



March 6, 2008

Mayor and City Council
City of Angleton
Angleton, Texas

Re: Statement of Intent to Increase Rates for CenterPoint's Texas Coast Division

Ladies and Gentlemen:

CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas ("CenterPoint" or the "Company") files this Statement of Intent to Increase Rates ("Statement of Intent") for the City of Angleton, Texas ("City"), which is a part of CenterPoint's Texas Coast Division. CenterPoint is a gas utility as defined by the Gas Utility Regulatory Act ("GURA"), and the cities within CenterPoint's Texas Coast Division, including the City, have exclusive original jurisdiction to set rates for the utility pursuant to § 103.001 of GURA. Within its Texas Coast Division and affected by this filing, CenterPoint provides service to 238,028 customers, as adjusted. Of this total, CenterPoint serves approximately 4,116 residential customers, 266 small commercial and 12 large volume customers in the City. For many years, CenterPoint has provided the City with safe, adequate and reliable natural gas service at reasonable rates. By this Statement of Intent, CenterPoint notifies the City of its intent to increase its rates effective April 10, 2008. Simultaneously with this filing, CenterPoint is filing with the Railroad Commission of Texas a Statement of Intent to Increase Rates in the Unincorporated Areas of its Texas Coast Division in order to establish uniform rates throughout the Texas Coast Division.

CenterPoint has not filed a general rate case in its Texas Coast Division in over thirty years, and during that time has worked hard to contain and even reduce operating costs while continuing to provide safe and reliable service. Unfortunately, our costs for labor, materials and supplies, and other operating expenses continue to rise. The Company has also made substantial additional investments in the natural gas system infrastructure for the Texas Coast Division. Additionally, CenterPoint has experienced a reduction in use per customer as a result of conservation, more efficient appliances, more energy efficient building construction, and other factors that negatively impact our revenues. Consequently, revenues are not keeping pace with increasing costs. As a result of these capital investments, cost increases, and reductions in consumption per customer, CenterPoint's current rates for service to Texas Coast Division customers no longer provide a reasonable opportunity for CenterPoint to recover its operating costs and earn a fair return on its investment.

Accordingly, pursuant to § 104.102 of GURA, TEX. UTIL. CODE CH. 101 *et seq.*, CenterPoint files this Statement of Intent with attached Rate Schedules containing the proposed revisions to the Company's rates and terms and conditions of service applicable in your City. (The proposed Rate Schedules appear in Exhibit A.) The effect of the Company's proposed new rate schedules and tariff changes is to increase CenterPoint's net annual revenues in the Texas Coast Division by approximately \$7.360 million per year, of which amount approximately \$143,338 will be collected from customers in the City. If approved, the proposed revisions to the rate schedules amount to an increase per month of \$2.83 for the average residential customer in your City. The changes represent a total increase to the Company's revenues of approximately 4.55% and constitute a "major change" as that term is defined in § 104.101 of GURA.

In addition to the proposed increases to rates for the residential, small commercial, and large volume classes, CenterPoint proposes to expand the Cost of Service Adjustment ("COSA") clause already on file in many of the Texas Coast cities. The current COSA has operated in certain Texas Coast cities since 1978, and is a major reason why CenterPoint has gone thirty years without a general rate filing. The amended COSA Rate Schedule provides for an annual review by Texas Coast cities of the Company's expenses, revenues, and plant investment, and a corresponding adjustment to the Company's rates to reflect annual changes (either increases or decreases, if warranted). An annual review and adjustment to rates would result in smaller, incremental rate changes rather than the major rate changes that can occur when the Company goes long intervals between rate cases. In addition, the COSA Rate Schedule will provide greater transparency by ensuring that Texas Coast cities have a more frequent opportunity to review the Company's expenditures and revenues. The COSA Rate Schedule will not in any way affect a city's authority over the Company's rates, and the Texas Coast cities will continue to have the statutory right to require the Company to file a full rate case at any time.

CenterPoint is further proposing to unbundle its sales service rates, *i.e.*, collect the cost of gas purchased for sales service through a separate Purchased Gas Adjustment ("PGA") Rate Schedule, which will allow the Company to recover all of its purchased gas costs through the PGA Rate Schedule rather than through base rates. Also, CenterPoint proposes a Tax Adjustment Rate Schedule to collect revenue-related taxes as a separate, tariffed item rather than as an average amount embedded in the cost of service. This change will allow the Company to collect these taxes from the customers located in the specific areas where the revenues, and therefore the costs, originate, and to limit the collection of such taxes to the actual level of such taxes specific to that location. CenterPoint also proposes to delete the current discount for early payment from its general sales rate schedules. CenterPoint further proposes to add a service charge for after-hours service calls in order to account for the costs associated with after-hours dispatching, which includes recalling service personnel and travel time to the customers' premise.

Finally, the Company requests reimbursement of all rate case expenses incurred by CenterPoint and the City as allowed by law. The exact amount will not be known until the case is completed.

Publication of required notice containing information relative to this Statement of Intent will be made in accordance with applicable statutes and rules.

If you desire any additional information concerning these changes, we will be available at any time to discuss them with you.

Very truly yours,



Richard A. Zapalac
Regional Vice President
Gas Operations

DELIVERED TO:

_____, _____ of
NAME OFFICE (Mayor, City Secretary, etc.)

the City of Angleton on this ____ day of March, 2008.

SIGNATURE

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
RESIDENTIAL SERVICE
RATE SCHEDULE NO. R-2072**

APPLICATION OF SCHEDULE

This schedule is applicable to any customer to whom service is supplied in a single private dwelling unit and its appurtenances, the major use of which is for household appliances, and for the personal comfort and convenience of those residing therein.

Natural gas supplied hereunder is for the individual use of the customer at one point of delivery and shall not be resold or shared with others.

MONTHLY RATE

For bills rendered on and after the effective date of this rate schedule, the monthly rate for each customer receiving service under this rate schedule shall be the sum of the following:

(a) The Base Rate consisting of:

(1) Customer Charge – \$14.50;

(2) Commodity Charge –
First 30 Ccf \$0.0704
Over 30 Ccf \$0.0536

(b) Tax Adjustment – The Tax Adjustment will be calculated and adjusted periodically as defined in the Company's Tax Adjustment Rate Schedule.

(c) Gas Cost Adjustment – The applicable Purchased Gas Adjustment (PGA) Rate – as calculated on a per Ccf basis and adjusted periodically under the applicable Purchased Gas Adjustment (PGA) Rate Schedule – for all gas used.

RULES AND REGULATIONS

Service under this schedule shall be furnished in accordance with the Company's General Rules and Regulations, as such rules may be amended from time to time. A copy of the Company's General Rules and Regulations may be obtained from Company's office located at 1111 Louisiana Street, Houston, Texas.

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-SMALL
RATE SCHEDULE NO. GSS-2072**

APPLICATION OF SCHEDULE

This schedule is applicable to natural gas service to any customer engaging in any business, professional or institutional activity, for all uses of gas, including cooking, heating, refrigeration, water heating, air conditioning, and power.

