BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF
CENTERPOINT ENERGY RESOURCES CORP.,
D/B/A CENTERPOINT ENERGY OKLAHOMA
GAS, FOR APPROVAL OF ITS PERFORMANCE
BASED RATE CHANGE PLAN
CALCULATIONS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

CAUSE NO. PUD 200800062

ORDER NO. 556393

HEARING: June 30, 2008
Before Maribeth D. Snapp, Administrative Law Judge

APPEARANCES: Curtis M. Long, Attorney for CenterPoint Energy Resources Corp.,
d/b/a CenterPoint Energy Oklahoma Gas
Christian D. Szlichta, Assistant General Counsel for Public Utility
Division, Oklahoma Corporation Commission
Whitney Weingartner, Assistant Attorney General for Office of the
Attorney General, State of Oklahoma

FINAL ORDER

BY THE COMMISSION:

The Oklahoma Corporation Commission ("Commission"), being regularly in session and
the undersigned Commissioners being present and participating, there comes on for decision the
Application of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Oklahoma Gas
("CenterPoint Oklahoma" or "Company") for approval of its Performance Based Rate Change
("PBRC") calculations for the test year ended December 31, 2007.

Procedural History

On February 29, 2008, CenterPoint Oklahoma initiated this cause by filing its Application pursuant to Rider Schedule No. 5 of the Company's tariff, approved by Order No. 499253 issued in Cause No. PUD 200400187 and modified by Order No. 528372 issued in Cause No. PUD 200600062 and again by Order No. 541049 issued in Cause No. PUD 200700076 (the "PBRC Plan"). The Application and accompanying testimony of Mr. Paul D. Gastineau presented the required PBRC calculations for the test year ended December 31, 2007. Mr. Gastineau presented PBRC calculations for the Company's operating income and earned return on equity from the PBRC Plan calculations showing that unadjusted net operating income is $2,514,015 and the corresponding earned return on equity is 9.47%. After making certain adjustments specified by the PBRC Plan, the Company presented adjusted net operating income of $3,053,866. Mr. Gastineau also presented PBRC calculations to show that the Company's adjusted earned return on equity was 11.50%, which was above the 10.25% upper limit of the
allowed return on equity. These calculations result in a credit to customers in the total amount of $407,893. Mr. Gastineau also testified that a credit in the total amount of $19,552 remains to be returned to customers as a result of a prior PBRC Order of the Commission covering the 2005 Test Year. He proposed that to stabilize rates and to decrease the likelihood of future rate increases, the Commission should authorize accelerated amortization of certain expenses, in effect offsetting the credits resulting from this filing. Mr. Gastineau also proposed that the Commission consider the benefits of adding a Weather Normalization Adjustment ("WNA") to the Company’s tariff.

On March 14, 2008, the Commission issued its Order Establishing Procedural Schedule, Order No. 551403, in which the hearing on the merits was set for June 30, 2008, before the Administrative Law Judge. On March 19, 2008, the Commission issued in this Cause its Order Prescribing Notice of Hearing, Order No. 551647, in which notice of the hearing on the merits was prescribed by publication once a week for two consecutive weeks in both the Daily Oklahoman (statewide edition) and the Tulsa World, no later than April 15, 2008. The prescribed notice was published twice by the Daily Oklahoman (statewide edition) during the period from March 26, 2008 through April 2, 2008, and by the Tulsa World on March 26, 2008 and April 2, 2008. Proofs of Publication for each publication were filed in this Cause on April 18, 2008.

On May 30, 2008, the Staff filed the Prefiled Direct Testimony of Brandy Loyd Wreath. In its filing, Staff proposed several adjustments to the Company’s PBRC calculations, including disallowance of $15,837 in long-term incentive compensation expense, disallowance of $13,830 in advertising expense, an adjustment to accelerate amortization for certain expenses and increase operating expenses by $576,946 (and a companion reduction to deferred income tax in the amount of $37,266), and adjustments to income taxes to reflect all the adjustments proposed by Staff. Staff also proposed that the Company adopt a WNA using a ten-year normalization period, that the filing date for the PBRC filing be changed from March 1 to March 15 each year, and that the Private Line Rider (Schedule 4) be deleted from the Company’s tariff.

On May 30, 2008, the Office of the Attorney General filed the testimony of Roya Z. Soltani. In that testimony, the Attorney General proposed that the Commission approve the Company’s PBRC calculations and approve the resulting credits to customers, but took issue with the acceleration of amortization of certain expenses to offset the credit. The Attorney General supported the proposal to add a WNA to the Company’s tariff.

On June 12, 2008, CenterPoint Oklahoma filed the Rebuttal Testimony of Paul D. Gastineau. Mr. Gastineau agreed with the Staff’s recommendations for accelerated amortization for certain operating expenses (and the companion adjustment to deferred income taxes), resulting in no change in the Company’s base rates and no credits to customers. He also agreed with the Staff recommendations to change the PBRC filing date to March 15, and to eliminate the Private Line Rider from the Company’s tariff. Mr. Gastineau did not oppose the Staff’s proposed adjustments to disallow $15,837 in long-term incentive compensation expense, and $13,830 in advertising expense.
On June 30, 2008, a hearing on the merits was held before the ALJ. The parties announced that they had reached an agreement and stipulation resolving all issues in the case. A Joint Stipulation and Settlement Agreement (the “Stipulation,” attached at Exhibit A to this Final Order and incorporated by this reference) was filed on June 30, 2008, and presented at the hearing for approval by the Commission.

