

Rate Stabilization Plan  
Rider RSP-1

**APPLICATION:**

This rider is applicable to customers billed under any natural gas rate schedule incorporating Rider RSP.

**APPLICATION OF RATE STABILIZATION PLAN ADJUSTMENT CLAUSE FACTORS AND CALCULATION PROCEDURE:**

- (1) For each twelve-month period ended June 30, a determination shall be made pursuant to this Rider RSP as to whether the Company's revenue should be increased, decreased or left unchanged. If it is determined that the revenue should be increased or decreased, the natural gas rate schedules incorporating this Rider RSP will be adjusted in the manner set forth in this rider. Revised rate schedules will be applicable to bills rendered on and after ninety (90) days from the date of filing and will remain in effect until changed under the provisions set forth in this rider or by order of the Louisiana Public Service Commission (hereinafter "LPSC").
- (2) If, for the twelve-month period ended June 30, the Company's return on equity (ROE) adjusted for the known and measurable changes described in Appendix III, is below (above) the Allowed Return on Equity (AR), 9.95%, the base rates under the rate schedule subject to this Rider RSP shall be increased (decreased) as follows:
  - (a) For purposes of determining whether a rate adjustment is necessary, a dead band equal to 50 basis points above and below the AR will be established. To the extent the earned ROE falls within this dead band, no rate change shall be made.
  - (b) To the extent the earned ROE falls more than 50 basis points above or below the AR, rates will be increased (decreased) by the amount necessary to increase (decrease) the earned ROE to equal the AR.
- (3) The amount calculated under this RSP will be added to the Gas Service Charge as listed in the rate schedules to which this rider is applicable. The amount added to the Gas Service Charge in any one year shall be limited to \$0.50 with any additional amounts not collected through the change in the Gas Service Charge added to the Commodity Charge. The residential Gas Service Charge shall be limited to a level of \$11.25. Any reductions in rates shall be made to the Commodity Charge. Billing determinants for calculation of the going forward Commodity Charge changes shall be determined under the Company's methodology used in Docket 27676. The Company will file revised rate schedules subject to this rider with the LPSC each time the rates are adjusted pursuant to this Rider RSP, and those revised rate schedules subject to this rider shall then become the filed rates of the Company.
- (4) Pursuant to Docket No. R-34754, rates shall be adjusted in a manner that amortizes Excess Accumulated Deferred Income Tax Balances ("ADIT") ("Protected") using the Average Rate Assumption Method ("ARAM"). Excess Protected ADIT balances shall accrue carrying charges at the Company's Weighted Average Cost of Capital ("WACC") until the regulatory liabilities are fully amortized, except to the extent that ratepayers are receiving benefits in rates of such unamortized Excess Protected ADIT Balances being recorded as an offset to the Company's rate base. The rate reduction associated with the excess Protected ADIT shall be implemented through an outside-the-band reduction in rates attributable to the annual amortization. The annual amortization shall be allocated to the jurisdictional and non-jurisdictional classes in the same manner as ADIT is allocated per the RSP calculation. The annual ARAM amortization and return on Excess ADIT will be individually trued-up for the previous twelve-month period ended June 30. The allocated amounts and the true-ups shall be divided by the appropriate billing determinants to calculate the rate reduction.

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**FILING PROCEDURES:**

On October 1, 2007, and on or before each succeeding October 1 during the term of this rider, the Company will file its RSP calculation, revised rate schedules, or other information which may be warranted under this rider (the "Annual RSP Calculations"). The Louisiana Public Service Commission Staff ("Staff") may request clarification and additional data and the Company will provide the same. Unless disputed by the Staff, any revised rate schedules will become effective with billing on and after ninety (90) days from the date of filing of the Annual RSP Calculations (the "Effective Date"). If the Staff disputes the Annual RSP Calculations, or any component thereof, the Staff shall notify the Company on or before sixty (60) days from the filing date of the Annual RSP Calculations. The Company and the Staff shall work in good faith to resolve all disputes and answer all questions. The Company and the Staff shall jointly submit any unresolved disputed portions of the Annual RSP Calculations (the "Disputed Issues") to the LPSC for resolution. The LPSC shall resolve any Disputed Issues between the Company and the Staff regarding said calculations or plan on or before February 1 of the following year. Any adjustment to the Annual RSP Calculations or plan resulting from the resolution of the Disputed Issues subsequent to the Effective Date will be made by the Company as a compensating adjustment to the RSP at the time of the resolution as ordered by the LPSC.

