



505 Nicollet Mall  
PO Box 59038  
Minneapolis, MN 55459-0038

August 21, 2017

Mr. Daniel Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7th Place East, Suite 350  
St. Paul, MN 55101-2147

*RE: Application by CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy  
Minnesota Gas for Authority to Increase Natural Gas Rates in Minnesota -  
Docket No. G-008/GR-17-285*

*New Base Gas Cost Filing (PGA Zero-Out) for Interim Rates in CenterPoint  
Energy's General Rate Filing (G-008/GR-17-285) Docket No. G-008/M-17-591*

*Reply to August 14, 2017 Department of Commerce Comments (both dockets)*

Dear Mr. Wolf:

On August 2, 2017 CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas ("CenterPoint Energy Minnesota Gas" or "Company") filed with the Minnesota Public Utilities Commission ("Commission") an Application for Authority to Increase Natural Gas Rates in Minnesota (Docket No. G-008/GR-17-285) and a New Base Cost of Gas Filing (Docket No. G-008/M-17-591).

On August 14, 2017, the Minnesota Department of Commerce ("DOC") filed Comments concluding the Company's Application was complete and recommending the Commission refer the matter to the Office of Administrative Hearings for contested-case proceedings and also filed comments recommending that the Commission approve the base cost of gas filing subject to CenterPoint Energy Minnesota Gas filing updated Attachments 1-3 (in the Base Cost of Gas docket) without rounding. The Company agrees with the DOC recommendations. Updated attachments 1-3 to the Base Cost of Gas filing that do not use rounded figures are attached to this letter.

The Company has also discussed the Proposed Notices (Interim Rate bill insert, Interim Rate bill message, and Notice to Counties and Municipalities) with the Commission's Consumer Affairs Office ("PUC-CAO"). Also attached to this letter are updated Proposed Notices that reflect the PUC-CAO suggested changes (there are no changes to the proposed bill message). Please note that in addition to 'clean' versions of the Proposed Notices, 'red-line' versions that identify the changes from the Proposed Notices are attached.

Please contact me at (612) 321-4625 with any questions.

Sincerely,

/s/

Peggy Sorum  
Manager, Regulatory and Financial Activities

cc: Service List

#### Attachments

1. Updated attachments 1-3 to the Base Cost of Gas filing that do not use rounded figures.
2. Updated Interim Rate Bill Insert – redline version
3. Updated Interim Rate Bill Insert – clean version
4. Bill Message (no changes from initial filing)
5. Updated Notice to Counties and Municipalities – redline version
6. Updated Notice to Counties and Municipalities – clean version

Docket No. G-008/GR-17-285  
 Exhibit\_\_\_\_(PJS-IR)  
 Schedule 2

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**CenterPoint Energy Minnesota Gas**  
**Interim Year Billing Revenues**  
 Interim - Twelve Months Ending September 30, 2018

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Line No.	Description (a)	Total Test Year Revenues (b)	Interim Year Billing Revenues (c)
1	Revenue:		
2	Residential	\$532,641,598	\$532,641,598
3	Commercial & Industrial	258,642,708	258,642,708
4	Dual Fuel & Transportation	<u>93,879,421</u>	<u>93,879,421</u>
5	Total Revenue	\$885,163,727	\$885,163,727
6	Cost of Gas	522,404,322	522,404,322
7	Non-Gas Revenue	\$362,759,405	\$362,759,405
8	Interim Rate Revenue Deficiency		\$51,217,000
9	Interim Revenue Increase as a % of Revenue		5.8%
10	Interim Revenue Increase as a % of Non-Gas Revenue		14.1%

lines 1-4: Exhibit \_\_\_\_ (PJS-IR) Sch 5 pg 2  
 line 6: Schedule E-2 (includes propane)  
 line 8: Exhibit \_\_\_\_ (PJS-IR) Sch 1  
 line 9: line 8 / line 5  
 line 10: line 8 / line 7

## Demand of Gas Recovery Rate

ATTACHMENT 2

Docket No. G-008/GR-17-285

Exhibit \_\_ (KRN-D)

Schedule 38, Page 2 of 3

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This page shows the Demand Cost-of Gas: Total and calculation of per-unit rates. Small Volume based on annual sales, Large volume base on Peak Demand.

