

**ARKANSAS PUBLIC SERVICE COMMISSION**

Original Sheet No. 4-2.1/6

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 IV – Rider Schedule No. 2

**Title: MAIN REPLACEMENT PROGRAM RIDER (RIDER MRP)**

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2. **MAIN REPLACEMENT PROGRAM RIDER (RIDER MRP)**

2.1. The primary purpose of Rider MRP is to support the expedited replacement of cast-iron mains, bare steel mains, and associated services. To accomplish this purpose, Rider MRP provides (1) a return on the net investment (gross plant less accumulated depreciation) in new mains and new services to replace cast-iron mains, bare steel mains, and associated services by applying the approved pre-tax rate of return to the net investment (gross plant less accumulated depreciation) in new mains and new services, and (2) a return of the investment in new mains and new services to replace cast-iron mains, bare steel mains, and associated services by applying the approved depreciation rates to the investment in new mains and services. Since Rider MRP is not an exact recovery rider, there is no “true-up” mechanism required.

2.1.1. Qualifying replacements are defined as amounts that are in-service and all materials, labor, other costs, and adjustments related thereto must be recorded in Account 376.001 Mains – Excluding Cast-Iron Mains or Account 380.001 Services before being included in Rider MRP.

2.1.2. On the first business day of each month, Arkla shall calculate its Rider MRP Revenue Requirement in the manner prescribed by Parts 2.2 and 2.3 of this Rider and shall file an adjustment and the supporting documentation identified in Part 2.1.3 of this Rider with the Commission. The portion of the adjustment that is not in dispute shall become effective upon 30 days after the filing and shall be recovered from customers through the Company's Base Rate Adjustment as defined in Step 3 of Part 2.3 of this Rider. Any disputed amount will not go into effect as filed.

2.1.3. Simultaneously with the filing of each adjustment, the Company will file the following information: (1) separately identify whether each project included in the filing was to replace mains or was to replace associated services; (2) specifically identify the percentage of the total cost of each such project that will be included in Rider MRP; (3) specifically identify the date plant costs are first included in Rider MRP; (4) specifically identify for each project included in the filing the number of feet of new mains (i.e. plastic mains or coated steel mains) per books and the number of feet of retired mains (i.e. cast-iron mains, bare steel mains, and other mains not qualifying for Rider MRP) per books; (5) specifically identify for each project included in the filing the number of services installed by month per books and number of services retired by month per

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books, and (6) specifically provide a monthly reconciliation of the total costs of the projects included in Rider MRP to costs of the projects recorded in Account Nos. 376.001 and 380.001.

- 2.1.4. Rider MRP establishes monthly Base Rate Adjustments for natural gas services provided under the Company’s rate schedules specified in Part 2.6. Such Base Rate Adjustments shall be recovered from customers in accordance with Step 3 of Part 2.3.
  - 2.1.5. The Commission shall hear and resolve any amounts that are in dispute with regard to the application of Rider MRP. Arkla shall accept Commission rulings as final for purposes of Rider MRP.
  - 2.1.6. Rider MRP will not include any retirements of assets, cost of removal (except the cost of removal component comprehended in the approved depreciation rates), depreciation rates applied to cost of removal, pre-tax rate of return applied to cost of removal, or any costs otherwise included in current base rates.
- 2.2. Rider MRP is to provide recovery of the Rider MRP Revenue Requirement which shall only include:
- 2.2.1. Investment in new mains to replace cast-iron mains and bare steel mains (Account 376.001) times the approved depreciation rate of 2.74%. The depreciation rates will be applied consistently with the calculation of depreciation expense for book accounting purposes. All amounts calculated pursuant to this provision will ultimately be recorded in the accumulated depreciation account corresponding to Account 376.001 Mains – Excluding Cast-iron Mains.
  - 2.2.2. Net investment (gross plant less accumulated depreciation) in new mains to replace cast-iron mains and bare steel mains (Account 376.001) times the authorized pre-tax rate of return of 7.84%.
  - 2.2.3. Investment in new services to replace the services associated with the replacement of cast-iron mains and bare steel mains (Account 380.001) times the approved depreciation rate of 4.96%. The depreciation rates will be applied consistently with the calculation of depreciation expense for book accounting purposes. All amounts

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calculated pursuant to this provision will ultimately be recorded in the accumulated depreciation account corresponding to Account 380.001 Services.

2.2.4. Net investment (gross plant less accumulated depreciation) in new services to replace the services associated with the replacement of cast-iron mains and bare steel mains (Account 380.001) times the authorized pre-tax rate of return of 7.84%.

