shall be zero (0) until there is an actual twelve (12) months of Historical Year data to report.
- [3] The Cumulative Rider FRP revenue calculation adjusts the Required Rider FRP revenue determined on Line 11 to be within the limits of the Rider FRP constraint calculation and adds the Forecasted Filing Year FRP Revenues to calculate Total Rider FRP revenue required in the Projected Year.
- [4] The Prior Year Cumulative Rider FRP Revenue in the initial Filing Year will be zero (\$0). In subsequent Filing Years, the Prior Year Cumulative Rider FRP Revenue will be Schedule A.2, Line 16 from the prior year's filing.
- [5] The Rider FRP Rate Development Calculation determines the percent increase/decrease that will be applied to all base rate components. The Adjusted Projected Year Base Rate Revenue is calculated by using the Total Sales Revenue (B.3 L6) excluding the Projected Year Rider FRP Revenue and any revenue pursuant to excluded schedules listed on Attachment A.1. The percent increase/decrease is calculated by taking the Total Rider FRP Revenue listed on Line 16 and dividing it by the applicable Adjusted Projected Year Base Rate Revenues listed in Line 18.

Supporting Schedule

① 2021 Projected Year Revenues Less FRP

Docket No.: 17-010-FR

Order No.: 9

Effective: 10/1/2020

Attachment B.1
Rate Schedule No. 9

CenterPoint Energy Arkansas Gas
Formula Rate Plan
Earned Rate of Return on Common Equity Formula
For the Projected Year Ending 9/30/21

Line No	Description	Source	Adjusted Amount
1	Rate Base	B.2 Line 17 Column C	872,807,972
2	Benchmark Rate of Return on Rate Base	B.5 Line 12 Column F	4.6179%
3	Required Operating Income	Line 1 * Line 2	40,305,474
4	Operating Income	B.3 Line 29 Column C	40,102,639
5	Operating Income Deficiency / (Excess)	Line 3 - Line 4	202,835
6	Revenue Conversion Factor [1]		1.355297
7	Calculated Base Rate Revenue Deficiency / (Excess)	Line 5 * Line 6	274,902
8	Common Equity Deficiency / (Excess)	Line 5 ÷ Line 1	0.02%
9	Weighted Evaluation Period Cost Rate for Common Equity (%)	B.5 Line 3 Column F	3.14%
10	Weighted Earned Common Equity Rate (%)	Line 9 - Line 8	3.12%
11	Common Equity Ratio (%)	B.5 Line 3 Column D	33.07%
12	EARNED RATE OF RETURN ON COMMON EQUITY (%)	Line 10 / Line 11	9.43%

Notes:

[1] Revenue Conversion Factor = $1 / [(1 - \text{Composite Tax Rate} * (1 - \text{Bad Debt Rate} + \text{Forfeited Discount Rate})]$

**CenterPoint Energy Arkansas Gas
Formula Rate Plan
Rate Base
For the Projected Year Ending 9/30/21**

Line No	Description	Projected Year A	Adjustments B [1]	Adjusted Projected Year C [2]
1	PLANT IN SERVICE			
2	Beginning Balance	1,335,987,204	(1,959,783)	1,334,027,421
3	Ending Balance	1,436,269,080	(2,253,916)	1,434,414,163
4	Average Balance	1,386,128,142		1,384,220,792
5	ACCUMULATED DEPRECIATION			
6	Beginning Balance	(573,364,926)	829,487	(572,535,439)
7	Ending Balance	(606,798,657)	858,609	(605,940,048)
8	Average Balance	(590,081,791)		(589,237,743)
9	AVERAGE NET UTILITY PLANT (L4 +L8)			794,983,049
10	WORKING CAPITAL ASSETS:			
11	MATERIALS AND SUPPLIES	3,756,384	(99,811)	3,656,573
12	PREPAYMENTS	1,010,549	97,640	1,108,189
13	FUEL INVENTORY	7,307,720	(2,521,249)	4,786,471
14	WORKING CASH	95,073,877	(26,800,186)	68,273,691
15	TOTAL WORKING CAPITAL ASSETS	107,148,530	(29,323,606)	77,824,924
16	OTHER			0
17	TOTAL RATE BASE (L9+L15+L16)			872,807,972

Notes:

[1] Adjustments as set out in Attachment C to this Rider FRP.

[2] Certain Assets are excluded as set out in Attachment C to this Rider FRP.

CenterPoint Energy Arkansas Gas
Formula Rate Plan
Operating Income
For the Projected Year Ending 9/30/21

Line No	Description	Projected Year A	Adjustments B [1]	Adjusted Projected Year C
REVENUES				
	Operating Revenues			
1	Residential	235,788,071	(97,397,667)	138,390,404
2	SCS-1	91,533,478	(54,408,226)	37,125,252
3	SCS-2	3,376,617	(2,302,658)	1,073,959
4	SCS-3	120,774	(52,086)	68,688
5	LCS-1	14,477,004	(3,523,355)	10,953,649
6	Total Sales Revenue (Sum of L1 thru L5)	345,295,944	(157,683,992)	187,611,952
7	Other Operating Revenues			
8	Gas Intrdepart Sale	-	-	-
9	Gas Forfeited Disc	3,519,665	-	3,519,665
10	Gas Misc. Service Rev	6,429,544	-	6,429,544
11	Rent from Gas Prop	-	-	-
12	Other Gas Revenues	755,856	(720,908)	34,948
13	Subtotal Other Operating Revenues (Sum of L8 thru L12)	10,705,065	(720,908)	9,984,157
14	TOTAL OPERATING REVENUES (Sum of L6 + L13)	356,001,009	(158,404,900)	197,596,109
EXPENSES				
	UTILITY OPERATING EXPENSES			
15	Gas Supply Expense	137,614,929	(137,614,929)	-
16	Transmission Expense	-	-	-
17	Distribution Expense	22,158,979	(1,325,149)	20,833,830
18	Customer Account Expenses	16,019,255	(621,599)	15,397,656
19	Customer Service & Info Expense	9,808,582	(9,698,991)	109,591
20	Sales Expense	205,846	(55,988)	149,858
21	Admin & General Expense	39,687,531	(2,658,894)	37,028,637
22	Maintenance Expense	19,022,517	(1,469,609)	17,552,908
23	Total O & M Expense (Sum of L15 thru L22)	244,517,639	(153,445,158)	91,072,481
24	Depreciation & Amortization	50,668,821.58	(94,599)	50,574,223
25	Taxes Other than Income	21,513,150.11	(11,943,482)	9,569,668
26	TOTAL UTILITY OPERATING EXPENSES (Sum of L23 thru L25)	316,699,611	(165,483,238.98)	151,216,372
27	Income Taxes			
28	State Income Taxes [2]	2,491,136	(367,900)	2,123,236
29	Federal Income Taxes [2]	5,295,481	(1,141,618)	4,153,863
30	Subtotal Income Taxes (Sum of L26 + L27)	7,786,617	(1,509,518)	6,277,099
31	NET UTILITY OPERATING INCOME (L14 - L24 - L28)	31,514,781	8,587,858	40,102,639

Notes:

[1] Adjustments as set out in Attachment C to this Rider FRP.

