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May 13, 2024

Mr. Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

RE: In the Matter of the Proposed Commodity smoother in AAA/True-up CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas

Reply Comments

Docket No. G-008/M-24-150

Dear Mr. Seuffert:

CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas ("CenterPoint Energy" or the "Company") respectfully submits these Reply Comments in response to the Comments of the Minnesota Department of Commerce ("Department") filed on April 30th, 2024, in this docket.

In these Reply Comments, the Company addresses the Department's comments regarding the Proposed Commodity Smoother. The Department recommended the Commission deny the proposal due to concerns of reducing the incentive for the Company to minimize costs, customer awareness concerns, and difficulties in challenging the recovery of certain costs. Additionally, the Department offered comparisons to the Annual Fuel Clause Adjustment used by electric utilities from an order in 2017.

Minimize Costs

CenterPoint Energy considers pricing volatility while building a diverse supply portfolio, and balancing reliability. The Company goes into detail in the Gas Procurement plan (GPP) which lists factors that may cause gas prices to fluctuate.¹ The Plan needs flexibility to adjust due to market changes throughout the year.² The GPP also addresses Price protection:

"CenterPoint Energy's plan also targets price protection by utilizing a mixture of supply at market price, storage withdrawal price, and hedged prices. This approach is designed to

¹ Gas Procurement Plan Docket No. G-008/GR-23-360 Pg 18

² Gas Procurement Plan Docket No. G-008/GR-23-360 Page 1

protect customers from moderate price swings and provide a more stable gas cost. In this way, customers are shielded from severe month-to-month changes in the billed gas supply cost that would otherwise be experienced if all gas purchased were subject to short-term market influences.”³

Swing supply is another important factor of the gas supply portfolio to prevent overbuying baseload but does add price volatility. See CenterPoint Energy’s Gas Procurement plan for further details. ⁴

Customer Awareness

The Department stated that the added Smoother would dilute price signals and removes customer’s ability to react to changes. The Company notes implementing the Commodity Smoother notifies customers sooner about price signals. For example, if prices were to spike in the December, customers would see the impact on their February bill. Without a smoother, customers may not fully see their price impact until the next Annual Automatic Adjustment (AAA) report is filed in September.

The Company agrees that price signals are difficult for customers to react to, but do not believe this would dilute the issue. Fluctuations in the total rate through the most recent AAA Gas year, July 2022 to June 2023 are shown on Table 1 which occur throughout the year with our current billing method. Table 2 displays commodity costs in blue, and the added adjustment in green which there is a slight difference having little impact on month-to-month changes in billing rates for customers to act on. Gas prices fluctuate from day to day, and the difference of the over under is not incorporated into rates for up to 14 months. It then takes another 12 months to refund/collect that difference. The two-month commodity true-up enhances the over/under procedure to be collected in a quicker manner. Resulting in a less dramatic true-up rate change in September of each year.

