



800 LaSalle Avenue
P.O. Box 59038
Minneapolis, MN 55459-0038

April 2, 2015

Mr. Daniel Wolf, Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2116

Re: Supplemental Information - Docket No. G-008/AI-15-50;
Petition of CenterPoint Energy Minnesota Gas, A division of CenterPoint Energy Resources Corp., for Approval of an Affiliated Interest Agreement between CenterPoint Energy Minnesota Gas and CenterPoint Energy Service Company, A CenterPoint Energy Company

Dear Mr. Wolf:

Attached is a redline version of the 2015 Master Services Agreement (MSA). This redline version was recently developed, as requested by the Department of Commerce, to compare the 2015 MSA to the MSA that was approved in Docket No. G-008/AI-04-376.

Please note that in the 2015 MSA that was e-filed on March 24, 2015, the description of Regulated Operations on page 9 and also included in the Exhibit II, contained Safety and Technical Training that was included in error. The version included in this filing does not include that section. We apologize for any inconvenience. As noted in our March 24, 2015 supplemental filing, the inclusion of customer service and related support functions is discussed on page 14 of the MSA.

We have electronically filed this document with the Minnesota Public Utilities Commission, and copies have been served on the parties on the attached service list. Please contact me at (612) 321-4625 or peggy.sorum@centerpointenergy.com if you have any questions regarding this matter.

Sincerely,

/s/

Peggy Sorum
Manager, Regulatory Financial Activities

C: Attached Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
David	Aafedt	daafedt@winthrop.com	Winthrop & Weinstine, P.A.	Suite 3500, 225 South Sixth Street Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_15-50_AI-15-50
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_15-50_AI-15-50
James J.	Bertrand	james.bertrand@leonard.com	Leonard Street & Deinard	150 South Fifth Street, Suite 2300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-50_AI-15-50
Brenda A.	Bjorklund	brenda.bjorklund@centerpointenergy.com	CenterPoint Energy	800 LaSalle Ave FL 14 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-50_AI-15-50
Jerry	Dasinger	jerry.dasinger@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	No	OFF_SL_15-50_AI-15-50
Jeffrey A.	Daugherty	jeffrey.daugherty@centerpointenergy.com	CenterPoint Energy	800 LaSalle Ave Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-50_AI-15-50
Ian	Dobson	ian.dobson@ag.state.mn.us	Office of the Attorney General-RUD	Antitrust and Utilities Division 445 Minnesota Street, 1400 BRM Tower St. Paul, MN 55101	Electronic Service	No	OFF_SL_15-50_AI-15-50
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_15-50_AI-15-50
Edward	Garvey	garveyed@aol.com	Residence	32 Lawton St Saint Paul, MN 55102	Electronic Service	No	OFF_SL_15-50_AI-15-50
Michael	Greiveldinger	michaelgreiveldinger@alliantenergy.com	Interstate Power and Light Company	4902 N. Biltmore Lane Madison, WI 53718	Electronic Service	No	OFF_SL_15-50_AI-15-50

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Robert	Harding	robert.harding@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 55101	Electronic Service	No	OFF_SL_15-50_AI-15-50
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_15-50_AI-15-50
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_15-50_AI-15-50
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_15-50_AI-15-50
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-50_AI-15-50
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	Ste 122 9100 W Bloomington Frwy Bloomington, MN 55431	Electronic Service	No	OFF_SL_15-50_AI-15-50
Peggy	Sorum	peggy.sorum@centerpointenergy.com	CenterPoint Energy	800 LaSalle Avenue PO Box 59038 Minneapolis, MN 554590038	Electronic Service	No	OFF_SL_15-50_AI-15-50
James M.	Strommen	jstrommen@kennedy-graven.com	Kennedy & Graven, Chartered	470 U.S. Bank Plaza 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-50_AI-15-50
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_15-50_AI-15-50
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_15-50_AI-15-50

Exhibit B-1

Form of
Master Services Agreement

between

and

Between

CenterPoint Energy Gas Operations

And

CenterPoint Energy Service Company, LLC

This Master Services Agreement (the "Agreement"), dated as of _____, 2003, January 1, 2015 is entered into in multiple parts by and between the companies whose names appear on the signature pages hereof, (each, a "Company" or "Recipient" and collectively, the "CenterPoint Companies" or "Recipients"), and CenterPoint Energy Service Company, LLC, a Texas limited liability corporation ("ServiceCo").

RECITALS

~~A. In connection with the authorizations provided by order dated July 5, 2002 (HCAR No. 27548), CenterPoint Energy, Inc. ("CenterPoint") registered as a holding company under the Public Utility Holding Company Act of 1935, as amended (the "1935 Act").~~

~~B. CenterPoint~~ has formed ServiceCo as a subsidiary company to provide services, as set forth herein, to CenterPoint and its subsidiaries.

Accordingly, ServiceCo and the CenterPoint Companies desire to enter into this Master Services Agreement to allow for the provision of services by ServiceCo to the CenterPoint Companies.

NOW, THEREFORE, in consideration of the premises and the representations, warranties and agreements herein contained, the parties hereto agree as follows:

I. EFFECTIVE DATE.

This Agreement shall be effective beginning January 1, ~~2004~~2015 or such ~~othersubsequent~~ date as ~~approved~~agreed by the ~~Securities and Exchange Commission (the "SEC")~~parties hereto.

II. SERVICES OFFERED.

Exhibit I to the Agreement lists and describes the services that may be available from ServiceCo. ServiceCo offers to supply those services to each Recipient that is a party to the Agreement. The services, excluding governmental or compliance, are and will be provided to Recipient only at the request of Recipient. From time to time, the parties may identify additional services that ServiceCo may provide to Recipients under this Agreement. ServiceCo will consult with Recipients to delineate the scope and terms of additional services that may be offered.

The services offered may be further described in Service Level Agreements that define performance metrics or standards and other procedures and requirements with respect to the provision of a particular category of services. To the extent a category of service is more fully described in a Service Level Agreement, it is incorporated into this Agreement by reference.

ServiceCo shall maintain sufficient resources to perform its obligations under this Agreement and shall perform its obligations in a commercially reasonable manner. If no specific performance metrics for the provision of a service are established, ServiceCo shall provide the service exercising the same care and skill as it exercises in performing similar services for itself.

If a Recipient requests the level at which any service to be provided to be scaled up to a level in excess of the level in effect during the prior twelve months, Recipient shall give ServiceCo such advance notice as it may reasonably require sufficient to make any necessary preparations to perform such services on the scaled up or modified basis. The level of a service shall be considered scaled up if providing the service at the proposed level involves an increase in personnel, equipment or other resources that is not de minimis and is not reasonably embraced by the agreed definition and scope of that service prior to the proposed increase. The Recipient will be responsible for any additional costs associated with such "scaled-up" services.

III. SERVICES SELECTED

A. Initial Selection of Services.

Each Recipient shall designate on Exhibit II to the Agreement, ~~which may be amended when additional services are offered,~~ the services that it agrees to receive from ServiceCo. Designation may also be in the form of an opt-out where each company agrees to receive all services from ServiceCo except those specifically enumerated in Exhibit II.

B. Annual Selection of Services.

ServiceCo shall send an annual service proposal form to each Recipient on or about July 1 listing services proposed for the next fiscal year. By August 31, Recipient shall notify ServiceCo of the services it has elected to receive during the next fiscal year.

C. Additional Services

Each Recipient shall designate on Exhibit II to the Agreement, an amendment for additional services offered/requested from ServiceCo.

~~C.~~ D. Responsibility for Services.

ServiceCo's sole responsibility to Recipient for errors or omissions in services shall be to furnish correct information and/or adjustments in the services, at no additional cost or expense to Recipient; provided, Recipient must promptly advise ServiceCo of any such error or omission of which it becomes aware after having used reasonable efforts to detect any such errors or omissions. In no event shall ServiceCo have any liability under this Agreement or otherwise arising out of or resulting from the performance of, or the failure to perform, services for loss of anticipated profits by reason of any business interruption, facility shutdown or non-operation, loss of data or otherwise or for any incidental, indirect, special or consequential damages, whether or not caused by or resulting from negligence, including gross negligence, or breach of obligations hereunder and whether or not Recipient was informed of the possibility of the existence of such damages.