This schedule is applicable to any general service customer for commercial uses and industrial uses, except standby service, whose average monthly usage for the prior calendar year is 150,000 cubic feet or less. Natural gas supplied hereunder is for the individual use of the customer at one point of delivery and shall not be resold or shared with others.

MONTHLY RATE

For bills rendered on and after the effective date of this rate schedule, the monthly rate for each customer receiving service under this rate schedule shall be the sum of the following:

(a) The Base Rate consisting of:

(1) Customer Charge – \$12.50;

(2) Commodity Charge –
First 150 Ccf \$0.1103
Over 151 Ccf \$0.0367

(b) Tax Adjustment – The Tax Adjustment will be calculated and adjusted periodically as defined in the Company's Tax Adjustment Rate Schedule.

(c) Gas Cost Adjustment – The applicable Purchased Gas Adjustment (PGA) Rate – as calculated on a per Ccf basis and adjusted periodically under the applicable Purchased Gas Adjustment (PGA) Rate Schedule – for all gas used.

RULES AND REGULATIONS

Service under this schedule shall be furnished in accordance with the Company's General Rules and Regulations, as such rules may be amended from time to time. A copy of the Company's General Rules and Regulations may be obtained from Company's office located at 1111 Louisiana Street, Houston, Texas.

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-LARGE VOLUME
RATE SCHEDULE NO. GSLV-603**

AVAILABILITY

This schedule is available at points on existing facilities of adequate capacity and suitable pressure in the area designated in the Rate Book of **CENTERPOINT ENERGY RESOURCES CORP., D/B/A CENTERPOINT ENERGY ENTEX AND CENTERPOINT ENERGY TEXAS GAS** (hereinafter called "Company").

APPLICATION OF SCHEDULE

This schedule is applicable to any general service customer for commercial uses and industrial uses whose average monthly usage for the prior calendar year is more than 150,000 cubic feet. Gas supplied hereunder is for the individual use of the Consumer at one point of delivery and shall not be resold or shared with others. If the Consumer has a written contract with Company, the terms and provision of such contract shall be controlling.

MONTHLY RATE

For bills rendered on and after the effective date of this rate schedule, the monthly rate for each customer receiving service under this rate schedule shall be the sum of the following:

(a) The Base Rate consisting of:

(1) Customer Charge – \$12.50;

(2) Commodity Charge –

| | |
|--------------------|----------|
| First 1,500 Ccf | \$0.0904 |
| 1,500 – 10,000 Ccf | \$0.0588 |
| Over 10,000 Ccf | \$0.0498 |

(b) Tax Adjustment – The Tax Adjustment will be calculated and adjusted periodically as defined in the Company's Tax Adjustment Rate Schedule.

(c) Gas Cost Adjustment – The applicable Purchased Gas Adjustment (PGA) Rate – as calculated on a per Mcf basis and adjusted periodically under the applicable Purchased Gas Adjustment (PGA) Rate Schedule – for all gas used.

WRITTEN CONTRACT

In order to receive a delivery from Company of more than 25 Mcf during any one day, the Consumer must execute a written contract with Company on Company's form of contract covering the sale of gas by Company to it. In the case of existing Consumers, the maximum gas usage during any one day shall be obtained from the records of the Company, except in cases where the existing Consumer will be purchasing increased volumes of gas from Company because of expansions or for any other reasons, in which event the Company may estimate usage by such Consumer. Also in the case of new Consumers, the Company may estimate usage by the Consumer. Any such estimates made by Company shall be binding on Consumer in determining whether or not a contract is required. Such written contract shall be executed by Consumer upon request of Company and Company shall not be obligated to serve any such Consumer more than 25 Mcf during any one day until such written contract is executed and delivered by Consumer.

**CENTERPOINT ENERGY RESOURCES CORP.
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TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-LARGE VOLUME
RATE SCHEDULE NO. GSLV-603**

MEASUREMENT

The term "cubic foot of gas" for the purpose of measurement of the gas delivered and for all other purposes is the amount of gas necessary to fill a cubic foot of space when the gas is at an absolute pressure of 14.65 pounds per square inch and at a base temperature of sixty (60) degrees Fahrenheit.

The term "Mcf" shall mean 1,000 cubic feet of gas.

The Sales Unit shall be one Mcf.

Assumed Atmospheric Pressure - The average atmospheric pressure shall be assumed to be fourteen and seven-tenths (14.7) pounds per square inch, irrespective of actual elevation or location of the point of delivery above sea level or variation in such atmospheric pressure from time to time.

Orifice Meters - When orifice meters are used for the measurement of gas, such orifice meters shall be constructed and installed, and the computations of volume made, in accordance with the provisions of Gas Measurement Committee Report No. 3 of the American Gas Association as revised September, 1969 ("A.G.A. Report No. 3), with any subsequent amendments or revisions which may be mutually acceptable.

The temperature of the gas shall be determined by a recording thermometer so installed that it may record the temperature of the gas flowing through the meter or meters. The average of the record to the nearest one (1) degree Fahrenheit, obtained while gas is being delivered, shall be the applicable flowing gas temperature for the period under consideration.

The specific gravity of the gas shall be determined by a recording gravitometer owned and operated by the pipeline company from whom Company purchases its gas, so installed that it may record the specific gravity of the gas flowing through the meter or meters; provided, however, that the results of spot tests made by the pipeline company with a standard type specific gravity instrument shall be used at locations where the pipeline company does not have a recording gravitometer in service. If the recording gravitometer is used, the average of the record to the nearest one-thousandth (0.001), obtained while gas is being delivered, shall be the applicable specific gravity of the gas for the period under consideration. If the spot test method is used, the specific gravity of the gas delivered hereunder shall be determined once monthly, the result obtained, to the nearest one-thousandth (0.001), to be applicable during the succeeding billing month.

Adjustment for the effect of supercompressibility shall be made according to the provisions of A.G.A. Report No. 3, hereinabove identified, for the average conditions of pressure, flowing temperature and specific gravity at which the gas was measured during the period under consideration, and with the proportionate value of each carbon dioxide and nitrogen in the gas delivered included in the computation of the applicable supercompressibility factors. Company shall obtain appropriate carbon dioxide and nitrogen fraction values as may be required from time to time.

Positive Displacement Meters and Turbine Meters - When positive displacement meters and/or turbine meters are used for the measurement of gas, the flowing temperature of the gas metered shall be assumed to be sixty (60) degrees Fahrenheit, and no correction shall be made for any variation therefrom; provided however, that company shall have the option of installing a recording thermometer, and if company exercises such option, corrections shall be made for each degree variation in the applicable flowing temperature for the period under consideration.

