



2200 IDS Center, 80 South 8th Street
Minneapolis, MN 55402
Tel: 612.977.8400 | Fax: 612.977.8650
taftlaw.com

Kristin M. Stastny
612.977.8656
KStastny@Taftlaw.com

November 8, 2022

Mr. Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 East Seventh Place, Suite 350
St. Paul, MN 55101-2147

VIA ELECTRONIC FILING

Re: In the Matter of a Commission Investigation into the Impact of Severe Weather in February 2021 on Impacted Minnesota Natural Gas Utilities and Customers
Docket No. G999/CI-21-135

In the Matter of the Petition of CenterPoint Energy for Approval of a Recovery Process for Cost Impacts Due to February Extreme Gas Market Conditions
Docket No. G008/M-21-138

CenterPoint Energy Petition for Reconsideration

Dear Mr. Seuffert:

CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas respectfully submits this Petition for Reconsideration of the Minnesota Public Utilities Commission's October 19, 2022 Order Disallowing Recovery of Certain Natural Gas Costs and Requiring Further Action, in the above-referenced matter.

Please contact me at kstastny@taftlaw.com or (612) 977-8656 if you have any questions regarding this filing.

Sincerely,

Taft Stettinius & Hollister LLP

/s/ Kristin M. Stastny

Kristin M. Stastny

Enclosure

cc: Service Lists

STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION
121 Seventh Place East, Suite 350
St. Paul, MN 55101-2147

Katie Sieben	Chair
Valerie Means	Commissioner
Matt Schuerger	Commissioner
Joseph Sullivan	Commissioner
John Tuma	Commissioner

In the Matter of a Commission
Investigation into the Impact of Severe
Weather in February 2021 on Impacted
Minnesota Natural Gas Utilities and
Customers

Docket No. G999/CI-21-135

In the Matter of the Petition of
CenterPoint Energy for Approval of a
Recovery Process for Cost Impacts Due
to February Extreme Gas Market
Conditions

Docket No. G008/M-21-138

PETITION FOR RECONSIDERATION

I. Introduction

CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas (“CenterPoint Energy” or the “Company”) respectfully submits this Petition for Reconsideration (“Petition”) of the Minnesota Public Utilities Commission’s (“Commission’s”) October 19, 2022 Order Disallowing Recovery of Certain Natural Gas Costs and Requiring Further Action (“Order”),¹ in the above-referenced matter.

As a gas utility operating in Minnesota, CenterPoint Energy has a duty to provide safe, adequate, efficient, and reasonable gas service to its customers.² In doing so, the

¹ *In the Matter of a Commission Investigation into the Impact of Severe Weather in February 2021 on Impacted Minnesota Natural Gas Utilities and Customers*, Docket No. G999/CI-21-135; *In the Matter of the Petition of CenterPoint Energy for Approval of a Recovery Process for Cost Impacts Due to February Extreme Gas Market Conditions*, Docket No. G008/M-21-138, ORDER DISALLOWING RECOVERY OF CERTAIN NATURAL GAS COSTS AND REQUIRING FURTHER ACTION (Oct. 19, 2022) (hereinafter “Order”).

² See Minn. Stat. § 216B.04.

Company must act prudently in incurring costs that will ultimately be charged to customers through rates. Prudent actions are actions taken in good faith, based on knowledge available at the time of the action. There is also a range of actions that are prudent rather than one singular prudent action.³ The extensive record developed in this case demonstrates that CenterPoint Energy took prudent actions based on available information to mitigate customer exposure to unprecedented gas prices that occurred February 13-17, 2021 (the “February Market Event”), while preserving the tools needed to maintain reliable gas service to the Company’s approximately 900,000 customers during dangerous weather conditions.⁴ Those actions were taken at a time of significant uncertainty regarding future weather conditions, system conditions, and gas prices. Of course, it is possible with the benefit of hindsight to identify actions the Company could have taken that would have resulted in lower gas costs. But the record demonstrates that CenterPoint Energy acted in good faith to balance reliability and cost objectives based on information available at the time and the Company’s actions were within the range of prudent actions.

The Company recognizes that the costs incurred to maintain reliability during the February Market Event were extraordinary. However, the magnitude of the price spike and costs incurred to provide service in the midst of an unprecedented market event are not evidence of imprudence. Recovery is not unjust or unreasonable because the costs are significant and the Commission cannot change the rules of service after the fact and disallow costs incurred to provide service simply because those costs were abnormal. Minnesota’s natural gas utilities, including CenterPoint Energy, are charged with running a system that is safe and reliable, and to effectuate that obligation, cost cannot trump

³ DOC Ex. 506 at 28:7-9 (King Direct) (Prudence must be assessed “based on the information the Gas Utilities had, or could reasonably have obtained, at the time of their actions and not the benefit of hindsight now available.”); DOC Ex. 506 at 28:6-7 (King Direct) (“[I]n order for the actions of the Gas Utilities to be deemed prudent, they must fall within a range of reasonable action.”).

⁴ *In the Matter of a Commission Investigation into the Impact of Severe Weather in February 2021 on Impacted Minnesota Natural Gas Utilities and Customers*, Docket No. G999/CI-21-135; *In the Matter of the Petition of CenterPoint Energy for Approval of a Recovery Process for Cost Impacts Due to February Extreme Gas Market Conditions*, Docket No. G008/M-21-138, ALJS’ FINDINGS OF FACT, CONCLUSIONS OF LAW, AND RECOMMENDATION at Finding No. 57 (May 24, 2022) (hereinafter “ALJ Report”). Reliability was not a guaranteed outcome and in fact, was not a result that was successfully achieved by all utilities in the states impacted by the February Market Event.

reliability. Based on a review of the record and after overseeing a three-day evidentiary hearing, the two Administrative Law Judges (“ALJs”) assigned to this case found that the Company met its obligation to act reasonably and prudently to protect customers from unreasonable risks, and should not be denied recovery of the costs necessary to maintain service during the February Market Event. The impact of the Commission’s Order, which rejects many of the findings of the ALJs, increases the possibility that utilities shy away from making prudent purchases of gas for riskier alternatives during a future market event.

The conclusions reached in the Commission’s Order that disallowed recovery of costs with respect to the Company’s use of storage, peak shaving resources, and curtailment of interruptible customers are not supported by substantial evidence, are inconsistent with the facts and the law, and are contrary to the public interest. We respectfully request the Commission reconsider its Order and allow CenterPoint Energy to recover all of the extraordinary gas costs incurred during the February Market Event to provide safe and reliable service to our customers.

II. Standard for Granting Reconsideration

Petitions for reconsideration of Commission orders are governed by Minn. Stat. § 216B.27 and Minn. R. 7829.3000. Pursuant to Minn. Stat. § 216B.27, subd. 3, the Commission may reverse, change, modify, or suspend its original decision if, after rehearing, it finds its decision unlawful or unreasonable. The Commission has granted reconsideration when a motion for reconsideration: (1) raises new issues; (2) points to new and relevant evidence; (3) exposes errors or ambiguities in the prior decision; (4) persuades the Commission to reconsider; or (5) where the prior decision was inconsistent with the facts, the law, or the public interest.⁵

⁵ *In the Matter of the Application of Minnkota Power Cooperative, Inc. for a Route Permit for the MPL-Laporte 115 KV Transmission Line Project in Clearwater and Hubbard Counties*, Docket No. ET-6/TL-16-327, ORDER DENYING RECONSIDERATION at 1 (Aug. 11, 2017); *In re Application of Minn. Power for Auth. to Increase Rates for Electric Serv. in Minn.*, Docket No. E015/GR-16-664, ORDER GRANTING RECONSIDERATION IN PART, REVISING MARCH 12, 2018 ORDER, AND OTHERWISE DENYING RECONSIDERATION PETITIONS at 2 (May 29, 2018); *In the Matter of a Formal Complaint and Petition for Expedited Relief by Sunrise Energy Ventures LLC Against Northern States Power Company d/b/a Xcel Energy*, Docket No.

In this instance, reconsideration should be granted as the findings and conclusions in the Commission's Order are inconsistent with the legal standard for prudence, the record evidence, and the public interest in ensuring safe and reliable natural gas service in Minnesota. Reconsideration is also warranted to correct certain errors in the Commission's Order.

