

## Staff Briefing Papers

Meeting Date    March 4, 2021    Agenda Item 5\*

Company            CenterPoint Energy Resources Corp., d/b/a/  
CenterPoint Energy Minnesota Gas

Docket No.        **G-008/M-20-704**

**In the Matter of the Petition of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas (CenterPoint Energy) for Acceptance of its Annual Revenue Decoupling Report for the One-year Period Ending on June 30, 2020 and Approval of its Revenue Decoupling Mechanism Rate Adjustment**

Issues              Should the Commission accept CenterPoint Energy’s annual revenue decoupling report for the evaluation period ending on June 30, 2020 and approve CenterPoint Energy’s revenue decoupling rate adjustments?

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### Relevant Documents

#### Date

CenterPoint Energy – 2020 Revenue Decoupling Report (Letter, Report and Supporting Spreadsheets)            September 1, 2020

Minnesota Department of Commerce - Comments            November 2, 2020

CenterPoint Energy – Reply Comments            November 12, 2020

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

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## I. Statement of the Issues

Should the Commission accept CenterPoint Energy's annual revenue decoupling report for the evaluation period ending on June 30, 2020 and approve CenterPoint Energy's revenue decoupling rate adjustments?

## II. Introduction

This is the Commission's fifth annual review of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas' (CenterPoint, CPE or the Company) full-decoupling pilot program that was originally approved in the Company's 2013 rate case.<sup>1</sup> Prior to this full-decoupling pilot, the Company had a partial-decoupling pilot that ended on June 30, 2013.

CenterPoint and the Department of Commerce, Division of Energy Resources (Department or DOC) are in agreement on recommending that the Commission:

1. Accept CenterPoint Energy's 2020 Evaluation Report (Report).
2. Approve CenterPoint Energy's revenue decoupling rate adjustments shown in Table 1 below, which were implemented by CenterPoint Energy on September 1, 2020.

**Table 1: Revenue Decoupling Factors  
CenterPoint Energy's Decoupled Customer Classes  
Surcharge/(Refund) per Therm**

Customer Class	RD Factor (\$/Therm)
Residential	\$0.00008
Commercial A	\$0.00653
Commercial & Industrial B	\$0.00814
Commercial & Industrial C	\$0.00405
SVDF A	(\$0.00398)
SVDF B	(\$0.00993)
LVDF	(\$0.00146)
Large Volume General Firm	\$0.00389

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<sup>1</sup> Docket G-008/GR-13-316

### III. Background

#### A. Minn. Stat. § 216B.2412, Decoupling of Energy Sales from Revenues

According to Minn. Stat. § 216B.2412, the objective of revenue decoupling is to:

- A. Reduce CenterPoint Energy's disincentive to promote energy efficiency by making the Company's revenue less dependent on energy sales.
- B. Achieve energy savings, and
- C. Not harm ratepayers.

#### B. Pilot Revenue Decoupling Program

On September 1, 2020, CenterPoint filed its Year 5 Decoupling Evaluation Report (Report) for the period of July 1, 2019 to June 30, 2020. The Report included supporting data and calculations for the revenue decoupling adjustment factors that began applying to customer's bills on September 1, 2020.

On November 2, 2020, the Department filed comments that included a review of CenterPoint Energy's Conservation Improvement Program (CIP) energy savings. Based on its review, the Department recommended that the Report be accepted and the revenue decoupling factors, which were implemented on September 1, 2019, be approved.

On November 12, 2020, CenterPoint filed reply comments stating its appreciation for the Department's review and approval recommendation. Additionally, the Company noted that on page 4 of its Report, it is stated "the Company incurred an overall revenue over collection of \$904,565, and over recovered by \$768,399 the \$18.9 million decoupling adjustment balance from the July 2018-June 2019 year." CPE clarified the amounts were under collections, not over collections, resulting in overall surcharges for the period and apologized for any confusion this may have caused.<sup>2</sup>

### IV. Parties' Comments

#### A. CenterPoint Energy – Evaluation Report

CenterPoint's fifth annual Report covered the year of July 1, 2019 through June 30, 2020. The Report noted that the Decoupling model reflects Interim Rates effective January 1, 2020 – June 30, 2020 and results for that timeframe will be updated, if needed, at the conclusion of the 2019 Rate case (G-008/GR-19-524) to reflect final rate determinations.<sup>3</sup>

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<sup>2</sup> Staff notes that CenterPoint's clarification is consistent with the Report's calculation; therefore, there is no impact to the RDM factors.

<sup>3</sup> On January 12 and 14, 2021, the Commission met to consider CenterPoint's rate case and, at the conclusion, the Commission approved the rate case Settlement; however, a final Order is pending.

The Report noted that residential customers consumed approximately 1.8 million more dekatherms than anticipated. The average customer used 90.5 DT, while weather-normal use-per-customer (UPC) was expected to be 88.8 DT over the study period.

