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May 10, 2019

Via Electronic Filing

Mr. Daniel Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

RE: CenterPoint Energy Resources Corp.,
d/b/a CenterPoint Energy Minnesota Gas (CenterPoint Energy)
2018 Annual Service Quality Report
Docket No. G-008/M-19-300

Dear Mr. Wolf:

On April 1, 2019, the Company filed a Letter in compliance with the Stipulation filed in Docket No. G-008/AI-18-517 (*In the Matter of the Petition of CenterPoint Energy for Approval of an Affiliated Interest Agreement between CenterPoint Energy Minnesota Gas and Minnesota Limited*). Pursuant to Condition 10 of the Stipulation, the Company worked with the Department of Commerce, Division of Energy Resources ("DOC" or "Department") and the Office of the Attorney General, Residential Utilities Division ("OAG") to develop metrics and reporting requirements related to the Company's investments under its Distribution and Transmission Integrity Management Plans ("DIMP" and "TIMP"). Specifically, Condition 10 requires:

10. *TIMP and DIMP reporting metrics:*

In order to provide additional information on its ongoing TIMP and DIMP investments, CPEM agrees to work together with the OAG and DOC to develop metrics and reporting requirements related to safety, reliability and cost effectiveness of CPEM's TIMP and DIMP expenditures and submit a report by April 1, 2019 on the result of those discussions. The Parties agree to explore various metrics and/or reporting requirements, including but not limited to: leak rate by pipe material; causes of leaks/incidents; quantification of system risk; quantification of reduction to system risk; unit cost by pipe material; comparison of budgeted to actual costs; and quantification of cost savings resulting from reduced leaks.

The Company met with representatives from the Department and OAG on February 1, 2019 and discussed the proposed DIMP and TIMP metrics. The proposed TIMP and DIMP metrics were filed by the Company in a Letter dated April 1, 2019 (see Exhibit 2 of the Letter; Docket No. G-008/AI-18-517).

Furthermore, the Order accepting our 2017 Service Quality Report (Docket No. G-008/M-18-312) states:

In its 2018 Annual Gas Service Quality Report, CenterPoint must file:

- a. the utility's filing under 49 CFR 192.1007 (e): integrity management plan performance measures; monitoring results; and evaluation of effectiveness in a manner to establish a baseline for ongoing reporting.*

The first set of these integrity management metrics were filed on May 1, 2019 as Schedules 18a – 18j in our 2018 Annual Service Quality Report. As stated in our initial filing in this docket, we are now providing the remaining integrity management metrics in Schedules 18k, 18l, and 18m.

- Schedule 18k reports the unit cost installed by project (all costs exclude overhead). For Transmission Pipeline Integrity projects, this category contains capital costs only, and excludes the costs of replacing attached service lines (as necessary). The costs shown for this category are the costs for pipeline replacement jobs and does not include the costs of other activities within Transmission Pipeline Integrity. For the Transmission Pipeline Replacement, Cast Iron Mains, Copper Service Lines, and Vintage Plastic Pipe projects, the numbers provided in Schedule 18k are all capital costs. For the Remote Control Valves, all costs are capital; however for year-over-year comparability, the costs and quantities for this category are only for those of 8" valve installations, which is the size most frequently installed during Years 2015 – 2018. There is no valve size which was installed in more than two years during that period. For Bare Steel Mains, this category contains all capital costs; the costs and quantities pertain only to pipe replacement, and not cathodic protection. For Inside Meters, this category contains all capital costs, including the costs of replacing service lines that were attached to the moved meters and eligible for replacement.
- Schedule 18l is a comparison of budgeted costs to actual installed costs. For the Transmission Pipeline Integrity capital and expense, the Year 2018 estimate shown is the original estimate of \$15,330,000 less the \$700,000 the Company had estimated it would spend to comply with the future Notice of Proposed Rulemaking (NOPR) on "Safety of Gas Transmission and Gathering Pipelines." The rate case intervenors and the Company agreed during the pendency of the

case the NOPR would not go into effect during 2018. For the same reason, the 2018 expense estimate shown is reduced from \$9,652,785 to \$6,168,593 (a reduction of \$3,484,192). For Bare Steel Mains, the total capital project costs include main replacements, cathodic protection, and replacement or test-and-connect for service lines attached to old main. For Cast Iron Mains, the construction activity ended in Year 2017; however, minimal costs were recognized in Year 2018, as was the reversal of a contract labor charge from Year 2017.