IV. PERSONNEL

ServiceCo will provide services by using the services of executives, accountants, financial advisers, technical advisers, attorneys, engineers and other persons with the necessary qualifications.

If necessary, ServiceCo, after consultation with Recipient, may also arrange for the services of affiliated or unaffiliated experts, consultants, attorneys and others in connection with the performance of any of the services supplied under this Agreement. ServiceCo also may serve as administrative agent, arranging and monitoring services provided by third parties to Recipient, whether such services are billed directly to Recipient or through ServiceCo.

ServiceCo may contract for the services of certain employees of ~~the other subsidiaries or affiliates of~~ CenterPoint ~~System Companies~~Energy, Inc. for the purpose of staffing its service operations. ~~Such contracts will be entered into in reliance on Rule 87 or, if the contemplated services are of a recurring nature, the arrangement will be the subject of a 60-day letter. These arrangements will comply with the applicable provisions under the 1935 Act, including the provisions of Rule 90 thereunder requiring the performance of services on the basis of cost.~~

V. COMPENSATION AND ALLOCATION

A. Basis for Charges.

~~As-Unless otherwise specifically agreed between ServiceCo and to the extent required by law a Recipient, ServiceCo will provide such services at cost allocated on a fair, nondiscriminatory basis. The Policies and Procedures Manual contains rules for determining and allocating costs.~~ The parties shall use good faith efforts to discuss any situation in which the actual charge for a service is reasonably expected to exceed the estimated charge, if any, set forth in a Service Level Agreement, provided, however, that charges incurred in excess of any such estimate shall not justify stopping the provision of, or payment for, services under this Agreement. ServiceCo shall establish its charges based on the following principles:

1. The price charged for each service or product will be the same as that charged any other CenterPoint business unit for like services or products at like volumes ~~(if volume discount pricing is applicable); for a given period;~~
2. ~~The price~~Amounts charged for ~~each service or product shall not include, either directly or indirectly through allocation, any costs which generally are items~~ not allowed ~~to be recovered through utility for recovery in regulated rates will be identified and billed separately to allow the rate regulated entity to report the cost as required~~ (e.g. legislative advocacy expenses);
3. The price charged for each service or product shall reflect only those costs, including labor, incurred by ~~Service Co~~ServiceCo, either directly or indirectly, ~~(including return on and of any assets owned by ServiceCo),~~ which are reasonable and necessary to provide such service or product; and
4. To the extent the price charged for each service or product reflects an allocation of costs incurred, ServiceCo will endeavor to ensure that such allocation reasonably approximates the actual costs incurred in providing that service or product.

B. Adjustments to Charges During a Year.

The parties recognize that the charges for services and products may depend on market conditions and on the quantities of services or products taken and that the pricing established under a Service Level Agreement reflects the quantities Recipient has stated it expects to use or consume over the course of the year, or where no specific quantities have been established, the pricing reflects the quantities that Recipient has consumed or contracted for in a prior year. During the course of the year, Recipient will make reasonable effort to inform ServiceCo of expected changes in the volumes and patterns of Recipient's consumption of services and products, and ServiceCo will make reasonable efforts to maintain the pricing stated in the Service Level Agreement or a client billing plan reflecting Service Level Agreement charges. However, charges for services and products may require ~~true-ups~~residual clearings at the end of ~~the year a period~~ to adjust the ~~pricing~~billings for the actual costs and/or volumes of services and products utilized. ~~CenterPoint will file a 60-day letter if the amount of true-up exceeds 5% of annual billings.~~

If, during the course of the year, Recipient foresees the need to substantially reduce or terminate its use of a certain service or consumption of a certain product, it shall promptly notify ServiceCo of the expected reduction or termination. ServiceCo shall promptly prepare a new term sheet under the affected Service Level Agreement and/or a special billing to reflect changes in cost caused by the reduction or termination. In the event Recipient disagrees with the new pricing and/or special billing, the dispute shall be resolved in accordance with Section ~~VIII~~ of this Agreement.

If ServiceCo foresees the need to substantially alter the nature of or to terminate offering a certain service or product, or if pricing for a service or product must be significantly revised due to market conditions or unexpected increases in costs, ServiceCo shall promptly notify Recipient of the expected alteration, termination or increase in pricing. ServiceCo shall prepare a new term sheet under the affected Service Level Agreement and/or a special billing to reflect the costs or savings incurred due to the alteration or termination or the increase in costs ServiceCo will incur. If Recipient disagrees with the new pricing and/or special billing, the dispute shall be resolved in accordance with the dispute resolution process under Section VIII of this Agreement.

VI. TAXES

Recipient shall bear all taxes, duties and other similar charges (and any related interest and penalties), imposed as a result of its receipt of services under this Agreement, including any tax which Recipient is required to withhold or deduct from payments to ServiceCo. ServiceCo may collect from Recipient any sales, use and similar taxes imposed on the provision of services and shall pay such tax to the appropriate governmental or taxing authority.

VII. BILLING

Charges will be rendered during the first week of each month covering amounts incurred during the prior month. Charges will be based on actual amounts paid. If allocations are required, they may be based on estimated values based on estimates in budget plans for the relevant values. Estimated amounts will be adjusted on subsequent charges either in a subsequent month or at the end of the year. ~~Any amount remaining unpaid after fifteen days following~~ Residual amounts will be cleared monthly based on the annual plan. Monthly charges are due upon receipt of the bill shall bear interest thereon from and will be paid automatically through the date of the bill at the lesser of the prime rate announced by JPMorgan Bank and in effect from time to time plus 2% per annum or the maximum non-usurious rate of interest permitted by applicable law. intercompany pay run.

ServiceCo's ~~billing system will use 17 C.F.R. Section 256 et. al,~~ the "Uniform System of Accounts for Mutual Service Companies", established by the Commission for holding company systems, ~~as may be adjusted to use the FERC uniform~~ system of accounts prescribed under policies and procedures of CenterPoint Energy, which shall be designed to comply with applicable regulatory requirements in the jurisdictions in which regulated Recipients operate.

ServiceCo will support its charges with reasonable documentation (which may be maintained in electronic form). ServiceCo will make adjustments to charges as required to reflect the discovery of errors or omissions in the charges.

VIII. TERMINATION AND MODIFICATION

A. Modification of Services.

Recipient may modify its selection of services at any time during the fiscal year by giving ServiceCo written notice sixty (60) days in advance for the additional services it wishes to receive, and/or the services it no longer wishes to receive, from ServiceCo. ServiceCo will attempt to mitigate costs but the Recipient will be responsible for any remaining costs as a result of its modification of services.

B. Modification of Other Terms and Conditions.

No other amendment, change or modification of this Agreement shall be valid, unless made in writing and signed by all parties hereto.

C. Termination of this Agreement.

Recipient may terminate this Agreement with ServiceCo by providing sixty (60) days advance written notice of such termination to ServiceCo. ServiceCo may terminate this Agreement as to Recipient by providing sixty (60) days advance written notice of such termination to Recipient. ServiceCo will attempt to mitigate costs but the Recipient will be responsible for any remaining costs as a result of its termination of the Agreement.

This Agreement is subject to termination or modification at any time to the extent its performance may conflict with the provisions of ~~the 1935 Act, or with any rule, regulation or order of the SEC adopted before or after the making of this Agreement~~ applicable law or rules or regulation. This Agreement shall be subject to the approval of any state commission or other state regulatory body whose approval is, by the laws of said state, a legal prerequisite to the execution and delivery or the performance of this Agreement.