The volumes of gas determined shall be adjusted for the effect of supercompressibility as follows:

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
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TEXAS COAST DIVISION
RATE SHEET
GENERAL SERVICE-LARGE VOLUME
RATE SCHEDULE NO. GSLV-603**

- (A) When the flowing temperature of gas is assumed to be sixty (60) degrees Fahrenheit, the supercompressibility factor shall be the square of the factor, F_{pv} , computed in accordance with the principles of the A.G. A. Report No. 3, hereinabove identified, for a pure hydrocarbon gas of six-tenths (0.6) specific gravity and for the average pressure at which the gas was measured.
- (B) When the flowing gas temperature is recorded and applied according to the option above, the supercompressibility factor shall be the square of the factor, F_{pv} , computed in accordance with the principles of the American Gas Association Gas Measurement Committee Report No. 3, hereinabove identified, for a pure hydrocarbon gas of six-tenths (0.6) specific gravity and for the average conditions of pressure and flowing temperature at which the gas was measured.

SUPPLY INTERRUPTIONS

Total or partial interruption of gas deliveries due to acts of God, the elements, requirements for residential and other uses declared superior to Consumers by law, or to other causes or contingencies beyond the control of Company or not proximately caused by Company's negligence, shall not be the basis for claims-delivery and receipt of gas to be resumed whenever any such cause or contingency shall end.

CHARGES FOR UNAUTHORIZED OVER-RUN GAS

Any gas taken during any day by Consumer which exceeds the maximum daily quantity specified in Consumer's contract with Company shall be considered to be unauthorized over-run gas. Any gas taken by Consumer after the effective hour of an order calling for a complete curtailment of all gas deliveries, and prior to the authorized resumption of natural gas service, hereunder shall be considered to be unauthorized over-run gas. Any gas taken by Consumer after the effective hour of an order calling for a partial curtailment, and prior to the authorized resumption of natural gas service, which exceeds the stated amount of gas deliveries Consumer may take during such partial curtailment, shall be considered to be unauthorized over-run gas. Company shall bill, and Consumer shall pay for unauthorized over-run gas at the rate of \$10.00 per Mcf, in addition to the Monthly Rate specified herein for such gas. The payment of such additional charge for unauthorized over-run gas shall not, under any circumstances, be considered as giving the Consumer the right to take unauthorized over-run gas, nor shall such payment be considered to exclude or limit any other remedies available to Company against the Consumer for exceeding the maximum daily quantity specified in Consumer's contract with Company, or for failure to comply with curtailment orders issued by Company hereunder.

The additional amount specified above charged for unauthorized over-run gas shall be adjusted, either plus or minus, to conform to the change made by Company's supplier in its rate schedule under which Company purchases its gas supply for resale under this schedule.

RULES AND REGULATIONS

Service under this schedule shall be furnished in accordance with the Company's General Rules and Regulations, as such rules may be amended from time to time. A copy of the Company's General Rules and Regulations may be obtained from Company's office located at 1111 Louisiana Street, Houston, Texas.

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
COST OF SERVICE ADJUSTMENT
RATE SCHEDULE NO. COSA-1**

A. APPLICABILITY

This Cost of Service Adjustment Clause applies to the Residential Service, General Service – Small, and General Service – Large Volume rate schedules of CenterPoint Energy Texas Gas currently in force in the Company's Texas Coast service area.

B. EFFECTIVE DATE

Rate adjustments shall be made in accordance with the procedures described below on an annual basis. The Company shall make its annual filing no later than May 15, with the rate adjustments to be effective with the bills rendered on or after July 1st of each year. The first filing pursuant to this Rider shall be no later than May 15, 2009, and shall be based on the financial results for the calendar year ending December 31, 2008.

C. COMPONENTS OF THE RATE ADJUSTMENT

Calculation of the rate adjustment will be based on calendar year operating expenses, return on investment, and Texas Franchise Tax. The calendar year operating expenses shall be those reported to the Railroad Commission of Texas in the annual report of the Company. The rate adjustment shall be included in the monthly customer charge of the Residential Service, General Service – Small, and General Service – Large Volume rate schedules.

C.1 Operating Expenses - Operating expenses will be determined by the ending amounts for the applicable calendar year.

The applicable expenses are:

Depreciation and Amortization Expense (Account Nos. 403-407)*
Taxes Other Than FIT (Account No. 408)**
Operation and Maintenance Expenses (Account Nos. 870-894)
Customer Related Expenses (Account Nos. 901-916)
Administrative & General Expenses (Account Nos. 920-932)
Interest on Customer Deposits (Account No. 431)

* Based on the last approved depreciation methods and lives.

** Excluding City Franchise Fees, Gross Receipts, and any other revenue-based tax. Rate adjustments due to changes in revenue-based taxes will be governed by the Company's Tax Adjustment Rate Schedule.

This information will be presented with supporting calculations.

C.2 Return on Investment - The rate of return will remain constant at the level authorized in the most recent rate case. The return on investment is the pre-tax rate of return multiplied by the year-end rate base balance for the applicable calendar year.

The rate base balance is composed of:

Net Utility Plant in Service*

Plus:

**CENTERPOINT ENERGY RESOURCES CORP.
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RATE SHEET
COST OF SERVICE ADJUSTMENT
RATE SCHEDULE NO. COSA-1**

Storage Gas (12 month average – Actual)

Plus:

Other Rate Base Items**

Less:

Customer Deposits (Account No. 235)
Customer Advances (Account No. 252)
Deferred Federal Income Taxes

* Net Utility Plant in Service as reported in the annual report to the Railroad Commission of Texas adjusted to exclude asset retirement obligation amounts.

** These items will reflect the Materials and Supplies inventories, prepayments, and cash working capital amounts approved in the most recent general rate case.

C.3 Texas Franchise Tax – The Texas Franchise Tax will be the calendar year-end amount as recorded in FERC Account No. 409.

C.4 Cost of Service Adjustment – The amount to be collected through the Cost of Service Adjustment will be the sum of the amounts from Sections C.1, C.2, and C.3, less the calendar year actual non-gas revenue and other revenue (i.e., transportation revenue and service charges), adjusted for the revised Texas Franchise Tax described in Chapter 171 of the Texas Tax Code.

The formula to calculate the Cost of Service Adjustment is:

$(C.1 \text{ Operating Expenses} + C.2 \text{ Return on Investment} + C.3 \text{ Texas Franchise Tax} - \text{Actual non-Gas and Other Revenues}) \div (1 - \text{Texas Franchise Tax statutory rate})^*$

* Currently, the Texas Franchise Tax statutory rate is 1%.

C.5 Cost of Service Adjustment Rate

The Cost of Service Adjustment will be converted into a per-customer per-month amount to produce the Cost of Service Adjustment Rate. The per customer adjustment will be the Cost of Service Adjustment as calculated in Section C.4 divided by the average number of gas sales customers for the Texas Coast Division as reported in the Company's annual report to the Railroad Commission of Texas. The Cost of Service Adjustment Rate will be this per customer adjustment amount divided by 12 to produce a monthly adjustment amount, either an increase or decrease, which will be included in the Residential Service, General Service – Small, and General Service – Large Volume customer charges.

The Company shall record its best estimate of the total amount to be collected through the Cost of Service Adjustment so as to reflect in its books and records a fair representation of actual earnings. Such estimate shall be adjusted, if necessary, upon filing of the Cost of Service Adjustment calculations with the regulatory authority with original jurisdiction and again to reflect the final amount to be collected through the Cost of Service Adjustment. Such adjustment shall not be included in the computation of the Cost of Service Adjustment.