Paul D. Gastineau testified at the hearing to explain the Stipulation. He recommended approval of the Stipulation and testified the Stipulation is in the public interest. Mr. Wreath testified on behalf of the Staff. He described the process by which the Staff had carefully reviewed the calculations presented by the Company. Mr. Wreath expressed the Staff’s support for the Stipulation, stated that the Stipulation was the result of compromise on various issues and expressed his belief that the Stipulation is in the public interest and that is should be adopted by the Commission. The Office of the Attorney General also announced support of the Stipulation.

Findings of Fact

Based on the evidence presented in this Cause, the Commission finds as follows:

1. With respect to the Test Year ended December 31, 2007, the calculations presented by the Company, together with all adjustments underlying the Stipulation, are in accordance with the Company’s PBRC Plan. These calculations show that the Company’s adjusted earned return on equity is greater than 10.25 percent. According to the PBRC Plan, the portion of the earned return on equity that is greater than 10.25 percent shall be shared on a 75/25 basis between the customers and the Company, with the Customers receiving the greater amount. The amount to be returned to customers under these requirements is an aggregate amount of $430,145. This amount shall be returned to the Company’s customers by credit in the Company’s bills to customers, applied monthly over a twelve-month period, as specified in this Final Order.

2. An additional credit in the total amount of $19,552 remains to be returned to customers based on the PBRC Plan calculations filed March 1, 2006, for the 2005 test year. This amount shall also be returned to the Company’s customers, to be distributed by a credit in the Company’s bills to customers, applied monthly over a twelve-month period, as specified in this Final Order.

3. The PBRC Plan specifies the manner in which these credits shall be distributed to customers. Accordingly, the aggregate amount of $449,697 ($430,145 plus $19,552) should be split between Residential RS-1 customers (80% for a total credit of $358,630) and General Service GS-1 customers (20% for a total credit of $91,067) in accordance with Sections 5.3.5 and 5.3.6 of the PBRC Plan. Within each rate schedule, the credit amounts shall be subdivided such that 50 percent of the credit is applied as an adjustment to the monthly Customer Charge and the remaining 50 percent is applied as an adjustment to the first block of each rate schedule. This distribution is required by and complies with the PBRC Plan.

4. The change in the date for the Company’s annual PBRC filing (from March 1 to March 15) while the PBRC Plan remains in effect is in the public interest because it will ease the
burden on the Company to prepare year-end financial statements and the PBRC Plan filing concurrently, and will have no effect on customers.

5. The revisions to the Company’s PBRC Tariff reflected in Stipulation Exhibit 1 accurately reflect these findings and should be approved.

6. The Weather Normalization Adjustment (“WNA”) proposed by the Staff (as reflected on Stipulation Exhibit 2) should be added to the Company’s tariff. This rider would take effect during each heating season and uses a ten-year period to define “normal” weather. The addition of the WNA is in the public interest because it increases the stability and predictability of customers’ gas bills. In times of exceptionally cold weather, when customers’ bills are the highest, the WNA will apply credits for additional amounts of fixed cost charges imposed because of higher usage. In times of unusually warm weather, the WNA will help avoid earnings below the band of allowed return on equity, and thus help avert increases in base rates. The definitions of “normal weather” under both the PBRC Plan and the WNA should conform to each other.

7. The Company shall discontinue and remove from its tariff the private line rider, tracking expenses related to the replacement of private yard lines, as set out in the Stipulation. The elimination of this rider is in the public interest because little or no expense has been passed through this rider in recent years.

8. The Stipulation allows the Company to present for the Commission’s consideration changes in the Company’s Allowed Return on Equity (“AR”) and the ROE deadband, after notice and hearing. This provision is in the public interest because it consistent with Section 5.2.1(b) of the PBRC Plan and will allow the Company to present to the Commission refinements to the Plan that could improve and enhance its accuracy and operation. The Commission makes no judgment at this time with regard to any future proposal by the Company.

Conclusions of Law

After review of the record in this cause, and after consideration of the evidence presented, and after careful evaluation, the Commission concludes as follows:

The Commission has jurisdiction over the parties in this cause and over the subject matter of these proceedings pursuant to Article IX, Section 18 of the Oklahoma Constitution, 17 O.S. 2001, §151 et seq., OAC 165:45 and OAC 165:70.

Notice of the application and of the hearing on the merits in this cause has been provided according to law, the Commission rules and the provisions of Order No. 551647 issued in this cause on March 19, 2008, and notice is sufficient.

The attached Stipulation, together with the changes to the tariff set out in Stipulation Exhibits 1 and 2, are in the public interest and should be approved.
ORDER

IT IS THEREFORE THE ORDER OF THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA that the Findings and Conclusions of the Commission set out above are adopted as the Order of the Commission and the Stipulation attached hereto is approved.

