

**TEXARKANA, TEXAS SERVICE AREA**

Original

Sheet No. 1

Replacing:

Sheet No.

CenterPoint Energy Arkla, a division of  
CenterPoint Energy Resources Corp.  
(Name of Company)

Kind of Service: Natural Gas

Class of Service: All

**PART III**

**STANDARD SERVICE RULES AND REGULATIONS**

Effective: June 12, 2003

I. APPLICATIONS FOR OR DISCONTINUANCE OF SERVICE

- (A) The Company shall require all customers to execute a deposit-service agreement upon application for gas service or upon the filing of a petition for relief under the United States Bankruptcy Code. Such agreements are not transferable. All customers accepting gas service from the Company shall be subject to the rules, regulations and rate schedules applicable.
- (B) When gas service is inaugurated or transferred from one location to another, or upon the filing of a petition for relief under the United States Bankruptcy Code the Company shall charge a non-refundable service initiation fee of \$37.00.
- (C) When a customer requests the initiation or restoration of service which requires overtime work after normal daily working hours or on weekends and holidays, the customer will be advised of an additional charge which will be based on actual overtime costs involved. An overtime charge shall not apply to work required through no fault of the Customer.
- (D) No customer may temporarily discontinue service and thereafter request restoration and continuation of service under his old service agreement but must execute a new agreement. If service is discontinued at the request of the customer and service is suspended during all or a portion of the non-heating season and thereafter restored at the same location for the same occupant, a reconnect charge will become due and payable when service is restored. This charge will be computed on the basis of the applicable customer charge for each month or fraction thereof that service is discontinued. Such charge shall be in addition to the regular service initiation or reconnection fee of \$37.00. Any commercial or industrial customer who discontinues service for any period of time must be considered a new customer for State and Federal regulatory policy purposes when application is made for restoration of service.

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- (E) The company will not accept orders to discontinue service other than from the person in whose name the account is billed.

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II. CUSTOMERS FACILITIES AND EQUIPMENT

- (A) Gas should be used only in appliances designed for use with natural gas, in compliance with all applicable manufacturing specifications. Vent pipes must be used on water heaters, cook stoves, enclosed type space heaters, or other appliances designed to be vented.
- (B) The consumer shall provide a system of piping within his premises for connection to gas appliances. Customer's piping system will be installed and maintained in compliance with all federal, state and local laws, codes and regulations. Consumer shall provide an above-ground delivery point in a suitable location, unless otherwise specified by the Company. The normal gauge pressure, at which gas will be supplied through the Company's meter to the customer's piping, will be approximately 5.3 ounces PSIG.
- (C) The Company under previously existing regulations has provided service through one master meter to private distribution lines for multiple federal, municipal, or private housing projects and mobile home parks, and has in some cases provided individual meters for such facilities. Bills will be rendered on an individual basis to the individual metered customers, but the customer(s) owning the private distribution line or being served by the private distribution line will be responsible for payment of any differences between gas delivered through the master meter and gas delivered through the sum total of individual meters. All such construction within the above mentioned projects and mobile home parks must meet the requirements of all federal, state and local piping laws before the Company will connect the customer.

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**III. REFUSAL TO SERVE CUSTOMERS**

- (A) The Company may decline to serve a customer or prospective customer until he has complied with the state and municipal regulations governing the service applied for and the reasonable rules and regulations of the utility.
- (B) Until adequate facilities can be provided, the Company may decline to serve an applicant for service or to change materially the service of any customer, if, in its judgement, it does not have adequate facilities to render the service applied for or if the desired service is of a character that is likely to affect unfavorably the service to other customers.
- (C) The Company may refuse to serve a customer if, in its best judgment, the customer's installation or equipment is regarded as hazardous or of such character that satisfactory service cannot be given.
- (D) The Company may refuse to serve individual mobile homes and house trailers if the trailer does not have a firm foundation which will not permit it to rock or move thereby cracking or parting the connecting pipe or facilities. None of the weight of the trailer may be carried on the wheels or springs. All piping and appliance installations in trailers must be made in compliance with applicable laws, codes, and ordinances governing such installations.
- (E) The Company may decline to serve any applicant who is indebted to the Company for gas utility service; provided, however, that in the event the indebtedness of the applicant for service is in dispute, applicant shall be served upon complying with the deposit requirement, and, in addition thereto, making a special deposit in an amount equal to the net balance in dispute. Upon settlement of a disputed account, the balance, if any, due the applicant shall be promptly repaid, together with interest thereon from the date of the deposit until repaid at the rate prescribed by law or order of the Commission.

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- (F) The Company shall also have the right to refuse service or to discontinue the supply of gas to a customer at a location until payment shall be made of delinquent bills for gas utility service for the customer at other premises.

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IV. DISCONTINUANCE OF SERVICE

- (A) The Company reserves the right to shut off the gas at any time and to remove its property from the premises for any of the following reasons: (a) for tests or repairs; (b) for non-payment of bills for gas utility service when due, after required notice has been given; (c) for incorrect representation of facts in application for service, after required notice has been given; (d) for failure to make or increase the cash deposit when required by the Company, after required notice has been given; (e) for reselling gas in violation of the Company's Standard Rules and Regulations, after required notice has been given; (f) for placing or permitting the placing of any bypass around any meter or service line; or for tampering; or permitting tampering with same; (g) for permitting pipes, or appliances owned or used by the customer to leak or otherwise permit the escape or waste of gas, after required notice has been given; (h) for failure to comply with the Rules and Regulations of the Company, after required notice has been given; (i) failure to pay the applicable connect charge, after required notice has been given; (j) on order of municipal authorities having jurisdiction; or (k) when checks received from customer for amounts past due or for the required deposit are repeatedly not honored when presented to the bank for payment, then service may be discontinued without advance notice.
- (B) The Company shall not discontinue service to any customer for violation of its rules or regulations nor for non-payment of bills, without first having diligently tried to induce the customer to comply with its rules and regulations, or to pay amounts due the Company. Service may be discontinued after five (5) days' written notice shall have been given to the customer by the Company in the manner provided for in Paragraph IV (D). Prior notice of disconnection shall not be required for fraudulent, negligent, or unlawful use of the commodity or service detected, or where a dangerous condition is found to exist on a customer's premises.
- (C) The customer shall have the privilege of paying any delinquent account at any time prior to the actual disconnection or turning off of service; provided, however, that payment at Company's office within four hours of the time of actual disconnection or turning off of service shall not affect the right to disconnect or turn off service for

