

**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-3**

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 Division service area. All rate calculations under this tariff shall be made on a Texas Coast Division system wide basis. If, through the implementation of the provisions of this mechanism, it is determined that rates should be decreased or increased, then rates will be adjusted accordingly in the manner set forth herein. The rate adjustments implemented under this mechanism will reflect annual changes in the Company's cost of service and rate base as computed herein. This Rate Schedule No. COSA-3 is authorized for an initial implementation period of three (3) years commencing with the Company's filing under this rate schedule for the calendar year 2008, effective August 1, 2009, and ending with the implementation of the rate adjustment, if any, for the calendar year 2010, effective August 1, 2011; and shall automatically renew for successive three year periods unless either the Company or the regulatory authority having original jurisdiction gives written notice to the contrary to the other by February 1, 2011, or February 1, of the third filing year of any succeeding three year renewal period.

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 1, with the rate adjustments to be effective with the bills rendered on or after August 1st of each year. The first filing pursuant to this Rider shall be no later than May 1, 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. Company shall file with each regulatory authority having original jurisdiction over the Company's rates the schedules specified below, by FERC Account, for the prior calendar year period. The schedules will be based upon the Company's audited financial data, as adjusted, and provided in a format that will allow for the same analysis as that undertaken of a Company Statement of Intent filing. Sample schedules are attached as Exhibit A to this tariff and shall include the following information:

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 and Municipal Franchise Fee Rate Schedules.

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This information will be presented with supporting calculations. The Company shall provide additional information for all operating expenses upon request by the regulatory authority during the ninety (90) day review period specified in Section D.

C.2 Return on Investment - The return on investment is the pre-tax rate of return (11.8%) multiplied by the rate base balance for the applicable calendar year.

The rate base balance is composed of:

Net Utility Plant in Service*

Plus:

Other Rate Base Items:**

Materials and Supplies Inventories

Prepayments

Cash Working Capital

Less:

Customer Deposits (Account No. 235)

Customer Advances (Account No. 252)

Deferred Federal Income Taxes

* Net Utility Plant in Service as shown by FERC account adjusted to exclude asset retirement obligation amounts. Gross utility plant in service and accumulated depreciation by account will be shown separately by month so that an annual average utility plant in service can be calculated.

** These items will reflect the 13 month average materials and supplies inventories and prepayments. The Company shall perform a lead/lag study for the initial filing under this tariff and at least once every three (3) years thereafter.

Supporting information for all rate base items shall be provided to the regulatory authority during the ninety (90) day review period specified in Section D upon request to the Company.

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:

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

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

C.5 Cost of Service Adjustment Rate

The Cost of Service Adjustment as calculated in Section C.4 will be allocated among the customer classes in the same manner as the cost of service was allocated among classes of customers in the Company's latest effective rates for the Texas Coast Division. The cost of service adjustment for each customer class will then 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 allocated to that class, divided by the average number of gas sales customers in each class 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. Any change in the Cost of Service Adjustment shall not exceed an amount equal to five percent (5%) of the Customer Charge effective for service in the Texas Coast Division at the end of the calendar year immediately preceding the year in which the Cost of Service Adjustment is made, provided that the costs for the Company to perform a lead-lag study, provide public notice and reimburse City rate case expenses as required herein, up to an amount not to exceed \$250,000, shall not be included in calculating the (5%) limitation.

In order to meet Generally Accepted Accounting Principles and U.S. Securities and Exchange Commission reporting requirements, 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 for that year. Such estimate shall not be included in the computation of the Cost of Service Adjustment.

C.6 Attestation

A sworn statement shall be filed by the Company's Chief Accounting Officer of CenterPoint Energy Texas Gas Operations, affirming that the filed schedules are in compliance with the provisions of this tariff and are true and correct to the best of his/her knowledge, information, and belief. No testimony shall be filed.

C.7 Proof of Revenues

The Company shall also provide a schedule demonstrating the "proof of revenues" relied upon to calculate the proposed cost of service adjustment rate. The proposed rates shall conform as closely as practicable to the revenue allocation principles in effect prior to the adjustment.

C.8 Notice

Notice of the annual Cost of Service Adjustment shall be published in the Houston Chronicle in a form similar to that required under Section 104.103, TEX. UTIL. CODE ANN. no later than forty-five (45) days after the Company makes its annual filing pursuant to this rate schedule with the regulatory authority. The notice to customers shall include the following information:

- a) a description of the proposed revision of rates and schedules;
- b) the effect the proposed revision of rates is expected to have on the rates applicable to each customer class and on an average bill for each affected customer class;
- c) the service area or areas in which the proposed rate adjustment would apply;

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- d) the date the proposed rate adjustment was filed with the regulatory authority; and
- e) the Company's address, telephone number, and website where information concerning the proposed cost of service adjustment may be obtained.

D. REGULATORY REVIEW OF ANNUAL RATE ADJUSTMENT

The regulatory authority with original jurisdiction will have a period of not less than ninety (90) days within which to review the proposed annual rate adjustment. During the review period, Company shall provide additional information and supporting documents as requested by the regulatory authority and such information shall be provided within ten (10) working days of the original request.

The rate adjustment shall take effect with the bills rendered on or after August 1st of each year. This Cost of Service Adjustment Rate Schedule does not limit the legal rights and duties of the regulatory authority. Nothing herein shall abrogate the jurisdiction of the regulatory authority to initiate a proceeding at any time to review whether rates charged are just and reasonable. The provisions of this Cost of Service Adjustment are to be implemented in harmony with the Gas Utility Regulatory Act (Texas Utilities Code, Chapters 101-105). The Company's annual rate adjustment will be made in accordance with all applicable laws. If at the end of the ninety (90) 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 regulatory authority may take action to deny such adjustment, and 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.

To defray the cost, if any, of regulatory authorities conducting a review of Company's annual rate adjustment, Company shall reimburse the regulatory authorities for their reasonable expenses for such review in an aggregate amount not to exceed \$100,000. Any reimbursement contemplated hereunder shall be deemed a reasonable and necessary operating expense of the Company in the year in which the reimbursement is made. If more than one regulatory authority should request reimbursement in any year, each regulatory authority shall receive the lesser of its reasonable and necessary expenses for conducting its review or an amount equal to \$100,000 multiplied by the fraction of which the numerator is the total number of customers subject to the original jurisdiction of the regulatory authority seeking reimbursement and the denominator of which is the total number of customers subject to the jurisdiction of all regulatory authorities seeking reimbursement for review of an annual rate adjustment.

A regulatory authority seeking reimbursement under this provision, shall submit its request for reimbursement to Company no later than September 1st of the year in which the adjustment is made and Company shall reimburse regulatory authorities in accordance with this provision on or before September 15th, of the year the adjustment is made.