The Commission met on **Thursday, May 8, 2014,** with Chair Heydinger and Commissioners Boyd, Lange, Lipschultz, and Wergin present.

The following matters were taken up by the Commission:

ENERGY AGENDA MEETING

G-008/GR-13-316
In the Matter of an Application by CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas For Authority to Increase Natural Gas Rates in Minnesota

1. Liquefied Natural Gas Sales

Commissioner Wergin moved that the Commission

- Determine that LNG Sales Margin be set at $620,084.
- Add the clarifying language recommended in the Department's exceptions regarding the burden of proof in rate cases rests on the utility. (This modifies ALJ Findings 331, 332, and 333.)
- Require that CenterPoint, in its future rate cases' initial filing, to discuss and explain sales and margin changes for each LNG contract.

The motion passed 5-0.

2. Pension Plan Discount Rate

Commissioner Lipschultz moved to adopt a pension plan discount rate of 5.35%, which reflects the five-year average of CPE's actual historical discount rate for 2008 through 2012.

The motion passed 5-0.

3. Employee Retirement Benefits—Qualified Pension Expense

Commissioner Wergin moved that the Commission

- Determine that the pension plan asset value as of September 30, 2013, the start of the test-year, should be used when determining the test-year pension costs.
- Determine that the expected return on assets (EROA) actuarial assumptions for the test-year qualified pension cost should be the 7.25 percent per the Company's revised rebuttal proposal.
- Direct CenterPoint to adjust its rate base to properly reflect the level of capitalized pension costs commensurate with the Commission-approved pension expense.
- Direct CenterPoint, in its future rate case filings, to separately report the amount of capitalized jurisdictional pension cost, rather than combining it with non-regulated pension cost.

- In regards to creating regulatory asset and/or regulatory liability for pension costs, take no action at this time.

The motion passed 5-0.

4. Employee Retirement Benefits—Non-Qualified Pension Expense

Commissioner Wergin moved that the Commission

- Deny recovery of non-qualified pension expense.
- Direct CenterPoint to adjust its rate base to properly remove the capitalized non-qualified pension costs commensurate with the disallowed non-qualified pension expense.

The motion passed 5-0.

5. Employee Retirement Benefits—Non-Qualified Savings Plan Expense

Commissioner Lange moved that the Commission

- Deny recovery of non-qualified savings plan expense.
- Direct CenterPoint to adjust its rate base to properly remove the capitalized non-qualified savings plan costs commensurate with the disallowance.

The motion passed 5-0.

6. Incentive Compensation—Short-term Incentive Plan

Commissioner Lipschultz moved to determine that CenterPoint Energy's Short-Term Incentive Plan expense recovery should be capped at 25 percent of base pay.

The motion passed 3-2. Chair Heydinger and Commissioner Lange voted no.

7. Incentive Compensation—Long-term Incentive Plan

Chair Heydinger moved that the Commission

- Deny recovery of CenterPoint Energy's Long-Term Incentive Plan expense and reduce the test year expense by $258,094. The Administrative Law Judge recommended that the regulated portion of the test-year Long-term Incentive Plan expense be excluded. Following a review of the record, the Commission accepts the ALJ's analysis but corrects the dollar figure to exclude $258,094.
- In its next rate case filing, require the Company to discuss its approach and the underlying jurisdictional cost allocation factors, applied to the base year amount and applied to test year adjustments, in the development of its test year revenue requirement.
- Require the Company to identify and explain any changes to jurisdictional cost allocation factors or any changes in how those factors are used during the course of the next rate case proceeding.

The motion passed 5-0.

8. Incentive Compensation—Refund Mechanism

Commissioner Boyd moved that the Commission

- Require CenterPoint Energy to refund to customers all incentive compensation approved by the Commission and included in base rates, but not paid to employees.
- Require CenterPoint Energy to file an annual report on incentive compensation within 30 days after incentive compensation is normally scheduled for payout. The report should include:

    (a) a description of the incentive compensation plan;
    (b) the accounting of amounts of unpaid incentive compensation built into rates to be returned to ratepayers;
    (c) an evaluation of the incentive compensation plan's success in meeting its stated goals, including the payout ratio; and
    (d) a proposal for refund, if applicable.

The motion passed 5-0.

9. Marketing Programs, Income Taxes, Inflation, Corporate Investor Relations Expense

Chair Heydinger moved that the Commission

- Find that CenterPoint can recover $465,885 in Marketing and Advertising Expenses.
- Determine that the income tax expense sought for recovery should reflect the underlying tax effect of the operating revenue and costs allowed for recovery.
- Decide that the CenterPoint's proposed inflation rates are reasonable.
- Determine that Investor Relations Expense be set at $126,291.