As reflected in Table 2, for the year ended June 30, 2020, CenterPoint under-collected \$904,565 which, when added to the \$768,399 prior period balance, will result in net total surcharges of \$1,672,964.

**Table 2 - Decoupling Adjustment Balance through June 30, 2020<sup>4</sup>**

Class	Decoupling Adjustment Balance through June 30, 2020	Adjustment Made to Reflect 10% Cap	Prior Period Balance	Adjusted Balance
Residential	(\$351,980)		\$409,333	\$57,353
Commercial A	\$191,769		(\$36,908)	\$154,861
Commercial & Industrial B	\$473,413		\$15,819	\$489,232
Commercial & Industrial C	\$950,267		\$581,776	\$1,532,043
SVDF A	(\$41,979)		(\$143,731)	(\$185,710)
SVDF B	(\$152,495)		(\$130,878)	(\$283,373)
LVDF	(\$269,156)		\$41,107	(\$228,049)
Large Volume General Firm	\$104,725		\$31,881	\$136,606
Total	\$904,565	\$0	\$768,399	\$1,672,964

Table 3 summarizes the decoupling adjustment factors and estimated monthly impact, per class.

**Table 3 - Decoupling Adjustment Factors and Average Monthly Impact<sup>5</sup>**

Class	Decoupling Adjustment per Therm	Average Monthly Use (in Therms)	Average Monthly Decoupling Adjustment (\$)
Residential	\$0.00008	75	\$0.01
Commercial A	\$0.00653	69	\$0.45
Commercial & Industrial B	\$0.00814	250	\$2.04
Commercial & Industrial C	\$0.00405	1,520	\$6.16
SVDF A	(\$0.00398)	3,900	(\$15.52)
SVDF B	(\$0.00993)	13,900	(\$138.03)
LVDF	(\$0.00146)	38,900	(\$56.79)
Large Volume General Firm	\$0.00389	53,800	\$209.28

Regarding conservation, CenterPoint Energy stated that, when compared to the 2007-2009 pre-decoupling period, 2019 energy savings increased by 134% (Table 4 below).

<sup>4</sup> CenterPoint Energy, Decoupling Evaluation Report, Table D-1, page 24

<sup>5</sup> CenterPoint Energy, Decoupling Evaluation Report, Table D-7 (in part), page 28

## **B. Department of Commerce – Comments**

As summarized below, the Department analyzed and addressed several areas of CenterPoint's Report.

### **1. CenterPoint's Overall Energy Savings**

The Department noted that CenterPoint's CIP energy-savings achievements have grown substantially compared to the pre-decoupling period. However, consistent with its previous years' analyses, the Department continues to conclude that the post-decoupling energy savings increase was not necessarily solely due to the RDM pilots. During the same time that the Company's decoupling pilots have been in place, the following policies were in place, which could have contributed to the Company's higher energy savings:

- Minnesota adopted an energy savings goal of 1.5 percent of retail sales,
- The Shared Savings Demand Side Management (DSM) Financial Incentive was increased for utilities to encourage them to work towards and surpass the State energy savings goal. CenterPoint received CIP financial incentives averaging more than \$9 million per year over the RD program periods,
- Federal tax incentives to encourage homeowners to make energy-efficient investments in their home were in effect during this time,
- Customers became more aware of energy conservation in general.

### **2. Level of Energy Savings**

As shown in Table 4 on the next page, CenterPoint Energy's 2019 energy savings achievements fell from the high of 2017 but increased compared to 2018 and 2016, making 2019 the second highest year of savings in the Company's decoupling history. All of CenterPoint's customer classes had higher energy savings in 2019 compared to the average of the pre-decoupling years 2007-2009.

**Table 4 – CenterPoint Historical First-Year CIP Energy Savings (Dth) by Rate Class<sup>6</sup>**

Year/Period	Residential	Commercial & Industrial A	Commercial & Industrial B	Commercial & Industrial C	Commercial & Industrial Other	Overall Program
2007-09 Average	219,299	11,041	21,648	175,833	435,901	863,722 <sup>7</sup>
2015	696,979	33,531	51,173	394,337	675,910	1,851,930
2016	685,065	21,722	50,871	486,744	761,612	2,006,014
2017	594,341	32,276	35,507	410,450	1,559,971	2,632,545
2018	708,736	28,325	42,846	568,983	631,644	1,980,534
2019	759,882	28,246	82,115	359,236	790,669	2,020,148
2019 Percent Change From 2007-09	247%	156%	279%	104%	81%	134% <sup>8</sup>

Table 5 below quantifies how much each customer category contributed to CenterPoint's energy savings increase between 2019 and the 2007-2009 average and indicates that, in terms of first-year Dth savings, the commercial and industrial customer segments combined provided the largest increase in energy savings, although the residential sector is very close.

