

111 FERC ¶ 61,492
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeen G. Kelly.

CenterPoint Energy Gas Transmission Company

Docket No. IN05-7-000

ORDER APPROVING STIPULATION AND CONSENT AGREEMENT

(Issued June 27, 2005)

Introduction

1. The Commission approves the attached Stipulation and Consent Agreement (Agreement) between the Office of Market Oversight and Investigations (OMOI) and CenterPoint Energy Gas Transmission Company (CEGT). The Agreement resolves OMOI's preliminary nonpublic investigation into matters relating to: (1) the requirements of the Standards of Conduct at Part 161 of the Commission's regulations, 18 C.F.R. Part 161 (2003)¹; (2) the format of compliance plan for transportation services and affiliate transactions at 18 C.F.R. § 250.16 (2004); (3) certain reporting provisions regarding the transportation and sales of natural gas at 18 C.F.R. Part 284 (2004); (4) capacity release transactions at 18 C.F.R. § 284.8 (2004); and (5) record retention requirements at 18 C.F.R. § 225.3, Item 3 (2004). The investigation was conducted under Part 1b of the Commission's regulations, 18 C.F.R. Part 1b (2004), and the Agreement covers the period between January 1, 2001 to September 22, 2004 (Investigative Period).

¹ The Commission's former Standards of Conduct, codified at 18 C.F.R. Part 161 (2003), were in effect during the Investigative Period. On September 22, 2004, Transmission Providers were required to comply with the requirements of the Standards of Conduct for Transmission Providers under FERC Order No. 2004. *Standards of Conduct for Transmission Providers*, Order No. 2004, FERC Stats. & Regs., Regulations Preambles ¶ 31,155 (2003), *order on reh'g*, Order No. 2004-A, III FERC Stats. & Regs. ¶ 31,161 (2004), 107 FERC ¶ 61,032 (2004), *order on reh'g*, Order No. 2004-B, III FERC Stats. & Regs. ¶ 31,166 (2004), 108 FERC ¶ 61,118 (2004), *order on reh'g*, Order No. 2004-C, 109 FERC ¶ 61,325 (2004); *order on reh'g*, Order No. 2004-D, 110 FERC ¶ 61,320 (2005).

2. This Agreement is in the public interest because it resolves alleged violations relating to the Commission's Marketing Affiliate rules, as well as certain of its reporting, posting and archiving requirements with a settlement that requires CEGT to pay a civil penalty of \$270,000 and implement a detailed Compliance Plan and detailed Implementation Procedures covering the areas investigated.
3. OMOI alleges that CEGT failed to follow section 161.3(f) of the earlier Standards of Conduct (18 C.F.R. § 161.3(f) (2003)), by disclosing to its Marketing Affiliates non-public transportation information concerning the availability of interruptible service, the possibility of an operational alert and a potential transportation initiative without contemporaneously disclosing that information to all potential non-affiliated shippers on CEGT's system. In each of these instances, CEGT also provided the information to certain non-affiliated shippers, but not to all non-affiliated shippers.
4. OMOI also alleges that CEGT failed to: strictly enforce tariff provisions for which there was no discretion in the application of the provision (18 C.F.R. § 161.3(b) (2003)); follow the posting and filing requirements relating to Index of Customers (18 C.F.R. § 284.13(c) (2004)); properly maintain and archive organizational charts (18 C.F.R. § 161.3(l) (2003), and 18 C.F.R. §§ 284.12 (a)(iv) and 284.12(b)(3)(ii)(C) (2004)); retain all contract records (18 C.F.R. § 225.3, Item 3 (2004)); follow all of the requirements for transactional reports relating to capacity release (18 C.F.R. §§ 284.12(a) and 284.13(b) (2004)); and post capacity from an expiring firm transportation contract CEGT had with one of its marketing affiliates (18 C.F.R. § 284.13(d) (2004)).
5. CEGT neither admits nor denies that its actions violated any provisions of the Natural Gas Act, the Natural Gas Policy Act of 1978 or the Commission's regulations.
6. The Agreement contains two remedial provisions:
 - (A) CEGT agrees to pay a civil penalty of \$270,000 to the United States Treasury that it will not recover through any rate or otherwise.
 - (B) CEGT agrees to implement fully and follow a Compliance Plan and Implementation Procedures that are attached as Appendices to the Agreement. CEGT agrees that it will prepare and file with the Commission an Annual Compliance Report for each of the next three years within 60 days of the end of the calendar quarter which includes the anniversary of the date that the Compliance Plan takes effect. Each Compliance Report will explain how CEGT has implemented and will continue to implement the requirements of the Compliance Plan and the Implementation Procedures.

The Commission finds:

The Agreement provides an equitable resolution of this matter and is in the public interest.

The Commission orders:

(A) The attached Stipulation and Consent Agreement is approved in its entirety without modification.

(B) Docket No. IN05-7-000 is terminated, save for determination of compliance with this Settlement Order and Agreement.

(C) The Commission's approval of the attached Stipulation and Consent Agreement does not constitute approval of, or precedent regarding, any principle or issue in this matter.

By the Commission.

(S E A L)

Linda Mitry,
Deputy Secretary.

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

CenterPoint Energy Gas Transmission Company Docket No. IN05-7-000

Stipulation and Consent Agreement

I. INTRODUCTION

The Staff of the Federal Energy Regulatory Commission's ("FERC's") Division of Investigations and Enforcement, Office of Market Oversight and Investigations ("OMOI") and CenterPoint Energy Gas Transmission Company ("CEGT") enter into this Stipulation and Consent Agreement ("Agreement") to resolve OMOI's preliminary nonpublic investigation in Docket No. IN05-7-000 under Part 1b of the Commission's regulations, 18 C.F.R. Part 1b (2004).

On August 13, 2003, OMOI initiated a preliminary, non-public investigation of CEGT into matters relating to: (1) the requirements of the Standards of Conduct at Part 161 of the Commission's regulations, 18 C.F.R. Part 161; (2) the format of compliance plan for transportation services and affiliate transactions at 18 C.F.R. § 250.16; (3) certain reporting provisions regarding the transportation and sales of natural gas at 18 C.F.R. Part 284; (4) capacity release transactions at 18 C.F.R. § 284.8; and (5) record retention requirements at 18 C.F.R. § 225.3, Item 3. The period investigated was from January 1, 2001 to September 22, 2004 (Investigative Period). On September 22, 2004, Transmission Providers were required to comply with the requirements of the Standards

of Conduct for Transmission Providers under FERC Order No. 2004. *Standards of Conduct for Transmission Providers*, Order No. 2004, FERC Stats. & Regs., Regulations Preambles ¶ 31,155 (2003), *order on reh'g*, Order No. 2004-A, III FERC Stats. & Regs. ¶ 31,161 (2004), 107 FERC ¶ 61,032 (2004), *order on reh'g*, Order No. 2004-B, III FERC Stats. & Regs. ¶ 31,166 (2004), 108 FERC ¶ 61,118 (2004), *order on reh'g*, Order No. 2004-C, 109 FERC ¶ 61,325 (2004); *order on reh'g*, Order No. 2004-D, 110 FERC ¶ 61,320 (2005). The Commission's former Standards of Conduct, codified at 18 C.F.R. Part 161 (2003), were in effect during the Investigative Period.

II. STIPULATION

CEGT and OMOI stipulate to the following:

1. CEGT is an interstate natural gas pipeline subject to the Natural Gas Act (NGA), the Natural Gas Policy Act of 1978 (NGPA), and the Commission's regulations. CEGT provides open access transportation services pursuant to a certificate issued by the Commission in Docket No. CP88-820-000, and Part 284 of the Commission's regulations, 18 C.F.R. Part 284 (2004). CEGT, on behalf of various shippers, transports and delivers natural gas: (a) to natural gas distributors for resale for ultimate public consumption; (b) to industrial users for their own use and consumption; and (c) to third party pipeline interconnections located in the states of Arkansas, Kansas, Louisiana, Mississippi, Missouri, Oklahoma, Tennessee and Texas.

2. For a portion of the Investigative Period, CEGT was affiliated with Reliant Resources, Inc. ("Reliant Resources") and Reliant Energy Services, Inc. ("RES"). RES, a subsidiary of Reliant Resources, was a marketing affiliate of CEGT. On September 30,

2002, CenterPoint Energy, Inc., CEGT's ultimate parent company, distributed to its shareholders all of the shares of Reliant Resources common stock owned by CenterPoint Energy, Inc. As of October 1, 2002, CEGT was no longer affiliated with Reliant Resources or RES. In April 2004, Reliant Resources changed its corporate name to Reliant Energy.

3. During the Investigative Period, Section 161.3(f) of the Commission's regulations, 18 C.F.R. § 161.3(f) (2003), stated that "[t]o the extent it provides to a marketing affiliate information related to transportation of natural gas" an interstate natural gas pipeline "must provide that information contemporaneously to all potential shippers, affiliated and nonaffiliated, on its system." The term "potential shipper" was defined in Part 161 as "all current transportation and sales customers of an interstate natural gas pipeline, and all persons who have pending requests for transportation service or for information regarding transportation service on that pipeline." 18 C.F.R. § 161.2(d) (2003). In Order No. 497-A, the Commission stated that it considered the term "contemporaneous" to mean that "potential shippers receive the information no later than the same day the affiliate receives the information." *See* Order No. 497-A at 31,596. The Commission also stated in Order No. 497-A that it did "not wish to dictate a particular method by which pipelines can make the information contemporaneously available." *Id.*

4. From January 1, 2001 through July 2002, CEGT sent out a daily e-mail with capacity and system information relevant to Interruptible Transportation ("IT") service for the next gas day to shippers that requested to be put on the e-mail distribution list. CEGT has never denied a request from any entity to be added to the distribution list for the daily e-mail. The recipients of this e-mail were any customer that requested it, or

their agents, constituting over 60 shippers or potential shippers, which included over 130 individuals employed by those shippers or potential shippers, including CEGT's marketing affiliates. Following the distribution of the daily e-mail, CEGT posted twice daily on its web site information regarding available capacity on its system. Beginning in July 2002, CEGT began posting the daily e-mail in its entirety on CEGT's web site after it was e-mailed. Each daily e-mail includes a notice to all shippers and potential shippers that the e-mail is distributed each morning and provides information to enable those shippers and potential shippers to be added to the distribution list for the daily e-mail. In March 2003, in response to the Commission's approval of a Stipulation and Consent Agreement in *National Fuel Gas Supply Corp.*, 103 FERC ¶ 61,192 (2003), CEGT changed the timing of this procedure and began posting the e-mail containing the information on its web site before it was e-mailed.

5. During the investigation, OMOI reviewed a sample of recordings of telephone conversations between CEGT personnel and employees of CEGT's former marketing affiliate, Reliant Energy Services, Inc., that took place during January and February 2002. OMOI also reviewed a sample of recordings of telephone conversations that took place during January and February 2003 between CEGT personnel and certain personnel from CenterPoint Energy Gas Resources Corp., which was a marketing affiliate of CEGT at that time. Two of the conversations reviewed occurred on days (February 5 and 6, 2002) on which CEGT was not able to send the daily e-mail discussed in paragraph 4, above, due to technical problems. On days when the e-mail could not be sent, it was the practice of a CEGT representative to call, and to respond to calls from, the shippers and potential shippers that usually received the daily e-mail, including

representatives of CEGT's marketing affiliate, to attempt to provide by phone the information that normally would have been conveyed by e-mail. In one such instance, on February 5, 2002, an employee of Reliant Energy Services, Inc., a marketing affiliate of CEGT at that time, called CEGT, and in response to a question regarding IT service, CEGT provided information concerning available interruptible transportation capacity for the next gas day. In the other call, on February 6, 2002, CEGT's representative, following the practice described above, called a representative of CEGT's marketing affiliate and informed the individual of available interruptible transportation capacity for the next gas day prior to CEGT posting that information on its web site.