1	Total Company	
2		
3	Small Volume Firm Recovery Rate Calculation	
4		
5	Annual Demand Costs	\$85,956,914
6	Less LGS Assigned Demand Costs	<u>\$178,279</u>
7	Small Firm Demand Cost	<u><u>\$85,778,635</u></u>
8		
9	Total Firm Sales Service - Volumes (DTH)	107,802,937
10	less: LGS Sales (DT)	<u>365,385</u>
11	Small Volume Firm Sales (DT)	107,437,552
12		
13	Small Volume Recovery Rate (/DT)	<u><u>\$0.7984</u></u>
14		
15		
16	Test Year Demand Costs	
17		
18	Annual Small Volume Firm Sales	107,437,552
19	Small Volume Recovery Rate	\$0.7984
20	Test Year Small Volume Demand Costs	\$85,778,142
21		
22	Annual Large Firm Demand Cost	
23	Large General Service: per DT/Peak Demand 1/	\$5.6090
24	Large General Service - Peak Demand x 12	31,784
25	Large General Sales Service (line 7 x line 8)	\$178,276
26		
27	Total Test Year Demand Costs (rounded)	\$85,956,418

## Cost of Gas Summary

ATTACHMENT 3

Docket No. G-008/GR-17-285

Exhibit \_\_ (KRN-D)

Schedule 38, Page 3 of 3

This page summarizes the estimated commodity cost of gas for Sales Service over the test year ending September 30, 2018. Figures are in thousands.

(A)	(B)	(C)	(D)
Description	Test Year Sales	Recovery Rate	Commodity Costs
1 Total Company			
2 Residential	68,154,773	\$3.5893	\$244,627,927
3 Comm Firm A	2,348,387	\$3.5893	8,429,066
4 Comm/Ind Firm B	5,328,494	\$3.5893	19,125,564
5 Comm/Ind Firm C	31,605,897	\$3.5893	113,443,047
6 Large General Firm	365,385	\$3.5893	1,311,476
7 Small Dual Fuel A - Sales Service	3,823,467	\$3.5893	13,723,573
8 Small Dual Fuel B - Sales Service	2,814,253	\$3.5893	10,101,207
9 Large Volume Dual Fuel Sales Service	7,156,285	\$3.5893	25,686,057
10 Total Cost of Gas	<u>121,596,942</u>	\$3.5893	<u>\$436,447,904</u>

## NEW INTERIM RATES EFFECTIVE OCTOBER 1, 2017

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State law allows CenterPoint Energy Minnesota Gas to collect higher rates on a temporary basis while While the MPUC reviews CenterPoint Energy Minnesota Gas' request, ~~state law allows CenterPoint Energy Minnesota Gas to collect higher rates on an interim (temporary) basis.~~ The interim temporary rate increase is \$51.2 million or about 5.8 percent more than current rates. The increase ~~appears shows~~ on your bill as Interim Rate Adjustment.

The MPUC will likely ~~make its decision~~ decide on our requested rate ~~request increase~~ in the summer of 2018. If final rates are lower than interim rates, we will refund customers the difference with interest. If final rates are higher than interim rates, we will not charge customers the difference.

### Why is CenterPoint Energy Minnesota Gas asking for an increase?

Our last request for a rate increase for natural gas distribution service was in 2015. Since that time, we have made and continue to make significant investments to serve our customers. These investments, such as our ongoing pipeline replacement programs, maintain the safety and reliability of our natural gas system and benefit our customers and communities.

~~In particular, we~~ We are improving and modernizing natural gas pipelines and distribution mains throughout several neighborhoods in our service areas.

### Here's how the rate change will affect monthly bills:

Customers' bills contain three parts: Basic Charge, Delivery Charge and Cost of Gas. The proposed Basic Charges and Delivery Charges cover the cost of delivering natural gas service to our customers – about 40 percent of the bill. The Cost of Gas covers wholesale gas costs – about 60 percent of the bill. The Cost of Gas is passed through directly to customers without mark-up. The proposed rate changes will affect individual monthly bills differently depending on natural gas use and customer type. Bills will also vary because the wholesale cost of natural gas changes each month. ~~Customers' bills contain three parts: Basic Charge, Delivery Charge and Cost of Gas. The proposed Basic Charges and Delivery Charges cover the cost of delivering natural gas service to our customers – about 40 percent of the bill. The Cost of Gas covers wholesale gas costs – about 60 percent of the bill. The Cost of Gas is passed through directly to customers without mark-up.~~ This rate increase does not affect the Cost of Gas.

The chart below shows the current and proposed rates for each customer type:

Customer Type (usage in therms)	Avg monthly usage in therms	Avg monthly bill: current rates	Avg monthly bill: interim rates	Avg monthly bill: proposed rates
<b>Residential</b>	72	\$56	\$60	\$61
<b>Commercial/Industrial</b>				
<b>up to 1,500/year</b>	65	\$57	\$61	\$62
<b>1,500 to 5,000/year</b>	234	\$164	\$173	\$173
<b>5,000 or more/year</b>	1,402	\$881	\$918	\$910
<b>Small Volume Dual Fuel Sales Service</b>				
<b>up to 120,000/year</b>	3,539	\$1,761	\$1,830	\$1,816
<b>120,000 or more/year</b>	14,322	\$6,861	\$7,103	\$7,049
<b>Large Volume Dual Fuel Sales Service</b>	59,449	\$26,452	\$27,173	\$27,154
<b>Large General Firm Sales Service</b>	38,061	\$17,399	\$17,813	\$18,195
<b>Demand charge (per Peak Day)</b>	298			

\*figures above are rounded (to the nearest whole number).

