PURCHASED GAS ADJUSTMENT RIDER

Purchased Gas Adjustment (PGA)

In the event there is a change in the delivered cost of gas purchased that will result in a billing rate change that exceeds .3 ¢ per Therm, to be sold under CenterPoint Energy's gas service rate schedule(s), there shall be added to or deducted from the monthly bill computed thereunder the product of the monthly consumption and the amount per Therm to the nearest 0.001¢ by which the average annual purchased gas cost per Therm at the new rate is more or less than the "base gas cost" which is the cost of purchased gas established in CenterPoint Energy's latest company rate filing by rate class, expressed as a cost per Therm.

In the event CenterPoint Energy finds it necessary to supplement the supply of natural gas by means of peak shaving, an amount per Therm shall be added to or deducted from the Gas Cost Reconciliation factor applied to firm gas service sales. This peak shaving amount shall be determined by dividing the difference between the peak shaving costs for the current twelve (12) month period ending June 30, and the peak shaving costs for the base period used for establishing the rate schedules to which this rider applies, by the total Therm sales to firm gas service customers for the current twelve (12) month period (adjusted to reflect normal temperature). To the extent peak shaving is used to serve dual fuel customers, an appropriate adjustment will be made.

Cost of Gas by Component

a) Annual demand unit cost is defined as annual demand costs less Large General Service demand costs divided by annual demand sales volumes net of Large Volume General Service sales. Annual demand sales volume is calculated pursuant to MPUC Rule 7825.2400.

b) Large General Service demand unit cost is defined as annual demand costs divided by the firm peak day usage used to calculate the base demand unit cost for the Test Year. This amount is then divided by 12 to arrive at the monthly per unit billing demand rate.

c) Commodity Unit Cost is defined as the system commodity related costs forecasted to be incurred during the next month for forecasted sales for the same month.

Annual Gas Cost Reconciliation:

For each twelve (12) month period ending June 30, an annual cost reconciliation by cost component will be determined based upon actual annual gas costs incurred by CenterPoint Energy compared with annual gas costs recovered from volumes of gas sold. The annual cost recovered by cost component is the product of the total unit rate used in calculating the PGAs during the twelve (12) month period and the applicable gas sales volumes during the period when each of the total unit rates were in effect. The difference between actual cost and recovered cost for each component will be used in calculating a Gas Cost Reconciliation (GCR) factor for each rate schedule. The GCR factor will be applied to customers' billings on September 1 and will be in effect for a twelve (12) month period.

Refund Procedure:

Refunds and interest on the refunds that are received from the suppliers or transporters of purchased gas and attributable to the cost of gas previously sold, will be annually refunded by credits to bills, except that cumulative refund amounts equal to or greater than $5.00 per customer must be refunded within ninety (90) days from the date the refund is received from a supplier or transporter. Refunds will be allocated to customer classes in proportion to previously charged costs of purchased gas. Within classes, the refund amount per unit will be applied to bills on the basis of individual twelve (12) month usage. CenterPoint Energy will add interest to the un-refunded balance at the prime interest rate.

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