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
COST OF SERVICE ADJUSTMENT
RATE SCHEDULE NO. COSA-1**

D. REGULATORY REVIEW OF ANNUAL RATE ADJUSTMENT

The regulatory authority with original jurisdiction will have a period of not less than forty-five (45) days within which to review the proposed annual rate adjustment prior to its taking effect with the bills rendered on or after July 1st of each year. This Cost of Service Adjustment Rate Schedule does not limit the legal rights and duties of the regulatory authority. The Company's annual rate adjustment will be made in accordance with all applicable laws. If at the end of the forty-five (45) day review period, the Company and the regulatory authority with original jurisdiction have not reached agreement on the proposed Cost of Service Adjustment Rate, the Company shall have the right to appeal the regulatory authority's action. Upon the filing of any appeal, the Company shall have the right to implement the proposed Cost of Service Adjustment Rate, subject to refund.

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
PURCHASED GAS ADJUSTMENT
RATE SCHEDULE NO. PGA-5**

1. PURCHASED GAS ADJUSTMENT (PGA) APPLICABILITY

The Monthly Rate contained in the Company's total billing to residential and general service customers shall include the cost of natural gas purchased for resale hereunder.

2. RATE CALCULATION

The Purchased Gas Adjustment (PGA) Rate shall be calculated according to the following formula and included in the Monthly Rate:

$$\text{PGA Rate (per Mcf sold)} = [(G * R) \pm DA] \text{ rounded to the nearest } \$0.0001$$

$$\text{PGA Rate (per Ccf sold)} = \text{PGA Rate (per Mcf sold)} \div 10$$

Definitions:

G = The Company's best estimate of the cost of natural gas (per Mcf) to be purchased for resale hereunder during the period that the PGA Rate is to be effective. The cost of natural gas shall include the cost of gas supplies purchased for resale hereunder, upstream transportation charges, storage charges, the cost of gas withdrawn from storage less the cost of gas injected into storage, any transaction-related fees, gains or losses and other transaction costs associated with the use of various financial instruments used by the Company to stabilize prices.

R = Ratio derived by dividing the actual Mcf purchased for the customers billed hereunder for the twelve months ended the preceding August by the actual Mcf sold to the customers billed hereunder during the same period.

DA = Surcharge or surcredit, calculated on a per Mcf basis, relating to Deferred Purchased Gas Cost Accounts, as defined below.

3. PGA FILINGS

PGA filings shall be filed with the Railroad Commission of Texas (the "Regulatory Authority") by the last business day of the month immediately preceding the month the proposed new PGA factor will be implemented. The PGA filing shall include a calculation of the estimated PGA Rate together with supporting documents. Each such tentative PGA Rate shall become effective for bills rendered on and after the first day of the calendar month and shall continue to be in effect until the next filing, unless after the PGA filing, the Regulatory Authority takes action to disapprove or modify such PGA rate. In the event that the Regulatory Authority takes such action, then the PGA rate shall be in effect on an interim basis pending the final decision of the Regulatory Authority, and any person designated by the Regulatory Authority shall have the right and power to order the filing of any reasonable additional information. Any adjustment to the PGA Rate relating to a prior period shall be made prospectively.

4. DEFERRED PURCHASED GAS COST ACCOUNTS

The Company shall establish and maintain Deferred Gas Cost Account(s) in which shall be recorded: (a) the balance of over or under recoveries of the cost of gas purchased for resale hereunder, determined for the period ending on the last day prior to the effective day of this revised Purchased Gas Adjustment rate schedule, including subsequent corrections and amendments thereto; and (b) any over or under recovery of the cost of gas purchased for resale hereunder resulting from the operation of the PGA procedure commencing with the first day of this revised purchased gas cost adjustment. Such ongoing over or under

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TEXAS COAST DIVISION
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PURCHASED GAS ADJUSTMENT
RATE SCHEDULE NO. PGA-5**

recovery shall include: (a) gas cost revenue recovery amounts for the revenue month; (b) the cost of gas purchased for resale hereunder for the same month as the revenue month; (c) carrying charge or credit amounts calculated based on the arithmetic average of the beginning and ending month balance of under or over recovery for the revenue-cost month times the rate of interest applicable to customer deposits; and (d) carrying charge calculated based on the arithmetic average of the beginning and ending balance of gas in storage inventory for the prior calendar month times the pre-tax rate of return as determined in Docket No.

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
TAX ADJUSTMENT
RATE SCHEDULE NO. TA-5**

The Customers shall reimburse the Company for the Customers' proportionate part of any tax, charge, impost, assessment or fee of whatever kind and by whatever name (except ad valorem taxes and income taxes) levied upon the Company by any governmental authority under any law, rule, regulation, ordinance, or agreement (hereinafter referred to as "the Tax"). If the law, rule, regulation, ordinance, or agreement levying the Tax specifies a method of collection from Customers, then the method so specified shall be utilized provided such method results in the collection of taxes from the Customers equal to the taxes levied on the Company. If no method of collection is specified, then the Company shall collect an amount calculated as a percentage of the Customers' bills. The percentage shall be determined so that the collection from Customers within the Company's Beaumont/East Texas Division is equal to the taxes levied on the Company.

The initial Tax Adjustment Rate shall be based on the Taxes that are levied upon the Company on the effective date of this Rate Schedule. The Company will initiate a new or changed Tax Adjustment Rate beginning with the billing cycle immediately following the effective date of the new or changed Tax as specified by the applicable law, rule, regulation, ordinance, or agreement, provided that the Company has the customer billing data necessary to bill and collect the Tax. If at any time there is a significant change which will cause an unreasonable over or under collection of the Tax, the Company will adjust the Tax Adjustment Rate so that such over or under collection will be minimized. The Tax Adjustment Rate (calculated on a per Ccf or per Mcf basis, as appropriate) shall be reported to the applicable governmental authority by the last business day of the month in which the Tax Adjustment Rate became effective.

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
SCHEDULE OF MISCELLANEOUS SERVICE CHARGES
RATE SCHEDULE NO. MISC-7**

GAS SERVICE

| | | |
|-----|---|-------|
| 1. | Institution of service to residential or general service | \$40 |
| | After-hours surcharge for each after-hours service call | \$47 |
| 2. | Restore service after termination for non-payment, cut-off by customer or agent or for convenience of customer | \$40 |
| | After-hours surcharge for each after-hours service call | \$47 |
| 3. | Turning off service to active meter – account not finalled (per trip) | \$20 |
| | After-hours surcharge for each after-hours service call | \$47 |
| 4. | Special meter test at customer's request (see General Rules and Regulations for special situations) | \$15 |
| 5. | Change customer meter | \$55 |
| 6. | Change residential meter location: Minimum charge | \$350 |
| | Additional meters in manifold each | \$55 |
| | (Plus cost of materials) | |
| 7. | Tap Charge | N.C.* |
| 8. | Installation of remote read device where company cannot get access to read meter | \$180 |
| 9. | Disconnect service at main | \$300 |
| | (Plus other related costs) | |
| 10. | Restore service at main after termination for non-payment | \$300 |
| | (Plus cost of materials) | |
| 11. | Temporary transfer of individually metered multi-family service from vacating tenant to apartment complex owner. (Applicable to read and transfer transactions only. Precedent written agreement required.) | N.C. |

*Except where Company is required to pay tap charge to pipeline supplier to serve the consumer, the consumer shall reimburse Company.

