

## Staff Briefing Papers

<b>Meeting Date</b>	<b>November 20, 2025</b>	<b>Agenda Item 1*</b>
Company	CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas	
Docket No.	G-008/D-25-286	
	<b>In the Matter of</b> CenterPoint Energy Minnesota Gas’s Petition for approval of its Annual Deprecations study Filing for 2025	
Issues	Should CenterPoint Energy Minnesota Gas’ 2025 Annual Deprecation study Petition be approved?	
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 <b>Relevant Documents</b>	<b>Date</b>
CenterPoint Energy Minnesota Gas- Initial Filing	July 22, 2025
Department of Commerce – Comments	September 17, 2025
CenterPoint Energy Minnesota Gas- Reply Comments	October 2, 2025

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

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## **I. Background**

On July 22, 2025, CenterPoint Energy Resources Corp., doing business as CenterPoint Energy Minnesota Gas (CenterPoint, CPE, or the Company), filed a petition (Petition) with the Minnesota Public Utilities Commission (Commission). The Petition was submitted in compliance with the Commission's December 5, 2019 Order in Docket No. G-008/D-19-307.

On September 17, 2025, the Minnesota Department of Commerce, Division of Energy Resources (Department) filed comments recommending approval of CPE's Petition.

On October 2, 2025, CPE filed reply comments agreeing with the Department's recommendations.

## **II. Legal Standards**

Minnesota Rules, parts 7825.0500 through 7825.0900, require public utilities to obtain Commission certification for their depreciation rates and methods. Utilities must apply the straight-line (SL) method unless they can demonstrate that another approach is reasonable and appropriate. The rules also require utilities to review their depreciation rates annually to ensure they remain appropriate and to submit a comprehensive depreciation study at least every five years. Once approved by Commission order, certified depreciation rates remain in effect until replaced through the next certification.

CPE uses the straight-line depreciation method and files annual depreciation reviews with the Commission, meeting these requirements.

## **III. Discussion**

### **A. CenterPoint's Petition**

CPE's 2025 Depreciation update analyzed its gas plant in service as of December 31, 2024 using the straight-line method, average service life (ASL) procedure, applied on a remaining-life basis. The study concluded an overall composite depreciation rate of 3.60 percent, compared to 3.49 percent currently approved, producing an estimated annual accrual of \$149.98 million.

Table 1 summarizes the Company's proposed depreciation rates and expenses by plant function.

**Table 1: SUMMARY OF ORIGINAL COST, ACCRUAL RATES AND AMOUNTS<sup>1</sup>**

<b>FUNCTION</b>	<b>ORIGINAL COST AS OF DECEMBER 31, 2024</b>	<b>PROPOSED RATE</b>	<b>PROPOSED EXPENSE</b>
Intangible Plant	\$ 33,772,254.59	2.50	\$ 843,185
Production Plant	39,421,491.78	3.41	1,345,253
Underground Storage Plant	26,452,812.24	2.49	658,952
Other Storage Plant	25,151,041.82	2.84	715,343
Distribution Plant	3,568,206,701.77	3.17	113,124,618
General Plant	467,762,298.18	7.12	33,294,743
<b>Total Depreciable Plant</b>	<b>\$ 4,160,766,600.38</b>	<b>3.60</b>	<b>\$149,982,094</b>

CPE emphasized that although the calculated rates would increase annual accruals by roughly \$25.7 million, it is not proposing to implement new rates at this time, and instead seeks to retain rates approved in the 2023 Depreciation Docket.<sup>2</sup>

### 1. Vintage Amortization Accounting

CPE explained that certain general plant accounts continue to be depreciated using vintage amortization accounting, consistent with prior Commission approval. Under this approach, each year's investment in these accounts is amortized over a fixed period rather than being re-evaluated annually through the depreciation rate study. As a result, these accounts are excluded from the annual review of Depreciation rates schedules. The Company continues to apply the established amortization lives and associated rates for each account as shown in Table 2 below.

<sup>1</sup> CPE Petition, Exhibit 1 at iii.

