

November 25, 2019

Daniel P. Wolf
Executive Director
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, Minnesota 55101-2147

RE: **Response Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G008/MR-19-525

Dear Mr. Wolf:

Attached are the *Response Comments* of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

A New Base Cost of Gas Filing (PGA Zero-Out) in CenterPoint Energy Minnesota Gas' General Rate Filing.

The *Petition* was filed on October 28, 2019 by:

Marie M. Doyle
Rates Analyst
CenterPoint Energy
505 Nicollet Mall
Minneapolis, Minnesota 55402

Based on its review of CenterPoint Energy Minnesota Gas' (CenterPoint's) *Reply Comments*, the Department recommends that the Minnesota Public Utilities Commission (Commission) **approve** CenterPoint's base cost of gas.

The Department is available to answer any questions that the Commission may have.

Sincerely,

/s/ DANIEL BECKETT
Rates Analyst

DB/ja
Attachment



Before the Minnesota Public Utilities Commission
Response Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket No. G008/MR-19-525

I. SUMMARY OF CENTERPOINT ENERGY'S PROPOSAL

CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas (CenterPoint or the Company), requests that the Minnesota Public Utilities Commission (Commission) approve a new base cost of gas to coincide with the proposed January 1, 2020 implementation of interim rates requested in its general rate case (Docket No. G008/GR-19-524).

On November 12, 2019, the Minnesota Department of Commerce, Division of Energy Resources (Department) filed its *Comments* on the matter and withheld a recommendation for the Commission until the Company updated its commodity cost schedule for the test year to include forecasted Ventura basis prices. Additionally, the Department noted some discrepancies between the demand costs in this proceeding versus the Company's 2019 purchased gas agreement (PGA), as well as minor differences in demand and commodity costs of gas as they relate to incurred versus recovered.

On November 19, 2019, the Company filed its *Reply Comments*, including updated schedules that contained forecasted Ventura basis prices. The Company also provided context for the discrepancies between the November 2019 PGA and rate case demand costs, as well as the minor differences in demand and commodity costs of gas related to incurred versus recovered.

II. THE DEPARTMENT'S ANALYSIS

The Department reviewed the Company's *Reply Comments* and appreciates the additional context given to the minor differences between the base cost of gas filing and its November 2019 PGA, as well as the small difference in estimated incurred versus recovered demand costs. The Department notes that these are similar to prior rate cases and agrees with the Company that a change in the base cost of gas is not necessary.

The Company stated in its *Reply Comments* that it was able to obtain Ventura basis futures from a different source than it had in previous years. The Company stated that it used the same method for estimating commodity costs as it has in previous rate cases, the only difference being a lack of publicly available data regarding Ventura basis futures from the Chicago Mercantile Exchange (CME) group.

The estimated commodity cost in the rate case is \$3.0026 per dekatherm for the test year, which only includes New York Mercantile Exchange (NYMEX) estimates of prices delivered to Henry Hub in Louisiana. The updated commodity cost that incorporates forecasted Ventura basis differentials is \$3.2161 per dekatherm over the test year. The Company stated that it does not propose increasing

the base cost of gas based on the updated Ventura basis differentials. CenterPoint further explained that an updated base cost of gas would require updated schedules in the rate case and corresponding changes to several revenue items, including the overall revenue requirement. The Company also stated that in previous rate cases it has updated the cost of gas during the rate case process. For illustrative purposes, the Company provided an updated Schedule 38 reflecting the change in cost of gas.

The Department does not object to the Company's proposal to maintain its originally filed base cost of gas. The Department notes that it has been the practice for the Company to adjust the base cost of gas during the rate case proceeding once actual prices become known, and if, or when, forecasts of future prices change.¹ The Department appreciates that CenterPoint obtained forecasted Ventura basis prices; the information is useful in anticipating what the future updated base cost of gas may be.

III. THE DEPARTMENT'S RECOMMENDATIONS

Based on its review of the Company's *Reply Comments*, the Department recommends that the Commission **approve** the Company's base cost of gas filing.

/ja

¹ See the Company's February 5, 2018 Compliance Filing in Docket Nos. G008/GR-17-285 (Rate Case) and G008/MR-17-591 (Base Cost of Gas) as an example.

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Response Comments**

Docket No. G008/MR-19-525

Dated this 25th day of **November 2019**

/s/Sharon Ferguson

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