6. Another of the conversations between an employee of CEGT and an employee of Reliant Energy Services, Inc. reviewed by OMOI took place on February 22, 2002. On that date, which was a Friday, CEGT informed an employee of Reliant Energy Services, Inc. of an Operational Alert before CEGT posted the alert on CEGT's web site later that day. The Operational Alert informed shippers that pipeline operations possibly could be affected on the following Tuesday, due to a cold front that was moving through the area. The Operational Alert stated that because of this cold front, CEGT would likely be requiring all shippers to stay in balance the following Tuesday (February 26, 2002), and IT, AOS and Secondary Firm services could be interrupted on that day. The February 22, 2002 notice indicated that CEGT would update the alert the following Monday (February 25, 2002) if these services would be interrupted or if shippers would be required to take any actions on Tuesday, February 26, 2002, to address the Operational Alert. No Operational Alert was posted the following Monday, February 25, 2002, and

no services were interrupted nor were shippers required to take any actions to address the Operational Alert for business on Tuesday, February 26, 2002.

7. Another of the recorded conversations revealed that an employee of CEGT's marketing affiliate would be meeting with CEGT personnel on January 9, 2003 to discuss possible future CEGT initiatives to ensure adequate gas supplies for the CEGT system. CEGT also solicited the views of a sampling of nonaffiliated shippers and other industry participants regarding this matter, including local distribution companies, energy specialized consultancies, marketers, producers and other pipelines and the Potential Gas Committee (consisting of volunteer gas supply experts associated with industry, governmental and academic institutions), but not in the same January 9, 2003 meeting with the marketing affiliate. The possible initiatives were still in the planning stages when CEGT made a posting on its web site about them in April 2003. This posting indicated that CEGT was "seeking discussions with any shipper or prospective shipper that would be interested in transporting gas from Rocky Mountain areas using CEGT's system," including any capacity CEGT might acquire on upstream pipelines. CEGT has not undertaken any expansion of its system or acquired any capacity on upstream pipelines based on the discussions described in this paragraph and no new capacity has been made available as a result of this initiative.

8. During the Investigative Period, Section 161.3(e) of the Commission's regulations, 18 C.F.R. § 161.3(e) (2003), stated that an interstate natural gas pipeline "may not disclose to its marketing affiliate any information the pipeline receives from a nonaffiliated shipper or potential nonaffiliated shipper."

9. During an on-site investigative visit to CEGT's Houston offices, OMOI determined that employees of CEGT's marketing affiliates could use their card keys to gain access to CEGT's floors containing transmission and customer information. OMOI did not find evidence that CEGT marketing affiliate personnel accessed non-public transmission or customer information in this manner.

10. During the Investigative Period, Section 161.3(b) of the Commission's regulations, 18 C.F.R. § 161.3(b) (2003) provided that a pipeline must "strictly enforce a tariff provision for which there is no discretion in the application of the provision."

11. During the Investigative Period until May 4, 2004, CEGT's tariff stated that no notice service (Rate Schedule NNTS) would be awarded through an open season held between March 3, 1993 and March 16, 1993 (Sheet No. 126). In a posting on CEGT's web site dated March 17, 2003, ten years after the open season ended, CEGT offered no notice service to its shippers. On April 15, 2004, in response to OMOI's investigation into this issue, CEGT made a tariff filing with the Commission (Docket No. RP04-257-000) removing from its tariff the limitations of no-notice service to the 1993 open season. On May 4, 2004, the Commission approved the tariff filing by unpublished delegated order.

12. During the Investigative Period, Section 161.3(k) of the Commission's regulations, 18 C.F.R. § 161.3(k) (2003) ("Standard K"), stated that a "pipeline must maintain a written log of waivers that the pipeline grants with respect to tariff provisions that provide for such discretionary waivers and provide the log to any person requesting it

within 24 hours of the request.” No shipper or potential shipper has requested the log from CEGT.

13. Section 284.13(c) of the Commission’s regulations, 18 C.F.R. § 284.13(c) (2004), contains the reporting requirements for an interstate natural gas pipeline’s Index of Customers. During the Investigative Period, CEGT did not include all point codes in its quarterly Index of Customers. CEGT included customer names in its quarterly Index of Customers, but did not always include a customer identification number. CEGT also included certain information for Hourly Firm Transportation shippers in a footnote as opposed to in the main text.

14. During the Investigative Period, the regulations applicable to maintaining organizational charts included 18 C.F.R. § 161.3(l)(2)(ii) (2003) and 18 C.F.R. §§ 284.12(a)(iv), and 284.12(b)(3)(ii)(C) (2004). During the Investigative Period, CEGT did not maintain an electronic archive of marketing affiliates, employee organization charts, corporate organization charts, job titles and descriptions for three years and did not post the date information was last updated. CEGT did maintain a paper archive of this information. No shipper or potential shipper requested this archived information from CEGT during the Investigative Period.

15. Section 284.12(a) of the Commission’s regulations, 18 C.F.R. § 284.12(a) (2004), incorporates by reference certain business practice and electronic communications standards promulgated by the North American Energy Standards Board (“NAESB”). The standards incorporated by reference include NAESB Standard 5.4.20, dealing with the format for the transactional reports for capacity release transactions

required under 18 C.F.R. § 284.13(b) (2004). During the Investigative Period, CEGT's transactional reports for capacity release transactions did not include the releasing shipper's contract number and the reports were not in the format set forth under NAESB Standard 5.4.20.

16. Section 225.3, Item 3 of the Commission's regulations, 18 C.F.R. § 225.3, Item 3 (2004), requires interstate pipelines to retain all contracts and related records for Commission inspection. In a test sample of 71 contracts in effect during the Investigative Period reviewed by OMOI, 11 of CEGT's contract files did not contain fully executed contracts. In addition, CEGT did not maintain copies of all discount requests.

17. Section 284.13(d) of the Commission's regulations, 18 C.F.R. § 284.13(d) (2004), requires an interstate pipeline to provide on its Internet web site and in downloadable file formats, equal and timely access to information relevant to the availability of all transportation services, including, but not limited to, the availability of capacity. During the Investigative Period, 1000 Dth/d of capacity became available when CEGT's firm transportation contract with Reliant Energy Services, Inc., CEGT's marketing affiliate, expired on April 30, 2001. CEGT did not post a notice specifically describing that 1000 Dth/d would be available as a result of this expiring contract. On March 31, 2001, CEGT made a general capacity availability posting, in which CEGT stated that it anticipated that firm summer seasonal capacity for 5,700 Dth/d would be available from April 1, 2001. Capacity of 1000 Dth/d was awarded to a CEGT marketing affiliate, MRT Energy Marketing, to serve the delivery point previously served under the RES contract beginning May 1, 2001 on a month-to-month basis.

18. During the Investigative Period, CEGT had three active shippers with contracts for transportation under section 311 of the Natural Gas Policy Act of 1978 (NGPA). One of those three shippers was not an addressee on the e-mails that CEGT sent to a group of shippers or their agents (including CEGT's marketing affiliate) that disclosed transportation information prior to CEGT posting it on its web site as described in Paragraph 4 of this Section. As stipulated earlier, in July 2002, CEGT began posting its daily capacity availability e-mail on its Internet web site after, but on the same day, it was distributed to the recipients on the distribution list. In March 2003, CEGT began posting its daily capacity availability e-mail prior to sending it out to the distribution list following the Commission's approval of the Stipulation and Consent Agreement in *National Fuel Gas Supply Corp.*, 103 FERC ¶ 61,192 (2003).

III. ALLEGED VIOLATIONS

A. OMOI's position:

1. From January 1, 2001 through March 2003, CEGT violated Section 4 of the NGA, Section 311 of the NGPA and 18 C.F.R. § 161.3(f) (2003), by providing marketing affiliate personnel with non-public transportation information before that information was publicly posted on CEGT's web site. Specifically, CEGT's marketing affiliate was part of a select group of shippers that received a daily e-mail containing transportation information before that information was posted on CEGT's web site.

2. In addition, OMOI's review of a test sample of recorded telephone conversations between CEGT and Reliant Energy Services, Inc., a then-marketing affiliate of CEGT, in January and February 2002, and a test sample of recorded

conversations between CEGT and CenterPoint Energy Gas Resources, a marketing affiliate of CEGT in January and February 2003, revealed that on February 5 and 6, 2002, CEGT disclosed capacity availability information to its marketing affiliate in lieu of the distribution of the daily e-mail for those days and prior to the information being posted on CEGT's website. From its review of the test sample of recorded telephone conversations involving CEGT and CEGT's marketing affiliates, OMOI concludes that CEGT violated Section 4 of the NGA, Section 311 of the NGPA and 18 C.F.R. § 161.3(f) (2003) on Friday, February 22, 2002 by informing a marketing affiliate employee in a telephone conversation of a possible operational alert before it was posted on CEGT's website.

3. From its review of the test sample of recorded telephone conversations involving CEGT and its marketing affiliate, CenterPoint Energy Gas Resources, discussed in Paragraph 2 of this section, OMOI concludes that CEGT violated Section 4 of the NGA, Section 311 of the NGPA and 18 C.F.R. § 161.3(f) (2003) on January 9, 2003, by discussing a potential new transportation initiative in a private meeting with its marketing affiliate personnel before the potential initiative was publicly disclosed. While CEGT also discussed the potential initiative with select non-affiliated shippers before the potential initiative was publicly disclosed in a posting CEGT made on its web site in April 2003, the timing and private nature of the meeting with the marketing affiliate is inconsistent with Standard of Conduct F. *See, Inquiry into Alleged Anticompetitive Practices Related to Marketing Affiliates of Interstate Pipelines, Order on Reh'g*, (Order No. 497-A) FERC Stats. & Regs., Regulations Preambles 1986-1990 ¶ 30,868 at 31,597 (1989).

4. CEGT failed to implement adequate security measures to ensure compliance with sections 161.3(e) and (f), 18 C.F.R. 161.3(e) and (f) (2003), by failing to restrict CEGT marketing affiliate personnel from having access to the floor that contained CEGT's non-public transmission and customer information in CEGT's Houston offices.

5. From January 1, 2001 through May 4, 2004, CEGT violated Section 4 of the NGA, Section 311 of the NGPA, and 18 C.F.R. § 161.3(b) (2003) and CEGT's tariff, by periodically failing to strictly enforce certain provisions in its tariff for which there was no discretion in the application of the provision. Specifically, CEGT offered no-notice service to shippers ten years following the expiration of the Open Season for such service under Rate Schedule NNTS of CEGT's tariff. CEGT also included terms and conditions in certain negotiated rate contracts that did not conform to the Form of Service Agreement in CEGT's tariff.

6. From January 1, 2001 through September 22, 2004, CEGT violated Section 8 of the NGA and 18 C.F.R. § 284.13(c) (2004), by not following all of the requirements when filing its Index of Customers. CEGT did not include all point codes and customer identification numbers in its quarterly Index of Customers. CEGT also included certain information for Hourly Firm Transportation shippers in a footnote as opposed to in the main text.

7. From January 1, 2001 through September 12, 2003, CEGT violated Section 8 of the NGA, 18 C.F.R. § 161.3(l) (2003), and 18 C.F.R. §§ 284.12 (a)(iv) and 284.12(b)(3)(ii)(C) (2004) by not properly maintaining and archiving organizational charts. CEGT did not maintain an electronic archive of marketing affiliates, employee

organization charts, corporate organization charts, job titles and descriptions for three years and did not post the date information was last updated.

8. From January 1, 2001 through September 22, 2004, CEGT violated Section 8 of the NGA and 18 C.F.R. § 225.3, Item 3 (2004) of the Commission's regulations by failing to retain all contracts and records for Commission inspection. In a test sample of 71 contracts in effect during the Investigative Period reviewed by OMOI, 11 of CEGT's contract files did not contain fully executed contracts. In addition, CEGT's contract files did not contain copies of all discount requests.

