

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 affiliates who employ or retain Marketing Function Employees (MFEs). The MFEs of such affiliates must function independently from the Transmission Function Employees (TFEs) of CEGT and MRT (CEGT and MRT do not employ any MFEs). In the event that an affiliate previously determined not to have MFEs changes the manner in which it conducts its business, that affiliate should promptly contact CEGT's and MRT's FERC Compliance Officer in order that a prompt determination can be made as to whether such business activity causes the affiliate to have MFEs.

The Implementation Procedures further specify training requirements, intra-company hiring practices, and the requirement that CEGT and MRT provide service on a not unduly discriminatory basis. 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 Standards of Conduct or these Implementation Procedures, they may contact the FERC

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

II.

Applicability

The Standards of Conduct apply to the relationship between the TFEs of CEGT and MRT on the one hand, and the MFEs of CEGT and MRT and their affiliates, on the other hand. For purposes of these Implementation Procedures and CEGT's and MRT's compliance with the Standards of Conduct, affiliates of CEGT and MRT that employ MFEs include CenterPoint Energy Services, Inc., CenterPoint Energy Intrastate Pipelines, LLC, and CenterPoint Energy Resources Corp. CenterPoint Energy Resources Corp., dba Arkansas Gas, Louisiana Gas and Oklahoma Gas, through its Asset Manager Agreement with Sequent Energy Management, L.P., employs or retains MFEs. Neither CEGT nor MRT employ any MFEs.

III.

General Principles

Section 358.2 of the Commission's regulations contains the following Standards of Conduct principles, which have been excerpted to reflect how those definitions apply to CEGT and MRT.

- A. CEGT and MRT must treat all transmission customers, affiliated and non-affiliated, on a not unduly discriminatory basis, and must not make or grant any undue preference or advantage to any person or subject any person to any

undue prejudice or disadvantage with respect to any transportation of natural gas, or with respect to the wholesale sale of natural gas in interstate commerce.

- B. CEGT's and MRT's TFEs must function independently from MFEs of CEGT and MRT and their affiliates, except as permitted by regulation or Commission order.
- C. CEGT and MRT employees, contractors, consultants and agents are prohibited from disclosing, or using a conduit to disclose, non-public transmission function information to MFEs of CEGT and MRT and their affiliates.
- D. CEGT and MRT must provide equal access to non-public transmission function information to all their transmission customers and potential transmission customers, affiliated and non-affiliated, except in the case of confidential customer information or Critical Energy Infrastructure Information.

IV.

Definitions

Section 358.3 of the Commission's regulations provides the following definitions, which have been excerpted to reflect how those definitions apply to CEGT and MRT:

- A. Affiliate of a specified entity means:
 - (1) Another person that controls, is controlled by, or is under common control with, the specified entity. An affiliate includes a division of the specified entity that operates as a functional unit.
 - (2) Control, as used in this definition, means the direct or indirect authority, whether acting alone or in conjunction with others, to direct or cause to

direct the management policies of an entity. A voting interest of ten percent (10%) or more creates a rebuttable presumption of control.

- B. Internet website refers to the internet location where an interstate natural gas pipeline posts the information, by electronic means, required under part 358 of Title 18 of the Code of Federal Regulations (C.F.R.)
- C. Marketing Functions means the sale for resale in interstate commerce, or the submission of offers to sell in interstate commerce, natural gas, subject to the following exclusions:
- (1) Bundled retail sales;
 - (2) Incidental purchases or sales of natural gas to operate interstate natural gas pipeline transmission facilities;
 - (3) Sales of natural gas solely from a seller's own production;
 - (4) Sales of natural gas solely from a seller's own gathering or processing facilities; and
 - (5) Sales by an intrastate natural gas pipeline, by a Hinshaw interstate pipeline exempt from the Natural Gas Act, or by a local distribution company making an on-system sale.
- D. Marketing Function Employee (MFE) means an employee, contractor, consultant or agent of a transmission provider or of an affiliate of a transmission provider who actively and personally engages on a day-to-day basis in Marketing Functions.

- E. Transmission means natural gas transportation, storage, exchange, backhaul, or displacement service provided pursuant to subparts B or G of part 284 of Title 18 of the C.F.R.
- F. 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.
- G. Transmission functions means the planning, directing, organizing or carrying out of day-to-day transmission operations, including the granting and denying of transmission service requests.
- H. Transmission Function Employee (TFE) means an employee, contractor, consultant or agent of a transmission provider who actively and personally engages on a day-to-day basis in transmission functions.
- I. Transmission function information means information relating to transmission functions.
- J. Transmission provider means any interstate natural gas pipeline that transports gas for others pursuant to subparts B or G of part 284 of Title 18 of the C.F.R.
- K. Transmission service means the provision of any transmission as defined above.
- L. Waiver means the determination by a transmission provider, if authorized by its tariff, to waive any provisions of its tariff for a given entity.

