

Regulatory Information

Natural Gas Distribution

DELIVERING

ENERGY, SERVICE

AND VALUE



Regulatory Overview

Natural Gas Distribution



State	12/31/16 Customer Count	Authorized Capital Structure	Authorized ROE	Authorized ROR	Rate Case Base Year	2016 Key Metrics			
						Average Rate Base (Estimated)	Operating Income	Capital Expenditures	Depreciation/ Amortization
Arkansas	427,278	Equity (MBSA): 30.85% ⁽¹⁾ Equity (Traditional): 48.5%	9.50% ⁽¹⁾	7.08%	2015	\$ 458	\$ 29	\$ 73	\$ 43
Louisiana	247,317	48% Debt / 52% Equity	9.95%	7.86%	2004	\$ 122	\$ 16	\$ 28	\$ 18
Minnesota	848,587	50% Debt / 50% Equity	9.49%	7.07%	2014 ⁽²⁾	\$ 958 ⁽³⁾	\$ 143 ⁽³⁾	\$ 196 ⁽³⁾	\$ 78 ⁽³⁾
Mississippi	125,540	50% Debt / 50% Equity	9.47%	7.78%	2012	\$ 99	\$ 10	\$ 25	\$ 8
Oklahoma	100,204	45% Debt / 55% Equity	10.00% ⁽⁴⁾	8.56% ⁽⁴⁾	2004 ⁽⁴⁾	\$ 53	\$ 5	\$ 13	\$ 9
Texas	1,690,418	45% Debt / 55% Equity ⁽⁵⁾	10.28% ⁽⁵⁾	8.57 ⁽⁵⁾	Beaumont/E. TX 2011 South Texas 2010 Houston 2009 ⁽⁶⁾ Texas Coast 2014 ⁽⁶⁾	\$ 999	\$ 100	\$ 175	\$ 86

⁽¹⁾ The Arkansas Public Service Commission employs a Modified Balance Sheet Approach (MBSA) to determine a utility's capitalization structure. Certain liabilities that are deducted from rate base under the traditional approach of calculating the rate of return are included in the capital structure under the MBSA. These liabilities include accumulated deferred income taxes, customer deposits, and current, accrued and other liabilities

⁽²⁾ Forward test year is October 2015 - September 2016

⁽³⁾ Key metrics include unregulated services in Minnesota consisting of residential appliance repair and maintenance services along with heating, ventilating and air conditioning (HVAC) equipment

⁽⁴⁾ OCC approved a joint stipulation in July 2016 that provides for an allowed ROE of 10% and a capital structure of 54.96% common equity, 0.04% preferred, and 45% debt effective for the 2016 calendar year PBRC expected to be filed in Q1 2017