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<u>Rate Base Item</u>	<u>Source</u>
1. Plant in Service	Acct. 101, 106 <sup>1</sup>
2. Accumulated Depreciation	Accts. 108, 111 <sup>1</sup>
3. Net Plant	Lines 1-2
And	
4. Cash Working Capital	12.5% of Operating Expenses <sup>2</sup>
5. Materials and Supplies	Acct. 154 (13 mo. Average Balance)
6. Prepayments	Acct. 165 (13 mo. Average Balance)
7. Storage Gas	Acct. 164.1 (12 mo. Average Balance)
8. Customer Advances for Construction	Acct. 252 (13 mo. Average Balance)
9. Customer Deposits	Acct. 235 (13 mo. Average Balance)
10. Accumulated Deferred Income Taxes	Most recent schedule
11. Rate Base	Lines 3+4+5+6+7 less Lines 8, 9, and 10

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<sup>1</sup> Use of 13-month Average Balance

<sup>2</sup> See Appendix II

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	<u>Cash Working Capital Items</u>	<u>Source</u>
1.	Operating Expenses	Accts. 850-932 less Acct. 904
2.	Interest on Customer Deposits	5% x Acct. 235
3.	Total Operating Expense	Lines 1 + 2
4.	Cash Working Capital	12.5% x Line 3

APPENDIX II

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<u>Calculation of ROE</u>	<u>Source</u>
1. Revenues	Acct. 400 ( See Note 1)
2. Cost of Purchased Gas	Accts. 800 - 858 (See Note 1)
3. Operating and Maintenance Expense	Accts. 870 - 932 (See Note 1)
4. Interest on Customer Deposits	5% on Acct. 235
5. Depreciation	Accts. 403 - 405
6. Taxes Other Than Income	Acct. 408
7. Interest Cost	See below (Line 15 and 18)
8. FIT and SIT	Line 1 less Lines 2 thru 7 x current composite tax rate
9. Net Income (Equity)	Line 1 less Lines 2 thru 8
10. Common Equity	See below (Lines 16 and 17)
11. Return on Equity (ROE)	Line 9 divided by Line 10
 <u>Interest Cost</u>	
12. Rate Base	Appendix I
13. Long Term Debt Capitalization Ratio	As established in Docket No. U-32996
14. Long Term Debt Rate	Interest Schedule – most recent actual
15. Interest Cost	Line 12 x 13 x 14
16. Short Term Debt Capitalization Ratio	As established in Docket No. U-32996
17. Short Term Debt Rate	Interest Schedule-most recent actual
18. Interest Cost	Line 12 x 16 x 17
 <u>Common Equity</u>	
19. Equity Capitalization Ratio	As established in Docket No. U-32996
20. Common Equity	Line 12 x 19

Note 1:

The following known and measurable changes shall be used to adjust revenues, expenses, gas cost purchased and revenue related taxes:

1. Actual Billed Revenues including WNA Revenues but excluding gas cost adjustment revenues and franchise tax revenues. Cost of purchased gas shall be removed.
2. Adjustments shall be made to reflect wage, salary and benefit levels in effect at the end of the twelve-month period ending June 30 and to reflect known wage, salary and benefit levels which will become effective during the twelve-month period beginning July 1.
3. Adjustments shall be made to reflect tax rates and assessments which are in effect at the end of the twelve-month period ended June 30 or which have been established by contract or government action to occur during the twelve-month period beginning July 1.
4. Adjust depreciation and amortization expenses (Accts 403 – 405) to reflect gross plant at the end of the test period.

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