IX. DISPUTE RESOLUTION

From time to time, disputes may arise regarding the services and products provided by ServiceCo. The employees of Recipient and the employees of ServiceCo are encouraged to resolve those disputes on an informal basis in as timely a manner as possible, and the ServiceCo agrees, upon reasonable request, to provide access to relevant books and records. However, if during the course of the year a dispute arises as to the scope of any service or the nature of any product, the delivery terms, the related performance metrics and standards, or the price for any service or product which cannot be resolved on an informal basis, Recipient and ServiceCo will resolve the dispute using the following procedures:

A. A supervisor or manager of Recipient who is responsible for the use of the service or the consumption of the product about which there is a dispute will notify in writing, or by email, a supervisor or manager of ServiceCo who is responsible for providing the service or product of the nature of the dispute, including specific examples of problems or failures which gave rise to the dispute. The supervisor or manager of Recipient shall also present a proposed resolution of the dispute and propose a date and time for a meeting to resolve the dispute. The supervisor or manager of ServiceCo shall acknowledge in writing, or by email, his or her receipt of the notice of the dispute and agree to the meeting, suggest an alternative date and time for the meeting proposed by the supervisor or manager of Recipient, or contact the supervisor or manager of Recipient to schedule a meeting date and time that the two may agree upon.

B. The supervisor or manager of Recipient and the supervisor or manager of ServiceCo may meet as often as both agree is necessary to resolve the complaint, and their meeting or meetings may include such other employees as may be helpful in resolving the dispute. If after such meeting or meetings, but in no event later than thirty days after the initial notice of the dispute was given, the supervisor or manager of Recipient and the supervisor or manager of ServiceCo are unable to resolve the dispute, the dispute shall be referred to the appropriate executive of Recipient and an executive of ServiceCo for resolution.

C. The executive of Recipient and the executive of ServiceCo shall meet at a date and time or dates and times they mutually agree upon. Such meetings or meetings may include any employees either executive believes will be helpful in resolving the dispute. If, after such meeting or meetings, the executive of Recipient and the executive of ServiceCo reasonably believe they cannot resolve the dispute, the dispute shall be referred to the most senior executives of Recipient and of ServiceCo for resolution in accordance with whatever procedures senior management may establish.

X. NOTICE

Where written notice is required by this Agreement, said notice shall be deemed given when delivered in person, by electronic mail, or when mailed by United States registered or certified mail, postage prepaid, return receipt requested, addressed, if to ServiceCo, to the Chief [Financial Accounting](#) Officer and, if to Recipient, to its President at the address listed on the most recent Exhibit II received by ServiceCo.

XI. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without regard to its conflict of laws provisions.

XII. ENTIRE AGREEMENT

This Agreement, together with its exhibits, constitutes the entire understanding and agreement of the parties with respect to its subject matter, and effective upon the execution

of this Agreement by the respective parties hereof and thereto, any and all prior agreements, understandings or representations with respect to this subject matter are hereby terminated and cancelled in their entirety and of no further force or effect.

XIII. WAIVER

No waiver by any party hereto of a breach of any provision of this Agreement shall constitute a waiver of any preceding or succeeding breach of the same or any other provision hereof.

XIV. ASSIGNMENT

This Agreement shall inure to the benefit of and shall be binding upon the parties and their respective successors and assigns. No assignment of this Agreement or any party's rights, interests or obligations hereunder may be made without the other party's consent, which shall not be unreasonably withheld, delayed or conditioned.

XV. SEVERABILITY

If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above mentioned.

By Recipient:

By: _____

Name

Title

CENTERPOINT ENERGY
GAS OPERATIONS

Joe McGoldrick
EVP & President Gas Division

By ServiceCo:

CENTERPOINT ENERGY SERVICE
COMPANY, LLC

By: _____
Name
Title

Kristie Colvin
SR VP & Chief Accounting Officer

EXHIBIT I

COST ACCUMULATION AND ASSIGNMENT, ALLOCATION METHODS, AND DESCRIPTION OF SERVICES OFFERED BY SERVICECO TO RECIPIENT

This document sets forth the methodologies used to accumulate the costs of services that may be performed by ServiceCo and to assign or allocate such costs to other subsidiaries and business units within the CenterPoint registered holding company system that receive services from ServiceCo.

Cost of Services Performed

ServiceCo shall maintain an accounting system that enables costs to be identified by Cost Center, Account Number or Capital Project ("Account Codes"). The primary inputs to the accounting system shall be payroll records for ServiceCo's employees, accounts payable transactions and journal entries. Charges for labor shall be made at the employees' effective hourly rate, including the cost of pensions, other employee benefits and payroll taxes. To the extent practicable, costs of services shall be directly assigned to the applicable Account Codes. The full cost of providing services shall also include certain indirect costs, e.g., departmental overheads, administrative and general costs, and taxes. Indirect costs shall be associated with the services performed in proportion to the directly assigned costs of the services or other relevant cost allocators.

[Internal Audit Services, under the direction of the Vice President of Audit Services, will conduct periodic reviews of CNP ServiceCo's business processes and systems to ensure that the services provided are properly documented and charged to the Client Companies on an appropriate basis.](#)

[CNP ServiceCo will review its costs for competitiveness on a regular basis. Benchmarking and other measurement techniques will be used to the extent deemed appropriate by senior management. Results will be shared with the Client Companies to allow them to evaluate cost effectiveness and assess alternate options.](#)

Cost Assignment and Allocation

ServiceCo's costs shall be directly assigned, distributed or allocated to Recipients in the manner described below:

1. Costs accumulated in Cost Centers for services specifically performed for a single Recipient shall be directly assigned or charged to such Recipient; [\(Direct Billed\)](#);
2. Costs accumulated in Cost Centers for services specifically performed for two or more Recipients shall be distributed among and charged to such Recipients using methods determined on a case-by-case basis consistent with the nature of the work performed and based on one of the allocation methods described below; and

3. Costs accumulated in Cost Centers for services of a general nature which are applicable to all Recipients or to a class or classes of Recipients shall be allocated among or charged to such Recipients by application of one or more of the allocation methods described below.

|

Allocation Methods

The following methods shall be applied, as indicated in the Description of Services section that follows, to allocate costs for services of a general nature.

1. Operating Expense – A ratio based on operating expense minus fuel ~~and purchase power.~~ This ratio initially will be determined ~~annually~~ based on the annual plan operating expense and will be adjusted for any known and reasonably quantifiable events ~~and throughout the year.~~ The ratio will be ~~trued up~~ adjusted at the ~~end~~ beginning of ~~the fiscal year~~ each quarter based on actual operating expense for the year-to-date period and the plan for the remaining months.

2. Total Assets Ratio – A ratio based on the total assets minus investments in subsidiaries ~~and~~ goodwill, gas payables, short-term and long-term non-trading derivatives, short-term and long-term regulated liabilities, and stranded costs and other true-up related regulatory assets. This ratio will be determined ~~annually~~ based on ~~annual plan~~ twelve month average of actual assets and will be adjusted for any known and reasonably quantifiable events ~~and will be trued up~~ at the ~~end of the fiscal year based on twelve month average of actual assets.~~ The Total Assets Ratio will not be used to allocate costs associated with corporate governance services beginning of each quarter.

~~3. Cash Flow – A ratio based on operating expense including fuel, purchase power and capital expenditures, less depreciation expense. This ratio will be determined annually based on annual plan cash flow and will be adjusted for any known and reasonably quantifiable events and will be trued up at the end of the fiscal year based on actual cash flow.~~

~~4.~~ 3. Head Count – A ratio based on active and retiree headcount. This ratio will be determined annually based on annual plan head count and will be adjusted to actual and for any known and reasonably quantifiable events ~~and will be trued up~~ at the ~~end~~ beginning of the ~~fiscal year based on actual head count~~ each quarter.

~~5. Direct Labor – A ratio based on billable hours. This ratio will be determined monthly based on monthly billable hours and may be used to allocate, for example, certain support services on the same basis as actual legal services are billed.~~

~~6.~~ 4. Direct Labor – This factor is determined based on the actual unit/hours utilized by the applicable Recipients. This factor will be determined annually based on unit/hours utilized at the end of the previous fiscal year and may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes. All CNP ServiceCo employees, including executives, shall keep time records supporting labor charged to separately identifiable goods and services performed for Client Companies. Cost objects to which time entries relate will be identified in the timekeeping system, and costs associated with those time entries will be charged to the appropriate cost objects through SAP billings.