[2] Reference Attachment B.4

CenterPoint Energy Arkansas Gas
Formula Rate Plan
Income Tax
For the Projected Year Ending 9/30/21

Line No	Description	Projected Year A	Adjustments B [1]	Adjusted Projected Year C
1	TOTAL OPERATING REVENUES (B.3 Line 14)	356,001,009	(158,404,900)	197,596,109
2	TOTAL O&M EXPENSE (B.3 Line 23)	244,517,639	(153,445,158)	91,072,481
3	DEPRECIATION & AMORTIZATION EXPENSE (B.3 Line 24)	50,668,822	(94,599)	50,574,223
4	TAXES OTHER THAN INCOME (B.3 Line 25)	21,513,150	(11,943,482)	9,569,668
5	OTHER	-	-	-
6	INTEREST EXPENSE [2]	-	12,882,516	12,882,516
7	NET INCOME BEFORE INCOME TAXES (L1- (Sum L2-L6))	39,301,398	(5,804,177)	33,497,221
8	ADJUSTMENTS TO NET INCOME BEFORE TAXES [3]	-	-	-
9	TAXABLE INCOME (L7 + L8)	39,301,398	(5,804,177)	33,497,221
COMPUTATION OF STATE INCOME TAX				
10	TAXABLE INCOME (L9)	39,301,398	(5,804,177)	33,497,221
11	STATE ADJUSTMENTS [3]	-	-	-
12	STATE TAXABLE INCOME (L10 + L11)	39,301,398	(5,804,177)	33,497,221
13	STATE INCOME TAX BEFORE ADJUSTMENTS (L12 * Tax Rate) [1]	2,491,136	(367,900)	2,123,236
14	ADJUSTMENTS TO STATE TAX [3]	-	-	-
15	STATE INCOME TAX (L13 + L14)	2,491,136	(367,900)	2,123,236
COMPUTATION OF FEDERAL INCOME TAX				
16	TAXABLE INCOME (L9)	39,301,398	(5,804,177)	33,497,221
17	STATE INCOME TAX (L15)	2,491,136	(367,900)	2,123,236
18	OTHER FEDERAL ADJUSTMENTS [3]	-	-	-
19	TOTAL FEDERAL TAXABLE INCOME (L16 - L17 +L18)	36,810,262	(5,436,277)	31,373,985
20	FEDERAL INCOME TAX BEFORE ADJUSTMENTS (L19 * Tax Rate) [1]	7,730,155	(1,141,618)	6,588,537
21	ADJUSTMENTS TO FEDERAL TAX [3]	(2,434,674)	-	(2,434,674)
22	FEDERAL INCOME TAX (L20 + L21)	5,295,481	(1,141,618)	4,153,863

Notes:

- [1] Adjustments and applicable tax rate as set out in Attachment C to this Rider FRP.
- [2] Interest Expense for Col. C is Weighted Cost of Debt (COD) Rate as derived from COD elements reflected in Attachment B.5 x Rate Base per Attachment B.2, Column C.
- [3] List all adjustments including descriptions in a supporting schedule.

CenterPoint Energy Arkansas Gas
Formula Rate Plan
Benchmark Rate of Return on Rate Base
As of the Projected Year 9/30/21 [1]

(A)	(B)	(C)	(D)	(E)	(F)
Line No.	Description	Capital Amount (\$) [1]	Capital Ratio (%) [2]	Cost Rate (%) [3]	Benchmark Rate Of Return On Rate Base [4]
1	Long-Term Debt	329,793,235	29.86%	4.5790%	1.3673%
2	Preferred Stock	-	0.00%	0.0000%	0.0000%
3	Common Equity	365,265,401	33.07%	9.5000%	3.1419%
4	Accumulated Deferred Income Taxes	151,077,173	13.68%	0.0000%	0.0000%
5	Pre-1971 ADITC	-	0.00%	0.0000%	0.0000%
6	Post-1970 ADITC	-	0.00%	0.0000%	0.0000%
7	Customer Deposits	17,405,261	1.58%	1.9200%	0.0303%
8	Short-Term/Interim Debt	58,065,902	5.26%	1.4910%	0.0784%
9	Current Accrued, and Other Liabilities	100,558,576	9.11%	0.0000%	0.0000%
10	Capital Leases	-	0.00%	0.0000%	0.0000%
11	Other Capital Items	82,260,259	7.45%	0.0000%	0.0000%
12	Total	1,104,425,808	100.00%		4.6179%

Notes:

[1] The capital balances for Long-Term Debt, Preferred Equity and Common Equity shall be mid-year (March 31) balances (1) adjusted to reflect short-term debt using any 13 month average from a money pool or any other source, if applicable, consistent with Commission Order in Docket No. 15-098-U. Support for the 13 month average of the short-term debt calculations shall be provided. The total debt-to-equity ratio (DTE) for external capital will be fixed at a 51.5/48.5 DTE ratio, with a short-term debt proportion of 7.71%. Capital amounts shall include mid-year balances for Post-1970 Investment Tax Credits, Customer Deposits, and Short-Term debt balances, beginning and ending year average for Accumulated Deferred Income Tax (ADIT), and 13-month average balances ended September 30 of the Historical Year as adjusted for Current, Accrued and Other Liabilities (CAOL), if applicable. The end of the year ADIT balance shall be adjusted consistent with the proration formula described in Treas. Reg. Sec. 1.167(l)(1)(h)(ii). A March 31 balance sheet should be provided as well as reconciliation between the balance sheet and Column (C) amounts. Support for the CAOL balances shall include the same format and detail as required by the Filing Requirements in Attachment E, Item No. 15.

[2] Capital amounts each divided by the Total Capital Amount.

[3] The cost rates shall be calculated in accordance with the calculation applied by the Commission in Docket No. 15-098-U. Support for the cost of Long-Term debt and cost of Preferred Stock shall be provided in the same format and level of detail required by the Filing Requirements, respectively. Support for the Short-Term debt cost rate should include a general description of how the interest rate is determined and the same level of detail provided in the Filing Requirements in Attachment E, Item No. 15. The cost rate for Customer Deposits shall be the Commission-approved rate in effect during the year. The Cost Rate for Common Equity shall be that approved by Commission Order in Docket No. 15-098-U, which is 9.50%.

[4] The components in Column F are the corresponding Cost Rates multiplied by the associated Capital Ratio.

CenterPoint Energy Arkansas Gas
Formula Rate Plan
Rider FRP Revenue Redetermination Formula
For the Projected Year Ending 9/30/21

SECTION 1			
BANDWIDTH DEVELOPMENT			
Line No	DESCRIPTION	REFERENCE	
1	Earned Rate of Return on Common Equity (ERR) [1]	B.1, Line 12	9.43%
2	Target Return Rate (TRR) [2]	B.5, Line 3, Column E	9.50%
3	Upper Bandwidth Limit	Line 2 + 0.50%	10.00%
4	Lower Bandwidth Limit	Line 2 - 0.50%	9.00%
5	ROE Adjustment	If L1 < L4, then L2 - L1; If L1 > L3, then L2 - L1, but no adjustment if L1 ≥ L4 or L1 ≤ L3	0.00%
SECTION 2			
ROE BANDWIDTH RATE ADJUSTMENT			
Line No	DESCRIPTION	REFERENCE	
6	ROE Adjustment	Per Line 5	0.00%
7	Common Equity Capital Ratio	B.5, Line 3, Column D	33.07%
8	Retail Rate Base	B.1, Line 1	872,807,972
9	Revenue Conversion Factor	B.1, Line 6	1.35530
10	Total Rate Change in Rider FRP Revenue	Line 6 * Line 7 * Line 8 * Line 9	0

Notes:

- [1] The ERR is the Earned Rate of Return on Common Equity, calculated by dividing the weighted earned common equity rate by the common equity ratio percentage.
- [2] The TRR is the Company's cost rate for common equity, as established by the Commission in Docket No. 15-098-U.