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non-payment. Whenever the Company dispatches an employee to the premises of any customer for the purpose of discontinuing service for non-payment, and such payment arrangements are made that do not result in actually disconnecting or turning off of service, a fee of \$16.00 shall be added to and collected as a part of such delinquent account to cover, in part, the cost to the Company of dispatching such employee to the customer's premises. A \$15.00 charge may also be added to an account and collected to recover cost for reprocessing any check that has been returned to the Company by the bank by reason of insufficient funds on deposit. Whenever service has actually been disconnected on account of the failure of the customer to pay such delinquent account, or for any other reason without fault of the utility if the customer desires the service to be reconnected, the Company shall require the customer to pay a reconnection charge of \$37.00.

- (D) Notice of delinquency shall be construed to be given to the customer when a copy of such notice is left with such customer, or left at the premises where service is required, or posted in the United States mail addressed to the customer's last known post office address except as specified in (H) and (I) below.
- (E) The Company shall not be liable for any damage to persons or property resulting from the discontinuance of gas service after having given the required notice. Arrangement satisfactory to the Company for the continuance of service on account of serious illness or other causes shall be made by the customer prior to the expiration of the notice period.
- (F) When, at the customer's request, the Company changes the location at which service is rendered the gas consumed at the new and old locations, for the purposes of billing, shall be combined. The change of the location to which service is rendered shall not be deemed to affect the rights of the Company with regard to the application of deposit or discontinuance of service for non-payment of the account.
- (G) The fact that the Company has a cash deposit from a customer shall not in any manner affect the right of the Company to discontinue service to that customer for

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the non-payment of amounts past due regardless of the fact that the deposit is in excess of the amount past due.

(H) Termination of service to Elderly Persons, Handicapped Persons, and Persons with Serious Illnesses

(1) Definitions

- (a) "Elderly person." A person who is 60 years of age or older.
- (b) "Handicapped." A handicapped person is any residential customer:
  - (i) who has any permanent severe physical or mental impairment which substantially limits his ability to pay for utility service; and
  - (ii) who is certified as being physically or mentally disabled by a physician, licensed psychologist, by the United States Veterans Administration, the Social Security Administration, the appropriate governmental agency, or a local regional mental health center.
- (c) "Serious illness" includes serious injury not amounting to a handicap.

(2) Special Provision for the Elderly and Handicapped

Each utility shall file with the Commission, for its approval, procedures the utility will follow to insure the protection of elderly and handicapped customers. In addition, each utility shall keep records of all delinquent accounts of elderly or handicapped customers and the disposition of these accounts. Protection procedures shall include:



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- (a) Identification of eligible households.
- (b) Personal contact by telephone or in person by utility personnel to arrange installment of deferred payment of any delinquency.
- (c) Notification of right to third-party notice before termination of service.
- (d) Assistance to customers wishing to make arrangements with state or local social service agencies for payment for service.

The procedures may require elderly and handicapped persons to disclose information and furnish documents in connection with the status claimed on an annual basis. If a customer provides false information to the utility in order to claim an exemption under this Rule, it shall be grounds for termination. Customers establishing eligibility to claim an exemption as elderly or handicapped shall be presumed to retain this status for one (1) year after the date eligibility is established. Eligibility related to income level and ability to pay for utility service shall be reestablished annually.

(3) Delay of Termination on Grounds of Serious Illness

- (a) A utility shall postpone termination of service to a residential customer, or reconnect previously terminated service, for a reasonable time up to thirty (30) days if the customer presents a certificate from a physician stating it is likely that termination of service will either aggravate a serious illness or give rise to a substantial risk of death or a grave impairment of the health of the customer, of a member of the customer's family, or of another permanent resident of the premises where service is rendered. The certificate shall identify the medical emergency, specify the effect of termination of service, and specify the time during which

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termination of service will aggravate the illness. The utility may, at its expense, obtain an additional medical report or certificate from a physician of its choice and may rely on that opinion and in reliance on that opinion terminate service five days after mailing an additional notice of termination to the customer. Failure of customer without good cause to attend the company-scheduled medical appointment shall be sufficient reason for termination of service by the utility.

A customer, his physician, or a nurse, nurse practitioner, physician's assistant, or a public or private agency providing physical or mental health care services may notify the utility of a serious illness in person, by telephone, or by letter. The customer shall have seven (7) days from the date of notification to present the certificate. Notice by telephone shall be subject to verification by the utility.

- (b) The thirty-day postponement may be extended one time by renewal by notice as above and renewal of the certificate by a physician as above.
- (c) Continuation or reconnection of service under this rule shall not in any way relieve the customer of liability incurred for utility services.

(4) Delay of Termination for Elderly and Handicapped Persons

- (a) Residential utility service shall not be terminated and, if previously terminated shall be reconnected, during the months of November through March for elderly and handicapped customers of the utility, provided that service may be terminated if such customers fail to pay at least one-half of the amount billed for service either as they fall due or pursuant to delayed payment agreement. Any balance due for service during these months shall be made in the months of April through October in installments agreed upon by the customer

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and the utility. If, during the months of April through October, a customer fails to pay the deferred balance due for service from November to March, the utility shall not be obligated to refrain from terminating or to reconnect service during the next November through March time period. Residential gas air condition service to such customers shall not be terminated on a day when the National Weather Service forecasts between 5:00 a.m. and 8:00 a.m. a maximum temperature for that day of 95 degrees Fahrenheit, or higher.