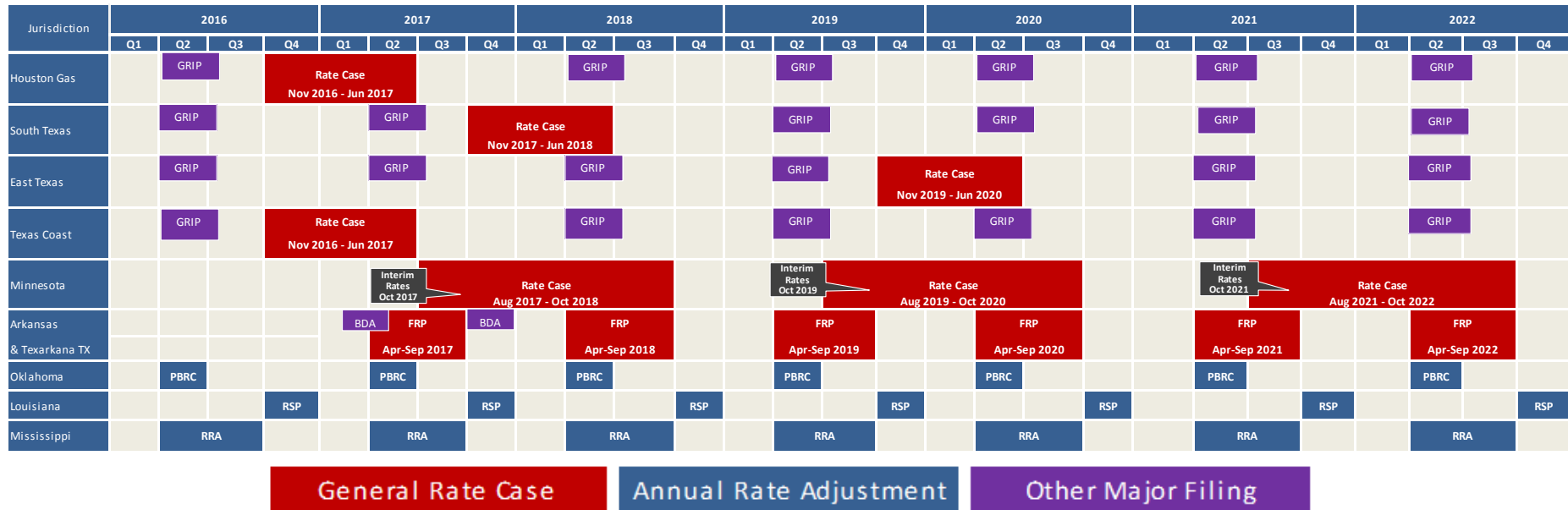
⁽⁵⁾ Blended weighted average of Beaumont/East Texas, South Texas, Houston and Texas Coast

⁽⁶⁾ Rate case filed in November 2016 proposes consolidation of Houston and Texas Coast jurisdictions with allowed ROE of 10.25% and 55.15 equity / 44.85% debt

Estimated Filing Timeline Natural Gas Distribution



Estimated rate filing timelines as of Dec. 31, 2016 ⁽¹⁾



⁽¹⁾ Rate filings and timelines are subject to change and may be impacted by factors such as regulatory, legislative and economic factors

Rate Mechanisms ⁽¹⁾

Natural Gas Distribution



Jurisdiction	Mechanism	Definition/Description
Arkansas	Interim Main Replacement Program (MRP)	Recovery of capital expenditures for cast iron, bare steel, unprotected steel, and vintage plastic main replacement and associated services. Will expire upon implementation of FRP.
	Interim Billing Determinant Rate Adjustment (BDA)	Revenue stabilization mechanism used to adjust revenues impacted by declines in natural gas consumption which occurred after the most recent rate case. Will expire upon implementation of FRP, however collections for the final evaluation periods will continue after the tariff expires.
	Interim Services-at-Risk (SAR) Rider	Recovery for capital expenditures for relocation of property line services and vacant risers that are at a greater risk of damage due to their location. Will expire upon implementation of FRP.
	Energy Efficiency Rider (EE)	Recovery of a performance incentive and incremental costs associated with energy efficiency programs approved by the Public Service Commission.
	Formula Rate Plan (FRP) Rider	Annual mechanism for capital and expense recovery based on a fully projected test year, with a true-up component, using the same ROE and class apportionments approved in 15-098-U. First filing will be in early second quarter 2017.
	Weather Normalization Adjustment (WNA)	An annual mechanism used to normalize the impact of heating degree day variations between November 1 and April 30.
CenterPoint Energy Arkansas Rate & Tariff webpage: http://www.centerpointenergy.com/en-us/Services/Pages/rates-and-tariffs-AR.aspx		
North and South Louisiana	Rate Stabilization Plan (RSP)	Mechanism that will adjust rates up or down if CenterPoint's return on equity (ROE) is more than 50 basis points above or below the allowed ROE. Rates will be increased (decreased) by the amount necessary to increase (decrease) the earned ROE to equal the allowed ROE.
	Weather Normalization Adjustment (WNA)	An annual mechanism used to normalize the impact of heating degree day variations between November 1 and April 30.
CenterPoint Energy Louisiana Rate & Tariff webpage: http://www.centerpointenergy.com/en-us/Services/Pages/rates-and-tariffs-LA.aspx		
Minnesota	Conservation Improvement Program (CIP)	Recovery of an incentive and incremental Conservation Improvement Program costs as approved by the MN Public Utility Commission.
	Revenue Decoupling Rider	Revenue stabilization mechanism used to adjust revenues impacted by changes in natural gas consumption, including usage and weather.
CenterPoint Energy Minnesota Rate & Tariff webpage: http://www.centerpointenergy.com/en-us/Corp/Pages/rates-and-tariffs-MN.aspx		