**CenterPoint Energy
Arkansas Gas
Formula Rate Plan
Rider FRP Revenue
Redetermination Formula For
the Projected Year Ending
09/30/19**

SECTION 1			
BANDWIDTH DEVELOPMENT			
Line No	DESCRIPTION	REFERENCE	
1	Earned Rate of Return on Common Equity (ERR) [1]	B.1, Line 12	7.94%
2	Target Return Rate (TRR) [2]	B.5, Line 3, Column E	9.50%
3	Upper Bandwidth Limit	Line 2 + 0.50%	10.00%
4	Lower Bandwidth Limit	Line 2 - 0.50%	9.00%
5	ROE Adjustment	If L1 < L4, then L2 - L1; If L1 > L3, then L2 - L1, but no adjustment if L1 ≥ L4 or L1 ≤ L3	1.56%
SECTION 2			
ROE BANDWIDTH RATE ADJUSTMENT			
Line No	DESCRIPTION	REFERENCE	
6	ROE Adjustment	Per Line 5	1.56%
7	Common Equity Capital Ratio	B.5, Line 3, Column D	31.52%
8	Retail Rate Base	B.1, Line 1	769,090,781
9	Revenue Conversion Factor	B.1, Line 6	1.35605
10	Total Rate Change in Rider FRP Revenue	Line 6 * Line 7 * Line 8 * Line 9	5,122,681

Notes:

- [1] The ERR is the Earned Rate of Return on Common Equity, calculated by dividing the weighted earned common equity rate by the common equity ratio percentage.
- [2] The TRR is the Company's cost rate for common equity, as established by the Commission in Docket No. 15-098-U.

CENTERPOINT ENERGY ARKANSAS GAS FORMULA RATE PLAN ADJUSTMENTS

The amounts reflected in Attachments B and D shall be adjusted to reflect the following:

I. General

- A) The rate base, revenue and expense effects associated with riders which recover specific costs or other rate mechanisms the utility may have in effect shall not be included in the Formula Rate Plan Projected and Historical Year periods.
- B) The Historical Year balance sheet shall be the source for rate base and capital for the Historical Year used in Attachment D. The Historical Year income statement shall be the source for revenue and expense amounts used in Attachment D. The Historical Year balance sheets shall be created using the same methodology as used in Docket No. 15-098-U.
- C) The Historical Year shall be adjusted to remove rider revenue and expenses, remove amounts, or otherwise make adjustments, consistent with the most recent general rate case (e.g., removal of charitable contributions from expense, or temporary accounts from working capital assets (WCA)), and other adjustments as described in Attachment C.
- D) The Company's Official Plan shall be the source for rate base, capital, revenue, and expense amounts for use in Attachment B unless otherwise supported by the Company in its filing. The Official Plan is defined as CenterPoint Energy, Inc.'s five-year plan which shall include the Board of Director-approved current year budget for CEA.
- E) The Projected Year shall be adjusted to remove rider revenue and expenses, remove amounts, or otherwise make adjustments, consistent with the Commission's Order in Docket No. 15-098-U (e.g., removal of charitable contributions from expense, or temporary accounts from WCA), and other adjustments as described in Attachment C.
- F) Rate base amounts for both the Historical Year and the Projected Year shall exclude construction work in progress (CWIP), Non-Utility Plant, and Plant Held for Future Use. Plant and Accumulated Depreciation amounts for both the Historical Year and the Projected Year shall be adjusted to remove Asset Retirement Obligations.
- G) No adjustments shall be made in either the Projected or Historical Year to annualize any expense.
- H) During the term of Rider FRP the Lost Contribution to Fixed Costs portion of the utility's Energy Efficiency Rider shall be set to zero.
- I) Depreciation Expenses and Accumulated Depreciation shall reflect Commission-approved rates. No changes in depreciation rates shall be made in the annual Rider FRP filing. During an annual Rider FRP filing, a utility may request an interim rate for plant added which has no approved depreciation rate, excluding major asset acquisitions. CEA shall request depreciation rates for major asset acquisitions within the docket requesting approval for the purchase of the asset.

- J) Revenue and cost effects that were imputed in the general rate case shall be similarly imputed in the annual Rider FRP filing.
- K) CEA shall not record a regulatory asset representing the amount by which an FRP increase absent the operation of the 4 percent cap exceeds the actual FRP increase that is implemented pursuant to the operation of this tariff.

II. Cost of Service Categories

A. Revenues

- 1. For the Filing Year, total revenue used on Attachment A.2 shall be based on CEA's projected annualized billing determinants and rates which will be in effect at year-end. Because year-end data will not be available at the time of the filing, revenue projections for the Filing Year shall be updated based on actual data during the Rider FRP procedural schedule. Adjustments for growth (+ or -) and thirty-year normal weather shall be included.
- 2. For the Projected Year, revenue shall be based on CEA's projected annualized billing determinants and rates which will be in effect at year-end. Adjustments for growth (+ or -) and thirty-year normal weather shall be included.
- 3. The Historical Year shall reflect actual revenues, including the Weather Normalization Adjustment (WNA) Revenues. No adjustments for growth (+ or -) or weather shall be included.
- 4. Revenues associated with special rate contracts shall be treated consistent with the terms of the contract.

B. Rate Base

- 1. For the Historical Year, plant shall reflect the average of beginning and ending year balances.
- 2. For the Projected Year plant shall reflect the average of beginning and ending year balances. Plant shall include adjustments based on projections, including but not limited to, CCN/CECPN projects approved or expected to be approved by the Commission and in service by the beginning of the Projected Year for the beginning year balances, and include projects in-service by the end of the Projected Year for ending year balances.
- 3. For the Historical Year, WCA shall reflect a 13-month average. Storage Inventory will be based on a 12-month average.
- 4. For the Projected Year, WCA shall reflect a 13-month average of the Historical Year with adjustments or projections to reflect a more representative balance. Storage Inventory will be based on a 12-month average.

C. Expenses

- 1. The Historical Year shall reflect actual expenses, adjusted as described in Attachment C.

D. Income Tax Expense

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

1. All Projected Year and Historical Year interest expenses shall be eliminated and replaced with an imputed interest expense amount equal to the rate base multiplied by the weighted embedded cost of debt;
2. Effects associated with other adjustments shall be similarly and consistently adjusted;
3. The Projected Year shall reflect the corporate state and federal income tax laws legally in effect on the date the Evaluation Report is filed. The Historical Year shall reflect the corporate state and federal income tax laws legally in effect at year-end;
4. For the Projected Year and Historical Year, tax effects normally excluded for ratemaking purposes shall be eliminated.

E. Benchmark Rate of Return on Rate Base

For the Projected Year and the Historical Year, the following adjustments shall be made:

1. CAOL shall be based on the Historical Year 13-month averages, as adjusted, and include all accounts consistent with those ordered by the Commission in Docket No. 15-098-U;
2. Accumulated Deferred Income Taxes (ADIT) shall be based on the beginning and ending test year average and include all accounts consistent with those ordered by the Commission in Docket No. 15-098-U. For the Projected Year only, the end of the year ADIT balance shall be adjusted consistent with the proration formula described in Treas. Reg. sec. 1.167(l)-1(h)(6)(ii);
3. The capital balances for Long-Term Debt, Preferred Equity and Common Equity shall be mid-year March 31 balances (1) adjusted to reflect short-term debt from a money pool or any other source for the year, if applicable, consistent with those ordered by the Commission in Docket No. 15-098-U;
4. The DTE for external capital will be fixed at a 51.5/48.5 DTE ratio, with a short-term debt proportion of 7.71%; and
5. The return on equity shall be the value determined in Docket No. 15-098-U.

III. Other Adjustments

A. Reclassifications

1. For the Historical Year and Projected Year, revenues included in Other Revenues shall be reclassified to the appropriate jurisdictional rate schedule revenue category.

For the Projected Year and Historical Year, costs not allowable for ratemaking purposes shall be excluded as specified in Section I, or removed by adjustment. Likewise, costs that are

allowed, but recorded below the utility operating income line, shall be included in the annual Rider FRP filing cost data through appropriate reclassification adjustments. These adjustments shall include, but are not limited to interest income and expense related to CenterPoint Energy Service Company (Service Company) and CenterPoint Energy Resources Corp. (CERC).