- (b) At least 72 hours prior to the proposed termination of residential service to an elderly or handicapped person, a utility shall personally contact the customer, a person living in this household, or any other person or agency designated by the elderly or handicapped person to receive notice in person or by telephone during the utility's normal, working hours or between 9:00 a.m. and 4:00 p.m. on Saturdays and holidays that termination of service is imminent and that steps can be taken to avoid termination. This notice shall include an explanation of the procedures available under this or other applicable rules. If none of these parties is contacted on the first attempt, a second attempt shall be made and may take place between 6:00 a.m. and 10:00 P.M.
- (c) Continuation or reconnection of service under this rule shall not in any way relieve the customer of liability incurred for utility services.

(I) Notice of Termination to Tenants

- (1) For the purposes of this rule, "landlord" means the owner, agent, manager, or lessor of premises intended primarily for residential use for which he receives lease or rent payments which include amounts for utility service.

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- (2) Each utility shall file with the Commission procedures for identifying accounts where service is rendered at an address different from the mailing address of the bill. Such procedures may include requiring landlords to identify themselves as such and to identify their tenants by name, address, and account number. Absent such identification, the utility shall not be required to treat a customer as a tenant unless it has actual knowledge or information that reliably indicates that the person to whom service is rendered is a tenant.
- (3) The utility shall not disconnect service to such an account for nonpayment of the bill until the following actions have been taken:
  - (a) When a termination notice has been sent to the landlord, if no response is received by the utility within seven (7) days, notice shall also be sent to the affected tenants or shall be posted in conspicuous locations such as near mail boxes, building entrances and exits, and other areas of common usage.
  - (b) If a landlord fails to pay for service to a tenant a utility shall not terminate service to the tenant until at least thirty (30) days have elapsed from the date of the delinquency, and, after being notified of the delinquency the tenant has not paid for service provided after the date of notification or made arrangements with the utility to do so.
  - (c) Where feasible the utility shall offer the tenant the opportunity to apply for service in his own name. If such service is not feasible or if the tenant declines to apply for such service, the utility may terminate service as provided in Paragraph IV (B). If the tenant chooses to take service in his own name, termination shall thereafter be governed by other appropriate provisions of this rule.
  - (d) Where premises are master-metered and a tenant and the utility are unable to agree upon payments to be made by the tenant for service,

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the utility shall petition the Commission for an immediate informal resolution or formal hearing to resolve the dispute.

- (4) A utility shall not attempt to recover from a tenant or condition service to a tenant on the payment of any amounts owed by the landlord to the utility.

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V. CUSTOMER DEPOSITS

- (A) The Company may require, with each service application from any customer or any prospective customer, a cash deposit to guarantee payment of bill. This required deposit shall not exceed an amount equivalent to two estimated average bills when payment is due after the service is rendered. The Company shall pay interest on the deposit at the rate prescribed by law or order of the Commission. When service is discontinued by the Company for any reason other than for repairs, the Company may apply such deposit to the payment of all charges authorized under these Rules and Regulations. Interest will not accrue on deposits when they become Inactive. The Company shall pay interest on deposits annually in January of each year and upon return of the deposit to the customer.
- (B) Interest shall not accrue on any cash deposit after the date the Company has made a bona fide effort to return such deposit to the depositor. The Company shall keep in its records evidence of its efforts to return such deposit.
- (C) A new or additional deposit may be required upon reasonable written notice of the need of such a requirement in any case where a deposit has been refunded or is found to be inadequate as above provided for, or as provided by the applicable provisions of the Commission's Rules, as they may be in effect from time to time. The service of any customer who fails to comply with these requirements may be disconnected upon five (5) days' written notice.
- (D) All charges authorized under these Rules and Regulations shall be due and payable on the same terms and conditions as charges made for gas service and the same procedure for discontinuance of service for such charges may be applied against refunds, if any, due on the customer's deposits.
- (E) Upon the filing of a petition for relief under the United States Bankruptcy Code, the customer will be required to provide a cash deposit in an amount not to exceed two times the maximum estimated bill for the service location.

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VI. BILLING

- (A) Gas supplies will be charged for from the time of turn on until the Company discontinues the supply. Failure on the part of the customer to properly notify the Company when their responsibility for the payment for gas at a premises ceases, shall not relieve the customer from the obligation of paying all bills accruing up to the time proper notification is received by the Company. The customer shall pay for all gas passing through the meter, whether the same be used or wasted through leaks in pipes, apparatus, or otherwise and shall be bound by the true reading of the meter, provided it is in good repair and working order.
- (B) Bills rendered for service for less than the standard monthly billing period shall be calculated as follows:
- (1) Where meter reading indicates no consumption and the period involved is less than fifteen (15) days, no charge will be made. If the period involved is fifteen (15) days or more, applicable monthly minimum will be charged.
  - (2) Where meter reading indicates any consumption, regular rate schedules will apply, regardless of period involved. Meter will be read to the nearest hundred cubic feet and bills computed on this basis.
  - (3) Where consumer changes location within the same distribution plant, the consumption at both locations will be combined for the monthly billing.
- (C) All customers of Company which are either, (1) sixty (60) years of age or older and depend upon a pension or Social Security check as their primary source of income, or (2) are dependent solely upon a disability income, regardless of age, are eligible to participate in the Company's FLEX-DATE Payment Plan. Such Plan will extend the due date for payment to the earlier of: (1) twenty-five (25) days after the current month's bill date, or (2) three (3) work days before the next month's bill date. Only the extended due date provided by FLEX-DATE will appear on eligible customers' bills. In addition, the Company will waive any otherwise applicable late penalty.

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Customers shall become Plan participants either upon telephone or form notification to Company, and their participation will be effective for each month of each calendar year thereafter.

