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**GAS AFFORDABILITY SERVICE PROGRAM (“PROGRAM”)****1) Availability:**

Available to residential customers who have been qualified and receive assistance from the Low Income Home Energy Assistance Program (“LIHEAP”) during the federal fiscal year (“Program Year”). Further, such customers must agree to be placed on a levelized payment plan and must also agree to a payment schedule as described below to be considered a “Qualified Customer”.

**2) Program Description and Rate Impact for Qualifying Customers:**

This Program shall meet the conditions of Minnesota Statutes, Chapter 216B.16, Subd. 15 on low income programs. The Program has two components: 1) Affordability, and 2) Arrearage Forgiveness. CenterPoint Energy, or an agent of CenterPoint Energy, will review current billing and consumption information, approved LIHEAP benefits and household income information as submitted to CenterPoint Energy to determine a Qualified Customer’s payment schedule amount. A Qualified Customer’s payment schedule shall include both payment of the customer’s current month’s bill (which reflects one-twelfth the levelized payment plan), after inclusion of the affordability bill credit, and payment of a portion of the Qualified Customer’s pre-program arrears.

**2.1) Affordability Component:**

The Affordability component consists of a bill credit determined as one-twelfth of the difference between CenterPoint Energy’s estimate of the Qualified Customer’s annual gas bill and 6% of the Qualified Customer’s household income as provided by the Qualified Customer to CenterPoint Energy. This bill credit is a Program cost that will be included in the Tracker. Any energy assistance sums not applied to arrears will be applied to a Qualified Customer’s current bill.

**2.2) Arrearage Forgiveness Component:**

The Arrearage Forgiveness component consists of a monthly credit that will be applied each month after receipt of the Qualified Customer’s payment. The credit will be designed to retire pre-program arrears over a period of up to 24 months, with the Company matching the Qualifying Customer’s contribution to retiring pre-program arrears. The credit is determined by taking the pre-program arrears divided by the number of months to retire the arrears divided by two and then subtracting any energy assistance sums received by the Company on behalf of the customer divided by the number of months remaining to retire the arrears divided by two. This arrearage forgiveness credit is a Program cost that will be included in the Tracker.

**3) Conditions of Service:**

- 3.1) Enrollment participation is limited to a first come first served basis until the estimated Program dollar cap is reached.
- 3.2) Before the start of an enrollment period, CenterPoint Energy will mail information on the Program and an application to participate in the Program to targeted current LIHEAP customers in arrears. The application for participation must be completed in full and returned to CenterPoint Energy before the close of the enrollment period.
- 3.3) Regardless of arrears balances, CenterPoint Energy agrees to maintain service and suspend collection activities to Qualified Customers if they maintain their payment schedule.
- 3.4) Qualified Customers must maintain an active CenterPoint Energy account in said customer’s name at their permanent primary residence only to be eligible for this Program.
- 3.5) Qualified Customers agree to notify CenterPoint Energy of any changes in address, income level, or household size. Such changes may result in removal from the Program. Additionally, Qualified Customers who do not continue to qualify under the provisions of Section 1 above can be removed from the Program.

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**GAS AFFORDABILITY SERVICE PROGRAM (“PROGRAM”) (CONTINUED)**

- 3.6) If a Qualified Customer fails to pay two consecutive monthly payments in full under the Program, they will be terminated from the Program and will be subject to CenterPoint Energy’s regular collection practices including the possibility of disconnection.
- 4) **Funding:**
- 4.1) Total Program costs, which include start-up costs, Affordability component, Arrearage Forgiveness component and incremental administration costs incurred by CenterPoint Energy shall not exceed \$5 million per year. CenterPoint Energy shall limit administrative costs included in the tracker (except start-up related costs) to 5% of total Program costs. Administrative costs will include, but are not limited to, the costs to inform customers of the Program and costs to process and implement enrollments. The 2010 spending cap shall be increased from \$5 million to \$6,060,738, which reflects the amount of funds from the 2008 cap that was not reached; that is the unused dollars from 2008 may be used to supplement benefits in the 2010 program cap.
- 4.2) CenterPoint Energy shall recover Program costs in the Delivery Charge applicable to all customers receiving firm service under the following tariffs: Residential Sales Service, Small Volume Commercial & Industrial Sales Service, Small Volume Firm Transportation Service, Large General Firm Sales and Large Volume Firm Transportation, except customers taking service under the Market Rate Service Rider.
- 4.3) A tracking mechanism (“Tracker”) will be established to provide for recovery of actual Program costs as compared to the recovery of Program costs through rates. CenterPoint Energy will track and defer Program costs with regulatory approval. The prudence of the program costs are subject to regulatory review. The recovery of these Program costs through rates will begin with the implementation of final rates in Docket No. G-008/GR-05-1380. During the time interim rates are in effect in Docket No. G-008/GR-08-1075, the rate is \$0.00504 per therm. CenterPoint Energy may petition the Commission to adjust this rate in order to true up the Program balance in the Tracker in its next general rate case.
- 4.4) The implementation of the Program in Docket No. G-008/GR-05-1380 will be excluded from the calculation of interim rates in that Docket.
- 5) **Evaluation:**
- 5.1) The Program shall be evaluated before the end of the initial four year term and may be modified based on annual reports and on a financial evaluation.
- 5.2) The annual reports will include the effect of the program on customer payment frequency, payment amount, arrearage level and number of customers in arrears, service disconnections, retention rates, customer complaints and utility customer collection activity. The annual reports may also include information about customer satisfaction with the program.
- 5.3) The financial evaluation will include a discounted cash flow of the Program’s cost-effectiveness analysis from a ratepayer perspective comparing the 1) total Program costs, which includes the Affordability component, Arrearage Forgiveness component and total company incurred administration costs, to 2) the total net savings including cost reductions on utility functions such as the impact of the Program on write-offs, service disconnections and reconnections and collections activities. The discounted cash flow difference between total Program costs and total net savings will result in either a net benefit or a net cost to ratepayers for the program. Any net benefit after the initial four year term of the Program will be added to the Tracker for refund to residential ratepayers.
- 6) **Program Revocation:**  
The Program, upon approval by the Commission, is effective unless the Commission, after notice and hearing, rescinds or amends its order approving the Program.

**7) Term:**

The Program begins in January of each year. The Program shall have a four year term ending on December 31, 2010. Annual Reporting will begin on March 31, 2008 and will continue each year thereafter, ending on March 31, 2011.

**8) Applicability:**

Unless otherwise specified in this tariff, Qualified Customers in the Program shall receive service in accordance with all terms and conditions of the standard gas service tariffs applicable to residential customers.