9. From January 1, 2001 through September 22, 2004, CEGT violated Section 284.12(a) of the Commission's regulations, 18 C.F.R. § 284.12(a) (2004), NAESB Standard 5.4.20 (incorporated by reference in Section 284.12(a) of the Commission's regulations) and Section 284.13(b) of the Commission's regulations, 18 C.F.R. § 284.13(b) (2004), by not following all of the requirements for transactional reports relating to capacity release. During the Investigative Period, CEGT's transactional reports for capacity release transactions did not include the releasing shipper's contract number and the reports were not in the format set forth under NAESB Standard 5.4.20.

10. In April 2001, CEGT violated Section 284.13(d) of the Commission's regulations, 18 C.F.R. § 284.13(d) (2004) by not posting capacity from an expiring firm transportation contract CEGT had with its marketing affiliate, Reliant Energy Services, Inc.

B. CEGT's position:

CEGT neither admits nor denies that its actions violated any provision of the NGA, the NGPA or the Commission's regulations. However, to avoid extended litigation with respect to the matters described or referred to herein, to avoid uncertainty, and to effect a complete and final settlement of the investigation in Docket No. IN05-7-000, CEGT is entering into this Agreement. CenterPoint Energy-Mississippi River Transmission Corporation ("MRT") is an affiliate of CEGT and shares with CEGT both employees and regulatory compliance programs. As a consequence of this overlap, and in order to avoid internal confusion about the applicable substantive requirements, MRT is expected to adopt the same type of internal compliance policies that CEGT agrees to in Appendix A and Appendix B to this Agreement.

IV. PENALTY AND REMEDIES

For purposes of settling any and all civil and administrative disputes, and in lieu of any other penalty or remedy that the Commission might assess or determine concerning any matter covered by the scope of this investigation in Docket No. IN05-7-000 as set out in Section I of this Agreement:

1. Within seven business days after the date of the Commission's order approving this Agreement in its entirety without modification, CEGT shall pay a civil penalty of \$270,000 to the United States Treasury by wire transfer pursuant to instructions to be provided by the Commission. CEGT shall not recover the civil penalty through any rate or otherwise.
2. CEGT agrees to implement fully and follow the Compliance Plan and the Implementation Procedures attached, respectively, as Appendix A and Appendix B to this

Agreement. CEGT agrees that it will prepare and file with the Commission an Annual Compliance Report for each of the next three years within 60 days of the end of the calendar quarter which includes the anniversary of the date that the Compliance Plan takes effect. Each Compliance Report will explain how CEGT has implemented and will continue to implement the requirements of the Compliance Plan and the Implementation Procedures. OMOI's approval of CEGT's Implementation Procedures is partly based on OMOI's reliance on the accuracy of CEGT's statements within the Implementation Procedures, including, but not limited to, CEGT's descriptions of the activities of its current affiliates.

V. TERMS

1. OMOI and CEGT state that they enter into this Agreement voluntarily and that, other than the agreements provided herein, no tender, offer, or promise of any kind whatsoever has been made by any party to this Agreement or by any member, officer, agent, or representative thereof, to induce the other party to enter into this Agreement.

2. Unless the Commission issues an order approving this Agreement in its entirety without modification, this Agreement shall be null and void and of no effect whatsoever, and neither OMOI nor CEGT shall be bound by any provision or term of the Agreement, unless they agree otherwise in writing.

3. Upon the issuance of a final Commission order approving this Agreement without modification, this Agreement shall resolve as to CEGT, its agents, officers, directors and employees, both past and present, and the Commission shall be forever barred from bringing against CEGT, its agents, officers, directors, or employees, both

past and present, any and all administrative or civil claims or matters asserting any and all claims, liabilities, causes of action, demands, rights, alleged entitlements, obligations, known or unknown, asserted or not asserted, vested or unvested, without limitation, arising out of any matters covered by the scope of the investigation in Docket No. IN05-7-000 for the period ending September 22, 2004 (compliance with the requirements concerning (1) the Standards of Conduct at 18 C.F.R. § Part 161 (2003); (2) the format of compliance plan for transportation services and affiliate transactions at 18 C.F.R. § 250.16 (2004); (3) standards for pipeline business operations and communications and reporting requirements at 18 C.F.R. §§ 284.12(a) and 284.13(a), (b), (c) and (d) (2004); (4) capacity release transactions at 18 C.F.R. § 284.8(a)-(d), (g) and (h) (2004); (5) pipeline sales of natural gas and (6) retaining contracts and related records at 18 C.F.R. § 225.3, Item 3 (2004)). Upon the issuance of a final Commission order approving this Agreement without modification, the investigation in Docket No. IN05-7-000 shall be deemed terminated. This Agreement shall not bar Commission action in the event the Commission determines that CEGT has failed to comply with any provision of Section IV of this Agreement.

4. Except as set forth in the Compliance Plan in the Appendices to this Agreement, upon the issuance of a final Commission order approving this Agreement without modification, all document preservation requirements imposed by OMOI in the investigation for Docket No. IN05-7-000 shall be deemed terminated.

5. This Agreement does not limit CEGT from filing tariff provisions on matters that are unrelated to or consistent with the remedies in Section IV to this Agreement.

6. The provisions of this Agreement shall apply to CEGT and its successors and assigns.

7. The parties agree that a Commission order approving this Agreement without modification or condition shall be a final and nonappealable order under section 19 of the NGA, 15 U.S.C. § 717r (2000). With regard to such order, CEGT waives: hearings pursuant to the applicable provisions of the NGA; the filing of proposed findings of fact and conclusions of law; an initial decision by an administrative law judge pursuant to the Commission's Rules of Practice and Procedure; post-hearing procedures pursuant to the Commission's Rules of Practice and Procedure; and judicial review by any court.

8. In connection with the payment of the civil penalty provided for herein, the parties agree that the Commission's order approving this Agreement without modification shall be a final and unappealable order assessing a civil penalty pursuant to section 504 of the NGPA, 15 U.S.C. § 3414 (2000). With regard to such civil penalty, CEGT waives: a Notice of Proposed Penalty under section 504(b)(6)(E) of the NGPA, 15 U.S.C. § 3414(b)(6)(E) (2000); hearings pursuant to the applicable provisions of the NGPA; the filing of an Initial Decision by an Administrative Law Judge pursuant to the Commission's Rules of Practice and Procedure; post-hearing procedures pursuant to the Commission's Rules of Practice and Procedure; and judicial review by any court.

9. With respect to the representations of the parties set forth herein, the undersigned representative of each party represents and warrants that he has read them and knows the contents thereof, that all the statements and matters set forth are true and

correct to the best of his knowledge, information, and belief, and that he understands that each party enters into this Agreement in express reliance on those representations.

10. Each of the undersigned warrants that he is an authorized representative of the party designated, is authorized to bind such party, and accepts this Agreement on behalf of that party.

11. This Agreement may be executed in counterparts, each of which so executed shall be deemed to be an original, and such counterparts shall together constitute one agreement.

Agreed to and accepted

CenterPoint Energy Gas
Transmission Company

By: _____
Cyril J. Zebot
Sr. Vice President and Chief
Commercial Officer

CenterPoint Energy Gas and
Transmission Company

Date: _____

OMOI Enforcement Staff

By: _____
Robert E. Pease
Deputy Director
Investigations and Enforcement

Office of Market Oversight
and Investigations

Date: _____

Compliance Plan for CenterPoint Energy Gas Transmission Company

This Compliance Plan (Compliance Plan) responds to specific issues arising from a non-public, preliminary investigation by the Office of Market Oversight and Investigations (OMOI) of the Federal Energy Regulatory Commission (FERC or Commission) in Docket No. IN05-7-000. CenterPoint Energy Gas Transmission Company (CEGT) will implement this Compliance Plan and take the steps outlined below to resolve those issues. Although the investigation reviewed, among other things, compliance with the Standards of Conduct in effect prior to September 22, 2004, this compliance plan was developed consistent with the requirements of Order Nos. 2004, 2004-A, 2004-B, 2004-C, and 2004-D. CEGT has modified the Implementation Procedures developed by CEGT to comply with Order Nos. 2004, *et seq.*, and will incorporate additional procedures required by this Compliance Plan identified by OMOI through the investigation in Docket No. IN05-7-000. OMOI has reviewed and approved such revised Implementation Procedures as part of the development of this Compliance Plan and the resolution of the investigation in Docket No. IN05-7-000. This Compliance Plan and the revised Implementation Procedures are part of the Commission's order approving the Stipulation and Consent Agreement (Agreement) entered into in Docket No. IN05-7-000.

CEGT shall not amend its Implementation Procedures in a manner inconsistent with the Standards of Conduct and this Compliance Plan. During the term of the Compliance Plan, CEGT must submit any substantive changes to the Implementation Procedures to OMOI for review and approval before those changes take effect.

As set forth herein and in the revised Implementation Procedures, CEGT will (1) develop procedures to assure and guide future compliance in certain areas; (2) conduct training, periodic reviews and follow-up measures; and (3) require prompt correction of any practices deemed by the Chief Compliance Officer (CCO) to be inconsistent with the Compliance Plan or Implementation Procedures.

This Compliance Plan will be in effect for three years following the date of issuance of the Commission order approving, without modification, the Stipulation and Consent Agreement entered into in Docket No. IN05-7-000 (Issuance Date). This Compliance Plan and the Implementation Procedures apply to CEGT and to any successor companies owned or controlled by CEGT. OMOI agrees to review promptly any material submitted to it pursuant to this Compliance Plan and will not unreasonably withhold approval of matters submitted for its approval.

CEGT may request that the Commission modify this Compliance Plan during its three-year term. Nothing in this Compliance Plan relieves CEGT from complying with the Commission's rules and regulations currently in effect and as they may be amended.

I. Standards of Conduct Compliance Officer

CEGT's Chief Compliance Officer (CCO), Mr. Cy Zebot, will be the contact for Commission staff for CEGT's Standards of Conduct compliance issues and is responsible for implementing this Compliance Plan. The CCO may direct others to perform any of the activities required under this Compliance Plan. CEGT may designate a replacement CCO during the term of this Compliance Plan but will notify OMOI of the name and contact information for its new CCO within five days of the effective date of the change.

II. Implementation

A. CenterPoint Energy, Inc., the ultimate parent of CEGT, has adopted a written policy requiring full compliance with the Standards of Conduct. This policy is set forth in CEGT's Implementation Procedures described in the first part of this Compliance Plan and which are posted on CEGT's web site. OMOI has reviewed and approved CEGT's Statement of Policy regarding Standards Compliance as part of its review of CEGT's Implementation Procedures. CEGT will distribute copies of this policy and the Implementation Procedures, which include the applicable Commission regulations, to all employees once such employees receive training, as set forth in Section VII (ii) of the Implementation Procedures.

B. CEGT will immediately address and promptly correct any practices deemed by the CCO to be inconsistent with the Standards of Conduct, this Compliance Plan or the Implementation Procedures.

C. If an employee of CEGT commits any intentional violation, or a recurring and knowing violation, of the Standards of Conduct or the provisions of this Compliance Plan, as incorporated into CEGT's Implementation Procedures, such violation will result in appropriate disciplinary action against the employee. Until the end of the five year period following the Issuance Date, CEGT will keep a record of such violations and any disciplinary actions involving employees occurring during the time this Compliance Plan is in effect.

D. For any of the items in this Compliance Plan for which CEGT is required to perform a quarterly review or audit as set out below, and submit the results to OMOI, OMOI may, without further Commission action, reduce the frequency of the review requirement from quarterly to semi-annually or to annually at any time following the first year of the Compliance Plan. OMOI will consider reducing the frequency of required reviews based on whether CEGT has successfully implemented the Compliance Plan and Implementation Procedures for the requirements that are the subject of the review or audit.