V.

Non-Discrimination Requirements

Generally, the Standards of Conduct (Section 358.4) require CEGT and MRT to strictly enforce all tariff provisions relating to the sale or purchase of open access transmission service, if the tariff provisions do not permit the use of discretion, and to 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 not unduly discriminatory manner, if the tariff provisions permit the use of discretion. CEGT and MRT may not, through their tariffs or otherwise, give undue preference to any person 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) and must process all similar requests for transmission in the same manner and within the same period of time.

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 policy of strict enforcement of tariff provisions that do not allow for discretion, including development of written procedures regarding waivers of such tariff provisions. CEGT and MRT recognize that they are prohibited from giving anyone, including their affiliates, undue preferential treatment.

CEGT and MRT will conduct, on a quarterly basis, reviews of the enforcement of their respective tariff provisions. To conduct this review, the FERC Compliance Officer (CO), or his designee, will review a sample of waivers granted in favor of an affiliate to ensure they are reflected in the written log. The CO 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 period of five (5) years.

CEGT and MRT will maintain and post on their internet web sites, within one (1) business day, a log of information regarding any waiver of any provision of their respective tariffs granted in favor of an affiliate. Waiver logs are also maintained for other waivers, but are not required to be posted on CEGT's and MRT's internet websites. These waiver logs will be available for Commission audit. CEGT and MRT will maintain this information for a period of five (5) years.

VI.

Independent Functioning

Generally, the Standards of Conduct require that a transmission provider's TFEs must function independently of MFEs. A transmission provider is prohibited from permitting MFEs to conduct transmission functions or have access to the system control center that differs in any way from the access available to other transmission customers. Additionally, a transmission provider is prohibited from permitting its TFEs to conduct Marketing Functions.

CEGT and MRT do not have any employees that qualify as MFEs. All MFEs are employed or otherwise engaged by affiliates and are prohibited from performing transmission functions. CEGT and MRT TFEs are physically separated from affiliated MFEs, and affiliated MFEs do not have access to areas occupied by TFEs. Also, MFEs do not have access to system control facilities.

VII.

No Conduit Rule

CEGT and MRT are prohibited from using anyone as a conduit for the disclosure of non-public transmission function information to MFEs. Employees, contractors, consultants or agents of CEGT, MRT, and their affiliates are prohibited from disclosing non-public transmission function information to any MFE.

CEGT and MRT understand the application of the “no conduit” rule, and it is 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 MFEs 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 third party customer information are not shared in those communications.

VIII.

Transparency Rule

If CEGT and/or MRT disclose(s) non-public transmission function information to an MFE, the fact of such disclosure must be immediately posted to the applicable internet website. If the information so disclosed constitutes transaction-specific information, as described above, such disclosure is not required to be contemporaneously posted. A transmission customer may voluntarily consent, in

writing, to allow the transmission provider to disclose the transmission customer's non-public information to MFEs. If the transmission customer authorizes the transmission provider to disclose the transmission customer's non-public information to MFEs, the transmission provider must post notice on its internet website 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.

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 MFEs. Should CEGT or MRT receive written, voluntary consents from unaffiliated third parties, permitting CEGT or MRT to share the non-affiliate's information with MFEs, CEGT and MRT will preserve all such consents, including any amendments, transfers, or withdrawals, for a period of five (5) years. Further, in the event any such consent is received, notice of such consent will be posted on the appropriate internet website, 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 requests of MFEs.

CEGT and MRT will immediately post on the appropriate internet website any information, or notice thereof, as applicable, disclosed improperly by CEGT or MRT. CEGT and MRT will retain for a period of five (5) years all documents related to CEGT's and MRT's compliance with the regulations governing the disclosure of non-public

transmission or customer information. CEGT and MRT have developed written procedures for promptly posting any such information that is improperly disclosed to an MFE.

CEGT and MRT must post on their public internet websites the following information and update it within seven (7) business days of any change (including posting the date of the update):

- (a) Current Written Procedures Implementing the Standards of Conduct.
- (b) Affiliate Information:
 - (i) The names and addresses of all its affiliates that employ or retain MFEs.
 - (ii) A complete list of the employee-staffed facilities shared by any TFEs and MFEs. The list must include the types of facilities shared and the addresses of the facilities.
 - (iii) The Transmission Provider must post information concerning potential merger partners as affiliates that may employ or retain MFEs, within seven (7) days after the potential merger is announced.
- (c) Employee Information:
 - (i) The job titles and job descriptions of its TFEs.
 - (ii) Any transfer of a TFE to a position as an MFE, or any transfer of an MFE to a position as a TFE. This information must remain on the internet website for ninety (90) days. The information to be posted must include:
 - 1. The name of the transferring employee;
 - 2. The respective titles held while performing each function (i.e., as a TFE and as an MFE); and
 - 3. The effective date of the transfer.