OKLAHOMA CORPORATION COMMISSION

JEFF CLOUD, Chairman

BOB ANTHONY, Vice-Chairman

JIM ROTH, Commissioner

DONE AND PERFORMED THIS 8 DAY OF JULY, 2008.

BY ORDER OF THE COMMISSION:

PEGGY MITCHELL, Commission Secretary

REPORT OF THE ADMINISTRATIVE LAW JUDGE

The foregoing Findings and Order are the Report and Recommendations of the Administrative Law Judge.

MARIBETH D. SNAPP
Administrative Law Judge
IN THE MATTER OF THE APPLICATION OF
CENTERPOINT ENERGY RESOURCES CORP.,
D/B/A CENTERPOINT ENERGY OKLAHOMA GAS,
FOR APPROVAL OF ITS PERFORMANCE
BASED RATE CHANGE PLAN CALCULATIONS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

JOINT STIPULATION
AND SETTLEMENT AGREEMENT

CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Oklahoma Gas
(“CenterPoint Energy” or the “Company”), the Public Utility Division of the Oklahoma
Corporation Commission (“Staff”) and the Attorney General of Oklahoma (“AG” and, together
with Staff and the Company, the “Stipulating Parties”) present this Joint Stipulation and
Settlement Agreement (this “Agreement”) for Commission review and approval as their
compromise resolution of the issues raised and positions taken by the Stipulating Parties. The
Stipulating Parties represent all of the parties to this proceeding.

In Order No. 499253 entered on December 28, 2004, in Cause No. PUD 200400187, this
Commission approved for CenterPoint Oklahoma a Pilot Plan for Performance Based Rate
Change (the “PBRC Plan” or “Plan”). The PBRC Plan is a mechanism that provides for the
periodic review and adjustment of base rates depending on the actual operating results as
measured by return on equity for the most recent calendar year. Under the Plan, revenue
requirements are calculated using specified and limited adjustments to actual operating results.
Those calculations determine whether rate changes are called for and, if so, the amount of any
rate change. By Order No. 528372 issued in Cause No. PUD 200600062 and again by Order No.
541049 issued in Cause No. PUD 200700076, the Commission approved certain modifications to
the Company’s PBRC Plan. The PBRC Plan, as so modified, is set out in detail in Rider Schedule No. 5 (PBRC Plan) to the Company’s tariff.

The PBRC Plan, as modified by the Commission, provides that through 2010, the Company’s allowed return on equity should be 9.75 percent. If in any year the actual return falls above or below a specified band of 100 basis points (i.e., below 9.25 percent or above 10.25 percent), then specified changes to rates should occur. For each twelve-month period through 2010, the Commission will determine whether rates will be increased, decreased or left unchanged, under the PBRC Plan.

Based on the foregoing, the Stipulating Parties stipulate and agree as follows:

1. Applying the PBRC Plan to the test year ended December 31, 2007, results in an aggregate amount of $430,145 to be distributed to customers. This amount shall be distributed by a credit in the Company’s bills to customers, to be applied monthly over a twelve-month period, beginning on July 1, 2008, or the earliest practicable date after the Commission approves this Stipulation.

2. In addition, an amount of $19,552 shall be distributed to customers by a credit in the Company’s bills, over a twelve-month period, beginning on July 1, 2008, or the earliest practicable date after the Commission approves this Stipulation. The amount of $19,552 is an amount that remains to be credited to customers based on the PBRC Plan calculations filed March 1, 2006, for the 2005 test year.

3. The total amount to be credited to customers is $430,145, plus $19,552, for a total amount of $449,697.

4. Eighty percent of the $449,697 total credit amount, or a total customer credit of $358,630, shall be applied to the Residential (RS-1) rate schedule and 20 percent of $449,697 total customer credit amount, or $91,067, shall be applied to the General Service (GS-1) rate schedule, in accordance with Sections 5.3.5 and 5.3.6 of the Company’s Rider Schedule No. 5.
Within each rate schedule, the credit amounts shall be subdivided such that 50 percent of the credit is applied as an adjustment to the monthly Customer Charge and the remaining 50 percent is applied as an adjustment to the first block of each rate schedule. The revised tariff sheets attached as Exhibit 1 reflect revisions to paragraph 5.5 of the Company’s Rider Schedule No. 5 for the purpose of implementing these credits.

5. The Stipulating Parties agree that the Company shall incorporate into its tariff the weather normalization adjustment rider set out in the attached Exhibit 2. This rider will take effect during each heating season and uses a ten-year period to define “normal” weather. The Company shall revise Section 5.3.7(g)(1) of its PBRC Tariff to conform to the ten-year period in the weather normalization adjustment rider. The revised tariff sheets attached as Exhibit 1 reflect this revision.

6. The Stipulating Parties agree that Section 5.4 of the Company’s PBRC Tariff shall be revised to provide that the Company shall make its annual filing on or before March 15, not March 1, during the term the PBRC Plan remains in effect. The revised tariff sheets attached as Exhibit 1 reflect this revision.