III. Training

A. CEGT conducts training with respect to Standards of Conduct issues as set forth in Section VII (ii) of the Implementation Procedures. The Implementation Procedures

require training for all CEGT employees, as well as all employees of CEGT's affiliate CenterPoint Energy-Mississippi River Transmission Corporation ("MRT"), an interstate pipeline, CenterPoint Energy Pipeline Services, a provider of operations and maintenance services to CEGT and MRT, CenterPoint Energy Services, Inc. ("CESI"), a marketing affiliate of CEGT (all employees of CESI have received initial training and are required to take refresher training at least once every three years), members of the Executive Committee and their staffs, management of LDC gas operations of CenterPoint Energy Resources Corp., all employees of CenterPoint Energy Service Company, LLC, a service company affiliate of CEGT, and appropriate personnel within any subsequently created or acquired Marketing or Energy Affiliate(s). In its yearly training with respect to Standards of Conduct, CEGT will include the limitations and requirements applicable to communication with Marketing or Energy Affiliates, strict adherence to tariff provisions that do not allow for discretion, and the requirement to enter and post tariff waivers and acts of discretion under the tariff in CEGT's log required by 18 C.F.R. § 358.5(c)(4) (2004).

B. Either separately or in conjunction with its annual Standards of Conduct training, CEGT will provide annual training to those employees who have duties relating to index of customers, contract record retention, computer software, organizational charts, North American Energy Standards Board (NAESB) requirements, and available capacity postings on the Commission's regulations in these areas and CEGT's obligations under this Compliance Plan and Implementation Procedures.

C. CEGT will modify the training materials developed in conjunction with its Implementation Procedures to incorporate the training identified above. Such training materials will be submitted to OMOI no later than 60 days after Issuance Date, for review and approval, and OMOI will review such materials within 30 days after their receipt. The initial training under this Compliance Plan shall be completed no later than 60 days after OMOI's approval of the materials. The training materials will be retained by CEGT until the end of the five-year period following the Issuance Date and will include:

1. information regarding the CCO Hotline (see below); and
2. a form of certification that training has been received and that the employees understand the obligations imposed on them under Order No. 2004.

D. CEGT will post the training materials on CenterPoint Energy, Inc.'s intranet along with the name of a contact person for questions regarding training to ensure that employees will have constant access to training materials should questions arise.

E. CEGT will train employees who become subject to the training requirement during the period between annual training cycles as a result of commencement of new employment or intra-corporate transfer. Such employees, within 30 days after beginning to work in a position that requires training, will complete Standards of Conduct training and the training identified in this Section III, as applicable, and thereafter will receive a

copy of the Implementation Procedures, which include the Standards of Conduct. Appendices B through H of the Implementation Procedures will be distributed to employees of CEGT and MRT.

F. CEGT will update the training materials as reasonably warranted, including based upon modification to the Standards of Conduct, and will post any updated training materials on CenterPoint Energy, Inc.'s intranet.

G. At the end of each quarter, the CCO will compare the certificates of training on file and a list of CEGT employees required to receive training to determine whether each such employee received the training required. Any employees who have not completed training within the above specified periods will be suspended from conducting functions that require such training until such time as training has been received.

H. CEGT provides training for senior officers and directors of CenterPoint Energy, Inc. on Standards of Conduct requirements, focusing on the no-conduit rule and restrictions on the use of non-public information about CEGT's transmission system or CEGT's customers that is not available to all shippers and not posted on CEGT's website.

I. CEGT may combine the training discussed in this section with other types of employee training. CEGT may provide this training and training materials via email, the Internet, or CenterPoint Energy, Inc.'s intranet.

IV. Transmission Information

A. Section §358.5(a) and (b) of the Commission's regulations and the Implementation Procedures require that CEGT employees adhere to rules governing disclosure of non-public information. CEGT will develop written procedures for promptly posting any non-public information about the transmission system that is improperly disclosed to a Marketing Affiliate or Energy Affiliate. These procedures will provide for identifying conspicuously that information about the transmission system was shared with a Marketing Affiliate or Energy Affiliate without contemporaneously being posted. CEGT will submit the procedures to OMOI within 60 days of the Issuance Date. CEGT will implement the procedures within 30 days of OMOI's approval. The approved procedures will be appended to the Implementation Procedures as Appendix E.

B. CEGT will submit, on a quarterly basis, a report to OMOI describing any improper disclosures that CEGT discovers, as well as the corrective actions taken by CEGT, including the date and time of any improper disclosure and the date and time the information disclosed to an affiliate is posted. This quarterly reporting obligation will be in lieu of any other obligation CEGT may have to report such incidents to OMOI.

C. CEGT will maintain all documents related to CEGT's compliance with this section of the Compliance Plan until the end of the five-year period following the Issuance Date.

D. CEGT has implemented and will maintain card key access restrictions in its offices in Houston, Texas and Shreveport, Louisiana that prevent employees of CEGT's affiliates from accessing those areas within CEGT's offices that contain non-public transmission information and customer information. The Houston and Shreveport offices currently are the only facilities shared by CEGT personnel and personnel of any of CEGT's Marketing or Energy Affiliates. To the extent CEGT shares other facilities with Marketing or Energy Affiliates in the future, CEGT will identify such facilities on its web site and will implement card key or other appropriate access restrictions that restrict access based upon business unit affiliation.

V. Hotline

CEGT will implement a "Hotline" telephone number so employees may report any infractions of the Standards of Conduct anonymously to the Compliance Officer. Within 15 days after the end of each calendar quarter, the Compliance Officer will provide a report to OMOI, describing the content and resolution of any calls to the Hotline during the prior quarter that raise issues relating to the subject matter of this Compliance Plan.

VI. Computer Software

A. CEGT will develop and maintain a list of computer software and/or data bases that contain information about the transmission system or its customers.

B. CEGT will develop written procedures for testing all additions, changes, or deletions of computer software and/or databases in order to support CEGT's compliance with §358.5 of the Commission's regulations.

C. CEGT will submit the written procedures to OMOI for approval within 60 days of the Issuance Date. The approved procedures will be appended to the Implementation Procedures as Appendix F. CEGT will implement the procedures within 30 days of OMOI's approval.

D. CEGT will include, as part of its quarterly report to OMOI, a description of any improper disclosures through computer software and/or databases that CEGT discovers, as well as the corrective action taken by CEGT. This quarterly reporting obligation will be in lieu of any other obligation CEGT may have to report such incidents to OMOI.

E. CEGT has developed written procedures to ensure that access to computer software and/or databases is restricted as appropriate and that access rights for employees who leave the company or transfer to a different position are either rescinded or modified, as appropriate. CEGT will provide a copy of these written procedures to OMOI for review and approval within 60 days of the Issuance Date.

VII. Organizational Charts

- A. CEGT will develop written procedures for updating and maintaining both the corporate and employee organization charts in accordance with 18 C.F.R. §§ 358.4(b)(3) and 284.12(a).
- B. CEGT will submit the written procedures to OMOI for approval within 60 days of the Issuance Date. CEGT will implement these procedures within 30 days of OMOI's approval. The approved procedures will be appended to the Implementation Procedures as Appendix B.
- C. The CCO will determine quarterly whether CEGT's organizational charts posted on the web site are accurate and in compliance with Sections 284.12(a) and 358.4(b) of the Commission's regulations. The CCO will document any inaccuracies and the method for determining what information is correct and any difficulties in downloading the organizational charts. The CCO will refer the review to the responsible employee for appropriate remedial actions. CEGT will submit to OMOI, on a quarterly basis, a copy of the CCO's report. This quarterly reporting obligation will be in lieu of any other obligation CEGT may have to report such incidents to OMOI.
- D. CEGT will maintain all documents related to its compliance with this section of the Compliance Plan until the end of the five-year period following the Issuance Date.

VIII. Tariff Provisions

- A. CEGT will develop written procedures strictly enforcing tariff provisions that do not allow for discretion. These procedures will include the list of tariff provisions that allow for discretion required by item C. 1., below, and will include representative circumstances when those provisions that do not appear on the list of discretionary tariff provision, and thus are not subject to discretion in application, may be waived. CEGT will submit the procedures to OMOI within 60 days of the Issuance Date for approval. CEGT will implement these procedures within 30 days of OMOI's approval. The approved procedures will be appended to the Implementation Procedures as Appendix D.
- B. CEGT will notify all employees authorized to enforce tariff provisions or to exercise discretion on tariff provisions of the procedures described in section A above following OMOI's approval of such procedures.
- C. The Compliance Officer will be responsible for:
1. Developing a list of tariff provisions that allow for discretion.
 2. Providing employees authorized to exercise discretion with a copy of the list of tariff provisions that allow for discretion.

3. Developing and maintaining a written log, available for Commission audit, of every instance in which CEGT exercised its discretion or granted a waiver in accordance with applicable provisions of CEGT's tariff and assuring that such log is posted in accordance with the Commission's regulations. CEGT's log will contain the following information:

- a. if applicable, the name of the shipper requesting the waiver or exercise of discretion, unless the information is commercially sensitive;
- b. if applicable, the date the waiver or exercise of discretion was requested;
- c. identification of the specific tariff provision for which CEGT is exercising discretion or the shipper is requesting a waiver;
- d. term of the waiver or discretion exercised;
- e. if the waiver or discretion exercised is not generic, the applicable contract numbers;
- f. how the tariff provision was waived, or how CEGT exercised discretion in implementing the tariff provision;
- g. who approved the waiver or exercise of discretion;
- h. date the waiver or exercise of discretion was approved; and
- i. if the waiver was requested by the shipper's agent, if one existed, and, if so, the name of the agent.

For generic waivers, a posting containing the information required in (c), (d), (f) and (h) is sufficient to satisfy the requirements of this section.

4. If CEGT does not include in the waiver log described above the name of the shipper requesting the waiver or the exercise of discretion because disclosing the shipper's name might cause potential harm to the shipper (i.e., is "commercially sensitive"), CEGT will maintain a copy of that waiver which includes the shipper's name in a separate non-public file which CEGT shall make available for Commission review.

5. Conducting quarterly reviews of the enforcement of its tariff provisions. To conduct such reviews, the CCO will review the written and posted logs and the tariff provisions with respect to which CEGT exercised discretion, and will compare them for compliance with Commission regulations. The CCO will also review a sampling of documents to determine whether discretion was exercised but was not included in the logs. The CCO will document any problems, refer the review to the responsible employee for appropriate remedial action and report to OMOI on a quarterly basis. This quarterly reporting obligation will be in lieu of any other obligation CEGT may have to report such incidents to

OMOI. CEGT will maintain all review work papers until the end of the five-year period following the Issuance Date.

IX. North American Energy Standards Board (NAESB)

A. The Audit Department of CenterPoint Energy, Inc. (“CNP”), CEGT's parent, will conduct a one time audit of CEGT’s Internet web site for compliance with the NAESB standards related to capacity; Energy Affiliate information; index of customers; non-discrimination requirements; notices; organizational charts; tariff; posted imbalances; and transactional reports. Such audit may be conducted in conjunction with personnel from NAESB.

B. Within 60 days of the Issuance Date, the Audit Services department will submit to OMOI for OMOI approval a pre-audit risk assessment and Audit Plan.

C. The audit will be completed within 90 days of OMOI’s approval of the Audit Plan.

D. CEGT will require a copy of all work papers for the audit to be maintained until the end of the five-year period following the Issuance Date. The Audit Department will submit an Audit Report to OMOI, CEGT and CEGT’s Board of Directors within 30 days of completion of the audit. The Audit Report will list all deficiencies noted during the audit and will include a timetable for correcting such deficiencies.

E. CEGT will correct all deficiencies noted in the Audit Report within 60 days of its receipt of the Audit Report.

F. The Audit Department will verify that all deficiencies have been corrected and will submit a follow-up report to OMOI and CEGT.

X. Document Retention

A. CEGT will develop written procedures for the retention of all documents in accordance with 18 C.F.R. §225.3 Item 3 and for the timely production of such documents upon Commission request. CEGT will submit the procedures within 60 days of the Issuance Date for OMOI’s approval. CEGT will implement these procedures within 30 days following OMOI’s approval. The approved procedures will be appended to the Implementation Procedures as Appendix C.

