

Rate Stabilization Plan  
Rider RSP-R4

**APPLICATION:**

This rider is applicable to customers billed under any natural gas rate schedule incorporating Rider RSP-R4.

**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 of the Company's Annual RSP Calculations, 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 Commodity Charge as listed in the rate schedules to which this rider is applicable. Any reductions in rates shall be made to the Commodity Charge. Billing determinants for calculation of going forward Commodity Charge changes shall be determined under the Company's methodology used in Docket U-26720 (Subdocket A). The Company will file revised rate schedules with the LPSC subject to this rider 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 true-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.
- (5) Pursuant to Order No. 36542, rates shall be adjusted in a manner that amortizes the regulatory asset, authorized by Special Order No. 44-2020, for expenses incurred from the suspension of disconnections and collection of late fees imposed by Special Order No. 22-2020 and Special Order

No. 28-2020. Recovery of the regulatory asset shall be implemented through an outside-the-band increase in rates attributable for a period of one year and shall be applicable to the Residential and Small Commercial classes. The regulatory asset shall be divided by the appropriate billing determinants to calculate the rate increase. Any residual balance in the regulatory asset shall be cleared as an adjustment to the Purchased Gas Adjustment over/under balance.

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**FILING PROCEDURES:**

On or before October 1, 2023, 2024, and 2025 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 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 the 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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The terms and conditions of the Company's Rider RSP immediately preceding the effectiveness of this Rider RSP shall remain in effect through the Company's test year ending June 30, 2022 – through the filing of the Company's 2022 Annual RSP Calculations. On or before August 1, 2021, and every three years thereafter, the Company will make a separate filing, apart from its Annual RSP Calculations filing, requesting renewal of its RSP for an additional three-year term and for the Staff and Commission to review the provisions of the RSP Rider to determine whether its terms remain in the public interest and will produce just and reasonable rates for the subsequent three year period.

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Rate Stabilization Plan  
 Rider RSP-R4 (cont'd)

| <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. Gas Storage                        | 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

APPENDIX I

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CenterPoint Energy Entex  
Issued: December 7, 2018  
Issued by: CHriste H. Singleton  
Division VP Regional Operations

Current Sheet: Original, Sheet 19c  
Cancelled: Revised No.2, Sheet No. 12c  
EFFECTIVE: December 26, 2018

Rate Stabilization Plan  
Rider RSP-R4 (cont'd)

|    | <u>Cash Working Capital Items</u> | <u>Source</u>                 |
|----|-----------------------------------|-------------------------------|
| 1. | Operating Expenses                | Accts. 870-932 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                |

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APPENDIX II

Rate Stabilization Plan  
 Rider RSP-R4 (cont'd)

**Calculation of ROE**

**Source**

|                                      |   |
|--------------------------------------|---|
| 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                               |

**Interest Cost**

|  |  |
|--|--|
| 12. Rate Base                            | Appendix I                             |
| 13. Long Term Debt Capitalization Ratio  | As established in Docket No. U-32998   |
| 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-32998   |
| 17. Short Term Debt Rate                 | Interest Schedule-most recent actual   |
| 18. Interest Cost Line 12 x 16 x 17      |  |

**Common Equity**

|                                 |                                      |
|---------------------------------|--------------------------------------|
| 19. Equity Capitalization Ratio | As established in Docket No. U-32998 |
| 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 also 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.

**APPENDIX III**