



REGULATORY INFORMATION NATURAL GAS DISTRIBUTION

MARCH 2020



REGULATORY OVERVIEW

NATURAL GAS DISTRIBUTION



State	Authorized Capital Structure	Authorized ROE	Rate Case Base Year	Projected Year End 2019 Rate Base
Arkansas	Equity (MBSA): 31% ⁽¹⁾	9.50%	2015	\$ 774 ⁽¹⁾
Indiana North	Equity (Ratemaking): 49% ⁽²⁾	10.20%	2006	\$ 1,491 ⁽²⁾
Indiana South	Equity (Ratemaking): 47% ⁽²⁾	10.15%	12 Months ended March 2006	\$ 413 ⁽²⁾
Louisiana	52% Equity	9.95%	North Louisiana - 2003 South Louisiana - 2002	\$ 195
Minnesota	51.4% Equity ⁽³⁾	ROR: 6.93% ⁽³⁾	2018 ⁽³⁾	\$ 1,261 ⁽⁴⁾
Mississippi	50% Equity	9.59%	1995	\$ 176
Ohio	OH does not have a specified cap structure or ROE	ROR: 7.48%	2018 ⁽⁵⁾	\$ 907
Oklahoma	55% Equity	10.00% ⁽⁶⁾	2004 ⁽⁶⁾	\$ 70
Texas	55.5% Equity ⁽⁷⁾	9.67% ⁽⁷⁾	Beaumont/E. TX 2011 ⁽⁸⁾ South Texas 2017 Houston 2016 Texas Coast 2016	\$ 1,422

Footnotes	
(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)	The Indiana Commission historically utilizes a Ratemaking capital structure to determine the utility's capitalization. Certain liabilities that are deducted from rate base under the traditional approach of calculating the rate of return are included in the capital structure in Indiana. For Indiana North and Indiana South, these liabilities include accumulated deferred income taxes, customer deposits, and pension and post-retirement benefits liabilities
(3)	Filing based on a test year ending December 31, 2020; interim rates into effect as of January 1, 2020 based on a 6.93% ROR
(4)	Key metrics include unregulated services in Minnesota consisting of residential appliance repair and maintenance services along with heating, ventilating and air conditioning (HVAC) equipment sales
(5)	Filing based on a test year 12 months ending September 30, 2018
(6)	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
(7)	Blended weighted average of Beaumont/East Texas, South Texas, Houston and Texas Coast
(8)	Rate case was filed during the fourth quarter of 2019 proposing a 10.4% ROE and 58% equity ratio. Case is still in progress

NOTE: Projected year-end rate base is the total rate base for the year and not just the amount that has been reflected in rates; Amounts shown may differ from regulatory filings

RECOVERY MECHANISMS AND FILINGS⁽¹⁾

NATURAL GAS DISTRIBUTION



Jurisdiction	Mechanism	Definition/Description
Arkansas	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.
	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.
	Minnesota Property Tax Tracker	Tracking mechanism to ensure recovery of actual property tax paid by the Company pursuant to the applicable annual Truth-in-Taxation statements, less the amount included in rates, and less any amounts recovered in litigation that the Company has filed or may file regarding its property tax assessments.
	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

RECOVERY MECHANISMS AND FILINGS⁽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.
	Texas Commission Rule TAC §8.209	Recovery of capital investment necessary to comply with Commission Rule §8.209, which requires gas distribution operators to develop and implement a risk-based program for the removal or replacement of distribution facilities.
	Texas Safety and System Integrity Deferred Regulatory Asset (SSI)	Recovery of operations and maintenance expense related to third-party pipeline integrity work needed to meet the company's obligation to provide a safe and reliable service and comply with state and federal pipeline safety regulations.
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

