

ARKANSAS PUBLIC SERVICE COMMISSION

Original

Sheet No. 3-7.1/7

Replacing:

Sheet No.

CenterPoint Energy Resources Corp.

d/b/a CenterPoint Energy Arkansas Gas

(Name of Company)

Kind of Service: Natural Gas

Class of Service: All

PART III – Rate Schedule No.7

Title: EXTENSION OF FACILITIES

PSC File Mark Only

7. EXTENSION OF FACILITIES

7.1. SERVICE LINES AND CONNECTIONS

7.1.1. The Company will make, own and maintain all necessary connections with its street mains. Under normal construction conditions, the Company will install up to 100 feet of service line (up to one inch in diameter and capable of a delivery pressure of up to 60 psig) at no cost to the customer. In the event a service line exceeding the diameter and pressure requirements set forth above is needed, or in the event of abnormal construction conditions, such as solid rock, road crossings that require a bore, the need to bore under landscaping, etc., or in regard to the installation of excess flow valves, any additional costs incurred by the Company will be charged to the customer. The Company may waive these charges when it determines that it is economically justifiable to do so. The Company will own, maintain and specify the route of the piping. Access must be granted on customer's property for replacement or repairs of these facilities. The Company may at its option install a service cock and box. The meter location will be determined by the Company. The Company will also set and own the meter and regulator, but all other piping, connections, and appliances for the purpose of utilizing gas shall be furnished and installed by the customer at the customer's risk and expense. Customer will pay the cost of any relocation of the Company's facilities that the Company may perform at customer's request.

7.2. MAIN EXTENSIONS

7.2.1. Extensions from the Company's distribution lines, will be made under the following conditions and circumstances:

7.2.1.A. Subject to the availability of capital funds, the Company shall construct main extensions from its existing facilities to serve new customers where the cost of the Company's capital

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investment is economically feasible. Determination of whether a proposed extension is economically feasible shall be made through the use of an economic model that will take into consideration the following factors:

- (1) construction cost estimate;
- (2) non-gas revenue;
- (3) depreciation;
- (4) incremental operating costs; and,
- (5) any other factors relevant to economic feasibility of the project.

7.2.1.B. If it is determined that the Company's return on investment (ROI) on the proposed main extension will equal or exceed the Company's cost of funding capital projects, the extension will be made at no cost to the customer. If it is determined that the Company's ROI will be less than the Company's cost of funding capital projects, the customer shall be required to pay an amount sufficient to ensure that the Company is able to earn an ROI equal to its cost of funding capital projects. On such an advance, the Company may enter into an agreement with the customer to refund the customer contribution. Refunds will be based only on changes in the factors considered in the economic model under which the investment was originally made. The Company shall establish, when capital funds are available, such new distribution service where the Company will be reasonably assured of a sufficient number of customers and an annual revenue to justify the capital expenditure. The Company may, however, refuse to extend facilities in the event system design and/or operational considerations so dictate.

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7.2.1.C. When the Company is requested to extend its distribution facilities to an area with existing potential users where no contributory capital is available, the Company has the option to provide the necessary capital in the amount equal to the necessary customer contribution to be recovered by a fixed daily surcharge rate applied to each customer account within the boundaries of the project for up to five years* or until the customer contribution is recovered by the Company, whichever comes first. Under this option, the Company will construct and finance the facilities and recover the customer contribution, in addition to an appropriate interest (or finance charge) assigned to the capital required to fund the customer contribution, through the surcharge rate. If the customer contribution is not recovered during the pay-back period, the remaining balance of the customer contribution (including interest or finance charge) will be added to and included in the Company's overall rate base from that point forward. To insure sufficient customer commitment to each project, each customer will be required to sign an Extension Surcharge Agreement and may be required to make a reasonable customer deposit prior to commencement of construction. Surcharge areas are defined as those areas served by the facilities to be constructed. After the initial installation of facilities to serve the surcharge area, all subsequent connections which utilize mains from the original surcharge area installation will be subject to the same surcharge rate for the remaining period of the surcharge agreement.

