

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 December 1 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) as calculated below, 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 allowed return on equity (ROE) will be established. To the extent the earned return on equity 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 allowed ROE, rates will be adjusted. The amount of the rate adjustment will be determined as follows:
 - (1) For differences between the earned ROE and the allowed ROE of up to 200 basis points, rates will be increased or decreased by 50 percent of the difference necessary to bring the allowed ROE to the end point of the dead band. For example, if earnings were 200 basis points above the allowed ROE, rates would be reduced by the amount necessary to reduce the earned ROE by 75 basis points (or one half the difference between 200 basis points and 50 basis points above the allowed ROE).
 - (2) For differences of more than 200 basis points above or below the allowed ROE, rates will be adjusted by 100 percent of the amount necessary to eliminate the return differential in excess of 200 basis points plus one half of the difference between 200 basis points and the end point of the dead band. For example if the earned ROE was 250 basis points below the allowed ROE, rates would be increased by amount equal to that necessary to increase the return by the 50 basis points in excess of the allowed ROE minus 200 basis points plus 75 basis points for one half of the difference between 200 basis points and 50 basis points below the allowed ROE.
- (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.

Rate Stabilization Plan
Rider RSP-1 (Cont'd)

FILING PROCEDURES:

On October 1, 2007, and 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 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 December 1. If the Staff disputes the calculation of the RSP or any component thereof, the Staff shall notify the Company on or before November 1. 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 the disputed portions to the LPSC. The LPSC shall resolve any remaining disagreements between the Company and the Staff regarding the said calculations or plan on or before February 1 of the following year. Any adjustment of the calculations or plan resulting from the resolution of the remaining disputed issues subsequent to the December 1 effective date will be made as a compensating adjustment to the RSP at the time of the resolution.

Rate Stabilization Plan
 Rider RSP-1 (Cont'd)

<u>Rate Base Item</u>	<u>Source</u>
1. Plant in Service	Acct. 101 ¹
2. Accumulated Depreciation	Accts. 108, 111 ¹
3. Net Plant	Lines 1-2
And	
4. Cash Working Capital	12.5% of Operating Expenses ²
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

¹ Use of 13-month Average Balance

² See Appendix II

Rate Stabilization Plan
Rider RSP-1 (Cont'd)

	<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

Rate Stabilization Plan
 Rider RSP-1 (Cont'd)

<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 38.4774%
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-27676
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-27676
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	10.25%
20. Common Equity	Line 12 x 19

<u>Preferred Stock</u>	
21. Preferred Stock Capitalization Ratio	As established in Docket No. U-27676
22. Preferred Stock	Line 12 x 21

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.