B. Out-of-Period Items

Expenses and revenues that are related to transactions occurring prior to the Historical Year but are recorded in the Historical Year shall be eliminated, including any associated tax adjustments.

C. Other

Nothing in this Attachment shall preclude CEA or any party from proposing additional adjustment(s) beyond those described above.

CenterPoint Energy Arkansas Gas
Formula Rate Plan
Earned Rate of Return on Common Equity Formula
For the Historical Year 09/30/2020

Line No	Description	Source	Adjusted Amount
1	Rate Base	D.2 Line 17 Column C	820,135,263
2	Benchmark Rate of Return on Rate Base	D.5 Line 12 Column F	4.45%
3	Required Operating Income	Line 1 * Line 2	36,536,206
4	Operating Income	D.3 Line 30 Column C	41,900,258
5	Operating Income Deficiency / (Excess)	Line 3 - Line 4	(5,364,052)
6	Revenue Conversion Factor [1]		¹ 1.351520
7	Revenue Deficiency / (Excess)	Line 5 * Line 6	(7,249,621)
8	Common Equity Deficiency / (Excess) (%)	Line 5 ÷ Line 1	-0.65%
9	Weighted Evaluation Period Cost Rate for Common Equity (%)	D.5 Line 3 Column F	3.07%
10	Weighted Earned Common Equity Rate (%)	Line 9 - Line 8	3.72%
11	Common Equity Ratio (%)	D.5 Line 3 Column D	32.27%
12	EARNED RATE OF RETURN ON COMMON EQUITY (%)	Line 10 / Line 11	11.53%

Notes:

Revenue Conversion Factor = $1 / [(1 - \text{Composite Tax Rate} * (1 - \text{Bad Debt Rate} + \text{Forfeited Discount Rate})]$

¹ 2021 E-15 C-5.1 Historical Revenue Conversion Factor WKPR

CenterPoint Energy Arkansas Gas
Formula Rate Plan
Rate Base
For the Historical Year 09/30/2020

Line No	Description	Historical Year Per Books A	Adjustments B [1]	Adjusted Historical Year C [2]
1	PLANT IN SERVICE			
2	Beginning Balance	① 1,311,330,123	③ (36,554,766)	1,274,775,357
3	Ending Balance	② 1,397,769,875	② (52,482,839)	1,345,287,036
4	Average Balance	1,354,549,999	(44,518,803)	1,310,031,197
5	ACCUMULATED DEPRECIATION			
6	Beginning Balance	① (539,079,272)	③ (21,216,020)	(560,295,291)
7	Ending Balance	② (549,418,479)	② (21,584,966)	(571,003,445)
8	Average Balance	(544,248,876)	(21,400,493)	(565,649,368)
9	AVERAGE NET UTILITY PLANT (L4 +L8)	810,301,124	(65,919,295)	744,381,828
10	WORKING CAPITAL ASSETS:			
11	MATERIALS AND SUPPLIES	② 4,497,396	② (221,512)	4,275,884
12	PREPAYMENTS	789,850	327,976	1,117,826
13	FUEL INVENTORY	6,786,073	(2,821,860)	3,964,213
14	WORKING CASH	96,714,025	(30,318,513)	66,395,512
15	TOTAL WORKING CAPITAL ASSETS	108,787,344	(33,033,909)	75,753,435
16	OTHER			
17	TOTAL RATE BASE (L9+L15+L16)	919,088,468	(98,953,204)	820,135,263

Notes:

- [1] Adjustments as set out in Attachment C to this Rider FRP.
 [2] Certain Assets are excluded as set out in Attachment C to this Rider FRP.

Supporting Schedules

- ① 2021 E-04b Arkansas Trial Balance WKPR
 ② 2021 E-18 Historical Adjustments WKPR
 ③ 2021 E-18 Prior Year Rate Base Historical Adjustments WKPR

CenterPoint Energy Arkansas Gas
Formula Rate Plan
Operating Income
For the Historical Year 09/30/2020

Line No	Description	Historical Year Per Books A [1]	Adjustments B [2]	Adjusted Historical Year C
	REVENUES			
	Operating Revenues			
1	RCS-1 (Residential)	234,376,198	(100,067,037)	134,309,161
2	SCS1	86,021,502	(49,795,380)	36,226,122
3	SCS2	2,207,837	(1,347,205)	860,632
4	SCS3	110,546	(26,300)	84,246
5	LCS1	13,407,338	(2,565,658)	10,841,680
6	Total Sales Revenue (Sum of L1 thru L5)	336,123,421	(153,801,580)	182,321,841
	Other Operating Revenues			
7	Gas Intrdepart Sale	0		0
8	Gas Forfeited Disc	3,609,151		3,609,151
9	Gas Misc. Service Rev	4,814,060	0	4,814,060
10	Rent from Gas Prop	92,818	(86,685)	6,133
11	Other Gas Revenues	906,592	696,775	1,603,367
12	Prov For Rate Ref-Ga	(12,091,520)	12,091,520	0
13	Subtotal Other Operating Revenues (Sum of L7 thru L11)	(2,668,899)	12,701,610	10,032,711
14	TOTAL OPERATING REVENUES (Sum of L6 + L12)	333,454,522	(141,099,970)	192,354,552
	EXPENSES			
	UTILITY OPERATING EXPENSES			
15	Gas Supply Expense	69,922,635	(69,922,635)	0
16	Transmission Expense	58,988,816	(58,988,816)	0
17	Distribution Expense	26,354,409	(767,367)	25,587,042
18	Customer Account Expenses	15,954,580	(455,375)	15,499,205
19	Customer Service & Info Expense	9,864,980	(9,615,479)	249,501
20	Sales Expense	312,433	(45,743)	266,690
21	Admin & General Expense	34,538,593	(2,369,966)	32,168,627
22	Maintenance Expense	14,553,221	(525,943)	14,027,278
23	Total O & M Expense (Sum of L14 thru L21)	230,489,667	(142,691,325)	87,798,342
24	Depreciation & Amortization	47,917,834	(281,448)	47,636,386
25	Taxes Other than Income	21,071,198	(12,380,285)	8,690,913
26	TOTAL UTILITY OPERATING EXPENSES (Sum of L22 thru L24)	299,478,699	(155,353,057)	144,125,642
27	Income Taxes			
28	State Income Taxes [3]	1,467,756	709,194	2,176,950
29	Federal Income Taxes [3]	4,433,753	(282,050)	4,151,702
30	Subtotal Income Taxes (Sum of L27 + L28)	5,901,509	427,143	6,328,652
31	NET UTILITY OPERATING INCOME (L13 - L25 - L29)	28,074,314	13,825,943	41,900,258

Notes:

[1] Ending Balances.