- Schedule 18m reports the average annual cost to repair leaks by facility.

Please contact me at (612) 321-4625 if you have any questions about this filing.

Sincerely,

/s/

Amber S. Lee
Director, Regulatory Affairs

Enclosures

cc: Attached Service List

CenterPoint Energy
2018 Service Quality Report

2018 Unit Cost Installed by Project

Project	Metric	Total Cost	Quantity	Unit Cost
Transmission Pipeline Integrity	Cost per foot replaced	\$9,846,035	15,852	\$621
Transmission Pipeline Replacement	Cost per foot replaced	\$48,216,174	44,986	\$1,072
Remote Control Valves	Cost per 8" valve installed	N/A	N/A	N/A
Bare Steel Mains	Cost per foot replaced	\$6,155,601	51,126	\$120
Cast Iron Mains	Cost per foot replaced	N/A	N/A	N/A
Copper Service Lines	Cost per service line replaced	\$866,285	380	\$2,280
Inside Meters	Cost per meter moved	\$7,540,681	1,948	\$3,871
Vintage Plastic Pipe	Cost per service line replaced	\$2,015,960	814	\$2,477

3 Year Average Calculations (2015 - 2017)

Transmission Pipe Integrity	Total Cost	Quantity (per foot replaced)	Unit Cost
Year 2015	\$8,759,664	8,811	\$994
Year 2016	\$3,795,406	3,870	\$981
Year 2017	\$9,877,376	12,691	\$778
3 Year Avg	\$7,477,482	8,457	\$918

Transmission Pipeline Replacement	Total Cost	Quantity (per foot replaced)	Unit Cost
Year 2015	\$34,392,743	27,663	\$1,243
Year 2016	\$38,107,293	35,821	\$1,064
Year 2017	\$35,944,008	35,904	\$1,001
3 Year Avg	\$36,148,015	33,129	\$1,103

Remote Control Valves	Total Cost	Quantity (per 8" valve installed)	Unit Cost
Year 2015	\$160,778	4	\$40,195
Year 2016	\$96,964	2	\$48,482
Year 2017	N/A	N/A	N/A
2 Year Avg (2015-2016)	\$128,871	3	\$44,339

Bare Steel Mains	Total Cost	Quantity (per foot replaced)	Unit Cost
Year 2015	\$8,072,973	71,192	\$113
Year 2016	\$6,735,953	73,558	\$92
Year 2017	\$6,404,881	63,667	\$101
3 Year Avg	\$7,071,269	69,472	\$102

Cast Iron Mains	Total Cost	Quantity (per foot replaced)	Unit Cost
Year 2015	\$3,691,553	20,059	\$184
Year 2016	\$8,361,581	15,632	\$535
Year 2017	\$6,703,161	28,438	\$236
3 Year Avg	\$6,252,098	21,376	\$318

Copper Service Lines	Total Cost	Quantity (per svc line replaced)	Unit Cost
Year 2015	\$605,226	203	\$2,981
Year 2016	\$724,418	191	\$3,793
Year 2017	\$331,739	113	\$2,936
3 Year Avg	\$553,794	169	\$3,237

Inside Meters	Total Cost	Quantity (per meter moved)	Unit Cost
Year 2015	\$10,459,941	3,827	\$2,733
Year 2016	\$8,590,898	2,577	\$3,334
Year 2017	\$7,001,228	2,432	\$2,879
3 Year Avg	\$8,684,022	2,945	\$2,982

Vintage Plastic Pipe	Total Cost	Quantity (per svc line replaced)	Unit Cost
Year 2015	N/A	N/A	N/A
Year 2016	\$2,666,336	1,163	\$2,293
Year 2017	\$1,800,941	756	\$2,382
2 Year Avg (2016-2017)	\$2,233,639	960	\$2,338

CenterPoint Energy
2018 Service Quality Report

2018 Comparison of Budgeted Costs to Actual Installed Costs

Project	Estimate	Actual	Actual Over/(Under)
Transmission Pipeline Integrity (TIMP Capital)	\$14,630,000	\$12,242,585	(\$2,387,415)
Transmission Pipeline Integrity (TIMP Expense)	\$6,168,593	\$4,887,376	(\$1,281,217)
Transmission Pipeline Replacement (TIMP Capital)	\$37,073,000	\$48,216,174	\$11,143,174
Remote Control Valves (TIMP Capital)	\$600,000	\$319,671	(\$280,329)
Bare Steel Mains (DIMP Capital)	\$7,338,000	\$6,191,467	(\$1,146,533)
Cast Iron Mains (DIMP Capital; Project Complete)	N/A	N/A	N/A
Copper Service Lines (DIMP Capital)	\$925,000	\$866,285	(\$58,715)
Inside Meters (DIMP Capital)	\$7,999,000	\$7,540,681	(\$458,319)
Legacy Plastic Service Lines (DIMP Capital)	\$1,999,000	\$2,015,960	\$16,960