7. The Company shall file a revised Rider Schedule No. 5 containing the revisions reflected on Exhibit 1 after the Commission’s approval of this Agreement.

8. The Company shall discontinue and remove from its tariff the private line rider, which tracks expenses related to the replacement of private yard lines.

9. All parties agree that Section 5.2.1(a) of the Company’s PBRC Tariff (specifically, “This AR will be effective until it is changed by the Commission after notice and evidentiary hearing”) allows for the change of the Company’s Allowed Return on Equity (AR) and the ROE deadband specified in Section 5.2.1(b) if ordered by the Commission after notice and hearing. All parties agree that they will not object to the Company proposing such changes to its PBRC tariff, effective for filings beginning with the test year ended December 31, 2008.
The parties reserve their rights to present positions responsive to the merits of any such proposal by the Company.

10. This Agreement is made for the purpose of compromising and resolving the issues presented in this Cause and upon the explicit understanding that it constitutes a negotiated settlement in the public interest. Nothing herein shall constitute an admission of any claim, defense, rule or interpretation of law, allegation of fact, principle or method of ratemaking or cost-of-service determination or rate design, or terms or conditions of service, or the application of any rule or interpretation of law, that may underlie, or be perceived to underlie, this Agreement.

11. This Agreement is expressly contingent upon its approval by the Commission without modification. The various provisions of the Agreement are interdependent and unseverable. The Stipulating Parties will cooperate fully in seeking acceptance and approval by the Commission of this Agreement and will support its approval in all respects without modification in any further proceedings that may be ordered, or appeals taken, with regard to this Agreement. The Stipulating Parties will not support any alternative proposal or settlement agreement while this Agreement is pending before the OCC.

12. Except as to matters specifically agreed to in writing to be done or occur in the future, none of the Stipulating Parties shall be precluded from taking any position on the merits of any issue in any subsequent proceeding in any forum. The Stipulating Parties agree and represent that the provisions of this Stipulation are intended to relate only to the specific matters referred to herein, and by agreeing to this settlement, none of the Stipulating Parties waives any claim or right which it may otherwise have with respect to any matters not expressly provided for herein. In addition, none of the Stipulating Parties shall be deemed to have approved or acquiesced in any ratemaking principle, valuation method, cost of service determination, depreciation principle or cost allocation method underlying or allegedly underlying any of the
information submitted by any party to this Cause and, except as specifically provided in this Agreement, nothing contained herein shall constitute an admission by any of the Stipulating Parties that any allegation or contention in this proceeding is true or valid or shall constitute a determination by the Commission as to the merits of any allegations or contentions made in this proceeding.

13. In the event the Commission does not accept, adopt, and approve this Agreement in its entirety and without modification the Stipulating Parties agree that this Agreement shall be void and of no effect. In that event, the Stipulating Parties agree as follows: (a) none of the Stipulating Parties shall be bound by any of the provisions or agreements herein contained; (b) the Stipulating Parties shall be deemed to have reserved all their respective rights and remedies in this proceeding; and (c) none of the Stipulating Parties hereto shall introduce this Agreement or any writings, discussions, negotiations, or other communications of any type related to this Agreement in any proceeding.

14. Each of the undersigned counsel of record affirmatively represents to the Commission that he or she has fully advised his or her respective client that the execution of this Agreement constitutes a resolution of issues raised in this proceedings; that no promise, inducement or agreement not herein expressed has been made to any Stipulating Party; that this Agreement constitutes the entire agreement between and among the Stipulating Parties; and each of the undersigned counsel of record affirmatively represents that he or she has full authority to execute this Agreement on behalf of his or her respective client.

15. The Stipulating Parties agree that the provisions of this Agreement are the result of negotiations based upon the unique circumstances currently represented by the Company and that the processing of this Cause sets no precedent for any future causes that the Company or others may file with this Commission. The Stipulating Parties further agree and represent that this Agreement shall not constitute nor be cited as precedent nor deemed an admission by any
Stipulating Party in any other proceeding except as necessary to enforce its terms before the Commission or any state court of competent jurisdiction. The Commission's decision, if it enters an order consistent with this Agreement, will be binding as to the matters decided regarding the issues described in this Agreement, but the decision will not be binding with respect to similar issues that might arise in other proceedings. A Stipulating Party's support of this Agreement may differ from its position or testimony in other causes. To the extent there is a difference, the Stipulating Parties are not waiving their positions in other causes. Because this is a stipulated agreement, the Stipulating Parties are under no obligation to take the same position as set out in this Agreement in other dockets.

DATED this __ day of June, 2008.

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

Curtis M. Long, Attorney

ATTORNEY GENERAL OF THE STATE OF OKLAHOMA

Whitney Weigandner, Assistant Attorney General

PUBLIC UTILITY DIVISION
OKLAHOMA CORPORATION COMMISSION

Andrew Tevington, Deputy Director
(2) the level of salaries and wages, savings plan expense, payroll taxes, and other payroll-related expenses for the last month (December) of the Test Year shall be annualized;

(3) the effect of any statutorily enacted tax changes shall be annualized; and

(4) an adjustment shall be made to properly match the amortization of prudently incurred rate case expenses as of January 1, 2005 with their recovery in rates.