RECOVERY MECHANISMS AND FILINGS⁽¹⁾

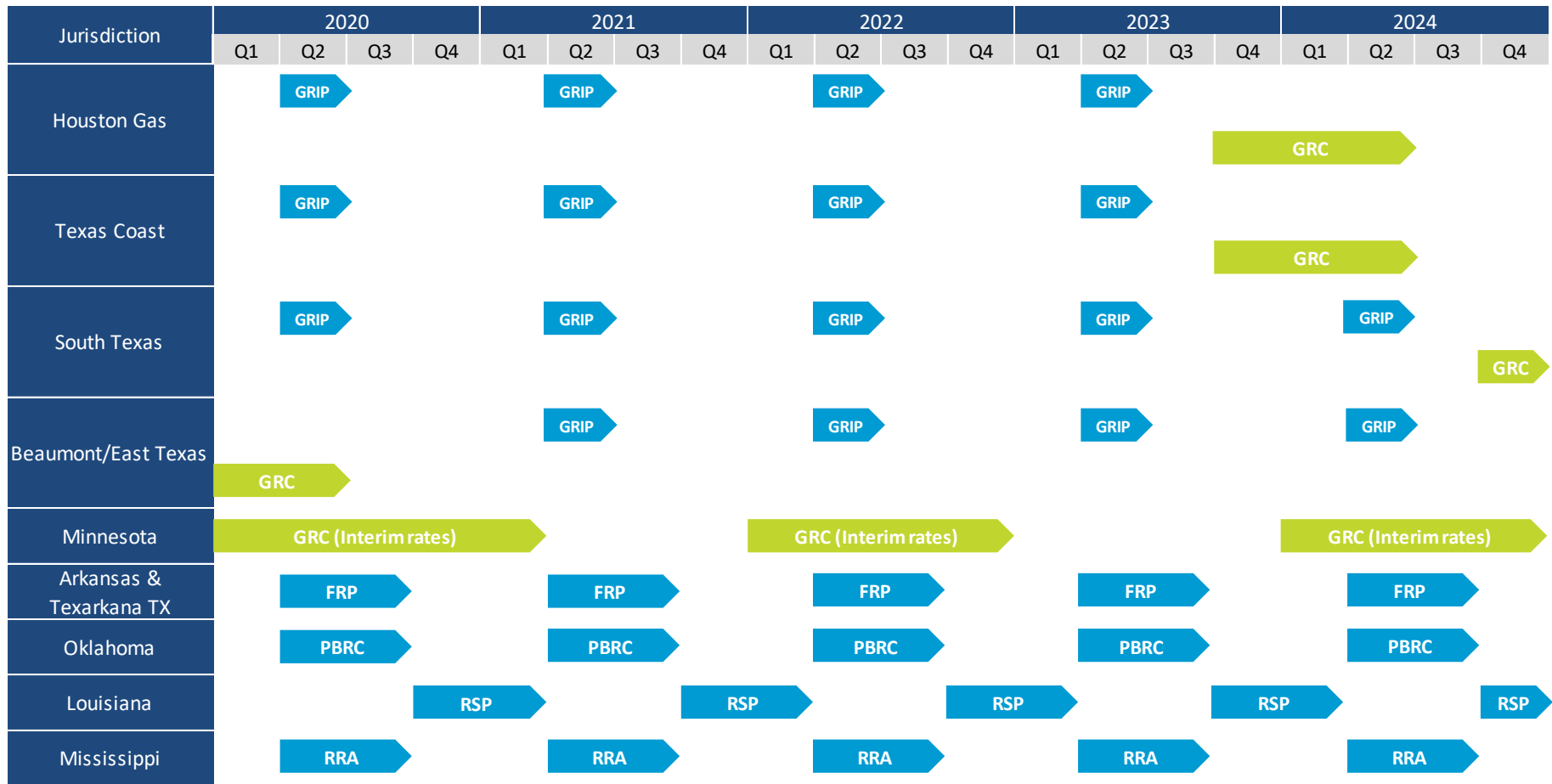
NATURAL GAS DISTRIBUTION



Jurisdiction	Mechanism	Description
Gas – Indiana (2 Jurisdictions)	CSIA	Compliance and System Improvement Adjustment - semi-annual filing which recovers approved capital investments (return on and of) and related costs associated with Company's Transmission, Distribution, and Storage System Improvement (TDSIC) and Federally Mandated Compliance capital investment plan as provided in Indiana statutes for the purposes of safety, reliability, system modernization, or economic development. Filings made every April and October to include historical investments through December and June respectively. Rates effective July and January to recover 80% of the authorized revenue requirement.
	DSM/Decoupling Extension	Demand Side Management Programs and Decoupling Recovery - current authority for Full Decoupling through 2020, with coverage until the conclusion of the required base rate cases.
	Rate Case	Rate Case required to be filed by YE 2020 in accordance with TDSIC Plan, which requires a rate case before the end of the 7-year plan.
Gas - Ohio	DRR	Distribution Replacement Rider - annual filing which recovers approved capital investments (return on and of) and related costs associated with the Company's Bare Steel and Cast Iron Main Accelerated Replacement Program. Program is currently in year 10, with targeted completion by 2023. Filings made annually in May to include historical investments, with rates effective September.
	CEP	Capital Expenditure Program Rider - annual filing which recovers approved deferred costs (return on and of) associated with the Company's Capital Expenditure Program. In accordance with Ohio House Bill 95 (2012), approved capital investments are subject to preferred accounting authority, which allows for the deferral of depreciation, property taxes, and post-in-service carrying costs until the investment is included for recovery in rates. The CEP Rider recovers the deferred balance, with filings annually in March on historical year-end deferrals, with rates effective September.
	Rate Case	Rate case required to be filed by YE 2024 in accordance with the Stipulation and Settlement Agreement approved in the 2019 Rate Case Order.

