



800 LaSalle Avenue
P.O. Box 59038
Minneapolis, MN 55459-0038

Via E-filing

January 14, 2015

Mr. Dan Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East Suite 350
St. Paul, MN 55101-2116

Re: Petition of CenterPoint Energy Minnesota Gas, A division of CenterPoint Energy Resources Corp., for Approval of an Affiliated Interest Agreement between CenterPoint Energy Minnesota Gas and CenterPoint Energy Services, Inc., a CenterPoint Energy Company.
Docket Number G008/AI-15_____

Dear Mr. Wolf:

CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas ("CenterPoint Energy" or "the Company") hereby submits to the Minnesota Public Utilities Commission ("MPUC" or the "Commission") a petition requesting approval of the inclusion of additional customer related services in the Master Services Agreement (MSA) between the Company and CenterPoint Energy Service Company.

We have electronically filed this document with the Commission, and copies have been served on the parties on the attached service lists. Please contact me at (612) 321-4625 or peggy.sorum@centerpointenergy.com if you have any questions regarding this matter.

Sincerely,

/s/

Peggy Sorum
Manager, Regulatory Financial Activities

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

Beverly Jones Heydinger
David Boyd
Nancy Lange
Dan Lipschultz
Betsy Wergin

Chair
Commissioner
Commissioner
Commissioner
Commissioner

**IN THE MATTER OF THE PETITION OF
CENTERPOINT ENERGY MINNESOTA GAS
FOR APPROVAL OF A CHANGE IN SCOPE TO
ITS MASTER SERVICE AGREEMENT WITH
CENTERPOINT ENERGY SERVICES INC.**

**DOCKET NO. G008/AI-15-____

PETITION**

A. INTRODUCTION

CenterPoint Energy Minnesota Gas submits this Petition to the Minnesota Public Utilities Commission (“MPUC” or “Commission”) for approval of a change in scope of the Master Service Agreement (“MSA”) between the Company and CenterPoint Energy Service Company (or “ServiceCo”). The change in scope to the MSA incorporates including certain customer service and related support functions previously provided by CenterPoint Energy Minnesota Gas into ServiceCo.

B. GENERAL FILING AND REQUIRED INFORMATION

1. Pursuant to Minn. Rule 7829.1300, the Company provides the following information:

a. Subpart 1. Summary of Filing

This petition requests Minnesota Public Utilities Commission approval of the inclusion of additional customer service and related support services in the Master Service Agreement and is filed as an Affiliated Interest Agreement between CenterPoint Energy Minnesota Gas (or the Company) and CenterPoint Energy Service Company. A one-paragraph summary is attached to this filing as Attachment C pursuant to Minn. R. 7829.1300, subp.1.

b. **Subpart 2. Service**

Pursuant to Minn. R. pt. 7829.1300, subpart 2, the Company has served a copy of this filing on the Office of the Attorney General – Antitrust and Utilities Division. A summary of the filing has been served on all parties on the enclosed service list.

c. **Subpart 3. Content of filing subject to specific requirements**

i. **Name, address and phone number of the utility:**

CenterPoint Energy Minnesota Gas, a Division of CenterPoint Energy Resources Corp.
800 LaSalle Avenue
P.O. Box 59038
Minneapolis, Minnesota 55459-0038
612.372.4664

ii. **Name, address and phone number of the attorney for the utility:**

Brenda A. Bjorklund
CenterPoint Energy Minnesota Gas, a Division of CenterPoint Energy Resources Corp.
800 LaSalle Avenue
P.O. Box 59038
Minneapolis, Minnesota 55459-0038
612.321.4976

iii. **Date of filing:**

The date of this filing is January 14, 2015 and the proposed effective date: December 15, 2014

iv. **Statute Controlling Schedule for Processing the Filing:**

Minn. Stat. §216B.48 and Minn. R. 7825.2200 (B) govern the substantive criteria related to the Master Service Agreement between ServiceCo and the Company. These provisions do not establish an explicit timeframe for Commission action.