5. Client Unit Usage – This factor is determined based on the actual unit/usage ~~that is~~ utilized by the applicable Recipients. This factor will be determined annually based on units/usage utilized at the end of the previous fiscal year and may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes. Direct management oversight of client unit usage services will be allocated in proportion to the billings of those services.

76. Square Footage – This factor will be determined based on actual square footage used by the applicable Recipients. This factor will be determined annually based on square footage utilized at the end of the previous fiscal year and may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes.

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7. Composite Ratio – This ratio will be determined annually based on revenuesgross margin, employees, and total assets. ~~For purposes of this ratio, CenterPoint’s revenues shall, and will be deemed to include adjusted at the beginning of each quarter, following each individual method adjustment listed above and for any dividends received from subsidiary companies; CenterPoint’s assets shall~~ known and reasonably quantifiable events.

8. Cross Charges – The cost of services provided to functional areas within ServiceCo will be deemed allocated to include investments in subsidiary companies and persons who are corporate officers of CenterPoint shall be deemed Companies in proportion to be employees the billings of CenterPoint. the functional areas being supported.

Description of Services

A description of each of the services performed by ServiceCo, which may be modified from time to time, is presented below. As discussed above, where identifiable, costs will be directly assigned or distributed to Recipients. For costs accumulated in Cost Centers which are for services of a general nature that cannot be directly assigned or distributed, the method or methods of allocation are also set forth. Substitution or changes may be made in the methods of allocation hereinafter specified, as may be appropriate ~~and to the extent permitted under the SEC 60 day letter procedure, and will be provided to state regulatory agencies and to each affected Recipient.~~

1. Accounting Services.

ServiceCo may provide various services to Recipients including corporate accounting and reporting, gas cost accounting, bank reconciliation and escheat processing/reporting, corporate tax, general ledger maintenance and all accounting record keeping, guidance regarding adoption and application of accounting policies, risk oversight and financial reporting for SEC, regulatory and other purposes, financial accounting system processes and support to rate and other regulatory proceedings. As appropriate and where it would not result in duplication of functions, each Recipient may also maintain its own corporate and accounting group and engage ServiceCo to provide advice and assistance on accounting

matters, including the development of accounting practices, procedures and controls, the preparation and analysis of financial reports and the filing of financial reports with regulatory bodies, on a system-wide basis. Costs of a general nature may be allocated using the ~~Total Assets Ratio~~, Operating Expense Ratio, Composite Ratio or ~~Cash Flow Ratio~~ Direct Billed.

2. ~~Internal Auditing~~ Audit Services.

ServiceCo may conduct periodic audits of administration and accounting processes. Audits would include examinations of Recipients' service agreements, accounting systems, source documents, allocation methods and billings to assure proper authorization and accounting for services. Costs of a general nature may be allocated using the Operating Expense Ratio ~~or the~~ Composite Ratio.

3. Finance ~~and Treasury~~.

ServiceCo may provide various services to Recipients including budgeting, ~~corporate tax~~ credit, risk control, treasury, risk management (insurance), strategic planning, financing, investments, money pool administration and cash management. ServiceCo also will provide investor relations services to provide information to the investment community regarding CenterPoint and its subsidiaries and will provide stock transfer agent services to holders of its securities ~~and to shareholders of Texas Genco and Reliant Resources. CenterPoint is providing shareholder services regarding the common stock of Reliant Resources on a temporary basis pursuant to the separation arrangements between CenterPoint and Reliant Resources. It is currently anticipated that services for Reliant Resources will terminate by January 2004. Services are provided on an agreed schedule of costs, based on estimated costs that would be incurred if Reliant Resources had obtained those services from a third party.~~ Services to associate companies will generally be allocated using the Total Assets Ratio, Operating Expense Ratio ~~or the~~, Composite Ratio, or Direct Billed.

~~4. Communications.~~

~~ServiceCo may assist Recipients to develop and support branding and corporate promotions, advertising and brand equity. Individually, Recipients may maintain independent marketing personnel to handle the day-to-day details of marketing campaigns. Costs of a general nature may be allocated using the Total Assets Ratio or the Composite Ratio.~~

~~5~~ 4. Legal Services.

ServiceCo may provide various legal services, ~~processing of claims~~ records management, administration of CenterPoint's corporate compliance program and general legal oversight, as well as corporate secretarial functions and filing of reports under securities laws

~~and the 1935 Act~~ for the benefit of Recipients. Costs of a general nature may be allocated using the Operating Expense Ratio ~~or the~~, Composite Ratio, Head Count Ratio, or Direct Billed.

65. Human Resources.

ServiceCo may assist Recipients in developing policy and planning for total compensation plans, workforce planning and training, employee relations policies and programs, recruiting, and in training personnel in a coordinated manner throughout the CenterPoint ~~System Companies~~system companies. It will also design and provide administration for corporate welfare and benefit plans, including pension plans and executive benefits, and support for the negotiation of labor contracts for the CenterPoint companies. ServiceCo will provide corporate oversight for health and safety services for CenterPoint and its system companies to comply with government regulations. Each Recipient may maintain a human resources group to handle the individualized application of policies and programs. Costs of a general nature may be allocated using the Head Count Ratio. Costs of providing employee and executive benefits will be allocated directly to Recipient based on costs incurred for its employees and retirees, and any costs of a general nature which are not otherwise recovered, such as through payroll burden charges, may be allocated using the Head Count Ratio ~~or the~~, Composite Ratio, or Direct Billed.

76. Executive.

ServiceCo will provide ~~its~~ the executive staff to provide executive management and governance for CenterPoint, including supplying personnel to serve on boards of directors of CenterPoint system companies, and will assist Recipients in formulating and executing general plans and policies, including operations, issuance of securities, appointment of executive personnel, budgets and financing plans, expansion of services, acquisitions and dispositions of property, public relations and other related matters. The executive staff will oversee any corporate aircraft, the costs of which will not be allocated to Recipients except in connection with direct costs of flights on behalf of a Recipient. Costs of a general nature may be allocated using the Composite Ratio or Direct Billed.

7. ~~8.~~ Regulatory and Governmental~~External & Public~~ Affairs.

Public Affairs

ServiceCo may assist Recipients to develop and support branding and corporate promotions, advertising and brand equity. Public Affairs will facilitate relationships with local government and community entities. Individually, Recipients may maintain independent marketing personnel to handle the day-to-day details of marketing campaigns. Costs of a general nature may be allocated using the Total Assets Ratio ~~ServiceCo may assist Recipients in developing policy for regulatory strategy, implementation of electric restructuring legislation and support for litigation and regulatory proceedings. Governmental, Composite Ratio, Head Count Ratio, or Direct Billed.~~

Government Affairs

Government Affairs will develop strategy for legislative and other governmental initiatives and monitor activities affecting the Company in ~~the~~ state and federal legislative arenas. Recipients may maintain individual Governmental Affairs units to support regional activities. Costs of a general nature may be allocated using the Total Asset Ratio ~~to the extent such costs may be allocated to CenterPoint business units, or the~~ Composite Ratio. ~~Recipients may maintain individual regulatory and governmental affairs units to support local activities., or~~ Direct Billed.

9. Information Systems Regulatory

Regulatory may provide support to Recipients in developing policy for regulatory strategy, and support for litigation and regulatory proceedings. Recipients may maintain individual Regulatory units to support regional activities. Costs of a general nature may be allocated using the Composite Ratio or Direct Billed.

8. Technology Operations.

~~ServiceCo may provide Recipients with the following services: Mainframe Operations, Enterprise Document Management, Data Circuit Management, Voice Services, IT Computing Platform, Telecommunications, Technical Solutions Delivery, and Desktop Data Device, SAP Production Support, Technology Support services, Access Security and Project Services.~~ Costs are billed to Recipients based on various metrics (e.g., €UCPU second, billable hour, phone line, login ID) ~~or~~ cost allocations (e.g., headcount, operating expenses and direct dollars billed).

