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November 15, 2021

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

RE: In the Matter of the Petition by CenterPoint Energy for Approval of a Rate Stabilization Plan

Docket No. G-008/M-21-755

Reply Comments

Dear Mr. Seuffert:

CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas ("CenterPoint Energy" or the "Company") respectfully submits these Reply Comments in response to the Minnesota Public Utilities Commission's ("Commission") Notice of Comment and Comments received in this matter on November 10, 2021. As discussed herein, the Rate Stabilization Plan is reasonable and in the public interest and the Company respectfully requests the Commission approve the Rate Stabilization Plan effective January 1, 2022.

Sincerely,

/s/

Amber S. Lee
Director Regulatory Affairs

Attachment
C: Service List

STATE OF MINNESOTA

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben	Chair
Valerie Means	Commissioner
Matthew Schuerger	Commissioner
Joseph Sullivan	Commissioner
John A. Tuma	Commissioner

In the Matter of the Petition of CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas, for Approval of the Rate Stabilization Plan

Docket No. G-008/M-21-755

REPLY COMMENTS

INTRODUCTION

On November 1, 2021, CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas ("CenterPoint Energy" or "Company") proposed a Rate Stabilization Plan ("Plan") to mitigate the bill impacts experienced by our customers and fully resolve the Company's application for a general rate increase.

Pursuant to the Notice of Comment issued by the Minnesota Public Utilities Commission ("Commission"), the Minnesota Department of Commerce, Division of Energy Resources ("Department"), the Office of Attorney General ("OAG"), the Energy CENTS Coalition ("ECC") and the Suburban Rate Authority ("SRA") filed initial comments on the Stabilization Plan on November 10, 2021. The Department and the OAG did not recommend approval of the Plan, stating that they did not have sufficient time to review the Company's investments driving the requested rate increase. In contrast, the ECC asked the Commission to approve the Plan citing the public interest, customer circumstances and the fact that the Company's rates and capital investments have been recently reviewed. The SRA, while "favorably disposed" toward supporting the Plan, asked for clarification regarding certain aspects of the Plan, including seeking additional information on the Company's capital investments and the proposed income tax rider. The Company responds to the comments filed below.

I. Rate Stabilization Plan Is in the Public Interest

The Company acknowledges the unusual nature of the proposal. Under the Plan, the Company requests only a portion of our full Rate Case request in order to provide customers rate stability for 2022 and 2023. Ultimately, the Commission must determine whether the Plan is in the public interest and should be approved. The Company thinks the Plan is in the public interest because it limits the rate increase impact, stabilizes and reduces customer bills compared to the status quo, builds in procedural and substantive safeguards, reduces the demands on regulatory resources, and gives the Company a degree of financial certainty so we can focus our resources on improving our system and achieving our environmental goals.

The Rate Stabilization Plan balances the interests of ratepayers with those of the Company in seeking recovery of costs. The Plan stabilizes rates for 2022 and 2023 and reduces the risk of additional economic hardship to individuals, families, and businesses already experiencing financial strain as a result of the pandemic and ongoing recovery of the "extraordinary gas costs" arising from the February Market event.[1] At a time when the commodity cost of gas is expected to be higher than in previous years,[2] the rate certainty afforded by the Plan is reasonable in these unique circumstances.

However, the Company is sympathetic to the concerns filed by the OAG and DOC as to how to evaluate the reasonableness of the Plan in the timeframe prescribed. The Plan, as proposed, does provide definitive benefits to customers by lowering the customer bill impact and granting the protections afforded under the asymmetrical capital true-up mechanism. Further, the Company has always expected a thorough review of the prudence of its capital investments. If the Plan is approved, the Company anticipates that this review would occur in the Company's next rate case. Finally, as demonstrated below, the Plan meaningfully reduces the Company's rate increase request.

II. CenterPoint Energy's Capital Investments 2021 and 2022

In its Rate Stabilization Plan, the Company requests to recover only a portion of its full Rate Case request. As shown below in Table 1, and as detailed in Schedule 1 attached to this filing, the Company's requested rate increase in the rate case is approximately $67 million, of which approximately $65 million is attributable to the incremental net plant additions (and the Company's proposed increased ROR in the Rate Case) since the Company's 2020 test-year rate case.

Table 1: 2022 Test Year– Incremental Plant Revenue Requirement

Net Plant Test Year 2020	1,612,972
Net Plant Test Year 2022	2,036,555
Difference (Incremental Plant)	423,583
Revenue Requirement of Incremental Plant	40,780
Associated ADIT and Depreciation of Incremental Plant	24,097
Total Revenue Requirement of Incremental Plant	64,876

[1] As explained in the Company's initial filing in this matter, in the Plan we propose to extend the recovery period for these extraordinary gas costs from 27 to 63 months, without provision of carrying charges for the Company.

[2] The Company's weighted average cost of gas for October and November 2021 was 81% higher than in 2020 on a combined basis.

In comparison to the full rate case request of approximately $67 million, the Rate Stabilization Plan seeks to recover only $39.7 million. Though substantially less than its Rate Case request, the Plan allows the Company to continue the necessary investments, while providing significant bill relief to customers. The Plan does so by continuing deferrals for property taxes and COVID-19 related expenses and by encouraging cost savings by the Company. The breakdown of capital spending by category and the associated revenue requirement is shown in Schedule 2 of this filing.