- (D) Monthly statements will be delivered to the location at which gas is supplied, by an employee of the Company, or posted in the United States mail, unless the customer has directed the Company in writing to send statements to another address. The terms "Delivered" or "Rendered" shall not be construed as an obligation on the part of the Company to deliver or render statements to the customer in person, or to other occupants of the premises. Duplicate copies of statements will be furnished upon request, and failure to receive statements for any reason whatsoever, will not entitle customer to further time to pay account, or to a continuation of gas supply if account is over due.
- (E) Customers whose facilities are located on pipeline taps which are not centrally odorized will receive monthly statements based on the customer's reading of the meter. If the meter is not read by the customer, bills will be estimated. The Company will read these meters at least every six (6) months and the difference between the customer readings or the estimated consumption will be billed or credited to the customer's account.
- (F) A residential apartment shall be defined as a room or group of rooms which contain a sink and/or cooking facilities and shall be considered a separate apartment for metering and billing purposes. House trailers shall also be considered separate apartments for metering and billing purposes.
- (G) Individual residential customer premises shall be metered and billed separately even if under common ownership, and combined metering or billing shall not be permitted. Commercial and industrial premises shall be considered separate when not on the same tract or contiguous tracts of land, or when each is a complete unit not physically integrated with, or essentially a part of, the other or others, and each renders a complete service or produces a finished product. Tracts of land separated by public streets, roads or alleys shall be considered non-contiguous tracts.



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- (H) The commercial rate schedule of the Company will be applied to the gas used in two or more individual flats or apartments in a dwelling which was originally constructed as, or which has been converted into, a multiple-family building and where the owner has not elected to separately meter the gas used in each individual flat or apartment. Rooming houses without cooking facilities, tourist homes for transients and hotels will be metered and billed as single unit on the commercial rate.
- (I) The Company may make a charge of \$5.00 for any special meter reading which it is called upon to make other than on the regular reading date. Where interim meter readings are furnished the owner of premises the Company accepts no responsibility as to the distribution of the monthly bill as between tenants.
- (J) Claims for error in statements rendered should be made by the customer as soon as discovered; if the claim is found to be meritorious, the Company will make proper adjustment on the Customer's subsequent bills, or make refund to the customer within a reasonable time.
- (K) The Company shall make a test of the accuracy of registration of a meter upon request of a customer. Except as otherwise provided in these rate schedules, if such test shows the meter to be slow or within the tolerance limit as to accuracy of registration, the customer may be required to pay a charge of ten dollars (\$10.00) for each test so made. If the test shows the meter to be fast and in excess of the tolerance limit of accuracy, such test shall be made at the expense of the Company and an adjustment shall be made with the customer. If no such test has been performed within the previous four years for the same customer at the same location, the test is to be performed without charge.
- (L) In case a meter ceases to register, the quantity consumed will be estimated from the amount consumed during the corresponding period for the previous year, giving due consideration to weather and other pertinent factors, or by such other method that will be equitable.

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**VII. EXTENSION OF FACILITIES**

**(A) SERVICE LINES AND CONNECTIONS**

(1) The Company will make, own and maintain all necessary connections with its street mains. Under normal construction conditions, the Company will install up to 100 feet of service line (up to one inch in diameter and capable of a delivery pressure of up to 60 psig) at no cost to the customer. In the event a service line exceeding the diameter and pressure requirements set forth above is needed, or in the event of abnormal construction conditions, such as solid rock, road crossings that require a bore, the need to bore under landscaping, etc., or in regard to the installation of excess flow valves, any additional costs incurred by the Company will be charged to the customer. The Company may waive these charges when it determines that it is economically justifiable to do so. The Company will own, maintain and specify the route of the piping. Access must be granted on customer's property for replacement or repairs of these facilities. The Company may at its option install a service cock and box. The meter location will be determined by the Company. The Company will also set and own the meter and regulator, but all other piping, connections, and appliances for the purpose of utilizing gas shall be furnished and installed by the customer at the customer's risk and expense. Customer will pay the cost of any relocation of the Company's facilities that the Company may perform at customer's request.

**(B) MAIN EXTENSIONS**

(1) Extensions from the Company's distribution lines, will be made under the following conditions and circumstances:

(a) Subject to the availability of capital funds, the Company shall construct main extensions from its existing facilities to serve new customers where the cost of the Company's capital investment is economically feasible. Determination of whether a proposed extension is economically feasible shall be made through the use of

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an economic model that will take into consideration the following factors:

- (1) construction cost estimate;
- (2) non-gas revenue;
- (3) depreciation;
- (4) incremental operating costs; and,
- (5) any other factors relevant to economic feasibility of the project.

(b) If it is determined that the Company's return on investment (ROI) on the proposed main extension will equal or exceed the Company's cost of funding capital projects, the extension will be made at no cost to the customer. If it is determined that the Company's ROI will be less than the Company's cost of funding capital projects, the customer shall be required to pay an amount sufficient to ensure that the Company is able to earn an ROI equal to its cost of funding capital projects. On such an advance, the Company may enter into an agreement with the customer to refund the customer contribution. Refunds will be based only on changes in the factors considered in the economic model under which the investment was originally made. The Company shall establish, when capital funds are available, such new distribution service where the Company will be reasonably assured of a sufficient number of customers and an annual revenue to justify the capital expenditure. The Company may, however, refuse to extend facilities in the event system design and/or operational considerations so dictate.

(c) When the Company is requested to extend its distribution facilities to an area with existing potential users where no contributory capital is available, the Company has the option to provide the necessary capital in the amount equal to the necessary customer contribution to be recovered by a fixed daily surcharge rate applied to each customer account within the boundaries of the project for up to five

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Class of Service: All

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years\* or until the customer contribution is recovered by the Company, whichever comes first. Under this option, the Company will construct and finance the facilities and recover the customer contribution, in addition to an appropriate interest (or finance charge) assigned to the capital required to fund the customer contribution, through the surcharge rate. If the customer contribution is not recovered during the pay-back period, the remaining balance of the customer contribution (including interest or finance charge) will be added to and included in the Company's overall rate base from that point forward. To insure sufficient customer commitment to each project, each customer will be required to sign an Extension Surcharge Agreement and may be required to make a reasonable customer deposit prior to commencement of construction. Surcharge areas are defined as those areas served by the facilities to be constructed. After the initial installation of facilities to serve the surcharge area, all subsequent connections which utilize mains from the original surcharge area installation will be subject to the same surcharge rate for the remaining period of the surcharge agreement.

\*Special conditions may warrant extending this period based on economic conditions.