Mainframe Operations

<u>Computing Platform</u>	<u>Methodology</u>
Legacy Mainframe CPU Utilization	Client Unit Usage
Legacy Mainframe Data Infrastructure Storage	Client Unit Usage
SAP Mainframe Data Storage – Unix Client Specific	Client Unit Usage
SAP Mainframe CPU Utilization	Client Unit Usage
Enterprise Recipient Specific	
Telecommunications	Methodology
Telephony/VoIP Services	Client Unit Usage
<u>Enterprise Document Management</u>	
Methodology: Voice Services – MAC	Client Unit Usage
<u>Data Circuit Management</u>	
Methodology: Client Unit Usage	
<u>Voice Services</u>	
	Methodology

Telephone Basic Line	Client Unit Usage
Moves/Adds/Change (MAC)	Client Unit Usage
Call Center Basic Line	Client Unit Usage
Video Conferencing	Client Unit Usage

IT

Technical Solutions Delivery

Methodology: Client Unit Usage

SAP Production Support – Applications/Infrastructure

Methodology: Headcount and Operating Expense

Desktop Data Device Technology Support Services

	<u>Methodology</u>
<u>Equipment</u>	Client Unit Usage
<u>Lotus Notes Messaging LAN Services</u>	Client Unit Usage
<u>LAN and Security Account Creation</u>	LAN Client Unit Usage
<u>Network WAN/LAN Specific</u>	Client Unit Usage
<u>Client Support Center Help Desk</u>	Client Unit Usage
<u>Multifunction Device Management</u>	Client Unit Usage

9. Regulated Operations.

Customer Operations

Provide clients with call center support for handling customer billing, service requests, inquiries and complaints. It also includes the processing of claims, credit and collections, customer care, and marketing and sales services. Costs for Customer Services are generally allocated on unit usage (e.g. number of customers, call minutes).

Environmental Services

Support internal clients with respect to compliance with local, state and federal regulations, tracking regulatory and legislative issues and evaluating impacts on company operations. Costs for Environmental Services are allocated on customer count and planned activity.

10. Financial Services.

Provide check disbursements, OnePay compliance, electric billing, accounts payable, invoice scanning, and remittance processing services. Costs for Financial Services are

generally allocated based on client unit usage (e.g., number of payments processed, transactions, checks, billable hours). Costs of a general nature may be allocated using the Composite Ratio.

11. Business ~~Services &~~ Operations Support.

Real Estate and Facilities Management -

Provide clients with general operating maintenance, administrative and management duties for building operations, including project management services for facility-related projects and furniture usage. Costs for Facilities Management not directly assignable are allocated based on the square footage utilized.

Corporate Security -

Provide physical security measures for the protection of personnel and assets, including security and security monitoring for managed properties, security assessments and internal investigations. Costs of providing security services will be directly charged to business units based on the actual services used.

Office Support Services—

Provide clients with copying, inserting, mailing, call center, and graphic forms design functionality , and printing. This service also includes records management and managing office supplies, forms and convenience copiers assistance with Corporate Travel. Costs for Office Support Services are generally allocated based on client unit usage (e.g., number of forms, mail pieces, billable hours, direct dollars spent). These costs are allocated on a per unit charge that is determined by dividing (a) the total anticipated charges for providing this service to all customers during the year by (b) the estimated volume of items to be processed (e.g., number of pieces of mail handled, number of checks to be issued, etc.). Users record boxes stored, direct dollar spend, etc. Clients are billed based on the actual number of units used, with adjustments made for variances in total costs incurred or volume handled.

~~Financial Services—Provides payroll, bank reconciliation, processing certain accounts such as accounts payable and others as may be deemed necessary, check disbursements, escheat processing/reporting and remittance processing. This service also provides clients with assistance in Corporate Travel. Costs for Financial Services are generally allocated based on client unit usage (e.g., number of payments processed, checks, billable hours).~~

Purchasing & Logistics—Provides

Provide clients with procurement and Accounts Payable investment recovery services. ~~This service may also provide Recipients with oversight of logistics operations and investment recovery services.~~ Costs for purchasing and logistics are generally allocated based

| on client unit usage (e.g., number of transactions, billable hours, or managed dollars~~).~~).

| _____

~~11. 8. Information Systems and Technology~~
~~9. Executive~~
~~10. Business Operations & Support Services~~

~~i. Purchasing and Logistics~~
~~ii. i. Real Estate & Facilities Management~~ X

~~ii. Corporate Security~~ X
~~iii. iii. Office Support Services~~ X

~~iv. Purchasing & Logistics~~ X
~~v. Fleet Services~~ X
~~vi. Administration and Continuous Improvement~~ X

~~12. Properties~~ X

~~13. 11. Other~~
[Describe]

~~[Signature Blocks]~~

~~(Company Name)~~

~~(By Recipient:~~
CENTERPOINT ENERGY
GAS OPERATIONS

Joe McGoldrick
EVP & President) Gas Division

Address)

| _____
| _____ (Date)

Form of
Master Services Agreement
Between
CenterPoint Energy Gas Operations
And
CenterPoint Energy Service Company, LLC

This Master Services Agreement (the "Agreement"), dated as of January 1, 2015 is entered into in multiple parts by and between the companies whose names appear on the signature pages hereof, (each, a "Company" or "Recipient" and collectively, the "CenterPoint Companies" or "Recipients"), and CenterPoint Energy Service Company, LLC, a Texas limited liability corporation ("ServiceCo").

RECITALS

CenterPoint Energy, Inc. ("CenterPoint") has formed ServiceCo as a subsidiary company to provide services, as set forth herein, to CenterPoint and its subsidiaries.

Accordingly, ServiceCo and the CenterPoint Companies desire to enter into this Master Services Agreement to allow for the provision of services by ServiceCo to the CenterPoint Companies.

NOW, THEREFORE, in consideration of the premises and the representations, warranties and agreements herein contained, the parties hereto agree as follows:

I. EFFECTIVE DATE.

This Agreement shall be effective beginning January 1, 2015 or such subsequent date as agreed by the parties hereto.

II. SERVICES OFFERED.

Exhibit I to the Agreement lists and describes the services that may be available from ServiceCo. ServiceCo offers to supply those services to each Recipient that is a party to the Agreement. The services, excluding governmental or compliance, are and will be provided to Recipient only at the request of Recipient. From time to time, the parties may identify additional services that ServiceCo may provide to Recipients under this Agreement. ServiceCo will consult with Recipients to delineate the scope and terms of additional services that may be offered.

The services offered may be further described in Service Level Agreements that define performance metrics or standards and other procedures and requirements with respect to the provision of a particular category of services. To the extent a category of service is more fully described in a Service Level Agreement, it is incorporated into this Agreement by reference.

ServiceCo shall maintain sufficient resources to perform its obligations under this Agreement and shall perform its obligations in a commercially reasonable manner. If no specific performance metrics for the provision of a service are established, ServiceCo shall provide the service exercising the same care and skill as it exercises in performing similar services for itself.

If a Recipient requests the level at which any service to be provided to be scaled up to a level in excess of the level in effect during the prior twelve months, Recipient shall give ServiceCo such advance notice as it may reasonably require sufficient to make any necessary preparations to perform such services on the scaled up or modified basis. The level of a service shall be considered scaled up if providing the service at the proposed level involves an increase in personnel, equipment or other resources that is not de minimis and is not reasonably embraced by the agreed definition and scope of that service prior to the proposed increase. The Recipient will be responsible for any additional costs associated with such "scaled-up" services.

III. SERVICES SELECTED

A. Initial Selection of Services.

Each Recipient shall designate on Exhibit II to the Agreement the services that it agrees to receive from ServiceCo. Designation may also be in the form of an opt-out where each company agrees to receive all services from ServiceCo except those specifically enumerated in Exhibit II.

B. Annual Selection of Services.

ServiceCo shall send an annual service proposal form to each Recipient on or about July 1 listing services proposed for the next fiscal year. By August 31, Recipient shall notify ServiceCo of the services it has elected to receive during the next fiscal year.