A. Asymmetrical Capital True-Up

In general, as shown in Table 2 below, the Company's capital investments have averaged over $200 million per year for the last five years and the Company's investments are expected to grow over the next five years.[3]

Table 2: Company's Actual Capital Investments 2016-2020

	Actual 2016	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Total 5-Year
Capital Spend (Millions)	$193	$189	$233	$257	$260	$1,136

As shown above, the Company has made substantial capital investments in our Minnesota system and we expect our 2022 and 2023 investments will meet or exceed our capital projections for those years. In the event that this does not occur, the Company has proposed an asymmetrical capital true-up, by which any underspend will be credited back to customers. See Schedule 3, providing the revenue requirement of the average rate base balance for 2022 – the baseline for the 2022 capital true-up.

B. Prudence Review of Capital Investments

Importantly, the Company's capital investments in 2022 and 2023 will be examined for prudency. The Company understands that this prudence review will occur as part of its next rate case, to be filed in 2023 for test-year 2024.

III. Income Tax Rider

In its Initial Comments, SRA raised a number of questions regarding the proposed income tax rider that would be implemented if changes to the federal or state income tax rate occur in 2022 or 2023. As discussed in the Direct Testimony of Company witnesses Zarumba and Vallejo in the Rate Case, the Company proposes to begin to track and defer any calculated differences arising from a change in income tax beginning on the effective date of the statutory change. The Company would then request the Commission to allow recovery of the tracked amounts to begin, either as a standalone petition or as part of the Company's next rate case. Under the Rate Stabilization Plan, the Company does not propose to automatically begin to recover or refund any under- or over-collection stemming from a change in tax code, but rather we will seek Commission approval before

[3] Docket No. G-008/GR-21-435, Direct Testimony of Christe Singleton, p. 31.

effectuating any rate change attributable to such change. SRA's question whether a change in tax requirements should be reflected as a change to base rates or as a rider surcharge can be addressed in the future, depending on the timing and magnitude of the change, and the Company will propose a methodology in the event it seeks to begin recovery of any changes before its next rate case.

CONCLUSION

CenterPoint Energy has worked diligently to craft a Rate Stabilization Plan that provides meaningful customer benefits. The Plan reduces customer bills compared to the status quo and ensures that only prudently incurred capital costs will be passed on to customers. As structured, the Plan features a number of important elements, including:

1) **Reduced Increase:** The Company seeks only a portion of its Rate Case request so that it can continue its necessary investments, while ensuring that customers see no rate increase attributable to increased expenses.

2) **No Step or Rate Increase for 2023:** Under the proposal, the Company does not seek an additional increase to account for the 2023 capital investments.

3) **Asymmetrical Capital True-Up:** A one-way true-up by which any underspend in the projected capital investments will be refunded to customers.

4) **Prudence Review of Capital Investments:** The prudence of our capital investments will be reviewed as part of the Company's next rate case.

5) **Substantial Reduction in Bill Impact:** The Rate Stabilization Plan includes an extended recovery of the extraordinary gas costs incurred this past February, resulting in a significant reduction in customer bills in 2022 and 2023 – in total reducing the monthly average residential bill from $30.45 to $14.88 in both years combined.

6) **Environmental Initiatives and Benchmarking:** The Company will continue to work toward our environmental goals, pursuant to the initiatives and benchmarking proposed in our initial filing in this docket on November 1, 2021.

On balance, the Plan is reasonable, equitable and consistent with the public interest. The Company appreciates the Commission's consideration of these Reply Comments. CenterPoint Energy respectfully requests approval of the Rate Stabilization Plan and authority to implement its provisions in the Company's Rate Case.

Docket No G008/M-21-755
Schedule 1

Capital Revenue Requirement Impact

($'s in Thousands)	2019 Rate Case*	Rate Stabilization	Stabilization less Rate Case	Rate of Return	Gross Revenue Conversion Factor	Revenue Requirement
Net Plant	1,612,972	2,036,555	423,583	6.86%	1.4034	40,780
ADIT	(352,286)	(346,171)	6,115	6.86%	1.4034	589
Depreciation Expense	87,441	110,949	23,508			23,508
Increase Attributable to Capital						64,876

*Docket G008/GR-19-524

Revenue Requirement by Function

($'s in Thousands)	2019 Rate Case*	Rate Stabilization	Stabilization less Rate Case	Rate of Return	Gross Revenue Conversion Factor	Revenue Requirement
Intangible	542	501	(41)	6.86%	1.4034	(4)
Production	6,836	12,798	5,962	6.86%	1.4034	574
Underground Storage	3,183	2,587	(596)	6.86%	1.4034	(57)
Other Storage	2,518	5,663	3,145	6.86%	1.4034	303
Distribution	1,494,542	1,880,027	385,485	6.86%	1.4034	37,112
General	105,351	134,980	29,629	6.86%	1.4034	2,852
Total	**1,612,972**	**2,036,556**	**423,584**			**40,780**

The 423,584 increase in plant is a result of total capital spend of 636 million for 2021 and 2022.
Of this 636** million 224** million is related to Integrity Management.

*Docket G008/GR-19-524

**These figures are derived from Table 4 on Exhbit____(DAP-WP), Sch. 3 Workpaper 2, Page 26 of 47 in Docket No. G-008/GR-21-435

True-Up Calculation

($'s in Thousands)

	Forecast	Actual	
2022 Net Plant/ADIT	$1,690,384		
ROR	6.86%	6.86%	
Required Return	$115,960	$0	
2022 Depreciation	$ 110,949		
Total Capital	$226,909	$0	($226,909)
			If negative a credit is required.

CERTIFICATE OF SERVICE

Melodee Carlson Chang certifies that, on November 15, 2021, she served the attached Reply Comments of CenterPoint Energy in Docket No. G008/M-21-755 to all persons at the addresses indicated on the attached service list by delivering the document via electronic filing.

/s/______________________________

Melodee Carlson Chang
Senior Regulatory Paralegal
CenterPoint Energy

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