B. Pursuant to these procedures, CEGT will:

1. develop and implement a system for filing and maintaining active contracts and all documents necessary to understand such contracts (such documents to include all requests for a discounted rate where the quantity, term, receipt and delivery points associated with the request are understood by both parties,

regardless of whether the request was submitted in electronic, written, or oral form or whether the request was accepted or denied), and develop and implement a procedure for arranging, filing and indexing contracts so that CEGT can produce them in a timely manner; and

2. pursuant to Section III.B., develop and implement a training segment on the requirements and procedures relating to document retention and maintenance of contracts.

C. On a quarterly basis, the CCO will conduct a review of CEGT's contract retention practices. As part of its quarterly report, CEGT will submit to OMOI a copy of the CCO's quarterly reviews.

D. CEGT will review the files of all of its gas transportation service contracts that are in effect as of the Issuance Date and seek to obtain copies of all missing documents. CEGT will complete this project within 90 days of the Issuance Date and report to OMOI within 30 days thereafter.

XI. Index of Customers

A. In accordance with §284.13(c) of the Commission's regulations, CEGT will file and post on its Internet website in a downloadable format an index of all its firm transportation and storage customers under contract as of the first day of the calendar quarter. For each shipper, the index will contain the information set forth in §284.13(c) of the Commission's regulations.

B. CEGT will develop written procedures to ensure the timely filing and posting of its Index of Customers and the accuracy and completeness of the information therein. CEGT will submit these procedures to OMOI for review and approval within 60 days of the Issuance Date. CEGT will implement these procedures within 30 days of OMOI's approval. The approved procedures will be appended to the Implementation Procedures as Attachment G.

C. CEGT will notify all employees responsible for the preparation of the Index of Customers of the procedures after OMOI approval of such procedures.

D. CEGT will correct any inaccurate Index of Customers Reports and document that the corrections were made, within 30 days after the end of the quarterly period. Any corrections will be conspicuously identified as a corrected or late posting and refiled with the Commission.

XII. Posting Available Capacity

A. Pursuant to § 284.13(d) of the Commission's regulations, CEGT will post all available capacity on CEGT's web site in a timely manner.

B. CEGT will develop written procedures for posting all available capacity on CEGT's web site. CEGT will provide copies of its written procedures to OMOI for approval within 60 days of the Issuance Date. CEGT will implement the procedures within 30 days of OMOI's approval. The approved procedures will be appended to the Implementation Procedures as Appendix H.

C. CEGT will develop written procedures for conducting annual reviews of the Available Capacity postings and will submit these procedures to OMOI within 60 days after the Issuance Date for approval. The results of these reviews will be incorporated as part of CEGT's Annual Compliance Reports, required under Article IV, Paragraph 2 of the Agreement. Sampling techniques will be included in the procedures to be submitted by CEGT and will be approved by OMOI.

CENTERPOINT ENERGY GAS TRANSMISSION COMPANY

AND

CENTERPOINT ENERGY – MISSISSIPPI RIVER TRANSMISSION

CORPORATION

IMPLEMENTATION PROCEDURES

FOR

STANDARDS OF CONDUCT

FOR

TRANSMISSION PROVIDERS

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I. Statement of Policy

It is the Policy of CenterPoint Energy, Inc. (CenterPoint or CNP) and its subsidiaries to comply with the Federal Energy Regulatory Commission's Standards of Conduct for Transmission Providers. To achieve this objective, CenterPoint Energy Gas Transmission Company (CEGT) and CenterPoint Energy – Mississippi River Transmission Corporation (MRT), have developed and published Implementation Procedures. These Implementation Procedures identify the Energy Affiliates whose employees must function independently from the transmission function employees of CEGT and MRT. These Procedures also identify certain affiliates that are not Energy Affiliates, and the basis for such identification. In the event of a change in the manner in which such affiliates conduct their business, those affiliates will promptly contact CEGT's and MRT's Compliance Officer, in order that a prompt determination can be made as to whether such business activity causes the affiliate to become an Energy Affiliate.

The Implementation Procedures further specify training requirements, intra-company hiring practices, and a requirement of non-discrimination in the manner in which CEGT and MRT conduct their business. Documentation requirements and the required public disclosure of certain information as specified in the Standards of Conduct, are set forth in the Implementation Procedures. Should any CenterPoint employee or customer or potential customer have any questions concerning this Policy, the Implementation Procedures, or wish to report any departure from or potential non-compliance with the

Implementation Procedures, they may contact the Compliance Officer identified in the Implementation Procedures. It is the policy of CenterPoint Energy, Inc. and its gas transmission subsidiaries that communications with the Compliance Officer will be addressed as promptly as practicable.

II. Definitions

Following are definitions found in the Federal Energy Regulatory Commission's Standards of Conduct, as well as defined terms used in these Implementation Procedures:

I. The Standards of Conduct provide the following definitions in section 358.3 of the Commission's regulations:

(a) Transmission Provider means:

(1) Any public utility that owns, operates or controls facilities used for the transmission of electric energy in interstate commerce; or

(2) Any interstate natural gas pipeline that transports gas for others pursuant to subpart A of Part 157 or subparts B or G of Part 284 of Title 18 of the Code of Federal Regulations ("C.F.R.").

(b) Affiliate means:

(1) Another person which controls, is controlled by or is under common control with, such person(s). An affiliate includes a division that operates as a functional unit, and

(2) For any exempt wholesale generator, as defined under 32(a) of the Public Utility Holding Company Act of 1935, as amended, the same as provided in Section 214 of the Federal Power Act.

(c) Control (including the terms "controlling", "controlled by," and "under common control with") as used in this part and § 250.16 of Title 18 of the C.F.R., includes, but is not limited to, the possession, directly or indirectly and whether acting alone or in conjunction with others, of the authority to direct or cause the direction of the management or policies of a company. A voting interest of 10 percent or more creates a rebuttable presumption of control.

(d) Energy Affiliate means an affiliate of a Transmission Provider that:

(1) Engages in or is involved in transmission transactions in U.S. energy or transmission markets; or

(2) Manages or controls transmission capacity of a Transmission Provider in U.S. energy or transmission markets; or

- (3) Buys, sells, trades or administers natural gas or electric energy in U.S. energy or transmission markets; or
- (4) Engages in financial transactions relating to the sale or transmission of natural gas or electric energy in U.S. energy or transmission markets.
- (5) An LDC division of an electric public utility Transmission Provider shall be considered the functional equivalent of an Energy Affiliate, unless it qualifies for the exemption in §358.3(d)(6)(v).
- (6) An Energy Affiliate does not include:
- (i) A foreign affiliate that does not participate in U.S. energy markets;
 - (ii) An affiliated Transmission Provider or an interconnected foreign affiliated natural gas pipeline that is engaged in natural gas transmission activities which are regulated by the state, provincial or national regulatory boards of the foreign country in which such facilities are located;
 - (iii) A holding, parent or service company that does not engage in energy or natural gas commodity markets or is not involved in transmission transactions in U.S. energy markets;
 - (iv) An affiliate that purchases natural gas or energy solely for its own consumption. “Solely for its own consumption” does not include the purchase of natural gas for the subsequent generation of electricity.
 - (v) A State-regulated local distribution company that acquires interstate transmission capacity to purchase and resell gas only for on-system sales, and otherwise does not engage in the activities described in §§358.3(d)(1), (2), (3) or (4), except to the limited extent necessary to support on-system sales and to engage in de minimis sales necessary to remaining in balance under applicable pipeline tariff requirements.
 - (vi) A processor, gatherer, Hinshaw pipeline or an intrastate pipeline that makes incidental purchases or sales of de minimis volumes of natural gas to remain in balance under applicable pipeline tariff requirements and otherwise does not engage in the activities described in §§358.3(d) (1), (2), (3) or (4).
- (e) Marketing, sales or brokering means a sale for resale of natural gas or electric energy in interstate commerce.

Sales and marketing employee or unit includes:

- (1) An interstate natural gas pipeline's sales operating unit, to the extent provided in § 284.286 of Title 18 of the C.F.R., and
 - (2) A public utility Transmission Provider's energy sales unit, unless such unit engages solely in bundled retail sales.
 - (3) Marketing or sales does not include incidental purchases or sales of natural gas to operate interstate natural gas pipeline transmission facilities.
-
- (f) Transmission means natural gas transportation, storage, exchange, backhaul, or displacement service provided pursuant to subpart A of Part 157 or subparts B or G of Part 284 of Title 18 of the C.F.R.; and electric transmission, network or point-to-point service, reliability service, ancillary services or other methods of transportation or the interconnection with jurisdictional transmission facilities.
 - (g) Transmission Customer means any eligible customer, shipper or designated agent that can or does execute a transmission service agreement or can or does receive transmission service, including all persons who have pending requests for transmission service or for information regarding transmission.
 - (h) Open Access Same-time Information System or OASIS refers to the Internet location where a public utility posts the information, by electronic means, required by Part 37 of Title 18 of the C.F.R.
 - (i) Internet web site refers to the Internet location where an interstate natural gas pipeline posts the information, by electronic means, required by §§ 284.12 and 284.13 of Title 18 of the C.F.R.
 - (j) Transmission Function employee means an employee, contractor, consultant or agent of a Transmission Provider who conducts transmission system operations or reliability functions, including, but not limited to, those who are engaged in day-to-day duties and responsibilities for planning, directing, organizing or carrying out transmission-related operations.
 - (k) Marketing Affiliate means an affiliate as that term is defined in §358.3(b) or a unit that engages in marketing, sales or brokering activities as those terms are defined in §358.3(e).

These definitions, along with the substantive standards of conduct will be distributed to all employees of CEGT, MRT, CEPS, and CESI, as well as all others required to receive training pursuant to these Implementation Procedures, by means of a distribution of these Implementation Procedures. In order to be user friendly, these Procedures do not attempt to provide detailed or technical elaboration of these definitions. Instead, Section III of these Procedures identifies in plain English the entities that are Marketing or Energy Affiliates of the Transmission Providers CEGT and MRT, and the bases for such determinations.

II. Other terms used in this Implementation Plan:

- a) CNP is CenterPoint Energy Inc., the ultimate parent company of CEGT and MRT.
- b) CEFS is CenterPoint Energy Field Services, Inc., a gathering company.
- c) CEPS is CenterPoint Energy Pipeline Services, Inc., a provider of Operations and Maintenance services to CEGT, MRT, and third party pipelines.
- d) CESI is CenterPoint Energy Services, Inc., the Marketing Affiliate of CEGT and MRT.
- e) CESC is CenterPoint Energy Service Company, LLC, a service company formed on January 1, 2004 to satisfy the requirements of the Public Utility Holding Company Act.

III. Identification of Affiliates

Energy Affiliates	Business Type	Reason(s)
CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Texas Gas Operations	LDC	Manages or administers contracts for others
CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Arkansas Gas	LDC	Manages or administers contracts for others
CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Louisiana Gas	LDC	Manages or administers contracts for others
CenterPoint Energy Resources Corp., d/b/a Centerpoint Energy Mississippi Gas	LDC	Manages or administers contracts for others
CenterPoint Energy Resources Corp., d/b/a/ Centerpoint Energy Oklahoma Gas	LDC	Manages or administers contracts for others
CenterPoint Energy Resources Corp. d/b/a/ CenterPoint Energy Minnesota Gas	LDC	Makes Off-System Gas Sales
CenterPoint Energy Services, Inc.	Marketing Affiliate	Buys, sells, trades, or administers natural gas in US energy markets
CenterPoint Energy Houston Electric, LLC	Electric Transmission and Distribution Utility	Engages in transmission transactions in US energy markets
CenterPoint Energy Alternative Fuels, Inc.	Energy Affiliate	Buys, sells, trades or administers natural gas in U.S. energy markets
CenterPoint Energy Intrastate Pipelines, Inc.	Intrastate Pipelines	Makes certain off-system gas sales pursuant to published tariffs.