[2] Adjustments

[3] Reference Attachment D.4

1 2021 E-18 Historical Adjustments WKPR

CenterPoint Energy Arkansas Gas
Formula Rate Plan
Income Tax
For the Historical Year 09/30/2020

Line No	Description	Historical Year Per Books A [1]	Adjustments B [2]	Adjusted Historical Year C
1	TOTAL OPERATING REVENUES (D.3 Line 12)	333,454,522	(141,099,970)	192,354,552
2	TOTAL O&M EXPENSE (D.3 Line 21)	230,489,667	(142,691,325)	87,798,342
3	DEPRECIATION & AMORTIZATION EXPENSE (D.3 Line 22)	47,917,834	(281,448)	47,636,386
4	TAXES OTHER THAN INCOME (D.3 Line 23)	21,071,198	(12,380,285)	8,690,913
5	OTHER			0
6	INTEREST EXPENSE [3]	11,394,959		11,394,959
7	NET INCOME BEFORE INCOME TAXES (L1- (Sum L2-L6))	22,580,864	14,253,087	36,833,950
8	ADJUSTMENTS TO NET INCOME BEFORE TAXES [4]			0
9	TAXABLE INCOME (L7 + L8)	22,580,864	14,253,087	36,833,950
COMPUTATION OF STATE INCOME TAX				
10	TAXABLE INCOME (L9)	22,580,864	14,253,087	36,833,950
11	STATE ADJUSTMENTS [4]			0
12	STATE TAXABLE INCOME (L10 + L11)	22,580,864	14,253,087	36,833,950
13	STATE INCOME TAX BEFORE ADJUSTMENTS (L12 * Tax Rate) [2]	1,467,756	926,451	2,394,207
14	ADJUSTMENTS TO STATE TAX [4]		(217,257)	(217,257)
15	STATE INCOME TAX (L13 + L14)	1,467,756	709,194	2,176,950
COMPUTATION OF FEDERAL INCOME TAX				
16	TAXABLE INCOME (L9)	22,580,864	14,253,087	36,833,950
17	STATE INCOME TAX BEFORE ADJUSTMENTS (L13)	1,467,756	926,451	2,394,207
18	FEDERAL ADJUSTMENTS [4]			0
19	TOTAL FEDERAL TAXABLE INCOME (L16 - L17 + L18)	21,113,108	13,326,636	34,439,743
20	FEDERAL INCOME TAX BEFORE ADJUSTMENTS (L19 * Tax Rate) [2]	4,433,753	2,798,594	7,232,346
21	ADJUSTMENTS TO FEDERAL TAX [4]	0	(3,080,644)	(3,080,644)
22	FEDERAL INCOME TAX (L20 + L21)	4,433,753	(282,050)	4,151,702

Notes:

[1] Ending Balances

[2] Adjustments and applicable tax rate as set out in Attachment C to this Rider FRP.

[3] Interest Expense for Col. C is Weighted Cost of Debt (COD) Rate as derived from COD elements reflected in Attachment B.5 x Rate Base per Attachment B.2, Column C.

[4] List all adjustments including descriptions in a supporting schedule.

State income tax adjustment is to recognize the deferred tax impact of the change in the Arkansas corporate income tax rate passed under Senate Bill 576. See Schedule E-15 C-12 (Arkansas Gas) for support.

Federal income tax adjustment is to recognize (1) the deferred tax impact of the change in the Arkansas corporate income tax rate pass under Senate Bill 576 and (2) the amortization of protected EDIT. See Schedule E-15 C-12 (Arkansas Gas) for support.

CenterPoint Energy Arkansas Gas
Formula Rate Plan
Benchmark Rate of Return on Rate Base
For the Historical Year 09/30/2020

(A)	(B)	(C)	(D)	(E)	(F)
Line No.	Description	Capital Amount (\$) [1]	Capital Ratio (%) [2]	Cost Rate (%) [3]	Benchmark Rate Of Return On Rate Base [4]
1	Long-Term Debt	① 309,951,159	29.13%	⑤ 4.4977%	1.3104%
2	Preferred Stock	-	0.00%	0.0000%	0.0000%
3	Common Equity	① 343,289,134	32.27%	④ 9.5000%	3.0655%
4	Accumulated Deferred Income Taxes	③ 152,482,136	14.33%	0.0000%	0.0000%
5	Pre-1971 ADITC	③ -	0.00%	0.0000%	0.0000%
6	Post-1970 ADITC	-	0.00%	0.0000%	0.0000%
7	Customer Deposits	↓ 16,947,271	1.59%	③ 1.9300%	0.0307%
8	Short-Term/Interim Debt	① 54,572,355	5.13%	↓ 0.9419%	0.0483%
9	Current Accrued, and Other Liabilities	③ 100,372,934	9.43%	0.0000%	0.0000%
10	Capital Leases	-	0.00%	0.0000%	0.0000%
11	Other Capital Items	② 86,250,080	8.11%	0.0000%	0.0000%
12	Total	1,063,865,069	100.00%	N/A	4.4549%

Notes:

- [1] The capital balances for Long-Term Debt, Preferred Equity and Common Equity shall be mid-year (March 31) balances (1) adjusted to reflect short-term debt using any 13 month average from a money pool or any other source, if applicable, consistent with Commission Order in Docket No. 15-098-U. Support for the 13 month average of the short-term debt calculations shall be provided. The total debt-to-equity ratio (DTE) for external capital will be fixed at 51.5/48.5 DTE ratio, with a short-term debt proportion of 7.71%. Capital amounts shall include mid-year balances for Post-1970 Investment Tax Credits, Customer Deposits, and Short-Term debt balances, beginning and ending year average for Accumulated Deferred Income Tax (ADIT), and 13-month average balances ended September 30 of the Historical Year as adjusted for Current, Accrued and Other Liabilities (CAOL), if applicable. A March 31 balance sheet should be provided as well as reconciliation between the balance sheet and Column (C) amounts. Support for the CAOL balances shall include the same format and detail as required by the Filing Requirements in Attachment E, Item No. 15.
- [2] Capital amounts are each divided by the Total Capital Amount.
- [3] The cost rates shall be calculated in accordance with the calculation applied by the Commission in Docket No. 15-098-U. Support for the cost of Long-Term debt and cost of Preferred Stock shall be provided in the same format and level of detail required by the Filing Requirements, respectively. Support for the Short-Term debt cost rate should include a general description of how the interest rate is determined and the same level of detail provided in the Filing Requirements in Attachment E, Item No. 15. The cost rate for Customer Deposits shall be the Commission-approved rate in effect during the year. The Cost Rate for Common Equity shall be that approved by Commission Order in Docket No. 15-098-U, which is 9.50%.
- [4] The components in Column F are the corresponding Cost Rates multiplied by the associated Capital Ratio.

- ① 2021 D.5 Schedule WKPR
 ② 2021 E-15 C-10 ADIT WKPR
 ③ 2021 E-15 D5.1 Historical cost of Other Capital_WKPR
 ④ From Docket 15-098-U
 ⑤ Arkansas 2021 FRP Historical Year Cost of Long Term Debt

CenterPoint Energy Arkansas Gas
Formula Rate Plan
Rider FRP Netting of Historical Year Differences Adjustment
For the Historical Year 09/30/2020

SECTION 1			
BANDWIDTH DEVELOPMENT			
Line No	DESCRIPTION	REFERENCE	
1	Earned Rate of Return on Common Equity ("ERR") [1]	D.1, Line 12	11.53%
2	Target Return Rate ("TRR") [2]	D.5, Line 3, Column E	9.50%
3	Upper Bandwidth Limit	Line 2 + 0.50%	10.00%
4	Lower Bandwidth Limit	Line 2 - 0.50%	9.00%
5	ROE Adjustment	If L1 < L4, then L2 - L1; If L1 > L3, then L2 - L1, but no adjustment if L1 ≥ L4 or L1 ≤ L3	-2.03%
SECTION 2			
ROE BANDWIDTH RATE ADJUSTMENT			
Line No	DESCRIPTION	REFERENCE	
6	ROE Adjustment	Per Line 5	-2.03%
7	Common Equity Capital Ratio	D.5, Line 3, Column D	32.27%
8	Retail Rate Base	D.1, Line 1	820,135,263
9	Revenue Conversion Factor	D.1, Line 6	¹ 1.35152
10	Total Rate Change in Rider FRP Revenue	Line 6 * Line 7 * Line 8 * Line 9	-7,249,950
SECTION 3			
TOTAL BANDWIDTH RATE ADJUSTMENT			
Line No	DESCRIPTION	REFERENCE	
11	(Reduction) / Increase in Rider FRP Revenue	Line 10	(7,249,950)
12	Adjusted Historical Year Rider FRP Revenue	Note [3]	3,228,439
13	Netting of Historical Year Differences Adj [4]	Line 11 - Line 12	(10,478,389)
14	Historical Year Revenue Conversion Factor	D.1, Line 6	1.35152
15	Netting of Historical Year Differences Adj before RCF	Line 13 / Line 14	(7,753,043)
16	Projected Year Revenue Conversion Factor	B.1, Line 6	² 1.34638
17	Netting of Historical Differences Adj at Projected RCF	Line 15 * Line 16	(10,438,557)