3 Year Average Calculations (2015 - 2017)

Transmission Pipe Integrity (Capital)	Estimate	Actual	Actual O/(U)
Year 2015	\$13,818,300	\$16,019,299	\$2,200,999
Year 2016	\$9,865,300	\$7,425,365	(\$2,439,935)
Year 2017	\$15,330,000	\$16,513,847	\$1,183,847
3 Year Avg	\$13,004,533	\$13,319,504	\$314,970

Transmission Pipe Integrity (Expense)	Estimate	Actual	Actual O/(U)
Year 2015	\$6,572,358	\$4,822,581	(\$1,749,777)
Year 2016	\$7,865,130	\$4,991,230	(\$2,873,900)
Year 2017	\$5,479,513	\$2,655,408	(\$2,824,105)
3 Year Avg	\$6,639,000	\$4,156,406	(\$2,482,594)

Transmission Pipeline Replacement	Estimate	Actual	Actual O/(U)
Year 2015	\$36,751,200	\$34,392,743	(\$2,358,457)
Year 2016	\$37,713,600	\$38,107,293	\$393,693
Year 2017	\$36,860,000	\$35,944,008	(\$915,992)
3 Year Avg	\$37,108,267	\$36,148,015	(\$960,252)

Remote Control Valves	Estimate	Actual	Actual O/(U)
Year 2015	\$600,000	\$284,513	(\$315,487)
Year 2016	\$600,000	\$181,825	(\$418,175)
Year 2017	\$300,000	\$193,474	(\$106,526)
3 Year Avg	\$500,000	\$219,937	(\$280,063)

Bare Steel Mains	Unit Cost	Actual	Actual O/(U)
Year 2015	\$4,954,491	\$8,638,357	\$3,683,866
Year 2016	\$4,935,681	\$7,316,119	\$2,380,438
Year 2017	\$7,320,000	\$6,599,982	(\$720,018)
3 Year Avg	\$5,736,724	\$7,518,153	\$1,781,429

Cast Iron Mains	Unit Cost	Actual	Actual O/(U)
Year 2015	\$4,215,209	\$3,691,553	(\$523,656)
Year 2016	\$2,885,714	\$8,361,581	\$5,475,867
Year 2017	\$4,441,000	\$6,703,161	\$2,262,161
3 Year Avg	\$3,847,308	\$6,252,098	\$2,404,791

Copper Service Lines	Unit Cost	Actual	Actual O/(U)
Year 2015	\$324,700	\$605,226	\$280,526
Year 2016	\$324,700	\$724,418	\$399,718
Year 2017	\$324,000	\$331,739	\$7,739
3 Year Avg	\$324,467	\$553,794	\$229,328

Inside Meters	Unit Cost	Actual	Actual O/(U)
Year 2015	\$7,999,400	\$10,459,941	\$2,460,541
Year 2016	\$7,999,400	\$8,590,898	\$591,498
Year 2017	\$7,999,000	\$7,001,228	(\$997,772)
3 Year Avg	\$7,999,267	\$8,684,022	\$684,756

Legacy Plastic Service Lines (started Year 2016) *	Unit Cost	Actual	Actual O/(U)
Year 2015	N/A	N/A	N/A
Year 2016	\$1,997,500	\$2,666,336	\$668,836
Year 2017	\$1,999,000	\$1,800,941	(\$198,059)
2 Year Avg (2016-2017)	\$1,998,250	\$2,233,639	\$235,389

**CenterPoint Energy
2018 Service Quality Report**

2018 Average Annual Cost to Repair Leaks by Facility

	Number	Repair Cost	Average Cost
All Leak Repairs	13,122	\$5,676,252	\$433
All Mains	608	\$1,890,446	\$3,109
All Meters	10,333	\$1,920,610	\$186
All Service Lines	2,181	\$1,865,196	\$855
Capitalized Leak Repairs	597	\$1,120,359	\$1,877
Mains (capitalized)	58	\$582,904	\$10,050
Meters (capitalized)	399	\$214,996	\$539
Service Lines (capitalized)	140	\$322,459	\$2,303
Expensed Leak Repairs	12,525	\$4,555,893	\$364
Mains (expensed)	550	\$1,307,542	\$2,377
Meters (expensed)	9,934	\$1,705,614	\$172
Service Lines (expensed)	2,041	\$1,542,737	\$756