(5) there will be a cap on bad debt expense at 1.2% of Test Year revenues (inclusive of gas costs), with those expenses in excess of 1.2% removed.

(6) the Company shall provide a Variance Analysis in the form of the Chapter 70 Minimum Filing Requirement Supplemental W/P H-3 within 10 business days following the PBRC filing each year, as a supplement to its workpapers.

(e) The Company shall file an Exhibit in the form of Appendix 1 hereto.

(f) All adjustments made under the PBRC calculation to record expenses shall be delineated in both FERC Accounts and Natural Accounts.

(g) Billing determinants for calculation of going forward rate changes shall be determined under the Company’s methodology used in Cause No. 200400187 based on the following parameters:

(1) for weather normalization purposes, normal HDDs shall be 3,547 as specified in the Company’s Rider Schedule No. 7, Weather Normalization Adjustment (WNA);

Order Issued: ____________________ Effective: ____________________

Rates Authorized by Order No. ______________, Cause No. PUD ______________

Issued by Paul Gastineau, Director of Rates and Regulatory Research
(2) the regression shall be based upon the most recent 60 months of data; and

(3) average customer counts for the Test Year shall be used.

(h) The PBRC Plan filing shall prominently identify any changes in the accounting policies, practices and procedures adopted during the Test Year.

5.3.8 Within sixty days of the close of the twelve month period, the Company shall submit to the Commission a report showing whether it has fully distributed the ratepayer credit. Any resulting debits or credits shall be trued up through the next PBRC filing to be made following the submission of said report.

5.4. FILING PROCEDURES

On or before March 15, during the term of this PBRC Plan, the Company shall file in the OCC prescribed format, (See Attached Appendix 1), its ER calculation, PBRC calculation, credit calculations, including revised rate schedules, which may be warranted under this Plan at the OCC Court Clerk’s Office, with copies by certified mail to the Public Utility Division of OCC, and to the Office of the Attorney General of the State of Oklahoma (“AG”). The Company shall also provide the supporting documentation relied upon by the Company for any adjustments or annualized amounts presented in this filing along with the initial filing. Any revision or revisions that impact the net income by more than 5% are considered major modifications to the original filing and will require the time line to restart, which would require adjustment of all implementation dates. The Oklahoma Corporation Commission Staff (“Staff”) and the AG may request clarification and additional data, and the Company shall provide the same. If the Company determines that a credit is required under this PBRC Plan, then the Company shall also file on or before March 15, a plan to flow the credit through to the customers served under any rate schedules incorporating the PBRC Plan by reference. Unless disputed by the Staff or the AG, any revised rate schedules or any credit plan filed will become effective by Order of the Commission with billing on and after July 1. If the Staff or AG disputes the calculation of the ER, PBRC, or credit, or the filed credit plan, or any component thereof, the Staff and the AG shall notify the Company on or before May 31.

Order Issued: ____________________  Effective: ____________________

Rates Authorized by Order No. ________________, Cause No. PUD ____________________

Issued by Paul Gastineau, Director of Rates and Regulatory Research
The Company, the Staff and the AG shall work in good faith to resolve all disputes and answer all questions. If the Company, the Staff and the AG agree that any calculations or the credit plan should be revised, the Company shall file with the OCC the resulting adjusted rate or credit calculations, revised rate schedules, or revised credit plan which would be effective with billing on and after July 1.

5.4.1. The Filing described in Paragraph 5.4. shall be filed under a Commission PUD Docket Number. A streamlined Procedural Schedule shall be established to provide notice and due process to all interested parties, including customers.

5.4.2. **APPLICABLE RATE SCHEDULES**

Residential Firm Sales Service (RS-1)

General Firm Sales Service (GS-1)

5.5 **CREDIT TO BILLS (Effective September 1, 2006 through August 31, 2007)**

5.5.1. As described in paragraphs 5.3.2(b), 5.3.5, 5.3.6 and 5.4 of this PBRC Plan, a credit is applicable to customers’ bills beginning on the later of (1) the first day of the first month following the date on which the Order approving the Joint Stipulation is issued, or (2) 14 days after the date of the order approving the Joint Stipulation, and ending on the last billing cycle twelve months thereafter. The credit, as approved in Cause No. PUD-2006000062200800062, shall be as follows:

**Residential Firm Sales Service (RS-1)**

(a) Monthly Customer Charge -- $(0.34+0.16)

(b) Distribution Rate:

First 30 Ccf at $(0.01440.0077) per Ccf

**General Firm Sales Service (GS-1)**

(a) Monthly Customer Charge -- $(0.750.39)

(b) Distribution Rate:

First 100 Ccf at $(0.04130.0095) per Ccf

---

Order Issued: __________________ Effective: __________________

Rates Authorized by Order No.________________, Cause No. PUD __________________

Issued by Paul Gastineau, Director of Rates and Regulatory Research
RIDER SCHEDULE NO. 7
WEATHER NORMALIZATION ADJUSTMENT (WNA)

7. WEATHER NORMALIZATION ADJUSTMENT (WNA)

7.1. For bills rendered from November 1 through May 31 each year, the applicable margin rates for gas service to customers served under the applicable rate schedules shall be adjusted by a Weather Normalization Adjustment (WNA) to reflect much of the impact of heating degree day variations from normal levels which were used to set rates under the applicable rate schedules.