Notes:

- [1] The ERR is the Earned Rate of Return on Common Equity, calculated by dividing the weighted earned common equity rate by the common equity ratio percentage.
- [2] The TRR is the Company's cost rate for common equity as established by the Commission in Docket No. 15-098-U (9.50%).
- [3] Adjusted Historical Year Rider FRP revenue is the total Rider FRP revenue received for the Historical Year.
- [4] Netting shall not begin until there is an actual twelve (12) months of Historical Year to report. This is the Netting of Historical Year Differences Adjustment calculated using the Historical Year Revenue Conversion Factor.

¹ 2021 E-15 C-5.1 Historical Revenue Conversion Factor WKPR

² 2021 E-15 C-5.3 Projected Revenue Conversion Factor WKPR

**CENTERPOINT ENERGY ARKANSAS GAS
FORMULA RATE PLAN
FILING REQUIREMENTS**

Item No.	Filing Requirements
1	CEA shall file all Rider FRP Attachments supporting the Historical and Projected Year. Attachment D Historical Year schedules are not required until the third FRP filing.
The following information shall be provided to the Parties:	
2	Comparative Arkla Balance Sheet as of September 30 for the five (5) years preceding the Filing Year. Reconcile to the Arkla Trial Balances and the Attachment D Schedules that it supports.
3	Arkansas Operating statement of revenues and expenses for twelve months ending September 30 for the five (5) years preceding the Filing Year. Reconcile to the Trial Balances and the Attachment D Schedules that it supports.
4	Arkla Trial Balance by detail general ledger subaccount number for the five (5) years preceding the Filing Year. Reconcile to the Arkla Balance Sheets and the Attachment D Schedules that it supports. Arkansas Trial Balance (assets, revenues and expenses only) by detail general ledger subaccount number for the five (5) years preceding the Filing Year.
5	Arkla monthly Trial Balance by detail general ledger subaccount number for the beginning of the Historical Year and each of the monthly balances for the Historical Year. Reconcile to the Arkla Balance Sheet, Income Statement, and the Attachment D Schedules that it supports. Monthly Arkansas Trial Balance for the income statement by detail general ledger subaccount number for the beginning of the Historical Year and each of the monthly balances for the twelve months. Reconcile to the Arkansas Income Statement and the Attachment D Schedules that it supports. Monthly Arkansas Trial Balance for the working capital asset accounts included in rate base by detail general ledger subaccount number for the beginning of the Historical Year and each of the monthly balances for the Historical Year.
6	Balances for the "300" series plant amounts for the beginning and end of the Historical Year. In additional columns, the accumulated depreciation balances, the removal of asset retirement obligations and any other adjustments by each "300" series plant amount for the beginning and end of the Historical Year. Reconcile to the utility plant accounts in the Arkansas Trial Balance and the Attachment D Schedules it supports.
7	Beginning and year-end plant and accumulated depreciation balances by account (FERC and sub-FCA) for the Historical Year showing the additions and retirements and any adjustments. Provide the cost of removal and salvage amounts by plant account (FERC and sub-FCA) for the year. Reconcile all amounts to the beginning and year-end Arkansas Trial Balances for the "300" series plant accounts.
8	Identify all construction projects or purchases that closed to plant during the Historical Year. Include the project number, project description, start date, completion date, date closed to plant, cost to complete, and plant accounts (FERC and sub FCA) where it was closed. Provide the detailed costs, including the AFUDC calculation, included in the five (5) largest projects completed during the year.
9	Identify any construction project or proposed purchase that is approved or expected to be approved by the Commission (CCN, CECPN) and in-service by the end of the Projected Year. Include the project number, project description, expected start date, expected completion date and expected cost to complete and plant accounts where it will be closed. Reconcile the total amount of the projects for both the beginning and the end of the Projected Year with the plant additions included on Attachment Schedule B.2.
10	Plant balances by account for the ten (10) years preceding the Filing Year showing the additions and retirements. Include the 10-year average of each and explain any amount that deviates from the average by more than thirty percent (30%). Provide the cost of removal and salvage amounts by plant account for the same ten (10) years. Determine the 10-year

	average percentage of plant additions, by plant account, for retirements and the 10-year average percentage of retirements by plant (accumulated depreciation) account for cost of removal and salvage. Reconcile the total amount of the retirements as a 10-year average percent of plant additions and the cost of removal and salvage as a 10-year average percent of retirements for both the beginning and the end of the Projected Year with the plant and accumulated depreciation amounts included on Attachment Schedule B.2.
11	Detailed chart of accounts, including subaccounts and detailed description (i.e. MFR E-9). List of cost objects (cost centers, internal orders, and Work Breakdown Structures) and detailed description for each.
12	CNP and CERC internal and external audit reports for the Historical Year and any proposed auditor's adjustments.
13	State Income Tax Return for CERC and Federal Income Tax Return for CNP and pro forma tax returns for Arkla and Service Company for the Historical Year.
14	Web based or electronic access to CEA's database containing all general ledger accounting activity for the Historical Year.
15	Rules of Practice and Procedure, Appendix 8-1 Minimum Filing Requirements (MFR) Schedules, as modified to substitute the Historical Year for the test year and the Projected Year (Official Forecast) for the <i>pro forma</i> year, B-1, B-2, B-4, B-5, B-10, C-4, C-5, C-8, C-9, C-10, C-11, C-12, D-2, D-3, D-5, D-6.1, D-6.2, D-6.3, D-7, and F-1. The D schedules should be at the Arkla level. These schedules shall be used to support the adjustments described in Items 18 and 19 below. Note, C-5 shall be used to recalculate the revenue conversion factor. Note, D-2 and D-3 shall be modified to substitute the Historical Year as of March 31 for the test year and the Filing Year and Projected Year through March 31 for the <i>pro forma</i> year.
16	Schedule of the direct expenses paid to each vendor for the Historical Year sorted by vendor name and FERC subaccount.
17	Web based or electronic access to invoices for all vendors, regardless of originating company (CEA, Service Company, CERC, etc.) included in Item 16.
18	Separate schedules of proposed adjustments to the actual financial statement amounts in determining the Adjusted Historical Year by general ledger subaccount for 1) rate base, 2) revenues and expenses (excluding current and deferred income taxes), 3) current and deferred income taxes, 4) CAOL, 5) ADIT and 6) other capital components. Within each schedule, the adjustments should be in separate columns, but grouped by 1) adjustments to remove rider revenue and expenses, 2) those consistent with adjustments ordered by the Commission in Docket No. 15-098-U (such as removal of disallowed expenses such as charitable contributions, or exclusion of temporary accounts from WCA), or 3) or other adjustments. The adjustments within each schedule (rate base, revenues and expense, income taxes, cost of capital components) shall directly support and reconcile to the appropriate Attachment D Schedules.
19	Separate schedules of proposed adjustments to the Official Plan amounts in determining the Adjusted Projected Year by general ledger subaccount for 1) rate base, 2) revenues and expenses (excluding current and deferred income taxes), 3) current and deferred income taxes, 4) CAOL, 5) ADIT and 6) other capital components. Within each schedule, the adjustments should be in separate columns, but grouped by 1) adjustments to remove excluded rider revenue and expenses, 2) those consistent with Docket No. 15-098-U