- (d) When new extensions from the surcharge area are requested, the person(s) requesting an extension from these facilities will be required to make whatever customer contribution might otherwise be required for the extension under section (B)(1)(b) of this Paragraph VII and, in addition, will be subject to the surcharge rate for the remaining surcharge period.
- (e) When a subsequent area requests service utilizing the facilities of an existing surcharge area, the following regulations will apply:

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- (1) When a subsequent surcharge area is established after the installation of an existing surcharge area and the subsequent surcharge area's surcharge rate would be in excess of the surcharge rate applicable to the established surcharge area, the subsequent surcharge area will bear only the cost of their new facilities.
- (2) When a subsequent surcharge area is established after the installation of an existing surcharge area and the subsequent surcharge rate is less than the surcharge rates applicable to the established surcharge area, the subsequent surcharge area will bear a portion of the remaining unpaid customer contribution of the established surcharge area in addition to its own surcharge allocation as follows:
  - (2)(a) The cost of the mainline established for the existing surcharge area shall be shared by the subsequent surcharge area up to an amount equal to the existing area surcharge rate if their computed surcharge is lower than the surcharge for the existing area. This shall be achieved by assigning an unamortized portion of the mainline investment which was required for the existing surcharge area to the subsequent surcharge area in order to fairly equate the surcharges. The amount of investment cost assigned to the subsequent surcharge area will then be credited to the unamortized amount payable by the existing surcharge area customers.
- (2) The Company will not be required to enlarge its system of mains to meet the demand for gas of a prospective customer or to provide for an appreciable increase in the demands of a present customer, unless in the judgment of the Company, a reasonable rate of return is assured as a result of the expenditure required.

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- (3) When the Company extends its main to serve new customers, the Company will extend its main, in a manner which, in its judgment, will be most advantageous for rendering service.
- (4) Where the customer requires that his meter be placed in a particular location, the customer will be required to pay any additional cost that may result from compliance with the customer's request.
- (5) A standard Rural Gas Contract must be executed by each customer requesting a pipeline tap. The Company will not make or serve a tap on any federally certificated transmission line, unless, in the judgment of the Company, a reasonable rate of return can be earned as a result of the expenditure required to construct the tap and serve the customer, without unreasonable consequences to other customers. In addition, the Company will not make or serve a tap on any other transmission line, field gathering pipeline, or lines to wells which in the Company's opinion, presently contain or may in the foreseeable future contain undehydrated gas, liquid hydrocarbons, sour gas, or gas that is otherwise not merchantable. The Company may discontinue service whenever it believes reliable service cannot continue to be provided for any reason, including, but not limited to, water content of the gas furnished.

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**EXTENSION SURCHARGE AGREEMENT**

The undersigned promises to pay to CenterPoint Energy Arkla, a division of CenterPoint Energy Resources Corp. ("Company"), a surcharge on his/her/their/its monthly gas bill in consideration of the Company's extension of its facilities into the surcharge area in which the undersigned resides. The surcharge amount will be \$\_\_\_\_\_ per month. The surcharge will be applied to all monthly billings to the undersigned for a \_\_\_\_ year period or until the Company recovers the required customer contribution for the surcharge area, whichever comes first. The surcharge amount will appear as a separate line item on the undersigned's bill.

The terms of this Extension Surcharge Agreement shall be subject to the provisions of the Company's rates and policies.

\_\_\_\_\_  
\_\_\_\_\_

Accepted this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

CENTERPOINT ENERGY ARKLA  
a division of CenterPoint Energy Resources Corp.

By \_\_\_\_\_

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**VIII. GENERAL**

The consumer shall use the gas delivered by the Company for his purposes only. The customer shall not, under any circumstances, resell or share with others any gas delivered by the Company. No changes, extensions, or replacement of service pipelines shall be made without the written consent of the Company. No extension whatsoever of customer owned piping shall be made for the purpose of supplying gas to adjacent property, or other person or concerns residing or operating on the premises of the customer.

The foregoing natural gas resale prohibition shall not apply to distributors selling compressed natural gas as a motor vehicle fuel.

The authorized agent of the Company shall have the right and permission to enter upon the premises of the customer to inspect or test lines, and appliances, to read, change or remove the meter, to turn on and shut off the gas, or to perform other related functions. This right shall not be construed as placing any responsibility on the Company to inspect and test the lines or equipment of the customer.

No structures shall be erected over the Company's gas lines. In the event any such structure is erected, the customer will be provided the option of either removing the structure or paying the Company the cost of relocating the gas line, including the cost of obtaining alternative easements, if required.

The place of delivery of all gas purchased shall be at the outside wall of the first structure being served if the Company has installed or replaced the service line to that point. In all other cases, the place of delivery of all gas purchased shall be at the point of connection to the consumer's service line from which point all gas delivered shall become the property of the consumer, who shall thereafter be responsible for its passage through the meter and for all damage caused by said gas.



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The Company shall have no responsibility for any act or omission, and shall have no liability from any cause, downstream of delivery. In case the supply of gas should fail, whether from natural causes, bursting of pipes or accident in any way, the Company shall not be liable for damages, whether direct, special, continuing, exemplary, presumptive, incidental, indirect or consequential, including without limitation, loss of profits, loss of revenue, or loss of production capacity by reason of such failure. The Company shall not be liable in damages for any act or event that is beyond the Company's control and which could not be reasonably anticipated and prevented through the use of reasonable measures, including, but not limited to acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, arrests, wars, blockades, insurrections, riots and epidemics, landslides, lightning, earthquakes, fires, storms, floods and washouts, priority limitation or restraining orders of any governmental authority and civil disturbances, explosions, breakage, accidents, tests, maintenance or repair to machinery, equipment, lines of pipe or other facilities; inability to obtain, or unavoidable delay in obtaining, material, equipment, rights-of-way or permits; and any other causes whether of the kind herein enumerated or otherwise.

Meters and pipes are likely to freeze in cold weather, and it shall be the duty of each consumer to protect the pipes and the meter or meters from the action of the elements.

These Rules and Regulations are made a part and condition of all rate schedules of the Company and all customers served under such schedules shall be subject to these Rules and Regulations.