7.2. In order to calculate the total weather adjustment for the applicable billing cycle, a weather deviation is computed and multiplied by the applicable margin rate. A per Ccf WNA adjustment is calculated by dividing the total weather adjustment by the average Ccf usage per customer for all customers in each billing cycle, using the formula described below. The per Ccf adjustment for each applicable rate schedule is applied to customer's usage for the billing cycle. The WNA shall be separately identified on customer bills.

7.3. CALCULATION OF WEATHER NORMALIZATION ADJUSTMENT

7.3.1. The WNA is calculated as follows:

\[
WNA_i = \frac{R_i(DDF_i(NDD - ADD))}{AAU_i}
\]

Where:
- \(i\) = Any particular rate classification to which the WNA is to be applied.
- \(WNA\) = Weather Normalization Dollar Adjustment per Ccf
- \(R\) = Applicable Margin Rate
- \(DDF\) = Degree Day Factor associated with the applicable rate schedule.

Order Issued: ____________________  Effective: ____________________

Rates Authorized by Order No._ ____________  Cause No. PUD ____________

Issued by Paul Gastineau, Director of Rates and Regulatory Research
7.4. Definitions

7.4.1. Normal Degree Days: The heating degree-days, which are based on a 10-year average ending June 30, 2007 as are shown on Attachment 1.

7.4.2. Actual Degree Days: The actual heating degree days as published by Weather Services Corporation or any other nationally recognized third-party weather service for the Oklahoma City Will Rogers Airport.

7.4.3. Applicable Margin Rate:

7.4.3.1. Residential Firm Sales Service (RS-1) - The RS-1 WNA marginal rate will use a weighted average marginal rate of the November - May residential volumes that are in excess of 11 Ccf. The mechanics will be to use the monthly bill frequencies to determine the volume in the 11-30 Ccf range, the 31-100 Ccf range, the 101-200 Ccf range, and the volume above the 200 Ccf range. The weighted average margin will be determined by applying the applicable margin rates for each of the applicable margin ranges to the applicable volumes, summing those totals and dividing the results by the total volumes in those ranges. The current applicable RS-1 marginal rate is $0.1817 per Ccf.

7.4.3.2. General Firm Sales Service (GS-1) - The GS-1 WNA marginal rate will use a weighted average marginal rate of the November - May residential volumes that are in excess of 11 Ccf. The mechanics will be to use the monthly bill frequencies to determine the volume in the 11-30 Ccf range, the 31-100 Ccf range, the 101-200 Ccf range, and the volume above the 200 Ccf range. The weighted average margin will be determined by applying the applicable margin rates for each of the applicable margin ranges to the applicable volumes, summing those totals and dividing the results by the total volumes in those ranges. The current applicable GS-1 marginal rate is $0.2626 per Ccf.

Order Issued: ___________________ Effective: ___________________

Rates Authorized by Order No. _________, Cause No. PUD _________

Issued by Paul Gastineau, Director of Rates and Regulatory Research
May GS-1 volumes that are in excess of 20 Ccf. The mechanics will be to use the monthly bill frequencies to determine the volume in the 21-100 Ccf range, the volume in the 101-200 Ccf range, the volume in the 201-1500 Ccf range, the volume in the 1,501-8,000 Ccf range, the volume in the 8,001-15,000 Ccf range, and the volume above the 15,000 Ccf range. The weighted average margin will be determined by applying the applicable margin rates for each of the applicable margin ranges to the applicable volumes, summing those totals and dividing the results by the total volumes in those ranges. The current applicable GS-1 margin rate is $0.2499 per Ccf.