	(such as removal of disallowed expenses such as charitable contributions, or exclusion of temporary accounts from WCA), or 3) or other adjustments. The adjustments within each schedule (rate base, revenues and expense, income taxes, cost of capital components) shall directly support and reconcile to the appropriate Attachment B Schedules. Adjustments shall include certain items such as additional plant in service approved by the Commission per Certificate of Public Convenience and Necessity (CCN)/Certificate of Environmental Compatibility and Public Need (CECPN), if required.
20	For the Historical Year, by rate class and rate schedule, provide a statement showing customer count, Ccf/MMBtu, weather adjusted Ccf/MMBtu, base rate revenues, and rider revenues. For the Projected Year, by rate class and rate schedule, provide a statement showing customer count, Ccf/MMBtu, base rate revenues, and rider revenues. Provide work papers that explain the variance analysis between the Historical Year and Projected Year information.
21	Provide expense totals for the five (5) years preceding the Filing Year by subaccount. For expense subaccounts included in base rates, also provide cost objects (cost centers, internal orders, and Work Breakdown Structures). Each year should include separate columns for expenses included in the determination of base rates and other riders (non-base rates) expenses. Reconcile to Trial Balance.
22	Provide a schedule of payroll and related costs supporting base rates (excluding riders) by FERC subaccount (expense and non-expense (capital) accounts) for the five (5) years preceding the Filing Year. The costs should be shown in separate groups of columns for each company (CEA, Service Company, CERC and other (identify)). Within each company, for full-time employees only, include separate columns for: base pay, overtime, STIP, LTIP, other bonuses (identify each separately), fringe benefits, and payroll taxes. Provide part-time pay and associated fringe benefits and payroll taxes. Include a separate column for reductions for any payroll costs paid by other affiliates or other companies per loaned labor/mutual assistance programs.
23	Provide Non-payroll balances supporting base rates (excluding riders) by FERC subaccount, and cost objects for the twelve (12) months ending September 30 for the five (5) years preceding the Filing Year. Either in a separate analysis or in separate columns, identify the expense amounts in each subaccount, and cost object by company (CEA, Service Company, CERC, or other). Identify the accounts affected and explain all changes in accounting procedures during the five (5) years. For any accounting reclassifications identified in the accounting changes which affect more than 5 accounts or change an account balance by more than 10%, align and reconcile accounts that reflect accounting changes in order to consistently track the accounting change through the five-year period. Identify and explain changes between the twelve (12) months ending September 30 of the Historical Year costs and the five-year average by FERC Account for all variances greater than thirty percent (30%) and five hundred thousand dollars (\$500,000). The explanation and work papers shall include the specific underlying reason for the variance.
24	For base rate expenses provide a forecast validation analysis using the Historical Year data and the Projected Year data. The forecast validation analysis will be developed using the following method: (1) Adjust the Historical Year data as necessary such that it complies with the Commission's Order in Docket No. 15-098-U. (2) Adjust the Projected Year data as necessary such that it complies with the Commission's Order in Docket No. 15-098-U. (Note: The Projected Year data started with the Company's forecast data and is presented at the FERC account); (3) Compare the Historical Year data and Adjusted Projected Year data, by FERC account balances, and calculate an account specific variance; (4) Establish an account specific threshold by calculating the trended average of

	each FERC account balance for the five years ending with the Historical Year, and (5) For each FERC account balance variance that exceeds the threshold established in item 4, CEA will provide sufficient data to justify the proposed increase to that FERC account. The explanation and work papers shall include the specific underlying reason for the variance. Provide work papers that support and quantify the underlying reason(s) for the variance explanations for those FERC accounts that exceed the threshold.
25	Affiliate transaction analysis of CEA expense accounts shown in separate columns for the following: a) amounts billed, segregated between direct, allocated, and cash transactions, from each affiliated company with separate columns for each affiliate; b) amounts directly incurred by CEA for its own operations; c) all other amounts in the account not corresponding to (a) or (b); and d) the sum of columns (a) through (c) which would equal the account's general ledger balance at the end of the Historical Year. Provide an explanation of all items in (c). Provide copies of all allocation manuals used in allocating common costs among and between the Company and its affiliates. Also provide the Company's billing method which shall include: allocator, description, effective date, percentage to various subsidiaries, cost drivers, and description of all cost drivers for all affiliates which have direct-billed or allocated charges to CEA.
26	Provide the Company's Projected Year Plan (capital, payroll, headcount, non-payroll) that includes a reconciliation of the budgeted amounts to the Attachment B schedules. Provide supporting documentation for the development of the planned amounts at the Arkansas level.

FORMULA RATE PROTOCOLS

Section I. General Provisions

1. Applicability and Scope

- A. The following protocols shall apply to the annual Evaluation Report filings made pursuant to the Formula Rate Plan Rider Tariff (Rider FRP) approved by the Commission in Docket No. 15-098-U.
- B. The Rules of Practice and Procedure (RPPs) shall apply to all annual Evaluation Report filings, except the following for which the Commission has granted an exemption by approving Rider FRP:
 - Rule 3.08;
 - Rule 4.02 (a)(2)(A);
 - Rule 4.02 (a)(3);
 - Rule 4.02 (a)(4);
 - Rule 4.03 (c);
 - Rule 4.04 (a)(2);
 - Rule 4.10 (a)(2) & (3); and
 - Rule 5.05(b), (c), & (d).
- C. Any proposed modification of the Rider FRP Tariff, including these protocols, is outside the scope of an annual Evaluation Report filing and as such, no Party shall seek to modify the Rider FRP Tariff, including these protocols, as part of any annual Evaluation Report filing. Proposed modifications to the Rider FRP Tariff, including these protocols, shall be brought in a separate docket.
- D. The filing of an annual Evaluation Report is a Formal Application. The filings of an annual Evaluation Report are not to be construed as a General Rate Change Application, nor are adjustments to rates that result from the filings of an annual Evaluation Report to be construed as a general change in rates pursuant to any provision of the Arkansas Code that references a general change in rates.
- E. The Commission may grant an exemption from compliance with these Protocols if the exemption is found to be in the public interest and for good cause shown.

2. Public Notice

- A. At least thirty (30) days prior to filing an annual Evaluation Report, CEA shall give public notice of its intent to file.
- B. The notice shall indicate that it is from CEA and shall include: the docket number, if known; the date on or about which the annual Evaluation Report is to be filed; the effective date of Rider FRP rates; reference to the RPPs and these protocols for persons interested in intervening, making a limited appearance, or submitting public comments in writing or orally

at the hearing; deadlines for intervention as provided herein; the name, address, phone number and email address of the Secretary of the Commission and the URL address of the Commission website; and that further information may be obtained by contacting the Secretary of the Commission or viewing the Commission's website.

- C. Public notice shall be given by any method including but not limited to: bill notation, direct mail, email exploder list, publication on CEA's website, through social media, or publication in a newspaper of general circulation in CEA's service area.
- D. An annual Evaluation Report filing shall include a declaration that these notice provisions have been complied with.

3. Intervention

- A. A Petition to Intervene shall be filed within ten (10) calendar days from the date the annual Evaluation Report is filed.
- B. Any Party desiring to file a Response to a Petition to Intervene shall file the Response within five (5) calendar days of the filing of the Petition. No additional responses or replies shall be permitted unless specifically authorized by the Commission.
- C. The Commission shall rule on the Petition to Intervene within seven (7) calendar days from the date the Petition is filed. If the Commission does not rule within that time frame, the Petition to Intervene shall be deemed denied.