Identification of Affiliates (Cont'd)

Other Affiliates Which are Not Energy Affiliates	Business Type	Reason(s)
CenterPoint Energy Field Services, Inc.	Gathering	Does not engage in activities listed in 18 C.F.R. § 358.3(d)(1) through (5).
CenterPoint Energy Pipeline Services, Inc.	Pipeline Operations and Maintenance	Employees do not perform transmission functions and do not engage in activities listed in 18 C.F.R. § 358.3(d)(1) through (5).
CenterPoint Energy, Inc.	Holding Company	Exempt under 18 C.F.R. § 358.3(d)(6)(iii)
CenterPoint Energy Service Company, LLC	Service Company of Holding Company	Exempt under 18 C.F.R. § 358.3(d)(6)(iii)
CenterPoint Energy Resources Corp.	Parent company not engaged in commodity or transmission transactions	Exempt under 18 C.F.R. § 358.3(d)(6)(iii)
CenterPoint Energy – Mississippi River Transmission Corp.	Interstate Gas Transmission Provider	Exempt under 18 C.F.R. § 358.3(d)(6)(ii)
CenterPoint Energy Gas Transmission Company	Interstate Gas Transmission Provider	Exempt under 18 C.F.R. § 358.3(d)(6)(ii)
Illinois Gas Transmission Company	Intrastate Gas Transmission and Hinshaw gas transmission.	Does not engage in activities listed in 18 C.F.R. § 358.3(d)(1) through (5).
Pine Pipeline Company	Intrastate Gas Transmission and Hinshaw gas transmission.	Does not engage in activities listed in 18 C.F.R. § 358.3(d)(1) through (5).

IV. Statement and Provisions Governing Independent Functioning

Section 358.2 of the FERC's regulations sets forth the "General Principles" pursuant to which Transmission Providers such as CEGT and MRT are to conduct their business, as follows:

- (a) A Transmission Provider's employees engaged in transmission system operations must function independent from employees of its Marketing and Energy Affiliates.
- (b) A Transmission Provider must treat all transmission customers, affiliated and non-affiliated, on a non-discriminatory basis, and must not operate its transmission system to preferentially benefit its Marketing or Energy Affiliates.

In furtherance of the requirement for the transmission function employees of the Transmission Provider to function independently from the Energy and Marketing Affiliates' employees, the Commission's regulations in section 358.4(a) specify as follows:

- (1) Except in emergency circumstances affecting system reliability, the transmission function employees of the Transmission Provider must function independently of the Transmission Provider's Marketing or Energy Affiliates' employees.
- (2) Notwithstanding any other provisions in this section, in emergency circumstances affecting system reliability, a Transmission Provider may take whatever steps are necessary to keep the system in operation. Transmission Providers must report to the Commission and post on the Internet web site each emergency that resulted in any deviation from the standards of conduct, within 24 hours of such deviation.
- (3) The Transmission Provider is prohibited from permitting Marketing or Energy Affiliates' employees from: (i) conducting transmission system operations or reliability functions; and (ii) having access to the system control center or similar facilities used for transmission operations or reliability functions that differs in any way from the access available to other transmission customers.

- (4) Transmission Providers are permitted to share support employees and field and maintenance employees with their Marketing and Energy Affiliates.
- (5) Transmission Providers are permitted to share with their Marketing or Energy Affiliates senior officers and directors who are not “Transmission Function Employees” as that term is defined in §358.3(j). A Transmission Provider may share transmission information covered by §§358.5(a) and (b) with its shared senior officers and directors provided that they do not: participate in directing, organizing or executing transmission system operations or marketing functions; or act as a conduit to share such information with a Marketing or Energy Affiliate.
- (6) Transmission Providers are permitted to share risk management employees that are not engaged in transmission functions or sales or commodity functions with their Marketing and Energy Affiliates.

Consistent with the foregoing regulations, except in emergency circumstances affecting system reliability, the transmission function employees of CEGT and MRT will function independently of their Marketing or Energy Affiliates employees. Employees of the Marketing and Energy Affiliates will be prohibited from conducting transmission system operations or reliability functions for CEGT and MRT, or having access to gas system control centers of CEGT and MRT in any way that differs from the access available to other transmission customers.

Certain CEGT information technology (IT) employees are “shared” employees who provide services to the CenterPoint Energy Resource Company LDCs d/b/a Arkansas Gas, Louisiana Gas, Oklahoma Gas, and Texas Gas Operations (all Energy Affiliates) and CESI (a Marketing Affiliate). For the LDC Energy Affiliates, these IT employees provide support for software associated with volume measurement. For CESI, these IT employees provide support for software for a gas purchasing contract application. All of the IT employees will receive training and execute electronic affidavits stating that they will not be conduits for communicating certain information to any Energy or Marketing

Affiliate. CEGT and MRT have adopted database security, including password protection, between the Transmission Providers' databases and the afore-mentioned LDC Energy Affiliates and CESI databases, respectively.

Certain CEPS employees, who are not engaged in transmission functions and are not operating employees, may, from time to time, provide services pursuant to contracts with the Marketing or Energy Affiliates. CEPS's employees are principally field employees, and are not "transmission function" or "operating" employees. CEGT and MRT receive services on a "shared" basis from CenterPoint Energy Service Company, LLC ("CESC"). Such services include, but are not limited to, accounting, tax, credit, human resources, legal, information technology, finance and treasury, investor relations, and corporate communications, among others. CESC's employees are not "operating" employees. Some of CESC's employees are "risk management" employees. To further assure against employees of CESC acting as a "conduit" for information that should not be communicated from the Transmission Providers to their Marketing or Energy Affiliates, certain of CESC's employees who are shared support employees will receive training on a periodic basis, and upon completion of such training will execute electronically an affidavit stating that they will not be a conduit for communicating certain information to the Marketing or Energy Affiliates.

The only shared, non-operating officers and directors of the Transmission Providers and the Marketing and Energy Affiliates will be the three (3) members of the Executive Committee and the Board Members of the ultimate parent company, CenterPoint Energy, Inc. ("CNP"). While neither the members of the Executive Committee nor the Board

Members of the parent company are officers or directors of the Transmission Providers or of the Marketing or Energy Affiliates, their responsibilities for the overall conduct and profitability of the parent company and its subsidiaries necessitates identifying them as “shared”. These shared employees will also receive periodic training, to assure that they do not act as “conduits” for information that should not be communicated from the Transmission Providers to the Marketing or Energy Affiliates. At meetings of the Executive Committee, exclusively, or meetings of the Executive Committee with officers and directors of the Transmission Provider and the Energy and Marketing Affiliates, an executive will execute an affidavit indicating that transmission, market or customer information was not shared with the Marketing or Energy Affiliate in violation of the Standards of Conduct. Such affidavit will be in form and substance similar to Appendix A to these Procedures.¹

Shared risk management employees of CNP are employed by CESC, including, but not limited to, employees in the credit function, and they will be trained to make them aware that they cannot be conduits for improperly sharing information. There are no shared risk management employees who are operating employees of either the Transmission Providers (CEGT and MRT, respectively) or the Marketing or Energy Affiliates.

CNP’s Audit Services department will develop a plan to audit compliance with aspects of the Standards of Conduct and these Implementation Procedures. The audit plan will provide for such an audit on an annual basis for three years beginning June 27, 2005 and

¹ Appendix A is attached hereto. Appendices B through H are internal company documents and are available to CNP employees.

on at least a triennial basis thereafter. In developing the audit plan, Audit Services will consider, inter alia, whether and how to verify compliance with the Internet posting and archiving requirements, the independent functioning requirements, the training requirements, and the restrictions on communication of certain information to the Energy Affiliates by the Transmission Providers, of Order No. 2004. It is expected that the audit findings will be provided to the Executive Committee and the Chief Compliance Officer. CEGT will file a copy of the first three Annual Audit Reports with the Commission.

V. Identification of Affiliates on Internet

Pursuant to section 358.4(b) of the Commission's regulations, the Standards of Conduct require:

- (1) A Transmission Provider must post the names and addresses of Marketing and Energy Affiliates on its Internet web site.
- (2) A Transmission Provider must post on its Internet web site a complete list of the facilities shared by the Transmission Provider and its Marketing and Energy Affiliates, including the types of facilities shared and their addresses.
- (3) A Transmission Provider must post comprehensive organizational charts showing:
 - (a) The organizational structure of the parent corporation with the relative position in the corporate structure of the Transmission Provider, Marketing and Energy Affiliates;
 - (b) For the Transmission Provider, the business units, job titles and descriptions, and chain of command for all positions, including officers and directors, with the exception of clerical, maintenance, and field position. The job titles and descriptions must include the employee's title, the employee's duties, whether the employee is involved in transmission or sales, and the name of the supervisory employees who manage non-clerical employees involved in transmission or sales.
 - (c) For all employees who are engaged in transmission functions for the Transmission Provider and marketing or sales functions or who are engaged in transmission functions for the Transmission Provider and are employed by any of the Energy Affiliates, the Transmission Provider must post the name of the business unit within the marketing or sales unit or the Energy Affiliate, the organizational structure in which the employee is located, the employee's name, job title and job description in the marketing or sales unit or Energy Affiliate, and the employee's position within the chain of command of the Marketing or Energy Affiliate.
 - (d) The Transmission Provider must update the information on its Internet web site required by §§ 358.4**(b)**(1), (2) and (3) within seven business days of any change, and post the date on which the information was updated.

(e) The Transmission Provider must post information concerning potential merger partners as affiliates within seven days after the potential merger is announced.

(f) All Internet web site postings required by part 358 must comply, as applicable, with the requirements of § 37.6 or §§ 284.12(a) and (c)(3)(v) of Title 18 of the C.F.R.

(i) Posting of Energy Affiliates

CEGT and MRT will post the names and addresses of their Marketing and Energy Affiliates on their Internet web sites within seven business days of any change and post the date on which the information was updated.

(ii) Posting of Shared Facilities

CEGT and MRT will post on their Internet web sites the facilities they share with their Marketing and Energy Affiliates. CEGT and MRT have implemented card key access restrictions that prevent employees of CEGT's and MRT's Energy Affiliates from obtaining access to those portions of CEGT's and MRT's offices where transmission or customer information is maintained.

(iii) Posting of Organizational Charts

CEGT and MRT will post the required organizational charts, including the employee information, e.g., job descriptions, titles, duties. CEGT and MRT will update the information, as required, within seven (7) business days of any change, and will note the date of the posting. All such postings will be retained for a period of three (3) years. CEGT and MRT will develop written procedures for updating and maintaining both the corporate and employee organization charts in accordance with 18 C.F.R. §§ 358.4(b)(3) and 284.12(a). CEGT and MRT will

provide these procedures to OMOI for review and, after OMOI's approval, such procedures will be Appendix B to these Implementation Procedures. CEGT and MRT will conduct quarterly reviews for three years beginning June 27, 2005 to determine whether their organizational charts posted on the web site are accurate and in compliance with the applicable regulations. Through these quarterly reviews, the CCO will document any inaccuracies and the method for determining what information is incorrect and any difficulties in downloading the organizational charts. In the event inaccuracies are discovered, the CCO will refer the review to the responsible employee for appropriate remedial action. CEGT and MRT will submit to the Federal Energy Regulatory Commission, Office of Market Oversight and Investigations ("OMOI") a copy of the CCO's quarterly report. CEGT and MRT will maintain for a period of five years from June 27, 2005 all documents related to CEGT's and MRT's compliance with the regulations governing organizational charts.

(iv) Posting of Merger Information

CEGT and MRT will post merger information within seven (7) days after a potential merger is announced.

(v) Transfer of Employees

Section §358.4(c) of the Commission's regulations provide that:

Employees of the Transmission Provider, Marketing or Energy Affiliates are not precluded from transferring among such functions as long as such transfer is not used as a means to circumvent the Standards of Conduct. Notices of any employee transfers between the Transmission Provider, on the one hand, and the Marketing or Energy Affiliate, on the other, must be posted to the Internet web site. The information to be posted must

include: the name of transferring employee, the respective titles held while performing each function (i.e., on behalf of the Transmission Provider, Marketing or Energy Affiliate), and the effective date of the transfer. The information posted under this section must remain on the Internet web site for 90 days.