v. **Utility Employee Responsible for Filing:**

Peggy J. Sorum
Manager, Regulatory Financial Activities,
CenterPoint Energy Minnesota Gas
800 LaSalle Avenue, P.O. Box 59038
Minneapolis, Minnesota 55459-0038
612.321.4625

2. Pursuant to Minn. Stat. §216B.48 and Minn. R. part 7825.2200(B) adopted by the Commission on September 14, 1998 in Docket No. E,G-999/CI-98-651, the Company provides the following information:

a. Heading

Petition of CenterPoint Energy Minnesota Gas for approval of a change in scope of its Master Service Agreement with CenterPoint Energy Service Company.

b. Identity of the Affiliated Parties

CenterPoint Energy Minnesota Gas, a Division of CenterPoint Energy Resources Corp. and CenterPoint Energy Service Company.

c. General Description of the Nature and Terms of the Agreement

The underlying agreement related to this petition is the MSA that is used to provide corporate services and charge corporate costs to CenterPoint Energy companies. The MSA was originally approved by the Commission in 2004 (Docket G008/AI-04-376) and covered a variety of services provided to the Company by ServiceCo. Effective December 15, 2014, the MSA will now include within its scope certain Customer Service and related support functions previously performed by the Company.

d. A List of the Past History of All Current Contracts or Agreements Between the Petitioner and Affiliated Interest, the Consideration Received By the Affiliated Interest

i. List of Outstanding Contracts or agreements

The Commission issued its Order approving the Master Service Agreement on September 23, 2004 in docket G008/AI-04-376.

ii. Consideration received by Affiliated Interest

As discussed in the 2004 Docket, pursuant to SEC rules, services are provided at actual cost by ServiceCo. Where capital is employed in providing those services, costs include an allowance for capital employed. ServiceCo will distribute all charges among recipients, to the extent possible, based on direct assignment. Amounts remaining after direct assignment will be allocated among recipients in a fair and equitable manner, as discussed in the MSA.

ServiceCo's accounting and cost allocation methods and procedures are structured to comply with the SEC's standards for service

companies in registered holding company systems. Those methods and procedures have been examined and approved by the SEC and are subject to further review during periodic audits by the SEC and through the SEC's examination of reports filed periodically by ServiceCo and CenterPoint Energy.

ServiceCo's billing system uses the SEC's "Uniform System of Accounts for Mutual Service Companies and Subsidiary Service Companies" as adjusted to use Federal Energy Regulatory Commission's uniform system of accounts. This system will be periodically audited by ServiceCo's Internal Audit department to ensure that the services provided are properly documented and appropriately charged. These charges also will be periodically audited by the SEC.

iii. Summary of Relevant Costs

Customer Service related expenses have been and will continue to be reported in Schedule 13 of the Service Quality Report that is annually filed on May 1.¹ Prior Service Quality Reports include the Customer Service related expenses that were incurred by the Company; the Customer Service-related expenses allocated by Service Co will be reported in future Service Quality Reports. Additionally, a summary of all ServiceCo costs charged to CenterPoint Energy Minnesota Gas is provided in the Gas Jurisdictional Annual Report at G-12.

Costs to the Company under the Service Agreement have been reviewed in each of the Company's prior rate cases, and will be subject to review in future rate cases.

e. A Descriptive Summary of the Pertinent Facts and Reasons Why Such Contract or Agreement is in the Public Interest

Background

As discussed in the 2004 Docket, the Company filed its SEC-approved MSA on February 26, 2004 and described the Securities Exchange Commission (SEC)-ordered service arrangement that the Company's parent, CenterPoint Energy, Inc. uses to provide corporate services and charge corporate costs to CenterPoint Energy companies pursuant to an SEC-approved MSA. The MSA described in the 2004 Docket discussed the administrative and service functions involving system-wide coordination and strategy, compliance and oversight that ServiceCo provides to recipients, including accounting, internal auditing, finance and treasury, communications, legal, human resources,

¹ Schedule 13 of the Service Quality Report provides the total Customer Service related operations and maintenance expenses reported in FERC accounts 901 and 903 plus payroll taxes and benefits. The 2013 Service Quality Report was filed in docket G008/M-14-316.

executive, regulatory and governmental affairs, information systems and technology, mainframe operations, business services, and leasing services. The current MSA includes all the services contemplated in the 2004 Dockets and also includes certain customer service and related support functions, as described below.