⁽¹⁾ In addition to rate mechanisms listed, Natural Gas Distribution's incurred natural gas cost is a pass through expense that is fully recovered in customer rates in all jurisdictions

Rate Mechanisms ⁽¹⁾

Natural Gas Distribution



Jurisdiction	Mechanism	Definition/Description
Mississippi	Rate Regulation Adjustment (RRA)	Mechanism that will adjust rates up or down if CenterPoint's earned return on equity is more than 100 basis points above or below the allowed return on equity. If earned returns are more than 100 basis points above the allowed return, a portion of the earned return that is greater than the allowed return plus 50 basis points shall be shared on a 75%/25% basis between the customers and CenterPoint. If earned returns are more than 100 basis points below the allowed return, base rates shall be increased for the amount necessary, in total, to restore the return of equity to the allowed return.
	Weather Normalization Adjustment (WNA)	An annual mechanism used to normalize the impact of heating degree day variations between November 1 and April 30.
	Energy Efficiency Cost Recovery Rider (EECR)	An annual mechanism used to recover incremental energy efficiency program costs approved by the MPSC.
	Supplemental Growth Rider pilot (SG)	A pilot program designed to encourage industrial development and job creation by providing an incentive to extend gas service to industrial projects which are otherwise not feasible to fund

CenterPoint Energy Mississippi Rate & Tariff webpage: <http://www.centerpointenergy.com/en-us/Services/Pages/rates-and-tariffs-MS.aspx>

Oklahoma	Performance Based Rate Change Plan (PBRC)	Mechanism that will adjust rates up or down if CenterPoint's earned return on equity is more than 50 basis points above or below the allowed return on equity. If earned returns are more than 50 basis points above the allowed return, the portion of the earned return that is greater than 50 basis points above the allowed return shall be shared on a 75%/25% basis between the customers and CenterPoint. If earned returns are more than 50 basis points under the allowed return, base rates shall be increased for the amount necessary, in total, to restore the return of equity to the allowed return.
	Energy Efficiency Rider (EE)	Recovery of a performance incentive and incremental costs associated with energy efficiency programs approved by the Public Service Commission.
	Weather Normalization Adjustment (WNA)	An annual mechanism used to normalize the impact of heating degree day variations between November 1 and May 31.

CenterPoint Energy Oklahoma Rate & Tariff webpage: <http://www.centerpointenergy.com/en-us/Services/Pages/rates-and-tariffs-OK.aspx>

Texas ⁽²⁾	Gas Reliability Infrastructure Program (GRIP)	Recovery mechanism that allows an annual interim rate adjustment to recover the return on new capital investment made in the preceding year plus associated depreciation expense and property taxes.
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CenterPoint Energy Texas Rate & Tariff webpage: <http://www.centerpointenergy.com/en-us/Corp/Pages/rates-and-tariffs-TX.aspx>

⁽¹⁾ In addition to rate mechanisms listed, Natural Gas Distribution's incurred natural gas cost is a pass through expense that is fully recovered in customer rates in all jurisdictions

⁽²⁾ Pension expense deferral allowed for variance between actual pension expense and the amount reflected in rates; reconciled in future rate cases