CEGT and MRT will post to their Internet web sites notice of any employee transfers between the Transmission Providers, CEGT and MRT, respectively, and their Marketing or Energy Affiliates. In addition, as part of CEGT's and MRT's efforts to comply with the Standards of Conduct for Transmission Providers, the restrictions on cycling will be communicated to employees at the earliest possible date, i.e., when reviewing job postings for jobs implicated by the limitations on transfers, or "cycling". This disclosure will have the salutary effect of putting the employee on notice regarding the consequences such a move may have on their own ability to seek new opportunities within the CNP family of companies.

Following is language that will appear in all of the job postings on behalf of CEGT and MRT, and on behalf of the Marketing or Energy Affiliates:

For CEGT and MRT job postings:

Note that if you are an employee of Arkansas Gas, Louisiana Gas, Minnesota Gas, Mississippi Gas, Oklahoma Gas, Texas Gas Operations, CenterPoint Energy Services, Inc., CenterPoint Houston Electric, CenterPoint Energy Alternative Fuels, Inc., or CenterPoint Energy Intrastate Pipelines, and are the successful applicant for this job, you may be restricted in your ability to move back to any of the five named companies for an extended period of time (case-by-case determinations will be made, but the employee should assume that it will be for a period of at least a year). The Federal Energy Regulatory Commission restricts the cycling of certain employees between the interstate gas transmission companies and their Energy Affiliates.

For job postings by Marketing or Energy Affiliates:

Note that if you are an employee of CenterPoint Energy Gas Transmission Company (CEGT) or of CenterPoint Energy - Mississippi River Transmission

Corporation (MRT), and are the successful applicant for this job, you may be restricted in your ability to move back to your current pipeline company employer for an extended period of time (case-by-case determinations will be made, but the employee should assume that it will be for a period of at least a year). The Federal Energy Regulatory Commission restricts the cycling of certain employees between the pipeline companies and their marketing affiliates.

In addition, the Standards of Conduct indicate that transfers are permitted as long as such transfers are not being used as a means to circumvent the Standards of Conduct. Thus, for each employee transferring from CEGT or MRT, to the Marketing or Energy Affiliates, CEGT and MRT will scrutinize the particular job descriptions of the employee's new and old positions in order to be assured that there are no problems posed by the proposed job change.

VI. Books and Records

The Standards of Conduct provide, in section 358.4(d) of the regulations:

A Transmission Provider must maintain its books of account and records (as prescribed under Parts 101, 125, 201 and 225 of the FERC's regulations) separately from those of its Energy Affiliates and these must be available for Commission inspections.

CEGT and MRT currently maintain their books of account and records separately from their Marketing and Energy Affiliates, and will continue to do so. These accounts and records are available for Commission inspections.

CEGT and MRT will develop and implement written procedures for the retention of all documents in accordance with 18 C.F.R. § 225.3 Item 3 and for the timely production of such documents upon Commission request (such documents to include all requests for a discounted rate where the quantity, term, receipt and delivery points associated with the request are understood by both parties, regardless of whether the request was submitted in electronic, written, or oral form or whether the request was accepted or denied). CEGT and MRT will provide these procedures to OMOI for review and, after OMOI's approval, such procedures will be Appendix C to these Implementation Procedures. Employees responsible for record retention and maintenance of contracts receive training on these subjects, in addition to the training identified in section VII of these Implementation Procedures. CEGT and MRT will perform quarterly reviews of their contract retention practices for three years beginning June 27, 2005 and will submit to the Federal Energy Regulatory Commission, Office of Market Oversight and Investigations, a copy of these quarterly reviews.

VII. Written Procedures

The Standards of Conduct provide, in section 358.4(e) of the Commission's regulations:

- (1) By February 9, 2004, each Transmission Provider is required to file with the Commission and post on the Internet web site a plan and schedule for implementing the standards of conduct.
 - (2) Each Transmission Provider must be in full compliance with the Standards of Conduct by September 22, 2004.
 - (3) The Transmission Provider must post on the Internet web site, current written procedures implementing the standards of conduct in such detail as will enable customers and the Commission to determine that the Transmission Provider is in compliance with the requirements of this section by September 22, 2004.
 - (4) Transmission Providers will distribute the written procedures to all Transmission Provider employees and employees of the Marketing and Energy Affiliates.
 - (5) Transmission Providers shall train officers and directors as well as employees with access to transmission information or information concerning gas or electric purchases, sales or marketing functions. The Transmission Provider shall require each employee to sign a document or certify electronically signifying that s/he has participated in the training.
 - (6) Transmission Providers are required to designate a Chief Compliance Officer who will be responsible for standards of conduct compliance.
- (i) Posting and Distribution of Standards of Conduct Procedures

CEGT and MRT will post these Implementation Procedures. Customers and the Commission will be able to determine that CEGT and MRT are in compliance with the requirements of this section of the Procedures and the Standards of Conduct by measuring CEGT's and MRT's performance against the milestones, commitments, and deliverables set forth in these Procedures. These Procedures will be distributed to all employees of CEGT, MRT, CESI, CESC, and CEPS, as well as senior management of the LDC gas operations of CERC and senior

management of CNP, and appropriate personnel within any subsequently created or acquired Marketing or Energy Affiliate(s).

(ii) Training

CEGT and MRT will provide online training to all of the following employees, on the following schedules:

- a) All CEGT and MRT employees annually. Training for CEGT and MRT employees includes training regarding permissible and impermissible communications with Energy Affiliates.
- b) All CEPS employees annually. CEGT and MRT believe that such training is consistent with developing a company-wide awareness of the obligations of CEGT and MRT under the Standards of Conduct.
- c) All CESI employees will have to complete training no later than six months after September 22, 2004. Following initial training, CESI employees will be expected to take refresher training at least once every three years. Training for CESI employees includes training regarding permissible and impermissible communications with Energy Affiliates and specific training regarding the rules governing the disclosure of non-public transmission information.
- d) Members of the Executive Committee and their staffs, management of the LDC gas operations of CERC, as well as all employees of CESC will be trained. Following initial training, such employees will be expected to take refresher training at least once every three years, except for employees that have access to CEGT's or MRT's nonpublic transmission or customer information, who will be trained annually.
- e) New employees of CEGT and MRT will be trained within thirty (30) days of their start date. New employees of CEPS and of CESI, and new Members of the Executive Committee or their staffs will be trained within ninety (90) days of their start date.
- f) CEGT and MRT provide annual training to those employees who have duties relating to index of customers, contract record retention, computer software, organizational charts, North American Energy Standards Board (NAESB) requirements, and available capacity postings on the Commission's regulations in these areas.

In lieu of a hard copy, signed document, most employees will certify electronically that s/he has participated in the training.

(iii) Chief Compliance Officer

The Chief Compliance Officer for CEGT and MRT will be:

Mr. Cy Zebot
Sr. Vice President and Chief Commercial Officer - Pipelines
CenterPoint Energy Gas Transmission Company
P.O. Box 1700
Houston, TX 77210- 1700
Phone: 713-207-5163
Fax: 713-207-0711
e-mail: cy.zebot@centerpointenergy.com

The 24-hour hotline for the submission on an anonymous basis of concerns regarding compliance with the Standards of Conduct is: [TO BE PROVIDED BY COMPANY]. For three years beginning June 27, 2005, the Chief Compliance Officer will submit within 15 days from the end of each calendar quarter to the Federal Energy Regulatory Commission, Office of Market Oversight and Investigations, a report describing the content and resolution of any call to the hotline occurring during the previous quarter that raised issues related to the subject matter of these Implementation Procedures.

Pursuant to CNP's Statement of Policy and consistent with the Standards of Conduct, the Chief Compliance Officer, or his delegatee, will be responsible for responding to inquiries from the FERC, CNP employees, customers, or prospective customers regarding CEGT's and MRT's compliance with the Standards of Conduct. The Chief Compliance Officer, or his delegatee, will also be responsible for monitoring compliance with the Standards of Conduct, including, but not limited to:

- a) Distribution of these Implementation Procedures as provided for herein;

- b) Regular, periodic review of the Internet web sites of CEGT and MRT to assure that information required to be posted is current, and has been posted on a timely basis;
- c) Confirmation that employees required to be trained have in fact been trained, and that such training has occurred according to the schedules provided for in these Procedures;
- d) Updating of training materials, as appropriate, in light of FERC orders and decision-making regarding the Standards of Conduct;
- e) Retention of either physical or electronic records pertaining to training, as well as archival of organization charts as provided for elsewhere in these Procedures;
- f) Assuring that internal job postings contain the Company-required disclosure regarding cycling, and assuring that employee transfers satisfy the Standards of Conduct;
- g) Regular and periodic review to assure that affidavits are provided for meetings of senior management verifying that such meetings did not operate as an impermissible conduit for information, as provided elsewhere in these Procedures;
- h) Updating these Procedures as appropriate in light of changes in FERC policy, or due to changes in the business activities of affiliates;
- i) Ensuring that all tariff provisions that do not allow for discretion are strictly enforced and that those tariff provisions that allow for discretion are applied in a not unduly discriminatory manner. To this end, CEGT and MRT have developed a list of tariff provisions that allow for discretion and written procedures to ensure that tariff provisions that do not allow for discretion are strictly enforced and that tariff provisions that allow for discretion are applied in an not unduly discriminatory manner. CEGT and MRT will provide these procedures to OMOI for review and, after OMOI's approval, such procedures will be Appendix D to these Implementation Procedures; and
- j) Maintaining a log of every instance in which CEGT or MRT exercised discretion in the application of or granted a waiver of any provision of their respective tariffs, including, as applicable, (1) the name of the shipper requesting the waiver or exercise of discretion, unless the information is commercially sensitive; (2) if applicable, the date the waiver or exercise of discretion was requested; (3) identification of the specific tariff provision for which CEGT or MRT is exercising discretion or the shipper is requesting a waiver; (4) term of the waiver or discretion exercised; (5) if the waiver or discretion exercised is not generic, the applicable contract numbers; (6) how the tariff provision was waived, or

how CEGT or MRT exercised discretion in implementing the tariff provision; (7) who approved the waiver or exercise of discretion; (8) date the waiver or exercise of discretion was approved; and (9) if the waiver was requested by the shipper's agent, if one existed, and, if so, the name of the agent. If the waiver log does not include the name of the shipper requesting the waiver or the exercise of discretion because disclosing the shipper's name might cause potential harm to the shipper (i.e., is "commercially sensitive"), the Chief Compliance Officer will maintain a copy of that waiver which includes the shipper's name in a separate, non-public file which the Chief Compliance Officer shall make available for Commission review. For generic waiver, a posting containing the information required in subparts (3), (4), (6) and (8) is sufficient to satisfy the requirements of this subpart (j). The Chief Compliance Officer or his designee also will be responsible for ensuring that the waiver log is posted on CEGT's or MRT's web site in accordance with the applicable Commission regulations.

VIII. Non-Discrimination Requirements

In section 358.5(a)-(c) of the Commission's regulations, the Standards of Conduct provide:

(a) **Information access.**

- (1) The Transmission Provider must ensure that any employee of a Marketing or Energy Affiliate may only have access to that information available to the Transmission Provider's transmission customers (i.e., the information posted on the Internet web site), and must not have access to any information about the Transmission Provider's transmission system that is not available to all users of the Internet web site.
- (2) The Transmission Provider must ensure that any employee of the Marketing or Energy Affiliate is prohibited from obtaining information about the Transmission Provider's transmission system (including, but not limited to, information about available transmission capability, price, curtailments, storage, ancillary services, balancing, maintenance activity, capacity expansion plans or similar information) through access to information not posted on the Internet web site or that is not otherwise also available to the general public without restriction.