C. Additional Services

Each Recipient shall designate on Exhibit II to the Agreement, an amendment for additional services offered/requested from ServiceCo.

D. Responsibility for Services.

ServiceCo's sole responsibility to Recipient for errors or omissions in services shall be to furnish correct information and/or adjustments in the services, at no additional cost or expense to Recipient; provided, Recipient must promptly advise ServiceCo of any such error or omission of which it becomes aware after having used reasonable efforts to detect any such errors or omissions. In no event shall ServiceCo have any liability under this Agreement or otherwise arising out of or resulting from the performance of, or the failure to perform, services for loss of anticipated profits by reason of any business interruption, facility shutdown or non-operation, loss of data or otherwise or for any incidental, indirect, special or consequential damages, whether or not caused by or resulting from negligence, including gross negligence, or breach of obligations hereunder and whether or not Recipient was informed of the possibility of the existence of such damages.

IV. PERSONNEL

ServiceCo will provide services by using the services of executives, accountants, financial advisers, technical advisers, attorneys, engineers and other persons with the necessary qualifications.

If necessary, ServiceCo, after consultation with Recipient, may also arrange for the services of affiliated or unaffiliated experts, consultants, attorneys and others in connection with the performance of any of the services supplied under this Agreement. ServiceCo also may serve as administrative agent, arranging and monitoring services provided by third parties to Recipient, whether such services are billed directly to Recipient or through ServiceCo.

ServiceCo may contract for the services of certain employees of other subsidiaries or affiliates of CenterPoint Energy, Inc. for the purpose of staffing its service operations.

V. COMPENSATION AND ALLOCATION

A. Basis for Charges.

Unless otherwise specifically agreed between ServiceCo and a Recipient, ServiceCo will provide such services at cost allocated on a fair, nondiscriminatory basis. The parties shall use good faith efforts to discuss any situation in which the actual charge for a service is reasonably expected to exceed the estimated charge, if any, set forth in a Service Level Agreement, provided, however, that charges incurred in excess of any such estimate shall not

justify stopping the provision of, or payment for, services under this Agreement. ServiceCo shall establish its charges based on the following principles:

1. The price charged for each service or product will be the same as that charged any other CenterPoint business unit for like services or products at like volumes for a given period;
2. Amounts charged for items not allowed for recovery in regulated rates will be identified and billed separately to allow the rate regulated entity to report the cost as required (e.g. legislative advocacy expenses);
3. The price charged for each service or product shall reflect only those costs, including labor, incurred by ServiceCo, either directly or indirectly (including return on and of any assets owned by ServiceCo), which are reasonable and necessary to provide such service or product; and
4. To the extent the price charged for each service or product reflects an allocation of costs incurred, ServiceCo will endeavor to ensure that such allocation reasonably approximates the actual costs incurred in providing that service or product.

B. Adjustments to Charges During a Year.

The parties recognize that the charges for services and products may depend on market conditions and on the quantities of services or products taken and that the pricing established under a Service Level Agreement reflects the quantities Recipient has stated it expects to use or consume over the course of the year, or where no specific quantities have been established, the pricing reflects the quantities that Recipient has consumed or contracted for in a prior year. During the course of the year, Recipient will make reasonable effort to inform ServiceCo of expected changes in the volumes and patterns of Recipient's consumption of services and products, and ServiceCo will make reasonable efforts to maintain the pricing stated in the Service Level Agreement or a client billing plan reflecting Service Level Agreement charges. However, charges for services and products may require residual clearings at the end of a period to adjust the billings for the actual costs and/or volumes of services and products utilized.

If, during the course of the year, Recipient foresees the need to substantially reduce or terminate its use of a certain service or consumption of a certain product, it shall promptly notify ServiceCo of the expected reduction or termination. ServiceCo shall promptly prepare a new term sheet under the affected Service Level Agreement and/or a special billing to reflect changes in cost caused by the reduction or termination. In the event Recipient disagrees with the new pricing and/or special billing, the dispute shall be resolved in accordance with Section IX of this Agreement.

If ServiceCo foresees the need to substantially alter the nature of or to terminate offering a certain service or product, or if pricing for a service or product must be significantly

revised due to market conditions or unexpected increases in costs, ServiceCo shall promptly notify Recipient of the expected alteration, termination or increase in pricing. ServiceCo shall prepare a new term sheet under the affected Service Level Agreement and/or a special billing to reflect the costs or savings incurred due to the alteration or termination or the increase in costs ServiceCo will incur. If Recipient disagrees with the new pricing and/or special billing, the dispute shall be resolved in accordance with the dispute resolution process under Section VIII of this Agreement.

VI. TAXES

Recipient shall bear all taxes, duties and other similar charges (and any related interest and penalties), imposed as a result of its receipt of services under this Agreement, including any tax which Recipient is required to withhold or deduct from payments to ServiceCo. ServiceCo may collect from Recipient any sales, use and similar taxes imposed on the provision of services and shall pay such tax to the appropriate governmental or taxing authority.

VII. BILLING

Charges will be rendered during the first week of each month covering amounts incurred during the prior month. Charges will be based on actual amounts paid. If allocations are required, they may be based on estimated values based on estimates in budget plans for the relevant values. Estimated amounts may be adjusted on subsequent charges either in a subsequent month or at the end of the year. Residual amounts will be cleared monthly based on the annual plan. Monthly charges are due upon receipt and will be paid automatically through the intercompany pay run.

ServiceCo's billing system will use the system of accounts prescribed under policies and procedures of CenterPoint Energy, which shall be designed to comply with applicable regulatory requirements in the jurisdictions in which regulated Recipients operate. ServiceCo will support its charges with reasonable documentation (which may be maintained in electronic form). ServiceCo will make adjustments to charges as required to reflect the discovery of errors or omissions in the charges.

VIII. TERMINATION AND MODIFICATION

A. Modification of Services.

Recipient may modify its selection of services at any time during the fiscal year by giving ServiceCo written notice sixty (60) days in advance for the additional services it wishes to receive, and/or the services it no longer wishes to receive, from ServiceCo. ServiceCo will attempt to mitigate costs but the Recipient will be responsible for any remaining costs as a result of its modification of services.

B. Modification of Other Terms and Conditions.

No other amendment, change or modification of this Agreement shall be valid, unless made in writing and signed by all parties hereto.

C. Termination of this Agreement.

Recipient may terminate this Agreement with ServiceCo by providing sixty (60) days advance written notice of such termination to ServiceCo. ServiceCo may terminate this Agreement as to Recipient by providing sixty (60) days advance written notice of such termination to Recipient. ServiceCo will attempt to mitigate costs but the Recipient will be responsible for any remaining costs as a result of its termination of the Agreement.

This Agreement is subject to termination or modification at any time to the extent its performance may conflict with the provisions of applicable law or rules or regulation. This Agreement shall be subject to the approval of any state commission or other state regulatory body whose approval is, by the laws of said state, a legal prerequisite to the execution and delivery or the performance of this Agreement.

IX. DISPUTE RESOLUTION

From time to time, disputes may arise regarding the services and products provided by ServiceCo. The employees of Recipient and the employees of ServiceCo are encouraged to resolve those disputes on an informal basis in as timely a manner as possible, and the ServiceCo agrees, upon reasonable request, to provide access to relevant books and records. However, if during the course of the year a dispute arises as to the scope of any service or the nature of any product, the delivery terms, the related performance metrics and standards, or the price for any service or product which cannot be resolved on an informal basis, Recipient and ServiceCo will resolve the dispute using the following procedures:

A. A supervisor or manager of Recipient who is responsible for the use of the service or the consumption of the product about which there is a dispute will notify in writing, or by email, a supervisor or manager of ServiceCo who is responsible for providing the service or product of the nature of the dispute, including specific examples of problems or failures which gave rise to the dispute. The supervisor or manager of Recipient shall also present a proposed resolution of the dispute and propose a date and time for a meeting to resolve the dispute. The supervisor or manager of ServiceCo shall acknowledge in writing, or by email, his or her receipt of the notice of the dispute and agree to the meeting, suggest an alternative date and time for the meeting proposed by the supervisor or manager of Recipient, or contact the supervisor or manager of Recipient to schedule a meeting date and time that the two may agree upon.