III. The Commission's Order is Inconsistent with the Prudence Standard

There are two key elements of the prudence standard. First, prudence cannot be evaluated on the basis of hindsight.⁶ Prudence is defined as reasonable action taken in good faith based on knowledge available at the time of the action or decision.⁷ Prudence is not determined by looking backward and considering an end result that was not known at the time a decision was made. The fact that a better outcome could have been reached in hindsight is not relevant or permissible evidence in a prudence review; what matters is whether the utility acted reasonably based on the facts it knew or should have known at the time.⁸

While the Commission's Order acknowledges that hindsight cannot be applied in a prudence analysis,⁹ it nevertheless relies on hindsight when evaluating CenterPoint Energy's actions before and during the February Market Event. For example, the Commission's disallowances rely on potential alternative prudent actions that the Company could have taken, as offered by the intervenors, regarding its use of storage, peak shaving resources, and curtailment of interruptible customers. However, these alternative actions require that the Company had perfect foresight to predict how all of the factors required to maintain adequate gas supplies to meet its customers' needs would play out during the February Market Event. These factors include storage field pressures

E002/C-21-160 ORDER DENYING RECONSIDERATION (Oct. 11, 2021) (denying reconsideration after concluding decision "is consistent with the facts, the law, and the public interest.").

⁶ DOC Ex. 506 at 28:7-9 (King Direct) (noting that the assessment of prudence may not be based on "the benefit of hindsight now available"); CUB Ex. 810 at 21:5-7 (Nelson Direct) ("The fact that a better outcome could have been reached in hindsight is not in itself permissible evidence in a prudence review . . ."); Joint Utilities Ex. 103 at 6:18 (Honorable Direct).

⁷ DOC Ex. 506 at 28:4-5 (King Direct); Joint Utilities Ex. 103 at 12:3-8 (Honorable Direct); CPE Ex. 133 at 7:6-9 (Reed Direct); CUB Ex. 819 at 8:19-9:1 (Nelson Surrebuttal).

⁸ DOC Ex. 506 at 28 (King Direct).

⁹ Order at 5 ("Prudence is not evaluated using the benefit of hindsight.").

and pipeline pressures at the Waterville storage field, the magnitude of supply cuts or pipeline issues, and variations in weather or customer demand from what was forecasted. On February 12, when CenterPoint Energy was planning its gas supply mix over the four-day holiday weekend and on February 16, when the Company was planning its gas supply mix for February 17, the Company did not and could not have perfectly predicted how these factors would impact its gas supplies. What the Company did know was that this stretch of days in February 2021 was forecasted to be some of the coldest of the year with an average temperature of negative 13 degrees forecasted for February 14.¹⁰ Given this information, the Company knew that having inadequate gas supplies was simply not an option as doing so would have risked the lives and safety of its customers. As a result, based on the information known at the time, the Company made prudent decisions to ensure sufficient gas supplies to meet its customers' needs and preserve the reliability of the gas system.

The second element of the prudence standard is that there is a range of actions that are reasonable and prudent, not one singular prudent action or decision.¹¹ In reciting the standard for prudence, the Commission's Order neglects to mention this second important element.¹² The Commission Order also ignores this element in applying the prudence standard to CenterPoint Energy's actions during the February Market Event. While the intervenors offered alternative actions that CenterPoint Energy could have taken, this does not mean that the actions taken by the Company were imprudent. Rather, the prudence standard recognizes that there are a range of acceptable actions and both the course of action taken by CenterPoint Energy and the course of action proposed by the intervenors can be within the range of prudent actions.

While the Commission's Order acknowledges that certain CenterPoint Energy actions, such as the Company's decision to split its BP storage amounts evenly over the

¹⁰ ALJ Report at Finding No. 108.

¹¹ DOC Ex. 506 at 28:6-7 (King Direct) (“[I]n order for the actions of the Gas Utilities to be deemed prudent, they must fall within a range of reasonable action.”); Joint Utilities Ex. 105 at 1 (Honorable Summary of Pre-Filed Testimony) (“Prudence is not evaluated on the basis of hindsight, and prudence determinations recognize that a utility may take a range of actions or decisions that are prudent.”); CUB Ex. 819 at 19:17-19 (Nelson Surrebuttal).

¹² See Order at 10.

four-day holiday, fell within the range of reasonable actions, for other actions, the Commission's Order indicates that there was only one prudent course of action – that recommended by the intervenors. As discussed below, the Commission should reconsider these disallowances to find CenterPoint Energy's actions and decisions fell within the range of reasonable actions and decisions that a reasonable utility would have taken and made under similar circumstances given the facts known or reasonably knowable at the time.¹³

IV. CenterPoint Energy's Planned Withdrawal Amount from its Waterville Storage Facility Was Within the Range of Prudent Actions Based on Facts Known at the Time

Contrary to the findings of the ALJs,¹⁴ the Commission's Order disallows recovery of \$3.8 million of CenterPoint Energy's extraordinary gas costs because the Company did not plan on Friday, February 12 to withdraw 5,000 dekatherm ("Dth") more than the maximum daily withdrawal limit on February 14 from its Waterville storage facility.¹⁵ The Commission's Order provides two justifications for this disallowance: (1) CenterPoint Energy should have known on February 12 that it could exceed Waterville's daily withdrawal limit because the Company had done so in the past; and (2) planning in advance to exceed Waterville's daily withdrawal limit would not have risked system reliability because the Company could have addressed any gas supply shortfalls through peak-shaving or by interrupting customer loads.¹⁶ Both of these justifications are inconsistent with the prudence standard as they rely on hindsight and fail to acknowledge that some things were simply not knowable, by the Company or anyone else, on the morning of February 12.

¹³ DOC Ex. 506 at 28 (King Direct); Joint Utilities Ex. 105 at 1 (Honorable Summary of Pre-Filed Testimony).

¹⁴ The ALJs concluded based on review and analysis of the testimony and evidence presented that the Department's recommended disallowance related to Waterville unreasonably ignored the fact that the operating conditions at the storage facility and on the NNG pipeline were not and could not have been known on February 12. "Factoring in more than the planned available amount from Waterville, and potentially diverting the other resources in unprecedented ways, would have jeopardized reliability and would not have been prudent." ALJ Report at Finding No. 184.

¹⁵ Order at 10.

¹⁶ Order at 10.

A. CenterPoint Energy Could Not Have Known on February 12 that it Would be Able to Withdraw 5,000 Dth Above the Maximum Daily Withdrawal Limit

The Commission Order relies on the fact that the Company has been able to achieve withdrawals in excess of Waterville's maximum daily withdrawal limit in the past to find that it was imprudent for the Company to not plan on February 12 to achieve this outcome on February 14.¹⁷ The Commission's finding ignores the record evidence that CenterPoint Energy has *never planned* its gas supply purchases around exceeding Waterville's maximum daily withdrawal limit of 50,000 Dth.¹⁸ This is because the Company's ability to exceed Waterville's maximum daily withdrawal quantity depends on several real-time and constantly changing factors that cannot be known in advance and are outside of the Company's control. The factors include pressures in the storage field, pressures on the upstream Northern Natural Gas ("NNG") pipeline that transports gas from Waterville, and the possible presence of excess water production at the facility.¹⁹ While the Company can withdraw more than 50,000 Dth at times, it cannot always do so reliably, making it unreasonable *to plan* to exceed the storage facility's maximum daily withdrawal. If the Company were to plan to exceed the maximum daily withdrawal and conditions were not favorable, then the Company places the reliability of the system at risk. If the Company does not procure sufficient gas supplies to meet its firm customer requirements, customer outages or an even larger system outage can result.²⁰ The process to restore natural gas service can take days, weeks, or longer to complete, posing a potentially significant threat to the safety of customers and employees.²¹ The importance of avoiding such outages is even more vital on days like February 14 when the average daily temperature was forecasted to be negative 13 degrees.

¹⁷ Order at 10.

¹⁸ CPE Ex. 117 at 2 (Heer Written Summary of Pre-Filed Testimony).

¹⁹ CPE Ex. 115 at 19 (Heer Direct).

²⁰ CPE Ex. 115 at 4:1-6 and 5:1-9 (Heer Direct).

²¹ CPE Ex. 115 at 5:9-18 (Heer Direct) ("To restore gas service in the event of an outage, we first need to go house to house, shut off meters and attempt personal contact to gain access to each affected home or business with an inside the facility gas meter. The gas distribution system would then need to be repressurized before we could restore service to customers. As part of restoring service, we would need to turn on each customer's meter and verify that all pilot light appliances in the home are properly lit. The process to restore natural gas service in this type of situation would take significant time, during which customers would be without natural gas service, potentially during life-threatening cold weather.").