(d) Waivers.

A transmission provider must post on its internet website notice of each waiver of a tariff provision that it grants in favor of an affiliate, unless such waiver has been approved by the Commission. The posting must be made within one (1) business day of the act of a waiver. The transmission provider must also maintain a log of the acts of waiver, and must make it available to the Commission upon request. The records must be kept for a period of five (5) years from the date of each act of waiver.

In the event an emergency, such as an earthquake, flood, fire or hurricane, severely disrupts CEGT's or MRT's normal business operations, these posting requirements may be suspended. If the disruption lasts longer than one month, CEGT or MRT must notify the Commission and may seek a further exemption from the posting requirements. All internet website postings must be sufficiently prominent as to be readily accessible.

IX.

Implementation Requirements

Each of CEGT and MRT must be in full compliance with the Standards of Conduct on the date it commences transmission transactions with an affiliate that employs or retains MFEs.

CEGT and MRT have implemented procedures to comply with the Standards of Conduct and have distributed these Implementation Procedures to all TFEs, MFEs, officers, directors, supervisory employees, and certain other employees, e.g., in corporate risk management functions, who are likely to become privy to transmission function information.

CEGT and MRT will provide annual training on the Standards of Conduct to all the employees listed above in this Section IX. New employees in the categories listed

above will receive training within the first thirty (30) days of their employment. CEGT and MRT require each employee who has taken the training to certify electronically or in writing that s/he has completed the training.

The Standards of Conduct require CEGT and MRT to designate a CO who will be responsible for Standards of Conduct compliance. The name of the CO and his or her contact information must be posted on the internet website.

The FERC Compliance Officer for CEGT and MRT is:

Mr. Mark C. Schroeder
Vice President and General Counsel
CenterPoint Energy Pipeline Group
P.O. Box 1700
Houston, TX 77210-1700
Phone: 713-207-3395
Fax: 713-207-0711
e-mail: mark.schroeder@centerpointenergy.com

CenterPoint Energy, Inc. provides several resources to all employees, including employees of CEGT and MRT, to report violations of law or policy, including FERC policies and regulations, and to do so anonymously. Employees can speak to their supervisors or any member of management, their Human Resources representative, the Legal Department, the FERC Compliance Officer, CenterPoint Energy, Inc.'s Corporate Compliance Officer, the Ethics and Compliance Department or the Concerns Helpline. Employees may report concerns anonymously 24 hours a day, 365 days a year, to the Concerns Helpline at 1-888-888-3155. Employees may also submit concerns anonymously to CenterPoint Energy, Inc. Attention: Corporate Compliance Officer, P.O. Box 61867, Houston, Texas, 77208-61867 or simply send an e-mail to compliance.officer@centerpointenergy.com. The FERC Compliance Officer will

maintain, for a period of five (5) years information describing the content and resolution of any call to the Concerns Helpline that raised issues related to the subject matter of these Implementation Procedures.

Consistent with the requirements of the Standards of Conduct, the CEGT and MRT CO, or his designee, 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 CO, or his designee, 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 websites of CEGT and MRT to assure that information required to be posted is current, accurate, 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 Implementation 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 records as provided for elsewhere in these Implementation Procedures;
- (f) Updating these Implementation Procedures as appropriate in light of changes in FERC policy, or due to changes in the business activities of affiliates;
- (g) Ensuring (1) that all tariff provisions that do not allow for discretion are strictly enforced; (2) that waivers of such tariff provisions are granted in a not unduly discriminatory manner; and (3) that tariff provisions that allow for discretion are applied in a not unduly discriminatory manner; and

- (h) Maintaining and posting on CEGT's internet website a log of every instance in which CEGT or MRT, as applicable, granted a waiver of any provision of their respective tariffs which such tariff permits the Transmission Provider to waive, when such waivers are in favor of an affiliate. The log will include, as applicable:
1. the name of the affiliate;
 2. if applicable, the date the waiver was requested;
 3. identification of the specific tariff provision;
 4. the term of the waiver, if applicable;
 5. the applicable contract number(s);
 6. how the tariff provision was waived;
 7. who approved the waiver; and
 8. the date the waiver was approved.

CEGT and MRT must maintain their books of account and records (as prescribed under parts 101, 125, 201 and 225 of Chapter 1 of Title 18 of the Code of Federal Regulations) separately from those of its affiliates that employ or retain MFEs, and these accounts and records must be available for Commission inspections.

CEGT and MRT developed and implemented 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 perform quarterly reviews of their contract retention practices, and will retain all documents related to such reviews for a period of five (5) years.