The motion passed 5-0.

10. Allowed Rate Case Expenses

Commissioner Boyd moved to reduce the allowed regulated rate case expense recovery by $100,000 for intervenor compensation, authorizing recovery of $1,915,335 (2,015,335 minus $100,000).

The motion passed 5-0.

11. Current Rate Case Expenses

Commissioner Wergin moved that the Commission

- Determine that the allowed Rate Case Expenses for the current case be amortized over a two year period.
- Determine CenterPoint should put in place a Rate Case Expense recovery tracker.
- Determine that ratepayers are entitled to a refund of all recoveries that exceed the *approved* Rate Case Expense amount authorized in this case.

- If ratepayers are entitled to a refund, determine that the interest rate applied to the refund should be equal to CenterPoint’s rate of return approved in this case.

The motion passed 5-0.

12. Prior Rate Case Expense

Commissioner Lange moved that the Commission

- Determine that the before-interest amount of the ratepayers’ refund for over-recovery of prior rate case expenses is the difference between CenterPoint’s *approved* expenses ($1,490,736) and the actual amount recovered during the 57-month period ($2,360,332), an $869,596 difference.
- Determine that the interest rate used to calculate ratepayers’ refund for the over-recovery of the prior rate case expenses should be equal to CenterPoint’s approved ROR in the previous rate case, or 8.09%.
- Determine that any refund due to ratepayers should be paid at the same time as the interim rate refund and reject ALJ Finding #794.

The motion passed 5-0.

13. Conservation Cost Recovery Charge

Commissioner Wergin moved that the Commission

- Direct CenterPoint to update the Conservation Cost Recovery Charge (CCRC) factor to reflect the updated sales forecast.
- Approve the Company’s Conservation Improvement Plan test-year expense and the per unit-of-energy cost allocation.

The motion passed 5-0.

14. Late Payment Revenues

Chair Heydinger moved to accept the Department’s recommendation that the late payment revenue ratio be set at 0.36% of test-year firm revenue.

The motion passed 5-0.

15. Integrity Management Program Investments and Expenses

Chair Heydinger moved that the Commission

- Accept the ALJ’s recommendation that Transmission Integrity Management Program and Distribution Integrity Management Program costs be included in the test year.

- Find that the increased costs of infrastructure and the associated expense adjustments, such as depreciation and taxes, make up approximately $32 million of the Company's increased revenue requirement. The Commission agrees that these projects are necessary to ensure reliable gas service and compliance with pipeline safety standards. It is prudent to move ahead with these capital improvements.

The motion passed 5-0.

16. Allocation Policy, Factors, and Adjustments; Main and Service Extensions; Bad Debt Expense; Fleet Fuel Costs; Odorant Costs

Commissioner Wergin moved that the Commission

- Accept the ALJ's finding that Cost Allocation Manual (CAM) Allocations adjustments resulted in an increase of $442,330 in test year expense.
- Accept the ALJ's finding that the record supports recovery of the investments and expenses associated with the Company's main and service extensions.
- Accept the Department's and ALJ's recommendation that the bad debt expense ratio be set at 0.80% of Test Year firm revenue.
- Accept the Department's recommendation that the fleet fuel gallon consumption 12-month average for the year ending September 30, 2013 be used as basis to determine Test Year fleet fuel costs.
- Accept CPE's recommendation that fleet fuel price be set at the EIA's September 30, 2013, 12-month average of $3.46 per gallon be used as basis to determine Test Year fleet fuel costs.
- Determine that a corresponding balance sheet adjustment is necessary and instruct CenterPoint to include such adjustment in its post-order compliance filing calculations.
- Approve CenterPoint's and the Department's agreement that test year Odorant Costs be based on the new contract price of $2.19/lb. and its resulting $10,034 adjustment.

The motion passed 5-0.

17. Travel, Entertainment, and Other Expenses

Commissioner Boyd moved that the Commission

- Accept the Office of the Attorney General – Antitrust and Utilities Division recommendation to allow $856,420 in its test year for Travel, Entertainment & Employee Expense, with no determination as to the inclusion or removal of any specific expense.
- Direct CenterPoint Energy to provide descriptive information of travel, entertainment and related employees pursuant to Minn. Statute 216B.16, Subd. 17 in the Company's initial filing of its next rate case. To ensure future schedules contain required information, direct the Company to develop a proposal on how it will resolve current insufficiencies and to present the resolution to the OAG and the Department in advance of its next rate case filing.