The Waterville storage facility is a natural aquifer storage field located hundreds of feet underground and the gas is held in place by the pressure of the water within the aquifer.²² Waterville uses compression to withdraw gas from the storage field and into the NNG pipeline. The compression capacity is determined by the difference in pressure between the storage field and the NNG pipeline. If the storage field pressure is low and the pipeline pressure is high, the withdrawal rate is reduced. This withdrawal rate impacts the total amount of gas that can be withdrawn from Waterville on a particular day.²³ As the storage field pressures and the NNG pipeline pressures are both constantly changing, the withdrawal rate for the Waterville facility cannot be known in advance and were not known to CenterPoint Energy on February 12.²⁴

The inability of the Company to know on February 12 whether pressures on the NNG pipeline would permit transport of more than 50,000 Dth of gas on February 14 was a point that even the Department's witness acknowledged. CenterPoint Energy does not own or operate the NNG pipeline, and Waterville is not the only facility connected to that segment of the NNG system.²⁵ NNG's operating conditions and demand from other customers served by this pipeline impact CenterPoint Energy's ability to withdraw gas in excess of the maximum daily limits from Waterville.²⁶ These operating conditions and demand from other shippers on the NNG pipeline were not and could not have been known by CenterPoint Energy on February 12 as shippers are not required to nominate their daily gas deliveries until 1 p.m. on the day prior to gas flow.²⁷ Shippers are also allowed to modify their nominations throughout the gas day, meaning those nominations are not final and the pressures on the NNG pipeline can fluctuate throughout the day as result of these changing nominations.²⁸ During cross-examination, Department witness Mr. Matthew J. King admitted that, given these timelines, CenterPoint Energy would not

²² ALJ Report at Finding No. 167.

²³ CPE Ex. 116 at 6 (Heer Rebuttal).

²⁴ CPE Ex. 116 at 6:9-12 (Heer Rebuttal).

²⁵ CPE Ex. 116 at 7:6-8 (Heer Rebuttal).

²⁶ CPE Ex. 116 at 7:8-10 (Heer Rebuttal).

²⁷ Evidentiary Hearing Tr. Vol. 2C at 10:16-20 (King).

²⁸ Evidentiary Hearing Tr. Vol. 2C at 11:7-10 (King).

have complete information on February 12 about NNG's pressures or operating conditions that would occur two days later on February 14.²⁹

In addition to the storage field and pipeline pressures that can impact the withdrawal rate, the fact that Waterville is a natural aquifer storage field means that there are also other issues, such as excess water production, that can impact the daily withdrawal amount. Company witness Mr. John Heer, who has over 20 years' experience operating the Waterville facility, explained that even on February 14, these unpredictable real-time conditions could have reduced the amount of gas the Company was able to withdraw that day:

The practical reality of aquifer storage like our Waterville facility is that the storage operator does not know exactly how the field and wells will respond under the real-time conditions until we are withdrawing gas. Even after we begin withdrawing gas, withdrawal rates may need to be adjusted over the course of a gas day if, for example, we encounter excess water production in one or more of the wells.³⁰

As the storage pressures, NNG pressures, and the existence excess water production are unpredictable and ever changing conditions, it was prudent for the Company to plan its gas purchases based on what it knew was achievable, which was the maximum daily withdrawal limit of 50,000 Dth and no more. In fact, the Company could not have known until February 14, after it started withdrawing gas and found that withdrawal conditions were favorable, that withdrawing an additional 5,000 Dth was achievable.³¹ Since it was impossible for CenterPoint Energy to be able to know on February 12 whether this additional withdrawal of 5,000 Dth from Waterville was

²⁹ Evidentiary Hearing Tr. Vol. 2C at 12:8-14 (King) ("Q. So, for example, on February 12, CenterPoint Energy would not necessarily have information regarding the pressures on Northern Natural Gas that would occur two days later on February 14; is that correct? A. I acknowledge that CenterPoint would not have perfect information in advance of that.").

³⁰ CPE Ex. 117 at 2 (Heer Written Summary of Pre-Filed Testimony); CPE Ex. 116 at 8 (Heer Rebuttal) ("The Company does not know the pressures on NNG's pipeline in advance of the start of the gas day. CenterPoint Energy also does not know exactly how the storage field and wells will respond until we are withdrawing gas from storage for a period of time and can assess the full situationUntil gas is flowing, we cannot fully assess the field operational state.").

³¹ CPE Ex. 116 at 6:14-21 (Heer Rebuttal).

achievable, the Company's decision to plan to withdraw the daily maximum limit of 50,000 Dth was prudent.

B. Planning in Advance to Withdraw More than the Maximum Daily Withdrawal Limit Would Have Jeopardized Reliability

The Commission Order also justifies its Waterville disallowance by finding that, even if the Company had planned for and then was not able to withdraw 5,000 Dth more than the maximum daily withdrawal limit from Waterville on February 14, the Company could have "safely addressed" any shortfall by using peak-shaving plants or interruptible load.³² However, this is another fact that can only be known with the benefit of hindsight. On the morning of February 12, CenterPoint Energy could not know whether, and to what extent, these resources would be needed on February 14 to address supply cuts, reliability conditions on its system, or colder than forecasted temperatures.

As February 14 was forecasted to be the coldest day of the four-day weekend, the Company planned its gas supplies to meet the forecasted load for that day. This meant that the Company's gas plan for February 14 already maximized all of the Company's baseload, storage, and swing supplies.³³ Therefore, CenterPoint Energy could not rely on these physical gas supplies on February 14 to make up the difference if it was not feasible to withdraw an additional 5,000 Dth of gas from Waterville due to the real-time conditions on that day. As a result, in the event there were supply cuts or system reliability issues, the only tools the Company had left at its disposal were its peak shaving plants and curtailing interruptible customers. These resources are intended to be used as the Company's last line of defense in the event of unforeseen supply or reliability issues.³⁴ On February 12, CenterPoint Energy could not know whether use of these emergency resources would be required on February 14. However, what the Company did know on February 12 was that the possibility of supply cuts and reliability issues on February 14 –

³² Order at 10.

³³ CPE Ex. 129, Schedule 7 at 1-2 (Toys Direct Schedules).

³⁴ CPE Ex. 113 at 5:3-5 (Olson Rebuttal); CPE Ex. 116 at 2:18-3:5 (Heer Rebuttal).

the coldest day of the event – were a very real concern, making it likely that these resources would be needed.³⁵

By the morning of February 12, CenterPoint Energy was aware that there were gas supply freeze offs and force majeure notices in gas producing areas of the country.³⁶ The Company had also received scheduling reductions as gas suppliers were seeing cuts to their supplies from gas producers.³⁷ Given these facts, CenterPoint Energy understood the importance of preserving its peak shaving and curtailment resources to ensure reliability.³⁸ As the ALJ Report found,

The Company relies on those resources [peaking and curtailment] for system operational needs and reliability. Factoring in more than the planned available amount from Waterville, and potentially diverting the other resources in unprecedented ways, would have jeopardized reliability and would not have been prudent.³⁹

While the actual supply cuts and system reliability issues turned out to be not as dire as could have occurred under the circumstances, that fact could not be known at the time CenterPoint Energy had to act. Further, the Company did need to rely on these resources on February 14 and ended up deploying its peaking resources as well as curtailing 31 of its interruptible customers to address system reliability issues.⁴⁰ Given what the Company knew and, importantly, could not know on February 12, the Commission should reconsider its decision and find that it was within the range of acceptable and prudent actions for the Company to plan for the daily maximum withdrawal limit of 50,000 Dth for Waterville.⁴¹

³⁵ CPE Ex. 121 at 41:13-16 (Grizzle Rebuttal) (noting that on the morning of February 12, “[w]e were also aware of supply production issues, although there was significant uncertainty regarding the scope of possible production declines and any resulting supply reductions.”)

³⁶ ALJ Report at Finding No. 105; CPE Ex. 126 at 34 (Toys Direct).

³⁷ ALJ Report at Finding No. 105; CPE Ex. 126 at 34 (Toys Direct).

³⁸ CPE Ex. 116 at 9:7-12 (Heer Rebuttal).

