CONSERVATION ENABLING RIDER (CE RIDER)

1. **Purpose:**

   The purpose of this Conservation Enabling Rider is to reduce CenterPoint Energy's financial disincentive to the promotion of energy efficiency and conservation by severing the link between the recovery of CenterPoint Energy's non-gas distribution costs and the volume of gas sales to its small volume firm customer rate classes. This will be accomplished by comparing the level of non-gas revenues authorized in the last general rate case adjusted for increases in customer counts to the level of weather normalized non-gas revenues collected by rate class to calculate either a class revenue shortfall or revenue surplus. If either a revenue shortfall or a revenue surplus exists in an applicable rate class, then the delivery charge per therm for that rate class will be increased or decreased to collect from or return to the applicable rate class the calculated revenue shortfall or revenue surplus. This rider complies with the legislative intent and the language of Minnesota Statutes, Section 216B.2412 Decoupling of Energy Sales from Revenues.

2. **Applicability:**

   This rider shall apply to CenterPoint Energy's small volume firm service customers receiving gas service throughout CenterPoint Energy's service territory under the Residential Sales Service and the Small Volume Commercial and Industrial Sales Service rate schedules.

3. **Evaluation Report Filing and Review:**

   No later than March 1 of the calendar year following Minnesota Public Utility Commission (MPUC) approval of the CE Rider, and then no later than March 1 of each year thereafter until such time the CE Rider terminates as specified in Section 4 Expiration of CE Rider, CenterPoint Energy shall file annually with the Minnesota Public Utility Commission an Evaluation Report calculating the CE Rider adjustments, if any, in accordance with the provisions of Section 5 Calculation of CE Rider Adjustment. CenterPoint Energy shall provide workpapers and data supporting the calculations reflected in the Evaluation Report. The Evaluation Report shall reflect the annual Evaluation Period, which for the first Evaluation Period shall begin with the bills rendered on the first day of the month succeeding the implementation of final rates approved in Docket No. G-008/GR-08-1075 until December 31 of that year, and then for the succeeding Evaluation Periods shall be the twelve-month period ended December 31 of the year immediately preceding the filing of the associated Evaluation Report. The CE Rider Decoupling Adjustment may not be implemented until CenterPoint Energy's Evaluation Plan has been approved by the MPUC.

   The applicable rate adjustment under the CE Rider shall be effective with bills rendered on or after March 1 of the year in which the Evaluation report is filed and will continue for twelve months. At the end of the twelve month collection period, any remaining amounts to be collected from or refunded to customers will be added to or subtracted from the Annual CE Rider adjustment for the next CE Rider filing. If the CE Rider is terminated before or not extended at the end of the three year pilot period, then the current CE Rider rate adjustment will continue in effect until the full amounts are either collected from or refunded to customers.

   In the event any portions of the proposed rate adjustments are modified by the Minnesota Public Utility Commission, the proposed rate adjustments shall be adjusted in accordance with the Commission's order.

   CenterPoint Energy shall record its best estimate of the amounts to be recognized under the CE Rider so as to reflect in its books and records a fair representation of the impact of this rider in actual earnings. Such estimate shall be adjusted, if necessary, upon filing the CE Rider calculations with the Commission, and again upon final Commission approval.

4. **Expiration of CE Rider:**

   The CE Rider will be effective for a pilot period of the thirty-six (36) months from the start of the initial Evaluation Period. However, CenterPoint Energy may request authorization to extend the effective period of the CE Rider.

5. Calculation of CE Rider Adjustment:

The CE Rider Adjustment will be calculated annually and on a class-by-class basis for each class of customers to which the CE Rider applies and will be applied on a per therm basis. For purposes of calculating the CE Rider Adjustment, the following terms shall be defined as follows:

Authorized Revenue Per Customer - the rate schedule non-gas revenue requirements divided by the number of customers used to determine the final rates for the applicable rate class resulting from CenterPoint Energy's last general rate case.

Allowed Revenues – Authorized Revenue Per Customer multiplied by the number of customers in the applicable rate class, calculated each month of the twelve month Evaluation Period, and summed.

Weather Normalized Revenues – the actual non-gas revenues for the twelve-month evaluation period ended December 31 adjusted for non-normal weather, unbilled non-gas revenues, and adjusted to exclude revenues associated with the Conservation Improvement Program Adjustment Rider, the Gas Affordability Service Program, the Franchise Fee Rider, and other non-rate class specific revenues. For purposes of this rider, normal weather shall be defined as the number of monthly heating degree days used to set final rates in the Company's most recent general rate case. Non-gas revenues will be adjusted using the general rate case use-per-customer sales forecast model coefficients for weather – Heating Degree Days (HDD) and 20 year average weather for 1989-2008.

The CE Rider Adjustment shall equal the Allowed Revenues less the Weather Normalized Revenues, divided by the class forecast volumes for the twelve-month period beginning March 1 of the year the Evaluation Report is filed for the applicable rate classes.

The CE Rider Adjustment for the applicable rate classes *to collect an under-recovery amount of non-gas revenues* will be capped at *+3%* of the total volumetric charge for each of the rate classes, *while the CE Rider adjustment for the applicable rate classes to return an over-recovered amount of non-gas revenues shall not be capped*. The average of the total actual volumetric rates effective for the most recent twelve months available prior to the filing of the CE Rider Evaluation Report will be used to calculate the total volumetric charge used to apply the cap.