In the 2004 Docket, while the Commission approved the MSA, it also found that the specific allocation methodologies contained within the MSA would not be approved, because those methodologies involve complex issues that are more appropriately addressed in a rate case. Detailed information about the services provided and costs charged by ServiceCo to CenterPoint Energy Minnesota has been provided in the company's recent rate cases (Dockets G008/GR-04-901, G008/GR-05-1380, G008/GR-08-1075 and G008/GR-13-316). A discussion of how the cost of the customer service functions (to be transferred to ServiceCo) will be allocated is included in section B3b below.

Inclusion of Customer Service and Related Support functions to MSA

The MSA will now include within its scope certain customer service and related support functions that have previously been provided by the Company.

In the past, there has been a ServiceCo call center located in Houston, Texas and a Company call center located in Minneapolis. Until the change in scope of the MSA that has prompted this Petition, the ServiceCo call center provided the front-line communication exclusively with Houston Electric customers and for Arkansas, Louisiana, Mississippi, Oklahoma and Texas CenterPoint Energy gas customers. The Company's call center provided the front-line communication with Minnesota customers.

Going forward, there will continue to be a call center both in Minnesota and in Houston staffed by CenterPoint Energy customer service representatives (CSRs). However, the two will operate as a unified call center within ServiceCo, meaning staff in both Minnesota and Houston may service customers across CenterPoint Energy's various jurisdictions. The

development of such a unified call center is designed to capture efficiencies made available by recent investments in new technologies. The unified call center will continue to be responsible for the front-line communications with customers; the primary means of communication with most customers is by telephone which includes interaction with a CSR and/or an Interactive Voice Response (IVR) unit. Web-based and IVR applications are also utilized to allow customers 24 hour electronic access to specific information and transactions. The unified call center in ServiceCo will also continue to record credit and collection related calls and use the approved “Cold Weather Rule” script;² additionally, there will be no change to the information that is included in annual Service Quality Reports.

In addition to the call center functionality, related support functions will also be provided by ServiceCo. These related support functions include:

- Customer Care Training and Quality Assurance teams, which provide initial and ongoing training to Call Center personnel and are also responsible for monitoring and evaluating customer calls to identify coaching and development opportunities for customer service representatives and to assure business rules and processes are followed.
- Customer Account Support and Work Force Management teams, which are responsible for optimizing the productivity and staffing of the Call Center operation through critical call volume and staffing forecasting reports, finding cost-effective solutions to customer needs and expectations, such as web based transactions, and improving and streamlining work processes for customer service representatives.
- Credit and Collections, which is responsible for the management of CenterPoint Energy’s debt collection and write-offs.
- Related management areas, which provide oversight and supervision to the customer service area, including identifying, creating and maintaining common processes and strategic direction.

² As required in Docket G008/CI-04-2001.

Reasons Why The Agreement is in the Public Interest

Over time, a unified call center and related support functions in Service Co will allow for:

- The reduction of seasonal and peak impacts due to the ability to utilize resources across both physical locations.
- Disaster/ Weather Risk Mitigation) – The ability to better manage operational disruptions due to inclement weather because the call centers are located in diverse geographical locations.
- A larger pool of CSRs to respond to priority calls, such as emergency calls, and to adjust to demands of the business.

f. **Amount of the Compensation and, If Applicable, a Brief Description of the Cost Allocation Methodology or Market Information Used to Determine Price**

The exact amount of the corporate allocations to CenterPoint Energy Minnesota Gas for the customer service functions is not known at this time. As discussed above, costs to the Company under the Service Agreement have been reviewed in each of the Company's prior rate cases, and will be subject to review in future rate cases.

Costs related to the call center functions will be allocated from ServiceCo to CenterPoint Energy Minnesota Gas based on the minutes handled by agents working with Minnesota customers. This method is appropriate because activities of this cost center primarily relate to providing customer service through customer calls that vary in length. By allocating call center costs based on minutes, Minnesota ratepayers will only be charged for the costs associated with the handling of a Minnesota customer, regardless of the agent location.

