

ARKANSAS PUBLIC SERVICE COMMISSION

Second Revised Sheet No. 4-7.1/3

Replacing: First Revised Sheet No. 4-7.1/3

CenterPoint Energy Resources Corp.
d/b/a CenterPoint Energy Arkansas Gas
(Name of Company)

Kind of Service: Natural Gas Class of Service: All

PART IV – Rider Schedule No. 7

Title: GOVERNMENT MANDATED EXPENDITURE SURCHARGE RIDER (GMES)

PSC File Mark Only

7. GOVERNMENT MANDATED EXPENDITURE SURCHARGE RIDER (GMES)

7.1. APPLICATION

To all gas service provided under any rate schedule, whether metered or unmetered, including rates under Special Contracts, subject to the jurisdiction of the Arkansas Public Service Commission.

In addition to the rates and charges applicable to service under other rate schedules and riders, the following listed surcharges shall be applied to customers' billings on and after the date this tariff is filed. These surcharges reflect expenditures related to highway rebuilds ordered by the Arkansas State Highway and Transportation Department and certain counties and municipalities and are imposed pursuant to the provisions of A.C.A. §23-4-501, et seq., as it may be amended from time to time.

The inclusion of any costs via this surcharge shall not be deemed a finding that the costs are necessary and appropriate or in the public interest. The prudence of such costs shall be addressed in the Company's next general rate case proceeding. If any costs via this surcharge are not found prudent in the Company's next general rate case proceeding, then the applicable surcharge collections will be refunded with interest.

7.2. APPLICABLE RATE SCHEDULES AND SURCHARGE

Residential Firm Sales Service (RS-1)	\$0.00323 per Ccf	CR
Small Commercial Firm Sales Service (SCS-1)	\$0.00122 per Ccf	CR
Small Commercial Firm Transportation Service (SCS-1)	\$0.01201 per MMBtu	CR
Small Commercial Firm Sales Service—Off-Peak (SCS-2)	\$0.00122 per Ccf	CR
Small Commercial Firm Transportation Service—Off-Peak (SCS-2)	\$0.01201 per MMBtu	CR
Small Commercial Firm Sales Service—Pilot NGV (SCS-3)	\$0.00122 per Ccf	CR
Small Commercial Firm Transportation Service—Pilot NGV (SCS-3)	\$0.01201 per MMBtu	CR
Large Commercial Firm Service (LCS-1)	\$0.00182 per MMBtu	CR

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Original

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7.3. CALCULATION OF THE RIDER GMES REVENUE REQUIREMENT

Step 1: Rider GMES Revenue Requirement. The Rider GMES Revenue Requirement shall be calculated as follows:

<u>NO.</u> <u>(1)</u>	<u>DESCRIPTION</u> <u>(2)</u>	<u>SOURCE</u> <u>(3)</u>
1	Adjusted Rate Base	See Line M below.
2	Required Operating Income (after-tax Rate of Return)	Line 1 * 5.73% (Rate of Return per Docket No. 06-161-U)
3	Depreciation Expense Increase	See Line K below.
4	Property Tax Increase	Line E * 0.41% (Ad Valorem tax rate per Docket No. 06-161-U)
5	Fixed charges	Line 1 * 2.48% (Weighted Cost of Debt per Docket No. 06-161-U)
6	Total Expense Increase before income tax effect	Line 3 + Line 4 + Line 5
7	Income taxes	Line 6 * 39.225%
8	Operating Income Reduction	Line 3 + Line 4 - Line 7
9	Revenue Deficiency	Line 2 + Line 8
10	Gross-up factor	1.64885 per Docket No. 06-161-U
11	Revenue Requirement	Line 9 * Line 10
A	New Distribution Main	Qualified Main (Asset class G37601) plant additions less previous related MRP filings, Betterment cost and current unbilled CIAC plus unbilled CIAC from last filing
B	New Distribution Services	Qualified Services (Asset class G38001) plant additions less previous related MRP filings, Betterment cost and unbilled CIAC plus unbilled CIAC from last filing
C	Retired Distribution Main	Gross plant retired determined using average cost (as of 12/31/07, the last rate case pro-forma year-end)
C1	Net Book Value of Retired Mains	Gross plant, by account * (1 - the applicable percent depreciated as of the last rate case)
D	Retired Distribution Services	Gross plant retired determined using average cost (as of 12/31/07, the last rate case pro-forma year-end)
D1	Net Book Value of Retired Services	Gross plant, by account * (1 - the applicable percent depreciated as of the last rate case)
E	Net Increase to Gross Plant	Line A + Line B - Line C - Line D
F	Net Removal cost	Removal cost less unbilled CIAC
G	New Annual Depreciation Expense-Mains	Line A * 2.74%
H	New Annual Depreciation Expense-Services	Line B * 4.96%
I	Old Annual Depreciation Expense- Mains	Line C * 2.74%
J	Old Annual Depreciation Expense- Services	Line D * 4.96%
K	Increased annual depreciation expense	Line G + Line H - Line I - Line J
L	Additional accumulated depreciation on Act 310 Additions	Accumulated depreciation on qualified plant additions since in-service date
M	Increase in Net Plant	Line A + Line B - Line C1 - Line D1 + Line F - Line L

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Step 2. Allocation of Rider GMES Revenue Requirement by Class. The Rider GMES Revenue Requirement determined under Step 1 shall be allocated to customer classes based on the allocation factors determined from Docket No. 06-161-U rate design revenue requirement:

<u>Customer Class</u>	<u>Percentage</u>
Residential Service	74.304%
Small Commercial Service	20.887%
Large Commercial Service/ Special Contract	4.809%

Step 3. Base Rate Adjustments. The Base Rate Adjustment for each customer class will be a per Ccf rate that is determined by dividing the Rider GMES Revenue Requirement by Customer Class determined in Step 2 by the annual volumes used to design rates in Docket No. 06-161-U. With respect to Small Commercial Service customers on transportation, a conversion will be made to the appropriate MMBtu rate using the manner used in Docket No. 06-161-U.

<u>Customer Class</u>	<u>Volumes - Ccf</u>	<u>Volumes - MMBtu</u>
Residential	227,281,246	
Small Commercial Service	170,003,194	
Large Commercial Service/ Special Contract		26,178,478

7.4. FUTURE RATE CASE APPLICATIONS

In the event the Company files a general rate application, all qualifying Act 310 investments found to be reasonable and appropriate for ratemaking purposes and upon which a return was recovered pursuant to Rider GMES shall be included in rate base net of depreciation in calculating the revenue requirement.

7.5. SEPARATE LINE ITEM ON BILL

The Company will list the Rider GMES as a separate line item on customer bills labeled “Act 310 Surcharge.”