**Table 5 – Comparing 2019 CenterPoint CIP Energy Savings For All Classes with Average of 2007-2009 CIP Energy Savings (Dth)<sup>9</sup>**

Year/Period	Residential	Commercial & Industrial A	Commercial & Industrial B	Commercial & Industrial C	Commercial & Industrial Other	Overall Program
Energy Savings Increase (Dth)	540,583	17,205	60,467	183,403	354,768	1,156,426
Energy Savings Increase as Percentage of Total Increase	46.7%	1.5%	5.2%	15.9%	30.7%	100.0%

<sup>6</sup> Table 4 is a reproduction of Table 1 in the Department's comments, which in turn is a reproduction of Table C-2 in CenterPoint's Report. Staff notes that, as explained in the two subsequent footnotes, it has made two minor corrections to the original tables. Staff does not consider either correction to have a material impact in the underlying analysis or conclusions.

<sup>7</sup> Original tables showed this number to be 825,030.

<sup>8</sup> Original tables showed this number to be 234%.

<sup>9</sup> Staff's corrections to Table 4 result in minor corrections to Table 5 (when compared to the Department's Table 2); however, Staff does not consider these changes to have a material impact in the underlying analysis or conclusions.

Table 6 below shows that CenterPoint's first-year energy savings as a percent of retail sales increased from 0.54 percent in 2007 to a high of 1.87 percent in 2017 before falling to its current level of 1.43% percent, a slight increase over 2018.

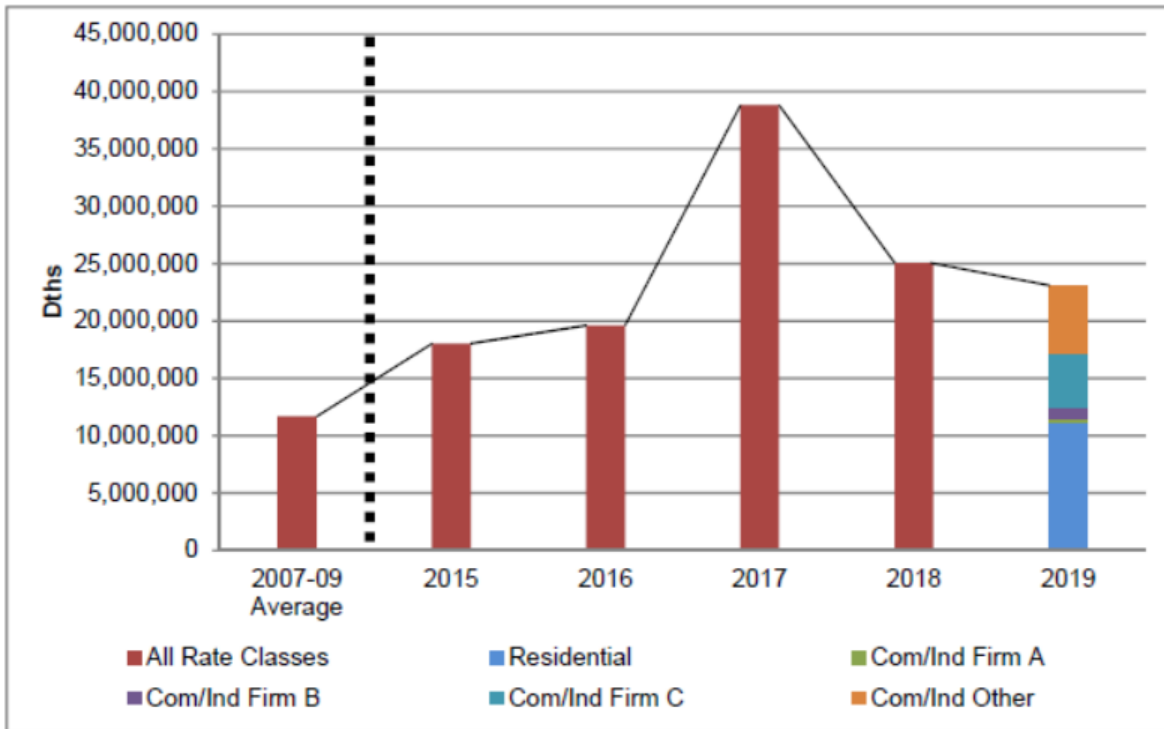
**Table 6 – CenterPoint CIP Energy Savings as a Percent of 10-Year Weather-Normalized Sales**