The motion passed 5-0.

18. Office Supply/General Office Expense (FERC 9210), Meter Reading Expense, Personal Computer Lease Expense, Corporate Community Relations Expense, Property Taxes, Cost of Gas and Gas Storage Inventory, Cash Working Capital, Interest Synchronization, Budget Plan Tariff, Abandoned Facilities

Chair Heydinger moved that the Commission

- Approve CenterPoint’s test year Office Supply/General Office Expense (FERC 9210) of $8,159,205 as reasonable.
- Approve CenterPoint’s test year Meter Reading Expense as filed without any adjustments.
- Approve CenterPoint’s test year Personal Computer Lease Expense of $211,897 for regulated operations.
- Approve the Company’s Community Relations Expense, as filed.
- Determine that CenterPoint Energy’s revised property tax expense of $26,764,740 is reasonable and may be included in rates.
- As recommended by the ALJ, accept the CenterPoint and DOC agreement and approve the $4.0048/dekatherm commodity cost of gas and its corresponding balance sheet reduction of $2,347,276.
- Approve CenterPoint’s current lead/lag study methodology and order that the study be adjusted to reflect final/approved expense levels.
- Accept the Department’s interest synchronization methodology and order that the final adjustment be based on final Commission-approved figures.
- Accept the Company’s and the Department’s agreement not to include 60-day provision in CenterPoint’s Budget Payment Plan.
- Accept CenterPoint’s plan to coordinate the treatment of abandoned facilities with corresponding municipalities.

The motion passed 5-0.

19. Sales Forecasts and Weather Normalization

Commissioner Lange moved that the Commission

- Accept CPE’s forecast as a whole in this case based on this record, but take notice that the 10-year weather normalization method applies only to the sales forecast used in this proceeding.
- Adopt the Department's recommendation to require CenterPoint to provide additional information on curtailments and forecasted curtailment methodology in its next rate case.

The motion passed 5-0.

Commissioner Lange moved that the Commission require that CenterPoint, in the next rate case and in consultation with the Department, provide a comprehensive examination of the predictive power, volatility, and impact on test year and future revenues of using 10-year, 15-year, and 20-year weather data in the forecast.

The motion passed 4-1. Commissioner Boyd voted no.

20. Cost of Capital—Capital Structure, Cost of Long-Term Debt, Cost of Short-Term Debt

Chair Heydinger moved that the Commission

- Use the Company's proposed capital structure comprised of 52.60% common equity, 40.16% long-term debt, and 7.24% short-term debt.
- Adopt CenterPoint's proposed cost of long-term debt of 5.84 percent.
- Adopt CenterPoint's proposed cost of short-term debt of 0.36 percent.

The motion passed 5-0.

21. Revenue Decoupling

Commissioner Lipschultz moved to order that a full Revenue Decoupling Rider be implemented, with modifications consistent with the Company's Surrebuttal Testimony, as a pilot project for three years, beginning on July 1, 2015.

The motion passed 3-2. Commissioners Boyd and Wergin voted no.

Chair Heydinger moved that the Commission

- Direct that the Company work with parties and interested stakeholders to develop and submit, within 60 days, a compliance filing that includes proposals for:
    a. annual Evaluation Reports that provide the same (or similar) information as required in the Company's first revenue decoupling pilot program (Docket No. G-008/GR-08-1075), and
    b. developing a comprehensive, effective, and meaningful education and consumer outreach program that sets forth the goals of, and explains, revenue decoupling.
- Receive comments from parties and interested stakeholders for 30 days after submission of the Company's proposals.

The motion passed 5-0.

22. Return on Equity

Commissioner Lipschultz moved to adopt the Department's recommended cost of equity of 9.59 percent.

The motion passed 5-0.

Commissioner Boyd moved that the Commission determine that, since it has approved a decoupling mechanism, an adjustment does not need to be made to the cost of equity.

The motion passed 5-0.

Commissioner Boyd moved that the Commission determine that the flotation cost adjustment of 4.196 percent used by the Department and the Company is appropriate.

The motion passed 5-0.

23. Overall Cost of Capital

Commissioner Wergin moved that the Commission adopt an overall cost of capital of 7.42 percent as recommended by the Department and reflected by the ALJ recommendations.

The motion passed 5-0.

