CenterPoint Energy

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August 16, 2024

Mr. Will Seuffert **VIA E-FILING**
Acting Executive Secretary, General Counsel
Minnesota Public Utilities Commission
121 East 7th Place, Suite 350
St. Paul, MN 55101-2147

RE: CenterPoint Energy 's Request for Change in Demand Units
Docket No. G008/M-24-146 – REPLY COMMENTS

Dear Mr. Seuffert:

On April 1, 2024, CenterPoint Energy (the "Company") petitioned for a change in contract demand entitlement to be effective April 1, 2024.

On July 31, 2024, the Department of Commerce, Division of Energy Resources (the "Department") filed Comments regarding the Company's petition. The Department had outstanding questions that they would like a response from the Company prior to making recommendations on Docket 24-146. The Company appreciates the Departments review and is always willing to answer any questions that the Department may have in their research of reports submitted by the Company. This letter includes a response to each of the Department's concerns listed below:

1. The Company's [TRADE SECRET BEGINS… inability to provide a comparison of the costs of the Tenaska agreement with another alternative …TRADE SECRET ENDS] pushes the Department towards requesting additional information or denying the Company's request. The Department decided to wait until we had opportunity to calculate the costs and benefits of the Tenaska agreement relative to potential gas price spikes before making a recommendation. (Page 14)

   CenterPoint's objective in developing its Gas Procurement Plan is to provide guidance that will lead to the acquisition of a diversified gas supply portfolio consisting of an appropriate combination of gas supply contracts, storage and hedging instruments that yield a balance of reliability, price protection (and, correspondingly, stability of the gas supply cost billed to its customers) and reasonable price. Hedging is a strategy to reduce risk and the level of volatility in price. It is important and necessary to recognize the purpose of hedging is not overall cost reduction, but to provide price protection during peak Winter months.

The most successful way to accomplish price protection and reasonable price for customers is through the Company's hedging program which consists of storage and baseload hedges. The most valuable component of a hedging program is storage, which is why CenterPoint has and will continue to actively monitor the market for any storage opportunities where the acquisition makes reasonable and prudent sense to add to its supply portfolio. Hence the reason CenterPoint elected to partner with Tenaska and participate in the East Cheyenne Open Seasons.

As CenterPoint discusses on page 3 of the April 1, 2024, filing, it is extremely rare for the Company to have the opportunity to even take part in the bidding process for storage, let alone, successfully be awarded the storage capacity for the simple fact that these opportunities are few and far between and even more of a scarcity where the corresponding transportation capacity is also available. In today's market, the Company does not have the luxury of comparing multiple storage options. Rather CenterPoint must have the ability to react quickly and make prudent decisions to what is currently available in the market to achieve its ultimate procurement goal of price stabilization and price protection for its customers, whether the opportunity be one the Company can bid upon itself or is a creative partnership with a reliable and established supplier.

There currently is no storage capacity available directly tied to CenterPoint's distribution system on Northern Natural Gas Company ("NNG"). All acquisitions will come at minimum cost of not only the demand rate associated with max tariff rate storage capacity, but the added cost of transportation to receive storage supply onto NNG. It is also unreasonable to compare any costs associated with long-term pipeline storage CenterPoint currently has in its supply portfolio because these transactions were procured in the past and the market has significantly changed for the valuation of storage.

The below chart shows all storage assets in CenterPoint's supply portfolio.

Storage Type	Date of Transaction	Term	MSQ	Annual Rate	Monthly Rate	Annual Demand
NNG	February 2017	June 2017 - May 2032	3,291,777	$ 1.346	$ 0.112	$ 4,431,740
NGPL	July 2018	May 2019 - April 2034	15,823,950	$ 1.430	$ 0.119	$ 22,635,765
Marketer Storage (BP)	July 2021	May 2022 - April 2025	10,000,000	$ 1.735	$ 0.145	$ 17,350,000
East Cheyenne	February 2023	April 2024 - March 2029	2,500,000	$ 3.800	$ 0.317	$ 9,500,000
		Portfolio Total	**31,615,727**	**$ 1.705**	**$ 0.142**	**$ 53,917,505**