³⁹ ALJ Report at Finding No. 184.

⁴⁰ CPE Ex. 115 at 36:15-20 (Heer Direct); CPE Ex. 113 at 6:14-17 (Olsen Rebuttal).

⁴¹ CPE Ex. 117 at 2 (Written Summary of Pre-Filed Testimony of John W. Heer) (“It would have been unreasonable to have purchased insufficient gas supply to meet forecasted customer needs based on the hope that we might be able to withdraw additional volumes from Waterville.”).

V. CenterPoint Energy’s Decision to Use its Remaining Ventura Swing Supply Over the Colder Days of the February Market Event was Prudent

CenterPoint Energy’s BP Canada virtual storage contract consists of three components: (1) a Ventura baseload component, (2) a Carlton swing component, and (3) a Ventura swing component. As of February 12, CenterPoint Energy had multiple weeks remaining in the Carlton swing portion of the BP Canada contract, but only had 232,000 Dth remaining in the Ventura swing portion of this contract.⁴² CenterPoint Energy decided to maximize its remaining Ventura swing supplies over the four-day holiday weekend by splitting the remaining 232,000 Dth of the Ventura swing portion equally, i.e., 58,000 Dth/day for the Ventura swing portion and 108,000 Dth/day total under the BP Canada contract, after maximizing the baseload and Carlton swing components of the contract.⁴³

In its Order, the Commission found that CenterPoint Energy’s decision to allocate Ventura swing volumes uniformly over the four-day weekend rather than tailoring daily nominations to uncertain forecasts made days in advance was reasonable.⁴⁴ In contrast, the Commission found the decision to use the remaining Ventura swing supply over the four-day holiday weekend was imprudent because the Company should have instead preserved 70,000 Dth of Ventura swing volumes for use on Wednesday, February 17.⁴⁵ The Commission concluded that preserving remaining volumes for use on February 17 could have avoided approximately \$12.2 million in spot market gas purchases.⁴⁶ The Commission’s disallowance related to the Company’s use of its Ventura swing supply overlooks relevant information that was known at the time the Company had to make decisions with respect to BP Canada storage on the morning of February 12, including the fact that the coldest weather was forecasted for the four-day weekend, with significantly warmer temperatures forecasted for February 17. The Commission’s Order also incorrectly relies on the fact that CenterPoint Energy’s use of its Ventura swing supply “entirely depart[ed]” from how such storage would normally be used. To the contrary, the record presented demonstrates the Company’s storage dispatch and use of

⁴² CPE Ex. 121 at 38 (Grizzle Rebuttal).

⁴³ CPE Ex. 121 at 38:13-18 (Grizzle Rebuttal).

⁴⁴ Order at 14.

⁴⁵ Order at 15.

⁴⁶ Order at 15.

the BP Canada virtual storage leading up to and through the February Market Event was consistent with its Gas Procurement Plan, past practices, and the contractual limitations relevant to the BP Canada virtual storage contract. Further, the Commission's conclusion is rooted in hindsight facts CenterPoint Energy did not and could not have known as it requires the Company to have known on February 12 not only that an unprecedented price spike would occur over the holiday weekend, but also that prices would remain elevated on February 17. But if instead of using hindsight, the Company's actions are judged based on what was known on the morning of February 12, the prudence of the Company's decision to use the remaining portion of its Ventura swing supply on February 13-16 is clear. Finally, the Commission's conclusion that prudence required the Company to "avoid prematurely exhausting any discrete resource,"⁴⁷ is inconsistent with the Commission's decision with respect to Waterville storage.

A. Based on Weather and Load Forecasts on February 12, the Company's Decision to Use its Remaining Ventura Swing Supply Was Prudent

On the morning of Friday, February 12, no one could have predicted that an unprecedented spike in daily gas prices was on the horizon for the upcoming Presidents' Day weekend.⁴⁸ What the Company did know, however, was that gas prices were expected to be elevated and that cold temperatures were forecasted in Minnesota over the four-day weekend. On February 12, the Company also knew that the weather in Minnesota, as well as in southern gas producing areas, was forecasted to be substantially warmer on Wednesday, February 17, than any of the days of the Presidents' Day weekend.⁴⁹ Based on this information, it was reasonable on the morning of February 12 for the Company to expect that customer loads, as well as gas prices, would fall on February 17. Given this information, the Company had no reason to preserve its Ventura swing supply for the following week when temperatures were forecasted to be warmer and customer load was forecasted to be lower.⁵⁰

⁴⁷ Order at 15.

⁴⁸ ALJ Report at Finding Nos. 84-90.

⁴⁹ ALJ Report at Finding Nos. 82, 205.

⁵⁰ ALJ Report at Finding No. 206 ("Further, given the significantly warmer temperatures forecasted for February 17, it made sense for CenterPoint Energy to utilize the Ventura swing volumes during the holiday weekend, when forecasts were colder.")

In fact, if the Company had preserved a portion of its Ventura swing volumes for use on February 17 and daily gas prices returned to normal – a reasonably expected outcome based on what was known the morning of February 12 – CenterPoint Energy could have faced prudence questions as to why it did not maximize this resource over the holiday weekend.⁵¹

The Commission's Order acknowledges that "the decision to exhaust the remaining Ventura swing supply was made before CenterPoint could have known the degree to which spot prices would rise or exactly what load and prices would look like on February 17,"⁵² but concludes that preserving Ventura storage for use on February 17 "did not require special foreknowledge of an unprecedented market event," because such action reflected standard storage management.⁵³ This conclusion is unsupported by any facts in the record and is contrary to the record evidence. Company witness Ms. Paula Grizzle testified that leading up to the February Market Event, the Company's Ventura storage withdrawals followed the Company's Gas Procurement Plan and the Company had no reason to deviate from that plan to preserve its Ventura supply. As detailed in the Rebuttal Testimony of Ms. Grizzle:

CenterPoint Energy develops its planned storage withdrawals based on the daily requirements forecast, applicable contractual storage withdrawal rights, and operational considerations. The Company develops and executes its storage plan to meet its customers' needs for an entire winter season. Relevant to that planning, the BP virtual storage contract establishes a purchase obligation, under which the Company must "withdraw" its entire inventory out of storage by the end of March. Therefore, the Company must manage its BP storage withdrawals to ensure sufficient supply to get through the coldest part of the winter season based upon the timing considerations noted. This means that the Company

⁵¹ CPE Ex. 134 at 56: 5-9 (Reed Rebuttal) ("In fact, given the weather forecast of Wednesday being noticeably warmer than the weekend, I can envision a scenario where CenterPoint Energy could have faced prudence questions if prices had dropped back to normal after the holiday weekend and CenterPoint Energy had preserved Ventura Swing volumes instead of using all the Ventura Swing volumes over the holiday weekend.").

⁵² Order at 14.

⁵³ Order at 14-15 ("[T]he Commission is not persuaded that it was reasonable for CenterPoint to entirely depart from the practice of utilizing storage in a manner that would have preserved a portion of this resource and thereby ameliorated some measure of cost impacts to customers.").

needs to ensure it has sufficient supplies to meet the anticipated cold days, including a possible design day in February, but also hold some supplies in storage to cover potential cold weather in March, and still ensure that it has withdrawn all of its storage inventory by the end of March. *Nothing the Company knew or should have known leading up to the February Market Event would have supported deviating from that plan to preserve the Ventura swing component of the contract.* To suggest that CenterPoint Energy should have been managing its BP storage withdrawals to plan for something like the February Market Event is unsupported, given the unprecedented nature of this event.⁵⁴

The record demonstrates CenterPoint Energy's dispatch of BP Canada storage leading up to and through the February Market Event was consistent with past practice, its filed Gas Procurement Plan dispatch plan, and relevant contractual requirements applicable to the BP Canada virtual storage contract.⁵⁵ Neither the Department nor any other party presented any evidence to the contrary that would support the Commission's finding the Company's actual dispatch of Ventura swing storage was inconsistent with its storage dispatch plan or was in any way a departure from how that resource has been managed, consistent with contractual requirements and prudent planning.