OTHER CHARGES

| | | |
|-----|-------------------------------|------|
| 12. | Collection call - trip charge | \$20 |
| 13. | Returned check | \$20 |

**CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX
AND CENTERPOINT ENERGY TEXAS GAS
TEXAS COAST DIVISION
RATE SHEET
SCHEDULE OF MISCELLANEOUS SERVICE CHARGES
RATE SCHEDULE NO. MISC-7**

DEPOSITS

Up to the maximum amount allowed under the Railroad Commission of Texas Quality of Service Rule §7.45(5)(C)(ii) (the "one-sixth rule"). If there is no billing history on the customer's account, then the one-sixth rule will be applied to the customer's account based on similarly-situated customers located in the geographic area.

TAX ADJUSTMENT

The Tax Adjustment will be calculated and adjusted periodically as defined in the Company's Tax Adjustment Rate Schedule.

March 5, 2008

Honorable Mayor and City Officials:

For many years, CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas ("CenterPoint" or the "Company") has supplied your City with dependable natural gas service. CenterPoint is always there to anticipate and meet our customers' needs under all operating conditions.

CenterPoint has not had a general rate case in the cities in the Texas Coast Division (the "Division") in over thirty years. The Division's revenues are not keeping pace with increasing operating costs and capital investment which are required to maintain an adequate, safe and reliable service. The Company has worked hard to contain and reduce its operating costs. Unfortunately our cost for labor, materials and supplies, and other operating expenses continue to rise and we must also continue to make substantial investments in our natural gas distribution system.

Accordingly, CenterPoint has simultaneously filed Statements of Intent to Change Rates with the Railroad Commission of Texas and the 47 cities in the Division. These filings request the implementation of uniform, division-wide rates, charges and terms and conditions of service for the cities and environs of the Division. In these filings CenterPoint seeks to:

- Establish uniform, division-wide residential, general service-small commercial and general service-large volume tariffs;
- Establish a revenue requirement that will allow the Division to recover its operating costs and earn a fair return on our investment;
- Clearly separate CenterPoint's costs of *delivering* natural gas to its customers from the market prices it pays to *acquire* natural gas to meet its customers needs;
- Modify the Cost of Service Adjustment ("COSA") provision by establishing a COSA Rate Schedule that will not only provide for an annual review of the Company's operating expenses and revenues but will include plant investment;
- Establish a new tax adjustment tariff that will allow the Company to "flow through" changes in franchise fees and gross receipts taxes to our customers as those changes occur; and

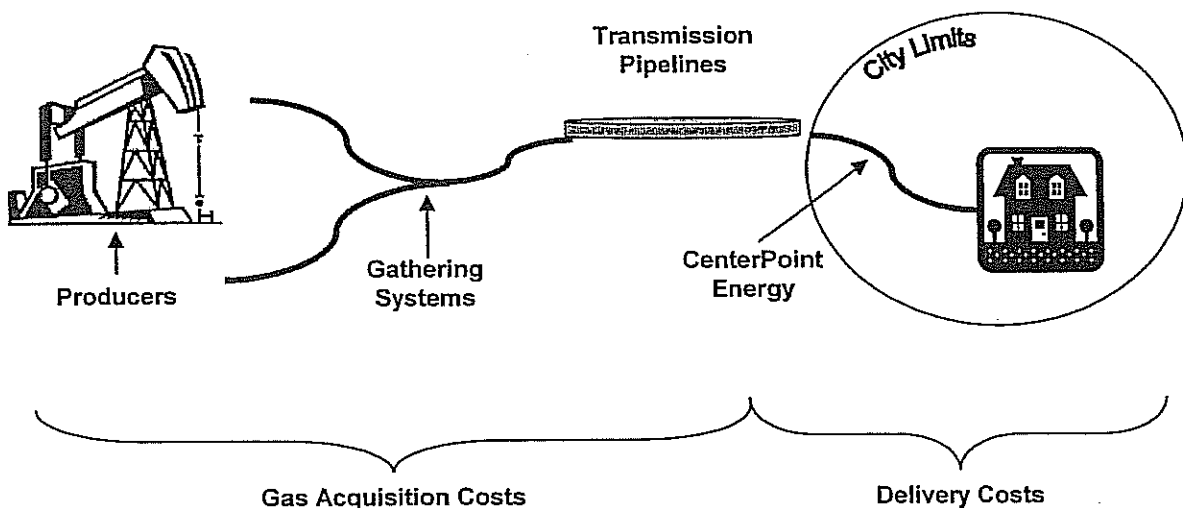
- Revise base rate delivery charges to reflect current customer usage patterns and recover the Division's current cost of providing delivery service.

Rate Uniformity

Today's filings consolidate literally scores of different residential, commercial and large volume tariffs into a single set of division-wide rates. The change reflects the evolution of gas utility operations in Texas which were once more geographically discrete and are today much more centralized. While variations in our current tariffs across cities are generally not substantial, the Company believes there is no longer any operational or regulatory rationale for maintaining differences in rates within the Division.

Separation of Charges for the Delivery and the Acquisition of Gas

As the following diagram shows, the natural gas industry is divided into four major business segments: (a) production; (b) gathering; (c) transmission and (d) distribution. Gas is purchased and sold within and between each market segment until ultimately it is purchased by distributors, such as CenterPoint, who deliver gas to homes and businesses in and near the municipalities it serves. The total price consumers pay for gas they purchase is comprised of: (1) the gas acquisition costs the utility incurs in acquiring the gas it receives at the "city limits" and (2) the delivery cost the utility incurs owning and operating its distribution system within the municipality.



While utilities are prohibited by law from making a profit on the acquisition cost of gas, it is important that the consumer understands the two major components of his or her gas bill. In this filing, the Company is modifying its tariffs to clearly separate the charges for the acquisition and delivery of gas. Currently, we recover a portion of the customer's gas cost through base rates.

The difference between what is collected in the base rate and the actual gas cost is collected through the Purchased Gas Adjustment ("PGA"). Under the Company's proposal, the entire amount of the acquisition cost of gas will be collected through the PGA Rate Schedule and separately stated on the customer's bill. This will allow the customer to clearly identify the cost of gas that the Company purchases to meet their energy needs.

Delivery Costs

The changes made by this filing only establish new delivery charges and do not affect the level of gas acquisition cost recovered through the rates in effect in your City. As explained more fully later in this discussion, delivery costs are all of the expenses incurred in operating the utility's distribution system other than the acquisition cost of gas and include expenses such as employee salaries and benefits, capital costs, operations and maintenance expenses and taxes imposed on the utility.