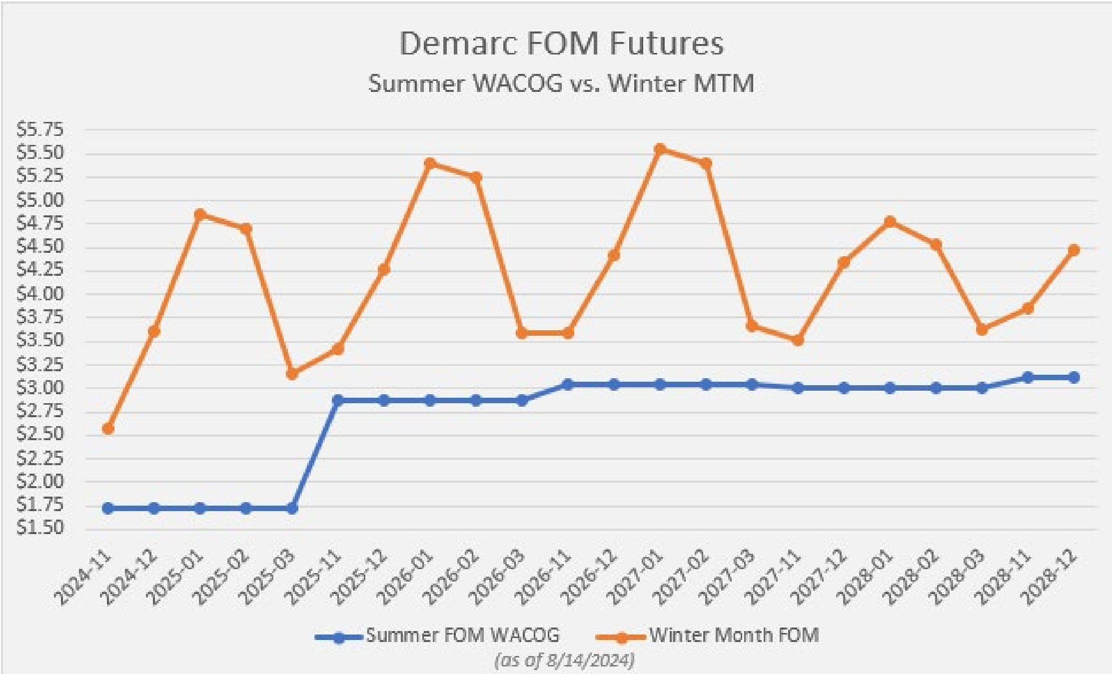
- NNG and NGPL are storage assets where the Company directly holds the storage capacity and transportation capacity with the pipeline, which were executed back in 2017 and 2018;
- NGPL rate also includes the NGPL demand rate associated with the transportation it takes to deliver supply onto NNG;

- As mentioned previously, there is currently no storage capacity available on NNG, and also neither on NGPL where there is corresponding transportation capacity available to deliver into NNG;
- Marketer storage is a virtual storage deal where the rate includes all storage and transportation demand charges to deliver into NNG;
- East Cheyenne includes all storage and transportation demand charges to deliver into NNG.

The increase in demand cost valuation for storage acquisitions over the last 8-years demonstrates how valuable these assets are to providing price protection at Summer index prices. As you can see from our portfolio and points mentioned previously, CenterPoint is faced with challenges of there currently being no storage production available in its service territory. The need for storage is apparent and it must be realized in order for the Company to expand its supply portfolio in this aspect, it must be creative and seek opportunities which could potentially be more costly than historical shown.

To restate the events leading up to being awarded this acquisition, Tenaska was unsuccessful in being awarded the capacity the first round of the East Cheyenne Open Season when the annual demand rate submitted in the offer was lower than the awarded storage agreement at $3.80. Given this and the illustrations provided in theoretical savings CenterPoint could have endured had this transaction existed in its supply portfolio at the time of Winter Storm Uri, the Company decided to pursue the opportunity of participating in the second round of East Cheyenne Open Season.

The following illustration shows a theoretical example of what a futures look is on “Inside FERC, First-of-the-Month, NNG-Demarc” settlements for the Summer months, creating a Summer weighted average cost of gas, versus the Winter months from April 2024 to December 2028. It is important to note this is only comparing the “Inside FERC, First-of-the-Month” settlements that exists between the different seasons. Factoring in the high volatility in the gas daily market would even further skew this curve.



**Inside FERC, First-of-the-Month, NNG-Demarc futures prices are as of 8/14/2024.*

The following illustration shows a theoretical example of what savings CenterPoint could potentially endure in the future having the East Cheyenne storage in place with max withdrawal deliverability and a repeat event happened with the daily price spikes from Winter Storm Uri. This is based on "Inside FERC, First-of-the-Month, NNG-Demarc" futures settlements for the Summer months, creating a Summer weighted average cost of gas, versus the gas daily settlements of NNG-Demarc from 2/12/2021 to 2/21/2021.