4. Discovery

A. Time Within Which to Respond or Object

- 1. The Party upon whom discovery is sought shall serve a written response or objection within ten (10) calendar days after service of the discovery. Responses or objections to requests for admission shall be served within ten (10) calendar days of service of the requests. The Commission may prescribe a shorter or longer time. Any objections shall state the specific reasons for such objection.
- 2. If the response to the discovery request contains protected information for which no Protective Order has been issued, the responsive Party shall apply for a Protective Order as soon as reasonably practicable after receipt of the discovery request so as to avoid any delays in responding to discovery, and to the greatest extent practicable no later than five (5) calendar days after receipt of the discovery request. CEA shall respond to the discovery request on the next business day after the Protective Order is issued or on the date the discovery response is due.

B. Discovery Initiation

Unless otherwise ordered, a Party may initiate discovery at any time after filing of an annual Evaluation Report so long as responses or objections and depositions shall be completed at least sixty (60) days before the date on which rates determined by the formula rate review mechanism will go into effect for each year or ten (10) days before a hearing on the merits, whichever is earlier.

C. Service and Format

1. Service shall be made by electronic mail, facsimile transmission, hand delivery, or overnight delivery service unless unusual circumstances otherwise justify delivery by another method and the Parties agree to the method chosen.
2. Attachments to documents shall be provided in native electronic format, with formulae and viable links intact.
3. Any discovery document served electronically or by facsimile after Commission Business Hours but before midnight or received on a non-business day shall be deemed served on Persons on the Official Service List with electronic mail on the next business day. Any discovery document served electronically or by facsimile between midnight and the beginning of Commission Business Hours on a business day shall be deemed served on Persons on the Official Service List on that business day. Any discovery document served by hand delivery or overnight delivery service shall be deemed served pursuant to Rule 3.07 of the RPPs.

D. Computation of Time for Performance or Response

In computing the time within which an act must be performed or a response made, the Day of the act from which the designated period of time begins to run shall not be included and the last Day shall be included unless it is a Saturday, Sunday, Legal Holiday, or other Day in which the Commission's office is closed, in which event the period shall extend to the next business Day. Service by mail or commercial delivery service is prohibited; therefore no additional response time as contemplated by the RPPs is necessary.

5. General Filing Matters

- A. Beginning with the initial annual Evaluation Report filing after Rider FRP is approved by the Commission in Docket No. 15-098-U, a separate docket shall be established by the Secretary of the Commission for the annual Evaluation Report filings with an "FR" docket designation.
- B. The initial and all subsequent annual Evaluation Reports filed in the "FR" docket. CEA shall submit the annual Evaluation Report with a Commission-approved tariff Docket Summary Cover Sheet. In addition to any other information required by the coversheet, CEA shall reference Docket No. 15-098-U.
- C. Stipulations or Settlements
 1. Parties shall propose by written motion that the Commission adopt stipulations or settlements. Such motion shall be filed, along with supporting testimony, no later than seven (7) calendar days prior to the hearing scheduled in the annual Evaluation Report filing. If the seventh day falls on a weekend or state holiday such settlement agreement and supporting testimony shall be filed on the last business day prior to the seventh day. The motion shall set forth the factual, legal, policy, and other consideration which form the basis for the Parties' recommendation that

the stipulation or agreement be adopted, and shall be supported by written testimony.

2. A Party not joining a proposed stipulation or settlement may file a response no later than five (5) calendar days prior to the scheduled date of the hearing.
3. Such a response shall set forth the factual, legal, policy, and other consideration which form the basis for the Party's opposition to the proposed stipulation or settlement or portions thereof.

Section II. Filing Requirements

1. Testimony and Exhibits

- A. Testimony with or without Exhibits shall be filed simultaneously with the annual Evaluation Report and address, at a minimum:
 1. A description of the filed schedules and all of the adjustments proposed;
 2. A description of any significant cost drivers;
 3. A description of any changes in accounting policies, practices, and procedures if they affect inputs to Rider FRP or the rate redetermination to be made under Rider FRP; and
 4. A narrative explanation of the rate impact.

2. Workpapers and Supporting Documentation

- A. The annual Evaluation Report and any revisions thereto shall include:
 1. Data-populated schedules including fully functioning EXCEL spreadsheet with all formulas and links intact, showing all calculations in the annual Evaluation Report;
 2. Sufficient information to enable the Parties to replicate the calculation of the formula results from the applicable schedules; and
 3. Documentation fully supporting all calculations and adjustments.
- B. Workpapers shall be provided to the Parties simultaneously with the filing of the annual Evaluation Report and any revisions thereto, and shall include:
 1. All supporting calculations and documents that explain the calculations in the annual Evaluation Report;
 2. Both references to and support from detailed source information; and

3. A complete description of any statistical model used, the data used, and the results of the analysis if not addressed in testimony or exhibits.
- C. With respect to any change in accounting that affects inputs to Rider FRP or the resulting rate redetermination to be billed under Rider FRP, CEA shall identify and provide narrative explanation of the individual impact of such changes on rate redetermination to be billed under Rider FRP including:
 1. The initial implementation of an accounting standard or policy;
 2. The initial implementation of accounting practices for unusual or unconventional items where the Commission has not provided specific accounting direction;
 3. Correction of errors and prior period adjustments that impact Rider FRP;
 4. The implementation of new estimation methods or policies that change prior estimates; and
 5. Changes to income tax elections.
- D. CEA shall identify any reorganization or merger transaction and explain the effect of the accounting for such transaction(s) on the inputs to Rider FRP or the resulting rate determination to be billed under Rider FRP.

3. Waiver of Requirements

CEA may omit specific items of information from the annual Evaluation Report filing only with prior Commission approval.

4. Filing Deficiencies

- A. The Arkansas Public Service Commission General Staff ("Staff") may review each annual Evaluation Report filing to ascertain whether it complies with the provisions of these Filing Requirements and Rider FRP, including the provisions of all of the Attachments thereto.
- B. If Staff determines that any deficiencies exist Staff shall file a notice detailing the deficiencies within seven (7) calendar days from the date the annual Evaluation Report is filed.
- C. CEA shall correct the deficiencies, within seven (7) calendar days of filing of the notification of deficiency, or upon objection being filed by CEA within that timeframe; the Commission may set a longer period as may be reasonable.
- D. Staff shall review corrections made by CEA to determine compliance with all information required by the Filing Requirements and Rider FRP, including the provisions of all of the Attachments thereto.
- E. No more than three (3) business days from the filing of corrections, Staff may file a (1) statement of compliance or (2) a second notice of deficiencies, listing each requirement not met and a brief explanation in support.

- F. The Commission shall resolve any dispute as to deficiencies within seven (7) calendar days of the filing of the second notice of deficiencies by either accepting the corrections made by CEA or by directing additional corrections to be filed by CEA.

5. Dispute Procedures

- A. Any Party filing with the Commission a statement of errors or objections to the Evaluation Report shall file Testimony with or without Exhibits simultaneously with the statement of errors or objections and the filing shall:
1. Clearly identify and explain the error in or objection to the annual Evaluation Report;
 2. Make a good faith effort to quantify the financial impact of the error or objection;
 3. State specifically any proposed changes to the annual Evaluation Report that the Party recommends; and
 4. Include all documents and workpapers that support the calculation of the error or the facts supporting the objection.
- B. CEA shall file a corrected Rider FRP rate or Rebuttal Testimony with or without Exhibits to the errors and objections raised by the Parties.

6. Extension of Term

- A. If CEA requests an extension of the initial term of Rider FRP, CEA shall include such request as part of its fifth annual Evaluation Report filing.
- B. CEA shall provide a class cost of service study for forecasted year ending September 30, 2022.
- C. The Commission shall enter a decision on CEA's request no later than November 1, 2021.