3 Year Average Calculations (2015 - 2017)

All Leak Repairs - Mains	Number	Repair Cost	Avg Cost
Year 2015	402	\$1,389,966	\$3,458
Year 2016	336	\$754,222	\$2,245
Year 2017	446	\$1,216,844	\$2,728
3 Year Avg	395	\$1,120,344	\$2,839

Capital Leak Repairs - Meters	Number	Repair Cost	Avg Cost
Year 2015	196	\$91,535	\$467
Year 2016	285	\$127,741	\$448
Year 2017	411	\$185,622	\$452
3 Year Avg	297	\$134,966	\$454

Expensed Leak Repairs - Svc Lines	Number	Repair Cost	Avg Cost
Year 2015	1,349	\$762,637	\$565
Year 2016	1,388	\$667,464	\$481
Year 2017	1,892	\$1,041,082	\$550
3 Year Avg	1,543	\$823,728	\$534

All Leak Repairs - Meters	Number	Repair Cost	Avg Cost
Year 2015	9,654	\$1,364,170	\$141
Year 2016	9,159	\$1,271,005	\$139
Year 2017	10,594	\$1,700,643	\$161
3 Year Avg	9,802	\$1,445,273	\$147

Capital Leak Repairs - Svc Lines	Number	Repair Cost	Avg Cost
Year 2015	152	\$382,624	\$2,517
Year 2016	114	\$234,921	\$2,061
Year 2017	121	\$267,535	\$2,211
3 Year Avg	129	\$295,027	\$2,287

All Leak Repairs - Service Lines	Number	Repair Cost	Avg Cost
Year 2015	1,501	\$1,145,260	\$763
Year 2016	1,502	\$902,384	\$601
Year 2017	2,013	\$1,308,617	\$650
3 Year Avg	1,672	\$1,118,754	\$669

Expensed Leak Repairs - Mains	Number	Repair Cost	Avg Cost
Year 2015	328	\$924,743	\$2,819
Year 2016	297	\$643,217	\$2,166
Year 2017	395	\$914,259	\$2,315
3 Year Avg	340	\$827,406	\$2,434

Capital Leak Repairs - Mains	Number	Repair Cost	Avg Cost
Year 2015	74	\$465,223	\$6,287
Year 2016	39	\$111,005	\$2,846
Year 2017	51	\$302,585	\$5,933
3 Year Avg	55	\$292,938	\$5,359

Expensed Leak Repairs - Meters	Number	Repair Cost	Avg Cost
Year 2015	9,458	\$1,272,635	\$135
Year 2016	8,874	\$1,143,264	\$129
Year 2017	10,183	\$1,515,020	\$149
3 Year Avg	9,505	\$1,310,306	\$138

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
David	Aafedt	daafedt@winthrop.com	Winthrop & Weinstine, P.A.	Suite 3500, 225 South Sixth Street Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_19-300_M-19-300
James J.	Bertrand	james.bertrand@stinson.com	Stinson Leonard Street LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-300_M-19-300
Brenda A.	Bjorklund	brenda.bjorklund@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-300_M-19-300
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_19-300_M-19-300
Ian	Dobson	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_19-300_M-19-300
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Robert	Harding	robert.harding@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 55101	Electronic Service	No	OFF_SL_19-300_M-19-300
Amber	Lee	Amber.Lee@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-300_M-19-300
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_19-300_M-19-300

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-300_M-19-300
Samantha	Norris	samanthanorris@alliantenergy.com	Interstate Power and Light Company	200 1st Street SE PO Box 351 Cedar Rapids, IA 524060351	Electronic Service	No	OFF_SL_19-300_M-19-300
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	7400 Lyndale Ave S Ste 190 Richfield, MN 55423	Electronic Service	No	OFF_SL_19-300_M-19-300
Peggy	Sorum	peggy.sorum@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-300_M-19-300
James M	Strommen	jstrommen@kennedy-graven.com	Kennedy & Graven, Chartered	200 S 6th St Ste 470 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-300_M-19-300
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_19-300_M-19-300
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_19-300_M-19-300