B. Maximizing Ventura Swing Volumes Allowed the Company to Preserve More Flexible Storage Resources

The Company's decision to maximize the Ventura swing volumes of its BP Canada contract was also prudent because it allowed the Company the ability to preserve its other, more flexible storage resources, to address changes in demand or supply cuts. The majority of CenterPoint Energy's storage resources provide intraday flexibility to allow the Company to modify its storage withdrawals to balance its gas supply to changing levels of daily demand or to address unforeseen supply issue. The key difference between the Company's BP Canada contract and the Company's other storage assets is the lack of flexibility to make such intraday or intra-weekend adjustments after nominations are made under the BP Canada contract.⁵⁶ During the February Market

⁵⁴ CPE Ex. 121 at 39 (Grizzle Rebuttal)(emphasis added).

⁵⁵ See CPE Ex. 121 at 39 (Grizzle Rebuttal).

⁵⁶ ALJ Report at Finding No. 194.

Event, this meant that CenterPoint Energy could not adjust its BP Canada withdrawals for the entire four-day weekend after 8 a.m. on February 12.⁵⁷ Given this inflexibility, CenterPoint Energy decided, based on the information known at the time, to maximize its Ventura swing supply to allow the Company to preserve its ability to increase nominations from its more flexible storage resources to address load changes or supply issues over the four-day weekend.

The ALJs recognized the importance of maintaining this flexibility on the morning of February 12 given the uncertainty of gas supplies and the potential for colder than projected temperatures:

If CenterPoint Energy had reduced its [Ventura swing supplies] on February 13, 15, or 16, and replaced this resource with other storage assets (NGPL or NNG), it would have limited the Company's ability to use these more flexible resources on those days. In the event that demand was higher than forecasted or there were supply disruptions on those days, the Company's ability to use these more flexible storage assets would be critical to meeting customer demands and preserving system reliability.⁵⁸

Preserving these more flexible resources proved to be important to the Company's ability to maintain adequate gas supplies as CenterPoint Energy did in fact need to call on these more flexible storage resources on both February 13 and 15. On both of these days, the Company increased its withdrawal nominations for NGPL and NNG to their maximum daily withdrawal quantity to meet increased customer loads.⁵⁹ If the Company had planned in advance for greater NNG and NGPL storage withdrawals for those days to preserve its Ventura swing volumes for February 17, the Company would have risked having inadequate gas to meet customer demand.⁶⁰

⁵⁷ ALJ Report at Finding No. 199.

⁵⁸ ALJ Report at Finding No. 201.

⁵⁹ CPE Ex. 121 at 42 (Grizzle Rebuttal).

⁶⁰ ALJ Report at Finding No. 202.

C. The Disallowance Related to the Company's Use of its Ventura Swing Supply is Inconsistent with its Findings on Waterville

The Commission's disallowance regarding the Company's use of its Ventura swing supply also bears reconsideration because it is fundamentally inconsistent with the Commission's disallowance related to Waterville. With regard to Waterville, the Commission found the Company was imprudent for failing to plan on February 12 to withdraw more than daily maximum limit of this storage asset over the holiday weekend. At the same time, the Commission found that the Company was imprudent for planning on February 12 to *maximize* its Ventura swing supply over the holiday weekend. The Commission's Order does not explain why prudence required the Company to take opposite actions on February 12 with regard to these two storage assets – *i.e.*, maximize one and preserve the other – over the same time period.

Indeed, there cannot be a logical explanation for the Commission requiring the Company to plan to use these two storage assets differently when the same set of facts were known to the Company on the morning of February 12. As discussed, the facts on the morning of February 12 indicated colder temperatures and elevated gas prices over the holiday weekend with warming temperatures expected on February 17. Based on these facts, the Company was prudent for deciding to maximize both of these storage assets, to their known limits, over the forecasted colder four day weekend, thereby reducing the Company's daily gas purchases. Contrary to the Commission's Order, the Company's decision with respect to its Ventura swing supplies was not driven solely by reliability concerns with no meaningful attempt to simultaneously mitigate customer costs.⁶¹ To the contrary, the record demonstrates the Company's decisions mitigated costs by maximizing all available storage to its full capability under applicable contracts while at the same time ensuring the availability of flexible resources to respond to unanticipated changes in weather or customer usage, thereby avoiding imbalance penalties that were multiple times greater than the market price of gas.⁶²

⁶¹ Order at 15.

⁶² CPE Ex. 134 at 50 (Reed Rebuttal).

VI. CenterPoint Energy’s Plan to Deploy its Peak-Shaving Facilities to Address System Reliability Was Prudent

The Commission’s Order also rejected the ALJs’ findings and recommendations with respect to CenterPoint Energy’s planning for and use of its peak shaving facilities on February 17.⁶³ The Commission disallowed recovery of \$12.4 million of the extraordinary gas costs CenterPoint Energy incurred to serve customers during the February Market Event based on the conclusion the Company failed to meet its burden to demonstrate the prudence of its decision not to use its peak shaving facilities to mitigate gas costs on February 17.⁶⁴ The Commission’s Order reasons that “CUB and the Department presented compelling evidence demonstrating that CenterPoint *could have achieved a range of savings* using various levels of peak-shaving dispatch,” and concludes prudence required CenterPoint to dispatch the full capacity – 100 percent – of its liquefied natural gas (“LNG”) plant on February 17.⁶⁵

The Commission’s conclusion that “fully dispatching the LNG plant on February 17 would have achieved meaningful cost savings for customers while preserving a reasonable level of capacity and flexibility to resolve potential reliability issues that could have arisen during the February event”⁶⁶ is not supported by the record developed in this proceeding. Further, rather than rely on the knowledge available at the time CenterPoint Energy had to take action to procure and dispatch supplies to meet customer needs for February 17,⁶⁷ the Commission’s conclusions rely on information only known with the benefit of hindsight. Finally, the Commission’s decision that prudence required CenterPoint Energy to dispatch 100 percent of its daily LNG capacity on February 17 while finding that prudence required Xcel Energy to use only 50 percent of its LNG capacity is arbitrary, capricious, and unsupported by any evidence in the record.⁶⁸ The

⁶³ Order at 19.

⁶⁴ Order at 19.

⁶⁵ Order at 19.

⁶⁶ Order at 19.

⁶⁷ Order at 5 (“[P]rudence is reasonable action taken in good faith based on knowledge available at the time of the action or decision. Actions taken in good faith are those taken without malicious intent, exercising the care that a reasonable person would exercise under the same circumstances at the time the decision was made. Prudence is not evaluated using the benefit of hindsight.”)

⁶⁸ While the Commission’s Order in this matter is related to the prudence of CenterPoint Energy’s actions and decisions, the Commission, in referring this matter to contested case for the development of a complete factual record requested “consolidated contested-case proceedings . . . given the likelihood of overlapping

Commission should reconsider its decision with respect to CenterPoint Energy's use of its peak shaving resources in light of the fact that the Commission's conclusions are inconsistent with the facts in the record and contrary to the public interest.

A. The Record Evidence Demonstrates the Company Prudently Managed its Peaking Facilities During the Event

On February 16, CenterPoint Energy completed its daily gas purchases for February 17 with an extremely narrow supply margin planned, recognizing and appropriately reacting to the fact that daily gas prices over the weekend had reached historic and unprecedented levels. It is undisputed that after calling on 100 percent of contractually available storage for February 17, CenterPoint Energy arranged as little daily gas supply as reasonably possible, planning to meet its forecasted customer needs just barely, with only 0.8 percent margin.⁶⁹ This margin was so *narrow* that a temperature drop of *only one half of one degree* from forecast would burn through the entire margin.⁷⁰ The record reflects that CenterPoint Energy planned in such a conservative way intentionally and strategically, to mitigate the impacts of the ongoing price spike to the greatest extent possible, while also ensuring the preservation of reliable service. The Commission Order's characterization of CenterPoint Energy as having "fail[ed] to reevaluate the suitability of its strategies to meet the extraordinary circumstances,"⁷¹ disregards the Company's planning and actions on February 16 when purchasing gas for February 17.

CenterPoint Energy was only able to purchase the reduced volumes of gas supply it did because it planned to have the LNG plant available to dispatch in response to colder than forecasted weather or supply cuts. As such, the record demonstrates the Company

facts, technical issues, and industry standards at issue in all four cases." *In the Matter of a Commission Investigation into the Impact of Severe Weather in February 2021 on Impacted Minnesota Natural Gas Utilities and Customers*, Docket No. G999/CI-21-135; *In the Matter of the Petition of CenterPoint Energy for Approval of a Recovery Process for Cost Impacts Due to February Extreme Gas Market Conditions*, Docket No. G008/M-21-138, ORDER GRANTING VARIANCES AND AUTHORIZING MODIFIED COST RECOVERY SUBJECT TO PRUDENCE REVIEW, AND NOTICE OF AND ORDER FOR HEARING at 7 (Aug. 30, 2021).

