

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

121 Seventh Place East, Suite 350
St. Paul, Minnesota 55101-2147

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

In the Matter of the Application of
CenterPoint Energy Resources Corp.,
d/b/a CenterPoint Energy Minnesota Gas
for Approval to Change its Level of
Demand Units

MPUC Docket No. G-008/M-20-565

**PETITION FOR REHEARING
AND RECONSIDERATION**

Pursuant to Minn. Stat. §216B.27 and Minn. R. 7829.3000, CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas (“CenterPoint Energy” or “Company”) respectfully files this Petition For Rehearing And Reconsideration (“Petition”) of the Minnesota Public Utilities Commission’s (“Commission”) July 29, 2021 Order Accepting Demand Entitlement Level and Disallowing Recovery of Certain Costs (“Order”). Importantly, new facts – related to the contract between Northern Natural Gas (“NNG”) and the Company for the additional demand units which the Commission has found to be reasonable – merit the Commission reconsidering and revising the Order. Specifically, following the Commission’s June 24, 2021 hearing in this matter, the Company has worked with NNG to develop an option to “unwind” its current agreement with NNG and put in place the agreement for additional demand units determined by the Commission to have been the better option for customers.

In its Order, the Commission agreed with the Department of Commerce’s (“Department”) analysis that determined the Company’s design day and proposed change in the level of its demand entitlement on the NNG system were reasonable.¹ The Commission also acknowledged that the increased level of demand entitlement necessitated new capacity on the NNG system, requiring new construction.² The Company had originally agreed to pay NNG for that construction up-front, through a contribution in aid of construction (“CIAC”), rather than paying for the construction over fourteen years at NNG’s financing rate. The Company proposed to recover the CIAC over ten months, through the purchased gas adjustment charge on customers’ bills.³

However, the Commission also accepted the Department’s argument that the Company had not selected the lowest cost option for ratepayers, when viewed on a net present value (“NPV”) basis and using a ten percent discount rate.⁴ The Commission therefore disallowed recovery of \$2,273,638 – the NPV difference (using a ten percent discount rate) between the fourteen-year payment option offered by NNG and the up-front payment option chosen by the Company.⁵

The Company continues to believe that a ten percent discount rate overstates an average customer’s opportunity costs, as few customers would earn a ten percent return

¹ Order at 4.

² *Id.* at 2.

³ Consistent with Commission Rules, Minn. R. 7825.2910 and 7829.2920, that recovery was provisionally approved, subject to subsequent Commission action, and began July 1, 2020.

⁴ *Id.* at 4.

⁵ *Id.*

(or incur a ten percent borrowing rate) on a roughly \$4.00 per month average investment (or payment).⁶ As the Company discussed, an NPV analysis using a seven percent discount rate rather than ten percent shows that the Company selected the lowest cost option for our customers. In fact, as the Department analysis in its Supplemental Comments makes clear, the Company selected the “lower cost” option for customers using anything lower than a 9.17 percent discount rate to calculate the NPV.⁷ Therefore, and as further discussed in the Company’s previously filed comments in this docket, the Company encourages the Commission to reconsider its Order and approve the Company’s request to recover the CIAC over ten months as the “least cost” option for ratepayers.

To the extent the Commission continues to support the use of a ten percent discount rate for the NPV analysis, the Commission should nonetheless reconsider and revise its decision in this matter, so that the preferred option of a fourteen-year payment of the construction costs can be effectuated. Since the Commission’s deliberations on this matter, the Company and NNG have continued discussions regarding the Company’s payment of the CIAC and agree that the current CIAC can be returned to the Company and a new agreement entered into that reflects the fourteen-year, NNG-financed option found by the Commission to be the better option for customers.⁸ Implementing this

⁶ See CenterPoint Energy Minnesota Gas Reply Comments, February 16, 2021 at 4-5.

⁷ Department Supplemental Comments, March 8, 2021 at 6-7.

⁸ As the Company discussed in prior comments, under this option customers will pay an additional \$41.7 million, albeit over 14 years, bringing the total nominal dollars of this option to over \$91 million, compared to the \$49.8 million up front payment. See

NNG-financed option for payment of this necessary demand entitlement can be accomplished through the following steps:

1. NNG would return the up-front nearly \$50 million CIAC payment to the Company;
2. The refunded payment would be applied to the Company's purchased gas adjustment ("PGA") upon Commission reconsideration of the Order and approval of the revised payment structure preferred by the Commission and Department;
3. The Company would pay for the new construction over fourteen years, as previously offered by NNG;
4. The Company would begin recovery from its customers of the new payment structure to NNG effective November 1, 2021.⁹

Executing these steps provides an additional short-term benefit to customers that the Commission may wish to consider. The Company would note that it is currently *under-recovered* by nearly \$90 million for the 2020-21 heating season, after removal of the February market event "extraordinary gas costs." Application of the NNG refund to the PGA in the manner outlined above would mitigate the short-term bill impact of this upcoming true-up on the Company's firm customers.¹⁰

CenterPoint Energy Minnesota Gas July 1, 2020 Request for Change in Demand Units, July 1, 2020 at 5; CenterPoint Energy Minnesota Gas Reply Comments, February 16, 2021 at 4-5.

⁹ While this would result in customers paying for the "lower cost" option, based on the Department NPV analysis that the Commission accepted, the Company notes that it results in customers paying for the construction over 14 years rather than ten months and that each year customers will be paying substantial interest costs to NNG.

¹⁰ The Company would note that the new true-up factor will go into effect September 1, 2021. Since it is unlikely the Commission can reconsider this matter in time to apply the NNG refund to the purchased gas adjustment beginning at that date, the Company would recalculate the true-up factor, after reconsideration, to apply the refund prospectively.

Therefore, CenterPoint Energy Minnesota Gas respectfully requests that the Commission reconsider its July 29, 2021 Order in this matter and revise ordering paragraphs 3 and 4, as follows (new language underscored, deleted language struck through):

3. CenterPoint is authorized to recover the Northern Natural Gas CIAC through the purchased gas adjustment over the next fourteen years, using the payment structure previously offered by Northern Natural Gas.
- 3a. CenterPoint will apply the Northern Natural Gas refund of the prior up-front payment to the Company's purchased gas adjustment, to reduce the true-up amount related to the 2020-2021 heating season.
- 3b. The Company will provide a compliance filing within 10 days of this Order, demonstrating that it has properly applied the refund and properly implemented recovery of the new payment structure.
4. ~~The Commission disallows recovery of an amount equal to \$2,273,638 of the Northern Natural Gas CIAC.~~

Deletion of ordering paragraph 4 is appropriate, since with these new ordering points the Company will “unwind” its previous agreement with NNG and return the up-front payment to customers prior to implementing the new fourteen-year recovery advocated by the Department and determined by the Commission to be the better option for customers. As such, no basis will remain for a disallowance.

The Company respectfully requests the Commission's prompt attention to this matter and that it either reconsider this matter and approve the Company's initial request or that it reconsider this matter as set forth in the revised ordering paragraphs above so

The Company would also submit a compliance filing, as discussed below, demonstrating that it has properly credited the refund to the PGA.

that the Department and Commission's preferred payment and recovery structure can be implemented.

Dated: August 18, 2021

WINTHROP & WEINSTINE, P.A.

By: /s/ Eric F. Swanson

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