³ Gas Procurement Plan Docket No. G-008/GR-23-360 Page 5

⁴ Gas Procurement Plan Docket No. G-008/GR-23-360 Pg 35 - 36

Table 1

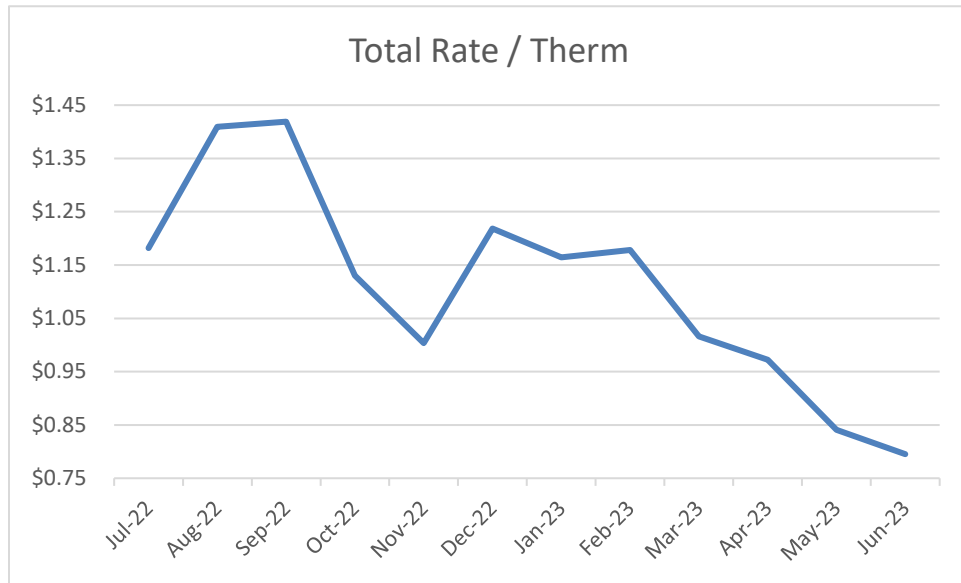
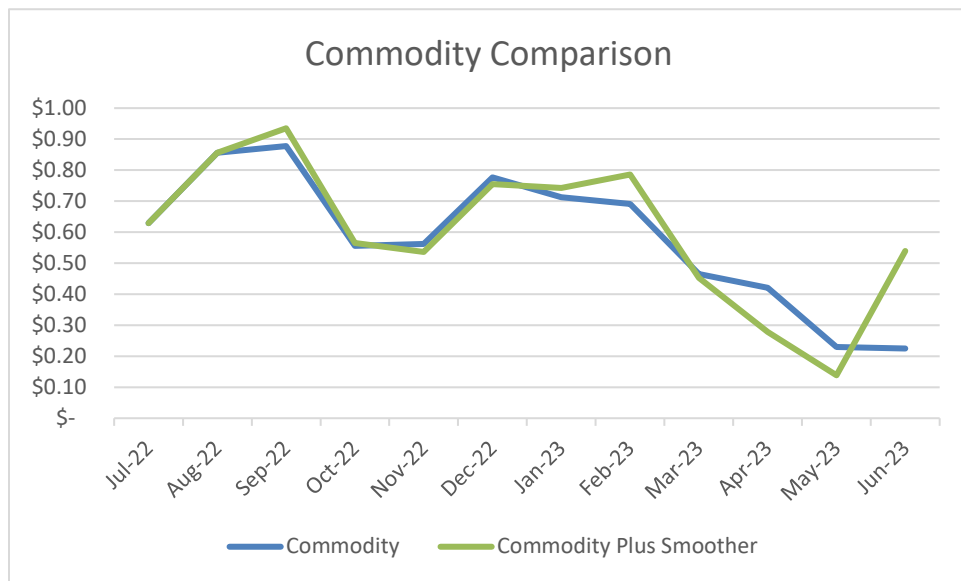


Table 2



Throughout the year, CenterPoint Energy undertakes efforts to provide customers with information on managing their bills, reducing their energy use and assistance programs available to those who qualify. These efforts include promotion of energy efficiency offerings and resources to assist in managing natural gas bills during the heating season. The Company provides regular information to customers through various channels on managing their bills through Average Monthly Billing, which spreads costs throughout the year to manage winter peaks.

In addition to these programs, CenterPoint Energy regularly provides customers direct communications on energy savings tips that help lower energy use and their monthly bill. During extreme cold, these tips include information on how customers can take steps to conserve energy to limit the impact of higher natural gas prices.

Additionally, during extreme weather events, the Company undertakes efforts to provide information to customers through multiple channels. In January 2024, when sub-zero temperatures were forecasted and demand for natural gas was rising, the Company distributed two press releases to news media in Minnesota, which provided energy-saving and safety tips to customers. Additionally, the press releases promoted bill assistance programs for income-qualified customers, including Low Income Home Energy Assistance Program (LIHEAP) and Gas Affordability Program (GAP). This information was also shared with the Company's regulators and local government units, who were asked to forward the information to their staff members and constituents. During this timeframe, the Company also used social media channels (e.g., Facebook, Twitter, Nextdoor) to provide energy-savings tips, safety information and payment assistance for income-qualified customers. The information provided on social media included several posts that highlighted strategies customers could take that would help them conserve energy, save money and find out more information on payment assistance programs like LIHEAP and GAP.

Finally, as seen in Tables 1 and 2 above, while the Company takes steps to stabilize gas prices, gas prices fluctuate substantially driven by the supply and demand on the natural gas commodity market. If stable pricing throughout the year is the desire of the customer, CenterPoint Energy encourages customers to participate in the budget billing program which sets monthly customer bills at a set amount depending on their usage for a twelve-month period. The Company may adjust the amount halfway through the program year based on average monthly billing. If the amount changes, the customer receives a notice the month before the change takes effect.