⁶⁹ CPE Ex. 121 at 27 (Grizzle Rebuttal).

⁷⁰ For every one degree the average daily temperature drops below 65 degrees, CenterPoint Energy must plan for approximately 15,000 Dth of additional gas supply. CPE Ex. 121 at 26:8-14 (Grizzle Rebuttal).

⁷¹ Order at 19.

did “actively manage the various, substantial tools at its disposal to keep the costs of service just and reasonable under the circumstances.”⁷²

While recognizing that potential supply disruptions and cold weather might impact the price of gas, the Commission’s Order nevertheless disregards the impacts of such circumstances on reliability. As the Commission states in its Order, when planning for gas supply for February 17,

Some areas had seen supply restrictions over the long weekend due to gas production failures and controlled power outages that affected wellhead operations, processing facilities, and gas pipelines. Temperatures were forecasted to remain unusually cold in the south-central United States on February 17, adding demand pressure to the prices amid supply constraints.⁷³

Despite this recognition, the Commission’s Order dismisses the reliability considerations that supported the Company’s actions with respect to peak shaving outright and without support, stating only that the Company’s obligation to provide safe and reliable service “does not obviate the requirement that all rates charged to customers, including purchased-gas adjustments, must be just and reasonable.”⁷⁴ These conclusions run contrary to the Commission’s recognition that the prudence standard requires “exercising the care that a reasonable person would exercise under the same circumstances at the time the decision was made.”⁷⁵ “In light of the circumstances it faced, including significant production declines and the risk of supply cuts, the Company’s decision not to plan for economic dispatch of its peak shaving resources was appropriate and allowed it to address potential reliability issues during the February Event. In fact, such issues did arise and the Company did dispatch its peak shaving facilities as planned to meet system reliability needs.”⁷⁶ As reflected in the record, but not addressed by the Commission’s Order, estimated customer load for February 17 ended up being approximately 20,000

⁷² Order at 19.

⁷³ Order at 19.

⁷⁴ Order at 19.

⁷⁵ Order at 5.

⁷⁶ ALJ Report at Finding No. 246.

Dth higher than forecasted.⁷⁷ CenterPoint Energy also had its gas supply deliveries cut as a result of continued production and supply constraints.⁷⁸

The Commission's Order also relies on the Department's analysis that the Company still had its propane air plants available to address any unexpected reliability issues or undelivered supply.⁷⁹ Both the Department's analysis and the Commission's Order, however, fail to account for uncontroverted evidence demonstrating important limitations from an engineering and operational perspective that are relevant to how and when the propane air plants can be dispatched.

[S]ystem conditions need to be such that those plants can operate.... [W]hile the facility itself may be operable, the distribution system conditions may not be appropriate that we could operate the plants. . . For example, it's important that we have sufficient gas flow ... as we introduce propane-air into our system for gas quality and safety issues. . . . [D]epending on ... weather and customer usage ... the flow may or may not be appropriate ... [to be able to run the propane air plants].⁸⁰

The record does not support the conclusion that reliability would have been reasonably assured if CenterPoint Energy had planned to dispatch 100 percent of the LNG plant. In light of these facts, the Commission should reconsider its decision with respect to the Company's use of peak shaving during the February Market Event.

B. The Commission Inappropriately Relies on Hindsight to Support its Peak Shaving Disallowance

Despite its recognition that prudence is not evaluated using the benefit of hindsight,⁸¹ the Commission's conclusion the Company was imprudent for not having planned to dispatch its LNG plant on February 17 is only supportable with the benefit of hindsight. In particular, the Order concludes, "The record demonstrates that fully dispatching the LNG plant on February 17 would have achieved meaningful cost savings

⁷⁷ CPE Ex. 126 at 58 (Toys Direct); see also ALJ Report at Finding No. 143.

⁷⁸ ALJ Report at Finding No. 144.

⁷⁹ See Order at 17, 19.

⁸⁰ Evidentiary Hearing Tr. Vol. 1 at 57:8-59:25 (Heer).

⁸¹ Order at 5.

for customers *while preserving a reasonable level of capacity and flexibility to resolve potential reliability issues that could have arisen during the February Event.*⁸²

The amount of peak shaving needed on February 17 to respond to *unanticipated* supply cuts, production declines, colder than forecasted weather, or higher than forecasted customer demand can only be known with the benefit of hindsight. Given the extreme and unprecedented circumstances of this event, ensuring adequate supply to provide continuous and reliable service to customers was not a foregone conclusion. The Commission's Order reflects the unsupported conclusion that since the Company was, in fact, able to reliably serve its customers there must never have been any real risk to reliability. The magnitude of the supply cuts, customer usage, and weather, are all facts that are only known with the benefit of hindsight.

C. The Commission's Inconsistent Conclusions Regarding Xcel Energy and CenterPoint Energy are Arbitrary and Not Supported by the Record

The Commission's Order as it relates to CenterPoint Energy's peak shaving is also inconsistent with the Commission's Order with respect to Xcel's use of its peak shaving resources.⁸³ Notably, the Commission disallowed CenterPoint Energy's cost recovery based on the conclusion CenterPoint Energy should have dispatched 100 percent of its daily LNG capability on February 17. In contrast, the Commission disallowed Xcel's costs based on the conclusion Xcel should have dispatched 50 percent of its daily LNG capability on February 17. There is no justification in the Commission's Orders, nor evidence presented in the record, to justify the Commission's conclusion it was reasonable and indeed necessary for CenterPoint Energy to have dispatched 100 percent of its LNG plant on February 17, while for Xcel, 50 percent dispatch of its LNG plant would have been reasonable and necessary to be prudent. Xcel's LNG plant has a higher daily dispatch capability as compared to CenterPoint Energy's LNG plant, while Xcel serves fewer Minnesota customers (and as a result, less load). The conclusion that Xcel would

⁸² Order at 19 (emphasis added).

⁸³ See *In the Matter of the Petition of Xcel Energy to Recover February 2021 Natural Gas Costs*, Docket No. G002/CI-21-610, ORDER DISALLOWING RECOVERY OF CERTAIN NATURAL GAS COSTS AND REQUIRING FURTHER ACTION (Oct. 19, 2022).

have been prudent to preserve a greater amount of LNG capacity to meet a smaller customer load reflects the arbitrariness of the Department's recommendations that were adopted by the Commission.

VII. CenterPoint Energy Prudently Curtailed Interruptible Customers Consistent with its Tariff and Past Practice

During the February Market Event, CenterPoint Energy curtailed interruptible customers to address distribution system constraints to ensure reliable gas service for all of the Company's firm service customers. The Company did not however attempt to implement, for the first time, a price-based curtailment to reduce the volume of gas purchased on the spot market at extraordinary prices during the February Market Event.

The ALJ Report concluded CenterPoint Energy's curtailment decisions during the February Market Event were prudent and recommended no disallowance. The ALJs found that CenterPoint Energy's decision not to curtail for economic reasons was consistent with the Company's Gas Procurement Plan, tariffs, past practice, and the typical practice of other gas utilities.⁸⁴ Notably, the Company's interruptible tariff lacks any criteria such as a threshold gas price that would trigger price-based curtailment and because such price-based curtailment had never before been issued by the Company, customers could not have reasonably expected to be called upon to curtail their natural gas usage in response to prices.⁸⁵ Further, past Commission reviews of interruptible tariffs and curtailment of interruptible customers in Minnesota have focused on reliability, and there has been no recommendation that utilities curtail interruptible customers for economic reasons during a price spike event.⁸⁶ Finally, the ALJs recognized that curtailing for economic reasons could result in interruptible customers converting to firm service, leading to increased system costs for all customers.⁸⁷

Contrary to the ALJs' findings, the Commission found that since the Company's interruptible tariffs allow the utility to curtail "for other appropriate reasons," the Company

⁸⁴ ALJ Report at Finding Nos. 277-278.

⁸⁵ ALJ Report at Finding No. 281.

⁸⁶ ALJ Report at Finding No. 278.

