

service company for the CenterPoint system. ServiceCo will:

- Have a minimal equity capitalization of not more than 1,000 membership interests with total equity capitalization of not more than \$1,000;
- Derive substantially all of its needs for additional working capital from borrowings under CenterPoint's money pool and/or additional investments by CenterPoint pursuant to rule 45 and/or rule 52, as applicable;

- Provide recipients⁵ certain administrative and service functions involving system-wide coordination and strategy, compliance and oversight, including accounting, internal auditing, finance and treasury, communications, legal, human resources, executive, regulatory and governmental affairs, information systems and technology, mainframe operations, business services, and leasing services.

- Administer the CenterPoint money pool;

- Be staffed by a transfer of personnel from CenterPoint and GasCo;

- Lease office and other space currently owned by CenterPoint Energy Properties, Inc. (Properties), and from time-to-time lease other space that may be acquired by Properties either in fee or by lease. ServiceCo will enter into one or more lease agreements with Properties and, as applicable, will enter into subleases with Recipients that occupy space obtained from Properties, at cost in accordance with the Act and the applicable rules under the Act. Applicants state that none of the property proposed to be occupied, used by, or provided to ServiceCo constitute facilities used for the production, transmission, transportation, or distribution of electric energy or natural or manufactured gas;

- License, lease, sublease or enter into service arrangements with CenterPoint and T&D Utility for the use of computer hardware, software, communications facilities (including local, long distance, internet and wireless services), office equipment and furnishings, and vehicles currently owned, licensed or leased by CenterPoint or T&D Utility at cost in accordance with the Act and the applicable rules under the Act. Applicants state that none of the property proposed to be occupied, used

by, or provided to ServiceCo constitutes facilities used for the production, transmission, transportation, or distribution of electric energy or natural or manufactured gas;

- Assume CenterPoint's obligation to provide transition services and facilities, including business, corporate, and information technology services to Reliant Resources, Inc., which obligations will largely terminate in early 2004;

- Assume CenterPoint's obligation to provide business, corporate, and information technology services to Texas Genco at cost in accordance with the Act and the applicable rules under the Act, until CenterPoint's investment in Texas Genco is sold, and for a brief transition period after a sale;

- Comply with the Commission's standards for accounting and cost allocation methods and procedures for service companies in registered holding company systems;

- Use the Commission's "Uniform System of Accounts for Mutual Service Companies and Subsidiary Service Companies" for ServiceCo's billing system, as may be adjusted to use the Federal Energy Regulatory Commission's uniform system of accounts; and

- Provide all services to affiliated companies on an "at cost" basis as determined by rules 90 and 91 of the Act. ServiceCo will distribute all charges among Recipients, to the extent possible, based on direct assignment. Amounts remaining after direct assignment shall be allocated among Recipients in a fair and equitable manner, using the allocation methods set forth in the Master Services Agreement.

C. Services Provided by Certain Subsidiaries

1. T&D Utility and GasCo's Shared Services

Applicants request authorization for the T&D Utility and GasCo to provide the following services to each other in their overlapping service territory: meter reading, trenching operations, vehicle maintenance, line locating, call center, and credit and collections functions when the companies determine it is efficient and cost effective to do so. The companies also share common warehouse space. Some of these functions are provided by GasCo to the T&D Utility and others are provided by the T&D Utility to GasCo. In addition, the T&D Utility provides GIS mapping for GasCo and its pipeline subsidiaries, Texas Genco, and other CenterPoint system companies. When such services

are provided, costs are allocated based on appropriate cost allocation measures, such as number of meters with respect to meter reading, square footage occupied and location of shared space. All of these services are provided at cost in accordance with rules 90 and 91 under the Act.

2. GasCo and GasCo's Pipeline Subsidiaries' Shared Services

Applicants request authorization for GasCo to share with GasCo's pipeline subsidiaries and GasCo's other subsidiaries certain services when the companies determine it is efficient and cost effective to do so. Services proposed to be shared are environmental services provided to GasCo by personnel from its pipeline subsidiaries, along with support for compliance with the new pipeline integrity law. In addition, GasCo's telephone operations provide some services to its pipeline subsidiary, and pipeline personnel use office and warehouse space in GasCo facilities. GasCo and its subsidiary, CenterPoint Energy Gas Transmission Company ("CEGT"), share signals from a system that electronically monitors the physical operating conditions of the distribution system, with CEGT maintaining the equipment. CEGT and GasCo also share meter testing responsibilities, with GasCo testing small pipeline meter stations and CEGT testing large distribution meters. Similarly, GasCo and CEGT share some cathodic protection from rectifiers at certain points on the system, and GasCo reads some rural and town border station meters where CEGT maintains the equipment. All of these services are provided at cost in accordance with rules 90 and 91 under the Act.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,

Deputy Secretary.

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⁵ Applicants state that it is expected that ServiceCo will enter into service agreements with CenterPoint, CenterPoint Energy Houston Electric, LLC (the "T&D Utility"), Texas Genco, LP ("Texas Genco"), CenterPoint Energy Resources Corp. ("GasCo") and any other subsidiaries that request services from ServiceCo by executing a Master Services Agreement (the "Recipients"). T&D Utility, Texas Genco and GasCo are the public-utility subsidiaries in the CenterPoint system.