Year	Sum of Summer WACOG $	Sum of Uri GDD $	Sum of Storage Savings $
2025	552,744	33,509,100	32,956,356
2026	862,380	33,509,100	32,646,720
2027	915,120	33,509,100	32,593,980
2028	901,230	33,509,100	32,607,870
2029	934,020	33,509,100	32,575,080
Grand Total	**4,165,494**	**167,545,500**	**163,380,006**

**Inside FERC, First-of-the-Month, NNG-Demarc futures prices are as of 8/14/2024.*

The Department notes from the illustration it presented in Department Exhibit 3 the value and impact this storage transaction would have had to customers creating significant potential savings had it been in place during Winter Storm Uri.

2. Department requests that CenterPoint provide a discussion regarding each of the three topics included in the reporting requirement in its reply comments. It is difficult for the Department to recommend approval of an expense of this

magnitude if the applicant hasn't made definitive statements in response to a reporting requirement in a Commission Order that pertains directly to the topic.(Page 19)

- How changes to pipeline capacity can affect suppler diversity;

  Adding pipeline or storage capacity, in this case East Cheyenne storage, creates diversity in the sense that the transaction is tied to a different geographical storage field located in Logan County, CO, delivered into NNG at NNG-Demarc which is a different supply receipt point than CenterPoint's other storage agreements, and tied to a different supplier than the Company's current marketer storage, Tenaska. In summary, the below chart is a listing of all storage agreements and each corresponding indexand geographical location:

Storage Type	Index	Location
NNG	Blend of supply on NNG (NNG-Ventura, NNG-Demarc, VGT-Emerson)	Kansas/Iowa
NGPL	NGPL - Midcon Pool	Illinois/Iowa
Marketer Storage (BP)	NNG - Ventura	Virtual
East Cheyenne	NNG - Demarc	Colorado

- If pipeline capacity comes at a cost premium but increases supplier diversity;

  For the reasons mentioned above. Diversifying the Company's marketer storage portfolio to supply tied to different receipt points introduces price diversity and supply diversity. If for some reason there are pipeline constraints at any of the receipt points causing deliverability issues (ex: force majeure during a cold event) not all storage deliverability would be impacted.

- Provide a meaningful cost-benefit analysis of the tradeoff, including a comparison with the least-cost capacity option.

  In the case of the East Cheyenne storage, there is no reasonable tradeoff to analyze to show a least-cost capacity option. Please refer to CenterPoint's response to Reply Comments, Question 1.

3. The Department also requests that CenterPoint review the information in Department Exhibit 3 to determine if the calculations are correct in its reply comments. The Department also recognizes that the Company likely updated this information at some point in the process in the 21-138 docket. The Department would appreciate any additional information the Company can provide on this topic. (Page 20)

   CenterPoint can agree to the logic presented behind the information in Department Exhibit 3 and appreciates the Department preparing this calculation to confirm the prudency behind and justification of how valuable the East Cheyenne storage acquisition is for its customers. However, without being provided the intricate details behind the savings calculations the Company cannot confirm accuracy of the calculations. If the Department provides the details of the calculations, CenterPoint can confirm accuracy of the analysis.

4. The Department also requests that CenterPoint review the information in TRADE SECRET Table 13 to verify that the information the Department has collected or calculated is correct. (Page 21)

   Please refer to CenterPoint's response to Reply Comments, Question 3. The Company appreciates the analysis and Comments provided by the Department and is willing to provide any information that the Department may need to complete its review.

If you have any questions or require additional information, please contact me at 612.321.4677 or Donald.Wynia@CenterPointEnergy.com.

Sincerely,

/s/
Donald W. Wynia
Regulatory Analyst

cc: Service List

<u>**CERTIFICATE OF SERVICE**</u>

I, Jessica R. Barnard served the above Reply Comments in response to the July 31, 2024, *Comments* filed by the Minnesota Department of Commerce (Docket No. G-008/M-24-146) to all persons at the addresses indicated on the attached list by having the document delivered by electronic filing.

<u>*/s/ Jessica R. Barnard*</u>
Analyst, Regulatory & Rates

Date: August 16, 2024