### Proposed changes ~~Changes proposed~~ for residential monthly ~~changes~~ service

**Basic Charge and Delivery Charge** Customers are billed for natural gas delivery service in two ways.

The first way is a monthly Basic Charge, which ~~recovers~~ pays for a portion of fixed costs that do not change with the amount of natural gas used. The second way is the Delivery Charge, a per therm charge which ~~recovers~~ pays for the costs not recovered in the Basic Charge. The total Delivery Charge amount changes each month based on the amount of natural gas used.

CenterPoint Energy Minnesota Gas is asking to increase the Basic Charge and the Delivery Charge for most of its customers. CenterPoint Energy proposes to increase the residential Basic Charge from \$9.50 to \$11.00 per month and to increase the Delivery Charge from \$0.21110 per therm to \$0.25200 per therm.

This chart shows an example of the current and proposed Basic Charge and Delivery Charge for each customer type:

Customer Type (usage in therms)	Current monthly basic charge	Proposed monthly basic charge	Current delivery charge/therm	Proposed delivery charge/therm
<b>Residential</b>	\$ 9.50	\$ 11.00	\$0.21110	\$0.25200
<b>Commercial/Industrial</b>				
up to 1,500/year	\$ 15.00	\$ 17.50	\$0.21120	\$0.25232
1,500 to 5,000/year	\$ 21.00	\$ 24.50	\$0.17202	\$0.19785
5,000 or more/year	\$43.00	\$ 47.50	\$0.15891	\$0.17622
<b>Small Volume Dual Fuel Sales Service</b>				
up to 120,000/year	\$ 50.00	\$55.50	\$0.12455	\$0.13842
120,000 or more/year	\$ 80.00	\$88.50	\$0.11453	\$0.12709
<b>Large Volume Dual Fuel Sales Service</b>	\$ 800.00	\$ 900.00	\$0.07257	\$0.08269
<b>Large General Firm Sales Service</b>	\$ 800.00	\$ 900.00	\$ 0.07719	\$ 0.08722
<b>Demand charge (per Peak Day)</b>			\$ 0.42539	\$ 0.49166

\* The current and proposed per therm delivery charges include the per therm charge for the Gas Affordability Service Program (residential and commercial/industrial customers). The current and proposed delivery charges do not include the per therm Conservation Improvement Program Adjustment Rider.



## What is the Process for reviewing CenterPoint Energy Minnesota Gas' request?

The MPUC, the Minnesota Department of Commerce, the Office of the Attorney General – Residential Utilities and Antitrust Division, public interest groups, and customers ~~will investigate~~ have the opportunity to review and comment on our proposal.

The MPUC will hold public hearings for customers to speak and ~~will ask for~~ accept written comments about our rate increase request. ~~Customers and others will be able to comment on our rate request at the public hearings.~~ You may add verbal comments, written comments, or both into the record. Notice of the public hearing dates and locations ~~will be~~ are published in local newspapers, in bill inserts, and at [CenterPointEnergy.com/RateCase](http://CenterPointEnergy.com/RateCase).

## HOW TO LEARN MORE

**CenterPoint Energy Minnesota Gas' current and proposed rate schedules are available at:**

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505 Nicollet Mall  
Minneapolis MN 55402  
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85 7th Place East, Suite 500  
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Web: <https://www.edockets.state.mn.us/EFiling/search.jsp>

Select 15-17 in the year field, type 424-285 in the number field, select Search, and the list of documents will appear on the next page.

## Questions about the Minnesota Public Utilities Commission's review process?

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## **NEW INTERIM RATES EFFECTIVE OCTOBER 1, 2017**

**CenterPoint Energy Minnesota Gas has asked the Minnesota Public Utilities Commission (MPUC) for approval to increase rates for natural gas distribution service. The requested increase is for \$56.5 million, or about 6.4 percent per year. The requested increase would add about \$4.45 to a typical residential customer's monthly bill.**

**State law allows CenterPoint Energy Minnesota Gas to collect higher rates on a temporary basis while the MPUC reviews CenterPoint Energy Minnesota Gas' request. The temporary rate increase is \$51.2 million or about 5.8 percent more than current rates. The increase shows on your bill as Interim Rate Adjustment.**

**The MPUC will likely decide on our requested rate increase in the summer of 2018. If final rates are lower than interim rates, we will refund customers the difference with interest. If final rates are higher than interim rates, we will not charge customers the difference.**

### **Why is CenterPoint Energy Minnesota Gas asking for an increase?**

Our last request for a rate increase for natural gas distribution service was in 2015. Since that time, we have made and continue to make significant investments to serve our customers. These investments, such as our ongoing pipeline replacement programs, maintain the safety and reliability of our natural gas system and benefit our customers and communities.