B. The supervisor or manager of Recipient and the supervisor or manager of ServiceCo may meet as often as both agree is necessary to resolve the complaint, and their meeting or meetings may include such other employees as may be helpful in resolving the dispute. If after such meeting or meetings, but in no event later than thirty days after the initial

notice of the dispute was given, the supervisor or manager of Recipient and the supervisor or manager of ServiceCo are unable to resolve the dispute, the dispute shall be referred to the appropriate executive of Recipient and an executive of ServiceCo for resolution.

C. The executive of Recipient and the executive of ServiceCo shall meet at a date and time or dates and times they mutually agree upon. Such meetings or meetings may include any employees either executive believes will be helpful in resolving the dispute. If, after such meeting or meetings, the executive of Recipient and the executive of ServiceCo reasonably believe they cannot resolve the dispute, the dispute shall be referred to the most senior executives of Recipient and of ServiceCo for resolution in accordance with whatever procedures senior management may establish.

X. NOTICE

Where written notice is required by this Agreement, said notice shall be deemed given when delivered in person, by electronic mail, or when mailed by United States registered or certified mail, postage prepaid, return receipt requested, addressed, if to ServiceCo, to the Chief Accounting Officer and, if to Recipient, to its President at the address listed on the most recent Exhibit II received by ServiceCo.

XI. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without regard to its conflict of laws provisions.

XII. ENTIRE AGREEMENT

This Agreement, together with its exhibits, constitutes the entire understanding and agreement of the parties with respect to its subject matter, and effective upon the execution of this Agreement by the respective parties hereof and thereto, any and all prior agreements, understandings or representations with respect to this subject matter are hereby terminated and cancelled in their entirety and of no further force or effect.

XIII. WAIVER

No waiver by any party hereto of a breach of any provision of this Agreement shall constitute a waiver of any preceding or succeeding breach of the same or any other provision hereof.

XIV. ASSIGNMENT

This Agreement shall inure to the benefit of and shall be binding upon the parties and their respective successors and assigns. No assignment of this Agreement or any party's rights, interests or obligations hereunder may be made without the other party's consent, which shall not be unreasonably withheld, delayed or conditioned.

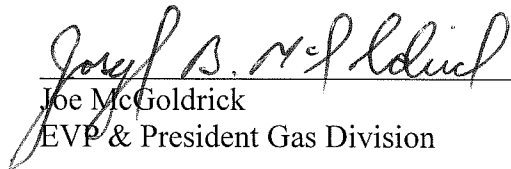
XV. SEVERABILITY

If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above mentioned.

By Recipient:

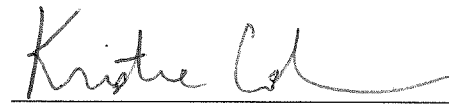
CENTERPOINT ENERGY
GAS OPERATIONS



Joe McGoldrick
EVP & President Gas Division

By ServiceCo:

CENTERPOINT ENERGY SERVICE
COMPANY, LLC



Kristie Colvin
SR VP & Chief Accounting Officer

EXHIBIT I

COST ACCUMULATION AND ASSIGNMENT, ALLOCATION METHODS, AND DESCRIPTION OF SERVICES OFFERED BY SERVICECO TO RECIPIENT

This document sets forth the methodologies used to accumulate the costs of services that may be performed by ServiceCo and to assign or allocate such costs to other subsidiaries and business units within the CenterPoint registered holding company system that receive services from ServiceCo.

Cost of Services Performed

ServiceCo shall maintain an accounting system that enables costs to be identified by Cost Center, Account Number or Capital Project ("Account Codes"). The primary inputs to the accounting system shall be payroll records for ServiceCo's employees, accounts payable transactions and journal entries. Charges for labor shall be made at the employees' effective hourly rate, including the cost of pensions, other employee benefits and payroll taxes. To the extent practicable, costs of services shall be directly assigned to the applicable Account Codes. The full cost of providing services shall also include certain indirect costs, e.g., departmental overheads, administrative and general costs, and taxes. Indirect costs shall be associated with the services performed in proportion to the directly assigned costs of the services or other relevant cost allocators.

Internal Audit Services, under the direction of the Vice President of Audit Services, will conduct periodic reviews of CNP ServiceCo's business processes and systems to ensure that the services provided are properly documented and charged to the Client Companies on an appropriate basis.

CNP ServiceCo will review its costs for competitiveness on a regular basis. Benchmarking and other measurement techniques will be used to the extent deemed appropriate by senior management. Results will be shared with the Client Companies to allow them to evaluate cost effectiveness and assess alternate options.

Cost Assignment and Allocation

ServiceCo's costs shall be directly assigned, distributed or allocated to Recipients in the manner described below:

1. Costs accumulated in Cost Centers for services specifically performed for a single Recipient shall be directly assigned or charged to such Recipient (Direct Billed);
2. Costs accumulated in Cost Centers for services specifically performed for two or more Recipients shall be distributed among and charged to such Recipients using methods determined on a case-by-case basis consistent with the nature of the work performed and based on one of the allocation methods described below; and

3. Costs accumulated in Cost Centers for services of a general nature which are applicable to all Recipients or to a class or classes of Recipients shall be allocated among or charged to such Recipients by application of one or more of the allocation methods described below.

Allocation Methods

The following methods shall be applied, as indicated in the Description of Services section that follows, to allocate costs for services of a general nature.

1. Operating Expense – A ratio based on operating expense minus fuel. This ratio initially will be determined based on the annual plan operating expense and will be adjusted for any known and reasonably quantifiable events throughout the year. The ratio will be adjusted at the beginning of each quarter based on actual operating expense for the year-to-date period and the plan for the remaining months.

2. Total Assets Ratio – A ratio based on the total assets minus investments in subsidiaries, goodwill, gas payables, short-term and long-term non-trading derivatives, short-term and long-term regulated liabilities, and stranded costs and other true-up related regulatory assets. This ratio will be determined based on twelve month average of actual assets and will be adjusted for any known and reasonably quantifiable events at the beginning of each quarter.

3. Head Count – A ratio based on active and retiree headcount. This ratio will be determined annually based on annual plan head count and will be adjusted to actual and for any known and reasonably quantifiable events at the beginning of each quarter.

4. Direct Labor – This factor is determined based on the actual unit/hours utilized by the applicable Recipients. This factor will be determined annually based on unit/hours utilized at the end of the previous fiscal year and may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes. All CNP ServiceCo employees, including executives, shall keep time records supporting labor charged to separately identifiable goods and services performed for Client Companies. Cost objects to which time entries relate will be identified in the timekeeping system, and costs associated with those time entries will be charged to the appropriate cost objects through SAP billings.

5. Client Unit Usage – This factor is determined based on the actual unit/usage utilized by the applicable Recipients. This factor will be determined annually based on units/usage utilized at the end of the previous fiscal year and may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes. Direct management oversight of client unit usage services will be allocated in proportion to the billings of those services.

6. Square Footage – This factor will be determined based on actual square footage used by the applicable Recipients. This factor will be determined annually based on square

footage utilized at the end of the previous fiscal year and may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes.

7. Composite Ratio – This ratio will be determined annually based on gross margin, employees, and assets, and will be adjusted at the beginning of each quarter, following each individual method adjustment listed above and for any known and reasonably quantifiable events.

8. Cross Charges – The cost of services provided to functional areas within ServiceCo will be allocated to CenterPoint Companies in proportion to the billings of the functional areas being supported.

Description of Services

A description of each of the services performed by ServiceCo, which may be modified from time to time, is presented below. As discussed above, where identifiable, costs will be directly assigned or distributed to Recipients. For costs accumulated in Cost Centers which are for services of a general nature that cannot be directly assigned or distributed, the method or methods of allocation are also set forth. Substitution or changes may be made in the methods of allocation hereinafter specified, as may be appropriate.