24. CCOSS Treatment of Income Tax

Commissioner Boyd moved that the Commission

- Determine that for the Class Cost of Service Study (CCOSS2), taxable income is based on costs within the Cost Allocation and Rate Design model.
- Determine that CenterPoint Energy's Class Cost of Service Study (CCOSS1) allocates income tax expense on the basis of taxable income generated under current rates attributable to each customer class, not on the basis of rate base.

The motion passed 5-0.

25. Allocation of Distribution Costs—Minimum System Study

Chair Heydinger moved that the Commission

- Determine that the minimum system study based on a two-inch pipe as recommended by CenterPoint is appropriate.
- Direct the Company to file a minimum system study based on a one-inch and a zero-inch pipe, in addition to a two inch pipe, in its next rate case.

The motion passed 5-0.

26. Relative Demand Adjustment

Commissioner Lipschultz moved that the Commission take no action on this issue.

The motion passed 5-0.

27. FERC Accounts 911-916—Sales Expense

Commissioner Wergin moved that the Commission Determine that Sales Expenses (FERC Accounts 911-916) should be allocated by:

A. Directly assigning the costs with actual data (if available) to customer classes; or
B. Allocating these expenses by each class's overall revenue responsibility.

The motion passed 5-0.

28. FERC Accounts 901-905—Customer Account Expenses

Commissioner Boyd moved that the Commission determine that the Company appropriately allocated FERC Account 901, 902, 904 and 905 by number of customers and FERC Account 903 by investment-weighted number of locations.

The motion passed 5-0.

29. FERC Accounts 907, 909, and 910 - Customer Service and Informational Expense

Commissioner Wergin moved that the Commission determine that the Company appropriately allocated FERC Accounts 907, 909, and 910, Customer Service and Information Expenses, by number of customer locations.

The motion passed 5-0.

30. FERC Account 928—Regulatory Commission Expenses

Commissioner Boyd moved that the Commission determine that FERC Account 928, Regulatory Commission Expense, should be allocated by Total Production & Distribution O&M Expense less Gas Cost as suggested by the National Association of Regulatory Utility Commissioners Gas Manual.

The motion passed 5-0.

31. Conservation Improvement Program Expenses and Allocation in the CCOSS

Commissioner Lipschultz moved that the Commission accept CenterPoint's proposed allocation of CIP costs.

The motion passed 5-0.

32. Overall Class Cost of Service Study

Commissioner Wergin moved that the Commission accept CenterPoint's CCOSS2 as modified to reflect any adjustments the Commission has made above.

The motion passed 5-0.

33. Class Cost of Service Study in Next Rate Case

Commissioner Lipschultz moved that the Commission require CenterPoint to, in its next rate case, provide a description and an explanation of each classification and allocation methods used in the Class Cost of Service Study and to justify why each method is appropriate and superior to alternative methods considered, including the methods identified in the Gas Manual and based on the Company's specific system requirements (engineering and operating characteristics) and experience.

The motion passed 5-0.

34. Class Cost of Service Study—Precision

Chair Heydinger moved that the Commission determine that although a CCOSS is not precise, it can be a useful tool for setting rates.

The motion passed 5-0.

35. Revenue Allocation

Commissioner Lange moved that the Commission

- Adopt the Company's proposed revenue allocation.
- Require CenterPoint, in its next general rate case, to address in detail and in its initial filing, the reasonableness of allocating capacity-related costs to ICCC customers along with a discussion of each capacity-related cost that is avoided due to the ICCC customers taking interruptible service and each capacity related-cost that would be incurred if an ICCC customer switched to firm service.
- Require CenterPoint, in its next general rate case, to present in the public summary schedules the allocation of revenue responsibility for each customer class that is listed in its tariff and not combine customer classes together when presenting its summary of the proposed revenue allocation.

The motion passed 5-0.

36. Residential Basic Monthly Service Charges and Per Therm Delivery Charges

Commissioner Lange moved that the Commission adopt the Department's recommendation to increase the Residential monthly charge to $9.50, with an appropriately adjusted per therm charge to meet the class revenue apportionment and reject ALJ Finding #706.

The motion passed 5-0.

37. Small Volume Commercial and Industrial Customers Basic Monthly Service Charges and Per Therm Delivery Charges

Commissioner Lange moved that the Commission adopt the Company's and the DOC's proposal and the ALJ's recommendation to increase the SV C&I- Firm A monthly basic customer charge to $15, SV C&I – Firm B monthly basic customer charge to $21 and to keep the SV C&I – Firm C monthly basic customer charge unchanged at $43, with appropriately adjusted per-therm charges to meet the class revenue apportionment.