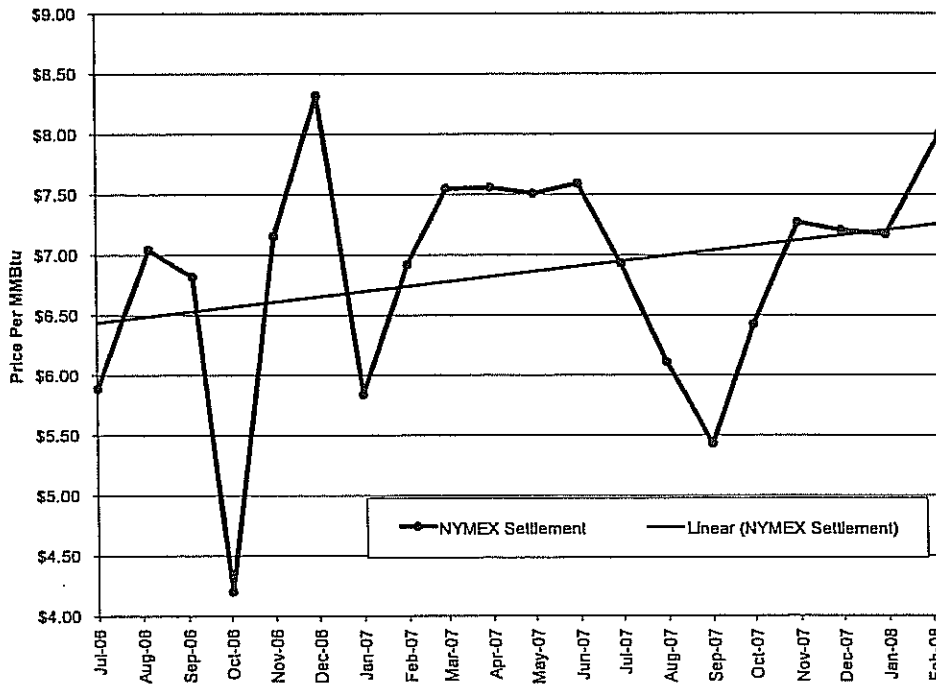
Gas Acquisition Cost

The acquisition cost of gas includes amounts earned by (a) the royalty owners of the natural gas in the ground, (b) the companies that drill for and produce the natural gas, (c) the gathering plant operators that process the natural gas for delivery into transmission pipelines, (d) the pipeline companies that transport the natural gas from the field to the distributor, and (e) the marketers that buy and sell the natural gas to the distributor, CenterPoint.

Although the changes made in this filing do not affect the acquisition cost of gas recovered from CenterPoint's customers, the PGA Rate Schedule will permit financial hedging transactions that will dampen the effect of the sometimes extreme swings in the market price of gas. This will reduce the effects of price volatility on customer bills.

As the following graph illustrates, while the general trend of the market price of natural gas is upward, the monthly price of gas is highly volatile.

Natural Gas Market Price
NYMEX SETTLEMENTS AND TRENDLINE



How are the Delivery Charges Affected by this Statement of Intent?

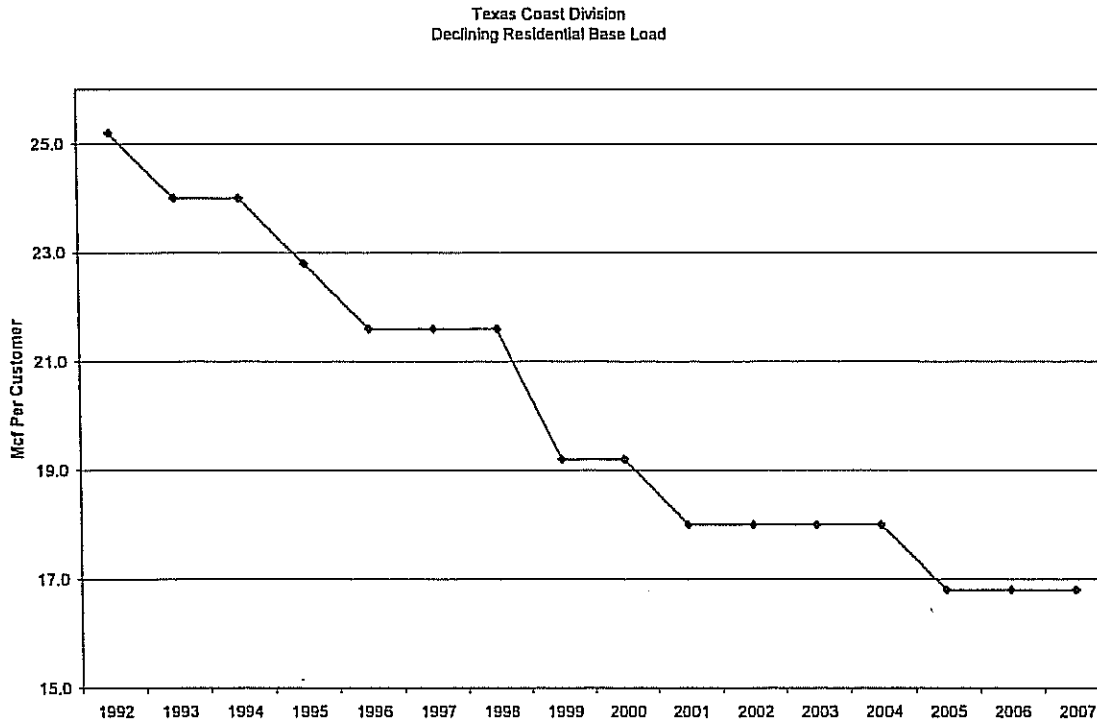
The Gas Utility Regulatory Act requires the establishment of rates that fully recover the utility's cost of providing safe, reliable service to its customers. In addition to the cost of acquiring gas, the Company incurs the costs of delivering the gas to the consumer. As noted previously, delivery costs include employee salaries and benefits, capital costs, operations and maintenance expenses and taxes imposed on the utility.

All of these costs may be categorized into three broad components: (1) reasonable operating expenses, (2) the level of investment in natural gas plant facilities, and (3) the cost of capital required to support our infrastructure investment. While the majority of cities have experienced small increases and decreases in their rates through the Company's Annual Cost of Service Program, that adjustment only dealt with changes the Company experienced in operating expenses from year to year. The combined effects of energy efficient appliances and buildings; substantial increases in investment in our natural gas distribution systems; and the rising cost of labor, benefits and other expenses have contributed to the need to revise the Company's rates for the delivery of gas. The revised delivery charges reflected in the Statement of Intent will recover all of these increased costs and adjust rates to account for lower usage per customer.

Why are the Delivery Charges Being Revised?

As previously mentioned, the Division has not had a general rate case in over thirty years. During the ensuing three decades, the Company experienced operating cost increases while it continued to invest substantial amounts in the infrastructure needed to meet the needs of its customers and support the economic development of the communities it serves. However, one of the most significant developments necessitating the revision is not related to cost, but to the substantial decline in gas usage due to appliance efficiency and conservation.