Costs for related support functions will be allocated from ServiceCo to CenterPoint Energy Minnesota Gas based on either customer count or minutes and directly billed where appropriate, such as the Gas Affordability Program. This is appropriate because the support functions provide support and oversight of the entire customer experience and are necessary for all the regions.

g. Whether Competitive Bidding was Used or an Explanation Why It Was Not Used

Competitive bidding was not conducted before entering into this Agreement. The Company's current call center operations utilize a combination of internal and external resources. This combination enables the Company to realize benefits that otherwise would not be fully realized if it were to outsource 100% of the call center. One benefit is the ability to route specific call types to internal or external agents. Calls, such as Gas Emergency and those that are complex and more consultative can be routed to internal agents. Calls that are more transactional in nature can be directed to external resources. This enables the Company to provide answers and solutions for customers that are more responsive and effective. Other benefits of having a combination of internal and external resources include business continuity, leveraging skills and competencies that each possess, managing other customer engagement channels (e.g. email), diversity of labor markets, and flexibility in managing variations of call volumes. These benefits would be compromised if CenterPoint Energy were to outsource 100% of the call center. Therefore, the Company will continue to use a mix of internal and external resources.

h. Copy of the Contract or Agreement, or Modifications or Revisions of an Existing Contract or Agreement

The change in scope of the MSA to include certain Customer Service and related support functions will be reflected in the 2015 MSA. The 2015 MSA will be available on or before April 1, 2015. The 2015 MSA will be filed as supplemental information in this docket when it is finalized.

i. Whether the Affiliate Would Have Access to Customer Information, Such as Customer Name, Address, Usage or Demographic Information

Access to customer information will be available only to the Service Company employees for the purpose of providing customer service to the Company.

j. Verification

The verification is found in Exhibit A.

3. Additional Requirements pursuant to Commission Order dated 11 July 1996 in Docket No. G-008/AI-96-37

- a. **Quantification of Cost Savings and Other Ratepayer Benefits**

As discussed above, the exact amount of the corporate allocations to CenterPoint Energy Minnesota Gas for the customer service and related support functions is not known at this time.

As discussed above, ratepayers will benefit from a unified call center through the optimization of resources by taking advantage of the synergies between Houston and Minnesota, including: the reduction of seasonal and peak impacts; the ability to better manage operational disruptions due to inclement weather; and the ability to adjust to demands of the business regardless of location.

- b. **Explanation of Changes Made to the Cost Allocation Manual (CAM) or Reasons Why Changes are Not Necessary**

Customer Service costs allocated by ServiceCo will be assigned to the Company's regulated and non-regulated business lines consistent with the Corporate Cost Allocation Manual (CAM). As a result of this filing, no changes have been or will be made to the CAM which deals with the allocations of joint costs between regulated and non-regulated operations of CenterPoint Energy Minnesota Gas.

C. CONCLUSION:

For all of the above reasons, CenterPoint Energy Minnesota Gas respectfully requests that the Commission issue an order approving the modified Master Service Agreement with CenterPoint Energy Service Company.

EXHIBIT A: VERIFICATION

EXHIBIT B: ONE-PAGE SUMMARY

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

**Beverly Jones Heydinger
David Boyd
Nancy Lange
Dan Lipschultz
Betsy Wergin**

**Chair
Commissioner
Commissioner
Commissioner
Commissioner**

**IN THE MATTER OF THE PETITION OF
CENTERPOINT ENERGY MINNESOTA GAS
FOR APPROVAL OF A CHANGE IN SCOPE TO
ITS MASTER SERVICE AGREEMENT WITH
CENTERPOINTENERGY SERVICES INC.**

DOCKET NO. G008/AI-15-_____

PETITION

Please take notice that on January 14, 2015, CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas submitted a Petition to the Minnesota Public Utilities Commission seeking approval of a revised Master Services Agreement between the Company and CenterPoint Energy Service Company.

The modifications to the Master Services Agreement incorporate including certain customer service functions from CenterPoint Energy Service Company that were previously provided by CenterPoint Energy Minnesota Gas.

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