We are improving and modernizing natural gas pipelines and distribution mains throughout several neighborhoods in our service areas.

### **Here's how the rate change will affect monthly bills:**

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CenterPoint Energy  
2017 – Rate Case Filing – Interim Rate Bill Messages

**Interim rate increase – bill message text for CenterPoint Energy Minnesota Gas' customers:**

Rate case filed in August  
Interim Rates begin Oct 1.  
Public hearings to be  
scheduled. Watch for information  
and hearing date schedule.

FOR CENTERPOINT ENERGY CUSTOMERS  
Notice to Counties and Municipalities  
Under Minn. Stat. §216B.16, Subd. 1

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION – STATE OF MINNESOTA

In the Matter of an Application by  
CenterPoint Energy Minnesota Gas for  
Authority to Increase Natural Gas Rates in  
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NOTICE OF APPLICATION FOR RATE  
INCREASE  
MPUC Docket No. G-008/GR-17-285

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Rate Type	Average	Average	Average	Average
-----------	---------	---------	---------	---------

(usage in therms)	monthly usage in therms	monthly bill: current rates	monthly bill: interim rates	monthly bill: proposed
Residential	76	\$56	\$60	\$61
Commercial/Industrial				
- up to 1,499/year	65	\$57	\$61	\$62
- 1,500 to 4,999/year	234	\$164	\$173	\$173
- 5,000 or more/year	1,402	\$881	\$918	\$910
Small Volume Dual Fuel				
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- up to 119,999/year	3,539	\$1,761	\$1,830	\$1,816
- 120,000 or more/year	14,322	\$6,861	\$7,103	\$7,049
Large Volume Dual Fuel	59,449	\$26,452	\$27,173	\$27,154
Large General Firm Sales Service	38,061	\$17,399	\$18,094	\$18,195

### **What is the Process for reviewing CenterPoint Energy Minnesota Gas' request?**

The MPUC, the Minnesota Department of Commerce, the Office of the Attorney General – Residential Utilities and Antitrust Division, public interest groups, and customers have the opportunity to review and to comment on our proposal.

The MPUC will hold public hearings for customers to speak and will ask for customers' written comments about our rate increase request. You may add verbal comments, written comments, or both into the record. Notice of the public hearing dates and locations are published in local newspapers, in bill inserts, and at [CenterPointEnergy.com/RateCase](http://CenterPointEnergy.com/RateCase).

### **HOW TO LEARN MORE**

**CenterPoint Energy Minnesota Gas' current and proposed rate schedules are available at:**

#### **CenterPoint Energy**

505 Nicollet Mall  
 Minneapolis MN 55402  
 Phone: 612-372-4727 or 1-800-245-2377  
 Web: [CenterPointEnergy.com/RateCase](http://CenterPointEnergy.com/RateCase)

#### **Minnesota Department of Commerce**

85 7th Place East, Suite 500  
 St. Paul MN 55101  
 Phone: 651-539-1534  
 Web: <https://www.edockets.state.mn.us/Efiling/search.jsp> Select 17 in the year field, type 285 in the number field, select Search, and the list of documents will appear on the next page.

### **Questions about the Minnesota Public Utilities Commission's review process?**

#### **Minnesota Public Utilities Commission**

121 7th Place East, Suite 350  
 St. Paul MN 55101  
 Phone: 651-296-0406 or 1-800-657-3782  
 Email: [consumer.puc@state.mn.us](mailto:consumer.puc@state.mn.us)  
 Citizens with hearing or speech disabilities may call through their preferred Telecommunications Relay Service.

**AFFIDAVIT OF SERVICE**

STATE OF MINNESOTA                    )  
  ) ss.  
COUNTY OF HENNEPIN                )

Mary Jo Schuh, being first duly sworn on oath, deposes and says she served the attached Reply Comments in Docket No. G-008/GR-17-285 via e-filing to all parties on the attached service list.

  /s/    
\_\_\_\_\_  
Mary Jo Schuh

Subscribed and sworn to before me  
this 21<sup>st</sup> day of August, 2017.

  /s/    
\_\_\_\_\_  
Melodee Carlson Chang, Notary Public  
My Commission expires 1/31/19

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