2.2.5. The Rider MRP Revenue Requirement is net of:

2.2.5.1 Savings of \$60,474 per year (the amount of the credit will increase on November 1 of each year by \$60,474 until Rider MRP is reset in the next rate case).

2.2.5.2 Docket No. 00-353-U credit of \$345,645.59 until the Company has foregone recovery of \$2,315,500 per Order No. 2 that began in March 2003.

2.3. CALCULATION OF THE RIDER MRP REVENUE REQUIREMENT

The Rate Adjustments for each class shall be calculated as follows:

Step 1: Rider MRP Revenue Requirement. The Rider MRP Revenue Requirement shall be calculated on an annual basis as follows:

	<u>Item</u>	<u>Source</u>
1.	Mains	Qualifying Replacements of Mains – Excluding Cast-iron Mains, FERC Acct. 376.001
2.	Services	Qualifying Replacements of Services – FERC Acct. 380.001
3.	Gross Plant	Line 1 + Line 2
4.	Accumulated Depreciation	(Line 7 ÷ 12) + Previous Month's Balance
5.	Net Investment	Line 3 – Line 4

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First Revised                      Sheet No. 4-2.4/6  
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- 6. Pre-Tax Rate of Return    Line 5 x 7.84%
- 7. Depreciation Expense    (Line 1 x 2.74%) + (Line 2 x 4.96%)
- 8. Reduction under APSC    \$345,645.59 [until such time as the Company has  
Docket No. 00-353-U,    foregone recovery in an amount totaling  
Order No. 2                      \$2,315,500 as provided in Paragraph 3(c) of the  
Agreement appended to Order No. 2 of Docket  
No. 00-353-U that began in March 2003.]
- 9. Reduction for Leak        \$60,474 [starting November 2007 and each year  
Repair Savings thereafter until CenterPoint Energy's  
next rate case an additional \$60,474 will be added.]
- 10. Rider MRP Revenue Requirement    Line 6 + Line 7 - Line 8 - Line 9.

Step 2. Allocation of Rider MRP Revenue Requirement by Class. The Rider MPR Revenue Requirement determined under Step 1 shall be allocated to customer classes based on the allocation of mains and services to the following Customer Classes:

<u>Customer Class</u>	<u>Percentage</u>
Residential Service (RS-1)	71.28%
Small Commercial Service (SCS-1,SCS-2, and SCS-3)	20.76%
Large Commercial Service (LCS-1)	7.96%

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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 MRP Revenue Requirement by Customer Class determined in Step 2 by the annual volumes used to design rates in Docket No. 06-161-U.

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<u>Customer Class</u>	<u>Volumes – Ccf</u>	<u>Volumes – MMBtu</u>
Residential Service (RS-1)	227,281,246	
Small Commercial Service (SCS-1, SCS-2, and SCS-3)	170,003,194	17,273,685
Large Commercial Service (LCS-1)	210,026,669	21,340,390

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2.4. FUTURE RATE CASE APPLICATIONS

2.4.1. In the event Arkla files a general rate application, all qualifying replacements upon which a return was recovered pursuant to this MRP shall be included in rate base net of depreciation in calculating the revenue requirement.

2.5. COMPLIANCE AUDITS

2.5.1. Each monthly filing under Rider MRP will be subject to a compliance audit for a period of five (5) years after the date of the filing (the “compliance audit period”). If the Company does not timely provide the supporting documents identified herein and in Exhibit C of the Joint Stipulation and Agreement in Docket No. 05-124-U, the five year compliance audit period restriction will be extended for a period of time equal to the period of any such delay. Any pre-implementation review of monthly filings for mechanical correctness does not constitute a compliance audit. Interim inquiries, questions, informal conversations, and other communications do not constitute a compliance audit. Staff will advise the Company in writing when it begins a compliance audit and will identify to the Company the Rider MRP filings that will be subject to such an audit. At the conclusion of its compliance audit, Staff will report its findings to the Company and will file the results with the Commission. All charges under Rider MRP not conforming to the specific tariff language shall be subject to refund. For the purpose of this Rider, the next compliance audit period begins with all monthly filings under Rider MRP with the filing dated August 2, 2006 that was effective on September 1, 2006.

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- 2.6. APPLICABLE RATE SCHEDULES  
Residential Firm Sales Service (RS-1)  
Small Commercial Firm Sales Service (SCS-1)  
Small Commercial Firm Sales Service—Off Peak (SCS-2)  
Small Commercial Firm Sales Service—Pilot NGV (SCS-3)  
Large Commercial Firm Service (LCS-1)  
Unmetered Gas Light Firm Sales Service (GL-1)

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