CIP Plan Period	Year	Applicable Three-Year Average 10-Year Weather Normalized Sales (Dth)	Annual energy savings (Dth)	Energy savings as a percent of sales
2007-2008 Biennial Period	2007	153,605,433	825,030	0.54%
	2008	153,605,433	827,340	0.54%
Extension of 2007-2008 Biennial	2009	153,605,433	938,798	0.61%
2010-2012 Triennial Period	2010	148,502,961	1,300,228	0.88%
	2011	148,502,961	1,488,231	1.00%
	2012	148,502,961	1,330,518	0.90%
2013-2015 Triennial Period	2013	136,490,212	1,570,810	1.15%
	2014	136,490,212	1,701,716	1.25%
	2015	136,490,212	1,851,930	1.36%
Extension of 2013-2015 Triennial	2016	136,490,212	2,006,014	1.47%
2017-2019 Triennial Period	2017	141,120,375	2,632,545	1.87%
	2018	141,120,375	1,980,534	1.40%
	2019	141,120,375	2,020,149	1.43%



Figure 1 below shows the historical amounts of lifetime energy savings created each year through CenterPoint’s customer CIP achievements. Prior to 2019 CenterPoint did not track lifetime energy savings by individual rate classes, so that data is unavailable.

**Figure 1: CenterPoint’s Lifetime Energy Savings Created Through Annual CIP Achievements**



The changes in lifetime energy savings are related to several factors, including:

- the level of first-year energy savings;
- the different lifetimes of the mix of energy savings achieved each year (for example, large commercial and industrial projects generally have longer lifetimes; even if CenterPoint achieved the same first-year energy savings in two years, the lifetime energy savings for CIP achievements associated with one of those years can be higher if that year’s achievements have a higher concentration of long lifetime projects); and
- changes in lifetime assumptions between triennial CIPs (e.g., the assumed lifetime for behavioral change projects is lower now than when first introduced).

The third factor makes it difficult to compare changes in lifetime energy savings between triennial CIPs. However, based on the assumptions used at the time for each CIP triennial, CenterPoint’s 2019 lifetime energy savings were 98 percent higher than the Company’s average lifetime energy savings from 2007 through 2009. To put CenterPoint’s energy savings in context, CenterPoint’s 2019 lifetime energy savings were 23.0 million Dth, enough savings to provide natural gas service to almost 260,090 residential customers for a year.

### 3. Under/Over Recovery of Revenues

The Department noted that, for the 2019-2020 evaluation period, no customer class encountered the 10% cap on surcharges. The Department also confirmed that, as summarized in Table 2 above, the Company determined its current adjustment, including the prior period balance, using the Commission-approved method.

As shown in Table 7, the Department calculated the average annual impact to ratepayers in each class.

**Table 7 – Annual Surcharge/(Refund) Expected for Average Customer of Each Customer Class**

Class	Decoupling Adjustment per Therm	Average Monthly Use (in Therms)	Average Monthly Decoupling Adjustment (\$)
Residential	\$0.00008	900	\$0.07
Commercial A	\$0.00653	828	\$5.41
Commercial & Industrial B	\$0.00814	3,000	\$24.42
Commercial & Industrial C	\$0.00405	18,240	\$73.87
SVDF A	(\$0.00398)	46,800	(\$186.26)
SVDF B	(\$0.00993)	166,800	(\$1,656.32)
LVDF	(\$0.00146)	466,800	(\$681.53)
Large Volume General Firm	\$0.00389	645,600	\$2,511.38

Finally, the Department pointed out that, over the last two full revenue decoupling periods spanning from July 1, 2018 to June 30, 2020, CenterPoint's RD Rider has resulted in a net refund of \$19,722,870 and, when analyzing the impact of all three decoupling periods, so far CenterPoint's RD Rider has resulted in total net refund of \$33,122,872.

### 4. Recommendations

The Department recommended that CenterPoint's 2020 Decoupling Evaluation Report be accepted and the associated revenue decoupling factors shown in Table 3 above be approved.

#### C. CenterPoint Energy – Reply Comments

CenterPoint agreed with the Department's recommendations and provided the clarification mentioned above.

### V. Staff Comments

Staff points out that both CenterPoint and the Department addressed a proposed streamlining of the RDM Annual Reports. Since that matter will be heard at the same agenda meeting as this docket and is summarized in a separate set of briefing papers, Staff has not addressed that issue in this filing.

Finally, Staff concurs with the Department's recommendations that the Company's 2020 revenue decoupling evaluation report be accepted and the proposed adjustment factors be approved.

## **VI. Decision Alternatives**

### **2020 Annual Decoupling Evaluation Report**

1. Accept CenterPoint's 2020 revenue decoupling evaluation report. (*CPE, DOC*)
2. Reject CenterPoint's 2020 revenue decoupling evaluation report.

### **Annual Decoupling Adjustment Factors**

3. Approve CenterPoint's revenue decoupling adjustment factors. (*CPE, DOC*)
4. Do not approve CenterPoint's revenue decoupling adjustment factors and determine what the alternative factors should be.