LARGE COMMERCIAL / INDUSTRIAL CREDIT POLICY RIDER

Applicability

Applicable to any Commercial or Industrial customer who is reasonably expected to use more than 1,200,000 Therms of natural gas in a twelve month period. The reasonable expectation of usage shall be calculated based on historical consumption on the property, any increased or decreased heating and/or processing load and the customer’s declared usage needs. Special conditions are listed below.

Method

1. Prior to providing gas service to new customers to whom the rider is applicable, or prior to continuing to provide gas service to existing customers to whom the rider is applicable, CenterPoint Energy may request a credit report from an independent credit bureau. If an independent credit bureau report is not available, or if such report does not provide sufficient financial information, CenterPoint Energy may ask the customer to provide their most recent financial information (e.g., income statement, balance sheet and cash flow statements).

2. In the case of existing customers, financial information may be requested on an annual basis for any customer expected to use more than 1,200,000 therms per year, or whenever:
   a. the customer is planning a plant/facility expansion resulting in increased gas use of more than 500,000 therms per year;
   b. there is a merger or acquisition with another party;
   c. the customer is delinquent in paying their gas bill;
   d. CenterPoint Energy must upgrade its facilities to provide the customer with gas; or
   e. there is evidence of other tangible economic or operational issues that may impact the customer’s financial stability.

3. If CenterPoint Energy determines that the customer’s most recent financial information indicates objective reasons for concern that the customer may not be able to pay its bills, CenterPoint Energy may require the customer to provide a “credit enhancement.”
   a. The following are indications that a customer may not be able to pay its bills:
      i. The customer has an unsatisfactory credit rating;
      ii. The customer has an insufficient prior credit history upon which a credit rating may be based;
      iii. The customer’s audited financial reports indicate net losses from operations;
      iv. The customer’s audited financial reports indicate negative cash flow from operations;
      v. The customer’s audited financial reports indicate current liabilities that exceed their current assets;
      vi. The customer’s audited financial reports indicate deficit retained earnings;
      vii. The customer has substantial unresolved claims against the company (i.e., lawsuits, guarantees of another’s indebtedness, environmental issues);
      viii. The customer’s auditors’ opinion discloses that there is doubt about the company’s ability to continue as a going concern;
      ix. The customer’s have bond ratings below “investment grade;” or
      x. The customer is uninsurable or under-insurable.
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4. Acceptable “credit enhancements” that CenterPoint Energy may require to assure payment of bills include:
   a. A guarantee of payment by a third party with a financial condition acceptable to CenterPoint Energy;
   b. A deposit equal to 2 months’ gas usage and, if the customer is a new customer or CenterPoint Energy is incurring costs to upgrade its system to serve an existing customer, the amount of any capital incurred to serve the customer. For new customers or customers that are expected to increase their usage, the deposit calculation will be based on reasonably estimated usage/consumption which will include but not be limited to historical consumption on the property, any increased or decreased heating and processing load and the customer’s intended usage.
   c. A surety bond or irrevocable letter of credit equal to 2 months’ gas usage and, if the customer is a new customer or CenterPoint Energy is incurring costs to upgrade its system to serve an existing customer, the amount of any capital incurred to serve the customer.
   d. An agreement that the customer will be billed and will remit payment on a weekly basis; or
   e. An agreement, if applicable, that the customer will procure gas supplies from a third party and utilize CenterPoint Energy only as a transport service to deliver the gas to its facility.

5. If CenterPoint Energy does require a “credit enhancement,” it may request financial information (either an independent credit report or financial information from the customer) on a monthly or quarterly basis to assess any changes in the customer’s financial condition. In any case, CenterPoint Energy will review the customer’s financial condition at least annually.
   a. If the financial condition has improved, CenterPoint Energy will refund any or all of the deposit required or reduce the amount of any bond or irrevocable letter of credit or otherwise reduce or remove the credit enhancement requirement.
   b. If the customer does not agree to the required credit enhancement or becomes more than 30 days delinquent, CenterPoint Energy may refuse to serve the customer (if a new customer) or initiate the disconnection of gas service process immediately (if an existing customer) unless the customer makes credit arrangements or provides other credit enhancements acceptable to CenterPoint Energy. Prior to initiating the disconnection of gas service, CenterPoint Energy will notify the customer of the disconnection action by phone and either e-mail or fax.

Special Conditions

1. All provisions of the rate schedule under which a customer currently takes service apply unless otherwise changed by this Rider.
2. Any deposit is not automatically used to cover an overdue bill and will not prevent disconnection.