⁸⁷ ALJ Report at Finding No. 282.

could curtail customers for economic reasons and the decision not to do so on February 17 was imprudent.⁸⁸ The Commission therefore disallowed \$7,279,592, equal to the gas costs CenterPoint Energy would have avoided had it curtailed 50 percent of its interruptible load on February 17 and reduced its spot-gas purchases accordingly.

The Commission's conclusion that curtailing 50 percent of interruptible load would have allowed the Company to avoid extraordinary costs while also "preserving some curtailable load in case it became necessary to address unanticipated reliability issues"⁸⁹ relies on information that could only be known with the benefit of hindsight. Specifically, this required knowledge of the scope of unanticipated reliability issues that would, in fact, occur and the level of customer compliance with a curtailment called in response to price where the Company had no prior history or experience with ordering an economic-based curtailment and customers had no prior history of being asked to curtail under such circumstances. To realize the cost savings the Commission concludes was achievable would have required the Company to accurately predict the volumes that would be curtailed and reduce its daily purchases by that amount. Such precision was not possible under the circumstances when the Company had to complete its gas purchasing decisions on the morning of February 16. The Commission's Order also fails to account for the implications – both with respect to cost and reliability – if the Company had planned for reductions to gas supply and ended up with insufficient supply. Even if the Commission's findings that CenterPoint Energy could have curtailed customers in response to the market price spike and doing so would have allowed the Company to reduce its spot purchases were true, that does not change the fact that the Company had never taken such action before and because it was not consistent with CenterPoint Energy's Gas Procurement Plan or past practice, it was also reasonable for the Company to determine that curtailing for price was not an option.

As the Commission recognizes in its Order, by February 16, CenterPoint Energy was aware of supply issues and unusually cold weather in the south-central United

⁸⁸ Order at 24.

⁸⁹ Order at 25.

States.⁹⁰ However, rather than acknowledging the impacts of these circumstances on reliability, the Commission's Order focuses on the price impacts of the circumstances faced, concluding "prudent conduct required CenterPoint to plan to use curtailment to protect customers from unnecessary, unreasonable gas costs on February 17."⁹¹

On the record presented, it is undisputed that calling curtailments based on economics due to a spot gas price spike is outside of how gas utilities in Minnesota, including CenterPoint Energy, plan on and have historically used curtailments.⁹² CenterPoint Energy had no history or experience having called a curtailment based on a spike in daily gas prices. "There is no record in Minnesota of curtailing interruptible customers in response to a pricing situation" and "there is no industry standard that interruptible sales customers should be curtailed if ... higher cost purchases could be avoided by curtailing interruptible sales customers."⁹³ As a result, there is no evidence that CenterPoint Energy could have reduced the amount of gas purchased to serve customers on February 17 in reliance on interruptible customers complying with an untested and unprecedented price-based curtailment call without also unreasonably risking reliability and the safety of customers.⁹⁴ It is also undisputed on the record that if the Company ended up short on supply – weather due to higher customer usage, cuts in supply, or customers not complying with a called curtailment – CenterPoint Energy would have been subject to pipeline imbalance penalties of up to three times the daily spot gas prices paid by the Company while also risking system reliability.⁹⁵ In light of the record evidence, the decision not to issue an unprecedented price-based curtailment and further reduce the extremely narrow margin of planned supply was within the range of reasonable conduct. The Commission's decision finding imprudence with respect to curtailment has

⁹⁰ Order at 24.

⁹¹ Order at 24.

⁹² See DOC Ex. 506 at 99:7-11 (King Direct).

⁹³ CPE Ex. 134 at 21:19-20 (Reed Rebuttal); CPE Ex. 133 at 40:12-14, 97: 1-4 (Reed Direct).

⁹⁴ Because the Company does not have experience with calling price-based curtailments, there is limited basis upon which CenterPoint Energy could reasonably predict the expected level of customer compliance. While interruptible customers are subject to significant penalties for noncompliance with called curtailments, noncompliance could nevertheless risk the reliability of service to firm service customers.

⁹⁵ Imbalance penalties were as high as \$695 per Dth. See Evidentiary Hearing Tr. Vol. 2C at 15:5-9 (King). During the February 13 – 16 period, index prices reached \$154.9/Dth at Ventura and \$231.7/Dth at Demarc. For February 17, index prices were \$188.3/Dth at Ventura and \$133.6/Dth at Demarc. Order at 7.

not accounted for these considerations and as a result, the Commission should reconsider its determination on this issue.

VIII. Conclusion

CenterPoint Energy respectfully requests that the Commission reconsider and amend its Order to adopt the ALJ Report and find that CenterPoint Energy met its burden to demonstrate that its actions with respect to its use of storage, use of peak shaving facilities, and curtailment of interruptible customers during the February Market Event were prudent and ensured reliable gas service for the Company's customers despite the volatile weather and market conditions. CenterPoint Energy further requests that the Commission reconsider and amend its Order to find that it is reasonable for the Company to recover all of its extraordinary gas costs incurred during the February Market Event.

Dated: November 8, 2022

TAFT STETTINIUS & HOLLISTER LLP

By: /s/ Kristin M. Stastny

Kristin M. Stastny
Valerie T. Herring
Elizabeth M. Brama
2200 IDS Center
80 South 8th Street
Minneapolis, MN 55402
(612) 977-8400

**ATTORNEYS FOR CENTERPOINT
ENERGY MINNESOTA GAS**

In the Matter of a Commission Investigation into the
Impact of Severe Weather in February 2021 on
Impacted Minnesota Natural Gas Utilities and
Customers

Docket No. G999/CI-21-135

In the Matter of the Petition of CenterPoint Energy for
Approval of a Recovery Process for Cost Impacts Due
to February Extreme Gas Market Conditions

Docket No. G008/M-21-138

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 8th day of November, 2022, on behalf of CenterPoint Energy Resources Corporation d/b/a CenterPoint Energy Minnesota Gas, I electronically filed a true and correct copy of the enclosed Petition on www.edockets.state.mn.us. Said documents were also served via U.S. mail and electronic service as designated on the attached service lists.

Dated this 8th day of November, 2022.