Cost Recovery

Implementing the commodity smoother does not prevent review of the Gas Procurement Plan or the AAA filing. There is a two-month lag in the adjustment which allows time for communication and analysis before the adjustment is added to the Monthly PGA. Finally, all gas costs are examined as part of the AAA review by interested parties and the Commission, and the Company understands the obligation to justify costs to its customers in these proceedings.

CenterPoint is required to notify the Commission if gas prices on the daily spot market exceed five times the PGA.⁵ As the Company stated in the original filing, the Commission would then have the authority to suspend the proposed Commodity Smoother for these costs as parties perform their review.

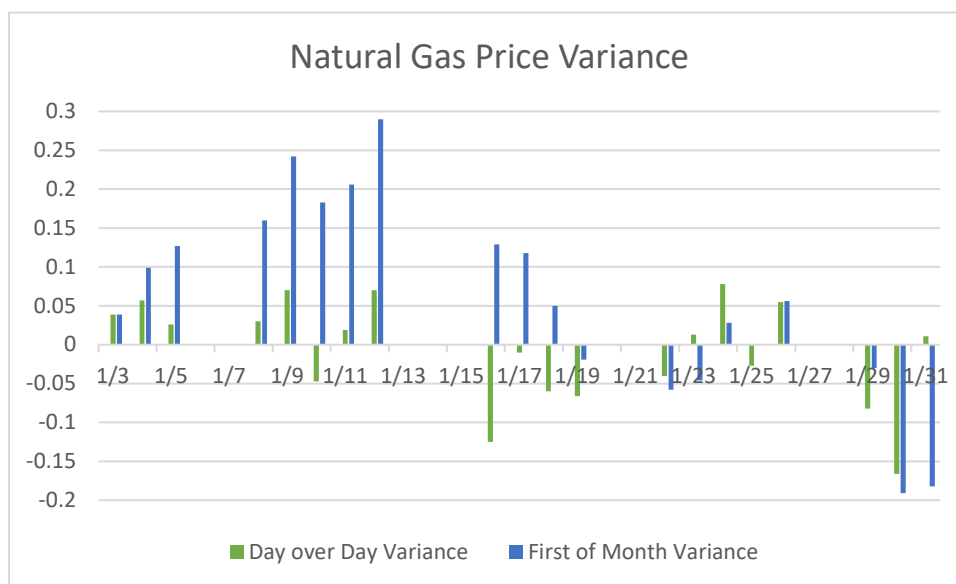
The Department points out the PGA should be able to give utilities an opportunity to recover reasonable costs. The adjustment with a two-month lag will keep billing prices truer to current gas prices and lessen the annual true-up adjustment in September. The Department notes that the smoother speeds up the refund or recovery up to a full year faster. This allows customers a

⁵ February Extreme Market Conditions Docket G008/M-21-138

quicker refund and helps the Company to reduce carrying costs.

The comparison to the Fuel Clause Adjustment (FCA) is not a fair comparison. The natural gas industry does not hold similar purchased power contracts or company owned generation as the electric industry does. Instead, natural gas utilities are subject to the commodity prices fluctuations throughout the month due to national/global market activity. The FCA allows electric utilities to file for a mid-year adjustment if prices fluctuate higher than 5%. Gas commodity prices often fluctuate greater than 5% within the month. See table three for January 2024 variances from day to day and compared to first of the month Natural Gas Prices (Henry Hub). Gas price variance ranges from negative 19% to **positive** 29% when compared to the price set from the first of the month. These functions are why we continue to advocate for this adjustment factor.

Table 3



The proposed Commodity Smoother would be a small adjustment to rates, that are currently adjusted monthly due to changes in market, demand costs, and current riders. CenterPoint would contend that the smoother pertains to the goals of the PGA listed in the Commission's comments. The Company's communication department relays gas prices to customers when price spikes are identified, and Regulatory then reports those outcomes to the Commission allowing sufficient time to react.

If you have any questions, please contact Rebecca Schultz at (612) 321-5078 or rebecca.schultz@CenterPointEnergy.com.

Sincerely,

/s/ Rebecca Schultz

Rebecca Schultz
Regulatory Analyst

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