7.5. APPLICABLE RATE SCHEDULES
   Residential Firm Sales Service (RS-1)
   General Firm Sales Service (GS-1)

7.6. ANNUAL REPORT
   The Company will file annually at the time of the PBRC Filing a comparison of actual and normal heating degree days by month and by season, and total WNA revenues by rate schedule by month and by season.
<table>
<thead>
<tr>
<th>DATE</th>
<th>HOD</th>
<th>DATE</th>
<th>HOD</th>
<th>DATE</th>
<th>HOD</th>
<th>DATE</th>
<th>HOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-Jul</td>
<td>0</td>
<td>16-Aug</td>
<td>0</td>
<td>1-Oct</td>
<td>14</td>
<td>1-Jan</td>
<td>26</td>
</tr>
<tr>
<td>2-Aug</td>
<td>0</td>
<td>17-Aug</td>
<td>15</td>
<td>2-Jan</td>
<td>25</td>
<td>17-Feb</td>
<td>21</td>
</tr>
<tr>
<td>3-Aug</td>
<td>0</td>
<td>18-Aug</td>
<td>0</td>
<td>3-Jan</td>
<td>26</td>
<td>18-Feb</td>
<td>21</td>
</tr>
<tr>
<td>4-Aug</td>
<td>0</td>
<td>19-Aug</td>
<td>16</td>
<td>4-Jan</td>
<td>25</td>
<td>18-Feb</td>
<td>20</td>
</tr>
<tr>
<td>5-Aug</td>
<td>0</td>
<td>20-Aug</td>
<td>3</td>
<td>5-Jan</td>
<td>26</td>
<td>20-Feb</td>
<td>21</td>
</tr>
<tr>
<td>6-Aug</td>
<td>0</td>
<td>21-Aug</td>
<td>0</td>
<td>6-Jan</td>
<td>25</td>
<td>21-Feb</td>
<td>20</td>
</tr>
<tr>
<td>7-Aug</td>
<td>0</td>
<td>22-Aug</td>
<td>0</td>
<td>7-Jan</td>
<td>25</td>
<td>22-Feb</td>
<td>20</td>
</tr>
<tr>
<td>8-Aug</td>
<td>0</td>
<td>23-Aug</td>
<td>17</td>
<td>8-Jan</td>
<td>25</td>
<td>23-Feb</td>
<td>20</td>
</tr>
<tr>
<td>9-Aug</td>
<td>0</td>
<td>24-Aug</td>
<td>18</td>
<td>9-Jan</td>
<td>25</td>
<td>24-Feb</td>
<td>21</td>
</tr>
<tr>
<td>10-Aug</td>
<td>0</td>
<td>25-Aug</td>
<td>19</td>
<td>10-Jan</td>
<td>25</td>
<td>25-Feb</td>
<td>21</td>
</tr>
<tr>
<td>11-Aug</td>
<td>0</td>
<td>26-Aug</td>
<td>20</td>
<td>11-Jan</td>
<td>25</td>
<td>26-Feb</td>
<td>21</td>
</tr>
<tr>
<td>12-Aug</td>
<td>0</td>
<td>27-Aug</td>
<td>6</td>
<td>12-Jan</td>
<td>25</td>
<td>27-Feb</td>
<td>21</td>
</tr>
<tr>
<td>13-Aug</td>
<td>0</td>
<td>28-Aug</td>
<td>18</td>
<td>13-Jan</td>
<td>25</td>
<td>28-Feb</td>
<td>21</td>
</tr>
<tr>
<td>14-Aug</td>
<td>0</td>
<td>29-Aug</td>
<td>19</td>
<td>14-Jan</td>
<td>25</td>
<td>29-Feb</td>
<td>21</td>
</tr>
<tr>
<td>15-Aug</td>
<td>0</td>
<td>30-Aug</td>
<td>20</td>
<td>15-Jan</td>
<td>25</td>
<td>30-Feb</td>
<td>21</td>
</tr>
<tr>
<td>16-Aug</td>
<td>0</td>
<td>31-Aug</td>
<td>21</td>
<td>16-Jan</td>
<td>25</td>
<td>31-Feb</td>
<td>21</td>
</tr>
<tr>
<td>17-Aug</td>
<td>0</td>
<td>1-Sep</td>
<td>17</td>
<td>17-Jan</td>
<td>25</td>
<td>1-Mar</td>
<td>17</td>
</tr>
<tr>
<td>18-Aug</td>
<td>0</td>
<td>2-Sep</td>
<td>18</td>
<td>18-Jan</td>
<td>25</td>
<td>2-Mar</td>
<td>17</td>
</tr>
<tr>
<td>19-Aug</td>
<td>0</td>
<td>3-Sep</td>
<td>19</td>
<td>19-Jan</td>
<td>25</td>
<td>3-Mar</td>
<td>17</td>
</tr>
<tr>
<td>20-Aug</td>
<td>0</td>
<td>4-Sep</td>
<td>20</td>
<td>20-Jan</td>
<td>25</td>
<td>4-Mar</td>
<td>17</td>
</tr>
<tr>
<td>21-Aug</td>
<td>0</td>
<td>5-Sep</td>
<td>22</td>
<td>21-Jan</td>
<td>25</td>
<td>5-Mar</td>
<td>17</td>
</tr>
<tr>
<td>22-Aug</td>
<td>0</td>
<td>6-Sep</td>
<td>22</td>