/s/ Kristin M. Stastny
Kristin M. Stastny

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Mara	Ascheman	mara.k.ascheman@xcelenergy.com	Xcel Energy	414 Nicollet Mall Fl 5 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_21-135_Official Service List
James J.	Bertrand	james.bertrand@stinson.com	STINSON LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_21-135_Official Service List
Brenda A.	Bjorklund	brenda.bjorklund@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	OFF_SL_21-135_Official Service List
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_21-135_Official Service List
Riley	Conlin	riley.conlin@stoel.com	Stoel Rives LLP	33 S. 6th Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_21-135_Official Service List
Brian	Edstrom	briane@cubminnesota.org	Citizens Utility Board of Minnesota	332 Minnesota St Ste W1360 Saint Paul, MN 55101	Electronic Service	No	OFF_SL_21-135_Official Service List
Catherine	Fair	catherine@energycents.org	Energy CENTS Coalition	823 E 7th St St Paul, MN 55106	Electronic Service	No	OFF_SL_21-135_Official Service List
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_21-135_Official Service List
Edward	Garvey	garveyed@aol.com	Residence	32 Lawton St Saint Paul, MN 55102	Electronic Service	No	OFF_SL_21-135_Official Service List
Matthew B	Harris	matt.b.harris@xcelenergy.com	XCEL ENERGY	401 Nicollet Mall FL 8 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_21-135_Official Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Kim	Havey	kim.havey@minneapolismn.gov	City of Minneapolis	350 South 5th Street, Suite 315M Minneapolis, MN 55415	Electronic Service	No	OFF_SL_21-135_Official Service List
Travis	Jacobson	travis.jacobson@mdu.com	Great Plains Natural Gas Company	400 N 4th St Bismarck, ND 58501	Electronic Service	No	OFF_SL_21-135_Official Service List
Kyle R.	Kroll	kkroll@winthrop.com	Winthrop & Weinstine, P.A.	225 South Sixth Street Suite 3500 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_21-135_Official Service List
Annie	Levenson Falk	annielf@cubminnesota.org	Citizens Utility Board of Minnesota	332 Minnesota Street, Suite W1360 St. Paul, MN 55101	Electronic Service	No	OFF_SL_21-135_Official Service List
Brian	Meloy	brian.meloy@stinson.com	STINSON LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_21-135_Official Service List
Joseph	Meyer	joseph.meyer@ag.state.mn.us	Office of the Attorney General-RUD	Bremer Tower, Suite 1400 445 Minnesota Street St Paul, MN 55101-2131	Electronic Service	No	OFF_SL_21-135_Official Service List
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_21-135_Official Service List
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_21-135_Official Service List
Samantha	Norris	samanthanorris@alliantenergy.com	Interstate Power and Light Company	200 1st Street SE PO Box 351 Cedar Rapids, IA 524060351	Electronic Service	No	OFF_SL_21-135_Official Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Lisa	Peterson	lisa.r.peterson@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_21-135_Official Service List
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_21-135_Official Service List
Elizabeth	Schmiesing	eschmiesing@winthrop.com	Winthrop & Weinstine, P.A.	225 South Sixth Street Suite 3500 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_21-135_Official Service List
Peter	Scholtz	peter.scholtz@ag.state.mn.us	Office of the Attorney General-RUD	Suite 1400 445 Minnesota Street St. Paul, MN 55101-2131	Electronic Service	No	OFF_SL_21-135_Official Service List
Christine	Schwartz	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_21-135_Official Service List
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th PI E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_21-135_Official Service List
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	7400 Lyndale Ave S Ste 190 Richfield, MN 55423	Electronic Service	Yes	OFF_SL_21-135_Official Service List
Peggy	Sorum	peggy.sorum@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	OFF_SL_21-135_Official Service List
Richard	Stasik	richard.stasik@wecenergygroup.com	Minnesota Energy Resources Corporation (HOLDING)	231 West Michigan St - P321 Milwaukee, WI 53203	Electronic Service	No	OFF_SL_21-135_Official Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Kristin	Stastny	kstastny@taftlaw.com	Taft Stettinius & Hollister LLP	2200 IDS Center 80 South 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_21-135_Official Service List
James M	Strommen	jstrommen@kennedy- graven.com	Kennedy & Graven, Chartered	150 S 5th St Ste 700 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_21-135_Official Service List
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_21-135_Official Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Jorge	Alonso	jorge.alonso@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 55101	Electronic Service	No	OFF_SL_21-138_Official Service List
Mara	Ascheman	mara.k.ascheman@xcelen ergy.com	Xcel Energy	414 Nicollet Mall Fl 5 Minneapolis, MN 55401	Electronic Service	Yes	OFF_SL_21-138_Official Service List
James H.	Barkley	james.barkley@bakerbotts. com	Baker Botts	910 Louisiana Street Houston, TX 77002-4995	Electronic Service	No	OFF_SL_21-138_Official Service List
James J.	Bertrand	james.bertrand@stinson.co m	STINSON LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_21-138_Official Service List
Brenda A.	Bjorklund	brenda.bjorklund@centerp ointenergy.com	CenterPoint Energy	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	OFF_SL_21-138_Official Service List
Elizabeth	Brama	ebrama@taftlaw.com	Taft Stettinius & Hollister LLP	2200 IDS Center 80 South 8th Street Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_21-138_Official Service List
Barbara	Case	barbara.case@state.mn.us	Office of Administrative Hearings	600 N. Robert St. St. Paul, Mn. 55101	Electronic Service	No	OFF_SL_21-138_Official Service List
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.st ate.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_21-138_Official Service List
Richard	Dornfeld	Richard.Dornfeld@ag.state .mn.us	Office of the Attorney General-DOC	Minnesota Attorney General's Office 445 Minnesota Street, Suite 1800 Saint Paul, Minnesota 55101	Electronic Service	No	OFF_SL_21-138_Official Service List
Brian	Edstrom	briane@cubminnesota.org	Citizens Utility Board of Minnesota	332 Minnesota St Ste W1360 Saint Paul, MN 55101	Electronic Service	No	OFF_SL_21-138_Official Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Catherine	Fair	catherine@energycents.org	Energy CENTS Coalition	823 E 7th St St Paul, MN 55106	Electronic Service	No	OFF_SL_21-138_Official Service List
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_21-138_Official Service List
Edward	Garvey	garveyed@aol.com	Residence	32 Lawton St Saint Paul, MN 55102	Electronic Service	No	OFF_SL_21-138_Official Service List
Matthew B	Harris	matt.b.harris@xcelenergy.com	XCEL ENERGY	401 Nicollet Mall FL 8 Minneapolis, MN 55401	Electronic Service	Yes	OFF_SL_21-138_Official Service List
Kim	Havey	kim.havey@minneapolismn.gov	City of Minneapolis	350 South 5th Street, Suite 315M Minneapolis, MN 55415	Electronic Service	No	OFF_SL_21-138_Official Service List
Valerie	Herring	vherring@taftlaw.com	Taft Stettinius & Hollister LLP	2200 IDS Center 80 S. Eighth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_21-138_Official Service List
Katherine	Hinderlie	katherine.hinderlie@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota St Suite 1400 St. Paul, MN 55101-2134	Electronic Service	No	OFF_SL_21-138_Official Service List
Travis	Jacobson	travis.jacobson@mdu.com	Great Plains Natural Gas Company	400 N 4th St Bismarck, ND 58501	Electronic Service	No	OFF_SL_21-138_Official Service List
Kyle R.	Kroll	kkroll@winthrop.com	Winthrop & Weinstine, P.A.	225 South Sixth Street Suite 3500 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_21-138_Official Service List
Andrew	Larson	andrew.m.larson@state.mn.us	Public Utilities Commission	121 7th Place E., #350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_21-138_Official Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Annie	Levenson Falk	annief@cupminnesota.org	Citizens Utility Board of Minnesota	332 Minnesota Street, Suite W1360 St. Paul, MN 55101	Electronic Service	No	OFF_SL_21-138_Official Service List
Brian	Meloy	brian.meloy@stinson.com	STINSON LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_21-138_Official Service List
Joseph	Meyer	joseph.meyer@ag.state.mn.us	Office of the Attorney General-RUD	Bremer Tower, Suite 1400 445 Minnesota Street St Paul, MN 55101-2131	Electronic Service	No	OFF_SL_21-138_Official Service List
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_21-138_Official Service List
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_21-138_Official Service List
Samantha	Norris	samanthanorris@alliantenergy.com	Interstate Power and Light Company	200 1st Street SE PO Box 351 Cedar Rapids, IA 524060351	Electronic Service	No	OFF_SL_21-138_Official Service List
Jessica	Palmer Denig	jessica.palmer-Denig@state.mn.us	Office of Administrative Hearings	600 Robert St N PO Box 64620 St. Paul, MN 55164	Electronic Service	No	OFF_SL_21-138_Official Service List
Lisa	Peterson	lisa.r.peterson@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_21-138_Official Service List
Catherine	Phillips	Catherine.Phillips@wecenergygroup.com	Minnesota Energy Resources	231 West Michigan St Milwaukee, WI 53203	Electronic Service	Yes	OFF_SL_21-138_Official Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_21-138_Official Service List
Elizabeth	Schmiesing	eschmiesing@winthrop.com	Winthrop & Weinstine, P.A.	225 South Sixth Street Suite 3500 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_21-138_Official Service List
Christine	Schwartz	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	Yes	OFF_SL_21-138_Official Service List
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th PI E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_21-138_Official Service List
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	7400 Lyndale Ave S Ste 190 Richfield, MN 55423	Electronic Service	Yes	OFF_SL_21-138_Official Service List
Peggy	Sorum	peggy.sorum@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	OFF_SL_21-138_Official Service List
Richard	Stasik	richard.stasik@wecenergygroup.com	Minnesota Energy Resources Corporation (HOLDING)	231 West Michigan St - P321 Milwaukee, WI 53203	Electronic Service	No	OFF_SL_21-138_Official Service List
Kristin	Stastny	kstastny@taftlaw.com	Taft Stettinius & Hollister LLP	2200 IDS Center 80 South 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_21-138_Official Service List
James M	Strommen	jstrommen@kennedy-graven.com	Kennedy & Graven, Chartered	150 S 5th St Ste 700 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_21-138_Official Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_21-138_Official Service List
James	Worlobah	james.worlobah@state.mn. us	Public Utilities Commission	121 7th Place E, Suite 350 St. Paul, MN 55101	Electronic Service	No	OFF_SL_21-138_Official Service List
Michael A.	Yuffee	michael.yuffee@bakerbotts .com	Baker Botts	700 K St NW Washington, DC 20001	Electronic Service	No	OFF_SL_21-138_Official Service List