For example in 1992, the average residential customer in the Division consumed 25.2 Mcf per year in base load natural gas. The same residential customer uses only 16.8 Mcf per year in today's market because of higher quality home construction, more efficient appliances and customer conservation related to higher natural gas prices. The following chart shows the history of the decline in average residential customer base load.

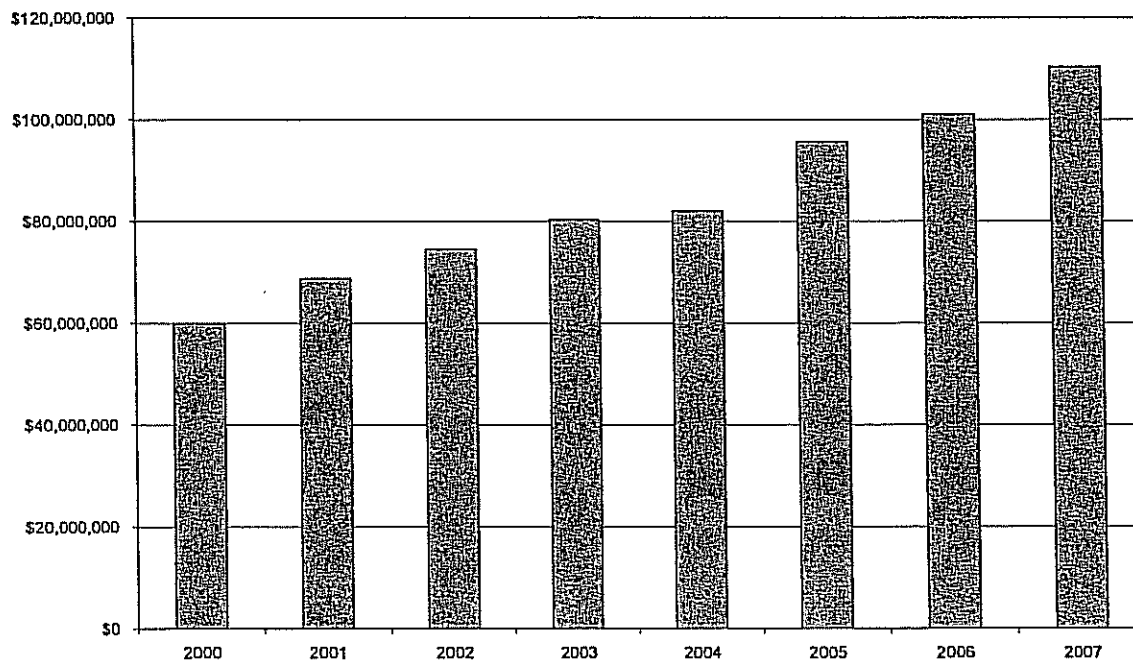


Because a substantial amount of CenterPoint's delivery costs were and are recovered based on sales volume, CenterPoint has experienced a slow but steady reduction in the recovery of those costs. At the same time, while the recovery of costs has eroded, the level of those costs has increased.

Investment per customer is a key contributor to the need to revise the Company's rates driving depreciation expense as well as the return on

investment. In 2000, the Company had invested an average of \$329 per customer in its combined distribution facilities in the Division. By 2007, this investment had risen to \$449 per customer. The following chart shows a history of the Company's total investment in the Division from 2000 – 2007.

Texas Coast Division
Net Plant Investment

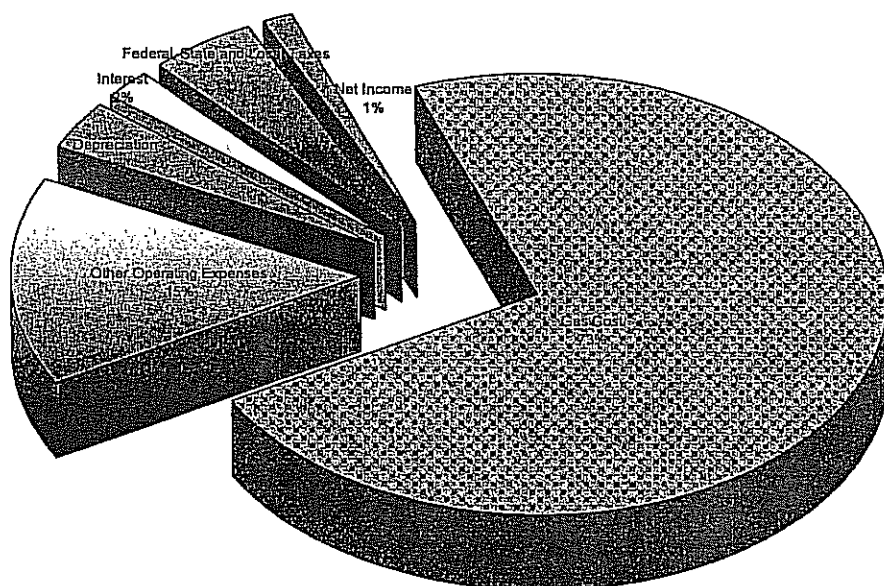


What is the breakdown of All of CenterPoint's Costs in the Division?

The following chart is a breakdown of all of the costs associated with providing gas service to CenterPoint's customers in the Division for both the acquisition cost of gas and the components of CenterPoint's delivery charges as of September 30, 2007, as adjusted.

COST COMPONENTS

TEXAS COAST DIVISION



Gas acquisition cost accounted for 73% of each revenue dollar. Other operating expenses took 15% of total revenue. This expense category includes employee wages and benefits, materials and supplies, customer accounting expenses, and all other costs incurred through the Company's rendering of safe, reliable service. Depreciation expense accounted for 4% of total revenue while interest expense accounted for 2%. Federal, state and local governments claimed 5% of CenterPoint's total revenue in taxes while our shareholders retained 1%. A substantial part of that 1% was reinvested in the distribution system.

It is interesting to note that "taxes" which are mostly gross receipts payments to municipalities and the state far exceed the amount CenterPoint realizes in net income from its investment in plant and equipment needed to serve its customers.

What Will the Revised Rates Look Like?

Any natural gas rate schedule must accomplish two objectives: (1) to charge each class of customers fairly and equitably so that each class pays its fair share of the cost of providing natural gas service and (2) to provide incentives to use natural gas when it is the most efficient option.

Gas delivery rates are generally broken down into a fixed monthly customer charge and a volumetric rate. The delivery rates established in this filing recover much of the Company's fixed monthly operating costs in the monthly customer charge. This rate design benefits customers in your City in the following ways:

- By keeping the volumetric rate as low as possible, we minimize the effect of cold weather on a customer's bill. As a result, the seasonal variance of natural gas bills decreases.
- By placing the majority of our fixed monthly costs in the customer charge of the rate schedule, we relieve our low and fixed income residential customers of the unnecessary burden of partially subsidizing the rest of the residential customer class. Our low and fixed income residential customers consistently use more natural gas than the system average residential customer and receive a greater benefit from our rate design methodology than any other proposed structure. Factors such as less insulated homes, older, energy inefficient appliances, and less technologically advanced heating units account for the low and fixed income residential customers' higher average consumption. Because low and fixed income customers purchase gas in greater volume, recovering more fixed cost in the customer charge eliminates the subsidy these customers would otherwise provide.