1. Accounting Services.

ServiceCo may provide various services to Recipients including corporate accounting and reporting, gas cost accounting, bank reconciliation and escheat processing/reporting, corporate tax, general ledger maintenance and all accounting record keeping, guidance regarding adoption and application of accounting policies, risk oversight and financial reporting for SEC, regulatory and other purposes, financial accounting system processes and support to rate and other regulatory proceedings. As appropriate and where it would not result in duplication of functions, each Recipient may also maintain its own corporate and accounting group and engage ServiceCo to provide advice and assistance on accounting matters, including the development of accounting practices, procedures and controls, the preparation and analysis of financial reports and the filing of financial reports with regulatory bodies, on a system-wide basis. Costs of a general nature may be allocated using the Operating Expense Ratio, Composite Ratio or Direct Billed.

2. Audit Services.

ServiceCo may conduct periodic audits of administration and accounting processes. Audits would include examinations of Recipients' service agreements, accounting systems, source documents, allocation methods and billings to assure proper authorization and accounting for services. Costs of a general nature may be allocated using the Composite Ratio.

3. Finance.

ServiceCo may provide various services to Recipients including budgeting, credit, risk control, treasury, risk management (insurance), strategic planning, financing, investments, money pool administration and cash management. ServiceCo also will provide investor relations services to provide information to the investment community regarding CenterPoint and its subsidiaries and will provide stock transfer agent services to holders of its securities. Services to associate companies will generally be allocated using the Total Assets Ratio, Operating Expense Ratio, Composite Ratio, or Direct Billed.

4. Legal Services.

ServiceCo may provide various legal services, records management, administration of CenterPoint's corporate compliance program and general legal oversight, as well as corporate secretarial functions and filing of reports under securities laws for the benefit of Recipients. Costs of a general nature may be allocated using the Operating Expense Ratio, Composite Ratio, Head Count Ratio, or Direct Billed.

5. Human Resources.

ServiceCo may assist Recipients in developing policy and planning for total compensation plans, workforce planning and training, employee relations policies and programs, recruiting, and in training personnel in a coordinated manner throughout the CenterPoint system companies. It will also design and provide administration for corporate welfare and benefit plans, including pension plans and executive benefits, and support for the negotiation of labor contracts for the CenterPoint companies. ServiceCo will provide corporate oversight for health and safety services for CenterPoint and its system companies to comply with government regulations. Each Recipient may maintain a human resources group to handle the individualized application of policies and programs. Costs of a general nature may be allocated using the Head Count Ratio. Costs of providing employee and executive benefits will be allocated directly to Recipient based on costs incurred for its employees and retirees, and any costs of a general nature which are not otherwise recovered, such as through payroll burden charges, may be allocated using the Head Count Ratio, Composite Ratio, or Direct Billed.

6. Executive.

ServiceCo will provide the executive staff to provide executive management and governance for CenterPoint, including supplying personnel to serve on boards of directors of CenterPoint system companies, and will assist Recipients in formulating and executing general plans and policies, including operations, issuance of securities, appointment of executive personnel, budgets and financing plans, expansion of services, acquisitions and dispositions of property, public relations and other related matters. The executive staff will oversee any corporate aircraft, the costs of which will not be allocated to Recipients except in connection with direct costs of flights on behalf of a Recipient. Costs of a general nature may be allocated using the Composite Ratio or Direct Billed.

7. External & Public Affairs.

Public Affairs

ServiceCo may assist Recipients to develop and support branding and corporate promotions, advertising and brand equity. Public Affairs will facilitate relationships with local government and community entities. Individually, Recipients may maintain independent marketing personnel to handle the day-to-day details of marketing campaigns. Costs of a general nature may be allocated using the Total Assets Ratio, Composite Ratio, Head Count Ratio, or Direct Billed.

Government Affairs

Government Affairs will develop strategy for legislative and other governmental initiatives and monitor activities affecting the Company in state and federal legislative arenas. Recipients may maintain individual Governmental Affairs units to support regional activities. Costs of a general nature may be allocated using the Total Asset Ratio, Composite Ratio, or Direct Billed.

Regulatory

Regulatory may provide support to Recipients in developing policy for regulatory strategy, and support for litigation and regulatory proceedings. Recipients may maintain individual Regulatory units to support regional activities. Costs of a general nature may be allocated using the Composite Ratio or Direct Billed.

8. Technology Operations.

ServiceCo may provide Recipients with the following services: Computing Platform, Telecommunications, Technical Solutions, SAP Production Support, Technology Support services, Access Security and Project Services. Costs are billed to Recipients based on various metrics (e.g., CPU second, billable hour, phone line, login ID) or cost allocations (e.g., headcount, operating expenses and direct dollars billed).

Computing Platform

Mainframe CPU
Infrastructure Storage
Unix Client Specific

Methodology

Client Unit Usage
Client Unit Usage
Client Unit Usage

Telecommunications

Telephony/VoIP Services
Voice Services – MAC

Methodology

Client Unit Usage
Client Unit Usage

Technical Solutions

Methodology: Client Unit Usage

SAP Production Support – Applications/Infrastructure

Methodology: Headcount and Operating Expense

<u>Technology Support Services</u>	<u>Methodology</u>
Desktop Support Services	Client Unit Usage
LAN Services	Client Unit Usage
LAN Client Specific	Client Unit Usage
Help Desk	Client Unit Usage
Multifunction Device Management	Client Unit Usage

9. Regulated Operations.

Customer Operations

Provide clients with call center support for handling customer billing, service requests, inquiries and complaints. It also includes the processing of claims, credit and collections, customer care, and marketing and sales services. Costs for Customer Services are generally allocated on unit usage (e.g. number of customers, call minutes).

Environmental Services

Support internal clients with respect to compliance with local, state and federal regulations, tracking regulatory and legislative issues and evaluating impacts on company operations. Costs for Environmental Services are allocated on customer count and planned activity.

10. Financial Services.

Provide check disbursements, OnePay compliance, electric billing, accounts payable, invoice scanning, and remittance processing services. Costs for Financial Services are generally allocated based on client unit usage (e.g., number of payments processed, transactions, checks, billable hours). Costs of a general nature may be allocated using the Composite Ratio.

11. Business & Operations Support.

Real Estate and Facilities Management

Provide clients with general operating maintenance, administrative and management duties for building operations, including project management services for facility-

related projects and furniture usage. Costs for Facilities Management not directly assignable are allocated based on the square footage utilized.

Corporate Security

Provide physical security measures for the protection of personnel and assets, including security and security monitoring for managed properties, security assessments and internal investigations. Costs of providing security services will be directly charged to business units based on the actual services used.

Office Support Services

Provide clients with copying, mailing, forms design functionality, and printing. This service also includes records management and managing office supplies, forms and assistance with Corporate Travel. Costs for Office Support Services are generally allocated based on client unit usage (e.g., number of forms, mail pieces, billable hours, direct dollars spent). These costs are allocated on a per unit charge that is determined by dividing (a) the total anticipated charges for providing this service to all customers during the year by (b) the estimated volume of items to be processed (e.g., number of pieces of mail handled, number of record boxes stored, direct dollar spend, etc.). Clients are billed based on the actual number of units used, with adjustments made for variances in total costs incurred or volume handled.

Purchasing & Logistics

Provide clients with procurement and investment recovery services. This service may also provide Recipients with oversight of logistics operations. Costs for purchasing and logistics are generally allocated based on client unit usage (e.g., number of transactions, billable hours, or managed dollars.).

Fleet Services

Provide clients with management, administration and support of all vehicles, motorized equipment and fleet inventory including purchasing, fuel, maintenance and disposal activities. Costs are assigned based on the total fleet dollars managed.

Administration and Continuous Improvement

Provide B&OS management oversight and general activities and costs associated with the identifying, creating and maintaining common processes between Strategic Business Units and internal Partners. Costs are assigned based on operating expense (less fuel).

12. Properties.

Properties provides clients at CenterPoint Tower and ECDC with building operations, furniture and base rent services. The cost for services is allocated based on square footage utilized.