These Rules and Regulations are in addition to Rules and Regulations now established by the Regulatory Body having jurisdiction over these matters.

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Class of Service: All

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IX. STATE AND MUNICIPAL TAXES

Whenever the State or a municipality imposes upon the Company any sales privilege, occupation, meter, or other special tax, except ad valorem taxes, the Company shall pass the tax on to customers within the jurisdiction of the taxing authority in accordance with provisions set forth in such tax law or ordinance.

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X. LEVELIZED PAYMENT PLAN

A. Residential customers shall have the option (provided they meet certain qualifications) of adopting the "Levelized Payment Plan" (LPP) for billing purposes as opposed to the normal billing procedure.

B. Operation of the Levelized Payment Plan

Under the LPP a customer's bill will be computed by summing the most recent twelve months historical volumes and dividing by twelve to arrive at a consumption level. This average consumption level is used to calculate an average bill by applying a pre-calculated factor and applicable tax factor and rounding to the nearest dollar. The average bill amount thus derived will be the monthly payment amount for each of the succeeding six months.

Actual billings will continue to be based upon the applicable rates and meter readings obtained to determine consumption. The amount due under the LPP will be identified as a separate item on the customer's bill so the customer will know the amount to pay. The actual bill amount will also be reflected on the bill as a memo item for the customer's information. At such time as an account on the LPP becomes delinquent, a late payment charge may be assessed against the delinquent amount due under the LPP.

The cumulative difference between actual billings and the levelized billings under the LPP will be carried in a deferred balance that will accumulate both debit and credit differences.

The monthly payment amount will be automatically reviewed and adjusted six months after the anniversary date. This adjustment will be made to assure that the difference between actual payments and average payments under the LPP will be minimal. The new LPP payment amount will be computed by averaging the sum of the most recent six months actual billings and a projected amount for the next six months. The projected amount will be derived by applying the current residential

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rate, cost-of-gas adjustment, and applicable tax factor to each of the most recent year's historical volumes for the corresponding months. This amount will be rounded to the nearest dollar and will be the monthly LPP payment amount for the next six months.

On the initial and subsequent anniversary dates a new levelized payment amount is calculated by averaging the nearest dollar, the amount of the deferred balance and the amount derived by applying the current residential rate, cost-of-gas adjustment, and applicable tax factor to each of the most recent twelve months historical volumes. This new LPP amount will then be in effect until the time of the next six-months review. On each subsequent anniversary date a new levelized payment amount will be calculated in this manner.

In such instances where sufficient billing history is not available, a twelve-month billing history will be estimated by the local manager. The estimated history will be based on actual billings for those months in which actual billing data is available and estimated for those months in which no such actual billing is available.

Participation in the LPP will have no effect on the Company's approved rate schedules or other billing charges used to calculate the customer's actual monthly billing.

C. Customer Qualification for "Levelized Payment Plan"

The LPP shall be made available to residential customers only. The LPP is optional and will be available only on customer request, after an appropriate application for the LPP is completed and submitted to the Company's local business office and subsequently approved.

At the time a customer elects to participate in the LPP, his account must be in current status. This means that the current billings must not be past due and no unpaid balance exists on his account.

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A customer who is unable to bring his account to current status may be placed on the LPP upon approval by the local manager by using the LPP average billing amount plus an additional amount over a specific period of time.

Customer may discontinue LPP at any time by notifying the Company. If a customer requests termination, if an account is final billed, or if the customer is terminated by the Company as a result of past due amounts on an account, any outstanding balance owed to the Company at the time, including any differences between billings under the LPP and billings which would have been rendered under normal billing procedures shall be immediately due and payable. Likewise, any credit due customer shall be applied to the next bill.

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**XI. EXTENDED ABSENCE PAYMENT PLAN**

- (A) The following options are available to residential customers to avoid suspension of service during any extended absence over one (1) month:
- (1) Bills due during the customer's absence may be paid in advance. The amount of the payment will be based on the prior year's corresponding usage based on current rates. Any over or under payment by the customer will be applied to the customer's next bill when he returns. A delayed payment agreement will be available for underpayments.
  - (2) The customer will be given the opportunity to enroll in the Company's automatic bank draft program. The monthly bill will be paid automatically through the customer's checking or savings account.
    - (a) This option may be utilized by the customer in conjunction with the Company's Average Monthly Billing (AMB), which establishes the monthly bill amount for customer's budgeting purposes during the absence.
  - (3) The customer can arrange to have bills coming due mailed to an alternate address, or to a third party during the absence.
    - (a) Third-party notification does not imply the third party will be responsible for the bill. Normal suspension of service rules will apply in the event bills are not paid.
- (B) The customer must notify the Company in order to take advantage of any of these extended absence payment plans.

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Class of Service: All

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**XII. AVERAGE MONTHLY BILLING**

- (A) Residential customers have the option of adopting the “Average Monthly Billing” plan (“AMB”) for billing purposes as opposed to the normal billing procedure.
- (B) OPERATION OF THE “AVERAGE MONTHLY BILLING”
- (1) Each month, under the AMB a customer's bill will be computed by averaging to the nearest dollar, the amount billed to the customer's account during the last 12 months, plus or minus one-twelfth of the deferred budget balance. The average bill amount thus derived will be the payment amount for the month.
  - (2) Actual billings will continue to be based upon the appropriate rate schedules, riders, tax factors, and meter readings used to determine consumption. The AMB amount will be identified as a separate item on the customer's bill so the customer will know the amount to pay. The actual bill amount will also be shown on the bill as a memo item for the customer's information.
  - (3) The cumulative difference between actual billings and the AMB billings will be carried in a deferred budget balance that will accumulate both debits and credits and will adjust monthly.
  - (4) The monthly payment amount will be automatically reviewed and adjusted each month.
  - (5) In such instances where sufficient billing history is not available, a twelve-month billing history may be estimated.
  - (6) Participation in the AMB will have no effect on the Company's approved rate schedules or other billing charges used to calculate the customer's actual monthly billing.