(b) **Prohibited disclosure.**

- (1) An employee of the Transmission Provider may not disclose to its Marketing or Energy Affiliates any information concerning the transmission system of the Transmission Provider or the transmission system of another (including, but not limited to, information received from non-affiliates or information about available transmission capability, price, curtailments, storage, ancillary services, balancing, maintenance activity, capacity expansion plans, or similar information) through non-public communications conducted off the Internet web site, through access to information not posted on the Internet web site that is not contemporaneously available to the public, or through information on the Internet web site that is not at the same time publicly available.
- (2) A Transmission Provider may not share any information, acquired from non-affiliated transmission customers or potential non-affiliated transmission customers, or developed in the course of responding to requests for transmission or ancillary service on the Internet web site, with employees of its Marketing or Energy Affiliates, except to the limited

extent information is required to be posted on the Internet web site in response to a request for transmission service or ancillary services.

- (3) If an employee of the Transmission Provider discloses information in a manner contrary to the requirements § 358.5(b)(1) and (2), the Transmission Provider must immediately post such information on the Internet web site.
- (4) A non-affiliated transmission customer may voluntarily consent, in writing, to allow the Transmission Provider to share the non-affiliated customer's information with a Marketing or Energy Affiliate. If a non-affiliated customer authorizes the Transmission Provider to share its information with a Marketing or Energy Affiliate, the Transmission Provider must post notice on the Internet web site of that consent along with a statement that it did not provide any preferences, either operational or rate-related in exchange for that voluntary consent.
- (5) A Transmission Provider is not required to contemporaneously disclose to all transmission customers or potential transmission customers information covered by § 358.5(b)(1) if it relates solely to a Marketing or Energy Affiliate's specific request for transmission service.
- (6) A Transmission Provider may share generation information necessary to perform generation dispatch with its Marketing and Energy Affiliate that does not include specific information about individual third party transmission transactions or potential transmission arrangements.
- (7) Neither a Transmission Provider nor an employee of a Transmission Provider is permitted to use anyone as a conduit for sharing information covered by the prohibitions of § 358.5(b)(1) and (2) with a Marketing or Energy Affiliate. A Transmission Provider may share information covered by §§358.5(b)(1) and (2) with employees permitted to be shared under §§358.4(a) (4), (5) and (6) provided that such employees do not act as a conduit to share such information with any Marketing or Energy Affiliates.
- (8) A Transmission Provider is permitted to share information necessary to maintain the operations of the transmission system with its Energy Affiliates.

(c) Implementing tariffs.

- (1) A Transmission Provider must strictly enforce all tariff provisions relating to the sale or purchase of open access transmission service, if these tariff provisions do not permit the use of discretion.
- (2) A Transmission Provider must apply all tariff provisions relating to the sale or purchase of open access transmission service in a fair and impartial manner that treats all transmission customers in a non-discriminatory manner, if these tariff provisions permit the use of discretion.
- (3) A Transmission Provider must process all similar requests for transmission in the same manner and within the same time period.
- (4) The Transmission Provider must maintain a written log, available for Commission audit, detailing the circumstances and manner in which it exercised its discretion under any terms of the tariff. The information contained in this log is to be posted on the Internet web site within 24 hours of when a Transmission Provider exercises its discretion under any terms of the tariff.
- (5) The Transmission Provider may not, through its tariffs or otherwise, give preference to its Marketing or Energy Affiliate, over any other wholesale customer in matters relating to the sale or purchase of transmission service (including, but not limited to, issues of price, curtailments, scheduling, priority, ancillary services, or balancing).

CEGT and MRT understand the application of the “no conduit” rule, and it will be emphasized in the course of the training described elsewhere in these Implementation Procedures. CEGT and MRT do not read the Standards of Conduct to preclude communications between a Transmission Provider and its Marketing or Energy Affiliates that is the same as the communication that the Transmission Provider would engage in with a similarly situated, unaffiliated third party in the course of scheduling, communicating with a point operator, or such other “transaction specific information”, as that phrase came to be understood under the prior standards of conduct, so long as

general, non-public information about the transmission system and customer information are not shared in those communications.

All employees receiving training will be made aware that the details of individual third-party transmission arrangements on CEGT's or MRT's system may not be communicated to employees of the Marketing or Energy Affiliates. Should CEGT or MRT receive written, voluntary consents from unaffiliated third parties, permitting CEGT or MRT to share the non-affiliate's information with the Marketing or Energy Affiliates, CEGT and MRT will preserve all such consents, including any amendments, transfers, or withdrawals, for a period of three (3) years. Further, in the event any such consents are received, notice of such consent will be posted on the appropriate Internet web site, stating that no rate-related or operational preferences were provided in exchange for the consent.

CEGT and MRT recognize, and the required training will identify, the requirement that non-affiliated third parties must be given the same types of information with the same level of detail when CEGT or MRT respond to such non-affiliated third parties' requests for information as CEGT and MRT would provide to their Marketing or Energy Affiliates.

For three years beginning June 27, 2005, CEGT and MRT will, on a quarterly basis, submit to the Federal Energy Regulatory Commission, Office of Market Oversight and Investigations, a report describing any improper disclosure of information that CEGT or MRT discover, as well as the corrective action taken by CEGT and/or MRT, including the date and time of the improper disclosure and the date and time the information

disclosed to an affiliate is posted on the web site. CEGT and MRT will retain for a period of five years beginning June 27, 2005 all documents related to CEGT's and MRT's compliance with the regulations governing the disclosure of transmission information. CEGT and MRT will develop written procedures for promptly posting any non-public information about the transmission system that is improperly disclosed to the Marketing or Energy Affiliate. CEGT and MRT will provide these procedures to OMOI for review and, after OMOI's approval, such procedures will be Appendix E to these Implementation Procedures.

CEGT and MRT will apply their tariff provisions in a manner that treats all transmission customers in a manner that is not unduly discriminatory. To this end, CEGT and MRT have developed a list of the tariff provisions that allow for discretion and a policy of strict enforcement of tariff provisions that do not allow for discretion. CEGT and MRT recognize that they are prohibited from giving their Marketing or Energy Affiliates undue preferential treatment. Accordingly, CEGT and MRT will develop written procedures strictly enforcing tariff provisions that do not allow for discretion which include the list of tariff provisions that allow for discretion and representative circumstances when those provisions that do not appear on the list of discretionary tariff provisions, and thus are not subject to discretion in application, may be waived. CEGT and MRT will provide these procedures to OMOI for review and, after OMOI's approval, such procedures will be part of Appendix D to these Implementation Procedures, which is described in the Written Procedures section of these Implementation Procedures.

For three years beginning June 27, 2005 CEGT and MRT will conduct, on a quarterly basis, reviews of the enforcement of their respective tariff provisions and will submit to the Federal Energy Regulatory Commission, Office of Market Oversight and Investigations, a copy of a report describing the findings of this review. To conduct this review, the CCO will review written and posted logs and the tariff provisions with respect to which CEGT and/or MRT exercised discretion, and will compare them for compliance with the appropriate regulations. In addition, the Chief Compliance Officer will review a sample of documents to determine whether discretion was exercised and such exercise was not included in the logs. The Chief Compliance Officer will document any problems and refer such problems to the responsible employee for remedial action. CEGT and MRT will maintain all documents related to these reviews for a five-year period beginning June 27, 2005.

CEGT and MRT will maintain a log of, and post to the Internet web site within 24 hours information regarding, any exercises of their discretion under the terms of their tariffs. These waiver logs will be available for Commission audit. CEGT and MRT will maintain this information for a period of three (3) years.

In order to ensure compliance with the requirements of Section 358.5 of the Commission's regulations, CEGT and MRT have developed and will maintain a list of computer software and/or databases that contain information about their transmission systems and customers, and will develop written procedures for testing all additions, changes or deletions of computer software and/or databases and written procedures to ensure that access to computer software and/or databases is restricted as appropriate and

that access rights for employees who leave the company or transfer to a different position are either rescinded or modified, as appropriate. CEGT and MRT will provide the written procedures for testing additions, deletions and changes; and the written procedures for ensuring that access rights for employees are appropriate to OMOI for review and, after OMOI's approval, the procedures and the list of computer software and/or databases will be Appendix F to these Implementation Procedures. The list and procedures in Appendix F will be distributed to employees with responsibilities in these areas upon completion of the training required in Section VII (ii) of these Implementation Procedures. For three years beginning June 27, 2005, CEGT and MRT will submit to the Federal Energy Regulatory Commission, Office of Market Oversight and Investigations, on a quarterly basis, a report describing any improper disclosures through computer software and/or databases that CEGT and MRT discover, as well as the corrective action taken by CEGT and/or MRT.

CEGT and MRT will develop written procedures to ensure the timely filing and posting of its Index of Customers and the accuracy and completeness of the information therein. CEGT and MRT will provide these procedures to OMOI for review and, after OMOI's approval, such procedures will be Appendix G to these Implementation Procedures. CEGT and MRT will correct any inaccurate Index of Customers Reports and document that the corrections were made within 30 days after the end of the quarterly period. Any corrections will be conspicuously identified as a corrected or late posting.

In order to ensure that all available capacity on the CEGT and/or MRT systems is posted accurately and in a timely manner, CEGT and MRT will develop written procedures for

posting all available capacity on their respective web sites. CEGT and MRT will provide these procedures to OMOI for review and, after OMOI's approval, such procedures will be Appendix H to these Implementation Procedures. Further, CEGT and MRT will develop written procedures for conducting annual reviews of the available capacity postings, including sampling techniques, and will submit such procedures to OMOI for review and approval. As part of the annual review of their compliance with the Standards of Conduct and these Implementation Procedures discussed in Section IV of these Implementation Procedures, CEGT and MRT will include in the Annual Audit Report the results of the annual review of capacity postings required by this Section.

In order to ensure that the information CEGT and MRT post on their Internet web sites is accurate and is maintained in the proper format, CenterPoint Energy, Inc.'s Audit Department will conduct an audit of CEGT's and MRT's compliance with the standards promulgated by the North American Energy Standards Board related to the posting of capacity; Energy Affiliate information; index of customers; non-discrimination requirements; notices; organizational charts; tariff; posted imbalances; and transactional reports. CEGT and MRT will maintain a copy of all workpapers for this review for a period of five years beginning June 27, 2005. The Audit Department will submit a copy of the audit report to CEGT and MRT and their respective boards of directors and to OMOI. CEGT and MRT will correct all deficiencies noted in the audit within 60 days of their receipt of the audit report. The Audit Department will verify that all deficiencies have been corrected and will submit a follow-up report to CEGT, MRT and OMOI.

IX. Discounts

In section 358.5(d) of the Commission's regulations, the Standards of Conduct provide:

Any offer of a discount for any transmission service made by the Transmission Provider must be posted on the Internet web site contemporaneously with the time that the offer is contractually binding. The posting must include: the name of the customer involved in the discount and whether it is an affiliate or whether an affiliate is involved in the transaction; the rate offered; the maximum rate; the time period for which the discount would apply; the quantity of gas upon which the discount is based; the delivery points under the transaction; and any conditions or requirements applicable to the discount. The posting must remain on the Internet web site for 60 days from the date of posting.

CEGT and MRT will post on its web site discounts it has offered, when such offer has become contractually binding. The posting will include all of the required information set forth in the Standards of Conduct.

ATTACHMENT A

AFFIDAVIT FOR COMPLIANCE WITH FERC ORDER NO. 2004

Date:

On the above-referenced date, the Executive Committee of CenterPoint Energy, Inc., met. A copy of the agenda of that meeting, including a list of participants, is attached hereto.

The undersigned was in attendance at that meeting, and I do hereby certify that no employee of any of the Energy or Marketing affiliates of CenterPoint Energy Gas Transmission Company (CEGT) or CenterPoint Energy – Mississippi River Transmission Corporation (MRT), CEGT and MRT each being a Transmission Provider under FERC Order No. 2004, received any information about either of the Transmission Providers' respective transmission systems that is not otherwise available to the general public without restriction. In addition, neither Transmission Provider shared any information acquired from a non-affiliated transmission customer or potential non-affiliated transmission customer, nor did they share any information developed in the course of responding to a request for transmission service from a potential non-affiliated customer, with an employee of their Energy or Marketing Affiliates.

(Print Name)