The motion passed 5-0.

38. Small Volume Dual Fuel, Large Volume Dual Fuel, and Transportation Class Fixed Monthly Basic Customer Charge

Commissioner Wergin moved that the Commission adopt the Department's, CPE's, and the ALJ's recommendation to Change the Monthly Basic Customer Charges accordingly:

- SVDF – A customers decrease from $60 to $50
- SVDF – B customer decrease from $90 to $80
- LVDF – Sales: increase from $600 to $700
- LVDF – Transportation: increase from $700 to $900
- LVF – Transportation: increase from $700 to $900

The motion passed 5-0.

39. Supplied Meter Communications Rider

Commissioner Boyd moved that the Commission adopt the ALJ's finding that the new monthly fee under the Supplied Meter Communications Rider should be $17, as agreed by the Company and the Department.

The motion passed 5-0.

40. Reconnection Fee

Commissioner Wergin moved that the Commission

- Determine CenterPoint's reconnection fee should be set at $28.
- Determine that any new, revised reconnection fee requires an adjustment to Other Revenue.
- Require the Company to include in its compliance filing a calculation showing the adjustment amount to the interim rate refund.

The motion passed 5-0.

41. Interim Rate Refund Adjustment for Reconnection Fee

Commissioner Wergin moved that if, in future rate cases, CenterPoint proposes an interim rate refund adjustment as a result of a Reconnection Fee increase, instruct the Company to calculate and disclose its proposed adjustment amount at the time it proposes the adjustment.

The motion passed 5-0.

42. ALJ's Report

Commissioner Lipschultz moved that the Commission adopt the ALJ's Report and recommendation as consistent with the decisions made by the Commission set forth herein.

The motion passed 5-0.

43. Employee Retirement Benefits—Qualified Pension Expense

Commissioner Wergin moved that the Commission adopt the Department's recommended revisions to ALJ Findings 370 and 371, as outlined in the Department's Exceptions.

The motion passed 5-0.

44. General Housekeeping and Compliance Issues

Commissioner Wergin moved that the Commission

- State that the final order in this docket shall contain summary financial schedules including: a calculation of CenterPoint's authorized cost of capital, a rate base summary, an operating income statement summary, a gross revenue deficiency calculation, and a statement of the total allowed revenues. Direct parties to work with Commission staff to prepare such schedules for inclusion in the Order, should modifications be necessary to reflect the Commission's final decision.
- Require CenterPoint to make the following compliance filings within 30 days of the date of the final order in this docket:

  a. Revised schedules of rates and charges reflecting the revenue requirement and the rate design decisions herein, along with the proposed effective date, and including the following information:

     i. Breakdown of Total Operating Revenues by type;
     ii. Schedules showing all billing determinants for the retail sales (and sale for resale) of natural gas. These schedules shall include but not be limited to:
        1. Total revenue by customer class;
        2. Total number of customers, the customer charge and total customer charge revenue by customer class; and
        3. For each customer class, the total number of commodity and demand related billing units, the per unit of commodity and demand cost of gas, the non-gas margin, and the total commodity and demand related sales revenues.
     iii. Revised tariff sheets incorporating authorized rate design decisions;
     iv. Proposed customer notices explaining the final rates, the monthly basic service charges, and any and all changes to rate design and customer billing.

  b. A revised base cost of gas, supporting schedules, and revised fuel adjustment tariffs to be in effect on the date final rates are implemented.

  c. A summary listing of all other rate riders and charges in effect, and continuing, after the date final rates are implemented.

d. Direct CenterPoint to file a computation of the CCRC based upon the decisions made herein for inclusion in the final Order. Direct CenterPoint to file a schedule detailing the CIP tracker balance at the beginning of interim rates, the revenues (CCRC and CIP Adjustment Factor) and costs recorded during the period of interim rates, and the CIP tracker balance at the time final rates become effective

e. If final authorized rates are lower than interim rates, a proposal to make refunds of interim rates, including interest to affected customers.

- Authorize comments on all compliance filings within 30 days of the date they are filed. However, comments are not necessary on CenterPoint Energy's proposed customer notice.
- State that the written order memorializing these decisions may rearrange, reorganize, or renumber the items included as necessary for clarity and may standardize or correct abbreviations, punctuation, and format.

The motion passed 5-0.

There being no further business, the meeting was adjourned.

APPROVED BY THE COMMISSION: June 11, 2014

Burl W. Haar

Burl W. Haar, Executive Secretary