<sup>2</sup> *Petition of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota, Gas for Approval of Depreciation Certification*, CenterPoint Energy, Initial Filing, September 29, 2023, Docket No. G008/D-23-433

**Table 2: Excluded General Plant Accounts from Annual Depreciation Review<sup>3</sup>**

ACCT	TITLE	Amortization Period, Year
391.00	Office Furniture and Equipment	
	Office Furniture	20
	Office Equipment	20
	Computer Hardware	5
	Computer Software – 3-Year	3
	Computer Software – 5-Year	5
	Computer Software – 10-Year	10
	Computer Software – 15-Year	15
393.00	Stores Equipment	15
394.00	Tools, Shop and Garage Equipment	25
395.00	Laboratory Equipment	25
397.10	Communication Equipment	15
397.11	Communication Equipment – Cell Phones	3
398.1	Miscellaneous Equipment	15

## 2. Remaining Life Report

CPE stated that its remaining life calculations were based on current plant and reserve balances as of December 31, 2024. The Company used the remaining life method, which divides the unrecovered plant cost (original cost minus accumulated depreciation) by the estimated remaining service life for each account. These calculations incorporated recent plant additions and retirements to reflect updated age distributions of assets. The service lives and survivor curves applied were the same as those approved in the 2023 Depreciation Docket.<sup>4</sup> This approach ensures that annual depreciation accruals align with the remaining useful life of existing plant and continue to reflect Commission-approved parameters.

## 3. Minnesota Rule 7825.0700, Subpart 2B

Minnesota Rule 7825.0700, subpart 2B requires a list of major future additions or retirements to plant accounts that the utility believes may have a material effect on the current certification results. In response to a Department Information request, CPE noted ongoing and planned investments that could affect future depreciation studies, including the accelerated replacement of Intelis meters and the introduction of new asset classes related to geothermal network infrastructure. These activities are expected to increase plant additions in the affected

<sup>3</sup> CPE Petition, Exhibit 1 at II-4.

<sup>4</sup> Docket No. G-008/D-23-433

accounts as part of the Company's system modernization and technology upgrade efforts.

## **B. Department's Comments and Analysis**

The Department reviewed CPE's Petition for compliance with Minnesota rules, prior Commission Orders, and the reasonableness of retaining current depreciation rates.

### **1. Compliance with Minnesota Rules**

Minnesota Rules 7825.0500 through 7825.0900 require utilities to obtain Commission approval of their depreciation methods and rates. Utilities must use the straight-line (SL) method unless another approach is shown to be reasonable, review their rates annually, and file a comprehensive depreciation study at least every five years. Once approved, certified rates remain in effect until the next filing. CPE's next five-year study is due September 29, 2028.

CPE uses the SL method and files annual depreciation updates, satisfying these requirements. The Company based its 2025 depreciation expense on the rates approved in the 2023 Depreciation Docket. In line with Minn. R. 7825.0700, CPE identified two factors that may affect future depreciation rates: accelerated replacement of Intelis meters and new geothermal network assets.<sup>5</sup>

The Department found CPE's filing compliant with Minnesota Rules and Commission orders and stated it will continue monitoring Intelis meter and geothermal network accounts in future filings.

### **2. Compliance with Prior Commission Order in Docket No. G-008/D-23-433**

In its April 16, 2024 Order in Docket No. G-008/D-23-433, the Commission directed CPE to retain the previously approved probable retirement date of December 2036 for Underground Storage Plant accounts, as established in a prior Docket.<sup>6</sup> The Department reviewed CPE's current Petition and confirmed that the Company complied with this directive. However, the Department noted that Exhibit 2B of the Petition listed a probable retirement date of December 2046 for Underground Storage Plant, rather than the required 2036 date. Although this discrepancy did not affect the results of the current filing, the Department requested that CPE submit a corrected Exhibit 2B and update any related schedules as needed. The Company subsequently provided the requested revisions. Accordingly, the Department concluded that CPE has satisfied the Commission's requirement.

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<sup>5</sup> Department Attachment 2.

<sup>6</sup> Dock No. G008/D-19-307.

### 3. Reasonableness of the Depreciation Rates approved in the 2023 Depreciation Docket

As noted above, CPE did not propose any changes to its depreciation rates in this filing. Instead, the Company seeks to retain the currently approved rates established in the 2023 Depreciation Docket. Under Minnesota Rules, part 7825.0600, utilities are required to review their depreciation rates annually to ensure they remain generally appropriate. Therefore, CPE's proposal to maintain its existing depreciation rates is reasonable if those rates continue to reflect appropriate depreciation levels.