<td>22-Jan</td>
<td>25</td>
<td>6-Mar</td>
<td>17</td>
</tr>
<tr>
<td>23-Aug</td>
<td>0</td>
<td>7-Sep</td>
<td>23</td>
<td>23-Jan</td>
<td>25</td>
<td>7-Mar</td>
<td>17</td>
</tr>
<tr>
<td>24-Aug</td>
<td>0</td>
<td>8-Sep</td>
<td>24</td>
<td>24-Jan</td>
<td>25</td>
<td>8-Mar</td>
<td>17</td>
</tr>
<tr>
<td>25-Aug</td>
<td>0</td>
<td>9-Sep</td>
<td>25</td>
<td>25-Jan</td>
<td>25</td>
<td>9-Mar</td>
<td>17</td>
</tr>
<tr>
<td>26-Aug</td>
<td>0</td>
<td>10-Sep</td>
<td>26</td>
<td>26-Jan</td>
<td>25</td>
<td>10-Mar</td>
<td>17</td>
</tr>
<tr>
<td>27-Aug</td>
<td>0</td>
<td>11-Sep</td>
<td>27</td>
<td>27-Jan</td>
<td>25</td>
<td>11-Mar</td>
<td>17</td>
</tr>
<tr>
<td>28-Aug</td>
<td>0</td>
<td>12-Sep</td>
<td>28</td>
<td>28-Jan</td>
<td>25</td>
<td>12-Mar</td>
<td>17</td>
</tr>
<tr>
<td>29-Aug</td>
<td>0</td>
<td>13-Sep</td>
<td>29</td>
<td>29-Jan</td>
<td>25</td>
<td>13-Mar</td>
<td>17</td>
</tr>
<tr>
<td>30-Aug</td>
<td>0</td>
<td>14-Sep</td>
<td>30</td>
<td>30-Jan</td>
<td>25</td>
<td>14-Mar</td>
<td>17</td>
</tr>
<tr>
<td>31-Aug</td>
<td>0</td>
<td>15-Sep</td>
<td>31</td>
<td>31-Jan</td>
<td>25</td>
<td>15-Mar</td>
<td>17</td>
</tr>
<tr>
<td>1-Sep</td>
<td>0</td>
<td>16-Sep</td>
<td>1</td>
<td>1-Jul</td>
<td>26</td>
<td>16-Mar</td>
<td>17</td>
</tr>
<tr>
<td>2-Sep</td>
<td>0</td>
<td>17-Sep</td>
<td>2</td>
<td>2-Jul</td>
<td>26</td>
<td>17-Mar</td>
<td>17</td>
</tr>
<tr>
<td>3-Sep</td>
<td>0</td>
<td>18-Sep</td>
<td>3</td>
<td>3-Jul</td>
<td>26</td>
<td>18-Mar</td>
<td>17</td>
</tr>
<tr>
<td>4-Sep</td>
<td>0</td>
<td>19-Sep</td>
<td>4</td>
<td>4-Jul</td>
<td>26</td>
<td>19-Mar</td>
<td>17</td>
</tr>
<tr>
<td>5-Sep</td>
<td>0</td>
<td>20-Sep</td>
<td>5</td>
<td>5-Jul</td>
<td>26</td>
<td>20-Mar</td>
<td>17</td>
</tr>
<tr>
<td>6-Sep</td>
<td>0</td>
<td>21-Sep</td>
<td>6</td>
<td>6-Jul</td>
<td>26</td>
<td>21-Mar</td>
<td>17</td>
</tr>
<tr>
<td>7-Sep</td>
<td>0</td>
<td>22-Sep</td>
<td>7</td>
<td>7-Jul</td>
<td>26</td>
<td>22-Mar</td>
<td>17</td>
</tr>
<tr>
<td>8-Sep</td>
<td>0</td>
<td>23-Sep</td>
<td>8</td>
<td>8-Jul</td>
<td>26</td>
<td>23-Mar</td>
<td>17</td>
</tr>
<tr>
<td>9-Sep</td>
<td>0</td>
<td>24-Sep</td>
<td>9</td>
<td>9-Jul</td>
<td>26</td>
<td>24-Mar</td>
<td>17</td>
</tr>
<tr>
<td>10-Sep</td>
<td>0</td>
<td>25-Sep</td>
<td>10</td>
<td>10-Jul</td>
<td>26</td>
<td>25-Mar</td>
<td>17</td>
</tr>
<tr>
<td>11-Sep</td>
<td>0</td>
<td>26-Sep</td>
<td>11</td>
<td>11-Jul</td>
<td>26</td>
<td>26-Mar</td>
<td>17</td>
</tr>
<tr>
<td>12-Sep</td>
<td>0</td>
<td>27-Sep</td>
<td>12</td>
<td>12-Jul</td>
<td>26</td>
<td>27-Mar</td>
<td>17</td>
</tr>
<tr>
<td>13-Sep</td>
<td>0</td>
<td>28-Sep</td>
<td>13</td>
<td>13-Jul</td>
<td>26</td>
<td>28-Mar</td>
<td>17</td>
</tr>
<tr>
<td>14-Sep</td>
<td>0</td>
<td>29-Sep</td>
<td>14</td>
<td>14-Jul</td>
<td>26</td>
<td>29-Mar</td>
<td>17</td>
</tr>
<tr>
<td>15-Sep</td>
<td>0</td>
<td>30-Sep</td>
<td>15</td>
<td>15-Jul</td>
<td>26</td>
<td>30-Mar</td>
<td>17</td>
</tr>
</tbody>
</table>

ATTACHMENT NO. 1 TO WNA TARIFF
DAILY NORMAL HODS FOR WNA BILLING
FOR THE TEN YEAR PERIOD ENDED JUNE 30, 2007

Page 2 of 4