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(C) CUSTOMER QUALIFICATION FOR "AVERAGE MONTHLY BILLING" PLAN

- (1) The AMB shall be made available to residential customers. The AMB is optional and will be available only on customer request, after an appropriate application for the AMB is completed, submitted and approved by the Company.
- (2) At the time a customer chooses to participate in the AMB, his account must be current. This means that the current billings must not be past due and no unpaid balance exists. Also, the customer must not have received more than two (2) late fees from the Company within the past twelve (12) months.
- (3) The customer may discontinue the AMB at any time by notifying the Company. The AMB will be discontinued if the customer requests a disconnect, if an account is final billed, or if the customer is turned off for non-payment as a result of past due amounts. Any outstanding balance owed to the Company at the time, including the deferred balance, will be due immediately. A delayed payment plan may be available to qualifying customers. Likewise, any credit due customer shall be applied to the next bill or refunded, as appropriate.



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Class of Service: All

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**XIII. PROVISIONS FOR LANDLORDS AND TENANTS**

(A) LANDLORD/TENANT ACCOUNT IDENTIFICATION

(1) The following procedure is used by the Company to identify landlord/tenant accounts:

(a) New service applicants are questioned during the initial application to determine if a landlord/tenant relationship exists.

(b) If Company personnel determine a landlord/tenant relationship exists, then the account will be coded accordingly.

(1) The landlord may be contacted to confirm tenant information.

(c) Company personnel may review landlord/tenant accounts periodically to verify landlord/tenant status.

(d) The Company will not be liable for any damage to persons or property resulting from the failure to properly identify a landlord/tenant account.

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**XIV. MINIMUM HEATING VALUE FOR GAS**

- (A) The average heating value for gas delivered to customers shall not be less than 975 Btu per cubic foot at 14.73 psia and 60° Fahrenheit.

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**XV. BASE OR ABSOLUTE GAS PRESSURE**

- (A) The established absolute pressure base for all deliveries shall be 14.73 psia.

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**XVI. NORMAL GAUGE PRESSURE FOR GAS**

- (A) The normal gauge pressure for all deliveries shall be .33 pounds gauge pressure per square inch above 14.4 assumed atmospheric pressure.

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**XVII. LEAVE ON AGREEMENT**

- (A) Pursuant to owner/manager's request and upon completion and approval of a Leave on Agreement as provided on sheet numbers 38 through 41 herein, the Company agrees to continue to sell and deliver natural gas service to owner/manager's rental units identified in the Agreement and the owner/manager agrees to pay Company for all gas service and charges provided for in the Agreement, subject to the terms and conditions of the Agreement.

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**LEAVE ON AGREEMENT FOR NATURAL GAS SERVICE**

This contract and agreement (hereinafter called the "Agreement") is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between CenterPoint Energy Arkla, a division of CenterPoint Energy Resources Corp., (hereinafter called "Company") its successors and assigns, and \_\_\_\_\_, (hereinafter called "Customer").

Customer represents that it is the owner/manager of the residential or commercial property identified on Attachment A hereto (said property being hereinafter referred to as the "rental property"), and that the terms and provisions of this Agreement are intended to cover and pertain to said rental property, consisting of a total of \_\_\_\_\_ rental unit(s).

Article I

Customer hereby requests that Company continue to sell and deliver natural gas service to each of the rental units identified above during any period of time subsequent to the closing of an account for service to a tenant or occupant of any of such rental units, or to the discontinuance or termination of service to any such rental units for any reason whatsoever except the nonpayment of utility bills by either the tenant or customer, and prior to the opening of an account for service to a new tenant or occupant of such rental unit. Customer agrees to be responsible for payment of all charges for gas service provided to any and all rental units covered by this Agreement during the aforesaid period of time.

Article II

A. Company agrees to waive the connection charge on all units identified on Attachment A, provided the gas service is transferred directly to the Customer without interruption. It is understood and agreed to by the Customer that the normal connection fee as approved by the appropriate regulatory authority will apply on units where a service interruption has occurred.

B. Customer agrees to pay Company for all gas service and charges provided for in this Agreement in accordance with all rates, tariffs, schedules and charges which have been approved by the prevailing regulatory authority. Both parties understand that the charges provided and set forth in

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this Agreement may, from time to time, be revised pursuant to order of prevailing regulatory authorities. The parties agree that in the event any charge provided and set forth in this Agreement is so revised, the provisions of this Agreement will automatically be revised in accordance therewith without further action by either party.

Article III

A. This Agreement shall continue in full force and effect as to all rental units identified herein until terminated by either party by written notice mailed or delivered to the other party at least thirty (30) days prior to the date on which termination of this Agreement is desired.

B. In the event the Customer desires additional rental units to be covered by this Agreement or to delete rental units covered by this Agreement from such coverage, Customer agrees to provide notice of such changes to Company in writing. It is agreed that changes in the coverage of this Agreement requested by Customer shall become effective no more than one (1) business day after Customer's written request for such changes is received by Company.

Article IV

It is understood and agreed that this Agreement and the gas service to be provided by Company hereunder shall be subject to all applicable rules of the prevailing regulatory authorities, and the Company's rates and policies as presently on file with those authorities, as the same may be changed in accordance with the law.

Article V

This Agreement supersedes any previous Leave On Agreements entered into between Company and Customer with respect to the rental property or units identified herein.

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Article VI

This Agreement shall bind and benefit the successors and assigns of Company and may be assigned by Customer upon written consent of Company.

\_\_\_\_\_ CENTERPOINT ENERGY ARKLA, A DIVISION  
OF CENTERPOINT ENERGY RESOURCES  
CORP.