In addition to these changes, CenterPoint is modifying its annual cost of service adjustment provision through a proposed COSA Rate Schedule and revising its method for collecting revenue related taxes through a Tax Adjustment Rate Schedule.

Where do we go from here?

Under the Texas Utilities Code, the City does not have to take any action for this rate change to go into effect thirty-five (35) days after filing with your City. The rate-changing procedures of the Texas Utilities Code may be summarized as follows:

- In order to change our rates and implement the new tariff mechanisms, we must file a "Statement of Intent" with your City

thirty-five (35) days prior to the Effective Date of the proposed change.

- No action on the City's part is required to permit the proposed rates to go into effect on the Effective Date of April 10, 2008.
- If the City does not feel the proposed change is appropriate, it may, after notifying us, hold a hearing to consider the change. Pending the hearing and decision, the City may suspend the proposed rates for up to ninety (90) days if it acts to do so before April 10, 2008.
- If a final determination is not forthcoming within the ninety (90) day suspension period, we are entitled to put the rates into effect, subject to refund, should the proposed rate be in excess of that finally determined.
- We are permitted to appeal the City's decision to the Railroad Commission of Texas.

We will be pleased to answer any questions which you might have regarding the information presented in this report. CenterPoint Energy values its position in your community, and we assure you that we will strive to do everything possible to merit your continued confidence in our Company.

Sincerely,

CenterPoint Energy

CenterPoint Energy

Texas Coast Division

- CenterPoint Energy plans to file a statement of intent to change its rates, terms and conditions of natural gas service in the city and in its Texas Coast Division.
 - *Note: The statement of intent has nothing to do with electric service provided by CenterPoint Energy.*
- The total cost of service and rate base for Texas Coast Division is based on a test year ending September 30, 2007, adjusted for known and measurable changes to reflect a proforma period through December 31, 2008.
- The Company's revenues in the Texas Coast Division are not keeping pace with increasing operating costs and capital investment, which are required to maintain safe, adequate, and reliable service.
 - We have worked hard to contain and reduce our operating costs and to continue to provide safe, adequate, and reliable service at reasonable rates.
 - Unfortunately, our cost for labor, materials and supplies, and other operating expenses continue to rise.
 - And, we also continue to make substantial investments to expand and improve our natural gas distribution system.
- Historically, we have been able to rely upon customer growth and a cost of service tracker program that is in effect in some cities to help defer the need to file a general rate case.
 - In fact, the Texas Coast Division has not had a general rate case in over 30 years.
 - However, the traditional cost of service tracker reflects only O&M expenses, and certain expenses that are not covered by the tracker have risen.
 - At the same time, the Company has experienced a reduction in use per customer due to energy conservation and other factors, which negatively impacts our revenues.
 - As a result, our current rates for service to customers in the Texas Coast Division do not provide us with a reasonable opportunity to recover our operating expenses and the cost of financing our investment in our natural gas distribution system.
- The Company plans to file Statements of Intent on March 6, 2008 with the Texas Railroad Commission and the 47 cities in our Texas Coast Division.
 - The Railroad Commission will review our filing over a six-month period. It has original jurisdiction over rates established in the environs and appellate jurisdiction over rates set for the cities.
 - The proposed rate schedules will reflect uniform, division-wide rates, charges and terms and conditions of service for the cities and environs of the Texas Coast Division.

CenterPoint Energy

Texas Coast Division

- The principal objectives of the rate case are to –
 1. establish uniform rates and services within our Texas Coast Division, as we have done in our Beaumont/East Texas, Houston, and South Texas Divisions;
 2. establish a revenue requirement that will allow us to recover our operating costs and earn a fair return on our investment;
 3. establish tariffs to recover gas costs and franchise fees and gross receipts taxes through separate rates, as we have done elsewhere in Texas;
 4. eliminate the forfeited discount payment provision
 5. reduce the frequency of future rate cases; and
 6. continue to provide adequate, safe and reliable service.
- The filing does not affect the cost of gas billed to our customers, which makes up about 70 percent of the bill.
 - The Company does not mark up the cost of gas; instead, it passes the cost through to customers at the same price the Company paid.
 - Through the rate design structure, the Company proposes to completely segregate gas and non-gas costs to make gas costs more transparent through a separate rider.
 - We will continue to manage our gas supply portfolio in a manner which appropriately balances adequacy, reliability, cost, and price stability.
- The rate case filing proposes to change the base rate portion of a customer's natural gas bill, which makes up about 30 percent of the total bill, and covers the cost of distributing natural gas.
 - Distribution costs include operating and maintaining the Company's natural gas distribution system, taxes and fees paid to government entities, depreciation, income, and interest.
 - To lessen the need for future rate cases, the Company will be proposing modifications to our cost of service tracker.
- We will be proposing a Tax Adjustment tariff that will give us more flexibility in working with your city and other cities on franchise agreements in the future.
 - This same tariff has been implemented in our Houston, South Texas and Beaumont/East Texas divisions.
 - It will allow us to "flow through" changes in franchise fees and gross receipts taxes to our customers as those changes occur.
 - Once the Tax Adjustment tariff is approved, we will be able to offer to your city a standard franchise agreement that was recently approved by the City of West University Place and which we are proposing to other cities.
- The effects of proposed statement of intent on the Company's revenues and the impact to a residential customer as it relates to your city are located on the next page.

Data for City of Angleton

| Residential | Small Com. | Large Vol | Total Customers | Total Add'l Rev | Total % Increase | Ave Resid Mo'ly Inc |
|-------------|------------|-----------|-----------------|-----------------|------------------|------------------------|
| 4,116 | 266 | 12 | 4,394 | \$ 143,463 | 4.56% | \$ 2.83 |



March 12, 2008

Mayor and City Officials
City of Angleton
Angleton, Texas

RE: Pending Statement of Intent to Change Rates

Ladies and Gentlemen:

I am writing to confirm to you that if the City of Angleton approves the rates proposed by CenterPoint Energy and if the Railroad Commission of Texas shall subsequently establish a lower level of division-wide base rates for customers in CenterPoint Energy's Texas Coast Division, CenterPoint Energy shall file such lower level of base rates with the City of Angleton immediately on the issuance of the final, non-appealable order of the Railroad Commission establishing such lower base rates.

By approving the proposed rates, the City of Angleton and its citizens will avoid potentially substantial litigation expenses associated with proceedings undertaken by other municipalities or coalitions of municipalities or the Railroad Commission of Texas.

If you have any questions, please contact Doug Ward at 281-342-8881.

Very truly yours,

A handwritten signature in black ink, appearing to read "Richard A. Zapalac".

Richard A. Zapalac
Regional Vice President-Texas

cc: George Hepburn
Keith Wall
Doug Ward