As shown in the Table 3, if CPE's updated depreciation rates were implemented, annual depreciation expense would increase by approximately \$1.5 million, or about one percent. CPE, however, estimated a much larger increase—approximately \$25.7 million per year, or 20 percent. The Department determined that the Company's estimate was significantly overstated for two main reasons. First, the Company used the wrong retirement year—2046 instead of the Commission-approved 2036—for its Underground Storage Plant accounts. Second, the Company based its calculations on 2022 plant balances rather than updated 2024 values. From 2022 to 2024, CenterPoint's total depreciable plant increased by approximately \$600 million, or 17 percent, reflecting significant growth in assets such as pipelines, meters, and related infrastructure. As a result, the calculated increase in depreciation expense primarily reflects the larger plant base rather than any material change in the approved depreciation rates.

**Table 3: Department Comparison of CPE's Current and Updated Rates & Accruals<sup>7</sup>**

Plant Group	Accrual Rate			2025 Annualized Accrual		
	Updated	Present	Difference	Updated	Present	Difference
Intangible Plant	2.50%	2.13%	0.37%	\$843,185	\$719,349	\$123,836
Production Plant	3.41%	2.90%	0.51%	\$1,345,253	\$1,142,054	\$203,199
Underground Storage Plant	2.49%	2.26%	0.23%	\$658,952	\$597,274	\$61,678
Other Storage Plant	2.84%	2.54%	0.30%	\$715,343	\$639,646	\$75,697
Distribution Plant	3.17%	3.18%	-0.01%	\$113,124,618	\$113,451,707	(\$327,089)
General Plant	7.12%	6.83%	0.29%	\$33,294,743	\$31,954,256	\$1,340,487
<b>Total Depreciable Plant</b>	<b>3.60%</b>	<b>3.57%</b>	<b>0.03%</b>	<b>\$149,982,094</b>	<b>\$148,504,286</b>	<b>\$1,477,808</b>

<sup>7</sup> Department Comments, at 5.

Based on the revised analysis, the Department determined that the difference between depreciation expense under the current and updated rates is minimal. This small variance indicates that the Company's existing depreciation rates, approved in the 2023, remain generally appropriate as required by Minnesota Rules. Accordingly, the Department concludes that CPE's proposal to retain its current depreciation rates is reasonable.

#### **4. Annual Depreciation Study Filing Due Date**

The Commission's December 5, 2019 Order<sup>8</sup> required CPE to submit its annual depreciation review by July 15 each year. In the current Petition, CPE requests to extend this filing deadline to July 25 for all future annual depreciation study reviews. The Department has no objection to this request and concludes that extending the due date from July 15 to July 25 is reasonable.

#### **5. Department Recommendations**

The Department recommended that the Commission:

- Accept the CenterPoint's annual depreciation review;
- Require CenterPoint to file its next annual depreciation review by July 25, 2026;
- Require CenterPoint to file its next five-year depreciation study by September 29, 2028;
- Require CenterPoint, if it files a rate case within one year of the due date of its next comprehensive five-year depreciation study filing date (September 29, 2028), to coordinate the filing of the comprehensive depreciation study with the rate case; either by filing the rate case with the depreciation rates proposed in the comprehensive depreciation study, or by updating the depreciation expense calculation in the rate case by using the depreciation study's proposed rates when they are known.

#### **IV. CPE's Reply Comments**

In its reply comments, CPE expressed agreement with the Department's findings and supported the Department's recommendations for Commission approval of the 2025 Annual Depreciation study filing.

#### **V. Staff Comments**

This docket contains no disputed issues between the Department and CenterPoint. Staff reviewed the Company's depreciation rates and concurs with the Department that the current rates remain reasonable and appropriate. Staff agrees with the Department's recommendation that the Commission approve the Petition and accept the Department's conclusions.

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<sup>8</sup> Docket No. G008/D-19-307.

## **VI. Decision Options**

1. Accept CenterPoint's annual depreciation review. (CPE, Department)
2. Require CenterPoint to file its next annual depreciation review by July 25, 2026. (CPE, Department)
3. Require CenterPoint to file its next five-year depreciation study by September 29, 2028. (CPE, Department)
4. Require CenterPoint, if it files a rate case within one year of the due date of its next comprehensive five-year depreciation study filing date (September 29, 2028), to coordinate the filing of the comprehensive depreciation study with the rate case; either by filing the rate case with the depreciation rates proposed in the comprehensive depreciation study, or by updating the depreciation expense calculation in the rate case by using the depreciation study's proposed rates when they are known. (CPE, Department)