*Special conditions may warrant extending this period based on economic conditions.

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7.2.1.D. When new extensions from the surcharge area are requested, the person(s) requesting an extension from these facilities will be required to make whatever customer contribution might otherwise be required for the extension under Part 7.2.1.B. and, in addition, will be subject to the surcharge rate for the remaining surcharge period.

7.2.1.E. When a subsequent area requests service utilizing the facilities of an existing surcharge area, the following regulations will apply:

7.2.1.E.(1) When a subsequent surcharge area is established after the installation of an existing surcharge area and the subsequent surcharge area's surcharge rate would be in excess of the surcharge rate applicable to the established surcharge area, the subsequent surcharge area will bear only the cost of their new facilities.

7.2.1.E.(2) When a subsequent surcharge area is established after the installation of an existing surcharge area and the subsequent surcharge rate is less than the surcharge rates applicable to the established surcharge area, the subsequent surcharge area will bear a portion of the remaining unpaid customer contribution of the established surcharge area in addition to its own surcharge allocation as follows:

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- 7.2.1.E.(2)(a) The cost of the mainline established for the existing surcharge area shall be shared by the subsequent surcharge area up to an amount equal to the existing area surcharge rate if their computed surcharge is lower than the surcharge for the existing area. This shall be achieved by assigning an unamortized portion of the mainline investment which was required for the existing surcharge area to the subsequent surcharge area in order to fairly equate the surcharges. The amount of investment cost assigned to the subsequent surcharge area will then be credited to the unamortized amount payable by the existing surcharge area customers.
- 7.2.2. The Company will not be required to enlarge its system of mains to meet the demand for gas of a prospective customer or to provide for an appreciable increase in the demands of a present customer, unless in the judgment of the Company, a reasonable rate of return is assured as a result of the expenditure required.
- 7.2.3. When the Company extends its main to serve new customers, the Company will extend its main, in a manner which, in its judgment, will be most advantageous for rendering service.
- 7.2.4. Where the customer requires that his meter be placed in a particular location, the customer will be required to pay any additional cost that may result from compliance with the customer's request.

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7.2.5. A standard Rural Gas Contract must be executed by each customer requesting a pipeline tap. The Company will not make or serve a tap on any federally certificated transmission line, unless, in the judgment of the Company, a reasonable rate of return can be earned as a result of the expenditure required to construct the tap and serve the customer, without unreasonable consequences to other customers. In addition, the Company will not make or serve a tap on any other transmission line, field gathering pipeline, or lines to wells which in the Company's opinion, presently contain or may in the foreseeable future contain undehydrated gas, liquid hydrocarbons, sour gas, or gas that is otherwise not merchantable. The Company may discontinue service whenever it believes reliable service cannot continue to be provided for any reason, including, but not limited to, water content of the gas furnished. In the event service is suspended or terminated because the Company cannot or believes it cannot continue to provide safe and reliable service, the Company will be under no obligation to compensate the affected customer(s) for such loss of service.

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EXTENSION SURCHARGE AGREEMENT

The undersigned promises to pay to CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Arkansas Gas (“Company”), a surcharge on his/her/their/its monthly gas bill in consideration of the Company's extension of its facilities into the surcharge area in which the undersigned resides. The surcharge amount will be \$_____ per month. The surcharge will be applied to all monthly billings to the undersigned for a ____ year period or until the Company recovers the required customer contribution for the surcharge area, whichever comes first. The surcharge amount will appear as a separate line item on the undersigned's bill.

The terms of this Extension Surcharge Agreement shall be subject to the provisions of the Company’s rates and policies, which are on file with the Arkansas Public Service Commission.

Accepted this _____ day of _____, 20__.

CENTERPOINT ENERGY RESOURCES CORP.
d/b/a CenterPoint Energy Arkansas Gas

By _____