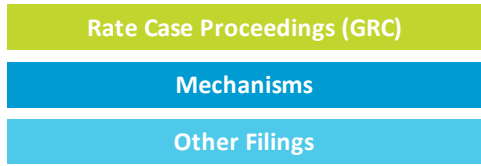
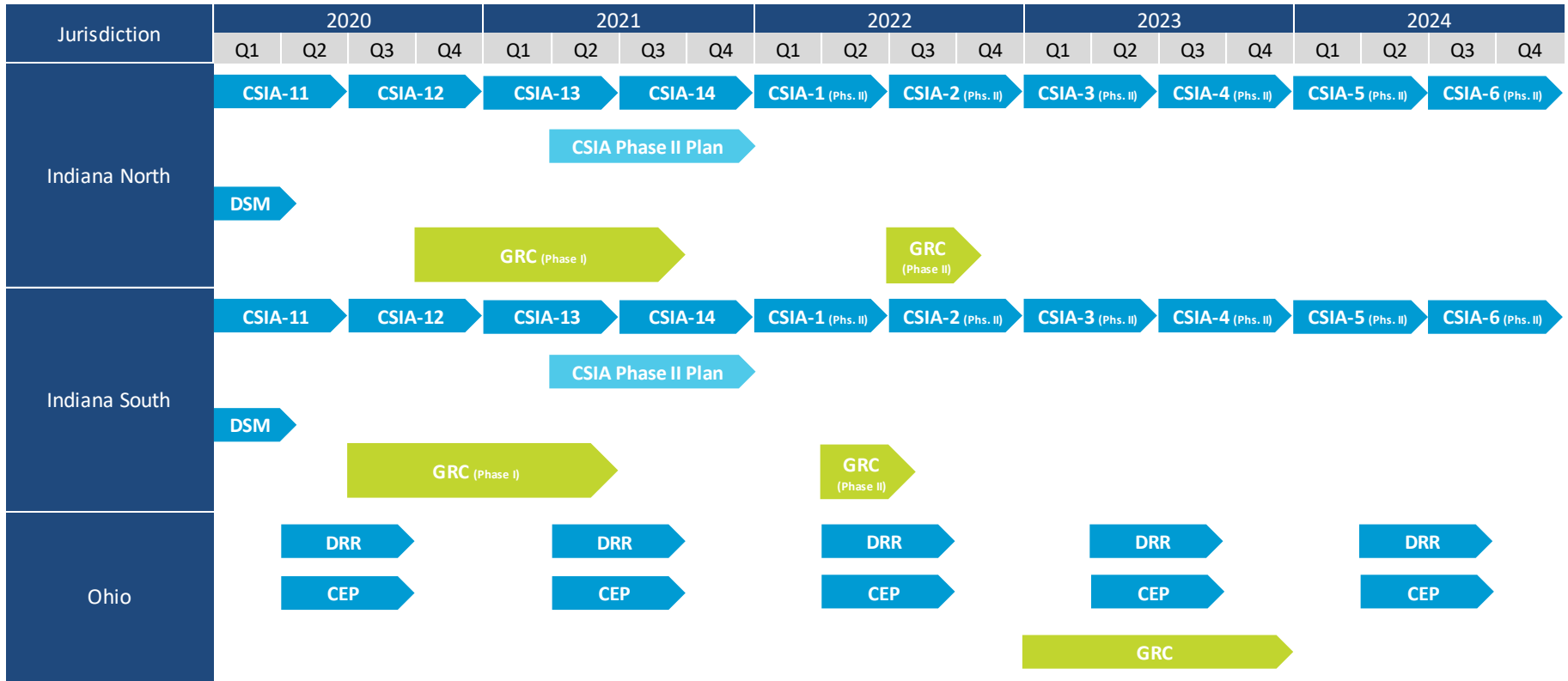
⁽¹⁾ In addition to rate mechanisms listed, Natural Gas Distribution's incurred natural gas cost is a pass through expense that is fully recovered in customer rates in all jurisdictions. In Ohio, the utility does not supply natural gas to customers.

REGULATORY ESTIMATED FILING TIMELINE NATURAL GAS DISTRIBUTION



Note: Rate filings and timelines are subject to change and may be impacted by factors such as regulatory, legislative and economic factors; GRIP – Gas Reliability Infrastructure Program; FRP – Formula Rate Plan; PBRC – Performance Based Rate Change Plan; RSP – Rate Stabilization Plan; RRA – Rate Regulation Adjustment

REGULATORY ESTIMATED FILING TIMELINE NATURAL GAS DISTRIBUTION



Note: Rate filings and timelines are subject to change and may be impacted by factors such as regulatory, legislative and economic factors; CSIA – Compliance and System Improvement Adjustment; DSM – Demand Side Management and Decoupling Extension; DRR – Distribution Replacement Rider; CEP – Capital Expenditure Program