By: \_\_\_\_\_

By: \_\_\_\_\_

Mailing Address for Notices Required  
Herein:

Mailing Address for Notices Required  
Herein:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



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ATTACHMENT A

CENTERPOINT ENERGY ARKLA  
 LEAVE ON AGREEMENT PROPERTY LISTING

Customer \_\_\_\_\_ Date \_\_\_\_\_

UNIT NUMBER	PROPERTY DESCRIPTION	ADDRESS	CITY/TOWN	STATE
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
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Kind of Service: Natural Gas

Class of Service: All

**PART III**

**STANDARD SERVICE RULES AND REGULATIONS**

Effective: June 12, 2003

**XVIII. ORDER OF CURTAILMENT (OC)**

(A) In order to take steps necessary for the protection of the reliable and adequate service that present supplies, capacities and facilities will permit, the Company will adhere to the following curtailment program:

(1) Deliveries of gas will be curtailed to whatever extent and for whatever periods Company may find necessary from time to time in the operation of its system for the primary benefit of human needs customers.

(2) In case of curtailments for whatever reason, the following order of priorities will be observed insofar as practicable, with the first noted category having the highest priority, and so on:

Priority 1.1 Residential; all commercial requirements of less than 500 Ccf per peak day.

Priority 1.2 All other commercial requirements (including schools, hospitals, and similar institutions unless they have provided an affidavit of waiver as set forth in Affidavit B of the LCS-1 Appendix), plant protection, small industrial and essential agricultural users with total requirements of up to 3,000 Ccf per day, and other uses the curtailment of which the Secretary of Energy or FERC determines would endanger life, health, or maintenance of physical property.

Priority 2.1\* All other firm requirements for essential agricultural uses as defined in Section 401 of the Natural Gas Policy Act of 1978 which cannot use an alternate fuel within the meaning of applicable rules and regulations promulgated by the FERC under Section 401(b) of that Act.

Priority 2.2\* Firm requirements for essential commercial process and feedstock uses as defined in Section 402 of the Natural Gas Policy Act of 1978 which cannot use an alternate fuel.

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Original

Sheet No. 43

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Sheet No.

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Priority 2.3\* Firm requirements for other feedstock and process needs and pipeline customer storage injection requirements.

Priority 3 Firm requirements for commercial needs not covered elsewhere.

Priority 4 Firm requirements for commercial needs for boiler fuel use of more than 3,000 Ccf per day but not more than 15,000 Ccf per day.

Priority 5 Firm requirements for commercial needs for boiler fuel use of more than 15,000 Ccf per day but not more than 30,000 Ccf per day.

Priority 6 Firm requirements for commercial needs for boiler fuel use of more than 30,000 Ccf per day.

Priority 7 Commercial transportation requirements for customers contracting directly with an upstream pipeline where gas supply deliveries have been interrupted or curtailed by the pipeline.

\* ***When it is necessary to curtail loads in each of these priorities, the large requirements that normally use more than 3,000 Mcf per day will be curtailed before the smaller loads.***

(3) Each higher priority of use will be fully protected from curtailment until all lower priorities have been ordered curtailed 100 percent; that is, no curtailments of Priority 5 uses will be ordered until all Priority 6 uses have been ordered curtailed, and so forth.

(4) If system deliverability permits only partial delivery of gas to a given category of use, curtailment will occur, on the basis of a pro rata sharing based on historical deliveries to customers for that category. On days when curtailment is required, total deliveries to individual customers may not exceed contract volumes.

(5) Before service commences, when the character of gas usage materially changes, and from time to time upon request, each customer shall furnish Company with all information reasonably required by Company with regard to gas usage at the facility

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served to assist Company in its determination of the proportionate parts, if any, of that usage falling in different priority categories. In determining the appropriate priority category for gas sold, no distinction will be made between gas sold to direct customers and to resale customers.

- (6) Company will implement this curtailment plan throughout each of Company's systems to the extent possible consistent with the practical operation of the system, giving due regard to such factors as system capacity and where curtailable customers are located in relation to where the gas is needed.
- (7) An emergency exemption from curtailment will be provided for all firm electric utility customers to the extent required to avoid the curtailment of firm electric load upon an attestation by a utility to Company that: (1) the utility faces an emergency situation wherein it will be required to shed firm electric load necessary to serve human needs customers unless an exemption from curtailment is granted in an amount which will avoid the curtailment of firm electric load necessary to serve human needs customers; (2) the utility has no alternate fuel capability; (3) the utility has exhausted all purchased power opportunities; (4) the utility has utilized all alternative sources of power; and (5) the utility will accept reduced deliveries during the emergency exemption from curtailment. Electric utilities served at more than one location are permitted to divert their entitlements between plants so long as they stay within their total entitlements, where Company determines that this can be done consistently with prudent operation of its system.
- (8) Any firm customer claiming an emergency need for supplemental deliveries during curtailment to forestall irreparable injury to life or property shall furnish Company with full details of the nature, cause, unavoidability and estimated duration of the emergency. This information is to be given by telephone followed by immediate written notice to Company signed by an officer or responsible employee under oath. Upon receipt of the initial notice Company will make such investigation as is reasonably possible under the circumstances and if gas is available, Company will deliver such supplemental volumes as Company determines the situation to require. The customer must promptly take all reasonable steps to eliminate the cause of the

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emergency and accept reduced deliveries after the emergency to offset the supplemental deliveries.

- (9) Company shall be relieved of all liabilities, penalties, charges, payments, price adjustments, alternate fuel subsidizations and claims of whatever kind, contractual and otherwise, resulting from or arising out of Company's failure to deliver all, or any portion of, the volumes of gas desired by any particular customer or customers to the extent that such failure results from Company's implementation of this curtailment plan in accordance with its provisions and applicable regulatory orders, notwithstanding inconsistent provisions in contracts, jurisdictional and non-jurisdictional, heretofore entered into.
- (10) Until the reserves available to Company's system are substantially augmented, Company will husband its existing gas supply by regulating its receipts from connected sources so as to receive gas at rates reasonably calculated to permit the maximum utilization of the reserves for the benefit of Company's human needs customers over the longest possible periods of time.
- (11) All surplus gas deliveries are to be discontinued completely before contract service to the above listed priorities is curtailed.
- (12) Company will in any event deliver sufficient volumes of natural gas to firm customers:
  - (a) to respond to emergency situations (including environmental emergencies) during period of curtailment where additional supplies are required to forestall irreparable injury to life or to property; and
  - (b) to provide for minimum plant protection when the plant is shut down.